



**OUTPATIENT PRESCRIPTION DRUG PROGRAM
ADDENDUM FOR 2006**

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This addendum contains complete information on the PERS Choice/PERSCare Outpatient Prescription Drug Program incorporating Medco as the prescription drug benefit administrator beginning July 1, 2006. Please put this important information with your 2006 Evidence of Coverage (EOC) booklet for future reference.

This addendum supersedes the Outpatient Prescription Drug Program information in the Evidence of Coverage. All references to page numbers refer to pages in this addendum. The meanings of key terms used in this addendum can be found in the Definitions section of this addendum (pages 13 and 14) and in the Definitions section of the Evidence of Coverage.

HOW TO REACH US –

For information regarding the Retail Pharmacy Program or Mail-Order Program effective July 1, 2006, you may call or visit on-line:

Medco Health Solutions, Inc.
1-800-939-7091
1-800-497-4641 (outside the continental U.S.)
Web site: www.medco.com

OUTPATIENT PRESCRIPTION DRUG PROGRAM

HOW TO USE THIS PLAN

Outpatient Prescription Drug Benefits

The Outpatient Prescription Drug Program is administered by Medco. This program will pay for prescription medications which are: (a) prescribed by a licensed physician in connection with a covered illness or accidental injury; (b) dispensed by a registered pharmacist, subject to the exclusions listed in the Outpatient Prescription Drug Exclusions section of this addendum; and (c) approved through the Coverage Management Programs described in the Prescription Drug Coverage Management Programs section of this addendum. All prescription medications are subject to clinical drug utilization review when dispensed.

Covered outpatient prescription drugs prescribed by a licensed physician in connection with a covered illness or accidental injury and dispensed by a registered pharmacist may be obtained either through the Medco Retail Pharmacy Program or the Medco Mail-Order Program, **Medco By Mail**.

The Plan's Outpatient Prescription Drug Program is designed to save you and the Plan money without compromising safety and effectiveness standards by encouraging you to ask your physician to prescribe generic drugs whenever possible and to also prescribe medications on Medco's Preferred Drug List. Members can still receive any covered medication, and your physician still maintains the choice of medication prescribed.

Coordination of Benefits provisions do not apply to the Outpatient Prescription Drug Program.

Copayment Structure

The Plan's copayment structure includes generic, Preferred and Non-Preferred brand-name medications. The Member has an incentive to use generic and Preferred brand-name drugs, and mail-order for maintenance medications. Your copayment will vary depending whether you use retail or mail-order, and whether you select generic, Preferred or Non-Preferred brand-name medications, or whether you purchase maintenance medications at the retail pharmacy after the second fill.

Medco will manage your outpatient prescription drug benefit beginning July 1, 2006. It's possible that some brand-name medications which had been "preferred" may no longer be on your Plan's Preferred Drug List and may have a different copayment amount than the copayment amount you previously paid.

You have two ways to find out if a medication is a Preferred brand-name medication: Either look at the **Preferred Prescriptions[®] Member Guide** (which you'll receive in your welcome package from Medco) or, beginning July 1, 2006, visit Medco on-line at www.medco.com for an up-to-date listing. After you log in, click "Learn about formularies" in the "Prescriptions & benefits" section. If a medication you're currently taking is no longer on the Preferred Drug List, you will have a 3-month grace period beginning July 1, 2006, so that you can discuss possible medication changes with your physician. During the grace period, you'll pay the Preferred brand-name medication copayment. Please show the *Member Guide* to your physician and ask if one of the Preferred brand-name medications would be right for you. If your physician agrees, ask him or her to write a new prescription. (Generic medications provide the best value under your Plan.) Once the grace period ends on October 1, 2006, you are responsible to pay the higher non-Preferred brand-name medication copayment for your formerly Preferred brand-name medication.

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The following table shows the copayment structure for the retail pharmacy and mail-order programs:

| Participating Retail Pharmacy (short-term use) | Participating Retail Pharmacy Maintenance Medications* filled at Retail after 2nd fill (a maintenance medication* taken longer than 60 days for a long-term or chronic condition) | Mail-Order Medco By Mail (a maintenance medication* taken longer than 60 days for a long-term or chronic condition) |
|---|---|---|
| Generic \$5.00 | Generic \$10.00 | Generic \$10.00 |
| Preferred Brand \$15.00 | Preferred Brand \$25.00 | Preferred Brand \$25.00 |
| Non-Preferred Brand \$45.00 | Non-Preferred Brand \$75.00 | Non-Preferred Brand \$75.00 |
| Partial Waiver of Non-Preferred Brand copayment** \$30.00 | Partial Waiver of Non-Preferred Brand copayment** \$45.00 | Partial Waiver of Non-Preferred Brand copayment** \$45.00 |
| Up to a 30 day supply for PERS Choice Members Up to a 34-day supply for PERSCare Members | Up to a 30 day supply for PERS Choice Members Up to a 34-day supply for PERSCare Members | Up to a 90-day supply |
| Out-of-Pocket Maximum, per person each calendar year (mail-order only) | not applicable | \$1,000 |

* A maintenance medication may not require frequent dosage adjustments and is prescribed for a long-term or chronic condition, such as arthritis, diabetes, and high blood pressure or is otherwise a long-term usage of medication such as birth control. Ask your physician if you will be taking a prescribed medication longer than 60 days. If you purchase a maintenance prescription at a retail pharmacy after the second fill, you will be charged a higher copayment, which is the applicable mail-order copayment described above. Please note that all medications can be filled at a retail pharmacy, but long-term medications (medications taken for 60 days or more) will cost more if purchased at a retail pharmacy after the second fill. Members can purchase the same medications by mail-order at a cost savings.

NOTE: The list of medications subject to a higher copayment after the second fill at a retail pharmacy is subject to change. To find out which medications are impacted, Members can visit Medco on-line at www.medco.com or call Medco Member Services at 1-800-939-7091.

Examples of common long-term or chronic conditions:

- Birth control
- Hypertension or high blood pressure
- Hyperlipidemia or High Cholesterol
- Diabetes

Examples of common short-term acute illnesses or conditions:

- Influenza
- Pneumonia
- Urinary tract infection

**To obtain a partial waiver to purchase a Non-Preferred brand-name medication at a reduced copayment amount, please refer to the Partial Waiver of Non-Preferred Brand Copayment process as outlined in the Prescription Drug Appeal Procedure section of this addendum (page 11). To obtain a partial copayment waiver, your physician must document why you cannot tolerate the preferred products and the available generic alternatives, or that you have tried the preferred products or available generic alternatives without clinical success.

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The copayment applies to each prescription order and to each refill. The copayment is not reimbursable and cannot be used to satisfy any deductible requirement. (Under some circumstances your prescription may cost less than the actual copayments, and you will be charged the lesser amount.)

All prescriptions filled by mail-order will be filled with a FDA-approved bioequivalent generic, if one exists, unless your physician specifies otherwise. A one thousand dollar (\$1,000) maximum calendar year copayment (per person) applies to mail-order prescriptions.

Although Generic Medications (defined on page 13) are not mandatory, the Plan encourages you to purchase generics whenever possible. Generic equivalent medications may differ in color, size, or shape, but the Federal Drug Administration (FDA) requires that they have the same quality, strength, purity and stability as the Brand-Name Medications (defined on page 13). Prescriptions filled with Generic equivalent medications have lower copayments and also help to manage the increasing cost of health care without compromising the quality of your pharmaceutical care.

Retail Pharmacy Program

Medication for a short duration, up to a 30-day supply for PERS Choice Members and a 34-day supply for PERSCare Members, may be obtained from a Participating Pharmacy by using your PERS Choice/PERSCare ID card.

While this program was designed primarily for use in California, there are many Participating Pharmacies outside California that will also accept your PERS Choice/PERSCare ID card. At Participating Pharmacies, simply show your ID card and pay either a five dollar (\$5.00) copayment for generic medications, a fifteen dollar (\$15.00) copayment for Preferred brand-name medications, or a forty-five dollar (\$45.00) copayment for Non-Preferred brand-name medications. Non-Preferred brand-name medications can be purchased for a thirty dollar (\$30.00) copayment with an approved partial copayment waiver (page 11). If the pharmacy does not accept your ID card and is a Non-Participating Pharmacy (defined on page 13), there is additional cost to you.

If you purchase a maintenance medication at a retail pharmacy after the second fill, you will be charged a higher copayment, which is the applicable mail-order copayment described above under Copayment Structure.

To find a Participating Pharmacy close to you, simply visit the Medco Web site at www.medco.com, or contact Medco Member Services at 1-800-939-7091. If you want to utilize a Non-Participating Pharmacy, please follow the procedure for using a Non-Participating Pharmacy described on page 4 of this addendum. For covered medications you take on a long-term basis (60 days or more), use Medco By Mail. For more information on Medco By Mail, see How To Use Medco By Mail on pages 5 and 6 of this addendum, visit the Medco Web site at www.medco.com, or call Medco Member Services at 1-800-939-7091.

How To Use The Retail Pharmacy Program Nationwide

Participating Pharmacy

1. Take your prescription to any Participating Pharmacy. To locate a Participating Pharmacy near you, visit the Medco Web site at www.medco.com or contact Medco Member Services at 1-800-939-7091.
2. Present your PERS Choice/PERSCare ID card to the pharmacist. The pharmacist will fill the prescription for up to a 30-day supply of medication for PERS Choice Members and a 34-day supply of medication for PERSCare Members. Verify that the pharmacist has accurate information about you and your covered dependents, including date of birth and gender.

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3. You will be required to pay the pharmacist your appropriate copayment for each prescription order or refill. You may be required to sign a receipt for your prescription at the pharmacy.
4. In the event you do not have your ID card prior to going to the pharmacy, contact Medco Member Services at 1-800-939-7091 for assistance with processing your prescription at a Participating Pharmacy. In order to obtain an ID card, you may contact the Blue Cross Customer Service Department at 1-877-737-7776. If you pay the Participating Pharmacy the full cost of your medication at the time of purchase without presenting your ID card, your reimbursement will be the same as if you had used a Non-Participating Pharmacy. (See example below.)

Non-Participating Pharmacy

If you purchase medications at a Non-Participating Pharmacy, either inside or outside California, **you will be required to pay the full cost of the medication at the time of purchase.** To receive reimbursement, complete a Medco Prescription Drug Claim Form and mail it to the address indicated on the form. **Claims must be submitted within twelve (12) months from the date of purchase to be covered. Any claim submitted outside the twelve (12) month time period will be denied.**

Payment will be made directly to you. It will be based on the amount that the Plan would reimburse a Participating Pharmacy minus the applicable copayment.

Example of Direct Reimbursement Claim for a Preferred Brand-Name Medication

| | |
|---|------------|
| 1. Pharmacy charge to you (Retail Charge) | \$ 38.00 |
| 2. Minus Medco's Negotiated Network Amount on a Preferred Brand-Name Medication | (\$ 20.00) |
| 3. Amount you pay in excess of allowable amount due to using a Non-Participating Pharmacy or not using your ID Card at a Participating Pharmacy | \$ 18.00 |
| 4. Plus your copayment for a Preferred Brand-Name Medication | \$ 15.00 |
| 5. Your total out-of-pocket cost would be | \$ 33.00 |

If you had used your ID Card at a Participating Pharmacy, the Pharmacy would only charge the Plan \$20.00 for the drug, and your out-of-pocket cost would only have been the \$15.00 copayment. Please note that if you paid a higher copayment after your second fill at retail for a maintenance medication, you will not be reimbursed for the higher amount.

As you can see, using a Non-Participating Pharmacy or not using your ID card at a Participating Pharmacy results in substantially more cost to you than using your ID card at a Participating Pharmacy. Under certain circumstances, your copayment amount may be higher than the cost of the medication, and no reimbursement would be allowed.

Note: Covered medications purchased from your physician will be reimbursed under the Non-Participating Pharmacy benefit through Medco.

Outside the United States. There are no participating pharmacies outside of the United States. To receive reimbursement for outpatient prescription medications purchased outside the United States, complete a Medco Prescription Drug Claim Form and mail the form along with your pharmacy receipt to Medco Health Solutions, Inc., at P.O. Box 14711, Lexington, KY 14711. Prescription medication covered by the Plan will be reimbursed at one hundred percent (100%), minus a forty-five dollar (\$45) copayment for a 1-month supply, based on the foreign exchange rate on the date of service. **Claims must be submitted within twelve (12) months from the date of purchase.**

Direct Reimbursement Claim Forms

To obtain a Medco Prescription Drug Claim Form and information on Participating Pharmacies, visit the Medco Web site at www.medco.com, or contact Medco Member Services at 1-800-939-7091.

OUTPATIENT PRESCRIPTION DRUG PROGRAM

Mail-Order Program

Maintenance medications for long-term or chronic conditions may be obtained by mail, for up to a ninety (90) day supply, through Medco's Mail-Order Program, Medco By Mail. Mail-order offers additional savings and convenience if you need prescription medication on an ongoing basis. For example:

- **Additional Savings:** You can receive up to a **ninety (90) day supply** of medication for only ten dollars (\$10.00) for each generic medication, twenty-five dollars (\$25.00) for each Preferred brand-name medication, seventy-five dollars (\$75.00) for each Non-Preferred brand-name medication, or forty-five dollars (\$45.00) for each Partial Waiver of Non-Preferred Brand Copayment. In addition to out-of-pocket cost savings, you save additional trips to the pharmacy.
- **Convenience:** Your medication is delivered to your home by mail.
- **Security:** You can receive up to a 90-day supply of medication at one time.
- **A toll-free customer service number:** Your questions can be answered by contacting a Medco Member Services Representative at 1-800-939-7091.
- **Out-of-pocket maximum:** Your maximum calendar year copayment (per person) through the Mail-Order Program is one thousand dollars (\$1,000).

How To Use Medco By Mail

If you must take medication on an ongoing basis, Medco By Mail is ideal for you. To use this program, just follow these steps:

1. Ask your physician to prescribe maintenance medications for up to a ninety (90) day supply, plus refills if appropriate.
2. Send the following to Medco in the pre-addressed mail-order envelope:
 - a. The original prescription order(s) – **Photocopies are not accepted.**
 - b. A completed Medco By Mail order form. The Medco By Mail order form can be obtained by visiting the Medco Web site at www.medco.com, or by contacting Medco Member Services at 1-800-939-7091 and using the automated phone system or requesting to speak with a customer service representative.
 - c. A check or money order for an amount that covers your copayment for each prescription: \$10 generic, \$25 Preferred brand-name, \$75 Non-Preferred brand-name or \$45 Partial Waiver of Non-Preferred brand-name. Checks or money orders should be made payable to Medco Health Solutions, Inc. Medco also has a safe, convenient way for you to pay for your orders called e-check. E-check is an electronic funds transfer system that automatically deducts your copayment from your checking account. For more information or to enroll on-line, visit www.medco.com, or call Member Services at 1-800-939-7091. If you prefer to pay for all of your orders by credit card, you may want to join Medco's automatic payment program. You can enroll by visiting the Medco Web site at www.medco.com, or by calling toll-free 1-800-948-8779.
3. To order your mail-order refill:
 - a. **Use Medco's Web site**
Visit www.medco.com, your on-line prescription service, to order prescription refills or inquire about the status of your order. You will need to register on the site and log in. When you register you will need the cardholder's ID number which is located on the combined medical and prescription drug ID card.

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b. Call Medco's Automated Refill Phone System

Medco's automated telephone service gives you a convenient way to refill your prescriptions at any time of the day or night. Call 1-800-939-7091 for Medco's fully automated refill phone service. When you call, be ready to provide the cardholder's ID number, Member's date of birth, and your credit card number along with the expiration date.

c. Refill by Mail

Order three weeks in advance of your current prescription running out. Refill dates will be included on the prescription label you receive from Medco. Attach the refill label provided with your prescription order to a Medco By Mail order form along with your payment. Mail the order form to Medco in the pre-addressed envelope included with your previous shipment.

If you have questions regarding Medco By Mail or to find out if your medication is on Medco's Preferred Drug List, visit the Medco Web site at www.medco.com, or contact Medco Member Services at 1-800-939-7091. All prescriptions received through mail-order will be filled with a FDA-approved bioequivalent generic substitute if one exists, unless your physician specifies otherwise.

PRESCRIPTION DRUG COVERAGE MANAGEMENT PROGRAMS

Coverage Management Programs

The Plan's Prescription Drug Coverage Management Programs include a Prior Authorization/Point of Sale Utilization Review Program. Additional programs may be added at the discretion of the Plan.

The Plan may implement additional new programs designed to ensure that medications dispensed to its Members are covered under this Plan. **As new drugs are developed, including generic versions of brand-name drugs, or when drugs receive FDA approval for new or alternative uses, the Plan reserves the right to review the coverage of those drugs or class of drugs under the Plan. The Plan reserves the right to exclude, discontinue or limit coverage of those drugs or class of drugs following such review. Any benefit payments made for a prescription medication shall not invalidate the Plan's right to make a determination to exclude, discontinue or limit coverage of that medication at a later date.**

The purpose of Prescription Drug Coverage Management Programs, which are administered by Medco in accordance with the Plan, is to ensure that certain medications are covered in accordance with specific Plan coverage rules.

Prior Authorization/Point of Sale Utilization Review Program

The drugs and drug categories listed below as requiring Prior Authorization are subject to change. If you fail to obtain Prior Authorization, or if Prior Authorization is denied, the Plan will not cover the cost of the medication.

If your prescription requires a Prior Authorization, the dispensing pharmacist is notified by an automated message before the drug is dispensed. **The dispensing pharmacist may receive a message that indicates "Plan Limits Exceeded" or "Prior Authorization Required" depending on the drug category. Drug categories with an (*) are subject to a quantity limitation that may differ from the 30-day (PERS Choice) or 34-day (PERSCare) supply.** Your physician should contact Medco to initiate a coverage review and determine if the prescribed medication meets the Plan's approved coverage rules. This process is usually completed within forty-eight (48) hours. You will receive notification from Medco if Prior Authorization is denied.

Drug categories that may be subject to Prior Authorization include, but are not limited to:

- Acne Therapy over the age of 33 (e.g. Retin-A)
- Central nervous system stimulants (e.g. Adderall, Desoxyn)
- Fertility Drugs (e.g. Clomid) Note: These drugs are covered for indications other than infertility.
- COX-2 Inhibitor Therapy (e.g. Celebrex)
- Erectile Dysfunction Therapy*
- Toenail and fingernail fungus infections (e.g. Lamisil, Sporanox)
- Paget's Disease Management* (e.g. Actonel, Skelid)
- Pain Management (e.g. Stadol NS)
- Vaginitis Management* (e.g. Diflucan 150mg.)
- Anti-Influenza Therapy (e.g. Tamiflu, Relenza)
- Androgens and Anabolic Steroids (e.g. Winstrol, Striant)
- NSAID Therapy (e.g. Toradol)

Medco Special Care Pharmacy Services

The Medco Special Care Pharmacy offers convenient access and delivery of specialty medications, many of which are injectable, as well as personalized service and educational support. A Medco patient care representative will be your primary contact for ongoing delivery needs, questions, and support.

To obtain specialty medications, you or your physician should call 1-800-803-2523. The Medco Special Care Pharmacy hours of operation are 8 AM to 8 PM EST, Monday through Friday; however, pharmacists are available for clinical consultation 24 hours a day, 7 days a week.

PRESCRIPTION DRUG COVERAGE MANAGEMENT PROGRAMS

The following is a list of specialty drug therapies:

Alpha-1 Proteinase Deficiency (e.g. Aralast, Zemaira)
Anemia/Neutropenia/Thrombocytopenia (e.g. Aranesp, Leukine, Neupogen, Procrit, Neumega)
Asthma (e.g. Xolair)
Blood Modifier (e.g. Exjade)
Cancer (e.g. Avastin, Eligard, Gleevec, Nexavar, Rituxan, Tarceva, Temodar, Xeloda, Zoladex)
Blood Disorders/Cancer (e.g. Revlimid, Thalomid)
Cancer/Acromegaly (e.g. Sandostatin, Sandostatin LAR)
Cystic Fibrosis (e.g. Pulmozyme, Tobi)
Gaucher's Disease (e.g. Cerezyme)
Growth Hormones (e.g. Genotropin, Norditropin, Nutropin, Protropin, Increlex)
Hemophilia (e.g. Advate, Helixate, Hemofil M, Monoclate P, Novoseven, Recombinate, Stimate)
Hepatitis (e.g. Intron A, Pegasys, Peg-Intron, Rebetrol, Rebetron)
Hereditary Tyrosinemia (e.g. Orfadin)
HIV/AIDS (e.g. Fuzeon)
Hyperparathyroidism (e.g. Sensipar)
Immune Deficiency (e.g. Actimmune, Gamimune, Gammar, Iveegam, Octagam)
Multiple Sclerosis (e.g. Avonex, Betaseron, Copaxone, Rebif, Novantrone)
Enzyme Deficiency (e.g. Aldurazyme)
Osteoporosis (e.g. Forteo)
Parkinson's Disease (e.g. Apokyn)
Psoriasis (e.g. Amevive, Raptiva)
Pulmonary Hypertension (e.g. Flolan, Remodulin, Revatio, Tracleer, Ventavis)
Rheumatoid Arthritis (e.g. Enbrel, Humira, Kineret, Remicade)

In addition, some specialty medications are available through either Medco Special Care Pharmacy or Participating Retail Pharmacies.

Neulasta
Cytovene Capsules
Arixtra
Fragmin
Innohep
Lovenox
Geref

The above specialty drug therapies are subject to change, and the drugs listed are examples only. Please contact the Medco Special Care Pharmacy at 1-800-803-2523 for specific coverage information.

For Transplant Therapies (e.g. Simulect, Zenapax), these products will be available through Medco By Mail or at a participating retail pharmacy. Please call Medco Member Services at 1-800-939-7091 if you have questions or need assistance.

OUTPATIENT PRESCRIPTION DRUG EXCLUSIONS

The following are excluded under the Outpatient Prescription Drug Program:

1. Drugs or medicines obtainable without a physician's prescription, often called over-the-counter (OTC) drugs, except insulin and glucose test strips.
2. Contraceptives in the form of condoms, jellies, ointments, foams, or devices (except diaphragms). Intra-uterine devices (IUDs) and time-released subdermal drugs (e.g. Norplant implants) are excluded.
3. Dietary and herbal supplements, minerals, health aids, and any vitamins whether available over the counter or by prescription, except prescriptions for vitamin D.
4. Anorexiant and appetite suppressants or any other anti-obesity drugs.
5. Anti-dandruff preparations.
6. Laxatives, except as prescribed for diagnostic testing.
7. Supplemental fluorides.
8. Charges for the purchase of blood or blood plasma.
9. Hypodermic needles and syringes, except as required for the administration of a covered drug.
10. Non-medical therapeutic devices, durable medical equipment, appliances and supplies, including support garments, even if prescribed by a physician, regardless of their intended use.*
11. Drugs which are primarily used for cosmetic purposes rather than for physical function or control of organic disease.
12. Drugs labeled "Caution – Limited By Federal Law to Investigational Use" or non-FDA approved Investigational Drugs. Any drug or medication prescribed for experimental indications.
13. Any drugs prescribed solely for the treatment of an illness, injury or condition that is excluded under the Plan.
14. Any drugs or medications which are not **legally** available for sale within the continental United States. This includes drugs obtained outside of the United States, unless such drugs would be covered under this section if obtained within the United States.
15. Any charges for injectable immunization agents, desensitization products or allergy serum, or biological sera, including the administration thereof.*
16. Professional charges for the administration of prescription drugs or injectable insulin.*
17. Drugs or medicines, in whole or in part, to be taken by, or administered to, a Plan Member while confined in a hospital or skilled nursing facility, rest home, sanatorium, convalescent hospital or similar facility.*
18. Drugs and medications dispensed or administered in an outpatient setting, including, but not limited to, outpatient hospital facilities, and services in the Member's home provided by Home Health Agencies and Home Infusion Therapy Providers.*
19. Medication for which the cost is recoverable under any workers' compensation or occupational disease law, or any state or governmental agency, or any other third-party payer; or medication furnished by any other drug or medical services for which no charge is made to the Plan Member.

OUTPATIENT PRESCRIPTION DRUG EXCLUSIONS

20. Any quantity of dispensed drugs or medicines which exceeds a thirty (30) day supply for PERS Choice and a thirty-four (34) day supply for PERSCare at any one time, unless obtained through Medco by Mail. Prescriptions filled using Medco by Mail are limited to a ninety (90) day supply of covered drugs or medicines as prescribed by a physician.
21. Refills of any prescription in excess of the number of refills specified by a physician.
22. Any drugs or medicines dispensed more than one (1) year following the date of the physician's prescription order.
23. Any charges for special handling and/or shipping costs incurred through a Participating Pharmacy, a non-Participating Pharmacy, or the mail-order pharmacy.
24. Any quantity of dispensed medications that is deemed inappropriate as determined through Medco's clinical coverage management programs.

NOTE: Items marked by an asterisk (*) may be covered as stated under Medical and Hospital Benefits, Description of Benefits.

Services Covered By Other Benefits

When the expense incurred for a service or supply is covered under another benefit section of the Plan, it is not a Covered Expense under the Outpatient Prescription Drug Program benefit.

PRESCRIPTION DRUG APPEAL PROCEDURE

1. Denial of a Drug Requiring Approval Through Coverage Management Programs

You may request a second level of appeal for each medication denied through Coverage Management Programs within one hundred eighty (180) days from the postmark date of the notice of Initial Benefit Denial sent by Medco. Appeals should be directed to:

Medco Health Solutions of Irving, Inc.
8111 Royal Ridge Pkwy
Irving Park, TX 75063

If you are dissatisfied with the second level determination made by Medco, you may request a final administrative review from CalPERS within thirty (30) days of receipt of your appeal denial letter by following the procedure set forth in the CalPERS Final Administrative Determination Procedure section of your 2006 EOC.

2. Partial Waiver of Non-Preferred Brand Copayment

You may request a partial waiver of the Non-Preferred brand-name medication copayment through Medco's formal appeals process by obtaining a letter from your physician that clearly attests to the necessity for the non-preferred product vs. the preferred product or available generic alternative. The physician's letter should document the reason(s) for the waiver as one or more of the following:

- The Member has not tolerated a preferred alternative (e.g. adverse reaction, allergy or sensitivity).
- The Member has failed an adequate trial (duration of at least two weeks) with a preferred alternative.
- The Member is already stable on the non-preferred drug, and transitioning to a preferred alternative would pose a clinical risk to the Member.

Submit your request for a partial waiver to:

Medco Health Solutions of Irving, Inc.
8111 Royal Ridge Pkwy
Irving Park, TX 75063

Medco's coverage management staff will carefully review your waiver request, and you will be notified in writing of the outcome. If the partial waiver request is approved, the Non-Preferred brand-name medication copayment will be partially waived, and you will be charged the Partial Waiver of Non-Preferred brand-name medication copayment for that specific Non-Preferred product in the future. Failure to attest to a supportable medical need for a Non-Preferred brand-name medication will result in denial of the partial waiver request.

If you are dissatisfied with the determination made by Medco, you may request a final administrative review from CalPERS within thirty (30) days of receipt of your appeal denial letter using the procedure set forth in the CalPERS Final Administrative Determination Procedure section of your 2006 Evidence of Coverage.

The Plan reserves the right to periodically re-evaluate the medical necessity of the partial waiver of the Non-Preferred Brand copayment. As part of this review, you may be required to submit information from your physician to support the continued necessity for the Non-Preferred Brand drug. Failure to submit this documentation in a timely manner can result in repeal of the partial waiver of the Non-Preferred Brand copayment, and you will be charged the applicable Non-Preferred Brand copayment.

PRESCRIPTION DRUG APPEAL PROCEDURE

3. All Denials of Direct Reimbursement Claims

Some direct reimbursement claims for prescription drugs are not payable when first submitted to Medco. If Medco determines that a claim is not payable in accordance with the terms of the Plan, Medco will notify the Plan Member in writing explaining the reason(s) for nonpayment.

If the claim has erroneous or missing data that may be needed to properly process the claim, the Member may be asked to resubmit the claim with complete information to Medco. If after resubmission the claim is determined to be payable in whole or in part, Medco will take necessary action to pay the claim according to established procedures. If the claim is still determined to be not payable in whole or in part after resubmission, Medco will inform the Plan Member in writing of the reason(s) for denial of the claim.

If you are dissatisfied with the second level determination made by Medco, you may request a final administrative review from CalPERS within thirty (30) days of your receipt of the denial letter using the procedure set forth in the CalPERS Final Administrative Determination Procedure section of your 2006 Evidence of Coverage.

DEFINITIONS

Brand-Name Medication (Brand-Name Drug) — a drug which is under patent by its original innovator or marketer. The patent protects the drug from competition from other drug companies.

Generic Medication (Generic Drug) — a Prescription Drug manufactured and distributed after the patent of the original Brand-Name Medication has expired. The generic drug must have the same active ingredient, strength and dosage form as its Brand-Name Medication counterpart. A generic drug costs less than a Brand-Name Medication.

Maintenance Medications — Drugs that do not require frequent dosage adjustments, which are usually prescribed to treat a long-term condition, such as birth control, or a chronic condition, such as arthritis, diabetes, or high blood pressure. These drugs are usually taken longer than sixty (60) days.

Non-Participating Pharmacy — a pharmacy which has not agreed to Medco's terms and conditions as a Participating Pharmacy. Members may visit the Medco Web site at www.medco.com or contact Medco Member Services at 1-800-939-7091 to locate a Participating Pharmacy.

Non-Preferred Brand-Name Medication — Medications not listed on your printed Medco Preferred Drug List. If you would like to request a copy of Medco's Preferred Drug List, please visit the Medco Web site at www.medco.com, or contact Medco Member Services at 1-800-939-7091. Medications that are recognized as non-preferred and that are covered under your Plan will require the highest (third tier) copayment.

Over-the-Counter Drugs (OTC) — A drug product that does not require a prescription under federal or state law. PERS Choice/PERSCare outpatient prescription drug program does not cover OTC products, with the exception of insulin.

Participating Pharmacy — a pharmacy which is under an agreement with Medco to provide prescription drug services to Plan Members. Members may visit the Medco Web site at www.medco.com or contact Medco Member Services at 1-800-939-7091 to locate a Participating Pharmacy.

Pharmacy — a licensed facility for the purpose of dispensing prescription medications.

Plan — means PERS Choice/PERSCare. PERS Choice/PERSCare is a self-funded health plan established and administered by CalPERS (the plan administrator and insurer) through contracts with third-party administrators: Blue Cross of California and Medco.

Preferred Brand-Name Medication — A medication found on Medco's Preferred Drug List and evaluated based on the following criteria: safety, side effects, drug-to-drug interactions, and cost effectiveness. If you would like to request a copy of Medco's Preferred Drug List, please visit Medco's Web site at www.medco.com, or contact Medco Member Services at 1-800-939-7091.

Preferred Drug List — A list of medications that are more cost effective and offer equal or greater therapeutic value than the other medications in the same drug category. The Medco Pharmacy and Therapeutics Committee conducts a rigorous clinical analysis to evaluate and select each Preferred Drug List medication for safety, side effects, drug-to-drug interactions and cost effectiveness. The Preferred product must (1) meet participant's treatment needs, (2) be clinically safe relative to other drugs with the same indication(s) and therapeutic action(s), (3) be effective for FDA approved indications, (4) have therapeutic merit compared to other effective drug therapies, and (5) promote appropriate drug use.

Prescription — a written order issued by a licensed prescriber for the purpose of dispensing a Drug.

Prescription Drugs — (1) all drugs which under federal or state law require the written prescription of a physician, dentist, podiatrist or osteopath; (2) insulin; (3) hypodermic needles and syringes if prescribed by a physician for use with a covered drug; (4) glucose test strips; and (5) such other drugs and items, if any, not set forth as an exclusion.

DEFINITIONS

Prescription Drug Negotiated Rate — the rate that the prescription drug benefit administrator has negotiated with Participating Pharmacies under a Participating Pharmacy Agreement for Prescription Drug Covered Expense. Participating Pharmacies have agreed to charge Members presenting their ID card no more than the Prescription Drug Negotiated Rate. It is also the rate which the prescription drug benefit administrator's Mail-Order Program has agreed to accept as payment in full for mail order Prescription Drugs. In addition, if medications are purchased at a Non-Participating Pharmacy, it is the maximum allowable amount for reimbursement.

Prescription Order — the request for each separate drug or medication by a physician and each authorized refill of such request.

Specialty or Biotech Drugs — These drugs are very expensive therapies prescribed to treat specific chronic conditions such as multiple sclerosis, hemophilia, or growth hormone deficiency. Specialty and biotech drugs are often self-injectable or infused medications, but can also be oral therapies.