



Finance & Budget Meeting

City of Lee's Summit

March 6, 2026

Agenda

- Alliant's Initial Action Steps
- Medical/Rx 101
- Medical Renewal Projection (Range)
- Cigna Funding Continuum
- Multi-Year Strategic Planning Approach
- Potential Cost Saving Levers
- Q&A

City of Lee's Summit - Current State



Medical Renewal

- Coming off a 9.5% Rate Cap in 2025
- Rolling 12 Loss Ratio for paid claims through Jan. 2026 was **139%**
- Cigna's desired Loss Ratio is **91.7%** for organizations of the size and type of CoLS
- Current CoLS Trend - Medical 20.69% and Pharmacy 12.7%
- Pooling Point is \$150,000
- Cigna Renewal was initially **36.1%**. With Plan design changes, concessions from Cigna, and enrollment changes the renewal change on a PEPM basis was 16.4%

New Ongoing Risk

- 2 new members with Neurological Disease - High Rx cost

Current Carriers

Medical: Cigna
Dental: Cigna
Vision: MetLife
Life & Disability: Hartford
FSA, COBRA, Retiree Billing: P&A Group
Accident & Critical Illness: MetLife
Life w/LTC: Allstate

Changes for 1/1/2026

➤ Medical

- Moved from 3 plans \$0 Ded., \$500 Ded., and HDHP to 2 plans \$750 Ded. and HDHP
- Added limited network option for each plan. 47% migration to limited network with an average of 10% better discounts
- Contributions: Base and HDHP plans with Local Plus network have \$0.00 contribution for EE. Reduced contributions for Base and HDHP
- Moved Life w/LTC plan to Allstate
- Moved FSA, COBRA, Retiree Billing to P&A Group

Workforce Landscape



One Workforce, Four Generations

Gen	Year Born	Age in 2027
Gen Z	1997 - 2012	15 - 30
Millennial	1981-1996	31 - 46
Gen X	1965 - 1980	47 - 62
Baby Boomer	1946 - 1964	63 - 81

Caregiving



73% of employees are caregivers for a child, parent, or friend.



Caregivers spend an average of **23.7 hours per week** providing unpaid care for loved ones they don't live with.



45% of caregivers take several days off per month for caregiving.

Financial Concerns



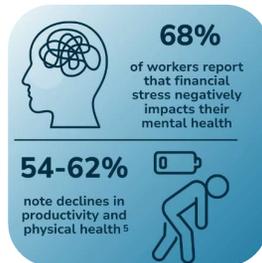
86% of employees feel increasingly stressed about their finances.



Employees spend **20.5% of their workweek** dealing with financial issues.



Healthcare spending has **doubled** compared to wage growth over the last decade.



Women's Health



88% struggling with fertility would consider **switching jobs** for better benefits.



The U.S. has the **highest maternal mortality rate** of all wealthy nations. Yet **80%** of pregnancy-related deaths are **preventable**.



20% of the workforce is in a phase of **menopause**. **2 of 5** women report symptoms interfere with work performance.

Men's Health



Nearly **60% of men do not regularly see a doctor** for preventative care and only seek care when seriously ill.

⁵BGH - Employers approaches to financial wellbeing survey

Healthcare Trends & Influences



Increase Costs



>9% **Projected Trend** for 2026*



Cancer, circulatory and musculoskeletal conditions drive **54%** of all high-cost claimant spending*



High-cost claims **increased faster** than overall claims*

Primary Care



Shortage of Primary Care Physicians by 2037

Delay of Care



One in three adults confidently admits to delaying healthcare services

Prescription Drugs



Weight loss drugs are expected to become a **\$100B** market by 2030, with over 30 million GLP-1 users in the U.S. (about **9%** of the population)

Artificial Intelligence



Upcoding diagnosis and procedures captured to increase billings for Hospital Systems
Hyper-Personalized, Data-Driven Care Navigation

Uncertain Regulatory Landscape



Cost Pressures & Risk

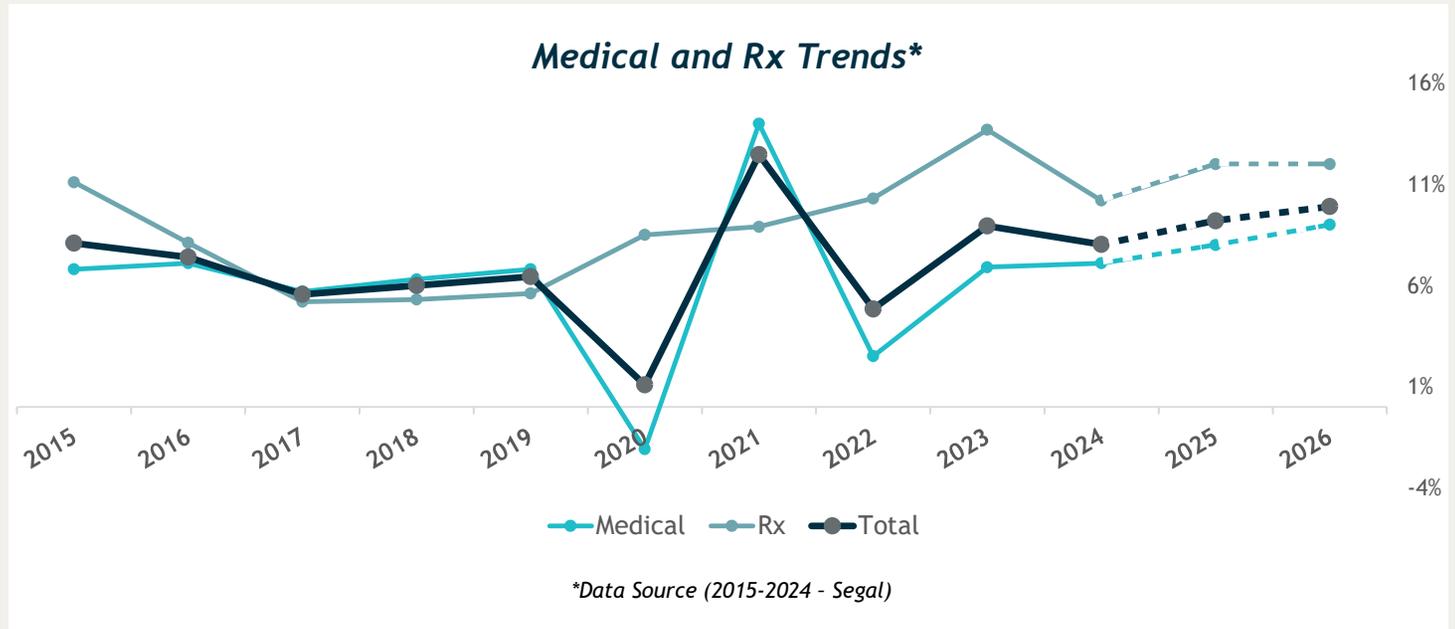


Litigation

401(k) Fees, Health Plan Litigation, Fiduciary Duties — now extending to Voluntary Benefits

Healthcare Cost Trend is Accelerating

Absent Covid, Medical inflation has reached a 10-year high and is expected to continue through 2027.



“The high cost of treating patients isn’t going away. Now what?”
- PwC

“minimizing noise” may turn out to be more “disruptive” to employees than making necessary changes would be”
- BGH

Macro Drivers of Inflation

Core Medical Inflation (~2-3%)

High-Cost Claimants (~1-2%)

- More cases/higher incidence
- Increased severity, including cancer

Increased Utilization (~0-2%)

- Chronic issues from deferred care
- Aging population/worsening health

Provider Challenges (~1%)

- Provider staffing & wage pressure
- High-cost/Low quality
- Consolidation/investment

Upcoding (~2%)

- AI revenue maximization
- Scope-of-practice billing

Pharmacy (~1-2%)

- Drug pipeline
- GLP-1s

Regulatory Impact (?)

- OBBA
- Tariffs

Pharmacy Landscape



Regulatory Landscape: Anti-PBM Laws

- **TrumpRx:** Most-Favored-Nation and Direct-to-Consumer pricing
- Elimination of **spread pricing**
- **Preventing steerage** to a specific pharmacy
- **Decoupling** of PBM/Pharmacy ownership



GLP-1s

- **Rising costs and demand** for diabetes and weight loss drugs
- **Extensive pipeline** for weight loss, including expanded indications and oral formulations
- Preventing off-label use and optimizing results with **lifestyle management programs**
- **Direct-to-Consumer** pricing access



New Pricing Methodologies

- New focus on **PMPM** and **Cost-plus** focused pricing models
- **Increased pressure** on Pharma and PBMs to move away from a rebate-focused model
- **Retail pharmacy closures** and network strategies complicate employer benefit planning
- Heavy emphasis on **clinical guarantees** and trend management strategies



Complex Vendor Landscape

- Continued emergence of **transparent** PBMs and point solution vendors
- Innovative solutions advance the market but pose **navigation challenges** for employers and members
- Wide variety of **focus** areas: Disease State, Specialty, Trend, Drug Category



Fiduciary Responsibility

- Fiduciary **lawsuits** (J&J, Wells Fargo)
- **PBM accountability** due diligence at an all-time high
- **Best Practices:** Alliant Fiduciary Toolkit



Extensive Drug Pipeline

- Robust **pipeline** for biosimilars, specialty drugs, and traditional medications.
- **Cell and gene therapies**, multiple specialty drugs, including oncology, hemophilia, and other rare disease therapies
- Ongoing focus on non-specialty **weight loss drugs**
- **Point solution** vendors focused on emerging therapies and high-cost drugs

Self-Funding Overview - 3 Approaches Simplified



Fully-Insured	Level-Funded	Self-Funded
Pay Premiums	Pay Premiums	Pay Claims & Admin Fees
No Employer Risk	Some Employer Risk Hybrid	Employer Full Responsibility
<ul style="list-style-type: none"> • Insurance company assumes risk • Fixed monthly costs (predicable) • Employer not responsible/liable for claims 	<ul style="list-style-type: none"> • Employer & insurance company share risk • Fixed monthly costs (admin & est. claims) • If costs are lower than estimated, employer is eligible for a refund or rebate, if higher employer is not liable • Insurance company controls estimated claims, fixed fees, stop-loss, pharmacy benefits, and contract terms 	<ul style="list-style-type: none"> • Employer autonomy • Avoided premium and fixed fee markups • Tailored plan design choice • Pharmacy benefits manager choice (\$) • Stop loss choice (\$) • Network administrator choice

Funding Options with Cigna



Fully Insured 51+

- Pay a fixed monthly premium
- Cigna Healthcare® pays covered claims
- Complete protection if claims are higher than expected

Minimum Premium 200+

- Reduced monthly premium
- Fully Insured contract
- Real-time participation in claims savings, allows client to pay claims as they occur
- Increases cash flow for client
- Full financial protection
- Cigna holds reserves, no run-out liability
- No deficit carry forward
- Rx Transitional relief credits available

Cigna Level Funding® 25-999

- Pay a fixed monthly payment for admin fees and claims funding
- Self-funded contract
- Year-end settlement summarizes actual plan costs
- If claims are lower than expected, renewing clients are eligible to get 50% or 67% of the savings back
- Cigna holds reserves, no run-out liability
- If claims are higher than expected, clients do not pay more

ASO Plus 25-499

- Pay fixed costs monthly and claims up to integrated stop loss, no wait for reimbursements
- Keep any claims savings and hold reserves
- If claims are higher than expected, clients do not pay more
- Pharmacy rebate share
- Run-in protection
- Terminal liability is not prefunded

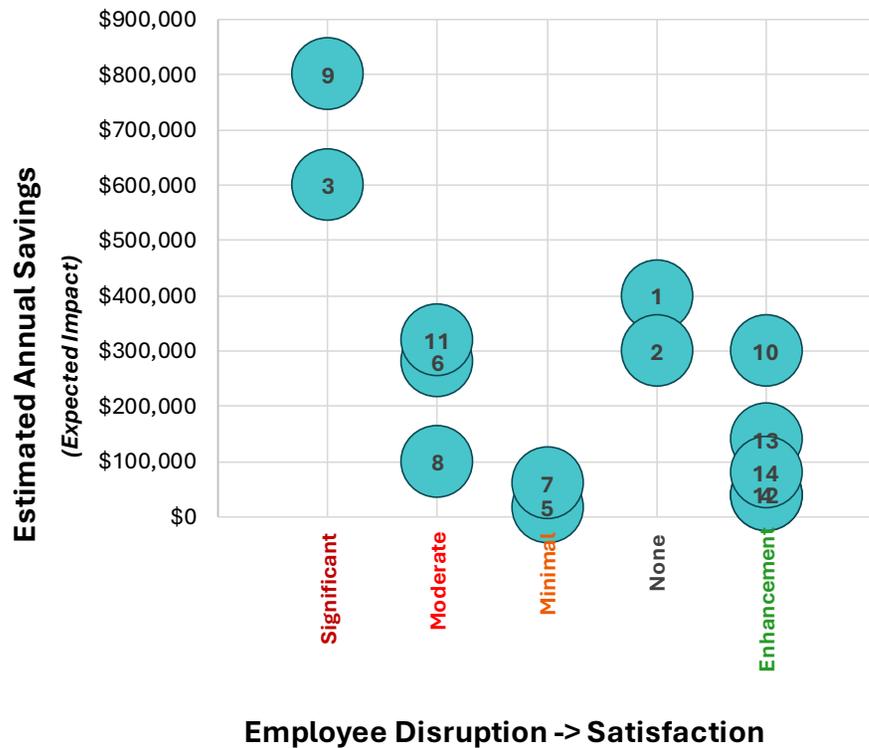
Self-Funded with Stop Loss 200+

- Pay a monthly fee to administer the benefit plan
- Plan design flexibility since many state mandates do not apply
- Cigna Healthcare Stop Loss is available to help protect against claims risk
- Client pays all covered claims and hold reserves, allowing for greater cash flow when claims are lower than expected

← **Simplicity**

Flexibility →

Future Strategic Considerations - SAMPLE



Consideration	Total Savings Range ⁽¹⁾		EE	HR
	Conservative	Aggressive	Disruption	Complexity
1 Self Funding	\$ 200,000	\$ 600,000	None	Moderate
2 Self Funding w/ Captive	\$ 200,000	\$ 400,000	None	Complex
3 Individual Coverage HRA (ICHRA)	\$ 200,000	\$1,000,000	Disruptive	Complex
4 Family Glitch	\$ -	\$ 80,000	Enhancement	Moderate
5 Spousal Surcharges	\$ 8,000	\$ 24,000	Disruptive	Moderate
6 Spousal Incentive HRA	\$ 160,000	\$ 400,000	Disruptive	Complex
7 Medicare Migration	\$ -	\$ 120,000	Disruptive	Moderate
8 Tiered Networks	\$ -	\$ 200,000	Disruptive	Moderate
9 Reference Based Pricing	\$ 400,000	\$1,200,000	Disruptive	Complex
10 Clinically Integrated Networks	\$ 200,000	\$ 400,000	Enhancement	Moderate
11 HDHP w/ HSA (full replacement)	\$ 160,000	\$ 480,000	Disruptive	Complex
12 Advanced Primary Care	\$ -	\$ 80,000	Enhancement	Moderate
13 Rx: PBM Carve-Out	\$ 80,000	\$ 200,000	Enhancement	Moderate
14 Lifestyle Management	\$ 40,000	\$ 120,000	Enhancement	Moderate

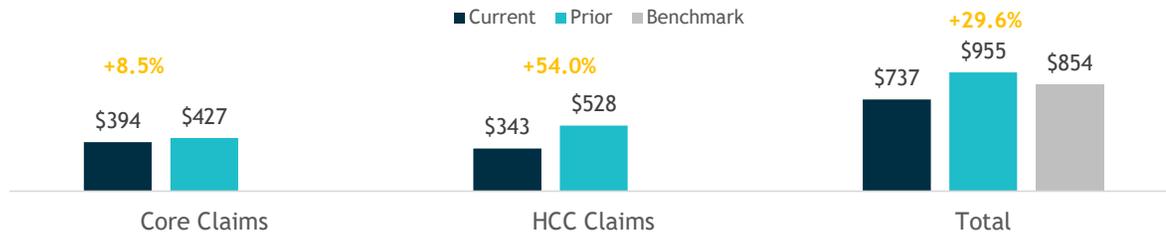
Employee Disruption: ● Disruptive ● None ● Enhancement
HR Complexity: ● Simple ● Moderate ● Complex

(1) Total savings range based on gross cost of plan multiplied by the applicable decrement (conservative and aggressive). Decrements assume no other plan considerations are reflected. The sum of these independent changes may overinflate actual savings.

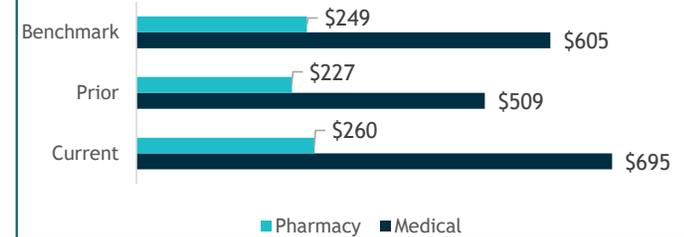
Health Plan Financial and Utilization Observations



YOY PMPM COSTS



CLAIMS COST MIX



CLAIMS BY RELATIONSHIP

All Members

Employee	\$898.08 PMPM
+63.0% Spouse	\$1,463.92 PMPM
Dependent	\$763.83 PMPM

Excluding HCC

Employee	\$512.75 PMPM
+15.9% Spouse	\$594.75 PMPM
Dependent	\$292.66 PMPM

Employees represented 44.2% of enrollment and 51.6% of spend
Versus norm of 49.5% of enrollment and 57.7% of spend

TOP 6 HIGH-COST CLAIMANTS

Total Plan Paid	Relationship	Top Diagnosis
\$1,152,260	Dependent	Gastrointestinal
\$993,150	Spouse	Blood Disorder
\$887,735	Spouse	Newborn
\$419,604	Dependent	Mental Disorder
\$416,363	Spouse	Neoplasms
\$409,661	Spouse	Neuro PNS

- Top 25 Claimants had a spend of \$7.6M
- 16 of the top 25 are Spouse or Dep., including all of the top 6
- Spouse and Dependents account for \$5.7M of HCC spend
- 3 HCC 65 yrs. or older with spend of \$850K

TOP SPEND BY CONDITION PMPY

ICD Category	Prior	Current	Benchmark
Neoplasms	\$1,477	\$1,011	\$909
Musculoskeletal	\$650	\$897	\$1,071
Newborns	\$41	\$814	\$135
Gastrointestinal	\$362	\$733	\$515
Blood	\$170	\$628	\$78

PHARMACY PY2025

Generic Dispensing Rate: 93.2% v. Norm 93.8%
Preferred Brand: 4.9% v. Norm 4.8%
Non- Preferred Brand: 1.9% v. Norm 1.4%

Specialty PMPM:

Medical Specialty - \$107.30 v. Norm \$49.02
Pharmacy Specialty - \$137.43 v. Norm \$117.86

Paid Claims: Current Paid Period: January 2025-December 2025; Prior Paid Period: January 2024-December 2024
Norm: Cigna Book of Business
HCC stands for High-Cost Claimant



Q&A