

# Tentative Agreement – Health and Welfare benefits

October 17, 2016

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- Part of Article 16
- Harmonization of benefits across subsidiaries
- Effective date of new benefits: April 1, 2017
  - Requires special open enrollment for medical and dental

# Health Benefits for Active Employees

Medical, Dental, Vision, Extended Illness Status (EIS), Flexible Spending Accounts (FSA), Health Reimbursement Accounts (HRA)

# Active Medical, Dental, Vision Benefits



- Any plans offered by the company will be available to UA mechanics
  - Employee contributions may vary between labor groups
- All plans offer 4 coverage tiers
  - EE only, EE + Spouse, EE + Child(ren), Family
- All **Medical** plans subject to wellness credit and spousal surcharge
  - Non-smoking adults (Employee and/or spouse) pay \$48 less than smoking adults
  - \$50 surcharge for covering spouses who have access to medical coverage through their own employer



Protected

## Required Plans

Core plans

Select  
Regional  
plans

Not Protected

## Optional Plans

All other  
plans  
offered by  
the  
company

# Required Medical Plans



- Employee contributions cannot be more than 20% of the budgeted rates of the plan they select
- Employee contributions increase cap: Employee contributions cannot increase by more than 9.25% from year over year
  - Cap applies at the plan and coverage tier level
  - Changes in coverage tier or wellness credits and/or spousal surcharge may result in an employee contribution increasing by more than 9.25% (e.g. employee enrolled in EE only one year and family coverage the following year)

# Core vs. Select Regional Plans



## Core Plans

- Company cannot eliminate the plan
- Company cannot change the benefit design
- Plan designs included in CBA

Self insured plans

## Select Regional Medical Plans

- Company cannot eliminate the plans unless
  - The year over year premium increase required by HMO is more than 20% on a per capita basis
  - Enrollment has declined to less than 50% of the enrollment on the effective date of CBA.
- Company cannot replace the plans unless
  - The proposed replacement disrupts less than 20% of enrolled employees.

Fully insured plans

# Required Medical Plan – Core Plans



**New**

Core EPO

**New**

Core PPO

**New**

Core High  
Deductible

Traditional  
PPO

NetCare  
Guam Health  
Plan Plus



# Required – Select Regional Medical Plans



Kaiser  
HMOs\*

HMO IL

HMO CO

HMSA HI

NetCare  
HMOs

Group  
Health WA

\* Includes MMO OH HMO and POS plans

# Optional medical plans



- All other medical plans offered by the Company
  - EPO BYOs, Aetna Select Regional Plans, Bronze Plan, sCO PPO plans, NetCare PPOs
- Employee contributions cannot exceed 20% of the budgeted rates *in aggregate*.
- Year-over-Year (YoY) Employee contribution increases not capped
- Company has sole authority to establish, modify or discontinue optional plans

- Plans and Employee Contributions documents:

[IBTAIRLW\\_Required Medical Benefit Reference with Hyperlink.pdf](#)

[IBTAIRLW\\_Optional Medical Benefit Reference with Hyperlink.pdf](#)



## Required Plans

Core plan

## Optional Plans

All other plans offered by the company

# Dental Benefits



## 2017 Contributions:

		Monthly Amounts			
		Employee Contributions			
	Name of Plan	You Only	You + Spouse	You + Child(ren)	You + Family
Dental	Aetna DMO	\$4.09	\$8.59	\$7.77	\$12.27
	CIGNA Dental HMO	\$5.29	\$10.05	\$10.58	\$16.39
	HMSA Dental Network	\$7.29	\$15.31	\$13.86	\$21.88
	HMSA Dental PPP	\$7.29	\$15.31	\$13.86	\$21.88
	HMSA Dental HMO	\$6.49	\$13.63	\$12.34	\$19.48
	HMSA Dental PPP	\$6.49	\$13.63	\$12.34	\$19.48
	TakeCare Dental Guam	\$9.76	\$20.50	\$18.55	\$29.29
	TakeCare Dental Saipan	\$9.76	\$20.50	\$18.55	\$29.29
	MetLife Dental PPO	\$5.39	\$10.78	\$13.48	\$18.87
	MetLife Dental PPO Plus	\$6.24	\$12.49	\$15.61	\$21.86
	<b>MetLife Traditional Dental PPO *</b>	<b>\$9.09</b>	<b>\$18.18</b>	<b>\$22.73</b>	<b>\$31.82</b>

\* Core Dental Plan

# Core vs. Optional Dental Plans



## Core Plan

- Employee Contributions cannot exceed 20% of the total projected cost for the coverage tier elected
- YoY Employee Contributions increases capped at 9.25%
- Plan designs included in CBA so plan cannot be eliminated or modified for the length of contract

## Optional Dental Plans

- Company has sole discretion in establishing employee contributions
- YoY Employee Contributions increases not capped
- Company has sole authority to establish, modify or discontinue any optional dental plans



- The company has sole authority over the vision benefits
  - Eligibility
  - Plan Design
  - Employee Contributions: 100%

# Extended Illness Status (EIS) benefits



- Employees placed on EIS on or after the effective date of the agreement will be eligible for up to 24 months of medical, dental and vision benefits at active rates
  - For themselves and dependents
  - After 24 months, can elect COBRA to continue coverage



# Flexible Spending Accounts



- Employees can elect to contribute **pre-tax** a portion of their pay to the company's sponsored FSA accounts:
  - **HealthCare FSA:**
    - Max annual contribution is expected to be \$2,600 in 2017 (set by law)
    - Can use FSA funds to pay for medical out of pocket expenses (e.g., copay, deductible, coinsurance)
  - **Dependent Care FSA:**
    - Max annual contribution set equal to the maximum statutorily permissible election
  - **Use it or lose it: balance unused by end of year are forfeited**

**SAME AS IN CURRENT CBA**

# New Reimbursement Accounts



- Health Reimbursement account (HRA)
  - Provide financial relief for:
    - Active EE contributions
    - Medical/dental/vision Out of pocket expenses
- Retiree Health Account (RHA)
  - Provide financial protection at retirement
    - Retiree premium
    - Medical/dental/vision Out of pocket expenses
- Both accounts managed through a VEBA Trust to ensure tax advantages
- Employer contributions only
- Unused balances remain available to employees

# VEBA Trust: HRA and RHA



- VEBA Trust established to manage 2 accounts per employee covered by this TA:
  - Active account: Health Reimbursement Account (HRA)
  - Retiree account: Retirement Health Account (RHA)
- Company contributes \$1.20 to VEBA per compensable hours for up to 2,080 hours in a calendar year (prorated for partial years)
- Contributions are not taxable income for the employee
- Contributions do not count in calculation of other benefits
  - E.g., pension, profit sharing, 401(k), etc...
- Unused funds remain in employee's accounts

# Where does the contribution go?



## Employee participates in Company medical plan

- VEBA contribution goes into Active HRA account
- Contributions vest immediately
- Employee can use HRA account to pay for any qualifying medical expenses under Internal Revenue Code 213(d)

**HRA**

## Employee doesn't participate in Company medical plan

- VEBA contribution goes into Retiree RHA account
- Contributions vest immediately
- Funds in RHA account not accessible until employee leaves or retires from the company.

**RHA**



- Funds accessible if employee is an active participant of the company medical plan
  - Covered as employee or spouse
- Funds can be used for eligible health expenses incurred by eligible employees, their spouses and eligible dependents.
  - Eligible expenses: Member cost share, health insurance premium, qualified health expenses not covered under the plan, certain OTC drugs with a prescription
  - Eligible dependents: spouse, kids

# Transfer between HRA and RHA



- Funds can only be transferred from Active HRA to Retiree RHA.
- Funds will transfer from HRA to RHA when employee retires or leaves the company
- For employees on furlough or Long Term Disability (LTD). Funds will transfer from HRA to RHA at the earlier of:
  - Employee electing to transfer funds
  - 5 years after the loss of active status



- Funds only accessible if employee has left or retired from the company
- Funds can be used for eligible health expenses incurred by former employees, their spouses and eligible dependents.
  - Eligible expenses: Member cost share, health insurance premium, qualified health expenses not covered under the plan, certain OTC drugs with a prescription
  - Eligible dependents: spouse, kids



- In the event an employee passes, both HRA and RHA accounts are transferred to surviving spouse and/or eligible tax dependent under IRC 152.
- If no spouse or eligible tax dependent, funds balance is split on a per capita basis and redistributed amongst the remaining HRA and RHA participants.
  - Funds are not going back to the company





- HRA and RHA funds are made of pre-tax dollars.
  - Maximize the value of these accounts by using them to pay for expenses typically paid with post-tax dollars
    - Cost shares (copays, deductibles, coinsurance)
    - Health premium bought in a public exchange
    - Individual Medicare or Med Supp plan
- Employee offsets active employee contributions

# Ex – SFO including dental premium



- EE contributions without HRA

Plans	EE Only	Family
Kaiser No CA (sCA) + Core dental	\$9.09	\$444.09
Kaiser No CA (sUA) + Core dental	\$9.09	\$392.54
HRA Funds	\$208	\$208

Use of HRA funds to pay EE contributions make the EE contributions for family coverage equivalent to a 90/10

- EE contributions with HRA

Plans	EE Only	Family
Kaiser No CA (sCA) + Core dental	\$0	\$236.09
Kaiser No CA (sUA)+ Core dental	\$0	\$184.54
HRA Funds	\$198.81	\$0

10.6%

9.4%

- VEBA HRA presentation:

[IBTAIRL VEBA HRA 2016\\_Oct 2016.pdf](#)

# Health Benefits for Retired Employees

Medical, Health Reimbursement Accounts  
(HRA)



- Grandfathered into current CBA: Anyone who has retired, retires prior to the effective date of the agreement or files retirement paperwork prior to the effective date.
- Anyone who retires after the effective date of the agreement:
  - Eligible for retiree medical benefit if at least age 60 with 10 years of service
  - Coverage ends at age 65 (Medicare eligible)
  - Can elect any medical plan offered to active

# Retiree Medical Contributions



- If retires within 10 years of the effective date of the agreement, can use sick bank to pay for retiree medical at the rate of 11 hours of sick time per month of coverage
- If retires thereafter or doesn't have enough sick time: 100% retiree paid
  - Can use funds from RHA account to:
    - Pay retiree premium for company coverage
    - Buy insurance on a public exchange
    - Pay member out of pocket expenses



- No company sponsored plan available
- Use RHA funds to buy Medicare Supplement policy and Part D, or Medicare Advantage Plan.
  - Feasible to find Medicare Advantage plans on the individual market that are cheaper than the current company Post-65 plans

# Other Welfare Benefits for Active Employees

Life, Personal Accident Insurance, Business Travel Insurance, Long Term Disability



# Company paid welfare benefits



Benefits Name	Benefit value
Basic life	1 time annual salary
Personal Accident Insurance	\$4,000 max
Business Travel Accident insurance	\$250,000 max

# Long Term Disability benefits



Company pays 50% of premium

LTD Option	Waiting Period	Benefit value (% of annual base pay)	Max monthly benefit
LTD 1	180 days	50%	\$10,000
LTD 2	180 days	60%	\$10,000
LTD 3	120 days	60%	\$10,000

# Other programs



- Pass Travel programs
- On-time bonus program
- Quarterly customer satisfaction bonus program
- Voluntary group life insurance
- Voluntary PAI

- This presentation was prepared exclusively for the IBT Airlines Division to provide educational background to the United Airlines Mechanics and Flight Simulator Technicians re Health & Welfare benefits negotiated under Article 16 of the Tentative Agreement reached on September 28, 2016
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