



Michigan Electrical Employees' Health Plan

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NOTICE ABOUT CHANGES TO YOUR HEALTH PLAN

August 2008

To: *Eligible Active Participants, and Their Dependents, and Retired Participants and Their Dependents Not Covered Under the Supplement to Medicare Plan:*

This notice contains information about changes to your Plan of benefits. Please keep this notice with your Summary Plan Description booklet for future reference.

Expenses Covered Under the Special Fund

The list of expenses that are reimbursable through your Special Fund account has been expanded effective January 1, 2008 to include the following:

- annual physical exams, including doctor's services and lab tests;
- full-body electronic scans that examine the internal organs to identify disease or abnormality (even without a doctor's referral);
- pregnancy test kit; and
- premiums for a qualified long-term care insurance policy, up to the limits allowed by the IRS. The limits for the 2008 tax year are shown below, and are based on a the person's age at the end of the calendar year.
 - Age 40 or under - \$310
 - Age 41 to 50 - \$580
 - Age 51 to 60 - \$1,150
 - Age 61 to 70 - \$3,080
 - Age 71 or over - \$3,850

A "qualified" policy is one that meets the requirements listed in IRS Publication 502. In order to file a Special Fund claim for long-term care insurance premium, you must submit written proof that the policy is qualified—your insurance company or agent should be able to provide you with proof of the policy's tax-qualified status. If the policy was issued before January 1, 1997, you will need to obtain a letter from the insurance company stating that the policy meets the long-term care insurance requirements of the state in which the contract was issued, and that the policy has not materially changed since that date.

In addition to the Special Fund covered expenses listed in your Summary Plan Description booklet and above, you can use your Special Fund for ANY healthcare expenses that are considered deductible medical expenses by the Internal Revenue Service (IRS) that are allowed for health reimbursement arrangements such as the Special Fund. Each year the IRS issues Publication 502 that explains how to determine which expenses are deductible on your individual federal income tax form (e.g., Form 1040). You can get a copy of the latest version of Publication 502 at www.irs.gov/

pub/irs-pdf/p502.pdf. (This publication also contains information for taxpayers that does not specifically apply to the Special Fund—the sections describing “includible” and “not includible” medical expenses are relevant, with the exceptions noted in this Notice.)

While Publication 502 is helpful in determining whether a medical expense may be reimbursed under the Special Fund, there are important differences with the rules that apply to the Special Fund as an employer-sponsored health reimbursement arrangement and the rules that apply to tax deductible medical expenses for federal income tax purposes. Among the expenses that are not allowed to be reimbursed under the Special Fund although they may be listed in Publication 502 are long-term care expenses. Also, the Special Fund cannot reimburse premiums for fixed indemnity, cancer and/or hospital indemnity insurance policies and premium expenses that could be paid pre-tax through a Section 125 cafeteria plan offered by your employer, if applicable, or by a spouse's employer. Remember that you also cannot receive a reimbursement for expenses that have or will be reimbursed through another source.

Please note that although Publication 502 states that nonprescription drugs are not tax deductible, you can be reimbursed for both prescription drugs and nonprescription drugs under the Special Fund. In general, the Special Fund may reimburse expenses for over-the-counter medicines and other medical supplies so long as they are for the diagnosis or treatment of a medical condition and not for your general well being. For instance, the cost of vitamins for your general health cannot be reimbursed. Also, under IRS rules, you cannot be reimbursed for over-the-counter medicines and supplies if you purchase unreasonable quantities.

Other Special Fund updates:

- You can be reimbursed for advance payments for orthodontia services by providing documentation that you actually made the advance payment and that the advance payment was required to receive treatment.
- Effective April 1, 2008 you may choose to authorize the Plan to automatically deduct monthly COBRA premiums or self-payment premiums from your Special Fund Account when those premiums apply to you.

Death Benefit Increased; Now Self-Insured

Effective July 1, 2008, the Plan's death benefit for eligible active employees will increase to \$15,000.

- The benefit reduces to \$6,500 for active employees age 65 through 69, and to \$5,000 for active employees age 70 and older. Death benefits are payable regardless of the cause of death.
- Death benefits will be self-insured instead of provided through a life insurance company and will only be paid in the form of a lump sum (no installment payments). Also, the advance payment feature for terminally ill employees has been eliminated.
- Death benefits are considered taxable income for your beneficiary.
- The accidental death and dismemberment (AD&D) benefit will also be self-insured as of July 1. The amount of that benefit will remain at \$10,000. The exclusions explained in the June 2007 Summary of Material Modifications will continue to apply. For example, AD&D benefits are not payable for self-inflicted injuries, or for losses sustained due to substance abuse, diseases or infections. Dismemberment benefits are not taxable.
- These changes do NOT require you to submit a new beneficiary form. But if you do not have a valid beneficiary designation on file at the Plan Office, please call and ask for a designation form.

- Only active employees are entitled to death and AD&D benefits. Retirees, CEs/CWs, Residential Trainees, and individuals who are continuing their coverage under the Plan due to making COBRA self-payments, and dependents are not entitled to death or AD&D benefits.

Weekly Disability Benefits and Social Security Disability

As stated on page 23 of your Summary Plan Description booklet, you are required to repay the Plan for any Weekly Disability Benefits you received after the first 26 weeks of disability if you qualify for Social Security disability benefits for the same period of time. Effective January 1, 2008, that provision has been revised to read as follows:

However, if you receive weekly benefits for more than 26 weeks and if you qualify for Social Security disability benefits, you will be required to reimburse the Plan for any disability payments you received from the Plan after the first 26 weeks for which you also received a Social Security disability payment. *The amount you must repay the Plan will not be greater than the Social Security payment amount you received.*

Service Member Caregiver Leave

The Family and Medical Leave Act (FMLA) was recently expanded to provide for leaves involving military service members and for care for service members. Consult your employer (generally one with 50 or more employees) for information concerning FMLA leaves. The Plan will extend benefits for eligible employees taking an FMLA leave if the Employer contributes for that leave.

For more information, go to www.dol.gov/esa/whd/fmla/NDAA_fmlla.htm.

Call the Plan Office if you have questions about your benefits or eligibility. If you need a copy of your Summary Plan Description, you can obtain one (and notices of any subsequent changes) by calling the Plan Office.