



Employee Benefits Objective and Strategy

Objective - design **competitive** benefits that are **cost effective** and strengthen organizational effectiveness by attracting, motivating and retaining employees with the skills required to transform the business.

Strategy - deliver benefits that support affordable program choices for our employees and:

- support our objective to be employer of choice;
- protect employees from excessive medical expenses;
- are viewed as value-added, cost-effective and flexible – enable our diverse workforce to more effectively manage their changing needs;
- are competitive with relevant labor markets at the local and national level and remain economically feasible to the Company.

Benefits You – a multi-phase flexible benefits program

- In **2000**, introduced concepts of choice and flexibility.
- In **2001**, expanded levels of coverage (3), modified medical plans (co-pays, deductibles) and expanded dental program (3 options).
- In **2002**, expanded medical plan options (Value & Signature), levels of coverage (4), “opt-up”/“opt-down” for basic life and Long-Term Disability, flex dollars to waive coverage; introduced concept of partnership for sharing in health care coverage increases.
- In **2003**, programs stay relatively static, with cost-share strategy moving based on market research. Premium contributions adjusted to accommodate rise in health care costs and to better balance the Company subsidy (the “employer” portion of the total premium) among levels of coverage.

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Cost-Share Strategy

For 2003

- Health care costs continue to increase 15%-20% per year.
- On average, Florida employers pay 65% of premium cost for health care coverage and employees pay 35% – median employee share is \$173 per month*.
- In 2003, BCBSF will pay, in aggregate, 76% of cost and employees will pay 24% - median employee share is \$101 per month (median Company share is \$385).
- Employee cost share depends on plan selected:
 - HMO Value – 11% PPO Value – 21%
 - HMO Signature – 23% PPO Signature - 29%
- In 2003, overall Company expense will increase 8% for medical plans, overall employee expense will increase 4%.

* Research provided by PriceWaterhouseCoopers

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Alternatives to help cover increases

Value Plans

- Offer comprehensive benefits at a lower cost.
- HMO Value – **no plan feature changes or cost increases** for 2003. Offers the most affordable coverage to employees.
- PPO Value – the plan we typically offer customers. Full range of benefits and ability to go in and out of network.
- Mail-order pharmacy – reduce costs for maintenance drugs.

Flexible Spending Accounts

- Offer \$500 in Company Match to offset out-of-pocket health care and dependent care costs.
- Enrollment in Health Care FSA increased from 9% to 22% in 2002. Covers out-of-pocket expenses for employees and their legal dependents.

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Controlling costs for the future – some approaches

Plan Design

- Offer wide array of choices with different levels of benefit
- Consider offering catastrophic type plans for those seeking minimal coverage

Cost Sharing

- BCBSF and employees continue to partner together on health care increases
- Develop different types of plans to give employees ability to decide where and how to access services (Empower)

Employee Wellness

- Partner with organization to increase awareness around good health: disease management, smoking cessation, weight management, stress management

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Summary of 2003 Changes

Medical Plans – changes are being made to address utilization and cost for some plans:

- HMO Value – no changes
- HMO Signature
 - Specialist co-pay (\$10 to \$25)
 - Add inpatient admission co-pay (\$250)
- PPO Value
 - Add inpatient admission co-pay (\$150)
 - Prescription co-pay increase (\$5/\$15/\$30 to \$10/\$25/\$40)
- PPO Signature
 - Specialist co-pay (\$15 to \$30)
 - Add inpatient admission co-pay (\$150)
 - Increase family deductible (\$400 to \$600)
 - Increase family annual out-of-pocket maximum (\$3,000 to \$4,500)
 - Prescription co-pay increase (\$5/\$15/\$30 to \$10/\$25/\$40)

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2003 Medical Plan Cost Increases

SAMPLE of monthly premium increases. (All 4 levels of coverage will be offered in 2003. Costs for all options - including "Employee plus Spouse/Domestic Partner" and "Employee plus Child(ren)" - will be included in your personalized Enrollment Worksheet.)

	2002	2003	2003 Employee Increase	2003 Total Premium (Empl & Co)	Cost Share
HMO Value					
- Employee only	\$26	\$26	\$0	\$218	11.9%
- Family	\$72	\$72	\$0	\$675	10.6%
HMO Signature					
- Employee only	\$44	\$54	\$10	\$238	22.6%
- Family	\$120	\$167	\$47	\$738	22.6%
PPO Value					
- Employee only	\$52	\$63	\$11	\$294	21.4%
- Family	\$140	\$195	\$55	\$910	21.4%
PPO Signature					
- Employee only	\$80	\$96	\$16	\$330	29.1%
- Family	\$217	\$297	\$80	\$1,022	29.1%

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Summary of 2003 Changes (cont.)

Dental Plans

- Discontinue BlueDental Care Prepaid
 - Employee dissatisfaction with plan
 - Challenges with Prepaid dental network
- Add BlueDental (PPO) Choice Basic – preventive & basic only
 - Has in-network and out-of-network benefits
 - Uses same network as BlueDental “Value” and “Signature”
 - Maintenance plan only (no major or orthodontia services)
 - Lower-cost option for employees
- SAMPLE of monthly cost increases for dental plans

	<u>2002</u>	<u>2003</u>
PPO Value – Employee only	7.00	7.28
PPO Value – Family	20.00	20.80
PPO Signature – Employee only	10.00	11.50
PPO Signature – Family	32.00	36.80

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Summary of 2003 Changes (cont.)

Long-Term Disability – for LTD approved as of January 1, 2003 or after

The following changes are being made to bring our LTD benefits more in line with the industry. Current LTD participants remain under the current plan.

- Require eligible LTD participants to move to retiree status at age 65 (begin drawing pension benefit and Medicare becomes primary health plan). “Lifetime” LTD benefits no longer apply.
- When applicable, use “family” Social Security Disability Income amount as offset for determining LTD benefits, versus current “individual” amount.
- Apply two-year limit on benefits for mental-nervous conditions, based on research and benchmarking.
- After 6 months of LTD, employee *status* changes from “active” to “terminated” (LTD benefits continue for as long as approved). Employee offered COBRA for 29 months and gains access to retirement assets. Medicare-eligible if meets Social Security Administration disability criteria.
 - COBRA benefits for 29 months ties to the timeframe it can take for the Social Security Disability Income application and validation process.

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Summary of 2003 Changes (cont.)

Paid Time Off – adjustments are being made **as of January 2003** to align our program with industry practice while keeping our PTO benefit highly competitive.

- PTO no longer used in the calculation of overtime
- PTO no longer accrues for time not actively at work [e.g., while on STD, LTD, Worker's Comp, unpaid portions of FMLA, general unpaid leaves of absence, scheduled unpaid absences or unscheduled absences (paid/unpaid)]
- PTO does accrue when you are using scheduled PTO and for Company holidays.
- PTO only accrues up to Annual PTO Allowance – any amounts over the Allowance will be subtracted from the employee's PTO account as of January 17, 2003
- Non-exempt employees will have an opportunity in November to cash-out a certain number of days at 75% of value. (Communications to start in late October on the Non-Exempt Cash-out.)

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Summary of 2003 Changes (cont.)

Short-Term Disability – as of January 2003:

- Benefits waiting period will expand to 8 consecutive days (64 hours); currently the benefits waiting period is 5 consecutive days (40 hours).
- Employees will no longer accrue PTO while on STD.

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Benefits Summary – Your 2003 Benefits You Options

- **Medical Plans**
 - HMO Value
 - HMO Signature
 - PPO Value
 - PPO Signature
 - Waive coverage – flex dollars
- **Dental Plans**
 - PPO Basic (new!)
 - PPO Value
 - PPO Signature
 - Waive coverage – flex dollars
- **Vision Plans**
 - Vision Value
 - Vision Signature
- **Flexible Spending Accounts**
 - Health Care
 - Dependent Care
 - Company Match (if eligible)
- **Basic Life Insurance**
 - \$50,000 flat benefit, 1x, 2x regular base earnings (regular full-time employees)
 - \$50,000 flat benefit, 1.5x, 3x regular base earnings (certain marketing employees)
 - \$25,000, \$50,000 (South Florida commission-only reps)
 - \$25,000 (part-time employees)
- **Supplemental Life Insurance**
 - 1x, 2x, 3x (full-time employees)
 - \$25,000, \$50,000, \$75,000 (part-time and South Florida commission-only reps)
- **Dependent life (full-time employees)**
 - Spouse (\$5,000, \$10,000, \$25,000)
 - Child (\$3,000, \$5,000, \$10,000)
- **Long-Term Disability**
 - 50%, 60%, 70% coverage (if eligible)

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Important Enrollment Changes

- **Employee Central Enrollment**
 - Access enrollment through Intranet or Internet
 - Employee Central Internet roll-out **Sept 9th**. Employees can get familiar with now (log on: racf, then employee ID + last 4 SSN)
 - Passwords/resets through Corporate Help Desk (x58737)
- **Enrollment not mandatory** – if you're keeping the same plans and coverage levels, your current benefits will "roll over" (exceptions are Flexible Spending Account contribution – you must enroll every year – and BlueDental Prepaid – you must select a new plan for 2003).
- **No telephone enrollment**
 - Employee Central the resource for employee information
 - Use PC at home, friend's home, library
- **No confirmation statements to active employees**
 - Encourage employees to use online resources
 - Employees can view benefits selections at anytime through Employee Central's eBenefits
 - Control communications costs

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2003 Benefits You – Communications Timeline

Sept 13 – Oct 7	Business partner/mgmt meetings
Oct 7	Notice to mgmt re: 2003 Benefits You
Oct 11	Quick Connections re: enrollment packages
Oct 14	Enrollment packages mailed to employee homes
Oct 21 – Nov 1	Employee education sessions (schedule released prior to sessions)
Oct 28 – Nov 8	Annual Enrollment via Employee Central
Oct 30	Notice to mgmt re: Non-Exempt Cash-out
Nov 1	Quick Connections re: Cash-out
Nov 22	Quick Connections re: Cash-out
Nov 26	Last day to have Cash-out request in Payroll
Dec 12	Pay-out of redeemed days
Jan 2003	Insurance cards and materials to employees
Jan 17, 2003	PTO limit is now Annual PTO Allowance

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Key messages

- **Choice and flexibility** give you the ability to choose the plans and levels of coverage and meet your needs.
- **Partnership** between Company and employees on cost-share.
- **Don't go uninsured** – choose at least the "employee only" coverage. HMO Value offers most affordable coverage – with no cost increases for 2003.
- **Employee Central** – electronic enrollment. Encourage employees to go online early and get familiar with system.

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2003 Benefits You - Your role

- **Be knowledgeable** - become familiar with the business rationale for design of 2003 *Benefits You* program
- **Be a supporter of change** – use your leadership to reinforce key messages and build understanding of the business reasons around the 2003 changes and the value of more choice and flexibility
- **Be flexible** - encourage your employees to attend educational sessions to learn about their plan choices and be flexible with employees who may need to enroll from work
- **Be a liaison** – provide feedback on any rising issues or concerns to your HR Integrators

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2003 *Benefits You*

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