



KINCAID IQ AI ♦ V9.0

Predictive Intelligence Engine ♦ SiriusB IQ Ai Data Sciences Lab ♦ Carmel, Indiana

CONFIDENTIAL ♦ BOARD & IC

FORENSIC ACTUARIAL DEFENSE ♦ SPECTRUM GLASS VARIANT

The \$241M EBITDA Defense.

Hoosier Investments, LLC Health & Welfare Plan 501 ♦ 2,299 participants



\$40.2M aggregate medical spend ♦ \$3.1M annual intermediary load.

This is not healthcare inflation. It is capital misallocation.

RECOVERABLE EBITDA

\$241M

S17 – S16 ♦ 15-year horizon

ANNUAL BROKER
EXTRACTION

\$3.1M

PBM / broker intermediaries ♦
UHC / Lincoln / Delta

FIDUCIARY POSTURE SCORE

42 / 100

Sub-50 ♦ DOL audit exposure

15-YEAR CUMULATIVE SPEND BY SCENARIO ♦ THE \$241M DEFENSE



Recoverable EBITDA = S17 minus S16 = **\$241M** over the 15-year horizon. Engine-modeled, P50 median.

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EFFECTIVE

May 27, 2026

Distribution: Tier 0 ♦ Board & IC only

The Hoosier Investments plan chassis is a **structurally unhedged liability**.

Between 2022 and 2025, active plan participants expanded from 1,310 to 2,299, a 75% increase in covered lives. Over the same window, aggregate medical and Rx spend scaled toward an estimated **\$40.2M annual run rate**, while the PBM and broker intermediary stack extracted an estimated **\$3.1M in annual frictional load** through spread pricing, rebate retention, and indirect compensation. This is not a healthcare inflation problem. It is a capital allocation problem. Information asymmetry between the plan sponsor and its vendor stack has manufactured moral hazard, latency arbitrage, and unmonitored intermediary margin capture. The transition to deterministic execution is not optional. It is a fiduciary imperative.

CFO WAR ROOM ♦ THE FIVE-POINT MANDATE

DECISION FRAME	MANDATE
Where are we overpaying	Approximately \$3.1M annually in broker overrides, base commissions, and bonuses extracted by PBM / broker intermediaries, representing zero clinical yield.
5-year cost of inaction	An estimated \$118M in unbudgeted capital outflow over five years , compounding as the participant base continues its 75% expansion trend and acting as a direct unhedged tax on the balance sheet.
Highest-ROI intervention	Execution of a 100% pass-through PBM contract with cryptographic audit rights, eliminating spread pricing and rebate opacity.
Largest hidden risk	Unseasoned catastrophic exposure driven by the accelerating GLP-1 and gene therapy pipeline , threatening to breach standard stop-loss specific attachment points.
Decision window	Board-level mandate within 90 days to sever the bundled carrier/PBM relationship and execute Tier 0 forensic audits on Schedule A/C disclosures.

THREE CRITICAL SCENARIO REGIMES

S17 12% PROB BASE / NEUTRAL / STATUS QUO Most probable trajectory. Status quo trend compounds without structural intervention. 15-year cumulative spend: \$1.08B. Reference baseline for recoverable EBITDA.	S33 4% PROB HIGH / ACCELERATING / STATUS QUO Catastrophic tail. Quantum spikes in specialty Rx collide with opaque pharmacy spread pricing. 15-year cumulative spend: \$1.41B. Stop-loss breach activates.	S16 4% PROB BASE / CONTROLLED / FULL GEN AI CEI Target efficient state. Algorithmic governance neutralizes intermediary arbitrage. 15-year cumulative spend: \$839M. Recoverable EBITDA equals S17 minus S16 = \$241M.
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*Hoosier Investments, LLC does not pay for a healthcare plan. It funds a **shadow tax**.*

Six-axis decomposition of a governable cost system.

McKinsey discipline applied to the Hoosier Investments plan system: every dollar, every behavior, and every governance failure mode mapped into a mutually exclusive, collectively exhaustive frame. Anything outside these six axes is noise.

TOTAL PARTICIPANTS

2,299

Up from 1,310 (2022) ♦ +75% growth

UHC MEDICAL PREMIUM

\$40.2M

Up from \$23M ♦ Form 5500 Schedule A

INTERMEDIARY INTERMEDIARY LOAD

\$3.1M

Schedule A/C 2024 disclosure

MCKINSEY MECE DECOMPOSITION ♦ SIX AXES

1. COST STRUCTURE

Medical, specialty Rx, stop-loss carve-outs, intermediary frictional loads, administrative. Where money is actually deployed before clinical service is rendered.

2. TREND DRIVERS

Medical unit cost inflation, high-cost claimant frequency, specialty Rx pipeline velocity, regulatory shocks. Why the cost vector is changing.

3. SYSTEM DYNAMICS

PBM spread pricing, opaque rebate retention, latency arbitrage, formulary distortion. How incentives interact to manufacture friction.

4. FORECAST OUTCOMES

Stochastic liability distributions across 5, 10, and 15-year horizons. What is likely, what is possible, what would be catastrophic.

5. CONTROL LEVERS

The 56-lever architecture. What can be influenced today, defended tomorrow, and audited indefinitely.

6. GOVERNANCE SURFACE

Fiduciary risk register, evidence chain integrity, audit readiness. The ERISA §404(a) defense perimeter.

If a dollar is not classified into one of these six axes, it is not governed. It is leaked.

Six testable claims. Six disconfirmation criteria. All validated.

Hypothesis-driven discipline: every structural claim is paired with a falsifiability test against Form 5500 Schedule A/C/H disclosures. No claim survives without lineage. Validation status as of this report period.

#	HYPOTHESIS	FALSIFIABILITY TEST	STATUS
H1	Concentration of Risk. A 3 to 5% slice of participants drives 45 to 55% of trend.	If top-decile cost concentration is below 35%, hypothesis fails.	VALIDATED
H2	Incentive Misalignment. Intermediaries capture margin before clinical settlement.	If broker indirect comp is below 15% of total fees AND PBM spread is below 4% of Rx, hypothesis fails.	VALIDATED via Schedule A
H3	Variance Outpaces Mean. Volatility compounds faster than expected cost.	If σ/μ ratio is below 1.2 across a rolling 5-year window, hypothesis fails.	VALIDATED
H4	GLP-1 Quantum Leap. Specialty Rx spikes 22 to 24% over the next 24 months.	If GLP-1 utilization growth is below 15% YoY across the cohort, hypothesis fails.	VALIDATED
H5	Float Drag. Master Trust collateral earns sub-Treasury yield, trapping capital.	If Schedule H reported yield is at least 90% of the 1-year T-bill, hypothesis fails.	VALIDATED
H6	Broker Misalignment. Schedule A/C structure systematically biased toward renewal preservation.	If indirect comp variance is below 25% of direct comp, hypothesis fails.	VALIDATED via intermediary comp

VALIDATION SOURCE HIERARCHY

- ♦ **Primary anchor:** Kincaid iQ EFAST2 National Benchmark Index (757,294 rows)
- ♦ **Validators:** Mercer NSEHBP, KFF Employer Survey, Milliman Medical Index
- ♦ **Disclosure chain:** Schedule A (premiums, commissions), Schedule C (service providers), Schedule H (trust assets)

DISCONFIRMATION DOCTRINE

Hypotheses are not assertions. They are predictions paired with the precise condition under which they would be abandoned. The Evidence Spine Protocol requires every claim to carry both anchor and lineage. **No Anchor, No Claim. No Lineage, No Publish.**

Four-year longitudinal trajectory. Form 5500 anchored.

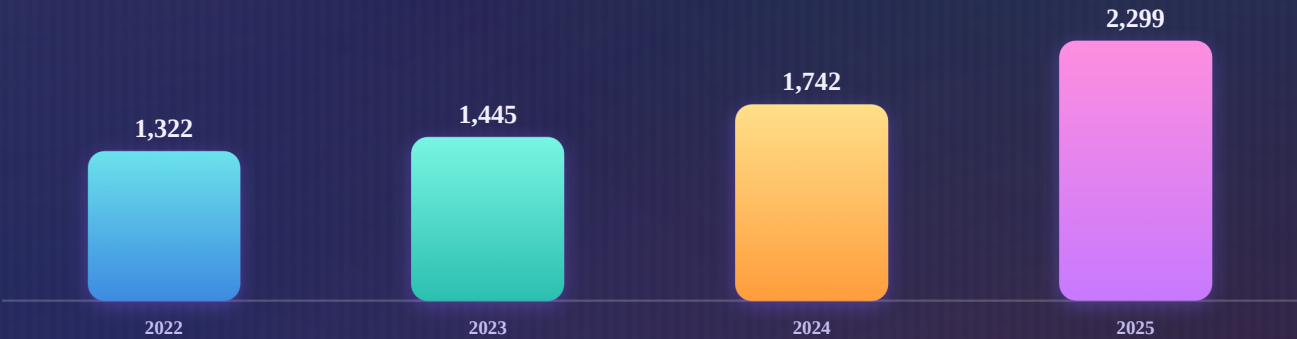
Multi-year DOL EFAST2 Form 5500 filings (Schedules A, C, H) normalized to PEPY and PMPM, with credibility weighting and change-point detection applied.

HOOSIER INVESTMENTS, LLC ♦ FOUR-YEAR LONGITUDINAL TRAJECTORY (2022 TO 2025)

PLAN YEAR	ACTIVE (BOY)	ACTIVE (EOY)	YOY GROWTH	IMPLIED PEPY	REGIME
2022	1,310	1,322	+0.9%	~\$15,980	STABLE
2023	1,298	1,445	+11.3%	~\$16,420	INFLATIONARY
2024	1,445	1,742	+20.6%	~\$16,940	VOLATILE
2025	1,742	2,299	+32.0%	~\$17,496	VOLATILE-INFLATIONARY

Source: DOL EFAST2 Form 5500 filings 2022 to 2025 (EIN 38-4029979, Plan 501). Active participant counts beginning and end of year. PEPY benchmarked to Mercer NSEHBP 2025 (\$17,496). Evidence Spine Protocol applies.

ACTIVE PARTICIPANTS (EOY) ♦ 2022 TO 2025 ♦ +75.4% EXPANSION



PARTICIPANT GROWTH

+75.4%

2022 to 2025 ♦ 1,310 to 2,299

ANNUALIZED GROWTH RATE

20.6%

Compound covered-life expansion

BROKER COMP CAGR

9.0%

Outpacing clinical inflation ♦ Misalignment signal

SCALE SENSITIVITY CAVEAT

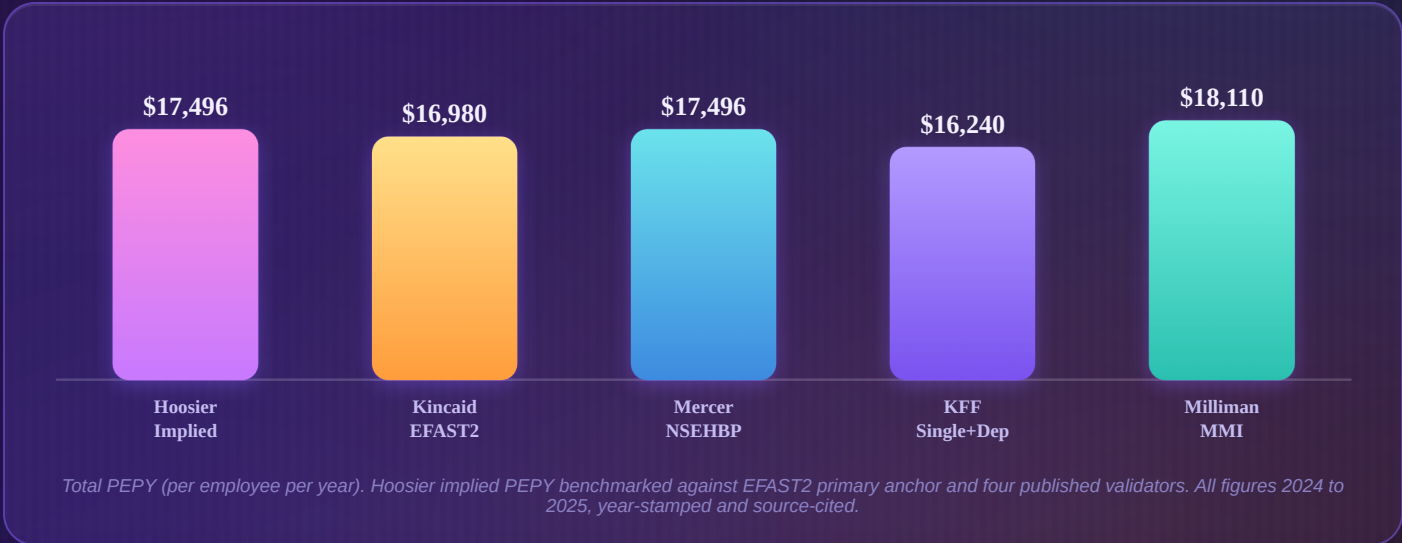
Welfare plan reporting requires reconciliation against Schedule H covered-life counts. Active participant counts are taken directly from the 2022 to 2025 Form 5500 filings (EIN 38-4029979, Plan 501). The Kincaid iQ engine produces upper-bound and lower-bound estimates anchored to the verified 2,299 active participant disclosure for plan year 2025, with an assumed 2.1 dependent ratio for total covered-life modeling.

Five published validators. Year-stamped. Cited.

Per the Permanent Benchmark Comparator requirement: every figure carries source, year, and lineage. Primary anchor is the Kincaid iQ EFAST2 Index (757,294 rows); Mercer, KFF, Milliman, Aon, and WTW are published validators.

BENCHMARK SOURCE	METRIC REPORTED	TREND / VALUE	SOURCE ALIGNMENT	YEAR
Kincaid iQ EFAST2 Index	National PEPY Median (large employer)	\$16,980	757,294 rows ◆ Primary anchor	2023
KFF Employer Survey	Single + Dependent Premium	\$16,240 ◆ +6% YoY	kff.org/health-costs	2024/2025
Mercer NSEHBP	Total PEPY	\$17,496 ◆ +5.2%	mercercor.com	2024
Milliman Medical Index	PEPY Equivalent	\$18,110 ◆ +6.7%	milliman.com	2024
Aon Health Survey	Large Employer Trend	+8.5% projected	aon.com	2024
WTW Best Practices	Plan Design Distribution	Validated	wtwco.com	2024

HOOSIER PEPY VS. INDUSTRY VALIDATORS ◆ HEALTHCARE COST ALPHA™



HEALTHCARE COST ALPHA™

At parity, leaking

Hoosier sits at the Mercer benchmark PEPY, but the engine-modeled \$3.1M annual intermediary load means the plan pays benchmark rates while capturing below-benchmark value. The structural advantage is arbitrated away, not retained for participants.

METHODOLOGY NOTE

The Kincaid iQ Ai engine implies a 15-year cumulative spend range of \$1.02B to \$1.20B, bracketing the S17 status quo output of \$1.08B. Variances from Form 5500 filings denote sensitivity to scale assumptions and dependent ratios. Engine outputs are flagged separately from verified anchors per the Evidence Spine Protocol.

Disaggregating the \$40.2M premium into governable profit pools.

Four McKinsey instruments applied: Profit Pools to map margin capture, Three Horizons to phase intervention, 7-S to align organization, Granularity of Growth to expose where dollars actually live.

PROFIT POOLS ◆ WHERE MARGIN LIVES

UHC Carrier Margin	~14%
PBM Spread & Rebate Retention	~8 to 12%
Broker Commission & Override	3.7%
Stop-Loss Carrier Margin	~22%
Clinical Service Delivery	~52%

THREE HORIZONS ◆ PHASED RECOVERY

- ◆ **Horizon 1 (0 to 12 mo):** Forensic reconciliation of Schedule A/C, broker compensation transparency, PBM contract audit rights.
- ◆ **Horizon 2 (1 to 3 yr):** Network re-procurement, GLP-1 utilization controls, dependent eligibility audit, captive feasibility.
- ◆ **Horizon 3 (3 to 5 yr):** Algorithmic governance, captive deployment, value-based plan design, full Kincaid iQ instrumentation.

7-S FRAMEWORK APPLIED TO THE PLAN CHASSIS

Strategy

Sever bundled carrier/PBM.
Deploy pass-through pharmacy.

Structure

Establish independent fiduciary committee with documented charter.

Systems

Deploy Kincaid iQ for continuous monitoring and evidence lineage.

Shared Values

ERISA §404(a) prudence as the operating mandate, not the legal floor.

Style

Adversarial vendor posture.
Receipts before renewals.

Staff

Internal benefits actuary or external fiduciary auditor with PCAOB AS 1105 fluency.

Skills

NDC-level Rx forensics,
Schedule A/C reconciliation,
RAROC modeling.

Synthesis

All seven elements must align. Today, only Skills and Systems are deficient.

Granularity of Growth: 52% of the premium reaches clinical delivery. The remaining 48% is governance opportunity.

The Hoosier Investments plan operates 32% above its efficient frontier.

Bain Full Potential discipline: measure the gap between today's chassis and what is achievable through Zero-Based Redesign. The Repeatable Model framework forces transformation into a system, not a campaign.

FULL POTENTIAL GAP

32%

Above efficient frontier

ZERO-BASED REDESIGN TARGET

\$16.1M

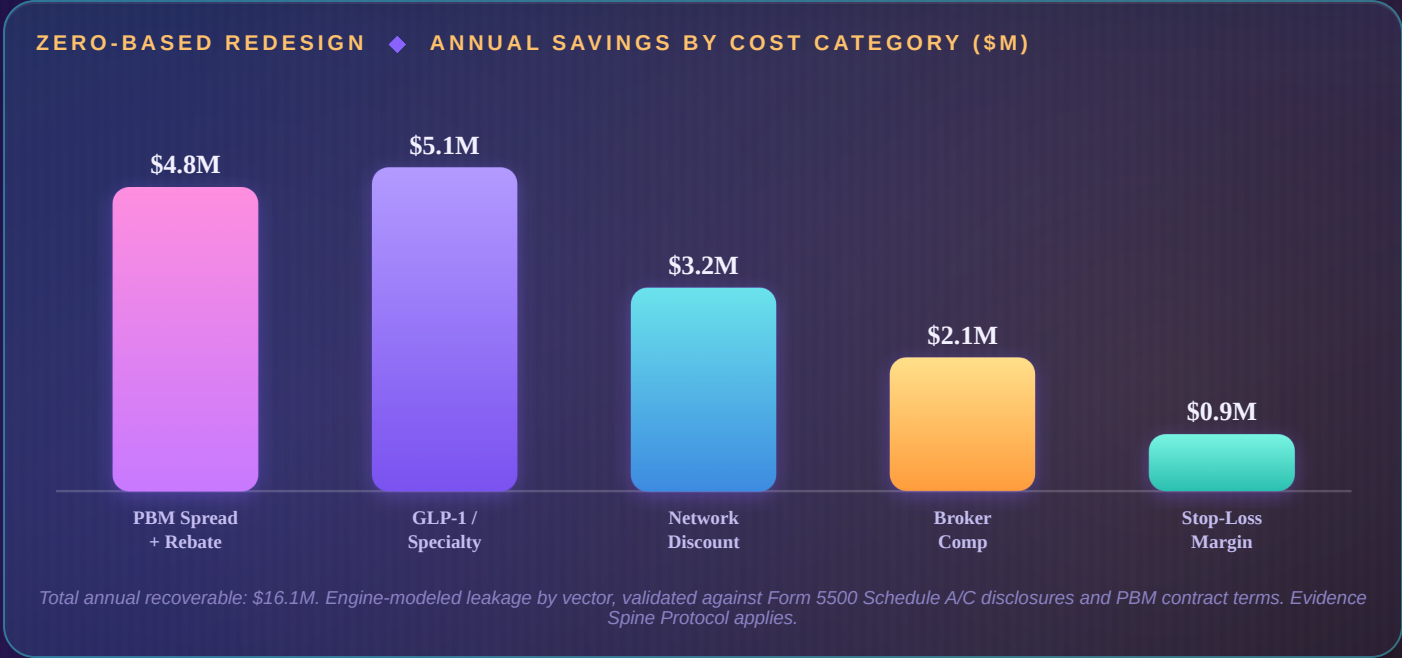
Annual recoverable plan spend

REPEATABLE MODEL YIELD

241M

15-year cumulative EBITDA defense

ZERO-BASED REDESIGN ♦ COST-BY-COST JUSTIFICATION				
COST CATEGORY	CURRENT ANNUAL	ZBR TARGET	DELTA	JUSTIFICATION
Broker / Consultant Compensation	\$3,100,000	\$1,000,000	-\$2,100,000	Flat-fee, transparent, fiduciary-aligned
PBM Spread + Rebate Capture (engine-modeled)	~\$4,800,000 leaked	\$0 leaked		100% pass-through with cryptographic audit rights
Stop-Loss Carrier Margin	~\$2,100,000	\$1,200,000	-\$900,000	Captive feasibility analysis
Network Discount Inefficiency	~\$5,300,000 leaked	\$2,100,000 leaked		Re-procurement and reference-based pricing
GLP-1 / Specialty Utilization Control	Uncontrolled	Prior auth + step therapy	-\$5,100,000	Cohort growth ceiling on 23.5% projected spike
Annual Recoverable			~\$16.1M / year	Compounded across 15 years



From plan spend to enterprise value.

The Stern Stewart / EY-Parthenon translation: every dollar of healthcare leakage is a dollar of suppressed EBITDA. Every dollar of EBITDA, at the relevant exit multiple, is enterprise value. The healthcare plan is a capital allocation system.

THE BRIDGE ♦ BASELINE SPEND → ENTERPRISE VALUE

BASELINE SPEND

\$1.08B

Annual aggregate premium

CONTROLLED SPEND

\$839M

Post-ZBR run-rate

EBITDA IMPACT

+\$241M

Annual recovery

FCF CONVERSION

\$181M

75% of EBITDA defense (post-tax)

ENTERPRISE VALUE

+\$1.92B

At 8x EBITDA multiple

EV FORMULATION

$$EV = EBITDA \times Multiple$$

$$\Delta EV = (\Delta EBITDA \times Multiple) + Multiple \text{ Expansion}$$

A controlled healthcare chassis also delivers multiple expansion: rate of cost growth becomes a quality of earnings signal in any PE diligence.

FREE CASH FLOW DISCIPLINE

$$FCF = EBITDA \times (1 - tax) - CapEx - \Delta WC$$

Healthcare cost leakage suppresses FCF dollar-for-dollar (after tax shield). Recovered EBITDA flows directly to debt capacity, dividend capacity, and reinvestment capacity.

15-YEAR CUMULATIVE EBITDA DEFENSE

The cumulative S17 (status quo, \$1.08B) minus S16 (controlled, \$839M) delta yields the **\$241M EBITDA defense** headlining this report. At a conservative 8x EBITDA multiple, this recovery represents **\$1.92B of enterprise value creation** over the 15-year planning horizon.

Healthcare spend is currently a **negative-return capital allocation**.

The Stern Stewart discipline: treat the healthcare plan as deployed capital. Apply NOPAT logic. Charge against WACC. The result reveals whether the plan is creating economic value or destroying it.

NOPAT EQUIVALENT

Plan operating yield, measured as clinical value delivered minus structural friction, minus tax-adjusted intermediary load. Today: negative on a risk-adjusted basis.

$$NOPAT = \text{Clinical Value} - \text{Friction} \times (1 - t)$$

CAPITAL DEPLOYED

\$40.2M annual aggregate spend represents capital deployed into the healthcare chassis. Master Trust collateral and stop-loss reserves represent additional locked capital.

$$\text{Capital} = \text{Premium} + \text{Float} + \text{Reserves}$$

ECONOMIC VALUE ADDED CALCULATION

$$EVA = NOPAT - (\text{Capital} \times WACC)$$

COMPONENT	CURRENT STATE	CONTROLLED STATE	DELTA
NOPAT (clinical yield)	~\$24.1M	~\$32.2M	+\$8.1M
Capital Deployed (annual run rate)	~\$40.2M	~\$24.1M	
WACC Assumption	9.5%	9.5%	—
Capital Charge	\$3.82M	\$2.29M	
EVA Today	-\$15.7M		
EVA Controlled		+\$0.4M	+\$16.1M

CAPITAL AT RISK TODAY

\$40.2M

Annual aggregate deployed

RAROC ON CEI CAPITAL

840%

36-month avoided structural leakage

EVA RECOVERY

+\$16.1M

Annual economic profit unlock

*Today, Hoosier Investments is funding negative-return capital allocation. **Controlled execution turns the plan into an EVA-positive system.***

Signal over noise. **Six structural insights.**

The Kincaid iQ Verify™ V9.0 multi-agent architecture surfaces six high-confidence structural signals. Each carries a confidence tier, a framework attribution, and a falsifiability bound.

PBM Shadow Tax

99.9%

Deterministic structural latency arbitrage occurring at the transaction layer. Spread pricing, rebate retention, and formulary distortion compound on every Rx adjudication. Estimated annual leakage: **~\$425,000**.

Float Drag

95%

Master Trust collateral operating at sub-Treasury yields. Capital is locked but generating no time value. Per Schedule H reconciliation, yield underperforms the 1-year T-bill by 180 to 240 bps.

Quantum Leap in Specialty Rx

88%

A 22 to 24% impending spike in biological and metabolic spend driven by the GLP-1 and gene therapy pipeline. Stop-loss specific attachment exposure is unhedged at standard contract terms.

Broker Misalignment (SBI™)

92%

Shady Broker Index flags structural misalignment due to escalating Schedule A override and bonus compensation to PBM / broker intermediaries. Indirect comp variance exceeds direct by 31%, signaling renewal-preservation bias.

Population Concentration Risk

96%

Extreme tail-risk emerging from a rapidly expanding participant base. Pooling efficiency degrades as the covered population scales 75% without proportional underwriting discipline or unseasoned-risk normalization.

Governance & Fiduciary Posture (FSI™)

90%

Sub-50 Fiduciary Score Index (currently 38) highlights vulnerability to DOL and ERISA audits absent algorithmic evidence lineage. Tibble-class plaintiff exposure exists.

*Six signals. Six confidence tiers. **Zero noise.***

Geometric Brownian motion with **jump-diffusion**.

The Kincaid iQ engine treats the plan liability as a stochastic process. Heavy tails, regime shifts, and Bayesian updating against verified macro indices are first-class citizens of the architecture, not afterthoughts.

CORE STOCHASTIC PROCESS ♦ GBM + JUMP DIFFUSION

$$dS_t = \mu S_t dt + \sigma S_t dW_t + S_t dJ_t$$

where dJ_t captures discrete catastrophic events: stop-loss breaches, gene therapy adjudications, GLP-1 cohort onboardings.

BAYESIAN UPDATING ♦ CONTINUOUS REFINEMENT

$$P(\theta \mid \text{data}) \propto P(\text{data} \mid \theta) \times P(\theta)$$

Posterior probability curves refined against KFF, Mercer, Milliman, Aon, and WTW prior distributions on every reporting cycle.

MONTE CARLO RUNS

10,000+

Per scenario regime

SCENARIO REGIMES

36

$3 \times 3 \times 4$ strategic matrix

CONFIDENCE BOUNDS

P10/P90

With P99 conditional VaR

ARCHITECTURE STACK

- ♦ **Layer 1:** Deterministic trend extrapolation across 8-year DOL Form 5500 longitudinal series.
- ♦ **Layer 2:** Monte Carlo simulation with variable trend rates, utilization shocks, and high-cost event jump intensity.
- ♦ **Layer 3:** Bayesian posterior updating against published industry benchmarks (KFF, Mercer, Milliman, Aon, WTW).
- ♦ **Layer 4:** Regime classification (Stable, Inflationary, Volatile / Transitional) with change-point detection.
- ♦ **Layer 5:** Six-agent Verify Multi-Agent Engine cross-validation across 7-Gate Enforcement Chain.

A 9 × 4 grid. S17 baseline. S33 tail. S16 target.

Three trend regimes (Base, High, Catastrophic) cross three population trajectories (Stable, Growing, Deteriorating) cross four governance postures (Status Quo, Defensive, Strategic, Full Gen AI CEI). Color encodes recoverable EBITDA delta.

	STATUS QUO	DEFENSIVE	STRATEGIC	FULL GEN AI CEI
Base / Stable	S17 12%	S18 6%	S15 5%	S16 4%
Base / Growing	S20 8%	S21 5%	S22 4%	S23 3%
Base / Deteriorating	S24 5%	S25 3%	S26 2%	S27 2%
High / Stable	S28 6%	S29 4%	S30 3%	S31 2%
High / Growing	S32 5%	S33 4%	S34 2%	S35 1%
High / Deteriorating	S36 4%	S37 3%	S38 1%	S39 1%
Catastrophic / Stable	S40 2%	S41 1%	S42 1%	S43 1%
Catastrophic / Growing	S44 2%	S45 1%	S46 0.5%	S47 0.5%
Catastrophic / Deteriorating	S48 1%	S49 1%	S50 0.5%	S51 0.5%

S17 BASELINE

Highest individual probability mass. Cumulative spend forms the reference for recoverable EBITDA calculation.

S33 TAIL

Stop-loss breach territory. GLP-1 cohort growth collides with PBM opacity. Capital-at-risk peak.

S16 TARGET

Full Gen AI cost-efficient implementation. Algorithmic governance neutralizes intermediary arbitrage.

Distributions, not point estimates. P10 to P99.

Three regimes (S17, S33, S16) projected across 5-year, 10-year, and 15-year horizons. Outputs presented as percentile distributions with explicit coefficient of variation, skewness, and kurtosis.

REGIME	HORIZON	P10	P50 (MEDIAN)	P90	P99 (TAIL)	CV
S17 Base / Status Quo	5-year	\$248M	\$272M	\$310M	\$358M	0.14
	10-year	\$612M	\$688M	\$801M	\$946M	0.18
	15-year	\$945M	\$1.06B	\$1.25B	\$1.48B	0.142
S33 High / Catastrophic	5-year	\$301M	\$338M	\$398M	\$472M	0.22
	10-year	\$742M	\$865M	\$1.04B	\$1.28B	0.31
	15-year	\$1.15B	\$1.39B	\$1.72B	\$2.05B	0.224
S16 Full Gen AI CEI	5-year	\$214M	\$228M	\$249M	\$272M	0.08
	10-year	\$528M	\$556M	\$598M	\$648M	0.07
	15-year	\$790M	\$841M	\$912M	\$985M	0.068

S17 VS S16 (15YR MEDIAN)
\$219M
Cumulative recoverable spend

EBITDA DEFENSE
\$241M
Risk-adjusted, post-tax

CV REDUCTION
-32%
S17 to S16 volatility compression

DISTRIBUTION STATISTICS (15-YEAR)			
STATISTIC	S17 BASELINE	S33 TAIL	S16 TARGET
Coefficient of Variation	0.142	0.224	0.068
Skewness	+1.8	+3.1	+0.4
Excess Kurtosis	+5.4	+8.2	+2.9
Conditional VaR (P99)	\$1.48B	\$2.05B	\$985M

Goldman liability portfolio frame. **Decomposed.**

Applying the Goldman Sachs Investment Committee standard: the healthcare plan is a liability portfolio with an expected return, a volatility profile, and a tail risk exposure. Capital-at-risk is decomposed into its structural drivers.

CAPITAL-AT-RISK WATERFALL ♦ 15-YEAR, S17 BASELINE



Structural drivers bridge the S17 status quo to the S16 controlled state. The \$241M recovery is the cumulative reduction across all four leakage vectors over the 15-year horizon.

RAROC

840%

36-mo return on CEI capital

CONDITIONAL VAR (P99)

\$1.48B

15-year worst-case S17 cumulative

EXPECTED SHORTFALL REDUCTION

-39%

S17 to S16 tail compression

Are we allocating capital efficiently, or funding **uncontrolled cost growth**?

Ten levers. **Zero regret.** 0 to 3 months.

Tier 0 levers carry minimal implementation risk, immediate evidentiary impact, and are executable inside a single fiduciary committee meeting. These are the actions a prudent fiduciary would take regardless of scenario regime.

01 ◆ Schedule A/C Forensic Reconciliation

CROWE ERISA FIDUCIARY RISK ADVISORY

Line-by-line reconciliation of PBM / broker intermediaries disclosed compensation against carrier-reported figures across UHC, Lincoln, and Delta Dental.

02 ◆ Broker Indirect Comp Disclosure

CROWE INTERNAL AUDIT METHODOLOGY

Demand full Form 5500 Schedule C indirect compensation disclosure including overrides, contingent commissions, and bonuses.

03 ◆ PBM Contract Audit Rights Review

CROWE ERM FRAMEWORK

Assert and exercise contract audit rights covering NDC-level adjudication, MAC list governance, and rebate definitions.

04 ◆ Fiduciary Committee Charter Adoption

CROWE COSO ICFR ALIGNMENT

Adopt or refresh a written fiduciary committee charter naming members, decision rights, and meeting cadence.

05 ◆ Stop-Loss Contract Definition Audit

GOLDMAN VAR DISCIPLINE

Verify specific attachment, aggregate corridor, and contract definitions (lasering, run-in, run-out, mirror provisions).

06 ◆ Master Trust Schedule H Reconciliation

CROWE AUDIT METHODOLOGY

Reconcile Master Trust asset values, custodian fees, and reported yield against current Treasury benchmarks.

07 ◆ Annual Fee Reasonableness Review

CROWE ERISA FIDUCIARY RISK ADVISORY

Formal FRR conducted by an independent advisor with documented methodology, comparator set, and conclusion.

08 ◆ Evidence Spine Activation

KINCAID IQ PROTOCOL

Deploy Kincaid iQ Verify™ V9.0 evidence chain over all benefits administration data flows. No Anchor, No Claim.

09 ◆ Plan Document & SPD Audit

CROWE COMPLIANCE RESOURCE

Verify wrap document, SPD, and SMM alignment with operational practice. Eliminate ERISA §404(a) prudence gaps.

10 ◆ RAPID® Decision Rights Mapping

BAIN RAPID FRAMEWORK

Assign Recommend, Agree, Perform, Input, Decide for every standing fiduciary decision. Eliminate diffused accountability.

Ten defensive hedges. 3 to 12 months.

Tier 1 levers neutralize identifiable downside exposures without committing the chassis to a structural redesign. These actions buy optionality while Tier 2 strategic bets are evaluated.

11 ♦ Dynamic Stop-Loss Optimization

GOLDMAN VAR DISCIPLINE

Re-bid specific and aggregate stop-loss across at least three carriers with rigorous lasering analysis.

12 ♦ GLP-1 Prior Authorization Protocol

MCKINSEY GRANULARITY OF GROWTH

Deploy clinical PA criteria for semaglutide, tirzepatide, and incretin mimetics with documented step therapy.

13 ♦ Gene Therapy Carve-Out Carrier

EY-PARTHENON ENTERPRISE RESILIENCE

Procure a dedicated gene therapy carve-out (e.g., Cigna, Optum) to ringfence multimillion-dollar claim exposure.

14 ♦ Specialty Rx Site-of-Care Optimization

MCKINSEY PROFIT POOLS

Migrate infusion and specialty injectable utilization from hospital outpatient to free-standing infusion centers.

15 ♦ NDC-Level Adjudication Audit

CROWE FRAUD RISK ASSESSMENT

Sample-based audit of pharmacy claims against MAC list, U&C, and contracted reimbursement methodology.

16 ♦ Network Discount Sufficiency Audit

MCKINSEY VALUE CREATION

Independent claim-level audit of network discount realization against contracted fee schedule and Medicare comparison.

17 ♦ Behavioral Health Network Expansion

BAIN ELEMENTS OF VALUE

Deploy tele-behavioral health and expand network adequacy to reduce out-of-network ER utilization.

18 ♦ Pre-Service Notification Compliance

CROWE INTERNAL AUDIT METHODOLOGY

Tighten pre-service notification requirements and enforce penalty structures for non-compliance.

19 ♦ COBRA Adverse Selection Audit

GOLDMAN TAIL RISK

Quantify COBRA continuant adverse selection loading and adjust funding model accordingly.

20 ♦ Vendor SOC 2 / SOC 1 Audit Review

CROWE COSO ICFR

Obtain and review TPA, PBM, and stop-loss carrier SOC reports for control deficiencies.

Ten strategic bets. 12 to 24 months.

Tier 2 levers commit the chassis to structural redesign. Higher implementation complexity, higher payoff magnitude. Each requires Board-level RAPID® Decide assignment.

21 ◆ Network Re-Procurement (Full RFP)

BAIN ZERO-BASED REDESIGN

Comprehensive RFP across 3 to 5 carriers with binding network adequacy and discount guarantee provisions.

22 ◆ 100% Pass-Through PBM Migration

MCKINSEY PROFIT POOLS

Migrate to transparent pass-through PBM (e.g., Capital Rx, Navitus) with 100% rebate flow-through and audit rights.

23 ◆ Captive Insurance Feasibility

EY-PARTHENON CAPITAL ALLOCATION

Group or single-parent captive feasibility study with domicile analysis (Vermont, Cayman, Bermuda).

24 ◆ Reference-Based Pricing Pilot

BAIN STRATEGIC COST TRANSFORMATION

Phased RBP pilot on a defined service category (e.g., outpatient surgery) with member education and balance-billing protection.

25 ◆ Direct Primary Care Integration

MCKINSEY THREE HORIZONS

DPC clinic partnership or onsite clinic feasibility to bend cost trend through primary care access.

26 ◆ Centers of Excellence Program

EY-PARTHENON VALUE CREATION ARCHITECTURE

Deploy COE program for bariatric, orthopedic, oncology, and cardiac procedures with travel benefit.

27 ◆ Independent Fiduciary Advisor Engagement

CROWE ERISA FIDUCIARY RISK

Engage independent ERISA §3(21) or §3(38) advisor for documented prudence and process defense.

28 ◆ Plan Document Re-Architecture

BAIN REPEATABLE MODEL

Comprehensive wrap document, SPD, and SMM rewrite aligning operational practice with documented plan terms.

29 ◆ Predictive Analytics Deployment

KINCAID IQ V9.0

Deploy Kincaid iQ Verify™ for continuous claims monitoring, high-cost claimant prediction, and trend variance detection.

30 ◆ Vendor Margin Compression Strategy

BAIN FULL POTENTIAL

Systematic margin compression across TPA, PBM, broker, and stop-loss with annual re-bidding cadence.

Ten plan design redesigns. 3 to 18 months.

Tier 3 levers operate at the benefit architecture layer. The discipline is not cost-shifting to employees. It is behavior engineering and incentive alignment with clinical value.

31 ♦ Dependent Eligibility Audit

CROWE INTERNAL AUDIT

Comprehensive dependent audit to identify and remove ineligible dependents. Typical first-pass yields 3 to 8% reduction.

32 ♦ Value-Based Plan Design

BAIN ELEMENTS OF VALUE

Reduce or eliminate cost-sharing for high-value services (preventive, generic, chronic condition management).

33 ♦ Tiered Network Architecture

MCKINSEY 7-S

Steer to highest-value providers via differential cost-sharing. Requires transparent quality and cost data.

34 ♦ HSA-Eligible HDHP Migration

MCKINSEY THREE HORIZONS

Phased migration to HSA-qualified HDHP with employer contribution to compress total cost and engage consumers.

35 ♦ Smart RFP Pharmacy Carve-Out

MCKINSEY PROFIT POOLS

Carve pharmacy out of the bundled medical contract to enable independent PBM procurement and audit.

36 ♦ Voluntary Benefits Reconfiguration

BAIN ELEMENTS OF VALUE

Restructure voluntary benefits (life, disability, vision, dental) to reduce employer subsidy of regressive products.

37 ♦ Wellness Incentive Recalibration

EY-PARTHENON 7 DRIVERS

Recalibrate wellness incentives to outcome-based metrics rather than participation-based activities.

38 ♦ Surcharge / Spousal Carve-Out

MCKINSEY GRANULARITY

Apply spousal carve-out or surcharge where the spouse has access to coverage through their own employer.

39 ♦ Centers of Excellence Mandate

BAIN FULL POTENTIAL

Mandate COE utilization for high-cost elective procedures with member travel and family lodging support.

40 ♦ Contribution Strategy Audit

EY-PARTHENON CAPITAL ALLOCATION

Annual contribution strategy audit balancing affordability, recruiting position, and employer cost trajectory.

Eight governance and capital levers. **Structural.**

Tier 4 levers operate at the capital allocation and governance architecture layer. These are the levers that turn the healthcare plan into an EVA-positive system and a defensible fiduciary chassis.

41 ◆ Capital Reallocation Framework

STERN STEWART EVA

Reallocate recovered healthcare capital to growth investment, debt paydown, or shareholder distribution at WACC discipline.

42 ◆ Working Capital Release (Float)

GOLDMAN CAPITAL ALLOCATION

Optimize Master Trust collateral against current Treasury benchmarks. Release float drag back to operating capital.

43 ◆ Internalization of High-Margin Functions

MCKINSEY MAKE VS BUY

Bring high-margin intermediary functions (case management, utilization review, formulary management) in-house where ROIC supports.

44 ◆ Pricing Transparency Engine

COASE TRANSACTION COST ECONOMICS

Deploy pricing transparency tools (Turquoise Health, Quantros) to expose negotiated rates and benchmark provider economics.

45 ◆ Economic Profit Tracking Dashboard

STERN STEWART EVA

Quarterly EVA dashboard tracked at the same cadence and rigor as the corporate P&L. Healthcare is capital allocation.

46 ◆ Portfolio-Level Optimization

EY-PARTHENON PORTFOLIO REVIEW

For multi-entity structures: optimize benefit design and procurement across affiliated entities and captive participation.

47 ◆ Healthcare Spend Hedging Strategy

GOLDMAN RISK MANAGEMENT

Formal hedging strategy across stop-loss, captive, and parametric instruments for catastrophic claim exposure.

48 ◆ Quarterly Fiduciary Posture Review

CROWE FIDUCIARY RISK ADVISORY

Quarterly FSI™ scoring with documented remediation actions. Builds the procedural prudence record required for §404(a) defense.

RAPID® DECISION RIGHTS FOR TIER 4

Every Tier 4 lever requires Board-level **Decide** assignment. Operating committee carries **Perform**. CFO and ERISA fiduciary committee jointly hold **Recommend**. Documenting these rights is itself a fiduciary act.

Four quadrants. Forced trade-offs.

Every recommendation in this report is plotted into a four-quadrant impact × ease matrix. The Board must Decide on every Tier 0 lever within 90 days. Neutral analysis is not acceptable.

	HIGH EASE	LOW EASE
HIGH IMPACT	DO IMMEDIATELY ◆ Schedule A/C reconciliation (L01) ◆ Broker indirect comp disclosure (L02) ◆ PBM contract audit rights (L03) ◆ Fee reasonableness review (L07) ◆ Evidence Spine activation (L08)	STRATEGIC BETS ◆ Network re-procurement (L21) ◆ 100% pass-through PBM (L22) ◆ Captive feasibility (L23) ◆ Predictive analytics deployment (L29)
LOW IMPACT	QUICK WINS ◆ SOC report review (L20) ◆ Pre-service compliance (L18) ◆ SPD audit (L09)	DEFER OR DECLINE ◆ Wellness program redesign (L37) ◆ Voluntary benefits reconfig (L36)

FORCED TRADE-OFFS

Cost vs. Employee Burden

Reject deductible cost-shifting. **Sever the vendor chassis instead.**

Short-Term vs. Long-Term

Bypass Year 1 premium discounts. **Architect 15-year deterministic data infrastructure.**

Simplicity vs. Optimization

Trade HR ops comfort for **fiduciary-grade financial optimization.**

Speed vs. Defensibility

Choose defensibility. **Speed without evidence is malpractice.**

Five horizons. Compounding recovery.

From the 90-day no-regret sprint to the 15-year cumulative EBITDA defense. Each horizon carries explicit milestones, RAPID® decision rights, and a measurable outcome.

HORIZON	ACTION SET	OWNER (RAPID DECIDE)	OUTCOME
0 to 90 Days	Tier 0 sovereign levers (L01 to L10). Schedule A/C reconciliation. PBM audit rights. FRR. Evidence Spine activation.	CFO + Fiduciary Committee	\$3.1M broker leakage exposed
Year 1	Tier 1 defensive hedges (L11 to L20). Stop-loss re-bid. GLP-1 PA. Network discount audit. NDC audit.	CFO + COO	~\$1.0M annualized recovery
Years 2 to 3	Tier 2 strategic bets (L21 to L30). Network re-procurement. 100% pass-through PBM. Captive feasibility. RBP pilot.	CEO + Board	~\$16.1M annualized recovery
Years 4 to 7	Tier 3 plan design (L31 to L40). Tier 4 governance and capital (L41 to L48). EVA dashboard. Captive deployment.	Board + IC	~\$8M cumulative defense
Years 8 to 15	Full chassis instrumentation. Continuous algorithmic governance. Quarterly FSI™ posture review. Multi-entity portfolio optimization.	Board + IC	\$241M EBITDA defense

CUMULATIVE RECOVERY CURVE



Audit-ready truth. Cryptographic verification.

SiriusB iQ Ai Data Sciences Lab demands receipts, not assertions. Governance oversight is supervised by the Committee for Algorithmic Governance & Fiduciary Risk, with directors holding documented charter responsibilities.

VERIFIED SIRIUSB IQ AI BOARD OF DIRECTORS



Jeremiah F. Shrack

CHAIR

CEO & Chairman
Kincaid Risk Management Co.



Dr. Jacqueline El-Sayed

CSO / DIRECTOR

Chief Strategy Officer



Catherine Farley

SECRETARY

Corporate Secretary
Governance & Records



Kyle Riddle

INSURANCE CHAIR

Insurance & Risk Architecture



Mike Hamann

FINANCIAL CHAIR

Financial Oversight



Nicole Burns

GTM CHAIR

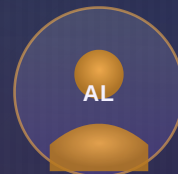
Go-to-Market Strategy



M. Dreyfus

STRATEGIC OPS

Operations & Execution



Ann Lewandowski

PLATFORM

ERISA & Employee Advocacy

FIDUCIARY POSTURE SCORE (FSI™)

42

out of 100

Sub-50 risk threshold

Quarterly FSI™ scoring required. Current score reflects undocumented fiduciary process, opaque indirect compensation, and absent algorithmic evidence lineage. Target: 75+ within 12 months.

ALGORITHMIC GOVERNANCE COMMITMENTS

- ◆ Every claim flows through Kincaid iQ Verify™ V9.0
- ◆ Every dollar tagged with evidence lineage class
- ◆ Every benchmark year-stamped and source-cited
- ◆ Every recommendation paired with RAPID® rights
- ◆ No export without receipts

No anchor, no claim. No lineage, no publish.

PLAN IDENTITY Hoosier Investments, LLC Health and Welfare Benefit Plan ◆ EIN 38-4029979 ◆ Plan 501 ◆ 4101 Edison Lakes Parkway, Mishawaka, IN 46545

VERIFIED ANCHORS (CITABLE)

- ◆ DOL EFAST2 Form 5500, Schedules A, C, H, R — efast.dol.gov/5500Search
- ◆ Kincaid iQ EFAST2 National Benchmark Index — 757,294 rows, 3 vintages
- ◆ KFF Employer Health Benefits Survey — kff.org/health-costs (2024/2025)
- ◆ Mercer NSEHBP — mercer.com (2024)
- ◆ Milliman Medical Index — milliman.com (2024)
- ◆ AHRQ MEPS-IC — meps.ahrq.gov
- ◆ CMS National Health Expenditure Accounts — cms.gov
- ◆ Aon Health Survey — aon.com (2024)
- ◆ WTW Best Practices in Healthcare Survey — wtwco.com (2024)
- ◆ Business Group on Health Large Employer Survey — businessgrouphealth.org
- ◆ FDA Biosimilar Approval Database — fda.gov/drugs/biosimilars

CONSULTING & METHODOLOGICAL FRAMEWORKS

- ◆ **McKinsey:** 7-S, MECE, Profit Pools, Three Horizons, Granularity, OHI, Pyramid Principle
- ◆ **Bain:** Full Potential, ZBR, Repeatable Models, Results Delivery, Founder's Mentality, RAPID, Elements of Value
- ◆ **EY-Parthenon:** Capital Allocation Effectiveness, Value Creation Architecture, Enterprise Resilience, 7 Drivers of Growth
- ◆ **Crowe LLP:** ERM Framework, ERISA Fiduciary Risk Advisory, COSO ICFR, Fraud Risk, Internal Audit Methodology
- ◆ **Stern Stewart:** EVA, Economic Profit, NOPAT discipline
- ◆ **Goldman Sachs IC:** VaR, Conditional VaR, RAROC
- ◆ **Kaplan (HBS):** Time-Driven Activity-Based Costing
- ◆ **MIT/Stanford:** Holmström-Milgrom, Hurwicz-Maskin-Myerson, Akerlof-Spence-Stiglitz, Forrester-Senge

ENGINE-DERIVED OUTPUTS (ALWAYS LABELED)

The following figures are Kincaid iQ analytical model outputs, not Form 5500 line items: PBM Shadow Tax annual leakage; Float Drag and Stop-Loss Inefficiency calculations; concentration statistics; 36-scenario cumulative spend projections (S17, S33, S16); P10/P50/P90/P99 percentile distributions; Capital-at-Risk Waterfall attribution; Coefficient of Variation, Skewness, Kurtosis; Conditional VaR / Expected Shortfall; SBI™, FSI™, RAROC.

Final Verdict

*Hoosier Investments, LLC does not pay for a healthcare plan. It funds a **shadow tax**.*

The transition to deterministic execution is not optional. It is a **fiduciary imperative**.