“The Donut Hole”

A brief explanation about the 2010 Medicare (Part D) Prescription Drug Plan Coverage Gap
Q  What is the Coverage Gap?

A  About “the Donut Hole”

Retirees pay co-pays for their prescription drugs under Medicare Part D Prescription Drug Plans until their total drug costs reach $2,830 (in 2010).

Total drug cost is the total of the co-pays paid by the retiree, plus the amount paid by the Medicare Part D drug plan for the prescriptions.

After $2,830 in total drug costs is reached, there is a Coverage Gap, also known as “the Donut Hole.”
What happens when you are in the Opal Plan during the Coverage Gap?

If you’re in the Opal Plan:

During the coverage gap you pay 100% of your prescription drug costs until your total out-of-pocket expense reaches $4,550 (for 2010), minus the co-pays you paid before reaching the coverage gap.

See examples 1 & 2 on the following pages.
If you’re in the Emerald Plan:

During the coverage gap, prescription drugs continue to be covered up to $4,550, which includes plan payments and your co-pays before and during the coverage gap.

See examples 1 & 2 on the following pages.

- **Generic drug** co-pays at retail are the same as before the coverage gap: $15 for up to a 34 day supply, $45 for up to a 90 day supply, or $37.50 for up to a 90 day supply by mail, not to exceed the cost of the drug.

- **Preferred Brand drug** co-pays at retail are 50% co-pay with a $25 minimum for a 34 day supply, or a $75 minimum for a 90 day supply, not to exceed the cost of the drug. The minimum co-pay for a 90 day supply using mail-order is $62.50, not to exceed the cost of the drug.

- **Non-Preferred Brand drug** co-pays at retail are 50% co-pay with a $50 minimum for up to a 34 day supply, or a $150 minimum for up to a 90 day supply, not to exceed the cost of the drug. Minimum co-pay for up to a 90 day supply using mail-order is $125, not to exceed the cost of the drug.

- **Specialty drug** co-pay is 50%.
How Does Prescription Drug Coverage Work Under the Plan Before the Donut Hole Coverage Gap is Reached?

Medco Medicare Prescription Plan Benefit Example 1

The Donut Hole Coverage Gap is reached for a plan year when the co-pays you have paid, plus the amount the plan has paid, equals the limit set by Medicare each year. The Medicare limit for 2010 is $2,830.

The example below assumes you have paid $600 in co-pays and the plan has paid $2,230.

Remember:

Any combination of co-pays plus plan payments equaling $2,830 (the Medicare limit for 2010) triggers the Coverage Gap. Your monthly EOB (Explanation of Benefits) will show where you are in terms of the coverage gap.

Generics have the lowest co-pays and will cause the plan to pay more of your costs before the coverage gap.

Medco has paid $2,230 in Rx Costs + YOUR co-pays add up to $600

$2,230 + $600 = $2,830
What is my financial exposure during the Coverage Gap? (APPLIES TO OPAL PLAN ONLY)

A

Medco Medicare Prescription Plan (Opal Plan) Benefit Example 2

All prescription costs in the coverage gap are yours to pay until you have out-of-pocket costs totaling $4,550 (for 2010) less the co-pays you paid before the gap.

The example below assumes you had the same $600 co-pays before the Coverage Gap as in the prior example. It assumes you are in the Opal Plan, which provides no coverage in the Gap.

Remember:

• Your actual total co-pays when you reach the Donut Hole Coverage Gap may be more or less than the $600 illustrated.
• Different amounts of co-pays plus plan payments will occur, but the “Donut Hole” will always be reached when the total of both reaches $2,830 for 2010.

Your out-of-pocket in the Donut Hole may be less or more than the above, depending on the total co-pays paid by you before you reach the Donut Hole.

Then What Happens?
You pay the greater of:

• 5% coinsurance
• Or $2.50 (Generic), $6.30 (Brand or Specialty), per 34 day prescription.
Remember:

• Your total co-pays paid during the Initial Coverage period may be more or less than the $600 illustrated. Co-pays during the gap have not been illustrated.

• Any combination of co-pays before and during the gap, plus Emerald Plan benefits during the gap totaling $4,550 complete gap coverage stage.

• Generics have the lowest co-pays and will require less out-of-pocket during the gap.

Medco Medicare Prescription Plan (Emerald Plan) Benefit Example 3

The Emerald Plan provides coverage during the Donut Hole Coverage Gap. For instance, if you need a 34 day supply at a retail location during 2010 for:

• A Generic drug: You will pay $15.00, not to exceed the cost of the drug.

• A Preferred Brand drug: You will pay 50% of the cost of the drug with a minimum of $25.00 co-payment, not to exceed the cost of the drug.

• A Non-Preferred Brand drug: You will pay 50% with a $50.00 minimum, not to exceed the cost of the drug.

The example below assumes you had the same $600 co-pays before the Coverage Gap as in the prior example. It assumes you are in the Emerald Plan.

Then What Happens?

You pay the greater of:

• 5% coinsurance

• Or $2.50 (Generic), $6.30 (Brand or Specialty)
About Catastrophic Coverage

If your annual prescription drug expenses exceed the Coverage Gap, you reach “catastrophic coverage.”

During “catastrophic coverage, you will pay the greater of:

• 5% coinsurance

• or $2.50 (Generic), $6.34 (Brand or Specialty) for up to a 34 day prescription

Please see the previous three examples of how costs are covered by the DALRC Retiree Benefit Trust Prescription Drug Plans offered through Medco.
### DALRC Retiree Benefit Trust

**Medco Medicare Prescription Plan®**

<table>
<thead>
<tr>
<th>Stage 1: Deductible</th>
<th>Emerald</th>
<th>Opal</th>
</tr>
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<tbody>
<tr>
<td>NONE</td>
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<table>
<thead>
<tr>
<th>Stage 2: Initial Coverage</th>
<th>Retail Co-Pay</th>
<th>Mail Co-Pay</th>
<th>Retail Co-Pay</th>
<th>Mail Co-Pay</th>
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<tbody>
<tr>
<td>Amount ($2,830) paid by the Plan and your co-pays before the Gap (“Donut Hole”)</td>
<td>34 Days</td>
<td>90 Days</td>
<td>90 Days</td>
<td>34 Days</td>
</tr>
<tr>
<td>Generic</td>
<td>$15</td>
<td>$45</td>
<td>$37.50</td>
<td>$15</td>
</tr>
<tr>
<td>Preferred Brands</td>
<td>$25</td>
<td>$75</td>
<td>$62.50</td>
<td>$25</td>
</tr>
<tr>
<td>Non-Preferred Brands</td>
<td>$50</td>
<td>$150</td>
<td>$125</td>
<td>$50</td>
</tr>
<tr>
<td>Specialty</td>
<td>25% Co-pay</td>
<td>25% Co-pay</td>
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<table>
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<tr>
<th>Stage 3: Coverage Gap (“Donut Hole”)</th>
<th>Retail Co-Pay</th>
<th>Mail Co-Pay</th>
<th>Retail Co-Pay</th>
<th>Mail Co-Pay</th>
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</thead>
<tbody>
<tr>
<td>Drugs continue to be covered up to $4,550, which includes plan payments and your co-pays before and after the gap.</td>
<td>34 Days</td>
<td>90 Days</td>
<td>90 Days</td>
<td>34 Days</td>
</tr>
<tr>
<td>Generic</td>
<td>$15</td>
<td>$45</td>
<td>$37.50</td>
<td>$15</td>
</tr>
<tr>
<td>Preferred Brands</td>
<td>50% Co-pay, $25 minimum</td>
<td>50% Co-pay, $75 minimum</td>
<td>50% Co-pay, $62.50 minimum</td>
<td>Member pays 100% in the coverage gap</td>
</tr>
<tr>
<td>Non-Preferred Brands</td>
<td>50% Co-pay, $50 minimum</td>
<td>50% Co-pay, $150 minimum</td>
<td>50% Co-pay, $125 minimum</td>
<td></td>
</tr>
<tr>
<td>Specialty</td>
<td>50% co-pay</td>
<td>Member pays 100%</td>
<td></td>
<td></td>
</tr>
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<table>
<thead>
<tr>
<th>Stage 4: Catastrophic Coverage</th>
<th>Retail Co-Pay</th>
<th>Mail Co-Pay</th>
<th>Retail Co-Pay</th>
<th>Mail Co-Pay</th>
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</thead>
<tbody>
<tr>
<td>The greater of: 5% coinsurance</td>
<td>34 Days</td>
<td>90 Days</td>
<td>90 Days</td>
<td>34 Days</td>
</tr>
<tr>
<td>Or Generic</td>
<td>$2.50</td>
<td>$2.50</td>
<td>$2.50</td>
<td>$2.50</td>
</tr>
<tr>
<td>Or Brand / Specialty</td>
<td>$6.30</td>
<td>$6.30</td>
<td>$6.30</td>
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