



Health Trust Status and Action Plan

Seattle Area Plumbing & Pipefitting Industry Health Plan

CHANGES FOR PLAN YEAR 2027

About the Trust

The Seattle Area Plumbing & Pipefitting Industry Health Trust is a non-profit organization, established under a collective bargaining agreement.

- ▶ The Trust is **self-funded** and managed by a Board of Trustees (evenly represented by both Labor and Management).
- ▶ Benefits include coverage for medical, prescription drugs, dental, vision, EAP, life/AD&D and disability.
- ▶ Participants include actives, retirees and eligible dependents.



What it Means to be Self-funded

No insurance company

- ▶ Trust assumes full responsibility for paying members' healthcare costs
- ▶ Stop loss coverage protects the Trust from catastrophic claims

Contributions fund benefits

- ▶ \$11.96 per hour contribution on behalf of actively working members
- ▶ COBRA and Retiree self-payments

Sharing Risk, Together

- ▶ The cost of benefits is spread throughout the group, and the risk is pooled
 - 15%-20% of members incur 80%-85% of cost

In other words, we – the members of Local 32 – are the “insurance company”.

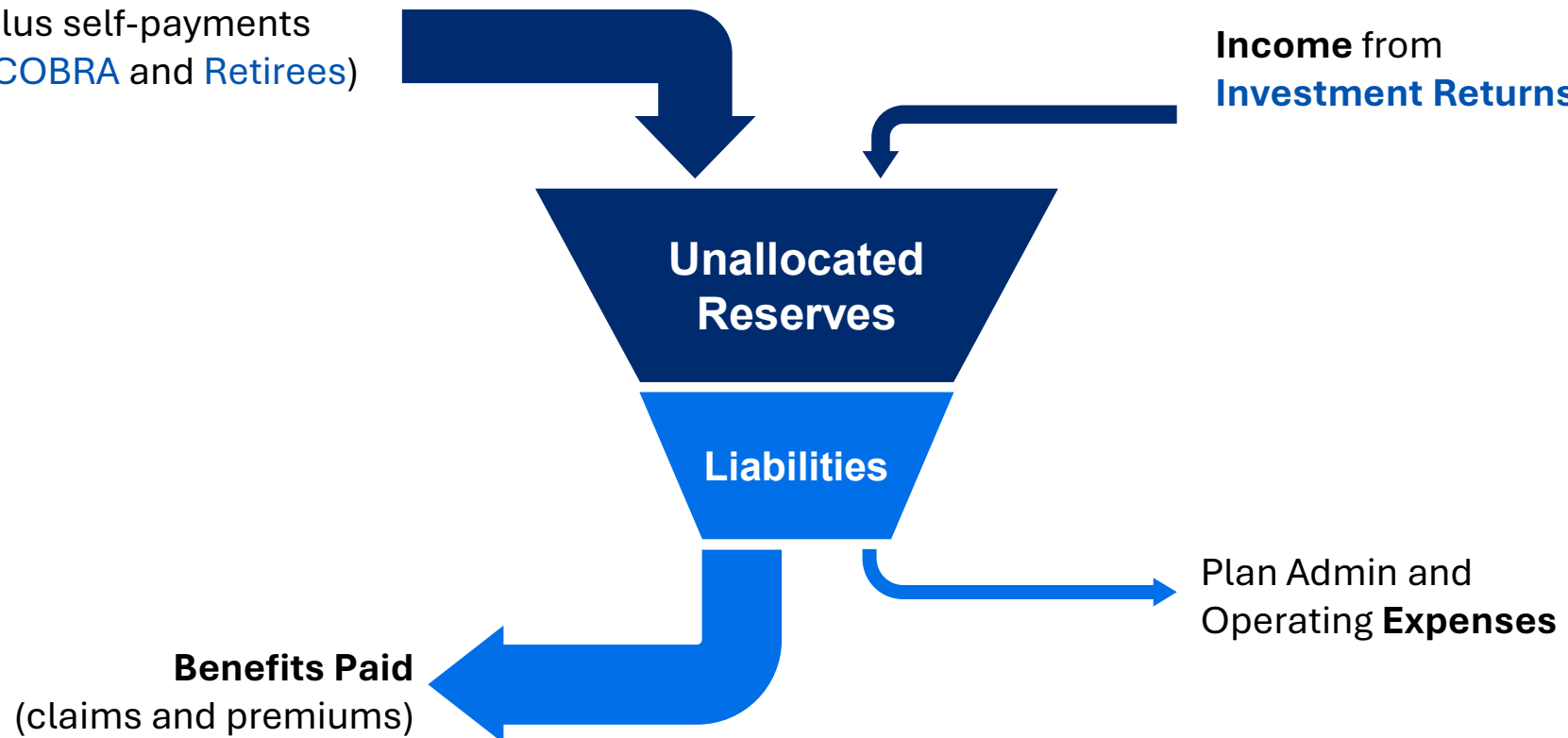
Our contribution dollars pay directly for our health care claims.

Plan Income & Expenses

The graphic below shows how the Plan receives its funding and how those funds are used.

Income from **Hours Worked** x
the **Contribution Rate**
plus self-payments
(**COBRA** and **Retirees**)

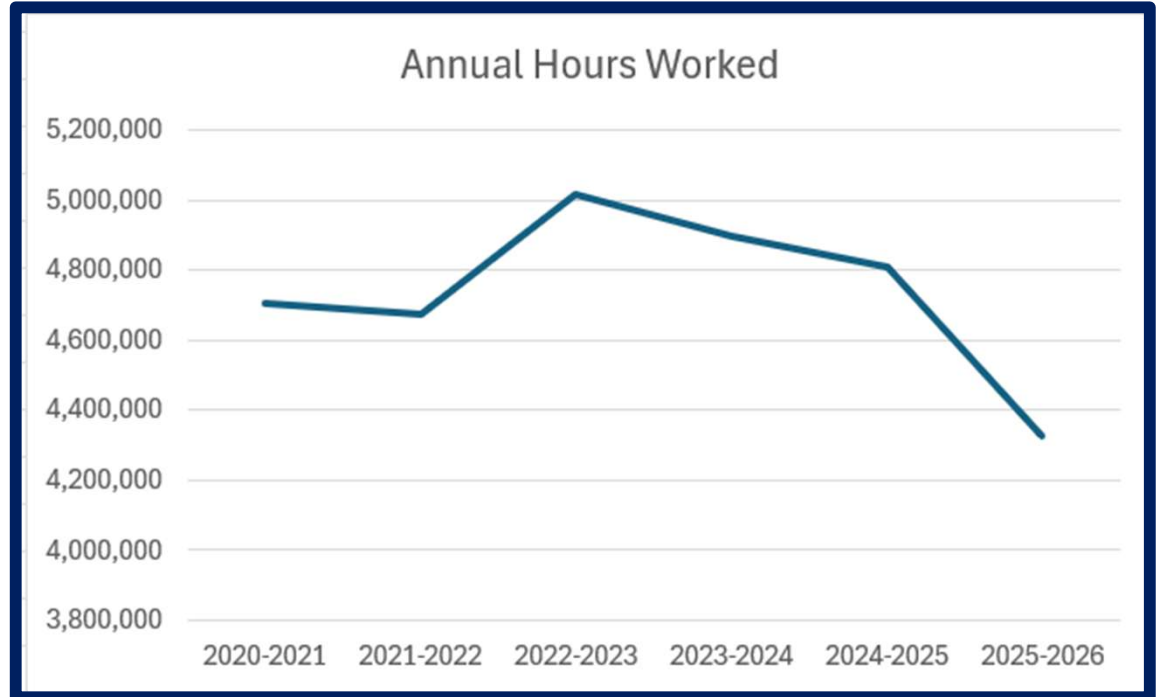
Income from
Investment Returns



Annual Hours Worked

- As previously mentioned, the Plan's revenue to pay claims is primarily dependent on contributions from hours worked.
- Hours have been on a decreasing trajectory since a high point in 2022.
 - Following 10-years of full employment, the out-of-work list has been long for the past 24 months.
 - In just the past year the Trust saw a 9% drop in hours.

Plan Year	Hours
2020-2021	4.70 million
2021-2022	4.67 million
2022-2023	5.02 million
2023-2024	4.89 million
2024-2025	4.81 million
2025-2026	4.33 million



Plan Usage – Claims Trends (12 months ending April 2026)

PPO

- Total net claims per eligible active member per month increased by **34.4%** compared to the prior 12 months.
- Non-Medicare retired individuals had net paid claims approximately **35.0% more** than expected.

Kaiser

- Paid claims for Kaiser active, self-pay, and non-Medicare participants increased approximately **20.6% more** than expected.

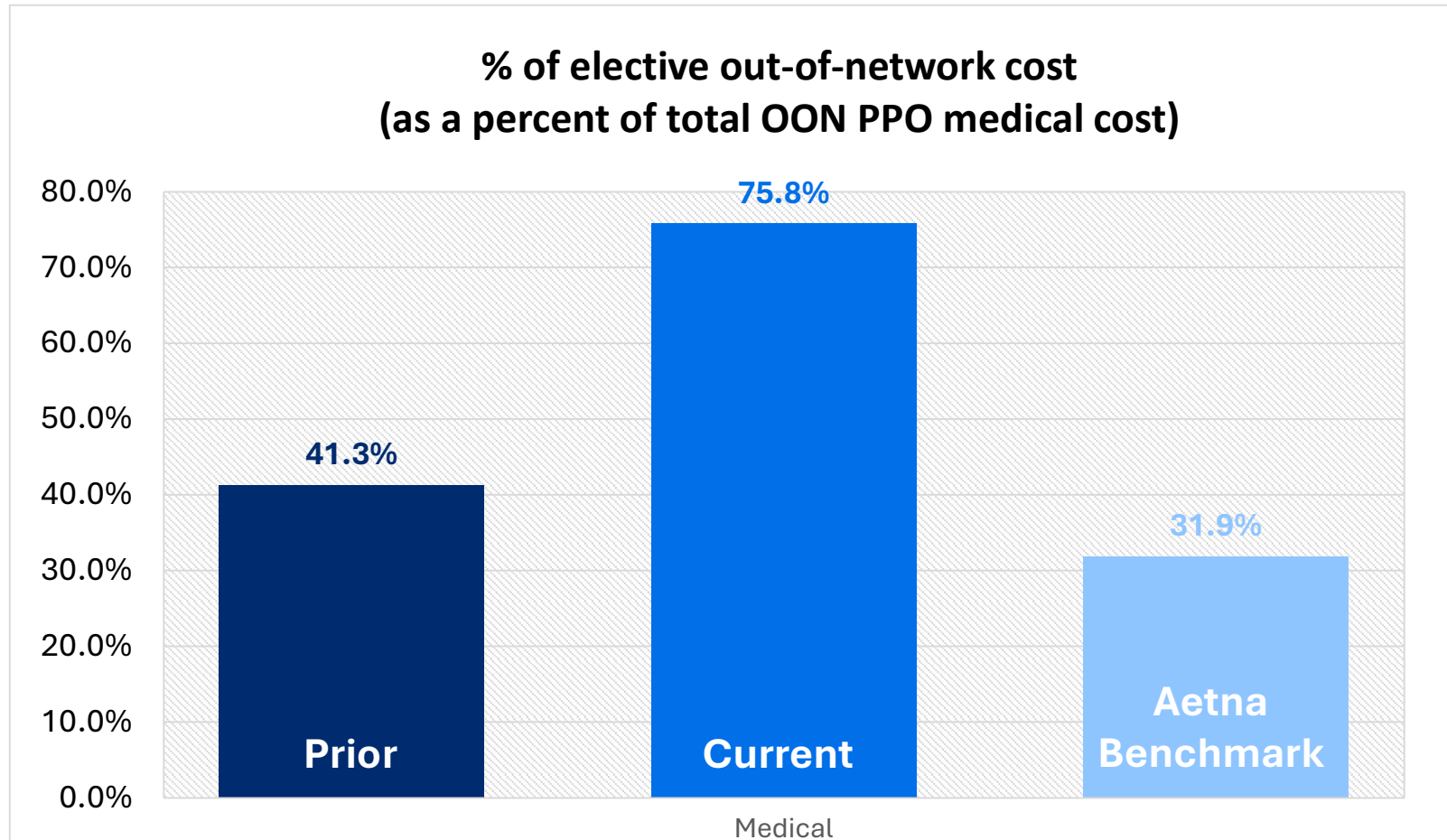
Medicare

- Paid claims and paid premiums for Medicare retired individuals totaled approximately **5.7% more** than expected.
- However, the total net claims and premiums per medical eligible per month decreased by **37.4%** from the prior 12 months. *(A rare piece of good news!)*

Plan Usage – Out of Network PPO Medical Cost

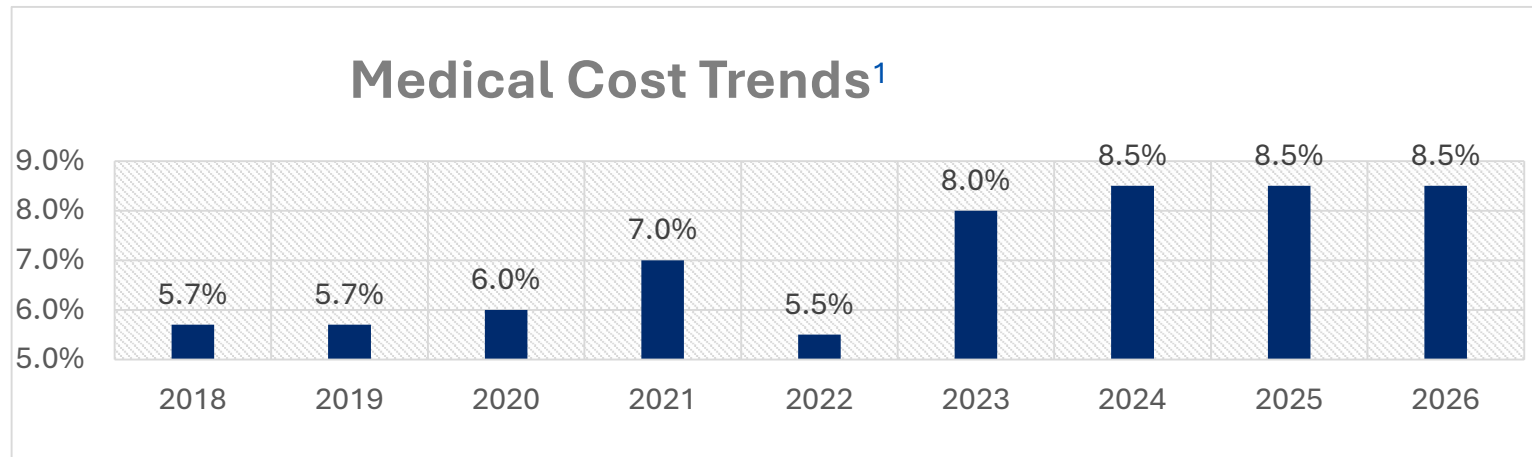
Out of Network

The chart below shows that the percent of elective OON PPO medical Plan costs increased by 34.5% from the prior year. The bulk of this increase was driven by behavioral health claims which includes substance use disorder in-patient treatment.



Market Forces – National Medical Cost Trends

Trends



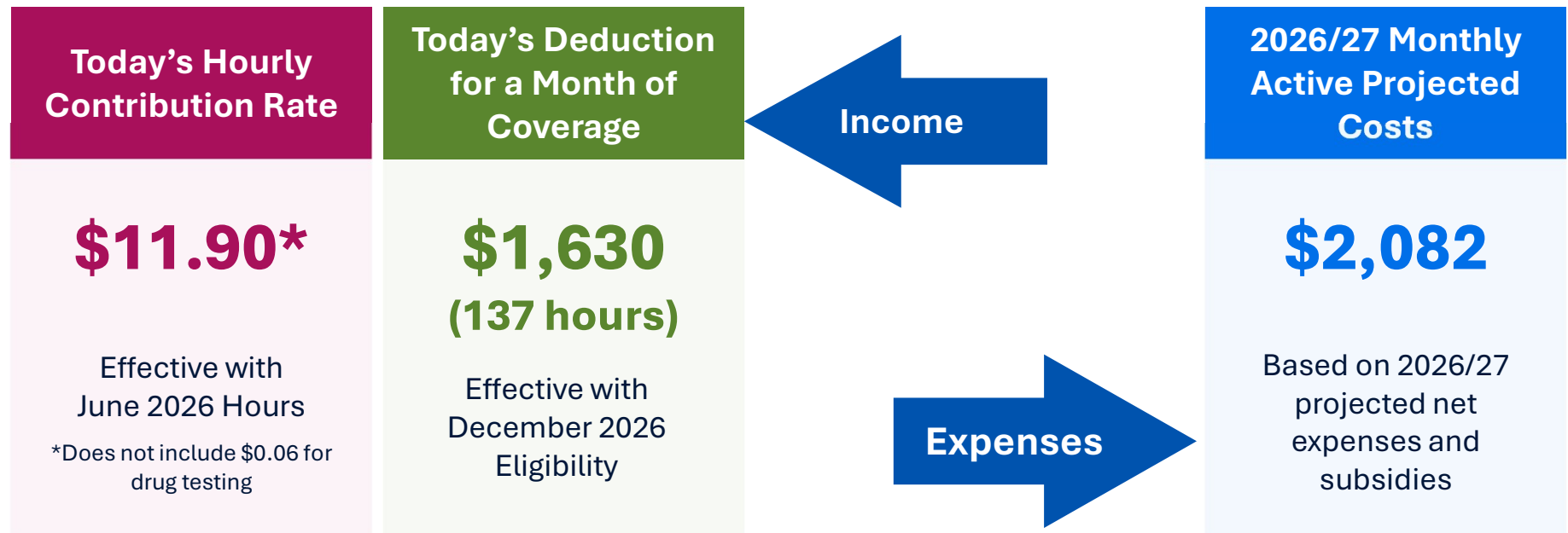
Inflators

- **Rising hospital costs due to inflation, wages, and shrinking margins.**
- **Drug spending – growth in costs for new drugs for oncology, immunology, cardiovascular, obesity, and diabetes as well as gene therapies.**
- **Surges in behavioral health – significant increases over the last 3 years with future trend projected to be between 10% and 20%.**
- **Uninsured or underinsured percentage of market – costs for people without health insurance are typically absorbed by group health plans**
- **Global Events – Could exacerbate health care material shortages**

¹**Source:** PriceWaterhouseCooper's Behind the Numbers 2026: <https://www.pwc.com/us/en/industries/health-industries/library/behind-the-numbers.html>

Plan Income & Expenses

Below you can see the relationship between contributions (income) and the cost of coverage (expenses).



- There is a projected **\$452 difference** between projected monthly costs and contribution income.
- This differential needs to be made up by a combination of spillage (contributions by those with a maxed-out bank,) investment returns (reserves,) and plan changes.
 - Expected 2026/27 spillover accounts for only **\$155** of the differential.



Current Plan Status - Summary

Income is down

- Fewer hours worked
- Reduced investment income opportunity due to decreased reserves

Utilization of the Plan is up

- Fewer payers, more users
- Increased high-cost claimants
- More out of network usage

National Market Forces

- Healthcare costs increased significantly in past 5 years



**What's
the
Impact?**

Measuring the Impact – Reserves

Actual

- Actual monthly expenses for 2025-2026 plan year increased approximately **12.9%** from the previous year.

Expected

- Expenses are expected to **exceed** income by **11%** during the **2026-2027 Plan year**.
- Based on projected Trust assets at the end of the **2026-2027 plan year** and current liabilities, expected unallocated reserves would equal **0.7 months** of expected **2026-2027 expenses**.
- Without plan changes, reserves will deplete and the Trust will not be able to meet obligations such as claims payments.

Plan of Action

Dependent Audit

- **The Health Plan will conduct a dependent audit to ensure all covered dependents meet eligibility requirements.**
 - ✓ Dependents/former spouses may still be covered due to members not notifying the Trust of family changes. The audit will make certain that the Plan is not paying claims for ineligible persons.

Contributions

- **The Trustees plan to call for additional contributions as part of wage allocations for the foreseeable future.**
 - ✓ The Local 32 healthcare contribution is currently 15% of taxable income. By contrast, the contribution by other UA Locals across the country is between 20% and 30%.
 - ✓ Future hourly allocations will depend on Plan reserves improvement and other indicators such as usage and overall medical costs.

Plan of Action

Plan Changes

Update Plan Design for PPO Plan

Increase deductibles, copays, and out-of-pocket maximums

- These have not changed in 11 years and will be updated strategically to integrate with the new network structure.

Move to a Multi-Tier PPO Medical Network structure

- This new structure will provide members a way to **actively manage their out-of-pocket costs** while reducing costs to the Plan. There will now be **two In-Network tiers** and an Out-of-Network tier. (You are not limited to using only one tier.)

1. **In-Network Tier 1** is made up of high-performance providers in a defined geographical area.
2. **In-Network Tier 2** is the broader Aetna network of providers.
3. **Out-of-Network** is comprised of providers who do not participate in the Aetna network.

More on these
in a moment!

Plan of Action

Plan Changes

Update Plan Design - continued

Update prescription drug copays

- These copays have not changed in 10 years, with the 30-day generic copay unchanged for 15 years.

Adjust dollar bank maximum from 5 months to 3 months

- This will allow the Trust to rebuild reserves.
- Beginning January 1, 2027, the maximum number of bankable months of coverage will be changed from 5 to 3.
- Members who currently have 4 or 5 banked months on file, will have their banks reduced to 3 months effective January 1, 2027.

Update structure of short-term disability / maternity benefit

- These Plan benefits were instituted before the WA Paid Family Medical Leave coverage existed.
- Effective January 1, 2027, to claim the Plan short-term disability or maternity benefits, you must first exhaust your WA PFML benefits.

Multi-Tier Network – In Network

Tier 1 – Aetna Premier Care Network ACPN Plus

This tier will slightly increase deductibles, maintain the same copays, and decrease the coinsurance from 20% to 10%.

Tier 1 – ACPN Plus	
Deductible	\$400/\$1,200
Copay	\$20
Coinsurance	10%
ER Copay	\$100
Coinsurance Max	\$2,000/\$4,000
Out of Pocket Max	\$8,000/\$16,000

If the bottom line is your priority, you can choose Tier 1 providers.

Tier 2 – Aetna Broad CPOS II

Same as current broad Aetna CPOS II network of providers. This tier will see an increase to deductibles, copays, and coinsurance.

Tier 2 – Aetna CPOS II	
Deductible	\$600/\$1,800
Copay	\$40
Coinsurance	25%
ER Copay	\$200
Coinsurance Max	\$4,000/\$8,000
Out of Pocket Max	\$8,000/\$16,000

If convenience is more important to you, choose Tier 2 providers.

Compared to Current Plan: Orange = Increase Blue = No Change Green = Decrease

Multi-Tier Network – Out of Network

Tier 3 – Out-of-Network

These providers do not participate in the Aetna network. This tier will see an increase to deductibles, copays, and coinsurance. There is no out of pocket maximum for out-of-network services.

Current Plan		Tier 1	Tier 2	Tier 3 Out-of-Network
\$300/\$900	Deductible	\$400/\$1,200	\$600/\$1,800	\$2,500/\$7,500
\$20	Copay	\$20	\$40	\$60
20%	Coinsurance	10%	25%	40%
\$100	ER Copay	\$100	\$200	\$200
\$2,000/\$4,000	Coinsurance Max	\$2,000/\$4,000	\$4,000/\$8,000	\$5,000/\$10,000
\$5,600/\$10,200	Out of Pocket Max	\$8,000/\$16,000	\$8,000/\$16,000	n/a
20%	Inpatient Hospital	10%	25%	\$500 copay plus 40% coinsurance

Using out-of-network providers is the least cost-effective option for you and your family.

Compared to Current Plan: **Orange = Increase** **Blue = No Change** **Green = Decrease**

Multi-Tier Network – Locations

Tier 1 Provider Locations

King, Snohomish, Pierce, Kitsap counties

MULTIPLE SYSTEMS...

Providence/Swedish

Rainier Health Network/Franciscans

Evergreen

Overlake

Optum (Polyclinic)

Seattle Children's Hospital

10,000+

Specialists

1,200+

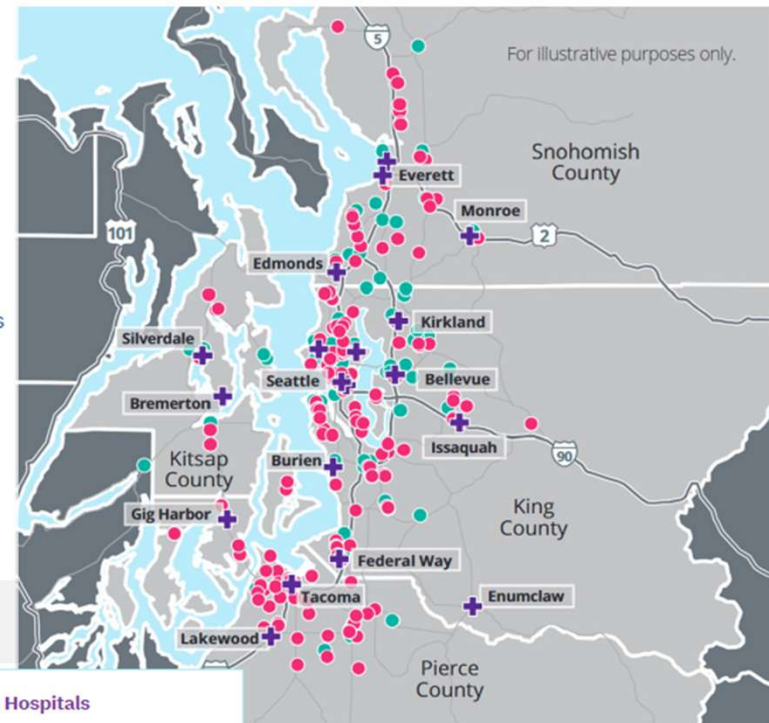
Primary Care Providers

18

Hospitals

75+

Urgent Care Facilities



3

- 88% of PPO members live within the Tier 1 geographic area of King, Pierce, Snohomish, and Kitsap counties. If you live outside of these four counties, your claims will process as Tier 1 when using an in-network provider.
- 98% of PPO members have access to a Tier 1 primary care doctor or pediatrician within 2-10 miles of home.
- 97% of PPO members have access to a Tier 1 hospital within 1-15 miles of home.

Multi-Tier Network – Provider Groups by Tier

Tier 1 – Aetna Premier Care Network ACPN Plus

Tier 1 – ACPN Plus
Providence/Swedish *
Rainier Health Network/CHI Franciscan *
Evergreen *
Optum (Polyclinic) *
Seattle Children's Hospital *
Overlake Hospital and Medical Clinics

Tier 2 - Aetna Broad CPOS II

Tier 2 – Aetna CPOS II
MultiCare / Tacoma General Hospital
Virginia Mason Medical Center
UW Medical Center
Valley Medical Center
Western WA Medical Clinics
Fred Hutchinson Cancer Center
Mary Bridge Children's Hospital and Health

To find a provider by location and specialty, visit www.Aetna.com.

These lists are not comprehensive.

* = Top 10 Plan provider by number of users

Multi-Tier Network – Q&A

What benefits would apply for members who live outside the Tier 1 geographic area?

- If a member lives outside the APCN+ Multi-Tier service area, they are not disadvantaged. **Those members generally receive access to the Aetna broad network at the Tier 1 level** because a local APCN+ Tier 1 network is not available in their area.
- The Tier 1 vs. Tier 2 benefit differential applies to members who reside within a market where APCN+ Tier 1 providers are available.

What benefits would apply for dependent children residing in a different location than the primary member?

- Dependent on which provider(s) are used. Tier 1 benefits would apply to Aetna's broad PPO network, or a subset of the network, when available in the state where the child is accessing care.

Multi-Tier Network – Q&A

How would a member know if they lived within the Tier 1 geographic area or are out-of-area?

- Your ID card will tell you.
- All member ID cards identify the network as **APCN+ Multi-Tier**.
 - ID cards for members who live *within the WA Tier 1 area* will also state “**Aetna Whole Health Puget Sound**”.
 - ID cards for members who reside *out-of-area* will also show “**Broad Network**”.
- Member-specific provider tiering information is available through the provider search function at **Aetna.com** and via member support resources.

Is Tier 1 Aetna Whole Health (AWH) only or are there additional providers included beyond AWH network/geographic region?

- Tier 1 represents the preferred high-performance network in each market across the country — not just in Washington state. In Washington, Aetna Whole Health is the Tier 1 network.

Multi-Tier Network – Q&A

How will accumulators work across multi-tier visits and across individuals within the same household?

- Applicable covered expenses accumulate simultaneously toward both the Tier 1 and Tier 2 deductible and/or OOP max. Once members and dependents meet their Tier 2 deductible and/or OOP max, they will have also met the Tier 1 deductible and/or OOP max.
- Example for an individual member **annual deductible**:

	Tier 1 provider	Tier 2 provider	Total Individual Deductible
Visit 1	\$300 deductible		\$300 toward \$400 T1 deductible
Visit 2		\$150 deductible	\$450 toward \$600 T2 deductible (T1 deductible reached)
Visit3	\$0 deductible		
Visit 4		\$150 deductible	\$600 toward \$600 Tier 2 deductible (Both T1 and T2 reached)
Visit 5		\$0 deductible	

Plan Changes – Prescription Copay Update

Rx Copay Updates

Prescription copays have not changed since 2017, with the 30-day generic copay unchanged since 2011.

	Current	New
Retail Generics (30-days)	\$8 Copay	\$20 Copay
Retail Preferred Brands (30-days)	\$40 Copay	\$60 Copay
Retail Non-Preferred Brands (30-days)	\$55 Copay	\$75 Copay
Mail Order Generics (90-days)	\$20 Copay	\$50 Copay
Mail Order Preferred Brands (90-days)	\$100 Copay	\$150 Copay
Mail Non-Preferred Brands (90-days)	\$137.50 Copay	\$187.50 Copay
Specialty Drugs	30% coinsurance	30% coinsurance
Deductible	Ind: \$0; Fam: \$0	Ind: \$0; Fam: \$0
Max Out of Pocket	Ind: \$1,000; Fam: \$3,000	Ind: \$1,500; Fam: \$4,500

PPO Network Options – Vera Whole Health = \$0 out of pocket

Vera

- Vera Whole Health primary care clinics are available to all Aetna/PPO participants over 3 years of age.
- Vera works in addition to your PPO coverage – it is not a separate plan.
- Provider visits are never less than 20 minutes and annual wellness visits are 60 minutes. *Longer appointment times mean you can address multiple issues.*

Vera Whole Health	
Deductible	\$0
Copay	\$0
Coinsurance	\$0

Vera services include:

- Preventive care
- On-site labs
- Physical therapy
- Chronic disease support
- Sick care
- Kids sports physicals
- Health coaching
- Most common drugs on-site for initial Rx



Come in as much as you need, at no cost



Head straight to the exam room, no waiting



Spend meaningful time with your provider



Get 90% of your care at the care center, we'll help coordinate the rest



Work with a health coach to achieve your goals

PPO Network Options – Vera Locations

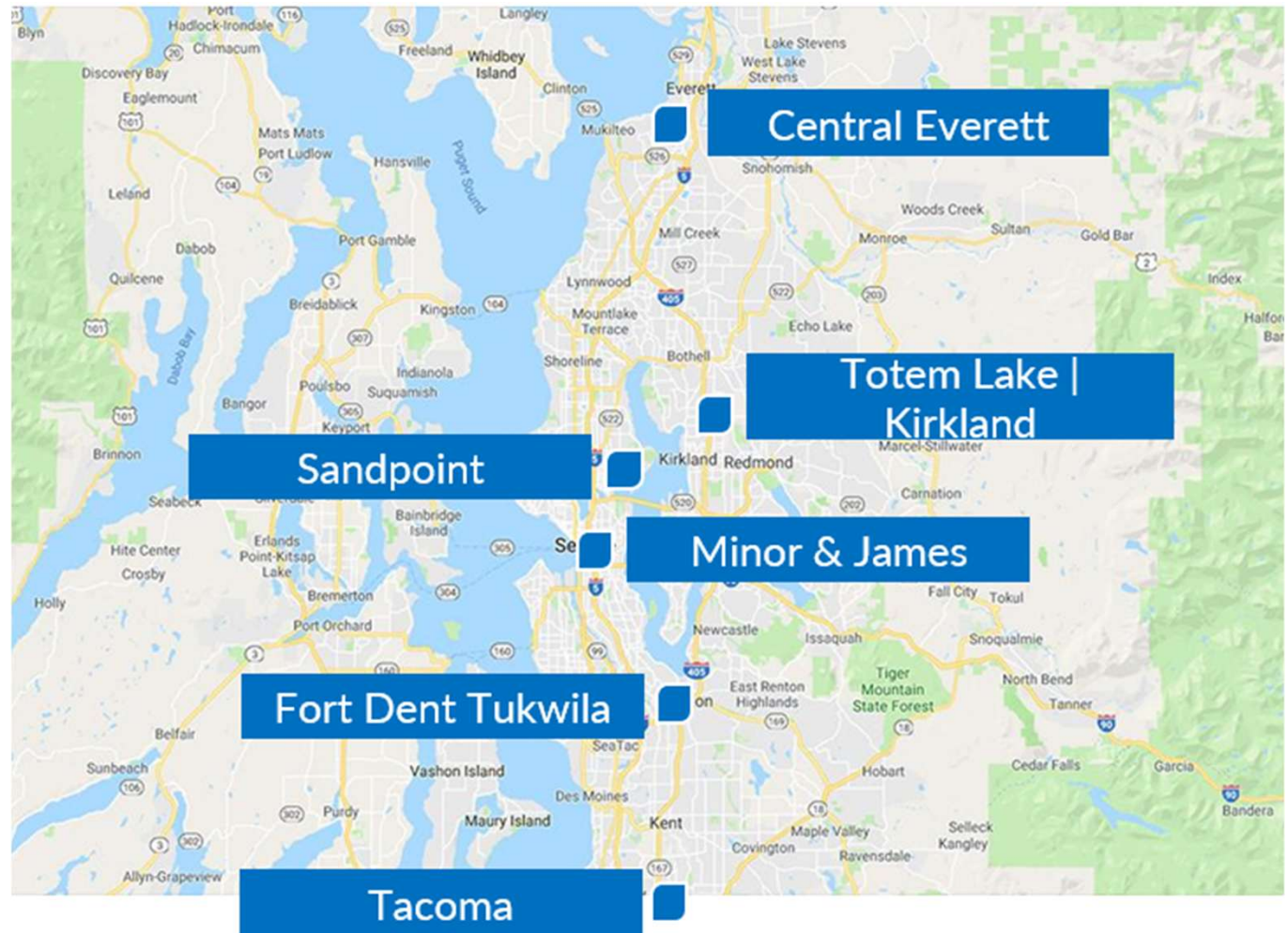
Vera

Fort Dent Tukwila Care Center

6700 Fort Dent Way
Suite 100
Tukwila, WA 98188

(206) 337-6080

Call **(206) 337-6080** to
book an appointment.



Visit the website to find other locations - verawholehealth.com/locations

Multi-Tier Network – Cost Comparison

Tier and Option Comparison Chart

The table below shows how your PPO provider options compare in terms of out-of-pocket costs.

	Vera Whole Health	Tier 1	Tier 2	Tier 3 Out-of-Network
Deductible	\$0	\$400/\$1,200	\$600/\$1,800	\$2,500/\$7,500
Copay	\$0	\$20	\$40	\$60
Coinsurance	\$0	10%	25%	40%
ER Copay	n/a	\$100	\$200	\$200
Coinsurance Max	n/a	\$2,000/\$4,000	\$4,000/\$8,000	\$5,000/\$10,000
Out of Pocket Max	n/a	\$8,000/\$16,000	\$8,000/\$16,000	n/a
Inpatient Hospital	n/a	10%	25%	\$500 copay plus 40% coinsurance

As you can see, your most cost effective option is to utilize Vera Whole Health Clinics and Tier 1 providers.

Plan of Action

SUMMARY



Initial Updates

- Dependent audit
- Contribution increases
- Update cost sharing (deductible, copay, etc.)
- Adjust maximum dollar bank (more spillage)



Strategic Levers

- Network structure changes (Tier Network)
- Targeted benefit design updates



Long-term Strategies

- Population health improvements
- Ongoing contribution increases
- Review existing vendor programs

The trustees have worked closely with our professional plan consultants to arrive at a multi-pronged approach to get reserves back to a healthy level.

Timeline

Multi-Year Plan

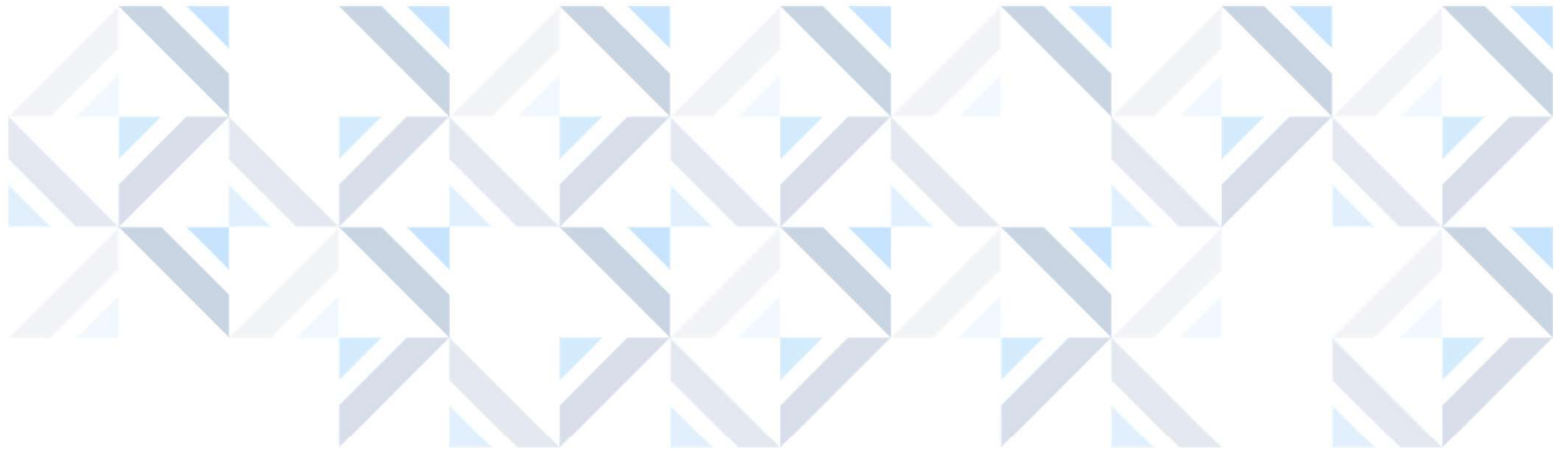
Rebuilding plan reserves will be an ongoing, multi-year effort that will continue into the foreseeable future.

National health care trends will continue to impact our Plan, meaning we must be vigilant and flexible.

The Board of Trustees will continue to closely monitor the status of the plan and is dedicated to preserving member benefits.

As conditions change the Trustees will continue to communicate with the membership.





Questions?

RESOURCES



Terminology

Deductible

The amount you pay out of pocket before insurance starts paying. “\$400 deductible” means you pay the first \$400 of covered care each year.

- Some services do not require you to pay a deductible, for example, preventive care.

Copay

A fixed dollar amount you pay for a specific service.

- “\$20 copay for office visits” means you pay \$20 every time, regardless of the actual visit cost.

Coinsurance

A percentage of the cost you pay after meeting your deductible. This amount is capped annually.

- “25% coinsurance” means insurance pays 75% and you pay 25%.

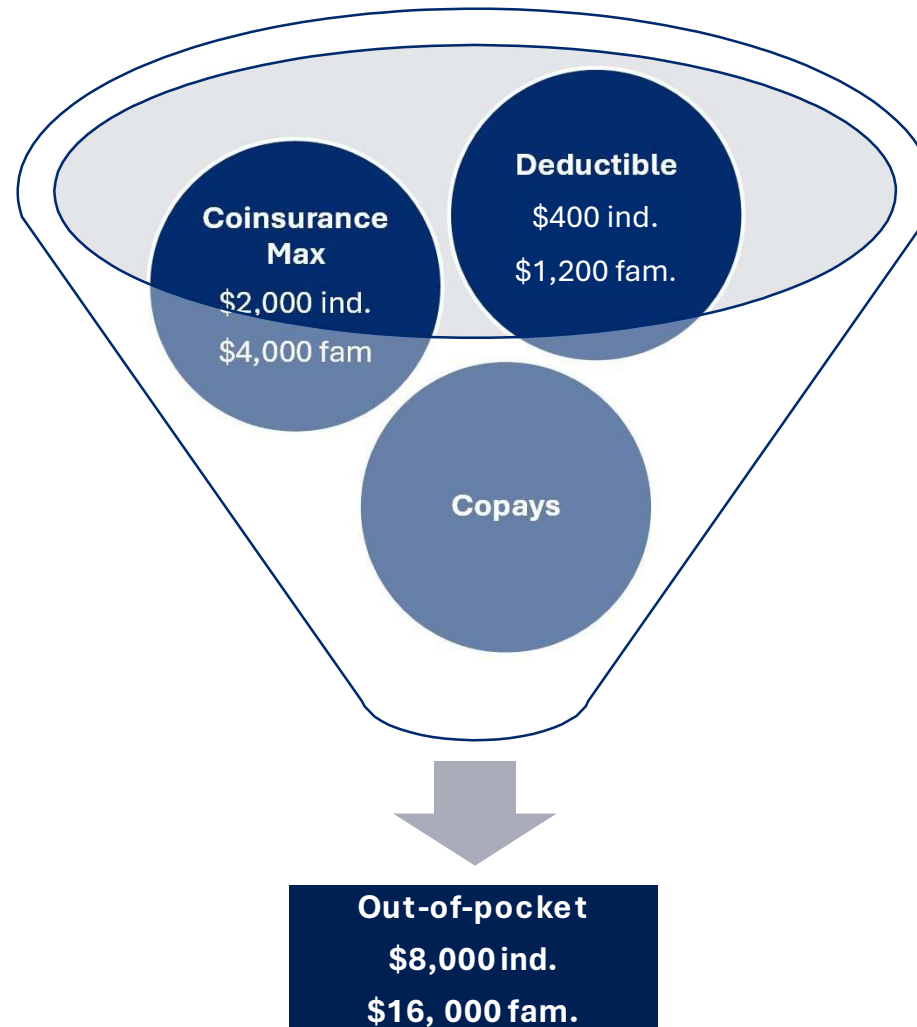
Out of Pocket Max

Once you hit your OOP Max, insurance covers everything in-network for the rest of the year.

Terminology

Out of Pocket Max

In-network medical out-of-pocket includes multiple categories.



Originally set-up to address ACA requirements.

Trustee Actions – “Behind the Scenes”

Plan Updates

- **Revenue**
 - Contribution increases were called for in 2014, 2022, 2025, and 2026, increasing plan income.
- **Population Health**
 - Vera Whole Health clinics implemented in late 2020. Vera is designed to create low-barrier access to primary care with the goal of improving population health. A healthier membership means lower insurance claim costs.
- **Prescription Drug**
 - Implemented Prudent Rx - February 1, 2022
 - Implemented National Cooperative Rx program with GoodRx - January 1, 2024.
- **Medicare**
 - Implemented Labor/First/Humana Medicare Plan for retirees in 2025, resulting in a 16% lower cost for these members in the first year of existence.