UFCW Local 1500 Welfare Fund

ASSOCIATED ADMINISTRATORS, LLC
REPORT

SEPTEMBER 10, 2013

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Agenda

- Trustee Resignation
- AMR/Highlights 2Q13
- JAA Status Update
  - Snapshot
  - High Value Claim
- Medical Claims – Moving Parts
- ACA Compliance
  - CER and TRP Fees
  - SBCs for 2013 and 2014
  - Compliance Status Update
- Appeals
  - Appeals Subcommittee
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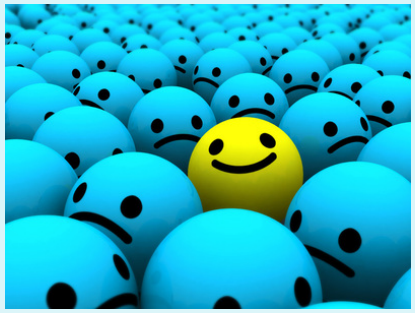
- Other Fund Business
  - Administrative Manager's Visit to the Fund Office
  - PBM RX Rebate
- Meeting Dates
  - 12/10/13
- Conclusion

AMR/Highlights: 2Q13 Summary

Full Time Plan

- Deficit continues to grow during 2Q13
  - Total Medical expense in 2Q13 was $11.3 million
    - $11.9 / $10.3 / $12.3 / $10.4 million in previous four quarters
  - Total Rx cost in 2Q13 was $2.3 million
    - $2.2 / $2.1 / $1.7 / $2.1 million in previous four quarters
  - Overall expense for 2Q13 was $14.6 million
    (1Q13 - $13.6 million / 2Q12 - $15.2 million)
  - 2Q13 deficit was $3.3 million; YTD deficit was $5.9 million
- PPPM Cost 2Q13 - $1,213 ; YTD - $1,185
- The predominant contribution rate effective June 1, 2012 is $950

AMR/Highlights: 2Q13 Summary



Part Time Plan

- Surplus continues

- 2Q13 Surplus - $1.3 million; YTD Surplus - $2.3 million

- Overall expense for 2Q13 was $1.4 million (1Q13 - $1.5 million / 2Q12 - $1.4 million)

- PPPM Cost 2Q13 - $35; YTD - $38

- The predominant contribution rate effective June 1, 2012 is $66.43

AMR/Highlights: 2Q13 Summary

Special Part Time Plan

- Deficit of $0.3 million for 2Q13
- Total expense for 2Q13 was $1.7 million (1Q13 - $1.2 million / 2Q12 - $1.9 million)
- PPPM Cost 2Q13 - $318; YTD - $266
- The predominant contribution rate effective June 1, 2012 is $272.57

AMR/Highlights: 2Q13 Summary

Combined Plans

- Deficit in Full Time Drove an Overall Deficit for All Combined Plans
  - 2Q13 deficit - $2.2 million; YTD - $3.2 million
- PPPM Cost 2Q13 - $310; YTD - $305
- Recap of 2Q13:
  - FT – 2Q13 $3.3 million deficit; YTD $5.9 million deficit
  - PT – 2Q13$1.3 million surplus; YTD $2.3 million surplus
  - SPT – 2Q13 $0.3 million deficit; YTD $0.1 million deficit
  - All Plans – 2Q13 $2.2 million deficit; *YTD $3.2 million deficit

  (*includes investment income (57k), formulary rebates (179k) and COBRA receipts (244k).)

AMR/Highlights: 2Q13 Summary

Reserve Projection

- As of June 30, 2013 – 1.3 months
  - Future projections
  - 3 months out (9/30/13): 1.0 months
  - 6 months out (12/31/13): 0.6 months
  - 12 months out (6/30/14): (0.2) months
- *NOTE: Reserve is based on unassigned reserve only.*

JAA Status Update

- Snapshot

Month		Claims Processed		Billed		Paid Amount
June		2,456		$238,367		$84,016
July		7,203		$1,618,099		$582,810
Totals		**9,659**		**$1,906,465**		**$666,827**

JAA Status Update cont'd

- High Value Claim –Full Time Plan
  - Billed Amount - $1,191,146
  - Discounted Amount - $610,584
    - Status – Pended for additional medical information

Medical Claims – Moving parts

Moving Parts

- Run-out processed by Maloney/Empire
- Regular Part time processed by Associated
- Special Part time processed by AA/MagnaCare
- Utilization Management (UM) provided by HealthLink for Full time plan
- Out-of-Network (UM) provided by Aria
- EAP provider is LICADD for all plans

ACA Compliance

COMPARATIVE RESEARCH EFFECTIVENESS FEES AND TRANSITIONAL REINSURANCE PROGRAM

- New Fees

  CER program – was paid prior to July 31, 2013 as required

  TRP program

ACA Compliance

- 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)

ACA Compliance

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.***

2013 SBCs

- SBCs have been completed for:
  - Full time plan
  - Special part time plan
  - Basic part time plan
- A separate cover letter for each plan
- SBCs and cover letters are at the printer for immediate mailing as soon as possible

2014 SBCs

Summary of Benefits and Coverage Must be Completed for 2014 Plan Year

- Plan sponsors without an open enrollment period must provide SBCs 30 days prior to the beginning of the plan year.
- A new revised form must be used for the required SBC along with some answers to frequently asked questions (FAQs).
- This set of answers to FAQs and the revised form apply to SBCs provided for coverage beginning on or after January 1, 2014 and before January 1, 2015.

ACA Compliance Status

- ACA ITEMS ALREADY COMPLETED
  - Age 26 rule - the maximum age for dependents was raised to 26.
  - Benefit Maximums - lifetime maximums were eliminated, and annual caps on benefits are eliminated as of 1/1/14.
  - Grandfathered plans.
  - Summary of Benefits and Coverage ("SBCs") – first plan year beginning after 9/23/12.
  - Patient-Centered Outcomes Research Fee ("PCORI")
    - $1/participant was due on 7/31/13. The fee increases to $2 for 2014 and will be adjusted annually. The fee is set to sunset after the 2018 plan year (due 7/31/19).

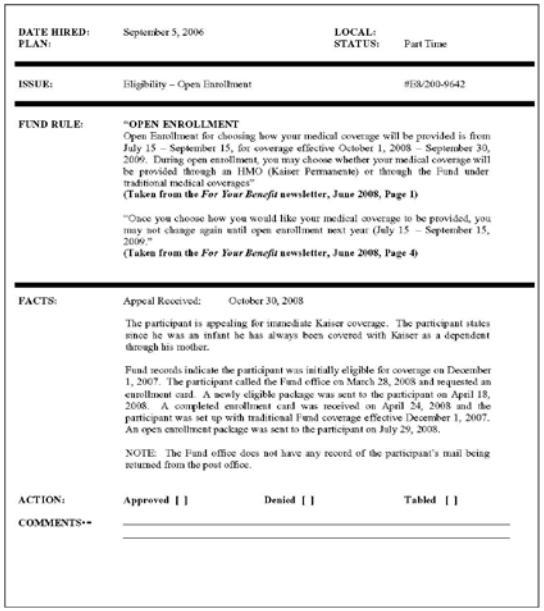
ACA Compliance Status

- IMMEDIATE FUTURE ITEMS
  - Exchanges ("marketplace") open 10/1/13, for coverage available 1/1/14.
    - This also impacts COBRA notice - new draft language provided by DOL.
  - Premium Assistance Tax Credit Eligibility – only available if adequate and affordable employer coverage is not available.
  - Waiting periods over 90 days are prohibited effective 1/1/14.
  - Employer Shared Responsibility Penalty ("pay or play" rule) – delayed until 2015.
    - Applies to large employers (50+ FTE).
  - Individual mandate & elimination of pre-existing condition limitations – 1/1/14.

ACA Compliance Status

- IMMEDIATE FUTURE ITEMS cont'd
  - W-2 reporting on the value of employer-sponsored coverage for 2013 – due January 2014. (Does not apply to multiemployer plans for now.)
  - HIPAA 5010 and ICD-10 – Claim payers must be compliant by October 1, 2014.
    - HIPAA 5010 requirements update the standards for electronic transactions (including claims). More than 800 changes are needed to transition from the current 4010 to 5010.
    - The International Classification of Diseases, 10th Edition ("ICD-10") is the update of sign and symptom codes developed by the World Health Organization and used by physicians and health care professionals to report diagnoses and procedures.

Appeals



DATE HIRED: September 5, 2006 **LOCAL:**
PLAN: **STATUS:** Part Time

ISSUE: Eligibility – Open Enrollment #58/200-9642

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:

Appeals

- Appeals Subcommittee
  - Bruce Both Anthony Speelman
    Richard Grobman Mike Grosso
  - 12 appeals were denied, 1 tabled
- Tabled Appeal
  - Brand named RX – Medical necessity to prevent seizures with costly ER visits.

Other Fund Business

- AA Visit to Fund Office
  - PowerPoint Presentation about Associated Administrators
  - Introduced Department Supervisors
  - Toured facility
- PBM RX Rebate
  - Express Script sent rebate check dated 8/1/13 for $196, 778
  - Will be added to 3Q13 AMR

Conclusion

- Thank You
- Questions?