

# CONNECTION



SUMMER 2010

health benefits news for TI retirees

VOL. 4 • NO. 1

## Health care reform



*TI assesses impact of new U.S. laws*

**A** CROSS the nation, companies continue to assess the implications of the newly signed Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010. The difficult process of implementing over 2,000 pages of legislation has begun, although many of the provisions do not take effect for several years.

TI Health Benefits Manager **Neisha Strambler-Butler** said that the near-term effect of the laws will be adjustments to certain types of coverage. Longer term, TI must deal with the anticipated higher costs driven by certain provisions in the laws.

### What happens when

To help you gain a practical understanding of health care reform, to the right is a year-by-year listing of some of the more noteworthy provisions that – as understood at this point – will affect TI and TI retirees.

### What happens next

Neisha said details about the changes for 2011, such as enrolling dependents affected by the new age standard, will be communicated during annual enrollment this fall.

“Health care reform will continue to evolve,” she said. “The ultimate financial impact will depend on additional legislation, guidance and regulations that do not yet exist. We will keep you informed as things unfold.”

## What's happening when

**A year-by-year listing of how health care reform will affect TI and TI retirees**

*The items below labeled as Medicare changes are intended as summaries only.*

*For more specific information regarding Medicare and health care reform, go to [medicare.gov](http://medicare.gov).*

### 2010



- Currently, companies like TI that provide retiree prescription drug coverage receive subsidy payments from the government for providing that coverage, and can take a tax deduction for the subsidy payments. Beginning in 2013, companies may not take a tax deduction for retiree prescription drug expenses for which subsidy payments are received. Consequently, TI has recognized the implications of this law on its balance sheet.

- Some of TI's retiree-related costs may be offset by any reimbursements received for eligible retiree health insurance claims under the temporary federal reinsurance program.

- **Medicare change:** Retirees with prescription drug expenses that reach the Medicare Part D coverage gap in 2010 (between \$2,830 and \$4,550), known as the “doughnut hole” in which retirees must pay the entire cost of their prescription drugs, will receive a \$250 rebate (from Medicare) to help pay for their medications.\*

### 2011

- Possible removal of certain annual limits on the dollar value of coverage from the TI health plan.
- Coverage available for adult children to age 26, regardless of student or marital status.
- The current lifetime limits on medical benefits eliminated (\$2 million in-network/\$1 million non-network). This applies to all individuals covered under the TI health plan.

#### Medicare changes

- Drug companies required to give a 50 percent discount on brand-name prescriptions in the Medicare Part D coverage gap.\*
- Medicare-eligible retirees will no longer share part of the cost for any Medicare preventive services.
- Medicare preventive services include free, annual wellness visit and personalized preventive plan services.
- Today, the government pays Medicare Advantage insurance companies (the private-plan part of Medicare) more per person than Medicare. The new law requires the gradual elimination of additional payments to Medicare Advantage programs.
- Upper-income participants (\$85,000 of annual income for individuals or \$170,000 for married couples filing jointly) begin paying higher premiums.

### 2013

- Increases the income threshold for claiming itemized deduction for medical expenses from 7.5 to 10 percent. Individuals over 65 may claim the itemized deduction for medical expenses at 7.5 percent of adjusted gross income through 2016.
- **Medicare change:** Phase-in begins of federal subsidies for brand-name prescriptions in the Medicare Part D coverage gap.\*



### 2014

- Individuals must have minimum health coverage to avoid individual tax penalties. (TI retirees covered by TI health insurance currently fulfill this mandate.)
- No annual limits on the dollar value of coverage permitted.
- **Medicare change:** The out-of-pocket amount that qualifies a Medicare participant for catastrophic coverage in Medicare Part D will be reduced through 2019 until the doughnut hole is eliminated.\*

### 2018



- An excise tax on employers takes effect for high-cost “Cadillac” plans. The law defines a high-cost plan as one in which the plan costs exceed \$10,200 for an individual and \$27,500 for a family. These threshold amounts are increased by \$1,650 for an individual and \$3,450 for a family for coverage of a retired individual age 55 or older who is not eligible for Medicare. The tax is on the amount of the aggregate cost of coverage in excess of these thresholds.



### 2020

- **Medicare change:** Elimination of Medicare Part D “doughnut hole” for generic and brand-name drugs.\*

\* Medicare Part D items specifically affect TI retirees who are enrolled in the SecureHorizons HMO.

SaveTheDate

ANNUAL ENROLLMENT FOR 2011 BENEFITS WILL BE TUESDAY, NOV. 2, THROUGH TUESDAY, NOV. 16, 2010.

## Smart thinking

# It pays to stay updated

As a TI retiree, you never know when the company might need to get in touch with you.

Managers of TI stock, 401(k), pension and health programs may need to contact you from time to time. To make sure you don't miss a critical communication, keep your address and phone numbers updated with TI at

the **TI Benefits Center** via TI HR Connect at 888-660-1411, option 1.

### Stock options

Keeping UBS Financial Services updated is particularly important for people who may continue to hold TI stock options or restricted stock units in their accounts. Update your phone numbers as well as register your personal e-mail address with UBS to receive online updates. Go to [ubs.com/onesource/txn](http://ubs.com/onesource/txn) or call 800-597-7516.



## Got questions about TI's stock programs?



**For Employee Stock Purchase Plan (ESPP), stock options and restricted stock units**

UBS Financial Services administers these programs. You can

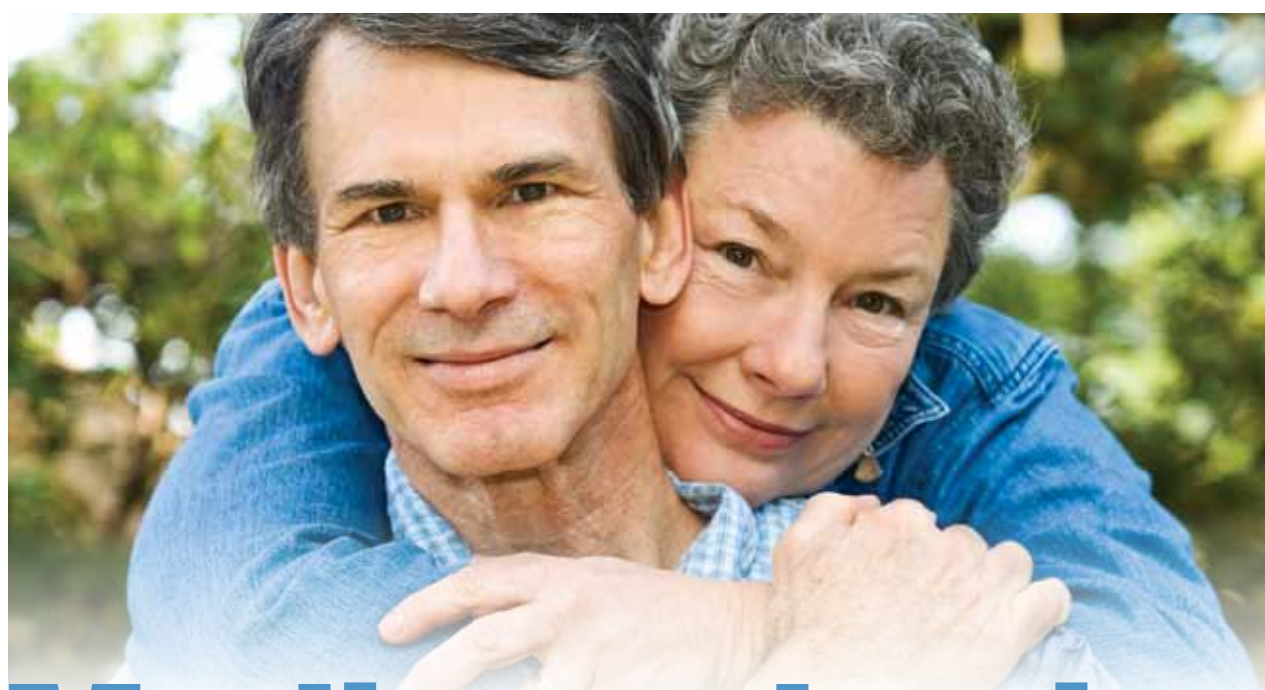
contact customer service at:

- [ubs.com/onesource/txn](http://ubs.com/onesource/txn)
- 800-597-7516 (in the U.S. and Canada)
- 201-352-3944 (elsewhere)
- 800-637-1215 (U.S. hearing-impaired employees)
- Hours: Monday through Friday, 3 a.m. to 11 p.m. Eastern time, on days the New York Stock Exchange is open.

Before Aug. 29, 2005, the TI ESPP was administered by Computershare. For ESPP tax and account statements prior to this date, contact Computershare at 888-377-7896.

### For the Employee Stock Option Purchase Program (ended 1996)

The ESOPP was the previous employee stock purchase program which issued shares in actual stock certificates. Contact the TI HR Service Center through TI HR Connect, 888-660-1411. Select the "HR & Payroll" option.



# Medicare basics

## When you become eligible, what happens?

**A**S YOU NEAR time to enroll in Medicare, you'll receive a government mailing with instructions. You'll also receive a transition packet from the TI Benefits Center with information regarding your TI benefits. Your important considerations include these facts:

### ● Even if you don't enroll in Medicare, TI becomes secondary payer on your claims

Per Medicare guidelines, when you become eligible for Medicare, your TI Extended Health Benefits Coverage begins paying benefits as the secondary payer, even if you do not enroll in Medicare.

### ● Medicare automatically enrolls you in Part A

When you become eligible, you will automatically be enrolled at no cost (in most cases) in Medicare Part A, which is the part that provides hospital insurance.

### ● To receive Part B, you must take action to enroll

To receive Medicare Part B, which provides coverage for general services such as a doctor's office visit and lab procedures, you must enroll and pay a premium. **If you don't enroll, you'll be paying most of your own health care expenses.**

### ● If you delay enrolling, you may pay a penalty

If you wish to enroll in Medicare Part B, it benefits you to enroll as soon as you're eligible. If you delay, the Center for Medicare and Medicaid Services (CMS) may impose a late enrollment penalty of up to 10 percent for each 12-month period that you could have had Part B, but did not take it.

**Your initial enrollment period for Part B** starts three months before you turn age 65 and lasts for seven months. There is also a yearly general enrollment period Jan. 1 to March 31. If you are eligible and haven't enrolled, contact CMS immediately at **800-MEDICARE (800-633-4227)**.

## The TI Benefits Center is ready to help



- You can get help by talking with a representative in the **TI Benefits Center**. Call through TI HR Connect at **888-660-1411** and select **option 1**. Representatives are available 8:30 a.m. to 8:30 p.m. Eastern time, Monday through Friday, except for New York Stock Exchange holidays.

## Are you under age 65 and eligible for Medicare due to disability?

If you have received Social Security payments due to a disability for 24 months or more and Medicare has certified you as Medicare-disabled, you are eligible for Medicare. Medicare will automatically become "primary payer" on your insurance claims.

**All of the points in the "When you become eligible, what happens?" article will apply to you.** Additionally, you need to take steps to verify the coordination of your benefits.

If you are Medicare-eligible due to disability, you need to do the following immediately:

### 1. Notify the TI Benefits Center.

Speak to a representative in the TI Benefits Center. (See phone instructions in the box below.)

**2. Notify Blue Cross Blue Shield.** If you are in the Blue Cross Blue Shield (BCBS) PPO, make sure the company is aware that you're now in Medicare. Contact BCBS customer service using the number listed on your insurance ID card, and have your Medicare number available.

### 3. Be sure to enroll in Medicare Part B.

Remember, as stated in the adjacent article, if you delay enrolling the Center for Medicare and Medicaid Services (CMS) **may impose a late enrollment penalty.**

### Your secondary coverage

Medicare will be the primary payer on your health care claims and TI will be the secondary payer. If Medicare has certified you as disabled, you must move from TI's pre-Medicare retiree medical coverage to TI's Medicare-eligible coverage. Your coverage options are:

- **Blue Cross Blue Shield PPO** – Be aware that the coverage is greatly reduced from the pre-Medicare PPO coverage.
- **Secure Horizons HMO** (open to residents of Texas and Rhode Island) – includes Medicare Part D (prescription drug) coverage.

More details about your options are available from the TI Benefits Center.

### For program details

More information about TI Extended Health Benefits Coverage is available in the *2006 Retiree Health Benefits Guide*, also known as the summary plan description, and its updates (known as summary of material modifications). These documents provide the most detailed information on the plans. For copies, contact the TI Benefits Center or download them from the NetBenefits® Web site. TI, as the plan sponsor, has the right to cancel or change any of the plans, programs or provisions without notice. The platform bar is a trademark of Texas Instruments. All trademarks are the properties of their respective owners. © 2010 Texas Instruments Incorporated. Printed in the USA.



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### Have benefit questions?

- Call the TI Benefits Center through TI HR Connect: **888-660-1411**
- Go to the NetBenefits® Web site: [netbenefits.fidelity.com](http://netbenefits.fidelity.com)