



**PROPOSED AMBULATORY CARE CENTER  
ACTION PLAN  
APRIL 2007**

## **EXECUTIVE SUMMARY**

Employers across the nation are looking for less expensive and more flexible healthcare alternatives and Indiana University (IU) is no exception. According to internal projections, IU projects its healthcare costs will increase from an estimated \$120 million in 2007 to \$310 million by 2017. In response to the anticipated rise in healthcare costs, IU is exploring innovative options that will allow it to continue to offer, and potentially expand, healthcare benefits provided to various constituencies in Bloomington while at the same time exerting control over escalating costs. One of the options being explored is for IU to build a new facility on the Bloomington campus that would offer primary care and other healthcare services to a variety of constituencies.

IU is not alone. Across the Big Ten, the University of Iowa, the University of Michigan, Michigan State, and Ohio State each offer on-site employee healthcare. And according to Watson Wyatt Worldwide, Inc., 22% of organizations they surveyed offered on-site healthcare in 2005 or 2006, with an additional 5% planning to offer it in 2007. In addition, many believe the advent of consumerism in the healthcare field will change the dynamics in which traditional medical services are delivered as companies shift more control of healthcare spending and decision-making to employees. From the employer's perspective, the cost of providing care to employees is a key factor in determining the benefits provided and the amount of cost to share with its employees. From the employee's perspective, access to care and the cost of care are two key factors that influence behavior in seeking healthcare services. On-site healthcare meets the needs of both employers and employees. It provides employers a means to lower healthcare costs by providing employees with an alternative to urgent care centers and emergency rooms while offering convenient access to primary care and potentially lower out-of-pocket costs for using on-site healthcare services.

Besides primary care, some companies are beginning to expand the types of services offered through on-site facilities to include occupational health services, disease prevention programs such as smoking cessation and weight management programs, and chronic disease management for diseases such as diabetes and hypertension. By leveraging the resources of the University, IU believes that it can proactively play a role in expanding access to high quality and cost-effective primary care and dental services for its employees.

IU has made it a strategic priority to explore the possibility of creating an Ambulatory Care Center (ACC) on the Bloomington campus. The initial concept calls for the ACC to offer primary medical care, occupational health services, and dental care to various IU constituencies and their families. Longer term, the ACC could evolve into playing a role in wellness, health promotion and chronic care disease management.

Since the ACC is still in the development stage, IU requested assistance in developing a plan to be used internally to help guide the planning and decision-making processes for building, equipping, staffing, and operating the ACC.

## BACKGROUND

### **IU-BLOOMINGTON CONSTITUENCIES**

#### *Full-Time Employees and Dependents*

IU is the largest employer in Bloomington and offers healthcare benefits to various constituencies with the largest being full-time (FT) employees. The following table shows the count of IU FT employees on the Bloomington campus for each of the past three years:

<u>Age</u>	<u>Count</u>			<u>% of Total</u>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<= 24	174	159	149	2.3%	2.1%	1.9%
25-29	574	592	608	7.6%	7.8%	7.9%
30-34	769	784	769	10.2%	10.3%	10.0%
35-39	892	875	907	11.8%	11.5%	11.7%
40-44	1,011	971	947	13.4%	12.7%	12.3%
45-49	1,192	1,151	1,141	15.8%	15.1%	14.8%
50-54	1,194	1,222	1,205	15.8%	16.0%	15.6%
55-59	1,015	1,072	1,092	13.4%	14.1%	14.1%
60-64	562	605	698	7.4%	7.9%	9.0%
65+	166	195	210	2.2%	2.6%	2.7%
<b>Total</b>	<b>7,549</b>	<b>7,626</b>	<b>7,726</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: IU Human Resource Management System

Data: Full-time Bloomington employee counts (snapshot as of February 1st each calendar year)

The total number of full-time employees on the Bloomington campus has increased approximately one percent in each of the last two years. Consistent with the overall aging trends of the United States population, the number of full-time employees age 55 and older is increasing (from approximately 23% of the total count in 2005 to nearly 26% in 2007). Approximately 80% of full-time employees are age 35 and older.

FT employees are offered the option of enrolling themselves and their dependents in IU sponsored health benefit plans. Of the available FT

employees and dependents located at the Bloomington campus, the number that reside within a Monroe County zip code and covered under an IU-sponsored health plan (based on snapshots taken as of February 1<sup>st</sup> of each calendar year) are:

<u>Counts</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
FT Employees	6,676	6,809	6,940
Dependents	6,685	6,937	7,143
<b>Total</b>	<b>13,361</b>	<b>13,746</b>	<b>14,083</b>

Source: IU Human Resource Management System

Overall, the number of people in IU-sponsored health plans in Bloomington continues to grow, increasing 2.9% 2006 and 2.5% in 2007.

The numbers enrolled in IU-sponsored dental plans are:

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Enrolled employees and dependents	13,761	14,027	14,364

Source: CIGNA

According to CIGNA, the IU-sponsored dental plan covered 58,748 visits in 2005 and 60,719 in 2006, a 3.4% increase.

IU Human Resources indicated feedback they are receiving suggests that new employees are increasingly experiencing difficulty in securing access to dentists and primary care providers. As these numbers continue to rise, access to primary health care and dental care may continue to be problematic.

### *Graduate Assistants & Dependents*

Approximately 3,600 Graduate Assistants (GA) in Bloomington are covered, along with an estimated 100 dependents, under a separate medical plan through Aetna. As part of this medical plan, GA's on the Bloomington campus are offered services through the IU Health Center during its operating hours of Monday through Friday, 8:00 a.m. to 4:30 p.m.. After hours and on weekends, it is believed that this population has difficulty in securing access to dental and traditional primary care services in Bloomington and instead seeks care in urgent care centers and emergency rooms. The ACC would offer GA's and their dependents access to dental care plus a less expensive primary care alternative after hours and on weekends.

### *Non-Student Part-Time and Seasonal Employees*

Certain non-student part-time (PT) and seasonal employees on the Bloomington campus are currently not offered a medical benefit. Internal reports from IU estimate the total count of non-student part-time and seasonal employees at the Bloomington campus at 3,700. The ACC would ensure access to cost effective and high quality medical and dental care to these employees.

### *Retirees*

As the employee population ages, the number of retirees that remain in Bloomington could continue to grow. Currently, IU estimates that approximately 800 retirees maintain residence in the Bloomington area. Retirees enrolled in IU-sponsored health plans are included in the FT employee and dependent counts. The ACC would be another primary care and dental alternative available to retirees.

### *Non-Enrolled Full-Time Employees & Dependents*

Internal IU data calculated the ratio of dependents per full-time employee at approximately 1.9 to 1. We applied this ratio to the 2007 full-time employee count to estimate the total population and dependent population if every eligible person was enrolled in IU-sponsored health plans. From this total, we subtracted the total full-time employees and dependents enrolled in IU-sponsored health plans in 2007 to estimate the number of non-enrolled FT employees and their dependents:

	<u>2007</u>
FT Employees	7,726
Dependent ratio	× 1.9
Estimated total dependent	= 14,679
FT Employees	+ 7,726
Estimated total population	= 22,405
Enrolled FT employees & dependents	- 14,083
Estimated non-enrolled employees & dependents	= <u>8,322</u>

Based on this calculation, we estimate an additional 8,300 full-time employees and dependents could elect to receive services at the ACC.

### *Employees Needing Occupational Health Services*

The ACC would serve as the primary provider of occupational health services should the need arise amongst the nearly 22,000 FT, GA, and PT employees on the IU-Bloomington campus. The occupational health needs of IU-Bloomington employees are currently served by urgent care centers.

### *Adding It All Up*

We estimate that a population of over 30,000 people from various constituencies would have access to convenient and cost-effective

medical and dental services through the ACC. The ACC will also serve as the primary provider of occupational health services for IU employees and dental services to the GA population. The estimated count by constituency (based on 2007 figures rounded to the nearest 100) that could be offered access to ACC services includes:

<u>Constituency</u>	<u>2007 Count</u>
Enrolled full-time employees & dependents	14,100
Graduate assistants & dependents	3,700
Non-student part-time & seasonal employees	3,700
Retirees	800
Estimated non-enrolled full-time employees & dependents	8,300
Total	<u>30,600</u>

### **IU-BLOOMINGTON OUTPATIENT HEALTHCARE, DENTAL, and OCCUPATIONAL HEALTH COSTS**

Based upon 2006 data from the IU-sponsored health plans, IU-Bloomington FT employees and dependents alone:

- Made over 60,000 physician office visits
- Made almost 3,200 emergency department visits
- Received over 22,000 imaging procedures and nearly 75,000 lab tests
- Filled over 195,000 prescriptions

42 procedure codes (out of 3,390 codes) exceeded \$100,000 in allowed charges and accounted for approximately \$8.3 million in allowed charges. Of these:

- Approximately \$3.1 million related to physician office visits

- Nearly \$0.8 million were other services that could be offered in a primary care setting
- Approximately \$3.6 million related to procedures typically performed outside of a primary care office
- Almost \$0.9 million related to MRI and CT scans

According to IU internal reports, in 2006, the cost of providing outpatient prescription drug and medical services to IU FT employees and dependents living in Monroe County was nearly \$36.7 million (\$13.7 million in outpatient prescription costs and \$23 million in allowed outpatient charges).

In addition, IU paid nearly \$1.5 million in Graduate Assistant outpatient medical claims system-wide based on IU internal reports, between August 15, 2005 and August 16, 2006. Applying this amount to covered persons on the Bloomington campus only (assuming an equal distribution of costs per GA), we estimate that IU paid \$950,000 for outpatient medical benefits related to GAs and their dependents.

Based on an internal report on system-wide occupational health costs, we estimated the prorated share (based on FT employees) of occupational health costs in 2006 for the Bloomington campus at approximately \$500,000.

IU paid approximately \$2.5 million in 2005 and \$2.7 million in 2006 in dental claims for Bloomington area participants in the CIGNA dental plan.

In total, in 2006, IU-Bloomington spent over \$37.6 million on outpatient medical services and prescription drugs, another \$2.7 million on dental services, and an estimated \$0.5 million on occupational health services.