

**Amendment No. One
to the
EMPLOYEE BENEFIT PLAN
(herein referred to as the "Plan")
SUPPLEMENTARY BENEFIT PLAN DOCUMENT
describing the
PRESCRIPTION DRUG PROGRAM
for the
HealthSelect of Texas Plan
for the
EMPLOYEES RETIREMENT SYSTEM OF TEXAS
(hereinafter referred to as "ERS")**

Accounts: 38000-B

Effective: September 1, 2004

**NOTICE OF ELECTION OF EXEMPTION UNDER THE HEALTH INSURANCE PORTABILITY
AND ACCOUNTABILITY ACT OF 1996**

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) imposes certain requirements on group health plans as follows:

1. Limitations on preexisting conditions exclusion periods;
2. Special enrollment periods for individuals (and dependents) losing other coverage;
3. Prohibitions against discriminating against individual participants and beneficiaries based on health status;
4. Standards relating to benefits for mothers and newborns;
5. Parity in the application of certain limits to mental health benefits.; and
6. Required coverage for reconstructive surgery following mastectomies.

However, HIPAA permits certain government group health plans the right of exemption from certain provisions of this federal law. For the plan year beginning September 1, 2004 through August 31, 2005, the Employees Retirement System of Texas (ERS) has elected to exempt HealthSelect of Texas (HealthSelect) from HIPAA provisions 2 and 3 above. Therefore, employees and retirees who do not enroll themselves and their dependents in HealthSelect during their initial period of eligibility may be subject to evidence of insurability requirements if they wish to enroll at a later date.

A. Article I (Definitions), Section Q is modified by deleting it in its entirety and substituting the following:

Q. Non-Preferred Brand Name Drug means designated prescription brand name drugs available at a higher copayment than most Preferred brand name drugs. All new drugs will be designated as Non-preferred until reviewed by the Pharmacy and Therapeutics Committee.

B. Article I (Definitions) is modified by adding the following:

EE. Tier means a copayment level for Covered Drugs.

C. Article III (Benefits Provided) Section D is modified by deleting it in its entirety and substituting the following:

The benefits of this Supplementary Document shall be available for Covered Drugs up to a 30-day supply dispensed by a Participating (Network) Pharmacy after the Plan Year prescription drug deductible has been met and with application of one of the following Copayment amounts:

1. *Tier 1 Drugs (Primarily Generic Drugs):*

A Copayment amount of \$10.00 shall apply to each covered Tier 1 Drug dispensed.

A Copayment amount of \$15.00 shall apply to each covered maintenance Tier 1 Drug dispensed.

2. *Tier 2 Drugs (Mostly Preferred Brand Name Drugs):*

A Copayment amount of \$25.00 shall apply to each covered Tier 2 Drug dispensed.

A Copayment amount of \$35.00 shall apply to each covered maintenance Tier 2 Drug dispensed.

3. *Tier 3 Drugs (Non-Preferred Brand Name Drugs and Other Preferred Brand Name Drugs):*

A Copayment amount of \$40.00 shall apply to each covered Tier 3 Drug dispensed.

A Copayment amount of \$55.00 shall apply to each covered maintenance Tier 3 Drug dispensed.

Effective September 1, 2004, non-sedating antihistamines are in Tier 3.

The benefits of this Supplementary Document shall be available for Covered Drugs up to a 90-day supply dispensed by the mail order pharmacy after the Plan Year prescription drug deductible has been met and with application of one of the following Copayment amounts:

1. *Tier 1 Drugs (Primarily Generic Drugs):*

A Copayment amount of \$30.00 shall apply to each covered Tier 1 Drug dispensed.

2. *Tier 2 Drugs (Mostly Preferred Brand Name Drugs):*

A Copayment amount of \$75.00 shall apply to each covered Tier 2 Drug dispensed.

3. *Tier 3 Drugs (Non-Preferred Brand Name Drugs and Other Preferred Brand Name Drugs):*

A Copayment amount of \$120.00 shall apply to each covered Tier 3 Drug dispensed.

Effective September 1, 2004, non-sedating antihistamines are in Tier 3.

The Copayment amounts for non-maintenance drugs at a participating pharmacy described above will be shown on the ID Card. The Participant is obligated to pay the appropriate Copayment amount to the Pharmacy before benefits under this Supplementary Document will apply.

D. Article III (Benefits Provided) Section G, 2(f) is modified by deleting it in its entirety and substituting the following:

f. Removal from the Texas Employees Group Benefits Program.

E. Article IV (Limitations and Exclusions) Section V is modified by deleting it in its entirety and substituting the following:

V. Coordination of benefit claims by other group plans, except when required for other governmental programs in which case ERS will coordinate benefits.