

# Memorandum

## City of Lawrence

### Human Resources

TO: David L. Corliss, City Manager

FROM: Lori Carnahan, Human Resources Manager  
Michelle Spreer, Benefits Specialist

CC: Diane Stoddard, Assistant City Manager  
Cynthia Wagner, Assistant City Manager  
Casey Toomey, Budget Manager  
Ryann Pem, Recruiter/Wellness Coordinator

Date: May 8, 2014

RE: 2015 Employee Healthcare Plan Budget Memo

Annually the Human Resources benefits staff meets with the Healthcare Committee (HCC) and Hays Companies, our benefits consultants, to discuss plan design and funding of the healthcare plan which includes city and employee/retiree contributions. Based on these discussions, staff recommendations are outlined below.

#### Executive Summary

- 2013 healthcare claims utilization increased approximately 13% over 2012. Overall plan costs finished under budget but still increased by approximately 14%.
- Staff recommends keeping deductibles flat for 2015 at \$1,000 individual/ \$2,000 family with the out of pocket maximum increasing to \$2,000 individual/ \$4,000 family (includes deductible).
- Staff recommends increasing the allowable carryover of Health Reimbursement Account (HRA) funds to \$1,900 for 12/31/2015; currently \$1,600 for 12/31/2014.
- Staff recommends employee contribution increases for 2015. The increase to dependent coverages will be greater than that of the individual plans.
- Staff recommends a 2% (\$153,829) increase in city funding for 2015 to \$7,845,293. This will be the first city funding increase requested in 3 years.
- Retiree contributions and COBRA rates will be set once stop loss rates are finalized this fall. Staff will submit, under separate cover, a plan for future retiree premiums.
- The plan must comply with Patient Protection and Affordable Care Act (PPACA) regulations in 2014 which include additional fees to be paid directly to Health and Human Services (HHS) and/or the IRS totaling approximately \$137,200.

- Staff recommends implementing the remaining Step Therapy programs into the prescription plan and removing the Dispense as Written provision. Additionally, staff recommends implementation of a third tier for specialty drugs.

### **Healthcare Plan Design**

The Health Reimbursement Account (HRA) plan design was implemented in 2012 as part of a bigger initiative to help reduce future trend on the healthcare plan. The HRA design introduced consumerism to our plan. Allowing for first dollar coverage and the ability to roll over unused funds can empower members to make educated decisions about their healthcare services (i.e. going to emergency room or going to an urgent care center/walk in clinic). The WellCare clinic and the accompanying Incentive Points Program was implemented as a tool in reducing risk factors for chronic conditions in our plan members. Both of these structures can help reduce future trend.

Hays introduced staff and the healthcare committee to the term *Member Burden* in 2010. Member burden is described as the employees' cost share when factoring in both contributions and their share of medical expenses, such as deductibles and co-insurance. We have monitored member burden over the past several years which has ranged from 24 to 29%, with 2013 ending at approximately 25%. The 2015 recommended plan design would take our member burden to approximately 28%. We will continue to monitor this number as we recommend changes to the healthcare plan in future years as well.

**Attachment A** illustrates 3 plan design alternatives.

- Option 1 – Current plan design and funding with projected 2015 costs.
- Option 2 – **Recommended** – this includes an increase in Out of Pocket Maximums from \$1,600 individual / \$3,200 family to \$2,000/\$4,000 respectively and plan coverage changes discussed on pages 4 and 5.
- Option 3 – this option illustrates the plan design and employee contribution increases necessary to balance revenues with expenses with no additional revenues from the City.

Cigna HRA programming allows the City to establish a maximum amount of money employees may carry over from their HRA into the next year before new money is awarded. Staff recommends that amount be \$1,600 on 12/31/2014 and increased to \$1,900 on 12/31/2015.

Also included in the Plan Design Recommendations is an increase to employee contributions. This will be the first increase in contributions since 2012.

The Healthcare Committee Ongoing Goals and Objectives, **Attachment B** states that revenues will be split at 65/35 between the city and employees toward the cost of dependent coverage. Because our plan has performed so well over the past several years, staff has not asked for an increase in employee, or city, funding. Because of this, the split has become out of balance as our overall expenses continue to increase.

Currently the funding split is at approximately 75% city and 25% employee for employee/spouse and employee/child coverage while family coverage is split 79% city

and 21% employee. Staff recommends increases to employee per pay period contributions as follows.

Coverage Tier	Recommended Contributions	Increase per pay period
Individual Coverage	\$7	\$2
Employee + Spouse	\$81	\$4
Employee + Child	\$75	\$6
Employee + Family	\$130	\$12

These increases will not get the split up to the stated objective of 65/35 but smaller, incremental changes are much more palatable than large increases in one year.

**Fund Balance (Retained Earnings) and Minimum Retained Earnings (MRE)**

Maintaining MRE at 20% of projected plan cost for two years out allows the City to smooth out increases to city funding as well as employee contributions. Having a healthy MRE level allows funding of current and future incentives related to wellness programs.

Retained Earnings also funds the cost of catastrophic claims, the amount determined by our stop loss contract each year. In 2015 it will be set at 120%; no change from 2014. The 120% represents the amount of claims the city is responsible for paying over the projected costs before stop loss insurance begins paying claims.

Staff recommends a 2% increase in city funding for 2015 bringing the total funding to \$7,845,293. That is an increase of \$153,829.00. This is the first time in 3 years additional city funding has been requested. Our claims continue to come in under projected but overall expenses continue to increase year over year. The city was able to add to retained earnings 2010 – 2012 and used \$115,926 of retained earnings in 2013 as shown in **Attachment C – Internal Financial Summary**.

**Attachment D – Plan Funding Modeling** projects future trend, to include claims, administrative expenses and stop loss insurance. It is recommended to have “Fund Balance EOY” equal to or greater than “Recommended MRE” for at least one year beyond the year for which the budget is being prepared; 12/31/2016.

Plan growth assumptions are at the bottom of the chart. With incremental increases in funding (both city and employee) and plan design changes, it is projected our “Fund Balance EOY” 2016 will still be above MRE. However, if changes are not made each year, eventually our fund balance will fall below MRE.

These projections are done early in the year (April) for the following year. With only a few months of claims data, the projections are typically conservative. The 2015 projections will be updated this fall for stop loss quotes, once Hays has more claims data for 2014. They will be updated again in March of 2015 while preparing for the 2016 plan year. This is the cycle that is followed each year.

**Patient Protection & Affordable Care Act – PPACA** – In accordance with PPACA regulations the healthcare plan was required to pay new fees beginning July 1, 2013.

Staff will work closely with Hays and Cigna to ensure all fees are calculated correctly and paid on time to HHS and/or IRS. The fees are included in the cost projections.

- Patient Centered Outcomes fee (aka Comparative Effectiveness Research Fee)
  - First payable by 7/31/2013 for the 2012 plan year and each July thereafter
  - Rate goes from \$1 per average number of covered lives in 2013 to \$2 in July 2014. (approximately \$4,200)
  - Fee to be determined for future years
  
- Reinsurance Assessment Fee
  - Funding to lessen impact of high-risk individuals entering the individual market
  - \$63 per covered life on the plan for 2014 and 2015 (approximately \$133,000)
  - Will apply through 2016 (amount for 2016 not yet known)
  
- New eligibility rules
  - Variable hour employees (part-time, temporary) eligible if average 30 hours/week
  - Staff will test hours on a 12 month look back (October – September) each year
  - Staff recommends that the city manage part time temporary hours to less than 30 hour/week on a 12 month average. All part time regular employees are currently eligible for the healthcare plan.

**Plan Coverage Changes** – Staff recommends several plan coverage changes for 2015 for the purpose of balancing member burden both immediately and in future years.

Step Therapy programs – these have been created by pharmacy benefit managers as a way to control costs, not only to the plan but to the participant. Step therapy states that the participant will be required to try a lower cost, step 1 medication, typically a generic, before they could “step up” to a step 2 medication, typically a brand name, more expensive medication.

In 2011, at the recommendation of MedTrak, the city implemented Step Therapy for Proton Pump Inhibitor (PPI) drugs, used for conditions such as peptic ulcers or reflux disease.

In 2013, the city implemented four additional step therapy programs which included medications to treat high cholesterol, depression, oral acne and narcolepsy.

Staff and Hays have reviewed other step therapy programs that MedTrak has brought to our attention. Staff recommends implementing the remaining programs that MedTrak has in place which include medications for:

Blood Pressure	Nasal Steroid Inhalers
Prostate Health	Post herpetic Neuralgia (shingles)
Gout	Insomnia
Osteoporosis	Migraines
Muscle spasms	Atopic Dermatitis

Any participant currently taking step 2 medications in these classes will be grandfathered. When grandfathering, the savings these programs have the potential to generate will not be realized right away. However, there will be future savings as new prescriptions are written. Grandfathering is less disruptive to employees and their families. All new prescriptions on or after 1/1/15 will be subject to the program.

Generic Incentive – Another component of our prescription plan is a generic incentive. This states that if a member has a prescription for a brand name medication, that has a generic available, and they decline to fill the prescription with that generic medication, they will pay the brand copay (\$25 + 20%) plus the difference between the generic cost and brand name cost. Currently, if the doctor writes “Dispense as Written” (DAW) on the prescription, the generic incentive provision would not apply.

Staff recommends removing the “Dispense as Written” provision from our prescription plan.

Specialty Drug Tier – Specialty drug costs continue to increase rapidly and there are new specialty medications hitting the market each year. Approximately 25% of plans that MedTrak manages have a specialty drug tier in place.

Staff recommends implementing this third tier to our program. The specialty drug co-payments will mirror those of the brand name; \$25 + 20%. The specialty tier will have its own out of pocket maximum of \$1,000 individual and \$2,000 family.

### **CHAMP Wellness**

The CHAMP wellness committee continues to meet once a quarter. The WellCare clinic will be entering its fourth program year in 2015. Utilization of the clinic is currently at 33% with 57% of those visits being utilized for wellness related initiatives. 321 employees are currently participating in the WellCare clinic and Incentive points program. The primary focus of the CHAMP Wellness Committee for 2014 and 2015 will be to implement environmental and policy changes that will make the healthy choice the easy choice. Initiatives include development of a plan to move the City of Lawrence to a tobacco free campus and making modifications to our vending machine options so there are cost neutral healthy food choices. **Attachment E – CHAMP Budget** lists the CHAMP wellness programming and the cost associated with these programs. These costs have been built into the healthcare projected expenses.

### **Other Post-Employment Benefits (OPEB) Obligations under GASB 45**

In 2004 the Governmental Accounting Standards Board (GASB) released Statement 45 (GASB 45) which issued a new set of accounting rules concerning health and other non-pension benefits for retired public employees. These benefits, also referred to as “other post-employment benefits” (OPEB), include non-pension benefits such as life insurance, dental coverage and long-term care, as well as retiree health benefits. GASB 45 strongly encourages public sector employers to set aside funds for OPEB benefits, instead of a “pay as you go” funding method. Employers are strongly encouraged to fully fund OPEB benefits in order to show a more favorable financial statement. After further discussion on the actual cost of providing retiree healthcare, staff will submit,

under separate cover, a plan for future retiree premium contributions and eligibility for the plan.

The intent of GASB 45 was to bring governmental accounting standards more in line with private company standards. GASB 45 requires that an actuarial valuation be conducted every two years to determine the annual OPEB liability.

The city's net OPEB obligation as of December 31, 2013 was \$4,891,906. The annual required contribution to fully fund its obligation was \$1,152,197 in 2013. The city allocated \$657,000 in 2013 to the retiree fund. Retiree contributions in 2013 were \$425,571. There was a valuation and OPEB obligation under GASB 45 for the 2013/2014 fiscal years. The net OPEB obligation will change with each valuation.

Beginning with the 2013 budget, Hays divided out the retiree revenues and expenses from the active employees, also shown in **Attachment C**. This will allow the City to better track the liabilities under OPEB and assist us in determining where the fund balance for OPEB should be set. Based on projected 2014 retiree revenues and expenses, the retiree fund balance at the beginning of 2015 will be approximately \$1,205,636.

Projected retiree expenses for 2015 are \$1,087,000 and projected revenues (from both retiree premiums and city funding) are \$1,574,000. This will allow the city to add to the retiree fund balance helping to meet the OPEB obligations. Projected fund balance at the end of 2015 is \$1,854,000.

#### **Transfers to Healthcare Plan**

Each year Staff calculates the breakdown of city funding to the healthcare plan for each department to assist them in developing their budgets. Beginning in 2013 staff began allocating and tracking retiree healthcare expenses separately from active employees. With this change the projected actual retiree expense for healthcare has been allocated to each fund based on where the retiree worked while employed. See **Attachment F – Transfers to Fund Health Plan 2015**.

A 2% increase in city funding translates to \$8,178.37 per authorized position, \$8,936.41 per new authorized position and \$17,857.14 per retiree. These per person amounts reflect total projected plan expenses.

# 2015 Plan Design Options

	2015 Option 1 No funding or plan design changes	2015 Option 2 Recommended	2015 Option 3 Revenues/Expenses balanced No additional funding from city
<b>Medical Plan Information</b>			
<b>Employer HRA Contribution</b>			
Individual/Family	\$250/\$500	\$250/\$500	\$250/\$500
Wellness Incentive (if earned)	\$300	\$300	\$300
Carry Over Maximum	\$1,600/\$1,600	\$1,900/\$1,900	\$1,900/\$1,900
<b>Deductible (Individual/Family)</b>			
In-Network	\$1,000/\$2,000	\$1000/\$2000	\$2,000/\$4,000
Out-of-Network	\$1,000/\$2,000	\$1000/\$2000	\$4,000/\$8,000
<b>Out-of-Pocket (Individual/Family)</b>			
In-Network	\$1,600/\$3,200	\$2,000/\$4,000	\$4,000/\$4,000
Out-of-Network	\$3,650/\$7,300	\$4,000/\$8,000	\$8,000/\$16,000
<b>Coinsurance Level</b>			
In-Network	20%	20%	20%
Out-of-Network	40%	40%	40%
<b>Prescription Drug</b>			
Generic	20%	20%	20%
Brand - 30 day supply	\$25 + 20%	\$25 + 20%	\$25 + 20%
Brand - 90 day supply	\$50 + 20%	\$50 + 20%	\$50 + 20%
Out of Pocket Maximum, non-specialty (Individual/Family)	\$1,000/\$2,000	\$1000/\$2000	\$1,000/\$2,000
Specialty - 30 day supply	\$25 + 20%	\$25 + 20%	\$25 + 20%
Out of Pocket Maximum, specialty (Individual/Family)	n/a	\$1,000/\$2,000	\$1,000/\$2,000
Step Therapy	Certain drug classes, GF	All available drug classes, GF	All available drug classes, non-GF
DAW Override	Allowed	No - member pays cost diff.	No - member pays cost diff.
<b>Biweekly Contributions</b>			
Employee	\$5	\$7	\$54
Employee plus Spouse	\$77	\$81	\$116
Employee plus Children	\$69	\$75	\$105
Family	\$118	\$130	\$167
<b>Aggregate Total Yearly Contributions</b>			
Employee	\$1,342,000	\$1,476,000	\$2,254,000
Retiree	\$491,000	\$554,000	\$522,000
City	\$7,691,000	\$7,845,000	\$7,691,000
<b>HRA Account Utilization (of Total Available)</b>			
Employee Spend Percentage	80%	80%	80%
<b>Plan Funding Impact</b>			
% Change in Projected Plan Cost	n.a.	-1.87%	-7.62%
Projected Fund EOY balance	\$6,769,900	\$7,332,800	\$8,575,733
Projected affect to fund-- BOY to EOY	(\$1,797,100)	(\$1,234,200)	\$8,733
<b>Member Burden Impact</b>			
City Funds	75.1%	72.1%	58.3%
Employee Funds	24.9%	27.9%	41.7%

**Member Burden Note:**

Member burden (employee funds) for 2013 was 24.9%. It is estimated to change as shown above for the respective plan design changes. Target range is 25-29%

**Health Care Committee Ongoing Goals and Objectives**

**Revised 1/1/2011**

**Mission**

The City of Lawrence Health Care Committee is devoted to balancing the best interest of the City of Lawrence and the best interest of the City employees in order to establish and maintain a high quality, cost effective health care plan that offers meaningful benefits to its employees and retirees.

The largest component of the City of Lawrence employee benefit package is the health care plan. It serves as a recruitment and retention tool. To attract potential employees, and keep current ones, the health care plan must be market competitive in terms of employee cost (i.e. premiums, deductibles, coinsurance, and out of pocket maximums) and the level of benefit provided (scope of covered services).

**Background**

The City of Lawrence Health Care Committee was formed in 1998 to develop guidelines regarding annual funding and plan design. Since 1998, on an annual basis, the Health Care Committee has devoted time to review, revise, and refine those guidelines according to City Commission directives and input from City management and employees.

The City of Lawrence Health Care Committee is chaired by the Human Resources Manager and consists of City employees from each department. The objectives of the Health Care Committee are:

1. To submit annual budget recommendations to the City Commission regarding funding for the health care plan;
2. To review, evaluate, and determine plan design;
3. To identify, review, and address utilization trends;
4. To monitor current national health care trends;
5. Through partnership with the Wellness Committee (CHAMP), provide health education and wellness interventions to employees and their immediate family members so that they might fulfill their responsibilities as covered plan participants.

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**Statement of Plan Participant Responsibilities**

While it is the right of plan participants to use the Plan to the fullest, and to take advantage of everything it offers, it is also their responsibility to maximize healthy habits, to become knowledgeable about his or her health plan coverage, and to consume health care services in a responsible manner in order to reduce his or her lifetime cost for health care coverage.

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**Annual Funding Guidelines**

Annual budget recommendations will be submitted to City management in May for the next plan year using the most current national industry cost trend projections available at the time.

City funding means annual funding. Employee contributions mean payroll deductions for health care premiums. The City will fund health care for current employees on a per FTE basis and new positions on a per contract basis.

Recommended levels of 16% of projected costs will be maintained in retained earnings for at least one year beyond the year for which the budget is being prepared. Retained earnings fund the cost of catastrophic



## Attachment B

claims, which is defined by the claims administrator each year not to exceed 120% of projected expenses. Interest earned on retained earnings will be used to offset the budget request to fund retained earnings.

The City will partially fund the monthly premium equivalent of employee and dependent coverage. The cost to cover eligible dependents under the health care plan is the difference between the monthly premium equivalent for a family membership and the monthly premium equivalent for a single membership.

To keep revenues proportional between City funding and employee contributions, the City will contribute 55-75% of the funding necessary to generate revenue toward the cost of dependent coverage; the employee will contribute 25-45%. Ideally, revenues will be split 65/35 between the City and employees toward the cost of dependent coverage.

Eligible employees receiving a retirement or disability benefit through KPERS will pay 80% of the monthly premium equivalent for their health care membership. The City will fund the remaining 20%.

COBRA participants will pay 102% of the monthly premium equivalent for their health care membership.

The Health Care Committee will work to moderate increases in City funding and employee contributions in order to smooth out the peaks and valleys of actual health care consumption. When increases in health care utilization have depleted retained earnings for future years below recommended levels, changes regarding retained earnings funding parameters will be implemented. When decreases in health care utilization are maintained for multiple years, the health care committee will recommend plan design enhancements.

### **Plan Design Guidelines**

Covered services under the health care plan should satisfy the needs of the majority of employees, which can be identified by annually collecting aggregate data through:

1. Wellness tools;
2. Health care plan utilization reports;
3. Disability and worker's compensation claims; and
4. Periodic employee surveys.

Ideally, the plan design should enable plan expenses to be at or below national industry cost trends. This will be accomplished in part by:

1. Maintaining a plan design that enables and encourages plan participants to make wise consumer choices;
2. Maintaining a plan design that enables and encourages plan participants to utilize preventative services;
3. Educating plan participants on how to be wise consumers of health care services; and
4. Through the Wellness Committee, utilizing intervention programs for employees to use in order to individually examine and improve their overall lifestyle.

# Healthcare Plan Internal Financial Summary

ATTACHMENT C

		Actual								
		2005	2006	2007	2008	2009	2010	2011	2012	
<b>Revenues</b>										
	City - Employee	5,287,932.00	5,678,536.00	6,005,611.00	6,321,793.00	6,369,977.36	7,246,945.96	7,571,408.56	6,801,560.05	7,042,571.49
	City - Retiree								657,000.00	657,000.00
	Employee	864,609.54	909,102.23	964,376.20	959,811.04	1,052,992.01	1,090,287.58	1,212,037.98	1,350,438.36	1,334,100.33
	Retiree	252,562.60	285,339.75	265,263.24	269,069.32	334,810.69	390,394.58	400,402.27	400,958.74	425,570.91
	Interest - Employee/Retiree	122,696.12	253,552.79	293,838.00	283,002.59	14,936.55	13,421.78	16,714.13	16,492.42	12,431.89
	ERRP							129,713.14		
	<b>Total Revenues</b>	<b>6,527,800.26</b>	<b>7,126,530.77</b>	<b>7,529,088.44</b>	<b>7,833,675.95</b>	<b>7,772,716.61</b>	<b>8,741,049.90</b>	<b>9,330,276.08</b>	<b>9,226,449.57</b>	<b>9,471,674.62</b>
<b>Expenses</b>										
	Claims - Employees	4,377,650.54	5,024,471.39	6,082,168.73	6,715,784.55	7,371,877.61	7,099,333.91	7,024,139.67	6,531,404.74	6,996,878.46
	Claims - Retirees								486,167.40	953,389.00
	Admin Charge - Employee	173,390.69	162,852.15	192,487.90	234,478.51	254,926.83	391,106.95	482,331.17	306,540.96	391,809.61
	Stop Loss Premium - Employee	311,057.25	312,202.02	386,141.05	424,221.55	499,666.96	631,270.00	696,000.00	754,906.00	905,467.62
	Admin Charge - Retiree								27,801.57	29,651.68
	Stop Loss Premium - Retiree								58,470.00	68,932.38
	Other Contractual Expenses	0.00	0.00	10,501.36	0.00	81,745.12	48,548.40	60,842.90	50,000.00	50,000.00
	Health & Wellness/WellCare Clinic								197,908.32	160,874.53
	<b>Total Expenses</b>	<b>4,862,098.48</b>	<b>5,499,525.56</b>	<b>6,671,299.04</b>	<b>7,374,484.61</b>	<b>8,208,216.52</b>	<b>8,170,259.26</b>	<b>8,263,313.74</b>	<b>8,413,198.99</b>	<b>9,557,003.28</b>
	City Authorized FTEs	767.89	798.25	827.67	818.92	809.17	812.67	796.67	796.00	
	<b>Net Income - Employee</b>	<b>1,665,701.78</b>	<b>1,627,005.21</b>	<b>857,789.40</b>	<b>459,191.34</b>	<b>-435,499.91</b>	<b>570,790.64</b>	<b>1,066,962.34</b>	<b>327,730.81</b>	<b>-115,926.51</b>
	<b>Net Income - Retiree</b>								<b>485,519.77</b>	<b>30,597.85</b>
	<b>Actual ending fund balance - Employee</b>	<b>4,587,423.78</b>	<b>6,214,428.99</b>	<b>7,072,218.39</b>	<b>7,531,409.73</b>	<b>7,095,909.82</b>	<b>7,666,700.46</b>	<b>8,713,711.87</b>	<b>8,789,326.76</b>	<b>8,679,541.09</b>
	<b>Actual ending fund balance - Retiree</b>								<b>737,635.69</b> *	<b>768,233.54</b>
* This amount includes \$250,000 that was allocated to the retiree fund balance at the beginning of 2012										
<b>Percent change</b>										
<b>Revenues</b>										
	City	9.50%	7.39%	5.76%	5.26%	0.76%	13.77%	4.48%	-1.49%	13.20%
	Employee	1.72%	5.15%	6.08%	-0.47%	9.71%	3.54%	11.17%	11.42%	-1.21%
	Retiree	-0.23%	12.98%	-7.04%	1.43%	24.43%	16.60%	2.56%	0.14%	6.14%
	Interest	262.37%	106.65%	15.89%	-3.69%	-94.72%	-10.14%	24.53%	-1.33%	-24.62%
	ERRP									
	<b>Total Revenues</b>	<b>9.42%</b>	<b>9.17%</b>	<b>5.65%</b>	<b>4.05%</b>	<b>-0.78%</b>	<b>12.46%</b>	<b>6.74%</b>	<b>-1.11%</b>	<b>2.66%</b>
<b>Expenses</b>										
	Claims - Employees/Retirees	0.37%	14.78%	21.05%	10.42%	9.77%	-3.70%	-1.06%	-0.09%	13.29%
	Admin Charge - Employee/Retiree	-11.47%	-6.08%	18.20%	21.81%	8.72%	53.42%	23.32%	-30.68%	26.06%
	Stop Loss Premium - Employee/Retiree	-35.15%	0.37%	23.68%	9.86%	17.78%	26.34%	10.25%	16.86%	19.80%
	Other Contractual Expenses						-40.61%	25.32%	-17.82%	0.00%
	Health & Wellness/WellCare Clinic								100.00%	-18.71%
	<b>Total Expenses</b>	<b>-3.47%</b>	<b>13.11%</b>	<b>21.31%</b>	<b>10.54%</b>	<b>11.31%</b>	<b>-0.46%</b>	<b>1.14%</b>	<b>1.81%</b>	<b>13.60%</b>
	<b>Actual ending fund balance</b>	<b>57.01%</b>	<b>35.47%</b>	<b>13.80%</b>	<b>6.49%</b>	<b>-5.78%</b>	<b>8.04%</b>	<b>13.66%</b>	<b>9.33%</b>	

## 2015 Plan Funding Modeling - No changes in contributions or plan design

Category	2014 Budget prepared May 2013	Updated* prepared March 2014	2015	2016	2017
<b>Active Expenses</b>					
Medical	6,110,000	5,610,000	6,059,000	6,544,000	7,068,000
Rx	1,672,000	1,629,000	1,759,000	1,900,000	2,052,000
Dental	592,000	579,000	608,000	638,000	670,000
Administration	425,000	410,000	422,000	435,000	448,000
Stop-loss	1,073,000	824,000	1,030,000	1,288,000	1,610,000
<b>Total</b>	<b>9,872,000</b>	<b>9,052,000</b>	<b>9,878,000</b>	<b>10,805,000</b>	<b>11,848,000</b>
<b>Active Revenues</b>					
City	7,034,000	6,691,000	6,691,000	6,691,000	6,691,000
Employee	1,350,000	1,342,000	1,342,000	1,342,000	1,342,000
<b>Total</b>	<b>8,384,000</b>	<b>8,033,000</b>	<b>8,033,000</b>	<b>8,033,000</b>	<b>8,033,000</b>
<b>Fund Balance BOY</b>	<b>8,791,000</b>	<b>8,934,000</b>	<b>7,915,000</b>	<b>6,070,000</b>	<b>3,298,000</b>
<b>Active Fund Balance EOY</b>	<b>7,303,000</b>	<b>7,915,000</b>	<b>6,070,000</b>	<b>3,298,000</b>	<b>(517,000)</b>
<b>Retiree Expenses</b>					
Medical	562,000	653,000	705,000	761,000	822,000
Rx	185,000	224,000	242,000	261,000	282,000
Dental	49,000	44,000	46,000	48,000	50,000
Administration	33,000	34,000	35,000	36,000	37,000
Stop-loss	69,000	68,000	85,000	106,000	133,000
<b>Total</b>	<b>898,000</b>	<b>1,023,000</b>	<b>1,113,000</b>	<b>1,212,000</b>	<b>1,324,000</b>
<b>Retiree Revenues</b>					
City	657,000	1,000,000	1,000,000	1,000,000	1,000,000
Retiree	451,000	491,000	491,000	491,000	491,000
<b>Total</b>	<b>1,108,000</b>	<b>1,491,000</b>	<b>1,491,000</b>	<b>1,491,000</b>	<b>1,491,000</b>
<b>Fund Balance BOY</b>	<b>1,024,000</b>	<b>737,636</b>	<b>1,205,636</b>	<b>1,667,000</b>	<b>1,986,000</b>
<b>Fund Balance EOY</b>	<b>1,349,000</b>	<b>1,205,636</b>	<b>1,667,000</b>	<b>1,986,000</b>	<b>2,142,000</b>
<b>Total Expenses</b>					
Medical	6,672,000	6,263,000	6,764,000	7,305,000	7,890,000
Rx	1,857,000	1,853,000	2,001,000	2,161,000	2,334,000
Dental	641,000	623,000	654,000	686,000	720,000
Administration	458,000	444,000	457,000	471,000	485,000
Additional Wellness Fund	207,000	330,100	330,100	330,100	330,100
Stop-loss	1,142,000	892,000	1,115,000	1,394,000	1,743,000
<b>Total</b>	<b>10,977,000</b>	<b>10,405,100</b>	<b>11,321,100</b>	<b>12,347,100</b>	<b>13,502,100</b>
<b>Total Revenues</b>					
City	7,691,000	7,691,000	7,691,000	7,691,000	7,691,000
Employee/Retirees	1,801,000	1,833,000	1,833,000	1,833,000	1,833,000
<b>Total</b>	<b>9,492,000</b>	<b>9,524,000</b>	<b>9,524,000</b>	<b>9,524,000</b>	<b>9,524,000</b>
<b>Fund Balance BOY</b>	<b>8,934,000</b>	<b>9,447,775</b>	<b>8,567,000</b>	<b>6,770,000</b>	<b>3,947,000</b>
<b>Fund Balance EOY</b>	<b>7,449,000</b>	<b>8,567,000</b>	<b>6,770,000</b>	<b>3,947,000</b>	<b>(31,000)</b>
<b>Recommended MRE</b>	<b>2,740,000</b>	<b>2,717,000</b>	<b>2,963,000</b>	<b>3,241,000</b>	<b>3,474,000</b>
% Increase in Revenues needed to Cover Current Years' Expenses			19%	30%	47%
% Increase in Revenues needed to Maintain Minimum Funding (per City's policy)			-21%	22%	79%

\* Updated to Reflect 2013 Claims

Assumptions / Inputs	
Trend	
- Medical	8%
- Rx	8%
- Dental	5%
- Administration	3%
- Stoploss	25%
City Funding Increase (if applicable)	0%
Employee Funding Increase (if applicable)	0%
MRE Level	20%
Catastrophic Load	20%

<b>WellCare Clinic</b>	<b>2014 Budget</b>
WellCare Clinic	\$179,000.00
Biometrics & PHA	\$21,400.00
Flu Shots	\$8,300.00
<b>TOTAL</b>	<b>\$208,700</b>

<b>CHAMP Wellness Programing</b>	<b>2014 Budget</b>
TriaHealth	\$16,000.00
Parks & Recreation Discounts	\$5,200.00
<b>Internal Wellness Programming</b>	<b>\$100,212.00</b>
Walk Kansas	
Run/Walk events	
Peer Fitness Program	
Police fitness program	
Bike to work program	
Equipment Subsidy	
Parks & Recreation classes	
Golf Tournament	
Annual Employee Picnic	
Community Supported Agriculture CSA Program	
Cooking classes	
Nutritional classes	
Weight Watchers	
Healthy Vending Machines	
Food Pilot Program	
Ergonomic program	
Educational Material	
Drawing Prizes	
<b>TOTAL</b>	<b>\$121,412</b>

### Transfers to fund health plan 2015 2% increase in city funding retiree reallocation

Budget \$8,178.37 per current authorized position, \$8,936.41 per new authorized position and \$17,857.14 per new retiree.

Fund Description	Authorized Positions	Increases/ Decreases	Retirees	Total	Rec. Xfers	% of Total Funding
1068 General Fund 001 (Retirees)	0.00	0.00	48.00	48.00	\$857,142.86	10.9%
1068 General Fund 001	<b>473.91</b>	0.00	0.00	473.91	\$3,875,809.96	49.4%
1068 Special Alcohol	3.00	0.00	0.00	3.00	\$24,535.10	0.3%
210 Public Transportation	1.40	0.00	0.00	1.40	\$11,449.71	0.1%
211 Recreation	39.00	0.00	0.00	39.00	\$318,956.32	4.1%
214 Special Gas Tax	25.50	0.00	1.00	26.50	\$226,405.50	2.9%
501 Finance-Utility Billing	26.50	0.00	0.00	26.50	\$216,726.73	2.8%
501 Utilities-Administration	12.00	0.00	1.00	13.00	\$115,997.55	1.5%
501 Utilities-Engineering	9.00	0.00	0.00	9.00	\$73,605.30	0.9%
501 Utilities-Clinton Plant	10.60	0.00	2.00	12.60	\$122,404.98	1.6%
501 Utilities-Kaw Plant	13.60	0.00	0.00	13.60	\$111,225.79	1.4%
501 Utilities-WWTP	21.60	0.00	1.00	22.60	\$194,509.87	2.5%
501 Utilities-Sanitary Sewer Coll Sys	17.10	0.00	0.00	17.10	\$139,850.08	1.8%
501 Utilities-Water Quality	5.00	0.00	0.00	5.00	\$40,891.84	0.5%
501 Utilities-Water Distribution	23.10	0.00	0.00	23.10	\$188,920.28	2.4%
502 Sanitation	97.84	0.00	2.00	99.84	\$835,885.72	10.7%
503 Public Parking	15.00	0.00	0.00	15.00	\$122,675.51	1.6%
504 Vehicle Maintenance	17.00	0.00	1.00	18.00	\$156,889.38	2.0%
505 Stormwater Utility	10.00	0.00	0.00	10.00	\$81,783.67	1.0%
506 Public Golf Course	5.75	0.00	0.00	5.75	\$47,025.61	0.6%
604 Farmland	1.50	0.00	0.00	1.50	\$12,267.55	0.2%
611 Outside Agency Grant-Transit	2.60	0.00	0.00	2.60	\$21,263.75	0.3%
611 Outside Agency Grant-Cops in Schools	0.00	0.00	0.00	0.00	\$0.00	0.0%
611 Outside Agency Grant-Traffic	0.00	0.00	0.00	0.00	\$0.00	0.0%
621 Fair Housing Grant	0.10	0.00	0.00	0.10	\$817.84	0.0%
631 CDBG	3.80	0.00	0.00	3.80	\$31,077.80	0.4%
633	0.50	0.00	0.00	0.50	\$4,089.18	0.1%
641 Transportation Grant	1.60	0.00	0.00	1.60	\$13,085.39	0.2%
	<b>837.00</b>	<b>0.00</b>	<b>56.00</b>	<b>893.00</b>	<b>\$7,845,293.28</b>	<b>100.0%</b>