

IMPORTANT ANNOUNCEMENT

Please provide a copy of this Announcement to your Spouse and eligible adult children enrolled in the Plan
Your Benefits under the Affordable Care Act

Date: June 24, 2011

TO: All Active Plan and Special Plan for Active Employees, including eligible Dependents Enrolled in the Direct Payment Plan

- **Kaiser Permanente** – Only the Age-26 Mandate applies
- **Retired Plan** – some of the changes in this Announcement may apply to you – read each **heading** carefully to see if a benefit is for you

Under the Affordable Care Act, (the Act), signed in to law on March 23, 2010, all Health Plans, with the exception of “*Retiree Only*” Plans and “*limited scope*” dental and/or vision plans, are required to make certain benefit changes to Plans, regardless of whether the Plan is “Grandfathered” or not (the term Grandfathered will be explained later in this Announcement). The Laborers Health and Welfare Dental and Vision Plans have been determined to be “*limited scope*” and **not** subject to the Act. It has also been determined that the Retired Laborers Health and Welfare Plan is a “*Retiree Only*” Plan and **not** subject to the Act. However, we elected to make some changes under the Act applicable to the Retired Plan even though they are not required by the Act. Read the heading above each section carefully to see if the Retired Plan is included in the change.

The changes are effective on the first day of the Plan Year following September 23, 2010. For the Laborers Health and Welfare Active Plans, that date is June 1, 2011.

Because the Active Plans are Grandfathered Plans, following are the required changes (again, some may apply to the Retired Plan and Kaiser Permanente):

- Removal of Lifetime **Dollar** Maximums as outlined below
- Removal of the Annual Dollar Limitation on **Routine Physical Examinations**
- Age-26 Mandate

Removal of the Comprehensive Medical Expense Benefit Lifetime Maximum Active Plan and Special Plan for Active Employees - Direct Payment Plan Only

The current Lifetime Maximum under the Comprehensive Medical Expense Benefit \$1,500,000. Effective June 1, 2011, the Lifetime Maximum is eliminated on claims incurred on and after June 1, 2011. If there are eligible Plan Participants who *have met* or *will* meet the maximum benefit level, they will automatically be reinstated for Comprehensive Medical Expense Benefits for claims incurred on and after June 1, 2011. Medical expenses incurred **before June 1, 2011** that were not payable due to exceeding the Plan’s Lifetime Maximum will continue to **not** be reimbursed under the Plan.

Removal of the Lifetime *Dollar* Maximum on the Inpatient Substance and Chemical Abuse Program Active Plan, Special Plan for Active Employees and Retired Plan - Direct Payment Plan Only

Substance and Chemical Abuse treatment are considered “essential benefits” under the Act. The current Lifetime Maximum for Inpatient treatment is \$10,000 for adults and \$12,500 for adolescents. Effective June 1, 2011, the Lifetime *Dollar* Maximum will be removed and replaced with a days maximum until June 1, 2012 when the Mental Health Parity and Addiction Equity Act of 2008 (MHPAEA) becomes effective for the Laborers Health and Welfare

Plans. On June 1, 2012, the MHPAEA requires mental health *and* substance abuse treatment to be covered in the same manner as any other covered illness. In the meantime, for the 12 month period beginning June 1, 2011 through May 31, 2012, the following limitations apply to the Active Plan, Special Plan for Active Employees, and Retired Plan. **The changes are being made to the Retired Plan even though they are not required by the Act.**

- Eligible Employee or Retiree (including an eligible Spouse) will have their benefit **limited to 30 days** within the period June 1, 2011 through May 31, 2012. No more than two courses of treatment are covered:
 - 100% of contracted rate for the first course of treatment;
 - 50% of contracted rate for the second course of treatment
- Eligible dependent children will have their benefit **limited to 45 days** within the period June 1, 2011 through May 31, 2012.
 - 100% of contracted rate for one course of treatment **not to exceed the 45 days.**

Treatment must be received at a participating treatment abuse facility and must have a **prior authorization** performed by Claremont Behavioral Health Services.

**Routine Physical Examination Benefit – Active Plan and Special Plan for Active Employees
Direct Payment Plan Only**

The current benefit for Routine Physical Examinations is \$300 for the Employee, \$300 for the eligible Spouse, and \$200 for eligible dependent children **per Plan Year**. Effective **June 1, 2011**, the \$300/\$200 limitation will be for **each occurrence** of a routine physical examination which includes the examination, laboratory and/or x-rays, rather than a **dollar** maximum per Plan Year. **This change does not apply to the Retired Plan.**

**Age-26 Mandate – Active Plan, Special Plan for Active Employees and Retired Plan
Direct Payment Plan and Kaiser Permanente**

In the Winter edition of the Benefit Package (January, 2011), it was announced that we elected to implement the Age-26 Mandate effective January 1, 2011 rather than waiting until the required June, 2011 date; we also extended this option to the Retired Health and Welfare Plan **even though this was not required by the Act**. A 30-Day Open Enrollment was provided at that time. Eligible children will be covered to the age of 26 so long as you retain eligibility. If you have an eligible child or eligible children who have not enrolled, call the Trust Fund Office for an enrollment form. Coverage will begin on the first day of the month following receipt of the completed enrollment form so long as you are eligible for benefits under the Plan at that time.

**Grandfathered
Direct Payment Plan and Kaiser Permanente
Retired Plan not subject to the Affordable Care Act**

Because the Plans are “grandfathered health plans,” we are required by law to provide this notice to you:

It is believed that the Laborers Health and Welfare Trust Fund Plans are “grandfathered health plans” under the Patient Protection and Affordable Care Act (the Affordable Care Act). As permitted by the Affordable Care Act, a grandfathered health plan can preserve certain basic health coverage that was already in effect when that law was enacted.

Being a grandfathered health plan means that your plan may not include certain consumer protections of the Affordable Care Act that apply to other plans, for example, the requirement for the provision of preventive health services without any cost sharing. However, grandfathered health plans must comply with certain other consumer protections in the Affordable Care Act, for example, the elimination of lifetime limits on benefits and the age-26 mandate.

Questions regarding which protections apply and which protections do not apply to a grandfathered health plan and what might cause a plan to change from grandfathered health plan status can be directed to the Trust Fund Office at 1 (707) 864-2800 or toll free at 1 (800) 244-4530, Monday through Friday, 8:00 AM to 5:00 PM. You may also

contact the Employee Benefits Security Administration (EBSA), U.S. Department of Labor at 1 (866) 444-3272 or www.dol.gov/ebsa/healthreform. This website has a table summarizing which protections do and do not apply to grandfathered health plans.

If loss of Grandfathered status occurs for any Plan, Participants of that Plan will be notified by way of an Important Announcement and the date that additional benefits mandated by the Act will be implemented.

Notice About the Early Retiree Reinsurance Program (ERRP)

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 (ERRP). The ERRP is a Federal program established under the Affordable Care Act. Under the ERRP, 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 ERRP, your plan sponsor may choose to use any reimbursements it receives from this program to reduce or offset increases in Plan Participants' premium contributions, copayments, deductibles, coinsurance, or other out-of-pocket costs. If the plan sponsor chooses to use the ERRP 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 the 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 should have questions about this Important Announcement, contact the Trust Fund Office, Monday through Friday, 8:00 AM to 5:00 PM. If you have questions about the Affordable Care Act, visit www.healthcare.gov

Sincerely,

Board of Trustees
Laborers Health and Welfare Trust Fund
for Northern California

Receipt of this notice does not constitute a determination of your eligibility. If you wish to verify eligibility, or if you have any questions regarding the Plan changes, contact the Trust Fund Office.

In accordance with ERISA reporting requirements, this document serves as your Summary of Material Modifications to the Plan.

Insert #7

Keep this Important Announcement with
your Health and Welfare Plan Booklets

-March 2006 Active Plan and Special Plan for Active Employees

-March 2007 Retired Plan