Annual Enrollment 2011

October 2010
NIN: 78-21889

Getting smarter about your benefits is the first step to getting the most from them.

Start by reviewing this communication, which contains changes, updates and reminders related to your 2011 benefits.

Your annual enrollment period runs from Oct. 4–15. Before then, take the time to read this information carefully and share it with your family so that your choices keep up with your changing needs.

Distributed to active bargained employees of AT&T Mobility (including Puerto Rico and Hawaii) and any associated LOA, LTD or STD recipients, survivors of active employees and COBRA participants.

Contents

This document was written to make it easier to read. So, sometimes it uses informal language, like "AT&T employees," instead of precise legal terms. Also, this is only a summary, and your particular situation could be handled differently. More specific details about your benefits, including eligibility rules, are in the summary plan descriptions (SPDs), summaries of material modifications (SMMs) or the plan documents. Except for the changes described in this document, the plan documents always govern, and they are the final authority on the terms of your benefits. AT&T reserves the right to terminate or amend any and all benefits plans, and your participation in the plan is neither a contract nor a guarantee of future employment.

Health Care Reform: What We Know

As a result of the recently passed health care legislation, there are changes to your benefits for 2011. The federal government is still in the process of issuing the regulations and guidance necessary for AT&T to determine all of those changes; however, the following changes are already known:

- You can enroll any eligible dependent for medical coverage and MedPlus coverage (if eligible) up to age 26. (See page 6.)
- You can no longer be reimbursed for nonprescribed over-the-counter drugs from your health care spending account. (See page 9.)
- Lifetime limits will be eliminated under the AT&T medical plans.
- Certain annual limits on essential benefits will be lifted.

Watch for additional information later this year.

Online Enrollment

Each year, you have the opportunity to review your benefit options and make enrollment decisions. Most of the information you need is available on the AT&T Benefits Center website.

This communication walks you through the key changes in your plans effective Jan. 1, 2011, and provides updates and reminders for your benefits annual enrollment.

Your two-week enrollment period begins at 7 a.m. Central on Oct. 4 and ends at 7 p.m. Central on Oct. 15. During this time, log on to the AT&T Benefits Center website, and enroll for your 2011 benefits.

Your Enrollment Checklist

Review Recent Materials. In addition to this communication, you should have received a postcard or News Now messages with your enrollment dates and information.

Evaluate Your Options. Even if you are satisfied with your current coverage, there are changes and information you need to know.

Check Your Medical Coverage Status. Depending on your home ZIP code, you will be assigned either network or outside-network-area (ONA) status. This distinction can significantly change the cost of your medical coverage.

Elect to Participate in a Flexible Spending Account. *(This does not apply to employees in Puerto Rico.)* A health care flexible spending account (FSA) is a savings tool designed to help you offset the costs of eligible health care expenses for you and your dependents. A dependent care FSA is another savings tool designed to help you offset the cost of day care or elder-care expenses. You will find more information about these tools on the Your Benefits section of HROneStop.

Review Your SPDs and SMMs. These are the legal documents that contain the full details on your benefits plans and programs, including eligibility requirements. They are located on the AT&T Benefits Center website under Health and Insurance > Overview > Plan Information.

Check Out Enrollment Tools and Resources. AT&T and your benefits administrators partner to provide information, tools and calculators on their websites to help you estimate costs and make informed enrollment decisions.

- **Your Benefits Section of HROneStop | hronestop.att.com**
  This site contains information about the benefits AT&T offers along with links to benefit vendors and other general information.

Even if you have an FSA this year, you must enroll again to participate in 2011.

If you have a **change-in-status event** that requires you to make a change to your coverage between now and the end of the year, you will need to go to the AT&T Benefits Center website and make two separate elections. First, change your coverage for the rest of 2010. Then update your elections for 2011.

- **AT&T Benefits Center Website | resources.hewitt.com/att**
  When you want to view your personalized health and welfare benefits information, log on to this website. It is your go-to source for benefits enrollment, and features:

  - Health-Plan Comparison Charts
    These help you compare your options during annual enrollment by providing high-level snapshots of coverage and costs.

  - Tools and Calculators
    This section has a variety of resources to help you make your benefits decisions, including links to finding network providers and a medical expense estimator.

- **Prescription Drug Cost Estimator | www.caremark.com/att**
  Find out how much your prescription drugs will cost next year with this calculator tool. It is only available from Oct. 4 – Dec. 31 on the Caremark website.

Stay Current on Eligibility

Adding or Removing a Dependent From Coverage

Annual enrollment is your opportunity to enroll your dependents in coverage for next year. Making changes to your dependent coverage is easy. Simply follow the online directions to enroll or remove dependents for 2011.

You Can Enroll Any Eligible Dependent for Medical Coverage Up to Age 26

As a result of the health care legislation that was passed earlier this year, you will be able to enroll eligible dependents in your medical plan (and CarePlus, if eligible) up to the age of 26. For example, dependents over the age of 18 are no longer required to be full-time students to be enrolled in medical coverage.

Tip for a Quick Enrollment

When you go online to enroll, **be sure to have the Social Security numbers** of your dependents handy. You'll be prompted to enter them if they are not already on file with the AT&T Benefits Center.

Proof of Eligibility for Dependents

If you add a dependent to coverage, you will be required to provide proof of eligibility. The exception is if you simply add new or different plans for currently enrolled and approved dependents.

Newborn or Newly Adopted Child

New baby on board? Remember to visit the AT&T Benefits Center website within 31 days of birth or placement and enroll the child to ensure coverage begins on your child's birthday or placement date. If you wait more than 31 days, coverage will not begin until the first day of the month following enrollment.

Your child's Social Security number is not needed at the time you enroll. Once you receive this information, contact the AT&T Benefits Center so eligibility information can be updated.

Removing Ineligible Dependents

If your dependent becomes ineligible to participate in a company-sponsored health plan, you are required to remove that person from coverage by notifying the AT&T Benefits Center either online or by phone.

Continuing coverage for an ineligible dependent is considered benefits fraud and can result in disciplinary action up to, and including, dismissal. You also may be responsible for repaying any benefits received by the ineligible dependent. AT&T reserves the right to audit the eligibility of any dependent at any time.

Imputed Income and Legally Recognized Partners

The Internal Revenue Code requires AT&T to include the cost of benefits for a legally recognized partner (LRP) and that partner's children as income to you unless they qualify as tax dependents. Therefore, if you enroll your LRP or your LRP's children in coverage, income may be imputed to you. This imputed income amount is subject to Medicare and Social Security taxes, as well as federal income tax and state income tax, where applicable.

Important Changes and Reminders for 2011

New Mental Health Claims Administrator

Beginning in 2011, your mental health and chemical dependency (MH/CD) claims administrator will be ValueOptions. Information related to the transition-of-care process will be provided to you later this year. Claims incurred in 2010 should be submitted through your current administrator, United Behavioral Health.

This article is not intended to address HMO-type medical coverage options. Contact your HMO-type coverage provider for its specific rules related to the use of network providers.

Reviewing Medical Plan Options? Remember Your Coverage Status

It's important to note your network or outside-network-area (ONA) status each year.

The majority of participants will have only network status available to them because network providers are readily available in the areas where they live. A small group of participants live in areas that do not have as many network providers. This group will have the option to choose ONA coverage. Network or ONA coverage is based on your home ZIP code, and provider network options can change from year to year.

Is ONA Coverage an Option for You?

If you are assigned ONA coverage for 2011, you can use any provider you wish and receive the same level of benefits as someone with network coverage. Providers include doctors, hospitals and more. You also have the option of switching to network coverage. Participants may choose to enroll in the network because some services have lower costs. If you are eligible for ONA coverage but considering network coverage, you should do the following before deciding to switch:

- Check the network providers listed.
- Find out where the network providers are located.
- Understand that you may need to travel farther to receive care.

Once you choose to switch to network coverage, you must always use network providers or risk paying higher costs. Refer to your health-plan comparison charts each year to confirm your options.

If you have ONA coverage as an option, you can switch to network coverage at any time, with coverage effective the first day of the next month. You cannot, however, change back to ONA coverage unless you experience certain change-in-status events.

Providers Can Change During the Year

It's possible that providers may move in or out of the network during the year, but you can't change your medical enrollment midyear unless you experience a change-in-status event. The best way to ensure that your doctor is in the network is to check with the provider before you receive service. To do this, contact the claims administrator at the number listed on the back of your ID card.

Prescription Drug Copayments

Don't forget to look up your prescription drug copayments for 2011 when reviewing your enrollment information.

These can be found on the enrollment website along with your health plan comparison charts (see Tools and Resources section). Prescription drugs range in price depending on the type (generic, nonpreferred or preferred brand) and where you choose to purchase them (retail network, mail order program or retail non-network).

Over-the-Counter Drugs No Longer Covered Under Flexible Spending Accounts

This does not apply to employees in Puerto Rico.

New Restrictions for 2011

As a result of the recent federal health care legislation, over-the-counter drugs will no longer be eligible for reimbursement starting in 2011. This includes any medications you obtain without a prescription, such as cold and flu medicine, pain relievers and allergy drugs.

Remember to Consider Your Expenses Carefully

The health care FSA is still a great way to save money on eligible health care expenses for you and your dependents, but don't forget to consider this change when you are calculating how much to set aside for 2011.

Don't Forget About Supplemental Long-Term Disability

If you're eligible for supplemental long-term disability (LTD), don't forget to sign up during annual enrollment.

- You can elect an additional 20 percent of your eligible pay for supplemental LTD.
- Rates will be listed on the AT&T Benefits Center website during your enrollment period.
- Use the Long-Term Disability Estimator tool located in the Tools and Calculators section to help determine the right amount of coverage.

Women's Health and Cancer Rights Act of 1998 — Annual Notice

As required by the Women's Health and Cancer Rights Act of 1998, your AT&T company medical program provides benefits for mastectomy-related services, such as:

- Reconstruction and surgery to achieve symmetry between breasts.
- Prosthesis.
- Complications resulting from a mastectomy (including lymphedema).

Coverage may be subject to applicable annual deductibles, copayments and coinsurance.

Planning for Retirement

If you are considering retirement in 2011, contact the AT&T Benefits Center before making your annual enrollment decisions because the benefits and the contributions you pay (if any) may change when you retire or become eligible for Medicare.

Medicare Enrollment

Annual enrollment is a good time to consider your Medicare options if you are considering retirement. You and your Medicare-eligible dependents *must* enroll in Medicare parts A and B when you first become eligible for Medicare as your primary coverage. Typically this occurs when you stop working for an AT&T company. However, in some circumstances, such as end-stage renal disease, or ESRD, Medicare can become your or your dependent's primary coverage even while you are actively working. If you have questions about whether Medicare should be your primary coverage, check with Medicare and your medical benefits claims administrator. You should be aware of how your retiree medical plan choices or Medicare eligibility impacts your plan options. As a result, if you drop or do not elect Part B coverage, you will be responsible for paying the full amounts that Part B would have paid and your out-of-pocket expenses will be significantly higher.

Call the AT&T Benefits Center if:

- You or an eligible dependent will become eligible for Medicare by turning age 65, and you plan to retire. (Do this two to three months before the event.)
- You or a covered dependent becomes Medicare eligible as a result of disability.
- You would like to learn more about how becoming Medicare eligible can impact your benefit choices, monthly contributions and how claims will be paid by the AT&T plan.

Enroll in Medicare Part B on Time and Maintain Your Coverage

When you are Medicare eligible, it's important that you enroll in Medicare parts A and B and remain enrolled in them in order to receive the highest level of benefits under your AT&T medical coverage. When you become eligible for Medicare, your AT&T medical plan becomes your secondary coverage once you are no longer working and in some instances, when you are still working. This means that Medicare parts A and B will provide payment for your eligible claims first, and then your AT&T medical plan coverage will pay secondary for any eligible claims.

Medicare Enrollment Is Your Responsibility

It is your responsibility to enroll in Medicare when you first become eligible as a result of age or disability. You must also stay enrolled in Medicare parts A and B in order to receive the highest level of benefits.

If you or your dependents are eligible and you are not an active employee of an AT&T company, call the AT&T Benefits Center to learn more about any actions you may need to take during this enrollment period.

For more information on steps you must take at retirement, review the AT&T Retirement Checklist located in the Your Benefits section of HROneStop, in the right-hand column under Benefits Tools & Resources. You should also refer to your SPDs and SMMs for complete retirement, Medicare and benefit eligibility rules.