1. CALL TO ORDER

Cheryl Parisi called the meeting to order at 9:10 a.m.
2. PUBLIC COMMENTS

There were no public comments.

3. 2014 FLEX MEDICAL PROVIDER SELECTION
   (Action Item)

Alex Basquez presented the reports on the 2014 Medical Request For Proposal (RFP). Additionally, Ms. Basquez provided an overview of the following staff recommendations: that the JLMBC instruct staff to invite top RFP proposers to make a presentation at the Special JLMBC meeting on June 11, 2013; that the JLMBC instruct Mercer and staff to request top bidders submit a best and final offer as outlined in the RFP; and that the JLMBC approve staff recommendations to select Kaiser Permanente and Anthem Blue Cross as the medical plan providers for a three year contract term, subject to the successful negotiation of contract terms.

Ms. Basquez reviewed the findings with respect to the staff and non-staff models and she pointed out that Kaiser was the only staff model RFP response. Ms. Basquez explained that the non-staff model RFP received four responses: United Health Care, Blue Shield, Anthem Blue Cross, and Health Net. The Committee discussed the best course of action to take regarding the last best and final offer. Curtis Kidder informed the Committee of the rules and noted that no further negotiation can be made after the bidders present their best and final offer in writing. Clay Levister asked if the top bidders can make presentations in one meeting and then present their best and final offer at a subsequent meeting. Miguel Santana stated that the Committee should request information and a presentation from the bidders and following this, the Committee needs to render a decision.

Ms. Basquez subsequently presented an overview of the RFP results. Ms. Basquez reported that with respect to the non-staff model, Kaiser has proposed a premium rate increase of 5.9% which totals 7.9% with HCR fees. Ms. Basquez reported that the Personnel Department has opted to proceed with a sole source contract with Kaiser given that the RFP process produced inadequate competition, which indicates that competitive bidding on this service is impractical at this time. Ms. Basquez stated that staff recommends proceeding with evaluating and negotiating the Kaiser proposed premium rates and contractual terms for 2014.

Matthew Rudnick asked if there will be a more detailed Kaiser presentation when the other bidders make their presentations. Ms. Basquez agreed that Kaiser can be scheduled to do a presentation on June 11, 2013. Tony Royster brought up the fact that Kaiser may be willing to pay for wellness as part of the negotiations. Ms. Basquez stated that at least three Employee Benefits Division staff members are needed to administer the wellness program. Ms. Basquez added that Council has instructed staff to report back on wellness.

Ms. Basquez stated that the non-staff model RFPs were reviewed by a team consisting of two Personnel Department employees, one Aon representative, one Mercer Consulting representative, and one representative from the County of Orange. The following RFPs were reviewed: United Health Care, Anthem and Blue Shield. Ms. Basquez reported that Anthem was selected by the raters and Anthem...
is being recommended to the JLMBC as the medical provider for a three year contract. Mr. Santana stated that clarification was needed from the City Attorney regarding the Health Net RFP. Mr. Kidder stated that Health Net was deemed non-responsive due to not being compliant by the requirements of the RFP. The subsequent appeal by Health Net was denied by the Personnel Department. Mr. Kidder stated that Health Net has 90 days in which to progress the case to the Superior Court if it would like to pursue the matter further.

Ms. Basquez reported that Blue Shield offered the most competitive premium rates and stated that the Blue Shield proposal includes options for a narrow and full network HMO and a full network PPO. Ms. Basquez reported that the overall premium offered for the status quo Flex HMO and PPO plans includes a decrease of -1.96% (1.8% with HCR taxes and fees). Although Blue Shield excludes Cedars and UCLA medical groups and Memorial Healthcare System and Monarch Healthcare, Blue Shield did indicate that they intend to enter into contractual agreements with certain medical groups that City employees currently utilize such as UCLA, Cedars and Axminster. Ms. Basquez reported that there is a disruption rate for the Blue Shield HMO plans as follows: 12.6% for the Narrow HMO Network and 52.8% for the full HMO network.

Ms. Basquez stated that Blue Shield offered a very low bid with a savings of approximately $10 million, but noted that there are some risks, such as a one-year rate cap which means that rates increase substantially at a later time.

Ms. Basquez asked if the Committee would like staff to schedule interviews and asked for further direction from the Committee. Mr. Santana suggested inviting the three bidders (United Health Care, Blue Shield and Anthem) for presentations first, then subsequently obtain last/best/final offers from the bidders. The Committee members discussed the issue and agreed the best and final offers should be submitted by the bidders by June 12, 2013 (within 24 hours of the bidder presentations). Mr. Kidder stated that the bidders would be committed to their offers in writing.

Mr. Santana restated his initial suggestion for clarification and stated that each of the three bidders should be invited to make presentations about processes and concerns regarding issues of disruption, price, providing assurance, issues of flexibility on plan design, and default coverage. Additionally, specific to Kaiser, Kaiser must show how they plan to maximize price and serve as the default plan and Kaiser needs to present the value of the default plan. Mr. Santana then stated that staff should instruct the bidders to make presentations on these matters at the June 11, 2013 Special Meeting and then proceed to make their best and final offer in writing within 24 hours.

A motion was made by Miguel Santana and seconded by Gregory West to communicate to the top three bidders (Blue Shield, Anthem Blue Cross and Kaiser) the series of issues regarding disruption, price, providing assurance, issues of flexibility on plan design, and default coverage. Additionally, Kaiser must show how they plan to maximize price and serve as the default plan and Kaiser must present the value of the default plan. The bidders will be instructed to make presentations on these matters at the June 11, 2013
JLMBC Special Meeting and following the meeting, present their last/best/final offers in writing by June 12, 2013. The Committee unanimously adopted this motion.

4. 2014 FLEX BENEFITS PLAN DESIGN CONSIDERATION/OPTIONS (Action Item)

Ms. Basquez reported on 2014 Flex plan design options. Ms. Basquez reviewed staff’s recommendations on the selection of medical plan providers, proposed premium rate increases and other considerations, including medical plan options for Plan Year 2014. Ms. Basquez summarized staff’s recommendation, stating that staff recommends that the JLMBC consider the plan design options which continue to provide plan participants with a range of benefit choices to meet their needs while maintaining the City's costs at a reasonable level relative to its present financial capacity. Ms. Basquez stated that decisions do not need to be made at the present meeting, staff only recommends that the JLMBC consider and continue discussion to the next JLMBC meeting the proposed 2014 Flex plan design options for Plan Year 2014, including the following: a) change Flex medical plan default to lowest cost HMO plan; b) network type options; c) increase copays of deductibles; and d) other plan design changes.

A motion was made by Miguel Santana and seconded by Paul Bechely to consider and continue discussion to the next JLMBC meeting the 2014 Flex Benefits Plan Design considerations/options for Plan Year 2014, including the following: a) change Flex medical plan default to lowest cost HMO plan; b) network type options; c) increase copays of deductibles; and d) other plan design changes. The Committee unanimously adopted this motion.

5. HEALTH CARE REFORM UPDATE
   (Non-Action Item)

There was nothing new to report.

6. DISCUSSION OF BENEFITS PROVIDED TO ACTIVE CITY EMPLOYEES

There was nothing new to report.

7. NEXT MEETING DATE
   (Non-Action Item)

Special JLMBC meetings are scheduled on Tuesday, June 11, 2013 at 9:00 a.m. and Thursday, June 13, 2013 at 9:00 a.m.

8. ADJOURNMENT

A motion was made by Maggie Whelan and seconded by Matthew Rudnick to adjourn the meeting. The Committee unanimously adopted this motion and the meeting was adjourned at 10:45 a.m.

Minutes were prepared by staff member Helen Georgeson