

The Informed Employee

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The *Informed Employee* is published 2-3 times a year by University Human Resource Services for approximately 15,000 full-time appointed staff and academic employees across the eight Indiana University campuses.

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Annual Open Enrollment

Once a year, full-time employees have the opportunity to make changes in health care and Personal Accident Insurance coverages and to enroll in the university's Tax Saver Benefit (TSB) Plan.

If participants in IU-sponsored health care or Personal Accident coverage take no action during Open Enrollment, current enrollment will continue at the 2003 contribution rates with the exception of participants in plans that are being discontinued for 2003. Participants in the IU Precision POS and IU Health Plan POS who do not change plans or discontinue coverage during Open Enrollment will be automatically enrolled in the IU PPO-Plus plan. Likewise, participants in the DHMO option of the IU Dental Plan will be automatically enrolled in the dental PPO unless the participant discontinues dental coverage for 2003.

Participation in the university's TSB plan is required each

year by the IRS to take advantage of pre-tax reimbursement of health and dependent care expenses. Employees do not need to be enrolled in an IU-sponsored health plan to take advantage of the TSB plan.

The Open Enrollment period takes place during November of each year, with enrollment changes becoming effective on January 1. This is an opportunity to:

- Select a different medical plan or drop a plan.
- Add or drop dependents.
- Add or drop dental coverage (if eligible).
- Add, drop, or change Personal Accident Insurance.
- Allocate contributions for pre-tax reimbursement of 2003 health care and/or dependent care expenses (TSB).

An Open Enrollment packet with additional information and enrollment forms will be sent to full-time appointed employees in mid-October through campus mail. The deadline for submitting Open Enrollment forms is November 22, 2002.

Group Life Insurance TIAA Sells Business to The Standard

TIAA currently provides underwriting and certain administrative services for the university's group life insurance plans, including Basic Life Insurance and Supplemental Life Insurance. Recently, TIAA announced a strategic decision to sell their group insurance business to Standard Insurance Company (The Standard) subject to New York State Insurance Department approval. The finalization of this business transfer is not expected to take place for several more months.

Representatives from both TIAA and The Standard have indicated to the university that this business decision should have no significant impact on the university or the associated group insurance plans. The Standard has verbally guaranteed the university their intention is to retain the university's group life insurance coverages as stated in TIAA plan documents, and that they will meet or exceed customer service expectations.

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Ghost Employment is Wrong and it is Illegal

Under Indiana Code 35-44-2-4, Ghost Employment is a Class D felony. Following are examples of ghost employment:

- Supervisor assigning duties not related to the operations of the university
- Employee accepting payment for performance of duties not related to the operations of the university
- Supervisor recording an employee as working for the university when he/she is not working
- Employee performing work for another entity or "outside" business, while recorded as working for the university

Ghost employment can be as small a task as picking up a supervisor's laundry to repairing non-university property (e.g. computer equipment, buildings)—both situations are considered ghost employment.

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2003 Health Care Plans 18.4 Percent Increase in Medical Premiums

For 2003, there will be an 18.4 percent increase in the weighted average adjustment in medical premiums for the university's six medical plan options. There will also be a 15.6 percent increase in dental premiums.

The above are adjustments in total premiums, and employee contributions will increase or decrease based on the difference between total premium and the university's contribution amount. For 2003, the university will contribute the following toward enrollment in medical and dental plan coverage:

2003 UNIVERSITY CONTRIBUTIONS

	MEDICAL	DENTAL
Employee Only	\$3,488.90	\$195.02
Employee/Child(ren)	\$6,070.88	\$278.04
Employee/Spouse	\$7,375.69	\$375.70
Family	\$7,929.07	\$529.04

Note: The university will contribute a greater amount for nonexempt staff with a base salary of less than \$23,005.

University contributions for dental coverage will increase by 15.6 percent and university contributions for medical coverage will increase by 18.4 percent.

See page 3 for a list of 2003 medical premiums and employee contributions.

Highlights of Modifications

- **IU Dental Plan**—DHMO option will be discontinued effective December 31, 2002. Current DHMO participants who do not drop coverage during Open Enrollment will be automatically enrolled in the DPPO option. Employees will be able to select dental coverage with or without medical coverage; coverage levels (i.e., covered dependents) may be different for medical and dental.

Partners HMO—No plan changes.

- **M-Plan**—\$100 copay added for biotech prescriptions (e.g., hemophilia factors); prior authorization requirement added for certain drugs; \$1,000 copay on morbid obesity surgery.

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2003 Health Care Plans
(from page 1)

- **Blue Preferred Primary POS**—Availability of this plan has been expanded to Indianapolis and surrounding counties. No benefit plan feature changes.
- **IU Health Plan POS**—This plan will be discontinued effective December 31, 2002. Current participants may enroll in another plan during Open Enrollment; if no action is taken, the participant will automatically be enrolled in IU PPO-Plus effective January 1, 2003.
- **IU Precision POS**—This plan will be discontinued effective December 31, 2002. Current participants may enroll in another plan during Open Enrollment; if no action is taken, the participant will automatically be enrolled in IU PPO-Plus effective January 1, 2003.
- **IU PPO \$900 Deductible**—Outside the Anthem service area, BlueCares PPO network providers must be used in order to receive In-Network benefits. The Anthem service area includes Indiana, Ohio, and Kentucky.
- **IU PPO Plus**— Outside the Anthem service area, BlueCares PPO network providers must be used in order to receive In-Network benefits. The Anthem service area includes Indiana, Ohio, and Kentucky.
- **IU PPO Choice**—No plan changes.

Tax Saver Benefit (TSB) Plan

IRS Rule Changes

TSB Dependent Care Reimbursement Accounts

Employees who participate in the IU TSB Dependent Care Reimbursement Account may want to re-evaluate their participation for 2003 due to IRS changes that become effective January 1, 2003. Individuals may obtain child care tax advantages in one of two ways: either use a pre-tax dependent

care account (like the IU TSB Plan) or claim the same expenses as a child care credit on the federal income tax return. *Employees cannot do both.* Because the IRS has increased the child care tax credit to \$3,000 for one child and \$6,000 for more than one child, this method may be advantageous to those making up to \$45,000 annually. For more information contact your tax advisor.

TSB Medical Reimbursement Accounts

A recent IRS ruling allows the cost of treating obesity to be an eligible expense under pre-tax reimbursement accounts. Eligible expenses include exercise programs, prescription drugs, and office visits. Costs for diet food and over-the-counter diet aids (those that do not require a physician prescription) are not eligible expenses. In order to obtain TSB reimbursement, documentation of a Body Mass Index (BMI) of 30 or more is required. For questions about related allowable expenses under TSB, contact Nyhart prior to enrollment.

TSB Claim Filing Reminders

- Expenses must be incurred before they are reimbursed. Reimbursement cannot be made in advance for services that are anticipated but not yet incurred.
- Claims must include documentation of the date(s) of services for the claim. This means that claims for reimbursement for day care need to include a bill or receipt that verifies the time period covered by the charges. Some employees may not have provided this documentation in the past; however, the requirement will be enforced in 2003.
- Claims for health and dependent care reimbursements must be incurred during the plan year and submitted by March 31 of the following year.

TSB Salary Reduction Schedule Changes

Benefit plan and payroll functions will convert to the Human Resource Management System (HRMS) on January 1, 2003. This conversion necessitates certain changes in the TSB salary reduction schedule. For employees on a biweekly payroll schedule, the annual election amount will be divided into 26 equal payments and a reduction will be taken from all 26 paychecks. For monthly paid employees, the annual election amount will be divided equally over all twelve paychecks. For employees who receive ten paychecks during the year the contribution will suspend in the months when no paychecks are issued (June and July). The deduction will increase August through December to reach the annual pledge amount by the end of the year.

TSB Participation While on Leave Without Pay (LWOP)

Participants in health or dependent care reimbursement accounts who are on unpaid leave have the option to continue participation during the leave or to suspend participation by submitting a Change in Status form. If the employee continues to participate during unpaid leave, regular contributions must continue on an after-tax basis until the employee returns to a paid status.

An employee on leave at the beginning of a calendar year may enroll in the TSB plan; however, regular contributions must be made until the employee returns to work. The employee will be billed for contributions while on unpaid leave. Failure to pay billed contributions will result in suspension of the employee's participation in TSB. Expenses incurred during any period of TSB suspension are not eligible for reimbursement.

How the TSB Plan Saves Money

Suppose an eye care professional tells you that a pair of glasses cost \$262, but a \$62 mail-in rebate is available to make the cost of the eyeglasses only \$200. Would you take advantage of the rebate? Most people would. The Tax Saver Benefit Plan provides a similar kind of savings—you pay for your health care, then submit a claim to the plan for reimbursement with tax-free income contributed from your regular pay.

Normally, an employee would pay for out-of-pocket health care expenses with after-tax income. By contributing pre-tax income to a TSB account, it is like getting a discount on these bills since you don't have to earn as much money to pay for them. The money contributed to a TSB reimbursement account by automatic salary reduction is not subject to federal, state, local, or FICA taxes. The amount of the savings depends on your income, marital filing status, withholding allowances, and resulting tax rate. For example, a single employee with an annual salary of \$27,000 and no allowances would save approximately 23.65 percent in taxes (12 percent federal, 7.65 percent FICA, 4 percent state and local).

The following is an *example* only and is based on an annual salary of \$27,000. Tax savings will depend on individual tax rate.

Example:

	Not using TSB	Using TSB
Contribution to reimbursement account	\$ 0	\$200
Cost of eyeglasses	\$200	\$200
Income taxes paid on \$200	\$ 62	\$ 0
Amount you must earn to buy eyeglasses	\$262	\$200
Amount saved	\$ 0	\$ 62

Dependent Eligibility IU-sponsored Health Care Plans

Indiana University provides health care benefits to eligible employees and their eligible dependents. Providing these benefits in a consistent and non-discriminatory manner is fundamental to the statutory authority for the existence of these plans and for the receipt of preferential tax treatments for such benefits. The university also has a fiduciary responsibility to manage these plans so that benefits are provided only to eligible individuals, as defined by university policy.

Eligible employees include the employee's spouse as defined by Indiana law or the employee's registered domestic partner and/or children who meet *all* of the criteria below.

- The child has one of the following relationships to the employee, employee's spouse, or domestic partner: biological child, lawfully adopted child, or child for whom the employee, employee's spouse, or domestic partner has been legally appointed sole guardian for an indefinite period of time.
- The child is unmarried.
- The child meets the IRS Section 152 Support Test to be a dependent of the employee or employee's spouse.
- The child is under age 19 (eligibility ends in the month in which the child reaches age 19), or qualifies for Student Eligibility (eligibility ends in the month in which the child reaches age 24), or qualifies for Disabled Child Eligibility.

Student Eligibility—A child over age 18 is eligible until the end of the month in which the child reaches age 24, if the child is a full-time student as defined by IRS Section 151 and continues to meet all other eligibility criteria except for age. The employee must periodically verify student status by providing a school verification letter (stating the dependent is a full-time student) or a registration for the school term (indicating the number of hours attended).

Disabled Child Eligibility—A fully disabled child may be able to continue coverage beyond age 19, so long as the child meets the definition of fully disabled and meets all other eligibility criteria except for age. A fully disabled child is one who is incapable of self-support due to physical or mental disability and who does not have financial resources for support other than the parents. Verification of the child's disability is required periodically.

IRS Support Test—The employee alone, or the employee and employee's spouse together, must provide over half the child's financial support according to IRS requirements; or the employee must meet the IRS Support Test for Divorced or Separated Parents.

IRS Support Test for Divorced or Separated Parents—In general, the parents must meet the following criteria: (1) have at some time been married; (2) individually or together provide over half the child's total support as defined by the IRS; and (3) individually or together have custody of the child for more than half of the year. A child who is primarily supported by, or primarily in the custody of an individual other than the parents, does not meet this test. A child who provides over half of his or her own financial support does not meet this test.

Discontinuation of Dental HMO (DHMO) Option for 2003

IU is committed to providing employees with a choice of health plans. The IU Dental Plan currently offers two coverage options: a Dental PPO and a Dental HMO (DHMO). However, despite meaningful recruitment efforts by two different network administrators, maintaining a DHMO option over the last several years has been problematic. While dentists in other states participate in comprehensive DHMO networks, dentists in Indiana do not generally support this type of managed dental care plan.

University Human Resource Services and campus HR offices have received a variety of complaints from employees about the DHMO option. These include difficulty in finding a DHMO office that will accept new patients; lengthy wait times for appointments; and the inconvenience caused by frequent changes in the DHMO provider network. It is not anticipated that this will change in the foreseeable future. In addition, certain administrative features of the DHMO have not been well received by employees.

For these reasons, the IU Dental Plan DHMO option is being discontinued effective December 31, 2002. Unless an employee drops dental coverage during fall Open Enrollment, DHMO participants will be automatically enrolled into the IU Dental Plan PPO option effective January 1, 2003.

Human Resource Management System—HRMS

HRMS is the university's new information system for managing personnel actions (pay, leaves), benefit plan enrollments, and payroll.

At the end of 2002, the university will install the new HRMS, replacing the current system that has been in use since the early 1980s. HRMS will consist of the four significant components listed below, several of which are designed for Indiana University by Indiana University.

- PeopleSoft will provide the foundation of HRMS, managing data for more than 37,000 active employees.
- Electronic documents (E-Docs) will be the interface that department representatives will use to process numerous HRMS transactions.
- Time Information Management Environment (TIME) is replacing paper timesheets throughout the university.
- IU Information Environment (IUIE) is the decision support and reporting component of HRMS. IUIE is the infrastructure that organizes employee data extracted from PeopleSoft and other administrative systems.

Most employees will have their first contact with HRMS when they receive the pay advices issued in January 2003.

Group Life Insurance

(from page 1)

For example, all enrollment forms and beneficiary designations forms will transfer from TIAA to The Standard.

TIAA indicated that their selection of The Standard came about following a thorough review process. During their search, TIAA sought a company not only compatible in financial strength, but equally committed to providing high quality products and services to customers. The Standard was founded in 1906 and has developed into a leading provider of group insurance. (Financial ratings for the Standard Insurance Company: A.M. Best rating is A, 3rd of 13 and Standard and Poor's rating is A+, 5th of 16.)

The sale of TIAA's group insurance business does not impact any other TIAA and/or CREF products and services.

Ghost Employment

(from page 1)

Ghost employment can result in civil and criminal action against the supervisor and employee, as well as disciplinary action, up to and including termination from the university.

In addition, Indiana University's Financial Policy I-30, Fiscal Misconduct, states that "If any employee knows or suspects that other university employees are engaged in theft, fraud, embezzlement, fiscal misconduct or violation of university financial policies, it is their responsibility to immediately notify the Internal Audit department or the appropriate campus police department."

Ghost employment is wrong and it is illegal.

Clery Act Notice Campus Security and Crime Statistics

In compliance with the Jeanne Clery Disclosure of Campus Security Policy and Crime Statistics Act, the campus police or safety and security department on each Indiana University campus provides information on crime statistics, crime prevention, law enforcement, crime reporting, and other related issues at the following Web sites and/or campus locations:

Bloomington	www.indiana.edu/~iupd/	801 N. Jordan Avenue
Indianapolis	www.police.iupui.edu/	430 N. University Blvd.
Richmond	Campus Police	Middlefork Hall
Kokomo	Campus Safety & Security	Kelley Student Center, Rm. 234D
Gary	www.iun.edu/~policenw/	Tamarack Hall, Room 01
South Bend	www.iusb.edu/~security/	Administration Bldg., Rm.116
New Albany	www.ius.edu/UniversityPolice/	University Center, Rm. 007

2003 Medical Premium Rates (Monthly) 18.4 Percent Increase in Average Premiums

As a result of the weighted increase in medical premiums, IU contributions for medical coverage will increase by 18.4 percent. IU contributions for dental coverage will increase by 15.6 percent.

Employee contributions equal the difference between the total premium for the respective plan and IU contributions. IU contributions are the same across all health care plans, with a minimum employee contribution of \$1 per month.

	Total Premium	% of Change ¹	Employee Contribution ²	Difference 2002 to 2003 ³
IU PPO \$900 Deductible				
Employee Only	\$261.74	15.7%	\$1.00	\$0.00
Employee/Child(ren)	\$522.08	15.7%	\$16.17	-\$7.70
Employee/Spouse	\$638.23	15.7%	\$23.59	-\$8.82
Family	\$724.81	15.7%	\$64.05	-\$4.23
IU PPO-Plus				
Employee Only	\$353.99	26.8%	\$63.25	\$29.53
Employee/Child(ren)	\$701.19	26.8%	\$195.28	\$69.36
Employee/Spouse	\$858.81	26.8%	\$244.17	\$85.73
Family	\$975.14	26.8%	\$314.38	\$103.11
M-Plan HMO				
Employee Only	\$263.99	12.3%	\$1.00	\$0.00
Employee/Child(ren)	\$535.81	12.3%	\$29.90	-\$19.96
Employee/Spouse	\$652.95	12.3%	\$38.31	-\$24.04
Family	\$739.50	12.3%	\$78.74	-\$21.73
Partners HMO				
Employee Only	\$256.49	23.0%	\$1.00	\$0.00
Employee/Child(ren)	\$490.59	23.0%	\$1.00	\$0.00
Employee/Spouse	\$605.90	23.0%	\$1.00	\$0.00
Family	\$709.17	23.0%	\$48.41	\$29.92
IU PPO Choice				
Employee Only	\$398.65	29.8%	\$107.91	\$46.27
Employee/Child(ren)	\$789.70	29.8%	\$283.79	\$102.54
Employee/Spouse	\$967.20	29.8%	\$352.56	\$126.36
Family	\$1,098.20	29.8%	\$437.44	\$149.24
Blue Preferred Primary POS				
Employee Only	\$273.74	25.9%	\$1.00	\$0.00
Employee/Child(ren)	\$542.25	25.9%	\$36.34	\$32.83
Employee/Spouse	\$664.15	25.9%	\$49.51	\$40.98
Family	\$754.11	25.9%	\$93.35	\$52.30

¹ Represents the increase of total premiums from 2002 total premiums.

² Employee contributions are lower for nonexempt staff employees with an annual salary of less than \$23,005.

³ Represents the change in employee contribution from 2002.

More details of employee contribution amounts, including dental coverage and additional IU subsidy for lower salaries, will be included with Open Enrollment materials.

Investment Fund Performance

The following *sample* of retirement investment opportunities reflects average annual total return after all administrative expenses. These figures are based on historical results, and they do not necessarily represent future performance.

	Average 5 yrs.	Annual 10 yrs.	% Return Life	Fund Inception		Average 5 yrs.	Annual 10 yrs.	% Return Life	Fund Inception
Money Market Funds					Stock Funds				
CREF Money Market	4.87	4.70	5.51	4/88	CREF Stock	2.63	9.81	10.47	7/52
Fidelity FMMT	4.86	4.68	5.34	12/88	CREF Growth	-1.94	----	8.16	4/94
Fixed Annuity					International/World Funds				
TIAA Annuity	7.28	7.32	----	----	Fidelity Blue Chip	2.52	11.58	13.87	12/87
Bond Funds					PERF Options				
CREF Bond	7.35	7.17	8.00	3/90	Money Market Fund	4.93	5.40	5.68	2.58
Fidelity Govt. Inc.	7.13	6.95	9.14	4/79	Guaranteed Fund	8.25	8.25	8.25	8.25
Fidelity Inv. Grade	6.93	7.06	8.18	8/71	Bond Fund	4.73	4.44	11.23	8.60
Growth & Income Funds					1 YEAR % RETURN				
CREF Soc. Choice	5.26	10.11	10.51	3/90	S&P 500 Stock Indexes*	-0.4	7.97	30.54	8.77
Fidelity Fund	4.69	11.79	10.52	4/30	US Small Co Stock*				-9.46
Fidelity Equity Income	5.19	12.25	13.39	5/66	*S&P 500 and Russell 2000 (small company) Index are one-year returns.				
Market Indexes									
Dow Jones Industrial	5.54	13.13	----						
S&P 500	3.66	11.43	----						
NASDAQ	.61	10.71	----						
Russell 2000	4.44	10.96	----						
EAFE	2.75	8.66	----						

Figures for TIAA-CREF, Fidelity Investments and Market Indexes are as of 6/30/2002.

Tobacco Use and Health

Tobacco Smoke is Even More Cancerous

The International Agency for Research on Cancer, a branch of the World Health Organization, recently reported "tobacco smoke is even more cancerous than previously thought, for both smokers and nonsmokers who breathe the fumes."

Scientists at the agency have concluded that smoking can cause cancer in many more body parts than previously thought, and they reported:

- The risk of tumors is even higher than previously noted for types of cancer already known to be caused by smoking.
- Secondhand smoke definitely causes cancer.
- Cancers of the stomach, liver, cervix, uterus, kidney, nasal sinus, and myeloid leukemia are caused by smoking.

• Practically all the cancers of tissues that are exposed to the environment are affected by chemicals distributed throughout the body when smoke is inhaled (Cancers already identified as being caused by smoking include lung, oral cavity, gullet, pharynx, pancreas, and bladder.)

Dr. Jonathan Samet, head of epidemiology at the Johns Hopkins School of Public Health states "Only now are we beginning to see the full picture of what happens when a generation begins smoking at an early age, as youth do, and then smoke across their whole lifetime."

The 29 experts working with the agency found the risk is even higher than previously believed for cancers already linked to smoking. These experts analyzed up to 30 years of research on cancer and secondhand smoke, and concluded secondhand smoke increases the risk of lung cancer by 20 percent.

Preferred Providers

Provider network entities can be contacted at the phone numbers below to verify the participation status of a specific hospital or physician. Provider lists will also be available at Open Enrollment sessions or employees can review lists at a Human Resources office.

IU PPO and PPO-Plus Plans

(800) 345-2460
www.anthem.com
BlueCard Providers (800) 810-2583
www.bluecares.com

M-Plan HMO

(317) 571-5320 or (800) 816-7526
www.mplan.com

IU PPO Choice

(800) 320-0015
www.sagamorehn.com

Partners HMO

(574) 233-4677 or (800) 967-5439
www.partnersindiana.com

Blue Preferred Primary POS

(800) 535-8269 for a provider directory
www.anthem.com

Scrip Pharmacy Solutions

(800) 213-5640 for benefit/claims questions
(800) 677-4323 for mail order
(800) 205-7408 fax
www.mimrx.com

IU Dental Plans

CIGNA Dental
DPPO (800) 336-8258
www.cigna.com

The Informed Employee

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UNIVERSITY HUMAN RESOURCE SERVICES

CAMPUS MAIL