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Mr. Bill Jensen
Associated Administrators, Inc.
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RE: FELRA AND UFCW HEALTH AND WELFARE FUND 2013 RENEWAL

Dear Bill:

Outlined in this letter is the Fund's renewal for the plan year beginning June 1, 2013 through May 31, 2014. I look forward to discussing this information with you at your earliest convenience.

FINANCIAL HIGHLIGHTS

Financial Review – Medical 4/1/2012 – 3/31/2013

The Fund has paid $12,930,393 in medical claims on behalf of an average of 1,531 retired members (2,247 retired members including families) over the past 12 months developing a composite cost of $5,843 per retiree (including families) per year (PRPY. As a result, the year-over-year costs have reduced slightly, 1.4%, as you compare the ($5,925 PRPY). The most significant year-over-year change was the reduction in the number of early retirees covered by the Fund. During the 4/2012-3/2013 time period the Fund experienced an 11.7% decrease in retirees covered by the Fund (1,733 to 1,531) representing a 10.7% reduction in total participants. The most utilized top 5 major diagnostic categories generating medical claims, comparing the earlier 12 month time period to the most recent 12 month time period, was as follows:

1. Musculoskeletal: 18.1% vs. 15.6%
2. Circulatory: 18.5% vs. 15.1%
3. Digestive: 8.7% vs. 10.8%
4. Kidney: 7.0% vs. 8.7%
5. Respiratory: 7.3% vs. 8.3%

The Fund experienced $11,682,572 in total discounts during the above referenced time period.

Large Claimants 4/1/2012 – 3/31/2013

The Fund's volume of large claimants having claims totaling in access of $100,000 represented $4,962,417 representing 38.4% of total claims paid from 4/2012-3/2013 versus 30.1%% of total claims paid from 4/2011-3/2012 for unique claimants who had total claims exceeding $100,000. Claimants with large claims in excess of $100,000 increased from 24 claimants to 28 claimants during the current period (4/2012-3/2013) as compared to the prior time period.

JUNE 1, 2013 MEDICAL RENEWAL RATES

CIGNA is proposing a 2.6% overall increase to the retiree ASO fees which will be guaranteed from June 1, 2013 through May 31, 2014. Therefore, the June 1, 2013 fees paid on a per employee per month basis (PEPM) will be as follows:

♦ **Network Plan**	**6/1/12**	**6/1/13**
Administration Fee	$31.77	$32.55
Network access fee	$12.55	$12.91
Total Fees	$44.32	$45.56

Please refer to the June, 1 2013 claim projection which resulting in year-over year reduction in the FELRA retiree claim costs.

CLAIM PROJECTION COMPONENTS	NETWORK PLAN
Net Paid Claims – 12 Months (2/1/12 – 1/31/13)	$13,546,798
Less Large Claims	-
Subtotal	$13,546,798
Average Enrollment (Setback from 11/1/011-01/31/13)	1,566
Paid Claims (PRPY[1])	**$8,651**
Adjusted Paid Claims (PRPY[2])	$8,698
Annual Trend Factor	7.30%
Current Enrollment	1,498
Mid-Point to Midpoint # of Months	16
Applied Trend	9.85%
Projected Claims (PMPY)	$9,555
Projected Claims	$14,313,355
Add Large Claims	-
Total Projected Claims	$14,313,355

1. PMPY refers to the claim cost per retiree and does not include families.

2. Cigna applied a 1.0054 demographic adjustment factor to paid claims to account for the change in the paid claim liability based on the average age of the retirees vs. Cigna's standard norms.

THREE PILLARS OF HEALTH

Cigna would appreciate the opportunity to discuss improved retiree health and engagement through our Three Pillars of Health “wellness” strategy. Our focus would be to encourage and motivate retirees to participate in Cigna programs that promote health education including:

Pillar I: Better Decision Making - Helping members become good health care consumers – and save Out-of-Pocket costs.

Pillar II: Better Engagement - Make sure that the retirees know the programs they have access to for support and make sure your programs support behavioral change.

Pillar III: Better Health - Focusing on health rather than sickness. Focus on preventing disease before it begins.

Helping retirees reduce their out of pocket expenses is one of the most important pillars because *the message resonates*, and for Trustees, this translates into savings for the Fund. Cigna encourages the Fund to consider the following options:

- Consider customized outreach and general, mass outreach encourage quality and lower costs for the retirees and family participants:
    - Emergency Room vs. Urgent / Convenient Care
    - Preferred Cigna labs (LabCorp, Quest)
    - 24hr Nurse line
    - High Performing Providers
    - Mycigna - Cost & Quality Tools and Web Tools

- High Cost Retiree Customized Outreach:
    - Transplant Centers of Excellence focus
    - “Frequent Flyers” to the Emergency Room

<u>Cigna SERVICES</u>

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 Retiree Services supported by our Bristol CT and Scranton PA Claims Offices
- Answering Claims, Benefit & Eligibility Questions, Helping Retirees Locate a Network Provider, Ordering an ID card, etc.
- Claims and Utilization Reporting Services via Cignaaccess.com
- Retiree 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

We encourage the Fund to educate the retirees on their responsibilities as active stakeholders in controlling claims costs. As your partner, we have created tools that help retirees manage their health and their care, and we are willing to help you create a retiree education strategy that encourages their active engagement as a cost control stakeholder. These tools are available, at no additional cost to the Fund, through mycigna.com, and the new mycigna Mobile App. We would like to work with the Fund to educate the FELRA retirees on these new tools and how to use them. These services are intended to give them the tools they need to take accountability for their health and the cost of their care as outlined:

- Mycigna.com - Through Mycigna.com, retirees can create their own personal website and see their actual claims history, the status of a particular claim payment and a summary of their benefits. Mycigna.com also provides access to the following tools:
  - Healthwise is a tool that gives retirees extensive information about medical conditions and other health information, in an easy to read format.
  - Select Quality Care enables retirees to review outcomes information, average lengths of stay, patient volumes and mortality rates on specific procedures performed at local hospitals. This helps them speak more intelligently to their providers about where they want to have a procedure performed.
  - Health Assessments enable retirees to complete their own Health Risk Assessment, which helps them work with their doctors and with to avoid conditions that they may be at risk to develop.
  - Personal Health Manager gives the retirees an at-a-glance view of personal health data from a personalized website cover page.

- Mycigna Mobile App - The Mycigna Mobile App gives FELRA retirees access to all their personalized health information on the go, 24/7. They can perform an array of health-related tasks directly from their mobile device. Like getting their ID cards, account balance and deductible information, locating doctors and hospitals. The application is built with your retirees in mind, and offers simple navigation and intuitive icons. Making it easy for your retirees to get exactly what they need.

It is my pleasure to present the 2013 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. Jason and I are 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 2013 renewal offering.

Sincerely,

Amos F. Hutchins, III

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Senior Client Manager, Cigna

Cc: Laura Walsh
Jason Webb