UFCW Local 1500 Welfare Fund

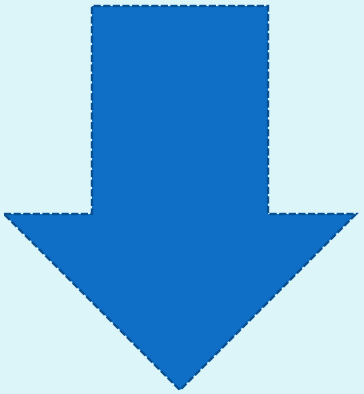
ASSOCIATED ADMINISTRATORS, LLC
REPORT

SEPTEMBER 11, 2012

RYK TIERNEY, CEBS
VICE PRESIDENT/DIRECTOR OF ACCOUNTS

Consultant's Report: 2Q12 Summary

Full Time Plan



- Deficits continue to grow
  - Medical expense in 2Q was $11.9 million
    - Empire and Maloney Claims
  - R x costs are up 10.5% over prior plan year
  - Overall expense for 2Q was $15.2 million
  - 2Q deficit was $4.19 million; YTD deficit is $7.3 million
- PPPM Cost for quarter was $1,214; YTD $1,116
- Contribution rate effective June 1, 2012 is $950

Consultant's Report: 2Q12 Summary

Part Time Plan

- Minor surpluses continue
  - 2Q - $977,585 and YTD - $1.9 million
- PPPM Cost YTD - $38
- Contribution rate effective June 1, 2012 is $66.43

Consultant's Report: 2Q12 Summary

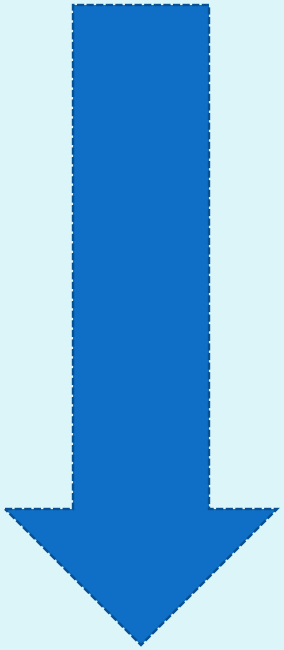
Special Part Time Plan

- Deficit Spending
  - Expenses are exceeding predictions
  - 2Q - $448,054 and YTD - $880,792
- PPPM Cost YTD - $322
- Contribution rate effective June 1, 2012 is $272.57

Consultant's Report: 2Q12 Summary

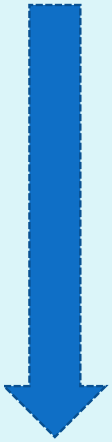
Combined Plans

- Overall Deficit Spending Continues
  - FT and SPT drag exceeds PT surplus
  - 2Q - $3.5 million and YTD - $5.87 million
- PPPM Cost YTD - $326



Consultant's Report: 2Q12 Summary

Reserve Projection



- As of June 30, 2012 - 1.9 months
  - Future projections
    - 3 months out (9/30/12): 1.5 months
    - 6 months out (12/31/12): 1.1 months
    - 12 months out (6/30/13): 0.2 months
- *NOTE: This does not take into consideration the contribution rate increases on June 1, 2012*

Consultant's Report: 2Q12 Summary

Future Savings

- Selection of new PBM effective December 1, 2012
  - Projected Savings $1.5 million
- Consideration of Empire JAA
  - Estimated Savings $400,000
- Consideration of new TPA/Consultant
  - Estimated Savings Unknown
- Consideration of new Discounter/Network for SPT Plan
  - Maloney to Provide Report

Consultant's Report: 2Q12 Summary

Empire BCBS Reports

- Large medical claims spike in 2Q12
- Top 0.5% of claimants drove 26.6% of total cost in the last 12 months
- HCC trend was 14% compared to Non-HCC trend of 9.8%
  - Chronic conditions caused derived from lifestyle/behavioral choices that are consistent with an aging population
  - Top three conditions for HCC:
    - Circulatory system ($2.8M)
    - Cancers ($1.7M)
    - Poisoning ($1.0M)
- Plan Cost share is 94.7% by the Fund and 2.9% by the member

Consultant's Report: 2Q12 Summary

Empire BCBS Reports

- Empire discounts remain high at 57.3% on average
  - 54.2% Inpatient facility
  - 52.4% Outpatient facility
  - 61.6% Professional
- Appeals Reporting
  - Empire has taken the position that they can no longer provide information on provider appeals. Working with Fund Counsel on a solution.
  - May not be an issue long term, if the Fund moves to JAA
- Subrogation Reporting (Meridian)
  - April to June 2012: $4,893.79 in recoveries. $1,223.46 Admin Fee

Consultant's Report: 2Q12 Summary

InformedRx Reports

- Executive Summaries
- Formulary rebates
  - PBM is holding $326,880 in rebates for an outstanding Admin invoice ($17,000)
- Audit Recovery
  - PBM recovered and paid $3,676.78
- Termination letter sent on August 31, 2012
- InformedRx's parent corporation, SXC, purchased CatalystRx, and they have been rebranded as Catamaran. They are now the 4th largest PBM, behind ESI, CVS/Caremark, and UHC

Consultant's Report: 2Q12 Summary

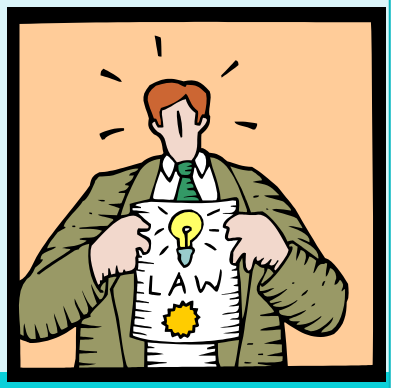
PBM Implementation Update

- ESI notified of selection on June 19th
- InformedRx notified of termination on August 31st in accordance with contract provisions
- ESI held Implementation kick off meeting at Fund Office on August 30th
- On September 6th , InformedRx send a revised Best and Final Offer (BAFO)
- Segal reviewed the BAFO, which increased Informed's total savings by $250-300k, but still lagging the ESI proposal, in total by $350-400k

Consultant's Report: 2Q12 Summary

PPACA – Healthcare Reform

- Summary of Benefit Coverages
  - FT Plan SPD update
  - Affect on issuing the SBC by January 1, 2013
- Pregnancy of Adult Dependent Children, Age 19-26

Mental Health Parity (MHPAEA)

- Working with Empire and Maloney
- Compliance by January 1, 2013