



CWA-IBT and American Airlines have reached an agreement that will lower employee contributions to the Core Option of the Medical Plan by 30 percent. The new rate exceeded the caps in the contract, so it was necessary to sign a one-time LOA to provide the lower rate.

This means that AA employees who are members of CWA-IBT and who are enrolled in the Core Option will see their contributions as calculated by the company go down by 30 percent for the Plan Year 2018. This agreement does not set a precedent for future Plan Years.

If you have any questions, please talk with your CWA Representative.

PLEASE NOTE THE FOLLOWING.....

- 1. CWA-IBT did not sign a LOA to increase the Standard and Value options.**
- 2. Standard and Value plans will increase per the contract Article 27 page 96.**
- 3. The LOA was in no way contingent upon, or connected to, the Standard or Value Plans. The employee contributions and benefits for these two plans will be exactly the same as other represented work groups. The Value Plan increase is 6.3% for employee contributions and the Standard Plan increase is 3.9% for 2018.**

Robert L. Jones,
Managing Director
Labor Relations

American Airlines

July 31, 2017

Marge Krueger
Administrative Director
Communication Workers of America
Bridgeville, PA 15017

Kimberly Barboro
National Coordinator
International Brotherhood of Teamsters, Local 104
Phoenix, AZ 85009

Re: 2018 Employee Contributions for Core Option of the Medical Plan

Dear Marge & Kim:

This letter will confirm our understanding regarding the American Airlines, Inc. Health and Welfare Plan for Active Employees ("Medical Plan") offered to eligible employees employed by American Airlines, Inc. and represented by the CWA-IBT Passenger Services Association (CWA-IBT).

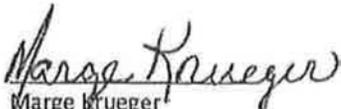
American Airlines will ~~reduce~~ the employee contributions for the Core Option of the Medical Plan for plan year 2018 by 30% ("Core Option Reduction"). Specifically, American Airlines will apply this "Core Option Reduction" to the 2018 employee contribution after such contribution is calculated pursuant to Article 27(B)(4) of the AA and CWA-IBT JCBA. Employees represented by the CWA-IBT will be eligible for this reduction provided: (1) they enroll in or are enrolled in the Core Option for the 2018 plan year; and (2) this Letter of Agreement is signed on behalf of CWA-IBT on or before August 14, 2017.

The Parties' agreement that the Company will reduce the Core Option employee contribution for 2018 is non-precedent and non-referable.

Sincerely,

Robert L. Jones, Jr.
Managing Director
Labor Relations

Agreed to:


Marge Krueger

Date 8-4-17


Kimberly Barboro

Date 8-4-17

The Association has been working on an insurance plan proposal that would give our members coverage like they had at US Airways at the same rates that they would be paying at AA without making the company pay more for their contribution. Our Actuarial firm created a plan, however with the increasing medical costs and the rich benefits of the plan we wanted to provide, there was no way to keep the costs to our members low and we would have to increase the premiums in order to fund the plan to pay for all of the medical claims. Everyone would be forced to elect the plan in order to fund it and keep it solvent to pay for all of the medical costs. Since at least 3,000 of our members have opted out of taking the AA insurance, and the over 65% that have opted for the Standard or Core options, the bargaining committee decided it would not be fair to ask our members to vote on something that would be more expensive than what the AA plans offer and make everyone take the insurance. This means we will be staying in the AA insurance plans with the other union groups and non-covered employees.

During our negotiations with the company we inquired about the Core plan and why the premiums were so close to the Standard plan. In the LUS core type plan, the premiums were significantly less because of the increased deductible and out of pocket costs. This didn't make sense to us.

The company came to the union and told us that they have examined the Core plan premiums and would like to reduce the premiums for 2018. This reduction would not affect the Standard or Value premium calculations. If the letter of agreement was not signed, the higher premiums would be in effect for our members who select the Core option. Again, there is no effect to the Standard or Value plans.

Our bargaining committee decided that they would vote to accept the reduction in the Core premiums to benefit our members who are healthy and choose that plan rather than keep the higher premiums for that option. Only one bargaining member chose to vote to keep the higher Core plan rates.

What does that mean for the rates in the Standard and Value plans? Nothing. The calculation of the Standard plan premiums are contractual and can't be changed. The Value plan premiums were also not affected by the Core plan premium change. If we didn't sign the agreement the Standard and Value plan premiums would remain the same as are being offered to you for 2018 and the Core plan premiums would continue to be almost as high as the Standard premiums.

Every year in July the company has their actuarial firm review the claims against the premiums and projected medical and prescription costs for the following year. They use that information to determine if the company is setting enough money aside to pay all the claims that come in for each plan. The projected national average increase to medical costs is 6%-9% for 2018. The Value plan will increase 6.3% in premiums and the Standard plan will increase 3.9%. This is within the national average. The change in the Core plan premiums does not affect the Standard plan calculations as it is contractual. It also doesn't affect the Value plan calculations.

We are continuing to advocate for improved benefits for our members. In this climate of increased insurance, medical and prescription costs in this country it is important that we continue to work with the other unions and the company to make sure we have affordable healthcare for our members.