

Commonwealth of Pennsylvania
Public School Employees' Retirement System

2009 Premium Rates and Benefits
For The
HOP Medical Plan,
Pre-65 Medical Plan,
Legacy High and Standard Options, and
Basic and Enhanced Medicare Rx Options
And
Premium Rates and Benefits
For The
Managed Care Options
Of The

HOP

HEALTH OPTIONS PROGRAM



WWW.HOPBENEFITS.COM

August 13, 2008

Background

Each year the Retirement Board reviews and approves the participant contribution rates for the self-funded benefit plans provided by the Health Options Program (HOP). The Segal Company developed contribution rates for the HOP Medical Plan for individuals eligible for Medicare and the Pre-65 Medical Plan for individuals not eligible for Medicare. Preliminary contribution rates for the Enhanced and Basic Medicare Rx Option are also developed for the Board's review. The Medicare Rx Option rates are subject to change when the Centers for Medicare and Medicaid Services (CMS) advise us of their funding of the programs.

HOP Medical Plan – Benefits and Rates

It is anticipated that the SilverSneakers fitness benefit will be added to the benefits provided by the HOP Medical Plan as a two-year pilot program effective January 1, 2009. This addition of this fitness program is contingent upon successful negotiations with Highmark regarding the Medicare Advantage Plan. The cost of the fitness benefit will be \$2.80 per member per month, or a total of approximately \$1.4 million for the year. We recommend this cost be paid from HOP reserves and not added to HOP Medical Plan participants' 2009 contribution rates. If the pilot program reduces plan costs the benefit will be added to the Plan on a permanent basis. If the fitness program shows no cost saving it may be discontinued.

There are no other benefit changes recommended for the HOP Medical Plan for 2009. For the 2008 Plan year the Retirement Board added a \$10 per doctor visit co-pay to replace the Medicare Part B deductible (\$134 for 2008). That benefit change has drawn criticism from a few members that are paying more in co-payments than the Part B deductible.

The following tables set forth the 2009 premium rates to be paid by HOP participants eligible for Medicare and compares them to the 2008 rates where applicable:

Southeastern Region: Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties

HOP Medical Plan	2008	2009	Increase
Single	\$180	\$197	\$17
2-Person and Family	\$354	\$388	\$34

<i>Age 65 Rates</i>	<i>2008</i>	<i>2009</i>	<i>Increase</i>
<i>Single</i>	<i>\$171</i>	<i>\$188</i>	<i>\$17</i>
<i>2-Person and Family</i>	<i>\$336</i>	<i>\$369</i>	<i>\$33</i>

Southwestern Region: Allegheny, Fayette, Greene, Indiana, Washington, and Westmoreland Counties

HOP Medical Plan	2008	2009	Increase
Single	\$168	\$185	\$17
2-Person and Family	\$331	\$365	\$34

<i>Age 65 Rates</i>	<i>2008</i>	<i>2009</i>	<i>Increase</i>
<i>Single</i>	<i>\$159</i>	<i>\$176</i>	<i>\$17</i>
<i>2-Person and Family</i>	<i>\$314</i>	<i>\$347</i>	<i>\$33</i>

Northern & -Central Region: (All other counties in Pennsylvania)

HOP Medical Plan	2008	2009	Increase
Single	\$149	\$155	\$6
2-Person and Family	\$287	\$302	\$15

<i>Age 65 Rates</i>	<i>2008</i>	<i>2009</i>	<i>Increase</i>
<i>Single</i>	<i>\$138</i>	<i>\$148</i>	<i>\$10</i>
<i>2-Person and Family</i>	<i>\$273</i>	<i>\$287</i>	<i>\$14</i>

Out of State Region

HOP Medical Plan (Single Coverage)	2008	2009	Increase
Arizona	\$149	\$155	\$6
California	\$168	\$185	\$17
Delaware	\$149	\$155	\$6
Florida	\$180	\$197	\$17
Maryland	\$168	\$185	\$17
New Jersey	\$180	\$197	\$17
New York	\$180	\$197	\$17
North Carolina	\$149	\$155	\$6
Ohio	\$149	\$155	\$6
Virginia	\$149	\$155	\$6
All other states	\$168	\$185	\$17

<i>Age 65 Rates (Single Coverage)</i>	<i>2008</i>	<i>2009</i>	<i>Increase</i>
Arizona	<i>\$138</i>	<i>\$148</i>	<i>\$10</i>
California	<i>\$159</i>	<i>\$176</i>	<i>\$17</i>
Delaware	<i>\$138</i>	<i>\$148</i>	<i>\$10</i>
Florida	<i>\$171</i>	<i>\$188</i>	<i>\$17</i>
Maryland	<i>\$159</i>	<i>\$176</i>	<i>\$17</i>
New Jersey	<i>\$171</i>	<i>\$188</i>	<i>\$17</i>
New York	<i>\$171</i>	<i>\$188</i>	<i>\$17</i>
North Carolina	<i>\$138</i>	<i>\$148</i>	<i>\$10</i>
Ohio	<i>\$138</i>	<i>\$148</i>	<i>\$10</i>
Virginia	<i>\$138</i>	<i>\$148</i>	<i>\$10</i>
All other states	<i>\$159</i>	<i>\$176</i>	<i>\$17</i>

Pre-65 Medical Plan – Benefits and Rates

For 2008, the Retirement Board made significant changes to the benefits provided to retirees and their dependents not eligible for Medicare. Specifically, the High and Standard Options were terminated effective January 1, 2008 for individuals under age 65 and not yet eligible for Medicare as participant contributions could not be expected to cover claim costs. These Options were replaced with the Pre-65 Medical Plan. The Pre-65 Medical Plan has an annual

deductible of \$1,500, 75/25% coinsurance for covered services provided by a network provider, a \$5,000 out-of-pocket maximum, and a \$200,000 annual benefit limit. Prescription drug coverage, similar to the benefits provided by the High Option may be added to the Pre-65 Medical Plan. There are no plan benefits design changes for 2009.

The following tables set forth the 2009 premium rates to be paid by HOP participants in the Pre-65 Medical Plan not eligible for Medicare and compares them to the 2008 rates:

Pre-65 Medical Plan	2008	2009	Increase
Single	\$516	\$566	\$50
2-Person and Family	\$1,136	\$1,247	\$111

Pre-65 Medical Plan w/ Rx Coverage	2008	2009	Increase
Single	\$616	\$682	\$66
2-Person and Family	\$1,355	\$1,501	\$146

Legacy High and Standard Options – Benefits and Rates

For individuals over age 65 and not eligible for Medicare, the Retirement Board recognized that increasing plan utilization necessitated a sharp premium rate increase for 2008 (about 70%) to maintain the benefits provided to individuals who opted out of Social Security and are not eligible for Medicare. An analysis of Medicare “buy-in” costs determined it would be less expensive for members to enroll in Medicare and the HOP Medical Plan (Medicare supplemental) than remain in the Traditional Program. The Social Security Administration permits individuals to enroll in Medicare Parts A and B during an open enrollment period from January 15 through March 15 each year. Medicare coverage then becomes effective on the ensuing July 1st.

The Retirement Board decided to move as many of the 137 over-65 members as possible out of the Traditional Program, and get them to enroll in Medicare. The HOP Administration Unit (CoreSource) was able to get all but 13 of these retirees to enroll in Medicare and terminate their Traditional Program Option. See Exhibit 1 for a description of the project to get these members into Medicare. Those individual refusing to enroll in Medicare had their monthly premium increased from \$489 in 2007 to \$680 effective January 1, 2008 and to \$1,021 effective July 1, 2008.

The HOP Administration Unit will again approach the 13 retirees remaining in the Traditional Plan to encourage them to apply for Medicare benefits and to guide them through that process for Medicare to become effective July 1, 2009.

The following table sets forth the premium rates for single coverage to be paid by HOP participants over age 65 and not eligible for Medicare who remain in the Traditional Plan. The rates will remain at their current level through June 30, 2009, and then will increase by another 15%.

Legacy Traditional Plan	1/1/2008	7/1/2008	7/1/2009	Increase
High Option	\$1,149	\$1,724	\$1,983	\$259
Standard Option	\$680	\$1,021	\$1,175	\$154

Basic and Enhanced Medicare Rx Options – Benefits and Preliminary Rates

In anticipation that the Centers for Medicare and Medicaid Services (CMS) will not increase its basic payments to Part D plans, Segal and IPC recommend that the benefits of the Basic and Enhanced Options be modified to offset the need for a significant premium increase. The proposal is to change the \$25 co-pay for a 33-day supply of a single-source brand name drugs to a 30% co-payment at a retail pharmacy. Members will pay the lesser of \$25 or 30% for a 33-day supply of a single-source brand drug if they use the mail order facility.

With this benefit change, the premiums for the Basic and Enhanced Medicare Rx Option the following tables set forth the 2009 premium rates to be paid by HOP participants and compares them to the 2008 rates.

Basic Medicare Rx Option	2008	2009	Increase
Single	\$25	\$25	\$0
2-Person and Family	\$50	\$50	\$0

Enhanced Medicare Rx Option	2008	2009	Increase
Single	\$78	\$83	\$5
2-Person and Family	\$156	\$166	\$10

Recommendations

Accordingly, staff recommends the Board approve the 2009 premium rates for the HOP Medical Plan, the Pre-65 Medical Plan and the legacy High and Standard Options as set forth in this memo. Staff also recommends the Board approve the 2009 benefit changes and premiums for the Basic and Enhanced Medicare Rx Options as set forth in this memo with the understanding that these rates assume no change in CMS funding for 2009. If CMS increases or decreases the funding for the Medicare prescription drug program, the rates set forth in this memo are subject to change.

Managed Care Organizations

Prior to 2008, each of the eight managed care organizations (MCO) participating in HOP could offer multiple plans of different types (i.e. a health maintenance organization (HMO), a preferred provider organization (PPO), and a point of service (POS)). For the 2008 Plan Year, we limited each of these MCOs to offering only one plan for new enrollees. The MCO could determine which type plan they would offer. Individuals already in an MCO plan during the 2007 calendar year were not required to change plans. This created a number of “legacy” plans.

During 2008, PSERS issued a request for proposal (RFP) for a nationwide Medicare Advantage Private Fee For Service Plan (HOP MA Plan) and a companion managed care plan for individuals not eligible for Medicare (HOP Pre-65 Managed Care Plan). This approach would consolidate the members in the eight regional managed care plans into a single plan and the sole option to the HOP Medical Plan.

The benefits and premium rates of the 2009 HOP MA Plan are, for the most part, superior to the current managed care plans. Exhibit 2 compares the benefits and premiums of the 2008 managed care plans, including legacy plans with the 2009 HOP MA Plan for members eligible for Medicare. There are two managed care plans that have a lower monthly premium (for 2008) than the 2009 HOP MA Plan. They are:

Name	2008 Premium (Compared to 2009 HOP MA Plan Premium of \$216-240)	Number of Participants	Major Benefit Difference (Compared to HOP MA Plan)
UPMC HMO	\$129	188	UPMC Rx plan has generic only coverage in the coverage gap compared to complete coverage in gap
Aetna Value HMO	\$179	162	Aetna has a \$250 deductible per hospital admission and generic only coverage in the coverage gap compared to no hospital deductible & complete Rx coverage in gap

The HOP MA Plan prescription drug plan is unique compared to the 2008 managed care plans as it provides complete coverage through the Medicare coverage gap. The HOP MA Plan does have a \$20 per generic drug co-pay compared to \$5 co-pay for the other plans.

The premium rates for the proposed Highmark managed care companion plan (Pre-65 Managed Care Plan) are, for the most part, higher than the 2008 rates of the current managed care plans. In addition, the benefits for the proposed Highmark managed care companion plan (Pre-65 Managed Care Plan) are, for the most part, less generous than the 2008 benefits of the current managed care plans. Exhibit 3 compares the benefits and premiums of the 2008 managed care companion plans for members under age 65 with the proposed Pre-65 Managed Care Plan by Highmark.

There are no pre-65 managed care plans available to individuals. PSERS has required managed care organizations to offer a companion pre-65 plan as a condition to offering a Medicare Advantage plan. Many of the managed care organizations have provided HOP participants with a “commercial” product available in the employer market for active employees. The rates of these plans are not able to support the cost of providing benefits to a pre-65 retiree population and are subsidized by the managed care organization. The degree of subsidization varies.

There are five pre-65 managed care plans that have a lower monthly premium (for 2008) than the 2009 HOP Pre-65 Managed Care Plan. They are:

Name	2008 Premium (Compared to 2009 HOP Pre-65 Plan Premium of \$838)	Number of Participants
Capital Blue Cross PPO	\$660	63
Aetna Patriot Plan (HMO)	\$740	162
Keystone Plan East (HMO)	\$532	254
Keystone Health plan East (POS)	\$529	119
Personal Choice (PPO)	\$714	91

Recommendations

Staff recommends the Board approve the 2009 premium rates for the HOP Medicare Advantage Plan and the Pre-65 Managed Care Plan by Highmark as set forth in this report.

Exhibit 1

Traditional Program Outreach Project Summary 2007 - 2008

BACKGROUND

In the summer of 2007, the PSERS Health Care Committee recognized that increasing plan utilization was forcing a sharp premium rate increase for 2008 (about 70%) to keep the Traditional Program fully funded. In particular, analysis clearly showed that it would be far more effective (in terms of costs and benefits) for age 65-and-over participants to enroll in Medicare and the HOP Medical (Medicare supplemental) programs than to remain in the Traditional Program. When this project started in September of 2007, there were 137 Traditional Program participants who had opted out of Social Security, were not enrolled in Medicare, and who were facing drastic health care premium increases.

The Social Security Administration permits individuals (including those who previously opted out of Medicare) to enroll in Medicare Parts A and B during an open enrollment period from January 15 through March 15 each year. Medicare coverage then becomes effective on the ensuing July 1st.

THE PROJECT

CoreSource worked with SEGAL Consulting and PSERS to define the project strategy and tactics aimed at moving as many over-65-year-olds as possible out of the Traditional Program, and get them to enroll in Medicare. The team agreed that the 137 over-age-65 members who were enrolled in the Traditional Program needed to be personally contacted several times to encourage and guide them through the process of enrolling in Medicare and changing their HOP coverage. Dedicated CoreSource customer service specialists were assigned to the project to ensure focused attention, consistent communication, and high-touch service.

Initially, postcards were mailed to members in early September (2007) announcing that the annual Option Selection Period was set for October 15 – November 15. The postcard also alerted members that the Traditional Program was going to change in 2008.

In early October, personalized letters were mailed to each of the 137 participants (or their authorized representatives). The letters provided background about the changes being made to the Traditional Program, the required steps for the members to enroll in Medicare through the Social Security Administration, and assurance that an HOP specialist would be contacting them to discuss this further.

As a follow-up to the personalized letters, CoreSource specialists placed telephone calls to these individuals (or their authorized representatives) in November. Each member (or representative) received an explanation of the information they had received in the October letter. The members (or representatives) were encouraged to call the HOP Administration Unit if they encountered any difficulty or needed assistance with their Social Security application process.

Another set of follow-up calls was made in December. Members were encouraged to contact Social Security to set up personalized appointments. During these calls, the CoreSource

specialists reassured the members (or their representatives) of the process, and carefully reviewed the advantages of proceeding with their applications for Medicare coverage.

In February (2008), a third set of calls was placed to ensure that each member had met or had scheduled to meet with Social Security representatives to apply for Medicare coverage. During this call, the specialists underscored the Medicare application deadline of March 31 if the member had not yet taken action.

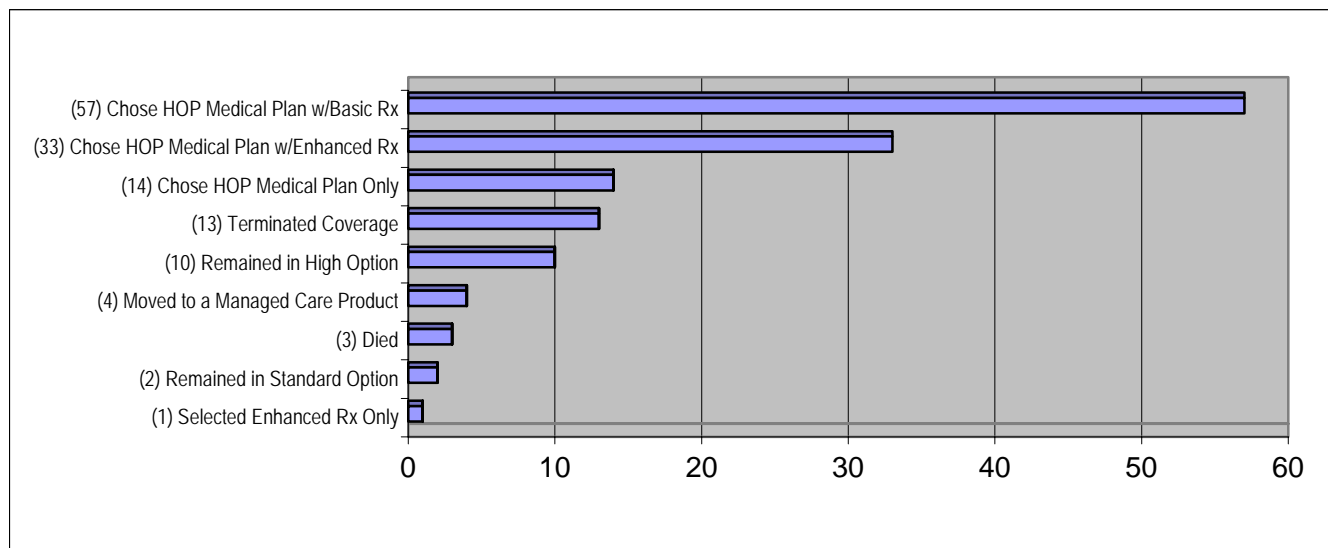
At the beginning of April, these members (or their representatives) received a Special Enrollment Packet with a cover letter that provided guidance for selecting Medicare Prescription Part D coverage and enrolling in the HOP Medical Plan. A special HOP enrollment period for these members ran from April 1 through May 15, with a July 1, 2008 effective date for their newly selected coverage, coinciding with their Medicare coverage effective date.

Follow-up telephone calls were placed in May to ensure that each member (or representative) understood and followed the steps necessary to move out of the more expensive Traditional Program and enroll in the lower cost and more appropriate HOP Medical Plan.

RESULTS

During this project, over 1,100 counseling calls were held with these affected members (or their representatives) to guide them through the transition process in their coverage with Medicare and HOP.

The table below shows the current status of the 137 members addressed during this project.



MEMBER FEEDBACK

Initially, many members were very confused and afraid to make changes to their coverage and enroll in Medicare. Some members were adamant about not wanting to enroll in Medicare.

Subsequently, several members (or representatives) expressed appreciation for being able to speak with the same CoreSource customer service specialist throughout the process, and they acknowledged the need for guidance.

The vast majority of those contacted indicated that they believe the process was financially worthwhile, and, ultimately, this was the right decision for them.

One member who failed to follow through with her Medicare application has since advised CoreSource that she made a mistake and will sign up next year during the Social Security Administration's Medicare open enrollment period.

CONCLUSION

This project appears to have been a great success, and the plan members were most appreciative of the personalized guidance through what could have been a very confusing and unsettling process for them.

Exhibit 2

Premium and Benefit Comparison of the 2008 Medicare Advantage Plans and the Proposed Highmark Medicare Advantage Plan

Keystone – East and Independence Blue Cross

Keystone - East and IBC	2008 Keystone 65 (HMO)	2008 IBC Personal Choice 65 (PPO)	2008 Keystone Direct POS (Legacy Plan)	2009 HOP MA Plan (Highmark)
Number of Participants	1,609	560	160	
Amount Member Pays (<i>Allowances in italics</i>)				
Premium	\$294	\$416	\$313	\$240
Doctor Visits Primary	\$15	\$20	\$15	\$15
Specialists	\$20	\$35	\$30	\$15
Outpatient Surgery	\$100 Copay	\$150	\$150 Copay	0%
Emergency Room	\$40	\$40	\$50 Copay	\$50
Clinical Lab	0%	0%	\$0 - \$30	0%
Radiation Therapy	0%	0%		0%
X-ray	\$20	\$35		0%
Durable Medical Equipment	0%	20%	20%	15%
Outpatient Mental Health	\$25	\$35	\$30 Copay	\$15
Hospitalization	\$100/ day for day(s) 1 - 10	\$100/day for day(s) 1 - 10	\$150/day;	0%
OOP Maximum	\$1,000/ year maximum	\$1,000/ admission maximum	\$1,500/ year maximum	
Inpatient Mental Health	\$100/ day for day(s) 1 - 10	\$100/day for day(s) 1 - 10	\$150/day	0%
OOP Maximum	\$1,000/ year maximum	\$1,000/ admission maximum	\$1,500/ year maximum	
Physical Exams	\$15	0%	\$0	\$10
Ob/Gyn Exams; Mammograms	\$20	0%	\$0	\$10
Vision Exam (once/year)	\$20	\$35	\$30	\$15
Lense <i>Allowance</i> (once/24 mo.)	\$100	0	\$100	\$100
Hearing Exam (once/year)	\$20	\$35	\$30	\$15
Hearing Aid <i>Allowance</i> (once/3 yr.)	\$500	0	\$500	\$400
Dental Care (once/6 mo.)	\$15 exam + cleaning	100%	\$15/exam + cleaning	\$5 exam & x-rays

Keystone – East and Independence Blue Cross Continued

Keystone - East and IBC	2008 Keystone 65 (HMO)	2008 IBC Personal Choice 65 (PPO)	2008 Keystone Direct POS (Legacy Plan)	2009 HOP MA Plan (Highmark)
PHARMACY				
Deductible	None	None	None	None
Annual Drug Spend \$0 to \$2,500				
Retail Generic	\$5.00	\$5.00	\$5.00	\$20.00
Retail Brand	\$20.00	\$20.00	\$20.00	\$20.00
Non-Preferred Brand	\$40.00	\$40.00	\$40.00	\$50.00
Specialty			\$40.00	25%
Mail Order Generic	\$10.00	\$5.00	\$5.00	
Mail Order Brand	\$40.00	\$20.00	\$20.00	
Mail Order Non-Preferred Brand	\$80.00	\$40.00	\$40.00	
Mail Order Specialty			\$40.00	
After \$2,500 ADS to \$4,050 TrOOP				
Retail Generic	\$5.00	\$5.00	\$5.00	\$20.00
Retail Brand	Not Covered	100%	Not Covered	\$20.00
Non-Preferred Brand	Not Covered	100%	Not Covered	\$50.00
Specialty			Not Covered	25%
Mail Order Generic	\$5.00	\$5.00	\$5.00	
Mail Order Brand	Not Covered		Not Covered	
Mail Order Non-Preferred Brand	Not Covered		Not Covered	
Mail Order Specialty				
After \$4,050 TrOOP	Greater of 5% or	Greater of 5% or	Greater of 5% or	Greater of 5% or
Generic	\$2.25	\$2.25	\$2.25	\$2.25
Brand	\$5.60	\$5.60	\$5.60	\$5.60
Out of Network Benefits	None			Same as Network
Deductible		\$500	\$250	
All Services	100%	30%	20%	

Keystone – Central

Keystone Central	2008 Key-Central SeniorBlue PPO	2008 Key-Central SeniorBlue HMO (Legacy Plan)	2009 HOP MA Plan (Highmark)
Number of Participants	105	831	
Amount Member Pays (<i>Allowances in italics</i>)			
Premium	\$216	\$207	\$216
Doctor Visits Primary	\$10	\$10	\$15
Specialists	\$15	\$10	\$15
Outpatient Surgery	\$0	0%	0%
Emergency Room	\$50	\$50	\$50
Clinical Lab	\$0		0%
Radiation Therapy			0%
X-ray	\$0		0%
Durable Medical Equipment	5%	0%	15%
Outpatient Mental Health	\$15	5%	\$15
Hospitalization	\$0	0%	0%
OOP Maximum			
Inpatient Mental Health	\$0	\$0	0%
OOP Maximum			
Physical Exams	\$10	\$10	\$10
Ob/Gyn Exams; Mammograms	\$10	\$10	\$10
Vision Exam (once/year)	\$20	\$20	\$15
Lense <i>Allowance</i> (once/24 mo.)	<i>Frames:\$40 allowance/2 yrs;Lenses:\$20 co-pay/2 yrs; Contacts:\$40 allowance/2 yrs</i>	<i>Frames:\$40 allowance/2 yrs;Lenses:\$20 co-pay/2 yrs; Contacts:\$40 allowance/2 yrs</i>	<i>\$100</i>
Hearing Exam (once/year)			\$15
Hearing Aid <i>Allowance</i> (once/3 yr.)	<i>\$400</i>	<i>\$400</i>	<i>\$400</i>
Dental Care (once/6 mo.)	\$5	\$5/yearly visit to include exam, cleaning, and set of 2 bitewing x rays	\$5 exam & x-rays

Keystone – Central Continued

Keystone Central	2008 Key-Central SeniorBlue PPO	2008 Key-Central SeniorBlue HMO (Legacy Plan)	2009 HOP MA Plan (Highmark)
PHARMACY			
Deductible	None		None
Annual Drug Spend \$0 to \$2,500			
Retail Generic	\$5.00	\$5.00	\$20.00
Retail Brand	\$30.00	\$30.00	\$20.00
Non-Preferred Brand	\$50	\$50.00	\$50.00
Specialty		Lower of \$100 or 25%	25%
Mail Order Generic	\$12.50	\$12.50	
Mail Order Brand	\$75.00	\$75.00	
Mail Order Non-Preferred Brand	\$125.00	\$125.00	
Mail Order Specialty		Lower of \$250 or 25%	
After \$2,500 ADS to \$4,050 TrOOP			
Retail Generic	\$5.00	\$5.00	\$20.00
Retail Brand	100%	Not Covered	\$20.00
Non-Preferred Brand	100%	Not Covered	\$50.00
Specialty		Not Covered	25%
Mail Order Generic		\$12.50	
Mail Order Brand		Not Covered	
Mail Order Non-Preferred Brand		Not Covered	
Mail Order Specialty			
After \$4,050 TrOOP	Greater of 5% or	Greater of 5% or	Greater of 5% or
Generic	\$2.25	\$2.25	\$2.25
Brand	\$5.60	\$5.60	\$5.60
Out of Network Benefits		No Coverage	Same as Network
Deductible	\$150		
Out-of-Pocket Maximum	\$2,500	100%	

Aetna

Aetna	2008 Aetna Golden Medicare (HMO) Value	2008 Aetna Golden Choice PPO (Legacy Plan)	2008 Aetna Golden Medicare HMO (Legacy Plan)	2009 HOP MA Plan (Highmark)
Number of Participants	162	163	1,036	
Amount Member Pays (<i>Allowances in italics</i>)				
Premium	\$179	\$335-365	\$308-314	\$216-\$240
Plan Deductible				
Doctor Visits Primary	\$20	\$10	\$10	\$15
Specialists	\$30	\$15	\$15	\$15
Outpatient Surgery	\$50 Copay	\$20 Copay	0%	0%
Emergency Room	\$50	\$50 Copay	\$35 Copay	\$50
Clinical Lab	\$30 Copay	\$20 Copay	\$15 Copay	0%
Radiation Therapy	\$30 Copay			0%
X-ray	\$30 Copay			0%
Durable Medical Equipment	20%	0%	0%	15%
Outpatient Mental Health	\$30	\$20 Copay	\$25 Copay	\$15
Hospitalization	\$250/admission	0%	0%	0%
OOP Maximum				
Inpatient Mental Health	\$250/admission	\$0	\$0	0%
OOP Maximum				
Physical Exams	0%	\$0	\$0	\$10
Ob/Gyn Exams; Mammograms	0%	\$0	\$0	\$10
Vision Exam (once/year)	0%			\$15
Lense <i>Allowance</i> (once/24 mo.)	\$70	\$70	\$100	\$100
Hearing Exam (once/year)	0%			\$15
Hearing Aid <i>Allowance</i> (once/3 yr.)	\$500	0	\$500	\$400
Dental Care (once/6 mo.)	\$5 exam and cleaning	100%	\$5/exam + cleaning	\$5 exam & x-rays

Aetna Continued

Aetna	2008 Aetna Golden Medicare (HMO) Value	2008 Aetna Golden Choice PPO (Legacy Plan)	2008 Aetna Golden Medicare HMO (Legacy Plan)	2009 HOP MA Plan (Highmark)
PHARMACY				
Deductible	None			None
Annual Drug Spend \$0 to \$2,500				
Retail Generic	\$10.00	\$5.00	\$5.00	\$20.00
Retail Brand	\$20.00	\$20.00	\$20.00	\$20.00
Non-Preferred Brand	\$35.00	\$40.00	\$40.00	\$50.00
Specialty		\$40.00	\$40.00	25%
Mail Order Generic	\$10.00	\$10.00	\$10.00	
Mail Order Brand	\$20.00	\$40.00	\$40.00	
Mail Order Non-Preferred Brand	\$35.00	\$80.00	\$80.00	
Mail Order Specialty		\$80.00	\$80.00	
After \$2,500 to \$4,050 TrOOP				
Retail Generic	\$10.00	\$5.00	\$5.00	\$20.00
Retail Brand	100%	Not covered	Not covered	\$20.00
Non-Preferred Brand		Not covered	Not covered	\$50.00
Specialty		Not covered	Not covered	25%
Mail Order Generic		\$10.00	\$10.00	
Mail Order Brand		Not covered	Not covered	
Mail Order Brand		Not covered	Not covered	
Mail Order Non-Preferred Brand		Not covered	Not covered	
After \$4,050 TrOOP	Greater of 5% or	Greater of 5% or	Greater of 5% or	Greater of 5% or
Generic	\$2.25	\$2.25	\$2.25	\$2.25
Brand	\$5.60	\$5.60	\$5.60	\$5.60
Out of Network Benefits	No Coverage		No Coverage	Same as Network
Deductible				
All Services	100%		100%	

UPMC

UPMC Southwest Region	2008 UPMC	2009 HOP MA Plan (Highmark)
Number of Participants	188	
Amount Member Pays (<i>Allowances in italics</i>)		
Premium	\$125	\$216-\$228
Doctor Visits Primary	\$5	\$15
Specialists	\$20	\$15
Outpatient Surgery	\$0	0%
Emergency Room	\$50	\$50
Clinical Lab	0%/30%	0%
Radiation Therapy	\$20	0%
X-ray	\$0	0%
Durable Medical Equipment	15%	15%
Outpatient Mental Health	\$20	\$15
Hospitalization	\$0	0%
OOP Maximum		
Inpatient Mental Health	\$0	0%
OOP Maximum		
Physical Exams	\$5	\$10
Ob/Gyn Exams; Mammograms	\$0	\$10
Vision Exam (once/year)	\$20	\$15
Lense <i>Allowance</i> (once/24 mo.)	<i>\$0/\$150</i>	<i>\$100</i>
Hearing Exam (once/year)		\$15
Hearing Aid <i>Allowance</i> (once/3 yr.)	<i>\$1,000</i>	<i>\$400</i>
Dental Care (once/6 mo.)	100%	\$5 exam & x-rays

UPMC Continued

UPMC Southwest Region	2008 UPMC	2009 HOP MA Plan (Highmark)
PHARMACY		
Deductible	None	None
Annual Drug Spend \$0 to \$2,500	Initial Coverage Limit \$3,500	
Retail Generic	\$5.00	\$20.00
Retail Brand	\$25.00	\$20.00
Non-Preferred Brand	\$50.00	\$50.00
Specialty	25%	25%
Mail Order Generic		
Mail Order Brand		
Mail Order Non-Preferred Brand		
Mail Order Specialty		
After \$2,500 ADS to \$4,050 TrOOP		
Retail Generic	\$5.00	\$20.00
Retail Brand	100%	\$20.00
Non-Preferred Brand	100%	\$50.00
Specialty		25%
Mail Order Generic		
Mail Order Brand		
Mail Order Non-Preferred Brand		
Mail Order Specialty		
After \$4,050 TrOOP	Greater of 5% or	Greater of 5% or
Generic	\$2.25	\$2.25
Brand	\$5.60	\$5.60
Out of Network Benefits	None	Same as Network
Deductible		
All Services	100%	

Out of State

Out of State	New Jersey	Florida	Florida	California	2009 HOP MA Plan
	2008 Amerihealth	2008 Humana	2008 Aetna PFFS	2008 Pacificare	(Highmark)
Number of Participants	55	35	1	10	
Amount Member Pays (<i>Allowances in italics</i>)					
Premium	\$309	\$72-\$169	\$250	\$203	\$186-\$306
Doctor Visits Primary	\$15	\$5	15%	\$15	\$15
Specialists	\$25	\$20	15%	\$15	\$15
Outpatient Surgery	\$75/\$150	\$100	15%	\$125/procedure	0%
Emergency Room	\$50	\$50	\$50	\$50	\$50
Clinical Lab	0-\$50	5%-20%	15%	\$15	0%
Radiation Therapy	\$25	\$15	\$50	\$15	0%
X-ray	0-\$50	5%-20%	15%	\$15	0%
Durable Medical Equipment	20%	10%	15%	0%	15%
Outpatient Mental Health	\$25	\$20	15%	\$15	\$15
Hospitalization	\$100-\$200	\$150	15%	\$250/Admission	0%
OOP Maximum	\$500-\$1,000	\$750	None	None	None
Inpatient Mental Health	\$100	\$150	15%	\$250/Admission	0%
OOP Maximum	\$500	\$750	None	None	None
Physical Exams	\$0	\$5/\$20	\$0	\$15	\$10
Ob/Gyn Exams; Mammograms	\$0	\$5/\$20	\$0	\$15	\$10
Vision Exam (once/year)	\$25	100%	100%	\$15	\$15
Lense <i>Allowance</i> (once/24 mo.)	\$100	0	\$70	0	\$100
Hearing Exam (once/year)	\$25	100%	100%	\$15	\$15
Hearing Aids <i>Allowance</i> (once/3 yr.)	\$500	0	\$500	0	\$400
Dental Care (once/6 mo.)	\$10 exam & cleaning	100%	100%	100%	\$5 exam & x-rays

Out of State Continued

Out of State	New Jersey	Florida	Florida	California	2009 HOP MA Plan
PHARMACY	2008 Amerihealth	2008 Humana	2008 Aetna PFFS	2008 Pacificare	(Highmark)
Deductible	None	None	None	None	None
Annual Drug Spend \$0 to \$2,500					
Retail Generic	\$5.00	\$5.00	\$15.00	\$10	\$20.00
Retail Brand	\$30.00	\$30.00	\$25.00	\$20	\$20.00
Non-Preferred Brand	\$50.00	\$60.00	\$40.00	Not covered	\$50.00
Specialty		25%	\$40.00	\$20	25%
Mail Order Generic		0	\$30.00	\$20	
Mail Order Brand		\$60.00	\$50.00	\$40	
Mail Order Non-Preferred Brand		\$120.00	\$80.00	Not covered	
Mail Order Specialty			\$80.00	\$20	
After \$2,500 ADS to \$4,050 TrOOP					
Retail Generic	100%	\$5.00	\$15.00	\$10	\$20.00
Retail Brand	100%	100%	Not covered	\$20	\$20.00
Non-Preferred Brand	100%	100%	Not covered	Not covered	\$50.00
Specialty		100%	Not covered	\$20	25%
Mail Order Generic			\$30.00	\$20	
Mail Order Brand			Not covered	\$40	
Mail Order Non-Preferred Brand			Not covered	Not covered	
Mail Order Specialty			Not covered	\$40	
After \$4,050 TrOOP	Greater of 5% or	Greater of 5% or	Greater of 5% or		Greater of 5% or
Generic	\$2.25	\$2.25	\$2.25		\$2.25
Brand	\$5.60	\$5.60	\$5.60		\$5.60
Out of Network Benefits		None		None	Same as Network
Deductible					
Out-of-Pocket Maximum					
All Services	30%	100%		100%	

Exhibit 3

Premium and Benefit Comparison of the 2008 Pre-65 Managed Care Plans and the HOP Pre-65 Managed Care Plan by Highmark

Keystone – East and Independence Blue Cross

Keystone East (IBC)	2008 Personal Choice PPO (IBC)	2008 Keystone Health Plan East HMO	2008 Keystone Health Plan East POS (Legacy)	2009 HOP MC Plan (Highmark)
Number of Participants <i>*Contract Count</i>	94	262	127	N/A
Amount Member Pays <i>(Allowances in italics)</i>				
Premium	\$714	\$532	\$529	\$838
Deductible	None	None	None	\$100
Out-of-Pocket Maximum / Benefit Cap	None	None	None	\$10,000
Doctor Visits	\$15 PCP / \$25 Specialist	\$15 PCP / \$30 Specialist	\$15 PCP / \$30 Specialist	\$20 PCP / \$40 Specialist
Outpatient Surgery	\$100	\$50	\$50	20%
Emergency Room (waived if admitted)	\$40	\$100	\$100	\$100
Diagnostic Testing	\$25	\$30	\$30	20%
<i>Clinical Lab</i>	0	\$30	\$30	20%
<i>X-Ray</i>	\$100	\$30	\$30	20%
<i>Radiation Therapy</i>	0	\$30	\$30	20%
<i>MRI, CT Scans, PET Scans, SPECT Imaging</i>	\$100	\$30	\$30	20%
Outpatient Therapy	\$15/visit, up to 30 visits, \$25/visit for visits 31-60	\$30	\$30	20%
Durable Medical Equipment	\$25	30%	30%	20%
Outpatient Mental Health	\$25/visit; up to 30 visits	\$30 visit up to 20 visits	\$30 visit up to 20 visits	\$40 20 visits calendar year
Outpatient Substance Abuse Care	100% Covered 1st Individual/Group Therapy Visit After 1st Visit, \$30 Copay/Visit			20% 7 days/Admission; 4 Admission/Lifetime
Hospitalization	\$100/day, up to \$500 admission	\$100/day \$500 max	0%	20%
Inpatient Mental Health	\$100/day, up to \$500 admission	\$100/day \$500 max	\$100/day \$500 max up to 30 days	20%

Keystone – East and Independence Blue Cross Continued

Keystone East (IBC)	2008 Personal Choice PPO (IBC)	2008 Keystone Health Plan East HMO	2008 Keystone Health Plan East POS (Legacy)	2009 HOP MC Plan (Highmark)
Physical Exams	\$15	\$15	\$15	\$20
Ob/Gyn Exams; Mammograms	\$25	\$15	\$15	\$40
Vision Exam	Full Cost	\$25	\$30	Full cost
Prescription Lense <i>Allowance</i> (24 months)	0	\$100	\$100	0
Hearing Exam	Full Cost	\$25	\$30	Full cost
Hearing Aid <i>Allowance</i> (36 months)	0	0	0	0
Dental Care	Full Cost	Full cost	Full cost	Full cost
PHARMACY				
Annual Deductible	None	None	None	None
Retail Tier 1	50%	\$15	\$15	30%
Retail Tier 2	50%	\$35	\$35	50%
Retail Tier 3	50%	\$50	\$50	100%
Retail Tier 4	N/A	N/A	N/A	N/A
Mail Order Tier 1	50%	\$30	\$30	30%
Mail Order Tier 2	50%	\$70	\$70	50%
Mail Order Tier 3	50%	\$100	\$100	100%
Mail Order Tier 4	N/A	N/A	N/A	N/A
Out of Network Benefits		None		
Deductible	\$500		\$500	\$500 Individual / \$1,500 Family
Out-of-Pocket Maximum	None		None	None
Coinsurance	30%		30%	30%

Keystone – Central

<i>Keystone Central</i>	2008 Capital Blue Cross PPO	2008 Keystone Central HMO (Legacy)	2009 HOP MC Plan (Highmark)
Number of Participants <i>*Count by Contracts</i>	32	31	N/A
Amount Member Pays <i>(Allowances in italics)</i>			
Premium	\$660	\$551	\$838
Deductible	\$250 individual / \$750 family	None	\$100 individual/\$300 Family
Out-of-Pocket Maximum / Benefit Cap	None	None	\$10,000
Doctor Visits	\$10	\$15 PCP / \$25 Specialist	\$20 PCP / \$40 Specialist
Outpatient Surgery	0%	0%	20%
Emergency Room (waived if admitted)	\$35	\$50	\$100
Diagnostic Testing	0%	0%	20%
<i>Clinical Lab</i>	Covered 100%	0%	20%
<i>X-Ray</i>	\$100 Copay	0%	20%
<i>Radiation Therapy</i>	Covered 100%	0%	20%
<i>MRI, CT Scans, PET Scans, SPECT Imaging</i>	\$100 Copay	0%	20%
Outpatient Therapy	\$10 Limit: 30 visits per calendar year	0%, up to 30 visits	20%
Durable Medical Equipment	0%	0%; pre-auth if \$300 +	20%
Outpatient Mental Health	\$10; up to 60 visits	\$25 visit/up to 20 visits	20%
Outpatient Substance Abuse Care	100% Covered 1st Individual/Group Therapy Visit After 1st Visit, \$30 Copay /Visit		20% 7 days/Admission; 4 Admission/Lifetime
Hospitalization	0%	0%	20%
Inpatient Mental Health	0%; up to 30 days	0% up to 30 days	20%

Keystone – Central Continued

Keystone Central	2008 Capital Blue Cross PPO	2008 Keystone Central HMO (Legacy)	2009 HOP MC Plan (Highmark)
Physical Exams	\$10	\$15	\$20
Ob/Gyn Exams; Mammograms	\$10	\$25	\$40
Vision Exam	Full Cost	Full cost	Full cost
Prescription Lense <i>Allowance</i> (24 months)	0	0	0
Hearing Exam	Full Cost	Full cost	Full cost
Hearing Aid <i>Allowance</i> (36 months)	0	0	0
Dental Care	Full Cost	Full cost	Full cost
PHARMACY			
Annual Deductible	\$100 single/\$300 family	\$100 single/\$300 family	None
Retail Tier 1	50%	50%	30%
Retail Tier 2	50%	50%	50%
Retail Tier 3	50%	50%	100%
Retail Tier 4	N/A	N/A	N/A
Mail Order Tier 1	50%	50%	30%
Mail Order Tier 2	50%	50%	50%
Mail Order Tier 3	50%	50%	100%
Mail Order Tier 4	N/A	N/A	N/A
Out of Network Benefits		None	
Deductible	\$250 Individual / \$750 Family		\$500 Individual / \$1,500 Family
Out-of-Pocket Maximum	None		None
Coinsurance	20%		30%

Aetna

Aetna	2008 Aetna Open Choice PPO	2008 Aetna Patriot Plan HMO	2008 Aetna Choice POS	2009 HOP MC Plan (Highmark)
Number of Participants <i>*Count by Contracts</i>	6	58	1	N/A
Amount Member Pays <i>(Allowances in italics)</i>				
Premium	\$832	\$708	\$947	\$838
Deductible	\$100 individual /\$300 family	None	None	\$100 individual /\$300 family
Out-of-Pocket Maximum / Benefit Cap	None	None	None	\$10,000
Doctor Visits	\$20 PCP \$40 Specialist	\$10 PCP \$15 Specialist	\$10 PCP \$20 Specialist	\$20 PCP \$40 Specialist
Outpatient Surgery	20%	0%	0%	20%
Emergency Room (waived if admitted)	\$100	\$35	\$50	\$100
Diagnostic Testing	20%	\$15	\$20	20%
Clinical Lab	0	\$15	\$20	20%
X-Ray	\$100	\$15	\$20	20%
Radiation Therapy	0	\$15	\$20	20%
MRI, CT Scans, PET Scans, SPECT Imaging	\$100	\$15	\$20	20%
Outpatient Therapy	\$40	\$15: 60 visits	\$20: 60 visits	20%
Durable Medical Equipment	20%	0%	Full cost	20%
Outpatient Mental Health	\$40: 20 visits year	\$25: 20 visits year	\$25: 20 visits year	\$40: 20 visits
Outpatient Substance Abuse Care	100% Covered 1st Individual/Group Therapy Visit After 1st Visit, \$30 Copay/Visit			20% 7 days/Admission; 4 Admission/Lifetime
Hospitalization	20%	0%	0%	20%
Inpatient Mental Health	20%	0%, non-SMI up to 35 days 0%, SMI up to 30 days	0%, non-SMI up to 35 days 0%, SMI up to 30 days	20%

Aetna Continued

Aetna	2008 Aetna Open Choice PPO	2008 Aetna Patriot Plan HMO	2008 Aetna Choice POS	2009 HOP MC Plan (Highmark)
Amount Member Pays (<i>Allowances in italics</i>)				
Physical Exams	\$20/PCP; \$40/specialist waived	\$10	\$10	\$20
Ob/Gyn Exams; Mammograms	\$40/exam; deductible waived	\$15	\$20	\$40
Vision Exam	\$40/exam; deductible waived	\$15	\$20	Full cost
Hearing Exam	\$40/exam; deductible waived	\$15	\$20	Full cost
Prescription Lense <i>Allowance</i> (24 months)	\$70	\$100	\$70	0
Hearing Aid <i>Allowance</i> (36 months)	0	0	0	0
Dental Care	Full cost	\$2/exam + cleaning	Full cost	Full cost
PHARMACY				
Annual Deductible	None	None	None	None
Retail Tier 1	30%	50%	50%	30%
Retail Tier 2	30%	50%	50%	50%
Retail Tier 3	50%	50%	50%	100%
Retail Tier 4	50%	N/A	N/A	N/A
Mail Order Tier 1	30%	50%	50%	30%
Mail Order Tier 2	30%	50%	50%	50%
Mail Order Tier 3	50%	50%	50%	100%
Mail Order Tier 4	50%	N/A	N/A	N/A
Out of Network Benefits		None		
Deductible	\$500 individual/\$1,500 family		\$300	\$500 Individual / \$1,500 Family
Out-of-Pocket Maximum	None		None	None
Coinsurance	30%		20%	30%

UPMC

UPMC	2008 UPMC Health Plan	2009 HOP MC Plan (Highmark)
Number of Participants <i>*Count by Contracts</i>	1	N/A
Amount Member Pays <i>(Allowances in italics)</i>		
Premium	\$950	\$838
Deductible	None	\$100
Out-of-Pocket Maximum / Benefit Cap	None	\$10,000
Doctor Visits	\$5 PCP \$20 Specialist	\$20 PCP; \$40 Specialist
Outpatient Surgery	0%	20%
Emergency Room (waived if admitted)	\$50	\$100
Diagnostic Testing	0%/Xrays; \$30/high-tech	20%
<i>Clinical Lab</i>	0	20%
<i>X-Ray</i>	\$100 Copay	20%
<i>Radiation Therapy</i>	0	20%
<i>MRI, CT Scans, PET Scans, SPECT Imaging</i>	\$100	20%
Outpatient Therapy	\$20	20%
Durable Medical Equipment	15%	20%
Outpatient Mental Health	\$20: 20 visits	\$40: 20 visits
Outpatient Substance Abuse Care	100% Covered 1st Individual/Group Therapy Visit After 1st Visit, \$25 Copay/Visit	20% 7 days/Admission; 4 Admission/Lifetime
Hospitalization	0%	20%
Inpatient Mental Health	0%: 30 days	20%

UPMC Continued

UPMC	2008 UPMC Health Plan	2009 HOP MC Plan (Highmark)
Physical Exams	\$5	\$20
Ob/Gyn Exams; Mammograms	\$0	\$40
Vision Exam	\$20	Full cost
Hearing Exam	\$20	Full cost
Prescription Lense <i>Allowance</i> (24 months)	<i>\$150 allowance for frames/contacts</i>	0
Hearing Aid Allowance (36 months)	<i>\$1,000</i>	0
Dental Care	Full Cost	Full cost
PHARMACY		
Annual Deductible	None	None
Retail Tier 1	\$5	30%
Retail Tier 2	\$25	50%
Retail Tier 3	\$50	100%
Retail Tier 4	N/A	N/A
Mail Order Tier 1	\$15	30%
Mail Order Tier 2	\$75	50%
Mail Order Tier 3	\$150	100%
Mail Order Tier 4	N/A	N/A
Annual Maximum	\$3,500 maximum brand drugs (excludes generic drugs)	
Out of Network Benefits	None	
Deductible		\$500 Individual / \$1,500 Family
Out-of-Pocket Maximum		None
Coinsurance		30%

Out of State Managed Care Organizations

Out-of-State	2008 Keystone East/Amerihealth POS	2008 PacifiCare/Secure Horizons HMO	2008 Humana Group Medicare HMO	2009 HOP MC Plan (Highmark)
Number of Participants <i>*Count by Contracts</i>	18	1	2	N/A
Amount Member Pays <i>(Allowances in italics)</i>				
Premium	\$529	\$694	\$939	\$838
Deductible	None	None	None	\$100
Out-of-Pocket Maximum / Benefit Cap	None	None	None	\$10,000
Doctor Visits	\$15/PCP \$30/specialist	\$15	\$20	\$20 PCP / \$40 Specialist
Outpatient Surgery	\$50	\$125	\$100	20%
Emergency Room (waived if admitted)	\$100	\$50	\$75	\$100
Diagnostic Testing	\$30	\$15	\$10	20%
Outpatient Therapy	\$30	\$15	\$20	20%
Durable Medical Equipment	30%	0%, \$5,000 annual maximum	0%	20%
Outpatient Mental Health	\$30: 20 visits	\$15: 30 visits	\$20: 20 visits	\$40/visit: 20 visits/calendar
Outpatient Substance Abuse Care				20% 7 days/Admission; 4 Admission/Lifetime
Hospitalization	\$100 day/\$500 max	\$250	\$100 per admission for days 1-3	20%
Inpatient Mental Health	\$100 day/\$500 max up to 30 days	\$250 admission up to 30 days	\$100 per admission up to 30 days	20%
Physical Exams	\$15	\$15	\$10	\$20
Ob/Gyn Exams; Mammograms	\$15	\$15	\$10	\$40
Vision Exam	\$25	\$15	Full cost	Full cost
Hearing Exam	\$25	\$15	Full cost	Full cost
Prescription Lense <i>Allowance</i> (24 months)	\$100	0	0	0
Hearing Aid Allowance (36 months)	0	0	0	0
Dental Care	Full cost	Full cost	Full cost	Full cost

Out of State Continued

Out of State	2008 Keystone East/Amerihealth POS	2008 PacifiCare/Secure Horizons HMO	2008 Humana Group Medicare HMO	2009 HOP MC Plan (Highmark)
PHARMACY				
Annual Deductible	None	None	None	None
Retail Tier 1	\$15	\$10	\$10	30%
Retail Tier 2	\$35	\$25	\$20	50%
Retail Tier 3	\$50	N/A	\$40	100%
Retail Tier 4	N/A	N/A	25%	N/A
Mail Order Tier 1	\$30	\$20	\$25	30%
Mail Order Tier 2	\$70	\$50	\$50	50%
Mail Order Tier 3	\$100	N/A	\$100	100%
Mail Order Tier 4	N/A	N/A	25%	N/A
Out of Network Benefits		None	None	
Deductible	\$500			\$500 Individual / \$1,500 Family
Out-of-Pocket Maximum	None			None
Coinsurance	30%			30%

Health Care Committee Meeting

August 13, 2008

Pennsylvania Public School
Employees' Retirement System (PSERS)

Health Options Program



Annual Notice of Change
Evidence of Coverage



Preview of 2009 Communications

Summary of Changes

This chart highlights what is changing for both the Basic and Enhanced Medicare Rx Options. Changes are in color.

	Basic Medicare Rx Option		Enhanced Medicare Rx Option	
	2007	2008	2007	2008
Your Monthly Premium	\$20	\$25	\$50	\$78
What you pay below the coverage gap for:				
Generic drug	\$7	\$7	\$7	\$7
Brand-name drug that has no generic equivalent	\$25	\$25	\$25	\$25
Brand-name drug that has generic equivalent	\$7 + cost difference	\$7 + cost difference	\$7 + cost difference	\$7 + cost difference
Specialty drug	25%	25%	25%	25%
Spending threshold for catastrophic coverage	\$2,400	\$2,510	\$2,400	\$2,510
What you pay for most drugs in the coverage gap	100%	100%	50%	50% of cost up to \$100 (payment plan required)
COOP threshold for catastrophic coverage	\$1,650	\$1,650	\$3,350	\$4,350
What you pay for most drugs under catastrophic coverage	5%	5%	5%	5%

What Is Changing and Why

Higher Monthly Premiums

Starting January 1, 2008, the monthly premium that you pay for coverage under the Basic Medicare Rx Option will increase from \$20 to \$25. The monthly premium for coverage under the Enhanced Medicare Rx Option will increase from \$50 to \$78. These increases are caused by reductions in the amounts paid by Medicare to support Medicare prescription drug programs in 2007 and 2008. While Medicare is still paying most of the cost of the benefits, participant premiums must make up for the reduced Medicare payments and drug cost inflation. You may be able to reduce your premium expense without increasing your out-of-pocket spending for prescription drugs by changing your coverage from the Enhanced Medicare Rx Option to the Basic Medicare Rx Option. See the examples starting on page 6.

Who will be affected by this change?

All participants enrolled in the Basic and Enhanced Medicare Rx Options.

Increased Coinsurance for Specialty Drugs

If you purchase a drug on the Specialty Drug list, the amount you pay below the coverage gap is increasing from 25% to 50% of the cost under both the Basic and Enhanced Medicare Rx Options. A Specialty Drug is generally a high-cost medication (\$600 or more for a 30-day supply) used for the treatment of a serious health condition. We are increasing Specialty Drug coinsurance to avoid even higher premium increases and to move plan participants with high prescription drug costs more efficiently into catastrophic coverage where they will generally pay only 5% of the cost. Spending for members taking one or more Specialty Drugs is likely to reach the catastrophic coverage level (\$4,050 out of pocket) at some point during the year. Once catastrophic coverage is reached, in addition to members paying only 5% of covered prescription drug costs, Medicare increases its payments to the plan.

Who will be affected by this change?

This change affects members using Specialty Drugs who will not reach the catastrophic coverage level during 2008.

Benefits Capped at \$100 in the Medicare Coverage Gap

Currently, when your prescription drug spending reaches the coverage gap, the Enhanced Medicare Rx Option pays 50% of the cost for most drugs (generic, brand-name drugs that have no generic equivalent and Specialty Drugs). In 2008, the Enhanced Medicare Rx Option will continue to pay 50% of the cost for a covered drug—up to a cost of \$200. If you purchase a drug that costs more than \$200, the Enhanced Medicare Rx Option will pay \$100 and you'll pay the balance.

For example, say your prescription drug spending reaches the coverage gap, and

AGENDA

Negotiations
with
Highmark
2009



Contract
Renewals

2009

Premium
Rates

2009

Contract Renewals

CORESOURCE

A Trustmark Company

Third Party Administrator for the Health
Options and Premium Assistance Programs



Pharmacy Benefits Manager for the Basic &
Enhanced Medicare Rx Options and Pre-65
Medical Plan prescription drug benefit

2009

2009 Benefits & Rates

HOP

HEALTH OPTIONS PROGRAM



WWW.HOPBENEFITS.COM

HOP Medical Plan

HOP Pre-65 Medical Plan

(Legacy High & Standard Options)

Basic & Enhanced Medicare Rx Options

HOP Medicare Advantage by Highmark

HOP Pre-65 Managed Care by Highmark

2009

Benefits

HOP Medical Plan



Pilot Program (2009 and 2010 with assessments each year)

Cost = \$2.80 per member per month
(\$1.4 million per year)

Paid from HOP Reserves for 2009

2009

Rates

HOP Medical Plan (Single Rate)

Pennsylvania	2008	2009	Increase
Southeast	\$180	\$197	\$17(9%)
Southwest	\$168	\$185	\$17(10%)
North & Central	\$149	\$155	\$6(4%)
Other States			
FL, NJ, NY	\$180	\$197	\$17(9%)
DE, MD	\$168	\$185	\$17(9%)
NC, SC, VA	\$149	\$155	\$6(4%)

2009

Benefits

HOP Pre-65 Medical Plan

No Change

Rates

HOP Pre-65 Medical Plan (Single Rate)

	2008	2009	Increase
Medical Only	\$516	\$566	\$50(10%)
Medical & Rx	\$616	\$682	\$66(11%)

2009

Benefits

Legacy High & Std. Options

No Change

Rates

Legacy High & Std. Options (Single Rate)

<i>Effective 7/1</i>	2008	2009	Increase
High Option	\$1,724	\$1,983	\$259(15%)
Standard Option	\$1,021	\$1,175	\$154(15%)

2009

Benefits

Basic & Enhanced Medicare Rx Options

Change Initial Tier Brand Name Co-pay
(30-day supply)

\$0 to \$2,700	Current	2009
Generic	\$7	\$7
Brand (Single Source)	\$25	30%*
Brand (Multi. Source)	\$7+Diff	\$7+Diff
Specialty	33%	33%

*\$25 through Mail Service

2009

Benefits

Basic & Enhanced Medicare Rx Options

Mail Service (90-day supply)

\$0 to \$2,700

Current

2009

Generic

\$21

\$21

Brand (Single Source)

\$75

\$75*

Brand (Multi. Source)

\$21+Diff

\$21+Diff

Specialty

33%

33%

*30% through Retail Pharmacy

2009

Rates

Medicare Rx Options (Single Rate)

	2008	2009	Increase
Basic	\$25	\$25	\$0
Enhanced	\$78	\$83	\$5(6%)

2009

Benefits



HOP Medicare Advantage by Highmark

<u>Member Pays</u>	<u>Highmark</u>	<u>Competitor (\$)</u>	<u>#</u>
Doctor Visits	\$15	Capital (\$10)	936
Outpatient Surgery	0%	Aetna (\$10)	1,299
Clinical Lab	0%	UPMC (\$5)	188
Radiation Therapy	0%		
X-ray	0%		
Durable Medical	15%	Key-East (0%)	1,609
Outpatient Mental	\$15	Capital (5%)	936
Hospitalization	0%	Aetna (0%)	1,299
Inpatient Mental	0%		

2009

Benefits



HOP Medicare Advantage by Highmark

<u>Member Pays</u>	<u>Highmark</u>	<u>Competitor (\$)</u>	<u>#</u>
Emergency Room	\$50	Key-East (\$40)	1,609
Physical Exams	\$0-15	IBC (\$0)	560
Ob/Gyn Exams	\$0-15	Aetna (\$0)	1,299
Fitness	SilverSneakers	UPMC (\$5)	188
Annual Vision Exam	\$15		
Lens Allowance	\$100	UPMC (\$150)	188
Hearing Exam	\$15		
Hearing Aids Allow.	\$500	UPMC (\$1,000)	188
Dental Care Exam	30%		

2009

Benefits



<u>PHARMACY</u>	<u>Highmark</u>	<u>Competitor (\$)</u>	<u>#</u>
<i>1st Tier \$0 to \$2,700</i>			
Retail Generic	\$20	All MCOs (\$5)	6,000
Preferred Brand	\$20		
Non-Pref. Brand	\$50	Key-E/IBC (\$40)	2,169
Specialty	25%	Aetna (\$40)	1,299
<i>After \$2,700 to \$4,350 TrOOP</i>			
Retail Generic	\$20		
Retail Brand	\$20		
Non-Pref. Brand	\$50		
Specialty	\$50		
Catastrophic	5%		

2009

Rates



HOP Medicare Advantage by Highmark

Monthly Premium for Single Coverage

	Highmark	<u>Competitor (\$)</u>	<u>#</u>
Southeast PA	\$240		
Southwest PA	\$228	UPMC (\$129)	188
North & Central PA	\$216	Capital (\$207)	831
Out-of-State:			
FL, NJ, NY	\$306	Humana (\$72-169)	35
CA, MD, All other	\$261		
AZ, DE, NC, OH, VA	\$186		

2009

Benefits



An Independent Licensee of the Blue Cross and Blue Shield Association

HOP Pre-65 Managed Care by Highmark

<u>Member Pays</u>	<u>Highmark</u>	<u>Competitor (\$)</u>	<u>#</u>
Deductible	\$100	Most MCOs (\$0)	595
Doctor Visits	\$20/40	Most MCOs (\$10)	625
Outpatient Surgery	20%	Some MCOs (0%)	123
Clinical Lab	20%	Some MCOs (0%)	132
Radiation Therapy	20%	Some MCOs (0%)	223
X-ray	20%	Some MCOs (0%)	90
Durable Medical	20%	Few MCOs (0%)	66
Outpatient Mental	\$40	Most MCOs (\$20)	627
Hospitalization	20%	Some MCOs (0%)	260
Inpatient Mental	20%	Some MCOs (0%)	260

2009

Benefits



An Independent Licensee of the Blue Cross and Blue Shield Association

HOP Pre-65 Managed Care by Highmark

Member Pays	Highmark	<u>Competitor (\$)</u>	<u>#</u>
Emergency Room	\$100	Some MCOs (\$50)	220
Physical Exams	\$20	Most MCOs (\$15)	627
Ob/Gyn Exams	\$40	Most MCOs (\$15)	627
Fitness Benefit	Prime Fitness		
Vision Exam	100%	Most MCOs (\$20)	532
Lens Allowance	\$0	Most MCOs (\$70)	475
Hearing Exam	100%	Most MCOs (\$20)	455
Hearing Aid Allow.	\$0	UPMC (\$1,000)	1
Dental Care	100%	Aetna (\$2)	58

2009

Rates



HOP Pre-65 Managed Care by Highmark

Monthly Premium for Single Coverage

	<u>Highmark</u>	<u>Competitor (\$)</u>	<u>#</u>
<u>Southeast PA</u>	\$852	<u>Key-East (\$532)</u>	<u>262</u>
Southwest PA	\$852		
<u>North & Central PA</u>	\$852	<u>Capital (\$660)</u>	<u>32</u>
Out-of-State:			
FL, NJ, NY	\$852		
<u>CA, MD, All other</u>	\$852	<u>Amerihealth (\$529)</u>	<u>18</u>
<u>AZ, DE, NC, OH, VA</u>	\$852	<u>Aetna (\$708)</u>	<u>58</u>
		<u>Pacificare (\$694)</u>	<u>1</u>

2009

QUESTIONS?

2009

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**Proposed
PSERB Resolution 2008-_____**
**Re: Health Options Program Medicare Advantage
and Companion Managed Care Plans**
August 13, 2008

RESOLVED, that the Health Care Committee of the Public School Employees' Retirement Board (the "Board") hereby recommends the Board approve staff's recommendation that all managed care participants be transferred to the new Medicare Advantage and companion managed care plan effective January 1, 2009. During the October 1, 2008 through November 15, 2008 option selection period, all HOP participants may elect among the options available to them in their local residence area. Participants within Pennsylvania will have a choice between the HOP Medical Plan (with or without prescription drug benefits) and the HOP Managed Care Plan (including prescription drug benefits) provided through Highmark.

**Proposed
PSERB Resolution 2008-_____**
**Re: Health Options Program 2009 Plan Design Changes for the
Basic and Enhanced Medicare Rx Options**
August 13, 2008

RESOLVED, that the Health Care Committee of the Public School Employees' Retirement Board (the "Board") hereby recommends the Board approve, effective January 1, 2009, the benefits provided by the Basic and Enhanced Medicare Rx Options as recommended in the report prepared by Mark J. Schafer, Health Care Administrator, dated August 2009: *2009 Premium Rates and Benefits For The HOP Medical Plan, Pre-65 Medical Plan, Legacy High and Standard Options, and Basic and Enhanced Medicare Rx Options.*

Proposed
PSERB Resolution 2008-_____
Re: Health Options Program 2009 Plan Year Premium Rates for the
HOP Medical Plan
HOP Pre-65 Medical Plan (with and without prescription Drugs)
Legacy High and Standard Options
(for Participants Over 65 and Not Eligible for Social Security)
Basic and Enhanced Medicare Rx Options
August 13, 2008

RESOLVED, that the Health Care Committee of the Public School Employees' Retirement Board (the "Board") hereby recommends the Board approve, effective January 1, 2009, the monthly premium rates and benefits as recommended in the report prepared by Mark J. Schafer, Health Care Administrator, dated August 2009: *2009 Premium Rates and Benefits For The HOP Medical Plan, Pre-65 Medical Plan, Legacy High and Standard Options, and Basic and Enhanced Medicare Rx Options.*