

CITY OF LOS ANGELES

CALIFORNIA



ANTONIO R. VILLARAIGOSA
MAYOR

JUNE LAGMAY
City Clerk

HOLLY L. WOLCOTT
Executive Officer

When making inquiries relative to
this matter, please refer to the
Council File No.

Office of the
CITY CLERK

Council and Public Services
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SHANNON HOPPE
Council and Public Services
Division

www.cityclerk.lacity.org

October 29, 2012

To All Interested Parties:

The City Council adopted the action(s), as attached, under Council File No. 10-1627,
at its meeting held OCTOBER 24, 2012.



City Clerk
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TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your

PERSONNEL AND ANIMAL WELFARE

Committee

reports as follows:

PERSONNEL AND ANIMAL WELFARE COMMITTEE REPORT relative to the approval of Plan Year (PY) 2013 Civilian Modified Flexible Benefits (FLEX) Program and related fourth and fifth year contract extensions with Mercer HR Services to provide Third Party Administrative Services for the FLEX Benefits Plan.

Recommendations for Council action:

1. APPROVE the PY 2013 FLEX Benefits Plan with the modifications outlined in Attachment A of the October 2, 2012 report from the Personnel Department, attached to the Council file.
2. AUTHORIZE the Personnel Department's General Manager to execute the fourth and fifth year contract extensions with Mercer HR Services to provide Third Party Administrative Services for the FLEX Benefits Plan from June 4, 2012 through June 3, 2014.
3. NOTE and FILE the October 2, 2012 status report from the Personnel Department relative to the PY 2013 FLEX Benefits Program.
4. REQUEST that the Personnel Department brief the Personnel and Animal Welfare Committee prior to the release of Request for Proposals for future FLEX Benefits Plan medical plan provider(s).

Fiscal Impact Statement: The Personnel Department reports that 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 \$500,000. The Personnel Department will report back to Council regarding the need for any additional funds in a subsequent Financial Status Report.

Community Impact Statement: None submitted.

Summary:

On September 25, 2012, the Personnel and Animal Welfare (PAW) Committee considered a Personnel Department's report dated September 20, 2012, relative to the approval of PY 2013 FLEX Program and related fourth and fifth year contract extensions with Mercer HR Services to provide Third Party Administrative Services for the FLEX Benefits Plan. During the discussion of this item, representatives from the Personnel Department and the City Administrative Officer provided a thorough overview of the proposed plan and responded to numerous related questions from the Committee members. After considering public comments from members who would be affected by changes in the proposed Anthem Blue Cross narrow network HMO and PPO medical plans and from an Anthem Blue Cross representative, the PAW Committee sent the item back to the Joint Labor-Management Benefits Committee (JLMBC). The Committee requested that a special meeting of the 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 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.

On October 2, 2012, the PAW Committee reconsidered this matter. In a report submitted in Committee, dated October 2, 2012, the Personnel Department reports that 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 of the October 2, 2012 Personnel Department report.

After thorough overview and discussion of proposed modifications, as well as considering additional public comments, the Committee recommended that Council approve the recommendations contained in this report, as reflected above. This matter is now submitted to Council for its consideration.

Respectfully submitted,

PERSONNEL AND ANIMAL WELFARE COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
KORETZ:	YES
ALARCON:	ABSENT
ZINE:	YES

MLE
10-1627_rpt_paw_10-3-12

- Not Official Until Council Acts -

OCT 10 2012 CONTINUED TO ~~OCT 24~~ 24, 2012

ADOPTED
* as amended
OCT 24 2012
see attached motions
LOS ANGELES CITY COUNCIL

MOTION

I HEREBY MOVE that Council ADOPT the following recommendations relative to approval of Plan Year (PY) 2013 Civilian Modified Flexible Benefits (FLEX) Program and related fourth and fifth year contract extensions with Mercer HR Services to provide Third Party Administrative Services for the FLEX Benefits Plan (Item No. 7, Council file No. 10-1627):

1. APPROVE the PY 2013 FLEX Plan recommendations contained in Attachment A (Revised) of the Personnel Department report dated October 23, 2012.
2. APPROVE Recommendations 2, 3 and 4 of the Personnel and Animal Welfare Committee Report, dated October 3, 2012, attached to the Council file.
3. APPROVE the Anthem HMO Full Network Plan (HMO+) option for those bargaining units that agree to the terms of the Letter of Agreement with the City Administrative Officer by October 24, 2012.
4. INSTRUCT the City Attorney to prepare and present an ordinance to allow non-represented employees enrolling in the HMO+ plan to pay premium differential between the Anthem Select (Narrow Network) HMO and HMO+ (Full Network) premium costs as outlined in the Personnel Department report dated October 23, 2012.

PRESENTED BY _____

PAUL KORETZ
Councilmember, 5th District

SECONDED BY _____

PAUL KREKORIAN
Councilmember, 2nd District

October 24, 2012

CF 10-1627

ADOPTED

OCT 24 2012

LOS ANGELES CITY COUNCIL

MOTION

I HEREBY MOVE that Council INSTRUCT the Personnel Department, when preparing the Plan Year 2014 Civilian Modified Flexible Benefits Program, to:

- a. Consider two separate Requests for Proposal: one for PPO and another for HMO with the Narrow Network(s) which should address any concerns from the City Attorney regarding limiting negotiations to only the top vendor as well as encouraging competition among health care benefit market leaders.
- b. Explore opportunities to manage the risk among benefit providers in a way that protects the City's cost.
- c. Weigh the value of Wellness Programs and other cost beneficial programs.

PRESENTED BY _____

MITCHELL ENGLANDER
Councilmember, 12th District

SECONDED BY _____

DENNIS ZINE
Councilmember, 3rd District

October 24, 2012

CF 10-1627

ADOPTED

OCT 24 2012

LOS ANGELES CITY COUNCIL

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**CITY OF LOS ANGELES
CALIFORNIA**



ANTONIO R. VILLARAIGOSA
MAYOR

PERSONNEL DEPARTMENT

PERSONNEL BUILDING
700 EAST TEMPLE STREET
LOS ANGELES, CA 90012

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
~~Report~~ 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

**PERSONNEL /
ANIMAL WELFARE**

ATTACHMENT A - JLMBC ADOPTED FLEX BENEFIT PLAN CHANGES

10/2/2012

for Calendar Year 2013

	Plan Design Change	Summary of Flex Plan Impact	Estimated Annual Savings (in millions)*
Effective January 1, 2013			
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 Blue Cross HMO 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)
		Sub-total	\$ 12.46
Effective July 1, 2013			
Mid-Year Changes			
	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 75% 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)
		Sub-total	\$ 0 to \$0.5
Total Savings			\$ 12.46 to \$12.96

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.