UNIVERSITY OF NOTRE DAME
THE ACADEMIC COUNCIL
MEETING OF OCTOBER 7, 2002

Members Present: Rev. Edward Malloy, C.S.C., Nathan Hatch, John Affleck-Graves, Rev. John Jenkins, C.S.C., Carol Ann Mooney, Jeffrey Kantor, Rev. Mark Poorman, C.S.C., Eileen Kolman, Joseph Marino, Patricia O'Hara, Mark Roche, Carolyn Woo, Jennifer Younger, John Robinson, Jay Brandenberger, Jacqueline Brogan, Albert Miller, James Ryan, Dennis Jacobs, Patricia Maurice, Thomas Noble, Joan Aldous, Patricia Blanchette, Teresa Ghilarducci, Brian Krostenko, Vittorio Hosle, John Welle, Mary Rose D'Angelo, Steven Buechler, Panos Antsaklis, Robert Bretz, Jay Tidmarsh, Dino Marcantonio, Kenneth DeBoer, Ava Preacher, Anthony Hagale, Megan McCabe, Bradley Buser, Stephanie Arnett, Sean Thornton

Members Absent: Rev. Timothy Scully, C.S.C., Frank Incropera, Thomas Merluzzi, Thomas Frecka

Members Excused: Michael Lykoudis, Cornelius Delaney, Umesh Garg, Mitchell Wayne, Mihir Sen, J. Douglas Archer

Observers Present: Mary Hendriksen, Dennis Brown (for Dennis K. Moore), Harold Pace, Daniel Saracino, Thomas Laughner

Observers Excused: Lt. Col. David Mosinski

Fr. Malloy called the meeting to order at 3:05 p.m. Fr. Jenkins offered a prayer.

1. Minutes of the Meeting of September 10, 2002. The minutes of the meeting of September 10, 2002, were approved without amendment.

2. Presentation and Discussion of Proposed Benefits Changes. Fr. Malloy introduced Robert Foldesi, Associate Vice President for Human Resources, and Denise Murphy, Human Resources' Director of Benefits and Applied Technology, who were invited to the meeting to give an overview of changes to the benefits that will be offered to all Notre Dame faculty and staff in the year 2003.

Mr. Foldesi said that Human Resources (HR) used three guiding principles when considering changes to the University's benefits package: First, Notre Dame's benefits must be competitive with those offered by the institutions and employers with which the University competes for faculty, staff, and administrators. Second, benefits must be administered effectively. HR wants to eliminate problems with certain of its carriers so that Notre Dame's carriers serve as a recruiting tool rather than a detriment. Third, given the rising costs of health insurance and health care, HR must strive to control costs – both for the University and its employees.

Regarding the cost of health insurance, Mr. Foldesi noted that for the last several years it has risen by more than 10% a year. In fact, since 1960, the percentage of the United States' gross national product that is comprised of health insurance has increased significantly – from 5% in 1960 to 12% today. He emphasized that these numbers represent health *insurance* costs, not health care costs.

To conduct the best benefits review possible, Mr. Foldesi said, HR formed a committee of faculty, staff, and administrators to review the entire benefits package. He thanked Prof. Albert Miller, Chair of the Faculty Senate's Benefits Committee, for being a key member of the committee. Not only did Prof. Miller attend numerous meetings, he also traveled to several sites where HR was conducting its due diligence review with potential vendors. As a result of the work by HR and the committee, Mr. Foldesi said, he believes that the University has an outstanding benefits package to offer its employees for the year 2003.

To explain the benefits in more detail, Mr. Foldesi introduced Denise Murphy, Director of Benefits and Applied Technology.

Ms. Murphy explained that the benefits review process began 18 months ago when HR hired Watson Wyatt, a national health care consultant, to perform a full-scale analysis of the University's benefits package. Many aspects of the current benefits were examined – from the choice of CIGNA as the Preferred Provider Organization (PPO), to prescription benefits, life insurance, vision plans, retiree medical insurance, and dental plans. The review process was characterized by campus-wide participation. There were surveys, focus groups, and extensive input and participation by the review committee – composed of five Human Resources' staff members and, in addition to Prof. Miller of the Faculty Senate, a representative of the Staff Advisory Council, an administrator from the professional staff, a representative of the Procurement Office, an analyst from Budget and Planning, and an attorney from the General Counsel's Office.

Ms. Murphy then highlighted the changes made to the University's benefits package.

(**1) North American Administrators as New PPO.** After reviewing the plans of ten providers, the committee decided to change the University's PPO administrator from CIGNA to North American Administrators (NAA). Headquartered in Buffalo, NY, the NAA is one of the largest third-party administrators in the country. It administers benefits for over 600,000 participants and features very personalized claims service. NAA will have a five-day claim processing time, a dedicated Notre Dame account team, and a dedicated toll-free number for Notre Dame employees.

Ms. Murphy said that like CIGNA, NAA will pay claims and provide a network of physicians and health services for those Notre Dame employees who choose this option. The local network of physicians and hospitals will not change. Thus, St. Joseph Regional Medical Center will remain as the anchor hospital for the network, and those faculty and staff who desire to remain in a PPO will not need to change local doctors. There are two services – maternity and pediatric intensive care – that will still be considered "in network" even though they will be provided at Memorial Hospital.

Those who choose the PPO option will have access to a national network called "Beech Street" that provides physician and hospital services throughout the country. In choosing the new NAA plan, Ms. Murphy said, HR and the committee made sure that the names people recognize – The Mayo Clinic, the University of Chicago, and the Cleveland Clinic, for example – were included in the national network. Thus, a priority was making sure that choice was available within the network.

Also under the new PPO plan, Ms. Murphy noted, enrolled employees are entitled to the services of Edison Lakes Urgent Care with a $50 co-payment.

Ms. Murphy explained that in prior years Notre Dame had offered employees the choice of either a $300 or a $600 deductible plan. During the review process, the committee decided that there were advantages to having only one deductible level. The deductible was set at $400 per individual for in-network care ($800 family) and $800 per individual for out-of-network services ($1,600 family). The committee also compared Notre Dame's maximum out-of-pocket expenses to other universities and adjusted them to $1,000 per individual ($2,500 family) for in-network services and $2,000 per individual ($4,500 family) for out-of-network services.

(2) Pharmacy benefits. Ms. Murphy said that the committee explored whether it would be cost effective to take the pharmacy benefit out of employees' medical health plans and concluded that it would be. Thus, HR has contracted with Medco Health, formerly Merck Medco, to provide a prescription benefit for all employees who opt into a health plan – whether that is the PPO or either of the HMO plans.

Medco Health has a network of more than 50,000 pharmacies nationwide. Much like the current Partners' plan, Medco offers a three-tier co-pay program of $8 for generic drug prescriptions, $15 for "preferred" brands, and $30 for non-preferred brands. The company has a more cost-effective option for drugs needed to treat on-going medical conditions. The cost of a 90-day supply is $16 for generic drugs, $30 for preferred, and $60 for non-preferred.

With any pharmacy plan, Ms. Murphy explained, the critical question is the number of brands on the company's "preferred" list, or "formulary." The committee determined that with 86% of brand-name drugs on Medco Health's formulary, it had the most complete drug listing of any of the companies they were considering.

Ms. Murphy noted that another advantage of Medco Health is its very extensive internet services. Subscribers can visit the company's website and see what drugs are in its formulary. The website also provides information on the differences between a particular generic drug and its corollary name-brand drug and allows a subscriber to call up the prescription history of his or her entire family for the past 18 months. The company encourages home delivery and will send an e-mail reminder to subscribers when it is time to re-order a maintenance drug.

Ms. Murphy reiterated that any Notre Dame employee who enrolls in a medical plan will be enrolled automatically in the Medco Health prescription plan. Even though there will be a separate card for each of the two programs, the premiums for the health and pharmacy benefits will be rolled in together. Those premiums will be:

Advantage Health Plan	\$20 Individual	\$82 Family
Partners Health Plan	\$24	\$101
North American PPO	\$28	\$104

Those employees who elect no coverage will be paid \$33 each month to acknowledge the waiver of the health coverage benefit.

(3) Dental benefits. Ms. Murphy said that while HR did not go out to bid for a new carrier, the committee did take a look at the current program and recommended a University contribution to the premium paid by subscribers to the DeltaPremier USA program, thus decreasing its cost. There is an improvement in DeltaPremier services as well. In 2003, the cost of major services will have 50% coverage rather than 25%. In addition to DeltaPremier, employees have another option for dental benefits: Health Resources, Inc.

(4) Life Insurance. Notre Dame provides a \$25,000 group term life insurance policy at no cost to all full-time faculty, staff, and administrators of the University. In addition, each employee can elect further coverage at levels from one to ten times his or her salary. The carrier for the University's life insurance coverage has been TIAA. Ms. Murphy said that because Minnesota Life came in with a very competitive offer, the committee decided to transfer the University's optional coverage plan. Rates, for which there is now a three-year guarantee, have decreased under the new coverage. Thus, an employee earning \$50,000 annually and carrying three times his or her salary in life insurance will save from \$75 to \$100 each year in premium costs. Ms. Murphy added that the dependent life insurance options will continue as before – both in coverage and cost.

(5) Vision programs. Ms. Murphy explained that in the 2002 benefits year, both the University's HMO carriers offered a discount program for vision care within their own programs. That will no longer be the case. Instead, all employees, whether they belong to a PPO or an HMO, can opt into a full vision care program by EyeMed. At a cost of \$5.80 per month for an individual (\$13.80 for a family), the plan will provide comprehensive office vison examinations by independent ophthalmologists, optometrists, and opticians for a $10 co-pay. Frames, glasses, and contacts are purchased with various co-pays. For example, frames (up to a value of $130) will cost $24 and a pair of single-vision lenses will be $10.

(6) Long-term care insurance. Ms. Murphy said that long-term care is defined as care received either at home or in a facility for assistance with activities of daily living due to an accident, illness, or advanced age. The carrier Notre Dame has chosen for this optional benefit continues to be UNUM Provident, which offers long-term care insurance options at various levels. Duration of the care can be three years, five years, or an unlimited number of years, with a monthly benefit ranging from $1,000 to $6,000. Premiums are based on the choices made in the type of care, its duration, the monthly benefit amount, and the age of the person for whom it is intended. Notre Dame employees may purchase long-term care insurance for themselves or their spouse, parents, or grandparents. During the open enrollment period, long-term care coverage may be purchased without completing a medical questionnaire.

Ms. Murphy concluded her presentation by saying that during the benefits review process, HR and the committee always considered the University's benefits program as a whole. Thus, rather than focusing on medical care alone, they analyzed costs and benefits in conjunction with pharmacy, dental, life insurance, and vision benefits – and then constructed a plan for employees to receive the best possible coverage at a competitive cost. She gave several examples using various income levels and benefit choices to demonstrate that, generally, with the many changes to the benefits package, some Notre Dame employees can expect to save overall on the amount of dollars they spend per year on health care and insurance.

Ms. Murphy noted that the enrollment period for all Notre Dame employees will be November 4 to November 27. Because of the numerous changes to the benefits program, HR is increasing its forums and workshops throughout the campus to explain the changes to faculty, staff, and administrators. At a benefits open house on November 6 vendors will join HR in the LaFortune Student Center ballroom so that employees can speak directly with representatives. In addition, HR has designated 25 "open enrollment liaisons" throughout various colleges, departments, and buildings to offer personalized help throughout the day for those employees who find it difficult to visit the HR office.

Prof. Blanchette asked if HR or the committee had looked into any programs that offer coverage to an individual and his or her spouse rather than to an individual and a family.

Ms. Murphy replied that HR has looked at that type of coverage plan, for the question arises nearly every year. To offer that kind of coverage, though, the University would need to raise its family premium significantly. Given Notre Dame's philosophy, HR decided to maintain a two-tier structure of individual *or* family coverage.

Ms. Foldesi said that HR is certainly open to looking at all options for health care plans. Some plans do offer a one-person, two-person, three-person, and then larger family tier structure with prices set accordingly. As Ms. Murphy explained, however, under those plans cost is driven to the larger family units. Yet, HR wants to listen to its public – Notre Dame faculty, staff, and administrators – and if a multiple-tier structure would be a good recruiting tool or a structure many at the University desire, his staff can examine the question again. Such a change, however, would be a significant culture shift, and he would want to make it only after careful analysis and thought.

Prof. Roche commented that the benefits the University offers can be evaluated in three ways: service to individuals, cost to individuals, and cost to the University. While he is not privy to the University's cost figures, he has heard it said on occasion that Notre Dame cannot undertake a certain program or project because the cost of health insurance is rising so dramatically. After the past year's intense evaluation of the University's benefits package and the several modifications to it, is there a sense now in HR that the changes will help contain costs and produce some savings for the University?

Mr. Foldesi replied that the past four to five years have been a time of double-digit increases in health insurance, with no suggestion that the near future will hold any change. And, with such a pattern, it does not take long for the cost of insurance to double. This puts HR in a difficult situation. As costs continue to rise, HR must have a package that is competitive with other universities or employers, yet affordable, so that it can attract the best scholars to Notre Dame and then retain them. Mr. Foldesi said that many of the changes described today – particularly with the initiation of the $10 University contribution toward single dental insurance, its $15 contribution toward family dental insurance, and the decrease in the cost of optional life insurance, along with the three-year guarantee on that insurance – go a long way in keeping benefits affordable for employees.

As for savings to the University, Mr. Foldesi said, the changes also represent a substantial step forward in cost containment. The most significant action HR took to control costs was to adopt a strategy most other employers adopted several years ago: enroll employees in a prescription drug program. While health insurance costs have been rising 12 to 14% annually, the cost of prescription drugs has risen at a rate of 20 to 25%. Those kinds of increases have caused employers to attempt to design a system of incentives for their employees to choose generic or formulary-based drugs – not the very expensive drugs pharmaceutical companies often advertise in the media.

Mr. Foldesi reiterated that his primary goal – and he believes that of committee members as well – in the benefits review process just completed was to fashion a competitive benefits package, not to cut costs. While he must be a good steward, he is not trying to contain costs for the University as much as he is attempting to devise a package competitive with those of the institutions that are Notre Dame's prime competitors.

Prof. Antsaklis asked Ms. Murphy to clarify the extent of savings for those who choose the PPO plan. It appears to him that the overall premium for an employee insuring his or her family at the $600 deductible level increased from approximately $800 a year to $1200 – a very significant increase. How is this a savings for him?

Ms. Murphy replied that the calculation of savings can be made only when one considers the accompanying shift to a different deductible level – from $600 to $400. Because the deductible for the PPO plan was lowered, there was necessarily some consideration in how the premium was set. Employees who use the benefit to the full extent of the deductible should realize an overall lower cost, even though the cost of health care in general has risen tremendously.

Mr. Foldesi added that the difference in the cost of the PPO premium also results from a shift in University philosophy. In 2003, Notre Dame will make the same contribution to every plan – whether it is the PPO or either of the HMOs and whether the plan chosen is for an individual or a family. It made no sense for the University to fund a PPO plan on a different percentage of total cost than it funds the HMO plans. Thus, a modest portion of the premium increase Prof. Atsaklis noted is related to that change in philosophy.

Prof. Ghilarducci asked whether the changes made to the benefits package generally help lower-income employees more than higher-income employees in terms of how much they save relative to their income, or whether the changes HR made were aimed more at satisfying faculty members' desire to have a high degree of choice in their health care.

Mr. Foldesi said that the changes were intended to help both faculty and lower-income employees. The University must allow faculty a PPO plan so that they have choice. More faculty than staff choose the PPO option for that reason. More staff choose an HMO plan and select the particular HMO based upon cost. Last year, Partners HMO had a zero increase in its premiums, and HR saw enrollment increase by 300. This year, the Advantage HMO had almost no increase in its premiums, which may induce employees to return to it.

Prof. Ghilarducci asked whether, overall, the changes help those who choose an HMO more than those who choose a PPO. It does not appear that way to her.

Mr. Foldesi said that he would not characterize the changes as providing more savings to those who enroll in an HMO over a PPO. His point is that the University has various options and one of the options had no increase this year.

Prof. Hosle asked that given the double-digit increases in health care costs, is it possible to shift a greater portion of the cost of health insurance to those users who have more risk factors – smokers, for example?

Ms. Murphy replied that the programs the University offers are group plans. When someone comes to the University, even if they are smokers or have other risk factors, they will be guaranteed life insurance and other participation in programs because they are group rated. Each person can seek private individual insurance based on his or her particular lifestyle and general health. The group plans the University offers accept all individuals and have associated costs.

Mr. Foldesi added that HR does have a wellness area within the office designed to deal with such matters as employee health, fitness, mental health, and early detection. He is discussing with staff members how to provide employees with more incentives to follow wellness strategies – for example, whether the University might pay for smoking cessation or weight control classes or pay 100% of the cost of mammograms. With these kinds of programs, the University may pay out money up front, but it will realize savings later on.

Prof. Jacobs asked whether any of the changes outlined today will affect the options for graduate students or postdoctoral research associates.

Ms. Murphy said that research associates fall within the staff plan, so the changes will affect them. The graduate student health plan, however, is entirely different. These changes will not affect it.

Prof. Preacher asked that if changes have not been mentioned – for instance, the age to which children are covered and under what conditions they are covered – can it be assumed that the plans remain the same?

Ms. Murphy said that it could.

Prof. Frecka asked Mr. Foldesi what percentage of the total health care cost is borne by the University versus the percentage borne by faculty and staff, and whether there is any expected change in that allocation.

Mr. Foldesi replied that the University contributes approximately 85% of the cost of family coverage and approximately 90% of the cost of individual coverage. As costs continue to rise, the University may not be able to maintain that percentage, which is why HR is trying to be proactive in strategies to ameliorate the rapid rise in the premiums. The new prescription plan is the best example of that strategy.

Fr. Malloy thanked Mr. Foldesi and Ms. Murphy for their presentations and comments.

3. Committee Reports

(a) Faculty Affairs Committee. Prof. Ghilarducci reported that the Committee will be examining the University's policies regarding disclosure of salaries – specifically, whether Notre Dame should adopt the state-university model of making all faculty salaries public or whether it should institute some variation of that practice. The Committee is also monitoring the changes in the University's benefits structure and has a subcommittee working on grievance policies for the faculty. In addition, another subcommittee, headed by Prof. Aldous, was formed to examine the University's holiday policy.

Prof. Aldous reported on behalf of that subcommittee, which includes Prof. Mary Rose D'Angelo and Prof. John Robinson as well. She said that the impetus for the formation of the subcommittee was a very strong feeling that a critical part of education is learning about events of the past which are important in an institution's and country's history. She and Prof. D'Angelo had a very productive meeting with the University's registrar, Harold Pace, to discuss why some national holidays are not observed at the University.

Prof. Aldous said that the subcommittee is concerned about making Labor Day, Martin Luther King Day, and Presidents' Day official University holidays. Labor Day is a day on which the privileges, obligations, and rights of laborers are commemorated. Recognition of this holiday at the University is important because, as Prof. D'Angelo has pointed out, many Notre Dame students come from fairly wealthy backgrounds and may not have much familiarity with the achievements of the labor movement in the United States. Observing Martin Luther King Day is important given the University's interest in creating more diversity at Notre Dame. Finally, recognition of Presidents' Day would be in keeping with the esteem with which many Americans hold Presidents Washington and Lincoln.

(b) Undergraduate Studies Committee. Prof. Kolman said that a subcommittee is revisiting the action of the Academic Council on April 30, 2002, to shift all Monday/ Wednesday classes at the University – both 50-minutes classes and 75-minutes classes – to Wednesday/Friday, with a shift in Friday tutorials to Monday. The chair of that subcommittee, Prof. Ava Preacher, is assembling material from the Registrar's office and consulting with members of the subcommittee that proposed the action last year. Some department chairs and faculty members in the College of Arts and Letters have sent e-mails expressing their concerns about the shift, but she invites faculty in other colleges to express their opinions as well. Prof. Kolman encouraged all Academic Council members to discuss the issue of the schedule shift with their colleagues – both those who favor the action and those opposed to it – so that when the issue comes before the Council again it will address all possible facets.

(c) Graduate Studies Committee. Prof. Antsaklis reported that administrators in the Graduate School made presentations to committee members last week on the issues with which the committee is most concerned: health insurance for graduate students, stipends and other markers of competitiveness, and procedures for graduate students' leaves of absence because of illness or family matters. The committee hopes to bring a resolution regarding health insurance for graduate students before the full Academic

Council in the early spring.

There being no further business, Fr. Malloy adjourned the meeting at 4:00 p.m.

Respectfully submitted,

Carol Ann Mooney
Secretary