Meeting Summary
Human Resource Committee Meeting
Monday, March 10, 2014, 6:00 p.m. – 7:30 p.m.
OWASA Boardroom

Board Committee:	Will Raymond, Michael Hughes, Dana Raborn, Alan Rimer (Ex-officio)
Other Board Members:	None
Staff:	Ed Kerwin, Stephanie Glasgow, Stephen Winters, Todd Taylor
Public:	Rich Walters and Ellen Tucker with Hill, Chesson and Woody

1) **Health and Dental Insurance Renewal - Use of Hill, Chesson and Woody for Consulting Services**
   The Committee received and discussed a presentation (attachment) from Hill, Chesson and Woody (HCW) regarding their model and strategy for managing and negotiating costs for Health and Dental Insurance plans. The Committee expressed support for staff's plan to engage HCW services for the coming year. After the first year, staff will evaluate the effectiveness and value of HCW services and report same to the HR Committee for review.

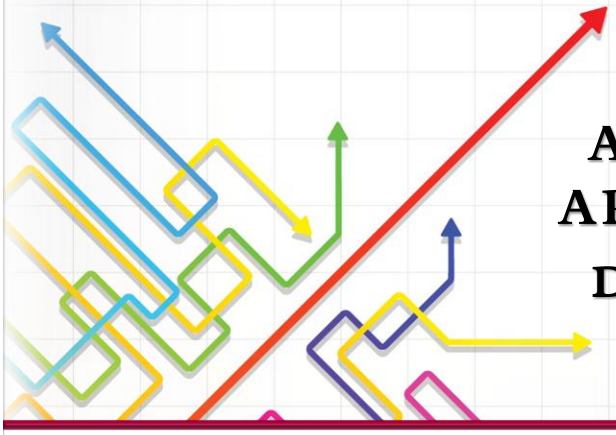
2) **Employee Survey regarding Performance Evaluation and Compensation System**
   The Committee discussed and supports moving forward with the employee survey (with a minor suggested change).

   The Committee agreed that the next meeting would be held on March 25, 2014 at 5:30 pm in the OWASA Board room to discuss 457 plan benefits and Retiree benefits for new hires.

Prepared by:

Stephanie S. Glasgow, MESH, PHR
Director of Human Resources and Safety

March 10, 2014 – HR Committee Presentation



A UNIQUE APPROACH:

Delivered. Proven.

HILL, CHESSON & WOODY

Experience the benefit.

Outline

- HCW Overview
- OWASA's Needs
- HCW Capabilities
- HCW Service Agreement & Fee Structure
- Questions & Next Steps

HCW Resume

- *Full-Service, Locally-Owned Benefits Management Consulting Firm – Founded in 2000*
- *Designs, Implements & Manages Employee Benefits Programs for Mid-Sized organizations, that support a group's corporate strategy and direction.*
- *Team of 70 subject matter experts, focused solely on group Health & Welfare Benefits*
- *Municipality Experience (eg. Town of Chapel Hill, Morrisville, Warren County, Kernersville, Gibsonville)*
- *98% Client Retention Rate – 100% w/groups of 100+ EE*

OWASA's Needs

Full service capabilities delivered with an array of expertise, especially in the areas of:

- **Cost containment –** negotiating renewals with leverage & predicting future costs
- Sound **compliance advice and guidance**
- Comprehensive **strategy** that aligns with OWASA's corporate direction and facilitates employee **recruitment and retention**
- Claims and utilization **analysis** to help drive plan design and wellness decisions while **maximizing cost savings**

A Unique Approach

Delivered. Proven.

Through our core competencies, we help our clients design, implement and manage the employee benefit program that best supports the strategic direction of their organization.



A Unique Approach

Delivered. Proven.



The HCW Team…



Ellen Tucker
Principal, Health & Welfare Consultant



Jennifer Swenk
Client Manager



Lindsey Surratt, JD
Compliance Officer



Twyla Hutchins,
RN, BSN, COHN-S
Health Management Officer



Hue Sheahan
VP, Underwriting & Risk Management



Rich Walters
Triangle Regional Manager

A Unique Approach

Strategic Planning

With HCW Strategic Planning, we create benefit strategies that are aligned with overall business objectives. This creates better outcomes, while improving return on investment.



Putting WORDS into ACTION

"Having been a client since 2001, we are very confident in HCW's abilities. They have guided our decisions, making certain we have the most appropriate benefit plan to meet our needs and the direction of our company."

Karl Stein, Practice Manager
Raleigh Orthopedic Clinic

Strategic Planning

CORPORATE DIRECTION *(3 year Vision, Major Obstacles Along Way)*		
Wilmington Health is an independently owned multi-specialty medical practice with approximately 700 staff including 100 physicians.		
OBJECTIVES FOR BENEFIT PLAN		
Goal	**Measurement**	**Result**
Maintain benefit package reflective of employer of choice, which is at or above parity.	Comparison to local and national benchmarking data.	
Manage cost of benefits program through plan design and funding decisions.	Assessment of actual costs versus projection for any plan design changes. Assessment of funding analysis for self-funded versus fully-insured projections.	
Enhance Wilmington Health's corporate culture and improve employee productivity and morale.	Results of bi-annual employee survey.	
Maintain a compliant benefits program.	Review of healthcare reform plan of action at strategy meeting, renewal meeting and client education meeting. Completion of tasks identified in compliance meeting.	



Strategic Planning
We analyze your benefit plan from four unique perspectives and then design a plan of action to support your objectives for recruiting and retaining employees.

A Unique Approach

Compliance

With HCW Compliance, we remove the fear of the unknown. We're on the forefront of healthcare and reform law. Our in-house legal staff keeps you safe and up-to-date for peace of mind.



Putting WORDS into ACTION

100% of HCW clients have a customized Reform Plan of Action. In the 1st half of 2013, HCW experts have *educated 578* individuals on various components of healthcare reform & potential effects on their organizations.

HCW Reform Checklist

Health Care Reform Plan of Action			
Effective Date of Regulation	Regulation (Current as of 12/15/2011)	Does it Apply to You	Plan of Action
January 1, 2010	Small Business Tax Credits - Tax credits for employers 25 full-time equivalents and under who pay at least 50% of the premium cost. Credit is up to 35% of employer premium (25% for tax-exempt employer). Average annual wages must be less than $50,000 (Formula based on size, income of employees, etc.). On 1/1/14 the credit increases to 50% (35% for tax-exempt employers). To receive the full credit amount, you have to have 10 or fewer employees and average annual wages of $25,000.		
March 23, 2010	Grandfathered Plans - Status is available for plans in effect on date of enactment (3/23/10). Individuals and employer group plans that wish to keep their current policies on a grandfathered basis would be allowed to do so. Grandfathered plans will be allowed to add or delete new employees and any new dependents without adversely affecting Grandfathered status. Exceptions are made for employers that have scheduled plan changes as a result of a collective bargaining agreement. Interim Final Rules were issued 6/17/10 clarifying that the following changes will cause a plan to lose grandfathered status: 1. Significantly reducing benefits 2. Raising co-insurance charges 3. Significantly raising co-payment charges 4. Significantly raising fixed-amount cost-sharing (ex. deductibles and out-of-pocket limits) 5. Significantly lowering employer contributions 6. Adding or tightening annual limits on what the insurer pays 7. Changing insurance companies prior to 11/15/10 An amendment to the interim final rules was issued on 11/15/10 that allows employers to change fully-insured carriers on or after 11/15/10. Employers must provide certain documentation to new carrier. Model notice is available	✓	
March 23, 2010	Medicare Part D Retiree Drug Subsidy - FAS 109 requires employers to immediately take a charge against current earnings to reflect the higher costs and liability anticipated due to the elimination of the retiree drug subsidy tax deduction in 2013		

Healthcare Reform Tools

Employer Mandate Calculator

Test for Large Employer Status	
A. Full-time employees (>=30 hours per week)	72
B. Full-time equivalents (part-time employees <30 hours per week)	22.50
C. Seasonal employees working more than 120 days per year	4.5
D. Total full-time equivalent employees (Only applies if >=50)	99.0
E. Does Penalty Apply?	Yes

Before Subsidy	Total # of EEs on Plan before Subsidy/Exchange	Annual Employer Contribution
Employee Only	29	$31,539.82
Employee + Spouse	8	$31,530.72
Employee + Child(ren)	5	$14,196.00
Family	18	$86,785.92
Total	60	$164,052



PPACA Fees

- **Patient Centered Outcome Research (PCOR) Fees**
  - $1 for every covered life; $2 for plans ending on or after October 1, 2013
- **Reinsurance Fee** (beginning 2014)
  - $63 for every covered life
- **Health Insurance Sector Fees**
  - **Not applicable to self-funded plans**

2014	2015	2016	2017
$8 Billion	$11.3 Billion	$11.3 Billion	$13.9 Billion

Cadillac Tax

2018

- Applies for the 2018 tax year
- 40% nondeductible excise tax on employer-sponsored health coverage over a certain dollar threshold
  - Single - $10,200; Family - $27,500
- Applies to all employer plans
  - If coverage is fully insured, the carrier pays
  - If coverage is self-insured, the employer/plan administrator pays

2014	Assuming 8% trend	2018
Single: $625 PEPM Family: $1,700 PEPM		Single: $10,203 PEPY Family: $27,754 PEPY

Who Should Be Covered?

- **Full-time** – Any employee with 30 or more hours of service per week or with 130 or more hours of service per month
- **Seasonal** - Customary annual employment is six months or less and period or work begins each year at about the same time
- **Short-term** - Expected to work full time when hired but for a period of less than 12 months
- **Variable hour** - Cannot determine whether the employee is reasonably expected to be employed on average at least 30 hours of service per week

A Unique Approach

Underwriting & Risk Management

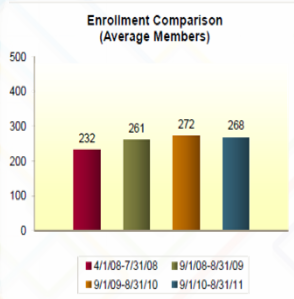
With HCW Underwriting and Risk Management, we provide analysis for making informed business decisions. This aligns risk with your comfort level and provides competitive financial arrangements aligned with your needs.

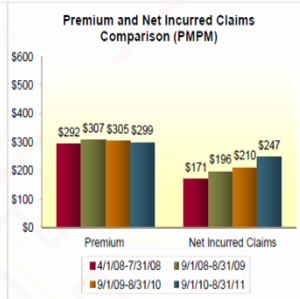


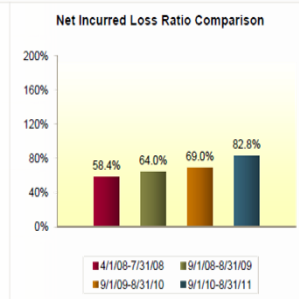
Putting WORDS into ACTION

In 2013, using Equilibrium Pricing, we reduced carriers' requested increases by 50.3% while maintaining the same level of benefits.

Medical Financial Executive Summary







Renewal Evaluation

HCW's Medical Renewal Evaluation (With Equilibrium Pricing Adjustment)

Experience Period #1	9/1/2009 to 9/1/2010		Member Months in Period #1	3,264	Current Employees	148		
Experience Period #2	9/1/2010 to 9/1/2011		Member Months in Period #2	3,216	Current Members	275		
Projection Period	4/1/2012 to 4/1/2013		Average Monthly Members in Period #1	272	Pooling Level	$55,000		
Months of Experience	24		Average Monthly Members in Period #2	268				

	BCBSNC's Projection				HCW's Projection			
	09/01/09 - 09/01/10		09/01/10 - 09/01/11		09/01/09 - 09/01/10		09/01/10 - 09/01/11	
	Annual	PMPM	Annual	PMPM	Annual	PMPM	Annual	PMPM
1) Total Incurred Claims	$686,181	$210.23	$917,842	$285.40	$686,181	$210.23	$917,842	$285.40
2) HCW Adjustment for Incurred Claims	0.0%		0.0%		0.0%		-1.0%	
3) Adjusted Total Incurred Claims	$686,181	$210.23	$917,842	$285.40	$686,181	$210.23	$908,664	$282.54
4) Less Total Claims over Pooling Level	$0	$0.00	$112,748	$35.06	$0	$0.00	$112,748	$35.06
5) Total Net Incurred Claims	$686,181	$210.23	$805,094	$250.34	$686,181	$210.23	$795,916	$247.49
6) Annualize	1.00		1.00		1.00		1.00	
7) Annualized Net Incurred Claims	$686,181	$210.23	$805,094	$250.34	$686,181	$210.23	$795,916	$247.49
8) Adjustment for Change in Size	1.011		1.026		1.011		1.026	
9) Adjustment for Change in Benefits	0.935		0.999		0.935		0.999	
10) Adjustment for Change in Location / Network	1.005		1.004		1.005		1.004	
11) Adjustment for Change in Demographics	1.032		1.003		1.032		1.003	
12) Adjusted Net Incurred Claims	$672,760	$203.87	$831,083	$251.84	$672,760	$203.87	$821,699	$248.97
13) Annual Trend	9.2%		8.7%		9.2%		8.7%	
14) Midpoint Months	31.0		19.0		31.0		19.0	
15) Projected Trend	26.5%		14.1%		26.5%		14.1%	
16) Projected Net Incurred Claims Under Pooling Level	$844,465	$255.90	$948,504	$287.43	$844,465	$255.90	$937,691	$284.15
17) Weight Per Experience Period	30.00%		70.00%		30.00%		70.00%	
18) Weighted Projected Net Incurred Claims Under Pooling Level		$917,292	$277.97	-2.1% of manual		$909,723	$275.67	-2.9% of manual
19) Manual Net Incurred Claims Under Pooling Level		$937,035	$283.95	6.7% Change from last year		$937,035	$283.95	
20) Credibility		77.5%				77.5%		
21) Blended Net Incurred Claims Under Pooling Level		$921,734	$279.31	0.5% Impact of Manual		$915,868	$277.54	0.7% Impact of Manual
22) Claims Experience Adjustment		$0	$0.00			$0	$0.00	
23) Adjusted Net Incurred Claims Under Pooling Level		$921,734	$279.31	70.9%		$915,868	$277.54	78.0%
24) Pooling Charges		$189,450	$57.41	14.6%		$93,935	$28.47	8.0%
25) Administration Charges		$189,683	$57.48	14.6%		$164,387	$49.81	14.0%
26) Total Required Annual Premium (Formula)		$1,300,867	$394.20	100.0%		$1,174,190	$355.82	100.0%
27) Underwriting Discretion		($74,746)	($22.65)	-5.7%		$0	$0.00	0.0%
28) HCW Adjustment for Equilibrium Pricing		$0	$0.00			($57,229)	($17.34)	-4.9%
29) Final Annual Requested Premium (No Commissions)		$1,226,121	$371.55			$1,116,961	$338.47	
30) HCW Annual Consulting Fee		$61,306	$18.58			$55,848	$16.92	
31) Total Annual Costs		$1,287,427	$390.13			$1,172,809	$355.40	
32) Current Annual Premium (Includes Commissions)		$1,057,767	$320.54			$1,057,767	$320.54	
33) Required Change from Current Annual Premium		21.7%	21.7%			10.9%	10.9%	

Equilibrium Pricing

Medical Summary of Equilibrium Claims Pricing

Underwriting Period	Premium Paid	Net Incurred Claims	HCW Expected Loss Ratio	Actual Required Premium	Equilibrium Claims Surplus/Deficit
4/1/08-7/31/08	$270,952	$158,233	76.0%	$208,201	$62,751
9/1/08-8/31/09	$961,947	$615,192	73.0%	$842,729	$119,218
9/1/09-8/31/10	$993,125	$686,181	78.0%	$879,719	$113,406
9/1/10-8/31/11	$962,738	$795,916	78.0%	$1,020,405	($57,667)
Cumulative Total	$2,226,024	$1,459,606	75.6%	$1,930,649	$295,374

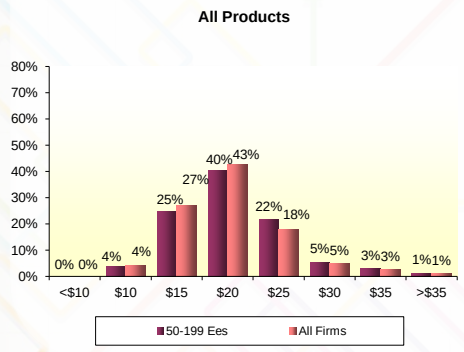
Carrier Negotiation

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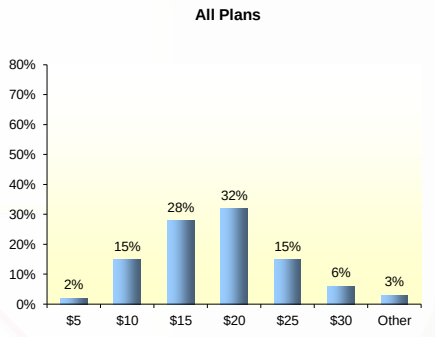
Benchmarking- N.C. Survey vs. National Perspective

Distribution of Office Visit Copay - Primary Care:

Results of NC Survey



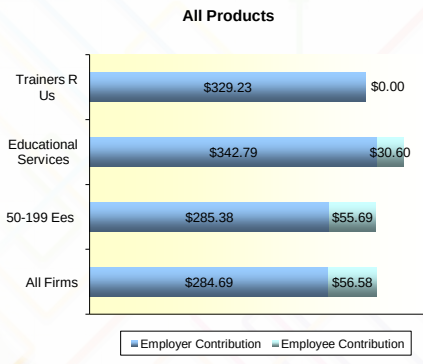
Results of Kaiser Survey



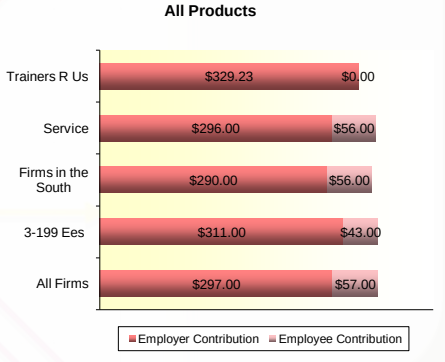
Benchmarking- N.C. Survey vs. National Perspective

Average Monthly Contributions for Single Coverage:

Results of NC Survey



Results of Kaiser Survey



Municipality Survey Results

Overall Findings



- Richer benefits than other industries
- More generous employer contributions than other industries
- 8 fully insured, 4 self funded
- 3 HDHPs, but all dual option
- All but one offer a plan design with no cost for employee only coverage

Survey Results

Medical Plan Design

- Office Visit Copays (non-CDHP)
  - 2 with $10/$20
  - 1 with $20/$30
  - 5 with $20/$40
  - 3 with $25/$50, which is most common for other industries
  - 1 with $40/70%
- Deductible
  - 1 with no deductible
  - 1 with $250
  - 1 with $400
  - 4 with $500
  - 5 with $1,000 or more, which is most common for other industries
- Coinsurance
  - 3 with 100%
  - 2 with 90%
  - 1 with 85%
  - 6 with 80%, most common for other industries



A Unique Approach

Brokerage Transactions

HCW conducts all traditional health & welfare brokerage transactions on behalf of our clients. We have the highest brokerage designation of Presidents Club, Platinum and Gold level with the medical insurers in the marketplace. When HCW sends a plan to market, carriers pay attention and aggressively bid on your business.



Putting WORDS into ACTION

WellPath Gold

BlueCross BlueShield of North Carolina
President's Club

United Advantage PLATINUM

A Unique Approach

Health Management

With HCW Health Management, you are empowered to develop and implement wellness strategies that fit your organizational culture and create a healthier workforce, ultimately reducing claims costs.



Putting WORDS into ACTION

53% of HCW clients have implemented a wellness program.

A Unique Approach

Benefits Administration

With HCW Benefits Administration, we streamline the administrative process and handle critical employee benefit issues so you don't have to. We increase the time your staff has to focus on their primary tasks, while reducing your liability for administrative errors.



Putting WORDS into ACTION

HCW's average number of client contacts for service support per month is 846. We resolve **94%** of all issues within 24 hours & **96%** within 72 hours.

A Unique Approach

Communication & Education

HCW Communication & Education provides employer and employee-centered benefits information that educates your workforce, keeping them engaged and connected.



Putting WORDS into ACTION

"With HCW's help, we developed an actual communication plan that has helped us to communicate with our employees more frequently & effectively than we have been able to do in the past".

Builders Mutual, HCW client since 1999

Client Response

What Our Clients Tell Us

Survey measure	Response (scale of 1 to 10; 10 highest)
Keep them safe	9.74
Do all the work	9.65
Explain benefits clearly	9.25
Lead them to the best strategy	9.78
Net Promoter Score	**100%**

From 2008-2013, average client retention rate = 98%

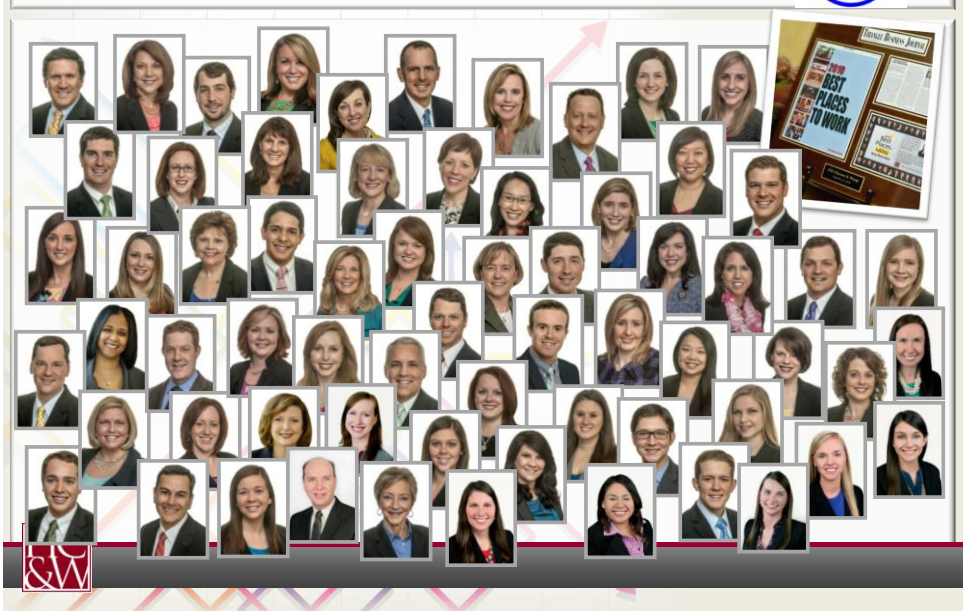
98%

Experience the benefit.

A Few of Our Clients…



We're Ready…



Questions…

