2022 Medical and Dental Pricing Methodology

IBT-Represented Active Employees and Pre-65 Retirees

United Airlines

Final Pricing as of September 3, 2021
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Executive Summary

The following changes and key assumptions were made as part of the 2022 pricing approach as compared to the 2021 methodology:

- The relative values were updated to reflect additional factors impacting the cost of each plan. These factors are outlined further below and documented in the attached Excel files;
- The trend assumptions for 2021-2022 are 4.50% for medical and behavioral health, 7.50% for prescription drugs and 3.00% for dental;
- ASO fees have been updated based on vendor negotiations and RFPs:
  - Aetna base ASO fees for the broad network decreased by 8.6%. The ASO fees for the new Premier Care Network and Premier Care Network Plus (Select PPO and Quality EPO network referenced below) are 3.7% and 34.6% higher, respectively, than for the broad network;
  - BCBS base ASO fees increased by 11.4% for 2022. The ASO fee for the new High Performance Network (Quality EPO network referenced below) is the same as for the broad network.;
  - Beacon Health Options was discontinued as a behavioral health carve-out starting in 2019;
  - BCBS IL HMO's administration fees increased by 2%, while Rx rebates were also projected to increase by 9%. The capitation rate is virtually flat for single coverage, and decreased slightly for family coverage. The Health Insurer Tax was suspended again starting in 2021;
  - Blue Cross Blue Shield of Texas (BCBSTX) HMO is a new plan for 2022 and the administration fees are based on total enrollment in the plan. Based on projected enrollment for 2022, the administration fee for this plan is $54.03 per employee per month;
  - Centivo EPO, another new plan for 2022, has an administration fee of $28.00 per employee per month;
  - Anthem CO HMO fees decreased 75.2% for 2022;
  - Aetna International fees increased by 2% and NetCare fees were held flat for 2022.
- For purposes of calculating the percentage contribution as compared to the 80/20 contribution limit, IBT enrollment was included;
- The incurred experience period used is January 2019 – December 2020 (paid through April 2021). Incurred claims have been estimated using the April 30, 2021 IBNP report also used for internal United liability requirements;
- COVID-19 had a significant impact on claims utilization patterns in 2020. Access to medical services was limited early in the pandemic and led to the widespread deferral of elective procedures. As a result, claims were suppressed in 2Q 2020, and rebounded in the latter portion of the year. For the full year 2020, other employers had a slight decrease in claims from 2019 to 2020 and were 6-8% more favorable than expected. United's experience was not as favorable. Then, considering that 2020 experience also reflected suppressed utilization and to reduce the risk of underprojecting future claims, a +3% adjustment was made to 2020 claims.
- Starting in 2018, the following programs were added:
  - A concierge service (Accolade) provided the following impacts to all national self-insured plans' medical, prescription drug and behavioral health costs:
    - Paid claims savings of 2.88% in 2018, 1.89% in 2019, 1.42% in 2020, 1.25% in 2021, and 1.22% in 2022;
    - Additional $9.17 PMPM in fees to administer these services (combined medical, prescription drug and behavioral health).

- Second opinion (Advance Medical, March) and telemedicine (Doctors on Demand, April) services were added; the cost and savings impact is projected to be minimal as services ramp up.
- Telemedicine costs flowed through medical claims, offsetting potential in-person PCP visits.

- The following other medical plan changes were incorporated for 2019:
  - BYO plans were consolidated to three “metal” EPO offerings: Platinum, Gold and Silver;
  - Healthy Advantage HSA out-of-pocket maximum was reduced to $3,425 single/6,850 family, and changed from an embedded to aggregate structure under family coverage;
  - Healthy Rewards PPO and Healthy Advantage HSA plans have increased Rx copays;
  - Metal EPO plans, Bronze Plan and $350/750/1250 PPO plans moved to the same drug list as the Healthy Rewards/Advantage plans;
  - M&A will be offered the metal EPO plans, but no longer be offered the Core HDHP;
  - Minor changes to HMO plans based on required state mandates;
  - The combination of these plan changes, with anticipated migration, resulted in approximately 1.3% reduction in cost;
  - Behavioral health, previously carved out to Beacon Health, was consolidated with the medical vendors, resulting in savings of 5.2%.
- Carrum Centers of Excellence was introduced with an effective date of 8/1/2019:
  - A $0.50 PEPM fee ($0.75 starting 8/1/2020, $1.00 starting 8/1/2021, $1.25 starting 8/1/2022) was built into the pricing, along with a corresponding savings adjustment for the $500,000 in expected annual savings.
- The following plan changes are effective for 2021:
  - The Healthy Rewards PPO is being replaced by the United Airlines PPO, with the following changes:
    - The wellness incentive is no longer available;
    - Deductible has been increased from $800 single/$1,600 family to $1,000 single/$2,000 family;
    - The combined out-of-pocket (OOP) maximum has been separated to medical and prescription drug OOP maximums;
    - The family OOP maximum now has an embedded individual OOP structure;
    - Primary and specialist office visit copays have been increased;
    - Under the prescription drug coverage, the maximum mail order copays on the brand tiers have been increased.
  - Like for the United Airlines PPO plan, under the prescription drug coverage for the Healthy Advantage HSA plan, the maximum mail order copays on the brand tiers have been increased.
  - The following changes have been made for the Aetna Select plans:
    - The medical OOP maximum has been increased from $2,000 single/$4,000 family to $3,000 single/$6,000 family, while the prescription drug OOP maximum has been decreased from $6,150 single/$12,300 family to $5,550 single/$11,100 family;
    - The coinsurance percentage has been decreased from 100% to 80%;
    - Primary and specialist office visit copays have been increased.
  - A number of prescription drug exclusions were put in place for the Core plans. These excluded drugs are higher-cost medications for which there are lower-cost over-the-counter alternatives

with similar efficacy. Savings of 1.3% of prescription drug claims costs are expected beyond the 7/1/2020 effective date of these exclusions. Subsequent to this determination, limitations to the exclusions were added. The impact will be reflected in future years.

- M&A will be offered the Blue Cross HMO IL and Kaiser Denver HMO – Option B plans.

- Launching on August 11, 2020, Rx Savings Solutions is a concierge service that aims to help members be more knowledgeable consumers of prescription drugs. Claim savings of 0.2% were assumed starting in January 2020, with an additional 0.8% starting in August 2020. The PMPM fee for this program was waived for 2020, and will be $0.30 for 1Q 2021 and $0.90 thereafter.
- At the time of pricing for 2021, the size of the employee population was expected to be smaller at the end of 2020 and leading into 2021. The actual employee headcount did not decrease to the extent originally projected, and has since rebounded with the various return-to-work programs and hiring initiatives. As a result, the +5.7% adjustment applied to projected self-insured claims costs in last year's pricing has been removed.
- The following plan changes are effective for 2022:
  - Elimination of the following plans: PPO 350, PPO 750, PPO 1250, Platinum EPO, Gold EPO, and all Aetna Select Plans;
  - Enhancement of existing plans: The United Airlines PPO has been enhanced and will now be called the United PPO. The Healthy Advantage HSA has been enhanced and will now be called the United Savings PPO. The Silver EPO has been enhanced and will now be called the United Silver Plus EPO;
  - Addition of the following plans: Centivo EPO and Blue Cross Blue Shield of Texas (BCBSTX) HMO;
  - Introduction of two new networks:
    - Quality EPO network – This network will be applied to the United Silver Plus EPO plan and the Bronze EPO plan. This network is centered around a smaller number of hospitals and doctors that demonstrate better quality and outcomes. Many of the hospitals and providers included in the broad PPO network are not included in this network, but we expect minimal disruption of PCP and Mental Health providers.
    - Select PPO network – This network will be applied to the United PPO, Traditional PPO, Core PPO, and Core EPO plans. This network excludes coverage for some hospitals and specialists who do not demonstrate certain quality criteria, but we expect minimal disruption of PCP and Mental Health providers;
  - Introduction of Standard Control Formulary for the Core PPO, Core EPO, Core HDHP and Traditional PPO plans;
  - Introduction of PrudentRx specialty drug program for the Core PPO, Core EPO, Core HDHP and Traditional PPO plans. PrudentRx was previously adopted for all optional plans in 2021 and will remain in place for all optional plans whose drug administration is carved out to CVS.
- The following dental plan changes were incorporated for 2019:
  - Dental plan administration moved to Cigna;
  - Dental PPO and PPO Plus plans were redesigned to Preventive and Premium, respectively, providing more differentiated benefits; international versions are administered on a fully-insured basis.

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Data Sources

The following vendors provided lag reports for claims incurred and processed/paid, as well as accompanying monthly member and employee counts (splitting actives and retirees), from January 2019 through December 2020 (paid through April 2021):

Vendor	Claims Type
Aetna (National and Select)	Medical, behavioral health ***
Aetna International	Medical, prescription drug, behavioral health
BlueCross BlueShield (BCBS)	Medical, behavioral health ***
BCBS (HMO Illinois)	Medical, prescription drug, behavioral health
CVS/Caremark*	Prescription drug
Anthem Colorado (HMO Colorado)	Medical, prescription drug, behavioral health
NetCare**	Medical, prescription drug, behavioral health
Cigna	Dental

* CVS/Caremark data included dispensing fees. Rebates (quarterly) and credits were provided in separate reports.

** NetCare and Cigna reported actives and retirees combined; claims were split using other available data.

*** Starting in 2019, behavioral health claims administration moved to Aetna and BCBS and ceased under Beacon Health Options.

Alight (formerly Aon Hewitt) provided census data with plan elections and coverage tier information. This data separately identified actives and retirees.

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Rate Development Methodology

This section outlines the methodology used in projecting 2022 medical and dental budget rates for technicians of United Airlines. The following discussion describes the specific assumptions and details involved in the rating process.

Active and Retiree Medical

There are six separate components that are combined to determine the rates for United Airlines medical plans: Medical, Prescription Drug (Rx) and Behavioral Health (BH) claims (including capitations), fully-insured premiums, administrative fees and costs, and funding for wellness initiatives. All experience for all active employees and pre-Medicare retirees is included in the rate development. All projected costs, including premiums and fees, are allocated across the entire population based on plan design relative values.

Estimated claims and projected trends reflect best-estimate assumptions and have not been loaded with any margin.

Medical

We started the rating process by estimating completion factors for each historical month for which data was provided. The completion factors were derived using the claim lag reports and historical membership data provided by the vendors. This process is the same that is used to determine liabilities for claims Incurred But Not Paid (IBNP). The completion factors were applied to the claims incurred in each month and paid through the end of the data period to get an estimate of total incurred claims.

This process has not changed for 2022, but the claims are summarized differently in the pricing workbook (see 'Input - Claims & Enroll Data' tab). In the exhibit, claims are now summarized by paid month, with IBNP results at the bottom. These IBNP results are used to determine the run-in and run-out claim dollars used to convert paid claims to incurred claims in the historical experience period. The advantage of showing paid claims is that they remain constant over time (i.e. they will not change between preliminary and final pricing results), and only the IBNP projections need updating. In the end, the pricing is performed on an incurred date basis as it always has been.

The experience period used was 24 months. The incurred experience period used for both actives and pre-65 retirees was January 2019 through December 2020 (paid through April 2021).

The monthly incurred claims estimates were summarized by year and divided by the corresponding membership to get Per Member Per Month (PMPM) costs.

The PMPMs were adjusted for changes in plan design and carrier network, relative value, and expected mix by plan and tier. Additional benefit adjustments include:

- Starting in 2018, the following program changes were made:
  - A concierge service (Accolade) provided the following impacts to all national self-insured plans' medical, prescription drug and behavioral health costs:

    - Paid claims savings of 2.88% in 2018, 1.89% in 2019, 1.42% in 2020, 1.25% in 2021, and 1.22% in 2022;
    - Additional $9.17 PMPM in fees to administer these services (combined medical, prescription drug and behavioral health).
  - Second opinion (Advance Medical, March) and telemedicine (Doctor on Demand, April) services were added; the cost and savings impact is projected to be minimal as services ramp up.
  - Telemedicine costs flowed through medical claims, offsetting potential in-person PCP visits;
  - BYO options were reduced to 12 (three deductibles, two coinsurance and two prescription drug options);
  - The Healthy Advantage HSA plan was added.
- The following medical plan changes were incorporated for 2019:
  - BYO plans were consolidated to three “metal” EPO offerings: Platinum, Gold and Silver;
  - Healthy Advantage HSA out-of-pocket maximum was reduced to $3,425 single/6,850 family, and changed from an embedded to aggregate structure under family coverage;
  - Healthy Rewards PPO and Healthy Advantage HSA plans have increased Rx copays;
  - Metal EPO plans, Bronze Plan and $350/750/1250 PPO plans moved to the same drug list as the Healthy Rewards/Advantage plans;
  - M&A will be offered the metal EPO plans, but no longer be offered the Core HDHP;
  - Minor changes to HMO plans based on required state mandates;
  - The combination of these plan changes, with anticipated migration, resulted in approximately 1.3% reduction in cost;
  - Behavioral health, previously carved out to Beacon Health, was consolidated with the medical vendors, resulting in savings of 5.2%; behavioral health claims are now incorporated with all other medical claims.
- Carrum Centers of Excellence was introduced with an effective date of 8/1/2019:
  - A $0.50 PEPM fee ($0.75 starting 8/1/2020, $1.00 starting 8/1/2021, $1.25 starting 8/1/2022) was built into the pricing, along with a corresponding savings adjustment for the $500,000 in expected annual savings.
- The following plan changes are effective for 2021:
  - The Healthy Rewards PPO is being replaced by the United Airlines PPO, with the following changes:
    - The wellness incentive is no longer available;
    - Deductible has been increased from $800 single/$1,600 family to $1,000 single/$2,000 family;
    - The combined out-of-pocket (OOP) maximum has been separated to medical and prescription drug OOP maximums;
    - The family OOP maximum now has an embedded individual OOP structure;
    - Primary and specialist office visit copays have been increased;
    - Under the prescription drug coverage, the maximum mail order copays on the brand tiers have been increased.
  - Like for the United Airlines PPO plan, under the prescription drug coverage for the Healthy Advantage HSA plan, the maximum mail order copays on the brand tiers have been increased.

  - The following changes have been made for the Aetna Select plans:
    - The medical OOP maximum has been increased from $2,000 single/$4,000 family to $3,000 single/$6,000 family, while the prescription drug OOP maximum has been decreased from $6,150 single/$12,300 family to $5,550 single/$11,100 family;
    - The coinsurance percentage has been decreased from 100% to 80%;
    - Primary and specialist office visit copays have been increased.
- At the time of pricing for 2021, the size of the employee population was expected to be smaller at the end of 2020 and leading into 2021. The actual employee headcount did not decrease to the extent originally projected, and has since rebounded with the various return-to-work programs and hiring initiatives. As a result, the +5.7% adjustment applied to projected self-insured claims costs in last year's pricing has been removed.
- The following plan changes are effective for 2022:
  - Elimination of the following plans: PPO 350, PPO 750, PPO 1250, Platinum EPO, Gold EPO, and all Aetna Select Plans;
  - Enhancement of existing plans: The United Airlines PPO has been enhanced and will now be called the United PPO. The Healthy Advantage HSA has been enhanced and will now be called the United Savings PPO. The Silver EPO has been enhanced and will now be called the United Silver Plus EPO;
  - Addition of the following plans: Centivo EPO and Blue Cross Blue Shield of Texas (BCBSTX) HMO;
  - Introduction of two new networks:
    - Quality EPO network – This network will be applied to the United Silver Plus EPO plan and the Bronze EPO plan. This network is centered around a smaller number of hospitals and doctors that demonstrate better quality and outcomes. Many of the hospitals and providers included in the broad PPO network are not included in this network, but we expect minimal disruption of PCP and Mental Health providers.
    - Select PPO network – This network will be applied to the United PPO, Traditional PPO, Core PPO, and Core EPO plans. This network excludes coverage for some hospitals and specialists who do not demonstrate certain quality criteria, but we expect minimal disruption of PCP and Mental Health providers;
  - Introduction of Standard Control Formulary for the Core PPO, Core EPO, Core HDHP and Traditional PPO plans;
  - Introduction of PrudentRx specialty drug program for the Core PPO, Core EPO, Core HDHP and Traditional PPO plans. PrudentRx was previously adopted for all optional plans in 2021 and will remain in place for all optional plans for which drug administration is carved out to CVS.
- For 2022, there were changes made to the way relative values are calculated by plan. These changes were:
  - Actuarial values for all plans were refreshed using Willis Towers Watson's "HealthMAPS" plan design tool;
  - Network efficiency factors were added for plans including network characteristics expected to reduce cost.
    - The network efficiency factors calculated for the new self-insured networks were approximately 0.95 for the Quality EPO network and 0.985 for the Select PPO network;
    - Network efficiency factors ranging from 0.85 to 0.95 were applied to the HMO plans. These factors were calculated by comparing the HMO costs to the self-insured PPO and EPO plan

costs after adjusting for the demographics and family size of the populations electing each set of plans as well as actuarial value.

- Pharmacy management factors were added for plans including plan features expected to reduce pharmacy costs, such as higher-performing formularies and the PrudentRx specialty drug program;
- An induced demand factor of 0.97 was applied to United's high deductible health plans, reflecting the fact that members in high deductible health plans tend to use health care services more efficiently, reducing allowed charge levels;
- Selection factors ranging from 0.977 to 1.037 were applied to each plan. Actuarial values reflect the expected portion of allowed costs paid by the plan assuming 100% of the population is enrolled in each plan. However, individuals who select more generous plan options expect to take advantage of the incremental difference in coverage between plan options. Consequently we expect to see higher than average levels of utilization of those added benefits.

The adjusted PMPMs were trended to 2022 using the following medical trend rates:

2018-2019	2019-2020	2020-2021	2021-2022
4.50%	4.50%	4.50%	4.50%

The trended PMPMs were weighted based on the number of months of data included in each period to obtain a combined medical PMPM for 2022. Finally, this PMPM was converted to a Per Employee Per Month (PEPM) cost using the ratio of members to employees for the current month.

The fully-insured budget rate increases are determined by the insurance carriers, plus an additional cost for funding wellness initiatives.

The self-insured and fully insured budgets rates were then pooled together and re-distributed based on relative value relationships and enrollments for the entire United Airlines active and pre-65 retiree population.

Prescription Drug

Similar to the medical pricing, we used the historical data from CVS/Caremark to develop completion factors in order to estimate the total incurred claims for each month. Because the majority of prescription drug claims are adjudicated in the same month of incurral, the paid claims is nearly equivalent to the incurred claims.

To determine the projected PMPM cost for the prescription drug carve-out, we looked at 24 months of historical data from January 2019 through December 2020 (paid through April 2021).

Adjustments made to prescription drug claims include:

- Starting in 2016, CVS/Caremark assumed the administration of the prescription drug program for national plans (replacing Express Scripts); self-insured regional HMOs continued to administer their own prescription drug programs.
  - CVS/Caremark provided savings of over 6.6% for 2018 (and an additional 1.3% for 2019) as a part of an early renewal arrangement (completed in fall 2017 after 2018 pricing had been completed). The 2020 renewal was projected to generate an additional 1.2% of savings.

  - Value-based designs for specific chronic conditions were added (neutral impact from 2016 to 2017, 0.1% savings from 2017 to 2018 and neutral impact from 2018 to 2019).
- Starting in 2018, a concierge service (Accolade) was added, which provided the following impacts to all national self-insured plans' prescription drug costs:
  - Paid claims savings of 2.88% in 2018, 1.89% in 2019, 1.42% in 2020, 1.25% in 2021, and 1.22% in 2022;
  - Additional $9.17 PMPM in fees to administer these services (combined medical, prescription drug and behavioral health).
- Launching on August 11, 2020, Rx Savings Solutions is a concierge service that aims to help members be more knowledgeable consumers of prescription drugs. Claim savings of 0.2% were assumed starting in January 2020, with an additional 0.8% starting in August 2020. The PMPM fee for this program was waived for 2020, and will be $0.30 for 1Q 2021 and $0.90 thereafter.
- Effective for January 2021:
  - There is now a separate prescription drug OOP maximum in the United Airlines PPO plan;
  - Prescription drug coverage for the United Airlines PPO and the Healthy Advantage HSA plans was modified by increasing the maximum mail order copays on the brand tiers.
  - A number of prescription drug exclusions were put in place for the Core plans. These excluded drugs are higher-cost medications for which there are lower-cost over-the-counter alternatives with similar efficacy. Savings of 1.3% of prescription drug claims costs are expected beyond the 7/1/2020 effective date of these exclusions.
- At the time of pricing for 2021, the size of the employee population was expected to be smaller at the end of 2020 and leading into 2021. The actual employee headcount did not decrease to the extent originally projected, and has since rebounded with the various return-to-work programs and hiring initiatives. As a result, the +5.7% adjustment applied to projected self-insured claims costs in last year's pricing has been removed.
- Effective for January 2022:
  - Introduction of Standard Control Formulary for the Core PPO, Core EPO, Core HDHP and Traditional PPO plans;
  - Introduction of PrudentRx specialty drug program for the Core PPO, Core EPO, Core HDHP and Traditional PPO plans. PrudentRx was previously adopted for all optional plans in 2021 and will remain in place for all optional plans whose drug administration is carved out to CVS.

Estimated quarterly Rx rebates are based on actual reported amounts, or prorated amounts attributable to each month in the quarter where required. In addition, any additional credits from CVS/Caremark due to minimum guarantees and/or audit results have been allocated to the appropriate plan year.

The net incurred amounts were summarized by year and divided by the corresponding membership to get the PMPM cost for that period. The PMPMs for each year were adjusted for plan changes and trended forward to 2022, assuming the following annual trend rates:

2018-2019	2019-2020	2020-2021	2021-2022
7.50%	7.50%	7.50%	7.50%

The trended PMPMs were weighted based on the number of months of data included in each period to obtain a combined Rx PMPM for 2022. Finally, this PMPM was converted to a PEPM using the ratio of members to employees for the current month.

Combined Medical, Prescription Drug, and Behavioral Health

The prescription drug and behavioral health carve-out PEPMs were added to the medical PEPM along with the 2022 ASO fees to get composite PEPMs.

The Wellness Load, calculated at a PEPM cost of $7.39, was included in the total rate for all plans, based on the programs anticipated to be in place for 2022.

The composite PEPMs were split into rates by coverage tier using current enrollment and the standard medical tier ratios:

Employee Only	Employee Spouse	Employee Children	Employee Family
1.00	2.25	1.75	3.00

The combined active and retiree experience was used in setting “Projected Total Costs” to be used for both active and retired technicians.

Build Your Own (BYO)

For 2019, the twelve remaining BYO options were consolidated into three distinct metal EPO options: Silver, Gold and Platinum.

Bronze Plan

The ‘Bronze Plan’ was created in 2014, and employee contributions are set to maintain affordability levels.

NetCare Guam Health Plan Plus

The total rate for the NetCare Guam Health Plan Plus is set based on the previous year’s rate for the plan, adjusted (i.e., increased) based on the year-over-year claims experience specific to the entire set of NetCare HMO and PPO plans.

Dental

Experience for all active employees and pre-Medicare retirees are included in the rate development. All projected costs for self-insured plans are allocated across the entire self-insured population based on plan design relative values.

For 2019, dental plan administration moved to Cigna. As a result, there was an estimated 2.7% in claims savings due to network access and discounts, plus a $1.00 PEPM administrative fee (however, all administrative fees were waived for 2019). In addition, the dental PPO and PPO Plus plans were

redesigned to Preventive and Premium plans, respectively, which provide more differentiated benefits. International versions of these plans must be administered on a fully-insured basis with Cigna.

Estimated claims and projected trends reflect best-estimate assumptions and have not been loaded with any margin.

Similar to the process followed for medical pricing, the historical self-insured dental data for the entire United population was first used to develop completion factors in order to estimate the total incurred claims for each month. As mentioned previously, dental paid claims are shown in the exhibit, but were converted to incurred claims using the IBNP results, for the pricing analysis. The incurred data from January 2020 through December 2020 (paid through April 2021) was summarized by year and divided by the corresponding enrollment to estimate PEPM costs. The PEPMs were adjusted for network discount changes (from moving from MetLife to Cigna) and plan design changes and trended to 2022 using the following dental trend rates:

2018-2019	2019-2020	2020-2021	2021-2022
3.00%	3.00%	3.00%	3.00%

The trended PEPMs were weighted based on the number of months of data included in each period to obtain a composite dental PEPM for 2022. The 2022 ASO fee was added to this composite PEPM, and then split into rates by coverage tier using current enrollment and the standard dental tier ratios:

Employee Only	Employee Spouse	Employee Children	Employee Family
1.00	2.00	2.50	3.50

Fully-Insured Plans

Willis Towers Watson completed the fully-insured HMO renewals for 2022. Medical plans included Kaiser, Medical Mutual OH and HMSA. Dental plans included Cigna, HMSA and TakeCare. Final 2022 renewal rates were incorporated into the pricing methodology.

Contribution Development Methodology

This section outlines the methodology used to determine final employee and retiree contributions for United Airlines medical and dental plans offered to technicians.

Active Medical

Increases in the technician employee contributions for all medical plans are set so that aggregate contributions are at most 20% of total cost, based on the active enrollment in the technician program. The aggregate contribution setting takes into account the wellness credits and spousal surcharges in determining the employer/employee share of the total cost. For 2022 the contributions have been set to achieve a company cost share of 80.05%. The Core HDHP is excluded from the aggregate contribution calculation.

Employee contributions for the following plans may be set at up to 20% of total projected cost for each plan, again after considering wellness credits and spousal surcharges (composite basis).

- Core PPO
- Core EPO
- Core HDHP
- Traditional Medical PPO
- NetCare Guam Health Plan Plus, for employees based in Guam
- Select Regional Medical Plans (All Kaiser HMOs, NetCare Guam HMO, NetCare Guam Health Plan Plus, HMO Illinois, HMO Colorado, and HMSA Hawaii)

Contributions for these plans may increase by up to 9.25% per year (by tier, on a composite basis).

Employees receiving Wellness Credits have their contributions reduced by $48 per month, and employees covering a spouse who receives Wellness Credits have their contributions reduced by an additional $48 per month. Employees pay an additional $50 per month to cover a spouse who has alternative medical coverage available.

For the aggregate 20% contribution, consideration was made for SFO-based employees who receive free or reduced coverage (per City of San Francisco ordinance).

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Pre-65 Retiree Medical

Due to the complexity of the technician retiree contribution schedule, actual contribution amounts are not included in this document.

- Former subsidiary-Continental technician retirees who retired on or before December 4, 2016 have contributions determined as follows: for the legacy subsidiary-Continental plans, year-over-year contribution changes were determined based on the experience within those plans, and for the legacy subsidiary-United plans, contributions were set equal to the blended active/pre-65 budget rates, multiplied by a conversion factor based on the separate experience rating of pre-65 retirees compared to the blended active/pre-65 retiree experience (this methodology preserves the relative plan costs between active and retirement years). Additionally, the former subsidiary-Continental retirees who retire on or before December 4, 2016 may elect to reduce unused sick bank at retirement to purchase all or a portion of their coverage. The purchase rates are based on the age at retirement, Years of Adjusted Company Service at retirement, and coverage tier elected. Once the sick bank has been exhausted he must pay 100% of the Projected Total Cost of coverage based on the active budget rates.

- Former subsidiary-United technician retirees retiring on or before December 4, 2016 receive coverage based on a complex contribution schedule based on years of service and retirement date. Contributions for legacy subsidiary-United plans (Aetna Select, Anthem Colorado, BCBS IL HMO) were set equal to the active budget rate (determined based on the experience of legacy subsidiary-United employees) less the Traditional Medical PPO subsidy for each retirement cohort. Contributions for legacy subsidiary-Continental plans were set equal to the active budget rate (determined based on methodology on page 6) less the Traditional Medical PPO subsidy for each retirement cohort.

Technician retirees retiring under the new contract on or after December 5, 2016 may, for a specified period of time, elect to receive coverage under the retiree bridge program, or elect the new retiree medical program. The new retiree medical program has contributions set equal to the active budget rates multiplied by an active-to-pre-65 retiree experience conversion factor (except for fully-insured plans where there is no conversion factor applied).

Dental

Dental contributions for actives were set equal to 20% of the budget rates determined in the rate development process described above. Retirees pay the full cost of any dental coverage offered.

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Health Care Trends

Active and Pre-65 Retiree Cost Trend

Medical and prescription drug trends are calculated in accordance with the ALPA methodology. For 2022, the medical trend rate is 4.50% and prescription drug trend is 7.50% (rounded to the nearest 0.05%).

Dental Cost Trend

There are fewer external cost trend surveys available for dental plans, but dental costs generally exhibit relatively stable year-over-year increases. We continue to use a 3% trend assumption.

Summary

The following table summarizes the recommended trend rates that will be used in the 2021 rate projections.

Group	2018-2019	2019-2020	2020-2021	2021-2022
Actives/Pre-65 Retirees*				
■ Medical	4.50%	4.50%	4.50%	4.50%
■ Drugs	7.50%	7.50%	7.50%	7.50%
Dental	3.00%	3.00%	3.00%	3.00%

* Rounded to the nearest 0.05%.