



Dear Blue Cross Blue Shield of Georgia member,

In the coming months you will hear a lot about the new Medicare Prescription Drug coverage (Part D) that will begin January 1st, 2006. The important thing for you to know as a Blue Cross Blue Shield of Georgia member is that Blue Cross Blue Shield has filed an application with Medicare and intends to offer a number of new Medicare-approved drug coverage plan options for you to consider this fall. If Blue Cross Blue Shield of Georgia's options are approved, you will be able to get this new coverage directly from Blue Cross Blue Shield of Georgia. You don't need to do anything right now. We'll be keeping you informed throughout the coming months.

Information About the New Medicare Drug Coverage

We've enclosed some general information on the new Medicare Prescription Drug Coverage to get you started on how the program will work. If you already have a drug benefit with your current plan, you should or may be receiving more information from us on Blue Cross Blue Shield of Georgia's specific Medicare prescription drug options by this fall. Our customer service representatives, or your agent, will be here to answer any questions you may have.

Since this is the most significant change to Medicare in four decades, we know you'll probably have a number of questions on how it will affect you and the plan you already have with us. That's why we want you to know that we are here to help. In addition, Medicare will also be sending information directly to you in early fall.

How the New Medicare Prescription Drug Benefit can help you save money.

If you don't currently have a plan that provides coverage for prescription drugs, you could save several hundred to over \$1,000 a year on your drug costs. Even if you don't spend much on prescription drugs now, this new coverage can offer you the benefits you need to have in place if something should happen in the future that changes your prescription drug needs.

Who is eligible for the new Prescription Drug Benefit?

You are. Because you have Medicare Parts A and B (something you needed to have in order to have a Medicare Supplement plan with us), you are eligible to enroll in the new drug plan. People with limited income and resources will be able to receive financial assistance in paying for the plan. Most people with Medicare will not receive this new prescription drug benefit automatically as it is a voluntary program. In other words, you must choose to join a Medicare Prescription drug plan...or you can choose to stay on your current plan.



What Is Medicare Prescription Drug Coverage?

Find out the facts about this new prescription drug benefit.

Beginning Jan. 1, 2006, anyone who is entitled to Medicare Part A or enrolled in Part B will also be able to enroll in the new Medicare Prescription Drug Coverage. It is important to know that, in most cases, you will not receive this new benefit automatically with Medicare. You can choose to join this program. Here's how:

Medicare will contract with private companies to offer the Medicare Prescription Drug Coverage. These benefit plans will be referred to as PDP's, short for prescription drug plans. Most people will have an opportunity to purchase Medicare Prescription Drug Coverage through one of these plans offered in their area.

At Blue Cross Blue Shield of Georgia, we're excited about the opportunity to apply to be a Medicare Prescription Drug Plan. Around September of this year, the Centers for Medicare and Medicaid Services (CMS) will announce which companies have been chosen as Medicare Prescription Drug Plans.

You may also get the program through a Medicare Health Plan (Medicare Advantage and Medicare Cost Plans), if one is offered in your area. Health care companies who offer a Medicare Health Plan do so under a contract with Medicare to administer your Medicare benefits.

If you're eligible for or enrolled in Medicare, you will receive information in the fall of 2005 about PDP's and similar plan options available in your area.

How Much Will the Program Cost?

Premiums and benefits for the Medicare Prescription Drug Coverage can vary, based on your geographic region and on the PDP that you choose. Initial premiums are expected to be about \$35 per month, but could range up to about \$50. The premium is lower for those with limited income and resources. Please see "Benefit for Those With Limited Income and Resources" for details.

How Do I Enroll?

You will be required to fill out an application for the Medicare Prescription Drug Coverage with the PDP that you select. The PDP will enroll you in the program and inform Medicare that you have joined.

Also, the Medicare Prescription Drug Coverage will have an introductory six-month enrollment period for people with Medicare from Nov. 15, 2005, through May 15, 2006. After that, an enrollment opportunity will be offered each year from Nov. 15 through Dec. 31, with coverage effective on Jan. 1. During this time, people with Medicare can enroll in the Medicare Prescription Drug Coverage if they previously chose to delay enrollment, or they can switch PDP's, if desired.

Starting in 2006, the people with Medicare can join the program at the same time they can enroll in Part B.

Late Enrollment Penalty

When the new Medicare Prescription Drug Coverage takes effect, there will be a penalty for those who wait

to enroll after the initial enrollment period. This penalty will not apply to people who have, on average, coverage at least as good as the Medicare Prescription Drug Coverage through their employer or another plan.

Designed to encourage people with Medicare to sign up at the youngest possible age, the penalty helps hold down the overall costs of the drug program. It is similar to the penalty imposed for late enrollment in Medicare Part B.

Benefit for Those With Limited Income And Resources

Various benefits for those with limited income and resources will be available for people with Medicare whose savings and income fall below a certain level.

You may get an application in the mail from SSA for extra help paying for a Medicare prescription drug plan. It is very important that you fill out this application and return it to SSA. If you don't get an application in the mail and think you may qualify for this help, call SSA at (800) 772-1213. TTY users should call (800) 325-0778. You can also visit www.socialsecurity.gov on the web. SSA's application process provides you with the quickest decision. You can also go to a local Medicaid office and apply.

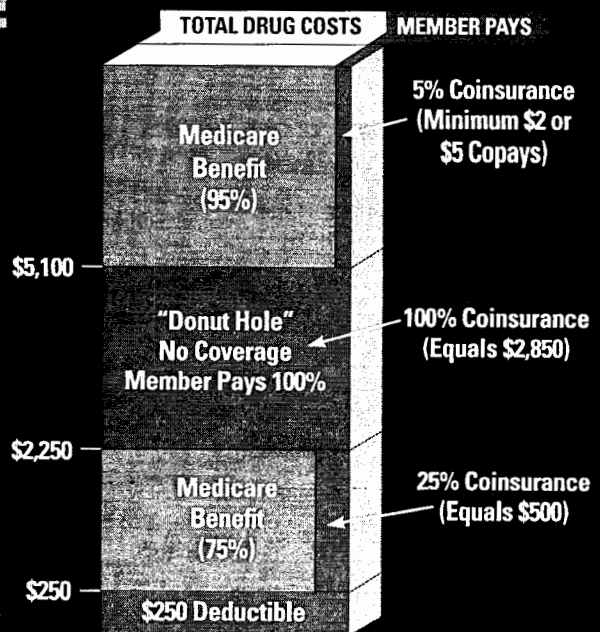
What Are the Benefits?

Plans offering Medicare Prescription Drug Coverage must provide the government's standard prescription drug coverage or its equivalent. They are also able to offer more comprehensive or "enhanced" coverage as a second plan offering.

The Standard Benefit

In 2006, people with Medicare will have access to the standard drug benefit designed by the federal government. Although PDP's may modify this design, the benefit package they offer must at least be equal in value to the standard benefit, as follows:

- A monthly premium of approximately \$35.
- Annual deductible of \$250.
- Coinsurance of 25 percent up to an initial coverage limit of \$2,250.
- The member is responsible for all costs between \$2,250 and \$5,100 (this gap in coverage is often referred to as the "donut hole" or "gap").
- The enrollee pays 5 percent or \$2 for generics or \$5 for brand, whichever is greater, for all prescription drug costs greater than \$5,100, which equates to \$3,600 in the member's out-of-pocket costs.



Blue area indicates what member pays.

Important Dates Related to Your Medicare Prescription Drug Coverage

October 2005: You will be receiving specific plan information and rates. Please note: This information will not be available prior to Sept. 15, 2005.

Nov. 15, 2005: The first enrollment period for the Medicare Prescription Drug Coverage begins.

Jan. 1, 2006: The Medicare Prescription Drug Coverage takes effect.

May 15, 2006: The first enrollment period ends for the Medicare Prescription Drug Coverage.

Choose Your Medicines

What Drugs Are Covered Under The Medicare Prescription Drug Coverage?

Individual plans can establish their own list of drugs the plan covers. Although this list must meet certain requirements set forth by the Centers for Medicare and Medicaid Services, they will still differ from company to company. Therefore, you'll need to review the list of drugs and choose carefully, according to your needs.

Generally speaking, the program covers drugs available only by prescription, approved by the Food and Drug Administration, used and sold in the United States, and used for a medically accepted indication. The Medicare Prescription Drug Coverage

drugs will include prescription drugs, biological products, insulin, vaccines, and certain medical supplies associated with the injection of insulin (syringes, needles, alcohol swabs, and gauze). Certain drugs, or classes of drugs, cannot be part of the program, because they are excluded by law. In addition, a drug cannot be covered under the program if it is already covered under Medicare Part A or Part B.

If You Have Questions

For more information about the Medicare Prescription Drug Coverage, call (800) MEDICARE (1-800-633-4227). TTY users should call (877) 486-2048.

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