

Important Notice from BAC International Health Fund (IHF) About Your Prescription Drug Coverage and Medicare

Please read this notice carefully and keep it where you can find it. This notice has information about your current prescription drug coverage with IHF and prescription drug coverage available for people with Medicare. It also explains the options you have under Medicare prescription drug coverage and can help you decide whether or not you want to enroll. At the end of this notice is information about where you can get help to make decisions about your prescription drug coverage.

1. Medicare prescription drug coverage became available in 2006 to everyone with Medicare through Medicare prescription drug plans and Medicare Advantage Plans that offer prescription drug coverage. All Medicare prescription drug plans provide at least a standard level of coverage set by Medicare. Some plans may also offer more coverage for a higher monthly premium.
2. IHF has determined that the prescription drug coverage offered by IHF is, on average for all plan participants, expected to pay out as much as the standard Medicare prescription drug coverage will pay and is considered Credible Coverage.
3. Read this notice carefully – it explains the options you have under Medicare prescription drug coverage, and can help you decide whether or not you want to enroll.

Because your existing coverage is on average at least as good as standard Medicare prescription drug coverage, you can keep this coverage and not pay extra if you later decide to enroll in Medicare prescription drug coverage.

Individuals can enroll in a Medicare prescription drug plan when they first become eligible for Medicare and each year from November 15th through December 31st. Beneficiaries leaving IHF coverage may also be eligible for a Special Enrollment Period, which may allow enrollment in a Medicare prescription drug plan outside the regular annual enrollment period.

You should compare your current coverage, including which drugs are covered, with the coverage and cost of the plans offering Medicare prescription drug coverage in your area.

For comparison purposes, see the attached schedule of your current benefits.

The effect of Medicare enrollment on your current IHF coverage is different if you are an Active Participant or a Retiree, as described below.

Effect of Enrollment in a Medicare Prescription Drug Plan on Your Current IHF Prescription Drug Coverage if you are a Medicare-Eligible Retired Member or the Medicare-Eligible Spouse of a Retired Member

If you do not enroll in a Medicare prescription drug plan, your current prescription drug coverage (as well as your medical coverage with the IHF) will continue as long as you continue to meet the eligibility requirements (including payment of premiums).

If you enroll in a Medicare prescription drug plan and are a Medicare-Eligible Retired Member or the Medicare-Eligible Spouse of a Retired Member, you cannot keep your current prescription drug coverage or your medical coverage with the IHF. Your current coverage pays for other health expenses in addition to prescription drugs. If you choose to enroll in a Medicare prescription drug plan, you will lose both types of coverage. Your dependents will lose their medical coverage and prescription drug coverage, too. Once your coverage ends, you will not be entitled to further self-pay coverage under the IHF unless you reestablish eligibility as an active employee and subsequently retire.

Effect of Enrollment in a Medicare Prescription Drug Plan on Your Current IHF Prescription Drug Coverage if you are a Medicare-Eligible Active Participant or the Medicare-Eligible Spouse of an Active Participant

If you do not enroll in a Medicare prescription drug plan, your current prescription drug coverage (as well as your medical coverage with IHF) will continue as long as you continue to meet the eligibility requirements of the IHF.

Even if you do decide to enroll in a Medicare prescription drug plan, your current prescription drug coverage will continue as long as you continue to meet the Fund's eligibility requirements. In addition, your current coverage pays for other health expenses in addition to prescription drugs, and, provided you continue to meet the Fund's eligibility rules, you will still be eligible to receive all of your health benefits regardless of whether or not you enroll in a Medicare prescription drug plan.

If you are an Eligible Member under this Plan and become covered by Medicare, Part A B or D, while actively working whether because of end-stage renal disease (ESRD), disability or age, you may either retain or drop all coverage under this Plan. Please contact the Fund Office for information on dropping your IHF coverage. If you are covered under this Plan and by Medicare, as long as you remain actively employed, your medical and

prescription drug coverage will continue and the BAC International Health Fund pays first. After you receive benefits from the Plan, you can submit your claims to Medicare for additional benefits.

What happens if you lose or drop your IHF prescription drug coverage?

You should also know that if you drop or lose your coverage with IHF and do not enroll in a Medicare prescription drug plan after your current coverage ends, you may pay more (a penalty), to enroll in Medicare prescription coverage later.

If you go 63 days or longer without prescription drug coverage that is at least as good as Medicare's prescription drug coverage, your monthly premium will go up at least 1% per month for every month that you did not have that coverage. For example, if you go nineteen months without coverage, your premium will always be at least 19% higher than what many other people pay. You will have to pay this higher premium as long as you have Medicare prescription drug coverage. In addition, you may have to wait until the following November to enroll.

For more information about this notice or your current prescription drug coverage...

Contact our office for further information at 1-888-880-8222 and ask to speak with Anne Codd.

NOTE: You may receive this notice at other times in the future (such as before the next Medicare annual enrollment period, and if this coverage through the IHF changes). You also may request a copy.

For more information about your options under Medicare prescription drug coverage...

Detailed information about Medicare plans that offer prescription drug coverage is in the "Medicare & You" handbook that Medicare publishes each fall and sends to Medicare beneficiaries. You may also be contacted directly by Medicare prescription drug plans. For more information about Medicare prescription drug plans:

- Visit www.medicare.gov
- Call your State Health Insurance Assistance Program (see your copy of the Medicare & You handbook for their telephone number) for personalized help,
- Call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048).

For people with limited income and resources, extra help paying for a Medicare prescription drug coverage is available. Information about this extra help is

available from the Social Security Administration (SSA) online at www.socialsecurity.gov, or you can call them at 1-800-772-1213 (TTY 1-800-325-0778).

Remember: Keep this notice. If you enroll in a Medicare prescription drug plan, you may be required to provide a copy of this notice when you join to show that you are not required to pay a higher premium amount.

Date: November 1, 2006
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