

MICHIGAN CARPENTERS' FRINGE BENEFIT FUNDS

Michigan Carpenters' Health Care Fund
Michigan Carpenters' Pension Fund
Michigan Carpenters' Apprenticeship & Training Fund

May 2003

IMPORTANT NOTICE

RE: Michigan Carpenters' Health Care Fund – Summary of Material Modifications

Dear Participant:

For over a year, we've carefully monitored the spiraling and disturbing increases in health care costs and its impact on this Fund. As we discussed with you before, health care costs have increased in excess of 20% *per year* in the last several years alone.

These cost continue to escalate and unfortunately, these dramatic increases have placed a significant strain on the Funds' finances. The Trustees have no alternative but to take additional action to protect your benefits and the Fund. So, we must implement several benefit/eligibility modifications. These changes, which are discussed below, are simply unavoidable. They are a result of the astonishing cost increases in health care. The changes are as follows:

Prescription Drug Coverage

Effective June 1, 2003 the BCBSM Prescription Drug co-payment will be increased to \$20 for Generic Drugs. The Brand Name Drugs co-payment will remain at \$40.

Co-Payment

Effective June 1, 2003 the participant co-payment for in-network medical claims will be increased to twenty-percent (20%). The co-payment for out-of-network claims will increase to thirty percent (30%). The maximum out-of-pocket expense will remain at five hundred dollars (\$500) per individual and one thousand dollars (\$1,000) per family for in-network services and one thousand dollars (\$1,000) per individual and two thousand (\$2,000) per family for out-of-network services.

Deductible

Effective June 1, 2003 a two hundred and fifty dollars (\$250) per person and five hundred dollars (\$500) per family deductible will be implemented for all BCBSM medical claims. The deductible will now apply to both in-net-work and out-of-network medical claims. Deductible amounts are applied first; co-payment amounts are applied after the deductible has been met.

Flex Benefits

Effective September 1, 2003 the Flex benefits will be eliminated with the exception of the prescription drugs for participants on the Supplement to Medicare. Coverage will remain the same for the Supplement to Medicare Program (seven hundred fifty dollars (\$750) per participant, per fiscal year). Claims incurred prior to September 1, 2003 will continue to be paid by the Fund.

Initial Eligibility Provisions

Effective with the work month of June, 2003 the initial eligibility requirement will be increased to the same as the continuing eligibility (one hundred forty (140) hours multiplied by the current contribution rate).

Minimum Coverage Self-Payment Program

Effective with the work month of June 2003 participants will be permitted to elect Minimum Coverage self-payments each time they receive a short hour self-contribution notice. If participants elect Minimum Coverage self-payments, they will **not** be permitted to receive the regular schedule of benefits until such time as they reestablish eligibility via the Funds regular eligibility provisions. The participant will be given credit towards the cost of the Minimum Coverage for any hours worked.

Self-Payment Rates

The hourly contribution rate will increase to \$3.95 effective with the work month of June 2003 which is an increase of approximately twenty-five percent (25%) Therefore effective with the September 2003 self-payments all rates will be increased by approximately twenty-five percent (25%). The new self-payment rate will be reflected on the individuals monthly self-payment notice for the month of September 2003.

Please keep this document with your Summary Plan Description (SPD). If you have any questions regarding the above, please call the Fund Office.

Very truly yours,

Michigan Carpenters' Health Care Fund
Board of Trustees