

REPORT
FROM



THE PERSONNEL
DEPARTMENT

TO: Personnel and Animal Welfare Committee	DATE August 10 , 2017
REFERENCE: Los Angeles Administrative Code Division 4, Chapter 7, Article 5, Section 4.303	COUNCIL FILE

SUBJECT: **Plan Year 2018 Civilian 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 Benefits Program; and
- (b) Approve the 2018 Civilian Benefits Program.

SUMMARY:

The Personnel Department administers the City's Civilian 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 Benefits Program, defining the structure of the benefit plans, recommending service providers to the Personnel Department General Manager, and monitoring program administration by the Personnel Department.

The mission of the Civilian Benefits Program is to promote employee health and wellness with competitive benefits at a reasonable level relative to the City's financial capacity. Currently, the Civilian Benefits Program covers approximately 25,300 employees and 33,000 dependents.

Each June, the JLMBC reviews information provided by the Personnel Department, benefits consultants, and service providers to establish Civilian Benefits Program plan design and cost for the subsequent calendar year. In 2017, the JLMBC also procured for and submitted recommendations to the General Manager Personnel Department relative to Life, Disability, and Accidental Death & Dismemberment (AD&D) insurance plans. At its meeting on June 22, 2017, the JLMBC adopted recommendations for the Benefits Program for Plan Year 2018.

Los Angeles Administrative Code 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 2018 Civilian Benefits Program.

A. 2018 CIVILIAN BENEFITS PROGRAM OVERVIEW

The Personnel Department administers multiple service provider contracts for the various benefit plans comprising the Civilian Benefits Program. Collectively, these programs create opportunities for eligible employees to support health and financial protections for themselves and their dependents. In 2018, these plans and service providers will include the following:



Significant changes and improvements to the Civilian Benefits Program were implemented in 2017. These include introduction of a new health plan service provider relationship with Anthem Blue Cross; the addition of a new regional network HMO plan ("Vivity"); creation of a new stand-alone vision plan; and improvements to the benefit design of the dental PPO plan. The Personnel Department also made considerable progress with Wellness Program development and engagement, which is detailed later in this report.

B. SERVICE PROVIDER ANNUAL RATE RENEWALS AND PROCUREMENTS

The JLMBC considered annual rate renewal proposals from each of its benefit service providers. The City's medical providers (Kaiser Permanente and Anthem Blue Cross) both submitted rate increases. In connection with a procurement process for Life, Disability, and Accidental Death & Dismemberment insurance plans, The Standard Insurance Company (The Standard) was selected and its rates generally provided for rate reductions in these plans. All other service providers (including Delta Dental, EyeMed, WageWorks, and Managed Health Network) will

renew at the same rate levels as 2017. Overall, for all service providers, the aggregate premium increase for all plans from 2017 to 2018 is 5.1%; for health plans only the aggregate increase is 6.3%. Following are highlights from each provider relative to its status and proposal for Plan Year 2018:

Health Plans

Service Provider: Kaiser Permanente (Kaiser)

- The current Civilian Benefits Program staff-model medical insurance provider is Kaiser; staff-model means that Kaiser's services are provided by its own employees and using its own facilities.
- Kaiser submitted a **1.9%** rate increase for 2018. This rate increase includes Affordable Care Act (ACA) fees and \$1 million in annual discretionary wellness funds to support the City's health and wellness initiatives.

Service Provider: Anthem Blue Cross (Anthem)

- The current Civilian Benefits Program non-staff-model medical insurance provider is Anthem Blue Cross, which includes the City's Preferred Provider Option (PPO), Narrow Network Health Maintenance Organization (HMO), Full Network HMO, and Regional HMO ("Vivity"); non-staff-model means that Anthem Blue Cross uses contracted physicians and provider groups for its in-network services, and/or providing reimbursements to physicians and provider groups outside of its networks for its PPO plan.
- Blue Shield submitted a **12.7%** rate increase for the PPO, Narrow Network HMO, and Full Network HMO plans, and an **8.5%** increase for the Regional HMO ("Vivity") plan. This rate increase includes Affordable Care Act (ACA) fees and \$1 million in annual discretionary wellness funds to support the City's health and wellness initiatives.

Life/Disability/AD&D Plans

Service Provider: The Standard

- The Standard is the current Civilian Benefits Program provider of Life Insurance (base benefit and optional supplemental); Short-Term Disability (base benefit), and Long-Term Disability (base benefit and optional supplemental); and Accidental Death & Dismemberment (AD&D) insurance programs.
- On June 8, 2017, following a procurement process, the JLMBC recommended the selection of The Standard as the provider of these insurance plans. The procurement resulted in **-14.1%, -4.9%, -10.5%, 0.0%, and 0.0%** rate changes for 2018 for Basic and Supplemental Life, Basic and Supplemental Disability, and Voluntary AD&D insurance programs, respectively.

Dental Plans

Service Provider: Delta Dental

- The current Civilian Benefits Program dental insurance provider is Delta Dental, which offers a PPO, HMO, and Preventive Only plans. Delta Dental uses contracted dentists and provider groups for its in-network services, and/or provides certain reimbursements to provider groups outside of its networks for its PPO plan.
- In 2016, following a procurement process, the JLMBC negotiated a multi-year rate guarantee

with Delta Dental for plan years 2017, 2018, and 2019. As a result, there is a **0.0%** premium rate renewal for Plan Year 2018.

Vision Plan

Service Provider: EyeMed

- The current Civilian Benefits Program service provider for vision care services is EyeMed. EyeMed uses contracted service providers for its in-network services, and/or provides certain reimbursements to provider groups outside of its networks.
- In 2016, following a procurement process, the JLMBC negotiated a multi-year rate guarantee with EyeMed for plan years 2017, 2018, and 2019. As a result, there is a **0.0%** premium rate renewal for Plan Year 2018.

Tax-Advantaged Savings Plans

Service Provider: WageWorks

- The current Civilian Benefits Program service provider for Tax-Advantaged Spending Accounts is WageWorks. These spending accounts include Healthcare Flexible Spending Account (HFSA), Dependent Care Reimbursement Account (DCRA), Transit Spending Account (TSA), and Parking Spending Account (PSA). A Request for Proposal (RFP) for these services was released on March 2, 2017 and subsequently canceled in May 2017 due to disqualification of one of two proposals thereby requiring the current contract with WageWorks to be extended for an additional year through December 31, 2018.
- WageWorks is proposing a **0.0%** premium rate renewal for Plan Year 2018.

Employee Assistance Program (EAP)

Service Provider: Managed Health Network

- The current Civilian Benefits Program service provider for Employee Assistance Program (EAP) services is Managed Health Network (MHN). An RFP for EAP services was released on February 22, 2017 and subsequently canceled in May 2017 due to disqualification of one of two proposals thereby requiring the current contract with MHN to be extended for an additional year through December 31, 2018.
- MHN is proposing a **0.0%** premium rate renewal for Plan Year 2018.

2018 rate renewals are summarized as follows:

Benefit Program	Provider	2018 Rate Increase
Health Insurance	Kaiser	1.90%
	Anthem	
	- PPO	12.70%
	- HMO (Narrow Network)	12.70%
	- HMO (Full Network)	12.70%
	- HMO (Regional-Vivity)	8.50%
Dental Insurance	Delta Dental	0.0%
Vision Insurance	EyeMed	0.0%
Basic/Supplemental Life Insurance	The Standard	-14.1%/-4.9%
Basic/Supplemental Disability Insurance	The Standard	-10.5%/0.0%

Voluntary AD&D Insurance	The Standard	0.0%
Tax-Advantaged Savings Account	WageWorks	0.0%
Employee Assistance Program	Managed Health Network	0.0%

C. WELLNESS PROGRAM DEVELOPMENT

Establishing a successful Wellness Program for the Civilian population is a priority objective for the JLMBC. The Wellness Program provides an opportunity for the City to demonstrate its capacity for creativity, innovation, and collaboration with the goal of improving the health, wellbeing, and quality of life of its workforce. Over the past year the JLMBC has:

- Completed a comprehensive current state research project on employer-sponsored wellness programs, providing the City with comparative information promoting a faster, more efficient, and more effective path to program implementation;
- Conducted an employee Wellness Survey resulting in an exceptional response from approximately 4,000 individuals, the largest survey response ever for the Benefits Program;
- Issued a procurement for Wellness-related service providers;
- Developed and executed a series of engagement and informational campaigns for the City's workforce, including onsite vision clinics and ongoing monthly educational communications;
- Adopted a Walking and Health Engagement Program for the Fall of 2017; and
- Engaged all benefit service providers regarding integrating their services with Wellness Program objectives, aligning their data reporting, and customizing programs and content.

Moving forward, engagement with Civilian members will focus on three foundational elements:

- **Participation** – Participation and engagement in wellness events and campaigns is the prerequisite for changing behaviors. A primary engagement vehicle will be a Citywide Walking & Health Engagement Program to be launched in the second half of 2017.
- **Behaviors** – Nutrition, Exercise, and Stress Reduction are the core behaviors the JLMBC is looking to influence over time. They represent the primary influences on chronic care conditions and healthcare costs.
- **Prevention & Population Health** – A broad array of statistical indicators on population health are being monitored in cooperation with the City's health plan providers. The baseline focus will be to refine data related to weight, cholesterol, blood pressure, and diabetes incidence to establish three- to five-year goals for trend improvement. In addition, targets have been established for improving preventive dental and vision exam utilization.

All behavioral change that can result from this program is dependent upon effective engagement. That engagement will necessarily need to be dynamic, creative, and responsive to the unique needs of the membership. The JLMBC's current state research makes clear that a work culture promoting and supportive of wellness is vital for success. The JLMBC's vision is to create a welcome space supporting employees on their healthcare journeys.

D. CIVILIAN BENEFITS PROGRAM FISCAL YEAR 2017-18 BUDGET AND PROJECTED EXPENDITURES

The City budgets for the Civilian Benefits Program on a fiscal year basis. Projected expenditures for fiscal year 2017-18 represent a combination of premiums for Plan Years 2017 and 2018. Incorporating vendor selection and service provider renewals, the overall cost of the Civilian Benefits Program is expected to be consistent with the adopted budget amount of **\$276.4** million for fiscal year 2017-18. Actual expenditures will be impacted by variations of projected growth in net enrollment (which is a function of the relationship between new employee hiring and attrition) and individual benefit elections for coverage effective January 2018 following the annual October Open Enrollment period.

E. CONCLUSION

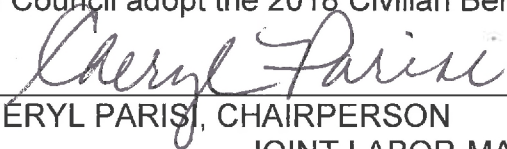
The JLMBC and Personnel Department have successfully partnered over many years to evolve and enhance the Civilian Benefits Program. These efforts have produced measurable results and are ongoing.

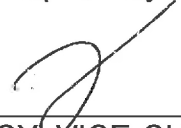
From 2012 to 2015, as the City emerged from the recession, the JLMBC and Personnel Department successfully slowed the pace of Benefits Program cost increases through plan design changes including adjustments to member co-pays, introduction of a Narrow Network HMO option, and execution of a Dependent Eligibility Verification (DEV) audit. These structural changes set the Civilian Benefits Program on a sustainable financial course.

In 2016, the JLMBC executed major procurements for Health, Dental, and Vision service providers using a broad range of innovative and best-practice process models. Member feedback through a survey and focus groups was the starting point for the process, and the ultimate decisions on provider selections and plan design all directly related back to supporting member needs.

In 2017, the JLMBC's primary focus is on two areas. First is Wellness Program development, which brings behavioral change into the overall strategy to sustain and improve the health and wellbeing of the City's workforce. The second is on a recently released procurement for the Civilian Benefits Program's Third-Party Administrator (TPA), the last major area of Civilian Benefits Program architecture that will be addressed to optimize its efficacy.

The Mayor and City Council supported these efforts by providing the Personnel Department with five-year contracting authority for Civilian Benefits Program service providers, establishing dedicated Wellness staffing, and participating in an ongoing dialogue involving the JLMBC and other stakeholders. This partnership has been exciting and fruitful and has applied restless innovation, efficiency, quality, and measurable results. The JLMBC respectfully requests that the City Council adopt the 2018 Civilian Benefits Program.


CHERYL PARISI, CHAIRPERSON
JOINT LABOR-MANAGEMENT BENEFITS COMMITTEE


WENDY G. MACY, VICE-CHAIRPERSON
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