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Vice President  
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Dear Sandia *Pre-Medicare* Retiree:

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

*What's changing?*

In 2010, Sandia will replace the United Healthcare Standard Plan with a new Consumer-Driven Health Plan (CDHP), called **Sandia Total Health**, as one of four options available to all non-represented employees. This plan will be offered in addition to the three medical options offered today.

Beginning in 2010, you'll be able to choose from the following medical plans:

- Sandia Total Health (a CDHP) administered by United Healthcare
- United Healthcare Premier PPO Plan\*
- CIGNA In-Network Plan\*
- Kaiser HMO Plan (California)\*

\* These plans are currently offered.

In 2011, Sandia Total Health will be the **only plan** available — all other medical plan options will be eliminated. However, it's Sandia's goal to offer the new health plan through many of our current physician/facility networks (e.g., Presbyterian, Lovelace and Kaiser).

*Why change to Sandia Total Health?*

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 healthcare costs. Based on current assumptions, Sandia is estimating that approximately \$2 billion in pension contributions will be required from 2011-2020. Annual healthcare costs are projected to increase to approximately \$250 million by 2020. Liabilities associated with post-retirement healthcare alone now exceed \$1.2 billion. These projected pension and healthcare 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 recently announced healthcare strategy is part of other SNL transformation efforts aimed at positioning the Labs for the future. Sandia healthcare strategy is based on the following goals:

- Offer high quality benefits that are competitive with similar research organizations and a select group of large industrial companies, members of our industry comparator group.
- Manage future costs and liabilities
- Encourage healthcare consumerism and improve overall health through an integrated health and wellness program
- Minimize healthcare network disruption
- Effectively respond to our contractual commitments to the DoE
- Reduce administrative costs

#### ***What Is a CDHP?***

The CDHP — which we are calling Sandia Total Health — combines comprehensive healthcare 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. For additional information visit the new "Take Charge" Web Site at <http://hbe.sandia.gov>.

#### ***What Is an HRA?***

A Health Reimbursement Account is a standard component of a CDHP type of plan. It's an account Sandia contributes money to — money that you can use to help pay the deductible and other healthcare expenses. Sandia will contribute money to your HRA if you do all of the following:

- Enroll in Sandia Total Health,
- Take a confidential online Health Assessment (a questionnaire about your health), and
- Complete your biometric screenings (such as blood pressure and cholesterol testing).

You can use the money in your HRA to pay for a portion of your deductible or other out-of-pocket costs. If you don't use all the money in your HRA at the end of the year, it rolls over to the next year and grows with Sandia's next contribution, subject to a maximum limit. As you can see, with the HRA, you'll have more control over how you spend your healthcare dollars.

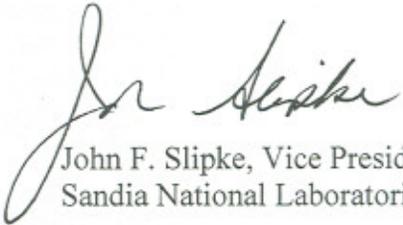
***Commitment to Excellence***

Sandia is committed to providing you with detailed and timely information about these healthcare changes. Over the next few months, you'll receive information about how Sandia Total Health works so you can make informed decisions for you and your family during Open Enrollment, and so you'll have the knowledge you need to use your new healthcare benefits wisely.

You'll also have the following opportunities to learn more about the healthcare changes prior to Open Enrollment, which is being held this year from October 19 through November 4:

- The July 16 edition of *Lab News* included more detailed information about the healthcare changes and the new Consumer Health Plan.
- From August through September we'll provide educational newsletters, as well as access to an online interactive presentation about the changes.
- In October, Open Enrollment information will be mailed to your home.
- 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 website —<http://hbe.sandia.gov>.
- You can also visit the Change@Sandia website at: [http://info.sandia.gov/Change\\_Sandia/index.html](http://info.sandia.gov/Change_Sandia/index.html)

Sincerely,



John F. Slipke, Vice President  
Sandia National Laboratories