UFCW Local 1500 Welfare Fund

ASSOCIATED ADMINISTRATORS, LLC REPORT

DECEMBER 11, 2012

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Consultant's Report: 3Q12 Summary

Full Time Plan

- Deficit reduced due to new contribution rate
    - Total Medical expense in 3Q was $10.2 million
        - $11.9 million in 2Q12
    - Rx costs are up 10.3% over prior plan year
    - Overall expense for 3Q was $13.3 million
    - 3Q deficit was $1.78 million; YTD deficit is $9.1 million
- PPPM Cost for quarter was $1,082; YTD $1,138
- Contribution rate effective June 1, 2012 is $950

Consultant's Report: 3Q12 Summary

Part Time Plan

- Minor increase in surplus due to contribution increase
  - 3Q - $1.13 Million and YTD - $3.03 million

- PPPM Cost YTD - $37
- Contribution rate effective June 1, 2012 is $66.43

Consultant's Report: 3Q12 Summary

Special Part Time Plan

- Almost neutral for the 3Q12
- 3Q deficit- $101,785 and YTD - $982k
- PPPM Cost YTD - $308
- Contribution rate effective June 1, 2012 is $272.57

Consultant's Report: 3Q12 Summary

Combined Plans

- Almost flat for the 3Q12
  - FT and SPT exceeds PT surplus but minimized with contribution increase and better experience
  - 2Q - $211,655 and YTD - $6.09 million
- PPPM Cost YTD - $315

Consultant's Report: 3Q12 Summary

Reserve Projection

- As of September 30, 2012 – 2.0 months
  - Future projections
  - 3 months out (12/31/12): 1.6months
  - 6 months out (3/31/12): 1.2 months
  - 12 months out (9/30/13): 0.5 months

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

Consultant's Report: 3Q12 Summary

Future Savings

- New PBM effective December 1, 2012
  - Projected Savings $1.5 million
- Empire JAA – Estimated effective date May 1, 2013
  - Estimated Annual Savings $400,000
- New TPA/Consultant contracts
  - Reduced Annual fees
- New Discounter/Network for SPT Plan
  - Increased discounts over previous vendor

Consultant's Report: 3Q12 Summary

Empire BCBS Reports

- Claims costs lower in 3Q12
- Top 0.6% of claimants drove 25.5% of total cost in the last 12 months
- HCC trend was 25.3% compared to Non-HCC trend of 12.6%
  - Top three conditions for HCC:
    - Circulatory system ($2.4M)
    - Cancers ($1.7M)
    - **Injury** & Poisoning ($1.1M)
- Plan Cost share is 94.5% by the Fund and 2.9% by the member

Consultant's Report: 3Q12 Summary

Empire BCBS Reports

- Empire discounts remain high at 57.3% on average
  - 53.6% Inpatient facility
  - 53.8% Outpatient facility
  - 62.2% Professional
- Appeals Reporting
  - Posted on web portal
  - Still not providing additional information
  - Not a issue long term as the Fund is moving to JAA
- Subrogation Reporting (Meridian)
  - July to September 2012: $16,964.30 in recoveries. $4,241.08 Admin Fee

Consultant's Report: 3Q12 Summary

Empire BCBS – New Programs

- Self Injectibes
  - Requires participants to obtain self injectible medications through the Fund's Rx benefit
  - From 1/1/12 to 9/25/12:
    - 23 claims for Etanercept and Glatiramer Acetate
    - Plan paid over $70k for these medications
    - Need to get pricing from new PBM
- PC2
  - Early steps in implementing healthcare reform mandates
  - Increased provider payments to improve quality
  - PC2 provider payments increase by 0.4%
  - Mandatory – Fund cannot opt out
  - BCBS indicates 10% savings long tern, but won't run reporting

Consultant's Report: 3Q12 Summary

PBM Transition

- Transition from InformedRx to Express Scripts effective 12/1/12
- Implementation issues:
  - Contracting process
  - Plan match – Step Therapy/PA and Retail Only meds
  - Lack of understanding of Plan rules – PT maximum and appeals
  - Members not receiving ID Cards
  - Network:
    - Rite Aid (added on 12/6/12)
    - Walgreens/Duane Reade – Pricing change?
- InformedRx/Catamaran Executive Summary Reports
- More Medicaid claims in September – Maloney reviewing

Consultant's Report: 3Q12 Summary

MagnaCare Transition

- Transition from Multiplan to MagnaCare effective 1/1/13
- Special Part Time Plan ONLY
- Implementation:
  - Contracting complete
  - Weekly meetings with AA and MagnaCare
  - Members will receive ID Cards in mid-December

Consultant's Report: 3Q12 Summary

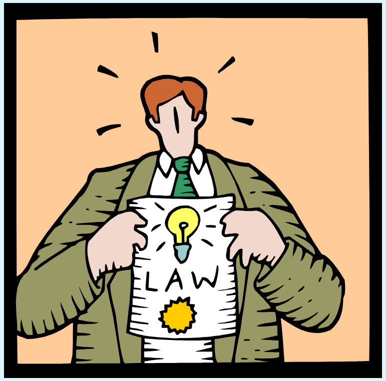
TPA Transition

- Transition from Maloney to Associated effective 1/1/13
- Full Time OON Claims, SPT and PT claims
- Implementation:
  - Contracting complete
  - Duty split between TPA and Consultant - Open
  - Announcement letter to participants in late November
  - Second Notice will be mailed in mid-December
  - Dental consulting and medical pre-certification

Consultant's Report: 3Q12 Summary

PPACA – Healthcare Reform

- Comparative Research Fee – Due by July, 2013
  - $1 per member in first year
  - ALL participants (members and dependents)
- Temporary Reinsurance Fee – 2014
  - Fund may NOT use TPA to calculate or pay!
- Summary of Benefit Coverages
  - January 1, 2013
  - HHS requires "good faith effort"
  - Segal working on project



Mental Health Parity (MHPAEA)

- Compliance by January 1, 2013
- Segal working on project