

Frequently Asked Questions – Health Care Reform as of Oct. 08, 2010

Changes to plans in 2011 and beyond

1. Q: Will my health care benefits change in 2011 as a result of health care reform?

A: Yes. There will be changes to the AT&T health plans as a result of health care reform. The extent of the changes depends on the plans you are enrolled in. Please refer to your 2011 annual enrollment materials for additional information regarding some of these changes. The agencies responsible for enforcing the new law are in the process of issuing the regulations and the guidance necessary for us to determine implementation of the requirements. We will communicate with you as additional details become available.

2. Q: When will I know how health care reform will impact my benefits?

A: This will be an ongoing process. The agencies responsible for enforcing the new law are in the process of issuing the regulations and guidance necessary for us to determine implementation of the requirements. We will communicate with you as additional details become available.

3. Q: For 2011, I understand the value of the AT&T health benefits will need to be reported on my W2. Will the cost of the benefit be taxable, and how will the value of the benefit be reported on my W2?

A: A provision under health care reform mandates that the aggregate cost of employer-sponsored health coverage be identified on an employee's W2 for 2011. This requirement does not affect whether the value is taxable income or not. How this information will appear on your W2 is unknown at this time.

4. Q: What changes related to health care reform are scheduled to take place after 2011?

A: There are a multitude of changes that will take place after 2011 due to Health Care Reform. Some examples of changes that are scheduled to take place after 2011 include:

- Limits on health care flexible spending account contributions (2013).
- Individuals will be required to purchase insurance or pay an excise tax (2014).
- Insurance exchanges generally operated by the states (2014).

The agencies responsible for enforcing the new laws are in the process of issuing the regulations and the guidance necessary for us to determine implementation of the requirements. We will communicate with you as additional details become available. For more information regarding changes related to health care reform, visit <http://www.healthcare.gov>.

Extending coverage to dependents up to age 26

5. Q: When does the provision allowing for the coverage of adult children take effect?

A: The effective date for the provision that allows parents to cover adult children up to age 26 is Jan. 1, 2011. Parents will be able to enroll eligible adult child dependents in medical coverage (and CarePlus or MedPlus, if eligible) during annual enrollment.

6. Q: How does the adult child provision work with AT&T's dependent eligibility verification process?

A: If a dependent becomes newly eligible under the new eligibility rules, participants can enroll the dependent into medical (and CarePlus or MedPlus, if eligible) coverage for the 2011 plan year during annual enrollment. As part of the dependent eligibility verification process, you will be required to provide documentation to substantiate the eligibility of your adult child dependent.

If your child dependent was previously verified as ineligible to be enrolled in the AT&T plans, as part of the dependent eligibility verification process, you will be required to provide documentation to substantiate the eligibility of your adult child dependent prior to adding your dependent to your medical coverage (and CarePlus or MedPlus, if eligible).

7. Q: My child is under 26, graduating in 2010 and will be losing eligibility. She/he will become eligible again in 2011. Can I enroll my graduating child in coverage now?

A: Participants can enroll eligible adult child dependents into medical coverage (and CarePlus or MedPlus, if eligible) during annual enrollment. Coverage will be effective Jan. 1, 2011.

Dependents who graduate in 2010 can obtain coverage under the Consolidated Omnibus Budget Reconciliation Act (COBRA) for up to 36 months. For more information about COBRA, visit <http://www.dol.gov/dol/topic/health-plans/cobra.html> or refer to your medical plan summary plan description.

8. Q: Can dependents who previously aged out and are not currently covered be added back on to coverage, or does the dependent need to be continually covered in order to qualify?

A: Effective Jan. 1, 2011, dependents who are not currently covered and who become eligible under the new age 26 requirements will be allowed to enroll into medical coverage, including CarePlus or MedPlus, if eligible. Your dependent's eligibility will need to be substantiated through the AT&T dependent eligibility verification process.

9. Q: Will I be able to cover my dependents through the end of the year in which they turn age 26?

A: No. Coverage will end the last day of the month in which the dependent turns age 26.

10. Q: Are the AT&T dental, vision, and child life plans subject to the adult child provisions under Health Care Reform?

A: No. The AT&T dental, vision, and child life plans are not subject to the adult child provisions under Health Care Reform. As a result, requirements such as age, financial dependency, residency with parent, student status, and marital status continue to be relevant factors for the adult child dependent to be eligible to be enrolled in the AT&T dental, vision, and child life plans.

This document was written for easy readability. Therefore, it may contain generalizations and informal language, such as "AT&T employees," rather than precise legal terms. Also, this document only summarizes benefits, and individual situations may vary. For full details, including eligibility, you should consult the summary plan descriptions, summaries of material modifications or the official plan documents. In all cases, the official plan documents govern and are the final authority on the terms of the plans. AT&T reserves the right to terminate or amend any and all benefits plans, subject to applicable bargaining agreements. Participation is neither a contract nor a guarantee of future employment.