

**City of Mission
Regular Meeting Agenda
Wednesday, November 8, 2017
7:00 p.m.
Mission City Hall**

If you require any accommodations (i.e. qualified interpreter, large print, reader, hearing assistance) in order to attend this meeting, please notify the Administrative Office at 913-676-8350 no later than 24 hours prior to the beginning of the meeting.

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

ROLL CALL

PUBLIC HEARING

1. SPECIAL PRESENTATIONS

- Special Presentation to Cindy Haskell, Silver Sneakers Program
- Police Department Special Presentation

2. ISSUANCE OF NOTES AND BONDS

3. CONSENT AGENDA

*NOTE: Information on consent agenda items has been provided to the Governing Body. These items are determined to be routine enough to be acted on in a single motion; however, this does not preclude discussion. **If a councilmember or member of the public requests, an item may be removed from the consent agenda for further consideration and separate motion.***

CONSENT AGENDA - GENERAL

3a. [Minutes of the October 18, 2017 City Council Meeting](#)

CONSENT AGENDA - Finance & Administration Committee

[Finance & Administration Committee Meeting Packet 11-1-17](#)

Finance & Administration Committee Meeting Minutes 11-1-17

CONSENT AGENDA - Community Development Committee

[Community Development Committee Meeting Packet 11-1-17](#)

Community Development Committee Meeting Minutes 11-1-17

3b. Dedication of Johnson Drive Right-of-Way, Mission Trails

COMMUNITY COMMITTEE REPORTS

Approved Minutes from Board and Commission meetings are available on the City of Mission website under the "[Agendas & Minutes](#)" tab.

4. PUBLIC COMMENTS

5. ACTION ITEMS

Planning Commission

Miscellaneous

6. COMMITTEE REPORTS

Finance & Administration, Nick Schlossmacher

[Finance & Administration Committee Meeting Packet 11-1-17](#)

Finance & Administration Committee Meeting Minutes 11-1-17

6a. Employee Benefit Renewals (**page 3**)

Community Development, Kristin Inman

[Community Development Committee Meeting Packet 11-1-17](#)

Community Development Committee Meeting Minutes 11-1-17

7. UNFINISHED BUSINESS

8. NEW BUSINESS

9. COMMENTS FROM THE CITY COUNCIL

10. MAYOR'S REPORT

11. CITY ADMINISTRATOR'S REPORT

EXECUTIVE SESSION

ADJOURNMENT

City of Mission	Item Number:	6a.
ACTION ITEM SUMMARY	Date:	October 26, 2017
Administration	From:	Brian Scott

Action items require a vote to recommend the item to full City Council for further action.

RE: Recommendation for 2018 Employee Benefits Program

RECOMMENDATION: Authorize the Mayor, or his/her designee, to execute any and all documents necessary to approve contracts for the City of Mission's 2018 employee health/welfare benefits program.

DETAILS: Benefits are an important component of an overall compensation package that the City offers its employees. Staff has been working with the City's benefit broker, Lockton Benefit Company, and other plan providers over the past several months to organize, evaluate, negotiate, and recommend an employee benefits program for 2018 that is supportive of the employees while also being fiscally sound for the City. Please see the attached memorandum and exhibits for detailed information on the recommended 2018 employees benefits program. The recommendations include:

- Contract with Blue Cross Blue Shield of Kansas City to offer both the BlueSelect Plus and Preferred Blue Care plans with the benefits outlined in the memo at the current cost sharing ratio of 80% City paid and 20% employee paid in the estimated amount of \$838,373.
- Fund a wellness program for City employees in the amount of \$10,000.
- Renew the dental insurance benefit plan with Delta Dental of Kansas effective January 1, 2018 with no increase in premium rates. The cost to the City will be \$43,000 for 2018.
- Maintain the current dental insurance premium structure of 80% paid by the City and 20% paid by the employees.
- Renew the vision insurance benefit plan with EyeMed with 100% of the premium paid by the City effective January 1, 2018. This will result in no premium increase and a guaranteed rate for three years. The cost to the City will be \$9,200 for 2018.
- Continue to provide a Section 125 Flexible Spending Account through Basic with an estimated annual cost to the City of \$2,650 for 2018.
- Maintain basic Group-Term Life/AD&D benefits through The Standard. The cost to the City for 2018 will be \$2,600.
- Maintain access to voluntary life insurance benefits through The Standard with all premiums paid 100% by participating employees.
- Maintain access to voluntary supplemental insurance benefits through AFLAC with all premiums paid 100% by participating employees.
- Fund the KPERS and KP&F retirement plans in accordance with state mandated rates. The estimated cost to the City for 2018 is \$587,000.

Related Statute/City Ordinance:	N/A
Line Item Code/Description:	Various Personnel Services
Available Budget:	\$6,857,330

City of Mission	Item Number:	6a.
ACTION ITEM SUMMARY	Date:	October 26, 2017
Administration	From:	Brian Scott

Action items require a vote to recommend the item to full City Council for further action.

- Maintain the quarterly contribution of 2% of total earnings in the Principal Plan for non-KP&F employees, with no optional matching benefit. The estimated cost for 2018 is \$40,000.

Anticipated personnel costs for 2018 based on the recommendations provided are summarized in the table below.

Health/Welfare Benefits	+ \$ 905,823
Retirement Benefits	+ \$ 627,000
SUI, FICA, Worker's Compensation	+ \$ 483,000
2018 Total Estimated Benefit Costs	= \$ 2,015,823
2018 Total Estimated Salary Costs	+ \$ 4,936,000
2018 Total Personnel Costs:	= \$ 6,951,823
Total 2018 Budgeted Personnel Costs	\$ 6,857,330
Total 2017 Budget Savings Identified	\$ 190,100
Total Revised 2018 Budgeted Personnel Costs	\$7,047,430
2018 Benefits as a % of Total Personnel Costs	29%

The recommendations summarized account for an anticipated merit increases ranging from 1% to 3% that are scheduled to be provided to employees in the last pay period in November 2017.

Recommendations for the benefits are included in two memos attached.

CFAA CONSIDERATIONS/IMPACTS: N/A

Related Statute/City Ordinance:	N/A
Line Item Code/Description:	Various Personnel Services
Available Budget:	\$6,857,330



MEMORANDUM

Date: October 26, 2016
To: Finance and Administration Committee
From: Brian Scott, Assistant City Administrator/Finance Director
RE: 2018 Employee Benefits Program

Benefits are a key component of the total compensation package that we offer our employees. Just as important as maintaining competitive wages in the marketplace, maintaining competitive benefits can help in recruiting and retaining good employees. To this end, staff works with the City's benefit broker, Lockton Benefit Company (LBC), and other plan providers to organize, evaluate, negotiate and recommend an employee benefits program for each fiscal year that is competitive within the marketplace, is efficient and is fiscally prudent. The recommendations for fiscal year 2018, with the exception of the medical benefit, are summarized in this memorandum.

Medical Benefit

The City of Mission offers health insurance benefits to all of its full-time employees. From 2008 through 2016, the City's health insurance coverage was offered through Aetna. However, due to a sizeable increase in the proposed premiums for the 2017 plan year, the City sought proposals from other carriers, ultimately moving its coverage to Cigna.

The City received the 2018 renewal quote from CIGNA on October 16, which included a 47% increase over the 2017 plan year premiums. The proposed increase would mean that the City is paying just over a \$1 million in health insurance for the 2018 fiscal year. CIGNA offered no alternative plan designs for the City's consideration. Staff and LBC decided to explore alternatives, including marketing its coverage again.

The City had to undertake the marketing efforts with a very short time frame, and while we do anticipate receiving an additional quote, it will not be available until the first of next week. Once it is received, staff and LBC will outline various strategies and scenarios. For purposes of illustration, we have included the 2018 renewal quote from CIGNA in the budget calculations in this memo.

Wellness Benefit

The City believes that improving the overall health and wellness of its employees can have a positive impact on future medical plan premiums. To this end, the City initiated a wellness program in 2012. Since the beginning, the City relied on a number of a third-party wellness program providers, offering individual health risk assessments, face-to-face coaching, group education sessions, and wellness challenges. However, maintaining a long-term relationship with these providers proved difficult in that none continued to provide these services for more than a few years.

In 2017, staff initiated a new wellness program whereby employees are encouraged to earn points throughout the year by engaging in wellness activities such as doctor and dental visits, flu shots,

2018 Employee Benefits

Page 2

membership in a workout facility, or attending wellness seminars at work. Employees who earn the minimum amount of points will receive a \$175 check at the end of the year. Deadline for submitting points is December 1st, but staff anticipates approximately 30 employees have completed the 2017 Wellness program requirements. At this time, staff is recommending to increase the benefit to \$200.

Recommendation: Increase the wellness benefit to \$200 for each participant that completes the annual wellness program. This will have an estimated impact on the City's 2018 budget of \$10,000.

Dental Benefit

The City offers its employees dental coverage through Delta Dental of Kansas. Delta Dental has a wide network of dental care providers across the Kansas City region, on both sides of the state line, and are generally considered to be the leader in dental insurance.

The City's dental insurance plan provides an annual deductible of \$50 for an individual and \$150 for a family with an annual maximum of \$1,000, regardless of whether it is in or out of network. The plan also provides for 100% of preventive services and 80% of basic services within network.

As with the medical benefit, the City currently pays 80% of the premium rates and the employee pays 20%. Delta Dental is proposing no increase in premiums for 2018. The following table represents the staff's recommendations for the 2018 dental benefit.

2018 Dental Premium Structure (80% City / 20% Employee)

	Total Monthly Premium	Employer Contribution	Employee Contribution	Per Payroll Premium	2017/2018 Per Payroll Difference
Employee Only	\$ 31.20	\$ 24.96	\$ 6.24	\$ 3.12	\$ 0.00
Employee + Family	\$ 91.25	\$ 73.00	\$ 18.25	\$ 9.13	\$ 0.00

Recommendation: Renew the dental insurance benefit plan with Delta Dental of Kansas effective January 1, 2018 with no increase in premium rates; and, maintain the current premium structure of 80% City and 20% employees.

Estimated impact to the City's 2018 budget for the recommended dental benefits is \$43,000.

Vision Benefit

Last year the City switched its vision benefit provider from VSP Signature Network to EyeMed. Vision benefit premiums are paid 100% by the City. This year EyeMed has proposed no increase in its premiums and has offered to guarantee these premiums through 2020.

Recommendation: Renew vision benefits with EyeMed, effective January 1st with no increase in premiums guaranteed for three years. Maintain 100% of the premium paid by the City with an estimated impact to the City's 2018 budget of \$9,200.

125 Flexible Spending Account Benefit

The City offers a Flexible Spending Account (FSA) program (unreimbursed medical and dependent care expenses) through BASIC. The plan allows employees to set aside pre-tax dollars for qualified expenses eligible for reimbursement throughout the plan year. The 2018 contribution limits are \$2,650 for unreimbursed medical expenses and \$5,000 for dependent care expenses.

There are currently 42 employees participating in the FSA with annual contributions totaling approximately \$76,000. Annual plan administration fees renewed this year, with a modest rate increase, and are anticipated to be approximately \$2,650 for 2018. Participation in the plan saves both the employees and the City approximately \$4,500 each in FICA taxes a year, the FSA contributions, as well as medical and dental insurance premiums are deducted before taxes.

Recommendation: Continue to provide a Section 125 Flexible Spending Account through BASIC with an estimated impact on the 2018 budget of \$2,650.

Basic Life / AD&D Insurance Benefit

The City provides a basic group-term life/AD&D policy through The Standard for all benefit eligible employees, paid 100% by the City. The Standard has not increased its rates for the past few years and is not proposing to increase its rates for 2018. In fact, The Standard will guarantee a no rate increase for the next two years. Department directors receive \$25,000 benefit and all other employees (unless reduced as a result of age) receive a \$20,000 benefit.

Recommendation: Maintain basic Group-Term Life/AD&D benefits through The Standard for 2018 with an estimated impact to the City's 2018 budget of \$2,600 and a rate guarantee until 2020.

Voluntary Life Insurance Benefit

The City also offers its employees the option to purchase additional life insurance through The Standard. The plan allows employees to purchase insurance in increments of \$10,000 up to a max of 5X their annual salary. The pricing is age rated and employees have the opportunity to purchase coverage for a spouse and dependents as well. The premiums are paid 100% by the employee that chooses to participate. The voluntary life insurance benefit will renew at no rate increase. Premium may increase only if an employee crosses an age-band or they make specific application for an increase in coverage amounts.

Recommendation: Maintain access to voluntary life insurance benefits through The Standard with all premiums paid 100% by participating employees. No impact to the 2018 budget.

Voluntary Supplemental Insurance Benefit

Employees are provided the option to participate in a supplemental insurance benefit through AFLAC. Though AFLAC provides primarily short-term disability insurance, they also offer a number of other insurance options that employees can select to participate in given their particular needs. This benefit is paid 100% by the employees that choose to participate.

Recommendation: Maintain access to voluntary supplemental insurance benefits through AFLAC with all premiums paid 100% by participating employees. No impact to the 2018 budget.

Retirement Plan Benefit

The City participates in the Kansas Public Employee Retirement System and the Kansas Police and Firefighters retirement system (KPERS/KP&F) for all eligible employees. Contributions to these two systems are mandatory for both the City, as the employer, and the employees. Contribution rates are dictated annually by the plan and are as follows for 2017:

KPERS:	Employer	9.39% of Covered Payroll (Increase of .05% from last year)
	Employee	6.00% of earnings
KP&F:	Employer	20.09% of Covered Payroll (Increase of .06% from last year)
	Employee	7.15% of earnings

The estimated employer (City) contribution to KPERS/KP&F is approximately \$587,000 for 2018. This is an increase of approximately \$70,000 from last year. This increase is reflective not only of the higher contribution rates detailed above, but also results from the implementation of the recommendations from the classification and compensation study.

Recommendation: Fund the KPERS and KP&F retirement plans in accordance with state mandated rates for an estimated cost of \$587,000 for 2018.

Supplemental Retirement Benefit

Since 1980, the City has provided a supplemental retirement program for all non-public safety employees working more than 1,000 hours per year. This plan, through Principal investment company, was put in place based on a desire by the City to help equalize the gap in the employer funded contributions between KPERS and KP&F. The supplemental retirement program consists of a contribution from the City equal to 2% of wages deposited in a 403(b) account. It has no impact on the KPERS benefits available to employees upon their retirement.

Recommendation: Maintain the contribution of 2% of total earnings in the Principal plan for non-KP&F employees, with no optional matching benefit. The estimated cost for 2018 is \$40,000.

Summary and Recommendation for Health & Welfare Benefits

The following is the recommended 2018 Employee Benefit Package.

- Consider alternatives for health insurance coverage.
- Fund a wellness program for City employees in the amount of \$10,000.
- Renew the dental insurance benefit plan with Delta Dental of Kansas effective January 1, 2018 with no increase in premium rates. The cost to the City will be \$43,000 for 2018.
- Maintain the current dental insurance premium structure of 80% paid by the City and 20% paid by the employees.
- Renew the vision insurance benefit plan with EyeMed with 100% of the premium paid by the City effective January 1, 2018. This will result in no premium increase and a guaranteed rate for three years. The cost to the City will be \$9,200 for 2018.
- Continue to provide a Section 125 Flexible Spending Account through Basic - \$2, 650 for 2018.
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2018 Employee Benefits

Page 5

- Maintain basic Group-Term Life/AD&D benefits through The Standard. The cost to the City for 2018 will be \$2,600.
- Maintain access to voluntary life insurance benefits through The Standard with all premiums paid 100% by participating employees.
- Maintain access to voluntary supplemental insurance benefits through AFLAC with all premiums paid 100% by participating employees.
- Fund the KPERS and KP&F retirement plans in accordance with state mandated rates.
- Maintain the quarterly contribution of 2% of total earnings in the Principal Plan for non-KP&F employees, with no optional matching benefit.

Anticipated personnel costs for 2018 (worst case scenario including CIGNA 2018 renewal) based on the recommendations provided are summarized in the table on the next page.

Health/Welfare Benefits	+ \$ 1,074,450
Retirement Benefits	+ \$ 627,000
SUI, FICA, Worker's Compensation	+ \$ 483,000
2018 Total Estimated Benefit Costs	= \$ 2,184,450
2018 Total Estimated Salary Costs	+ \$ 4,936,000
2018 Total Personnel Costs:	= \$ 7,120,450
Total 2018 Budgeted Personnel Costs	\$6,857,330
2018 Benefits as a % of Total Personnel Costs	31%



MEMORANDUM

Date: November 7, 2017
To: Mayor and City Council
From: Laura Smith, City Administrator
 Brian Scott, Assistant City Administrator/Finance Director
RE: 2018 Health Insurance Renewal

The City of Mission offers health insurance benefits to employees scheduled for 30+ hours each week. Health insurance coverage was offered through Aetna from 2008-2016. However, due to an anticipated 26% increase in the proposed premiums for the 2017 plan year, the City decided to seek proposals from other carriers, ultimately moving its coverage to Cigna, a transition that resulted in an increase of just 5%.

The City received the 2018 premiums from Cigna on October 16 and they reflected a 49% increase over the 2017 plan year. The increase primarily results from our claims experience over the past year and ongoing large claimants which are expected to result in substantial costs to the plan (over \$600,000) when compared to premiums (approximately \$813,000). The current and proposed Cigna premiums are illustrated in Table 1 below.

Table 1. Cigna's Current 2017 Premiums and Proposed 2018 Premiums

Coverage Tier	Employees Enrolled	2017 Monthly Premium	2018 Monthly Premium	Difference
Employee Only	20	\$556.28	\$830.91	\$274.63
Employee + Spouse	13	\$1,167.63	\$1,744.08	\$576.45
Employee + Child(ren)	8	\$1,000.74	\$1,494.80	\$494.06
Family	20	\$1,668.28	\$2,491.90	\$823.62
	Monthly Total	\$67,676	\$101,088	
	Annual Total	\$812,116	\$1,213,052	
	\$ Increase		\$400,936	
	% Increase		49%	

Currently, the City contributes 80% of the health insurance premium with the employee making up the additional 20%. Based on the market data collected earlier this year through the Classification and Compensation study, this cost sharing formula is in line with market averages. If this same ratio is applied to Cigna's proposed 2018 premiums, the \$400,936 overall increase means an additional \$320,749 for the City and an additional \$80,187 for the employees.



MEMORANDUM

If Cigna coverage was renewed, the City would be paying just over \$1 million in health insurance for the 2018 fiscal year. In addition to the 49% increase, Cigna offered no alternative plan designs for the City's consideration. Based on these factors, staff and our benefit broker, Lockton (LBC), began to explore alternatives, including marketing the City's coverage.

The City undertook the marketing efforts, which included all employees participating in an on-line underwriting process, on a very short time-frame. A Request for Proposal was submitted to five carriers (including Cigna). Aetna, declined to quote, and Humana and United Healthcare were uncompetitive. However, Blue Cross Blue Shield of Kansas City (Blue KC) submitted a proposal with a number of viable options. The results of the marketing efforts are summarized in Table 2 below.

Table 2. Medical Marketing Summary

Carrier	AM Best Rating	Status	Comments
Cigna	A	Current Carrier	49% increase to current rates; no alternative plan options
Aetna	A	Declined to Quote	Not competitive
Blue KC	Not rated*	Received Quote	Quoted a variety of options for the City's consideration
United Healthcare	A-	Received Quote	Not competitive at +79% over current
Humana	A	Received Quote	Not competitive at +300% max rate up over current

**Blue KC is not rated by AM Best because they are considered a not-for-profit entity. A copy of BCBSKC financials are included as an attachment to this memo.*

Staff, in consultation with LBC, began evaluating the options submitted by Blue KC and developed several strategies and scenarios which were presented at the November 1 Finance & Administration Committee meeting for an initial review.

More than a decade ago, the City moved from offering multiple plans to providing just one. It proved an effective strategy for many years, as illustrated in Table 3.

Table 3. City of Mission Overall changes to Health/Welfare Benefit Costs

	2012	2013	2014	2015	2016	2017
City's Total Net Costs	\$684,482	\$624,000	\$691,834	\$742,464	\$744,900	\$750,800
\$ Change	\$53,358	(\$60,482)	\$67,834	\$50,630	\$2,436	\$5,900
% Change	8.5%	-8.8%	10.9%	7.3%	0%	1%



MEMORANDUM

Staff and LBC’s analysis was focused on reviewing two specific plan options offered by Blue KC - BlueSelect Plus and Preferred Care Blue. These plans were of particular interest because they most closely matched the level of benefits (deductibles, co-pays, etc.) currently available in the Cigna plan.

The BlueSelect Plus network would provide a core selection of hospitals, primary care providers, and specialists at premiums rates at or slightly above the current 2017 premiums. Preferred Care Blue Plan offers a broader base of hospitals, primary care providers, and specialists at a higher premium point than what employees currently pay. Table 4 provides a high level comparison of facilities and providers in each plan, and Table 5 details the total annual monthly premiums for each.

Table 4. Comparison of Two BCBSKC Plans

	BlueSelect Plus	Preferred-Care Blue
Hospitals	9	55
Primary Care Providers	779	1,617
Primary Care Access Points	1,284	2,990
Specialist Providers	2,727	4,682
Specialist Access Points	9,987	17,262

Table 5. Summary of Current Health Insurance Premiums and Blue KC Proposed Plans

Tier Level	Cigna Current	Cigna Renewal	BlueSelect	Preferred-Care Blue
Employee	\$556.28	\$830.91	\$585.72	\$720.88
Employee + Spouse	\$1,167.63	\$1,744.08	\$1,230.00	\$1,513.85
Employee + Child(ren)	\$1,000.74	\$1,494.80	\$1,054.29	\$1,297.58
Family	\$1,668.28	\$2,491.90	\$1,757.15	\$2,162.64

The packet includes attachments which provide more detail on the BlueSelect Plus Network and information on how to search for facilities or providers included in that network. A packet prepared by Blue KC for the City of Mission’s renewal is also included in the packet. A detailed summary of the deductibles, co-pays, and prescription coverage for each plan is outlined below.



MEMORANDUM

BlueSelect Plan

	Cigna	Blue Select	
	In Network	In Network	Out of Network
Individual Deductible	\$1,000	\$2,000	\$2,000
Family Deductible	\$2,000	\$4,000	\$4,000
Co-Insurance	80%	80%	50%
Individual Out-of-Pocket Maximum	\$3,500	\$4,000	\$20,000
Family Out-of-Pocket Maximum	\$7,000	\$8,000	\$40,000
Preventive Services	100%	100%	Ded then 50%
Physician Office Visits	\$25 Co-Pay	\$40 Co-Pay	Ded then 50%
Specialist Office Visits	\$50 Co-Pay	\$40 Co-Pay	Ded then 50%
Inpatient Hospitals	80%	80%	Ded then 50%
Outpatient Hospitals	80%	80%	Ded then 50%
Urgent Care	\$50 Co-Pay	\$40 Co-Pay	Ded then 50%
Emergency Room	\$300 Co-Pay then 80%	\$100 Co-Pay then 80%	\$100 Co-Pay then 80%
<i>Prescription Drug Retail Co-Pays</i>			
Generic / Preferred Brand / Non-Preferred Brand	\$10/\$45/\$75	\$15/\$70/\$110	\$15/\$70/\$110 then 50%
Mail Order Co-Pays			
Generic / Preferred Brand / Non-Preferred Brand	\$20/\$125/\$215	\$37.50/\$175/\$275	\$37.50/\$175/\$275 then 50%



MEMORANDUM

Preferred Care Blue Plan

Benefit Options	Cigna	Preferred-Care Blue	
	In Network	In Network	Out of Network
Individual Deductible	\$1,000	\$1,000	\$1,000
Family Deductible	\$2,000	\$3,000	\$3,000
Co-Insurance	80%	80%	50%
Individual Out-of-Pocket Maximum	\$3,500	\$4,000	\$8,000
Family Out-of-Pocket Maximum	\$7,000	\$8,000	\$16,000
Preventive Services	100%	100%	Ded then 50%
Physician Office Visits	\$25 Co-Pay	\$30 Co-Pay	Ded then 50%
Specialist Office Visits	\$50 Co-Pay	\$30 Co-Pay	Ded then 50%
Inpatient Hospitals	80%	80%	Ded then 50%
Outpatient Hospitals	80%	80%	Ded then 50%
Urgent Care	\$50 Co-Pay	\$30 Co-Pay	Ded then 50%
Emergency Room	\$300 Co-Pay then 80%	\$100 Co-Pay then 80%	\$100 Co-Pay then 20%
Prescription Drug Retail Co-Pays			
Generic / Preferred Brand / Non-Preferred Brand	\$10/\$45/\$75	\$15/\$70/\$110	\$15/\$70/\$110 then 50%
Mail Order Co-Pays			
Generic / Preferred Brand / Non-Preferred Brand	\$20/\$125/\$215	\$37.50/\$175/\$275	\$37.50/\$175/\$275 then 50%



MEMORANDUM

The funding options and strategies presented at the November 1 Committee meeting were intended to gauge Council reaction and solicit feedback. Following that meeting, the options, along with ideas on how to address the budget shortfall created by the renewal, were discussed with the Leadership team.

In the process of evaluating options and developing a recommendation, there were a number of issues and objectives taken into consideration, including:

- Maintaining a contribution strategy of 80% Employer / 20% Employee
- Keeping employee premium increases within a manageable range (under 30%)
- Providing employees with an affordable option / choice if the BlueSelect Network limited their healthcare choices
- Ensuring that the increases in health insurance costs were sustainable beyond the 2018 budget
- Developing a funding recommendation which had a limited impact on the City's total compensation package and the delivery of City services

At the Committee meeting, several Councilmembers inquired as to why Blue KC did not have an AM Best rating. Unlike other health insurance carriers, Blue KC is not-for-profit, and therefore is not rated. A summary of the Blue KC financial statements for 2016, the most recent complete year available, is attached. In reviewing these statements, the Consolidated Balance Sheet shows a total surplus of \$648 million for 2016. This was an increase of 13% over 2015. Blue KC had a net income of \$63 million in 2016. The financial statements are attached to this memo for your review.

In addition to the inquiry regarding financials, the Finance and Administration Committee requested that staff seek out references for the BlueSelect Plan. We spoke with Carol Breneman, Compensation & Benefits Manager for Olathe Health Systems, regarding BlueSelect. She stated that they have been offering the plan to their employees in conjunction with Blue-Preferred, for two years. Of the 1,500 employees enrolled in health insurance, about two-thirds have opted the BlueSelect Plan. The primary driver has been cost. Ms. Breneman stated that she has had very few complaints about the plan. The complaints she has received have been around the lack of hospitals and providers, especially in Missouri, that employees are accustomed to going to.

After balancing these priorities, staff has developed the following recommendation for 2018 health insurance benefits. For purposes of illustration, the 2018 renewal quote from Cigna is included in the budget calculations in this memo.

2018 Plan Recommendations

Plan Design and Premium Structure

Staff recommends that the City offer both the BlueSelect and Preferred Care Blue plans to the employees at the current cost sharing ratio (80% Employer / 20% Employee). Tables 6 and 7 below show how the premium contributions are proposed to be structured, including the monthly difference (expressed both in dollars and as a percentage) for employees.



MEMORANDUM

Table 6. BlueSelect Plan Premiums

BlueSelect Plan	Total Monthly Premium	City Contribution (80%)	Employee Contribution (20%)	Current Employee Contribution*	Difference (\$)	Difference (%)
Employee	\$585.72	\$468.58	\$117.14	\$124.08	-\$6.94	-6%
Employee + Spouse	\$1,230.00	\$984.00	\$246.00	\$246.22	-\$0.22	0%
Employee + Children	\$1,054.29	\$843.43	\$210.86	\$212.97	-\$2.11	-1%
Family	\$1,757.15	\$1,405.72	\$351.43	\$346.48	\$4.95	1%

*Current Employee Share in the above table includes a portion of the LBC consulting fee. Fee is not included in the proposed 2018 contribution strategy.

Table 7. Preferred Care Blue Plan

Preferred Care Blue Plan	Total Monthly Premium	City Contribution (80%)	Employee Contribution (20%)	Current Employee Contribution*	Difference (\$)	Difference (%)
Employee	\$720.88	\$576.70	\$144.18	\$124.08	\$20.10	16%
Employee + Spouse	\$1,513.85	\$1,211.08	\$302.77	\$246.22	\$56.55	23%
Employee + Children	\$1,297.58	\$1,038.06	\$259.52	\$212.97	\$46.55	22%
Family	\$2,162.64	\$1,730.11	\$432.53	\$346.48	\$86.05	25%

*Current Employee Share in the above table includes a portion of the LBC consulting fee. Fee is not included in the proposed 2018 contribution strategy.

Until we complete the 2018 Open Enrollment process, we will not know how many employees will select one plan over the other. The total cost estimates illustrated below were prepared using the assumption that 30% of the employees will elect the BlueSelect Plan.



MEMORANDUM

	<u>Total Net City Cost</u>	<u>Difference from 2017</u>
Cigna 2017	\$687,138	
Cigna 2018	\$1,007,978	\$320,840
Dual BCBSKC Offering	\$838,373	\$151,235 (22% increase)

The 2018 total net costs to the City are estimated as follows (based on 80% Employer / 20% Employee cost sharing):

BlueSelect Plan Annual Cost	\$ 205,291 (Assuming 30% Employee Selection)
Preferred Care Blue Plan Annual Cost	\$ 593,082 (Assuming 70% Employee Selection)
LBC Consulting Fees	\$ 40,000
Total	\$ 838,373
Difference from 2017	\$ 151,235 (22% increase in City's costs)

Each year during the annual budget process, staff anticipates a potential increase in health and welfare benefit costs. Staff had budgeted health insurance expenses for 2018 at \$693,880. Applying the total estimated cost for the Blue KC plans of \$838,373, the budget shortfall is anticipated to be \$144,494, but will vary based on final plan enrollments. The “worst-case” scenario, in terms of budgetary impact, would be if 100% of the employees elect the Preferred Care Blue option. If this were to happen, the budget shortfall grows to an estimated \$188,338.

The LBC consulting fees represent the annual contract total for benefit consulting services. In addition to managing our marketing and renewal, LBC designs, prints and mails total compensation statements to all full-time employees, assists in design and support of the City's wellness efforts, conducts an actuarial analysis each year for the auditors related to OPEB liabilities, assists in the annual open enrollment process, and is available to assist employees in addressing and resolving claims issues or concerns with any of the City's benefit providers. Depending on the medical plan carrier, the fees have sometimes been included in the medical premiums and sometimes been paid separately. For clarity going forward, we have removed them from the premiums and recommend paying them separately.

Recommendations to address Budget Shortfall

Initially staff looked to specific line items in the 2018 budget to address the anticipated shortfall resulting from the health insurance renewal. However, as we continued to review options, this approach seemed to have more potential to negatively impact both the total compensation package anticipated for employees and our overall service delivery objectives. We adjusted our thinking and based the majority of our recommendations on anticipated savings in the 2017 budget which, unless otherwise allocated, would revert to the General Fund fund balance at the end of the year. The only recommendation which is not the result of savings is a \$50,000 reduction in the budgeted transfer to the Equipment Replacement / Reserve fund.



MEMORANDUM

Revenues in 2017 continue to trend positively and overall expenses have been managed very efficiently. In addition, because we are very close (24%) to achieving our fund balance goal, it seemed reasonable to use the savings to adjust the 2018 Personnel Services costs to account for the increase in medical insurance. Staff has identified enough 2017 savings to cover the “worst-case” funding scenario should 100% of eligible employees elect the Preferred Care Blue plan. Any savings realized as a result of final enrollments will simply contribute to the General Fund fund balance. Savings identified in the 2017 budget include:

Item	Original Budget	Actual Expense	Savings
Transfer to Equipment Reserve Fund	\$250,000	\$200,000	\$50,000
Police Capital Equipment	\$116,000	\$80,000	\$36,000
Public Works Capital Equipment	\$315,000	\$279,800	\$35,200
Prisoner Boarding	\$50,000	\$35,000	\$15,000
Police Fuel	\$55,000	\$45,000	\$10,000
Salt	\$55,000	\$45,000	\$10,000
Newsletter	\$20,000	\$10,000	\$10,000
Public Works Fuel	\$25,000	\$17,500	\$7,500
Tuition Reimbursement	\$7,000	\$0	\$7,000
Public Works Vehicle Maintenance	\$20,000	\$15,000	\$5,000
NEACC Dues	\$82,000	\$77,600	\$4,400
		Total	\$190,100

In the event these savings are not realized, or the anticipated ending fund balance in the General Fund drops below the projected 24%, staff will continue to work to identify additional options for funding the shortfall.

This item, along with the entire recommended 2018 Employee Benefit Program will appear on the November 8, 2017 City Council agenda for approval. In order to finalize and conduct open enrollment so that employees have health insurance coverage on January 1 2018 the Council will need to make a decision on the 2018 medical coverage no later than November 15, 2017.



Kansas City

BLUESELECT PLUS

HIGH-PERFORMANCE CARE NETWORK



AFFORDABLE ACCESS TO HIGH QUALITY, LOCAL CARE

DESIGNED FOR MEMBERS RESIDING IN THE FIVE-COUNTY KANSAS CITY METRO AREA

Blue Cross and Blue Shield of Kansas City (Blue KC) understands how important affordable healthcare coverage is to you and your family. Members who live in Blue KC's five-county Kansas City metro area can enroll in this plan through their employer and benefit from the network savings.



COVERAGE AND BENEFITS

How many hospitals are in the BlueSelect Plus network?

The network includes nine participating hospitals in the Greater Kansas City area:

- Children's Mercy Hospital
- Children's Mercy Hospital - South
- Liberty Hospital
- North Kansas City Hospital
- Olathe Medical Center
- Shawnee Mission Medical Center
- Truman Medical Center - Hospital Hill
- Truman Medical Center - Lakewood
- University of Kansas Hospital

How many in-network healthcare providers can I choose from?

There are more than 3,300 high-quality doctors and specialists to choose from in the five-county BlueSelect Plus network.

If I'm traveling outside the 32-county Blue KC service area, can I still get care from a healthcare provider?

Yes. If you are traveling outside the 32-county Blue KC service area, BlueSelect Plus members are covered under BlueCard PPO coverage. For example, if you reside in the Kansas City area, but spend time in Florida during the winter, you could still choose BlueSelect Plus, but would visit a BlueCard provider when you are in Florida.

BlueSelect Plus Network

Over 3,300 Providers. 9 Top Hospitals.



START YOUR SEARCH

To view the most accurate results for the BlueSelect Plus network, be sure to first log in as a member on MyBlueKC.com. After logging in, click on **Find a Doctor**.



BLUESELECT PLUS NETWORK

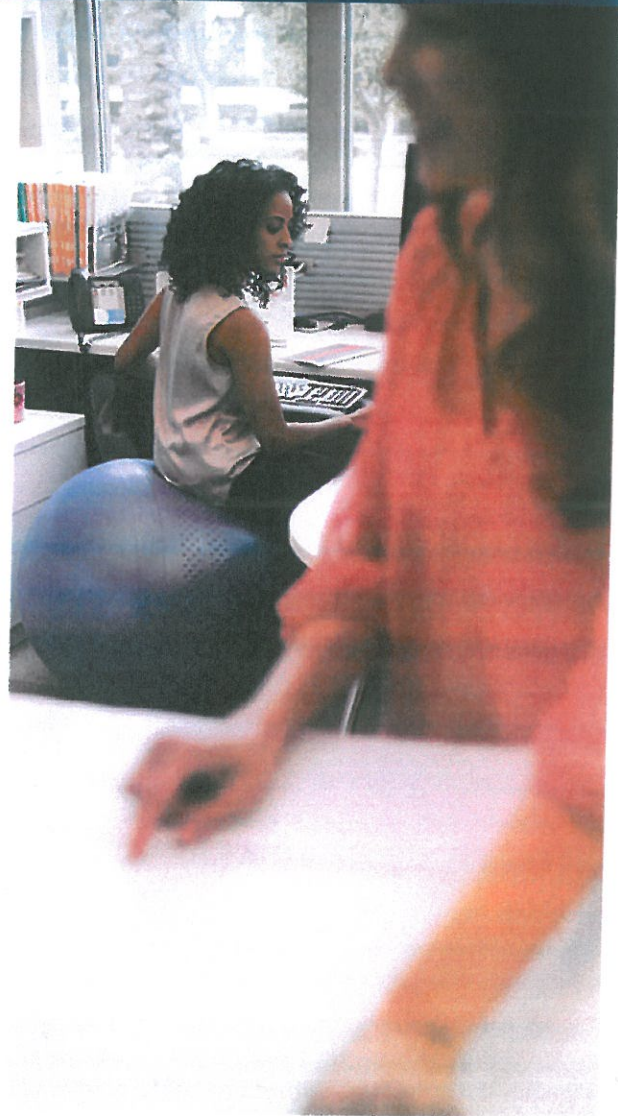
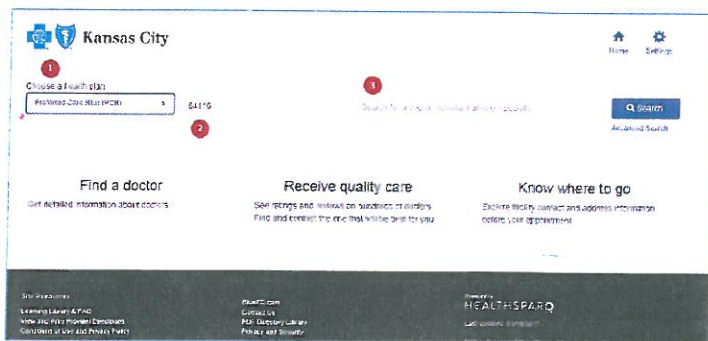
CONVENIENT ACCESS, QUALITY CARE



START YOUR SEARCH (continued)

Once on the search page, follow these steps to find a BlueSelect Plus provider:

1. **Choose your health plan** – Ensure the BlueSelect Plus network is selected.
2. **Location** – Select a location (city, ZIP code, etc.).
3. **Search by** – Search a variety of ways, such as doctor or hospital name, by health condition, or specialist type.



FOR MORE INFORMATION

Please call the Customer Service number on your Blue KC member ID card for assistance.

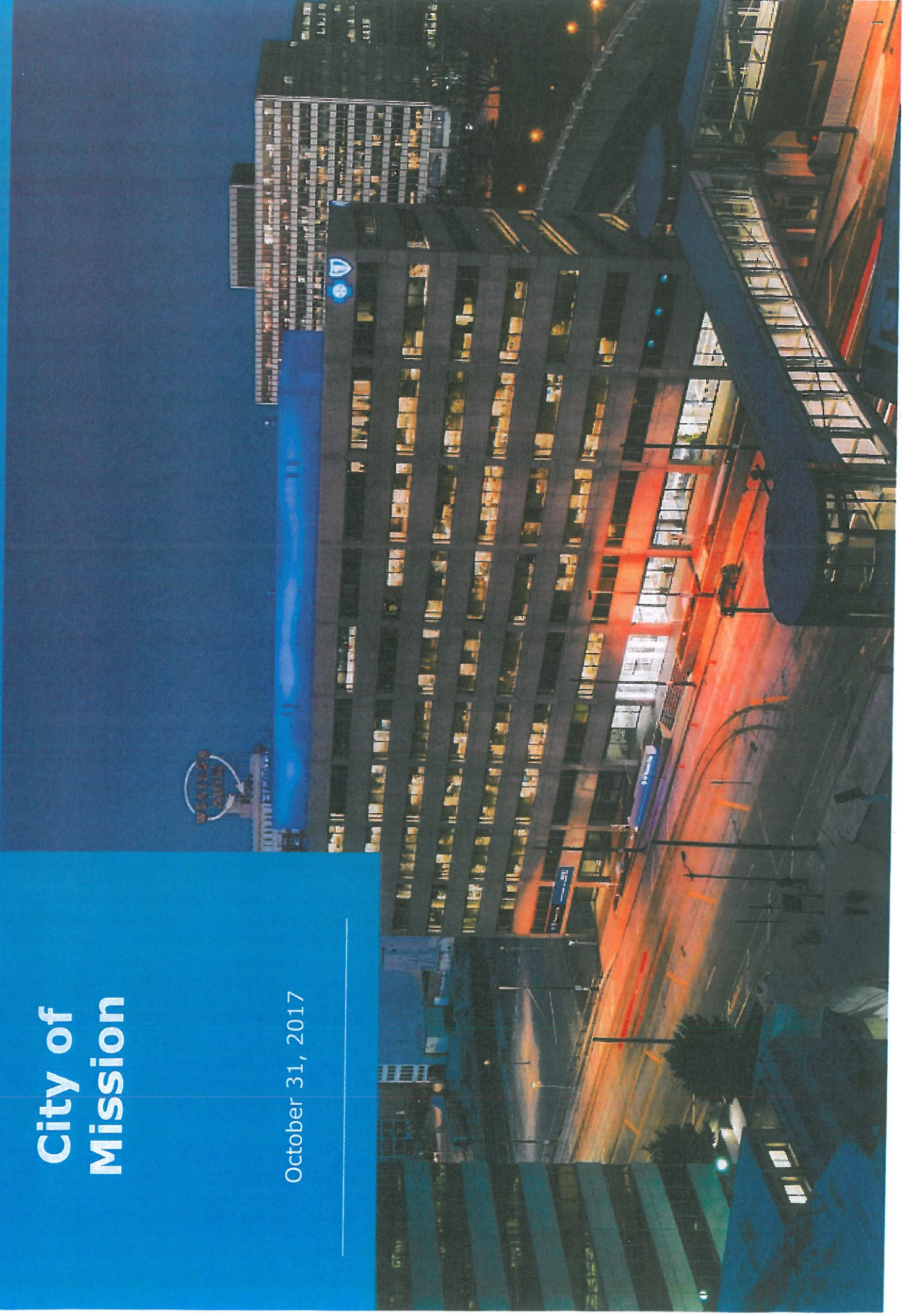


City of Mission

October 31, 2017



Kansas City



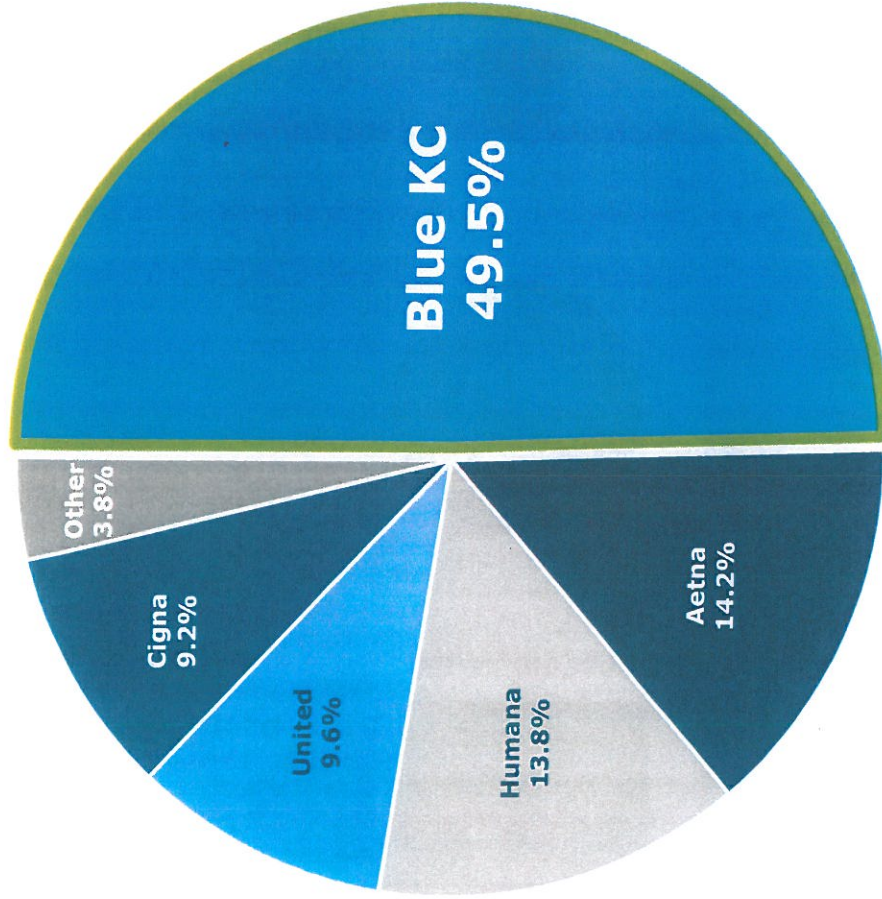
The Blue Advantage



Kansas City

Local Market Leader

79 years of stability and proven performance



49.5%

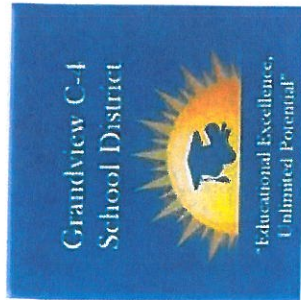
LOCAL MARKET SHARE

98%

Retention of Large Groups

Expertise Serving Local Clients

TO NAME A FEW...



LEE'S SUMMIT
MISSOURI



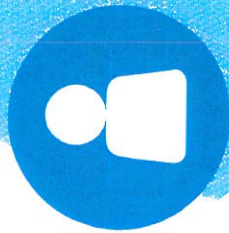
OVERLAND PARK
K A N S A S

ABOVE AND BEYOND. BY DESIGN.



Kansas City

#1 Brand in Healthcare



1
in
3

Americans covered by Blue



93%

of physicians are in-network



96%

of hospitals are in-network



97%

of claims paid in-network



84%

of Fortune® 100 Companies served

BlueCard® National Network

5,724
Hospitals

1,006,430
Physicians

Preferred Care Blue (KC Area)

55
Hospitals

5,200+
Physicians



Blue KC Network Options

	Blue-Care HMO	Preferred-Care PPO	Preferred-Care Blue PPO	BlueSelect Plus PPO & EPO 100+	BlueSelect PPO & EPO (50-100) Level Funded ASO Only
Hospitals	37	55	55	9	7
PCP * access points	2,355	3,046	2,990	1,284	1,108
PCP providers	1,382	1,595	1,617	779	710
Specialist access points	15,161	16,938	17,262	9,987	8,802
Specialist providers	4,098	4,764	4,682	2,727	2,282
Total Care providers	715	793	785	463	175

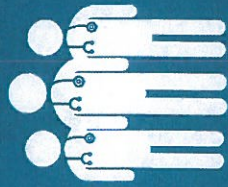
* PCP = Family Practice, General Practice, Internal Medicine and Pediatrics



Kansas City

Blue Distinction Total Care Providers

Provider-powered population health management



Accountable
to improve
health
outcomes
and lower
costs

G O A L S

- Better Outcomes
- Increased Satisfaction
- Improved Health
- Better Access

R E S U L T S

**12%
FEWER**
Outpatient
Services

**23%
FEWER**
Emergency
Room Visits

**8%
LOWER**
Hospital Inpatient
Admissions

**20%
MORE**
Generic
Prescriptions

60%


of primary care physicians in KC metro
area are Total Care providers





Depend on Blue to Engage Your Members


MyBlueKC.com



Doctor & Hospital Finder



Quality & Cost Transparency Tools



Claims & Benefits

Wellness



Pharmacy



Answers when members need them.



Delivered how and where they want.



Blue KC Value-Added Services

Everything you need



Population Health Management

Personalized member outreach



A Healthier You

Member engagement platform & programs



Telehealth

24/7 telehealth benefit makes getting care easy



Nurseline

24/7 access to care advisors



Blue Distinction Total Care

Value-based, patient-focused care



Blue Distinction Specialty Care

Centers of Excellence for specialty care



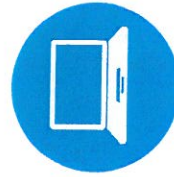
Express Scripts

Integrated pharmacy solutions



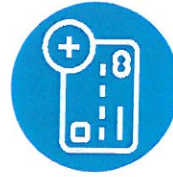
Rx Savings Solutions

Proactive outreach with pharmacy savings alerts.



Benefit Focus

Integrated enrollment, eligibility and billing tool



UMB

Integrated HSA banking



Blue365

Special savings on wellness products & services



Ancillary Products

National Dental Program
Life & Disability Programs

High Performance Care Network Solution

BlueSelect Plus Network

Same Trusted Coverage, Very Different Price

YOUR TOP THREE PRIORITIES INSIDE ONE NETWORK

SUSTAINABLE SAVINGS



- Employers experience optimum cost savings through deepest network discounts and enhanced care management outcomes

CONVENIENT ACCESS



- More than 3,300 providers and 11,000 access points to primary care physicians and specialists across the metro
- BlueCard PPO coverage for outside the 32-county Blue KC service area

QUALITY CARE



- Trusted care
- Quality outcomes
- Powered by providers that are making KC a healthier community

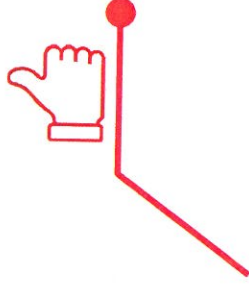
3,300 local providers. 9 top hospitals. 1 sustainable solution.

CHILDREN'S MERCY	CHILDREN'S MERCY - SOUTH	LIBERTY HOSPITAL	NORTH KC HOSPITAL	OLATHE MEDICAL CENTER	TRUMAN - LAKEWOOD	TRUMAN - HOSPITAL HILL	SHAWNEE MISSION MEDICAL CENTER	THE UNIVERSITY OF KANSAS HEALTH
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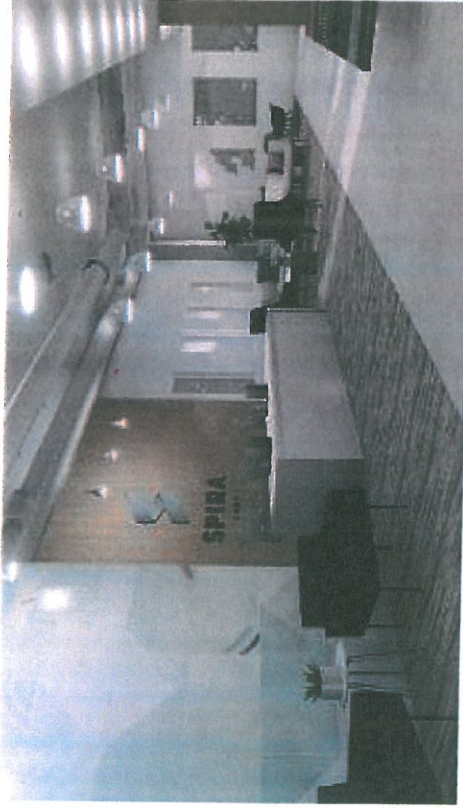
Spira Care



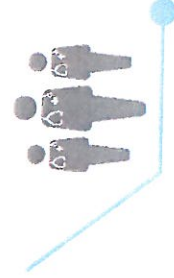
Reimagined
Primary Care



Simplified
Member
Experience



Two Johnson
County
Locations



Provider Cost &
Quality Incentive
Structure

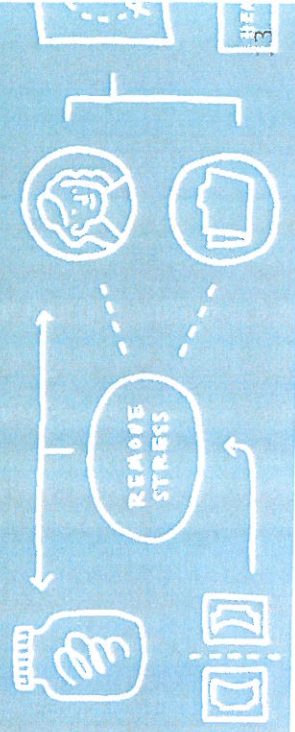


Kansas City

No deductibles, no copays*, no additional cost to members for any procedures at Spira Care.



*There are no additional costs for any procedure provided at Spira Care Centers, but for your convenience select prescriptions will be offered on-site at your regular co-pay level.





Financials

FINANCIAL OVERVIEW

Blue KC's financial strength is critical to our ongoing success.

Our 2016 financial overview proves we remain a strong and stable force for our members, partners and community. In 2016, we worked hard to grow the business and manage business risks, while maintaining a strong, stable company on which our members can rely.

We also exceeded expectations by growing our business while lowering operating costs as a percentage of total revenue. This allowed us to increase our reserve levels, which signify our

ability to pay members' claims in the event of a catastrophic event. We also continued to invest in service enhancements and strategic investments, helping us improve the member experience and increase our product options. We experienced these solid results despite continued challenges with the Affordable Care Act (ACA) book of business.

While we know we will continue to face challenges such as the volatile individual market, prescription drug costs rising exponentially, and overall increasing costs of healthcare, we are confident in our ability to find and implement solutions that allow us to continue offering our members affordable access to healthcare.

Following is a recap of our financial results for 2016.

Consolidated Balance Sheet*

December 31, 2016, and December 31, 2015 (\$ in thousands)

	2016	2015
Cash and Investments	\$781,233	\$766,465
Premiums and Other Receivables	\$288,593	\$279,976
Intangibles and Other Assets	\$227,037	\$159,143
Total Assets	\$1,296,863	\$1,205,584
Claim Liabilities	\$256,099	\$292,862
Unearned Income	\$79,740	\$67,297
Accrued Expenses and Other Liabilities	\$313,358	\$271,835
Total Liabilities	\$649,197	\$631,994
Blue KC Surplus	\$647,666	\$572,459
Non-Controlling Interest Surplus	\$0	\$1,131
Total Surplus	\$647,666	\$573,590
Total Liabilities and Surplus	\$1,296,863	\$1,205,584

Consolidated Statements of Operations*

December 31, 2016, and December 31, 2015 (\$ in thousands)

	2016	2015
Premium Revenue	\$2,748,771	\$2,534,063
Fees and Other Revenue	\$120,249	\$115,437
Total Revenue	\$2,869,021	\$2,649,500
Claims Incurred	\$2,382,335	\$2,199,616
Operating Expenses	\$462,974	\$441,694
Operating Income/(Loss)	\$23,712	\$8,190
Investment and Other Income/(Expense)	\$32,241	\$57,558
Income/(Loss) before Taxes	\$55,953	\$65,748
Income Tax Expense	(\$7,409)	\$25,011
Net Income/(Loss)	\$63,361	\$40,737

*Reflects Blue KC's 2016 unaudited financials. Audited financials will be available by request in June.