



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Helgeson, Brown, Mital, Simpson and Carlson
FROM: Bridget Otto, Human Resources Supervisor
DATE: August 25, 2017
SUBJECT: Health Insurance Renewal Rates
OBJECTIVE: Information Only

We are pleased to report there will be no 2018 premium rate increase for EWEB health insurance. This positively impacts the premium rate trajectory reflected in the Long-Term Financial Plan which previously projected an 8% increase, \$568,000. The premium rate hold is attributed to 1.) EWEB's 2017 loss-ratio results and, 2.) A decision to forgo the refunding feature of the health plan. An explanation of both items follows in the plan management background discussion.

Plan Management Background

1. Loss-Ratio

Premium rate increases are determined in large part by claims experience represented in loss-ratio which compares paid premiums to paid claims. The insurance industry loss-ratio benchmark for a plan that is performing well is 85% or lower. The 2017 reporting period concluded with EWEB's loss-ratio at 72% and includes claims experience for both active employees and retiree plan participants.

The table below illustrates the Loss Ratios since 2013.

<u>Time Period</u>	<u>Premiums</u>	<u>Total Claims</u>	<u>Loss Ratio</u>
2013 Plan Year	9,278,017	8,177,143	88%
2014 Plan Year	9,053,830	9,384,703	104%
2015 Plan Year	9,716,917	8,843,056	91%
2016 Plan Year	10,085,654	8,411,293	83%
2017 Plan Year Annualized	9,914,696	7,152,340	72%

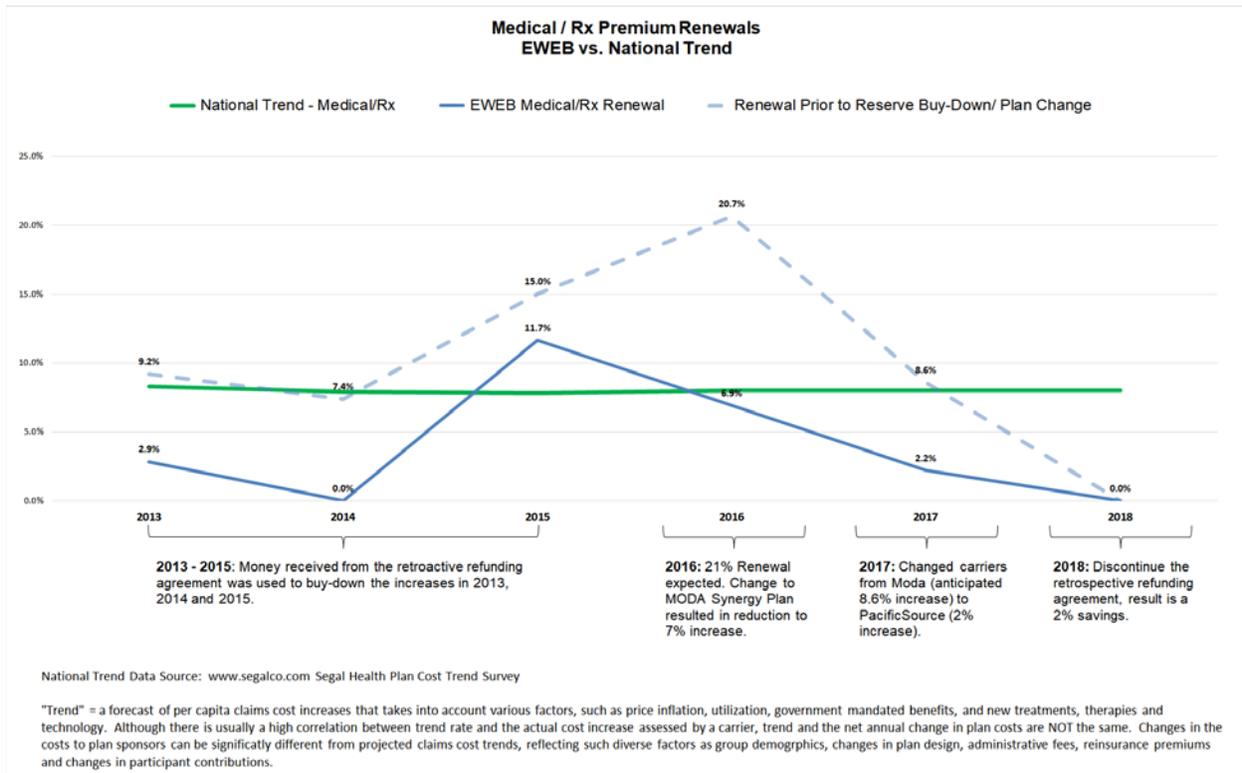
EWEB's 2017 results suggest that plan participants are making good consumer choices with respect to the use of their health insurance benefits. We believe this is due to of education efforts on our part but also due to greater national focus on healthcare in general. However, to a large degree, claims experience is a factor of good fortune – a single catastrophic claim could significantly impact loss-ratio and drive future premium increases. In recognition of this unknown factor, a two-year claims experience look-back was negotiated with the new carrier as a potential “smoothing” strategy should this condition occur in the future.

2. Refunding Feature

The original contract included a refunding feature rewarding experience related to large claims. The cost of this feature is 2% of the total cost of the annual health plan premium. Closer evaluation revealed that EWEB would benefit from discontinuing this feature, opting instead to renegotiate this part of the contract to forgo this cost, approximately \$200k in 2018 and on-going in future years. The \$200k of avoided cost was applied to the 2018 premium expense, making the total increase zero.

Premium Renewal History

The chart below outlines EWEB’s medical renewals as compared to national trends since 2013.



Requested Board Action

This explanation is being provided for the Board’s information only. No Board action is requested.