

March 16, 2005

Dear MCO Plan Member:

Annual enrollment will begin April 1, 2005. Once again you will make your choice regarding your health care coverage for the plan year beginning July 1, 2005.

Last fall, OGB and the Policy and Planning Board reviewed benefit and premium options for the upcoming plan year. The choices are very limited. Health care costs are continuing to increase across the nation at double-digit rates. In reviewing options to respond to cost increases for the upcoming year, we were faced with two alternatives. We could lower costs by reducing benefits or increase premiums. We have been repeatedly asked by plan members to not reduce benefits. As a result, the only option we will have is to increase premiums. Premium adjustments will reflect the actual utilization of plan members, so those programs which demonstrated higher costs will see larger increases in premiums.

During our review of plan options, we heard from many plan members who asked that we retain the MCO option. Based on these requests, we will be offering the MCO again for the upcoming plan year. The MCO plan is administered by a private company under a competitively bid contract. As with all plans, the premium rates must be sufficient to pay doctors, hospitals, and other medical providers for the services received. As a result, the costs of the plan must increase significantly in order to pay for the benefit costs associated with the MCO option. We regret this situation; however, we have no other source of funding to subsidize the MCO plan.

OGB plan members will have four plan options to choose from for the upcoming year. The MCO will continue to be administered by FARA, the HMO will be administered by Humana except for the Monroe region which will be administered by Vantage, the EPO will be administered statewide by United Healthcare, and OGB will continue to offer the PPO.

Information regarding premium rates and plan options will be available within the next two weeks.

Sincerely,

Your Office of Group Benefits Team