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Blue Cross Blue Shield Blue Care Network of Michigan

Robert A. Beneficiary
123 Main Street
Everytown, MI 48000

Important information about changes coming soon to your Legacy Medigap plan from Blue Cross.

June XX, 2016

Your Legacy Medigap rates are changing soon. Here's why.

Dear [Robert],

One of the things we all know is that change can sometimes be difficult, especially when it involves something you've grown accustomed to over the years. Soon, Blue Cross will be sending you another letter about some changes to your Medicare Supplement (Legacy Medigap) plan rates. In advance of that letter, we are writing to: 1) explain why these changes must be made; and 2) provide information to help you better understand your Medicare coverage.

You should take no action at this time. When you receive your next letter from us, we will be providing you with information about your rates and the steps you can take.

What is changing with Blue Cross Medigap coverage?

- A subsidy program put in place in 1980 for Blue Cross Medigap has ended. These subsidies were part of a law passed by the state of Michigan that also exempted Blue Cross from paying state taxes. Blue Cross is now required by a new law to pay taxes — more than $100 million a year — and the subsidy program has been replaced.
- The rates you pay today for Medigap coverage have not increased in the past five years. This is due to an agreement between Blue Cross and the state of Michigan that expires this July.
- Health insurance prices typically reflect the cost of providing care. The costs to provide care for our Medigap members have increased every year, but premiums have not kept up. We need to increase our rates to catch up with five years of rising costs.

When will my rates be adjusted?

While the agreement with the state of Michigan to freeze rates expires in July, Blue Cross has agreed to not adjust your rates until January 2017. This will enable you to have time to fully examine your options and prepare for this change.

Will I be able to keep the plan I have now from Blue Cross?

Yes. All you need to do is keep paying your bill on time to continue your coverage.

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Will Medigap subsidies remain available for people most in need?

Yes. The law that now requires Blue Cross to pay taxes also requires us to make additional payments to the Michigan Health Endowment Fund. So far, Blue Cross has paid $210 million toward a total commitment of $1.56 billion to the Fund. The Health Endowment Fund will provide subsidies to Medigap customers who meet eligibility requirements.

Will Blue Cross continue to offer and guarantee its Medigap coverage?

Yes. Blue Cross will continue to offer a number of Medigap plan options and allow you to stay in the plan you have now. Blue Cross has always accepted everyone for Medigap coverage regardless of their health status or medical history. Accepting everyone, no matter how much they use health care services, is an important part of our 77-year legacy of serving the people of Michigan, and that will not change.

What should I do now?

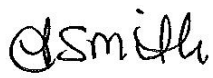
- Take no action at this time.
- Wait for the next letter from Blue Cross to come in the mail soon. That letter will contain more information and provide you with the contact information of a dedicated Blue Cross health plan specialist who will work hand-in-hand with you to answer your questions.
- Review the enclosed material. We are sending you our guidebook, "Making the Most of Medicare." When Medigap plans were created, there were few coverage options for Medicare beneficiaries and no prescription drug coverage. Today, there are many options. This guidebook will help you to better understand your Medicare coverage.

Thank you.

Typically, an insurance company simply sends a letter informing its customers that they will be paying more. In this case, we wanted to make an extra effort. The rates you pay for Medigap today and will pay tomorrow are the result of a complicated formula of subsidies, rate freeze actions and changes to Michigan law over 40 years. They are not simple to understand, or explain.

We value our relationship with you, tremendously. We want to be as helpful as possible in explaining what's happening and why, and offering guidance to help you better understand your Medicare coverage. With this letter and the next one you'll get soon, we hope to continue to earn your trust and loyalty, and to serve your health needs well into the future.

Sincerely,



Julie Smith
Senior Vice President, Senior Health Services

Enclosure: Making the Most of Medicare