

Raising premiums did not come easy for the Board, as I said earlier; they haven't raised them in over 10 years, which is actually unheard of in the insurance industry. They decided to do it in two parts, a small increase on January 1, 2014 and another small increase on October 1, 2014. There will also be a slight premium increase for dental coverage, but your vision care will continue to be included free for all participants of the medical insurance, and life insurance will continue to be free for all employees and retirees.

Premiums for retirees will also go up; the Board felt this was only fair since premiums for retirees are heavily subsidized by the active employees. In addition to this, they receive a very generous stipend from the Retirement Insurance Fund and most receive a subsidy from FRS to help pay their medical premiums and expenses. Naturally, the Board regrets having to raise anyone's premiums.

Unfortunately, raising premiums only makes up only about 1.3 million dollars of the nearly 4 million dollars in budget reductions needed to keep next year's loss at a manageable amount. The Board also needed to get creative with adding new services that would reduce claims cost and change a few things in the medical and dental plans to help in lowering claims cost, I will briefly explain each of the changes.

Prescription drugs is one area where medical inflation has gotten completely out of control, we are experiencing an almost 24% increase in the cost of prescription drugs this year alone, and that is with a 70% plus generic utilization. In order to combat this problem the Fund has made two major changes for next year. The first change beginning January 1, 2014 all prescriptions will be increased by \$10, generics which are currently free will be the lower of actual cost or \$10 whether getting a 30 day supply locally or a 90 day supply through Sav-Rx, formulary and non-formulary medications will also increase by \$10 per prescription. The second change, which for many of us will make the first change irrelevant, is we will be opening our own full service pharmacy. As many of you know we currently carry about 100 different medications in our clinic which we dispense for patients of the clinic on a one time basis. We are able to purchase these medications at a greatly reduced cost compared to medications from CVS, Walgreens, Publix, etc. We did a study on what the impact would be if we were able to place a pharmacy in-house that would provide 80% of the prescription needs for 60% of our participants and discovered that we could save nearly \$500,000 annually. The new in-house pharmacy will be available for all prescriptions approved and dispensed by the providers in the clinic, including on-going refills of most of your medications. And, if it's not convenient for you to stop by and pick up your meds we will drop them in the mail and you'll have them the next day, and as with all services of the clinic these medications will be free of charge. The current prescription program is still available for all of our participants and will be required for narcotics and high dollar specialty medications.

Another area we felt we could bring in house and save you and the Fund money was with CT scans. Last year the Fund paid out almost \$650,000 for CT scans, a percentage of those in the form of full body scans, the rest in physician ordered scans for diagnostic reasons. Additionally our participants paid out over \$50,000 in co-insurance for these scans. After much research it was determined that we could purchase and install a state of the art, low radiation dosing CT from GE or Siemens and actually lower our claims costs by more than \$250,000 a year if we took over 100% of the body scans and only 60% of all other scans that our participants are getting, in addition to saving you the \$30-\$80 per scan that you'd pay out of pocket to get the scans done elsewhere, such as an independent imaging center. And with the newest generation of CT scanners the radiation exposure can be reduced by up to 60%, a huge win for our members, the current machine being used for the body scans today is over 17 years old. The newest generation of CT scanners also are packed with features unheard of even just a few years ago, not to mention the convenience of not being sent out for a scan which will mean another appointment and use up more of your valuable time, instead you will just walk down the hall to the CT room if your study is being ordered by one of the providers in the clinic.

The Board of Trustees also chose to raise the out of network deductibles for the medical and dental plans. Using out of network providers cost the Fund a tremendous amount of money, almost 4 million dollars last year alone between both the medical and dental plans, and with our networks providing an average of a 65% discount, well you can do the math, it's just wasted money which all of us are paying for. The out of network deductible for the medical will be increased to \$1,000 from \$500 per year, the out of network deductible for the dental will be changed from \$50 per visit to \$500 per year, both of these changes are meant to encourage in-network usage of the plan benefits. Additionally, there will now be a \$125 in-network deductible with a maximum of two deductibles or \$250 per family in any one calendar year, the in-network deductible does not come into play for doctors visits or urgent care facility visits.

An in house health coach/nutritionist/patient care advocate is another area the Board is confident we can save the Fund money and provide a better level of service to the participants. Currently we pay UMR for these services and it's just not working for our members, we feel because it is an off-site phone call type of service. We are cancelling those services with UMR and will hire an in house provider that will work alongside the clinic staff to assist our members in becoming healthier, she will be available to meet privately one on one with you at first and then by phone for follow up consultations if more convenient, or to continue with face to face meeting if preferred. We feel that this is enhancing a service already available to you while at the same time saving the Fund up to \$50,000 the first year alone.

Obamacare has not left the Fund unscathed next year with the many new rules going into effect for 2014. While most of the health care reform doesn't really affect us much, one set of fees generated by it is costing the Fund nearly \$300,000 next year. Another dictates how we treat your out of pocket expenses, currently only co-insurance expenses are counted towards your out of pocket maximums. Obamacare dictates that all medical expenses except premiums will now count towards your out of pocket maximums. That one little change alone could cost the Fund millions of dollars so the Board of Trustees made a small change to the limit of those expenses before everything is covered 100%. Currently your out of pocket maximums are \$1,000 per person or \$2,500 per family, Obamacare stipulates that an insurance company, like us, can raise the out of pocket caps to \$6,350 per person or \$12,700 per family, the Board chose to only raise our maximums to \$2,000 per person and \$5,000 per family. The Board felt the Fund would take the risk of any losses above those amounts for next year until we can develop some data as to how this change will impact the Fund.

I'm sure by now that many of you quit reading this letter a few pages back, but for those of you who stuck it out, thank you. It's not easy imparting information, especially long and boring information. In order for you to understand the finances of the Employee Benefits Fund I have created a PowerPoint with several graphs, pie charts and the like, it can be viewed at <http://myffbenefits.com/2014.pdf> you will also be able to view all of the new premium rates for 2014. As always we welcome your thoughts, ideas, and questions. I am quite confident that the Board of Trustees has adequately insured the future of the Fund with the changes they are implementing for next year, while at the same time improving your benefits. I thank them for their courage to make hard choices which is not always easy. The Board of Trustees along with the staff of the Fund and the Health & Wellness Center stand ready to be a part of a healthier future for you and your family.

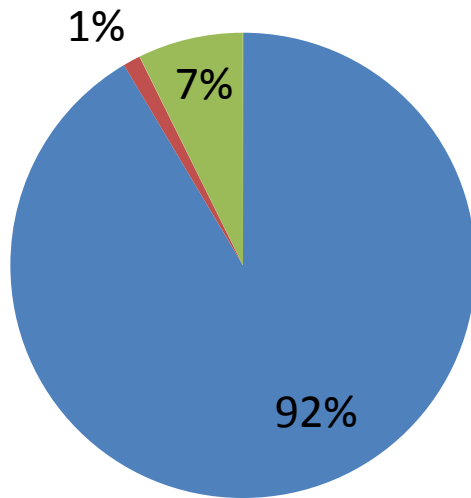
Fraternally,

Michael Sedgwick
Administrative Manager
PBC FF's Employee Benefits Fund

PBC FF's Employee Benefits Fund

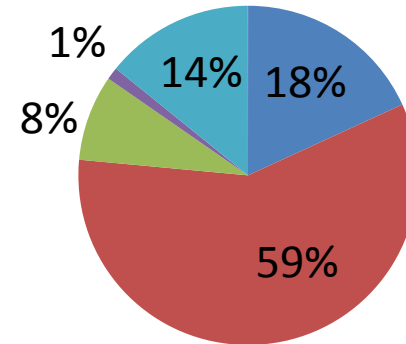
2014 Projected Total Expenses \$30,827,797

■ Benefits ■ Building ■ Clinic



2014 Projected Funding Sources \$30,827,797

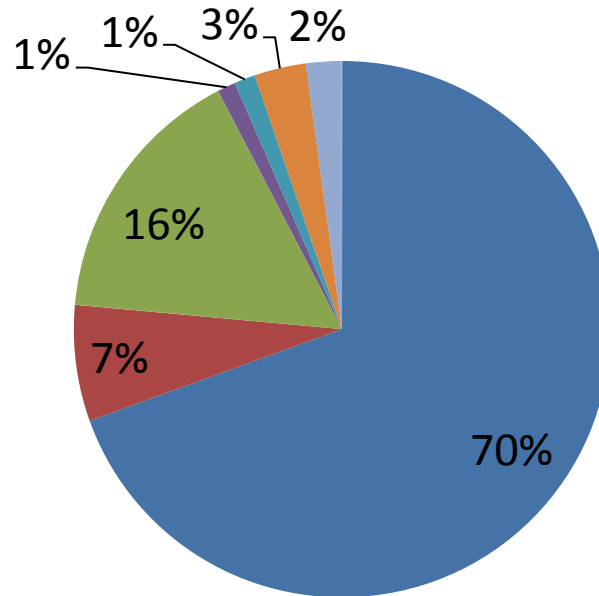
■ Employee ■ Employer
■ Retiree ■ Misc.
■ Reserves



PBC FF's Employee Benefits Fund

2014 Projected Benefits Expenses \$28,197,207

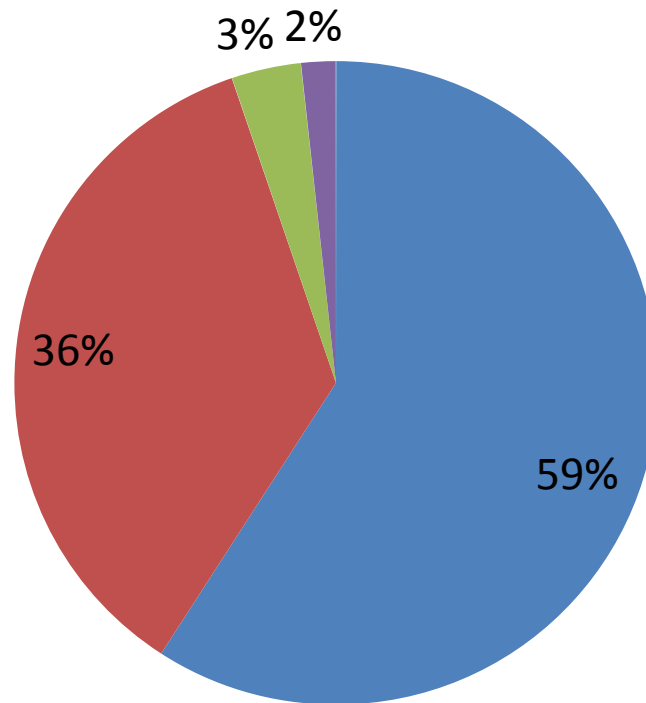
- Medical
- Prescriptions
- Life
- Capital Projects
- Dental
- Vision
- Operating Exp



PBC FF's Employee Benefits Fund

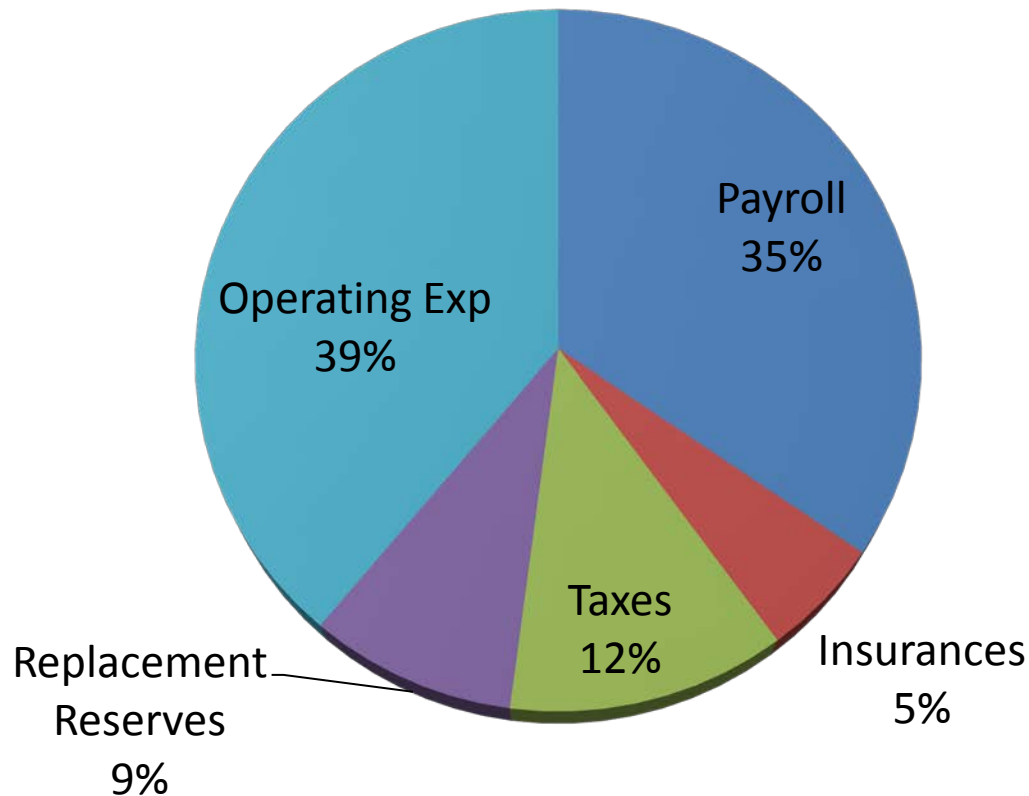
2014 Projected Clinic Expenses \$2,257,152

■ Payroll ■ Operating Exp ■ Supplies ■ Insurance



PBC FF's Employee Benefits Fund

2014 Projected Building Expenses \$373,437



PBC FF's Employee Benefits Fund

Employee Premium Rates for 2014

	Current	January 1, 2014	October 1, 2014 3% County employee pay raise
Medical (bi-weekly)			
Employee Only	\$ 59.51	\$ 65.46	\$ 72.00
Employee & Family	\$148.79	\$163.67	\$180.04
Dental (bi-weekly)			
Employee Only	\$ 3.41	\$ 4.26	\$ 4.26
Employee & Spouse	\$21.20	\$26.50	\$26.50
Employee & Children	\$21.83	\$27.29	\$27.29
Employee & Family	\$39.63	\$49.54	\$49.54

PBC FF's Employee Benefits Fund

Retiree Premium Rates for 2014

	Current	January 1, 2014
Medical (monthly)		
Retiree	\$362.50	\$435.00
Retiree & Family	\$508.75	\$610.50
Retiree (with Medicare)	\$146.59	\$330.10
Retiree & One (with 1 on Medicare)	\$293.18	\$505.60(this class is eliminated)
Retiree & One (with 2 on Medicare)	\$293.18	\$400.70 (this class is eliminated)
Retiree & Family (with 1 on Medicare)	\$380.34	\$505.60
Retiree & Family (with 2 on Medicare)	\$380.34	\$400.70
Dental (monthly)		
Retiree	\$ 7.38	\$ 9.23
Retiree & Spouse	\$45.93	\$ 57.41
Retiree & Children	\$47.30	\$ 59.13
Retiree & Family	\$85.87	\$107.34