

ABenefits Xtra

Your Health & Benefits Awareness resource published by the Human Resources Department at ABX Air, Inc.

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Town Hall Meetings Completed

More than 20 town hall meetings were held in Wilmington over the last two weeks. The meeting schedule accommodated all working shifts, and over 1,460 employees attended the Wilmington meetings.

Town hall meetings also were held for regional hub employees during this time. For non-hub outbased employees a webcast town hall was held on Feb. 7, 2003.

At each town hall meeting results from the recent employee survey were shared with employees.

(Please see Town Hall Meetings on page 2.)

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What's a Cafeteria Plan?

Cafeteria plans were established in 1978 by Congress under Section 125 of the Internal Revenue Code. Under a cafeteria plan you are able to choose from a menu of benefits and tailor the coverage to best meet your family's needs. Many people find choice to be an advantage since they can elect coverage options that best fit their particular needs.

Paying with Pre-Tax Dollars

Cafeteria plans allow you to pay for your benefits with pre-tax dollars. This can be a significant savings for employees. The amount you pay for benefits reduces your taxable income for the year. For example, if you pay \$1,000 a year for coverage, your taxable income is reduced by \$1,000. This includes federal and most state income taxes and Social Security and Medicare tax. If your combined tax rate were 25 percent, this would be a \$250 yearly saving for you. The true cost of your benefits would be \$750 instead of \$1,000. Airborne also saves on its portion of Social Security and Medicare tax. Because of this tax advantage, Airborne already uses section 125 for our current health insurance program. Employees already enjoy these tax savings on their health insurance deductions.

Structure of Cafeteria Plans

Typically, in a cafeteria plan, employees are offered several medical plan options with different levels of deductibles, co-payments, and pricing points. You do not get to choose what types of diseases or treatments are

(Please see Cafeteria Plan on page 2.)

Introducing the Patient Navigator Program

A free service provided by The American Cancer Society

A new service in the Wilmington area is the Patient Navigator Program, designed to help cancer patients, their families, and their caregivers. This program is in conjunction with the American Cancer Society and is also available nationwide. A Patient Navigator guides cancer patients and their loved ones during the cancer treatment and recovery process by linking those dealing with cancer to needed programs and resources. No charges are made for any of the services or programs.

A Patient Navigator provides individual assistance to cancer patients and their families by:

- Providing literature on coping with cancer, what to expect during chemotherapy and radiation, and dealing with the side effects of treatment.
- Referring patients and loved ones to support groups, classes, or other programs for information and support.
- Identifying resources for financial assistance, medication needs, home health care, insurance questions, transportation, and other concerns.
- Helping cancer survivors.
- Identifying activities that can help ensure a better quality of life.

Available programs

Look Good... Feel Better is a program available to any woman who is undergoing cancer therapy and/or treatment. This program helps women learn how to deal with appearance-related side effects.

I Can Cope is a series of classes to help cancer patients and family members learn to live and cope with cancer. Topics also include pain management and

nutrition. It is available as a teleconference, so it can be done from home.

Cancer Survivors' Network is an on-line support group. This network also can be accessed by telephone.

Man to Man is a prostate cancer support group. This program is not currently available in Clinton County. Contact one of the American Cancer Society numbers listed below for the nearest group.

Reach to Recovery is a program where breast cancer survivors assist newly diagnosed breast cancer patients.

Cancer Resource Centers are libraries of information related to cancer needs.

Risk Reduction programs include *Active for Life*, *Healthy Kids Network*, and *Generation Fit*.

(Please see Patient Navigator on page 2.)

ABX Snapshot - Section 125 Cafeteria Plans

	No Cafeteria Plan	With Cafeteria Plan
Annual Benefits Total	\$1,000.00	\$1,000.00
Fed. Income Tax Savings	N/A	-\$150.00
State Income Tax Savings	N/A	-\$23.50
Soc. Security Tax Savings	N/A	-\$62.00
Medicare Tax Savings	N/A	-\$14.50
True Cost of Benefits:	\$1,000.00	\$750.00

Questions & Answers

Q. Why is ABX self-insured? Would it be cheaper to fully insure with an insurance company?

A. 'Self-insured' means that we pay only for the actual claims incurred by our employees and their families. For a large group of employees like Airborne Express, self-insuring is the most cost-effective alternative. Because we are a large group, we can accurately predict the number and cost of claims each year. By self-insuring we pay only two costs: the cost of actual claims and the administrative cost to process those claims.

If we were fully insured, the premiums we pay would have four costs. You still have the same two costs self-insured plans have, namely, the cost of actual claims and the administrative cost to process those claims. But the insurance company also will build into its premium two additional costs: "margin" (which is a built in *fudge factor* that all insurance companies include in premiums), and the insurance company's profit. These two additional factors can add 6½ percent extra cost to our health plan each year. If we were to fully insure our health plan, we would pay \$5 million *more* each year than if we were self-insured. And those are dollars that would go into the insurance company's pocket.

Q. Why doesn't ABX administer the claims in-house? Wouldn't that be cheaper?

A. ABX does not process insurance claims for a number of reasons, including confidentiality issues, the need for costly claims-payment software and the additional staffing needed.

Having a third party administrator (TPA), such as UnitedHealthcare, administer our plan and determine the benefit payments is a much more sound business practice. UnitedHealthcare already has state-of-the-art claims payment software in place. They have the necessary staffing in place and have ongoing employee training to stay current with legal, clinical, and operating changes. They already have on staff the necessary medical experts.

In addition, by having UnitedHealthcare process our claims we enjoy the purchasing power of the 40 million Americans covered under UnitedHealthcare. UnitedHealthcare is able to seek and obtain significant discounts from hospitals, drug companies, physicians, and other providers. ABX would not have this purchasing power standing alone.

Q. Why doesn't our Company put the insurance program out to bid? Couldn't someone else be cheaper than UnitedHealthcare?

A. We have already done that. In 2000, the Company sought bids from a number of third-party administrators to process our claims. Three companies made our final list including UnitedHealthcare, Aetna, and Cigna. We found that Aetna had only about half the number of doctors and hospitals participating in the Aetna network in many locations compared to UnitedHealthcare's network. Cigna had even fewer doctors and hospitals. Going with someone other than UnitedHealthcare would mean that many of our employees would have to change doctors—a very disruptive event for our employees. In addition, Aetna's and Cigna's discount were not as steep as UnitedHealthcare's. Because of all these reasons, we elected to remain with UnitedHealthcare.

Cafeteria Plan *(Continued from page 1)*

covered, as this is the same for all plans. Likewise, a couple of dental plan options are offered with different levels of deductibles and co-payments. Typically, cafeteria plans will allow part-time employees to purchase family coverage including medical and dental coverage.

Because of adverse selection concern, the plan administrator will impose certain rules; for example, requiring employees to enroll in a medical option to obtain vision benefits. Adverse selection needs to be avoided to prevent the plan from suffering a financial loss due to lack of premiums which can occur if employees are allowed to opt in and out of a plan at their convenience.

Under a cafeteria plan, employees are allowed to make elections once a year during the open enrollment period. Also, employees can make mid-year family or work status changes adding or dropping dependents when they get married or divorced or have a newborn child or new graduate.

Other Considerations

Like flexible spending accounts, employee contributions under cafeteria plans do not reduce your Airborne-provided retirement and 401(k) benefits. Likewise, other income-based benefits such as life insurance and disability benefits are not reduced by contributions to a cafeteria plan. Under Social Security law, because you (and the Company) contributed fewer dollars into the program, your Social Security benefit would be slightly smaller. But because of the way Social Security works, the amount is usually minimal.

Cafeteria plans offer greater flexibility to choose the benefits that best meet your needs and also help you save taxes. Many employers such as Southwest Airlines, Pepsico, and Continental Airlines offer cafeteria plans. Cafeteria plans can be a win-win for both employees and employers. Airborne is planning to adopt a cafeteria plan for our benefit program.

Town Hall Meetings *(Continued from page 1)*

These results are now available in the benefits section of www.abxair.com.

The town hall meetings provided employees with the opportunity to learn more about their benefits and ask questions about the upcoming changes. Additionally, the meetings provided senior management the opportunity to hear employees' concerns about their benefits program.

Based on the feedback provided at these meetings as well as feedback from the employee survey and the Benefits Advisory Team, we will be better able to design a benefit package that meets employees' needs. Thanks to everyone who attended the town hall meetings. Your participation was very helpful.

Patient Navigator *(Continued from page 1)*

To contact the Patient Navigator program nearest you:

Clinton County:

Sue Pierson-Miller, RN
Patient Navigator
761 S. Nelson Avenue
Wilmington, OH 45177
(937) 283-9769 or (888) 227-6446

State of Ohio:

American Cancer Society
(800) ACS-OHIO

Nationwide:

American Cancer Society
(800) ACS-2345

Information is also available on the American Cancer Society website at www.cancer.org. This website contains medical information, treatment decision tools, news updates, and support resources.