

AWC Employee Benefit Trust
Health Care Program 2020 Annual Report

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TRUST





This annual report provides financial information and membership data for the AWC Employee Benefit Trust's self-insured Health Care Program, which was established January 1, 2014.

Excellence and reliability in uncertain times

The AWC Employee Benefit Trust (Trust) celebrated **50 years** serving the needs of cities, towns, and quasi-municipal jurisdictions, providing unmatched service and reliability for our 262 municipalities and over 36,000 employees and their families. The Trust has provided the same reliable service our members have come to depend on while helping our members to navigate the difficulties related to layoffs, furloughs, and budgeting issues due to the COVID-19 pandemic. We've proven that the Trust is able to adapt to the changing needs of our members and provide leadership and direction to relieve the burdens of employee benefits during these difficult times.

Providing stability and affordability of our health plans is a priority for the Board of Trustees as we realize how important healthcare is for everyone. Our rates and benefits reflect our dedication to easing the financial strain as well as the administrative obstacles of managing employee benefits for our members and their employees. The Trust implemented a new billing, enrollment, and eligibility system (SIMON) in June of 2020, transitioning from Northwest Administrators to Vimly Benefit Solutions, Inc. and are now better able to meet the ever-changing technology needs and wants of our members. We are continually monitoring the marketplace to ensure that we are offering the best medical, dental, vision, life, and long-term disability options, while positioning the Trust and its members for success.

Despite the challenges, the Trust provided timely communications to members through special editions of *For Your Health* newsletters, moved all trainings and conferences online, transitioned members from paper enrollment forms and billing to electronic, and worked with Vimly to facilitate updates in SIMON to adapt to changes in regulatory and member needs. All while transitioning to working remotely.

Moving forward, we will continue to offer our members a variety of benefit options at affordable rates through the excellent partnerships we have with our vendors, carriers, and consultants, whose combined expertise brings you the best plans and service in the industry. The Trust staff will continue to offer outstanding and responsive customer service every day to ensure that we not only meet but exceed our members' expectations.

On behalf of the Board of Trustees, we would like to say thank you to our wonderful staff who provide outstanding and dependable service to our members, our Board of Trustees, the Trust Health Care Program Board, the Employee Benefits Advisory Committee, and consultants for another exceptional year of service..

Sincerely,

A handwritten signature in black ink, appearing to read "Glenn A. Johnson". The signature is fluid and cursive, written over a white background.

Glenn A. Johnson, Chair
Mayor, City of Pullman
Proud to be a WellCity



New technology for a new world

Today's health benefits environment demands a thoughtful and comprehensive approach to ensure employer and employee needs are met now and into the future. At the AWC Employee Benefit Trust Health Care Program, we take pride in our ability to provide excellent service and competitive rates that stand the test of time.

Our world, as we once knew it, has changed dramatically with COVID-19. The landscape of health benefits is constantly and rapidly evolving. And it has become an even bigger challenge for employers to provide employee benefits at a time of tight budgets. Fortunately, the AWC Employee Benefit Trust Health Care Program has been able to provide a vast array of benefits at a competitive price during a pandemic – all with excellent and reliable service to our members.

In our efforts to utilize innovation and technology to meet our commitment to excellence for our members, we have implemented several new technologies to provide education, training, and conferences both online and in a virtual world. We continue to seek out new platforms that will help us to meet the needs of our members until we can meet face-to-face once again.

We succeeded in transitioning our billing, enrollment, and eligibility system as of June 2020 without any interruption to service. Our goal for 2021 is to transition many of our employers to the employer self service program where members will be able to use the online portal to have more control over their benefits administration.

In 2020, the Trust continued to meet its commitment to listen, learn, and use your input to better serve all members. This was accomplished through a multitude of telephone calls, emails, Zoom meetings, online benefit presentations, and health promotion efforts via webinars and online conferences. We look forward to continuing to serve you and your employees as we move forward in 2021.

Sincerely,

A handwritten signature in black ink that reads "Peter B. King". The signature is fluid and cursive, with a small mark at the end.

Peter B. King, Chief Executive Officer
Association of Washington Cities



Our mission and vision are more than just words – they are statements we live by

The Board of Trustees is committed to its long-standing **mission** of providing quality benefit programs to Washington cities and towns in an efficient and cost-effective manner. This is done through timely information, technical assistance, member education, and advocacy.

With constant changes in the health care industry, the Trustees' vision is that the Employee Benefit Trust:

- Is an innovative enterprise that anticipates change in the benefits marketplace;
- Understands the evolving needs of its members; and
- Provides a sophisticated array of creative and cost-effective services that build health and wellness among its members.

Our goals are to:

- Maintain the Trust's fiscal health and sustainability;
- Manage the rate of increase in health care costs for the Trust and its members;
- Maintain the Trust as the leader in addressing members' benefit needs in the changing health care environment;
- Increase member awareness and knowledge of the Trust's scope and effectiveness;
- Utilize innovations and technology in plan design and education efforts; and
- Increase participation in Total Health Management.





The Health Care Program offers the best coverage options to serve our members

The Health Care Program, a joint self-insured program, was created in 2014 by Interlocal Agreement. Through the Health Care Program, the Trust offers self-insured health care coverage and benefit options to participating employees and beneficiaries. The Trust contracts with Regence BlueShield/Asuris Northwest Health, Kaiser Permanente, Kaiser Foundation Health Plan of Washington/Kaiser Foundation Health Plan of Washington Options, Inc., Delta Dental of Washington, and Vision Service Plan for self-insured medical, dental, and vision coverages.

The following is an outline of the self-insured Health Care Program coverages offered to AWC Trust membership in 2020.

Regence BlueShield/ Asuris Northwest Health	Kaiser Permanente	Delta Dental of Washington	Vision Service Plan
Active coverage			
AWC HealthFirst® 250	Kaiser 200	Plan A	\$0 copay
AWC HealthFirst® 500	Kaiser 500	Plan B	\$10 copay
Accountable Health Network	Kaiser Access PPO	Plan C	\$25 copay
High Deductible Health Plan, HSA qualified	High Deductible Health Plan, HSA qualified	Plan D	\$10/\$15 copay
Plan A – LEOFF 1		Plan E	Second pair option rider – can be added to \$0, \$10, or \$25 copay plans
		Plan F	
		Plan G	
		Plan J	
		Ortho rider I, II, III, IV, V – can be added to any active dental plan	
Retiree coverage			
Plan A – LEOFF 1	\$0 Copay Plan – LEOFF 1	Retiree PPO	
Retiree HealthFirst® 1000	Retiree Kaiser 1000		
Retiree HealthFirst® 2500	Retiree Kaiser High Deductible Health Plan		
Retiree High Deductible Health Plan			

We emphasize total health management

Since 1984, the Board of Trustees has been committed to adopting programs and policies aimed at moderating the cost of health care, while staying focused on quality. Along the way, staff have helped employers build their own quality wellness programs.

Additional support provides insured individuals with education, tools, and resources that encourage healthy behaviors and wise use of health care resources. Seventy percent of insured households are registered on Health Central, the Trust's employee health and benefits portal, and 60% of registered users return every 90 days. More than 1,000 members participated in our new online weight management program in 2020.

With a goal to **increase participation in total health management**, we believe member education is paramount to our success. That's why we make our services easy to access for employers both large and small. Whether through one-on-one consultations, small group meetings, the Healthy Worksite Summit, or through live or on-demand eLearning sessions, we offer Trust members the best in worksite wellness training. In 2020, 114 employers, representing 75% of the insured population, celebrated WellCity recognition. The efforts of these members benefit the entire pool, as medical claims costs directly impact premiums. As a group, claims costs are 11.2% lower among WellCities. WellCities place employee well-being among their core values and demonstrate that belief by developing healthy workplace cultures. As a reward, they earn a 2% discount on medical premiums in the following year.



Our strength is in our numbers

The Health Care Program pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members.

Two hundred and sixty-two cities, towns, and quasi-municipal jurisdictions participate in the Health Care Program. This totals 36,000 employees and family members statewide.

Eligible members are cities and towns within the state of Washington. Quasi-municipal jurisdictions are eligible to apply for coverage under the Health Care Program by submitting an application to the Board of Trustees for review as required in the Trust Governing Agreement.

The Trust adopted a large employer policy in 2020, enabling employers with over 600 employees to provide medical claims experience for individualized rate quotes. Large group employers have the ability to customize their benefit offerings to meet the specific needs of their employees.

Participating employers pay monthly contributions to the Health Care Program. The program is responsible for payment of all covered claims and purchases stop-loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management Insurance Company, and Kaiser Health Plan of Washington ISL at \$1 million through Companion Life Insurance Company. The aggregate policy is for 200% of expected medical claims.

Pooling is the right choice

The strength of 262 employers pooling claims and administrative costs makes financial sense. A large pool of approximately \$224 million in annual contributions can absorb higher-dollar claims, whereas individual cities and other jurisdictions would find it financially burdensome, if not impossible. Year after year, this offers greater purchasing power and predictability for member employers. Pooling is the right choice for municipalities.

In working to maintain the Trust as the leader in addressing members' benefit needs in the changing health care environment, a number of plan enhancements were made in 2020. We increased the number of outpatient rehabilitation visits to 60 visits per calendar year on our Regence/Asuris HealthFirst 500 and HDHP plans, increased the number of chiropractic and acupuncture visits to 20 per calendar year on all Regence/Asuris and Kaiser plans, and increased cost savings by implementing the mandatory specialty select, infused drug site of care, and specialty copay maximization programs under all Regence/Asuris plans (with exception to the HDHP plan due to regulatory reasons). The Trust also increased the benefit level for basic life/AD&D to 3x annual salary with a maximum benefit of \$500,000.

In 2020, mental health became a bigger focus, and EAP providers transitioned to being available online or by phone, and telehealth services continued to be offered for both medical and mental health needs.

The Trustees have committed to continuing cost containment efforts through the dependent verification eligibility services, and 2020 concluded the sixth complete year of providing this service to member employers. In 2020, projected annual savings was just over \$2.2 million, which was primarily in the form of overpaid premiums by Trust employers. These savings leverage a significant benefit for our member employers.

Statement of net position

As of December 31, 2020 and 2019

	2020	2019
Assets:		
Cash and cash equivalents	\$20,369,494	\$14,815,778
Investments, at fair value	41,432,336	27,983,479
Accrued interest	57,954	167,682
Due from trust	6,356,509	5,125,655
Receivables	3,239,937	7,207,013
Other assets	24,942	-
Total assets	\$71,481,172	\$55,299,607
Liabilities:		
Claims payable	\$5,396,406	\$6,842,024
ASO/transitional reinsurance fee payable	1,144,327	282,349
Administrative expenses payable	451,651	509,869
Unearned member contributions	2,114,838	1,527,201
Incurred but not paid (IBNP)	15,869,000	19,926,000
Total liabilities	\$24,976,222	\$29,087,443
Net position:		
Unrestricted	\$46,504,950	\$26,212,164
Total net position	46,504,950	\$26,212,164
Total net position and liabilities	\$71,481,172	\$55,299,607

Statement of revenues, expenses and changes in net position

For the year ending December 31, 2020 and 2019

	2020	2019
Operating revenues:		
Member contributions	\$216,092,058	\$221,500,554
Total operating revenues	\$216,092,058	\$221,500,554
Operating expenses:		
Claims expense	\$179,458,560	\$204,851,147
Administrative services only fees	10,559,298	10,942,892
Reinsurance and stop loss premiums	1,206,496	962,636
General and administrative expenses	5,162,513	4,998,709
Total operating expenses	\$196,386,867	\$221,755,384
Operating income:	\$19,705,191	\$(254,830)
Nonoperating revenues/expenses:		
Interest income (net)	\$554,919	\$764,304
CMS retiree drug subsidy	32,676	\$59,630
Total non-operating revenues	\$587,595	\$823,934
Change in net position:	\$20,292,786	\$569,104
Total net position - January 1	\$26,212,164	\$25,643,060
Total net position - December 31	\$46,504,950	\$26,212,164

The condensed financial information is derived from the Health Care Program unaudited financial statements for 2020 and do not include notes. A copy of the complete audited financial statements can be obtained from the Trust upon request.

Slowing the rate of increase for health insurance

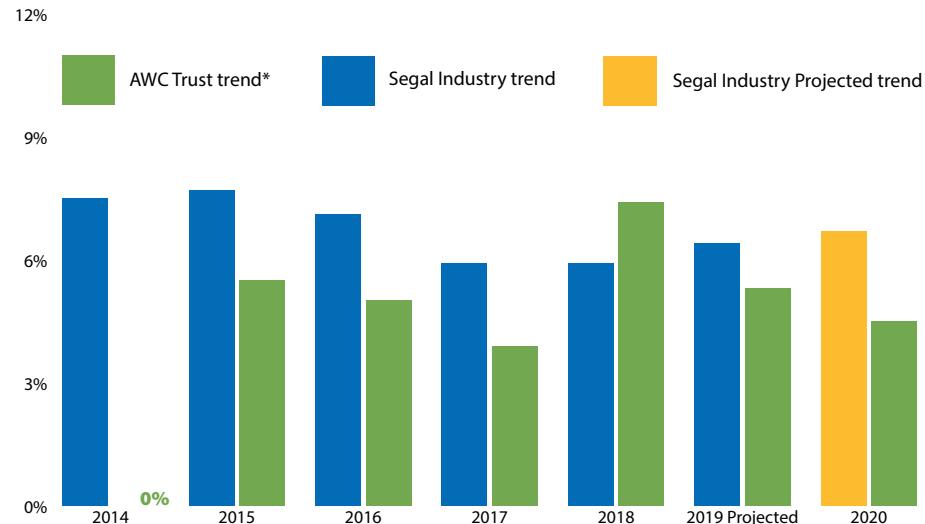
Health care cost trends continue to be similar to the prior year, outpacing wage increases and overall consumer price inflation for other goods and services. Price inflation for hospital services and brand-name medications are the leading drivers of plan cost trend increases.

The Board of Trustees are ever diligent in efforts to **slow the rate of increase**, which continues to remain lower than the national public sector industry average. The implementation of data warehouse services enhances staff's ability to understand Trust medical and prescription claim trends and to be nimble in responding to and anticipating these trends.

As part of our efforts to slow the rate of increase, we collaborated with Regence/Asuris to lower prescription costs by implementing the mandatory specialty select program which requires members to purchase their specialty medications from a specialty pharmacy, the infused drug site of care program which directs hospital-based outpatient infusions to approved sites, and the copay maximization program which utilizes manufacturer's coupons to lower costs to the member while also lowering prescription claims costs.

The efforts of WellCities are positively impacting all Trust members by helping to moderate the rate of premium increase. WellCities as a group have a 50% lower medical and pharmacy trend than others. These changes provide opportunities to achieve low-cost access and better value in health care by improving our members' health while also keeping costs in mind.

The Trust's trend compared to industry trend



* PPO and HMO combined trend was used for both the Segal Industry trend and AWC trend.

AWC Employee Benefit Trust Health Care Program Board of Trustees

The AWC Employee Benefit Trust is governed by members. As detailed in the Trust's Interlocal Agreement, the Board of Trustees is the governing authority for the Trust's self-insured Health Care Program and has a fiduciary obligation to administer the program on behalf of the contributing members. The Board consists of four regionally elected officials from Trust member cities or towns, the Employee Benefits Advisory Committee Chair and Vice Chair, and two Trustees appointed by the AWC Board of Directors. The Board of Trustees contracts with AWC for professional management and administrative services.



Board of Trustees

AWC Trust Health Care Program Board of Trustees

Glenn A. Johnson • Trustee Chair • Mayor, Pullman
Dorothy Knauss • Trustee Vice Chair • Mayor, Chewelah
Jennifer Gorsuch • Administrative Services Director, Camas
Emily Schuh • Administrative Services Director, Anacortes
Paul Schmidt • Councilmember, Cheney
Neil Johnson Jr. • Mayor, Bonney Lake
Cynthia Pratt • Deputy Mayor, Lacey
Julie Struck • Mayor, South Bend

AWC Trust Employee Benefits Advisory Committee

The Employee Benefits Advisory Committee provides direct guidance and input to the Board of Trustees regarding Trust programs, provisions, and operations.

Emily Schuh • EBAC Chair • Administrative Services Director, Anacortes
Jennifer Gorsuch, EBAC Vice Chair • Administrative Services Director, Camas
Regan Bolli • City Manager, Covington
Dale Cantrell • Information Systems Director, Wenatchee
Jeanette Cefalo • HR Director, Washougal
Kelsey Geddes • Community Engagement Manager, Fife
Julie Good • Sr. Human Resources Specialist, Lake Stevens
Greg Griffin • Administrative Services Manager, Spokane Regional Transportation Council
Holly Pannell • City Clerk/HR Manager, Colville
Matthew Pruitt • HR Director, Bothell
Jenna Richardson • HR Manager, Bonney Lake
Dee Roberts • City Clerk/Treasurer, South Bend
Nabiel Shawa • City Manager, Walla Walla
Karen Sires • HR Manager, Pullman
RJ Stevenson • Finance Director, Liberty Lake
Debbie Zabell • Finance/HR Director, Toppenish

Staff

Peter B. King • AWC Chief Executive Officer
Alicia Seegers Martinelli • AWC Deputy Chief Executive Officer/Chief Operating Officer
Carol Wilmes • AWC Director of Member Pooling Programs
Lucy Lu • AWC Chief Financial Officer
Beverly Lakey • Program Manager
Bobbi Fox • Employee Benefits Coordinator
Darla Mansfield • Employee Benefits Supervisor
Heidi Buswell • Employee Benefits Specialist, Customer service
Tanya Campbell • Employee Benefits Specialist, Eligibility/Enrollment
Shilah Miller • Employee Benefits Representative
Julie McDowell • Health Promotion Supervisor
Laurell Kaiser • Health Promotion Coordinator
Megan Cohara • Health Promotion Coordinator

Health Care Program partners

Insurance carriers

Regence BlueShield/Asuris Northwest Health
Kaiser Foundation Health Plan of Washington/Kaiser Foundation Health Plan of Washington Options, Inc.
Delta Dental of Washington
Vision Service Plan

Total Health Management

Castlight Health
Regence BlueShield/Asuris Northwest Health
(Condition management; Nurse advice line)
Kaiser Foundation Health Plan of Washington
(Condition management; Nurse advice line;
Tobacco cessation)
ComPsych (EAP)

Operations and administration

Aon • Broker & actuarial consultant
Perkins Coie • Legal counsel
Northwest Administrators • Billing & COBRA administration;
Investment manager
Vimly Benefit Solutions, Inc. • Billing & COBRA administration;
(effective 6/1/20)
Investment manager – Merganser Capital Management (effective 6/1/20)
Moss Adams • Financial auditor
RVK • Investment consultant





Employers purchasing coverage

Aberdeen | Adams County Mosquito Control District | Airway Heights | Albion | Algona | Almira | Anacortes | Arlington | Asotin | Auburn | Bainbridge Island | Battle Ground | Beaux Arts Village | Bellingham | Benton Clean Air Agency | Benton County Mosquito Control District | Bingen | Black Diamond | Blaine | Bonney Lake | Bothell | Bremerton | Bridgeport | Brier | Buckley | Bucoda | Burien | Burlington | Camas | Carbonado | Cascade Water Alliance | Cathlamet | Chehalis | Chelan | Cheney | Chewelah | Clarkston | Cle Elum | Clyde Hill | Colfax | College Place | Colton | Columbia County Public Transportation | Colville | Conconully | Concrete | Connell | Cosmopolis | Coulee City | Coulee Dam | Coupeville | Covington | Creston | Darrington | Davenport | Dayton | Deer Park | Des Moines | Des Moines Pool Metropolitan Park District | Dupont | Duvall | East Wenatchee | Eatonville | Edgewood | Edmonds | Electric City | Elma | Elmer City | Endicott | Entiat | Enumclaw | Fairfield | Federal Way | Ferndale | Fife | Fircrest | Forks | Fort Worden Public Development Authority | Friday Harbor | Garfield | George | Gig Harbor | Gold Bar | Goldendale | Grandview | Hamilton | Harrah | Harrington | Hoquiam | Housing Auth City of Pasco/Franklin Co | Housing Authority of Okanogan County | Hunts Point | I-Com 911 | Ilwaco | Index | Ione | Issaquah | Kahlotus | Kelso | Kenmore | Kennewick | Kettle Falls | Kitsap Regional Library | Kitsap Transit | La Center | La Conner | Lacey | Lacey Fire District | Lacrosse | Lake Forest Park | Lake Stevens | Lakewood | Liberty Lake | Lind | Long Beach | Longview | Lott Clean Water Alliance | Lyman | Lynden | Lynnwood | Maple Valley | Marysville | Mason County Emergency Communication | Mason Transit Authority | McCleary | Medical Lake | Medina | Mercer Island | Mesa | Metaline Falls | Mill Creek | Millwood | Milton | Monroe | Montesano | Morton | Moses Lake | Mount Vernon | Mountlake Terrace | Moxee | Mukilteo | Mukilteo Water And Wastewater District | Napavine | Nespelem | Newcastle | Newport | Nooksack | Norcom 911 | Normandy Park | North Bend | North Bonneville | NorthEast PDA | Northeast Tri County Health District | Northwest Clean Air Agency | Oak Harbor | Oakesdale | Oakville | Ocean Shores | Odessa | Okanogan | Okanogan County Transit Authority | Olympia | Olympic Region Clean Air Agency | Omak | Oroville | Orting | Pacific | Palouse | Pateros | Pe Ell | Pierce County Library System | Pierce Transit | Pomeroy | Port Angeles | Port Orchard | Port Townsend | Pullman | Rainier | Reardan | Republic | Ritzville | Rivercom 911 | Riverside | Rock Island | Roslyn | Roy | Ruston | Sammamish | Seattle Southside Regional Tourism Authority | Sedro-Woolley | Sequim | Shelton | Shoreline | Si View Metropolitan Park District | Skagit Council Of Governments | Skagit Transit | Skykomish | Snohomish | Snohomish County 911 | Snoqualmie | Soap Lake | South Bend | South Cle Elum | South Sound 911 | Spangle | Spokane County Library District | Spokane Regional Transportation Council | Spokane Valley | Sprague | St John | Stanwood | Steilacoom | Stevenson | Sultan | Sumas | Sumner | Sunnyside Housing Authority | Tacoma-Pierce County Health Department | Tekoa | Tenino | Thurston 911 | Tieton | Timberland Regional Library | Toledo | Tonasket | Toppenish | Tumwater | Twisp | Union Gap | Uniontown | University Place | Vader | Valley Communications | Valley Regional Fire Authority | Valley View Sewer District | Valley Water District | Waitsburg | Walla Walla | Walla Walla Valley MPO/SRTPO | Wapato | Warden | Washington State Convention Center | Washougal | Waterville | WCIA | Wenatchee | West Plains Airport Area PDA | West Richland | Whatcom Council Of Governments | Whatcom Transportation Authority | White Salmon | Whitworth Water District | Wilbur | Winthrop | Woodinville | Woodinville Water District | Woodway | Workforce Central | Yacolt | Yakima Valley Conference Of Governments | Yarrow Point | Yelm

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