

REPORT  
FROM



THE PERSONNEL  
DEPARTMENT

TO: City Council	DATE June 13, 2016
REFERENCE:	COUNCIL FILE

SUBJECT: **Plan Year 2017 Civilian Flex Benefits Program**

**RECOMMENDATION:**

That the City Council:

- (a) Receive and file this joint report from the Personnel Department and the Joint Labor Management Benefits Committee (JLMBC) regarding the Civilian Flex Benefits Program; and
- (b) Approve the 2017 Flex Benefits Program.

**SUMMARY:**

The Personnel Department administers the City's Flex Benefits Program for active City civilian employees and their qualified dependents in conjunction with the City's 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 what 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 benefit program by the Personnel Department.

The mission of the Flex Benefits Program is to promote employee health/wellness with competitive benefits at a reasonable level relative to the City's financial capacity. The Flex Benefits Program covers approximately 24,000 employees and 33,000 dependents.

Each year the JLMBC reviews information provided by the Personnel Department, benefits consultants, and service providers regarding Flex Benefits Program design and cost. In 2016, the JLMBC also conducted procurements for Health, Dental and Vision services. At its meeting on June 9, 2016, the JLMBC adopted recommendations for vendor selections relative to those procurements, rate renewals for other Flex Benefits service providers, and certain plan design changes relative to implementing the Flex Benefits Program for Plan Year 2017.

Division 4, Chapter 7, Article 5, Sec. 4.303 provides that the City Council authorize suitable employee benefit programs as recommended by the JLMBC and maintained by the Personnel Department. The purpose of this transmittal is to request that the City Council approve the 2017 Flex Benefits Program.

## A. 2017 FLEX PLAN OVERVIEW

The Personnel Department administers a number of service provider contracts for the various benefit plans which comprise the Flex Benefits Program. Collectively, these programs create opportunities for eligible City employees to maintain and improve their health and well-being, and to provide financial protections for themselves and their dependents. In 2017 these plans include the following:



Significant changes and improvements are proposed for the Flex Program in 2017. The Personnel Department and JLMBC engaged in unprecedented member outreach and procurement development/review efforts in order to enhance the quality, choices and responsiveness of the Flex Program. These efforts will provide Flex Program members with important new services and benefits that support their health and well-being, including the following:

- Access to a **new regional network plan** of affiliated top-tier hospital systems called “Vivity” (for Flex members residing in the Los Angeles and Orange County areas).
- **New on-site member advocacy resources** from the City’s health and dental service providers.
- A **new stand-alone Vision Plan** providing a single point-of-service, expanded eyewear benefits, and on-site vision exam clinics as well as eyewear delivery.
- **Dental PPO benefit design changes** which will promote dental prevention/wellness and provide greater flexibility in managing dental costs.
- **Rebranding and integrating Flex Program communications** with the developing Wellness Program.

## B. BACKGROUND

Contracts for incumbent Health and Dental service providers expire at the end of 2016. As a result, in September 2015, the Personnel Department and JLMBC began the development process for Requests for Proposal (RFPs) for these services. This included a review of the provider landscape and options for constructing the RFPs.

Following this review, decisions were made to take a wholly different approach to creating the procurements. The JLMBC articulated a mission for its procurements framing the procurements within a “member-based” perspective focused first and foremost on addressing the support services, quality of care, access to care, and communications efficacy that Flex members are most concerned with and which directly impact their health and wellbeing. Towards that end, in November 2015 the Personnel Department conducted a series of member focus groups asking for feedback regarding health and dental benefits. Focus group feedback in turn informed development of a survey issued to all Flex members.

The survey was issued in December 2015 and generated approximately 2,266 responses, representing 9.4% of the eligible population and providing a broad sample of the membership. Members indicated overall satisfaction with their health and dental benefits: 87% indicated the City’s health benefits met their needs, and 75% indicated the dental benefits met their needs. Members also indicated broad satisfaction with their individual physicians and dentists. However, both the focus groups and the survey revealed room for improvement in certain key areas:

- Affordable access to certain preferred provider groups
- Customer service responsiveness
- Dental PPO benefit levels and communications
- Vision benefit levels and communications
- Awareness/engagement with certain health and dental services and information (including Wellness resources, web-based information, etc.)

The Personnel Department and JLMBC used the focus group and survey feedback to help design the RFPs. The RFPs represented a significant departure from their design in years past by incorporating multiple innovative and member-focused inquiries, including the following:

- Soliciting proposals for alternate medical/dental provider network and care models that could potentially be added to the existing core menu of offerings
- Requesting dedicated on-site member advocacy resources to help support Flex members in accessing and understanding services
- Soliciting commitments from healthcare providers regarding dedicated and unrestricted funding resources for the Flex Program’s developing Wellness Program
- Soliciting information regarding alternate PPO dental benefit design
- Inviting proposals for a stand-alone vision plan in order to assess whether greater value could be obtained by “unbundling” vision benefits from the Flex Program’s health plans
- Including, as part of the evaluation process, multiple “performance exams” providing opportunities for direct examination of bidders on topics of particular focus in the procurements, including quality of provider care, member services, and Wellness resources.

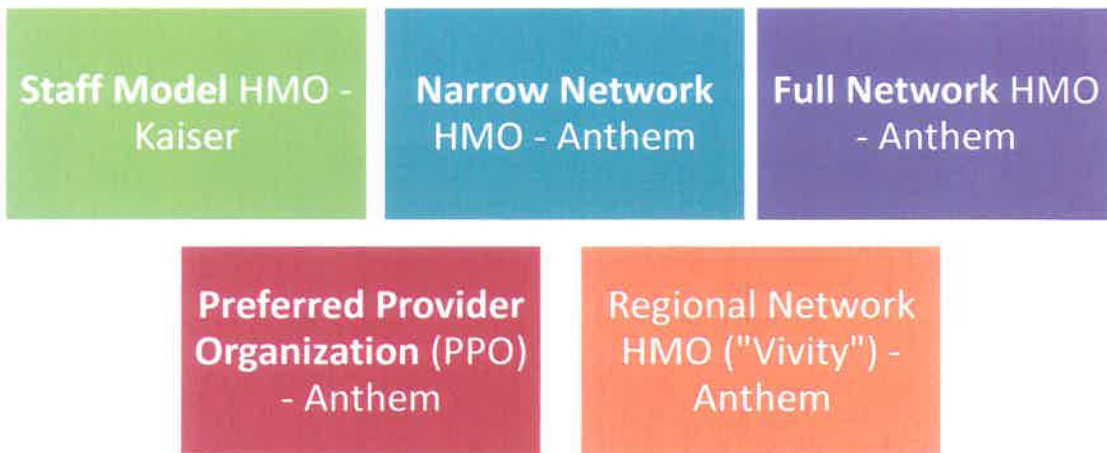
The proposals submitted by the vendor community in response to the RFPs provided an opportunity for the Flex Program to fundamentally evolve and improve the Flex Program in support of its core mission. In short, best practice process produced outstanding results:



### C. HEALTH PLAN PROVIDERS AND DESIGN

The JLMBC has recommended to the General Manager Personnel Department that Kaiser Permanente be selected as the provider of the Flex Program’s Staff Model HMO, and that Anthem Blue Cross be selected as the provider of the Flex Program’s PPO, HMO Full Network, and HMO Narrow Network plans, as well as of an alternate regional network plan (“Vivity”) to be added as an additional option for Flex members. Kaiser was the incumbent Staff Model provider. Anthem will replace Blue Shield as the provider of the City’s non-Staff Model plans. The Flex Program’s 2017 core menu of health plan offerings is proposed as follows:

#### Flex Program Health Plans Menu



**New Alternate Regional Plan (“Vivity”)** - Vivity is a recently developed regional HMO network and partnership involving Anthem and seven integrated hospital systems focused on serving residents of Los Angeles and Orange counties. The hospital systems include the following:

- Cedars-Sinai
- UCLA
- PIH Health
- Huntington Memorial
- Torrance
- Memorial Care
- Good Samaritan

Vivity’s objective is to integrate its providers around certain quality standards, service costs, shared patient records, and shared financial risk. Vivity will provide Flex members with access to key provider groups (e.g. Cedars-Sinai, UCLA, and PIH Health) that are presently not available through the Narrow Network but at a premium cost below the cost of the Narrow Network. This will represent a cost savings for those members who have preferred physicians within those provider groups but could previously only access them through the Full Network or PPO plans. Because Vivity is a regional network and only provides access to a subset of provider groups, it would not replace the Full or Narrow Network options. Thus, its addition to the Flex Program’s menu as a new option should only deepen access to quality and affordable care.

**Wellness Resources** – Both Kaiser and Anthem have Wellness-related programs and services that they make available to their members and which will be incorporated into the City’s developing Wellness program. However, the JLMBC’s vision for its Wellness program includes establishing a City-branded program that sits above its healthcare and other service providers. It will include a robust infrastructure of internal staffing, contracted member engagement services, and benchmarking resources. That infrastructure will require funding, which is why it was a primary focus of the RFP. In response to the RFP, Anthem has committed \$1 million annually in unrestricted funding. The City is still negotiating with Kaiser to secure a commensurate resource commitment.

**Member Advocates** – The RFP request for on-site member advocates represented an important objective for improving member support services. Providing personalized assistance will help members navigate benefit delivery complexity and demonstrate the City’s commitment to improving customer service. Anthem committed a full-time member advocate to work on-site at City facilities. The City is still negotiating with Kaiser to secure a commensurate resource commitment.

Kaiser’s premiums represent an increase of approximately 6.4% relative to 2016 premiums. Anthem’s premiums represent a change of approximately 8.9%, 3.0%, and -3.0% for the PPO, Narrow Network, and Full Network plans, respectively, relative to 2016 premiums. All of these are below the initial projections of rate renewals prior to issuance of the RFPs. All of these premium increases will be slightly reduced to account for the removal of vision benefits from the providers’ plans and premiums.

#### D. DENTAL PLAN PROVIDERS AND DESIGN

The JLMBC has recommended to the General Manager Personnel Department that Delta Dental be selected as the provider of the Flex Program's Dental PPO, HMO, and Preventive Only options. Delta Dental is the incumbent provider of these plans. In response to member focus group and survey feedback, the JLMBC focused on benefit level adjustments for the Dental PPO plan (which comprises 67% of overall enrollment) that would provide greater flexibility for members to manage the cost of dental services at a reasonable cost for both the City and Flex members (on a total premium basis, the cost of dental premiums is split evenly between the City and Flex members). The JLMBC proposes the following combination of Dental PPO benefit level adjustments:

- New Diagnostic & Preventive Waiver – A new diagnostic and preventive waiver would not count the cost of diagnostic and preventive services against a member's annual maximum benefit; this promotes wellness-related preventive utilization and provides an effective \$300-500 increase in the effective level of the annual maximum benefit.
- Equalize In/Out of Network Annual Maximum – The annual maximum benefit for members seeing in-network vs. out-of-network providers would equalize at \$1,500 (in 2016, the out-of-network benefit was limited to \$1,250), providing greater utility and flexibility to those members seeing preferred out-of-network dentists.
- Increasing Reasonable & Customary Percentile – The reasonable and customary reimbursement level for out-of-network benefits would increase from the current 51<sup>st</sup> to 90<sup>th</sup> percentile, which further supports Flex members seeing preferred out-of-network dentists.

Delta's premiums represent an increase of approximately 2.9% relative to 2016 premiums. This is below the initial projections of rate renewals prior to issuance of the RFPs.

#### E. VISION PLAN PROVIDERS AND DESIGN

The JLMBC is proposing the addition of a new Vision Plan as part of the Flex Program benefit menu. Historically for the City, vision benefits have been bundled within health insurance provider benefits. Focus group and survey results indicated considerable member confusion and dissatisfaction regarding vision benefits. As a result, concurrent with issuing its RFP for Health services, the JLMBC issued a separate RFP for a stand-alone vision plan.

The results of that process indicated that by moving to this model the Flex Program could vastly improve benefit levels and customer service without raising the overall cost of vision premiums. The JLMBC has recommended to the General Manager Personnel Department that EyeMed be selected as the provider of the Flex Program's new Vision Plan. The selection of EyeMed and introduction of the Vision Plan will:

- Provide a single point-of-contact for accessing services
- Expand the overall available network of optical service providers
- Vastly improve member service by providing for, among other enhancements, "pop-up" clinics offering eye exams at City facilities and delivering eyewear to members at their work locations

➤ Simplify communication and administration of vision benefits for Flex members

Under the new Vision Plan, Flex members will receive a new frame/lens/contacts allowance annually (instead of every two years under the prior plan design). The annual allowance will be \$150.

The JLMBC has further recommended that this new Vision Plan be administered as a “base benefit” for Flex members, similar to administration of the base life insurance and base disability insurance benefits.

**F. OTHER FLEX BENEFIT SERVICE PROVIDER RENEWALS**

Annually the JLMBC reviews and makes recommendations on Flex benefit service provider rate renewals. Below is a list of the existing service providers that require renewals (exclusive of the Health, Dental and Vision service providers previously addressed in this report). Each of these renewals provides for a 0% change in 2017 premiums relative to 2016 premiums:

Provider	Rate Increase
d. The Standard (Life/Disability insurance)	0.0%
e. The Standard (AD&D)	0.0%
f. Wage Works Flexible Spending Accounts	0.0%
g. Managed Health Network	0.0%

**G. COMMUNICATIONS REBRANDING & INTEGRATION**

In 2017, along with the vendor selections and benefit design changes, will be changes to Flex Program communications. Personnel Department staff are working with a consultant to rebrand the program and to integrate core concepts related to the City’s developing Wellness Program into the branding and messaging of the Flex Program. The intent of these efforts is to empower Flex Program members to see the relationships between benefit elections and overall health and wellbeing, and to begin the process of raising the prominence of Wellness resources as vital components of the City’s benefits package.

**H. FLEX PLAN PROJECTED EXPENDITURES FY 15-16/FISCAL IMPACT**

The City budgets for the Flex Benefits Program on a Fiscal Year basis. The projected expenditures for Fiscal Year 16-17 represent a combination of premiums for both Plan Years 2016 and 2017. Following the vendor selection and benefit design decisions recommended by the JLMBC, the overall cost of the Flex Program is expected to be fully consistent with the adopted budget amount

of \$249.9 million for Fiscal Year 16-17. Actual expenditures may be impacted by variations in the projected growth in net total enrollment (which is a function of the relationship between hiring new employees vs. ongoing attrition) and individual benefit elections for coverage (which will change in January following open enrollment activities between October and December 2016).

**I. CONCLUSION**

As the City emerged from the 2008-2009, recession, the City's Flex Program successfully slowed the pace of Flex Benefits Program cost increases through a number of plan design changes. These included adjustments to member co-pays, introduction of a Narrow Network HMO option, and execution of a Dependent Eligibility Verification (DEV) audit in FY 14/15 for the purpose of removing ineligible dependents from Flex coverage. These structural changes set the Flex Program on a sustainable financial course.

Following those efforts and moving into 2017, the Personnel Department and JLMBC have a renewed sense of vision and purpose. Both are committed to engaging members on a continuous basis in order to improve and maximize the value of the Flex Program.

The commitment to such engagement is fully demonstrated by the 2016 Health, Dental and Vision procurements development process and results. Member feedback was the starting point for the process, and the specific outcomes on provider selections and benefit design all directly relate back to supporting member needs. At the same time, those outcomes are fully consistent with the long-term financial viability of the Flex Program.

The City Council has supported these efforts by taking important steps such as providing the Personnel Department with five-year contracting authority for Flex Benefits service providers (which provides leverage for the City in negotiating favorable terms for Flex members), establishing dedicated Wellness staffing, and participating in an ongoing dialogue involving the JLMBC and other stakeholders. This partnership has led to a defining moment in the evolution of the Flex Program. The service providers and benefit design proposed for 2017 will greatly advance the objectives of improving member health and creating a benefit structure that supports and protects the City's most valuable asset – its workforce.

The Personnel Department and JLMBC are excited about the opportunities and work that lie ahead, including ongoing expansion of access to quality care, improving member services, implementation of the new Wellness Program, and further establishing the Flex program as a model of efficiency, quality and competent administration. The JLMBC respectfully requests that the City Council adopt the 2017 Flex Benefits Program.



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