



HEALTHLINE

JULY 17, 2014

Welcome to the summer issue of *Healthline*. In this issue you will learn about an important upcoming change to the way your Health and Welfare Plan is administered and the steps you should take to help ensure it is successful.

NEW MEDICAL CLAIMS ADMINISTRATOR: BLUE CROSS BLUE SHIELD OF MA

The Board of Trustees of the Health and Welfare Plan is pleased to announce that, effective August 1, 2014, Blue Cross Blue Shield of Massachusetts (BCBSMA) will become responsible for processing and paying all medical claims.

WHY WE ARE MAKING THIS CHANGE

With a mind toward the long-term viability of the Plan, and the goal of maintaining a high level of benefits for our participants and their families, the Trustees have chosen to act now. Managing today's ever-changing health care environment is challenging. Medical costs continue to rise, the number of participants and dependents who enroll in the Plan are expected to continue to increase, and the Affordable Care Act ("ACA" or "Obamacare") has resulted in Plan fees that will increase costs, especially for a Plan as rich in benefits as ours. By moving all medical claims administration to BCBSMA, we are reducing our administrative overhead and taking advantage of BCBSMA's efficiencies and best practices.

HOW THIS CHANGE AFFECTS YOU

You may be asking "How does this change affect me?" The answer is that it affects you very little.

- You and your family will receive new BCBSMA ID cards, which you will need to begin using as of August 1, 2014.
- BCBSMA will process all medical claims.
- Effective August 1, direct all questions about medical claims to BCBSMA. Their member services staff is available at 800-401-7690, Monday through Friday, from 8:00 a.m. to 9:00 p.m. Eastern Time.

Dental, Vision, Loss of Time, and other non-medical claims will continue to be processed by the same entities that you have come to know.

**Blue Cross Blue Shield of Massachusetts
Medical Claims**
800-401-7690
www.bcbsma.com

**IUOE Local 4 Benefit Funds Office
Eligibility Questions/Loss of Time**
508-533-1400
888-486-3524 (Toll-Free)
508-533-1404 (Fax)
www.local4funds.org

American General Life Insurance (AIG)
800-346-7692

**CVS/Caremark
Prescription Benefit Questions**
866-273-8408
www.caremark.com

Delta Dental of MA
800-872-0500
www.deltadentalma.com

Modern Assistance Program (MAP)
617-774-0331
800-878-2004 (Toll-Free)
www.modernassistance.com

Best Doctors
866-904-0910
www.bestdoctors.com

Davis Vision
800-999-5431
www.davisvision.com

EPIC Hearing Healthcare
866-956-5400
www.epichearing.com

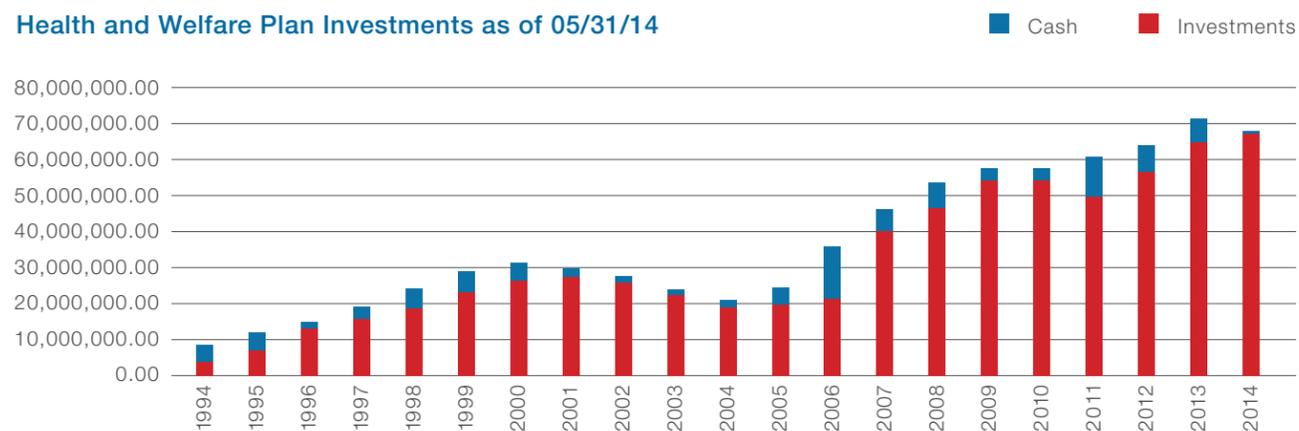


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OUR HISTORY

The Health and Welfare Plan has been self-insured and self-administered since January 1, 1994. Every year since then, the Board of Trustees has set aside cash reserves in order to stabilize the Plan for the future for you and your family members. We're proud to say that since 1994, these reserves have grown extensively, thanks to the stewardship of the Plan's Board of Trustees.

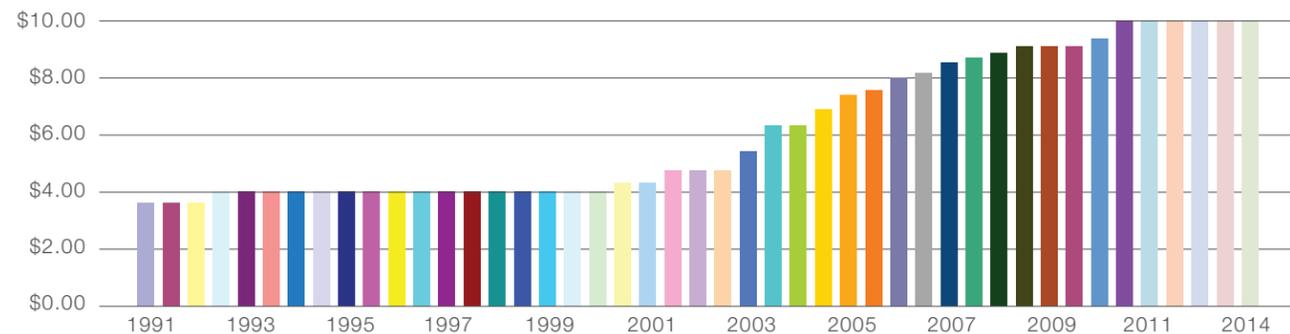
Health and Welfare Plan Investments as of 05/31/14



As you can see, in 1994 reserves totaled \$8 million. By the end of 2013, reserves had increased to just over \$71 million. The Plan's reserves are now considered to be at a healthy level recommended for a plan this size, with its large volume of claims and with future medical trends and ACA costs. Many factors have contributed to this increase – which has persisted even through economic downturns in the early and late 2000s. Those factors include:

- A steady flow of increases in the employer contribution rate negotiated by your Business Manager, Louis G. Rasetta, and
- Cost containment measures initiated by the Plan's Board of Trustees.

The current contribution rate to the Plan is \$10.00 per hour for most agreements. The following chart shows those historical contribution increases.



In addition, our affiliation with BCBSMA since 2005 has allowed the Plan to take advantage of steep hospital discounts and has resulted in estimated savings of approximately \$150 million in the last decade. This too has contributed to our reserves while also allowing us to enhance benefits over time by lowering the number of hours required for eligibility, co-payments, and deductible amounts and providing a greater platform of benefits.

What's more, the Plan has already begun paying some fees and complying with changes mandated by the ACA, such as the following, which have served to enhance the Plan's benefits in the last few years:

- Expansion of dependent child coverage up to age 26 regardless of other group health plan coverage
- Elimination of:
 - \$2 million overall lifetime plan limit
 - \$7,500 lifetime limit on substance use inpatient hospitalizations
 - dependent child maternity exclusion
 - pediatric dental care (children up to age 19) \$2,500 calendar-year maximum
 - pediatric orthodontic care (children up to age 19) \$2,000 lifetime limit for medically necessary orthodontic care

LOOKING AHEAD

Our health care costs are expected to increase 7% to 9% in 2015 as a result of inflation, advancements in technology, cost shifting from government programs (Medicare and Medicaid), and increased member use of medical services. Another major driver is high-cost specialty drugs used to treat complex or rare conditions such as cancer, multiple sclerosis, rheumatoid arthritis, hepatitis C, and hemophilia. The cost for these drugs is projected to increase more than 20% each year.

In addition, we are expecting to see an increase in the number of covered participants and dependents. Looking ahead, in 2018 the so-called Cadillac tax on plans with rich benefits such as ours will take effect.

The savings from transitioning the claims operation to BCBSMA will help defray the cost of future medical inflation and fees or taxes. That said, we know that our reserves will still decrease, despite nominal increases in the contribution rate and reasonable investment returns. It is simply a fact that medical care costs, combined with ACA fees, will outpace any efforts the Trustees make. Our best and most prudent move is to take action now to cut costs where we can so that we preserve our reserves and benefits as best we can.



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There are lots of reasons to be excited about this transition:

- **Enhanced benefits**, including:
 - Increased chiropractic and acupuncture benefits
 - Outpatient speech therapy, regardless of reason or need
 - Lower coinsurance and no dollar limits on durable medical equipment
 - Annual out-of-pocket maximum that includes co-payments you pay for medical services (excluding prescription drugs)
 - \$15 co-payment for outpatient medical care visits, whether in an office or hospital setting
- **Dedicated Member Services Department** at 800-401-7690, available Monday through Friday, from 8:00 a.m. to 9:00 p.m. Eastern Time
- **Strict security and privacy controls** to ensure the confidentiality and sensitivity of all claims submitted for you and your family members
- **Access to Member Central** (www.bluecrossma.com/membercentral), a personalized website where you can review your benefits, look up a claim, find a doctor, get discounts, and more

IN CLOSING

The Board of Trustees of the IUOE Local 4 Health and Welfare Plan expects to continue to provide a high level of service and benefits to you and your family members in the future. We are confident you will receive first-class customer service from our partner, BCBSMA.

IUOE LOCAL 4 HEALTH AND WELFARE PLAN

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