

**Medicare Part D
FAQ's
May, 2005**

What is the definition of a Medicare eligible?

Includes both actives and retirees that are Medicare **eligible** (not necessarily enrolled). Examples of eligibility include:

- Over 65 and eligible for Social Security or railroad retirement
- Under 65 and disabled
- Under 65 with End Stage Renal Failure.

What are the three strategies that an employer will have a decision to make?

1. Offer prescription drug coverage which is actuarially equivalent to Medicare Part D and seek the tax free 28% subsidy.
2. Encourage participation in a Medicare Part D program, while offering additional benefits. Additional benefits may include subsidizing the premium, providing a Part D supplement or providing secondary coverage.
3. Recommend that retirees enroll in the Medicare Part D drug benefit as their sole prescription drug coverage.

Do all of the UHC strategies apply to all the Medicare eligibles?

The subsidy is only available for Medicare eligible retirees, not actives
The other strategies, apply to all Medicare *eligibles*.

What is UHC doing to support the creditable coverage test?

We are completing the first prong ("bulk testing"- see question below) of the "two pronged" test with Reden & Anders by data pulls and actuarial analysis.

The second prong test is only pursued if the employer is applying for the subsidy. The component is support thru R & A or another third party vendor.

How do we support our customers' data requirements if they want to apply for the 28% subsidy (part 2 of the two pronged test)?

There are standard reports available for a fee through Customer Reporting, the SAE should use the standard Ad Hoc Form to request the detail data files.

NOTE: If the customer is fully-insured, an authorization will be required due to PHI information

The online Ad Hoc Form is housed in the Toolbox on our CFS/Underwriting/Customer Reporting web site.
<http://cfs.uhc.com/CFSUnderwriting/CustRpt/Toolbox/Template.asp>

The standard reports needed are:

	Fee	Required?
Detailed Pharmacy Report	\$1513	yes
Eligibility Report	\$500	yes Medicare eligible retirees for calculating the subsidy
Detailed Medical Report	\$1513	No

However, note that specialty drugs are paid through the medical side. Customers wanting to capture *all* drug spend may request a medical claims pull. We leave this decision to the customers' discretion.

What groups will be eligible for “bulk testing”?

All plans except those that are on the border of passing (those that do not clearly pass the creditable coverage test), will be included. All groups with 200 Medicare eligibles or more may require group specific testing (separate from the bulk testing) to support the CMS testing requirement

For plans included in this “bulk testing” approach, there will NOT be a fee.

For those that are borderline, a customer has a few choices:

- a. Contact R & A or another vendor of their choice for group specific testing of their current plan-fee will apply.
- b. Select another pharmacy plan that meets the creditable coverage test. Comprehensive list to be distributed early 3Q05.

How many of our total standard pharmacy benefit designs do we expect to pass the creditable coverage test?

Based on a R & A preliminary review, we expect that 99% of our standard pharmacy benefits will meet the creditable coverage test.

How do we handle an active but not Medicare eligible-retiree and a dependent who is Medicare eligible retiree?

The member is the “entrance point” for the subsidy . So, if the member is a Medicare eligible retiree and so is the spouse, the employer gets the subsidy on both. If only the spouse is a Medicare eligible retiree, no subsidy on either.

What are the required steps for filing for actuarial equivalence and the cost?

To the extent that an employer is interested in additional support from UHC, such as evaluating eligibility for the Part D tax-exempt subsidy and calculating the associated payment, an estimated \$10,000 to \$15,000 charge per employer will apply for the following scope of services:

- Review customer-specific data as needed. UHC will have to provide the data to R&A in a standard format in order for R&A to review it, or will have to provide a method for R&A to identify it if it has already been provided as part of the comprehensive data feed.
- Determine the employer’s eligibility for the federally tax-exempt direct subsidy by evaluating whether the employer passes both the “gross” and “net” actuarial tests
- Provide consultations regarding any changes that could be made if the employer did not pass these tests.
- Calculate the expected subsidy as a percent of both total costs and employer costs (i.e. after cost sharing and member premium).
- Report on any findings to UHC and the employer

- Develop the actuarial certification and application for the employer to submit to CMS in late September if they are eligible for the subsidy.

There are other items which are not included in the scope. However, R&A can provide additional information on these items, if requested. They are:

- In 2006 and later years, develop the necessary submissions to CMS in order to collect the subsidy.
- Other items with regard to Part D, including evaluating the best option for a given employer, such as enrolling their Medicare eligibles in a PDP or MA-PD plan. This would also include evaluating a “group” enrollment into a PDP.

Who are the contacts at Reden and Anders to refer customers to?

Corey Berger
Corey.Berger@reden-anders.com
 678-417-4905 (direct)

Herschel Reich
Herschel.Reich@reden-anders.com
 646-728-6509 (direct)

Does a customer have to use R & A or can they use another third party vendor?

A customer is free to use another third party vendor or Reden and Anders, Ltd. is available.

What are the employer required steps for filing for the subsidy?

Task	Responsible Party	Due Date	Comments
1. Complete the “two pronged” test to determine actuarial equivalence	UHC does	Mid June	
2. Submit an application for the subsidy to CMS.	Employer supported by R & A or other third party vendor	Application due by Sept 30, 2005	Application to be available by August 3, 2005
3. Submit an actuarial attestation to CMS	UHC		
4. Provide the Part D eligibles the creditable coverage notice *	Employer	Nov 15 *	
5. Maintain records to support CMS audit	Employer	Ongoing	

* Requirement to provide Part D eligibles the creditable coverage notice annually by Nov 15 (or whenever plan changes are made). UnitedHealthcare will provide employers the template language with the core CMS messages. Employers are the responsible part to send the notification.

How will we handle groups that refer retirees to Part D as primary for pharmacy and the employer offers a supplement or secondary coverage?

We are currently assessing the operational impacts of this strategy.

How will we handle groups who choose to drop pharmacy group coverage and just let Medicare be primary for pharmacy?

We are investigating the need to issue separate Medical contracts for Medicare eligibles and potential pricing impact.

Who is responsible for pulling data at the employer level for those employers pursuing the employer subsidy?

UHC will provide this data for all employer groups who wish to pursue the subsidy. This data will be provided whether or not the employer chooses to use Reden & Anders or some other third party vendor. Fee for this service is to be determined.

We are only responsible to provide data that is for UHC claims.

What is the total claims expenditure that the subsidy is based on?

Net of:

- Network discounts
- Rebates
- Copays /coinsurance
- Deductible
- Employee contributions

Including:

- Dispensing fee

DOES NOT INCLUDE: Admin fees

How will we provide rebate information for those customers pursuing the subsidy in order to complete the estimated pharmacy claims net spend?

Barring additional CMS guidance or clarification, we plan to use a factor (defined below) to estimate total rebates in a given year.

Factor will be determined by:

- Line of Business (Small Business, KA, Major or Public)
- Funding Type

Example:

- \$1,000 in total RX claims spend
- Forecasted rebate of \$100
- Total RX claims spend is reduced by 10%

Fully insured vs ASO ability to apply for subsidy?

Both fully insured and ASO customers have the option to apply for and receive the subsidy (if they pass the creditable coverage test). Note: Like ASO customers, the responsibility is on the fully-insured employer to apply for and receive the subsidy. Support for this process should come from R & A or another third party vendor.

Does UHC receive the subsidy?

No, the relationship of the subsidy is between the employee and CMS.

If retirees are responsible for 100% of the current premium, can the employer still apply for the subsidy?

We believe that employers in this scenario would not pass the Net Test (prong 2 of the Actuarial Equivalence testing). The employer that does not pass the actuarial equivalency test would not be eligible for the subsidy.

6 Easy steps on how a consumer can choose Medicare Prescription Drug Plan

1. Apply for financial help if you need it.
2. Gather information about your current health care and drug coverage.
3. Gather information about the drugs you use.
4. Gather information about the Part D plans in your area.
5. Compare plans
6. Find out whether you have “creditable coverage”.