RETIREE DRUG SUBSIDY

ACTUARIAL EQUIVALENCE TESTING

and

ACTUARIAL ATTESTATION PREPARATION

REQUIRED FOR THE
28% FEDERAL SUBSIDY

PROVIDED BY
MILLIMAN, INC.

IN COORDINATION WITH
BLUECROSS OF NORTHEASTERN PENNSYLVANIA
Seeking the 28% Federal Subsidy
For Retiree Pharmacy Plans

Though plan sponsors have several options to reduce the retiree pharmacy expenses under Part D, CMS is encouraging them to pursue the 28% subsidy option for 2006. CMS estimates that the tax free subsidy is worth an average of $668 per year for every eligible beneficiary receiving qualified retiree pharmacy benefits.

To secure the subsidy, a plan sponsor must do the following:
1. Test their retiree pharmacy plans for “actuarial equivalence”
2. Obtain an actuarial attestation of actuarial equivalence from a Member of the American Academy of Actuaries
3. Submit an application for the 2006 subsidy by September 30, 2005
4. Submit documentation of actual 2006 drug spending to CMS to obtain the subsidy

Milliman’s Services for 28% Subsidy

Milliman will perform the following services to support your 28% subsidy application:
- Test the plans for actuarial equivalence.
- Issue an actuarial attestation to be filed with CMS as part of the petition for the Subsidy. (This will be issued only if your plans meet the actuarial equivalence test.)
- If your plan fails the tests, we will suggest actions you can take to modify the plan so that it does pass the test. If you implement Milliman’s suggestions and provide documentation, we will issue the actuarial attestation as described in 3 above.
- Present our findings in a written report.

How do I get Started?

Please contact Milliman at PartDHelp@milliman.com to request a workbook or for more information. Please mention Code GA.GEN05 in your request for the workbook in order to obtain the detailed prices quoted above.

To engage Milliman to perform the services above, the plan sponsor must complete the information contained in a workbook that Milliman will provide when we receive the request for services. The workbook is easy to complete and comes with detailed instructions.

These services will be provided through Milliman’s Atlanta office.

Other Part D Services

In addition to the actuarial services necessary to attain the 28% Federal Subsidy, Milliman can assist you in the evaluation of all of the options available to plan sponsors (wrap-around plan, sponsoring a PDP plan, dropping coverage).
Milliman’s Qualifications

Milliman, Inc. (Milliman) is a firm of consultants and actuaries serving the full spectrum of business, self-insured and financial organizations. Founded in 1947, the firm has 32 offices in the United States as well as offices in Bermuda, Hong Kong, London, Madrid, México City, Milan, São Paolo, Seoul, and Tokyo. Milliman is a founding member of Milliman Global, a global organization of consulting and actuarial firms.

Milliman is owned and managed by approximately 260 Principals, who have been elected in recognition of their technical, professional and business achievements. Milliman has nearly 2,000 employees, including a consulting staff of over 850 qualified consultants and actuaries. Milliman Global has almost 3,000 employees worldwide.

Our professionals adhere to a strict code of ethics with an absolute assurance of confidentiality. We consider communication skills to be one of our greatest assets. Actuarial analyses and the concepts underlying them are very complex. We believe it is important for our clients to understand not only the results of our analyses, but also the fundamental assumptions underlying their derivation.

Milliman has been involved with Medicare Part D even before it was signed into law on December 8, 2003. Milliman’s research effort in developing an independent estimate of the likely cost of the program indicated that the cost would be well in excess of the government’s official $400 billion figure; we reported this about eight months before the higher cost became a major issue in Washington. Milliman’s research on this topic was reported on CNBC and CNN.

Since the enactment of the Medicare Modernization Act (MMA), Milliman has been working with many employers, insurers who are developing their services to employers, and vendors who are planning to become Prescription Drug Plans (PDPs) to offer drug coverage to seniors. Our consultants serve on the American Academy of Actuaries committee that has researched issues related to Part D and has provided commentary to the Centers for Medicare and Medicaid Services (CMS) on several actuarial and other issues with respect to the program and its impact on plan sponsors. We stay in regular contact with CMS by phone and email to discuss details of implementation and to clarify specifics of the program.

We have operating models and tools in place that will allow us to efficiently and accurately conduct the analyses described below.

Finally, several of our consultants are Members of the American Academy of Actuaries with the necessary education and experience to sign the actuarial attestations for the 28% subsidy as required by CMS.