CITY OF LOS ANGELES
JOINT LABOR-MANAGEMENT BENEFITS COMMITTEE

PROPOSED MINUTES
SPECIAL MEETING
May 17, 2018 – 9:00 A.M.
CITY HALL, 200 NORTH SPRING STREET, ROOM 1060

Present:

Committee Members

Regular:
Wendy Macy – Personnel Department
Cheryl Parisi – AFSCME, Council 36
Tony Royster – General Services Department
Paul Bechely – Laborers’ Local 777
Chris Hannan – Building & Construction Trades Council
Matthew Rudnick – Recreation and Parks

Alternates:
Marleen Fonseca – Engineers and Architects Association
Jeremy Diaz – Laborers’ Local 777
Ramon Rubalcava – SEIU Local 721
Dana Brown – Office of the City Administrative Officer

Personnel Department Staff
Jody Yoxsimer – Assistant General Manager
Steven Montagna – Chief Personnel Analyst
Paul Makowski – Senior Personnel Analyst I
Leo Reyes – Senior Personnel Analyst I
Helen Georgeson – Personnel Analyst
Ted Vasquez – Personnel Analyst
Daisy Tam – Personnel Analyst
Russell Escueta – Personnel Analyst

Office of the City Attorney
Curtis Kidder – Assistant City Attorney

The Segal Group
Steve Murphy

Keenan Associates
Laurie LoFranco
Steve Balentine
1. Call to Order

Wendy Macy called the meeting to order at 9:10 a.m.

2. Public Comments

None.

3. Minutes

A motion was made by Marleen Fonseca and seconded by Matthew Rudnick to approve JLMBC minutes of the March 22, 2018 special meeting; the Committee unanimously adopted this motion.


Russell Escueta presented this report. He began by providing an overview of the Employee Assistance Program (EAP) Request for Proposals (RFP) events and evaluation process. He stated that the goal of the services procurement was to identify a service provider which could best provide counseling services through a large network of licensed professionals as well as engage the City’s membership. He added that the RFP also consisted of a written questionnaire comprising four sections used to assess the vendor’s capabilities with regards to organizational strength, member services, communications, and financial cost. He stated that proposals were received from six proposers: Anthem, Claremont EAP, Magellan Health, MHN, Morneau Shepell, and Optum. He noted that performance exams were conducted with each of the proposers.

Paul Makowski then presented the scoring summary and recommendation. He indicated staff recommended that Optum be selected as the City’s EAP provider and highlighted the key evaluation findings as summarized in the report. Steven Montagna stated that he participated in the performance exams and noted Optum’s distinctive approach to utilization and driving member engagement.

Tony Royster asked about Optum’s biggest clients. Mr. Makowski replied that Optum self-reported their largest public-sector clients as Sacramento Municipal Utilities district, Superior Court of California, and County of San Diego. Wendy Macy asked about employee orientations and how employees can better understand how EAP services work. Mr. Montagna responded that Optum’s approach is to engage employees in areas not typically associated with an EAP in order to gain employee trust, interest, and willingness to use clinical services if and when those services are needed.

Cheryl Parisi noted that there was a disparity in the number of City of Los Angeles providers when comparing MHN with Optum and asked if they would be able to accommodate the City’s account. Mr. Makowski replied that the number of providers
within City limits did not include providers in LA County and other areas outside of City limits. Ms. Parisi asked about the response times for counseling session requests. Mr. Makowski replied that Optum reported an average response time of three days compared to MHN’s average response time of five days. Mr. Royster asked what the penalties for the vendor would be if they did not meet those standards. Mr. Makowski replied that Optum proposed to place 25% of fees at risk through performance guarantees. Mr. Royster asked if references not listed by Optum were reviewed to evaluate client satisfaction. Mr. Montagna replied that the RFP required that vendors disclose their largest clients, both current and terminated, and those were the clients that were contacted. Mr. Royster asked why the vendors that were reported by Optum to be terminated were terminated. Mr. Makowski replied that terminations resulted from lower price proposals from competing vendors. He further stated that Optum had a high client retention rate relative to the other bidders. Mr. Montagna added the RFP also required that proposers disclose contracts terminated for default or service issues and any pending or past litigation, and that no such issues applied for Optum.

Ms. Parisi asked if Optum had staff to make the program visible to City departments and labor organizations. Mr. Makowski replied that this was discussed during the performance exam and Optum indicated they had resources to be proactive and engage the membership. Mr. Montagna indicated that increasing proactive on-site presence for all LAwell Program service providers, including the EAP provider, is staff’s vision for evolving and improving engagement with members. Dana Brown asked what would happen to employees who are receiving services from MHN during transition to the new vendor. Mr. Makowski replied that a continuity of care arrangement would be established with Optum. Matthew Rudnick asked for utilization data for the previous calendar year. Mr. Escueta replied that in 2017 MHN had received approximately 2,000 member contacts.

Mr. Rudnick asked for clarification of vendor fee proposals. Mr. Montagna indicated that the cost analysis in the report was translated into five-year comparisons since the fees for some proposers varied by year. Ms. Parisi asked for clarification of administrative referrals for supervisors. Mr. Makowski stated that if a supervisor observes that an employee is having difficulty they can refer them to the EAP, but it is up to the employee to decide whether he or she wishes to accept the referral and contact EAP. Mr. Royster added that Personnel Department liaisons are generally the points-of-contact in those kinds of situations.

Marleen Fonseca asked if the reference in the evaluation to training hours means the EAP comes on-site to provide training. Mr. Makowski responded affirmatively and indicated Optum is offering a bank of 250 hours annually. Ms. Fonseca asked which department used the most hours. Mr. Escueta replied that Public Works utilized the most hours in 2017. Ramon Rubalcava asked for a separate report regarding EAP benefit provisions and how they’re communicated to employees and departments. Mr. Rubalcava further requested that when Optum presents to the JLMBC they include in their presentation how services are accessed. Ms. Parisi asked that there be more thorough discussion with the JLMBC regarding administrative referrals before that is
finalized as a feature of the contract. Wendy Macy stated that she had observed an ongoing and growing need for critical incident debriefs. Mr. Montagna stated that at the next meeting Optum would review their services and present their web portal.

Following this discussion, a motion was made by Cheryl Parisi and seconded by Matthew Rudnick inviting Optum to provide a presentation to the JLMBC prior to the JLMBC making a recommendation on selection of an EAP provider to the General Manager Personnel Department; the Committee unanimously adopted this motion.

5. Committee Report: 18-29: LAwell Benefits Program Service Provider Renewals for Plan Year 2019

Steven Montagna presented this report. He began by indicating that the proposals from Anthem and Kaiser were presented at the last meeting. He stated that staff would like to receive direction from the JLMBC with respect to two Kaiser renewal options (A and B) presented in the report. He noted that the City’s subsidy is tied to the Kaiser family rate and influences what employees pay for non-Kaiser plans.

Steve Murphy of Segal Consulting reviewed the rate renewal proposals stating that there were some positive trends identified within the Kaiser population which resulted in a favorable proposed renewal for 2019. He stated that demographics improved slightly, likely resulting from the City’s hiring and new enrollments with Kaiser. He indicated that pharmacy costs had fallen and some of this may have been attributable to reduction in the use of specialty medications. He then stated that the renewal included $1 million in discretionary funding for the Wellness Program and suspension of Affordable Care Act (ACA) fees, which were not suspended in last year’s renewal. He then reviewed differences between Kaiser options A and B, the former of which involved a premium freeze along with a second-year rate cap of 3.5% and the latter of which involved a premium reduction of 3.1%.

Marina Seacrest, underwriter with Kaiser Permanente of California, next reviewed the cost factors informing the renewals. She indicated that Kaiser develops the renewal from a budget-based perspective reviewing overall expenses for the year. She stated that through the rate setting process, they look at what will be expected for the upcoming year for revenue purposes. She stated that Kaiser tries to mitigate pooling charges and has seen an increase in high cost claimants and increase in total costs of those claims. Mr. Rubalcava asked if the JLMBC could receive trend information and whether the carriers can offer two and three-year rate caps. Mr. Murphy stated that Segal has had those discussions with the carriers and is looking at a path that will provide the City more confidence for future renewals.

Mr. Rudnick asked why the pooling rates would go up if the catastrophic claims decreased. Mr. Murphy replied that catastrophic claims costs are increasing over time, but when mitigating gross claims to large claim activity the premium adjustments over time are more beneficial. Ms. Seacrest replied that between 2016 and 2017, 2017 had more claimants at lower thresholds but they exceeded Kaiser’s expectations and
exceeded the charges for the pooling charge. She added that for 2018 there were only two claimants, but their costs exceeded what Kaiser was charging for the pooling charge.

Mr. Rudnick asked if the $5.9 million savings to the City is just for the Kaiser plan. Mr. Murphy replied it is for the total Kaiser premium. Mr. Rudnick asked if the City accepted the premium reduction what potential existed in 2020 for a large rebound increase. Mr. Murphy replied that such a rebound increase was possible. Mr. Rudnick asked if there would be other savings associated with the other plans based on the reduction. Mr. Montagna responded that as part of its review of the budgetary impact staff had looked at the impact on both the gross premium level and broken that down by the impact to the members and to the City, including the proprietary reimbursements, for both Kaiser renewal options. Mr. Rubalcava asked what the City budgets for healthcare premium costs. Mr. Montagna responded that for 2019 the assumption had been that there would be a 5% increase for Kaiser and increases up to the rate caps for the Anthem plans. He added that the proposed rate renewals were all below the assumed rates and rate caps.

Mr. Murphy next discussed the Anthem rate proposals. He stated that per employee per month cost reductions for the HMO and PPO plans were driven by the reduction in high cost catastrophic claims. He stated that Vivity was performing better than Anthem anticipated which was leading to a premium reduction. He indicated that Anthem’s original renewal incorporated a 10% overall rate increase. He indicated that Anthem, following Segal’s inquiries, made adjustments to its trend calculations for the PPO plan and full/narrow HMO networks which then resulted in an 8% increase. He indicated that in terms of ACA fees being waived for 2019, Kaiser as a non-profit organization would otherwise have added a fee of 1% and Anthem would have added 3.5%.

Mr. Rudnick asked what might be in store for Vivity given such a large premium reduction for 2019. Mr. Murphy responded that from Segal’s perspective Vivity is a new product and as such is still finding its premium floor representing a level that is appropriate for long-term premium stability. He stated that premium volatility is likely to narrow as more experience is gained. He mentioned that for Vivity to compete with Kaiser they need to offer services on a closed-system basis.

Andrew Richards, Executive Director at Anthem, spoke about the renewal pricing model for Vivity. He indicated that Vivity has two years of experience to look at regarding pricing. He stated that Anthem is very careful on what providers are being selected to be part of the network to ensure that the efficiency and quality of care outcomes for those providers are consistent with the objectives for Vivity to be a low-cost, integrated HMO. Mr. Rudnick asked if rates will stabilize soon or if Anthem expected ongoing reductions in premiums. Mr. Andrews replied that it is difficult to state presently, but that Anthem’s objective was to arrive at a stable premium structure. Mr. Murphy added that he would like to see Vivity first establish its floor and then monitor the trend level from there.
Mr. Montagna indicated that, without objection and based on the JLMBC’s discussion, staff’s recommendation for 2019 LAwell Program adoption, to be brought back at the next JLMBC meeting, would incorporate Kaiser Option A rather than Option B. Following this discussion, a motion was made by Ramon Rubalcava and seconded by Marleen Fonseca to receive and file the staff report providing an LAwell Benefits Programs data review and service provider rate renewal update for Plan Year 2019; the Committee unanimously adopted this motion.


Paul Makowski presented this report and began by stating that a total of $189,645.96 was being requested to reimburse salary costs of staff providing direct administrative support for the LAwell Program and LIVEwell Program. He noted that staffing costs for the third quarter consisted of $106,856.97 for three positions in the LAwell Program and $82,788.99 for two positions in the LIVEwell Program.

A motion was made by Cheryl Parisi and seconded by Tony Royster to approve reimbursements from the (a) Employee Benefits Trust Fund for Personnel Department salary costs of staff providing direct administrative support of the LAwell Civilian Benefits Program in the total amount of $106,856.97 inclusive of the third quarter of fiscal year 2017-18; and (b) Employee Benefits Trust Fund/Wellness sub-account for Personnel Department salary costs of staff providing direct administrative support of the LIVEwell Wellness Program in the total amount of $82,788.99 inclusive of the third quarter of fiscal year 2017-18; the Committee unanimously adopted this motion.

7. NEXT MEETING DATE

A meeting was noted for May 31, 2018 at 9:00 a.m.

8. ADJOURNMENT

The meeting was adjourned at 10:27 a.m.

Minutes prepared by staff member Russell Escueta.