

April 13, 2004

To: All Active Flex Plan Participants

Re: Alaska Electrical Health & Welfare Fund
Plan Changes Effective May 1, 2004

Following a period of deficit spending, 2003 marked the second consecutive year in which the income for the Health & Welfare Plan was sufficient to fund plan claims and expenses. After review of the Plan's experience and benefit options by the Board of Trustees, we are pleased to announce that the contribution rates for active participants will not change at this time.

While this is good news, we realize that health plans nationwide continue to struggle with the increasing cost of providing health coverage to their participants. For the 5th straight year, health plans across the country are experiencing double-digit cost increases. The Alaska Electrical Health & Welfare Fund also faces this challenge for both the active and retiree plans. The Board of Trustees strives to balance the plan contributions and benefits with the increasing cost of services. With this in mind, the Board determined it is prudent to make some plan modifications now, so that our plans remain viable for the future.

Changes Effective May 1, 2004

- **Increase Medical Plan Deductibles and Out-of-Pocket Maximums.** The medical deductible will increase by \$150 per person with a proportional increase in the family deductible. Because your maximum out-of-pocket includes the deductible, the same increase will apply to the maximum out-of-pocket. The new deductibles and maximum out-of-pocket amounts are shown below:

	Plan 500	Plan 501	Plan 502	Plan 503	Plan 504	Plan 505
Deductible						
Per Person	\$300	N/A	None	None	\$2,150	\$300
Per Family	\$900	N/A	None	None	\$4,300	N/A
Maximum OOP (includes deductible)						
Per Person	\$1,200	N/A	None	None	\$2,150	\$1,200
Per Family	\$2,600	N/A	None	None	\$4,300	N/A

- **Increase the Prescription Drug Copays and Out-of-Pocket Maximums for both the Active and Retiree Plans.** Prescription drug costs have risen more rapidly than any other area of health plan costs. Effective May 1, 2004, your copays will increase by \$5 for retail medications and by \$10 for mail order medications. The out-of-pocket maximum for the prescription drug plan will also increase.

(over)

The new copays and maximums are shown below:

	<u>Retail</u>	<u>Mail Order</u>
Generics	\$15	\$30
Brands (No Generic Available)	\$30	\$60
Brands (Generic Available)	\$45	\$90
Out-of-Pocket Maximum	\$750 per person, \$1,500 per family	

In order to help the Plan control prescription drug costs, we encourage you to use the mail order program for medications you take on a regular basis. The cost of the medication is lower and you can obtain up to a 90 day supply (3 times the maximum supply purchased retail) at only 2 times the copay, so you save money, too.

- **Reduce the Allocation to the Money Purchase Pension Plan for Enrollees in Plan 505.** The allocation to the Money Purchase Pension Plan will be reduced from 37% of the plan cost to 28% of the plan cost. This change will be effective for hours worked on or after May 1, 2004.
- **Changes to the Retiree Plans.** The 4th quarter carryover of retiree medical deductibles and out-of-pocket maximums will cease May 1, 2004. In addition, the retiree contributions will increase by 25%. If you are interested in learning more about the retiree plan provisions, please contact the Administration Office for more information.

Open Enrollment – You May Change Your Plan Election

As a result of these plan changes, the Board of Trustees has declared an Open Enrollment. If you wish to change your plan election, you may do so prior to May 1, 2004. Please visit www.aetf.com for Enrollment Forms or contact the Administration Office. Changes will be effective for hours worked on or after May 1, 2004.

Announcing our website: www.aetf.com

Review your health & welfare plan benefits, obtain forms, read newsletters and plan documents at our website <http://www.aetf.com>. The website also has pension, money purchase pension, and legal plan information for your convenience.

Reminder – Other Important Plan Provisions

PPO Hospitals and Other Providers

Alaska Regional Hospital and Chugach Physical Therapy are the Preferred Provider facilities in the Municipality of Anchorage for all inpatient and outpatient services. By virtue of an agreement between Chugach Physical Therapy and Bearfoot Wellness Studio in Eagle River, Bearfoot Wellness Studio will also be considered a preferred provider for physical therapy services. *The HealthSouth Surgery Center, HealthSouth Physical Therapy, and HealthSouth Diagnostic Center are not Preferred Providers.* If you use a non-preferred provider in the Municipality of Anchorage, the allowable charge for inpatient services will be limited to the contracted rate with the Preferred Provider facility. For outpatient services, the allowable charge will be the negotiated rate at Chugach Physical Therapy or the case rate for services at Alaska Regional Hospital, if applicable, or 50% of the billed charges at the non-PPO facility. Your plan's coinsurance rate will be assessed a 20% reduction for the first \$50,000

of allowable expenses. In addition to these penalties, a \$1,000 penalty will be imposed for inpatient care.

Outside Alaska, the Fund contracts with the Multiplan network of providers. If you use a non-PPO hospital outside Alaska and that hospital is within 25 miles of a Multiplan hospital, your plan's reimbursement rate will be reduced by 20% for the first \$50,000 of allowable expenses. For more information about the Plan's Preferred Provider provision, please refer to your Summary Plan Description, p. M 14-15.

Lab, x-ray and diagnostic work

The PPO provisions will apply if your doctor or health care provider sends their lab, x-ray and diagnostic work outside their office to a facility in the Municipality of Anchorage or if they contract with another provider for those services and the services are performed within the Municipality of Anchorage. If your lab work is sent to a facility other than Alaska Regional Hospital or if the services are provided by a facility other than Alaska Regional Hospital, the non-PPO provisions will apply. For your convenience, Alaska Regional Hospital provides a lab pickup service within the Municipality of Anchorage, at no expense to you or your health care provider. In order to avoid unexpected PPO penalties, we encourage you to talk to your health care provider about your labs, x-rays and diagnostic services before those services are incurred. For more information about the Plan's Preferred Provider provision, please refer to your Summary Plan Description, p. M 14-15.

Wellness and Minor Care Providers

The Wellness and Minor Care Providers include Primary Care Associates and Dimond Medical Clinic in Anchorage/Eagle River, Wasilla Medical Clinic in the Mat-Su Valley, and Fairbanks Urgent Care Center in Fairbanks. For more information about the Plan's Wellness and Minor Care provision, please refer to your Summary Plan Description, p. M 20-22.

Certification of Hospital Admissions and Certain Tests, Procedures, and Surgeries

The plan requires certification of all hospital admissions and certain outpatient tests, procedures and surgeries. The certification should be obtained in advance unless it is a medical emergency, in which case certification should be obtained as soon as reasonably possible. No benefits will be paid if you fail to obtain certification. A fee will be charged for recertification. If a service is recertified and determined to be medically necessary, the benefits will be limited to 50% of the covered charges for those services. Although your provider may be willing to obtain certification on your behalf, it is your responsibility to make sure that the Plan's requirements are followed. We encourage you to contact the Administration Office prior to receiving services to make sure certification was obtained. For more information about the Plan's Cost Containment Requirements and to see a list of the outpatient procedures requiring certification, please refer to your Summary Plan Description, p. M 16-19.

If you have any questions about your benefits, please contact our office. Thank you.

Sincerely,

/s/

Gregory R. Stokes
Administrator