

**EMPLOYER GROUP WAIVER PLAN WITH A STATE OF VERMONT WRAPAROUND BENEFIT
SIDE LETTER OF AGREEMENT**

The following is the Agreement reached by the State of Vermont and the Vermont State Employees' Association, Inc. (VSEA) regarding the implementation and provision of an Employer Group Waiver Plan with a State of Vermont wraparound prescription drug benefit (EGWP+Wrap) for all individuals covered by a State Employee Health Plan(s), including retirees and dependents, whose primary medical insurance is Medicare.

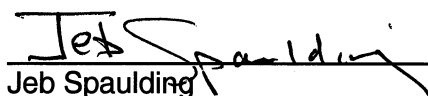
1. Effective January 1, 2015, the State of Vermont shall implement an EGWP+Wrap, for all individuals covered by a State Employee Health Plan(s), including retirees and dependents, whose primary medical insurance is Medicare ("Members"), to replace the pharmacy benefit currently provided by the State Employee Health Plan(s).
2. The "Wrap" shall provide additional coverage beyond the standard EGWP Part D benefits so Members have access to all drugs covered under the State Employee Health Plan(s) as provided to active employees, regardless of their exclusion from the Medicare Part D formulary.
3. The EGWP+Wrap will maintain the same plan deductibles, coinsurance, and maximum out-of-pocket provisions as those generally applicable to active employees (currently, \$25.00 deductible; 10% generic, 20% preferred brand and 40% non-preferred brand copays; and an out-of-pocket maximum of \$750) and will continue, in the same manner as currently provided, to contain a provision that allows a Member to request a coinsurance tiering exception (medical override) in accordance with Medicare drug rules through the current prior authorization request process.
4. The Parties acknowledge that the list of preferred and non-preferred drugs within the formulary provided to Members covered by EGWP+Wrap will differ from those within the formulary provided to active employees. Annually, the State will communicate any changes to these formularies to VSEA, by providing the VSEA Executive Director a minimum of thirty (30) days advance notice of the implementation of such changes. The information provided to the VSEA Executive Director will identify the name of any impacted drug, its therapeutic usage, number of prescriptions issued and number of impacted Members. Upon written request of the VSEA Executive Director, the parties will meet to review and discuss the impact of these changes.
5. The EGWP+Wrap will provide for a "low income premium subsidy" to Members deemed eligible by Medicare. Payments made to eligible Members under this provision will be made on a monthly basis.
6. Beginning in 2015, and annually thereafter, the State of Vermont will apply all estimated savings from the provision of the EGWP+Wrap to the calculation of Medicare supplemental retiree premiums, in proportion to the parties' premium contribution levels (currently 80% State share/20% retiree share).
7. Should any regulations governing EGWP+Wrap change, the State of Vermont will notify the VSEA Executive Director of such changes within fifteen (15) days of receiving official notice of such changes. Upon request of the VSEA Executive Director, the parties will meet to review and discuss the impact of these changes. In the event that such regulatory changes prohibit the State of Vermont from continuing to provide the Wrap, the EGWP+Wrap shall be discontinued and Members shall, beginning on the effective date of the elimination of the Wrap, receive the same pharmacy benefit as provided to active employees.
8. In the event that the State of Vermont and/or VSEA can substantiate a significant negative economic impact on a majority of Members and/or the State Employee Health Plan(s) from the EGWP+Wrap, either party may request to engage in discussions, for a period not to exceed sixty (60) days, regarding such impact. At the end of the sixty (60) day period, if the parties have failed to reach agreement, either party may, with a minimum of thirty (30) days written notice, request that the EGWP+Wrap be

discontinued. If such request is denied, the moving party may proceed to the statutory impasse procedures as outlined in 3 V.S.A. § 925.


9. The parties will collaborate on providing initial and on-going communication, education, and assistance to Members regarding the implementation and provisions of EGWP+Wrap, to the extent allowed by Federal and/or State statute and/or regulation.
10. The parties acknowledge that, except as modified by this Agreement, Members shall, in accordance with 3 V.S.A. § 631(a)(2)(A), be entitled to the same group hospital-surgical-medical expense insurance as provided to active employees.
11. The parties shall not unilaterally propose, pursue, or support legislation requiring the implementation and/or discontinuance of an EGWP for retirees of the State of Vermont.

For the State of Vermont:

For the Vermont State Employees' Association Inc.


Jeb Spaulding
Secretary of Administration

3/14/14
Date


Mark Erwin Mitchell
Executive Director

3/14/14
Date


Kate G. Duffy
Commissioner of Human Resources

3/14/14
Date