

# AWC Employee Benefit Trust

HEALTH CARE PROGRAM 2021 ANNUAL REPORT

C H O I C E | H E A L T H | S E R V I C E





## Adapting, serving, and leading during times of change

During difficult times, it's good to know you have the AWC Employee Benefit Trust (Trust) in your corner to provide the same reliable service we've all come to depend on over the past 51 years. The Trust has proudly served 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. In doing so, the Trust has continued to help our members to navigate the difficulties caused by staffing shortages and legislative changes. Additionally, the Trust has proven it is able to adapt and provide leadership when our members need it most by adjusting meetings and conferences to online, and when safe to do so, transitioning back to in-person training.

Healthcare has become an even bigger priority and making employee benefits understandable, affordable, and targeted to the needs of our members is important to the Board of Trustees. 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. 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 of the past year, the Trust was able to provide a 3-month premium holiday for basic and dependent life premiums. The AWC Trust worked with employers and employees to determine eligibility for the COBRA Subsidy which provided financial relief for terminated employees. The AWC Trust was also able to offer a universal life with long term care rider benefit as an alternative to the WA Cares Fund plan.

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,

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



## Leading with innovation and value

Today's employers need a partner they can trust to lead them through the ever-changing world of health benefits. The AWC Employee Benefit Trust is that trusted partner for cities, towns, and other local governments in Washington state. The AWC Trust offers a thoughtful and comprehensive approach to ensure that employer and employee needs are met now and into the future and we take pride in our ability to deliver excellent services at competitive rates that stand the test of time.

The AWC Trust is utilizing innovation and technology to meet our commitment to excellence, and we have implemented several new technologies to provide education, training, and conferences both online and in a virtual world.

In the last year, we utilized new technologies to create recorded benefit presentations for our member employers to ease the burden of on-boarding new employees, we adapted and tailored our benefit presentations to meet member needs, we attended and hosted benefit fairs both in person and virtually, and we updated our website content to expand the scope of the WellCity toolkits available online. Additionally, charting the path to an updated billing, enrollment, and eligibility system mid-2020 provided a full year of elevated capabilities and functionality for members.

The AWC Trust has a proven track record in adapting quickly to changes in the healthcare marketplace. With the passing of the American Rescue Plan Act, the Trust was able to swiftly develop a strategy to implement processes internally and with our vendors to comply with the COBRA Subsidy. As employers were looking for options to meet the state's mandatory long-term care coverage, the Trust stepped up to provide a new benefit, adding value for our members.

We look forward to continuing to innovate our benefit offerings and our service for you and your employees in the coming years. And, most of all, as we emerge from the COVID-19 pandemic, I look forward to seeing you at our in-person events in 2022.

Sincerely,

Alicia Seegers Martinelli  
Interim Chief Executive Officer  
Association of Washington Cities

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.



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

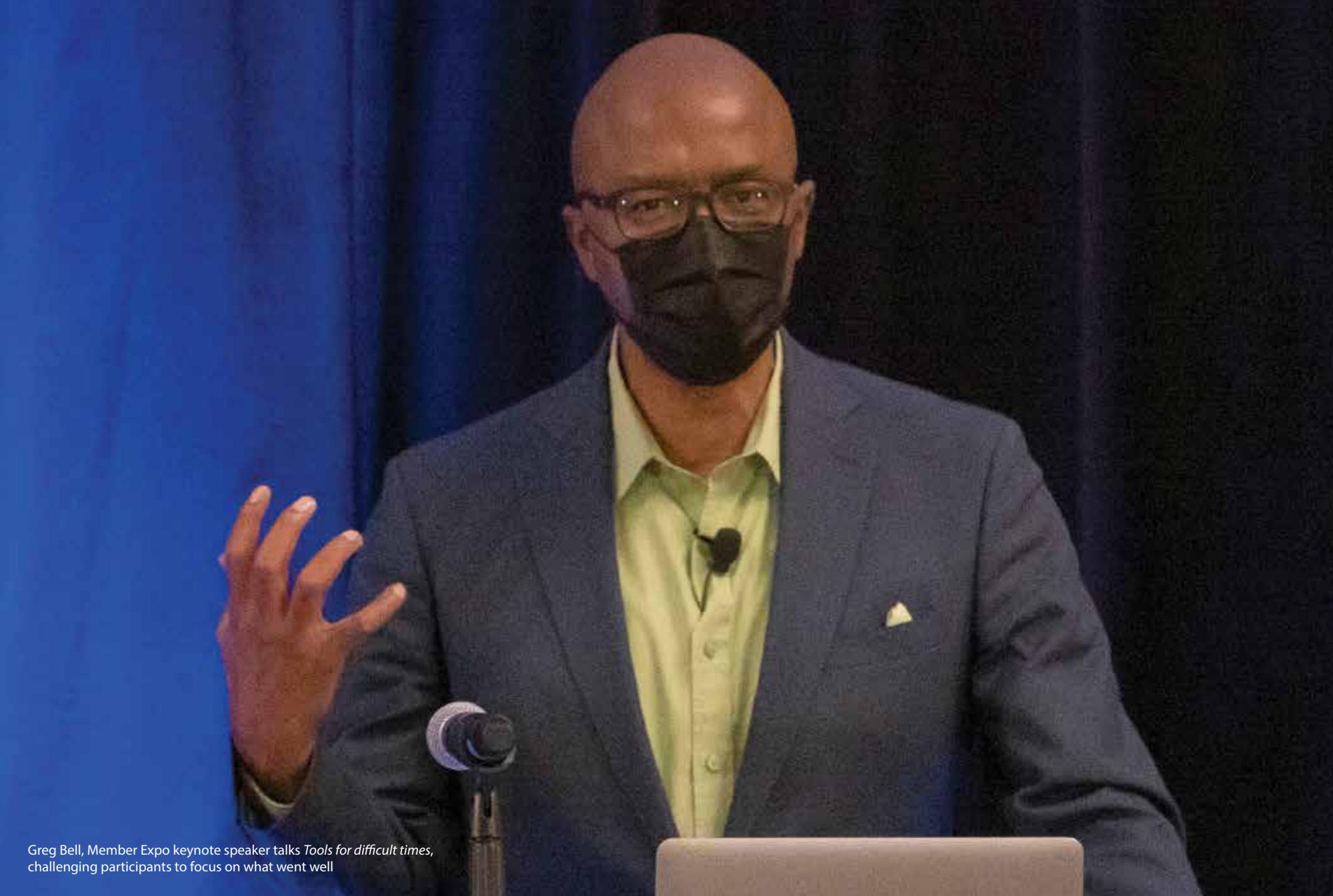
The Board of Trustees is committed to its long-standing **mission** of providing quality benefit programs to Washington cities and towns in an efficient and cost-effective manner. This is done through timely information, technical assistance, member education, and advocacy.

### 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 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 2021.

Regence BlueShield/ Asuris Northwest Health	Kaiser Permanente	Delta Dental of Washington	Vision Service Plan
<b>Active coverage</b>			
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	<b>Second pair option rider</b> – can be added to \$0, \$10, or \$25 copay plans
		Plan F	
		Plan G	
		Plan J	
		<b>Ortho rider I, II, III, IV, V</b> – can be added to any active dental plan	
<b>Retiree coverage</b>			
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			

Greg Bell, Member Expo keynote speaker talks *Tools for difficult times*, challenging participants to focus on what went well



## 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 one percent of insured households are registered on Health Central, the Trust's employee health and benefits portal, and 49% of registered users return every 90 days. Nearly 2,000 members participated in a steps challenge in 2021.

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 2021, 105 employers, representing 79% of insured employees, 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 2021.

We partnered with Regence and Kaiser to provide COVID-19 testing, vaccinations, and treatment at no cost to our members. Kaiser and Regence also introduced two new programs to provide emotional support to those affected by uncertainty and stress caused by the pandemic. Kaiser introduced the Calm app designed for daily use which uses mindfulness and meditation to lower stress, reduce anxiety, and improve sleep quality. Regence and Kaiser introduced the My Strength program which offers personalized programs using interactive activities to support mental, emotional, and overall well-being.

To combat the opioid crisis, the Board felt it important to increase (non-medication) benefits related to musculoskeletal pain management. For plans that had an outpatient rehabilitation visit limit of 25, we increased the number of visits to 60 per calendar year. Additionally, we increased the number of chiropractic and acupuncture visits to 20 per calendar year on all plans. Under our online weight management program provided by Naturally Slim, we added four classes that address daily behaviors, leading to better health.

The Trustees have committed to continuing cost containment efforts through the dependent verification eligibility services, and 2021 concluded the seventh complete year of providing this service to member employers. In 2021, projected annual savings was about \$1.8 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, 2021 and 2020

	2021	2020
<b>Assets:</b>		
Cash and cash equivalents	\$23,261,423	\$20,369,494
Investments, at fair value	40,834,734	41,432,336
Accrued interest	49,731	57,954
Due from trust	14,257,789	6,356,509
Receivables	2,053,696	3,239,937
Other assets	158,762	24,942
<b>Total assets</b>	<b>\$80,616,135</b>	<b>\$71,481,172</b>
<b>Liabilities:</b>		
Claims payable	\$10,765,240	\$5,396,406
ASO/transitional reinsurance fee payable	55,390	1,144,327
Administrative expenses payable	394,231	451,651
Unearned member contributions	2,156,036	2,114,838
Incurred but not paid (IBNP)	21,532,000	15,869,000
<b>Total liabilities</b>	<b>\$34,902,897</b>	<b>\$24,976,222</b>
<b>Net position:</b>		
Unrestricted	\$45,713,238	\$46,504,950
<b>Total net position</b>	<b>\$45,713,238</b>	<b>\$46,504,950</b>
<b>Total net position and liabilities</b>	<b>\$80,616,135</b>	<b>\$71,481,172</b>

The condensed financial information is derived from the Health Care Program unaudited financial statements for 2021 and do not include notes. A copy of the complete audited financial statements can be obtained from the Trust upon request.

## Statement of revenues, expenses and changes in net position

For the year ending December 31, 2021 and 2020

	2021	2020
<b>Operating revenues:</b>		
Member contributions	\$224,320,727	\$216,092,058
<b>Total operating revenues</b>	<b>\$224,320,727</b>	<b>\$216,092,058</b>
<b>Operating expenses:</b>		
Claims expense	\$205,065,381	\$179,458,560
Administrative services only fees	12,352,397	10,559,298
Reinsurance and stop loss premiums	1,475,543	1,206,496
General and administrative expenses	6,053,765	5,162,513
<b>Total operating expenses</b>	<b>\$224,947,086</b>	<b>\$196,386,867</b>
<b>Operating income:</b>	<b>(\$626,359)</b>	<b>\$19,705,191</b>
<b>Nonoperating revenues/expenses</b>		
Interest income (expense)	(\$165,353)	\$587,595
<b>Total non-operating revenues</b>	<b>(\$165,353)</b>	<b>\$587,595</b>
<b>Change in net position:</b>	<b>(\$791,712)</b>	<b>\$20,292,786</b>
<b>Total net position - January 1</b>	<b>46,504,950</b>	<b>\$26,212,164</b>
<b>Total net position - December 31</b>	<b>\$45,713,238</b>	<b>\$46,504,950</b>

## 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. Specialty medications continue to be the drivers of double-digit increases in cost trend, driven by competition with new specialty medications in the marketplace and increases in pricing of specialty medications.

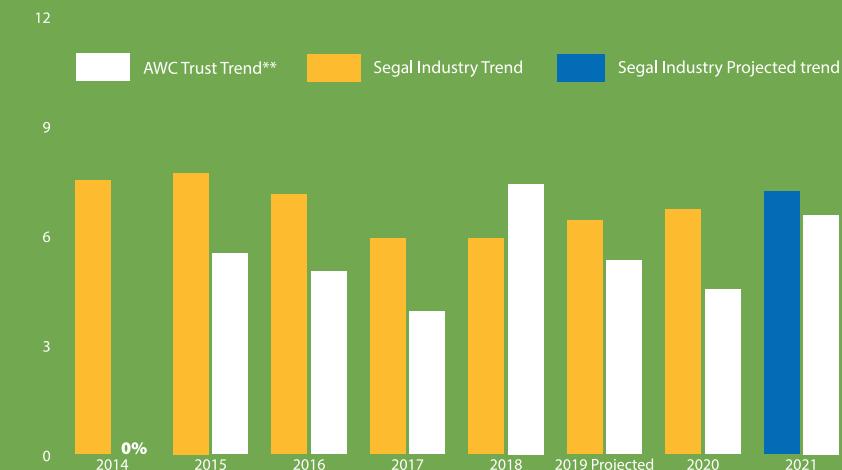
The Board of Trustees are ever diligent in efforts to **slow the rate of increase**, which continues to remain lower than the national public sector industry average. The implementation of data warehouse services enhances staff's ability to understand Trust medical and prescription claim trends and to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

As we continue to slow the rate of increase in our prescription costs, we provide a number of cost-saving programs under our medical plans, including a mandatory specialty select program which requires members to purchase their specialty medications from a specialty pharmacy, an infused drug site of care program which directs hospital-based outpatient infusions to approved sites, and a copay maximization program which utilizes manufacturer's coupons to lower costs to the member while also lowering prescription claims costs.

Additionally, in 2021 the Trust sent out a Request for Proposal for PPO dental services. After a market review of the respondents, our current carrier (Delta Dental) proved to continue to provide the largest network, savings, and value, while offering additional savings in reduced administrative costs in future years.

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 25% 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.

### AWC Trust Health Care Program Board of Trustees

Glenn A. Johnson • Trustee Chair • Mayor, Pullman  
Amy Ockerlander • Mayor, Duvall  
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  
Adrienne Johnson-Newton • Human Resources Director, Des Moines  
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  
At Large Western Position #4 • Vacant  
Dee Roberts • City Clerk/Treasurer, South Bend  
Nabiel Shawa • City Manager, Walla Walla  
Heidi Evans • Human Resources Manager, Pullman  
Debbie Lund • Human Resources Manager, Port Orchard

## Staff

Alicia Seegers Martinelli • AWC Interim Chief Executive Officer  
Carol Wilmes • AWC Director of Member Pooling Programs  
Gene Emmans • AWC Chief Financial Officer  
Beverly Lakey • Program Director  
Bobbi Fox • Employee Benefits Coordinator  
Darla Mansfield • Employee Benefits Supervisor  
Heidi Buswell • Employee Benefits Specialist  
Tanya Campbell • Employee Benefits Specialist  
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  
Vimly Benefit Solutions, Inc. • Billing & COBRA administration  
Merganser Capital Management • Investment manager  
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-Franklin Council of Governments | Bingen | Black Diamond | Blaine | Bonney Lake | Bothell | Bremerton | Bridgeport | Brier | Buckley | Bucoda | Burien | Burlington | Camas | Carbonado | Cascade Water Alliance | 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 | Dupont | Duvall | East Wenatchee | Eatonville | Edgewood | Edmonds | Electric City | Elma | Elmer City | Endicott | Entiat | Enumclaw | Fairfield | Farmington | Federal Way | Ferndale | Fife | Fircrest | Forks | Fort Worden Public Development Authority | Friday Harbor | Garfield | George | Gig Harbor | Gold Bar | Goldendale | Grandview | Hamilton | Harrah | 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 | King County Regional Homelessness Authority | 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 | Washtucna | 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

# AWC Employee Benefit Trust

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C H O I C E | H E A L T H | S E R V I C E