

REPORT
FROM



THE PERSONNEL
DEPARTMENT

TO: City Council

DATE
May 31, 2018

REFERENCE: Los Angeles Administrative Code Division 4, Chapter 7,
Article 5, Sec. 4.303

COUNCIL FILE

SUBJECT: **Plan Year 2019 LAwell Civilian Benefits Program**

RECOMMENDATION:

That the City Council approve the 2019 LAwell Civilian Benefits Program (LAwell Program).

SUMMARY:

The Personnel Department administers the City's LAwell 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 1990 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 benefit plans, and recommending service providers to the General Manager Personnel Department.

The mission of the LAwell Program is to promote employee health/wellness with competitive benefits at a reasonable level relative to the City's financial capacity. Currently, the LAwell Program covers approximately 26,100 employees and 33,200 dependents.

Each spring the JLMBC reviews information provided by the Personnel Department, benefits consultants, and service providers to establish LAwell Program design and costs for the subsequent calendar year. In 2018, the JLMBC also procured, and submitted recommendations to the General Manager Personnel Department to select service providers for the Employee Assistance Program (EAP), Tax-Advantaged Spending Accounts, and Wellness administration. At its meeting on May 31, 2018, the JLMBC adopted recommendations to establish the LAwell Program for Plan Year 2019.

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 recommend that the City Council approve the 2019 LAwell Program.

A. 2019 BENEFIT PLANS OVERVIEW

The LAwell Program contains a diverse array of benefit plans with multiple contracted service providers. Collectively, these plans and providers create opportunities for employees to customize their benefit needs and support the health and well-being of themselves and their dependents. In 2019, benefits plans and service providers will include the following:

MEDICAL Kaiser Permanente - Staff-Model HMO Anthem Blue Cross - Narrow Network HMO, Full Network HMO, Regional HMO, and PPO	DENTAL Delta Dental - PPO, HMO, and Preventive Care	LIFE INSURANCE The Standard Insurance Company - Basic Life, Supplemental Life, and Dependent Life
DISABILITY INSURANCE The Standard Insurance Company - Basic Disability, Supplemental Disability	ACCIDENTAL DEATH & DISMEMBERMENT INSURANCE The Standard Insurance Company - Voluntary AD&D and Dependent AD&D	TAX-ADVANTAGED SAVINGS ACCOUNTS WageWorks - Flexible Spending, Dependent Care Reimbursement, Transportation Saving, Parking Saving
EMPLOYEE ASSISTANCE PROGRAM Optum - Work/life Assistance	VISION PLAN EyeMed - Vision Health/Eyewear	WELLNESS SERVICES Limeade - Wellness engagement administration and data management (implementation date to be determined)

2018 was another year of progress for the LAwell Program's contracted service provider relationships. As a result of competitive procurement processes, the JLMBC and Personnel Department selected:

- (1) Morneau Shepell as the new LAwell Program Third-Party Administrator (TPA) to provide enhanced member support and recordkeeping services;
- (2) Limeade as the LAwell Program's first Wellness Services administrator to engage employees more actively on personal wellness; and
- (3) Optum as a new EAP service provider to assist the City with increasing utilization of and engagement with EAP services.

The addition of these providers is expected to further enhance the efficacy of the LAwell Program and support improved member outcomes.

B. SERVICE PROVIDER ANNUAL RENEWALS AND PROCUREMENTS

The JLMBC considered and acted upon annual renewals for its various benefit plan service providers. The City's medical providers submitted favorable renewals ranging from modest premium increases to no change in premiums to premium reductions. Optum's selection as the City's EAP provider will result in a slight fee reduction. All other service providers (including Delta Dental, EyeMed, the Standard, and WageWorks) will renew with no changes in rates compared to 2018. Following are highlights from each provider relative to recommended actions for Plan Year 2019:

Health Plans

Service Provider: Kaiser Permanente (Kaiser)

- Kaiser is the provider of the LAwell Program's Staff Model Health Maintenance Organization (HMO) plan. Kaiser's services are provided for by its employees and using its facilities.
- Kaiser submitted two renewal options for Plan Year 2019:
 - Option A provided for no rate change in 2019 in combination with a rate cap of 2.5% in 2020;
 - Option B provided for a -3.13% premium change with no rate guarantee in 2020.

This favorable renewal resulted from positive results with respect to utilization and reduced large claim costs, as well as suspension of Affordable Care Act (ACA) Health Insurer fees in 2019. After reviewing with its consultants and staff, the JLMBC adopted Option A for the following reasons:

- 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 previously successfully implemented multi-year rate guarantees with the LAwell Program's other benefit service providers, establishing a multi-year arrangement with Kaiser as well establishes an important precedent in support of ongoing pricing stability for the LAwell Program.
- Kaiser continues to support the City's Wellness Program with \$1 million in annual discretionary wellness funds.

Service Provider: Anthem Blue Cross (Anthem)

- Anthem is the provider of the LAwell Program's Preferred Provider Option (PPO), Narrow Network HMO, Full Network HMO, and Regional HMO ("Vivity") options. Anthem uses contracted physicians and provider groups for its in-network services and provides reimbursements to physicians and provider groups outside of its PPO network.
- Following review of its proposed renewals, the JLMBC adopted a **7.28%** renewal for the PPO plan, a **2.44%** renewal for the Narrow Network HMO and Full Network HMO plans, and a **-9.79%** renewal for the Vivity plan. These favorable renewals, all below the previously negotiated 2019 rate cap of 13% for Anthem plans, resulted from positive

below-trend results with respect to utilization, reduced per-employee-per-month costs, reduced large claim costs, and suspension of Affordable Care Act (ACA) Health Insurer fees in 2019.

- Anthem continues to support the City's Wellness Program with \$1 million in annual discretionary wellness funds.

Dental Plans

Service Provider: Delta Dental

- Delta Dental is the provider of the LAwell Program's Dental PPO, HMO, and Preventive Care plans. Delta Dental uses contracted dentists and provider groups for its in-network services and provides certain reimbursements to provider groups outside of its PPO network.
- 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%** renewal for Plan Year 2019.

Vision Plan

Service Provider: EyeMed

- EyeMed is the provider of the LAwell Program's vision plan. EyeMed uses contracted service providers for its in-network services and provides certain reimbursements to provider groups outside of its network.
- 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%** renewal for Plan Year 2019.

Life/Disability/AD&D Plans

Service Provider: The Standard

- The Standard is the provider for the LAwell Program's Life Insurance (base benefit and optional supplemental); Short-Term Disability (base benefit) and Long-Term Disability (base benefit with optional supplemental benefit); and Accidental Death & Dismemberment (AD&D) insurance plans.
- In 2017, following a procurement process, the JLMBC negotiated a multi-year rate guarantee with the Standard for plan years 2018, 2019, and 2020. As a result, there is a **0.0%** renewal for Plan Year 2019.

Tax-Advantaged Savings Plans

Service Provider: WageWorks

- WageWorks is the provider of the LAwell Program's Tax-Advantaged Spending Accounts. 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 in December 2017. In April 2018, WageWorks was re-selected as the service provider. As WageWorks made no changes to its 2019 rates and committed to a five-year rate guarantee (2019-2023), there is a **0.0%** renewal for Plan Year 2019.

EAP Services

Service Provider: Optum

- Managed Health Network (MHN) is the provider of the LAwell Program's EAP services. An RFP for EAP services was released in December 2017. In May 2018, Optum was selected as the service provider for the EAP. Optum's selection will result in a **-1.68%** rate change compared to MHN's 2018 rates.

2019 renewal actions are summarized as follows:

Benefit Program	Provider	2019 Renewal
Health Insurance	Kaiser	0.0% in 2019 with accompanying 2.5% rate cap in 2020
	Anthem - PPO - HMO (Narrow Network) - HMO (Full Network) - HMO (Regional-Vivity)	+7.28% +2.44% +2.44% -9.79%
Dental Insurance	Delta Dental	0.0%
Vision Insurance	EyeMed	0.0%
Basic Life/Disability Insurance	The Standard	0.0%
Supplemental Life/Disability Insurance	The Standard	0.0%
Voluntary AD&D Insurance	The Standard	0.0%
Tax-Advantaged Savings Accounts	WageWorks	0.0%
Employee Assistance Program	Optum	-1.68%

C. LAwell PROGRAM TPA

In January 2018 Morneau Shepell was selected by the JLMBC and Personnel Department to provide TPA benefits administration, replacing incumbent TPA Mercer Human Resources Services (Mercer). Morneau Shepell offers a broad range of state-of-the-art technology and communications resources that will allow the City to improve the user experience for employee selection of benefits plans and ongoing personal account management. Morneau Shepell will also provide the City with improved recordkeeping capabilities to assist the City with better managing the TPA's complex interfaces with the City's payroll system and benefit plan providers. In order to provide for a smooth records conversion and transition of services, Morneau Shepell will assume its full duties on April 1, 2019. The contract with Mercer presently expires December 31, 2018, so the Personnel Department will request, under separate cover, an extension of the Mercer contract for an additional three months.

D. WELLNESS PROGRAM DEVELOPMENT

Establishing a robust Wellness Program for LAwell Program members has been a priority objective for the JLMBC. The Wellness Program provides an opportunity for the City to demonstrate its capacity for creativity, innovation, and collaboration in service of supporting the health, well-being,

and quality of life of its workforce. Over the past year the JLMBC has:

- Executed 92 engagement and informational campaigns for the City's workforce which resulted in 5,526 total member engagements, including:
 - 1) 2,251 participants in the Fall 2017 Citywide WalkPlus challenge
 - 2) 248 participants in the Winter 2018 Council WalkPlus challenge
 - 3) 1,929 participants in classes/webinars
 - 4) 701 participants in clinics
 - 5) 397 participants in biometric screenings
- Conducted a second annual employee Wellness Survey resulting in responses from approximately 3,100 employee respondents.
- Selected Limeade as the LAwell Program's first Wellness Services administrator. Limeade's services will go live on a date to be determined in 2019. Limeade's mission will be to provide online and personal engagement resources, including a web-based user platform and local engagement representatives, to support LAwell members in their personal health objectives. Limeade will also provide the City with the means to integrate data from its various benefit service providers for the purpose of developing goals and metrics for improving the health and wellness of the City's workforce.

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

The City budgets for the LAwell Program on a fiscal year basis. Projected expenditures for fiscal year 2018-19 represent a combination of premiums for Plan Years 2018 and 2019. Incorporating vendor selection and service provider renewals, the overall cost of the LAwell Program is expected to be consistent with the adopted budget amount of **\$286,256,744** for fiscal year 2018-19. Actual costs will further vary based on changes in enrollment and member benefit elections that occur throughout the year, particularly elections made during Open Enrollment in October, 2018.

E. CONCLUSION

The JLMBC and Personnel Department have successfully partnered over many years to administer and improve the LAwell Program. These efforts have produced measurable results and are ongoing.

- 2012-2015 - The JLMBC and Personnel Department successfully slowed the pace of cost increases through plan design changes including adjustments to member co-pays, the introduction of a Narrow Network HMO option, and execution of a Dependent Eligibility Verification (DEV) audit.
- 2016-2017 - The JLMBC executed major procurements for Health, Dental, and Vision service providers resulting in the 2017 addition of a new regional HMO, dental benefit improvements, and the addition of a stand-alone vision plan provider.
- 2018 - The JLMBC selected a new Benefits TPA and the LAwell Program's first Wellness administration provider, along with a new EAP provider, in support of improved operational efficacy and member outcomes.

The City Council has supported the ongoing innovation of the LAwell Program through actions such as approving the DEV audit, providing benefit service provider contracting flexibility in the Los Angeles Administrative Code, approving dedicated Wellness staffing, and annually adopting the LAwell Program reflecting its progress each year. Also, the City Council has exercised important leadership by participating in events such as the Council Walking Challenge, demonstrating the commitment of City leaders to supporting a healthier workforce. The City Council's ongoing support has helped the LAwell Program continue to evolve and advance. The JLMBC respectfully requests that the City Council adopt the 2019 LAwell Program.



WENDY G. MACY, CHAIRPERSON
JOINT LABOR-MANAGEMENT BENEFITS COMMITTEE



CHERYL PARISI, VICE-CHAIRPERSON