

TRANSITION FUND MEMORANDUM

Background

U.S. Steel Canada Inc. (“USSC”) provided vision, dental, prescription drugs, hospital accommodation and other health services (referred to herein, with the exception of life insurance benefits, as “OPEBs”) to eligible retirees, and their eligible spouses and beneficiaries (“OPEB Beneficiaries”) on a self-insured “pay as you go” basis. OPEBs available to eligible retirees differed in some respects depending on whether the eligible retirees were unionized or salaried prior to retirement, and they differed among the unionized employees depending on the terms of the applicable collective agreements.

Retirees or service providers (e.g. dentists, pharmacies) submitted OPEB claims directly to Green Shield Canada (together with its affiliates, “Green Shield”). Green Shield adjudicated eligibility and then paid eligible benefits to retirees or reimbursed service providers, as applicable.

Benefit payments were governed by an “administrative services only” (“ASO”) agreement between Green Shield and USSC.

USSC filed for *Companies’ Creditors Arrangement Act* (“CCAA”) protection on September 16, 2014. The court-appointed monitor of USSC in the CCAA proceedings is Ernst & Young Inc. (in such capacity, the “Monitor”).

The payment of the OPEBs by USSC was suspended effective after October 9, 2015 pursuant to a court order. As a result of the suspension of OPEBs and the impact on OPEB Beneficiaries, the Province of Ontario (the “Province”) announced that, to assist OPEB Beneficiaries in addressing critical health needs, and to help them transition to available programs such as the Trillium Drug Program, the Province is providing \$3 million for the establishment of a transition fund (the “Transition Fund”). The Transition Fund has the support of the United Steelworkers (the “USW”), counsel to the court-appointed representatives of the non-USW active and retired beneficiaries of USSC (the “Representative Counsel”), the Monitor and USSC.

The OPEB plan provided by USSC until it was suspended on October 9, 2015 is referred to herein as the “Suspended USSC OPEB Plan”.

Transition Fund Operation

1. The Province has entered or will enter into a transfer payment agreement with Green Shield Benefits Association pursuant to which the Province will establish the Transition Fund for the payment of eligible claims to eligible OPEB Beneficiaries on the terms set out therein.
2. The Transition Fund will be available commencing on January 1, 2016 and will continue until the earlier of: (a) March 31, 2016; and (b) the date on which the amounts comprising the Transition Fund have been used in full. For greater certainty, funding from each Tranche of the Transition Fund will be discontinued once the amounts comprising that Tranche of the Transition Fund have been used.

3. Claims for OPEBs required on an emergency basis before the Transition Fund is in operation may be reviewed and considered for coverage in accordance with the coverage criteria applicable to the Transition Fund.
4. The structure of Transition Fund benefit coverage and payment regime is as follows:
 - (a) **Tranche 1:** Up to \$2.5 million of the Transition Fund will be used to pay for prescription medications in accordance with the coverage terms and criteria listed on the attached Appendix “A”, including that payment will be limited to a maximum in respect of each OPEB Beneficiary to a 30 day supply of each prescription medication. Submission and administration of claims under Tranche 1 will occur as follows:
 - (i) OPEB Beneficiaries that meet the Tranche 1 eligibility criteria listed on the attached Appendix “B” and/or their service providers will be entitled to submit claims for prescriptions directly to Green Shield following the same process used under the Suspended USSC OPEB Plan.
 - (ii) Green Shield will process and adjudicate the claim based on the Tranche 1 coverage criteria listed on the attached Appendix “A”.
 - (iii) Green Shield will pay eligible claims directly to the OPEB Beneficiary or the service provider, as applicable.
 - (iv) By applying for and accepting coverage under Tranche 1 of the Transition Fund, each OPEB Beneficiary that receives coverage under Tranche 1 agrees to, and will be deemed to have undertaken to reimburse the Transition Fund in the event he/she receives funding for an eligible benefit from both the Transition Fund and another source.
 - (b) **Tranche 2:** Up to \$500,000 of the Transition Fund will be used for other dental and health benefits in accordance with the coverage terms and criteria set out in the attached Appendix “A.” Submission and administration of claims under Tranche 2 will occur as follows:
 - (i) OPEB Beneficiaries experiencing economic hardship that meet the Tranche 2 eligibility criteria listed on the attached Appendix “B” will be entitled to submit a claim/request for coverage to the Monitor in accordance with the Tranche 2 Application Form attached as Schedule “B” to the Court Order (as defined below) (the “**Tranche 2 Application Form**”). The Monitor will log the receipt of Tranche 2 Application Forms duly received by the Monitor and check that the information provided by the OPEB Beneficiary on the Tranche 2 Application Form meets the Tranche 2 eligibility criteria listed on the attached as Appendix “B”. The Monitor will not be required to independently verify the information or take any steps, other than checking that the information in the Tranche 2 Application Form has been completed and the form has been signed.

- (ii) Each Tranche 2 Application Form must also attach a Green Shield benefits claim form for use by Green Shield in evaluating and adjudicating the claim. There will be no ability to submit claims through Green Shield's online claims reporting system.
 - (iii) If the OPEB Beneficiary meets the Tranche 2 eligibility criteria listed in the attached Appendix "B", the Monitor will forward the claim/request for coverage to Green Shield, which will process and adjudicate the claim to determine if the claim meets the coverage criteria listed on the attached Appendix "A".
 - (iv) Green Shield will pay eligible claims directly to the OPEB Beneficiary or the service provider, as applicable.
 - (v) By applying for and accepting coverage under Tranche 2 of the Transition Fund, each OPEB Beneficiary that receives coverage under Tranche 2 agrees to and will be deemed to have undertaken to reimburse the Transition Fund in the event he/she receives funding for an eligible benefit from both the Transition Fund and another source, and the OPEB Beneficiary will be required to confirm such undertaking in its Tranche 2 Application Form.
5. Claims for which coverage is available under the Transition Fund will be paid in the order in which Green Shield completes the evaluation of the claims.
 6. The administration costs of Green Shield will be paid from an administrative cost provision provided by the Province to Green Shield on terms agreed between them to reimburse Green Shield for the costs of administering the Transition Fund.
 7. Green Shield will report weekly to the Province on the operation of the Transition Fund on terms agreed with the Province, and the Province will provide a copy of such reports to the Monitor.
 8. The Monitor will forward such reports to designated representatives of the USW and Representative Counsel (the "**Retiree Representatives**").
 9. The Monitor will convene periodic telephone calls with the Province, the Retiree Representatives and, if agreed by the Province and the Retiree Representatives, Green Shield, to discuss the administration of the Transition Fund, including but not limited to the number of claims received and the number and nature of claims not meeting the criteria under either Appendix "A" or Appendix "B", and the amounts being paid. If concerns arise with respect to the criteria, all parties will consider whether any such criteria should be amended, and whether, in light of the concerns, a claim should be re-adjudicated. For clarity, the Monitor will not provide the identity of any claimant to USSC, the USW, the Representative Counsel or the Province unless authorized by the claimant or ordered by the Court.
 10. Court approval of the Transition Fund operation, including the criteria, will be sought by the Monitor with the consent of the USW, the Representative Counsel and the Province.

The court order sought shall provide that the criteria and coverage terms listed on Appendix "A" and Appendix "B" may be amended with the written consent of the Monitor, the USW, Representative Counsel and the Province.

11. USSC will have no direct role in the administration of benefits payable from the Transition Fund but will provide such reasonable assistance as may be requested.

APPENDIX “A”

BENEFIT COVERAGE CRITERIA

Tranche 1 – Coverage Criteria

- Prescription drugs included in the Suspended USSC OPEB Plan and not covered by Ontario Drug Benefit Program, Trillium Drug Program or other available sources of coverage (e.g. spousal insurance), provided that:
 - i. the supply for each prescription drug to the applicable OPEB Beneficiary is for thirty days or less; and
 - ii. the conditions set out in “Coverage Conditions”, noted below, are satisfied; and
 - iii. the applicable OPEB Beneficiary meets the eligibility criteria listed with respect to Tranche 1 in Appendix “B”.

Tranche 2 – Coverage Criteria

- Dental claims that would have been covered under the Suspended USSC OPEB Plan provided that they are for (a) dental extractions and endodontics, (b) major dental services in emergency situations; or (c) the repair of dental appliances, provided that:
 - i. the conditions set out in “Coverage Conditions”, noted below, are satisfied; and
 - ii. the applicable OPEB Beneficiary meets the eligibility criteria listed with respect to Tranche 2 in Appendix “B”.
- Other health expense claims that would have been covered under the Suspended USSC OPEB Plan, provided that the coverage sought:
 - i. is necessary for sustaining life or maintaining self-sufficiency, including repairs or modifications to walkers, wheelchairs or prosthetics;
 - ii. is necessary for preventing a prolonged stay in a hospital (including hospital-style beds at home); or
 - iii. supplements government-funded programs or grants for necessary medical equipment, such as ostomy supplies or wheelchairs;

and provided further that, in each case:

- iv. the conditions set out in “Coverage Conditions”, noted below, are satisfied; and
- v. the applicable OPEB Beneficiary meets the eligibility criteria listed with respect to Tranche 2 in Appendix “B”.

Coverage Conditions

The payment of eligible expenses under Tranche 1 and Tranche 2 are subject to the following conditions:

- i. Payments may be made only to OPEB Beneficiaries that meet the eligibility criteria on Appendix “B” and the coverage criteria on this Appendix “A”.

- ii. Coverage is limited to claims for covered expenses incurred between October 10, 2015 and March 31, 2016 inclusive, and for which a claim has been received on or before the termination of the Transition Fund, as contemplated in section 2 of the Transition Fund Memorandum.
- iii. Coverage under the Transition Fund shall not exceed the coverage provided under the Suspended USSC OPEB Plan as of October 9, 2015.
- iv. Claims are subject to the same deductibles that were applicable under the Suspended USSC OPEB Plan as of October 9, 2015.
- v. The OPEB Beneficiary making the claim has no alternative public or private sources, such as a spouse's insurance, available to cover the payment of the claims.

Claims that are Out of Scope

For greater certainty, the following types of claims fall outside the scope of coverage by the Transition Fund:

- i. Routine or Preventative Dental – like regular check-up, teeth cleaning, fluoride
- ii. Routine Vision Care – like regular eye exam
- iii. Routine Hearing Care – like regular hearing test
- iv. Paramedical services – like massage therapy, orthotics, physiotherapy
- v. Semi-private hospital
- vi. Travel insurance
- vii. Out-of province medical costs
- viii. Psychological counseling

APPENDIX “B”

TRANSITION FUND ELIGIBILITY CRITERIA

To be eligible for payment of a claim from the Transition Fund, an eligible OPEB Beneficiary must:

- **For Tranche 1:**
 - be a retiree of USSC or his/her eligible spouse or eligible dependent who was eligible for OPEBs under the Suspended USSC OPEB Plan as of October 9, 2015; and
 - have a valid Ontario health card.
- **For Tranche 2:**
 - be a retiree of USSC or his/her eligible spouse or eligible dependent who was eligible for OPEBs under the Suspended USSC OPEB Plan as of October 9, 2015;
 - have a valid Ontario health card; and
 - declare that:
 - he/she is either unable to pay for the benefit or that payment for the benefit will cause economic hardship;
 - the benefit is medically necessary;
 - there is no provincial plan or insurance plan that will pay for the benefit described above, or if there is a provincial plan or insurance plan that might pay for the benefit described above, the person has applied to that plan or is in the process of applying to that plan; and
 - he/she undertakes to reimburse the Transition Fund in the event he/she receives funding for the benefit from both the Transition Fund and another source.

The Monitor will review Tranche 2 applications for compliance with the Tranche 2 eligibility criteria in accordance with section 4(b)(iii) of the Transition Fund Memorandum. Coverage determinations for applications under both Tranche 1 and Tranche 2 of the Transition Fund will be made in accordance with the benefit coverage criteria set out in Appendix “A”.