

# SOUTHWESTERN TEAMSTERS SECURITY FUND

---

Administrator:  
Southwest Service Administrators, Inc.  
2400 W. Dunlap Ave., Suite 250  
Phoenix, Arizona 85021

Phone (602) 249-3582  
Toll free (800) 474-3485  
Fax (602) 336-0895

**To:** All Class 4 Eligible Participants and Dependents

**Date:** November 27, 2006

**Re:** Southwestern Teamsters Security Fund

---

The cost of healthcare continues to be one of the most important issues facing Americans today. It continues to rise and the number of uninsured continues to climb. As we indicated last year, the Southwestern Teamsters Security Fund is not immune to these national trends.

Remember, the Southwestern Teamsters Security Fund is made up of Teamster-represented employees, retirees, and their families. **Every dollar collected by the Fund is spent to benefit the participants (Teamster members and their families).** The Fund provides benefits on a self-funded basis. Accordingly, it operates like an insurance company would, but without the requirement to produce a profit. This approach had allowed the Fund to accumulate greater reserves in times when benefit expenses and investment returns were more favorable than expected. It has also allowed the Fund to utilize reserves when benefit expenses exceed contribution income.

Because of increasing healthcare costs, Southwestern Teamsters Security Fund expenses have increased at a much greater rate than contribution income. The Fund has been utilizing reserves to meet the benefit expenses for you and your family members for the last three years, but these reserves have been depleting. The increased costs combined with the decreased reserves have made it necessary to adjust the level of Class 4 benefits.

When considering benefit changes, the main objective remains to provide you and your family with the financial protection against the expense of a catastrophic illness or injury. In order to achieve that objective, we have had to make difficult decisions in order to keep the Fund financially solvent so that it may continue to provide meaningful benefits.

**Effective January 1, 2007**, the following changes will be made to your medical plan:

#### OFFICE VISIT CO-PAYMENT

The office visit co-payment for a **PPO or PAR** provider will **increase** from \$10 to **\$20** per visit. The physician office visit co-payment for a **Non-PPO or a Non-PAR** provider will **increase** from \$10 per visit to **\$25** per visit.

#### CALENDAR YEAR DEDUCTIBLE

The calendar year deductible will be **increased** from \$100 per person (\$300 per family) to **\$200 per person (\$600 per family)**. This is the amount that you pay before benefits are payable by the Plan.

#### EMERGENCY ROOM CO-PAYMENT

An **emergency room co-payment of \$100** will be applied for each visit to an emergency room. The co-payment will be waived if the visit results in treatment of a fracture, ER surgery or is immediately followed by hospital admission.

#### MEDICAL COINSURANCE

The coinsurance percentages payable by the Plan have been **decreased** as outlined in the table below:

	<b>Current Coinsurance</b>	<b>New Coinsurance</b>
<b>In-Network</b>	95% of the first \$15,000, then the plan pays 100%	85% of the first \$15,000, then the plan pays 100%
<b>Out-of-Network</b>	85% of the first \$15,000, then the plan pays 100%	65%, however the Plan <u>does not increase its payment to 100%</u>

**PRESCRIPTION DRUG CO-PAYMENTS**

The Fund has started a 4-tier co-payment structure for outpatient prescription drugs. As you know, your greatest cost savings is still available by using generic drugs and/or the mail order service.

Old co-payments	New co-payments
<b>In-Network Retail Pharmacy:</b> Generic: \$7 co-payment Brand: \$10 co-payment	<b>In-Network Retail Pharmacy (30-day supply):</b> Generic: \$10 co-payment Brand with no generic available: \$20 co-payment Brand if generic available: \$50 co-payment Non-formulary: \$60 co-payment
<b>Mail Order (Home Delivery):</b> Generic or Brand: \$15 co-payment	<b>Mail Order (90-day supply):</b> Generic: \$20 co-payment Brand with no generic available: \$60 co-payment Brand if generic available: \$75 co-payment Non-formulary: \$120 co-payment

The above noted prescription drug co-payment changes do not affect the fact that **the Plan is still considered to be creditable** (as valuable as Medicare's prescription drug plan design).

Reimbursement for non-contracted pharmacies has not changed. If you go to a non-contracted retail pharmacy **within** the service area, reimbursement will be 60% of billed charges. If you go to a non-contracted retail pharmacy **outside** the service area, reimbursement will be 85% of billed charges. Also, please remember that expenses for outpatient prescription drugs do not apply toward the Plan's annual Coinsurance Maximum.

Please keep this important notice with your Plan Document/Summary Plan Description (SPD) for easy reference to all Plan provisions.

If you would like to view or receive a copy of the actual amendments or have any questions, please contact the Administrative Office at (602) 249-3582, or toll free at (800) 474-3485.

Sincerely,

Board of Trustees

**Receipt of this notice does not constitute a determination of your eligibility. If you wish to verify eligibility or if you have any questions regarding this Plan change, please contact the Administrative Office.**