

Report of Investigation

U.S. Department of Labor Employee Benefits Security Administration



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File No.:

72-033089 (48)

Subject: Health Plan

Date:

DEC 15 2016

Case Name: Screen Actors Guild – Producers Health Plan

By Investigator/Auditor:

(b) (6), (b) (7)(C)

Address: 3601 W. Olive Street, Suite 200
Burbank, CA 91505

Approved By:

EIN/PN: 95-2110997/501

Status:

CLOSED

(b) (7) (E)

II. Background

Plan Sponsor: Screen Actors Guild – Producers Health Plan

Plan Type: Health Plan

As of December 31, 2014 Assets: (b) (4)

Participants: (b) (4)

Period of Investigation: January 2006 – December 2014

Other Plans Reviewed: Screen Actors Guild – Producers Pension Plan

Plan

The Screen Actors Guild (Union) and the Association of National Advertisers, Inc. (ANA) and American Association of Advertising Agencies (AAAA) Joint Policy Committee on Broadcast Talent Union Relations and Alliance of Motion Picture & Television Producers (Employer Association) established the Plan for the purpose of providing medical as well as dental, vision, life insurance, and accidental death and dismemberment benefits for eligible actors.

Contributions to provide medical benefits under the Plan were funded by member-employers of the Employer Association based on hours worked by bargaining unit employees in accordance with the Collective Bargaining Agreement (CBA). On March 30, 2012, the Union merged with the American Federation of Television and Radio Artists, forming SAG-AFTRA.

During the investigative period, medical benefits for active employees were offered through two (2) self-funded PPO options. The Plan's self-funded PPO options utilized Anthem Blue Cross and The Industry Health Network (TIHN) as the network provider for all medical benefits except for mental health and substance abuse. The Plan utilized Value Options as the network provider for mental health and substance abuse. The Plan did not claim grandfathered status for any of its medical benefit options under the Patient Protection and Affordable Care Act (ACA).

Related Plans and Investigation

In addition to the Plan, the Union and the Employer Association maintained the Screen Actors Guild – Producers Pension Plan (Pension Plan), an employee benefit plan covered by ERISA. The Union and the Employer Association also maintained the Screen Actors Guild – Producers Industry Advancement and Cooperative Fund (IACF), a non-covered ERISA fund that was established for the purpose of improving relations between actors and producers. Administrative expenses unique to the Plan were allocated solely to the Plan, whereas shared expenses of the Plan, the Pension Plan, and IACF were calculated and assessed based on a percentage allocation approved by the Trustees. LARO simultaneously conducted an investigation of the Pension Plan (Case No.: 72-033090(48)). Accordingly, this investigation revealed certain issues that were also identified in the investigation of the Pension Plan.

Plan Fiduciaries

According to the CBA, the administration of the Plan was the responsibility of the Board of Trustees (Trustees), comprised of 18 Management Trustees appointed by the ANA and AAAA Joint Policy Committee on Broadcast Talent Union Relations and the Employer Association, and 18 Union Trustees appointed by the Union, with an additional alternate for each side. During the period covered by the investigation, the following individuals served as Management Trustees and Union Trustees:

Management Trustees	Union Trustees
Helayne Antler	Daryl Anderson
Ted Bird	Timothy Blake
J. Nicholas Counter, III	Leonard Chassman
Pamela DiGiovanni	Joyce Gordon
Alan Fendrick	Al Hubbs
Marla Johnson	Bob Kaliban
Sheldon Kasdan	Melvin B. Karl
David Korduner	Larry Keith
An T. Le	Warren Kemmerling
Carol Lombardini	John T. McGuire
John A. McGuinn	Ken Orsatti
Wayne Metcalf	Joseph Ruskin
Edward G. O'Neil	William Schallert
Alan H. Raphael	John H. Sucke

John E. Rhone	Yale Summers
Ira M. Shepard	Claudette Sutherland
Robert Todd	Kathryn Swink
Samuel P. Wolfson	Joan Warren
Jay Barnett	Doug Allen
Elhanan C. Stone	John Carter Brown
Marc Wisot	Robert Carlson
Tracy Cahill	Leigh French
Eryn Doherty	Eileen Henry
Robert W. Johnson	Sallie Weaver
Shelley Landgraf	Amy Aquino
Stacy K. Marcus	Jim Bracchitta
Diane P. Mirowski	Duncan Crabtree-Ireland
Paul Muratore	Barry Gordon
David Weissman	Richard Masur
	Kim Sykes
	Ned Vaughn
	David P. White

(b) (6) [REDACTED] As the (b) (6) [REDACTED] had discretionary authority over the management and supervision of the Plan, including the Plan's accounting, administrative affairs, and office facilities.

In addition, the investigation indicated that (b) (6) [REDACTED]. As the (b) (6) [REDACTED] had the discretionary authority to manage the Plan's budget for the information technology department as well as negotiate contracts for services related to information technology.

Service Providers

During the period covered by the investigation, the Plan's service providers included the following:

Custodian or Other Parties Holding Plan Assets:	(b) (4)
Accountants/Auditors	
Legal Counsel	

Mental Health and Substance Abuse Benefits Network Providers

Other than with respect to (b) (4), the investigation did not reveal any apparent conflicts of interest or issues relating to the selection, compensation, or performance of investment managers or other service providers. (b) (4) is discussed further below in the “Issues” Section.

Plan Assets/Number of Participants

According to the Annual Report Form 5500, the Plan had the following assets and participants at the end of each year.

No. of
Participants

Plan Investments

According to the Investment Policy, the Plan's assets should generally be invested in short-term fixed income assets. The investigation indicated that the Plan was invested in a variety of U.S. government debt securities, bonds, and registered investment companies, which did not appear to be inconsistent with the Investment Policy.

Rate of Return

The Table below shows the Plan's rate of return in comparison to the IRC rate.

(b) (4)

Although the Plan's rate of return was negative in 2008, such a rate of return did not appear to be inconsistent with the overall market and significant economic downturn at the time. Overall, the investigation did not reveal any apparent issues with the Plan's overall performance. Furthermore, the Plan's rate of return exceeded the IRC rate in six out of the nine years reviewed.

Employer Contributions

The Plan was funded by contributions from member-employers of the Employer Association based on hours worked by bargaining unit employees in accordance with the CBA. The investigation indicated that member-employers were required to submit contributions to the Plan no later than 30 days from the date the employees were paid. LARO's review of the Plan's procedures for monitoring employer contributions as well as the Plan's collection efforts of delinquent contributions did not reveal any issues.

(b) (7)(E)



VI. Issues Identified & Resolution

(b) (5)

Plan Expenses

LARO's investigation indicated that the Plan's fiduciaries caused the Plan to incur certain expenses that did not appear to be reasonably necessary for administering the Plan. The specific expenses identified by LARO are indicated below.

Automobile Maintenance Expenses

The Plan issued key Plan office executives an (b) (4), which could be used for all reasonable Plan-related expenses, including automobile expenses. The investigation indicated, however, that on several occasions, key Plan office executives, (b) (6), had their (b) (4) personal vehicles serviced at (b) (4) dealerships and charged the entire cost to their (b) (4).

Correction:

On January 15, 2015, LARO issued a VC Letter to the Plan's fiduciaries citing the issues described above. In response, Plan Counsel denied that the Plan's fiduciaries had violated ERISA. Nonetheless, following subsequent discussions with LARO, (b) (4) was deposited to the Plan on May 17, 2016, representing reimbursement for the (b) (4) automobile expenses.

Automobile Insurance and Registration Expenses

LARO's investigation indicated that on several occasions, (b) (6) had his car insurance and registration fees charged on the Plan's Amex credit card. Both the car insurance and registration were in the name of (b) (6) and (b) (6), (b) (7)(C).

Correction:

On January 15, 2015, LARO issued a VC Letter to the Plan's fiduciaries citing the issues described above. In response, Plan Counsel denied that the Plan's fiduciaries had violated ERISA. Nonetheless, following subsequent discussions with LARO, (b) (4) was deposited to the Plan on May 17, 2016, representing reimbursement for the (b) (4) automobile insurance and registration expenses.

Executive Retreat

LARO's investigation indicated that an expense claim was submitted to the Plan for an "Executive Retreat" at a (b) (4) hotel. The invoice attached to the monthly statement disclosed that the retreat incurred (b) (4) in "miscellaneous charges," (b) (4) in food charges, and (b) (4) in room charges. The invoice, however, failed to disclose the attendees of the retreat, the purpose of the retreat, as well as what the "miscellaneous" charges were for. Additionally, the investigation indicated that the Plan's office in Burbank, California, had a large conference facility available at no cost to the Plan.

Correction:

On January 15, 2015, LARO issued a VC Letter to the Plan's fiduciaries citing the issues described above. In response, Plan Counsel denied that the Plan's fiduciaries had violated ERISA. Nonetheless, following subsequent discussions with LARO, (b) (4) was deposited to the Plan on May 17, 2016, representing reimbursement for the (b) (4) executive retreat expenses that had been allocated to the Plan.

Meal Expenses for (b) (4) Meetings

LARO's investigation indicated that (b) (6) charged several personal meal expenses on the Plan's (b) (4) credit card, a majority of which involved meals with persons affiliated with (b) (6) (b) (4) (b) (4). On several occasions between 2006 and 2011, (b) (6) had lunch meetings with (b) (6), (b) (7)(C)

In addition, there was no evidence or documented Plan-related business that justified these expenditures.

Correction:

On January 15, 2015, LARO issued a VC Letter to the Plan's fiduciaries citing the issues described above. In response, Plan Counsel asserted that some of the meal expenses were Plan-related business and provided additional documentation, including expense reports and receipts. LARO's review of the additional documentation indicated that certain expenses previously cited may not have been (b) (4). Accordingly, after further discussions with LARO, (b) (4) was deposited to the Plan on April 10, 2015, representing reimbursement for the remaining (b) (4) Plan expenses.

Moving Costs

The investigation indicated that the Plan maintained an Employee Policy Manual on relocation expenses. The Employee Policy Manual provided, in pertinent part, (b) (4)

[REDACTED]

LARO's investigation indicated that in 2008, (b) (6) sold (b) (6) house in (b) (6), (b) (7)(C). Relying on the Employee Policy Manual, (b) (6) had (b) (6) moving expenses paid, in part, by the Plan. However, according to interviews conducted with Plan employees, after (b) (6) sold (b) (6) house in (b) (6), (b) (7)(C), (b) (6) continued to work from (b) (6) current Burbank office and only visited the Ventura Office once or twice year.

(b) (4)

According to a review of (b) (6) own work calendar from 2008 to 2011, (b) (6) visited the Ventura Office a total of six times, one of which was only to attend the Ventura office's 10 year anniversary celebration.

Correction:

During the course of LARO's investigation, but prior to the issuance of LARO's VC Letter, (b) (6) paid back to the Plan (b) (4) on March 27, 2012, representing reimbursement for the (b) (4) moving expenses and associated lost earnings.

Holiday Parties, Anniversary Parties, and Farewell Parties

LARO's investigation indicated that (b) (4) were held at the Plan's office in Burbank and funded by the Plan, Pension Plan, and IACF. The holiday parties consisted of a catered lunch and included (b) (4)

In addition, (b) (4)

The investigation also revealed several instances where the Plan gave anniversary gifts and held (b) (4) for its employees. Furthermore, the investigation revealed several other instances where the Plan held farewell dinners for its employees and spent as much as (b) (4) on a single dinner.

Correction:

On January 15, 2015, LARO issued a VC Letter to the Plan's fiduciaries citing the issues described above. In response, Plan Counsel denied that the Plan's fiduciaries had violated ERISA. Nonetheless, following subsequent discussions with LARO, (b) (4) was deposited to the Plan on May 17, 2016, representing reimbursement for the (b) (4) parties. In addition, the Trustees created administrative procedures relating to employee activities and acknowledgements, which also outlined specific expenses that were and were not permissible.

Employee Lunches

LARO's investigation indicated that employee lunches were occasionally funded by the Plan, Pension Plan, and IACF with no apparent Plan-related purpose. Such expenses included food trucks for employee picture day and Halloween that cost approximately (b) (4) each.

Correction:

On January 15, 2015, LARO issued a VC Letter to the Plan's fiduciaries citing the issues described above. In response, Plan Counsel asserted that some of the employee lunches were Plan-related business and provided additional documentation, including expense reports and receipts. LARO's review of the additional documentation indicated that certain expenses previously cited may not have been (b) (4). Accordingly, after further discussions with LARO, (b) (4) was deposited to the Plan on May 17, 2016, representing reimbursement for the remaining (b) (4) employee lunches.

(b) (4) Services

Prior to May 1, 2013, the Plan's Expense Policy did not contain any specific provisions relating to ground transportation. However, the Expense Policy provided that (b) (4)

[REDACTED]

LARO's investigation indicated that on several occasions while attending meetings or conferences, the Trustees and key Plan office executives utilized a (b) (4) service to travel between their homes and the airport or between the airport and a hotel.

Correction:

On January 15, 2015, LARO issued a VC Letter to the Plan's fiduciaries citing the issues described above. In response, Plan Counsel denied that the Plan's fiduciaries had violated ERISA. Nonetheless, following subsequent discussions with LARO, (b) (4) was deposited to the Plan on May 17, 2016, representing the difference between the cost of using a (b) (4) service and the estimated cost that would have been incurred by using a standard taxi service.

Trustee/Committee Meetings

During the period covered under investigation, the Trustees held quarterly meetings at the Plan's office located in Burbank, California. The Plan's Trustee meetings were held concurrently with the Pension Plan's Trustee meetings and lasted between one to two days, beginning in the morning and continuing through the following day. The investigation also indicated that Plan committees also held regular meetings at the Plan's office in Burbank.

The investigation indicated that for each day a Trustee meeting was held, breakfast and lunch was catered and delivered to the Plan's office. (b) (4)

On January 15, 2015, LARO issued a VC Letter to the Plan's fiduciaries citing the issues described above. In response, Plan Counsel asserted that the cost per person was reasonable given that several staff members and service providers attended these meetings in addition to the Trustees. Plan Counsel also provided additional documentation, including a listing of attendees at each meeting. Based on LARO's review of the additional documentation, it appeared that the expenses may not have been (b) (4). Accordingly, LARO took no further action with respect to this issue.

Unsubstantiated Expenses

LARO's investigation revealed that key Plan office executives who had been issued (b) (4) credit cards were required to submit expense claims with receipts attached to the monthly statements detailing their monthly expenditures. However, LARO's investigation indicated that on several occasions, certain hotel charges did not have receipts or other supporting documentation attached to the monthly statements.

On January 15, 2015, LARO issued a VC Letter to the Plan's fiduciaries citing the issues described above. In response, Plan Counsel asserted that the hotel charges were Plan-related expenses and provided additional documentation, including expense reports, credit card statements, and hotel receipts. Based on a review of the additional documentation, LARO took no further action with respect to this issue.

Excessive Investment Management Fees

LARO's investigation indicated that in 2005, the Trustees retained (b) (4) as the Plan's investment manager solely with respect to the Plan's assets invested in the (b) (4). According to the service provider agreement, (b) (4), as investment manager, had the authority to manage, supervise, and administer the Plan's assets invested in the (b) (4) in its absolute discretion, provided that all investments made by (b) (4) were in accordance with the Investment Policy attached to the Trust Agreement. According to the Investment Policy, if (b) (4) determined that some or all of the Plan's assets invested in the (b) (4) should be liquidated, (b) (4) could sell the shares, but the proceeds could only be invested in a money market mutual fund.

However, LARO's investigation indicated that during the period (b) (4) was retained as an investment manager, (b) (4) did not reallocate or dispose of the Plan's assets. Furthermore, based on interviews with (b) (4) personnel, (b) (4) did not actually have any discretion to dispose of the Plan's assets unless directed by the Trustees.

LARO's review of the actual services provided by (b) (4) revealed that on a bi-annual basis, (b) (4) produced a three page report explaining whether the (b) (4) was performing in line with

objectives stated in its prospectus and whether there had been a change in the investment portfolio manager. In addition, the investigation indicated that much of the information contained in the report was available on the fund's public internet website.

(b) (4)

(b) (4) The Trustees eventually terminated (b) (4) services in March 2010.

Correction:

On January 15, 2015, LARO issued a VC Letter to the Plan's fiduciaries citing the issues described above. In response, Plan Counsel denied that the Plan's fiduciaries had violated ERISA. Nonetheless, following subsequent discussions with LARO, (b) (4) was deposited to the Plan on May 17, 2016, representing the estimated difference between the fees paid to (b) (4) and the fees that should have been paid based on the services actually provided.

Self-Dealing by Plan Fiduciary

LARO's investigation indicated that the Plan's former (b) (6), on behalf of the Plan and Pension Plan, entered into an agreement with (b) (4) wherein (b) (4) was to provide security consulting and audit services to the plans. Subsequently, several additional agreements were entered into with (b) (4) between 2006 and 2009 for consulting services. (b) (6), (b) (7) (C)

Similarly, in 2002, (b) (6) on behalf of the Plan and Pension Plan, entered into an agreement with (b) (4) wherein (b) (4) was to provide security networking services to the plans. (b) (6), (b) (7)(C) The investigation indicated that (b) (6) approved all compensation paid to (b) (4) and signed-off on the invoices.

The investigation also indicated that (b) (4) in turn wrote several checks to a company named (b) (4) totaling hundreds of thousands of dollars from 2004 to 2008. (b) (6), (b) (7)(C)

(b) (6), (b) (7)(C) A review of these checks also indicated that (b) (6) endorsed the back of each check.

Further, the investigation indicated that in 2009, (b) (4) performed an audit, the results of which indicated that (b) (4) appeared to have performed some but not all of the work that it was compensated for.

On January 15, 2015, LARO issued a VC Letter to the Plan's fiduciaries citing the issues described above. In response, Plan Counsel asserted that after (b) (6) fraudulent activities were discovered, the Trustees cancelled all further work by (b) (6), terminated (b) (6) employment,

and recovered losses in the amount of (b) (4) after filing a claim with the insurance carrier. Plan counsel also provided proof of payment by the insurance carrier to LARO. Based on the additional information provided, LARO took no further action with respect to this issue.

(b) (4) Use of Plan Facilities

LARO's investigation indicated that (b) (6) held personal meetings with his (b) (4), in the Plan's conference facility. Furthermore, according to (b) (6) work calendar, (b) (6) personal meetings with (b) (6) (b) (4) occurred on a regular basis. For example, on May 5, 2009, 2:00 pm to 5:00 pm, there was a (b) (6) Board Presentation." Also on November 19, 2008, 9:00 am to 6:00 pm, and again the following day on November 20, 2008, 9:00 am to 2:00 pm, there was a (b) (6) Board of Directors Meeting."

On January 15, 2015, LARO issued a VC Letter to the Plan's fiduciaries citing the issues described above. In response, Plan Counsel asserted that conference facility was not leased by the Plan, but instead common property of the building itself and was utilized by all tenants. Plan Counsel also provided additional documentation, including the lease agreement. Although (b) (6) personal use of the conference facility may not have been reasonable, LARO took no further action with respect to this issue given (b) (6) that the Plan did not appear to suffer any loss as a result of such use.

Services by a Party in Interest

LARO's investigation indicated that the Plan's former (b) (6), (b) (6), (b) (7)(C), retained (b) (4) as the insurance agent for the Plan and Pension Plan's fiduciary liability insurance policies. In addition, LARO's investigation indicated that (b) (6), (b) (7)(C), was an account representative at (b) (4) and began serving as the account representative for the Plan and Pension Plan's fiduciary liability insurance policies prior to 2006. (b) (6), (b) (7)(C) received commissions paid out of the Plan and Pension Plan's assets.

On January 15, 2015, LARO issued a VC Letter to the Plan's fiduciaries citing the issues described above. In response, Plan Counsel asserted that (b) (6) had no responsibility or involvement with the Plan's relationship with (b) (4) and provided additional documentation to LARO, including service agreements and an affidavit from (b) (4). Based on the additional documentation provided, LARO took no further action with respect to this issue.

Reallocation of Contributions among Related Plans

According to the CBA, the employer contribution rate was set at 14.5% of workers' salaries, with 9.25% and 5.25% allocated to the Plan and Pension Plan, respectively. Also according to the CBA, "the allocation of such fourteen and one-half (14.5%) contribution rate between the Health Plan and the Pension Plan may be changed at any time during the term hereof by the Boards of Trustees of the Pension Plan and the Health Plan, based on actuarial studies."

LARO's investigation indicated that the Trustees for the Plan and the Pension Plan had identical members during the period covered by the investigation. Additionally, the Plan and the Pension Plan had different eligibility requirements, and therefore, the participants and beneficiaries of each plan were not identical but did overlap.

(b) (4)

(b) (5)

(b) (5) Accordingly, LARO did not further pursue this matter.

(b) (4) Employee

(b) (6), (b) (7)(C) was employed by the Plan as its
(b) (6), (b) (7)(C) (b) (6), (b) (7)(C) was a (b) (4)
employee that did not have any real responsibilities. However, the investigation indicated that
(b) (6), (b) (7)(C) was responsible for the Plan newsletters, the SPDs, as well as any other communications
material needed or requested by management.

(b) (6), (b) (7)(C) mainly worked from home and communicated via email
and phone but attended all board meetings as well as internal plan change meetings, as these were
topics he needed to communicate to members in the newsletter. (b) (6), (b) (7)(C)
(b) (6), (b) (7)(C) performance had been excellent. Accordingly, LARO did not take any further
action with respect to this issue.

(b) (4) Trip with Plan Funds

(b) (6), (b) (7)(C) in 2010, the International Foundation of Employee Benefit
Plans (IFEBP) conducted a conference in (b) (4) and several employees' family members attended
the conference using Plan funds. LARO's investigation, however, did not indicate that any Plan
assets were used to pay for (b) (4) trips of family members. Accordingly, LARO did not take any
further action with respect to this issue.

(b) (4) Surgery with Plan Funds

(b) (6), (b) (7)(C) had (b) (6), (b) (7)(C) medical bills for
(b) (4) procedures paid by the Plan. LARO's investigation, however, did not indicate that any
Plan assets were used to pay for (b) (6), (b) (7)(C) (b) (4) procedures. Accordingly, LARO did not
take any further action with respect to this issue.

ERISA Part 7 Compliance - HIPAA

The Plan offered two (2) self-funded PPO options to participants during the investigative period. LARO reviewed each option separately for ERISA Part 7 compliance.

Health Insurance Portability and Accountability Act (HIPAA)

Special Enrollment Rights

The investigation revealed that written notice of the special enrollment rights was provided to employees on an annual basis. The Plan's documents and enrollment materials contained the required special enrollment notice. No issues were noted.

Preexisting Condition Exclusions

A review of the Plan documents revealed that the Plan did not impose any preexisting condition exclusions on participants. A review of the Plan records did not reveal any hidden preexisting condition exclusions on participants or any discrimination between similarly situated participants based on a health factor. No issues were noted.

Wellness Program

The Plan did not offer a wellness program; therefore, no provisions of the wellness regulations were reviewed. No issues were noted.

Mental Health Parity Act (MHPA) and Mental Health Parity and Addiction Equity Act (MHPAEA)

A review of the Plan documents revealed that the first self-funded PPO option did not impose annual dollar limits on mental health and substance use disorder benefits that were lower than medical/surgical benefits. Furthermore, the first self-funded PPO option did not impose a lifetime dollar limit on any mental health or substance use disorder benefits in any classification during the investigative period. Additionally, the investigation revealed that the first self-funded PPO option did not impose quantitative or nonquantitative treatment limitations on mental health and substance use disorder benefits that were higher or more stringent than the medical/surgical benefits in the same classification.

The second self-funded PPO option did not offer mental health and substance use disorder benefits. No issues were noted.

Newborns' Act

According to the Plan's SPD, the Plan permitted 48-hour and 96-hour hospital stays in connection with childbirth without any pre-authorization requirements. The Plan provided annual notices to

participants at open enrollment and to new employees in compliance with the Act. No issues were noted.

Women's Health and Cancer Rights Act (WHCRA)

A review of the Plan documents revealed that Plan coverage provided for the four required benefits in connection with a mastectomy. WHCRA notices were furnished to participants annually at open enrollment and to new employees, in compliance with the Act. No issues were noted.

Genetic Information Nondiscrimination Act (GINA)

A review of the Plan documents revealed that the Plan complied with GINA's prohibition on discrimination based on genetic information. No issues were noted.

ERISA Part 7 Compliance – Affordable Care Act (ACA) Compliance

Grandfathered Health Plan Status

The investigation revealed that the Plan was not claiming grandfathered status for any of the health options offered. Accordingly, the Plan was required to comply with all of the requirements of the ACA.

Dependent Coverage

Documents for the Plan's group health coverage indicated that as of January 1, 2011, the Plan provided coverage for children to age 26 for all benefit options. No issues were noted.

Rescission of Coverage

The ACA prohibits retroactive discontinuances of coverage, unless the rescission was for failure to pay required premiums, or an act, practice, or omission that constitutes fraud or intentional misrepresentation of material fact. The investigation did not reveal any instances of prohibited rescissions. Additionally, the Plan included rescission as a basis for appeal. No issues were noted.

Prohibition on Lifetime and Annual Limits

LARO's review of Plan records revealed that beginning January 1, 2011, the Plan removed lifetime limits on essential health benefits in accordance with the ACA. Additionally, all benefit options were free of annual limits on essential health benefits, in accordance with the ACA. No issues were noted.

Preexisting Condition Exclusions

A review of the Plan documents revealed that the Plan did not impose any preexisting condition exclusions pursuant to the ACA. No issues were noted.

Summary of Benefits Coverage and Uniform Glossary

The investigation revealed that the Plan provided copies of the required Summary of Benefits Coverage (SBC), including a copy of the Uniform Glossary as required by 29 C.F.R. 2590.715-271S(f). Copies of all the SBCs were provided to participants in connection with open enrollment and in connection with renewals. No issues were noted.

Patient Protections

LARO's investigation revealed that the Plan provided emergency services without imposing pre-authorization restrictions, cost-sharing for out-of network services, or other limitations on emergency coverage.

The Plan's self-funded PPO options permitted participants to choose any participating primary care physician that was available to accept them. No issues were noted.

Preventative Services

The investigation revealed that the Plan provided the requisite in-network coverage for recommended preventative services without imposing any cost-sharing requirements for all Plan years beginning on or after September 23, 2010. No issues were noted.

Claims and Appeals

LARO reviewed the Plan documents, participant notifications, and sample notices of adverse benefit determinations for compliance with the ACA provisions. The investigation revealed that the internal claims and appeals processes provided an external review option as an additional level of appeal. (b) (7)(E)

(b) (7)(E)

Eligibility Requirements

LARO's investigation indicated that the earnings requirement to be eligible for both self-funded PPO options increased effective April 1, 2016. The investigation indicated that participants were given advance notice of the change, and there was no indication that the change was applied retroactively. No issues were noted.

Premiums

Plan participants were required to pay a premium for their health coverage. The investigation indicated that for the first time in two years, the premium increased for both self-funded PPO options, effective April 1, 2016. The investigation indicated that participants were given advance notice of the increase, and there was no indication that the increase was applied retroactively. No issues were noted.

Financial Issues

LARO reviewed the Plan to determine whether the Plan showed any indicia of financial unsoundness, e.g. untimely paid claims or premiums not paid. The examination of the Plan's service provider agreements and proof of claims payments did not indicate any issues with the Plan's timely payment of claims, payment of premiums, or with the Plan's financial solvency. No issues were noted.

Summary Plan Description (SPD)

A review of the Plan's SPD indicated that it met all content requirements and that the SPD was provided to participants within the required time periods. No issues were noted.

COBRA

The Plan office was responsible for issuing COBRA notices to participants and administering premium payments. A review of the Plan's records indicated that participants were paying no more than 100% of premium rates, plus a 2% administrative fee. No issues were noted.

Fidelity Bond

The Plan maintained fidelity bond coverage during the entire investigative period through Federal Insurance Company, an approved surety. The fidelity bond appeared to meet the applicable bonding requirements. No issues were noted.

(b) (7)(E)

(b) (7)(E)

