

Summary of Material Modifications to Plan – Effective 01/01/2011

Employee Contributions

Employee Contributions may be made in increments of one percent (1%) up to one hundred percent (100%) of your gross earnings. Previously, there was a limit of fifteen percent (15%).

Self-Payment Period

Once you have made self-payments for 18 months, you will be given the option to continue coverage through CAL-COBRA, for medical insurance coverage only, with at least a 30 day notice unless the Flex Plan receives \$150 or more of employer contributions within the last 12 month period.

The \$150 or more of employer contributions must be physically received by the Flex Plan by the last day of the 12th month. For the purpose of tracking the contributions, the date the employer contribution is received will be used, not the month the work was actually performed.

CAL-COBRA allows you to continue medical insurance coverage only for an additional 18 months with a premium cost of 10% over the self-payment/COBRA rate. Once a participant receives \$100 or more in contributions within two consecutive work months, the member would then re-qualify as a new plan participant and be eligible for the self-payment/COBRA rate.

Individual Policies

Any participant with an individual policy on file with the Flex Plan will be required to submit a "Premium Verification Form" and supporting documentation from the provider showing rate information. This document will be generated once the participant processes Open Enrollment. To avoid interruption in payments from the Flex Plan, please be sure to process Open Enrollment and return the completed "Premium Verification Form" and supporting documentation. This will be an annual requirement hereafter.

Participants who request reimbursement of premiums and/or expenses will not be eligible for reimbursement until this information is on file with the Administrative Office.

Participants for which the Flex Plan makes periodic payments on their behalf will need to submit updated rate verification information at least once each calendar year. If this information is not received by the Administrative Office, a reminder notice will be sent to the Participant. If the required information is not received by the Administrative Office within 30 days of the notice, payments to their provider will be suspended.

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Reimbursement of Over-the-Counter Items

The Affordable Care Act, enacted in March, established a new uniform standard that takes effect 01/01/2011. Under the Act, the cost of an over-the-counter medicine or drug cannot be reimbursed from your Flex Plan account unless a prescription is obtained. The change does not affect insulin, even if purchased without a prescription, or other health care expenses such as medical devices, eye glasses, contact lenses, co-pays and deductibles. The new standard applies only to purchases made on or after 01/01/2011, so claims for medicines or drugs purchased without a prescription in 2010 can still be reimbursed in 2011.

Definition of Dependent for Reimbursement Purposes under the Flex Plan

The definition of a dependent is someone you claim on your tax return and provide at least 51% of his or her financial support as well as participant's children until they attain age 26.

Domestic Partner Benefits

- If you claim your domestic partner as a tax dependent:

The cost of coverage (insurance premiums) as well as out-of-pocket medical expenses may be reimbursed from your Flex Plan account subject to Plan rules. Reimbursement claims for domestic partners must be submitted on a separate claim form. The claim(s) must be submitted in accordance with Plan guidelines and will not be reimbursed until the Plan has received a copy of your tax return for the year in question showing your domestic partner as a tax dependent.

- If your domestic partner is not your tax dependent:

The IRS does not permit reimbursement of premium, out-of-pocket or any other expenses from your Flex Plan account balance.

For more detailed information on Domestic Partner Benefits, please call the Member Services Department and request a full copy of the Domestic Partner Policy and Instructions.