

REPORT
FROM



THE PERSONNEL
DEPARTMENT

TO: City Council	DATE July 20, 2021
REFERENCE: Los Angeles Administrative Code Division 4, Chapter 7, Article 5, Sec. 4.303	COUNCIL FILE

SUBJECT: **Plan Year 2022 LAwell Civilian Benefits Program (LAwell Program)**

RECOMMENDATION:

That the City Council (a) approve the 2022 LAwell Program including the employee benefit plans, benefit plan premiums and rates, and program design features embodied therein; (b) authorize the Personnel Department General Manager to extend Contract C-132624 with Kaiser Foundation Health Plan, Inc. (Kaiser) for health plan services for a one-year term from January 1, 2022, through December 31, 2022; and (c) authorize the Personnel Department General Manager to extend Contract C-137662 with Anthem Blue Cross (Anthem) for health plan services for a one-year term from January 1, 2022, through December 31, 2022.

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 benefits program, defining the structure of benefit plans, and recommending service providers to the General Manager Personnel Department. Currently, the LAwell Program covers approximately 26,000 employees and 32,000 dependents.

Division 4, Chapter 7, Article 5, Sec. 4.303 of the Los Angeles Administrative Code provides that the City Council authorize suitable employee benefit programs as recommended by the JLMBC and maintained by the Personnel Department. At its meeting on July 15, 2021, the JLMBC recommended adoption of the LAwell Program for Plan Year 2022. The purpose of this transmittal is to request that the City Council approve the JLMBC's recommendation.

The LAwell Program Plan Year is a twelve-month period concurrent with each calendar year. Each year the JLMBC reviews information provided by the Personnel Department, benefits consultants, and service providers for the purpose of recommending to City Council adoption of the premiums and rates for the subsequent year. The JLMBC may also recommend certain modifications to LAwell Program design services and features. The recommended 2022 LAwell Program reflects the success of the JLMBC and Personnel Department in providing a vibrant and competitive benefits package while also successfully managing employer and member costs. In 2022, premium costs for the Kaiser plan will rise slightly, while premium costs for the Anthem plans will be reduced. Outside of a small increase for the Employee and Family Assistance Program (EFAP), all other benefit provider premiums and rates are unchanged in 2022 compared to 2021 premiums and rates.

A. LAwell PROGAM BENEFIT PLANS AND SERVICE PROVIDERS

The LAwell Program contains a diverse array of benefit plans with multiple vendors providing benefit plans, wellness services, administrative services, consulting services, and federally required compliance services. The City's diverse range of services creates opportunities for employees to customize their benefit needs in support of the health and well-being of themselves and their dependents. Current benefit plans, services, and service providers include the following:



THIRD-PARTY ADMINISTRATOR
LifeWorks (formerly Morneau Shepell) – Benefit administration, recordkeeping, and data exchange

B. SERVICE PROVIDER ANNUAL RENEWALS AND PROCUREMENTS

On July 15, 2021, the JLMBC reviewed annual service provider renewals for the purpose of developing recommendations to the General Manager Personnel Department and City Council for adoption of the 2022 LAwell Program. For LAwell Program health plans, Kaiser has renewed at a 3.02% increase in premiums, and Anthem has renewed with decreases ranging from -5.64% to -8.73%. Aside from a small rate increase for the City's Employee and Family Assistance Program (EFAP) provider, Optum, all other service providers (including Delta, EyeMed, The Standard, and WageWorks) will renew with no changes in premiums or rates compared to 2021.

Following are highlights for each provider renewal.

Health Plans

Service Provider: Kaiser

- Kaiser is the provider of the LAwell Program's Staff Model Health Maintenance Organization (HMO) plan. Kaiser's services are provided by its employees and using its facilities.
- Kaiser is renewing at a 3.02% premium increase.
- Kaiser's proposed increase is in line with recent historical changes to the City's premiums. Although the premium increase has been accepted, the JLMBC and Personnel Department are continuing to negotiate with Kaiser regarding its underwriting methodology and investigating the potential for any future credits or offsets which would separately accrue to the City's benefit.
- Kaiser continues to support the City's Wellness Program with \$1 million in annual discretionary wellness funds.

Service Provider: 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.
- Anthem has reduced premiums by -5.64% for the PPO plan, and by -8.73% for its three HMO plans (Anthem Narrow Network, Anthem Full Network, and Anthem Vivity).
- Anthem continues to support the City's Wellness Program with \$1 million in annual discretionary wellness funds.

Dental Plans

Service Provider: Delta

- Delta 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.
- Delta is providing no increase in premiums for its three plans in 2022.

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.
- EyeMed reduced its premiums mid-year (in March 2021) by 2%, and is providing no increase in premium in 2022.

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.
- The Standard is providing no increase in premiums for its four plans in 2022.

Tax-Advantaged Spending Accounts

Service Provider: WageWorks

- WageWorks is the provider of the LAwell Program's Tax-Advantaged Spending Accounts. These accounts include the Healthcare Flexible Spending Account (HFSA), Dependent Care Reimbursement Account (DCRA), Transit Spending Account (TSA), and Parking Spending Account (PSA).
- WageWorks is providing no increase in rates for its services in 2022.

EFAP Services

Service Provider: Optum

- Optum is the provider of the LAwell Program's Support Plus - Employee and Family Assistance Program (EFAP) services.
- Optum is providing a 2.6% rate increase in 2022.

Renewal actions for all benefit providers in 2022 are summarized as follows:

Provider	Benefit Plan	Proposed Renewals
Kaiser Permanente	Staff Model HMO	Proposed 2022 3.02% premium increase
Anthem Blue Cross	Preferred Provider Option (PPO)	Proposed 2022 (5.64%) premium decrease
Anthem Blue Cross	Full Network HMO	Proposed 2022 (8.73%) premium decrease
Anthem Blue Cross	Narrow Network HMO	Proposed 2022 (8.73%) premium decrease
Anthem Blue Cross	Regional Network HMO (Vivity)	Proposed 2022 (8.73%) premium decrease
Delta Dental	Dental HMO/PPO/Preventive Plans	Proposed 2022 no premium change for all plans
EyeMed	Vision Plan	Proposed 2022 no premium change
The Standard	Basic/Supplemental Life Base/Buy-Up Disability (STD, LTD) Voluntary AD&D	Proposed 2022 no premium change
Optum	Support Plus - Employee and Family Assistance Program	Proposed 2022 2.6% premium change
WageWorks	Tax-Advantaged Spending Accounts	Proposed 2022 no premium change

C. PROCUREMENTS AND CONTRACTS

Health Plan Procurement - The LAwell Program issued a Request for Proposal (RFP) on February 11, 2021, with an objective of executing new service contracts effective January 1, 2022. The RFP was particularly complex this cycle, both in terms of plan and benefit design as well as process. Part of the process included the opportunity for a “Best and Final Offer” (BAFO) from proposers. Had the process proceeded as planned and on schedule, provider selections and City Council review of the 2022 LAwell Program would have occurred by mid-June. However, several unforeseen developments related to confusion over the BAFO process undermined the integrity of the procurement and created insurmountable risks of completing the process in sufficient time to ensure that the LAwell Program for 2022 could be established, administered, and completed timely for coverage effective January 1, 2022.

The Personnel Department engaged in extensive consultation with the City Attorney’s Office throughout this process. After thorough review, the Personnel Department recommended, and the JLMBC approved, cancelation of the RFP. It became apparent that, without immediate action to adopt the 2022 LAwell Program, the Personnel Department would not be able to complete all of the considerable and time-sensitive processing requirements required to ensure that LAwell Program members would have the ability to choose and access their services timely for the 2022 Plan Year. Also weighing on this decision was the City’s pending transition from its custom-built payroll system, PaySR, to a new Human Resources Payroll (HRP) system through service provider Workday. That transition takes place in January 2022. Immediate action was further required to avoid the risks of late-developing programming changes which could negatively impact the application of employee benefit deductions on paychecks beginning January 2022.

In connection with the postponement of the RFP, the JLMBC and Personnel Department are recommending that the City Council take the following actions with respect to contracts with current providers Kaiser and Anthem as follows:

- Authorize the Personnel Department General Manager to extend Contract C-132624 with Kaiser Foundation Health Plan, Inc. (Kaiser) for health plan services for a one-year term from January 1, 2022, through December 31, 2022; and
- Authorize the Personnel Department General Manager to extend Contract C-137662 with Anthem Blue Cross (Anthem) for health plan services for a one-year term from January 1, 2022, through December 31, 2022.

The Personnel Department, working with the JLMBC, has already begun work on development of the successor procurement for health plan services. A key objective of the new process will be to modify it to ensure that the issues contributing to the delays encountered in the canceled process do not recur.

D. PLAN DESIGN CHANGES

Outside of premiums and rates, the 2022 LAwell Program generally contains the same plans and benefit levels in effect for Plan Year 2021. However, the JLMBC has approved one benefit design change, as follows:

(1) **Basic Disability Insurance** – The JLMBC adjusts the basic disability insurance monthly benefit each year based on cost-of-living increases in employee salaries. In 2022 the monthly basic disability maximum benefit amount for those receiving disability insurance payments will increase by \$99 from \$3,460 to \$3,559.

E. FISCAL YEAR 2021-22 BUDGET AND PROJECTED EXPENDITURES

The City budgets for the LAwell Program on a fiscal year basis. Projected expenditures for fiscal year 2021-22 represent a combination of premiums for 2021 and 2022. Incorporating vendor selection and service provider renewals, the overall cost of the LAwell Program is expected to be consistent with the adopted budget amount for fiscal year 2021-22. 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 2021.

F. CONCLUSION

The JLMBC and Personnel Department have successfully partnered over many years to administer and improve the LAwell Program. Each day City employees are on the front lines supporting the public and one another to fulfill the mission of the City of Los Angeles. The LAwell Program plays a vital role in providing the tools and resources for City employees to take care of themselves and their families, and this has been particularly the case throughout the COVID-19 pandemic. The JLMBC respectfully requests that the City Council adopt the 2022 LAwell Program.



DAVID SANDERS, CHAIRPERSON
JOINT LABOR-MANAGEMENT BENEFITS COMMITTEE



WENDY MACY, VICE-CHAIRPERSON