

**MINUTES OF A HUMAN RESOURCES COMMITTEE MEETING
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
May 3, 2016**

A Human Resources Committee Meeting of The Water Works Board of the City of Birmingham was held on Tuesday, May 3, 2016, at 9:00 a.m., in the principal office of the Board, 3600 First Avenue North, Birmingham, Alabama.

The following Committee Members were present: Ronald A. Mims and Ann D. Florie. Director Sherry W. Lewis, a Non-Committee Member was also in attendance.

Inasmuch as two of the Committee Members were present, Chairman Mims declared a quorum in attendance.

The meeting was also attended by: Mac Underwood, General Manager, Michael Johnson, Sonny Jones and Darryl Jones, Assistant General Managers; Grace Amison, Executive Assistant to the Board of Directors; Cynthia Williams, George Anderson, Paul Lloyd and Joyce DuPree, Board Employees; Paige Goldman and Samuel Ford, Fuston, Petway & French, LLP; Dorian Kendrick, The Lewis Group; Mark Johnson, William Clifton and Nicole Perry, Creative Benefit Solutions.

Chairman Mims called the meeting to order at 9:05 a.m. As there was no old business for discussion General Manager Underwood proceeded with the agenda. He stated that the first item would be to review and discuss the annual renewal agreement with Healthstat as noted in item 2. General Manager Underwood turned the meeting over to AGM Michael Johnson. AGM Michael Johnson informed the Board that during budget discussions in 2015 there were challenges regarding the BWWB's 2016 healthcare budget. With that in mind and after review, discussion, and consideration of benefits, it was determined that some changes were needed. Today, management will present some recommendations and options regarding benefits and the future of the Health and Wellness Center (HWC). Next, Human Resources Manager Paul Lloyd was recognized to lead the presentation. Mr. Lloyd gave a brief summary and he stated that the HWC was opened in 2012. He reviewed some reasons for implementing the HWC such as: to address rising healthcare costs for the BWWB, to help identify the high number of employees with disease management cases, and to be an employer of choice. Mr. Lloyd addressed some other companies that were utilizing a wellness center when the BWWB opened a HWC which are: Coca Cola Bottling Company, Pitney Bowes, the City of Montgomery, the City of Chattanooga, BCBS of Florida and Standard Furniture Company. Mr. Mark Johnson, Creative Benefits was recognized for comments. He stated that some local companies with on-site or near-site clinics are struggling relative to employee utilization. Mr. Mark Johnson commented that some companies are collaborating together in an effort to increase clinic utilization. He added that in order to try to reduce medical costs some employers are structuring medical benefits by putting a clinic into the equation relative to their medical plans. Mr. Mark Johnson stated that additional companies with an on-site clinic in Alabama are EBSCO Media, Southland Tube, Mercedes and Honda. Said clinics are offered as a benefit to employees wherein the cost is paid for by the companies and not shared with the employees. Following, Mr. Lloyd pointed out that implementing the HWC was to provide various benefits for the BWWB such as a bend in the cost curve due to less hospital admissions, less emergency room visits, greater medication adherence and cost savings relative to primary care services. Implementation of the HWC was to provide benefits for employees such as improved access, less wait time, no co-pays, free generic drugs, improved health with enhanced wellness/disease management programs and more quality time with the provider. Mr. Lloyd reviewed some of the services available at the HWC such as acute primary and acute care, health maintenance and prevention, disease management, free drugs and occupational health services.

Next, Mr. Lloyd reported on the present status of the HWC. He stated that membership utilization is low, especially for spouses and dependents. Approximately ninety-nine (99) persons visit the HWC on

a monthly basis. He stated that the average cost per visit at the HWC is \$294.00 compared to an average cost of \$150.00 per visit with a BCBS network physician (not including drug cost). Mr. Lloyd pointed out that there has been an increase in primary care physician (PCP) visits over the last four (4) years. In 2014 office visits per 1,000 was 4,367; in 2015 office visits per 1,000 was 4,469 and year-to-date for 2016 office visits per 1,000 is 2,561. Mr. Lloyd commented that there have been some positive results relative to the annual health risk assessments (HRA's) and the bio-metric screenings. Once conditions were identified via the referenced assessments/screenings, employees had the option to visit the HWC or their PCP. Data indicates that many employees chose to follow-up with their PCP. Mr. Mark Johnson reported on disease management cases and the number of members with chronic conditions. He reported that 468 members are treated for hypertension, 236 members are treated for hyperlipidemia, 210 members are treated for diabetes, 50 members are treated for asthma, and 20 members are treated for congestive heart failure. Mr. Mark Johnson indicated that some lifestyle changes would help control disease management and perhaps reduce healthcare costs. Mr. Lloyd commented that there was low engagement at the HWC for disease management; employees continue to express concern regarding confidentiality and the limited services performed at the HWC, such as x-rays. Mr. Lloyd reviewed the next steps for the HWC. He stated that based on the information presented, management's recommendation would be to terminate the annual agreement with HealthStat, effective July 2016. Part of the agreement requires the BWWB to provide a 60-day written notice prior to cancellation. Another recommendation would be to continue utilization of the Health Risk Assessments' and the Bio-metric Screenings and to implement a wellness program that would be tied to behavior with some type of incentives and/or penalties. General Manager Underwood stated that one example of an incentive would relate to tobacco use. He stated that a voluntary smoking cessation program is currently in place at the BWWB. Making said program a priority along with adding a surcharge to insurance premiums for members using tobacco could possibly result in more members choosing to quit smoking. Mr. Lloyd commented that the next recommendation from management would be to terminate the lease agreement with Sloss Real Estate Company. He stated that due to a provision in the agreement, the BWWB is required to provide a 120-day notice of early cancellation. Also, the BWWB would be responsible for the unamortized portion (approximately \$4,400.00) of the leasehold improvement cost incurred by Sloss Realty. If approval is made to close the HWC, the lease agreement with Sloss Real Estate Company would end during the latter part of September 2016. Director Florie asked if the BWWB would be responsible for rent for the remaining months after closing the HWC. She also asked if staff contacted Sloss Real Estate and Healthstat to inform them of the proposed recommendations. Mr. Lloyd stated that the BWWB would be responsible for rent through September 2016. AGM Michael Johnson commented that there were presentations from Healthstat as they were asked to provide clarity on numbers regarding the HWC. He stated that Healthstat did inquire if the Board was entertaining the thought of cancelling their agreement, but management did not state yes. General Manager Underwood added that over the past 12-months, there were several presentations from Healthstat. During each presentation, management challenged Healthstat on the number of persons visiting the HWC, cost of the HWC and to show any generated savings. He commented that Healthstat came before the Board in August or September 2015 and made attempts to provide costs savings due to the HWC. General Manager Underwood concurred that at this point, management has not informed Sloss Real Estate or Healthstat of the proposed recommendations. He stated that both referenced agreements were reviewed by the Board's Attorneys and they agree with the assessment.

There were questions and concern from various directors such as: What effect would closing the HWC have on the healthcare cost/budget? If closing the HWC would result in an increase in emergency room visits? How many unique visitors are seen in the HWC? Also, there was concern as to how the HWC was communicated to employees initially. Mr. Mark Johnson responded that data reflects that 60 members are consistently using the HWC for disease management and as their PCP. There has been an increase in members utilizing their PCP's. Emergency room visits are as frequent as they were prior to opening the HWC. AGM Michael Johnson responded and reiterated the next steps which would be to have some type of incentives and/or penalties for certain behaviors that are driving costs. He stated that the 2016 budget for the HWC is approximately \$587,000.00. He stated that the estimated cost to

implement a wellness program and the proposed disease management program is \$300,000.00. Mr. Mark Johnson reported on the 2017 benefit strategy recommendations which are as follows:

- HRA/Biometric Screenings for all Members
- Disease Management
- Incentives/Penalties – Surcharges for Tobacco and HRA/Biometric Screening Participation
- Data Integration & Aggregation
- Quarterly Wellness Initiatives

Mr. Mark Johnson stated that members who continue to use tobacco should incur a 25 percent surcharge in insurance premiums. This would apply to employees and their spouses. He added that members who choose not to participate in the HRA/Biometric Screenings should incur a surcharge in premiums also. Mr. Mark Johnson stated that there are proposed options for the HRA's and Biometric Screenings. Director Lewis inquired of the options and examples of companies with similar premium surcharges. She stated that she would like to see the proposed plans for a wellness program before making a decision. Mr. Mark Johnson responded that the goal is to utilize the medical plan via PCP's or bring in an on-site vendor to perform screenings for persons without a PCP. Hopefully, this would steer employees and spouses to a PCP. Director Lewis asked the number of persons without a PCP. Mr. Mark Johnson responded that he would provide the requested number at a later time. . He stated that relative to managing care, employees/members could receive incentives by enrolling in specific programs with nutritionists, exercise physiologist and others. Said program activities could be tracked for incentives/reward purposes. Director Lewis asked for names of some companies that have surcharges for employees and spouses. Mr. Clifton responded that companies such as the State of Alabama, PHIP (Teacher's in Public Education Program) and Southern Company have a surcharge program in place. Director Lewis voiced concern regarding closing the HWC and moving to another vendor. She believes there will be an increase in healthcare costs. Director Lewis commented that she would hope that management has exhausted all measures before closing the HWC. Mr. Mark Johnson added that CBS is currently working with BCBS as they are in the process of implementing a "Baby Yourself Maternity Program" and a "Walking Works Challenge." General Manager Underwood commented that another option would be to have UAB Highlands perform the referenced screenings. UAB Highlands is the current occupational worksite clinic which handles on the job injuries for the Board. As there was still concern regarding healthcare programs and options, General Manager Underwood informed the Committee that there are no final plans for the wellness program yet. Once developed said plans will be provided to the Board. Director Florie asked staff to provide examples of what other companies are doing relative to wellness programs also. Staff agreed to do so. Subsequently, the Committee agreed to move agenda items 2 and 3 to the Board requesting approval.

Next, General Manager Underwood informed the Committee of a project to review a list of professional certifications that would qualify for additional pay, which could result in an amendment to the BWWB's Salary Administration Plan, as noted in item 4. Currently, Grade 1 and Grade IV Operators as well as Professional Engineers with certifications/degrees are paid a 5 percent premium or a 5 percent pay increase. General Manager Underwood pointed out that management would like to submit a list of professional certifications such as CPA's, certifications in one's field of work to the Committee for review to determine if said certifications should be included in the Salary Administration Plan. Director Florie asked if the certifications in question would relate to their current position. General Manager Underwood responded that the request does relate to current positions. Chairman Mims asked if there would be some type of stipulation wherein an employee would be required to remain with the BWWB for a certain period of time after the company paid for their educational cost to receive such certifications/degrees. Mr. Lloyd responded that if the company paid for educational assistance relative to an employee receiving a bachelor's or master's degree, the employee is required to remain employed at the BWWB for 2-years. If he or she left prior to the 2-year requirement, said employee would be responsible for all reimbursements paid for by the BWWB during the previous 2-year period. General

Manager Underwood stated that item 4 does not relate to the Tuition Reimbursement Program. He provided the following example: if an employee in the Accounting Department has been with the company for 5 or 6 years and he/she passes the CPA or Internal Auditors exam, should the company provide a 5 percent premium or 5 percent pay increase to the employee. Director Lewis asked if the company pays for re-certifications. AGM Darryl Jones responded that relative to himself, the company reimbursed him for passing the Professional Engineers exam plus, he received a 5 percent pay increase for doing so. He stated that the company also pays for his renewals and the required continuing education courses.

Chairman Mims inquired why the company would not reimburse an employee that incurred student loans while going back to school seeking a degree. He pointed out that the employee in question has not received his/her grades, transcript or degree from the educational institution due to outstanding student loans. General Manager Underwood stated that employees are encouraged to take advantage of the Board's Tuition Reimbursement Program. Some of the requirements for the referenced program include: tuition reimbursement must be submitted and approved prior to enrollment; employees are responsible for expenses during the first semester; employees must receive at least a "C" grade for undergraduate study and at least a "B" grade for graduate studies. At the end of the semester employees must submit proof of the degree, grades and/or transcript for reimbursement. AGM Michael Johnson commented that he felt for some unknown reason the employee with student loans chose not to utilize the Board's Tuition Reimbursement Program. He added that he has an idea who the referenced employee is, and if confirmed, staff would review the case on an individual basis.

Subsequently, Director Florie inquired on the number of persons on the forthcoming list for review. She also asked management to provide how other companies handle similar cases. General Manager Underwood responded that staff would provide the requested information along with the list at a later date.

As there was no further business to come before the Committee, at 10:20 a.m. a motion was duly made and seconded, and the meeting was adjourned.

_____/s/_____
Mac Underwood
General Manager

_____/s/_____
Ronald A. Mims
Chairman/President

_____/s/_____
Ann D. Florie
Second Vice-Chairman/Second Vice President

_____/s/_____
George Munchus, Ph.D.
Secretary-Treasurer