Industry and Local 338 Welfare Fund

Health Benefits Reports

Year Beginning July 1, 2021

June 15, 2021 / John P. Urbank

Segal

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June 15, 2021

Board of Trustees
Industry and Local 338 Welfare Fund
911 Ridgebrook Road
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Dear Trustees:

We are pleased to present the July 1, 2021 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,

Segal

By: ______________________________

John P. Urbank
Vice President

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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.

COBRA Rates - Year Beginning July 1, 2021

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% 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
- Based on the American Rescue Plan Act of 2021 (ARPA) signed into law on March 11, 2021, qualified COBRA beneficiaries will receive a 100% subsidy of the COBRA premium from the federal government from April 1, 2021 through September 30, 2021. Plan Sponsors must notify enrollees of the premium subsidy and are prohibited from charging qualified COBRA enrollees any premium or fees during this time period. Note that in order to be eligible, individuals must be in their 18-month Federal COBRA coverage period. However, although newly eligible individuals will not need to pay premiums, they will still need to elect COBRA coverage in order to take advantage of the subsidy. Therefore, eligible individuals will need to receive an updated notification regarding their rights to COBRA and the COBRA subsidy.
- The Hospital, Medical, Prescription Drug, Dental and Optical claims costs are based on our projections by benefit for fiscal year beginning July 1, 2021. The claims utilization data used were through the end of March 2021. Note that the COBRA rates are increasing by more than trend due to the three-year blending of experience incorporating a new year of experience which was less favorable than the year that this experience replaced.
- The COBRA rates were developed using a three-year blend of claims experience trended and reflect the updated dependent ratio of 70 percent.
- The stop loss premium is based on the current rates effective April 1, 2021.
- The Health Claims Administrative fee is based on the Empire JAA renewal rate increase effective May 1, 2021.
- Operating expenses (Fund Administration) are based on our projection of the costs for fiscal year 2021 trended.

COBRA Rates - Year Beginning July 1, 2021

REGULAR RATES

	Current	Proposed	Change
Core			
Individual	$773.75	$875.51	13.2%
Family	$1,871.80	$2,201.18	17.6%
Core Plus Non-Core			
Individual	$798.15	$896.93	12.4%
Family	$1,933.37	$2,259.01	16.8%

2% added for regular COBRA benefits as law permits.

COBRA is required for 18 (or 36) months.

DISABILITY RATES

	Current	Proposed	Change
Core			
Individual	$1,137.87	$1,287.51	13.2%
Family	$2,752.66	$3,237.03	17.6%
Core Plus Non-Core			
Individual	$1,173.75	$1,319.01	12.4%
Family	$2,843.20	$3,322.08	16.8%

50% added for Disability COBRA as law permits.

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

COBRA Rates - Year Beginning July 1, 2021

REGULAR RATES DETAIL

	Individual	Family
Core		
Hospital and Medical	$552.79	$1,492.53
Stop Loss Premium	$87.56	$87.56
Prescription Drug	$146.97	$396.82
Joint Council #16 Fees	$2.00	$2.00
Health Claims Adm. Fees	$17.22	$46.49
Associated Admin Claim Processing Fees	$4.26	$4.26
ACA Fees	$0.23	$0.62
Operating Expenses	$47.31	$127.74
Sub-Total	**$858.34**	**$2,158.02**
2% Administration	$17.17	$43.16
Total	**$875.51**	**$2,201.18**
Core Plus Non-Core		
Core Sub-Total	$858.34	$2,158.02
Dental	$19.67	$53.11
Optical	$1.33	$3.59
Sub-Total	**$879.34**	**$2,214.72**
2% Administration	$17.59	$44.29
Total	**$896.93**	**$2,259.01**