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Actuarial Update for Industry and Local 338 Welfare Fund

Prepared for the Board of Trustees

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Your Cheiron Team for this Meeting

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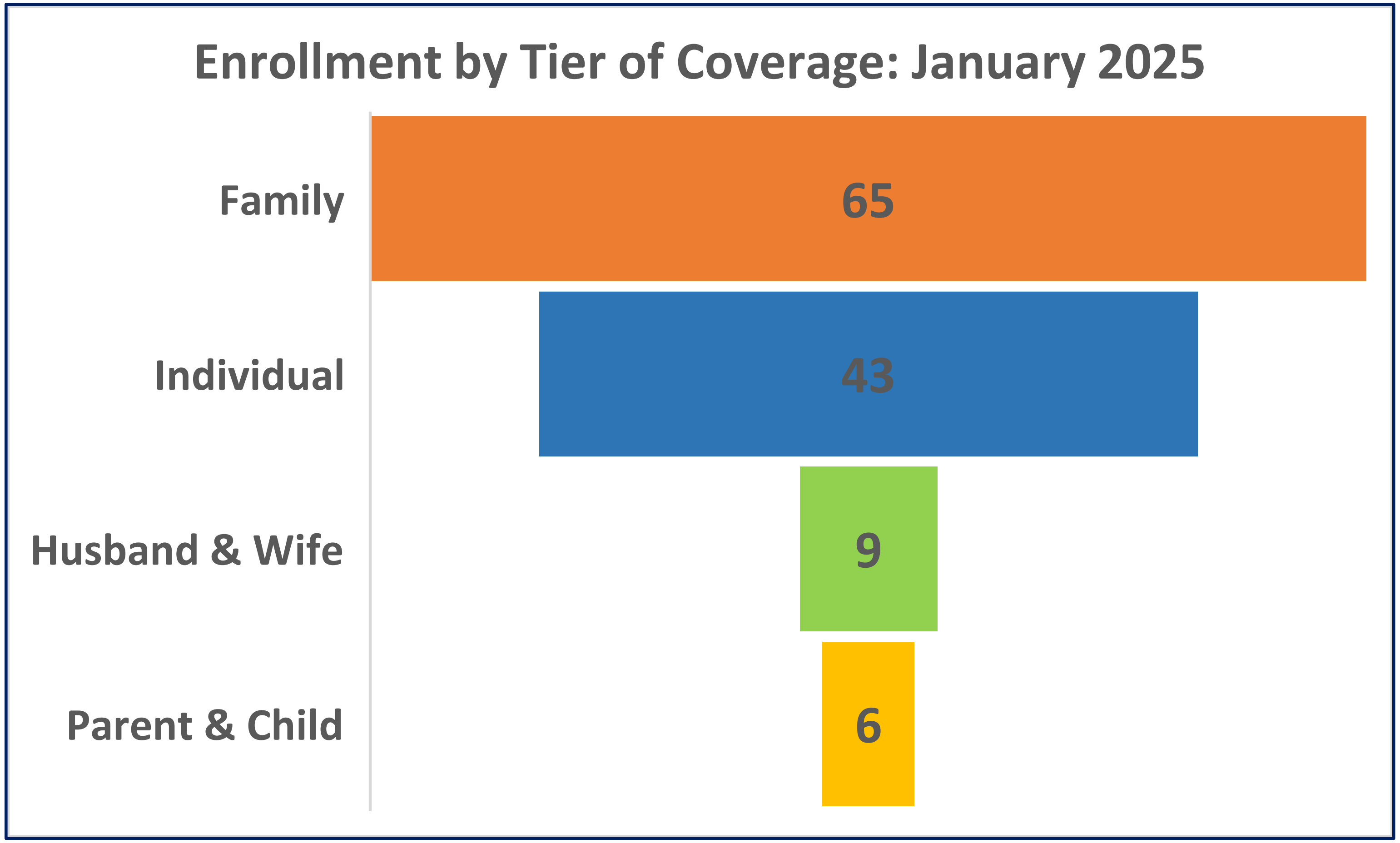
- **Demographics**
  - Who is Enrolled?
- **Current Plans**
- **Assets Available**
- **Stop Loss Coverage**
- **Preliminary H-Scan**
- **2025 Calendar**

Demographics: Who is Enrolled?

- Stable but some declines
  - **136** average in the first six moths of 2024
  - **123** enrolled January 2025
- No COBRA elections
- Average age of subscribers is **age 49**



Source: Associated Administrators Jan 2025 census

Review of Current Plans in Effect

- In-Network coverage is comprehensive.
- The plan steers to in-network coverage with higher deductibles and cost sharing for out-of-network coverage.
- Rx applies a 15% coinsurance and uses SaveOnSP for specialty Rx.

Medical Benefits	In-Network (Anthem)	Out-of-Network
Individual/Family Deductible per Year	**$250/$500**	**$2,000/$5,000**
Coinsurance after Deductible	**10%**	**40%**
Doctor Visit Copays	**$20 Primary Care; $40 Specialist Per Visit**	**40% after deductible**
ER	**$150 copay**	**$150 copay**
Out of pocket Maximum	**$1,850/$3,700**	**$9,450/$18,900**
Rx Benefits	**In-Network (ESI)**	**Out-of-Network**
Generic/Brand	15%, $5 minimum copayment	Not covered
Specialty	30% *for drugs included on SaveOnSP List*	Not covered

Source: 2025 SBC

Source: Plan Benefit documents (SBC, SPD, SMM); https://www.saveonsp.com/wp-content/uploads/2025/01/local338.pdf

Review of Current Plans in Effect

- The plan also includes dental, vision, disability and life insurance as part of the benefits program.

Other Benefits	Description
Dental Benefits ***Administered by S.I.D.S.*** *for Active Employees & Eligible Dependents*	Scheduled benefits; • Ortho with $2,700 lifetime maximum
Vision Benefits ***Administered by NVA*** *for Active Employees & Eligible Dependents*	**<u>In-Network</u>:** • **Exams & Lenses**, once per 12 months; • **Frames**, once per 24 months **<u>Out-of-Network</u>**: Scheduled Benefits
Disability ***Administered by Amalgamated Life*** *for Active Employees Only*	$240 per week up to 26 weeks
Life Insurance ***Administered by Amalgamated Life*** *for Active Employees & Eligible Retirees*	$15,000 actives

Source: SPD 2006

Source: Plan Benefit documents (SBC, SPD, SMM);

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Recap of Available Plan Assets

- At the end of June 30, 2023, $7.04 million in assets
- At the end of June 30, 2024, $6.42 million in assets

12 Months Ending	6/30/23	6/30/24
Average Participants	126	134
(in $millions)		
Contribution Revenue	$1.99	$2.21
Investment/Other Inc	$0.25	$0.48
Expenses (Paid)	$2.37	$3.67
Gain/(Loss)	($0.13)	($0.98)
Projected at End of Year		
Assets	$7.04	$6.42
Months Reserve	23.0	22.8
- 24-Mo. Expenditures	$7.01	$6.78

Assets do not substract IBNR in this preliminary analysis.

Much higher plan costs!

Not break-even

Source: audited financials 6/30/23; draft 6/30/24

A Closer Look at Two Years

Below we compare the revenues and expenditures for the last two plan years:

	6/30/2023	6/30/2024	Difference	Percentage
Interest income	$ 253,593	$ 477,596	$ 224,003	88.3%
Contributions	1,985,754	2,214,842	229,088	11.5%
Total Revenues	$ 2,239,347	$ 2,692,438	$ 453,091	20.2%
Health Care	$ 1,827,406	$ 2,661,053	$ 833,647	45.6%
Stop loss	245,297	377,557	132,260	53.9%
Group	68,181	64,976	(3,205)	-4.7%
Admin	231,129	201,018	(30,111)	-13.0%
Total Expenditures	$ 2,372,013	$ 3,304,604	$ 932,591	39.3%
Increase (decrease)	$ (132,666)	$ (612,166)	$ (479,500)	361.4%
Assets	$ 7,036,387	$ 6,424,221	$ (612,166)	-8.7%

Components of Expenditures Per Financials

Hospital, Medical and Rx all are extremely high in this period, meaning that individuals needed more care.

	6/30/2023	6/30/2024	Difference	Percentage
Hospital	$741,007	$1,000,709	$259,702	26.0%
Medical	$716,634	$1,134,676	$418,042	36.8%
Prescription Drug	$223,505	$340,457	$116,952	34.4%
Dental	$40,299	$45,589	$5,290	11.6%
Optical	$3,711	$3,066	-$645	-21.0%
Counseling	$3,495	$3,424	-$71	-2.1%
Health claim admin fees	$98,755	$133,132	$34,377	25.8%
Total health care benefit expenses	$1,827,406	$2,661,053	$833,647	31.3%
Stop loss recoveries	$143,216	$111,395	-$31,821	-28.6%
Total Admin Expenses	$231,129	$201,018	-$30,111	-15.0%

We see much more paid claims for care than average inflation and trend.

Administrative expenses have declined in the same period.

Persistency of Higher Cost of Claims?

Remittances	PYE June 30, 2024	Average Quarter PYE June 2024	July 2024 through September 2024	Difference of Most Recent Quarter and Average PYE June 2024
Employer Contributions	$ 2,205,339	$ 551,335	$ 556,064	$ 4,729
COBRA	$ -	$ -	$ -	$ -
Payroll Audit	$ 8,091	$ 2,023	$ -	$ (2,023)
Payroll Audit Interest	$ 1,412	$ 353	$ -	$ (353)
Interest-Delinquent Employer	$ 1,057	$ 264	$ 290	$ 26
Dividend Income	$ 248,833	$ 62,208	$ 57,903	$ (4,305)
SEI Investments Realized G/L	$ 1,108	$ 277	$ (4,981)	$ (5,258)
SEI Investments Unrealized G/L	$ 229,294	$ 57,324	$ 222,876	$ 165,553
SEI Fund Rebate	$ 3,735	$ 934	$ 1,699	$ 766
Stop Loss Reimbursement	$ 154,808	$ 38,702	$ -	$ (38,702)
Prescription Rebate	$ 167,563	$ 41,891	$ 29,950	$ (11,940)
IRS Interest	$ -	$ -	$ -	$ -
Class Action Proceeds	$ -	$ -	$ -	$ -
Total Income	$ 3,021,240	$ 755,310	$ 863,802	$ 108,492
Benefit Expenses				
Benefits Paid	$ (386)	$ (97)	$ -	$ 97
Anthem-Medical	$ 2,284,358	$ 571,089	$ 445,131	$ (125,958)
Anthem-Retention	$ 66,272	$ 16,568	$ 15,881	$ (686)
Anthem-NY Taxes	$ 9,804	$ 2,451	$ 2,484	$ 33
Medco Claims	$ 522,342	$ 130,585	$ 165,976	$ 35,391
Admin. Fee	$ 52,392	$ 13,098	$ 4,223	$ (8,875)
ASO Dental Claims	$ 45,185	$ 11,296	$ 10,443	$ (853)
Admin. Fee	$ 3,425	$ 856	$ 845	$ (11)
NVA Optical Claims	$ 3,066	$ 767	$ 977	$ 211
Admin. Fee	$ 396	$ 99	$ 131	$ 32
Amalgamated: Life Insurance	$ 5,615	$ 1,404	$ 1,385	$ (19)
Paid Family Leave	$ 48,521	$ 12,130	$ 10,914	$ (1,217)
Disability	$ 10,840	$ 2,710	$ 2,674	$ (36)
Teamster Center Services	$ 3,380	$ 845	$ 862	$ 17
Stop Loss Insurance	$ 377,557	$ 94,389	$ 65,556	$ (28,833)
Total Benefit Expenses	$ 3,432,767	$ 858,192	$ 727,484	$ (130,707)

- Looking at emerging payments, it appears that higher Rx costs are here to stay, but medical could be regressing, meaning it could decrease.

What can be done?

- First, we want to thoroughly understand what is driving the higher costs and whether it will be likely to continue or regress to prior levels
  - Any reimbursements of stop loss emerging?
  - What conditions?
  - Rx protocols driving claims?
- Second, we will review the terms of the Rx contract to ensure best value with the coalition.
- Third, we want to understand the medical network discounts and any case management in place to learn any insights on the causes of the higher costs.

Stop Loss Coverage in Effect

- Carrier: HCC Life Insurance Company
- Individual attachment point of **$175,000** per claimant
  - Policy pays the claim amount in excess of $175,000 and the Fund pays claims under $175,000
- Policy year 4/1/2024 through 3/31/2025
  - Claims incurred in that 12 months, and paid through 9/30/2025 (12/18)
- Composite premium of $166.81 per month per subscriber, or $2,001.72 per year, for an annualized premium estimated at $246,000.

Stop Loss Premiums and Reimbursements

- In 2021, the Fund had reimbursements more than its premiums paid.
- In the most recent two years, claims over $175k each are lower, meaning favorable stop loss experience.

Industry and Local 338 Stop-Loss History

FYE	Policy Year	Premiums Paid	Reimbursements	Ratio
04/2022	2021	$129,326	$204,707	**158.3%**
04/2023	2022*	$0	$0	**N/A**
04/2024	2023	$243,562	$106,252	**43.6%**
04/2025	2024	$201,840	$0	**0%**
	Total	**$574,728**	**$310,958**	**54.1%**

**Local 338 was not covered by TMHCC from 4/2022-3/2023*

Preliminary H-Scan for Industry & Local 338

Stress Testing -Industry and Local 338 Health & Welfare Plan - HSCAN

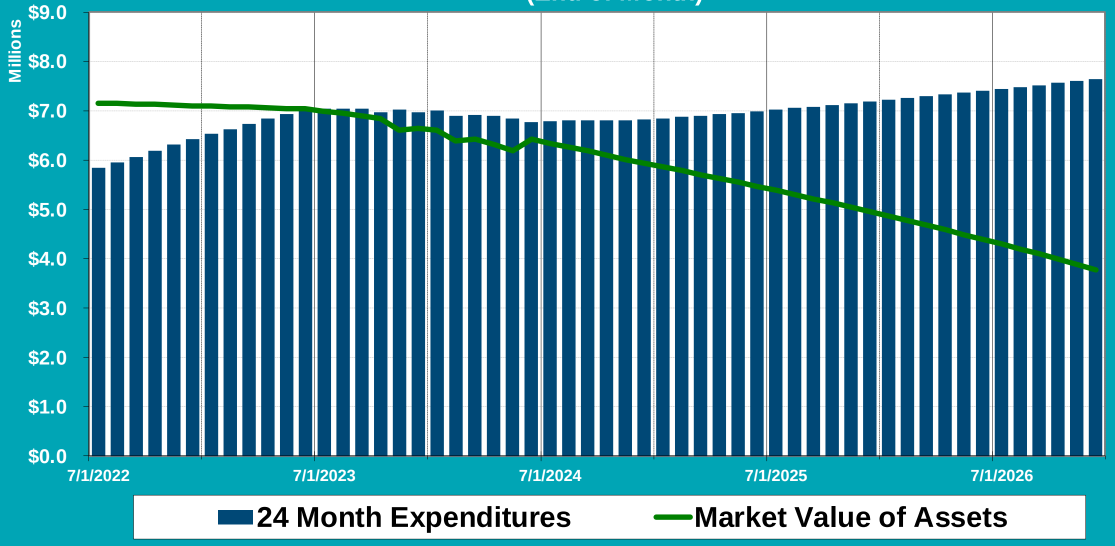
TRENDS			
Starting 6/30	2025	2026	2027+
Medical	5.0%	8.0%	8.0%
Rx	5.0%	8.0%	8.0%
Dental	5.0%	5.0%	5.0%
Other*	2.5%	2.5%	2.5%
Claims Admin	3.0%	3.0%	3.0%
Expenses	3.2%	3.2%	3.2%
Claim Margin	$ -	$ -	$ -

*Other applies to Life Insurance, Paid Family Leave, Disability, and Stop Loss Insurance

OTHER ASSUMPTIONS	
Organic Participant Growth	0%
Investment Return	3.0%
Projected as of July 1, 2025:	
Increase Employee Count?	Yes
% New Employees	0%
Assumed Additional Ees	0
Annual Contrib Increase %	0%

PROJECTED PLAN DESIGN AND EMPLOYER CONTRIBUTION				
Plan Design Changes Effective 7/1	2024	2025	2026	2027
Medical	Current Plan	0%	0%	0%
Rx	Current Plan	0%	0%	0%
Dental/Vision	Current Plan	0%	0%	0%
Future Changes in Employer Contributions				
Average Month Starting for Model	7/1/2024	7/1/2025	7/1/2026	7/1/2027
Average Weekly Employer Rate	$341	$341	$341	$341
Increase in Weekly Employer Rate as %		0.0%	0.0%	0.0%
Target Weekly Employer Rate	$396	$396	$396	$396

Assets vs. 24 Month Reserve Expenditures
(End of Month)



KEY RESULTS					
				Projected	
12 Months Ending	6/30/23	6/30/24	6/30/25	6/30/26	6/30/27
Average Participants	126	134	127	123	123
(in $millions)					
Contribution Revenue	$1.99	$2.21	$2.24	$2.18	$2.18
Investment/Other Inc	$0.25	$0.48	$0.18	$0.15	$0.11
Expenses (Paid)	$2.37	$3.67	$3.38	$3.40	$3.59
Gain/(Loss)	($0.13)	($0.98)	($0.96)	($1.07)	($1.29)
Projected at End of Year					
Assets	$7.04	$6.42	$5.47	$4.39	$3.10
Months Reserve	23.0	22.8	18.8	14.2	9.4
- 24-Mo. Expenditures	$7.04	$6.78	$6.99	$7.40	$7.88

Assets do not substract IBNR in this preliminary analysis.

The above is a preliminary H-Scan and is intended to show capabilities and "what if" scenarios. This scenario assumes no increase in rates which is just one starting scenario. We will update this model with input for the next meeting. Results will change and we will offer commentary.

2025 Calendar Overview - Vendor Partners

Below is a list of vendor partners, their plan year and term, and upcoming renewal times. Our immediate focus relates to the stop loss renewal.

Vendor Renewals	Current Carrier	Plan Year and Term	Renewal
Stop Loss	HCC Life Insurance Company	Year ends March 31, 2025; Year by Year	April 1, 2025
Life Insurance, AD&D, DBL	Amalgamated	1/1/2024 through 12/31/2025	January 1, 2026
Rx	ESI/Coalition NYLHCA	7/1 basis, since July 1, 2021	July 1 per coalition contract
Medical JAA	Anthem In-Network	5/1 through 4/30: Year by Year	May 1, 2025
Dental	S.I.D.S.	Updated time to time	
Vision	National Vision Associates (NVA)	Updated time to time	

Calendar Year Overview 2025

- Regular Pricing of Employer Contributions
  - Usually by term of each bargaining agreement with target rates
  - With goal of break-even
- COBRA Rates
  - Effective each July 1
  - Next year is July 1, 2025 through June 30, 2026
- Actuarial Determination of IBNR
  - As of June 30 each year for audited financials
- Consider Special Deep Dive on Claims Utilization
  - Will it continue or will it regress to prior levels?

Strategic Vision?

- Rates
- Plan design
- What is causing the surge in care needs?
- Other groups

Required Disclosures

The purpose of this presentation is to assist the Industry and Local 338 Welfare Fund (the "Fund") in assessing the ongoing financial status of the fund and providing a wholistic view of emerging experience . It is intended for the exclusive use of the Fund. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to such other users.

In preparing our presentation, we relied on information (some oral and some written) supplied by the Fund, as well its administers and business partners. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

In projecting results, we have smoothened experience using a 50/50 weighting of the last two years of experience; final projections will reflect the final methodology as we gather additional information.

This presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as a credentialed actuary, I meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

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