EGWP Medicare Part D and Other Emerging Retiree Solutions

September 28, 2011
Today’s Agenda

• Impact of PPACA on your clients/prospects and introduction of new options for employer groups

• Trigger event for Part D and Rx programs: Employer Group Waiver Plan (EGWP) Medicare Advantage or Medicare Part D plan for employer group retirees

• Retiree choice-based programs: UnitedHealthcare Connector Model and Group Portfolio Model
The Rules Have Changed: RDS Down, Part D Up

<table>
<thead>
<tr>
<th>Retiree Drug Subsidy (RDS)</th>
<th>PDP (&amp; MAPD)</th>
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<tbody>
<tr>
<td>• Payments are taxable income beginning in 2013</td>
<td>• 50% brand-name coverage gap discount program (2011)*</td>
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<tr>
<td>• Future expected payments have never been allowable as an offset to GASB 45 liabilities</td>
<td>• Closing of the coverage gap for generics and brand-name drugs (2011-2020)</td>
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Compared with Typical RDS-Eligible Plans:

• Group Part D (EGWP) = same level of benefits at a lower net cost

• Individual Part D = slightly less rich benefits at a much lower cost

A survey by a leading industry consulting firm predicts that 75% of large employers will move to Part D by 2013. Which solution is best for your clients / prospects and their retirees?

* Discount dollars are applied toward True-Out-of-Pocket annual limit, further reducing retiree’s costs
Individual and group Part D plans deserve consideration by employers

Note 1: RDS tax exclusion eliminated (2013)

Note 2: 50% brand name coverage gap discount program (2011).

Note 3: Phased elimination of Part D coverage gap (full 2020 impact shown. Initial impact will be minimal)

UHC consultant survey:
What percentage of RDS employers will drop RDS plans within two years?
• 70% expect >50%
• 35% expect >75%

Third party $PMPY

Retiree Drug Subsidy
Or EGWP + wrap

Individual PDP

$1,200 $1,100 $1,000 $900 $800 $700 $600 $500 $400 $300 $200 $100 $0
Key Takeaways: 2012 is a Big Year for Medicare Part D Plans

- Medicare Part D plans will be seeing growth in 2012 and beyond as groups move away from the retiree drug subsidy strategy (RDS)
- UnitedHealthcare offers products that are well-positioned to:
  - Help employers and unions offer quality, affordable prescription drug coverage to Medicare-eligible retirees and dependents
  - Drive / maintain our market-leading position
- These products can lower an employer’s Medicare prescription drug spend by up to 25% or more – without shifting costs to retirees

17 new wrap plans sold for 1/1/2012
This represents nearly 200,000 additional members in EGWP + Wrap plans
New Rules, New Opportunities, New Products

- **Doubled Member Cost-Sharing in the Gap**

- **Self-Funded Wrap Plan**
  - Alongside UnitedHealthcare group MA-PD or PDP

- **Fully-Insured Wrap Plan**
  - Alongside UnitedHealthcare group MA-PD or fully-insured PDP
  - Available for sale to groups in approved (36) situs states

*These are UnitedHealthcare products with PBM support by Prescription Solutions by OptumRx*
What “Wrap” Plans Are and How They Work

UnitedHealthcare drug “Wrap” plans are an option for groups that want to maximize the cost savings resulting from the 50% coverage gap discount program and maintain full coverage in the coverage gap.

- Primary coverage is offered through a UnitedHealthcare group MA-PD or PDP.
- The Wrap is secondary commercial coverage that is wrapped around the Part D plan’s benefits to create a customizable benefit design of the employer’s choice.
- Both plans’ payments are integrated into a single member transaction.
- The 50% coverage gap discount applies before the plans make payments.
- Member cost sharing amounts and coverage gap discounts apply toward the TrOOP, enabling more members to reach the catastrophic benefit phase – further lowering plan costs.
Highlight on the Changes to Medicare Part D

### Employer RDS Plan Breakdown

<table>
<thead>
<tr>
<th>Member pays $5/$20/$40 Copay</th>
<th>Plan Pays Remainder</th>
<th>Catastrophic Coverage</th>
<th>Plan Pays Remainder</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member pays $5/$20/$40 Copay</td>
<td>Plan Pays Remainder</td>
<td>Coverage Gap</td>
<td>Plan Pays Remainder</td>
</tr>
<tr>
<td>Member pays $5/$20/$40 Copay</td>
<td>Plan Pays Remainder</td>
<td>Initial Coverage Period</td>
<td>Plan Pays Remainder</td>
</tr>
</tbody>
</table>

Assume RDS Plan has $5 / $20 / $40 Copay Plan Design

### Group PDP/MAPD + Wrap

<table>
<thead>
<tr>
<th>Mbr pays max 5% coins</th>
<th>Government pays 80%</th>
<th>Plan Pays Rest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member pays $5/$20/$40 Copay</td>
<td>Plan pays rest of GENERICS</td>
<td>Plan Pays Rest</td>
</tr>
<tr>
<td>Pharma discounts brand Rx @ 50%</td>
<td>Plan Pays Rest</td>
<td></td>
</tr>
<tr>
<td>Member pays $5/$20/$40 Copay</td>
<td>Plan Pays Remainder</td>
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EGWP PDP plus Wrap has same $5 / $20 / $40 Copay Plan Design for Retiree

**Outcome:** Member cost sharing stays same or better; plan and employer maximize savings.
How do these designs save money?

**Assumption:**

- Brand drug cost = $100
- Brand drug copay = $20

1. **Full Gap Coverage**
   - Member pays $10
   - Pharma pays $10
   - Plan Pays $80

2. **2x Copays in the Coverage Gap (Plan copay doubled to $40)**
   - Member pays $20
   - Pharma pays $20
   - Plan Pays $60

3. **No (CMS Minimum) Gap Coverage**
   - Member pays $50
   - Pharma pays $50
   - Plan Pays $0

4. **EGWP PDP + Wrap Plan w/Copay = $20**
   - Member pays $20
   - (Wrap) Plan Pays $30
   - Pharma pays $50

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Which product is best for my client/prospect?

Employer Group Waiver Plans (EGWP)

<table>
<thead>
<tr>
<th></th>
<th>Full Gap Coverage</th>
<th>Double Cost Share in Gap</th>
<th>Part D Plus Wrap Plan</th>
<th>No Gap Coverage*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td>Status Quo</td>
<td>~ 4-6% lower</td>
<td>Up to 25%+ lower</td>
<td>Lowest</td>
</tr>
<tr>
<td><strong>Benefit Richness</strong></td>
<td>Very High</td>
<td>High</td>
<td>High</td>
<td>Medium</td>
</tr>
<tr>
<td><strong>Retiree Out-of-Pocket Cost (brand-name)</strong></td>
<td>Halved in coverage gap</td>
<td>Consistent with RDS plan</td>
<td>Consistent with RDS plan</td>
<td>In gap, 50% of drug cost up to TrOOP</td>
</tr>
<tr>
<td><strong>Program Complexity</strong></td>
<td>Low</td>
<td>Low</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td><strong>Impact of 50% Discount</strong></td>
<td>Reduces retiree cost share by 50%</td>
<td>Reduces plan cost by cost share amount</td>
<td>Reduces plan cost by 50% of negotiated drug price</td>
<td>Reduces plan cost by 50% of negotiated drug price</td>
</tr>
</tbody>
</table>

* Also available through individual MA-PDs and PDPs
Why UnitedHealthcare EGWP Part D + Wrap?

Retiree Experience at the Pharmacy

• Retirees will have a single pharmacy ID card
  ➢ ID card will include website address and toll-free number
• Claims are processed in real time, with one submission by the pharmacy (“single swipe”)
• Retirees do not need to submit any paperwork when using a network pharmacy
• Interaction between the Part D plan and Wrap plan will be invisible to the member at the point of sale
• Monthly Explanation of Benefits sent to members each month they incur drug claims
Why UnitedHealthcare EGWP Part D + Wrap?

Experience in Real-Time Rx Processing

Retiree presents at Pharmacy with single ID card

Pharmacist enters Rx information into online system

Pharmacy dispenses prescription and collects member cost share

Our wholly-owned claim system adjudicates Part D and Wrap Benefits in a single claim transaction (< 3 seconds)

Proven experience in administering Wrap benefits

UnitedHealthcare has administered Part D wrap benefits since 2006. We currently have 140,000 Wrap members and have added an additional 200,000 Wrap members for 2012.
Why UnitedHealthcare EGWP Part D + Wrap?

Our Pharmacy Saver Program

• The Pharmacy Saver program reduces cost for retirees and employers at over 6,000 of America’s most popular pharmacy locations nationwide

• Members pay a small copayment ($2 - $4). No other payment from retiree or the Part D plan is due on these drugs. The lesser of the plan copayment and the Pharmacy Saver copayment will apply

• Negotiated discounts on many popular generic prescription drugs (drugs and actual copayments vary by pharmacy)

• Members are automatically enrolled, no other paperwork required

• 8 of the top 10 most utilized generics are included in the program*

• Part D plan can still track member utilization within the program

• www.unitedpharmacysaver.com

UnitedHealthcare’s Member Savings Promise

UnitedHealthcare is committed to providing you affordable prescription drugs. As a member of our Medicare prescription drug plans, you have our Savings Promise that you will get the lowest price available. That low price may be your plan copay, the pharmacy’s retail price or our contracted price with the pharmacy

* Source: IMS Health, National Prescription Audit, December 2010; updated April, 2011. Numbers do not include controlled medications
Why UnitedHealthcare EGWP Part D + Wrap?
Flexible Funding and Design Options

We offer “one-stop shopping” for your retiree health care benefit needs!

- Significant plan design flexibility (member cost sharing, drug lists, etc.)
- Wraps available for group MA-PD plans and stand-alone PDPs
- Self-funded and fully insured Part D plans available
- Self-funded and fully insured Wrap plans available
- Medicare Supplement, reimbursement account, and other product lines

*Part D and/or Wrap plans may be offered as part of UnitedHealthcare’s multi-product, choice-based solutions for employers seeking to reduce their plan sponsorship role*
UnitedHealthcare: The Right Fit for Employers and Their Retirees

Group Retiree Business Highlights

• 25 years of experience working with employers and CMS to build customized retiree programs

• Over 6 million Medicare Part D members; 3,000 employer and union groups utilizing our retiree products and services

• Recognized for service and quality excellence: J.D. Power & Associates, URAC, Wilson Rx, HR Policy Association, National Association of Boards of Pharmacy

• Over 65,000 participating pharmacies

• Formularies that cover 100% of Part-D eligible drugs – bonus lists available for enhanced coverage
## Variations in commitments lead to variations in approaches

**Employer decides desired level of involvement and financial support**

<table>
<thead>
<tr>
<th><strong>Most Common Employer Strategies</strong></th>
<th><strong>Traditional Sponsor</strong></th>
<th><strong>Arm’s Length</strong></th>
<th><strong>Full Exit</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Continue using group plans</td>
<td>Replace traditional group plans with emerging retiree group or individual Medicare health plans</td>
<td>Terminate traditional group plans and subsidized/endorse individual Medicare health plans</td>
<td></td>
</tr>
<tr>
<td>Transition drug coverage to Medicare Part D Rx plans to:</td>
<td>Shift financial decision making to retirees – (consider Retiree Reimbursement Account for defined contribution subsidy)</td>
<td>Shift financial responsibility to retirees; reduce or eliminate subsidy for retiree health care</td>
<td></td>
</tr>
<tr>
<td>• Save significant money by leveraging federal financial support</td>
<td>Introduce multi-choice program including lower-cost plans where retirees choose coverage level</td>
<td>Advisory services to assist retirees with needs assessment and selection of coverage</td>
<td></td>
</tr>
<tr>
<td>• Reduce administrative work</td>
<td>Transfer administration to UnitedHealthcare</td>
<td>Optional company buyout of union retiree health care obligation using VEBA (e.g., UAW, Goodyear)</td>
<td></td>
</tr>
<tr>
<td>• Evaluate potential financial savings of national Medicare Advantage solution</td>
<td></td>
<td>• Transfer administration to UnitedHealthcare</td>
<td></td>
</tr>
<tr>
<td>• Consider defined contribution approach to employer subsidy</td>
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<tr>
<th><strong>Products</strong></th>
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<th><strong>Arm’s Length</strong></th>
<th><strong>Full Exit</strong></th>
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<tr>
<td>MA NPPO / MA-PD NPPO + wrap</td>
<td>Group Portfolio</td>
<td>Connector Model</td>
<td></td>
</tr>
<tr>
<td>EGWP PDP + wrap</td>
<td>EGWP PDP + wrap or AARP Part D</td>
<td>AARP Medicare Supplement</td>
<td></td>
</tr>
<tr>
<td>Senior Supplement or maintain Medicare carve-out plan</td>
<td>AARP Medicare Supplement or Senior Supplement</td>
<td>AARP Part D</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Local MA / MA-PD</td>
<td>Local MA / MA-PD</td>
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UnitedHealthcare’s Group Retiree Portfolio Model

Our Group Retiree Portfolio Model helps retirees choose the coverage that’s right for them

- Choose between Group MA-PD (+ wrap), Group PDP (+ wrap), and Medicare Supplement plans
- Call center and communications support helps retirees make the right plan choices
The UnitedHealthcare Connector Model

The Connector Model enables employers to reduce their retiree medical administration involvement while shifting responsibility for the coverage decision from the employer to the retiree with expert support from UnitedHealthcare.

The UnitedHealthcare Connector Model comprises four key elements:

1. **A superior retiree experience** including educational materials, decision support services, informational retiree meetings, in-home visits and senior call centers.
2. **Portfolio of individual Medicare products** which offers retirees meaningful choice among the family of UnitedHealthcare’s Medicare products.
3. **Step-by-step assistance** with the application and enrollment process through outstanding customer service – pre- and post-enrollment.
4. **In-house banking and recordkeeping services** to administer employer defined subsidies through optional Retiree Reimbursement Accounts (RRA).
Why UnitedHealthcare Connector Model?

Experience

- 2,700 employers transitioned from group to individual offerings
- 35,000 retirees in last 12 months
- More than 80,000+ Retiree Reimbursement Accounts

Some recent Connector Model Transitions

- Unilever
- American Airlines
- Quad Graphics
- Federal Mogul
- Comcast
- BorgWarner
- Dr Pepper Snapple Group
- Farmers Insurance Group
- Farmers

Other Employer Group Transitions

- Ohio Police Fire
- Alcatel-Lucent
- Georgia Department of Community Health
- Chevron
- Anheuser-Busch
- Bridgestone
- Boeing
- CNH
Why UnitedHealthcare Connector Model?

Results

Reduced Cost

- For a typical employer with 1,000 covered retirees our Connector program products can reduce internal costs by $600,000 to $1,200,000 per year

Sustainable Benefits

- Retirees can choose from several plan options that fit their needs and income level

Satisfied Retirees

- “They are AARP affiliated, so they are going to have a large senior and retired person advocacy group watching them. I know they will do…everything to make sure the AARP members have their medical services covered.” – Member Survey Respondent
Thank you!

Contacts:

• Jane Lutz: jane.lutz@optum.com, 952/917-7791
• Joe Altman: joe_altman@uhc.com, 203/894-1818
• Jane Funk: jane_s_funk@uhc.com, 630/871-2693
• Josh Habib: joshua_habib@uhc.com, 631/348-5919

Open Forum:

• What have you seen and heard in the market?
• Reactions to today’s materials
• Questions?