CITY OF LOS ANGELES
JOINT LABOR-MANAGEMENT BENEFITS COMMITTEE (JLMBC)

PROPOSED MINUTES
SPECIAL MEETING
May 17, 2019 – 2:00 – 4:00 P.M.
CITY HALL, 200 NORTH SPRING STREET, ROOM 1060
LOS ANGELES, CA 90012

Present:

Committee Members

Regular:
Wendy Macy – Personnel Department
David Sanders – SEIU Local 721
Tony Royster – General Services Department
Richard Llewellyn – Office of the City Administrative Officer
Matthew Rudnick – Department of Recreation and Parks

Alternates:
Marleen Fonseca – Engineers and Architects Association
Gavin Koon – Building & Construction Trades Council

Personnel Department Staff
Steven Montagna – Chief Personnel Analyst
Jenny Yau – Senior Management Analyst II

Office of the City Attorney
Curtis Kidder – Assistant City Attorney

The Segal Company
Stephen Murphy
1. Call to Order

David Sanders called the meeting to order at 2:14 p.m.

2. Public Comments

None.

3. Committee Report 19-19: LAwell Program 2020 Service Provider Renewals and Plan Adoption

Mr. Montagna presented this report. He began by providing an overview of the report and the upcoming scheduled meetings. He stated that the report will provide the Committee with relevant information regarding 2020 service provider renewals and that final staff recommendations on the renewals and 2020 plan will be provided at the May 29 meeting. He then proceeded by providing a high level overview of the proposed renewal for each service provider.

Mr. Montagna first discussed the proposed rate renewals for the City’s health plans, Anthem and Kaiser. He stated that except for an Affordable Care Act (ACA) fee, there is virtually a rate pass from both Kaiser and Anthem. He further stated that there is no increase in premiums or rates for any of the other LAwell benefit service providers. He stated that staff was able to negotiate increases in benefit levels for the dental and the vision plan, without having to increase premiums.

Mr. Montagna then provided an overview of the Kaiser renewal indicating that Kaiser had proposed a 1.38% premium increase with no rate cap in 2021. He added that in consideration of the City’s request for multi-year rate guarantees, Kaiser offered the alternative of a 3.28% renewal in 2020 (adding a 1.90% load to the 1.38% renewal) coupled with a 7.00% rate cap in 2021. He stated that additional information and details on Kaiser’s renewal would be provided by Stephen Murphy of The Segal Company (Segal), but neither staff nor Segal supported the option involving paying for a future rate cap.

Mr. Montagna next provided details regarding Anthem’s proposal. He stated that Anthem is offering a rate pass for 2020, along with the ACA fee of 2.78% meaning that all Anthem plan premiums would increase by the ACA fee only. He added that for 2021, Anthem is proposing a rate cap of 7.0% inclusive of the ACA fee.

Mr. Montagna then discussed the Delta Dental renewal. He stated that Delta has agreed to extend the current rates and add a multi-year rate guarantee (maintaining premium rates at current levels) for contract years 2020 and 2021. He further added that staff and Segal have been reviewing with Delta options for allocating a premium stabilization reserve (PSR) credit of $964,000 to improve benefit levels without increasing premiums. He explained that after several rounds of discussion and review with Delta, staff and Segal recommend that the Committee approve utilizing Delta’s
PSR credit for the establishment of periodontal maintenance as a preventive benefit and setting the reimbursement level for posterior composite fillings at 80%.

Next, Mr. Montagna provided an overview of the EyeMed vision renewal. He stated that EyeMed has proposed extending its multi-year rate guarantee to maintain premium rates at their current level to years 2020 and 2021 and is also proposing to add a new benefit for LAwell Program members who have been diagnosed with either Type I or Type II diabetes. He stated that this proposal would provide these members with additional benefits including an office visit and diagnostic testing once every six months and various types of diagnostic tests paid for by EyeMed for in-network providers.

Next, Mr. Montagna provided an overview of the renewal for the City’s life, disability, and accidental death and dismemberment insurance provider, The Standard, the City’s Employee and Family Assistance Program (EFAP) service provider, Optum, and the City’s flexible spending accounts administrator, WageWorks. He stated that all vendors have proposed no premium changes for plan year 2020.

Mr. Montagna then provided a brief overview of the 2020 plan design presentation. He explained that the presentation is intended to provide background information regarding enrollment in the various plans and cost data information to help provide context for the renewal information. Mr. Montagna next introduced Mr. Murphy from Segal to provide additional details regarding each of the renewals.

Mr. Murphy presented the Segal report on the 2020 benefit service provider renewals for the City of LA. He began by providing additional detail on the Kaiser renewal. He stated for the 2020 Kaiser renewal, the total cost Per Member Per Month (PMPM) for the City increased by 2.0%, which is lower than the average Kaiser PMPM increase for 2018 of 2.8%. He stated that inpatient admissions per 1,000 members were down 4.2%, however the average length of stay increased by 22.7%. He further added that in comparison to 2017, the number of members with large claims above the pooling level of $700,000 increased from 2 to 4 in 2018. He explained that the aggregate claims in excess of the individual pooling level of $700,000 decreased from $3.0 million in 2017 to $0.9 million in 2018, which is a positive trend during a rate renewal.

Mr. Murphy then explained that in 2018, the City agreed to a 0.0% rate renewal in 2019 and accompanying 2.5% rate cap in 2020. He stated that Kaiser’s first proposal is a 1.38% premium increase in 2020 which includes the ACA fee of 0.92% and no rate cap in 2021. He added that the proposed 1.38% premium increase is below the 2.5% rate cap. He added that Kaiser also proposed a secondary option of a 3.28% increase to current premium rates in 2020 and a rate cap of 7.0% in 2021. He explained the 2021 no rate cap renewal option would have to be 9.0% or higher to make the rate cap option a viable alternative for the City. He further added that Kaiser has indicated it is unwilling to provide or further negotiate a rate cap for 2021 in the absence of a risk charge added to the 2020 premium. Mr. Murphy then provided an overview of Kaiser premium rates history and indicated that the highest increase over the last five years was 5.4%. He
stated that staff and Segal are recommending the first option proposed by Kaiser of a 1.38% premium increase with no rate cap in 2021.

Mr. Gavin Koon inquired if a risk charge had been funded in prior years. Mr. Murphy responded that no risk charge had been funded before and invited Justin Cao, Executive Account Manager, and Shawn Knoll, Underwriting Director from Kaiser to provide further explanation. Mr. Cao stated that for the 2019 renewal, they provided two options – the first was a rate pass in 2019 with a 3.5% rate cap in 2020 and the second option was a 3.13% increase with no rate cap in 2020. He explained that in the second option, the 3.13% increase would be inclusive of the risk charge, although it was not specifically recognized in that way. He further explained in this year’s renewal, Kaiser is specifically recognizing that the rate cap is inclusive of a risk charge. Mr. Richard Llewellyn asked if the City has a contract with Kaiser for a fifth year term. Mr. Montagna replied that extension of the contract for a fifth year has not yet been determined.

Mr. Sanders asked if a 2.0% risk charge and a rate cap in 2021 is beneficial for the City. Mr. Cao replied that the 2.0% risk charge is a form of advanced payment and the rate cap for 2021 will not exceed 7.0%. He explained that if there was a 6.0% premium rate increase in 2021, the City would only need to fund 4.0% because the 2.0% was already paid in the 2020 renewal. Mr. Tony Royster inquired what the highest renewal rate for Kaiser’s clients is. Mr. Knoll answered the renewal rates start at a decrease of 5.5% with an increase ceiling of 15.0%. Mr. Koon inquired why Kaiser is requesting a 2.0% risk charge given the positive performance of the City’s membership and increase in enrollment in the Kaiser plan. Mr. Knoll replied that the risk charge is based on Kaiser’s book of business and not just the City’s performance or population. He explained this indicator was better than focusing on one specific group performance.

Mr. Royster asked Mr. Murphy his thoughts regarding the proposed risk charge and 2021 rate cap. Mr. Murphy responded that a risk charge is not beneficial for the City. He added that given the historical trend and that rates have not been drastically increased in prior years, the option of a 1.38% premium rate increase for 2020 and no rate cap for 2021 is a better option for the City. He stated that the City’s demographics are trending positively and he expects to see these trends continue for plan years 2020 and 2021. Mr. Cao stated that he understands why the City would not take this option and emphasized that Kaiser provided this option to demonstrate their willingness to work with the City for requesting a 2021 rate cap option. He added that Kaiser asks for a risk charge when negotiating rate caps with other clients.

Mr. Murphy next discussed the Anthem rate renewal. He stated that the cost of paid claims and capitation on a PMPM basis for Vivity, HMO, and PPO were $922.71, $984.16, and $1,256.10, respectively. He then discussed large claim activity for individuals with claims larger than $300,000. He indicated that Vivity had no change with one claim, HMO declined from six to four claims, and PPO declined from nine to eight claims. Mr. Murphy added that aggregate claims in excess of the $300,000 individual catastrophic pooling level totaled $3.0 million, with $2.7 million coming from the PPO plan.
He then provided an overview of plan experience and the target loss ratio for each plan. He stated that for Vivity, the target loss ratio was 85% and the actual paid loss ratio was 80.9%. Mr. Murphy noted the target loss ratio for the HMO plans was 85% and the actual paid loss ratio was 85.1% compared to 88.9% in the prior 12-month period. He stated a decrease in this ratio is positive as it means that fewer claims were paid. He stated the target loss ratio for the PPO was 85% and the actual paid loss ratio was 92% compared to 96.8% in the prior 12-month period.

Next, Mr. Murphy explained Anthem’s renewal proposal. He stated that Anthem proposed a rate increase of 2.78% for all plans (which is the cost of the ACA fee only) in 2020 and a rate cap not to exceed of 7.0% in 2021. Mr. Murphy added that the proposal also includes $1 million dollars in annual discretionary wellness funding to support the City’s health and wellness initiatives. Mr. Koon stated that if paid claims are decreasing, then he would expect premiums to not increase. Andrew Richards, Account Management Executive Consultant at Anthem stated that Anthem understands that premium stability is a priority for the City and Anthem will continue to work with the City regarding this important objective. He added that Anthem is excited to partner with the City on its many initiatives, including the City’s wellness program, to improve member outcomes. Mr. Richards stated that Anthem can see these efforts pay off and cited the example of the PPO plan in which paid claims were lower this year. He thanked the Committee for their partnership.

Mr. Murphy then discussed the renewal proposal from Delta Dental. He stated that Delta proposed no premium rate increases for the DHMO plan for plan years 2020 and 2021. He stated that for DPO plan, Delta originally proposed a 2.7% premium rate increase. He explained that after further negotiation with Segal and staff, Delta subsequently agreed to extend the current premium rates for plan years 2020 and 2021 which represents $1.01 million in savings over the two year period. Additionally, Mr. Murphy explained that prior to January 1, 2017, Delta retained a surplus to offset future deficits and after a final accounting, the City received a $964,005 credit from Delta Dental. He stated that after discussions with Delta on options for allocating this credit to improve benefit levels without increasing premiums, staff and Segal recommend that the Committee approve utilizing Delta’s credit for the establishment of periodontal maintenance as a preventive benefit and setting the reimbursement level for posterior composite fillings at 80%.

Lastly, Mr. Murphy discussed the renewal proposal from EyeMed. He stated that EyeMed proposed no increase to the current premium rates for plan years 2020 and 2021. He added that EyeMed’s renewal proposal also includes additional benefits – additional screenings for individuals diagnosed with diabetes, continuation of pop-up clinics, contributing content for the development of an employee benefits video library, contributing to the creation of a dashboard to monitor participant utilization trends, and assisting with the City’s wellness initiatives.

Following this discussion, a motion was made by Marleen Fonseca and seconded by Tony Royster to (a) receive and file the report and update regarding LAwell
Program 2020 service provider renewals and plan adoption and (b) approve utilizing Delta’s Premium Stabilization Reserve (PSR) credit for the establishment of periodontal maintenance as a preventive benefit and setting the reimbursement level for posterior composite fillings at 80%; the Committee unanimously adopted this motion.


Mr. Montagna presented this report. He stated staff is recommending that the Committee establish an ad hoc subcommittee to work with staff and consultants at Segal and Keenan to undertake a review of the LAwell Program. He explained that the report provides a high level summary of some of the significant changes that have occurred over the last four to five years of the LAwell Program. He highlighted some of these changes including adding a new HMO option, creating a wellness program and the resources to make it sustainable, electing a new vision service provider, rebranding the EFAP and selecting a new EFAP service provider, and transitioning to a new benefits third-party administrator.

He stated that significant progress has been made in working with the LAwell Program’s various service providers to establish goals and metrics for measuring success in improving member outcomes. He added that this new focus on measuring success represents a significant advancement for the program as service providers move away from the legacy “turnkey” administrative approach to a goals-driven philosophy of managing member outcomes.

Mr. Montagna stated that with this framework in place, staff proposed reviewing the benefits menu to examine opportunities to evolve to better meet the needs of the City’s employees. He stated that to meet this goal, staff is recommending an ad hoc plan design subcommittee be established to begin this extensive review and dialogue. David Sanders inquired who would participate in the subcommittee. Mr. Montagna stated that two representatives are needed from management and two representatives are needed from labor. Mr. Llewellyn and Ms. Wendy Macy volunteered to serve as management representatives and Mr. Sanders and Ms. Marleen Fonseca volunteered to serve as labor representatives.

A motion was made by Tony Royster and seconded by Marleen Fonseca to establish an Ad Hoc Plan Design Subcommittee directed to work with staff and LAwell Program consultants to (a) assess the current status of the LAwell Program plan and benefit menu design; (b) identify best practices in other comparable employer-sponsored programs; and (c) recommend strategies for design improvements consistent with the staffing and administrative resources available to support the LAwell Program; the Committee unanimously adopted this motion.
5. Committee Report 19-21: Benefits Third-Party Administrator (TPA) Transition Update

Jenny Yau presented this report. She began by stating that it has been about a month and half since the new benefits member portal and administration system went live on April 1. Ms. Yau added that staff has received very good feedback on the ease of use of the member portal and the new features that are available on the site such as the ability to upload dependent verification documentation and download confirmation statements. Ms. Yau stated that on the administration side, City and Morneau staff are still working through some data clean-up efforts as a result of some incomplete data that was sent from the prior TPA, Mercer. She stated that this data clean-up is expected to be completed by the end the month.

Next, Ms. Yau provided an update regarding the transition-related communications that were completed prior to the April 1 launch and some of the outstanding communications that are planned. She explained that the first communication that was sent to the membership was an announcement postcard regarding the TPA change, which was mailed to all civilian City employees on March 26. She added that staff also distributed worksite posters to City departments to display at various City worksite locations providing members with the new call center phone number and information on how to register for the new benefits member portal. She added that two instructional videos were also posted on the member portal and on www.keepingLAWell.com. She explained that the first video provides instructions on how to register an account on the new member portal and the second video provides a step by step guide on how to use the new member portal.

Ms. Yau next discussed the follow-up announcement guide. She explained that the announcement guide provides details regarding the transition and highlights the new service enhancements available on the member portal including the ability to upload documentation, review current coverage and plan information, and review outstanding actions. She added that staff invited City labor organizations to add the name of their organizations and logo to the guide and several labor organizations have expressed interest. She further explained that staff will coordinate this customized mailing with Morneau Shepell and anticipates it will be mailed by the end of June/early July.

Ms. Yau then introduced Kevin Kanoon, Vice-President of Administrative Solutions with Morneau Shepell to provide an update on the call center and web activity since the April 1 go-live. Mr. Kanoon began by providing call center statistics. He stated that the call center took 1,400 calls in April with an average handle time of 13 minutes. He explained that the call volume and average handle time was high due to the transition but that Morneau was prepared for this by over staffing representatives in the call center. He added that the call center received a 96% satisfaction rating and a 4% unsatisfactory rating from members. Mr. Kanoon explained that Morneau is working with Employee Benefits Division staff to address the concerns for the unsatisfactory ratings and to make improvements in the call center accordingly. Ms. Macy inquired regarding the
primary reasons members were calling the call center. Mr. Kanoon replied that the top two call drivers for the month of April were related to benefit plans and password resets.

Mr. Sanders inquired about the incomplete conversion data that was sent from Mercer to Morneau. Ms. Yau responded that Mercer sent all of the data and the Morneau team is in the process of formatting the last of that data to upload to their administration system. Mr. Sanders asked if any member benefits coverage was impacted in the transition. Ms. Yau replied that any members that were impacted and members who contacted the benefits office with coverage issues were resolved immediately.

A motion was made by Marleen Fonseca and seconded by Richard Llewellyn to receive and file the final LAwell Program benefits TPA transition update for April 2019; the Committee unanimously adopted this motion.


Ms. Yau presented this report. She stated that staff is requesting approval of reimbursement of salary costs for five positions providing direct administrative support of the LAwell Civilian Benefits Program and LIVEwell Program. She stated that the total amount to be reimbursed from the Employee Benefits Trust Fund is about $556,000 which will cover the first, second, and third quarters of fiscal year 2018-19. Ms. Yau explained that once the fourth quarter closes after June, staff will return to the Committee to request reimbursement for the remainder of fiscal year of 2018-19.

A motion was made by Richard Llewellyn and seconded by David Sanders to approve reimbursements from the (a) Employee Benefits Trust Fund for Personnel Department salary costs of staff providing direct administrative support of the LAwell Program in the total amount of $302,885.89 inclusive of the first, second, and third quarters of fiscal year 2018-19; 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 $253,354.56 inclusive of the first, second, and third quarters of fiscal year 2018-19; the Committee unanimously adopted this motion.


Ms. Yau presented this report. She began by stating that staff was informed that Morneau Shepell, the City’s new benefits TPA provider has signed an agreement with Mercer to acquire its stand-alone large market health and defined benefit pension administration business in the United States. She added that Mercer was the City’s prior benefits TPA and the acquisition is expected to close in the third quarter of 2019. She further stated that Morneau indicates there will be no service impact to the City.

Ms. Yau then provided an update on the refunds project. She stated that staff continues to make progress on issuing refunds to the remaining 3,000 members that required
further research and verification before their refund could be processed. She added that staff worked with LACERS to send a communication to the retired population and staff was able to verify about 900 affidavits received from these members. She explained that staff worked with the Controller’s Office to issue refunds for these 900 members on May 15. She indicated staff continues to work on reaching out to the remaining 2,100 members by collecting address information from Lexis-Nexis.

Next, Ms. Yau discussed the JLMBC bylaws review. She explained that last year the Committee established an ad hoc subcommittee to review the bylaws and staff has completed a draft of the proposed revisions of the bylaws. She added that the next step is to convene the subcommittee for review and discussion of the draft document this summer and any recommendations adopted by the subcommittee will then be presented to the full Committee for consideration.

Ms. Yau provided an update on the next round of Requests for Proposals (RFP) that are approaching soon. She stated that at the February meeting, the Committee approved a five year procurement schedule for 2019-2023 for the City’s benefit service providers and consultants. She explained the procurement schedule includes a timeline for RFP development based on the proposed contract start date. Ms. Yau indicated that the first RFP that will be released as part of this schedule is for benefits plan administration and communications consulting services, which is anticipated to be presented to the Committee at its August meeting.

Ms. Yau then provided an update on the proposed JLMBC meeting calendar for 2019. She stated that there is no current meeting scheduled for June and the meeting in July is close to a holiday, therefore staff will coordinate with Committee members to reschedule the July meeting.

Lastly, Ms. Yau provided an update regarding Employee Benefits Division staffing. She introduced Ariana Alvarez as a new Member Service Representative who started on April 15 and explained that Ms. Alvarez will be assisting members with the last name beginning with the letter N to V. The Committee welcomed Ms. Alvarez.

A motion was made by Tony Royster and seconded by Marleen Fonseca to receive and file projects and activities report regarding informational items, project updates, staffing summary, and complete projects/meeting calendar for April 2019; the Committee unanimously adopted this motion.

8. REQUEST FOR FUTURE AGENDA ITEMS

None.

9. NEXT MEETING DATE

A meeting was noted for May 29, 2019 at 2:00 p.m.
10. ADJOURNMENT

The meeting was adjourned at 3:16 p.m.

Minutes prepared by staff member Gabriela Cortes.