UFCW Local 1500 Welfare Fund

ASSOCIATED ADMINISTRATORS, LLC
REPORT

MARCH 5, 2013

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VICE PRESIDENT/DIRECTOR OF ACCOUNTS

Administrative Manager's Report: 4Q12 Summary

Full Time Plan

- Medical claims cost spike in 4Q12
  - Total Medical expense in 4Q was $12.3 million
    - $10.7/11.9/10.2 million in previous three quarters
  - Rx costs are up 4.8% over prior plan year
    - Impact of PBM transition
  - Overall expense for 4Q was $14.9 million
  - YTD deficit was $12.8 million (2011 - $10.9 million)
- PPPM Cost YTD $1,165 (2011 - $1,034) – 12.6% increase
- Contribution rate effective June 1, 2012 is $950

Administrative Manager's Report: 4Q12 Summary

Part Time Plan

- Surplus continues
  - 4Q - $1.2 Million and YTD - $4.2 million
- PPPM Cost YTD - $36 (2011 - $56)
  - 2011 elevated as it included SPT for first two quarters
- Contribution rate effective June 1, 2012 is $66.43

Administrative Manager's Report: 4Q12 Summary

Special Part Time Plan

- Almost neutral for the 3Q and 4Q12
- 4Q deficit- $119,348 and YTD - $1.1 million
- PPPM Cost YTD - $301 (2011 – $301)
- Contribution rate effective June 1, 2012 is $272.57

Administrative Manager's Report: 4Q12 Summary

Combined Plans

- FT medical claims spike meant the return of large deficits
  - 4Q deficit - $2.4 million and YTD - $8.4 million (2011 - $6.9m)
- PPPM Cost YTD - $319 (2011 – $300) – 6.3% increase
- Recap of 2012:

  - FT - $12.8 million deficit
  - PT - $4.2 million surplus
  - SPT - $1.1 million deficit
  - All Plans - $8.4 million deficit (includes investment and other income)

Administrative Manager's Report: 4Q12 Summary

Reserve Projection

- As of December 31, 2012 – 1.8 months
  - Future projections
  - 3 months out (3/31/13): 1.4months
  - 6 months out (6/30/13): 1.0 months
  - 12 months out (12/31/13): 0.2 months

- *NOTE: Reserve is based on unassigned reserve only. Does not include Empire reserve ($5.12M) and Medical & Dental Reserve ($1.16M)*

Administrative Manager's Report: 4Q12 Summary

Empire JAA Implementation

- Administrative Services Only (ASO) and Jointly Administered Arrangement (JAA)
  - ASO – Empire pays claims
  - JAA – Associated pays claims

Administrative Manager's Report: 4Q12 Summary

Empire JAA Implementation – Network Options

- EPO – Exclusive Provider Network
  - No Out-of-Network benefit
  - 1500 is an EPO with an Out-of-Network benefit
  - **EPO not available with JAA**
- PPO – Preferred Provider Network
  - Requires an Out-of-Network benefit
  - Same network as EPO – similar discounts
  - PPO is available with JAA
- POS – Point of Service Network
  - Out-of-Network allowable
  - Better discounts with Smaller network – disruption analysis (98% in 2012)
  - POS available with JAA

Administrative Manager's Report: 4Q12 Summary

Empire JAA Implementation – POS Network

- No PCP & No referrals required: No gatekeepers
- Costs are lower when using network providers
- 98% of providers used by 1500 members in 2012 are in the POS network, with no specific areas without coverage
- If you are traveling in the US, your coverage goes with you

Administrative Manager's Report: 4Q12 Summary

Empire JAA Implementation

- Cost Analysis
  - EPO with JAA – Not available
  - PPO with JAA
    - Administration estimated annual savings - $400,000
    - 2012 Fund claims ***loss*** if run through PPO - $303,913
    - Revised JAA savings - $96,087
  - POS with JAA
    - Administration estimated annual savings - $400,000
    - 2012 Fund claims ***gain*** if run through POS - $907,965
    - JAA savings - $1,307,965

Administrative Manager's Report: 4Q12 Summary

CMS & Dependent SSN Reporting

- CMS requires that the Fund provide SSN for all members and dependents over age 45
- Failure to provide required SSN may result in a fine of up to $1,000 per day
- Consider requiring SSN from all members and dependents
- Review policy highlights
  - Request letter
  - Sent three times
  - Failure to provide = benefit suspension

CMS
CENTERS for MEDICARE & MEDICAID SERVICES

Administrative Manager's Report: 4Q12 Summary

Member Requests to Remove Dependents

- Members submitting requests to remove dependents from plan coverage
- Allowable or not?
- If not, send letter stating not allowable with appeal rights.

Administrative Manager's Report: 4Q12 Summary

ACA Compliance

- Annual Limit Waiver (Second) Update
  - Filed before December 31, 2012 deadline
- Annual Limit Notice Sent
  - Mailed in January 2013
  - $2 million for 2013
- New Fees
  - CER program
  - TRP program

Administrative Manager's Report: 4Q12 Summary

COMPARATIVE RESEARCH EFFECTIVENESS FEES AND TRANSITIONAL REINSURANCE PROGRAM

Administrative Manager's Report: 4Q12 Summary

- ACA imposes two new temporary fees for group health plans.
  - Comparative Effectiveness Research (2012 – 2019)
    - Also referred to as "Patient Centered Outcome Research Institute (PCORI)"
  - Transitional ("Temporary") Reinsurance Program (2014 – 2016)

Administrative Manager's Report: 4Q12 Summary

- **Comparative Effectiveness Research (CER) Fee** – to be paid by both health insurers and self-funded plans (employer or plan sponsor), with limited exceptions.
  - For plan years ending after 9/30/12 - $1 per covered life (actives **and** dependents).
  - For plan years ending after 9/30/13 - $2 per covered life .
  - Indexed thereafter based on any increase in the projected per capita amount of National Health Expenditures as published by HHS.
  - To be phased out by 2019.

Administrative Manager's Report: 4Q12 Summary

- To be used to fund the Patient Centered Outcome Research Institute at HHS to provide information regarding the effectiveness, risks and benefits of various medical treatments.
- IRS requested public comments regarding fee determination and payment process. Notice 2011-35.
- Proposed regulations were issued on April 12, 2012 and contains more information on calculation, reporting and payment. Comments are due by July 15, 2012. Public hearing on August 8, 2012. Final regulations issued December 6, 2012.
- Form 720, "Quarterly Federal Excise Tax Return". Filed annually. Must have an EIN to file.

Administrative Manager's Report: 4Q12 Summary

- Form 720, "Quarterly Federal Excise Tax Return". Filed annually. Must have an EIN to file.
  - Question:

    - Who will prepare and file the Form 720? Additional Fees?

Administrative Manager's Report: 4Q12 Summary

- When to file:
  - Calendar Year Plan – July 31, 2013.
  - Fiscal Year Plan (ex: Aug 2012 – July 2013) – July 31, 2014.

- Who is responsible:
  - Joint Board of Multiemployer Funds.
  - Insurer for fully insured plans.
  - If Plan Sponsor has one self-funded medical and one self-funded Rx plan, for the same members, they only pay one fee.
  - FSA are exempt.

Administrative Manager's Report: 4Q12 Summary

Transitional (Temporary) Reinsurance Program

- Beginning in 2014 through 2016

- A "contribution" in an amount to be determined by HHS.
  - $10 billion for 2014 + $2 billion (general revenues)
  - $6 billion for 2015 + 2 billion (general revenues)
  - $4 billion for 2016 + $1 billion (general revenues)
    - ***States may impose additional "supplemental" contribution requirements to fund administration expenses.***

Administrative Manager's Report: 4Q12 Summary

- Purpose
  - To help ensure the financial stability of the individual insurance market as further reforms go into effect and the exchanges become operational.
  - One of three risk-spreading mechanisms in ACA to mitigate the potential impact of adverse selection and provide stability for insurers in the individual and small group market.

Administrative Manager's Report: 4Q12 Summary

- Payment Process:
  - Report number of enrollees by November 15th, 2014 (15 and 16) to HHS.
    - *Enrollee – includes members **and** dependents. Members with Medicare primary are excluded.*
  - HHS will notify Plan of fees due by December 15th.
  - Plan must pay within 30 days.
  - $63 per enrollee per year. –NOT FINAL

  - Contributing Entities:
    - Health Insurers or Self-Insured plans that provide **MAJOR MEDICAL** benefits.

Administrative Manager's Report: 4Q12 Summary

- Fee Calculation Methodologies for CER and TPR (average # of lives for Plan Year):
  - Actual Count Method: Add the total number of covered lives for each day of the policy year and divide by the number of days in the policy year.
  - Snapshot Method: Add the totals of lives covered on one date in each quarter of the policy year (or more dates if an equal number of dates is used for each quarter) and divide by number of dates on which a count was made. The date(s) for each quarter must be the same (e.g., 1st day of quarter, last day of quarter, or 1st day of each month).

Administrative Manager's Report: 4Q12 Summary

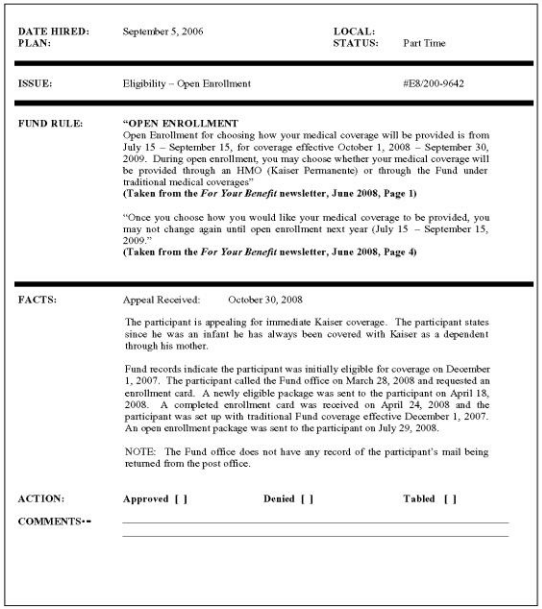
- Fee Calculation Methodologies:
  - Form 5500 Method:
    - Use the count if filed by July 31st.
    - Take beginning of plan year count plus end of year count and divide by 2.

    Note: Form 5500 does not include dependents.

    Can use different method each year of filing.

Administrative Manager's Report: 4Q12 Summary

Appeals



DATE HIRED:	September 5, 2006	**LOCAL:**	
PLAN:		**STATUS:**	Part Time
ISSUE:	Eligibility – Open Enrollment		#E8/200-9642

FUND RULE:

"OPEN ENROLLMENT
Open Enrollment for choosing how your medical coverage will be provided is from July 15 – September 15, for coverage effective October 1, 2008 – September 30, 2009. During open enrollment, you may choose whether your medical coverage will be provided through an HMO (Kaiser Permanente) or through the Fund under traditional medical coverages"
(Taken from the *For Your Benefit* newsletter, June 2008, Page 1)

"Once you choose how you would like your medical coverage to be provided, you may not change again until open enrollment next year (July 15 – September 15, 2009."
(Taken from the *For Your Benefit* newsletter, June 2008, Page 4)

FACTS:

Appeal Received: October 30, 2008

The participant is appealing for immediate Kaiser coverage. The participant states since he was an infant he has always been covered with Kaiser as a dependent through his mother.

Fund records indicate the participant was initially eligible for coverage on December 1, 2007. The participant called the Fund office on March 28, 2008 and requested an enrollment card. A newly eligible package was sent to the participant on April 18, 2008. A completed enrollment card was received on April 24, 2008 and the participant was set up with traditional Fund coverage effective December 1, 2007. An open enrollment package was sent to the participant on July 29, 2008.

NOTE: The Fund office does not have any record of the participant's mail being returned from the post office.

ACTION: **Approved [ ]** **Denied [ ]** **Tabled [ ]**

COMMENTS--