

2005 Healthcare

Overview: Significant Changes

Payroll Deductions

- Increased cost sharing in the form of higher payroll deductions primarily through the elimination of FLEX credits
- Payroll deductions will be roughly 22% of the costs of the UnitedHealthcare (UHC) Standard Medical Option, plus any additional costs associated with other options, such as the UHC Enhanced Medical Option or an HMO.

Plan Design

- For UHC in-network services, adjustments to some copays and deductibles
- For UHC out-of-network services, adjustments to some deductibles, reimbursement rates and out-of-pocket maximums
- For prescription drugs, adjustments to some copay levels

Retirees and survivors

- Retirees and survivors will share more in the cost of healthcare coverage; increased retiree and survivor premiums will generally align their share of healthcare costs with that which active employees pay for their coverage

Overview: New Enhancements

- Basic Life insurance will be provided at no cost.
- The ability to designate a “benefit ZIP code” other than a home ZIP code to allow participation in an HMO that might not otherwise have been available.
- UHC Standard and Enhanced Medical Option participants will no longer be required to designate a Primary Care Physician (PCP)
- The new Choice Plus Network is savings for Delta and plan participants because services will be provided at rates that are more steeply discounted than those rates in the current network.
- New ID cards will help simplify and enhance the way participants use their medical benefits; allow doctors’ offices or healthcare facilities to electronically check eligibility and copayment information
- WebMD Health Manager (formerly *BENEFITcompanion*) will have more detailed information on benefit offerings and health improvement options.

Overview: Open Enrollment

- Open Enrollment: Oct. 27 – Nov. 10, 2004
- Confirmation/Subsequent Enrollment: Nov. 29 – Dec. 9, 2004
- Online enrollment will require a Delta Passport password to access the enrollment tool
- Active employees may enroll from work or home through Delta’s intranet or the Internet
- Use *WebMD Health Manager* to identify coverage features and other important factors, including more details on HMO options.

Many more details of the changes to the program for 2005 are available at the Employee Connection at DeltaNet.

Frequently Asked Questions

Q1. How much will I pay for healthcare in 2005?

A1. The cost to each participant will vary depending on the selected options and how many family members are being covered. In general, however, for an employee selecting both the UHC Standard Medical Option and the Comprehensive Dental Option, pre-tax per-pay-period deductions will range from \$36 to \$100.50, depending on the number of family members covered. This represents an average increase of \$34 to \$39 per pay period.

Q2. Why did you eliminate FLEX credits?

A2. Previously, Delta provided DeltaFLEX and PilotFLEX credits to offset the cost of payroll deductions for participants. In effect, this was a subsidy for healthcare coverage. However, in Delta's current financial situation, the company can no longer afford to continue providing the subsidy through FLEX credits. Additionally, eliminating FLEX credits will provide a simpler, more straightforward method of administering healthcare options.

Q3. If FLEX credits are being discontinued, will we still have Flexible Spending Accounts?

A3. Yes. Flexible Spending Accounts (FSAs) will continue to be available, whether or not employees participate in one of the healthcare coverage options. In 2005, any elections made for contributions to either of the FSAs will be deducted directly from regular pay on a pre-tax basis.

Q4. In addition to employee cost sharing, what else is Delta doing to reduce the costs of healthcare?

A4. Delta is continuing to seek innovative ways to reduce costs through changes in the way we design and administer our healthcare plans, so that we can lessen the cost to employees. Innovations such as the Disease Management and Health Advocate programs implemented last year are having a big impact and are on track to save \$10 million during 2004. The Dependent Eligibility Review will save \$13 million from our 2005 costs. Switching to UHC's Choice Plus Network provides \$13 million more in 2005 savings for Delta, in addition to providing lower coinsurance costs for employees.

Q5. Can I expect my healthcare costs to increase in the future?

A5. As announced at the outset of the Strategic Benefits Review in 2002, Delta will review its healthcare plans on an annual basis and will adjust employee rates when necessary. Decisions about the 2006 plan will not be made until this time next year.

Q6. What is my benefit ZIP code?

A6. Your Benefit ZIP code determines your eligibility for various medical and dental options based on the networks available in that area. In the past, your Benefit ZIP code was your residential ZIP code from your mailing address on file at the Employee Service Center (ESC). For 2005, you may designate a Benefit ZIP code other than a home ZIP code to allow participation in an HMO that might not otherwise have been available. The Benefit ZIP code should be one in the general area of your work location. Note: You may not change your Benefit ZIP code solely in order to enroll in the Out-of-Area Option or a Medicare HMO.

Q7. What were the results of the Dependent Eligibility Review?

A7. The dependent review was conducted because covering only those who are eligible is an important step in helping to control Delta's healthcare expenses. To date, Delta has removed more than 7,000 ineligible dependents from benefits coverage at an estimated cost savings of more than \$13 million for 2005. This savings figure includes the cost of conducting the review.

Q8. When can I see details of my individual medical and dental options for 2005?

A8. You may go to the Employee Connection on DeltaNet now to view the Quick Look brochure, which has also been mailed to your home address. Complete details on the 2005 medical and dental plan offerings will be available during Open Enrollment beginning Oct. 27. The Quick Look brochure contains payroll deduction information for the UHC Standard and Enhanced Medical Options. Specific HMO rates will be available during Open Enrollment. The range of increase for HMO coverage with Comprehensive Dental included will be \$35 to \$70 per pay period, depending on the specific HMO and geographical location.

Q9. How will my healthcare benefits compare to other airlines? To other companies in general?

A9. Delta's 2005 healthcare benefits will be average when compared to those airlines that are winning in today's marketplace as well as when compared to other large employers generally. Remember, our focus is on doing what is necessary to achieve viability for Delta's future.

Q10. Why have you imposed such significant increases on retiree and survivor premiums?

A10. All stakeholder groups must share in the sacrifices necessary to transform Delta into a viable company, including retirees and survivors. Many retirees and survivors currently contribute at a rate of 10% of the cost of the coverage they choose, plus a service-related premium, if applicable. This change will generally align their share of healthcare costs with the share that active employees will pay for their healthcare coverage in 2005. This change affects those retirees who retired on or after December 1993 and their survivors, all of whom are subject to the "150% cap," which is a limit on the amount that Delta will pay for healthcare coverage for these groups.