United Food and Commercial Workers
(UFCW) Unions and Participating Employers
Health and Welfare Fund

Coronavirus Disease 2019 (COVID-19)

Market Update

March 2021

Segal

COVID-19 Update

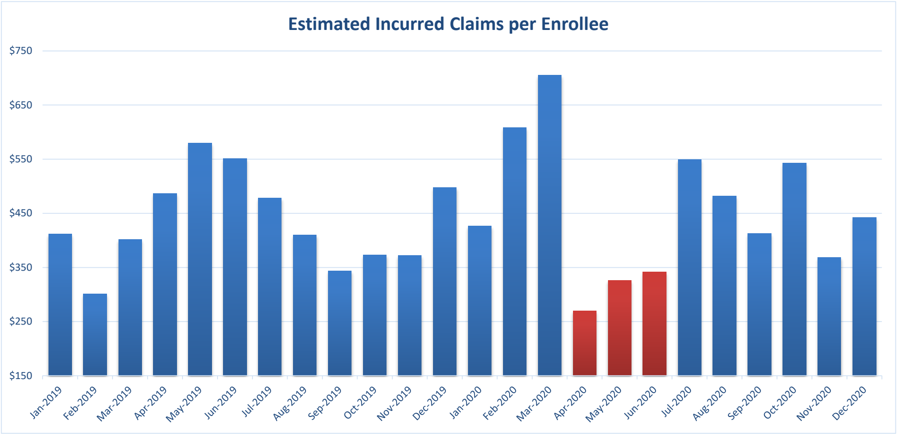
- The coronavirus disease 2019 (COVID-19) pandemic has caused significant disruptions to the healthcare delivery system. Health plan costs have been impacted in two major ways:
  - Direct costs for testing and treating the disease
    - The cost of this is low, typically between 1% - 5% of annual medical expenses which can vary based on the demographics of the group, such as age and location. However, it can be much more for frontline workers.
  - Indirect savings from reduced utilization of non-essential services
    - There was a temporary suspension of many healthcare services. Some services were cancelled including routine office visits, chiropractic therapy, physical therapy, and elective surgeries.
- Originally, it was expected certain services would be deferred to later in 2020 or even into 2021. This was expected to increase Fund expenses over original (pre-COVID) expectations. However, based on updated data, there has not been a significant increase in healthcare expenses.

Fund Experience

- Although the US has been significantly impacted by the COVID-19 pandemic, many health plans have not experienced adverse claims. Some plans have experienced noticeable gains driven largely by the reduction of non-essential health care services. This reduction in claims paid is most prevalent in the first half of the year when many areas of the country were shut down.

- Plan sponsors have experienced claims activity due to the direct cost of COVID-19, but the cost of testing and treatment for COVID-19 has been modest when compared to the amount of care that has been delayed or cancelled. The result has been noticeable and significant declines in claims during March through May of 2020.
  - In total, the Fund has paid $823,000 through January 31, 2021 for COVID-19 related services. This represents 12% of the known incurred claims that have been paid over the same period of time.

- The following chart outlines the Fund's estimated medical claims incurred on a per enrollee per month basis for the last 24-months through December 31, 2020. These figures are estimated and are still subject to change. Incurred claims are not fully realized until months after, when the services are paid.



- Claims for the period April 1, 2020 through June 30, 2020 represent a 35% decrease compared to the period April 1, 2019 through March 31, 2020. A significant portion of the decrease is due to delayed utilization from the COVID-19 shut down.

Fund Experience

- The following chart outlines the Fund's experience for large claims over $50,000 for the last two years through January 31, 2021.

Large Claims Experience For Claimants Over $50,000			
	12-Months Ending January 31, 2020	12-Months Ending January 31, 2021	Change
Total			
Number of Claimants	20	19	-5.0%
Total Dollars Paid	$2,014,677	$1,700,834	-15.6%
COVID-19			
Number of Claimants	-	4	-
Total Dollars Paid	-	$535,878	-
Total Less COVID-19			
Number of Claimants	20	15	-25.0%
Total Dollars Paid	$2,014,677	$1,164,956	-42.2%
Total Participants[1]	2,202	1,630	-26.0%
Total Paid Per Participant Per Month	$76.26	$59.56	-21.9%

[1]*Based on the Administrative Manager's Reports (AMRs).*

- Net of COVID-19, the Fund's per capita large claims have decreased 21.9%.
- In spite of the Fund's costs for the testing and treatment for COVID-19, the Fund's estimated incurred claims are only up 3.7% on a per capita basis year-over-year through January 31, 2021.

COVID-19 Vaccinations

- Legislation
  - On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed, which expanded on the provisions of the Families First Coronavirus Response Act requiring employer-sponsored group health plans to provide coverage of COVID-19 testing at no cost-share (copays, deductibles and coinsurance). This is the only current legal requirement surrounding coverage of COVID-19. Treatment may still be charged at normal copays, deductible and coinsurance amounts.
- Vaccines
  - Three vaccines have been approved for use by the Advisory Committee on Immunization Practices (ACIP):
    - Pfizer-BioNTech and Moderna (both two dose vaccines)
    - Johnson & Johnson (single dose vaccine)
  - The Federal government has purchased vaccines from the manufacturers and is allocating supplies to the states for prioritized distribution. While the ingredient cost of the vaccine is covered, there is an additional fee for the administration of the vaccine charged by health care providers and facilities.
    - As a non-grandfathered plan under the Affordable Care Act, the CARES Act requires that the United Food and Commercial Workers (UFCW) Unions and Participating Employers Health and Welfare Fund covers the administration fee of the vaccine for the participants.