

Council Budget Committee

Monday, June 29, 2015, 1:00 – 2:30 p.m.
Charlotte-Mecklenburg Government Center
Room CH-14

Committee Members: Greg Phipps, Chair
Ed Driggs, Vice Chair
Patsy Kinsey
Vi Lyles
LaWana Mayfield

Staff Resource: Kim Eagle, Interim Strategy & Budget Director

AGENDA

	<u>Page</u>	<u>Time Frame</u>
I. <u>Follow-up Discussion on FY2016 Budget Process</u>	1	15 minutes
<i>Staff: Kim Eagle, Strategy & Budget (Attachment 1) <u>Action requested:</u> Discussion and Feedback</i>		
II. <u>Review of Future Work/Planning</u>	14	15 minutes
<i>Staff: Kim Eagle, Strategy & Budget (Attachment 2 – Budget RCA) <u>Action requested:</u> Discussion and Feedback</i>		
III. <u>Employee Health Clinic</u>	15	60 minutes
<i>Staff: Cheryl Brown, Human Resources (Attachment 3 and Attachment 4) <u>Action requested:</u> Discussion and Direction for Full Council consideration</i>		

Distribution: Mayor and City Council
Ron Carlee, City Manager
Ron Kimble
Debra Campbell
Ann Wall
Hyong Yi

Randy Harrington
Carol Jennings
Robert Hagemann
Robin LoFurno
Sandy D'Elosua
Jason Kay

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FY2016 Budget Development Process

<u>Date</u>	<u>Time</u>	<u>Location</u>	<u>Purpose</u>
October 27, 2014	1:30 p.m.	280	Budget Committee
December 15, 2014	3:30 p.m.	280	Budget Committee
February 9, 2015	2:00 p.m.	280	Budget Committee
February 13, 2015	2:30 p.m.	280	Budget Committee
January 15, 2015	11:30 a.m.	CH-14	Budget Committee
February 25, 2015	2:00 p.m.	Room 267	Budget Workshop
March 5, 2015	2:00 p.m.	Room 280	Budget Committee
March 17, 2015	2:00 p.m.	Room 267	Budget Workshop
March 19, 2015	2:00 p.m.	Room 280	Budget Committee
March 26, 2015	1:30 p.m.	CH-14	Budget Committee
April 8, 2015	2:00 p.m.	Room 267	Budget Workshop
April 17, 2015	1:30 p.m.	CH-14	Budget Workshop
May 4, 2015	7:00 p.m.	Council Chamber	Recommended Budget Presentation
May 6, 2015	2:00 p.m.	Room 267	Budget Workshop
May 11, 2015	5:00 p.m.	Council Chamber	Budget Public Hearing
May 13, 2015	2:00 p.m.	Room 267	Budget Adjustments
May 18, 2015	3:00 p.m.	Room 267	Budget Adjustments Continued
May 26, 2015	3:00 p.m.	Room 267	Straw Votes
June 8, 2015	7:00 p.m.	Chamber	Budget Adoption

Budget Committee meetings are shaded in gray; all other meetings are full Council meetings

Bold meetings are those added during budget development

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POLICY

14. City Manager's Report

15. FY2016 & FY2017 Operating Budget and FY2016-FY2020 Community Investment Plan

Action: Adopt the FY2016 Appropriations and Tax Levy Ordinance, the Capital Investment Plan Resolution for FY2016-FY2020, the FY2016 Pay and Benefits Resolution and associated Human Resources contracts, and other items related to the Annual Ordinance adoption:

- A. The FY2016 Operating Appropriations and Tax Levy Ordinance,
- B. The FY2017 Operating Plan Resolution,
- C. The FY2016-FY2020 Community Investment Plan Resolution,
- D. The City Code to add a Small Business Fee and Change the residential disposal fee to a general solid waste fee for single and multi-family residential units,
- E. The FY2016 Storm Water Interlocal Agreement,
- F. The Charlotte Water Rate Methodology by revising the Revenue Manual,
- G. The FY2016 Transit Operating Budget and Debt Service Budget, which was approved by the Metropolitan Transit Commission on April 22, 2015,
- H. The FY2016 Pay and Benefits Plan Resolution and associated Human Resources contracts,
- I. Outside Agencies and Municipal Service Districts contracts,
- J. Other Budget Items,
- K. Charlotte-Mecklenburg Housing Partnership contract, and
- L. Future Work Plan for FY2017 Budget Planning.

Committee Chair: Council member Greg Phipps

Staff Resource(s): Kim Eagle, Management & Financial Services

Policy

As required by state law, the City of Charlotte adopts annual appropriations and tax levy ordinance and considers related actions by July 1 of each fiscal year.

Background

- Since January 2015, the Mayor and City Council held eight Budget Workshops and the required Public Hearing to shape development of this budget.
- The City Manager's Recommended Budget was presented on May 4, 2015.
- The FY2016 total budget reflects unanticipated reductions to local revenues and continued cuts to General Fund expenditures, while remaining a strong value tax and rate payers; highlights include:
 - 1.0¢ increase to the property tax rate;
 - Elimination of 100.75 full-time equivalent positions, while avoiding lay-offs;

- Maintains prior expenditure reductions, includes further cuts to the General Fund, with minor increases in the areas of public safety and contracts for solid waste services;
- A small pay plan adjustment in an amount that is half of the City's benchmarks; and
- A revision to Storm Water and Charlotte Water rate structures that better reflect actual customer usage.
- The FY2016-FY2020 Community Investment Plan matches the City's highest priority needs with a financing schedule. The General Community Investment Plan that focuses on meeting the needs of a growing community by focusing on livability, getting around, and job growth. The Enterprise Capital budgets respond to an aging infrastructure and growing service demands.

Approved Changes to the Manager's Recommended Budget from June 1st Council Straw Votes

- Following the May 13th and May 16th Straw Votes meetings, on June 1st, Council approved the following budget amendments for the City Manager's Recommended operating budget:
 - Amendment 1: Eliminate Council Discretionary Fund for FY2016 in the amount of \$100,000.
 - Amendment 2: Decrease Single Family Solid Waste Fee from \$47 to \$25 annually.
 - Amendment 3: Increase Multi-Family Solid Waste Fee from \$24 to \$25.
 - Amendment 4: Restore General Fund transfer for paving in the amount of \$857,265 using one-time funding from asset sales.
 - Amendment 5: Restore Bike Charlotte Program in the amount of \$35,000.
 - Amendment 6: Increase transfer of Property Tax Rate from Debt Service Fund to General Fund from the City Manager's recommended amount of 0.25¢ to 0.41¢.
 - Amendment 7: Implement a Solid Waste Small Business Fee of \$250.
 - Amendment 8: Adjust the recommended tax rate increase to 1.00¢.

A. Adopt the FY2016 Operating Appropriations and Tax Levy Ordinance Budget Overview

- The budget sustains essential services in community safety, the environment, transportation and planning, housing and neighborhood development, economic development and global competitiveness, and the administrative support that they require.
- The total FY2016 budget is \$2.13 billion, with \$1.23 billion for operating expenditures and \$901.5 million for capital expenditures (all funds). The General Fund operating budget totals \$521.0 million (net of transfers).
- The total budget includes the following key revenues:
- Property tax rate of 47.87¢, an increase of 1.00¢;
 - Water and Sewer rates increase by 2.72%, or \$1.55 per month for the typical user; and
 - Expand the detached single-family residential Storm Water rates from two tiers to four. Revise the rate methodology to charge a flat rate for each tier based on the same per square foot rate (\$0.0033) applied to the median impervious area of each tier. Use the same square foot rate to charge all other parcels based on each parcels impervious area.

Property Tax Rate

- The property tax rate for FY2016 is 47.87¢ per \$100 of assessed valuation, a 1.00¢ increase from the prior year. The FY2016 assessed value is estimated at \$91.99 billion, with an estimated collection rate of 97.5%.

Purpose	FY2015 Tax Rate	FY2016 Tax Rate	Change
General Fund	36.00¢	37.41¢	1.41¢
Municipal Debt Service Fund (Capital)	9.67¢	9.26¢	-0.41¢
Pay-As-You-Go Fund (Capital)	1.20¢	1.20¢	0.0¢
Total	46.87¢	47.87¢	1.00¢

Attachment 2**Annual Budget Ordinance****B. Adopt the FY2017 Operating Plan Resolution**

- The Manager's Recommended Budget includes recommendations for the next two years of operating budgets. The first year, 2016, is listed in Section A of this action.
- A resolution is adopted at the beginning of each two-year plan. The resolution approves the FY2017 Operating Plan as recommended by the City Manager and as amended by Council on June 1st. Adoption of the FY2017 Plan does not appropriate funds.

C. Adopt the FY2016-FY2020 Community Investment Plan Resolution

- The resolution approves the five-year Community Investment Plan expenditure and financing plan totaling \$3.5 billion (all funds).

General Fund Community Investment Plan

- The capital program is based on property tax rates as follows:
 - 9.26¢ for the Municipal Debt Service Fund, a 0.41¢ reduction from the current year due to a transfer of a portion of the dedicated property tax rate to the General Fund. This reduction does not affect the existing debt capacity currently committed to the debt-funded capital program.
 - 1.20¢ for the Pay-As-You-Go Fund, unchanged from the prior year.
- The FY2016-FY2020 five year General Community Investment Plan totals \$749.2 million, comprised of the following categories:
 - Housing and Neighborhood Development: \$218.6 million,
 - Transportation: \$343.5 million,
 - Economic Development: \$60.5 million,
 - Environmental Services: \$16.5 million, and
 - Facility Investments: \$110.1 million.
- The General Community Investment Plan is supported by the approved 2014 bond referendum and two proposed bond referenda in 2016 and 2018. A fourth bond referendum in 2020 will be reflected in future five-year Community Investment Plans beginning in FY2017.

Enterprise-Funded Community Investment Plans

- Enterprise programs are financially self-sustaining and do not rely on property tax or general government revenues.
- Charlotte Area Transit System totals \$646.6 million and is funded by federal and state grants and the one half-cent sales tax for transit.

- Aviation totals \$1.1 billion and is funded by \$737.6 million in revenue bonds, \$283.7 million in Federal Aviation Administration and Transportation Security Administration funding, and \$114.6 million in cash.
- Storm Water totals \$332.7 million and is funded by \$202.5 million in cash and \$130.2 million in revenue bonds.
- Charlotte Water (Water and Sewer) totals \$633.5 million, funded by \$289.8 million in cash and \$343.7 million in revenue bonds.

Attachment 2[Annual Budget Ordinance](#)**Attachment 3**[Community Investment Plan Resolution](#)**D. Amend the City Code to add a Small Business Fee and change the residential Disposal Fee to a General Solid Waste Fee for Single and Multi-Family Residential Units**

- Section 10 of City Code outlines collection for a residential disposal fee and the collection of garbage from small businesses that are also small waste generators.
- As part of the Straw Votes meetings, the City Council voted to make changes to the budget that require an amendment to City Code:
 - Rename the fee from “Residential Solid Waste Disposal Fee” to “Residential Solid Waste Services Fee” to align with the name on the property tax bill;
 - Decrease Single-family Solid Waste Fee from \$47 to \$25 annually;
 - Increase Multi-family Solid Waste Fee from \$24 to \$25 annually; and
 - Implement a Solid Waste Small Business Fee of \$250 annually.
- These changes become effective on July 1, 2015.

Attachment 4[Revisions to Section 10 City Code](#)

E. Approve the FY2016 Storm Water Interlocal Agreement

- In accordance with the Interlocal Agreement on storm water services, this action will inform the County of the amount to be charged for the City's portion of the fee. The Mecklenburg County Board of County Commissioners will vote on storm water fee changes on June 16.
- The fees for FY2016 revise the existing two tier methodology to four tiers charging a flat rate for each tier based on the same per square foot rate (\$0.0033) applied to the median impervious area of each tier. Use the same square foot rate to charge all other parcels based on each parcels impervious area:

Fee Category	FY2015 Monthly Fee	FY2016 Monthly Fee
Detached single-family homes with less than 2,000 sq. ft. impervious area	\$5.52	\$5.52
Detached single-family homes with 2,000 to 2,999 sq. ft. of impervious area	\$8.13	\$8.13
Detached single-family homes with 3,000 to 4,999 sq. ft. of impervious area	\$8.13	\$12.04
Detached single-family homes with 5,000 or more sq. ft. of impervious area	\$8.13	\$19.91
Commercial and multi-family per acre of impervious area	\$135.56	\$143.73

- The change to 4 tiers will result in additional revenue of \$7.8 million in FY2016.
- In accordance with the Interlocal Agreement on storm water services, the Mecklenburg County Board of County Commissioners conducted a public hearing on changes to the City's portion of the storm water fee on May 19, 2015. The City Council also conducted a public hearing on storm water fees on May 11, 2015.

Attachment 2
[Annual Budget Ordinance](#)

F. Amend the Charlotte Water Rate Methodology by Revising the Revenue Manual

- The Charlotte Water rate methodology changes with the adoption of the Fiscal Year 2016 budget.
- The schedule of water and sewer rates, fees, and charges is calculated according to the rate methodology, as codified in the revenue manual, and Charlotte Water's approved budget and is published annually.
- The Revenue Manual revisions include:
 - Elimination of rate subsidy for Tier 1 water customers;
 - Increasing the availability fee to recover approximately 25% of annual debt service in FY2016 with a long-term goal of incremental movement to recovering 40% of annual debt service;
 - Calculating capacity fees for new connections based on system replacement cost new less depreciation instead of net book value;
 - Changing the way customers are billed for water used from fire hydrants for construction and special projects to be sure full costs are recovered;
 - Adding fees to recover the cost of reviewing and inspecting water and sewer facilities associated with new development consistent with City cost recovery policy; and
 - Technical and procedural changes that clarifies and updates the language.
- A joint public hearing between the City Council and the Charlotte Water Advisory Committee was held on May 11, 2015.

G. Adopt the FY2016 Transit Operating Budget and Debt Service Budget which was approved by the Metropolitan Transit Commission on April 22, 2015

Policy

The Transit Governance Interlocal Agreement calls for the Metropolitan Transit Commission (MTC) to annually approve a Transit Operating Program and a Transit Capital Program by April 30. Following the MTC's approval, the Transit Operating and Capital Programs are forwarded to the Charlotte City Council for approval. Upon approval, the Charlotte City Council shall fund the programs through its budget process and/or project ordinances.

Budget Overview

- The proposed FY2016 Transit Operating and Debt Service Budgets and the proposed FY2016-FY2010 Transit Community Investment Plan have been developed in compliance with Charlotte Area Transit System Financial Policies including annual contribution to the Transit Revenue Reserve Fund, year-end fund balance, debt service coverage ratios, and the transfer of balances to the Capital program.
- The FY2016 Transit Operating Budget:
 - Reflects a 4.2% growth in annual operating and maintenance costs in FY2016;
 - Adds 5,000 bus revenue service hours, which are partially funded by Federal funds; and
 - Adds 35 project positions for maintenance, acceptance start-up and testing of new rail cars for the LYNX Blue Line Extension project. Positions are fully funded by the project.

Attachment 2 **Annual Budget Ordinance**

Attachment 5

Resolution by MTC

H. Adopt the FY2016 Employee Pay and Benefits Plan Resolution and associated Human Resources contracts

- The recommendations included in the FY2016 Pay and Benefits Report include the following:

Pay Plans

- In the Public Safety Pay Plan, the budget includes the following:
 - 2.5% or 5.0% step adjustments; and
 - 0.75% market adjustment.
- In the Broadbanding Pay Plan, the recommended budget includes a 1.5% merit pool.

Benefits

- The City contribution to group insurance coverage increases only 4% due to the City's commitment to the Council adopted philosophy of: aggressive cost management for benefits, employees expected to fairly share in the cost of benefits, moderate level of benefits and pay, and proactive support of wellness programs to reduce future costs.
- The following plan options evaluated during FY2016 include:
 - Renegotiating or rebidding the medical plan - Currently the medical benefit plan is administered by Blue Cross Blue Shield of North Carolina. Provide the City Manager or his designee the authority to either renegotiate or rebid the current contract during FY2016. If the contract is rebid, provide the City Manager or his designee be authorized to select a vendor and execute the contract and future contract amendments with the selected vendor upon completion of the bid process.
 - Evaluating/implementing a Consumer Driven Health Option - In an effort to continue to control rising health care costs, it is anticipated the City will evaluate the feasibility of implementing a Consumer Driven Health Plan (also referred to as a CDHP or high-deductible health plan) with either a Health Reimbursement Arrangement or a Health Care Savings Account in FY2016. In order to successfully implement this option, an approximate 12-18 month lead time is required for set-up and communications. If the plan is warranted, provide the City Manager or his designee the authority to proceed with implementation of a Consumer Driven Health Plan upon completion of the evaluation process.
- Medical Premiums
 - Effective January 1, 2016, increase employee contributions for medical coverage in the PPO Plus Wellness Plan by 4% and 0% in the Basic PPO Wellness Plan.
 - Effective July 4, 2015, restrict enrollment in the PPO Plus Plan to only those employees and pre-65 retirees currently enrolled in the health insurance plan. New hires will only be permitted to enroll in the PPO Basic Plan and any future plan additions.
 - Provide the City Manager the authority to establish the medical premium structure and wellness incentive amounts within the overall health insurance budget.

- Dental Plan/Premiums
 - The City currently contributes \$28 per month to both dental plan options.
 - Currently the dental plan is administered by Ameritas. The current contract will expire December 31, 2015. Upon receipt of renewal information, it may be necessary to rebid the dental plan.
 - Provide the City Manager or his designee the authority to renegotiate the current contract or if the contract is rebid, it is recommended that the City Manager or his designee be authorized to select a vendor and execute the contract and future contract amendments with the selected vendor upon completion of the bid process.
 - Provide the City Manager or his designee the authority to establish the dental premium structure including increasing the City's funding within the overall health insurance budget.

- Non-Medicare Retiree Premiums
 - Effective January 1, 2016, increase non-Medicare retiree premiums consistent with the overall health insurance budget increases. Provide the City Manager or his designee the authority to establish the premium structure for non-Medicare retirees within the overall health insurance budget.

- Medicare-Eligible Retiree Premiums
 - As part of the FY2010 budget process, City Council provided the City Manager or his designee the authority to approve changes including plan options, vendors, and future contracts/contract amendments to the fully-insured medical and prescription drug plans for Medicare-eligible retirees.
 - Since these plans are fully insured, it is recommended that the City Manager or his designee be authorized to approve rate increases and vendor changes as necessary to appropriately fund these plans upon receipt of renewal rates from the Administrator of the Medicare-eligible retiree coverage.

- Other benefits
 - The City is currently evaluating provisions in the School Support Leave Policy related to an increase in the number of matching hours granted for employee involvement in school activities and tutoring. Following the completion of the evaluation, provide the City Manager or his designee the authority to increase the number of matching hours of School Support Leave from the current maximum of eight to a maximum of twenty-four.
 - The City is currently evaluating provisions in the Vacation Leave Policy related to carryover of unused vacation at the end of the calendar year. Currently, any accrued vacation leave balance over twice an employee's annual accrual is forfeited at the end of each calendar year, during the pay period containing December 31st. Upon completion of the evaluation process, provide the City Manager or his designee the authority to change the current Vacation Leave Policy to allow for the rollover of forfeited vacation leave in to the employee's sick leave balance.

Attachment 6
Pay & Benefits Resolution

I. Approve Outside Agencies Contracts

- The following table lists the individual Outside Agency and Municipal Service District contracts.
- A "Scope of Services" for these agencies is provided as an attachment.

Annual Outside Agency Contract

General Fund Financial Partners	FY2016 Amount
Arts & Science Council	\$2,940,823
Community Building Initiative	50,000
Safe Alliance	333,977
TOTAL	\$3,324,800

Dedicated Revenue Sources Financial Partners	FY2016 Amount
Charlotte Regional Visitors Authority	\$13,597,941
Charlotte Regional Visitors Authority - Film Commission	150,000
TOTAL	\$13,747,941

100% Federal Grant Funded Financial Partners	FY2016 Amount
Carolinas Care Partnership	\$1,640,862
Charlotte Family Housing	330,000
TOTAL	\$1,970,862

100% PAYGO Funded Financial Partners	FY2016 Amount
Community Link	\$450,000
Crisis Assistance Ministry	380,000
TOTAL	\$830,000

PAYGO/Federal Share Funded Financial Partners	FY2016 Amount
Charlotte-Mecklenburg Housing Partnership – Affordable Housing	\$1,960,000
Charlotte-Mecklenburg Housing Partnership – House Charlotte	231,000
TOTAL	\$2,191,000

Out of School Time Partners	FY2016 Amount
Greater Enrichment Program	\$200,000
Citizen Schools	200,000
Police Activities League	200,000
YWCA	200,000
Bethlehem Center, Inc.	113,934
Behailu Academy	66,000
TOTAL	\$979,934

Municipal Service District Contracts

- The FY2016 tax rates for the five Municipal Service Districts remain unchanged from the FY2015 rates.

Municipal Service Districts Summary			
District	Agency	FY2016 Tax Rate	FY2016 Contract Amount*
District 1- Center City	Charlotte Center City Partners	1.68¢	\$1,257,608
District 2- Center City	Charlotte Center City Partners	2.33¢	\$750,059
District 3- Center City	Charlotte Center City Partners	3.58¢	\$1,197,654
District 4-South End	Charlotte Center City Partners	6.68¢	\$794,701
District 5- University City	University City Partners	2.79¢	\$643,792

*Actual contract revenue is determined by tax rate revenue

City Memberships and Subscriptions

- All General Fund memberships and subscriptions in the Non-Departmental budget are held flat at their FY2015 funding level.
- The following two General Fund membership and subscriptions contracts are above \$100,00 and require City Council approval:
 - Charlotte Regional Partnership = \$141,008
 - Centralina Council of Governments = \$175,542

FY2016 Public Art Work Plan

- The Arts & Science Council administers the Public Art Program, receiving 15% of the 1% allocated to Public Art as specified in Section 15-233 of the Charlotte City Code.
- The FY2016 Public Art Work Plan was distributed to the City Council as a part of the Council-Manager Memo on May 8, 2015.
- The FY2016 Allocations are:
 - General Community Investment Fund = \$0
 - Aviation Community Investment Fund = \$665,685
- In addition to implementing the Airport Art projects, the FY2016 Work Plan continues the progress underway on projects from prior year General Community Investment Plan allocations as well as begins planning for the upcoming FY2017 allocation, which is currently estimated to be \$292,340.

Charlotte-Mecklenburg Workforce Development Board

- Job Training Contract for implementing federally-funded Workforce Investment Act in an amount up to \$10,745,099.
- Source of funds includes Workforce Investment Act Grants in an amount of \$7,731,530, and carry-over of unexpended FY2015 Grants in an amount of \$3,500,000.

Attachment 7

Description of Services

J. Approve Other Budget Items

- The budget ordinance included is the City's annual budgetary operating ordinance. Sections 1 through 14 of this ordinance reflect the items included in the Manager's Recommended Budget and all Council amendments.
- The remainder of the annual ordinance (Sections 15 through 78) serves to make budgetary corrections to the current fiscal year for technical, accounting and other "wind-up" tasks necessary prior to the fiscal year's end.

Sections 14 through 26 General Capital Project Funds

- Sections 15 through 26 appropriate and consolidate funding to prepare existing accounts for transactions presented in the FY2016-2020 Community Investment Plan and make other capital project technical adjustments.

Sections 27 through 32 CATS Operating and Capital Projects Funds

- Section 27 appropriates a contribution from the Foundation For the Carolinas.
- Sections 28 through 31 transfer existing funding.
- Section 32 adjusts amount within the CATS Capital Project Funds to reflect revised funding amounts from grants and local resources.

Sections 33 through 46 Aviation Operating and Capital Projects Funds

- Sections 33 through 43 transfer existing funding.
- Section 44 appropriates a State Aid to Airports grant.
- Section 45 appropriates a transfer from Aviation Discretionary Fund for settlements for lawsuits related to noise.
- Section 46 appropriates excess construction proceeds.

Sections 47 through 53 Other Funds

- Section 47 appropriates additional grant proceeds for the Muddy Creek Restoration project.
- Section 48 appropriates funding for unemployment insurance as directed by the State.
- Section 49 appropriates funding for interest on property tax refunds for appeals.
- Section 50 appropriates funds received from Intergraph pertaining to the computer aided dispatch system.
- Section 51 appropriates a transfer from refunding savings of 2002 and 2003 General Obligation bonds to be applied to other post-employment liability.
- Section 52 authorizes the City Manager to execute final closeout of the Federal Security Grant for the 2012 Democratic National Convention.
- Section 53 authorizes the City Manager to transfer funds required by the Federal Aviation Administration to implement the Airport Corrective Action Plan.

Sections 54 through 78

- Section 54 includes technical accounting changes necessary to clarify or correct FY2014 and other prior-year budgetary ordinances.
- Sections 55 through 78 give the Chief Financial Officer authority to make specific routine appropriations and transfers within the adopted budget.

Attachment 2Annual Budget Ordinance**K. Approve the FY2016 Charlotte-Mecklenburg Housing Partnership Contract**Affordable Housing Contract

\$1,960,000

- The contract includes funding to address planning for future multi-family and single-family housing development by increasing affordable homeownership and rental opportunities.

House Charlotte Program Administration

\$231,000

- The contract funds the administration of the House Charlotte program.

L. Approve the Future Work Plan for FY2017 Budget Planning

- The following items will be evaluated during FY2016, and will be included as part of the FY2017 work plan for the Budget Committee or other City Council Committees as appropriate, leading up to the City Council's January 2016 Retreat, including:
 - Solid Waste Services delivery and cost recovery model;
 - Labor and Trades pay plan options;
 - Asset Sales and Facility Sale and Lease Back Opportunities;
 - Cost Allocation/Overhead;
 - Take Home Vehicles;
 - Fund Balance Policy; and
 - City funding of State responsibilities (e.g. District Attorney's Office).




Employee Health Clinic Update

Cheryl Brown, Director of Human Resources

June 29, 2015



Background/Cost Drivers

Healthcare costs continue to rise – unmanaged health and chronic conditions are primary drivers

- 11% increase in medical trend driven by higher inpatient admissions, higher price of service, increased ER utilization and increased number of high cost claimants (previously 8%)
- 55% of members are not compliant with a routine physical
- 75% of members identified with diabetes are not compliant with at least one of the chronic care guidelines for diabetes
- 11% of members had an ER visit in the last 12 months
 - 42% of those visits were non-emergent and could have been treated by a Primary Care Physician

1



Average City of Charlotte Costs

Type of Visit	City of Charlotte	Industry Average
Primary Care MD	\$211	\$160
Specialist	\$207	\$204
Urgent Care	\$165	\$113
Emergency Room	\$1,845	\$1,695

Charlotte area costs for primary care providers is 21% higher than the cost for the same services statewide.

2



What is an Employee Health Clinic?

- A medical/health office which is located either onsite at an employer facility or at a facility near employee worksites
- A clinic may be staffed by medical practitioners (physician, nurse practitioner, registered nurse etc.)
- A clinic provides services on a voluntary basis to employees and/or dependents typically at low or no cost to the member
- Services may include routine preventative services, chronic condition management, treatment of acute illness, lab screenings and routine lab work, wellness services such as health coaching and exercise consultation, prescription drug dispensing for certain drugs

3



Why a Clinic for the City?

- Escalating healthcare costs – impact on taxpayers, City, and employees
- Good and often better access to affordable/quality care at no cost to the patient
- Better access translates to:
 - enhanced patient experience (looks at all health needs and wellness opportunities)
 - improved management of chronic conditions
 - opportunity to redirect care from expensive and inappropriate settings
 - improved specialty referrals (quality and cost)
 - improved health outcomes
 - reduction in lost work time and absenteeism
- All of these outcomes result in cost savings to the City of Charlotte and employees

4



Outcomes & Benefits of an Employee Health Clinic

TARGETED EMPLOYER OUTCOMES	EMPLOYEE/DEPENDENT BENEFITS
• Control Medical Cost Increases	• Increased Access to Primary Care
• Increased Employee Productivity	<ul style="list-style-type: none"> ✓ Extended office hours ✓ Reduced Cost – Services & Medications
• Reduced Absenteeism	<ul style="list-style-type: none"> ✓ Proximal Location (work/home/school)
• Increased Employee Retention Rates	• Better Chronic Condition Management
• Best practice of “Employers of Choice”	• Enhanced Patient Experience
• Enhanced Culture of Health	• Improved Health Outcomes
	• Reduced Lost Work Time

5



Employers Investing in the Clinic Concept

Regional

Parkdale Mills Charlotte Pipe and Foundry BMW Manufacturing Coca Cola BB&T	City of Greensboro City of Concord Queens University Davidson College City of Gastonia
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Nationwide

Banker's Life and Casualty City, County, Schools, Sheboygan, WI State of Texas Snyder's Lance City of Chattanooga, TN Lexington-Fayette Urban County Government, KY	City of Indianapolis, IN City of Charleston, WV State of Montana hhgregg Colonial Penn
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6



Selection/Evaluation Process*

- Initial Informal Onsite Meeting with Local Clinic Vendors – Spring 2013 (Novant, CHS, HealthStat)
- Request for Proposal Issued for Health Clinic Vendors – Fall 2013
- Revised Request for Proposal to Include Wellness Program Services– Spring 2014 (9 vendors responded including CHS, Novant and HealthStat)
 - CHS and Novant eliminated based on RFP response and ability to provide services requested
- Four vendors selected to make presentations onsite:
 - CareHere - Brentwood, Tennessee
 - OurHealth – Indianapolis, Indiana
 - A10 Clinical – Raleigh, North Carolina
 - HealthStat – Charlotte, North Carolina

7



Selection/Evaluation Process*

- Issued Survey to members of the HR Liaison Team representing all City departments – including model preference (onsite vs. near site)
- Refined and asked additional questions to four finalists based on Physician Model – Summer 2014
- Two Finalists Selected for Presentation to Human Resources Team and Assistant City Manager:
 - » CareHere
 - » OurHealth
- Interviewed Top Two Finalists' References – Fall 2014
- Selected Finalist – OurHealth

8



OurHealth Clinic Model

- The OurHealth solution:
 - a network of shared clinics throughout the City
 - five clinics offering primary care to covered employees, pre-65 retirees, spouses and their dependents
- Clinics will be near-site, thus providing convenient access to all members
- As OurHealth clinic membership grows, additional clinics will be added at no cost to the City, which will increase access and convenience

9



Why this Business Model?*

- OurHealth is responsible for clinic build-out costs
 - The City is not responsible for leasing, upfitting or maintaining the clinic buildings
- OurHealth is responsible for employment of staff
 - Core business and successful track record of recruiting and retaining top talent in the healthcare field
 - Investment in technology and resources to arm staff with tools to best serve the patient in an independent fashion
 - City will have opportunity to provide input and participate in selection process of staff
- Low risk to City vs. onsite model
- OurHealth providing performance guarantees

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How Does this Approach Fit into the Changing Landscape of Healthcare?*

- Passage of the Affordable Care Act (ACA) introduced 30-50m new patients into the healthcare system with no focus on increasing doctors
- Many costs associated with ACA implementation have been passed to employers like the City (transitional reinsurance fee, PCORI fee, compliance reporting costs)
- Employees continue to be forced to navigate a higher cost, lower access system
- Creates an opportunity for the City to be proactive in how we provide healthcare to our employees
- This model provides platform to create more access to healthcare at a lower cost to the City and employees/dependents
- Result = healthier employees and improved morale and productivity

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About OurHealth

- Founded 2009 in Indianapolis, IN
- Developed network of independent near-site healthcare clinics for added convenience and financial benefit
- Onsite and near-site clinics in Indianapolis, Chicago, Philadelphia & Nashville with a diverse group of employers
- Revolutionizing healthcare delivery that drives utilization and improves employee health
- Creates state-of-the-art healthcare clinics designed for privacy and exceptional care



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OurHealth Services

Primary Care Services Include:

- Annual physicals and personal health risk assessments
- Convenient care for common illness
- Minor injury care
- Routine care for chronic health conditions
- Onsite generic prescriptions
- Onsite lab work
- Referrals to quality cost effective specialists

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If You Already Have a PCP, What's the Incentive to Use the Clinic?*

- Care is free, accessible, quicker to get an appointment and in many cases a better experience.
- Even medical plan members with a PCP still have gaps in care. OurHealth will have the opportunity to address gaps in care during clinic visits.
- Clinic will be a resource for employees with a PCP to access quality specialty referrals.
- With deductibles, copays and coinsurance, even plan members with a PCP put off care to save money. Conditions go undetected and untreated resulting in conditions that can be expensive to treat and even life-threatening.
- Provides an alternative option for plan members that need chronic condition management or acute care and their own physician has appointment wait periods that exceed days, weeks and even months.
- Medical information can be transmitted to an employee's existing primary care provider, should they have one. OurHealth also has the ability to receive patient information from an existing primary care provider. This promotes collaboration among medical professionals on an employee's care team.

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How are Referrals Made?*

- OurHealth is independent and not affiliated with any health systems, pharmacies, health insurers, etc.
- They have the ability to help the patient navigate the healthcare system and decision making process without bias.
- They use a value based approach by arming the provider with the tools to help the patient make better decisions.
- Whether it's a cost based decision like an MRI or a quality based decision like a cancer diagnosis, they have the ability and tools to make those referrals with the patient in mind.
- Through direct rate negotiations, coordination of care, pricing transparency and evaluation of quality outcomes, plan members are empowered to make appropriate referral choices.

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OurHealth Experience with other Employers*

- 20+ health clinics nationwide (see appendix for companies)
- City staff spoke at length with references from City of Indianapolis, OneAmerica Financial Partners and Interactive Intelligence. All reported positive experience in all phases working with OurHealth
- OurHealth has not had a client terminate. Every clinic OurHealth has implemented is still in operation today
- Many clients have renewed their initial contract term for 3-5 year extensions

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OurHealth ROI With Other Employers*

Nearly all of OurHealth's customers have saved money in the first year. All customers that OurHealth has worked with for longer than 3 years have demonstrated significant savings.

- Client X has saved just under \$2M since opening their OurHealth clinic in 2011.
- Client Y broke even on their investment at the 18 month mark.
- Client Z health plan costs have stayed flat since opening the clinic 5 years ago.
- To date, the City of Indianapolis has experienced greater utilization of the clinics than anyone anticipated which is a great indicator of early success.

Actuarially validated case studies are available, which outline the reduction in health care spend based on claims experience after implementing an OurHealth clinic.

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Financial Investment

- Billing will be based on a per employee per month fee of \$39.58
- Lab and drug costs billed separately, at cost. Expect savings over negotiated BCBS and CVS Caremark rates (see appendix for cost comparisons)
- Total annual fixed cost (based on 7,000 employees and pre-65 retirees):
 - \$3,324,936
 - This cost is not an additional budget request, but would be redirected costs from the health plan to the employee clinic

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What is the breakeven point for the City's investment with OurHealth*

Break Even Analysis:

- 16,901 total visits required (approximately 86,500 visits in 2014)
- 14,700 members
- Equates to approximately 1.1 clinic visits per member per year
- Current average among employer health clinics is 1.43 -1.80 clinic visits per member per year

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What is the City's Anticipated ROI*

Net Annual Savings (City Investment – Annual Savings)

- \$3.2M Year One
- \$4.3M Year Two
- \$5.2M Year Three

- This will occur from decreased outpatient utilization, improved health outcomes, and controlling cost variance of community providers

- Additional absenteeism and presenteeism costs savings will occur

- Additional savings when we shift the wellness services to the clinic

-20

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What Other Services Can be Shifted to the Clinic*

Once a clinic launch date is finalized, we will work with OurHealth to determine what wellness services are appropriate and more cost-effective to offer through the clinics. This may include:

- Flu shots
- Annual health screenings
- Health risk assessments
- Health coaching

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How Will the Clinic be Measured on Performance and Outcomes*

To have a successful clinic, utilization drives improved health outcomes and cost savings. To drive utilization it is imperative that the customer service, services provided, and quality of care be excellent. So as we look at performance guarantees here are the four important questions we'll ask:

- If we make this investment, will people use the clinic?
- If people use it, will they have a superior experience?
- If people use it and have a good experience, are health metrics improving?
- Ultimately, if health metrics are improving, are we as an employer saving money?

During the contracting phase there will be performance guarantees around these four tenets. This will not only protect the City's investment, this will clearly outline the clinic operations expectations.

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How is the City Protected if this isn't Successful*

- Success isn't defined by OurHealth with the recruitment of other employers. The model designed by OurHealth works whether other employers join or not. OurHealth is committed to five clinics for the City of Charlotte.
- In addition, the fee model is based on a per member per month, so regardless of utilization, from the onset OurHealth knows total fees they will collect from the City to operate five clinics for the three year term.
- There will be a contract language and performance guarantees related to clinic performance to ensure utilization is where it needs to be to support ROI.
- We intend to align the wellness incentive to drive clinic utilization which drives cost savings. In addition, the convenient low-cost and free care will entice members to use the clinic. An aggressive marketing campaign will be designed to promote the clinic to employees, dependents and retirees, as outlined in the appendix.

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Proposed Implementation Steps

- Approval
 - Budget Committee Support
 - Full Council Consent Agenda Adoption July 2015
- Legal
 - Contract negotiation & Legal review
 - Finalize contract; Execute Agreement
- Clinic Design & Construction
 - OurHealth MyClinic site selections
 - Clinic constructions
- Operations
 - Physician and clinic staff recruitment
- MyClinic Promotion
 - Aggressive marketing campaign to plan members
 - Clinic open house tours
- Grand Opening – January 2016
 - Grand opening of OurHealth MyClinic-Charlotte (5 clinics)

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Contract Terms

- Contract Term Length: 3 years
- Management fees to increase annually, negotiated
- Performance Guarantees (fees at risk):
 - OurHealth will guarantee that the City's health plan costs will not escalate at greater than 7% and pharmacy costs will not escalate at greater than 11.5% from calendar year 2015 to calendar year 2016. If City terminates at end of first year, OurHealth will pay a penalty up to \$1.46M if either plan escalates. This guarantee will be mutually negotiated each subsequent year of the contract.
 - Additional performance guarantees will be included around performance metrics such as utilization, availability of appointments, average wait times, satisfaction surveys, and health improvement.

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A Win-Win Proposal

- FREE ACCESS to healthcare for our employees– use it more!
- HEALTHIER & HAPPIER Employees
- With multiple clinic locations – accessible to home and work
- Better likelihood of early detection of serious, potentially catastrophic health conditions
- Access to free or low generic drugs = better managed chronic conditions
- Improved employee morale
- Controls rising cost of health care
- Reduced time away from work for visits
- Reduced absenteeism

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Appendices

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Appendices

- Markets Solicited
- OurHealth Clients
- Indianapolis Implementation Experience
- Heat Map - Work/Home Location
- Breakeven Analysis Year One
- ROI Projection- OurHealth
- Satisfaction
- Drug Cost Comparison
- Lab Cost Comparison
- OurHealth Direct Rate Program
- Marketing Campaign

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Markets Solicited

- OurHealth
- CareHere
- A 10 Clinical
- Carolinas Healthcare
- Concentra
- Healthstat
- Marathon Health
- Novant Health
- Wellness Coalition

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OurHealth Clients

<u>Onsite</u>	<u>Near Site</u>
Interactive Intelligence One America Financial Partners MISO Energy Network CNO Financial Group Banker's Life & Casualty Colonial Penn Culver Academy Braun Corporation Hat World Johnston Murphy Valparaiso University	City of Indianapolis hhgregg Urschel Labs Task Force Tips Centier Bank Madison Precision Products OrthoIndy MJ Insurance Apex Benefits Group Alison Payment Systems MPI Monosol

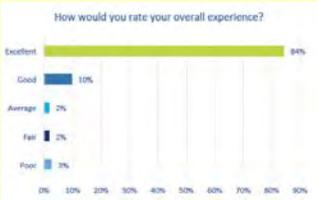
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30



Indianapolis Implementation Experience*

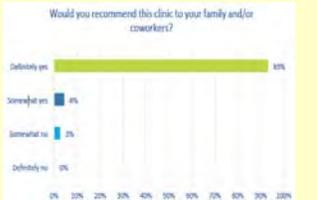
Since opening in January 2015, the OurHealth clinic has had strong utilization from City of Indianapolis employees with 1,613 visits through March 25, 2015, out of 7362 eligible employees, dependents and domestic partners. The participant response of those having visited the clinic has been very positive. Below is a snapshot of the participant survey results.

How would you rate your overall experience?



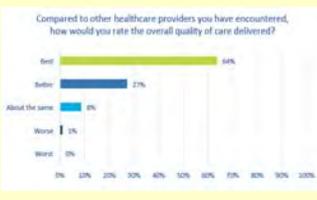
Excellent	94%
Good	10%
Average	2%
Fair	2%
Poor	3%

Would you recommend this clinic to your family and/or coworkers?



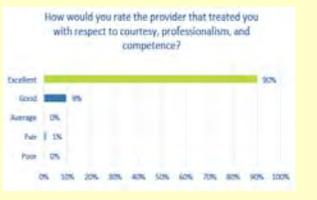
Definitely yes	98%
Somewhat yes	4%
Somewhat no	2%
Definitely no	0%

Compared to other healthcare providers you have encountered, how would you rate the overall quality of care delivered?



Best	64%
Better	27%
About the same	4%
Worst	1%
Worst	0%

How would you rate the provider that treated you with respect to courtesy, professionalism, and competence?



Excellent	90%
Good	8%
Average	0%
Fair	1%
Poor	0%

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Indianapolis Implementation Experience*

In addition, here are some examples of City of Indianapolis early success stories accomplished in the first 3 months of the clinic.

Success Story 1

- A 47 year old male came in for a physical exam in the middle of February. He had a long history of sun exposure and a 3 cm lesion on his right shoulder that had been present "for years". He had asked a few different providers to look at it and they all said to just watch it, and that it didn't look concerning. I biopsied it and it was basal cell carcinoma. He has an appointment this month with Dermatologist.

Success Story 2

- A patient came in for a first clinic visit with a total cholesterol of 381 (lower than 180 is optimal) and triglycerides at 932 (lower than 150 is optimal). With these levels, it was not possible to calculate her LDL cholesterol. At the time of this visit, the patient had already been under the care of a cardiologist and was taking expensive medications that amounted to \$440/month. Her lab values were so bad that we considered sending her for apheresis, a procedure during which the blood is circulated outside of the body and the cholesterol is removed before the treated blood is returned to the body.
- We decided, however, to start with a medication change (Atorvastatin - free, and fish oil - \$15/month) and a health coaching visit to discuss lifestyle changes. One month later, the patient returned for follow-up with an amazing reduction in lab values — total cholesterol was 143, triglycerides were 173, and LDL could now be calculated and was 68 (well within the optimal range). It was fantastic to see this kind of result in such a short amount of time — not only because of the incredible health improvements for the patient, but also because of the cost savings in medications, specialist care, and potentially expensive procedures.

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Indianapolis Implementation Experience*

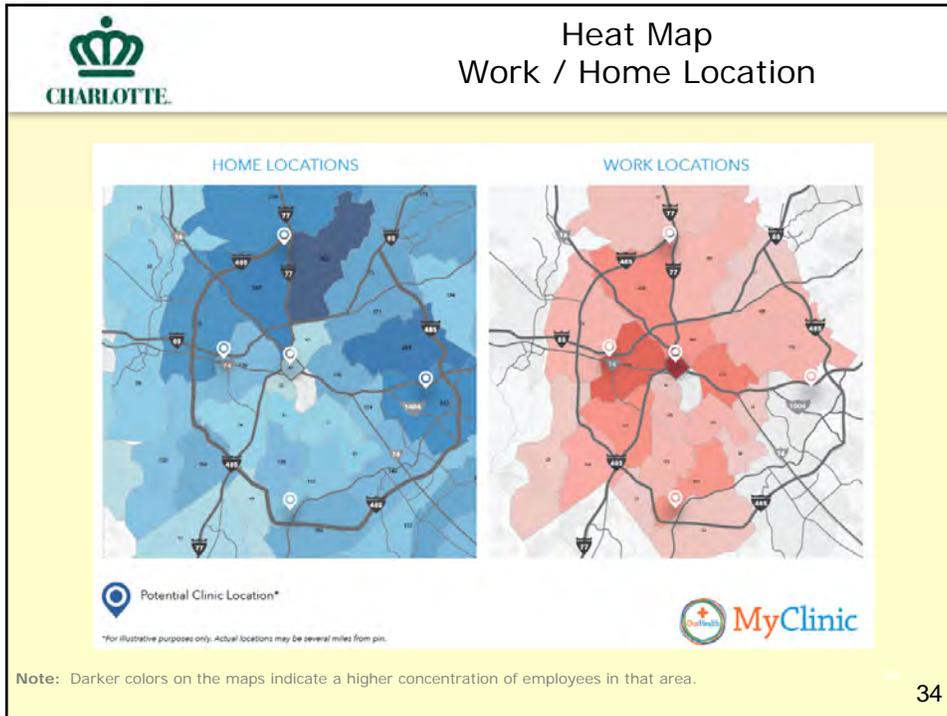
Success Story 3

- *"I love the clinic! When I went for my blood work, I had pre-printed and filled out the paper work so that was super easy. Took me straight back, took the blood, and I was free to go. I returned three business days later for my physical and I happened to be sick at the time too. Met a wonderful doctor who went over all my labs, telling me what each of them was and how good the labs were. He then discussed my medications, why I was on them, and how they were working for me. The ones I wasn't too happy with, and honestly I am switching primary doctors because I am not too thrilled with my current doctor, he explained different/newer/potential better treatment options than my current doctor had prescribed. At the end of the appointment, I found out that ALL of my prescriptions were 100% free through the clinic. Also, I could get a 90-day supply at a time (huge convenience!), and my cold/flu meds only cost me \$8. Because I was there originally for my physical, I wasn't charged the \$25 "sick visit" fee either. All in all, I walked away with 4 90-day prescriptions, 2 cold/flu prescriptions, a physical, bloodwork (including lipid panel, CBC, thyroid, and A1C) for \$8! The facility is also very nice. Clean, comfortable, inviting. The staff was very friendly and knowledgeable. All in all, I loved it!! Considering making them my primary doctor since I am in the process of switching."*

Success Story 4

- Another patient presented with elevated A1c, abnormal liver function tests, and untreated obstructive sleep apnea. In the 2 1/2 months between clinic visits, he worked with our health coach 5 times, had a home sleep study at a discounted rate, and was placed on a CPAP. He returned with normal A1c and normal liver function tests, and he reported feeling much better due to his obstructive sleep apnea being treated. Additionally, the patient had already seen a decrease in BMI from 34.06 to 33.1. We were pleased to see improvement in so many areas and also to see the level of engagement and responsiveness that this patient had regarding his healthcare.

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**Breakeven Analysis
Year One**

**City of Charlotte Claims Data
January 1, 2014- September 30, 2014**

Place of Service/ Type of Service	Net Plan Spend	Number of Services	Per Employee Per Month	Per Member Per Month	Net Plan Spend Per Service	OurHealth Total Service Breakeven	OurHealth Total Service Breakeven Per Member Per Year
1. Total Office Visits	\$12,377,000	61,779	\$191.59	\$90.12	\$200.34	16,596	1.09
a. Preventive Care	\$1,289,560	9,536	\$19.96	\$9.39	\$135.23	24,587	1.61
b. Acute Office Visits	\$11,087,440	52,243	\$171.63	\$80.73	\$212.23	15,667	1.03
2. Urgent Care	\$387,760	3,107	\$6.00	\$2.82	\$124.80	26,641	1.75
Total Services (1+2)	\$12,764,760	64,886			\$196.73	16,901	1.11
Annualized	\$17,019,680	86,514				20%	1.1 Clinic Visits

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ROI Projection - OurHealth

	Year 1*	Year 2	Year 3	Year 4	Year 5
# of Clinic Eligible Employees	7,000	7,000	7,000	7,000	7,000
# of Eligible Members ¹	14,700	14,700	14,700	14,700	14,700
Estimated # of OurHealth provider visits ²	17,388	17,910	18,447	19,001	19,571
City of Charlotte Net Paid Health Claims (including Rx)³	\$74,300,000	\$79,872,500	\$85,862,938	\$92,302,658	\$99,225,357
Activation Fee ⁴	waived				
Annual Operational Costs \$39.58 PEPM ⁵	\$3,325,000	\$3,525,000	\$3,737,000	\$3,961,000	\$4,199,000
Estimated Annual OurHealth Lab Costs	\$336,000	\$356,000	\$377,000	\$400,000	\$424,000
Estimated Annual OurHealth Pharmacy Costs	\$420,000	\$445,000	\$472,000	\$500,000	\$530,000
Annual Investment in OurHealth Services	\$4,081,000	\$4,326,000	\$4,586,000	\$4,861,000	\$5,153,000
Direct Clinic Visit Savings ⁶	\$978,000	\$1,007,000	\$1,038,000	\$1,069,000	\$1,101,000
Lab Savings ⁷	\$1,079,000	\$1,155,000	\$1,236,000	\$1,323,000	\$1,416,000
Pharmacy Savings ⁸	\$1,638,000	\$1,754,000	\$1,880,000	\$2,013,000	\$2,157,000
Projected Health Plan Savings ⁹	\$2,972,000	\$3,994,000	\$4,722,000	\$5,538,000	\$6,450,000
Employee Savings (co-pays/cost sharing) ¹⁰	\$667,000	\$791,000	\$888,000	\$994,000	\$1,112,000
Annual Savings	\$7,334,000	\$8,701,000	\$9,764,000	\$10,937,000	\$12,236,000
NET ANNUAL SAVINGS (excluding productivity)	\$3,253,000	\$4,375,000	\$5,178,000	\$6,076,000	\$7,083,000
Productivity: Lost Revenue Absenteeism ¹¹	TBD	TBD	TBD	TBD	TBD
Productivity: Lost Revenue Presenteeism ¹²	TBD	TBD	TBD	TBD	TBD
NET ANNUAL SAVINGS (including productivity)	TBD	TBD	TBD	TBD	TBD

Projected 5 year return on investment (ROI)

- Figures are based on actual OurHealth client experience, and thus OurHealth management deems the projections reasonable
- Includes access to network of 5 near-site clinic (MyClinic) locations for all City of Charlotte employees + spouses & dependents

*Year 1 assumed to be January 1, 2016 - December 31, 2016

¹ Assumes 2:1 member/employee multiple (OurHealth estimate based on book of business)

² OurHealth's clients, on average, experience 1.18 provider visits per member per year with a 3% annual visit growth rate

³ 2015 estimated healthcare spend provided by Willis. Willis also indicated an annual increase in City of Charlotte's total healthcare spend of 7.5%

⁴ \$58 per-employee, one-time activation fee. City of Charlotte is not financially responsible for buildout and design of MyClinic locations

⁵ 6% annual price increase

⁶ Assumes 75% of clinic visits generate savings (patient surveys have revealed 25% of the time the patient would not have sought care if not for the OurHealth clinic) at \$75 per visit savings (estimated avg cost of visit billed to employer)

⁷ 25% savings due to higher utilization of labs in the OurHealth clinics at significantly reduced cost to City of Charlotte

⁸ 8% savings on drugs due to higher generic dispensing, price advantage, and medication management efforts (assumes 20.5% of total healthcare spending is driven by Rx, per historical claims provided by Willis)

⁹ EP: Inst Hosp, High-tech Radiology; Other: Escalating savings 4, 4.5, 5, 5.5, 6 in years 1-5

¹⁰ Deductible and coinsurance savings including medical and pharmacy (OurHealth estimates 10% of employer savings, not including elimination of current wellness vendor)

^{11,12} TBD based upon input from Employer leadership

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OurHealth Satisfaction

Tell us about your experience.

97%

rate their experience Excellent or Good

98%

would recommend OurHealth to family and coworkers

85%

say they get better quality care at OurHealth. 15% say they receive about the same level of care

If OurHealth was not available, where would you go?

Specialist Physician	3.1%
Other Primary Care Provider	65.4%
Urgent Care Center	6.8%
Emergency Department	0.4%
Hospital	0.3%
Nowhere	24.0%

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Drug Cost Comparison Top 25 By Days Supply

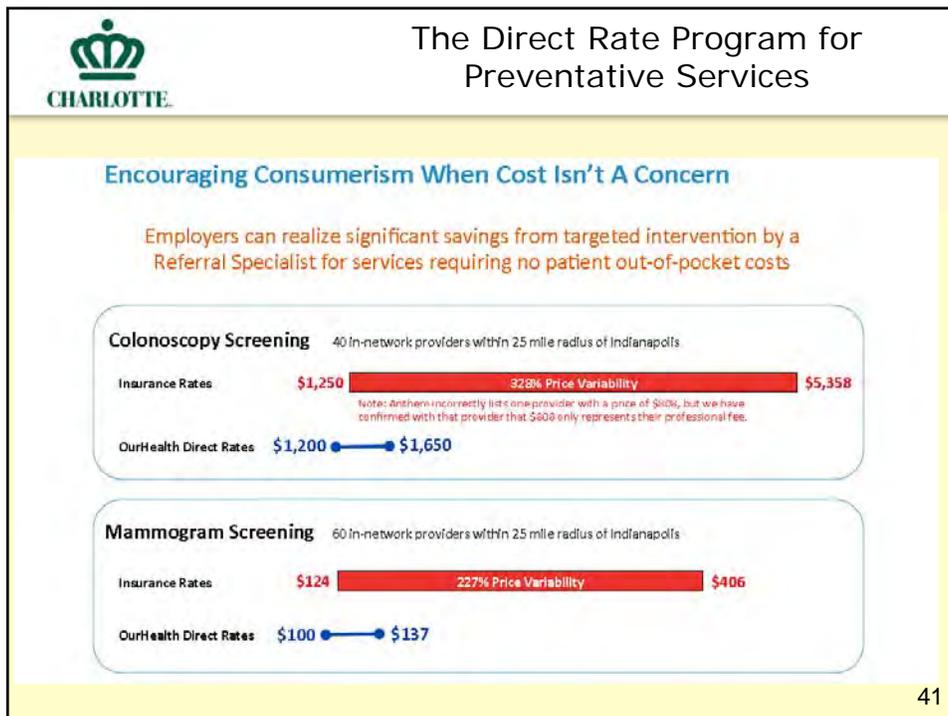
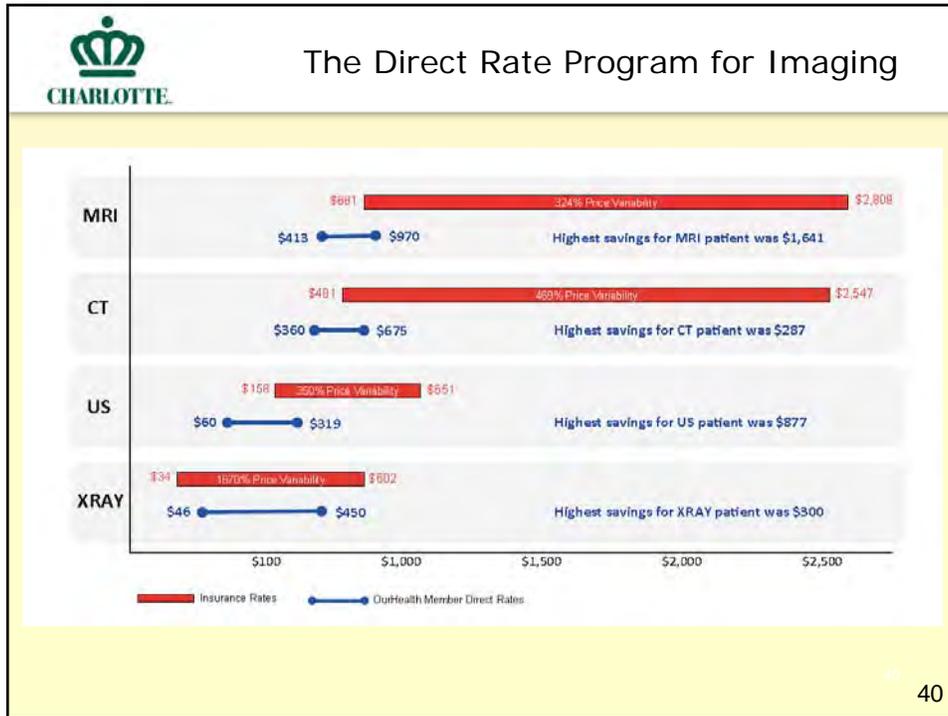
DRUG RANKED BY DAYS SUPPLY	PLAN PAID DAYS THROUGH (9/30/2014)	Caremark	
		Average Net Plan Cost	OurHealth
Atorvastatin Calcium Antihyperlipidemics	146,492	\$1.22	\$0.29
Omeprazole Ulcer Drugs	129,609	\$0.34	\$0.13
Lisinopril Antihypertensives	107,186	\$0.07	\$0.07
Levothyroxine Sodium Thyroid Agents	104,580	\$0.20	\$0.46
Amlodipine Besylate Calcium Channel Blockers	96,127	\$0.11	\$0.06
Simvastatin Antihyperlipidemics	98,200	\$0.11	\$0.07
Fluticasone Propionate Nasal Agents - Systemic And Topical	84,184	\$0.67	\$0.45
Hydrochlorothiazide Diuretics	64,600	\$0.07	\$0.07
Sertraline Hcl Antidepressants	58,569	\$0.16	\$0.08
Metformin Hcl Antidiabetics	57,492	\$0.13	\$0.07
Montelukast Sodium Antiasthmatic And Bronchodilator Agents	55,997	\$0.96	\$0.33
Citalopram Hbr Antidepressants	53,346	\$0.13	\$0.07
Losartan Potassium Antihypertensives	55,836	\$0.36	\$0.11
Pravastatin Sodium Antihyperlipidemics	50,166	\$0.35	\$0.82
Bupropion Xi Antidepressants	47,066	\$0.97	\$0.86
Pantoprazole Sodium Ulcer Drugs	45,215	\$0.53	\$0.09
Metoprolol Succinate Beta Blockers	44,130	\$0.74	\$0.60
Losartan-Hydrochlorothiazid Antihypertensives	43,920	\$0.44	\$0.11
Meloxicam Analgesics - Anti-Inflammatory	41,083	\$0.12	\$0.07
Fluoxetine Hcl Antidepressants	38,825	\$0.36	\$0.15
Metformin Hcl Er Antidiabetics	37,834	\$1.03	\$0.07
Total		\$628,178	\$335,392
Difference from Current			-\$292,786
Percentage from Current			-47%



Lab Cost Comparison

Lab Type	CPT Code	Plan Paid	
		Cost/Service	OurHealth Pricing
Acute Hepatitis Panel	80074, 80059	\$35.14	\$31.00
Basic Metabolic Panel	80048	\$6.93	\$3.10
Blood Count	85004, 85025, 85032	\$7.60	\$2.40
Cholesterol, serum, total	82465	\$4.00	\$2.50
Complete CBC with differential	85025	\$7.60	\$2.50
Comprehensive Metabolic Panel	80053	\$9.03	\$3.70
Culture; bacterial	87040 - 87190	\$8.99	\$21.00
Glucose	82947	\$5.15	\$12.00
Hemoglobin A1C	83036	\$12.26	\$3.50
Infectious Agent Detection by Nucleic Acid	87471 - 87660	\$30.47	\$15.00
Lipid Panel	80061	\$15.59	\$3.70
Prothrombin Time	85610	\$3.94	\$3.50
Rheumatoid Factor	86431	\$6.61	\$4.00
Sedimentation Rate, Erythrocyte	85652	\$2.42	\$4.00
Thyroid Stimulating Hormone	84443	\$16.61	\$4.00
Thyroxine	84436	\$4.08	\$3.00
Total PSA	84153, 84152	\$21.27	\$7.00
Transferrase; alanine amino	84460	\$6.44	\$2.50
Transferrase; aspartate amino	84450	\$9.93	\$2.50
Urinalysis	81000 - 81050	\$3.83	\$6.00
Vitamin D, 25-Hydroxy	82306	\$28.89	\$16.00
Total		\$552,501	\$312,771
Difference from Current			-\$239,730
Percentage from Current			-43.39%

*Plan data using paid claims from 1/2014 - 10/2014





Marketing Campaign*

OurHealth has developed a strategic and ongoing communications plan for each of its clients to help educate patients and drive utilization of its MyClinic locations. Zero cost, free flu shots, open houses and a comprehensive communication campaign drive quick clinic adoption by plan members. The plan has several phases, which are outlined below.

Implementation:

- When a new client begins using the network of MyClinic locations employees receive six implementation communications, one per week, prior to using the clinic. Those communications are:
- Initial Letter: An initial letter outlining the client's commitment to improving the healthcare of its employees and its partnership with OurHealth.
- Overview and FAQ: An overview of clinic services and frequently asked questions (FAQ).
- Medications/Lab Services: A formulary list of the more than 80 common acute/maintenance medications available at OurHealth and the types of general lab services that are offered.
- Providers: An informational piece on the professional staff employed at the MyClinic locations, including providers, nurse practitioners, physician assistants and professional staff.
- Health Coaching: An informational piece on what a health coach is and how they can help employees reach their wellness and fitness goals.
- Portal: This document outlines the healthcare tools patients can find on the OurHealth portal and how to sign up for the portal (we include a specific link for employees).

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Marketing Campaign*

Ongoing Communications:

- Monthly health content: OurHealth provides monthly healthcare content to patients that is posted on the portal but can also be sent as an email, posted as a flyer, posted to an employee Intranet or sent in an employee e-newsletter. Topics include heart health, skin cancer, food safety, etc. This content can also be found on the OurHealth blog at <http://ourhealth.org/category/blog/>
- Portal infographics and news: OurHealth posts health-related news and infographics on the portal.
- Custom communications: OurHealth has developed custom communications for clients to assist in driving patient utilization of the MyClinic locations which have included pieces on biometric screens, the benefits of a health coach, etc.

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Budget Committee Meeting Clinic Follow-up Questions

Why is the City choosing not to work with local vendors such as Novant and Carolinas Healthcare System?

In Spring 2013 we issued a request for proposal to three local vendors that offer clinic services: Novant, Carolinas Healthcare System and Healthstat. Each vendor was invited to make a presentation in Summer 2013. During these preliminary meetings, we discovered that Novant and Carolinas Healthcare System did not have the capability to provide the clinic services we need, including, but not limited to: only offered a basic nurse practitioner type onsite clinic with a limited scope of service, not a physician based model; referrals were limited to their own health systems, regardless of cost or quality; city would have had to assume the costs for clinic build out; and inability to provide incentive tracking and onsite health coaching based on our current model. All three, however, were subsequently invited to respond to the official RFP and Healthstat was later included as a finalist. The finalist committee determined that Healthstat, as well as the other two finalists, did not have the same capabilities as OurHealth to manage and operate the City's clinic.

What selection/evaluation process did the City go through to select OurHealth as the recommended vendor?

- Initial Informal Onsite Meeting with Local Clinic Vendors – Spring 2013
- Request for Proposal Issued for Onsite Clinic Vendors – Fall 2013
- Revised Request for Proposal to Include Wellness Program – Spring 2014
- Four vendors selected to make presentations onsite:
 - CareHere – Brentwood , Tennessee
 - OurHealth – Indianapolis, Indiana
 - A10 Clinical – Raleigh, North Carolina
 - HealthStat – Charlotte, North Carolina
- Issued Survey to members of the HR Liaison Team representing all City departments – including model preference (onsite vs. near site)
- Asked additional questions to four finalists based on Physician Model – Summer 2014
- Two Finalists Selected for Presentation to Human Resources Team and Assistant City Manager:
 - CareHere
 - OurHealth
- Interviewed Top Two Finalists' References – Fall 2014
- Selected Finalist – Our Health

Why is the City choosing this business model for the employee health clinic?

Healthcare costs are continuing to rise with unmanaged health and chronic conditions as primary cost drivers. This business model allows the City to address these cost drivers in the employee health clinic model. We also have a dispersed workforce and dependent and retiree population. So having a network of shared clinics around Charlotte provides better access to the clinics than if we chose a one-clinic location model. Better access to care results in an enhanced patient experience, improved health outcomes, improved specialty referrals and a reduction in lost work time and absenteeism. All of these result in a cost savings.

How does this approach fit into the changing landscape of healthcare?

The landscape of healthcare is changing faster than ever. The Affordable Care Act (ACA) has passed which has introduced 30-50M new patients in to the healthcare system with no focus on increasing doctors. At the same time, many of the costs associated with this were passed on to employers like the City of Charlotte. We're now forced to navigate a higher cost, lower access system. This creates an opportunity for the City to be more proactive in how we provide healthcare for our employees. The near site clinic model gives us the platform to do this. We can create more access to healthcare at lower costs to the City and City employees thus creating happier and healthier employees who are more productive at work.

What has been the experience with other employers of OurHealth?

During the reference checks, City staff spoke with the following OurHealth clients. All reported a positive experience with all phases of working with OurHealth.

Jason Dudich
Chief of Staff
City of Indianapolis

Debby Routt
Vice President, Human Resources
OneAmerica Financial Partners

Kim Kean
Vice President, Benefits
Interactive Intelligence

OurHealth has not had a client terminate a contract in its 6 year history as a business. Every clinic OurHealth has implemented is still in operations today. Many clients have renewed their initial contract term for 3-5 year extensions.

What has been the ROI of other employers with OurHealth?

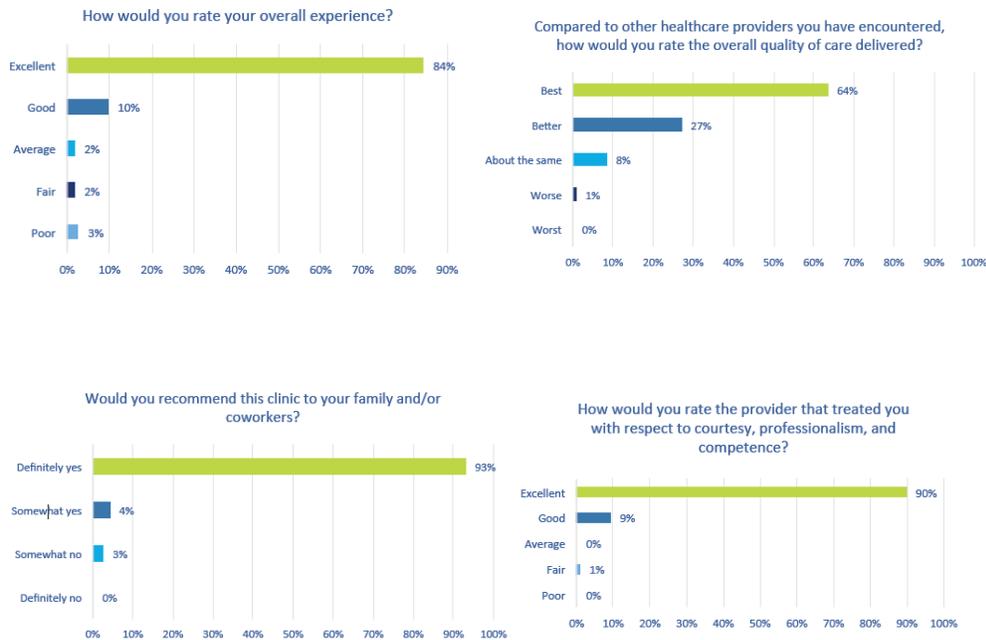
Nearly all of OurHealth's customers have saved money in the first year. All customers that OurHealth has worked with for longer than 3 years have demonstrated significant savings.

- Client X has saved just under \$2M since opening their OurHealth clinic.
- Client Y broke even on their investment at the 18 month mark.
- Client Z health plan costs have stayed flat since opening the clinic 5 years ago.
- To date, the City of Indianapolis has experienced greater utilization of the clinics than anyone anticipated which is a great indicator of early success.

Attached is a document with three additional case studies, actuarially validated by Milliman, which outline the reduction in health care spend based on claims experience after implementing an OurHealth clinic.

How is the clinic implementation going in Indianapolis?

Since opening in January 2015, the OurHealth clinic has had strong utilization from City of Indianapolis employees with 1,613 visits through March 25, 2015. The participant response of those having visited the clinic has been very positive. Below is a snapshot of the participant survey results.



In addition, here are some examples of City of Indianapolis early success stories accomplished in the first 3 months of the clinic.

Success Story 1

A 47 year old male came in for a physical exam in the middle of February. He had a long history of sun exposure and a 3 cm lesion on his right shoulder that had been present “for years”. He had asked a few different providers to look at it and they all said to just watch it, and that it didn’t look concerning. I biopsied it and it was basal cell carcinoma. He has an appointment this month with Dermatologist.

Success Story 2

A patient came in for a first clinic visit with a total cholesterol of 381 (lower than 180 is optimal) and triglycerides at 932 (lower than 150 is optimal). With these levels, it was not possible to calculate her LDL cholesterol. At the time of this visit, the patient had already been under the care of a cardiologist and was taking expensive medications that amounted to \$440/month. Her lab values were so bad that we considered sending her for apheresis, a procedure during which the blood is circulated outside of the body and the cholesterol is removed before the treated blood is returned to the body. We decided, however, to start with a medication change (Atorvastatin - free, and fish oil - \$15/month) and a health coaching visit to discuss lifestyle changes. One month later, the patient returned for follow-up with an amazing reduction in lab values — total cholesterol was 143, triglycerides were 173, and LDL could now

be calculated and was 68 (well within the optimal range). It was fantastic to see this kind of result in such a short amount of time — not only because of the incredible health improvements for the patient, but also because of the cost savings in medications, specialist care, and potentially expensive procedures.

Success Story 3

“I love the clinic! When I went for my blood work, I had pre-printed and filled out the paper work so that was super easy. Took me straight back, took the blood, and I was free to go. I returned three business days later for my physical and I happened to be sick at the time too. Met a wonderful doctor, James Williams, who went over all my labs, telling me what each of them was and how good the labs were. He then discussed my medications, why I was on them, and how they were working for me. The ones I wasn't too happy with, and honestly I am switching primary doctors because I am not too thrilled with my current doctor, he explained different/newer/potential better treatment options than my current doctor had prescribed. At the end of the appointment, I found out that ALL of my prescriptions were 100% free through the clinic. Also, I could get a 90 day supply at a time (huge convenience!!); and my cold/flu meds only cost me \$8. Because I was there originally for my physical, I wasn't charged the \$25 “sick visit” fee either. All in all, I walked away with 4 90-day prescriptions, 2 cold/flu prescriptions, a physical, bloodwork (including lipid panel, CBC, thyroid, and A1C) for \$8! The facility is also very nice. Clean, comfortable, inviting. The staff was very friendly and knowledgeable. All in all, I loved it!! Considering making them my primary doctor since I am in the process of switching.”

Success Story 4

Another patient presented with elevated A1c, abnormal liver function tests, and untreated obstructive sleep apnea. In the 2 1/2 months between clinic visits, he worked with our health coach 5 times, had a home sleep study at a discounted rate, and was placed on a CPAP. He returned with normal A1c and normal liver function tests, and he reported feeling much better due to his obstructive sleep apnea being treated. Additionally, the patient had already seen a decrease in BMI from 34.06 to 33.1. We were pleased to see improvement in so many areas and also to see the level of engagement and responsiveness that this patient had regarding his healthcare.

What is the breakeven point for the City's investment with Our Health?

The Break Even Analysis indicates a total of 16,901 visits are required in the clinic annually. This equates to approximately 1.1 clinic visits per member per year. The current average among clients is 1.43 -1.80 clinic visits per member per year

What is the City's anticipated Return on Investment of implementing the OurHealth model?

Net Annual Savings (Annual Savings – City Investment)

- \$3.2M Year One
- \$4.3M Year Two
- \$5.2M Year Three
- This will occur from decreased outpatient utilization, improved health outcomes, and controlling cost variance of community providers
- Additional absenteeism and presenteeism costs savings will occur

Why is the City seeking this type of health care strategy/delivery model?

Over the last several years, we've made plan design changes which ultimately shift costs to employees. In a budget conscious environment, the City cannot continue to afford escalating health care costs and employees cannot continue to afford significant increases in benefits cost. This type of health care strategy/delivery model helps the City provide good access and affordable care to employees and at the same time, it provides a low/no cost option for quality care to employees. Instead of treating conditions, the clinic treats the whole employee by looking at health care needs and wellness opportunities for the individual.

Employee performance and business performance is linked. Knowing that employee health is linked to performance, we believe this model will help the City continue to control medical cost increases by providing access to quality medical care for our medical plan members with little or no access now. The clinic will allow the City to redirect care from expensive, sub-optimal and inappropriate settings. In addition, it will increase employee productivity and reduce absenteeism by reducing time lost from work due to illness and driving employee engagement in their health.

How will the program be marketed to employees?

We intend to align the wellness incentive to drive clinic utilization. In addition, the convenient low-cost and free care will entice members to use the clinic. An aggressive marketing campaign will be designed to promote the clinic to employees, dependents and retirees. This will include promotions during Open Enrollment, onsite meetings with employees, clinic tours, retiree and dependent meetings, and promotional materials.

What is the incentive for an employee to use the employee health clinic especially if they already have a primary care physician?

The care is free, accessible and in many cases a better experience.

We know that even medical plan members with a primary care physician still have gaps in care. For example, employees who are diabetic are not receiving appropriate follow up exams such as retinal eye and foot exams or they are not periodically having their levels tested. When employees access the clinic, OurHealth will have the opportunity to address gaps in care. In addition, the clinic will be a resource for employees with a PCP to access quality specialty referrals.

With deductibles, copays and coinsurance, even plan members with a PCP put off care to save money. Conditions go undetected and untreated...resulting in conditions that can be expensive to treat and even life-threatening.

In addition, there can be scheduling wait periods with personal physician practices. The employee health clinic certainly doesn't want to replace physicians, but it will give employees an alternative option when they need chronic condition management or acute care and their own physician has appointment wait periods that exceed days, weeks and even months. Employer sponsored health clinics can help break down these barriers, even for employees with a PCP.

On average, across OurHealth's entire book of business, 75% of employees have at least one visit in the clinic in the first year. Because of the lower barriers to care (free and accessible), OurHealth Clinics see great utilization. Because of the experience, patients come back. OurHealth has indicated that if a patient has a primary care provider, that's great, they don't seek to replace the PCP and the patient can continue to go to that PCP. They have, however, seen a natural shift away from the PCP model to the clinics because it's free, easy to get into, and a better experience.

How will referrals be made to specialists?

OurHealth is independent and not affiliated with any health systems, pharmacies, health insurers, etc. They have the ability to therefore help the patient navigate the healthcare system and decision making process without bias. They use a value based approach by arming the provider with the tools to help the patient make better decisions. Whether it's a cost based decision like an MRI or a quality based decision like a scary cancer diagnosis, they have the ability and tools to make those referrals with the patient in mind.

How will the clinic be measured through performance and outcomes?

To have a successful clinic, utilization drives improved health and cost savings. To drive utilization it is imperative the customer service, services provided and quality of care be excellent. So as we look at performance guarantees here are the four important questions we'll ask:

- If we make this investment, will people use the clinic?
- If people use it, will they have a superior experience?
- If people use it and have a good experience, are health metrics improving?
- Ultimately, if health metrics are improving, are we as an employer saving money?

One of the main reasons we chose OurHealth is that we believe their model supports these four tenets. They understand the importance of driving utilization to positively impact health outcomes and cost savings. They aren't merely just another location for employees to get healthcare. They intend to be the best place for employees to get healthcare through excellent customer service, quality, trusted care and personal health engagement and improvement.

In addition, during the contracting phase there will be performance guarantees around these four tenets. This will not only protect the City's investment, this will clearly outline the clinic operations expectations.

Are there any other services that we are currently paying for that can be shifted to the health clinic? (ie flu shots, coaching etc.)

Once we are able to finalize a clinic launch date, we will begin working with OurHealth to determine what wellness services are appropriate and more cost-effective to offer through the clinics. Currently, we use another vendor for flu shots, annual health screenings, health risk assessments and health coaching. OurHealth can provide these services.

How is the City protected if OurHealth is not successful at recruiting other employers or they are not making as much money as anticipated and they decide walk away?

Success isn't defined by OurHealth with the recruitment of other employers. The model designed by OurHealth works whether other employers join or not. OurHealth is committed to five clinics for the City of Charlotte. In addition, the fee model covers the costs of the clinic on a per member per month, so regardless of utilization, from the onset OurHealth knows the total fees they will collect from the City to operate five clinics for the three year term. There will be contract language and performance guarantees related to clinic performance to ensure utilization is where it needs to be to support ROI.

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