DISCLOSURE OF CREDITABLE PRESCRIPTION DRUG COVERAGE

Important Notice From Arlington Classics Academy About Your Prescription Drug Coverage and Medicare

If you or your dependents are not currently entitled to Medicare, then you may disregard this notice until you or they become entitled to Medicare.

If you or your dependents are currently entitled to 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 Arlington Classics Academy and about your options under Medicare's prescription drug coverage. This information can help you decide whether or not you want to join a Medicare drug plan. If you are considering joining, you should compare your current coverage, including which drugs are covered and their cost, with the coverage and costs of the plans offering Medicare prescription drug coverage in your area. Information about where you can get help to make decisions about your prescription drug coverage is at the end of this notice.

There are two important things you need to know about your current coverage and Medicare's prescription drug coverage:

1. **Medicare prescription drug coverage became available in 2006 to everyone with Medicare.** You can get this coverage if you join a Medicare Prescription Drug Plan or join a Medicare Advantage Plan (like an HMO or PPO) that offers prescription drug coverage. All Medicare 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. **Arlington Classics Academy has determined that the prescription drug coverage offered by its employer sponsored health plan ("Employer Health Plan") is on average for all Plan participants, expected to pay out as much as standard Medicare prescription drug coverage. Therefore, your coverage is considered Creditable Coverage.** Because your existing coverage is Creditable Coverage, you can keep this coverage and not pay a higher premium (a penalty) if you later decide to join a Medicare drug plan.

When can you join a Medicare drug plan?

There are three times when you may join a Medicare drug plan:

1. When you first become eligible for Medicare
2. Each year from October 15th to December 7th
3. During the two-month Special Enrollment Period (SEP) which begins when, through no fault of your own, you lose creditable prescription drug coverage under an employer or union sponsored health plan

What happens to your current coverage if you join a Medicare drug plan?

If you decide to join a Medicare drug plan, your current prescription drug coverage under your Employer Health Plan will not be affected unless you decide to drop your prescription drug coverage under your Employer Health Plan. Your current Employer Health Plan provides coverage for many other medical expenses in combination with coverage for prescription drugs.

- If you keep the prescription drug coverage offered under your Employer Health Plan, you will continue to receive all the medical and prescription drug benefits available under the Plan.
- If you drop the prescription drug coverage provided through the Plan, coverage of your other medical benefits under the Plan will also be terminated since all benefits are provided on a combined basis.

If you do decide to join a Medicare drug plan and drop your current coverage under your Employer Health Plan, you and your dependents may not be able to get this coverage back at a later date.

When will you pay a higher premium (penalty) to join a Medicare drug plan?

You should also know that if you drop or lose your current coverage under your Employer Health Plan and don't join a Medicare drug plan within 63 continuous days after your current coverage ends, you may pay a higher premium (a penalty) to join a Medicare drug plan later.

If you go 63 continuous days or longer without creditable prescription drug coverage, your monthly premium may go up by at least 1% of the Medicare base beneficiary premium per month for every month that you did not have that coverage. For example, if you go nineteen months without creditable coverage, your premium may permanently be at least 19% higher than the Medicare base beneficiary premium. You may have to pay this higher premium (a penalty) as long as you have Medicare prescription drug coverage. In addition, you may have to wait until the following October to join.

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

Please contact the person listed at the end of this notice for further information about your prescription drug coverage.

NOTE: Your employer will distribute this notice at least once a year. You will also get a notice if your Employer Health Plan changes and no longer provides creditable prescription drug coverage. You also may request a copy of this notice at any time.

For more information about your options under Medicare prescription drug coverage

More detailed information about Medicare plans that offer prescription drug coverage is in the "Medicare & You" handbook. After you become eligible for Medicare, Medicare will send you a copy of the handbook in the mail every year. You may also be contacted directly by Medicare drug plans.

For more information about Medicare prescription drug coverage:

- Visit www.medicare.gov
- Call your State Health Insurance Assistance Program (see the inside back cover of 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.

If you have limited income and resources, extra help paying for Medicare prescription drug coverage is available. For information about this extra help, visit Social Security on the web at www.socialsecurity.gov, or call them at 1-800-772-1213 (TTY 1-800-325-0778).

Remember: Keep this Creditable Coverage notice. If you decide to join one of the Medicare drug plans, you may be required to provide a copy of this notice when you join to show whether or not you have maintained creditable coverage and, therefore, whether or not you are required to pay a higher premium (a penalty).

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