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Memorandum

To: Board of Trustees Bakers Union and FELRA Health and Welfare Fund

From: Josh Timm
Tracey Witkowski

Date: June 6, 2022

Re: Estimated Costs of Increasing the Weekly Accident and Sickness Benefit

We were asked to provide the Trustees with estimated costs associated with increasing the Weekly Accident and Sickness Benefit. The current benefit is $200 per week for a maximum of 26 weeks; benefits begin the 1st day for a disability caused by an accident or on the 8th day for a disability caused by a sickness. We were requested to provide projected costs to increase the benefit to 50% of gross salary for the 1st 18 weeks, then 40% of gross salary for the remaining 8 weeks.

The Fund reports that it paid approximately $268,610 in Weekly Accident and Sickness Benefit claims during the last five years, as summarized in the chart below:

Year	# of Eligibles	# of Claimants	Total Claim Dollars
2017	487	28	$56,943
2018	485	37	$71,160
2019	488	23	$54,543
2020	467	25	$54,343
2021	461	20	$31,622
5-Year Total	**2,388**	**133**	**$268,610**

Based on the most recent census information, and a detailed claimant listing provided by the Fund, the estimated additional annual costs for the improved benefits are $38,050 to $56,500 based on 27 to 35 claimants annually (as shown on the attached exhibit). The high end of the estimates includes a 20% load for adverse selection due to the increased benefit for the majority of eligible members.

The average hours worked by member on the census was not provided. Segal made the following assumptions for each of the weekly hour categories for purposes of the analysis.

# Hours per Week Category	Census Eligible	Average Hourly Rate	Assumed Average # of Hours Worked per Week
28 hours or over	84	$15.32	30.00
40 hours	328	$19.66	40.00
Under 28 hours	21	$15.22	20.00
Total	**433**	**$18.61**	**37.09**

We note that based on the 433 members in the census, their current hourly rates by member, and hours assumption above, there are:

- An estimated 36 part-time members (approximately 8.3% of total eligibles) that would receive a benefit of less than $200 per week during the 1st 18 weeks at 50% of gross salary, and
- An estimated 83 part-time members (approximately 19.2% of total eligibles) that would receive a benefit of less than $200 per week during the remaining 8 weeks at 40% of gross salary
- The remainder of the full-time and part-time members would receive a benefit equal to or greater than $200 per week.

These projections are estimates of future costs and are based on information available to Segal Consulting at the time the projections were made. Segal Consulting has not audited the information it was provided to develop the projections. Projections are not a guarantee of future results. Actual experience may differ due to, but not limited to, such variables as changes in the regulatory environment, local market pressure, health trend rates and claims volatility. The accuracy and reliability of health projections decrease as the projection period increases.

We look forward to discussing this information with you and answering any questions.

cc: Dawn R. Welch

Bakers Union and FELRA
Weekly Accident and Sickness Modeling

Weekly Accident and Sickness Modeling - Current vs. Proposed Benefit Change							
Year	**Type of Claim**	**# of Claimants**	**Average Duration in Weeks**	**Paid Claim Dollars @ Current**	**Paid Claim Dollars @ Proposed**	**Percent Change from Current**	**Dollar Change from Current**
2017	A	6	19.93	$23,914.26	$39,058.00		
	I	22	7.55	$33,028.43	$56,570.50		
		28	**10.20**	**$56,942.69**	**$95,628.50**	**67.9%**	**$38,685.81**
2018	A	5	12.66	$12,656.92	$21,308.85		
	I	32	9.45	$58,502.82	$102,383.04		
		37	**9.88**	**$71,159.74**	**$123,691.89**	**73.8%**	**$52,532.15**
2019	A	4	17.36	$13,885.66	$22,896.41		
	I	19	10.76	$40,656.95	$68,797.70		
		23	**11.91**	**$54,542.61**	**$91,694.10**	**68.1%**	**$37,151.49**
2020	A	2	10.29	$4,142.82	$7,099.66		
	C	1	2.43	$485.71	$838.15		
	I	22	11.36	$49,714.05	$83,884.48		
		25	**10.92**	**$54,342.58**	**$91,822.29**	**69.0%**	**$37,479.71**
2021	A	1	18.29	$3,628.56	$6,291.09		
	C	1	6.57	$1,314.27	$2,267.95		
	I	18	7.41	$26,679.57	$45,497.00		
		20	**7.91**	**$31,622.40**	**$54,056.04**	**70.9%**	**$22,433.64**
2022	I	6	7.31	$8,771.37	$15,027.62		
		6	**7.31**	**$8,771.37**	**$15,027.62**	**71.3%**	**$6,256.25**
Total		**139**	**10.07**	**$277,381.39**	**$471,920.44**	**70.1%**	**$194,539.05**

Bakers Union and FELRA
Weekly Accident and Sickness Modeling

Year	Type of Claim	# of Claimants	Average Duration in Weeks	Paid Claim Dollars @ Current	Paid Claim Dollars @ Proposed	Percent Change from Current	Dollar Change from Current
2017-2021	A	18	16.17	$58,228.22	$96,654.01		
	C	2	4.50	$1,799.98	$3,106.10		
	I	113	9.35	$208,581.82	$357,132.71		
		133	**10.20**	**$268,610.02**	**$456,892.82**	**70.1%**	**$188,282.80**
2023 Estimate	A	3.6	16.17	$11,645.64	$19,330.80		
	C	1.0	4.50	$899.99	$1,553.05		
	I	22.6	9.35	$41,716.36	$71,426.54		
		27.2	**10.07**	**$54,262.00**	**$92,310.39**	**70.1%**	**$38,048.40**
Adverse Selection Load	10%	2.72	10.07	N/A	$9,231.04		
	20%	5.44	10.07	N/A	$18,462.08		
2023 with Adverse Selection	10%	29.92	10.07	N/A	$101,541.43	87.1%	$47,279.44
	20%	**35.36**	**10.07**	**N/A**	**$110,772.47**	**104.1%**	**$56,510.48**

Bakers Union and FELRA
Weekly Accident and Sickness Modeling

Notes

1. Assumed 433 Current Eligible based on Census provided by the Fund.
2. Assumed an average hourly rate of $18.61 based on census for proposed benefit calculations.
3. Assumed an average # of hours per week of 37.09 for proposed benefit calculations.

# Hours per Week Category	Eligible	Average Hourly Rate	Assumed Average # of Hours Worked per Week
28 hours or over	84	$15.32	30.00
40 hours	328	$19.66	40.00
Under 28 hours	21	$15.22	20.00
Total Census	**433**	**$18.61**	**37.09**

4. Projected 2023 utilization based on last 5 years experience (2017-2021), not including 2022 as immature and not credible.

Legend	Claim Type	Description
	A	Accident
	C	COVID-19
	I	Sickness

5. There is no adjustment for maternity claims in 2023, as there were none in the prior 5-year experience period.
6. Assumed benefit waiting period remains the same, 0 days for accident, and 7 days sickness.
7. Assumed a 10% or 20% increase in utilization due to increased weekly benefit amount.
8. The projections in this report are estimates of future costs and are based on information available to Segal at the time the projections were made. Segal has not audited the information provided. Projections are not a guarantee of future results. Actual experience may differ due to, but not limited to, such variables as changes in the regulatory environment, local market pressure, trend rates, and claims volatility. The accuracy and reliability of projections decrease as the projection period increases.

9. The Coronavirus (COVID-19) pandemic continues to evolve and will likely continue to impact the US economy and health plan claim projections for most Health Plan Sponsors. As a result, projections could be significantly altered by emerging events. At this point, the full impact on Health Plan claim costs are uncertain. Unless specifically noted, this current report does not include any adjustments such as changes in eligibility, income, increases in healthcare costs or decreased investment returns. Additionally, the potential for federal or state fiscal relief is also not contemplated in these budget projections. Given the high level of uncertainty and fluidity of the current events, some plans may seek periodic updated estimates throughout the year to closely monitor health plan budget projections.