Segal

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Memorandum

To: Board of Trustees
International Union of Operating Engineers
Local No. 487 Health and Welfare Fund

From: Ernie Naegele
Katie Nagy

Date: February 3, 2021

Re: January 1, 2021 COBRA Rates

The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) mandates that the Welfare Fund offer employees and/or their dependents the option to continue group health coverage beyond the date it would otherwise terminate under almost any circumstance. The law specifies that the Welfare Fund can charge such employees and/or their dependents no more than 102% of the cost to the Plan of providing coverage to active participants. COBRA premiums for fully insured coverages are determined for the period that the fully insured premiums are in effect.

COBRA extends the continuation of coverage for up to 18 months to former employees and their covered dependents. A later Omnibus Budget Reconciliation Act (OBRA) expanded the continuation of the coverage period up to an additional 11 months for an employee or other qualified beneficiary who is determined to be totally disabled under Social Security at the time the employee left service or within 60 days thereafter. The extended COBRA coverage is provided for the disabled member or disabled dependent as well as other family members who have elected COBRA. The law specifies that the Welfare Fund may charge 150% of the applicable premium for the additional 11 months of coverage.

Accordingly, we have reviewed the Fund's premium rates and have determined the maximum premium amounts allowable under COBRA and the Self-Pay rates for the period beginning on January 1, 2021 and ending on March 31, 2022.

The COBRA and Self-Pay rates effective January 1, 2021 are set forth on the attached exhibit and reflect the following.

1. UnitedHealthcare's renewal rates for the medical, dental and vision benefits effective April 1, 2021 (as negotiated by Robert Sudler) reflecting a decrease of approximately 8.1% with Medical rates decreasing approximately 8.3% compared to June 1, 2020 Medical rates, and no change on the Dental HMO, Dental PPO and Vision rates.

2. The Mutual of Omaha renewal premium rates for life insurance coverage effective August 1, 2019 guaranteed through July 31, 2021. As previously discussed, life insurance is not subject to COBRA, but is offered to members along with the medical benefits; and

3. The applicable 2% administrative fee allowed under COBRA law has been added. As in the past, we have not included the Fund's overhead administrative expenses in the COBRA premium rates. Should the Board be interested in including overhead expenses in the rates at some point in the future, please let us know.

In accordance with prior Board policy, the 50% premium surcharge for the additional 11 months of coverage for totally disabled persons is not included in the attached COBRA premium rates, instead persons who qualify for the extended coverage pay the premium rate in effect, plus the 2% COBRA administrative fee. Should the Board be interested in charging the maximum allowable rate for extended disability at some point in the future, please let us know.

In the absence of a specific methodology in the law, Segal has used a reasonable good faith interpretation of the statute and IRS guidance to develop an approach to calculating COBRA premiums. The basis of our calculation should be reviewed by legal counsel as a good faith effort to comply with the provisions of COBRA in the absence of regulations that set specific standards for how this calculation is to be performed.

The Fund's administrative office will be preparing an announcement for the COBRA participants setting forth the January 1, 2021 COBRA rates.

The financial strength rating for UnitedHealthcare is attached for your reference.

cc: Linda DuVall
Kathleen Phillips, Esq.

Self-Pay Rates January 1, 2021 through March 31, 2022

		Single	2-Party	Family
UHC - NHP.HMO FOSH-M1 Plan, Regular Dental (DHMO)	Medical/Rx/Dental/Vision	**$579.44**	**$1,214.44**	**$1,711.55**
UHC - Regular HMO Plan, PPO Dental	Medical/Rx/Dental/Vision	**$800.57**	**$1,678.45**	**$2,373.19**
UHC - Regular POS Plan, PPO Dental	Medical/Rx/Dental/Vision	**$800.57**	**$1,678.45**	**$2,373.19**
Mutual of Omaha	Life Only	**$14.90**	**$14.90**	**$14.90**
Mutual of Omaha	Retiree Life Only Self Pay Rate	**$14.90**		

Note: The above self-pay rates for UHC (used for Retirees) do not include the premium for life coverage. The $14.90 life premium should be added to the UHC rates to determine the total monthly cost to continue coverage.

COBRA Rates January 1, 2021 through March 31, 2022

Non-Disability (1-18 months) or Disability (19-29 months)

		Single	2-Party	Family
UHC - NHP.HMO FOSH-M1 Plan, Regular Dental (DHMO)	Medical/Rx/Dental/Vision	**$591.03**	**$1,238.73**	**$1,745.78**
UHC - Regular HMO Plan, PPO Dental	Medical/Rx/Dental/Vision	**$816.58**	**$1,712.02**	**$2,420.65**
UHC - Regular POS Plan, PPO Dental	Medical/Rx/Dental/Vision	**$816.58**	**$1,712.02**	**$2,420.65**
Mutual of Omaha	Life Only	**$14.90**	**$14.90**	**$14.90**

Note: The above COBRA rates for UHC do not include the premium for life coverage. The $14.90 life premium should be added to the UHC rates to determine the total monthly cost to continue coverage.

Insurance Company Financial Strength Rating

Segal believes that it is important for clients to consider the financial strength of insurance companies and managed care organizations which are candidates for initial selection or renewal as insurers, or service providers, to employee benefit plans. Therefore, we are providing the current claims paying ability rating that was available to us as of the date this document was prepared for the insurance company or managed care organization under consideration. We have provided Standard & Poor's rating for your convenience. However, there are several other rating services (e.g., A.M. Best, Fitch and Moody's) which also provide claims paying ability evaluations of insurance companies and managed care organizations. You may wish to consult with these other services before making a decision regarding the initial selection or renewal of an insurance company or managed care organization.

Insurance company and managed care organization rating categories explanations are attached. For example, Standard & Poor's ratings range from "Vulnerable" to "Secure". In particular, they regard "vulnerable" companies (i.e. ratings of BB+ and lower) to be at relatively serious risk in terms of meeting both claims and creditor obligations. Insurance companies in this category should be researched carefully before being selected. Some insurance companies or managed care organizations may not have a published rating. You may therefore wish to pursue other means of determining the financial strength of these carriers.

Segal does not itself perform insurance company or managed care organization credit quality evaluations and does not offer any warranty as to the scope or reliability (e.g., with respect to an organization's ability to meet future obligations) of the insurance company or managed care organization evaluations performed by Standard & Poor's or any other rating service.

INSURANCE COMPANY/ SERVICE PROVIDER	RATING AGENCY	RATING	DATE OF RATING
UnitedHealthcare	Standard & Poor's	AA-	1/8/2021

Standard And Poor's (S&P) Rated Categories Explanation

INVESTMENT GRADE OR SECURE	
RATING	**CATEGORY**
AAA	Extremely strong capacity to meet its financial commitments. 'AAA' is the highest insurer financial enhancement rating assigned by S&P Global Ratings.
AA	Very strong capacity to meet its financial commitments. It differs from the highest-rated insurers only to a small degree.
A	Strong capacity to meet its financial commitments, but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than insurers in higher-rated categories.
BBB	Adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to weaken the insurer's capacity to meet its financial commitments.
BELOW INVESTMENT GRADE OR VULNERABLE	
RATING	**CATEGORY**
BB	Less vulnerable in the near term than other lower-rated insurers. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions that could lead to the insurer's inadequate capacity to meet its financial commitments
B	More vulnerable than the insurers rated 'BB', but the insurer currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the insurer's capacity or willingness to meet its financial commitments.
CCC	Currently vulnerable and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments.
CC	Currently highly vulnerable.
D	Currently has failed to pay one or more of its financial obligations when it came due. A 'D' rating is assigned when S&P Global Ratings believes that the default will be a general default and that the obligor will fail to pay all or substantially all of its obligations as they come due.
SD	Currently has failed to pay one or more of its financial obligations when it came due. An 'SD' rating is assigned when S&P Global Ratings believes that the obligor has selectively defaulted on a specific issue or class of obligations, but it will continue to meet its payment obligations on other issues or classes of obligations.
Rating Modifiers may be assigned to Financial Strength Ratings:	
MODIFIER	**DEFINITION**
Plus (+) or Minus (-)	The ratings from "AA" to "CCC" may be modified by the addition of a plus or minus sign to refine relative standing within each category.