

TI Retiree Health Benefits Bulletin

October 2004

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TI's Maximum Contribution to Retiree Healthcare Premiums

The following article covers information presented during the recent TI Alumni Association Health Benefits meetings regarding the decision TI has made to enhance TI's retiree healthcare contributions beginning in 2005. This is a one-time change that TI believes will help retirees financially prepare for the inevitable rise in healthcare costs during the coming years. A video about this change can be viewed on the TI Alumni Association Web site at www.tialumni.org.

Rising healthcare costs are a key national concern and a significant business challenge for TI as well as a financial issue for retirees. When we look at how other companies are responding, we find that a number are discontinuing retiree medical coverage altogether.

You may know TI is self-insured, which means that the entire cost of retiree and active healthcare is paid by TI, its retirees and employees. This year, TI will spend almost \$33 million on healthcare for retirees and covered family members. Although TI continues to look for ways to control or reduce overall healthcare costs, there is no immediate relief in sight to these rising costs.

The Retiree Medical Cap:

TI first implemented the annual maximum contribution that it would make to retiree healthcare premiums in 1992. This maximum contribution is also referred to as the *retiree medical cap*. For TI retirees with 30 years of service, the cap was set in 1992 at \$1,800 for Medicare-eligible retirees and at \$6,000 for pre-Medicare retirees.

TI's annual Medicare-eligible retiree healthcare costs now exceed \$1,800 per person, and TI's annual pre-Medicare retiree healthcare costs are soon expected to exceed \$6,000 per person. In an effort to help retirees manage these increasing costs, beginning in 2005, TI will **raise the annual maximum** contribution that it will make to retiree premiums.

Please Note:

- This cap applies only to retirees who retired after 1992. *For those who retired prior to 1993, there is no cap.*
- This cap does not affect premiums for spouses and dependents of retirees who retired after 1992 since TI makes no contribution to those premiums.

What does this mean for you?

- For pre-Medicare retirees with 30 or more years of service, who retired after 1992, the cap will increase from its current \$6,000 to \$11,000.
- For Medicare-eligible retirees with 30 or more years of service, who retired after 1992, the cap will increase from its current \$1,800 to \$4,000.

TI's Retiree Medical Cap	<i>Pre-Medicare Retirees</i>	<i>Medicare-Eligible Retirees</i>
Current	\$6,000	\$1,800
Future (beginning in 2005)	\$11,000	\$4,000

Based on Retiree with 30 or more years of service

- For retirees with between 15 and 30 years of service, TI's maximum contribution is prorated.
 - This means that retirees with 15 years of service, who are eligible for retiree healthcare, would pay a higher premium than retirees with 30 years of service.
 - For example, while the new limit for a 30 year pre-Medicare retiree is \$11,000, TI's maximum contribution to premiums for a 15 year pre-Medicare retiree, who is eligible for retiree healthcare, will be about half that per year. Retirees with service between 15 and 30 years have contributions between these two figures.

TI's decision to increase its contribution on a one-time only basis will reduce the rate of increase in retiree healthcare premiums and allow retirees the opportunity to plan now for their future healthcare costs.

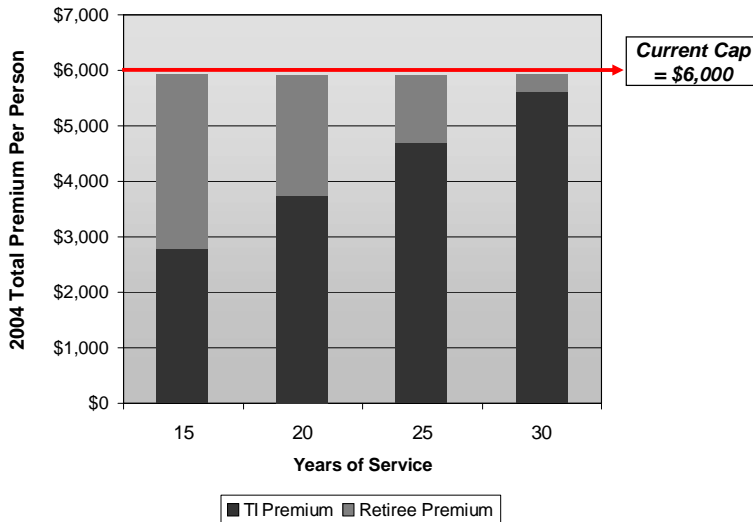
The premium is the amount that TI bills the retiree. This does not mean that the annual amount that TI will pay on your behalf for healthcare cost is limited to these caps. As outlined in your annual enrollment brochure, you have an annual maximum out-of-pocket expense in addition to your premiums and deductibles. Once you reach your maximum out-of-pocket expense in a calendar year, TI pays 100% of any eligible additional claim costs that year.

It is important to remember that in 2005 and beyond, as long as TI healthcare costs per person are below the new cap, TI will continue to share costs with retirees. But, once TI costs reach the cap, retirees will pay 100% of the cost above the cap.

Following are some graphed examples of how the cap works for retirees with various years of service.

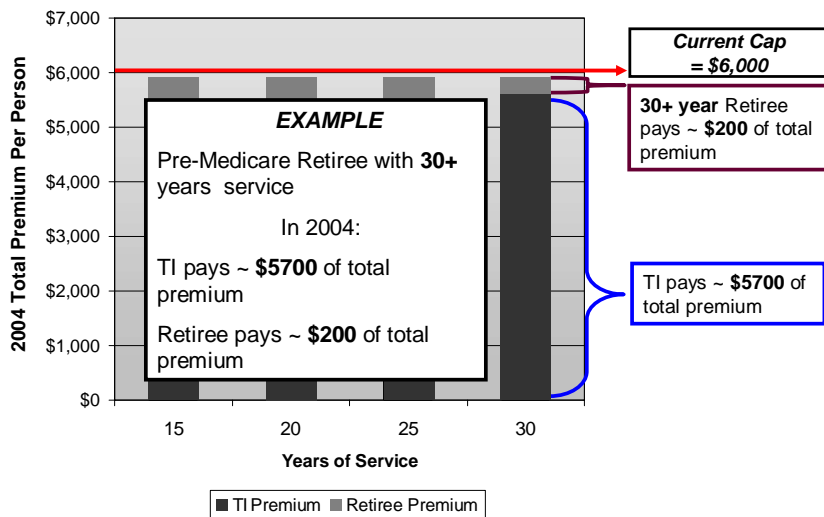
If you have additional questions, please contact the TI Benefits Center through TI SmartLink at (800) 890-2600. Enter your Social Security number and then say, "TI Benefits Center."

Cost Sharing for Retiree Healthcare Premiums
Pre - Medicare Retirees



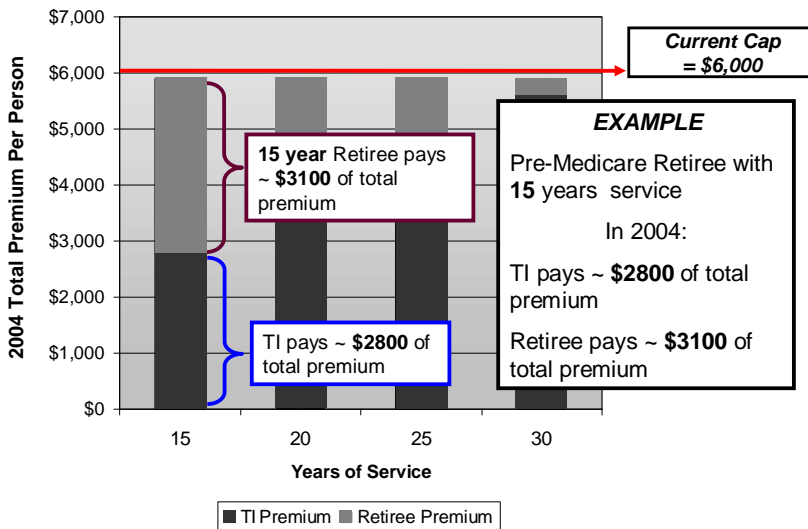
This first example is for 2004 premiums for pre-Medicare retirees. In 2004, healthcare premiums for pre-Medicare retirees are approaching the \$6,000 cap.

Cost Sharing for Retiree Healthcare Premiums
Pre - Medicare Retirees



This graph shows that for a pre-Medicare retiree with 30 or more years of service, TI pays approximately \$5700 of the premium and the retiree pays approximately \$200 or 3% of the total premium.

Cost Sharing for Retiree Healthcare Premiums
Pre - Medicare Retirees

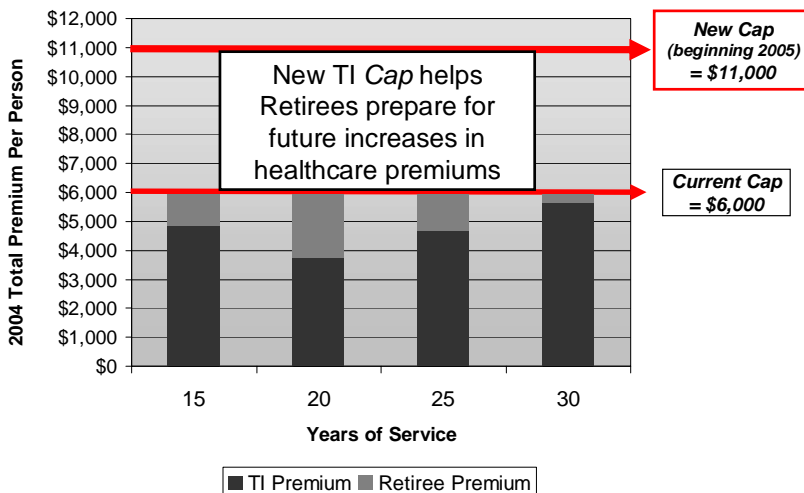


For the 2004 healthcare total premium for pre-Medicare retirees, this shows a retiree with 15 years of service, who is eligible for retiree healthcare. TI pays approximately \$2800 of the premium and the retiree pays approximately \$3100 or 53% of the total premium.

The key points to note here are that:

- 1) Costs have nearly reached the cap for pre-Medicare retirees, remember that all costs above the cap will be borne 100% by retirees and
- 2) Retirees have different cost sharing ratios with TI depending on their years of service.

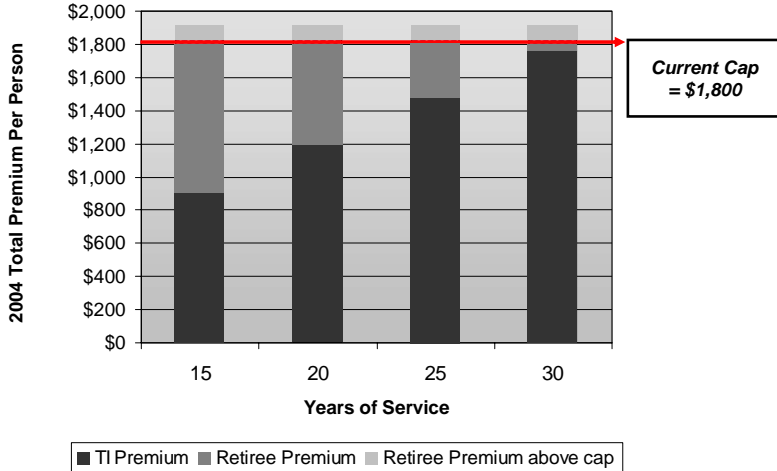
Cost Sharing for Retiree Healthcare Premiums
Pre - Medicare Retirees



This graph takes the 2004 example of pre-Medicare retiree premiums and shows the additional headroom provided by the increase in the cap to \$11,000. With this increased cap, TI will continue to share costs with retirees up to the new cap level at different ratios based on years of service.

Cost Sharing for Retiree Healthcare Premiums

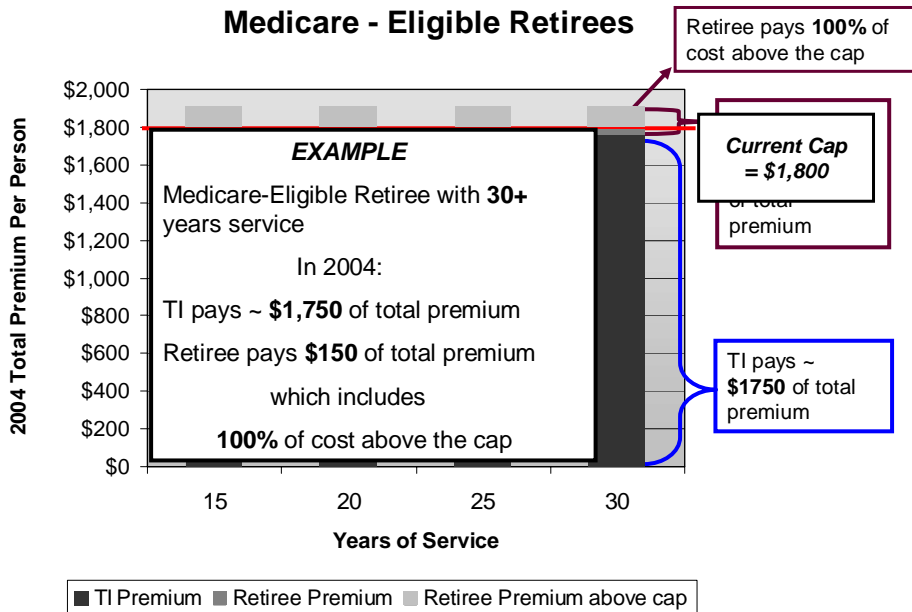
Medicare - Eligible Retirees



For an example of what will happen when costs exceed the new cap, we can look at the real experience of Medicare-eligible retirees in 2004 since the total annual premium per person exceeded the \$1,800 cap for this group. TI shared costs with retirees up to the \$1,800 cap, and retirees are paying 100% of the cost above the cap. As in the case with pre-Medicare retirees, TI's cost sharing ratio varies depending on the years of service.

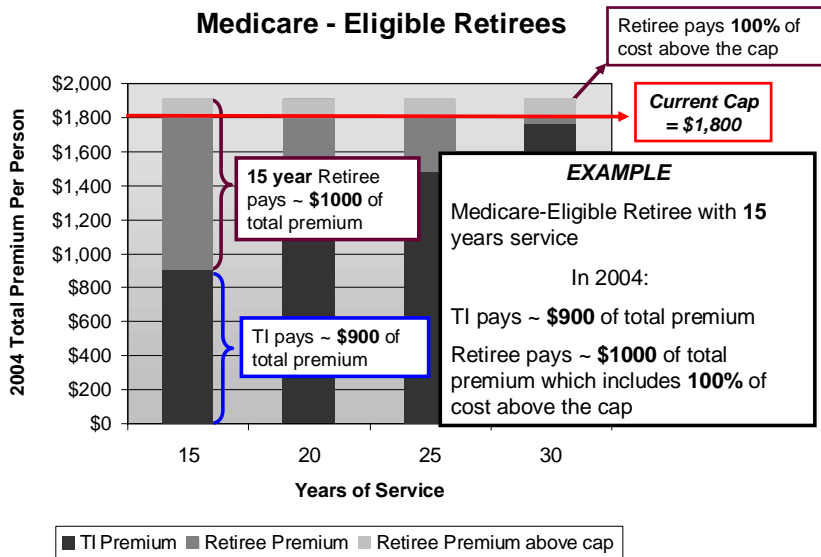
Cost Sharing for Retiree Healthcare Premiums

Medicare - Eligible Retirees



In 2004, for a Medicare-eligible retiree with 30 or more years of service, TI pays approximately \$1750 of the total premium and the retiree pays \$150 of the total premium - including about \$100 which is the amount shown above the cap on the graph.

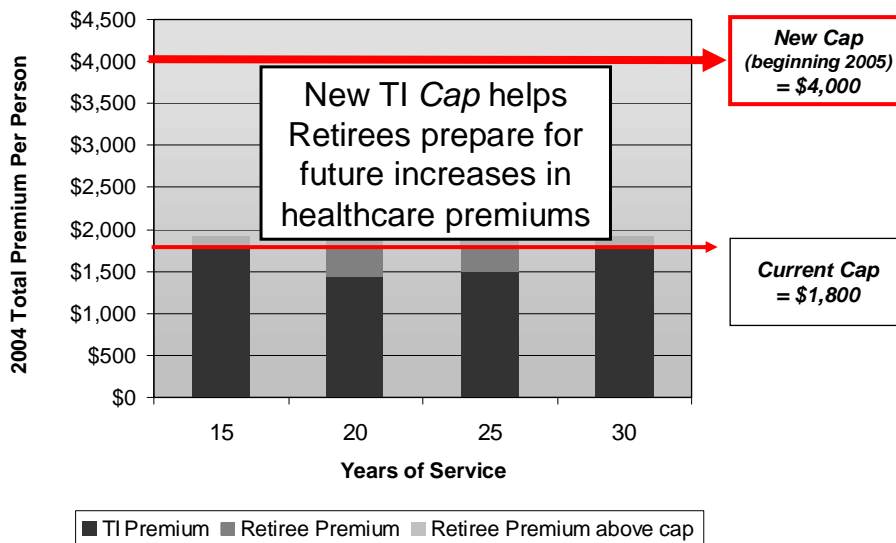
Cost Sharing for Retiree Healthcare Premiums



In 2004, for a Medicare-eligible retiree with 15 years of service, who is eligible for retiree healthcare, TI pays approximately \$900 of the total premium and the retiree pays approximately \$1000 of the total premium.

Cost Sharing for Retiree Healthcare Premiums

Medicare - Eligible Retirees



Beginning in 2005, the Medicare-eligible retiree group has an increased cap of \$4,000 for a retiree with 30 or more years of service. With this increased cap, TI will once again share costs with retirees up to the new \$4,000 cap level at different ratios based on years of service.

Retiree medical coverage is neither fixed nor guaranteed. TI reserves the right to amend, modify or terminate the plan under which retiree medical coverage is provided at any time, including at any time after an individual has retired and to apply such changes to any or all retirees.

Flu shots cancelled during the annual retiree “Big Event”

On Oct. 5, the Centers for Disease Control and Prevention (CDC) updated its influenza vaccination recommendations because of the regulatory agency shutdown of one of the two flu vaccine manufacturer's plants, resulting in a sudden flu vaccine shortage for the 2004-2005 flu season. The CDC has directed all medical providers to reserve flu vaccine for persons who have been determined by the CDC to be at high risk for developing complications from the flu.

Consequently, Maxim Healthcare has cancelled the flu clinic originally scheduled during the “Big Event.” We encourage individuals in the identified high-risk categories to contact their personal physicians to obtain flu shots.

The CDC defines those with an increased risk of developing influenza-related complications as:

- People 65 years and older
- Children 6 to 23 months of age
- People who live in nursing homes and other long-term care facilities that house those with long-term illnesses
- Adults and children (6 months and older) with chronic heart or lung conditions, including asthma
- Adults and children (6 months and older) who needed regular medical care or were in a hospital during the previous year because of a metabolic disease (like diabetes), chronic kidney disease or weakened immune system
- Children 6 months to 18 years of age who are on long-term aspirin therapy (children given aspirin while they have influenza are at risk of Reye Syndrome)
- Women who will be pregnant during the influenza season
- Healthcare workers with direct patient care
- Out-of-home caregivers and household contacts of children less than 6 months of age

Although the flu vaccine is highly effective in preventing the flu, there are other steps you can take to help prevent the flu.

- **Avoid close contact** with people who are sick. When you are sick, keep your distance from others to protect them from getting sick, too.
- **Stay home when you are sick.** You will help prevent others from catching your illness.
- **Cover your mouth and nose** with a tissue when coughing or sneezing. It may prevent those around you from getting sick.
- **Wash your hands often** to help protect you from germs. It is important to wash with soap and water and/or clean with alcohol-based hand cleaner.
- **Avoid touching your eyes, nose or mouth.** Germs are often spread when a person touches something that is contaminated with germs and then touches his or her eyes, nose or mouth.

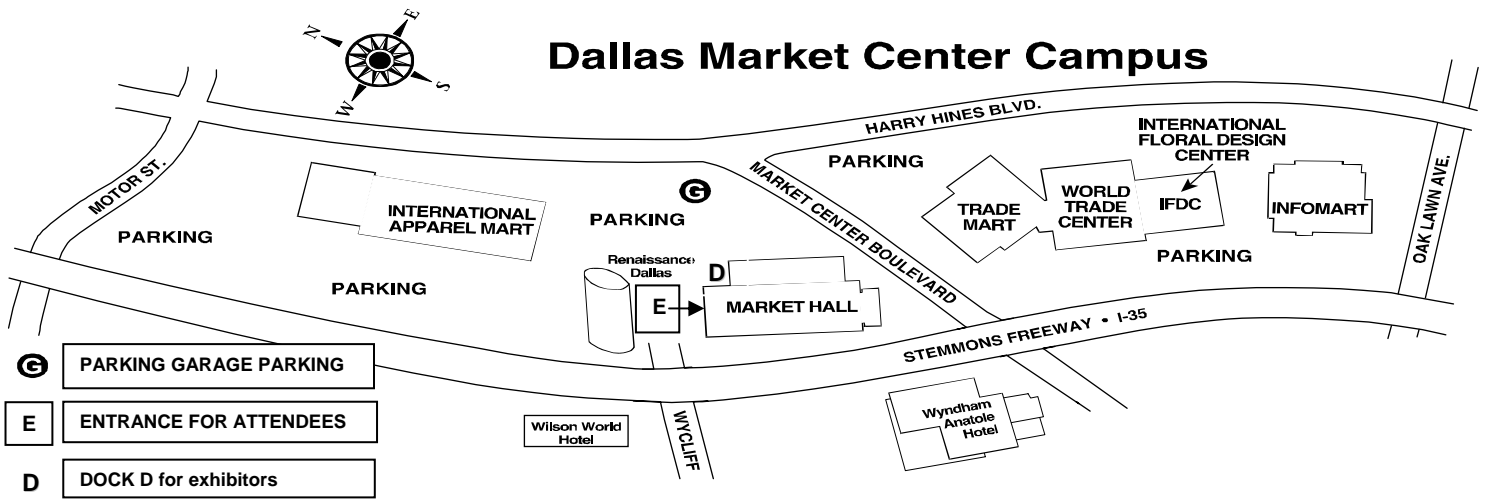
Symptoms and complications of the flu include:

- Fever (usually high)
- Headache
- Extreme tiredness
- Dry cough
- Sore throat
- Running or stuffy nose

- Muscle aches
- Gastro-intestinal symptoms such as nausea, vomiting and diarrhea are much more common among children than adults.
- Some of the complications caused by flu include bacterial pneumonia, dehydration and worsening of chronic medical conditions such as congestive heart failure, asthma or diabetes. Children may get sinus problems and ear infections.

If you have questions about your individual health situation, consult with your personal physician.

Directions to the annual TI retiree “Big Event”



Market Hall
2200 N. Stemmons Freeway
Dallas, TX 75207