Dear Member,

In the past month I have heard from many of you about changes to the State Health Plan Medicare Prescription Drug Program benefits that took effect January 1, 2014. Some comments have been positive, but many have raised problems and concerns. I and others on the SRA Board have worked to find answers to your concerns. Our findings confirm there is no one or simple answer because not only did Catamaran start managing our prescription drug program on January 1, but there were also other changes instituted by the South Carolina General Assembly, Medicare, and PEBA that took effect on the same date. For example, the General Assembly last June adopted a 20% increase in co-payments for drugs in the Tier 2 and Tier 3 categories, which took effect January 1. Also effective January 1 the Centers for Medicare and Medicaid Services (CMS), implemented a new requirement for pharmacies if they are to be reimbursed for medical supplies by Medicare. And, PEBA, in a move to save approximately $37 million, placed those of us who are Medicare beneficiaries in the new CMS Employer Group Waiver Plan (EGWP), effective January 1. This is the State Health Plan Medicare Prescription Drug Program referred to in correspondence your received from PEBA and/or Catamaran. Plus there were a few additional changes that took effect on January 1. As you will see as you read below, very few of the issues have anything to do with the switch to Catamaran.

To explain these changes I have placed them in one of the four following categories: South Carolina General Assembly Changes; CMS or Medicare Changes; PEBA Changes; and Catamaran Changes.

**South Carolina General Assembly Changes**
The Appropriations Act for this fiscal year, adopted by the General Assembly last June, required that all medical deductibles and co-payments be increased by 20%. These medical co-payments and deductibles will not impact Medicare eligible retirees, but they may have an impact on changes to the prescription drug plan. For example, last year’s co-payment of $30 for a Tier 2 (branded) drug is now $36. However, as with most things, these co-payment calculations can be more complicated.

**CMS or Medicare Changes**
CMS made changes that require pharmacies to become an approved Medicare Part B Supplier if they are to be reimbursed for medical supplies under the Medicare program. I understand that this was an effort by CMS to assure that only quality medical supplies are given to Medicare recipients. I am also advised that obtaining this approval by pharmacies is expensive. Therefore, many of the smaller drug stores may not obtain the approval and therefore cannot provide your medical supplies under Medicare.

Additionally, CMS made changes to the Formulary for covered drugs. This may mean that a non-generic (preferred drug) you are taking was moved to a different
Tier category on January 1, 2014; this change may result in your drug being more or less expensive.

CMS also made changes to the cost of the Medicare Part D plan for high-income beneficiaries. Some of you already pay an additional Medicare Part B premium due to CMS’ Income Related Medicare Adjustment Amount, or IRMAA. Medicare Part D beneficiaries who have a taxable income greater than $85,000 (or $170,000 for a married couple filing jointly) will be required to pay a high income adjustment, the minimum of which is $11.60 per month. The premium adjustment increases with the beneficiary’s income levels.

If you are seeing a deduction from your Social Security payment identified as Medicare Part D, and for some of you, an additional IRMAA premium amount, it is a result of enrollment in the new State Health Plan Medicare Prescription Drug Program. The Social Security Administration has published an informative booklet entitled Medicare Premiums: Rules for Higher-Income Beneficiaries that may be viewed at: http://www.socialsecurity.gov/pubs/EN-05-10536.pdf.

PEBA Changes
During the past year PEBA, following the required state procurement procedures, bid the management of the State Health Plan’s pharmacy benefits. As a result, Catamaran was awarded the contract, which will save money. The new contract started January 1, 2014.

Also effective January 1, 2014, PEBA placed all members of the State Health Plan Prescription Drug Program that received Medicare services under the Employer Group Waiver Plan (EGWP). The EGWP is a CMS program designed to pass on the Medicare Part D savings available to individuals to employer prescription drug plans like ours. This change is estimated to save the State Health Plan Prescription Drug Program $37 million a year. Prior to this change all State Health Plan Prescription Drug Program members who were also Medicare beneficiaries were under the Retiree Drug Subsidy (RDS) program. The members under EGWP are required to use a Formulary of covered drugs that is controlled by CMS. However, our particular program is an EGWP plus a wrap feature that insures EGWP members have a formulary that is the same as the formulary for non-Medicare members. As a member under EGWP you are classified as a Medicare Part D recipient. This is also why the IRMAA letters some of you have received from the Social Security Administration now include a Medicare Part D premium and high-income premium adjustment.

Placing members under EGWP also resulted in the requirement that PEBA issue two cards, one for medical services and one for prescription drug services. This is a CMS requirement. In order to avoid confusion with some members getting a single card and others getting two cards, maybe in the same household, PEBA elected to issue separate drug cards for all participants.

Catamaran Changes
The shift to Catamaran was designed to be seamless, with all member information previously held by Express Scripts (Medco) being transferred to Catamaran. As a
few of you have discovered, this did not happen for all information. Members may have to resubmit approvals for specialty drugs, confirm birthdates and addresses, and legal and other documents. Of course, all of us who use mail or online ordering have to register with Catamaran.

As discussed above, the Catamaran contract should result in a cost savings to the State Health Plan Prescription Drug Program. Many independent pharmacies contend that Catamaran was able to generate savings because of their reduced reimbursement for drugs to pharmacies. This apparent loss of revenue to pharmacies, especially the smaller pharmacies, has generated complaints across the state. Your local pharmacist may have expressed this dissatisfaction. PEBA has met with and will continue meeting with the SC Pharmacy Association in an attempt to address their concerns.

I hope that the above information helps you understand the changes that occurred on January 1, 2014, who made the change and why the change was instituted. This information should answer many of your questions, however in the following paragraphs I will attempt to respond in detail to specific voiced concerns.

My Drugs Are Costing More.
If your drugs are costing you more the reason is likely because of the copayment increases instituted by the General Assembly. There is also a possibility that your drug is costing more because CMS moved the drug you are taking to a higher Formulary Tier. If this is the case I recommend you call PEBA to determine if you have any recourse. The Formularies for the EGWP and the RDS programs have a few differences. In most cases the EGWP Formulary will offer the better value to you. However, if you are a Medicare beneficiary you can contact PEBA and discuss switching to the RDS program. In addition to members who are negatively affected by EGWP, PEBA has also received disenrollment requests from members covered by TRICARE (TRICARE does not coordinate with Medicare Part D) and members who utilize coupons/discount cards to offset the drug co-payments. If the RDS program is better for you, PEBA will assist you in this change. The PEBA number in the Columbia area is (803)734-0678, the toll free number is 1-(888)260-9430. PEBA has also posted an EGWP disenrollment form on its insurance website, www.eip.sc.gov. The form is listed on the Forms page under “Other Forms.”

Are we now a participant in the Medicare Part D program?
Yes. But you are not an individual Medicare Part D beneficiary. You are classified as a member of the new State Health Plan Medicare Prescription Drug Program that uses EGWP. This is why State Health Plan subscribers with Medicare coverage received a new Catamaran card that shows their RxGrp as EGWPS017 and the card has “State Health Plan Medicare Prescription Drug Program (Employee PDP)” printed on it.

Did PEBA arbitrarily start using EGWP?
Using the EGWP coverage was not done arbitrarily. PEBA worked for more than a year with actuaries, pharmacy consultants and professional staff to make this decision. All members that were moved under the EGWP coverage were notified by
mail of an opportunity to opt out and elect the RDS coverage. However, this notice may have been confusing and hard to understand because of CMS-required specific legal language.

I am having money deducted from my Social Security check for Medicare Part D. If you are covered by Medicare you are now under EGWP through the State Health Plan Medicare Prescription Drug Program, which technically means you have Medicare Part D coverage. As a result you may be subject to a high-income premium adjustment. I recommend you call PEBA to discuss the benefits of switching to the RDS program. But be cautious, you may find that the EGWP Formulary classifies your drug in a Tier that, even with the high-income premium adjustment, you still save money. If you decide to make a change, PEBA will help you. This is how the conversion to RDS works: PEBA submits the request to Catamaran and Catamaran sends the request to CMS. Typically takes 10 business days to complete disenrollment. Members must pay the Income Related Monthly Adjustment Amounts (IRMAA) fee until CMS approves the disenrollment. For requests received before the 15th of the month, the disenrollment should occur the first of the month following the request. For requests received on or after the 15th, the disenrollment may not occur until the first of the following month. The date of disenrollment is determined by Medicare. Medicare will not allow a retroactive disenrollment. If the member has been assessed the monthly IRMAA fee, the member is responsible for paying the fee to the Social Security Administration. Once the disenrollment is complete, the member would no longer be assessed this monthly fee. The PEBA number in the Columbia area is (803)734-0678 and the toll free number is 1-(888)260-9430.

Why can’t the pharmacy I have been using for years provided my prescription and diabetic test strips under Medicare. The CMS instituted a change requiring pharmacies to be an approved Medicare Part B Supplier to sell medical supplies and be reimbursed by Medicare. PEBA cannot help with this problem.

Catamaran has an unreasonable lengthy call center process. When calling the toll free Catamaran telephone number you are required to respond to a number of electronically generated questions before talking to a real person. This may be acceptable if you call once a month; however, if you have spoken with a Catamaran representative and been asked to provide information that requires a callback, Catamaran does not allow you to directly call the Catamaran representative you previously spoke with. This issue has been given to Travis Turner, the Interim Director of PEBA, and he has addressed this issue with the CEO of Catamaran. Catamaran has agreed to add additional dedicated call center resources to alleviate this problem.

I became Medicare eligible on February 1st. My drug coverage was cancelled on February 1st but I was not enrolled in the EGWP drug plan. Catamaran has not yet sent your Medicare drug card. Call PEBA customer service and they will reactivate your drug coverage.
PEBA customer service lines have inordinately long waiting time. Because of all the changes that have occurred the phone lines at PEBA have been very busy. PEBA has allocated staff from a number of other departments to assist in responding to calls as timely as possible; however, call and message volume has been extremely high as a result of these changes. PEBA is committed to providing the resources necessary to get members through this difficult time.

Donald Tudor, President
State Retirees Association of South Carolina
Here’s the info in the EOC about the high income penalty.

SECTION 5  Social Security
Social Security is responsible for determining eligibility and handling enrollment for Medicare. U.S. citizens who are 65 or older, or who have a disability or End-Stage Renal Disease and meet certain conditions, are eligible for Medicare. If you are already getting Social Security checks, enrollment into Medicare is automatic. If you are not getting Social Security checks, you have to enroll in Medicare. Social Security handles the enrollment process for Medicare. To apply for Medicare, you can call Social Security or visit your local Social Security office.

Social Security is also responsible for determining who has to pay an extra amount for their Part D drug coverage because they have a higher income. If you got a letter from Social Security telling you that you have to pay the extra amount and have questions about the amount or if your income went down because of a life-changing event, you can call Social Security to ask for a reconsideration.

Social Security Administration

<table>
<thead>
<tr>
<th>CALL</th>
<th>1-800-772-1213</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calls to this number are free.</td>
<td></td>
</tr>
<tr>
<td>Available 7:00 am to 7:00 pm, Monday through Friday.</td>
<td></td>
</tr>
<tr>
<td>You can use our automated telephone services to get recorded information and conduct some business 24 hours a day.</td>
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<tr>
<th>TTY</th>
<th>1-800-325-0778</th>
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<tr>
<td>This number requires special telephone equipment and is only for people who have difficulties with hearing or speaking.</td>
<td></td>
</tr>
<tr>
<td>Calls to this number are free.</td>
<td></td>
</tr>
<tr>
<td>Available 7:00 am ET to 7:00 pm, Monday through Friday.</td>
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| WEBSITE    | www.ssa.gov |

SECTION 10  Do you have to pay an extra Part D amount because of your income?

Section 10.1  Who pays an extra Part D amount because of income?
Most people pay a standard monthly Part D premium. However, some people pay an extra amount because of their yearly income. If your income is $85,000 or above for an individual (or married individuals filing separately) or $170,000 or above for married couples, you must pay an extra amount directly to the government for your Medicare Part D coverage.

If you have to pay an extra amount, Social Security, not your Medicare plan, will send you a letter telling you what that extra amount will be and how to pay it. The extra amount will be withheld from your Social Security, Railroad Retirement Board, or Office of Personnel Management benefit check, no matter how you usually pay your plan premium, unless your monthly benefit isn’t enough to cover the extra amount owed. If your benefit check isn’t enough
to cover the extra amount, you will get a bill from Medicare. You must pay the extra amount to the government. It cannot be paid with your monthly plan premium.

Section 10.2 How much is the extra Part D amount?

If your modified adjusted gross income (MAGI) as reported on your IRS tax return is above a certain amount, you will pay an extra amount in addition to your monthly plan premium.

The chart below shows the extra amount based on your income.

<table>
<thead>
<tr>
<th>If you filed an individual tax return and your income in 2012 was:</th>
<th>If you were married but filed a separate tax return and your income in 2012 was:</th>
<th>If you filed a joint tax return and your income in 2012 was:</th>
<th>This is the monthly cost of your extra Part D amount (to be paid in addition to your plan premium)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equal to or less than $85,000</td>
<td>Equal to or less than $85,000</td>
<td>Equal to or less than $170,000</td>
<td>$0</td>
</tr>
<tr>
<td>Greater than $85,000 and less than or equal to $107,000</td>
<td>Greater than $170,000 and less than or equal to $214,000</td>
<td>$11.60</td>
<td></td>
</tr>
<tr>
<td>Greater than $107,000 and less than or equal to $160,000</td>
<td>Greater than $214,000 and less than or equal to $320,000</td>
<td>$29.90</td>
<td></td>
</tr>
<tr>
<td>Greater than $160,000 and less than or equal to $214,000</td>
<td>Greater than $85,000 and less than or equal to $129,000</td>
<td>Greater than $320,000 and less than or equal to $428,000</td>
<td>$48.30</td>
</tr>
<tr>
<td>Greater than $214,000</td>
<td>Greater than $129,000</td>
<td>Greater than $428,000</td>
<td>$66.60</td>
</tr>
</tbody>
</table>

Section 10.3 What can you do if you disagree about paying an extra Part D amount?

If you disagree about paying an extra amount because of your income, you can ask Social Security to review the decision. To find out more about how to do this, contact Social Security at 1-800-772-1213 (TTY 1-800-325-0778).

Section 10.4 What happens if you do not pay the extra Part D amount?

The extra amount is paid directly to the government (not your Medicare plan) for your Medicare Part D coverage. If you are required to pay the extra amount and you do not pay it, you will be disenrolled from the plan and lose prescription drug coverage.