

MERCK flex benefits

2009 ANNUAL ENROLLMENT OCTOBER 17, 2008–NOVEMBER 6, 2008

Welcome to the Flex 2009 Annual Enrollment!

The 2009 Annual Enrollment period for Merck's Flexible Benefits program will run from Friday, October 17 through Thursday, November 6, 2008. This is your opportunity to review your Flexible Benefit choices for the upcoming year and make the coverage elections that are right for you.

Merck recognizes the importance of its benefits offerings and programs to employees—and remains proud to offer a benefits package that is both comprehensive and competitive within the pharmaceutical industry. Further, as a health care company, we are committed to offering you a variety of benefits and programs designed to help you manage your health both now—and for your future.

What's New for 2009?

As you review this *2009 Flexible Benefits News*, you will see that we are introducing two new health care programs. The first program is a disease management program—aimed at supporting the health and wellness of those with specific, significant medical conditions. The second is a new generic-incentive feature that will be added to the Merck Managed Prescription Drug Program, known as *Member Pay the Difference*. The *Member Pay the Difference* program supports our existing commitment to the use of generic equivalents, where available, as alternatives to non-Merck brands.

These additions to Merck's benefits platform will help you and Merck better manage health care costs while maintaining quality, competitive health care choices.

Other Important Changes

Another important change for 2009 is the move to a new automatic-enrollment feature for the Vision Care Plan. There are also contribution, copay and coverage allowance changes under the Vision Care Plan.

To address rising health care costs, which continue to outpace inflation, employee contributions will increase across all Medical Plan and most Dental Plan options for 2009. Despite these contribution increases, the Company continues to fund the majority of your health care costs.

Be sure to review this entire *2009 Flexible Benefits News* for details about what's new or different for 2009, as well as several important enrollment reminders.

Take Action!

As always, the key to making the most of what's available through the Flexible Benefits Program is to take an active role in selecting your benefits for the upcoming year. So don't just default, take the time to carefully consider all of your 2009 benefit options and enroll—today!

- Go online to Fidelity NetBenefits® at <http://netbenefits.fidelity.com> to:
 - View your current benefits, 2009 options and 2009 default coverages;
 - Confirm that the dependents you are covering for 2009 are correct—that is, that they are dependents you want to cover and they satisfy the Plan's dependent eligibility requirements (see *Important Reminders About Your Eligible Dependents*); and
 - Compare your options using the available tools and resources.
- Then, enroll online or by calling the Merck Benefits Service Center at 800-66-MERCK—before the November 6, 2008 deadline.



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Managing Your Health

Merck offers a variety of health care benefits, programs and tools that encourage and support a healthy lifestyle for our employees and their families. However, our offerings are only part of the story; you also have an important role to play—and choices to make such as:

- Choosing health care options that best fit your needs through Merck's Flexible Benefits Program;
- Embracing a healthy lifestyle; and
- Managing your health care spend by choosing in-network providers, receiving preventive medical care, taking advantage of the money-saving features of the Merck Managed Prescription Drug Program, and by making the most of the health care resources available to you, including *Health Matters* and the new disease management program that will launch next year.

► DID YOU KNOW?

Our health care offerings are designed to provide you with choices—from picking the health care options that best fit your needs, to choosing how to best spend your health care dollar. And, with health care costs continuing to increase at two to three times the rate of general inflation, managing all of the factors that contribute to your health has never been so important.

Introducing Disease Management

As part of Merck's continued health care commitment, we will introduce a new support program in 2009 to individuals with specific, significant medical conditions. Employees or their covered dependents who are enrolled in the Merck PPO, Merck 80/20 or Aetna HMO Medical Plan options for 2009, and who meet the requirements of the disease management program, will be eligible to participate.

What Is Disease Management?

Disease management programs offer free professional support, on a voluntary basis, in the ongoing treatment and care of those with specific, significant medical conditions. The ultimate goal of disease management is to help the individual achieve optimal health through the application of evidence-based medicine, treatment and self-care guidance. And, while the primary driver of a disease management program is to improve the health of participants, these programs ultimately lower health care costs for the individual—and for Merck—through the reduction of more expensive, downstream treatment of these diseases.

How Disease Management Programs Work

One of the first steps in a disease management program is for a nurse “coach” to reach out to qualifying individuals and explain the program. If the employee or covered dependent is interested in participating in the program, the nurse will work with the individual or treating physician to create a personalized health care action plan that will lead to optimum health. Once created, the nurse will support the goals of the plan through ongoing coaching and counseling.

Watch for More Information

You'll hear more about disease management at Merck in the months ahead. In the meantime, be sure to take advantage of all the health care resources currently available to you.

2009 Employee Contributions for Medical Plan Options

For 2009, employee contributions will increase across all Medical Plan options. The following chart summarizes the 2009 monthly costs for each of the available non-HMO Medical Plan options. For information about the specific 2009 benefit options available to you (including any available HMOs)—and the associated monthly employee contribution costs—please refer to your online *Benefit Elections* page, available during Annual Enrollment through Fidelity NetBenefits at <http://netbenefits.fidelity.com> or by calling the Merck Benefits Service Center at 800-66-MERCK.

| 2009 Monthly Employee Contributions for Non-HMO Medical Options | | | | | | | | |
|---|---------------|-----------|---|-----------|-----------------------|-----------|--|-----------|
| Medical Plan Option | Employee Only | | Employee + Spouse/Same-Sex Domestic Partner | | Employee + Child(ren) | | Employee + Spouse/Same-Sex Domestic Partner + Child(ren) | |
| | Full-Time | Part-Time | Full-Time | Part-Time | Full-Time | Part-Time | Full-Time | Part-Time |
| Merck PPO | \$29 | \$39 | \$73 | \$98 | \$58 | \$78 | \$102 | \$137 |
| Merck 80/20 and 80/20 Out-of-Area [†] | \$29 | \$39 | \$73 | \$98 | \$58 | \$78 | \$102 | \$137 |

[†]Only available to those living outside of the Horizon BlueCard® network service area.

2009 HMO Contribution Increases

HMOs, once the most cost-effective forms of health care, have actually become increasingly costly in recent years. As a result, employee contributions for the HMOs offered through Merck's Flexible Benefits Program are increasing more than our non-HMO options for 2009. The 2009 HMO increases reflect the higher cost that Merck pays for these programs which are heavily driven by the rich plan designs of the HMOs (when compared to PPOs). Please note that even after these increases, our available HMO options remain competitive with the offerings of our pharmaceutical competitors.

HMO REMINDER

Keep in mind that certain HMOs are subject to state-mandated changes. Therefore, it's a good idea to contact any HMOs you are interested in to learn about their coverage details for the upcoming year.

Your Health Matters...

Health Matters is Merck's commitment to helping you improve your health, and to bringing about a healthier and safer way of life at Merck.

You can access information about *Health Matters* at healthmatters.merck.com, through the Merck intranet or the internet. This website is an online path to reliable information that will help you focus on and strengthen your health and well-being.

Reliable Health Information

Accessible to all Merck employees, the *Health Matters* website offers information based on scientific evidence, with links to reliable information sources, including *The Merck Manuals*, *MerckSource*, and other well-known external websites.

Interactive Tools and Resources Available through *Health Matters*

In addition to the reliable health information available to all employees, the *Health Matters* website offers a number of interactive online tools for active U.S. employees, including a personal health assessment, personalized tracking tools, telephonic lifestyle coaching and QuitNet Comprehensive—a set of smoking cessation supports and services. For more information about these tools and the *My Health Matters* Rewards Program, visit the *Health Matters* website at healthmatters.merck.com.



CIGNA NC HMO Moves to "Open Access"

Effective January 1, 2009, the CIGNA NC HMO Medical Plan options will become an *Open Access* plan. This means that participants in this HMO option will no longer be required to obtain referrals to see in-network specialists. Keep in mind that if you are enrolled in the CIGNA NC HMO Medical Plan option for 2009, you will still need to see in-network providers to receive coverage.

Please note that all current and new participants will receive new CIGNA NC ID cards for 2009.

► THINKING ABOUT ENROLLING IN THE MERCK PPO OR 80/20 OPTIONS?

- Visit www.horizonblue.com/merck to access the online BlueCard® network provider directory. (Field Sales employees please initiate an FSNet session and cut and paste this URL into your browser).
- To locate participating providers for the BlueCard® PPO network (Merck PPO Option), click on the PPO suitcase graphic, then enter "MKY" as the Identification Prefix under the member tab. (If you login under the guest tab, select "PPO" under "Choose a Product Type.") Click "continue," then follow the on-screen instructions.
- To locate participating providers for the BlueCard® Traditional/Indemnity network (The Merck 80/20 Option), click on the empty suitcase graphic, then enter "MKV" as the Identification Prefix under the member tab (If you login under the guest tab, select "Traditional" under "Choose a Product Type.") Click "continue," then follow the on-screen instructions.
- You may also check to see if your providers are in the BlueCard® network by calling the Merck-dedicated Horizon BCBSNJ customer service line at 877-663-7258.



RETIREE HEALTH CARE REMINDER

Financial planners and economists agree that no matter how old you are, the time to start planning for retirement is now. And, now more than ever, health care costs in retirement should be part of that plan. Regardless of the level of retiree benefits provided by employers (Merck currently provides a competitive level of retiree medical benefits through its Retiree Choice Program) retiree contributions and out-of-pocket expenses will continue to increase as health care costs are expected to continue to grow faster than the rate of inflation. Thus, the need to plan for increasing contributions and out-of-pocket expenses is becoming increasingly important.

For information about Merck's Retiree Choice Program, please read the General Medical Plan Section of the *Merck Benefits Book*. The *Merck Benefits Book* is available online through the Merck HR website, at http://hr.merck.com/benefits/book_flex_plans.html. You may request a printed copy of the General Medical Plan Section of the *Merck Benefits Book* through the Merck Benefits Service Center at 800-66-MERCK (800-666-3725).

To view the 2009 Retiree Choice contributions by point level, please refer to the Retiree Communications Library page of the Merck HR website at http://hr.merck.com/benefits/sr_retiree_choice.html and click on the 2009 Retiree Choice Contribution worksheets.

NEW Automatic Re-Enrollment for Vision Care Plan

Effective with this enrollment period, you no longer need to re-enroll for the Merck Vision Care Plan. This means, if you are enrolled in the Vision Care Plan for 2008, you will be automatically re-enrolled in the Vision Care Plan—under the same coverage tier—for 2009 during the Annual Enrollment period.

Therefore, if you do not want to be automatically re-enrolled in your current Vision Care Plan Coverage Tier for 2009, you must make an active Vision Care Plan election before the 2009 Annual Enrollment deadline or your coverage will default as indicated in the 2009 Vision Care Plan Defaults chart below.

| 2009 Vision Care Plan Defaults | |
|--|--|
| If you are enrolled in this option for 2008 | You will default to this option for 2009 |
| No Coverage | No Coverage |
| Employee Only | Employee Only |
| Employee + Child(ren) | Employee + Child(ren) |
| Employee + Spouse/Same-Sex Domestic Partner + Child(ren) | Employee + Spouse/Same-Sex Domestic Partner + Child(ren) |

Copay and Coverage Changes for Vision Care Plan

The Merck Vision Care Plan, offered through VSP Vision Care® is designed to help you pay the cost of certain necessary vision care expenses.

Effective January 1, 2009, the following copay and coverage changes will apply:

- Increase in copay for materials from \$10 to \$20 (applies to lens and frame—no change to exam copay);
- Increase in the in-network retail frame allowance from \$130 to \$150; and
- Increase in the in-network contact lenses' allowance from \$110 to \$130.

A Vision Care Benefits Summary Chart is available through the Benefits & Compensation tab of the Merck HR website (http://hr.merck.com/benefits/hw_vision_highlights_summary.html). For detailed information about the Vision Care Plan, please refer to the Vision Care Plan Section of the *Merck Benefits Book* and any summary of material modifications thereof.

Please contact VSP Vision Care® with questions regarding the Merck Vision Care Plan at 800-877-7195.

With VSP Vision Care® you have the choice of going to a VSP doctor—which lowers your out-of-pocket costs—or to an out-of-network, licensed ophthalmologist, optometrist or optician of your choice and be reimbursed according to a fixed-dollar schedule. Generally, you will receive greater benefits if you choose an in-network doctor.

2009 Vision Care Plan Contributions

Contributions for Merck's Vision Care Plan will increase for 2009. The Vision Care Plan Coverage Tiers and pricing for 2009 are listed below.

| Vision Care Plan | | | | |
|-------------------|---------------|---|-----------------------|--|
| | Employee Only | Employee + Spouse/Same-Sex Domestic Partner | Employee + Child(ren) | Employee + Spouse/Same-Sex Domestic Partner + Child(ren) |
| VSP Participation | \$8.63 | \$21.57 | \$17.27 | \$30.21 |

▶ ENROLLMENT REMINDER—ADDITIONAL VISION CARE CONSIDERATIONS

Before electing coverage under the Merck Vision Care Plan, consider this:

- You can fund your vision expenses with tax-free dollars by making contributions to a health care account. (For information about eligible expenses, see the Flexible Spending Account section of the *Merck Benefits Book* or contact Horizon BCBS Customer Services.) Remember, if you don't use all of the money you deposit into your health care account by the end of the year, you lose it.
- In addition to the Merck Vision Care Plan, varying levels of vision care benefits may be available through the medical options under the Merck Medical Plan.



Important Change to the Merck Managed Prescription Drug Program

▶ Merck brands continue to have a \$0 copay

Beginning on January 1, 2009, there will be a change to the amount you pay for certain non-Merck brand-name prescription drugs when a generic equivalent is available. This program, provided through Medco, Merck's prescription drug benefit manager, is known as *Member Pay the Difference*. This program supports the Company's existing commitment to the use of generic equivalents, when available, as alternatives to non-Merck brands. The use of generic equivalents allows the Company to manage costs—while maintaining quality prescription drug coverage for you and your covered family members.

How It Works

If you purchase a non-Merck brand-name drug when a generic equivalent is available, you will pay **the generic copay—plus the difference in cost between the brand and the generic drug, up to a capped amount**. The capped amount for drugs purchased at a participating retail pharmacy will be \$50 (inclusive of the copay) per prescription. The capped amount for drugs purchased through *Medco by Mail* will be \$100 (inclusive of the copay) per prescription.

To avoid paying the difference, you can consider having your non-Merck brand prescriptions filled with their generic equivalents. By switching to a generic equivalent, you will only pay the generic drug copay (\$20 for up to a 90-day supply through *Medco by Mail*; \$10 for up to a 30-day supply through participating retail pharmacies).

Keep in mind that the additional charges only apply to non-Merck brands for which a generic equivalent exists; you will not be charged an additional amount if the drug you are filling does not have a generic equivalent. And, Merck-brands continue to have a \$0 copay.

Talk to Your Doctor

Today, many doctors write prescriptions for generic drugs to help their patients save on their prescription drug costs—while maintaining the same level of quality. If you are taking a non-Merck brand and you would like to save on your prescription drug costs, you should begin by talking to your doctors.

When you talk to your prescribing doctors, find out which of your current non-Merck brands have a generic equivalent—and ask if generic substitution is possible. If so, you'll want to have your 2009 prescriptions written with "*generic substitution allowed*." Then, anytime you are prescribed a new drug, talk with your prescribing physician about the possibility of having it filled with a generic equivalent. If you have questions about the *Member Pay the Difference* program, please contact Medco at 800-Rx-MERCK (800-796-3725).

Member Pay the Difference supports the Company's existing commitment to the use of generic equivalents where available, as an alternative to non-Merck brand-name drugs—and allows the Company to manage costs while maintaining quality prescription drug coverage for you and your covered family members.

▶ HEALTHY REMINDER

PRIOR AUTHORIZATION REQUIRED FOR CERTAIN MEDICATIONS

Certain medications require prior authorization before your prescription will be filled by the Plan. To confirm if a drug is covered, subject to dispensing limits, age limits or other coverage review processes, call Medco Member Services. You, your doctor or your pharmacist must call Medco at 800-Rx-MERCK to authorize any medications that require prior authorization.

2009 Prescription Drug Costs

The following chart summarizes prescription drug costs for 2009. Please note that all of the 2009 Flex medical options (except the *No Coverage* option) offer the same prescription drug coverage through Medco, Merck's prescription drug benefit manager.

| 2009 Prescription Drug Copayments for All Medical Options (except the <i>No Coverage</i> option) | | |
|--|--|---|
| Type of Drug | Purchased through Medco By Mail | Purchased at Medco Participating Pharmacies* ** |
| | For Up to a 90-Day Supply | For Up to a 30-Day Supply |
| Merck-brand drugs | \$0 copay | \$0 copay |
| Generic drugs | \$20 copay | \$10 copay |
| Non-Merck brand drugs (for which a generic equivalent is NOT available) | \$40 copay | \$20 copay |
| Non-Merck brand drugs (for which a generic equivalent is available) | \$20 copay plus the cost difference between the retail price for the non-Merck brand and its generic equivalent, up to the \$100 cap (per prescription). | \$10 copay plus the cost difference between the retail price for the non-Merck brand and its generic equivalent, up to the \$50 cap (per prescription). |

*Certain prescription medications are available only through Medco By Mail—for example, oral contraceptives and male erectile dysfunction medications.

**Prescriptions filled at non-participating pharmacies will be reimbursed based on the network-negotiated price of the medication, minus the applicable copayment. Employees are responsible for any drug costs in excess of network-negotiated fees. In addition, *Member Pay the Difference* provisions (without the cap) apply for non-Merck brands that are filled when a generic is available.

Generics—A Healthy Prescription for You and the Company

Here's an example of what you—and Merck—will pay for the same prescription next year when you fill a 30-day supply with a brand-name drug as compared to a generic equivalent when a generic equivalent is available:

A Generic Prescription Drug Filled at a Participating Pharmacy* **

30-day supply

Generic Cost of Drug: \$15

You pay: \$10.

(Your \$10 Generic copay amount.)

Merck Pays: \$5

A Non-Merck Brand Prescription Drug (for which a generic equivalent exists) Filled at a Participating Pharmacy* ** (Member Pay the Difference)

30-day supply

Cost of non-Merck Brand Drug: \$45

Generic Cost of Drug: \$15

Cost Difference: \$30

You pay: \$40.

(Your \$10 Generic copay amount plus the cost difference between the retail price for the non-Merck brand and its generic equivalent, up to the \$50 per prescription cap.)

Merck Pays: \$5

*Certain prescription medications are available only through Medco By Mail—for example, oral contraceptives and male erectile dysfunction medications.

**Prescriptions filled at non-participating pharmacies will be reimbursed based on the network-negotiated price of the medication, minus the applicable copayment. Employees are responsible for any drug costs in excess of network-negotiated fees. In addition, *Member Pay the Difference* provisions (without the cap) apply for non-Merck brands that are filled when a generic is available.

▶ DID YOU KNOW?
 Generic-equivalent medications contain the same active ingredients and are subject to the same rigid Federal Food and Drug Administration standards for quality, strength and purity as their brand-name counterparts.

TIPS FOR SAVING MONEY ON YOUR PRESCRIPTION DRUGS

- **Use Medco by Mail for your long-term prescription drugs:** You'll receive up to a 90-day supply of medication for your mail-order copayment and pay less over time than you would at a retail pharmacy. Your medications will be conveniently delivered right to you. Plus, standard shipping is free.
- **Use generics:** If you are taking a non-Merck brand-name medication, ask your doctor to consider prescribing a lower-cost generic or a Merck-brand medication, if available.
- **Access your benefit online:** Visit www.medco.com to compare costs, order refills, check the status of your orders and request additional order forms and envelopes. If you are a first-time visitor to the Medco website, take a moment to register. (Have your member ID number and a recent prescription number handy.) After January 1, 2009, the costs shown online will reflect the 2009 changes.
- **View cost-savings opportunities online:** Visit My Rx Choices® at www.medco.com/choices to identify potential cost-saving alternatives for the medications you take on an ongoing basis—or for a prescription you may need in the future. My Rx Choices® shows you how much you may save by using lower-cost alternatives.

2009 Dental Contributions

2009 employee contributions for the available Dental Plan options are listed below. For information about the specific 2009 benefit options available to you (including any available DPOs)—please refer to your online *Benefit Elections* page, available during Annual Enrollment through Fidelity NetBenefits at <http://netbenefits.fidelity.com> or call the Merck Benefits Service Center at 800-66-MERCK.

| 2009 Monthly Employee Contributions for Dental Options | | | | | | | | |
|--|---------------|-----------|---|-----------|-----------------------|-----------|--|-----------|
| Dental Plan Option | Employee Only | | Employee + Spouse/Same-Sex Domestic Partner | | Employee + Child(ren) | | Employee + Spouse/Same-Sex Domestic Partner + Child(ren) | |
| | Full-Time | Part-Time | Full-Time | Part-Time | Full-Time | Part-Time | Full-Time | Part-Time |
| Comprehensive | \$9.00 | \$17.00 | \$23.00 | \$43.00 | \$18.00 | \$34.00 | \$32.00 | \$60.00 |
| Preventive | \$4.00 | \$12.00 | \$10.00 | \$30.00 | \$ 8.00 | \$24.00 | \$14.00 | \$42.00 |
| Aetna DMO® | \$6.00 | \$14.00 | \$15.00 | \$35.00 | \$12.00 | \$28.00 | \$21.00 | \$49.00 |
| HealthPlex DPO | \$6.00 | \$14.00 | \$15.00 | \$35.00 | \$12.00 | \$28.00 | \$21.00 | \$49.00 |



What You Need to Know About the Flexible Spending Accounts

Through the Flexible Benefits Program, the Company offers the Health Care and Dependent Care Flexible Spending Accounts. Participation in either account can save you money, because deductions are made before federal and Social Security taxes, and, depending where you live, state and local taxes are withheld from your paycheck. If you wish to participate in the health care or dependent care accounts for 2009, you must actively enroll through Fidelity during Annual Enrollment.

About the FSA Accounts:

- The Health Care Account (HCA) is for eligible health care expenses.
- The Dependent Care Account (DCA) is for eligible dependent day care expenses.
- You can enroll in one, or both. However, it's important to remember that money cannot be transferred between these two accounts (e.g., you cannot be reimbursed from the Health Care Spending Account for any dependent care expenses incurred by you or your eligible dependents).
- Use it—or lose it: The Merck FSA accounts require that you incur the cost in the year that you are enrolled in the account. Merck does not allow any carryover into the following Plan year.
- The maximum amount you can contribute per year to each account is \$5,000; however, there are additional IRS limits for married couples who participate in a Dependent Care Account. (Please refer to IRS publications 502 and 503 for more information).

For more information about Merck's Flexible Spending Accounts, please refer to the Flexible Spending Account section of the *Merck Benefits Book*.

Trying to Save Money in 2009? Try the Health Care Account!

Have you thought about how much you spend out of your own pocket annually on health expenses such as over-the-counter drugs, contact lenses, or coinsurance/copays for medical, dental or vision care? Now take that sum and imagine using tax-free dollars to pay for your expenses.

By enrolling in the Health Care Account, you can defer from \$120 up to \$5,000 per year to pay for eligible medical, dental, vision or hearing care expenses that are not covered by your Merck Medical Plan options. You then pay for those expenses from your account using tax-free money. The money you save in taxes essentially lowers the overall cost of eligible health care services.

\$\$\$ Real Savings:

Here are a few examples of how much you could save by using Health Care FSA dollars to pay for various expenses.

| Expense | Actual Cost | Your Net Cost* |
|--------------------------|-------------|---------------------------------|
| Contact lenses | \$300 | \$202.05 (\$97.95 tax savings) |
| Unreimbursed Orthodontia | \$700 | \$471.44 (\$228.56 tax savings) |

*Assumes federal and income tax rate of 25%, Social Security rate of 6.2% and FICA of 1.45%.

Using the Benny® Prepaid MasterCard®

Horizon BCBSNJ offers an FSA Card (known as the *Benny® Prepaid MasterCard®*) for the Health Care Account—which provides added convenience when utilizing your HCA.

To use the *Benny® Prepaid MasterCard®*, you simply present the card to the provider or merchant at the point of sale/service. The provider or merchant will then run the *Benny® Prepaid MasterCard®* through their credit card kiosk as a credit purchase. The amount of qualified purchase will be deducted from your Health Care Account balance. (Please be sure to keep your receipts, in case you later need to substantiate your purchases.)

Using the *Benny® Prepaid MasterCard®* is optional. You will automatically receive the card upon enrollment; however, you may choose not to use it. (Please note that if you were enrolled in the HCA account in 2008 and you already have a *Benny® Prepaid MasterCard®*, you will not receive a new card for 2009.) You may file paper forms to request reimbursement from Horizon BCBSNJ; however, you will be required to provide substantiation (receipts) for your purchases.

If you are a new enrollee in the Health Care Account for 2009, you will receive the *Benny® Prepaid MasterCard®* Welcome Kit from Horizon BCBSNJ in December 2008—explaining everything you need to know about using the card.

If you have questions about using your Merck HCA account, please contact Horizon BCBSNJ Customer Service at 877-663-7258.

▶ DON'T THROW OUT YOUR BENNY® PREPAID MASTERCARD®

If you are enrolled in the HCA account during 2008, and you intend to re-enroll in the HCA for 2009, please keep your *Benny® Prepaid MasterCard®*. You will not receive a new card for 2009. In fact, your 2008 card is good through 2012—providing you remain eligible and continue to participate in the HCA.

▶ ENROLLMENT REMINDER—FLEXIBLE SPENDING ACCOUNTS

• You Must Actively Enroll Each Year

If you wish to participate in the health care or dependent care accounts for 2009, you must actively enroll through Fidelity during Annual Enrollment—your 2008 elections will not carry over into 2009.

• Expenses Must Be Incurred within the Calendar Year in Which You Elect to Participate

If you elect to participate in either account, keep in mind that your expenses must be incurred within the calendar year that you choose to participate—and generally must be incurred while you are a participant in the account.

• Certain Non-Prescription Drugs Qualify for Reimbursement through Health Care Accounts

The cost of many non-prescription drugs used for medical care—to ease or treat illness—qualify for reimbursement from the health care account. Drugs used for health maintenance (such as vitamins and dietary supplements) as well as toiletries and cosmetics are not eligible for reimbursement.

• Age Limits Apply

If you elect to participate in either account, keep in mind that age limits apply when it comes to your children. For example, in order for an expense to qualify under the Dependent Care account, your qualifying child who is your dependent must be under age 13 when the care is provided (unless the child qualifies as an incapacitated child, per plan rules).

• Consult IRS Publications 502 and 503

As always, be sure to consult IRS Publications 502 and 503, available through the IRS website at <http://www.irs.gov>, for complete government rules and restrictions regarding the health care and dependent care accounts.

Reminder: Smoker Rates in Effect for Optional Life and Survivor Income Life Insurance Options

Smoker rates, which were introduced in 2008, remain in effect for the *Employee Group Term Optional Life* and *Survivor Income* life insurance options.

Please note that if you are electing coverage for either the *Employee Group Term Optional Life* and *Survivor Income* life insurance options for the first time, you will be required to select smoker or non-smoker rates for both the *Employee Group Term Optional Life* and *Survivor Income* options.

To elect non-smoker rates, you must qualify as a non-smoker. If you cannot qualify for non-smoker rates, you must elect smoker rates.

Please note that life insurance rates are based on your age and salary as well as your smoker/non-smoker status. Therefore, you will need to refer to your personalized online *Benefit Elections* page to view your 2009 life insurance contribution rates. You may access the online *Benefit Elections* page during the Annual Enrollment period through Fidelity NetBenefits at <http://netbenefits.fidelity.com>. As an alternate, you may contact the Merck Benefits Service Center at 800-66-MERCK for information about your rates.

Qualifying for Non-Smoker Rates

To qualify for non-smoker rates, you must be smoke- and tobacco-free (e.g., cigarettes, cigars, pipe, chewing tobacco, etc.) for 12 full months. Therefore, in order to elect non-smoker rates during the upcoming Annual Enrollment period, you would have needed to be smoke- and tobacco-free since last year's Annual Enrollment period. For example, to elect non-smoker rates on November 3, 2008, you will need to have been smoke- and tobacco-free since November 3, 2007—a full 12 months.

Please note that becoming smoke- and tobacco-free is not a life event. Therefore, if you become smoke- and tobacco-free during the year, you will need to wait until the next Annual Enrollment period to elect non-smoker rates.

If You Cannot Qualify for Non-Smoker Rates

If you cannot qualify for non-smoker rates, as described above, you must elect smoker rates during the upcoming 2009 Annual Enrollment period. If you cannot qualify as a non-smoker and fail to elect smoker rates, or allow your election to default to non-smoker rates, you will be considered to have provided false enrollment information. If it is later determined that you do not qualify as a non-smoker, any benefits that might eventually be paid to the beneficiary(s) for your life insurance could be impacted.

HAS YOUR SMOKER STATUS CHANGED?

If you are enrolled for the *Employee Group Term Optional Life* or *Survivor Income* options, and your smoker status has not changed from last year, you do not need to take any action for the 2009 Annual Enrollment period. The status you declared during last year's Annual Enrollment period will stay in force for 2009.

However, if your status has changed (meaning you have either started smoking or have been smoke-free for 12 full months), you will want to update your smoker status during this enrollment period.

► **KICK THE HABIT—TOOLS AND RESOURCES TO HELP YOU QUIT SMOKING**

Consider the following resources to help you quit smoking:

- Once you complete the *Health Matters* Health Assessment, available at healthmatters.merck.com, you can take advantage of all the QuitNet Comprehensive resources available to you and earn rewards points for your efforts. Visit the Tobacco-free Living web page for more details at <http://healthmatters.merck.com/smokefree>.
- Smoking Cessation literature available through ValueOptions (<https://www.achievesolutions.net/merck/>).

► **LIFE INSURANCE REMINDER**

Please note: If you elect to increase/add coverage(s) for 2009, be sure to complete and submit any required Proof-of-Insurability (POI) forms within 60 days of the new benefits year. POI forms are available through the Reference Library at <http://netbenefits.fidelity.com>.

Need-to-Know Information About LTD Benefits & Contributions

Although there are no Plan changes for LTD in 2009, you should keep the following in mind as you review your options:

- **About LTD Contributions** – LTD employee contributions generally increase from year to year because the amount of your coverage increases as your base pay increases. Also, long-term disability rates are age-rated. That means even if the experience rates stay the same (as is the case this year), the rate you pay for coverage increases as you age—especially if you enter into a new “five-year age-bracket.”
- **Pre-Tax or After-Tax?** – When you elect an LTD option on an after-tax basis, you will not be taxed on your LTD benefit in the event that you are approved for LTD at a later date and begin to receive LTD benefits (however, you will pay taxes on your imputed income). In contrast, if you elect your LTD option on a pre-tax basis, you will not be charged with imputed income now but, should you be approved for LTD benefits in the future, your monthly payment would be reduced by income tax.
- **About Imputed Income** – You should also note that when you enroll in or default to the 60% or 70% after-tax options, imputed income will apply. Imputed income is the amount the IRS requires to be added to your taxable pay for the “value” of Company-provided insurance. You pay taxes on that additional amount.

2009 Long-Term Care Insurance Contributions

As always, the daily and lifetime benefit maximums for inflation-protection long-term care options will increase by approximately 5%. That means that contributions for inflation-protection coverage will also increase. Please refer to your NetBenefits® *Benefit Elections* page or call the Merck Benefits Service Center for your specific contribution information.

2009 Financial Planning Benefit Costs

For 2009, contributions for the Financial Planning Benefit options—available through Ernst & Young—will remain the same as in 2008. Therefore, the Basic Option will be priced at \$185. (Please note: If you elect this option, the entire \$185 will be taken out of your January pay—even though you may use the benefit anytime in 2009.)

Employees who do not enroll in the financial planning benefit during Annual Enrollment may later choose to participate in the “Just-in-Time” financial planning benefit option instead. This option allows Flex-eligible employees to make a decision about purchasing and using financial planning benefits at any time. Available for purchase directly through Ernst & Young (by check or credit card), this alternative is the same as the benefit offered through Flex. This option remains priced at \$300 for 2009 and provides access to the basic financial planning benefits for the remainder of the calendar year in which it’s elected.

Important Reminders About Your Eligible Dependents

Keep in mind that it is your responsibility to ensure that the dependents you elect to cover for any of the plans offered through Merck's Flexible Benefits Program meet the definition of an eligible dependent for each plan in which they are enrolled.

You should also keep in mind that the Company retains the right to audit any and all dependent information on file at any time. In fact, our plan is to conduct such an audit in 2009. Therefore, you are again reminded to confirm that the dependents you are covering for 2009 are correct—that is, that they are dependents that you want to cover and they satisfy the Plan's dependent eligibility requirements.

Your eligible dependents for most flex benefits—including medical, vision care, dental, dependent life insurance and survivor income insurance—are:

- Your spouse or same-sex domestic partner (however, if your spouse/same-sex domestic partner is a non-flex-eligible union employee, he/she does not qualify as a dependent under Merck's medical, vision care or dental coverages).
- Your or your same-sex domestic partner's unmarried children up to age 19 (up to age 25 if full-time students) who are dependent on you for more than half of their support. Children mean your:
 - Biological children;
 - Stepchildren, including your spouse's/same-sex domestic partner's biological children, foster children, legally adopted children and children for whom your spouse/same-sex domestic partner is legal guardian, in each case who are not also your biological children, foster children, legally adopted children and children for whom you are legal guardian;
 - Foster children;
 - Legally adopted children (eligibility begins on the date of placement for adoption or commencement of legal obligation to provide support in anticipation of adoption);
 - Children for whom you are legal guardian; or
 - Those for whom coverage is required by a Qualified Medical Child Support Order (QMCSO).

Please note that eligible dependents are defined a bit differently for purposes of the Flexible Spending Accounts (FSA). For more information on who is an eligible dependent under the plans which are part of Merck's Flexible Benefits Program, please see the applicable sections of the *Merck Benefits Book*.

A Special Note for Parents of Children Approaching Their 19th Birthday

Before your child reaches age 19, you will receive an age-out warning letter. If your child will continue to be a full-time student, you are responsible for calling the Merck Benefits Service Center to declare your child's status as a full-time student. If you fail to call within 30 days of your child's 19th birthday, your child's coverage will be terminated and you will receive a notice informing you of your right to continue coverage under COBRA.

► MERCK'S RIGHT TO AUDIT DEPENDENT ELIGIBILITY

By electing coverage for your dependents (either by affirmative election or through the default process), you are confirming that they meet the Plan's dependent eligibility requirements and agree to notify the Merck Benefits Service Center within 30 days of an event that causes any of these dependents to no longer meet the definition of an Eligible Dependent in the Plan.

The Company, in its sole discretion, maintains the right to audit any and all dependent information on file, and may require that you promptly provide sufficient documentation verifying your Covered Dependents' continued eligibility.

If you do not promptly provide documentation sufficient to verify your Covered Dependents' continued eligibility or if the Company determines that any of the information that you provide (or provided) regarding your Covered Dependents is untrue, incomplete or misleading, or if you fail to promptly notify the Merck Benefits Service Center of an individual's loss of eligibility, the Company may take such action as it deems appropriate under the circumstances. Those actions may include, but are not limited to, the retroactive termination of benefits for your ineligible dependent, requiring you to repay the Plan for any benefits/premiums paid with respect to your ineligible dependent and subjecting you to disciplinary action, up to and including termination of employment (subject to any applicable collective bargaining agreement).

Your 2009 Flex Annual Enrollment Checklist

Once you have reviewed this annual enrollment newsletter, be sure to review each of the action items listed below—then check off the box to the right as you complete the tasks for each benefit.

Once you have enrolled, remember to print your Confirmation Page for your records.

| 2009 Flex Annual Enrollment Checklist | | Check Here: |
|---------------------------------------|--|-------------|
| For this Benefit: | | |
| Medical | <ul style="list-style-type: none"> View your 2009 online <i>Benefit Elections</i> page for your available options and contributions. Review and validate your dependent information on file with Fidelity. Compare your available health care options using the Fidelity NetBenefits <i>Plan Comparison Tool</i>, available through NetBenefits. If you are enrolling in or defaulting to the Merck PPO or 80/20 options, check to see if your providers are in the BlueCard® network. Review your 2009 Medical Plan default option. If you do not actively enroll, your Medical Plan coverage will default as shown on your NetBenefits <i>Benefit Elections</i> page. | |
| Dental | <ul style="list-style-type: none"> View your 2009 online <i>Benefit Elections</i> page for your available options and contributions. Review and validate your dependent information on file with Fidelity. If you do not actively enroll, your Dental Plan coverage will default as shown on your NetBenefits <i>Benefit Elections</i> page. | |
| Vision Care | <ul style="list-style-type: none"> View your 2009 online <i>Benefit Elections</i> page for your available options and contributions. Review and validate your dependent information on file with Fidelity. If you do not actively enroll, you will default to the same coverage that you have in 2008. If you do not want coverage for the Vision Care Plan for 2009, you must elect no coverage for the Vision Care Plan. | |
| Life Insurance | <ul style="list-style-type: none"> View your 2009 online <i>Benefit Elections</i> page for your available options and contributions. Review and validate your dependent information on file with Fidelity. Review your beneficiary information on file with Fidelity—and update as needed. If your smoking status has changed since last year and/or you wish to change your election for either the Employee Group Term Optional Life or Survivor Income Options, you will be required to select smoker or non-smoker rates. To qualify for non-smoker rates, you must be smoke- and tobacco-free (e.g., cigarettes, cigars, pipe, chewing tobacco) for 12 full months. If you cannot qualify as a non-smoker and fail to elect smoker rates, or you allow your election to default, you will be considered to have provided false enrollment information. If it is later determined that you do not qualify as a non-smoker, any benefits that might eventually be paid to the beneficiary(s) for your life insurance could be impacted. If you do not actively enroll, your Life Insurance coverage(s) will default to your current coverage(s) for all options. If you elected to increase/add coverage(s) for 2009, be sure to complete and submit any required Proof-of-Insurability (POI) form(s) within 60 days of the new benefit year. POI forms are available through the Reference Library at http://netbenefits.fidelity.com. | |
| Long-Term Disability (LTD) | <ul style="list-style-type: none"> View your 2009 online <i>Benefit Elections</i> page for your available options and contributions, and 2009 default coverage option. If you do not actively enroll, your LTD Insurance coverage will default to your current coverage. | |
| Long-Term Care (LTC) | <ul style="list-style-type: none"> View your 2009 online <i>Benefit Elections</i> page for your available options and contributions. Review your 2009 LTC Plan default options. If you do not actively enroll, your LTC Insurance coverage will default to your current coverage. | |
| Health Care Account | <ul style="list-style-type: none"> Consider enrolling or re-enrolling in the Health Care Account for 2009. If you do not actively enroll/re-enroll, you will default to <i>no contribution</i>. | |
| Dependent Care Account | <ul style="list-style-type: none"> Consider enrolling or re-enrolling in the Dependent Care Account for 2009. If you do not actively enroll/re-enroll, you will default to <i>no contribution</i>. | |
| Financial Planning | <ul style="list-style-type: none"> View your 2009 online <i>Benefit Elections</i> page for your available options. If you do not actively enroll/re-enroll, you will default to <i>no participation</i>. | |

How to Enroll

With the Merck Benefits Service Center, there are two ways to enroll:

- Access Fidelity NetBenefits at <http://netbenefits.fidelity.com>. Internet access is available 24/7, using your Social Security number (keep in mind that when logging in, you may choose to use a Customer ID—an identifier that you create— in place of your Social Security number) and your PIN. (If you can't remember your PIN, you'll be able to create or reset your PIN online...instantly.)
- Contact a Customer Service Associate for benefits information, support and transactions by calling the Merck Benefits Service Center at 800-66-MERCK. Associates are available from 8:30 a.m. through midnight (ET), Monday through Friday. And, they can take your 2009 benefit elections by phone, just in case you're traveling or don't have access to the internet!

▶ TOOLS AND RESOURCES FOR COMPARING YOUR 2009 MEDICAL PLAN OPTIONS

For information about the Medical Plan options available to you, please refer to your *Benefit Elections* page, available online through Fidelity's NetBenefits at <http://netbenefits.fidelity.com>, or by contacting the Merck Benefits Service Center at 800-66-MERCK (800-666-3725).

To compare all of the 2009 Medical Plan options available to you—including any HMO options—be sure to use Fidelity's *Plan Comparison Tool* available online through NetBenefits.

▶ ENROLLMENT REMINDERS WHEN LIFE CHANGES...

The Flex options you choose or default to during the 2009 Annual Enrollment generally remain in effect for a full calendar year. You may be able to change your coverage during the year if you experience certain life events—but, even then you can only make changes that are consistent with the event itself, and those changes must be made within the specified time frame required by Merck (generally 30 days). Please also note that certain benefit elections and mid-year changes require that you meet proof-of-insurability and actively-at-work requirements).

WHAT'S A LIFE EVENT?

You are permitted to make certain Plan changes during the year if:

- You give birth to or adopt a child;
- You get married or divorced (or begin or end a same-sex domestic partnership);
- Your covered child reaches the maximum coverage age;
- One of your dependents dies;
- Your spouse's/same-sex domestic partner's employment status changes; or
- You relocate out of your managed care service area.

Required Reminders

IMPORTANT INFORMATION

The *Women's Health and Cancer Rights Act of 1998* requires that all group health plans that provide medical and surgical benefits with respect to mastectomy must provide coverage for:

- Reconstruction of the breast on which the mastectomy has been performed;
- Surgery and reconstruction of the other breast to produce a symmetrical appearance; and
- Prostheses and treatment of physical complications of all stages of the mastectomy, including lymphedema.

These services must be provided in a manner determined in consultation with the attending physician and the patient. This coverage may be subject to annual deductibles and coinsurance provisions applicable to other such medical and surgical benefits provided under the Plan. Please refer to the Medical Plan section of the *Merck Benefits Book* for deductibles and coinsurance information applicable to the medical option in which you choose to enroll.



▶ MERCK HEALTH PLANS NOTICE OF PRIVACY PRACTICES

Originally issued in 2003, the *Merck Health Plans' Privacy Commitment* addresses the protection of medical records, health benefits records and other personal information of participants in Merck's health care plans, including the Medical Plan, the Dental Plan, the Vision Care Plan, the Long-Term Care Plan and the Health Care Account.

Merck Health Plans' Privacy Commitment is available online through the Merck HR website under the Benefits tab. The notice is also available through Fidelity NetBenefits at <http://netbenefits.fidelity.com>. Print copies are available on request, and at no cost by calling the Merck Benefits Service Center at 800-66-MERCK (800-666-3725).

STATE REQUIREMENTS IMPACT ANNUAL ENROLLMENT

Due to state law requirements, employees in certain states (currently Hawaii and Massachusetts, with Vermont and Connecticut close behind) who opt out or waive their employer's medical coverage must sign a written consent waiver.

If you live or work in one of these states, and you waive Merck Medical Plan coverage for 2009, you will be required to obtain, complete, sign and file your waiver with Merck. Please contact the Merck HR Service Center at 866-MRK-HR4U (866-675-4748) for more information.

Benefits Contacts and Resources

NetBenefits®

Your online benefits enrollment is just a click away at the Merck NetBenefits website (<http://netbenefits.fidelity.com>). NetBenefits is recordkept for Merck by Fidelity, the Company's Benefits Recordkeeper. You'll also find important phone numbers, web addresses and forms. Log on to Fidelity NetBenefits at <http://netbenefits.fidelity.com> today!

Merck Benefits Service Center

Fidelity Customer Service Associates are available by phone at 800-66-MERCK (800-666-3725). For overseas calls, dial your country's toll-free AT&T USADirect® access number then enter 800-666-3725. In the U.S., call 800-331-1140 to obtain AT&T USADirect access numbers. From anywhere in the world, access numbers are available online at www.att.com/traveler or from your local operator.

Merck HR

Access the Merck HR website at <http://hr.merck.com> or access many of our frequently called benefit providers by dialing one convenient number—866-MRK-HR4U (866-675-4748). Contact the Merck HR Service Center at 866-MRK-HR4U for Merck Payroll, New Hire Administration and general HR Policy inquiries.



Please refer to the appropriate section of the *Merck Benefits Book*, together with any summary of material modifications thereof, including this *2009 Flexible Benefits News*, for the most complete and up-to-date details. Please note that this *2009 Flexible Benefits News* is not a summary of material modifications for anything other than the CIGNA NC HMO and the Merck Vision Care Plan. Individual sections of the *Merck Benefits Book*, including 2009 updates for the Medical Plan and Dental Plan sections are available online, under the Reference Library of Fidelity NetBenefits at <http://netbenefits.fidelity.com> or upon request by calling the Merck Benefits Service Center at 800-66-MERCK (800-666-3725).

Benefits under the plans and programs which are part of the Merck Flexible Benefits Program are available to U.S. and U.S. expatriate employees of Merck & Co., Inc., Merck Holdings, Inc., Merck and Company, Incorporated, KBI Enterprises, Inc., Rosetta Inpharmatics LLC, Merck HDAC Research, LLC., Abmaxis, Inc., Glycofi, Inc., Sirna Therapeutics, Inc. and Merck Liability Management Company not covered by collective bargaining agreements and to employees of Merck & Co., Inc. covered by collective bargaining agreements who have negotiated to accept flexible benefits. Merck reserves the right to amend these benefits (and the plans and programs under which they are provided) in whole or in part or completely discontinue them at any time, subject to any collective bargaining union agreements. Please note that different premiums may apply to employees on layoff than what is described here, and that you may not be eligible for all of the benefit plans described in this SMM.

Field sales employees can access these websites through their FSNet connection. Keep in mind that with the exception of information about benefits that are part of Merck's Flexible Benefits Program, the Merck websites referred to here apply only to non-union Flex-eligible employees. Please note that U.S. expatriate employees of Merck & Co., Inc. are not eligible for the Medical Plan options (including the prescription drug coverage and managed mental health coverage provided as part of those options) highlighted here. Also note that employees residing in Hawaii are only eligible for the HMO option available in that geographic location; they are not eligible to participate in the Merck PPO, Merck 80/20 or the Merck 80/20 Out-of-Area options.

The information contained herein has been provided by Merck & Co., Inc. and is solely the responsibility of Merck & Co., Inc.