

BENEFITS PROGRAM BULLETIN

The Informed Employee

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LTD PLAN -- PREMIUM REDUCTION Long-Term Disability Insurance

Negotiations with the underwriter of this Plan (TIAA) have resulted in a **10% reduction in premiums**, effective January 1, 2001.

The University's LTD plan provides an opportunity for eligible employees to protect their income in the event of a disabling illness or accident, including a unique option to protect retirement benefits.

"For a covered employee that becomes disabled from an illness or accident and cannot work, this insurance plan will assist in replacing his/her paycheck."

LTD Plan Highlights:

- monthly income payments up to 60% of salary
- optional retirement benefit accumulations
- annual 3% increase in benefits after 36 months

Enrollment: During the first 60 days of becoming eligible, full-time employees can enroll without consideration of health. After that period, an application for enrollment requires a Statement of Health. (Unless there is a serious medical condition, most "late" applications for LTD are accepted.)

LTD premium rates and other information are located at the University Benefits Office's website.

PRESCRIPTION DRUG INCREASES

Prescription drug costs are the most rapidly increasing medical care expense for employer-based health plan benefits. Here is what national actuarial, consulting, and research institutions are saying about prescription drug costs:

The Segal Company: Runaway prescription drug costs can be expected to increase at a rate double that of all other medical services, which in turn are increasing three to four times the rate of wages. *(Continued on page 4)*

DRUG COMPANY MARKETING INFLUENCES SCRIPS

According to a recent article in *U.S. News & World Report*, a physician's decision about which drugs to prescribe is rarely based solely on patients' medical needs and physician expertise. This article reported that *(Continued on page 3)*

NEW INVESTMENT FUND OPPORTUNITY IU RETIREMENT PLAN AND IUSERP

TIAA-CREF's family of investment fund choices has been expanded to include the **CREF Inflation-Linked Bond Fund**. *(Continued on page 2)*

STOCK MARKET DOWNTURN IMPACT ON RETIREMENT BENEFITS

The value of most stocks has dropped substantially since this time last year and economic indicators suggest that the U.S. economy will not rebound any time soon. This may or may not impact an individual's retirement plan benefits. *(Continued on page 2)*

NEWBORN -- HEALTH CARE PLAN ENROLLMENT

A newborn may be added to an employee's health care plan coverage by submitting a new plan enrollment form **within 60 days from the child's date of birth**. After this 60-day period, the newborn can only be added to plan coverage during the next Open Enrollment period, with coverage effective January 1 of the following year. (To ensure compliance with IRS regulations for preferential tax treatment of premiums and with DOL and EEOC regulations for non-discrimination, the University cannot make exceptions to this 60-day enrollment period.) *(Continued on page 2)*

PRESCRIPTION BENEFIT MANAGER (PBM) -- SERVICE REVIEW

For the IU PPO Healthcare and IU Precision POS plans, a new PBM company, MIM/Scrip Pharmacy Solutions, was engaged at the beginning of 2001 to provide a variety of third-party administrative services. This PBM also has a mail order pharmacy, Continental Pharmacy. (A change in PBM is intended to improve preferential prices from both retail and mail order Rx providers and address meaningful customer service issues from the former PBM.) *(Continued on page 5)*

TOBACCO USE AND HEALTH TOP FEMALE CANCER KILLER

When Americans think of a cancer prevalent in females, they usually think first of breast cancer. However, the deadliest cancer to women is lung cancer. Lung cancer claims 27,000 more women's lives than breast cancer each year.¹ This statement is not meant to de-emphasize the importance of monthly and yearly breast exams, but to point out that unlike breast cancer, 87% of all lung cancer is preventable.² *(Continued on page 2)*

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STOCK MARKET DOWNTURN

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Defined Benefit Provisions (like PERF Pension benefits) -- a stock market downturn will have no impact on the amount of retirement income paid to plan participants.

These retirement plan benefits are generally based on the participant's years of service and salary at retirement, and are **not** based on stock market performance. "Defined Benefit" retirement plan provisions typically guarantee participants a defined amount of income (pension) during retirement years, without regard to the performance of investments.

Defined Contribution Provisions (like the IU Retirement Plan, with contributions to TIAA-CREF or Fidelity Investments) -- the stock market may have a substantial impact on the amount of retirement income available to plan participants, depending on the proportion of accumulations invested in stocks.

For individuals thinking about retiring in the near future, a stock market downturn may result in working longer to make up for stock market losses. As there is no designated retirement age in a defined contribution-type plan, participants base retirement on when they believe account accumulations are adequate to provide income during retirement years.

For individuals who have retired and elected to receive a variable annuity based on stocks. A stock market downturn may result in a reduction in monthly income payments. The recent downturn could result in a reduction in excess of 20%, depending on the annuity valuation date.

In a "Defined Contribution" retirement plan, the employer only guarantees a certain contribution amount to participants' retirement accounts, and participants are responsible for all investment decisions. There is no defined or guaranteed amount of income during retirement years.

WOMEN'S HEALTH AND CANCER RIGHTS ACT (WHCRA)

All of the University's employee health care plans comply with WHCRA; these plans cover the following services related to a mastectomy patient:

1. reconstruction of the breast on which the mastectomy has been performed;
2. surgery and reconstruction of the other breast to provide a symmetrical appearance; and
3. prosthesis and physical complications related to all stages of mastectomy, including lymphedemas.

Refer to respective health care plan documents for any "preferred provider" and "utilization management" requirements.

NEW INVESTMENT FUND OPPORTUNITY

(Continued from Page 1)

This is a fixed income type of investment, which seeks a long-term rate of return that outpaces inflation. Fund managers will invest in U.S. Treasury Inflation-Indexed Securities and other bonds whose principal or interest is adjusted to track an official inflation measure like the Consumer Price Index. The investment portfolio will also invest in money market securities.

While the CREF Inflation-Linked Bond Fund is not intended to offer the long-term growth opportunities of high-risk investments like stocks, it does offer the potential for a modest "real" rate of return over the inflation rate.

Average annual percentage rate of return as of 12/31/2000:

1 year	=	12.76%
Since inception (5/97)	=	5.61%

NEWBORN

(Continued from Page 1)

Notifying a plan administrator (Anthem, CoreSource, M-Plan, etc.) does not add a newborn to the employee's health care coverage. To add a newborn, the employee must submit a new health care plan enrollment form and a Change in Status form to a campus Human Resources office within 60 days of the newborn's date of birth. This process requires a Social Security Number for the newborn.

Upon adding a newborn to their health care plan coverage, employees must pay any retroactive change in their premium, back to the newborn's date-of-birth.

Employees should note that Indiana state regulations generally require health care plans to cover a newborn during the first 31 days of life. Unless the newborn is added to the employee's health care plan as outlined above, plan coverage will cease after 31 days.

TOBACCO USE AND HEALTH

(Continued from Page 1)

In fact, smoking remains the most preventable cause of death and illness in America. Last year, tobacco-related deaths totaled 400,000+; of this number 39% were women.¹

These tobacco-related deaths do not address other female health-related concerns about smoking. Aside from the risks that both sexes encounter (eight types of cancer, heart disease and other lung diseases), women have additional tobacco-related risks that result in menstrual irregularities and earlier menopause, infertility, bone-thinning osteoporosis, arthritis, cervical cancer, and dangerous blood clots if taking birth control.¹

With the number of females (especially teens) using tobacco products on the rise, this is important information.

¹ HT, Associated Press: 3/28/01; Satcher: Smoking deaths soar in women.

² American Lung Association: 9/2000; Fact Sheet Women and Smoking

³ CNN, Christy Feig: 3/27/01; More teen girls smoking in U.S.

DRUG COMPANY MARKETING

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physicians are "influenced" by pitches from drug company sales representatives "far more than most physicians acknowledge or [patients] may realize." To help increase sales, drug companies "are waging an incredibly sophisticated campaign" that includes free drug samples and direct-to-consumer ads, with spending in 1999 totaling \$13.9 billion. Although many physicians say they are not affected by the "barrage of marketing," *U.S. News* writes that research proves otherwise: A 1994 study in *JAMA* found that physicians who lobbied an insurance plan to add a particular drug to its formulary were 13 times more likely to have met with drug company representatives promoting the drug.

The "ultimate safeguard is an informed patient," the *U.S. News* writes. While many physicians "cringe" when patients ask for a specific drug, they are "reluctant to say no," fearing that patients could take their business elsewhere.

2001 OPEN ENROLLMENT RESULTS

HEALTH CARE PLANS	2001 EMPLOYEE ENROLLMENTS	CHANGE FROM 2000	% CHANGE
IU PPO-Plus Health Care	873	N/A	N/A
IU PPO Healthcare -- \$900 Deductible	3,840	-138	-3.5%
IU Precision POS	4,589	73	1.6%
IU Health Plan POS	2,040	40	2.0%
M-Plan HMO	1,502	31	2.1%
Partners HMO	354	21	6.3%
Blue Preferred Primary (AHDS HMO)	91	8	9.6%
Blue Preferred Primary Plus (AHP POS)	146	32	28.1%
TOTAL	13,435*	338	2.6%
TAX SAVER BENEFITS			
Medical Reimbursement Account	3,854*	246	6.8%
Dependent Care Reimbursement Account	592*	-22	-3.6%
<i>*Total eligible population equals 14,948 Full-time employees</i>			

RETIREMENT PLANNING SESSIONS SCHEDULE

During 2001, representatives from the University Benefits Office, TIAA-CREF and Fidelity Investments will be conducting a number of informational sessions regarding retirement planning and investing issues, as follows:

<u>Date</u>	<u>Campus</u>	<u>Meeting Topics</u>
April 9, 10, 11	IUB	Pre-Retirement Planning Series
April 12	IUPUI	Designing Your Financial Future
May 8	IUB	High Accumulators and Estate Planning
September 12	IUB	Retirement Plan Asset Allocation
September 26	IUE	Retirement Plan Asset Allocation
September 27	IUK	Retirement Plan Asset Allocation
October 17	IUSB	Retirement Plan Asset Allocation
October 18	IUN	Retirement Plan Asset Allocation
October 24	IUSE	Retirement Plan Asset Allocation
November 6	IUB	High Accumulators and Estate Planning
November 8	IUPUI	High Accumulators and Estate Planning

Announcements and/or invitations will be made before each event. Contact your campus Human Resources office or refer to the University Benefits Office website for additional information.

PRESCRIPTION DRUG INCREASES

(Continued from Page 1)

The trend toward double-digit increases in health care costs will continue into 2001, fueled by an estimated 20% spending increase on prescription drug benefits. The primary factors contributing to the prescription drug trend include:

- Increased patient demand resulting from direct-to-consumer advertising and other pharmaceutical marketing;
- The advent of new and expensive drug therapies;
- Greater reliance on drug therapy by the physician community;
- The aging workforce; and
- Improved techniques and technology to detect and diagnose diseases.

The Kaiser Family Foundation and Health Research and Educational Trust. Forty percent of the increase in medical claim expenses between 1998-1999 was attributable to prescription drug expenditures. Increases in utilization and the development of large numbers of promising and expensive new drugs account for 80% of the near doubling of prescription drug expenditures nationally since 1990. From 1992 to 1998 the number of prescriptions purchased increased 37% compared to only a 6% increase in the population. The average annual number of prescriptions per person increased from 7.3 to 9.6 during the same period. Retail prescription prices (which reflect both increases in the cost of new drugs and the switch to newer, higher priced drugs) have increased at double the inflation rate each year since 1991. Pharmaceutical manufacturing remains the nation's most profitable industry with profits of 19% compared to 5% for all Fortune 500 companies. According to a recent Kaiser survey, 91% of Americans say that they take prescription drugs; 54% say they take prescriptions regularly; and 24% say they take three or more prescriptions regularly. The number of new drugs approved by the FDA has increased from 19 drugs per year in the 1980's to 38 per year today.

Mercer/Foster Higgins National Survey. Like other recent reports of rising health care drug costs, the Mercer survey points to increasing prescription drug costs as a leading factor in medical plan cost hikes. Employers surveyed by Mercer estimate that drug prices, on average, have increased by 17.5% in the past year.

Scott-Levin, Inc.: The two fastest increasing classes of drugs are antidepressants and drugs to decrease stomach acid/heartburn. The number of prescriptions written for these two classes of drugs rose 18% and 11% respectively.

National Institute for Health Care Management Research and Educational Foundation: The advent of the mass media advertising of prescription drugs has coincided with a sharp rise in the number of prescriptions being written and overall spending on prescription drugs. Direct-to-consumer advertising of prescription drugs approached \$2 billion dollars in 1999, up 38.5% from 1998 and 33 times the amount spent on such advertising in 1991. Advertising is expected to continue to increase through 2001. Top advertising dollars are being spent on anti-arthritic drugs (Vioxx, Celebrex), stomach acid reducers (Prilosec), and antihistamines (Claritin, Allegra). The strong growth in revenues from heavily promoted drugs was driven largely by the rise in the volume of prescriptions -- a 34% increase in the "top 25" prescription drugs.

Brandeis University Schneider Institute for Health Policy. In a study of prescription drug cost and utilization between 1996 and 1999: drug costs grew at a rate of 24.8% per year; the number of prescriptions per person grew 14%; the number of persons using any medication grew by 3.5% per year; and the proportion of persons with medication expenditures greater than \$2,000 each year quadrupled from 1.3% to 5.3%; about one-third of the increased expenditures is attributable to medications approved after 1996.

Newsweek Magazine: The five most popular drugs by sales (12 months ending June 2000):

Drug	Use	Annual Sales	Cost Per Patient, Per Year
Prilosec	Reduce stomach acid	\$4.4 billion	\$1,380
Lipitor	Lower cholesterol	\$3.6 billion	\$1,080
Prevacid	Reduce stomach acid	\$2.8 billion	\$1,404
Prozac	Antidepressant	\$2.6 billion	\$ 960
Zocor	Lower cholesterol	\$2.5 billion	\$1,296

Examples of High-Cost Prescriptions:

Drug	Use	Cost for 30-day Supply
Zofran	Chemotherapy-related nausea	\$1,670
Rebetron	Viral Infection	\$1,595
Accutane	Acne	\$ 295
Cellcept	Immunosuppressant (post-transplant)	\$ 600

PRESCRIPTION BENEFIT MANAGER (Continued from Page 1)

Based on two months of initial service, MIM has received a mixed evaluation: some services are satisfactory while other services are absolutely unsatisfactory.

MIM has established a custom R_x provider network with preferential prices that are expected to contain cost increases by at least \$400,000 annually. MIM also established enrollment records for approximately 22,000 covered members (employees, spouses and children) from three plans, with over 8,500 members utilizing services within the first two months of 2001. MIM also processed plan payments for approximately 22,870 separate prescriptions in January and approximately 23,450 prescriptions in February 2001 -- for these two months, the IU PPO, IU PPO-Plus and IU Precision POS plans costs for prescriptions totaled \$2,481,527.

MIM has performed unsatisfactorily in a number of areas, such as: distributing ID cards to all enrollees in a timely manner, even with repeated inquiries from some enrollees (out of 9,400 employee enrollments, it is estimated that approximately 850 employees did not receive ID cards in a timely manner), filling mail order prescriptions in a timely and accurate manner (numerous complaints have been generated), and a meaningful number of customer service responses from the mail order pharmacy were, at best, uninformed and at worst, rude (the separate customer service unit for network and benefit coverage issues appeared to have only nominal start-up problems).

The above issues have been discussed with MIM on a weekly basis, with noticeable corrections, such as: set-up of a temporary IU-dedicated hotline to resolve ID card issues, reallocation of resources at Continental Pharmacy to eliminate backlog of mail order prescriptions, and the release of customer service representatives who did not meet expectations. In accordance with their performance agreement, MIM will return 25% of their administrative fees during these first two months, as a penalty for unsatisfactory performance. MIM has also been given notice that the continuation of their services will depend heavily on the resolution of current issues and being able to perform all services as expected.

Following is a response from the President of Scrip Pharmacy Solutions:

March 26th, 2001

Dear Mr. Rives:



Since our meeting regarding issues at our mail facility and identification card production, several corrective measures have been implemented to solve and prevent further occurrences. Our entire organization apologizes for the frustration and inconveniences the Indiana University employees and family members have experienced.

Most of the issues have occurred due to the rapid growth of business within our facility. Unfortunately, our "growing pains" spilled over to our client base prior to full implementation of automation and hiring of additional staff.

Our meetings have generated the following categories of issues along with the below indicated corrective actions:

Order delays and communication to patients: An electronic queue has been implemented for each department within the facility. The queue is monitored throughout the day to assure that resolution to problems regarding orders are progressing. Customers are now updated as to the status of their order if the resolution does not occur within 24 hours.

Order processing: An electronic report has been implemented to monitor the "work in progress" (WIP). The WIP report indicates the exact number of orders in each location throughout the facility. By monitoring this report throughout the day, proper allocation of resources can be applied to address any backlogs within the facility.

Turn-around time in mail processing: All new mail received into the facility is being processed the same day. Processing includes the normal flow into dispensing process, as well as screening into queues for clarification by patient and/or physician.

Customer Service: Service levels have increased with additional staff, and there is currently no backlog of mail order prescriptions.

The average answer time is now less than 30 seconds. This is monitored on an hourly basis and has allowed for customer service staff to be allocated at peak calling hours.

Identification Cards: Our in-house staff has completed the production and shipment of member identification cards to those employees identified as experiencing difficulties. This production and shipment was completed on Thursday, March 29th. Identification card production for the future will be monitored and produced in-house if necessary to meet the appropriate turnaround time.

Weekly Conference Calls: Operational issues will be monitored during weekly conference calls between Indiana University and our operational staff. These conferences will continue until deemed unnecessary by your staff.

In addition to the measures listed above, the implementation of the robotics system (SI Baker) has been implemented. This has been operational since February 14, 2001, which has greatly enhanced our efficiencies in the dispensing process. We have also secured additional staffing in our shipping, order entry, item entry, and customer service departments, which have enhanced our service levels.

Mr. Rives, the measures above have already been successful in assisting our staff in working through the backlog of orders. Our entire organization can assure you that from this point forward outstanding issues will be resolved and future issues will be very minimal.

Again, our organization apologizes for the issues which have occurred. Please feel free to contact me at any time to discuss our service levels or any additional items.

Sincerely,

Recie Bomar
President, Scrip Pharmacy Solutions

USEFUL FACTS, FIGURES & STATISTICS

INVESTMENT FUND PERFORMANCE

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

	<u>AVERAGE</u> 5 yrs.	<u>ANNUAL % RETURN</u> 10 yrs.	<u>Life</u>	<u>Fund</u> Inception		<u>AVERAGE</u> 5 yrs.	<u>ANNUAL % RETURN</u> 10 yrs.	<u>Life</u>	<u>Fund</u> Inception
Money Market Funds					Stock Funds				
CREF Money Market	5.52	5.05	5.78	4/88	CREF Stock	15.59	15.57	11.42	7/52
Fidelity FMMT Retirement	5.48	5.00	5.60	12/88	CREF Growth	17.66	----	18.96	4/94
Fixed Annuity					Fidelity Blue Chip				
TIAA Annuity	6.96	7.61	----	----	Fidelity Contrafund	18.11	21.05	14.47	5/67
Bond Funds					Fidelity Magellan				
CREF Bond	6.27	7.84	8.04	3/90	CREF Global Equities	13.55	----	14.07	5/92
Fidelity Govt. Income	5.86	7.66	9.27	4/79	Fidelity Europe	14.99	12.61	12.61	10/86
Fidelity Inv. Grade	5.85	8.08	8.22	8/71	Fidelity Overseas	10.56	9.41	15.88	12/84
Growth & Income Funds					International/World Funds				
CREF Soc. Choice	13.68	13.96	13.24	3/90	<u>1 YEAR % RETURN</u>				
Fidelity Fund	18.04	17.41	11.16	4/30	PERF Options	<u>6/30/97</u>	<u>6/30/98</u>	<u>6/30/99</u>	<u>6/30/00</u>
Fidelity Equity Income	15.54	17.22	14.39	5/66	Money Market Fund	5.39	5.53	4.93	5.40
Market Indexes					Guaranteed Fund				
Dow Jones Industrial	18.11	17.81	----	----	Bond Fund	9.05	14.77	4.73	4.44
S&P 500	18.33	17.46	----	----	S&P 500 Stock Index*	33.36	30.16	21.23	8.03
NASDAQ	19.09	21.73	----	----	US Small Co Stock*	22.36	16.51	- .04	7.97
Russell 2000	10.31	15.53	----	----	*S&P 500 and Russell 2000 (small company) Index one year returns.				
EAFE	7.31	8.34	----	----					

Figures for TIAA-CREF and Fidelity Investments and Market Indexes are as of 12/31/2000.

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CAMPUS MAIL