AA Proposal

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Subject: Benefits **Version: 1**

Proposal Reference(s): 10/24/07 – APA Benefits Proposals on Supp K/ Lett G, EBG

Contract Reference(s): Supplement K, Supplement B

Calculation Methodology and Percentage Cost Share

The Company proposes a change to the methodology in which the projected plan cost is calculated.

Using an agreed upon actuarial methodology, American will perform a calculation to project plan cost that is specific to the Pilot work group. The employer and employee cost share will be allocated as follows:

- Employer (American): 75%
- Employees (Pilots): 25%

Four Tier Contribution Structure

The Company proposes a change to the current three-tier employee contribution structure.

Convert the current three tier employee contribution structure (employee only, employee + 1 dependent, and employee + 2 or more dependents) to a four tier structure, as follows:

Current Contributions Standard Plan	Multiplier	Company Proposal	Multiplier
Employee Only	1	Employee Only	1
Employee + 1	2	Employee + Spouse	2.3
Employee + 2 or more	2.65	Employee + Child(ren)	1.9
		Employee + Family	3.0

AA Proposal

Plan Design

The Company proposes the following plan design changes.

- Reduce the number of standard plans from four to three, consolidating the $150 & $250 deductible including updating the deductible to $300 and the out-of-pocket maximum of $2,000 adding family out-of-pocket of $3,250; updating remaining 2 plans to include family out-of-pocket benchmark standards
- Update the plan designs to reflect current industry benchmark standards for large national employers (20,000 or more employees)
- Include a network differential (i.e., in- and out-of-network benefit)
- Match the Point-of-Service preventive care for in-network services only
- Implement a separate co-insurance pharmacy benefit (i.e., separate pharmacy deductible)
- Improve the medical maximum benefit by eliminating the $5M lifetime maximum for active employees and the annual restoration ($3,500)

2009 Employee contributions using Calculation Methodology, 25% Employee Contribution Cost Share, and Plan Design above

Plan	Employee Only	Employee + Spouse	Employee + Child	Employee Plus 2 More
New Option 1	$83.27	$191.53	$158.22	$249.82
New Option 2	$40.19	$92.43	$76.35	$120.56
New Option 3	$33.87	$77.90	$64.36	$101.61

2009 Employee contributions published in *Lifematters*

Plan	Employee Only	Employee + 1	Employee Plus 2 More
Option 1	$51.06	$101.86	$135.41
Option 2	$35.64	$71.42	$93.85
Option 3	$17.17	$34.25	$44.70
Option 4	$5.00	$10.00	$13.00

AA Proposal

Retiree Medical

The Company proposes the following changes to the retiree medical program, excludes Pilots hired prior to November 1, 1983

Pre-65 Retirees:

- Add retiree contributions at 50% in order to more closely align with competing airlines
- Improve the medical maximum benefit by increasing the lifetime maximum for pre-65 retirees from $300,000 to $500,000 and eliminate the annual restoration ($3,500)
- Include a network differential (i.e., in- and out-of-network benefit)
- Match the Retiree Point-of-Service preventive care for in-network services only
- Implement a separate co-insurance pharmacy benefit (i.e., separate pharmacy deductible)
- Improve eligibility requirements for employees hired after age 50, eliminating the age 50 access restriction to retiree medical
- Enhance lifetime medical maximum calculation methodology when moving from active coverage to pre-65
    - Eliminating "remainder of your medical maximum benefit under the active medical benefit, whichever is less" language when moving from active coverage to retiree coverage
- Pilots hired after January 1, 2009 would pay 100% of plan costs

Medicare-Eligible Retirees:

- Eliminate coverage for those retirees eligible to receive Medicare

In addition to the above proposal, the Company's retiree medical plans represent a significant unfunded liability and AA would like to propose a committee to study retiree healthcare options, including VEBA structures

Retiree contributions based on expected expenses and year over year inflation in the Retiree Standard Medical plan

2009 Pilot retiree contributions hired before January 1, 2009

Plan	Employee Only	Employee + 1	Employee Plus 2 More
Pre-65 Retiree Standard Medical	$211.00	$422.00	$633.00

2009 Pilot retiree contributions hired after January 1, 2009

Plan	Employee Only	Employee + 1	Employee Plus 2 More
Pre-65 Retiree Standard Medical	$422.00	$844.00	$1,266.00

2009 Pilot retiree contributions hired prior to November 1, 1983

Plan	Employee Only	Employee + 1	Employee Plus 2 More
Retiree Standard Medical	$0.00	$0.00	$0.00