

<Code>
<First Name> <Last Name>
<Address 1>
<Address 2>
<City>, <State> <Zip>
<Bar Code>



2008 ANNUAL NOTICE OF CHANGE

Annual Enrollment Period: November 15th to December 31st each year

During this Annual Enrollment Period, you have the opportunity to switch plans. Take the opportunity to compare the benefits, costs, and restrictions of the plans available in your area and choose the plan that is best for you. If you are satisfied with your current plan, you do not need to take any action.

Dear <Member First Name, Member Last Name>:

This is the time of year when we like to thank you for your membership and let you know of new plan changes for the upcoming year. Beginning January 1, 2008, there will be some changes to your 2007 **YOURx PLAN™** coverage. Along with these changes, we want to take this opportunity to let you know that your plan will have a new name for the upcoming year—**Medco Medicare Prescription Plan™** for Tennessee Valley Authority (TVA).

The following are described in this letter:

- **How will my monthly premium change for 2008?**
- **How will my prescription drug coverage and cost-sharing change for 2008?**
- **What if my drug is no longer on the formulary or is in a more expensive cost-sharing tier in 2008?**
- **What do I need to know if I'm getting extra help from Medicare to pay for my prescription drugs?**
- **What happens if I want to leave my current Medicare Prescription Drug Plan?**
- **Where can I get more information?**

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How will my monthly premium change for 2008?

Your monthly premium for your Medicare Supplement plan includes the Medicare Part D prescription benefit as well as medical coverage. TVA will send you a letter in late October with your 2008 Medicare Supplement premium.

This amount does not include any late enrollment penalty (higher premium) you may be responsible for paying. Individuals without drug coverage that is at least as good as Medicare's standard prescription drug coverage (called "creditable prescription drug coverage") may have to pay a late enrollment penalty (higher premium) when they sign up for Medicare prescription drug coverage. The longer an individual waits to enroll in a Medicare drug plan, the higher the penalty may be.

How will my prescription drug coverage and cost-sharing change for 2008?

All changes begin January 1, 2008, and will be in effect through December 31, 2008, except for mid-year formulary changes, which generally are limited to formulary changes that decrease cost or increase safety. Rest assured that you will still be a member of **Medco Medicare Prescription Plan** for the coming year if you do nothing to change your Medicare coverage.

The Medco Medicare Prescription Plan — three stages of coverage

The charts on the following pages let you know what you are responsible for paying at each stage.

Stage 1: Your Deductible

The deductible will continue to be \$50.00.

2007 vs 2008 Deductible

	2007 Deductible	2008 Deductible
Amount	\$50.00	\$50.00

Stage 2: Initial Coverage Limit

The Initial Coverage Limit has increased from \$3,850.00 in 2007 to \$4,050.00 in 2008.

During the initial coverage period the plan will pay part of the costs for your covered drugs and you (or others on your behalf) will pay the other part. The amount you pay when you fill a covered prescription is called the co-payment/coinsurance. Your co-payment/coinsurance will vary depending on the drug and where the prescription is filled.

The chart below shows your co-payment amounts (a set flat fee) for covered drugs. The **Medco Medicare Prescription Plan** pays the remainder of all your prescription drug costs until your out-of-pocket costs reach \$4,050.00, and then you move to Stage 3.

Below are the costs you will pay for your medications

2007 vs 2008 Co-Payments and Coinsurance

Types of drugs in each tier	Retail Pharmacy 30-day supply		Retail Pharmacy 90-day supply		Mail-Order Pharmacy 90-day supply	
	2007	2008	2007	2008	2007	2008
Generics (Tier 1)	\$10.00	\$10.00	\$30.00	\$30.00	\$20.00	\$20.00
Preferred brand name (Tier 2)	\$30.00	\$30.00	\$90.00	\$90.00	\$60.00	\$60.00
Non-preferred brand name (Tier 3)	\$50.00	\$50.00	\$150.00	\$150.00	\$100.00	\$100.00
Specialty (Tier 4)	\$50.00	\$50.00	\$150.00	\$150.00	\$100.00	\$100.00

Stage 3: Catastrophic Coverage

After your true out-of-pocket costs reach \$4,050.00, you are eligible for coverage as described in the chart below for any additional covered medication costs in 2008.

In Stage 3, there is no limit on the amount the plan pays for the remainder of the calendar year.

2007 vs 2008 Co-Payments and Coinsurance

	2007	2008	2007	2008
	Retail Pharmacy Up to a 30-day supply	Retail Pharmacy Up to a 30-day supply	Medco By Mail Pharmacy Up to a 90-day supply	Medco By Mail Pharmacy Up to a 90-day supply
Generics	Greater of \$2.15 or 5% coinsurance	Greater of \$2.25 or 5% coinsurance	Greater of \$2.15 or 5% coinsurance	Greater of \$2.25 (including brand drugs treated as generics) or 5% coinsurance
Brand-name drugs	Greater of \$5.35 or 5% coinsurance	Greater of \$5.60 or 5% coinsurance	Greater of \$5.35 or 5% coinsurance	Greater of \$5.60 or 5% coinsurance

Prescription drugs with quantity limitations, prior authorizations, and step therapy requirements

For certain prescription drugs, we have additional requirements for coverage or limits on our coverage. These requirements and limits ensure that our members use these drugs in the most effective way.

Quantity Limits:

For certain drugs, **Medco Medicare Prescription Plan** limits the amount of the drug that **Medco Medicare Prescription Plan** will cover. For example, **Medco Medicare Prescription Plan** provides 30 tablets per prescription for *Crestor*[®]. This may be in addition to a standard 30- or 90-day supply.

Quantity Limits will also now apply to the following drugs for the 2008 plan year:

<i>Actonel</i> [®] 75mg	<i>Emend</i> [®] 40mg
<i>Clarinex</i> [®] 2.5mg	<i>Glycron</i> [™] 4.5mg

Prior Authorizations:

The **Medco Medicare Prescription Plan** requires you to get prior authorization for certain drugs. This means that you will need to get approval from **Medco Medicare Prescription Plan** before you fill your prescriptions. If you don't get approval, **Medco Medicare Prescription Plan** may not cover the drug.

Prior Authorization is also now required for the following drugs for the 2008 plan year:

<i>Brovana</i> [™]	<i>Pediarix</i> [®]
<i>Comvax</i> [®]	<i>Recombivax HB</i> [®]
<i>Engerix-B</i> [®]	<i>Twinrix</i> [®]
<i>Gardasil</i> [®]	<i>Zostavax</i> [®]
metaproterenol sulfate	

Drug types and tiers found in our formulary

Drugs on our formulary are organized into different drug tiers, or groups of different drug types. Your co-payment/coinsurance depends on which drug tier your drug is in.

Drug Tier changes from 2007 to 2008

Type of Drug	Tier
Generics	1
Preferred brand name	2
Non-preferred brand name	3
Specialty	4

Drugs	2007 Tier	2008 Tier
<i>Actonel</i> [®]	2	3
<i>Agenerase</i> [®]	2	3
<i>Alkeran</i> [®]	2	4
<i>Allegra-D</i> [®] 12 Hour	2	3
<i>Allegra-D</i> [®] 24 Hour	2	3
<i>Alrex</i> [®]	2	3
<i>Aranesp</i> [®]	4	2
<i>Baraclude</i> [®]	4	2
<i>Betoptic S</i> [®]	2	3
<i>Byetta</i> [®]	2	3
<i>Carbatrol</i> [®]	3	2
cefoxitin 1g vial	1	2
<i>Copaxone</i> [®]	2	4

Drugs	2007 Tier	2008 Tier
<i>Cyklokapron</i> [®]	3	2
<i>Denavir</i> [®]	3	2
<i>Effexor</i> [®] XR	3	2
<i>Elidel</i> [®]	2	3
<i>Enbrel</i> [®]	2	4
<i>Epogen</i> [®]	4	3
<i>Estring</i> [®]	2	3
fentanyl citrate 0.05mg/ml vial	1	2
gentamicin sulfate 10mg/ml vial	1	2
<i>Humira</i> [®]	2	4
<i>Intron</i> [®] A	4	2

Drug Tier changes from 2007 to 2008

Drugs	2007 Tier	2008 Tier
<i>Kadian</i> [®]	3	2
<i>Levaquin</i> [®]	2	3
<i>Lialda</i> [™]	3	2
meperidine HCl	2	1
metoclopramide HCl	2	1
metoprolol tartrate	2	1
morphine sulfate 8mg/ml vial	1	2
<i>Neulasta</i> [®]	4	3
<i>Norditropin</i> [®]	2	4
<i>Norditropin NordiFlex</i> [®]	2	4
<i>NuvaRing</i> [®]	2	3
<i>Procrit</i> [®]	4	2
<i>Prolastin</i> [®]	2	4
<i>Rebif</i> [®]	2	4

Drugs	2007 Tier	2008 Tier
<i>Rescriptor</i> [®]	2	3
<i>Rhinocort Aqua</i> [®]	2	3
<i>Ridaura</i> [®]	2	3
<i>Ritalin</i> [®] LA	2	3
sodium bicarbonate	1	2
<i>Stimate</i> [®]	4	2
<i>Symlin</i> [®]	2	3
<i>Testim</i> [®]	2	3
<i>Tev-Tropin</i> [®]	2	4
<i>Truvada</i> [®]	2	4
<i>Vexol</i> [®]	2	3
<i>Vivelle</i> [®]	3	2
<i>Vivelle-Dot</i> [®]	3	2
<i>Zoladex</i> [®]	2	3
<i>Zovirax</i> [®]	2	3

Erectile Dysfunction agents have been excluded from coverage under Medicare Part D for 2008.

These include:

<i>Caverject</i> [®]	<i>Levitra</i> [®]
<i>Cialis</i> [®]	<i>Muse</i> [®]
<i>Edex</i> [®]	<i>Viagra</i> [®]

What if my drug is no longer on the formulary or is in a more expensive cost-sharing tier in 2008?

We have changed our formulary. We have added, removed, or placed more limitations on some of the drugs we cover. Please review the formulary to see if we still cover the drugs that you currently take. To get a complete listing of all the drugs we cover, you can visit our website or call Customer Service. You can also call Customer Service if you need any information about a certain drug.

If a drug we currently cover for you is not on our new formulary, you will need to talk with your doctor about taking an alternative drug that is available on our new formulary. If you wish to continue coverage of your current drug, you or your doctor can request a formulary exception. If a drug we currently cover for you is on our new formulary but has been moved to the higher non-preferred cost-sharing tier, you can talk with your doctor about taking an alternative drug that is available in a lower cost-sharing tier. If you wish to pay the lower preferred cost-sharing amount for the drug, you or your doctor can request a tiering exception. If you or your doctor would like to request an

exception, the request should be made by December 31, 2007. Please refer to the enclosed **Medco Medicare Prescription Plan** formulary for instructions on how to file an exception. If the formulary exception request is approved, we will continue covering your current drug on January 1. If the tiering exception request is approved, we will cover your current drug at the preferred cost-sharing amount on January 1.

What do I need to know if I'm getting extra help from Medicare to pay for my prescription drugs?

If you continue to qualify for the same amount of help next year, the table below tells you how your prescription costs will change.

If you pay up to this much this year (2007)	You will pay up to this much next year (2008)
\$0.00 deductible	\$0.00 deductible
\$50.00 deductible	\$50.00 deductible
\$1.00 for generics and brands that are treated as generics	\$1.05 for generics and brands that are treated as generics
\$3.10 for brand-name drugs	\$3.10 for brand-name drugs
\$2.15 for generics and brands that are treated as generics	\$2.25 for generics and brands that are treated as generics
\$5.35 for brand-name drugs	\$5.60 for brand-name drugs
No more than 15% coinsurance for all drugs	No more than 15% coinsurance for all drugs

If you qualify for extra help, you pay a reduced monthly premium. If you continue to qualify for the same amount of extra help in 2008, the table below tells how much your premium will be reduced by. (This doesn't include any Medicare Part B premium you may have to pay.) If you don't know your level of extra help, call us.

Your level of extra help	Your monthly premium will be reduced by
100%	\$27.90
75%	\$20.90
50%	\$14.00
25%	\$7.00

You may get (or may have gotten) a letter from Medicare or Social Security about your 2008 eligibility for extra help. Read this important information carefully. If you don't know what level of extra help you qualify for, you can call **1-800-MEDICARE (1-800-633-4227)**. TTY/TDD users should call **1-877-486-2048**. Customer Service representatives are available 24 hours a day, including weekends.

What happens if I want to leave my current Medicare Prescription Drug Plan?

TVA retirees (or eligible dependents) may disenroll from this plan at any time. Disenrolling from this plan will cancel prescription drug coverage as well as medical coverage in the TVA-sponsored Medicare Supplement plan. If a retiree disenrolls from this plan, coverage for all dependents will also end. Call the TVA Service Center at 1-888-275-8094 with questions about disenrolling from the TVA plan.

Every year, from November 15–December 31, during the Annual Election Period (AEP), anyone with Medicare may switch Medicare plans. Your change will take effect on January 1.

Outside of this time period, you generally can't make any other changes during the year unless you meet special exceptions, such as if you move, if you have Medicaid coverage, or if you get extra help in paying for your drugs.

For more information about these times and the choices available to you, look at your “Medicare & You” handbook. This handbook is mailed to everyone with Medicare each fall. You may also visit www.medicare.gov on the web or call **1-800-MEDICARE (1-800-633-4227)**. TTY/TDD users should call **1-877-486-2048**.

Where can I get more information?

Please call our Customer Service department toll-free at **1-800-592-4520**, 24 hours a day, 7 days a week (except Thanksgiving and Christmas), if you have any questions. Customer Service is available in English and other languages. TTY/TDD users should call **1-800-716-3231**.

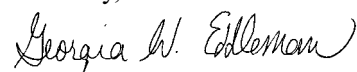
You can contact us if you need more information about:

- How we manage the use of services and costs;
- The number of appeals and grievances filed by our members; or
- A description of our financial condition, including a summary of our most recent audit statement.

You can also get information about the Medicare program and Medicare plans by visiting www.medicare.gov on the web or by calling **1-800-MEDICARE (1-800-633-4227)**. TTY/TDD users should call **1-877-486-2048**. Customer Service representatives are available 24 hours a day, including weekends, to answer your Medicare questions.

We look forward to serving you now and in the future.

Sincerely,



Georgia W. Eddleman
Vice President
General Manager, Medicare
Medco

Encl: Evidence of Coverage
Formulary