

**EXHIBIT C. Examples that show different versions of Section 2
(drug payment stages)**

NOTE: The examples in this exhibit are fictional. They have been designed to illustrate some of the main variations in model language for Section 2 of the draft revised Model Part D Explanation of Benefits (EOB). These examples use numbers for the year 2009. For ease of illustration, the amounts for out-of-pocket costs and total drug costs have been rounded.

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PART 1. Examples 1-4: non-LIS, with a deductible and no gap coverage

(these examples begin on the next page)

[Example 1: non-LIS, with a deductible and no gap coverage, in the yearly deductible stage]

SECTION 2. Which “drug payment stage” are you in?

As shown below, your prescription drug coverage has “drug payment stages.” How much you pay for a prescription depends on which payment stage you are in when you fill it. During the calendar year, whether you move from one payment stage to the next depends on how much is spent for your drugs.

You are in this stage:

STAGE 1

Yearly Deductible

- You began in this payment stage when you filled your first prescription of the calendar year. During this stage, you (or others on your behalf) pay the full cost of your drugs.
- You will stay in this stage **until you (or others on your behalf) have paid \$250 in “out-of-pocket costs”** for your drugs (\$250 is the amount of your deductible).
- As of 01/31/09 you (or others on your behalf) have paid **\$150** for your drugs.

What happens next?

Once you (or others on your behalf) have paid **an additional \$100** for your drugs, you will move to the next payment stage (stage 2, Initial Coverage).

STAGE 2

Initial Coverage

- Once you are in this payment stage, the plan will pay its share of the cost of your drugs and you (or others on your behalf) will pay your share of the cost.
- Once you are in this payment stage, you will stay in it until the amount of your year-to-date “total drug costs” (see Section 3) reaches \$2,700. When this happens, you will move to payment stage 3, Coverage Gap.

STAGE 3

Coverage Gap

- Once you are in this payment stage, you (or others on your behalf) will pay the full cost of your drugs.
- Once you are in this payment stage, you will stay in it until the amount of your year-to-date “out-of-pocket costs” (see Section 3) reaches \$4,350. When this happens, you will move to payment stage 4, Catastrophic Coverage.

STAGE 4

Catastrophic Coverage

- Once you are in this payment stage, the plan will pay most of the cost for your covered drugs.
- Once you are in this payment stage, you will stay in it for the rest of the calendar year (through December 31, 2009).

[Example 2: non-LIS, with a deductible and no gap coverage, in the Initial Coverage Stage]

SECTION 2. Which “drug payment stage” are you in?

As shown below, your prescription drug coverage has “drug payment stages.” How much you pay for a prescription depends on which payment stage you are in when you fill it. During the calendar year, whether you move from one payment stage to the next depends on how much is spent for your drugs.

STAGE 1

Yearly Deductible

- You began in this payment stage when you filled your first prescription of the year. During this stage, you (or others on your behalf) paid the full cost of your drugs.
- You stayed in this stage until you (or others on your behalf) had paid \$250 for your drugs (\$250 is the amount of your deductible). Then you moved to payment stage 2, Initial Coverage.

You are in this stage:

STAGE 2

Initial Coverage

- Now that you are in this payment stage, the plan pays its share of the cost of your drugs and you (or others on your behalf) pay your share of the cost.
- You will stay in this payment stage **until the amount of your year-to-date “total drug costs” reaches \$2,700**. As of 4/30/09, your year-to-date “total drug costs” was **\$1,700**. (See definitions in Section 3.)

Once you have **an additional \$1,000 in “total drug costs,”** you will move to the next payment stage (stage 3, Coverage Gap).

STAGE 3

Coverage Gap

- Once you are in this payment stage, you (or others on your behalf) will pay the full cost of your drugs.
- Once you are in this payment stage, you will stay in it until the amount of your year-to-date “out-of-pocket costs” (see Section 3) reaches \$4,350. When this happens, you will move to payment stage 4, Catastrophic Coverage.

STAGE 4

Catastrophic Coverage

- Once you are in this payment stage, the plan will pay most of the cost for your covered drugs.
- Once you are in this payment stage, you will stay in it for the rest of the calendar year (through December 31, 2009).

[Example 3: non-LIS, with a deductible and no gap coverage, in the Coverage Gap]

SECTION 2. Which “drug payment stage” are you in?

As shown below, your prescription drug coverage has “drug payment stages.” How much you pay for a prescription depends on which payment stage you are in when you fill it. During the calendar year, whether you move from one payment stage to the next depends on how much is spent for your drugs.

STAGE 1

Yearly Deductible

- You began in this payment stage when you filled your first prescription of the year. During this stage, you (or others on your behalf) paid the full cost of your drugs.
- You stayed in this stage until you (or others on your behalf) had paid \$250 for your drugs (\$250 is the amount of your deductible). Then you moved to payment stage 2, Initial Coverage.

STAGE 2

Initial Coverage

- While you were in this payment stage, the plan paid its share of the cost of your drugs and you (or others on your behalf) paid your share of the cost.
- You stayed in this stage until the amount of your year-to-date “total drug costs” reached \$2,700. Then you moved to payment stage 3, Coverage Gap.

You are in this stage:

STAGE 3

Coverage Gap

- Now that you are in this payment stage, you (or others on your behalf) pay the full cost of your drugs.
- You will stay in this payment stage **until the amount of your year-to-date “out-of-pocket costs” reaches \$4,350**. As of 08/31/09 your year-to-date “out-of-pocket costs” was **\$3,000** (see Section 3).

What happens next?

Once you (or others on your behalf) have paid **an additional \$1,350 in “out-of-pocket costs,”** you will move to the next payment stage (stage 4, Catastrophic Coverage).

STAGE 4

Catastrophic Coverage

- Once you are in this payment stage, the plan will pay most of the cost for your covered drugs.
- Once you are in this payment stage, you will stay in it for the rest of the calendar year (through December 31, 2009).

[Example 4: non-LIS, with a deductible and no gap coverage, in Catastrophic Coverage]

SECTION 2. Which “drug payment stage” are you in?

As shown below, your prescription drug coverage has “drug payment stages.” How much you pay for a prescription depends on which payment stage you are in when you fill it. During the calendar year, whether you move from one payment stage to the next depends on how much is spent for your drugs.

STAGE 1

Yearly Deductible

- You began in this payment stage when you filled your first prescription of the year. During this stage, you (or others on your behalf) paid the full cost of your drugs.
- You stayed in this stage until you (or others on your behalf) had paid \$250 for your drugs (\$250 is the amount of your deductible). Then you moved to payment stage 2, Initial Coverage.

STAGE 2

Initial Coverage

- While you were in this payment stage, the plan paid its share of the cost of your drugs and you (or others on your behalf) paid your share of the cost.
- You stayed in this stage until the amount of your “total drug costs” reached \$2,700. Then you moved to payment stage 3, Coverage Gap.

STAGE 3

Coverage Gap

- While you were in this payment stage, you (or others on your behalf) paid the full cost of your drugs.
- You stayed in this stage until the amount of your “out-of-pocket costs” reached \$4,350. Then you moved to payment stage 4, Catastrophic Coverage.

You are in this stage:

STAGE 4

Catastrophic Coverage

- Now that you are in this payment stage, the plan will pay most of the cost for your covered drugs.
- For each prescription, you will pay whichever of these is *larger*: a payment equal to 5% of the cost of the drug (this is called “coinsurance”), or a copayment (\$2.40 for a generic drug or a drug that is treated like a generic, \$6.00 for all other drugs).

What happens next?

You will stay in this payment stage, Catastrophic Coverage, for the rest of the calendar year (through December 31, 2009).

PART 2. Example 5: non-LIS, no deductible and no gap coverage

(this example is on the next page)

[Example 5: non-LIS, no deductible and no gap coverage, in the Initial Coverage Stage]

SECTION 2. Which “drug payment stage” are you in?

As shown below, your prescription drug coverage has “drug payment stages.” How much you pay for a prescription depends on which payment stage you are in when you fill it. During the calendar year, whether you move from one payment stage to the next depends on how much is spent for your drugs.

STAGE 1

Yearly Deductible

(Because there is no deductible for the plan, this payment stage does not apply to you.)

You are in this stage:

STAGE 2

Initial Coverage

- You began in this payment stage when you filled your first prescription of the year. While you are in this payment stage, the plan pays its share of the cost of your drugs and you (or others on your behalf) pay your share of the cost.
- You will stay in this payment stage **until the amount of your year-to-date “total drug costs” reaches \$2,700.** As of 4/30/09, your year-to-date “total drug costs” was **\$1,700.** (See definitions in Section 3.)

What happens next?

Once you have **an additional \$1,000 in “total drug costs,”** you will move to the next payment stage (stage 3, Coverage Gap).

STAGE 3

Coverage Gap

- Once you are in this payment stage, you (or others on your behalf) will pay the full cost of your drugs.
- Once you are in this payment stage, you will stay in it until the amount of your year-to-date “out-of-pocket costs” (see Section 3) reaches \$4,350. When this happens, you will move to payment stage 4, Catastrophic Coverage.

STAGE 4

Catastrophic Coverage

- Once you are in this payment stage, the plan will pay most of the cost for your covered drugs.
- Once you are in this payment stage, you will stay in it for the rest of the calendar year (through December 31, 2009).

PART 3. Examples 6-8: partial LIS, with a deductible

(these examples begin on the next page)

[Example 6: partial LIS, with a deductible, in the Yearly deductible stage]

SECTION 2. Which “drug payment stage” are you in?

As shown below, your prescription drug coverage has “drug payment stages.” How much you pay for a prescription depends on which payment stage you are in when you fill it. During the calendar year, whether you move from one payment stage to the next depends on how much is spent for your drugs.

You are in this stage:

STAGE 1

Yearly Deductible

- You began in this payment stage when you filled your first prescription of the year. During this stage, you (or others on your behalf) pay the full cost of your drugs.
- You will stay in this stage **until you (or others on your behalf) have paid \$60** for your drugs.
- As of 05/31/09 you have paid **\$40** for your drugs.

What happens next?

Once you (or others on your behalf) have paid **an additional \$20** for your drugs, you will move to the next payment stage (stage 2, Initial Coverage).

STAGE 2

Initial Coverage

- Once you are in this payment stage, the plan will pay its share of the cost of your drugs and you (or others on your behalf, including “Extra Help” from Medicare) will pay your share of the cost.
- You will stay in this stage until the amount of your year-to-date “out-of-pocket costs” reaches \$4,350. When this happens, you will move to payment stage 4, Catastrophic Coverage.

STAGE 3

Coverage Gap

(Because you are receiving “Extra Help” from Medicare, this payment stage does not apply to you.)

STAGE 4

Catastrophic Coverage

- Once you are in this payment stage, the plan will pay most of the cost for your covered drugs.
- Once you are in this payment stage, you will stay in it for the rest of the calendar year (through December 31, 2009).

[Example 7: partial LIS, with a deductible, in the Initial Coverage Stage]

SECTION 2. Which “drug payment stage” are you in?

As shown below, your prescription drug coverage has “drug payment stages.” How much you pay for a prescription depends on which payment stage you are in when you fill it. During the calendar year, whether you move from one payment stage to the next depends on how much is spent for your drugs.

STAGE 1

Yearly Deductible

- You began in this payment stage when you filled your first prescription of the year. During this stage, you (or others on your behalf) paid the full cost of your drugs.
- You stayed in this stage until you (or others on your behalf) had paid \$60 for your drugs (\$60 is the amount of your deductible). Then you moved to payment stage 2, Initial Coverage.

You are in this stage:

STAGE 2

Initial Coverage

- Now that you are in this payment stage, the plan will pay its share of the cost of your drugs and you (or others on your behalf, including “Extra Help” from Medicare) will pay your share of the cost.
- You will stay in this stage **until the amount of your year-to-date “out-of-pocket costs” reaches \$4,350**. As of 08/31/09 your year-to-date “out-of-pocket costs” was **\$3,350** (see definitions in Section 3).

What happens next?

Once you (or others on your behalf) have paid **an additional \$1,000 in “out-of-pocket costs”** for your drugs, you will move to the next payment stage (stage 4, Catastrophic Coverage).

STAGE 3

Coverage Gap

(Because you are receiving “Extra Help” from Medicare, this payment stage does not apply to you.)

STAGE 4

Catastrophic Coverage

- Once you are in this payment stage, the plan will pay most of the cost for your covered drugs.
- Once you are in this payment stage, you will stay in it for the rest of the calendar year (through December 31, 2009).

[Example 8: partial LIS, with a deductible, in Catastrophic Coverage]

SECTION 2. Which “drug payment stage” are you in?

As shown below, your prescription drug coverage has “drug payment stages.” How much you pay for a prescription depends on which payment stage you are in when you fill it. During the calendar year, whether you move from one payment stage to the next depends on how much is spent for your drugs.

STAGE 1

Yearly Deductible

- You began in this payment stage when you filled your first prescription of the year. During this stage, you (or others on your behalf) paid the full cost of your drugs.
- You stayed in this stage until you (or others on your behalf) had paid \$60 (\$60 is the amount of your deductible). Then you moved to payment stage 2, Initial Coverage.

STAGE 2

Initial Coverage

- While you were in this payment stage, the plan paid its share of the cost of your drugs and you (or others on your behalf) paid your share of the cost.
- You stayed in this stage until the amount of your “out-of-pocket costs” reached **\$4,350**. Then you moved to payment stage 4, Catastrophic Coverage.

STAGE 3

Coverage Gap

(Because you are receiving “Extra Help” from Medicare, this payment stage does not apply to you.)

You are in this stage:

STAGE 4

Catastrophic Coverage

- Now that you are in this stage, the plan will pay most of the cost for your covered drugs.
- For each prescription, you will pay whichever of these is *larger*: a payment equal to 5% of the cost of the drug (this is called “coinsurance”), or a copayment (\$2.40 for a generic drug or a drug that is treated like a generic, \$6.00 for all other drugs).

What happens next?

You will stay in this payment stage, Catastrophic Coverage, for the rest of the calendar year (through December 31, 2009).

PART 4. Example 9: full LIS, in a plan that has a deductible

The page that follows has an example that illustrates what the drug payment stages chart in Section 2 looks like for someone with full LIS who is in drug payment stage 2 (Initial Coverage). The purpose of this example is to show how the model language explains the absence of a deductible for someone with full LIS who is in a plan that has a deductible.

(this example is on the next page)

[Example 9: full LIS, in a plan with a deductible, in the Initial Coverage Stage]

SECTION 2. Which “drug payment stage” are you in?

As shown below, your prescription drug coverage has “drug payment stages.” How much you pay for a prescription depends on which payment stage you are in when you fill it. During the calendar year, whether you move from one payment stage to the next depends on how much is spent for your drugs.

STAGE 1

Yearly Deductible

(Because you are receiving “Extra Help” from Medicare, this payment stage does not apply to you.)

You are in this stage:

STAGE 2

Initial Coverage

- You began in this payment stage when you filled your first prescription of the year.
- During the time that you are in this payment stage, the plan will pay its share of the cost of your drugs and you (or others on your behalf, including “Extra Help” from Medicare) will pay your share of the cost.
- You will stay in this stage **until the amount of your year-to-date “out-of-pocket costs” reaches \$4,350**. As of 08/31/09 your year-to-date “out-of-pocket costs” was **\$3,350** (see definitions in Section 3).

What happens next?

Once you (or others on your behalf) have paid **an additional \$1,000 in out-of-pocket costs** for your drugs, you will move to the next payment stage (stage 4, Catastrophic Coverage).

STAGE 3

Coverage Gap

(Because you are receiving “Extra Help” from Medicare, this payment stage does not apply to you.)

STAGE 4

Catastrophic Coverage

- Once you are in this payment stage, the plan will pay most of the cost for your covered drugs.
- Once you are in this payment stage, you will stay in it for the rest of the calendar year (through December 31, 2009).