How did we do it?

More doctor choices, better benefits, and millions of dollars saved for you and Purdue

Within just the past few years, Purdue’s reserve to pay medical claims was underfunded by about $14 million dollars, the health plan was paying a 70 percent benefit, and our medical costs were increasing at an alarming rate.

Today the reserve for the medical plans is fully funded, faculty and staff have free lab benefits, and Incentive PPO participants pay just 10 percent of the cost for their primary care office visits – with no deductible to satisfy first. In addition, we expect claims and associated cost increases against the Purdue medical plans to be well below the national average of 12 percent.

What factors have contributed to this noteworthy turnaround? Look at the list below and you’ll see that everyone’s played a part.

• More medical providers have joined the PHCS network that serves the Purdue PPO and Purdue 500 plans. Provider participation in the West Lafayette campus area has increased from 72 providers to more than 400 providers.

• Better contracts have been negotiated with Greater Lafayette Health Services (GLHS), the corporation that owns Lafayette Home Hospital and St. Elizabeth Hospital. These new rates provide for better financial arrangements for both inpatient and outpatient services.

• Negotiations with Arnett have resulted in substantial savings off the projected 2005 expenses on the Managed Care plan. Performance guarantees have been included in the contract to stress the importance of quality care.

"The savings are real and significant," says Brent Bowditch, assistant director of Human Resource Services for Staff Benefits. “Everyone’s hard work is paying off.” But medical costs are still on the increase both at Purdue and nationally. "The remaining tool we have for controlling costs is to keep people out of the health care system as much as possible by improving their health through better lifestyle choices."
Hello, surgery. Good-bye, family vacation. Maybe not with network savings!

If you’ve ever wondered just how much your provider network can save you, study the real life example below. It compares the actual amounts Purdue and the employee paid in 2003 to the amounts paid in 2004 for the exact same surgery. In 2004, Purdue saved nearly $2,600 off the 2003 charges, and the employee’s cost went from $1,377 to $272 for a savings of just over $1,100.

In both years, the surgery was performed by the same surgeon and in the same facility. So what’s the difference? In 2003, the doctor and the facility were not in the PHCS network. By 2004, both the doctor and the facility had joined PHCS, resulting in big savings for Purdue and the employee. While PHCS reports that reimbursement to network providers in Lafayette is higher on average than what network providers in Indianapolis receive, using your provider network can clearly save you money. Of course, the savings realized from one situation to the next will vary.

Think of what you could do with $1,100—pay off some bills, take a vacation, or buy new furniture. Now think about how Purdue might use its $2,600 savings—perhaps for employee pay raises or to offset increases in employee contributions for medical coverage. The savings from just a single surgery done in-network can have a notable impact on both you and Purdue.

### Physician Costs:

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<th>2004</th>
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<td>$2,864.00</td>
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### Facility Costs:

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<td></td>
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### Total Costs:

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<tr>
<td></td>
<td>$5,510.00</td>
<td>$1,818.00</td>
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Reasons behind changes to 2005 medical plans

Purdue’s medical plans will see only a few changes for 2005. Changes for next year were made after careful consideration and with input from the Purdue Health Plan Advisory Committee. Here’s some of what’s changing for 2005 and why.

**Increase the out-of-pocket maximum on the Purdue 500 from $2,000 per person to $2,500 and from $4,000 per family to $5,000.**

The Purdue 500 does not provide strong incentives for participants to use network providers and that makes it the most costly of Purdue’s plans. To keep increases in employee contributions for this plan as reasonable as possible, Staff Benefits opted to increase the out-of-pocket maximum. This change will affect only those who have higher medical claims, while others on the plan will benefit from the employee contribution increase being kept as low as possible.

**Drop Arnett Clinic as an in-network provider for the Purdue 500.**

**Drop Arnett as a free lab site under the Incentive PPO and Purdue 500 plans.**

Purdue included Arnett as a network provider for the Purdue 500 through an individual contract negotiated directly with Arnett. Likewise, Arnett’s inclusion as a free lab site was through an individual contract. Even so, Arnett’s prices are relatively high, and including them as a network provider gave employees an incentive to use the clinic. With Arnett’s current pricing, Staff Benefits cannot justify continuing Arnett in these arrangements.

Purdue has decided to no longer pursue individual contracts with providers and instead concentrate its efforts on developing the full potential of the PHCS network. Arnett provides good pricing for medical services through the Managed Care plan offered at Purdue, but has so far declined to join PHCS. Should Arnett Clinic decide to join PHCS, it would then be a network provider for both the Purdue 500 and the Incentive PPO plans and would once again be a free lab site.

**Change Purdue Managed Care to Arnett Managed Care.**

Purdue Managed Care’s name is changing to Arnett Managed Care to reflect the additional financial risk Arnett is assuming for this plan. In the past, Purdue self-insured the Managed Care plan, which meant that the University reimbursed Arnett for all claims. For 2005, Purdue will pay Arnett a premium for each person covered under the Arnett Managed Care plan. In return, Arnett will assume the greatest risk and potential expense for all care provided under the plan. This arrangement allows Purdue to take advantage of pricing that Arnett has negotiated for its health plans—pricing that was not available to Purdue Managed Care as a self-insured plan.

**Adopt a maximum allowable charge (MAC) approach for processing out-of-network claims under the Incentive PPO and Purdue 500 plans.**

MACs will replace the “usual and customary” amounts previously used for processing out-of-network charges. See “Making the most of MACs” in this publication.

Rx news for Incentive PPO and Purdue 500

In the spring of 2004, the Indiana General Assembly passed HEA-1265. The law combines the prescription coverage for state employees and state universities into one pool in an effort to save money. As a result, the state determined in October that prescription coverage for the Incentive PPO and Purdue 500 will become part of Indiana’s new State Aggregate Prescription Purchasing Program, beginning January 1, 2005. (Arnett Managed Care will not be affected and will continue with its current prescription coverage.)

Anthem will administer the state plan, and Purdue and Anthem have met to begin the transition to Anthem from Purdue’s current pharmacy benefit manager, Caremark (formerly AdvancePCS).

Staff Benefits will work to make the transition as smooth and transparent as possible; however, the time available to accomplish the transition is about half the time that would normally be required. We ask for your patience as we work through the details.

The design of the prescription plan will remain the same, and Purdue will continue to have mail order service. However, the preferred drug list will change from what it is currently. Anthem uses the term “formulary” when referring to its preferred drug list. Some prescriptions that have been on Caremark/AdvancePCS’s preferred drug list are not on Anthem’s formulary. Staff Benefits will pass along Anthem’s formulary list and other information as it becomes available.
Next steps:
You have the power to keep costs down, live healthier

Purdue faculty and staff have been partners with the University in working to bring our health care costs under control. You’ve helped Purdue build a more robust provider network by switching to the doctors who have joined PHCS. You’ve changed to generic or preferred brand name prescription drugs. Overall, you’ve accepted the need for change and made a positive difference.

Now Staff Benefits encourages you to keep up the good work by stepping it up in two areas:

Take your health consumer know-how up a notch

1. Dig out the facts through the Staff Benefits Web site. How does what you’re being charged for health care services compare with what others pay in your local area, throughout Indiana, and beyond? For 2005, Staff Benefits will add health care cost information to the Web that will let you see for yourself. If you find you’re paying more, ask why or consider whether you want to change health care providers or medical plans.

The data will be available after the first of the year at www.purdue.edu/benefits. Staff Benefits will provide tips on using the information when it becomes available on the Web site.

2. Become familiar with your medical plan’s Web site. Wausau Benefits provides a site for Incentive PPO and Purdue 500 plan participants at www.wausaubenefits.com. To get started, click on the Members tab on the left side of the screen under the Log On or Register heading. Arnett Health Plans provides the site for the Managed Care plan at www.arnettplans.com. Click the Members tab on the left side of the screen.

The Wausau site lets you see how your claims were processed, find CPT codes for the procedures you had done, and link into the PHCS Web site to find a network provider. The Arnett site lets you review processed claims and supplies a provider directory, the preferred drug list, and information about available education programs.

What Purdue is working on:
Good health consumerism is not just about finding the lowest price, it’s also about getting quality care. Purdue is exploring ways to evaluate the quality of care Purdue faculty and staff receive from providers.

Make a healthy lifestyle a bigger priority

Purdue employees are at a variety of levels when it comes to following a healthy lifestyle – and most everyone has room for improvement. Making a lifestyle change can be a true challenge, but even small changes can have a significant effect on your well-being and your pocketbook.

Consider taking at least one step toward a healthier lifestyle in 2005. Here are some of the programs available now to help you.

1. Learn ways to manage your chronic medical condition. Purdue offers the Delta Disease Education Program to Incentive PPO and Purdue 500 participants. The program helps people with the following chronic conditions:
If you have one of these illnesses, this program will help you improve your self-management of your condition. The program provides wide-ranging information about your illness and offers the assistance of a specially trained disease education nurse.

The Delta Disease Education Program is administered by an independent company to ensure complete confidentiality. Purdue does not know which employees are participating in the program. Call (800) 380-0426 if you’d like to enroll.

2. Lose weight, exercise more, eat better, stop smoking, manage your stress … We all know what we need to do; that’s not the problem. Taking action is the tough part. Purdue’s WorkLife Programs can help you move toward better health. From stop smoking programs and Weight Watchers at Work to support groups to help you cope with life’s stresses, the WorkLife Programs could provide the nudge you need.

Check out the offerings at www.purdue.edu/worklife.

What Purdue is working on: Incentives prompt people to take action. The University is looking at possible incentives that will promote a healthier lifestyle among its employees.

Good for you!

Becoming a better consumer and improving your lifestyle will be good for your health, good for your checkbook, and good for Purdue. Keep the partnership and the improvements moving forward! If you have suggestions for ways Purdue can help you with these steps, we’d be happy to hear from you at staffbenefits@purdue.edu.

Explore Arnett’s programs at www.arnettplans.com.

Have a comment or suggestion about the Purdue medical plans?

Staff Benefits wants to hear from you!

Please send your comments and ideas to:

staffbenefits@purdue.edu  or
Benefits Officer, Staff Benefits, FREH
Making the most of MACs

For years, the Purdue medical plans have limited insurance reimbursement to no more than the established “usual and customary” fee for the provided service. But usual and customary (U&C) has been confusing to explain and administer because the allowable amounts change during the year and are based on various geographic locations.

Beginning in 2005, Purdue will reimburse Incentive PPO and Purdue 500 out-of-network claims based on a new system of “maximum allowable charges” or MACs. Set once a year and made readily available to employees, MACs will be a more straightforward way to deal with out-of-network claims.

Setting the MACs

The medical insurance industry uses five-digit CPT codes to identify each individual medical service that a patient might receive. CPT stands for “common procedural terminology.”

Each year, Medicare establishes the fees it will allow medical providers to charge Medicare patients for the services represented by the various CPT codes. This Medicare rate is then commonly used as the basis for negotiating medical contracts across the nation. For example, many provider networks allow participating providers to charge in the neighborhood of 115 percent to 140 percent of Medicare. That’s 15-40 percent more than Medicare allows.

U&C fees in the Lafayette area vary widely. On average, they are 218 percent of Medicare.

Using current medical industry pricing data and the help of a consultant, Purdue has set its MACs so that the reimbursement level is never greater than 200 percent of Medicare—so two times what Medicare permits. Any amount an out-of-network provider charges that is more than the MAC for a particular CPT code will be the patient’s responsibility to pay.

Network provides safe haven

It’s important to note that MACs only come into play on out-of-network claims. Network providers have already negotiated with PHCS to supply services at fees that are within the MAC.

If you choose to use an out-of-network provider for care, you may experience considerable out-of-pocket cost if the provider’s fee exceeds the MAC. When using an out-of-network provider, contact the provider beforehand and ask for the CPT code(s) and the fee(s) for the service(s) you’ll be receiving. You can then go to the Staff Benefits Web site to see if the fees you’ll be charged are within your medical plan’s MAC. Any fee above the MAC will be your responsibility to pay.

If the provider plans to charge more than your plan’s MAC, you can ask the provider if he or she would be willing to accept the MAC as the full fee. Or, you can avoid any overage charges by using network providers. If your provider isn’t in the network, encourage him or her to join PHCS.

Web site provides list of MACs

MACs for 2005 will be finalized this fall and posted on the Staff Benefits Web site. The Web site will be a valuable tool for Purdue employees who want to make well-informed health care decisions. Watch for more information later this year.