



**CITY COUNCIL WORK SESSION**  
**Wednesday, October 27, 2021 at 6:00 p.m.**

**POWELL COMMUNITY CENTER**  
**6200 MARTWAY**

**Meeting In Person and Virtually via Zoom**

*This meeting will be held in person at the time and date shown above. In consideration of the COVID-19 social distancing recommendations, this meeting will also be available virtually via Zoom (<https://zoom.us/join>). Information will be posted, prior to the meeting, on how to join at <https://www.missionks.org/calendar.aspx>.*

*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.*

**AGENDA**

**1. Employee Benefit Renewals for 2022 – Emily Randel**

Since the October 6, 2021 Finance & Administration Committee meeting staff has continued discussions with Lockton Benefit Company, the City's benefit broker, to finalize a recommendation for health insurance benefits for 2022. The initial renewal quoted by BCBSKC reflected a 19.1% increase. During the work session, options will be presented for Council review and discussion with final approval scheduled on a special meeting agenda on November 3, 2021 at 6:00 p.m. Supporting documents for the work session will be uploaded to the packet by Tuesday, October 26, 2021.

<b>City of Mission</b>	Item Number:	1.
<b>DISCUSSION ITEM SUMMARY</b>	Date:	October 27, 2021
<b>Administration</b>	From:	Emily Randel

Discussion items allow the committee the opportunity to freely discuss the issue at hand.

**RE:** Employee Medical Renewal for 2022

**DETAILS:** Since the October 6, 2021 Finance & Administration Committee meeting staff has continued discussions with Lockton Benefit Company, the City's benefit broker, to finalize a recommendation for health insurance benefits for 2022. The initial renewal quoted by BCBSKC reflected a 19.1% increase. Staff will present a modified recommendation during the work session for Council review and discussion with final approval scheduled on a special meeting agenda on November 3, 2021 at 6:00 p.m.

Staff and benefits broker Lockton explored plan alternatives and recommending maintaining the three existing plans, Preferred Care Blue PPO, Blue Select + PPO and Blue Select + Spira EPO, making reasonable changes to deductible and out of pocket maximums for each. These changes lower the renewal increase to 16% instead of the originally proposed 19.1%. Staff also recommends maintaining the employer/employee cost sharing at 80% / 20%. This will represent the first plan design change in three years for employees. Co-pays for office visits, urgent care, emergency room visits and prescriptions are not increased in the 2022 recommendation.

The Council will have the opportunity to approve the proposed medical renewal along with the renewal of the full package of employee benefits at the November 3 Special City Council meeting. The approved plan will take effect January 1, 2022.

A memo. sharing more detail about the recommendation is attached, along with the memo. that staff provided for the October 6 Finance and Administration Committee meeting.

**CFAA IMPACTS/CONSIDERATIONS:** The health benefits offered in the City's benefit package represent services that can facilitate active participation throughout each phase of life. Access to community and health services is one of the six areas of focus for the Communities for All Ages checklist and providing some of that access in the workplace contributes to overall wellness in a fundamental way.

Related Statute/City Ordinance:	NA
Line Item Code/Description:	Various personnel line items that make up the 2022 Budget
Available Budget:	\$998,500 (Health/Welfare Benefits)



## MEMORANDUM

Date: October 27, 2021  
To: Mayor and City Council  
From: Emily Randel, Assistant City Administrator  
RE: Employee Medical Benefit Renewal for 2022

### **Background**

Following the introduction of the options for employee medical benefit renewal at the October Finance and Administration Committee meeting, staff is returning with more detail from the City's carrier, Blue Cross Blue Shield of Kansas City (BCBSKC). The medical renewal proposals come each year in October which leads to a short timeframe to agree to the proposal, host open enrollment and implement before the start of the new year. When BCBSKC shared the medical renewal for 2022 in late September, it reflected a 19% increase in premiums for the existing plan. This follows flat renewals for both 2020 and 2021. Staff and benefits broker Lockton wanted to explore plan alternatives and so Council chose to hold a work session and special meeting before making a final decision.

### **Current Plan Performance**

Because Mission's plan covers fewer than 100 lives, BCBSKC does not share individual claims data for privacy reasons. As a part of the 2022 renewal they did share that Mission currently has five large claimants which are driving the increases. There are two covered individuals with claims in excess of \$100,000 and one of those claims considered ongoing. BCBSKC renewal underwriting initially called for a 39% increase, but because of the relationship between BCBSKC and the City of Mission, they offered a best-and-final increase at 19%.

As part of the renewal discussions, BCBSKC also shared loss ratio data. The industry views a loss ratio of 75% as favorable. Mission's loss ratio in July was 180% and in August was 181%. The high loss ratio suggests that seeking proposals from alternative carriers would not have resulted in any better proposals. Rather, the City chose to evaluate plan design changes to mitigate the 2022 increase.

### **Plan Recommendations**

After negotiations with BCBSKC surrounding different plan alternatives, Staff recommends maintaining the three existing plans, Preferred Care Blue PPO, Blue Select + PPO and Blue Select + Spira EPO, making reasonable changes to deductible and out of pocket maximums for

each. These changes lower the renewal increase to 16% instead of the originally proposed 19%. Staff also recommends maintaining the employer/employee cost sharing at 80% / 20%.

The following table shows recommended increases to deductibles and out of pocket maximums for each plan. Benchmarking data provided by Lockton suggests the proposed changes still keep Mission’s plans comparable to other government services firms and small firms with 2-499 employees. This will represent the first plan design change in three years for employees. Co-pays for office visits, urgent care, emergency room visits and prescriptions are not increased in the 2022 recommendation.

**Table: Increases to Deductibles and Out of Pocket Maximums Across Plans**

	<b>PCB Current</b>	<b>PCB Proposed</b>
<b>Deductible</b>	\$1,000/\$3,000	\$2,000/\$4,000
<b>Out of Pocket Maximum</b>	\$4,000/\$8,000	\$5,500/\$11,000
	<b>BS Current</b>	<b>BS Proposed</b>
<b>Deductible</b>	\$2,000/\$4,000	\$2,500/\$5,000
<b>Out of Pocket Maximum</b>	\$4,000/\$8,000	\$5,000/\$10,000
	<b>BS + Spira Current</b>	<b>BS + Spira Proposed</b>
<b>Deductible</b>	\$1,500/\$3,000	\$2,000/\$4,000
<b>Out of Pocket Maximum</b>	\$1,500/\$3,000	\$2,000/\$4,000

In the following table, the current and proposed monthly premium costs are shown for each plan and each tier of coverage within the various plans. The last two columns on the right illustrate the difference to employee premiums both by month and pay period. The increases range from \$10.18 - \$13.29/pay period for an individual coverage, \$21.38 - \$27.90/pay period for employee + spouse coverage, \$18.33 - \$23.92/pay period for employee + child(ren) coverage and \$30.54 - \$39.86/pay period for family coverage.

**Table: Change to Employer and Employee Contributions For All Plans**

	PCB Current	PCB Renewal	ER Cont (80%)	EE Cont (20%)	Diff./Mo.	Diff./P.P.
EE	\$739.62	\$841.96	\$673.57	\$168.39	\$20.47	\$10.23
EE + SP	\$1,553.21	\$1,768.13	\$1,414.50	\$353.63	\$42.98	\$21.49
EE + CH	\$1,331.32	\$1,515.54	\$1,212.43	\$303.11	\$36.84	\$18.42
FAM	\$2,218.87	\$2,525.90	\$2,020.72	\$505.18	\$61.41	\$30.70
	BSP Current	BSP Renewal	ER Cont (80%)	EE Cont (20%)	Diff./Mo.	Diff./P.P.
EE	\$600.95	\$733.82	\$587.06	\$146.76	\$26.57	\$13.29
EE + SP	\$1,261.98	\$1,541.02	\$1,232.82	\$308.20	\$55.81	\$27.90
EE + CH	\$1,081.70	\$1,320.87	\$1,056.70	\$264.17	\$47.83	\$23.92
FAM	\$1,802.84	\$2,201.45	\$1,761.16	\$440.29	\$79.72	\$39.86
	SPC Current	SPC Renewal	ER Cont (80%)	EE Cont (20%)	Diff./Mo.	Diff./P.P.
EE	\$600.62	\$702.43	\$561.94	\$140.49	\$20.36	\$10.18
EE + SP	\$1,261.29	\$1,475.09	\$1,180.07	\$295.02	\$42.76	\$21.38
EE + CH	\$1,081.11	\$1,264.37	\$1,011.50	\$252.87	\$36.65	\$18.33
FAM	\$1,801.85	\$2,107.28	\$1,685.82	\$421.46	\$61.09	\$30.54

**Future Plan Considerations**

Lockton shared a comparison of firms that offer one, two or three or more plan types, by firm size. Only six percent of firms Mission’s size with 3-199 employees offer just three or more plans. Mission currently offers three plans in order to provide close hospital access to employees who live throughout the Kansas City Metropolitan Area, especially those in Eastern Jackson County. As Spira Care has opened more clinics since it was first launched, it provides a more attractive alternative to the Preferred Care Blue plan than when it was first offered. Staff will continue to evaluate how residency patterns and hospital and clinic access change those considerations in future years.

Staff intends to host focus groups with employees to develop strategies to guide future plan design. As health care costs continue to increase, the City and employees should work together to balance cost, care and choice. The focus groups will evaluate the following factors:

- Number of plans
- Employee preferences
- Hospital and out patient access
- Equity of employer contribution between plans
- Equity of employer contribution between plan tiers

## **Implementation for 2022**

The Council will have the opportunity to approve the proposed medical renewal along with the renewal of the full package of employee benefits at a Special City Council meeting on Wednesday, November 3 at 6 p.m. The plan will take effect January 1, 2022.

The table below illustrates historical net health and welfare benefit costs. Additional information on budgetary impacts will be covered during the work session presentation.

**Table: Total Net City of Mission Costs for All Plans**

<b>Historical Costs (All Plans)</b>				
<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Projected 2021</b>	<b>Projected 2022</b>
\$858,883	\$768,111	\$768,335	\$801,585	\$917,433

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**Date:** September 30, 2021  
**To:** Members of the Finance and Administration Committee  
**From:** Emily Randel, Assistant City Administrator  
**RE:** 2022 Employee Benefits Program

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Each year, staff seeks the most effective balance of robust benefits for our employees that still allows the City to maintain a fiscally responsible position. The City's benefit broker, Lockton Benefit Company (LBC), assists to evaluate, negotiate and recommend an employee benefits package. The recommendations for fiscal year 2022 are summarized in this memorandum.

### **Medical Benefit**

On September 24, the City received an initial proposed premium package from Blue Cross Blue Shield for 2022 with a 19.1% increase over current rates. This comes following no increases for the 2020 and 2021 plan years. There is a low level of predictability in medical trends from year to year with potential increases over the last three years fluctuating between 0% and 50%. When the 2022 increase is evaluated over the three year horizon, the average annual rate increase is approximately 6.36%. The City budgeted for a 5% increase in health and welfare benefits for 2022.

The proposed increase of 19.1% would increase the City's (employer's) net costs for medical coverage by approximately \$135,475. The 2022 Adopted Budget includes approximately \$35,652 for estimated premium increases, so in the worst case, we are trying to account for an additional \$100,000. It is likely this savings could be realized through 2021 Actual Expenses for personnel, and almost guaranteed to be covered by personnel savings in the 2022 Budget.

Staff and Lockton have requested alternative plan designs on the chance that there can be some savings achieved over the proposed increase. Staff hopes to have more complete information about those options at the October 6 Committee meeting or certainly by the October 20 City Council meeting. The final decision on the 2022 medical benefits needs to be made no later than October 30 in order to allow adequate time for open enrollment and distribution of new plan ID cards for employees and their dependents. Staff will discuss the decision schedule in more detail during the Finance & Administration Committee meeting.

Preliminarily, staff recommends Council consider an approval of the medical benefit in an amount not to exceed a 19.1% increase over 2021 premiums. In 2021, the City offered three plans, Blue Select, Preferred Care Blue and Spira Care. Employee plan costs in 2021 ranged from \$120.12 to \$443.77 per month based on the plan type.

The City has traditionally offered health insurance at an 80% / 20% cost share with employees, with the City paying 80% and employees paying 20%. It is recommended that this continue for 2022.

**Recommendation: Continue health insurance coverage for with Blue Cross / Blue Shield of Kansas City with the specific plan types to be determined for City employees, but at a cost not to exceed to a 19.1% increase in premiums for 2022. It is also recommended the City continue with the 80% / 20% cost share between the City and employee. Updated estimated costs will be provided following the receipt of updated negotiations by the Lockton team, but the maximum estimated cost is projected at \$848,517.**

### **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 \$1,500, regardless of whether care is in or out of network. The plan also provides for 100% of preventive services and 80% of basic services within network. The program includes unlimited cleanings and the Right Start4Kids program which covers all services except orthodontics at 100% for dependents under the age of 13.

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 2022. The following table represents the employer and employee contributions for the benefit.

**Table 2. 2022 Dental Premium Structure 80% / 20%**

	Total Monthly Premium	Employer Contribution	Employee Contribution	Per Payroll Premium	2020/2022 Per Payroll Difference
Employee Only (22 employees participating)	\$ 31.20	\$ 24.96	\$ 6.24	\$ 3.12	\$ 0.00
Employee + Family (37 employees participating)	\$ 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, 2022 with no increase in premium rates; and maintain the current premium structure of 80% City and 20% employees. Estimated impact to the City's 2022 budget for the recommended dental benefits is \$39,001.**

### **Vision Benefit**

The City provides vision insurance to its employees through EyeMed. Vision benefit premiums are paid 100% by the City. EyeMed issued a 4-year rate hold in 2020 in consideration of COVID-19 and deferral of care in 2020. Current rates will hold through January 1, 2025.

***Recommendation: Renew vision benefits with EyeMed, effective January 1, 2022 with no increase in premiums. Maintain 100% of the premium paid by the City with an estimated impact to the City's 2020 budget of \$7,864.***

### **Wellness Benefit**

The employee wellness program encourages employees to earn points throughout the year by engaging in wellness activities such as doctor and dental visits, COVID-19 and flu shots, membership in a workout facility, or attending wellness seminars at work. A secondary benefit to the program, apart from improved health outcomes, is the program encourages employee engagement and participation. The wellness activities offered throughout the year help to build relationships between employees across departments. Employees who earn the minimum number of points earn \$300 at the end of the year. Thirty employees have participated in at least one of the tracked activities to date in 2021 and it is expected that a number slightly lower than that will complete the entire program in 2021.

***Recommendation: Maintain the wellness benefit in 2022 at \$300 for each participant that completes the annual wellness program, and fund biometric screenings and miscellaneous expenses for a budgeted wellness and employee engagement program in the amount of \$10,000.***

### **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.

There are currently 26 employees participating in the FSA with annual contributions totaling approximately \$50,013. Annual plan administration fees are approximately \$1,655. Participation in the plan saves both the employees and the City approximately \$3,826 in FICA taxes on health insurance.

***Recommendation: Continue to provide a Section 125 Flexible Spending Account through Basic with an estimated impact on the 2022 budget of \$1,655.***

### **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. In 2019, the City doubled the coverage for 2020 to \$50,000 for department directors, and \$40,000 for all other employees (unless reduced as a result of age). There is a 9% increase (\$324 annually) for basic life coverage in 2022. This is the first increase since the City elected to increase coverage amounts in 2021. The coverage, paid 100% by the City, is estimated to \$4,895.

***Recommendation: Provide basic Group-Term Life/AD&D benefits through The Standard for 2022 with an estimated impact to the City's 2022 budget of \$4,895.***

### **Voluntary Life Insurance Benefit**

The City offers 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 five times their annual salary. The pricing is age rated and employees may purchase coverage for a spouse and dependents as well. The premiums are paid 100% by the employee. 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 2022 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 several other insurance options that employees can select to participate in given their 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 2022 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 2022:

KPERS:	Employer	8.90% of Covered Payroll (Increase of .03% from last year)
	Employee	6.00% of earnings
KP&F:	Employer	22.99% of Covered Payroll (Increase of 0.19% from last year)
	Employee	7.15% of earnings

The estimated employer (the City's) contribution to KPERS/KP&F is approximately \$755,550 for 2022.

***Recommendation: Fund the KPERS and KP&F retirement plans in accordance with state mandated rates for an estimated cost of \$755,550 for 2022.***

### **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, 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. 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 2022 is \$54,600.***

### **Employee Assistance Program**

Since 2016, the City has partnered with New Directions Behavioral Health (NDBH) to provide Employee Assistance Program services. The 2021-2022 contract renewal had a significant increase with equal services or a moderate increase with a decrease in services. For this reason, staff requested that Lockton go to market for an alternative. Staff reviewed presentations and demonstrations from the two most responsive firms, CuraLinc and Lifeworks. CuraLinc's pricing was competitive, however their product offerings were very similar to NDBH. LifeWorks uses a flexible session model for their pricing, which made it the most sensible pricing option. In addition, both the online web presence and mobile app. technology feel much more modern and the company will be integrating a dashboard with Microsoft Teams in 2022.

***Recommendation: Terminate existing contract with New Directions Behavioral Health and contract for EAP services with LifeWorks with the plan year starting January 1, 2022. The estimated cost for 2022 \$2,002.***

### **Summary and Recommendation for Health & Welfare Benefits**

The following is the recommended 2022 Employee Benefit Package.

- Renew with Blue Cross / Blue Shield of Kansas City either with current plan options, Preferred Care Blue, Blue Select and Spira Care or plan alternatives to be determined with premiums to increase at a rate not to exceed 19.1%.
- Continue with the current health insurance premium structure, 80% of the premium being paid by the City and 20% being paid by the employee.
- Fund a wellness program for City employees in the amount of \$10,000.
- Renew the dental insurance benefit plan with Delta Dental of Kansas with no increase in premium rates and expanded coverage / enhanced benefits.
- Maintain the current dental insurance premium structure of 80% paid by the City and 20% paid by the employees.
- Maintain the vision insurance benefit plan with EyeMed from 2021 with 100% of the premium paid by the City. The plan is on a rate hold through January 1, 2025.
- Continue to provide a Section 125 Flexible Spending Account through BASIC.
- Maintain basic Group-Term Life/AD&D benefits through The Standard paid 100% by the City.
- 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.
- Terminate EAP services with New Directions Behavioral Health and contract with LifeWorks for EAP services with a start date of January 1, 2022.

A historical review of the changes in net costs for the City's health and welfare benefit programs will be updated and provided once final recommendations on the medical plan benefits are available.