AMERICAN FARMS, PRM HEALTH PLAN
APPLICATION FOR WAIVER OF ANNUAL LIMIT

October 17, 2010

On behalf of our Group Health Plan, I respectfully request a waiver to the 2010 $750,000 annual limit. The reasons are outlined below and encompass the following:

1. The terms of the plans submitted as a part of this application are attached as Appendix A.

2. The following table provides the number of individuals covered by the corresponding plan/benefit package:

PLAN 3		(b)(4)
PLAN 4		

3. The annual limits and rates for the plan/benefit package are as follows:

	Rate with Current Limit		Rate with $750,000 Limit	
	Plan 3	Plan 4	Plan 3	Plan 4
ANNUAL LIMIT	(b)(4)		$750,000	$750,000
Employee Only			(b)(4)	
Employee + 1 Dependent				
Employee + 2/More Dependents				

4. Part A — A significant decrease in access to benefits to the employees and their families will occur.

a. The application of the $750,000 annual limit will result in the possible cancellation of the benefit package, due to the cost increase noted in Item 3 above.

b. Our group health plan benefits are an important cornerstone of our company's principles to protect the well being of our employees and their families. In addition to comprehensive hospital/surgical/medical benefits that would be cancelled, other benefits provided by the Plan would also be eliminated including: preventive and routine care, incentives to obtain prenatal care during pregnancy and participate in wellness programs, emergency treatment benefits, mental health care and substance abuse treatment, and prescription drug benefits.

c. The current plan is tailored to a seasonal workforce providing agricultural labor to the fresh produce industry. Some employees return to Mexico, or have families that remain in Mexico while working. We have provided these seasonal fieldworkers and their families with 'cross-border benefits' that allows them the choice to continue to receive medical care with contracted doctors and hospitals while in Mexico. This popular benefit would also end, as it is a part of the overall benefit package that we provide.

d. Loss of our employer provided hospital/medical group health benefits would result in a significant decrease in access to privately funded group health care, which for many will result in becoming uninsured. Some individuals will attempt to turn to the state for medical coverage, increasing the taxpayer's burden. In 2008-2009, the California budget allotted 26.4%[1] for health and human services spending. The near bankrupt state cannot afford adding to these expenditures. Within California's health and human services budget, Medi-Cal, the health and long-term care financing program for low-income individuals and persons with disabilities, represents the largest share of both the general and total fund spending.[2]

e. Economic, social and cultural issues converge to keep many of the employees who will lose their employer's health care coverage from availing themselves of federal and state health care programs, resulting in an increased use of already overcrowded county hospital emergency rooms. The large majority of these employees are of Hispanic descent, many of which, while providing important labor to the agricultural industry, are generally uneducated on the benefits available from the state. These employees often rely solely on the employer for benefits. In return, we provide bilingual educational and informational communications for these employees to assist them with using our employer-sponsored benefits, resulting in healthier employees and their families.

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[1] Source: A Summary of Health Care Financing for Low-Income Individuals in California, 1998 to 2008, Insure the Uninsured Project, www.itup.org.
[2] Ibid

AM FARMS:000002

The 2008 American Community Survey, United States Census report states that 37% of California's population is of Hispanic origin.[3] Yet, only 12.2% of the Hispanic population is reported enrolled in California's Medi-Cal program.[4] In contrast, over 60% of our employees and their dependents are of Hispanic origin and participates in our employer-sponsored health benefits.

4. Part B — A significant increase in premiums paid by the employees for coverage will occur.

a. Currently, we require our employees to pay a minimal amount toward the cost of the premium. These benefit packages are partially self-funded for Plan 3 and completely self-funded for Plan 4. In order to comply with the $750,000 annual limit, our costs will significantly increase and we will reduce our contribution by (b)(4)%. We will transfer that (b)(4)% cost to the employee in addition to the overall renewal rate increase based on current employer premium percentages. The following table provides the employee's premium for employee and family coverage with the current annual limit and the proposed rate with the regulatory annual limit of $750,000:

	Rate with Current Limit		Rate with $750,000 Limit	
	Plan 3	Plan 4	Plan 3	Plan 4
ANNUAL LIMIT	(b)(4)	(b)(4)	$750,000	$750,000
Employee Only	(b)(4)	(b)(4)	(b)(4)	(b)(4)
Employee + 1 Dependent	(b)(4)	(b)(4)	(b)(4)	(b)(4)
Employee + 2/More Dependents	(b)(4)	(b)(4)	(b)(4)	(b)(4)

We are committed to controlling the cost of health care for our employees and desire to continue to offer these customized benefits. However, the increased cost will very likely result in a significant increase of individuals electing to terminate coverage from the Plan. The significant impact of the loss of these benefits has been previously described above and unfortunately

[3] California Quick Facts from the U.S. Census Bureau, 2008

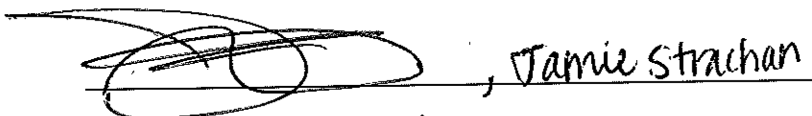
[4] MRMIP Subscriber and Health Plan Data: May 2008 Summary, www.MRMIB.gov

becomes an unintended consequence to the application of the proposed $750,000 annual limit.

b. The typical seasonal agricultural employee's wages are much lower than most other industries. These wages are competitive for the occupation and region and are reflective of the labor force needed for agriculture. One of the reasons that we partially self-fund Plan 3 and completely self-fund Plan 4 is to offer our agricultural employees a health care plan that would otherwise be unavailable from a commercial insurance carrier. These benefits are customized to provide coverage for routine and acute care at a cost that is in relation to the employee's wages. The implementation of the $750,000 annual limit would result in a significant increase in premium and will harm the balance of benefits to wages that currently meet our employee's needs.

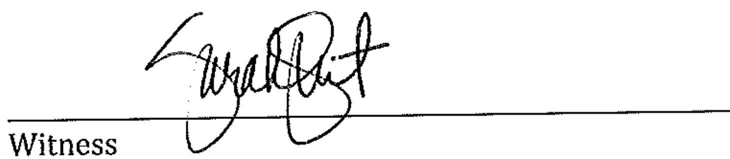
5. Attestation

As a duly appointed officer of the Plan Administrator, I certify by my signature below that the American Farms, PRM Health Plan was in force prior to September 23, 2010, and that for the reasons stated above the application of restricted annual limits to the American Farms, PRM Health Plan would result in a significant decrease in access to benefits for those currently covered by such plans, or a significant increase in premiums paid by those covered by such plans.



October 21, 2010

Date



Witness

APPENDIX A PLAN 3 – TERMS OF THE PLAN
A BENEFIT PACKAGE FOR THE EMPLOYEES AND DEPENDENTS OF AMERICAN FARMS, PRM HEALTH PLAN

GENERAL FEATURES	
Plan Year	January 1, 2011 – December 31, 2011
Calendar Year Deductible	$ (b)(4) per Family Member – Maximum $ (b)(4) per Family
Annual Maximum Benefit	$ (b)(4)
Lifetime Maximum Benefit	(b)(4)
Percentage Payable	(b)(4) % of Covered Expense (unless otherwise indicated)
Stop Loss	After $ (b)(4) per Family Member Covered Expense is paid at (b)(4) % each Calendar Year. The Deductible, Copayments, pre-certification/non-compliance penalties, amount in excess of Usual, Customary and Reasonable, and Prescription Drug Card Services, benefits paid at (b)(4) %, charges for non-Participating Hospitals, and non-Covered Expense are (b)(4) in calculating the Stop Loss Maximum (b)(4) once the Stop Loss Maximum is reached.
Participating Provider Network	California: Anthem Blue Cross Prudent Buyer Plan Arizona: Blue Cross Blue Shield of Arizona Outside California & Arizona: First Health
Covered Expense	**Participating Providers**: Covered Expense is limited to the Negotiated Contract Rate. **Non-Participating Providers**: Covered Expense is limited to the Customary & Reasonable charge for services performed within a geographic area as determined by the Plan.
COVERED EXPENSE	**DESCRIPTION OF EXPENSE**
Acupuncture/Acupressure	(b)(4) % of Covered Expense
Allergy Injections and Allergy Testing	**Participating Provider:** $ (b)(4) Copayment, then (b)(4) % of Covered Expense **Non-Participating Provider:** (b)(4) % of Covered Expense
Ambulatory Surgery Center	(b)(4) % of Covered Expense
Outpatient Surgery at a Hospital	**Participating Hospital:** (b)(4) % of Covered Expense **Non-Participating Hospital:** (b)(4) % of Covered Expense
Ambulance	(b)(4) % of Covered Expense
Anesthesia	(b)(4) % of Covered Expense
Bariatric Surgery	(b)(4) % of Covered Expense. Must use Anthem Blue Cross Center of Excellence
Birthing Centers	(b)(4) % of Covered Expense
Blood transfusions, Blood, Blood Plasma	(b)(4) % of Covered Expense
Chemotherapy and	(b)(4) % of Covered Expense

Radiation Therapy (Outpatient)	
Chiropractic Care	(b)(4)% of Covered Expense; X-rays to $(b)(4); Maximum of $(b)(4) per Calendar Year
Contraceptive Drugs and Devices	(b)(4)% of Covered Expense
Cosmetic Surgery after Mastectomy	(b)(4)% of Covered Expense
Dental or Oral Surgery and Dental Care for Accident	(b)(4)% of Covered Expense
Diagnostic X-ray and Lab (Outpatient)	(b)(4)% of Covered Expense
Dialysis Services	(b)(4)% of Covered Expense
Durable Medical Equipment	(b)(4)% of Covered Expense
Emergency Room Treatment for Non-Emergency Illness	(b)(4)% of Covered Expense, less an additional $(b)(4) Copayment
Emergency Room Care for Sudden & Serious Illness/Life Threatening Condition	(b)(4)% of Covered Expense
Foot Care	(b)(4)% of Covered Expense
Hearing Exams	(b)(4)% of Covered Expense
Home Health Care	(b)(4)% of Covered Expense
Home Infusion/Home Injection Therapy	(b)(4)% of Covered Expense
Hospital Services (Inpatient)	**Level 1 Participating Hospital:** (b)(4)% of Covered Expense **Level 2 Participating Hospital:** (b)(4)% of Covered Expense and additional $(b)(4) Copayment per day. Maximum additional Copayment = $(b)(4) per Calendar Year **Non-Participating Hospital:** (b)(4)% of Covered Expense
Infertility Services	After a separate $(b)(4) Deductible pays (b)(4)% up to $(b)(4) lifetime maximum
Injections	(b)(4)% of Covered Expense
Mammograms	(b)(4)% of Covered Expense – No Deductible
Maternity	(b)(4)% of Covered Expense ***When properly enrolled in the Prenatal Care Program, the individual receives a $(b)(4) Gift Certificate and prescriptive prenatal vitamins at (b)(4) cost.***
Medical/Surgical Supply House	(b)(4)% of Covered Expense
Treatment in Mexico Participating Provider Panel	$(b)(4) Copayment each Office Visit, $(b)(4) Copayment for each Medication, $(b)(4) for lab and X-ray, $(b)(4) Copayment for Outpatient Hospital, $(b)(4) Copayment for Inpatient

	Hospital
MRI, CAT Scan, Ultrasound & Nuclear Medicine	(b)(4)% of Covered Expense
Nursing Care	(b)(4)% of Covered Expense
Occupational Therapy	(b)(4)% of Covered Expense
Other Outpatient Hospital Services	**Participating Hospital:** (b)(4)% of Covered Expense **Non-Participating Hospital:** (b)(4)% of Covered Expense
Physical Therapy	(b)(4)% of Covered Expense
Physician Office/Home Visit	**Participating Provider:** $(b)(4) Copayment, then (b)(4)% with no Deductible **Non-Participating Provider:** (b)(4)% of Covered Expense
Other Physician Services	(b)(4)% of Covered Expense
Prescription Drugs	**Retail:** **Generic Drugs:** $(b)(4) Copayment, then (b)(4)% **Formulary Drugs:** $(b)(4) Copayment, then (b)(4)% **Non-Formulary Drugs:** (b)(4)% or $(b)(4), whichever is greater, then (b)(4)% **Mail Order:** **Generic Drugs:** $(b)(4) Copayment, then (b)(4)% **Formulary Drugs:** $(b)(4) Copayment, then (b)(4)%
Preventive Care	(b)(4) Deductible **Participating Provider:** (b)(4)% of Covered Expense **Non-Participating Provider:** (b)(4)% Up to $(b)(4) per Calendar Year
Prosthetic/Orthotic Services	(b)(4)% of Covered Expense
Respiratory Therapy	(b)(4)% of Covered Expense
Second Surgical Opinion - Voluntary	Same as Physician Office/Home Visit
Second Surgical Opinion - Involuntary	(b)(4)% of Covered Expense – (b)(4) Deductible
Skilled Nursing Facility	(b)(4)% of Covered Expense
Speech Therapy	% of Covered Expense
Sterilization (Elective)	% of Covered Expense
Surgical Services	% of Covered Expense
Transplant Services	% of Covered Expense Must use Anthem Blue Cross Center of Excellence
Urgent Care Facility	(b)(4)% of Covered Expense
Well Baby/Routine Newborn Nursery Care - Inpatient	Paid as any other Inpatient Claim
Well Baby/Well Child Care - Outpatient	Paid as any other Preventive Claim
All other Medical Services and Supplies	(b)(4)% of Covered Expense

APPENDIX A PLAN 4 – TERMS OF THE PLAN
A BENEFIT PACKAGE FOR THE EMPLOYEES AND DEPENDENTS OF AMERICAN FARMS, PRM HEALTH PLAN

GENERAL FEATURES	
Plan Year	January 1, 2011 – December 31, 2011
Calendar Year Deductible	$ (b)(4) per Family Member – Maximum $ (b)(4) per Family
Annual Maximum Benefit	$ (b)(4)
Lifetime Maximum Benefit	(b)(4)
Percentage Payable	(b)(4)% of Covered Expense (unless otherwise indicated)
Participating Provider Network	California: Anthem Blue Cross Prudent Buyer Plan Arizona: Blue Cross Blue Shield of Arizona Outside California & Arizona: First Health
Covered Expense	**Participating Providers**: Covered Expense is limited to the Negotiated Contract Rate. **Non-Participating Providers**: Covered Expense is limited to the Customary & Reasonable charge for services performed within a geographic area as determined by the Plan.
COVERED EXPENSE	**DESCRIPTION OF EXPENSE**
Acupuncture/Acupressure	(b)(4)% of Covered Expense
Allergy Injections and Allergy Testing	**Participating Provider:** $(b)(4) Copayment, then (b)(4)% of Covered Expense **Non-Participating Provider:** (b)(4)% of Covered Expense
Ambulatory Surgery Center	(b)(4)% of Covered Expense
Outpatient Surgery at a Hospital	**Participating Hospital:** (b)(4)% of Covered Expense **Non-Participating Hospital:** (b)(4)% of Covered Expense
Ambulance	(b)(4)% of Covered Expense
Anesthesia	% of Covered Expense
Birthing Centers	% of Covered Expense
Blood transfusions, Blood, Blood Plasma	% of Covered Expense
Chemotherapy and Radiation Therapy (Outpatient)	(b)(4)% of Covered Expense
Chiropractic Care	(b)(4)% of Covered Expense; X-rays to $(b)(4); Maximum of $ (b)(4) per Calendar Year
Contraceptive Drugs and Devices	(b)(4)% of Covered Expense
Cosmetic Surgery after Mastectomy	% of Covered Expense
Dental or Oral Surgery and Dental Care for Accident	% of Covered Expense
Diagnostic X-ray and Lab	% of Covered Expense

(Outpatient)	
Dialysis Services	(b)(4)% of Covered Expense
Durable Medical Equipment	(b)(4)% of Covered Expense
Emergency Room Treatment for Non-Emergency Illness	(b)(4)% of Covered Expense, less an additional $(b)(4) Copayment
Emergency Room Care for Sudden & Serious Illness/Life Threatening Condition	(b)(4)% of Covered Expense
Foot Care	(b)(4)% of Covered Expense
Hearing Exams	(b)(4)% of Covered Expense
Home Health Care	(b)(4)% of Covered Expense
Home Infusion/Home Injection Therapy	(b)(4)% of Covered Expense
Hospital Services (Inpatient)	**Level 1 Participating Hospital:** (b)(4)% of Covered Expense **Level 2 Participating Hospital:** (b)(4)% of Covered Expense and additional $(b)(4) Copayment per day. Maximum additional Copayment = $(b)(4) per Calendar Year **Non-Participating Hospital:** (b)(4)% of Covered Expense
Infertility Services	After a separate $(b)(4) Deductible pays (b)(4)% up to $(b)(4) lifetime maximum
Injections	(b)(4)% of Covered Expense
Mammograms	(b)(4)% of Covered Expense – No Deductible
Maternity	(b)(4)% of Covered Expense ***When properly enrolled in the Prenatal Care Program, the individual receives a $(b)(4) Gift Certificate and prescriptive prenatal vitamins at (b)(4) cost.***
Medical/Surgical Supply House	(b)(4)% of Covered Expense
Treatment in Mexico Participating Provider Panel	$(b)(4) Copayment each Office Visit, $(b)(4) Copayment for each Medication, $(b)(4) for lab and X-ray, $(b)(4) Copayment for Outpatient Hospital, $(b)(4) Copayment for Inpatient Hospital
MRI, CAT Scan, Ultrasound & Nuclear Medicine	(b)(4)% of Covered Expense
Nursing Care	(b)(4)% of Covered Expense
Occupational Therapy	(b)(4)% of Covered Expense
Other Outpatient Hospital Services	**Participating Hospital:** (b)(4)% of Covered Expense **Non-Participating Hospital:** (b)(4)% of Covered Expense
Physical Therapy	(b)(4)% of Covered Expense
Physician Office/Home Visit	**Participating Provider:** $(b)(4) Copayment, then (b)(4)%

	with no Deductible **Non-Participating Provider:** (b)(4)% of Covered Expense
Other Physician Services	(b)(4)% of Covered Expense
Prescription Drugs	**Retail:** **Generic Drugs:** $(b)(4) Copayment, then (b)(4)% **Formulary Drugs:** $(b)(4) Copayment, then (b)(4)% **Non-Formulary Drugs:** (b)(4)% or $(b)(4), whichever is greater, then (b)(4)% **Mail Order:** **Generic Drugs:** $(b)(4) Copayment, then (b)(4)% **Formulary Drugs:** $(b)(4) Copayment, then (b)(4)%
Preventive Care	(b)(4) Deductible **Participating Provider:** (b)(4)% of Covered Expense **Non-Participating Provider:** (b)(4)% Up to $(b)(4) per Calendar Year
Prosthetic/Orthotic Services	(b)(4)% of Covered Expense
Respiratory Therapy	% of Covered Expense
Second Surgical Opinion - Voluntary	Same as Physician Office/Home Visit
Second Surgical Opinion - Involuntary	(b)(4)% of Covered Expense – (b)(4) Deductible
Skilled Nursing Facility	(b)(4)% of Covered Expense
Speech Therapy	% of Covered Expense
Sterilization (Elective)	% of Covered Expense
Surgical Services	% of Covered Expense
Transplant Services	% of Covered Expense
Urgent Care Facility	% of Covered Expense
Well Baby/Routine Newborn Nursery Care - Inpatient	Paid as any other Inpatient Claim
Well Baby/Well Child Care - Outpatient	Paid as any other Preventive Claim
All other Medical Services and Supplies	(b)(4)% of Covered Expense

From: Sarah Gnat [sgnat@pacstam.com]
Sent: Thursday, October 21, 2010 5:57 PM
To: HHS HealthInsurance (HHS)
Subject: American Farms, PRM Health Plan

Follow Up Flag: Follow up
Flag Status: Completed

Attachments: 20101021110433275.pdf

Dear Mr. Mayhew:

Attached please find American Farms, PRM Health Plan's application for the waiver of the annual limit requirements of PHS Section 2711.

If you require any additional information or documentation regarding this application, or require further clarification, please notify our office as soon as practicable.

Kind Regards,
Sarah Gnat

Sarah Gnat
P.O. Box 2357
Salinas, CA 93902
831.751.1353 - Office
831.902.9040 - Mobile
831.751.1876 - Fax

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From: Botwinick, Alexandra (HHS/OCIIO)
Sent: Monday, November 15, 2010 10:10 AM
To: 'sgnat@pacstam.com'
Subject: Waiver of the Annual Limits Requirements of PHS Act Section 2711

Importance: High

Attachments: Updated Jan 1 Approval Letter .pdf
Good Morning,

Thank you for submitting an application for a Waiver of the Annual Limits Requirements of the PHS Act Section for American Farms. HHS has reviewed your application and made its determination. Please see the attached letter.

Please confirm receipt of this letter by replying to this e-mail address with a copy to OCIIOOversight@hhs.gov.

Please let me know if I can be of further assistance.

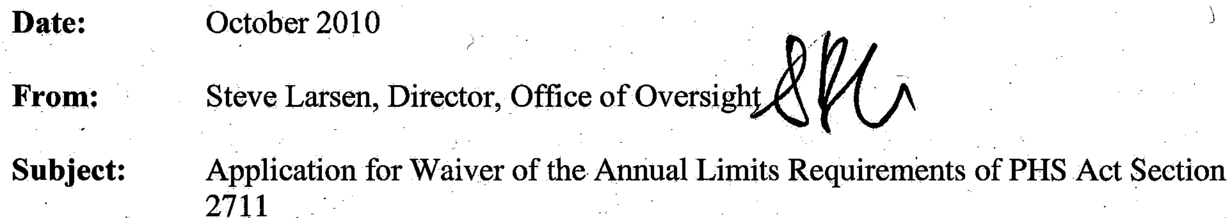
Sincerely,

Alexandra Botwinick

Office of Oversight
HHS/OCIIO
alexandra.botwinick@hhs.gov

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Consumer Information and
Insurance Oversight
Washington, DC 20201



Date: October 2010

From: Steve Larsen, Director, Office of Oversight

Subject: Application for Waiver of the Annual Limits Requirements of PHS Act Section 2711

Dear Waiver Applicant:

Section 2711(a)(2) of the Public Health Service Act (PHS Act), as added by the Patient Protection and Affordable Care Act (Affordable Care Act), requires the Secretary to impose restrictions on the imposition of annual limits on the dollar value of essential health benefits (as defined in section 1302(b) of the Affordable Care Act) for any participant or beneficiary in a new or existing group health plan or a new policy in the individual market for plan or policy years beginning on or after September 23, 2010 and prior to January 1, 2014. Specifically, the Secretary is granted the authority to determine what constitutes a "restricted annual limit" that can still be imposed under such plans or policies prior to January 1, 2014.

The interim final regulations published on June 28, 2010 (codified at 26 CFR § 54.9815-2719T; 29 CFR § 2590.715-2719; and 45 CFR §147.126) established such restricted annual limits. The regulations also provided that these restricted annual limits may be waived by the Secretary of Health and Human Services (HHS) if compliance with the interim final regulations would result in a significant decrease in access to benefits or a significant increase in premiums. Pursuant to the regulation, HHS issued guidance on September 3 regarding the scope and process for applying for a waiver.

The Office of Consumer Information and Insurance Oversight, Office of Insurance Oversight received and processed your application for the plan(s) or policy(ies) year beginning January 1, 2011. We have determined that your application has met the criteria to obtain a waiver of the restricted annual limits requirements because compliance with the interim final regulations would result in a significant decrease in access to benefits for those currently covered by such plans or policies, or a significant increase in premiums paid by those covered by such plans or policies. To the extent you make any change to your benefit package after March 23, 2010, you must determine whether the change(s) will trigger loss of grandfathering status pursuant to 45 CFR §147.140(g)(1).

An approval of your request for waiver of the restricted annual limits requirements granted under this process applies only to the annual limit(s) provided in your application for the plan or policy year beginning between September 23, 2010 and September 23, 2011. This waiver only applies to the annual limits requirements in Section 2711 of the ACA and does not apply to any other requirement of the Affordable Care Act, ERISA, the IRS Code or the PHS Act. Further, a group

health plan or health insurance issuer must reapply for any subsequent plan or policy year prior to January 1, 2014 when this waiver expires in accordance with future guidance from HHS. HHS may modify this waiver approval process memorandum and other relevant information.

If you have any questions regarding this letter, please email OCIIOOversight@hhs.gov.

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