Segal

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Board of Trustees
UFCW Local 400
8400 Corporate Drive, Suite 200
Landover, MD 20785

Re: Carelon EAP & MH/SUD Renewal Options Effective January 1, 2027

Dear Trustees:

As a reminder, the Fund renewed with Carelon for one year, through December 31, 2026, with the intention of re-evaluating the Employee Assistance Program (EAP) benefit plan structure. Carelon provided alternative options for the EAP benefit while maintaining the current Mental Health and Substance Use Disorder (MH/SUD) benefit.

Current Benefit

Carelon provides services for two separate benefits:

1. Employee Assistance Program (EAP)
    - Available for Plan Y members and eligible dependents only.
    - The current EAP benefit provides 6 sessions per lifetime. These sessions could be for one or more separate issues. A lifetime session limit is not industry standard.
    - Fully-insured benefit through Carelon.
2. Mental Health/Substance Use Disorder (MH/SUD)
    - Available for Plan JSS-2, Y, Y20, and Y30 members and eligible dependents only.
    - Treatments are covered at 80% under Major Medical up to the usual, customary, and reasonable charges and are subject to the other limits of the Plan.
    - Administrative services are provided through Carelon and benefit claims are self-funded.

The following program enhancements are currently available to members in 2026 under the current benefits:

- Expanded Digital Behavioral Health Support
- Enhanced Manager and Employee Awareness Tool – new employee orientation video to build awareness and engagement of the EAP program
- Increased Preventative and Educational Outreach
- Mobile App Expansion to EAP and MH/SUD programs

The current lifetime EAP model provides only a limited benefit and is not industry standard. The renewal is replacing the EAP lifetime session model with an annual per issue model. These options are outlined below. Note the MH/SUD has been unchanged and is the same in both options.

Option 1 – 6-Session Model

Carelon proposed changing the session frequency from per lifetime to per year per issue to modernize the EAP benefit design and align more closely to industry standards. The following chart outlines the per employee per month (PEPM) costs for the 3-year proposal, or through December 31, 2029:

Carelon Option 1 – 6 Sessions/ Year/ Issue

	Current		3-Year Proposal	
Effective January 1,	**2026**	**2027**	**2028**	**2029**
EAP Fee PEPM	$1.05	$1.12	$1.20	$1.29
MH/SUD Fee PEPM	$5.19	$5.19	$5.45	$5.72
Total	**$6.24**	**$6.31**	**$6.65**	**$7.01**
% Change	-	1.1%	5.4%	5.4%
Estimated Annual Cost[1]	**$40,900**	**$41,100**	**$43,300**	**$45,600**
Estimated $ Change	-	$200	$2,200	$2,300

[1] Assuming 336 employees for EAP and 588 employees for MH/SUD.

Option 2 – 4-Session Model

Carelon analyzed the Fund's utilization and concluded that members utilize 3.5 sessions on average per issue. Given this average, Carelon also proposed 4-sessions per year per issue model. The following chart outlines the per employee per month (PEPM) costs for the 3-year proposal, or through December 31, 2029:

Carelon Option 2 – 4 Sessions/ Year/ Issue

	Current		3-Year Proposal	
Effective January 1,	**2026**	**2027**	**2028**	**2029**
EAP Fee PEPM	$1.05	$0.97	$1.04	$1.11
MH/SUD Fee PEPM	$5.19	$5.19	$5.45	$5.72
Total	**$6.24**	**$6.16**	**$6.49**	**$6.83**
Total % Change	-	-1.3%	5.4%	5.2%
Estimated Annual Cost[1]	**$40,900**	**$40,500**	**$42,600**	**$44,800**
Estimated $ Change	-	($400)	$2,100	$2,200

[1] Assuming 336 employees for EAP and 588 employees for MH/SUD.

Financial Strength

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 and managed care organization under consideration. We have provided the A.M. Best rating for your convenience. However, there are several rating services (e.g., Standard & Poor's, A.M. Best, Fitch and Moody's) which 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	Rating Agency	Rating	Date of Rating
Carelon Behavioral Health	A.M. Best	Not Rated	N/A

Currently, Carelon Behavioral Health is not rated by A. M. Best. You may, therefore, wish to pursue other means of determining the financial strength of this carrier.

Segal itself, does not perform insurance company and 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 and managed care organization evaluations performed by any rating service.

Conclusion

Both renewal options provided appear to be reasonable and competitive within the market. We recommend accepting Option 1 at the 6-session model. 6 sessions aligns with the industry standard and will allow for higher utilization than the 4-session model. Carelon is able to provide communications/education about the enhanced benefit to help drive utilization for the Employee Assistance Program. Carelon is also willing to customize any plan design, should you prefer additional options.

Please let us know if you have any questions, otherwise we look forward to discussing this with you further.

Regards,

Josh Timm
Senior Vice President

cc: Jeff Ianniello
Jeff Heron
Christopher Heppner
Lauren Fratzke
Elizabeth Pierce