



Deloitte.

ETF Options

**Medicare Prescription Drug Improvement
and Modernization Act of 2003**

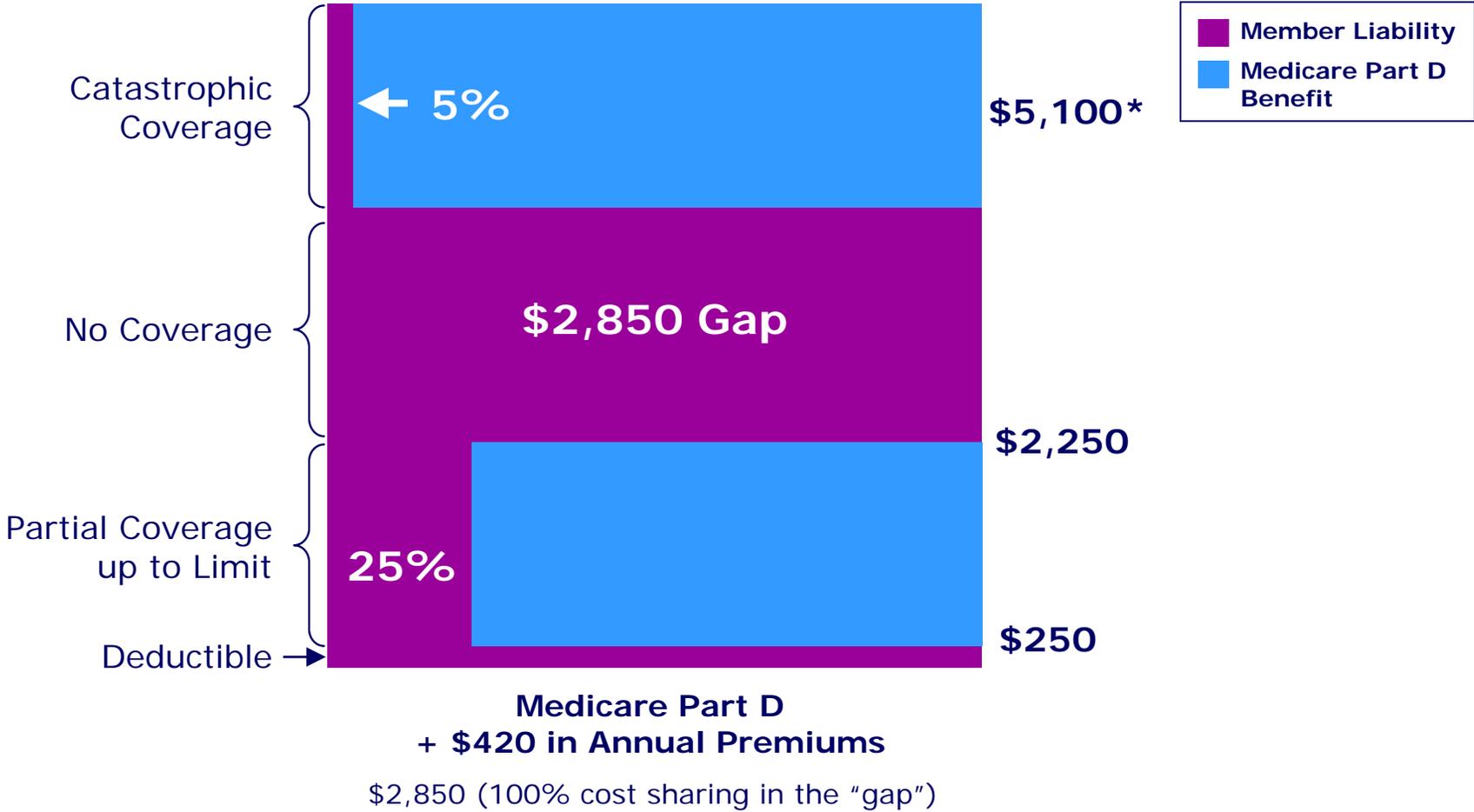
April 19, 2005

Audit.Tax.Consulting.Financial Advisory.

ETF Options—Introduction

- All options involve meaningful savings.
- Savings estimates for options other than the 28% subsidy involve significant assumptions.
- Much guidance from CMS is yet to come.
- With some limitations, the option selected for 2006 may be replaced for 2007.

ETF Options—Standard Medicare Part D Drug Plan



* Equivalent to \$3,600 in member liability
 \$3,600 = \$250 (deductible) + \$500 (25% cost sharing on \$2,000) + \$2,850 (100% cost sharing in the "gap")

Notes: Annual out-of-pocket \$3,600 maximum, all amounts adjusted for inflation.
 Only payable if Medicare enrollee incurs actual out-of-pocket expenses in excess of \$3,600.

ETF Options

Option 1

Qualify for federal subsidy.

Option 2

Design carve-out plan (Medicare is primary).

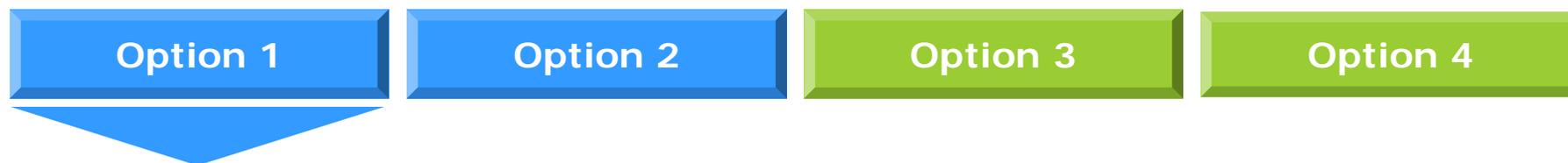
Option 3

Design carve-out plan (Medicare is primary).
Negotiate with one PDP and provide Part D.

Option 4

ETF could become a CMS-approved Medicare PDP.

ETF Options



Description: Qualify for Federal Subsidy

Beginning in 2006, employers will receive a 28% subsidy for cost of Rx claims between \$250 and \$5,000 per retiree

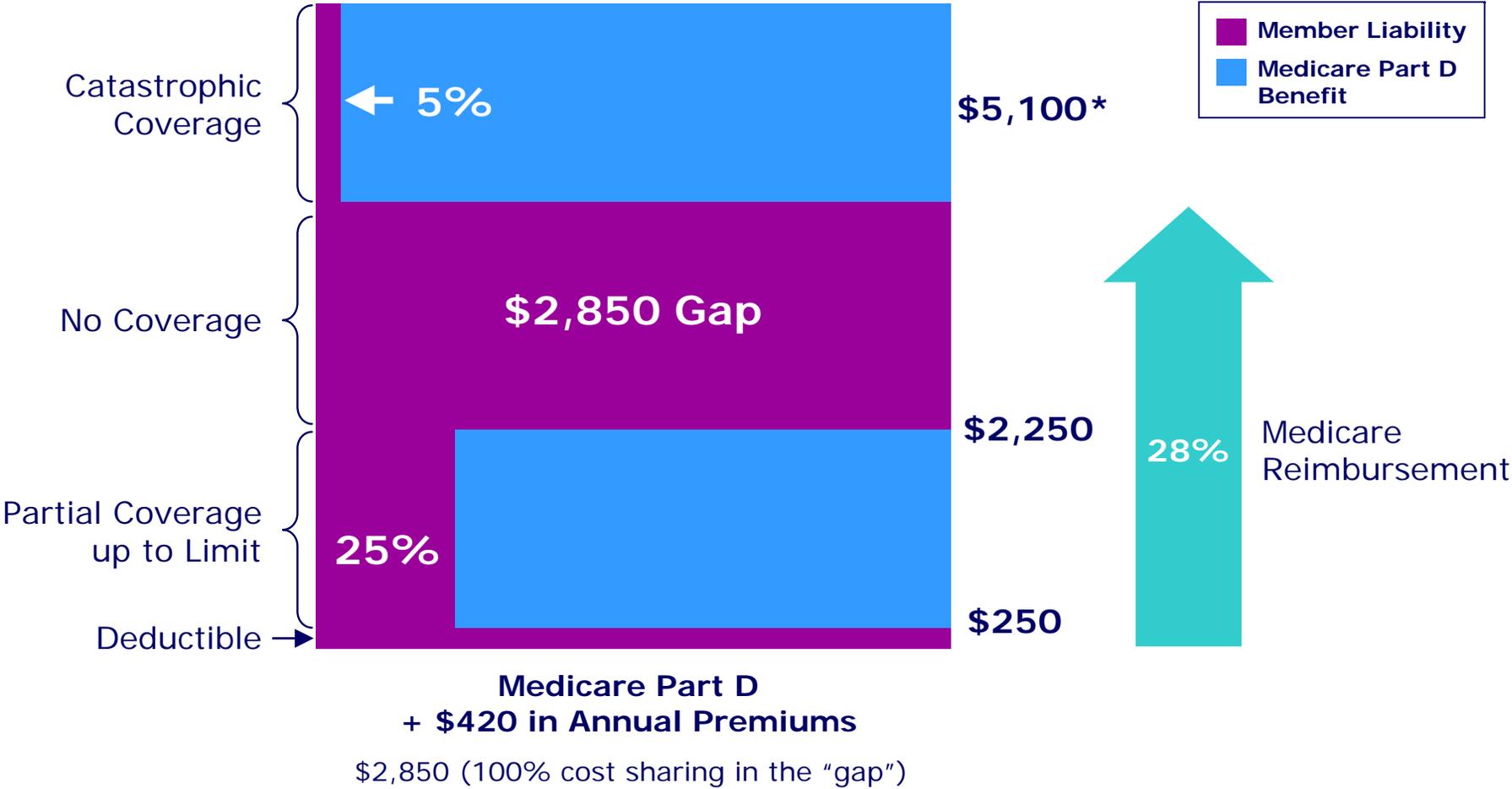
General Observations:

- Based on total cost of drugs, not just employer cost.
- Thresholds are adjusted annually.
- Only available if retirees waive Medicare Part D coverage.
- 28% employer subsidy applies to both employer and retiree costs.
 - Includes retiree co-payments, co-insurance, deductibles (over \$250 but under \$5,000)
 - Excludes administrative costs, discounts, rebates, etc.
 - Applies to only Medicare covered drugs
- Subsidies due to the 80% premium ratio, as well as sick leave pool contributions, are considered.

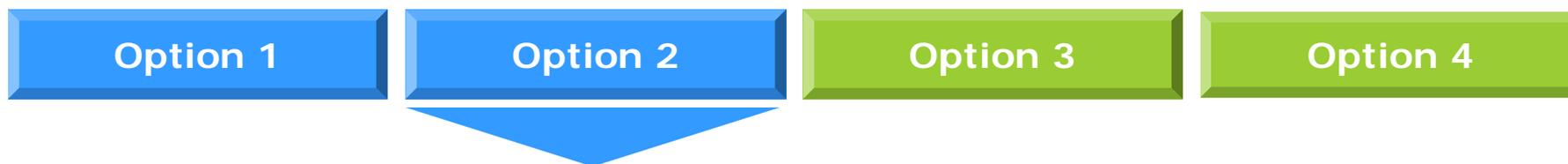
Issues

- Employer-provided benefits must be “actuarially equivalent” to Part D coverage.

ETF Options—28% Subsidy



ETF Options



Description: Design carve-out plan (Medicare is primary)

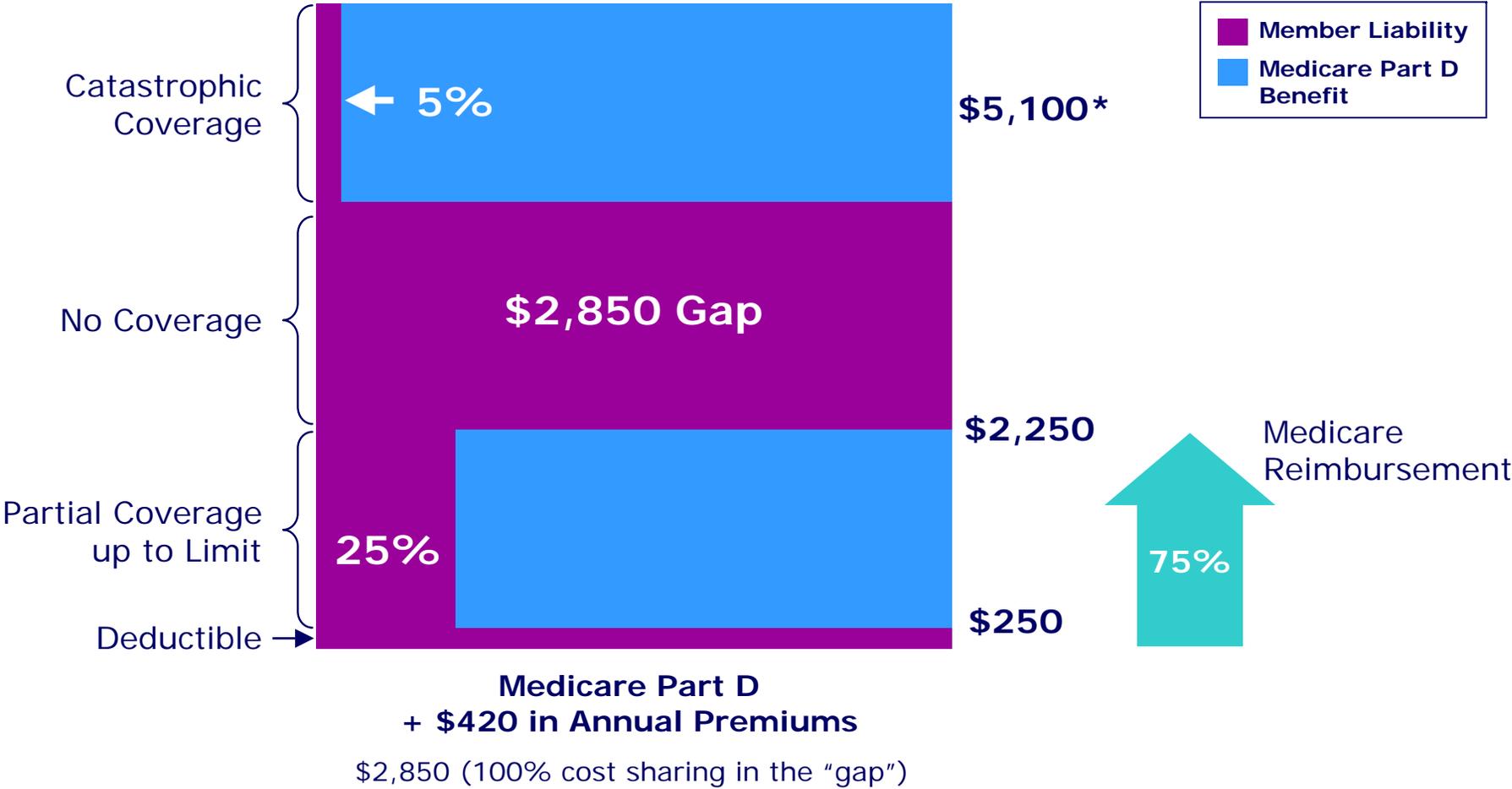
General Observations:

- Retirees would purchase Medicare Part D from a PDP in their area.
- ETF's plan could retain its plan design and still capitalize on Medicare benefits.
- Before catastrophic coverage would begin, a participant must pay \$3,600 out-of-pocket. Thus, catastrophic coverage is probably never triggered due to the presence of a State-sponsored wraparound benefit.
- Retiree would pay the monthly Part D premium.

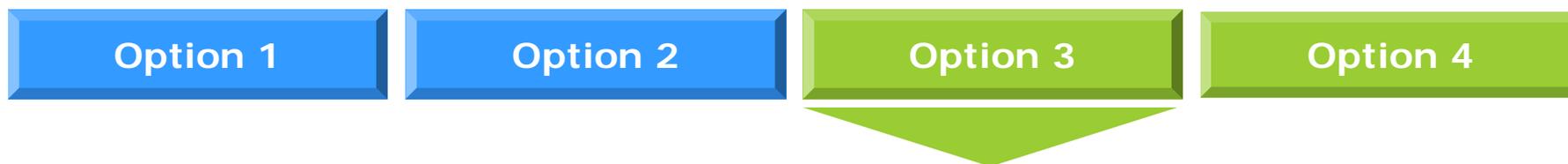
Issues

- Benefits from additional source will impact catastrophic coverage.
- Formulary and provider panel issues may exist in the PDPs utilized by Wisconsin retirees.
- Plan Administration is more complex.
- Some Part D savings will be lost to PDP inefficiencies.
- Retirees may buy different plans and, therefore, plan designs as the "Part D" benefit.

ETF Options—Carve Out



ETF Options



Description: Design carve-out plan (Medicare is primary)—
Negotiate with one PDP

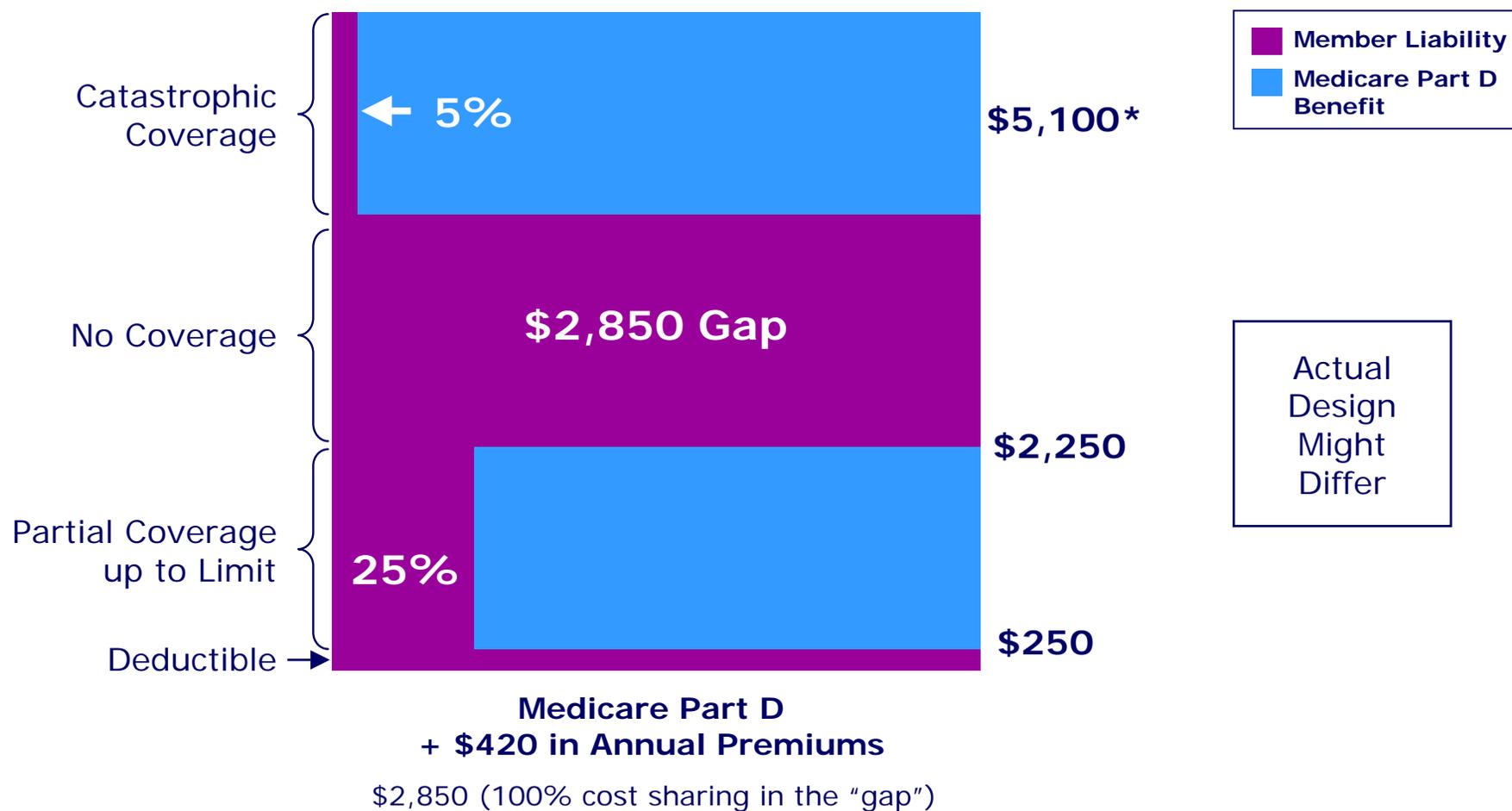
General Observations:

- ETF can customize the Part D benefit somewhat.
- All eligibles would have the same benefit design.
- Catastrophic coverage will still never be triggered.
- Retiree would pay the Part D premium.

Issues

- Benefits from additional source will impact catastrophic coverage.
- Formulary and rebate advantages can be more easily retained.
- Will Navitus serve out-of-state medical eligibles?
- We believe PDP rates would be custom for Wisconsin employees.
- Some risk charges and additional administrative charges are likely to be incurred.

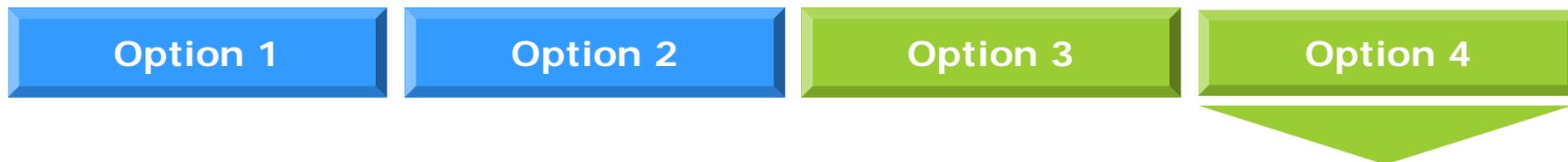
ETF Options—Customized Medicare Carve-Out



* Equivalent to \$3,600 in member liability
 $\$3,600 = \250 (deductible) + $\$500$ (25% cost sharing on $\$2,000$) + $\$2,850$ (100% cost sharing in the "gap")

Notes: Annual out-of-pocket \$3,600 maximum, all amounts adjusted for inflation.
 Only payable if Medicare enrollee incurs actual out-of-pocket expenses in excess of \$3,600.

ETF Options



Description: Establish Wisconsin (ETF) as an employer-sponsored PDP

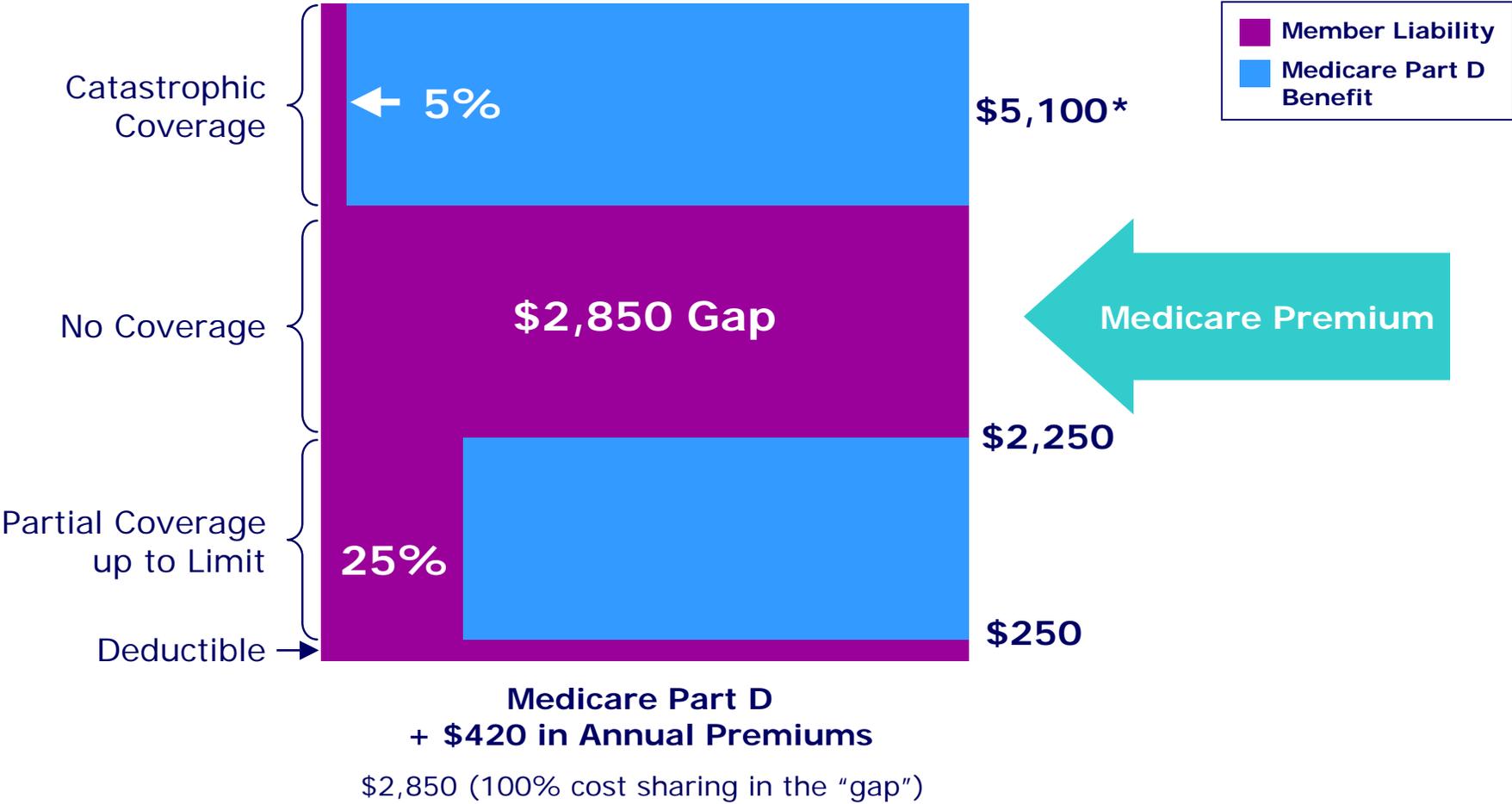
General Observations:

- Plan design would remain under ETF control.
- Medicare pays Wisconsin to sponsor the Medicare D Plan.
- Retirees still pay the Part D premiums.
- Current PBM (Navitus) relationship could remain largely unchanged.
- Little, if any, rebates should be lost.

Issues

- Plan administration will be more complex.
- There will be significant setup costs incurred.
- Timelines are very short.
- Many questions still unanswered.

ETF Options—Employer PDP



Other Options

- Mix 28% subsidy for eligible population with carve-out for others (Options 1 and 3 combined).
- Would this be possible for an ETF-run PDP (Options 1 and 4 combined)?

Cost Summary

		Estimated Savings
Option 1	28% Subsidy for All	\$13,000,000
Option 2	Carve-Out for All	\$ 9,000,000
Option 3	Navitus PDP Product Customized for Wisconsin Employees	
	a) Unchanged	\$10,500,000
	b) Supplemented by 28% Subsidy for Sick Leave Pool Retirees	\$11,100,000
Option 4	ETF-Sponsored Wisconsin Employee PDP	
	a) Unchanged	\$11,200,000
	b) Supplemented by 28% Subsidy for Sick Leave Pool Retirees	\$11,800,000

Note: There is significant guidance yet to be issued.

Deloitte.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, its member firms, and their respective subsidiaries and affiliates. Deloitte Touche Tohmatsu is an organization of member firms around the world devoted to excellence in providing professional services and advice, focused on client service through a global strategy executed locally in nearly 150 countries. With access to the deep intellectual capital of 120,000 people worldwide, Deloitte delivers services in four professional areas — audit, tax, consulting, and financial advisory services — and serves more than one-half of the world's largest companies, as well as large national enterprises, public institutions, locally important clients, and successful, fast-growing global growth companies. Services are not provided by the Deloitte Touche Tohmatsu Verein, and, for regulatory and other reasons, certain member firms do not provide services in all four professional areas.

As a Swiss Verein (association), neither Deloitte Touche Tohmatsu nor any of its member firms has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the names "Deloitte," "Deloitte & Touche," "Deloitte Touche Tohmatsu," or other related names.

In the U.S., Deloitte & Touche USA LLP is the member firm of Deloitte Touche Tohmatsu, and services are provided by the subsidiaries of Deloitte & Touche USA LLP (Deloitte & Touche LLP, Deloitte Consulting LLP, Deloitte Tax LLP, and their subsidiaries) and not by Deloitte & Touche USA LLP. The subsidiaries of the U.S. member firm are among the nation's leading professional services firms, providing audit, tax, consulting, and financial advisory services through nearly 30,000 people in more than 80 cities. Known as employers of choice for innovative human resources programs, they are dedicated to helping their clients and their people excel. For more information, please visit the U.S. member firm's website at www.deloitte.com/us.

Member of
Deloitte Touche Tohmatsu