

ALASKA TEAMSTER-EMPLOYER WELFARE TRUST MODIFICATIONS

At their meeting on December 8, 2008, modifications were made to the Plan, which includes increases to the annual deductible and annual out-of-pocket limits and a change to the prescription drug benefit co-payments. These changes are effective January 1, 2009.

Summary of the Changes

Your Medical Plan annual deductible will increase from \$100 per individual and \$200 per family to \$200 per individual and \$400 per family. This means that the first \$200 of an individual's expenses and the first \$400 of a family's expenses are applied to the deductible and paid by the Participant. After you have reached these limits, your Plan pays 80% at Preferred Providers (PPO) and 70% of usual, customary and reasonable at non-PPO providers, until you reach your Out of Pocket maximum.

Your annual Out of Pocket maximum will increase from \$2,000 to \$3,000 for an individual and from \$4,000 to \$6,000 for a family. After you have reached these limits, the Plan pays at 100% at Preferred Providers (PPO) and 100% of usual, customary and reasonable charges at non-PPO providers.

Your Prescription Drug Plan will have the following co-payments (the amount you pay).

Retail, including the 90-day at retail:

- Generic 20%
- Preferred Brand 35%
- Non-Preferred Brand 50%

Mail Order at Health Trans Pharmacy:

- Generic \$20
- Preferred Brand \$50
- Non-Preferred Brand \$100

Effective February 1, 2009, the Medicare Eligible Retiree rates will be tiered.

<u>Number of Hours Worked</u>	<u>Subsidy</u>	<u>Monthly Rate</u>
Less than 10,000	0%	\$344
10,000 to 14,999	10%	\$310
15,000 to 19,999	20%	\$275
20,000 to 29,999	30%	\$241
30,000 to 39,999	40%	\$206
Over 40,000	50%	\$172

If you have any questions, please contact our office at (907) 565-8300 or, outside Anchorage, 800-478-4450.

Because your Summary Annual Report with the details for the 2008 fiscal year will be mailed in March of 2009, here is a summary of the income and expenses for the Plan Year 2008 and the first three months of Plan Year 2009.

### Frequently Asked Questions

*Q: Why are the annual deductible and out-of-pocket limits being raised?*

A: The annual deductible and out-of-pocket limits are being raised because expenses outpaced income during the last fiscal year, which ended June 30, 2008, by over \$2 million. The trend has continued and with the loss on the investments due to the dramatic downturn in the market, there has been a \$2,750,000 loss during the first three months since the beginning of the fiscal year, July 1, 2008 and an additional \$250,000 for October. With these uncontrollable and unprecedented events the Trustees had no choice but to make these changes. When monthly expenses exceed income, we have to use funds from our reserve account, which is our savings account. Currently, there is enough in our reserve fund to cover approximately eight future months, but no more. The consultant estimates these changes will save the fund approximately \$1.5 million next year.

*Q: Why are the retail prescription drug copays being changed?*

A: The prescription drug co-pays are being changed to encourage the use of generic drugs and to encourage the use of mail order. The consultants estimate a \$700,000 savings each year with these changes.

If you use generic drugs, you will now pay less at retail. The generic copay at retail is being lowered from 35% to 20% to encourage the use of these highly effective, lower cost drugs.

If you have been using a retail pharmacy for maintenance drugs (drugs you take continually) including Alaska Managed Care Pharmacy and you want to retain the same copayment amounts (\$20/generic, \$50/preferred formulary or \$100/non-preferred formulary), you may switch to the HealthTrans Mail Order. Many of our participants already use the HealthTrans mail order, so they will see no change at all.

*Q: Will I have to switch?*

A: No, you will not be required to make a switch from retail to mail order; however, it may be more cost effective with the new copay structure being implemented. The medications are also conveniently delivered directly to your home. We can give you the information to help you analyze whether it is more cost effective for you to continue to receive your maintenance drugs at retail or if you will save money by switching to HealthTrans mail order.

*Q: How do I switch to HealthTrans mail order?*

A: To switch to HealthTrans mail order, you need to fill out a mail order form and mail it to HealthTrans. Current prescriptions can be transferred from your present pharmacy to HealthTrans Mail Order Pharmacy. New prescriptions must be sent along with the completed

HealthTrans mail order form. You may go online to get the mail order form at [http://www.healthtrans.com/pages/HT\\_mailorderform.pdf](http://www.healthtrans.com/pages/HT_mailorderform.pdf) or call 877-839-8121. You may also contact HealthTrans or our office with any questions on making this switch.

*Q: How do I know if I'm on a generic, preferred brand or non-preferred brand drug?*

A: Your pharmacist will know if the drug is brand or generic. Our office can also provide your answer or you may call HealthTrans to find out if a brand drug is preferred or non-preferred. To view the formulary list, you may go online <http://www.healthtrans.com/formulary/HealthTrans.PDL.pdf>.

*Q: Will these changes be enough to put the fund back to where income exceeds expenses?*

A: No one can predict when the investment markets will settle down, but the consultant expects that these changes will be adequate. The Trustees get monthly updates, meet quarterly and will continue to closely monitor the funding balance.

*Q: Why these change? Why not other types of changes?*

A: The reason for these changes is because there are limited ways a health plan can be changed to make significant savings. The deductibles and out of pocket expenses have a significant impact.

*Q: Were any changes made to the Retiree Health Plan?*

A: Yes. In addition to the changes to the prescription drug plan, which impacts retirees, there were changes made to the Medicare Retirees' self payment rates. Beginning February 1, 2009, these retirees will pay a rate based on their years of service when they were actively employed under the Plan.

*Q: What are the tiers for the Medicare Retiree self payment rates?*

A: The more hours a retiree worked as a Teamster, the more subsidy he or she will receive; the subsidy graduates based on the number of hours worked; 10%, 20%, 30%, and 40%. Medicare eligible retirees who worked less than 10,000 hours as a Teamster will no longer receive a subsidy. Those who worked 40,000 or more hours will continue to receive the 50% subsidy. These rates also apply to the surviving spouses on the Plan.

*Q: Why were the Medicare Retiree rates not increased across the Board?*

A: The Trustees felt that career Teamsters, those who worked under the Plan for many years, should receive more of a subsidy than those who worked fewer years.

*Q: How much were the Medicare Retirees subsidized and how much will this save?*

A: The Medicare retirees have been subsidized 50% by working participants. These changes will reduce that subsidy and help increase income to the fund. Last year this group received about \$1.5 million in benefits more than they paid in self-payments. We cannot predict the number of

retirees who may choose to remain on the Plan. If all these retirees remain on the Plan, the additional income would be approximately \$982,000 annually.

*Q: How does our Plan compare to other Alaska unions similar in size?*

A: Our Plan will now have similar deductibles and out of pocket limits compared to other union plans, although we will still be lower than most.