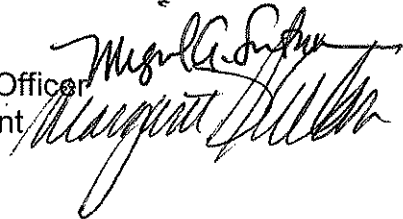


CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: January 14, 2011

To: The City Council

From: Miguel A. Santana, City Administrative Officer
Margaret Whelan, Personnel Department



Subject: **CIVILIAN MODIFIED FLEXIBLE BENEFITS PROGRAM – CF #10-1627**

On November 17, 2010 the Budget and Finance and Personnel Committee continued a joint report (0410-05095-000) from the City Administrative Officer and Personnel Department, dated October 15, 2010 and instructed the Joint Labor Management Benefits Committee (JLMBC) to discuss Flex Plan Design changes and report back to the joint committee. The JLMBC 2011 Flex Plan Design change recommendations are transmitted to the Council for approval. (See Attachment I).

Recommendation

Approve the four modifications to the civilian FLEX benefit program on the attached list with an implementation date of July 1, 2011.

Fiscal Impact Statement

The estimated annual savings to the City for a 12-month period is approximately \$14.3 million. There will be additional costs to conduct another open enrollment including consulting costs, printing costs and staff costs. The Personnel Department will report back with an estimate of these costs, and the need for any additional funds, in the third Financial Status Report.

JLMBC ADOPTED FLEX CHANGES

Thursday, January 13, 2011

Plan Design Change	Summary of Flex Plan Impact	Estimated Annual Savings (In millions)		
		Non-EAA	EAA	All Employees
Implementation Date - July 1, 2011				
1 Increase the HMO (Kaiser and Blue Cross) Office Visit Co-Pay to \$15 and the PPO Office Visit to \$30	The current office visit copay is \$10 for HMO and \$20 for PPO. Under the new Health Care Reform preventative care based on national guidelines will have to be covered at 100% (no copay).	\$ 2.17	\$ 0.50	\$ 2.67
2 Increase PPO Calendar Year Deductible by \$250 / individual and \$500 / family.	The current PPO calendar year deductible is \$500 per individual and \$1000 per family. The change will raise the deductible amounts to \$750 and \$1500.	\$ 0.36	\$ 0.12	\$ 0.48
3 Increase ER Copay to \$100 for all plans.	The current ER copay is \$50. The change will increase the copay to \$100. The ER copay is waived if the individual is admitted.	\$ 1.29	\$ 0.29	\$ 1.58
4 Increase prescription drug copays.	The current Rx copay benefit is \$5 / \$10 30 day supply for Blue Cross and \$10 / \$20 100 day supply for Kaiser. The change will increase the Blue Cross Rx copay to \$10 for generic, \$20 for brand and \$40 for nonformulary. The Kaiser Rx change will reduce the 100 day supply benefit to 30 days in line with Blue Cross HMO.	\$ 3.16	\$ 0.77	\$ 3.93
5 Designate the Flex City Sponsored Plan Dental Plan level at 85% of the Dental PPO Employee Only level	The current Flex dental benefits provides employees with subsidy at the PPO employee only level. The adopted change will decrease the City subsidy by \$7.48 monthly (or 85% of the PPO employee only level).	\$ 1.09	\$ 0.30	\$ 1.39
6 Eliminate the \$7.50 per pay period Flex Credit	Currently under Flex full-time and half-time employees receive Flex credits of \$7.50 and \$3.75 per payperiod respectively to buy pre-tax benefits. The proposed change would eliminate these Flex credits.	\$ 3.40	\$ 0.85	\$ 4.25
Total Savings		\$ 11.47	\$ 2.83	\$ 14.30

Note re EAA vs. non-EAA – The savings estimates indicated above for increased office visit co-pay and elimination of Flex Credits include EAA units (which have already agreed to these benefit design changes for their members) as well as non-EAA units.

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 at a rate of approximately 18% of the total expenditure.