

Multiemployer health and welfare fund statistics: 2023 report

Milliman analysis finds that net assets (in terms of months of expenses) decreased overall due to lower investment returns and higher expense growth.

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This is the sixth annual Milliman Multiemployer Health and Welfare Study, which analyzes various financial disclosures for multiemployer health and welfare plans, also known as Taft-Hartley plans, nationwide.

This year's report includes data for 1,226 plans covering approximately 4.6 million members as of 2021, the most recent year for which data is available.¹

Figure 1 summarizes financial information for these plans, based on Form 5500 filings.

Key findings:

- The average plan could pay for approximately one year and three months of benefits and expenses with its net assets, a decrease of approximately one month of total expenses from last year.
- Total income exceeded total expenses by 2.8%. This represents a 9.7 percentage-point decrease compared to the prior year.
- The average investment return was 2.7% in 2021, compared to 10.5% in 2020, most likely driven by poor fixed income performance in 2021. As a result, investment income accounted for a smaller percentage of the overall income in 2021 (3.3% in 2021 vs. 12.0% in 2020).
- Total contribution income increased 6.0% on a per member basis year-over-year, but overall financial performance was offset by a 73.2% decrease in investment and other income and a 6.1% increase in benefit expenses.
- Almost 50% of plans had expenses greater than income in 2021, as compared to less than 25% of plans in 2020 and 2019.

FIGURE 1: AVERAGE PLAN INFORMATION SPLIT BY MEMBER COUNT

MEMBER COUNT ¹	NUMBER OF PLANS	AVERAGE MEMBERS	AVERAGE NET ² ASSETS (IN MILLIONS)	AVERAGE INCOME (IN MILLIONS)	AVERAGE EXPENSES (IN MILLIONS)	NET ASSETS (IN MONTHS OF EXPENSES) ³
Fewer than 500	325	284	\$6.0	\$4.0	\$4.1	17.6
500 – 2,499	578	1,189	\$25.4	\$17.2	\$17.2	17.7
2,500 – 4,999	159	3,506	\$71.9	\$52.7	\$50.1	17.2
5,000 – 19,999	125	10,001	\$165.8	\$135.5	\$136.6	14.6
20,000 or More	39	51,943	\$686.2	\$643.5	\$607.6	13.6
Total	1,226	3,762	\$61.6	\$50.3	\$48.9	15.1

¹ Member counts include only active employees, retirees, and surviving spouses and exclude covered spouses, children, and other dependents. This applies to Figure 1, as well as throughout the report.

² Net assets in Figure 1 are defined as total assets minus liabilities.

³ Also referred to as "continuation value," which is how many months of expenses a plan could pay without any additional contributions or income.

Fund capitalization statistics

Figure 2 groups plans by net assets (surplus) measured in terms of months of total expenses (that is, how many months of total expenses could be paid using only net assets), known as “continuation value.” For example, if a plan’s net assets at the end of its plan year are equal to its total expenses for the year, then the plan would be able to continue paying benefits for 12 months if all contributions and other income ceased and expenses remained unchanged from the prior year.

This year’s study found there were 216 plans (17.6% of total plans) holding assets that equaled less than six months of total expenses as of the end of their 2021 plan years, while 310 plans (25.3% of total plans) held assets that equaled more than 24 months of total expenses. Last year, 15.9% of plans held assets that were less than six months of total expenses, while 28.9% of total plans held assets that were more than 24 months of total expenses. This is the first year since 2017 where the concentration of plans holding fewer than six months of expense has increased and the concentration of plans holding more than 24 months of expense decreased. The percentage of plans whose assets were between six and 24 months of total expenses increased slightly compared to 2020, but there was still an overall decrease in fund capitalization due to the higher concentration of plans with fewer than six months of total expenses. The average plan saw a decrease in net assets from 16.3 months of total expenses to 15.1 months.

FIGURE 2: NUMBER OF PLANS BY NET ASSETS (SHOWN AS MONTHS OF TOTAL EXPENSES)

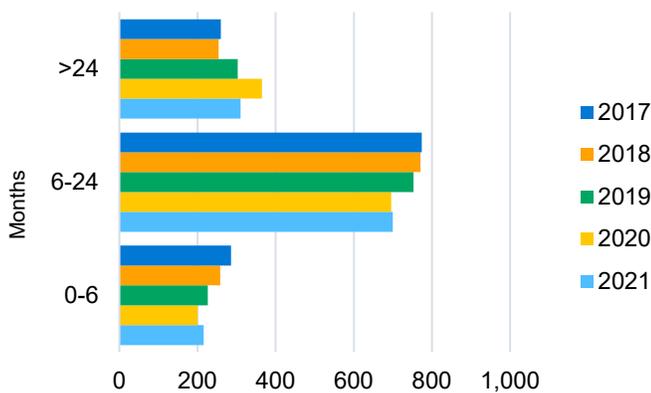


Figure 3 shows the average net assets in terms of months of expenses for the last five calendar years. Average net assets in terms of months of expenses increased in each year since 2017 until this year, where there is a decrease of 1.2 months of expense when compared to 2020. Figure 4 shows the net assets in terms of months of expense by plan size and calendar year for the last 10 years. Groups with between 5,000 and 19,999 members had the most drastic drop in continuation value, with net assets expressed as number of months of expenses decreasing from 16.9 months in 2020 to 14.6 months in 2021.

FIGURE 3: AVERAGE MONTHS OF EXPENSE BY CALENDAR YEAR

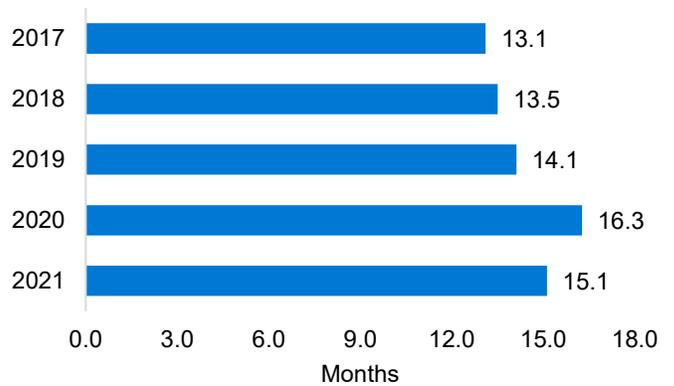


FIGURE 4: NET ASSETS IN MONTHS OF EXPENSE BY PLAN SIZE AND CALENDAR YEAR

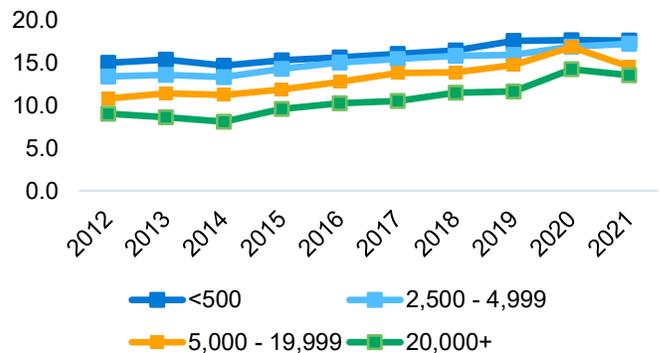


Figure 5 groups plans by total income over total expenses on a percentage basis, with each bar representing the average gain/(loss) by subgroup. Total income over total expenses reflects the excess/(shortage) of income versus expenses. For example, if total income is greater than total expenses, then the plan is building surplus (increasing net assets). There were 577 plans (47.1% of total plans) that had their net assets reduced in 2021 (i.e., had a loss for the year), while 643 plans (52.4% of total plans) increased net assets (i.e., had a gain for the year). Six plans covered total expenses exactly for the year. This is a marked negative shift of approximately 24.6 percentage points from the prior year, when 22.5% of total plans had a loss for the year and 77.1% of total plans had a gain for the year.

FIGURE 5: AVERAGE GAIN OR LOSS (SHOWN AS % OF TOTAL EXPENSES)

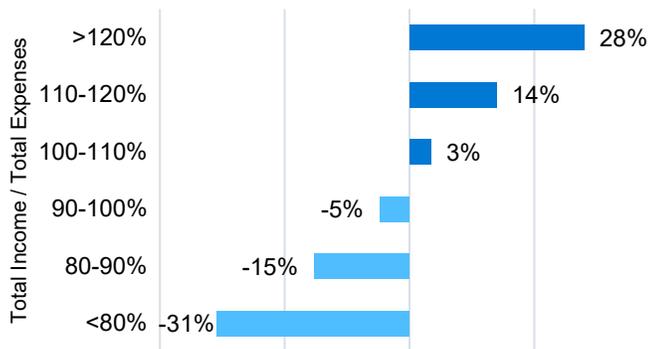


Figure 6 summarizes the percentage of plans that had gains versus losses in each calendar year of our analysis.

FIGURE 6: PERCENTAGE OF PLANS WITH OVERALL GAIN/(LOSS) BY YEAR

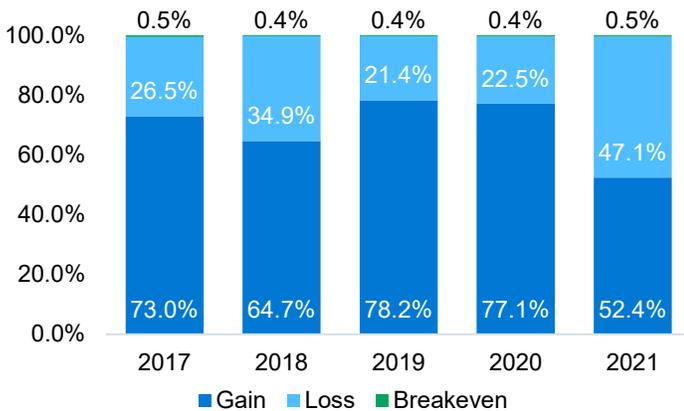
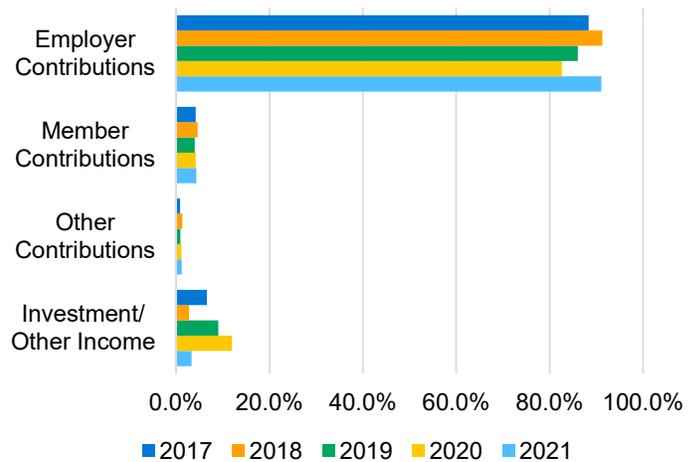


Figure 7 summarizes the income by source (employer contributions, participant contributions, other contributions, and investment/other income) for the most recent five years.

FIGURE 7: INCOME BY SOURCE FROM 2017 THROUGH 2021



Annual per member change in income and expenses

There was a 3.5% decrease in income from 2020 to 2021, driven by a 73.2% decrease in per member investment and other income and offset by a 6.0% increase in per member contributions. Total per member expenses increased 5.6% from 2020 to 2021, with benefit expenses increasing 6.1% and administrative expenses decreasing 1.9% on a per member basis. Figures 8 through 11 summarize the percentage change in both income and expense on a per member basis.

FIGURE 8: OVERALL INCOME AND EXPENSE CHANGE BY YEAR

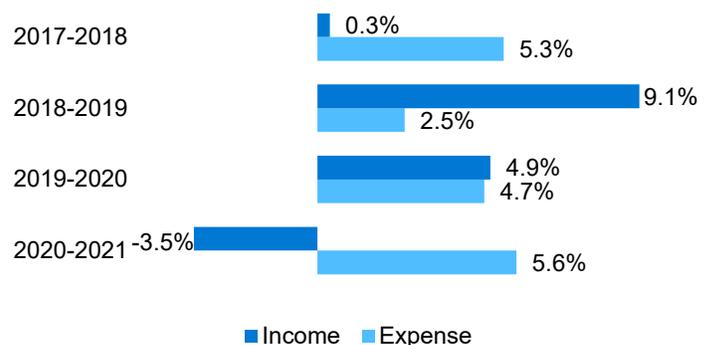


FIGURE 9: SOURCE OF PER MEMBER PER MONTH INCOME AND EXPENSE CHANGE BY YEAR

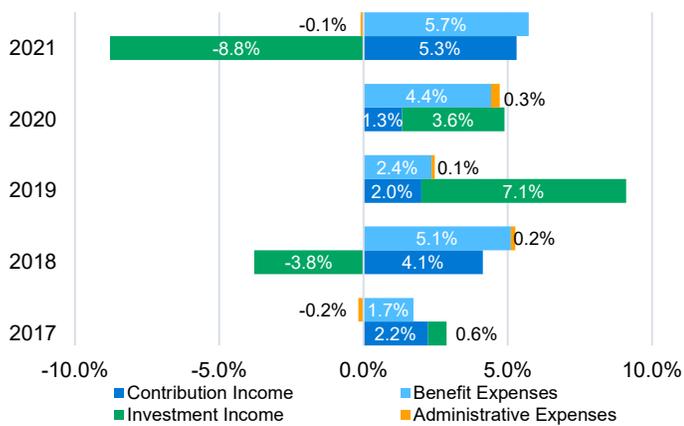


FIGURE 10: CHANGE IN PER MEMBER INCOME BY SOURCE

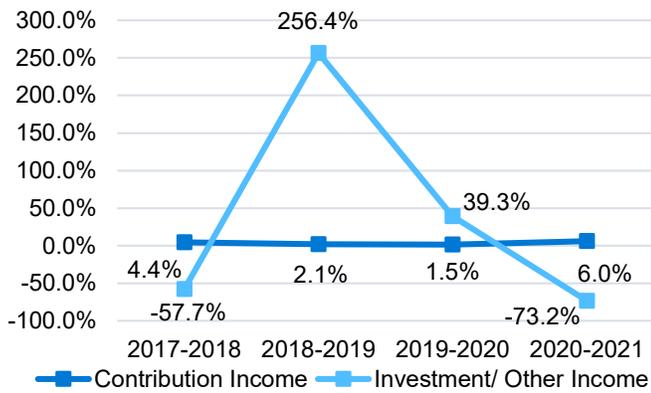
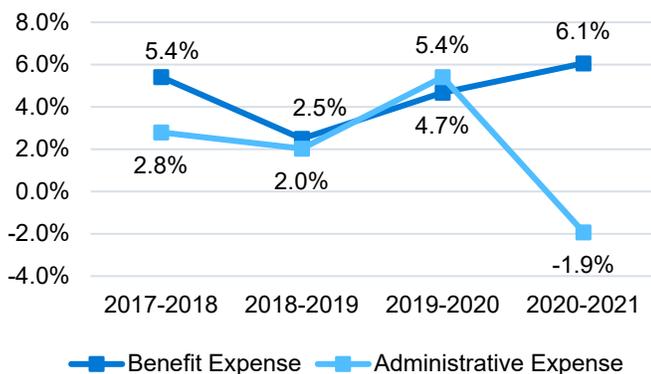


FIGURE 11: CHANGE IN PER MEMBER EXPENSE BY SOURCE



Per member statistics

Figure 12 shows the average total income and average total expenses per member by plan size, while Figure 13 shows the average annual change from 2017 through 2021 in the total income per member and total expenses per member, both by plan size and in aggregate. Figure 14 shows the average annual change from 2017 through 2021 in contribution income per member only (excluding investment and other income) and in total expenses per member, both by plan size and in aggregate.

FIGURE 12: AVERAGE TOTAL INCOME AND EXPENSES PER MEMBER

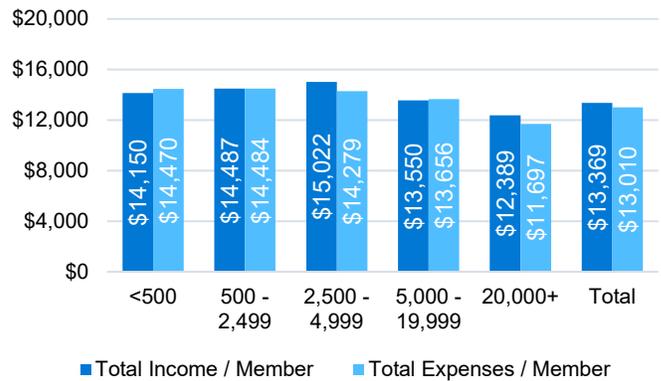


FIGURE 13: AVERAGE ANNUAL CHANGE FROM 2017 THROUGH 2021 IN TOTAL INCOME AND TOTAL EXPENSES PER MEMBER

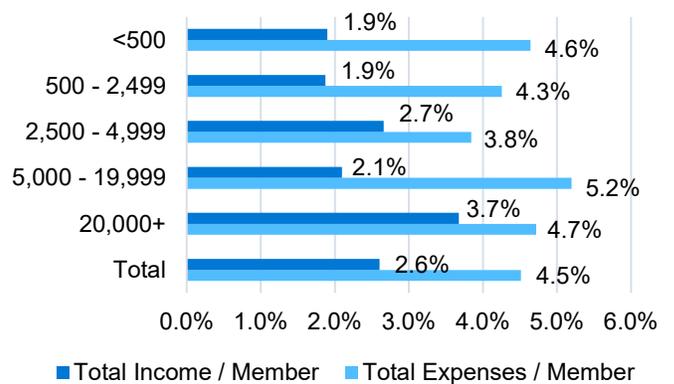
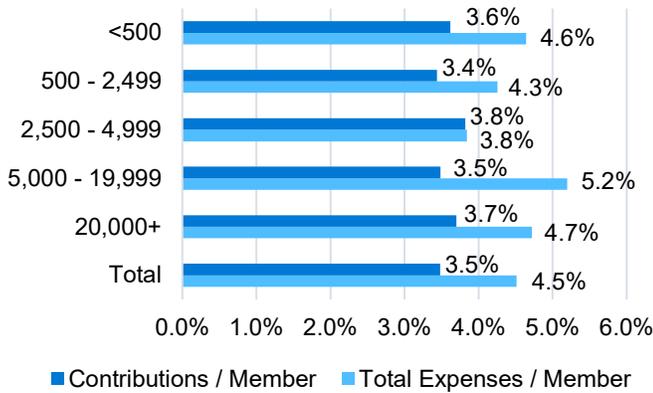


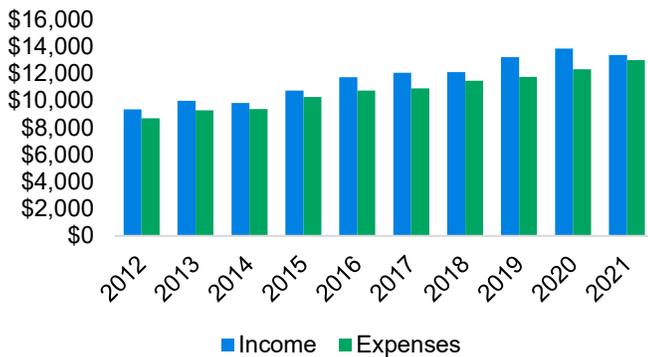
FIGURE 14: AVERAGE ANNUAL CHANGE FROM 2017 THROUGH 2021 IN CONTRIBUTION INCOME AND TOTAL EXPENSES PER MEMBER



For the Taft-Hartley plans included in this study, Figure 12 shows that income and expense by plan size were largely similar to each other; for plans with more than 5,000 members, average total expenses per member are markedly lower than those plans with lower membership. Plans with more membership generally have larger purchasing power and can reduce costs through economies of scale, as well as being more likely to be self-insured, which can reduce plan costs. Note that, although income surpassed expenses in 2021, the overall surplus was lower in 2021 than in recent years. Figure 13 shows that the average total income per member increased from 2017 through 2021 by a smaller percentage than average total expense per member for all subgroups. Figure 14 shows this same information, but controls for investment income growth. For all plan sizes, the average increase in expenses per member has exceeded the average increase in contributions per member.

Figure 15 shows the per member income and expense over the last 10 years.

FIGURE 15: TOTAL INCOME AND TOTAL EXPENSES PER MEMBER FROM 2012 THROUGH 2021



About this study

A single Form 5500 filing can contain information pertaining to more than one benefit program, including non-health-related plans such as life insurance.

The following methodology was used to identify the plans to include in this study from the entire 2021 Internal Revenue Service (IRS) Form 5500 database:

1. Excluded plans that did not have code “1” listed in Part I (A) of the Form 5500. Code “1” indicates that the plan is a multiemployer plan.
2. Excluded plans that did not have code “4A” listed in Part II (8b) of the Form 5500. Code “4A” indicates that a health plan is offered.
3. Excluded plans where the fiscal plan year did not fall at least partially in 2021 (five plans).
4. Excluded plans that did not submit a Schedule H (213 plans). Schedule H provided the basis for the information presented in this report. There are a few reasons that a plan may not submit a Schedule H. For example, fully insured, unfunded, or a combination of unfunded and fully insured welfare plans are not required to submit a Schedule H.
5. Excluded plans that did not report any members (18 plans).
6. Excluded plans that included data that were determined to be outliers (272 plans). Outliers were determined using an “inner fence” methodology for the statistics presented in this report, to limit the range of the charts. In this report, the term “outlier” is defined simply as a data point that is greater than a certain distance away from the 25th or 75th percentiles of the datasets. It does not necessarily mean that the data point is erroneous or unreasonable.

The resulting dataset consisted of 1,226 plans.

The data used in this report was not adjusted to a common date, as it would not have had a material impact on the results.

The per member figures were developed using active, retiree, and surviving spouse member counts as of the end of the plan year, as reported on the 2021 Form 5500. The member counts include only active employees, retirees, and surviving spouses and exclude covered spouses, children, and other dependents. These counts might overstate or understate the actual per member figures if there were large increases or decreases in the member count throughout the year. If that occurred, the count at the end of the year might not be indicative of the average throughout the year.

Throughout the report, investment income also includes other non-contribution income. As a result, figures regarding investment income may be overstated if other non-contribution income were to be removed.

Using the information reported on the Form 5500, specifically Schedule H, 2021 statistics were developed for multiemployer plans, as provided in this report. These statistics were developed on a nationwide basis and with no regard to funding arrangement (that is, plans were not separated between fully insured and self-insured). Although there were 1,734 multiemployer health plans that filed a Form 5500 in 2021, the statistics are based on data for 1,226 multiemployer plans that were determined to provide sufficient information for this study, as detailed above. The 2021 year was the most recent for which information was available for most Taft-Hartley plans.

All historical plan information for 2011 to 2015 was loaded from the publicly available Form 5500 filings using the methodology detailed above.



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