

AWC Employee Benefit Trust

HEALTH CARE PROGRAM 2023 ANNUAL REPORT



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



Cost conscious value and service

As the Trust looks to solve “shrinkflation” in our healthcare environment, where contacting your insurance provider means long wait times on hold only to be told conflicting information, the Trust offers value and service at a price we can afford.

Instead of taking away benefits to tighten the budget, the Trust added benefits, like increasing the frame allowance on all VSP vision plans, to give members more bang for their buck without increasing rates. The Trust added infertility benefits in 2022, and in 2023 we were able to add bariatric surgery benefits for both our Regence/Asuris and Kaiser members with a \$35,000 lifetime maximum.

In addition to their already great customer service, the AWC Trust staff produced videos to assist members with a variety of topics such as open enrollment, dependent verification, and retirement benefits through the Trust. The Trust’s Health Promotion team conducted Wellness Workshops to educate and provide needed training for wellness committee members around the state which resulted in even more savings through our WellCity program.

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 blue ink that reads "Paul Schmidt". The signature is fluid and cursive, written over a light green background that features a stylized cityscape with houses and trees.

Paul Schmidt, Vice Chair
Councilmember, Cheney
Proud to be a WellCity

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.



With change comes new opportunities

As we emerge from the challenges of the past few years and look into the Trust's bright future, we begin to see the world of healthcare with a new lens. With our new, informed perspective we see new opportunities to bring positive changes for the future of the AWC Trust and our membership.

We are looking at new technology solutions to improve efficiency and lower costs. In 2023, the AWC Trust initiated a pilot program, allowing a limited number of employers to utilize Electronic Data Interchange, submitting their health care enrollment data directly from the employer's HRIS system to the Trust's billing, enrollment and information system, SIMON. This will transform the way employers conduct open enrollment for their employees and staff, reducing errors in translating information manually. At the same time, the Trust continues to work with employers to map all benefits in SIMON specific to offerings under each bargaining group, which will allow the Trust to open the employee self-service option under SIMON, providing more flexibility and options for employers.

While we see the benefits of technology, we also continue to focus on the personal service that the AWC Trust is known for. In an effort to reach out one-on-one with the Trust membership, Trust staff conducted regional Benefit Forums across the State of Washington to provide training and information, updates on trends and benefits, and networking opportunities to discuss strategies with employee retention and benefits amongst the various sized employer groups. This also provided an opportunity for members to provide feedback on what the Trust is doing well, and what employers would like to see moving forward.

We continue to strive to offer our members the best variety of benefit options at affordable rates through the excellent partnerships we have with our vendors, carriers, and consultants. And through our outstanding and responsive customer service, we are working hard to ensure that we not only meet but exceed our members' expectations. We look forward to continuing serving you and your employees around the great State of Washington now and in the future!

Sincerely,

A handwritten signature in green ink, appearing to read 'Deanna Dawson', with a long horizontal flourish extending to the right.

Deanna Dawson
Chief Executive Officer
Association of Washington Cities



Healthy
Worksite
SUMMIT
ksitesummit.e

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:

- Preserve the Trust's fiscal health and sustainability while investing in the Trust's future needs;
- Proactively manage the rate of increase in health care costs for the Trust and its members;
- Address members' evolving benefit needs in a changing healthcare environment by solidifying and sustaining the Trust as a leader;
- Ensure member awareness and depth of knowledge of the Trust's services;
- Ensure continuity of services to all employers by providing proactive outreach that includes education, training, and collaboration;
- Utilize technology and strategic innovation to promote efficiencies in Trust operations, better meet the needs of Trust members, and enhance the security of Trust data;
- Increase participation and empower members to take a more active role in managing their health by providing relevant wellness programs, services, and resources; and
- Seek to understand and embrace the diversity of our communities and commit to providing inclusive and accessible benefits for all.



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, Delta Dental of Washington, Willamette Dental Group, 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 2023.

Regence BlueShield/ Asuris Northwest Health	Kaiser Permanente	Delta Dental of Washington	Willamette Dental	Vision Service Plan
Active coverage				
AWC HealthFirst® 250	Kaiser 200	Plan A	\$10 copay	\$0 copay
AWC HealthFirst® 500	Kaiser 500	Plan B	\$15 copay	\$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 \$15 copay	
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.

Seventy percent of insured households are registered on Health Central, the Trust's online wellness platform, and 65% of employees engaged in activities to earn their wellness reward. Over 1,700 users participated in a step challenge and over 900 participated in the resilience challenge in 2023.

With a goal to **increase participation and empower members to take a more active role in managing their health by providing relevant wellness programs, services, and resources**, 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 2023, 112 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 6.9% 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. 264 cities, towns, and quasi-municipal jurisdictions participate in the Health Care Program. This totals 42,000 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 medical stop-loss insurance through United States Fire Insurance Company in the amount of \$2 million. The aggregate policy is for 200% of expected medical claims.

Pooling is the right choice

The strength of 264 employers pooling claims and administrative costs makes financial sense. A large pool of approximately \$267 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 **address members' evolving benefit needs in a changing health care environment**, a number of plan enhancements were made in 2023.

At the request of a member to their Advisory Committee Member, the Trust worked with their broker consultant and medical directors from Regence/Asuris and Kaiser, to provide education on bariatric surgery to the Advisory Committee and the Health Care Program Board. In recognition that obesity is a disease with many preventable costly co-morbidities associated with it, the Board added a bariatric surgery benefit. The benefit includes a \$35,000 lifetime maximum and services must be performed at one of the carriers' Centers of Excellence.

The Trustees increased the frame allowance on all VSP vision plans from \$150 to \$200 and increased the wholesale frame allowance at Costco or Walmart from \$80 to \$120.

As part of the AWC Trust's goal to **seek to understand and embrace the diversity of our communities and commit to providing inclusive and accessible benefits for all**, the Trust added a \$2,000 travel benefit related to abortion and gender-affirming surgery services reimbursed according to the IRS travel guidelines in states where these services are not recognized.

Statement of net position

As of December 31, 2023 and 2022

	2023	2022
Assets:		
Cash and cash equivalents	\$34,615,966	\$25,356,100
Investments, at fair value	63,676,156	39,782,767
Due from trust	7,521,296	21,585,355
Accrued interest	386,829	95,003
Receivables	3,612,786	6,102,107
Other assets	-	123,762
Total assets	\$109,813,033	\$93,045,094
Liabilities:		
Claims payable	\$5,133,324	\$7,484,480
ASO/transitional reinsurance fee payable	91,624	104,593
Administrative expenses payable	717,513	807,614
Unearned member contributions	3,793,174	3,280,027
Incurred but not paid (IBNP)	26,240,000	25,429,000
Total liabilities	\$35,975,635	\$37,105,714
Net position:		
Unrestricted	\$73,837,398	\$55,939,380
Total net position	\$73,837,398	\$55,939,380
Total net position and liabilities	\$109,813,033	\$93,045,094

Statement of revenues, expenses, and changes in net position

For the year ending December 31, 2023 and 2022

	2023	2022
Operating revenues:		
Member contributions	\$267,662,790	\$241,813,908
Registration fees and sponsorships	\$65,919	\$50,765
Total operating revenues	\$267,728,709	\$241,864,673
Operating expenses:		
Claims expense	\$230,449,499	\$209,878,942
Administrative services only fees	12,465,214	12,316,328
Reinsurance and stop loss premiums	2,840,935	2,014,855
General and administrative expenses	6,535,876	6,150,391
Total operating expenses	\$252,291,524	\$230,360,516
Operating income:	\$15,437,185	\$11,504,157
Nonoperating revenues/expenses:		
Interest income (expense)	\$2,460,833	(\$1,278,015)
Total non-operating revenues	\$2,460,833	(\$1,278,015)
Change in net position:	\$17,898,018	\$10,226,142
Total net position - January 1	\$55,939,380	\$45,713,238
Total net position - December 31	\$73,837,398	\$55,939,380

The condensed financial information is derived from the Health Care Program unaudited financial statements for 2023 and do not include notes. A copy of the complete audited financial statements can be obtained from the Trust upon request.

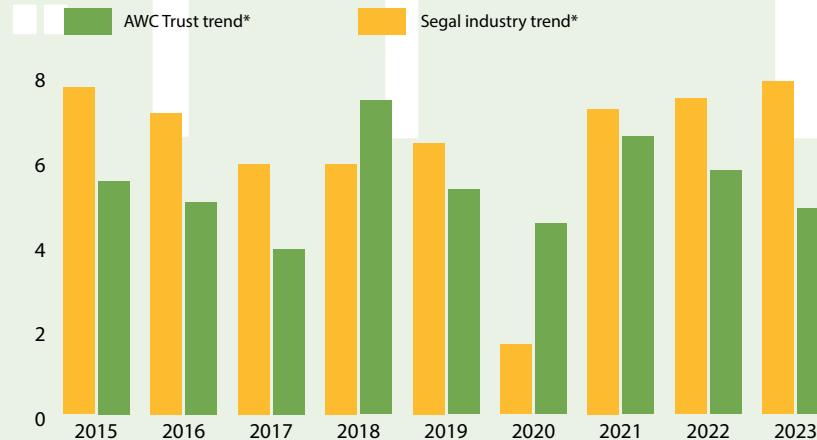
Slowing the rate of increase for health insurance

As healthcare costs continue to rise, the AWC Trust has taken steps to **proactively manage the rate of increase in health care costs for the Trust and its members**. The Trust has committed to continuing cost containment efforts through the dependent verification eligibility services, and 2023 concluded the ninth complete year of providing this service to member employers. In 2023, projected annual savings was about \$3.2 million, which was primarily in the form of premiums saved by Trust employers. These savings leverage a significant benefit for our member employers.

The Trust continues to look for ways to cut pharmacy spend for our members, and in 2023, released a Request for Information (RFI) for a Pharmacy Benefit Manager (PBM) Consultant. After careful consideration of which respondent would best suite the mission, vision, and goals of the Trust, Wilkinson Benefit Consultants was selected as our consultant to work with in developing a Request for Proposals (RFP) for a PBM, which will be released in 2024.

Staff continue to work to **increase participation and empower members to take a more active role in managing their health by providing relevant wellness programs, services, and resources**. The efforts of WellCities are positively impacting all Trust members by helping to moderate the rate of premium increase. WellCities have a lower medical and pharmacy trend than our non-WellCities and the Trust continues to look for opportunities to reduce costs and increase 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. 2023 numbers are projected for both 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
Paul Schmidt • Trustee Vice Chair • Councilmember, Cheney
Julie Struck • Mayor, South Bend
Jennifer Jensen • Councilmember, Ruston
Josh Penner • Mayor, Orting
Wendy Weiker • Councilmember, Mercer Island
Emily Schuh • Administrative Services Director, Anacortes
Jennifer Gorsuch • Administrative Services Director, Camas

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
Holly Pannell • City Clerk/Human Resources Manager, Colville
Deb Peschel • Human Resources Director, Pullman
Katlen Henke • Human Resources Generalist, Wenatchee
Heidi Riojas • City Clerk, Toppenish
Kelsey Geddes • Community Engagement Manager, Fife
Matthew Pruitt • Human Resources Director, Bothell
Julie Good • Sr. Human Resources Specialist, Lake Stevens
Connie Anderson • Director of Finance & Technology, Port Townsend
Adrienne Johnson-Newton • Human Resources Director, Des Moines
Dawn Masko • City Administrator, Fircrest
Debbie Lund • Human Resources Director, Port Orchard
Abbi Gribi • City Manager, Newport
Karen Bennett • Human Resources Director, Yelm
Greg Griffin • Administrative Services Manager, Spokane Regional Transportation Council

Staff

Deanna Dawson • Chief Executive Officer
Alicia Seegers Martinelli • AWC Deputy CEO/COO
Carol Wilmes • AWC Director of Member Pooling Programs
Gene Emmans • AWC Chief Financial Officer
Beverly Lakey • Program Director
Bobbi Fox • Employee Benefits Analyst
Terri Luther • Marketing & Field Service Manager
Harizon Odembo • Employee Benefits Manager
Heidi Buswell • Employee Benefits Coordinator
Tanya Campbell • Employee Benefits Coordinator
Cody Madsen • Employee Benefits Coordinator
Lisa Good • Employee Benefits Specialist
Laurell Kaiser • Health Promotion Supervisor
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
Delta Dental of Washington
Willamette Dental Group
VSP 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/Stoel Rives • Legal counsel
Vimly Benefit Solutions • 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 | Des Moines Pool Metropolitan Park District | 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 | Harrington | Hoquiam | Housing Authority City of Pasco/Franklin County | Housing Authority of Okanogan County | Hunts Point | I-COM 911 | Ilwaco | Index | Ione | Issaquah | 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 Chelan Airport | Lake Chelan Reclamation District | 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 Tri County Health District | 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 | Pierce Transit | Pomeroy | Port Angeles | Port of Pasco | Port Orchard | Port Townsend | Pullman | Rainier | Reardan | Republic | Ritzville | Rivercom 911 | Riverside | Rockford | Rock Island | Roslyn | Roy | Ruston | Sammamish | SeaTac | Seattle Convention Center | 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 Prairie | 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 | 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 | 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 | Yakima Valley Emergency Management | Yarrow Point | Yelm

E M P L O Y E E B E N E F I T T R U S T



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