

BEFORE THE
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

UG-__
GENERAL RATE APPLICATION
OF
NORTHWEST NATURAL GAS COMPANY

December 18, 2020

Direct Exhibit of Melinda B. Rogers

COMPENSATION & BENEFITS

Exh. MBR-6

Willis Towers Watson High Performance Insights in Health Care

2019 Health Care Financial Benchmarks

NW Natural

October 21, 2019

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Survey Overview — Major Areas Included

| | |
|------------------------------|---|
| Cost Efficiency | Health plans are evaluated on how efficiently they perform by adjusting cost data for plan design, demographics and geographic cost differentials. This helps employers understand how well their plans are performing on an apples-to-apples basis. |
| Employee Cost-Sharing | How health plans are priced to employees is analyzed to determine the impact on net company costs. This is important because prior studies have shown that many employers create unintended incentives for employees — and increase company costs — by pricing options without a clear understanding of true costs. |
| Employee Incentives | An increasing number of employers are using arrangements such as HSAs, HRAs and wellness incentives to encourage responsible behavior among plan participants. |
| Dental | Dental plan costs are compared, as well as enrollment, administration and employee contributions. |

- This year's database includes:
 - 2,168 companies in 18 industry groups
 - An annual medical premium-equivalent cost of \$132.3B from more than 10.4M enrollees
 - An annual dental premium-equivalent cost of \$8.1B from more than 9.7M enrollees

Survey Overview — Specific Questions Addressed

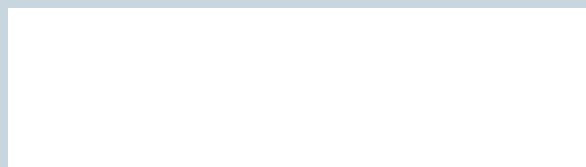
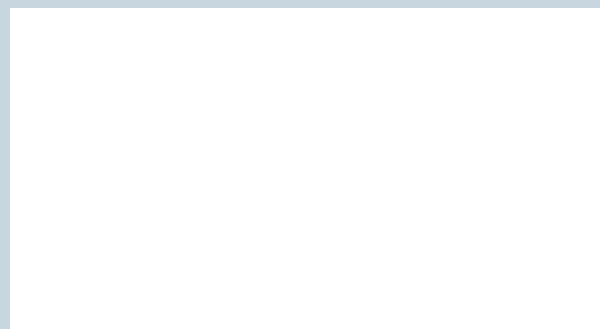
Medical Benchmarks

- How do your plan costs compare to others in your industry, as well as to best performers?
- How does enrollment by plan type compare to the database?
- What is the cost impact of key factors in your population, including: age/gender, family size, geography, plan value?
- After adjustments, how efficient is your total plan overall? What is the financial impact of moving to benchmark or best practice performance?
- After adjustments, how efficient are each of your individual plans relative to benchmarks?
- How does the employer's contributions as a percentage of plan cost compare to employee contributions?
- How does your account funding for HRAs and/or HSAs compare to other employers?
- How do your incentives/wellness credits compare with the database?
- Where do your administrative fees fall within the range of other employers' fees?

Dental Benchmarks

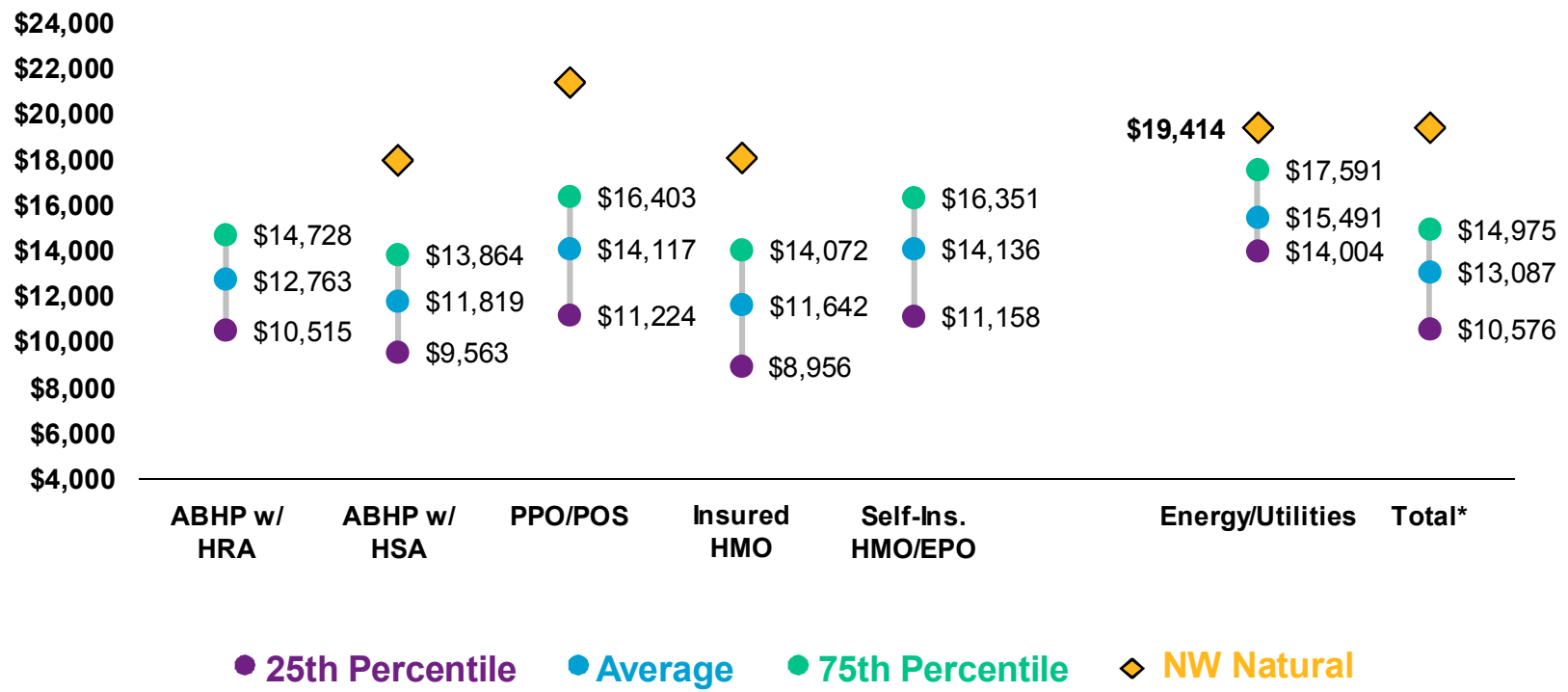
- How do your plan costs compare to others in your industry, as well as to best performers?
- How does enrollment by plan type compare to the database?
- How do employee contributions compare to the database?
- Where do your administrative fees fall within the range of other employers' fees?

Medical Cost Benchmarks



Medical Cost Benchmarks Total Cost per Covered Employee per Year (Unadjusted)

? How do your plan costs compare? How does enrollment across plan type impact the average cost? Even if total plan costs are favorable, are some plans more exposed to the excise tax?



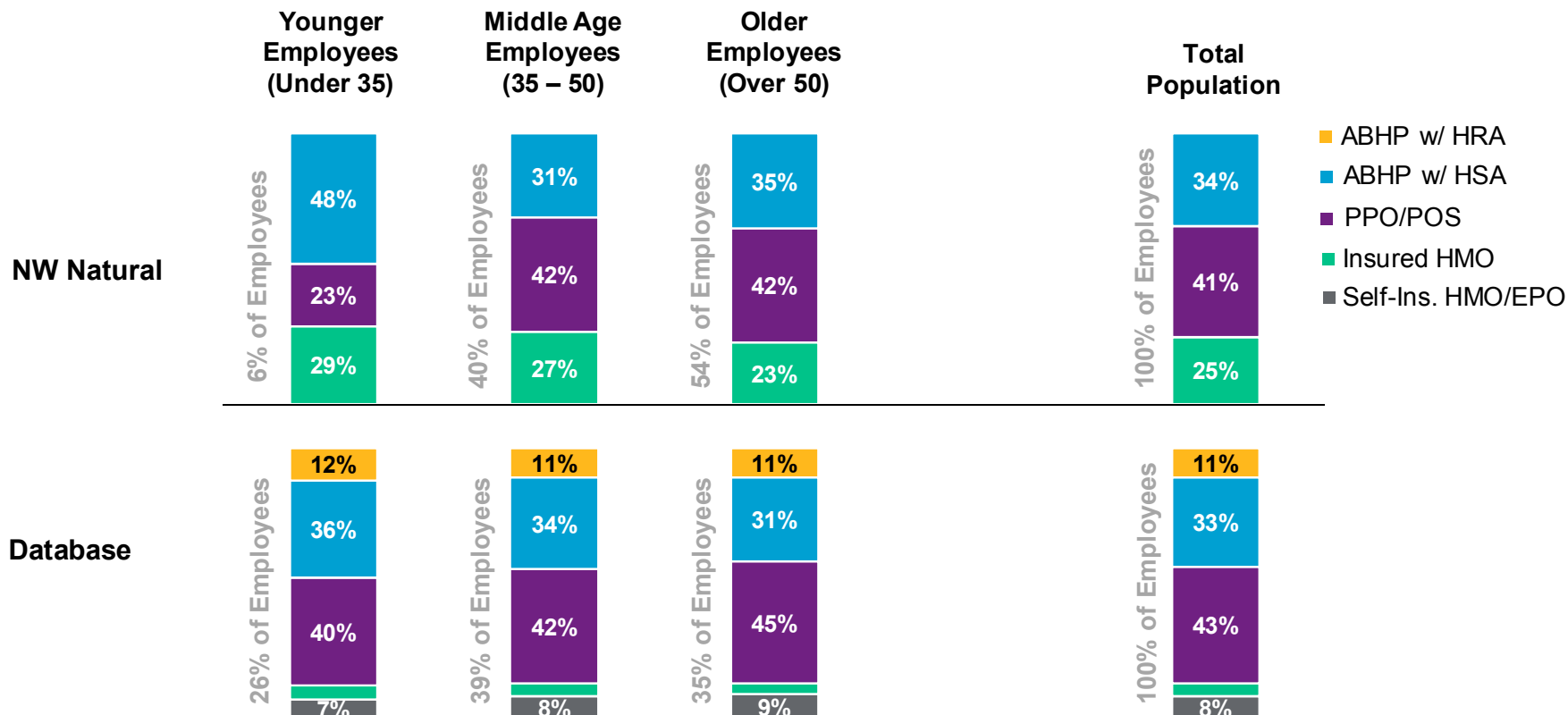
✓ NW Natural's actual costs are 48% above the benchmark average, 25% above average for NW Natural's industry.

*Total costs represent an enrollment weighted average of all plan types.

Medical Cost Benchmarks Enrollment by Plan Type and Age Breakdown



- How does enrollment by plan type compare to the database?
- Does the enrollment by age have implications for plan pricing?
- Is the plan enrollment by age influenced by employer funding of employees/dependents?



- Is employee enrollment aligned with the appropriate plans?
- What are the implications of enrollment on pricing and funding?

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.

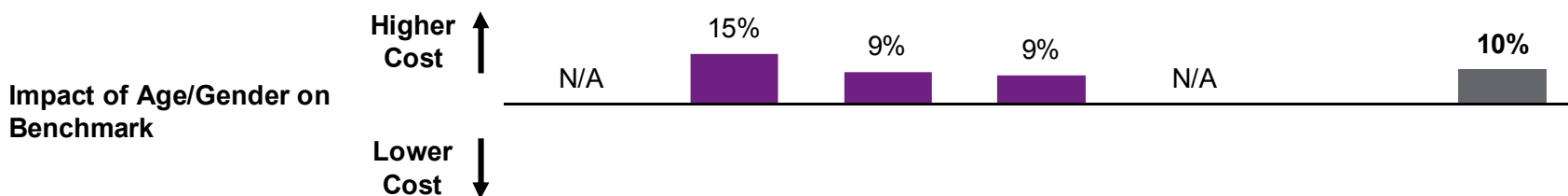
- The benchmark is adjusted to reflect differences between your organization and the database for each of four key criteria, noted below
- The result of these adjustments is a benchmark that is customized to your population (custom benchmark)
- The custom benchmark is the database cost if the database 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 your 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 your 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 | 45.6 | 42.9 | 46.3 | 44.0 | 45.4 | 44.9 |
| Average Age — NW Natural | N/A | 50.9 | 52.4 | 50.7 | N/A | 51.4 |
| % Female — Database | 45% | 39% | 42% | 44% | 48% | 42% |
| % Female — NW Natural | N/A | 40% | 34% | 28% | N/A | 34% |

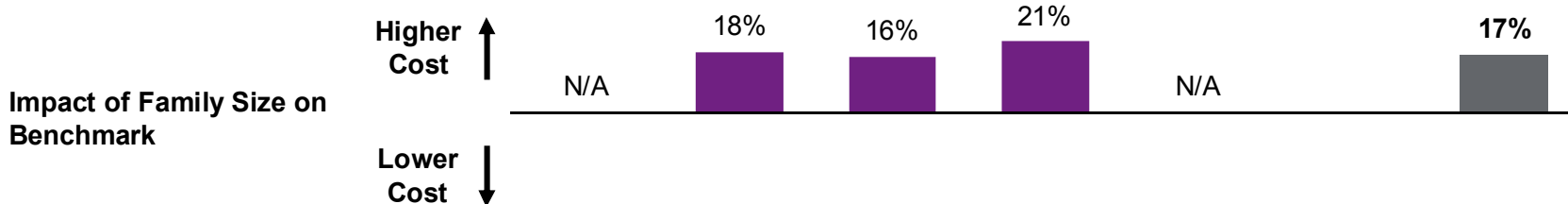


The custom benchmark will be increased by 10% due to age and gender demographics.

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?



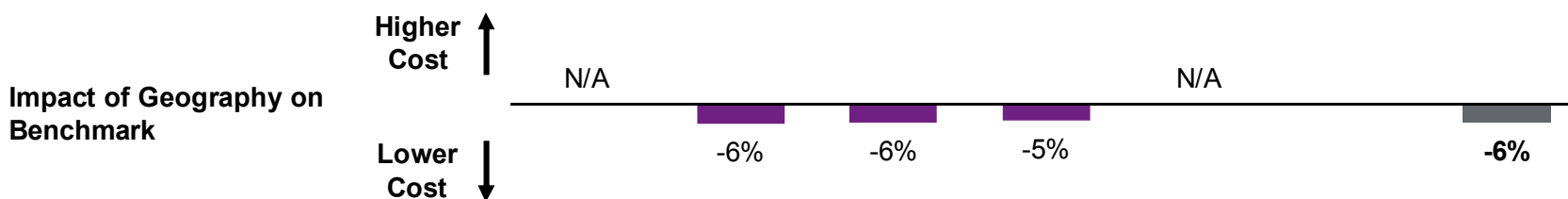
| | ABHP w/ HRA | ABHP w/ HSA | PPO/POS | Insured HMO | Self-Ins. HMO/EPO | Total |
|------------------------------------|-------------|-------------|---------|-------------|-------------------|-------|
| Dependents (%) — Database | 50% | 48% | 51% | 46% | 52% | 50% |
| Dependents (%) — NW Natural | N/A | 69% | 70% | 68% | N/A | 69% |



The custom benchmark will be increased by 17% due to family size.

Medical Cost Benchmarks **Adjusting for Geography**


- How does the geographic footprint of your covered population impact your costs?
- Does the geographic impact vary by plan?



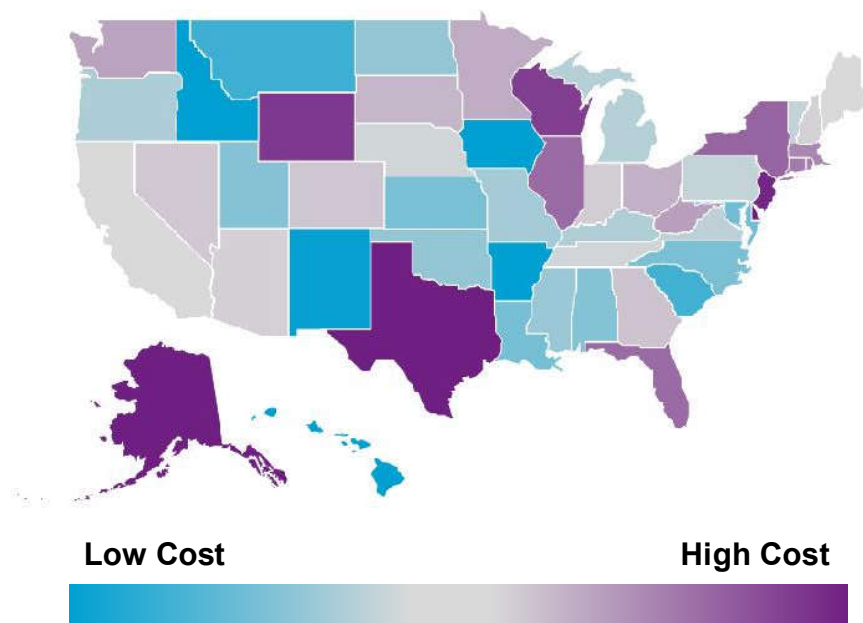
| | ABHP w/ HRA | ABHP w/ HSA | PPO/POS | Insured HMO | Self-Ins. HMO/EPO | Total |
|---------------------------------|-------------|-------------|---------|-------------|-------------------|-------|
| Geographic Factors — Database | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Geographic Factors — NW Natural | N/A | 0.94 | 0.94 | 0.95 | N/A | 0.94 |

The custom benchmark will be decreased by 6% due to NW Natural’s population’s geography.

Medical Cost Benchmarks Adjusting for Geography — Additional Details


 How do overall health care costs vary by state?

Health Care Costs by State



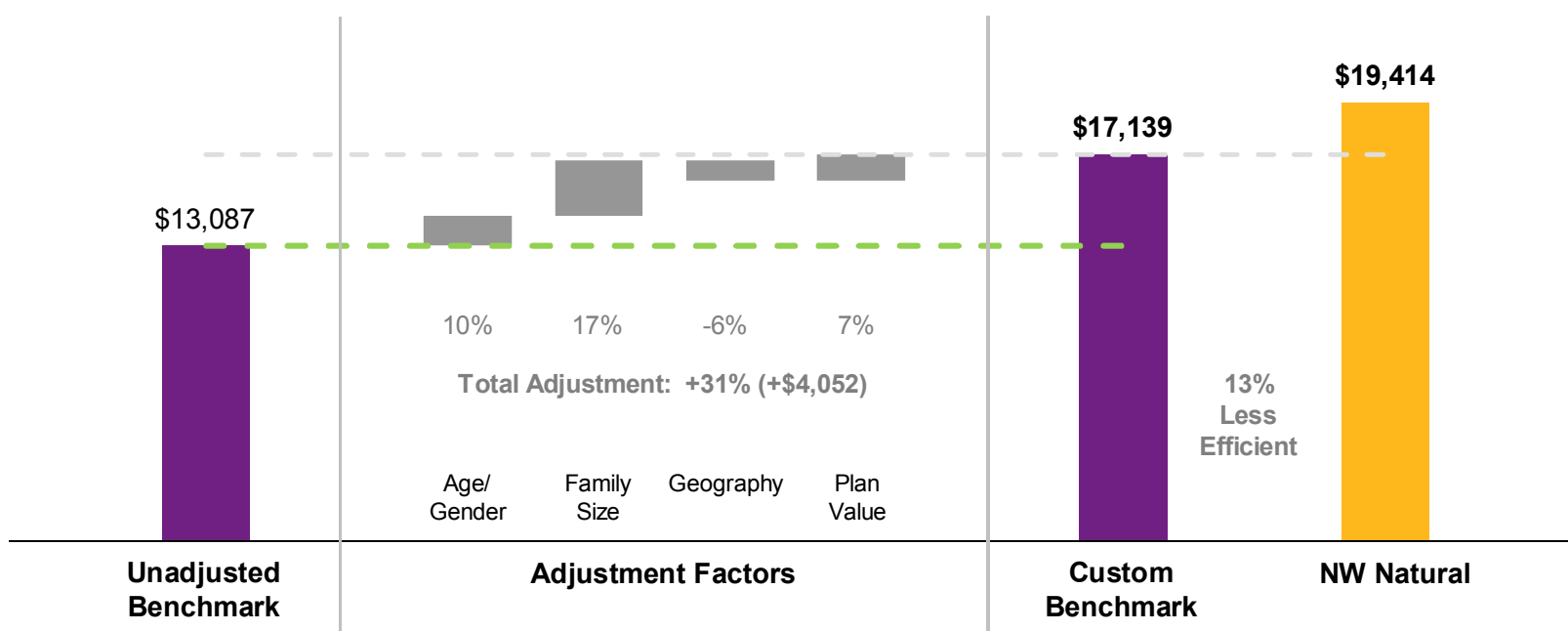
Your Top States for Enrollment

| Rank | State | Your Enrollees | % of Total |
|----------------------|-------|----------------|------------|
| 1 | OR | 447 | 86% |
| 2 | WA | 62 | 12% |
| 3 | CA | 9 | 2% |
| 4 | AZ | 1 | 0% |
| 5 | | | |
| Total — Top 5 States | | 519 | 100% |

 Understanding the impact of the geographic footprint of NW Natural’s employees is important to understand NW Natural’s relative cost position.

Medical Cost Benchmarks Overall Program Efficiency

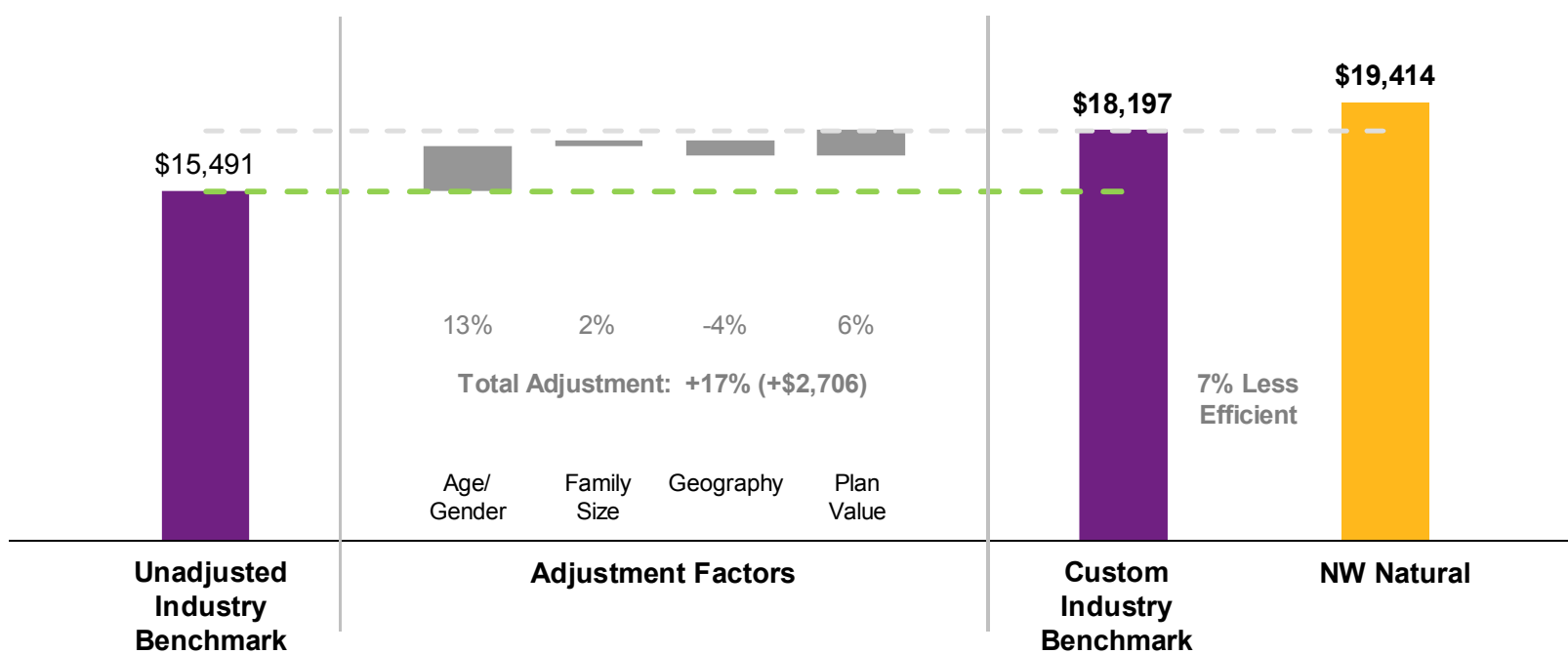
- After adjustments, how efficient is your total plan overall?
- What is the financial impact of moving to benchmark performance?



NW Natural's total program is 13% less efficient than the average database performance. This translates into a potential cost avoidance of \$1.2 million. Relative to top-quartile performers, NW Natural's total program is 27% less efficient, translating into a potential cost avoidance of \$2.1 million.


Medical Cost Benchmarks Industry Efficiency

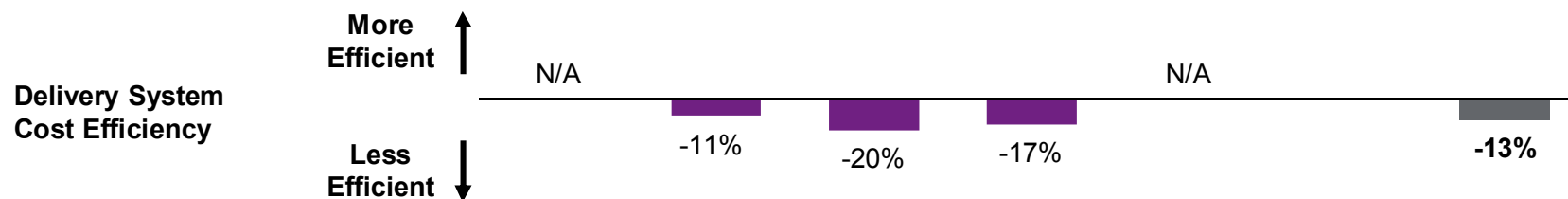
? After adjustments, how efficient is your total plan compared to the energy/utilities industry?



✓ NW Natural's total program is 7% less efficient than NW Natural's industry. This translates into a potential cost avoidance of \$0.6 million.


Medical Cost Benchmarks Delivery System Cost Efficiency

 How efficient are your plans relative to the benchmark?



| | ABHP w/ HRA | ABHP w/ HSA | PPO/POS | Insured HMO | Self-Ins. HMO/EPO | Total |
|------------------------------|-------------|-------------|----------|-------------|-------------------|----------|
| Enrollment | 0% | 34% | 41% | 25% | 0% | 100% |
| Actual Cost per Employee | N/A | \$17,990 | \$21,399 | \$18,088 | N/A | \$19,414 |
| Custom Benchmark Cost per EE | N/A | \$16,242 | \$17,768 | \$15,492 | N/A | \$17,139 |
| Efficiency | N/A | -11% | -20% | -17% | N/A | -13% |

| | | | | |
|---------|--------------------|-----------------|--------------------|----------------|
| Summary | Average Enrollment | High Enrollment | Average Enrollment | |
| | Low Efficiency | Low Efficiency | Low Efficiency | Low Efficiency |

 Plan efficiency is most important for plans with higher enrollment, as this drives overall efficiency.

Medical Cost Benchmarks Employee Cost-Sharing Overview

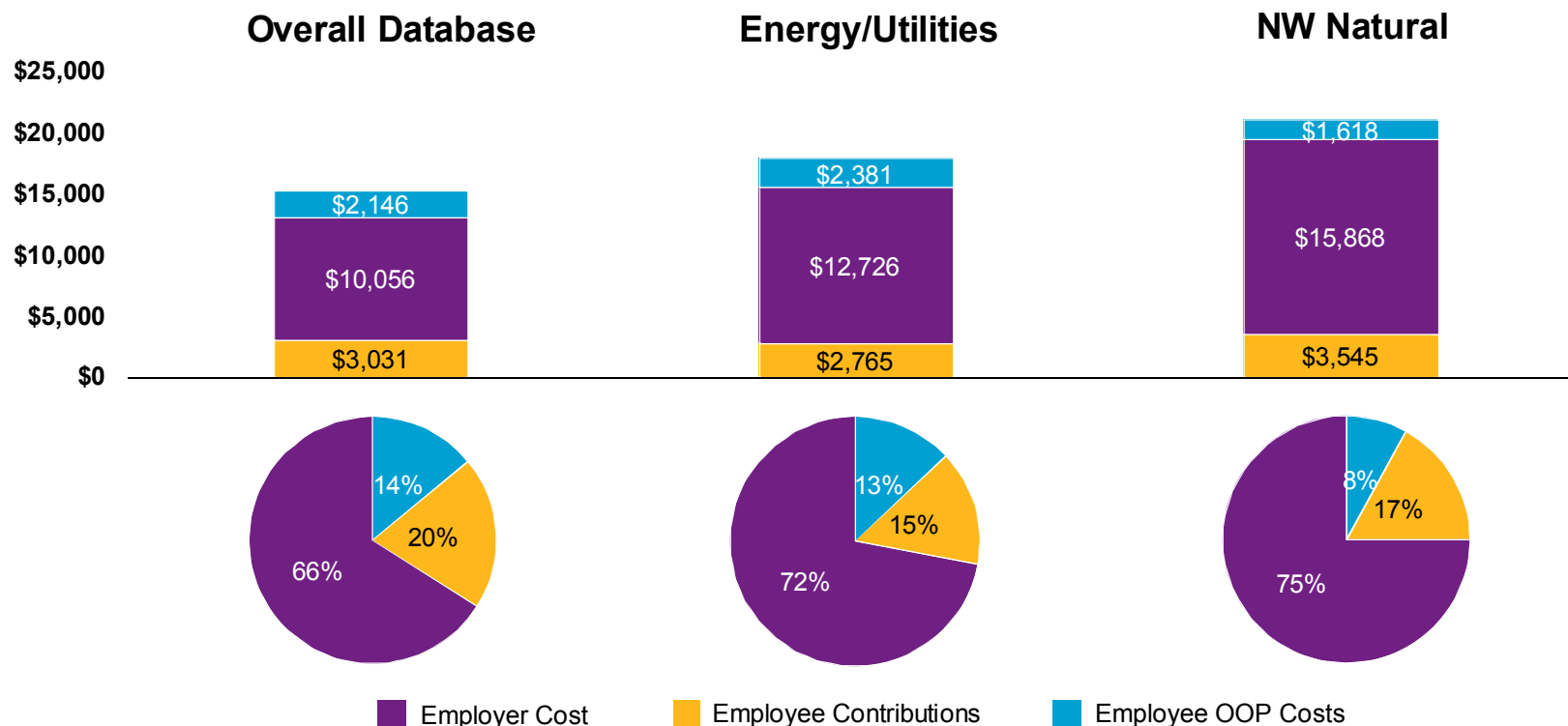
An important driver of overall cost results is how employers price different medical plan options to employees. This section shows how your company's employee contributions compare with the database averages and how contributions are structured for different delivery systems.

Included are:

- Comparisons of employee vs. dependent subsidy levels
- Net cost analysis by plan type

Medical Cost Benchmarks Total Cost and Contributions

? How do your employees' share of total cost, including contributions and out-of-pocket expenses, compare to benchmarks?

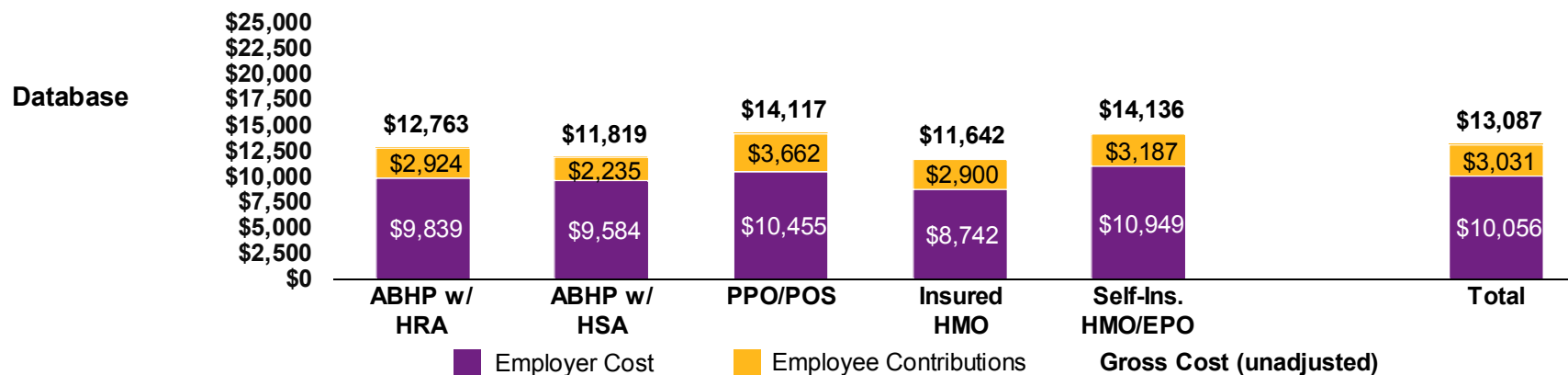
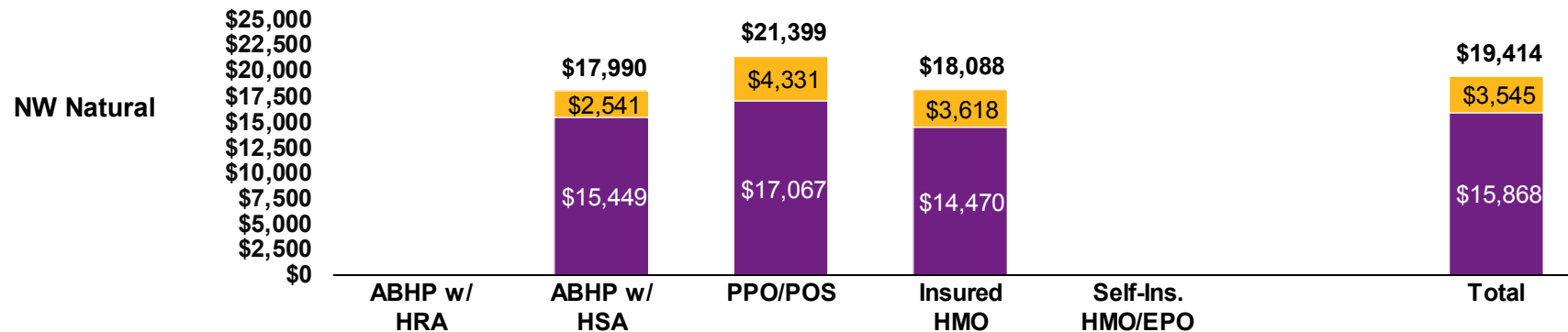


✓ Compared to the overall database, NW Natural's employee share of total costs is lower
 Compared to others in your industry, NW Natural's employee share of total costs is lower

Medical Cost Benchmarks Employee Cost-Sharing (Unadjusted)



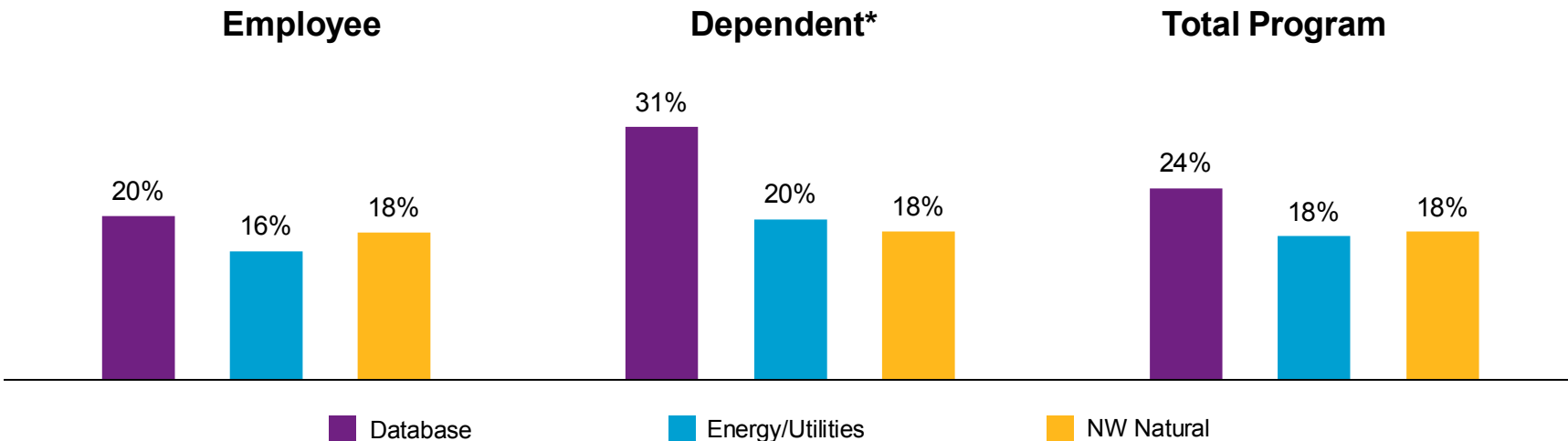
How do your employee payroll contributions vary across plans?



On average, NW Natural employees pay \$514 more per year than the database.

Medical Cost Benchmarks Employee Contributions as a % of Plan Cost

? How does your cost-sharing, for employees and dependents, compare to benchmarks?



| Employee Contributions as a % of Total Cost | ABHP w/ HRA | ABHP w/ HSA | PPO/POS | Insured HMO | Self-Ins. HMO/EPO |
|---|-------------|-------------|---------|-------------|-------------------|
| NW Natural | N/A | 14% | 20% | 20% | N/A |
| Database | 24% | 20% | 27% | 25% | 23% |

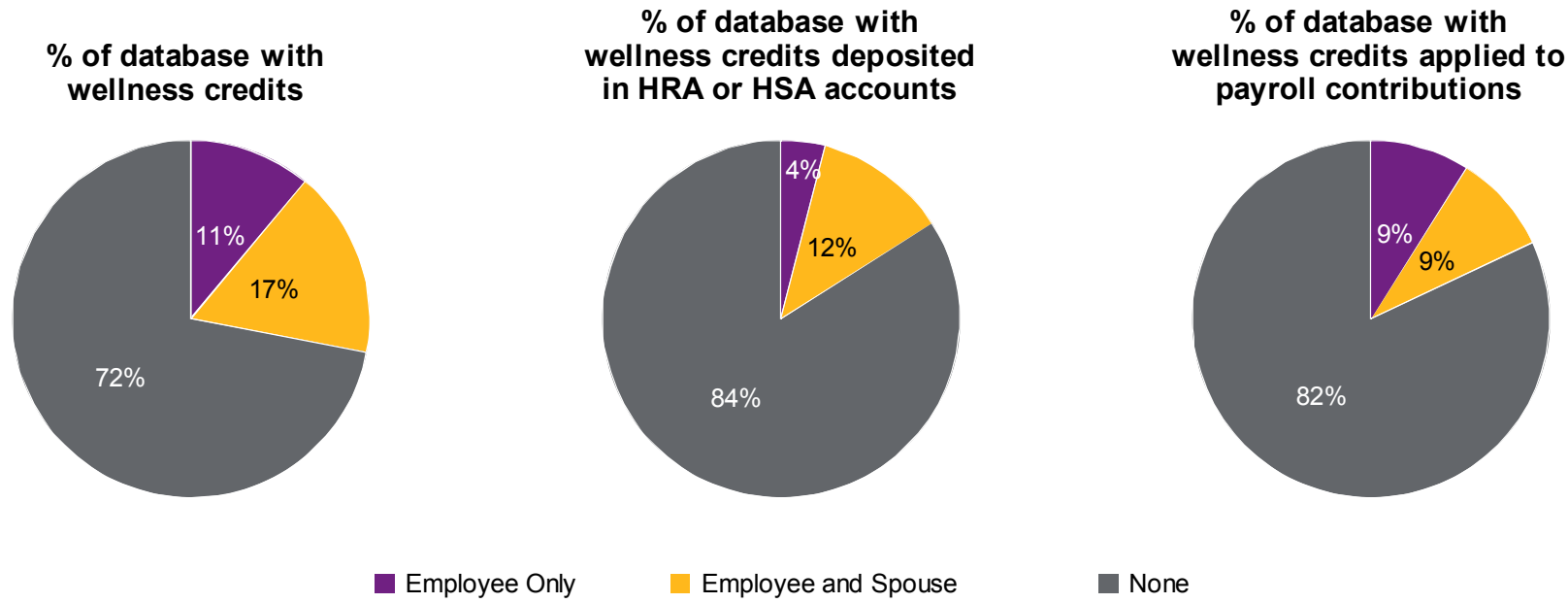
✓

- Employees contribute less than the database average but more than the industry average
- Dependents are below the database and industry averages

*Dependent includes spouse, children, family, etc.

Medical Cost Benchmarks Wellness Credits for Accounts and Contributions

? How does the company's approach compare to the database?



✓ NW Natural's provides wellness credits through payroll contributions.

Medical Cost Benchmarks **Impact of Account Seeding on HSA Plan Design***



- How does your funding of the HSA compare with the database?
- How does your net deductible (deductible minus guaranteed and earned incentives) compare with the database?

| HSAs | NW Natural | Database | | |
|---|------------|------------------|---------|------------------|
| | | 25 th | Average | 75 th |
| Base Deductible | \$1,500 | \$1,500 | \$2,320 | \$2,700 |
| ▪ Guaranteed Contribution | \$750 | \$11 | \$448 | \$600 |
| ▪ Average Earned Incentive | \$0 | \$0 | \$36 | \$0 |
| Net Deductible Paid by Employees | \$750 | \$1,073 | \$1,836 | \$2,332 |



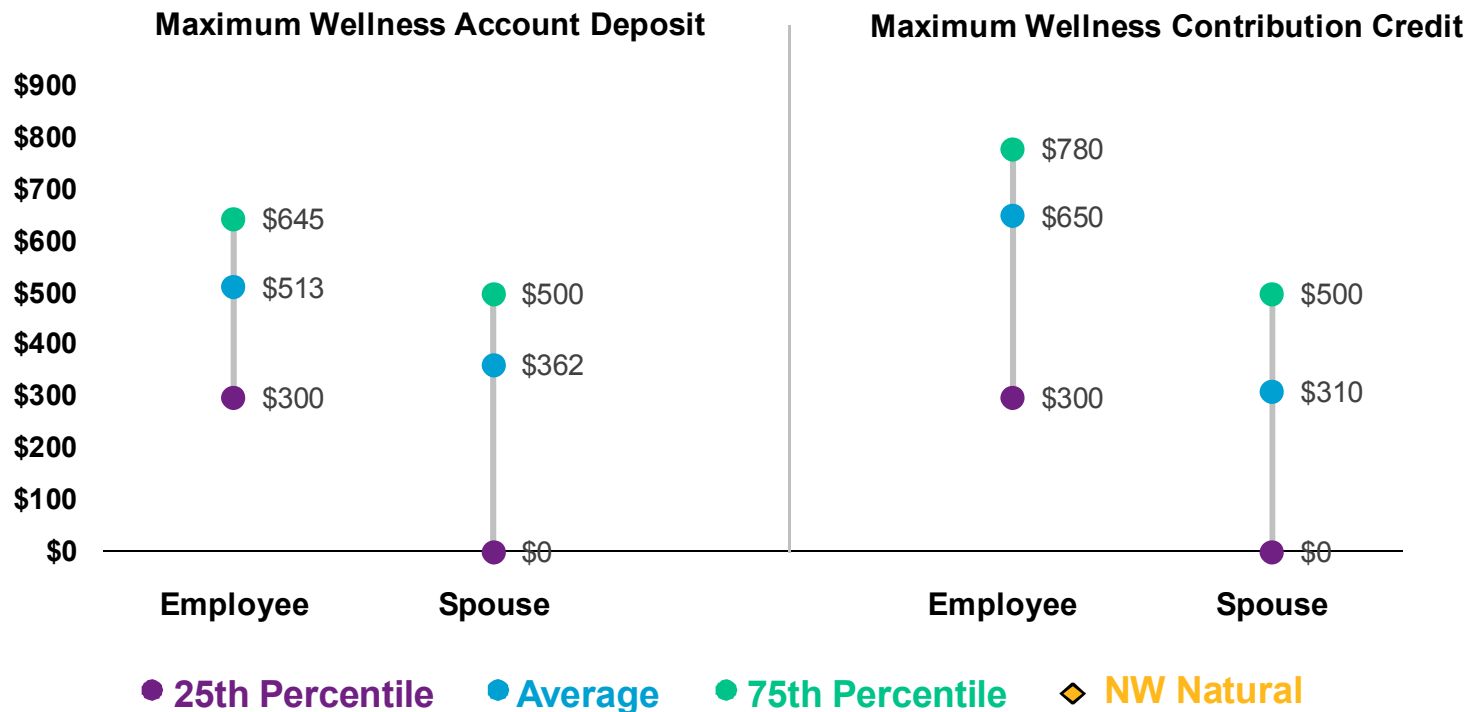
Your net deductible is \$1,086 less than the database average.

*Employee coverage only

Medical Cost Benchmarks Wellness Incentives



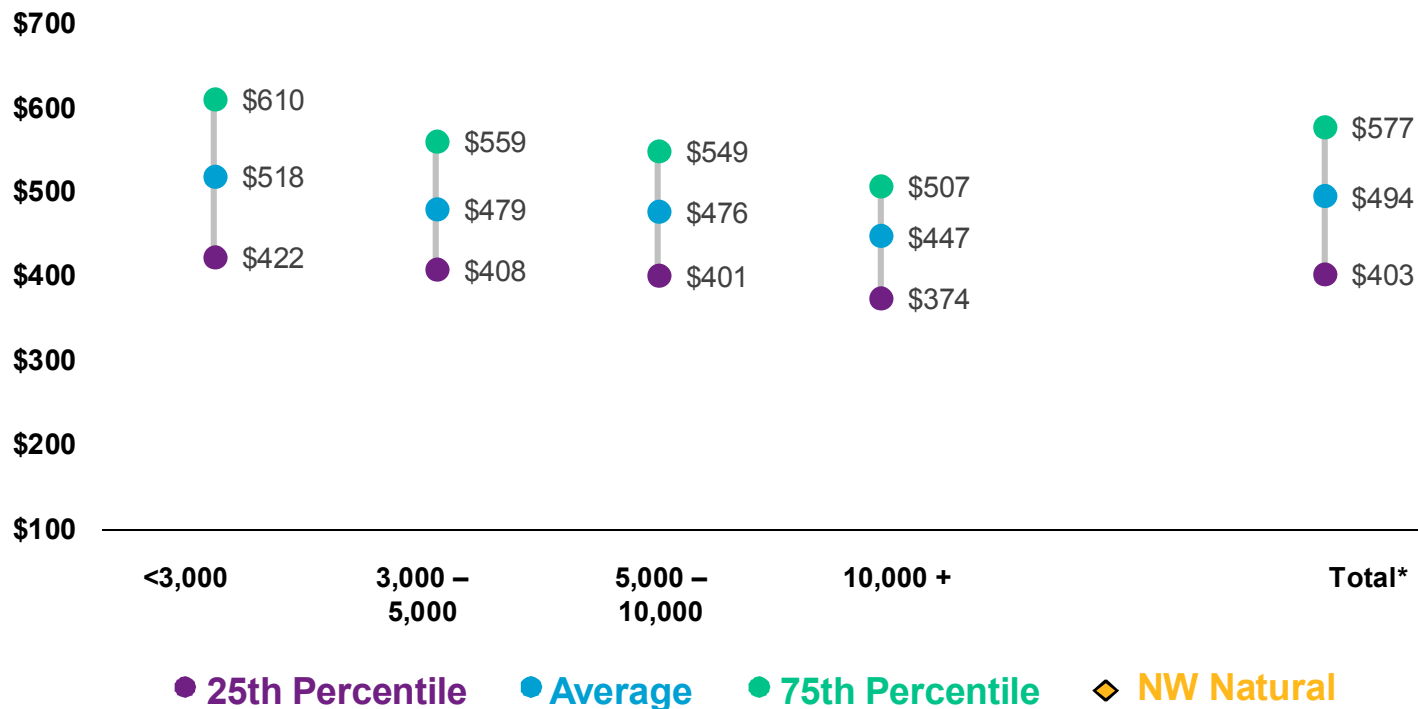
- How does the company's maximum potential wellness credit compare with the database?
- How does the allocation between employee and spouse compare to the database?
- How does the approach for employees and spouses compare between contributions and wellness credits?



Maximum wellness account deposits and contribution credits average \$513 and \$650 for employees and \$362 and \$310 for spouses.

Medical Cost Benchmarks Annual Self-Insured Administration Fees by Covered Employee by Employer Size*

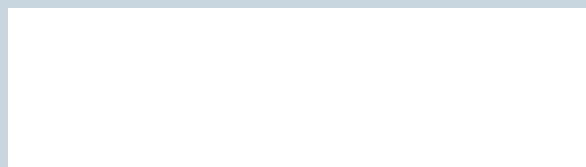
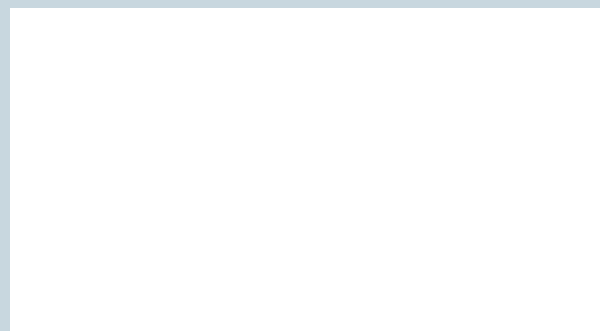
? How do your administration fees compare to the database? What is contributing to the company's variance from average? What other variable fees are being paid to the vendor in addition to the monthly per employee administration fees?



✓ Not applicable.

*Results by employer size for companies with self-insured arrangements.

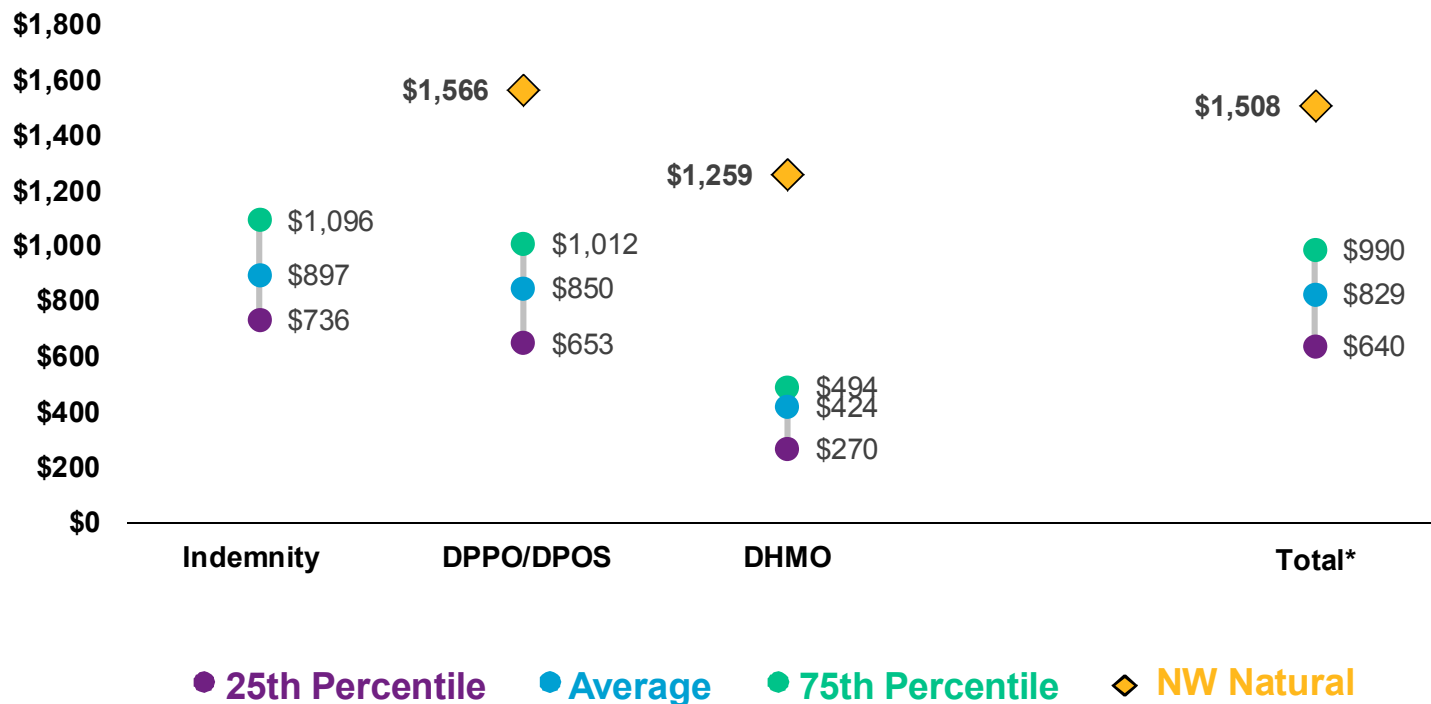
Dental Cost Benchmarks



Dental Cost Benchmarks Total Cost per Covered Employee per Year (Unadjusted)



- How do your plan costs compare to the database?
- How do costs vary by plan type?



NW Natural's dental costs are 82% higher than database average.

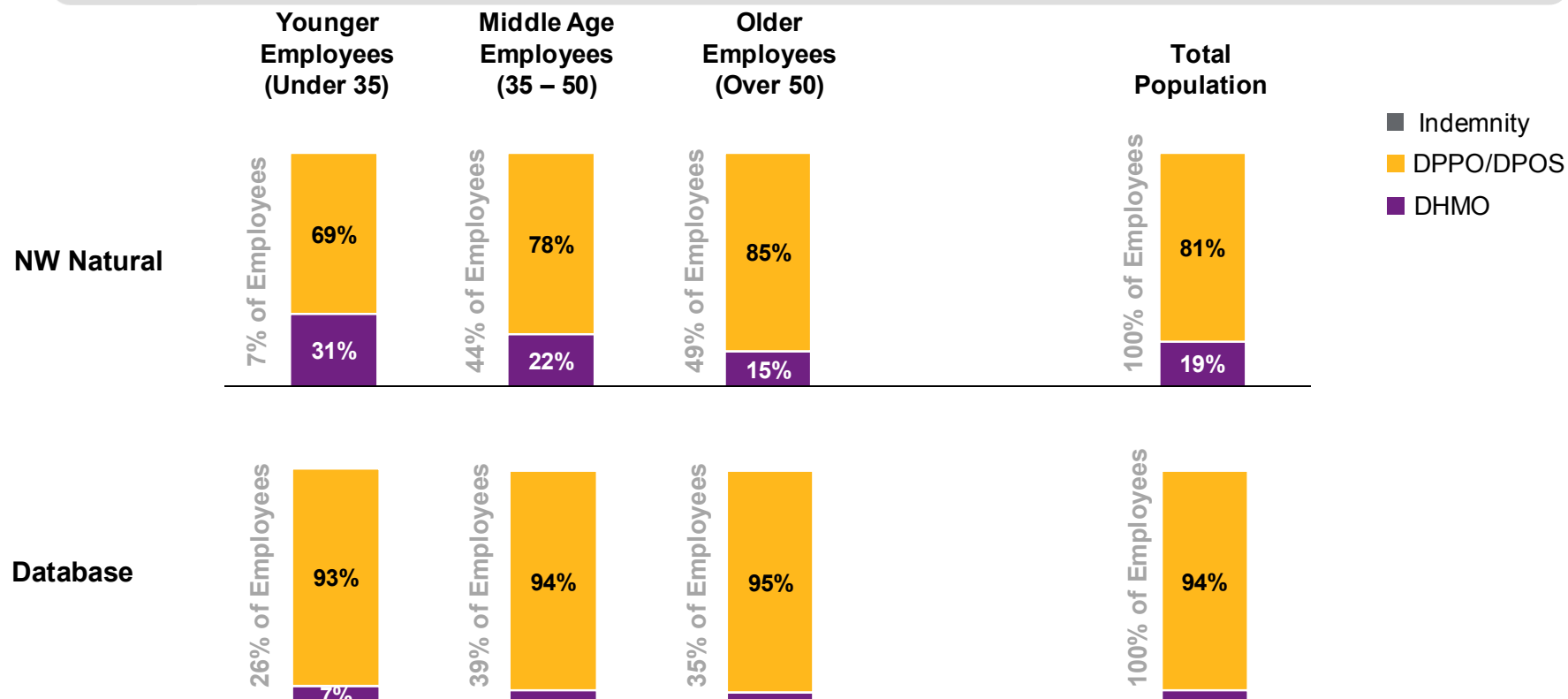
*Total costs represent an enrollment weighted average of plan types.

Dental Cost Benchmarks

Enrollment by Plan Type and Age Breakdown



How is enrollment distributed by age and plan?

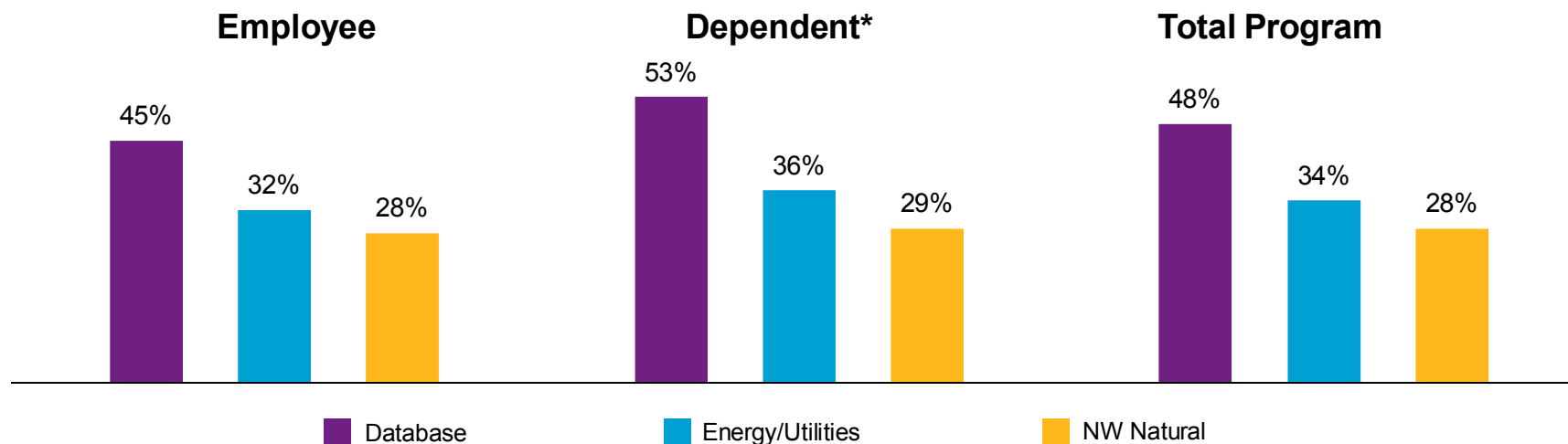


The majority of employees in the database are enrolled in DPPO/DPOS dental plans.

Dental Cost Benchmarks Employee Contributions as a % of Plan Cost



How do employee contributions as a percentage of plan cost compare to the database benchmarks?



| Employee Contributions as a % of Total Cost | Indemnity | DPPO | DHMO |
|---|-----------|------|------|
| NW Natural | N/A | 30% | 20% |
| Database | 43% | 48% | 47% |



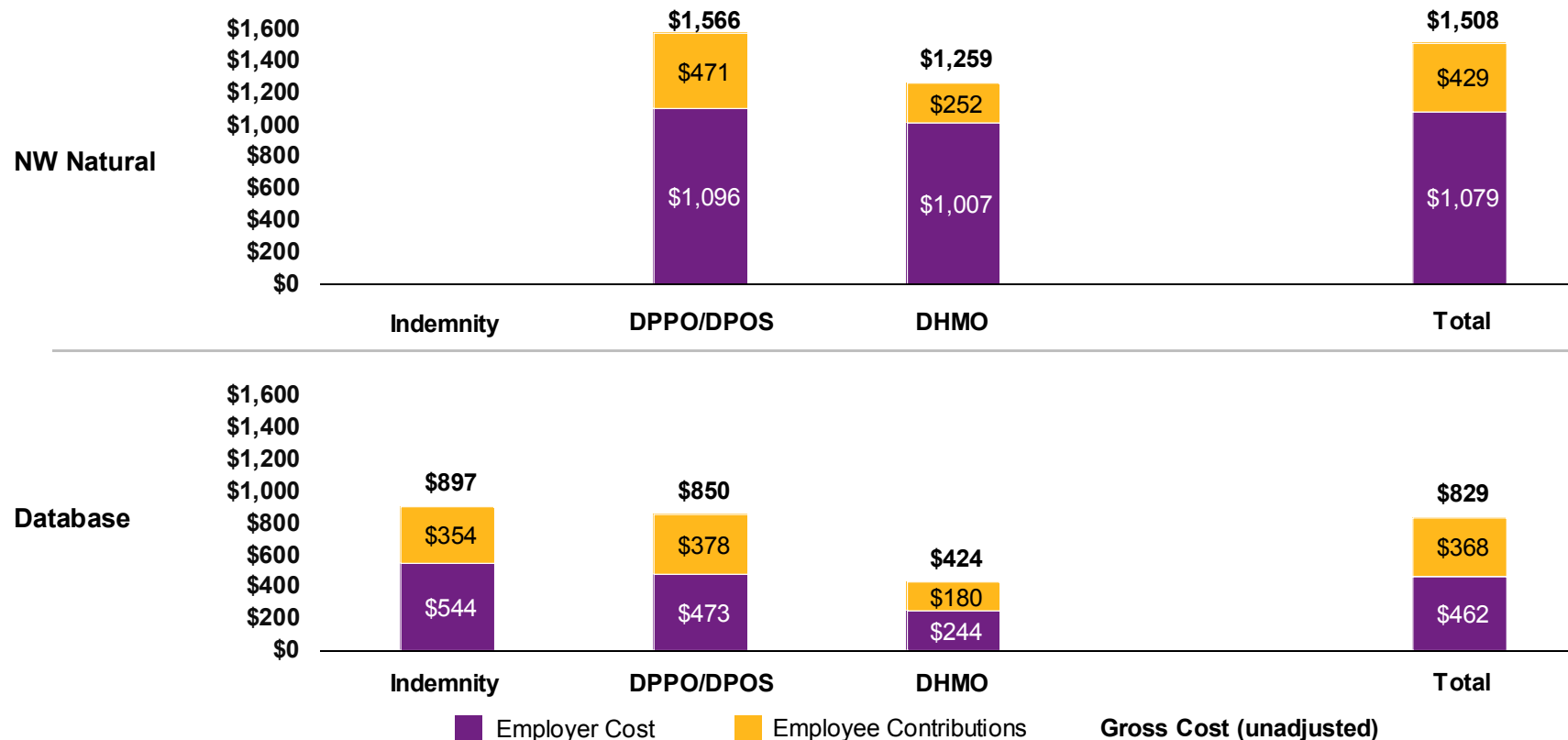
Across NW Natural's total program, contributions as a percentage of total cost are less than the database and industry averages.

*Dependent includes spouse, children, family, etc.

Dental Cost Benchmarks Employee Cost-Sharing — Net Cost Analysis



How do your employees' payroll contributions vary across plans?



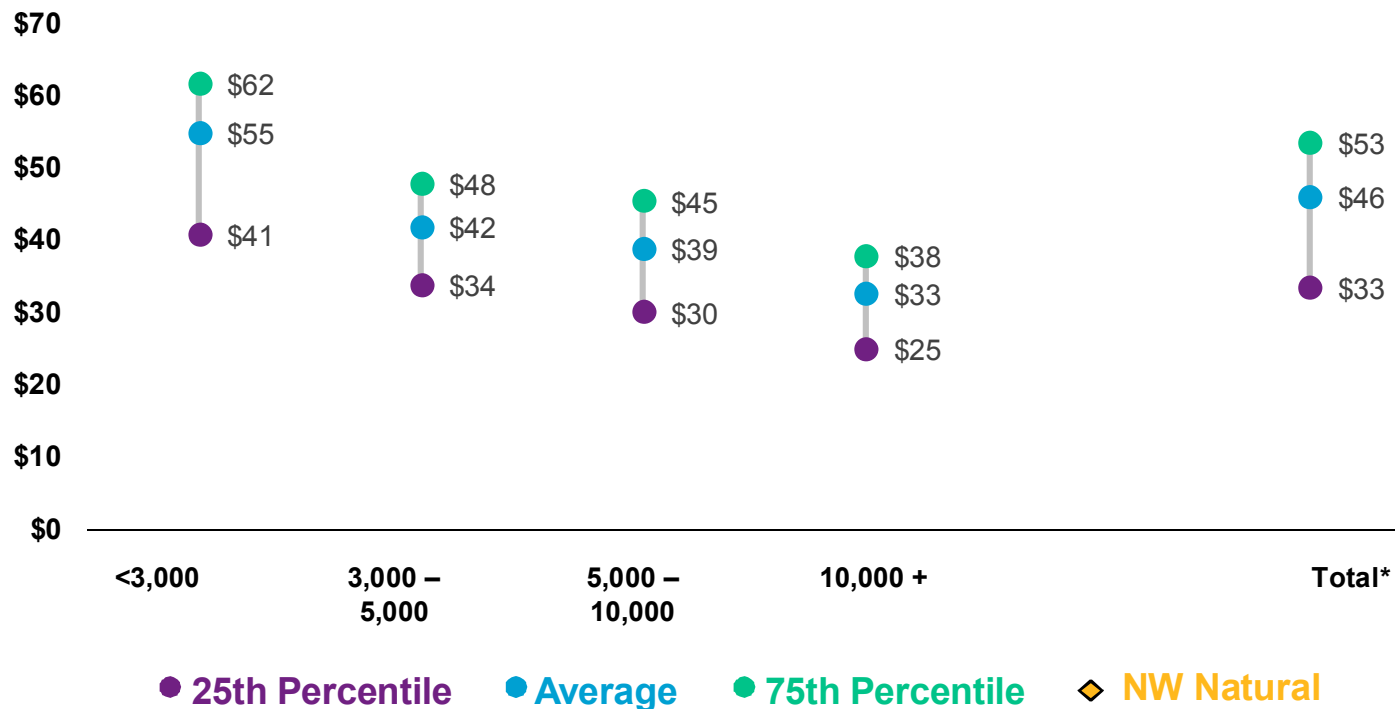
On average, NW Natural employees pay \$61 more per year than the database.

Dental Cost Benchmarks

Annual Self-Insured Administration Fees per Covered Employee by Employer Size*



How do administration costs compare to the database benchmarks?



Not applicable.

*Results by employer size for companies with self-insured arrangements.