CITY OF LOS ANGELES
JOINT LABOR-MANAGEMENT BENEFITS COMMITTEE

PROPOSED MINUTES
SPECIAL MEETING JUNE 18, 2015 – 9:00 A.M.
200 N. MAIN STREET, ROOM 1200

Present:
Committee Members:
Chris Hannan – Building & Construction Trades Council
Wendy G. Macy – Personnel Department
Cheryl Parisi – AFSCME, Council 36
Matthew Rudnick – Department of Cultural Affairs

Alternate Committee Members:
Maritta Aspen – Office of the City Administrative Officer (CAO)
Marleen Fonseca – Engineers & Architects Association
Norma Gutierrez – Fire Department
Ramon Rubalcava – SEIU Local 721

Personnel Department Staff:
Alex Basquez – Assistant General Manager
Alexandra Castillo – Senior Personnel Analyst II
Ana Chavez – Senior Personnel Analyst II
Helen Georgeson – Personnel Analyst II
Samantha Hanzy – Senior Personnel Analyst I
Maria Koo – Senior Management Analyst I
Steven Montagna – Chief Personnel Analyst

Office of the City Attorney:
Miguel Dager – Deputy City Attorney

Mercer Human Resource Consulting, Inc.
Clay Levister
Jessica Nabavi

Aon Consulting
Michael Muheisen

1. CALL TO ORDER

Cheryl Parisi called the meeting to order at 9:02 a.m.

2. PUBLIC COMMENTS
There were no public comments.

3. MINUTES

A motion was made by Matthew Rudnick and seconded by Ramon Rubalcava to approve the JLMBC minutes of the May 21, 2015 Special Meeting; the Committee unanimously adopted this motion.


Steven Montagna presented the staff and consultant recommendations for plan year 2016. He began with the Kaiser rate renewal, reporting that the rate increase is 4.65% for 2016. He noted that it is approximately half of what was projected pursuant to the most recent utilization review, and it was based upon a more favorable experience in the final quarter, as well as a reduction in the number of members covered under the plan following the Dependent Eligibility Verification (DEV) audit. Mr. Montagna reported that the maximum Kaiser rate for the full premium coverage is $1,480 and that is approximately $28 higher than the Blue Shield HMO Narrow Network family rate.

Mr. Montagna continued with the Blue Shield rates. He reported that for 2016, Blue Shield proposed an 11.9% rate increase for the PPO plan and 10.68% increases for both of the HMO plans. He indicated that the experience in the PPO plan has trended to a larger rate increase of about 30%, but there is a 11.9% rate cap in effect. He explained the increase was the result of approximately 50 large claims that were above the $100,000 limit. He pointed out the numbers of large claims in prior years were coming in at about half the amount of current large claims and that this is something staff will be monitoring closely. He also noted both HMO plans are coming in slightly below the rate cap.

Ramon Rubalcava asked for further clarification with respect to the renewal rates of the HMO plans, whether there was any further negotiation by Mercer, and whether the HMO rates are justified based on variables such as trend components. Clay Levister of Mercer explained that there were discussions with Blue Shield regarding some of the trend components and it was determined the overall rate increases are reasonable and consistent with the rate caps and experience. Ms. Parisi asked for confirmation of the Blue Shield HMO (Narrow Network) family rate; Alex Basquez indicated it is $1,452.

Mr. Montagna reported that with respect to Delta dental, it is in the second contract year with no proposed rate increase. He stated there was no proposed rate increase from Standard life and disability for 2016, and that staff is recommending increasing the cap on the disability benefit from $3,102 to $3,129.
Mr. Montagna reported that the Council report to allow the City to enter into five-year contracts was well received by the Personnel and Animal Welfare Committee and there were no changes to the JLMBC’s recommendations. He stated that once Council approves the report the City Attorney will need to return with the ordinance to effect the change in the Administrative Code.

Mr. Montagna continued with contract renewals for the remaining Flex benefits programs. He stated there were no proposed rate increases for the Accidental Death and Dismemberment (AD&D) program, tax advantaged plans offered through Wageworks, or the Employee Assistance Program (EAP) offered through Managed Health Network.

Mr. Montagna then continued with the projected expenditures for budget year, FY 2015-2016. He reported that the current projection for Flex program costs is approximately $236.9 million and staff will be monitoring this, and he noted that those amounts can change based on the number of people that are hired by and leave the City.

Mr. Montagna indicated that the JLMBC had requested information with respect to comparisons between the City and the County of Los Angeles (County) benefit plans. He stated that the County’s “Options” program was closest in composition to the City’s Flex Program and that premium levels were consistent for both programs. He stated there was also a request regarding the impact of reducing the cost of generic prescription drug copays, and that staff had worked with Mercer to contact the carriers and obtain pricing decrements which were included in Attachment D of the staff report. He reviewed the other attachments to the staff report providing a breakdown of costs comparing 2015 and 2016, and costs broken down by the different Flex plan types of Flex Pay, Flex Pay 1, and Flex Pay 2.

Norma Gutierrez asked if Attachment D reflected what the proposed increase in the prices of prescription copays would have to be in order to actually secure savings to the City and if the JLMBC would be the governing body that would decide on any changes. Ms. Basquez replied that the JLMBC could make recommendations regarding plan design changes but staff was not recommending such changes at this time. She stated that a Request For Proposal (RFP) for the medical and dental plans for Plan Year 2017 would ask for pricing on a variety of design options.

Ms. Basquez also added that there is a deficit between the amount staff is projecting and the adopted budget but part of that deficit was created based on an assumption that employees would contribute 10% of the premium, and that those discussions are still in negotiation.
Wendy Macy inquired about the agency comparison as it reflects FY 2014-2015 data and whether staff had an estimate of when more updated numbers may be obtained from other agencies and what would be used as source documentation. Ms. Basquez stated that most plans are on a calendar year basis, like the City, so most are likely currently finalizing their rates for 2016.

A motion was made by Ramon Rubalcava, seconded by Chris Hannan, to recommend to the General Manager Personnel Department to renew the following contracts for 2016: (a) Kaiser Permanente for a staff-model medical plan for a third contract year through December 31, 2016; (b) Blue Shield for PPO and HMO medical plans for a third contract year through December 31, 2016; (c) Standard Insurance for Life and Disability insurance plans for a sixth contract year, through December 31, 2016; and approve an increase in the disability earnings cap for 2016; (d) Standard Insurance for an Accidental Death & Dismemberment (AD&D) insurance plan provider for a fourth contract year through December 31, 2016; (e) WageWorks for tax-advantage accounts third party administration services for a fourth contract year through December 31, 2016; and (f) Managed Health Network for Employee Assistance Program services for a fourth contract year through December 31, 2016; the motion was unanimously adopted.

A motion was made by Ramon Rubalcava, seconded by Maritta Aspen, to receive and file the staff report on Flex Benefits Program plan design options for 2016; the Committee unanimously adopted this motion.

5. REQUESTS FOR FUTURE AGENDA ITEMS

Mr. Montagna stated that the Ad Hoc Wellness Subcommittee (Subcommittee) met on May 21 to hear from Blue Shield and Kaiser regarding their wellness services. He indicated that on June 22 the Subcommittee would meet with a representative from the City of Riverside regarding their wellness program. He added that at the August meeting staff will also report on 2016 open enrollment materials and project plan details regarding 2016 open enrollment.

6. NEXT MEETING DATE

July 2, 2015 at 9:00 a.m.

7. ADJOURNMENT

A motion was made by Matthew Rudnick and seconded by Ramon Rubalcava to adjourn the meeting; the motion was unanimously adopted. The meeting adjourned at 9:27 a.m.

Minutes prepared by staff member Helen Georgeson