



NORTHWESTERN
UNIVERSITY

**Important Notice About
Medicare and Your Prescription Drug Coverage**
NOTICE OF CREDITABLE COVERAGE – NOVEMBER 7, 2005

Benefits Division
720 University Place
Evanston Campus
847 491-8588
benefits@northwestern.edu

Please read this entire Notice carefully and keep it for future reference. This Notice has information about your current health plan coverage including hospital, physician and prescription drug coverage sponsored by Northwestern University. It also contains information about Medicare including the new prescription drug coverage available January 1, 2006 for Medicare eligible individuals. And it details where to find more information to help you make decisions about your prescription drug coverage as we believe you are receiving information from different companies directly and are hearing on the radio and television about this new drug coverage and want to know your options.

This Notice is being distributed to individuals age 65 or older including active faculty and staff, individuals receiving Long Term Disability benefits, retirees, and COBRA participants.

This Notice confirms that the University has determined that your existing prescription drug coverage is on average as good as or better than the standard Medicare prescription drug coverage (Medicare Part D). The reason this is important is that if you or a covered dependent are or become eligible for Medicare and you decide to enroll in a Medicare prescription drug plan during a subsequent annual enrollment period, you will not be subject to a late enrollment penalty as long as you had creditable coverage within 63 days of your Medicare prescription drug plan enrollment. You can keep your existing University sponsored coverage and choose not to enroll in Medicare Part D. With this Notice of Creditable Coverage, you will not pay extra if you later decide to enroll in a Medicare prescription drug plan.

University sponsored health plans. Northwestern University offers active faculty and staff the choice of one PPO and 4 HMO health plans covering hospital, physician and prescription drugs. The University offers the choice of the PPO and HMO Illinois for retirees age 65 or older. The prescription drug program for the PPO, Aetna HMO and HMO Illinois plans is administered by Walgreens Health Initiatives.

Medicare. Medicare is a health insurance program for individuals age 65 or older consisting of the following:

- **Medicare Part A** Hospital insurance covering inpatient hospital, hospice, skilled nursing home care, home health care and blood. Most individuals do not pay a premium because they or a spouse already paid for it through their payroll taxes while working.
- **Medicare Part B** Medical insurance covering physician and outpatient care including laboratory services. Most individuals pay a premium.
- **Medicare Part D** New for 2006. Insurance covering outpatient prescription drugs. Most individuals pay a premium.

Medicare Part A. Medicare Part A covers hospital services and is automatic when an individual turns age 65. An individual while working and at retirement does not need to enroll to receive Part A benefits. During the period an individual is actively working, the University's plans remain the primary payor of claims. Medicare is the secondary payor. When an individual stops working and his or her University active employee coverage ends, Medicare becomes the primary payor and the University's plan becomes the secondary payor.

Medicare Part B. Medicare Part B covers physician and outpatient services. Prior to retirement and while participating in an employer sponsored health plan, an individual does not need to enroll in Part B. At retirement, an individual does need to enroll to receive Part B benefits. Physicians and other providers who accept "assignment" from Medicare cannot collect from a patient more than the approved Medicare payment amount. Those providers who do not accept "assignment" may charge patients more than the approved Medicare payment amount.

Individuals age 65 and older while they are actively employed may therefore delay Medicare Part B enrollment. If individuals do not take Medicare Part B when they are first eligible because they were working and had group sponsored health plan coverage through an employer's plan, they must sign up for Medicare Part B during a Special Enrollment Period which is 8 months following the month the employer coverage ends.

Failure to enroll during the Special Enrollment Period will result in a premium surcharge.

Medicare Part D. Effective January 1, 2006, Medicare will offer insurance coverage for outpatient prescription drugs to Medicare eligible individuals. This new coverage is called Medicare Part D. Most retirees will be able to obtain this coverage through a Medicare prescription drug plan (also called a PDP). This new program was enacted as part of the Medicare Prescription Drug, Improvement and Modernization Act of 2003.

All Medicare prescription drug plans will provide at least a standard level of coverage set by Medicare. Some plans might also offer more coverage for a higher monthly premium. You may have heard about this new prescription drug coverage, and wondered how it would affect you.

Determination of Creditable Coverage. Northwestern University has completed the required testing to confirm if your current University sponsored PPO and HMO plan coverage is equivalent to Medicare Part D coverage. Our testing has found that the current coverage is “creditable” and will remain so during 2006. This means that the plan is expected to pay out, on average, for all plan participants, as much as, if not more than, the standard Medicare Part D plan will pay.

Your options. Because your existing coverage has been determined to be “creditable,” you can keep your University sponsored coverage and not enroll in Medicare Part D. You will not need to pay an extra premium or penalty if you later decide to enroll in a Medicare Part D plan. Our comparison of the NU plan with Medicare Part D shows that the NU plan provides superior benefits and is therefore a creditable plan. One reason is that Medicare Part D will have higher out-of-pocket expenses than the University’s plans.

Medicare Part D out-of-pocket expenses include a deductible and co-insurance whereas the University’s plans have co-payments limited to \$1,500 per individual for 2006 versus \$3,600 per individual with Medicare Part D. While we cannot tell you which plan is best for you, we believe that most retirees will receive better value and pay less in out-of-pocket costs with the University’s plan.

If you decide to enroll in Medicare Part D, you may do so from November 15, 2005 through May 15, 2006. However, because you have existing prescription drug coverage that, on average, is as good as Medicare coverage, you can choose to join a Medicare prescription drug plan later. Each year after that, you will have the opportunity to enroll in a Medicare prescription drug plan between November 15th through December 31st.

Dropping University sponsored coverage. If you do decide to enroll in a Medicare prescription drug plan, you must drop your Northwestern University Health Care Plan and Prescription Drug Program coverage. YOU CANNOT HAVE BOTH COVERAGES.

If you drop your coverage with Northwestern University and enroll in a Medicare prescription drug plan, you are not able to re-enroll in the University’s plan at a later date.

You should compare your current coverage, including which drugs are covered, with the coverage and cost of the plans offering Medicare prescription drug coverage in your area.

You should also know that if you drop or lose your coverage with Northwestern University and don’t enroll in Medicare prescription drug coverage after your current coverage ends, you may pay more to enroll in Medicare prescription drug coverage later.

If after May 15, 2006, for example, you go 63 days or longer without prescription drug coverage that’s at least as good as Medicare’s prescription drug coverage, your monthly premium will go up at least 1% per month for every month after May 15, 2006 that you did not have that coverage. For example, if you go nineteen months without coverage, your premium will always be at least 19% higher than what most other people pay. You’ll have to pay this higher premium as long as you have Medicare coverage. In addition, you may have to wait until next November to enroll.

For additional information. For more information about Medicare and this Notice or your current prescription drug coverage and your options for 2006, call Northwestern University Benefits Division at (847) 491-7513.

NOTE: You may receive this Notice at other times in the future, such as before the next period when you can enroll in Medicare prescription drug coverage, and if this coverage changes. You may also request a copy at any time.

More detailed information about Medicare and plans that offer prescription drug coverage is available in the “Medicare & You 2006” handbook sent to you directly by Medicare. The handbook details covered services, exclusions, Medicare Assignment and enrollment and is accessible online at:

<http://www.medicare.gov/publications/pubs/pdf/10050.pdf>

You can also get more information about Medicare prescription drug plans by:

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

For people with limited income and resources, extra help paying for a Medicare prescription drug plan is available. Information about this extra help may be obtained from the Social Security Administration (SSA). For more information about this extra help, visit SSA online at www.socialsecurity.gov, or call them at 1-800-772-1213 (TTY 1-800-325-0778).

Information about the University’s health plans is available online at:

<http://www.northwestern.edu/hr/benefits/plans/index.html>

<p>Remember: Keep this Notice. If you enroll in one of the new plans approved by Medicare which offer prescription drug coverage after May 15, 2006, you may need to give a copy of this Notice when you join to show that you are not required to pay a higher premium amount.</p>
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