Welfare, Pension and Annuity Funds of Local One IATSE

www.FundOneIATSE.com

Volume 6, Issue 1

March 1, 2013

Benefit News and Tips

If you have any questions regarding your Welfare, Pension or Annuity benefits, please let us know!

How you can reach us:

- **VISIT our new Web Site:** **www.FundOneIATSE.com**
- **COME UP to** the Fund Office: **320 West 46th Street, 6th Floor,** between 8th and 9th avenues
- **CALL us at :** **(212)247-5225** or toll free at **(800)974-2873**
- **FAX us at: (212)977-9319**
- **EMAIL us:**

Welfare

Gloria A. Shea, Supervisor
gashea@fundoneiatse.com

Shirley Nelson
snelson@fundoneiatse.com

Denise Carmona
dcarmona@fundoneiatse.com

Pension and Annuity

Mariann Zappalla, Supervisor
mzappalla@fundoneiatse.com

Administration

Scott Cool, Director of Fund Administration
cool@fundoneiatse.com

Colbert Cambran
ccambran@fundoneiatse.com

Tina Tatum
ttatum@fundoneiatse.com

We look forward to hearing from you!

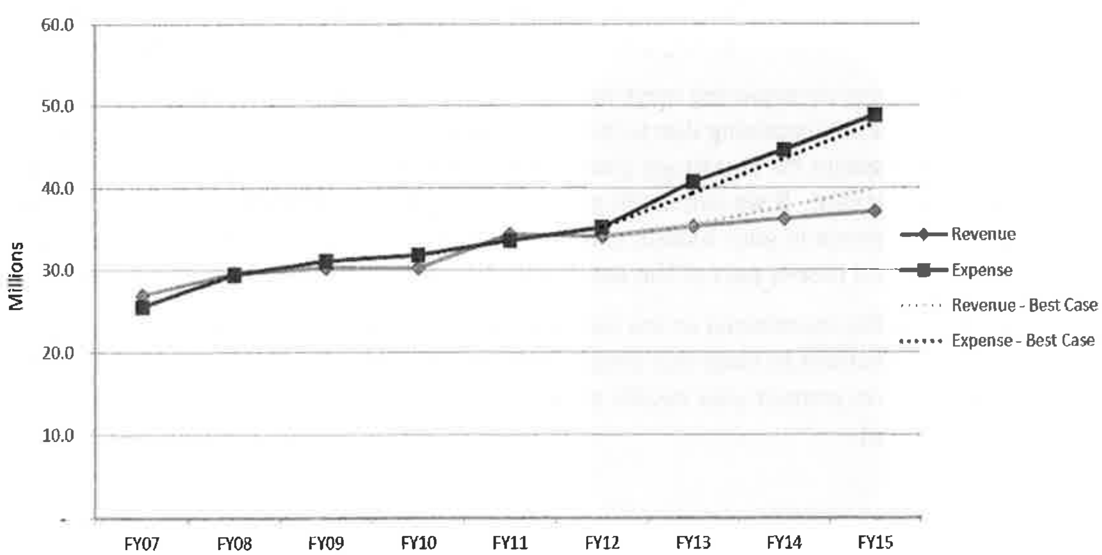
The Welfare Fund Gets a Checkup

Symptoms

The Welfare Fund prepares a budget every year that projects revenues and expenses for the following 3 years. It is a very important planning tool designed to give the Fund Trustees a heads up about future funding problems. The Trustees can then use this information to make adjustments to the Plan in order to ensure that the Plan remains healthy and able to continue to provide benefits to you and your family. When you receive a notice from the Welfare Fund that your self-pay premiums are going up, that copay and deductibles are being adjusted, or other changes are being made to the Plan, it is generally because the Trustees have foreseen problems ahead, and are attempting to once again balance the books.

The budget which was presented at the last Welfare Fund Board meeting raised the concern of the Trustees. Many of you who attended the January 27th Membership Meeting have already heard from the Union Trustees that the Welfare Fund is experiencing serious financial difficulties. Our expenses are growing faster than our revenues, and the resulting deficit is projected to grow over time. So while we expect to lose $4-5 million this year, if nothing changes, next year that deficit will increase to $6-8 million, and the following year it could be in the $8-11 million range. At that pace, if left unchecked, it would not be long before the Fund was unable to operate. But this is a problem which we have faced and solved in the past. And it's a problem which is faced by almost all group health insurance plans from time to time since keeping up with the rapidly increasing cost of health care is an ongoing struggle for all.

If you look at the chart below, you can see how the problem worsens over time. The deficit is represented by the distance between the Revenue (green) line and the Expense (red) line. Compared to a total budget of around $40 million, these are very large deficits. When we look at how the first half of this year (FY13) has played out, we seem to be running better than budget for both revenue and expenses. But even in the best case scenarios shown by the dotted lines, the deficits are still huge and worsening.



Continued on Back Page . . .

Diagnosis

So what changed? This year the Fund's insurance premiums went up 14.2%. Next year we are projecting that our insurance premium will go up about 10%. Revenues, which have been greatly enhanced by the significant increases in contribution and wage rates negotiated over the last decade, have gone up around 6-7% per year on average, but can vary a lot from year to year depending on business. When your expenses are growing faster than your revenues, you have a problem. And the reason our expenses have been rising so sharply recently is that we have experienced large increases in our medical claims.

We started noticing a significant increase in our medical claims about 18 months ago. One of the major problems seems to be with the chronic and serious medical problems that require expensive treatments and surgeries. For a while it was assumed that we were temporarily running above average for these large claims, and we hoped to return to our previous experience levels. We later came to find out from CIGNA that our previous experience had been much better than would be expected for a fund our size, and now that we are going on almost 2 years of this higher claims experience, we have come to understand that this is not a cyclic high point. It is the level of claims expense we should expect going forward.

Treatment

All budget problems are basically the same. If you are running a deficit, you must increase your revenues, decrease your expenses, or do both. Our revenues are almost entirely the employer contributions specified in your collective bargaining agreements, and the self-pay premiums you pay each quarter. Our expenses primarily reflect the cost of your medical claims. So there are no easy solutions. The unfortunate truth is that to increase revenues, we are all going to pay more for our health insurance. That may take the form of increased self-pay premiums, higher co-pays and deductibles, or increases to employer contributions that get factored into your negotiated wage packages.

Expense reduction is equally difficult since it either means reducing benefits, or reducing the number of people who receive them. The only other way to reduce claims expense is to get you to be healthier, savvy consumers of health services, who take care of themselves and get regular check-ups so that easily treated problems don't develop into chronic or catastrophic conditions. This is an attractive avenue to explore since it is the one piece of an overall solution that doesn't increase your cost or reduce your benefits. On the contrary, it's a potential win-win that in the long run will save the Fund money, and at the same time hopefully help you realize the dividends of a healthier and longer life.

We are currently exploring ways to encourage you to get the preventive care you need, but perhaps aren't currently receiving due to the pressures of your hectic work and home life. We want to find ways to make it easier for you to get your check-ups and screenings, and when you do get ill, help you find the best quality care. If we can catch problems early and treat them efficiently and effectively, we can make a real difference in your health, and the long-term health of the Welfare Fund. But this is longer-term solution, and clearly part of the solution must address the problems we are experiencing right now.

As Mr. Claffey mentioned at the January Membership Meeting, we are going to have to work hard to find creative solutions to close our developing deficit. The primary focus and goal of the Welfare Fund Trustees is to protect your health insurance benefit and ensure that it's there when you and your family need it most.