FELRA AND UFCW PENSION FUND

FELRA AND UFCW HEALTH AND WELFARE FUND

POLICY COMMITTEE MEETINGS

DECEMBER 11, 2014

AGENDA

POLICY COMMITTEE MEETINGS

DECEMBER 11, 2014

9:00 A.M.

FELRA & UFCW PENSION FUND MEETING

I. CALL TO ORDER

II. ATTORNEYS' REPORT
- A. REHABILITATION PLAN UPDATE
- B. 2012 COLLECTIVE BARGAINING AGREEMENT

III. NEXT MEETING DATE AND LOCATION

IV. ADJOURNMENT

FELRA & UFCW HEALTH AND WELFARE FUND MEETING

I. CALL TO ORDER

II. ATTORNEYS' REPORT
- A. A & P DELINQUENCY

III. OTHER FUND BUSINESS
- A. DRAFT SMM ELIGIBILITY RULES PLANS XX, XXX & XL {pg. 1 – 4)
- B. JANUARY 2015 ENROLLMENT/SALARY DEDUCTION PROCESS –STATUS (pg. 5)
- C. CAREFIRST PPO – ALLOWED AMOUNTS VS. FUND UCR (pg. 6 – 8)
- D. ELECTRONIC FUND TRANSFER/VIRTUAL CREDIT CARD PROPOSAL (pg. 9)
- E. 2015 MEDICARE REIMBURSEMENT RATES (pg. 10)
- F. 2015 MOB PROJECTION (pg. 11 – 17)
- G. CERTIFICATION OF CREDITABLE COVERAGE
  - 1. NOTICE REQUIREMENT TERMINATES AS OF 12/31/14
- H. DEPENDENT AUDIT (pg. 18 – 21)
- I. PBM RFP (pg. 22 – 37)
- J. NEW HIRE LEGAL BENEFIT LEVEL (pg. 38 – 49)

IV. NEXT MEETING DATE AND LOCATION

V. ADJOURNMENT

FOOD EMPLOYERS LABOR RELATIONS ASSOCIATION AND UNITED FOOD AND COMMERCIAL WORKERS ACTIVE HEALTH AND WELFARE FUND

SUMMARY OF MATERIAL MODIFICATIONS

The Board of Trustees of the Food Employers Labor Relations Association and United Food and Commercial Workers Health and Welfare Fund has adopted the following changes to the Food Employers Labor Relations Association and United Food and Commercial Workers Active Health and Welfare Plan ("Plan") for participants employed by Giant Food or Safeway. Please keep this document with your Summary Plan Description ("SPD").

1. Bargaining unit employees who were hired before January 1, 2014 and who were not yet eligible to participate under Plan XX on January 1, 2014, the paragraphs on page 17 of your Plan XX SPD entitled "Initial Eligibility – Full Timers" and "Initial Eligibility – Part Timers" are deleted and replaced with the following:

A. Full-Time Employees – Plan XX

If you were hired as a "full-time" employee (as defined under the collective bargaining agreement applicable to your employment), you will be eligible for benefits under the Plan as follows, subject to the Fund's receipt of contributions, when contractually required, made on your behalf by your participating employer, and subject to you completing and filing with the Fund office the necessary enrollment forms, including any payroll deduction forms:

Type of Benefit	Enrollment Date
Hospital, Medical, Prescription Drug	1st of the month following 1,200 hours of service plus 60 days
Life, Accidental Death & Dismemberment	1st of the month following 12 months of continuous employment
Accident & Sickness, Dental, Vision	1st of the month following 15 months of continuous employment

For example, if you were hired as a full-time employee on April 15, 2013 and were entitled to be paid for 1,200 hours of work as of November 30, 2013, you would become eligible for: (a) Hospital, Medical and Prescription Drug benefits on February 1, 2014; (b) Life and Accidental Death & Dismemberment benefits on May 1, 2014; and (c) Accident & Sickness, Dental and Vision benefits on August 1, 2014.

B. Part-Time Employees – Plan XX

If you were hired to work an undetermined number of hours per week and you were entitled to be paid for an average of at least 28 hours per week during your first 12 months of employment (your "initial measurement period"), you will be eligible for Hospital, Medical, Prescription

Drug, benefits on the first day of the month after you have worked for 13 months, and will be eligible for Life, Accidental Death and Dismemberment benefits on the first day of the month after you have worked 18 months, subject to the Fund's receipt of contributions, when contractually required, made on your behalf by your participating employer, and subject to you completing and filing with the Fund office the necessary enrollment forms, including any payroll deduction forms. For example, if you start work on May 15, 2013 and you were entitled to payment for an average of 30 hours a week through May 14, 2014, you will be covered under Plan XX as of July 1, 2014.

If you were hired to work an undetermined number of hours per week, and you were entitled to be paid for an average of less than 28 hours per week, you will not be eligible for benefits under Plan XX after 13 months of Covered Employment. However, if you are entitled to be paid for an average of at least 5 hours per week during the next 5 months of Covered Employment (your second "measurement period"), you will be eligible for Hospital, Medical, Prescription Drug, Life and Accidental Death & Dismemberment benefits on the first day of the month after your 18th month of Covered Employment, subject to the Fund's receipt of contributions, when contractually required, made on your behalf by your participating employer, and subject to you completing and filing with the Fund office the necessary enrollment forms, including any payroll deduction forms. For example, if you start work on May 15, 2013 and you were entitled to payment for an average of 10 hours per week through May 14, 2014, you will not be eligible for Plan XX as of July 1, 2014. However, if you continue to be entitled to payment for 10 hours per week from May 15, 2014 through November 14, 2014, you will be covered under the Plan XX as of December 1, 2014.

You will become eligible to receive Accident & Sickness benefits, Dental and Vision benefits under Plan XX on the first day of the month after you have worked for 30 months. For example, if you begin work on May 15, 2013 and you continue to be entitled to payment for work in Covered Employment for an average of at least 5 hours a week for 30 months, you will be eligible for Accident & Sickness, Dental and Vision benefits on December 1, 2015.

C. Continued Eligibility For Plan XX Full and Part Time Employees

As long as you continue to work in Covered Employment, you will continue to be eligible for these benefits under Plan XX for a period of one calendar year from the date that your coverage begins. For example, if you first become covered on June 1, 2014, you will continue to be covered under Plan XX at least until May 31, 2015, provided you continue to work in Covered Employment.

After your first period of coverage ends, your continuing eligibility for benefits under Plan XX in each calendar year will depend on whether you continue to be entitled to payment for work in Covered Employment for an average of at least 5 hours per week 12-months ending October 14th of the prior year. For example, if your first coverage period ends on May 31, 2015, your eligibility for coverage for the balance of 2015 will depend on whether you were entitled to payment for an average of at least 5 hours per week during the period of October 15, 2013 – October 14, 2014. If you were entitled to payment for an average of 5 hours per week during

this period, your eligibility for benefits under Plan XX will continue until at least December 31, 2015.

2. Bargaining unit employees who are hired on or after January 1, 2014 will become eligible to participate in Plan XXX or Plan XL, based on the following eligibility rules:

A. Full-Time Employees – Plan XXX

If you were hired as a "full-time" employee (as defined under the collective bargaining agreement applicable to your employment), you will be eligible for benefits under Plan XXX as follows, subject to the Fund's receipt of contributions, when contractually required, made on your behalf by your participating employer, and subject to you completing and filing with the Fund office the necessary enrollment forms, including any payroll deduction forms:

Type of Benefit	Enrollment Date
Hospital, Medical, Prescription Drug	1st of the month following 1,200 hours of service plus 60 days
Life, Accidental Death & Dismemberment	1st of the month following 12 months of continuous employment
Accident & Sickness, Dental, Vision	1st of the month following 15 months of continuous employment

For example, if you were hired as a full-time employee on April 15, 2014 and were entitled to payment for 1,200 hours of work as of November 30, 2014, you would become eligible for: (a) Hospital, Medical and Prescription Drug benefits on February 1, 2015; (b) Life and Accidental Death & Dismemberment benefits on May 1, 2015; and (c) Accident & Sickness, Dental and Vision benefits on August 1, 2015.

B. Part-Time Employees – Plan XXX or Plan XL

If you were hired to work an undetermined number of hours per week, and you were entitled to payment for an average of at least 28 hours per week during your first 12 months of employment, you will be eligible for Hospital, Medical, Prescription Drug, benefits under Plan XXX on the first day of the month after you have worked for 13 months, and will be eligible for Life, Accidental Death and Dismemberment benefits on the first day of the month after you have worked 18 months, subject to the Fund's receipt of contributions, when contractually required, made on your behalf by your participating employer, and subject to you completing and filing with the Fund office the necessary enrollment forms, including any payroll deduction forms. For example, if you start work on May 15, 2014 and you are entitled to payment for an average of 30 hours a week through May 14, 2015, you will be covered under the Plan XXX as of July 1, 2015.

If you were hired to work an undetermined number of hours per week and you were entitled to

payment for an average of less than 28 hours per week during your first 12 months of employment, you will be eligible for Life and Accidental Death & Dismemberment benefits under Plan XL on the first day of the month after you have worked for 18 months subject to the Fund's receipt of contributions, when contractually required, made on your behalf by your participating employer, and subject to you completing and filing with the Fund office the necessary enrollment forms, including any payroll deduction forms. For example, if you start work on May 15, 2014 and you are entitled to payment for an average of 10 hours a week through May 14, 2015, you will be covered under the Plan XL as of December 1, 2015.

If you are covered under Plan XXX or Plan XL, you will become eligible to receive Accident & Sickness benefits, Dental and Vision benefits on the first day of the month after you have worked in Covered Employment for 30 months. For example, if you begin work on May 15, 2014 and you continue to be eligible for payment for Covered Employment for 30 months, you will be eligible for Accident & Sickness, Dental and Vision benefits on December 1, 2016.

C. Continued Eligibility For Plan XX Full and Part Time Employees

As long as you continue to work in Covered Employment, you will continue to be eligible for the above-described benefits under Plan XXX or Plan XL for a period of one calendar year from the date that your coverage begins. For example, if you first become covered on April 1, 2015, you will continue to be covered at least until March 31, 2016, provided you continue to work in Covered Employment.

After your first period of coverage ends, your eligibility for benefits under Plan XXX or Plan XL each calendar year will depend on whether you were entitled to payment for an average of at least 28 hours per week in Covered Employment 12-months ending October 14th of the prior year. For example, if your first coverage period ends on March 31, 2016, your eligibility for continued coverage beyond March 31, 2016 will depend on whether you were entitled to payment for an average of at least 28 hours per week during the period of October 15, 2014 – October 14, 2015. If you were entitled to payment for an average of at least 28 hours per week during this period, you will be eligible for benefits under Plan XXX until at least December 31, 2016. If you were entitled to payment for, on average, less than 28 hours per week during this period, you will be eligible for benefits under Plan XL until at least December 31, 2016.

Bill Jensen

From: Bill Jensen
Sent: Thursday, November 20, 2014 2:17 PM
To: 'Jason Paradis'; 'Mark Federici'
Cc: Barry S. Slevin (BSS@slevinhart.com); 'Burton, Harry W. (hburton@morganlewis.com)'; Sarah E. Sanchez (ses@slevinhart.com); Emily Novak; Colleen Murphy
Subject: FW: Associate Deductions 2015

Jason and Mark,

Please review Tim Kittredge's question below on the timing of the new salary deductions for Giant employees. I don't believe I have the authority to approve the request, so I am asking Chair and Secretary if a retro deduction process is acceptable for the Giant employees.

If acceptable, we could work with Ahold to ensure communication of the actual deduction dates, so that participants would know when to expect the start of deductions for their benefits.

Please advise regarding Tim's request.

As an aside, we had 9,250 responses so far, out of nearly 14,000 salary deduction forms sent. We are still receiving several hundred forms per week. I anticipate we will still receive forms well into December.

Thank you.

Bill

From: Timothy Kittredge [mailto:timothy.kittredge@aholdusa.com]
Sent: Thursday, November 20, 2014 1:47 PM
To: Bill Jensen
Subject: Associate Deductions 2015

Hello Bill,

My IM team is looking at a very challenging time line to test , revise, correct , move to production all the plans Ahold has to implement for 2015. I was wondering if we were to delay the 2015 associate deductions from first week in January to possibly as last as the first week in February or sometime in between. We could build associate arrears for time missed but they would not see their first 2015 h&w deduction until the delayed time frame. Thoughts?

Regards,
Tim
--
Timothy Kittredge
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Collectively Bargained Benefits
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October 27, 2014

Harry Burton, Esquire
Morgan, Lewis & Bockius, LLP
1111 Pennsylvania Avenue, N.W.
Washington, DC 20004

Barry Slevin, Esquire
Slevin & Hart, PC
1625 Massachusetts Avenue, N.W., Suite 450
Washington, DC 20036

Re: *FELRA Network Lease Matter*

Dear Messrs. Burton and Slevin:

I write with respect to the Network Lease Agreement between CareFirst and Food Employees Labor Relations Association (FELRA). CareFirst has enjoyed a very amicable relationship with FELRA and its TPA, Associated Administrators, LLC, and we look forward to providing FELRA with continued access to the CareFirst Provider Network for years to come. We will, however, need to ensure that Participating Providers in the CareFirst Provider Network are being paid the rates that they contracted to receive.

As you know, FELRA, through its TPA, appears to have engaged in a practice of reimbursing some services based on a usual, customary and reasonable (UCR) methodology, rather than paying the network providers their contracted rates. Contractually, this is a problem for CareFirst because our providers have only agreed to participate in our networks on specific financial terms. There is no term in our CareFirst provider agreements that would permit substitution of an alternate payment level, regardless of whether CareFirst or a third-party plan is making the payment.

Our network is set up this way by design. We negotiate the lowest rates with providers that we believe we can achieve, while maintaining the broadest network in our service area. In exchange for accepting the reduced rates, the providers receive the surety that they will be paid those rates, and they consider the volume of expected business through the CareFirst network when accepting the reduced rate. In setting and negotiating network rates, CareFirst does consider UCR charges, but we are frequently able to negotiate provider rates below the UCR level. We believe that our network discounts far exceed those that could be achieved using only a UCR methodology

This network design has been of significant benefit to FELRA. Our available data shows that FELRA realized the following savings:

2013- Network Lease (NCAS Solution for Claims in CareFirst Service Area) Provider Claims- FELRA

- Number of Claims: 158,254
- Billed Amount: $66,099,552
- Allowed Amount: $25,627,073
- Savings: $40,472,479
- Savings Percent: 61%

2013- Network Lease (NCAS Solution for Claims in CareFirst Service Area) Facility Claims- FELRA

- Number of Claims: 17,565
- Billed Amount: $70,254,901
- Allowed Amount: $44,290,949
- Savings: $25,963,952
- Savings Percent: 37%

2014 YTD (through 6/30/2014)- Network Lease (NCAS Solution for Claims in CareFirst Service Area) Provider Claims- FELRA

- Number of Claims: 78,355
- Billed Amount: $34,418,811
- Allowed Amount: $13,760,051
- Savings: $20,658,760
- Savings Percent: 60%

2014 YTD (through 6/30/2014)- Network Lease (NCAS Solution for Claims in CareFirst Service Area) Facility Claims- FELRA

- Number of Claims: 8,667
- Billed Amount: $41,663,295
- Allowed Amount: $27,142,168
- Savings: $14,521,127
- Savings Percent: 35%

Respectfully, FELRA will need to stop its TPA from making any further payments based on UCR pricing if the CareFirst Network is being utilized and must look at any necessary additional payments or claims adjustments required. Just as CareFirst has promised its Providers that they would receive their negotiated rate, the Network Lease Agreement between FELRA and CareFirst requires FELRA to pay those same Network rates. This is stated in Sections 2.3 and 3.2:

> *2.3 PROVIDER COMPENSATION. To the extent covered under Purchaser's Plan of benefits, Purchaser agrees to pay for all services of CareFirst network providers in accordance with the provider reimbursement rates then current as determined by CareFirst (hereinafter referred to as the "Allowed Benefit"). Payment by Purchaser of the Allowed Benefit shall constitute payment in full to a CareFirst Network Provider except that a CareFirst Network Provider shall have the right to collect from a Plan Participant any applicable co-payment, co-insurance, deductible or non-covered service. Purchaser agrees to pay directly to participating providers any benefits properly payable by the Plan. If the Purchaser fails to pay a Participating Provider directly and erroneously pays benefits directly to a Plan participant, the Purchaser shall immediately pay the Participating Provider and take any and all steps the Purchaser deems necessary to collect any of said erroneous payment from its participant. In the event a Provider participates in the networks of both GHMSI and CareFirst of Maryland, Inc., the Purchaser shall pay the highest reimbursement allowed for the services provided in accordance with the terms of CareFirst's participation agreements.*

Purchaser shall be solely liable for payment of all benefits provided to its participants and dependents under the Plan and CareFirst shall not be considered the insurer, guarantor or underwriter of any Plan liability.

CareFirst provides administrative services and network access only, and does not assume any financial risk or obligation with respect to claims. No network access is available from Blue Cross and Blue Shield Plans outside CareFirst's service area.

3.2 PAYMENT OF CLAIMS AND EXPENSES. Purchaser shall be responsible for payment of all provider claims that are determined by the Purchaser to be payable under the terms of the health benefits Plan. All of said claims to Providers participating with CareFirst shall be made under the terms and conditions and at such times and in such manner as may, from time to time, be specified by CareFirst in its then current Participating Provider Agreements and Provider Network Policies.

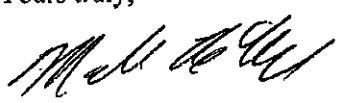
We understand that this issue was raised and discussed at the September Board Meeting for FELRA, and we discussed the issue with counsel for FELRA, Sarah Sanchez, and the President of Associated Administrators, LLC, William Jensen, on September 10, 2014. At this point, CareFirst needs a clear statement from FELRA that it will comply with the Network Rates negotiated by Providers in CareFirst's Network.

At the September 10th meeting, FELRA's counsel appeared to argue that the re-pricing of claims was acceptable, based on some language intended to apply to covered services. We believe that the language of Sections 2.3 and 3.2 is very clear. Equally important, however, please keep in mind that we must comply with our Provider Agreements, and we intend to do so. Thus, assuming FELRA were to insist upon its ability to re-price claims and to pay some rate other than CareFirst's Network Rate, we, unfortunately, would be forced to terminate the lease--either for breach or under the termination for convenience provision, with 90 days' notice. We do not have the option to remain in an arrangement whereby our providers are paid a different rate from that stated in our Network Contracts.

I am sure that neither party wants such a result. CareFirst has enjoyed a strong relationship with FELRA over the past several years and wishes to continue servicing FELRA members. We also believe that FELRA benefits greatly from our network pricing, and that their rates are lower in CareFirst's Network than they could achieve elsewhere. While we are confident that this matter can be resolved quickly, we are going to need assurance from FELRA on this point in order to continue providing FELRA with those substantial discounts.

We are happy to discuss this matter at your convenience, and I look forward to your prompt reply.

Yours truly,



Mark B. McCoy
Assistant General Counsel

cc: Sarah Sanchez, Esq.

AA LLC Associated Administrators, LLC

July 18, 2014

Trustees and Counsel:

- Associated Administrators, LLC uses a postage aggregator and check/EOB mailing organization called Emdeon, which is a Basys vendor.
- Basys owns the benefits software leased by Associated.
- Emdeon is Associated's vendor.
- Associated, under its contract with the FELRA and UFCW Health and Welfare Fund, pays the regular daily postage for medical claims checks and EOBs.
- Emdeon is offering Associated a Virtual Card Services Program whereby providers pay 1.7% of every medical claim transaction to Emdeon in return for electronic payment.
- The ability to pay a provider of service electronically is mandated by ACA.
- Associated pays about $61M a year to medical providers of service on behalf of FELRA and Associated incurs costs of about $157,813 per year to mail FELRA checks and EOBs through Emdeon.
- Emdeon indicates Associated's fees to Emdeon of about $157,813 per year (FELRA's portion) could be "zero'd out" plus ADDITIONAL revenue generated if Associated were to use this Virtual Card Services program.
- Emdeon indicates some TPAs have zero'd out their fees and accepted the additional revenue, others have zero'd out their fees and not accepted additional revenue, and others have indicated a conflict and have chosen not to participate in the program.
- Associated cannot accept the program unilaterally, as the fees we incur are as a result of our contract to provide administrative services to the Fund. However, Associated believes the potential revenue generation for the Fund and/or savings to Associated warrant review by the Trustees.
- Associated estimates that based on Emdeon's calculation, $150,000 would be revenue generated (FELRA's portion), in addition to "zeroing out" Associated's mailing costs of $157,813 (FELRA's portion).
- Associated intends to ask all six Health & Welfare Funds for which it acts as medical claims processor and uses Emdeon for claim checks and EOB aggregation and mailing if they wish to participate in this program.
- Emdeon requests Associated sign a Letter of Intent quickly in order to get into the queue for set-up.

Would the Fund:

(1) Share the revenue 50-50% with Associated, since the revenue is generated based on Fund administration but the costs as per contract are paid by Associated.
(2) Have no interest in this program?
(3) Wish to allocate "revenue" in some other fashion?

Thank you for your review of this program offered by Associated's vendor Emdeon.

Sincerely,

Laura L. Walsh, CEO
Associated Administrators, LLC

911 Ridgebrook Road, Sparks, MD 21152-9451 (410) 683-6500
4301 Garden City Drive, Suite 201, Landover, MD 20785-2210 (301) 459-3020

Food Employers Labor Relations Association
and United Food and Commercial Workers
Health and Welfare Fund

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December 11, 2014

Board of Trustees of the
FELRA and UFCW Health and Welfare Fund

Re: Medicare Deductible and Co-insurance Rates -2015

Ladies and Gentlemen:

The Centers for Medicare and Medicaid Services (CMS) published the changes to the Medicare Part A and B premiums, deductibles and co-insurance for 2015.

	2014	**2015**
Medicare Part B Deductible:	$ 147.00	$ 147.00
First-Day Part A Hospital Deductible:	$1,216.00	$1,260.00
Daily Part A Coinsurance for the 61st Through 90th Day of a Hospital Stay:	$ 304.00	$ 315.00
Daily Part A Coinsurance for Hospital Stays Longer than 90 Days	$ 608.00	$ 630.00
Daily Part A Coinsurance for the 21st Through 100th day in Skilled Nursing Facility	$ 152.00	$ 157.50

Please advise if we may process in accordance with the above listed rates.

Sincerely,

William R. Jensen
President
ASSOCIATED ADMINISTRATORS, LLC

WRJ:lmg

FELRA & UFCW Health and Welfare Fund
Maintenance of Benefits
January 1, 2015
Plan I - Full Time

Benefit	2014 Actual	2015 Projection	Change from 2014 Actual to 2015 Projection
Medical	$642.44	$693.83	8.0%
Medical Administration	9.69	9.98	3.0%
Mental Health	18.63	20.12	8.0%
Utilization Review	2.22	2.22	0.0%
EAP	0.54	0.54	0.0%
PPO	6.98	7.19	3.0%
Retirees*	1,527.37	1,784.00	17.0%
Disability	78.20	80.55	3.0%
Life/AD&D	2.68	2.68	0.0%
Dental	41.62	41.62	0.0%
Prescription Drug	215.44	228.37	6.0%
Optical	4.98	4.98	0.0%
Mental Health Admin	2.09	2.09	0.0%
Miscellaneous	7.67	7.90	3.0%
Disease Management	3.63	3.74	3.0%
Administration	10.43	10.74	3.0%
Total	**$2,574.61**	**$2,900.55**	**13.0%**

January 1, 2015 MOB	$2,901
Present Contribution (Effective January 1, 2014)	$2,927
Difference Between Present Contribution and Projected Contribution:	-0.90%

*Retiree cost component provided by Cheiron

FELRA & UFCW Health and Welfare Fund
Maintenance of Benefits
January 1, 2015
Plan I - Part Time

Benefit	2014 Actual	2015 Projection	Change from 2014 Actual to 2015 Projection
Medical	$654.16	$706.49	8.0%
Medical Administration	9.83	10.12	3.0%
Mental Health	14.98	16.18	8.0%
Utilization Review	2.29	2.29	0.0%
EAP	0.55	0.55	0.0%
PPO	6.55	6.75	3.0%
Retirees*	1,506.06	1,784.00	18.5%
Disability	37.84	38.98	3.0%
Life/AD&D	1.14	1.14	0.0%
Dental	37.49	37.49	0.0%
Prescription Drug	264.84	280.73	6.0%
Optical	4.88	4.88	0.0%
Mental Health Admin	2.12	2.12	0.0%
Miscellaneous	7.44	7.66	3.0%
Disease Management	3.09	3.18	3.0%
Administration	9.94	10.24	3.0%
Total	**$2,563.20**	**$2,912.80**	**13.6%**

January 1, 2015 MOB	$2,913
Present Contribution (Adopted January 1, 2014):	$2,726
Difference Between Present Contribution and Projected Contribution:	6.85%

*Retiree cost component provided by Cheiron

FELRA & UFCW Health and Welfare Fund
Maintenance of Benefits
January 1, 2015
Plan X - Full Time

Benefit	2014 Actual	2015 Projection	Change From 2014 Actual to 2015 Projection
Medical	$456.22	$492.72	8.0%
Medical Administration	10.84	11.17	3.0%
Mental Health	15.27	16.49	8.0%
Utilization Review	2.21	2.21	0.0%
EAP	0.60	0.60	0.0%
PPO	7.53	7.76	3.0%
Disability	70.27	72.38	3.0%
Life/AD&D	1.36	1.36	0.0%
Dental	47.27	47.27	0.0%
Prescription Drug	160.93	170.59	6.0%
Optical	4.77	4.77	0.0%
Mental Health Admin	2.33	2.33	0.0%
Miscellaneous	8.93	9.20	3.0%
Disease Management	3.98	4.10	3.0%
Administration	11.70	12.05	3.0%
Total	**$804.21**	**$855.00**	**6.0%**

January 1, 2015 MOB	$855
Present Contribution (Adopted January 1, 2014)	$853
Difference Between Present Contribution and Projected Contribution:	0.23%

FELRA & UFCW Health and Welfare Fund
Maintenance of Benefits
January 1, 2015
Plan X - Part Time
Individual Coverage

Benefit	2014 Actual	2015 Projection	Change from 2014 Actual to 2015 Projection
Medical	$261.62	$282.55	8.0%
Medical Administration	12.25	12.62	3.0%
Mental Health	6.85	7.40	8.0%
Utilization Review	2.45	2.45	0.0%
EAP	0.68	0.68	0.0%
PPO	7.93	8.17	3.0%
Disability	22.38	23.05	3.0%
Life/AD&D	0.95	0.95	0.0%
Dental	30.41	30.41	0.0%
Prescription Drug	85.17	90.28	6.0%
Optical	5.08	5.08	0.0%
Mental Health Admin	2.63	2.63	0.0%
Miscellaneous	10.29	10.60	3.0%
Disease Management	2.07	2.13	3.0%
Administration	13.13	13.52	3.0%
Total	**$463.89**	**$492.52**	**6.0%**

January 1, 2015 MOB	$493
Present Contribution (Adopted January 1, 2014)	$447
Difference Between Present Contribution and Projected Contribution:	10.18%

FELRA & UFCW Health and Welfare Fund
Maintenance of Benefits
January 1, 2015
Plan X - Part Time
Family Coverage

Benefit	2014 Actual	2015 Projection	Change From 2014 Actual to 2015 Projection
Medical	$680.29	$734.71	8.0%
Medical Administration	10.78	11.10	3.0%
Mental Health	15.82	17.09	8.0%
Utilization Review	2.38	2.38	0.0%
EAP	0.60	0.60	0.0%
PPO	7.24	7.46	3.0%
Disability	28.67	29.53	3.0%
Life/AD&D	0.89	0.89	0.0%
Dental	60.44	60.44	0.0%
Prescription Drug	218.38	231.48	6.0%
Optical	4.90	4.90	0.0%
Mental Health Admin	2.32	2.32	0.0%
Miscellaneous	8.96	9.23	3.0%
Disease Management	5.37	5.53	3.0%
Administration	11.91	12.27	3.0%
Total	**$1,058.95**	**$1,129.93**	**7%**

	Full Contribution Amount	Employer/Employee Share
January 1, 2015 MOB	$1,130	$904/226
Present Contribution (Effective January 1, 2014)	$1,068	854/214
Difference Between Present Contribution and Projected Contribution:		5.80%

FELRA & UFCW Health and Welfare Fund
Maintenance of Benefits
January 1, 2015
Plan XX - Full Time

Benefit	2014 Actual	2015 Projection	Change From 2014 Actual to 2015 Projection
Medical	$134.04	$144.76	8.0%
Medical Administration	7.32	7.54	3.0%
Mental Health	17.76	19.18	8.0%
Utilization Review	1.47	1.47	0.0%
PPO	4.92	5.07	3.0%
Disability	14.64	15.08	3.0%
Life/AD&D	0.63	0.63	0.0%
Dental	15.78	15.78	0.0%
Prescription Drug	36.28	38.46	6.0%
Optical	3.16	3.16	0.0%
Mental Health Admin	1.58	1.58	0.0%
Miscellaneous	7.66	7.89	3.0%
Disease Management	2.28	2.28	0.0%
Administration	9.74	10.03	3.0%
Total	**$257.26**	**$272.91**	**6.0%**

January 1, 2015 MOB	$273
Present Contribution (Effective January 1, 2014)	$485
Difference Between Present Contribution and Projected Contribution:	-43.73%

FELRA & UFCW Health and Welfare Fund
Maintenance of Benefits
January 1, 2015
Plan XX - Part Time

Benefit	2014 Actual	2015 Projection	Change From 2014 Actual to 2015 Projection
Medical	$50.13	$54.14	8.0%
Medical Administration	3.67	3.78	3.0%
Mental Health	2.51	2.71	8.0%
Utilization Review	0.74	0.74	0.0%
PPO	2.19	2.26	3.0%
Disability	1.95	2.01	3.0%
Life/AD&D	0.16	0.16	0.0%
Dental	4.69	4.69	0.0%
Prescription Drug	14.32	15.18	6.0%
Optical	1.33	1.33	0.0%
Mental Health Admin	0.80	0.80	0.0%
Miscellaneous	7.68	7.91	3.0%
Disease Management	0.67	0.69	3.0%
Administration	10.12	10.42	3.0%
Total	**$100.96**	**$106.82**	**6.0%**

January 1, 2015 MOB	$107
Present Contribution (Adopted January 1, 2014):	$150
Difference Between Present Contribution and Projected Contribution:	-28.79%

Segal Consulting

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MEMORANDUM

To: Board of Trustees
Food Employees Labor Relations Association ("FELRA") and the United Food and Commercial Workers ("UFCW") Health and Welfare Fund

From: Josh D. Timm
Mitch Bramstaedt

Date: September 15, 2014

Re: **FELRA and UFCW Health and Welfare Fund**
Dependent Eligibility Verification Audit Comparison of Proposals

Two industry leaders in the area of dependent eligibility verification audits provided fee quotations to the FELRA and UFCW Health and Welfare Fund; each provided a similar description of their qualifications and proposed services.

While total cost is an important consideration, there are several service variables that should be discussed to ensure the greatest return on the Fund's investment. Key differentials between HMS and Secova are listed below; a chart with further detail is attached for your reference.

- **Project Timeline** - HMS is 14.5 weeks compared to Secova's 21 weeks. Secova adds 17 calendar days to the planning phase and 32 during the closure to process late responses. It will be important to work with Associated Administrators in determining adjustments in the timeline to work through their receipt of the eligibility data file format and when production of the specific file requirements can be blended with their existing production schedules.
- **Eligibility Terminations** - Frequency of updates to the Fund will be addressed in the planning discussions; Segal recommends weekly communications to remove ineligible dependents in a timely manner. HMS prefers to provide a single update at project completion; Secova will update voluntary terminations through weekly file transfers.
- **Address Changes** - The process for handling returned mail and other data corrections requires discussion and confirmation during the planning discussion. Address corrections should be handled timely to ensure members receive notice of the verification process with ample time to respond prior to the project's close.
- **Fund Website Portal** - During the planning phase, it will be necessary to understand the report and ad-hoc capabilities to ensure eligibility files contain sufficient data for reports and information (i.e., local number, employer) to support the outreach to non-responders.

- **Fees** - Fees are based on the number of members with one or more enrollees and the total number of dependents to be verified. Both firms reserve the right to adjust their fees based on the numbers provided on the Fund's initial eligibility file. Both firms provide self-addressed postage paid return envelopes. HMS includes postage in their fee; Secova bills postage at cost but did not include the return envelopes in the fee projections (most of their clients opt for the self-addressed envelopes). Secova's optional contingency fee is based on disenrolled dependents.

- **Return on Investment** - While each firm reports ROI based on the number of dependents disenrolled, it is more important to distinguish which vendor provides the outreach efforts that will be most beneficial to the Fund's population. In the end, non-responders are disenrolled making it the Fund's goal to minimize the number of individual's that will have to be re-enrolled once they are denied coverage and provide the required documents.

- **New Enrollees** - Each firm has standard communications that will be customized for the Fund's content and style. Should the Trustees agree, it will be important for the Fund to collect the same verification documents for all newly added dependents.

New Enrollee Documentation

The Fund's rules currently require submission of marriage certificates, birth certificates, divorce decrees, and custody determinations as "up front" eligibility for new hires, and for newly enrolled dependents, if eligible. Implementation of the Dependent Eligibility Verification Audit will require "current" proof of status in the form of a redacted tax form or other statement authorized by the Board (i.e., current bank, mortgage, or rental statement).

Use of a specialty vendor for this verification process provides an experienced workforce available to address increased call volume, and expertise required to assist the member in researching required documents or acceptable substitutions. At the same time, the Board could incorporate the required proof documents in their new enrollee procedures to ensure consistency for all enrolled dependents and to minimize the frequency and/or need to employ specialty vendors for future updates (e.g., Associated Administrators could conduct periodic follow-ups).

COB Verification

The Fund established a bi-annual COB and dependent verification process that includes pending claims for non-response until the required information is received. Completion of the initial phase is approximately six months, followed by second or third requests if not returned. The standard verification forms can incorporate the request for this information.

Adding the collection of spousal employer and COB information to the dependent verification process results in a single member outreach, allowing the increase in call volume and document verification to be handled by the specialty firm. In addition, eligibility updates are more timely and will allow Associated Administrators to implement follow-up procedures that will allow for their update of verification documents on intervals that will not create a drain on their workforce (i.e., stagger mailings by alphabet over 3 or 4 months, request every 2 years as new claims are submitted to avoid inquiry for those who do not incur a health expense).

Secova will send the spousal employment and eligibility for benefits forms and capture responses at no additional cost; questions will be added to existing forms to avoid additional postage costs. HMS charges a $500 implementation fee plus $1 per returned form. These forms are not a requirement for completion of the dependent verification process.

* * * * *

I look forward to discussing these proposals in further detail and will coordinate any clarifications required to assist the Fund in their decision process. If interested, I am happy to arrange for an online presentation and further explanation of the vendor's process where questions of importance to the Fund's evaluation team can be discussed.

JDT:gg

cc: Bill Jensen, Associated Administrators, LLC
Mitch Bramstaedt, Segal

8040482v4/13827.006

FELRA AND UFCW HEALTH AND WELFARE FUND

SUMMARY OF DEPENDENT ELIGIBILITY VERIFICATION AUDIT PROPOSALS

	HMS	SECOVA
Project Manager Location	Jeffersonville, IN	Newport Beach, CA (NJ Call Center)
First DEVA Client	2004	1997
Fees Estimates: 6,776 members with dependents 11,382 dependents **Postage;** HMS includes Secova bills at cost	**$87,118** plus $6.74 per dependent over 11,382 Postage included; Teleconference planning meeting (sales rep may attend at no cost; project manager in-person may bill travel costs)	**$135,332** ($11.89 per dependent) Postage additional ($14,600 estimate); Includes travel for one in-person planning session **Contingency Fee:** $40,000 implementation, $250 per dropped dependent (maximum fee $200,000).
Proposed Guarantee ROI	4:1 (92 dropped dependents)	5:1 (5% fee at risk)
Timeline	**14.5 Weeks**	**21 Weeks**
Implementation/Planning Kick off session	30 calendar days Teleconference	47 calendar days In-person meeting
Verification	45 calendar days	43 calendar days
Reminder/Follow-Up Phone Outreach	Automated outbound	Live and automated; 2 minimum
Appeals/Closure	26 calendar days	47 days Grace Period 11 days Post Audit
Call Center Services	**Dedicated; bi-lingual**	**Dedicated; bi-lingual**
Days of Week	Monday-Friday	Monday-Friday
Hours	8am-11pm EST	8am-11pm EST; 24x7 additional cost ($42,455)
After Hours	IVR	IVR and Voice Mail
Call Recording	Yes	Yes; can share individual records
Document Retention	**Image/Hard Copy**	**Image/Hard Copy**
Hard copy destruction	6 months	6 months
Employer Copies	Electronic	Electronic
Eligibility Updates		
Frequency (both employer web portals update real-time)	Prefer to communicate list at end of project.	Voluntary terms provided as defined by client; Involuntary list at end of project.
Account Management		
Implementation Meeting	Teleconference	In-person team
Status reports	Each project phase	Weekly
Teleconference	As agreed	Weekly
Client web portal (real time)	Standard and ad-hoc	Standard and ad-hoc
Miscellaneous	Addresses checked against National Change of Address Registry	Expanded Performance Guarantees include 10% fee at risk

8040482V4/13827.006

HERITAGE RX

Pharmacy Benefit Management
Request for Proposal: *Final Results*

September 29, 2014

Submitted on behalf of:

FELRA and UFCW Health and Welfare Fund

HERITAGE RX

Agenda

- Request for Best & Final Offers
- Technical Results
- Financial Results
- Recommendations
- Appendix

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HERITAGE RX

Requests for Best & Final Offers

- Express Scripts, Envision, Safeway Health, OptumRx and Catamaran received requests for Best & Final Offers (BAFOs)
- BAFO results were modeled for Express Scripts, Envision, & Safeway Health, based on the Bidder's Total Score and relative ranking in the RFP evaluation phase.
- BAFO *requests* were customized to the Bidder, including suggestions for strategic pricing improvements, plus:
  - Express Scripts: remove caveats which erode value of guarantees; establish a guaranteed floor & ceiling on generic pricing; improve specialty discounts; guarantee specialty rebates.
  - Envision: dollar for dollar guarantees on discounts, rebates & fees; annual performance guarantee reconciliation; add an implementation performance guarantee; agree to the market check.
  - Safeway Health: Add an implementation guarantee and annual savings guarantees (backed dollar for dollar); submit contract provisions allowing term without penalty/claw back, program portability and adjusted limits of liability.

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HERITAGE RX

Best & Final Offer

Technical & Financial Results

	BAFO REQUEST	FINAL DISPOSITION
EXPRESS SCRIPTS	REMOVE OVERLY BROAD CATEGORIZATION OF DISCOUNT GUARANTEES & REBATES AS REMOVE EXCLUSIONS; GUARANTEE EXCLUSIONS; FORMULARY EXCLUSIONS	AGREED – DISCOUNT GUARANTEES; DISAGREED – REBATES; REMOVED FORMULARY EXCLUSIONS
	FLOOR & CEILING ON MAC WITH SEMI-ANNUAL RECONCILIATION	NOT PROVIDED
	MODEL THE CLIENT'S ANNUALIZED GROSS DRUG SPEND USING THE HIGH PERFORMANCE FORMULARY & THE NATIONAL PREFERRED FORMULARY BEFORE THE EFFECTS OF REBATES	NOT PROVIDED
	PROVIDE A QUOTE FOR DEIGN OF A THERAPEUTIC MAC PROGRAM (ALTERNATIVE TO REFERENCE BASE PRICING), TARGETING THERAPY CLASSES WITH MULTIPLE THERAPEUTIC AND CHEMICAL EQUIVALENTS APPROVED AS TREATMENT OPTIONS.	NOT PROVIDED
	BAFO REQUEST	**FINAL DISPOSITION**
ENVISION RX	DISCOUNT, REBATE GUARANTEES ($ FOR $) – ANNUAL	NOT PROVIDED
	GUARANTEE ANNUAL RETAIL PHARMACY EFF. NEGOTIATIONS	NOT PROVIDED
	MARKET CHECK – MID TERM	NOT PROVIDED
	IMPLEMENTATION PERFORMANCE GUARANTEE	$100,000
	INCREASE IMPLEMENTATION CREDITS	NOT PROVIDED
	BAFO REQUEST	**FINAL DISPOSITOIN**
SAFEWAY HEALTH	IMPLEMENTATION PERFORMANCE GUARANTEE	PERCENT OF ADMIN FEES AT RISK – SEE APPENDIX
	ANNUAL SAVINGS GUARANTEE ($ FOR $)	100% OF ADMIN FEES AT RISK 2015 ($307,256); GUARANTEES NOT PROVIDED FOR 2016-2017
	TERM WITHOUT PENALTY; LIMITS OF LIABILITY; PROGRAM PORTABILITY CONTRACT PROVISIONS	DRAFT LANGUAGE PROVIDED - SEE APPENDIX

HERITAGE RX

Best & Final Offer

Technical Results

PERFORMANCE GUARANTEE REQUEST – SAFEWAY HEALTH		
REQUEST	IMPLEMENTATION PERFORMANCE GUARANTEE	ONE-TIME GUARANTEE - TRACK AND REPORT 5 KEY MEASURES OF IMPLEMENTATION SUCCESS: 1. TIMELINESS OF IMPLEMENTATION (KEY MILESTONES MET) 2. ACCURACY OF PROGRAM SET UP (INCLUDE TESTING TO VALIDATE PROGRAM SET UP ACCURACY) 3. TIMELINESS, ACCURACY OF MEMBER COMMUNICATION 4. MEMBER SATISFACTION – SURVEY INSTRUMENT TO BE MUTUALLY DEVELOPED 5. CLIENT SATISFACTION – SURVEY INSTRUMENT TO BE MUTUALLY DEVELOPED
FINAL DISPOSITION	AT-RISK FEES: 15% OF YR 1 ADMIN FEES, OR $45,385	PERCENT OF TOTAL 2% - TIMELINESS OF KEY MILESTONES 2% - ACCURACY OF PROGRAM SET UP 2% - TIMELINESS, ACCURACY OF MEMBER COMMUNICATIONS 4.5% - MEMBER SATISFACTION 4.5% - CLIENT SATISFACTION
REQUEST	ANNUAL SAVINGS GUARANTEE	SAVINGS TRACKED, MEASURED ANNUALLY; PROJECTED SAVINGS ARE GUARANTEED DOLLAR FOR DOLLAR FOR PERFORMANCE; ANNUAL RECONCILIATION 60 DAYS POST YEAR END; PAYMENT 90 DAYS POST YEAR END.
FINAL DISPOSITION	100% OF ANNUAL ADMIN FEES AT RISK FOR 10% OF SAVINGS (~305,000)	YEAR 1 - $305,000 YEAR 2 – N/A – REQUIRES NEW ANALYSIS TO ADJUST FOR NEW PRICING, MARKET BASKET OF DRUGS YEAR 3 – N/A – REQUIRES NEW ANALYSIS TO ADJUST FOR NEW PRICING, MARKET BASKET OF DRUGS
REQUEST	CONTRACT PROVISIONS – TERM WITHOUT PENALTY, PORTABILITY, LIMITS OF LIABILITY, ASSIGNMENT	SEE APPENDIX

HERITAGE RX

BAFO – Financial Results

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HERITAGE RX

Financial Modeling Notes

- AWP and Brand/Generic classification solely provided by MediSpan
- Specialty drug lists differed by PBMs; ESI's specialty list is significantly more broad compared to Envision. Medications not available through Envision Specialty assumed to be dispensed at retail and through subcontracted specialty pharmacy partners.
- Financial models were updated using annualized January-April 2014 data[1]. ESI's 2013 and 2014 unaudited paid claims detail, compared to FELRA's KPI Report, published by ESI and covering the same time periods, shows anomalies in 2013 paid claims data.
- A weighted average was used to model participating/nonparticipating pharmacy rates.
- No changes in plan design, enrollment during the measurement period.
- 'Current' pricing reflects 2014 contracted rates.
  - Current rebates are 90% share of total rebates; Future State - Bidders provided flat dollar rebates.
  - Current rebates were modeled using ESI unaudited reports of 2013 performance, trended to 2015-2017 using 15%, 10%, 10% respectively. Future rebates using current contract terms (90% of total rebates) were estimated based on changes from current to future contract definitions.
- Reference Base Pricing – Safeway Health
  - ESI Assumptions: $2.00/Rx incremental claim administration fee and 30% rebate reduction
  - Envision Assumptions: Rebate reduction commensurate with quote; $1.50 PEPM Admin Fee
  - Safeway Administration Fee: $1.50 PEPM; expected annual savings estimated at 10% of then-current drug costs (net of rebate and PBM administration fees).

[1]Source: ESI Unaudited Paid Claims Data 1/1/2013 – 3/31/2014

- Cost (savings) projections for 2015-2017 are based on unaudited claims data provided by ESI. Program costs projected by vendor(s) are subject to unforeseen events or changes that may impact future savings.

HERITAGE RX

Financial Review

Illustrative 3-Year Savings (2015-2017)

	Current	ESI BAFO	ESI BAFO with Safeway	Envision BAFO	Envision BAFO with Safeway
Retail	$58,676,230	$52,468,531	$52,468,531	$61,448,168	$61,448,168
Retail 90	$40,895,325	$35,498,384	$35,498,384	$34,971,146	$34,971,146
Specialty	$32,870,050	$32,288,279	$32,288,279	$22,536,435	$22,536,435
Administrative Fees	$0	$0	$3,142,156	$2,058,552	$2,987,460
Rebates	-$9,460,021	-$15,971,347	-$11,675,341	-$7,548,023	-$5,609,633
Reference Based Pricing Savings	$0	$0	-$11,172,200.97	$0	-$11,633,358
Early Renewal Savings	$0	-$1,343,342	-$1,343,342	$0	$0
Total	$122,981,584	$102,940,505	$99,206,467	$113,466,278	$104,700,218
Total Savings ($)		**$20,041,079**	**$23,775,117**	**$9,515,306**	**$18,281,366**
Total Savings (%)		**16.30%**	**19.3%**	**7.7%**	**14.9%**

HERITAGE RX

Financial Review

Illustrative Year 1 Savings (2015)

	Current	ESI BAFO	ESI BAFO with Safeway	Envision BAFO	Envision BAFO with Safeway
Retail	$18,796,091	$16,885,419	$16,885,419	$19,782,064	$19,782,064
Retail 90	$12,862,710	$11,210,531	$11,210,531	$11,052,748	$11,052,748
Specialty	$9,323,017	$9,158,008	$9,158,008	$6,420,952	$6,420,952
Administrative Fees	$0	$0	$1,039,112	$669,029	$978,665
Rebates	-$2,941,425	-$4,827,667	-$3,518,268	-$2,287,624	-$1,757,946
Reference Based Pricing Savings	$0	$0	-$3,477,480.09	$0	-$3,647,648
Early Renewal Savings	$0	-$1,343,342	-$1,343,342	$0	$0
Total	$38,040,392	$31,082,948	$29,953,979	$35,637,169	$32,828,835
Total Savings ($)	-	**$6,957,444**	**$8,086,413**	**$2,403,223**	**$5,211,557**
Total Savings (%)	-	**18.3%**	**21.3%**	**6.3%**	**13.7%**

HERITAGE RX

Financial Review

Illustrative Year 2 Savings (2016)

	Current	ESI BAFO	ESI BAFO with Safeway	Envision BAFO	Envision BAFO with Safeway
Retail	$19,575,238	$17,510,095	$17,510,095	$20,511,056	$20,511,056
Retail 90	$13,620,441	$11,824,406	$11,824,406	$11,645,983	$11,645,983
Specialty	$10,871,736	$10,679,316	$10,679,316	$7,478,726	$7,478,726
Administrative Fees	$0	$0	$1,047,512	$686,184	$995,820
Rebates	-$3,158,228	-$5,407,123	-$3,951,365	-$2,654,909	-$1,848,567
Reference Based Pricing Savings	$0	$0	-$3,710,996.33	$0	-$3,878,302
Early Renewal Savings	$0	$0	$0	$0	$0
Total	$40,909,187	$34,606,694	$33,398,967	$37,667,041	$34,904,716
Total Savings ($)	-	**$6,302,493**	**$7,510,220**	**$3,242,147**	**$6,004,471**
Total Savings (%)	-	**15.41%**	**18.36%**	**7.93%**	**14.68%**

HERITAGE RX

Financial Review

Illustrative Year 3 Savings (2017)

	Current	ESI BAFO	ESI BAFO with Safeway	Envision BAFO	Envision BAFO with Safeway
Retail	$20,304,901	$18,073,018	$18,073,018	$21,155,048	$21,155,048
Retail 90	$14,412,174	$12,463,447	$12,463,447	$12,272,415	$12,272,415
Specialty	$12,675,297	$12,450,956	$12,450,956	$8,636,757	$8,636,757
Administrative Fees	$0	$0	$1,055,533	$703,339	$1,012,975
Rebates	-$3,360,368	-$5,736,557	-$4,205,707	-$2,605,490	-$2,003,120
Reference Based Pricing Savings	$0	$0	-$3,983,724.55	$0	-$4,107,407
Early Renewal Savings	$0	$0	$0	$0	$0
Total	$44,032,004	$37,250,863	$35,853,521	$40,162,068	$36,966,667
Total Savings ($)	-	**$6,781,142**	**$8,178,484**	**$3,869,937**	**$7,065,337**
Total Savings (%)	-	**15.4%**	**18.6%**	**8.8%**	**16.0%**

HERITAGE RX

Financial Modeling

Pricing & Rebates

Participating Pharmacies

	Current ESI	ESI Post-BAFO			Envision Post-BAFO		
Channel/Source	Discounts	*2015*	*2016*	*2017*	*2015*	*2016*	*2017*
Retail Brand 30	17.50%	17.50%	17.50%	17.50%	16.60%	16.70%	16.80%
Retail Generic 30	71.00%	79.50%	79.75%	80.00%	76.50%	76.70%	76.90%
Retail Brand 90	17.50%	18.50%	18.50%	18.50%	22.20%	22.30%	22.40%
Retail Generic 90	71.00%	79.50%	79.75%	80.00%	81.00%	81.30%	81.50%
Specialty Pharmacy	15.25%	16.75%	16.75%	16.75%	15.50%	15.60%	15.70%
Dispensing Fee							
Retail Brand 30	$0.75	$0.95	$0.70	$0.70	$0.90	$0.90	$0.85
Retail Generic 30	$0.75	$0.95	$0.70	$0.70	$0.95	$0.95	$0.90
Retail Brand 90	$0.75	$1.10	$0.90	$0.90	$0.00	$0.00	$0.00
Retail Generic 90	$0.75	$1.10	$0.90	$0.90	$0.00	$0.00	$0.00
Specialty Pharmacy	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Administration Fee							
Per Rx Admin Fee	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
PMPM Admin Fee	$0.00	$0.00	$0.00	$0.00	$1.95	$2.00	$2.05
Open Formulary							
Retail Brand 30	$49.34	$55.00	$62.70	$66.20	$26.00	$29.50	$31.00
Retail Brand 90	$49.34	$125.00	$142.50	$155.00	$64.00	$81.50	$77.50
Specialty Pharmacy	$49.34	$125.00	$142.50	$155.00	$82.00	$87.50	$93.00

HERITAGE RX

Recommendations

Make a provisional award of the 2015-2017 business to Express Scripts, contingent upon the following:

- The 2015-2017 contract must be fully executed on or before November 1, 2014.
- ESI's agreement to submit a proposed Reference Drug Price program or Therapeutic MAC program by September 1, 2015 to achieve targeted savings of 8% or more annually through changes in drug mix. Failure to meet the requirement is cause for termination, without penalty or claw back.
- Agreement to reconcile discount guarantees on a semi-annual basis (penalty paid at year end, unless Brand Discounts fall below AWP-16.25 or Generic Discounts fall below AWP-77% for Retail 30 at mid-year).13

HERITAGE RX

Appendix

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HERITAGE RX

Contract Terms – Safeway Health

REQUEST: TERMINATION WITHOUT CAUSE, PENALTY OR CLAW BACK, FOLLOWING 1 FULL YEAR OF THE AGREEMENT AND WITH 120 DAYS' NOTICE FROM THE FUND.

RESPONSE: Client may terminate the Agreement for any or no reason upon ninety (90) days prior written notice to Safeway Health.

Termination for Cause. Either party may terminate the Agreement at any time upon thirty (30) days prior written notice to the other party if (i) the other party commits a material breach that remains uncured during the notice period or (ii) following a good faith effort on the part of both parties, the parties fail to reach a mutual written agreement upon an initial set of Agreed Recommendations within one hundred eighty (180) days following the Effective Date.

Effect of Termination. The following provisions apply if this Agreement is terminated: (a) except as set forth below, any payment amounts owed to Safeway Health for Services rendered in conformance with the terms of this Agreement up to the effective date of termination will be due and payable (with the PEPM fees being prorated based on the effective date of termination); (b) license rights granted to Safeway Health will terminate coincident with the effective date of termination.

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REQUEST: TERMINATION RIGHTS OF THE FUND, RELATIVE TO CONTINUITY OF THE THEN-CURRENT REFERENCE PRICING PROGRAM. PLEASE BE SPECIFIC REGARDING THE PROGRAM COMPONENTS WHICH ARE THE PROPERTY OF THE FUND AND AS SUCH, CAN BE MAINTAINED BY THE FUND, AT THEIR DISCRETION, UPON TERMINATION OF THE AGREEMENT.

RESPONSE: Client will retain ownership of all Client Data stored or retrieved in connection with performance of services under this Agreement, which data will be subject to the confidentiality provisions described in this Agreement. Client hereby grants to Safeway Health and Subcontractor a nonexclusive license to copy and store Client Data transmitted to Safeway Health or Subcontractor on their servers or other equipment solely for the purpose of providing services and research and analysis on Client's behalf in accordance with this Agreement. In addition to Safeway Health's obligations under Section 5.5 below, upon the request of Client, Safeway Health shall return to Client (or destroy at Client's option) all Client Data and other confidential Information of Client in the possession of or under the control of Safeway Health and/or Subcontractor. If return or destruction of data is not feasible, then Safeway Health shall continue to treat such retained data as Client's confidential information.
Please Note: This section requires further review from Safeway Health legal Counsel.

HERITAGE RX

Contract Terms – Safeway Health

REQUEST: TERMS AND CONDITIONS PERTAINING TO CHANGE IN OWNERSHIP, ASSIGNMENT OF THE CONTRACT

RESPONSE: All notices required by this Agreement must be in writing and will be deemed given (a) immediately if provided via hand delivery; (b) two (2) days after remittance to Federal Express (or similar express carrier); or (c) five (5) days after deposit in the United States mail, and in the case of (b) and (c) postage prepaid, return receipt requested, addressed to the other party at the address below its signature on this Agreement or at such other address as the party may designate in writing. No assignment, delegation or transfer of the rights and obligations hereunder will be valid without the written consent, not to be unreasonably withheld, of the other party, provided that Safeway Health will have the right to assign this Agreement to an entity that acquires substantially all of the assets of Safeway Health through merger, consolidation or purchase of assets. Except for the Mutual Nondisclosure Agreement, the Business Associate Agreement or any other item referenced herein, this Agreement represents the entire agreement of the parties with respect to the subject hereof and supersedes any previous agreements between the parties relating to the same subject matter. This Agreement may be amended only by a written instrument signed by the parties. Client and its affiliates may have entered into credit, end user and equipment lease agreements with regard to other products and services offered by Safeway Health. Nothing in this Agreement will be construed as modifying, supplementing or offsetting any consideration given by any party in such other agreements.

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REQUEST: REVISIONS TO LIMITS OF LIABILITY

RESPONSE: LIMITATION OF LIABILITY. SAFEWAY HEALTH DISCLAIMS LIABILITY FOR ANY IMPROPER OR INCORRECT USE BY CLIENT OF THE INFORMATION AND SERVICES PROVIDED BY SAFEWAY HEALTH. IN NO EVENT WILL EITHER PARTY OR ITS AGENTS BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES, OR DAMAGES FOR LOSS OF PROFITS OR REVENUE, INCURRED BY THE OTHER PARTY, WHETHER IN AN ACTION UNDER STATUTE, IN CONTRACT OR TORT, EVEN IF SUCH PARTY OR ITS AGENTS HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE AGGREGATE LIABILITY OF EITHER PARTY AND ITS AGENTS TO THE OTHER PARTY FOR DAMAGES ARISING FROM OR RELATED TO THIS AGREEMENT WILL IN NO EVENT EXCEED THE AMOUNT OF FEES PAID BY CLIENT UNDER THIS AGREEMENT FOR THE TWELVE (12)-MONTH PERIOD IMMEDIATELY PRECEDING THE INITIAL CLAIM GIVING RISE TO LIABILITY. THE LIABILITY FOR ANY CLAIM ARISING PRIOR TO THE EXPIRATION OF THE INITIAL TWELVE (12)-MONTH PERIOD OF THE TERM OF THIS AGREEMENT SHALL BE CAPPED AT TWELVE (12) TIMES THE AVERAGE FEES PAID BY CLIENT TO SAFEWAY HEALTH PER MONTH IN THE MONTHS PRECEDING THE INITIAL CLAIM.

AKMAN & ASSOCIATES, P.C.

LAW OFFICES

Bryan J. Akman (1956-2011)

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Jared M. Akman - MD

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July 10, 2014

REPLY TO LUTHERVILLE

Board of Trustees of the UFCW Unions and Contributing Employers Legal Benefits Fund:

Attached is the detailed Schedule of Benefits included in the Legal Plan provided for the members of UFCW Local 27 and Local 400. As a result of the adjusted contribution rate for new hires, the schedule of benefits under the legal plan has been revised and updated.

In determining how to alter the benefit schedule following the rate change, it was of the utmost importance that the members of UFCW Local 27 and Local 400 continued to receive not only top notch Legal services, but also the most important coverage.

The updated Legal Plan includes, but is certainly not limited to, the following benefits:

- Unlimited phone consultations at the onset of any legal matter.
- Representation in Consumer matters, including the filing of Chapter 7 and 13 bankruptcies, medical insurance claims, garnishment actions, and collecting/defending a debt action.
- Representation in Criminal matters, including participant and dependent misdemeanor criminal charges as well as juvenile participant and dependent criminal charges.
- Representation in Traffic matters, including driving under the influence and driving while intoxicated, motor vehicle suspensions, and any other incarcerable traffic offense.
- Representation in Family Law matters, including contested and uncontested divorce, adoption, child support, custody, visitation, preparation of separation agreements, guardianship, name change, and paternity actions.
- Representation in all Personal Injury matters at a reduced contingent fee.
- Representation in Real Estate matters, including landlord/tenant consultations, landlord/tenant negotiations, contract formation, and the review of real estate documents.
- Representation in Probate matters and the Administration of Estates.
- Preparation of Wills and other legal documents, including Powers of Attorney, Advance Medical Directives, and assisting in contested Will litigation.

Many of the benefits listed above are ones that the UFCW members use very frequently. They are also benefits that the members have expressed are vital in order to properly protect themselves and their families under the laws in the surrounding areas.

BRANCH OFFICES:

WASHINGTON, D.C. • MARYLAND • PENNSYLVANIA • MASSACHUSETTS
Bel Air, Annapolis, Frederick | Greensburg, Johnstown | Boston, Springfield

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akmanpc.com

AKMAN & ASSOCIATES, P.C.

LAW OFFICES

In order to adjust for the new contribution rate, "free" covered hours in Family Law cases have been reduced from 7 hours to 5 hours. In addition, a cap of 10 "free" covered hours has been placed on all Criminal and Traffic matters. It is important to note that the overwhelming majority of Criminal and Traffic matters are completed in less than 10 hours. Should the covered hour caps be reached, the members will pay an hourly rate of $80 per hour, up from $50 per hour, a rate that has never been increased previously. This rate, which most of the time will not be necessary, is extremely low, as the average attorney rate today is over $250 per hour. These fee arrangements have allowed us to continue to limit upfront fee charges, which have always been avoided at all costs.

The legal benefit structure was altered to reflect the contribution rate change with the only goal being to continue to provide the members of UFCW Local 27 and 400 with the excellence and satisfaction in the legal field that has been provided over the last 30 years of service. The structure summarized above and detailed on the following pages allows Akman & Associates, P.C. and Robert A. Ades and Associates, P.C. to continue to provide the most vital legal benefits that the UFCW members rely on in their daily lives.

If you have any questions please do not hesitate to contact me. It continues to be my pleasure to work with the members of the UFCW, as well as the Board of Trustees of the UFCW Unions and Contributing Employers Legal Benefits Fund.

Sincerely,

Matthew J. Akman, ESQ
President
Akman & Associates, P.C.
1402 Front Ave.
Lutherville, MD 21093
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Cellular: 410-375-9093
makman@akmanpc.com

UFCW UNIONS AND CONTRIBUTING EMPLOYERS LEGAL BENEFITS PLAN

SCHEDULE OF BENEFITS

The following benefits are available to all participants and to dependents when eligible.

General

1. 24 Hour Telephone Numbers Available in the event of an emergency so you can contact a provider.
2. Legal Consultations, All Areas An unlimited number.
3. Legal Document Review Unlimited consultations for the purpose of reviewing and revising legal documents not incident to litigation
4. Notary Service Unlimited use of a notary public designated by a provider.
5. Preparation of Simple Legal Documents Preparation of an unlimited number of simple legal documents not incident to litigation, including power of attorney, bills of sale, affida¬vits, other simple documents.

NOTE: ALL RECORDATION FEES AND COURT COSTS ARE YOUR RESPONSIBILITY.

Consumer

1. Bankruptcy - Representation for purposes of filing a personal bankruptcy petition regardless of assets as a Chapter 7 Bankruptcy filing.
2. Wage Earners' Plans - Representation should you have to file a Wage Earners' Plan pursuant to the Bankruptcy Code as a Chapter 13 Bankruptcy.
    a. Bankruptcy's filed jointly by Husband and Wife, in which a spouse is a dependent, will be charged a fee of $250.
3. Excessive Interest and Late Charges - Representation.
4. Medical Insurance Claims not involving the employer, union, or FELRA & UFCW Health and Welfare Fund.
5. Garnishment Actions - Representation in a garnishment proceeding.
6. Personal Property Repossessions - Representation.
7. Enforcement of Warranties - Representation.
8. Consumer Rights/Problems with Credit Ratings - Representation.
9. Collecting/Defending an Action on a Debt - Representation in an action for or against you.

Court appearances are limited to matters in which the controversy exceeds $1200

Criminal

1. Juvenile Participant or Dependent - Representation for any charge lodged in juvenile court against you or your eligible dependent.
2. Adult Participant or Dependent Accused of Misdemeanor - Representation in connection with any misdemeanor charge brought against you or your eligible dependent.
3. Adult Participant or Dependent Accused of a Felony – Representation by Akman and Associates, P.C. at a flat fee quoted in advance, or by Robert A. Ades and Associates, P.C. at a fixed rate of $1,500.

*** In cases of Criminal Law matters, members are eligible for 10 hours of legal representation. The majority of these matters will be completed in less than 10 hours. In the instances in which the matter is in excess of the 10 hour maximum covered under the Schedule of Benefits, you are eligible for representation by Akman and Associates, P.C., or by Robert A. Ades and Associates, P.C. at an hourly rate of $80.*

Family Law

1. Uncontested Divorce or Annulment - Representation.
2. Contested Divorce or Annulment (maximum 5 hours attorney's time) - Representation.
3. Uncontested Adoption - Representation.
4. Contested adoption (maximum 5 hours attorney's time) - Representation.
5. Plaintiff/Defendant in a Support Action - Representation in the prosecution or defense of an action to collect, increase, or decrease support and maintenance for you or your minor children.
6. Plaintiff/Defendant in a Custody/Visitation Action (maximum 5 hours attorney's time) - Representation when you are the plaintiff or defendant in an action for custody of your minor children and/or visitation rights.
7. Guardianship - Representation for you if you are the petitioner in a guardianship proceeding.
8. Ante Nuptial/Post Nuptial/Property Settlement Agreements - Representation relating to the negotiations, preparations, execution, or any other matters related to an ante nuptial, post nuptial, or property settlement agreement, including preparation of a Qualified Domestic Relations Order ("QDRO").
9. Name Change - Representation when you seek to have your name legally changed by a court of competent jurisdiction.
10. Paternity - Representation in action to establish paternity of a minor child.
11. Birth Certificate - Services and representation when necessary to establish a birth certificate or to obtain any information on, move for any changes to, or establish the existence of, a birth certificate.
12. Child Neglect - Representation.

*** In cases of Family Law matters in excess of the 5 hour maximum covered under the Schedule of Benefits, you are eligible for representation by Akman and Associates, P.C. or by Robert A. Ades and Associates, P.C. at an hourly rate of $80.*

*** All Family Law benefits listed above are limited in coverage to UFCW members and exclude dependents. This is largely to avoid any conflicts of interest. In situations where there is no conflict, or a member chooses to waive any claim to a conflict, dependents will be able to utilize the services of Akman and Associates, P.C. or Robert A. Ades and Associates, P.C. at a reduced hourly rate.*

Real Estate/Landlord-Tenant (For Primary Residence Only)

1. Landlord Tenant, Consultation - Consulting services concerning any landlord/tenant dispute incident to the rental of your personal dwelling. Consultation includes a review of the lease/agreement.
2. Landlord Tenant, Negotiations - Representation with respect to the negotiations with a landlord or his agent regarding any landlord/tenant dispute with respect to your personal residence, including lease negotiations or rent increases.
3. Landlord Tenant, Rental Accommodations (D.C. only) - Representation when you are sued for possession of a rental unit dwelling and/or the violation of any lease provisions. Representation regarding an increase in rent before the local rental accommodations commission or anyone with jurisdiction over rental increases.
4. Real Estate Settlements, Seller - Representation incident to the sale of residential real property by you.
5. Post Settlement Breach of Warranty - Representation regarding any claim you may have against the seller of real property for a breach of warranty after you purchase your residence.
6. Violation of Property Owner's Covenants - Representation when you are charged with violating any by laws, covenants, or agreements incident to the ownership of your residence.
7. Zoning Violations - Representation in any zoning violation charges brought against you with respect to your residence by a local, federal, or state jurisdiction.
8. Negotiation of a Contract for Purchase or Sale of Residence (including condominium).

Wills

1. Preparation of Simple Wills.
2. Preparation of Codicil to Wills.
3. Preparation of Power of Attorney
4. Preparation of Advance Medical Directive
5. Consultation Regarding Estate Planning.
6. Contested Will Litigation - Representation in a contested will action, but only in the court of original jurisdiction for such matters (i.e., no appeals to higher courts).
7. Complex Will - Complex wills include a will with trust, provision for a charitable bequest, creation of life estates, insurance trusts, or other complex provisions.

Probate And Administration Of Estates

1. Conservatorship - Representation when you file an application to establish a conservatorship for a relative.
2. Assistance in the Administration of Estate (less than statutory amount) - Assistance and representation with respect to your appointment as personal representative of an estate for which no formal probate proceedings are required.
3. Probate of an Estate - Representation with respect to the probating of an estate when you are named the personal representative of the estate or when, because of your relationship to the deceased, you are eligible to act as the personal representative of the estate of the deceased who dies without a will. The provider will be entitled to a fee from the estate not to exceed 75% of the prevailing attorney's fee charged for similar matters in the jurisdiction where the estate is probated.

Motor Vehicle Violations

1. Driving While Intoxicated, Court Appearance - Representation is limited to court proceedings and includes administrative hearings incident to the charges.
2. Operating a Motor Vehicle after Suspension or Revocation of Driving Privileges - Representation.
3. Leaving the Scene after a Collision - Representation.
4. Fleeing and Eluding a Police Officer - Representation.

*** In cases of Motor Vehicle Violation matters, members are eligible for 10 hours of legal representation. The majority of these matters will be completed in less than 10 hours. In the instances in which the matter is in excess of the 10 hour maximum covered under the Schedule of Benefits, you are eligible for representation by Akman and Associates, P.C., or by Robert A. Ades and Associates, P.C. at an hourly rate of $80.*

Personal Injury And Property Damage

1. Preparation and Assistance in the Filing of Insurance Claims with Your Automobile Company.
2. Contingency Fee Cases, Plaintiff (Participant and Dependent) - Representation in legal matters for which counsel is normally compensated on the basis of a contingency fee. The provider will charge a maximum of 28% of any recovery obtained by you through settlement prior to filing suit in a matter. If a suit is filed, the provider will charge a maximum of 33⅓% of any recovery obtained through settlement or the result of a trial. If there is no recovery on your claim, the provider will charge no legal fees.
3. Defense of Liability Actions - Representation if there is no third party insurance coverage.
4. Defense of Personal Injury and Property Damage Cases - Representation in defense of any action involving personal injury or property damage in excess of $1200 in damages. No representation will be provided in actions for which you have third party insurance coverage.

WHAT IS NOT COVERED

Legal representation will not be provided for the following matters:

1. Those pertaining to your trade or business.
2. Those pertaining to the management, conservation, or preservation of property held by you for the production of income.
3. Those pertaining to the production or collection of income by you.
4. Real estate matters other than those related to your personal residence.
5. Participation in class action or as amicus curiae except if the provider determines that services under the Fund are most appropriately provided that way. Such a decision by the provider must be approved by the Board of Trustees.
6. Any matter that is frivolous or brought for the purpose of harassment.
7. Patents and copyrights.
8. Preparation of federal or state tax returns, representation at tax audits, tax litigation, or appeal of tax assessment on real property.
9. Disputes involving a Participating Employer or participating local union or their officers and agents, including labor disputes, workers' compensation, unemployment compensation, or discrimination charges and suits.
10. Disputes involving any other employee benefit plan in which a Participating Employer or participating local union participates, or a provider of service to such a plan.
11. Disputes with respect to this Fund, including questions as to whether legal services are available under the Fund.
12. Matters where legal services are available to you free of charge, such as legal counsel by an insurance company, litigation involving a government agency, or legal representation by an employer or third party. This does not exclude representation when you are eligible for free legal representation because of your financial circumstances.
13. Disputes between participants of this Fund except as noted in the section "Provider's Inability To Provide Representation."
14. Any legal proceeding or cause of action prior to the eligibility date of your participation in the Fund.
15. All matters on the Appellate level.
16. Covered services outside the geographic area of the Fund as defined by the Board of Trustees.
17. Personal bankruptcy proceedings not under Chapters Seven and Thirteen of the Bankruptcy Code.
18. Dependent benefits for Safeway employees covered by the Zone B Addendum to the Richmond Division Collective bargaining agreement with UFCW Local 400.
19. Dependent benefits for employees of Giant 400 Charlottesville covered under a reduced contribution rate are not covered.
20. Employees of Giant 400 Charlottesville are not eligible for benefits relating to criminal misdemeanors.

21. Employees of Giant 400 Charlottesville are not eligible for benefits relating to incarcerable traffic cases.

***In the event that you have a legal matter not included in the Schedule of Benefits and not excluded in this section, Local 27 and Local 400 participants and dependents are eligible for discounted legal services from Akman and Associates, P.C. or Robert A. Ades and Associates, P.C. Please contact Akman & Associates, P.C. or Robert A. Ades and Associates, P.C. in order to discuss your matter and any potential fees.*

Required Payments

The Plan does not cover the payment of any fines, penalties, deposition costs, recordation fees, expert witness fees, court costs, taxes, judgments, or money awards of any kind.

Provider's Inability To Provide Representation

There may be some infrequent situations in which a provider is unable to provide legal representation to a participant who would otherwise be entitled to representation under the Plan. This may occur as a result of a conflict of interest or other instance that would adversely affect the participant's representation. On this occasion, provider will present the participant with a list of qualified attorneys who can assist them in this matter, as well as guidance in the early stages of the matter and in retaining outside counsel.