Partnership Efforts Working
Purdue Medical Plans Do Better Than National Average

While most employers experienced a 14-15 percent increase in medical plan claims for 2002, Purdue and its employees managed to keep the increase to just below 10 percent.

“Health claims for 2002 increased 9.9 percent over 2001,” says Brent Bowditch, assistant director of Human Resources Services for staff benefits. “That’s significantly lower than what many other employers experienced.”

What contributed to this positive news?

• Purdue did its part by finding and offering plan features that stress quality and are cost-effective for both employees and the medical plan.

• Employees helped by embracing and using new features such as free services at participating labs and generic prescription drugs. In fact, when a generic alternative is available, Purdue participants opt to use the generic drug instead of the brand name 89 percent of the time.

• Medical providers are also partnering with Purdue and its employees by joining the PHCS network that serves both the Incentive PPO plan and the Purdue 500. Visit www.purdue.edu/hr/PHCSWLaf.htm for a list of health care providers who have recently joined the network.

Positive claims experience will allow Purdue to repay $3 million to the medical plan reserve, bringing the reserve’s total to about $23.2 million. Despite this progress, the reserve is still underfunded by $11.5 million, according to an actuarial study conducted by Hewitt Associates, a benefits consulting firm.

Let’s keep the teamwork alive for a good 2003

For 2003, Purdue introduced the new Incentive PPO plan, which is designed to provide good value for both employees and the University through special PHCS network pricing. Nearly 4,000 of you signed on for this new plan, boosting its clout within the local medical provider community.

Primary Care Benefit: The Primary Care Benefit available through Incentive PPO and Purdue 500 is another way to control medical plan costs. The benefit encourages you to turn to your primary care physician first instead of going to a specialist, an urgent care facility, or the hospital. When you use the benefit, you have no deductible for visits with an in-network pediatrician, family practice doctor, general practitioner, internist, or OB/GYN. Physician’s assistants and nurse practitioners working for these doctors are also covered under the benefit.

Mail order prescription service: This year also brought the new mail order prescription drug benefit. This benefit applies to the prescription drugs you take on an ongoing basis. When you use the mail order service, you’re able to get a 90-day supply of your prescription instead of the 30-day supply you can get at your retail pharmacy. You also pay 5 percent less coinsurance. You’ll pay 15 percent coinsurance for generic drugs, 25 percent for preferred brand name drugs, and 45 percent for non-preferred brand name drugs when you use mail order.

Experts anticipate that prescription drug costs will increase by 18-20 percent in 2003. By using the mail order service, you can save money for yourself and the medical plans. As of January, 565 Purdue participants had used the mail order program.

We still have more to do!
Financial Pressure Continues; Working Together Remains Important

Purdue spent $64 million dollars in 2002 for faculty and staff health coverage. If nothing is done to check the rising costs of healthcare, industry experts predict that expenses will increase by 50 percent in the next three years. This means that by 2006, Purdue would need another $32 million to fund its medical plans for the year.

Why should this concern you? It’s important because every dollar that the University pays for your healthcare is a dollar Purdue cannot use for other purposes—including pay raises.

Working together to hold the line

In an effort to limit cost increases, Purdue has been working closely with the Segal Company (a benefits consulting firm) and the Health Plan Advisory Committee (a group of faculty and staff). The Segal Company brings needed expertise at a very difficult time, while the Health Plan Advisory Committee provides input and advice from an employee viewpoint.

Purdue’s work with Segal and the Advisory Committee resulted in adding financial incentives to the 2003 medical plans to encourage you to make money-saving choices. These include incentives to use:

• Generic drugs
• Mail order pharmacy service
• Medical provider networks such as PHCS and Purdue Managed Care
• Primary care physicians instead of specialists
• Designated facilities for your lab work

You can expect this trend of offering lower-cost, high quality health care alternatives to continue as Purdue designs future medical plan offerings.

Everyone has responsibility

Purdue and its employees must remain active partners to be successful. Faculty and staff will need to stay involved, choose the best value, consume wisely, and live a healthy lifestyle. The University must provide continuous communication, giving you the knowledge you need to make informed choices about your healthcare, and must design quality plans that meet your needs and provide value.

Future lower-cost, high quality alternatives may call for you to go to a different medical provider or change a lifetime behavior. If the alternatives require changes you’re not willing to make, you will be able to choose a higher-cost option, but you’ll pay more for your choices.

Over the next several months and years, Purdue will emphasize the importance of a healthy lifestyle. Research studies have shown that lifestyle choices, such as smoking, obesity, inactivity, and not wearing a seatbelt, are directly responsible for up to 70 percent of an employer’s medical costs.

Purdue will provide incentives and educational tools to encourage you to take responsibility for your life and to lower healthcare costs. The Health Plan Advisory Committee is actively investigating plan designs of this type and will probably recommend them to Purdue’s administration.

The future of healthcare at Purdue involves all of us. We will have to play a more active role in our care than we have in the past. Working together, we can keep the costs of quality healthcare to reasonable levels.

Have a suggestion about the Purdue health plans? Staff Benefits wants to hear from you!

Please send your comments and ideas to:

staffbenefits@purdue.edu or
Benefits Officer, Staff Benefits, FREH
Health Plan Advisory Committee Continues to Work on Your Behalf

Staff Benefits has been working with an advisory group of faculty and staff since the 1980s. Throughout these years, those serving on the committee have provided opinions, feedback, and ideas that have helped to shape Purdue’s medical plan offerings.

Today, the Health Plan Advisory Committee still works for your best interests and has undertaken an ambitious set of priorities for 2003. Here’s what the committee and Staff Benefits plan to focus on this year:

- Improve local provider participation in the PHCS network in the West Lafayette and North Central campus areas. PHCS and the Segal benefits consulting company will help in this effort.

- Develop an action plan and recommendation to University administration for a disease prevention and health promotion initiative that will lower medical costs and improve employee health.

- Analyze the value of administrative services Purdue purchases. These include: 1) a service that pre-certifies inpatient hospital stays and certain medical procedures and 2) a case management service that works to ensure that patients are receiving the most appropriate and effective care.

- Analyze the use of specialty or “designer” prescription drugs by Purdue medical plan participants. These are expensive, injectable drugs that the patient generally buys through the doctor’s office at a big mark-up. Staff Benefits and the committee will explore ways employees can save money by obtaining the drugs directly from the supplier.

- Assess the quality of care that faculty and staff are receiving. A consultant will evaluate many factors, including services, the patient’s access to network doctors, and patient satisfaction.

- Help faculty and staff become better health care consumers by providing sources of information for them to use when making health care decisions.

- Consider the feasibility of offering a “consumer-driven” health plan option. This type of health plan has a high deductible, but gives the employee a medical account to use to pay for health care services. Such an option can give the employee more control in managing his or her own health care, but it also means the employee must be more aware of cost and quality of care.

- Work with a broker or consultant to review dental coverage, which Purdue may offer as a voluntary benefit in 2004. A voluntary benefit is one that interested faculty and staff pay for themselves with no contribution from Purdue. Employees would have the advantage of buying the benefit at a group rate, which should be less than what employees would pay to buy the benefit on their own. Employees would also save taxes because premiums would be pre-tax.

You’ll find the names of current Health Plan Advisory Committee members listed in the box below. If you have comments or suggestions to share with the committee or Staff Benefits, e-mail them to staffbenefits@purdue.edu. Watch future editions of this publication and Inside Purdue for more information about the Health Plan Advisory Committee’s work.

Charlene Sullivan, associate professor of management, and John Beelke, director of Human Resource Services, are co-chairing the committee. In addition to Sullivan and Beelke, the committee includes:

- Jim Anderson - Sociology
- Joy Colwell - OLS, Calumet
- Jim Ferguson - Human Resources, Fort Wayne
- Bob Jensen - Fitness, Wellness, and Sports, Calumet
- Logan Jordan - Management
- Mary Remster - Financial Aid
- Keith Schwingendorf - Mathematics, North Central
- Roger Seehafer - Health, Kinesiology, and Leisure Studies
- Tom Wilson - Pharmacy

Please send comments and questions for the Health Plan Advisory Committee to staffbenefits@purdue.edu
Medical Care Takes a Bigger Bite Than Food and Energy Combined

The ISI Group reports that consumer spending for medical care is now greater than consumer spending for food and energy combined. In 1960, consumers spent 30 percent of their disposable income on food and energy and only 6 percent on medical care.

But by October 2000, budget demands had changed drastically. The average percentage of disposable income spent on medical care reached 17.6 percent. This exceeded—for the first time—the average percentage of disposable income spent on food and energy combined. The food and energy percentage in October 2000 was 17.1 percent.

Did You Know ...

One-fifth of all prescribed antibiotics do no good because they’re prescribed for the common cold, which is a viral condition. Antibiotics only help bacterial infections, so prescribing them for a cold wastes millions of dollars each year.

Vital Signs

The Numbers and Issues Affecting Purdue’s Medical Plans

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