

WELCOME

We are pleased to bring you this second issue of *NAPEBT News – Your Benefits Connection*. NAPEBT recognizes the importance of your (and your family's) health and wellness. We created this newsletter to provide you with:

- Information about NAPEBT;
- The latest news on health and wellness;
- Updates to your NAPEBT benefits; and
- Ways you can make the most of your health benefits.

This newsletter will cover a variety of topics relating to our upcoming Open Enrollment. As you know, we are introducing several changes for 2007, and we want to share as much information as we can in a variety of ways. So you'll hear about our new Health Savings Accounts, find out about employee meetings and learn how to access our website for more details.

Thank you for your continued commitment to providing high-quality service to Northern Arizona residents. We value your contributions.

The Trustees

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ABOUT THE NORTHERN ARIZONA PUBLIC EMPLOYEES BENEFIT TRUST

OPEN ENROLLMENT FOR 2007

As you know, this year we are introducing some new changes to our health care benefits. Because of this, there will be a second open enrollment for certain benefits starting October 9 and running through November 3, 2006. The new benefits will go into effect January 1, 2007. Between now and then, you'll be hearing more about the changes for next year including:

- Three medical plan options effective January 1, 2007. The three options available for NAPEBT employees will be:
 - **“Buy Up” PPO Plan** with a \$250 per person/\$500 family deductible and \$15 primary care or specialist physician office visit copay (in-network)
 - **“Base” PPO Plan** with \$500 per person/\$1,000 family deductible and \$20 primary care physician office visit, \$40 specialist physician office visit copays (in-network)
 - A **High Deductible Health Plan** with \$1,250 single/\$2,500 family deductible with a Health Savings Account (HSA)

How To Get More Information

Beginning October 9th, we will be sponsoring a number of open enrollment information meetings at various locations convenient to you and open to all NAPEBT employees and their families as well as our retirees. If you miss a meeting near you, it's OK. You can attend any meeting at any location. If you want to go more than once, you are welcome to join us.

The meeting dates, locations, times and points of contact will be posted on the NAPEBT website at www.napebt.com. You will also receive your own copy of all meeting information at your workplace.

Get the information you need, the answers to your questions, and have confidence in the decisions you make for you and your family.



COME TO THE HEALTH FAIR!

NAPEBT is sponsoring a health fair during many of our Open Enrollment meetings. Starting October 9th, Healthwaves will be on site to provide a free health analysis for employees and their dependents, which includes blood pressure, height, weight, body mass, and bone density screenings. Employees enrolled in the NAPEBT BCBSAZ medical plan will also be eligible to receive a free SMAC 30 blood test. Be sure to schedule an appointment if you would like a SMAC 30 test by calling 480-968-1886, or toll-free 1-866-968-1886. For more information see page 4.

Effective January 1, 2007 NAPEBT will begin offering additional medical plan options. One of those options is a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA).

Here are some key points about HSAs:

Who Can Have an HSA?

Any adult can contribute to an HSA if they:

- Have coverage under an HSA-qualified "high deductible health plan" (HDHP)
- Have no other first-dollar medical coverage (other types of insurance like specific injury insurance or accident, disability, dental care, vision care, or long-term care insurance are permitted).
- Are not enrolled in Medicare.
- Cannot be claimed as a dependent on someone else's tax return.

An HSA is similar to a regular checking account with a debit card – as long as a balance is available, you can use your HSA funds to pay your eligible health care expenses, including the plan year deductible. You may use the HSA to pay for medical expenses for yourself, your spouse, or your dependent children even if they are not covered by your HDHP.

Your account balance may be used to pay qualified medical expenses (as defined in IRC Section 213(d)).

You may pay certain health insurance premiums from HSAs, such as COBRA continuation coverage; health insurance for individuals receiving unemployment compensation; premiums for qualified long-term care insurance (limited to adjusted amounts based on age); or Medicare premiums and out-of-pocket expenses, including deductibles, copays and coinsurance for (Part A, Part B, Part C and Part D) but not Medigap premiums.

If a balance remains in your HSA at the plan year's end, the funds roll over for use during the next plan year. In addition, you accumulate tax-free interest on your HSA funds.

You can save your HSA account for care you may need in the future and it is portable. If you leave your employer or switch medical plans, you can continue to use your funds for qualified health care expenses.

You can withdraw money from your HSA account at any time. However, there may be tax consequences depending on how you use the money. In general, if you use the money to pay for eligible health care expenses, there will be no tax consequences.

You may use a HSA account to pay for non-qualified expenses such as for cosmetic procedures. However, any money you use for non-qualified expenses will be considered taxable income to you and you will be required to pay an additional 10% penalty on that amount. However, the 10% penalty does not apply if you are entitled to Medicare (i.e., you are age 65 or older and enrolled for Medicare) or you are disabled when you pay for these expenses.

HSAs let you decide how to spend your health care dollars, while providing tax savings.

Find out more about HSAs and the new HDHP by attending the open enrollment meetings beginning in October! Plus information about HSAs is also available from the Treasury Department at www.treas.gov. Click on Health Savings Accounts.

HAVE YOU VISITED
WWW.HEALTHTHEQUITY.COM?

For more information on Health Savings Accounts, visit www.healththequity.com.

On the site, under the Education Center tab, you'll find information about HSAs including:

- What is an HSA;
- HSAs vs. FSAs;
- Is an HSA Right For Me?;
- Common Terms;
- Frequently Asked Questions;
- Qualified Medical Expenses; and
- Much more!



IS AN HSA RIGHT FOR YOU? A REAL LIFE EXAMPLE



In 2007 Taylor enrolled in the Base Plan PPO with a \$500 individual deductible. He visited the doctor four times throughout the year and had 5 level one prescriptions filled. He paid \$20 per visit for the doctor, \$7 each for five level one prescriptions. Taylor's office visit and prescription copays don't count towards his deductible or out-of-pocket maximum. With office visits and prescriptions, Taylor is then out-of-pocket \$115 for the year.

If Taylor had decided to enroll in the HDHP with an HSA option for 2007, his four doctor visits

would have been approximately \$100 each, and his prescriptions would have been \$12 each for the same medications. Taylor's office visits and prescriptions would count toward his deductible and out-of-pocket maximum. To help him pay for some of his expenses, he would receive a \$500 annual contribution from his NAPEBT employer to his HSA account. The total cost of his expenses would be \$460, but with the \$500 employer contribution, he has \$40 left over at the end of the year in his HSA account that will roll over to next year's expenses. In 2007, Taylor would have paid nothing out-of-pocket.

HEALTH CARE FLEXIBLE SPENDING ACCOUNTS – AN OPTION TO CONSIDER

Next year most NAPEBT employees will also be eligible to participate in a Health Care Flexible Spending Account (HCFSAs). An HCFSAs pays for the uncovered or unreimbursed portions of qualified medical costs. Employers and employees can contribute money to your HCFSAs. Your contributions are made from pre-tax earnings.

You will have three options next year for health care, and the NAPEBT Trust agreed to the following plan design options that include HCFSAs for employees for 2007:

- Employees can elect the High Deductible Health Plan with an HSA (\$500 employer contribution annually) with or without a limited purpose HCFSAs. The **limited purpose HCFSAs** means that you can use HCFSAs dollars only for dental, vision, or preventive care services.
- Employees can elect a High Deductible Health Plan without an HSA and with a **general purpose HCFSAs** (\$500 employer contribution annually). This option means you can spend your HCFSAs dollars on any qualified medical costs.
- Employees can elect a standard health plan (\$250 or \$500 single deductible) with or without a general purpose HCFSAs (no employer contribution, employee contributions only).

You can learn more about HCFSAs by visiting www.napebt.com, attending an open enrollment meeting, or by talking with your HR representative.



You can elect to participate in an FSA if you work for one of the following NAPEBT employers:

- Coconino County;
- The City of Flagstaff;
- Flagstaff Housing Authority;
- Coconino Community College; or
- Flagstaff Unified School District

VISIT WWW.DISCOVERYBENEFITS.COM TO FIND OUT HOW AN FSA CAN SAVE YOU MONEY

Flexible Spending Accounts (FSAs) have two primary advantages. First, an FSA allows you to set aside before-tax dollars to pay for future expenses, by enrolling in a health care flexible spending account for health related expenses, or a dependent care flexible spending account for expenses related to child and elder care. This can be especially helpful if you're planning on some extensive dental work, need to replace your prescription glasses, or send your child to day care. Second, FSAs can help you reduce your income tax. That means extra dollars in your pocket.

The Health Care Flexible Spending Account

The general purpose Health Care Spending Account (HCFSAs) helps with expenses not paid by your medical, prescription drug, dental, or vision plan. Some examples include:

- Deductibles and copayments, including prescription drug copayments.
- Expenses that are over the covered plan limits such as orthodontia or out-of-network care.
- Expenses that are not covered by the plan such as lasik eye surgery or smoking cessation programs.

You decide how much to contribute to the Health Care Flexible Spending Account up to the maximum allowable amount. This Open Enrollment will be for a six-month plan year, so your maximum contribution will be limited. Please refer to your employee contribution rate sheet for maximum limits.

The Dependent Care Flexible Spending Account

The Dependent Care Spending Account can be used to pay for the care of:

- Children under the age of 13.
- A spouse, parent, or other person who is considered a dependent for income tax purposes, if he or she is physically or mentally incapable of self-care.

Eligible Dependent Care expenses include:

- Care provided by a day care center or licensed nursery school below the first grade level.
- Child care in your home or a caregiver's home as long as the caregiver is not considered your dependent for income tax purposes.
- Summer day camp.

You decide how much to contribute to the Dependent Care Flexible Spending Account. The maximum annual contribution limit is \$5,000 for a family.

Here is an example of how contributing \$2,000 to a Health Care or Dependent Care Flexible Spending Account can provide real tax savings.

	With an FSA	Without an FSA
Gross pay	\$50,000	\$50,000
Before-tax contributions	2,000	0
Taxable income	48,000	50,000
Estimated tax (federal and FICA)	8,866	9,395
After-tax dollars spent on eligible expenses	0	2,000
Take-home pay	39,134	38,605
Discount with an FSA	\$529	\$0

*By paying out-of-pocket costs with before-tax, versus after-tax money, you save 26% or \$529 in taxes.
That's more money in your pocket – not Uncle Sam's!*

Remember, to estimate your contributions carefully. Once you enroll, you can't change your contribution amount for the rest of the plan year unless you have a qualified life event status change. Plus, you'll only have 90 days after the plan year to file eligible claims for reimbursement, and any money left in your account at the end of the year is forfeited.



NAPEBT employees and their families have access to prescription drugs through the BlueCross BlueShield of Arizona (BCBSAZ) **4-Level Prescription Drug Program**. The program has a tiered copay and offers you access to a number of generic and brand name drugs prescribed by your physician.

Details and information on the 4-Level Plan (including claims procedures for network and non-contracted pharmacies, drug lists, and copay levels) can be found on our website www.napebt.com by clicking on your employer's link (*City of Flagstaff*, for example) and then Medical, and then Prescription Benefit.

It's important to know the facts about your program in order to make the best and most cost-effective decisions regarding your medications. You should know that in almost all cases, Level 1 drugs (generics and a few brand name) are the most inexpensive. Levels 2, 3 and 4 represent increasing cost sharing for you. Sometimes you can be treated with an alternative medication at a lower level for a lower cost, so it pays to discuss your medication options with your physician.

Additionally, if you are prescribed maintenance medications (those you will take on an ongoing basis), you can receive up to a 90-day supply for a discounted fee with the Mail Order Program.

Be informed. Be smart.
Get the medications you need at the best prices.

To get the most out of your pharmacy benefit, it pays to know the details of your plan. Now you can compare costs for your prescription drugs with the Prescription Drug Copay Calculator.

Go to www.azblue.com and log on to BlueNet, click on the Claims & Benefits tab, then select the RX Copay Calculator. Next you can select the medication, dosage and quantity, then select a pharmacy near you, and you'll see a listing of pharmacies and your copay.

SMAC 30 What's your number?

Healthwaves will be offering free **SMAC 30** blood tests for all employees enrolled in the BCBSAZ medical plan. If you would like to have your spouse or dependents tested, there is a fee of \$35 per person. The test takes only a few minutes, and we encourage everyone to participate. To avoid waiting in line, please set up an appointment by calling Healthwaves at 480-968-1886, or toll-free 1-866-968-1886. Be sure to call by October 4, 2006 to reserve your time.

For an accurate test, you'll have to fast for 8 hours before the test (you are allowed water and medications only). The test includes a complete lipid panel that tests your cholesterol and triglycerides, plus 30 items related to your kidneys, liver, iron, nutrition, diabetes, bones, electrolytes, and gout.

Date	Time	Location	Meeting Address
Mon., Oct 9	7am - 10am	City of Flagstaff	211 W. Aspen
Tues., Oct 10	7am - 10am	City of Flagstaff	211 W. Aspen
Thurs., Oct 12	7am - 11am	Puente de Hozho Elementary School	3401 N. 4th Street Rm. 19
Mon., Oct 16	7am - 11am	Flagstaff Unified School District	3285 E. Sparrow/Board Rm
Tues., Oct 17	7am - 9am	Coconino Community College	2800 S. Lone Tree
Wed., Oct. 18	7am - 10am	Coconino Community College Coconino County	475 S. Lake Powell Blvd. Page, AZ
Fri., Oct 20	7am - 9am	Coconino Community College <i>Coconino Community College Employees Only</i>	2800 S. Lone Tree
Tues., Oct 24	7am - 10am	Coconino County (LEAF)	911 E. Sawmill Road
Fri., Oct 27	8am - Noon	Coconino County (Board of Supervisors)	219 E. Cherry/Admin Bldg
Mon., Oct 30	7am - 9am	Flagstaff High School	400 W. Elm/Mini Auditorium

Remember to bring your BCBSAZ ID card to get your free SMAC 30 test offered to enrolled employees.

LET US KNOW WHAT YOU THINK

We want this newsletter to be a valuable resource for you and your family. If you have suggestions about topics to include in future issues, please share your ideas by contacting:

- Coconino County:** Judy Jones 779-6810
- The City of Flagstaff:** Shannon Anderson 779-7698
- Flagstaff Housing Authority:** Deborah Beals 526-0002
- Coconino Community College:** Elizabeth Jennings 226-4268
- Flagstaff Unified School District:** Carrie Cromer 527-6071
- NAIPTA:** Heather Dalmolin 679-8908
- CCRASD#99:** Tina Wells 779-6592

This newsletter highlights certain benefits of the Northern Arizona Public Employees Benefit Trust. The official Plan Documents contain the rules of the Plan. If there is a discrepancy between the information in this newsletter and the Plan Documents, the Plan Documents will govern.