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November 25, 2019

TO: Board of Trustees
U.A. Local 467 Health and Welfare Trust

FROM: Dick Grosboll, Trust Counsel

RE: Draft of Restated Trust Agreement—Summary of Key Provisions/Changes

Trustees: (This was included in the prior meeting packet. A few minor corrections were made to the prior memo as a few page and language referenced had to be changed.)

I have prepared a draft of the Restated Trust Agreement for the U.A. Local 467 Health and Welfare Trust (“Health and Welfare Trust”) that is patterned on the Pension Trust Agreement that you reviewed earlier this year and approved and signed in March 2019. You asked that I bring back an identical Trust Agreement for the Health and Welfare Trust, except for the obvious use of health and welfare terminology rather than pension language.

I provided you with the summary below. I included broader provisions to address payroll audits and include expanded investment powers, among other changes. It is the bargaining parties that actually have responsibility for “amending” or “restating” the Trust Agreement. The Trustees also sign the document. The entire process is usually during through the Trust meeting process. The goal is to finalize the document for approval and signatures at the March or June Trust meeting. Most of the key changes have been noted in red. The more important changes include:

1. Pages 1 & 2/Introductory Paragraph/Article I, Section 3-Effective Date. The first paragraph includes the updated names of the bargaining parties. I have included an effective date of January 1, 2019.
2. Page 2/Article II, Section 1.A.—Employer Associations. The original Trust Agreement included several employer associations that are no longer applicable. This Agreement includes three Employer Associations..
3. Page 4/Article II, Section 3—Standards of Interpretation. The language in this section is intended to conform to court decisions that provide greater deference to the decisions of fiduciaries if this type of language (the discretionary authority to interpret the Trust Agreement) is contained in the Trust Agreement.

4. Pages 8-9/Article III, Sections 8-10-Records, LD's and Interest. This Article contains standard delinquency, liquidated damages, interest, legal actions and similar provisions for most Trust Agreements. Section 8 includes the interest rate of twenty percent, which is in the CBA. I provided for ten percent liquidated damages. Section 9 includes language about charging the Employer for the cost of an audit if there are serious delinquencies discovered.
5. Page 8/Article III, Section 9. Audits and Documents/Information. Section 10 includes a list of the type of records/information that must be provided as part of a payroll audit. This avoids uncertainty and reduces the chance that an employer has any grounds for not complying with the audit request.
6. Page 10-Article III, Section 12-Bonding. This new section permits the Board of Trustees to establish bonding requirements.
7. Page 11/Article IV, Section 1—Number of Trustees. This draft provides that there are eight Trustees, with the Northern California Mechanical Contractors Association having two appointments, the Industrial Contractors UMIC, Inc. having one appointment, and the Greater Bay Area Association of Plumbing, Heating, Cooling & Mechanical Contractors also having one appointment. The Union appoints four Trustees.
8. Page 14/Article IV, Section 5-Quorum. This section provides that two Trustees from each side are required to be present at a Trust meeting . This change was added to the Trust Agreement through an Amendment and makes sense.
9. Page 14/Article V-Section 6--Unit Voting. This section provides that there is unit voting at a Trust meeting, which is the current practice.
10. Pages 16-18/Article VI, Sections 2—Powers of the Trustees. This section lays out in an easier to read format the various powers of the Trustees, which are intended to be broad.
11. Pages 19 /Article VI, Section 4--Prohibited Transactions. I added language that the Trust is authorized to enter into an Agreement with UA. Local 467 to provide administrative services for the Plan.
12. Page 22/Article VI, Section 12—Indemnification Language Although ERISA discourages (if not more) indemnification agreements, there is no harm in including in a document approved by the bargaining parties expressing the intent of the parties that Trustees be indemnified if there are losses.
13. Pages 22-24/Article VII—Investments. This Article provides specific and broad authority for the Board to adopt investment policies and invest the Plan's assets. It is intended to give the Trustees broad latitude on investments and authorized the purchase of existing assets.

There were other new provisions but the above are the more important changes. In any event, let me know if you have any questions or concerns.

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November 30, 2019

**TO: Board of Trustees
U.A. Local 467 Health and Welfare Plan**

FROM: Richard K. Grosboll, Trust Counsel

RE: Health Care Pricing & Insurance Coverage Transparency Rules

I. Health Care Pricing and Insurance Coverage Transparency Rules

During November 2019, the Trump Administration (Departments of Treasury, Health and Human Services and Labor) put forth two long anticipated rules that increase price transparency for both hospitals and insurers. That means that hospitals will soon have to share price information they have long kept obscured – including how big a discount they offer cash-paying patients and rates negotiated with insurers. The government’s hospital price transparency requirements finalize changes that require health systems to make their standard fees available on-demand and online. The “transparency in coverage” proposed rule would require health plans, including employer-based plans, and group and individual plans to inform Participants, beneficiaries and other enrollees about price and cost-sharing information ahead of time. The Agency hopes that increased price transparency will boost competition among hospitals and insurers to drive down healthcare spending. The final rule on Hospital prices goes into effect on January 1, 2021 (13 months from now). CMS is accepting comments on the proposed rule for payers, which would go into effect one year after it is finalized. This latter proposal, the CMS proposed to require health insurers to spell out beforehand for all services just how much patients may owe in out-of-pocket costs.

Four major hospital organizations (American Hospital Association, Association of American Medical College, the Children’s Hospital Association and the Federal of American Hospitals) announced that they would challenge the Hospital rule in court, stating that the rule will introduce widespread confusion, accelerate anticompetitive behavior among health insurers and stymie innovation. These groups will argue that the rule exceeds the Administration’s authority.

The President and CEO of Blue Cross Blue Shield Association also opposed the rule, stating that it will not help consumers better understand what health services will cost them and may not advance the broader goal of lowering health care costs. They are concerned about requiring disclosure of negotiated rates.

As the governmental regulations are over 150 pages, there is still more to learn about the new rules. The two main requirements are:

- **Comprehensive machine-readable file.** All of this pricing data will be online, in a file, which could then be accessed by apps or transparency tools. The data elements include gross charges, payer-specific negotiated rates, the

amount the hospital will accept in cash from a patient, and the minimum and maximum negotiated charges for services. The file must include common billing codes and a description of the service.

- **Display of shoppable services.** Hospitals are required to display, in a consumer-friendly manner, 300 common services – 70 CMS-selected, and the other 230 hospital-selected.

There is a penalty of \$300 per day for hospitals that don't comply.

We will keep you updated on the Final Rule and thee Proposals and legal challenges.

cc: Fund Manager
Other Plan Advisors