



INDEPENDENCE

★ MISSOURI ★

A GREAT AMERICAN STORY

DATE: March 15, 2022
TO: Zach Walker, City Manager
CC: Bryan Kidney, Director, Finance & Administration
Mike Veit, Chair, Stay Well Committee
FROM: Adam Norris, Deputy City Manager
SUBJECT: Stay Well Recommendations

On March 9, 2022, Bryan Kidney, Cindy Gray, Mike Veit, Cindy Culp, and I met to discuss the most recent Stay Well Committee recommendation (attached to this memo for reference). It was mutually agreed City Council Resolution 6763 would not address the Committee's questions nor those of City staff. It was further agreed that the Stay Well Committee's recommendation would be duplicative of the annual audit and fall short of addressing the Committee's questions (see attached memo from F&A Director Bryan Kidney). The questions the Stay Well Committee would like addressed as part of a review were discussed and include:

- Long-term impact moving post-65 retirees onto a group Medicare plan.
- Impact of discontinuing the Stay Well Clinic and subsequent transition to Hy-Vee clinics.
- Long-term impact of Stay Well Fund incentivizing consumer-driven plan enrollment through HSA contributions.
- Review of claims paid.

It was agreed that staff would solicit proposals for a Performance Audit to address the following questions:

- Long-term impact moving post-65 retirees into a Medicare plan.
- Discontinuing the Stay Well Clinic and subsequent transition to Hy-Vee clinics.
- Long-term impact of Stay Well Fund incentivizing consumer-driven plan enrollment through HSA contributions.
- Review of claims paid.
- Impact of key Stay Well Committee recommendations from January 1, 2016 to December 31, 2021.
- Impact of recommendations brought to Stay Well Committee from the City's consultants and staff but not yet adopted.

Further, Stay Well Committee Chair Mike Veit will ask the Committee at the next regularly scheduled meeting if there are any other questions committee members would like addressed as part of the Performance Audit.

Lastly, to comply with City Council Resolution 6763, staff will post a solicitation for a Forensic Audit and bring forward a contract for City Council consideration at a future meeting.

City of Independence

MEMORANDUM

DATE: February 25, 2022

TO: Zachary Walker, City Manager

FROM: Michael Veit, Stay Well Committee Chairman

SUBJECT: Stay Well Committee February 2022



The Stay Well Committee made the following recommendation: The Stay Well Committee recommends to the City Manager to have a Comprehensive Financial Audit of the Stay Well Fund conducted by a third party CPA firm and reported to the Audit and Finance Committee for the following term of January 1, 2016 through December 31, 2021 with a scope of work to include a traditional Comprehensive Financial Audit as well as payment of claims and the changes to the healthcare plan over the last 5 years with an emphasis on looking at alternative funding measures to pay for the audit other than the Stay Well Fund.

Background Information:

Back on January 18, 2022, a resolution was presented and approved at the City Council meeting to conduct an external forensic audit of the StayWell Fund. The Stay Well Committee had no prior knowledge of this being pursued and had not issued a formal recommendation for the audit. As the Stay Well Committee Chair, I presented this resolution to the Committee in our January 2022 Committee meeting for a deeper analysis.

The Stay Well Committee held a special meeting on February 16, 2022, to review the analysis and it was determined that a forensic audit was a form of litigation that would require depositions and further legal proceedings according to GASB (Governmental Accounting Standards Board), that we felt was not warranted at this time. The Committee determined that a Comprehensive Financial Audit would be a more accurate representation of the information that was being requested with the additional scope of work to include payment of claims and the changes to the Healthcare plan over the last 5 years.

One other major concern to the Committee was the funding of the audit. In keeping with past practices, the fund being audited typically paid for the audit. The Committee feels that with the financial hardship the fund is experiencing, it would not be fiscally responsible of us to recommend paying for the audit out of the Stay Well Fund. We have asked that alternative methods of paying for the audit be examined.

If you have any additional questions on the recommendations from the Stay Well Committee, please contact me.

Thank you,

Michael Veit

Michael Veit, Chairman
Stay Well Committee – 816-547-3783



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A GREAT AMERICAN STORY

DATE: March 3, 2022
TO: Zach Walker, City Manager
CC: Adam Norris, Deputy City Manager
FROM: Bryan Kidney, Director, Finance and Administration
SUBJECT: Stay Well Recommendations

You sent me the recommendation your office received from the Stay Well Committee in regards to a potential audit of the City's self-insurance fund. You asked me to give you my thoughts on the memo and to also make suggestions on what I feel would be the best use of funds to help alleviate concerns being brought forward by the Council.

Although the Council approved a resolution calling for an external forensic audit of the Stay Well Fund, the Committee felt "that was not warranted at this time." Instead they recommend to have a:

"Comprehensive Financial Audit conducted by a third party CPA firm and reported to the Audit and Finance Committee for the following term of January 1, 2016 through December 31, 2021 with a scope of work to include a traditional Comprehensive Financial Audit as well as payment of claims and the changes to the healthcare plan over the last 5 years with an emphasis on looking at alternative funding measures to pay for the audit other than [sic] the Stay Well Fund"

The Committee is requesting a "comprehensive" financial audit and appears to be referencing the similar audit that we are already do through our Annual Comprehensive Financial Report. This would be the same opinion we have already received, paid for and presented to the Audit and Finance Committee on February 25, 2022. While limiting the audit to the one fund may give the committee some additional assurance, an actual audit that is in accordance with industry and professional standards may be considered excessive, redundant, and more expensive than is warranted. An audit of just the staywell fund would essentially be taking the monthly reports that the Committee approves and make sure the end of year amounts were reported accurately and were free from material misstatements. Again, this has already been completed and presented to the Audit and Finance Committee.

If we send out a request for proposals to auditors to perform a "Comprehensive Financial Audit" of the staywell fund, as the Stay Well Committee recommends, the firms will reply that they need to understand the question that is being asked before they respond. We believe the City should instead consider a "performance audit."

As management, we have the goal of ensuring we provide competitive benefits and a strong financial position over the long-term. Further, we want to ensure the performance based on our decisions have added value.



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There has been a lot of large decisions made over the years that have had major impacts to the plan. Therefore, I recommend a performance audit that would address the following questions:

- What has been the Long-term impact moving post-65 retirees into a Medicare plan?
- How has discontinuing the Stay Well Clinic and subsequent transition to Hy-Vee clinics impacted the plan?
- How has the incentivizing consumer-driven plan enrollment through HSA contributions over the last several plan years impact the plan?
- What are the major impacts been to the plan of key Stay Well Committee recommendations from January 1, 2016 to December 31, 2021?
- What recommendations have been brought to Stay Well Committee from the City's consultant and staff but have not yet been adopted?

I believe it is important to make sure everyone has a clear understanding of the impacts to these changes. I'd be happy to discuss this and any other questions you may have.