STATE OF KANSAS)
WYANDOTTE COUNTY)) SS SPECIAL SESSION, THURSDAY, SEPTEMBER 24, 2015
CITY OF KANSAS CITY, KS)

The Unified Government Commission of Wyandotte County/Kansas City, Kansas, met in special session, Thursday, September 24, 2015, with ten members present: Bynum, Commissioner At-Large First District; Walker, Commissioner At-Large Second District (arrived at 5:03 p.m.); Townsend, Commissioner First District; McKiernan, Commissioner Second District; Murguia, Commissioner Third District; Johnson, Commissioner Fourth District; Kane, Commissioner Fifth District; Markley, Commissioner Sixth District; Philbrook, Commissioner Eighth District (entered late); and Holland, Mayor/CEO; presiding. Walters, Commissioner Seventh District; was absent. The following officials were also in attendance: Doug Bach, County Administrator; Bridgette Cobbins, Unified Government Clerk; Gordon Criswell, Asst. County Administrator; Joe Connor, Asst. County Administrator; Melissa Mundt, Asst. County Administrator; Ken Moore, Interim Chief Legal Counsel; Renee Ramirez, Director of Human Resources; Shakeva Christian, Human Resources; Chief Ziegler, Police Dept.; Maureen Mahoney, Asst. to Mayor/Chief of Staff; and Ryan Denk, Outside Counsel for labor negotiations. In addition for the Special Session was Emerick Cross, Commissioner Liaison; Lew Levin, Chief Financial Officer; Bonnie Bloesser, Human Resources; Debbie Jonscher, Asst. Finance Director; Mike Tobin, Interim Public Work's Director; Brian Johnson, Benefit Administrator; and John Turner, Sergeant-at-Arms.

MAYOR HOLLAND called the meeting to order.

ROLL CALL: Townsend, McKiernan, Murguia, Johnson, Kane, Markley, Bynum, Holland.

NOTICE OF SPECIAL MEETING of the Unified Government of Wyandotte County/Kansas City, Kansas, to be held Thursday, September 24, 2015, at 5:00 p.m. in the 9th floor conference room of the Municipal Office Building for an executive session regarding labor and litigation. Immediately following a special session will be held in the 5th floor conference room regarding the Health Benefits Committee update and the Administrator's 2nd quarter report.

CONSENT TO MEETING of the governing body of Wyandotte County/Kansas City, Kansas, accepting service of the foregoing notice, waiving all and any irregularities in such service and in such notice, and consent and agree that we, the governing body, shall meet at the time and place therein specified and for the purpose therein stated.

Commissioner Markley made a motion, seconded by Commissioner McKiernan, to go into executive session for 25 minutes regarding labor and litigation. Motion carried unanimously.

Mayor Holland reconvened into Special Session at 5:29 p.m.

Commissioner McKiernan made a motion, seconded by Commissioner Markley, to extend the executive session for 20 minutes. Motion carried unanimously.

Mayor Holland reconvened into Special Session at 5:49 p.m.

Commissioner McKiernan made a motion, seconded by Commissioner Philbrook, to extend the executive session for 15 minutes. Motion carried unanimously.

Mayor Holland reconvened into Special Session at 6:05 p.m.

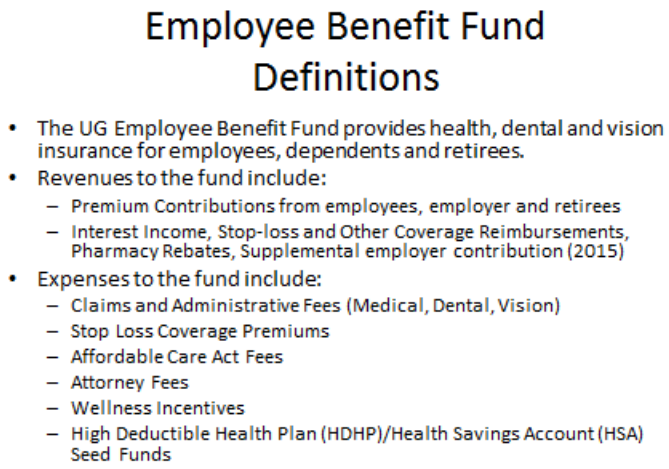
MAYOR HOLLAND called the Special Session to order at 6:05 p.m.

ROLL CALL: Townsend, McKiernan, Murguia, Johnson, Kane, Markley, Philbrook, Bynum, Walker, Holland.

Health Benefits Committee Update

Doug Bach, County Administrator, said tonight we're making a presentation on the status of our Employee Benefit Fund. This is the fund that we work with each year to try to determine how we're going to pay for our health care that we provide to the employees and it's made up of different sources. Mr. Connor will go through these in a little bit, but it's as a result of activities that happen as we enter toward the later part of the year and then we have a special committee

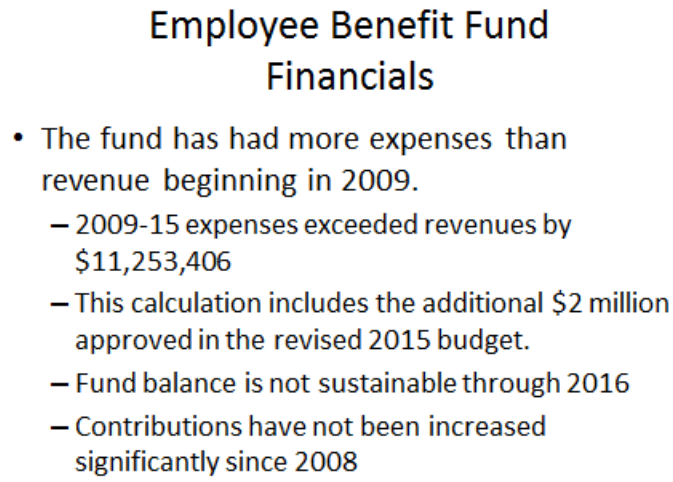
that meets on this. They come back and make recommendations. As you will remember last year ultimately the decision then comes back or the directive you give back to me is I have to make some decisions to finalize this. I want to present to you the status of where we're at and it's not a pretty picture, but we will go through that and lay that out for you and then I will offer the direction we're looking to go. I'm going to turn this over to Joe Connor to walk us through this and with Joe tonight is Brian Johnson as you will recall is our outside advisor who works with this on the Benefits Administration.



Joe Connor, Asst. County Administrator, said as Doug mentioned we're going to talk about the Employee Benefit Fund and I will kind of start with some of the basic definitions of our fund. It does provide health but also dental and vision insurance for our employees, for their dependents and retirees. There are two different groups that we kind of look at, but the retirees are also a part of that.

The revenues to the fund or the bulk of them by far are the premium contributions from the employees, the employer and the retirees so we track the revenues three different ways. There is also income that comes from interest. We have a stop loss expense, but that also provides some revenue back to the fund for very large claims and then there is other coverage reimbursements, pharmacy rebates, and other kind of things that come into the plan. The vast majority of the revenue into the fund is the contribution from the employer and the employees.

The expenses to the fund, again, the majority are going to be the claims and the administrative fees for all three; medical, dental and vision. We do have a stop loss coverage premium that we pay every year and there have been some fees in the last few years that we've had to absorb from the Affordable Care Act. The Attorney fees, we've had wellness incentives, those are just very small as we tried to introduce some wellness. I will talk about that in a little bit. We introduced a few years ago the High Deductible Health Plan on the Health Savings Account seed money and I will talk about that in a little bit too. Those are the basic definitions about the fund and what it entails.

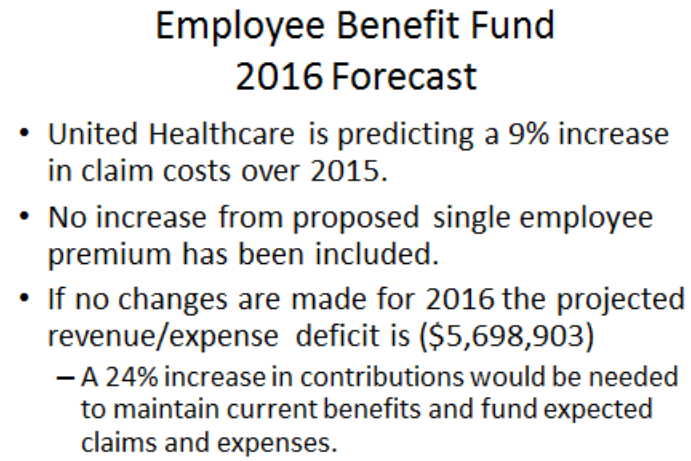


As Doug said, this is a very challenging environment for health care everywhere and we're no exception to that. Since 2009 we have had more expenses than we've had revenue. If you do a sum total of those years, we're a little over $11M, basically more claims than we're paying into it.

I just want to be clear this calculation also includes the 2015 allocation that went through the budget process for the additional $2M that we put into that fund. That's already included in there.

The biggest problem that we're having is that we have moved from 2009 having a fund balance to 2015 having almost done and at our current rate it's just not sustainable. It's a fund balance problem, it's not a sustainable fund and I did want to note that contributions from the

employer/employee/retiree have not increased substantially since before 2009 so we have not made any adjustments on that side of the equation.

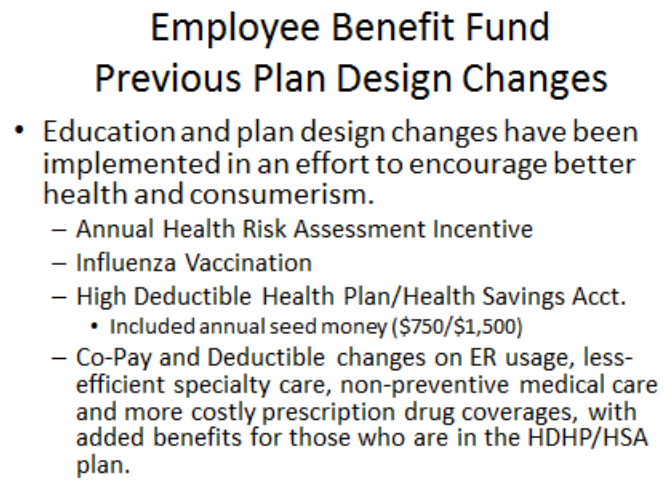


The forecast and this is what Brian helps us out with every year as part of his role and responsibility, but we get mid-year to this time of the year we get an estimate of what health care costs are going to do in 2016 and what we got for this year is 9%. We have to look at what we're spending in 2015 and add 9% to that on the expense side of the equation plus other things that may happen from a law perspective.

Part of our forecast does not include contributions or premiums coming from those employees that have single coverage and we've talked about that as part of our other negotiations, but that is not included in this forecast.

Lastly, what we're projecting is if nothing changes between now and the end of 2016 that we're over $5M in the hole and, again, that's where our fund balance kicks in and we don't have sufficient fund balance to cover that kind of projection.

Just to give you an idea of what that would take to cover it if we just looked at contributions only, that's a 24% increase for all three groups to cover those expenses and bring us back to at least even. It doesn't do anything for our fund balance going into the future, that gets us through 2016.



Some of the things we've done since 2009 because this is not a new trend, again, I've said it just about every year since 2009 we've had more expenses than revenue. We've done plan design changes, we've done incentives for wellness trying to have less claims come in through education programs, to encourage better health, and better consumerism. One of the challenges that we really have with our population is they just kind of go wherever they want and we just pay the bill. Now, it could be the most expensive place to go, it could be like the ER or it could be the most expensive doctor because our plan covers it and so we just pay the bill. We would like our employees to be a little bit more aware of what prescriptions cost, what a doctor's office cost, who charges more for what service and that continues to be a challenge for us, but I can tell you there is vast differences between one health system in this area and another health system in this area and what United Health Care is able to negotiate for us.

We've also done Annual Health Risk Assessments. We had a $50 gift card for that. This is the first year for probably the six or seven that we've done it, we actually got half of our employees to sign up for that. That basically is a self-assessment. You enter information and it kind of gives you what your risks are, what you need to work on as an individual to try to be healthier and giving the gift card was a way to incent people to do that.

We provided free flu shots for all of our employees and, again, that's a way to keep people at work, keep them out of the doctor's office and the hospitals.

The High Deductible Health Plan and the Health Savings Account was something that was introduced a few years ago and the seed money goes toward the—when you're in this plan

you pay 100% of your cost until you hit your deductible. At this point it's $2,650 for a family and $1,300 for a single person and so we wanted to provide some incentive money for folks to switch over to that plan. Again, it will make them a better consumer because they will know what they're paying because they have to pay the first so much money, but we don't want them to start the year with zero. We've had this incentive out there for quite a while and so that has been introduced as a way to try to help stem the tide long-term. Last year we had our biggest year of people jumping onto that plan, but we're only at 315 or so members on it out of over 1,900 so we haven't had—it's kind of moving that way, but it's not going very quick.

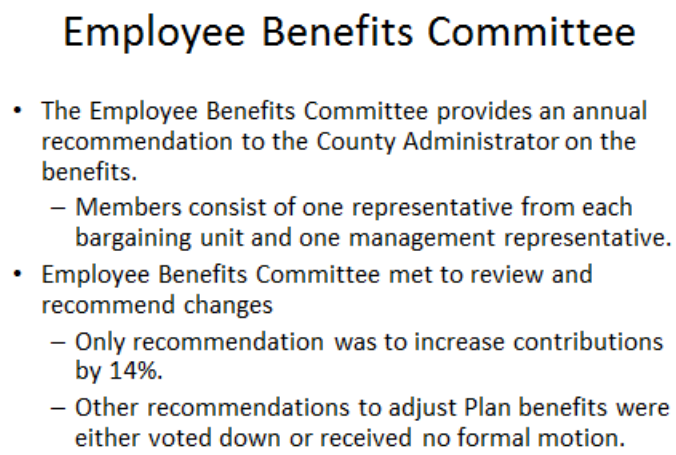
In plan design changes co-pays and deductible charges on ER usage, trying to find the most efficient specialty care. We looked at our formulary and changed our prescriptions to try to push people to generic and we're doing all the different things that most employers are doing now days to try to help save money to the plan and help people be better consumers of health.

Employee Benefit Fund
Contribution/Plan Design Change Options

Increase contributions by 14% - Employee ($446k), Retiree (328k), UG ($2.8 m)	***$3,590,673***
Update PPO Max Out of Pocket - $6,850 ind./$13,700 family	***$23,943***
Increase PPO Deductible - $600/$1,200 in network; $1,600/$4,600 out of network	$328,015
Increase PPO Coinsurance – 90% in network; 70% out of network	***$2,370,329***
Increase office visit co-pays - $35/$35/$70	$344,775
Increase Rx Co-pays - $15/$45/$80	$426,180
Eliminate PPO, shift all employees to HDHP Continue Seed Money	$2,212,053 ($2,310,750)
Increase HDHP/HSA Coinsurance – 90% in network; 70% out of network	$330,832
Increase HDHP Deductibles and Max Out of Pocket Deductibles - $1,350/$2,700 in network; $3,350/$6,700 out of network Max Out of Pocket - $2,350/$4,700 in network; $4,350/$8,700 out of network	$38,027
Increase HDHP Deductibles; Coinsurance at 100% in network; 80% out of network -In Network Deductible $1,500/$3,000; Max Out of Pocket $2,500/$5,000 -In Network Deductible $1,750/$3,500; Max Out of Pocket $2,750/$5,500 ***-In Network Deductible $2,000/$4,000; Max Out of Pocket $4,000/$6,000***	 $152,529 $299,988 ***$439,419***

As Doug mentioned there is a committee that meets on this. These are the options that were presented to the committee this year and this is typically what we do. Again, Brian works this up and he can answer any specific questions you have about any of those. We go through the different plan designs and things that are in there and what's happening with the market, what's happening with our population, and how can we look at the expenses of the plan and try to help offset some of the trends that we're on.

The ones that are underlined are the ones that we recommended to the committee, but we went through all of them. There are co-pays, there are pharmacy changes, there are all the different kind of things with a dollar amount attached and we're trying to fill that large gap that we have that I showed on the earlier slide. It's a pretty comprehensive look. Again, we're just trying to do what we can with the tools that we have in our toolbox right now and these are things that we've done historically for a number of years to try to help make things a little bit better.



A little bit about the committee. It provides an annual recommendation to the County Administrator on our benefits. Again, that's the whole range of benefits, not just on the cost but things that are included, not included, the dental, the eye, and all the different kind of things we talk about those. Each bargaining unit has a member and there is one management representative on the committee.

We presented those changes to this committee a week or two ago and we met at least twice if not three times kind of going over the same information so they could process it. We've spent quite a bit of time going through it and the only recommendation that they made as a group was to increase the contributions by 14%. If you look back at the level of that, for the employees that's about $446K, the retirees $328K and for us as an employer that's $2.8M to make that change.

All of the other ones that were underlined and bold they either voted down through a motion and second or there was no formal motion received so they did not address or provide a recommendation on any of the other plan design changes that we offered either the ones we underlined or other ones that were available so there were no options made on that.

I will stop right there for a second to see if there are any questions so far.

Commissioner Kane asked are we going to give flu shots this year. **Mr. Connor** said we're still planning on it. The Health Department has them and we will do it at the Health Fair and then start after that.

Employee Benefit Fund Implementation

- Contribution/Plan Design Changes

Increase contributions by 14% - Employee ($446k), Retiree (328k), UG ($2.8 m)	$3,590,673
Update PPO Max Out of Pocket - $6,850 ind./$13,700 family	$23,943
Increase PPO Coinsurance – 90% in network; 70% out of network	$2,370,329
GRAND TOTAL	$5,984,945

I will kind of end with—I will let Doug take it from here and talk about how we're going to be moving forward.

Mr. Bach said as noted the recommendation from the committee doesn't cover the deficit we would have going into 2016. As I sit down with the team that's worked on this and looked through it—I mean there are many different options that were laid out there. The emphasis here that we've been working toward and Joe talked about was trying to get more people into the High Deductible Program so I don't want to make any recommendations that deter people from moving over to that program because I think that's the future of where we should be going. It's what we're seeing in other municipal governments and it's what we're seeing in other private

sector of governments. Many of my colleagues have commented how they've just gone over and just said you're all going high deductible and they force it and that's that. We've allowed our to stay at a point of decision-making, but to that point the first line recognizes the 14% and the key about the 14% that's recommended by the Employee Benefits Committee is that's a cap that's placed on a few of the different union groups who are within their contract so we can't go over 14% of an increase. The downside of that as you are all aware is that's only on those members carrying family insurance so it's only half of the membership. What's the percentage Brian? **Mr. Johnson** said it's actually less than half. **Mr. Bach** said its 40 some percent of our employees that will bear the burden of this increase, but of course the largest amount of that would be the Unified Government. That is a $2.8M number that's spread over all of our funds where we have employees so that's the City General Fund, the County General Fund, and the Water Pollution Control Fund would be the largest funds in those areas where this would have to come out of.

The update to the PPO max out-of-pocket, that's really a legislated issue that we have to increase that to meet the law so that actually accounts for additional money for us, not a lot, $23,943 in the big picture. The major plan change that I want to move forward with here is the increase to the PPO Coinsurance so meaning once you meet your deductible then you go and pay, you're still only get 90% covered versus 100% or if you're out-of-network it's 70%. We believe that will generate close to or a little over $2.3M so with these three recommended plan changes, I guess two plan changes and one is just an increase in revenue going into the program, that's a projected close to $6M which will cover the projected $5.5M to $5.6M deficit that we're looking at coming at us right away.

Mr. Connor said the other thing I wanted to mention too, Doug, is we actually surveyed other communities, cities and municipalities around and presented that to the committee as well and we are in line with all the other communities. These are the same things the other communities are struggling with. All the Johnson County cities, some of the other counties, so this is not a new issue, we're not unique in this particular area and we've done a lot of due-diligence on this particular topic.

Mr. Bach said I will say I think we are a little unique is that we haven't raised our premiums since 2008. I think everybody has seen 3, 4, 8, 9 percent increases on an annual where we've held our stable since that timeframe. With that I would ask if there are any questions, thoughts on this, but this is the direction—I have to make a decision, I have to put this in play. Obviously, it has impacts as I look into the future budgets to see where we're going, but we have to move forward in November and let all our employees know what we're doing and what their premiums will be as we start building those in in January.

As Joe noted we're working and we had negotiations regarding some changes to the individuals and putting that in but not all the unions have accepted that so we haven't built any number for that and I'm not anticipating starting to charge just some for that because they've agreed to it and not the others. We will work on that as we go along with the rest of our negotiations.

Mayor Holland said, Commissioner McKiernan, you sit on this panel. **Commissioner McKiernan** said I do. **Mayor Holland** said can you share any thought that you have in terms of the process. **Commissioner McKiernan** said I think the process has been really good. I mean it has been a very difficult process because the news that comes out of the committee is very difficult to deal with because it's the same health care gap that every company, not just every municipal government, but every company is finding themselves in. I would agree with Mr. Johnson and Mr. Connor that these steps would close that gap for us at least for this round and one of the things that we need to do is to continue to look forward and project out and assess the solvency of the fund going forward because if it's fundamentally insolvent, then we probably need to make over the long-term bigger changes than this. This will stabilize us in the short term as we can assess long-term solvency of the fund.

Mayor Holland said you talked about the employee contribution only represents about 40% of our employees who are contributing to that $446K, is that right? A concern I have is that 2.37 number at the bottom, $2.3M, coming from payout after you've reached the limit. That $2.3M is going to come from a very few number of families who have reached their limit so if only 40% are contributing to $446K, what number of families are going to contribute the $2.3M who have gone over their limit? **Mr. Johnson** said two things, Mayor. First of all I want to clarify the

percentage actually when we talk about the number of families that would be bearing their portion of the increase, actually it's the other way around, it's 6% of families represent almost 2/3 of the organization so a higher percentage of families would be contributing to the premium contribution increase. In terms of percentage or the number of families that would be affected by the co-insurance, the percentage I frankly couldn't tell you what that is and that are just a function of actual usage of the plan by who actually is a consumer of the coverage. To that point that would include all of the employees who are currently paying nothing toward their health insurance cost right now.

Mayor Holland said so the increase in the PPO Co-insurance is after they reach their deductibles so it would be everyone whether they are an individual or a family. **Mr. Johnson** said right. **Mayor Holland** said but it would only be those persons—because my experience with health insurance is the majority of the claims come from a minority of the people so if—what percentage of our employees hit their co-insurance limit and have to start paying—how many reach their deductible limit? What percentage? Do we know that number? **Mr. Johnson** said on average. I mean this is statistically true for this group as well as most other groups so to your point, Mayor, statistically roughly 20% of your population actually so the others remain below that. **Mayor Holland** said so we're going to have 60% of our employees contributing $446K, right? **Mr. Johnson** said right. **Mayor Holland** said and then we're going to have about 20% of our employees contributing $2.3M. **Mr. Johnson** said to be clear, this is an increase so they will contribute more than that from what they've already paying in their monthly contributions. **Mayor Holland** said I understand that, but the 60% will contribute an additional $446K. **Mr. Johnson** said correct. **Mayor Holland** said and about 20% will contribute another $2.3M so would it be more fair, this is my question, to increase the amount that everyone pays a little bit rather than saddling the people who have the greatest health care needs with the highest amount of payout? That's my question because that would be 20% of our employees would be about what, 450-500 people, so 500 people are going to pay $2.3M; 500 families are going to pay about $2.3M. That's concerning to me in terms of fairness because it seems like if you—now, the other piece is the wellness is big of helping people make better choices about the health that we have. A lot of Americans health care costs are self-inflicted and so having better choices and having a Wellness Program where people make better choices,

having a Tobacco Cessation Program because smoking is killing America and is rising our health care costs. If we can address fitness, health, and smoking or any kind of tobacco use, that lowers that $2.3M, lowers the number of people who are going to hit their deductible. I do have a concern if a family has cancer and we're balancing the book on the 20% that have extraordinary health care costs in a given year, I struggle with that so I don't know if there are other thoughts from the other commissioners.

Mr. Johnson said your points are all well taken, Mayor, but one clarification though to think about is while that is true, what is also true is the absolute maximum that a family would have to pay in total costs regardless of the coinsurance percentages, that $13,700, so that's the maximum out-of-pocket that the law says you could be assessed or charged for any family between the deductible coinsurance or any other amount.

Mayor Holland asked what does a family contribute now in terms of premiums, a family contributes annually, how much money toward premiums? **Mr. Johnson** said it is $211.26 a month. **Mayor Holland** said $211.26 a month so we're going to say $2,400 a year. That's just medical, not dental and vision. Do we know what that is? **Renee Ramirez, Director of Human Resources,** said $6.84 for dental and $1.00—**Mr**. **Connor** said less than $10 for the dental and vision. **Mayor Holland** said so we're looking at about $3K a year so the average family pays about $3K a year for premiums, but you could have out-of-pocket $13,700.

Mr. Connor said I guess the one thing I would like to point out too is we're still trying to get people to go to the High Deductible Plan and one of the things we considered when we made our other changes is to thoughtfully keep the High Deductible Plan or at least make it look as attractive as the PPO. If you start to raise across the board on everybody, I think we may have a shift back from the High Deductible to the PPO. I'm just throwing that out there that it was part of our consideration. **Mayor Holland** asked what's the maximum out-of-pocket on the High Deductible. **Mr. Johnson** said $4,600 per family. **Mayor Holland** said $4,600 is family or individual? **Mr. Johnson** said family. **Mr. Connor** said $2,600 is the deductible; the maximum out-of-pocket is higher than that. **Mayor Holland** said the maximum out-of-pocket is $4,600 and if you look at that, $4,600 is your max out-of-pocket for a family on the High Deductible Plan. **Commissioner Markley** said so now if you are willing to get on your soap box and tell everybody please get on the High Deductible Plan. **Mayor Holland** said that's right and what

kind of savings would we see if we just mandated everyone moving to the High Deductible Plan which is complex because you have to educate people and people get worked up about it. **Mr. Johnson** said it's complexed but it's also--$2.2M is in savings, but the issue that we face in the short-term is unless we want to just have people go and be at risk at their own cost up to the full deductible what we have traditionally done is provided seed money for at least a while so we project that the seed money cost in the first year if we went all in would be $2.3M so we're going to experience no dollar savings in the first couple of years while we still the seed money to their accounts because the savings are going to be eroded based on what we add back to the seed money.

Commissioner Kane said I agree there needs to be some changes but we can't sit here tonight or any other night without going through the negotiations with the unions that we have an obligation to and I understand this is part of their packet, but we can't stand here and say we want everybody to pay, and everybody does pay, it just how much each person is going to pay. We can't sit here and say alright we want every single person to do that until we go through the negotiations with all the unions.

Mayor Holland said well this payment, if I'm not mistaken, does not—can you explain that again Mr. Bach? **Mr. Bach** said the increase in the premiums which the Employee Benefits Committee recommended is one that we can impose up to 14% so we don't have to go back to the table for that. Any design plans we make to the program we don't have to take that back to the table either so we can make both these changes that are listed here or pretty much any of those listed on the other page if we wanted to. We don't have to go back and negotiate them. As long as we're doing it for all the employees and we're treated them—well kind of the same, but we're treating them all the same, they all have the right to either go to the PPO or they can go to the High Deductible so they can move around; we can make any of these changes administratively.

Mayor Holland said this is where you are headed and so this is an informational thing. We will adjourn the Special Session and then we will reconvene downstairs at 7:00 p.m. We do have Mr. Bach's presentation for his quarterly update. We're not going to get that done in five minutes.

Efficient though he is it will be longer than five minutes and we need transition time to go downstairs anyway so we will add his presentation to the end of the 7:00 p.m. so we can complete that because we are going to be working on his evaluation for next Thursday. I want him to be able to do his presentation tonight.

MAYOR HOLLAND ADJOURNED THE MEETING AT 6:45 P.M.

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Bridgette Cobbins
Unified Government Clerk

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