

MEMORANDUM

DATE: October 2007
 TO: UA and First UA Part D Licensed Agents
 FROM: UA/First UA Sales Department

Medicare Part D Prescription Drug Benefit — For Agent Use Only —

Introduction

The Medicare Modernization Act of 2003 created new health care choices for seniors and new sales opportunities for Agents.

United American and First United American will participate in the Medicare Part D program for 2008. UA and First UA are committed to helping our Agents and policyholders understand this valuable prescription drug program. This document will provide information regarding this program to help our Agents compete effectively in the field and educate clients.

Part D Coverage for Prescription Drugs

Medicare Part D is the government-sponsored program designed to help seniors manage the high cost of prescription drugs. Medicare Part D is offered by private companies, such as ours, and administered by the Centers for Medicare and Medicaid Services (CMS) in two formats:

- Drug coverage offered in conjunction with Medicare Advantage Plans (MA-PDs); or
- Private, stand-alone Prescription Drug Plans (PDPs). UA and First UA are the PDP's for our respective Part D plans.

Participation in Part D is voluntary, so seniors must decide if they want coverage. Medicare beneficiaries are eligible for Part D if:

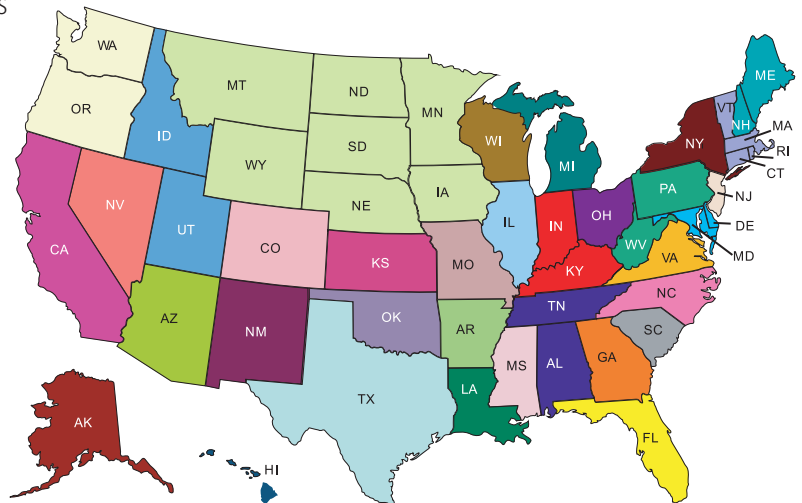
- They have Medicare Part A and/or Part B; and
- They live in a service area of a Part D plan.

Some beneficiaries may qualify for assistance with their premium, including low or no-cost plans. If a senior thinks they may qualify for assistance, they should contact the Social Security Administration office at 1-800-772-1213.

CMS has grouped the country into 34 regions. **In 2008, UA will once again be a nationwide provider, including coverage for seniors in Alaska and Hawaii. In New York, Part D coverage is offered by First United American.**

See below for the regional map for Part D plans.

CMS REGION	STATE	CMS REGION	STATE
34	AK	21	LA
12	AL, TN	13	MI
19	AR	18	MO
28	AZ	20	MS
32	CA	8	NC
27	CO	1	NH, ME
2	CT, MA, RI, VT	4	NJ
5	DE, DC, MD	26	NM
11	FL	29	NV
10	GA	3	NY
33	HI	14	OH
25	IA, MN, MT, ND, NE, SD, WY	23	OK
31	ID, UT	30	OR, WA
17	IL	6	PA, WV
15	IN, KY	9	SC
24	KS	22	TX
		7	VA
		16	WI



Changes in Part D for 2008

CMS issues a basic design for prescription drugs, but actual plans may vary by the benefits, the price and the formulary.

2008 Medicare Prescription Drug Coverage Changes:

- Annual deductible has increased from \$265 to \$275
- Initial coverage limit has increased from \$2,400 to \$2,510
- Donut hole (coverage gap) amount increased from \$3,850 to \$4,050

In 2008, UA/First UA's Part D Plan Offerings and Design Features have undergone substantial changes:

In 2006 and 2007, UA & First UA actively marketed UA & First UA Medicare Part D (also known as UA/First UA Main plan; \$0 deductible, \$9 co-pays for generics) via direct mail and through our Agents. UA/First UA's Part D Silver plans, which followed Medicare's standard model plan (\$265 annual deductible, 25% coinsurance across the board) were not actively marketed.

UA/First UA's strategy for marketing our Part D plan(s) is different for 2008 than in the previous 2 years.

For 2008, UA and First UA will actively market a revised version of the Silver plans. We will NOT actively solicit sales of the also-revised UA and First UA Main plans. See bullets and charts below for highlights of the Silver plan.

- There is an annual deductible on all drugs, which varies by region. **There is no deductible on generic drugs.** See Summary of Benefits for deductible amount and premium in your state(s).
- Policyholder pays a fixed co-payment starting at just \$4 for generic retail drugs.
- Policyholder will pay these co-payments and the plan will pay the balance until the calendar year total of his/her co-payments and the plan payments equal \$2,510.
- Policyholder will then pay 100% of his/her drug costs until the total calendar year out-of-pocket costs (including co-payments) equal \$4,050.
- After that the policyholder pays the greater of \$2.25 for generics and \$5.60 for all other drugs or 5%.

Description	LAST YEAR 2007 UA/First UA Medicare Part D (Main Plan)	THIS YEAR 2008 UA/First UA Medicare Part D Silver*
Deductible	\$0 deductible on all drugs on the formulary	Deductible on all drugs other than generics . Deductible varies by region (see Summary of Benefits)
Cost-Sharing	Tier 1 - Generic Drugs - \$9 co-pay	Tier 1 - Generic Drugs - \$4 co-pay
	Tier 2 - Preferred Brand Drugs - \$30 co-pay	Tier 2 - Preferred Brand Drugs - \$40 co-pay
	Tier 3 - Non-Preferred brand Drugs - \$60 co-pay	Tier 3 - Non-Preferred Brand Drugs - \$80
	Tier 4 - Specialty Brand Drugs - 33% co-pay	Tier 4 - Specialty Brand Drugs - 25% co-pay

Formulary

There will be one drug plan formulary covering generic, name brand and specialty preferred/non-preferred drugs with pricing that will vary by region.

* **NOTE:** UA Part D Silver is different in the State of Arkansas – the plan remains the defined Medicare standard plan. Beneficiaries must meet the \$275 annual deductible before benefits begin. They'll pay 25% coinsurance on all drugs until they spend \$2,510 at which time they enter the coverage gap (donut hole). After that they must pay all costs out-of-pocket until they reach \$4,050, when catastrophic coverage begins and they'll be responsible for paying the greater of \$2.25 for generics and \$5.60 for all other drugs or 5%.

How UA's and First UA's Medicare Part D Silver Prescription Drug Coverage Works

	Covered Drug Costs ¹	Insured Pays	UA/First UA Part D Silver Pays
Step 1	First \$2,510 <i>Deductible on all drugs except generics varies by region.</i>	Co-payments as low as \$4 for generics	100% of Balance
Step 2	Additional costs until true out-of-pocket (TrOOP) reaches \$4,050	100%	0%
Step 3	Additional costs after true out-of-pocket (TrOOP) reaches \$4,050	5% ²	95% ²

¹ Per calendar year

² After Insured reaches \$4,050 in annual out-of-pocket drug costs, insured pays the greater of \$2.25 or 5% coinsurance for generic or preferred brand drugs that are multi-source drugs; or the greater of \$5.60 or 5% coinsurance for other brand drugs. The UA or First UA Part D Silver plan will pay the balance.

Costs for prescription drugs that are not in the plan formulary do not qualify as out-of-pocket expenses for purpose of the above calculation.

UA and First UA Medicare Part D (Main Plan)

Although it will not be actively marketed, we have also restructured UA and First UA Medicare Part D (Main Plan). These plans have no deductible. Generic drugs have a \$9 co-pay. The difference in 2008 is there will be different co-pays on all drugs except generics, which vary according to region. Beneficiaries pay these amounts until they spend \$2,510 at which time they enter the coverage gap (donut hole). After that they must pay all costs out-of-pocket until they reach \$4,050, at which time catastrophic coverage begins and they'll be responsible for paying the greater of \$2.25 for generics and \$5.60 for all other drugs or 5%.

Enrollment Periods

There are three (3) periods in which an individual may enroll in and/or disenroll from a prescription drug plan. Remember, a Part D eligible individual may not be enrolled in more than one Part D plan at the same time.

1. The Initial Enrollment Period for Medicare

Part D (IEP): This is the period in which an individual is first eligible to enroll in a Part D plan. Generally, individuals are eligible to enroll if they are entitled to Medicare Part A or enrolled in Part B, and live in the Plan's service area. There will be a late enrollment penalty for individuals who don't enroll in a Medicare drug plan when first eligible, unless they have current drug coverage through a former employer, or union, that is considered "creditable coverage" – or coverage as good as Medicare. The penalty will be a 1% increase in premium for each month the senior delays enrollment. They will pay this penalty for as long as they have the Medicare Part D coverage.

- a) **Turning 65** If the senior is becoming eligible for Medicare for the first time, their initial enrollment period is the 7-month period that begins three (3) months before the month they turn 65 and ends three (3) months after the month of eligibility.

2. The Annual Coordinated Election Period (AEP): This is the period each year that individuals enrolled in Medicare Part D will be allowed to switch plans between November 15 and December 31. Coverage becomes effective January 1 of the following year.

3. All Special Enrollment Periods (SEP): Individuals who are eligible for an SEP are allowed to disenroll from their Part D plan and enroll in another plan. Examples of SEPs include a change in residence, loss of employer/group coverage, recently approved for low income subsidy assistance, to name a few.

Agents must submit a completed SEP Special Enrollment Form F6154 (N6155 in New York) with all Part D enrollment applications to the home office.

This will ensure we enroll your applicant properly, especially if your applicant is enrolling during a special enrollment period (SEP). Review it with the applicant and mark the one statement which best applies. Additionally, please indicate in the space provided the SEP Effective Date, which applies. If we receive an Agent-sold Part D enrollment without this form, we will have to return it to you for completion.

Note: *This form is for Agent use only to assist New Business in the enrollment process. Never leave this form with a prospective Part D customer.*

UA, First UA, and Medco

United American and First United American are pleased to continue their alliance with Medco, one of the country's top pharmacy benefit managers (PBM). Medco operates the nation's largest mail-order and Internet pharmacies, has a network of over 56,000 participating network retail pharmacies, and has been recognized for setting new industry benchmarks for pharmacy dispensing quality.

Important Reminders About Medicare Part D

- Medicare Part D prescription drug coverage is a federal program. United American and First United American contract with the federal government to provide Part D and cannot revise the terms of the drug coverage.
- Generally, individuals are eligible to enroll if they are entitled to Medicare Part A or enrolled in Part B. CMS must confirm an applicant's eligibility before a person can be enrolled. CMS determines the individual's eligibility, not the Company.
- Medicare Part D is not an insurance policy and cannot be set up in the same way as, for example, a Medicare Supplement policy. Agents cannot change Part D effective dates.

Marketing Plan

UA and First UA will market 2008 Medicare Part D Silver Prescription Drug Coverage to existing and prospective customers through Agents, Internet and direct mail.

We believe it is essential that Agents have substantial involvement in both the education and the selling processes. The most significant Agent opportunity with Medicare Part D is the ability to establish new relationships with Medicare beneficiaries. Consumer education remains a critical aspect of the selling process. Both new and existing customers need a trusted advisor to help explain it, and this gives you a very good reason to begin a discussion with almost any senior.

CMS has instituted a new policy for 2008 which requires the Company to report a month in advance any marketing or sales events scheduled by Agents in which Part D will be promoted to seniors. This includes seminars, health fairs, workshops etc. where seniors will be given information about the Part D program. If you are planning to hold or participate in such an event, please email Eric Bowie, in Part D Administration at ebowie@torchmarkcorp.com. Please provide your Agency or Branch name, venue name, address, phone and description, contact person name, address, phone and email.

Commissions & Contracting

Agents marketing Medicare Part D will be compensated in commissions for Part D. In order to receive compensation you must sign a Part D contract addendum and an authorization form indicating your agreement to adhere to the marketing guidelines set forth by CMS. These forms should be forwarded to Agent Licensing.

- Any Agents writing Part D must review the "UA/First UA 2008 Medicare Part D Agent Guidelines" document (see enclosed).
- In addition, to ensure you receive appropriate commission* credit on the enrollment, the Agent must write his name and Agent number in the Home Office box at the bottom of page two of the Enrollment Form (see below). The Enrollment Form may be faxed to 469-525-4250, or mailed to the Home Office in the Business Reply envelope provided in the Agent Solicitation Package. You will be compensated whether you sell the Main or the Silver Plan.

* Commissions will not be paid on UA Medicare Part D Silver enrollments in Arkansas.

Medicare Prescription Drug Plan Use Only:		SAMPLE
Plan ID # _____	Effective Date of Coverage _____	<input type="checkbox"/> IEP <input type="checkbox"/> AEP <input type="checkbox"/> SEP (type) _____
Agent Signature _____	Agent # _____	
Print first 5 characters of last name _____		

Enrolling Seniors in Part D

We have designed an **Agent Solicitation Package** that will enable you to enroll seniors in the program. This Agent Solicitation Package is identical to what UA and First UA will be mailing to all active Medicare Supplement customers and other prospective seniors except for the first paragraph of the cover letter. Included in the package will be:

- Introductory Letter
- Part D Enrollment Form
- Business Reply Envelope
- SEP/EFT Form
- Summary of Benefits with region specific rates
- Outer Envelope



Between October 1st and November 15th, Agents may begin meeting with clients to educate them about Medicare Part D. During this time frame Agents may promote the benefits, costs and other details of UA or First UA Medicare Part D Silver Prescription Drug Coverage.

You cannot accept Part D Enrollment Forms prior to November 15, 2007, when the initial enrollment period begins. There are two ways to enroll seniors:

Option A: Order the Agent Solicitation package from Agent Supply. These packages are free and will be available in October.

Option B: Download the Enrollment Form, Summary of Benefits, and SEP form from the UA or First UA Medicare Part D Agent website (see page 7). Fax the completed Enrollment Form and SEP form to the Home Office to 469-525-4250.

Whether you choose Option A or Option B for enrollment,

you must leave a copy of the Summary of Benefits with the customer at time of enrollment.

CMS must verify all eligible individuals for Medicare Part D. **Therefore, it is critical that all Enrollment Forms be sent to the Home Office within twenty-four (24) hours of the completion of enrollment.** Agents must also submit the revised SEP form F6154 (N6155 in New York) with all Part D enrollment applications to the home office. (See page 3.)

On the reverse side of the SEP form is the EFT Info Sheet, which must be completed if your customer chooses EFT (Automatic Bank Draft) as the method of payment.

You may fax all forms to 469-525-4250. If you are not near a fax machine, please place the completed Enrollment and SEP Forms in the Part D business reply envelope that is included in the Agent Solicitation package.

Agent Training

We have created special Medicare Part D Agent websites (see page 7 for web addresses), which will serve as an informational guide to Part D. At the site you'll find frequently asked questions, useful contact information and sales/training materials for Part D. We encourage you to bookmark this site on your computer and check it frequently for changes and updates to available sales/training materials.

One of the requirements stated in your contract addendum regarding marketing Part D to seniors is your responsibility to follow CMS Marketing Guidelines outlined for this program. You can download the CMS Marketing Guidelines from the UA/First UA Medicare Part D Silver Agent Training websites.

Customer Website

United American policyholders and prospective customers may log on to our website at www.uamedicarepartd.com (www.firstuamedicarepartd.com for First UA) to gain basic information about Medicare Part D and how it works, including frequently asked questions. Upon CMS approval of our 2008 website, customers will be able to:

- Get a rate quote,
- Enroll on line,
- Find a pharmacy,
- Review how UA/First UA's Medicare Part D plans work,
- Request more information, and much more!

Existing Prescription Drug Cards

UA PARTNERS (*not available in New York*)

If seniors have purchased a UA Partners optional discount services card they may still continue to use this card for discounts on healthcare services which Medicare Parts A, B and D do not cover, such as vision, hearing, chiropractic, dental, 24-hour Nurse HelpLine, travel assistance (except in FL) and vitamins/nutritional supplements. In addition, UA Partners features "Automatic" Claims Filing®, which saves seniors time and money by not having to file Medicare Part B claims.

UA Partners is completely separate from Medicare Part D and provides average savings of 22%. The UA Partners card can be used for both Medicare-covered drugs and drugs that are not approved by Medicare. Remember that during the 'donut hole', the insured will pay for 100% of true out-of-pocket (TrOOP) costs until he/she reaches \$4,050; after that the insured only pays the greater of \$2.25 for generics and \$5.60 for all other drugs or 5%.

Any amount seniors pay for drugs using a UA Partners discount card during the 'donut hole' phase WILL COUNT toward their true out-of-pocket expenses. However, in order for drugs purchased with the UA Partners card to count toward TrOOP, the insured must submit a paper claim and the receipt to: Medco Health Solutions, Inc., P.O. Box 14718, Lexington, KY 40512.

OTHER COVERAGE

If seniors have a drug discount insurance program that is not Medicare-approved, they must contact their drug card issuer to determine what benefits are available to them. Any amount they pay for drugs while using a discount card can count towards their out-of-pocket expenses.

Medicare Supplement or HMO?

Agents selling Medicare Supplement plans will experience increased competition with HMOs since many managed care plans also offer improved drug benefits through Part D.

Medicare Supplement plans, however continue to provide flexibility and freedom of choice in selecting physicians and hospitals that managed care plans do not. For today's active, informed seniors, our ProCare Med-Supp policies combined with a prescription drug plan, offer an excellent combination of solid coverage and personal preferences.

What Agents Can Do to Prepare

Because of its intangible nature, Agents play a vital role in explaining the value of prescription drug coverage. Please review the enclosed "UA/First UA Medicare Part D Agent Guidelines" for information on marketing Part D to seniors.

- Continue to educate yourself on Medicare Part D. A few good resources would be the UA/First UA Medicare Part D Agent websites or www.medicare.gov.
- Educate your customers to be prepared by looking over current health insurance to see if prescription drugs are covered, and by calculating current out-of-pocket drug costs.
- Seniors with few current drug costs will need to evaluate coverage needs as they age, and the 1% penalty they may pay if they choose not to enroll during the IEP (Initial Enrollment Period). Most importantly, PDPs (Prescription Drug Plans) will provide catastrophic drug coverage previously unavailable to Medicare beneficiaries.



PART D TIMELINE

September 2007

- CMS awards PDP contracts
- Approval of required materials is received/printed

October 2007

- Annual Notice of Change (ANOC) letters are mailed to existing Part D customers notifying them of any changes to their coverage. Members will receive a new 2008 ID card under separate cover.
- UA Direct Mail marketing campaign begins

November 15, 2007

- Part D Open Enrollment begins
- Agents can begin assisting Medicare beneficiaries with enrollment in UA/First UA's Medicare Part D Silver plan

December 31, 2007

- Part D Open Enrollment ends

January 1, 2008

- Medicare Part D benefits for 2008 enrollees begin

DEFINITIONS:

Appeal

An appeal is a special kind of complaint you make if you disagree with a decision to deny a request for health care services or payment for services you already received. You may also make a complaint if you disagree with a decision to stop services that you are receiving.

Biologicals

Usually a drug or vaccine made from a live product and used medically to diagnose, prevent, or treat a medical condition. For example, a flu or pneumonia shot.

Centers for Medicare and Medicaid Services (CMS)

The federal agency that runs the Medicare program. In addition, CMS works with the States to run the Medicaid program. CMS works to make sure that the beneficiaries in these programs are able to get high quality health care.

Co-payment

The amount of the prescription drug cost you have to pay at time of service.

Deductible

The amount you must pay for health care before your plan begins to pay. Our Medicare Part D Plan does not have deductibles. UA/First UA Medicare Part D Silver has a deductible on all drugs except generic drugs (varies by region), see page 2.

Dual-eligibles

Persons who are entitled to Medicare (Part A and/or Part B) and who are also eligible for Medicaid.

Formulary

A list of drugs which are approved for use and/or coverage by the plan.

Generic drug

A prescription drug that has the same active-ingredient formula as a brand name drug and usually costs less than brand name drugs.

Grievance

A complaint about the way your Medicare health plan is giving care. For example, you may file a grievance if you have a problem calling the plan or if you are unhappy with the way a staff person at the plan has behaved toward you. A grievance is not the way to deal with a complaint about a treatment decision or a service that is not covered (see Appeal).

Multi-source drugs

Brand drugs for which generic drugs are also available.

True out-of-pocket (TrOOP)

The costs you pay out-of-pocket for eligible Medicare Prescription Drug Coverage expense. Premium costs and payments for Medicare excluded drugs do not count towards TrOOP.

Tier (level)

A tier is a specific list or group of drugs, such as generics, brand name, etc. Each plan may choose their own tiers, so it's important that you review which drugs are covered at each tier level.

TTY

A teletypewriter (TTY) is a communication device used by people who are deaf, hard of hearing, or have a severe-speech impairment. A TTY consists of a keyboard, display screen, and modem.

Useful Contact Information

UA Medicare Part D Silver Customer Service

Toll-free **1-866-299-3406**

1-866-524-4170 (TTY/TDD callers)

Website

Customers: **www.uamedicarepartd.com**

Agents: **www.uamedicarepartd.com/agents**

First UA Medicare Part D Silver Customer Service

Toll-free **1-866-299-3407**

1-866-524-4172 (TTY/TDD callers)

Website

Customers: **www.firstuamedicarepartd.com**

Agents: **www.firstuamedicarepartd.com/agents**

Fax Enrollment Forms

469-525-4250

Agent Supply

Phone: 800-285-3676

FAX: 405-752-9341

E-mail: uaagentsupply@torchmarkcorp.com

Agent Service

Branch E-mail:

branchservice@torchmarkcorp.com

General Agent E-mail:

uaservice@torchmarkcorp.com

Federal Government References

Administration on Aging

Features useful questions and answer section on the prescription drug benefit.

<http://www.aoa.gov/medicare>

BenefitsCheckUpRx

Helps people with Medicare and other older adults to learn about and enroll in government benefits, including the new Medicare Prescription Drug Coverage.

www.benefitscheckuprx.org

Centers for Medicare & Medicaid Services (CMS)

Comprehensive site featuring fact sheets, handouts, regional maps, projected implementation dates, etc.

<http://www.cms.hhs.gov>

House Committee on Ways & Means

Features position papers and fact sheets related to the prescription drug benefit.

<http://waysandmeans.house.gov>

Medicare

Official U.S. government site for people with Medicare. Serves as a clearinghouse for all information related to the prescription drug benefit.

<http://www.medicare.gov>

Social Security Administration (SSA)

Provides information to organizations about SSA's Medicare outreach.

<http://www.ssa.gov>

The White House

Includes top-line information about the prescription drug benefit.

<http://www.whitehouse.gov>

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