

Sandia Total Health



Your Health. Take Charge.



Taking charge of your own health care

Health care at Sandia is changing. As many of you know, health care costs have been increasing at a rate five times faster than inflation. These costs will continue to increase in the future. In an effort to control these rising health care costs, Sandia is implementing changes to the way health care is provided to active employees and retirees. While cost is important, these changes also represent Sandia's strategy to engage in a partnership with employees to improve health and wellness and allow employees more control over their health care spending. These changes, called Sandia Total Health, will be introduced in 2010 with full implementation in 2011.

It is no secret that Sandia is operating in a rapidly changing world and a challenging economic environment. The economic and global landscapes are changing, as well as the national security environment. Sandia itself is changing: its leadership, budget, workforce, infrastructure and investments. In this changing environment, Sandia faces unprecedented financial challenges associated with future pension and health care costs.

Based on current assumptions, Sandia is estimating that approximately \$2 billion in pension contributions will be required between 2011 and 2020. Annual health care costs are projected to increase to approximately \$250 million by 2020. Liabilities associated with post-retirement health care alone now exceed \$1.2 billion. These projected pension and health care costs are unsustainable given Sandia's future budget forecasts.

Sandia has adopted a deliberate approach to managing for the future and addressing its future cost challenges. Sandia's health care strategy is part of other Labs transformation efforts aimed at positioning Sandia for the future.

Sandia health care strategy is based on the following goals:

- Offer quality benefits competitive with similar research organizations and a select group of large industrial companies.
- Manage future costs and liabilities
- Encourage health care consumerism and improve overall health through an integrated health and wellness program
- Minimize health care network disruption
- Effectively respond to our contractual commitments to DOE
- Reduce administrative costs

Unprecedented challenges drive changes

• Sandia is facing unprecedented financial challenges associated with future pension and health care costs. These projected pension and health care costs are unsustainable given Sandia's future budget forecasts.

• Sandia has a contractual requirement to continue to make progress in bringing the value of overall benefits more in line with the value of benefits offered by an industry comparator group of similar research organizations and a select group of large industrial companies.

• Sandia must make these changes to manage future costs and liabilities.

• Sandia Total Health represents a strategy to manage health care costs by encouraging health care consumerism and improving overall health through an integrated approach to health and wellness.

• Sandia Total Health includes a focus on prevention and encouragement of healthy lifestyles, the management of chronic conditions, and behavior modification aimed at changing risk factors.

• If this strategy is successful, Sandia will be able to more effectively manage increasing health care costs and improve the overall health of employees.

Post-retirement health care changes

Sandia will also be limiting the amount it will provide to subsidize the cost of post-retirement health care in the future. For eligible employees, with retirements effective on or after Jan. 1, 2011, Sandia will implement fixed limits on the amount it will provide to subsidize PreMedicare retiree medical and dental coverage. Also, for eligible employees, with retirements effective on or after Jan. 1, 2011, Sandia will limit the total amount it will provide to subsidize Medicare retiree medical and dental coverage.

About the health care changes

For active employees in 2010 . . .

• Sandia is replacing the UnitedHealthcare Standard Plan (a high-deductible health plan) with a new Consumer-Driven Health Plan (CDHP) — called Sandia Total Health — that has a \$750 deductible for employee-only coverage and a higher deductible for spouse and family coverage. The deductible for this new plan is lower than the deductible in our current standard plan. Sandia Total Health will be offered along with the other three medical plan options we offer today.

• Sandia Total Health also has a Health Reimbursement Account (HRA) feature. If you (the employee,

retiree, or participant) take a confidential health assessment and complete your biometric screenings each year, Sandia will contribute money to your HRA which you can use to pay for a portion of your out-of-pocket costs (such as your deductible and coinsurance).

• You must make an election during Open Enrollment in November; your current plan choices will not carry over.

For active employees in 2011 . . .

Sandia Total Health will be the only medical plan option available — all other medical plans will be eliminated. Our goal is to have Sandia Total Health offered through the networks we use today, such as Presbyterian, Lovelace, and Kaiser, in 2011.

How a Consumer-Driven Health Plan with a health reimbursement account works

• The Consumer-Driven Health Plan (CDHP) — which we are calling Sandia Total Health — combines comprehensive health care coverage, like that of a traditional Preferred Provider Organization (PPO) plan, with a Health Reimbursement Account (HRA). The new plan will have an annual deductible of \$750 per employee and \$2,250 per family. This is a lower deductible than for the current Standard Plan. Other key features of the new plan include a cap to the amount Sandia will contribute toward some members' health care coverage, and a stipend Sandia will pay to eligible employees for use in the purchase of medical coverage. More details available at <http://hbe.sandia.gov>.

• With Sandia Total Health, covered employees will have an annual out-of-pocket maximum. In general, this is the maximum amount you'll pay for medical expenses each year, excluding the deductible and certain copays and coinsurance amounts. After you reach your annual out-of-pocket maximum, the plan pays 100 percent of remaining eligible expenses. Prescription drug coinsurance amounts are not included in the overall out-of-pocket maximum, as there is a separate in-network, annual out-of-pocket maximum for prescription drugs.

• It is important to note that Sandia will continue to pay for the large majority of the health insurance cost for employees. Sandia Total Health is projected to have lower overall premium costs. Since these costs will be less than the other health care plans, in most cases, your premiums for this plan will be lower. More information about the specific costs will be provided before Open Enrollment this fall.

• Also, if you take a health assessment and complete your biometric screenings each year, Sandia will contribute money to your HRA, which you can use to pay for a portion of your out-of-pocket costs (such as your deductible and coinsurance).

• A health assessment is a confidential online questionnaire that asks you about your health history, your lifestyle behaviors (such as smoking and exercise habits), and your willingness to make changes. Then, it provides a personalized report of your health status and any health risks you may have now or possibly down the road, and how you can take steps to prevent or manage those risks. If the assessment identifies a health risk, the assessment can be used by your doctor to assist in reducing that risk. If you have no health risks, the

report will make suggestions for improving or better managing your health and well-being. The assessment is not used to determine health care eligibility.

• A portion of this deductible will be reimbursed through the HRA, as long as you have taken the health assessment and completed your biometric screenings. If your total medical claims don't exceed the annual contribution Sandia makes to the HRA, you will have no out-of-pocket expenses.

• Sandia will provide education and tools to help you learn about the cost of certain health care treatments and how to research the best options available, to help you manage your HRA dollars and live a healthier lifestyle.

• The wellness programs that Sandia offers, from group exercise classes to guest chef events, will also help you learn how to live a healthy lifestyle. This has benefits for both your health and for your wallet.

• Preventive care is covered at 100 percent when you use a network provider, with no deductible required.

• Sandia currently provides employees key preventive health programs, such as:

– **Assessments and personal consultations:** Sandians can meet one-on-one with a Preventive Health staff member to learn about and design personalized programs for topics including nutrition, fitness, sleep, smoking cessation, self-care, blood pressure, and stress.

– **Disease management programs:** These programs offer a variety of interventions, including case management, one-on-one assessments, and consultations with certified allied health professionals. The Disease Management Clinic also regularly offers a variety of educational classes such as lipid and blood pressure improvement and weight management.

– **Organizational programs:** These programs are tailored to meet the specific needs within each department/organization at the laboratory. Services commonly delivered to work groups include stress management, health education, and back care.

• With Sandia Total Health, you'll have the opportunity to be a more informed and engaged health care consumer because you will be able to ask about and learn more about what health care really costs.

• This type of plan gives you more control over your health care spending because you control how you spend the funds in your HRA.

Q&As about health care benefit changes

1. Why is Sandia making all these health care changes?

Sandia is facing unprecedented financial challenges associated with future pension and health care costs. These projected pension and health care costs are unsustainable given Sandia's future budget forecasts. Sandia also has a contractual requirement to continue to make progress in bringing the value of our overall benefits more in line with the value of benefits being offered by an industry comparator group comprised of similar research organizations and a select group of large industrial companies. Sandia must make these changes to manage future costs and liabilities.

2. How are these health care changes going to help Sandia?

Sandia Total Health represents a strategy to manage health care costs by encouraging health care con-

sumerism and improving overall health through an integrated approach to health and wellness. This includes a focus on prevention and healthy lifestyles, the management of chronic conditions, and behavior modification aimed at changing risk factors. If this strategy is successful, Sandia will be able to more effectively manage increasing health care costs and improve the overall health of employees.

3. How is Sandia Total Health different from the UnitedHealthcare Premier Plan?

See the chart at the top of the next page for a comparison of the benefits available under Sandia Total Health vs. the UnitedHealthcare Premier Plan:

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Q&As about health care benefit changes

(Continued from preceding page)

Plan Feature	What's different between Sandia Total Health and the Premier Plan?
Employee Premium Share	The plans have the same percentage, but your premium will be lower with Sandia Total Health, which means less out of your paycheck; however, please note that funding levels may change in the future.
Annual Deductible	Sandia Total Health works a little differently than the Premier Plan because you have a deductible to pay.
Health Reimbursement Account Contribution from Sandia	A key difference is that Sandia Total Health offers a Sandia-funded Health Reimbursement Account, which you can use to help pay for the deductible and other out-of-pocket costs. Sandia funds the account, and no employee contribution is required. And if you don't use the entire amount, you can roll it over to the next plan year subject to a maximum limit. Sandia Total Health will be the only plan with a Health Reimbursement Account in 2010.
Preventive Care	There is no difference.
Coinsurance (% of expenses you pay)	There is a 5 percent increase in coinsurance with Sandia Total Health
Office Visits	You pay a coinsurance for office visits with Sandia Total Health, unlike the Premier Plan, which charges a copay.
Prescription Drugs	There will be a limit to your annual spending on prescription drugs with Sandia Total Health, unlike the Premier Plan.
Annual Out-of-Pocket Maximum (excludes deductible and prescription drugs)	Sandia Total Health out-of-pocket maximum is higher.
Your Flexible Spending Account (FSA) Contribution	There is no difference.

4. What is a deductible?

A deductible is the amount you must pay each year out of your pocket before your plan benefits begin. Your deductible amount will be based on the level of coverage you have (employee only, employee + spouse or employee + child(ren), employee + family).

However, with Sandia Total Health, preventive care is covered at 100 percent (in-network) with no deductible required.

5. What is an out-of-pocket maximum?

In general, this is the maximum amount you'll pay for medical expenses each year, excluding the deductible and certain copays and coinsurance amounts. After you reach your annual out-of-pocket maximum, the plan pays 100 percent of remaining eligible expenses. Prescription drug coinsurance amounts are not included in the overall out-of-pocket maximum, as there is a separate in-network, annual out-of-pocket maximum for prescription drugs.

6. What are the benefits of Sandia Total Health with a Health Reimbursement Account?

One key benefit of Sandia Total Health is that Sandia funds the Health Reimbursement Account. No

employee contribution is required. And if you don't use the entire amount, you can roll it over to the next plan year, subject to a maximum limit.

With Sandia Total Health, you'll have the opportunity to be a more informed and engaged health care consumer and a better manager of your health care expenses. Sandia will provide education and tools to help you learn about the cost of certain health care treatments and how to research the best options available to help you manage your HRA dollars. Sandia will also provide wellness education to help you learn how to live a healthy lifestyle, which will have benefits for your health and for your wallet.

It will be important for all Sandia employees to become smarter "consumers" of health care services by better understanding how to effectively purchase services, seek treatment, and live a healthier lifestyle. Not all of the plan design decisions have been finalized yet. More information on Sandia Total Health will be available over the next few months — before Open Enrollment in the fall.

What to expect over the next few months

- Sandia is committed to providing employees with tools and resources to help them understand the health care benefit changes and how they'll impact them.
- A live webcast featuring Sandia benefits experts discussing the changes will be scheduled soon.
- Multiple live web sessions will be conducted over the next two weeks to answer your questions.
- Managers have all been briefed and provided additional information to help understand the changes.
- Multiple town hall-type meeting sessions in late July and early August will serve as a forum to provide more information about the new plan and to answer questions.
- From August through September there will be educational newsletters and an online interactive presentation about the changes.
- In October, Open Enrollment information will be mailed to employees' homes. Open Enrollment will be held this year from Oct. 19-Nov. 4.
- Employee benefit presentations/fairs will be scheduled during the Open Enrollment campaign.
- More information about the benefit changes is available at the new "Take Charge" health benefits page on the HBE site at <http://hbe.sandia.gov>.
- You can also visit the Change@Sandia website at http://info.sandia.gov/Change_Sandia.

Again, if you have questions about these benefit changes, contact your HR business partner or your benefits representative. We'll also be providing you with advance notice of employee communications and conduct meetings with you as necessary.

7. What is the difference between the HRA and an FSA?

Sandia will continue to offer a Flexible Spending Account (FSA) in addition to the HRA. Just like with the HRA, you can use the FSA to reimburse yourself for health care expenses you pay, such as the deductible and coinsurance; however, with the FSA, you can also reimburse yourself for health care expenses not covered by your medical plan. In addition, the FSA can help you save on taxes because the money you put in your FSA is deducted from your paycheck before taxes. The chart below lists other key differences:

FSA	HRA
All eligible employees can enroll.	You're only eligible if you complete the Health Assessment and your biometric screenings.
You fund your account each paycheck.	Sandia funds your account once a year.
You elect how much to contribute during the year (up to a maximum amount).	Sandia makes a contribution based on your level of coverage.
You lose any money left in your account at the end of the plan year.	Any money left in your account at the end of the plan year will roll over to the next year.

8. Is Sandia Total Health going to cost me more out of my paycheck?

In most cases, your monthly premiums will be lower than for any of the other medical plan options for 2010 because the cost of Sandia Total Health is lower than that of our current plans.

9. Is Sandia Total Health going to cost me more out of my pocket when I use health care services?

The plan works a little differently than traditional coverage, because you have a deductible to pay and you pay a percentage of the cost of services (coinsurance) — except for preventive care, which is covered at 100 percent (in-network) with no deductible required. However, you also have a Sandia-funded HRA, which you can use to help pay for the deductible and other out-of-pocket costs. This means that each individual experience will be a little different. If your total claims are less than the amount Sandia contributes to the HRA, your out-of-pocket costs will actually be less under this plan than under any of the plans Sandia currently offers. One key benefit of Sandia Total Health is that Sandia will provide education and tools to help you learn about the cost of certain health care treatments and how to research the best options available, to help you manage your HRA dollars and live a healthier lifestyle.

10. Am I going to be able to go to the same doctor?

Most likely, yes. Sandia Total Health will be offered through the networks we use today: Presbyterian, Lovelace, and Kaiser. However, all the plan details haven't yet been finalized. More information will be available over the next few months — before Open Enrollment in the fall.

11. Will my physician be familiar with Sandia Total Health?

Most providers are beginning to learn about CDHP/HRA plans, as this type of plan has been gaining momentum nationwide. This type of plan is very similar to a Preferred Provider Organization (PPO), a type of health care plan with which they have been comfortable for years. Just like today, you'll present your ID

Glossary of terms

Coinsurance: Coinsurance is the percentage of a covered service that the plan pays after you've met the deductible. With Sandia Total Health, the plan will pay 80 percent of the cost of most covered services, and you'll pay 20 percent. However, preventive care is covered at 100 percent (in-network) with no deductible or coinsurance required.

Consumer-Driven Health Plan (CDHP): A CDHP is a high-deductible health care plan that combines comprehensive health care coverage with in- and out-of-network care, like that of a traditional PPO plan, with a Health Reimbursement Account (HRA). Sandia will offer a CDHP/HRA called Sandia Total Health with a Health Reimbursement Account. With Sandia Total Health, you'll have the opportunity to be a more informed and engaged health care consumer because you will start to ask about and learn what health care really costs, since you have a high deductible to meet before most expenses — except preventive care — are covered. This type of plan gives you more control over your health care spending because you control how you spend the funds in your HRA. One key benefit of Sandia Total Health is that Sandia will provide education and tools to help you learn about the cost of certain health care treatments and how to research the best options available, to help you manage your HRA dollars and live a healthier lifestyle.

Deductible: A deductible is the amount you must pay each year out of your pocket before your plan benefits begin. Your deductible amount will be based on the level of coverage you have (employee only, employee + spouse or employee + child(ren), employee + family). However, with Sandia Total Health, preventive care is covered at 100 percent (in-network) with no deductible required.

Flexible Spending Account (FSA): An FSA lets you set aside a portion of your pretax earnings to pay for eligible health care expenses. Since the amount you contribute to your FSA isn't subject to payroll taxes, you end up with substantial payroll tax savings. Any unused money in your FSA at the end of the year is forfeited, so it's important to set aside only as much money in your FSA as you intend to use each year.

Health assessment: A health assessment is a confidential online questionnaire that asks you about your health history, your lifestyle behaviors (such as smoking and exercise habits), and your willingness to make changes. Then, it provides a personalized report of your health status and any health risks you may have now or possibly down the road, and how you can take steps to prevent or manage those risks. If the assessment identifies a health risk, the assessment can be used by your doctor to assist in reducing that risk. If you have no health risks, the report will make suggestions for improving or better managing your health and well-being. The assessment is not used to determine health care eligibility.

Health Reimbursement Account (HRA): An HRA is an account that is part of a CDHP plan. Sandia Total Health will include an HRA. Sandia makes a contribution to your HRA, and you can use that money to reimburse yourself for health care expenses you pay. Your Sandia contribution amount will be based on the level of coverage you have. You must complete a confidential health assessment and your biometric screenings to receive Sandia's contribution to your HRA.

You can use the money in your HRA to pay for a portion of your out-of-pocket costs (such as your deductible and coinsurance). If you don't use the entire amount, you can roll it over to the next plan year.

One key benefit of Sandia Total Health is that Sandia will provide education and tools to help you learn about the cost of certain health care treatments and how to research the best options available to help you maximize your HRA dollars.

Annual out-of-pocket maximum: In general, this is the maximum amount you'll pay for medical expenses each year, excluding the deductible and certain copays and coinsurance amounts. After you reach your annual out-of-pocket maximum, the plan pays 100 percent of remaining eligible expenses. Prescription drug coinsurance amounts are not included in the overall out-of-pocket maximum, as there is a separate in-network, annual out-of-pocket maximum for prescription drugs.

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Health care Q&As

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card when you receive health care services so your physician's office knows what type of plan you use.

12. *Are there any other changes to the health care benefits for 2010?*

There are no other health care plan design changes being considered for 2010. However, we're still making decisions on how your medical plans will be administered. More details about the plan vendors will be available over the next few months — before Open Enrollment in the fall.

13. *What is the breakdown of total health care costs for employees, PreMedicare retirees, and Medicare retirees?*

The most recent, complete numbers that are available are from calendar year 2008. During that year the total health care costs were:

- Employees: \$69.3 million
- PreMedicare retirees: \$9.8 million
- Medicare retirees: \$19.2 million

14. *Since Sandia will be moving to a single CDHP in 2011, will the Kaiser HMO Plan still be offered to California employees in 2011?*

Currently, the Kaiser fully insured funding arrangement is very limited when it comes to plan design changes and does not allow for Sandia to move to the CDHP design in 2011. HBE/Benefits has every intention to keep Kaiser as a viable California physician/

facility network option and will be working with Kaiser with the goal of establishing a contract that will allow the flexibility required to meet Sandia's new health plan strategy.

15. *Are there any changes to survivor health care benefits?*

Survivors will have the same options as retirees for health care plans and will be subject to the retiree cost-sharing arrangements and stipends but at lower levels. As of Jan. 1, 2010, survivors will not be eligible for the first six months at the employee or retiree premium-share.

16. *If I retire as a PreMedicare retiree before Jan. 1, 2011, will I go in the current or new Medicare benefits when I turn age 65?*

You will have the same post-retiree health plan choices that current retirees will have at the time you reach age 65.

17. *Are there going to be any changes for Sandians who have "dual choice" when it comes to health care coverage? For example, if both spouses worked at Sandia and one is a current retiree, can the employee who is not yet retired still get covered under their spouse when they retire?*

At this time, there are no plans to change this. If one spouse retires, the employee can elect to be a dependent of their retired spouse upon retirement.

18. *How will President Obama's health care legislation affect Sandia's plans?*

Sandia and our health care consultant have reviewed the various reform proposals being developed by Congress and the administration. It is difficult to predict what final health care reform proposal will be acted upon. However, nearly all of the reform propos-



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als put an emphasis on health care consumerism and wellness. This is the focus of Sandia Total Health.

It is also important to point out that there have been no final decisions made on any health care reform legislation. However, Sandia is monitoring the legislation proposals and if and when passed, we will evaluate it for potential impacts on our health care plans.

Sandia Corporation's benefit plans are maintained at the discretion of Sandia. They do not create a contract of employment. The plans may be suspended, modified, or discontinued at any time and without prior notice, subject to applicable collective bargaining agreements and except as otherwise provided by applicable law.