

REPORT
FROM



THE PERSONNEL
DEPARTMENT

TO: City Council	DATE June 22, 2022
REFERENCE: Los Angeles Administrative Code Section 10.5(a)(6)	COUNCIL FILE _____
SUBJECT: Extension of Professional Services Agreement with Anthem Blue Cross	
<p><u>RECOMMENDATION:</u></p> <p>That the General Manager of the Personnel Department, or designee, on behalf of the Joint Labor-Management Benefits Committee (JLMBC), be authorized to execute a an extension to Contract C-137662 with Anthem Blue Cross (Anthem) to provide Health Maintenance Organization (HMO) and Preferred Provider Option (PPO) health plan services including the (i) Anthem Blue Cross Narrow Network (HMO Narrow Network), (ii) Anthem Blue Cross Full Network (HMO Full Network), (iii) Anthem Blue Cross Vivity HMO (Vivity Regional Network), and (iv) Anthem Blue Cross PPO plans for eligible City employees (excluding employees of the Department of Water and Power) and their qualified dependents, for an additional one-year term from January 1, 2022 to December 31, 2022 for a total six-year contract term from January 1, 2017 to December 31, 2022, subject to City Council approval.</p> <p><u>Background</u></p> <p>A. Contract Authority</p> <p>In accordance with Los Angeles Administrative Code Section LAAC 4.303, the JLMBC recommends, and the Personnel Department maintains and administers, on behalf of the City of Los Angeles, suitable employee benefits programs, as authorized by the City Council, for officers and employees of the City of Los Angeles. The Personnel Department has authority to enter into contracts to assist in its administration of these programs, including the provision of non-staff model HMO and PPO health plan services for the Civilian LAwell Benefits Program (LAwell Program).</p> <p>The Personnel Department General Manager is the contracting authority for LAwell Program benefits service providers. In accordance with Los Angeles Administrative Code Section 10.5(a)(6), the Personnel Department may enter into contracts with benefits service providers for up to five years. The proposed one-year contract extension with Anthem would add a sixth year to the existing five-year contract term between the City of Los Angeles and Anthem. As a result, the proposed one-year contract extension requires City Council approval.</p> <p>B. Contract Status</p> <p>Original Contract Execution (Service Years 2017-2021)</p> <p>Contract C-137662 was executed between the City of Los Angeles and Anthem for a five-year term beginning January 1, 2017 through December 31, 2021. Through this contract Anthem provided the LAwell Program's non-staff model HMO and PPO health plans.</p>	

Basis for Contract Extension Requiring City Council Approval (Service Year 2022)

The five-year Anthem contract ended on December 31, 2021, and the Personnel Department had issued an RFP for health plan services in January 2021 with the intention of selecting a successful bidder for services to begin January 1, 2022. However, as a result of certain complications related to the RFP, on July 1, 2021 the JLMBC recommended that the Personnel Department General Manager exercise the option to cancel the RFP. The Personnel Department General Manager approved this recommendation, and – effective July 1, 2021 – the RFP was canceled and marked as withdrawn on the City’s BAVN system. LAwell Program staff and Anthem subsequently negotiated a one-year contract extension for service year 2022 (January 1, 2022 to December 31, 2022) and came to mutual agreement on terms accepted by both the City Attorney and Anthem’s legal counsel. The attached draft extension has been initially approved by the City Attorney as to form and legality and is in compliance with the City’s contracting requirements and will be further reviewed by the City Attorney after City Council approval is received to confirm compliance and meeting of form and legality

As there is an ongoing need and obligation for the City to provide access to the incumbent’s health care services for LAwell Program members, such services cannot be replaced absent a procurement and sufficient time to select a provider in advance of the annual Open Enrollment period, which occurs in October. Accordingly, the Personnel Department reissued a revised RFP in March 2022 for health plan services for services to begin January 1, 2023. Evaluation of responses to the RFP for the 2023 service year is currently underway. This proposed extension covers the 2022 service year.

Scope of Services

Under the terms of the draft extension, Anthem will continue to provide non-staff model HMO and PPO plans for eligible City employees and their qualified dependents from January 1, 2022 through December 31, 2022. Services include:

- Medical plan underwriting and general responsibilities
- Program evaluation, reports, and data services
- Customer support services
- Open Enrollment and communication services
- Wellness, prevention, and disease management
- Centers for Medicare & Medicaid Services notices
- COBRA administration

Compensation

Compensation is based on the number of eligible City employees enrolled in the non-staff model HMO and PPO plans every month as identified by the City and its benefits Third-Party Administrator, and annual premium rates for each coverage tier, as recommended by the JLMBC and adopted by the Personnel Department General Manager.

Additionally, Anthem has agreed to continue the annual Performance Guarantees identified in the current contract through the term of the contract extension to December 31, 2022. Should Anthem fail to meet the performance guarantees, Anthem will provide penalty payment to the City for each missed performance measure as outlined in the applicable Performance Guarantees exhibit of the Contract C-137662.

Contract Term

Contract C-137662 between the City of Los Angeles and Anthem provides for a five-year term from January 1, 2017 to December 31, 2021. The draft extension extends the Contract C-137662 by one additional year, from January 1, 2022 through December 31, 2022. Subject to City Council approval, the full term of contract C-137662 with a one-year extension will be six years beginning January 1, 2017 through December 31, 2022. As services have been rendered prior to execution of the draft extension, a ratification clause, subject to review and approval by the City Attorney, will be included in the extension prior to contract execution.

Contract Compliance

Anthem's (Contractor) compliance documentation status is as follows:

- The Contractor's Affirmative Action Plan, Equal Employment Practice, Equal Benefits, Slavery Disclosure, and First Source Hiring Ordinance affidavits are current.
- Per Charter Section 1022, the Personnel Department, Classifications Division determined that the City does not have classifications that possess the knowledge and expertise to perform the work proposed to be contracted. The Contractor's insurance certificate is current.
- The Contractor's address is as follows:
2121 North California Blvd. Suite 700
Walnut Creek, California 94596
Representative of Contractor Address: Beth Anderson, President, Commercial Business
- The draft extension has been initially reviewed by the City Attorney as to form and legality and will be further reviewed by the City Attorney after City Council approval is received

Waiver of Contract Report

In accordance with Executive Directive No. 3 (Villaraigosa Series), the draft extension was transmitted to the Mayor's Office in December 2021. Subsequently on May 4, 2022, the Mayor's Office approved waiving the contract report provided by the Office of the City Administrative Officer (CAO). Accordingly, the Personnel Department is transmitting this request for approval of the draft extension extending the term of Contract C-137662 with Anthem for one additional year from January 1, 2022 to December 31, 2022 for a total six-year term from January 1, 2017 to December 31, 2022, subject to City Council approval. Due to the lapse in time between the original transmittal and the approval for the waiver, changes to language within the body of the extension may be necessary and will be included, as required by the City Attorney, after approval to execute the agreement is approved by the City Council.

Fiscal Impact

Funding is provided in the Human Resources Benefits Budget, Fund No. 100, Contractual Services Account No. 009200, with no additional impact on the General Fund.



DANA H. BROWN, GENERAL MANAGER
PERSONNEL DEPARTMENT