



Benefits Administration Committee Agenda

REGULAR MEETING

TUESDAY, AUGUST 13, 2024

TIME: 9:15 A.M.

MEETING LOCATION:

LACERS Boardroom
977 N. Broadway
Los Angeles, California 90012

Important Message to the Public

An opportunity for the public to address the Committee in person from the Boardroom and provide comment on items of interest that are within the subject matter jurisdiction of the Committee or on any agenda item will be provided at the beginning of the meeting and before consideration of items on the agenda.

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Chair: Michael R. Wilkinson
Committee Members: Thuy Huynh
Sung Won Sohn
Manager-Secretary: Neil M. Guglielmo
Executive Assistant: Ani Ghokassian
Legal Counselor: City Attorney's Office
Public Pensions General
Counsel Division

Notice to Paid Representatives

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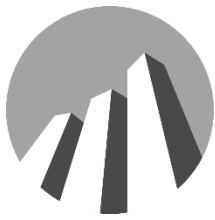
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- I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA

- II. [APPROVAL OF MINUTES FOR THE MEETING OF JULY 9, 2024 AND POSSIBLE COMMITTEE ACTION](#)
- III. [2025 HEALTH PLAN CONTRACT RENEWALS AND POSSIBLE COMMITTEE ACTION](#)
- IV. [2025 MAXIMUM SUBSIDY AND REIMBURSEMENT AMOUNTS AND POSSIBLE COMMITTEE ACTION](#)
- V. [BOARD RULES RELATED TO MEMBER AND BENEFITS ADMINISTRATION AND POSSIBLE COMMITTEE ACTION](#)
- VI. OTHER BUSINESS
- VII. NEXT MEETING: The next Benefits Administration Committee meeting is not scheduled at this time and will be announced upon scheduling. Please continue to view the LACERS website for updated information on public access to Board/Committee meetings.
- VIII. ADJOURNMENT



LACERS

LA CITY EMPLOYEES'
RETIREMENT SYSTEM



Board of Administration Agenda

SPECIAL MEETING

TUESDAY, AUGUST 13, 2024

TIME: 9:15 A.M.

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Los Angeles, California 90012

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President:	Annie Chao
Vice President:	Janna Sidley
Commissioners:	Thuy Huynh Elizabeth Lee Gaylord "Rusty" Roten Sung Won Sohn Michael R. Wilkinson
Manager-Secretary:	Neil M. Guglielmo
Executive Assistant:	Ani Ghoukassian
Legal Counsel:	City Attorney's Office Public Pensions General Counsel Division

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- VIII. ADJOURNMENT

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

July 9, 2024

9:07 a.m.

PRESENT:	Chair:	Michael R. Wilkinson
	Committee Members:	(arrived at 9:22 a.m.) Thuy Huynh Sung Won Sohn
	Executive Assistant:	Ani Ghoukassian
	Legal Counselor:	Miguel Bahamon
	Manager-Secretary:	Neil M. Guglielmo

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

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – Chair Wilkinson asked if any persons wished to speak on matters within the Committee's jurisdiction, and there were no public comment cards submitted.

II

APPROVAL OF MINUTES FOR THE MEETING OF JUNE 25, 2024 AND POSSIBLE COMMITTEE ACTION – Committee Member Sohn moved approval, adopted by the following vote: Ayes, Committee Members Sohn, and Chair Wilkinson -2; Nays, None.

III

DENTAL PLAN REQUEST FOR PROPOSAL CONTRACT AWARD RECOMMENDATIONS AND POSSIBLE COMMITTEE ACTION – Bordan Darm, Lead Consultant with Keenan Associates, James Kawashima, Senior Benefits Analyst II, Maricel Martin, Senior Benefits Analyst I, and Karen Freire, Chief Benefits Analyst, presented and discussed this item with the Committee for 10 minutes. Committee Member Sohn moved approval, adopted by the following vote: Ayes, Committee Members Sohn, and Chair Wilkinson -2; Nays, None.

Committee Member Huynh arrived at the meeting at 9:22 a.m.

IV

VISION PLAN REQUEST FOR PROPOSAL CONTRACT AWARD RECOMMENDATIONS AND POSSIBLE COMMITTEE ACTION – Bordan Darm, Lead Consultant with Keenan Associates, James Kawashima, Senior Benefits Analyst II, and Maricel Martin, Senior Benefits Analyst I, presented and discussed this item with the Committee for 10 minutes. Committee Member Sohn moved approval adopted by the following vote: Ayes, Committee Members Huynh, Sohn, and Chair Wilkinson -3; Nays, None.

V

OTHER BUSINESS – There was no other business.

VI

NEXT MEETING: The next Benefits Administration Committee meeting is not scheduled at this time and will be announced upon scheduling. Please continue to view the LACERS website for updated information on public access to Board/Committee meetings.

VII

ADJOURNMENT – There being no further business before the Committee, Chair Wilkinson adjourned the Meeting at 9:27 a.m.

Michael R. Wilkinson
Chair

Neil M. Guglielmo
Manager-Secretary



REPORT TO BENEFITS ADMINISTRATION COMMITTEE
From: Neil M. Guglielmo, General Manager

MEETING: AUGUST 13, 2024
ITEM: III

Neil M. Guglielmo

SUBJECT: 2025 HEALTH PLAN CONTRACT RENEWALS AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee forward a recommendation to the Board to:

1. Approve the 8% Anthem Blue Cross PPO premium arrangement;
2. Approve the addition of the out-of-network hearing aid benefit for the Anthem Blue Cross Medicare Preferred (PPO) plan;
3. Approve the proposed 2025 premium rates for LACERS medical, dental, and vision plans, allowing for minor premium adjustments;
4. Authorize the General Manager to negotiate and approve the final UnitedHealthcare (UHC) carrier rate changes and to utilize the 115 Trust to smooth the UHC Member rate increase; and,
5. Authorize the General Manager to make premium rate adjustments within the limitations established in the Los Angeles Administrative Code, as necessitated by updates or information received after this report.

Executive Summary

Recommendations for the health plan contract renewals have resulted in overall 2025 health plan (medical, dental, and vision) premium costs increasing by approximately \$9.9 million, or 6.38%, from \$156.0 million in 2024 to \$165.9 million.

The proposed 2025 carrier rate changes for LACERS medical, dental, and vision plans, are as follows:

- Anthem Blue Cross HMO: 8.00%
- Anthem Blue Cross PPO: 8.00%
- Anthem Blue Cross Life and Health Medicare Plan (Medicare Supplement): 6.00%
- Anthem Blue Cross Medicare Preferred (PPO) Plan with out-of-network hearing aid: 9.50%
- Kaiser Permanente HMO: 3.99%
- Kaiser Permanente Senior Advantage HMO: 5.84%
- SCAN Health Plan Medicare Advantage HMO: 0.00%
- UnitedHealthcare Medicare Advantage HMO: 50.83%

- Delta Dental HMO: 3.97%
- Delta Dental PPO: 0.00%
- Anthem Blue View Vision: 0.00%

Discussion

As part of the annual process, LACERS' Health and Welfare Consultant, Keenan & Associates (Keenan), released a Request for Renewal, requesting premium rate renewal data from LACERS' medical plan carriers: Kaiser Permanente (Kaiser), Anthem Blue Cross (Anthem), UnitedHealthcare (UHC) and Senior Care Action Network (SCAN). A Request for Proposals was released in March for the dental and vision plans. Data requested included proposed 2025 premium rates, documentation to support the proposed premium rates, performance guarantees, as well as financial commitments toward LACERS' wellness program.

2025 Medical Plan Renewal Summary

For the Kaiser, Anthem HMO, Anthem PPO, Anthem Medicare Supplement, UHC, and SCAN programs, no changes to benefits were requested for 2025. The out-of-network hearing aid benefit was requested to be added to the Anthem Medicare Preferred (PPO) plan. The 2025 preliminary medical premiums were estimated to increase by \$12.1 million or 8.5%, from \$142.2 million to \$154.3 million. After negotiations with Keenan, the 2025 medical premium cost was reduced to \$152.1 million, an increase of approximately \$9.9 million or 6.97% from the 2024 medical premium cost. A breakdown of premium cost changes by carrier is included in the attached Keenan report.

UHC Plan Renewal Increase

UHC proposed an average plan increase of 50.83%; 52.88% for California, 54.78% for Nevada, and 33.69% for Arizona. This is the highest proposed renewal increase for LACERS Medicare Advantage HMO plans. Additional analysis is being conducted by LACERS to determine the possibility of smoothing the rates using the 115 Trust funds. Due to the tight renewal timeline that impacts Open Enrollment and annual actuarial valuation, it is recommended that the General Manager be authorized to further negotiate and approve the final UHC carrier rate changes and to utilize the 115 Trust to smooth the UHC Member rate increase.

Anthem PPO Rate Increase

Anthem initially proposed a 17% increase for the PPO plan in 2025. Keenan negotiated with Anthem to provide a lower rate at either an 11% increase or an 8% increase. At the 11% increase, LACERS would not be held responsible for covering any losses on Anthem's side. However, Members will have a higher monthly premium cost and monthly deduction, depending on their eligible subsidy amount and the number of dependents covered on the plan. At the 8% increase, LACERS would be responsible for the deficit should the claims amount exceed the total premiums paid. Yet, the Members will have a lower premium increase. Additionally, any possible balance owed to Anthem will come from the Claims Stabilization Fund after the completion of the 2025 Year-End Accounting. Therefore, the 8% increase is recommended as this will have a smaller impact on Members enrolled in the Anthem PPO plan.

Hearing Aid Benefit added to Anthem Medicare Preferred (PPO) Plan

The current Anthem Medicare Preferred (PPO) plan requires Members to purchase hearing aids through Anthem's hearing aid supplier, Hearing Care Solutions. Some Members prefer to use a different vendor with their provider, resulting in several instances in which hearing aids were purchased from unauthorized vendors and Members were required to pay at full cost. The Anthem Medicare Supplement plan does not have this restriction and adding this benefit would bring parity between the two plans.

Keenan requested Anthem to provide the cost of allowing Members to order the hearing aid benefit through the Member's preferred provider. Anthem proposed a premium amount of \$5.91 per covered life per month to add the benefit to the Anthem Medicare Preferred (PPO) plan.

According to the Los Angeles Administrative Code Section 4.1106 and Board rules, the LACERS Board may make discretionary benefit changes as long as they do not increase the next year's projected annual premium cost for the entire program by more than one-half of one percent (0.5%) in total annual premium cost. At \$5.91 per covered life with about 4,900 enrolled as of June 30, 2024, the approximate annual cost to add the hearing aid benefit is \$348,000. The total proposed premium cost for 2025 is \$165.9 million. Adding this benefit will add about 0.21% to the total premium cost, thus the Board has the authority to approve the out-of-network hearing aid benefit.

2025 Dental Plan Request for Proposal Summary

On July 9, 2024, the Board approved contracting with the current dental insurance carrier, Delta Dental for the self-funded PPO and fully insured HMO plans.

The Delta Dental PPO has been self-funded by LACERS beginning on January 1, 2019. A review of the premiums and claims shows the projected dental plan costs will be greater than current premiums and the underwriting determined that the plan adjust the premium by 4.91%. It is recommended that the premium not change for 2025 and to use the reserves in the 115 Trust. By holding rates for 2025, Keenan projects that annual cost will increase by \$593,000.

The 2025 DeltaCare USA (HMO) premium costs will increase by 3.97%. Overall, the 2025 dental plan costs are estimated to increase by \$624,000, or 4.85% to \$13.5 million.

Delta Dental's wellness program contribution of \$10,000 remains at the same level as 2024.

2025 Vision Plan Request for Proposal Summary

On July 9, 2024, the Board approved contracting with the current vision insurance provider, Anthem Blue View Vision for the self-funded vision plan. The Anthem Blue View Vision has been self-funded by LACERS beginning on January 1, 2022. Based on a review of the premiums and claims, the vision plan is operating at a surplus and the underwriting determined the plan could withstand a premium reduction of 20.0%. It is recommended that the premium not change for 2025. By holding rates for 2025, Keenan projects that \$198,000 will be added to LACERS' reserves.

The 2025 vision plan cost is not estimated to increase from last year's premium cost of \$908,348 based on current enrollment figures.

Anthem Vision's wellness program contribution is combined with Anthem medical.

Wellness Funding

The carriers will continue to fund the LACERS wellness program and provide a total of \$288,500. Kaiser's funding of \$150,000, Anthem's funding of \$100,000, SCAN's funding of \$20,000, UHC's funding of \$8,500, and Delta Dental's funding of \$10,000 remains at the same level as 2024.

Conclusion

The 2025 annual health plan premium cost initially came in at \$168.1 million. Negotiations conducted by Keenan brought an overall cost decrease of \$2.2 million to \$165.9 million. Compared to 2024, the 2025 annual premium cost will increase by \$9.9 million, or 6.38%.

Current premium amounts will be maintained where plan premium costs are to decrease, and surplus premium dollars will be placed in the premium reserve of the 115 Trust to be used for future health plan management purposes.

The carriers will provide a total of \$288,500 for Wellness events and activities.

Occasionally, premiums are subject to change slightly after Board approval due to receipt of updated data. Staff recommends that the Board allow for any minor premium adjustments, within the parameters established in the Los Angeles Administrative Code, to be delegated to the General Manager for authorization.

Staff and Keenan will be present to discuss the 2025 health plan renewal process and answer the Committee's questions.

Prepared By: Vi Duong, Senior Benefits Analyst, Health, Wellness and Buyback Division

NMG/DWN/KF/vd

Attachment: Keenan Report – 2025 Health Plan Renewal Final Report



BAC Meeting: 08/13/24
Item: III
Attachment

Los Angeles City Employees' Retirement System

2025 Health Plan Renewal, Final Report

August 13, 2024

Respectfully Submitted by:

Ju Anderson, Senior Vice President | Bordan Darm, Senior Consultant
Erin Robinson, Service Consultant | James Takamatsu, Vice President and Actuary

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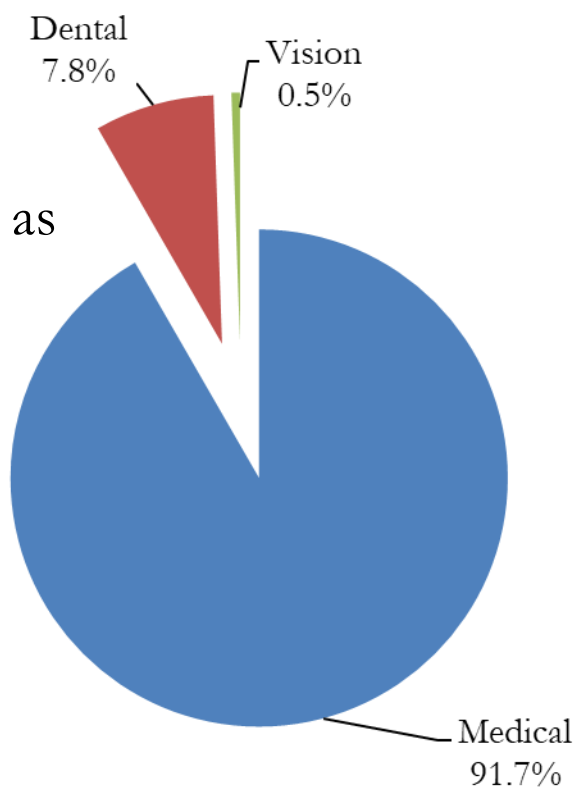
Introduction

- This report presents Los Angeles City Employees' Retirement System's (LACERS) 2025 final health plan renewals
- Anthem Blue Cross (Anthem) and Kaiser Permanente (Kaiser) provided their Pre-65 medical plan renewals.
- Changes to carrier reimbursements for Medicare have caused delays in receiving Medicare renewals. UHC's renewals were received August 5, 2024.
- The Delta Dental PPO plan has been self-funded since 2019. The PPO 2025 administration fee remains unchanged
- Anthem Blue View Vision has been self-funded since 2022
Vision administration fee decreased by 9% from \$0.67 to \$0.61
- Data provided by the carriers included plan designs, rates, and enrollment
- LACERS' Dental and Vision programs went out to RFP for 2025. Delta Dental and Blue View have retained the dental and vision program respectfully.
- Minor rounding issues throughout the report may cause summations to be slightly off.



Executive Summary

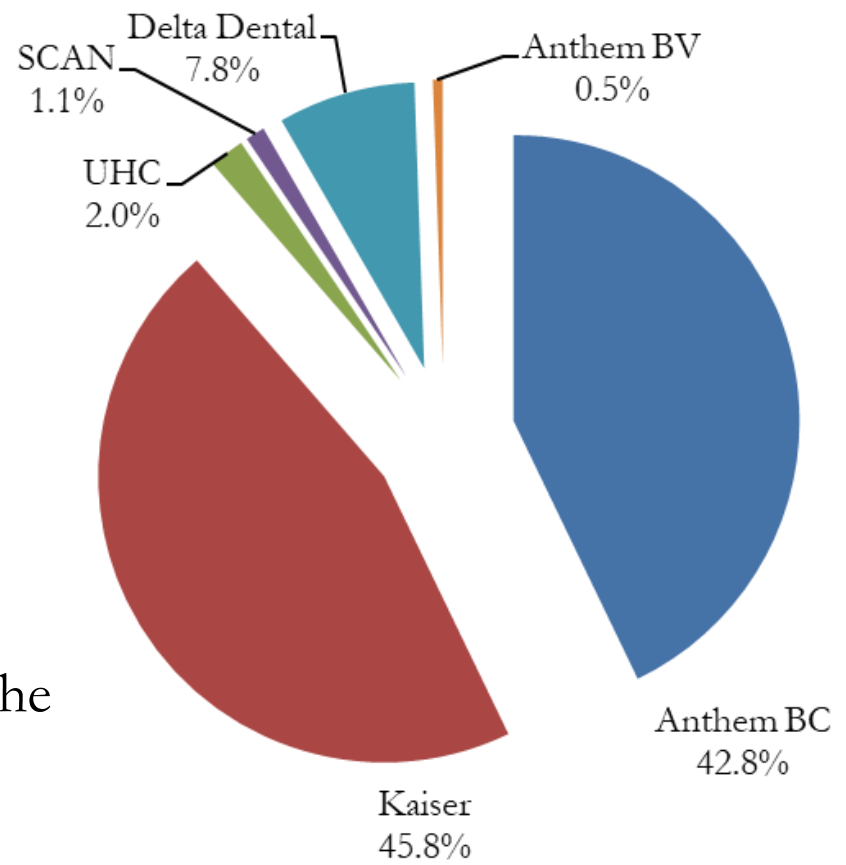
- The 2025 final renewal for the LACERS Health and Welfare Program requires an increase in cost of **\$9,948,750** or **6.38%**, from \$156,012,587 to \$165,961,337.
- The 2025 LACERS renewal premium adjustments are as follows:
 - Medical premiums: **\$9,917,400** or **6.97%**,
 - Dental premiums: **\$31,350** or **0.24%**, and
 - Vision premiums: **\$0** or **0.00%**
 - Total premium adjustment: **\$9,948,750** or **6.38%**
- Out of LACERS’ total premium: Medical represents **91.7%**, Dental **7.8%**, and Vision **0.5%**



Overall Final Renewal	Current Enrollment	2024 Premium	2025 Renewal - Final Premium	\$ Change	% Change	Negotiated Savings
Medical	15,901	\$142,242,040	\$152,159,440	\$9,917,400	6.97%	\$2,210,426
Dental	17,478	\$12,862,199	\$12,893,549	\$31,350	0.24%	\$0
Vision	7,208	\$908,348	\$908,348	\$0	0.00%	\$0
GRAND TOTAL	40,587	\$156,012,587	\$165,961,337	\$9,948,750	6.38%	\$2,210,426

Executive Summary

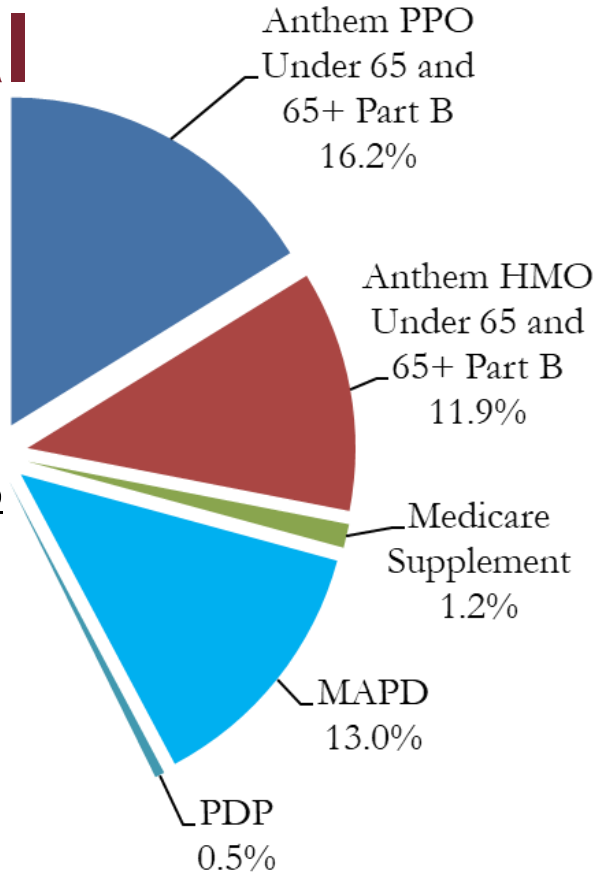
- The 2025 LACERS final renewal cost change by carrier is as follows:
 - Anthem: **\$5,511,163** or **8.40%**
 - Kaiser: **\$3,307,933** or **4.55%**
 - UHC: **\$1,098,303** or **50.83%**
 - SCAN: **\$0** or **0.0%**
 - Delta Dental: **\$31,350** or **0.24%**
 - Anthem Blue View: **\$0** or **0.0%**
- Kaiser and Anthem comprise 88.6% of the total cost



Carrier	Current Enrollment	2024 Premium	2025 Renewal - Final			Negotiated Savings
			Current Premium	\$ Change	% Change	
Anthem	6,438	\$65,602,666	\$71,113,829	\$5,511,163	8.40%	\$2,210,426
Kaiser	8,105	\$72,664,316	\$75,972,249	\$3,307,933	4.55%	\$0
UnitedHealthcare	638	\$2,160,659	\$3,258,962	\$1,098,303	50.83%	\$0
SCAN	720	\$1,814,400	\$1,814,400	\$0	0.00%	\$0
Delta Dental	17,478	\$12,862,199	\$12,893,549	\$31,350	0.24%	\$0
Anthem Blue View	7,208	\$908,348	\$908,348	\$0	0.00%	\$0
GRAND TOTAL	40,587	\$156,012,587	\$165,961,337	\$9,948,750	6.38%	\$2,210,426

Anthem Blue Cross Renewal

- Anthem Blue Cross comprises **42.8%** of LACERS' premium costs
- Anthem proposes the following rate adjustments:
 - PPO Under 65 / 65+ Part B: **\$1,997,902** or **8.00%**
 - HMO Under 65 / 65+ Part B: **\$1,465,451** or **8.00%**
 - Medicare Advantage (MAPD): **\$1,875,345** or **9.50%**
 - Medicare Supplement Coverage: **\$44,712** or **6.00%**
 - PDP (Rx Only): **\$127,753** or **7.04%**
 - An overall change of **\$5,511,163** or **8.40%**
- Other considerations: \$100,000 rate load for the wellness program



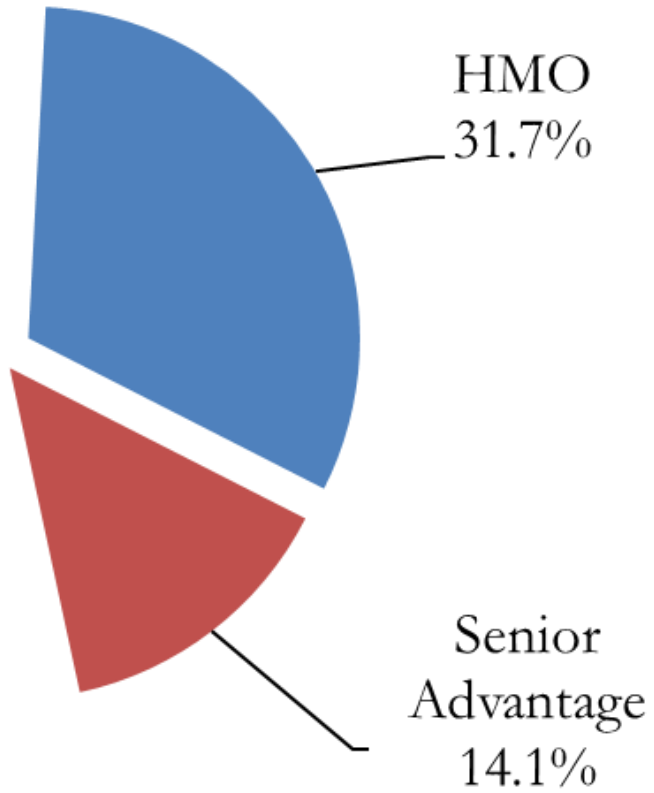
Anthem Final Renewal	Current Enrollment	2024 Premium	2025 Renewal - Final			Negotiated Savings
			Premium	\$ Change	% Change	
PPO Under 65 and 65+ Part B	1,138	\$24,973,458	\$26,971,360	\$1,997,902	8.00%	\$2,362,469
HMO Under 65 and 65+ Part B	887	\$18,318,313	\$19,783,764	\$1,465,451	8.00%	(\$152,042)
MAPD (Medical and Rx)	3,754	\$19,750,230	\$21,625,575	\$1,875,345	9.50%	\$0
PDP (Rx Only)	544	\$1,815,437	\$1,943,190	\$127,753	7.04%	\$0
Medicare Supplement	115	\$745,228	\$789,940	\$44,712	6.00%	\$0
Total	6,438	\$65,602,666	\$71,113,829	\$5,511,163	8.40%	\$2,210,426

Anthem PPO Renewal Options

- Anthem provided two PPO renewal options from the preliminary renewal of 17.5%:
 - **Option 1** - Reduce rate action to +11.0% + \$1.7M in minimum Claim Stabilization Reserve (CSR) balance for 2025 policy.
 - CSR is currently \$1,734,584 as of December 31, 2023.
 - **Option 2** - Reduce rate action to +8.0% + Retro-Refunding Option + \$1.7M in minimum CSR balance for 2025.
 - The Retro-Refunding Option means Anthem will invoice LACERS the rates correlated with an +8% increase (billed premium);
 - Upon completion of the 2025 plan year, Anthem will require in the 2025 year-end accounting, if there is a deficit on the account, Anthem reserves the right to call up to the difference between the contract premium and billed premium to cover the deficit.
 - The retro call will be collected before touching the CSR reserves.
 - Under this option LACERS may receive an invoice with the 2025 year-end accounting for the full deficit position (up to 3.0%). Amounts above the 3.0% would be taken from the CSR.
- Keenan recommends Option 2. Keenan's underwriting supports the 8.0% renewal.

Kaiser Permanente Renewal

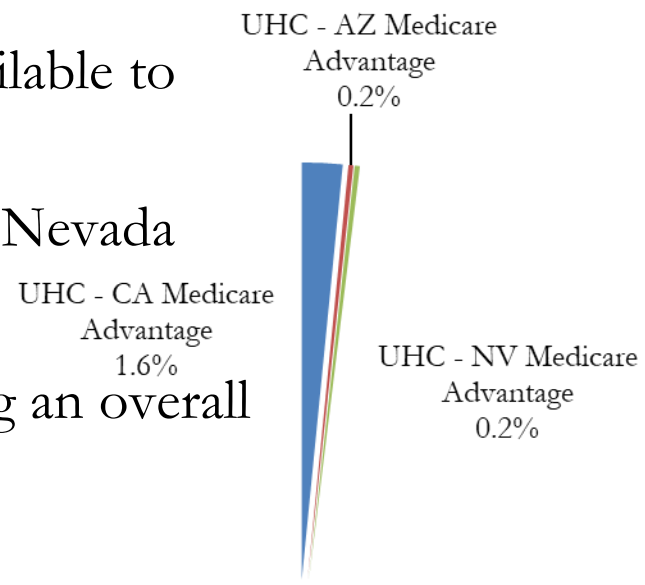
- Kaiser comprises 45.8% of LACERS' premium costs
- Kaiser requested the following rate adjustments:
 - HMO Under 65: \$2,015,529 or 3.99%
 - Senior Advantage: \$1,292,404 or 5.84%
 - For an overall increase of \$3,307,933 or 4.55%
- Other considerations:
 - \$150,000 rate load in the Pre-65 rates for the wellness program



Kaiser Final Renewal	Current Enrollment	2024 Premium	2025 Renewal - Final			Negotiated Savings
			Premium	\$ Change	% Change	
HMO Under 65	2,189	\$50,525,209	\$52,540,738	\$2,015,529	3.99%	\$0
Senior Advantage	5,916	\$22,139,107	\$23,431,511	\$1,292,404	5.84%	\$0
Total	8,105	\$72,664,316	\$75,972,249	\$3,307,933	4.55%	\$0

UnitedHealthcare Renewal

- UnitedHealthcare Medicare Advantage HMO is available to retired Members with Medicare Parts A and B
- UHC provides coverage in California, Arizona, and Nevada
- UHC comprises 2.0% of LACERS' premium costs
- Due to Medicare Part D changes, UHC is requesting an overall increase of 50.83% or \$1,098,303:
 - CA – 52.88% or \$902,957
 - NV – 54.78% or \$110,777
 - AZ – 33.69% or \$84,570 annual increase
- Other considerations: Wellness program contribution of \$8,500



UnitedHealthcare Final Renewal	Current Enrollment	2024 Premium	2025 Renewal - Final			Negotiated Savings
			Premium	\$ Change	% Change	
CA Medicare Advantage	512	\$1,707,433	\$2,610,390	\$902,957	52.88%	\$0
NV Medicare Advantage	73	\$202,234	\$313,011	\$110,777	54.78%	\$0
AZ Medicare Advantage	53	\$250,992	\$335,561	\$84,570	33.69%	\$0
Total	638	\$2,160,659	\$3,258,962	\$1,098,303	50.83%	\$0

UnitedHealthcare Renewal

UHC provided the following narrative for their renewal:

Due to CMS initiative and the Inflation Reduction Act, there are several significant changes being implemented for plan year 2025, specifically around Part D benefits.

The following are key changes that will be impacting all Prescription Drug Plans:

- CMS is implementing a \$2,000 Out-of-Pocket Maximum
- Removal of the coverage gap/donut hole (LACERS has already removed the gap)
- CMS is implementing a payment plan option for individuals with high-cost medications referred to as M3P Program
- CMS funding will shift from reinsurance to direct subsidy in 2025

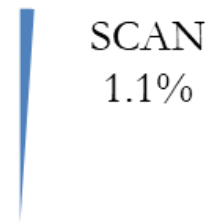
The following are key CMS funding changes impacting all Medicare Advantage plans:

- CMS made a change to the Growth Rate calculations related to indirect and direct medical education costs associated with services furnished to MA enrollees.
 - A negative reduction of 0.8% will apply to 2024, 2025 and 2026.
- The Risk Adjustment Model moved from ICD-9 to ICD-10 codes
 - CMS removed 2,000+ codes impacting CMS funding for various disease states.
 - The coding change will reduce the funding for MA plans
 - The coding change will reduce “MA Risk Score Trend”

New for 2025 - Our fitness vendor is changing back to SilverSneakers.

SCAN Renewal

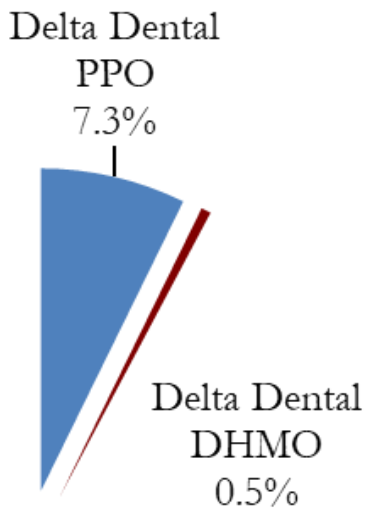
- SCAN Medicare Advantage HMO is available to retired Members with Medicare Parts A and B
- SCAN comprises 1.1% of LACERS' premium costs
- SCAN requested the following rate adjustments:
 - Medicare Advantage: \$0 or 0.00% decrease
- Other considerations: Wellness program contribution of \$20,000



SCAN Final Renewal	Current Enrollment	2024 Premium	2025 Renewal - Final			Negotiated Savings
			Premium	\$ Change	% Change	
Medicare Advantage	720	\$1,814,400	\$1,814,400	\$0	0.00%	\$0

Delta Dental Renewal

- LACERS’ Dental program went out to RFP for 2025. Delta Dental was able to retain the dental coverage.
 - PPO fee guarantee is through 2027 with 5.0% rate cap for 2028/29
 - DHMO rate guarantee is through 2027 with 5.0% rate cap for 2028/29
- Delta Dental PPO and DHMO is available to all retired Members
- Delta Dental comprises 7.8% of LACERS’ premium costs
- LACERS started self-funding the Delta Dental PPO January 1, 2019
- The self-funded PPO underwriting shows a rate adjustment of 4.91%. This includes 2.50% margin. LACERS proposes to hold rates at 0.00% and fund any increase from the 115 Trust.
- Delta Dental proposes a 3.97% rate increase for the DHMO
- Other considerations: Wellness program contribution of \$10,000



Delta Dental Final Renewal	Current Enrollment	2024 Premium	2025 Renewal - Final			Negotiated Savings
			Premium	\$ Change	% Change	
PPO	14,274	\$12,073,389	\$12,073,389	\$0	0.00%	\$0
DHMO	3,204	\$788,809	\$820,159	\$31,350	3.97%	\$0
Total	17,478	\$12,862,199	\$12,893,549	\$31,350	0.24%	\$0

Delta Dental Self-Funded Renewal

2025 will be the seventh year of self-funding the PPO dental plan

The 2025 underwriting shows that projected costs are expected to be greater than the current premium

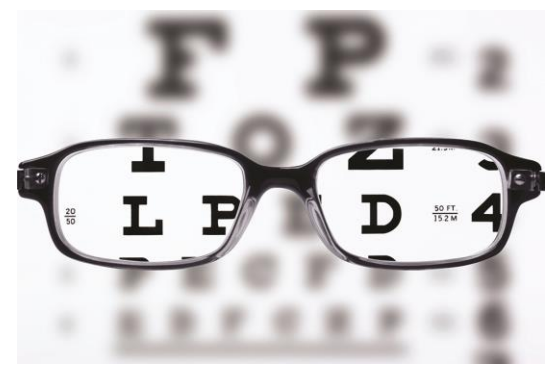
- The underwriting for 2025 shows a rate increase of:
 - 2.52% (without margin) or
 - 4.91% with 2.50% margin.
- Keenan recommends holding the rates at 0.00% and utilizing the 115 Trust to fund any required cost increase.

LACERS - Self-Funded Dental Renewal		
Effective from January 1, 2025 through December 31, 2025		
Experience Data from July 1, 2023 through June 30, 2024		
1	Paid Claims (7/1/2023 - 6/30/2024)	\$10,867,791
2	Beginning Reserve as of 5/1/2023	(645,770)
3	Ending Reserve as of 4/30/2024	645,770
4	Incurred Claims	\$10,867,791
5	Covered Employees	168,820
6	Incurred Claims/EE/Month	\$64.38
7	Trend Factor	3.0% 1.0453
8	Expected Incurred Claims (1/1/2025 - 12/31/2025)	\$67.29
9	Administration	\$5.10
10	Calculated Funding Level Without Margin	\$72.39
11	Current Average Funding Level	\$70.61
12	Calculated Funding Action Without Margin = (10)/(11)	2.52%
13	Recommended Margin = Margin % x (8)	2.5% <u>\$1.68</u>
14	Calculated Funding Level With Margin = (10)+(13)	\$74.07
15	Current Average Funding Level = (11)	\$70.61
16	Calculated Funding Action With Margin = (14)/(15)	4.91%

Anthem Blue View Vision Renewal

- LACERS' Vision program went out to RFP for 2025. Anthem Blue View Vision was able to retain the vision coverage.
 - Vision fee guarantee is through December 31, 2028.
- Anthem Blue View Vision is available to retired Members enrolled in Anthem, SCAN and UHC
- Anthem Blue View comprises 0.5% of LACERS premium costs
- Anthem Blue View moved to self-funded for 2022
- 2025 will be LACERS Anthem Blue View vision coverage's fourth year of self-funding
- Keenan recommends holding rates **\$0** or **0.0%** for 2025
- Other considerations: Wellness program contribution of \$10,000 (separate from Anthem medical)

Anthem Blue View
0.5%



Anthem Blue View Final Renewal	Current Enrollment	2024 Premium	2025 Renewal - Final			Negotiated Savings
			Premium	\$ Change	% Change	
Vision	7,208	\$908,348	\$908,348	\$0	0.0%	\$0

Anthem Blue View Self-funded Renewal

- The 2025 underwriting shows that projected costs are expected to be less than the current premium
- Anthem is proposing 9% reduction in admin fees from \$0.67 to \$0.61
- Underwriting for 2025 shows a rate decrease of:
 - -21.82% (without margin)
 - -20.01% with 2.5% margin
- Keenan recommends a rate pass for 2025 and allow the Vision plan to continue building its reserve
- By holding rates for 2025 it is projected that LACERS will add \$198,243 to reserves

LACERS - Self-Funded Vision Renewal		
Effective from January 1, 2025 through December 31, 2025		
Experience Data from July 1, 2023 through June 30, 2024		
1	Paid Claims (7/1/2023 - 6/30/2024)	\$624,030
2	Beginning Reserve as of 5/1/2023	(44,640)
3	Ending Reserve as of 4/30/2024	44,640
4	Incurred Claims	\$624,030
5	Covered Employees	85,786
6	Incurred Claims/EE/Month	\$7.27
7	Trend Factor	2.5% 1.0420
8	Expected Incurred Claims (1/1/2025 - 12/31/2025)	\$7.58
9	Administration	\$0.61
10	Calculated Funding Level Without Margin	\$8.19
11	Current Average Funding Level	\$10.48
12	Calculated Funding Action Without Margin = (10)/(11)	-21.82%
13	Recommended Margin = Margin % x (8)	2.5% <u>\$0.19</u>
14	Calculated Funding Level With Margin = (10)+(13)	\$8.38
15	Current Average Funding Level = (11)	\$10.48
16	Calculated Funding Action With Margin = (14)/(15)	-20.01%

LACERS 2025 Renewal Projection

All Coverage MEDICAL	Current Enrollment	2024 Premium	2025 Renewal - Final		
			Premium	\$ Change	% Change
Anthem					
PPO Under 65 and 65+ Part B	1,138	\$24,973,458	\$26,971,360	\$1,997,902	8.00%
HMO Under 65 and 65+ Part B	887	\$18,318,313	\$19,783,764	\$1,465,451	8.00%
MAPD (Medical and Rx)	3,754	\$19,750,230	\$21,625,575	\$1,875,345	9.50%
PDP (Rx Only)	544	\$1,815,437	\$1,943,190	\$127,753	7.04%
Medicare Supplement	115	\$745,228	\$789,940	\$44,712	6.00%
Total Anthem	6,438	\$65,602,666	\$71,113,829	\$5,511,163	8.40%
Kaiser					
HMO Under 65	2,189	\$50,525,209	\$52,540,738	\$2,015,529	3.99%
Senior Advantage	5,916	\$22,139,107	\$23,431,511	\$1,292,404	5.84%
Total Kaiser	8,105	\$72,664,316	\$75,972,249	\$3,307,933	4.55%
UnitedHealthcare					
CA Medicare Advantage	512	\$1,707,433	\$2,610,390	\$902,957	52.88%
NV Medicare Advantage	73	\$202,234	\$313,011	\$110,777	54.78%
AZ Medicare Advantage	53	\$250,992	\$335,561	\$84,570	33.69%
Total UnitedHealthcare	638	\$2,160,659	\$3,258,962	\$1,098,303	50.83%
SCAN					
Medicare Advantage	720	\$1,814,400	\$1,814,400	\$0	0.00%
Total SCAN	720	\$1,814,400	\$1,814,400	\$0	0.00%
Medical Total	15,901	\$142,242,040	\$152,159,440	\$9,917,400	6.97%
DENTAL					
Delta Dental PPO (self-funded)	14,274	\$12,073,389	\$12,073,389	\$0	0.00%
Delta Dental HMO	3,204	\$788,809	\$820,159	\$31,350	3.97%
Dental Total	17,478	\$12,862,199	\$12,893,549	\$31,350	0.24%
VISION					
Anthem Blue View (self-funded)	7,208	\$908,348	\$908,348	\$0	0.00%
Vision Total	7,208	\$908,348	\$908,348	\$0	0.00%
GRAND TOTAL		\$156,012,587	\$165,961,337	\$9,948,750	6.38%

2024 Renewal and Member Strategies

LACERS has maintained a multi-year strategy to smooth Member renewals by holding Member rates when available. This has enabled LACERS to build reserves to better serve retirees.

2024 Inforce Carrier Rate Renewals and Member Rate Strategies:

- **Anthem** – HMO, PPO, and Medicare Supplemental plan; carrier rates equaled Member rates. Medicare Advantage carrier rates reduced -14.31%. LACERS reduced the Member rate - 12.24%.
- **Kaiser** – LACERS did a buy down of 2.4% of the 14.4% Kaiser Permanente HMO carrier rate using the LACERS Health Care 115 Trust Fund to 12.0%.
- **KPSA** – Carrier rates increased 9.61% however, Member rates remained unchanged and contributed 13.3% of the Member rate to LACERS reserves.
- **UHC** – Carrier rates decreased -28.8% in CA, -33.1% in NV, and -21.52% in AZ. Member rates decreased -14.44% in CA, -16.55% in NV, and -10.76% in AZ (50% of carrier decrease) resulting in LACERS reserving 20.3% in CA, 24.7% in NV, and 13.7% in AZ of the carrier rate.
- **SCAN** – Carrier rates and Member rates decreased -16.7% resulting in LACERS reserving 3.7% of the carrier rate.
- **Delta Dental** – Carrier rates and Member rates remained unchanged
- **Anthem Blue View Vision** - Carrier rates and Member rates remained unchanged

2025 Proposed Renewal Action:

It is recommended LACERS maintain its multi-year strategy to smooth Member renewals by holding Member rates when available. This enables LACERS to build reserves to better serve retirees.

2025 Proposed Carrier Rate Renewals and Member Rates:

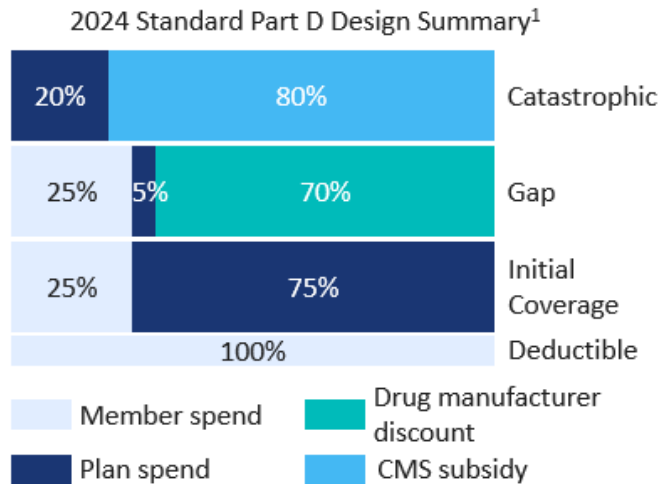
- **Anthem** – Carrier Rates: HMO and PPO +8.0% (Option 2), Medicare Supplemental plan +6.0%, Medicare Advantage plan +9.5%, and the PDP (Rx only) +7.04%. Member Rates: HMO, PPO, and Medicare Supplemental plan, carrier rates equal member rate. For the Medicare Advantage plan, Member rates would be unchanged from 2024 resulting in LACERS accumulating 9.4% of the carrier rates for reserves.
- **Kaiser** – Carrier Rates: 3.99% increase. Member rates would reflect carrier rates (an increase of 6.23% due to buy-down of the 2024 rates)
- **KPSA** – Carrier Rates: 5.84% increase. Member rates unchanged from 2024 resulting in LACERS accumulating 7.1% of the carrier rates for reserves.
- **UHC** – Carrier Rates: 50.83% increase projected for all states. Member rates would reflect carrier rates (an increase of 27.07% for CA, 24.09% for NV, and 17.58% for AZ).
- **SCAN** – Carrier rates and Member rates to remain unchanged resulting in LACERS accumulating 3.7% of the carrier rates for reserves.
- **Delta Dental** –Carrier rates and Member rates to increase: Dental PPO 4.91%, DHMO 3.97%
- **Anthem Blue View Vision** - Carrier rates and Member rates to remain unchanged

Follow-Up and Recommendations

CMS' new Part D (prescription drug coverage) structure effective January 1, 2025, will need to be monitored to ensure carrier rate adjustments adequately cover the new cost structure. See Anthem chart below for summary outline.

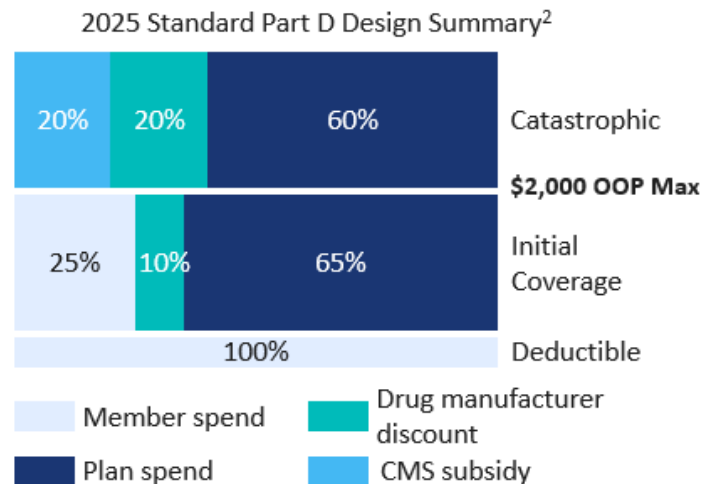
2024:

- ❖ Current subsidy structure almost entirely claims based



Future state (2025+ under IRA):

- ❖ Decrease in CMS claims subsidy to be offset in part by an increase in the diagnosis based Direct Subsidy



New structure incentivizes need for annual formulary management

¹ Summary for brand and specialty drugs; for generic drugs plan is responsible for 75% of the cost in the Gap; drug manufacturers carry no liability for generic drugs
² Summary for brand and specialty drugs; for generic drugs plan is responsible for 75% in the Initial Coverage phase and CMS is responsible for 40% in the Catastrophic phase; drug manufacturers carry no liability for generic drugs

Appendix

Anthem PPO Rates

Anthem		Carrier Rates			Member Rate			Amount Retained by LACERS	
		2024	2025	% Change	2024	2025	% Change	2024	2025
U65 and 65+ Part B PPO - Refunding									
Retiree Only									
U	Retiree < 65 or > 65 with only Part B of Medicare	\$1,584.59	\$1,711.36	8.00%	\$1,584.59	\$1,711.36	8.00%	\$0.00	\$0.00
Retiree and One Dependent									
UU	Retiree & Dependent both < 65 or both > 65 with Part B of Medicare	\$3,169.18	\$3,422.71	8.00%	\$3,169.18	\$3,422.71	8.00%	\$0.00	\$0.00
UM	Retiree < 65 & Dependent > 65 with both parts A & B of Medicare	\$1,584.59	\$1,711.36	8.00%	\$1,584.59	\$1,711.36	8.00%	\$0.00	\$0.00
MU	Retiree > 65 with both parts A & B of Medicare & Dependent < 65	\$1,584.59	\$1,711.36	8.00%	\$1,584.59	\$1,711.36	8.00%	\$0.00	\$0.00
Retiree and Family (Family = 2 or more dependents)									
UUU	Retiree & Dependents all < 65 or > 65 with Part B of Medicare	\$3,723.79	\$4,021.69	8.00%	\$3,723.79	\$4,021.69	8.00%	\$0.00	\$0.00
UMU	Retiree < 65 & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare	\$2,139.20	\$2,310.34	8.00%	\$2,139.20	\$2,310.34	8.00%	\$0.00	\$0.00
MUU	Retiree > 65 with both parts A & B of Medicare & Dependents < 65	\$2,139.20	\$2,310.34	8.00%	\$2,139.20	\$2,310.34	8.00%	\$0.00	\$0.00
MMU	Retiree & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare (One or more Children)	\$554.61	\$598.98	8.00%	\$554.61	\$598.98	8.00%	\$0.00	\$0.00

Anthem HMO Rates

Anthem		Carrier Rates			Member Rate			Amount Retained by LACERS	
HMO - Refunding (Assumes Current Plan with Traditional HMO Network)		2024	2025	% Change	2024	2025	% Change	2024	2025
Retiree Only									
U	Retiree < 65 or > 65 with only Part B of Medicare	\$1,263.89	\$1,365.00	8.00%	\$1,263.89	\$1,365.00	8.00%	\$0.00	\$0.00
Retiree and One Dependent									
UU	Retiree & Dependent both < 65 or both > 65 with Part B of Medicare	\$2,527.78	\$2,730.00	8.00%	\$2,527.78	\$2,730.00	8.00%	\$0.00	\$0.00
UM	Retiree < 65 & Dependent > 65 with both parts A & B of Medicare	\$1,263.89	\$1,365.00	8.00%	\$1,263.89	\$1,365.00	8.00%	\$0.00	\$0.00
MU	Retiree > 65 with both parts A & B of Medicare & Dependent < 65	\$1,263.89	\$1,365.00	8.00%	\$1,263.89	\$1,365.00	8.00%	\$0.00	\$0.00
Retiree and Family (Family = 2 or more dependents)									
UUU	Retiree & Dependents all < 65 or > 65 with Part B of Medicare	\$3,286.11	\$3,549.00	8.00%	\$3,286.11	\$3,549.00	8.00%	\$0.00	\$0.00
UMU	Retiree < 65 & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare	\$2,022.22	\$2,184.00	8.00%	\$2,022.22	\$2,184.00	8.00%	\$0.00	\$0.00
MUU	Retiree > 65 with both parts A & B of Medicare & Dependents < 65	\$2,022.22	\$2,184.00	8.00%	\$2,022.22	\$2,184.00	8.00%	\$0.00	\$0.00
MMU	Retiree & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare (One or more Children)	\$758.33	\$819.00	8.00%	\$758.33	\$819.00	8.00%	\$0.00	\$0.00

Anthem Medicare Supplement

Anthem Medicare Supplement Plan - Refunding		Carrier Rates			Member Rate			Amount Retained by LACERS	
		2024	2025	% Change	2024	2025	% Change	2024	2025
Retiree Only									
M	Retiree > 65 with both Parts A & B of Medicare	\$540.02	\$572.42	6.00%	\$540.02	\$572.42	6.00%	\$0.00	\$0.00
Retiree and One Dependent									
UM	Retiree < 65 & Dependent > 65 with both Parts A & B of Medicare	\$540.02	\$572.42	6.00%	\$540.02	\$572.42	6.00%	\$0.00	\$0.00
MU	Retiree > 65 with both Parts A & B of Medicare & Dependent < 65	\$540.02	\$572.42	6.00%	\$540.02	\$572.42	6.00%	\$0.00	\$0.00
MM	Retiree & Dependent both > 65 with both Parts A & B of Medicare	\$1,080.04	\$1,144.84	6.00%	\$1,080.04	\$1,144.84	6.00%	\$0.00	\$0.00
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	\$540.02	\$572.42	6.00%	\$540.02	\$572.42	6.00%	\$0.00	\$0.00
MUU	Retiree > 65 with both parts A & B of Medicare & Dependents < 65	\$540.02	\$572.42	6.00%	\$540.02	\$572.42	6.00%	\$0.00	\$0.00
MMU	Retiree & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare	\$1,080.04	\$1,144.84	6.00%	\$1,080.04	\$1,144.84	6.00%	\$0.00	\$0.00
MMM	Retiree & Two Dependent both > 65 with both Parts A & B of Medicare	\$1,620.06	\$1,717.26	6.00%	\$1,620.06	\$1,717.26	6.00%	\$0.00	\$0.00

Anthem Medicare Advantage

Anthem Medicare Advantage Plan		Carrier Rates			Member Rate			Amount Retained by LACERS	
		2024	2025	% Change	2024	2025	% Change	2024	2025
Retiree Only									
M	Retiree > 65 with both Parts A & B of Medicare	\$355.86	\$389.65	9.50%	\$426.12	\$426.12	0.00%	\$70.26	\$36.47
Retiree and One Dependent									
UM	Retiree < 65 & Dependent > 65 with both Parts A & B of Medicare	\$355.86	\$389.65	9.50%	\$426.12	\$426.12	0.00%	\$70.26	\$36.47
MU	Retiree > 65 with both Parts A & B of Medicare & Dependent < 65	\$355.86	\$389.65	9.50%	\$426.12	\$426.12	0.00%	\$70.26	\$36.47
MM	Retiree & Dependent both > 65 with both Parts A & B of Medicare	\$711.72	\$779.30	9.50%	\$852.24	\$852.24	0.00%	\$140.52	\$72.94
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	\$355.86	\$389.65	9.50%	\$426.12	\$426.12	0.00%	\$70.26	\$36.47
MUU	Retiree > 65 with both parts A & B of Medicare & Dependents < 65	\$355.86	\$389.65	9.50%	\$426.12	\$426.12	0.00%	\$70.26	\$36.47
MMU	Retiree & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare	\$711.72	\$779.30	9.50%	\$852.24	\$852.24	0.00%	\$140.52	\$72.94
MMM	Retiree & Two Dependent both > 65 with both Parts A & B of Medicare	\$1,067.58	\$1,168.95	9.50%	\$1,278.36	\$1,278.36	0.00%	\$210.78	\$109.41

KAISER Rates

Kaiser		Carrier Rates			Member Rates			Amount Retained by LACERS	
HMO		2024	2025	% Change	2024	2025	% Change	2024	2025
Retiree Only									
U	Retiree < 65 or > 65 with only Part B of Medicare	\$1,074.42	\$1,117.28	3.99%	\$1,051.78	\$1,117.28	6.23%	-\$22.64	\$0.00
M	Retiree with Medicare	\$231.60	\$245.12	5.84%	\$262.47	\$262.47	0.00%	\$30.87	\$17.35
Retiree and One Dependent									
UU	Retiree & Dependent both < 65	\$2,148.84	\$2,234.56	3.99%	\$2,103.56	\$2,234.56	6.23%	-\$45.28	\$0.00
UM	Retiree < 65 & Dependent with both Parts A&B of Medicare	\$1,306.02	\$1,362.40	4.32%	\$1,288.44	\$1,362.40	5.74%	-\$17.58	\$0.00
MU	Retiree > 65 with both Parts A&B of Medicare & Dependent < 65	\$1,306.02	\$1,362.40	4.32%	\$1,288.44	\$1,362.40	5.74%	-\$17.58	\$0.00
MM	Retiree & Dependent > 65 with both Parts A&B of Medicare	\$463.20	\$490.24	5.84%	\$524.94	\$524.94	0.00%	\$61.74	\$34.70
Retiree and Family (Family = 2 or more dependents)									
UUU	Retiree & Dependents all < 65	\$2,793.48	\$2,904.92	3.99%	\$2,734.63	\$2,904.92	6.23%	-\$58.85	\$0.00
UMU	Retiree < 65 & One Dependent > 65 with both Parts A&B of Medicare, & Dependents without Medicare	\$1,950.66	\$2,032.76	4.21%	\$1,919.50	\$2,032.76	5.90%	-\$31.16	\$0.00
MUU	Retiree > 65 with both Parts A&B of Medicare & Dependents without Medicare	\$1,950.66	\$2,032.76	4.21%	\$1,919.50	\$2,032.76	5.90%	-\$31.16	\$0.00
MMU	Retiree & One Dependent > 65 with both Parts A&B of Medicare & at least One Dependent without Medicare	\$1,107.84	\$1,160.60	4.76%	\$1,107.84	\$1,160.60	4.76%	\$0.00	\$0.00
MMM	Retiree & Two Dependents > 65 with both Parts A&B of Medicare	\$694.80	\$735.36	5.84%	\$786.81	\$786.81	0.00%	\$92.01	\$51.45

UHC Rates

UHC		Carrier Rates			Member Rates			Amount Retained by LACERS	
		2024	2025	% Change	2024	2025	% Change	2024	2025
HMO MAPD with RX									
California									
M	Retiree with Medicare	\$198.17	\$302.97	52.88%	\$238.42	\$302.97	27.07%	\$40.25	\$0.00
MM	Retiree & Dependent > 65 with both Parts A&B of Medicare	\$396.34	\$605.94	52.88%	\$476.83	\$605.94	27.08%	\$80.49	\$0.00
MMM	Retiree & Two Dependents > 65 with both Parts A&B of Medicare	\$594.51	\$908.91	52.88%	\$715.25	\$908.91	27.08%	\$120.74	\$0.00
Nevada									
M	Retiree with Medicare	\$166.86	\$258.26	54.78%	\$208.13	\$258.26	24.09%	\$41.27	\$0.00
MM	Retiree & Dependent > 65 with both Parts A&B of Medicare	\$333.72	\$516.52	54.78%	\$416.26	\$516.52	24.09%	\$82.54	\$0.00
MMM	Retiree & Two Dependents > 65 with both Parts A&B of Medicare	\$500.58	\$774.78	54.78%	\$624.39	\$774.78	24.09%	\$123.81	\$0.00
Arizona									
M	Retiree with Medicare	\$275.21	\$367.94	33.69%	\$312.94	\$367.94	17.58%	\$37.73	\$0.00
MM	Retiree & Dependent > 65 with both Parts A&B of Medicare	\$550.42	\$735.88	33.69%	\$625.87	\$735.88	17.58%	\$75.45	\$0.00
MMM	Retiree & Two Dependents > 65 with both Parts A&B of Medicare	\$825.63	\$1,103.82	33.69%	\$938.91	\$1,103.82	17.56%	\$113.28	\$0.00

SCAN Rates

SCAN		Carrier Rates			Member Rates			Amount Retained by LACERS	
HMO		2024	2025	% Change	2024	2025	% Change	2024	2025
M	Retiree with Medicare	\$210.00	\$210.00	0.00%	\$217.79	\$217.79	0.00%	\$7.79	\$7.79
MM	Retiree & Dependent > 65 with both Parts A&B of Medicare	\$420.00	\$420.00	0.00%	\$435.58	\$435.58	0.00%	\$15.58	\$15.58
MMM	Retiree & Two Dependents > 65 with both Parts A&B of Medicare	\$630.00	\$630.00	0.00%	\$653.37	\$653.37	0.00%	\$23.37	\$23.37

Delta Dental Rates

Delta Dental		Carrier Rates			Member Rates			Amount Retained by LACERS	
		2024	2025	% Change	2024	2025	% Change	2024	2025
Dental Self-funded PPO									
	Dental ASO Fee PRPM	\$5.10	\$5.10	0.00%					
M	Retiree	\$51.16	\$51.16	0.00%	\$51.16	\$51.16	0.00%	\$0.00	\$0.00
MM	Retiree & Dependent	\$101.45	\$101.45	0.00%	\$101.45	\$101.45	0.00%	\$0.00	\$0.00
MMM	Retiree & Two Dependents	\$146.56	\$146.56	0.00%	\$146.56	\$146.56	0.00%	\$0.00	\$0.00
DHMO									
M	Retiree	\$15.10	\$15.70	3.97%	\$15.10	\$15.70	3.97%	\$0.00	\$0.00
MM	Retiree & Dependent	\$28.19	\$29.31	3.97%	\$28.19	\$29.31	3.97%	\$0.00	\$0.00
MMM	Retiree & Two Dependents	\$32.59	\$33.89	3.99%	\$32.59	\$33.89	3.99%	\$0.00	\$0.00

Anthem Blue View Vision Rates

Anthem Blue View Vision		Carrier Rates			Member Rates			Amount Retained by LACERS	
Vision		2024	2025	% Change	2024	2025	% Change	2024	2025
Vision Self-funded		Self-Funded Fee & Equivalent Rates							
	Vision ASO Fee PRPM	\$0.67	\$0.61	-8.96%					
M	Retiree	\$9.14	\$9.14	0.00%	\$9.14	\$9.14	0.00%	\$0.00	\$0.00
MM	Retiree & Dependent	\$13.25	\$13.25	0.00%	\$13.25	\$13.25	0.00%	\$0.00	\$0.00
MMM	Retiree & Two Dependents	\$23.67	\$23.67	0.00%	\$23.67	\$23.67	0.00%	\$0.00	\$0.00

Delta Dental – PPO Plan Experience

Date	Number of Claims	Paid Amount	Administration	Total Expenses	Total Primary Enrollees	Premium	Surplus / Deficit	Total Cost Loss Ratio
Jul-22	3,333	\$702,167	\$71,283	\$773,449	13,971	\$990,661	\$217,211	78.1%
Aug-22	3,657	\$761,069	\$71,318	\$832,387	13,991	\$992,121	\$159,734	83.9%
Sep-22	4,565	\$930,776	\$71,415	\$1,002,191	13,993	\$991,450	-\$10,741	101.1%
Oct-22	3,822	\$742,825	\$71,349	\$814,174	13,990	\$991,031	\$176,857	82.2%
Nov-22	3,733	\$768,306	\$71,369	\$839,675	13,989	\$990,347	\$150,671	84.8%
Dec-22	4,327	\$876,130	\$71,262	\$947,392	13,972	\$988,004	\$40,612	95.9%
Jan-23	3,323	\$745,582	\$72,185	\$817,767	14,161	\$1,004,385	\$186,618	81.4%
Feb-23	4,410	\$969,407	\$72,221	\$1,041,628	14,164	\$1,004,573	-\$37,055	103.7%
Mar-23	5,108	\$1,171,507	\$72,359	\$1,243,866	14,171	\$1,004,600	-\$239,266	123.8%
Apr-23	3,963	\$888,418	\$72,104	\$960,522	14,150	\$1,003,038	\$42,516	95.8%
May-23	3,934	\$824,968	\$72,114	\$897,082	14,138	\$1,001,450	\$104,368	89.6%
Jun-23	4,836	\$1,047,390	\$72,058	\$1,119,447	14,130	\$1,000,392	-\$119,055	111.9%
Jul-23	3,400	\$737,598	\$72,027	\$809,626	14,130	\$999,658	\$190,033	81.0%
Aug-23	4,998	\$1,014,120	\$72,206	\$1,086,326	14,167	\$1,001,988	-\$84,338	108.4%
Sep-23	3,662	\$750,572	\$72,384	\$822,956	14,185	\$1,002,477	\$179,521	82.1%
Oct-23	4,016	\$792,776	\$72,420	\$865,196	14,191	\$1,002,106	\$136,910	86.3%
Nov-23	4,692	\$923,962	\$72,379	\$996,341	14,187	\$1,001,218	\$4,877	99.5%
Dec-23	3,945	\$776,058	\$72,216	\$848,274	14,165	\$998,922	\$150,648	84.9%
Jan-24	3,686	\$828,459	\$72,833	\$901,292	14,289	\$1,009,299	\$108,007	89.3%
Feb-24	4,980	\$1,179,720	\$73,001	\$1,252,721	14,315	\$1,011,077	-\$241,645	123.9%
Mar-24	4,375	\$954,169	\$73,022	\$1,027,191	14,315	\$1,010,539	-\$16,652	101.6%
Apr-24	4,125	\$938,520	\$73,103	\$1,011,624	14,330	\$1,011,367	-\$256	100.0%
May-24	5,060	\$1,081,869	\$73,098	\$1,154,968	14,311	\$1,009,179	-\$145,788	114.4%
Jun-24	4,060	\$889,967	\$0	\$889,967	14,274	\$1,006,116	\$116,149	88.5%

Anthem Blue View Vision – Plan Experience

Date	Paid Amount	Administration	Total Expenses	Susbscribers	Premium	Surplus / Deficit	Total Cost Loss Ratio
Jul-22	\$47,310	\$4,668	\$51,977	6,967	\$72,967	\$20,990	71.2%
Aug-22	\$53,478	\$4,691	\$58,168	7,001	\$73,348	\$15,180	79.3%
Sep-22	\$57,541	\$4,695	\$62,236	7,007	\$73,405	\$11,169	84.8%
Oct-22	\$59,364	\$4,687	\$64,051	6,996	\$73,265	\$9,214	87.4%
Nov-22	\$49,823	\$4,699	\$54,522	7,013	\$73,417	\$18,895	74.3%
Dec-22	\$46,335	\$4,697	\$51,032	7,011	\$73,360	\$22,328	69.6%
Jan-23	\$53,789	\$4,735	\$58,524	7,067	\$74,107	\$15,583	79.0%
Feb-23	\$31,881	\$4,742	\$36,623	7,077	\$74,204	\$37,582	49.4%
Mar-23	\$53,549	\$4,745	\$58,294	7,082	\$74,275	\$15,982	78.5%
Apr-23	\$49,327	\$4,748	\$54,075	7,086	\$74,314	\$20,239	72.8%
May-23	\$58,415	\$4,758	\$63,172	7,101	\$74,441	\$11,269	84.9%
Jun-23	\$44,405	\$4,757	\$49,162	7,100	\$74,425	\$25,264	66.1%
Jul-23	\$59,734	\$4,760	\$64,494	7,105	\$74,442	\$9,948	86.6%
Aug-23	\$47,432	\$4,770	\$52,202	7,119	\$74,640	\$22,439	69.9%
Sep-23	\$49,850	\$4,779	\$54,629	7,133	\$74,773	\$20,143	73.1%
Oct-23	\$63,623	\$4,780	\$68,403	7,134	\$74,748	\$6,344	91.5%
Nov-23	\$38,218	\$4,776	\$42,995	7,129	\$74,624	\$31,630	57.6%
Dec-23	\$62,947	\$4,774	\$67,721	7,126	\$74,521	\$6,800	90.9%
Jan-24	\$65,018	\$4,815	\$69,833	7,187	\$75,250	\$5,417	92.8%
Feb-24	\$36,906	\$4,826	\$41,732	7,203	\$75,463	\$33,731	55.3%
Mar-24	\$42,442	\$4,838	\$47,280	7,221	\$75,617	\$28,337	62.5%
Apr-24	\$57,718	\$4,843	\$62,560	7,228	\$75,683	\$13,123	82.7%
May-24	\$50,864	\$4,844	\$55,708	7,230	\$75,770	\$20,062	73.5%
Jun-24	\$49,278	\$4,862	\$54,140	7,256	\$76,043	\$21,903	71.2%

Acknowledgement

Keenan & Associates would like to thank Ms. Karen Freire 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

MEETING: AUGUST 13, 2024
ITEM: IV

Neil M. Guglielmo

SUBJECT: 2025 MAXIMUM SUBSIDY AND REIMBURSEMENT AMOUNTS AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee forward a recommendation to the Board to approve the following:

1. A maximum medical plan premium subsidy of \$2,318.58 per month, for Tier 1 Discretionary and Vested Retired Members under Age 65 or enrolled in Medicare Part B only;
2. A maximum reimbursement of \$2,318.58 per month, for Tier 1 Discretionary and Vested Retired members under Age 65 or with Medicare Part B only, enrolled in the Medical Premium Reimbursement Program;
3. A maximum reimbursement of \$581.56 per month, for Tier 1 Discretionary and Vested, and Tier 3 Retired Members, with Medicare Parts A and B, enrolled in the Medical Premium Reimbursement Program;
4. A maximum dental subsidy of \$42.93 for Tier 1 and Tier 3 Retired Members; and
5. Authorize the General Manager to make subsidy and reimbursement adjustments within the limitations established in the Los Angeles Administrative Code, as necessitated by updates or information received after this report.

Executive Summary

LACERS provides a variety of health benefits to Retired Members in the form of subsidies and reimbursements. The Los Angeles Administrative Code (LAAC) Section 4.1101 authorizes the Board to administer the health and welfare programs for LACERS Retired Members. On an annual basis, the Board sets the maximum retiree health subsidies and the Medical Premium Reimbursement Program (MPRP) reimbursement amounts, while five other subsidies are established by ordinance based on the respective LAAC provisions as shown on the following chart.

Benefit Type	Tier 1 Retired Before July 1, 2011 “Discretionary”	Tier 1 Retired After July 1, 2011, “Vested”	Tier 1 Retired After July 1, 2011, “Capped”	Tier 3
Retiree Medical Subsidy, Under 65 or Medicare Part B Only - LAAC 4.1111(b), 4.1111(c), 4.1126(b)	Board Resolution	Board Resolution	Ordinance	Ordinance
Retiree Medical Subsidy, Medicare Parts A and B – LAAC 4.1111(e), 4.1126(d)	Ordinance	Ordinance	Ordinance	Ordinance
Retiree MPRP Reimbursement, Under 65 or Medicare Part B Only – LAAC 4.1112(b), 4.1127(b)	Board Resolution	Board Resolution	Ordinance	Ordinance
Retiree MPRP Reimbursement, Medicare Parts A and B – LAAC 4.1112(d), 4.1127(d)	Board Resolution	Board Resolution	Ordinance	Board Resolution
Retiree Dental Subsidy – LAAC 4.1114(a), 4.1129(a)	Board Resolution	Board Resolution	Board Resolution	Board Resolution
Survivor Medical Subsidy, Under 65 or Medicare Part B Only – LAAC 4.1115(b)(3), 4.1115(e), 4.1129.1(b)(3)	Ordinance	Ordinance	Ordinance	Ordinance
Survivor Medical Subsidy, Medicare Parts A and B – LAAC 4.1115(c), 4.1129.1(c)	Ordinance	Ordinance	Ordinance	Ordinance
Survivor MPRP Reimbursement, Under 65 or Medicare Part B Only – LAAC 4.1112(g), 4.1127(g)	Ordinance	Ordinance	Ordinance	Ordinance
Survivor MPRP Reimbursement, Medicare Parts A and B – LAAC 4.1112(g), 4.1127(g)	Ordinance	Ordinance	Ordinance	Ordinance

The 2025 recommended maximum retiree health subsidies and MPRP meet the LAAC requirements and are detailed in the discussion below.

Discussion

Retiree Medical Subsidy, Under 65 or Medicare Part B Only (LAAC 4.1111(b), 4.1111(c), 4.1126(b))

- Tier 1 Vested Retired Members Under Age 65 or enrolled in Medicare Part B Only

LAAC Authority: The increases in the maximum plan subsidy to Vested Members shall be provided at an amount not less than the increase in the Kaiser two-party non-Medicare Part A and Part B premium.

Limitations:

- 1) The 2025 Kaiser non-Medicare two-party plan premium increases by \$131.00 or 6.23% (\$85.72 or 3.99% 2025 rate increase + \$45.28 or 2.4% 2024 rate buydown adjustment), from \$2,103.56 to \$2,234.56.

Recommended Subsidy: The maximum subsidy be increased from \$2,187.58 to \$2,318.58 (\$2,187.58 + \$131.00 or 6.00%).

- Tier 1 Discretionary Retired Members Under Age 65 or enrolled in Medicare Part B Only

LAAC Authority: The Board has the option to apply the Vested Retired Members subsidy increase to Discretionary Retired Members (LAAC Section 4.1111(b)) so long as any increase does not exceed the dollar increase in the Kaiser non-Medicare two-party plan premium and the three-year average percentage increase does not exceed the average assumed actuarial medical trend rates for the same period.

Limitations:

- 1) The 2025 Kaiser non-Medicare two-party plan premium increases by \$131.00 or 6.23% (\$85.72 or 3.99% 2025 rate increase + \$45.28 or 2.4% 2024 rate buydown adjustment), from \$2,103.56 to \$2,234.56.
- 2) The three-year 2025 Actuarial Assumed Trend Rate (AATR) assumption is 7.33% and the maximum increase for 2025 is 6.4%. With the 6.0% subsidy increase, the three-year average is below the actuarial medical trend rate limit.

Recommended Subsidy: Same as Vested Retired Members above. The maximum subsidy be increased from \$2,187.58 to \$2,318.58 (\$2,187.58 + \$131.00 or 6.00%).

Medical Premium Reimbursement Program (MPRP) Reimbursements

The MPRP is available to Retired Members and Survivors who live outside of California or within California but outside of a LACERS HMO zip code service area. In order to participate, Members enroll in an individual plan and submit proof of premium payment to LACERS. LACERS reimburses premium costs up to the Member's subsidy amount on a quarterly basis. The recommended maximum MPRP Reimbursement amounts are as follows:

- *Tier 1 Discretionary and Vested Retired Members Under Age 65 or Enrolled in Medicare Part B Only (LAAC 4.1112(b), 4.1127(b))*

LAAC Authority: The maximum MPRP reimbursement amounts are set similar to the medical subsidies, pursuant to LAAC Section 4.1112 and 4.1127.

Recommended Subsidy: It is recommended that the same maximum be applied toward MPRP reimbursements at \$2,318.58. This will provide Members who are unable to access a LACERS HMO the same amount of subsidy dollars to apply toward non-LACERS medical coverage.

- *Tier 1 Discretionary and Vested Retired Members, and Tier 3 Members, Enrolled in Medicare Parts A and B*

LAAC Authority: Increase to the maximum reimbursement amount may not exceed the one-party premium of LACERS' highest-cost Medicare plan.

Recommended Subsidy: In 2025, the monthly premium for LACERS' highest-cost single-party Medicare Parts A and B medical plan, the Anthem Blue Cross Life and Health Medicare Plan (Medicare Supplement), will be \$581.56. Staff recommends the maximum reimbursement for MPRP participants enrolled in Medicare Parts A and B be set at \$581.56.

Overall Member Impact

The chart below shows the average medical subsidy paid by LACERS and monthly allowance premium deduction amounts paid by Tier 1 Members in 2024 as compared to the 2025 recommendations. There are currently no Tier 3 Retired Members who are receiving a medical subsidy.

Tier 1 Member Status	Tier 1 2025 Estimated Population	Tier 1 2024 Subsidy \$2,187.58		Tier 1 2025 Subsidy \$2,318.58	
		Avg. Monthly Subsidy	Avg. Monthly Deduction	Avg. Monthly Subsidy	Avg. Monthly Deduction
Non-Medicare Retiree	5,103	\$1,399.48	\$81.88	\$1,468.33	\$109.88
Non-Medicare Survivor	220	\$847.65	\$180.81	\$911.32	\$181.21
Medicare Retiree	10,240	\$453.95	\$37.42	\$498.49	\$40.87
Medicare Survivor	1,600	\$305.46	\$12.06	\$329.55	\$11.93
All Covered Members	17,163	\$726.59	\$50.13	\$761.70	\$59.39

Dental Plan Premium Subsidy (LAAC Section 4.1114 and 4.1129)

The recommended maximum dental plan premium subsidy amount is as follows:

LAAC Authority: The Retired Member maximum dental plan premium subsidy cannot exceed the maximum dental plan premium subsidy for Active Members.

Recommended Subsidy: The maximum dental plan subsidy for Active Members of LACERS for plan year 2024 is estimated to remain at \$42.93 per month. It is recommended that the maximum dental subsidy for Tier 1 and Tier 3 Retired Members be set at \$42.93. The maximum subsidy for Active

Members, has not been approved by the City. Therefore, the delegated authority to the General Manager is necessary, in case an adjustment is made in the future.

Conclusion

Staff recommends the Committee forward to the Board the proposed maximum subsidies and reimbursement amounts for 2025 as authorized by the Los Angeles Administrative Code.

Occasionally, premiums and therefore subsidies are subject to change slightly after Board approval due to receipt of updated data. Staff recommends that the Board allow for any minor subsidy and reimbursement adjustments within the parameters established in the Los Angeles Administrative Code, to be delegated to the General Manager for authorization.

Prepared By: Vi Duong, Senior Benefits Analyst I, Health, Wellness and Buyback Division

NMG/DWN/KF/vd

Attachments:

1. Maximum Subsidy and Reimbursement Amounts Established by Ordinance
2. LACERS Medical Plan Premium Subsidy for Tier 1 Discretionary Retired Members
3. LACERS Historical Medical Subsidy Costs

Maximum Subsidy and Reimbursement Amounts Established by Ordinance

The Los Angeles Administrative Code (LAAC) Division 4, Chapter 11, provides the Board the authority to set the maximum retiree health subsidies and the Medical Premium Reimbursement Program (MPRP) reimbursement amounts. Other subsidies and reimbursements do not require Board action as they are established by ordinance and codified in the LAAC:

- *Maximum Medical Plan Premium Subsidies and MPRP Reimbursement Amounts for Tier 1 Capped Retired Members and their Survivors*

All medical benefit amounts for these Members and their Survivors are capped at 2011 amounts. The medical subsidy that may be used toward premium costs of covering a dependent is also capped.

- *Maximum Medical Plan Premium Subsidies for Tier 1 Discretionary and Vested, and Tier 3 Retired Members, Enrolled in Medicare Parts A and B*

The maximum subsidy is based on the single-party premium of the LACERS plan in which the Retired Member is enrolled.

- *Maximum Medical Plan Premium Subsidy and MPRP Reimbursement Amount for Tier 3 Retired Members Under Age 65 or Enrolled in Medicare Part B Only*

The maximum subsidy and reimbursement amount is based on the Kaiser two-party non-Medicare plan premium.

- *Survivor Medical Plan Premium Subsidies and MPRP Reimbursement Amounts for Tier 1 and Tier 3 Retired Members*

A Survivor's subsidy amount is based on the Retired Member's years of Service Credit.

- *Survivors Under Age 65 or Enrolled in Medicare Part B Only* – The maximum Survivor subsidy is equal to the single-party premium of the lowest-cost non-Medicare plan. The lowest-cost LACERS non-Medicare plan is the Kaiser Permanente HMO.
- *Survivors Enrolled in Medicare Parts A and B* – The maximum subsidy is set to the single-party premium of the LACERS plan in which the Survivor is enrolled.

LACERS MEDICAL PLAN PREMIUM SUBSIDY FOR TIER 1 DISCRETIONARY RETIRED MEMBERS

The LACERS Board has the authority as established by the Los Angeles Administrative Code (LAAC) Section 4.1112(b) to increase the maximum medical plan premium subsidy by the amount of the increase in the Kaiser Permanente HMO (non-Medicare) two-party premium. If the three-year average increase in the subsidy is greater than the three-year average assumed actuarial medical trend rate for the same period, the increase must be approved by City Council. City Council may set the increase at any other amount.

For 2025, the Kaiser Permanente HMO (non-Medicare) two-party premium will increase by \$85.72 or 3.99% in addition to the \$45.28 from the 2.4% buydown in plan year 2024 for a total increase of \$131.00. The 2025 maximum medical plan premium subsidy increase to \$2,318.58 (\$2,187.58 + \$131.00) does not exceed the LAAC limitation as the three-year average increase of 7.2% is lower than the three-year average assumed actuarial medical trend rate of 7.33%. The table below shows by how much the Board may increase the 2025 maximum subsidy before hitting the cap imposed by the three-year average assumed actuarial medical trend rate.

	<u>Assumed Actuarial Trend Rate*</u>	<u>% Increase</u>	<u>Max. Medical Subsidy Amt. (Cap)</u>
2025	7.25%	6.4%	\$2,327.58**
2024	7.25%	11.5%	\$2,187.58
2023	7.50%	4.1%	\$1,962.20
3-yr Average	7.33%	7.33%	

*The assumed actuarial medical trend rates for coming years may be adjusted during each valuation and may alter the information contained in these tables.

**For the 2025 plan year, the LACERS Board could approve a subsidy increase of up to 6.4% without requiring City Council approval.

LACERS HISTORICAL TIER 1 MEDICAL SUBSIDY COSTS

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Maximum Monthly Medical Subsidy	\$508.00	\$702.00	\$702.00	\$751.00	\$872.00	\$883.00	\$883.00	\$928.00	\$983.00	\$1,022.00	\$1,120.00	\$1,123.00
Dollar Increase - Maximum Subsidy		\$194.00	\$0.00	\$49.00	\$121.00	\$11.00	\$0.00	\$45.00	\$55.00	\$39.00	\$98.00	\$3.00
% Increase - Maximum Subsidy		38.2%	0.0%	7.0%	16.1%	1.3%	0.0%	5.1%	5.9%	4.0%	9.6%	0.3%
Kaiser 2-Party	\$409.84	\$604.44	\$631.56	\$679.68	\$800.08	\$813.87	\$870.56	\$915.14	\$982.74	\$1,021.54	\$1,119.58	\$1,122.74
Dollar Increase - Kaiser 2-Party		\$194.60	\$27.12	\$48.12	\$120.40	\$13.79	\$56.69	\$44.58	\$67.60	\$38.80	\$98.04	\$3.16
% Increase - Kaiser 2 Party		47.5%	4.5%	7.6%	17.7%	1.7%	7.0%	5.1%	7.4%	3.9%	9.6%	0.3%
Aggregate Medical Premium Increase				17.0%	16.1%	18.2%	-5.2%	-5.2%	12.5%	5.7%	7.1%	4.5%
% Premium Cost Subsidized	88.9%	91.0%	88.4%	90.8%	93.9%	92.0%	92.4%	92.4%	91.1%	91.6%	92.5%	91.8%

BAC Meeting: 08/13/24
Item IV
Attachment 3

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Maximum Monthly Medical Subsidy	\$1,190.00	\$1,190.00	\$1,367.00	\$1,464.00	\$1,580.08	\$1,580.08	\$1,736.88	\$1,790.80	\$1,790.80	\$1,790.80	\$1,790.80	\$1,884.50	\$1,962.20	\$2,187.58	\$2,318.58
Dollar Increase - Maximum Subsidy	\$67.00	\$0.00	\$177.00	\$97.00	\$116.08	\$0.00	\$156.80	\$53.92	\$0.00	\$0.00	\$0.00	\$93.70	\$77.70	\$225.38	\$131.00
% Increase - Maximum Subsidy	6.0%	0.0%	14.9%	7.1%	7.9%	0.0%	9.9%	3.1%	0.0%	0.0%	0.0%	5.2%	4.1%	11.5%	6.0%
Kaiser 2-Party	\$1,189.22	\$1,187.24	\$1,363.44	\$1,459.66	\$1,575.74	\$1,496.06	\$1,652.86	\$1,706.78	\$1,660.88	\$1,626.28	\$1,681.07	\$1,800.48	\$1,878.18	\$2,103.56	\$2,234.56
Dollar Increase - Kaiser 2-Party	\$66.48	(\$1.98)	\$176.20	\$96.22	\$116.08	(\$79.68)	\$156.80	\$53.92	(\$45.90)	(\$34.60)	\$54.79	\$119.41	\$77.70	\$225.38	\$131.00
% Increase - Kaiser 2 Party	5.9%	-0.2%	14.8%	7.1%	8.0%	-5.1%	10.5%	3.3%	-2.7%	-2.1%	3.4%	7.1%	4.3%	12.0%	6.2%
Aggregate Medical Premium Increase	6.2%	0.2%	7.9%	7.4%	4.8%	-1.9%	6.5%	5.4%	-1.6%	-0.2%	0.7%	-1.5%	0.9%	4.6%	6.3%
% Premium Cost Subsidized	91.3%	90.9%	92.7%	92.5%	94.0%	94.0%	94.3%	93.7%	94.2%	93.8%	93.4%	93.7%	92.4%	92.4%	92.7%

1. Beginning in 2019, LACERS published premiums may have two components, the Carrier premium and a 115 Trust component. This chart only reflects the Carrier premium.
2. In plan year 2024, the Kaiser 2-party under 65 rate increases by 14.4%, which exceeds the 12.2% Assumed Actuarial Trend Rate (AATR) increase. The recommended increase is bought down using the 115 Trust, up to 12%, below the limit. Therefore, the Kaiser 2-party rate and subsidy reflected in 2024 is 12%.
3. In plan year 2025, the Kaiser 2-party under 65 rate increases by 3.99% compounded with addition of the 2.4% by the plan year 2024 buydown. Therefore, the Kaiser 2-party rate increase reflected in 2025 is 6.2%

LACERS HISTORICAL TIER 3 MEDICAL SUBSIDY COSTS

BAC Meeting: 08/13/24
Item IV
Attachment 3

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Maximum Monthly Medical Subsidy	\$1,496.06	\$1,652.86	\$1,706.78	\$1,660.88	\$1,626.28	\$1,681.07	\$1,800.48	\$1,878.18	\$2,103.56	\$2,234.56
Dollar Increase - Maximum Subsidy		\$156.80	\$53.92	(\$45.90)	(\$34.60)	\$54.79	\$119.41	\$77.70	\$225.38	\$131.00
% Increase - Maximum Subsidy		10.5%	3.3%	-2.7%	-2.1%	3.4%	7.1%	4.3%	12.0%	6.2%
Kaiser 2-Party	\$1,496.06	\$1,652.86	\$1,706.78	\$1,660.88	\$1,626.28	\$1,681.07	\$1,800.48	\$1,878.18	\$2,103.56	\$2,234.56
Dollar Increase - Kaiser 2-Party		\$156.80	\$53.92	(\$45.90)	(\$34.60)	\$54.79	\$119.41	\$77.70	\$225.38	\$131.00
% Increase - Kaiser 2-Party		10.5%	3.3%	-2.7%	-2.1%	3.4%	7.1%	4.3%	12.0%	6.2%
Aggregate Medical Premium Increase	-1.9%	6.5%	5.4%	-1.6%	-0.2%	0.7%	-1.5%	0.9%	4.6%	6.3%
% Premium Cost Subsidized	94.0%	94.3%	93.7%	94.2%	93.8%	93.4%	93.7%	92.4%	92.4%	92.7%

Tier 3 became effective February 21, 2016. Maximum subsidy is Kaiser's premium per Ordinance.

1. Beginning in 2019, LACERS published premiums may have two components, the Carrier premium and a 115 Trust component. This chart only reflects the Carrier premium.
2. In plan year 2024, the Kaiser 2-party under 65 rate increases by 14.4%, which exceeds the 12.2% Assumed Actuarial Trend Rate (AATR) increase. The recommended increase is bought down using the 115 Trust, up to 12%, below the limit. Therefore, the Kaiser 2-party rate and subsidy reflected in 2024 is 12%.
3. In plan year 2025, the Kaiser 2-party under 65 rate increases by 3.99% compounded with addition of the 2.4% by the plan year 2024 buydown. Therefore, the Kaiser 2-party rate increase reflected in 2025 is 6.2%



REPORT TO BENEFITS ADMINISTRATION COMMITTEE

From: Neil M. Guglielmo, General Manager

Neil M. Guglielmo

MEETING: AUGUST 13, 2024

ITEM: V

SUBJECT: BOARD RULES RELATED TO MEMBER AND BENEFITS ADMINISTRATION AND POSSIBLE COMMITTEE ACTION

ACTION: **CLOSED:** **CONSENT:** **RECEIVE & FILE:**

Recommendation

That the Committee recommend the Board adopt the proposed Board Rules related to Benefits Administration.

Executive Summary

The Board Rules related to Benefits Administration are regularly reviewed to assess the need for new rules or amendments due to changes in LACERS' plan provisions, case law, or other areas affecting the administration of retirement benefits. Reviews of Board Rules also seek to identify those rules that are no longer applicable or in need of revision.

Board Rules also work in conjunction with authoritative plan documents such as the Los Angeles Administrative Code (LAAC), and City Charter (LACC), as well as State or Federal law, the Internal Revenue Code, and pension best practices to provide the necessary administrative framework to carry out the delivery of LACERS' retirement benefits. Additionally, Board Rules provide clarification and implementation guidelines for executing administrative procedures not specifically detailed within the authoritative plan documents, legislative guidelines, or regulatory provisions.

Under Section 1106 of the Los Angeles City Charter, the Board of Administration is authorized to adopt rules governing the administration of benefits under the LACERS Plan. The proposed rules contained herein and detailed in Attachment 1 address needed changes in the general delegation authority for the General Manager and processes related to benefits administration for sworn members.

Discussion

GENERAL MANAGER AUTHORIZATIONS

The Board adopted a board rule providing a general delegation of authority to the General Manager ("GMA 1") to adopt policies for benefit operations and limited delegation to determine benefits that are compliant with the Los Angeles Administrative Code. On January 9, 2018, GMA 1 was amended to allow for a 100% continuance to a spouse when a member dies before they are able to complete their

continuance election; and revised again on March 23, 2021, to extend the 100% continuance should the member die before receiving their first benefit check. This proposed technical change simply breaks out this specific scenario and the amended language into its own discrete rule, GMA 3. GMA 1, therefore, can remain a broad and general rule.

Additionally, the requirement to send all denial letters issued by the General Manager to each Board Member is deleted. This change helps ensure Member confidentiality by limiting distribution.

ENHANCED BENEFITS - DISABILITY RETIREMENT

Los Angeles Administrative Code Section 4.1008 (e), Review of Disability Retirees, covers retired civilian re-examination procedures. The Section stipulates that if a disability retiree fails, neglects, or refuses to submit to medical examination, the Board has the discretion to cancel the retiree's benefit should it determine sufficient cause exists. However, under the Enhanced Disability Retirement Section 4.1008.1(g) and Disability Retirement for Public Safety Officer Members Section 4.1008.2(g), Periodic Medical Examinations, comparable language does not exist. The proposed Board Rule mirrors the language from the aforementioned Administrative Code section and provides staff with the ability to uniformly apply the same rationale in cases where the retired sworn member fails to comply similarly with the re-examination process. The new proposed rule, EB-DR14 will provide the necessary consistency in all re-examination procedures.

Additionally, when a Tier 1 Enhanced or Public Safety Officer Member applies for a disability retirement, they are required to provide a list of any and all treating physicians for purposes of LACERS obtaining complete medical records to be used in determining the Member's disability. LACERS obtains all medical records directly from the treating physician. However, there are occasions when the Member or their representative will submit medical records from providers not disclosed to LACERS at the time of application submission. These subsequent submissions delay the application process, increase the cost of medical evaluations because the new information must be reviewed by the evaluation physicians who may have already submitted their report and because the records were not provided directly from the new/undisclosed treating physician, LACERS staff must confirm the validity of the new medical records. The proposed new rule, EB-DR15, reduces processing delays, allows the addition of this rule to the disability retirement application and the disability fact sheet, eliminates additional work, and ensures Members provide all medical information upfront.

ENHANCED BENEFITS – HEARING PROCESS

On September 26, 2023, the Board of Administration approved two changes to streamline the Enhanced Disability Retirement process. Under the first change, applicants have the option of having their applications presented to the Board as Alternative 1 (Alt 1), which allows sworn disability applicants the option to have their case approved without a formal hearing. The sworn member signs an acknowledgment indicating their agreement to accept the staff recommendation, waive a formal hearing, and have their disability retirement application presented to the Board under the Consent Agenda. The applicant or their representative also has the option to be present or not. The second change, Alternative 2 (Alt 2), makes the formal hearing process an option in the event the applicant or their representative disagrees with the staff recommendation.

Board Rules EB-HP 3 provides guidance to the Board when presiding over Alt 1 presentations or Alt 2 hearings and EB-HP 4, covers the required agreement and acknowledgment from the applicant.

ENHANCED BENEFITS – OPTION TO CONVERT A SERVICE RETIREMENT (CSR) TO A DISABILITY RETIREMENT

The last proposed new rule, Board Rule EB-CSR4, will permit a sworn member receiving an Enhanced Service Retirement benefit who converts to a Service-Connected Disability Retirement benefit to amend their retirement election.

The proposed rules have been reviewed by the Office of the City Attorney as to form.

Prepared By: Carol Rembert, Benefits Analyst, Retirement Services Division
Ferralyn Sneed, Chief Benefits Analyst, Retirement Services Division

NG:FS:IC:cr

Attachment 1: Proposed Board Rules

ATTACHMENT 1
SOURCE DOCUMENT – BOARD MANUAL
SECTION 4.0 BENEFITS ADMINISTRATION
(August 13, 2024)

4.1 PROPOSED BOARD RULE CHANGES AND ADDITIONS

GENERAL MANAGER AUTHORIZATIONS (GMA)

ORIGINAL

GMA 1: Pursuant to its authority under Charter section 1106, unless otherwise provided in these Board Rules, the Board of Administration hereby delegates to the General Manager the responsibility to develop and modify LACERS operating policies, procedures, and guidelines in order to facilitate the provision of retirement and retirement-related benefits and management of member, former member, and nonmember accounts, as provided in Chapters 10, 11, 18, and 18.5 of the Los Angeles Administrative Code.

The General Manager is authorized to make benefits determinations as provided in Chapters 10, 11, 18, and 18.5 of the Los Angeles Administrative Code; to approve of such benefits that may be granted pursuant to the provisions of the plan; and to enter into member, former member, and nonmember agreements that facilitate the provision of benefits under the plan. This shall include, upon a member or former member with five or more years of service who dies after applying for retirement and after their retirement effective date, but prior to making a continuance election, or a retired member or retired former member who has made an election but dies prior to receiving their first benefit payment. The eligible surviving spouse or eligible domestic partner shall be granted a one hundred percent continuance. Benefits approved by the General Manager shall be reported to the Board in a timely manner.

This limited delegation of the authority granted to the Board of Administration by Charter Section 1106 shall not be construed to delegate to the General Manager the authority to make any decision that the law requires the Board to make based upon findings of fact.

Any request by a member, former member, or nonmember, to rescind, revoke, or cancel a prior election made irrevocable by the Charter, Los Angeles Administrative Code, Board Rules, or any other administrative decision adverse to the request shall be presented to the Board for decision making, provided that the General Manager, in consultation with the City Attorney, determines there is a legal basis upon which to grant the member, former member, or nonmember relief. If the General Manager, in consultation with the

City Attorney, determines that no such legal basis exists, the General Manager has the authority to make and communicate a final decision in writing, on behalf of LACERS, to deny the request for relief from the irrevocable election or decision. This final decision-making authority for irrevocable elections and decisions shall not be delegated below the level of the General Manager. (Adopted: June 14, 2016)

GMA 2: Pursuant to Internal Revenue Code Section 415, the Board of Administration hereby delegates to the General Manager the authority to determine a different manner and priority of reduction of benefits of a Member, to enter into an agreement with any or all other plans covering such Member, and to create the administrative rules necessary to facilitate different manners for reduction of benefits. Reference Board Rule IRC 1(n) – Reduction of Benefits Priority. (Adopted: January 22, 2019)

REDLINE

GMA 1: Pursuant to its authority under Charter section 1106, unless otherwise provided in these Board Rules, the Board of Administration hereby delegates to the General Manager the responsibility to develop and modify LACERS operating policies, procedures, and guidelines in order to facilitate the provision of retirement and retirement-related benefits and management of member, former member, and nonmember accounts, as provided in Chapters 10, 11, 18, and 18.5 of the Los Angeles Administrative Code.

The General Manager is authorized to make benefits determinations as provided in Chapters 10, 11, 18, and 18.5 of the Los Angeles Administrative Code; to approve of such benefits that may be granted pursuant to the provisions of the plan; and to enter into member, former member, and nonmember agreements that facilitate the provision of benefits under the plan. ~~This shall include, upon a member or former member with five or more years of service who dies after applying for retirement and after their retirement effective date, but prior to making a continuance election, or a retired member or retired former member who has made an election but dies prior to receiving their first benefit payment, the General Manager is delegated authority to approve eligible surviving spouse or eligible domestic partner a one hundred percent continuance.~~ Benefits approved by the General Manager shall be reported to the Board in a timely manner.

This limited delegation of the authority granted to the Board of Administration by Charter Section 1106 shall not be construed to delegate to the General Manager the authority to make any decision that the law requires the Board to make based upon findings of fact.

Any request by a member, former member, or nonmember, to rescind, revoke, or cancel a prior election made irrevocable by the Charter, Los Angeles Administrative Code, Board Rules, or any other administrative decision adverse to the request shall be presented to the Board for decision making, provided that the General Manager, in consultation with the City Attorney, determines there is a legal basis upon which to grant the member, former member, or nonmember relief. If the General Manager, in consultation with the City Attorney, determines that no such legal basis exists, the General Manager has the

authority to make and communicate a final decision in writing, on behalf of LACERS, to deny the request for relief from the irrevocable election or decision. ~~The denial letter issued by the General Manager shall promptly be copied to all Board Members.~~ This final decision-making authority for irrevocable elections and decisions shall not be delegated below the level of the General Manager. (Adopted: June 14, 2016)

GMA 2: Pursuant to Internal Revenue Code Section 415, the Board of Administration hereby delegates to the General Manager the authority to determine a different manner and priority of reduction of benefits of a Member, to enter into an agreement with any or all other plans covering such Member, and to create the administrative rules necessary to facilitate different manners for reduction of benefits. Reference Board Rule IRC 1(n) – Reduction of Benefits Priority. (Adopted: January 22, 2019)

GMA 3: Upon a member or former member with five or more years of service who dies after applying for retirement and after their retirement effective date, but prior to making a continuance election, or a retired member or retired former member who has made an election but dies prior to receiving their first benefit payment, the General Manager is delegated authority to approve eligible surviving spouse or eligible surviving domestic partner to receive a one hundred percent (100%) continuance. (Adopted January 9, 2018; Revised March 23, 2021)

ENHANCED BENEFITS – DISABILITY RETIREMENT (DR)

EB-DR14 The Board, at its discretion, may suspend or terminate a retirement benefit when a beneficiary fails, neglects, or refuses to submit to a medical reexamination ordered by the Board or to return to active service after the Board has determined that the beneficiary is no longer incapacitated, within such reasonable time as determined by the Board.

EB-DR15: All medical records an Applicant believes support their disability retirement application must be provided to LACERS staff directly from the physicians or medical providers treating the Applicant. At the time an Applicant submits an application, the Applicant is required to provide the names of all physicians and medical providers who have treated the Applicant. Medical records provided by the Applicant or their representative will not be accepted.

ENHANCED BENEFITS – HEARING PROCESS (EB-HP)

EB-HP 3: Under an Alternative 1 (Alt 1) process, the Board may take the following actions:

- (a) Approve staff recommendations for disability retirement awards as provided in the meeting agenda;
- (b) Acknowledge that when the Board votes to approve the entire consent agenda, approval includes any properly agendized staff recommendation to award or deny a disability retirement application; and,

- (c) If the Board disagrees with any aspect of the staff recommendation for a given disability retirement application and votes against adopting the staff recommendation, that application will be scheduled for a formal hearing, known as Alternative 2 (Alt 2), at a future meeting.

EB-HP 4: When an Enhanced Disability Retirement Applicant agrees to have their case brought before the Board for consideration under the Alternative 1 (Alt 1) process, prior to submitting the application to the Board the Applicant must sign an acknowledgment form that:

- (a) Confirms the Applicant agrees with the proposed recommendation to the Board to approve the disability retirement benefit as presented by staff;
- (b) Confirms the Applicant agrees and accepts the submission of all documentation used as evidence by the Board to make a finding and determination to approve or deny the disability retirement application;
- (c) Acknowledges the Applicant's case will be heard in open session and that Applicant and/or their representative are not required to appear; and,
- (d) Confirms the Applicant understands that if the Board rejects or wishes to alter any part of the recommendation, the case will be deferred to a formal hearing that can held in open or closed session, known as Alternative 2 (Alt 2), at a future date.

ENHANCED BENEFITS – OPTION TO CONVERT A SERVICE RETIREMENT (CSR) TO A DISABILITY RETIREMENT

EB-CSR4: Upon Board approval to convert an Enhanced Service Retirement or a Service Retirement for a Public Safety Officer Member, the Member may opt to change their retirement election choice.