



Group Dental Service of MD, Inc.
111 Rockville Pike, Suite 700
Rockville, MD 20850

August 2014

Board of Trustees
United Food and Commercial Workers Union and
Participating Employers Health and Welfare Fund
4301 Garden City Drive
Landover, MD 20785

Re: Contract Renewal

Dear Trustees,

Group Dental Service, Inc. ("GDS") would like to extend its thanks for the trust you have placed in us to provide dental services for **The United Food and Commercial Workers Union and Participating Employers Health and Welfare Fund**. We have strived to fulfill your expectations by providing the highest quality dental care in a manner that ensures cost-effective delivery.

We have reviewed the Fund's utilization and costs for the year of 2013. Cost of care for the Fund for 2013 ran at 71%, which is slightly higher than established desired loss ratios. Based upon our analysis, plan costs indicated it would be necessary to request an increase of approximately 5% to get the cost of care within an acceptable range. With regards to the 2014 renewal, GDS proposes the following:

- While the fund was scheduled to renew as 1/1/14, GDS has waived the HIF Tax, and any premium increases for the period of 1/1/2014 through 6/30/2014. We will not request an increase for this 6 month period.
- As of 1/1/2014, in accordance with the Patient Protection and Affordable Care Act (PPACA), the Health Insurance Providers Fee (HIF Tax) took effect. This applies to most forms of health insurance, including dental, and is used to fund premium subsidies and tax credits that were made available in 2014 under PPACA.
- Cost of care for the Fund for 2013 ran at 71%, which is slightly higher than desired loss ratios.
- Effective 7/1/2014 – 12/31/2015, GDS will propose a 5% increase comprised of the following:
 - A 2.6% increase in premium due to the HIF Tax
 - A 2.4% increase in premium based upon the Fund's utilization and trend

As you can see, a significant portion of the increase is due to the tax. Additionally, we hope that the Fund's utilization will trend downwards this year, which ultimately would lead to a lower loss ratio. We understand the significance of this increase, and look forward to speaking to you. Thank you for your continued trust and confidence. Should you have any questions, please feel free to contact me.

Sincerely,

Dwight D. Hyman
Union, Labor Account Manager
Group Dental Service of Maryland



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