

# progress life

FOR NONBARGAINING RETIREES

Straight talk about medical benefits for 2010

October 2009

## INSIDE PROGRESS



### A message from Bill Johnson to retirees



First, let me thank you for your efforts in helping us control medical plan costs. As a result of your good use of medical plan benefits, our cost increases for 2010 are lower than expected, which is good news for both you and the company.

As a retiree of our company, you have access to different options for medical coverage. If you and your covered dependents are not eligible for Medicare, you may choose among the Standard, Choice and Choice Plus plans and the High Deductible Health Plan (HDHP) with the Health Savings Account (HSA)\* For

the most part, plan benefits and coverage levels for the plans will remain the same in 2010. There is an important enhancement in the HDHP that increases the benefits available under this plan, as described on the next page.

Although this is good news for 2010, the cost of providing medical benefits continues to rise, and we all need to continue our efforts to keep medical plan costs under control. Progress Energy took a major step in cost control with the recently completed dependent eligibility audit. The company's annual cost to provide medical, dental and vision benefits for our employees, retirees and dependents is expected to exceed \$100 million in the next year or so. That's a lot of money, and the audit helps ensure that it is being spent only on people eligible to receive benefits under the terms of our benefit plans.

This issue of *ProgressLife*, along with the enclosed enrollment materials, provides important details on your 2010 medical plan options and rules that govern dependent eligibility. As you review your choices, think about your expected medical expenses for 2010 and how they would be covered under each plan, taking into account any cost of coverage. Take another look at the HDHP and its special new features. And be sure you understand plan eligibility if you are the surviving dependent of a retiree or if you have a child age 19 or older.

Finally, refer to page 7 for important information on the contribution caps (limits) on retiree medical plan costs that are in place for certain retirees and where the company stands in reaching them.

Bill

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### Annual enrollment deadline for 2010 benefits: Oct. 28, 2009

Annual enrollment for your medical, dental and vision benefits ends **Oct. 28**. If you want to make a change in your current benefit elections or change your covered dependents, return your completed forms to the Employee Service Center (ESC) no later than **Oct. 28, 2009**.

#### Questions?

Contact the ESC at **1.800.546.5705** (toll-free), **1.919.546.5705** (Raleigh area) or **employee.service@pgnmail.com**.

## REMEMBER

**Completed enrollment forms are due back no later than Oct. 28, 2009!**

October 28  
2009

\* In Florida, there are additional HMO options for retirees under the age of 65. Refer to the HMO insert for details on 2010 coverage levels.



## Health benefits for 2010

### Medical plans

#### High Deductible Health Plan (HDHP)

Beginning in 2010, after you meet your deductible (**\$2,500 per person/\$5,000 family**), your covered expenses will be paid at **100 percent** for in-network care and at 100 percent of the allowed amount for care received out-of-network, for the rest of that plan year. Plus, you will continue to receive company seed money to help you meet your deductible, and you will be able to make increased personal contributions to your Health Savings Account (HSA). As determined by the IRS, the HSA annual contribution limit will increase to \$2,550 for individual and to \$5,150 for self + one dependent or for family coverage (in addition to company-provided seed money). The catch-up contribution limit for HSA participants age 55 or older in 2010 remains at \$1,000.

### All medical plan options

#### Mental health services

As of Jan. 1, 2010, the company-sponsored medical plans will be in full compliance with the Mental Health Parity and Addiction Equity Act of 2008, which was recently signed into law. Generally, this act prohibits more restrictive benefit limitations for mental health/substance abuse services than for other medical/surgical services. For details on how mental health/substance abuse services will be covered under the medical plan options, refer to the enclosed benefit summary charts.

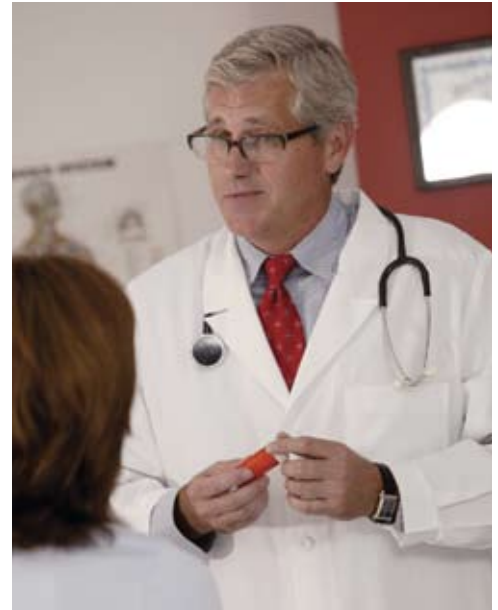
#### Michelle's Law for student dependents

Effective Jan. 1, 2010, Michelle's Law will protect student dependents who take a medically necessary leave of absence or change to part-time student status due to a serious illness or injury. Under the terms of the law, the student's medical coverage, which would normally terminate when the child is no longer a full-time student, may be continued for up to one year, or until coverage would otherwise terminate, if earlier. To qualify, the dependent must be enrolled for coverage when the leave began and must provide written certification from his or her physician that the illness or injury necessitates the leave or change in enrollment status. Once the extension period is up, the child may continue coverage under COBRA.

### Dental and vision plans\*

**Reminder:** You may enroll for Progress Energy retiree dental and vision coverage every other year. If you are not currently enrolled, you have the opportunity to enroll for coverage beginning Jan. 1, 2010. Your next opportunity would be for the 2012 plan year unless you have a change in status. Refer to your enrollment materials for a review of your dental and vision plan benefits and the 2010 cost of coverage.

**Be sure to check the special HMO insert.** Plan benefits for the HMOs available to Florida retirees under age 65 are shown on the enclosed insert.



**Need help?  
Have questions?**

If you need assistance, have questions or want additional information about your Progress Energy retiree benefits, the ESC can help. To reach the ESC, just call **1.800.546.5705** (toll-free) or **1.919.546.5705** (Raleigh area) or send an e-mail to **employee.service@pgnmail.com**.

Don't forget: The Progress Energy retiree Web site has copies of the benefits booklets and other benefits-related resources. Log on at **progress-energy.com/retirees**.

\* Employees who retired from Florida Power Corporation, Florida Progress Corporation or any participating subsidiary prior to Jan. 1, 2002, are not eligible for retiree dental or vision coverage.



## 2010 medical coverage options (for participants under age 65 who are not eligible for Medicare)

**Note:** This chart shows coverage for in-network services only. Please see the summary chart in your enrollment materials for additional details about coverage levels and how mental health/substance abuse services are covered under the plans. Plan changes for 2010 are in **bold**.

Plan Feature	HDHP*	Standard Plan*	Choice Plan*	Choice Plus Plan
<b>Wellness exams and immunizations (in-network)</b>				
	Covered at 100%	Covered at 100%	Covered at 100%	Covered at 100%
<b>Office visits</b>				
Primary physician	Subject to deductible	Deductible and coinsurance apply	\$25 copay	\$20 copay
Specialist			\$35 copay	\$30 copay
<b>Annual deductible</b>				
Per person	\$2,500**	\$1,500	\$750	\$300
Per family	\$5,000**	\$3,000	\$1,500	\$600
<b>Annual out-of-pocket limit</b>				
Per person	<b>\$2,500</b>	\$4,000	\$3,000	\$1,500
Per family	<b>\$5,000</b>	\$8,000	\$6,000	\$3,000
<b>Lifetime maximum</b>				
	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
<b>Coinsurance</b>				
In-network	<b>0%</b>	20%	20%	20%
Out-of-network	<b>0%</b>	40%	40%	40%
<b>Prescription copays</b>				
Retail (up to a 30-day supply)	Subject to deductible	\$10 generic \$20 preferred brand name \$35 nonpreferred brand name		
Mail order (up to a 90-day supply)		\$25 generic \$50 preferred brand name \$85 nonpreferred brand name		
<b>HSA</b>				
Company seed money***	\$500, self-only coverage \$1,000, self + one dependent or family coverage	Not available		

**Note: To join the HDHP, you and any covered dependents must be under the age of 65. When any covered person reaches age 65 or becomes eligible for Medicare, you must elect the Standard or Choice Plan to maintain coverage.**

\* BCBSNC requires prior plan approval for certain procedures to be covered, in- or out-of-network. Be sure to check with your health care provider about obtaining approval for any procedures he or she recommends.

\*\* The per person deductible is limited to self-only coverage. If you elect self + one dependent or family coverage, you must satisfy the family deductible before the plan pays benefits for any covered person. (Under the Standard, Choice and Choice Plus options, benefits are payable for a covered person after that person has satisfied the per person deductible.)

\*\*\* You must elect to open an HSA when you enroll in the HDHP for the company seed money to be deposited, even if you make no personal contributions to your HSA. **Full-cost retirees and surviving dependents are not eligible to open an HSA through the company or to receive company seed money.**



## Making good choices makes a difference

Making good choices can help keep you healthy, keep money in your pocket and keep medical benefits affordable for both you and Progress Energy. Remember to:

- Get your wellness tests and screenings; they are free in-network under all plans.
- Get medical care from network doctors and facilities; they charge less.
- Use the emergency room only for true emergencies. (If your condition is life-threatening, call 911 and get to the emergency room. In an urgent situation, call your doctor and see what makes the most sense for care given your symptoms.)
- If you or a dependent has a chronic condition, contact Health Advantage toll-free at **1.800.652.7288** or the condition management program offered through your HMO.
- Help keep prescription drug costs under control:
  - Given a choice, always choose generic (or over-the-counter) drugs
  - Before you order your 30-day prescription, check the prices offered through special programs at Wal-Mart, Sam's Club, Neighborhood Market, Publix, etc. (For these special programs, you do not need to show your ID card or use your medical plan benefits.)
  - Order medication you take on an ongoing basis using your plan's mail-order program (you get a greater supply at a lower cost).

## It's worth another look: HDHP for retirees under age 65

If you are a retiree under age 65 and you or your dependents are not eligible for Medicare, there are many reasons to consider the HDHP:

- **Beginning in 2010, after you meet the HDHP annual deductible (\$2,500 per person/\$5,000 family), your eligible medical expenses will be covered at 100 percent for the rest of the year.**
- If you open a Health Savings Account (HSA),\* you receive company seed money\*\* to help you pay for out-of-pocket medical expenses.
- You have the opportunity to contribute funds to your HSA each year on a tax-free basis, and the IRS contribution limits keep going up (see page 2 for the 2010 limits).
- As soon as any seed money or personal HSA contributions are deposited into your account, you can use them to help pay for eligible out-of-pocket health care expenses. Or you can leave them in your account and build resources to help pay for future health care expenses, tax-free.
- The HDHP offers the same BlueCard® network of doctors and hospitals and both in- and out-of-network coverage levels, just as the Standard and Choice plan options do. However, the HDHP works differently in these key ways:
  - All covered medical expenses (including prescription drugs and mental health) are subject to the plan deductible, except for certain preventive care services that are covered in full;
  - There are no copays, even for office and emergency room visits, mental health care and prescription drugs;
  - Under self + one dependent or family coverage, the family deductible must be met before benefits are payable for any covered person (but after it is, eligible expenses will be covered at 100 percent for the entire family for the rest of the year).
- The premium contributions for this plan are much lower.

**Note:** When you (or a covered family member) become eligible for Medicare, you must enroll in the Standard or Choice Plan to maintain coverage.

\* Not available to retirees paying the full cost of their coverage or to surviving dependents.  
 \*\* Seed money contributions are subject to review and change in future years.



For complete details, review *Your Retiree Guide to the HDHP and HSA Option*, available from the ESC or online at [progress-energy.com/retirees](http://progress-energy.com/retirees).



## 2010 medical coverage options

(for participants age 65 and older or who are eligible for Medicare, regardless of age)

Please refer to the summary charts in your enrollment materials for additional details about coverage levels and how mental health/substance abuse services are covered under the plans.

Plan Feature	Standard Plan	Choice Plan
<b>Wellness exams and immunizations (in-network)</b>		
	Covered at 100%	Covered at 100%
<b>Office visits</b>		
Primary physician	Deductible and coinsurance apply	Deductible and coinsurance apply
Specialist		
<b>Annual deductible</b>		
Per person	\$1,500	\$750
Per family	\$3,000	\$1,500
<b>Annual out-of-pocket limit</b>		
Per person	\$4,000	\$3,000
Per family	\$8,000	\$6,000
<b>Lifetime maximum</b>		
	\$2,000,000	\$2,000,000
<b>Coinsurance</b>		
In-network	20%	20%
Out-of-network	40%	40%
<b>Prescription copays</b>		
Retail (up to a 30-day supply)	\$10 generic \$20 preferred brand name \$35 nonpreferred brand name	
Mail order (up to a 90-day supply)	\$25 generic \$50 preferred brand name \$85 nonpreferred brand name	



### Don't forget the 30-day rule!

That's the amount of time you have to contact the Employee Service Center and make a change in your benefits coverage when you have a change in status such as marriage, divorce, initiation or termination of a domestic partner relationship, death in the family or your spouse's job loss.



## Making your election

During this fall's annual enrollment period, follow these steps:

- Review the medical plans for 2010, how they work and how much they cost, including any premium costs and what you pay when you receive medical services.
  - Don't forget the new feature of the HDHP: After you meet your deductible, your eligible expenses are covered at 100 percent for the rest of that year.
- Decide which plan would best meet your needs based on your total costs, including any premiums, copays, deductibles and coinsurance, up to the annual out-of-pocket limit.
  - Don't forget the value of the company seed money if you are a member of or considering joining the HDHP with the HSA. This seed money, combined with the lower contributions for this plan, may make it the best choice for you.
- Consider the dental and vision options if you are not already enrolled in these plans. You will not have another chance until 2012.
- Be sure any dependent you enroll qualifies for coverage under the terms of the plans.

If you want to make a change in your current elections or coverage levels, follow the instructions in your enrollment materials. Completed forms are due back to the ESC by **Oct. 28, 2009**. They can be mailed or faxed to **1.919.546.5184**.

**If you make no new election, do not return the form. Your 2009 medical, HSA, dental and vision elections will continue in 2010.**

## Coordination with Medicare

If you and/or a covered dependent are eligible for Medicare regardless of your age, you may elect the Standard or Choice plan. The HDHP, Choice Plus and HMO options (Florida retirees only) are not available.

With Medicare, the plans provide the same level of benefits as shown on page 5, based on a "maintenance of benefits" provision.\* Here's how it works:

- Medicare will be primary and pay first. Then the Progress Energy plan will pay the difference between the amount paid by Medicare and the amount the plan would have paid if you or your dependent were not eligible for Medicare coverage.
- When Medicare is primary, you pay coinsurance, not copays, for office visits and emergency/urgent care center charges after you have met your deductible.

\*Employees who retired from Florida Power Corporation, Florida Progress Corporation or any participating subsidiary prior to Jan. 1, 1993, are not subject to maintenance of benefits ("carve out") provisions.



### Enroll for Medicare Part B

About three months before you become eligible, be sure to enroll for Medicare Part B. Your Progress Energy coverage will provide benefits as though you or your covered dependents have Part B coverage, regardless of whether or not you are actually enrolled for Part B coverage. This means that if you do not enroll in Medicare Part B when you become eligible and then incur expenses that would be covered by Medicare Part B, you will be responsible for paying the full cost of these expenses. They will not be covered or paid by the Progress Energy plan.

With maintenance of benefits, coverage under the Progress Energy medical plan and Medicare often results in no payment from the Progress Energy plan when Medicare is primary, except for:

- Prescription drugs
- Expenses incurred after you reach the annual out-of-pocket limit
- Coverage of wellness exams (if they are not fully covered by Medicare)



## The choices you make **do** make a difference

### Reminder on retiree medical caps

We are pleased to announce that with your help the caps (or limits) on the company contribution to the cost of retiree medical benefits will not apply in 2010. Here is an overview of how they work and when they might be expected to take effect.

#### Who is subject to the caps?

In the Carolinas, caps apply to those who were actively employed on Dec. 31, 2001, and, as of that date, did not have at least 15 years of service after age 40 or more than 35 years of service regardless of age. In Florida, the caps apply to those who retired on or after Jan. 1, 1998.

#### What are the cap amounts?

The company subsidy to retiree medical premiums will be capped when the total average cost per participant reaches:

- \$7,000 for retirees and covered dependents under age 65
- \$4,000 for retirees and covered dependents who are age 65 and older, or are otherwise eligible for Medicare

The difference reflects the lower benefit costs for participants covered by Medicare.

## A resource for you

Want to connect with Progress Energy as a retiree? Log on to [progress-energy.com/retirees](http://progress-energy.com/retirees). Here's what you will find:

- Information about retiree benefits, including annual enrollment materials, forms and booklets
- Schedules for retiree meetings in the Carolinas and Florida
- Links to discount programs available to employees and retirees
- News about fellow retirees

#### How are they calculated?

To calculate the retiree medical caps, the total cost of retiree coverage (claims plus administrative costs) is divided by the total number of participants (retirees and dependents). The result is the average cost per participant. This amount is then compared to the cap limits.

#### What happens when they are met?

After a cap is met, the company's contribution will remain level and future cost increases will pass on to plan participants through increased contribution rates.

#### When are they projected to be met?

For retirees under age 65 and not eligible for Medicare, it's projected that the caps will be met between 2011 and 2012; for those eligible for Medicare, between 2011 and 2013. For both groups, the actual date will depend on medical plan costs going forward. To give you as much notice as possible, we'll update this information next year, following the cap calculation.

**The caps will impact only the premium cost of the retiree medical plans, not the availability of or the benefits provided under the plans.**

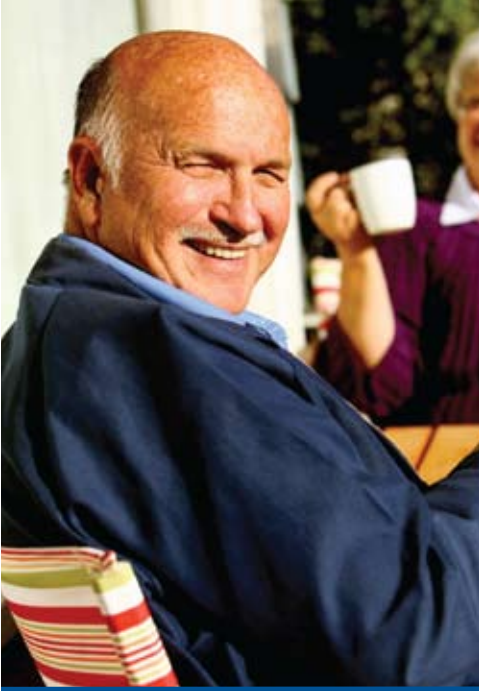
### Important: Keep your beneficiary designation up to date!

If you need to make a change in your beneficiary designation for life insurance, log on to [progress-energy.com/retirees](http://progress-energy.com/retirees), then click on Benefits/Payroll for a copy of the Retiree Life Insurance Beneficiary Form. Complete the form and return it to the ESC.

### Questions?

Contact the ESC at **1.800.546.5705** (toll-free) or **1.919.546.5705** (Raleigh area). Also, remind your spouse or beneficiary to contact the ESC in the event of your death. The ESC can assist with life, pension and health benefits.





## Wrap up

Please take advantage of your annual enrollment period. Read your enrollment materials and compare your medical plan options. If you are not enrolled now, decide whether you want dental and vision coverage in 2010; your next opportunity will not be until 2012. Be sure that you understand the rules that govern dependent eligibility. If you have questions, contact the ESC; representatives are there to help.

Don't forget the enrollment deadline: **Oct. 28, 2009!**

## Q. Why did Progress Energy conduct the dependent eligibility audit?

**A.** The dependent eligibility audit was conducted as part of the ongoing administration of our company benefits program, which is one of the most expensive line items in our budget. It was an effort to help us control rising costs and to make sure that plan benefits are being provided only to those who are eligible to receive them. This helps the company offset rising costs, and helps you make sure that all your dependents qualify under the plans. If not, you may be held responsible for repaying any benefits received on their behalf, and your dependents may not have the benefits protection that they need, when they need it.

In looking back at the results of the audit and the number of ineligible dependents, we learned that there was some confusion about who qualifies as a dependent under our retiree benefit plans. The enclosed enrollment materials include detailed descriptions of eligible dependents. Please take the time to read this information carefully. Also, keep these important provisions in mind:

- As a retiree, if you die your surviving spouse or domestic partner may continue coverage under the Progress Energy plans if he or she applies within 30 days of your death and pays any required premiums. **Your spouse or domestic partner can continue coverage until he or she remarries or establishes a new domestic partner relationship.** At that time, coverage under the Progress Energy plans will end and he or she can elect to continue coverage under the provisions of COBRA.
- If your surviving spouse or domestic partner elects to continue coverage under the Progress Energy plan and then has access to another employer-sponsored plan, coverage under the Progress Energy plan will end. (If access to the other coverage ends, your spouse or domestic partner may rejoin the Progress Energy plan within 30 days of losing the other coverage, provided he or she has not remarried or established a new domestic partner relationship.)
- As a retiree, if you have student dependents, coverage can continue until the child reaches age 25\* if you are responsible for more than 50 percent of the child's support; the child is not married; and the child is attending a licensed, accredited (not correspondence) school on a full-time basis.

\* Refer to the HMO insert for details on the HMO limiting age (available in Florida only.)

*This newsletter is intended to highlight certain features of the company's benefit plans and address specific questions you may have. Please refer to the summary plan descriptions (benefits booklets) for each benefit plan for a complete statement of your rights and obligations. Official plan documents govern plan provisions and payment of plan benefits. Progress Energy Service Company, LLC and Florida Progress Corporation reserve the right to amend, change or terminate their benefit plans at any time, subject to the provisions of ERISA and the bargaining unit's Memorandum of Agreement.*