PRESENT: 

Committee Members 

Regular:
Chris Hannan – Building & Construction Trades Council 
Steve Koffroth – AFSCME District, Council 36 
Wendy Macy – Personnel Department 
Tony Royster – General Services Department 
David Sanders – SEIU Local 721 
Richard Llewellyn – Office of the City Administrative Officer 
Neil Guglielmo – Los Angeles City Employees’ Retirement System 

Alternates:
Marleen Fonseca – Engineers and Architects Association 
Matthew Crawford – Office of the City Controller 

Personnel Department Staff 
Steven Montagna – Chief Personnel Analyst 
Jenny Yau – Senior Management Analyst II 
Isaias Cantú – Senior Management Analyst II 
Paul Makowski – Senior Personnel Analyst I 
Leo Reyes – Senior Personnel Analyst I 

Office of the City Attorney 
Curtis Kidder – Assistant City Attorney 

The Segal Company (Segal Consulting) 
Stephen Murphy
1. Call to Order

David Sanders called the meeting to order at 9:00 a.m.

2. Public Comments

None.

3. Minutes

A motion was made by Tony Royster and seconded by Neil Guglielmo to approve the minutes of the March 7, 2019 JLMBC special meeting; the Committee unanimously adopted this motion.

4. Benefit Service Provider Presentation: Anthem Blue Cross

Andrew Richards, Account Management Executive Consultant and Dr. David Pryor, Regional Vice President and Medical Director, presented the 2018 annual utilization review for the City of Los Angeles. They began by providing highlights of medical and pharmacy utilization.

Mr. Richards started by explaining the benchmarks used to measure medical and pharmacy utilization. He explained that Health Management Organization (HMO) plans were compared to the California Local HMO benchmark while the Preferred Provider Organization (PPO) plan was compared to the Public Administration PPO plan. He added that pharmacy claims were compared to Public Sector – West Region plans and noted that where custom benchmarking was not available, the Anthem book of business benchmark was used. He explained that high cost claimants (HCCs) are defined as members with a total paid claims over $300,000 for the 2018 calendar year.

Next, Mr. Richards summarized demographics by plan. He stated that the Select (Narrow Network) HMO performed well on a Per Member Per Month (PMPM) basis, minimizing costs due to strong provider discounts and care management. He stated that while most plans experienced a decrease in membership, the Vivity HMO plan increased by 67.8% due to its unique combination of access, cost, and quality. He added that the PPO plan had a contract size (dependent ratio, including spouse and/or children) of 1.6 and total paid claims of $28.4 million. He explained this plan had high premiums and older membership, which led to high utilization and the highest cost PMPM.

Next, Mr. Richards stated that there was a total increase of 7.3% in the PMPM cost for medical and pharmacy claims. He explained this increase was partially attributed to a 3.8% decrease in membership and increased utilization of high cost specialty drugs for rare conditions.
He then discussed the hospital utilization by plan. Mr. Richards highlighted that Vivity admissions exceeded Select (Narrow) HMO admissions but that the Average Length of Stay was shorter. He summarized that this indicated that the admissions were less complex, and that Vivity members were well-managed while in the hospital. Dr. Pryor explained that Emergency Room (ER) utilization was below the benchmarks in all plans, except the Traditional (Full Network) HMO. He added that the City’s total rate of avoidable ER visits per 1,000 was 22.8% below Anthem’s national benchmark and demonstrated that City members are being well-managed at the primary care level. Furthermore, Mr. Richards summarized that the primary care relationship was positive and strong because the primary to specialty ratio exceeded benchmarks for all three HMO plans.

Mr. Richards next discussed pharmacy utilization and prescription drug costs. He stated that the generic fill rate was 3.2% below the benchmark. Next, he noted that total pharmacy costs increased by 11.4% from 2017 to 2018, which was attributed to an increase in specialty drug utilization. Mr. Richards added that the specialty drug percent of plan cost was 42.3% and these drugs were the key pharmacy cost drivers. However, he indicated that the City’s results were comparable to industry and local benchmarks. Dr. Pryor further explained while there have been advances to make specific drugs available, some drugs have only one supplier which drives up specialty drug costs. Mr. Richards continued by stating that 458 members, or 2.1% were taking specialty drugs and the top conditions treated were inflammatory conditions, HIV, cancer, multiple sclerosis, and hereditary angioedema. He added that the Specialty Plan Cost PMPM increased 22.63% which trended higher due to changes in the City’s specialty drug mix and a 10.8% increase in the number of specialty prescriptions. Mr. Richards further explained that Anthem is monitoring specialty drugs to ensure they are prescribed appropriately and for the right treatment. He also stated that Anthem will be launching a new Pharmacy Benefits Manager (PBM) company, IngenioRx effective July 1, 2019. He explained that Ingenio Rx will be Anthem’s new in-house, wholly owned PMB subsidiary that will allow Anthem to have more control over prescription drug costs.

Dr. Pryor then provided information on clinical cost drivers. He stated that the top five treatments were for diabetes, autoimmune diseases and infections, depression, cancer, and joint degeneration. He stated that the top treated condition was for diabetes with a total spend cost of $5,752,402. Dr. Pryor further explained that the City’s diabetes prevalence per 1,000 is 43.3% above Anthem’s benchmark and obesity prevalence is 42.2% above Anthem’s benchmark. He stated that the City’s LIVEwell program’s focus on diabetes management and prevention will help employees to change their lifestyle and better self-manage this disease.

Dr. Pryor then summarized the percentage spent per health condition. He noted that the top five percent of spend by relationship and health condition was behavioral health, neoplasms, injury and poisoning, musculoskeletal system, and circulatory system. He added that based on paid claims, behavioral health was a top overall health condition and the leading diagnosis was Pervasive Developmental Disorder (e.g. autism). He added that several years ago, there were few resources to treat autism and now there
are many early intervention programs and treatments, which are costly and require many resources.

Next, Mr. Richards summarized the top targeted program conditions by member count. He explained that target program conditions have an associated Anthem clinical member support program and that Anthem is closely working with the City’s LIVEwell program to boost awareness and drive engagement in these programs.

Mr. Richards then discussed high cost claimants over $300,000. He explained that the highest paid medical claim was for cancer with five claimants and a total spend of $3,253,113. He added that high cost claimants over $300,000 accounted for 16.4% of medical paid claims and 53% were enrolled in the PPO plan.

Neil Guglielmo inquired why home delivery of prescription medication utilization of 10% was far below the benchmark of 36.8%. Mr. Richards replied that the retail maintenance utilization was 36.2% and far above the benchmark of 2.8% which could mean that members prefer to pick up their prescriptions at a retail pharmacy. Mr. Guglielmo inquired if US prices for prescription drugs has been compared to other countries. Dr. Pryor responded that Anthem has not made this type of comparison, since custody of medication is costly given the sensitivity of delivery methods and management within each country.

Chris Hannan recommended that Anthem research if they could implement a program for PPO members to have a care team conduct outreach and provide assistance and services for PPO members with specific conditions. He added that a certain employer in another state implemented this type of a program which resulted in very favorable outcomes, such as a better member experience and cost savings. Marlene Fonseca inquired for a list of the most common drugs used by members. Mr. Richards stated he will provide this list following the meeting.

David Sanders invited Ramon Rubalcava, Director of Member Benefits and Employer Relations at SEIU Local 721, to speak before the Committee. Mr. Rubalcava inquired about the fluctuation of the PMPM cost per subscriber for the Vivity HMO plan compared to the Select (Narrow Network) HMO plan. Mr. Richards explained that the membership for the Select (Narrow Network) HMO plan was 14,329 compared to the Vivity HMO plan with a membership of 3,338, which will greatly impact the PMPM cost. He added that two high cost claimants with a total of $704,626 in paid claims drove up the cost significantly making the PMPM cost per subscriber higher. Mr. Sanders asked what proactive approach Anthem is taking to increase providers within the Vivity HMO plan, since there was a 68% increase in membership from 2017 to 2018. Mr. Richards responded that Anthem is looking to expand providers geographically to provide more options to members. Mr. Andrews thanked the Committee for their time and concluded the presentation.
5. Committee Report 19-12: Heath, Dental, and Vision Provider Contact Extensions

Steven Montagna presented this report. He explained that at its February 2019 meeting, the Committee adopted a five-year procurement schedule for the City’s benefit service providers for 2019-2023 and directed staff to enter into a discussion with Kaiser, Anthem, Delta Dental (Delta), and EyeMed regarding proposed terms for two-year contract extensions. He added that the primary objective of the discussions was to secure favorable terms for premium rate stability for each of these contracts.

Mr. Montagna next provided an overview of the discussions with each of the benefits service providers. He stated that Delta and EyeMed agreed to keep their rates flat through the next two years. He stated for the 2020 premiums, Anthem agreed to provide the City with a rate pass meaning that there will be no increase in premiums; however the City will be responsible for Affordable Care Act (ACA) fees. He added that for 2021, Anthem proposed a rate cap that will not exceed 7%, which includes the ACA tax fees once they are assessed.

Next, Mr. Montagna provided an update on Kaiser. He stated that last year, the Committee agreed to hold the premium rates at the 2018 level meaning no change in premiums for Plan Year 2019. He further added that the Committee approved an accompanying 2.5% rate cap for 2020 not inclusive of a one percent ACA tax fee. He explained that for 2021, Kaiser proposed a rate guarantee accompanied by a “risk charge” determined by Kaiser. He stated that both staff and benefits consultant, Segal did not find any advantage to this proposal. Steven Murphy from Segal added that Kaiser’s membership continues to grow annually which will help to inform ongoing discussions with Kaiser.

Mr. Sanders asked what type of performance guarantees are in place with Kaiser. Mr. Montagna responded that performance guarantees measure customer satisfaction and service levels. Steve Koffroth inquired what happens if the ACA fee is suspended in 2020. Mr. Montagna replied that the ACA fee is subject to Congressional action and if and when a change is implemented it could lead to a change in premium rates. Mr. Hannan asked if the ACA fee is refundable. Mr. Murphy responded if Congress suspends the ACA fee, premiums will be adjusted in the subsequent plan year for both Kaiser and Anthem.

Mr. Hannan requested a report outlining changes in cost over the last five years for the health plans. Mr. Montagna stated that this information would be included in the staff report next month when the Committee considers the adoption of the LAwell Program for plan year 2020. Mr. Guglielmo asked how the City could be better prepared to control costs. Mr. Murphy responded that options would need to be further researched and discussed with the carriers. Mr. Sanders asked if Delta will provide a Premium Stabilization Reserve for future premium holidays. Mr. Montagna responded that staff is continuing discussions regarding this option and will report back to the Committee with updates.
Following this discussion, a motion was made by Neil Guglielmo and seconded by Matthew Crawford to direct staff to proceed with developing and returning to the JLMBC with recommended provisions for two-year contract extensions with LAwell Program health, dental, and vision providers for contract years 2020-2021; the Committee unanimously adopted this motion.

6. Committee Report 19-13: Open Enrollment Data Review

Jenny Yau presented this report. She stated the attachment to the staff report was prepared by the outgoing LAwell Third-Party Administrator, Mercer and summarized the results of the 2019 Open Enrollment period. She then gave a brief overview of the key data and statistical information provided in Mercer’s report. She stated that for Plan Year 2019, most employees passively enrolled into their benefits, with passive enrollment of 74.5% versus active enrollment of 25.5%. She added that this trend is not unexpected as most employees passively enroll into their benefits annually but indicated that given some of the new tools available on the new benefits member portal, staff anticipates an increase in overall member engagement and utilization in future years.

Ms. Yau next discussed medical plan enrollment statistics, stating there was a net gain of 220 members, or about 0.89% moving from Anthem to Kaiser in Plan Year 2019 compared to 399 members or 1.6% in Plan Year 2018. In terms of enrollment in each plan, Ms. Yau explained that the Anthem Vivity HMO plan saw the largest growth of about 17% compared to the prior plan year and the majority of these employees came from the Anthem Narrow Network. Ms. Yau also indicated that enrollment in the Anthem Vivity plan showed the most significant increase amongst all of the plans across the MOUs.

Ms. Yau then provided a summary of the total LAwell Program membership in Plan Year 2019, indicating that the LAwell civilian population is about 26,400 which represents an increase of about 1.35% compared to Plan Year 2018.

Lastly, Ms. Yau discussed optional benefits elections and stated that the percentage of employees participating in these benefits – supplemental life, spouse life, child life, disability, and accidental death & dismemberment - remained largely the same from the prior plan year. She added the same also applied to employees participating in the Healthcare and Dependent Care tax advantaged savings accounts.

A motion was made by Tony Royster and seconded by Marleen Fonseca to receive and file the staff report regarding results of the LAwell Civilian Benefits Program (LAwell Program) Open Enrollment for Plan Year 2019; the Committee unanimously adopted this motion.
7. Committee Report 19-14: Benefits Third-Party Administrator (TPA) Transition Update

Ms. Yau presented this report. She stated that after 15 months of requirements gathering, workshops, testing, and several rounds of data validation, the new benefits member portal and administration system successfully went live on April 1, 2019. She explained that the first week of the transition has gone smoothly and that Morneau Shepell (Morneau) staff was onsite for the entire week to assist with and quickly resolve any transition related issues that might have arisen.

Ms. Yau added that staff and Morneau are still working through some data fallout from the prior administrator but the clean-up is expected to be completed within a few weeks. She further noted that staff’s culture day training with the Morneau call center went well and call center representatives were ready to answer calls on April 1. She then handed the presentation to Morneau representatives to provide an update on post-transition and call center activity since April 1.

Terri Arceneaux, Implementation Manager with Morneau Shepell stated that the transition and conversion went smoothly and that Morneau staff continues to work through cleaning up some data fallout with the City’s prior TPA, Mercer. Kevin Kannon, Vice-President of Administrative Solutions with Morneau Shepell stated that call volume was high but indicated that this is typical given that members were recently notified of the change in vendors. He then provided a brief overview of call center activity and stated that the top two call subject areas were benefit plan design and password resets. He also added that 850 people logged on to the website which was a great start.

Next, Ms. Yau provided an update on transition related communications. She stated that the announcement postcard was sent in late March to all City employees regarding the transition and will be followed by a comprehensive announcement letter/resources guide. She added that this guide will provide additional details on registering for the new benefits member portal and will also include a frequently asked questions section. Ms. Yau also noted that staff notified City departmental human resource directors of the transition and call center phone number change and provided posters to all City departments to post in various City locations.

Ms. Macy and Mr. Guglielmo acknowledged the EBD staff for its hard work and successful implementation. Ms. Yau thanked Ms. Macy and Mr. Guglielmo for their acknowledgement.

A motion was made by Neil Guglielmo and seconded by Steve Koffroth to receive and file the LAwell Program benefits TPA transition update for March 2019; the Committee unanimously adopted this motion.
8. Committee Report 19-15: LAwell Program Benefit Service Provider Goals, Metrics, and Data Reporting

This report was not discussed by the Committee.

9. Committee Report 19-16: LIVEwell Program Update

Mr. Montagna presented this report. He stated that the 2019 Annual Employee Wellness Survey will be released this month. He further added that the LIVEwell Program Wellness Festival is planned in June 2019 and requested that the Committee approve expenditures from the Trust Fund/Wellness sub-account to fund the festival.

A motion was made by Neil Guglielmo and seconded by Matthew Crawford to (a) receive and file the staff report regarding LIVEwell Program developments, updates, and activities; (b) approve proposed 2019 Annual Employee Wellness Survey; and (c) approve expenditures of up to $30,000 from the Employee Benefits Trust Fund/Wellness sub-account to fund the 2019 LIVEwell Program Wellness Festival; the Committee unanimously adopted this motion.

10. Committee Report 19-17: Wellness Services Administrator (Limeade) Implementation Update

This report was not discussed by the Committee.


This report was not discussed by the Committee.

12. REQUEST FOR FUTURE AGENDA ITEMS

None.

13. NEXT MEETING DATE

A meeting was noted for May 2, 2019 at 9:00 a.m.

14. ADJOURNMENT

The meeting was adjourned at 10:19 a.m.

_Minutes prepared by staff member Gabriela Cortes._