

**AGENDA**

**UNIVERSITY OF SOUTHERN INDIANA  
BOARD OF TRUSTEES**

**November 10, 2003**

**SECTION I - GENERAL AND ACADEMIC MATTERS**

- A. APPROVAL OF MINUTES OF SEPTEMBER 10, 2003, MEETING**
- B. ESTABLISHMENT OF NEXT MEETING DATE, TIME, LOCATION**
- C. REPORT OF THE LONG-RANGE PLANNING COMMITTEE**
- D. PRESIDENT'S REPORT**
- E. APPROVAL OF POSTHUMOUS DEGREE**

**SECTION II - FINANCIAL MATTERS**

- A. ANNUAL REPORT ON STUDENT FINANCIAL ASSISTANCE**
- B. REPORT OF THE FINANCE COMMITTEE**
- C. APPROVAL OF REQUEST FOR GENERAL REPAIR AND REHABILITATION FUNDS**
- D. APPROVAL OF RESOLUTION TO DEACCESSION ITEMS FROM THE ARTIFACT COLLECTION OF HISTORIC NEW HARMONY**
- E. REPORT OF THE CONSTRUCTION COMMITTEE**
- F. UPDATE ON CURRENT CONSTRUCTION PROJECTS**
- G. APPROVAL OF ANTHEM BLUE CROSS/BLUE SHIELD GROUP HEALTH INSURANCE AND HEALTH RESOURCES, INC. DENTAL INSURANCE PREMIUM RATES**
- H. APPROVAL OF WELBORN HMO GROUP HEALTH INSURANCE AND HEALTH RESOURCES, INC. DENTAL INSURANCE PREMIUM RATES**
- I. APPROVAL OF THE SECTION 125 FLEXIBLE BENEFIT PLAN ADMINISTRATIVE FEE**
- J. APPROVAL OF CHANGES IN TIAA-CREF RETIREMENT PLAN WAITING PERIOD**

**SUPPLEMENTAL INFORMATION**  
**UNIVERSITY OF SOUTHERN INDIANA**  
**BOARD OF TRUSTEES**

November 10, 2003

**SECTION I - GENERAL AND ACADEMIC MATTERS**

- A. APPROVAL OF MINUTES OF SEPTEMBER 10, 2003, MEETING**
- B. ESTABLISHMENT OF NEXT MEETING DATE, TIME, LOCATION**
- C. REPORT OF THE LONG-RANGE PLANNING COMMITTEE**

The Long-Range Planning Committee will meet prior to the Board of Trustees meeting on November 10, 2003. A report will be presented.

**D. PRESIDENT'S REPORT**

**E. APPROVAL OF POSTHUMOUS DEGREE**

At its meeting on July 7, 2003, the Board of Trustees approved the *Policy on Posthumous Recognition of Students*. On the recommendation of the dean of the School of Liberal Arts, in consultation with the undergraduate faculty of the Psychology Department, approval of the following posthumous degree is recommended.

BACHELOR OF SCIENCE

Kara A. Fulkerson

## SECTION II – FINANCIAL MATTERS

### A. ANNUAL REPORT ON STUDENT FINANCIAL ASSISTANCE

A summary will be presented on student financial assistance administered by the University during the 2002-2003 academic year (Exhibit II-A).

### B. REPORT OF THE FINANCE COMMITTEE

The Finance/Audit Committee will meet prior to the Board of Trustees meeting on November 10, 2003. A report will be presented.

### C. APPROVAL OF REQUEST FOR GENERAL REPAIR AND REHABILITATION FUNDS

This request, a recommendation of the Finance/Audit Committee, authorizes President Hoops to request approval of the Indiana Commission for Higher Education, the State Budget Committee, and the Governor of the State of Indiana for appropriation of general repair and rehabilitation funds for the following projects:

Renovate Byron C. Wright Administration Building Forum Wing Lecture Hall II	\$85,000
Repair and paint Robert C. Orr Center metal roof	15,103

Approval of the funding authorization request for repair and rehabilitation funds is recommended.

### D. APPROVAL OF RESOLUTION TO DEACCESSION ITEMS FROM THE ARTIFACT COLLECTION OF HISTORIC NEW HARMONY

According to the policy and standards of the American Museum Association, trustees of museum organizations are required to approve the removal of items from museum collections.

Approval of the following resolution is recommended.

WHEREAS, the University of Southern Indiana Board of Trustees wishes to comply with the standards set by the American Association of Museums in regard to the removal of items from the artifact collection of Historic New Harmony; and

WHEREAS, the items listed in Exhibit II-B have been deemed inappropriate for the collection, and have been approved for deaccessioning by the Collections Review Committee of Historic New Harmony; and

WHEREAS, all items will be deaccessioned to education collection status within Historic New Harmony; or transferred, by gift or sale, or exchanged with a qualified agency (public or nonprofit museum or historical society); or sent to public auction for sale; or dismantled with parts maintained for research/reference within Historic New Harmony collections; or subject to witnessed destruction, justified when no other means of disposal is suitable; and

WHEREAS, proceeds from the sale of deaccessioned objects shall be deposited in the Historic New Harmony collections acquisition fund;

NOW THEREFORE BE IT RESOLVED, that the Board of Trustees of the University Southern Indiana approves the deaccessioning of the items listed in Exhibit II-B;

FURTHER RESOLVED that the Finance/Audit Committee be authorized to act on behalf of the Board of Trustees regarding future deaccession of items from the collection.

#### **E. REPORT OF THE CONSTRUCTION COMMITTEE**

The Construction Committee will meet prior to the Board of Trustees meeting on November 10, 2003. A report will be presented.

#### **F. UPDATE ON CURRENT CONSTRUCTION PROJECTS**

A report on the status of current construction projects will be presented.

#### **G. APPROVAL OF ANTHEM BLUE CROSS/BLEU SHIELD GROUP HEALTH INSURANCE AND HEALTH RESOURCES, INC. DENTAL INSURANCE PREMIUM RATES (Exhibit II-C)**

The University of Southern Indiana offers two health insurance programs through Anthem Blue Cross/Blue Shield - the Blue Traditional Plan (Indemnity) and the Blue Access Plan (Premium Preferred Network: PPN). Beginning January 1, 2004, the University recommends the addition of a second Blue Access Plan (Premium Preferred Network: PPN) called the Blue Access 500 Plan.

During calendar year 2003, a University committee comprised of 20 faculty, administrators, and staff reviewed healthcare options at USI. The committee offered several recommendations to better control healthcare costs and provide additional options for healthcare coverage to employees and retirees. The addition of a high deductible/low premium plan was recommended by the committee. It is recommended that the Blue Access 500 Plan be offered for the first time beginning January 1, 2004.

A comprehensive review of claims from both Anthem health plans indicates medical and drug claims totaled 87.4 percent of paid premiums under the deposit premium arrangement, for an underwriting loss of 3.8 percent. Anthem projects an increase of approximately 24 percent in claims in 2004 based on trend factors of 15.5 percent for medical and 22 percent for prescription drugs.

The 2004 premium rates for the Anthem Blue Cross/Blue Shield Blue Traditional, the Blue Access, and the Blue Access 500 health insurance plans were established using the deposit premium financial arrangement. In 2000, the University implemented the deposit premium financial arrangement to minimize the impact of the 2000 renewal rates. The University proposes to continue the deposit premium financial arrangement, a cash flow model in which the University retains a reserve account and remits a portion of the monthly premium to Anthem. If expenses exceed the remitted amount, the University agrees to remit up to the full premium amount. The advantage of this arrangement is that the favorable cash flow associated with future underwriting gains is advanced to the University prior to the annual settlement. If underwriting gains do not occur, or are less than the amount of premium not paid, the University is not responsible for paying expenses above the full premium fee.

#### **BLUE TRADITIONAL PLAN – (INDEMNITY)**

The following Anthem Blue Cross/Blue Shield health insurance monthly premium rates for the Blue Traditional Plan have been quoted for a 12-month period beginning January 1, 2004.

The medical premium rates from Anthem Blue Cross/Blue Shield for 2004 reflect a 0.8 percent rate increase for single memberships, a 9.3 percent rate increase for family memberships, and a 5.3 percent rate increase for retiree (over 65) memberships.

There is one plan design change proposed by Anthem Blue Cross/Blue Shield and recommended by the University:

- Co-insurance – Change from 100% covered in full to 80%/20%

In addition to the recommended plan design change, the premium schedule will be structured on a four-tier basis beginning in 2004. The four-tier structure will be categorized as: single, employee and child(ren), employee and spouse, and family.

There are two mandatory contract and administration changes required by Anthem Blue Cross/Blue Shield to comply with new State regulations effective January 1, 2004:

- Inpatient and Outpatient Substance Abuse will be paid the same as any other condition subject to the same contract co-payments, deductibles, and maximums
- Medical food that is medically necessary and prescribed by a physician for the treatment of an inherited metabolic disease will be added to the certificate of coverage under the Covered Prescription Drug Benefits

A contract and administration change by Anthem Blue Cross/Blue Shield is the implementation of a standard open enrollment period effective January 1, 2004.

The 12-month renewal rates effective January 1, 2004, for Health Resources, Inc. dental insurance reflect a 10 percent rate increase for single memberships and a 19 percent rate increase for family memberships. Two additional premium tiers for employee and child(ren) and employee and spouse will be added effective January 1, 2004. The renewal rate is the result of an increased number of claims for USI employees and dependents and an increase in dentists' fees and procedures effective January 1, 2004.

The 2004 insurance rates include a contribution for funding the liability for post-retirement benefits.

Anthem Blue Cross/Blue Shield - Blue Traditional Plan and Health Resources, Inc. provide the primary health/dental insurance for 135 active employees and 80 retirees. The University contribution for medical and dental coverage and for funding the liability for post-retirement benefits for active employees and retirees is 75 percent of the total premium.

The number of active employees and retirees participating in the Blue Traditional Plan has decreased with the availability of the Blue Access Plan. The premium rates and claims experience have increased significantly for the Blue Traditional Plan as the number of participants has decreased. Also, elements of a managed care network included in the Blue Access Plan are not included in the Blue Traditional Plan. It is recommended effective January 1, 2004, the Blue Traditional Plan be frozen and no new participants be enrolled in the plan.

Approval to renew the master policies with Anthem Blue Cross/Blue Shield – Blue Traditional Plan, including the plan design changes, and with Health Resources, Inc. with the following rate schedule is recommended.

**2004 MONTHLY PREMIUM RATES  
ANTHEM BLUE CROSS/BLUE SHIELD – BLUE TRADITIONAL PLAN**

	<u>BC/BS MEDICAL PREMIUM</u>	<u>HRI DENTAL PREMIUM</u>	<u>POST- RETIREMENT CONTRIBUTION</u>	<u>2004 TOTAL MONTHLY PREMIUM</u>	<u>2003 TOTAL MONTHLY PREMIUM</u>
Single	\$333.95	\$22.90	\$8.50	\$365.35	\$360.65
Employee + Child(ren)	\$635.74	\$42.80	\$22.00	\$700.54	N/A
Employee + Spouse	\$839.05	\$42.80	\$22.00	\$903.85	N/A
Family	\$934.15	\$65.28	\$22.00	\$1,021.43	\$932.08
Over 65 (Retired)	\$268.00	\$22.90	\$8.50	\$299.40	\$283.95

### **BLUE ACCESS PLAN – (PREMIUM PREFERRED NETWORK: PPN)**

The Anthem Blue Cross/Blue Shield - Blue Access Plan provides employees with a second option in their selection of medical insurance plans. The Blue Access Plan is designed with elements of a managed care plan as an incentive to reduce medical costs. The Blue Access Plan was first offered with the 1999 renewal. The following Anthem Blue Cross/Blue Shield health insurance monthly premium rates for the Blue Access Plan have been quoted for a 12-month period beginning January 1, 2004.

The medical premium rates from Anthem Blue Cross/Blue Shield for 2004 reflect a 14.3 percent rate increase for single memberships, a 20.7 percent rate increase for family memberships, and a 4.4 percent rate increase for retiree (over 65) memberships.

There are three plan design changes proposed by Anthem Blue Cross/Blue Shield and recommended by the University:

- In-Network Deductible - Increase from \$0 to \$100 single/\$200 family
- Maximum Annual Out-of-Pocket - Increase from \$325 single/\$650 family In-Network to \$500 single/\$1,000 family In-Network
- Prescription Drug Co-payments - Increase from \$10/\$20/\$30 to \$12/\$24/\$40

In addition to the recommended plan design changes, the premium schedule will be structured on a four-tier basis beginning in 2004. The four-tier structure will be categorized as: single, employee and child(ren), employee and spouse, and family.

There are two mandatory contract and administration changes required by Anthem Blue Cross/Blue Shield to comply with new State regulations effective January 1, 2004:

- Inpatient and Outpatient Substance Abuse will be paid the same as any other condition subject to the same contract co-payments, deductibles, and maximums
- Medical food that is medically necessary and prescribed by a physician for the treatment of an inherited metabolic disease will be added to the certificate of coverage under the Covered Prescription Drug Benefits

A contract and administration change by Anthem Blue Cross/Blue Shield is the implementation of a standard open enrollment period effective January 1, 2004.

The 12-month renewal rates effective January 1, 2004, for Health Resources, Inc. dental insurance reflect a 10 percent rate increase for single memberships and a 19 percent rate increase for family memberships. Two additional premium tiers for employee and child(ren) and employee and spouse will be added effective January 1, 2004. The renewal rate is the result of an increased number of claims for USI employees and dependents and an increase in dentists' fees and procedures effective January 1, 2004.

The 2004 insurance rates include a contribution for funding the liability for post-retirement benefits.

Anthem Blue Cross/Blue Shield - Blue Access Plan and Health Resources, Inc. provide the primary health/dental insurance for 352 active employees and 26 retirees. The University contribution for medical and dental coverage and for funding the liability for post-retirement benefits for active employees and retirees is 75 percent of the total premium.

Approval to renew the master policies with Anthem Blue Cross/Blue Shield – Blue Access Plan, including the plan design changes, and with Health Resources, Inc. with the following rate schedule is recommended.

**2004 MONTHLY PREMIUM RATES  
ANTHEM BLUE CROSS/BLUE SHIELD – BLUE ACCESS PLAN**

	<u>BC/BS MEDICAL PREMIUM</u>	<u>HRI DENTAL PREMIUM</u>	<u>POST- RETIREMENT CONTRIBUTION</u>	<u>2004 TOTAL MONTHLY PREMIUM</u>	<u>2003 TOTAL MONTHLY PREMIUM</u>
Single	\$317.81	\$22.90	\$8.50	\$349.21	\$307.50
Employee + Child(ren)	\$597.36	\$42.80	\$22.00	\$662.16	N/A
Employee + Spouse	\$788.26	\$42.80	\$22.00	\$853.06	N/A
Family	\$867.22	\$65.28	\$22.00	\$954.50	\$795.22
Over 65 (Retired)	\$234.93	\$22.90	\$8.50	\$266.33	\$254.32

**BLUE ACCESS 500 PLAN – (PREMIUM PREFERRED NETWORK: PPN)**

The Anthem Blue Cross/Blue Shield - Blue Access 500 Plan provides employees with the choice of a high deductible, lower premium healthcare plan. Employees who enroll in the plan will assume more risk and additional first-dollar cost in exchange for lower monthly premiums. The Blue Access 500 Plan contains the same elements of managed care and the same access to selected hospitals and physicians as the Blue Access Plan.

The plan design proposed by Anthem Blue Cross/Blue Shield for the Blue Access 500 Plan and recommended by the University is:

- Office Visit Co-payment - \$20
- In-Network Inpatient and Outpatient Facility – 90%/10%
- In-Network Inpatient and Outpatient Professional Home Care – 90%/10%
- Out-of-Network Co-Payment – 70%/30%
- In-Network Deductible - \$500 single/\$1,000 family
- Out-of-Network Deductible - \$1,000 single/\$2,000 family
- In-Network Out-of-Pocket Maximum - \$2,500 single/\$5,000 family
- Out-of-Network Out-of-Pocket Maximum - \$5,000 single/\$10,000 family
- Prescription Drug Co-payments - \$10/\$30/50% (min. \$50, max. \$100) Retail
- Mail Order Prescription Drug Co-payments - \$20/\$70/\$125

In addition to the recommended plan design, the premium schedule will be structured on a four-tier basis beginning in 2004. The four-tier structure will be categorized as: single, employee and child(ren), employee and spouse, and family.

There are two mandatory contract and administration changes required by Anthem Blue Cross/Blue Shield to comply with new State regulations effective January 1, 2004:

- Inpatient and Outpatient Substance Abuse will be paid the same as any other condition subject to the same contract co-payments, deductibles, and maximums
- Medical food that is medically necessary and prescribed by a physician for the treatment of an inherited metabolic disease will be added to the certificate of coverage under the Covered Prescription Drug Benefits

A contract and administration change by Anthem Blue Cross/Blue Shield is the implementation of a standard open enrollment period effective January 1, 2004.

The 12-month renewal rates effective January 1, 2004, for Health Resources, Inc. dental insurance reflect a 10 percent rate increase for single memberships and a 19 percent rate increase for family memberships. Two additional premium tiers for employee and child(ren) and employee and spouse will be added effective January 1, 2004. The renewal rate is the result of an increased number of claims for USI employees and dependents and an increase in dentists' fees and procedures effective January 1, 2004.

The 2004 insurance rates include a contribution for funding the liability for post-retirement benefits.

The University contribution for medical and dental coverage and for funding the liability for post-retirement benefits for active employees and retirees is equal to the amount contributed to the Blue Access Plan.

Approval to add the Anthem Blue Cross/Blue Shield – Blue Access 500 Plan and Health Resources, Inc. with the following rate schedule is recommended.

**2004 MONTHLY PREMIUM RATES  
ANTHEM BLUE CROSS/BLUE SHIELD – BLUE ACCESS 500 PLAN**

	<u>BC/BS MEDICAL PREMIUM</u>	<u>HRI DENTAL PREMIUM</u>	<u>POST- RETIREMENT CONTRIBUTION</u>	<u>2004 TOTAL MONTHLY PREMIUM</u>	<u>2003 TOTAL MONTHLY PREMIUM</u>
Single	\$268.31	\$22.90	\$8.50	\$299.71	N/A
Employee + Child(ren)	\$504.87	\$42.80	\$22.00	\$569.67	N/A
Employee + Spouse	\$666.34	\$42.80	\$22.00	\$731.14	N/A
Family	\$733.00	\$65.28	\$22.00	\$820.28	N/A
Over 65 (Retired)	\$209.69	\$22.90	\$8.50	\$241.09	N/A

**H. APPROVAL OF WELBORN HMO GROUP HEALTH INSURANCE AND HEALTH RESOURCES, INC.  
DENTAL INSURANCE PREMIUM RATES (Exhibit II-C)**

The University of Southern Indiana has offered Welborn HMO/Health Resources, Inc. as an alternative health/dental benefit program since October 1988. Welborn HMO is administered locally and currently provides services to approximately 33,000 members in the local area.

A comprehensive review of USI claims for the Welborn HMO indicates medical and prescription drug claims totaled 116.2 percent of paid premiums for calendar year 2002. For the 2004 renewal, Welborn changed the method of calculating premiums from community based to experience based.

The quoted premium rates effective for a 12-month period beginning January 1, 2004, reflect a 16.7 percent rate increase for single memberships, a 35.6 percent increase for family memberships, and a 19.6 percent rate increase for retirees (over 65).



There are three plan design changes proposed by Welborn Health Plans and recommended by the University:

- Co-insurance - Change from 100% to 90%/10%
- Maximum Annual Out-of-Pocket - Increase to \$1,000 single/\$2,000 family
- Office Visit Co-payment - Remain at \$15 for a Primary Care Physician and increase to \$25 for a Specialist
- Prescription Drug Co-payments - Increase from \$10/\$20/\$30 to \$10/\$25/\$40

In addition to the recommended plan design, the premium schedule will be structured on a four-tier basis beginning in 2004. The four-tier structure will be categorized as: single, employee and child(ren), employee and spouse, and family.

The 12-month renewal rates effective January 1, 2004, for Health Resources, Inc. dental insurance reflect a 10 percent rate increase for single memberships and a 19 percent rate increase for family memberships. Two additional premium tiers for employee and child(ren) and employee and spouse will be added effective January 1, 2004. The renewal rate is the result of an increased number of claims for USI employees and dependents and an increase in dentists' fees and procedures effective January 1, 2004.

The 2004 insurance rates include a contribution for funding the liability for post-retirement benefits.

Welborn HMO and Health Resources, Inc. provide the primary health/dental insurance coverage for 254 active employees and 12 retirees. The University contribution for medical and dental coverage and for funding the liability for post-retirement benefits for active employees and retirees is 75 percent of the total premium.

Approval to renew the master policies with Welborn HMO, including the plan design changes, and with Health Resources, Inc. with the following rate schedule is recommended.

**2004 MONTHLY PREMIUM RATES  
WELBORN HMO**

	<u>BC/BS MEDICAL PREMIUM</u>	<u>HRI DENTAL PREMIUM</u>	<u>POST- RETIREMENT CONTRIBUTION</u>	<u>2004 TOTAL MONTHLY PREMIUM</u>	<u>2003 TOTAL MONTHLY PREMIUM</u>
Single	\$282.27	\$22.90	\$8.50	\$313.67	\$271.23
Employee + Child(ren)	\$545.10	\$42.80	\$22.00	\$609.90	N/A
Employee + Spouse	\$605.35	\$42.80	\$22.00	\$670.15	N/A
Family	\$849.20	\$65.28	\$22.00	\$936.48	\$703.13
Over 65 (Retired)	\$273.12	\$22.90	\$8.50	\$304.52	\$288.34

#### **I. APPROVAL OF THE SECTION 125 FLEXIBLE BENEFIT PLAN ADMINISTRATIVE FEE (Exhibit II-C)**

The Section 125 Flexible Benefit Plan, which was implemented in 1990 and expanded in 1992, allows enrolled employees to pay medical insurance premiums, dependent care expenses, and unreimbursed medical expenses with pre-tax dollars. Participation in the program has been steady since its introduction. Approximately 25 percent of the eligible employees participate in the unreimbursed medical expense and dependent care reimbursement plans, and 99 percent of employees with medical insurance are enrolled in the premium-only portion of the plan.

During the 2002 plan year, University savings were \$95,743 due to reduced FICA tax (Social Security and Health Insurance Tax).

For calendar year 2004, the University recommends changing the annual maximum for the unreimbursed medical expenses from \$3,000 to \$4,000. This increase is recommended because over-the-counter drugs will be considered an allowable unreimbursed medical expense in 2004 as approved by the Internal Revenue Service in September 2003.

BKD LLP (Baird, Kurtz and Dobson) administers the plan for the University. The per-participant administrative fee of \$5.50 per month has been in effect since January 1, 1998. Renewal rates from BKD LLP reflect a rate increase of 5.5 percent to \$5.80 per month for a 12-month guarantee period effective January 1, 2004.

Approval to renew the administrative arrangement with BKD LLP for the Section 125 Flexible Benefit Plan with the quoted per-participant rate is recommended.

#### **J. APPROVAL OF CHANGES IN TIAA-CREF RETIREMENT PLAN WAITING PERIOD**

Under current policy, eligible employees may participate in the TIAA-CREF Retirement Plan upon the completion of one year of employment. Participation in the TIAA-CREF retirement plan may begin upon employment if the employee was a participant in TIAA-CREF or in a university-sponsored retirement plan for at least two years with contributions directed to a company other than TIAA-CREF (i.e. State Teachers Retirement Fund, Public Employees Retirement Fund, VALIC, or Fidelity). The waiting period requirement was changed from two years to one year effective July 1996.

Currently, eligible employees with prior participation of less than two years in TIAA-CREF or in another university-sponsored retirement plan must complete one year of employment with USI to participate in the University's TIAA-CREF Retirement Plan. Increasing numbers of new faculty and administrative staff have participated in university-sponsored retirement plans at other institutions, but for less than the two-year requirement for immediate eligibility in the University's Plan. Consistent with the University's one-year waiting period policy, it is recommended that prior participation be changed from two years to one year for immediate eligibility in the University's TIAA-CREF Retirement Plan and that eligible employees receive credit for prior participation in a university-sponsored retirement plan of less than one year.

It is recommended that the policy be changed to the following:

1. Participation in the TIAA-CREF Retirement Plan may begin upon employment if the employee was a participant in TIAA-CREF or in a university-sponsored retirement plan for at least one year with contributions directed to a company other than TIAA-CREF (i.e. State Teachers Retirement Fund, Public Employees Retirement Fund, VALIC, or Fidelity) and the University will credit eligible employees for prior participation in a university-sponsored retirement plan of less than one year.
2. If a faculty member receives a regular, full-time appointment, the time served under the one-year temporary appointment may be counted toward the one-year waiting period if the regular full-time appointment immediately follows the one-year temporary appointment.

Approval is recommended to change the waiting period for participation in the University's TIAA-CREF Retirement Plan from two years to one year for eligible employees with prior participation in a university-sponsored plan; to credit eligible employees for prior participation in a university-sponsored retirement plan of less than one year; and to change the waiting period for one-year temporary appointments as outlined above effective January 1, 2004.

## **2002-2003 Student Financial Aid Programs Final Report**

### **University of Southern Indiana**

**October 13, 2003**

#### **Executive Summary**

Each fall a final report of prior year student financial aid activity is completed to assess trends and program initiatives. This information provides a basis on which to plan improvements to existing programs and develop proposals for new student financial assistance programs.

Significant findings contained in the 2002-2003 report are:

- The Student Financial Assistance Office served 12,233 students and prospective students, an increase of 488 students (4 percent) over the previous year.
- 9,244 FAFSA applications (for need-based assistance) were submitted, an increase of 407 applications (5 percent) over the previous year.
- Student Financial Assistance provided aid to 6,894 enrolled students, up 331 students (5 percent) over the previous year.
- 16,608 awards totaling \$37,153,485 were administered by various offices of the University.
- Funding for all programs combined was up \$4,517,506 (14 percent).
- Federal student aid funding was up \$3,822,590 (17 percent).
- Indiana student aid funding was up \$415,563 (15 percent).
- University student aid funding was up \$247,106 (17 percent).
- Corporate and private student aid funding was up \$266,917 (21 percent).
- Gift aid (grants and scholarships) was up \$1,532,351 (12 percent).
- Self-help in the form of loans was up \$3,028,317 (17 percent).
- Self-help in the form of on-campus employment was down \$167,053 (10 percent).
- Among baccalaureate Stafford Loan borrowers in the Class of 2003, total borrowing averaged \$14,142, down 6 percent when compared to the prior class. Among master's degree recipients, career borrowing averaged \$21,697, also down 6 percent from the prior year.

## 2002-2003 Student Financial Aid Programs Final Report

### University of Southern Indiana

October 13, 2003

#### Introduction

This report contains both summary and program-specific information for all student financial assistance programs administered by the University. Data used in compiling this report was obtained from the University's Student Information System on October 9, 2003. Student employment data was provided by Human Resources, Varsity Club expenditures were provided by the Business Office, and veterans' educational benefit information was provided by the Registrar's Office/Veterans' Affairs Office.

The Student Financial Assistance Office, the Veterans' Affairs Office, and the Career Services and Placement Office provide assistance to students in obtaining the types of financial aid included in this report.

#### Narrative

A total of 12,233 individuals used student financial assistance services (student contacts). Students and prospective students submitted 9,244 Free Applications for Federal Student Aid for "need-based" assistance. Of this number, 6,693 enrolled in 2002-2003. Student contacts were up four percent and need-based applications were up five percent over the prior year.

Excluding regular student employment and veterans' educational benefits, a total of 6,894 students received one or more types of assistance. Various University offices administered 16,608 awards for a total of \$37,153,485 in student financial assistance. The distribution of awards by funding source is given below.

<i>Source</i>	<i># of Awards</i>	<i>Award Totals</i>	<i>% of Total Dollars</i>
Federal Government	8,080	26,383,319	71
State of Indiana	2,010	3,155,762	8.5
USI	4,637	5,172,172	13.9
USI Foundation	493	589,149	1.6
USI Varsity Club	86	123,922	.3
Private Sources	1,302	1,729,161	4.7
Totals	16,608	\$37,153,485	100

Continued – 2002-2003 Student Aid Programs Final Report

Growth trends in student financial assistance are summarized below.

<i>Activity Indicators</i>	<i>2000-2001</i>	<i>2001-2002</i>	<i>2002-2003</i>
Student Contacts	-4%	+8%	+4%
Need-based Applications	-8	+11	+5
Number of Awards	+7	+4	+7
Total Dollar Volume	+13	+11	+14

Student financial assistance may be categorized by aid type: grants; loans; and employment. In 2002-2003, spending was distributed as follows:

<i>Categories</i>	<i># of Awards</i>	<i>Award Totals</i>	<i>% of Total Dollars</i>
Grants / Scholarships	9,520	\$14,617,038	39.3
Loans	6,067	20,987,718	56.5
Employment	1,021	1,548,729	4.2
<i>Totals</i>	<i>16,608</i>	<i>\$37,153,485</i>	<i>100</i>

Growth of financial assistance is a natural outcome of enrollment increases and may lead to the conclusion that aid is keeping up with costs. Real growth among entitlement programs, such as the Pell Grant, has not kept pace with inflation.

Commuter students find direct institutional costs manageable with semester bills of \$2,000 on average. Students who live on campus and take advantage of a food plan often have a greater challenge, with direct costs averaging \$4,700 per semester.

“Full-need” students often find they must take student loans to make ends meet, and middle income families find that with less gift aid, they must borrow more than “full-need” students. The limited maximums for freshman and sophomore Stafford Loans can be supplemented with Parent PLUS Loans.

Parent borrowers who are refused a Parent PLUS Loan can simply shift the burden of borrowing back to their dependent student. Dependent students in this situation can increase their loans \$4,000 to \$5,000, the additional amount that is usually available to only independent students.

The foundation of financial aid packages for exceptionally needy students is the Pell Grant. The number of Pell Grant recipients increased 12 percent with total dollars increasing 16 percent. After the record increase in 2001-2002, this represents the second largest increase for this program in recent years. This compares to a Stafford Loan dollar volume increase of only 14 percent.

Continued - 2002-2003 Student Aid Programs Final Report

Growth of Indiana Higher Education Award (IHEA) funding was a surprise. In 2001-2002, the State Student Assistance Commission of Indiana (SSACI) implemented cost-saving measures that impacted students at institutions that assess tuition by the credit hour (as opposed to bracketed tuition). We expected another decline in 2002-2003 IHEA due to the award rule changes and new SSACI rules. Students now lose the full amount of State awards if they drop below full-time in the first four weeks of a semester (tuition refund period). A diligent effort on the part of University staff to educate students about these new rules has clearly been effective. Total Indiana funding and IHEA funding were both up 15 percent.

Changes in funding levels are summarized by source below.

<i>Source</i>	<i>2000-2001</i>	<i>2001-2002</i>	<i>2002-2003</i>
Federal Government	+14%	+13%	+17%
State of Indiana	+2	+7	+15
USI	+11	+8	+2
USI Foundation	+7	+11	+3
USI Varsity Club	+24	+30	-34
Private Sources	+11	+22	+17
<i>Aggregate Change</i>	<i>+12%</i>	<i>+11%</i>	<i>+14%</i>

Aggregate borrowing for Stafford Student Loan recipients among the Class of 2003 baccalaureate graduates averaged \$14,142, down 6 percent from the 2002 class average of \$15,075. Among year 2003 masters' degree recipients, aggregate borrowing averaged \$21,697, including both graduate and undergraduate borrowing. This figure also represents a decrease of 6 percent over the prior year.

The University's Stafford Loan default rate was 3.2 percent for fiscal year 2001, the most recent year available. A four-year summary of USI's Stafford Loan default rates appears below.

<i>Fiscal Year</i>	<i>Stafford Loan Default Rate</i>
1998	4.3%
1999	4.7
2000	5.9
2001	3.2

In 2002-2003, 4,301 Stafford Loan borrowers filed 6,090 Stafford Loan requests. About \$23 million in Stafford and Parent PLUS Loans were guaranteed for our students and over \$19.8 million were disbursed.

## Continued – 2002-2003 Student Financial Aid Programs Final Report

### **Conclusions**

Financial aid resources are effectively utilized by the University to achieve the following objectives:

- 1) Provide monetary assistance to students for educational purposes.
- 2) Assist students and families in financial planning for higher education.
- 3) Properly administer governmental, agency, University, and donor funding of student financial assistance programs.
- 4) Facilitate the recruitment and retention of students.
- 5) Implement new student financial assistance programs.
- 6) Improve communication, both external and internal, regarding financial aid programs.

### **Attachments**

Table I summarizes all student financial assistance programs.

Table II provides an overview of the University's student financial assistance programs.

**TABLE I - SUMMARY OF STUDENT FINANCIAL AID PROGRAMS**

**October 13, 2003**

	2000-2001		2001-2002		2002-2003	
	# of Awards	Total Dollars	# of Awards	Total Dollars	# of Awards	Total Dollars
<b>A. Federal Programs</b>						
1. Pell Grants	1,909	\$ 3,593,609	2,069	\$4,490,468	2,319	\$5,227,868
2. Supplemental Grants (a)	316	214,949	283	228,099	446	274,099
3. Perkins Loans	15	23,815	8	12,050	0	0
4. Federal Work Study (b)	188	230,939	174	237,879	220	333,215
5. Stafford (Student) Loans	3,654	14,128,265	3,870	15,169,169	4,301	17,274,322
6. Parent PLUS Loans	442	1,347,004	473	1,811,683	490	2,520,288
7. Veterans' Benefits	237	472,789	239	581,674	280	711,210
8. Graduate Nursing Stipend	<u>27</u>	<u>32,267</u>	<u>32</u>	<u>29,707</u>	<u>24</u>	<u>42,317</u>
<b>Federal Totals</b>	<b>6,788</b>	<b>20,043,637</b>	<b>7,148</b>	<b>22,560,729</b>	<b>8,080</b>	<b>26,383,319</b>
<b>B. State Programs</b>						
1. Higher Education Awards	1,207	1,905,490	1,209	1,865,139	1,336	2,150,871
2. Part-Time Higher Ed Awards	149	89,600	119	85,931	122	84,675
3. Hoosier Scholarships	19	9,500	23	11,500	18	9,000
4. 21 <sup>st</sup> Century Scholarships	288	351,206	347	472,278	395	587,156
5. Vocational Rehabilitation	67	127,714	71	161,537	59	195,974
6. State Work Study	4	2,033	4	2,268	2	1,524
7. Other State Scholarships	25	28,500	41	61,362	23	33,481
8. National Guard Supp. Grant	<u>22</u>	<u>38,569</u>	<u>45</u>	<u>80,184</u>	<u>55</u>	<u>93,081</u>
<b>State Totals</b>	<b>1,781</b>	<b>2,552,612</b>	<b>1,859</b>	<b>2,740,199</b>	<b>2,010</b>	<b>3,155,762</b>
<b>C. Institutional Programs (See Table II)</b>	<b>4,806</b>	<b>4,803,499</b>	<b>4,652</b>	<b>5,095,070</b>	<b>4,637</b>	<b>5,172,172</b>
<b>D. USI Foundation Programs</b>	<b>463</b>	<b>511,867</b>	<b>497</b>	<b>568,849</b>	<b>493</b>	<b>589,149</b>
<b>E. USI Varsity Club Athletic Aid (c)</b>	<b>90</b>	<b>145,939</b>	<b>108</b>	<b>189,077</b>	<b>86</b>	<b>123,922</b>
<b>F. Corporate and Private Programs</b>	<b>997</b>	<b>1,215,138</b>	<b>1,216</b>	<b>1,482,055</b>	<b>1,302</b>	<b>1,729,161</b>
<b>Totals for All Programs</b>	<b>14,925</b>	<b>\$29,272,692</b>	<b>15,480</b>	<b>\$32,635,979</b>	<b>16,608</b>	<b>\$37,153,485</b>

(a) Federal Supplemental Grants require 25% in matching funds. Matching is accomplished with the Indiana Higher Education Awards.

(b) Federal Work Study wages include 25% institutional matching funds. Seven percent of total wages must be spent on community service such as America Reads/America Counts and placement at United Way agencies.

(c) USI Varsity Club Athletic Aid includes funds transferred to the athletic department from special accounts in the USI Foundation but does not include athletically related Foundation scholarships paid directly to individual students.



**TABLE II - Institutional Financial Aid Program Summary - October 13, 2003**

	2000-2001		2001-2002		2002-2003	
	# of Awards	Total Dollars	# of Awards	Total Dollars	# of Awards	Total Dollars
1. Academic Honors Diploma Grant	371	\$351,282	200	\$184,240	105	\$94,915
2. Academic Achievement Award	1	1,000	5	5,000	13	12,500
3. Academic Excellence Award	21	60,373	22	68,992	18	65,911
4. Athletic Grant-in-Aid (a)	164	396,047	163	376,944	169	492,768
5. B/MD Scholarship	3	4,504	8	13,149	8	14,149
6. Child of Disabled Veteran	190	363,359	184	371,239	183	414,267
7. Child of Employee Fee Remission	83	81,104	70	73,060	74	91,592
8. Departmental Scholarship	313	356,672	601	604,593	802	797,861
9. Distinguished Scholars Award	---	---	---	---	6	31,859
10. Employee Fee Remission	107	83,205	109	104,939	131	142,881
11. Fifth-Year Non-Resident Fee Remission	4	10,418	6	20,481	5	17,631
12. General Fee Remission (b)	344	127,461	305	89,798	350	114,664
13. Non-Resident Scholarship/Grant	298	658,614	349	757,316	383	805,079
14. Retired Individuals Fee Remission	7	2,514	4	1,496	8	3,202
15. Scholastic Excellence Award	272	371,411	158	241,706	81	116,628
16. Institutional Supplemental Grant	---	---	1	500	0	0
17. Resident Assistants Room/Board	42	117,748	54	168,227	61	184,058
18. Spouse of Employee Fee Remission	20	14,783	21	12,483	21	16,623
19. Spouse of Full-Time Student Remission	11	4,382	8	3,015	2	1,017
20. 21 <sup>st</sup> Century Textbook Awards	<u>125</u>	<u>22,900</u>	<u>93</u>	<u>16,700</u>	<u>161</u>	<u>29,500</u>
<b>Fee Remit/Grant-in-Aid Subtotals</b>	<b>2,376</b>	<b>3,027,777</b>	<b>2,361</b>	<b>3,113,878</b>	<b>2,581</b>	<b>3,447,105</b>
21. Short-Term Loans for Book and Supplies	1,378	527,747	1,311	505,557	1,110	511,077
22. Institutional Student Employment (c)	<u>1,052</u>	<u>1,247,975</u>	<u>980</u>	<u>1,475,635</u>	<u>946</u>	<u>1,213,990</u>
<b>Totals for All Programs</b>	<b>4,806</b>	<b>\$4,803,499</b>	<b>4,652</b>	<b>\$5,095,070</b>	<b>4,637</b>	<b>\$5,172,172</b>

(a) Athletic Grant-in-Aid includes tuition fee remission, room, board, textbooks, and required health insurance for international athletes.

(b) General Fee Remissions are given for English 490 tutors, Education 490 tutors, student government officers, Harlaxton Study Abroad Grants, the College Achievement Program (CAP), graduate assistants, international exchange students, USI's Japanese instructor, and the Student Housing Association (SHA) Leadership Scholarships.

(c) The number of awards is estimated.

**Items presented to the Board of Trustees for approval to deaccession them from the artifact collection of Historic New Harmony:**

<b><u>Accession #</u></b>	<b><u>Item Description</u></b>
84.31	Floor carpet
83.08	Victorian rug
82.33	Stove; "Gold Coin"; cast iron
84.32	Chair: Turkish style; upholstered
74.115	Wash stand: poplar; marble top
74.103	Bureau: walnut; marble inset
74.126.1	Chair: walnut; upholstered
74.126.2	Chair: walnut; upholstered
74.126.3	Chair: walnut; upholstered
74.100	Table: walnut; one drawer
74.130.1-2	Cupboard: walnut with glass

## 2004 Insurance Renewal

IG ACCOUNTS



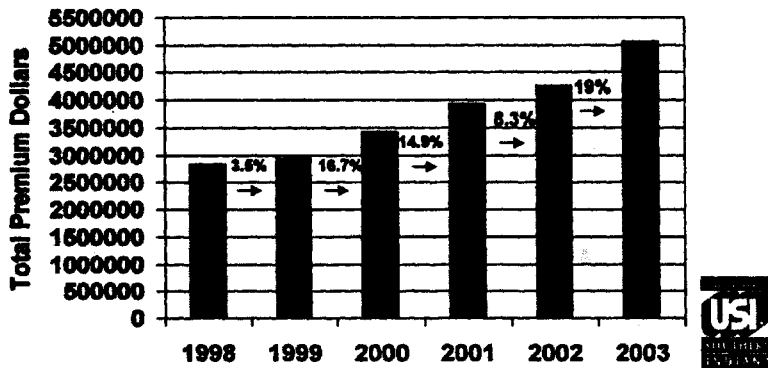
November 10, 2003

## The High Cost of Healthcare

- **Advances in technology**
- **Direct-to-Consumer advertising (RX)**
- **Demographics – “baby boomers” are raising the age of the labor force**
- **State mandates**
- **Providers – new found negotiating strength**
- **Reduced competition among vendors**

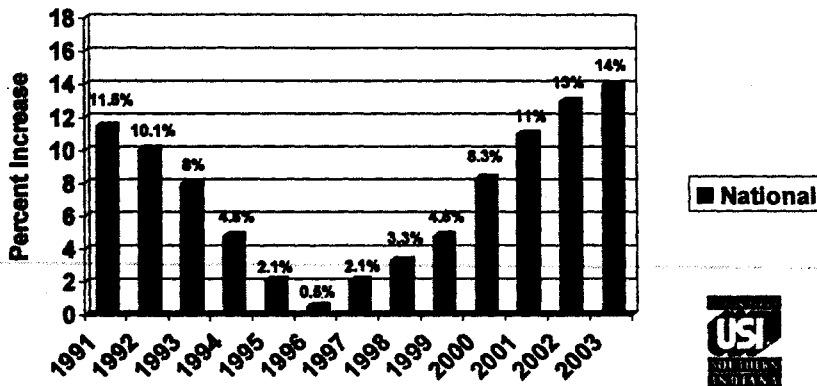


## Five Year History of Premium Increases at USI\*



\*Includes all Medical and Dental Premiums

## National Trend for Annual Increases in Health Insurance Premiums



■ National

## **What Employers are Doing to Control Healthcare Costs**

- **Changing plan design**
- **Altering contribution levels**
- **Funding mechanisms**
- **Selecting alternative vendors**



## **USI Ad Hoc Benefits Review Committee**

### **Reviewed the following areas:**

- **Current health plans at USI**
- **Claims utilization**
- **Health plans from other universities - design and costs**
- **Presentations by various healthcare providers and consultants**
- **Overview of healthcare trends**



## **Ad Hoc Benefits Committee – Primary Recommendations**

- Offer high deductible/low premium plan
- Create multiple-tiered plan
- Offer voluntary vision plan
- Contribute flat dollar amount toward health insurance
- Continue to offer dental insurance with medical insurance; also, offer dental insurance as a stand-alone plan

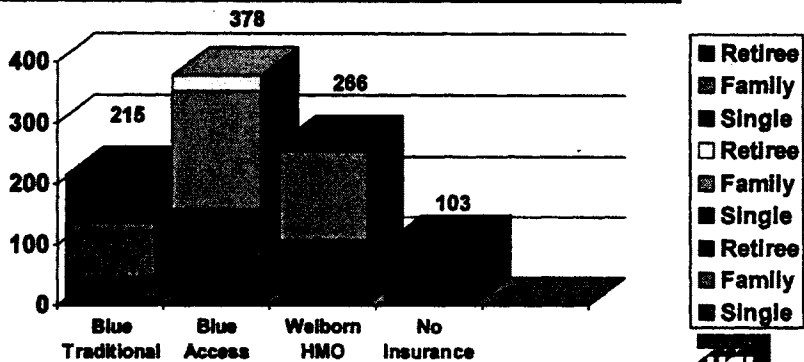


## **Other Strategies Utilized to Control Healthcare Costs**

- Premiums tied to salary increments
- Change plan design by increasing co-payments and out-of-pocket expenses
- Pay employees to opt out of medical insurance
- Offer optional plans for various medical needs



## USI Membership by Plan Type



## Blue Traditional vs. Blue Access Plans Active Employee Coverage

- Blue Traditional Plan – 135 Single/Family
  - Family Premium 2003 \$10,263
  - Single Premium 2003 \$ 3,976
  - Average Claim per Membership \$ 7,580
- Blue Access Plan – 352 Single/Family
  - Family Premium 2003 \$ 8,621
  - Single Premium 2003 \$ 3,338
  - Average Claim per Membership \$ 3,953



## Blue Traditional vs. Blue Access Plans Retiree Coverage

- Blue Traditional Plan – 80 Retirees
  - Medicare Premium Retired Over (65) 2003 - \$3,056
  - Average Claim per Membership \$2,760
- Blue Access Plan – 26 Retirees
  - Medicare Premium Retired Over (65) 2003 - \$2,700
  - Average Claim per Membership \$2,720



## Why are Costs Higher in Traditional Plan?

- Unlimited choice of doctors and medical care facilities – no managed care
- Provider network discounts not as great
- Demographics of current participants





## **Blue Traditional Renewal**

### **Recommended Plan Design Changes:**

- **Change to 80%/20% Benefit Plan**
- **Utilize a Four-Tier Rate Schedule**
- **Freeze Traditional Plan beginning January 1, 2004**



## **Blue Access Renewal**

### **Recommended Plan Design Changes:**

- **Add a \$100/\$200 In-Network Deductible**
- **Increase Maximum Out-of-Pocket to \$500/\$1000**
- **Increase Prescription Drug Co-Payment to \$12/\$24/\$40**
- **Utilize a Four-Tier Rate Schedule**



## Blue Access 500 – New Plan

(Plan will be offered as a second PPN Plan)

- **Benefits same as Blue Access Plan with the following exceptions:**
  - \$20 Office Visit Co-Pay
  - 90%/10% In-Network; 70%/30% Out-of-Network
  - \$500/\$1000 In-Network Deductible; \$1000/\$2000 Out-of-Network Deductible
  - \$2500/\$5000 MOOP In-Network; \$5000/\$10000 MOOP Out-of-Network
  - Prescription Drug Co-payment \$10/\$30/50% (Min. \$50; Max. \$100) Retail
  - Mail Order Prescription Drug Co-payment \$20/\$70/\$125
- **Utilize a Four-Tier Rate Schedule**
- **University Contribution same as Blue Access Plan**



## Health Resources, Inc. Renewal

### Recommended Plan Design Change:

- **No Plan Design Changes**
- **Utilize a Three-Tier Rate Schedule**
- **Rate Increase:**
  - Single – 10%, Family – 19%, and Retiree – 10%**
  - Single - \$22.90
  - Employee/Spouse or Child(ren) - \$42.80
  - Family - \$65.28



### Recommended Premiums: BC/BS Blue Traditional/HRI Plan\*

	<u>Premium</u>	<u>Change</u>	<u>USI</u>	<u>EE</u>
Single	\$ 365.35	1.31%	\$274.01	\$ 91.34
EE/CH	\$ 700.54	N/A	\$525.40	\$175.14
EE/SP	\$ 903.85	N/A	\$677.89	\$225.96
Family	\$1021.43	9.59%	\$766.07	\$255.36
Retiree	\$ 299.40	5.44%	\$224.55	\$ 74.85

*Maintain Deposit Premium Funding Arrangement*

*\* Includes Post-Retirement Benefit Cost*



### Recommended Premiums: BC/BS Blue Access/HRI Plan\*

	<u>Premium</u>	<u>Change</u>	<u>USI</u>	<u>EE</u>
Single	\$349.21	13.56%	\$261.91	\$ 87.30
EE/CH	\$662.16	N/A	\$496.62	\$165.54
EE/SP	\$853.06	N/A	\$639.80	\$213.26
Family	\$954.50	20.03%	\$715.88	\$238.62
Retiree	\$266.33	4.72%	\$199.75	\$ 66.58

*Maintain Deposit Premium Funding Arrangement*

*\* Includes Post-Retirement Benefit Cost*



## Recommended Premiums: BC/BS Blue Access 500/HRI Plan\*

	<u>Premium</u>	<u>Change</u>	<u>USI</u>	<u>EE</u>
Single	\$299.71	N/A	\$261.91	\$ 37.80
EE/CH	\$569.67	N/A	\$496.63	\$ 73.04
EE/SP	\$731.14	N/A	\$639.80	\$ 91.34
Family	\$820.28	N/A	\$715.88	\$104.40
Retiree	\$241.09	N/A	\$199.75	\$ 41.34

*Maintain Deposit Premium Funding Arrangement*

*\* Includes Post-Retirement Benefit Cost*



## Welborn HMO Renewal

### Recommended Plan Design Changes:

- Change to 90%/10% Benefit Plan
- Increase Prescription Drug Co-payment to \$10/\$25/\$40
- Office Visits Remain at \$15 for Primary Care/ Increase to \$25 for Specialist
- Increase Maximum Out-of-Pocket to \$1000/\$2000
- Utilize a Four-Tier Rate Schedule



## Premiums for Welborn HMO/HRI Plan\*

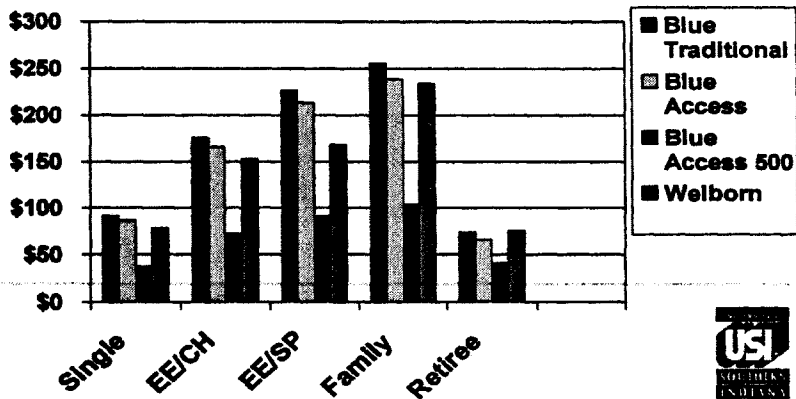
	<u>Premium</u>	<u>Change</u>	<u>USI</u>	<u>EE</u>
Single	\$313.67	15.65%	\$235.25	\$ 78.42
EE/CH	\$609.90	N/A	\$457.44	\$152.46
EE/SP	\$670.15	N/A	\$502.61	\$167.54
Family	\$936.48	33.19%	\$702.36	\$234.12
Retiree	\$304.52	.99%	\$228.39	\$ 76.13

Maintain Deposit Premium Funding Arrangement

\* Includes Post-Retirement Benefit Cost



## 2004 Employee Monthly Cost Comparisons by Plans



## Section 125 Flexible Benefit Plan

### Recommended Plan Changes:

- Increase Unreimbursed Medical Expenses from \$3,000 to \$4,000
- Over-the-Counter Drugs Included as Eligible Expenses

*Rate Increase to \$5.80/Person/Month - 5.5%*



## Recommendations

- APPROVE renewal of Master Policy Contract with BC/BS for Blue Traditional and Blue Access Plans under the Deposit Premium Funding Arrangement as outlined
- APPROVE the addition of the Blue Access 500 plan under the Deposit Premium Funding Arrangement as outlined
- APPROVE renewal of Master Policy Contract with Welborn HMO as outlined
- APPROVE renewal of Master Policy Contract with HRI, Inc. as outlined
- APPROVE renewal of Administrative Agreement with BKD (Baird, Kurtz and Dobson) for Section 125 Flexible Benefit Plan as outlined

