

## COMMUNICATION

**TO: LOS ANGELES CITY COUNCIL**

**File No. 10-1627**

**FROM: COUNCILMEMBER PAUL KORETZ, CHAIR  
PERSONNEL COMMITTEE**

COMMUNICATION FROM CHAIR, PERSONNEL COMMITTEE relative to fourth-year contract extensions with various providers for the Civilian Modified Flexible Benefits (FLEX) Program.

Recommendations for Council action:

1. NOTE and FILE the July 26, 2011 joint report from the Personnel Department and the Chairperson of the Joint Labor Management Benefits Committee (JLMBC).
2. APPROVE the 2012 FLEX Plan.
3. AUTHORIZE the Personnel Department General Manager to execute fourth-year contract extensions with the following FLEX Program providers from January 1, 2012 through December 31, 2012:
  - a. Anthem Blue Cross, Contract No. 15672, to provide medical insurance services.
  - b. Delta Dental, Contract No. 115673, to provide dental insurance services.
  - c. MetLife, Contract No. 111263, to provide accidental death and dismemberment insurance services.
  - d. Wage Works, Contract No. 107655, to provide third-party administrative services for the Dependent Care Reimbursement Account Program and Flexible Spending Account Program.

Fiscal Impact Statement: The Personnel Department and the JLMBC report that for Plan Year 2012 (January 1, 2012 to December 31, 2012), medical insurance premiums increased by the following percentages: Kaiser, 6%; Blue Cross HMO, 6.3%. Premiums for the Blue Cross PPO Plan fell by 4.5%. The Dental Plan premium increase fell from 9.3% to 4.3% after plan design changes were adopted by the JLMBC. Overall, the cost increases were less than expected for a number of reasons including lower enrollment levels, improved claims experience and aggressive plan design changes. The Fiscal Year (FY) 2011-12 Adopted Budget for the FLEX Program is \$213 million (excluding proprietary departments, the employees' portion of premium costs, and the Third-Party Administrator contract). It is estimated that approval of the Plan Year 2012 FLEX Program recommendations will save \$4.8 million from the Adopted Budget. It should be noted that in accordance with City Administrative Officer recommendations, the City Council recently reduced the Adopted FY 2011-12 FLEX Program Budget by \$8 million. The reduction in premiums also resulted in long-term savings by reducing the base amount upon which future premium increases are projected. A savings of approximately \$108.3 million dollars will result from these plan design changes over the next five years.

Community Impact Statement: None submitted.

Summary:

At a special meeting held on August 8, 2011, the Personnel Committee Chair considered a joint report from the Personnel Department and the Chair of the JLMBC relative to fourth-year contract extensions with various providers for the FLEX Program. In the July 26, 2011 report, attached to the Council file, details are provided on this issue. During the discussion of this item, the Personnel Department representative and the JLMBC Chairperson provided an overview of the report and responded to various related questions from the Committee Chair. After additional discussion and providing the opportunity for public comment, the Committee Chair recommended approval of the recommendations contained in the July 26, 2011 report, with the exception of the fourth-year contract extension with Kaiser Permanente. Due to a potential conflict of interest as a result of the Committee Chair's wife's employment with Kaiser, said contract extension is forwarded to Council without recommendation. This matter is now submitted to Council for its consideration.

Respectfully submitted,

COUNCILMEMBER PAUL KORETZ, CHAIR  
PERSONNEL COMMITTEE

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

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