



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Brown, Carlson, Helgeson, Mital, and Simpson  
FROM: Lena Kostopulos, Chief HR Officer, Bridget Otto, HR Operations Supervisor  
DATE: 4/20/2018  
SUBJECT: Employee Benefits Report  
OBJECTIVE: Information Only

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## INTRODUCTION

The purpose of this report is to provide the Commission with information pertaining to EWEB medical programs, to provide a summary of EWEB employee benefits overall and to introduce EWEB's new wellness program, Wellworks for You. The details that have been included are intended to support the Commission's broad understanding. We would be happy to follow up if there is interest in other specific plan information.

EWEB's ability to offer pensions and attractive health plans continues to be a big part of the employment proposition. But EWEB offers a host of other benefits that all play an important role in keeping pace with other employers, particularly as competition for qualified workers grows.

EWEB's approach to benefits integrates primary, supplemental and voluntary benefits plans with preventative and total wellness programming, as well as active plan management, which all combine in pursuit of the following objectives:

- Retain EWEB's position as an attractive employer for both current and prospective employees.
- Enable a healthy and engaged workforce and healthy worker families.
- Enable overall well-being through offerings designed to meet the broadest possible range of employee needs.
- Maintain comprehensive employee benefits programming at the most reasonable cost.

### **Health Plans (Medical, Dental & Vision)**

Apart from pensions, health care premiums represent the lion's share of EWEB benefits expense at an annual cost of approximately \$9M, a significant investment. While steadily rising healthcare costs have prompted numerous regional employers to adopt high-deductible healthcare plans, EWEB's premium rate trajectory has enabled us to maintain traditional participating provider network plans. High-deductible plans have their place but employees generally regard traditional medical plans as more desirable. EWEB's plan networks include most regional medical service providers. Network providers agree to charge rates which are negotiated with the insurance company to ensure service costs meet reasonable and customary standards.

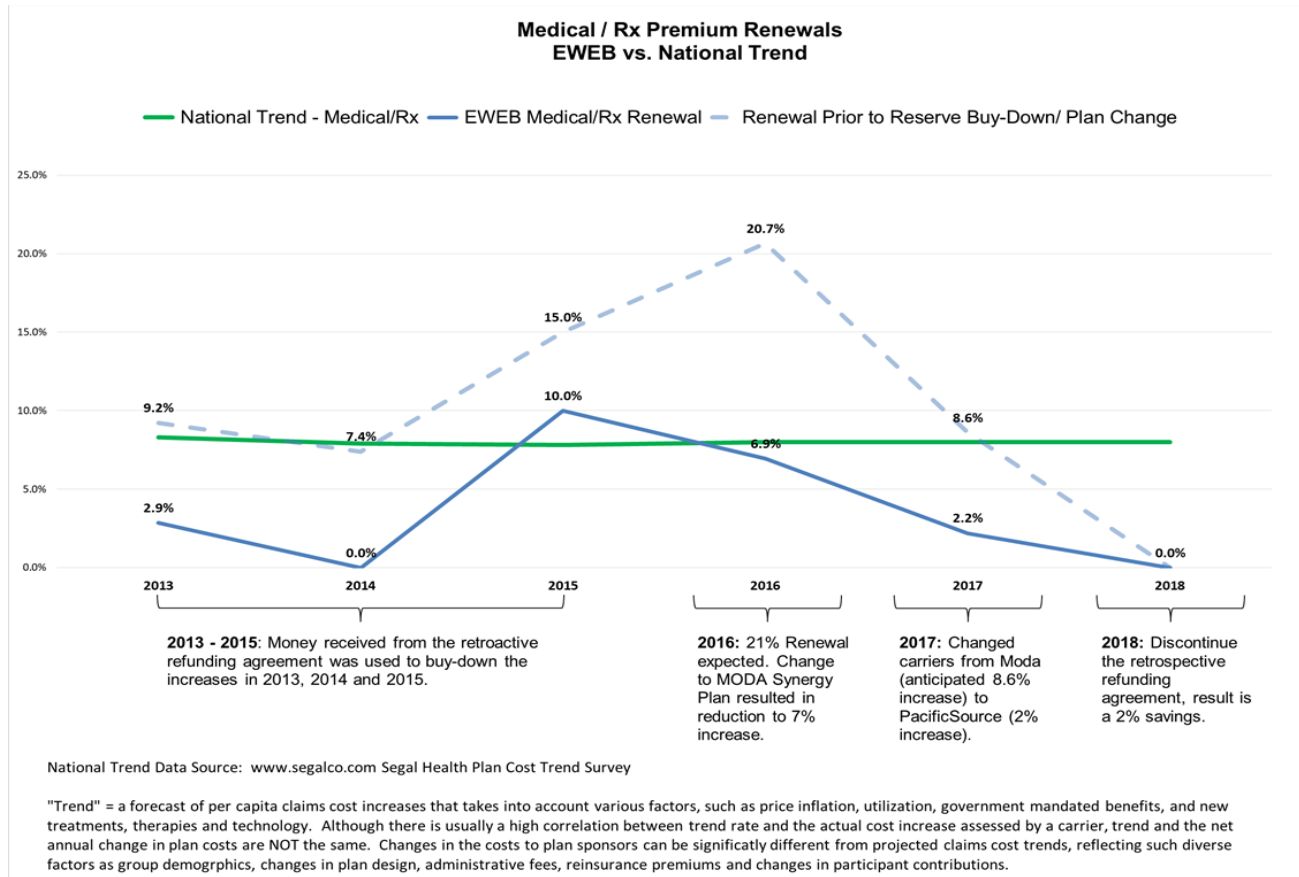
In addition to its medical plan, EWEB offers dental and vision insurance. Previously, all three plans were offered through a single provider but an RFP in 2016 revealed that changing providers and unbundling the plans would yield considerable savings and afforded plan enhancements. Plans are provided by Pacific Source Health Plans, Delta Dental, and Vision Service Plan. Plan designs for all three will be in place until 2021 when the IBEW contract is set to expire.

## Premium Rate Trajectory and Cost Containment

With the exception of 2015, EWEB's premium renewals have come in at or below the national average.

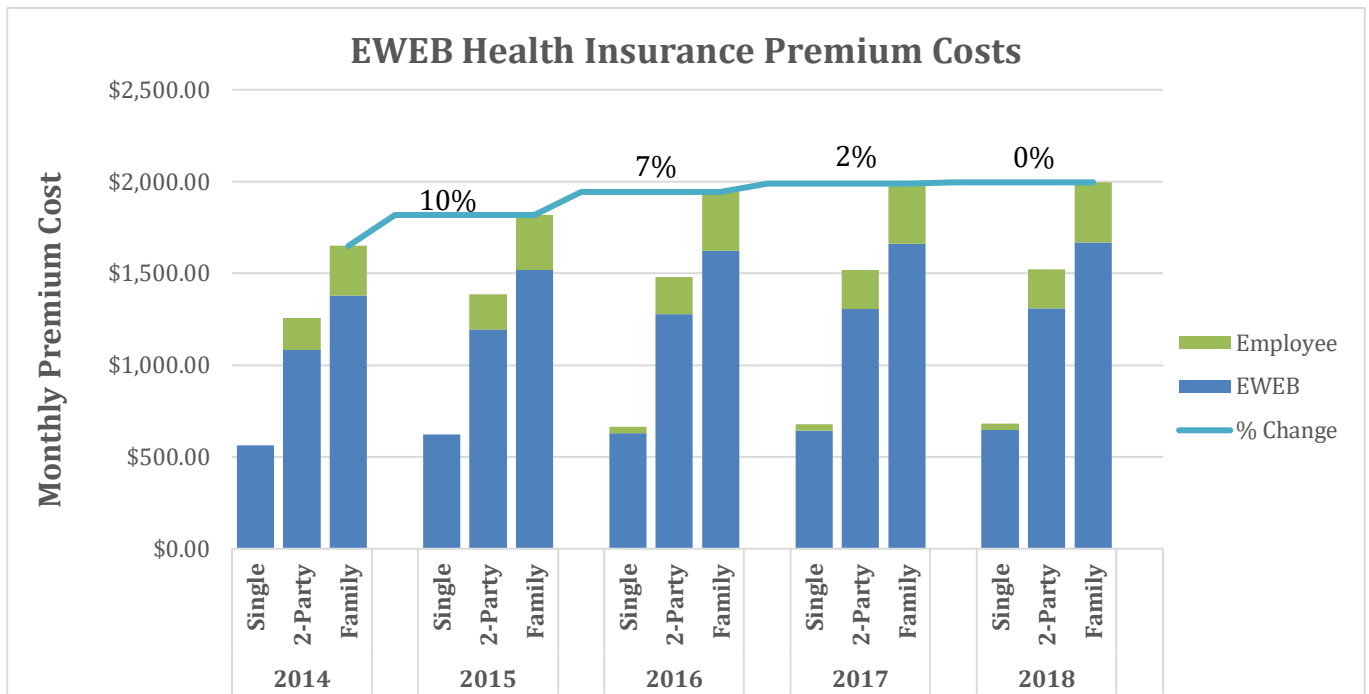
Aggressive plan management has positioned EWEB to maintain a premium rate trajectory below Long Term Financial Plan projections.

The following graph illustrates that EWEB's premium rate trajectory has fared well compared to the national average.



## EWEB and Employee Premium Share

Monthly Cost	2014		2015		2016		2017		2018	
	EWEB	Employee	EWEB	Employee	EWEB	Employee	EWEB	Employee	EWEB	Employee
Single	\$564.16	\$0.00	\$622.04	\$0.00	\$630.93	\$33.21	\$644.92	\$33.94	\$646.57	\$34.03
2-Party	\$1,082.88	\$172.91	\$1,195.06	\$191.01	\$1,276.30	\$204.04	\$1,307.41	\$209.52	\$1,310.63	\$210.01
Family	\$1,378.11	\$271.32	\$1,519.73	\$299.23	\$1,622.71	\$319.52	\$1,662.74	\$327.96	\$1,667.00	\$328.79
% Increase over previous year			10%		7%		2%		0%	



Premium rate increases are determined in large part by claims experience – how plans are used. A first quarter review of 2018 claims experience indicates that utilization is tracking slightly lower than 2017. If this usage continues through the year, EWEB could see a positive premium renewal in 2019. The degree to which claims experience can be influenced is somewhat limited but EWEB has actively engaged plan providers to leverage a variety of strategies to control costs to the extent possible. A description of some of these efforts follows:

### Plan design coverage features

Plan designs that encourage and reward smart consumer choices are good tools to curtail escalating costs. EWEB leverages features like tiered co-pays, deductibles and in-and-out-of-network rates to drive plan users toward the most economical services. For example, in terms of both employee out-of-pocket expenses and employer claims experience impacts, a visit to a doctor's office for a bad cold is a lower-cost solution than a visit to an urgent care clinic and both are less expensive than a visit to an emergency room. Ask-a-Nurse and Teladoc services were added to the plan to reduce these costs even further. Medical services performed by a network provider are covered at much higher levels and with lower deductibles than those same services performed by out-of-network providers.

In the insurance world, an ounce of prevention really is worth a pound of cure. Outcomes and costs associated with ongoing health management, preventative screenings and early disease detection are dramatically better than those resulting from late-stage illness such as a heart attack or cancer. It is a proven convention in healthcare that a designated primary care physician is best equipped to facilitate good overall health through health maintenance, disease prevention strategies, treatment of non-serious illness, and to access and coordinate specialized care in the event of serious illness. To that end, EWEB's plan requires that employees select a primary care doctor to oversee their healthcare. Employees still have plenty of choice and the ability to schedule appointments with specialists.

### Retiree Plan Design

EWEB plan membership includes a large number of retirees whose plan usage has historically driven claims experience to higher levels. While little can be done to manage retiree usage (pre-2003 retirement health care plans are legally sheltered from design changes), EWEB was able to address retiree healthcare in the Tier 4 retiree group (post 2003 hires).

In 2016, EWEB negotiated a new retiree health care option with the IBEW, discontinuing the premium subsidy and replacing it with an incentive to retiring employees who waive EWEB plan coverage, eventually having the effect of reducing the number of retirees on EWEB plans. In October 2017, EWEB followed suit with the MAPT group.

Initially, we anticipated plan savings would not be realized for another 10+ years, after a considerable number of Tier 4 retirees had opted out of EWEB coverage. However, an actuarial review yielded immediate annual savings of \$125,000 for the IBEW and another \$260,000 after the MAPT implementation. The estimated total savings, measured as the decrease in the Unfunded Actuarial Liability, in requirements for the 10-year funding period are \$662,000 for the IBEW and \$1,369,000 for the MAPT.

### Plan Management

EWEB actively monitors plan utilization and has used a variety of cost management measures with good results. In addition to the retiree plan design change, these include routinely auditing and revising provider networks, introducing cost-sharing for single coverage, changing insurance carriers, renegotiating current plan funding features and implementing premium off-setting wellness incentives.

HR's Benefits Team chairs an active Employee Benefits Committee comprised of MAPT and IBEW employees. The Committee meets quarterly with USI (insurance brokers) representatives to review plan utilization, hear about benefit trends, legislation in healthcare and to discuss the implementation of various benefits strategies. Individual group members gain a deep understanding of EWEB programs, their associated costs and good employee consumer behavior. Members become important partners in educating their co-workers about the benefits EWEB provides.

### Integrated Programs

Life is complicated these days and each life is different so benefits plans are designed to meet a variety of needs and programs are intended to complement each other. EWEB benefits include programs that focus on physical, emotional and financial health. These benefits provide employees with the safety nets they need but there is a payoff for EWEB and its customers as well. EWEB's ability to serve customers hinges on operational continuity, which means employees have to be at work and free from the distraction that serious life events create. When an accident or serious illness occurs, EWEB benefits staff engages with employees through active disability management to help employees access the programs that will help them get back to work.

### Other Benefits

In addition to PERS/IAP and health insurance plans EWEB offers the following:

Deferred compensation plans including both 457 tax-deferred and ROTH options, encourage employees to invest in their financial futures. At this writing, more than 60% of EWEB employees are enrolled in retirement savings programs. EWEB's Deferred Compensation Committee, also comprised of MAPT and IBEW employees is focusing on increasing participation in these plans.

Flexible Spending Accounts encourage employees to set aside pre-tax dollars to pay for out-of-pocket medical and dependent care expenses. At this writing, just under half of EWEB's employees are enrolled in these plans.

Health Reimbursement Accounts (VEBA) are a tax-free vehicle for employees to save for current and post-retirement non-covered health care costs. The tax-free benefit on this money is realized both at the time of deposit and withdrawal.

Short and Long-term Disability plans enable income protection for employees during qualifying medical leaves. The plans pay a percentage of weekly pre-disability earnings.

Term Life and Accidental Death & Dismemberment plans cover employees during their active employment. The life insurance benefit is 2.5 times the employee's annual earnings. A unique embedded feature of the life insurance plan is Medex Travel Assist, which includes a host of travel-related services including medical assistance and emergency medical transport home if illness or injury occurs while travelling.

Employee Assistance Program provides access to confidential mental health counseling and coaching services for employees and their families. Coverage includes 4 free visits year for each client service case.

Physical Therapy services give employees a free initial physical therapy screening and a follow-up appointment to encourage employees to address aches and pains before injuries advance.

EWEB-University, an on-line learning management system affords employees access to hundreds of courses that can be completed at the employee's convenience. Many courses are accredited and can be completed for continuing education or professional certification credit.

Tuition Aid was discontinued in 2012 but plans are underway to bring this benefit back in 2019.

Paid leave plans including sick, vacation, and holiday accruals afford a work/life balance. New in 2017 was a 4-hour matching time grant for employees performing community service.

Discounts, memberships and incentives encourage employees to take advantage of fitness centers, weight loss and smoking cessation programs, Fire-med plans, etc.

### **Voluntary Benefits**

Voluntary benefits are typically paid for by employees through payroll deduction. Costs to administer these plans are generally minor and they can be an economical way to provide additional coverage to employees who can purchase these plans through employers at a lower group rate.

The pressure to keep benefits fresh is on as progressive, high-profile employers tout unconventional benefits packages which are attractive to emerging workers. Voluntary benefits and group employer discounts will likely be EWEB's best vehicles to keep up. We're looking at some of the following possibilities as either voluntary benefits or group discount plans:

- Additional and Spouse Life Insurance
- Identity Theft Protection and Restoration
- Indemnity plans
- Critical Illness Insurance/Cancer Insurance
- Pet Insurance

## **Introducing Wellworks for You**

In 2017, EWEB took a critical look at the activities historically supporting its wellness effort. There were lots of interesting elements that served EWEB well in the past but these were disconnected and delivered inconsistently so it was not surprising that participation was declining. Further, attempts to capture data about the state of workforce health which could be used to focus programming were ineffective as collection methods were cumbersome and employees were not convinced that their health information was secure.

As we did the review, we were surprised to learn that both routine dental and preventative health benefits were being considerably underutilized. Based on the understanding that prevention has better health outcomes and economic impacts to plans than later stage intervention, we wanted to drive preventative utilization numbers up. To do that, we also had to find a way to get employees to connect with a primary care provider, a strategy discussed earlier in this memo.

Finally, we aimed to tackle employee indifference, build greater consumer awareness around preventative health and increase participation in EWEB wellness programming.

Wellworks for You is the result. The incentive-based program was created with an eye toward promoting healthy habits and encouraging behaviors that would improve workforce and family health and well-being and also positively influence claims experience and time lost due to illness and injury.

The program is built on two tiers – preventative health and wellness/well-being.

### Tier One – Preventative Health

Employees can earn a \$500 VEBA contribution by satisfying the following requirements:

- Register in the Wellworks Portal (managed by a 3<sup>rd</sup> party) and provide confidential health risk information.
- Get a check-up with their primary care physician, complete biometric testing and submit the results required for the health risk assessment.
- Have at least one preventative dental cleaning visit.

### Tier Two – Wellness/Well-being

Once Tier One requirements have been met, employees can earn an additional \$250 VEBA deposit by accumulating wellness points for completing other activities. We know wellness/well-being means different things to different people, so it's possible to earn points for activities supporting physical, financial, intellectual, environmental, social and emotional health. There are dozens of qualifying activities and more are being added throughout the plan year as employees make requests and suggestions.

### Costs

Based on an employee participation rate of 50% for Tier One and 30% for Tier Two, the cost of the VEBA incentive is projected at approximately \$190K. While it's difficult to correlate the actual impact that prevention and wellness have on health insurance claims experience, there is positive evidence to that effect. Pacific Source has reviewed the program and expects that its implementation alone will be a positive factor in determining future premium rate increases. The ability to track the state of workforce health in the aggregate will enable us to design medical plan features and wellness program tracks to target specific health objectives, which should also yield positive impacts.

Besides being an attractive feature in our total benefits package, programs like this one drive morale by demonstrating that EWEB invests in employees and is committed to ensuring the best possible wellness experience for them and their families.

Anecdotally, the program has been well received. The numbers in the table give a sense of program activities and usage through Q1 but, it's too early to predict how the year will finish up. The participation rate is expected to increase throughout the year as employees complete required Tier One check-ups. Continuing communications and promotion are planned through the end of the year.

<b>Event</b>	<b>Number of Participating Users</b>
<b>Annual Preventative Screening 2017-2018</b>	36
<b>Know Your Numbers Assessment 2017-2018</b>	32
<b>Diabetes e-Learning Series</b>	6
<b>Heart Health e-Learning Series</b>	6
<b>Nutrition for Healthy Living e-Learning Series</b>	8
<b>Physical Activity e-Learning Series</b>	6
<b>Proof of Dental Exam</b>	44
<b>Proof of Preventative Exam</b>	28
<b>Proof of Preventative Exam 2</b>	7
<b>Yoga</b>	5
<b>Physical Therapy</b>	7
<b>Financial Planning</b>	19
<b>Weight Management</b>	3
<b>De-clutter</b>	25
<b>Volunteer</b>	22
<b>Manage Stress</b>	3
<b>Webinar: Creating Healthy Lunches</b>	11
<b>International Fitness Lunch n' Learn: Healthy Food</b>	23
<b>Massage Therapy</b>	15
<b>Eugene Marathon 5k, Full/Half Marathon</b>	1

## **CONCLUSION**

Benefits plans remain an attractive feature of EWEB employment. While benefits costs across the country show no signs of stalling, EWEB's premium rate trajectory remains positive. Comparisons with other local and regional employers and information supplied by plan providers and EWEB's benefits broker suggest that EWEB's benefits are very competitive.

EWEB's benefits team and the Employee Benefits Committee continue to pursue low-cost options for added programs and for ways to ensure current plans remain affordable. Providers, brokers and other benefits professionals who have reviewed "Wellworks for You" indicate that it is a leading program and have encouraged EWEB to publish or present the program details for regional benefits forums.

In short, EWEB can proud of its programs and we think they stand up well against other employers. To find out for sure, we are applying for "Oregon's Healthiest Employer" this year. We'll keep the Commission updated as that process unfolds.

## **Requested Board Action**

This memo is for the Commission's information only. No Board action is requested.