

2009 Benefits Re-Opener Company Proposals - IBEW

March 23, 2009

Company Proposal #	Benefit	Description
1	Medical, Dental, Vision Premium Cost Sharing Contributions, Eligible Dependents, Spousal/DP Surcharge	Change medical cost sharing to 15% for NAP, CAP and HMOs. For new high deductible health plan implement 13% cost sharing and new lower-cost PPO plan 10% cost sharing. Discontinue using blended active and under 65 retiree claims experience for developing active employee and retiree premiums. Implement dental and vision plan premium cost sharing of 10%. Part-time employee MDV contributions will be equal to the health plan contribution required of a full-time employee plus 6%. Revise dependent eligibility requirements for ages 19-23. Implement a spousal/domestic partner surcharge of \$200. Effective 1/1/10.
2	NAP, CAP and HMOs Deductibles, Copayments	Change some deductibles, copayments and other provisions of the NAP, CAP and HMO plans so that the benefit plans are more competitive. Postpone all changes to mental health and chemical dependency benefits. Eliminate the Health Net Coordination of Benefits HMO for members in which Medicare is primary. Company to study and possibly eliminate a HMO other than Kaiser at its option. Effective 1/1/10.
3	High Deductible Health Plan and Health Savings Account	Add a High Deductible Health Plan (HDHP) with Health Savings Account (HSA). Effective 1/1/10.
4	Health Incentives	Healthy Behavior Incentive Program. Effective 1/1/10.
5	Additional PPO Plan	Add a lower-cost PPO plan as an option. Effective 1/1/10.
6	Medical - Prescription Coverage	MSP - Change 4th refill reimbursement amount to 50%. Implement Alternative Drug Step Therapy Program. ROP - Change 4th refill reimbursement amount to 35%. Add generic incentive provision. Implement Alternative Drug Step Therapy Program. 100% for generic drugs that are on Medco Health's Low Cost Generic List. Effective 1/1/10.
7	Dental	PPO deductible of \$75/\$225. Change deductible for Premier dentists or non-Delta dentists to \$100/\$300. Effective 1/1/10.
8	Life Insurance	To move from a composite (flat) rate of life insurance to an age-rated/smoker or non-smoker status schedule that allows employees to purchase supplemental life insurance at rates that are more in line with the market.
9	Sick Leave/ Leave of Absence	Company medical, personal and child care leaves of absences run concurrently with paid time off. Implement a re-qualification period.

Date: March 23, 2009

Reference: Medical, Dental and Vision (MDV) Benefit Agreement

Interest: To make changes to the MDV plans to be more in line with the market.

Proposed Changes:

- ❑ Discontinue using blended active and under 65 retiree claims experience for developing active employee and retiree premiums. For the purpose of calculating active employee premiums, use active employee claims experience only, including employees with Long Term Disability and COBRA participants, to calculate premiums and premium equivalents.
- ❑ Change employee medical premium cost sharing from 3.75% to 15% of the premium cost for full-time active employees effective January 1, 2010 for the Kaiser, Blue Shield, and Health Net medical plans.
- ❑ Change employee medical premium cost sharing from 3.75% to 15% of the premium equivalent cost for full-time employees effective January 1, 2010 for the NAP and CAP medical plans.
- ❑ Implement employee medical premium cost sharing at 10% of the premium equivalent cost for full-time employees effective January 1, 2010 for the new lower costing PPO Plan and 13% for the new High Deductible Health Plan/Health Savings Account plan.
- ❑ The premium equivalent of each self-funded plan will be developed by blending the total estimated active employee costs of the NAP, CAP, new PPO and High Deductible Health Plan/Health Savings Account plan together and then adjusting the premium for the relative cost differences associated with the design features unique to each plan. NAP and CAP will continue to be considered one plan for premium equivalent purposes since CAP is an out-of-area complement to the NAP and is limited to very small enrollment.
- ❑ Implement employee cost sharing of dental and vision premiums of 10% of the premium equivalents effective January 1, 2010 for full-time employees.
- ❑ Implement a monthly surcharge of \$200/month for spouses/domestic partners who are covered under the PG&E medical plans but have outside benefits coverage through their employer.
- ❑ Change the part-time employee MDV contributions to be equal to the standard health plan premium cost share for medical, dental and vision coverage required of a full-time employee plus an additional 6% of the selected plan(s) premium cost.
- ❑ Change the health plan eligibility definition applicable to unmarried children ages 19 through 23 of employees or spouses/registered domestic partners. To be an eligible dependent, the child must be deemed a full time student by the IRS. This IRS definition currently requires the student to be enrolled as a full-time student as defined by his or her school for at least 5 months of a calendar year in an accredited community college, college or university or an accredited post high school trade or technical school. The five months do not need to be consecutive months.

Date: March 23, 2009

Reference: Medical, Dental and Vision Agreement

Interest: Bring plan designs closer to market.

Description: Change some of the deductibles, copayments and other provisions of the NAP, CAP and HMO plans so that the benefit plans are more competitive.

Current Language/Provisions:

See Attached

Proposed Changes:

- Change copayments, deductibles, out-of-pocket maximums and other provisions for the following medical plans: Network Access Plan, Comprehensive Access Plan, Health Net HMO, Blue Shield HMO, the Kaiser HMO, Health Net Seniority Plus HMO, Blue Shield Medicare CoB and Kaiser Senior Advantage HMO.
- Postpone all changes to mental health and chemical dependency benefits until after the Table Settlement is complete. Congress embedded legislation within the Emergency Economic Stabilization Act of 2008 that requires parity of both mental health and chemical dependency benefits with medical benefits. The health plans are still studying the implications of the Act which is why the Company proposes postponing discussions on these benefits. Future changes will be by Letter of Agreement.
- Eliminate the Health Net Coordination of Medicare Benefits HMO for members in which Medicare is primary. (The Company is not proposing eliminating the Health Net Senior Advantage plan.) Currently, there are 35 union retirees in this plan.
- Due to the addition of two new plan options (the low cost PPO plan and the High Deductible Health Plan), Company to study and possibly eliminate a HMO other than Kaiser at its option.

All proposals are dependent on the health plan insurer's or administrator's ability to administer the negotiated benefit provisions. If an administrator or insurer cannot administer a provision of the agreement, the parties agree meet and determine an acceptable alternative.

Medco Health Solutions Prescription Drug Plan

Provisions	NAP and CAP Plans – Current (2008)	NAP and CAP Plans – Proposed
Retail Drug Purchases	<p>First three 30-day supplies at a participating pharmacy: 85% for generics, 75% for brand names. Generic Incentive Provision applies (see below)</p> <p>Refills beyond 90 days and coverage at non-participating pharmacies: 80% for generics and 70% for brand names. Generic Incentive Provision applies (see below)</p>	<p>No change</p> <p>Refills beyond 90 days and coverage at non-participating pharmacies: 60% for generics and 50% for brand names. Generic Incentive Provision applies (see below)</p>
Home Delivery (Mail-Order) Purchases	90% for generic drugs and 80% for brand name drugs. Generic Incentive Provision applies (see below)	<p>100% for generic drugs that are on Medco Health’s Low Cost Generic List. List is maintained and determined by Medco Health.</p> <p>90% for other generic drugs and 80% for brand name drugs. Generic Incentive Provision applies.</p>
Generic Incentive Provision	Member is responsible for paying the difference between the price of a generic drug and a brand-name drug, plus coinsurance, if purchasing a brand-name drug when a generic version is available. Drugs that are listed on Medco Health’s “Narrow Therapeutic List” will be excluded from this mandatory generic provision. Does not apply to out-of-pocket maximum.	No change
Deductible	No deductible	No Change
Annual Out-of-Pocket Maximum	\$500 per person, \$1,000 per family. Out-of-pocket maximum coordinates the retail drug benefit with the home delivery drug benefit, but does not coordinate with medical plan.	\$1,000 per person, \$2,000 per family. Out-of-pocket maximum coordinates the retail drug benefit with the home delivery drug benefit, but does not coordinate with medical plan.
Lifetime Maximum	No lifetime maximum	No change
Infertility, Sexual Dysfunction, Memory Enhancement and Contraceptive Drugs	50% for both retail and home delivery drugs, unless medically necessary. Medically necessary drugs are covered at standard reimbursement rates. Generic Incentive Provision applies (see above)	No change
Alternative Drug Step Therapies	None	Alternative Drug Step Therapies – Will adopt for drugs recommended by Medco when it makes financial and administrative sense. Employees must try alternative drug in accordance with step rules or will not receive coverage. Step rule waived if doctor advises or successful appeal. For January 1, 2010, will adopt step rule for Proton Pump inhibitors (Gerd), sleeping medications and Lexapro (depression).

Provisions	Health Net – Current (2009)	Health Net - Proposed
General	Only providers affiliated with Health Net HMO	No change
Hospital Stay	No charge; includes intensive and coronary care	Copayment - \$150. Includes intensive and coronary care
Skilled Nursing Facility	No charge; 100-day limit	No change
Emergency Room Care	\$25/visit for emergencies (waived if admitted). Must notify Health Net within 48 hours.	Copayment - \$150. Waived if admitted. Must notify Health Net within 48 hours.
Outpatient Hospital Facility	\$10/visit	Copayment - \$75
Maternity Care	No charge	No change
Well-Baby Care	\$10/visit	\$20/visit
Office Visits	Office visit - \$10 Home visit - \$10	Office visit primary care - \$20 Home visit - \$20 if by PCP; \$30 if by SCP Office visit specialist - \$30
Urgent Care Centers	\$10/visit	\$30/visit
Routine Physical Examinations	\$10/visit for basic Periodic Health Evaluation	\$20/visit for basic Periodic Health Evaluation and for Well-woman visit. Other screenings if done by a specialist will be charged the \$30 specialist copay.
Immunizations and Injections	Included in office visit	No change
Eye Examinations	\$10/visit	\$30/visit
X-rays and Lab Tests	No charge	No change
Pre-Admission Testing	No charge	No change
Home Health Care	No charge	No change
Hospice Care	Covered when authorized	No change
Outpatient Physical Therapy	\$10/visit; provided as long as significant improvement is expected	\$20/visit; provided as long as significant improvement is expected.
Outpatient Prescription Drugs	Retail drugs (up to 30-day supply): \$5 copay for generic formulary, \$15 copay for brand formulary, and \$35 for non-formulary. Some drugs require preauthorization. Mail-order drugs (through the plan) at two times retail copay for up to a 90-day supply. No annual maximum; open formulary	\$15 copay for generics; \$25 copay for brand formulary; and \$45 copay for brand non-formulary; two times retail copay for mail order with up to 90-day supply.
*Mental Health - Inpatient Care - Outpatient Care	Severe mental illness (same as parity diagnosis): No charge; no day limit. Other mental illnesses: No charge for up to 30 days/calendar year for crisis intervention Severe mental illness (same as parity diagnosis): \$10/visit; no visit limit. Other mental illnesses: \$20/visit; 20 visits per calendar year	To be determined by separate letter of agreement
Alcohol and Drug Care - Inpatient Care - Outpatient Care	Covered by separate Alcohol and Drug Care Program with referral by ValueOptions Covered by separate Alcohol and Drug Care Program with referral by ValueOptions	To be determined by separate letter of agreement
Durable Medical Equipment	No charge; preauthorization required. See plan EOC for limitations and exclusions.	No change
Chiropractic Care	Discounts available through the "Healthy Rewards" program; contact Health Net for details	No change
Acupuncture	Discounts available through the "Healthy Rewards" program; contact Health Net for details	No change
Other Benefits	Infertility treatment—50% of covered services, including drugs and laboratory. See plan EOC for detailed coverage.	No change

Provisions	Blue Shield HMO – Current (2009)	Blue Shield HMO – Proposed
General	Members access the blue Shield HMO network; no pre-existing condition exclusions.	No change.
Hospital Stay	No charge	Copayment - \$150.
Skilled Nursing Facility	No charge; 100 day limit	No change
Emergency Room Care	\$25/visit for emergencies (waived if admitted). Member needs to contact PCP within 24 hours of service	Copayment - \$150. Waived if admitted. Member needs to contact PCP within 24 hours of service
Outpatient Hospital Facility	\$10/visit	Copayment - \$75.
Maternity Care	No charge	No change
Well-Baby Care	\$10/visit	\$20/visit
Office Visits	Office visit - \$10; \$30 without referral (Access+Specialist) – must be in the same Medical Group or IPA; Home visit - \$10	PCP Office visit - \$20; Home visit - \$30 if by PCP Specialist visit - \$30 \$40 without referral (Access+Specialist) – must be in the same Medical Group or IPA;
Urgent Care Center	\$10/visit	\$30/visit
Routine Physical Examinations	\$10/visit according to health plan schedule	\$20/visit for evaluation by PCP. Any screenings done by specialist will be charged the \$30 specialist copay.
Immunizations and Injections	Included in office visit; no charge for allergy injections if no visit with physician	No change
Eye Examinations	\$10/visit for refraction	\$30/visit
X-rays and Lab Tests	No charge	No change
Pre-Admission Testing	No charge	No change
Home Health Care	No charge	No change
Hospice Care	No charge	No change
Outpatient Physical Therapy	\$10/visit; provided as long as continued treatment is medically necessary pursuant to the treatment plan.	\$20/visit; provided as long as continued treatment is medically necessary pursuant to the treatment plan.
Outpatient Prescription Drugs	RETAIL (up to 30-day supply): \$5 copay for generic formulary, \$15 copay for brand formulary and \$35 copay for non-formulary; some drugs require preauthorization; MAIL-ORDER (through the plan): two times retail copay for up to a 90-day supply; no annual maximum; open formulary	\$15 copay for generics; \$25 copay for brand and \$45 copay for brand non-formulary; two times retail copay for mail order with up to a 90-day supply.
*Mental Health - Inpatient Care - Outpatient Care	Severe mental illness (same as parity diagnosis): no charge; no day limit; other mental illness: no charge for up to 30 days/calendar year for crisis intervention Severe mental illness (same as parity diagnosis): \$10/visit; no visit limit; other mental illnesses: \$20/visit; 20 visits per calendar year	To be determined by separate letter of agreement
Alcohol and Drug Care - Inpatient Care - Outpatient Care	Covered by separate Alcohol and Drug Care Program with referral by ValueOptions Covered by separate Alcohol and Drug Care Program with referral by ValueOptions	To be determined by separate letter of agreement
Durable Medical Equipment	No charge; preauthorization required; see plan EOC for limitations and exclusions	No change
Chiropractic Care	Discounts available; contact member Services for details	No change
Acupuncture	Discounts available; contact member Services for details	No change
Other Benefits	Infertility treatment—50% of covered services, including drugs and laboratory. See plan EOC for detailed coverage.	No change

Provisions	Kaiser Permanente North and South – Current (2009)	Kaiser Permanente North and South – Proposed
General	Services provided at Kaiser Permanente Hospitals and Offices by Kaiser Permanente doctors	No change
Hospital Stay	No charge; includes intensive and coronary care	Copayment - \$150. Includes intensive and coronary care
Skilled Nursing Facility	No charge to members in service area for up to 100 days per benefit period when prescribed by a plan physician. Not covered for members living outside of service area.	No change
Emergency Room Care	\$25/visit for emergencies (waived if admitted). Must notify Kaiser within 24 hours.	Copayment - \$150. Waived if admitted. Must notify Kaiser within 24 hours.
Outpatient Hospital Facility	\$10 per procedure for outpatient surgery. \$10/visit for all other outpatient services may apply.	Copayment - \$75.
Maternity Care	No charge	No change
Well-Baby Care	\$10/visit	\$20/visit
Office Visits	Office visit - \$10 Home visit - No charge	Office visit primary care - \$20 Home visit - no charge Office visit specialist - \$30
Urgent Care Center	\$10/visit	\$20/visit
Routine Physical Examinations	\$10/visit	\$20/visit
Immunizations and Injections	\$10/visit for immunizations & allergy testing if no office visit; \$5/visit for allergy injections if no office visit	\$20/visit for immunizations & allergy testing if no office visit; \$5/visit for allergy injections if no office visit
Eye Examinations	\$10/visit for screening/refraction; lenses and frames not covered	\$20/visit for screening and refraction
X-rays and Lab Tests	No charge	No change
Pre-Admission Testing	No charge	No change
Home Health Care	No charge to members in service area when prescribed by a plan physician. Not covered for members living outside of service area.	No change
Hospice Care	No charge to members in service area when prescribed by a plan physician. Not covered for members living outside of service area.	No change
Outpatient Physical Therapy	\$10/visit; therapy is given if in the judgment of a plan physician significant improvement is achievable	\$20/ visit; therapy is given if in the judgment of a plan physician significant improvement is achievable
Outpatient Prescription Drugs	\$10 copay for up to 100-day supply when obtained at a plan pharmacy or through the plan's mail-order; no annual maximum; closed formulary	\$15 copay for generics; \$25 copay for brand; two times retail copay for mail order refill with up to 100-day supply.
*Mental Health - Inpatient Care - Outpatient Care	No charge for up to 30 days per calendar year; no day limit for mental health parity diagnoses \$10/visit (individual), \$5/visit (group) for up to 20 visits per calendar year; no visit limit for mental health parity diagnoses	To be determined by separate letter of agreement
Alcohol and Drug Care - Inpatient Care - Outpatient Care	No charge for detoxification. Also covered by separate Alcohol and Drug Care Program with referral by ValueOptions (inpatient only) \$10/visit (individual); \$5/visit (group)	To be determined by separate letter of agreement
Durable Medical Equipment	No charge to members in service area when prescribed by a plan physician. See plan EOC for limitations and exclusions. Not covered for members living outside of service area.	No change
Chiropractic Care	Not covered	No change
Acupuncture	Not covered	No change
Other Benefits	Infertility Treatment—50% of covered services, including drugs and laboratory. See plan EOC for detailed coverage.	No change

Provisions	Comprehensive Access Plan (CAP) – Current (2009) Administered by Anthem Blue Cross	Comprehensive Access Plan (CAP) – Proposed Administered by Anthem Blue Cross
General	May use provider of choice or network providers; \$100 annual deductible per individual up to a family maximum of \$300; annual out-of-pocket maximum of \$750 per individual, up to family maximum of \$1,500 (includes deductible); no lifetime maximum <i>All plan benefits and out-of-pocket maximums are based on Eligible Expenses only.*</i>	May use provider of choice or network providers; \$300 annual deductible per individual up to a family maximum of \$900; annual out-of-pocket maximum of \$1,500 per individual, up to family maximum of \$3,000 (includes deductible); no lifetime maximum All plan benefits and out-of-pocket maximums are based on Eligible Expenses only.*
Hospital Stay	100% after a \$100 copayment; preauthorization required for non-emergency care, \$300 penalty if not obtained; covers semi-private room (private if Medically Necessary); includes intensive care	Coinsurance – 20%; preauthorization required for non-emergency care, \$300 penalty if not obtained; covers semi-private room (private if Medically Necessary); includes intensive care
Skilled Nursing Facility	90% for semi-private room after 3 days in hospital; preauthorization required, \$300 penalty if not obtained	No change
Outpatient Emergency Room Care	100% after \$35 copay for medical emergency; waived if admitted	100% after \$150 copay for medical emergency; waived if admitted
Outpatient Hospital Facility	100% after \$35 copay	100% after a \$100 copayment
Maternity Care	Covered as any other condition. Preauthorization of delivery stays beyond 48 hours for normal delivery and 96 hours for cesarean section; \$300 penalty if not obtained	No change
Well-Baby Care	Covered as any other condition	No change
Office Visits	Primary care - 100% after \$10 copay; Specialist (including OB/GYN) – 100% after \$20 copay	Primary care - 100% after \$20 copay; Specialist (including OB/GYN) – 100% after \$30 copay
Urgent Care Center	\$10/ visit; (urgent care visits to physicians are treated at office visit level copayment)	\$35/ visit; (urgent care visits to physicians are treated at office visit level copayment)
Routine Physical Examinations	Primary care – 100% after \$10 copay; Specialist – 100% after \$20 copay; lab/X-ray covered separately	Primary care – 100% after \$20 copay; Specialist – 100% after \$30 copay; lab/X-ray covered separately
Immunizations and Injections	95%	No change
Eye Examinations	Not covered	No change
X-rays and Lab Tests	90%	No change
Pre-Admission Testing	95%	No change
Home Health Care & Home Hospice Care	90%; requires prior authorization; \$300 penalty if not obtained	No change
Outpatient Physical Therapy	80%	No change
Outpatient Prescription Drugs	Covered by separate drug plan administered by Medco Health.	No change
Mental Health - Inpatient Care - Outpatient Care	Covered by separate Mental Health Program - 100% with referral by ValueOptions; 50% without referral - \$15/visit with referral by ValueOptions, no charge for initial visit to psychiatrist (M.D.) for medication evaluation; 50% without referral; up to 30 visits per year	To be determined by separate letter of agreement
Inpatient and Outpatient Alcohol and Drug Care	Covered by separate Alcohol and Drug Care Program with referral by ValueOptions	To be determined by separate letter of agreement
Durable Medical Equipment	80%; preauthorization required for purchase or cumulative rental over \$1,000; \$300 penalty if not obtained	No change
Chiropractic Care	80% for Medically Necessary care only; preauthorization by ASHN required after initial visit	No change
Acupuncture	80% for up to 20 visits per year from licensed acupuncturist or M.D.	No change
Other Benefits	Infertility—Paid according to type of benefit; \$7,000 lifetime maximum. Balances from prior plans carry forward. Transplant Services—100%, preauthorization and use of Designated United Resource Network Facility required	No change

* "Eligible Expenses" are: (1) expenses for Covered Health Services that are covered by the plan; (2) those that Anthem Blue Cross considers "Medically Necessary" for the diagnosis or treatment of an illness or injury; and (3) those that do not exceed the "Reasonable and Customary" rate as determined by Anthem Blue Cross. Any costs not meeting this definition are the responsibility of the member.

Provisions	Network Access Plan (NAP) Administered by Anthem Blue Cross	
	NETWORK – CURRENT (2009)	NETWORK –Proposed
General	Care provided by network providers. \$100 annual deductible per individual, up to a family maximum of \$300; annual out-of-pocket maximum of \$750 per individual, up to family maximum of \$1,500 (includes deductible); no lifetime maximum on benefits. All plan benefits and out-of-pocket maximums are based on Eligible Expenses only.*	Care provided by network providers. \$300 annual deductible per individual, up to a family maximum of \$900; annual out-of-pocket maximum of \$1,500 per individual, up to family maximum of \$3,000 (includes deductible); no lifetime maximum on benefits. All plan benefits and out-of-pocket maximums are based on Eligible Expenses only.*
Hospital Stay	100% after \$100 copay; preauthorization required for non-emergency care, \$300 penalty if not obtained; covers semi-private room (private if Medically Necessary); includes intensive care	Coinsurance – 20%. ; preauthorization required for non-emergency care, \$300 penalty if not obtained; covers semi-private room (private if Medically Necessary); includes intensive care
Skilled Nursing Facility	90% for semi-private room after 3 days in hospital; preauthorization required, \$300 penalty if not obtained	No change
Outpatient Emergency Room Care	100% after \$35 copay for medical emergency ; waived if admitted	100% after \$150 copay for medical emergency; waived if admitted
Outpatient Hospital Facility	100% after \$35 copay	100% after a \$100 copayment
Maternity Care	Covered as any other condition. Preauthorization of delivery stays beyond 48 hours for normal delivery and 96 hours for cesarean section; \$300 penalty if not obtained	No change
Well-Baby Care	Covered as any other condition	No change
Office Visits	Primary care - 100% after \$10 copay; Specialist (including OB/GYN) – 100% after \$20 copay	Primary care - 100% after \$20 copay; Specialist (including OB/GYN) – 100% after \$30 copay
Urgent Care Center	\$10/ visit; (urgent care visits to physicians are treated at office visit level copayment)	\$35/ visit; (urgent care visits to physicians are treated at office visit level copayment)
Routine Physical Examinations	Primary care – 100% after \$10 copay; Specialist – 100% after \$20 copay; lab/X-ray covered separately	Primary care – 100% after \$20 copay; Specialist – 100% after \$30 copay; lab/X-ray covered separately
Immunizations and Injections	95%	No change
Eye Examinations	Not covered	No change
X-rays and Lab Tests	90%	No change
Pre-Admission Testing	95%	No change
Home Health Care & Home Hospice Care	90%; requires prior authorization; \$300 penalty if not obtained	No change
Outpatient Physical Therapy	80%	No change
Outpatient Prescription Drugs	Covered by separate drug plan administered by Medco Health.	See separate Company proposal. Covered by separate drug plan administered by Medco Health.
Mental Health - Inpatient Care - Outpatient Care	Covered by separate Mental Health Program - 100% with referral by ValueOptions; 50% without referral - \$15/visit with referral by ValueOptions, no charge for initial visit to psychiatrist (M.D.) for medication evaluation; 50% without referral; up to 30 visits per year	To be determined by separate letter of agreement
Inpatient and Outpatient Alcohol and Drug Care	Covered by separate Alcohol and Drug Care Program with referral by ValueOptions	To be determined by separate letter of agreement
Durable Medical Equipment	80%; preauthorization required for purchase or cumulative rental over \$1,000; \$300 penalty if not obtained	No change
Chiropractic Care	80% for care approved by ASHN using ASHN provider	No change
Acupuncture	80% for up to 20 visits per year from licensed acupuncturist or M.D.	No change
Other Benefits	Infertility—Paid according to type of benefit: \$7,000 lifetime maximum. Balances from prior plans carry forward. Transplant Services—100% when performed at a Designated United Resource Network Facility; preauthorization required.	No change

*“Eligible Expenses” are: (1) expenses for Covered Health Services that are covered by the plan; (2) those that Anthem Blue Cross considers “Medically Necessary” for the diagnosis or treatment of an illness or injury; and (3) those that do not exceed the “Reasonable and Customary” rate as determined by Anthem Blue Cross. Any costs not meeting this definition are the responsibility of the member.

Provisions	Non-Network Access Plan (NAP) Administered by Anthem Blue Cross	
	NON –NETWORK – CURRENT (2009)	NON –NETWORK – Proposed
General	Care provided by non-network providers. \$200 annual deductible per individual, up to family maximum of \$600; annual out-of-pocket maximum of \$1,000 per individual, up to family maximum of \$2,000 (includes deductible); no lifetime maximum All plan benefits and out-of-pocket maximums are based on Eligible Expenses only.*	Care provided by non-network providers. \$400 annual deductible per individual, up to family maximum of \$1,000; annual out-of-pocket maximum of \$2,500 per individual, up to family maximum of \$5,000 (includes deductible); no lifetime maximum All plan benefits and out-of-pocket maximums are based on Eligible Expenses only.*
Hospital Stay	70%; preauthorization required for non-emergency care, \$300 penalty if not obtained; covers semi-private room (private if Medically Necessary); includes intensive care	No change
Skilled Nursing Facility	70% for semi-private room after 3 days in hospital; preauthorization required, \$300 penalty if not obtained	No change
Outpatient Emergency Room Care	100% after \$35 copay for emergency room care, waived if admitted;	100% after \$150 copay for medical emergency; waived if admitted
Outpatient Hospital Facility	70%	No change
Maternity Care	Covered as any other condition. Preauthorization of delivery stays beyond 48 hours for normal delivery and 96 hours for cesarean section; \$300 penalty if not obtained	No change
Well-Baby Care	Covered as any other condition	No change
Office Visits	70%	No change
Urgent Care Center	70%	No change
Routine Physical Examinations	70%	No change
Immunizations and Injections	70%	No change
Eye Examinations	Not covered	No change
X-rays and Lab Tests	70%	No change
Pre-Admission Testing	70%	No change
Home Health Care & Home Hospice Care	70%; requires prior authorization; \$300 penalty if not obtained	No change
Outpatient Physical Therapy	70%	No change
Outpatient Prescription Drugs	Covered by separate drug plan administered by Medco Health.	See separate Company proposal. Covered by separate drug plan administered by Medco Health.
Mental Health - Inpatient Care - Outpatient Care	Covered by separate Mental Health Program - 100% with referral by ValueOptions; 50% without referral - \$15/visit with referral by ValueOptions, no charge for initial visit to psychiatrist (M.D.) for medication evaluation; 50% without referral; up to 30 visits per year	To be determined by separate letter of agreement
Inpatient and Outpatient Alcohol and Drug Care	Covered by separate Alcohol and Drug Care Program with referral by ValueOptions	To be determined by separate letter of agreement
Durable Medical Equipment	70%; preauthorization required for purchase or cumulative rental over \$1,000; \$300 penalty if not obtained	No change
Chiropractic Care	70% for up to 15 visits for Medically Necessary care	No change
Acupuncture	70% for up to 15 visits per year from licensed acupuncturist or M.D.	No change
Other Benefits	Infertility—Paid according to type of benefit; \$7,000 lifetime maximum. Balances from prior plans carry forward. Transplant Services—70% if not performed at a Designated United Resource Network Facility; preauthorization required.	No change

* “Eligible Expenses” are: (1) expenses for Covered Health Services that are covered by the plan; (2) those that Anthem Blue Cross considers “Medically Necessary” for the diagnosis or treatment of an illness or injury; and (3) those that do not exceed the “Reasonable and Customary” rate as determined by Anthem Blue Cross. Any costs not meeting this definition are the responsibility of the member.

Provisions	Health Net Seniority Plus – Current (Medicare Advantage HMO)	Health Net Seniority Plus – Proposed (Medicare Advantage HMO)
General	Only providers affiliated with Health Net. No pre-existing condition exclusions.	Only providers affiliated with Health Net. No pre-existing condition exclusions.
Hospital Stay	No charge; includes intensive and coronary care	\$100 Copayment ; includes intensive and coronary care
Skilled Nursing Facility	No charge, 100-day limit per benefit period. No prior hospital stay required.	No change
Emergency Room Care	\$25/visit for emergencies (waived if admitted); must notify HealthNet within 48 hours	\$100/visit for emergencies (waived if admitted); must notify HealthNet within 48 hours
Outpatient Hospital Care	\$10/visit	No change.
Office Visits	Office visit - \$10 Home visit - \$10	Office visit primary care - \$20 Home visit - \$20 if by PCP Office visit specialist - \$30
Urgent Care Facility	\$10/visit	\$30/visit
Routine Physical Examinations	\$10/visit	\$20/visit for basic Periodic Health Evaluation and for Well-woman visit. Other screenings if done by a specialist will be charged the \$30 specialist copay.
Immunizations and Injections	Included in office visit; exceptions: 20% copay for immunizations for foreign travel/occupational	Included in office visit; exceptions: 20% copay for immunizations for foreign travel/occupational
Eye Examinations	\$10/visit	\$30/visit
X-rays and Lab Tests	No charge	No change
Pre-Admission Testing	No charge	No change
Home Health Care	No charge	No change
Hospice Care	Covered under Medicare	No change
Outpatient Physical Therapy	No charge	No charge
Outpatient Prescription Drugs	Medicare Part D plan – See Medicare Part D booklet for more information: RETAIL (up to 30-day supply): \$5 copay for generic formulary, \$15 copay for brand formulary, and \$35 for non-formulary. Some drugs require preauthorization. MAIL-ORDER (through the plan): two times retail copay for up to a 90-day supply. No annual maximum; open formulary	Medicare Part D plan – See Medicare Part D booklet for more information: RETAIL (up to 30-day supply): \$15 copay for generic formulary, \$25 copay for brand formulary, and \$45 for non-formulary. Some drugs require preauthorization. MAIL-ORDER (through the plan): two times retail copay for up to a 90-day supply. No annual maximum; open formulary
*Mental Health - Inpatient Care	No charge; 190 days per lifetime	To be determined by Letter of Agreement
- Outpatient Care	\$20/visit, no maximum	
Alcohol and Drug Care - Inpatient Care	No charge; also covered by separate Alcohol and Drug Care Program with referral by ValueOptions	To be determined by Letter of Agreement
- Outpatient Care	\$20/visit; no maximum; also covered by separate Alcohol and Drug Care Program with referral by ValueOptions	
Durable Medical Equipment	No charge. See plan EOC for limitations and exclusions.	No change
Chiropractic Care	\$10/visit for Medicare-approved chiropractic services – Discounts are also available through the "Healthy Rewards" program; contact Health Net for details.	No change
Acupuncture	Discounts available through the "Healthy Rewards" program; contact Health Net for details.	No change

Provisions	Blue Shield Medicare COB HMO - Current	Blue Shield Medicare COB HMO -Proposed
General	Members access the Blue Shield HMO network; no pre-existing condition exclusions.	Members access the Blue Shield HMO network; no pre-existing condition exclusions.
Hospital Stay	No charge	\$100 Copayment;
Skilled Nursing Facility	No charge; 100-day limit	No change
Emergency Room Care	\$25/visit for emergencies (waived if admitted); member needs to contact PCP within 24 hours of service	\$100/visit for emergencies (waived if admitted); member needs to contact PCP within 24 hours of service
Outpatient Hospital Care	\$10/visit	No change.
Office Visits	Office visit - \$10; \$30 without referral (Access+Specialist) – must be in the same Medical Group or IPA; Home visit - \$10	PCP Office visit - \$20; Home visit - \$20 if by PCP Specialist visit - \$30 \$40 without referral (Access+Specialist) – must be in the same Medical Group or IPA;
Urgent Care Facility	\$10/visit	\$30/visit
Routine Physical Examinations	\$10/visit according to health plan schedule	\$20/visit for evaluation by PCP. Any screenings done by specialist will be charged the \$30 specialist copay.
Immunizations and Injections	Included in office visit; no charge for allergy injections if no visit with physician	No change
Eye Examinations	\$10/visit for refraction	\$30/visit for refraction
X-rays and Lab Tests	No charge	No change
Pre-Admission Testing	No charge	No change
Home Health Care	No charge	No change
Hospice Care	No charge	No change
Outpatient Physical Therapy	\$10/visit; as long as continued treatment is medically necessary pursuant to the treatment plan	No change
Outpatient Prescription Drugs	Medicare Part D plan – See Medicare Part D booklet for more information: RETAIL (up to 30-day supply): \$5 copay for generic formulary, \$15 copay for brand formulary, and \$35 for non-formulary; some drugs require preauthorization; MAIL-ORDER (through the plan): two times retail copay for up to a 90-day supply; no annual maximum; open formulary	Medicare Part D plan – See Medicare Part D booklet for more information; RETAIL (up to 30-day supply): \$15 copay for generic formulary, \$25 copay for brand formulary, and \$45 for non-formulary. Some drugs require preauthorization. MAIL-ORDER (through the plan): two times retail copay for up to a 90-day supply. No annual maximum; open formulary
*Mental Health - Inpatient Care - Outpatient Care	Severe mental illness (same as parity diagnosis): No charge; no day limit. Other mental illnesses: No charge for up to 30 days/calendar year for crisis intervention. Severe mental illness (same as parity diagnosis): \$10/visit; no visit limit. Other mental illnesses: \$20/visit; 20 visits per calendar year	To be determined by Letter of Agreement
Alcohol and Drug Care - Inpatient Care - Outpatient Care	Covered by separate Alcohol and Drug Care Program with referral by ValueOptions Covered by separate Alcohol and Drug Care Program with referral by ValueOptions	To be determined by Letter of Agreement
Durable Medical Equipment	No charge; preauthorization required. See plan EOC for limitations and exclusions.	No change
Chiropractic Care/ Acupuncture	Discounts available through the <i>MyLifePath</i> Alternative Care Discount Program. Contact Blue Shield for details.	No change

Provisions	Kaiser Senior Advantage (Medicare HMO) Current	Kaiser Senior Advantage (Medicare HMO) – Proposed
General	Services provided at Kaiser Permanente Hospitals and Offices by Kaiser Permanente doctors	No change
Hospital Stay	No charge; includes intensive and coronary care	No Change
Skilled Nursing Facility	No charge to members in service area for up to 100 days per benefit period when prescribed by a plan physician. No prior hospital stay required. Not covered for members living outside of service area.	No change
Emergency Room Care	\$25/visit for emergencies (waived if admitted). Must notify Kaiser within 24 hours.	\$100/visit for emergencies (waived if admitted). Must notify Kaiser within 24 hours.
Outpatient Hospital Care	\$10 per procedure for outpatient surgery. \$10/visit for all other outpatient services may apply.	\$20 per procedure for outpatient surgery. \$20/visit for all other outpatient services may apply.
Office Visits	Office visit - \$10 Home visit - No charge	Office visit primary care - \$20 Home visit - No charge
Urgent Care Visits	\$10/visit at a Kaiser facility in area; \$25/visit at non-Kaiser facility	\$20/visit at a Kaiser facility in area; \$100/visit at non-Kaiser facility
Routine Physical Examinations	\$10/visit	\$20/visit
Immunizations and Injections	\$10 for immunizations & allergy testing if no office visit; \$3 for allergy injections if no office visit	\$20/visit for immunizations & allergy testing if no office visit; \$3 for allergy injections if no office visit
Eye Examinations	\$10/exam; \$150 eyewear allowance including medically necessary eyewear every 24 months	\$20/visit; \$150 eyewear allowance including medically necessary eyewear every 24 months
X-rays and Lab Tests	No charge	No charge
Pre-Admission Testing	No charge	No charge
Home Health Care	No charge to members in service area when prescribed by a plan physician. Not covered for members living outside of service area.	No change
Hospice Care	Covered under Medicare for members with Medicare A and B when prescribed by a plan physician. No charge to Medicare Part B-only members in service area when prescribed by a plan physician. Not covered for Medicare Part B-only members living outside of service area.	No change
Outpatient Physical Therapy	\$10/visit; therapy is given if in the judgment of a plan physician significant improvement is achievable	\$20/visit; therapy is given if in the judgment of a plan physician significant improvement is achievable
Outpatient Prescription Drugs	\$10 per prescription for up to 100-day supply when obtained at a plan pharmacy or through the plan's mail-order; no annual maximum; closed formulary	\$15 copay for generics; \$25 copay for brand; two times retail copay for mail order refill with up to 100-day supply.
*Mental Health - Inpatient Care - Outpatient Care	No charge; 190 days lifetime. No charge for up to 45 additional days per calendar year after 190-day limit is reached; no day limit for mental health parity diagnoses \$10/visit (individual); \$5/visit (group); no visit limit for mental health parity diagnoses	To be determined by Letter of Agreement
Alcohol and Drug Care - Inpatient Care - Outpatient Care	No charge for detoxification. Also covered by separate Alcohol and Drug Care Program with referral by ValueOptions (inpatient only) \$10/visit (individual); \$5/visit (group)	To be determined by Letter of Agreement
Durable Medical Equipment	No charge to members in service area when prescribed by a plan physician. Not covered for members living outside of service area. See plan EOC for limitations and exclusions.	No change
Chiropractic Care	Discounts Available	Not covered
Acupuncture	Discounts Available	Not covered

Date: March 23, 2009

Reference: Medical, Dental and Vision Agreement

Interest: Improve employee consumerism so that they can make better health plan choices as well as save for retirement health care costs.

Description: Implement high deductible health plans and a health savings account.

Current Language/Provisions:

Not currently provided.

Proposed Change:

**High Deductible Health Plans and
Health Savings Account Proposal**

Add medical plans that meet the federal government's requirements of a high deductible health plan. Employees, retirees not enrolled in Medicare, and LTDers not enrolled in Medicare participating in the high deductible health plans also will be able to participate in federally approved Health Savings Account (HSA). PG&E will contribute money to the HSA.

- Effective January 1, 2010, the Company proposes adding two self-funded high deductible health plans – an In-Area Health Savings Plan and an Out-of-Area Health Savings Plan. Eligibility for a particular plan will be based on the same access rules currently in place for the Network Access Plan and the Comprehensive Access Plan.
- Employees and/or dependents will not be eligible for enrolling in a high deductible health plan if they are not eligible to participate in a HSA plan per federal government regulations. Employees and/or dependents who are enrolled in Medicare, who have coverage under another health plan, who have received benefits from the Veteran's Administration within the last 3 months, and who have Tricare will not be allowed to participate in the high deductible health plan.
- Each year, the federal government typically changes the minimum deductible that is necessary for a health plan to be deemed a high deductible health plan. The Company proposes that if the required minimum deductible is greater than the amount proposed for the In-Area Health Savings Plan and the Out-of-Area Health Savings Plan, the deductibles will be raised to meet the government's minimum allowable amount. The difference between the prior deductible amount and new deductible amount will be deposited to the HSA.
- Anthem Blue Cross and Medco, who are our current claims administrators, have reviewed the proposed plans' designs and believe that they can administer these plans. If during implementation, if it is determined that either Anthem Blue Cross or Medco cannot readily administer the negotiated plan designs, the Company and Union will meet and confer about mutually acceptable alternatives.

- The Company will select a financial partner such as a bank for depositing the Company's HSA contributions. Any deposits made by the Company are immediately owned by the employee. The employee can choose to keep his or her money in the financial institution selected by the Company or to move the money to another financial institution. The Company will pay for the routine banking fees associated with its selected institution, until such time an employee terminates from the Company, other than through retirement. Employees will be responsible for fees associated with alternative institutions.
- Under most HSA programs, employees must keep a minimum amount of money, e.g. \$2,000, in a money market type account. When an employee's account grows beyond that minimum amount, the employee may invest his or her money in various investment options such as mutual funds. The employee will be responsible for any broker or investment fees associated with these investments.
- The Company will deposit wellness incentive money earned to the Health Savings Account.
- The Company will select an administrator to help manage the HSA program. This administrator may be the same administrator as the Flexible Spending Account and Health Reimbursement Account administrator. The administrator may establish account usage rules if an employee participates in multiple account type programs.
- Upon mutual agreement, the Company and Union may decide to add additional high deductible plans such as one offered by a company sponsored HMO.
- If during implementation, it is determined that the negotiated HSA provisions cannot be readily implemented, the Company and Union will meet and confer about mutually acceptable alternatives.

Provisions	In-Area Health Savings Plan (IHSP)	
	The In-Area Health Savings Plan (IHSP) is a medical plan that can be used in conjunction with a Health Savings Account. The administrators of the IHSP for 2010 will be Anthem Blue Cross and Medco Health Solutions and will use the Prudent Buyer Network for preferred providers. Employees' out-of-pocket medical costs will be the net of what is paid by the IHSP and what is reimbursed by the Health Savings Account. . The IHSP is an ERISA plan.	
Deductible	This plan has an annual deductible of \$1,250 for an employee and \$2,500 for an employee plus one or more dependents. Prescription drug usage penalties and costs above customary and reasonable are not applied toward deductible.	
Medical and Rx Drugs Plan Out-of-Pocket	<ul style="list-style-type: none"> The coinsurance maximum for in-network medical claims and for all prescription drug claims, excluding prescription drug usage penalties, and excluding the deductible is \$850 for an employee and \$1,700 for an employee plus one or more dependents. The coinsurance maximum for non-network medical claims, excluding charges above customary and reasonable, and excluding the deductible are \$3,000 for an employee and \$6,000 for an employee plus one or more dependents. 	
	MEDICAL COVERAGE – Anthem Blue Cross	
	*PREVENTIVE SERVICES – NETWORK; not subject to deductible	*PREVENTIVE SERVICES – NON-NETWORK; subject to deductible
Well-Baby Care	100%	60%
Routine Physical Examinations	100% including both physician services and any accompanying laboratory or x-ray services	60%
Immunizations	100% for disease preventive immunizations	60%
	*MEDICAL SERVICES - NETWORK; subject to deductible	*MEDICAL SERVICES - NON-NETWORK; subject to deductible
Hospital Stay	80%; covers semi-private room (private if medically necessary); includes intensive care	60%; covers semi-private room (private if medically necessary); includes intensive care
Skilled Nursing Facility	80% for semi-private room after 3 days in hospital; custodial care is not covered	60% for semi-private room after 3 days in hospital; custodial care is not covered
Emergency Room Care	80% for medical emergency;	80% for medical emergency,
Outpatient Hospital	80%	60%
Maternity Care	Covered as any other condition	Covered as any other condition
Office Visits	80% for primary and specialist visits	60% for primary and specialist visits
Urgent Care Visits	80%	60%
Immunizations and Injections	80%; immunizations for disease prevention is covered under preventive care benefit at 100%	60% immunizations for disease prevention is covered under preventive care benefit at 80%
Eye Examinations	Not covered	Not covered
X-rays and Lab Tests	80% unless as part of preventive care; then covered under preventive care benefit at 100%	60% unless as part of preventive care; then covered under preventive care benefit at 80%
Pre-Admission Testing	80%	60%
Home Health Care & Home Hospice Care	80%; custodial care is not covered	60%; custodial care is not covered
Outpatient Physical Therapy	80%	60%
Mental Health	80% for inpatient and outpatient care (Anthem Blue Cross network)	60% for inpatient and outpatient care
Alcohol and Drug Care	80% for inpatient and outpatient care (Anthem Blue Cross network)	60% for inpatient and outpatient care
Durable Medical Equipment	80%	60%
Chiropractic Care	80% for up to 20 visits per year	60% for up to 15 visits per year
Acupuncture	80% for up to 20 visits per year from licensed acupuncturist or M.D.	60% for up to 15 visits per year from licensed acupuncturist or M.D.
Transplant	80% only when performed at an Anthem Blue Cross designated transplant center	No coverage unless performed at an Anthem Blue Cross designated transplant center.
Other Benefits	Infertility—Paid according to type of benefit; \$7,000 lifetime maximum. Balances from prior plans carry forward.	Infertility—Paid according to type of benefit; \$7,000 lifetime maximum. Balances from prior plans carry forward.
	PRESCRIPTION DRUG COVERAGE – MEDCO HEALTH SOLUTIONS	
Preventive Drugs	<ul style="list-style-type: none"> 100%, not subject to the deductible; drugs filled at non-network pharmacies will be filled at average negotiated network rate; 15% cost penalty for retail refill after 2 refills (4th fill), generic incentive provision, and step therapy provision apply; Charges above average negotiated rate, and the refill, generic and step therapy penalty provisions do not apply to out-of-pocket maximums or toward deductible. Preventive drugs are determined by Medco Health Solutions. 	

Retail Drugs	<ul style="list-style-type: none"> 80%; subject to the deductible; drugs filled at non-network pharmacies will be filled at average negotiated network rate; 15% cost penalty for retail refill after 2 refills (4th fill), generic incentive provision and step therapy provision apply; Charges above average negotiated rate, and the refill, generic and step therapy penalty provisions do not apply to out-of-pocket maximums or toward deductible.
Mail	<ul style="list-style-type: none"> 80%; subject to the deductible; generic incentive provision and step therapy provision apply; Generic and step therapy penalty provisions do not apply to out-of-pocket maximums or toward deductible.

**All medical services are subject to Anthem Blue Cross' customary and reasonable limits and medical necessity. To avoid being billed for charges above customary and reasonable, employees should use Anthem Blue Cross Prudent Buyer provider. Charges above customary and reasonable do not apply to the out-of-pocket maximums or toward the deductible. Preventive services are those services as determined by Anthem Blue Cross and Medco.*

Provisions	Out-of-Area Health Savings Plan (OHSP)
	The Out-of-Area Savings Plan (OHSP) is a medical plan that can be used in conjunction with a Health Savings Account. The administrators of the OHSP for 2010 will be Anthem Blue Cross and Medco Health Solutions. Employees' out-of-pocket medical costs will be the net of what is paid by the OHSP and what is reimbursed by the Health Savings Account. Although this plan does not require use of a network provider, coinsurance for services of employees who use the Prudent Buyer Network will be based on the network discounts. This plan is an ERISA plan.
Deductible	This plan has an annual deductible of \$1,250 for an employee and \$2,500 for an employee plus one or more dependents. Prescription drug usage penalties and costs above customary and reasonable are not applied toward the deductible.
Medical and Rx Drugs Plan Out-of-Pocket	<ul style="list-style-type: none"> The coinsurance maximum for medical and prescription drug claims covered by the plan is \$850 for an employee and \$1,700 for an employee plus one or more dependents, excluding the deductible. The maximum also excludes prescription drug usage penalties and costs above customary and reasonable.
	MEDICAL COVERAGE – Anthem Blue Cross
	*PREVENTIVE SERVICES ; not subject to deductible
Well-Baby Care	100%
Routine Physical Examinations	100% including both physician services and any accompanying laboratory or x-ray services
Immunizations	100% for disease preventive immunizations
	*MEDICAL SERVICES; subject to deductible
Hospital Stay	80%; covers semi-private room (private if medically necessary); includes intensive care
Skilled Nursing Facility	80% for semi-private room after 3 days in hospital; custodial care is not covered
Emergency Room Care	80% for medical emergency;
Outpatient Hospital	80%
Maternity Care	Covered as any other condition
Office Visits	80% for primary and specialist visits
Urgent Care Visits	80%
Immunizations and Injections	80%; immunizations for disease prevention is covered under preventive care benefit at 100%
Eye Examinations	Not covered
X-rays and Lab Tests	80% unless as part of preventive care; then covered under preventive care benefit at 100%
Pre-Admission Testing	80%
Home Health Care & Home Hospice Care	80%; custodial care is not covered
Outpatient Physical Therapy	80%
Mental Health	80% for inpatient and outpatient care (Anthem Blue Cross network)
Alcohol and Drug Care	80% for inpatient and outpatient care (Anthem Blue Cross network)
Durable Medical Equipment	80%
Chiropractic Care	80% for up to 20 visits per year
Acupuncture	80% for up to 20 visits per year from licensed acupuncturist or M.D.
Transplant	80% only when performed at Anthem Blue Cross designated transplant center;
Other Benefits	Infertility—Paid according to type of benefit; \$7,000 lifetime maximum. Balances from prior plans carry forward.

PRESCRIPTION DRUG COVERAGE – MEDCO HEALTH SOLUTIONS	
Preventive Prescription Drugs	<ul style="list-style-type: none"> • 100%, not subject to the deductible; drugs filled at non-network pharmacies will be filled at average negotiated network rate; 15% cost penalty provision for retail refill after 2 refills (4th fill); generic incentive provision, and step therapy provision apply; • Charges above the average negotiated network rate, and the refill, generic and step therapy penalty provisions do not apply to the out-of-pocket maximum or toward the deductible. • Preventive drugs are determined by Medco Health Solutions.
Retail Prescription Drugs	<ul style="list-style-type: none"> • 80%; subject to the deductible; drugs filled at non-network pharmacies will be filled at average negotiated network rate; 15% cost penalty provision for retail refill after 2 refills (4th fill); generic incentive provision and step therapy provision apply; • Charges above the average negotiated rate and the refill, generic and step therapy penalty provisions do not apply to the out-of-pocket maximum or toward the deductible.
Mail	<ul style="list-style-type: none"> • 80%; subject to the deductible; generic incentive provision and step therapy provision apply; • Generic and step therapy penalty provisions do not apply to the out-of-pocket maximum or toward the deductible.

** All medical services are subject to Anthem Blue Cross' customary and reasonable limits and medical necessity. To avoid being billed for charges above customary and reasonable, employees should use Anthem Blue Cross Prudent Buyer providers. Charges above customary and reasonable do not apply to the out-of-pocket maximum or toward the deductible. Preventive services are those services as determined by Anthem Blue Cross and Medco.*

2010 Health Savings Account (HSA)

Overview:	The Health Savings Account (HSA) is a federally approved bank account that employees can use to pay for out-of-pocket health care expenses. Contributions made to the HSA and interest earned on contributions are not subject to federal taxation; however the contributions are subject to California state taxation. Employees are eligible to participate in a HSA if they are in the PG&E In-Area Health Savings Plan or in the PG&E Out-of-Area Health Savings Plan or a Kaiser High Deductible Health Plan. PG&E will contribute to employees' HSA and they can as well. The HSA is not an ERISA plan.
PG&E's Annual Employer HSA Deposit	Employee: \$600 *Employee + One or More Dependents: \$1,200
PG&E's Wellness Deposits to HSA	Completion of Targeted Wellness Incentives: Employee Only or Spouse/Domestic Partner Only: \$200 Employee and Spouse: \$400 (\$200 each) Employees can earn additional incentives for completion of other wellness activities. (See Wellness Incentive proposal for discussion regarding wellness deposit issues and wellness incentives)
**Maximum Annual Contribution Limits Allowed By Federal Government for All Contributions (Employer and Employee) Except Catch-up Contributions	Employee: \$3,000 Employee + One or More Dependents: \$5,900
*Maximum Catch-up Contributions Limits	Additional Annual Contributions are Allowed if Over Age 55: \$1,000
Employee HSA Contribution Limits	PG&E will limit total paycheck contributions to ensure that employees' contribution and PG&E's contribution do not exceed federal maximum limits. Employees may make additional contributions directly to the HSA if eligible. Employee: \$1,950 Employee + One or More Dependents: \$3,800
Name of HSA Administrator	PG&E will deposit money on employees' behalves to a specific bank. Employees may keep the money in this bank or roll it over to another bank that sponsors federally approved HSAs.

**Each year, the federal government establishes the maximum allowed annual contribution and catch-up contribution limits. The limits provided here are 2009 limits and most likely will change in the future.

Note: Special provisions may apply for domestic partners.

Date: March 23, 2009

Reference: Medical, Dental and Vision Agreement

Interest: Establishing Wellness Incentives

Description: See below.

Proposal:

Wellness Incentives, Health Reimbursement Accounts and Flexible Spending Accounts:

Effective January 1, 2010, implement wellness incentives for active employees and spouses/domestic partners who participate in the various medical plans sponsored by PG&E. These incentives will be earned by completing a sponsored wellness activity.

Wellness Incentives:

- Sponsored wellness activities may include, but are not limited to, completion of health risk questionnaires, biometric screenings, smoking cessation programs, walking programs and weight management programs or reaching a designated milestone in a chronic condition management program.
- The amount of incentives may vary among the activities. The overall total targeted incentive amount in 2010 will be \$200 per participating employee and \$200 per participating spouse/domestic partner for completing health risk questionnaires. In future years, the Company may vary incentive amounts and activities. However, overall targeted funding will be at least \$200 per employee and \$200 per spouse/domestic partner. Some incentives may not be available to everyone such as walking programs at lunch (not available to spouses/domestic partners) or smoking cessation programs (not available to non-smokers).
- Retirees, Surviving Spouses and Long Term Disabled employees and their spouses/domestic partners will not be eligible to earn wellness incentives.

Health Reimbursement Accounts for Medical Plan Members Other than HDHP/HSA Members:

- All incentives for traditional HMO participants and traditional self-funded plan participants (non-Health Savings Account participants) are notional incentives. Earned incentives will be bookmarked in a Health Reimbursement Account (HRA). Participants may use the HRA to pay for IRS recognized expenses that are not covered by their primary health care benefit plans. This can include deductibles and copayments as well as expenses that the health plans currently do not cover such as hearing aids and orthotics.
- Any unused amounts remaining in the HRA at year-end will roll forward for use in the next year. Terminated employees who participate in COBRA will be able to access any remaining HRA funds. Terminated employees who do not participate in COBRA or who have exhausted COBRA and who have amounts remaining in their HRA will forfeit these amounts.

- Employees who have notional money remaining in a HRA but enroll in a High Deductible Health Plan and Health Savings Account in a future year are legally precluded from using the HRA for medical expenses. A limited purpose HRA which can be used to pay for ancillary health expenses such as vision and dental expenses will be established.
- Administration, including timing of wellness incentive bookmarking to the HRA, will be determined by PG&E.

Wellness Incentives for HDHP/HSA Members:

- Employees who participate in a high deductible health plan/health saving account will receive cash deposits to their Health Savings Account (HSA) for completion of the wellness activities. Administration, including timing of wellness incentive deposits to the HSA, will be determined by PG&E.

Flexible Spending Accounts:

A limited purpose health Flexible Spending Account (LPFSA) for participants in a High Deductible Health Plan will be established. The LPFSA can be used to pay for ancillary health care expenses such as dental and vision expenses, since High Deductible Health Plan participants are legally precluded from participating in a traditional health Flexible Spending Account (Health Care Reimbursement Account or HCRA) during the deductible period.

The HCRA grace period for all participants beginning Plan Year 2009, which actually will occur in the first quarter of calendar year 2010 will be eliminated. Having a grace period legally prevents Health Savings Account (HSA) participants from receiving and making contributions to their HSA until April.

If during implementation, it is determined that the negotiated Wellness Incentives, Health Reimbursement Accounts and Flexible Spending Accounts provisions cannot be readily implemented, the Company and Union will meet and confer about mutually acceptable alternatives.

Date: March 23, 2009

Reference: MDV Agreement

Interest: To provide a lower cost option medical plan to employees.

Current Language/Provisions: N/A

Proposal:

- New plan will be effective January 1, 2010.
- To receive coverage, all care and services must be medically necessary.
- The plan will use the same administrators and providers as the Network Access plan. Current administrators are Anthem Blue Cross Medco Health Solutions, Value Options and American Specialty Health Network.
- The plan will encourage the use of a nationwide network of providers by providing a higher level of reimbursement when members use the network providers. PPO members can use non-network providers at the point of service but will receive reduced coverage.
- The plan will be available to all members who do not have Medicare primary, regardless of where they live. Members in outlying areas can choose to drive to network providers or use non-network benefits.
- Members with Medicare must use one of the other self-funded plans currently administered by Anthem Blue Cross including the Medicare Supplemental Plan, the Retiree Optional Plan, or the Comprehensive Access Plan.
- This plan will have similar administrative processes for accessing providers, submitting claims, filing appeals, obtaining customer service, etc. as the Network Access Plan.

The provisions of this proposal are dependent on the health plan administrator's ability to administer them. If an administrator cannot readily administer a provision, the parties agree to meet and determine an acceptable alternative.

Low Option PPO Plan

	NETWORK	Non-Network Administered by Anthem Blue Cross
General	Care provided by network providers. \$400 annual deductible per individual, up to a family maximum of \$1,000; annual out-of-pocket maximum of \$1,500 per individual, up to family maximum of \$3,000 (includes deductible); no lifetime maximum on benefits. All plan benefits and out-of-pocket maximums are based on Eligible Expenses only.*	Care provided by non-network providers. \$500 annual deductible per individual, up to family maximum of \$1,200; annual out-of-pocket maximum of \$2,000 per individual, up to family maximum of \$4,000 (includes deductible); no lifetime maximum. All plan benefits and out-of-pocket maximums are based on Eligible Expenses only.*
Hospital Stay	80%; preauthorization required for non-emergency care, \$300 penalty if not obtained; covers semi-private room (private if Medically Necessary); includes intensive care	65%; preauthorization required for non-emergency care, \$300 penalty if not obtained; covers semi-private room (private if Medically Necessary); includes intensive care
Skilled Nursing Facility	80% for semi-private room after 3 days in hospital; preauthorization required, \$300 penalty if not obtained	65% for semi-private room after 3 days in hospital; preauthorization required, \$300 penalty if not obtained
Emergency Room Care	80%	80%
Outpatient Hospital Facility	80%	65%
Maternity Care	Covered as any other condition. Preauthorization of delivery stays beyond 48 hours for normal delivery and 96 hours for cesarean section; \$300 penalty if not obtained	Covered as any other condition. Preauthorization of delivery stays beyond 48 hours for normal delivery and 96 hours for cesarean section; \$300 penalty if not obtained
Well-Baby Care	Covered as any other condition	Covered as any other condition
Office Visits	Primary care - 100% after \$20 copay; Specialist (including OB/GYN) – 100% after \$35 copay	65%
Urgent Care Center	80%	65%
Routine Physical Examinations	Primary care - 100% after \$20 copay; Specialist (including OB/GYN) – 100% after \$35 copay; lab/X-ray covered separately	65%
Immunizations and Injections	80%	65%
Eye Examinations	Not covered	Not covered
X-rays and Lab Tests	80%	65%
Pre-Admission Testing	80%	65%
Home Health Care & Home Hospice Care	80%; requires prior authorization; \$300 penalty if not obtained	65%; requires prior authorization; \$300 penalty if not obtained

Outpatient Physical Therapy	80%	65%
Outpatient Prescription Drugs	Covered by separate drug plan administered by Medco Health. See below	Covered by separate drug plan administered by Medco Health. See below
Mental Health - Inpatient Care - Outpatient Care	To be determined by Letter of Agreement	To be determined by Letter of Agreement
Inpatient and Outpatient Alcohol and Drug Care	To be determined by Letter of Agreement	To be determined by Letter of Agreement
Durable Medical Equipment	80%; preauthorization required for purchase or cumulative rental over \$1,000; \$300 penalty if not obtained	65%; preauthorization required for purchase or cumulative rental over \$1,000; \$300 penalty if not obtained
Chiropractic Care	80% for care approved by ASHN using ASHN provider	65% for up to 15 visits if medically necessary
Acupuncture	80% for up to 20 visits per year from licensed acupuncturist or M.D.	65% for up to 20 visits per year from licensed acupuncturist or M.D.
Other Benefits	Infertility—Paid according to type of benefit; \$7,000 lifetime maximum. Balances from prior plans carry forward. Transplant Services—80% when performed at an Anthem Blue Cross Centers of Expertise Transplant Facility; preauthorization required.	Infertility—Paid according to type of benefit; \$7,000 lifetime maximum. Balances from prior plans carry forward. Transplant Services

* "Eligible Expenses" are: (1) expenses for Covered Health Services that are covered by the plan; (2) those that Anthem Blue Cross considers "Medically Necessary" for the diagnosis or treatment of an illness or injury; and (3) those that do not exceed the "Reasonable and Customary" rate as determined by Anthem Blue Cross. Any costs not meeting this definition are the responsibility of the member.

Prescription Drug Benefits of Low Option PPO Plan

Medco Health Solutions Prescription Drug Plan

Provisions	Low Option PPO Plan
Retail Drug Purchases	First three 30-day supplies at a participating pharmacy: 85% for generics, 75% for brand names. Generic Incentive Provision applies (see below) Refills beyond 90 days and coverage at non-participating pharmacies: 60% for generics and 50% for brand names. Generic Incentive Provision applies (see below)
Home Delivery (Mail-Order) Purchases	100% for generic drugs that are on Medco Health's Low Cost Generic List. List is maintained and determined by Medco Health. 90% for other generic drugs and 80% for brand name drugs. Generic Incentive Provision applies.
Generic Incentive Provision	Member is responsible for paying the difference between the price of a generic drug and a brand-name drug, plus coinsurance, if purchasing a brand-name drug when a generic version is available. Drugs that are listed on Medco Health's "Narrow Therapeutic List" will be excluded from this mandatory generic provision. Does not apply to out-of-pocket maximum.
Deductible	No Change
Annual Out-of-Pocket Maximum	\$1,500 per person, \$3,000 per family. Out-of-pocket maximum coordinates the retail drug benefit with the home delivery drug benefit, but does not coordinate with medical plan.
Lifetime Maximum	No lifetime maximum
Infertility, Sexual Dysfunction, Memory Enhancement and Contraceptive Drugs	50% for both retail and home delivery drugs, unless medically necessary. Medically necessary drugs are covered at standard reimbursement rates. Generic Incentive Provision applies (see above)
Alternative Drug Step Therapies	Alternative Drug Step Therapies – Will adopt for drugs recommended by Medco when it makes financial and administrative sense. Employees must try alternative drug in accordance with step rules or will not receive coverage. Step rule waived if doctor advises or successful appeal. For January 1, 2010, will adopt step rule for Proton Pump inhibitors (Gerd), sleeping medications and Lexapro (depression).

Date: March 23, 2009

Reference: Retiree Medical Coverage

Interest: To add the similar prescription drug benefit incentives used in the CAP plan in the Medicare Supplemental Plan (MSP) and the Retiree Optional Plan (ROP).

Current Provisions/Proposed Changes:

	Current	Proposed
MSP – Rx	<ul style="list-style-type: none"> • \$100 deductible per person for both retail and mail-order • <i>Generic Incentive Provision</i> applies for both retail and mail order prescriptions when filling a prescription with a brand-named drug and a generic is available; the member pays the difference in cost between the generic and the brand-named drug • Retail Drug Purchases – 75% after deductible. • Mail order purchases – 80% after deductible. 	<ul style="list-style-type: none"> ▪ Retail refills beyond 90 days (4th fill) will be covered at 50%. ▪ Alternative Drug Step Therapies – Will adopt for drugs recommended by Medco when it makes financial and administrative sense. Employees must try alternative drug in accordance with step rules or will not receive coverage. Step rule waived if doctor advises or successful appeal. For January 1, 2010, will adopt step rule for Proton Pump inhibitors (Gerd), sleeping medications and Lexapro (depression).
ROP – Rx	<ul style="list-style-type: none"> • \$200 deductible per person for both retail and mail-order • <i>Generic Incentive Provision</i> does not apply • Retail Drug Purchases – 60% after deductible; • Mail Order Purchases – 70% after deductible 	<ul style="list-style-type: none"> ▪ Add Generic Incentive Penalty for both retail and mail order purchases which will not apply to out-of-pocket maximum. ▪ Retail refills beyond 90 days (4th fill) will be covered at 35% which will not apply to out-of-pocket maximum. ▪ Alternative Drug Step Therapies – Will adopt for drugs recommended by Medco when it makes financial and administrative sense. Employees must try alternative drug in accordance with step rules or will not receive coverage. Step rule waived if doctor advises or successful appeal. For January 1, 2010, will adopt step rule for Proton Pump inhibitors (Gerd), sleeping medications and Lexapro (depression).

Date: March 23, 2009

Reference: Medical, Dental and Vision Benefit Agreement

Interest: To move the dental benefit closer to market.

Description: Change deductible amounts and provide additional cleaning in certain circumstances.

Proposed Changes:

- ❑ **Annual deductible:** Effective January 1, 2010, the annual deductible will be \$75 per individual up to a family maximum of \$225 for a family for use of Delta's PPO network. If an individual uses a Premier dentist or a non-Delta dentist, the annual deductible will pop-up to \$100 dollars. The maximum annual family deductible for use of Premier dentists or non-Delta dentists will be \$300. Currently, the annual deductible is \$25/\$75 for use of a PPO dentists and pops up to \$50/\$150 when a Premier or non-Delta dentist is used.

Date: March 23, 2009

Reference: Benefit Agreement

Interest: To move from a composite (flat) rate of life insurance to an age-rated/ smoker or non-smoker status schedule that allows employees to purchase supplemental life insurance at rates that are more in line with the market.

Description: Allows employees to purchase life insurance that is reflective of their age and smoker/non-smoker status.

Current Language/Provisions:

Current cost of life insurance is a flat rate of \$.04 per \$100 of coverage for all employees. This rate has been in effect since January 1, 1977. With the flat rate structure, younger employees are paying a higher rate to subsidize the cost of insurance for older employees.

Proposed Change:

Change premium to an age-rated smoker non-smoker rate structure. This allows for the premiums to be paid on a pre-tax basis.

Example of Rates

Bargained Employees
Step Rated Optional Life Employee Plan
Assumptions and Smoker/Nonsmoker Rates - 5 Year Age Bands
Effective 1/1/2010

Employee Optional Life Rates (per \$1,000 of covered benefit):

<u>Age</u>	<u>Non-Smoker</u>	<u>Smoker</u>	<u>Current</u>
<25	\$0.06	\$0.07	\$0.40
25-29	\$0.07	\$0.08	\$0.40
30-34	\$0.09	\$0.10	\$0.40
35-39	\$0.10	\$0.12	\$0.40
40-44	\$0.10	\$0.13	\$0.40
45-49	\$0.16	\$0.20	\$0.40
50-54	\$0.25	\$0.30	\$0.40
55-59	\$0.46	\$0.55	\$0.40
60-64	\$0.70	\$0.85	\$0.40
65-69	\$1.35	\$1.63	\$0.40
70+	\$2.19	\$2.66	\$0.40

Plan/Rate Assumptions:

- 1) The above rates are as of January 1, 2010 with a rate guarantee for three years to December 31, 2012.
- 2) Employee contributions can be made on a pre-tax basis. For coverage over \$50,000, the IRS requires that "imputed income taxes" be paid on the value of life insurance over that amount. The amount that is paid in taxes is calculated at rates determined by the IRS and then added to gross income.

Date: March 23, 2009

Reference: Sections 101.2/6.2 Leave of Absence – Periods of Leave. Sections 112/7 Sick Leave. Sections 111/8 Vacations. Sections 103/14 Holidays.

Interest: Provide for paid time off (sick leave, vacation, holidays) and leaves of absences to run concurrently. Establish a re-qualification period for eligibility to qualify for another leave of absence.

Proposal:

Time off due to sick leave/vacation/holidays and leave of absence will run concurrently to allow for a combined total of 12 consecutive months of paid/unpaid time off. Establish a re-qualification period so that once an employee returns from a medical leave of absence, s/he would need to be at work for six months before being eligible to take another medical leave of absence.