



Benefits Administration Committee Agenda

REGULAR MEETING

TUESDAY, JUNE 11, 2019

TIME: 9:00 A.M.

MEETING LOCATION:

LACERS Ken Spiker Boardroom
202 West First Street, Suite 500
Los Angeles, California 90012-4401

Live Committee Meetings can be heard at: (213) 621-CITY (Metro), (818) 904-9450 (Valley), (310) 471-CITY (Westside), and (310) 547-CITY (San Pedro Area).

Chair: Michael R. Wilkinson
Committee Members: Sandra Lee
Nilza R. Serrano
Manager-Secretary: Neil M. Guglielmo
Executive Assistant: Ani Ghoukassian
Legal Counselor: City Attorney's Office
Retirement Benefits Division

Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, five or more business days' notice is strongly recommended. For additional information, please contact: Board of Administration Office at (213) 473-7169.

- I. PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION
- II. [APPROVAL OF MINUTES FOR SPECIAL MEETING OF MARCH 26, 2019 AND POSSIBLE COMMITTEE ACTION](#)
- III. [RECEIVE AND FILE - 2020 HEALTH PLAN CONTRACT RENEWAL UPDATE](#)
- IV. OPERATIONAL UPDATE
- V. OTHER BUSINESS
- VI. NEXT MEETING: The next Benefits Administration Committee meeting is not scheduled at this time, and will be announced upon scheduling.
- VII. ADJOURNMENT



Board of Administration Agenda

SPECIAL MEETING

TUESDAY, JUNE 11, 2019

TIME: 9:00 A.M.

MEETING LOCATION:

LACERS Ken Spiker Boardroom
202 West First Street, Suite 500
Los Angeles, California 90012-4401

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President: Cynthia M. Ruiz
Vice President: Elizabeth L. Greenwood

Commissioners: Elizabeth Lee
Sandra Lee
Nilza R. Serrano
Sung Won Sohn
Michael R. Wilkinson

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghoukassian

Legal Counsel: City Attorney's Office
Retirement Benefits Division

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- II. APPROVAL OF MINUTES FOR SPECIAL MEETING OF MARCH 26, 2019 AND POSSIBLE COMMITTEE ACTION
- III. RECEVE AND FILE - 2020 HEALTH PLAN CONTRACT RENEWAL UPDATE
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MINUTES OF THE SPECIAL MEETING
BOARD OF ADMINISTRATION
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

LACERS Ken Spiker Boardroom
202 West First Street, Suite 500
Los Angeles, California

March 26, 2019

| |
|--|
| Agenda of: <u>June 11, 2019</u> |
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|---------------------------|
| Item No: <u>II</u> |
|---------------------------|

9:21 a.m.

| | | |
|----------|----------------------|---|
| PRESENT: | Chair: | Michael R. Wilkinson |
| | Committee Member: | Nilza R. Serrano |
| | Commissioners: | Elizabeth L. Greenwood Elizabeth Lee |
| | Manager-Secretary: | Neil M. Guglielmo |
| | Executive Assistant: | Ani Ghoukassian |
| | Legal Counselor: | James Napier |
| ABSENT: | Committee Member: | Sandra Lee |

The Items in the Minutes are numbered to correspond with the Agenda.

Commissioners Greenwood and Elizabeth Lee were present, this is considered a Special Meeting of the Board of Administration. Any votes taken will be taken by Benefits Administration Committee Members only.

I

PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION – Chair Wilkinson asked if any persons wished to speak on matters within the Committee's jurisdiction, to which there was no response and no public comment cards received.

II

APPROVAL OF MINUTES FOR SPECIAL MEETING OF FEBRUARY 12, 2019 AND POSSIBLE COMMITTEE ACTION – Approval of the minutes was moved by Committee Member Serrano and adopted by the following vote: Ayes, Committee Member Serrano and Chair Wilkinson –2; Nays, None.

III

RECEIVE AND FILE – 2020 HEALTH PLAN CONTRACT RENEWAL TIMELINE AND STRATEGY – Alex Rabrenovich, Chief Benefits Analyst with Health Benefits Administration and Communications Division and Bordan Darm from Keenan & Associates presented this item to the Committee and the report was received by the Committee and filed.

IV

RECEIVE AND FILE – HEALTH FINANCIAL DASHBOARDS – Alex Rabrenovich, Chief Benefits Analyst with Health Benefits Administration and Communications Division and Bordan Darm from Keenan & Associates presented this item to the Committee and the report was received by the Committee and filed.

V

OPERATIONAL UPDATE – Lita Payne, Assistant General Manager reported the following items:

- Organizational alignment to align with the new Pension Administration System (PAS).
- Updating policies and procedures to align with PAS.
- Looking at effective reporting when using PAS.

VI

OTHER BUSINESS – There was no other business.

VII

NEXT MEETING: Chair Wilkinson announced that the next Benefits Administration Committee Meeting is not scheduled at this time, and will be announced upon scheduling.

VIII

ADJOURNMENT – There being no further business before the Committee, Chair Wilkinson adjourned the Meeting at 9:50 a.m.

Michael R. Wilkinson
Chair

Neil M. Guglielmo
Manager-Secretary



Report to Benefits Administration Committee

Neil M. Guglielmo

Agenda of: **JUNE 11, 2019**

From: Neil M. Guglielmo, General Manager

ITEM: **III**

SUBJECT: 2020 HEALTH PLAN CONTRACT RENEWAL UPDATE

Recommendation

That the Committee receive and file this report.

Discussion

LACERS' health and welfare consultant, Keenan and Associates (Keenan), sent each LACERS health plan carrier a 2020 Request for Renewal in mid-March with a response deadline of April 30, 2019. During April, staff and Keenan met with each carrier regarding the renewal process and to discuss any concerns or special areas of interest.

Preliminary 2020 premium rates have been submitted by all carriers for all plans, except the Kaiser Permanente Senior Advantage plan (the renewal premium for this plan is usually available in late June/early July). Based on the preliminary results, it is estimated that the annual premium cost of LACERS' health plans will increase by approximately 1.0% or \$1.3 million, from \$139.3 million to \$140.6 million. Currently, Keenan is in negotiation with each carrier to finalize the 2020 health plan premium rates and it is expected that final premium rates will be presented in late July.

For the Committee's consideration are two benefit changes – incorporating acupuncture with the existing chiropractic benefit and placing a maximum copay amount on prescription drugs once Members in LACERS Medicare plans reach the Part D "catastrophic phase." Keenan and staff will be present to discuss the anticipated costs of these potential changes, and to receive guidance on whether or not to proceed with negotiating these changes.

Strategic Plan Impact Statement

This item supports Strategic Plan goal 3: Improve Value and Minimize Costs of Members' Health and Wellness Benefits.

This report was prepared by Alex Rabrenovich, Chief Benefits Analyst, Health Benefit Administration and Communications Division.

NMG:AR:ar

Attachments: A) Keenan Report, 2020 Health Plan Renewal, Preliminary Report



Los Angeles City Employees' Retirement System

2020 Health Plan Renewal, Preliminary Report

Benefits Administration Committee

Respectfully Submitted by:

Steve Gedestad, Municipality Practice Leader | Bordan Darm, Consultant
Ju Anderson, Vice President | Erin Robinson, Senior Service Representative | Christine Hough, Actuary

Table of Contents

- Introduction Page 3
- Executive Summary Page 4
- HIT / ACA Tax Page 5
- Acupuncture Benefit Page 6
- Prescription Drug Catastrophic Stage Retiree OOP Page 7
- Security Breach Performance Standards Page 8
- Recommendations Page 9
- Acknowledgements Page 10

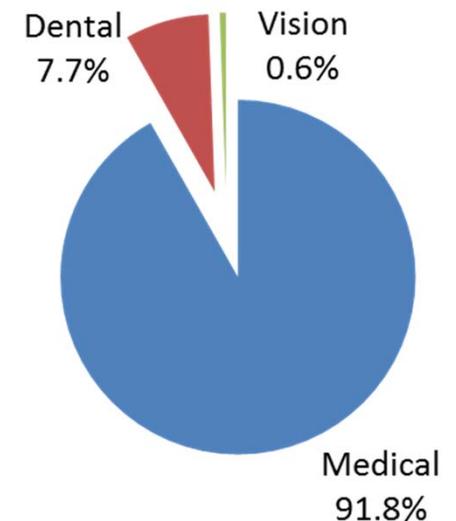
Introduction

- This report presents Los Angeles City Employees' Retirement System's (LACERS) preliminary 2020 health plan renewals
- Anthem Blue Cross (Anthem), Kaiser Permanente (Kaiser), UnitedHealthcare (UHC), and SCAN have provided medical plan renewals
- Delta Dental has provided a renewal for the DHMO plan. The Delta Dental PPO plan is self-funded as of January 1, 2019. The PPO administration fee remains the same from 2019.
- Anthem Blue View Vision has provided renewals for 2020 and for a three-year guarantee contract
- Data assumes the current carriers, plans, and enrollment in the report



Executive Summary

- The 2020 preliminary renewal for the LACERS Health and Welfare Program is an estimated increase in cost of \$1.3M or +1.0% from \$139,258,973 to \$140,615,224
- Of LACERS' total premium costs, medical is 91.8%, dental 7.7%, and vision 0.6%
- The 2019 LACERS preliminary renewals are as follows:
 - Medical premiums: **\$1,283,370** or **1.0%**
 - Dental premiums: **\$42,850** or **0.4%**
 - Vision premiums: **\$23,357** or **4.0%**
- Preliminary renewals are being negotiated
- The Delta Dental PPO plan is in its first year of self-funding
- The Health Insurance Tax (HIT) for 2020 is \$2,026,040



| | Current Enrollment | 2019 Premium | 2020 Renewal - Preliminary | | |
|--------------------|--------------------|----------------------|----------------------------|--------------------|-------------|
| | | | Premium | \$ Change | % Change |
| MEDICAL | 19,027 | 127,788,497 | \$129,071,867 | \$1,283,370 | 1.0% |
| DENTAL | 15,003 | 10,720,241 | \$10,763,091 | \$42,850 | 0.4% |
| VISION | 7,602 | 750,235 | \$780,266 | \$30,031 | 4.0% |
| GRAND TOTAL | | \$139,258,973 | \$140,615,224 | \$1,356,251 | 1.0% |

Health Insurance Tax (HIT) / ACA Tax

- For 2020 HIT/ACA tax will be implemented again.
- For 2019, no HIT/ACA fees were required.
- Total 2020 HIT/ACA tax is \$2,126,040
- Keenan is still awaiting any tax requirements for the Dental program and the Kaiser Senior Advantage.

| HIT / ACA Tax | 2019 | 2020 | Enrollment | 2020 Cost per Retiree per Month |
|---|------|--------------|--------------|---------------------------------|
| Medical | | | | |
| <i>Anthem</i> | | | | |
| PPO Under 65 and 65+ Part B | \$ - | \$ 501,255 | 1,034 | \$ 40.40 |
| HMO Under 65 and 65+ Part B | \$ - | \$ 458,238 | 893 | \$ 42.76 |
| <u>Medicare Supplemental Plan</u> | \$ - | \$ 313,994 | <u>3,102</u> | \$ 8.44 |
| Anthem Total | \$ - | \$ 1,273,487 | 5,029 | \$ 21.10 |
| <i>Kaiser</i> | | | | |
| HMO Under 65 | \$ - | \$ 339,900 | 4,051 | \$ 6.99 |
| <u>Senior Advantage</u> | \$ - | | <u>8,329</u> | |
| Kaiser Total | \$ - | | 12,380 | |
| <i>UHC</i> | | | | |
| California | \$ - | \$ 408,250 | 873 | \$ 38.97 |
| Nevada | \$ - | \$ 55,092 | 102 | \$ 45.01 |
| <u>Arizona</u> | \$ - | \$ 27,853 | <u>61</u> | \$ 38.05 |
| UHC Total | \$ - | \$ 491,195 | 1,036 | \$ 39.51 |
| <i>SCAN</i> | | | | |
| | \$ - | \$ - | 582 | \$ - |
| Total Medical | \$ - | \$ 2,104,582 | 10,698 | \$ 16.39 |
| Dental | | | | |
| <i>Delta Dental</i> | | | | |
| Delta Dental PPO | \$ - | | 11,810 | |
| <u>Delta Dental DHMO</u> | \$ - | | <u>3,193</u> | |
| Total Dental | \$ - | | 15,003 | |
| Vision | | | | |
| <i>Anthem</i> | | | | |
| Blue View Vision | \$ - | \$ 21,458 | 7,602 | \$ 0.24 |
| Health - Medical, Dental, & Vision | | | | |
| Total Health | \$ - | \$ 2,126,040 | | |

Acupuncture Benefit

- Keenan is working with the LACERS carriers (Kaiser, SCAN and UHC) to show a renewal option including acupuncture benefits for 2020. Anthem currently includes this benefit.

| LACERS - Current Benefits Chiropractic and Acupuncture | Anthem PPO | Anthem HMO | Anthem Medicare Supplemental | Kaiser HMO | Kaiser KPSA | SCAN | UHC |
|---|------------------|---|--|------------------|------------------|------------------|---|
| Chiropractic Copayment | \$20 Copayment | \$20 Copayment | \$10 Copayment | \$15 Copayment | \$15 Copayment | \$10 Copayment | \$15 Copayment |
| Chiropractic Benefit | 30 visits / year | 30 visits / year | 30 visits / year | 30 visits / year | 30 visits / year | 20 visits / year | CA - 30 visits / year, AZ /NV 12 visits / year |
| Acupuncture Copayment | \$30 Copayment | \$20 Copayment | \$30 Plan payment | | | | |
| Acupuncture Benefit | 12 visits / year | If medically necessary and approved by PCP. No benefit limit | 12 visits / year, Must use a physician | No Coverage | No Coverage | No Coverage | No Coverage |
| LACERS - Renewal Option for Acupuncture | Anthem PPO | Anthem HMO | Anthem Medicare Supplemental | Kaiser HMO | Kaiser KPSA | SCAN | UHC |
| Copayment | | | | | | | TBD |
| Benefit | | | | | | | TBD |
| Rate Impact | Not Applicable | Not Applicable | Not Applicable | TBD | TBD | TBD | \$3.82/member/month |
| Annual Dollar Cost Impact | | | | | | | \$47,490 |

Prescription Drug Catastrophic Stage Out of Pocket Retiree Cost

- It has come to LACERS' attention that after a retiree on Medicare reaches \$5,100 in out of pocket expenses for prescription drugs, a 5% of cost co-insurance applies to future prescription drug expenses.
- This benefit level is only attained by few retirees with significant prescription drug costs, but can be substantial for those retirees who obtain this out-of-pocket (OOP) benefit cost-share level.
- LACERS is looking into renewal options to minimize this catastrophic stage exposure to its' members.

Security Breach Performance Standard

- LACERS has requested that each carrier provide performance standards, measures, and guarantees in the event of a security breach.
- Anthem has complied with this request.
- The other carriers are working internally to determine how to implement this request.
- Keenan will continue to work with the carriers in this endeavor and report back as part of the 2020 final renewal proposal.

Recommendations

- Analyze the preliminary renewals and negotiate with carriers
- Finalize the Kaiser Senior Advantage renewal
- Receive and Finalize performance guarantees
- Finalize Anthem 2018 year-end accounting
- Finalize 2020 renewal impact on 115 Trust and Anthem Premium Stabilization Reserve
- Provide Acupuncture renewal option
- Remedy Rx Catastrophic Stage retiree OOP costs
- Finalize Security Breach performance standard



Acknowledgement

Keenan & Associates would like to thank Ms. Lita Payne, Mr. Alex Rabrenovich, and the LACERS Health Benefits Administration staff for providing the necessary data and engaging in this renewal process. Their cooperation and guidance have been extremely valuable.

Questions and Answers