

SANDIA NATIONAL LABORATORIES' DISCLOSURE OF MEDICARE PART D CREDITABLE COVERAGE NOTICE

Please read this notice carefully and keep it where you can find it. This notice has information about your current prescription drug coverage with Sandia National Laboratories 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 prescription drug plan.

If you are considering joining, you should compare your current coverage, including which drugs are covered at what costs, 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 (Part D) or join a Medicare Advantage Plan (like an HMO and PPO) that offers 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. Sandia National Laboratories has determined that the prescription drug coverage offered by Sandia Total Health is, on average for all plan participants, expected to pay out as much as standard Medicare prescription drug coverage pays; and therefore, 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 prescription drug plan.

Note: The Medicare Advantage Plans offered by Sandia provide prescription drug (Part D) coverage. These employer group plans include the Presbyterian MediCare PPO, Lovelace Medicare Plan (formerly known as the Lovelace Senior Plan), and Kaiser Permanente Senior Advantage Plan. This Notice does not apply to those enrolled in a Sandia-sponsored Medicare Advantage Plan as you will receive this information from Presbyterian MediCare PPO, the Lovelace Medicare Plan, or Kaiser Permanente Senior Advantage Plan. In addition, this Notice does not apply to those who enroll in the Your Spending Account option. If you enroll in a Medicare Advantage Plan with prescription drug coverage or a Medicare Part D Prescription Drug Plan

through the Your Spending Account option, you will receive explanation of whether or not the prescription drug coverage is creditable from the Plan. If you do not receive this information, you will need to contact the Plan in which you are enrolled.

When Can You Join a Medicare Prescription Drug Plan?

You can join a Medicare prescription drug plan when you first become eligible for Medicare and each year from October 15 to December 7.

However, if you lose your current creditable prescription drug coverage through no fault of your own, you will also be eligible for a two (2) month Special Enrollment Period (SEP) to join a Medicare prescription drug plan.

What Happens to Your Current Coverage if You Decide to Join a Medicare Prescription Drug Plan?

If you are an active employee or a dependent of an active employee and you and/or your dependents join a Medicare prescription drug plan, you and/or your dependents will still be eligible to receive medical and prescription drug benefits through your active Sandia medical plan as follows:

- If you and your dependents (if applicable) are enrolled in Sandia Total Health, you are required to obtain your outpatient prescription drug benefits through your Sandia plan first. You can then file your claims on a secondary basis with your Medicare prescription drug plan.

If you are a Medicare retiree or a Medicare dependent of a retiree and are enrolled in the Presbyterian MediCare PPO, the Lovelace Medicare Plan, or the Kaiser Permanente Senior Advantage Plan, and you enroll in another Medicare Prescription Drug Plan, please note that you may lose your Sandia-sponsored medical plan coverage.

Sandia Disclosure of Medicare Part D Creditable Coverage Notice

Note: There are exceptions for Medicare domestic partners of employees as well as those plan participants who have End Stage Renal Disease. Please contact Sandia HBE at the number listed below for more information.

Important: You can only waive prescription drug coverage by waiving the entire medical plan coverage for yourself and your dependents. Remember, if you waive your coverage, you can only re-enroll in the Sandia medical plan:

- during the next Open Enrollment Period with coverage effective January 1 of the following calendar year
- at any time if you have an eligible mid-year election change event

When Will You Pay a Higher Premium (Penalty) to Join a Medicare Prescription Drug Plan?

Important: You should also know that if you drop or lose your current coverage with Sandia National Laboratories and don't join a Medicare prescription drug plan within 63 continuous days after your current coverage ends, you may pay a higher premium (a penalty) to join a Medicare prescription 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 (19) months without creditable coverage, your premium may consistently be at least 19% higher than the Medicare base beneficiary premium. You may have to pay this higher premium (a penalty) for 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...

Contact the Health, Benefits, and Employees Services at (505) 844-HBES (4237), Option 2.

Note: You'll get this notice each year. You will also get it before the next period you can join a Medicare prescription drug plan, and if this coverage through Sandia National Laboratories changes. You also may request a copy of this notice.

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. You'll get a copy of the handbook in the mail every year from Medicare. You may also be contacted directly by Medicare prescription 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/TDD users 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 prescription 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).

Date: October 1, 2014

Name of Entity/Sender: Sandia National Laboratories

Contact-Position/Office: Benefits Department

Address: 1515 Eubank SE, Albuquerque, NM 87123

Phone Number: 505-844-HBES (4237)