3. Prescription Drug Plan Options

Overview

Electric Boat retirees and spouses have two plan levels for their prescription drug needs in 2018 that can be combined with any of the medical plan alternatives. Both plans are administered by Express Scripts and Express Scripts refers to these plans as the Express Scripts Medicare (PDP) prescription drug plans. You will not be able to enroll in the Electric Boat Retiree Prescription Drug Plan alone. It must be chosen in conjunction with any of the 2018 Electric Boat Retiree Medical Plan Options offered through The Hartford.

The two prescription drug plan options are referred to as the **"Unlimited"** or Enhanced Medicare Part D program or the **"Limited"** Medicare Part D program. Generally speaking, the key difference in the two plan options is the difference in member cost exposure in the "**coverage gap**", or for some, what is known as the "**donut hole.**"

The Electric Boat **Limited** Prescription Drug Plan members have more financial exposure in the Coverage Gap. The Electric Boat **Unlimited** Prescription Drug Plan members continue to pay the same maximum copays while in the Coverage Gap for their Tier 1 generic drugs as well as their Tier 2 and Tier 3 brand name drugs. Members of the **Unlimited** Prescription Drug Plan pay a higher cost share for Tier 4 specialty drugs while in the Coverage Gap.

Eligibility

As previously described, retirees and spouses eligible and enrolled in any of the three Electric Boat Retiree Medical Plan Options are eligible for the Electric Boat Retiree Prescription Drug Plans. These plans are available regardless of where you live in the United States.

The Electric Boat Unlimited Prescription Drug Plan, however, is only available upon you or your spouse's initial eligibility and retirees and/or spouses waiving enrollment into that program when first eligible cannot enroll later unless they meet certain criteria.

Initial eligibility can be defined as your Medicare effective date, the day after which you lose pre-65 retiree benefit coverage through Electric Boat. Your Medicare coverage generally begins the 1st of the month of your 65th birthday. If you were born on the 1st of the month, your Medicare coverage begins the month prior. Your pre-65 retiree benefit coverage through Electric Boat will cease the day prior to your Medicare effective date.

You may become eligible for Medicare prior to 65 due to disability. If you are retired and enroll in Medicare prior to age 65, you may enroll in the Electric Boat Retiree Medical and Prescription Drug Plan as long as you enroll in both Medicare Part A and Part B. However, if you choose to wait until age 65 to enroll, your enrollment at age 65 will be considered your initial eligibility

and you will be able to enroll in the Electric Boat **Unlimited** Prescription Drug Plan at that time.

Your spouse becomes initially eligible when he or she turns 65 and loses retiree coverage under the Electric Boat pre-65 retiree plan.

Electric Boat employees that retire at or after age 65 are considered initially eligible for these plans the first of the month following their date of retirement and upon enrollment in Medicare Part A and Part B. This eligibility also pertains to the newly retired employee's spouse.

Electric Boat retirees and spouses can **defer** their enrollment into the Electric Boat Retiree Medical and Prescription Drug Plan and their initial eligibility if they are actively working and covered under their active employer or covered under another retiree medical and prescription drug plan.

If you waive your opportunity to enroll in the Electric Boat Unlimited Prescription Drug Plan when you are initially eligible, you will NOT be able to enroll in the future.

Making changes to your prescription drug plan

Once you enroll in a prescription drug plan for 2018, you generally cannot make a change to your prescription drug coverage until the following open enrollment.

During open enrollment, if you waived enrollment in the Electric Boat Prescription Drug Plan during your initial eligibility, you can choose to enroll in the Electric Boat **Limited** Prescription Drug Plan and coverage will begin on January 1st of the following plan year.

If you have been eligible for Medicare Part D and chose **NOT** to enroll in **ANY** Medicare Part D plan, you may be subject to penalties equal to 1% of the "base beneficiary premium" (the national average premium) for each full uncovered month that you were eligible to join a Medicare drug plan and didn't enroll. The Part D base beneficiary premium for 2018 is $35.02. The late-enrollment penalty is calculated as the number of months you could have been enrolled in Medicare Part D multiplied by 35 cents ($35 x 1%). The penalty amount is a lifetime penalty; therefore, this penalty will be a cost for you in addition to your Medicare Part D premium for the remaining years that you are enrolled on a Medicare Part D plan. The Part D base beneficiary premium does change from year to year and your penalty amount will be adjusted accordingly.

This penalty is a Part D rule regulated by CMS – it has nothing to do with the plan itself and applies to everyone in the country who does not enroll in a Part D plan when initially eligible and enrolls at a later date without having had creditable coverage under another qualifying plan. It also applies to Medicare beneficiaries that may have a gap in creditable coverage of 63 days or more at any point in time after becoming Medicare eligible. To be eligible for Medicare Part D, you only need to have Medicare Part A and/or Medicare Part B. You do not need to have both Medicare Part A and Part B to be deemed eligible for Medicare Part D.

If you waived Medicare Part D because you were covered under an employer group plan or a plan that was "as good or better" than Medicare (called "creditable coverage"), you may have to furnish a creditable coverage letter proving that you have had coverage that is equal to or better than Medicare Part D in order to avoid penalties.

If you are covered on the Electric Boat **Unlimited** Prescription Drug Plan, you can choose to opt down to the Electric Boat **Limited** Prescription Drug Plan during open enrollment. ***If you choose to opt down to the Limited plan, you will not be able to enroll in the Unlimited plan at a later date.***

********* IMPORTANT NOTE *********

You CANNOT be enrolled in more than one Medicare Part D plan at a time. Enrollment in another Medicare Part D plan will TERMINATE your coverage under the Electric Boat Retiree Prescription Drug Plan.

Electric Boat Retiree Prescription Drug Plan Options

In order to explain the enhancements in the Electric Boat Retiree Prescription Drug Plans, it is best to first explain basic Medicare Part D benefits in general.

Individual Medicare Part D Plans Available to Medicare Beneficiaries

Each individual plan has slight variations in premium, plan design and prescription drug formularies. A "formulary" is a listing of covered generics, preferred brand drugs, non-preferred brands, specialty medications and injectables. If a particular drug is not listed in a plan's formulary, it is generally NOT covered. Individual Plans typically have 5 or 6 different copayment or cost tiers under which the covered drugs fall depending on their expense. The highest tiers could command very high copayments or a percentage of the total drug cost. Each formulary might have a different list of exclusions and different authorization requirements for different drugs.

Individual plans might range in expense from about $15 to $130 a month. You would expect to find that less expensive plans have higher copayments, deductibles, less comprehensive formularies and perhaps even more restrictions. An individual can obtain a Medicare Part D plan from a variety of different private insurance companies. The basic outline of a standard Part D Plan, as constructed by Medicare for 2018 begins with a $405 deductible. Once that deductible is satisfied, the member's cost share is 25% of the drug cost until such time that their total drug costs reach $3,750. The $3,750 is considered the "Initial Coverage Limit" and the $3,750 is a total of the member's out-of-pocket expense for their prescription drugs **and** what is paid out by the Medicare Part D plan.

When an individual reaches this amount in **total drug costs** for 2018 they then enter what is referred to as the "**coverage gap**" or "**donut hole**". Again, the Initial Coverage Limit is a

total of drug costs which consists of an individual's copayments or costshare **PLUS** the amount paid out by the insurance company on their behalf.

While in the "**coverage gap**" or "**donut hole**" in 2018 a good portion of the cost for Medicare Part D brand drugs (50%) will actually be subsidized by the pharmaceutical manufacturer of the given brand drug. Also in 2018 another 15% will be covered by the underlying Part D plan provider leaving the member to pay 35% of the cost of the brand name drug. If the individual plan does not cover generic prescriptions during the Coverage Gap for a copayment, the member cost is 44% of the actual retail cost of that Medicare Part D generic drug. HOWEVER, both the member's out of pocket expense and the 50% discount absorbed by the pharmaceutical manufacturer for Medicare Part D brand drugs counts towards the member's total out-of-pocket expense or "TROOP". Satisfying the "TROOP" is what ultimately gets a member out of the Coverage Gap!

Once a person's total out-of-pocket or "TROOP" reaches $5,000 in 2018 the "Catastrophic Benefit" kicks in and the member pays the greater of 5% of the drug cost or $3.35 for generics and $8.35 for covered drugs for the remainder of the calendar year.

How long is a Medicare Part D member in the Coverage Gap? The answer will differ based on the Medicare Part D plan design.

In the case of the 2018 standard Medicare Part D plan, a member would have to spend $1,241.25 during the Initial Coverage Stage in order to reach the Coverage Gap. This would include the $405 deductible in addition to the 25% coinsurance until their total drug costs reach $3,750.

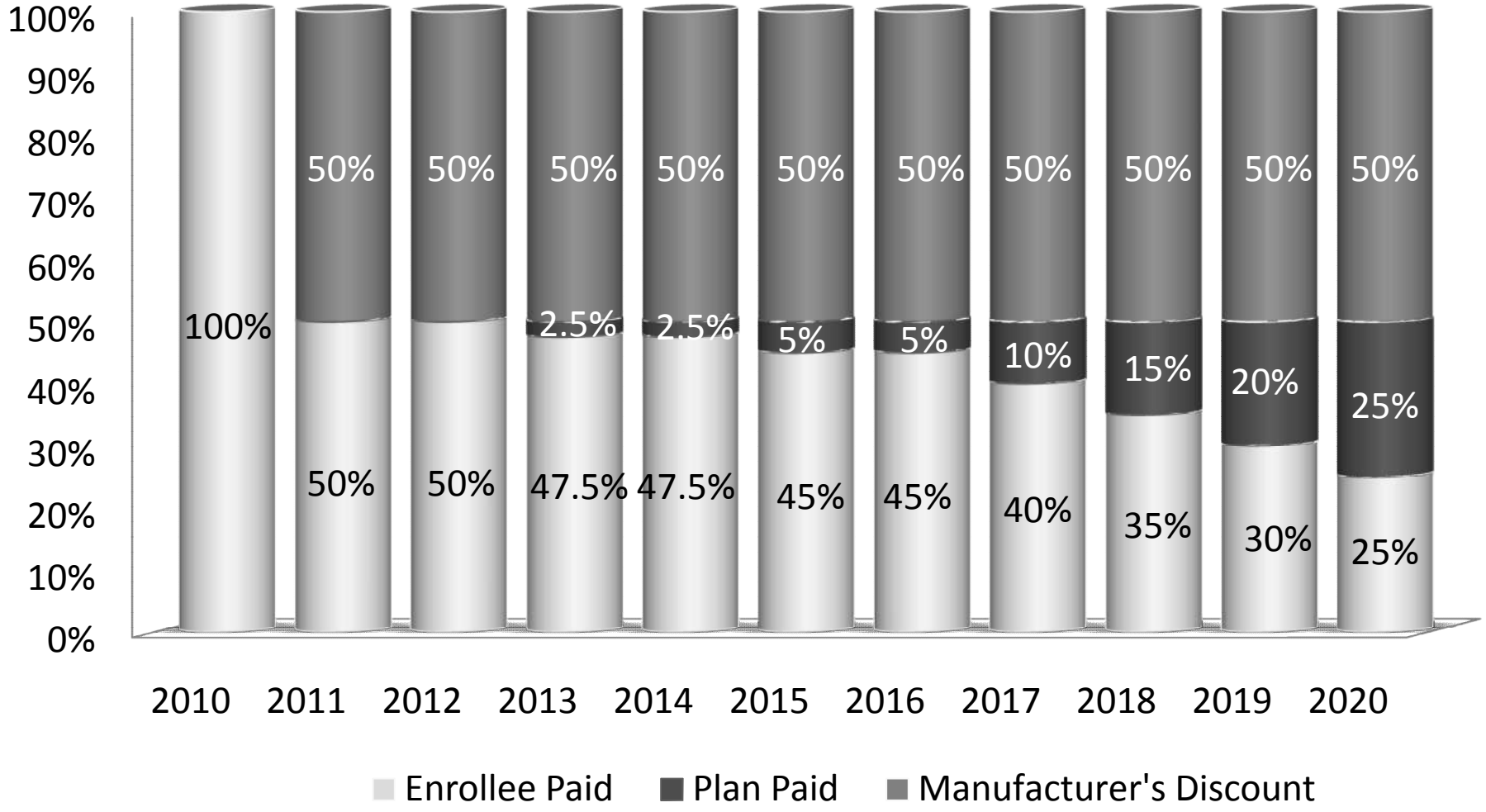
When entering the Coverage Gap with an out-of-pocket cost of $1,241.25, the member would have a balance of $3,758.75 of out-of-pocket cost that must be met in order to exit the Coverage Gap.

While in the Coverage Gap, 85% of the retail cost of a member's Medicare Part D brand drugs will count towards their TROOP or out-of-pocket cost even though the member will pay only 35% for their Medicare Part D brand drugs and 44% for their Medicare Part D generic drugs.

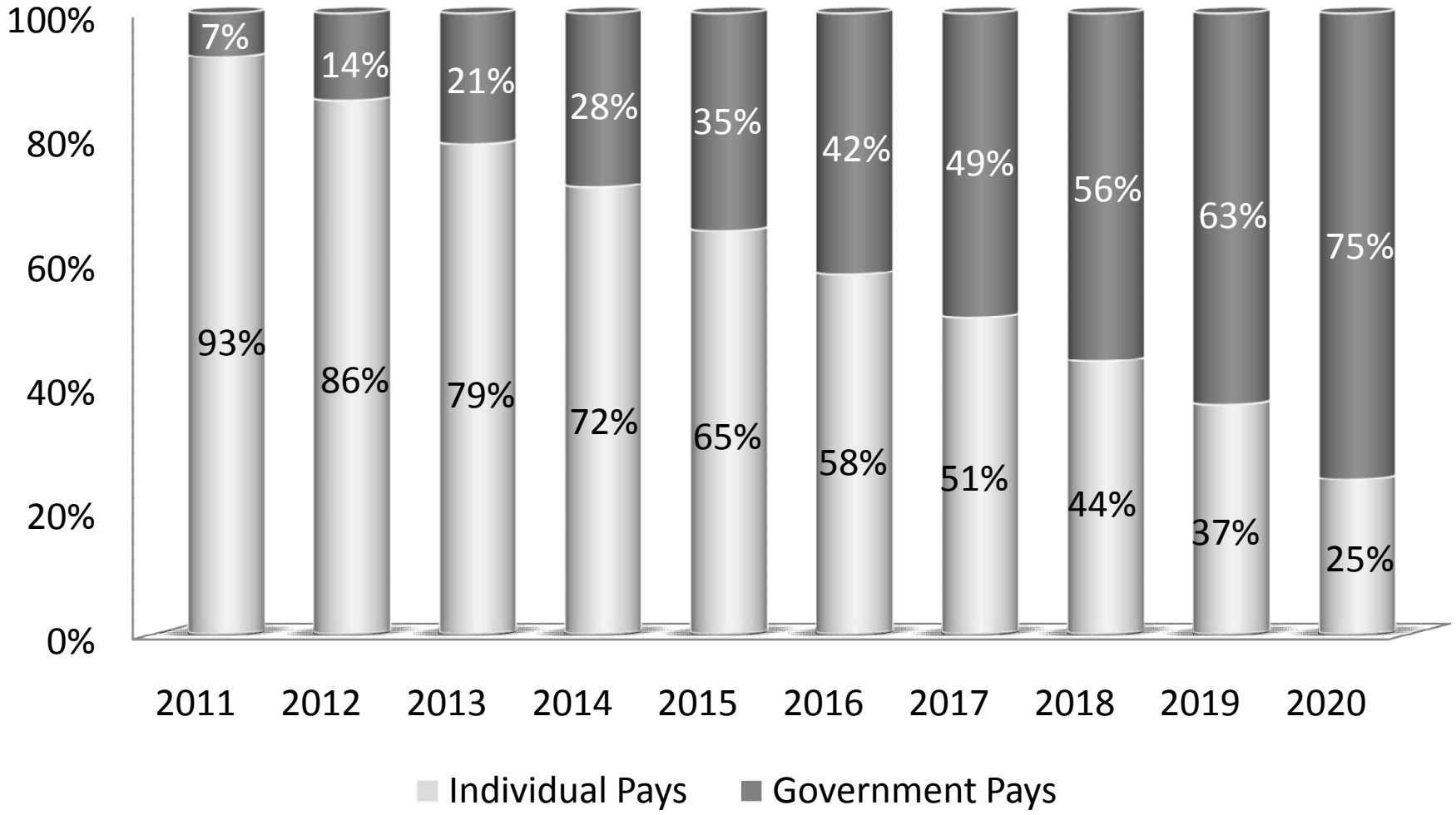
A member taking brands during the Coverage Gap, using the example above would need to take another $4,422 or so worth of brand medications to exit the Coverage Gap. Out of the $4,422 of drug spend, 85% of that cost would count towards the member's out-of-pocket cost - 85% of $4,422 = $3,758.70. The 35% of the brand cost paid by the member amounts to about $1,547.70 of out-of-pocket cost during this phase. Considering the $1,241.25 spent prior to reaching the Coverage Gap plus the $1,547.70 spent in the Coverage Gap - it will cost the member a total of $2,788.95 to get to and through the Coverage Gap and into the "Catastrophic Coverage Stage" of their Medicare Part D benefit. Of course, this figure of $2,788.95 is above and beyond the actual premium paid to be in the plan in the first place.

The following pages include bar charts illustrating the cost sharing changes for beneficiaries in the Coverage Gap under Medicare Part D through the year 2020 for both brand name and generic medications. The percentage a Medicare Part D member will pay while in the Coverage Gap will continue to reduce in the years ahead.

Member Cost Sharing Drops to 35% in 2018 for Brand Name Prescriptions in the Coverage Gap



Coverage Gap Continues to Shrink for Generic Prescriptions in 2018



Option #1: Electric Boat Retiree Unlimited Prescription Drug Plan

There are **several differences** between the Standard Medicare Part D plan and the Electric Boat Retiree **Unlimited** Prescription Drug Plan. One significant difference is the Express Scripts Medicare drug formulary. **The formulary is specifically designed for group plans.** While most individual Medicare Part D plans cover just a fraction of the overall brand drugs that are available on the market, the Electric Boat Prescription Drug Plans cover all brands in all therapeutic classes and categories, including many Medicare Part D excluded drugs.

The Electric Boat Retiree **Unlimited** Prescription Drug Plan does not have a deductible. Members of the plan pay copays for all drugs during the Initial Coverage Stage.

The 2018 maximum retail copays are $15 for generic drugs (Tier 1), $40 for Preferred brands (Tier 2), $60 for non-preferred brands and specialty drugs (Tiers 3 & 4) for a 31–day supply purchased at participating **preferred** retail pharmacies. Preferred pharmacies include many major chains like CVS, Stop & Shop, Walmart, Shoprite, Target, Sam's Club and Costco.

When filling prescriptions at participating **standard** pharmacies, like Walgreens and Rite Aid, members of the plan pay $5 more for their 31 day supplies.

The Express Scripts Home Delivery program is always considered **preferred** allowing members to purchase 90 day supplies and save money on copays. The maximum copays for a 90 day supply through the home delivery program are $30 for generic drugs (Tier 1), $80 for preferred brand drugs (Tier 2) and $120 for non-preferred and specialty drugs (Tiers 3 & 4). Some injectable and specialty drugs (Tier 4) are only dispensed in 31 day supplies.

While in the Coverage Gap, **Unlimited** Plan members continue to pay the same copays for Tier 1, Tier 2 and Tier 3 drugs. However, in 2018, any Tier 4 specialty drug is subject to a 25% coinsurance when purchasing these medications through a **preferred pharmacy** or through the Express Scripts Home Delivery program. Specialty drugs dispensed while in the Coverage Gap at a **standard** pharmacy have a higher coinsurance of 33%.

Although members of the Electric Boat **Unlimited** Prescription Drug Plan get the convenience of paying only their fixed copay during the Coverage Gap for Tier 1, Tier 2 and Tier 3 drugs, they still benefit from the 50% pharmaceutical manufacturer discounts available to Medicare Part D members for Part D brand drugs dispensed after they reach the Initial Coverage Limit of $3,750. In other words, even though at the point of reaching the Initial Coverage Limit, members of the **Unlimited** plan will continue to pay only copays for most drugs, 50% of the retail cost of their Medicare Part D brand name drugs is still counting towards their out of pocket expense or TROOP. Therefore, members in the **Unlimited** plan can still exit this Coverage Gap stage and enter Catastrophic Coverage.

At the point that an **Unlimited** Prescription Drug Plan member reaches their TROOP, the cost share becomes the greater of 5% of the cost of the drug or $3.35 for generics and $8.35 for brands for the remainder of the calendar year.

PLEASE NOTE -The Electric Boat Retiree "Unlimited" Prescription Drug Plan has a $5,000 maximum out-of-pocket cost cap to protect members of the plan from extreme financial hardship.

Option 2: Electric Boat Retiree Limited Prescription Drug Plan

Like the Unlimited Plan, the **Limited** Plan also qualifies as a Medicare Part D Plan. While in the Initial Coverage Stage, the **Limited** plan has the exact same maximum copayment schedule as the Unlimited Plan - $15 for Tier 1 generic drugs, $40 for preferred brands, and $60 for non-preferred and specialty drugs for a 31–day supply at participating **preferred** retail pharmacies. Members pay a maximum copay of $30 for Tier 1 generic drugs, $80 for preferred brands and $120 for non-preferred and specialty drugs for a 90-day supply through the Express Scripts home delivery program.

When filling prescriptions at participating **standard** pharmacies, members of the **Limited** Plan pay $5 more for their 31 day supplies.

Under the **Limited** plan, once members reach their Initial Coverage Limit of $3,750 and enter the Coverage Gap, **Limited plan members will pay 35% for their Medicare Part D brand drugs and 85% of the cost of their Medicare Part D brands will count towards their out of pocket maximum or TROOP**. During the Coverage Gap, Tier 1 generic drugs continue to be covered at the $15 maximum copay for a 31 day supply and $30 maximum copay for a 90 day supply through the Express Scripts home delivery program or at 44% of their retail cost – whichever is LESS.

Once the $5,000 out-of-pocket maximum or TROOP is met, Catastrophic Coverage kicks in and drugs are covered at 5% of the cost of the drug or $3.35 for generics and $8.35 for brands – whichever is greater.

The **Limited** Plan and the **Unlimited** Plan have the exact same comprehensive Express Scripts Medicare prescription drug formulary.

Please be aware, however, if you choose the Limited plan, you will NOT be allowed to change and enroll into the Unlimited plan in the future.

For the Electric Boat Retiree **Unlimited** Prescription Drug Plan, there is truly no other alternative like it available on an individual basis. With respect to the **Limited** Plan, while there are possibly comparable plans available, you will likely find them to have higher copays and cost shares and less comprehensive drug formularies. Please review your options and if one of these alternatives is beneficial to you, you are welcome to combine one of the Electric Boat Retiree Medical Plan Options with one of the two Electric Boat Retiree Prescription Drug Options.

It is important that you review your medications and determine the copay that applies to each of them as well as whether or not a particular medication requires prior authorization or step therapy.

On page 43, you will find the brand name drugs that were most frequently dispensed to Electric Boat retirees and their spouses during 2017. The chart provides copay information and also indicates if the particular medication requires prior authorization or step therapy. Prior authorization entails having your physician submit clinical information regarding your medical history in order to establish whether or not you meet medical criteria for approval from Express Scripts.