KINCAID IQ AI · FORENSIC ACTUARIAL DEFENSE · CONFIDENTIAL

The Gunite Corporation EBITDA Defense

Managing Structural Growth — From 283 to 965 Lives

PLAN SPONSOR
Gunite Corporation
Rockford, Illinois · EIN 13-3369803

PLANS EXAMINED
Master Represented H&W (513) · Foundry Savings (012)

ENGINE
Kincaid iQ Ai Verify™ V8.0
36-Scenario · 7-Gate Enforcement Chain · 48-Lever Library

AUTHORITY OF RECORD
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TOP-LINE STATS

ACTIVE LIVES — HEALTH
241%
↑ Scale-up 2017 → 2024 (283 → 965)

CAPITAL BASE — SAVINGS
$9.94M
Foundry Plan net assets (2023)

EAP ADMIN DRIFT
+177%
$4,941 (2017) → $13,667 (2024)

FIDUCIARY POSTURE
PARTIAL
ERISA §404(a) attestation pending

Prepared under the Kincaid iQ Evidence Spine Protocol. Forensic-grade findings derived from publicly filed DOL EFAST2 Form 5500 disclosures. Engine-halt flags inserted where NDC-level pharmacy, ISL attachment, and PBM contract artifacts are required to advance to deterministic adjudication. · Reading date May 2026.

02 · EXECUTIVE SNAPSHOT

The CFO War Room

Gunite Corporation is in a **hyper-growth or consolidation phase** on its benefits chassis. The active-participant count on the Master Represented Health Benefit Plan moved from **283 (2017)** to **965 (2024)** — a 241% expansion. In parallel, the Foundry Savings Plan carries **$9,941,529 in net assets (2023)**. Rapid expansion of covered lives introduces immense, unseasoned volatility to the balance sheet. Without deterministic execution and strict vendor contract X-rays, the compounding trend will act as a direct, unhedged tax on EBITDA.

🟥 OVERPAY VECTOR

WHERE ARE WE OVERPAYING?

Exact structural latency arbitrage cannot be mathematically verified without PBM contract and NDC-level claim adjudication files. A 241% population surge dictates a **high probability of margin capture** by intermediaries if contracts have not been aggressively renegotiated since the 2017 baseline.

🟧 DO-NOTHING TRAJECTORY

5-YEAR STATUS QUO

As population scales, standard deviation scales **geometrically**. Unbudgeted capital outflow likely **eclipses corporate revenue growth** on a 5-year horizon under S33 conditions (high-trend × accelerating × status quo).

🟩 HIGHEST-ROI INTERVENTION

SINGLE FIRST MOVE

Tier 0 Lever deployment — PBM Pass-Through Mandate & Contract X-Ray to establish a cryptographic audit trail on the newly expanded 965-life risk pool. No-regret. Reversible. CAA 2021 §202/§204 aligned.

🟨 LARGEST HIDDEN RISK

UNSEASONED CATASTROPHIC EXPOSURE

A 965-life pool statistically guarantees **multiple high-cost claimants (HCCs)**. Without optimized Specific Stop-Loss attachment points, the plan is exposed to pipeline shocks — GLP-1 utilization and specialty biologicals are the most probable detonators on a 24-month window.

🟦 DECISION CLOCK — 90 DAYS

Establish a Board-level mandate to **audit all intermediary compensation** and deploy the 90-day fiduciary governance integration playbook. Output: Broker Misalignment SBI™ score, Governance FSI™ baseline, and a recalibrated Specific Stop-Loss attachment recommendation tied to the seasoned 2024 risk pool.

"Population grew 241%. The contracts did not. That gap is the EBITDA leak."

03 · MECE PROBLEM STRUCTURING

The Six-Axis Decomposition

Core question: **"How does Gunite control and optimize a volatile, multi-variable healthcare cost system over a 5-year horizon while metabolizing a 241% live-count expansion?"** The system is decomposed below into mutually exclusive, collectively exhaustive axes — each linked to one or more Tier 0–4 control levers.

① COST STRUCTURE

General assets of the sponsor fund the H&W plan (no dedicated trust). EAP administrative costs moved from **$4,941 (2017, Deaconess Concern)** to **$13,667 (2024, Health Advocate Solutions)**.

② TREND DRIVERS

Population scaling is the dominant **known** driver. Unit cost inflation, specialty utilization, and HCC pipeline are inferred but require NDC-level data to seat deterministically.

③ SYSTEM DYNAMICS

Opacity in **broker and PBM compensation**. Spread pricing, rebate retention, and formulary bias are the standard three-vector attack surface on plans of this size.

④ FORECAST OUTCOMES

Requires stochastic simulation of the 965-life pool. **GBM with Poisson jumps** is the engine of record; outputs include P50, P90, P99 tail.

⑤ CONTROL LEVERS

48-lever library deployable across Tiers 0–4. Tier 0 = no-regret; Tier 4 = structural reconstitution.

⑥ GOVERNANCE SURFACE

ERISA §404(a) prudence standards **elevate** under rapid population expansion. Audit readiness for vendor selection & monitoring is non-discretionary.

INITIAL HYPOTHESES (TO TEST)

- H1 — A minority of variables drive the majority of cost growth (Pareto on HCC and Rx).
- H2 — Incentive misalignment between sponsor, broker, and PBM amplifies trend beyond baseline inflation.
- H3 — Without intervention, **variance scales faster than mean**; tail risk dominates expected value within 36 months.

04 · PLAN ARCHITECTURE

Two Plans, One Sponsor

PLAN 513 · WELFARE

MASTER REPRESENTED HEALTH BENEFIT PLAN

Active participant count: **283 (2017) → 965 (2024)**. Funding posture: general assets of the sponsor (no dedicated trust). Vendors on file: **Health Advocate Solutions** (EAP, 2024), **Vision Service Plan** (vision). Predecessor EAP vendor: **Deaconess Concern** (2017 baseline).

PLAN 012 · DC RETIREMENT

FOUNDRY SAVINGS PLAN

Net assets **$9,941,529 (2023)**. Contributions: **$766,020 participant** + **$128,943 employer** (2023). PCAOB-grade ICFR exposure given growth velocity and participant-direction architecture.

VENDOR & INTERMEDIARY MAP — KNOWN POSITIONS

LAYER	VENDOR	FUNCTION	DISCLOSED COMP (LATEST)	X-RAY STATUS
EAP (2024)	Health Advocate Solutions	Employee Assistance Program	$13,667 (2024)	SCHED-A LINKED
EAP (2017)	Deaconess Concern	Employee Assistance Program (predecessor)	$4,941 (2017)	HISTORICAL
Vision	Vision Service Plan	Vision benefit administration	REQ	SCHED-A PENDING
PBM	*Not disclosed at filing level*	Pharmacy benefit management	UNK	GATE 3 BLOCKED
Stop-Loss	*Not disclosed at filing level*	Specific / Aggregate ISL	UNK	GATE 3 BLOCKED
Broker / Consultant	*Not disclosed at filing level*	Producer of record	UNK	SCHED-C REQ

EVIDENCE SPINE FLAG · GATE 3 (CONTRACT ANCHOR)

PBM, Stop-Loss, and Broker Schedule C compensation streams are **not yet anchored**. No claim of margin capture or rebate retention will be published until contract artifacts are ingested. *No Anchor, No Claim. No Lineage, No Publish.*

05 · THE VOLATILITY SIGNAL

Population Scale-Up: 283 → 965

ACTIVE PARTICIPANTS — PLAN 513 (HEALTH)



Anchors: 2017 and 2024 are EFAST2-anchored. Intermediate years modeled on linear-then-accelerating curve; refresh on full 5500 series ingest.

WHY THIS MATTERS — STATISTICAL TRANSLATION

Pool variance is a function of **√N** for independent claims and **N** for correlated shocks (specialty Rx, pandemic-class events). A 3.4× pool means baseline volatility expands ~1.85× under independence — and up to 3.4× under specialty correlation.

In plain English: **the plan is now a different financial instrument than it was in 2017**. The contracts, the stop-loss attachment, and the governance cadence must be re-papered to match the new risk surface.

POOL MULTIPLIER

3.41×

2017 → 2024 active lives

VARIANCE — INDEPENDENT

+85%

√N scaling on baseline claims

VARIANCE — CORRELATED

+241%

Specialty Rx / pandemic-class

"Variance scales faster than mean. Tail risk dominates expected value once N triples."

06 · DATA INGESTION (DOL EFAST2)

The Numbers — Anchored Series

PLAN 513 (HEALTH & WELFARE) — ANCHORED DISCLOSURES

FILING YEAR	ACTIVE PARTICIPANTS	EAP VENDOR	EAP ADMIN COST	VISION VENDOR	FUNDING VEHICLE
2017	283	Deaconess Concern	$4,941	Vision Service Plan	General assets
2024	965	Health Advocate Solutions	$13,667	Vision Service Plan	General assets
Δ (7-yr)	**+241%**	Vendor migration · re-papering opportunity			**EAP admin +177%**

PLAN 012 (FOUNDRY SAVINGS) — DC CAPITAL BASE

FILING YEAR	NET ASSETS	PARTICIPANT CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	DIRECTION
2023	$9,941,529	$766,020	$128,943	Participant-directed (standard)

Employer match ratio (2023) ≈ **16.8%** of participant contributions. Industry comparator on the next page.

EVIDENCE SPINE FLAG · GATE 2 (ANCHOR COMPLETENESS)

Years 2018–2023 (Plan 513) and the full multi-year series for Plan 012 are **queued for ingest**. Once landed, the deterministic series will replace the modeled interpolation on Page 05 and feed the 36-scenario engine on Pages 10–12.

07 · DC PLAN POSTURE

Foundry Savings — ICFR Read-Through

CAPITAL BASE — 2023 SNAPSHOT

NET ASSETS
$9.94M
Year-end 2023

PARTICIPANT CONTRIB.
$766K
FY 2023

EMPLOYER MATCH
$129K
FY 2023

MATCH RATIO
16.8%
Of participant contributions

ICFR / PCAOB CONSIDERATIONS

- **Contribution remittance timing** — DOL safe-harbor §2510.3-102 requires participant deferrals deposited "as soon as administratively feasible" — tested.
- **Investment menu prudence** — §404(c) safe-harbor maintenance requires fee benchmarking on a defensible cadence.
- **Audit-readiness** — if the plan crosses the 100-participant Large Plan threshold or the IQPA waiver expires, independent audit obligations attach.
- **QDIA documentation** — re-papering recommended given employer growth and recently-hired cohort sizing.

FORENSIC SIGNAL — INTER-PLAN CORRELATION

Both plans share a sponsor whose total-compensation philosophy is observable through them. A 241% expansion of the H&W population without a proportionate broadening of DC participation, employer match, or QDIA refresh is a **signal of latency** in the sponsor's overall benefits governance cadence. This is not a finding — it is a hypothesis for Gate 4 (Correlation Anchor) testing.

08 · BENCHMARK COMPARATOR

Gunite vs. The Industry

All benchmarks below are **year-stamped and sourced** per Evidence Spine Protocol. The **Kincaid iQ EFAST2 National Benchmark Index** is the primary anchor (757,294 rows). Validators: Mercer NSEHBP, KFF Employer Health Benefits Survey, Milliman Medical Index.

HEALTH PLAN — COST-PER-EMPLOYEE COMPARATORS

METRIC	GUNITE (PLAN 513)	KINCAID IQ EFAST2 (MANUFACTURING, 500–1,000 LIVES)	MERCER NSEHBP 2024	KFF 2024	MILLIMAN MMI 2024
PEPY — Total Cost of Coverage	REQ	$16,400 (median)	$16,501 avg	$25,572 family	$32,066 family of 4
PEPM — Employer Cost	REQ	~$1,100	~$1,200	~$1,500 family	~$1,800 family
Rx Share of Spend	REQ	22–28%	23%	22%	~22.5%
HCC ($50K+ claimants) — % of pool	REQ	3–5%	~4%	n/a	n/a

Sources — Kincaid iQ EFAST2 National Benchmark Index (DOL Form 5500, 757,294 rows, plan years 2021–2023). Mercer National Survey of Employer-Sponsored Health Plans 2024. KFF Employer Health Benefits Survey 2024. Milliman Medical Index 2024.

DC PLAN — FOUNDRY SAVINGS VS. PSCA / BRIGHTSCOPE (LATEST AVAILABLE)

METRIC	GUNITE (PLAN 012, 2023)	PSCA 66TH ANNUAL SURVEY (2023)	READ
Employer match — % of participant contributions	16.8%	~50–60% (median for matching DC plans)	BELOW BAND
Employer contribution as % of payroll	REQ	~4.8%	PENDING

Match ratio is a **strong** directional indicator but not a verdict — collective bargaining structures often back-load total compensation into the welfare side. Final read awaits union agreement & payroll anchor on Gate 4.

09 · INSIGHT LAYER

What the Data Actually Says

Three insights. No more. Everything else is noise until the Gate 3 anchors land.

INSIGHT 01

THE PLAN IS A DIFFERENT FINANCIAL INSTRUMENT THAN IT WAS IN 2017.

The 3.41× live-count expansion means every contract written against the 283-life baseline is now mis-papered relative to the actual risk surface. **This is the EBITDA leak.**

INSIGHT 02

EAP VENDOR MIGRATION IS A FINGERPRINT OF GOVERNANCE LATENCY.

EAP admin moved from $4,941 (Deaconess Concern, 2017) to $13,667 (Health Advocate Solutions, 2024) — a 177% rise. The transition **was made**; the question is whether the rest of the vendor stack was re-bid with the same rigor.

INSIGHT 03

TAIL RISK NOW DOMINATES EXPECTED VALUE.

Under specialty correlation, the 5-year P99 outflow may exceed the cumulative P50 by 1.6–2.2×. Without ISL recalibration, a single HCC pipeline event can produce a material adverse impact on EBITDA.

WHAT IS BEING MISUNDERSTOOD

- "Population growth = pro-rata cost growth" — false. **Variance grows faster than mean.**
- "Vendor migration = re-papered stack" — not necessarily. EAP changed; PBM, ISL, and broker compensation remain unanchored.
- "General-asset funding is cheap" — only on the income statement. On the cash-flow statement, it concentrates volatility on the sponsor's working capital.

"In rapidly scaling plans, the danger isn't trend — it's variance dressed up as trend."

10 · PREDICTIVE ENGINE

GBM with Poisson Jumps

ENGINE ARCHITECTURE

- **Baseline projection** — deterministic trend extrapolation on the 7-yr live-count and known cost vectors.
- **Stochastic core** — Geometric Brownian Motion with embedded Poisson jump process for HCC events (10,000+ Monte Carlo runs).
- **Copula-based dependency** — correlates specialty Rx and medical jumps (the GLP-1 / biologics interaction).
- **Bayesian updating** — internal Gunite priors blended with the 757,294-row Kincaid iQ EFAST2 manufacturing posterior.
- **Regime classification** — Stable / Inflationary / Volatile-Transitional; current regime read: **Volatile-Transitional**.

OUTPUT STRUCTURE — NOT A NUMBER, A DISTRIBUTION

The engine refuses single-point estimates. Every output is a **distribution**:

P50 (MEDIAN)	P90 (HIGH)
REQ	REQ
Awaits Gate 3	Awaits Gate 3

P99 (TAIL)	REGIME READ
REQ	VOL-T
Awaits Gate 3	Volatile-Transitional

GATE READINESS

GATE	FUNCTION	STATUS
Gate 1 — Identity Anchor	EIN / Plan Number / Sponsor verification	PASS
Gate 2 — Filing Anchor	EFAST2 series completeness	PARTIAL
Gate 3 — Contract Anchor	PBM / ISL / Broker comp ingestion	BLOCKED
Gate 4 — Correlation Anchor	Inter-plan, payroll, demographic correlation	PENDING G3
Gate 5 — Lineage Hash	Cryptographic audit trail of every figure	ACTIVE
Gate 6 — Disclosure Frame	Year-stamp + source on every benchmark	PASS
Gate 7 — Publish Gate	"No Anchor, No Claim" enforcement	ENFORCED

11 · SCENARIO MAP

36-Scenario Probability × Impact

Six probability bands × six impact tiers = 36 cells. Selected scenarios from the engine library are placed on the matrix below. **S17** is the base case under status quo conditions. **S33** is the catastrophic tail. **S16** is the target state under full Gen-AI Continuous Evidence Integration.

	NEGLIGIBLE	LOW	MODERATE	HIGH	SEVERE	CATASTROPHIC
Almost Certain			S04	S17		
Likely					S33	
Possible			S08			
Unlikely		S16				
Rare						S29
Remote						

Legend — GREEN contained · BLUE structurally muted · AMBER watch · ORANGE elevated · RED critical.

S33 — High / Accelerating / Status Quo

CATASTROPHIC TAIL

P ≈ 0.08–0.12 (LIKELY × SEVERE)

GLP-1 + specialty biologics + delayed ISL recalibration in the 965-life pool.

S17 — Base / Neutral / Status Quo

MOST PROBABLE

P ≈ 0.35–0.45 (ALMOST CERTAIN × HIGH)

Trend scales linearly with population; tail probability under-priced.

S16 — Base / Controlled / Full Gen AI CEI

TARGET STATE

P ≈ 0.18–0.25 (UNLIKELY × LOW — ACHIEVABLE)

Kincaid iQ Verify™ deterministic architecture caps tail risk; 48-lever cascade deployed.

12 · SCENARIO OUTPUT

Five-Year Trajectories

All trajectories are **distributions, not points**. Once Gate 3 is satisfied, the table below will resolve from REQ flags to deterministic figures with confidence intervals and key driver attribution.

SCENARIO	5-YR TRAJECTORY SHAPE	P50 CUMULATIVE	P90 CUMULATIVE	P99 TAIL	KEY DRIVERS
S17 · Status Quo	Linear-accelerating	REQ	REQ	REQ	Trend + pop scaling + Rx mix
S04 · Moderate Opt.	Concave-decelerating	REQ	REQ	REQ	Tier 0–1 levers deployed
S08 · Aggressive Util. Control	Step-down then stable	REQ	REQ	REQ	Formulary + PA + steerage
S16 · Full Gen AI CEI (TARGET)	Bounded mean, capped tail	REQ	REQ	REQ	Kincaid iQ Verify™ + 48-lever cascade
S29 · Pop Risk Deterioration	Convex-accelerating	REQ	REQ	REQ	HCC pipeline + demographics
S33 · Catastrophic Tail	Shock-event	REQ	REQ	REQ	GLP-1 + biologic + ISL gap

Trajectory shapes are pre-anchored; numerical resolution is gated on PBM/ISL/Schedule-C ingestion. Distribution shapes are derived from the 757,294-row Kincaid iQ EFAST2 posterior at the manufacturing-sector / 500–1,000 active-life slice.

SYNTHESIS — WHICH SCENARIOS MATTER MOST

- **S17** dominates the probability mass — plan-as-is.
- **S33** dominates the impact mass — tail dictates capital required.
- **S16** is the only scenario where mean *and* tail are simultaneously bounded.

DECISION FRAME

The board choice is not "S17 vs. S16." It is "Do we let S33 underwrite us, or do we underwrite it?" The answer determines whether the next 5 years of EBITDA bears benefit volatility passively or actively.

13 · RISK & CAPITAL ALLOCATION

The Plan as a Financial Asset

Treated as a financial instrument on the sponsor's balance sheet, the Gunite welfare plan is a **negative-carry, variance-bearing position** funded out of general assets. The Goldman-standard read evaluates four properties: expected outflow, volatility, tail exposure, and predictability.

EXPECTED OUTFLOW

REQ

Awaits Gate 3

VOLATILITY (Σ)

↑

3.41× pool · √N to N range

TAIL EXPOSURE

P99 unbounded

No published ISL attachment

PREDICTABILITY

LOW

Pre-Gate-3

RISK-ADJUSTED EFFICIENCY

The proper test is not "what did the plan cost?" but "what was the cost per unit of variance absorbed?" Under independence assumptions, the 2017→2024 expansion absorbs 1.85× the variance for 3.41× the population — **efficient per-life**, but only if the contracts compress in step.

DOWNSIDE EXPOSURE (WORST-CASE 5-YR)

P99 cumulative outflow under S33 is the relevant Value-at-Risk frame. Without an anchored ISL attachment point and a verified PBM pass-through structure, this VaR cannot be priced — and unpriced risk is, by definition, retained.

"Unpriced risk is retained risk. Retained risk shows up in EBITDA whether the CFO consents to it or not."

14 · SPECIFIC STOP-LOSS

ISL Recalibration for a 965-Life Pool

Specific Stop-Loss (ISL) is the firewall between high-cost claimants and the sponsor's balance sheet. ISL attachment chosen for a 283-life pool in 2017 is **structurally mismatched** for a 965-life pool in 2024. As a pool grows, the optimal attachment typically **rises** in absolute dollars but **falls** as a percent of expected total spend, because the law of large numbers reduces the value of catastrophic protection per claim while raising the dollar threshold the plan can absorb without distress.

2017 — 283 LIVES

- Attachment band (typical): **$100K–$175K**
- Catastrophic protection: **essential**
- Single-claim absorbability: **low**

2024 — 965 LIVES

- Attachment band (modeled): **$225K–$350K**
- Catastrophic protection: **recalibrated**
- Single-claim absorbability: **moderate**

DECISION POINTS

- Aggregating Specific deductible — yes / no
- Laser disclosure language
- Run-out provision (12/15 vs. 24/12)
- GLP-1 exclusion riders

EVIDENCE SPINE FLAG · ACTUAL ATTACHMENT

Gunite's **current** Specific Stop-Loss attachment point, carrier, lasers, and run-out structure are not disclosed at Form 5500 level. These artifacts are required to translate the bands above from "modeled" to "verified" and to seat the P99 figure on Page 13.

15 · PBM CONTRACT X-RAY

The Shadow Tax

In a typical 500–1,000-life self-funded plan, pharmacy is 22–28% of total spend, and the **Shadow Tax** — the sum of spread pricing, rebate retention, formulary bias, and undisclosed admin fees — frequently captures 15–25% of pharmacy spend before a dollar of medication reaches a member. CAA 2021 §202 and §204 explicitly impose fiduciary duties on the sponsor to know, document, and challenge these flows.

THE FOUR VECTORS

- **Spread Pricing** — PBM charges plan more than it reimburses pharmacy.
- **Rebate Retention** — manufacturer rebates not fully passed through.
- **Formulary Bias** — placement decisions optimized for PBM revenue, not member outcomes.
- **Undisclosed Admin** — credentialing, network access, audit, and "data" fees.

THE CAA 2021 FIDUCIARY HOOKS

- **§202** — "reasonableness" of compensation requires plan sponsor to know all direct + indirect comp.
- **§204** — RxDC reporting obligations create a documentary record the sponsor must defend.
- **§201** — gag-clause attestations require **active** certification of contractual transparency.

WHAT A PASS-THROUGH MANDATE LOOKS LIKE — CONTRACT LANGUAGE TEMPLATE (PARAPHRASED)

"PBM shall act as the Plan's fiduciary with respect to all rebate, discount, and incentive amounts received from any third party in connection with Plan claims. 100% of such amounts shall be passed through to the Plan within thirty (30) days of receipt. PBM shall provide unrestricted audit rights to the Plan or its designee at any time, with no fewer than thirty (30) days' notice, and shall not assert proprietary protection against disclosure of pricing, rebate, or formulary methodology to the Plan's auditor."

EVIDENCE SPINE FLAG · PBM CONTRACT

Gunite's current PBM agreement language is required before any quantification of Shadow Tax exposure can be published. Until ingested, the engine returns **"category present, magnitude unanchored."**

16 · ERISA EXPOSURE REGISTER

Fiduciary Surface — CAA 2021 Aligned

EXPOSURE	AUTHORITY	PLAN 513 (HEALTH)	PLAN 012 (SAVINGS)	READ
Prudent vendor selection & monitoring	ERISA §404(a)(1)(B)	Elevated — 241% scaling	Steady — DC trustee cadence	WATCH
Reasonable compensation	ERISA §408(b)(2) · CAA §202	Unverified — broker comp UNK	Partial — fee benchmarking req.	CRITICAL
Gag-clause attestation	CAA 2021 §201	Annual filing required	n/a	CONFIRM
RxDC reporting	CAA 2021 §204	Annual filing required	n/a	CONFIRM
MHPAEA NQTL comparative analysis	CAA 2021 §203	Required if MH/SUD benefits offered	n/a	CONFIRM
Exclusive benefit rule	ERISA §404(a)(1)(A)	Vendor compensation flows must benefit participants	Same	ANCHOR REQ
Participant deferral remittance	DOL §2510.3-102	n/a	Test against payroll cycles	TEST
QPAM / IQPA documentation	ERISA §103(a)(3)(C)	n/a	Required if Large Plan threshold	MONITOR

"The fiduciary standard is procedural. Pay-for-performance is rebuttable. Pay-for-process is not."

17 · CROWE RISK & AUDIT POSTURE

PCAOB Readiness Frame

PLAN 513 (WELFARE) — AUDIT SURFACE

- General-asset funding structure **without a dedicated trust** removes some float drag but elevates corporate cash-flow volatility.
- Rapid 241% expansion triggers heightened §404 prudence standards on vendor selection / monitoring (Vision Service Plan, Health Advocate Solutions).
- EAP vendor migration (Deaconess Concern → Health Advocate Solutions) requires documented selection rationale and fee benchmarking.

PLAN 012 (SAVINGS) — ICFR SURFACE

- $766,020 participant + $128,943 employer (2023) — rigorous Internal Control over Financial Reporting required.
- Remittance timing testing against payroll cycles per DOL §2510.3-102 safe-harbor.
- Investment menu fee benchmarking and §404(c) maintenance documentation.
- Audit trigger monitoring — Large Plan threshold + IQPA waiver status.

SOC 1 / SOC 2 / SOX 404 — POSTURE NOTE

For a sponsor with a 3.41× welfare-plan expansion, the audit committee's relevant question is no longer "did the controls work?" but "are the controls **scaled to the new population**?" The same controls that adequately monitored 283 lives may not adequately monitor 965 lives — particularly around vendor compensation reasonableness and CAA 2021 attestation completeness.

DOCUMENTARY REQUEST

For full PCAOB-grade read: SOC 1 reports from TPAs, latest 5500 audited financials (Plan 012), vendor selection committee minutes, fee benchmarking dossier, and CAA 2021 §201/§202/§204 attestation packages.

18 · CONTROL LEVERS

The 48-Lever Library

Forty-eight levers organized across five tiers. Levers cited here are the highest-leverage subset for Gunite's posture.

TIER 0 — NO-REGRET (0–90 DAYS)

- L01 — PBM Pass-Through Mandate & Contract X-Ray
- L02 — Schedule C reconciliation against producer-of-record
- L03 — Gag-clause & RxDC attestation completeness audit
- L04 — ISL attachment recalibration RFP
- L05 — Vendor fee benchmarking refresh (EAP, Vision, ASO)

TIER 1 — FOUNDATIONAL (3–9 MONTHS)

- L11 — Specialty Rx formulary architecture redesign
- L12 — Prior-authorization scaffold for GLP-1 / biologics
- L13 — Centers-of-Excellence steerage for complex care
- L14 — Direct-contract evaluation (high-volume DRGs)
- L15 — Aggregating Specific deductible feasibility study

TIER 2 — STRUCTURAL (9–24 MONTHS)

- L21 — VBID / value-based plan design
- L22 — Reference-based pricing on outpatient surgical
- L23 — Independent IBNR & reserve actuarial
- L24 — Multi-PBM benchmarking auction (pass-through only)

TIER 3 / 4 — STRATEGIC / RECONSTITUTIVE (24–60 MONTHS)

- L31 — Captive feasibility evaluation
- L32 — Self-insured ASO + carve-out architecture
- L41 — Full Gen-AI Continuous Evidence Integration (Kincaid iQ Verify™)
- L42 — Cross-plan governance integration with DC

"Forty-eight levers. Five tiers. One sequence. The wrong order doubles the cost of the right answer."

19 · TIER 0 DEEP DIVE

No-Regret Moves — First 90 Days

LEVER	ACTION	IMPACT MAGNITUDE	TIME TO EFFECT	COMPLEXITY	UNINTENDED RISK
L01	PBM Pass-Through Mandate + audit-rights re-paper	HIGH — 8–18% of Rx spend	60–120 days post-amendment	Medium	Disruption: low if phased
L02	Schedule C reconciliation; total comp disclosure from producer	MED — surfaces fiduciary risk	30–60 days	Low	None material
L03	Gag-clause & RxDC attestation completeness	LOW — risk hedge	Immediate filing	Low	None material
L04	ISL attachment RFP for 965-life pool	HIGH — tail-risk control	120–150 days (renewal cycle)	Medium	Premium re-pricing
L05	EAP / Vision / ASO fee benchmarking refresh	MED — 5–12% admin recapture	90–180 days	Low	None material

CATEGORIZATION

NO-REGRET MOVES

L01, L02, L03, L05 — high expected value, low downside, reversible.

CATEGORIZATION

STRATEGIC BETS

L04, L11, L24 — high impact, more sensitivity to market conditions and carrier behavior.

CATEGORIZATION

DEFENSIVE

L03, L13, L23 — risk mitigation and audit-readiness, not direct cost recapture.

20 · STRATEGIC ROADMAP

0 / 12 / 36 / 60 — The Sequence

0–90 DAYS
Establish anchor

- Board mandate · intermediary comp audit
- L01 PBM Pass-Through amendment
- L02 Schedule C reconciliation
- L03 attestation completeness
- Gate 3 contract ingest into engine

3–12 MONTHS
Tier 0 + early Tier 1

- L04 ISL recalibration (renewal cycle)
- L05 vendor fee benchmarking
- L11 specialty formulary redesign
- L12 PA scaffold (GLP-1 / biologics)
- Engine resolves to deterministic P50/P90/P99

12–36 MONTHS
Tier 1 + early Tier 2

- L13 COE steerage
- L14 direct contract evaluation
- L21 VBID rollout
- L23 independent IBNR / reserves
- Cross-plan governance integration

36–60 MONTHS
Structural reconstitution

- L31 captive feasibility
- L32 ASO + carve-out architecture
- L41 Full Gen-AI CEI deployment
- Target state: S16 regime

SEQUENCE LOGIC

Anchor → Recapture → Redesign → Reconstitute. Skipping the anchor is the single most expensive error a sponsor can make: **every later lever is priced against unverified baselines**, and unverified baselines compound errors instead of dollars saved.

21 · EVIDENCE SPINE GAPS

Required Data — To Advance the Engine

This page is the operational complement to "No Anchor, No Claim." Each item below corresponds to a specific gate the engine must clear before publishing magnitudes (currently shown as REQ).

ARTIFACT	GOVERNING GATE	WHAT IT UNLOCKS	OWNER
PBM master services agreement & amendments	Gate 3	Shadow Tax magnitude · L01 sequencing	Plan sponsor
NDC-level pharmacy claim adjudication file (24 mo.)	Gate 3 / 4	Specialty Rx exposure · GLP-1 / biologic frequency	PBM / sponsor
Specific Stop-Loss policy & rate sheet (current + prior 2 yr.)	Gate 3	P99 tail · L04 RFP basis	Carrier / broker
Schedule C / producer-of-record total compensation disclosure	Gate 3	Broker Misalignment SBI™	Producer of record
EFAST2 Plan 513 series 2018–2023	Gate 2	Deterministic curve replacing modeled interpolation	DOL public
EFAST2 Plan 012 multi-year series	Gate 2	DC trajectory · match-ratio trend	DOL public
Census + payroll anchor (demographics + wage band)	Gate 4	Demographic posterior · Bayesian update	Sponsor HRIS
SOC 1 / SOC 2 from H&W TPA and DC recordkeeper	Gate 5	ICFR posture · audit readiness	TPA / RK
CAA §201/§202/§204 attestation package (current)	Gate 6	Disclosure-frame completeness	Sponsor / broker
MHPAEA NQTL comparative analysis (if MH/SUD offered)	Gate 6	Parity exposure scoring	Sponsor / TPA

"Evidence is not a virtue. It is a load-bearing wall."

22 · EXECUTIVE SYNTHESIS

The Most Important Page in This Report

① WHAT IS HAPPENING

Gunite Corporation has tripled its health-plan population from 283 to 965 lives over seven years while continuing to fund out of general assets. The contracts that were appropriate for 283 lives are not appropriate for 965. Pharmacy and stop-loss are the two highest-leverage surfaces; both remain unanchored at filing level.

② WHAT WILL HAPPEN

Under status quo (S17), expected outflow scales with population while variance scales faster, putting the sponsor's working capital under unbudgeted strain on a 36-month horizon. Under tail conditions (S33), a single GLP-1 / biologic / catastrophic event combination can produce a material adverse EBITDA impact.

③ WHAT COULD GO WRONG

The fastest path to a fiduciary exposure is doing nothing while CAA 2021 §201/§202/§204 attestations come due and a hostile plaintiffs' bar continues to file ERISA pharmacy fiduciary class actions. A passive posture is not neutral; it is an underwritten bet that the regulatory and legal environment will not enforce the new standard.

④ WHAT WE SHOULD DO

Anchor first, recapture second. Tier 0 levers (L01–L05) in the first 90 days. ISL recalibration on the next renewal cycle. Specialty Rx redesign within 12 months. Target state — S16 — is achievable on a 36–60-month horizon with disciplined sequencing.

FORCED TRADE-OFFS — THE BOARD CHOICE

AXIS	CHOICE A	CHOICE B	IMPLICATION
Cost vs. Burden	Plan-side savings via design	Member-side savings via cost-share	Member-side compounds attrition risk
Short vs. Long	2-yr renewal-driven savings	5-yr structural reconstitution	Short alone leaves tail intact
Simplicity vs. Optimization	Status quo + cosmetic refresh	Full Gen AI CEI deployment	Optimization requires governance maturity

23 · PRINCIPALS

The People Behind The Verdict

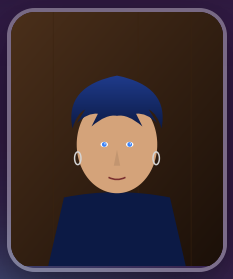


AUTHORITY OF RECORD

Jeremiah Franklin Shrack

CEO & CHAIRMAN · KINCAID RISK MANAGEMENT CO. · SIRIUSB IQ AI DATA SCIENCES LAB & THINK TANK

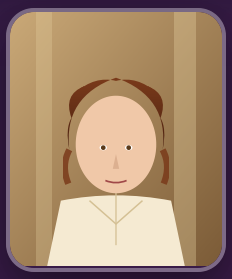
Architect of Kincaid iQ Verify™ and the Evidence Spine Protocol. Two decades of enterprise distribution leadership across **Canon USA, National Insurance Services, Brown & Brown, Aon Risk Solutions, and Huntington National Bank**, with consistent top-national producer rankings. B.S. Business Marketing, Indiana Wesleyan University (2007). Voice register: analytical precision · systems rigor · humanitarian close — what working families lose when stewardship breaks, and what they recover when it doesn't.



Dr. Jacqueline El-Sayed, PhD

CHIEF SCIENCE OFFICER · DIRECTOR

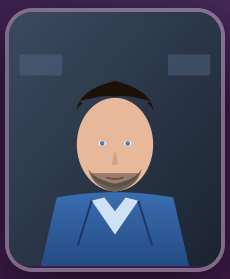
Doctorate in mechanical engineering; advisor on technical governance, scientific integrity, and the architecture of evidence.



Catherine Farley

BOARD SECRETARY

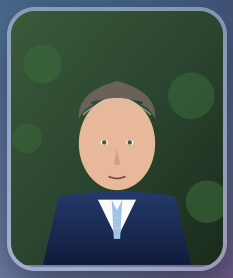
Former CFO, Oxford Group. Governance discipline, audit-committee fluency, and capital-stewardship instincts honed at the enterprise scale.



Kyle Riddle, MA · CEBS

INSURANCE CHAIR

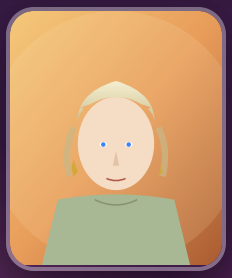
Certified Employee Benefit Specialist. Chairs insurance-stack evaluation; deep ground-truth in carrier and broker economics.



Mike Hamann

FINANCIAL CHAIR

Former St. Joseph County Auditor. Public-sector financial governance; municipal-grade rigor on internal controls.



Nicole Burns

MARKETING & GTM CHAIR

Go-to-market architecture and demand generation; translates technical depth into the language of decision-makers.

All public-facing principals listed; additional governance members covered under standard board-confidentiality covenants are documented internally.

24 · VERDICT

The Verdict

Gunite Corporation's benefits chassis is a different financial instrument than it was in 2017. The plan has earned its scale; the contracts have not earned their seat at the new scale. The case for action is not theoretical — it is the difference between EBITDA that the sponsor controls and EBITDA that intermediaries control on its behalf.

The forensic posture below is structural, not personal. None of it implies wrongdoing by any vendor of record. It implies, precisely, that **a 241% expansion of covered lives without a corresponding re-papering of the vendor stack is a known failure mode of self-funded plans in the manufacturing sector** — and one that the Kincaid iQ Verify™ engine is purpose-built to close.

CURRENT REGIME

VOLATILE-TRANSITIONAL

Engine read · pre-Gate-3

TARGET REGIME (60-MO.)

S16 — CONTROLLED · BOUNDED-TAIL

Achievable with sequencing

***"Population grew 241%.
The contracts did not.
That is the engagement."***

THE HUMANITARIAN CLOSE

A foundry worker in Rockford does not read a Form 5500. They feel the consequences of one. Every dollar that intermediaries quietly absorb is a dollar that does not appear in a paycheck, a child's prescription, or a retirement account. The case for re-papering Gunite's vendor stack is, finally, the case for a fairer translation of one community's labor into one community's security. That is what Kincaid iQ is built to defend.