



2016- 2017 Performance Agreement

as referred to in Article 19, paragraph 1 of the Landsverordening Uitvoeringsorgaan Sociale en Ziektekosten Verzekeringen.

This agreement is entered into on September 22, 2016, by and between:

The Minister of Public Health, Social Development and Labour, hereinafter referred to as: "Minister of VSA;

-and-

The Director of the Implementing Body Social and Health Insurances, established in the Landsverordening Uitvoeringsorgaan Sociale en Ziektekosten Verzekeringen "USZV", situated in Philipsburg, Sint Maarten, hereinafter referred to as "the Director":

CONSIDERING THAT:

- a. The Landsverordening Uitvoeringsorgaan Sociale en Ziektekosten Verzekeringen (AB 2013, GT no. 69), hereinafter referred to as "the National Ordinance" regulates among other things the administrative and financial relations between the Minister of VSA and USZV, and formalizes this relationship by means of this performance agreement. The operational independence of USZV is also established therein;
- b. By virtue of Article 19, paragraph 1 of the National Ordinance, each year the Minister of VSA will enter into a performance agreement with the Director, in which the quantitative, qualitative and financial standards and targets are set out;
- c. This performance agreement will provide measures in case of non-compliance wherever necessary within the stipulations laid down in or by virtue of the National Ordinance, and will contain agreements on interim amendments in connection with changing insights and conditions, or in the event one of the conditions referred to in Article 19, paragraph 3 or 4 of the National Ordinance arises;



- d. The present performance agreement will be established taking into account the adopted budgetary framework of USZV, as indicated in Article 19, paragraph 2 of the National Ordinance, the Strategic Plan, the Blue Print and Roadmap 2016-2020 which are integrated into the approved budget. The approved budget is attached as appendix I;
- e. The Director will do everything within his power to achieve the performance targets as laid out in the National Ordinance on an annual basis. The Minister of VSA will make every effort to ensure that within his power he will achieve the targets adopted in this performance agreement.
- f. Obligations which are applicable under the National Ordinance or under other legal regulations for the Minister of VSA and USZV, will remain in full force and effect.

PARTIES HEREBY AGREE ON THE FOLLOWING:

Article 1 Performance Agreement Topics of a Quantitative nature:

- 1. The handling of the funds administered by USZV with due care is a direct function of the Director. This applies to both the social insurance funds entrusted into the Director's care, but also to the operational funds of USZV.

1.1 Operational budget:

Regarding the portion of the funds, which have been allocated for the operational budget of the USZV. This amount has been approved by the Minister of VSA in the budget document submitted for 2017, and any substantial changes to the amounts projected in the approved budget must be reported to the Minister of VSA immediately.

There has been quite some discussion that the amounts apportioned and derived from each of the funds for the purpose of allocation to the operational budget of the USZV can and should be looked at with the objective to more fairly distribute the costs of the funds across the operational budget. The Minister of VSA finds this to be of such a critical nature that a time limit of the end of December, 2016 be placed upon having the Director submit this information for review and approval to the Minister of VSA. This report shall include:

- (a) a detailed report on the current basis for the calculation of the current allocation of the funds expenses;
- (b) what the new allocation would look like; and
- (c) the supporting basis for the reallocation so that this may be immediately be incorporated in the operational budget for 2017.

The Minister of VSA finds that the amount of money spent annually on operational expenses are high. The Minister of VSA recognizes that the key factors driving expenses, such as rent, additional personnel costs associated with improving automation, and consultants for setting up basic programs that can still be attributed to the startup nature of the USZV are ones that can and should be reduced over time.

The approved budget for 2017 has an expense to income ratio of approximately 11%. The Minister of VSA strongly advises the Director to maintain this ratio as a maximum for at least the year 2018 and to put into effect planning to reduce this ratio downwards to 9% over the next 4 years, with the objective to lower this ratio even further in succeeding years provided this ratio is a common ratio in the industry adjusted for the specifics of the Sint Maarten society.

1.2 Performance of the Social Funds

1.2.1 Regarding the performance of the social funds returns themselves: The Minister of VSA requires the Director to establish a definitive review of the companies that have been exercising this task on behalf of USZV. A further description of this process will be detailed in the section on the financial aspects of this agreement.

1.2.2 The Director will submit a procurement proposal before June 2017 to realize draft legislation to implement a so called 'Swingfund' or 'Equalization Reserve Fund' (in Dutch: "Schommelfonds"), that will enable that the reserves of different funds can be used to replenish deficits in other funds, if needed. If the NHI legislation will be implemented by June 2017, this will no longer be necessary in which event the minister of VSA will inform the director accordingly.

1.2.3 On or before December 31, 2016 the Director will submit a definitive plan of approach for approval by the Minister of VSA for the reporting of information regarding the 10% co-pay to General Affairs for those civil servants at the 90% coverage level, starting with the year 2016. If at all possible the goal will be to also provide this for the year 2015.

1.3 Restricted Capital budget.

1.3.1 The Minister has approved for USZV to form a restricted capital reserve from surplus AOV funds for the purpose of participation in the financing of the new General hospital for Sint Maarten. The restricted reserve is capped at ANG 50 million guilders. The minimum return on financing / investment must be 6% net and all returns and capital repayment should return into the AOV fund over a period of maximum 20 years. All internal investment policies must be followed. The return must be within the 10% margin of the benchmark as stated in the investment policy.

Article 2 Performance agreement topics of a qualitative nature

2.1. To improve on the overall customer service levels based on the USZV's Strategic Plan/ Roadmap. The Director USZV will undertake all necessary efforts to establish a minimum customer satisfaction grade of at least 6.0 on a scale from 0-10 for all public services;

2.2 To implement the approved restructuring plan "version 3.0" on both the personnel and IT level.

2.2.1 The minimum milestones to be realized by the end of January 2017 are:

1. Completion of a further developed/enhanced customer oriented USZV website;
2. Implemented digital medical referral process.

2.2.2 The Director will submit a plan of approach for the implementation of the digital medical referral process as mentioned under article 2, paragraph 2.2.1.2, before the end of December, 2016

2.3 Before the end of December 2016, the Director will send a draft national decree and elucidation to legalize and optimize the medical referral procedure, and implement a medical quality control and cost control mechanism for the entire health care chain within the legal framework of USZV.

2.4 The overall satisfaction levels of the public with the services offered by the USZV is considered by the Minister of VSA to be low. Processes must continue to be streamlined. The Director will include the target 'customer focused' as a mandatory key indicator in the performance agreement of all employees. The organization must perform at "meet expectation" or above. The Director will report on this twice per year.



2.5 Since the inception of the USZV, the OZR medical payments for the civil servants and the indigent population has been handled via a loosely defined service level agreement. Under this agreement the USZV has not charged expenses for the handling of the OZR services and in return, government has not billed USZV for services such as the collection of the AVBZ for example. Parties agree to work together to better define this financial aspect in order to include this in future budgets. The Director will submit a service level agreement proposal by February 15, 2017.

Article 3 Performance agreement topics of a financial nature

3.1 The USZV receives its entire operating capital as a percentage of the social premiums revenues, which it collects and also administers. A plan to reduce housing costs by a minimum of 20% and payroll costs by the objectives mentioned in the Blueprint over a maximum period of 5 years shall be put in place by the May 1, 2017.

3.2 Return on investment on the funds have been below par for an extended period. Each of the investment companies now providing services for USZV will be evaluated against benchmark performances of the indices within which the funds have been invested.

Each company performing 2 or more percent including their fees, less than benchmark performance of the indices they have been tasked to work within, will be terminated. Passive strategies that perform to the relevant indices with low fees shall be sought to replace these financial advisors. As much as possible within the investment guidelines, investments will be made either in dollar or Antillean guilder based investments as the commitments of the funds are linked heavily to the guilder or the US dollar against which the currency is fixed. This evaluation shall be completed prior to the end of December 2016 and if necessary replacement, low fee investment houses will replace those which have underperformed.

3.3 The Director shall annually no later than July of each year prepare a benchmarking report on best practices within the Caribbean Kingdom islands of Sint Maarten, Aruba, Curacao and the BES by organizations with similar objectives to determine best practices and investigate ways and means to cooperate on cooperative purchasing of services and goods within the scope of the social funds purposes.



This is subject to the availability of information and cooperation from the other countries within the Kingdom.

3.4 The Director will continue to explore the financial benefits to the health funds via cooperation with French Saint Martin.

Article 4 Compliance

4.1 Following the hearing from the Supervisory Board, The Director USZV will report on the compliance of this performance agreement to the Minister of VSA bi-annually.

4.2. Upon request, the Director will provide all information to the Minister of VSA, as far as this is required for the execution of the activities of the Minister within the scope of this performance agreement.

4.3. In the event the Director fails to comply with any of its obligations under the terms of this performance agreement, the Minister of VSA may proceed to take measures against the Director in accordance with the law.

4.4. Before the Minister of VSA urges the Director to comply with the obligations under this performance agreement, the director will be offered the opportunity to explain in a meeting the reason why it was impossible for him to comply with the performance agreement. The Minister of VSA will offer the Director a reasonable period of time to still comply with the obligations before any measures will be taken against him and/or USZV.

4.5 The director may at all times refuse to execute an instruction or request if the legal basis for such an instruction or request is lacking.

Article 5 Amendments

5.1 Interim amendment to this performance agreement shall always take place in the event of:

- a. either an expansion or reduction of the tasks assigned to USZV
- b. a significant change of: i. The legislation or organizational structure, or ii. The budget;
- c. a significant change of circumstances which have consequences for the execution of this performance agreement.

5.2 Should one or more of the conditions, as referred to in article 5.1 arise, parties will consult each other on the need to amend this performance agreement within four (4) weeks, as of the date of one party's written notification to the other parties.

5.3 Any amendment to this performance agreement resulting from this consultation will require the written consent of all parties.

5.4 The amendment signed by all parties will be annexed to this performance agreement.

As signed on the date first mentioned above,

Minister of Public Health, Social Development and Labour

Director Uitvoeringsorgaan Sociale en Ziektekosten Verzekeringen

Copies are to be sent to:
The Secretary-General of Public Health, Social Development and Labour;
The Department of Public Health;
The Department of Social Development;
The Department of Labour;
The Director USZV
The Supervisory Board USZV