

Understanding Your Prescription Drug Benefits

Since you have prescription drug coverage through the Fund, do you need to enroll in the new Medicare prescription drug coverage?

This guide provides the information you need to help you decide.

The Fund Continues to Offer Prescription Drug Benefits

Starting January 1, 2006, Medicare will add a prescription drug benefit; however, the Alaska Electrical Health & Trust Fund has chosen to continue prescription drug benefits under the plans offered to you as a Medicare retiree through the Fund.

Prescription Drug Benefits Overview

Prescription drug benefits are included in the coverage you receive under your eligibility in one of the plans. Prescription drug benefits are particularly important; until now these benefits have not been available under Medicare.

Effective January 1, 2006, Medicare will be made up of three parts:

- **Medicare Part A** – Provides benefits for inpatient hospital care, skilled nursing facility care, home health services, and hospice care.
- **Medicare Part B** – Provides benefits for outpatient medical services, including physician office visits.

New! ▪ **Medicare Part D** – Will provide prescription drug benefits.

If you are a Medicare eligible person, it is assumed that you are and will continue to be enrolled in Medicare Parts A and B.

The new Medicare Part D benefit is a voluntary program. For retirees and others enrolled in Medicare who, unlike you, do not already have prescription drug coverage, Part D will fill the gap that currently exists within Medicare.

For retirees like yourself who have prescription drug benefits as part of your coverage in the Fund, Medicare Part D might not provide any additional benefits. You will need to decide whether it makes sense for you to enroll in Medicare Part D. You will want to consider the benefits provided and the cost before deciding whether you need to – or should – enroll in Medicare Part D.

This guide is intended to help you understand how Medicare Part D works, what benefits it provides, how the benefits compare to prescription drug benefits under the

Fund, and clarify the impact on your current Fund benefits if you elect Medicare Part D coverage.

Medicare Part D - How It Works

Participation in Medicare Part D is voluntary and is not sponsored by the Fund. You are eligible to enroll in Medicare Part D if you are entitled to benefits under Medicare Part A or enrolled in Medicare Part B, and live in a Medicare Part D service area. When you enroll in Medicare Part D, you must enroll directly with a vendor who provides Part D benefits (not the Fund). Here's how it works.

1. If you are enrolled in Medicare, you will receive information from vendors in your area who will offer Part D benefit plans, called Prescription Drug Plans or PDP's. Depending on where you live, you may receive information from several vendors.

Vendor programs must, at a minimum, provide prescription drug basic coverage as outlined by the Centers for Medicare & Medicaid Services (CMS). There will be differences among the plans vendors offer such as:

- whether you pay a portion of the cost through flat dollar co-pays or through a percent of the cost of each drug
 - the size of the deductible you must meet before the plan pays any benefits each year
 - the names and types of drugs that are covered
 - the retail pharmacies that participate in the vendor's network
2. If you elect Medicare Part D coverage, you select the vendor program you want to use and enroll directly with that vendor.
 3. You pay a monthly premium for Part D coverage, based on your vendor selection, directly to that vendor – not the Fund. For programs that offer basic coverage, the national average monthly premium for 2006 is estimated to be \$32. (Monthly premiums may vary by geographic region and plan design. Premiums will be reduced for “low-income” Medicare beneficiaries as defined by the CMS.)
 4. You can enroll in Part D coverage at any time during the initial enrollment period (a six-month period starting November 15, 2005) **or** during an annual enrollment period.

Creditable Coverage

Eliminates Penalty for Late Enrollment in Part D

As long as you have “creditable” prescription drug coverage through another plan (such as the Alaska Electrical Health & Welfare Fund’s retiree Plans 583, 584, 585, 588 and 589) immediately prior to your enrollment in Part D, there is no penalty if you do not enroll when first eligible but choose to enroll during a subsequent annual enrollment period. As a supplemental plan, Plan 520 does not provide creditable coverage.

Generally, if a Medicare eligible person does not enroll in Medicare as soon as they are eligible, there is a penalty (higher premium) based on how long they delay their enrollment. However, if during the delay they have “creditable coverage”, there is no penalty. Creditable coverage is defined as coverage at least as good as that available from Medicare.

The Fund’s retiree plans currently provide creditable prescription drug coverage for all plans except Plan 520.

You will receive a “Notice of Creditable Coverage” from the Fund, by November 15, 2005 (and annually thereafter), which you must provide to Medicare if you decide to enroll in Part D after the initial enrollment period to avoid a premium penalty.

Alaska Electrical Health & Welfare Fund Prescription Drug Benefits For Retirees

If you are enrolled in retiree Plans 583, 584, 585, 588 or 589, you are covered under the prescription drug program.

For prescriptions obtained at a retail pharmacy, you can obtain up to a 30-day supply of a covered prescription medication for a copay of:

- \$15 for a generic medication
- \$30 for a brand name medication if a generic is not available, or
- \$45 for a brand name medication if generic is available and you choose the brand instead.

You are also able to use the mail order program, and receive up to a 90-day supply of medication for a copay of:

- \$30 for a generic medication
- \$60 for a brand name medication if a generic is not available, or
- \$90 for a brand name medication if a generic is available and you choose the brand instead.

Your total copay amounts are limited to \$750 per person per calendar year, or \$1,500 per family per calendar year. Copays for generic medications and brand name medications taken when no generic is available will apply to this prescription drug copay limit, for those prescriptions obtained at participating retail and mail order pharmacies. Once the total amount of your applicable copays reaches the per person or per family limit, the Fund pays 100% of the allowable expenses for the remainder of the calendar year.

Retiree Plan 520 is a supplemental plan designed to complement other active health plan coverage. Plan 520 provides a flat 20% reimbursement for prescription drugs.

Medicare Part D - Benefits

What you read in the newspaper about “basic” Medicare Part D benefits might be very different than the plans that are actually offered by vendors in your area. The “basic” Medicare Part D coverage was specified in the Medicare reform legislation. However, the vendors don’t have to offer the plan exactly as specified in the legislation, but the plans they offer must be at least as good overall as the “basic” Medicare Part D coverage. We are including a description of these “basic” benefits so you can compare the value of your Fund coverage to what will be available from a Medicare Part D plan. Please remember that the Part D plans (and costs) will vary significantly from one to another.

Under the “basic” plan designed by the government, prescription drug benefits are subject first to a deductible and then coinsurance applies. In addition, under Part D, benefits for drugs stop at a certain dollar amount; once a second dollar amount is reached, benefits begin again. This feature has been called a “donut hole” and you are fully responsible for the cost of drugs during this period.

Effective January 1, 2006, the “basic” Medicare Part D benefits that will be offered by plans (some plans will be more generous for a higher premium) will work as follows:

1. Annual deductible: You must pay the first \$250 in *covered* prescription drug expenses before Medicare Part D pays benefits. Not all prescription drugs are *covered* under Medicare Part D and *covered* drugs may vary between vendors.

2. After you have paid the \$250 deductible, Part D pays 75% of the cost for *covered* prescription drugs and you pay the remaining 25%. This coverage continues until the total *covered* prescription drug costs (what you pay plus what Medicare pays) reach \$2,250 for the calendar year.
3. Once *covered* prescription drug costs reach \$2,250, Part D benefits stop.
4. You pay 100% of the next \$2,850 of *covered* prescription drug costs. These costs are not covered at all by Medicare.
5. Once your total *covered* prescription drug costs for the calendar year reach \$5,100, Part D starts to pay benefits again. At this point, Part D pays 95% of the cost for *covered* prescription drugs for the rest of the calendar year and you pay the remaining 5%.

The amounts shown above are indexed, which means that these costs, along with other Medicare benefits, are expected to increase in future years.

The Fund vs. Medicare - Comparing Your Options

The decision on whether or not to enroll in Medicare Part D through one of the vendors for your prescription drug coverage is yours. If you enroll in Medicare Part D, you will pay a monthly premium (estimated by Medicare to average \$32 for “basic” during 2006). You pay this amount directly to the vendor you choose in addition to the amount you pay for Fund coverage and Medicare Part B.

Remember, the Medicare Part D benefit provisions as described above are those defined by the government, but the Part D plan options you receive from vendors will vary significantly.

When evaluating the Part D plans, be sure to take into account any deductibles, copays and coinsurance you would be responsible for under Medicare Part D, plus the premium you will have to pay for the Part D plan. *Remember, premiums for prescription drug coverage through the Fund are included in the amount you already pay for the Fund coverage.*

If You Enroll in Medicare Part D

If you make the decision to enroll in a Medicare Part D plan, you will receive prescription drug benefits only from that plan. ***The Fund will not pay benefits for prescriptions if you elect the Medicare Part D coverage.***

Questions & Answers

1. What is Medicare Part D?

Starting January 1, 2006, Medicare Part D will provide coverage for prescription drug benefits – something that is not currently provided under Medicare.

2. Does Medicare Part D coverage mean that my prescription drug benefits will now be covered under Medicare?

That depends. Medicare Part D is optional coverage. This means you must enroll in Part D and pay the applicable premium to have Medicare prescription drug benefits.

If you do enroll in Medicare Part D, you will receive prescription drug benefits only from that plan. *The Fund will not pay benefits for prescriptions if you have elected Medicare Part D coverage.*

If you do not enroll in Medicare Part D, your prescription drug benefits will continue through the Fund.

3. Should I enroll in Medicare Part D?

That's a decision you will need to make yourself. Some things to consider:

- You already have prescription drug benefits under the Fund. If you are enrolled in Retiree Plans 583, 584, 585, 588 or 589, the Fund provides prescription drug benefits that are of equal or greater financial value than Medicare Part D benefits in total.
- You have to pay an additional premium for Medicare Part D coverage. The premium is estimated to be \$32 per month in 2006.

4. Which prescription drug coverage is better – the coverage under the Fund or Medicare Part D?

Generally, prescription drug benefits provided through the Fund are more financially generous than benefits provided through Medicare Part D. *However, depending on the medications you take and whether you are eligible for the low income subsidy, Part D plans may provide better coverage.*

5. Does my income level affect the cost of or benefits in a Part D plan?

It can. The Medicare Part D program includes financial help for people with limited income and resources. If you qualify, this should be taken into account when you compare your options. Here's who qualifies:

If annual income and resources (including savings and stock investments, but not counting your house) are less than:

- Income of \$14,355*, resources of \$11,500 (single)
 - Income of \$19,245*, resources of \$23,000 (married)
- * 2005 figures, amounts will change for 2006

Contact Social Security at 1-800-772-1213 if your income and resources are below these levels for additional information on this financial assistance.

6. What happens if I enroll in Medicare Part D?

The first thing that happens is that your monthly cost for Medicare will increase. The second thing is that you will receive prescription drug benefits only from that plan. ***The Fund will not pay benefits for prescriptions if you have elected Medicare Part D coverage.***

7. If I don't enroll in Medicare Part D now, will I be able to enroll at a later date?

Yes. Each year you will be given the opportunity to enroll in Medicare Part D. If you enroll at a later date, you will **not** be assessed a late enrollment penalty if you have been continuously enrolled in Trust retiree Plans 583, 584, 585, 588 or 589. That's because you have what is called "creditable coverage" under the Fund.

The supplemental plan, Plan 520, is not considered creditable coverage.

The Administrative Office will mail you a "Notice of Creditable Coverage" by November 15, 2005 (and annually thereafter) which you must provide to Medicare if you enroll in Medicare Part D later – in order to avoid a late enrollment penalty.

8. Will I be able to enroll in Medicare Part D if I lose Fund prescription drug benefits?

If prescription drug benefits end under the Fund, you may enroll in Medicare Part D. Since you continuously had creditable coverage through the Fund retiree Plans 583, 584, 585, 588 or 589, you can enroll without a late penalty if you contact Medicare within 63 days of losing our coverage. Your Part D monthly premium will depend on the Part D plan you select. You will receive a "Notice of Creditable Coverage" by November 15, 2005 (and annually thereafter) which you must provide to Medicare to avoid a late enrollment penalty.

Supplemental Plan 520 does not provide creditable coverage with Medicare Part D. If you are enrolled in this plan, and wish to enroll in Medicare Part D at a later date, you may incur a late enrollment penalty.

If you contact Medicare after 63 days of losing our coverage, you can still enroll in Medicare Part D, but you can expect to pay a late enrollment penalty in the form of higher monthly premiums.

Additional Information

To learn more about Medicare Part D, visit www.medicare.gov or call 1-800-MEDICARE. This fall, seminars and informational meetings are being held around the country. Call your local Senior Information & Assistance office for details. You will also receive information in the mail from Medicare and from health plans offering Medicare Part D coverage.

Call the Administration Office to answer questions about your current Alaska Electrical Health & Welfare Fund prescription coverage at (907) 276-1246 or (800) 478-1246.

This guide provides highlights of the prescription drugs benefits available under the Fund along with information about Medicare Part D. The information is being provided to help you decide whether or not you should enroll in Medicare Part D. As with all of its benefits, the Fund reserves the right to change, amend, or terminate any or all provisions of its benefits plans at any time and for any reason.