

SAN FRANCISCO ELECTRICAL WORKERS HEALTH & WELFARE TRUST

720 MARKET STREET, SUITE 700 • SAN FRANCISCO, CA 94102
(415) 263-3670 • FAX (415) 263-3674

ANNOUNCEMENT TO ALL PLAN PARTICIPANTS

**The 2010 Open Enrollment Period Will be Held in July 2010
With Plan Enrollment Changes Taking Effect August 1, 2010**

**Please look for your Open Enrollment packets (to be
distributed during the first week in July)**

The Trustees have been working with the Plan Consultants and Legal Counsel to determine how the recently enacted Patient Protection and Affordable Care Act (“PPACA”) will affect the Plan. This notice addresses some of the PPACA provisions that immediately impact the Plan and other changes that were recently adopted by the Board of Trustees. Other PPACA changes will be communicated as guidance becomes available.

The Plan rebounded last year from 2008’s financial turmoil. In spite of a significant decline in contributions, during the year ended January 31, 2010, the Fund earned \$5.5 million of investment gains resulting in increased Plan reserves. However, the Plan cannot rely on extraordinary investment returns in the future, and it is likely that health care costs will continue to rise and contributions will remain below recent norms as high unemployment continues. Therefore, the Trustees will continue to monitor the Plan closely and take any necessary action to keep the Plan healthy.

A. PPACA Changes Effective Now or Very Soon

PPACA made many changes to health care law, many of which will be effective years in the future. The list below reflects the principal changes that effect the Plan almost immediately:

1. *Elimination of Lifetime Maximum.* Effective February 1, 2011, the \$2,000,000 lifetime maximum in the Self-Funded PPO plan and PacifiCare Behavioral Health will be eliminated. PPACA also requires elimination of the annual maximum (currently \$750,000) in 2014. The Kaiser and Blue Shield HMO plans do not have annual or lifetime limits, and so are unaffected by this change.
2. *Extension of Adult Child Coverage to Age 26.* Effective August 1, 2010, adult children up to age 26, regardless of marital, student or tax dependent status, may remain eligible for the Plan’s medical coverage. The extended coverage does not include dental or vision. The adult child will not be eligible under the Plan, however, if the child is

eligible for other group health plan coverage other than through a parent. Under this new rule, the value of the coverage of an adult child who is not a dependent for tax purposes is not subject to federal income taxes, but (as of the date of this announcement) will be subject to California state income and payroll taxes. State payroll taxes will be required to be paid to the Plan Office semi-annually in advance of the period of coverage and a Form W-2 including the imputed income will be filed annually with the Franchise Tax Board. The Plan Office will provide more specific information at the time a participant enrolls an adult child or when an enrolled dependent ceases to qualify as a tax dependent.

3. *Pre-Medicare Retiree Subsidy.* Effective June 1, 2010, PPACA establishes a \$5 billion reinsurance program to subsidize employer plans that offer early retiree health benefits. To qualify for the subsidy, the Plan must have in place programs and procedures to generate cost-savings with respect to participants which chronic and high-cost conditions. The Plan will be reimbursed on a first come, first served, basis for 80% of the cost of claims between \$15,000 and \$90,000 of covered individuals generally between age 55 and 65 (eligibility for Medicare). Reimbursements must be used to reduce Plan and/or retirees' health care costs. The Department of Health and Human Services will be issuing details of this program, including applications for the subsidy, later this month. EISB will be filing an application for the subsidy as soon as the forms are available.

B. Other Changes Adopted by the Board of Trustees

Other than changes required by PPACA, the Board of Trustees made other changes to the Plan, as follows:

1. *Mental Health/Substance Abuse Benefits through Optum Health.* In-network mental health and substance abuse benefits will be brought into parity with in-network medical benefits provided under the Self-Funded PPO plan. Currently, in-network benefits through PacifiCare Behavioral Health are provided at 100% reimbursement with no deductible applied. Effective August 1, 2010, the \$100 individual and \$200 family deductibles will apply to both in and out of network mental health and substance abuse treatment. In-network usual and customary charges will be reimbursed at 80%, and increased to 100% once a participant or dependent has reached the \$1,500 out-of-pocket maximum. Out-of-network benefits will continue at 60% of usual and customary charges, with an increase to 80% once the participant or dependent reaches the \$1,500 out-of-pocket maximum.
2. *PPO Prescription Drug Program through CVS/Caremark.* Currently, the Self-Funded PPO plan prescription drug program covers both generic and brand named drugs at 80% of cost. Effective August 1, 2010, participants will continue to pay 20% of the cost for both generic and brand drugs, with a maximum copay of \$7.00 for each generic retail drug scrip and \$17.50 for each generic mail scrip. There is no cap for brand named drugs. This change was implemented as an incentive for participants to purchase generic drugs when available.
3. *Calendar Year Maximum for the DPO Provided to Retirees through Delta Dental.* The \$4,000 calendar year maximum has been added to the Dental PPO (DPO) plan effective

August 1, 2010, to bring benefits into parity with the Self Funded Dental plan provided to active participants.

4. *Implant Coverage through the Self Funded Dental Plan and DPO Administered by Delta Dental.* Effective August 1, 2010, dental implant coverage has been added, subject to the existing \$4,000 calendar year maximum.

C. New Direct Self-Payments and COBRA Rates

The Plan provides that monthly direct self-payments are determined by multiplying the hourly employer Plan contribution rate by the number of hours needed to obtain a month of Plan coverage. The monthly direct payment is currently \$1,278 and will be adjusted if there is a change to the employer hourly contribution rate. Separately, COBRA coverage is available at rates directly related to Plan costs plus a 2% administrative fee. The following COBRA rates will apply from August 1, 2010 through July 31, 2011:

Plan	2009/2010 COBRA Rate	2010/2011 COBRA Rate	% Increase/ (Decrease)
PPO Plan - Medical Only	\$1,522.94	\$1,289.93	(15.30%)
PPO Plan - Medical/Dental Vision	\$1,690.53	\$1,461.26	(13.56%)
Kaiser Plan - Medical Only	\$886.55	\$982.95	10.87%
Kaiser plus Dental & Vision	\$1,054.14	\$1,154.29	9.50%
Blue Shield HMO - Medical Only	\$1,144.72	\$1,301.07	13.66%
Blue Shield HMO - w/Dental & Vision	\$1,312.31	\$1,472.41	12.20%

The following table reflects the 65% COBRA subsidy pursuant to the American Recovery and Reinvestment Act (ARRA) that was enacted in 2009. The subsidy is available for up to a maximum of 15 months of coverage and generally applies only in the event of an involuntary termination of employment between September 1, 2008, and May 31, 2010. As of the date of this notice, a participant must have been involuntarily terminated by May 31, 2010, in order to qualify for the COBRA subsidy. The subsidy remains limited to 15 months. The Plan office will issue a notice should Congress extend it again. For more details on the COBRA subsidy, please refer to prior notices or ask the Plan Office.

Plan	2009/2010 COBRA Rate	2010/2011 COBRA Rate
PPO Plan - Medical Only	\$533.03	\$451.64
PPO Plan - Medical/Dental Vision	\$700.62	\$622.81
Kaiser Plan - Medical Only	\$310.29	\$344.03
Kaiser plus Dental & Vision	\$477.88	\$515.37
Blue Shield HMO - Medical Only	\$400.65	\$455.37
Blue Shield HMO – w/Dental & Vision	\$568.24	\$626.71

Please direct questions regarding this announcement to the Plan Office at (415) 263-3670.