

ORGANIZER



April 2010

The (Not-So) Perfect Storm

No single issue dominates headlines these days more than how best to provide Health Care for American families. And the two reform bills put forth by the House and Senate (H.R. 3962 and H.R. 3950 respectively) have only fueled the national debate. But on one point everyone agrees: rapidly rising health care costs have threatened health insurance plans throughout America, even in the film and television industry's employer contribution-based system, one of the most benefit-laden of any in the country. Did you know that the average COBRA cost for an MPI Family is \$16,741 per year? And with costs rising at 9-10 percent year, projections put that figure close to \$24,000 in the next five years! Statistics from The Centers for Medicare and Medicaid Services provide a clear sense of the economic challenges facing your MPI Health Plans:

- ◆ In the last decade annual health insurance premiums for families rose 131 percent
- ◆ Between 1970 and 2009, the share of the U.S. economy (GDP) going to health care rose from 7.2 percent to an estimated 17.6 percent, with total health spending in the United States last year surpassing \$2.5 trillion
- ◆ By 2018, health care spending will be over \$4.3 trillion (\$13,100 per resident) and account for 20.3 percent of GDP

Skyrocketing health care costs are just one part of the problem; residuals from supplemental markets and Post 60's, which have helped to strengthen MPIHP reserves over the last decade, dropped **12 percent industry-wide in 2009**, representing a loss of income to the Health Plan of more than \$17 million. Add in the worst national recession in more than 25 years, which helped to lower employee hours into the Health Plan by more than 8 percent in 2009 due to the rapid drop in film and television production, and you have unprecedented economic attacks on your MPI Health Plans. As Mercer health care consultant Chuck Hartwig observes, "funding sources for multi-employer plans

are defined in collective bargaining agreements. So when we see inflation at higher rates, it's a big challenge to find ways for funding to keep pace."

Storm Preparations

Health care experts describe the events above as "the perfect storm," precipitated by declining DVD revenues, rising health care costs, declining hours into the Plan, and an unstable investment climate. Fortunately, the IATSE has been preparing for this better than any other Union in the entertainment industry. **Allocation of excess Health Plan reserve amounts over the last five years** have helped to stave off Plan changes, even as other industry Plans have been forced to reduce benefits and charge co-payments. The 2009 Hollywood Basic Agreement reveals the in-depth levels of preparations (over the course of the last three Contract cycles) made to counteract this "perfect storm."

- ◆ Banking **an additional \$187 million** toward your Health Plan by spending down Health Plan reserve levels to the recommended minimums (according to health care consultant professionals) of 6 months in the Actives Plan and 8 months in the Retirees Plan)

(continued on page 2)

The Not-So Perfect

(continued from page 1)

- ◆ Increasing **employer contributions to the Plan by 35 cents per hour** (roughly 1 percent of average wage earnings) per year in each year of the Agreement, resulting in an **additional \$164 million directed into the Health Plan** over the life of the Agreement
- ◆ Additional 15 cents (\$.15) per hour in the second and third years of the Agreement if reserves fall below 10 months
- ◆ Re-allocation of up to 1 percent of wages or IAP into the Actives Health Plan levels should reserve levels fall below recommended minimums
- ◆ Bargained for Health Plan design changes **saving \$233 million over the term of the Agreement**

On the last point it should be noted that MPI Plans remain alone in the film and television industry for **having no participant premium co-pays**, a remarkable statistic given that your MPI Health Plans cover more than 115,000 lives. For so many of you, the rise in eligibility hours from 300 to 400 (which does not commence until August 2011) remains a large and threatening number; but even after such changes, MPI eligibility requirements will still remain **the lowest in the industry**. MPI Actives **working a little more than 5 days per month will retain coverage**; and the increase in eligibility hours in the 2009 Basic Agreement will impact **less than 10 percent of Plan Participants**.

Funding the Plans

To truly understand the scope of the health care crisis as it affects your Health and Pension Plans, it's helpful to diagram the Plans' funding structure. Plan insiders describe it as a water fountain with "buckets and buckets" piled on top of each other. In this "dripping bucket" scenario, the top of the fountain (the largest pipe of water) are revenues from supplemental markets and Post 60's, which account for roughly 60 percent of the overall income coming into the Health and Pension Plans. The first bucket to fill up is the Pension, and the second to fill up is the Retirees health plan bucket. What trickles over after those other buckets are full goes into the Actives health plan. The minimum levels of the Pension Plan must always be funded first, so in a declining investment environment, when more residual revenues are required to go into the Pension that much less will trickle down to the active health plans.

In the "dripping bucket" diagram, it's also key to note that the Pension Protection Act of 2006 placed strict limits on single and multi-employer pension plans across the nation, with private sector employers having to meet federally mandated pension funding levels of **94 percent in 2009**. That means that already decreasing residuals income will be redirected from the Health Plan to meet strict levels required by the Pension Protection Act. By 2012, the combination of rising healthcare costs and the need to fund the pension **will produce a deficit in your MPI Health Plan of more than \$580 million**. In fact, the economics that the IATSE has had to reckon in making preparations to protect your Health Plan for just a single Contract cycle (new employer contributions of roughly \$164 million, and an additional \$35 million when additional 15 cents (\$.15) per hour is triggered, spending down reserves in excess of \$187 million, and negotiated Health Plan design changes of more than \$233 million) reveal a staggering figure of **nearly \$600 million** just to keep pace with the "perfect storm" described above.

Perception vs. Reality

One question many Plan members have voiced is: How can your MPI Health Plans be under such intense economic duress when Hollywood-made films like Avatar are breaking global records and 2009's overall domestic box office gross was \$10.594 billion? How could a banner year for Hollywood studios result in lowered employer contributions into both the Health and Pensions Plans of **73 million total hours, six million hours less than in 2007?** The answer is you need to look at the *whole picture*. The primary source of income flowing into your MPI Health Plans comes from supplemental markets, i.e.. DVD sales, foreign markets and sales into network television, etc., **not from box office revenues**.

A recent New York Times article (about the proposed sale of MGM) highlighted a report by Barclays Capital, which noted that, "even studios much healthier than MGM, bitten by falling DVD revenue and a 30 percent decline in operating income from 2007 to 2009, had experienced a sharp reduction in their **relative importance to the**

“**Skyrocketing health care costs aren't the only problem.**”

media companies that own them.” The article went on to note: “Looking at Warner Bros, (a unit of Time Warner), Paramount (Viacom), Disney Studios (the Walt Disney Company) and 20th Century Fox (the News Corporation), the Barclays report reckoned that such studios, on average, accounted for only about **10 percent of the “enterprise value” of their parents.**” “While we enjoy thinking about the film business, the reality is that film doesn’t matter nearly as much to the stocks of media conglomerates as it previously had,” the Barclays report stated.

While the IATSE has gone the extra mile in protecting your MPI Health Plan (through preparations noted above like spending down reserves, and increasing employer contributions at the bargaining table) the storm is just too intense to weather by such methods alone. Mercer’s Chuck Hartwig says multi-employer plans like MPI are working extra hard to ensure Plan dollars are spent as efficiently as possible. That includes joining forces with the other entertainment industry plans to find the lowest cost/highest quality prescription drug program in the market, and offering disease management programs to help participants with high-cost conditions. So what can you, as a Plan member, do to help weather this inflationary storm?

- ◆ **Call in your jobs to your Locals** and encourage all working members you know to follow your example. If all jobs are called in, union and non-union alike, the IATSE will be in a better position to help our brothers and sisters find the extra days of work to help them qualify for eligibility, as well as identify all negotiated employer contributions into the Plan through added working hours
- ◆ **Stay within network when choosing services** and utilize the MEDCO prescription drug plan whenever possible. Previously contracted rates **reduce the overall costs** of the Plan and ultimately reduce any out-of-pocket costs for Plan Members
- ◆ If available, take advantage of the medical services provided by the **Motion Picture & Television Fund clinics and physicians**, who typically cover 100 percent of costs, to better help reduce overall Plan rates.
- ◆ Get involved with the national health care debate and urge your representatives to not compromise when it comes to important issues impacting your family’s future. These include **not taxing so-called “Cadillac” insurance plans, prohibiting insurance companies from denying coverage** due to pre-existing medical conditions, and mandating that all **employers pay their fair share.**

Organizing Update

10a10b	NBA League Pass Promo
Alligator Point	NFL & BCS Games
And Soon The Darkness	Norwegian Wood
Beautiful Boy	PCA 2009
Branded Image Campaign	Players
Circle of Eight	Pros vs. Joes
Citizen Jane	Rizzoli
Columbus Circle	Rushlights
Criminal Minds Promo	School Gyrls
Cubicle	Secret Girlfriend
Dome Project	Sherry Shepard
Dora	Slumdog Virgin
Explorer Industrial	Somewhere
Four Real	Summer Camp
Ghostfacers	Superstars of Dance
Gigantic	Tabloid
Hissss	The Amazing World of Gumball
Hot In Cleveland	The Christmas Movie
I Kissed A Vampire	The Effect
Ironclad	The Goth Project Documentary
Karate Kid The Remake	The League
Lawman	The Other Side
Legends of Flight	The Quickening
Let's Make A Deal (Pilot)	Universal Soldier: The Next Generation
Let's Make A Deal (Series)	Untitled Surf Show
Love, Barack	Web Therapy 2
Master Class	Wrong Turn 3 Promo
Minkow	You May Not Kiss The Bride
Mirrors 2	Zane's Sex Chronicles
Monster Mutt	

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