

**MINUTES OF THE INFORMATIONAL MEETING OF DIRECTORS  
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
September 23, 2015**

The Informational Meeting of the Directors of The Water Works Board of the City of Birmingham was held on Wednesday, September 23, 2015, at 9:00 a.m., at 3600 First Avenue North, Birmingham, Alabama.

The following Directors were present: Ronald A. Mims, Kevin B. McKie, Ann D. Florie, George Munchus and Sherry W. Lewis.

Inasmuch as all Directors were present, a quorum was in attendance.

The meeting was also attended by: Mac Underwood, General Manager; Sonny Jones, Darryl Jones and Michael Johnson, Assistant General Managers; Grace E. Amison, Executive Assistant to the Board of Directors; Tammy Wilson, Executive Assistant to Assistant General Managers Sonny Jones and Darryl Jones; Ben Sorrell, Paul Lloyd, George Anderson, Iris Fisher Ed Travis, Jeff Cochran, Joyce Dupree, Doug Stockham, Lorenzo Clay, Cortez Tolbert, Glenn Terrell, Steve Franks, Derrick Maye and Barry Williams, Board Employees; Jerry Jones, ARCADIS; Charlie Waldrep, Mark Parnell and Mary Thompson, Waldrep, Stewart & Kendrick, LLC; Theo Johnson, Volkert & Associates, Inc.; Jesse Lewis and Brandon Wilson, The Lewis Group; Dan Meadows, S. S. Nesbitt and Company, Inc.; David Merrida, Birmingham Construction Industry Authority, Inc.; Chris Woods, C. W. Woods Contracting Services, Inc.; Courtney French, Fuston, Petway & French, LLP; William Clifton, Mark Johnson and Nicole Perry, Creative Benefit Solutions; Michael Twardowski, Steven Flaig and Dennis Tillett, HomeServe; Jarvis Vogle and Susan Kinsler, Healthstat; Calvin Stamps, Bretwood Capital.

General Manager, Mac Underwood called the meeting to order at 9:04 a.m. and welcomed the meeting body. Assistant General Manager, Sonny Jones opened the meeting with prayer.

There was no discussion under old business.

General Manager, Mac Underwood stated there was a full agenda, so Staff would like to move into item 3 first and, if time permitted, move on to the Division Presentations last.

Following, a presentation from Healthstat on the Birmingham Water Works Board (BWWB) Health and Wellness Center was given. Director Lewis entered the meeting at 9:10 a.m. Jarvis Vogle stated the BWWB's annual Health Risk Assessment (HRA) will be held September 29 – October 2, 2015. Susan Kinsler, CFO of Healthstat, reminded the meeting body that the primary purpose of the on-site clinic is to help employees get ahead of health conditions that could develop into larger health incidences. Referring to the Risk Factor Movement slide, Ms. Kinsler stated it was important to look at the control group when measuring. The control group consists of 420 people who have been through the screening every year since 2012. The total result of the control group for the three-year period (2012 – 2014) is that participants with a

0 risk factor increased by 33%. Participants who improved and maintained their health is 79%. The percentage of participants with declining health is 29%. It is important to remember that the control group is aging and as we age our risks increase. Success is measured by the number of people who visit the clinic. Of the 420 people who have participated in HRA's, 270 people are actually using the clinic. Ms. Kinsler stated Healthstat did not believe this number is high enough. Director Florie added the Board did not either. Ms. Kinsler stated Healthstat has some recommended incentives and considerations for increasing use of the clinic; spouses going through HRA's, an incentivized employee compliance program, a gate-keeper benefit structure through the onsite clinic in 2017 and participation in the new Healthstat invigorated outreach program. Employers are looking at ways to control healthcare costs with the possibility of the Cadillac Tax being imposed in 2018 according to Ms. Kinsler. A new outreach program, with a more invigorated approach was talked about. The biometric screenings, questionnaire, medical claims and drug claims are used to make assessments. There are 817 employees, which includes retirees according to Ms. Kinsler. About 600 people have participated in the program through either HRA's or the Health and Wellness Center. Out of that number only about 300 are compliant with Healthstat's frequency. However, the studies say that employees are visiting their primary care physicians (PCP's). Our studies reveal that some employees are getting healthy and they are not using the Health and Wellness Center. We are not trying to undo that according to Ms. Kinsler. Director Lewis asked if the employees can conduct business online. Ms. Kinsler responded yes. Director Munchus asked if retirees were going to the clinic. Mac Underwood responded no. The last slide discussed was slide 3, the BWWB Projected Clinic Savings. At the end of 5 years the projected savings goal set was \$4,811,773.00. Ms. Kinsler stated at the end of the first year the projected cost was \$44,513.00 when in actuality it ended up costing BWWB \$206,409.00. The Board made the decision to continue leaving the clinic open even though the cost was much higher than projected in that first year. At the end of the second year the projected savings was \$420,633.00 when in actuality the savings were \$1,143,933.00 or 19% of the 5-year goal. Director McKie asked where Healthstat was getting their trend and projections from. Ms. Kinsler stated they were using an 8% trend which came from Blue Cross Blue Shield (BCBS). At year 3, the savings are at 56% of the 5-year goal or \$1,762,723.00. Michael Johnson stated Staff would like to see dollars in savings; however what Healthstat is providing in relation to health improvements is helping. Staff does need to continue to look at ways to save though according to Michael Johnson. Director Lewis asked about emergency room visits and if those incidences have increased or decreased. Director Lewis stated they were sky high and that this was one of the reasons the clinic was established. Director Lewis stated she would like to know where we are. Michael Johnson stated Staff would have to look at that. Director Florie asked if the BWWB did HRA's prior to the Health and Wellness Center. Mac Underwood stated yes. Some discussion took place about BWWB being spread out with plants being in other counties and that mostly employees living downtown are the ones who are using the clinic.

Next, item 4, a presentation on Health Insurance Cost was presented by Mark Johnson, with Creative Benefit Solutions. The Scope of Services from Creative Benefit Solutions revolves around administrative support, strategic planning, claims and cost utilization, education and compliance oversight. The objectives for BWWB employees are awareness, satisfaction, good health, engagement and cost effectiveness. The objectives for the BWWB, as an employer are cost effectiveness, attractiveness, human capital retention, industry competitiveness and

goodwill. Mark Johnson stated Creative Benefits sees a different trend than what Healthstat presented. In 2013, \$9.3M was spent on healthcare; there was a 10% increase between 2013 and 2014 and a 22% spike from 2014 to finish 2015. The projection we see from 2015 into 2016 is 4%. The spike we believe is due to some catastrophic claims. The projection for 2016 in medical claims is \$7,813,010.36 according to Mark Johnson. Director Florie asked why the projection was as high as the previous year, as that was a worst case scenario. Mark Johnson stated the point could be debated, but they felt pretty certain the projected trend would hit this number. The Stop Loss premium is expected to double, which is a 100% increase, according to Mark Johnson. A continued strategy around health and wellness is needed along with identifying risks. Making sure employees stay out of chronic states, which causes catastrophic claims, Mark Johnson stated was very important. As far as the Health and Wellness Center's role in employees' health, we have seen a 49% increase in cost coupled with the 40% increase in medical claims. It was pointed out by Paul Lloyd, Manager of Human Resources, the figure in 2016 includes the operational costs of the building, and the previous years do not. The health of the employee population is as follows; 24% not specified (those who have not ever gone through an HRA), 30% no change, 13% without improved conditions and 33% with improved conditions. Mark Johnson provided three spreadsheet handouts (wherein copies are on file with the Board meeting book) of summaries of 2016 carrier and plan design options. Vendors were brought in to present their offerings and a lot of companies want the business. We are seeing in the marketplace that employers are looking at narrowing and restricting their network. Right now Blue Cross Blue Shield (BCBS) has 100% of the hospitals in the network and 95% of the doctors in the network. The marketplace is looking at sending their people to the lowest high quality care, so they are sending them to strategic people for strategic reasons which are typically around cost and quality. Most companies are looking at increased deductibles, with some being above \$1,000.00 for singles and \$2,000.00 for families. Companies are also capping or eliminating tax deferred savings accounts or FSA's. In some cases companies are eliminating services all together. Out-of-pocket shared benefits are going down and out-of-pocket costs are going up as long as we are using the 2018 Cadillac Tax as our back stop. Based on our projections, at the current trend with the 2018 Cadillac Tax penalty, we believe the cost will be around \$2.1M. And we believe it will get worse every year unless something happens to change that. The key to winning long-term is managing the employee population's health according to Michael Johnson. There is conversation around a carrier change, leaving the plan design the same with BCBS or possibly modifying the plan with BCBS. If the BWWB makes no changes, based on staying with BCBS we are looking at \$13.1M as the budget number. Projected in 2015, it will finish at \$12.6M. Year 2014 finished at \$10.3M and year 2013 finished at \$9.3M. Mark Johnson stated they were asked by the Board to come up with some possible options which can be found on the last spreadsheet. New regulations in 2016 on out-of-pocket costs will be that deductibles accumulate toward out-of-pockets costs. Each individual in a family has an individual deductible maximum out-of-pocket but it will cap at the family's maximum amount. Mac Underwood stated that staying with BCBS would mean higher out-of-pocket costs and higher deductibles as shown on the spreadsheet. Director Florie asked Mark Johnson if they had looked at higher co-pays, adding \$20.00 co-pays are unheard of. Mark Johnson stated they had looked at raising the co-pay to \$25.00. Director Florie asked if that would generate more savings. Mark Johnson responded yes. Director Florie asked Mark Johnson if they could tinker with these co-pays, raising them more. Director McKie asked would that not level out the costs and spread the burden out on everyone rather than only those with catastrophic events? Director Florie stressed

she is thinking about the employee. Director McKie echoed Director Florie stating the co-pays could be tweaked more. Mark Johnson stated you could possibly get there adding they tweaked the deductible and out-of-pocket maximum which is exactly what was asked of them. Director Florie asked what it would take to lower the \$13,700.00 out-of-pocket burden on the employee. Mark Johnson did not give specifics, but asked Director Florie to give him some options to run. Premiums are increasing for everybody and also increasing is the out-of-pocket maximum, which makes the people who use the plan pay more Mr. Johnson stated. If you increase the co-pays and the deductibles it will make a slight adjustment on the deductibles and out-of-pockets according to Mac Underwood. Director Florie stated if it is important enough to the BWWB employee, she wants to make sure every scenario is looked at. Mac Underwood stated there are an infinite number of options. Director McKie asked if Staff has looked at Gap insurance. Employees have supplemental policies offered and also FSA's are offered. Mac Underwood stated the key is the out-of-pocket maximum. The things that are going up are BCBS's administration service fees, BCBS's payment on claims and prescriptions according to Mark Johnson. Some discussion occurred about which carrier is best, BCBS or United. Mark Johnson stated they looked at the industry averages on co-pays, deductible and out-of-pocket costs. Director McKie asked if \$20.00 co-pays were the industry average. Mark Johnson responded no, however we did not go to \$40.00 co-pay in order to perhaps encourage employees to continue to see their PCP. Director McKie asked if Creative Benefit Solutions looked into employees' doctors being in the United and Delta Dental networks. Mark Johnson stated a high percentage of employees' doctors are covered in both of those networks. We also verified that all Alabama hospitals are covered under United Healthcare Mark Johnson stated. Mac Underwood stated some employees are saying that their doctor does not accept United Healthcare. Derrick Maye, President of the Employee Association was recognized to speak. Mr. Maye stated that even with the higher out-of-pocket cost, the employee association would rather stay with BCBS. Mr. Maye stated he had spoken with employees across the organization and overwhelmingly employees have apprehension about going with United Healthcare and they would rather stay with BCBS. Knowing the sensitivity around this issue, Director Florie stated different scenarios needed to be looked into relating to higher co-pays to decrease the out-of-pocket cost for the employee. Director McKie asked again if the co-pays could be increased to off-set the out-of-pocket cost. Director Lewis stated she was in agreement to keep both BCBS and United Healthcare on the table for consideration at this point. Sonny Jones stated the people in his division in the field are generally younger without families. Only about 10% of BWWB employees met the out-of-pocket deductible with significant health events this year. Mac Underwood asked for anything else Staff could bring forward for the Board next week to get closer to making a decision. Director McKie asked for \$40.00 doctor visit co-pays on both companies. Mac Underwood asked about Emergency Room co-pays. The Board agreed and asked that those numbers be emailed to them and brought before the Employee Association. Mac Underwood stated he would like to get the final design to the masses. Director Munchus asked Mac Underwood if Staff could have United Healthcare come and speak. Mac Underwood stated yes. Mac Underwood stated Staff would like to hear from HomeServe next and push the H. U. B. presentation and the Division presentations to next week. At 10:45 a.m. Directors Florie and Munchus departed the meeting.

Following, Michael Twardowski, Account Director for the BWWB at HomeServe, reviewed the HomeServe/BWWB partnership which was established January 2014. As

background, HomeServe is headquartered in Norwalk, Connecticut and was established in 2003. They have 58 partners throughout the U. S., they service 2 million customers and they have 3 million policies. All of their plans are underwritten by A-rated insurers. HomeServe offers service contracts for emergencies in the home. A pro-bono job for Mrs. Bennie Elliott, a BWWB customer, who is retired and caring for an ill husband, was performed by HomeServe. Also, so far, 8 more pro-bono jobs have been performed for BWWB customers totaling \$25,000.00. Additionally, the program has been very well received by customers, with 98% satisfaction. Almost \$500,000.00 in program fees has gone back into the BWWB. About \$10,000.00 has been paid in bounties to the BWWB Customer Service Department Call Center due to referrals. Since the program was launched, a HomeServe contractor has been to a BWWB customer's home nearly 4 times every day. Claims frequency for water service lines is 4 times higher than expected based on the assumptions used from HomeServe's experience with Louisville Water Company. Dennis Tillett, from HomeServe, was recognized to speak. Mr. Tillett stated tweaks to pricing were needed to sustain the benefits currently being offered. Michael Twardowski said HomeServe did not expect the frequency of claims that they are seeing at almost 4 times higher for the water service product and 6 times higher for the sewer service product. HomeServe is losing money; therefore some tweaking may be needed upon the contract renewal. In year three, HomeServe is proposing a \$1.00 increase on both water and sewer line service. We are being challenged by our management to bring these costs into line. We are also hoping to see better trends. After year three, we will re-access going forward according to Mr. Twardowski. Director Lewis asked about the percentage BWWB receives from each customer contract. Mr. Twardowski responded 15%. We also want to grow the program by adding some additional services; interior plumbing and drainage, water heater and a cooling product Mr. Twardowski stated. Director Lewis asked if we are on target for the number of customers we hoped to have on the program. Mr. Twardowski responded yes. The sign-up is ongoing with the bounty being expanded to the cashiers Mr. Twardowski added. Chairman Mims asked how much the call center representatives receive for each contract. Michael Johnson responded \$10.00 per contract. By mid-year of year three, Mr. Twardowski stated the next BWWB bonus will be awarded and the next tier is about \$30,000.00. Some discussion occurred concerning whether or not customers can afford to pay more for the service and additional services. Mac Underwood stated customers are voluntarily signing up and paying for this service. Mr. Twardowski stated there is a lot of value in this program for the customer. Chairman Mims asked who on Staff is managing this program. Glen Terrell, BWWB engineer, responded saying that Cortez Tolbert, Sidney May, Iris Fisher and himself were all instrumental in initiating and keeping the program moving along. Sonny Jones added that HomeServe provides 12 free repairs per year along with making a substantial donation to the BWWB H2O Foundation every year and he believed it to be a great partnership. Mr. Twardowski stated they would like to expand the business adding the additional products to avoid additional price increases in the future. The new products will be offered one at a time or at a 10% discount for customers signing up for multiple products. Mr. Twardowski stated HomeServe is very competitive with the product they are offering at 17% less than other companies offering whole home warranties. The \$1.00 a month increase on water and sewer line products, if approved would go into effect January 1, 2016. Mac Underwood thanked Mr. Twardowski and said Staff would get back to them and let them know where we are.

As there was no further business before the Board, a motion was duly made and seconded, and the meeting was adjourned at 11:20 a.m.

\_\_\_\_\_/s/\_\_\_\_\_  
Ronald A. Mims  
Chairman/President

Attest:

\_\_\_\_\_/s/\_\_\_\_\_  
George Munchus, Ph.D.  
Secretary-Treasurer