



Benefits Administration Committee Agenda

REGULAR MEETING

THURSDAY, JULY 19, 2018

TIME: 9:00 A.M.

MEETING LOCATION:

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

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.

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

- I. PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION
- II. [APPROVAL OF MINUTES FOR BENEFITS ADMINISTRATION COMMITTEE MEETING OF MAY 22, 2018 AND POSSIBLE COMMITTEE ACTION](#)
- III. [REQUEST FOR PROPOSAL INVESTIGATIVE SERVICES PROPOSER RECOMMENDATIONS AND POSSIBLE COMMITTEE ACTION](#)
- IV. [ANTHEM BLUE CROSS 2017 YEAR-END ACCOUNTING AND POSSIBLE COMMITTEE ACTION](#)
- V. [RECEIVE AND FILE - 2019 HEALTH PLAN CONTRACT RENEWALS](#)
- VI. [CONTRACT WITH JELLYVISION FOR BENEFIT DECISION-SUPPORT SOFTWARE AND POSSIBLE COMMITTEE ACTION](#)
- VII. OPERATIONAL UPDATE
- VIII. OTHER BUSINESS

- IX. NEXT MEETING: The next Benefits Administration Committee meeting is not scheduled at this time, and will be announced upon scheduling.
- X. ADJOURNMENT



Board of Administration Agenda

SPECIAL MEETING

THURSDAY, JULY 19, 2018

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:	Michael R. Wilkinson
Commissioners:	Elizabeth L. Greenwood Elizabeth Lee Sandra Lee Nilza R. Serrano Sung Won Sohn
Manager-Secretary:	Neil M. Guglielmo
Executive Assistant:	Ani Ghokassian
Legal Counsel:	City Attorney's Office Retirement Benefits Division

- I. PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION
- II. APPROVAL OF MINUTES FOR BENEFITS ADMINISTRATION COMMITTEE MEETING OF MAY 22, 2018 AND POSSIBLE COMMITTEE ACTION
- III. REQUEST FOR PROPOSAL INVESTIGATIVE SERVICES PROPOSER RECOMMENDATIONS AND POSSIBLE COMMITTEE ACTION
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- V. RECEIVE AND FILE - 2019 HEALTH PLAN CONTRACT RENEWALS
- VI. CONTRACT WITH JELLYVISION FOR BENEFIT DECISION-SUPPORT SOFTWARE AND POSSIBLE COMMITTEE ACTION

VII. OPERATIONAL UPDATE

VIII. OTHER BUSINESS

IX. NEXT MEETING: The next Benefits Administration Committee meeting is not scheduled at this time, and will be announced upon scheduling.

X. ADJOURNMENT

MINUTES OF THE REGULAR MEETING
BENEFITS ADMINISTRATION COMMITTEE
BOARD OF ADMINISTRATION
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

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

May 22, 2018

Agenda of: July 19, 2018

Item No: II

9:03 a.m.

PRESENT:	Chairperson:	Michael R. Wilkinson
	Committee Members:	Cynthia M. Ruiz Nilza R. Serrano
	Manager-Secretary:	Neil M. Guglielmo
	Executive Assistant:	Ani Ghoukassian
	Legal Counselor:	James Napier

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

I

PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION – Chairperson Wilkinson asked if any persons wished to speak, to which there was no response and no public comment cards were received.

II

APPROVAL OF MINUTES FOR BENEFITS ADMINISTRATION COMMITTEE MEETING OF APRIL 24, 2018 AND POSSIBLE COMMITTEE ACTION – A Motion to approve the Minutes as presented was moved by Committee Member Ruiz, seconded by Committee Member Serrano, and adopted by the following vote: Ayes, Chairperson Wilkinson, Committee Members Ruiz and Serrano –3; Nays, None.

Items IV and V taken out of order.

IV

VERBAL REPORT ON PRELIMINARY HEALTH PLAN CONTRACT RENEWALS – Alex Rabrenovich, Division Manager of Health Benefits Administration and Communications Division and Bordan Darm, from Keenan and Associates, discussed this item.

V

OPERATIONAL UPDATE – Alex Rabrenovich, Division Manager of Health Benefits Administration and Communications Division reported on the following items:

- There are 160 Facebook members on the LACERS *Well* Facebook Group. He stated that they may expand the group to include active LACERS members.
- There were three LACERS Wellness Extravaganzas this year focusing on diabetes prevention and management.
- The MyLACERS member portal is being updated and upgraded, and will launch in mid-June. Letters will be mailed to members on how to access information and set-up their new account.

Chair Wilkinson recessed the Regular Meeting at 9:36 a.m., and reconvened the Regular Meeting at 9:42 a.m.

III

PRESENTATION BY ANTHEM BLUE CROSS REGARDING PHARMACY COSTS – Michele Guilford, Account Executive, Jian-ya Lin, Pharmacist, David Pryor, MD, and Michael Kaplan, Pharmacist with Anthem Blue Cross discussed this item with the Committee. After discussion, the Committee thanked the Anthem Blue Cross representatives for the information.

VI

OTHER BUSINESS – There was no other business.

VII

NEXT MEETING: Chairperson 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, Chairperson Wilkinson adjourned the Meeting at 10:14 a.m.

Michael R. Wilkinson
Chairperson

Neil M. Guglielmo
Manager-Secretary



Report to Benefits Administration Committee

Agenda of: **JULY 19, 2018**

Karen Freire

From: Karen Freire, Chief Benefits Analyst

ITEM: **III**

**SUBJECT: REQUEST FOR PROPOSAL INVESTIGATIVE SERVICES PROPOSER
RECOMMENDATIONS**

Recommendation

That the Committee review, provide comments, and recommend the Board:

- (1) Approve staff's recommendation to award investigative services contracts to FRASCO, Inc. and TruView BSI, LLC; and,
- (2) Authorize the General Manager to negotiate terms and conditions and execute contract(s) with the chosen firms in an amount not to exceed \$100,000 each contract per year, for a three-year period.

Discussion

On March 27, 2018, the Board approved the release of a Request for Proposal (RFP) for investigative services. The purpose of the RFP was to secure professional and affordable investigative services to assist LACERS in the administration of retirement benefits, as a component of the Department's overall security measures to safeguard both the plan and its' Members. The RFP was released on April 4, 2018, with proposals due on May 11, 2018. The RFP was advertised on the LACERS website, the Daily Journal, and emailed to 30 investigative services firms. LACERS received four proposals.

The selected proposer will provide affordable professional investigative services, including but not limited to the following: (1) conduct both domestic and international in-person Alive and Well checks on Members or beneficiaries who have been unresponsive to both written and verbal communication from LACERS; (2) serve as the outsource contractor for the biennial Alive and Well audit; (3) conduct Sub Rosa surveillance; (4) determine the status of retirees and beneficiaries on the outstanding check roster; (5) assist with fraud investigations; and, (6) prepare written reports detailing the results or outcome of any and all investigations performed on behalf LACERS.

Evaluation of Proposals

Proposals were evaluated and scored based on a review of: (1) qualifications, experience and investigation team; (2) coverage area and location of the investigators; (3) clarity of questionnaire responses and thoroughness of sample reports; (4) references and contracting history; (5) pricing structure; and, (6) administration and other services being offered.

Criteria	Points
Qualifications and Experience of Team/Firm	20
Experience providing Alive and Well checks (individual and outsourced)	20
Coverage Area	20
Clarity of Responses	20
References provided/ contract history	15
Pricing Structure	20
Miscellaneous or No cost bonus services	5
Administration	5
Other services	5
Total	130

All four proposers met the required minimum qualifications of being in business for at least five years, providing investigative services comparable to those detailed in the RFP. The four proposers, DigiStream Investigations, FRASCO, Inc., G4S Compliance & Investigations, and TruView BSI, LLC, all utilize both conventional field investigative methodologies and a broad array of electronic database analytics. The proposers all have trained staff who are seasoned investigators with the appropriate expertise and skill levels to meet LACERS service requirements. All four firms have been under contract in various degrees with state, federal, and local government agencies performing alive and well checks, background checks, covert and overt surveillance, Sub Rosa surveillance, fraud investigations, and workers' compensation claim investigations.

The firms provide nationwide service coverage and can perform investigations worldwide through either a company field office or through a network of private investigation partners. The following is a summary of each firm's location and service capabilities:

- FRASCO, Inc. is based in Burbank, TruView BSI, LLC and DigiStream Investigations have offices located in Los Angeles County, and G4S Compliance & Investigations' North American headquarters is located in North Carolina.
- DigiStream Investigations' investigative services abroad are limited. The firm primarily relies on desktop databases and its' proprietary software to determine a subject's status or whereabouts. DigiStream Investigations has partnered with international investigative firms, but on a limited basis.
- G4S Compliance & Investigations is a global company with licensed investigators in all 50 states and 100 countries around the world.
- TruView BSI, LLC operates in all 50 states and has operational capabilities in 125 countries.
- FRASCO, Inc. indicated its international footprint includes the nine countries listed in the RFP; however, the firm did not provide the total number of countries it services.

Alive and Well check fees ranged from an hourly domestic rate of \$69 per hour to \$125 per hour or a flat rate of \$325. International Alive and Well fees range from \$195 to \$350 per hour; however, international pricing can run higher depending on the country. TruView BSI, LLC and FRASCO, Inc. were rated the top firms in terms of best overall value for the services offered. The pricing structure

in relation to the proposed services submitted by DigiStream Investigations and G4S Compliance & Investigations were the least competitive when compared to the top two rated firms.

Recommendation

Staff recommends awarding contracts to two firms: FRASCO, Inc. and TruView BSI, LLC. By awarding contracts to two well-qualified firms, LACERS will have the flexibility to use both firms to ensure optimum investigative coverage both domestically and internationally. Utilizing two firms will also ensure service continuity should it become necessary to terminate the services of one contractor. Engaging investigative service firms will reduce the processing and review time of the biennial Alive and Well audit, aid in readily locating incapacitated Members/benefit recipients, and minimize the number of benefit payments obtained fraudulently by nonbeneficiaries. Most importantly, the use of investigative services firms will provide value through time savings, efficiency, and assist LACERS in meeting its' strategic plan goal of accurate and timely delivery of benefits.

Strategic Plan Impact Statement

This contract award to provide investigative services conforms to the Benefit Delivery goal of ensuring accurate and timely delivery of member benefits. Such services ensure that the monthly retirement benefits LACERS provides are going to the intended recipient.

This report was prepared by Ferralyn Sneed, Sr. Management Analyst of the Retirement Services Division.

KF:FS

Attachment:

- 1) Investigative Services - RFP Recap Level 1 Review

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM (LACERS)
HEALTH AND WELFARE RFP RECAP**

LEVEL 1 REVIEW

ATTACHMENT 1

RFP Requirements	DigiStream Investigations	FRASCO, Inc.	G4S Compliance & Investigations	TruView BSI, LLC
Address	PO Box 7369 Torrance, CA 90504	215 W. Alameda Ave Burbank, CA 91502	910 Paverstone Dr Raleigh, NC 27615	444 E. Huntington Dr., Suite 305 Arcadia, CA 91006
Phone	310-374-1091	877-372-7261	800-927-0456	714-551-0111
Fax				
E-mail				
A. Cover Letter				
Key Personnel	Brent Sims	Richard Smith	Russ Buchanan	Nicholas Auletta
	(p) 310-374-1091	(p) 877-372-7261 x224	(p) 800-927-0456	
Phone/Cell/Fax	(f) 800-866-9686	(f) 877-734-6478	(f) 800-927-2239	(p) 516-289-0273
Email	bsims@digistream.com	richard@frasco.com	russ.buchanan@usa.g4s.com	nmauletta@truviewbsi.com
Key Personnel	Amanda Bright	Peter Goul	Tamara Warner	
	(p) 310-374-1091		(p) 916-468-9200	
Phone/Cell/Fax	(f) 800-866-9686	(p) 877-372-7261 x248	(f) 888-501-7017	
Email	abright@digistream.com	pgoul@frasco.com	tamara.warner@usa.g4s.com	
Additional Staff			Vicki DeHerrera	
Acknowledgement and acceptance of terms and conditions	Yes	Yes	Yes	Yes
B. Proposal Items				
1. Experience and Qualifications				
a. Profile of proposer, etc.	Yes	Yes	Yes	Yes
b. Qualifications and experience of key personnel	Staff resumes included in Exhibits	Staff biographies included in Exhibits	See questionnaire #B6 (biographies) & Attachments F & G (resumes)	See questionnaire #B6 (biographies)
2. Experience with similar contracts				
1	LACERA	Los Angeles City Attorney	Los Angeles Unified School District	New York State Office of the State Comptroller
2	County of Los Angeles	California Insurance Guarantee Association (CIGA)	Los Angeles Metropolitan Transit Authority	New York Waterway
3	Ports of Los Angeles	State Compensation Insurance Fund (SCIF)	National Parks Services	Catholic Charities of the Diocese of Albany
3. References				
	List of City of LA representatives available upon request	List available upon request	No	Yes
				New York State Office of the State Comptroller - John Cooper
				Nassau County Department of Social Services - John Faust
				Los Angeles Department of Water and Power - Charlie Maranan
4. Project Proposal	Yes	Yes	Yes	Yes
5. Annual Report/Financial Statement	Available upon acceptance	Yes	Yes	Partial; will be available soon
6. Proposed Fee Schedule	Yes	Yes	Yes	Yes
7. Questionnaire Responses	Yes	Yes	Yes	Yes

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM (LACERS)
HEALTH AND WELFARE RFP RECAP**

LEVEL 1 REVIEW

ATTACHMENT 1

RFP Requirements	DigiStream Investigations	FRASCO, Inc.	G4S Compliance & Investigations	TruView BSI, LLC
C. General Requirements and Compliance Documents				
1. Warranty/Affidavit	Yes	Yes	Yes - only signed by one - needs two if corporation	Yes
2. Bidder Certification	Yes	Yes	Yes	Yes
3. Prohibited Contributors	Yes	Yes	Yes	Yes
4. Requested Exceptions to standard provisions	N/A	N/A	N/A	N/A
D. Exhibits				
1. Org Chart of Parent/Subsidiary	N/A	Yes	Yes	N/A
2. Org Chart of Project Team	Yes	Yes	Yes	Yes
3. Business Continuity Plan	Yes	Yes (not attached); list of security measures included	Yes (high-level summary)	List of security measures
4. Report Samples	Yes	Yes	Yes	Yes
5. Other Materials (if any)	Business Continuity Plan; staff resumes; Disclosure Form; Required Insurance Form	Disclosure Form; Required Insurance Form; Certificate of Liability Insurance	Digital Dashboard Process; Scorecard Summary; Required Insurance Form; Disclosure Form; Certificate of Liability Insurance	Tax Registration Certificate; Disclosure Form; Required Insurance Form; Certificate of Liability Insurance



LACERS

LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM



Report to Benefits Administration Committee

Agenda of: **JULY 19, 2018**

From: *Neil Guglielmo*
Neil Guglielmo, General Manager

ITEM: IV

SUBJECT: ANTHEM BLUE CROSS 2017 YEAR-END ACCOUNTING AND POSSIBLE COMMITTEE ACTION

Recommendation

That the Committee recommend to the Board utilizing Premium Stabilization Reserve funds to decrease the Anthem Blue Cross (Anthem) HMO and Medicare Supplement 2019 premiums and transfer the remaining Premium Stabilization Reserve funds to a Section 115 trust account, once established.

Discussion

LACERS has an experience-rated refunding contract with Anthem for its HMO, PPO, and Medicare Supplement plans. This contract requires a year-end accounting after each plan year. Anthem plan premiums are based on projected costs for the coming plan year. At the end of each plan year, a year-end accounting is conducted which compares Anthem's actual annual costs with the annual premium amount paid by LACERS and its Members.

As part of its contract, LACERS has a Claims Stabilization Fund (CSF) which is required to contain a certain level of funding as determined by Anthem at the beginning of each plan year. The purpose of the CSF is to fund any deficits that may be found in the year-end accounting. In addition, LACERS has a Premium Stabilization Reserve (PSR), into which LACERS may transfer year-end surpluses after the CSF funding requirement is met. The PSR, which is not required by Anthem, also may be used to fund any deficits beyond the CSF, but only with LACERS' permission. Both the CSF and PSR are held in interest-earning accounts (1.789% in 2017).

Our PSR account holds surpluses gained from years when annual premium payments exceeded annual claims costs and administrative expenses. On January 12, 2010, the Board approved a Premium Stabilization Reserve Funding Policy (attached) for the disposition of excess funds which requires the PSR to have a minimum balance of 15% of Anthem's projected annual premium cost for the following year. Based on this policy, the PSR is required to have a balance of approximately \$8.2 million in 2019.

Keenan and Associates (Keenan), LACERS' health and welfare consultant, reviewed Anthem's year-end accounting for 2017 (attached). All year-end accounting takes place at the end of the plan year, December 31, 2017. Highlights of Keenan's findings include:

PSR Beginning Balance	\$19,671,630
2017 Premium Surplus	4,039,444
PSR Interest	351,994
Premium Defrayals*	(7,728,232)
Transfer of Excess CSF funds**	<u>0</u>
PSR Ending Balance	\$16,334,836
August 2018 Premium Defrayal	<u>4,529,968</u>
PSR Ending Balance	\$11,804,868
Required Minimum Balance	<u>(7,713,263)</u>
Available Balance	\$ 4,091,605

*The premium defrayals administered in May 2016 and September 2017 were accounted for during the 2017 year-end accounting.

**The 2016 CSF balance was \$1,129,400. Anthem required a balance of \$1,251,114 for 2017, so a transfer of \$101,505 was made from the PSR to the CSF.

Based on these findings and the LACERS PSR Funding Policy, the PSR will have sufficient funds beyond the required minimum to apply toward the premium cost for Members. Instead of administering a premium defrayal, staff recommends using the Available Balance to reduce the 2019 HMO and Medicare Supplement plans' premium amounts. Further, staff and Keenan are reviewing the possibility of obtaining a trust account to hold premium reserves. Once established, staff recommends transferring the remaining PSR funds to this trust account to be administered by LACERS.

Strategic Plan Impact Statement

The participating contract with Anthem Blue Cross and the Year-End Accounting process allows premium surpluses to be used toward future premium costs, supporting Strategic Plan Goal 3: Maximize Value and Minimize Costs of our Health and Welfare Program.

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

NG:AR:ar

- Attachments: A) LACERS PSR Funding Policy Resolution
- B) 2017 Anthem Year-End Accounting, prepared by Keenan and Associates

LACERS' PREMIUM STABILIZATION RESERVE FUNDING POLICY

Commissioner Rogers moved approval of the following Resolution:

RESOLUTION 100126-E

WHEREAS, the Los Angeles City Employees' Retirement System (LACERS) administers a health and welfare program, which includes health insurance for retired employees and their eligible dependents;

WHEREAS, LACERS may enter into an experience-rated refunding contract with its health insurance carriers which requires year-end accounting after the close of a plan year to reconcile any differences between the amount of premiums paid to the carrier and the amount of claims and expenses associated with providing health coverage;

WHEREAS, these types of contracts contain an interest-earning Claims Stabilization Fund (CSF), which is required to maintain a certain balance, as directed by the carrier, to fund any deficits that may be found in the year-end accounting;

WHEREAS, these types of contracts may also include an interest-earning Premium Stabilization Reserve (PSR), into which year-end accounting surpluses beyond the CSF funding requirement are transferred and funds may be used to fund the CSF when year-end accounting deficits are greater than the CSF balance;

WHEREAS, LACERS may withdraw funds from the PSR for alternative uses;

WHEREAS, a minimum PSR balance should always be maintained and recalculated annually to offset possible year-end deficits;

WHEREAS, actuarially, there is a 90% probability that a deficit will be less than 5% of projected premiums for the following plan year;

NOW, THEREFORE, BE IT RESOLVED that the Board of Administration hereby adopts a Premium Stabilization Reserve (PSR) funding policy where the PSR is maintained at a minimum of three times 5% of the health plan's projected annual premium cost for the following plan year and that the Board review alternatives for the disposition of excess PSR funds annually.

which motion was seconded by Commissioner Bardwell, and adopted by the following vote: Ayes, Commissioners Bardwell, Greenwood, Penichet, Rogers, Spiker, Uranga, and President Conroy – 7; Nays, None.

I hereby certify that the foregoing is a true and correct copy of a Resolution duly adopted by the Board of Administration, Los Angeles City Employees' Retirement System, at its Regular Meeting held on January 26, 2010.



Sally Choi
Secretary



ATTACHMENT B

Los Angeles City Employees' Retirement System 2017 Anthem Year-End Accounting July 19, 2018

Respectfully Submitted by:

Steve Gedestad, Municipality Practice Leader | Bordan Darm, Consultant
Erin Robinson, Senior Service Representative | Christine Hough, Consultant and Actuary

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- 2017 Anthem Accounting Summary Page 4-10
 - Claims Stabilization Fund (CSF)
 - Premium Stabilization Reserve (PSR)
 - Minimum Premium Stabilization Reserve
 - Premium Defrayal
 - Anthem Accounting Summary by Plan
 - Accounting History
- Conclusions Page 11
- Acknowledgement Page 12

Executive Summary

- The 2017 Year-End Accounting (YEA) produced a \$4,140,949 surplus.
- The Claims Stabilization Fund (CSF) is funded at \$1,251,114 for December 31, 2017.
 - Anthem is not requesting any adjustment to the CSF (\$1,251,114) for January 1, 2018.
- The Premium Stabilization Reserve (PSR) minimum balance set by LACERS' PSR funding policy is \$7,713,263 for 2017.
- The December 31, 2017 PSR ending balance is \$16,334,836.
 - The defrayal from the 2016 YEA will be administered in August 2018 and is estimated to be \$4,529,968. This would bring the PSR down to \$11,804,868 (\$4,091,605 above the minimum PSR).
- Based on 2017 YEA results, LACERS may want to consider applying funds to reduce the 2019 HMO and Medicare Supplement premiums, and a fund transfer to LACERS' proposed 115 Trust.

2017 Anthem Accounting Summary

- The Year-End Accounting (YEA) provides LACERS with the difference between total costs incurred for the policy period and the respective premium remitted. The balance is expressed as a surplus or deficit position.
- The Claims Stabilization Fund (CSF) is set and held by Anthem, and funded by LACERS. It is to fund any deficit of a given policy period.
- The purpose of the Premium Stabilization Reserve (PSR) fund is to build up reserves from the surpluses of each policy period after meeting the funding requirement in the CSF, and to provide additional security should a period's deficit be greater than the CSF.
- LACERS is not required to hold surpluses in the PSR. Any funds from the PSR fund may not be utilized by Anthem without authorization from LACERS.

Policy Year	2013	2014	2015	2016	2017
YEA	\$2,005,972	\$3,812,565	\$3,455,525	\$1,017,392	\$4,140,949
Surplus/(Deficit)	surplus	surplus	surplus	surplus	surplus
% of Premium	8.1%	8.6%	7.6%	2.1%	8.2%
CSF	\$1,289,036	\$1,129,400	\$1,129,400	\$1,129,400	\$1,251,114
\$ Adjustment		-\$159,636	\$0	\$0	+\$121,714
% Adjustment		-12.4%	0.0%	0.0%	+10.8%
PSR w/YEA	\$10,764,741	\$14,804,529	\$18,386,470	\$19,671,630	\$16,334,836
\$ Adjustment		+\$4,039,788	+\$3,581,941	+\$1,285,160	-\$3,336,794

2017 Anthem Accounting Summary – Claims Stabilization Fund (CSF)

- The following table illustrates the Claims Stabilization Fund (CSF) accounting for the past four policy years:

CSF Accounting	2013	2014	2015	2016	2017
1/1 CSF Balance	\$695,983	\$1,289,036	\$1,129,400	\$1,129,400	\$1,129,400
Interest Earned	\$4,754	\$7,228	\$8,960	\$15,496	\$20,209
Interest Yield	0.683%	0.561%	0.793%	1.372%	1.789%
Net CSF Balance	\$700,737	\$1,296,264	\$1,138,360	\$1,144,896	\$1,149,609
YEA Fund Transfer	\$588,299	\$0	\$0	\$0	\$0
PSR Fund Transfer	\$0	(\$166,864)	(\$8,960)	(\$15,496)	\$101,505
Required CSF	\$1,289,036	\$1,129,400	\$1,129,400	\$1,129,400	\$1,251,114

- Interest Yield is based on 12-month LIBOR Index
- Effective 1/1/17, Anthem required that the CSF be increased 10.8% or \$121,714 to \$1,251,114.

2017 Anthem Accounting Summary – Premium Stabilization Reserve (PSR)

The following table illustrates the Premium Stabilization Reserve (PSR) accounting for the past five years:

PSR Accounting	2013	2014	2015	2016	2017
PSR 1/1 Balance	\$9,283,659	\$10,764,741	\$14,804,529	\$18,386,470	\$19,671,630
Transfer YEA to PSR	\$2,005,972	\$3,812,565	\$3,455,525	\$1,017,392	\$4,039,444
PSR 1/1 Balance w/ YEA	\$11,289,631	\$14,577,306	\$18,260,054	\$19,403,862	\$23,711,074
Interest Earned	\$63,409	\$60,359	\$117,456	\$252,272	\$351,994
Interest Yield	0.683%	0.561%	0.793%	1.372%	1.789%
Transfer CSF to PSR	(\$588,299)	\$166,864	\$8,960	\$15,496	\$0
Premium Defrayal					-\$7,728,232
PSR 12/31 Balance	\$10,764,741	\$14,804,529	\$18,386,470	\$19,671,630	\$16,334,836

- Interest Yield is based on 12-month LIBOR Index
- For 2014, Medicare Supplement was added as a participating, refunding arrangement, replacing the Medicare Advantage LPPO
- Two Premium Defrayals are accounted for in 2017. 1) -3,717,788 taken in May, 2016, earned in 2014, accounted for in 2017 (not 2016), and 2) \$4,010,444 taken in September, 2017, earned in 2015, and accounted for in 2017.

2017 Anthem Accounting Summary – Minimum Premium Stabilization Reserve

- LACERS has established a minimum PSR threshold of 3 times 5% (15%) of annual Anthem experience-rated premium.
- The following table illustrates the minimum Premium Stabilization Reserve (PSR) accounting for the past four policy years:

PSR Accounting	2013	2014	2015	2016	2017
Anthem Annual Premium	\$24,911,212	\$44,145,676	\$46,617,533	\$47,725,568	\$51,421,751
Minimum PSR Factor	15.0%	15.0%	15.0%	15.0%	15.0%
Minimum PSR Required	\$3,736,682	\$6,621,851	\$6,992,630	\$7,158,835	\$7,713,263
PSR Ending Balance	\$10,764,741	\$14,804,529	\$18,386,470	\$19,671,630	\$16,334,836
PSR Difference	\$7,028,059	\$8,182,678	\$11,393,840	\$12,512,795	\$8,621,573

2017 Anthem Accounting Summary – Premium Defrayal

- When the PSR amount becomes substantially higher than the minimum PSR standard, LACERS can offer a premium defrayal to reduce the PSR.
- LACERS has elected premium defrayals based on YEA results for 2013, 2014, 2015, and 2016.
- The premium defrayals have been realized in 2015, 2016, and 2017, with the another one scheduled for 2018.
- The following table illustrates the PSR accounting for the past policy years:

Premium Defrayal (PD)	2013	2014	2015	2016	2017
PSR Balance	\$10,764,741	\$14,804,529	\$18,386,470	\$19,671,630	\$16,334,836
PD Declared	Yes	Yes	Yes	Yes	TBD
PD Taken	May 2015	May 2016	Sep. 2017	Aug. 2018	
PD Amount	\$3,708,149	\$3,717,788	\$4,010,444	\$4,529,968	

2017 Anthem Accounting Summary By Plan

	HMO	PPO	MEDICARE SUPPLEMENT	MEDICARE PART D	TOTAL
2017 INCOME					
Paid Premium	\$13,165,553	\$14,833,106	\$8,588,796	\$14,082,481	\$50,669,936
CMS Revenue (Medicare Part D)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$751,815</u>	<u>\$751,815</u>
TOTAL INCOME	\$13,165,553	\$14,833,106	\$8,588,796	\$14,834,296	\$51,421,751
2017 EXPENSES					
Total Incurred Claims ¹	\$6,045,840	\$12,944,701	\$6,861,281	\$17,087,282	\$42,939,104
Retention	\$473,528	\$619,426	\$1,314,876	\$953,326	\$3,361,156
Silver Sneakers Program in 2017	\$0	\$0	\$267,773	\$0	\$267,773
Capitation	\$4,400,003	\$0	\$0	\$0	\$4,400,003
ACA Insurer & ACA Reinsurance Fee	\$0	\$0	\$0	\$0	\$0
Consortium Fees	\$0	\$5,013	\$0	\$0	\$5,013
HMC Programs	\$14,723	\$17,689	\$52,230	\$0	\$84,642
CMS Credit (Medicare D)	\$0	\$0	\$0	(\$2,028,149)	(\$2,028,149)
Part D Credit - Gap Discount/Prior Settlement	\$0	\$0	\$0	(\$2,029,789)	(\$2,029,789)
Premium Taxes	<u>\$0</u>	<u>\$127,231</u>	<u>\$0</u>	<u>\$153,818</u>	<u>\$281,049</u>
TOTAL EXPENSES	\$10,934,094	\$13,714,060	\$8,496,160	\$14,136,488	\$47,280,802
2017 SURPLUS/(DEFICIT)	<u>\$2,231,459</u>	<u>\$1,119,046</u>	<u>\$92,636</u>	<u>\$697,808</u>	<u>\$4,140,949</u>
SURPLUS AMOUNT TRANSFERRED TO CLAIMS STABILIZATION FUND	(\$101,505)	\$0	\$0	\$0	(\$101,505)
SURPLUS AMOUNT TRANSFERRED TO PREMIUM STABILIZATION RESERVE	(\$2,129,954)	(\$1,119,046)	(\$92,636)	(\$697,808)	(\$4,039,444)

¹Total Incurred Claims include reserve changes, large claims charge, and credit.

2017 Anthem Accounting Summary - Accounting History

	2013	2014	2015	2016	2017
Annual Amount					
Total Income	\$24,911,212	\$44,145,676	\$46,617,533	\$47,725,568	\$51,421,751
Total Expenses	\$22,905,240	\$40,333,111	\$43,162,008	\$46,708,176	\$47,280,802
Surplus / (Deficit)	\$2,005,972	\$3,812,565	\$3,455,525	\$1,017,392	\$4,140,949
Expense Ratio	91.9%	91.4%	92.6%	97.87%	91.95%
Contracts	1,920	4,453	4,413	4,795	4,734
Per Retiree Per Month Amount					
Total Income	\$1,081.03	\$826.14	\$880.31	\$829.43	\$905.20
Total Expenses	\$993.98	\$754.79	\$815.05	\$811.75	\$832.31
Surplus / (Deficit)	\$87.05	\$71.35	\$65.25	\$17.68	\$72.90

Conclusions

- For the 2017 Year-End Accounting, LACERS may want to consider a fund transfer to LACERS' proposed 115 Trust.
- Without consideration for the 2017 Year-End Accounting, and strictly based on the 2017 PSR Ending Balance, the following analysis is provided:

Impact of Defrayal taken in 2018 (earned in 2016) on 2017 PSR Ending Balance

2017 PSR Ending Balance	\$16,334,836
Premium Defrayal earned in 2016 YEA, taken in 2018	\$4,529,968
2017 PSR Adjusted Ending Balance	\$11,804,868
Minimum PSR Balance	\$7,713,263
Projected Balance above Minimum PSR Balance:	\$4,091,605

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



Report to Benefits Administration Committee

Agenda of: **JULY 19, 2018**

Neil M. Guglielmo
 From: Neil M. Guglielmo, General Manager

ITEM: **V**

SUBJECT: 2019 HEALTH PLAN CONTRACT RENEWALS

Recommendation

That the Committee receive and file this report.

Discussion

In mid-March of this year, LACERS' health and welfare consultant, Keenan and Associates (Keenan), released a Request for Renewal, requesting plan renewal data from LACERS health plan carriers. Data requested included proposed 2019 premium rates, documentation to support the proposed premium rates, performance guarantees, and plan design options available to LACERS. Further, LACERS requested that the carriers provide a performance guarantee for security of confidential Member information. Proposals have been received from all carriers. The carriers' rating methodology and assumptions have been reviewed to identify key opportunities for negotiation and opportunities to reduce costs and/or improve services.

Based on preliminary results, overall 2019 health and welfare program costs, which include medical, dental, and vision premiums, will decrease by an estimated \$1.2 million, or 0.9%, from \$135.4 million to \$134.2 million. Regarding only medical plan costs, 2019 medical plan premiums will decrease by an estimated \$1.7 million, or 1.4%, from \$125.0 million to \$123.3 million. Staff and Keenan will be bringing forward recommendations that will impact the final premium costs, which include:

- Not reducing the premiums, or only partially reducing the premiums, to create a premium surplus which will be placed in a premium reserve account for use in the future to buy down sharp premium increases. This will provide LACERS some control over the medical premium trend rate and help maintain medical subsidy increases within the Board's authority (for Tier 1 Discretionary Retired Members).
- Increasing the premiums slightly to provide funding for LACERS Well, LACERS' wellness program. Currently, most of our funding comes in the form of contributions from our health plan carriers. However, the funding is not guaranteed from year to year and has been declining. Additionally, some have limitations on how the funds can be used. To ensure that staff will have consistent program funding to allow for better planning, greater options, and potential for expansion of the program, it is recommended that wellness dollars be added to the medical premiums.

- Self-funding the Delta PPO plan. Currently, the dental PPO plan operates at a profit for Delta. There is opportunity for LACERS to administer the plan itself and realize cost savings.

Keenan currently is in negotiations with the carriers regarding their proposed premiums and staff is seeking guidance from the Committee before completing the contract renewal process. Negotiations are expected to continue with final proposed rates being presented to the Committee in August.

Keenan and staff will be present to provide more information on the recommendations contained in this report and the overall renewal process.

Strategic Plan Impact Statement

A thorough health plan renewal process supports Strategic Plan Goal 3: Maximize value and minimize costs of our health and welfare program.

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

NG:AR:ar

Attachments: A) 2019 Health Plan Renewal – Preliminary Report by Keenan



Los Angeles City Employees' Retirement System

2019 Health Plan Renewal, Preliminary Report

Benefits Administration Committee

Respectfully Submitted by:

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

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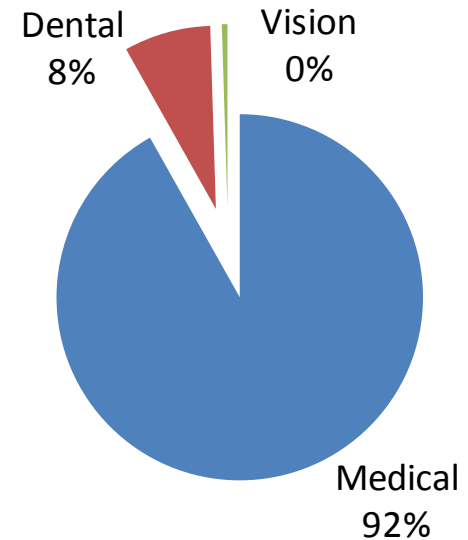
Introduction

- This report presents Los Angeles City Employees' Retirement System's (LACERS) preliminary 2019 health plan renewals
- Anthem Blue Cross (Anthem), Kaiser Permanente (Kaiser), UnitedHealthcare (UHC), and SCAN have provided medical plan renewals for 2019
- Delta Dental has provided renewals for the PPO plan under a new three-year rate-guarantee contract and for the DHMO plan for 2019
- Anthem Blue View Vision has provided renewals for 2019 and for a three-year guarantee contract
- Data assumes the current carriers, plans, and enrollment in the report



Executive Summary

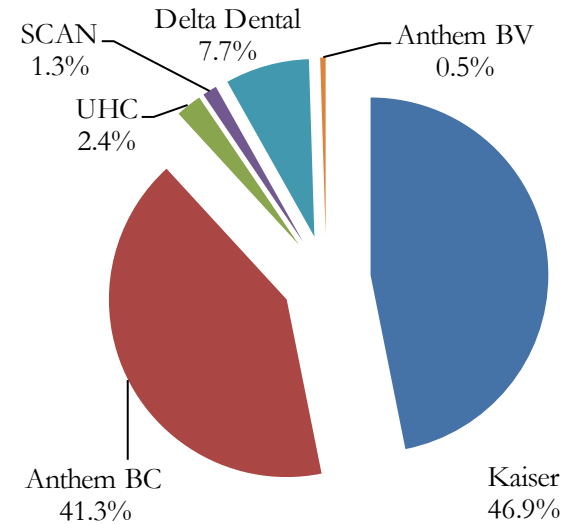
- The 2019 preliminary renewal for the LACERS Health and Welfare Program is a decrease in cost of \$1.2M or -0.9% from \$135,382,648 to \$134,197,684
- The 2019 LACERS preliminary renewals are as follows:
 - Medical premiums: **-\$1,729,928** or **-1.4%**
 - Dental premiums: **\$521,607** or **5.3%**
 - Vision premiums: **\$23,357** or **3.7%**
- Preliminary renewals are being negotiated
- A self-funded Delta Dental PPO plan option has been requested
- Of LACERS' total premium costs, medical amounts to 91.8%, dental 7.7%, and vision 0.5%



	Current Enrollment	2018 Premium	2019 Renewal - Preliminary		
			Premium	\$ Change	% Change
MEDICAL	18,771	\$124,994,569	\$123,264,641	(\$1,729,928)	-1.4%
DENTAL	14,249	\$9,751,135	\$10,272,742	\$521,607	5.3%
VISION	5,748	\$636,944	\$660,301	\$23,357	3.7%
GRAND TOTAL		\$135,382,648	\$134,197,684	(\$1,184,964)	-0.9%

Executive Summary

- The 2019 LACERS preliminary renewals by carrier are as follows:
 - Anthem: **-\$918,636** or **-1.6%**
 - Kaiser: **-\$625,410** or **-1.0%**
 - UHC: **-\$185,882** or **-5.6%**
 - SCAN: **\$0** or **0.0%**
 - Delta Dental: **\$521,607** or **5.3%**
 - Anthem Blue View: **\$23,357** or **3.7%**
- Kaiser and Anthem comprise 88.2% of the total cost



Carriers	Current Enrollment	2018 Premium	2019 Renewal - Preliminary		
			Premium	\$ Change	% Change
Anthem	4,930	\$56,379,102	\$55,460,466	(\$918,636)	-1.6%
Kaiser	12,226	\$63,503,844	\$62,878,435	(\$625,410)	-1.0%
UnitedHealthcare	1,048	\$3,343,875	\$3,157,993	(\$185,882)	-5.6%
SCAN	567	\$1,767,747	\$1,767,747	\$0	0.0%
Delta Dental	14,249	\$9,751,135	\$10,272,742	\$521,607	5.3%
Anthem Blue View	5,748	\$636,944	\$660,301	\$23,357	3.7%
GRAND TOTAL		\$135,382,648	\$134,197,684	(\$1,184,964)	-0.9%

- Anthem and Delta Dental enrollments are retiree counts.
- Kaiser, UnitedHealthcare and SCAN enrollments are member counts.

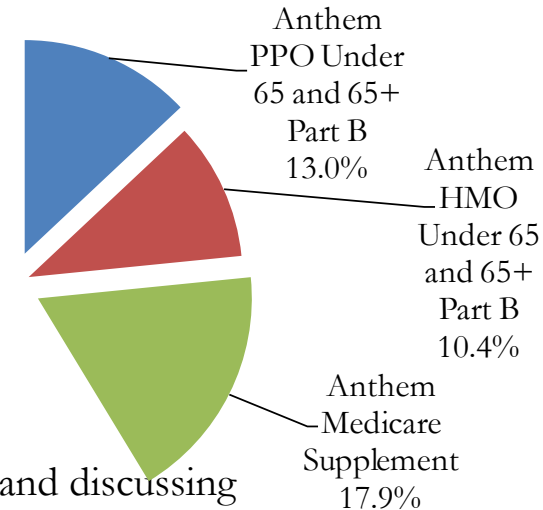
Executive Summary

2019 Renewals, an Opportunity to be Strategic

- With three of four medical carriers providing significant renewal decreases (the fourth carrier offered a 0.0% renewal), LACERS is in a unique situation where multiple renewal strategy options are available:
 1. Accept the renewals and pass on the renewal decreases. The concern with this strategy is that the renewals were based on exceptional plan experience. LACERS could be setting themselves up for significant increases in the following years.
 2. Accept the renewals. However, maintain the 2018 rates for 2019 for all negative renewals. The difference between the rates would be reserved by LACERS in a 115 Trust. This provides for a multi-year smoothing impact on renewals.
 3. A Blended approach. This strategy would provide relief by passing on all or a portion of the rate savings to the Members for key higher costing coverage, such as the Anthem HMO. This approach would still allow for some reserving for LACERS, and rate relief where needed for Members.

Anthem Blue Cross Renewal – Overall

- Anthem Blue Cross comprises 41.3% of LACERS' premium costs
- Anthem requested the following rate adjustments:
 - PPO Under 65 / 65+ Part B: -\$332,577 or -1.9%
 - HMO Under 65 / 65+ Part B: -\$1,533,465 or -9.9%
 - Medicare Supplement: \$947,406 or 4.1%
 - An overall decrease of -\$918,636 or -1.6%
- Other considerations for Anthem's renewal:
 - Preliminary 2017 year-end accounting produced a \$4,140,949 surplus
 - 2019 wellness program contribution of \$150,000 (an increase of \$50,000) and discussing the addition of wellness dollars to the premiums.
 - Anthem passed all 2017 performance measures/guarantees



	Current Enrollment	2018 Premium	2019 Renewal - Preliminary		
			Premium	\$ Change	% Change
Anthem					
Anthem					
PPO Under 65 and 65+ Part B	996	\$17,765,124	\$17,432,547	(\$332,577)	-1.9%
HMO Under 65 and 65+ Part B	952	\$15,521,655	\$13,988,190	(\$1,533,465)	-9.9%
Medicare Supplement	2,982	\$23,092,323	\$24,039,729	\$947,406	4.1%
Total	4,930	\$56,379,102	\$55,460,466	(\$918,636)	-1.6%

Anthem Blue Cross Renewal – PPO

Anthem PPO – Available to Retired Members under age 65 or age 65+ with Medicare Part B



Anthem
PPO Under
65 and 65+
Part B
13.0%

- The Anthem Blue Cross PPO Under 65 / 65+ Part B comprises 13.0% of LACERS' premium costs
- The Anthem renewal is a decrease of \$332,557 or -1.9%
- 2018 to 2019 **medical** renewal underwriting basis change:
 - Paid claim cost per retiree per month: 2019 = \$872; 2018 = \$895; 2.6% decrease
 - Claims loss ratio: 2019 = 87%; 2018 = 93%
 - Large claims activity: 2019 = 5 claims totaling \$793,142; 2018 = 5 claims totaling \$1,127,682
- Anthem used a 9.3% medical renewal trend to forecast costs, which is within the acceptable industry norm

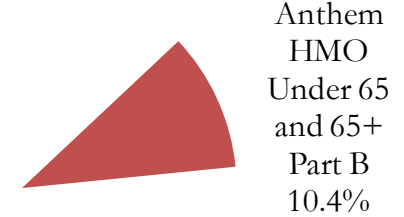
	Current Enrollment	2018 Premium	2019 Renewal - Preliminary		
			Premium	\$ Change	% Change
Anthem					
PPO Under 65 and 65+ Part B	996	\$17,765,124	\$17,432,547	(\$332,577)	-1.9%

Anthem Blue Cross Renewal – PPO

- 2018 to 2019 prescription drug renewal underwriting basis change:
 - Paid claim cost per retire per month: 2018 = \$250; 2019 = \$237; 5.2% decrease
- Anthem used a 10.9% prescription drug renewal trend to forecast costs, which is within the acceptable industry norm
- Other considerations:
 - 2019 renewal did not include the Affordable Care Act (ACA) Health Insurer Fee, while in 2018, the ACA Health Insurer Fee was \$601,960 or 3.4% of premium
 - Preliminary 2017 year-end accounting for PPO produced a \$1,119,046 surplus
 - Covered retirees per month: 2019 = 989; 2018 = 974; 1.5% increase

Anthem Blue Cross Renewal – HMO

Anthem HMO – Available to Retired Members under age 65 or age 65+ with Medicare Part B



- The Anthem Blue Cross HMO Under 65 / 65+ Part B comprises 10.4% of LACERS' premium costs
- The Anthem renewal is a decrease of \$1,533,465 or -9.9%
- 2018 to 2019 **medical** renewal underwriting basis change:
 - Paid claims cost per retiree per month: 2019 = \$925; 2018 = \$913; 1.3% increase
 - Large claims activity: 2019 = 5 claims totaling \$1,688,020; 2018 = 3 claims totaling \$1,319,817
- Anthem used a 9.3% medical renewal trend to forecast costs, which is within the acceptable industry norm

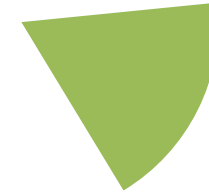
	Current Enrollment	2018 Premium	2019 Renewal - Preliminary		
			Premium	\$ Change	% Change
Anthem					
HMO Under 65 and 65+ Part B	952	\$15,521,655	\$13,988,190	(\$1,533,465)	-9.9%

Anthem Blue Cross Renewal – HMO

- 2018 to 2019 **prescription drug** renewal underwriting basis change:
 - Paid claims cost per retiree per month: 2019 = \$275; 2018 = \$331; 16.9% decrease
- Anthem used a 12.1% prescription drug renewal trend to forecast costs, which is within the acceptable industry norm
- Other considerations:
 - 2019 renewal did not include the Affordable Care Act (ACA) Health Insurer Fee, while in 2018, the ACA Health Insurer Fee was \$501,177 or 3.4% of premium
 - Preliminary 2017 year-end accounting for HMO produced a \$2,231,459 surplus
 - Covered retirees per month: 2019 = 828; 2018 = 768; 7.8% increase

Anthem Blue Cross Renewal – Medicare Supplement

Medicare Supplement – Available to Retired Members age 65+ with Medicare Parts A and B



Anthem Medicare Supplement
17.9%

- The Anthem Blue Cross Medicare Supplement comprises 17.9% of LACERS' premium costs
- The Anthem preliminary renewal is an increase of \$947,406 or 4.1%
- 2018 to 2019 **medical** renewal underwriting basis change:
 - Paid claim cost per retiree per month: 2019 = \$200; 2018 = \$194; 3.1% increase
- Anthem used 8.0% medical renewal trend, which is within the acceptable industry norm

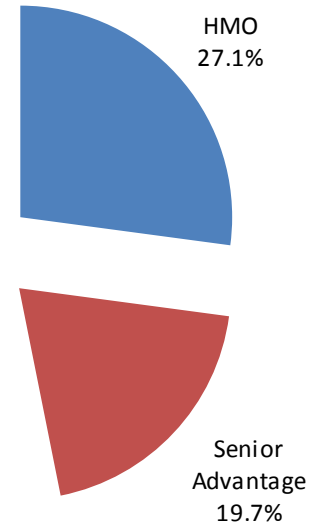
	Current Enrollment	2018 Premium	2019 Renewal - Preliminary		
			Premium	\$ Change	% Change
Anthem					
Medicare Supplement	2,982	\$23,092,323	\$24,039,729	\$947,406	4.1%

Anthem Blue Cross Renewal – Medicare Supplemental

- Other considerations:
 - 2019 renewal did not include the Affordable Care Act (ACA) Health Insurer Fee, while in 2018, the ACA Health Insurer Fee was \$461,208 or 2.0% of premium
 - Preliminary 2017 year-end accounting produced a \$790,444 surplus (including Part D)
 - Covered retirees per month: 2019 = 2,938; 2018 = 2,854; 2.9% increase

Kaiser Permanente Renewal – Overall

- Kaiser comprises 46.8% of LACERS’ premium costs
- Kaiser requested the following rate adjustments:
 - HMO Under 65: -\$1,396,758 or -3.7% decrease
 - Senior Advantage: \$1,199,376 or 3.0% increase (estimate*)
 - For an overall increase of **-\$625,410** or **-1.0%**
- Other considerations:
 - \$150,000 contribution for wellness program by adding 0.4% to premium
 - 2017 performance guarantee results will be available in October 2018



– * Senior Advantage rates will not be available until early July.

	Current Enrollment	2018 Premium	2019 Renewal - Preliminary		
			Premium	\$ Change	% Change
Kaiser					
HMO Under 65	3,897	\$37,792,221	\$36,395,463	(\$1,396,758)	-3.7%
Senior Advantage	8,329	\$25,711,623	\$26,482,972	\$771,349	3.0%
Total	12,226	\$63,503,844	\$62,878,435	(\$625,410)	-1.0%

Kaiser Permanente Renewal – HMO

HMO
27.1%

Kaiser HMO – Available to Retired Members under age 65

- The Kaiser HMO Under 65 comprises 27.1% of LACERS’ premium costs
- The Kaiser preliminary renewal is a decrease of \$1,396,758 or -3.7%
- 2018 to 2019 **medical and prescription drug** renewal underwriting basis change:
 - Kaiser utilized plan year 2017 as the basis for 2019 underwriting
 - Total claims cost per member per month (PMPM): 2019 = \$623; 2018 = \$759; 17.9% decrease
 - Medical claims cost PMPM: 2019 = \$684; 2018 = \$559; 22.4% increase
 - Rx claims cost PMPM: 2019 = \$64; 2018 = \$74; 13.5% decrease
 - Specialty drug costs PMPM: 2019 = \$21; 2018 = \$27; 22.2% decrease
 - Large claims activity: 2017 = 3 claimants, \$1,370,716; 2016 = 12 claimants, \$5,822,344
 - Kaiser is requesting a pooling level change from \$265K in 2018 to \$280K in 2019
- Kaiser used a 4.83% blended medical/prescription drug renewal trend to forecast costs which is within the acceptable standards for Kaiser

	Current Enrollment	2018 Premium	2019 Renewal - Preliminary		
			Premium	\$ Change	% Change
Kaiser					
HMO Under 65	3,897	\$37,792,221	\$36,395,463	(\$1,396,758)	-3.7%

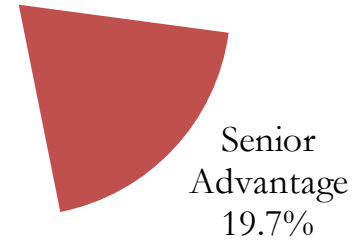
Kaiser Permanente Renewal – HMO

Kaiser HMO – Available to Retired Members under age 65

- Other Considerations
 - 2019 renewal did not include the Affordable Care Act (ACA) Health Insurer Fee, while in 2018 the ACA Health Insurer Fee was \$347,952 or 1.0% of premium
 - Average Members per month: 2019 = 3,768; 2018 = 3,694; 2.0% increase

Kaiser Permanente Renewal – Senior Advantage

Kaiser HMO Senior Advantage – Available to Retired Members with Medicare Parts A and B or Part B only:



- The Kaiser Senior Advantage Program comprises 19.7% of LACERS’ premium costs
- Renewal has not been presented
 - Projected renewal delivery is July
 - For illustrative purpose, we have assumed a 3.0% increase, within industry trend

	Current	2018	2019 Renewal - Preliminary		
	Enrollment	Premium	Premium	\$ Change	% Change
Kaiser					
Senior Advantage	8,329	\$25,711,623	\$26,482,972	\$771,349	3.0%

SCAN Renewal

SCAN Medicare Advantage HMO – Available to retired members with Medicare Parts A and B

SCAN
1.3%

- SCAN comprises 1.3% of LACERS’ premium costs
- Proposed no changes to current rates and benefits
- SCAN is not anticipating changes from the Center for Medicare & Medicaid Services (CMS) that will affect the Medicare Advantage Prescription Drugs/Employer Group Waiver Program (MAPD/EGWP)
- Other considerations:
 - Wellness program contribution of \$9,500
 - Includes Independent Living Power (ILP) In-Home Care Services
 - Includes Healthways Silver Sneakers Program

	Current Enrollment	2018 Premium	2019 Renewal - Preliminary		
			Premium	\$ Change	% Change
SCAN					
Medicare Advantage	567	\$1,767,747	\$1,767,747	\$0	0.0%

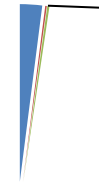
UnitedHealthcare Renewal

UnitedHealthcare Medicare Advantage HMO – Available to retired members with Medicare Parts A and B

UHC - CA
Medicare
Advantage
2.0%

UHC - NV
Medicare
Advantage
0.2%

UHC - AZ
Medicare
Advantage
0.1%



- UHC comprises 2.3% of LACERS' premium costs
- UHC provides LACERS coverage in California, Arizona, and Nevada
- UHC proposes a **-\$185,882** or **-5.6%** decrease with no changes to current benefits
- UHC is not anticipating changes from the Center for Medicare & Medicaid Services (CMS) that will affect the Medicare Advantage Prescription Drugs/Employer Group Waiver Program (MAPD/EGWP)
- Other considerations:
 - Wellness program contribution of \$8,500
 - Includes Solutions for Caregivers and Silver Sneakers Programs

	Current Enrollment	2018 Premium	2019 Renewal - Preliminary		
			Premium	\$ Change	% Change
UnitedHealthcare					
CA Medicare Advantage	900	\$2,865,240	\$2,705,940	(\$159,300)	-5.6%
NV Medicare Advantage	99	\$280,926	\$262,988	(\$17,939)	-6.4%
AZ Medicare Advantage	49	\$197,709	\$189,066	(\$8,644)	-4.4%
Total	1,048	\$3,343,875	\$3,157,993	(\$185,882)	-5.6%

Delta Dental Renewal

Delta Dental PPO and DHMO –

Available to retired members

Delta Dental
PPO
7.1%



Delta Dental
DHMO
0.5%

- Delta Dental comprises 7.6% of LACERS' premium costs
- Delta Dental has requested the following increases in the preliminary renewals:
 - PPO: \$482,311 or 5.3% (in the first year of three-year rate guarantee)
 - DHMO: \$39,295 or 6.0% increase
 - Overall Delta Dental proposes an increase of **\$521,607** or **5.3%**
- Other considerations:
 - Wellness program contribution of \$10,000
 - Self-funding the PPO plan is being reviewed

	Current Enrollment	2018 Premium	2019 Renewal - Preliminary		
			Premium	\$ Change	% Change
Delta Dental					
PPO	11,149	\$9,096,097	\$9,578,409	\$482,311	5.3%
DHMO	3,100	\$655,038	\$694,334	\$39,295	6.0%
Total	14,249	\$9,751,135	\$10,272,742	\$521,607	5.3%

Delta Dental PPO – Self-Funded Study

LACERS contracted with Delta Dental to provide dental insurance coverage effective January 1, 2015. As Keenan reviewed the dental experience for 2015 and 2016, Keenan brought to LACERS' attention that they may want to consider self-funding the dental coverage.

Keenan agreed to do a self-funding study based on LACERS' plan experience from January 1, 2015 through December 31, 2017 (3 years) to determine if there would be a financial advantage to self-funding the dental coverage. LACERS requested Keenan expand the study to the past five years to include 2013 and 2014 with MetLife. Please note that Keenan estimated administrative costs for MetLife at 9.0% of paid claims. Keenan conducted the five-year study and included the first five months of 2018.

Keenan's study showed that had LACERS been self-funded for the study period, LACERS would have reserved \$3,276,274 in plan surplus. Additionally, administrative costs would have been less, providing an additional estimated savings of \$15,000 annually.

LACERS dental plan experience has been stable over the five-year period, averaging a premium of \$67.33 per retiree per month (prpm) and plan cost of \$62.60 prpm. An average surplus of \$4.73 prpm or \$3,276,274, was developed over the 65-month period which in a fully-insured environment remains with the insurance carrier. The following chart illustrates the plan experience for the 65-month period.

Keenan has also prepared a comparison of differences and similarities between self-funded and fully-insured coverage.

Delta Dental PPO – Plan Experience

Self-Funding Dental Study	MetLife 2013	MetLife 2014	Delta Dental 2015	Delta Dental 2016	Delta Dental 2017	Delta Dental 2018 YTD	2013-2018 YTD
<i>Annual Premium</i>	\$ 8,113,112	\$ 8,403,838	\$ 8,426,419	\$ 8,740,608	\$ 9,054,216	\$ 3,874,260	\$ 46,612,453
<u>Total Expenses</u>							
<i>Paid Claims</i>	\$ 6,794,397	\$ 6,765,955	\$ 6,722,923	\$ 7,418,586	\$ 7,617,573	\$ 3,800,837	\$ 39,120,271
<i>Administration</i>	\$ 611,496	\$ 608,936	\$ 651,423	\$ 675,714	\$ 699,957	\$ 299,136	\$ 3,546,662
<u>IBNR Reserve</u>	\$ 43,513	\$ 43,331	\$ 473,057	\$ 34,961	\$ 48,785	\$ 25,599	\$ 669,246
<i>Total Expenses</i>	\$ 7,449,406	\$ 7,418,222	\$ 7,847,403	\$ 8,129,261	\$ 8,366,315	\$ 4,125,572	\$ 43,336,179
Plan Surplus / Deficit	\$ 663,706	\$ 985,616	\$ 579,016	\$ 611,347	\$ 687,900	\$ (251,312)	\$ 3,276,274
<i>Avg. Retiree Count</i>	9,949	10,092	10,515	10,796	11,150	11,403	10,651
<i>Avg. Member Count</i>	13,759	13,956	14,542	14,996	15,492	15,918	14,777
<i>Premium PRPM</i>	\$ 67.96	\$ 69.39	\$ 66.78	\$ 67.47	\$ 67.67	\$ 67.95	\$ 67.33
<u>Total Expenses</u>							
<i>Paid Claims</i>	\$ 56.91	\$ 55.87	\$ 53.28	\$ 57.26	\$ 56.93	\$ 66.66	\$ 56.51
<i>Administration</i>	\$ 5.12	\$ 5.03	\$ 5.16	\$ 5.22	\$ 5.23	\$ 5.25	\$ 5.12
<u>IBNR Reserve</u>	\$ 0.36	\$ 0.36	\$ 3.75	\$ 0.27	\$ 0.36	\$ 0.45	\$ 0.97
<i>Total Expenses</i>	\$ 62.40	\$ 61.25	\$ 62.19	\$ 62.75	\$ 62.53	\$ 72.36	\$ 62.60
Plan Surplus / Deficit	\$ 5.56	\$ 8.14	\$ 4.59	\$ 4.72	\$ 5.14	\$ (4.41)	\$ 4.73

2018 shows a \$251,312 deficit position for the year. That is to be expected, since calendar year benefits reset January 1. As the year progresses, Keenan would expect claims to normalize.

Should LACERS elect to self-fund the Dental PPO program, Keenan recommends the plan be implemented with the proposed 2019 Delta Dental fully-insured PPO rates as premium equivalent rates.

Fully Insured versus Self-funded

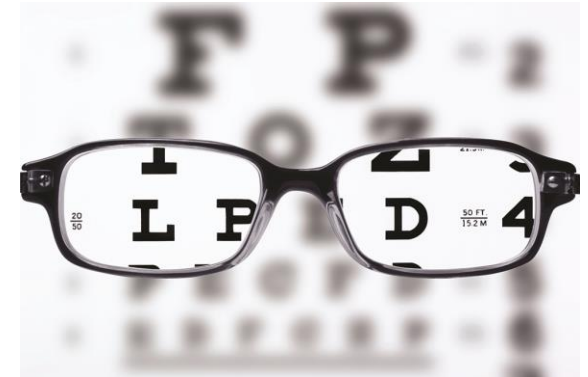
	Fully Insured	Self-Funded
Impact on Members – Minimal	Documents state “insured” by Delta Dental	Documents state “administered” by Delta Dental
Who carries the risk?	Delta Dental	LACERS
Who is responsible for surplus or deficit positions?	Delta Dental	LACERS
Who pays the claims?	Delta Dental	Delta Dental
Who functions as the claim fiduciary?	Delta Dental	Delta Dental, but can be taken on by LACERS (not recommended)
Who develops/underwrites the rates?	Delta Dental	LACERS (Keenan)
How is Premium remitted by LACERS?	LACERS remits the full monthly premium to Delta Dental.	LACERS remits the monthly administrative fee to Delta Dental. LACERS funds dental claims to Delta Dental based on agreed upon frequency limit. LACERS funds an initial dental claims fund with Delta Dental as required by the contract. LACERS maintains IBNR (Incurred But Not Reported) reserve LACERS maintains margin reserve account for surplus positions.
Are there any differences in the Provider Network?	No, whether self-funded or fully insured, the networks are identical?	
Are there any differences in the Plan Designs?	No, plan designs are the same for the fully insured and self-funded plans.	

Anthem Blue View Vision Renewal

Anthem Blue View Vision – Available to retired members

Anthem
Blue View
0.5%

- Anthem Blue View comprises 0.5% of LACERS premium costs
- Anthem Blue View has requested an increase of **\$23,357** or **3.7%** for 2019, or 5.6% for three years under a new three-year rate guarantee
- Other considerations:
 - Wellness program contribution of \$5,000



	Current Enrollment	2018 Premium	2019 Renewal - Preliminary		
			Premium	\$ Change	% Change
Anthem Blue View					
Vision	5,748	\$636,944	\$660,301	\$23,357	3.7%

Renewal Strategies Revisited

Renewal Strategies	Strategy 1	Strategy 2	Strategy 3a	Strategy 3b
	Accept the Renewals as is	Accept Renewals, Reserve negative renewal Action	Accept Renewals, Reserve negative renewal Action 100% of Renewal decrease for Anthem HMO applied to Rates	Accept Renewals, Reserve negative renewal Action 50% of Renewal decrease for Anthem HMO applied to Rates
Lines of Coverage with a Negative Renewal Adjustment	-\$3,448,680	-\$3,448,680	-\$3,448,680	-\$3,448,680
Lines of Coverage with a Zero or Positive Renewal Adjustment	\$2,263,719	\$2,263,719	\$2,263,719	\$2,263,719
Anthem HMO Impact on Negative Renewal	n/a	n/a	\$1,533,465	\$766,733
Renewal Impact	-\$1,184,964	\$2,263,719	\$348,504	-\$418,229
Total all Plans Renewal	-0.9%	1.7%	0.3%	-0.3%
Reserve Contribution	\$0	\$3,448,680	\$1,915,215	\$2,681,948

Renewal Strategy 1 Revisited

1. Accept renewals as they are. Provides greatest saving to Members. Could offer the greatest increase in subsequent years.

Carriers	Current Enrollment	2018 Premium	2019 Renewal - Preliminary		
			Premium	\$ Change	% Change
Anthem	4,930	\$56,379,102	\$55,460,466	(\$918,636)	-1.6%
Kaiser	12,226	\$63,503,844	\$62,878,435	(\$625,410)	-1.0%
UnitedHealthcare	1,048	\$3,343,875	\$3,157,993	(\$185,882)	-5.6%
SCAN	567	\$1,767,747	\$1,767,747	\$0	0.0%
Delta Dental	14,249	\$9,751,135	\$10,272,742	\$521,607	5.3%
Anthem Blue View	5,748	\$636,944	\$660,301	\$23,357	3.7%
GRAND TOTAL		\$135,382,648	\$134,197,684	(\$1,184,964)	-0.9%

- 1) Anthem and Delta Dental enrollments are retiree counts.
- 2) Kaiser, UnitedHealthcare and SCAN enrollments are member counts.

Renewal Strategy 2 Revisited

- Accept renewals as they are. However, maintain the 2018 rates for all lines of coverage with a negative renewal. Reserve the difference (\$3,448,680) in a 115 Trust for future use toward LACERS plan costs. Provides greater multi-year rate stability.

Carriers	Current Enrollment	2018 Premium	2019 Renewal - Preliminary		
			Premium	\$ Change	% Change
Anthem	4,930	\$56,379,102	\$55,460,466	(\$918,636)	-1.6%
Kaiser	12,226	\$63,503,844	\$62,878,435	(\$625,410)	-1.0%
UnitedHealthcare	1,048	\$3,343,875	\$3,157,993	(\$185,882)	-5.6%
SCAN	567	\$1,767,747	\$1,767,747	\$0	0.0%
Delta Dental	14,249	\$9,751,135	\$10,272,742	\$521,607	5.3%
Anthem Blue View	5,748	\$636,944	\$660,301	\$23,357	3.7%
GRAND TOTAL		\$135,382,648	\$134,197,684	(\$1,184,964)	-0.9%

- Anthem and Delta Dental enrollments are retiree counts.
- Kaiser, UnitedHealthcare and SCAN enrollments are member counts.

Renewal Strategy 3a and 3b Revisited

3. Accept renewals as they are. However, maintain the 2018 rates for strategic lines of coverage with a negative renewal and provide rate relief to Members for certain lines of coverage, such as the Anthem HMO. Reserve the difference (\$1,915,215 = 100% and \$2,681,948 = 50%) in a 115 Trust for future use toward LACERS plan costs. Provides some multi-year rate stability and may expose LACERS to potential adverse rate fluctuation on the Anthem HMO in future years.

Recommendations

- Analyze the preliminary renewals and negotiate with carriers to finalize the renewals
- Finalize the Kaiser Senior Advantage renewal
- Analyze the self-funding option for the Delta Dental PPO
- Finalize Anthem 2017 year-end accounting
- Determine the renewal strategy to implement for 2019



Appendices

Health Plan Financial Summary

	Current Enrollment	2018 Premium	2019 Renewal - Preliminary		
			Premium	\$ Change	% Change
Anthem					
Anthem					
PPO Under 65 and 65+ Part B	996	\$17,765,124	\$17,432,547	(\$332,577)	-1.9%
HMO Under 65 and 65+ Part B	952	\$15,521,655	\$13,988,190	(\$1,533,465)	-9.9%
Medicare Supplement	2,982	\$23,092,323	\$24,039,729	\$947,406	4.1%
Total	4,930	\$56,379,102	\$55,460,466	(\$918,636)	-1.6%
Kaiser					
HMO Under 65	3,897	\$37,792,221	\$36,395,463	(\$1,396,758)	-3.7%
Senior Advantage	8,329	\$25,711,623	\$26,482,972	\$771,349	3.0%
Total	12,226	\$63,503,844	\$62,878,435	(\$625,410)	-1.0%
UnitedHealthcare					
CA Medicare Advantage	900	\$2,865,240	\$2,705,940	(\$159,300)	-5.6%
NV Medicare Advantage	99	\$280,926	\$262,988	(\$17,939)	-6.4%
AZ Medicare Advantage	49	\$197,709	\$189,066	(\$8,644)	-4.4%
Total	1,048	\$3,343,875	\$3,157,993	(\$185,882)	-5.6%
SCAN					
Medicare Advantage	567	\$1,767,747	\$1,767,747	\$0	0.0%
Total	567	\$1,767,747	\$1,767,747	\$0	0.0%
Medical Total	18,771	\$124,994,569	\$123,264,641	(\$1,729,928)	-1.4%
DENTAL					
Delta Dental PPO	11,149	\$9,096,097	\$9,578,409	\$482,311	5.3%
Delta Dental HMO	3,100	\$655,038	\$694,334	\$39,295	6.0%
Dental Total	14,249	\$9,751,135	\$10,272,742	\$521,607	5.3%
VISION					
Anthem Blue View	5,748	\$636,944	\$660,301	\$23,357	3.7%
Vision Total	5,748	\$636,944	\$660,301	\$23,357	3.7%
GRAND TOTAL		\$135,382,648	\$134,197,684	(\$1,184,964)	-0.9%

- 1) Anthem and Delta Dental enrollments are retiree counts.
- 2) Kaiser, UnitedHealthcare and SCAN enrollments are member counts.
- 3) Kaiser did not provide Senior Advantage renewal. For illustration, an industry norm 3% increase is assumed.

Anthem Blue Cross Preliminary Renewal Rates

Anthem			
U65 and 65+ Part B PPO - Refunding		2018	2019
Retiree Only			
U	Retiree < 65 or > 65 with only Part B of Medicare	\$1,262.42	\$1,238.43
Retiree and One Dependent			
UU	Retiree & Dependent both < 65 or both > 65 with Part B of Medicare	\$2,524.84	\$2,476.87
UM	Retiree < 65 & Dependent > 65 with both parts A & B of Medicare	\$1,262.42	\$1,238.43
MU	Retiree > 65 with both parts A & B of Medicare & Dependent < 65	\$1,262.42	\$1,238.43
Retiree and Family (Family = 2 or more dependents)			
UUU	Retiree & Dependents all < 65 or > 65 with Part B of Medicare	\$2,966.69	\$2,910.32
UMU	Retiree < 65 & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare	\$1,704.27	\$1,671.89
MUU	Retiree > 65 with both parts A & B of Medicare & Dependents < 65	\$1,704.27	\$1,671.89
MMU	Retiree & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare (One or more Children)	\$441.85	\$433.45
HMO - Refunding (Assumes Current Plan with Traditional HMO Network)		2018	2019
Retiree Only			
U	Retiree < 65 or > 65 with only Part B of Medicare	\$1,045.94	\$942.39
Retiree and One Dependent			
UU	Retiree & Dependent both < 65 or both > 65 with Part B of Medicare	\$2,091.88	\$1,884.78
UM	Retiree < 65 & Dependent > 65 with both parts A & B of Medicare	\$1,045.94	\$942.39
MU	Retiree > 65 with both parts A & B of Medicare & Dependent < 65	\$1,045.94	\$942.39
Retiree and Family (Family = 2 or more dependents)			
UUU	Retiree & Dependents all < 65 or > 65 with Part B of Medicare	\$2,719.44	\$2,450.22
UMU	Retiree < 65 & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare	\$1,673.50	\$1,507.82
MUU	Retiree > 65 with both parts A & B of Medicare & Dependents < 65	\$1,673.50	\$1,507.82
MMU	Retiree & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare (One or more Children)	\$627.56	\$565.43

Anthem Blue Cross Preliminary Renewal Rates (cont.)

Anthem Medicare Supplement Plan - Refunding *		2018	2019
Retiree Only			
M	Retiree > 65 with both Parts A & B of Medicare	\$534.12	\$556.02
Retiree and One Dependent			
UM	Retiree < 65 & Dependent > 65 with both Parts A & B of Medicare	\$534.12	\$556.02
MU	Retiree > 65 with both Parts A & B of Medicare & Dependent < 65	\$534.12	\$556.02
MM	Retiree & Dependent both > 65 with both Parts A & B of Medicare	\$1,068.24	\$1,112.04
Retiree and Family (Family = 2 or more dependents)			
UMU	Retiree < 65 & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare	\$534.12	\$556.02
MUU	Retiree > 65 with both parts A & B of Medicare & Dependents < 65	\$534.12	\$556.02
MMU	Retiree & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare	\$1,068.24	\$1,112.04
MMM	Retiree & Two Dependent both > 65 with both Parts A & B of Medicare	\$1,602.36	\$1,668.06

* These rates include the Silver Sneakers program.

Kaiser Permanente – Preliminary Renewal Rates

	Current Enrollment	2018 Current Rates	2019 Renewal Rates
HMO			
Single	531	\$853.39	\$821.85
Two-Party	1,295	\$1,706.78	\$1,643.70
Family	219	\$2,218.82	\$2,136.81
Annual Premium	2,045	\$37,792,221	\$36,395,463
\$ Difference			(\$1,396,758)
% Difference			-3.7%
Senior Advantage ¹			
Members	8,329	\$257.25	\$264.97
Annual Premium		\$25,711,623	\$26,482,972
\$ Difference			\$771,349
% Difference			3.0%

Note:

1. Assumes 3% increase per industry norm.

SCAN

Preliminary Renewal Rates

	Current Enrollment	2018 Current Rates	2019 Renewal Rates
SCAN			
Members	567	\$259.81	\$259.81
Annual Premium		\$1,767,747	\$1,767,747
\$ Difference			\$0
% Difference			0.0%

United Healthcare Preliminary Renewal Rates

	Current Enrollment	2018 Current Rates	2019 Renewal Rates
CALIFORNIA			
Members	900	\$265.30	\$250.55
Annual Premium		\$2,865,240	\$2,705,940
\$ Difference			(\$159,300)
% Difference			-5.6%
NEVADA			
Members	99	\$236.47	\$221.37
Annual Premium		\$280,926	\$262,988
\$ Difference			(\$17,939)
% Difference			-6.4%
ARIZONA			
Members	49	\$336.24	\$321.54
Annual Premium		\$197,709	\$189,066
\$ Difference			(\$8,644)
% Difference			-4.4%
TOTAL			
Annual Premium	1,048	\$3,343,875	\$3,157,993
\$ Difference			(\$185,882)
% Difference			-5.6%

Delta Dental Preliminary Renewal Rates

	Current Enrollment
PPO	
Single	7,166
Two-Party	3,676
Family	307
Annual Premium	11,149
\$ Difference	
% Difference	

2018 Current Rates
\$49.43
\$98.02
\$141.60
\$9,096,097

2019 Renewal Rates
\$52.05
\$103.22
\$149.10
\$9,578,409
\$482,311
5.3%

DHMO	
Single	1,806
Two-Party	1,148
Family	146
Annual Premium	3,100
\$ Difference	
% Difference	

\$12.80
\$23.90
\$27.62
\$655,038

\$13.57
\$25.33
\$29.28
\$694,334
\$39,295
6.0%

Anthem Blue View Preliminary Renewal Rates

	Current Enrollment
Blue View Vision	
Single	4,216
Two-Party	1,404
Family	69
Annual Premium	5,689
\$ Difference	
% Difference	

2018 Current Rates
\$8.39
\$12.18
\$21.75
\$647,685

2019 Renewal Rates
\$8.70
\$12.62
\$22.54
\$671,435
\$23,751
3.7%

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

Report to Benefits Administration Committee


From: Neil M. Guglielmo, General Manager

Agenda of: JULY 19, 2018

ITEM: VI

**SUBJECT: CONTRACT WITH JELLYVISION FOR BENEFIT DECISION-SUPPORT SOFTWARE
AND POSSIBLE COMMITTEE ACTION**

Recommendation

That the Committee forward to the Board a recommendation to:

1. Approve a three-year sole-source contract with Jellyvision for interactive benefit decision-making software at a cost of \$160,000 per year;
2. Authorize a FY 2018-19 budget expenditure of \$160,000 for this contract, to be funded from savings in the Contractual Services appropriation (Account No. 163040), and delegate authority to the Chief Accounting Employee to increase the budget appropriation up to \$160,000, if the surplus in the Contractual Services appropriation is insufficient through June 30, 2019; and
3. Authorize the General Manager to negotiate and execute the contract.

Discussion

LACERS is constantly searching for ways to improve customer service and enhance the Member experience at and with LACERS. Recently, staff was introduced to a company called Jellyvision that produces an interactive decision-support software entitled ALEX. ALEX provides personalized interactive explanations based in behavioral science and can take retired Members through several decision points leading up to making a health plan selection in an easy-to-understand format. After discussion and a demonstration of the ALEX software, staff is certain this product will greatly enhance Member service.

Staff performed research to identify similar products, but was unsuccessful in finding anything comparable. There are decision-making tools that exist, but they lack the engagement qualities of ALEX, and are more formulaic than conversational. To further determine if there are other similar products in the marketplace, references were requested from entities who contracted with Jellyvision through a competitive bid process. Jellyvision provided four references who were contacted about the results of their bid process: how many vendors responded to their Request for Proposals and if they found ALEX to be a superior or unique product compared to other products identified through their bid process.

A brief summary of the findings are:

- RFPs were conducted in 2011 (1), 2015 (1), 2017 (2), and 2018 (1)
- RFPs produced one to four responses each
- All four organizations believe ALEX to be superior and/or unique to other products that were presented through the RFP process

References for Jellyvision/ALEX:

Questions	State of Rhode Island	State of South Dakota	University of Wisconsin System	Montgomery College
When was the RFP?	2017	2015	2017	2011 2018
How many responses were received?	3	4	2	2 (2011) 1 (2018)
Why did you select Jellyvision?	Superior to other products. Engagement and entertainment features.	Most engaging product and timing of implementation. It is a unique decision-support tool using dialogue versus "just the facts."	The other company did not offer what they were looking for (a communications tool).	Product demonstration was far superior to other competitors (2011). Only competitive proposal (2018).
Comments	Useful in onboarding new staff and has taken some pressure off of staff.	ALEX is very effective based on feedback from employees. ALEX simplifies concepts so anyone can feel more confident in making decisions.	The person who conducted the RFP no longer worked there, so information was limited.	ALEX is a superior and unique product; not aware of a similar or better product; experience has been wonderful. They feel pretty comfortable that Jellyvision is the only name in the business.

Staff is requesting to acquire ALEX for the upcoming Open Enrollment period, which begins on October 15, 2018. ALEX would be available essentially 24 hours a day, 7 days a week. Not only would ALEX assist Members in making their health plan decisions, it has the potential to decrease the number of calls made to the Member Service Center and/or help Members formulate more informed questions, which could reduce the length of calls and call wait times. Additionally, based on feedback and Member service needs, we will explore with Jellyvision ways to expand the subject matter covered by ALEX to assist more Members in making benefit-related decisions.

Charter section 371(a) allows contracting with a vendor without administering a competitive bid process when specific exceptions apply. Those exceptions are found in Charter section 371(e) and Administrative Code section 10.15(a). Staff has identified the following exceptions that would apply to a contract with Jellyvision to provide the services described above:

- Contracts, as determined by the contracting authority, for the performance of professional, scientific, expert, technical, or other special services of a temporary and occasional character for which the contracting authority finds that competitive bidding is not practicable or advantageous. Charter section 371(e)(2), LAAC 10.15(a)(2).
 - Jellyvision's services are expert and technical in nature. In light of staff's findings that Jellyvision is the only company that currently offers the requested services, competitive bidding is not practicable and would not provide any advantage to LACERS or its Members.
- The contracting authority finds that the use of competitive bidding would be undesirable, impractical or impossible or where the common law otherwise excuses compliance with competitive bidding requirements. Charter section 371(e)(10), LAAC 10.15(a)(10).
 - Based on recent research of other organizations that have performed RFPs for similar services, no other vendor offers a product that would serve the Members or provide the same type of support to staff as well as Jellyvision's ALEX.
 - According to LAAC 10.15(a)(10), "... [T]he term "undesirable" shall mean and include only such situations in which the nature of the subject of the contract is such that competitive bidding would work an incongruity or be unavailing or would not produce an advantage, with sole reference to the public interest and in light of the purposes to be accomplished. Issuing an RFP for these services would require several weeks and many staff hours to administer, as well as cause unnecessary delays resulting from the Board's need to review and approve a winning bid and subsequent contract negotiations. The public interest would not be served by these delays, which could impact staff's ability to implement the services for this year's Open Enrollment period.

Staff recommends contracting with Jellyvision on a sole-source basis, as timing is critical and research supports that equivalent products do not exist in the marketplace. In order to customize the software to incorporate LACERS-specific information and requirements, Jellyvision will require approximately 16 weeks and an annual licensing fee of \$160,000. It is anticipated that there will be sufficient savings in the contractual services accounts to fund this new contract. However, should the contractual services account be depleted as we approach the end of the fiscal year 2018-19, it is recommended that the Chief Accounting Employee be delegated authority by the Board to increase the budget appropriation for Contractual Services up to \$160,000.

Staff will provide a demonstration of the ALEX software at the Committee meeting.

Strategic Plan Impact Statement

The ALEX software supports Strategic Plan Goal 1: Outstanding Customer Service, by providing online Member support in making health plan decisions 24 hours per day.

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

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