Tennessee Valley Authority, 400 West Summit Hill Drive, Knoxville, Tennessee 37902-1401

October 28, 2008

Dear Medicare Supplement Enrollee:

This letter provides information about the TVA-sponsored Medicare Supplement plan for 2009.

Your Medicare Supplement plan will continue to include medical coverage through BlueCross BlueShield of Tennessee and drug coverage in a Medicare Part D plan administered by Medco. Medicare Part D plans will hold open-enrollment periods beginning November 15, 2008, but ***you do not need to enroll in a Part D plan if you continue coverage in the TVA Medicare Supplement plan.*** In fact, Medicare will not allow you to have two Part D plans.

In the coming weeks Medco will send you information about your prescription-drug coverage for 2009. While there are no changes in deductible or copayments for next year, some medications may be covered in a different tier (or level) next year, and a change in tier might change the amount you pay for medication. Please read the Medco information carefully to be sure you understand your drug coverage. There are no changes being made to the medical portion of your Medicare Supplement plan. The Supplement will continue to pay the hospital deductible amount under Medicare, 20-percent of Medicare-approved charges for eligible Part B services, as well as other services covered in part by Medicare.

There will not be a premium increase for next year. The current monthly premium of $294 will remain in effect for 2009. This amount includes your medical coverage and your prescription-drug coverage. This total premium does not reflect any pension supplement or contribution you receive to help with the cost of your medical coverage. If you receive such help, you may pay a lesser amount.

A reminder if your payment for medical coverage is deducted from your monthly retirement check--Should the amount of your monthly retirement benefit change at any time such that it will not cover the amount of your medical premium, you will need to change your method of payment to automatic bank-drafting. TVA will review records in early 2009 and will notify you if it appears that your premium can no longer be deducted from your monthly pension.

We know your Medicare Supplement plan is important to you and encourage you to read the information you will receive in the next few weeks from Medco to remain knowledgeable about your drug coverage. You may call the TVA Service Center at 888-275-8094 if you have general questions about your Medicare Supplement. For information about coverage for specific drugs, please call Medco Customer Service at 800-592-4520 (800-716-3231 TTY).

Sincerely,

Gary R. Napier, Senior Manager
Employee Benefits

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