

MEMORANDUM

DATE: October 20, 2006
TO: First UA Part D Licensed Agents
FROM: First UA Sales Department

Medicare Part D Prescription Drug Benefit — For Agent Use Only —

Introduction

The Medicare Modernization Act of 2003 created new health care choices for seniors and new sales opportunities for Agents.

First United American Life Insurance Company will participate in the Medicare Part D program for 2007. First UA is committed to helping our Agents and policyholders understand this valuable prescription drug program. This document will provide information regarding this program to help our Agents compete effectively in the field and educate clients.

PART D – Insurance Coverage for Prescription Drugs

Medicare Part D is the government-sponsored insurance program designed to help seniors manage the high cost of prescription drugs. Medicare Part D is offered by private companies, such as ours, and administered by the Centers for Medicare and Medicaid Services (CMS) in two formats:

- Drug coverage offered in conjunction with Medicare Advantage Plans (MA-PDs); or
- Private, stand-alone Prescription Drug Plans (PDPs). First UA is the PDP for our Part D plan.

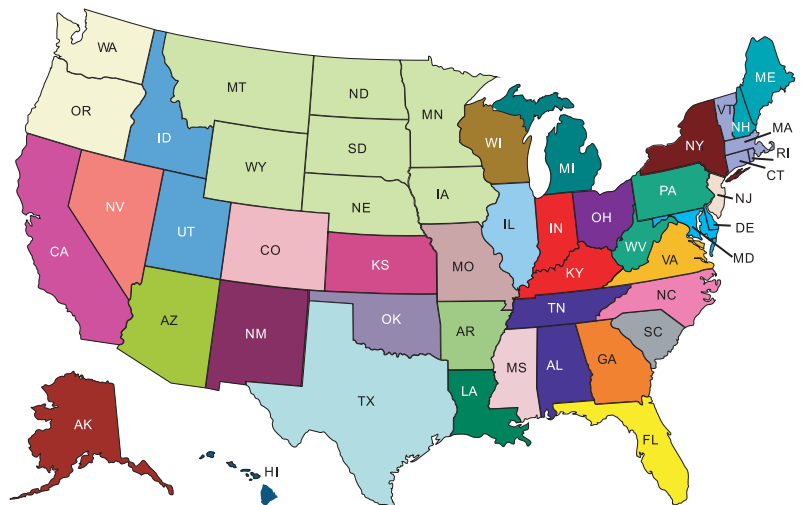
Participation in Part D is voluntary, so seniors must decide if they want coverage. Medicare beneficiaries are eligible for Part D if:

- They have Medicare Part A and/or Part B; and
- They live in a service area of a Part D plan.

Some beneficiaries may qualify for assistance with their premium, including low or no-cost plans. If a senior thinks they may qualify for assistance, they should contact the Social Security Administration office at 1-800-772-1213.

CMS has grouped the country into 34 regions. See below for the regional map for Part D plans.

CMS REGION	STATE	CMS REGION	STATE
34	AK	21	LA
12	AL, TN	13	MI
19	AR	18	MO
28	AZ	20	MS
32	CA	8	NC
27	CO	1	NH, ME
2	CT, MA, RI, VT	4	NJ
5	DE, DC, MD	26	NM
11	FL	29	NV
10	GA	3	NY
33	HI	14	OH
25	IA, MN, MT, ND, NE, SD, WY	23	OK
31	ID, UT	30	OR, WA
17	IL	6	PA, WV
15	IN, KY	9	SC
24	KS	22	TX
		7	VA
		16	WI



PART D TIMELINE

September 2006

- CMS awards PDP contracts
- Approval of required materials is received/printed

October 2006

- Annual Notice of Change (ANOC) letters are mailed to existing Part D customers notifying them of any changes to their coverage. Members will receive a new 2007 ID card.
- First UA mails a postcard to all First UA Medicare Supplement policyholders
- First UA Direct Mail marketing campaign begins

November 15, 2006

- Part D Open Enrollment begins
- Agents can begin assisting Medicare beneficiaries with enrollment in First UA's Medicare Part D plan

December 31, 2006

- Part D Open Enrollment ends

January 1, 2007

- Medicare Part D benefits for 2007 enrollees begin

Changes for 2007

CMS issues a basic design for prescription drugs, but actual plans may vary by the benefits, the price and the formulary.

2007 Medicare Prescription Drug Coverage Changes:

- Annual deductible has increased from \$250 to \$265
- Initial coverage limit has increased from \$2,250 to \$2,400
- Donut hole (coverage gap) amount increased from \$3,600 to \$3,850

In 2007, First UA's Part D Prescription Drug Coverage Plan Design Features:

- NO CHANGE IN BENEFITS OR CO-PAYS FROM 2006.

There will be one drug plan formulary covering generic, name brand and specialty preferred/non-preferred drugs with pricing that will vary by region.

- No annual deductible to meet – plan benefits begin immediately.
- Policyholder pays a fixed co-payment starting at just \$9 for generic retail drugs.
- Policyholder will pay these co-payments and the plan will pay the balance until the calendar year total of his/her co-payments and the plan payments equal \$2,400.
- Policyholder will then pay 100% of his/her drug costs until the total calendar year out-of-pocket costs (including co-payments) equal \$3,850.
- After that the policyholder pays the greater of \$2.15 for generics and \$5.35 for all other drugs or 5%.

How First UA's Medicare Part D Prescription Drug Coverage Works

	Covered Drug Costs¹	Insured Pays	First UA Part D Pays
Step 1	First \$2,400 <i>No \$265 deductible on First UA's plan</i>	Co-payments as low as \$9 for generics	100% of Balance
Step 2	Additional costs until true out-of-pocket (TrOOP) reaches \$3,850	100%	0%
Step 3	Additional costs after true out-of-pocket (TrOOP) reaches \$3,850	5% ²	95% ²

¹ Per calendar year

² After Insured reaches \$3,850 in annual out-of-pocket drug costs, insured pays the greater of \$2.15 or 5% coinsurance for generic or preferred brand drugs that are multi-source drugs; or the greater of \$5.35 or 5% coinsurance for other brand drugs. The First UA Part D plan will pay the balance.

Costs for prescription drugs that are not in the plan formulary do not qualify as out-of-pocket expenses for purpose of the above calculation.

CO-PAYMENT AMOUNT/CO-INSURANCE PERCENTAGE FOR THE FIRST \$2,400 OF DRUG COSTS IN 2007

DRUG TIER	Retail In-Network Pharmacy		Mail Order
	34-Day Supply Co-payment	90-Day Supply Co-payment	90-Day Supply Co-payment
Generics Tier 1	\$9	\$18	\$18
Preferred Brands Tier 2	\$30	\$60	\$60
Non-Preferred Brands Tier 3	\$60	\$120	\$120
Specialty Brands Tier 4	33%	33%	33%

- 2007 Premiums have increased - varies by region.

See Summary of Benefits for rates.

First UA Medicare Part D SILVER

For 2007, we have also developed First UA Medicare Part D Silver. This plan follows the standard Medicare model, which means that beneficiaries will meet the annual deductible of \$265 before benefits begin. They'll pay 25% coinsurance on all drugs until they spend \$2,400 at which time they enter the coverage gap (donut hole). After that they must pay all costs out-of-pocket until they reach \$3,850. Catastrophic coverage kicks in and they'll be responsible for paying the greater of \$2.15 for generics and \$5.35 for all other drugs or 5%. CMS has assigned dual eligibles (persons eligible for both Medicare and Medicaid) to the First UA Part D Silver plan. We will not actively market this plan.

Enrollment Periods

There are three (3) periods in which an individual may enroll in and/or disenroll from a prescription drug plan. Remember, a Part D eligible individual may not be enrolled in more than one Part D plan at the same time.

1. The Initial Enrollment Period for Medicare

Part D (IEP): This is the period in which an individual is first eligible to enroll in a Part D plan. Generally, individuals are eligible to enroll if they are entitled to Medicare Part A or enrolled in Part B, and live in the Plan's service area. There will be a late enrollment penalty for individuals who don't enroll in a Medicare drug plan when first eligible, unless they have current drug coverage through a former employer, or union, that is considered "creditable coverage" – or coverage as good as Medicare. The penalty will be a 1% increase in premium for each month the senior delays enrollment. They will pay this penalty for as long as they have the Medicare Part D coverage.

- a) Turning 65** If the senior is becoming eligible for Medicare for the first time, their initial enrollment period is the 7-month period that begins three (3) months before the month they turn 65 and ends three (3) months after the month of eligibility.

2. The Annual Coordinated Election Period (AEP):

This is the period each year that individuals enrolled in Medicare Part D will be allowed to switch plans between November 15 and December 31. Coverage becomes effective January 1 of the following year.

3. All Special Enrollment Periods (SEP): Individuals who are eligible for an SEP are allowed to disenroll from their Part D plan and enroll in another plan. Examples of SEPs include a change in residence, loss of employer/group coverage, recently approved for low income subsidy assistance, to name a few.

NEW FOR 2007: As previously communicated, Agents must submit a completed SEP Special Enrollment Form (N5572) with all Part D enrollment applications to the home office. You can download this from the Part D agent website.

In order to process an Agent-sold Part D enrollment, you must complete this form and submit it with the enrollment form. This will ensure we enroll your applicant properly, especially if your applicant is enrolling during a special enrollment period (SEP). We need you to review it with the applicant and mark the one statement which best applies. Additionally, please indicate in the space provided the coverage or SEP Effective Date, whichever applies. If we receive an Agent-sold Part D enrollment without this form, we will have to return it to you for completion. **Note:** This form is for Agent use only to assist New Business in the enrollment process. Never leave this form with a prospective Part D customer.

First UA and Medco

United American is pleased to continue our alliance with Medco, one of the country's top pharmacy benefit managers (PBM). Medco operates the nation's largest mail-order and Internet pharmacies, has a network of over 48,000 participating network retail pharmacies, and has been recognized for setting new industry benchmarks for pharmacy dispensing quality.

Marketing Plan

First UA will market Medicare Part D Prescription Drug Coverage to existing and prospective customers through a variety of methods including Agents, Internet and direct mail. We will not be doing any television or radio commercials for the 2007 annual Part D open enrollment, nor did we contract with Paul Harvey or Carol Burnett.

We believe it is essential that Agents have substantial involvement in both the education and the selling processes. The most significant Agent opportunity with Medicare Part D is the ability to establish new relationships with Medicare beneficiaries. Consumer education remains a critical aspect of the selling process. Both new and existing customers will be interested in learning more about the Medicare prescription drug benefit. They'll need a trusted advisor to help explain it, and this gives you a very good reason to begin a discussion with almost any senior.

Commissions & Contracting

Agents marketing Medicare Part D will be compensated in commissions for Part D. In order to receive compensation you must sign a Part D contract addendum and an authorization form indicating your acceptance to adhere to the marketing guidelines set forth by CMS. These forms should be forwarded to Agent Licensing.

- Any Writing Agents assigned to you must be provided the "First UA Medicare Part D Agent Guidelines" document (see enclosed).
- In addition, to ensure you receive appropriate commission credit on the enrollment, the Writing Agent must write his name and First UA Writing Agent number in the Home Office box at the bottom of page two of the Enrollment Form.

Medicare Prescription Drug Plan Use Only:			SAMPLE
Plan ID # _____	Effective Date of Coverage _____	<input type="checkbox"/> IEP <input type="checkbox"/> AEP <input type="checkbox"/> SEP (type)	
Agent Signature: <u>I. M. Agent</u>	Agent # <u>12345</u>		
Print first 5 characters of last name: <u>AGENT</u>			

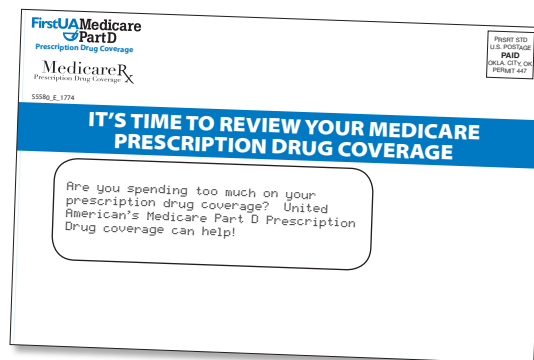
The Enrollment Form may be faxed to 469-525-4250, or mailed to the Home Office in the Business Reply envelope provided in the Agent Solicitation Packet.

Enrolling Seniors in Part D

We have designed an **Agent Solicitation Package** that will enable you to enroll seniors in the program. This Agent Solicitation Package is identical to what First UA will be mailing to all active First UA Medicare Supplement customers and other prospective seniors except for the first paragraph of the cover letter.

Included in the package will be:

- Introductory Letter
- Part D Enrollment Form
- Business Reply Envelope
- Summary of Benefits with region specific rates
- Outer Envelope



Between October 1st and November 15th, Agents may begin meeting with clients to educate them about Medicare Part D. During this time frame Agents may promote the benefits, costs and other details of First UA Medicare Part D Prescription Drug Coverage.

Please be advised that you cannot accept Part D Enrollment Forms prior to November 15, 2006, when the initial enrollment period begins.

There are two ways to enroll seniors:

Option A: Order the Agent Solicitation package from First UA Agent Supply. These packages are free.

Option B: Download the Enrollment Form, Summary of Benefits, and SEP form from the Medicare Part D Agent website (www.firstuamedicarepartd.com/agents). Fax the completed Enrollment Form and SEP form to the Home Office to 469-525-4250.

Whether you choose Option A or Option B for enrollment, you must leave a copy of the Summary of Benefits with the customer at time of enrollment.

CMS must verify all eligible individuals for Medicare Part D. **Therefore, it is critical that all Enrollment Forms be sent to the Home Office within twenty-four (24) hours of the completion of enrollment.** Agents must also submit the new SEP form (N5572) with all Part D enrollment applications to the home office. You can download this from the Part D agent website. You may fax all forms to 469-525-4250. If you are not near a fax machine, please place the completed Enrollment and SEP Forms in the Part D business reply envelope that is included in the Agent Solicitation package.

Agent Training

We have created a special Medicare Part D Agent website, www.firstuamedicarepartd.com/agents, which will serve as an informational guide to Medicare Part D. At the site you'll find frequently asked questions, useful contact information and sales/training materials for Part D. We encourage you to bookmark this site on your computer and check it frequently for changes and updates to available sales/training materials.

One of the requirements stated in your contract addendum regarding marketing Part D to seniors is your responsibility to follow CMS Marketing Guidelines outlined for this program. You can download the CMS Marketing Guidelines from the First UA Medicare Part D Agent Training website.

Customer Website

First United American policyholders and prospective customers may log on to our website at www.firstuamedicarepartd.com to gain basic information about Medicare Part D and how it works, including frequently asked questions. Upon CMS approval of our 2007 website, customers will be able to:

- Get a rate quote,
- Enroll on line,
- Find a pharmacy,
- Review how First UA's Medicare Part D plan works,
- Request more information, and much more!

Existing Prescription Drug Cards

If seniors have a drug discount insurance program that is not Medicare-approved, they must contact their drug card issuer to determine what benefits are available to them. Any amount they pay for drugs while using a discount card can count towards their out-of-pocket expenses.

Medicare Supplement or HMO?

Agents selling Medicare Supplement plans will experience increased competition with HMOs since many managed care plans also offer improved drug benefits through Part D.

Medicare Supplement plans, however continue to provide flexibility and freedom of choice in selecting physicians and hospitals that managed care plans do not. For today's active, informed seniors, our ProCare Med-Supp policies combined with a prescription drug plan, offer an excellent combination of solid coverage and personal preferences.

What Agents Can Do to Prepare

Agents are critical to the success of the Medicare Part D program. As with any insurance product, because of its intangible nature, Agents play a vital role in explaining to customers the value of prescription drug coverage. Please review the enclosed "First UA Medicare Part D Agent Guidelines" for information on marketing Part D to seniors.

- Continue to educate yourself on Medicare Part D. A few good resources would be the First UA Medicare Part D Agent website, www.firstuamedicarepartd.com/agents, or www.medicare.gov.
- Educate your customers by telling them how they can become prepared by looking over current health insurance to see if prescription drugs are covered, and by calculating current out-of-pocket drug costs.
- Seniors with few current drug costs will need to be educated to evaluate how they may need coverage as they age, and the 1% penalty they may pay if they choose not to enroll during the IEP (Initial Enrolment Period). Most importantly, PDPs (Prescription Drug Plans) will provide catastrophic drug coverage previously unavailable to Medicare beneficiaries.

DEFINITIONS:

Appeal

An appeal is a special kind of complaint you make if you disagree with a decision to deny a request for health care services or payment for services you already received. You may also make a complaint if you disagree with a decision to stop services that you are receiving.

Biologicals

Usually a drug or vaccine made from a live product and used medically to diagnose, prevent, or treat a medical condition. For example, a flu or pneumonia shot.

Centers for Medicare and Medicaid Services (CMS)

The federal agency that runs the Medicare program. In addition, CMS works with the States to run the Medicaid program. CMS works to make sure that the beneficiaries in these programs are able to get high quality health care.

Co-payment

The amount of the prescription drug cost you have to pay at time of service.

Deductible

The amount you must pay for health care before your plan begins to pay. Our Medicare Part D Plan does not have deductibles. The Silver Plan does require a deductible, see page 2.

Dual-eligibles

Persons who are entitled to Medicare (Part A and/or Part B) and who are also eligible for Medicaid.

Formulary

A list of drugs which are approved for use and/or coverage by the plan.

Generic drug

A prescription drug that has the same active-ingredient formula as a brand name drug and usually costs less than brand name drugs.

Grievance

A complaint about the way your Medicare health plan is giving care. For example, you may file a grievance if you have a problem calling the plan or if you are unhappy with the way a staff person at the plan has behaved toward you. A grievance is not the way to deal with a complaint about a treatment decision or a service that is not covered (see Appeal).

Multi-source drugs

Brand drugs for which generic drugs are also available.

True out-of-pocket (TrOOP)

The costs you pay out-of-pocket for eligible Medicare Prescription Drug Coverage expense. Premium costs and payments for Medicare excluded drugs do not count towards TrOOP.

Tier (level)

A tier is a specific list or group of drugs, such as generics, brand name, etc. Each plan may choose their own tiers, so it's important that you review which drugs are covered at each tier level.

TTY

A teletypewriter (TTY) is a communication device used by people who are deaf, hard of hearing, or have a severe-speech impairment. A TTY consists of a keyboard, display screen, and modem.

Useful Contact Information

First UA Medicare Part D Customer Service

Toll-free **1-866-524-4171**
1-866-524-4172 (TTY/TDD callers)

Website

Customers:

www.firstuamedicarepartd.com

Agents:

www.firstuamedicarepartd.com/agents

FAX Enrollment Forms

469-525-4250

First UA Agent Supply

Phone: 800-285-3676

FAX: 405-752-9341

E-mail: uaagentsupply@torchmarkcorp.com

First UA Agent Service

Agent E-mail:
uaservice@torchmarkcorp.com

Federal Government References

Administration on Aging

Features useful questions and answer section on the prescription drug benefit.

<http://www.aoa.gov/medicare>

BenefitsCheckUpRx

Helps people with Medicare and other older adults to learn about and enroll in government benefits, including the new Medicare Prescription Drug Coverage.

www.benefitscheckuprx.org

Centers for Medicare & Medicaid Services (CMS)

Comprehensive site featuring fact sheets, handouts, regional maps, projected implementation dates, etc.

<http://www.cms.hhs.gov>

House Committee on Ways & Means

Features position papers and fact sheets related to the prescription drug benefit.

<http://waysandmeans.house.gov>

Medicare

Official U.S. government site for people with Medicare. Serves as a clearinghouse for all information related to the prescription drug benefit.

<http://www.medicare.gov>

Social Security Administration (SSA)

Provides information to organizations about SSA's Medicare outreach.

<http://www.ssa.gov>

The White House

Includes top-line information about the prescription drug benefit.

<http://www.whitehouse.gov>

FirstUA Medicare
 **Part D**
Prescription Drug Coverage