ORANGE WATER AND SEWER AUTHORITY

A public, non-profit agency providing water, sewer and reclaimed water services to the Carrboro-Chapel Hill community.

MEMORANDUM

TO: **Human Resources Committee**
Will Raymond, Chair
Michael Hughes
Dana Raborn
John Young
Alan Rimer, (ex-officio)

THROUGH: Ed Kerwin

FROM: Stephanie S. Glasgow

DATE: March 5, 2014

SUBJECT: **HUMAN RESOURCES (HR) COMMITTEE MEETING**
Monday, March 10, 2014, 6:00 PM, OWASA BOARDROOM

Agenda

1) **Health and Dental Insurance Renewal - Use of Hill, Chesson and Woody for Consulting Services**
   Information provided in Attachments #1 and #2

2) **Employee Survey regarding Performance Evaluation and Compensation System**
   Information provided in Attachments #3 and #4

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

c: Board of Directors (with Attachments)

Attachments:
Attachment #1 - Information regarding Health and Dental Insurance Renewal
Attachment #2 - Hill, Chesson and Woody Agreement
Attachment #3 - Information regarding Employee Survey on Performance Evaluation and Compensation System
Attachment #4 - Draft Survey

Attachment 1

STAFF TO PROVIDE INFORMATION REGARDING THE

HEALTH AND DENTAL INSURANCE PLANS

BACKGROUND

At the February 6, 2014 Human Resource Committee meeting, the Committee supported negotiations to renew employee Health and Dental insurance with Blue Cross and Blue Shield of North Carolina (BCBSNC) effective July 1, 2014.

Additionally, Committee members expressed an interest in staff considering the assistance of a consulting firm to negotiate premiums with BCBSNC for the coming year.

Staff has met with and received a quote from Hill, Chesson and Woody (www.hcwbenefits.com) regarding their services and strategies available to OWASA (attached). At the March 10, 2014 Human Resource Committee meeting, representatives from Hill, Chesson and Woody will be presenting their model and capabilities which include such services as brokerage transactions, underwriting and risk management, compliance, communication and education, benefits administration and health management.

STAFF RECOMMENDATION

Staff recommends using the services of Hill, Chesson and Woody to assist in obtaining the best possible value for Health and Dental insurance benefits for employees for the period of July 1, 2014 through June 30, 2015 for a fee of $46,756.

ACTION REQUESTED

Staff seeks the Human Resource Committee's support to inform the Board of Directors of staff's intention to use the services provided by Hill, Chesson and Woody to manage the Health and Dental insurance with Blue Cross and Blue Shield of North Carolina for the upcoming renewal period of July 1, 2014 through June 30, 2015.

SERVICE AGREEMENT

THIS SERVICE AGREEMENT (the "Agreement") is entered into on March 1, 2014 (the "Effective Date") by and between HCW Employee Benefit Services, LLC d.b.a. Hill, Chesson & Woody ("HCW") and Orange Water and Sewer Authority ("Client").

Recitals

WHEREAS, Client provides employer subsidized health and welfare plans (other than retirement plans) and certain benefits to its employees through certain insurance companies and third-party service providers (the "Plans"); and

WHEREAS, Client has selected HCW to provide certain consulting services associated with the Plans and HCW has agreed to provide such services.

Agreement

NOW THEREFORE, in consideration of the mutual covenants and promises contained herein, HCW and Client agree as follows:

1. Description of Services. HCW agrees to provide the following services to Client (collectively referred to as "Services"):

(a) Strategy Development

(i) Create and document a benefit strategy that positions the Plans to work in support of the overall corporate direction. This document will serve as a working document to keep all of our actions throughout the year in alignment with the stated objectives.

(ii) Lead an executive staff planning session to establish corporate perspective for employee benefit plans as well as to document the company direction that needs to be supported by the benefit strategy.

(iii) Deliver annual benchmarking on medical benefit and contribution levels from marketplace perspective.

(iv) Deliver annual historical perspective of the Plans.

(v) Collect employee perspective on the Plans via web-based surveys.

(vi) Review and refine benefits strategy on a semi-annual basis.

(vii) Update the board once a year on the status of the Plans.

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(b) Underwriting & Risk Management

(i) Create executive level reporting package to allow for tracking of the Plans' financial and utilization performance.

(ii) Identify opportunities for improving performance of the Plans.

(iii) Develop and execute plans of action to capitalize on the performance improving opportunities.

(iv) Provide analysis and manage Equilibrium Pricing negotiations for medical and dental plans.

(v) Create projections for variable funding plans and provide comparisons to non-variable funding plans.

(vi) Facilitate provider network analysis; access, disruption and discounts.

(vii) Develop modeling for COBRA rates on qualified plans.

(viii) Develop modeling for employee contribution strategies.

(ix) Develop modeling for reserve requirements on variable funding plans.

(x) Facilitate third party vendors for pharmacy benefit services.

(xi) Facilitate third party vendors for eligibility audits.

(xii) Facilitate third party vendors for certified actuarial services.

(c) Brokerage Transactions

(i) Prepare, distribute and negotiate RFPs for all insurance and service providers.

(ii) Illustrate the results of the RFP responses and align them with your needs.

(iii) Manage selection process for all insurance products and service providers.

(d) Medical Management

(i) Provide access to HCW's on staff registered nurse for education on wellness and medical management programs.

(ii) Evaluate opportunities and organizational readiness for health improvements of your risk population.

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(iii) Lead development of a multi-year plan for a wellness program to include WELCOA program elements.

(iv) Assist in implementation and management of the multi-year wellness program.

(v) Provide a wellness tool kit to support health improvements of your risk population.

(vi) Provide "Health Care Curriculum" to educate members on reducing their health risk factors.

(vii) Facilitate third party vendors to improve utilization and outcomes of your medical plan.

(viii) Evaluate large medical claims to determine appropriate excess risk premium (Lasers and Account Specific Risk Adjustment).

(e) Benefit Administration

(i) Provide HR administrator support center to assist Client with its interpretation of plan provisions, claims advocacy and billing/eligibility errors.

(ii) Facilitate Client training on insurance and service providers administrative procedures.

(iii) Help Client streamline administrative requirements of the Plans.

(iv) Manage the administration and communication requirements of the annual implementation process for the Plans.

(v) Provide membership to online HR resource/reference center.

(vi) Review Plan documents, service agreements and certificates of coverage for alignment with purchased proposals.

(vii) Provide "Benefit Bulletins" to keep Client current on insurers and service provider updates.

(f) Communication

(i) Lead development of a communication plan to deliver uniformed messaging of all Plans.

(ii) Provide benefits digest booklets for employees.

(iii) Provide "Hidden Paychecks" (total compensation statements) for all employees.

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(iv) Provide employee benefits website.

(v) Conduct annual enrollment meetings and Q&A sessions to inform employees of their benefit package.

(vi) Build and educate "Benefit Ambassadors" from your employee group.

(vii) Deliver communication tool kit.

(viii) Provide "Eyes on Benefits" to executive team to allow them to easily remain current on employee benefit trends and topics.

(g) Compliance

(i) Provide access to HCW's on staff attorney for education on health and welfare compliance.

(ii) Provide modeling tools for decision making on health and welfare regulations (pay/play calculators, section 105 calculators, MLR rebate distribution).

(iii) Provide health and welfare compliance toolkit.

(iv) Provide customized health care reform plan of action.

(v) Review of Client's compliance administration.

(vi) Facilitate service providers to administer compliance related services (FSA, HRA, HSA, COBRA, FMLA).

(vii) Deliver "Compliance Alerts" regarding regulatory and legislative news.

(viii) Assist in compiling data for regulatory audits.

(ix) Invite to HCW sponsored educational events and webinars.

(x) Generate current year, signature-ready Form 5500 for your review and submission.

(xi) Support of Merger and Acquisition due diligence.

(xii) Facilitate third party vendors for legal services.

2. Charges and Fees. Beginning March 1, 2014, Client shall pay HCW an annual fee of $ 46,756 in equal installments on a monthly basis. This amount is subject to a 5% annual increase upon each renewal period.

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On a rolling 6 month basis from the effective date of this agreement, Client will have the option of terminating the agreement with no advance notice if not satisfied with HCW services. Upon termination due to a dissatisfaction of service, HCW will be willing to return 50% of the fees earned for the previous 6 months. If there were any commissions earned, HCW cannot return commissions according to the NC DOI regulations regarding rebating.

Client may elect services from an insurer that provides HCW with annual incentives based on HCW's entire block of business. In this case, HCW will retain the block incentive and it will not offset any commissions or fees due to HCW. Prior to the purchase of these products, HCW will disclose to Client that the carrier provides HCW with incentives based on HCW's block of business.

Out of state expenses for travel and lodging will be invoiced to the Client with no markup and are not included in this compensation agreement.

Any amendment to this fee structure shall be made in accordance with Section 5 of this Agreement and shall be incorporated herein by reference.

3. HIPAA Compliance. HCW agrees that in providing the Services under this Agreement, it is a "Business Associate" as such term is defined under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), and its implementing regulation, the Standards for Privacy of Individually Identifiable Health Information and all prior and subsequent provisions and Federal guidance ("HIPAA Privacy Rule"), and HCW will adhere, to the extent applicable, to HIPAA and the HIPAA Privacy Rule. In accordance with HIPAA, Client and HCW agree to enter into a Business Associate Agreement, which is attached hereto and incorporated herein by reference (Exhibit A). Violation of any provision of this Section 3 shall after written notification of such violation be cause for immediate termination of this Agreement.

4. Confidential Information. "Confidential Information" as used in this Agreement shall mean any and all technical and non-technical information disclosed by either the Client or HCW (a "Disclosing Party") to the other (a "Receiving Party") that specifically includes, but is not limited to, (i) any data from Client including the employees' social security numbers, names, addresses, and all other information about such persons, regardless of whether such record is labeled as "confidential"; (ii) trade secrets, works of authorship, inventions, know-how, techniques, design details and specifications, software programs and software source documents; or (iii) information regarding research, development, new service offerings and products, marketing and selling plans, business plans, budgets and unpublished financial statements, licensing and distribution arrangements, prices, costs, suppliers and customers. Information will not be deemed Confidential Information hereunder if such information: (i) is known to the Receiving Party prior to receipt from the Disclosing Party directly or indirectly from a source other than one having an obligation of confidentiality to the Disclosing Party; (ii) becomes known (independently of disclosure by the Disclosing Party) to the Receiving Party directly or indirectly from a source other than one having an obligation of confidentiality to the Disclosing Party; (iii) becomes publicly known or otherwise ceases to be secret or confidential, except through a breach of this Agreement by the Receiving Party; or (iv) is independently developed by the Receiving Party. Both Client and HCW agree not to use or disclose Confidential Information in any way, for its own account or the account of any third party, except as permitted under this Agreement. Unauthorized use or disclosure of Confidential Information shall after written notification of such violation be cause for immediate termination of this Agreement.

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5. Term and Amendment. This Agreement shall commence on the Effective Date and shall continue in full force and effect until the Agreement is terminated by either Client or HCW (each the "Party," and collectively the "Parties") pursuant to Section 7. Except as otherwise provided herein, this Agreement may be modified only by written agreement of both Parties.

6. Termination. Notwithstanding termination pursuant to Sections 4 or 5, either Party may terminate this Agreement by providing written notice ninety (90) days prior to the effective date of the termination. Such notice shall be provided in accordance with Section 7 of this Agreement.

7. Notice. All notices, requests, demands, and other communications under this Agreement shall be given to or made upon the respective parties hereto as follows:

If to HCW:

HCW Employee Benefit Services, LLC
Attn: Business Manager
4819 Emperor Blvd, Suite 200
Durham, NC 27703

If to Client:

Orange Water and Sewer Authority
Attn: Stephanie Glasgow
400 Jones Ferry Rd.
Carrboro, NC 27510-2001

8. Delegation of Responsibilities. HCW may delegate the performance of certain services to third parties provided Client has agreed in writing to such delegation. HCW shall ensure that its delegate adheres to the requirements of this Agreement, in particular the requirements described in Sections 3 and 4 related to HIPAA compliance and confidentiality of information.

9. Mutual Indemnification Obligation, Procedure, and Settlement. Except to the extent attributable to a breach of its obligations under this Agreement or the gross negligence or reckless or willful misconduct of the Party otherwise to be indemnified, Client and HCW shall indemnify and hold the other harmless from and against any and all third party claims, loss, damage, and expense (including reasonable attorney's fees, court costs, and other defense costs) that result from the indemnifying Party's: (i) breach of this Agreement; (ii) gross negligence or reckless or willful misconduct; or (iii) breach of a fiduciary duty under Employee Retirement Income Security Act of 1974 and its implementing regulations and guidance from the US Department of Labor ("ERISA"). All acts attributable to a Party and all obligations to defend, indemnify, and hold a Party harmless shall extend to that Party's members, officers, directors, employees, agents, shareholders, parent, affiliates, and the officers, directors and agents of any corporate shareholder of the Party. The indemnification obligations and rights under this Section shall survive a termination of this Agreement.

10. Limited Warranty and Limits of Liability. HCW warrants that it is qualified to provide the Services described in Section 1 of this Agreement, and that the Services will be

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performed in accordance with all applicable standards of the industry and all applicable laws and governmental regulations (including HIPAA) applicable to it. HCW is not an attorney, doctor, actuary or accountant and therefore does not provide guidance on legal, medical, actuarial or tax matters. There are no other warranties, express or implied (including any implied warranties of merchantability or fitness for a particular purpose) relating to the Services.

Although HCW's Services provided under this Agreement will assist Client in meeting its obligations for the Plans under ERISA, it is understood by the Client that all of HCW's activities relating to the Plans are ultimately at the direction of the Client, that HCW has no discretionary authority or duty to administer or interpret the Plans, and that HCW is not an ERISA fiduciary with regard to the Plans. Any information provided to HCW by Client or from vendors of Client is believed by HCW to be accurate, and Client understands that HCW has relied upon such information in providing the Services.

Neither Client nor HCW shall have any liability for damages, delays, or failure to perform the obligations contained in this Agreement due to fire, lightning, earthquakes, Acts of God, civil disturbances, acts of terrorism, acts or omissions of communications carriers, or other causes beyond their control.

HCW's sole liability to Client under this agreement shall be limited to direct damages arising out of HCW's failure to perform the services in this Agreement to the extent that such damages arise out of HCW's gross negligence. In limitation of such liability, however, except with respect to amounts payable by a Party pursuant to its indemnity obligations under Section 9 and commissions of fraud, neither Party, under any circumstances, shall be liable for any indirect, special, consequential, punitive or exemplary damages, or similar damages arising out of or relating to this Agreement or the relationship of the Parties under this Agreement. Further, except with respect to amounts payable by a Party pursuant to its indemnity obligations under Section 9 and commissions of fraud, in no event shall the liability of either Party to the other Party arising out of or in any way related to this Agreement, exceed, in the aggregate, the fees paid by Client under this Agreement during the 12 months immediately preceding the first act or omission giving rise to the claim.

11. Binding Arbitration. Any claim or controversy arising out of or relating to this Agreement, including any alleged breach thereof, shall be settled by arbitration under the then current Commercial Arbitration Rules of the American Arbitration Association. The prevailing party shall recover its reasonable attorney fees, as determined by the arbitrator(s), in the arbitrator's sole discretion, from the opposing party. Judgment on any award rendered by the arbitrator(s) shall be final and binding on all parties to the Agreement, and may be entered in any court having jurisdiction thereof. The arbitration shall be held in Durham, North Carolina.

12. Governing Law. This Agreement shall be construed, interpreted, and governed by the laws of the State of North Carolina.

13. Headings; Exhibits. Headings and subheadings of provisions of this Agreement are solely for the convenience of reference and are not a part of this Agreement and shall not affect the meaning, construction, operation or effect hereof. The attached Exhibit A **[include applicable exhibits, such as Exhibit B (Compensation Schedule) or Exhibit C (Member Advocacy Addendum)]** are incorporated into this Agreement and made a part hereof by reference.

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14. Entire Agreement/Severability. This Agreement sets forth the entire understanding of the Parties with respect to the subject matter of the Agreement and incorporates, merges herein, and supersedes any and all prior understandings and communications, whether written or oral, with respect to such subject matter. If any provision of the Agreement is held to be invalid, illegal, or unenforceable, the validity, legality, or enforceability of the remaining provisions shall not in any way be affected or impaired thereby, and such invalid, illegal, or unenforceable provision shall be deemed not a part of the Agreement.

15. Counterparts. This Agreement may be executed by the Parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized representatives on the Effective Date.

HCW Employee Benefit Services, LLC d.b.a. Hill, Chesson & Woody	Orange Water and Sewer Authority
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

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Attachment 3

INFORMATION REGARDING THE EMPLOYEE SURVEY ON PERFORMANCE EVALUATION AND COMPENSATION SYSTEM

BACKGROUND

Employee performance is evaluated twice per year. The Annual review takes places in October and an Interim review is completed in April. A new employee Performance Evaluation and Compensation System was fully implemented in October 2013. The new employee performance evaluation system includes a self assessment, review of overall performance (competencies and behaviors) as well as a review of previously identified objectives. Additionally there are new objectives and development goals identified for the upcoming review period. Employees are rated as one of four categories: Exceptional, Successful, Needs Improvement or Unsuccessful.

The Annual Performance Review serves as the basis for awarding compensation increases (should the Board approve) for those employees who receive a rating of Exceptional or Successful. Those receiving Exceptional ratings receive twice the amount of those receiving Successful ratings. Employees receiving Needs Improvement of or Unsuccessful do not receive an increase.

As the new system was developed and implemented for the first time, it was determined that a review of the system to include obtaining feedback would be conducted and the information reported back to the Board of Directors.

To obtain employee feedback, Capital Associated Industries (CAI) has been hired to conduct an employee survey using customary scientific survey methodology.

ACTION REQUESTED

The Human Resource Committee review, comment on and discuss the draft survey prior to conducting the survey with employees.

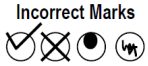
2014 Orange Water & Sewer Authority Employee Opinion Survey

A. Please choose one of the following:

- Employee
- Supervisor

Please do not staple or fold.

Part I

Incorrect Marks  Correct Marks 

Questions in this section are for all employees and supervisors.

Answer by filling in the circle that best describes your feelings:	Strongly Agree	Agree	Disagree	Strongly Disagree
1. The new performance review system motivates me to do my best.	○	○	○	○
2. The performance feedback provided by my supervisor in the most recent performance review period was more helpful than in previous years.	○	○	○	○
3. The training and development goals, identified by my supervisor and me, in my performance review helped provide me with direction for career and personal growth.	○	○	○	○
4. The review of my previously identified goals helped me to understand my supervisor's expectations and how my performance rating would be determined.	○	○	○	○
5. I understand how my performance affects OWASA's ability to achieve its goals and objectives.	○	○	○	○
6. The objectives for the upcoming review period, identified in the most recent performance review, provided me with a clear understanding of what my supervisor expects from me.	○	○	○	○
7. The competencies / behaviors evaluated adequately cover all aspects of my job.	○	○	○	○
8. The performance review process accurately measures the most important aspects of my job.	○	○	○	○
9. I understand how my performance rating is tied to salary increases.	○	○	○	○
10. I understand OWASA's compensation policies, as they relate to the new performance review system.	○	○	○	○
11. My supervisor was well prepared for my performance review.	○	○	○	○

Questions in this section are for supervisors only.

Answer by filling in the circle that best describes your feelings:	Strongly Agree	Agree	Disagree	Strongly Disagree
12. The new performance review system is a good tool for communicating how an employee has met expected goals and should set future goals.	○	○	○	○
13. The new performance review system provides a way to recognize individual achievements.	○	○	○	○
14. As a supervisor, the training received for the new performance review system improved my comfort/confidence in administering performance appraisals.	○	○	○	○
15. The new performance review system is an improvement to our previous methods of performance assessment and management.	○	○	○	○
16. The amount of time required to prepare for and administer performance reviews, using the new system, is appropriate.	○	○	○	○

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Please continue to Part II of the survey.

Part II

Questions in this section are for all employees and supervisors.

Please take time to express your feelings and make comments regarding these additional questions:

17. Please provide any specific feedback on why you answered questions 1 through 16 as you did.

18. How could the employee performance review process be improved?

19. How could the compensation policies, tied to the employee performance review process, be improved?

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Thank you for completing the survey.