



ACHIEVING CLARITY, & CONTROL

Profiling Credit Union
Success in the Midst
of Chaos & Crisis

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Introduction

As credit union executives look back on 2020 as well as further into 2021 and beyond, it's clear that while still many critical challenges abound, a few CU leaders have found ways to successfully navigate the obstacles of the marketplace.

Marketplace trends are still creating substantial earnings pressure on CUs today, and those trends will not be easing in the short-term. Combining current earnings pressures, declining ROAs, and future uncertainty creates a challenging situation for CU executives.

(NOTE: For additional insight, you can download our previous executive briefing “Maximizing Your ROA in Challenging Times” [HERE.](#))

Within this new executive briefing, industry authority and advisor, John Harris, will highlight specific credit unions that have been able to outpace and outperform the competition. By focusing on the core strategies that allowed them to achieve such success, any CU leader that desires (or needs) to create an economic competitive edge will be empowered to do so. Additionally, as a natural outcome of these proven approaches, the organization can create a stronger, more loyal workforce – a result that is especially critical in the current and likely long-term remote workforce environment.

Ultimately, this briefing was written to provide clarity, confidence, and control to CUs that are open to the concepts and strategies presented here. Clarity is delivered via the three simple, yet effective strategies shared. Confidence that these methods work and can work for you is developed through the examination of multiple case studies of other credit unions. Finally, control is delivered by empowering you as a CU executive to take meaningful and worthwhile action to achieve the same type of results others have and are seeing today.

Be open to the ideas and approaches on the following pages, and you will realize your ability to enhance profitability while simultaneously optimizing the experience and value of your workforce.

BEYOND THE PANDEMIC

Current CU Trends & An Outlook

In today's world of an ever-changing environment, uncertainty, and new developments around every corner, there's no such thing as a passive AND effective executive leader. Leaders must be hands-on, intentional, and as proactive as possible.

To that end, when considering where to focus deliberate attention and focus, there are a few primary areas to consider. Based on a survey of credit union leaders conducted by WestMonroe in the final quarter of 2020, below are five key trends facing CUs moving into a post-pandemic world.



Digital Transition

A credit union's ability to successfully deliver value and service online more easily and effectively will be key now and into the future.



Non-Interest Income

Of course, other profit sources that go beyond the low interest rates of today creates a true marketplace advantage.



Industry Consolidation

Understandably, the economic disruption became an opportunity for accelerated consolidation elevating the level of general competition.



Branch Management

With the mandate of quarantining, a general desire of people to stay away from public areas, remote working has upset the status quo for multiple branch organizations.



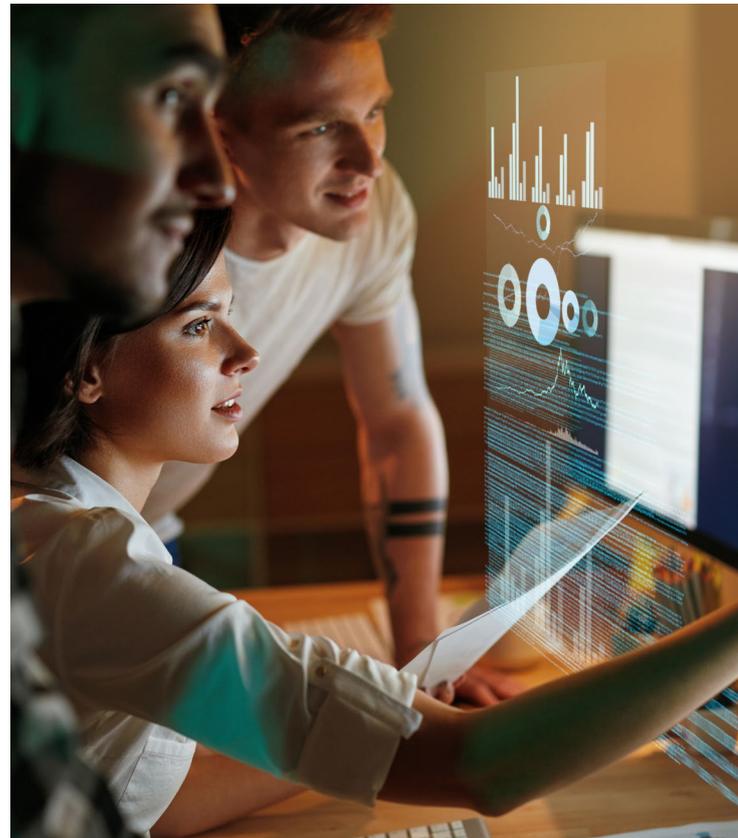
Analytics

Finally, a credit union's business intelligence and analytics capabilities will determine its ability to create compelling products and solutions for members.

Clearly, there are both challenges and opportunities for CUs. Unsurprisingly, those organizations who have been able to increase non-interest income are generally doing the best. Put simply, all things being equal, more profitability makes everything better. Specifically, the development of a meaningful and sustainable economic competitive advantage is the key focus for the remainder of this briefing.

Therefore, if there is a desire to create new sources of revenue without the need for product/service development or sales, then the strategies shared here will serve you well as they have many other credit unions.

To preface the actual case studies and strategies, there is a simple visual model that demonstrates how a CU can best create long-term, sustainable economic competitive power within the market.

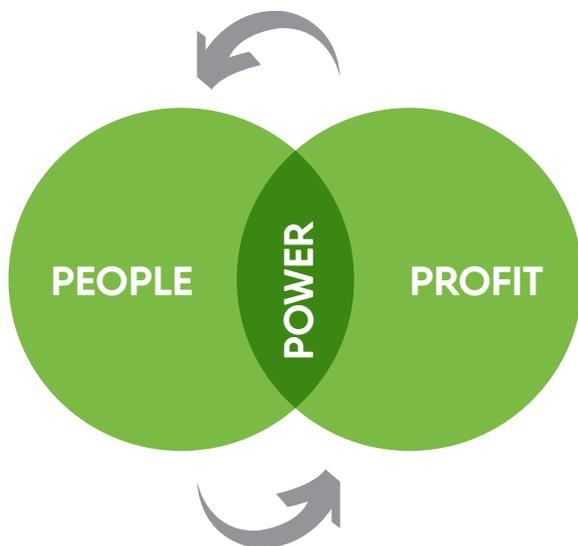


THE PEOPLE, PROFITABILITY, & POWER MODEL

The work our firm has done with medium to large credit unions has led us to develop an impactful framework that easily shows how our clients are able to create a sustainable economic competitive advantage. While simple to understand, this model quickly illustrates why our approach is so effective.

Essentially, we believe philosophically that a CU is most prosperous and “powerful” when its People and Profit are in direct alignment and work in harmony to support one another. This concept may seem elementary to experienced CU executives, however, the model is much more challenging to manifest in the real world than it is to draw on paper.

The People, Profitability, & Power Model



To fully understand and grasp the value of this model, it's worth breaking down the model into its core components as below:

PEOPLE

The success of any worthwhile organization is built upon the knowledge, talents, and skills of its people. To get the best from them, they must be healthy, fulfilled, and engaged with their work and their opportunities.

PROFITABILITY

As productivity of an organization is properly leveraged, profitability naturally increases. These additional profits then provide the opportunity for resource allocation and increased capacity through reinvestment.

POWER

Organizational success or “power” depends on the consistent alignment of its high-performing people that in turn enhances the CU’s productivity thus producing more revenue and profit.

Better, more engaged employees and team members will invariably create consistently higher levels of productivity. In turn, the more efficient and effective an organization’s people, the more profitability is created. As profitability increases, allocating those resources back into the organization (specifically its people and related investments) to expand capacity, the more success the cycle creates. Thus, the work we do for our clients is focused on two main areas: People and Profit. By optimizing and aligning both, our clients have been able to produce impressive market-leading results.

1 CASE STUDY

Oregon Community Credit Union



“Our move to CU Benefits Alliance has allowed us to decrease our healthcare premium costs without reducing employee benefits.

—OCCU CEO

In 2019, if OCCU had accepted their incumbent group health renewal offer, they would have paid \$9,361/PEPY (Per Employee Per Year) for each employee on their medical plan. Instead, they implemented the CU Healthcare Coalition strategy and only paid \$6,987/PEPY. With over 300 employees, that produced a cost reduction of more than \$712,000 in 2019. In 2020, the numbers were also impressive; \$466,200 in additional savings.

Situation & Challenge

OCCU has approximately 350 employees. They had been in a fully-insured group medical plan for decades, prior to joining CU Benefits Alliance. They were struggling with rising health care cost and the impact it was having on their employees and their organization. The key challenge OCCU faced was lack of control. Because they were working with an insurance company in a fully-insured capacity, OCCU was at the mercy of the company’s pricing and underwriting guidelines. OCCU paid more and more every year for health benefits but their claims weren’t going up every year to justify the cost increases.

Strategy & Outcome

CU Benefits Alliance implemented the CU Healthcare Coalition strategy in 2019. This strategy allowed the group to only pay for the healthcare the group was using, no more. Before this change, OCCU was paying in-advance for healthcare they were not using. The credit union reduced their annual benefits expense from \$2.8 million to \$2.1 million in their first year after moving to the CU Healthcare Coalition program. That is equivalent to about \$2,400 per employee per year cost reduction. In turn, this allowed OCCU to reduce employee contributions to participate in the plan.

Key Results

- Transparency created to senior team to make better decisions
- Reduced benefits cost by \$770,000 in first year, \$466,200 in year two
- Substantially lowered employee contributions creating more affordable healthcare

1 STRATEGY

A New Way to Pay

How an organization allocates its available resources of time, talent, and treasure will directly determine its level of success. This is true across all business and is especially critical for credit unions right now when earnings pressure is substantial.

Just as their members do, CU leaders constantly work to optimize the return on their respective investments internally. To that end, it is both reasonable and arguably required that CU executives ensure they are not grossly overpaying for organizational expenses. To that end, most CUs have the opportunity to put meaningful dollars back on the bottom line. Imagine being able to add \$2,000+ per employee in profit this year without reducing staff, without having to add new members, and without any additional product sales.

For the vast majority of businesses, including credit unions, healthcare is consistently a top three expense – yet little to no nothing is being done to proactively address the ever-increasing costs. Most executives simply believe there is nothing to be done, but nothing could be further from reality.

The first key strategy our clients leverage is simple; they stop paying for healthcare that is not used.

The traditional approach to healthcare costs requires employers pay insurance premiums for projected claims that never actually occur. By paying in advance for healthcare that may never be utilized, credit unions often end up dramatically overpaying.

The alternative we leverage for our clients is a “pay-as-you-go” approach to funding your healthcare costs. With this method, you can not only ensure you don’t waste dollars on healthcare that is never needed, but you also enhance your cash flow metrics as well.

We also help our CU clients mitigate any associated risks with this approach, and the result is massive cost savings without having to reduce the quality of benefits.

As a CU executive, if you are still buying health insurance for your employees in the traditional model where healthcare is overpriced and costs go up year after year, then this opportunity to leverage “a new way to pay” will serve your organization greatly.



2 CASE STUDY

Twinstar Credit Union



In 1938, 15 teachers joined together to start what is now known as Twinstar Credit Union. Twinstar has grown to 340 employees and was facing unsustainable healthcare costs from their fully insured carrier. Leaders needed a solution that substantially reduced costs without sacrificing benefits.

Situation & Challenge

Prior to moving their benefits consulting work to CU Benefits Alliance, Twinstar was struggling year after year with no control of their benefits expense. Their medical plan was fully-insured and they were allowing their insurance provider to manage their benefits strategy in a way that was neither cost effective nor innovative. Twinstar wanted to create a long-term benefits strategy that would lead to cost containment while offering a rich suite of benefits to its employees.

Strategy & Outcome

CU Benefits Alliance provided the credit union with the appropriate education, in a way that was easy to understand, allowing the credit union to migrate from a fully-insured medical plan to a partially self-insured plan. Additionally, CU Benefits helped Twinstar implement a long-term wellness strategy to get more employees active in better nutrition, exercise, relaxation, and social activities. The whole idea was to make gradual, positive changes in employee's lives. This led to lower utilization of healthcare benefits and happier employees.

Key Results

- Twinstar saved \$953,000 in the first three years of the new program.
- The savings allowed the credit union to reduce the cost of dependent coverage.
- Twinstar implemented wellness incentives to lower employee contributions.



Twinstar Credit Union reduced their healthcare costs by

18%

and saved **\$953,000.**

2 STRATEGY

Making Healthcare Truly Affordable

Consider this question: What good is providing health insurance if it's too expensive for your employees to utilize? The affordability of healthcare has been a challenge for many years now, and this struggle is very real for many credit union employees.

Fortunately, there are proactive methods to substantially reduce the overall cost of healthcare and health insurance for both the credit union and its employees. Below are three such tactics we leverage for our clients that allow them to achieve impressive results like you saw on the previous page with the case study from Twinstar Credit Union.



- 1. Leverage aggregated risk to lower (and control) costs.** Other leading credit unions across the country have aggregated their risks together to substantially reduce the level of risk which in turn directly reduces costs. This is not mere theory; our firm has developed a consortium of credit unions that exists and is creating results for CUs across the US right now.
- 2. Hold your healthcare dollars accountable.** As with any investment, it's vital to make sure your healthcare dollars are producing a positive result. Within the healthcare supply chain, there is misalignment, waste, and even abuse. By carefully paying attention to the four main categories of healthcare costs: hospitals, prescriptions, outpatient procedures, and doctor visits, we help our clients manage and reduce costs while also creating better health outcomes for their employees.

- 3. Providing more choice to employees.** Healthcare plans must match the needs of the employees. Not every employee family needs the same healthcare plan as everyone else. Therefore, for most of our clients, we create a multi-tiered set of options that allows them to choose what they want and need. The result is better affordability of the healthcare program as well as more appreciation and satisfaction from your employees.

Properly leverage these methods and your credit union will be able to make healthcare much more affordable which in turn creates more affordable health insurance for your employees. Not only will you be able to drastically reduce a top three expense, but you'll also be creating a healthier, happier, and more loyal workforce.

3 CASE STUDY

iQ Credit Union – Why Strategy Is Critical



“CU Benefits provided the education and platform, along with great service, that afforded the support our HR team and employees needed.”

–Kari Stansberry,
SVP of HR

iQ Credit Union had their employee medical benefits plan with an HMO insurance company for 45 years prior to hiring CU Benefits Alliance. The credit union was seeking an employee health plan solution that would provide their employees with more choice and lower cost. After speaking to CU Benefits Alliance, the credit union executive team realized there was a better way to manage the high cost of healthcare. At the same time, they could give employees access to the most qualified physicians in the U.S. – something not available in an HMO plan.

Situation & Challenge

iQ Credit Union has approximately 300 employees. They were struggling with rising healthcare cost and the lack of choice in selecting physicians and hospitals within the tightly controlled HMO system. iQ CU was constrained to the insurance company’s network and pricing. As a result, iQ CU employees were paying more each and every year for health benefits, with limited selection of doctors and specialists.

Strategy & Outcome

CU Benefits Alliance created and implemented a three year employee healthcare and benefits strategy that would allow iQ to accomplish their goal of lower cost and increased choice. The strategy is part of the CU Healthcare Coalition plan that all of its credit union clients have access to. iQ CU reduced their annual benefits expense by \$470,000 after implementing CU Benefits Alliance program. The introduction of a non-HMO option gave employees access to a wide range of physicians and hospitals.

Key Results

- Reduced employee healthcare and benefits cost by \$470,000
- Provided expanded choice of doctors and providers to employees
- Engaged in a new three-year strategic plan to further mitigate risk and reduce cost

3 STRATEGY

The Value of Benefits Strategic Planning

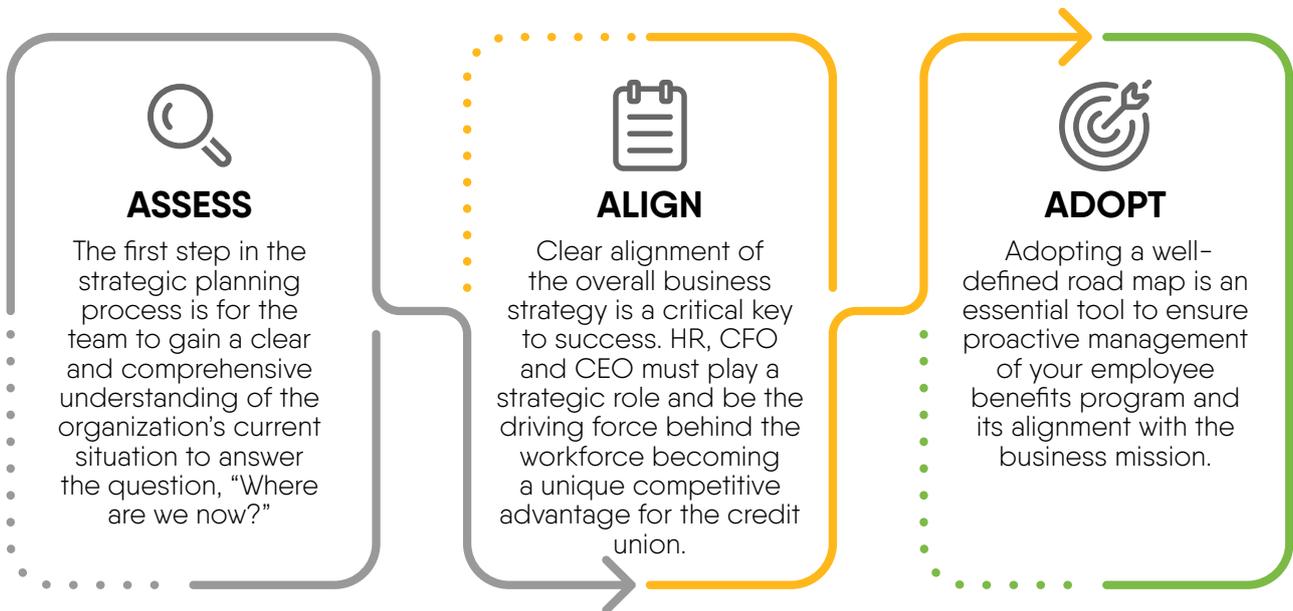
While the idea of creating a “benefits strategic plan” may seem unusual, when it comes to deliberately and measurably reducing and controlling a top three organizational expense like employee healthcare, the value of intentionally developing a multi-year strategy is obvious. Additionally, the value that such a plan will have on the recruitment and retention efforts of the organization make this strategic planning effort worthwhile.

Simply put, a benefits strategic plan is a plan specifically focused on the current and future needs of the organization as it relates to its employee healthcare and benefits program. The main objective of the plan is to strengthen

the management decision making process by recognizing and addressing key internal and external factors that affect the business and the employee benefits program.

Since the occurrence of most large claims are largely unpredictable in any given year, it makes it difficult to have a strategic plan that spans only a single year. Therefore, a good benefits strategic plan will provide a 3 to 5 year blueprint to guide senior management, outline implementation, and establish budgetary requirements. Without such a plan, CUs risk continuing the status quo of ever-rising healthcare costs, grinding through the renewal process, and making decisions based only on the next twelve months.

Below is a straightforward 3-step process we leverage with our CU clients:



PUTTING IT ALL TOGETHER:

\$1.2 Million to the Bottom Line

“After many years of double digit increases on our employee medical plan, CU Benefits Alliance delivered a 29% drop in the first year. They far exceeded our expectation and completely changed our mindset about the cost dynamics of this important benefit for our employees.



-Timothy Smith, CFO,
Workers Credit Union



Workers Credit Union

\$1.2

Million Employee Benefit Savings
(29% Cost Reduction)

Throughout this briefing, the goal has been to share proven strategies to maximize a CU's people and profitability. The result is more power in the marketplace in the form of a sustainable economic competitive advantage. Also, a variety of different real world case studies have been shared that highlight the effectiveness of the strategies presented.

To pull everything together, below is one more case study from Workers Credit Union. Understanding that this Massachusetts credit union with 334 employees wanted to reduce their high cost, employee health insurance without reducing the level of benefits offered, we implemented all three strategies shared here to achieve these results.

Costs had increased every year for the past several plan years, and the executive team was at a crossroad; they needed to begin cutting benefits or find a way to reduce their third largest expense. In an effort to cut cost and enhance cash flow to the credit union, the management team decided to hire CU Benefits Alliance as their employee benefits consultant.

Working closely with the CFO and human resource team, CU Benefits Alliance built a benefits program resulting in savings of over \$1.2 million in 2019. CU Benefits Alliance was able to reduce the annual cost per employee by more \$5,000 (a 29% decrease) all while maintaining the same operational and claims processes for human resources and employees.

The strategies presented here worked for this CU as well as many others, and they can work for your CU too. CU Benefits Alliance can help you get started.

YOUR NEXT STEPS

Leveraging the concepts and following the strategies laid out here will give a credit union a sustainable economic competitive advantage. When considering the impact on your people and profitability, the power and value of the approaches shared here is clear.

May this executive briefing be a reference guide and tool you use to take meaningful action rather than accepting another year of the costly and painful status quo of increased costs and unaccountable healthcare expenses.

The market-leading credit unions featured within these pages understand that the information presented here is valueless without implementation. Fortunately, our team is here and available to do much of the work for you.

To that end, if you'd like to explore the opportunity you have to achieve the same types of results you read about from your peers, simply contact me and our firm with the information below.

Contact John Harris and the CU Benefits team directly:

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ABOUT CU Benefits Alliance

CU Benefits is an innovator in the development, delivery, and management of employee benefits plans that strengthen an organization's most valuable resource, its employees. With unparalleled experience in the Employee Benefits industry, the professionals at CU Benefits understand that the current status quo does not begin to offer the solutions necessary to make employee benefits more affordable, or more effective.

The options that are currently offered to employers ignore the fact that all organizations have their own specific needs and challenges. When it comes to developing a benefits strategy that can make a difference in the health and productivity of its organization, CU Benefit's expertise is invaluable. Representing organizations across the country, CU Benefits has set a high standard for providing opportunities to transform the one-dimensional paradigm of employee benefits.

ABOUT JOHN HARRIS, CEO



John is a nationally recognized employee benefits and insurance expert with cross-functional expertise in building and leading the sales and service functions for companies in various start-up, stable and high growth situations. Strengths in formulating long-term strategic policies and technological initiatives that have supported impeccable financial results for his clients.

John has 30 years of experience in the insurance and financial services industry. After receiving his BBA in Marketing from The University of Texas at Austin, he formed a retail insurance agency and later built a successful start-up insurance operation for a large community bank. John was later recruited by HUB International to the post of VP of Agency Development in their financial institution division, where he was responsible for providing innovative employee benefits and insurance solutions to banks and credit unions. He is currently the CEO of CU Benefits Alliance, giving credit union executives the "insider" tools to control cost and help them improve benefit plan design so they can attract and retain the best employees.

Additional Resources for CU Leaders

Maximizing Your ROA in Challenging Times Get It HERE

How CU executives think, strategize, and act as they face the chaos and uncertainty of the marketplace will have a long-term effect on the position and performance of their CU. In this highly topical, on-point, and actionable executive briefing, industry leader and advisor, John Harris shares highly practical approach to the challenges and opportunities that CUs are facing today.



Direct link: [https://d2saw6je89goi1.cloudfront.net/uploads/digital_asset/file/762707/CU_Benefits_Alliance - Maximizing Your ROA in Challenging Times - Executive Briefing.pdf](https://d2saw6je89goi1.cloudfront.net/uploads/digital_asset/file/762707/CU_Benefits_Alliance_-_Maximizing_Your_ROA_in_Challenging_Times_-_Executive_Briefing.pdf)

The C-Suite Survival Guide Get It HERE

Conventional wisdom holds that cost containment of your healthcare spend is a binary choice: Accept the cost of offering health care OR reduce your healthcare offering. Cutting healthcare as an employee benefit is unimaginable for most credit unions, so before events force you and your credit union to that point, you should know the conventional wisdom that health care is an uncontrollable cost is dead wrong.



Direct link: <https://cubenefitsalliance.com/wp-content/uploads/2020/04/C-Suite-Survival-Guide-FINAL.pdf>

Seven Secrets to Lower Your Employee Benefits Cost This Year Get It HERE

As organizations look at budgets each year, one area that will undoubtedly undergo intense scrutiny is the cost of employee benefits. It is a particularly difficult item to manage due to the increasing cost and utilization of health care, not to mention compliance burdens. HR and finance managers need to take a long-term view and commit to developing a multi-year strategy instead of relying on short-term tactics to contain employee benefits costs.



Direct link: <https://cubenefitsalliance.com/seven-secrets-whitepaper/>

Employee Benefits Strategic Plan White Paper Get It HERE

Leaders understand the necessity of a strategic plan for outlining short and long-term corporate goals. However, when it comes to employee benefits (A top 3 organizational expense), most employers overlook the importance of developing strategy for this important recruiting and retention tool. This white paper details how to design a worthwhile employee benefits strategic plan for your credit union.



Direct link: <https://cubenefitsalliance.com/wp-content/uploads/2017/02/Employee-Benefits-Strategic-Plan-White-paper.pdf>



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