

**ADDENDUM TO GROUP CONTRACT**  
**(MAXIMUM REFUND ACCOUNT)**

This Addendum to Group Contract (this “Addendum”) is made and entered into effective as of January 1, 2019 (“Effective Date”) by and between City of Lee’s Summit (“Employer”), and Blue Cross and Blue Shield of Kansas City, on behalf of itself and its subsidiary Good Health HMO, Inc. d/b/a Blue-Care, Inc., if applicable (collectively, “BCBSKC”, as applicable).

**RECITALS:**

A. Employer has engaged BCBSKC to provide benefits for certain eligible Employees of Employer and the Employees’ covered Dependents under the Group Contract(s) Numbered 34136000 issued to Employer by BCBSKC (the “Group Contract(s)”).

B. The terms of BCBSKC’s engagement are set forth in the Group Contract(s) and the associated Health and Dental Benefit Certificate(s) (“Certificate(s)”) (the Group Contract(s) and documents incorporated by reference into the Group Contract(s), including without limitation, the Certificate(s), are hereinafter collectively referred to as the “Contract”), pursuant to which BCBSKC agreed to arrange for the provision of certain health care services and/or dental care to Employer’s eligible Employees and their covered Dependents and to pay for such benefits in accordance with the terms, conditions, limitations and exclusions specified in the Contract, including without limitation, its financial terms.

C. Employer and BCBSKC desire to enter into an alternative funding arrangement in connection with the Contract, pursuant to which Employer’s financial liability under the Contract as modified and supplemented by this Addendum will involve payment of premiums subject to adjustment if the incurred claims for the eligible Employees and their covered Dependents, collectively, are less than projected.

D. In connection with the alternative funding arrangement, BCBSKC will prepare a year end accounting to determine whether the Net Billed Premium (as hereinafter defined) paid by Employer during a Contract Year (as hereinafter defined) are in excess of Total Expenses (as hereinafter defined) incurred during that Contract Year. If the Net Billed Premium for a Contract Year exceeds the Total Expenses for that Contract Year, BCBSKC will be required to pay a reconciliation amount to Employer pursuant to the terms of this Addendum. If the Total Expenses paid for a Contract Year exceeds the Net Billed Premium for that Contract Year, no amounts will be due from Employer, nor will BCBSKC be required to pay any amount to Employer.

E. So long as this Addendum is in effect, the parties acknowledge that the alternative funding arrangement set forth herein will be employed in lieu of the standard premium arrangement described in the Contract, all as hereinafter set forth in this Addendum.

## **AGREEMENT:**

NOW, THEREFORE, in consideration of the Recitals, mutual promises and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

### **Article 1 - Defined Terms**

- 1.1 All capitalized terms not specifically defined herein shall have the meaning given such terms in the Contract.
- 1.2 When appearing with an initial capital letter in this Addendum, the following capitalized and quoted terms shall have the meanings set forth below:
- (a) “ACA Assessments” mean those Affordable Care Act (ACA) taxes, fees and assessments based upon or measured by or due to: (i) fees paid or payable to BCBSKC; (ii) claims paid pursuant to this Addendum; or (iii) coverage of Covered Persons, that are collected from Employer by BCBSKC. ACA Assessments may include, but are not limited to, the Health Insurance Providers Fee, the Patient-Centered Outcomes Research Institute Fee (a/k/a Comparative Effectiveness Fee) and the Transitional Reinsurance Fee.
  - (b) “Contract Year” means the twelve (12) month period commencing on either the Effective Date of this Addendum or any renewal date thereafter, as applicable, or such other period as may be agreed, in writing, by BCBSKC and Employer.
  - (c) “Gross Billed Premium” means the monthly premium amount as set forth in Article 6, payable by Employer to BCBSKC pursuant to Article 2 of this Addendum for the applicable Contract Year, and which consists of ACA Assessments, the Pooling Charge, Retention Charge and expected claims costs (which may include expected Medical Value Payments).
  - (d) “Incurred But Not Reported Reserve” or “IBNR Reserve” means the amount that reflects the incurred but unpaid claims liability for a designated period of time (e.g., Contract Year) while this Addendum was in effect, as actuarially determined by BCBSKC. Such claims include, without limitation, claims for Covered Services provided to Covered Persons that have not been paid or submitted, or that have been submitted but are in dispute or not finally adjudicated.
  - (e) “Incurred Claims” means the amount equal to: (i) the difference between the Paid Claims and the Pooling Amount; less (ii) the IBNR Reserve for the previous Contract Year (when applicable); and plus (iii) the IBNR Reserve for the current Contract Year (i.e., the Contract Year for which the Maximum Refund Settlement is being performed as more particularly described in Article 3 of this Addendum).
  - (f) “Maximum Refund” means the maximum amount BCBSKC could owe to Employer pursuant to the Maximum Refund Settlement (as defined below) (not including any adjustment for premium-based ACA Assessments) and is equal to 10% of Net Billed Premium.

- (g) “Medical Value Payments” Employer acknowledges that BCBSKC may have value-based payment arrangements with providers (“Value Program Providers”) participating in certain health care delivery programs, including patient-centered medical homes, accountable care organizations or episode-based medical management. Pursuant to such health care delivery programs, Value Program Providers may be eligible for alternative payments, in lieu of or in addition to, traditional fee-for-service reimbursement, including but not limited to, withholds, bonuses, incentive payments, provider credits and member management fees (collectively, “Medical Value Payments”). The amount of Medical Value Payments Value Program Providers receive is specific to the Value Program Provider and may or may not be directly related to Employer, any Covered Person, or any other group or individual. Employer acknowledges that a portion of the Medical Value Payments payable to any one or more Value Program Providers may (i) be included in Paid Claims, (ii) include compensation for services that are related to Covered Services, including, but not limited to, coordination of care, and (iii) include compensation in recognition of Value Program Provider’s achievement of stated performance objectives, including, but not limited to, quality of care, patient outcomes or cost.
- (h) “Net Billed Premium” means Gross Billed Premium, less ACA Assessments.
- (i) “Paid Claims” means all payments for delivery of Covered Services during the Contract Year for claims that were incurred while this Agreement was in effect or for claims that were incurred under the Maximum Refund Agreement between the parties for the previous Contract Year, if applicable and, capitation charges when applicable. Paid Claims include those amounts paid to a provider, which the provider has agreed to accept as payment in full at the time of claim payment for delivery of Covered Services provided to Covered Persons (including Medical Value Payments, as defined in Section 1.2(g)). Paid Claims are not reduced by any administration fees, network management fees, provider and pharmaceutical rebates, incentive arrangements, or any other reductions or credits a provider may periodically give BCBSKC, or any other amounts that a provider may pay BCBSKC for services such as administration, marketing, managed care or quality improvement programs performed by BCBSKC for the provider. BCBSKC retains these amounts and they do not reduce the amount of Paid Claims. All services are deemed to be incurred on the date the service was actually rendered. A claim shall be deemed to be paid when a valid draft for payment of such benefit has been issued to the person or persons authorized for such purpose by agreement of the Employer and BCBSKC.
- (j) “Pooling Amount” means the cumulative amount by which claims for payment for the provision of Covered Services to one or more Covered Persons in the Contract Year exceeded the pooling limit specified in Article 2.4 of this Addendum as determined by BCBSKC.
- (k) “Pooling Charge” means the charge to be paid by Employer to BCBSKC for claims in excess of the pooling limit specified in Article 2.4 of this Addendum.
- (l) “Retention Charge” means the charge to be paid by Employer to BCBSKC for contract administration, state premium and other taxes, risk charges, processing and investigating claims, utilization management, large case management, and other general services.

- (m) “Total Expenses” means the amount equal to the sum of: (i) Incurred Claims, (ii) Retention Charges; and (iii) Pooling Charges for the applicable Contract Year.

## **Article 2 - Employer’s Rights and Obligations**

- 2.1 **Health Care Plan.** Employer acknowledges and agrees that this Addendum is effective for all health care services and/or all dental care provided pursuant to any Group Contract between Employer and BCBSKC.
- 2.2 **Premiums and Other Charges.** Notwithstanding anything to the contrary contained in the Contract, Employer and BCBSKC agree that the Gross Billed Premiums as set forth in Article 6 and any amount due pursuant to Article 3 of this Addendum to be paid by BCBSKC shall be determined as set forth in this Addendum. Subject to the Premium payment grace period expressly set forth in the Contract (“Grace Period”), Employer shall make such Gross Billed Premium payments on or before the Effective Date of this Addendum and on the monthly Due Date thereafter.
- 2.3 **Retention Charge.** Employer shall be assessed a monthly Retention Charge in an amount equal to 10% of the Net Billed Premium.
- 2.4 **Pooling Charge.** Employer shall be assessed a monthly Pooling Charge in an amount equal to 6.7% of the Net Billed Premium. The pooling limit is \$150,000 per Covered Person.
- 2.5 **Late Payment Charge.** BCBSKC reserves the right to charge a late payment fee of \$8,676 per month or, if lower, the highest interest rate permitted by law for all past due amounts in each instance in which Employer fails to timely pay any Gross Billed Premium in accordance with this Article 2.

## **Article 3 – Maximum Refund Settlement**

- 3.1 **Settlement Report.** The parties hereby agree that BCBSKC shall, on or before the ninetieth (90th) day following the end of a Contract Year, provide Employer with a report in a format similar to that shown in Exhibit A hereto describing the Gross Billed Premium, the Net Billed Premium, ACA Assessments, Incurred Claims, the Maximum Refund, Pooling Charges and Retention Charges for the subject Contract Year.
- 3.2 **Maximum Refund Settlement Calculation.** For each applicable Contract Year, a “Maximum Refund Settlement” will be calculated as set forth below.
- (a) The Total Expenses will be subtracted from the Net Billed Premium for the applicable Contract Year.
- (b) In the event Total Expenses for a Contract Year exceeds Net Billed Premium for that Contract Year, no amounts will be due from Employer, nor will BCBSKC be required to pay any amount to Employer.

- (c) In the event Net Billed Premium for a Contract Year exceeds the Total Expenses for that Contract Year, BCBSKC will be required to pay to Employer an amount equal to the sum of: (i) the lesser of: (A) Net Billed Premium less Total Expenses; or (B) the Maximum Refund; plus (ii) any adjustments to premium-based ACA Assessments.

#### **Article 4 - Term and Termination**

- 4.1 Term. This Addendum shall become effective at 12:00 a.m. Central time on the Effective Date, and shall remain in effect for the Contract Year unless sooner terminated as provided in this Addendum. Thereafter, this Addendum shall automatically renew for successive Contract Years unless terminated as provided in this Addendum.
- 4.2 Termination Upon Notice. This Addendum may be terminated at the end of any Contract Year by Employer or BCBSKC giving the other party written notice at least thirty-one (31) days prior to the end of the then current Contract Year, which termination shall be effective as of 11:59 p.m. on the last day of the then current Contract Year unless otherwise agreed to, in writing, by the parties.
- 4.3 Termination for Nonpayment. BCBSKC may immediately terminate this Addendum in the event Employer fails to pay, prior to the expiration of the Grace Period, any amount payable by Employer under this Addendum.
- 4.4 Termination Upon Mutual Agreement. This Addendum may be terminated at any time by mutual written agreement of the parties.
- 4.5 Automatic Termination. This Addendum automatically terminates effective as of the effective date of termination or cancellation of the Contract for any reason.
- 4.6 Effect of Termination. In the event of the termination of this Addendum, the parties hereto acknowledge that a final “Maximum Refund Account Settlement” will be completed within ninety (90) days of the effective date of termination. Termination of this Addendum shall not affect the rights and obligations of the parties under the Contract.

#### **Article 5 - General Provisions**

- 5.1 Construction. The terms and conditions of this Addendum shall control in the event of any conflict or inconsistency between the terms and conditions of this Addendum and the Contract. All terms and conditions of the Contract not superseded or amended by this Addendum shall apply to this Addendum.
- 5.2 Amendment. Except as expressly provided in this Section 5.2 or elsewhere in this Addendum, this Addendum may be amended only by mutual written agreement of duly authorized representatives of the parties. BCBSKC may unilaterally amend this Addendum by giving written notice of such amendment to Employer to the extent such amendment is, in BCBSKC’s sole discretion, necessary or appropriate to comply with: (i) state or federal laws or regulations, any change in such laws or regulations or any change in the interpretation of such laws or regulations; or (ii) the directives of the Board of Directors of BCBSKC.

- 5.3 Counterparts. This Addendum may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
- 5.4 BCBSKC Prescription Drug Program. BCBSKC contracts with a pharmacy benefit manager (“PBM”) for certain prescription drug rebate administration services and pharmacy network contracting services. Under the agreement, PBM obtains rebates from drug manufacturers based on the utilization of certain branded prescription products by Covered Persons. As partial consideration for these services, pharmaceutical manufacturers pay administrative fees to PBM and PBM retains the benefit of the funds prior to disbursement. Administrative fees retained by PBM in connection with its rebate program do not exceed the greater of (i) 4.58% of the Average Wholesale Price, or (ii) 5.5% of the wholesale acquisition cost of the products. PBM may also receive other service fees from manufacturers as compensation for various services unrelated to rebates or rebate-associated administrative fees. Employer acknowledges and agrees for itself and its Covered Persons that BCBSKC receives rebates from the PBM and may receive financial credits, administrative fees and/or other amounts (collectively “Financial Credits”) from network pharmacies, drug manufacturers or the PBM. Employer acknowledges and agrees for itself and its Covered Persons that BCBSKC shall retain sole and exclusive right to all Financial Credits and may use such Financial Credits in its sole and absolute discretion, including without limitation to help stabilize BCBSKC’s overall rates and to offset expenses and BCBSKC does not share Financial Credits with the Employer. Without limitation to the foregoing, Employer acknowledges and agrees for itself and its Covered Persons that: (1) Employer and/or Covered Persons shall have no right to receive, claim or possess any beneficial interest in any Financial Credits; (2) Applicable drug benefit copayments, coinsurance, outpatient prescription drug deductible, deductible and/or maximum allowable benefits (including without limitation Calendar Year Maximum and Lifetime Maximum benefits) shall in no way be adjusted or otherwise affected as a result of any Financial Credits; (3) Any deductible and/or coinsurance required for prescription drugs shall be based upon the allowable charge at the pharmacy, and shall not change as a result of any Financial Credits; and (4) Amounts paid to pharmacies or any prices charged at pharmacies shall in no way be adjusted or otherwise affected as a result of any Financial Credits.

BCBSKC and PBM also contract with pharmacies to provide prescription products at discounted rates for BCBSKC members. The discounted rates paid by PBM and BCBSKC to these pharmacies differ among pharmacies within a network. For pharmacies that contract with the PBM, BCBSKC pays a uniform discount rate under the BCBSKC contract with the PBM regardless of the various discount rates it pays to the pharmacies. Thus, where the BCBSKC rate exceeds the rate the PBM negotiated with a particular pharmacy, the PBM will realize a positive margin on the applicable prescription. The reverse may also be true, resulting in negative margin for the PBM. The PBM and directly contracted network pharmacies have guaranteed BCBSKC a minimum level of discount which could result in a Financial Credit. In the event the discount results in a Financial Credit, the Financial Credit Rules apply. In addition, when the PBM receives payment from BCBSKC before payment to a pharmacy is due, the PBM retains the benefit of the use of the funds between these payments.

**Article 6-Gross Billed Premium Rates**

	<b><u>ChoicePPO</u></b>	<b><u>\$500 PPO</u></b>	<b><u>BlueSaver</u></b>
Employee	\$805.45	\$720.70	\$666.76
Employee & Spouse	\$1,761.42	\$1,586.44	\$1,467.14
Employee & Child(ren)	\$1,761.42	\$1,586.44	\$1,467.14
Family	\$2,044.68	\$1,841.61	\$1,703.13

**IN WITNESS WHEREOF**, the parties hereto have executed this Addendum on the date set forth beneath their respective signatures.

**City of Lee's Summit**

**Blue Cross and Blue Shield of Kansas City**

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Print Name: \_\_\_\_\_

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT A  
MAXIMUM REFUND SETTLEMENT**

Employer [REDACTED]  
Settlement Period [Date Range]

**PREMIUM**

Gross Billed Premium	\$ [REDACTED]
Less ACA Assessments	\$ [REDACTED]
Net Billed Premium	\$ [REDACTED]

**EXPENSES**

Paid Claims Expense	\$ [REDACTED]
Less Excess Over \$ [REDACTED] Pooling Amount	\$ [REDACTED]
Less IBNR as of [Beginning Date of Contract Year]	\$ [REDACTED]
Plus IBNR as of [End Date of Contract Year]	\$ [REDACTED]
Total Incurred Claims	\$ [REDACTED]
Pooling Charge [0 – 100]%	\$ [REDACTED]
Retention Charge [0 – 100]%	\$ [REDACTED]
Total Expenses	\$ [REDACTED]

**CONTRACT YEAR RESULTS**

Net Billed Premium	\$ [REDACTED]
Less Total Expenses	\$ [REDACTED]
<b>Subtotal</b>	\$ [REDACTED]
Maximum Refund Allowed Per Contract*	\$ [REDACTED]
Applicable Refund of Premium-Based ACA Assessments	\$ [REDACTED]

**AMOUNT DUE TO EMPLOYER**

\$ [REDACTED]

\*Employer Net Billed Premium less Total Expenses not to exceed [REDACTED]% of Net Billed Premium for the Contract Year pursuant to Article 3.2.c. of the Contract.