



Employee Benefit Trust

TRUST

Health Care Program 2016 Annual Report

CHOICE | HEALTH | SERVICE



Providing exceptional benefits and service

Providing top notch benefits at an affordable rate is paramount for our cities, towns, and quasi-municipal jurisdictions. The Trust has been meeting membership needs for 46 years by providing a quality array of medical, dental, vision, life and long-term disability insurance, long-term care, and an employee assistance program. Our highly successful health promotion program has provided over 30 years of support to member employers as they build a healthy and productive workforce. The AWC Employee Benefit Trust's Health Care Program now serves 258 employers, and provides benefits to over 33,000 employees and their family members.

As a member-governed organization, we value your thoughts and listen to your needs. You can be assured that your Board of Trustees and Employee Benefits Advisory Committee have an expressed interest in all operations and programming efforts and have reflected your thoughts as you have conveyed them to us. As an ongoing commitment to obtain membership feedback, a survey was sent to member employers, which provided members the opportunity to tell us how the Trust coverage is meeting their needs, and how jurisdictions are working to contain costs. From the 187 respondents, we know that the Trust is offering you plan choices that assist you in building a superior benefit package.

Our focus continues to center on knowing our members better than anyone in the industry. As a member of the Trust, you benefit by having a large array of health care options to choose from. Benefits offerings remain high-value, with predictable and stable cost trends.

A trusted resource our members have grown to rely on is our outstanding customer service. Staff are available to be an advocate for member employers, their employees and families. Providing members with a variety of benefit options at affordable rates, coupled with outstanding customer service is a cornerstone of the unparalleled service provided by the Trust. This couldn't be done without the great partnerships we have with our vendors, carriers, and consultants, whose combined expertise brings you the best plans and service in the industry.

On behalf of your Board, I would like to offer my thanks to our wonderful staff that provides outstanding service to our members every day, the Board of Trustees, the Trust Health Care Program Board, 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 light-colored background.

Glenn A. Johnson, Chair
Mayor, City of Pullman

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.

Meeting members' needs in a rapidly changing environment

The Trust's Health Care Program, a joint self-insured program, was created in 2014 to offer health care coverage and benefit options to participating employees and beneficiaries. After more than two years since this change, we take pride in the fact that we have continued to provide excellent service at competitive rates. The data we have drives our decision – the claims experience of the Health Care Program came in lower than both of our carriers and the national public sector industry average. The numbers confirm that becoming self-insured was the right move.


After the transition to self-insurance and completing a four-year work plan, your Board of Trustees, Employee Benefits Advisory Committee members, staff and consultants took a step back and met to explore and chart a revised strategic course. The goal was to position AWC and the Trust to continue to meet benefit needs of the current and future membership in a rapidly changing health care environment, coupled with changing workforce demographics. Through the course of a long range strategic planning retreat, the Trust's mission, vision and goals were revisited, but were largely unchanged, as we believe we are on the right track in meeting member needs. Technology was at the forefront of these discussions, which led the Board to add a new goal of exploring and further utilizing technology to best meet member needs.

As we look forward to the year ahead, I would like to reflect on a few additional notable accomplishments from 2016:

- A Request for Proposal for wellness vendor services was issued, candidates were interviewed, and the Board of Trustees approved staff's recommendation to enter into a contract with new vendor, Jiff. Moving forward, this new partner will be flexible and innovative, with the ability utilize technology to take our program to new levels. We are excited about this change and look forward to increased engagement of both employers and employees.

- The Board of Trustees contracted with PricewaterhouseCoopers to prepare a Capital Review and Analysis study, which provides clear perspective and guidance regarding ongoing key financial decisions of the program related to rate levels, efficient use of reinsurance, and investment strategy.
- Trustees continued to review plan designs based on membership feedback, including adding plan enhancements to the Regence/Asuris HealthFirst 250 and 500 plans, making these plans more attractive as employers look to moving off the \$0 deductible/\$10 copay plans.
- The Affordable Care Act (ACA) continued to impact how our membership offers and reports their benefit offerings. Our staff provided assistance on a daily basis, and again partnered with legal counsel to provide a webinar and follow-up Q&A on the complex reporting requirements under IRC Section 6055/6056. We sponsored an ACA session at AWC's Labor Relations Institute and held a healthcare session at AWC's Member Expo.
- Trust Annual Meetings were held in four cities with the primary goals of providing information on cost containment efforts, the Affordable Care Act and impact to Trust health plans. One of these meetings was made available via live webinar, and was also recorded and available on our website, for those who could not make one of the meeting locations.

I encourage you to review this report and learn more about the AWC Employee Benefit Trust and the Health Care Program. The Trust exists to serve its members, and we welcome your input, comments, and questions.

Sincerely, 

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.

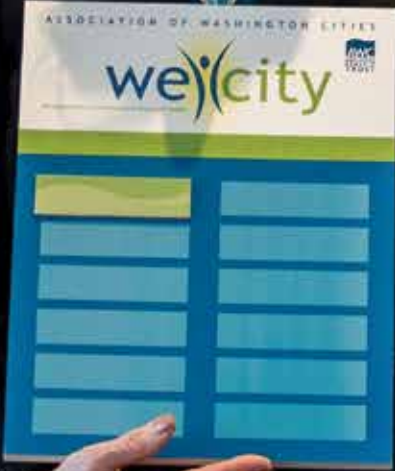
With constant changes in the health care industry, the Trustees' vision is that the Employee Benefit Trust:

- 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 healthcare 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 Trust's Health Care Program offers the best coverage options to serve our members

The Trust's 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, Group Health Cooperative/Group Health Options, 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 2016.

Regence BlueShield/ Asuris Northwest Health	Group Health Cooperative/ Group Health Options, Inc.	Delta Dental of Washington	Vision Service Plan
Active Coverage			
AWC HealthFirst® Plan	\$10 Copay Plan	Plan A	\$0 Copay Plan
AWC HealthFirst® 250 Plan	\$20 Copay, \$200 Deductible Plan	Plan B	\$10 Copay Plan
AWC HealthFirst® 500 Plan	Access PPO	Plan C	\$25 Copay Plan
High Deductible Health Plan, HSA Qualified	High Deductible Health Plan, HSA Qualified	Plan D	Low Option Plan
Plan A – LEOFF 1	\$0 Copay Plan – LEOFF 1	Plan E	Second Pair Option Rider – can be added to \$0, \$10, or \$25 Copay Plan
		Plan F	
		Plan G	
		Ortho Rider I, II, III, IV, V – can be added to any active dental plan	
Retiree Coverage			
Plan A – LEOFF 1	Retiree Plan	Retiree PPO	
Plan R – 1500 Retiree Plan			
AWC HealthFirst® 1000 Retiree Plan			
AWC HealthFirst® 2500 Retiree Plan			

We emphasize total health management

Since 1984, the Board of Trustees have been committed to adopting programs and policies aimed at moderating the cost of health care, while staying focused on quality. All along the way staff have helped employers build their own quality wellness programs. Additional support is targeted at providing insured individuals with educational tools and resources that encourage healthy behaviors and wise use of health care resources.

We believe that education and training are paramount, and make our services widely available to employers large and small. Whether accessing training through on-site visits, regional meetings, Healthy Worksite Summit, or through eLearning, we offer Trust members the best in worksite wellness training.

In 2016, the Trust saw a slight increase of WellCity applicants, with a record 112 employers earning the WellCity Award. This increased engagement continues to support the Trust's goal of **increasing participation in total health management**. As medical claims costs directly impact premium contributions, the efforts of these WellCities are more important than ever. WellCities place employee well-being among their core values and demonstrate that belief by developing healthy workplace cultures. As a reward, they earn a two percent discount on medical premium contributions in the following year.

"The program is a great opportunity to assist AWC participants (groups) in bringing awareness about health and wellness to their employees. Changing a work culture can take a long time. AWC staff and the resources that are provided help to keep employers on track with their efforts. The annual health summit also allows for continued growth as information related to health and wellness trends and initiatives is shared."

-2016 WellCity, 2016 Trust Employer Survey



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 fifty-eight cities, towns, and quasi-municipal jurisdictions participate in the Health Care Program. This totals more than 33,000 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 into the Health Care Program by submitting an application to the Board of Trustees for review as required in the Trust Agreement.

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 Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200 percent of expected medical claims.

Pooling is the right choice

The strength of 258 employers pooling claims and administrative costs makes financial sense. A large pool of over \$210 million 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 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 healthcare environment**, a number of plan enhancements were added, including increasing spinal manipulation visits, decreasing out-of-pocket maximums, and excluding a number of office visits from plan deductibles. While these changes were big to employees, they had an overall minor impact to premium increases.

The Trustees have committed to continuing cost containment efforts through the dependent verification eligibility services, and 2016 concluded the second complete year in providing this service to member employers. In 2016, projected annual savings was \$809,000, which was primarily in the form of overpaid premium by Trust employers. These savings leverage a significant benefit for our member employers.

"The addition of the four office visits (before deductible kicked in) was a great addition to HealthFirst 250 Plan and staff were very happy with it."

-2016 Trust Employer Survey

Statement of Net Position

As of December 31, 2016 and 2015

	2016	2015
ASSETS:		
Cash and Cash Equivalents	\$5,868,768	\$4,268,117
Investments, at fair value	21,429,424	21,505,111
Accrued Interest	61,521	42,558
Due from Trust	4,725,144	3,221,785
Rx Rebate Receivable	917,880	392,823
TOTAL ASSETS	\$33,002,737	\$29,430,394
LIABILITIES:		
Claims Payable	\$7,364,391	\$5,129,396
ASO/Transitional Reinsurance Fee Payable	789,728	1,229,984
Administrative Expenses Payable	427,173	625,857
Unearned Member Contributions	-	394,533
Incurred But Not Paid (IBNP)	17,777,000	16,819,000
TOTAL LIABILITIES	\$26,358,292	\$24,198,770
NET POSITION:		
Unrestricted	\$6,644,445	\$5,231,624
TOTAL NET POSITION	\$6,644,445	\$5,231,624
TOTAL NET POSITION AND LIABILITIES	\$33,002,737	\$29,430,394

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ending December 31, 2016 and 2015

	2016	2015
OPERATING REVENUES:		
Member Contributions	\$207,965,939	\$211,349,143
Total Operating Revenues	\$207,965,939	\$211,349,143
OPERATING EXPENSES:		
Claims Expense	\$190,856,492	\$191,896,984
Administrative Services Only Fees	10,386,866	10,321,389
Reinsurance and Stop Loss Premiums	1,362,396	1,710,111
General and Administrative Expenses	4,330,809	3,888,226
Total Operating Expenses	\$206,936,563	\$207,816,710
OPERATING INCOME:	\$1,029,376	\$3,532,433
NONOPERATING REVENUES/EXPENSES:		
Interest Income (net)	\$183,412	\$179,023
CMS Retiree Drug Subsidy	\$200,033	
Total Non-Operating Revenues	\$383,445	\$179,023
CHANGE IN NET POSITION:	\$1,412,821	\$3,711,456
TOTAL NET POSITION - JANUARY 1	\$5,231,624	\$1,520,168
TOTAL NET POSITION - DECEMBER 31	\$6,644,445	\$5,231,624

The condensed financial information is derived from the Health Care Program unaudited financial statements for 2016 and do not include notes. A copy of the complete audited financial statements can be obtained from the Trust upon request.

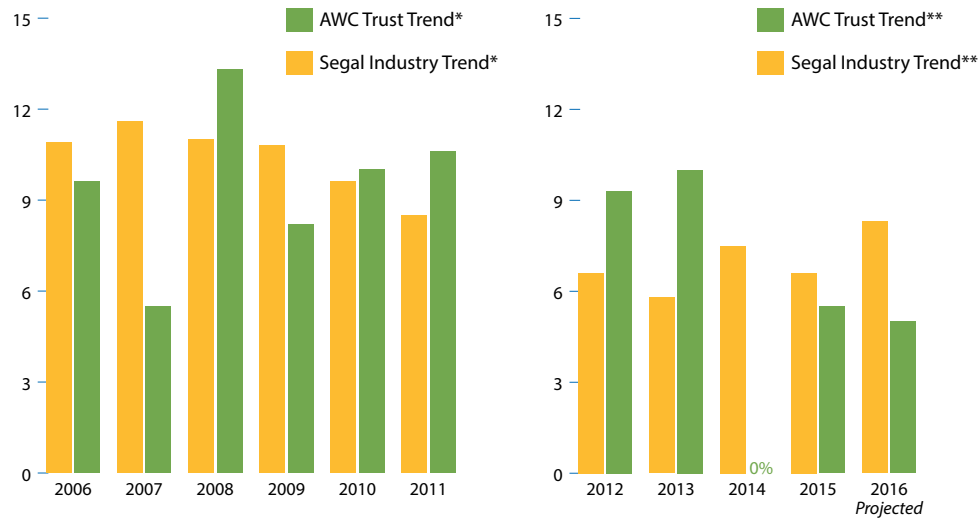
Slowing the rate of increase for health insurance

Health care cost trends continue to outpace wage increases and overall consumer price inflation for other goods and services. We have seen price inflation for hospital services and brand-name medications as the leading drivers of plan cost trend increases.

Through the Trust member survey results, we know that jurisdictions are working to contain health care costs a number of ways, including making transitions to lower cost plans. Many employers are now offering a High Deductible Health Plan and tax favored account alongside a more traditional PPO or HMO plan, increasing employee premium contributions (or are defining an employer contribution cap), looking at voluntary benefits, as well as implementing worksite health promotion as a way to keep employees healthy and health care costs down.

The Trustees are ever-diligent in efforts to slow the rate of increase, which remains lower than the national public sector industry average by more than two percent. To maintain the Trust's **fiscal health and sustainability**, the Trustees adopted a supplemental dialysis program, which provides a solution to reduce End Stage Renal Disease claim costs, for both the patient and the Trust. This was a win-win solution, providing significant cost savings per case, and reduced the overall renewal increase by almost one percent.

The Trust's trend compared to industry trend



* Indemnity plan trend was used for both the Segal Industry Trend and AWC Trend.

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

Source: Segal Plan Cost Survey

AWC Employee Benefit Trust Health Care Program Board of Trustees

The 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 from 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; Southeast Region Trustee; Mayor, Pullman
Tom Trulove, Trustee Vice Chair; Northeast Region Trustee; Mayor, Cheney
Sean Guard, Trustee; Mayor, Washougal
Will Ibershof, Northwest Region Trustee; Mayor, Duvall
Neil Johnson Jr., Southwest Region Trustee; Mayor, Bonney Lake
Dorothy Knauss, Trustee; Mayor, Chewelah
Terry Walsh, EBAC Chair; Executive Director of Employee & Community Relations, Kennewick
Angie Chaufy, EBAC Vice Chair; HR Manager, Burien

AWC Trust Employee Benefits Advisory Committee

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

Terry Walsh, EBAC Chair; Executive Director of Employee & Community Relations, Kennewick
Angie Chaufy, EBAC Vice Chair; HR Manager, Burien
Richard Bisnett, HR Director, Moses Lake
Dale Cantrell, Information Systems Director, Wenatchee
Stefanie Cormany, HR Manager, Fife
Steve Edin, HR Director, Lake Stevens
Hester Gilleland, Clerk-Treasurer, Raymond
Jennifer Gorsuch, Administrative Services Director, Camas
Kristie Guy, HR Director, Marysville
Paula Itaoka, HR Director, Shoreline
Holly Pannell, City Clerk/HR Manager, Colville
Jenna Richardson, HR Manager, Bonney Lake
Emily Schuh, HR Director, Anacortes
Karen Sires, HR Manager, Pullman
Debbie Zabell, Deputy Finance Director/City Clerk, Toppenish

Staff

Peter B. King • AWC Chief Executive Officer
Luann Hopkins • AWC Chief Operating Officer
Carol Wilmes • AWC Director of Member Pooling Programs
Linda Triplett • AWC Chief Financial Officer
Beverly Lakey • Program Manager
Karissa McLaughlin • Employee Benefits Coordinator
Darla Mansfield • Employee Benefits Supervisor
Julie McDowell • Health Promotion Supervisor
Heidi Buswell • Employee Benefits Specialist, Customer Service
Tanya Campbell • Employee Benefits Specialist, Eligibility/Enrollment
Kim Lund • Employee Benefits Representative
Jon Smith • Health Promotion Consultant
Niki Charneski • Health Promotion Specialist
Andy Clarke • Marketing Field Service Coordinator

Health Care Program Partners

Insurance Carriers

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

Total Health Management

WebMD Health Services
StayWell
Alere Wellbeing (Tobacco cessation)
Advice 24 (Regence BlueShield Nurse Advice Line)
Regence BlueShield/Asuris Northwest Health (Condition Management)
Group Health Cooperative (Condition Management; Nurse Advice Line)
ComPsych (EAP)

Operations and Administration

Aon Hewitt • Broker & Actuarial Consultant
Stoel Rives • Legal Counsel (January – September)
Perkins Coie • Legal Counsel (October – December)
Northwest Administrators • Billing & COBRA Administration;
Investment Manager
Moss Adams • Financial Auditor
RVK • Investment Consultant
Wells Fargo • Banking & Investment Custodian

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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 • Benton-Franklin Council of Governments • Bingen • Black Diamond • Blaine • Bonney Lake • Bothell • Bremerton • Bridgeport • Brier • Buckley • Bucoda • Burien • Burlington • Camas • Carbonado • Castle Rock • Cathlamet • Centralia • 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 • Cusick • Darrington • Davenport • Dayton • Deer Park • Des Moines • Dupont • Duvall • East Wenatchee • Eatonville • Edgewood • Edmonds • Electric City • Elma • Elmer City • Endicott • Entiat • Enumclaw • Fairfield • Federal Way • Ferndale • Fife • Fircrest • Forks • Friday Harbor • Garfield • George • Gig Harbor • Gold Bar • Goldendale • Grandview • Hamilton • Harrah • Harrington • Hoquiam • Housing Authority of the City of Pasco & Franklin County • I-Com 911 • Ilwaco • Index • Ione • Issaquah • Kelso • Kenmore • Kennewick • Kettle Falls • Kitsap Regional Library • Kitsap Transit • La Center • La Conner • Lacey Fire District • Lacey • Lacrosse • Lake Forest Park • Lake Stevens • Lakewood • Langlely • 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 Water And Wastewater District • Mukilteo • Napavine • Nespelam • Newcastle • Newport • Nooksack • Norcom 911 • Normandy Park • North Bend • North Bonneville • Northport • 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 • Pomeroy • Port Angeles • Port of Seattle • Port Orchard • Port Townsend • Prosser • Pullman • Rainier • Raymond • Reardan • Republic • Ritzville • Rivercom 911 • Riverside Fire Authority • Riverside • Rock Island • Roslyn • Roy • Ruston • Sammamish • SeaTac • Seattle Southside Regional Tourism Authority • Sedro-Woolley • Sequim • Shelton • Shoreline • Skagit Council of Governments • Skagit Transit • Skykomish • Snocom • Snohomish • Snoqualmie • Soap Lake • South Bend • South Cle Elum • South Sound 911 • Spangle • Spokane County Library District • 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 • University Place • Valley Communications • Valley Regional Fire Authority • Valley View Sewer District • Valley Water District • Waitsburg • Walla Walla Valley MPO/SRTPO • Walla Walla • Wapato • Warden • Washington State Convention Center • Washougal • Waterville • Washington Cities Insurance Authority • Wenatchee • West Richland • Whatcom Council of Governments • Whatcom Transportation Authority • White Salmon • Wilbur • Winthrop • Woodinville Water District • Woodinville • Woodland • Woodway • Yacolt • Yakima Valley Conference of Governments • Yarrow Point • Yelm



Employee Benefit Trust

TRUST

Health Care Program 2016 Annual Report

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

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