February 23, 2015

TO: All Participants of the Plan A PPO Plan

FROM: Board of Trustees

RE: Summary of Material Modifications/Out-of-Network Maximum Allowable Charge Determination and Assignment of Benefits

The following changes will become effective for claims incurred on or after **April 1, 2015**:

1. Non-PPO Claims Maximum Allowable Charge

As a reminder, for claims submitted by **non-PPO providers** the Plan presently pays only 60% of the maximum allowable charge which is defined as the full amount payable to a PPO provider for the same service(s). Further, it is important to be aware that, unlike the protection afforded under the PPO Plan with respect to the setting of a maximum out-of-pocket cost to the participant, a participant using a non-PPO provider would be responsible for the difference between what is billed and what is paid by the Plan**. Thus, the balance due to the non-PPO service provider can be substantial.**

In an effort to make it clear as to how the maximum allowable charge applicable to a claim submitted by a non-PPO provider will be determined we wish to advise that with respect to out-of-network providers the maximum amount to be allowed as Eligible Expense shall be the **greater of** the average of maximum allowable charges for PPO providers in the immediate geographic area or an **average** of prices charged by comparable service providers in the immediate geographic area at the time service was rendered. In making this determination the Plan may use comparable pricing from the PPO Network and/or utilize the services of a third party to do so.

However, the above definition will not apply in instances where the Covered Person was in need of non-elective urgent or emergency care and the out-of-network provider was the closest source of the degree of treatment necessary or where there was no PPO Provider readily available within 30 miles to where the service was rendered.

2. Non-Assignment of Benefits

Presently the Plan permits a participant to assign the entitlement to a payment of benefits directly to a service provider regardless of whether or not they are a PPO panel provider. This is usually accomplished by executing a claim form or a standard assignment of benefits form provided by the service provider to whom such an assignment will be made.

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As of April 1, 2015 it will no longer be permissible for a Covered Person to assign entitlement to receipt of any benefits to be payable under the Plan to any service provider as the entitlement to benefits rests solely with the Covered Person. However, it will be possible to execute a written directive authorizing that any benefit(s) to be paid on behalf of the Covered Person may be paid directly to a service provider. In the event a service provider's "Assignment of Benefits" statement is submitted, or is on file in their office, it will not be binding on the Plan. However, such a statement will be recognized as a written directive to make payment directly to the service provider.

In other words, there may be no visible change to the current process through which most all claims from service providers (PPO or non-PPO) are submitted directly to Anthem and, following a full review and approval by the Trust Office, payment of the eligible expenses are routinely issued to the service provider by Anthem. What will change is that benefit payments will be made to the Covered Person unless there is a written directive to issue their benefit(s) to the service provider is on file prior to the processing of the claim by the Trust Office. In this regard the statement at the bottom of the Plan's standard claim form will permit issuance of benefit(s) due to the Covered Person directly to the service provider(s).

Note: Even if a service provider has a Covered Person execute their standard Assignment of Benefits form the assignment will not be binding on the Plan, but the Plan will recognize it as a written authorization to release any benefit payment on behalf of the Covered Person directly to the service provider.

Mission Valley Heights Surgery Center ("MVHSC")

In the event a Covered Person is to undergo any of the following elective out-patient surgeries we wish to bring to your attention a special pricing arrangement between this surgi-center and the Plan providing for substantially reduced charges for the facility and any implant devices: Hand, foot/ankle, shoulder, knee, lumbar laminectomy (levels 1 and 2) and pain. Available services include joint modification or replacement (i.e. total knee and shoulder replacement) and pain stimulators.

Examples: A Covered Person recently underwent an arthroscopic procedure on their knee on an out-patient basis at a local PPO hospital whose contracted rate with Anthem was $28,654. Had the procedure been performed at MVHSC the cost to the Plan would have been $4,658 for a **savings of $23,996** since this particular Covered Person was already at the 100% reimbursement level.

Another example of the extreme savings to be realized by using this facility is that for a knee replacement the Plan allows up to $30,000 for the facility and replacement device. Most hospital facilities in San Diego are charging fairly close to the $30,000 cap or choose to accept $30,000 as payment in full to keep a case from going to another hospital. The full cost from MVHSC for a knee replacement is $17,000 and the replacement device will be charged at cost 10% (presently approximately $6,700) for a total cost of $23,700 or a **savings of about $6,300 or 21%**.

Please note that many orthopaedic surgeons with **Sharp Rees Stealy** utilize this facility as well as surgeons with San Diego Orthopedic Associates Medical Group and California Orthopedic Institute.

Please keep in mind the Trust makes no representation or warranty about the services of any service provider. However, the Trustees believe it is prudent to notify plan participants of reputable providers who render services at reasonable prices.

If there are any questions relative to the above changes or the Mission Valley Heights Surgery Center please contact your claims examiner at the Trust Office (x-803).

Thank you.