

April 9, 2004

Re: Alaska Electrical Health & Welfare Fund
Retiree Plan Changes

Dear Participant,

Nationwide, health plans 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 must also face this challenge for both the active and retiree plans. In order to keep the plans viable, the Fund must make some changes to the contributions and coverages.

Changes Effective May 1, 2004

- **Increase Retiree Contribution Rates by 25%.** In 2002, the cost of providing coverage under the retiree plans increased 34%. Retiree plan costs increased another 19% in 2003. Although the Fund has made some changes to the benefits and contribution rates in the past, the cost of retiree coverage continues to be heavily subsidized by the Fund. In 2003, retiree contributions accounted for approximately 35% of the total costs of the retiree plans – the Fund subsidized 65% of the cost of retiree coverage. In order to maintain this valuable coverage, the Fund must increase retiree contributions.

Please notify the Administrative Office should you choose to discontinue or change your Health & Welfare coverage. Unless we hear from you, we will withhold the increased amount from your May 1, 2004 pension benefit.

- **Eliminate the Deductible and Out-of-Pocket Carryover Provisions.** In the past, if you satisfied a portion of your deductible or out-of-pocket amount during the 4th quarter of the year, you received a corresponding credit toward your deductible and/or out-of-pocket for the next year. This provision was eliminated under the active plans several years ago. Starting May 1, 2004, credits from the 4th quarter of 2003 will no longer be honored for the retiree plans. Deductible or out-of-pocket amounts applied in the 4th quarter will no longer be carried over to the following year.

- **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. 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
Maximum Out-of-Pocket	\$750 per person, \$1,500 per family	

(over)

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.

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.

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.

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.

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

Sincerely,

/s/

Gregory R. Stokes
Administrator