

Pacific Gas and Electric Company

375 North Wiget Lane, Suite 150
Walnut Creek, CA 94598
510/746-4282

RECEIVED AUG 11 1994

August 10, 1994



Mr. Jack McNally, Business Manager
Local Union No. 1245
International Brotherhood of
Electrical Workers, AFL-CIO
P.O. Box 4790
Walnut Creek, CA 94598

Dear Mr. McNally:

In the attached Letter Agreement No. 94-69, Company proposes changes to Exhibit F of the Medical, Dental and Vision Agreement. These changes are required due to an agreement reached between Kaiser and the U.S. Health Care Financing Administration, and impact all future retirees who are Medicare eligible and receiving benefits under Exhibit F. Company is proposing to implement these changes effective January 1, 1995 for all current and future Medicare eligible retirees and surviving dependents receiving benefits under Exhibit F.

The proposed Medicare Risk Program provides several advantages for retirees, including lower rates for PG&E members. Company is available to meet and discuss this proposal at your convenience. Additionally, Kaiser staff are available to assist in these discussions, and to provide a variety of communication forums for retirees and union staff.

Sincerely,

A handwritten signature in black ink, appearing to read 'David J. Bergman'. The signature is fluid and cursive, written over a white background.

David J. Bergman
Director and Chief Negotiator

JDS:mh

Attachments



LETTER AGREEMENT NO. 94-69-PGE



PACIFIC GAS AND ELECTRIC COMPANY
INDUSTRIAL RELATIONS DEPARTMENT
201 MISSION STREET, ROOM 1513A
MAIL CODE P15A
P.O. BOX 770000
SAN FRANCISCO, CALIFORNIA 94177
(415) 973-3425

INTERNATIONAL BROTHERHOOD OF
ELECTRICAL WORKERS, AFL-CIO
LOCAL UNION 1245, I.B.E.W
P.O. BOX 4790
WALNUT CREEK, CALIFORNIA 94596
(510) 933-6060

RONALD L. BAILEY, MANAGER OR
DAVID J. BERGMAN, DIRECTOR AND CHIEF NEGOTIATOR

JACK MCNALLY, BUSINESS MANAGER

August 10, 1994

Local Union No. 1245
International Brotherhood of
Electrical Workers, AFL-CIO
P.O. Box 4790
Walnut Creek, CA 94598

Attention: Mr. Jack McNally

Gentlemen:

Pursuant to Section 9 of the Medical, Dental and Vision Agreement (Conflict of Law) Company proposes to implement certain changes to Exhibit F (Kaiser Foundation Health Plan), effective January 1, 1995. These plan design changes are required due to the fact that Northern California Kaiser is switching to a Medicare Risk program that will impact retirees and surviving dependents who are Medicare eligible. These changes are a result of an agreement between Kaiser and the U.S. Health Care Financing Administration, and are not a result of any action of the Company.

Kaiser of Northern California has contracted with the U.S. Health Care Financing Administration (HCFA) to switch to a payment arrangement for members on Medicare, which is commonly called Medicare Risk program. This change will be effective on January 1, 1995 for PG&E (PG&E's contract renewal date) as HCFA mandates that all members who become eligible for Medicare as of their groups' contract renewal dates be enrolled in the Risk Program, which will be called Senior Advantage.

Currently, under a program commonly referred to as a Medicare Cost program, Kaiser retirees and surviving dependents on Medicare fill out a Medicare assignment form with Kaiser that allows Kaiser to bill Medicare directly for services that are provided for Kaiser members at Kaiser facilities.

Under the Risk program, Kaiser will receive monthly payments from HCFA for each member on Medicare for the total health care of the member. This arrangement is basically the same as the way PG&E prepays Kaiser for the care of active members. The "risk" is taken by Kaiser in that they assume that the amount of the prepayment by HCFA (along with premiums paid by PG&E) will cover the cost of the services provided.

The new Risk Program has several advantages to the member. Because Kaiser will be able to manage all care, the new program will mean lower rates to PG&E members. For 1995, the Company expects there will be an approximate \$42 a month reduction for surviving dependents over age 65 as well as a reduction for retirees on Medicare with spouses under age 65. Because of PG&E's contribution toward retiree medical coverage, this rate reduction will be transparent to single retirees on Medicare. However, with a cap on retiree medical contributions in the year 2000, single retirees over age 65 may enjoy future savings from the Risk Program.

The company intends to purchase an upgraded level of benefits from those provided under Kaiser's standard Senior Advantage program in order to maintain the same level of benefits offered under the current program. Senior Advantage does offer a higher level of benefit in some areas, including Optical, Skilled Nursing Facility Care, and durable medical equipment. Attachment number 1 entitled "Benefits Comparison Sheet," details the specific plan design changes which company is proposing to implement for all retired, Medicare eligible Kaiser members effective January 1, 1995. Attachment number 2 is a letter from Kaiser Permanente describing the background on Kaiser's decision to enter into a Medicare Risk contract with HCFA.

Under this proposal, and Kaiser's agreement with the HCFA, Senior Advantage retiree members will be required to seek services through Kaiser facilities, except in emergency or urgent situations. This provision is the same for active employees and retirees under 65 and is consistent with the current language in Exhibit F which states, "Services are provided ONLY at Kaiser Foundation Hospitals and Medical Centers by teams of physicians affiliated with the Plan." However, if members require services that are not available with Kaiser, they will be referred to community providers, which is currently Kaiser's practice with the active members.

In the past, this "lock in" feature was unenforceable, and members on Medicare were able to use their Medicare cards outside the Kaiser system and bill Medicare directly. In practice, however, very few members on Medicare sought care outside of Kaiser. The fact that out-of-network usage is extremely low is consistent with the fact that the vast majority of Kaiser Medicare members have been with the plan for many years and are used to seeking care only through Kaiser facilities.

An additional plan design change under the Risk program is in the area of inpatient mental health benefits. In the current Cost program, inpatient mental health benefits are on a short-term duration, no-limit basis. With the risk plan, the benefit is 190 days per lifetime, with 45 additional days added per calendar year if the lifetime maximum is met, with the "short-term" restriction on the current Cost program removed. Kaiser's experience for average length of stay for inpatient mental health conditions is six to ten days.

HCFA mandates that all new Kaiser Medicare retirees as of January 1, 1995, PG&E's contract renewal date, enter the Senior Advantage program. Although HCFA does not mandate that current Kaiser Medicare Cost members join the Senior Advantage program, issues of cost, complexity and difficulty of administration render the concept of maintaining two separate Northern Kaiser plans for the Kaiser members on Medicare unfeasible. Accordingly, Company proposes that all current and future Kaiser Medicare members be transitioned to the proposed Risk plan effective January 1, 1995.

As per our prior commitment, an open enrollment will be conducted this Fall for all retirees and surviving dependents. Those retirees who wish to seek care from non-Kaiser facilities have the option of two non-HMO plans - The Out-of-Area Plan and the Medicare Supplemental Plan. During this open enrollment period, the company proposes to communicate the proposed Kaiser plan changes for retirees to all members on Medicare. Those retirees on Medicare who select Kaiser or those current Kaiser members on Medicare must fill out a form required by HCFA that states the member's agreement to the terms of Senior Advantage. (See enclosed form - attachment number 3). If members on Medicare do not sign and return the required HCFA form, they will be defaulted to the Out-of-Area Plan that provides open access to all licensed providers. If Kaiser members' dependents become eligible for Medicare and the Medicare eligible dependents do not sign and return the required HCFA form, the dependents' medical coverage will be dropped.

If you are in accord with the foregoing and agree thereto, please so indicate in the space provided below and return one executed copy of this letter to the Company.

Very truly yours,

PACIFIC GAS & ELECTRIC COMPANY

By: 
Director and Chief Negotiator

The Union is in accord with the foregoing and agrees thereto as of the date hereof.

LOCAL UNION NO. 1245, INTERNATIONAL
BROTHERHOOD OF ELECTRICAL
WORKERS, AFL-CIO

Sept 6, 1994

By: 
Business Manager

KAISER PERMANENTE SENIOR ADVANTAGE / TRADITIONAL MEDICARE COST PLAN BENEFITS COMPARISON	P O & E - Kaiser Permanente TRADITIONAL MEDICARE COST PLAN (INCLUDES OUT OF AREA PRODUCT SINCE IDENTICAL TO TRADITIONAL MEDICARE PLAN)	P O & E - Kaiser Permanente SENIOR ADVANTAGE BENEFITS
INPATIENT CARE	\$0	\$0
OUTPATIENT CARE		
Provider Office Visits:	\$0	\$0
Routine Physicals:	\$0	\$0
Hearing/Vision Exams:	\$0	\$0
Manual manipulation of spine for subluxation as diagnosed by x-ray:	Not covered (can bill Medicare)	\$0
Podiatry (medically necessary foot care only):	\$0	\$0
Allergy Injections:	\$0	\$0
CLAIMS		
EMERGENCY CARE		
Inside the Service Area (at KP and non-KP facilities):	\$0	\$0
Outside the Service Area (at non-KP facilities):	\$0	\$0
URGENT CARE		
Inside the Service Area:		
at KP facilities	\$0	\$0
at non-KP facilities	Not covered (can bill Medicare)	Not covered
Outside the Service Area (at non-KP facilities):	\$0	\$0; only covered if temporarily outside Service Area
SKILLED NURSING CARE	Up to 100 days per calendar year	Up to 100 days / benefit period beginning upon day one of acute stay or SNF stay, and ending 61st day after discharge; covered in Medicare certified facility only
MENTAL HEALTH		
Inpatient:	Short-term duration, no limit	180 days/lifetime, with additional 45 days/calendar year
Outpatient:	\$0, no visit limit	\$0; no visit limit
HOME HEALTH	Part-time, Intermittent	Part-time, Intermittent
LAB/X-RAY	\$0	\$0
PRESCRIPTION DRUGS	Wholesale Only	Wholesale Only
DURABLE MEDICAL EQUIPMENT	\$0 (Provided only inside the Service Area; only if covered by Medicare)	\$0 (Provided only inside the Service Area; only if covered by Medicare)
OPTICAL	One lens/operated eye following cataract surgery with IOL	\$35 frame allowance; Lenses credit of \$48, renewable every two years. One lens/operated eye following cataract surgery with IOL. Replacement post-ataract lenses covered under optical benefit only.

Kaiser Foundation Health Plan, Inc.
Northern California Region
425 Market Street, Suite 925
San Francisco, CA 94105



July 7, 1994

Al Smullin
Senior Benefits Analyst
PG&E
Mail Code P19A
P.O. Box 770000
San Francisco CA 94177

Dear Al:

Per your request, I am summarizing the background considerations that went into Kaiser Permanente, Northern California Region's decision to enter into a Medicare Risk contract with the Health Care Financing Administration (HCFA).

Perhaps the major reason the Region decided to enter into a Risk contract with HCFA was due to the demand from employers and individual members to lower our Medicare costs. Under a Risk contract, the premiums are lower -- for PG&E, the premium is approximately \$42 lower a month. In addition, with Risk, we and our members have the opportunity to benefit financially when Kaiser Permanente effectively manages the care of our members. Under Risk, any savings that accrue are passed to Kaiser Permanente, which can be passed on to members in the form of lower premiums and better benefits in the future. Under the Cost plan, HCFA is the only party realizing any savings generated.

Our Risk plan, Senior Advantage, will be available to PG&E's retirees as of your next contract renewal date, 1/1/95. What this will mean to your retirees, is that they must receive care exclusively at Kaiser Permanente medical centers and offices. Any care outside Kaiser Permanente that is not directly referred by one of our physicians, will not be reimbursed by Kaiser or Medicare. Currently, only 1% of our total Medicare dollars are paid to providers outside Kaiser Permanente. Our Risk agreement also requires that we cannot actively offer the Cost plan to any new retirees, any member "aging in" (turning 65) as of 1/1/95 will only be offered the Risk plan.

As an employer, PG&E will have the option to mandate that all retirees convert to Risk, or you can provide a choice by maintaining your current Cost members in the Cost plan, while all age-ins must automatically convert to Risk. Each option presents different challenges for groups, and we can work with you to determine the most suitable option given your specific issues.

Although some features of the Risk contract seem limiting, there are several benefit enhancements for the members.

- The lock-in feature appears limiting, however, our current experience under the Cost plan (which is not lock-in) is that only 1% of our Medicare dollars are for outside referrals.
- The current inpatient mental health benefit is short-term duration, no limit. Under the Risk plan, the benefit is 190 days per lifetime, with 45 additional days added per calendar year. Each member starts off with a reserve of 190 days, and each year 45 days are added, so the benefit, most likely, is not limiting. Also the provision for "short-term" therapy is removed, which is an enhanced benefit for Risk members.
- The current skilled nursing facility benefit is up to 100 days per calendar year. Under the Risk plan, the benefit is up to 100 days per benefit period, with a 60 day hiatus, and another 100 days are available. Benefit periods are no longer defined in terms of calendar year, so a Risk member can have over 100 days of skilled nursing care, as long as there is a 60 day hiatus between stays.
- Durable medical equipment is covered for Risk members at no charge.
- Risk members have a \$35 frame allowance; a lens credit of \$48, renewable every two years, in addition to the current optical benefits.

I would also like to offer any assistance you may need in the way of communication to your retirees. We have set up a series of ongoing meetings in each Bay area community which give information to any retiree interested in joining Senior Advantage. We can also bring people in-house at PG&E, or at union halls. Additionally, we are available to make presentations to your union leadership on why Kaiser Permanente has switched to the Risk plan.

Please let me know if you need any additional information. You can reach me at (415) 512-6018.

Sincerely,


Brenda D. Adderly
Senior Account Manager

SENIOR ADVANTAGE ELECTION FORM

PLEASE TYPE OR PRINT USING BLACK OR BLUE INK

SOCIAL SECURITY NO.		LAST NAME	FIRST NAME	MI
BIRTH DATE	SEX <input type="checkbox"/> Male <input type="checkbox"/> Female	STREET ADDRESS		
TELEPHONE NUMBER ()	BEST TIME TO CALL	CITY	STATE	ZIP
WERE YOU PREVIOUSLY A KAISER PERMANENTE MEMBER? <input type="checkbox"/> Yes <input type="checkbox"/> No		RESIDENCE ADDRESS, IF DIFFERENT		
KAISER MEDICAL RECORD NO.		CITY	STATE	ZIP COUNTY

PLEASE READ QUESTIONS 1 THROUGH 6 AND CHECK YES OR NO

- Do you currently have End Stage Renal (kidney) Disease, or have you had a kidney transplant within the last 36 months? Yes No
Note: You may not enroll in Senior Advantage if you have ESRD unless you are already a Kaiser Permanente member.
- Are you a participant in a Medicare Hospice Program? Yes No
Note: You may not enroll in Senior Advantage if you are receiving hospice benefits.
- Are you covered by Medi-Cal? Yes No
- Do you have Medicare Part B Insurance Benefits? Yes No
 • Will you have Medicare Part B Insurance Benefits within the next 3 months? Yes No
- Are you currently residing in a retirement or convalescent home, nursing facility, or other residential facility? Yes No
 • If yes, please provide the name of the facility _____
 • Date of admission: _____
- Do you have additional coverage through an employer group health plan other than Kaiser Permanente? Yes No
 • If yes, is the coverage through your or your spouse's employment? Yes No
 • POLICY HOLDER NAME/CARRIER NAME: _____

Responses to questions 1 through 5 above will not be used for health screening purposes.

FROM YOUR MEDICARE CARD

Please complete the card to the right by copying each line exactly as it appears on your red, white and blue Medicare card, or as provided on your Letter of Verification from the Social Security Administration.

Health Insurance	
SOCIAL SECURITY ACT	
NAME OF BENEFICIARY: _____	
CLAIM NUMBER: _____	SEX _____
IS ENTITLED TO HOSPITAL INSURANCE _____	EFFECTIVE DATE: _____
MEDICAL INSURANCE _____	

PLEASE SIGN HERE (Your signature, or signature of guardian or conservator*)

I have read, understood and agree to the statements on the reverse side of this election form including the restriction on the use of doctors outside the plan. I hereby apply for membership in Kaiser Permanente Senior Advantage Plan.

Signature: _____ Date: _____

* If this is being submitted by a guardian or conservator, please attach legal document establishing guardianship.