



REPORT
FROM

THE PERSONNEL
DEPARTMENT

TO: Honorable Members of the City Council	DATE October 23, 2012
REFERENCE:	COUNCIL FILE 10-1627
SUBJECT: Plan Year 2013 Civilian Modified Flexible Benefits Program	

SUMMARY:

On October 10, 2012, the City Council considered a report from the Personnel and Animal Welfare Committee relative to the approval of the 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. The proposed PY 2013 FLEX Plan Design included the implementation of an Anthem Blue Cross HMO Narrow Network Plan on January 1, 2013, and the addition of a second Anthem HMO Full Network Plan (hereinafter, referred to as "HMO+"), alongside the Narrow Network Plan, on July 1, 2013.

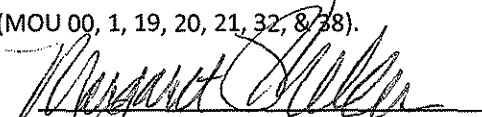
To address employee concerns regarding continuity of care and to eliminate the need for a mid-year Open Enrollment, the Council instructed the Personnel Department to obtain the HMO+ premium rates from Anthem, and to determine the feasibility of implementing the HMO+ Network on January 1, 2013. The CAO was tasked with meeting with civilian unions to negotiate a Letter of Agreement that would require employees to pay the cost of the premium differential between the Anthem HMO+ and Anthem Select plans.

Table 1 shows the monthly Anthem HMO+ Premium Rates and the premium differential to be paid by employees should they choose to join the HMO+ Plan.

**TABLE 1 - 2013 MEDICAL PREMIUMS ANTHEM HMO+
Full-Time Employees**

	FLEX PLAN			FLEX PAY PLAN*		
	Monthly Total Cost	Employee Cost	Employer Cost	Monthly Total Cost	Employee Cost	Employer Cost
Employee Only	\$655.80	\$225.36	\$430.44	\$655.80	\$246.88	\$408.92
Employee + Spouse	\$1,441.48	\$496.00	\$945.48	\$1,441.48	\$543.28	\$898.20
Employee + Child(ren)	\$1,305.66	\$448.76	\$856.90	\$1,305.66	\$491.60	\$814.06
Employee + Family	\$1,792.10	\$615.70	\$1,176.40	\$1,792.10	\$674.52	\$1,117.58

*Flex Pay Plan employees pay at least 5% towards medical premium costs (MOU 00, 1, 19, 20, 21, 32, & 38).


Margaret Whelan
General Manager

The premium rates for the Anthem HMO+ Plan are 52% higher than the Anthem Select (Narrow Network) Plan. According to Anthem Blue Cross, the differential is due to the higher cost providers (e.g., Cedars and UCLA) in the HMO+ Plan.

The Personnel Department has determined that the Anthem HMO+ option can be implemented effective January 1, 2013, if system reprogramming of the new premium rates can begin on October 25, 2012. To accomplish this, civilian bargaining units that are interested in providing this option for their employees must have reached agreement with the CAO by October 24, 2012. The agreements would change the medical subsidy formula codified in the current MOUs to require employees enrolling in the HMO+ plan to pay the premium differential between the Anthem Select (Narrow Network) HMO and HMO+ (Full Network) premium costs. This would mean that the Anthem HMO+ option would only be available to employees in bargaining units that agree to such a Letter of Agreement by the deadline. The City Council would also need to modify the Los Angeles Administrative Code to allow this option for non-represented employees. The CAO will report, separately, on the status of negotiations with civilian labor organizations.

The Personnel Department will extend the open enrollment period to November 15, 2012. Each employee will receive communication materials regarding the revised medical benefit plans available to them and the premium rates, as well as instructions regarding the revised open enrollment deadline. After open enrollment closes on November 15, 2012, each employee will receive a confirmation letter that outlines their 2013 benefit elections. **Employees will have a two week correction period to make any final modifications to their benefit choices (last day December 12, 2012).**

The revised PY 2013 FLEX Plan design change recommendations are transmitted to the Council for approval (See Attachment A - Revised).

RECOMMENDATIONS FOR COUNCIL ACTION:

1. Approve the PY 2013 FLEX Plan recommendations contained in Attachment A (Revised).
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+ option for those bargaining units that agree to the terms of the Letter of Agreement with the CAO 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 this report within 14 calendar days.

FISCAL IMPACT STATEMENT:

The estimated annual savings to the City for a 12-month period is approximately \$12.46 million. There will be additional costs associated with adding the HMO+ option to the current open enrollment process including consulting costs, printing costs and staff costs. The Personnel Department will report back to Council regarding the need for any additional funds in the Mid-Year Financial Status Report.

Attachment

cc: Monique Earl, Mayor's Office
Miguel Santana, Office of the City Administrative Officer

PROPOSED FLEX BENEFIT PLAN CHANGES FOR PLAN YEAR 2013			10/23/2012
	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. All current Anthem HMO enrollees will default to the Anthem Select HMO plan effective January 1, 2013 unless the employee selects another plan during open enrollment. Employees will continue to have the same copays and deductibles (no increases).	\$ 7.10
3	Blue Cross HMO+ - Add Full HMO+ Option*	The Flex Plan will include an optional second HMO plan that provides a full network for those bargaining units that sign a letter of agreement. The additional premium cost of the full HMO+ network will be borne by the employee.	\$ -
4	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 loss savings (the contract extension contingencies were removed).	\$ (0.28)
5	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
6	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
7	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)
Total Estimated Savings			\$ 12.46

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 shown 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.