

BEFORE THE
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

UG-__
GENERAL RATE APPLICATION
OF
NORTHWEST NATURAL GAS COMPANY

December 31, 2018

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COMPENSATION & BENEFITS

Exh. MBR-5

Willis Towers Watson High Performance Insights in Health Care

2017 Health Care Financial Benchmarks

NW Natural



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Medical Cost Benchmarks Developing a Population Adjusted Benchmark

The first step in understanding the cost benchmarks is to understand your population. The average cost for employers in the database is the benchmark.

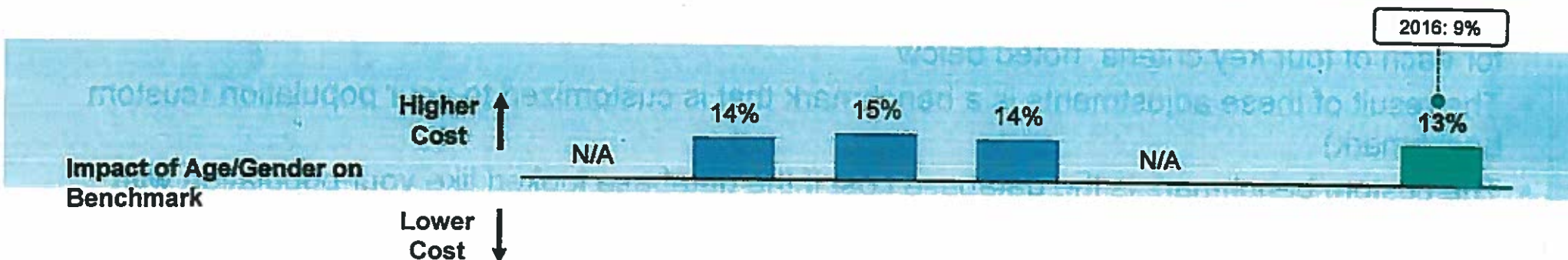
- The benchmark is adjusted to reflect differences between your organization and the database for each of four key criteria, noted below
- The result of these adjustments is a benchmark that is customized to your population (custom benchmark)
- The custom benchmark is the database cost if the database looked like your population with your plan designs

Age/Gender	The age/gender profile of the population — cost is directly correlated with age. The impact of gender on expected cost varies with age.
Family Size	The estimated number of members covered per employee, expressed in terms of adult cost equivalents — larger-than-average family size is expected to increase costs per employee.
Geography	The underlying cost for basic health care services in an area — provider competition and more prevalent managed care plans may reduce costs in some areas. More enrollment in higher-cost areas is expected to increase costs.
Plan Value	The level of benefits covered under NW Natural's medical plan — plans reimbursing a higher percentage of medical expenses than the database average are expected to increase costs.

Medical Cost Benchmarks **Adjusting for Age/Gender**



- What is the cost impact of age/gender in NW Natural's population?
- How different is the impact of demographics by plan?
- If it is significant, why do company averages have a different pattern across plans than the database?



	ABHP w/ HRA	ABHP w/ HSA	PPO/POS	Insured HMO	Self-Ins. HMO/ EPO	Total
Average Age — Database	44.8	43.0	45.9	44.1	45.2	44.8
Average Age — NW Natural's Company	N/A	50.3	53.1	51.7	N/A	51.8 ● 2016: 49.9
% Female — Database	44%	38%	42%	41%	46%	41%
% Female — NW Natural's Company	N/A	39%	38%	36%	N/A	38% ● 2016: 37%

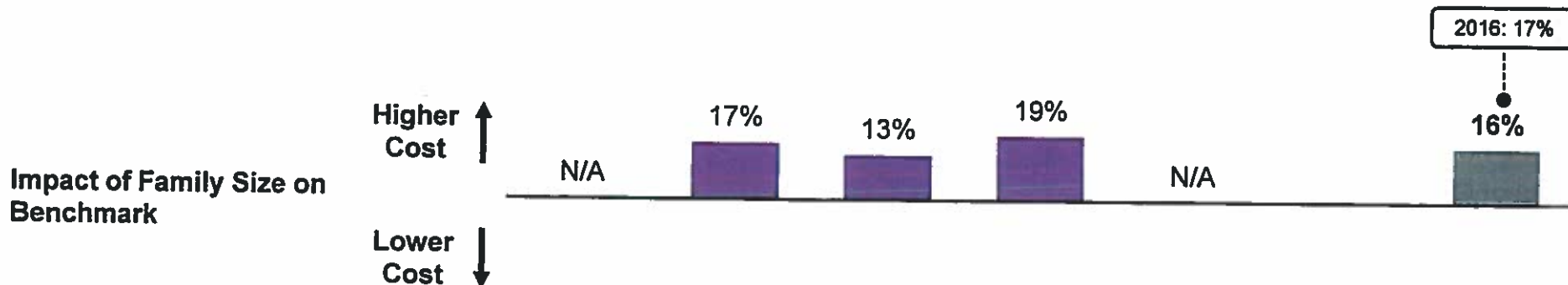


The custom benchmark will be increased by 13% due to age and gender demographics.

Medical Cost Benchmarks **Adjusting for Family Size**



- How different is the impact of family size by plan?
- If it is significant, why do company averages have a different pattern across plans than the database?
- How has this been impacted by contribution strategies of the company?



	ABHP w/ HRA	ABHP w/ HSA	PPO/POS	Insured HMO	Self-Ins. HMO/ EPO	Total
Dependents (%) — Database	51%	51%	53%	52%	55%	52%
Dependents (%) — NW Natural's Company	N/A	69%	70%	72%	N/A	71%

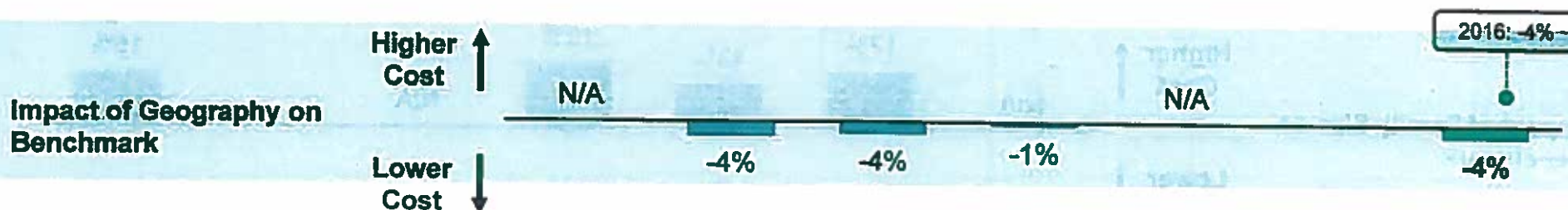


The custom benchmark will be increased by 16% due to family size.

Medical Cost Benchmarks **Adjusting for Geography**



- How does the geographic footprint of NW Natural's covered population impact NW Natural's costs?
- Does the geographic impact vary by plan?



	ABHP w/ HRA	ABHP w/ HSA	PPO/POS	Insured HMO	Self-Ins. HMO/ EPO	Total
Geographic Factors — Database	1.00	1.00	1.00	0.99	1.00	1.00
Geographic Factors — NW Natural's Company	N/A	0.96	0.96	0.98	N/A	0.96

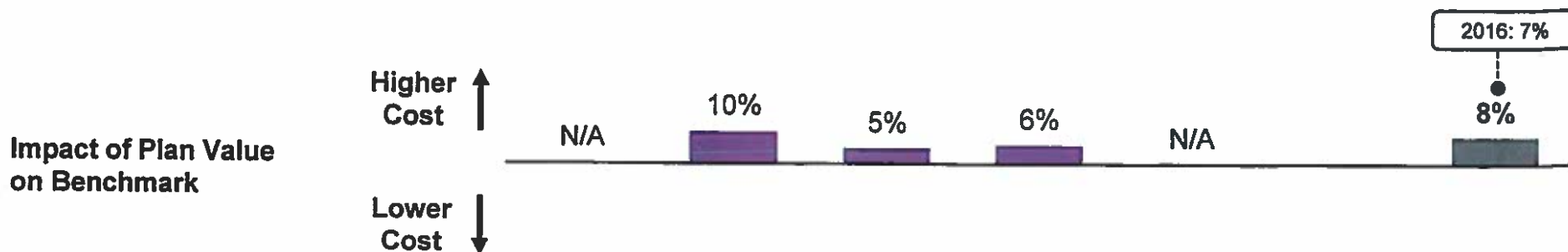


The custom benchmark will be decreased by 4% due to NW Natural's population's geography.

Medical Cost Benchmarks **Adjusting for Plan Value**



How do NW Natural's plan values compare to benchmark?



	ABHP w/ HRA	ABHP w/ HSA	PPO/POS	Insured HMO	Self-Ins. HMO/EPO	Total



The custom benchmark will be increased by 8% due to plan value.