

October 1, 2013

Dear Colleague,

Enclosed is your annual Medicare Part D Notice of Noncreditable Coverage. **THIS NOTICE IS BASED UPON THE AMERICAN AIRLINES (“AMERICAN”) RETIREE HEALTH COVERAGE (OR TWA RETIREE HEALTH COVERAGE) YOU HAVE AS OF OCTOBER, 2013.** You might wonder why you’ve received this notice and what it means.

As the sponsor and administrator of group health plans offering prescription drug coverage, American is required by law to provide notices stating whether this prescription drug coverage is creditable or noncreditable—that is, whether, on average, it is at least as good as standard Medicare Part D prescription benefits. The enclosed notice indicates the prescription drug coverage available through your American or TWA retiree health coverage is noncreditable.

The purpose of this notice is to help individuals eligible for Medicare Part D decide whether or not to enroll in the Medicare Part D prescription drug program. If you are Medicare eligible due to age or disability, Medicare Part D is the primary prescription coverage for most conditions.

Keep in mind, however, that your American or TWA Age 65 and Over sponsored health coverage coordinates benefits with Medicare Parts A, B, C and/or D. Medicare is your primary coverage and your American or TWA Age 65 and Over sponsored coverage is secondary to Medicare. Please review your American or TWA Retiree Benefit Guide for more information.

On the back of this letter, we have included some Frequently Asked Questions about Medicare Part D Noncreditable Coverage and what it may mean for you.

More information about Medicare Part D is available online at www.medicare.gov. For questions about your prescription drug benefit, you can Chat with HR Services from the Benefits and Planning page on new Jetnet.

Sincerely,

American Airlines
HR Services

Enclosures

FREQUENTLY ASKED QUESTIONS ABOUT MEDICARE PART D NONCREDITABLE COVERAGE NOTICES

Q: Why did I receive this notice?

A: Medicare is primarily for retirees age 65 and over. However, Medicare benefits are also available to individuals under age 65 who have certain disabilities, and for those persons of any age who have end-stage renal disease. American doesn't know whether someone in your household falls into one of these categories, so notices must be sent to all employees—regardless of age.

Q: What is the purpose of this notice?

A: As a sponsor of the group and health plan, American is required by law to provide notice stating whether your American-sponsored retiree plan prescription coverage is creditable or noncreditable. Anyone with noncreditable coverage who doesn't enroll in Medicare Part D when first eligible must pay higher premiums to enroll later.

Q: My notice states that my prescription drug plan is noncreditable coverage. What does that mean?

A: When a plan has noncreditable coverage, the prescription drug coverage is, on average, less than the standard coverage offered by Medicare Part D. Noncreditable coverage means your current American-sponsored health benefits offer you less prescription benefits than what is offered in the standard Medicare Part D plan. Anyone with noncreditable coverage who doesn't enroll in Medicare Part D when first eligible must pay higher premiums to enroll later.

Q: What is the penalty for enrolling in Medicare Part D late with noncreditable coverage?

A: If you enroll in Medicare Part D 64 days or later from your initial eligibility, your Part D premium cost will increase 1 percent for every month that you did not join. For example, if you wait 15 months from the date you are first eligible for Medicare Part D, you will pay a 15 percent penalty. You pay this penalty every month you have Medicare Part D prescription drug coverage.

Q: Do I have to enroll in Medicare Part D if I am Medicare-eligible?

A: You are not required to enroll in Medicare Part D, but the benefits from your American-sponsored plan will be minimal if you are eligible and if you decline enrollment. Your American-sponsored plan will pay only approximately 5 percent of your prescription drug costs. However, Medicare Part D pays your prescription costs first (it's your primary coverage). After Medicare Part D pays, you can file a paper claim with your American-sponsored coverage administrator, and your American-sponsored plan may pay some or all of your remaining costs (it's your secondary coverage).

Q: Where can I find more information about Medicare Part D?

A: Visit www.medicare.gov for more information. You can also call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.

MEDICARE PART D—NOTICE OF NONCREDITABLE COVERAGE

OCTOBER 1, 2013

Important Notice from American Airlines About Your Prescription Drug Coverage and Medicare

This notice applies to American Airlines (“American”) retiree participants (formerly in the Pilot, Flight Attendant, TWU, and Agent/Rep/Planner workgroups), and TWA retiree participants, with AGE 65 AND OVER retiree health coverage under the

- **Group Life and Health Benefits Plan for Retirees of Participating AMR Corporation Subsidiaries ,**

and/or
- **Supplemental Medical Plan for Employees of Participating AMR Corporation Subsidiaries,**

or
- **TWA Retiree Health and Life Benefits Plan.**

THIS NOTICE APPLIES TO YOUR American/TWA RETIREE PLANS’ COVERAGE AS OF OCTOBER, 2013. You and/or your spouse may or may not be eligible/enrolled in one or more of these plans; therefore, you should check your personal benefit records to determine your eligibility and in which of these plans you are enrolled.

Please read this notice carefully and keep it where you can find it. This notice has information about your current prescription drug coverage with American Airlines (“American”)-sponsored retiree health plans (“American retiree health plans”, “TWA retiree health plan”) referenced above and about your options under Medicare’s prescription drug coverage. This information can help you decide whether or not you want to join a Medicare drug plan. Information about where you can get help to make decisions about your prescription drug coverage is at the end of this notice.

There are three important things you need to know about your current coverage and Medicare’s prescription drug coverage:

- 1. Medicare prescription drug coverage became available in 2006 to everyone with Medicare. You can get this coverage if you join a Medicare Prescription Drug Plan or join a Medicare Advantage Plan (like an HMO or PPO) that offers prescription drug**

coverage. All Medicare drug plans provide at least a standard level of coverage set by Medicare. Some plans may also offer more coverage for a higher monthly premium.

2. American has determined that the prescription drug coverage offered by your American/TWA retiree health plans is, on average for all plan participants, NOT expected to pay out as much as standard Medicare prescription drug coverage pays. Therefore, your coverage is considered **Noncreditable Coverage**. **This is important because, most likely, you will get more help with your drug costs if you join a Medicare drug plan, than if you only have prescription drug coverage from your American retiree health plans or TWA retiree health plan. This also is important because it may mean that you may pay a higher premium (a penalty) if you do not join a Medicare drug plan when you first become eligible.**

3. You can keep your current American/TWA retiree health coverage. However, because your coverage is *noncreditable*, you have decisions to make about Medicare prescription drug coverage that may affect how much you pay for that coverage, depending on if and when you join a drug plan. When you make your decision, you should compare your current coverage, including what drugs are covered, with the coverage and cost of the plans offering Medicare prescription drug coverage in your area. Read this notice carefully - it explains your options.

When Can You Join A Medicare Drug Plan?

You can join a Medicare drug plan when you first become eligible for Medicare and each year from October 15th through December 7th. However, if you decide to drop your current American or TWA retiree health plan coverage, since it is employer-sponsored group coverage, you will be eligible for a two (2) month Special Enrollment Period (SEP) to join a Medicare drug plan; however you also may pay a higher premium (a penalty) because you did not have creditable coverage under the American/TWA retiree health plans.

If you are losing creditable prescription drug coverage (under the American health coverage for active employees or the American/TWA retiree health coverage for under age 65 retirees), you are also eligible for a two (2) month Special Enrollment Period (SEP) to join a Medicare drug plan.

When Will You Pay A Higher Premium (Penalty) To Join A Medicare Drug Plan?

Since age 65 and over coverage under the American/TWA retiree health plans is *noncreditable*, depending on how long you go without creditable prescription drug coverage, you may pay a penalty to join a Medicare drug plan. Starting with the end of the last month that you were first eligible to join a Medicare drug plan but didn't join, if you go 63 continuous days or longer without prescription drug coverage that's creditable, your monthly premium may go up by at least 1% of the Medicare base

beneficiary premium per month for every month that you did not have that coverage. For example, if you go nineteen months without creditable coverage, your premium may consistently be at least 19% higher than the Medicare base beneficiary premium. You may have to pay this higher premium (penalty) as long as you have Medicare prescription drug coverage. In addition, you may have to wait until the following November to join.

What Happens To Your Current Coverage If You Decide to Join A Medicare Drug Plan?

If you decide to join a Medicare drug plan, your current coverage under the American/TWA retiree health plans will be affected. You may keep your American/TWA retiree health coverage, even if you elect Medicare Part D; however your American/TWA retiree health coverage will coordinate benefits with Part D coverage and will be secondary to Medicare Part D. Regardless of whether you decide to join a Medicare Part D plan, you can keep your American/TWA retiree health coverage.

For More Information About This Notice Or Your Current Prescription Drug Coverage...

For further information, Chat with HR Services on the Benefits and Planning page of new Jetnet.

NOTE: You'll get this notice each year. You will also get it before the next period you can join a Medicare drug plan and if this coverage through American changes. You also may request a copy of this notice at any time.

For More Information About Your Options Under Medicare Prescription Drug Coverage...

More detailed information about Medicare plans that offer prescription drug coverage is in the "Medicare & You" handbook. You'll get a copy of the handbook in the mail every year from Medicare. You may also be contacted directly by Medicare drug plans. For more information about Medicare prescription drug coverage:

- Visit www.medicare.gov
- Call your State Health Insurance Assistance Program (see the inside back cover of your copy of the "Medicare & You" handbook for their telephone number) for personalized help
- Call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.

If you have limited income and resources, extra help paying for Medicare prescription drug coverage is available. For information about this extra help, visit Social Security on the web at www.socialsecurity.gov, or call them at 1-800-772-1213 (TTY 1-800-325-0778).