On October 5th, the BLET — along with the five (5) other Unions that comprise the Coordinated Bargaining Group — reached a Tentative Agreement with the National Carriers' Conference Committee (NCCC). The term of the Tentative Agreement is for five (5) years, from 2015–2019. The relevant provisions of the Tentative Agreement fall into two categories: Wages and Health & Welfare.

Regarding the proposed Wage settlement, a general wage increase (GWI) of 3% was implemented effective January 1, 2015. This GWI came as a result of the January 5, 2012 National Agreement; however, Side Letter 3 of that Agreement expressly stated that this GWI was to be paid during term covered by the Tentative Agreement, and further that it would be considered the GWI for the calendar year 2015. The proposal also provides for additional GWIs, providing in total:

- 3% effective January 1, 2015
- 2% effective July 1, 2016;
- 2% effective July 1, 2017;
- 2.5% effective July 1, 2018; and
- 3% effective July 1, 2019.

The total of the GWIs payable during the term of the Tentative Agreement is 12.5%, resulting in a total compounded increase to the rates in effect at the close of the last contract period (December 31, 2014) of 13.14%. The GWIs for 2016 and 2017 will be implemented on January 1, 2018 or as soon thereafter as practicable, with back pay due based upon those GWIs' retroactive application within sixty (60) days of the Agreement date. Six (6) months later the July 1, 2018 2.5% GWI will be implemented, and the July 1, 2019 3% GWI will be implemented one year after that. In other words, between January 1, 2018 and July 1, 2019 GWIs totaling 9.5% — and 9.84% compounded — will be made to increasable working rates of pay, with back pay due going back to July 1, 2016.

A locomotive engineer who earned $75,000 of non-frozen pay elements in 2014 will gain nearly $25,000 in additional compensation from the GWIs implemented during the 2015–2019 term of the Tentative Agreement ($11,250 from the January 1, 2015 GWI already paid and nearly $13,600 from the additional GWIs in the Tentative Agreement). A locomotive engineer who earned $100,000 of non-frozen pay elements in 2014 will gain over $33,000 in additional compensation from the GWIs implemented during the term ($15,000 from the January 1, 2015 GWI already paid and $18,000 from the additional GWIs in the Tentative Agreement). And a locomotive engineer who earned $125,000 of non-frozen pay elements in 2014 will gain over $41,000 in additional compensation from these GWIs ($18,750 from the January 1, 2015 GWI already paid and over $22,600 from the additional GWIs in the Tentative Agreement). These values are approximately $5000, $6300 and, $7700, respectively, more than the NCCC's June proposal, which will serve as the industry's position should this dispute be placed before a Presidential Emergency Board (PEB).

These GWIs provide real wage increases because they are measurably higher than past and projected rates of inflation. The accepted inflation index historically used to calculate cost of living applicable to rail contracts is the CPI–Urban Wage Earners and Clerical Workers (1967=100) series published by the U.S. Department of Labor's Bureau of Labor Statistics. The annual rate of inflation for the past five years has been as follows: 2012 – 2.1%; 2013 – 1.4%; 2014 – 1.5%; 2015 – -0.4%; and 2016 – 1.0%. For 2015 and 2016, inflation was six tenths of one percent (0.6%). For 2017–2020, the Federal Open Market Committee forecasts 1.6% for 2017, and an average of less than 2% each for 2018 and 2019. In total, that is inflation of 6.2% over the five-year term of the Tentative Agreement. With general wage increases that add up to 13.1% when compounded, <u>the Tentative Agreement provides increases that are more than double the rate of inflation.</u>

The Health & Welfare settlement contained in the Tentative Agreement expands some coverages, but does not reduce any existing coverages. The monthly employee premium cost-sharing payment would be frozen at

$228.89 for the life of the Agreement and would not be subject to change until one is negotiated in a future bargaining round; this provision would add over $800 in value to the above wage increases as compared to the industry's position should our dispute go before the Federal Government. Also, the previous requirement that employees pay 15% of the carriers' monthly payment rate has been eliminated; employees should only be paying approximately 10% of that monthly payment rate by the end of the term of the Tentative Agreement.

The following additional benefits would be added to coverage under the Managed Medical Care Program (MMCP), all without copays or coinsurance unless otherwise noted:

- expert second opinions;
- member advocacy services;
- end-of-life counseling;
- Telemedicine (a $10 copay would apply); and
- the Centers of Excellence benefit would be expanded to include Cleveland Clinic for specialized cardiac care during the first year, and for orthopedic and spine care beginning in the second year.

Further, benefits under the Vision Plan would be improved by providing for a covered eye exam every calendar year (instead of the current once every 12 months), and lenses/frames once every 2 calendar years (instead of the current once every 24 months). The Flexible Spending Account would be improved as follows:

- NCCC's right to terminate for failure to meet minimum enrollment levels is suspended through at least 2020;
- the grace period is extended from January 31 to March 15 starting 2019; and
- also beginning in 2019, maximum contribution is raised to the maximum allowable under law, with a $500 cap on annual adjustments.

In addition, Mental Health Substance Abuse services would no longer be subject to separate deductibles and out-of-pocket maximums. Also, the NCCC has agreed to drop its demand for mandatory Plan Design changes to keep Plan value below the Cadillac tax threshold.

There also are a number of Plan Design changes that would set and maintain a threshold for the railroads to pay 90% of plan costs. This 90% level is classified as "Platinum" coverage under the Affordable Care Act, and is far above the 70% level currently provided by most plans in the U.S.

Copayments for MMCP services would be as follows: Convenient Care Clinic frozen at $10; Primary Care Physician increases from $20 to $25; Specialist care increases from $35 to $40; Urgent Care Center increases from $20 to $25; and Emergency Room increases from $75 to $100 (waived if the patient is admitted).

Prescription copays at the retail level (21-day supply) would increase by $5 for generic and brand formulary drugs, and by $15 for brand non-formulary drugs. Mail order prescription copays (90-day supply) would increase by $5 for generic drugs, by $10 for brand formulary drugs, and by $30 for brand non-formulary drugs.

For services not covered by the above copays, the following schedule would apply:

- MMCP In-Network coinsurance would be 10% and deductibles would go from current $200 (individual) / $400 (family) to $325/$650 in 2018 and $350/$700 in 2019.
- MMCP In-Network out-of-pocket maximums would go from current $1000/$2000 to $1800/$3600 in 2018 and $2000/$4000 in 2019.
- MMCP Out-of-Network coinsurance would be 30% and deductibles would go from current $300/$900 to $650/$1300 in 2018 and $700/$1400 in 2019.

- MMCP Out-of-Network out-of-pocket maximums would go from current \$2000/\$4000 to \$3600/\$7200 in 2018 and \$4000/\$8000 in 2019.
- CHCB coinsurance would be 20% and deductibles would go from current \$200/\$400 to \$325/\$650 in 2018 and \$350/\$700 in 2019.
- CHCB out-of-pocket maximums would go from current \$2000/\$4000 to \$2800/\$5600 in 2018 and \$3000/\$6000 in 2019.

Two examples can demonstrate the impact of these changes on an individual member, and in both cases we will use in-network numbers because nearly all members utilize in-network services. In both cases it also is assumed that the services described are the first medical services obtained in the year.

> Example #1: A member visits their Primary Care Physician, who orders an x-ray that is covered for \$500. Presently, the member pays \$20.00 for the office visit, a \$200 deductible, and \$15.00 co-insurance (5% of the \$300.00 not covered by the deductible); the total out-of-pocket cost is \$235.00. In 2018, the member would pay \$25.00 for the office visit, a \$325 deductible, and \$17.50 co-insurance (10% of the \$175.00 not covered by the deductible); the total out-of-pocket cost is \$367.50.
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> Example #2: A member suffers a catastrophic event, which includes hospitalization and incurs \$150,000 in covered expenses. Presently, the member pays a \$200 deductible, and the out-of-pocket maximum of \$1,000.00 (the 5% co-insurance on the \$149,800.00 not covered by the deductible is \$7,490.00); the total out-of-pocket cost is \$1,200.00. In 2018, the member would pay a \$325 deductible, and the out-of-pocket maximum of \$1,800.00 (the 10% co-insurance on the \$149,675.00 not covered by the deductible is \$14,967.50); the total out-of-pocket cost is \$2,125.00.

The examples above reveal some interesting facts. The member in Example #1 will pay \$132.50 more in 2018 than he or she would have been paid in 2017, and will have satisfied the individual deductible for the year. Example #2 shows that for a hospital stay costing \$150,000, the member will see increased costs of \$925 for the calendar year when compared to 2017, and is protected by the out-of-pocket maximum that caps an employee's annual expenditures at a fixed amount. The Tentative Agreement includes slight additional increases for 2019, but for the above examples the figures for 2018 were used because that is where the most significant change lies.

It is important to note that members will be affected by any increased health care cost they may incur only after January 1, 2018, by which time they will have received thousands of dollars in back pay and a 4.04% pay increase from the current rates. It is also important to note that the member's monthly contribution is frozen at \$228.89 and cannot be changed until the conclusion of the next round of bargaining, which starts in 2020.

Lastly, and significantly, there are no work rules changes proposed in the Tentative Agreement. We successfully rejected NCCC's demands for: the right to impose automated job selection and placement; the right to impose self-supporting pools, eliminating guaranteed extra boards; the right to impose regulation of pools based on starts rather than miles; the right to broaden current "Enhanced Customer Service" rules; and the right to eliminate all distinctions between road service and yard service.

However, the carriers have stated that rejection of the Tentative Agreement will lead them to place before a PEB much smaller GWIs, far more onerous Health & Welfare changes, and all of the above work rules. All members should balance the risks and the rewards in deciding how to vote in the ratification.