Board approves new medical plan

Four-campus clout helps lower University's health insurance costs

The clout of buying insurance for all four campuses, a highly competitive market and the cooperation of its own providers will combine to lower medical costs for the University and most employees and retirees, UM vice president for administrative affairs and president of the University's Union of Missouri Employees (UMUW) Russell told the Board of Curators last week.

In bringing the medical insurance recommendation before the Board, which unanimously approved it, UM President George A. Russell said that "faced with limited resources, I felt simply had to get some control over the rapid growth in our insurance costs."

In January Russell appointed the 17-member UM Committee on Medical Insurance to determine how to best provide quality care while keeping cost increases in line. In June, using the committee's report as its guide, the University sought proposals for coverage based on increased use of managed care.

"We were in the market at the right time," McGill said, "and with the tremendous advantage of seeking coverage for more than 30,000 people, including faculty and staff on the four campuses, extension field staff, retirees and dependents.

"In addition, UMC Hospital and Clinics and University Physicians stepped up to the plate. Their willingness to embrace the managed care concept, the heart of the plan, benefited the entire University," McGill said.

The new plan, which takes effect Jan. 1, 1994, will offer improved benefits and, for most employees, premiums that are somewhat lower than, or identical to, those charged this year.

Under the new plan, 1994 health care costs are expected to total $42.4 million, versus $46.2 million this year. Had the current plan remained unchanged, 1994 costs could have totaled more than $55 million, about 20 percent higher.

"It is unique nationally to come out with better coverage at a lower cost," commented UM-Columbia chancellor Charles Kiesler. "We ought to really be proud of this entire effort and of the contributions of our health care providers," he said.

Russell says UM reallocations are ahead of schedule

U M System President George A. Russell told the Board of Curators that the University’s five-year plan for budget reallocations, administrative cuts, building repairs, and increased research funding is ahead of schedule.

In an hour-long report to the board during its Sept. 9-10 meeting at UM-Columbia’s Hearnes Center, Russell predicted that many other universities across the nation will be forced to fashion plans similar to the one adopted by the four UM campuses in March 1992.

Here are some of the highlights of Russell’s presentation:

Maintenance and repair.

Russell said the current plan has identified 880 deferred maintenance projects across the four campuses. So far, 40 percent of the projects are completed or underway. He said UM-Kansas City expects to complete its projects in Fiscal Year 1993, and UM-St. Louis and UM-Rolla will complete theirs in FY1994. The Columbia campus, which has the most maintenance and repair projects, is scheduled to finish in FY1995.

State funding.

Russell said the state has rewarded the UM System for its maintenance and repair plans by moving $3.8 million from the capital budget to the University’s general operating budget. The new recurring funds will be applied to a 1997 target of spending 1.5 percent of the replacement value of the University’s physical facilities on annual repair and maintenance.

Administrative cuts.

The president said that he has reduced the UM System administration staff — Academic Affairs, Administrative Affairs, the Curators’ Office, and the President’s Office — by 112.8 full-time equivalent positions since he became president in 1991. This represents a 28 percent reduction in System administration staff members.

Computing and Information Technology.

Russell noted that since April 1992, with the appointment of Ralph Caruso as chief information officer, the UM System has moved toward consolidation of its three IBM mainframes in Columbia. The consolidated program, under the supervision of the Columbia campus, will save the University $2.4 million in staffing, hardware, maintenance, license, utilities and other costs, Russell said.

Research Board.

The University of Missouri Research Board, a panel of 16 faculty members representing all of the four campuses, was established by Russell in March 1992. Since then, it has awarded $3.6 million in grants to a total of 143 UM applicants.

UM President George A. Russell

In This Issue

Special Insert: Update on Five-Year Financial Plan

3 Details on Family Medical Leave Act

4 Faculty win research awards from peers
Curators approve new health care plan

continued from front cover

St. Louis-based General American and its GenCare Sanus managed care group will administer the medical portion of the new plan which accounts for about 81 percent of claim costs.

In addition to performance guarantees, the University persuaded General American to assume additional financial risks.

Should the cost of providing medical services exceed some agreed-upon limits, General American will absorb all the difference beyond that point.

But should such costs fall below other targets, the University will receive 90 percent of the savings, General American 10 percent.

Express Scripts, another St. Louis company, will administer a retail prescription drug service and a mail order service that will significantly lower prescription costs.

About half of the 670 retail pharmacies now in the firm's Missouri network are independent operations; and the remainder are run by Wal-Mart, K-Mart and other chains.

Express Scripts agreed to offer all graduates of UM-Kansas City's pharmacy school who are independent pharmacists the opportunity to join the network, if they have not already done so.

American PsychManagement, Inc., one of the largest firms in this field, will administer the mental health/chemical dependency program, which accounts for about seven percent of total claims.

American PsychManagement, which received high marks in independent evaluations, uses a managed care approach to mental health and chemical dependency treatment.

In all four new plans will be offered. With the exception of the Health Maintenance Organizations now serving St. Louis and Kansas City, all existing plans will be eliminated at the end of this calendar year.

The new plans include:

New HMOs, for all four campuses, operated by GenCare Sanus. Of the four plans, the HMOs will provide the highest level of coverage.

HMOs rely exclusively on a network of carefully selected and monitored providers and facilities to deliver care, although exceptions are allowed for emergency situations.

The new HMOs benefit exceed the recommendations of the UM Committee on Medical Insurance. Other than a $5 copayment per office visit and a $30 annual deductible for drugs, the new HMOs will cover virtually 100 percent of eligible costs. There will be no annual deductible for inpatient or outpatient care, and an annual $650 out-of-pocket maximum.

A Point-of-Service (POS) plan, for all four campuses also operated by GenCare Sanus, is the most flexible managed care option offered by the University.

It, too, uses a network of carefully selected and monitored health care providers and facilities.

But in addition, the POS plan provides benefits, although at a reduced level, for those who seek medical care outside the POS network.

A primary care provider (family physician, pediatrician or internal medicine generalist), selected by the patient from among those in the network, is responsible for providing or arranging all of a patient's care.

For POS in-network care there will be an out-of-pocket copayment of $15 to $250 per office visit, no deductible, a hospital confinement copayment of $150, and an annual out-of-pocket maximum of $1,250. For out-of-network care the deductible will be $350, the confinement copayment $600 and the out-of-pocket maximum $3,500.

Those in the POS plan may use any network hospital.

An Out-of-Network Area (ONA) plan, for those not near an approved HMO or POS network provider. This plan is very similar to the current $250 deductible option, but offers slightly better benefits.

The ONA plan's annual deductible will be $250, hospitalization will require a $250 copayment and the annual out-of-pocket maximum will be $1,500. The plan will pay 80 percent of most other eligible charges.

A "catastrophic" plan, for those wanting a low-cost, low-benefit coverage to protect against major expenses.

The annual deductible will be $1,500, there will be a $300 copayment required for hospitalization and the annual out-of-pocket maximum will be $8,000. Once deductibles are met the plan will pay 80 percent of most eligible costs, including drugs.

Faculty, staff and retirees will receive additional information, from a variety of sources, in coming weeks to help them select a plan. Lists of managed-care network providers and 1994 premiums will be available in early October. In the interim, you may call General American (GenCare Sanus) at 1-800-627-0607 from 8 a.m. to 5 p.m. Monday through Friday with questions about physician participation.

Employees and retirees must enroll in a new plan this fall or lose coverage. The enrollment period will be announced later.

University trims administrative costs

In his annual report to the Board of Curators on the financial condition of the University of Missouri, System Vice President for Administrative Affairs Jim McGill underscored "a general, continuing movement of the University's operating funds away from support and administer­ tion to its primary missions and student financial aid." (See chart above.)

McGill reported that last year's general operating revenues and expenditures were within 1% of budgeted levels. Although state appropriations were lower than budgeted, because of withholdings, increases were recorded in recovery of indirect costs, investment income and royalty and license fees.

"Increased emphasis on re­ search shows in research expendi­ tures having exceeded budget by more than $3.5 million," McGill said. Transfers from general operations for maintenance, repair and replacement of facilities were also above budgeted levels. (See related article on the five-year financial plan in insert.)

McGill noted how revenues and expenditures have shifted over time. "State appropriations lag behind all other major revenue sources in rate of growth," he said.

Over the previous 10 years, categories of operating expendi­ tures exceeding the average were student services, public service, the hospital, research and student financial aid.

"It is important to emphasize that our commitment to financial aid has resulted in increases much higher than overall fee increases," McGill stated. "For the 10 years, financial aid increased 113%, after inflation while student fees increased 76% after inflation." (See graph below.)

The Board's new, modernized investment policies, introduced in 1991, are working, he said. The retirement fund performance of 18.3% exceeded our target and the broad market indices. In the endowment, our 15.1% return in the balanced pool exceeded the S&P 500 but fell short of our target, the said, largely because of low interest rates on funds held even briefly in cash.

Percentage Increase in Current Funds Revenues
Ten Years Ended June 30, 1993

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Percentage Increase in Current Funds Expenditures
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Five-Year Financial Plan

PROGRESS REPORT

Salaries, buildings are first priority for funds

In March 1992, the University of Missouri Board of Curators embarked on a $124 million plan to reallocate resources and focus them on top priorities. The five-year plan promised to work slowly, but steadily.

Now that the curators have approved the second budget under the University’s five-year goals, the reallocation plan not only remains on schedule but is actually ahead of projections in some important areas, according to UM President George A. Russell.

“Particularly in the areas of building maintenance and repair and faculty compensation, we are making excellent progress,” Russell said. “These are two crucial areas to address if we are to transform a good university into a great university.”

One of the University’s five-year goals was to bring average faculty salaries up to the level of AAU’s public peers in the Association of American Universities. In 1991-92, the University was $16.4 million short of funds to bring salaries of full-time, ranked faculty to the public AAU average.

“That, as you will recall, was the year we gave zero salary increases,” Russell said. “In 1992-93, we reduced the deficiency by $1.2 million, down to $11.2 million. Our best estimate for 1993-94 is that we will cut into the deficiency by another $3.6 million.

“That means that we will have realized more than 54 percent of the gap in salary in just two years. Our progress so far demonstrates that if we remain focused on our plan, the University of Missouri will offer nationally competitive faculty salaries.”

Russell also noted that, under the five-year plan, salary increases for faculty across the UM System will average about 6 percent in 1993.

“In today’s environment, that is a healthy increase, certainly one of the largest among the nation’s universities,” he said. “Other universities that haven’t moved toward refocusing their resources have planned considerably smaller raises, or are being forced to freeze their salaries. Some will actually see reductions in total faculty compensation. That is not a competitive position.”

A second area in which substantial progress has been made in the maintenance and repair of buildings, said Russell. “Our plan is to address $80 repair projects, at a cost of $28.6 million.”

Some changes at the University of Missouri remain inconspicuous, but potentially will affect every student who looks for a book, every researcher working on an information network, or anyone else who uses the University’s computing facilities.

The UM System’s plan for information technology, written by a committee of staff and faculty, is essentially twofold. First, the University looked inward to see how it can consolidate its data centers to save money and boost productivity. Second, UM is examining national advances in technology to help it create more library storage space and an information technology network across its four campuses.

The University has operated three mainframe computing centers in Columbia. The Central Computing Facility runs system-wide applications, such as finance, payroll, personnel, library catalogs and the student information system. The Columbia Campus Computing Center is used for instructional and research computing. Finally, University Hospital and Clinics’ administrative functions are supported by a mainframe.

Ralph Caruso, a former IBM executive and now UM’s Chief Information Officer, directs UM’s information technology planning. He said the University’s goal is to merge the three Columbia centers into one unit, which would report to the Columbia campus. The plan announced August 3.

“When completed over five years, the total savings from all of these actions would be $2.4 million, out of what was a budget of about $12 million,” Caruso said. “We can realize large savings from changes in staffing, hardware maintenance, software license fees, utilities, and space.”

Meanwhile, the Central Computing Facility, under Caruso, has been working on ways to improve efficiency. Its budget for Fiscal Year 1994 was about $1.3 million less than for FY1992. Also, the Hospital Data Center, which had reached its storage capacity, revised its plans for new equipment and instead purchased used IBM equipment, saving about $600,000.

Greater savings will be realized from a one-time investment in a new integrated library system, Caruso said. The new system, which UM plans to implement in 1994-95, will encompass circulation, acquisition, serials control, cataloging and a public access replacement for LUMIN (the University’s electronic card catalog).

The one-time costs for system software, hardware, file servers, and personal computers to replace existing LUMIN equipment serving campus libraries will be $2.5 million, Caruso said. However, he added, the University purchased used IBM equipment, saving about $600,000.

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September 1993
Campuses meet goals set for financial aid programs

"All four UM System campuses have met or exceeded the goals they established for spending more of their general operating budgets on student financial aid," reports Jim McGill, vice president for administrative affairs.

"But it's important to remember that's only a small piece of the financial aid students get. All of the financial aid students at UM receive, including gifts, federal, and state hands, totals $150 million, actually more than the total tuition we collect," McGill said.

Increased financial aid from the five-year plan is only about one-fifth of the total amount students are receiving, he said.

(Please watch for future SPECTRUM articles on this subject.)

Salaries increased and buildings improved

"In 1993-94, the Kansas City campus expects to complete its deferred maintenance and repair projects, and the Rolla and St. Louis campuses plan to be done in fiscal year 1995," Russell said. "The Columbia campus, which has the greatest number of older buildings in the system, will complete its deferred maintenance work in fiscal year 1996."

Russell emphasized that the maintenance and repair program received considerable support from the state legislature. The state's 1989-90 operating budget for the UM system included $3.8 million that ordinarily would have been assigned to the state's capital budget.

"Because we set our own plans for fixing and maintaining our buildings within our budget, the state has wisely given us more flexibility on capital spending," Russell said.

After the deferred maintenance and repair program is completed, Russell said, the university's goal is to prevent the need for any such program in the future.

"By 1997, we plan to budget 1.5 percent of the replacement value of our physical plant toward annual maintenance," he said. "The lesson of our deferred maintenance programs is clear: We can plan to spend a little each year to keep our buildings in good shape, or we can spend a lot trying to catch up with deferred repairs."

Russell noted the university's plans for the 1990s aren't limited to buildings and faculty compensation.

The UM Board of Curators also has approved plans for stronger admissions standards and core curricula, and is moving to enhance library technology and better prepare teaching assistants.

"We've moved on a lot of fronts, maybe too many for some folks, but a lot of the problems we faced had to be addressed by the university now," Russell said.

Libraries explore new technology for storage

"We now have about $42 million in requests to build conventional library storage and user space," Russell said.

Russell said the University, in addition to looking at immediate storage solutions, must explore options for the library of the future. He and other UM administrators visited several major research libraries in Washington, D.C., to see what others are doing.

"We met with the directors of libraries at American University, the Library of Congress, and the National Library of Agriculture," Russell said. "They recognize the necessity of making the transition to the electronic library but have had little opportunity to think beyond expanded storage for additional hard copy. "We were dismayed to find plans for the Library of Congress proceeding on the basis of a linear projection of hard copy volumes out to the year 2030. The University can't use that plan as a model."

"One source of inspiration, Russell said, was the National Library of Medicine, which is developing and implementing library technology. "We saw demonstrations of the technology and communication network that would make physically possible, right now, the electronic professional journal."

"The facility, including equipment, is estimated to cost about $1.50 per volume stored, which is one-tenth the cost of a traditional library building," Russell said. "We and our librarians need to consider whether such an approach makes sense for the University of Missouri and its various disciplines."

Still, Russell said, the ultimate answer to library storage problems is in information technology.

"I am convinced that we are moving toward the day when hard copy periodicals, manuscripts, and books for mass distribution will be a rarity, and the information provided through these conventional forms will be available at our fingertips, as we need it," he said.

"Storage will become less and less an issue; expertise and equipment for electronic storage and retrieval of information will be essential."

September 1993

PROGRESS REPORT

A window replacement project at UMC

University Publications and Alumni Communications Photo

Russell Cha-Jua, far right, assistant professor of history and director of the Black Studies Program at UMC
President emeritus Olson recalls years of service

This fall, the University of Missouri Press is proud to publish Serting the University of Missouri: A Memoir of Campus and System Administration, James C. Olson's pithy and comprehensive memoir of his 16 years of service at the oldest public university west of the Mississippi River. Now President Emeritus, Olson became chancellor of the University of Missouri-Kansas City in 1968. In 1976, he became president of the University, a post he held until his retirement in 1984.

Known for his long-standing service, Olson discusses the varied constituencies with which campus and system chief executives must deal and chronicles in detail his relationships with faculty, chancellors, board members, governors and legislators during his years at the University. In addition, Olson discusses the challenge of maintaining a quality institution in a time of fiscal constraints. Olson describes the creation of the University of Missouri System, one of the first of its kind, and the processes by which its organizational structure was developed, providing an understanding of both the advantages and disadvantages of such a system.

Olson began his career as a historian and administrator at the University of Nebraska before coming to the University of Missouri.

He is the author of numerous books, including The University of Missouri: An Illustrated History (written with Vera Farmington Olson), also published by the University of Missouri Press. The 265-page book retains for $34.95. Copies are available at campus bookstores or directly from the University Press.
Researchers win special grants from UM Research Board

UM System President George Russell told the Board of Curators Sept. 7 that since March 1992, the UM System Research Board has awarded $3,677,942 — 29 percent of the total amount requested by faculty applicants.

"The purpose of the Research Board is to support excellence in research and creative activity in all academic areas by focusing University resources on the most promising people," Russell said.

"The Research Board and the University expect a significant return on their investment in academic areas by focusing University resources on the most promising people," Russell said.

James Drewniak

James Drewniak, in the department of electrical engineering at UM-Rolla, received a grant for $25,000 to refine techniques to predict the level of radiation emitted by printed circuit boards — devices in widespread use in many electronic devices, including personal computers. UM-Rolla is one of the few universities in the nation engaged in this research, which has important health and safety implications for workers and consumers.

Drewniak is also seeking funding from the Office of Naval Research and other research-

Elmer Schlemper and Cleopas Samadzic

Elmer Schlemper, chairman of the UM-Columbia chemistry department, received a grant for $125,000 for the purchase of macromolecular x-ray diffraction equipment. X-ray diffraction is a method used to study the structures of proteins and nucleic acids, providing insights into the structures of complex biological phenomena. Schlemper, along with Cleopas Samadzic, assistant professor of biochemistry at UMC, will be conducting the research using the new equipment. The grant proposal listed 13 researchers, from a range of disciplines, who could make broad use of the facility in collaborative projects. The campus and the Research Board combined will invest $488,000 in the research facility; and researchers anticipate recouping the investment quickly from outside funding.

A Research Board grant of $85,000 will help set up a Humanities Research Center at UM-Kansas City. The project involves several UMKC faculty members, including Marilyn Carbonell, University Libraries; Frances Connolly, art history; Raymond Riva, foreign languages; George Gale, philosophy; Reynold Simpson, Conservatory of Music and Patrick Peebles, history. Tony Ormanlin, of the theater department, was also instrumental in the project.

The $2.5 million center is expected to be a national model for research in the humanities. Its computers will make possible analytical research involving texts and data sets of huge, otherwise unmanageable dimensions.

The $85,000 grant is seed money for the planned center, estimated at $700,000 in private donations and a $700,000 grant from the National Endowment for the Humanities.

University gifts dip slightly while external funding increases

While gifts were down slightly from Fiscal Year 1993, overall external funding for the UM System was up about $7 million, UM System President George A. Russell told the Board of Curators in their meeting Sept. 7.

The total amount of gifts, grants and contracts for the four UM campuses and the UM System office was $162 million in FY1993, compared with $158 million in FY1992. The total amount of gifts — including those held for the benefit of the University by alumni associations, foundations, banks, and University-related groups — was $42 million, down from $44.7 million in FY1992.

"You have to be careful not to overreact to a change in the level of gifts from individuals from year to year," Russell told the board.

"because a particularly large gift one year, such as the pledge for the Reynolds Alumni Center at UMC, can create an unusually high total in that particular year." Russell said the figures over five years show that the UM System has made substantial progress in fund-raising. In 1989, the University raised $110.5 million in grants, gifts, and contracts, compared with $16.2 million in 1993.

"The Fiscal Year 1993 total is 46.6 percent higher than the Fiscal Year 1989 total," Russell said. "By comparison, the Consumer Price Index increased by about 17.6 percent over the same period.

"Thus, for the whole five-year period, there has been substantial real growth for the University as a whole and for each of its campuses.

While all campuses have seen sharp increases in fund-raising since FY1989, University figures showed that the amount of gifts, grants and contracts at UM-St. Louis have increased most over the past five years — 123.3 percent since FY1989.

Of the $42 million given to the University as gifts in FY1993, $21 million went to UM-Columbia, $10 million to UM-Kansas City, $6 million to UM-Rolla, $4 million to UM-St. Louis, and $207,000 to the UM System. Of grants and contracts awarded in FY1993, $36 million went to UM-Columbia, $19 million to UM-Kansas City, $14 million to UM-Rolla, $12 million to UM-St. Louis, and $5.7 million to the UM System.

Individuals tend to give slightly more to the UM System than do organizations. In FY1993, individuals gave UM $21.3 million, and organizations gave $20.6 million. Gifts from individuals have increased 66.6 percent since FY1989, but gifts from organizations slipped 16.9 percent since last fiscal year.

Russell told the board that gifts to the University are spent for one of two purposes — current operations or capital. Gifts meant for current operations totaled $24 million in FY1993, and gifts for capital purposes totaled $17.8 million.

Of the $120 million total in grants and contracts, $67 million will be dedicated toward research. Extension and public service projects brought in $23.9 million, and $17 million was for student aid. Grants and contracts for instruction totaled $1.7 million.

SPECTRUM

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