

2010 Supplemental Medical Letter Actives

American Airlines

To Tech Review:	8/24
Comments Due:	8/27
To HR Comm:	8/27
Comments Due:	8/30
To EAC, TWU and Legal:	8/31
Comments Due:	9/01
Final Draft to AA:	9/02
Approval Due:	9/02
Submit to Outsourcing:	9/07
Mails to Homes:	9/20

American Airlines

September 20, 2010

(First Name) (Last Name)
Address
Address
City, State ZIP Code

Termination of Supplemental Medical Plan for Active Employees

Dear (First Name) (Last Name):

If you have been following health care reform in the news, you may be aware that many changes will occur in the health care arena over the next few years. One significant change of benefit to many people is that all medical plans covering active employees are required to remove the lifetime medical maximum provisions beginning Jan. 1, 2011. The new law means that, starting in 2011, there will no longer be a limit on lifetime maximum benefits paid for you and your dependents while you are enrolled in one of AA's active employee medical plans.

Currently, AA's active medical plans provide coverage up to a \$5 million lifetime maximum for employees and their covered dependents, and the Supplemental Medical Plan provides an additional \$500,000 of benefit for you and your spouse/domestic partner (if elected) on top of this. Because there will be no lifetime maximums on medical plans for active employees next year (as required by the new law), the Supplemental Medical Plan you are enrolled in will no longer be necessary to supplement your active medical benefit options. **Therefore, AA is terminating the Supplemental Medical Plan for active employees and their spouses/domestic partners effective Dec. 31, 2010.**

We recognize that under our current eligibility rules, you may have purchased the Supplemental Medical Plan as an active employee so that the Plan would be available to you at retirement to supplement the AA retiree medical plans. Although the Plan is closing for active employees, I am pleased to tell you that we have amended our eligibility rules for future AA retirees. Eligible retirees will be able to purchase Supplemental Medical coverage *at the time they commence their AA retiree medical coverage.*

We will continue to offer the Supplemental Medical Plan to *retirees and their spouses/domestic partners* until the Health Insurance Exchanges mandated under the Federal health care reform law are operational, which is expected to be Jan. 1, 2014. At that time, we anticipate terminating the Supplemental Medical Plan to all retirees, their spouses/domestic partners and surviving spouses either on Dec. 31, 2013, or when the Health Insurance Exchanges open, whichever occurs later.

Health Insurance Exchanges are state-run entities that will offer health care choices available through new, competitive, consumer-focused health insurance marketplaces. They will provide an opportunity for individuals to compare and purchase health insurance coverage that is right for them much like automobile insurance is purchased today. We anticipate that in 2014,

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retirees will be able to purchase alternative medical coverage from the Exchanges that will provide equivalent coverage to AA's Supplemental Medical Plan. If you would like more information on the Health Insurance Exchanges, please go to www.healthcare.gov.

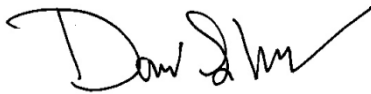
There is no change to retiree medical lifetime maximum provisions at this time. In 2011 AA's Plan will retain the following lifetime maximum benefit provisions:

- \$300,000 for Pre-65 retirees in the Retiree Standard Medical option
- \$1,000,000 for Pre-65 retirees enrolling in the voluntary medical option, Retiree Point-of-Service
- \$50,000 for retirees age 65 and older (APFA and TWU).

Some additional good news is that there will be a Supplemental Medical premium holiday for November and December this year. This means that Supplemental Medical premiums will not be deducted from your paycheck during these two months.

While I hope this provides you with the information you need, I realize you may have questions or concerns about the termination of Supplemental Medical and the new Exchanges. I have included a few frequently asked questions in this letter to provide you with more detailed information. If you have additional questions about the termination of the Supplemental Medical Plan, click on the "HR Assistant" from the Benefits page of Jetnet to chat or send a secure e-mail.

Sincerely,



Dave Levine
Managing Director
HR Delivery

American Airlines HR Services

P. O. Box 9741, Providence, RI 02940-9741

E-mail/Chat by clicking the "HR Assistant" link on the Retiree Benefits page of Jetnet

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Frequently Asked Questions

I have been paying for Supplemental Medical coverage as an active employee. Will I receive a refund of my contributions?

No, the Supplemental Medical Plan is an annual term policy, similar to automobile insurance; you are paying for coverage in the event you need to utilize the coverage during the policy period you are making your payments. Like automobile insurance, if your policy is terminated, you are not refunded your premiums nor would your policy provide you with any coverage if you had a car accident after the policy was terminated.

I am currently an active employee and do not plan to retire until on or after Jan. 1, 2014. Can I enroll in the Supplemental Medical Plan at that time?

No, it is anticipated that employees who retire after Dec. 31, 2013 will be able to purchase additional coverage through the Health Insurance Exchanges mandated under the new health care reform law. The Supplemental Medical Plan will terminate either Dec. 31, 2013, or when the Exchanges are open, whichever occurs later.

What happens to the coverage this Plan provides my spouse/domestic partner in the event I die while I am an active employee?

Coverage under the Supplemental Medical Plan for your spouse/domestic partner will remain in force until Dec. 31, 2010, assuming you purchased it for your spouse/domestic partner in 2010. If you pass away after Dec. 31, 2010 and your spouse/domestic partner loses coverage under one of the American Airlines medical benefit options, your spouse/domestic partner will be provided 90 days of COBRA continuation paid by American from the active medical coverage you elected prior to your death. After that, your spouse/domestic partner can purchase coverage for another 33 months at COBRA rates. You can also purchase life insurance for yourself during the 2011 Open Enrollment period to assist your spouse/domestic partner in paying for the COBRA coverage in the event of your death.

Will the cost of Supplemental Medical Plan increase for retirees and surviving spouses?

At this time, we do not anticipate increasing the contributions above the current \$15 per participant per month. However, we will continue to evaluate costs incurred by the Plan and we reserve the right to increase contributions in 2012 and 2013, if necessary, until the Plan is terminated.

The cost of the Supplemental Medical Plan is very low. As a retiree or surviving spouse, why would I want to purchase additional coverage from the Health Insurance Exchange? Won't the cost be higher on the Exchange?

We can't speculate on how much the coverage will cost on the Exchange in 2014. However, we do know that if we were to continue the Supplemental Medical Plan indefinitely just for retirees and surviving spouses, we would have to increase the cost of the Plan considerably in order to sustain benefits under the Plan. Based on what we know about the mandated Health Insurance Exchange, we believe the coverage, affordability and flexibility offered by the Exchange will be equivalent to the coverage offered under the Supplemental Medical Plan today.

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I am in the Management/Specialist or Support Staff workgroup. What options are available to me?

If you retire before age 65 and are enrolled in the Retiree Standard Medical Plan (RSM) or the Retiree Point of Service Plan (RPOS) between Jan. 1, 2011 and Dec. 31, 2013, you will be eligible to enroll in the Supplemental Medical Plan. If you retire at age 65 or after, you will be eligible to purchase a Medicare supplement plan from UnitedHealthcare or any provider of your choice. The Supplemental Medical Plan can not be used to supplement the Medicare supplement plans because they are not AA sponsored plans.

If you are terminating the Plan on Dec. 31, 2010, do I have to continue to pay for coverage through Dec. 31, 2010?

You will pay for coverage in September and October. Due to the premium holiday, there will be no payroll deductions for Supplemental Medical for November and December this year; however, you will continue to have coverage through Dec. 31, 2010. Your current annual coverage is based on a calendar year enrollment. Coverage for 2010 provides you with access to the Supplemental Medical Plan in the event you exceed your medical maximum under your active medical plan this year.

I am an active employee on a Leave of Absence and I am currently paying for Supplemental Medical coverage. Do I need to continue paying for this coverage in 2010 if it is no longer available?

Yes, it is important that you continue to pay for the Supplemental Medical Plan coverage through the end of 2010 along with your basic health plan payments. Partial payments during a leave of absence will cause all benefits to be terminated.

I left American under the 50-55 Rule and have continued to pay HealthFirst for Supplemental Medical so that I have it when I enroll in AA's retiree medical plan. What happens to my coverage?

Effective Jan. 1, 2011 you will no longer be required to pay for the Supplemental Medical Plan if you have not yet enrolled in American's retiree medical benefit coverage. We have amended our Plan eligibility rules and *future* eligible retirees will be allowed to purchase the Supplemental Medical Plan *at the time they commence their AA retiree medical coverage*. We will continue to offer the Supplemental Medical Plan to retirees and their spouses or domestic partners and surviving spouse participants until the Plan is terminated either on Dec. 31, 2013, or when the Health Insurance Exchanges mandated under the federal health care reform law are open, whichever occurs later.

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