

Administrative and Legal Information

This document contains important information. Please keep it for your reference.

Inside, you will find the following:

- **A Notice of Creditable Coverage**, which provides important information about the prescription drug coverage available through the medical plans available to IBM employees and their families. Keep this notice for your records; you may need to provide it if you or one of your dependents enrolls in Medicare prescription drug coverage (Medicare Part D) in the future.
- **Notices and other important legal information**, including notices about the Health Insurance Portability and Accountability Act (HIPAA), the Women's Health and Cancer Rights Act of 1998, protecting your privacy, qualified status changes, and Children's Health Insurance Program

If you (and/or your dependents) have Medicare or will become eligible for Medicare in the next 12 months, a federal law gives you more choices about your prescription drug coverage. Please see page 2 for more details.

Important Notice from IBM

About Your 2014 IBM Prescription Drug Coverage and Medicare

Please read this notice carefully and keep it where you can find it. This notice has information about your IBM prescription drug coverage and the prescription drug coverage available in 2014 for people with Medicare. It also explains the options you have under Medicare prescription drug coverage — and can help you decide whether or not you want to enroll. If you are considering joining, you should compare your current coverage, including which drugs are covered at what cost, with the coverage and cost of the plans offering Medicare prescription drug coverage in your area. At the end of this notice is more information about where you can get help to make decisions about your prescription drug coverage. **This notice applies to any member of your family (including yourself) who is eligible for coverage under both an IBM health plan and Medicare.**

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

- Medicare prescription drug coverage became available in 2006 to everyone with Medicare. You can get Medicare prescription drug coverage through a Medicare prescription drug plan or a Medicare Advantage plan 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.
- IBM has determined that the prescription drug coverage options listed in the “Creditable Coverage” section of this notice are, on average for all plan participants, expected to pay out as much as the standard Medicare prescription drug coverage will pay and are therefore considered Creditable Coverage. If your existing coverage is Creditable Coverage, you can keep this coverage and not pay a penalty (in the form of a higher premium) if you later decide to join a Medicare drug plan.
- IBM has determined that the prescription drug coverage option listed in the “Non-Creditable Coverage” section of this notice is, on average for all plan participants, **not** expected to pay out as much as the standard Medicare prescription drug coverage will pay. Therefore, this coverage option is considered Non-Creditable Coverage. ***This is important because, for most people, enrolling in Medicare prescription drug coverage means you will get more assistance with drug costs than if you enrolled in one of these IBM options. This is also important because it may mean that you may pay a penalty (in the form of a higher premium) if you join a Medicare drug plan after you first become eligible.***
- If you are covered by a prescription drug coverage option that IBM has determined constitutes Non-Creditable Coverage, you can keep your current coverage from IBM. However, because your coverage is Non-Creditable, you have decisions to make about Medicare prescription drug coverage that may affect how much you pay for that coverage, depending on if and when you enroll in a Medicare drug plan. When you make your decision, you should compare your current coverage, including what drugs are covered, with the coverage and cost of plans offering Medicare prescription drug coverage in your area. Read this notice carefully — it explains your options.

Creditable Coverage – IBM Active Employees

If you enroll in prescription drug coverage that is, on average for all plan participants, expected to pay out as much as the standard Medicare prescription drug coverage, your coverage is “Creditable Coverage.” You can keep this coverage and not pay a penalty (in the form of a higher premium) for Medicare prescription drug coverage if you later decide to enroll in Medicare prescription drug coverage.

IBM has determined that the options listed below are, on average for all plan participants, expected to pay out as much as the standard Medicare prescription drug coverage will pay. These options provide Creditable Coverage:

IBM Self-Insured Coverage Options

- IBM EPO
- IBM PPO
- IBM PPO Plus
- IBM Self Managed Plan – Hawaii
- IBM Global Assignee Health Plan

HMO Coverage Options

- BCBS Healthcare Plan of Georgia
- BlueCare Network – Southeast Michigan
- Excellus Blue Cross Blue Shield Rochester Region
- Fallon Community Health Plan – Massachusetts
- Health Alliance Plan – Michigan
- Oxford Freedom HMO – CT
- Oxford Freedom HMO – New Jersey
- Oxford EPO – New York
- HIP Prime HMO
- HMO Illinois
- Humana Health Plan of Puerto Rico
- Kaiser Permanente – Colorado
- Kaiser Permanente – Georgia
- Kaiser Permanente – Hawaii
- Kaiser Permanente – Mid-Atlantic States (DC, Maryland, Virginia)
- Kaiser Permanente – Northern California
- Kaiser Permanente – Northwest (Oregon)
- Kaiser Permanente – Southern California
- UHC of Northern California
- UHC of Southern California
- MVP Health Care
- UPMC Health Plan – Pennsylvania

Because these IBM prescription drug options are, on average for all plan participants, expected to pay out as much as the standard Medicare prescription drug coverage, you can enroll in one of these IBM prescription drug options (assuming you are eligible) and not pay a penalty (in the form of a higher premium) for Medicare prescription drug coverage if you later decide to enroll in Medicare prescription drug coverage.

The coverage options listed above may provide coverage to Medicare participants who are spouses or dependents of IBM active employees.

Non-Creditable Coverage – IBM Active Employees

IBM has determined that the option listed below is, on average for all plan participants, **not** expected to pay out as much as the standard Medicare prescription drug coverage will pay. As a result, this option **does not** provide Creditable Coverage:

- **IBM High Deductible PPO with HSA** – This IBM medical option offers limited prescription drug coverage. If you need to provide coverage for a spouse or dependent who is a Medicare participant, you should consider other coverage options.

Effect of Joining Medicare Drug Plan on Current IBM Coverage

If you decide to enroll in a Medicare prescription drug plan, be aware that this will affect your IBM coverage.

The coverage options listed above pay for other medical expenses in addition to prescription drugs. If you decide to enroll in a Medicare prescription drug plan, your IBM prescription drug coverage will not be affected. However, if your Medicare-eligible spouse or dependent later signs up for Medicare prescription drug coverage, the Medicare-eligible spouse or dependent will be removed from coverage under your IBM coverage option, with a corresponding adjustment to your monthly premium to reflect the remaining participant(s). You will have the opportunity to enroll the affected spouse or dependent in an IBM coverage option during the next health benefits enrollment period if your spouse or dependent is no longer enrolled in a Medicare prescription drug plan.

When Creditable Coverage Ends

Individuals can enroll in a Medicare prescription drug plan when they first become eligible for Medicare and each year from Oct. 15 through Dec. 7. If you do not join a Medicare prescription drug plan when you first become eligible for Medicare (or during a special enrollment period), you may have to wait to join a Medicare prescription drug plan. In addition, if you do not join a Medicare prescription drug plan as soon as your IBM Creditable Coverage ends, you may pay a penalty (in the form of a higher premium) for as long as you have Medicare prescription drug coverage.

Special Enrollment Periods. If you lose Creditable prescription drug coverage through no fault of your own, you will be eligible for a sixty-day (60-day) Special Enrollment Period (SEP) to join a Medicare prescription drug plan. In addition, if you lose or decide to leave IBM-sponsored prescription drug coverage (either Creditable or Non-Creditable), you will be eligible to join a Medicare prescription drug plan at that time using an Employer Group Special Enrollment Period; however, you may also have to pay a higher premium (a penalty) if the IBM-sponsored prescription drug coverage was Non-Creditable Coverage.

Penalty for Gap in Creditable Coverage. You should also know that if you (1) drop or lose your Creditable prescription drug coverage with IBM, and you don't enroll in a Medicare prescription drug plan within 63 continuous days after your Creditable Coverage ends or (2) if you are enrolled in Non-Creditable Coverage and you do not enroll in Creditable Coverage within 63 continuous days after you are first eligible to enroll in a Medicare prescription drug plan, you may pay a penalty (in the form of a higher premium) to enroll in a Medicare prescription drug plan later. If you go 63 continuous days or longer without Creditable prescription drug coverage that is, on average for all plan participants, expected to pay out as much as the standard Medicare prescription drug coverage, your monthly premium for the Medicare prescription drug plan may go up at least 1% of the base beneficiary pre-

mium **per month** for every month (after the end of your initial Medicare enrollment period) that you did not have that prescription drug coverage.

For example, if you go 19 months without Creditable prescription drug coverage before you enroll in Medicare prescription drug coverage, your Medicare prescription drug premium may be at least 19% higher than the base beneficiary premium that many other people pay. You may have to pay this higher premium as long as you have Medicare prescription drug coverage. In addition, you may have to wait until the following October to enroll.

You Need to Make a Decision

When you make your decision, you should compare your IBM coverage, including which drugs are covered, with the coverage and cost of the plans offering Medicare prescription drug coverage in your area.

Note: You may receive this notice at other times in the future, such as before the next period you can enroll in Medicare prescription drug coverage, and if your IBM prescription drug coverage changes. You also may request a copy.

For More Information About Medicare Prescription Drug Coverage

More detailed information about Medicare plans that offer prescription drug coverage is in the “Medicare & You” handbook. If you are eligible for Medicare, you will receive a copy of the handbook in the mail every year from Medicare. You may also be contacted directly by Medicare prescription drug plans. You can also get more information about Medicare prescription drug plans by

- visiting www.medicare.gov
- calling your State Health Insurance Assistance Program (See the inside back cover of your copy of the Medicare & You handbook for the telephone number) for personalized help
- calling 1-800-MEDICARE (1-800-633-4227). TTY users should call 877-486-2048.

If you have limited income and resources, extra help paying for a Medicare prescription drug plan is available. Information about this extra help is available from the Social Security Administration (SSA). For information, visit SSA online at www.socialsecurity.gov, or call them at 800-772-1213 (TTY: 800-325-0778).

Remember: Keep this Prescription Drug Coverage notice. If you have been enrolled in an IBM plan that provides Creditable Coverage and you decide to enroll in one of the Medicare prescription drug plans, you may be required to provide a copy of this notice when you enroll to show that you have maintained Creditable Coverage and that you are not required to pay a penalty (in the form of a higher premium).

For more information about the IBM Retiree Medical Plan, contact the IBM Employee Services Center at 800-796-9876 (TTY for hearing impaired: 800-426-6537). From outside the United States, dial your country’s toll-free AT&T Direct® access number, then dial 800-796-9876. In the U.S., call 800-331-1140 to obtain AT&T Direct access numbers. From anywhere in the world, access numbers are available online at www.att.com/traveler or from your local operator.

Date:	September 2013
Sender:	IBM
Contact Office:	IBM Employee Services Center

Address: P.O. Box 770003
Cincinnati, OH 45277-0071
Phone Number: 800-796-9876

Notices and Other Important Legal Information

HIPAA Notification

IBM's Health Insurance Portability and Accountability Act of 1996 (HIPAA) privacy policy is available in the [Reference Library](#) on Fidelity NetBenefits®, or you may contact the IBM ESC to request a copy.

Women's Health and Cancer Rights Act of 1998

The *Women's Health and Cancer Rights Act of 1998* requires all group health plans that provide medical and surgical benefits with respect to a mastectomy must provide coverage for

- all stages of reconstruction of the breast on which the mastectomy has been performed;
- surgery and reconstruction of the other breast to produce a symmetrical appearance; and
- prostheses and treatment of physical complications of all stages of the mastectomy, including lymphedema.

These services must be provided in a manner determined in consultation with the attending physician and the patient. This coverage may be subject to annual deductibles and copayment provisions applicable to other such medical and surgical benefits provided under the plan. Please refer to your benefit plan description for deductibles and copayment information applicable to the plan in which you choose to enroll.

Qualified Status Changes

A qualified status change is a specific change to your family, employment or coverage status that enables you to make certain benefit changes during the calendar year. These types of changes are defined by Internal Revenue Code Section 125 and include events like marriage, birth of a child, death, divorce and other changes that affect benefits eligibility for you and/or your dependents. You must call the IBM Employee Services Center or log on to NetBenefits® to make eligible changes to your coverage within 30 days of the date of the qualified status change; otherwise, you will not be able to make changes until the next annual enrollment period.

Protecting Your Privacy

Medical and pharmacy claims data and Health Risk Assessment results may be used to determine if you or a covered family member might be eligible for care management, condition management, or other voluntary health support programs. IBM does not have access to personally identifiable health information for any employee, retiree or dependent from any source, and is not involved in identifying or notifying Care Advantage health plan participants.

Your personal health information will remain confidential and will not be shared outside the administration of the plan. Conversations with a Care Coordinator or personal care manager are confidential, as required by federal and state privacy laws. It is important to remember that care managers provide support and information, but their services are not intended to replace those of your doctor. In an emergency, seek medical treatment immediately.

Fraudulent Enrollments or Claims

It is a crime to knowingly, and with intent to injure, defraud, or deceive the company, provide any fraudulent information, including enrolling an individual whom you know is not eligible to participate in the IBM health plans, continuing to maintain coverage for an individual whom you know is not eligible, or filing a claim that contains any false, incomplete, or misleading information. These actions, as well as the submission of materially false information, may result in the rescission of your coverage under the IBM health plans, retroactive to the date of the fraudulent act, and you may be subject to prosecution.

tion and punishment under state and/or federal laws. The IBM health plan(s) would terminate coverage of a participant or beneficiary for a reason such as fraud.

Other Important Legal Information

These materials are intended to provide an overview of certain plans and programs in which you may be eligible to participate. These materials are not an official Summary Plan Description and do not provide full details. Complete details can be found in the formal plan documents, which are the complete and exclusive statement of the company's obligations under the plan. The official plan documents shall govern in the event of a conflict between information contained in these or other documents and statements. The plan administrator retains exclusive authority and discretion to interpret the terms of the benefit plans and programs described herein.

The company reserves the right, in its sole discretion, to amend, change, suspend, or terminate any benefit or other plan, program, practice or policy of the company, at any time. The company does not have any obligation to — and nothing contained in this enrollment guide shall be construed as creating an express or implied obligation or promise on the part of the company to — maintain, continue to offer, or make available such plans, programs, practices or policies.

Eligibility to participate in a plan or program or the receipt of benefits does not constitute a promise or right of continued employment or render any person an employee of IBM or constitute any commitment by IBM to continue any plan or benefit. IBM and its affiliated companies do not endorse any HMO or other provider, or represent or warrant the quality of the care they provide. The decision to choose any health plan option or use any provider is the participant's responsibility.

Third-party trademarks and service marks are the property of their respective owners.

Premium Assistance Under Medicaid and the Children's Health Insurance Program (CHIP)

If you or your children are eligible for Medicaid or CHIP and you are eligible for health coverage from your employer, your state may have a premium assistance program that can help pay for coverage. These states use funds from their Medicaid or CHIP programs to help people who are eligible for these programs, but also have access to health insurance through their employer. If you or your children are not eligible for Medicaid or CHIP, you will not be eligible for these premium assistance programs.

If you or your dependents are already enrolled in Medicaid or CHIP and you live in a state listed below, you can contact your state Medicaid or CHIP office to find out if premium assistance is available.

If you or your dependents are NOT currently enrolled in Medicaid or CHIP, and you think you or any of your dependents might be eligible for either of these programs, you can contact your state Medicaid or CHIP office, dial **1-877-KIDS NOW (1-877-543-7669)**, or go to **www.insurekidsnow.gov** to find out how to apply. If you qualify, you can ask the state if it has a program that might help you pay the premiums for an employer-sponsored plan.

Once it is determined that you or your dependents are eligible for premium assistance under Medicaid or CHIP, as well as eligible under your employer plan, your employer must permit you to enroll in your employer plan if you are not already enrolled. This is called a "special enrollment" opportunity, and **you must request coverage within 60 days of being determined eligible for premium assistance**. If you have questions about enrolling in your employer plan, you can contact the Department of Labor electronically at www.askebsa.dol.gov or by calling toll-free 1-866-444-EBSA (3272).

If you live in one of the following states, you may be eligible for assistance paying your employer health plan premiums. The following list of states is current as of July 31, 2013. You should contact your state for further information on eligibility –

ALABAMA – Medicaid	COLORADO – Medicaid
Website: http://www.medicaid.alabama.gov Phone: 1-855-692-5447	Medicaid Website: http://www.colorado.gov/ Medicaid Phone (In state): 1-800-866-3513 Medicaid Phone (Out of state): 1-800-221-3943
ALASKA – Medicaid	
Website: http://health.hss.state.ak.us/dpa/programs/medicaid/ Phone (Outside of Anchorage): 1-888-318-8890 Phone (Anchorage): 907-269-6529	
ARIZONA – CHIP	FLORIDA – Medicaid
Website: http://www.azahcccs.gov/applicants Phone (Outside of Maricopa County): 1-877-764-5437 Phone (Maricopa County): 602-417-5437	Website: https://www.flmedicaidtplrecovery.com/ Phone: 1-877-357-3268
	GEORGIA – Medicaid
	Website: http://dch.georgia.gov/ Click on Programs, then Medicaid, then Health Insurance Premium Payment (HIPP) Phone: 1-800-869-1150

IDAHO – Medicaid and CHIP	MONTANA – Medicaid
Medicaid Website: www.accesstohealthinsurance.idaho.gov Medicaid Phone: 1-800-926-2588 CHIP Website: www.medicaid.idaho.gov CHIP Phone: 1-800-926-2588	Website: http://medicaidprovider.hhs.mt.gov/clientpages/clientindex.shtml Phone: 1-800-694-3084
INDIANA – Medicaid	NEBRASKA – Medicaid
Website: http://www.in.gov/fssa Phone: 1-800-889-9949	Website: www.ACCESSNebraska.ne.gov Phone: 1-800-383-4278
IOWA – Medicaid	NEVADA – Medicaid
Website: www.dhs.state.ia.us/hipp/ Phone: 1-888-346-9562	Medicaid Website: http://dwss.nv.gov/ Medicaid Phone: 1-800-992-0900
KANSAS – Medicaid	
Website: http://www.kdheks.gov/hcf/ Phone: 1-800-792-4884	
KENTUCKY – Medicaid	NEW HAMPSHIRE – Medicaid
Website: http://chfs.ky.gov/dms/default.htm Phone: 1-800-635-2570	Website: http://www.dhhs.nh.gov/oii/documents/hippapp.pdf Phone: 603-271-5218
LOUISIANA – Medicaid	NEW JERSEY – Medicaid and CHIP
Website: http://www.lahipp.dhh.louisiana.gov Phone: 1-888-695-2447	Medicaid Website: http://www.state.nj.us/humanservices/dmahs/clients/medicaid/ Medicaid Phone: 609-631-2392 CHIP Website: http://www.njfamilycare.org/index.html CHIP Phone: 1-800-701-0710
MAINE – Medicaid	
Website: http://www.maine.gov/dhhs/ofi/public-assistance/index.html Phone: 1-800-977-6740 TTY 1-800-977-6741	
MASSACHUSETTS – Medicaid and CHIP	NEW YORK – Medicaid
Website: http://www.mass.gov/MassHealth Phone: 1-800-462-1120	Website: http://www.nyhealth.gov/health_care/medicaid/ Phone: 1-800-541-2831

MINNESOTA – Medicaid	NORTH CAROLINA – Medicaid
Website: http://www.dhs.state.mn.us/ Click on Health Care, then Medical Assistance Phone: 1-800-657-3629	Website: http://www.ncdhhs.gov/dma Phone: 919-855-4100
MISSOURI – Medicaid	NORTH DAKOTA – Medicaid
Website: http://www.dss.mo.gov/mhd/participants/pages/hipp.htm Phone: 573-751-2005	Website: http://www.nd.gov/dhs/services/medicalserv/mcicaid/ Phone: 1-800-755-2604
OKLAHOMA – Medicaid and CHIP	UTAH – Medicaid and CHIP
Website: http://www.insureoklahoma.org Phone: 1-888-365-3742	Website: http://health.utah.gov/upp Phone: 1-866-435-7414
OREGON – Medicaid and CHIP	VERMONT – Medicaid
Website: http://www.oregonhealthykids.gov http://www.hijosaludablesoregon.gov Phone: 1-800-699-9075	Website: http://www.greenmountaincare.org/ Phone: 1-800-250-8427
PENNSYLVANIA – Medicaid	VIRGINIA – Medicaid and CHIP
Website: http://www.dpw.state.pa.us/hipp Phone: 1-800-692-7462	Medicaid Website: http://www.dmas.virginia.gov/rcp-HIPP.htm Medicaid Phone: 1-800-432-5924 CHIP Website: http://www.famis.org/ CHIP Phone: 1-866-873-2647
RHODE ISLAND – Medicaid	WASHINGTON – Medicaid
Website: www.ohhs.ri.gov Phone: 401-462-5300	Website: http://hrs.dshs.wa.gov/premiumpymt/Apply.shtm Phone: 1-800-562-3022 ext. 15473
SOUTH CAROLINA – Medicaid	WEST VIRGINIA – Medicaid
Website: http://www.scdhhs.gov Phone: 1-888-549-0820	Website: www.dhhr.wv.gov/bms/ Phone: 1-877-598-5820, HMS Third Party Liability
SOUTH DAKOTA - Medicaid	WISCONSIN – Medicaid
Website: http://dss.sd.gov Phone: 1-888-828-0059	Website: http://www.badgercareplus.org/pubs/p-

	10095.htm Phone: 1-800-362-3002
TEXAS – Medicaid	WYOMING – Medicaid
Website: https://www.gethipptexas.com/ Phone: 1-800-440-0493	Website: http://health.wyo.gov/healthcarefin/equalitycare Phone: 307-777-7531

To see if any more states have added a premium assistance program since July 31, 2013, or for more information on special enrollment rights, you can contact either:

U.S. Department of Labor
Employee Benefits Security Administration
www.dol.gov/ebsa
1-866-444-EBSA (3272)

U.S. Department of Health and Human Services
Centers for Medicare & Medicaid Services
www.cms.hhs.gov
1-877-267-2323, Menu Option 4, Ext. 61565

THIS NOTICE IS REQUIRED BY THE U.S. GOVERNMENT AND IS NOT AN IBM
COMMUNICATION

**Please read this important notice regarding the New Health Insurance Marketplace
Coverage Options and Your Health Plan**

When key parts of the health care law take effect in 2014, there will be a new way to buy health insurance: the Health Insurance Marketplace. To assist you as you evaluate options for you and your family, this notice provides some basic information about the new Marketplace and employment-based health coverage offered by your employer.

What is the Health Insurance Marketplace?

The Marketplace is designed to help you find health insurance that meets your needs and fits your budget. The Marketplace offers "one-stop shopping" to find and compare private health insurance options. You may also be eligible for a new kind of tax credit that lowers your monthly premium right away. Open enrollment for health insurance coverage through the Marketplace begins in October 2013 for coverage starting as early as January 1, 2014.

Can I Save Money on my Health Insurance Premiums in the Marketplace?

You may qualify to save money and lower your monthly premium, but only if your employer:

- a) does not offer coverage, or
- b) offers coverage that does not meet certain standards.

The savings on your premium that you're eligible for depends on your household income.

Does Employer Health Coverage Affect Eligibility for Premium Savings through the Marketplace?

Yes. If you have an offer of health coverage from your employer that meets certain standards, you will not be eligible for a tax credit through the Marketplace; in that case you may wish to enroll in your employer's health plan.

However, you may be eligible for a tax credit that lowers your monthly premium or a reduction in certain cost-sharing if your employer does not offer coverage to you at all or does not offer coverage to you that meets certain standards. If the cost of a plan from your employer that would cover you (and not any other members of your family) is more than 9.5% of your household income for the year, or if the coverage your employer provides does not meet the "minimum value" standard set by the Affordable Care Act, you may be eligible for a tax credit.¹

Note: Please be aware that if you purchase a health plan through the Marketplace instead of accepting health coverage offered by your employer, you may lose the employer's contribution, if any, to the employer-offered coverage. Also, this employer contribution - as well as your contribution to employer-offered coverage - is often

excluded from income for Federal and State income tax purposes. Your payments for coverage through the Marketplace would be made by you on an after-tax basis.

How Can I Get More Information?

The About Your Benefits (Summary Plan Description) document, available on W3, contains information about IBM's group health plan for active employees. You may also contact the IBM Employee Services Center toll-free at 1-800-796-9876, Monday through Friday (excluding New York Stock Exchange holidays), between 8:30 a.m. and 8:30 p.m. Eastern time, to speak with a Customer Service Associate.

The Marketplace can help you evaluate your coverage options, including your eligibility for coverage through the Marketplace and its cost. Please visit <https://www.healthcare.gov/> for more information, including an online application for health insurance coverage and contact information for a Health Insurance Marketplace in your area.

¹ An employer-sponsored health plan meets the "minimum value" standard if the plan's share of the total allowed benefit costs covered by the plan is no less than 60 percent of such costs.