The median cost of benefits for multiemployer health plans increased nearly 61% over the ten-year period from 2007 to 2016, reaching $10,853 per participant per year (PPP), according to a new International Foundation report. The consistent increases in costs over the ten-year period required increases in employer and worker/retiree contributions.

Plan demographics also shifted during this time period, with the number of covered retirees increasing by 22%, while the number of active participants increased by only 1%. This increase in the number of retirees can make it increasingly difficult for plan trustees to manage these financial shortfalls.

Despite these trends, the financial condition of many multiemployer health plans has improved. These are among some of the key findings from The Multiemployer Health Plan Landscape: A Ten-Year Look (2007-2016), the third annual report.

### Plans in the Study

The total number of multiemployer health plans in the study has declined steadily from 1,764 for the 2007 plan year to 1,560 in 2016. The majority of health plans (between 61.5% and 70.1%, depending on the plan year) offer dental, vision and life benefits in addition to health benefits. Very few (between 2.6% and 3.6%) health plans offer only health coverage.

Of the 1,560 multiemployer health plans in this study, 60.1% are in the construction industry, followed by transportation (14.0%), retail or wholesale (7.3%), manufacturing (6.5%), service (4.6%) and entertainment (3.3%). Geographically, 40.8% are located either in the Northeast or mid-Atlantic regions, 28.7% are in the Midwest, 21.2% are in the West and 9.3% are in the South.

Health plans may cover active participants, retired participants or both. The vast majority of plans cover both active and retired participants. Slightly more than one quarter of all plans cover only active participants. The percentage of multiemployer health plans covering retirees increased slightly over the ten-year period from 71.1% to 72.8%.

The plans in the study have more than five million covered participants. Focusing on larger plans first, 6.3% have at least 10,000 participants, 2.3% have at least 20,000 participants, and 1.5% have 30,000 participants or more. Conversely, 49.4% have fewer than 1,000 participants, 30.4% have fewer than 500 participants, and 6.1% have fewer than 100 participants. The median number of plan participants is 980, while the average number of plan participants is 3,340.

The plans in the study reported having more than 200,000 employers. Focusing on larger plans first, 5.0% have at least 500 employers, and 2.1% have at least 1,000 employers. More than two in five plans (42.3%) have fewer than 50 employers, while 24.8% have fewer than 25 employers, and 11.0% have fewer than ten employers. The median number of employers is 45, and the average number of employers is 149.

### Plan Demographics

Demographics are a key factor in the long-term sustainability of a health plan. In general, it is better for a plan’s financial outlook to have a higher proportion of younger, working participants than older, retired participants. Despite the slight decrease in the number of plans, the aggregate number of participants remained relatively stable over the ten-year period, dipping to as low as 4.6 million in 2011 and peaking at 5.3 million in 2008. Although the overall total participant counts have remained largely unchanged, the mix of actives and retirees has shifted. Between 2011 and 2012, the number of retired participants increased by 34.0% from 805,799 to 1,079,95. The retired participant count...
has remained at a similar level since that time; however, it declined by 5.9% from 2014 to 2016.

The report also analyzed plan demographics as a ratio of active to retired participants. In 2008, the median ratio peaked at 4.96, meaning there were almost 50 active participants to every ten retired participants. In 2009, the median ratio began to decline and hit its lowest point, 3.84, in 2011. By the end of 2016, the median ratio had increased back to 4.65.

**Benefit Costs**

Benefit costs include claim costs for self-funded benefits and premiums for fully insured benefits. Other operating expenses include administrative expenses, professional fees, and legally required taxes and fees, which were analyzed on a PPPY basis. Focusing on the highest cost plans first, 21.9% of plans have PPPY costs exceeding $14,000, while 11.4% have PPPY costs above $16,000, an increase of three percentage points for both categories compared with the previous year. Conversely, 13.9% of plans have PPPY costs below $6,000, 8.5% have costs below $4,000, and 5.3% have costs below $2,000.

Median benefit costs have increased each year during the ten-year period. The median benefit cost was $6,760 PPPY in 2007, and it increased to $10,853 in 2016, with variations each year. Changes in benefit costs could result from a number of factors, including fluctuations in the providers’ underlying billed costs, variations in health care use or patterns by the plan participants, new health care services or products offered to the market, or changes in the demographics of the participants covered by the plans.

**Income**

The financial intake, or income, of multiemployer health plans can be broken into four primary components: employer contributions, worker/retiree contributions, investment income and other income.

Employer contributions, which represent the largest source of income, are made on behalf of a participant if all eligibility criteria are met. Focusing on employer contributions first, 7.1% of plans have PPPY employer contributions exceeding $18,000, while 4.4% have contributions of more than $20,000, an increase of about 1.5% in both categories, compared with 2015. About one in eight (12.9%) plans has PPPY employer contributions below $6,000, while 8.9% have contributions below $4,000, and 4.9% have contributions below $2,000. The median plan’s PPPY employer contribution is $10,802, while the average plan’s employer contribution is $11,129, an approximate 5% increase in both numbers from the previous year.

On a PPPY basis, 6.9% of plans have PPPY worker/retiree contributions above $2,000, 2.8% have contributions above $3,000 and 1.9% have PPPY worker/retiree contributions exceeding $4,000. Two in five (39.2%) have contributions below $500, and 28.1% have contributions below $250. The median plan’s PPPY worker/retiree contribution is $416, while the average is larger, at $862.

**Plan Cash Flows**

To the extent that income exceeds expenses in a given plan year, the plan’s financial status is expected to improve. Conversely, to the extent that income falls short of plan expenses, the plan’s financial status will likely deteriorate. Aggregate income increased over the ten-year period, from $38.5 billion in 2007 to $58.2 billion in 2016. At the same time, expenses also increased from $32.2 billion in 2007 to $50.1 billion in 2016. Net cash flows were positive for 2007 before dropping to −0.9% in 2008. Cash flows rebounded beginning in 2009 and have been positive every year since.

Another way to evaluate the effects of positive or negative cash flows is to ex-
press the income and expenses on a PPPY basis as a ratio. The ratio of income to expenses has been above 1.00, meaning that income has exceeded expenses and cash flow has been positive, for every year in the past decade except 2008. More recently, the ratio fluctuated from 1.04 to 1.12 from 2009 to 2016.

A final measure of plan health is plan assets in terms of the number of months of expenses assets can cover. A higher number of months indicates that plan has a greater ability to withstand financial uncertainties including claim variability, changes in the total number covered or demographics of covered participants, and work levels. Focusing on plans with the highest asset levels first, 7.7% have assets as months of expenses exceeding 42 months, 6.0% have assets above 48 months and 4.2% have assets above 60 months. More than two in five (42.7%) plans have assets as months of expenses below 12 months, 21.5% have assets below six months, and 5.6% have assets below one month. The median level of assets measured as months of expenses is 13.4, while the average level of assets measured as months of expenses is 23.7. This is an increase of one month in the median level and two months in the average level, compared with 2015 results, a clear indication of the improved financial health of the funds surveyed during those periods.

For more information on The Multiemployer Health Plan Landscape: A Ten Year Look (2007-2016), see the Quick Look on page 11. The multiemployer health plan benchmarking report was produced in partnership with Horizon Actuarial Services, LLC, and the International Foundation of Employee Benefit Plans. The report will be available to download at www.ifebp.org/multiemployerhealth.