Jason Webb
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Taft-Hartley Segment

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Mr. Bill Jensen
Associated Administrators, Inc.
4301 Garden City Drive
Suite 201
Landover, MD 20785

RE: FELRA AND UFCW HEALTH AND WELFARE FUND 2013 RENEWAL

Dear Bill:

We have enjoy the partnership that Cigna has had with the FELRA and UFCW Health and Welfare Fund, and on behalf of our entire Taft-Hartley team, we sincerely thank you for your business.

Over the last year, CIGNA HealthCare has worked diligently to help maximize the value of the FELRA and UFCW Health and Welfare Fund's healthcare dollars. We will continue to work with the Fund's trustees to help control the Fund's total costs, while also helping to improve the health and well-being of your members.

Outlined in this letter is the Fund's renewal for the plan year beginning June 1, 2014 through May 31, 2015. .

Performance Overview & Observations

Financial Highlights (2013 vs. 2012)

- Member Enrollment: Average member enrollment decreased by 6.3%. Including members & families average enrollment decreased by 6.4%.
- Claim Costs: Decreased on Per Participants Per Year basis by 8.5%
- Key Driver: Catastrophic claims over 50,000 decreased in the current period from 46 claimants in 2012 to 42 claims in 2013
- The Top Five Diagnostic Groups: Contributed 66% of overall plan cost in the current period.
    1. Musculoskeletal
    2. Neoplasms
    3. Circulatory
    4. Gastrointestinal
    5. Respiratory
- Disease Management: 908 of the Fund's membership (including families) have been identified to have chronic conditions which could be better managed by the Your Health First disease management program. 19% or 164 of those individuals who were identified are engaged telephonically or through other modes, such as online.
- Provider Utilization: The Fund's 2013 provider utilization patterns generated over **$9.7 million in total provider discounts**. Specialty Case Management (Transplant, Oncology, etc.) **accounted for over $510,000 in savings**

JUNE 1, 2014 MEDICAL RENEWAL RATES

Based on our underwriter's projections a small inflationary fee increase of 3.1% in 2014 is requested.

ASO fees which will be guaranteed from June 1, 2014 through May 31, 2015. Therefore, the June 1, 2014 fees paid on a per employee per month basis (PEPM) will be as follows:

Network Plan	6/1/13	6/1/14
Administration Fee	$32.37	$33.33
Network access fee	$12.83	$13.28
Total Fees	$45.20	$46.61

Please refer to the June, 1 2014 claim projection which confirms a reduction in the FELRA retiree claim costs.

COMPONENTS	NETWORK PLAN
Net Paid Claims – 12 Months (3/1/12 – 2/28/13)	$11,356,609
Less Large Claims	-
Subtotal	$11,356,609
Annual Trend Factor	7.70%
Current Enrollment	1,403
Mid-Point to Midpoint # of Months	15
Applied Trend	9.72%
Projected Claims	$12,036,289
Add Large Claims	-
Total Projected Claims	$12,036,289

CIGNA HEALTHCARE SERVICES
Currently, CIGNA provides the following comprehensive services to the Fund:

- Access to our National Network of more than 1 million provider locations
- Provider Credentialing to NCQA Standards and Contract Negotiations
- Dedicated 24/7 Claims Administration and Member Services in Scranton PA Claims Offices
- Answering Claims, Benefit & Eligibility Questions, Helping Members Locate a Network Provider, Ordering an ID card, etc.
- Claims and Utilization Reporting Services via CIGNAaccess.com
- Member assistance capabilities via CIGNAaccess.com
- Predictive modeling capabilities to improve case management & disease management results
- Pre-admission certification and Continued Stay Review
- Specialty Case Management, Maternity Management, Transplant Management
- Disease Management: Cardiac, Asthma, Diabetes, Low Back Pain, COPD, Depression, Weight Complications and Targeted Conditions.
- 24-Hour Health Information Line
- Organ Transplant Centers of Excellence
- Healthy Rewards Discount program
- mycigna.com and Internet provider locator services
    - Healthwise

- Select Quality Care to choose quality providers
- Health Assessments
- Personal Records
- ID Card Preparation, Booklet Preparation
- MyCigna.com Mobile App

<u>Opportunities & Solutions</u>

<u>Dental Plan</u>
Cigna has been providing clients dental coverage for over 40 years and is a leader in providing members with access to affordable, quality dental care. Today, we provide dental services to more than 7,000 clients and over 11.5 million people across the country which includes **5000 clients** of which **60 clients are Taft-Hartley Funds & International Unions**.

Cigna's Dental PPO plan has developed two dental PPO networks, the "Radius" & "Core" networks. Our "Radius" network develops national discount savings, on average, equal to 35%-38%. The "Radius" network has grown by 32% over the past year (47% over the past 2 years) and is considered #1 in the marketplace which includes 109,000 Unique Providers and includes 327,000 Dental Access Points (all locations) providing members a good foundation for choice of quality dental care while providing substantial savings to the Fund. **Over 14,000 access points in the DC. MD, VA area**

The second dental PPO network is slightly smaller in size and is known as our "Core" network Our "Core" network develops national discount savings, on average, equal to 20%-28% and has grown 25% over the past year (29% over the past 2 years) resulting in having 186,800 Dental Access Points (all locations) representing 76,600 unique providers.

Under Cigna's Dental HMO plan which has grown significantly offers clients the greatest savings results - 30%-50% savings as compared to a standard Dental PPO plan. Cigna contracts nationally with 19,000 Unique Providers which includes 78,000 Dental Access Points (all locations) and provides members the choice of quality dental care with more limited provider access than the Dental PPO plan while providing substantial savings to the Fund. The DHMO plan achieves these savings by fully capitating primary dental care reimbursement, with more limited capitation reimbursement for specialists, and provides the remaining specialty care on a fee-for-service reimbursement basis.

A Cigna dental plan integrated with your current medical plan can result in additional claim cost savings equal to as much as 1% of claims costs and provides enhanced dental coverage for eligible members with diabetes, heart disease, and stroke.

<u>Incentives</u>
Incentives help to empower members to make the best available health care decision which, ultimately helps to lower medical costs for the Fund.

We recommend the board consider offering incentives to your members that will help increase member engagement within programs the FLERA and UFCW Health and Welfare Fund currently offers, as well as, incentivizing members to make healthy lifestyle choices. Cigna believes that behavior change CAN be successful and sustainable with the right motivation. We also believe motivating healthy changes are well worth the investment because the health and well-being of your members is priceless and reversing unhealthy behaviors can drive significant savings to the Fund.

Cigna can offer the following incentive solutions:

- <u>Healthy Awards Account</u>: The Healthy Awards Account is an incentive driven Health Reimbursement Account (HRA) that accumulates funds based on a member's participation in health improvement and/or behavior modification programs. The incentive dollars deposited to the fund are then used towards eligible out-of-pocket health care expenses.

- Motivate*Me* Incentive Online Tools: Cigna's Motivate*Me* Incentive Program delivers on Cigna's ongoing commitment to educate and empower each individual with easy to use tools and resources that support and encourage members at every touch point, online and telephonically. The newly designed Motivate*Me* online format makes it easy for your members to understand all their incentive opportunities, as well as, track their progress and rewards.

Cigna incentive programs are particularly successful because they are designed to drive sustainable behavior change. As a result, these programs lead to increased active participation in health initiatives, measurable health improvements, and medical cost savings

Next Steps

It is my pleasure to present the 2014 renewal proposal offer to the Fund and to review with you the above information. I am confident that this information will be valuable to you during discussions with the FELRA Trustees. I am available to support you when you discuss this information with the Trustees. In the meantime, please feel free to contact me with any questions you may have regarding the CIGNA's 2014 renewal offering.

Sincerely,

Jason Webb
Client Manager, Cigna

Cc: Laura Walsh
Kim Cicero