Industry and Local 338 Welfare Fund

COBRA Rates - Year Beginning April 1, 2018

Segal Consulting

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April 6, 2018

Board of Trustees
Industry and Local 338 Welfare Fund
911 Ridgebrook Road
Sparks, MD 21152

Dear Trustees:

We are pleased to present the April 1, 2018 COBRA Rates for the Industry and Local 338 Welfare Fund.

We look forward to reviewing these rates with you and answering any questions you may have at the next meeting of the Board of Trustees. However, if there are any questions that need to be addressed prior to the meeting, please do not hesitate to contact us.

Sincerely,

THE SEGAL COMPANY

By:

John P. Urbank
Vice President

Russell Bley
Benefit Consultant

Section 2

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Although we have provided Core and Non-core rates, plans are not required under COBRA to separate out rates in this manner. The Plan Sponsor may decide that this is an option they wish to offer to participants and beneficiaries.

The COBRA statute and regulations do not provide a specific methodology for calculating COBRA premiums. The law states that the "applicable COBRA premium" is the cost to the plan of providing the specific health coverage to "similarly situated actives." In the absence of a specific methodology in the law, we have used a reasonable good faith interpretation of the statute and IRS guidance to come up with an approach to calculating COBRA premiums, including COBRA premiums for the health reimbursement arrangement. The basis of our calculation should be reviewed and approved by legal counsel to assure that it is appropriately complying with federal law.

Summary

- All rates were calculated in accordance with generally accepted underwriting procedures, using actual claim experience, administrative expenses, expected medical plan trend and the maximum 2 percent load for COBRA administration.
- Maximum Rates - Regular: COBRA allows the Fund to charge as a COBRA rate up to 102 percent of the cost of benefits to a qualified beneficiary for 18 or 36 months of coverage. This additional two percent is for administrative expenses. We note that the Fund is at liberty to charge rates below the amount proposed in this report as long as the rate is applied consistently to everyone.
- Maximum Rates for the Disability Extension: The Fund must offer a disabled person 11 additional months of COBRA coverage if the U.S. Social Security Administration determines that the individual (member or dependent) was totally and permanently disabled on or within 60 days after loss of coverage under the plan. The extended COBRA coverage is provided for the disabled member or dependent as well as other family members that have elected COBRA. The Fund may charge up to 150 percent of the cost of COBRA benefits for the disability extension after the first 18 months of coverage (up to a maximum of 29 months).
- The Hospital, Medical, Prescription Drug, Dental and Optical claims costs are based on our projections by benefit for fiscal year 2018. The claims utilization data used were through the end of December 2017.
- The hospital and medical projected costs include an adjustment factor effective January 1, 2018 for the following benefit changes approved by the Board of Trustees:
    - Annual in-network deductible decreased from $500/$1,250 to $250/$500;
    - Annual hospital/medical in-network out-of-pocket maximum decreased from $2,500/$6,250 to $1,500/$3,000;
    - In-network coinsurance for members decreased from 20% to 10%;
    - In-network diagnostic tests is no longer subject to the deductible and its coinsurance decreased from 20% to 10%;
    - The in-network specialty care copayment increased from $20 per visit to $40;
    - The emergency room copayment increased from $75 to $150.
- The stop loss premium shown on Page 4 reflects the approved renewal rate effective April 1, 2018.
- The Health Claims Administrative fee is based on the Empire JAA renewal rate increase effective May 1, 2018.
- Operating expenses (Fund Administration) are based on our projection of the costs for fiscal year 2018 trended.

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COBRA RATE SUMMARY

	Regular Rates				Disability Rates			
	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed
Rates	Core		Core Plus Non-Core		Core		Core Plus Non-Core	
Individual	$493.86	$558.20	$510.42	$578.72	$726.26	$820.87	$750.61	$851.05
Family	$1,232.77	$1,399.90	$1,277.48	$1,455.31	$1,812.89	$2,058.67	$1,878.64	$2,140.15

2% added for regular COBRA benefits as law permits.
COBRA is required for 18 (or 36) months.

50% added for Disability COBRA as law permits.

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REGULAR RATES

	Current	Proposed	Change
Core			
Individual	$493.86	$558.20	13.0%
Family	$1,232.77	$1,399.90	13.6%
Core Plus Non-Core			
Individual	$510.42	$578.72	13.4%
Family	$1,277.48	$1,455.31	13.9%

2% added for regular COBRA benefits as law permits.

COBRA is required for 18 (or 36) months.

DISABILITY RATES

	Current	Proposed	Change
Core			
Individual	$726.26	$820.87	13.0%
Family	$1,812.89	$2,058.67	13.6%
Core Plus Non-Core			
Individual	$750.61	$851.05	13.4%
Family	$1,878.64	$2,140.15	13.9%

50% added for Disability COBRA as law permits.

COBRA for disabled participants is required for an additional 11 months.

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REGULAR RATES DETAIL

	Individual	Family
Core		
Hospital and Medical	$315.79	$852.63
Stop Loss Premium	$59.94	$59.94
Prescription Drug	$104.88	$283.18
Joint Council #16 Fees	$1.90	$1.90
Health Claims Adm. Fees	$19.88	$53.68
Associated Admin Claim Processing Fees	$15.38	$41.53
ACA Fees	$0.19	$0.51
Operating Expenses	$29.29	$79.08
Sub-Total	**$547.25**	**$1,372.45**
2% Administration	$10.95	$27.45
Total	**$558.20**	**$1,399.90**
Core Plus Non-Core		
Core Sub-Total	$547.25	$1,372.45
Dental	$18.72	$50.54
Optical	$1.40	$3.78
Sub-Total	**$567.37**	**$1,426.77**
2% Administration	$11.35	$28.54
Total	**$578.72**	**$1,455.31**