

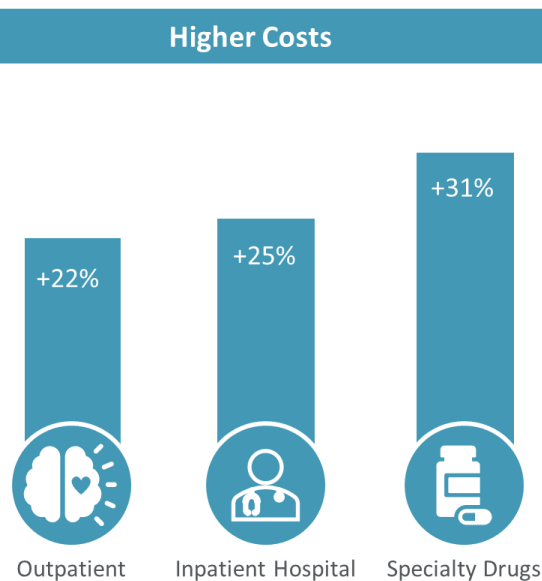
Dear Participant,

It's no secret that over the past several months, we have been living through extraordinary physical, emotional, and financial pressures that have had a particularly heavy impact on our industry. The SAG-AFTRA Health Plan has not been immune. Throughout our history, the Plan has provided high-quality health coverage to hundreds of thousands of participants and their families. However, the continued high cost of health care, the global pandemic, and the industry shutdown have created an urgent need for the SAG-AFTRA Health Plan to be restructured.

While this restructuring will preserve access to an excellent health plan for the majority of our participants, the changes will be disruptive for some. The enclosed newsletter describes these changes, which become effective January 1, 2021. It also contains important information about getting help with coverage alternatives in the event you no longer qualify for the SAG-AFTRA Health Plan.

Why Now?

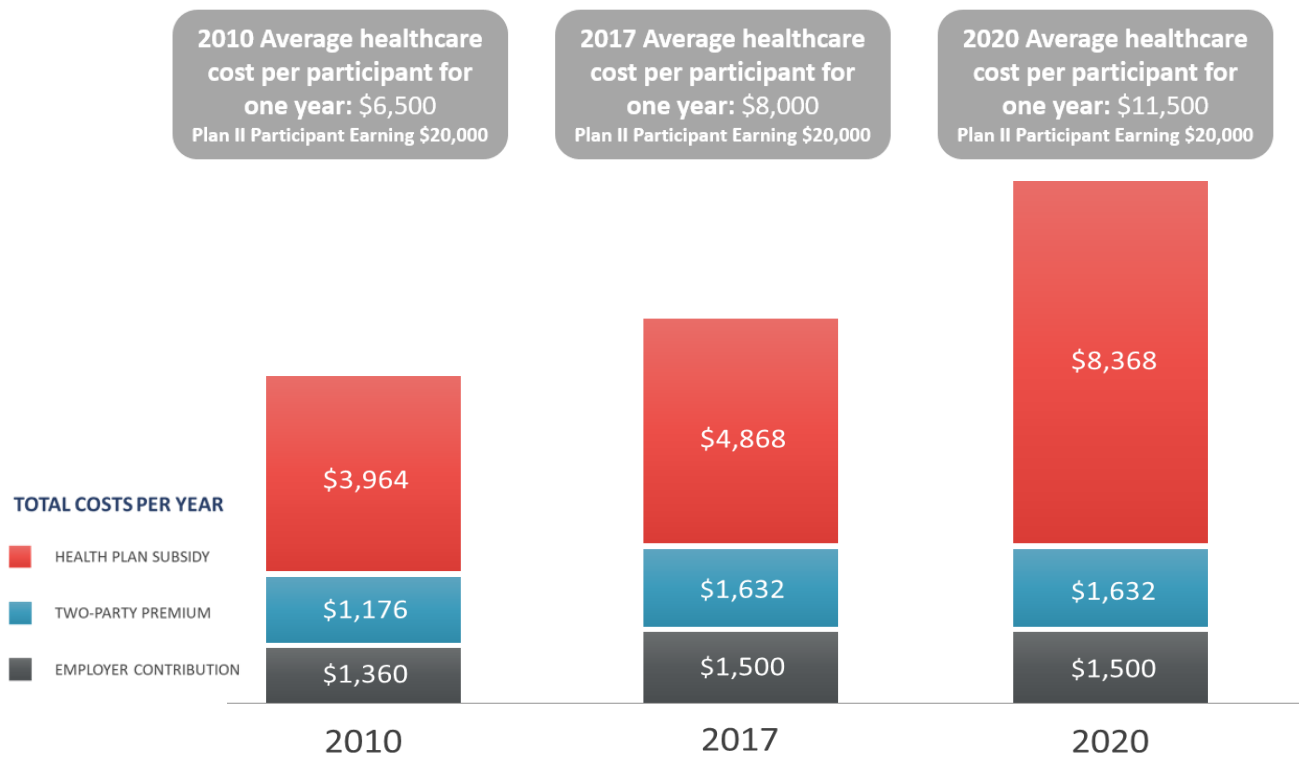
We've all seen the headlines – the cost of healthcare continues to rise exponentially. This isn't just an isolated area of the health care industry. Across the board, prices are surging. Relentless inflation has nearly doubled annual U.S. health care spending in the last decade, and we've seen especially sharp increases in Health Plan benefit costs in just the past two years, as illustrated below:



We have been working diligently to try to control the growing costs of health care by negotiating better contracts and reducing costs within our control. Examples of this include negotiating \$30 million in savings from our pharmacy benefit manager contract in 2017 and an additional \$29 million in savings with a new contract for 2021. We have also worked continuously to reduce our operating costs, finding ways to do more with less. Last year, just 8 cents of every revenue dollar was spent on the Plan's operations, leaving more money to pay for participant benefits.

However, despite our success at managing costs within our control, ever-increasing health care costs have resulted in unsustainable deficits, requiring the use of our reserves to fund current expenses. Last year, we paid almost \$468 million in expenses for our 65,000 participants and their dependents. This marks an \$82 million increase in health care related costs in the last two years alone.

Rising health care costs have also increased the Health Plan’s subsidy of participant costs (i.e., health care costs covered by the Plan in excess of employer contributions and participant premiums). The graphic below illustrates the rise in the average subsidy from 2010 to 2020 for a Plan 2 participant earning \$20,000. While premiums and contributions have remained relatively stable, the Health Plan’s subsidy has grown dramatically.



The reality is that employer contributions and participant premiums do not cover the cost of care. Without restructuring the Health Plan, we are projecting a deficit of \$141 million this year and \$83 million in 2021 and, by 2024, the Health Plan is projected to run out of reserves. We must prevent this from happening.

A Different Landscape

The implementation of the Affordable Care Act (ACA) has changed the way health insurance works in this country, and participants may be unaware of the highly affordable options available to individuals and families with low incomes.

While the restructured Plan will feature a single, higher eligibility threshold, those who previously qualified for coverage at lower levels could actually be eligible for similar or better coverage – at lower or no cost depending on household income – through the ACA Exchanges. These options are available only to those who DON'T have health coverage or eligibility through their employer or the Plan.

We understand that no one welcomes the disruption of changing health coverage – even if similar, less costly alternatives are available – but it's important to note that those participants who lose Plan coverage may still have good, affordable health insurance options (see page 13 of the enclosed newsletter for more information).

Help Available

We recognize that any change right now is difficult and want to assure you that, in exploring all options, we have obsessed over the details, exhausted every alternative, and worked tirelessly to reduce costs within our control. We know every choice we make affects people who depend on us. While difficult, these changes are necessary to protect the financial sustainability of our Plan, now and into the future.

In the enclosed newsletter, you will find a summary of changes that will become effective on January 1, 2021. It also contains important information about getting help with coverage alternatives in the event you no longer qualify for the SAG-AFTRA Health Plan. In the coming weeks, we will provide you with detailed information, tools, and resources to help you plan for these changes. We are confident that together we will be able to navigate the road ahead successfully and will continue to support you throughout this change – as we have for decades.

Sincerely,

The Board of Trustees