

For Coventry Health Care Brokers and Agents Only
Not for Medicare Beneficiaries

January 9, 2009

2009 Compensation Structure for MA and PDP Plans
Frequently Asked Questions

In July 2008, the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA) was approved by Congress and became law. In September 2008, the Centers for Medicare & Medicaid Services (CMS) outlined new regulations and necessary changes needed to implement the MIPPA requirements. Included in these regulations were requirements to implement a uniform compensation structure for the payment of commissions for enrollment in Medicare Advantage and Medicare Part D plans.

Why has CMS imposed commission limitations for the sale of Medicare Advantage and Part D Prescription Drug products?

One of the CMS requirements directed plans to establish reasonable limitations on broker and agent compensation levels. CMS guidance indicated that a uniform compensation structure would address several key goals:

- prevent the tendency of agents to move beneficiaries to various plans solely for commission purposes ("churning");
- ensure that all plans are in compliance with the MIPPA requirement for compensation to reflect fair market value;
- ensure all plans achieve and maintain consistency in commission rates;
- to maintain agent and broker focus on what is best for beneficiaries, and
- ensure that beneficiaries are enrolling in MA and PDP plans that best suit their individual needs.

How did CMS determine the new commission amounts?

CMS conducted an in-depth analysis of broker compensation data from the fee schedules of 292 Medicare Advantage Organizations (MAOs) that included marketing-organization-paid and plan-paid writing agents. Additional criteria included plan type and geographic information. CMS announced the results of their final analysis on December 24, 2008.

Does this impact any 2009 commission that Coventry has already paid out?

Yes; the new CMS regulations established the maximum allowable

commission rate Coventry can pay its agents for enrollments with 2009 effective dates.

Coventry issued interim commission payments while awaiting CMS release of the national fair market values for the 2009 Medicare Advantage and Medicare Part D commission structure. The commission payments released thus far by Coventry are based on our original higher rates filed before the announcement of the fair market values. We have adjusted our rates and will be filing them according to the CMS guidance. We anticipate that they will be approved and in place at or before the end of January 2009. Upon final CMS approval, Coventry will issue commission payments and offset payments according to the approved 2009 Coventry commission rates.

Why am I getting paid at a renewal rate from Coventry?

In accordance with CMS requirements, Coventry is paying the renewal rate rather than the initial year compensation for all plans. Once CMS identifies that an additional commission is warranted, Coventry will retrospectively pay the additional amount for a total payment of the CMS approved new business commission rates.

How many years will I receive commission on an enrolled beneficiary who remains on a specific plan?

CMS requires that all Plans pay renewals for five years on active policies.

The rates for all Coventry enrollments with 2009 effective dates are as follows:

Advantra Freedom (PFFS) & Advantra Savings (MSA)	
Year 1*	Years 2-6
\$400	\$200

Coordinated Care Plans (Advantra)	
Year 1*	Years 2-6
\$400	\$200

Coordinated Care Plans – Pennsylvania Only	
Year 1*	Years 2-6
\$450	\$225

Part D Stand Alone	
Year 1*	Years 2-6
\$50	\$25

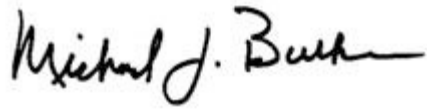
*In accordance with CMS requirements, all Coventry Medicare Plans sold with effective dates in 2009 shall be eligible for Years 2-6 renewal commission. No Year 1 commission shall be paid by Coventry unless CMS authorizes Coventry to pay such for a particular sale. When CMS authorizes the payment of a Year 1 commission, Coventry will pay the difference to the Agent and subject the sale to the full six year commission cycle. All rates are subject to CMS review and approval and may be modified by Coventry at any time upon notice to Agent.

Coventry will not pay any commission for sales of Advantra Freedom 1 plans received by Coventry on or after January 15, 2009. For any Advantra Freedom 1 plans received by Coventry before January 15, 2009, regardless of the enrollment date, Coventry will pay commission in

accordance with the terms of your Agreement.

Our top priority is to provide prompt and accurate payment of commissions to all of our agents. Thank you for your dedication and continued support to our members.

Sincerely,

A handwritten signature in black ink that reads "Michael J. Burke". The signature is written in a cursive, flowing style.

Michael J. Burke
Vice President & National Sales Manager
Medicare Distribution

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