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October 27, 2015

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OAKLAND LOCAL APWU

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Dear Brother Jacobs:

Numerous inquiries have been and are being received concerning the increase in the APWU Health Plan premiums for 2016.

Please consider this the Health Plan's response to 2016 Health Plan premium increases.

Premium increases for the Consumer Driven Option range between \$1.13 for Self Only and \$4.09 for Self and Family per pay period. These increases seem reasonable and the premiums remain extremely competitive.

Three primary factors attributed to the 2016 premium increase for the **High Option**.

1. Pursuant to the Collective Bargaining Agreement between the APWU and USPS, beginning in 2016, the USPS contribution for health insurance decreased from 77% of the weighted average to 76%. This increased the employee's share by \$6.78.
2. The implementation of the Self Plus One Option, is projected to have an adverse shift in the Self and Family enrollment pool for 2016. Approximately 59% of the High Option Self and Family memberships have only two covered lives and will move to Self Plus One for 2016. To compound matters, a majority of the 59% are covered by Medicare A or Medicare A and B. The Health Plan's liability for this group is only 20% for hospital and outpatient services excluding prescription drugs. Therefore, the Self and Family risk pool will no longer enjoy the subsidies they have been receiving through the Medicare population.

The increase in health care utilization, especially prescription drugs, exceeded projections for 2014. While the Health Plan was able to minimize premium increases for 2014 and 2015, continued increases of health care utilization required the High Option 2016 premium increases to maintain financial stability of the APWU Health Plan.

The APWU Health Plan recognizes the High Option premium increases for many members will be difficult and may cause some members to look for alternatives during this Open Season. However, the APWU Health Plan's High Option premiums are still competitive with both the Blue Cross and Blue Shield and GEHA's High Option premiums. These are two of the largest PPO Plans in the FEHBP. As stated earlier, many members in the High Option will move to the Self Plus One Option which will lessen the impact for that group. We also encourage all High Option Self and Family members to consider the Consumer Driven Self and Family Option. We believe the Consumer Driven Option is an outstanding alternative to the traditional PPO product.

While there may be other plans that have lower premiums, we believe the APWU Health Plan provides more value than many of these plans. Take for instance the Health Plan's Diabetes Management Program where members can receive treatment for their diabetes, including office visits, labs and generic medications and supplies at no cost to the member. We also offer a Hypertension Management Program where members can receive treatment for hypertension, including office visits, labs and generic prescription drugs at no cost. These are only a few of the programs we believe provide a financial incentive to remain with the APWU Health Plan. In order to make an informed decision, you should not select your health insurance based on premium alone. You should review the premium, deductibles, coinsurance, catastrophic limits and Disease Management Programs.

Yours in Union Solidarity,



William J. Kaczor, Jr.
Director