

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

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

The following Committee Member was present: George Munchus. The following Non-Committee Members were also in attendance: Kevin B. McKie and Sherry W. Lewis.

The meeting was also attended by: Mac Underwood, General Manager; Michael Johnson, Darryl Jones and Sonny Jones, Assistant General Managers; Grace Amison, Executive Assistant to the Board of Directors; Cynthia Williams, Paul Lloyd, Joyce DuPree, and George Anderson, Board Employees; Paige Goldman and Samuel Ford, Fuston, Petway & French, LLP; Dr. Jesse Lewis and Dorian Kendrick, The Lewis Group; Mark Johnson, Nicole Perry and William Clifton, Creative Benefits Solutions; Chuck Henderson, Humana; Sean Follick, Abacus Health Solutions; and Anthony Willoughby, Dominick, Feld-Hyde, Inc.

General Manager Underwood called the meeting to order at 9:03 a.m. and he offered prayer. Inasmuch as only one Committee Member was present, General Manager Underwood declared that there was not a quorum in attendance. He pointed out that the Committee could proceed and hear presentations from the presenters as set forth in agenda items 2 and 3, but no recommendations could be made from the Committee.

Director Munchus informed the meeting body that while visiting Chairman Mims on last evening he found him in good spirits. He stated that Chairman Mims sent a hello greeting to all and commented that he is looking forward to returning to the Board.

Next, the General Manager gave control of the meeting to Assistant General Manager Michael Johnson. AGM Michael Johnson stated that items on the agenda are related to the annual process regarding the BWWB's Benefits. He pointed out that Blue Cross Blue Shield (BCBS) would remain as the BWWB's healthcare provider for 2017. AGM Michael Johnson commented that today's presentations would focus on ways to structure benefits and to control costs relative to disease management. Mr. Mark Johnson, Creative Benefits Solutions (CBS) was recognized to lead the presentation relative to the BWWB's FY 2017 proposed benefit program (projected cost, plan design, etc.), as noted in agenda item 2. (copies of each presentation were distributed. Copies of said documents are on file in Diligent Boardbooks).

Director Munchus inquired if Request for Proposals (RFP's) were sent out to disease management vendors. AGM Michael Johnson responded that management asked CBS to use their expertise relative to locating benefit vendors that would best fit managements proposed structure for the BWWB's FY 2017 benefits program. Mr. Mark Johnson added that after transitioning from the Health and Wellness Center CBS searched the market for vendors that could provide standalone disease management services and vendors that could provide standalone health and wellness services for the BWWB. Mr. Mark Johnson pointed out that a RFP was sent out due to the need for standalone services /hybrid models. He stated that CBS also solicited information from BCBS, the Board's current healthcare provider to evaluate available services that would address specific needs that are not utilized by Board employees relative to disease management and health and wellness programs. BCBS identified approximately 45 members that require disease management. Mr. Mark Johnson stated that CBS targeted disease states that are driving costs to the BWWB on a volume basis. He stated that significant dollars are spent on members with diabetes and hypertension annually. CBS identified approximately 500 members that require disease management relative to costs. Mr. Mark Johnson commented that the overall goal is

to help members manage their disease states which would help control costs. The proposed wellness strategy would help track, control, monitor and reward members for good behavior and/or activities that lead to better outcomes. Mr. Mark Johnson reported on the BWWB's healthcare spend since 2014. In 2014, the healthcare spend was \$11.1 million dollars; in 2015 the healthcare spend was \$12.7 million dollars. The projected healthcare spend for 2016 is \$11.9 million dollars and the projected healthcare spend for 2017 is \$12.3 million dollars. Medical claims and fixed costs for 2014 was \$5.9 million dollars; medical claims and fixed costs for 2015 was \$7.9 million dollars. Projected medical claims and costs for 2016 is \$7.2 million dollars and the projected medical claims and fixed costs for 2017 is \$7.5 million dollars. Mr. Mark Johnson commented that there is much concern relative to the prescription drugs claims and fixed costs. In 2014, the total spends for prescription (Rx pharmacy) drugs were \$2.9 million dollars; pharmacy spend for 2015 was \$2.4 million dollars; the projected pharmacy spend for 2016 is \$2.4 million dollars and he stated that based on trends, the projected spend for 2017 is \$2.8 million dollars. Mr. Mark Johnson stated that the medical cost per member per month is \$364.93 compared to benchmarked cost of \$274.09. The BWWB's Rx plan per member per month is approximately \$121.71 compared to the benchmarked amount of \$61.34 per member per month. Mr. Mark Johnson pointed out that some of the Board's cost drivers relate to the birth of a premature child, the diabetic population, the hypertension population and the renal failure population. Mr. Mark Johnson stated that the goal is to manage the healthy population by implementing a wellness program with incentives. Focus on the acute population would be to help them improve and/or maintain their current disease state. Mr. Mark Johnson pointed out that members in the chronic disease category would require some life-style changes in order to prevent moving to the complex category. In 2014, the amount budgeted for health & wellness was \$540,526.32. In 2015, the amount budgeted was \$575,028.00; and in 2016 the amount budgeted was \$600,000.00. The projected allotment for 2017 to target specific disease states is \$140,850.00 along with some variable costs that will be associated with the proposed wellness program and the proposed disease state management program. The overall 2017 projected budgeted cost for health & wellness will be under the amount budgeted last year, which was approximately \$600,000.00. Mr. Mark Johnson commented that the BWWB's current medical plan design would need to be revised wherein more out-of-pocket cost would be shifted to the members. Mr. Mark Johnson reviewed some of the following cost mitigation strategies: the Board should consider revising the current medical plan by increasing the out-of-pocket max from \$3,500.00 to \$5,000.00 for singles and from \$7,000.00 to \$10,000.00 for family. Consider increasing the Primary Care Physician co-pay from \$30.00 to \$35.00; to consider increasing a specialists' co-pay from \$60.00 to \$70.00 dollars; consider adding a \$100.00 co-pay for inpatient hospital stays (3 day max); consider \$20.00 co-pay for lab and imaging services if co-insurance does not apply; and consider a \$50.00 co-pay on all non-retail drugs that are administered in providers office, such as cancer drugs and infusion drugs. Mr. Mark Johnson asked the Committee to entertain the thought of using limited network providers relative to medical and pharmacy benefits.

Director Munchus asked how the proposed additional co-pays would be explained to the employees. Mr. Mark Johnson responded that emphasis would be placed on the increase in co-pays and additional co-pays during the open enrollment process with employees.

Following, Mr. Chuck Henderson, Humana was recognized to introduce their proposed Go365 Wellness and Rewards Program for the BWWB as part of the FY 2017 Benefit Program, as noted in agenda item 3.1. He asked that Mr. Yakov, an employee in Humana's analytics area (located in Chicago) join the meeting via a phone call. Director Munchus asked Mr. Henderson if he was local. Mr. Henderson responded that he is located in Tampa, Florida and he is responsible for clients in the southeast region. Mr. Henderson stated that five years ago Humana transitioned into a well-being based company. He stated that the holistic approach integrates four dimensions of well-being, which are as follows: Purpose, Belonging, Health and Security. Mr. Henderson pointed out that Go365 is an online incentive based rewards program. The program can be utilized by employees and family members relative to information obtained from their Health Risk Assessments (HRA). The HRA would be an easy way to gain an idea of one's overall health. The HRA is separated into easy-to-digest sections. The more information members put into the assessment, the more personalized their experience will be with Go365. Members can access

the assessment via the Go365 Website or the App. The assessment touches on key areas such as medical history; weight, blood pressure and other personal measurements; eating habits; tobacco and alcohol use; lifestyle habits; fitness and exercise; and mental well-being. Mr. Henderson stated that once personal goals are set using information gathered from the HRA and other profile information, Go365 would develop an individual, personalized plan for each member. Humana would then recommend goals based on identified health risks and verifiable activities within said goals to earn points. The program is based on status wherein the initial status for all members is blue. Once enough points are accrued, members would move to a bronze status, then a silver status, a gold status and platinum would be the highest status. Mr. Henderson pointed out that the silver status is considered engaged. Relative to eating habits, Mr. Henderson commented that Humana has a relationship with the Biggest Loser Ranch. The referenced ranch indicates that the three components to well-being include physical fitness, emotional management and nutrition. He stated that Humana Vitality created a program with Wal-Mart for eligible Go365 members to enjoy 5 percent savings on “Great for You” healthier foods purchased at Wal-Mart. Members may save up to 50 percent when they play the Pick 6 game each month. With Healthy Food, Humana Vitality presented the first national program wherein a major retailer and a wellness company joined forces to offer people incentives to eat healthier through savings on food. Mr. Henderson commented that Humana Vitality completed a three-year impact study of more than 8,000 Humana employees. Mr. Yakov was recognized to provide a high level overview of the referenced study. He stated that relative to chronic conditions the number of engaged members in the low-risk group increased by 24.4 percent; and the number of unengaged members increased by only 14 percent. Mr. Yakov commented that overall health claim costs for engaged members were lowered by 10.1 percent in a three-year period while there was a 17 percent increase for unengaged members. He stated that engaged members missed an average of 17 hours of unscheduled absences compared to unengaged members who missed an average of 23 hours of unscheduled absences. Mr. Yakov added that unengaged members had 56 percent more emergency room visits and 37 percent more hospital visits than engaged members. Director McKie left the meeting at 10:10 a.m. Mr. Henderson pointed out that health coaches would be available to assist members with the next steps of transitioning to an upward status regarding their disease state.

There was concern from various directors, such as whether a live person would be on-site for coaching; a full explanation of the Go365 Program; and how would employees be engaged in said program. Mr. Henderson responded that health coaches would be available in real-time via the web or over the phone. Mr. Henderson stated that Go365 is built for the mobile app and it does backup to the web. The Go365 Program would help members to own their own journey. Mr. Mark Johnson added that the purpose of Go365 is to provide members with a portal and web app wherein they would have access to track and record their activities. As members participate or utilize the app there would be outreach from a health coach offering advice and/or assistance. Director Munchus asked if any other water systems were clients of Humana. Mr. Henderson responded that he was not aware of water system clients, but some of their clientele include municipalities such as the States of Kentucky and Indiana. Mr. Mark Johnson pointed out that year one would be to introduce the Go365 Program as well as familiarize members with using the system. Year two would relate to points earned during the first year; points would equate to X number of dollars. Said dollars could be used towards the proposed health reimbursement arrangement plan related to out of pocket expenses associated with the medical plan.

Director Lewis expressed concern regarding the length of the program wherein employees may not be comfortable not receiving a reward during the first year. Mr. Mark Johnson responded that the preferred method under the Go365 model is to have an online mall where points can be redeemed more frequently. However, management decided to use the HRA approach which is an annual event. The points/dollars are associated with the HRA approach. The proposed dollar amount to be earned within a year is \$300.00 per member. Subsequently, a decision was made to introduce \$150.00 of the reward earned during the first 6-months of the year and the remaining \$150.00 earned during the end of the year. Doing so would incent the members to focus on reaching their goal. HumanaVitality concluded their presentation and left the meeting at 10:25 a.m.

Next, Mr. Sean Follick, Director of Sales and Marketing with Abacus Health Solutions was recognized to present a proposed Disease Management Program for the BWWB as part of the FY 2017 Benefits Program, as noted in agenda item 3.2. Mr. Follick stated their office is located in Cranston, Rhode Island. He pointed out that Abacus was founded in 1988 by a team of behavioral psychologists out of Brown University. He stated that Abacus is a three-decade old chronic condition management company. Abacus has received approximately \$10 million dollars in research grants over the years from different divisions on the National Institute on Health. Mr. Follick commented that Abacus is sort of the pre-eminent patient engagement company. He stated that Abacus' works with the specialty clinics for hospitals to help them engage their high risk patient population. Mr. Follick stated that Abacus is hired by kidney transplant clinics where Medicare no longer pays for 30-day re-admission rates. One of Abacus' programs reduced the re-admission rate down to 43 percent. Mr. Follick pointed out that Abacus approach is to manage employer cost driving chronic illnesses with provider-centric interventions; to increase engagement via ongoing support and communication; employ evidence-based protocols and strategies; and to create outcomes through targeted incentives and benefit plan designs. This would be an ongoing management program. Mr. Follick stated that Abacus' strategy is to identify the high cost members. The goal is to offer benefit enrichment to members with diabetes if they go to their own doctor and meet all evidence-based standards of care. Said members would be offered all diabetes medication supplies free of charge and no co-pays during primary care visits. Abacus would identify all members in the BWWB's population, provide communication campaign, track the health related activities and provide the incentive administration piece on the back-end for members.

Director Munchus asked if Abacus would focus on the specific population of members with diabetes and work with them. Mr. Sean Follick responded yes; plus, said members would continue to see their primary care physician. He stated that Abacus would take a broader and preventative approach with all members diagnosed with diabetes. Mr. Sean Follick stated that it has been proven and replicated that by using this strategy it would reduce the hospitalization costs by twenty-five plus percent. He stated that Abacus would also provide information in the realm of members with hypertension. Director Lewis inquired what percentage of the BWWB's population has diabetes. Mr. William Clifton responded that 151 members of the BWWB's population have diabetes, approximately 11 percent. Director Munchus asked if said percentage was fairly high and what percentage was male compared to female. Mr. Sean Follick responded that 11 percent was high even for the State of Alabama. Mr. Mark Johnson responded that the information requested regarding gender is not readily available. He stated that said information will be provided at a later date. Mr. Sean Follick reiterated that Abacus' programs would support members who need the most help, improve members health, provide a rich benefit offering, save the BWWB money on reduced claims, slow the progression of disease states (relative to renal failure) and alert adverse events. Mr. Sean Follick pointed out that Abacus is a national leader in patient's engagement and participation in programs. He added that Abacus has more case studies and replications than any other vendor. Mr. Sean Follick stated that based on information received from CBS, over \$12,000.00 dollars is spent per member per year on the 151 BWWB members with diabetes. Mr. Sean Follick stated that Abacus projects a yearly 10 percent reduction in claims cost associated with diabetes for the BWWB. Mr. Sean Follick reviewed the projected annual fees for Abacus' programs. The projected annual fees will be approximately \$36,000.00. He added that 50 percent of fees will be placed at risk by Abacus to be earned back based on participation and compliance of the program. Projection of annual returns for programs offered by Abacus is 5 to 1 year over year. The pharmacy benefit costs for members are projected to be \$27,000.00. Mr. Follick stated that Abacus will provide tracked information relative to members diabetes care to the Board on a quarterly basis. Mr. Sean Follick pointed out that Abacus' engagement would be for 24-months. The first year would focus on getting members engaged in the program. Mr. Sean Follick stated that Abacus has clients in the Birmingham area such as the Children's Hospital. Mr. Sean Follick commented that the program offered by Abacus will be voluntary. Members will have the option to choose participation offline or online. Communication to members will consist of a customized communication plan with Abacus' management team (inform members that the BWWB sponsors the benefit that is administered privately and confidentially by Abacus). Medical claims data feed will be requested from Blue Cross Blue Shield. Targeted members will receive correspondence at

their home addresses from Abacus (as a HIPPA Compliant 3<sup>rd</sup> Party) every 2 to 3 months with benefit enrichment offers of the program.

Director Lewis voiced concern as to the number of actual employees versus members referenced in the 11 percent population with diabetes; and if diabetic members would receive a card to present to receive the free diabetes medication supplies. Mr. Mark Johnson responded that said information was not broken down by CBS, but requested information would be provided to the Board. Mr. Sean Follick responded that members would receive a card to present at any unrestricted place for the free benefits. Members would be required to have a provider conformation form for each PCP visits. One side of the form reflects an explanation of the program and the other side of the form would be for the PCP to note the members standards of care received relative to their condition. Members would be charged \$25.00 to have said form completed by the PCP. Also, the referenced form would need to be faxed to Abacus by the PCP's office. As there was concern relative to members being charged to have said forms completed, Mr. Mark Johnson suggested that a provision could be put in place at a later date if said issue would become a barrier to the success of the program. Mr. Sean Follick concluded his presentation and left the meeting at 11:00 a.m.

Director Lewis asked what would be the cost to the Board to implement the Go365 Program and the Disease Management Program; and who would be responsible for campaigning all needed information associated with both programs to the employees? Mr. Mark Johnson responded that the proposed fixed cost would be \$140,000.00 compared to the prior commitment of \$600,000.00. He commented that both consultants built all marketing pieces and they would be responsible for engaging members. Director Lewis suggested that the BWWB's PR team be a part of the consultant's communications/campaigning strategy and aware of what is being done in order to keep the Board informed of the status of the engagements. General Manager Underwood agreed to do so. General Manager Underwood informed the meeting body that he was leaving the meeting to participate in a bond issue conference call. Prior to leaving, General Manager Underwood distributed a copy of the presentation that was presented to the City Council on last evening, August 2, 2016 regarding renewal of the franchise agreement with the City of Birmingham. He asked the Board to review the presentation and provide feedback/assistance to Senior Management. General Manager Underwood left the meeting at 11:02 a.m.

AGM Michael Johnson proceeded with the agenda and a document relative to the FY 2017 proposed benefit program budget was distributed. Mr. Mark Johnson was recognized to lead discussion relative to said document. He stated that another part of the benefit program would relate to tobacco cessation. Mr. Mark Johnson pointed out that the recommendation from CBS is to add additional components to the program including surcharges related to tobacco cessation and non-compliance to HRA's and biometrics. Tobacco cessation surcharges would relate to any form of tobacco usage. Director Munchus inquired on the reasoning for surcharges. Mr. Mark Johnson responded that although he did have the statistics with him, there are some alarming stats around the healthcare trend as it relates to tobacco usage. He stated that tobacco users would be offered the option to stop use of tobacco or they would be hit with a surcharge in premiums. Mr. Mark Johnson pointed out that the BWWB has had a voluntary smoking cessation program in place for 2-years wherein no one has volunteered to participate. Mr. Mark Johnson commented that there would be a reduction strategy where premiums would be set at a certain dollar amount. If members show and prove that they no longer use tobacco and/or participate in the HRA's and Biometrics, a reduction in bi-weekly premiums would be afforded. Members that choose not to stop use of tobacco would pay more via an increase in premiums. Mr. Mark Johnson addressed different scenarios and proposed premiums on the budget handout. The projected FY 2017 healthcare cost for the do nothing scenario (make no changes to the medical plan design) would cost the Board approximately \$12,801,245.00. Cost for the Health Center was removed while cost for the disease management and wellness programs is included. Director Munchus inquired on cost for the 2016 healthcare budget. The referenced projections for FY 2017 are based on members that are compliant with the disease management program and the wellness program. AGM Michael Johnson responded that the

total cost for the FY 2016 budget was \$11.9 million dollars. Mr. Mark Johnson reviewed the next scenario and he pointed out that if the Board chooses to accept and approve recommendations presented earlier today from CBS relative to out-of-pocket changes and co-pays, the projected FY 2017 healthcare cost would be approximately \$12,375,969.00. Attached is a copy of the document wherein Mr. Mark Johnson reviewed the different scenarios and options (a copy of the referenced document is on file in Diligent Boardbooks.)

Next, Mr. Mark Johnson commented that from a rate standpoint the reduction in premiums for compliance would be administered in the 4<sup>th</sup> quarter of 2016 and would become effective January 1, 2017. Mr. Mark Johnson stated that a decision would need to be made as soon possible as to the direction the Board would like to take relative to the FY 2017 benefit plan. Director Munchus asked if management was aware of what percentage of employees would acknowledge tobacco use. Mr. William Clifton responded that according to statistics, approximately 11 percent of the member population is smokers. He added that in the past, the only question addressed was if one smoked. Others forms of tobacco use was not questioned. In closing, Mr. Mark Johnson commented that the overall goal is to ensure that the proposed programs are successful. Subsequently, Director Munchus (Committee Member) agreed to move the referenced item to the full Board without recommendation from the Committee.

Following, Mr. Anthony Willoughby, Dominick, FELD & Hyde was recognized to address item 4 relative to the BWWB's Flexible Benefit Plan (the Cafeteria Plan). A copy of the Summary Plan Description (SPD) was distributed by Mr. Lloyd. Mr. Willoughby pointed out and explained why the proposed amendments to the BWWB's SPD are needed. Mr. Willoughby stated that some law changes occurred over the past several years wherein some changes were addressed last year regarding the Affordable Healthcare Act. Part of the process is to change the (SPD). Mr. Willoughby reviewed the changes as noted in the handout. Mr. Anthony Willoughby pointed out that the major change made previously needing to be reflected in the SPD relates to the change from a grace period to a rollover. He stated that the law requires either the grace period or the rollover option. Mr. Anthony Willoughby commented that any remaining balances (up to \$500.00) on one's elective healthcare spending account can rollover to the next year. The SPD can have either the grace period or the rollover period. Mr. Anthony Willoughby stated that in 2013 the Board chose the rollover period for the flexible spending account and the dependent childcare account. Mr. Michael Johnson pointed out that the Board is already in compliance with the law regarding the referenced items. The language in the SPD is being updated to reflect the changes. (a copy of the referenced document is on file in Diligent Boardbooks).

Subsequently, Director Munchus commented that items 2, 3, and 4 noted on the agenda be moved to the full Board requesting approval without recommendation from the Human Resources Committee.

Director Munchus asked AGM Michael Johnson if he would address the meeting with the Utilities Committee. AGM Michael Johnson stated that Senior Executive Management met with the Utilities Committee on last evening, Tuesday, August 2, 2016. He pointed out that General Manager Underwood made a presentation relative to the franchise fees and how the BWWB pays the City of Birmingham 3 percent of the revenue that is generated within the City annually. AGM Michael Johnson commented that over the last 5-years, the BWWB paid the City of Birmingham around \$9 million dollars per year. Also, an additional payment of approximately 1.5 percent of revenues generated outside the city limits in fire or police jurisdictions is paid. The last franchise agreement with the City of Birmingham was 1951 and it expired in 1981. Executive Management is requesting to have the franchise agreement approved by the Birmingham City Council.

As there was no further business to come before the Board, at 11:26 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/\_\_\_\_\_  
George Munchus, Ph.D.  
Secretary-Treasurer