



San Joaquin County Employees' Retirement Association

October 5, 2005

**To: All Retirees Enrolled in a Fully Insured
Health Plan Offered by San Joaquin County
(Blue Cross, Health Net, Kaiser)**

RE: NEW MEDICARE PRESCRIPTION DRUG COVERAGE (PART D)

Beginning January 1, 2006, Medicare Prescription Drug Coverage, also called "Medicare Part D," will be available to all people with Medicare.

If you or your dependents have Medicare, it is important for you to know that the prescription drug coverage you currently have as an enrollee in a health plan offered by the County to retirees provides pharmaceutical coverage that is, on average, equal to or better than the standard Medicare prescription drug coverage. This is important because it means:

- **You do NOT need to enroll in the Medicare Part D drug plan during the upcoming open enrollment period** (November 15, 2005 through May 15, 2006).
- **You will NOT be penalized for not enrolling during the initial Medicare open enrollment period** (November 15, 2005 through May 15, 2006).

Typically, persons who are eligible but do not enroll in a Medicare drug plan during the initial open enrollment period will pay a financial penalty to enroll at a later date. This provision does not apply to you for as long as you keep your current prescription drug coverage through the Blue Cross, Health Net, or Kaiser health plans offered by the County to retirees.

- **You must retain the enclosed "Important Notice from San Joaquin County About Your Prescription Drug Coverage and Medicare"** to show proof of your current prescription drug coverage if you decide to enroll in a Medicare drug plan in the future.

The County of San Joaquin and SJCERA are working with our health plan insurers on changes to the design of our existing health plans to incorporate the available Medicare prescription drug program. These changes will be effective beginning May 1, 2006. You will receive more information about this during the next health plan open enrollment period.

Beginning in October, companies offering Medicare drug plans will begin marketing their plans to retirees. You can expect to receive numerous commercial mailings, some likely to look like "official" mail from the federal government. There will also be many television, newspaper, magazine, and radio advertisements regarding Medicare prescription drug plans. **Please remember that you do NOT need to enroll in a Medicare drug plan at this time.**

We suggest you carefully screen your mail and give special attention to correspondence from SJCERA, San Joaquin County, your current health plan, and official federal government mail from the Social Security Administration or CMS (the Center for Medicare and Medicaid Services), the federal agency responsible for administering Medicare programs.

Remember, because you are currently enrolled in either the Blue Cross, Health Net, or Kaiser health plan offered by San Joaquin County to retirees, **YOU DO NOT NEED TO ENROLL IN A MEDICARE DRUG PLAN at this time.**

The following section provides answers to some common questions our retirees have about Medicare prescription drug plans and late enrollment penalties.

COMMON QUESTIONS ABOUT THE NEW MEDICARE PRESCRIPTION DRUG PLAN (Part D)

Q1. I've seen many advertisements and applications to join a Medicare prescription drug plan. Should I sign up?

You do not need to sign up for a Medicare prescription drug plan. Because you are enrolled in one of the health plans offered by San Joaquin County to retirees, your current coverage is, on average, at least as good as the Medicare standard prescription drug coverage and there is no need to spend extra money on monthly premiums to buy that coverage. If you continue your current coverage in 2006, you will continue to receive the same comprehensive prescription drug coverage that you currently enjoy. As outlined above, the County and SJCERA are exploring each health plan insurer's Medicare drug plan offerings to evaluate what will work best for our retirees. Once we have completed our analysis and have identified the best plan offering you will receive additional information.

Q2. I've heard that if I don't sign up for a Medicare prescription drug plan right away, I will have to pay a premium penalty later. Is this true? Do I need to sign up now?

A late enrollment penalty only applies if you do not maintain prescription drug coverage that is, on average, at least as good as the Medicare standard prescription drug coverage. Because your current prescription drug coverage as an enrollee in a health plan offered by the County to retirees meets this requirement, there will be no penalty as long as you maintain it. If you later choose to drop your current coverage and enroll in a Medicare drug plan, you will not be subject to the late enrollment premium penalty. However, you must **retain the enclosed "Important Notice from San Joaquin County About Your Prescription Drug Coverage and Medicare"** to show proof of your current prescription drug coverage if you choose to enroll in a Medicare drug plan at a later date.

Q3. Will my coverage change when Medicare prescription drug plans become available in 2006?

No. Fundamentally, the plan design and plan co payments will be the same as those you currently have. Simply continue your current coverage in 2006 and you will continue to receive the same comprehensive prescription drug coverage

that you currently enjoy. Most changes will be in the health plan insurer's internal administration of the pharmaceutical benefit.

Q4. *How will my coverage work with Medicare prescription drug plans? Will it be a supplement to a Medicare prescription drug plan or will it take the place of a Medicare prescription drug plan?*

The County currently offers our retirees a choice of four different health plans; three fully insured plans (Blue Cross, Health Net, and Kaiser), and one self-insured plan (County Managed Care). The three fully insured health plans will be offering a Medicare Prescription Drug replacement plan. The health plan insurer will automatically enroll our retirees who have Medicare in a Medicare drug plan (at no cost to the retiree) and the retirees will continue to obtain their pharmaceuticals under their current health plan exactly as they do now. The health plan, in turn, will receive a subsidy from the government to assume responsibility for the prescription drug benefits and will apply that subsidy (or a portion thereof) directly to your premium rate, thus providing a lower premium rate for the Over 65 retiree plans. We anticipate our retirees will realize the premium reduction with their May 2006 health plan renewal.

Q5. *Can I drop my current prescription drug coverage to enroll in a Medicare prescription drug plan but retain my current health coverage through my County-sponsored health plan?*

No, the plan design and monthly premiums for each of the health plans offered by the County to retirees (Blue Cross, County Managed Care, Health Net, and Kaiser) includes prescription drug coverage. You cannot drop your retiree prescription drug coverage to join a Medicare drug plan without also dropping your retiree health coverage. If you drop your health coverage in a health plan offered by the County to retirees, you will not be allowed to re-enroll in the future. If you choose to enroll in a Medicare prescription drug plan in addition to your County-sponsored health plan, you will be required to pay the monthly premium for the Medicare plan (approximately \$35.00 per month) in addition to your current health plan premium. This would increase your monthly premium expenses unnecessarily.

Q6. *If I elect to drop my current health plan coverage, can I choose to re-enroll sometime in the future?*

No. Once you drop your health coverage with any of the health plans offered by the County to retirees, you will not be allowed to re-enroll in the future.

Q7. *What do San Joaquin County retirees really need to know about the coverage provided by the health plans offered by San Joaquin County to retirees?*

If you are a retired member of SJCERA and are enrolled in a fully insured health plan offered by the County to retirees (Blue Cross, Health Net, or Kaiser), your current prescription drug coverage is, on average, equal to or better than the standard Medicare prescription drug coverage. Therefore, you will not be penalized for not enrolling in a Medicare drug plan at this time as long as you maintain your enrollment in a health plan offered by the County to retirees. However, **you must retain the enclosed "Important Notice from San Joaquin**

County About Your Prescription Drug Coverage and Medicare” to show proof of your current prescription drug coverage if you decide to enroll in a Medicare drug plan in the future.

Q8. Where should retirees go to obtain more information about Medicare prescription drug plans?

More detailed information about plans that offer Medicare prescription drug coverage will be available in October 2005 in the "Medicare & You 2006" handbook. You will receive a copy of the handbook in the mail from the Center for Medicare and Medicaid Services (CMS), the federal agency responsible for administering Medicare programs. You may also be contacted directly by companies offering Medicare prescription drug plans. You can get more information about Medicare prescription drug plans from these places:

- Visit www.medicare.gov for personalized help.
- Call your State Health Insurance Assistance Program
Within California, call 1-800-434-0222
For other states, see your copy of the Medicare & You handbook for the telephone number)
- Call **1-800-MEDICARE** (1-800-633-4227), available 24 hours a day, 7 days a week. *TTY users should call 1-877-486-2048*

We have also enclosed a brochure that answers frequently asked questions about the new Medicare prescription drug coverage. This brochure is published by the Center for Medicare and Medicaid Services (CMS), the federal agency responsible for administering Medicare programs.

Remember, because you are currently enrolled in a fully insured health plan offered by San Joaquin County to retirees, YOU DO NOT NEED TO ENROLL IN A MEDICARE DRUG PLAN at this time.

We hope you find this letter and brochure helpful. Changes to the design of our existing retire health plan offerings to incorporate the available Medicare prescription drug program will be effective beginning May 1, 2006. You will receive additional information about this in the materials provided for the next retiree health plan open enrollment.

Enclosures