

City of Mission

CITY COUNCIL WORKSESSION

NOVEMBER 8, 2017

6:00 p.m.

Mission City Hall, 6090 Woodson

AGENDA

1. Employee Medical Insurance Renewal - Laura Smith/Brian Scott
2. Adjournment

Mission City Hall
6090 Woodson, Mission, Kansas
913-676-8350



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:

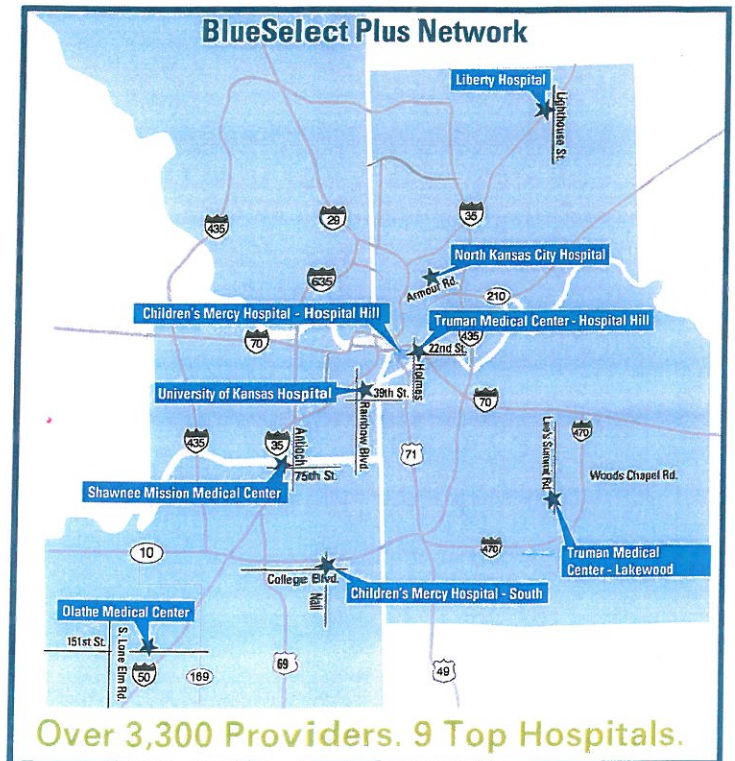
- Children's Mercy Hospital
- Children's Mercy Hospital - South
- Liberty Hospital
- North Kansas City Hospital
- Olathe Medical Center
- Shawnee Mission Medical Center
- Truman Medical Center - Hospital Hill
- Truman Medical Center - Lakewood
- University of Kansas Hospital

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.



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

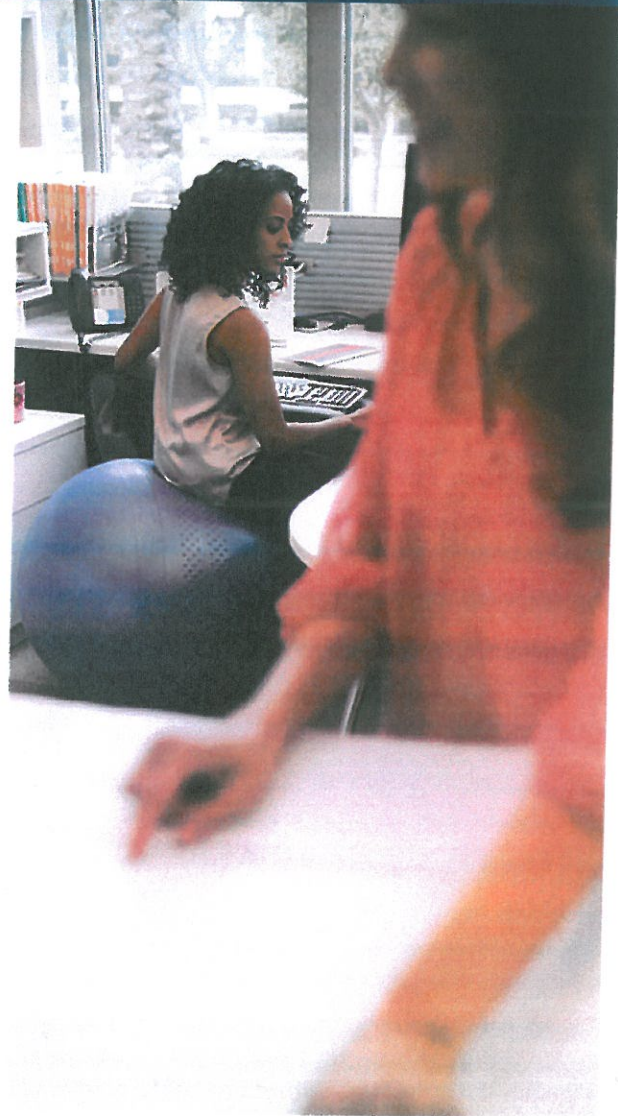
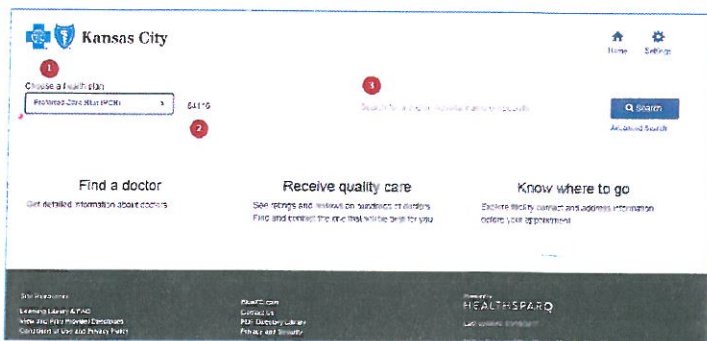
CONVENIENT ACCESS, QUALITY CARE



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.

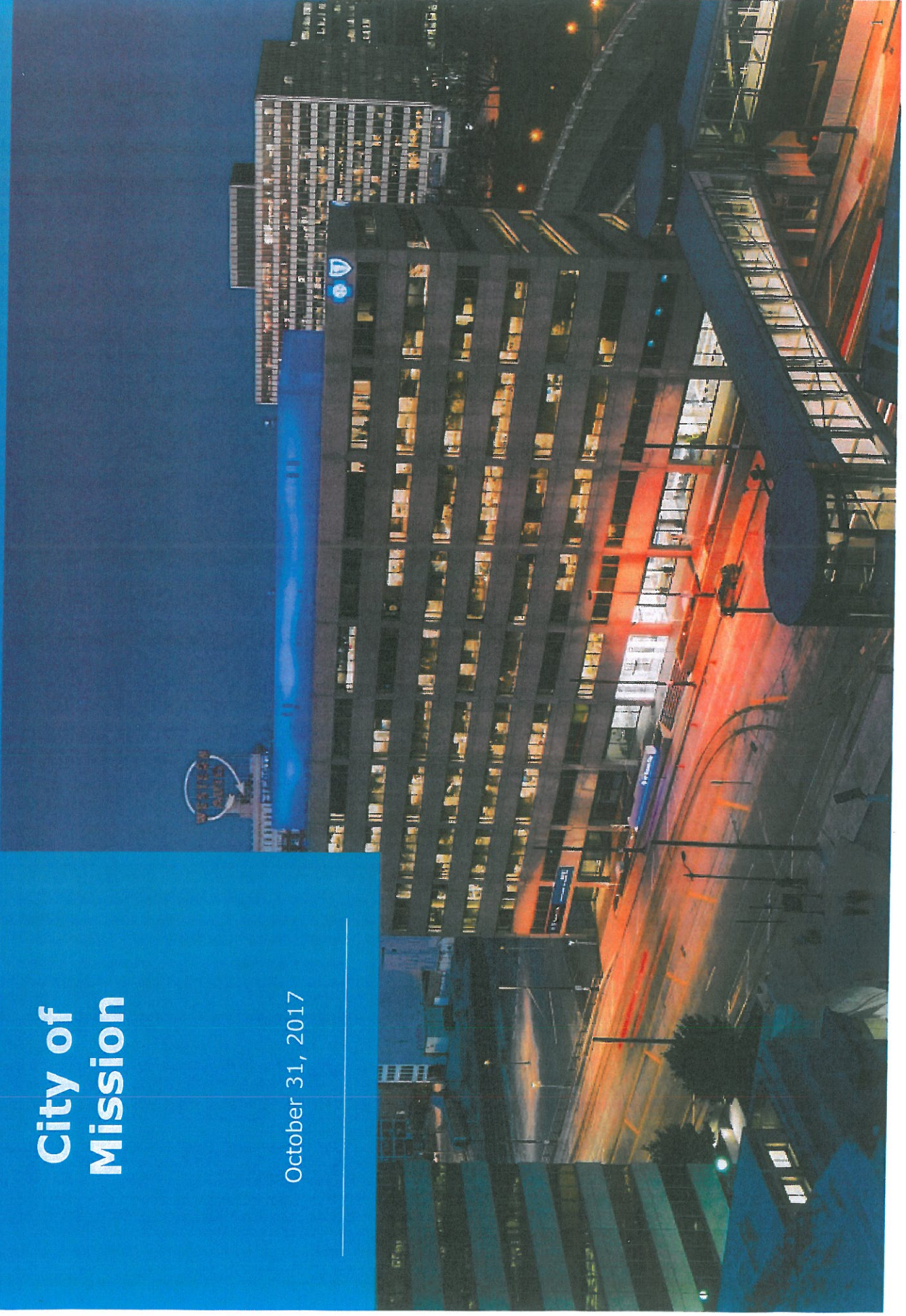


City of Mission

October 31, 2017



Kansas City



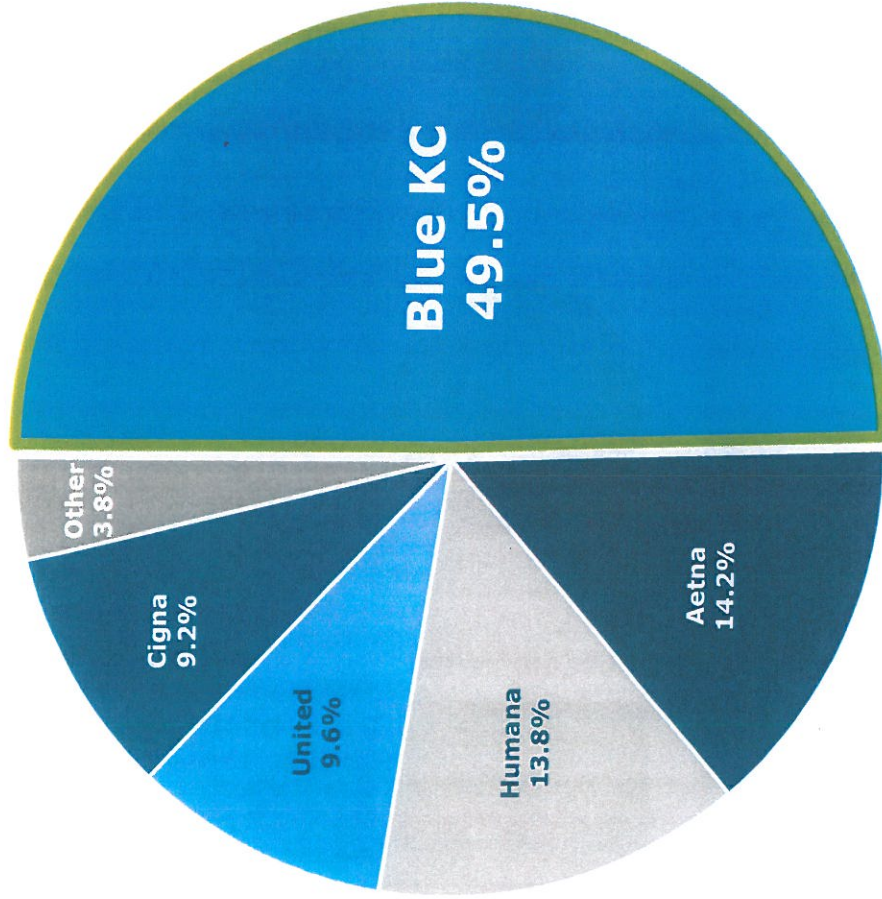
The Blue Advantage



Kansas City

Local Market Leader

79 years of stability and proven performance



49.5%

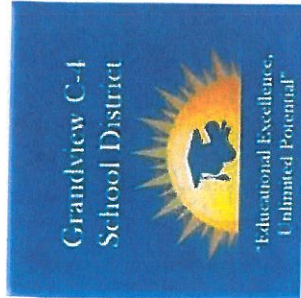
LOCAL MARKET SHARE

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 |

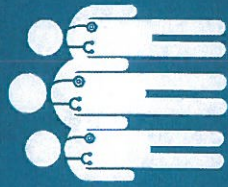
* PCP = Family Practice, General Practice, Internal Medicine and Pediatrics



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

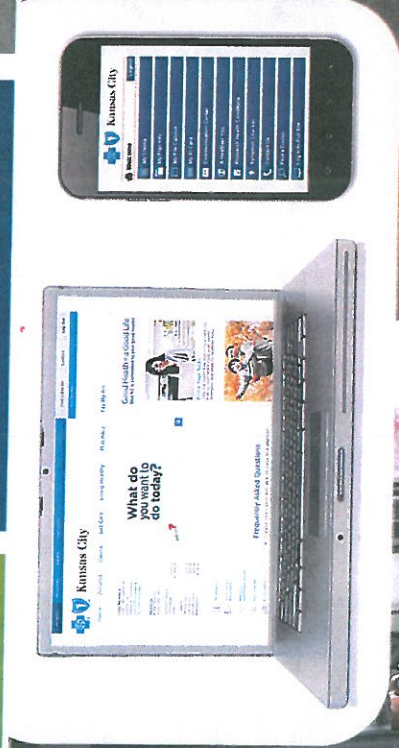
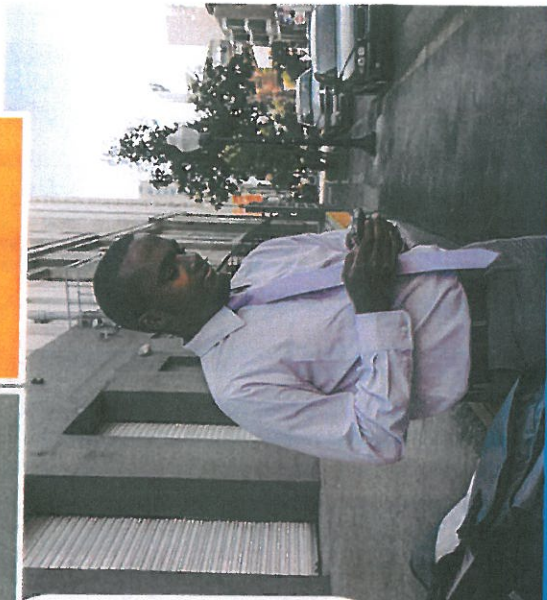
Claims & Benefits

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



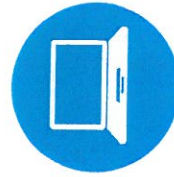
Express Scripts

Integrated pharmacy solutions



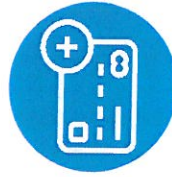
Rx Savings Solutions

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

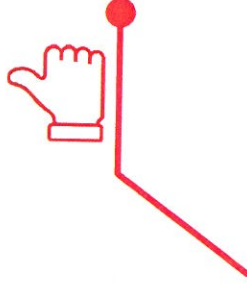
3,300 local providers. 9 top hospitals. 1 sustainable solution.

| | | | | | | | | |
|------------------|--------------------------|------------------|-------------------|-----------------------|-------------------|------------------------|--------------------------------|---------------------------------|
| 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 |
|------------------|--------------------------|------------------|-------------------|-----------------------|-------------------|------------------------|--------------------------------|---------------------------------|

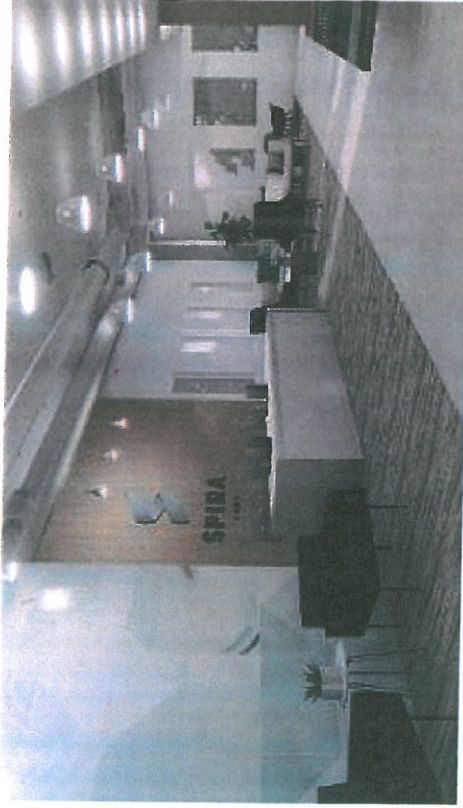
Spira Care



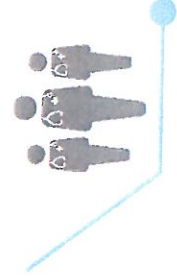
Reimagined
Primary Care



Simplified
Member
Experience



Two Johnson
County
Locations



Provider Cost &
Quality Incentive
Structure

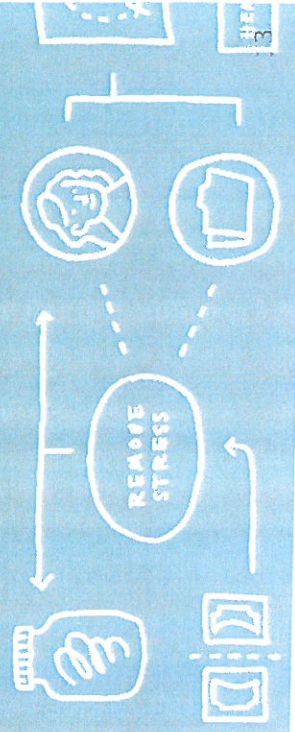


Kansas City

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.