



October 2005

Warning: You will lose Freescale coverage if you enroll for a Medicare PDP

Medicare adds a new prescription drug benefit in January. "Medicare prescription drug plans" (PDPs), established by private insurers and other organizations, will provide this benefit (Medicare Part D). You must be covered by Original Medicare (Parts A and B) or a Medicare Advantage plan (Part C) to enroll for Medicare prescription drug coverage.

No one is *required* to buy this new Medicare coverage, but PDPs include a late enrollment penalty to discourage people from waiting to enroll until they need prescription drug benefits. The penalty is a one percent premium increase *for each month* that the person was eligible for, but did not enroll for, coverage.

Here's the good news

You are receiving this letter because our records show that you or someone in your family is eligible for Medicare. If you are covered by any coverage option of either the Freescale Employee Medical Plan or the Freescale Post-Employment Health Plan, ***you do not have to enroll for a Medicare PDP, and the penalty will not apply to you.*** This is because all the Freescale coverage options today provide what is termed "creditable prescription drug coverage."

Once a year, actuaries will analyze each Freescale coverage option and compare it with the minimum coverage under Medicare Part D. When benefits under the Freescale coverage option are, on average for all plan participants, expected to pay out at least as much as a basic-level Medicare prescription drug plan, the Freescale plan is considered to offer "creditable prescription drug coverage."

Your certificate of creditable coverage accompanies this letter

Each year that the Freescale plan meets this test, all Medicare-eligible people in your family who have Freescale coverage will receive a "certificate of creditable coverage." This year's certificate accompanies this letter. Please keep your certificate with your other important papers. If you decide to drop your Freescale coverage in 2006 and replace it with a Medicare PDP, the enclosed certificate will prove that you had creditable prescription drug coverage and allow you to avoid Medicare's late enrollment penalty.



Enrollment rules do not allow anyone to be covered by both a Freescale Medical Plan coverage option *and* a Medicare PDP. If you or any covered family member enrolls for a Medicare Part D plan, *Freescale medical coverage will permanently end for you and all your covered family members.*

So if you are currently covered by a Freescale Medical Plan coverage option, **and** you or any covered family member relies on that plan for more than just prescription drug coverage, you **should not** enroll for a separate Medicare PDP.

Who should consider a Medicare PDP?

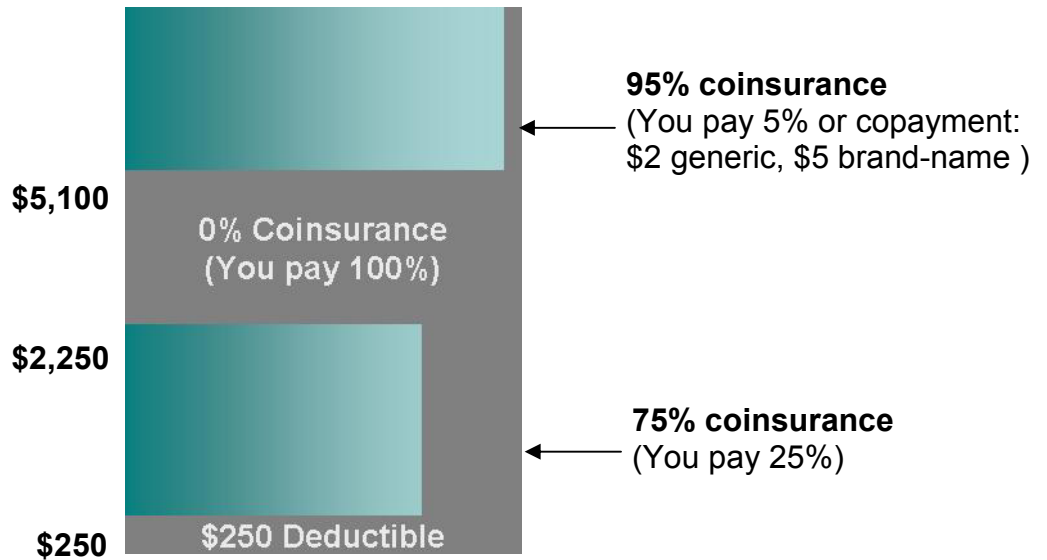
The only people covered by a Freescale plan who may want to consider enrolling for a Medicare PDP are those whose family use their Freescale coverage *only* for its prescription drug benefits.

Within this small group, the people most likely to find a Medicare PDP attractive are those who are eligible for low-income assistance with Medicare premiums. You can find eligibility rules for low-income assistance at: www.socialsecurity.gov.

If you consider enrolling for a Medicare PDP, please remember: *you and your covered family members will no longer be eligible for any Freescale medical or prescription drug coverage if you enroll for a Medicare PDP.*

Basic Medicare Part D coverage

The private insurers and other organizations selected to be Medicare PDPs are free to offer a variety of coverage options for prescription drugs. All these plans must offer at least the basic level of benefits shown in the illustration on the next page:



For more information

If you have questions about Freescale’s prescription drug benefits or those under Medicare Part D, help is available at:

- Freescale Rewards Customer Service Center: **1 (800) FSL-BENS (375-2367)**
- Caremark member services: **1 (877) 505-8360**, or online at: www.caremark.com.