

Date: May 14, 2012

HRD-BEN-2012-0046

To: SRNS and SRR Retired and Active Employees

From: SRNS Health and Welfare Benefits Committee, SRR Benefits Committee

Re: **Health & Welfare Benefit Plan Changes for 2013**

As noted in previous communications, several changes will be taking place regarding Health Benefits for 2013. These changes will impact Medicare-eligible retirees, retirees who are Pre-Medicare eligible, Active employees, and their eligible dependents. These changes will be effective January 1, 2013.

Incumbent Medicare-Eligible Retirees:

Medicare eligible retirees, and/or their dependents who are Medicare eligible, will no longer be eligible for the Medical and Dental plans provided to Active employees and non-Medicare eligible retirees. (This has no impact on your life insurance.) Instead, you will be provided an annual subsidy amount in a Health Reimbursement Account (HRA) to purchase your own individual insurance that will coordinate with (or supplement) Medicare Parts A and B.

This change will enable you to participate in the increasing number of individual Medicare Advantage, Medigap or Medicare prescription drug plans available on the open market. An Advocacy Service (My Medicare Advocate), sponsored by SRNS and SRR, will be provided **at no cost to you** to help you in selecting and enrolling in individual Medicare coverage that may be better tailored to your specific health care needs. This approach will give you more control over your choices for health coverage.

My Medicare Advocate (MMA) will offer one-on-one personal and confidential assistance from a trained and licensed Advocate to help you (and your spouse if he or she also is Medicare eligible) evaluate your Medicare coverage options. MMA will be reaching out to each retiree with a mailing to your home and follow-up introductory phone calls during the month of September to begin this process. **(Please contact the SRNS Benefits Service Center at (803) 725-7772 or (800) 368-7333 or send an email to Service-Center.@srs.gov by June 30, 2012 if your phone number has changed since your retirement date.)**

Coverage Level	Annual Subsidy	Initial One Time 2013 Contribution	Total 2013 Contribution
Single (Retiree or Spouse)	\$2,400	\$500	\$2,900
Retiree + 1	\$4,800	\$1,000	\$5,800

Changes Summarized:

- Although Medicare A and B will remain your primary form of insurance, the Health Reimbursement Account (HRA) of \$2,400 per retiree, may be used to buy individual supplemental plans (\$4,800 if both retiree/spouse eligible).
 - Medicare Supplement = Medigap Plans
 - Medicare Replacement = Medicare Advantage
 - Prescription Drug Coverage = Medicare D

- The HRA will be pro-rated for mid-year enrollments.
- The HRA will initially be seeded with a one-time \$500 lump sum payment for those retirees that are Medicare eligible in 2013 (\$1,000 if both retiree/spouse are eligible).
- **To qualify for the HRA, retirees will be required to use My Medicare Advocate services to select and enroll in individual Medicare coverage.**
- The HRA may be used for premium payments, co-pays, co-insurance and any other IRS allowable expenses (those expenses that satisfy IRC Section 213).
- The HRA will be established in the retiree's name, and funded by SRNS or SRR.
- Spouses and dependent children not eligible for Medicare will remain in the SRNS or SRR Medical Plan.
- The HRA amount will be reviewed periodically.

Meetings for Incumbent Medicare-Eligible Retirees To Discuss Changes:

To help you understand these changes and make the best use of My Medicare Advocate services, meetings will be held for Incumbent Medicare-Eligible Retirees in the local communities listed below. You are welcome to bring a guest to the meetings. *(Active employees and Pre-Medicare eligible retirees do not need to attend.)*

Place	Date	Time
USC Aiken Etherredge Center 471 University Parkway Aiken, SC	Monday, July 16 Tuesday, July 17 Monday, August 6 Tuesday, August 7	8:00 am, 11:00 am, 2:00 pm (all days)
North Augusta Community Center 495 Brookside Avenue North Augusta, SC	Wednesday, July 18 Thursday, July 19 Wednesday, August 8 Thursday, August 9	8:00 am, 11:00 am, 2:00 pm (all days)
Barnwell Primary School 734 Hagood Avenue Barnwell, SC	Friday, July 20 Friday, August 10	9:00 am, 11:00 am (both days)

Incumbent Pre-Medicare Eligible Retirees:

Incumbent Retirees and/or their dependents currently eligible for coverage under SRNS or SRR, but who are not Medicare eligible, will continue to be covered by the SRNS or SRR sponsored Medical Plan for Pre-Medicare eligible retirees/dependents. These are currently the same Plans available to Active employees. In the future, the plans may change, as the requirements for different covered populations may vary. The retiree cost share will be based on the cost of the Pre-Medicare Retiree Plan with incremental increases over five years to increase the retiree cost share to a predetermined target sharing ratio which presently is established at 25%.

Below are the 2013 Rates for those eligible for the Incumbent Pre-Medicare Retiree Medical Plans:

Coverage Level	Prime	Standard	Basic
Retiree	\$ 392 (\$ 51 increase)	\$109 (\$14 increase)	\$ 0 (no increase)
Retiree + 1	\$ 784 (\$102 increase)	\$219 (\$29 increase)	\$31 (\$4 increase)
Retiree + 2 or more	\$1,179 (\$154 increase)	\$412 (\$54 increase)	\$68 (\$9 increase)

There will no longer be any Pre 1998 or Post 1997 retiree rates. All Pre-Medicare eligible retirees will be on one premium schedule.

Below are the 2013 Rates for the Active Medical Plans:

Coverage Level	Prime	Standard	Basic
Employee	\$ 359 (\$18 increase)	\$100 (\$5 increase)	\$ 0 (no increase)
Employee + 1	\$ 718 (\$36 increase)	\$200 (\$10 increase)	\$28 (\$1 increase)
Employee + 2 or more	\$1,079 (\$54 increase)	\$377 (\$19 increase)	\$62 (\$3 increase)

2013 - Medical Plan Changes (Pre-Medicare Retirees and Active Employees):

- Basic Medical Plan partnered with a Health Savings Account (HSA)
 - The Health Savings Account (HSA) will include a one-time monetary “seed” amount of \$250 for single coverage and \$500 for family coverage.
 - The deductibles for the Basic Medical Plan will change to \$1,250 for individual and \$2,500 for family to meet IRS guidelines for a Consumer Driven High Deductible Health Plan.
- Pharmacy Changes
 - Step Therapy – For some medications, you will be required to try cost-effective “First Choice” medications before trying (or "stepping up to") more expensive “Second Choice” medications.
 - Quantity Management - This will limit the amount of some covered medications, based on FDA and manufacturer dosing guidelines, medical literature, safety, accepted medical practice and appropriate use and benefit design.
 - Mandatory Generics – If a generic equivalent is available and you fill a prescription with a brand name, you will pay the appropriate brand cost share plus the cost difference between the brand and the generic, regardless if the physician prescribes a brand name drug. You should always ask your physician if a generic equivalent medication is available.
- Diagnostic Imaging
 - Pre-certification will be required for major diagnostic procedures (e.g. MRI, CAT scans).
- Eligibility
 - Eligibility for spouses will be defined with validation of a state-recognized marriage certificate. South Carolina common law will continue to have the same documentation requirements for attestation.
- Smoking Cessation
 - Smoking cessation programs and medications will be added to the Medical plan.
- Behavioral Health Program
 - A comprehensive Behavioral Health program will be included to provide additional resources to Plan participants.
- Wellness
 - Incentive credits will be introduced for various wellness programs, which can be used to reduce your 2014 annual deductible for Prime or Standard Medical and/or fund your 2014 Health Savings Account if you enrolled in the Basic Plan and Health Savings Account. (The annual deductible for the Prime and Standard Plans will be increased in 2014. More information will be communicated on this at a later point.)

2013 - Dental Plan Changes:

- Sealants will now be available to dependent children under age 20, 1 per 60 months.
- Fluoride treatments will have no age limits for high risk adults.
- Addition of Disease Management communications.

Below are the 2013 Dental Rates for Active & Incumbent Pre-Medicare Eligible Retirees. These rates are unchanged from 2012:

Coverage Level	Prime		Standard	
Employee	\$20	(no increase)	\$ 7	(no increase)
Employee + 1	\$48	(no increase)	\$21	(no increase)
Employee + 2 or more	\$84	(no increase)	\$31	(no increase)

2013 - Vision Plan Changes:

There will be no changes to the Vision plan design or rates for 2013.

2013 - Flexible Spending Plan Changes:

- Due to Health Care Reform changes, Flexible Spending (Health Care) will be limited to a maximum of \$2,500. Flexible Spending (Dependent Care) will remain at \$5,000.
- A limited Flexible Spending (Health Care) Account will be created to be used solely for those who elect the Basic Plan and Health Savings Account.

Next Steps:

- Many changes have been presented and summarized in this document. More detailed communications will be available in the coming months. Please watch your mail and e-mail for open enrollment announcements in October.
- For Medicare-eligible retirees residing locally, please plan to attend one of the informational meetings in July and August previously mentioned in this document. The changes will be reviewed, and representatives from My Medicare Advocate will be on hand to answer your questions.

If you have any questions, contact the SRNS Benefits Solution Center at (803) 725-7772 or (800) 368-7333 or send an email to Service-Center@srs.gov.

While SRNS and SRR intend to continue providing comprehensive benefits programs, the companies reserve the right to modify or terminate any of the benefit plans at any time. For more information on the procedures to modify or terminate benefit plans, refer to the Plan Documents. The Companies will provide advance notification of any future benefit changes.