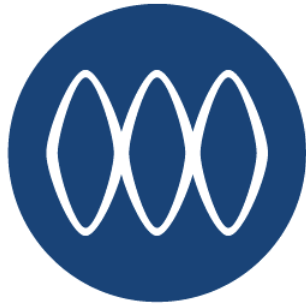


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Milliman

Consultants and Actuaries

**The Medicare Prescription Drug,
Improvement, and Modernization Act of 2003**

--

Overview of the MMA Impact to Employers

**Actuaries Club of the Southwest
June 18, 2004**

Esther Blount, FSA, MAAA



Overview

- Termed “MMA”
- Most significant changes to Medicare program since inception in 1965
- Influence of MMA on health care’s future may go well beyond Medicare program



Overview

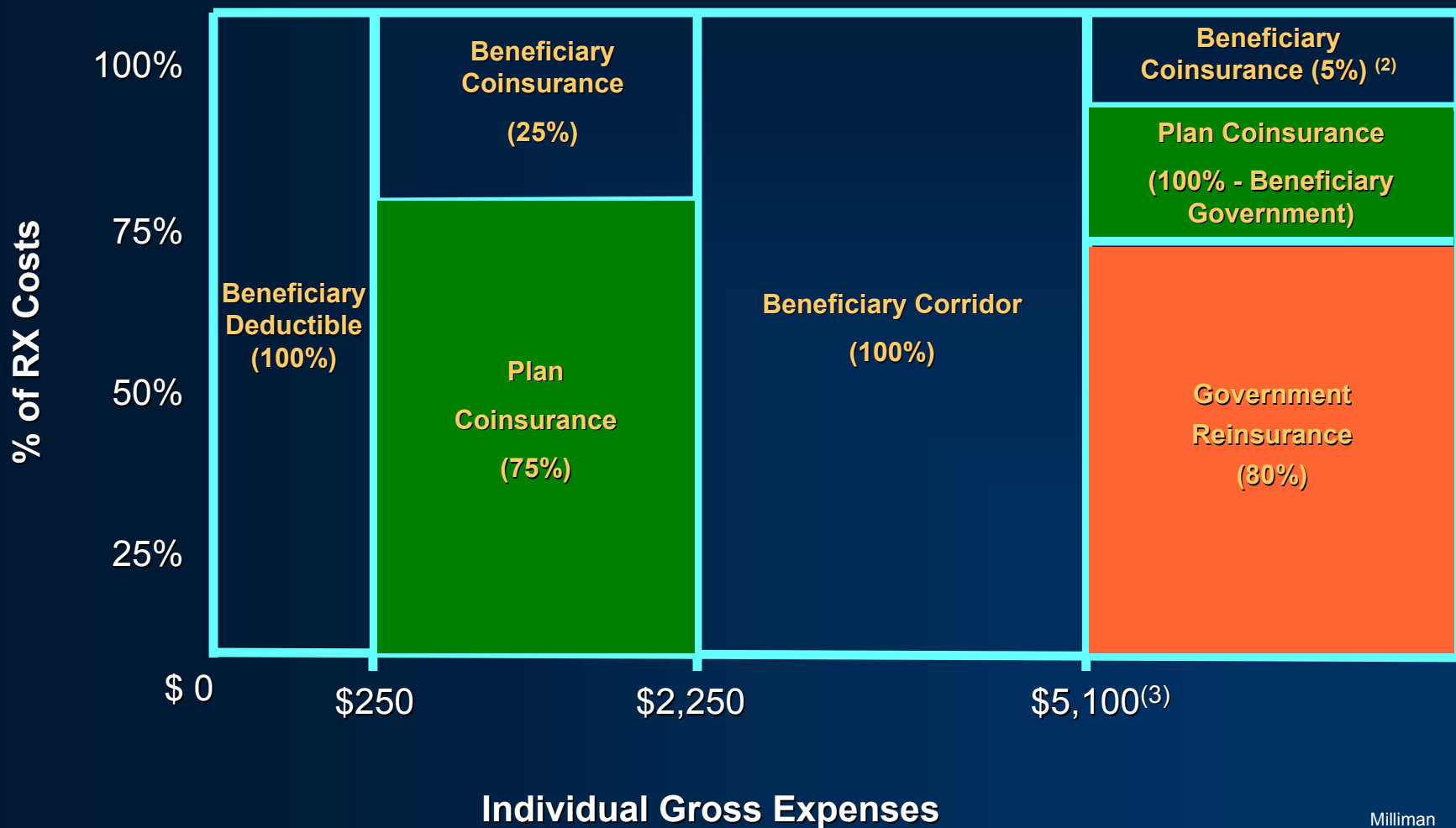
- Prescription Drug Coverage for Beneficiaries
- Retiree Medical Plans
- Health Savings Accounts (11:10 a.m.)
- Medicare Health Plan Changes
- Medicare Advantage
- Regional PPO plans
- Prescription Drug Discount Cards
- Prescription Drug Plans
- Medicare Supplement Issues



Prescription Drug Coverage for Beneficiaries



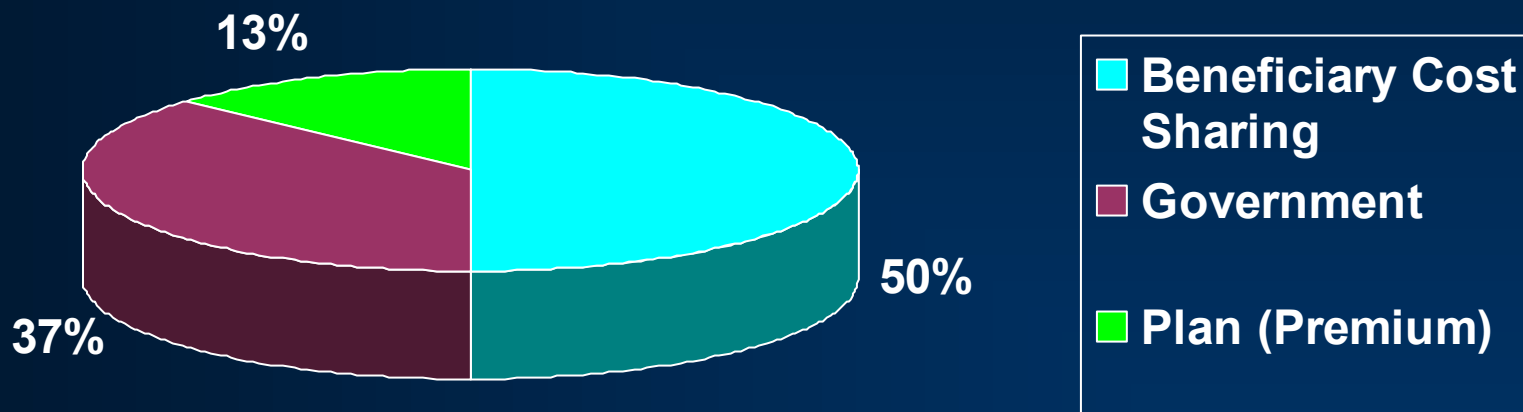
Medicare RX (Part D) 2006 Standard Plan Benefit Design (1)





Medicare RX

2006 Standard Plan – Estimated Funding





Medicare Rx Market Opportunity

***“Making an
uninsurable benefit
insurable.”***



Medicare RX Offerings

- Beneficiaries
 - Choice of at least two standard plans
- Insurers
 - Must offer standard plan
 - May offer plan equivalent to standard
 - May offer richer plan(s)
- Employers Providing Retiree Medical
 - Maintain current coverage levels as a Primary Sponsor
 - Become a Secondary Sponsor to a PD or MA-PD plan
 - Drop prescription drug coverage altogether



Medicare RX

Actuarial Equivalence for Medicare Advantage

- The benefit level is at least equivalent to the Standard Medicare benefit
 - 1) In total
 - 2) \leq \$250 deductible
 - 3) In the \$250 - \$2,250 corridor
 - 4) **In the \$5,100 + corridor**
 - 5) For the unsubsidized portion of coverage
- Actuarial Equivalence has not been defined for Employer Plan



Medicare Rx Regulations Pending

- Actuarial Equivalence
- Reporting
- Bid process
- Establishing premium levels
- Fund flows
- . . .



Retiree Medical Issues

Joel Wehner, FSA, EA, MAAA

Consulting Actuary of Milliman

FAS 106 Actuarial Valuation Issues

John Currie, CLU, CEBS

Principal and VP of Employee Benefit Solutions

Employer Plan Considerations