

Four-Tier Medical and Dental Pricing Structure

DUR Training
June 9, 2011

Four-Tier Pricing - Plan Year 2012

TVA and the EA have committed to develop and implement a four-tier pricing structure for the Medical and Dental plans effective January 1, 2012.



Pricing structure change

- ▶ Current two-tier pricing structure
 - ▶ Individual coverage (employee)
 - ▶ Family coverage (employee and/or spouse and/or child(ren))
- ▶ Tier ratio (Medical)
 - ▶ Employee: 1.0
 - ▶ Family 2.4



Pricing structure change

- ▶ 2012 four-tier pricing structure
 - ▶ Individual coverage (employee)
 - ▶ Individual + children (employee and child or children)
 - ▶ Individual + spouse (employee and spouse)
 - ▶ Family (employee, spouse, and child(ren))
- ▶ Tier ratio* (Medical)
 - ▶ Employee: 1.0
 - ▶ Employee + Child(ren): 1.8
 - ▶ Employee + Spouse: 2.1
 - ▶ Family: 2.8

*based on current demographics and population



Why 4-tier pricing?

- ▶ Equitable pricing
 - ▶ Reflects plan risk
 - ▶ Consistent with other benefit plan equitable pricing structures
- ▶ Supported by benchmarked data*
 - ▶ 2-5% employers have 2-tier pricing for employees

*Source: AonHewitt



Engineering Association Demographics

▶ Medical Plan – As of May 2011

Individual	Individual + Children	Individual + Spouse	Family
597	120	540	1137

▶ Dental Plan – As of May 2011

Individual	Individual + Children	Individual + Spouse	Family
601	114	621	1095



Effective January 1, 2012

▶ Open Enrollment

- ▶ Communicated as part of open enrollment
- ▶ Medical and dental coverage will default to appropriate tier based on currently covered, eligible dependents
- ▶ Employee can change covered dependents which may reflect new tier

