

**2018 Health Benefits
Management Economic Proposal B.1
Open Enrollment November 1 – 15**



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**Aerospace – APSA
Collective Bargaining Agreement (CBA) Negotiations
September 19, 2017**

2018 Health Benefits – Open Enrollment Nov 1-15



- 78%/22% employer/employee medical premium cost sharing is unchanged
- Company goal is to offer meaningful benefit choices to employees and control cost
- Each year the Company reviews its plans and a variety of factors that impact its plans and make adjustments. Factors include; large claims (in excess of \$75K), ER visits, specialist visits, hospital length & drug costs
- As compared to CY17, in CY18, with certain plan changes medical costs increase:

	2018 No Plan Design Changes	2018 With Plan design Changes
Anthem PPO	4.5%↑	3.4%↑
Anthem EPO	4.5%↑	3.9%↑
Anthem CA HMO	14.1%↑	5.2%↑
Kaiser MAS HMO	10.0%↑	9.1%↑
Kaiser CA HMO	10.0%↑	8.7%↑

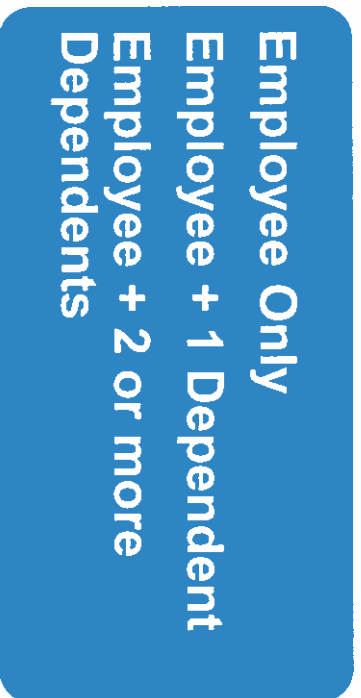
2018 Health Benefits – Open Enrollment Nov 1-15



Medical, Dental and Vision Plan changes

- A new tier of coverage “employee plus child(ren)” is being added for the medical, dental and vision plans
- This is equitable for single family households who currently pay disproportionately higher premiums in a 3 tier structure
- Moving from a 3 tier to 4 tier rate structure more accurately aligns premiums with claims experience and expected costs
- Employees will see a change in their weekly premiums due to the fact that tier pricing more accurately reflects claims data

3 Tier Structure



4 Tier Structure



2018 Health Benefits – Open Enrollment Nov 1-15



Medical Plan Change – Offer a High Deductible Plan Choice

- Offer a new medical plan: Consumer Driven Health Plan (CDHP)
 - 80% of employers offer this type of plan, new employees have requested this option
 - High deductible plan offered with a Health Savings Account (HSA) and Limited Purpose FSA (LPFSA)
 - The deductible will be \$1,500 for an individual and \$3,000 for a family
 - Eligibility for a Health Savings Account (HSA)
 - Aerospace will make an initial contribution into the HSA; single - \$750 & family - \$1,500
 - HSA accounts offer a triple tax advantage
 - A savings account that allows employees to put away money for medical on a pre-tax basis
 - Savings grows tax free
 - Employee pays no taxes when funds are used for medical expenses
 - IRS savings account limits for 2018: single - \$3,450 & family - \$6,900 and if an employee is 55 and over they may contribute an additional \$1,000 catch-up
 - Once your account balance has reached \$1,000, you will be able to invest in funds offered through Anthem's HSA provider
 - Account balances roll over year-to-year and are portable
 - Ease of access to funds through a debit card
 - Eligibility for Limited Purpose Flexible Spending Account (LPFSA)
 - Similar to a traditional FSA, LPFSA's act as an additional pre-tax savings vehicle LPFSA funds can only be used for eligible dental and vision expenses
 - Like a traditional FSA, the IRS limit for 2018 is \$2,600

2018 Health Benefits – Open Enrollment Nov 1-15



- \$926,000, savings realized moving to Express Scripts in 2017
- Prescription (Rx) Changes to Anthem PPO
 - Market trend for Rx is 10%
 - Within Aerospace, specialty drugs accounted for 2.1% of total scripts, yet comprised 35.8% of total drug spend
 - Generic Rx copays will increase from \$5 to \$10 for a 30-day supply
 - Preferred Rx drug co-insurance will be 20% with a minimum of \$30 and a maximum of \$60 (co-pays will not exceed \$60 for a 30-day supply)
 - Non-preferred brand Rx drug co-insurance will be 50% with a minimum of \$60 and a maximum of \$120 for a 30-day supply.
 - Mail order(90 day supply) will continue to be double the retail copays for generic, preferred and non-preferred brand
 - All specialty drug co-pays will be 20% with a maximum of \$100 for a maximum 30-day supply (self-injectable specialty drugs are already covered)
 - Specialty drugs must be obtained from Accredo Specialty Pharmacy
 - Out-of-network pharmacies will no longer be covered, because very few employees use out-of-network pharmacies
- Anthem EPO plan
 - Increase ER copay from \$75 to \$150 per visit
 - Introduce a \$250 co-pay for in-patient hospitalization; currently covered at no cost
 - All specialty drugs will have a copay of 20% with a maximum of \$100 for a 30-day supply (self-injectable specialty drugs are already covered)
 - Specialty drugs must be obtained from Accredo Specialty Pharmacy

2018 Health Benefits – Open Enrollment Nov 1-15



- Kaiser & Anthem HMO plans
 - Increase ER co-pay from \$75 to \$150 per visit (co-pay is waived if admitted)
 - Introduce \$250 co-pay for in-patient hospitalization; currently covered at no cost
 - Anthem HMO
 - All specialty drug copays will be 20% with a maximum of \$100 for a maximum 30-day supply (self-injectable specialty drugs are already covered)
- Minimum Premium Arrangement for Anthem HMO
 - Aerospace directly pays fees for service for medical and Rx claims and pays Anthem fixed costs for capitation and retention/pooling
 - Results in savings of \$574,000
 - No impact on employees benefits, just change how the benefits are funded
- Dental and vision plan also move to a 4 tier structure
- There are no changes to the dental, vision and voluntary personal accident plan coverage
- Aerospace will continue to pay 75% of the dental plan premium cost and employee premium cost sharing remains 25%
- Employees who choose vision and voluntary personal accident plan coverage, will continue to pay the full cost of these plans
- There are no changes to life insurance and long term disability coverage. Aerospace will continue to pay 100% of the employee's basic life insurance premium. The employee will pay the full cost for optional life and dependent life. The employee will have the choice of paying half the cost or the full cost for long-term disability coverage

2018 Health Benefits – Open Enrollment Nov 1-15

Supplemental Sick - STD



Short Term Disability (STD) Leave Changes

- Disability benefits provide income protection to employees who are unable to work for extended periods of time for medical reasons
- Short term benefits are applicable for leaves of one week to 6 months in duration, with long-term disability benefits beginning after 6 months
- A review of Aerospace's disability leave benefit structure and management processes identified the following issues:
 - *Short term disability benefits exceed peer benefit levels and do not incent timely return to work*
 - *Approximately 180 Aerospace employees take disability leave each year, approximately 35 of those leaves are in excess of 3 months*
 - *MTS bargaining unit members account for 32% of leave time and 52% of the leave cost*
 - *Total Aerospace funded supplemental pay for short term disability leave is approximately \$1.7M per year*

2018 Health Benefits – Open Enrollment Nov 1-15

Supplemental Sick - STD



- Current Structure
 - STD covers leaves of one week to 6 months in duration
 - STD is paid through a company supplement in addition to either state disability insurance (SDI) in California or group disability insurance outside California
 - The company supplement is added to the SDI benefit to provide employees with 100% of their gross salary for up to 6 months
 - The effect of this structure is that employees receive more than 100% of their net income while on STD since state/group disability benefits are not taxable
 - The effect of not being taxed on the state/group disability benefits results in an after-tax increase in salary of 6% to 15% depending on salary and marginal tax rate
- Peer Benchmarking
 - JPL does not supplement STD, employees receive the California SDI
 - SEI pays 60% of an employees salary on an after-tax basis for 6 months
 - CNA pays 67% after-tax for 3 months
 - Rand supplements 100% for the first 6 weeks for employees with >10 years of service and 85% for employees with <10 years of service; then supplements to 75% for 6-12 weeks, then supplements 60% thereafter

2018 Health Benefits – Open Enrollment Nov 1-15 Supplemental Sick - STD



- STD Change - Tiered approach
 - For the first 3 months of an approved supplement sick leave Aerospace will supplement 75% of the employees base compensation vs. 100%
 - For the second 3 months of leave Aerospace will supplement 60% of base compensation vs. 100%
- Cost Impact to the Company
 - Changes to the STD would reduce annual cost by 30% with expected savings to be approximately \$500K based on current leave usage

Medical Plan Weekly Contributions

Your contributions are on a pre-tax basis.*

Plan	Coverage Category	Your Weekly Cost	Aerospace Pays	Total Cost
Anthem PPO Plan All states	Employee Only	\$37.23	\$132.00	\$169.23
	Employee + spouse	\$81.81	\$290.06	\$371.87
	Employee + child(ren) Employee + spouse and child(ren)	\$66.95 \$115.25	\$237.37 \$408.60	\$304.32 \$523.85
Anthem CDHP All states	Employee Only	\$34.17	\$121.13	\$155.30
	Employee + spouse	\$75.70	\$268.39	\$344.09
	Employee + child(ren) Employee + spouse and child(ren)	\$60.80 \$109.23	\$215.56 \$387.28	\$276.35 \$496.51
Anthem EPO Plan All states except California	Employee Only	\$34.45	\$122.13	\$156.58
	Employee + spouse	\$75.69	\$268.35	\$344.03
	Employee + child(ren) Employee + spouse and child(ren)	\$61.94 \$106.62	\$219.61 \$378.01	\$281.55 \$484.62
Anthem California HMO	Employee Only	\$34.68	\$122.96	\$157.64
	Employee + spouse	\$76.20	\$270.16	\$346.36
	Employee + child(ren) Employee + spouse and child(ren)	\$62.36 \$107.34	\$221.09 \$380.56	\$283.45 \$487.90
Kaiser Northern and Southern California	Employee Only	\$25.31	\$89.72	\$115.03
	Employee + spouse	\$55.58	\$197.05	\$252.62
	Employee + child(ren) Employee + spouse and child(ren)	\$45.49 \$78.28	\$161.27 \$277.54	\$206.76 \$355.82
Kaiser Mid-Atlantic States	Employee Only	\$30.61	\$108.51	\$139.12
	Employee + spouse	\$67.24	\$238.39	\$305.62
	Employee + child(ren) Employee + spouse and child(ren)	\$55.03 \$94.71	\$195.09 \$335.79	\$250.12 \$430.50
Selman & Company/ASI TRICARE Supplement	Employee Only	\$15.95	\$0.00	\$15.95
	Employee + one dependent	\$30.95	\$0.00	\$30.95
	Employee + two or more dependents	\$30.95	\$0.00	\$30.95
	Employee + spouse and child(ren)	\$30.95	\$0.00	\$30.95



* If you enroll a same-gender domestic partner, contributions for his or her coverage or your partner's dependents' coverage are taken on an after-tax basis. The company's contribution toward their coverage may be included in your taxable income for the year.

Dental Plan Weekly Contributions

Your contributions are on a pre-tax basis.*

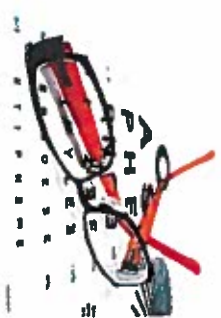
Plan	Coverage Category	Your Weekly Cost	Aerospace Pays	Total Cost
IGNIA Dental Care DHMO All States	Employee Only	\$2.15	\$6.44	\$8.58
	Employee + spouse	\$4.29	\$12.87	\$17.16
	Employee + child(ren)	\$4.93	\$14.80	\$19.73
Delta Dental Plan PPO All States	Employee + spouse and child(ren)	\$7.08	\$21.23	\$28.31
	Employee Only	\$2.54	\$7.62	\$10.16
	Employee + spouse	\$5.08	\$15.24	\$20.33
Dental Net DHMO California Only	Employee + child(ren)	\$5.84	\$17.53	\$23.37
	Employee + spouse and child(ren)	\$8.38	\$25.15	\$33.54
	Employee Only	\$1.95	\$5.86	\$7.82
	Employee + spouse	\$3.91	\$11.72	\$15.63
	Employee + child(ren)	\$4.49	\$13.48	\$17.98
	Employee + spouse and child(ren)	\$6.45	\$19.34	\$25.79



Vision Plan Weekly Contributions

Your contributions are on a pre-tax basis.*

Plan	Coverage Category	Your Weekly Cost	Aerospace Pays	Total Cost
Vision Care Plan All States	Employee Only	\$2.45	\$0.00	\$2.45
	Employee + spouse	\$3.57	\$0.00	\$3.57
	Employee + child(ren)	\$4.20	\$0.00	\$4.20
	Employee + spouse and child(ren)	\$6.72	\$0.00	\$6.72



* If you enroll a same-gender domestic partner, contributions for his or her coverage or your partner's dependents' coverage are taken on an after-tax basis. The company's contribution toward their coverage may be included in your taxable income for the year.

Employee Paid Optional Life Insurance Weekly Contributions

Employee Optional Life Insurance	
Employee Age	Weekly Cost per \$1,000 of Coverage*
Under age 35	\$0.009
35-39	\$0.011
40-44	\$0.013
45-49	\$0.024
50-54	\$0.039
55-59	\$0.054
60-64	\$0.088
65-69	\$0.157
Age 70 and older	\$0.330

You may choose coverage from 1x to 8x your annual salary, up to \$1,500,000.
 Example: A 45 year-old employee elects \$95,000 of coverage. The weekly cost is:
 $\$95,000/\$1,000 \times \$0.024 = \2.28 per week.

Spouse/Domestic Partner** Life Insurance	
Spouse/Domestic Partner Age	Weekly Cost per \$1,000 of Coverage
Under age 25	\$0.012
25-29	\$0.014
30-34	\$0.018
35-39	\$0.021
40-44	\$0.023
45-49	\$0.035
50-54	\$0.053
55-59	\$0.099
60-64	\$0.152
65-69	\$0.293
Age 70 and older	\$0.475

Example: An employee elects \$50,000 of coverage for his 40-year old spouse.
 The weekly cost is: $\$50,000/\$1,000 \times \$0.023 = \1.15 per week

Child(ren) Life Insurance
The weekly cost for Child(ren) Life Insurance is \$0.155 for \$5,000 or \$0.309 for \$10,000, regardless of the number of children.

* Coverage amount is rounded to the nearest \$1,000

** Legally registered, same-gender partner

Voluntary Personal Accident Plan Weekly Contributions

Amount of coverage is reduced at age 70.

Plan	Principal Sum		Both Spouse/Domestic Partner and Children	Your Weekly Cost	
	Employee	Spouse/ Domestic Partner*		Employee Only	Employee and Dependents
Plan A	\$20,000	\$20,000	\$16,000	\$0.14	\$0.24
Plan B	\$50,000	\$50,000	\$40,000	\$0.35	\$0.60
Plan C	\$100,000	\$100,000	\$80,000	\$0.70	\$1.20
Plan D	\$200,000	\$200,000	\$160,000	\$1.40	\$2.40
Plan E	\$300,000	\$300,000	\$240,000	\$2.10	\$3.60
Plan F	\$400,000	\$400,000	\$320,000	\$2.80	\$4.80
Plan G	\$500,000	\$500,000	\$400,000	\$3.50	\$6.00
Plan H	\$600,000	\$600,000	\$480,000	\$4.20	\$7.20

* Legally registered, same-gender partner

Disability Plans Weekly Contributions

Short-Term Disability Insurance (STD)	
California State Disability Insurance (SDI)*	The payroll deduction is 0.9% of the taxable wage base (maximum \$110,902). The maximum benefit is \$1,173 per week.
Non-California Short-Term Disability Insurance*	The weekly payroll deduction is \$0.0785 per \$10 of your weekly benefit up to the maximum benefit of \$1,173 per week.

Group Long-Term Disability (LTD) Plan	
Option A You pay half of the cost of coverage; 50% of the benefit is not taxable.	Your weekly cost is \$0.215 for each \$100 of weekly salary. Example: If you earn \$100,000 per year, your cost would be \$100,000 divided by 52 x \$0.215/\$100 = \$4.13 weekly cost
Option B You pay the full cost of coverage; benefits are not taxable.	Your weekly cost is \$0.43 for each \$100 of weekly salary. Example: If you earn \$100,000 per year, your cost would be \$100,000 divided by 52 x \$0.43/\$100 = \$8.27 weekly cost

Supplemental Long-Term Disability Coverage

If you enroll for the Group Long-Term Disability Plan, the insurance carrier will mail you an offer to enroll, including cost of coverage.

* These are 2017 maximums. The government will announce 2018 maximums in December 2017.