

RETIREE HEALTHCARE BENEFITS UPDATE

The Latest Information About Your 2011 – 2012 Benefits

June 2011

This *Benefits Update* provides information about:

- Retiree Healthcare Premium rates that will become effective July 1, 2011,
- Changes to LACERA's Retiree Healthcare Benefits Program for the 2011 – 2012 plan year, and
- The option to receive your annual benefits packet electronically.

If you have any questions about the information in this *Benefits Update*, please contact LACERA's Retiree Healthcare Division at (800) 786-6464 and press 1, or at (626) 564-6132, or by email at healthcare@lacera.com.

Do You Need to Take Action?

Your current LACERA-administered healthcare coverage will continue for the upcoming plan year unless you actively make changes. **You do not have to take any action unless you want to make changes to your current LACERA-administered healthcare coverage.**

Premium Rate Changes for 2011 – 2012

On July 1, 2011, overall premiums will increase by an average of 4.2%. This means that some plans and coverage levels will experience a higher increase than the average, while others will experience a lower increase or even a decrease. Please refer to the enclosed Monthly Premium Rates booklet for your 2011 – 2012 rates. **If you are enrolled in Kaiser Permanente outside of California, you will receive a separate mailing from LACERA.**

Plan Changes for 2011 – 2012

Changes to your benefits for the 2011 – 2012 plan year are minor. This means you will continue to have access to most of the same benefits and levels of coverage you have now. There are, however, a few changes that will take effect July 1, 2011. In addition, we are making a change to Medicare Part D prescription drug coverage to comply with the Patient Protection and Affordable Care Act (also known as "healthcare reform"). Some of these changes are described in this document.

Optional Electronic Benefits Packet

Keep in mind that you have the option to receive your annual benefits packet electronically. You will be able to opt-out of receiving the print version, so long as you have a working e-mail address. If you choose to receive your annual benefits packet electronically, you will still be able to request a paper copy at any time. Additionally, if the e-mailed packet is returned to LACERA as undeliverable, we will send a paper copy to your home address on file. To opt-out of the print version and receive your benefits packet electronically for the 2012 – 2013 plan year, please e-mail LACERA's Retiree Healthcare Division at healthcare@lacera.com. Please include your contact information including your full name and telephone number in case we need to contact you. If you previously requested to opt-out of receiving the print version, your annual benefits packet will continue to be sent to you electronically unless you inform LACERA otherwise.

IMPORTANT MEDICARE PART D NOTICE:

Included in this packet is your Medicare Part D **Notice of Creditable Coverage (NOCC)**.

- *What it is:* An official statement that your LACERA-administered medical plan provides you with prescription drug coverage that is, on average, as good as or better than the coverage offered by the Medicare Part D model plan.
- *What to do with it:* Read it and keep it in a safe place.
- *Why it is important:* If you later decide to enroll in a Medicare Part D plan outside of the LACERA-administered plans, showing your NOCC will prevent you from paying a penalty for late enrollment in Medicare Part D.
- *If you misplace it:* You may download a copy of the NOCC from LACERA's website, www.lacera.com, or contact LACERA's Retiree Healthcare Division at (800) 786-6464 and press 1, or at (626) 564-6132 or, email LACERA at: healthcare@lacera.com.

Two Important Things to Remember!

- You should not enroll in another Medicare Part D plan. Please consult with LACERA first if you are thinking of enrolling in another plan.
- If you are enrolled in a Medicare Part D plan not offered through LACERA, please contact LACERA immediately. CMS will not allow for both, and your coverage with LACERA may be jeopardized.

Kaiser Permanente Members (outside California)

- For those enrolled in Kaiser Permanente outside California, plan changes and rates are determined by the Kaiser Permanente region in which you reside. You will receive a separate mailing from LACERA.

Healthcare Reform Update

This year, LACERA will be making a change to comply with the healthcare reform legislation known as the Patient Protection and Affordable Care Act (PPACA). Based on the effective dates of LACERA's benefit plans, this change must be made by July 1, 2011.

Current guidance from the Internal Revenue Service (IRS), the Departments of Labor (DOL) and Health and Human Services (HHS) indicates that retiree-only group healthcare plans, such as LACERA's, are exempt from many of the PPACA's mandates, including the extension of dependent coverage and removal of lifetime limits. LACERA will not be extending dependent coverage to age 26, and there will be no elimination of lifetime dollar limits.

Medicare Part D Prescription Drug Coverage

One PPACA-mandated change will affect Medicare Part D prescription drug coverage for some LACERA-administered plans (Kaiser Senior Advantage, Secure Horizons, SCAN and CIGNA Medicare Select plus Rx). This change is a 50% discount on covered brand-name drugs when you meet a certain claims threshold. As you may know, many individual medical plans with Medicare Part D benefits have a coverage gap commonly called the "donut hole," during which the plan does not pay prescription drug benefits. LACERA-administered plans, however, do not have a coverage gap and provide continuous coverage for eligible prescription drugs. This discount on brand-name prescription drugs helps participants in individual plans by minimizing the impact of the "donut hole." As a LACERA member, if you participate in one of the LACERA-administered plans listed above, the new discount will enhance your coverage and may reduce your out-of-pocket prescription drug costs as follows:

- Currently, you have continuous prescription drug coverage through your LACERA-administered medical plan and you pay a copay for eligible brand-name prescription drugs.
- The new legislation means that your copays for brand-name drugs will be reduced by 50% while you have prescription drug claims expenses (total for you and the plan combined) between \$2,840 and \$6,447.50. You do not need to complete any extra tasks to receive this benefit if you are between the \$2,840 and \$6,447.50 ranges. Your medical plan will automatically reduce your brand-name prescription drug copay by 50%.
- This change is effective January 1, 2011 through December 31, 2011. Some members may have already seen this 50% reduction, if they have already reached the \$2,840 claims threshold. Once your total claims for covered prescription drugs reaches \$6,447.50, your plan will return to the typical plan design (regular copay amounts) for the remainder of the year.

This change in covered brand-name prescription drug costs applies to the following plans:

- Kaiser Senior Advantage
- Secure Horizons
- SCAN
- CIGNA Medicare Select Plus Rx

If you are enrolled in either of these plans, and are between the \$2,840 – \$6,447.50 coverage gap described above, you do not need to do anything to receive the 50% discount on covered brand-name drugs. Your medical plan will automatically reduce the copay. The types of brand-name prescription drugs covered by your LACERA-administered plans will remain the same and are not changing because of this discount.

Early Retiree Reinsurance Program

LACERA has filed and is certified for participation in the Early Retiree Reinsurance Program (ERRP). Under this program, LACERA receives a reimbursement from the Federal government for some of the costs of health care benefits paid on behalf of, or by, early retirees and certain family members of early retirees participating in these medical plans. This reimbursement will be used exclusively to reduce the costs of Retiree contributions, regardless of whether the Retiree is a new or current Retiree, and plan administrator costs starting with the new plan year that begins July 1, 2011. The ERRP and the Federal government reimbursement apply to the following LACERA-administered medical plans:

- Kaiser Permanente HMO
- UnitedHealthcare (Formerly PacifiCare) HMO
- CIGNA HMO
- Anthem Blue Cross Plans I, II and III
- Anthem Blue Cross Prudent Buyer Plan

The notice below was provided by the Federal government and includes more information about ERRP.

NOTICE ABOUT THE EARLY RETIREE REINSURANCE PROGRAM

You are a plan participant, or are being offered the opportunity to enroll as a plan participant, in an employment-based health plan that is certified for participation in the Early Retiree Reinsurance Program. The Early Retiree Reinsurance Program is a Federal program that was established under the Affordable Care Act. Under the Early Retiree Reinsurance Program, the Federal government reimburses a plan sponsor of an employment-based health plan for some of the costs of health care benefits paid on behalf of, or by, early retirees and certain family members of early retirees participating in the employment-based plan. By law, the program expires on January 1, 2014.

Under the Early Retiree Reinsurance Program, your plan sponsor may choose to use any reimbursements it receives from this program to reduce or offset increases in plan participants' premium contributions, co-payments, deductibles, co-insurance, or other out-of-pocket costs. If the plan sponsor chooses to use the Early Retiree Reinsurance Program reimbursements in this way, you, as a plan participant, may experience changes that may be advantageous to you, in your health plan coverage terms and conditions, for so long as the reimbursements under this program are available and this plan sponsor chooses to use the reimbursements for this purpose. A plan sponsor may also use the Early Retiree Reinsurance Program reimbursements to reduce or offset increases in its own costs for maintaining your health benefits coverage, which may increase the likelihood that it will continue to offer health benefits coverage to its retirees and employees and their families.

If you have received this notice by email, you are responsible for providing a copy of this notice to your family members who are participants in this plan.

Highlights of 2011 - 2012 Plan Changes

Summarized below are highlights of LACERA medical plan changes effective July 1, 2011. This table does not reflect a comprehensive list of plan changes; for details regarding your medical plan, please refer to your plan documents or contact the carriers directly.

Medical Plan	Benefit	Current Benefit	2011 - 2012 Benefit
Kaiser Senior Advantage	Medicare Part D Prescription Drug Coverage	You pay the full copay for brand prescription drugs while in the coverage gap	You receive a 50% discount on your copay for covered brand-name prescription drugs while in the \$2,840 – \$6,447.50 coverage gap.*
CIGNA Medicare Select Plus Rx (available only in Phoenix, Arizona)	Out-of-Pocket Maximum	None	Annual out-of-pocket maximum of \$6,700
	Preventive Care Including annual physicals, Well Woman exams, certain cancer screenings and other procedures. Refer to your plan materials for more information on covered preventive services. Contact your health plan carrier directly for plan materials.	You pay a copay per doctor visit/procedure	No charge
	Medicare Part D Prescription Drug Coverage	You pay the full cost of prescription drugs while in the coverage gap	You receive a 50% discount on your copay for covered brand-name prescription drugs while in the \$2,840 – \$6,447.50 coverage gap.*
Secure Horizons	Out-of-Pocket Maximum	None	Annual out-of-pocket maximum of \$6,700
	Medicare Part D Prescription Drug Coverage	You pay the full copay for brand prescription drugs while in the coverage gap	You receive a 50% discount on your copay for covered brand-name prescription drugs while in the \$2,840 – \$6,447.50 coverage gap.*
SCAN Health Plan	Out-of-Pocket Maximum	None	Annual out-of-pocket maximum of \$6,700
	Medicare Part D Prescription Drug Coverage	You pay the full copay for brand prescription drugs while in the coverage gap	You receive a 50% discount on your copay for covered brand-name prescription drugs while in the \$2,840 – \$6,447.50 coverage gap.*

* Refer to Medicare Part D Prescription Drug Coverage on page 3 for more information

There are no changes to the following LACERA-administered healthcare plans:

- Anthem Blue Cross Plans I, II and III
- Anthem Blue Cross Prudent Buyer
- Kaiser Permanente HMO
- CIGNA HMO
- UnitedHealthcare (Formerly PacifiCare) HMO
- CIGNA Indemnity Dental/Vision

New Patient Charge Schedule for CIGNA Dental HMO Plan Services

Please note that there is a new Patient Charge Schedule for the CIGNA Dental HMO Plan. While most of the services provided under the Diagnostic and Preventive care will remain at \$0, many of the copays for other services will increase. Most increases are between \$5 and \$15 dollars, but some are more substantial. **You will receive a new schedule from CIGNA. Contact CIGNA directly if you have questions about the new schedule.** Some of the benefit changes are listed in the table below.

Benefit	Current Benefit	2011 –2012 Benefit
Diagnostic/Preventive Care	\$0 per visit for most services	\$0 per visit for most services
Restorative Work	Range of copays, included some services at \$0	Copay increases on some services
Endodontics	\$0 per visit for most services	\$0 per visit for most services
Oral Surgery	Range of copays, included some services at \$0	Copay increases on some services

Refer to your plan materials for additional information on your CIGNA Dental HMO benefits. Contact CIGNA directly for plan materials.

Saving Money with Generic Drugs

When it comes to filling orders for prescription drugs, you may have more than one option. Many of the brand-name drugs prescribed by your doctor have generic versions that offer the same quality at a fraction of the cost. Generic drugs are just one of the ways you can be a better healthcare consumer by cutting the money you spend but not the quality of the drug you receive. The table below answers some important questions about generic drugs.

Question: Do Generic Drugs...	Answer:
Work as quickly to treat my symptoms?	Generic drugs must have the same active ingredients that act in the same amount of time as the brand-name drug.
Have the same strength as brand-name drugs?	The FDA says generics must have the same quality, strength, purity and stability as brand-name drugs.
Have to meet the same safety regulations as brand-name drugs?	The FDA says all drugs must be safe and effective. Their benefits must outweigh their risks. This is the same for brand-name drugs and generic drugs.
Have a more likely chance of causing harmful side effects?	The FDA watches for harmful drug reactions. They have found the same levels of side effects in both generic and brand-name drugs.

The next time your doctor writes a prescription, or you fill a prescription at your pharmacy, be sure to ask whether a generic option that would work just as well as a brand-name drug is available. You can also contact your individual medical plan providers for specific information about their prescription drug formulary. By taking a few minutes to research your options, you can help take control of your medical expenses and still receive the same quality care.