



NOTICE OF CREDITABLE COVERAGE

IMPORTANT NOTICE FROM
THE UNIVERSITY OF TEXAS SYSTEM OFFICE OF EMPLOYEE BENEFITS (OEB)
REGARDING YOUR PRESCRIPTION DRUG COVERAGE AND MEDICARE PART D
COVERAGE

Please read this notice carefully and keep it where you can find it. No action is required of you at this time.

A copy of this notice is provided for all Medicare-eligible retired employees, employees or Medicare eligible covered dependents.

This notice provides:

- Important information about your current prescription drug coverage
- Answers that will assist you in deciding whether you should purchase prescription drug coverage under the Medicare Part D program
- Contact numbers for more information
- A document that you can use later to avoid a penalty for late enrollment in the Medicare Part D prescription drug program

Frequently Asked Medicare Questions and Answers

1. What is Creditable Coverage?

Beginning January 1, 2006, Medicare beneficiaries had the opportunity to receive subsidized prescription drug coverage through the new Medicare Part D program. Beneficiaries who choose not to sign up at the first opportunity may have to pay more if they wait to enter the program at a later date. Beneficiaries who have other sources of drug coverage - through a current or former employer or union, for example - may stay in that plan and choose not to enroll in the Medicare drug plan. If their other coverage is at least as good as the new Medicare drug benefit (and therefore considered "creditable coverage"), then the beneficiary can continue to get the high quality care they have now as well as avoid higher payments if they sign up later for the Medicare drug benefit. Under §423.56(a) of the final regulation, coverage is creditable if the actuarial value of

the coverage equals or exceeds the actuarial value of standard prescription drug coverage under Medicare Part D, as demonstrated through the use of generally accepted actuarial principles and in accordance with CMS actuarial guidelines. In general, the actuarial equivalence test measures whether the expected amount of paid claims under the entity's prescription drug coverage is at least as much as the expected amount of paid claims under the standard Part D benefit.

2. What is Medicare Part D?

Medicare Part D is a new prescription drug coverage that became available to people who qualify for Medicare Part A or Medicare Part B beginning January 1, 2006.

3. How does prescription drug coverage provided through UT compare to Medicare prescription drug coverage?

The benefits provided by the UT SELECT drug plan have been examined by consulting actuaries and have been determined to be comparable to the benefits provided by Medicare Part D. This allows OEB to send you this "Notice of Creditable Coverage."

4. Should I enroll in Medicare Part D?

Most Medicare-eligible participants in the UT SELECT drug plan should NOT enroll in a Medicare prescription drug plan since, for most people, the UT prescription drug coverage will provide better benefits at lower cost.

If you qualify for financial assistance, you could benefit from Medicare Part D and you would get savings on premiums, copayments and coinsurance. If you think you might qualify for this assistance, you may want to enroll in Medicare Part D.

5. Is Medicare Part D free?

No. If you enroll in a Medicare prescription drug plan, you will pay a monthly premium which will likely increase each year. You will also have to pay the Medicare Part D deductibles and copayments which also may increase each year.

6. How will Medicare Part D work?

Medicare Part D coverage is offered through private prescription drug plans that have been approved by Medicare. All Medicare prescription drug plans offer a standard level of coverage set by Medicare. Some plans might also offer more coverage for a higher monthly premium. If you enroll in a Medicare prescription drug plan, you will receive a drug card that you will present to your pharmacy to cover a portion of your prescription drug costs.

7. Will Medicare Part D have any effect on coverage provided under UT?

No. There will be no change in the medical or prescription drug coverage provided under the UT SELECT plan as a result of Medicare Part D. You will still be eligible to receive all of your current medical and prescription drug benefits under UT SELECT whether or not you enroll in a Medicare prescription drug plan.

8. If I decide to enroll in Medicare Part D, do I have to drop my UT coverage?

No. You are not required to drop your UT coverage. If you use your UT SELECT drug card, you will pay the regular UT SELECT deductibles and copayments; however, **you cannot use both your UT SELECT drug card and a Medicare prescription drug card for the same prescription.**

9. Will I have better prescription drug coverage if I have both Medicare Part D and my current UT SELECT drug coverage?

No. As noted above, you cannot use both plans for the same prescription. You would have to choose whether to get a prescription filled under your UT SELECT coverage or Medicare Part D coverage. Medicare Part D benefits do not coordinate benefits with your current UT SELECT prescription drug plan.

10. Why is creditable coverage important to Medicare-eligible participants in the UT DRUG PLAN?

Since you have Creditable Coverage under the UT SELECT prescription drug plan, the Social Security Administration has said that you will not have to pay a penalty if you join a Medicare Part D prescription drug plan later.

People with Medicare can enroll in a Medicare prescription drug plan from mid-November through mid-May. Although you will have more chances to enroll in each subsequent year, normally, you would have to pay a penalty if you enrolled after your initial eligibility date. However, since you have Creditable Coverage under UT, you can choose to join a Medicare prescription drug plan later without a penalty.

11. How do I know if I qualify for financial assistance with Medicare Part D?

Financial assistance will be available to Medicare beneficiaries with incomes up to 150% of the Federal Poverty Level (FPL) and limited resources. The FPL is set each year. OEB does not make this determination or set the guidelines.

To determine if you qualify for financial assistance with Medicare Part D, you should contact the Social Security Administration (SSA) at **1-800-772-1213** (TTY **1-800-325-0778**) or visit SSA online at **www.socialsecurity.gov**.

12. Most UT participants were encouraged not to enroll in Medicare Part D for 2009. What about 2010?

Pay close attention to the Medicare Part D information OEB sends to you. If you need to enroll in Medicare Part D for 2010, OEB will notify you in advance.

You should also know that if you drop or lose your coverage under UT and don't enroll in Medicare Part D within 63 days after your current UT coverage ends, you may be required to pay more to enroll in Medicare prescription drug coverage later.

13. Where can I get more information?

More detailed information about Medicare plans that offer prescription drug coverage will be available in the "Medicare & You 2009" handbook. You should get a copy of the handbook in the mail from Medicare. You may also be contacted directly by approved Medicare prescription drug plans. You can also get more information about Medicare prescription drug plans from the following places:

- Visit www.medicare.gov for personalized help,
- Call your State Health Insurance Assistance Program (see your copy of the Medicare & You handbook for their telephone number)
- Call 1-800-MEDICARE (**1-800-633-4227**). TTY users should call **1-877-486-2048**.

NOTE: You may receive this Notice of Creditable Coverage at other times in the future such as before the next period you can enroll in Medicare Part D prescription drug coverage, and if this coverage changes. You also may request a copy of this notice.