March 24, 2016

Board of Trustees
Industry and Local 338 Welfare Fund

Re: Administrative Services Contract Renewal

Trustees and Counsel:

The contract between Associated Administrators, LLC ("Associated") and the Industry and Local 338 Welfare Fund ("Fund") expires March 31, 2016. We hope the Trustees will consider favorably our request for a three-year agreement.

Several pieces of legislation, especially the Patient Protection and Affordable Care Act ("ACA") and Health Insurance Portability and Accountability Act ("HIPAA"), have affected benefit processing and will continue to do so. It has been necessary for Associated to add resources to its workforce, training, and systems to provide compliance services to our clients. Components of Health Care Reform--establishment of specific coverage for preventive care, and especially calculation and payment of research and reinsurance fees--require careful execution to ensure compliance for the Plan sponsor.

Below is a brief a recap of some of the services provided by Associated over the last three years:

- Suggested and implemented Anthem JAA shared claims processing resulting in significant savings to the Fund.
- Implemented benefit rule changes such as the reimbursement of out-of-network ambulance and anesthesiologist charges.
- Assisted in the establishment of external appeals procedures and independent review organizations.
- Calculated ACA Patient-Centered Outcomes Research Trust Fund Fee ("PCORI") and Transitional Reinsurance Program Fee ("TRP") counts and filed the TRP on behalf of the Fund.

- Prepared and distributed ACA reporting requirements to participants, dependents and IRS.
- Actively pursued missing dependent Social Security numbers.
- Updated manual eligibility transmissions to an electronic file for prescription benefits.
- Implemented a new administrative procedure for the reconciliation of invoices on a monthly basis.
- Began providing separate reporting for Pension and Welfare Funds as a result of separate Boards of Trustees, including two sets of minutes, financial reporting, and other meeting materials.

Associated works hard to control its operating costs, but some are increasing.

- **Employee Benefits**

Associated's bargaining unit employees are in a UFCW-related Health and Welfare Fund, so we have experienced the same rate increases as other participating employers. Our unit employees are covered in a UFCW Pension Fund. Those contribution rates will increase every year for the next 11 years in accord with its Rehabilitation Plan.

Our non-union (management and other exempt) medical benefits through UHC increased by 5.6% in September 2014 and by 5% in September 2015 due in part to PPACA.

- **Unemployment Tax**

Associated's Unemployment Tax Rate has been increased by the State of Maryland from 1.8% to 3.3% for 2015, an 83% increase in our rate. The State of Maryland is implementing new and increased taxes across the board.

- **Information Technology Developments**

Associated's highest cost increases and deliberate reinvestment have been in IT--over $520,000 in 2012, $416,000 in 2013, and $1,100,000 for 2014 and 2015. System enhancements allow us to better serve our clients and participants and maintain computer security.

Associated installed programming changes for government regulation ICD-10 eleven months ahead of the required deadline. We created a secure Trustee Web portal on our internet site to enable remote access for Trustees to Fund files. We upgraded our phone system and call center software to ensure better monitoring and distribution of call volume. We upgraded imaging servers to allow our call center representatives faster access to forms and correspondence. We installed a new virtual firewall system to enhance security and added new layers of software to deter hackers.

- **Postage**

Associated pays all regular postage on behalf of the Fund, excluding mass mailings. The Postal Service increased rates in 2014 by 6.5% for first class mail.

Other Services:

- **Data Resource for Fund Professionals**

  Associated works with the Fund's consulting and accounting firms, supplying data as requested.

- **Other Compliance**

  Associated drafts and mails the Plan's numerous compliance notices, such as the Women's Health Care and Cancer Rights Act Notice, Notice of Creditable Coverage, SMMs, SBCs, and SARs.

Associated has assigned an Account Executive and an Account Manager to the Industry and Local 338 Welfare Fund team, along with a staff of 19 employees, including Accident and Sickness, Accounting, Appeals, Communications, Eligibility, Medical Claims, Participant Services, and IT. We are dedicated to superior service.

We are proposing new rates effective April 1, 2016 for ongoing work. We propose a change in our administrative fees from a per member per month basis to a flat fee. Over the last three year period, our administrative revenue on the Welfare Fund has decreased by approximately 50% as a result of the decrease in the Fund's participant count. Please see Attachment A for a full outline of the proposed rates through March 31, 2019.

Associated Administrators, LLC appreciates the opportunity to serve this Fund and welcomes all questions concerning our proposal.

Sincerely,

AHCochran

Alicia Cochran
Account Executive
Associated Administrators, LLC

911 Ridgebrook Road, Sparks, MD 21152-9451 (410) 683-6500
4301 Garden City Drive, Suite 201, Landover, MD 20785-6102 (301) 459-3020

Industry and Local 338 Welfare Fund

ATTACHMENT A

Current Fee PPPM	**4/1/16 to 3/31/17 Flat Fee**	**4/1/17 to 3/31/18 Flat Fee**	**4/1/18 to 4/31/19 Flat Fee**
$26.23 Monthly Amount – $3,961	$6,150 Annual increase – $26,268	$6,458 Annual increase – $3,696	$6,780 Annual increase – $3,864

<u>4/1/16 to 3/31/19 – Regulatory changes and Implementation of New Vendors</u>

$100/Hour - IT/Management
$ 60/Hour - Supervisor
$ 30/Hour - Regular Employees

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