

For Distribution to Brokers/Wholesalers/Administrators Only

September 23, 2003

Prescription Drugs Overcharge: Family Level Coverage Only

Market: Family RX Plans with a Deductible

CareFirst BlueCross BlueShield (CareFirst) recently learned of an error in our processing system that resulted in our overcharging some members who have three-tier prescription drug coverage.

The following members are affected by this situation ONLY if their family prescription drug plan includes a deductible:

- Individual CareFirst BlueChoice members
- Small (DC & VA and Non-MSGR) and large group CareFirst BlueChoice members
- Small (DC & VA and Non-MSGR) and large group BluePreferred members
- CapitalCare members

The following are NOT affected:

- All ASO accounts
- All MSGR accounts
- Individual BluePreferred members
- All Two-Tier RX plans
- All RX plans without a deductible
- All 3-tier MD-based product members
- Individual, Parent/Child, Husband/Wife coverage levels

CareFirst began converting its group prescription drug business from a two-tier to three-tier benefit in 2000. While it was not the Company's intent, all subsequent contracts were written to include a family maximum on deductibles of 2 times the individual level. That is, if a plan offers a \$100 deductible, a family of four would reach their maximum family deductible at \$200.

While this was included in the group contract for all affected groups, it was not stated as such in member marketing material, nor was it adjudicated in this fashion. Rather, members were told that each member of the plan must reach his/her maximum deductible independent of the other family members. Therefore, if a plan offers a \$100 deductible, each member of a family of four would need to reach their \$100 maximum independently – thus, their maximum family deductible is \$400, rather than \$200.

CareFirst has now corrected this problem, effective September 4, 2003, for all affected accounts.

We are now conducting an audit to identify those current and previous members who are owed a reimbursement due to this error. While this audit is expected to take several months, we hope to mail reimbursement checks to all affected members by the end of this year.

CareFirst is notifying accounts of this situation by way of a letter. CareFirst regrets this error and we apologize for any inconvenience it may have caused your accounts. If you have any questions please contact your Broker Sales Representative.



Shekar Subramaniam
Director, Broker Sales