Date: May 31, 2018
To: Joint Labor-Management Benefits Committee
From: Staff
Subject: Adoption of LAwell Civilian Benefits Program Plan Year 2019

RECOMMENDATION
That the JLMBC:

A. Annual Service Provider Rate Renewals – Recommend to the General Manager Personnel Department approval of 2019 service provider renewals for LAwell Civilian Benefits Program service providers:
   (1) Kaiser Permanente for a 0.0% renewal in 2019 and accompanying 2.5% rate cap in 2020 for the Staff Model Health Maintenance Organization (HMO) plan.
   (2) Anthem Blue Cross for renewals of the Preferred Provider Option (PPO) (+7.28%), Narrow Network HMO (+2.44%), Full Network HMO (+2.44%), and Vivity HMO (-9.79%) plans.
   (3) Delta Dental for a 0% renewal of LAwell Dental PPO, HMO, and Preventive plans.
   (4) EyeMed for a 0% renewal of the LAwell Vision Plan.
   (5) Optum for a -1.68% rate change as the proposed new provider for the Employee Assistance Program (EAP).
   (6) WageWorks for a 0% renewal of LAwell Tax-Advantaged Spending Accounts services.

B. Plan Design Changes – Approve recommended plan design changes for Plan Year 2019:
   (1) Basic Disability Insurance – Increase the monthly basic disability maximum benefit amount by $67 from $3,201 to $3,268.
   (2) Healthcare Flexible Spending Accounts (HFSA) – Increase the annual maximum contribution for the HFSA by $50 from $2,600 to $2,650.


DISCUSSION
This report provides information and recommendations regarding decision points for service provider renewals and plan design changes for the 2019 LAwell Civilian Benefits Program (LAwell Program). Following is a summary of JLMBC actions to date relative to (a) the development and status of procurements for Tax-Advantaged Spending Accounts and EAP services and (b) service provider renewals:
• **October 5, 2017** – the JLMBC approved Requests for Proposals (RFP) for Tax-Advantaged Spending Accounts and EAP services.

• **April 5, 2018** – the JLMBC recommended to the General Manager Personnel Department that WageWorks be selected as the provider of Tax-Advantaged Spending Accounts services for the LAwell Program.

• **May 3, 2018** – the JLMBC reviewed preliminary information regarding 2019 medical plan renewals presented by staff and the JLMBC’s consultant Segal Consulting (Segal).

• **May 17, 2018** – the JLMBC reviewed a full medical plan renewal analysis presented by Segal and provided direction to staff relative to finalizing the proposed renewals.

### A. 2019 SERVICE PROVIDER RENEWALS

Each year the JLMBC reviews and makes recommendations regarding LAwell Program service provider renewals for the following Plan Year. Below is a list of LAwell Program service providers and summary of renewal proposals recommended for adoption by the JLMBC:

<table>
<thead>
<tr>
<th>Provider</th>
<th>Benefit Plan</th>
<th>JLMBC Recommendations for 2019 Plan Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser Permanente</td>
<td>Staff Model HMO</td>
<td>Approval of 0.0% renewal in 2019 and accompanying 2.5% rate cap in 2020</td>
</tr>
<tr>
<td>Anthem Blue Cross</td>
<td>Preferred Provider Option (PPO)</td>
<td>Approval of 7.28% premium increase</td>
</tr>
<tr>
<td>Anthem Blue Cross</td>
<td>Full Network HMO</td>
<td>Approval of 2.44% premium increase</td>
</tr>
<tr>
<td>Anthem Blue Cross</td>
<td>Narrow Network HMO</td>
<td>Approval of 2.44% premium increase</td>
</tr>
<tr>
<td>Anthem Blue Cross</td>
<td>Regional Network HMO (Vivity)</td>
<td>Approval of -9.79% premium reduction</td>
</tr>
<tr>
<td>Delta Dental</td>
<td>Dental HMO/PPO/Preventive Plans</td>
<td>Approval of 0.0% renewal</td>
</tr>
<tr>
<td>EyeMed</td>
<td>Vision Plan</td>
<td>Approval of 0.0% renewal</td>
</tr>
<tr>
<td>Optum</td>
<td>Employee Assistance Program</td>
<td>Approval of -1.68% rate reduction as new provider of EAP services</td>
</tr>
<tr>
<td>WageWorks</td>
<td>Tax-Advantaged Spending Accounts</td>
<td>Approval of 0.0% renewal</td>
</tr>
</tbody>
</table>

1. **Kaiser Permanente (Staff Model HMO)**

**Premium Renewal** – The service provider for the LAwell Program Staff Model HMO plan is Kaiser Permanente (Kaiser). Kaiser submitted correspondence on April 13, 2018, indicating that it was offering two options for its renewal for Plan Year 2019:

- Option A proposed a 0.0% renewal in 2019 with an accompanying 3.5% rate cap in 2020.
- Option B proposed a -3.13% premium reduction in 2019 with no rate cap in 2020.

At its May 17, 2018 meeting, an overview of key factors impacting the renewal was included within a report/presentation from Segal (Attachment A). The JLMBC reviewed and discussed with both Segal and Kaiser factors impacting the renewal related to utilization, claims trend, margin, pooling charges, and retention. The JLMBC further discussed considerations relative to selecting from the two options proposed by Kaiser. Following this discussion, the JLMBC provided direction to proceed with Kaiser’s Option A based on the following:
(1) **City Premium Stability** - A second-year rate cap for Kaiser in 2020 provides stability and predictability in planning for future City benefits costs.

(2) **Member Premium Stability** - The Kaiser family rate represents the maximum subsidy for all City plans; as such, any reduction in the premium reduces the amount of subsidy provided to the non-Kaiser plans and thus can magnify the impact of any rate increases for plans or tier levels involving a member contribution.

(3) **Multi-Year Rate Arrangements** – Considering that the JLMBC has implemented multi-year rate guarantees with all other benefit service providers (Anthem, Delta, EyeMed, the Standard and WageWorks), establishing a multi-year arrangement with Kaiser as well establishes an important precedent in support of ongoing pricing stability for the LAwell Program.

Following the May 17, 2018 discussion, Segal negotiated with Kaiser to reduce the 2020 rate cap to 2.5%, providing further value and City/member premium stability. Given the JLMBC’s prior direction and the enhanced 2020 rate cap, staff recommends that the JLMBC recommend to the General Manager Personnel Department approval of a 0.0% renewal in 2019 and accompanying 2.5% rate cap in 2020 for the Staff Model HMO plan.

Kaiser’s renewal reflects suspension of the Affordable Care Act (ACA) Health Insurer fee in 2019 and includes $1 million in annual discretionary wellness funds to support the City’s health and wellness initiatives. Plan Year 2019 represents the final year of the initial three-year contracting period with Kaiser. Staff and Segal will work with Kaiser and develop future recommendations related to consideration of extension of the Kaiser contract for Plan Years 2020-2021 and incorporating any future renewal conditions related thereto.

2. **Anthem Blue Cross (PPO, Narrow Network HMO, Full Network HMO, and Vivity HMO)**

**Premium Renewal** – The service provider of the LAwell Civilian Benefits Program PPO, Narrow Network HMO, Full Network HMO, and Vivity HMO plans is Anthem Blue Cross (Anthem). Anthem initially calculated a 4.28% aggregate premium rate increase for all plans for Plan Year 2019, including a 10.2% increase in PPO premiums. Following discussions with staff and Segal, Anthem submitted correspondence on April 13, 2018, proposing a 3.67% aggregate premium rate increase for all plans for Plan Year 2019. Within that correspondence, Anthem reduced its proposed PPO increase from 10.2% to 8.0% in support of the City’s ongoing objectives for PPO premium stability and to reflect initiatives jointly established by the City and Anthem in 2018 to promote improved service and member outcomes for the PPO Plan.

Anthem’s initial renewal reflected the following premium rate differentials:

<table>
<thead>
<tr>
<th>Plan</th>
<th>Premium Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPO</td>
<td>+8.0%</td>
</tr>
<tr>
<td>Narrow Network</td>
<td>+4.16%</td>
</tr>
<tr>
<td>Full Network</td>
<td>+4.16%</td>
</tr>
<tr>
<td>Vivity</td>
<td>-8.48%</td>
</tr>
</tbody>
</table>
Following further review and negotiation between Anthem and Segal and adjustments based on lower claims trend assumptions, Anthem refined its renewal to reflect the following proposed final premium rate differentials:

<table>
<thead>
<tr>
<th>Plan</th>
<th>Premium Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPO</td>
<td>+7.28%</td>
</tr>
<tr>
<td>Narrow Network</td>
<td>+2.44%</td>
</tr>
<tr>
<td>Full Network</td>
<td>+2.44%</td>
</tr>
<tr>
<td>Vivity</td>
<td>-9.79%</td>
</tr>
</tbody>
</table>

At its May 17, 2018 meeting, an overview of key factors impacting the renewal was presented by Segal. The JLMBC reviewed and discussed with both Segal and Anthem factors impacting the renewal related to utilization, claims trend, margin, pooling charges, and retention. Following the May 17, 2018 discussion, **staff recommends that the JLMBC recommend to the General Manager Personnel Department approval of Anthem’s proposed premium rate changes for Plan Year 2019 for the Anthem PPO (7.28%), Full Network HMO (2.44%), Narrow Network HMO (2.44%), and Vivity HMO (-9.79%) plans.**

Anthem’s renewal reflects suspension of the Affordable Care Act (ACA) Health Insurer fee in 2019 and includes $1 million in annual discretionary wellness funds to support the City’s health and wellness initiatives. Plan Year 2019 represents the final year of the initial three-year contracting period with Anthem. Staff and Segal will work with Anthem and develop future recommendations related to consideration of extension of the Anthem contract for Plan Years 2020-2021 and incorporating any future renewal conditions thereto.

3. **Delta Dental (Dental HMO, PPO, Preventive Care Plan)**

   In 2016, following a procurement process, the City selected Delta Dental (Delta) to be the provider of the LAwell Civilian Benefits Program’s HMO, PPO, and Preventive Care (Preventive) options. Delta’s proposal included a multi-year rate guarantee for plan years 2017, 2018, and 2019. As a result, **staff recommends that the JLMBC recommend to the General Manager Personnel Department approval of a 0% renewal of Dental HMO, PPO, and Preventive plans.**

   Plan Year 2019 represents the final year of the initial three-year contracting period with Delta. Staff and Segal will work with Delta and develop future recommendations related to consideration of extension of the Delta contract for Plan Years 2020-2021 and incorporating any future renewal conditions related thereto.

4. **EyeMed (Vision Plan)**

   In 2016, following a procurement process, the City selected EyeMed to be the provider of the LAwell Civilian Benefits Program stand-alone vision plan. EyeMed’s proposal included a multi-year rate guarantee for plan years 2017, 2018, and 2019. As a result, **staff recommends that the JLMBC recommend to the General Manager Personnel Department approval of a 0% renewal of the Vision Plan.**
Plan Year 2019 represents the final year of the initial three-year contracting period with EyeMed. Staff and Segal will work with EyeMed and develop future recommendations related to consideration of extension of the EyeMed contract for Plan Years 2020-2021 and incorporating any future renewal conditions related thereto.

5. Optum (Employee Assistance Program)

The current service provider of EAP services is Managed Health Network (MHN). An RFP for EAP services was released on December 31, 2017. At its May 17, 2018 meeting, staff presented its findings and recommendation to the JLMBC that Optum be selected as the service provider for the EAP and that Optum be invited to make a presentation to the JLMBC at its May 31, 2018 meeting (see JLMBC Report 18-30). Staff recommends that the JLMBC recommend to the General Manager Personnel Department approval of Optum’s -1.68% rate reduction as the proposed new provider for the EAP.

6. WageWorks (Tax-Advantaged Spending Accounts)

The current service provider of LAwell Civilian Benefits Program Tax-Advantaged Spending Accounts services is WageWorks. These spending accounts include the Healthcare Flexible Spending Account (HFSA), Dependent Care Reimbursement Account (DCRA), Transit Spending Account (TSA), and Parking Spending Account (PSA).

An RFP for these services was released on December 13, 2017. At its April 5, 2018 meeting, the JLMBC recommended that Wageworks be selected as the service provider for the LAwell Civilian Benefits Program Tax-Advantaged Spending Accounts. As Wageworks made no changes to its current contract rates, staff recommends that the JLMBC recommend to the General Manager Personnel Department approval of a 0.0% renewal of Tax-Advantaged Spending Accounts services.

B. PLAN DESIGN CHANGES

1. Basic Disability Insurance (Maximum Benefit Amount)

The LAwell Program has been providing its members with basic disability insurance since 1998. The basic disability insurance coverage generally provides eligible employees with replacement income of up to 50% of the employee’s salary, or $3,201 per month, whichever is less, for up to 24 months.

Each year the JLMBC reviews and adopts a maximum monthly benefit amount for the new Plan Year. The 2018 maximum benefit amount is $3,201 per month. Since this benefit was first offered, the basic disability insurance maximum benefit amount has been adjusted upward annually at a rate equivalent to civilian employee cost of living salary adjustments. Per the Office of the City Administrative Officer (CAO), the average weighted salary increase for 2018 is 2.09%.
Applying this weighted percentage increase will result in an increase to the current basic disability maximum benefit amount of $67 to $3,268 in Plan Year 2019. Following is a summary of the basic disability maximum benefit amount, dollar increase, and percentage increase, from 2007 to the present.

<table>
<thead>
<tr>
<th>Plan year</th>
<th>Disability Maximum Benefit Amount</th>
<th>Dollar Increase Over Prior Plan Year</th>
<th>Percent Increase Over Prior Plan Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$2,709</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2008</td>
<td>$2,763</td>
<td>$54</td>
<td>1.99%</td>
</tr>
<tr>
<td>2009</td>
<td>$2,807</td>
<td>$44</td>
<td>1.59%</td>
</tr>
<tr>
<td>2010</td>
<td>$2,913</td>
<td>$106</td>
<td>3.78%</td>
</tr>
<tr>
<td>2011</td>
<td>$2,998</td>
<td>$85</td>
<td>2.92%</td>
</tr>
<tr>
<td>2012</td>
<td>$3,014</td>
<td>$16</td>
<td>0.53%</td>
</tr>
<tr>
<td>2013</td>
<td>$3,014</td>
<td>Frozen</td>
<td>0.00%</td>
</tr>
<tr>
<td>2014</td>
<td>$3,059</td>
<td>$45</td>
<td>1.49%</td>
</tr>
<tr>
<td>2015</td>
<td>$3,102</td>
<td>$43</td>
<td>1.41%</td>
</tr>
<tr>
<td>2016</td>
<td>$3,129</td>
<td>$27</td>
<td>0.87%</td>
</tr>
<tr>
<td>2017</td>
<td>$3,166</td>
<td>$37</td>
<td>1.20%</td>
</tr>
<tr>
<td>2018</td>
<td>$3,201</td>
<td>$35</td>
<td>1.10%</td>
</tr>
<tr>
<td>2019</td>
<td>$3,268</td>
<td>$67</td>
<td>2.09%</td>
</tr>
</tbody>
</table>

Based on the average weighted salary increase for 2018 of 2.09%, staff recommends that the monthly basic disability maximum benefit amount be increased by $67 from $3,201 to $3,268.

2. Healthcare Flexible Spending Account Maximum Contribution

In October 2017 the IRS issued Revenue Procedure 2017-58 which increased the maximum HFSA contribution by $50 from $2,600 to $2,650 effective for plan years beginning on or after January 1, 2018. As the IRS announcement was issued after all final decisions for Plan Year 2018 needed to be made by July 1, 2017, the maximum contribution limit remained at $2,600. To provide the benefit of the higher contribution limit to members in Plan Year 2019, staff recommends that the JLMBC increase the annual maximum contribution for the HFSA by $50 from $2,600 to $2,650.

C. Projected Benefit Expenditures 2019

Based on the proposed renewals addressed in this report, current and assumed enrollment changes, and current benefit elections, a projection of LAwell Program costs for Plan Year 2019 is provided as follows. Actual costs will further vary by changes in enrollment and member benefit elections that occur throughout the year, particularly elections made during Open Enrollment 2018.
### PLAN YEAR 2019

<table>
<thead>
<tr>
<th>Program</th>
<th>Employer Portion</th>
<th>Employee Portion</th>
<th>Total Premiums</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>$333,621,742</td>
<td>$19,711,705</td>
<td>$353,333,447</td>
</tr>
<tr>
<td>Dental</td>
<td>$11,232,211</td>
<td>$10,279,120</td>
<td>$21,511,331</td>
</tr>
<tr>
<td>Vision</td>
<td>$3,006,845</td>
<td>-</td>
<td>$3,006,845</td>
</tr>
<tr>
<td>Life</td>
<td>$261,602</td>
<td>$76,439</td>
<td>$338,041</td>
</tr>
<tr>
<td>Disability</td>
<td>$6,287,500</td>
<td>$5,111,448</td>
<td>$11,398,948</td>
</tr>
<tr>
<td>EAP</td>
<td>$1,667,736</td>
<td>-</td>
<td>$1,667,736</td>
</tr>
<tr>
<td>AD&amp;D</td>
<td>-</td>
<td>$1,248,432</td>
<td>$1,248,432</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$356,077,636</strong></td>
<td><strong>$36,427,144</strong></td>
<td><strong>$392,504,780</strong></td>
</tr>
</tbody>
</table>

On a Fiscal Year basis, for Fiscal Year 2018-2019 Civilian expenditures are expected to total approximately $286.2 million. This figure excludes EAP costs, which are a separate item in the City’s Human Resources Benefits (HRB) accounts.

Submitted by: ____________________________  

Steven Montagna
City of Los Angeles

2019 Health Plan Renewals

May 17, 2018

Presented by Stephen Murphy & Robert Mitchell
Agenda

- Enrollment Distribution
- 2019 Kaiser Renewal
- 2019 Anthem Renewal
Enrollment Distribution
Enrollment Distribution

2017: 25,339*

2018: 26,131*

* Graphs do not account for employees in Direct Bill Partial/Full Termination status

Cash in Lieu  |  Anthem Narrow  |  Anthem Full Network  |  Anthem PPO  |  Anthem Vivity  |  Kaiser

55%  |  26%  |  10%  |  <1%  |  6%  |  3%  |  5.3%  |  24.4%  |  9.7%  |  4.9%  |  0.4%
2019 Kaiser Renewal
2019 Kaiser Permanente Renewal

- **Experience Period**
  - **Current:** January 2017 – December 2017
  - **Prior:** January 2016 – December 2016

- City’s current member demographic factor improved slightly (0.6%) compared to the experience period

- Total Cost Per Member Per Month (PMPM) for the City increased slightly by 0.1%, which is lower than the average Kaiser PMPM increase for 2017 of 3.7%

- **Other Observations**
  - Pharmacy costs on a PMPM basis declined by 7.4%  
    - A 20.3% reduction in specialty medications were a contributing factor
  - Inpatient admissions per 1,000 members were down 6.8%, and the average length of stay declined by 12.0%
  - City members with claims exceeding $675,000 decreased from 7 in 2016 to 2 in 2017  
    - One claimant incurred almost $2.5 million in expenses during 2017

**SIGNIFICANT DECREASE IN THE NUMBER OF CATASTROPHIC CLAIMS**

<table>
<thead>
<tr>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;$675,000</td>
<td></td>
</tr>
</tbody>
</table>

During 2017 aggregate claims in excess of the $675,000 individual catastrophic pooling level totaled $3.0 million.
Proposed Renewal

- Includes $1M in annual discretionary wellness funds to support the City’s health and wellness initiatives.

- ACA fees
  - Renewal options reflect suspension of the ACA Health Insurer Fee during 2019.
  - The Patient-Centered Outcomes Research Institute (PCORI) fee was eliminated in 2019.

Option A

- No increase to current premium rates for 2019; Second-year not to exceed rate cap of 3.5%.
  - Proposed rate cap does not include the impact of any applicable ACA fees in 2020.

Option B

- 3.13% decrease to the current premium rates; No second-year rate cap.
2019 Kaiser Permanente Renewal – Option A

- Based on no rate increase for 2019
- Aggregate premiums based on March 2018 enrollment as provided by the City and the contribution structure for full-time employees

### Aggregate Premiums

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>$ Difference</th>
<th>% Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Premiums</td>
<td>$193,925,300</td>
<td>$193,925,300</td>
<td>$ -</td>
<td>0.0%</td>
</tr>
<tr>
<td>Employee Cost</td>
<td>$5,110,700</td>
<td>$5,110,700</td>
<td>$ -</td>
<td>0.0%</td>
</tr>
<tr>
<td>City Cost</td>
<td>$188,814,600</td>
<td>$188,814,600</td>
<td>$ -</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

### LAwell Plan

#### Cost per Pay Period

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>$ Difference</th>
<th>% Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Only</td>
<td>$305.85</td>
<td>$305.85</td>
<td>$ -</td>
<td>0.0%</td>
</tr>
<tr>
<td>Employee + Spouse / DP</td>
<td>$672.81</td>
<td>$672.81</td>
<td>$ -</td>
<td>0.0%</td>
</tr>
<tr>
<td>Employee + Child(ren)</td>
<td>$611.70</td>
<td>$611.70</td>
<td>$ -</td>
<td>0.0%</td>
</tr>
<tr>
<td>Family</td>
<td>$795.18</td>
<td>$795.18</td>
<td>$ -</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
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<td>$ -</td>
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<tr>
<td>Family</td>
<td>$795.18</td>
<td>$795.18</td>
<td>$ -</td>
<td>0.0%</td>
</tr>
</tbody>
</table>
2019 Kaiser Permanente Renewal – Option B

- Based on a -3.13% rate decrease for 2019
- Aggregate premiums based on March 2018 enrollment as provided by the City and the contribution structure for full-time employees

### Aggregate Premiums

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>$ Difference</th>
<th>% Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Premiums</td>
<td>$ 193,925,300</td>
<td>$ 187,863,200</td>
<td>$ (6,062,100)</td>
<td>-3.1%</td>
</tr>
<tr>
<td>Employee Cost</td>
<td>$ 5,110,700</td>
<td>$ 4,951,100</td>
<td>$ (159,600)</td>
<td>-3.1%</td>
</tr>
<tr>
<td>City Cost</td>
<td>$ 188,814,600</td>
<td>$ 182,912,100</td>
<td>$ (5,902,500)</td>
<td>-3.1%</td>
</tr>
</tbody>
</table>

### Cost per Pay Period

#### LAwell Plan

<table>
<thead>
<tr>
<th></th>
<th>2018 ($305.85)</th>
<th>2019 ($296.29)</th>
<th>$ Difference</th>
<th>% Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Only</td>
<td>$</td>
<td>$</td>
<td>$ (9.56)</td>
<td>-3.1%</td>
</tr>
<tr>
<td>Employee + Spouse / DP</td>
<td>$ 672.81</td>
<td>$ 651.78</td>
<td>$ (21.03)</td>
<td>-3.1%</td>
</tr>
<tr>
<td>Employee + Child(ren)</td>
<td>$ 611.70</td>
<td>$ 592.58</td>
<td>$ (19.12)</td>
<td>-3.1%</td>
</tr>
<tr>
<td>Family</td>
<td>$ 795.18</td>
<td>$ 770.32</td>
<td>$ (24.86)</td>
<td>-3.1%</td>
</tr>
</tbody>
</table>

#### LAwell Pay Plan

<table>
<thead>
<tr>
<th></th>
<th>2018 ($305.85)</th>
<th>2019 ($296.29)</th>
<th>$ Difference</th>
<th>% Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Only</td>
<td>$</td>
<td>$</td>
<td>$ (9.56)</td>
<td>-3.1%</td>
</tr>
<tr>
<td>Employee + Spouse / DP</td>
<td>$ 672.81</td>
<td>$ 651.78</td>
<td>$ (21.03)</td>
<td>-3.1%</td>
</tr>
<tr>
<td>Employee + Child(ren)</td>
<td>$ 611.70</td>
<td>$ 592.58</td>
<td>$ (19.12)</td>
<td>-3.1%</td>
</tr>
<tr>
<td>Family</td>
<td>$ 795.18</td>
<td>$ 770.32</td>
<td>$ (24.86)</td>
<td>-3.1%</td>
</tr>
</tbody>
</table>
# 2019 Kaiser Permanente Renewal

## Premium Rate Development Factors

<table>
<thead>
<tr>
<th></th>
<th>Kaiser</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Claims Trend</strong></td>
<td>4.8%</td>
<td>Segal annually surveys over 100 health insurers and managed care organizations nationally to monitor average trend forecasts. Kaiser's trend calculation differs from other insurers, primarily due to their global budgeting process, which projects their internal costs per unit of service. Kaiser’s trend figure is reasonable based on Segal annual surveys and the Kaiser staff model.</td>
</tr>
<tr>
<td><strong>Margin</strong></td>
<td>0.0%</td>
<td>Based on the City's total enrollment, Segal agrees that no margin is recommended in the renewal calculation.</td>
</tr>
<tr>
<td><strong>Other Charges (% of 2019 premium)</strong></td>
<td>0.8%</td>
<td>Kaiser is globally increasing the large claim pooling threshold nearly 4.0% from $650,000 to $675,000. They are also increasing the annual cost by 5.0% on a PMPM basis. The new pooling level increases the City's liability during future renewals while also increasing premium costs. An exception was requested on behalf of the City, but Kaiser declined.</td>
</tr>
<tr>
<td><strong>ACA Insurer and PCORI Fees</strong></td>
<td>0.0%</td>
<td>The ACA Insurer tax has been suspended for the 2019 plan year. The PCORI is not applicable as of the 2019 plan year.</td>
</tr>
<tr>
<td><strong>Retention (% of 2019 premium)</strong></td>
<td>5.8%</td>
<td>Kaiser's annual retention expenses are increasing by nearly 4.0%. Segal targets retention increases between 3.0% - 5.0%. While Kaiser’s request is within our target range, Segal asked for a reduction to 3% to more closely align with the Consumer Price Index for All Urban Consumers (CPI-U) rate.</td>
</tr>
</tbody>
</table>
**Premium Rate Increase History**

**Kaiser**

Premium rates include the ACA Health Insurer fee for all years, except 2017 and 2019.

---

**Kaiser Family Rate Increase/Decrease**

- **2014**: 7.9%
- **2015**: 0.4%
- **2016**: 4.6%
- **2017**: 5.4%
- **2018**: 1.9%
- **2019**: -3.1%

---

*Renewal Option A includes a Second-Year not to exceed rate cap of 3.5% during 2020.*
2019 Anthem Renewal
2019 Anthem Renewal

➢ Experience Period:
  • Current: March 2017 – February 2018 (Anthem)
  • Prior: January 2016 – December 2016 (Blue Shield)

➢ Experience highlights by plan
  • Paid claims on a PEPM basis before large claim adjustments
    – HMO decreased 20.5%
    – PPO decreased 8.0%
  • City members with claims over $300,000 in the PPO plan decreased from 18 in 2016 to 9 during 3/17-2/18
### 2019 Anthem Renewal – Plan Experience

#### Vivity

<table>
<thead>
<tr>
<th></th>
<th>Premium Count</th>
<th>Premium (Per Subscriber Per Month)</th>
<th>Medical</th>
<th>Rx</th>
<th>Total</th>
<th>Paid Claims and Capitation (Per Subscriber Per Month)</th>
<th>Paid Claims (Per Subscriber Per Month)</th>
<th>Loss Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3/1/2017</td>
<td>750</td>
<td>$816,488</td>
<td>$1,088.65</td>
<td>$477,024</td>
<td>$173,292</td>
<td>$650,316</td>
<td>$636.03</td>
<td>$231.06</td>
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<tr>
<td>4/1/2017</td>
<td>773</td>
<td>$842,378</td>
<td>$1,089.75</td>
<td>$421,413</td>
<td>$142,356</td>
<td>$563,769</td>
<td>$545.17</td>
<td>$184.16</td>
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<tr>
<td>5/1/2017</td>
<td>764</td>
<td>$823,605</td>
<td>$1,078.02</td>
<td>$615,970</td>
<td>$129,271</td>
<td>$745,241</td>
<td>$806.24</td>
<td>$169.20</td>
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<tr>
<td>6/1/2017</td>
<td>788</td>
<td>$844,507</td>
<td>$1,071.71</td>
<td>$548,628</td>
<td>$205,193</td>
<td>$753,820</td>
<td>$696.23</td>
<td>$260.40</td>
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<tr>
<td>7/1/2017</td>
<td>809</td>
<td>$866,996</td>
<td>$1,074.16</td>
<td>$705,723</td>
<td>$145,004</td>
<td>$850,727</td>
<td>$872.34</td>
<td>$179.24</td>
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<tr>
<td>8/1/2017</td>
<td>811</td>
<td>$882,502</td>
<td>$1,084.15</td>
<td>$683,725</td>
<td>$128,664</td>
<td>$812,389</td>
<td>$839.96</td>
<td>$158.06</td>
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<tr>
<td>9/1/2017</td>
<td>831</td>
<td>$884,407</td>
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<td>$608,612</td>
<td>$174,786</td>
<td>$783,597</td>
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<td>$210.33</td>
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<tr>
<td>10/1/2017</td>
<td>832</td>
<td>$882,333</td>
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<td>$564,243</td>
<td>$146,224</td>
<td>$710,467</td>
<td>$678.18</td>
<td>$175.75</td>
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<td>11/1/2017</td>
<td>848</td>
<td>$905,085</td>
<td>$1,067.32</td>
<td>$522,370</td>
<td>$168,570</td>
<td>$690,940</td>
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<td>$198.79</td>
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<td>12/1/2017</td>
<td>859</td>
<td>$890,683</td>
<td>$1,036.88</td>
<td>$556,563</td>
<td>$185,613</td>
<td>$742,376</td>
<td>$647.92</td>
<td>$216.31</td>
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<td>1/1/2018</td>
<td>1,331</td>
<td>$1,561,026</td>
<td>$1,172.82</td>
<td>$789,044</td>
<td>$188,418</td>
<td>$977,462</td>
<td>$592.82</td>
<td>$141.56</td>
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<td>2/1/2018</td>
<td>1,354</td>
<td>$1,605,902</td>
<td>$1,186.04</td>
<td>$784,540</td>
<td>$198,624</td>
<td>$983,164</td>
<td>$579.42</td>
<td>$146.69</td>
</tr>
</tbody>
</table>

**Total (Rolling 12 Month Basis)**

| Mar 17 - Feb 18 | 896 | $11,807,911 | $1,098.10 | $7,278,055 | $1,986,214 | $9,264,269 | $676.84 | $184.71 | 861.55 | 78.5% |

- The target Loss Ratio (i.e., Paid Claims/Premium) is 85.0%. The remainder of premium is allocated to plan administration and risk charges. Loss ratios at or below the target would project renewals consistent with anticipated medical trend. Higher loss ratios would project above average renewals.
### 2019 Anthem Renewal – Plan Experience

**Narrow Network and Full Network HMO Plans**

- The target Loss Ratio (i.e., Paid Claims/Premium) is 85.0%. The remainder of premium is allocated to plan administration and risk charges. Loss ratios at or below the target would project renewals consistent with anticipated medical trend. Higher loss ratios would project above average renewals.

- The paid Loss Ratio based on the prior plan experience with Blue Shield from January 2016 - December 2016 was 89.8%

<table>
<thead>
<tr>
<th>Date</th>
<th>Subscriber Count</th>
<th>Premium (Per Subscriber Per Month)</th>
<th>Paid Claims and Capitation (Per Subscriber Per Month)</th>
<th>Paid Claims (Per Subscriber Per Month)</th>
<th>Loss Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Medical</td>
<td>Rx</td>
<td>Total</td>
</tr>
<tr>
<td>3/1/2017</td>
<td>6,771</td>
<td>$7,137,671</td>
<td>$1,054.15</td>
<td>$5,219,328</td>
<td>$1,611,817</td>
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<td>4/1/2017</td>
<td>6,726</td>
<td>7,092,532</td>
<td>1,054.49</td>
<td>4,917,316</td>
<td>1,216,526</td>
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<tr>
<td>5/1/2017</td>
<td>6,851</td>
<td>7,169,172</td>
<td>1,046.44</td>
<td>5,326,850</td>
<td>1,222,721</td>
</tr>
<tr>
<td>6/1/2017</td>
<td>6,789</td>
<td>7,134,162</td>
<td>1,050.84</td>
<td>4,882,996</td>
<td>1,581,509</td>
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<tr>
<td>7/1/2017</td>
<td>6,810</td>
<td>7,113,341</td>
<td>1,044.54</td>
<td>5,086,059</td>
<td>1,374,246</td>
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<td>8/1/2017</td>
<td>6,923</td>
<td>7,201,615</td>
<td>1,040.24</td>
<td>5,249,134</td>
<td>1,304,866</td>
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<tr>
<td>9/1/2017</td>
<td>6,684</td>
<td>7,015,877</td>
<td>1,049.65</td>
<td>4,392,447</td>
<td>1,787,393</td>
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<td>10/1/2017</td>
<td>6,908</td>
<td>7,178,822</td>
<td>1,039.20</td>
<td>5,179,734</td>
<td>1,562,597</td>
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<tr>
<td>11/1/2017</td>
<td>7,036</td>
<td>7,240,980</td>
<td>1,029.13</td>
<td>4,711,151</td>
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<tr>
<td>12/1/2017</td>
<td>7,007</td>
<td>7,170,880</td>
<td>1,023.39</td>
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<td>1/1/2018</td>
<td>7,051</td>
<td>8,010,644</td>
<td>1,136.10</td>
<td>4,779,744</td>
<td>1,375,722</td>
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<tr>
<td>2/1/2018</td>
<td>7,189</td>
<td>8,171,998</td>
<td>1,136.74</td>
<td>4,877,256</td>
<td>1,337,648</td>
</tr>
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</table>

**Total (Rolling 12 Month Basis)**

<table>
<thead>
<tr>
<th>Mar 17 - Feb 18</th>
<th>Subscriber Count</th>
<th>Premium (Per Subscriber Per Month)</th>
<th>Paid Claims and Capitation (Per Subscriber Per Month)</th>
<th>Paid Claims (Per Subscriber Per Month)</th>
<th>Loss Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Medical</td>
<td>Rx</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>6,895</td>
<td>$87,637,695</td>
<td>$1,059.13</td>
<td>$60,178,216</td>
<td>$17,709,832</td>
</tr>
</tbody>
</table>

---

Segment Consulting
2019 Anthem Renewal – Plan Experience

PPO Plan

<table>
<thead>
<tr>
<th>Subscriber Count</th>
<th>Premium</th>
<th>Premium (Per Subscriber Per Month)</th>
<th>Paid Claims</th>
<th>Paid Claims (Per Subscriber Per Month)</th>
<th>Loss Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Medical</td>
<td>Rx</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Paid Claims</td>
<td>Paid Claims</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3/1/2017</td>
<td>2,589</td>
<td>$3,296,220</td>
<td>$1,273.16</td>
<td>$1,811,841</td>
<td>$750,005</td>
</tr>
<tr>
<td>4/1/2017</td>
<td>2,565</td>
<td>3,244,621</td>
<td>1,264.96</td>
<td>2,466,909</td>
<td>662,515</td>
</tr>
<tr>
<td>5/1/2017</td>
<td>2,578</td>
<td>3,258,963</td>
<td>1,264.14</td>
<td>3,722,573</td>
<td>679,582</td>
</tr>
<tr>
<td>6/1/2017</td>
<td>2,581</td>
<td>3,262,353</td>
<td>1,263.99</td>
<td>2,539,071</td>
<td>825,870</td>
</tr>
<tr>
<td>7/1/2017</td>
<td>2,566</td>
<td>3,253,053</td>
<td>1,267.75</td>
<td>1,694,691</td>
<td>747,659</td>
</tr>
<tr>
<td>8/1/2017</td>
<td>2,581</td>
<td>3,269,133</td>
<td>1,266.61</td>
<td>1,807,414</td>
<td>721,109</td>
</tr>
<tr>
<td>9/1/2017</td>
<td>2,568</td>
<td>3,259,554</td>
<td>1,269.30</td>
<td>1,859,216</td>
<td>921,149</td>
</tr>
<tr>
<td>10/1/2017</td>
<td>2,617</td>
<td>3,305,900</td>
<td>1,263.24</td>
<td>3,565,743</td>
<td>840,070</td>
</tr>
<tr>
<td>11/1/2017</td>
<td>2,630</td>
<td>3,322,719</td>
<td>1,263.39</td>
<td>2,984,077</td>
<td>742,847</td>
</tr>
<tr>
<td>12/1/2017</td>
<td>2,592</td>
<td>3,291,159</td>
<td>1,269.74</td>
<td>2,508,094</td>
<td>914,612</td>
</tr>
<tr>
<td>1/1/2018</td>
<td>2,629</td>
<td>3,667,102</td>
<td>1,394.87</td>
<td>2,804,299</td>
<td>732,948</td>
</tr>
<tr>
<td>2/1/2018</td>
<td>2,662</td>
<td>3,725,386</td>
<td>1,399.47</td>
<td>1,907,625</td>
<td>684,773</td>
</tr>
</tbody>
</table>

Total (Rolling 12 Month Basis)

| Mar 17 - Feb 18  | 2,597   | $40,156,164                      | $1,288.79   | $29,671,553                           | $9,223,141 | $38,894,694 | $952.29 | $296.01 | $1,248.31 | 96.9% |

• The target Loss Ratio (i.e., Paid Claims/Premium) is 85.0%. The remainder of premium is allocated to plan administration and risk charges. Loss ratios at or below the target would project renewals consistent with anticipated medical trend. Higher loss ratios would project above average renewals.

• The paid Loss Ratio based on the prior plan experience with Blue Shield from January 2016 - December 2016 was 114.0%
Anthem’s 2019 Preliminary Renewal Calculation

- Anthem calculated a preliminary aggregate renewal overall increase of **4.28%**
  - The renewal is lower than the 2019 rate cap of 13.00% Anthem included as part of the RFP process
  - Proposed PPO renewal increase of 10.2%
  - Reflects suspension of the ACA Health Insurer fee during 2019

2019 Anthem Initial Renewal Proposal

- Anthem proposed an initial aggregate renewal increase of **3.67%**
  - Proposed PPO renewal increase of 8.0% reflects a discount from the initial calculated renewal increase of 10.2%
    - This investment is intended to promote affordability and attract new PPO participants and represents $0.9 million in savings

2019 Anthem Negotiated Renewal

- As a result of Segal negotiations, Anthem lowered the aggregate renewal increase to **2.29%**
  - Anthem’s revised renewal reflects lower claims trend assumptions
  - Negotiated renewal represents $2.07 million in savings compared to Anthem’s initial renewal proposal
2019 Anthem Renewal – Rate Increases

➢ Anthem’s 2019 renewal projections based on:
  • 3/2017 – 2/2018 claims experience
  • Premium rate development factor assumptions summarized on pages 26-28 (e.g., claims trend projection, administration expenses, taxes, etc.)

➢ Anthem’s renewal increase includes:
  • Impact of the suspension of the ACA fees in 2019 (3.4% of total premium in the 2018 renewal)
  • $1M in annual discretionary wellness funds to support the City’s health and wellness initiatives
### 2019 Anthem Renewal – Rate Increases by Plan

**Vivity HMO**

<table>
<thead>
<tr>
<th>Plan</th>
<th>2019 Anthem Initial Renewal Proposal</th>
<th>2019 Anthem Negotiated Renewal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-8.48%</td>
<td>-9.79%</td>
</tr>
</tbody>
</table>

**Narrow and Full Network HMO**

<table>
<thead>
<tr>
<th>Plan</th>
<th>2019 Anthem Initial Renewal Proposal</th>
<th>2019 Anthem Negotiated Renewal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.00%</td>
<td>4.16%</td>
</tr>
<tr>
<td></td>
<td>0.50%</td>
<td>2.44%</td>
</tr>
</tbody>
</table>

**PPO**

<table>
<thead>
<tr>
<th>Plan</th>
<th>2019 Anthem Preliminary Renewal Calculation</th>
<th>2019 Anthem Initial Renewal Proposal</th>
<th>2019 Anthem Negotiated Renewal</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>10.16%</td>
<td>8.00%</td>
<td>7.28%</td>
</tr>
</tbody>
</table>
2019 Anthem Renewal – Annual Premiums
City Subsidy based on Kaiser Option A – 0% Increase

- Aggregate Premiums are based on March 2018 enrollment provided by the City and the contribution structure for full-time employees.
### City Cost per Pay Period

| Plan          | Full-time Employees |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Vivity HMO**|                     |      |              |              | **Narrow HMO**      |                   |              |              | **Full Network HMO** |                   |              |              | **PPO**            |                   |              |              |                   |      |              |              |
| **Employee Only** | $ 304.07          | $ 274.29 | $(29.78) | -9.8%     | $ 287.07           | $ 294.08 | 7.01 | 2.4%      | $ 318.96           | $ 326.75 | 7.79 | 2.4%      | $ 489.79           | $ 472.91 | 32.10 | 7.3%      | $ 715.66           | $ 715.66 | 0.0%  | 0.0%      |
| **Employee + Spouse / DP** | $ 668.98         | $ 603.46 | $(65.52) | -9.8%     | $ 631.56           | $ 646.99 | 15.43 | 2.4%      | $ 701.73           | $ 718.88 | 17.15 | 2.4%      | $ 715.66           | $ 715.66 | 0.0%  | 0.0%      | $ 715.66           | $ 715.66 | 0.0%  | 0.0%      |
| **Employee + Child(ren)** | $ 577.75         | $ 521.16 | $(56.59) | -9.8%     | $ 545.44           | $ 558.77 | 13.33 | 2.4%      | $ 606.04           | $ 620.85 | 14.81 | 2.4%      | $ 640.81           | $ 525.45 | 35.66 | 7.3%      | $ 715.66           | $ 715.66 | 0.0%  | 0.0%      |
| **Family**    | $ 790.61           | $ 713.17 | $(77.44) | -9.8%     | $ 715.66           | $ 715.66 | 0.0%  | 0.0%      | $ 795.18           | $ 795.18 | -    | 0.0%      | $ 715.66           | $ 715.66 | 0.0%  | 0.0%      | $ 715.66           | $ 715.66 | 0.0%  | 0.0%      |

### City Subsidy based on Kaiser Option A – 0% Increase

- City cost is based on the Anthem premium rate up to the 2019 Kaiser family rate of $1,590.36 per month based Option A (0% increase), or $795.18 per pay period.
# 2019 Anthem Renewal – Employee Cost

**City Subsidy based on Kaiser Option A – 0% Increase**

## LAwell Plan

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<th>Pay Period</th>
<th>Employee Cost per Pay Period</th>
<th>Full-time Employees</th>
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<th>2019</th>
<th>$ Difference</th>
<th>% Difference</th>
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</tr>
<tr>
<td>Employee Only</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>-</td>
<td>0.0%</td>
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<tr>
<td>Employee + Spouse / DP</td>
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<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Employee + Child(ren)</td>
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<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>-</td>
<td>0.0%</td>
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<td>$ 20.27</td>
<td>59.4%</td>
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<td><strong>Narrow HMO</strong></td>
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<tr>
<td>Employee Only</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Employee + Spouse / DP</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Employee + Child(ren)</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Family</td>
<td>$ 31.89</td>
<td>$ 32.68</td>
<td>$ 0.78</td>
<td>2.5%</td>
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<tr>
<td><strong>Full Network HMO</strong></td>
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<tr>
<td>Employee Only</td>
<td>$ 131.43</td>
<td>$ 134.65</td>
<td>$ 3.22</td>
<td>2.4%</td>
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<td></td>
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<tr>
<td>Employee + Spouse / DP</td>
<td>$ 289.13</td>
<td>$ 296.19</td>
<td>$ 7.06</td>
<td>2.4%</td>
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<tr>
<td>Employee + Child(ren)</td>
<td>$ 249.70</td>
<td>$ 255.80</td>
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<tr>
<td>Employee Only</td>
<td>$ -</td>
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<td>$ -</td>
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<td>-</td>
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<tr>
<td>Employee + Spouse / DP</td>
<td>$ 282.38</td>
<td>$ 360.83</td>
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## LAwell Pay Plan

<table>
<thead>
<tr>
<th>Pay Period</th>
<th>Employee Cost per Pay Period</th>
<th>Full-time Employees</th>
<th>2018</th>
<th>2019</th>
<th>$ Difference</th>
<th>% Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vivy HMO</strong></td>
<td></td>
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<td></td>
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<tr>
<td>Employee Only</td>
<td>$ 30.40</td>
<td>$ 27.43</td>
<td>$ (2.97)</td>
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</tr>
<tr>
<td>Employee + Spouse / DP</td>
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<td>$ 69.35</td>
<td>$ (2.45)</td>
<td>-9.8%</td>
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<td></td>
</tr>
<tr>
<td>Employee + Child(ren)</td>
<td>$ 57.77</td>
<td>$ 52.12</td>
<td>$ (5.66)</td>
<td>-9.8%</td>
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<td></td>
</tr>
<tr>
<td>Family</td>
<td>$ 79.06</td>
<td>$ 71.31</td>
<td>$ (7.75)</td>
<td>-9.8%</td>
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<td></td>
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<tr>
<td><strong>Narrow HMO</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Employee Only</td>
<td>$ 31.89</td>
<td>$ 32.68</td>
<td>$ 0.78</td>
<td>2.5%</td>
<td></td>
<td></td>
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<tr>
<td>Employee + Spouse / DP</td>
<td>$ 70.17</td>
<td>$ 71.89</td>
<td>$ 1.72</td>
<td>2.5%</td>
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<tr>
<td>Employee + Child(ren)</td>
<td>$ 60.60</td>
<td>$ 62.09</td>
<td>$ 1.49</td>
<td>2.5%</td>
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<tr>
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<tr>
<td>Employee Only</td>
<td>$ 163.32</td>
<td>$ 167.33</td>
<td>$ 4.01</td>
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<tr>
<td>Employee + Spouse / DP</td>
<td>$ 359.30</td>
<td>$ 368.08</td>
<td>$ 8.78</td>
<td>2.4%</td>
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<td></td>
</tr>
<tr>
<td>Employee + Child(ren)</td>
<td>$ 455.37</td>
<td>$ 483.99</td>
<td>$ 28.62</td>
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<td></td>
</tr>
<tr>
<td>Family</td>
<td>$ 557.82</td>
<td>$ 650.53</td>
<td>$ 92.71</td>
<td>16.6%</td>
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</tr>
<tr>
<td><strong>PPO</strong></td>
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<tr>
<td>Employee Only</td>
<td>$ 48.98</td>
<td>$ 52.54</td>
<td>$ 3.56</td>
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<tr>
<td>Family</td>
<td>$ 557.82</td>
<td>$ 650.53</td>
<td>$ 92.71</td>
<td>16.6%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Employee cost is based on the differential between the 2019 Anthem premium rate and the 2019 Kaiser family rate of $1,590.36 per month based Option A (0% increase), or $795.18 per pay period.
- Some employees may experience above average increases due to no change in the 2019 Kaiser family rate.
2019 Anthem Renewal – Annual Premiums
City Subsidy based on Kaiser Option B – (3.13%) Decrease

- Based on March 2018 enrollment provided by the City and the contribution structure for full-time employees.

- Some employees may experience above average increases due to a (3.13%) decrease in the 2019 Kaiser family rate (since the Kaiser family rate determines the maximum subsidy).

<table>
<thead>
<tr>
<th>Total Premiums</th>
<th>Aggregate Premiums</th>
<th>2018</th>
<th>2019</th>
<th>$ Difference</th>
<th>% Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vivity HMO</td>
<td>$18,293,600</td>
<td>$16,501,800</td>
<td>$ (1,791,800)</td>
<td>-9.8%</td>
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<tr>
<td>Narrow HMO</td>
<td>$85,673,200</td>
<td>$87,766,800</td>
<td>$ 2,093,600</td>
<td>2.4%</td>
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</tr>
<tr>
<td>Full Network HMO</td>
<td>$2,025,700</td>
<td>$2,075,200</td>
<td>$ 49,500</td>
<td>2.4%</td>
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</tr>
<tr>
<td>PPO</td>
<td>$41,608,200</td>
<td>$44,637,500</td>
<td>$ 3,029,300</td>
<td>7.3%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$147,600,700</strong></td>
<td><strong>$150,981,300</strong></td>
<td><strong>$ 3,380,600</strong></td>
<td><strong>2.3%</strong></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Employee Cost</th>
<th></th>
<th>2018</th>
<th>2019</th>
<th>$ Difference</th>
<th>% Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vivity HMO</td>
<td>$704,500</td>
<td>$635,500</td>
<td>$(69,000)</td>
<td>-9.8%</td>
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<tr>
<td>Narrow HMO</td>
<td>$4,254,500</td>
<td>$6,496,700</td>
<td>$ 2,242,200</td>
<td>52.7%</td>
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<tr>
<td>Full Network HMO</td>
<td>$686,800</td>
<td>$742,300</td>
<td>$ 55,500</td>
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<tr>
<td>PPO</td>
<td>$7,323,500</td>
<td>$9,488,100</td>
<td>$ 2,164,600</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$12,969,300</strong></td>
<td><strong>$17,362,600</strong></td>
<td><strong>$ 4,393,300</strong></td>
<td><strong>33.9%</strong></td>
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<table>
<thead>
<tr>
<th>City Cost</th>
<th></th>
<th>2018</th>
<th>2019</th>
<th>$ Difference</th>
<th>% Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vivity HMO</td>
<td>$17,589,100</td>
<td>$15,866,300</td>
<td>$(1,722,800)</td>
<td>-9.8%</td>
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<tr>
<td>Narrow HMO</td>
<td>$81,418,700</td>
<td>$81,270,100</td>
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<tr>
<td>Full Network HMO</td>
<td>$1,338,900</td>
<td>$1,332,900</td>
<td>$(6,000)</td>
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<tr>
<td>PPO</td>
<td>$34,284,700</td>
<td>$35,149,400</td>
<td>$ 864,700</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$134,631,400</strong></td>
<td><strong>$133,618,700</strong></td>
<td><strong>$(1,012,700)</strong></td>
<td><strong>-0.8%</strong></td>
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</table>
2019 Anthem Renewal – City Cost
City Subsidy based on Kaiser Option B – (3.13%) Decrease

<table>
<thead>
<tr>
<th>LAwell Plan</th>
<th>LAwell Pay Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>City Cost per Pay Period</strong></td>
<td><strong>City Cost per Pay Period</strong></td>
</tr>
<tr>
<td><strong>Full-time Employees</strong></td>
<td><strong>Full-time Employees</strong></td>
</tr>
<tr>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td><strong>Vivity HMO</strong></td>
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</tr>
<tr>
<td>Employee Only</td>
<td>$ 304.07</td>
</tr>
<tr>
<td>Employee + Spouse / DP</td>
<td>$ 668.98</td>
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<tr>
<td>Employee + Child(ren)</td>
<td>$ 577.75</td>
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<tr>
<td>Family</td>
<td>$ 790.61</td>
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<tr>
<td>Employee Only</td>
<td>$ 318.96</td>
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<tr>
<td>Employee + Spouse / DP</td>
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<tr>
<td>Employee + Child(ren)</td>
<td>$ 606.04</td>
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<td>Family</td>
<td>$ 795.18</td>
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<tr>
<td><strong>Full Network HMO</strong></td>
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</tr>
<tr>
<td>Employee Only</td>
<td>$ 318.96</td>
</tr>
<tr>
<td>Employee + Spouse / DP</td>
<td>$ 701.73</td>
</tr>
<tr>
<td>Employee + Child(ren)</td>
<td>$ 606.04</td>
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<td>Family</td>
<td>$ 795.18</td>
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<tr>
<td>Family</td>
<td>$ 795.18</td>
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</table>

- City cost is based on the Anthem premium rate up to the 2019 Kaiser family rate of $1,540.64 per month based Option B (-3.13% decrease), or $770.32 per pay period.
### 2019 Anthem Renewal – Employee Cost

**City Subsidy based on Kaiser Option B – (3.13%) Decrease**

#### LAwell Plan

<table>
<thead>
<tr>
<th>Employee Cost per Pay Period</th>
<th>Full-time Employees</th>
<th>2018</th>
<th>2019</th>
<th>$ Difference</th>
<th>% Difference</th>
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<tbody>
<tr>
<td><strong>Vivy HMO</strong></td>
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<td></td>
</tr>
<tr>
<td>Employee Only</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Employee + Spouse / DP</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Employee + Child(ren)</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Family</td>
<td>$ 34.14</td>
<td>$ 79.27</td>
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<td></td>
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</tr>
<tr>
<td>Employee Only</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>-</td>
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</tr>
<tr>
<td>Employee + Spouse / DP</td>
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<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Employee + Child(ren)</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Family</td>
<td>$ 34.14</td>
<td>$ 79.27</td>
<td>$ 45.13</td>
<td>132.2%</td>
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<tr>
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<td></td>
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</tr>
<tr>
<td>Employee Only</td>
<td>$ 131.43</td>
<td>$ 134.65</td>
<td>$ 3.22</td>
<td>2.4%</td>
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<tr>
<td>Employee + Spouse / DP</td>
<td>$ 289.13</td>
<td>$ 296.19</td>
<td>$ 7.06</td>
<td>2.4%</td>
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<tr>
<td>Employee + Child(ren)</td>
<td>$ 249.70</td>
<td>$ 255.80</td>
<td>$ 6.10</td>
<td>2.4%</td>
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<tr>
<td>Family</td>
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<td>$ 53.48</td>
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<td></td>
</tr>
<tr>
<td>Employee Only</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Employee + Spouse / DP</td>
<td>$ 282.38</td>
<td>$ 385.69</td>
<td>$ 103.31</td>
<td>36.6%</td>
<td></td>
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<tr>
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<td>68.4%</td>
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<td>$ 478.30</td>
<td>$ 595.87</td>
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</tr>
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</table>

#### LAwell Pay Plan

<table>
<thead>
<tr>
<th>Employee Cost per Pay Period</th>
<th>Full-time Employees</th>
<th>2018</th>
<th>2019</th>
<th>$ Difference</th>
<th>% Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vivy HMO</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Only</td>
<td>$ 30.40</td>
<td>$ 27.43</td>
<td>$(2.97)</td>
<td>-9.8%</td>
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</tr>
<tr>
<td>Employee + Spouse / DP</td>
<td>$ 66.90</td>
<td>$ 60.35</td>
<td>$(6.55)</td>
<td>-9.8%</td>
<td></td>
</tr>
<tr>
<td>Employee + Child(ren)</td>
<td>$ 57.77</td>
<td>$ 52.12</td>
<td>$(5.66)</td>
<td>-9.8%</td>
<td></td>
</tr>
<tr>
<td>Family</td>
<td>$ 79.06</td>
<td>$ 71.31</td>
<td>$(7.75)</td>
<td>-9.8%</td>
<td></td>
</tr>
<tr>
<td><strong>Narrow HMO</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Only</td>
<td>$ 31.89</td>
<td>$ 32.68</td>
<td>$ 0.78</td>
<td>2.5%</td>
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<tr>
<td>Employee + Spouse / DP</td>
<td>$ 70.17</td>
<td>$ 71.89</td>
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</tr>
<tr>
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<tr>
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<tr>
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<tr>
<td>Employee Only</td>
<td>$ 163.32</td>
<td>$ 167.33</td>
<td>$ 4.01</td>
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</tr>
<tr>
<td>Employee + Spouse / DP</td>
<td>$ 359.30</td>
<td>$ 368.08</td>
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<td>2.4%</td>
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<tr>
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<tr>
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<tr>
<td><strong>PPO</strong></td>
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</tr>
<tr>
<td>Employee Only</td>
<td>$ 48.98</td>
<td>$ 52.54</td>
<td>$ 3.56</td>
<td>7.3%</td>
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</tr>
<tr>
<td>Employee + Spouse / DP</td>
<td>$ 391.90</td>
<td>$ 462.72</td>
<td>$ 70.82</td>
<td>27.9%</td>
<td></td>
</tr>
<tr>
<td>Employee + Child(ren)</td>
<td>$ 214.95</td>
<td>$ 305.07</td>
<td>$ 90.12</td>
<td>41.9%</td>
<td></td>
</tr>
<tr>
<td>Family</td>
<td>$ 557.82</td>
<td>$ 672.90</td>
<td>$ 115.08</td>
<td>20.6%</td>
<td></td>
</tr>
</tbody>
</table>

- Employee cost is based on the differential between the 2019 Anthem premium rate and the 2019 Kaiser family rate of $1,540.64 per month based Option B (-3.13% decrease), or $770.32 per pay period.
- Some employees may experience above average increases due to the decrease in the 2019 Kaiser family rate.
## 2019 Anthem Renewal

### Premium Rate Development Factors - Vivity

<table>
<thead>
<tr>
<th></th>
<th><strong>Anthem</strong></th>
<th></th>
<th><strong>Segal</strong></th>
<th></th>
<th><strong>Comments</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Claims Trend</strong> - Expected future increases in benefit expenses, expressed as a percentage of the prior year’s expense.</td>
<td>7.2%</td>
<td>9.8%</td>
<td><strong>8.1%</strong></td>
<td>7.0%</td>
<td>11.0%</td>
</tr>
<tr>
<td><strong>Margin</strong> - A recommended amount added to the benefit expenses to cover future fluctuations in expenses.</td>
<td>0.0%</td>
<td>0.0%</td>
<td><strong>0.0%</strong></td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Capitation (% of 2019 premium)</strong> Direct to provider risk share compensation to manage patient care.</td>
<td>33.4%</td>
<td>0.0%</td>
<td><strong>26.2%</strong></td>
<td>33.2%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Other Charges (% of 2019 premium)</strong></td>
<td>4.8%</td>
<td>0.0%</td>
<td><strong>3.8%</strong></td>
<td>3.2%</td>
<td>0.0%</td>
</tr>
<tr>
<td>ACA Insurer and PCORI Fees The ACA Insurer tax is used to help fund federal and state exchanges. The PCORI fee is used to fund the Patient Centered Outcomes Research Institute.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Retention (% of 2019 premium)</strong> Administration, other taxes, profit The portion of premium retained by Anthem to cover health plan administration expenses such as billing, member services and marketing.</td>
<td>5.7%</td>
<td></td>
<td>5.8%</td>
<td></td>
<td>On a PMPM basis, Anthem is proposing a 4% increase. Segal targets retention increases between 3%-5%. While Anthem's request is within our target range, Segal asked for a reduction to 3% to more closely align with the Consumer Price Index for All Urban Consumers (CPI-U) rate.</td>
</tr>
<tr>
<td>Wellness Fund Investments to promote City’s employee wellness initiatives</td>
<td>0.9%</td>
<td></td>
<td>0.9%</td>
<td></td>
<td>Includes concierge resource at City Hall and $1,000,000 in funding for City wellness initiatives</td>
</tr>
<tr>
<td>Health &amp; Wellness Fees Investments to promote City’s employee wellness initiatives</td>
<td>0.4%</td>
<td></td>
<td>0.4%</td>
<td></td>
<td>Condition management resources including 24/7 Nurseline, Future Moms Maternity, Disease Management, etc.</td>
</tr>
<tr>
<td><strong>Total Retention</strong></td>
<td><strong>7.0%</strong></td>
<td></td>
<td><strong>7.1%</strong></td>
<td></td>
<td>Note: Based on the revised renewal analysis provided by Anthem.</td>
</tr>
</tbody>
</table>

* Retention charges are slightly higher for Segal's calculation since the percentage is based on lower aggregate premium required.
# 2019 Anthem Renewal

## Premium Rate Development Factors - HMOs

<table>
<thead>
<tr>
<th></th>
<th>Anthem Medical</th>
<th>Anthem Rx</th>
<th>Anthem Total</th>
<th>Segal Medical</th>
<th>Segal Rx</th>
<th>Segal Total*</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Claims Trend</strong></td>
<td>9.2%</td>
<td>9.8%</td>
<td>9.4%</td>
<td>7.0%</td>
<td>11.0%</td>
<td>8.1%</td>
<td>Segal annually surveys over 100 health insurers and managed care organizations nationally to monitor average trend forecasts. Segal believes Anthem’s claims trend assumption is too conservative.</td>
</tr>
<tr>
<td><strong>Margin</strong></td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>Based on the City's total enrollment, Segal agrees that no margin should be used in the renewal calculation.</td>
</tr>
<tr>
<td><strong>Capitation (% of 2019 premium)</strong></td>
<td>61.2%</td>
<td>0.0%</td>
<td>47.7%</td>
<td>60.9%</td>
<td>0.0%</td>
<td>47.0%</td>
<td>Segal's lower capitation projection based on March 2017 - February 2018 HMO and Vivity experience combined provided by Anthem with a 3% increase for 2019.</td>
</tr>
<tr>
<td><strong>Other Charges (% of 2019 premium)</strong></td>
<td>2.6%</td>
<td>0.0%</td>
<td>2.0%</td>
<td>2.7%</td>
<td>0.0%</td>
<td>2.1%</td>
<td>The large claim pooling threshold will remain $300,000 during the 2019 plan year. As a percent of medical claims, Anthem is proposing 9.1% which is the same as last year. The ACA Insurer tax has been suspended for the 2019 plan year. The PCORI is not applicable as of the 2019 plan year.</td>
</tr>
<tr>
<td><strong>Retention (% of 2019 premium)</strong></td>
<td>5.1%</td>
<td>5.2%</td>
<td>5.2%</td>
<td>5.2%</td>
<td>5.2%</td>
<td>5.2%</td>
<td>On a PMPM basis, Anthem is proposing a 4% increase. Segal targets retention increases between 3%-5%. While Anthem’s request is within our target range, Segal asked for a reduction to 3% to more closely align with the Consumer Price Index for All Urban Consumers (CPI-U) rate. Includes concierge resource at City Hall and $1,000,000 in funding for City wellness initiatives</td>
</tr>
<tr>
<td><strong>Wellness Fund</strong></td>
<td>0.8%</td>
<td>0.8%</td>
<td>0.8%</td>
<td>0.8%</td>
<td>0.8%</td>
<td>0.8%</td>
<td>Conditions management resources including 24/7 Nurseline, Future Moms Maternity, Disease Management, etc.</td>
</tr>
<tr>
<td><strong>Health &amp; Wellness Fees</strong></td>
<td>0.4%</td>
<td>0.4%</td>
<td>0.4%</td>
<td>0.4%</td>
<td>0.4%</td>
<td>0.4%</td>
<td>Conditions management resources including 24/7 Nurseline, Future Moms Maternity, Disease Management, etc.</td>
</tr>
<tr>
<td><strong>Total Retention</strong></td>
<td>6.3%</td>
<td>6.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Note: Based on the revised renewal analysis provided by Anthem.</td>
</tr>
</tbody>
</table>

* Large claim and retention charges are slightly higher for Segal’s calculation since the percentage is based on lower aggregate premium required.
## 2019 Anthem Renewal

### Premium Rate Development Factors - PPO

<table>
<thead>
<tr>
<th></th>
<th><strong>Anthem</strong></th>
<th><strong>Segal</strong></th>
<th><strong>Comments</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Claims Trend</strong></td>
<td></td>
<td></td>
<td><strong>Expected future increases in benefit expenses, expressed as a percentage of the prior year's expense.</strong></td>
</tr>
<tr>
<td>Medical</td>
<td>8.9%</td>
<td>8.0%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Rx</td>
<td>10.0%</td>
<td>11.0%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>9.2%</td>
<td>8.8%</td>
<td>Segal annually surveys over 100 health insurers and managed care organizations nationally to monitor average trend forecasts. Segal believes Anthem’s claims trend assumption is too conservative.</td>
</tr>
<tr>
<td><strong>Margin</strong></td>
<td></td>
<td></td>
<td><strong>A recommended amount added to the benefit expenses to cover future fluctuations in expenses.</strong></td>
</tr>
<tr>
<td></td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td></td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
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<tr>
<td></td>
<td>0.0%</td>
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<td>0.0%</td>
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<tr>
<td></td>
<td>0.0%</td>
<td></td>
<td>Based on the City’s total enrollment, Segal agrees that no margin should be used in the renewal calculation.</td>
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<tr>
<td><strong>Other Charges (% of 2019 Premium)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Large Claim Pooling Charges</strong></td>
<td>8.5%</td>
<td>8.7%</td>
<td>6.5%</td>
</tr>
<tr>
<td>A per member per month charge included in the cost to compensate for the removal of large claims above a certain threshold.</td>
<td>0.0%</td>
<td>0.0%</td>
<td>The large claim pooling threshold will remain $300,000 during the 2019 plan year. As a percent of medical claims, Anthem is proposing 10.1%. Anthem’s pooling charge is within the range of Segal’s estimated pooling charge for 2019.</td>
</tr>
<tr>
<td><strong>ACA Insurer and PCORI Fees</strong></td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
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<td>The ACA Insurer tax is used to help fund federal and state exchanges. The PCORI fee is used to fund the Patient Centered Outcomes Research Institute.</td>
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</tr>
<tr>
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<td>0.3%</td>
<td>0.3%</td>
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<td>Investments to promote City’s employee wellness initiatives</td>
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<td></td>
</tr>
<tr>
<td><strong>Total Retention</strong></td>
<td>5.6%</td>
<td>5.6%</td>
<td>Note: Based on the revised renewal analysis provided by Anthem.</td>
</tr>
</tbody>
</table>

---

Note: Based on the revised renewal analysis provided by Anthem.
Premium Rate Increase History
Narrow HMO

Premium rates include the ACA Health Insurer fee for all years, except 2017 and 2019.

*Narrow HMO Family Rate Increase

- 2014 Blue Shield: 1.8%
- 2015 Blue Shield: 9.6%
- 2016 Blue Shield: 10.6%
- 2017 Anthem*: 1.4%
- 2018 Anthem: 12.8%
- 2019 Anthem: 4.2% Initial, 2.4% Revised

Narrow HMO coverage was moved from Anthem to Blue Shield effective 1/1/2014.

* The 2017 rate increase for the Narrow HMO plan ranged from 1.4% for family coverage to 6.7% for employee plus spouse coverage.
Premium Rate Increase History

**PPO**

PPO coverage was moved from Anthem to Blue Shield effective 1/1/2014.

Premium rates include the ACA Health Insurer fee for all years, except 2017 and 2019.

<table>
<thead>
<tr>
<th>Year</th>
<th>Initial</th>
<th>Revised</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1.8%</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>9.6%</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>11.8%</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>11.6%</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>12.8%</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>8.0%</td>
<td>7.3%</td>
</tr>
</tbody>
</table>
Thank you!
MEMORANDUM

To: Steven Montagna, City of Los Angeles
From: Stephen E. Murphy
Date: May 24, 2018
Re: 2019 Kaiser Renewal Update

Kaiser has provided a revision to the 2019 renewal proposal as presented in our May 17, 2018 renewal presentation. The initial renewal for 2019 included the following options:

➢ Option A – No increase to the current premium rates for 2019 and a second year not to exceed rate cap of 3.5% for 2020, excluding the impact of any applicable ACA fees in 2020

➢ Option B – 3.13% decrease to the current premium rates with no second year rate cap

Through continued negotiations with Segal, Kaiser agreed to lower the second year not to exceed rate cap for Option A from 3.5% to 2.5%, excluding the impact of any applicable ACA fees in 2020.

Based on current enrollment in the Kaiser plans, this represents projected annual savings of approximately $1.9 million.

5538873v2/08133.002