

June 7, 2016

Patricia M. Telesco
Area Director
193 State Street
2nd Floor
North Haven, CT 06473

Dear Ms. Telesco,

Per our conversation, attached is the Puerto Rico HMO Contribution Language and Illustrations. This includes the Puerto Rico language in the proposal along with HMO contribution rule examples.

Let me know if you have questions.

Sincerely,

A handwritten signature in cursive script that reads "Brian Cattaneo". The signature is written in black ink and is positioned above the printed name and title.

Brian Cattaneo
Lead Labor Relations Manager

**National Bargained Benefit Plan
Puerto Rico HMO Contribution Language and Illustrations**

1. Full Time Employee Contribution Language

Puerto Rico employees:

Effective 1/1/2017, contribution amounts and provisions as they change from time to time in accordance with the AT&T Medical Program (Management) and are after-tax only.

Fully-insured coverage options such as HMOs will continue to be available at the discretion of the Company.

Contributions for HMOs will be the lesser of the contributions that would be required if the coverage were provided under the AT&T Medical Program (Management) Bronze Option and the contributions listed in the following table.

	<u>2017*</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Ind	\$30	\$35	\$41	\$47
Ind+Child(ren)	\$51	\$60	\$70	\$80
Ind+Sp	\$82	\$96	\$112	\$129
Fam	\$87	\$102	\$119	\$137

If the cost of the HMO exceeds the cost of the AT&T Medical Program (Management) Bronze Option, the contribution determined above will be increased by the difference between the cost of the Bronze Option and the cost of the HMO.

* The 2017 contributions for Triple S HMO will be \$25 for individual and individual + child(ren) coverage; \$50 for individual + spouse and family coverage.

2. Capped Contribution Calculation

CWA Methodology: $[\text{Company Plan EE Contribution}] / [\text{Cost of Company Plan}] \times [\text{Cost of HMO}]$

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Ind	\$29.10	\$34.19	\$33.80	\$37.64	\$42.25
EE+Child(ren)	\$59.97	\$47.66	\$46.73	\$52.33	\$58.56
EE+Sp	\$59.97	\$100.41	\$98.77	\$110.24	\$123.77
Fam	\$59.97	\$95.85	\$94.37	\$105.43	\$118.33
Cost Share	25%	27%	26%	26%	27%

AT&T Cost Share Target Methodology: (based on four tiers)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Ind	\$30.00	\$35.00	\$41.00	\$47.00
EE+Child(ren)	\$51.00	\$60.00	\$70.00	\$80.00
EE+Sp	\$82.00	\$96.00	\$112.00	\$129.00
Fam	\$87.00	\$102.00	\$119.00	\$137.00
Cost Share	26%	27%	28%	29%

3. Puerto Rico HMO Contribution Rule Examples

Assumptions:

	Example A	Example B	Example C
Bronze Contributions (Individual)	\$50	\$25	\$40
Cap Contributions (Individual)	\$30	\$30	\$30
Cost of Bronze Option (Individual)	\$410	\$400	\$400
Cost of HMO (Individual)	\$400	\$410	\$410

Hypothetical Results for Individual Contributions:

	Example A	Example B	Example C
Step 1: Base Contribution	\$30 (Cap is lower)	\$25 (Bronze is lower)	\$30 (Cap is lower)
Step 2: Cost of HMO compared to Cost of Bronze Option	Cost of HMO does not exceed Cost of Bronze Option	Cost of HMO exceeds Cost of Bronze Option	
Step 3: Excess Calculation	\$0	\$10 (\$410 - \$400)	\$10 (\$410 - \$400)
Step 4: Total Contributions (Step 1 + 3)	\$30	\$35	\$40

Figures are for illustrative purposes only and do not represent projections.

Examples are provided to demonstrate hypothetical contribution calculations for HMOs in Puerto Rico.