REPORT FROM

THE PERSONNEL DEPARTMENT

TO: Honorable Members of the City Council	DATE September 20, 2012
REFERENCE:	COUNCIL FILE 10-1627

SUBJECT:
Plan Year 2013 Civilian Modified Flexible Benefits Program

RECOMMENDATIONS

That the City Council:

1. Receive and file this status report from the General Manager of the Personnel Department regarding the Plan Year (PY) 2013 Civilian Modified Flexible Benefits (FLEX) Program;

2. Approve the PY 2013 FLEX Benefits Plan; and,

3. Authorize the Personnel Department's General Manager to execute the fourth and fifth year contract extensions with Mercer HR Services (C-116636), to provide Third Party Administrative Services for the FLEX Benefits Plan from June 4, 2012 through June 3, 2014.

SUMMARY

The Personnel Department administers the City's Civilian Modified Flexible Benefits (FLEX) Program for active City civilian employees and their qualified dependents in conjunction with the Joint Labor-Management Benefits Committee (JLMBC). Each year, the JLMBC reviews and develops recommendations regarding FLEX Program plan design and benefit provider contracts for the upcoming calendar year. This transmittal provides a status report on the JLMBC's efforts to mitigate 2013 benefits cost increases, and requests Council approval of the 2013 FLEX Plan and contract extensions for the FLEX Benefits Plan Third Party Administrator (TPA).

Margaret Whelan
General Manager

DISCUSSION

The Personnel Department's Employee Benefits Division administers the City's Civilian Modified Flexible Benefits (FLEX) Program for active City civilian employees and their qualified dependents in conjunction with the Joint Labor-Management Benefits Committee (JLMBC). The JLMBC is composed of five management and five labor representatives. The JLMBC was created in the 1990's by action of the City Council and Mayor for the purpose of determining which plans were to be included in the civilian employee benefits program, defining the structure of the plans, recommending providers/contractors to the Personnel Department's General Manager, and monitoring the administration of the employee benefits program by the Personnel Department.

On an annual basis, the JLMBC reviews and makes recommendations regarding FLEX Program plan design and benefit provider contracts for the upcoming calendar year. The JLMBC also reviews information provided by the Personnel Department, benefits consultants, and the City's health and dental carriers regarding FLEX Program plan costs and options for mitigating cost increases.

The FY 2012-13 Adopted Budget includes $215.2 million for the Civilian FLEX Program net of proprietary department reimbursements. This amount included approximately $6 million in prospective plan design savings to be achieved during the second half of FY 2012-13 (the first half of PY 2013) through PY 2013 plan design discussions and contract negotiations at JLMBC. Because plan design changes occur on an annual cycle, it can be construed that the PY 2013 savings target was $12 million ($6 million over the first six months of PY 2013 equals $12 million over the entire plan year). To that end, the JLMBC has recommended a number of plan changes to lower the rate of increase in City health subsidy expenditures, while ensuring that City employees continue to receive quality health care.

The Personnel Department issued five Request for Proposals (RFPs) for the PY 2013 contracts for the following FLEX benefit providers: 1) Medical; 2) Dental; 3) Accidental Death and Dismemberment Insurance; 4) Employee Assistance Program; and, 5) Flexible Spending Account TPA. Typically, the Personnel Department issues an RFP every 3 to 5 years for the FLEX Benefits providers. The RFP process provides an opportunity for competitive bidding from qualified companies to obtain City business and allows the City to obtain optimal benefit provider services. The Personnel Department also used the RFP process to obtain bids on alternative service delivery options that would reduce the costs by adjusting benefit levels.

Below is a summary of the JLMBC efforts to mitigate the cost of employee benefits, an update on the proposed 2013 FLEX Plan, and recommendations to extend the Mercer HR Services contract beyond the current three-year contract term.

HEALTH PLANS

The FLEX Program provides health coverage to approximately 25,254 employees and 35,019 dependents. The health plan benefit represents the largest expense of the FLEX Program. The medical premium costs for health benefits are estimated at $248.7 million for PY 2013 (includes proprietary department employees except those of the Department of Water and Power). The City pays 98.4% of premium costs. The City's healthcare costs are impacted by:

- Plan premiums;
- Providers and plan types selected by employees (e.g. Kaiser, Anthem HMO, Anthem PPO);
- Coverage levels selected by employees (e.g. individual, individual plus spouse or domestic partner, individual plus children, or individual plus family coverage);
- Enrollment levels;
- Claims experience (i.e. utilization of services);
- Plan design (e.g. what services/benefits are included, the degree to which employees contribute to the costs of those services/benefits, etc.); and,
- The negotiated City subsidy towards premium costs.

As indicated above, the Personnel Department, with the assistance of Mercer Benefits Consultants, conducted an RFP process to select medical providers for PY 2013 and presented the results to the JLMBC. The JLMBC considered the RFP results and voted to recommend the selection of Kaiser Permanente and Anthem Blue Cross as the medical providers for PY 2013. However, the JLMBC only authorized contract terms of one-year for each provider and instructed the Personnel Department staff to re-issue an RFP to secure additional proposals for PY 2014.

To meet the savings target, the JLMBC considered raising employee co-pays, adding deductibles and other plan design changes. In sum, these changes were not approved primarily because the JLMBC had recently raised co-pays, the City's co-pays are equal to or higher than most comparable public sector employers, and high co-pays can discourage employees from using the health plans, which results in higher long-term costs. Attachment A has a list of the past plan design changes approved by the JLMBC. These changes have produced immediate and long-term savings by:

- Lowering premiums;
- Reducing City subsidy obligations; and,
- Reducing increases for future years by establishing a lower premium base.

Cost sharing of premiums is subject to the meet-and-confer process and is not within the purview of the JLMBC. However, members of the Engineers and Architects Association (EAA) currently pay 5% of health premiums, and in PY 2013, Non-Represented employees, Management Attorneys (MOU 32) and Port Police (MOU 38) members will begin paying 5% of health premiums.

To help meet the savings target, the JLMBC approved the use of up to $5.0 million in projected surplus funds from the Employee Benefits Trust Fund to offset the City's General Fund Civilian FLEX expenditures.

The JLMBC instructed Personnel staff and Mercer Consultants to negotiate premium rate reductions with the medical providers. The medical providers agreed to further reduce the premium rate increases resulting in approximately $800,000 in savings.

The JLMBC approved expending $250,000 from available funds to conduct a dependent audit. It is expected that the removal of ineligible dependents will result in savings above and beyond the cost of the audit.

With these changes, the $6 million savings target for FY 2012-13 was close to being met. However, $5 million of the savings was the result of using one-time funds (the Benefits Trust Fund surplus). To slow growth in the City's long-term FLEX Program costs, Personnel Department staff recommended that the JLMBC adopt an alternative medical plan network (discussed below) for PY 2013 to achieve structural plan savings. Attachment B contains a list of the other plan design options considered by the JLMBC and estimated savings.

Had the JLMBC simply renewed the current plans with no changes, the City's premium rates would have increased by $25.6 million, which is equivalent to 10.7% over the PY 2012 medical premium costs. By implementing an alternative on the non-Kaiser medical plans, the premium increases were reduced by $7.8 million. Overall, the JLMBC's actions resulted in savings of $13.24 million in the PY 2013 medical plan costs ($9 million in FY 2012-13 and $4.24 million in FY 2013-14). Attachment C compares initially proposed rate increases versus final rates achieved via negotiations with the carriers and/or adopted plan design changes by the JLMBC for the period 2009-2013.

Anthem Blue Cross Alternative Network – The medical Request for Proposal asked carriers to provide a quote for various alternative networks such as "Narrow" and "Tier" networks for the City to consider. These alternative networks provide a vehicle for plans to save on premium costs while maintaining access to high quality benefit plans. The RFP responses contained various options for alternative networks. A replacement of the non-Kaiser medical plans with the narrow network offered by Anthem Blue Cross provided the most viable option based on premium savings and relatively lower disruption rates. The Anthem Select Network (narrow network) is a subset of medical providers from the current traditional or full HMO/PPO network. To achieve savings, higher-cost providers are removed from the network but are still accessible in the PPO plan to employees and their dependents at the higher out-of-network rate.

The downside of a Narrow Network is the provider disruption. Provider disruption results when a FLEX participants' current medical provider is outside the new network (provider disruption) and that participant must elect a new provider. There are approximately 23,433 employee and dependents enrolled in the Anthem Blue Cross

HMO Plan and it is expected that 10% of these participants will have to elect a new primary care physician as a result of the change. PPO plan participants have the option to choose an "in" or "out" of network medical provider. Disruption in the Anthem PPO Network is evaluated by determining the number of member claims that are currently in-network that will fall out-of-network under the new plan. The transition to the Anthem Select PPO Plan will result in approximately 20% of current in-network claims to be out-of-networks which will result in higher out-of-pocket costs for the plan participants (assuming they choose to continue medical treatments with out-of-network providers).

Employees that are undergoing treatment for certain conditions, pregnant or children under 36 months will have the option to temporarily continue treatment with their non-network primary care physician under a Transition Assistance Program. The Personnel Department staff and Anthem Blue Cross in conjunction with Mercer Communication Consulting have developed a comprehensive communication plan to inform employees regarding the plan change.

Overall, Anthem's narrow network options offered one of the relatively lowest disruption rates among the carriers coupled with the best financial savings. The Anthem Select Network resulted in a reduced HMO plan premium rate from 8.6% to -0.2%, which means the proposed premium increase was entirely mitigated. The PPO plan premium rates were also reduced from 11% to 8.8%. The reduction in premium costs resulted in savings to the City and to employees that have premium contributions (which varies depending on the health plan the employee is enrolled in).

Implementation of the narrow network was a difficult choice, but one made necessary by the City's fiscal constraints. In all, less than 4% of the Flex Plan participants (employees and dependents) will be required to seek care with a new primary care physician; that number may drop when it is considered that Anthem HMO members may still elect to keep their physician through the PPO out-of-network plan, or may qualify to temporally keep their physician under the Transition Assistance Program. The JLMBC has convened an ad hoc committee to review the implementation of the narrow network and to ensure that employee's concerns are addressed.

Attachment D and E illustrate the impact of the Narrow Network on Flex Plan participants including those that obtain services from Cedars-Sinai and the UCLA Medical Groups.

Kaiser Plan - The negotiated City subsidy towards premium costs is tied to the Kaiser family rate, and this is a major cost driver for the FLEX medical plan costs. The Kaiser Plan premium rates increased by 12.2%. The average cost for a Kaiser Plan enrollee is $1,018 which is **$88.76** higher than the Anthem Blue Cross Select (Narrow Network) HMO Plan average ($929). If all Kaiser members were in the lower cost plan, the City would save $10 million a year. However, moving from the Kaiser plan would result in a 100% disruption rate for the participants – meaning that there is no overlap between the Kaiser physician network and any other medical network.

The JLMBC and Personnel Department will continue to explore options for lowering the trend of medical plan increases for the future plan year, including the expansion of Wellness programs, re-issuing the medical RFP, and restructuring the health plans. The Personnel Department recommends that the City Council approve the FLEX medical plan for PY 2013.

DENTAL PLANS

The Personnel Department, with the assistance of Mercer Benefits Consultants, conducted an RFP process to select a dental insurance provider for PY 2013. The JLMBC voted to recommend the selection of Delta Dental as the dental provider for PY 2013. Delta Dental offered the most competitive proposal, which included an overall 2.79% reduction in dental premium costs. The City offers three dental plans (PPO, HMO and Preventative Only.) The total dental premium cost will be approximately $18.8 million in PY 2013. Approximately half of these premium costs are borne by the City and the other half by the employees. The Personnel Department recommends that the Council approve the PY 2013 FLEX dental insurance benefits.

DISABILITY AND LIFE INSURANCE

The FLEX Plan includes basic disability insurance coverage which provides eligible employees with replacement income up to 50% of the employee's salary up to $3,014 a month (maximum cap) for up to 24 months, after the employee exhausts all sick time (100% and 75%). Employees also are provided with a base $10,000 life insurance policy. These benefits are paid by the City. Employees have the option to purchase additional coverage at their cost.

The current FLEX life and disability insurance provider is Standard, and the JLMBC approved the contract renewal with Standard for the third contract year (2013). Standard is increasing the Short Term Disability (STD) rates by 16%. Over the past three years, there has been an increase in the number of individuals utilizing the STD benefits but a significant decrease in covered employees. Standard has agreed to continue the current Long Term Disability premium rates for PY 2013. The life and disability premium rates are partially based on the employees' salary base and as the salary base increases the actual premium rates will increase, accordingly. In addition, the JLMBC voted to freeze the maximum basic disability insurance cap ($3,014 a month), which resulted in a slight reduction ($90,000) of the disability insurance premium costs. In prior years, the maximum cap has been adjusted upward based on COLA adjustments. The Personnel Department recommends that the Council approve the PY 2013 FLEX disability and life insurance benefits.

EMPLOYEE ASSISTANCE PROGRAM (EAP)

The FLEX Benefit Plan provides an Employee Assistance Program (EAP) services to all civilian employees and their dependents. The EAP services are designed to help individuals cope with emotional health, family and other personnel problems on a 24/7

basis. In addition, City Departments are able to refer employees to EAP services, including employees whose job performance suffers from personal, health or substance abuse related problems. The Personnel Department, with the assistance of Mercer Benefit Consulting, released an RFP for an Employee Assistance Program (EAP) provider. Staff recommended that the JLMBC approve the selection of Managed Health Network (MHN) to provide EAP services. MHN is the incumbent EAP provider for the FLEX Plan. The MHN proposed fee is $1.19 per employee per month, which is a decrease from the 2012 rate of $1.24. The Personnel Department recommends that the Council approve the PY 2013 EAP benefits.

OPTIONAL BENEFITS

The FLEX Program offers employees optional benefits that employees can elect and pay for via a payroll deduction.

Accidental Death & Dismemberment Insurance

Employees have the option to purchase accidental death and dismemberment (AD&D) insurance coverage. The Personnel Department staff, with the assistance of Mercer Benefits Consultants, conducted an RFP process to select an AD&D insurance provider. The JLMBC voted to adopt staff's recommendation to select Standard as the AD&D provider for PY 2013. Standard offered a slight reduction in the premium rates over the 2012 rates. The Personnel Department recommends that the Council approve the 2013 AD&D benefits.

Flexible Spending Accounts (FSA) Program

The FLEX Program currently offers employees two programs that allow pre-tax contributions for certain expenses. The Dependent Care Reimbursement Account Program (DCRA) allows employees to set-aside between $600 and $4,992, in an individual account, for estimated daycare expenses for a child, elderly parent, or disabled spouse. The Flexible Spending Account (FSA) program is similar to DCRA, but the eligible expenses are medical expenses (e.g., prescriptions, eye glasses, chiropractic treatment). Employees that participate in these programs pay an administrative fee (regardless of the number of accounts they elect).

The City contracts with a Third Party Administrator, WageWorks, to administer these programs. WageWorks provides telephonic and online support for employees, processes claims requests and reimbursements, maintains employee accounts and data files, provides reports on the program activities, and assists with communicating the program benefits to employees. The Personnel Department issued an RFP for a FSA Third Party Administrator and recommended the selection of WageWorks. JLMBC voted to adopt the staff recommendation. Wage Works proposed a fee of $1.50 per pay period in 2013, which represents a reduction of over 33% from its current fee structure. WageWorks also proposed a five year rate guarantee.

When issuing this RFP staff took the opportunity to inquire about vendor capabilities with respect to two other pre-tax account payment services: Transit Spending Accounts

(TSAs) and Parking Spending Accounts (PSAs). These accounts are structured similarly to FSA and DCRA, but with less administrative complexity because they do not contain the same kind of "use-it-or-lose-it" features of FSA/DCRA. TSAs and PSAs would essentially provide a more convenient payment mechanism for existing benefits offered through the City's Rideshare program. Employees would be able to pre-fund transit and non-City parking expenditures with pre-tax payroll contributions, and then purchase their transit media and parking permits directly through WageWorks. Doing so would provide added convenience and expanded tax advantaged payment opportunities. The service would be optional for any City employee interested in participating.

The Personnel Department recommends that the Council approve the PY 2013 FSA benefits.

FLEX BENEFITS THIRD PARTY ADMINISTRATOR

The City contracts with Mercer HR Services for FLEX Benefits Third Party Administrator (TPA) benefits recordkeeping and enrollment services. The JLMBC recommended at its meeting of October 7, 2010, that the TPA contract be extended for two additional one-year periods with City Council approval. The current TPA contract expired on June 4, 2012.

As part of the JLMBC efforts to mitigate the 2013 FLEX Benefits Plan cost increases, the JLMBC approved the implementation of a FLEX Plan dependent audit that will require all employees to review all dependents listed on their plan and provide supporting documentation to establish their eligibility for FLEX Plan benefits. The purpose of the Dependent Audit is to ensure that only qualified dependents are covered on the plan and to minimize excessive benefit expenditures. The JLMBC also adopted staff's recommendation to utilize the TPA to conduct the dependent audit.

The current TPA fees are based on a per participant fee of $3.88 per employee per month and the current customer service flat fee is $25,000 per month. Mercer HR Services has agreed to hold all fees at their current level for the additional two-year contract term. The maximum contract fees are driven by the enrollment and additional programming and special services. In the past three years, the annual TPA contract cost averaged $1.5 million.

The Personnel Department recommends that the City Council authorize the Personnel Department to extend the TPA contract term for two additional years through June 4, 2014 and include the dependent audit project under the scope of services contract provisions. This represents a contract extension of two years beyond the initial three-year contract period. The Personnel Department intends to release an RFP for TPA services in early 2013 for a start date of June 4, 2014.

FISCAL IMPACT STATEMENT

For PY 2013 (January 1, 2013 to December 31, 2013), medical insurance premiums increased by the following percentages: Kaiser, 12.2%; Blue Cross PPO, 8.8%. Premiums for the Blue Cross HMO Plan fell by 0.2% after the narrow network change was adopted by the Joint Labor Management Benefits Committee. The Dental Plan premium increase fell by 2.79%. Overall, the City's expenditures for the FLEX Benefits Plan are expected to increase by $17.6 million in PY 2013, which is lower than the original proposed rate increase of $25.7 million primarily due to the adoption of the narrow network option and the use of the Benefit Trust funds to reduce General Fund expenditures.

The FY 2012-13 Adopted Budget for the FLEX Program is $215.2 million (excluding proprietary departments, the employees' portion of premium costs, and the Third Party Administrator contract). It is estimated that approval of the PY 2013 FLEX Program recommendations will achieve the $6 million FY 2012-13 savings target.

Attachment A - Plan Design Changes 2011-13
Attachment B - Flex Benefit Plan Design Change Options and Estimated Savings 2013
Attachment C - Negotiated Flex Rates
Attachment D - Impact of Narrow Network on Flex Plan Participants
Attachment E - Cedar-Sinai and UCLA Medical Groups

Cc: Monique Earl, Mayor's Office
Miguel Santana, Office of the City Administrative Officer

Attachment A

FLEX BENEFITS ESTIMATED SAVINGS
Benefit Plan Design Changes 2011-13

Plan Year 2011

January 1, 2011		Estimated Savings
Implemented Health Care Reform Changes (increased adult child eligibly, $0 copay for preventative care, & eliminated lifetime maximum limit).	$	0.53
Consolidated Life and Disability Insurance with single provider	$	(1.95)
Sub-Total Savings:		**$1.42 million**

Mid Year Plan Changes (Effective July 1, 2011)		Estimated Savings
Increase the Office Visit Copay - HMO to $15 and PPO to $30 Increase PPO Calendar Year Deductible by $250 / individual and $500 / family Increase ER Copay to $100 for all plans Increase prescription drug copays		
Reduction in medical premium July - December:	$	(4.42)
Capped City dental subsidy at 85% of the Dental PPO Employee Only level		
Reduction in City contribution towards dental premium July - December	$	(1.38)
Eliminated the $7.50 per pay period Flex Credit	$	(1.96)
Sub-Total Savings:		**$7.76 million**

Total Savings Plan Year 2011: $9.18 million

Plan Year 2012

January 1, 2012		Estimated Savings
Reduced Dental PPO Plan reimbursement for certain procedures from 80% to 50%	$	(0.70)
Employee Benefits Trust Fund Transfer to General Fund	$	(8.10)

Total Savings Plan Year 2012: $8.8 million

Proposed FLEX Benefit Plan Changes
Plan Year 2013

January 1, 2013		Estimated Savings
Employee Benefits Trust Fund Transfer to General Fund	$	(5.0)
Implement Blue Cross Select Network	$	(7.6)
Medical Plan Provider Rate Reduction	$	(0.8)
Freeze Disability Cap	$	(0.1)
Dependent Audit	$	(0.3)

Total Savings Plan Year 2013: $13.74 million

TOTAL SAVINGS PY 2011, 2012 & 2013 $31.7 MILLION

Flex Benefit Plan Design Change Options and Estimated Savings Plan Year 2013

Attachment B

2012 Premium (City Portion) - Full-Time Employees				$ 248,178,869
Estimated 2013 Premium (City Portion) - Full-Time Employees	$ 148,390,323	$ 99,241,311	$ 27,371,891	$ 275,003,525
Change City Premium Costs 2012 vs 2013				$ 26,824,656

	Options	Kaiser HMO % Premium Decrease	Kaiser HMO Dollar Savings	Blue Cross HMO % Premium Decrease	Blue Cross HMO Dollar Savings	Blue Cross PPO % Premium Decrease	Blue Cross PPO Dollar Savings	Calendar Year 2013 Savings	FY 12-13 Savings
1	**Increase Office Visit Copay (Current Copay is $15 for HMO and $30 for PPO)**								
	$20	-1.11%	$ (1,647,133)	-0.36%	$ (357,269)		$ -	$ (2,004,401)	$ (1,002,201)
	$25	-1.79%	$ (2,656,187)	-0.70%	$ (694,689)		$ -	$ (3,350,876)	$ (1,675,438)
	$30	-2.45%	$ (3,635,563)	-1.03%	$ (1,022,186)		$ -	$ (4,657,748)	$ (2,328,874)
2	**Increase Office Visit and/or Specialty Physician Copay**								$ -
	$15 Primary / $25 Specialty	-0.92%	$ (1,365,191)	-0.17%	$ (168,710)		$ -	$ (1,533,901)	$ (766,951)
	$20 Primary / $30 Specialty	-1.64%	$ (2,433,601)	-0.52%	$ (516,055)		$ -	$ (2,949,656)	$ (1,474,828)
	$25 Primary / $35 Specialty	-2.26%	$ (3,353,621)	-0.86%	$ (853,475)		$ -	$ (4,207,097)	$ (2,103,548)
3	**Increase Hospital Inpatient Copay to $250 (Current Copay is $0 if admitted)**	-0.39%	$ (578,722)	-0.21%	$ (208,407)	-0.11%	$ (30,109)	$ (817,238)	$ (408,619)
	Increase Hospital Inpatient Copay to $500 (Current Copay is $0 if admitted)	-0.75%	$ (1,112,927)	-0.42%	$ (416,814)	-0.20%	$ (54,744)	$ (1,584,485)	$ (792,242)
4	**Increase Rx Copay (Anthem Copay is $10/$20/$40 - Kaiser is $10/$20)**								
	$10 / $25 / $50 retail	-0.43%	$ (638,078)	-0.39%	$ (387,041)	-0.60%	$ (164,231)	$ (1,189,351)	$ (594,675)
	$10 / $30 / $50 retail	-0.71%	$ (1,053,571)	-0.67%	$ (664,917)	-0.92%	$ (251,821)	$ (1,970,309)	$ (985,155)
5	**Designate the Flex City Sponsored Plan Dental Plan level at 75% PPO Employee Only level**							$1 - $2 million	$.5 - $1 million
6	**Increase the employee contribution towards premium to 5%**		$ (12,902,788)		$ (8,432,125)		$ (2,441,254)	$ (10,711,085)	$ (5,355,543)
	Increase the employee contribution towards premium to 10%		$ (12,902,788)		$ (8,432,125)		$ (2,441,254)	$ (23,776,167)	$ (11,888,084)

*The savings amount represents an approximate reduction in the total premium City costs based on estimated 2013 rates. The savings above assumes **12 months of savings for plan year 2013**. The actual savings will depend on the final combination of options selected because some of the options will change the City subsidy which is tied to the Kaiser family rate.

Note re Proprietary vs. Non-Proprietary - All savings estimates are gross amounts including both proprietary (LACERS, Harbor, Airports & Pensions) as well as non-proprietary departments. Proprietary departments reimburse the City for the cost of their benefits at a rate of approximately 18.75% of the total expenditure. The net savings to the General Fund after those reimbursements are accounted for would thus comprise approximately 81.25% of the total.

Attachment C

FLEX PLAN MEDICAL RATE INCREASES

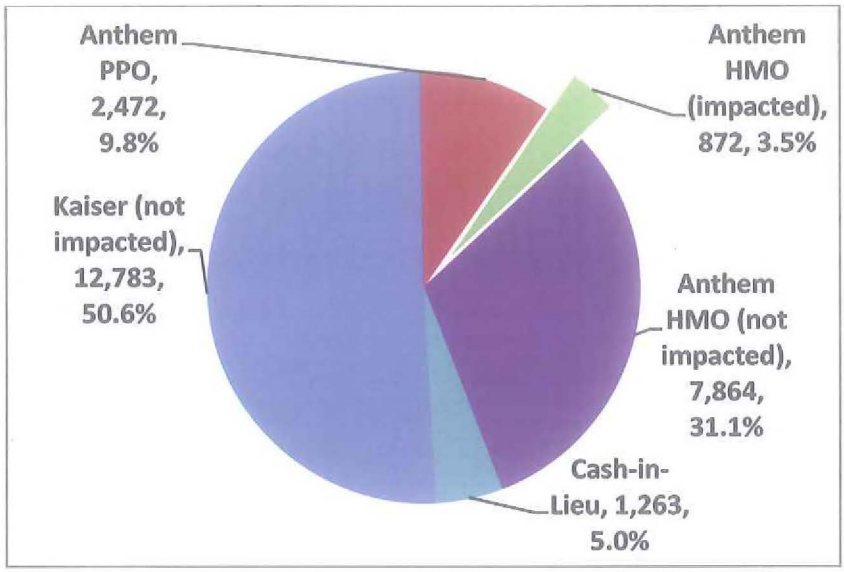
Comparison of Proposed vs. Final Rate Increases

Plan Year		Kaiser	Blue Cross HMO	Blue Cross PPO
2009	**Final Based on RFP Results**	**3.10%**	**0.00%**	**0.00%**
2010	Proposed	9.80%	17.50%	25.00%
	Final	**8.40%**	**12.80%**	**19.80%**
	Difference	*-1.40%*	*-4.70%*	*-5.20%*
2011*	Proposed	7.20%	24.30%	21.20%
	Final - 1/11	**6.80%**	**8.90%**	**9.10%**
	Revised 7/1	**5.10%**	**6.70%**	**4.50%**
	Difference	*-2.10%*	*-17.60%*	*-16.70%*
2012	Proposed	6.00%	8.10%	-3.40%
	Final	**6.00%**	**6.30%**	**-4.50%**
	Difference	*0.00%*	*-1.80%*	*-1.10%*
2013*	Proposed	12.69%	8.06%	11.00%
	Final	**12.20%**	**-0.20%**	**8.80%**
	Difference	*-0.49%*	*-8.26%*	*-2.20%*
Total Prior 3 Years (2011-2013)	Proposed	25.89%	40.46%	28.80%
	Final	**23.30%**	**12.80%**	**8.80%**
	Difference	*-2.59%*	*-27.66%*	*-20.00%*

*Revised rate increases based on JLMBC plan design changes and negotiations with vendors.

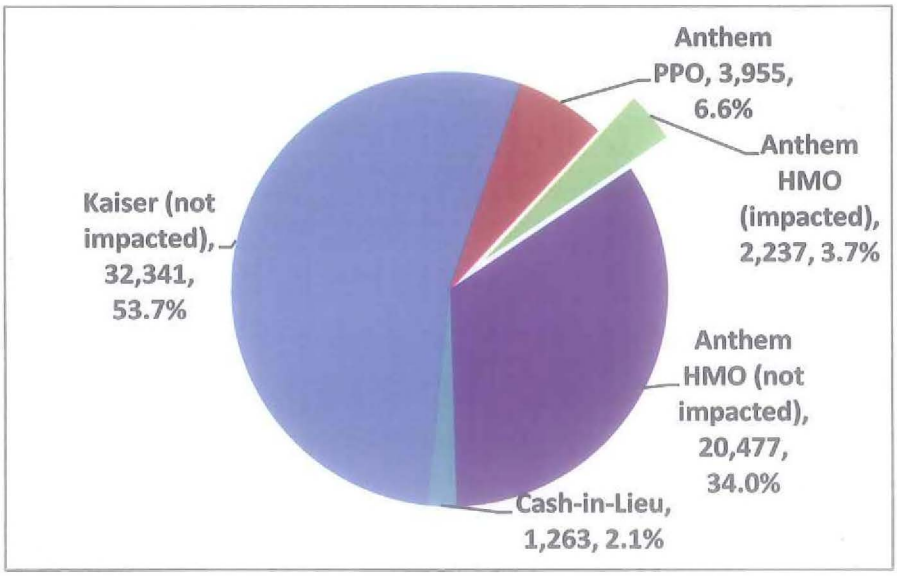
IMPACT OF NARROW NETWORK ON FLEX PLAN PARTIPANTS

CITY EMPLOYEE HEALTH PLAN PARTICIPATION



- **96% of City employee population <u>not</u> required to lose provider** as result of change to narrow network
- For Anthem PPO (which allows employees to choose both in-network and out-of-network providers) approximately 20% of claims are impacted by narrow network – but members are always free to see physician on out-of-network basis
- Impact on total City plan population (including employees + dependents, as noted below) is similar

CITY EMPLOYEES + DEPENDENTS HEALTH PLAN PARTICIPATION



Attachment E

CITY OF LOS ANGELES FLEX PLAN

ANTHEM SELECT PLAN – NETWORK STATUS OF CEDAR-SINAI AND UCLA MEDICAL GROUPS

	Cedar-Sinai Medical Group	Cedar-Sinai Hospital	UCLA Medical Group	UCLA Hospital
Anthem Select HMO	OUT OF NETWORK *Employee would need to elect a new Primary Care Physician in the Anthem Select Network*	IN NETWORK	OUT OF NETWORK *Employee would need to elect a new Primary Care Physician in the Anthem Select Network*	IN NETWORK
Anthem Select PPO	OUT OF NETWORK *Employee would still have access to the Primary Care Physician but Plan coverage would change from 90% to 70% of Reasonable and Customary charges*.*	IN NETWORK	OUT OF NETWORK *Employee would still have access to the Primary Care Physician but Plan coverage would change from 90% to 70% of Reasonable and Customary charges*.*	IN NETWORK

*Plan Coverage for most serivces. Note: PPO coverage for emergency care is 90% for "In" and "Out" of network providers.