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Margaret Whelan  
GENERAL MANAGER

October 2, 2012

Honorable Members of the City Council  
City of Los Angeles  
Room 395, City Hall  
Los Angeles, CA 90012

Date: 10-2-12  
Submitted in PAW Committee  
Council File No. 10-1627  
Item No 2  
~~Deputy~~ Personnel Dept.  
report

**SUBJECT: PLAN YEAR 2013 CIVILIAN MODIFIED FLEXIBLE BENEFITS PROGRAM  
COUNCIL FILE NO. 10-1627**

On September 25, 2012, the Personnel and Animal Welfare (PAW) Committee considered the Personnel Department's report dated September 20, 2012, on Plan Year (PY) 2013 Civilian Flexible Benefits Program plan design change recommendations. The Committee requested that a special meeting of the Joint Labor-Management Benefits Committee (JLMBC) be convened to consider Anthem's offer of \$250,000 to partially offset the cost of maintaining the Anthem PPO plan at the current Anthem PPO Full Network level, and to consider establishing a second Anthem HMO Plan alongside the HMO Narrow Network Plan which would allow HMO members to pay a higher premium in order to have access to the full network of providers.

The JLMBC held special meetings on September 28, 2012, and October 2, 2012, to discuss the matters described above. The JLMBC also heard public comments from various employees and the public regarding the proposed Anthem Blue Cross narrow network. On October 2, 2012, the JLMBC unanimously voted to adopt the Civilian Flexible Benefits Program plan design changes contained in Attachment A, which is transmitted to the City Council for approval. We will provide an oral update on these matters at the October 2, 2012, PAW Committee.

**Recommendation:**

Approve the four modifications to the Civilian Modified Flexible Benefits Program on the attached list with an implementation date as specified on Attachment A.

**Fiscal Impact Statement:**

The estimated annual savings to the City for a 12-month period is approximately \$12.46 to \$12.96 million. There will be additional costs to conduct another open enrollment including consulting costs, printing costs and staff costs estimated at \$500K. The Personnel Department will report back to Council regarding the need for any additional funds in a subsequent Financial Status Report.

MARGARET WHELAN  
General Manager

Attachment

**ATTACHMENT A - JLMBC ADOPTED FLEX BENEFIT PLAN CHANGES**

10/2/2012

for Calendar Year 2013

	<b>Plan Design Change</b>	<b>Summary of Flex Plan Impact</b>	<b>Estimated Annual Savings (In millions)*</b>
	<b>Effective January 1, 2013</b>		
1	Employee Benefits Trust Fund Transfer	Approve the use of up to \$5.0 million in projected surplus funds from the Employee Benefits Trust Fund to offset the City's General Fund Civilian Flex expenditures.	\$ 5.00
2	Blue Cross HMO - Implement Blue Cross Select Network*	The <b>Blue Cross HMO</b> plan will change to narrow network which is a subset of medical providers from the current traditional or full HMO network. Employees will continue to have the same copays and deductibles (no increases).	\$ 7.10
3	Blue Cross PPO - No change	The Blue Cross PPO plan will retain the full Anthem PPO Network. Employees will continue to have the same copays and deductibles (no increases). Anthem agreed to offset \$250K of lost savings (the contract extension contingency was removed).	\$ (0.28)
4	Medical Plan Provider Rate Reduction	The JLMBC requested Personnel Staff and Mercer Consultants to negotiate premium rate reductions. The medical providers agreed to further reduce the premium rate increases resulting in approximately \$800K in savings.	\$ 0.80
5	Freeze Disability Cap	The JLMBC took an action to freeze the basic disability maximum cap for 2013 at \$3,014 a month, which results in a reduction of the disability insurance premium costs.	\$ 0.09
6	Dependent Audit	The JLMBC approved the implementation of a Flex Plan Dependent Audit that will require all employees to review all dependents listed on their plan and provide supporting documentation to establish their eligibility for Flex Plan benefits.	\$ (0.25)
		<b>Sub-total</b>	\$ 12.46
	<b>Effective July 1, 2013</b>		
	<b>Mid-Year Changes</b>		
	Blue Cross HMO - Add Full HMO Option*	The Flex Plan will include a second HMO plan that provides a full network. The additional premium cost of the full HMO network will be borne by the employee,*	\$ -
	Designate the Flex City Sponsored Plan Dental Plan level at <b>75%</b> of the Dental PPO Employee Only level	The current Flex dental benefits provides employees with subsidy at 85% of PPO employee only level. The adopted change will decrease the City subsidy to 75% of the PPO employee only level.	\$0.5 to \$1.0
	Mid-Year Open Enrollment	Adding a mid-year open enrollment will require additional staffing, programing changes and TPA service costs.	(\$0.50)
		<b>Sub-total</b>	\$ 0 to \$0.5
<b>Total Savings</b>			<b>\$ 12.46 to \$12.96</b>

Note re Proprietary vs. Non-Proprietary - All savings estimates are gross amounts including both proprietary (LACERS, Harbor, Airports & Pensions) as well as non-proprietary departments. Proprietary departments reimburse the City for the cost of their benefits.

\*Savings show are estimates. The actual savings will vary depending on shifts in enrollment (moving from one plan to another) and subject to completion of the meet and confer process to establish the medical subsidy.