



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
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WILLIAM T FUJIOKA
Chief Executive Officer

August 30, 2011

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

MEDICAL, DENTAL, LIFE INSURANCE, AND DISABILITY PLANS FOR 2012 (ALL DISTRICTS) (3 VOTES)

SUBJECT

Recommendation to approve premium rates and benefit changes for the 2012 calendar year for the medical, dental, life, and disability benefit plans applicable to represented and non-represented employees.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve proposed premium rates for County-sponsored plans as follows:
(a) medical and dental rates for represented employees for the period January 1, 2012 through December 31, 2012, as recommended in this letter and shown in Exhibit I; (b) medical and dental rates for non-represented employees for the period January 1, 2012 through December 31, 2012, as recommended in this letter and shown in Exhibit II; (c) basic life and accidental death and dismemberment (AD&D) insurance rates and for represented employees, optional group term life and dependent life insurance rates, for the period January 1, 2012 through December 31, 2013, as shown in Exhibit III; (d) Supplemental Group Variable Universal Life (GVUL) and dependent term life for non-represented employees for the period January 1, 2012 through December 31, 2016 as shown in Exhibit III; (e) Survivor Income Benefit (SIB) rates for non-represented employees for the period January 1, 2012 through December 31, 2014, as shown in Exhibit III; and (f) rates for Short-Term Disability (STD), Long-Term Disability (LTD), and LTD Health Insurance plans, as shown in Exhibit IV.

"To Enrich Lives Through Effective And Caring Service"

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2. Instruct County Counsel to review and approve as to form the appropriate agreements and/or amendments with:
 - a. Anthem Blue Cross and Anthem Blue Cross Life and Health Insurance Company (Anthem Blue Cross); Connecticut General Life Insurance Company and CIGNA Healthcare of California, Inc. (CIGNA); Kaiser Foundation Health Plan, Inc. (Kaiser); Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (Kaiser Mid-Atlantic); UnitedHealthcare of California and UnitedHealthcare Insurance Company (UnitedHealthCare); and Delta Dental of California for DeltaCare USA (DeltaCare USA); or their successors or affiliates, as necessary, for the period January 1, 2012 through December 31, 2012;
 - b. Delta Dental of California (Delta Dental PPO); or their successors and affiliates, as necessary, for the period January 1, 2012 through December 31, 2013;
 - c. Metropolitan Life Insurance Company (MetLife); or their successors and affiliates, as necessary, for the period January 1, 2012 through December 31, 2014;
 - d. Life Insurance of North America (LINA) and their successors and affiliates, as necessary, for the period January 1, 2012 through December 31, 2013;

and instruct the Mayor to sign such agreements and/or amendments.

3. Approve proposed premium rates and benefit coverage changes for the health plans sponsored by the Association for Los Angeles Deputy Sheriffs, Inc. (ALADS), the California Association of Professional Employees (CAPE), and the Los Angeles County Fire Fighters Local 1014 (Local 1014), for the period January 1, 2012 through December 31, 2012, as shown in Exhibit V.
4. Instruct the Auditor-Controller to make all payroll system changes necessary to implement the changes recommended herein to ensure that all changes in premium rates are first reflected on pay warrants issued on January 15, 2012.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Purpose

The County maintains employee health, dental, group life, and other insurance programs to provide benefits that promote the effectiveness, health, and welfare of its workforce. The current premium rates and/or agreements for all County and union-sponsored medical,

dental, and life insurance plans will end on December 31, 2011. The purpose of the recommendations contained in this letter is to implement negotiated agreements with carriers to continue existing benefits and to adopt changes, as recommended, for the 2012 calendar year.

Justification

Overall Premium Negotiation Process and Results

County-Sponsored Plans in General. The recommendations in Exhibits I, II, III, and IV regarding the County-sponsored plans are the result of negotiations between the health, dental, and life insurance carriers and the County negotiating team consisting of representatives of the Chief Executive Office (CEO), Department of Human Resources (DHR), and the County's group insurance consultants, Aon Hewitt (Aon) and Mercer. For County-sponsored plans whose benefits are governed by Fringe Benefits Memoranda of Understanding (MOU) with Service Employees International Union Local 721 (Local 721) and the Coalition of County Unions (CCU), the unions' benefit consultants also provided input into the insurance carrier negotiation process.

In 2011, the County engaged Aon as its employee benefits consulting firm assisting in the renewal process regarding medical, basic life, optional life, and AD&D insurance coverage. The transition was smooth and stakeholders reported satisfaction with the new consultant. Mercer, the County's long-time consulting firm, continued to assist with insurance renewals for the County's Delta Dental PPO and DeltaCare USA insurance plans. Mercer also consulted with the County regarding the request for proposal and award for GVUL and SIB plans for non-represented employees.

Aon's opinion is that the final negotiated rates for County-sponsored plans are justified. Aon's opinion and the supporting due diligence are documented in Attachments A and B. Mercer's opinion on the Delta Dental PPO and DeltaCare USA final negotiated rates is that the rates are justified. Mercer's opinion and the supporting due diligence are documented in Attachments D and E.

In general, County medical and dental plans are rated by carriers based on the cost of claims, claims trend, and administration costs, taking into account the health risk of and the utilization of health care by County employees and their covered dependents. In 2012, the primary cost drivers of increasing health care costs include higher costs for contracted facilities, and for HMOs, increases in provider capitation. Aon estimates this rate at 10.0% in Southern California.

The County-sponsored medical plan rates recommended in this letter, averaging 8.3% for represented employees and 2.9% for non-represented employees, are substantially less than the Southern California average. Southern California dental trend continues to be

more moderate than medical trend, averaging 4.5% to 5.5%, depending on the type of plan. The County's Delta Dental PPO plan, which covers the majority of the County's employees, will see a reduction in rates averaging 3.6% for plan year 2012.

Life insurance and AD&D rates are almost entirely claims experience driven. Due to the County's favorable experience and excess reserves, basic term life insurance rates will be reduced by 24%. Supplemental life insurance rates for represented employees will be reduced by 4.5%. AD&D rates will be reduced by 12%.

Through our benefits consultant, Mercer, a Request for Proposal (RFP) was issued for the GVUL and SIB plans for non-represented employees. After a thorough review of the marketplace and in consideration of all factors, the current carrier, MetLife, provided the best product for the County. The supplemental GVUL insurance rates will be reduced by 14.5% and dependent term life will be reduced by 10% with a five-year rate guarantee. SIB rates will increase by 5% with a three-year rate guarantee.

County Approved Union-Sponsored Plans in General. The premium and benefit recommendations in Exhibit V regarding County approved union-sponsored health plans were negotiated by the sponsoring unions and evaluated by the CEO and DHR pursuant to the relevant provisions of the CCU Fringe MOU and County Code. The joint CEO and DHR recommendations are provided later in this report.

Renewal Policy and Process. In accordance with County policy, the County negotiating team requires all carriers to justify rates and support proposed contract terms for the upcoming plan year. The rate renewal process for 2012 (documented in Attachments A, B, D, and E) is designed to encourage full involvement and transparency among all County, Union, and carrier stakeholders. The process involves production of data by carriers as needed, identification, in-depth analysis, and evaluation of all material underwriting issues in carrier proposals, and documentation of due diligence and financial results. All parties complied with the process.

Overall Results. Attachments C and F are high level summaries of carrier negotiation results that compare the estimated actual total premiums from initial carrier premium quotes for 2012 with the final result after performance guarantee review, challenges to carrier underwriting, benefit changes, and negotiation. Summary reasons for the negotiated reductions are given.

Total 2012 premiums to be paid to health, dental, group life, and other insurance plan carriers are estimated to be \$1,144 million, which represents \$953 million for County-sponsored plans and \$191 million for Union-sponsored plans. This is an increase of \$82 million or 7.7% over 2011.

Total savings from initial 2012 carrier proposals are \$16.7 million. This amount includes \$15.6 million in negotiated savings from 2012 carrier proposals and \$1.1 million from performance guarantee refunds and rate credits.

Attachments C and F also show the percentage increase for each carrier by cafeteria plan as well as the total increase for County-sponsored health, dental, group life, and other insurance programs. The increase in medical plan premiums estimated to be paid to health carriers during 2012 will range from 2.4% to 9.6% for an average of 7.4%, which is lower than the expected average projected Southern California increase of 10%. The overall decrease for dental plans will be 3.6%. For 2012, basic life insurance will decrease by 24%, optional and dependent life will decrease by 4.5%, and AD&D insurance rates will decrease by 12% for both represented and non-represented employees. Supplemental GVUL rates will decrease by 14.5%, dependent term life will decrease by 10%, and SIB rates will increase by 5%, for non-represented employees.

2012 Premium Rates Recommended for Adoption

Recommended Rates. County and union-sponsored health, dental, group life, and other insurance rates recommended for adoption are shown in Exhibits I through V. Unless otherwise noted in this letter, the rates support existing benefits enabled by the applicable MOU or County Code provision. The rates shown in these Exhibits are the monthly prices that employees will pay from County cafeteria plan contributions after County subsidies are subtracted from negotiated premium rates paid to carriers. For this reason, percentage increases in premium rates to be charged to employees as shown in the Exhibits, in many cases, may differ from the negotiated increases in premium to be paid to carriers as reported in the body of this letter and in Attachments C and F.

Union Concurrence. On August 3, 2011, Local 721 and management representatives voted in the Labor-Management Benefits Administration Committee (BAC) to recommend the premium rates for the County-sponsored plans applicable to employees represented by Local 721.

On August 3, 2011, the CCU and management representatives in the Labor-Management Employee Benefits Administration Committee (EBAC) voted to recommend the premium rates for employees represented by the CCU.

Implementation of Strategic Plan Goals

The recommended actions are consistent with the principles of the Countywide Strategic Plan by promoting the well-being of County employees and their families by offering comprehensive employee benefits.

FISCAL IMPACT/FINANCING

Each cafeteria plan, including represented employee plans provided by MOUs with County unions, provides for a County contribution and, in some cases, an additional subsidy to help pay the cost of insurance benefits. The current County contributions and applicable subsidies for employee benefits mentioned in this letter, or changed contributions, or subsidies recommended herein are included in the 2011-2012 budget. An increase of 7.2% to the County contributions or applicable subsidies has been offset by the curtailment of the deferred compensation match for both represented and non-represented employees. Employees pay for additional costs above and beyond the County contributions through payroll deductions.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The general facts concerning 2012 premium rate and benefit adjustments for County-sponsored plans affecting both represented and non-represented employees are stated in this section. The details of each carriers' County-sponsored medical, dental, group life, and other insurance plan proposal, Aon and Mercer's evaluations and opinions concerning their justifications and terms of offer are given in Attachments A, B, D and E.

Medical Plan Rates Affecting Represented Employees

CIGNA Rates for 2012

CIGNA provides two different plans to employees represented by the CCU: a Health Maintenance Organization (HMO) and a point of service plan (POS). The 2012 negotiated contract rates for the CIGNA plans will increase 7.3%. Aon's opinion certifying CIGNA's 2012 rates as justified is included in Attachment A.

Kaiser Rates for 2012

Kaiser's 2012 rates will increase by 7.3% for the CCU plan and 8.1% for the Local 721 plan. Aon's opinion certifying Kaiser's 2012 rates as justified is included in Attachment A.

UnitedHealthcare Rates for 2012

UnitedHealthcare provides two fully insured plans to employees represented by Local 721: an HMO and a preferred provider organization (PPO) plan. The 2012 overall negotiated contract premium rates for both plans will increase 9.6% (9.5% for the HMO and 15% for the PPO). Aon's opinion certifying UnitedHealthcare's 2012 rates as justified is included in Attachment A.

Union-Sponsored Plan Benefit Changes and Rates for 2012

Premiums for County approved union-sponsored plans will also increase for 2012. The estimated increase in premiums paid to carriers in 2012 on behalf of the union-sponsored plans is approximately \$12 million or 6.7% over 2011. Proposed 2012 premium increases to be paid to carriers and benefit changes for the ALADS, CAPE, and Local 1014 plans are summarized below:

Summary of Union-Sponsored Plan Changes for 2012

Union Sponsor	Average Increase in Rates to be Paid to Carrier on Behalf of Plan Sponsor	Requested Benefit Changes
ALADS	8.8%	<ul style="list-style-type: none"> • No benefit changes other than those required by law.
CAPE	4.4%	<ul style="list-style-type: none"> • MES Providers Vision Coverage <ul style="list-style-type: none"> ○ Add coverage for standard lenses and frames every 24 months for \$10 co-pay. ○ Add coverage for elective contacts lenses up to \$120 every 24 months. • Out of the MES Network Providers Vision Coverage <ul style="list-style-type: none"> ○ Add reimbursement for standard lenses and frames every 24 months up to \$240. ○ Add reimbursement for elective contacts up to \$100 every 24 months.
Local 1014	5.1%	<ul style="list-style-type: none"> • Increase in reimbursement for LASIK from 80% to 90%.

The subsidized rates to be paid by employees enrolled in union-sponsored plans are summarized in Exhibit V. The complete list of carrier benefit changes, upon which the 2012 rates are based, is documented in the Union request letters attached to Exhibit V. We have reviewed the changes for all three plans and support them.

Dental Plan Changes Affecting Represented Employees

The recommended employee contribution rates for County-sponsored represented employee dental plans are summarized in Exhibit I. The employee contribution rates shown for the Delta Dental PPO plan are Delta's proposed rates for 2012, less current County subsidies previously negotiated with the unions and approved by your Board. Since subsidies can affect year-to-year differences, the percentage rate differences shown in Exhibit I differ from those described in this section. The rates for prepaid dental plans (DeltaCare USA and SafeGuard) are the rates negotiated with the carriers.

The Delta Dental PPO plan contract rates will decrease due to favorable experience by 3.5% for Local 721 and 2.5% for the CCU. Delta Dental PPO rates are guaranteed through 2013. The prepaid dental plan DeltaCare USA's 2012 rates for Local 721 and the CCU will remain the same as 2011. Mercer's opinion certifying Delta's rates as justified is included in Attachment E.

SafeGuard's contract rates are guaranteed through 2012. The actual rates for 2012 will differ slightly as they include a credit for 2010 performance guarantee penalties.

Life Insurance and Disability Programs for Represented Employees

Life insurance rates are driven primarily by past loss experience. Due to the County's favorable experience and a surplus amount of \$881,000 in the Premium Stabilization Reserve (PSR) at the end of 2010, basic term life insurance rates will be reduced by 24%. AD&D rates will be reduced by 12%, and optional term life and dependent life rates will be reduced by 4.5%. Rates are guaranteed through 2013. Aon's opinion certifying CIGNA's life and AD&D rates as justified is included in Attachment A.

Medical Plan Changes Affecting Non-represented Employees

Non-represented employees who participate in the MegaFlex and Flexible Benefit plans have a choice between Kaiser and four Anthem Blue Cross health plans, which include an HMO, POS, PPO, and a Catastrophic Plan. For 2012, the negotiated contract rates for Kaiser will increase 2.4%, while the average increase in contract rates for the Anthem Blue Cross HMO and Anthem Blue Cross indemnity plans (POS, PPO, and Catastrophic) will be 3.1%.

The 2012 negotiated contract rates for the Kaiser Mid-Atlantic plan, available to the few CEO employees working in the Washington, DC area, is community rated and will increase 6% for 2012. There are currently no employees enrolled in this plan.

Aon has reviewed the proposed increases and recommends that the County accept the final 2012 renewals offered by Anthem Blue Cross and Kaiser. See attachment B for their review and opinion.

We recommend that the Board continue the historical County practice of funding any difference between the negotiated contract cost of these plans and the contribution paid by the employees. The recommended employee contribution rates for non-represented employees are summarized in Exhibit II.

Dental Plan Changes Affecting Non-represented Employees

The recommended employee contribution rates for County-sponsored non-represented employee dental plans are summarized in Exhibit II. The Delta Dental PPO rates have been reduced by current County subsidies previously approved by your Board. As indicated in Attachment D, Mercer has certified as justified the proposed rates summarized below.

The Delta Dental PPO plan contract rates for non-represented employees will decrease by 7.6%. Delta Dental PPO rates are guaranteed through 2013. The prepaid dental plan DeltaCare USA's 2012 rates will remain the same as 2011, the same as for represented employees.

SafeGuard's contract rates are guaranteed through 2012, the same as for represented employees. The actual rates for 2012 will differ slightly as they include a credit for 2010 performance guarantee penalties.

Life Insurance and Disability Programs for Non-represented Employees

MetLife's supplemental GVUL insurance rates will be reduced by 14.5%, dependent term life rates will decrease by 10%, and rates for SIB will increase by 5%. GVUL and dependent term life rates are guaranteed through 2016, and SIB rates are guaranteed through 2014. In addition, in 2013, additional coverage levels will be added to the SIB plan starting at 10% to a maximum level of 50%. Employees may increase one coverage level per year, similar to the rules currently in place for life insurance.

CIGNA basic term life insurance rates for certain non-represented employees will be reduced by 24%. AD&D rates will be reduced by 12%. Rates are guaranteed through 2013.

There will be no changes in the cost of the Long-Term Disability (LTD) and Short-Term Disability (STD) rates for 2012.

The Honorable Board of Supervisors
August 30, 2011
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IMPACT ON CURRENT SERVICES (OR PROJECTS)

None.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:BC:JA
MTK:WHD:mst

Attachments (14)

c: Auditor-Controller
County Counsel
Executive Office, Board of Supervisors
Human Resources
SEIU Local 721
Coalition of County Unions
Aon
Mercer

**COUNTY-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
FOR REPRESENTED EMPLOYEES
CURRENT 2011 RATES AND PROPOSED 2012 RATES**

Plan	Option	Coverage Category ^a	Current 2011 Rates ^b	Proposed 2012 Rates ^b	Percentage Change
CIGNA Choices	Network HMO	1	\$ 485.55	\$ 520.65	7.2%
		2	\$ 967.28	\$ 1,038.49	7.4%
		3	\$ 1,113.74	\$ 1,195.80	7.4%
	Network POS	1	\$ 871.24	\$ 934.94	7.3%
		2	\$ 1,548.38	\$ 1,662.69	7.4%
		3	\$ 1,624.26	\$ 1,744.19	7.4%
KAISER Choices		1	\$ 515.01	\$ 552.53	7.3%
		2	\$ 1,024.59	\$ 1,099.62	7.3%
		3	\$ 1,189.39	\$ 1,276.43	7.3%
KAISER Options		1	\$ 488.04	\$ 527.91	8.2%
		2	\$ 979.08	\$ 1,058.83	8.1%
		3	\$ 1,135.17	\$ 1,227.68	8.1%
UNITEDHEALTHCARE Options	HMO	1	\$ 455.87	\$ 499.61	9.6%
		2	\$ 923.98	\$ 1,012.33	9.6%
		3	\$ 1,069.80	\$ 1,172.15	9.6%
	PPO	1	\$ 943.46	\$ 1,085.87	15.1%
		2	\$ 1,908.41	\$ 2,196.00	15.1%
		3	\$ 2,210.66	\$ 2,543.89	15.1%

^a 1 = Employee only

2 = Employee + 1 Dependent

3 = Employee + 2 or more Dependents

^b Rates reflect current negotiated County subsidies

CIGNA, Kaiser, and UnitedHealthCare rates include mandatory Federal healthcare reform & Mental Health Parity costs.

**COUNTY-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
FOR REPRESENTED EMPLOYEES
CURRENT 2011 RATES AND PROPOSED 2012 RATES**

Plan	Option	Coverage Category ^a		Current 2011 Rates ^b	Proposed 2012 Rates ^b	Percentage Change
DELTA DENTAL ^b Choices		1	\$	28.27	\$ 27.07	-4.2%
		2	\$	47.48	\$ 45.41	-4.4%
		3	\$	71.47	\$ 68.30	-4.4%
DELTA DENTAL ^b Options		1	\$	47.88	\$ 45.51	-4.9%
		2	\$	80.40	\$ 76.37	-5.0%
		3	\$	121.50	\$ 115.34	-5.1%
DELTACARE USA ^c Choices & Options		1	\$	14.97	\$ 14.97	0.0%
		2	\$	24.69	\$ 24.69	0.0%
		3	\$	36.52	\$ 36.52	0.0%
SAFEGUARD ^d Choices & Options		1	\$	11.42	\$ 11.42	0.0%
		2	\$	22.06	\$ 22.06	0.0%
		3	\$	28.77	\$ 28.77	0.0%

^a 1 = Employee only

2 = Employee + 1 Dependent

3 = Employee + 2 or more Dependents

^b Rates reflect current negotiated County subsidy.

Delta 2011 rates are guaranteed through 12/31/2013.

^c DeltaCare 2012 rates are guaranteed through 12/31/12.

^d SafeGuard 2012 Rates are guaranteed through 12/31/2012.

SafeGuard 2012 rates reflect a credit adjustment for 2010 performance guarantee penalties.

**COUNTY-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
FOR NON-REPRESENTED EMPLOYEES
CURRENT 2011 RATES AND PROPOSED 2012 RATES**

Plan	Option	Coverage Category ^a	Current 2011 Rates ^b	Proposed 2012 Rates ^b	Percentage Change ^f
ANTHEM BLUE CROSS	CaliforniaCare HMO	1	\$ 252.00	\$ 231.00	-8.3%
		2	\$ 493.00	\$ 452.00	-8.3%
		3	\$ 517.00	\$ 474.00	-8.3%
		4	\$ 586.00	\$ 537.00	-8.4%
	PLUS POS	1	\$ 381.00	\$ 349.00	-8.4%
		2	\$ 765.00	\$ 701.00	-8.4%
		3	\$ 783.00	\$ 718.00	-8.3%
		4	\$ 873.00	\$ 800.00	-8.4%
	Catastrophic	1	\$ 195.00	\$ 179.00	-8.2%
		2	\$ 391.00	\$ 359.00	-8.2%
		3	\$ 398.00	\$ 365.00	-8.3%
		4	\$ 459.00	\$ 421.00	-8.3%
	Prudent Buyer PPO	1	\$ 486.00	\$ 446.00	-8.2%
		2	\$ 893.00	\$ 819.00	-8.3%
		3	\$ 927.00	\$ 850.00	-8.3%
		4	\$ 1,074.00	\$ 985.00	-8.3%
KAISER Flex/Megaflex	1	\$ 252.00	\$ 231.00	-8.3%	
	2	\$ 493.00	\$ 452.00	-8.3%	
	3	\$ 517.00	\$ 474.00	-8.3%	
	4	\$ 586.00	\$ 537.00	-8.4%	
KAISER - MID-ATLANTIC	1	\$ 252.00	\$ 231.00	-8.3%	
	2	\$ 493.00	\$ 452.00	-8.3%	
	3	\$ 517.00	\$ 474.00	-8.3%	
	4	\$ 586.00	\$ 537.00	-8.4%	
DELTA DENTAL ^c Flex/Megaflex	1	\$ 36.65	\$ 32.25	-12.0%	
	2	\$ 60.14	\$ 51.90	-13.7%	
	3	\$ 63.23	\$ 55.31	-12.5%	
	4	\$ 94.74	\$ 82.84	-12.6%	
DELTACARE USA ^d Flex/Megaflex	1	\$ 14.97	\$ 14.97	0.0%	
	2	\$ 25.86	\$ 25.86	0.0%	
	3	\$ 25.68	\$ 25.68	0.0%	
	4	\$ 37.27	\$ 37.27	0.0%	
SAFEGUARD ^e Flex/Megaflex	1	\$ 11.42	\$ 11.42	0.0%	
	2	\$ 21.41	\$ 21.41	0.0%	
	3	\$ 24.14	\$ 24.14	0.0%	
	4	\$ 31.52	\$ 31.52	0.0%	

^a 1 = Employee only

2 = Employee + Child(ren)

3 = Employee + Spouse

4 = Employee + Spouse + Chil(ren)

^b Rates, where applicable, are net of County subsidy; except that the premium charged to an employee whose benefits are subject to COBRA is the carrier quoted rate plus an administrative charge as prescribed by COBRA.

Blue Cross rates include the cost of the 360 degree health programs and the cost of the vision benefit for the HMO, POS, and PPO. Anthem Blue Cross and Kaiser rates include mandatory Federal healthcare reform & Mental Health Parity costs.

^c Delta Dental rates for 2012 reflect County subsidies.

Delta 2012 rates are guaranteed through 12/31/2013.

^d DeltaCare rates are guaranteed through 12/31/2012.

^e SafeGuard Rates are guaranteed through 12/31/2012.

SafeGuard rates for 2012 reflect a credit adjustment for 2010 performance guarantee penalties.

^f The percentage change in Delta Dental premiums are lower than indicated in the letter since the County subsidy has not been adjusted from 2011 to 2012.

**LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT
AND SURVIVOR INCOME BENEFIT PROGRAMS
CURRENT 2011 RATES AND PROPOSED 2012 RATES**

	Monthly Cost per \$1,000 of Insurance	
	<u>2011</u>^a	<u>2012</u>^a
COUNTY-PAID BASIC GROUP TERM-LIFE INSURANCE	\$0.192	\$0.146
OPTIONAL GROUP TERM LIFE INSURANCE FOR REPRESENTED EMPLOYEES		

Employee: The monthly premium per \$1,000 of insurance is based on the employee's age as shown in the following table:

<u>Age</u>	<u>2011</u>^{a,b}	<u>2012</u>^{a,b}
Less than 30	\$0.041	\$0.039
30-34	\$0.070	\$0.067
35-39	\$0.079	\$0.075
40-44	\$0.088	\$0.084
45-49	\$0.131	\$0.125
50-54	\$0.201	\$0.192
55-59	\$0.377	\$0.360
60-64	\$0.578	\$0.552
65-69	\$0.825	\$0.788
70 and over	\$1.586	\$1.515

Dependent Term Life Insurance:

Cost per month per \$5,000 of coverage, no matter how many eligible dependents employee may have. Coverage is offered in increments of \$5,000 up to \$20,000. Dependent care coverage premium is charged to the employee.

<u>2011</u>^a	<u>2012</u>^a
\$0.955	\$0.912

^a Rates are guaranteed through 12/31/2013. Basic Life, Optional Life, and Dependent Life rates are reduced for 2012.

^b The County subsidizes 15% of the monthly premium.

**LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT
AND SURVIVOR INCOME BENEFIT PROGRAMS
CURRENT 2011 RATES AND PROPOSED 2012 RATES**

OPTIONAL ACCIDENTAL DEATH & DISMEMBERMENT INSURANCE - Cost per Month

Employee Coverage	Current 2011 Rates*		Proposed 2012 Rates*	
	Employee Only Plan G	Dependents Plan H	Employee Only Plan G	Dependents Plan H
\$ 10,000	\$0.17	\$0.33	\$0.15	\$0.29
\$ 25,000	\$0.43	\$0.83	\$0.38	\$0.73
\$ 50,000	\$0.85	\$1.65	\$0.75	\$1.45
\$100,000	\$1.70	\$3.30	\$1.50	\$2.90
\$150,000	\$2.55	\$4.95	\$2.25	\$4.35
\$200,000	\$3.40	\$6.60	\$3.00	\$5.80
\$250,000	\$4.25	\$8.25	\$3.75	\$7.25
\$300,000	\$5.10	\$9.90	\$4.50	\$8.70
\$350,000	\$5.95	\$11.55	\$5.25	\$10.15

These figures apply regardless of employee's age. If Plan H is selected, all eligible dependents will be insured automatically.

The maximum insurance coverage amount for represented participants is \$250,000.

* Rates are guaranteed through 12/31/2013. AD&D rates are reduced for 2012.

**LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT
AND SURVIVOR INCOME BENEFIT PROGRAMS
CURRENT 2011 RATES AND PROPOSED 2012 RATES**

**OPTIONAL GROUP VARIABLE UNIVERSAL LIFE INSURANCE
FOR FLEX/MEGAFLEX PARTICIPANTS**

Employee: The monthly premium per \$1,000 of insurance is based on the employee's age as shown in the following table:

<u>Age</u>	<u>2012 Rate*</u>	<u>Age</u>	<u>2012 Rate*</u>	<u>Age</u>	<u>2012 Rate*</u>
20-24	\$0.038	57	\$0.283	77**	\$2.074
25-29	\$0.047	58	\$0.319	78**	\$2.341
30-34	\$0.055	59	\$0.357	79**	\$2.638
35-39	\$0.056	60	\$0.400	80**	\$3.405
40	\$0.065	61	\$0.451	81**	\$3.930
41-42	\$0.066	62	\$0.498	82**	\$4.287
43	\$0.074	63	\$0.535	83**	\$4.674
44	\$0.084	64	\$0.593	84**	\$5.092
45	\$0.093	65	\$0.616	85**	\$5.556
46	\$0.102	66	\$0.692	86**	\$6.042
47	\$0.110	67	\$0.736	87**	\$6.574
48	\$0.129	68	\$0.820	88**	\$7.144
49	\$0.138	69	\$0.911	89**	\$7.730
50	\$0.147	70	\$1.003	90**	\$8.329
51	\$0.165	71	\$1.109	91**	\$8.960
52	\$0.174	72	\$1.231	92**	\$9.607
53	\$0.191	73	\$1.352	93**	\$10.275
54	\$0.210	74	\$1.496	94**	\$10.953
55	\$0.238	75	\$1.649		
56	\$0.256	76**	\$1.831		

* Rates are guaranteed through 12/31/2016.

Employee cost for Megaflex employees is half of actual premium. The County pays the other 50%.

** For employees age 76-94 who remain in County service, County will subsidize the difference between the employee's cost of coverage using the premiums for the employee's actual age and cost of coverage using age 75 rate.

**LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT
AND SURVIVOR INCOME BENEFIT PROGRAMS
CURRENT 2011 RATES AND PROPOSED 2012 RATES**

Dependent Term Life Insurance for Flex and Megaflex Participants

Cost per month per \$5,000 of dependent life coverage, up to \$20,000.	<u>2012 Rate*</u> 1.12**
---	------------------------------------

SURVIVOR INCOME BENEFIT - For Megaflex participants enrolled in Retirement Plan E

<u>Employee Age</u>	<u>Current 2011 Rates*</u>		<u>Proposed 2012 Rates*</u>	
	<u>Employee Cost** (25% Option)</u>	<u>Employee Cost** (50% Option)</u>	<u>Employee Cost** (25% Option)</u>	<u>Employee Cost** (50% Option)</u>
Under 30	0.140%	0.270%	0.160%	0.309%
30 to 34	0.173%	0.356%	0.198%	0.408%
35 to 39	0.227%	0.464%	0.259%	0.531%
40 to 44	0.324%	0.637%	0.370%	0.729%
45 to 49	0.432%	0.864%	0.494%	0.988%
50 to 54	0.572%	1.145%	0.655%	1.308%
55 to 59	0.821%	1.653%	0.938%	1.889%
60 to 64	1.123%	2.246%	1.284%	2.569%
65 to 69	1.545%	3.089%	1.765%	3.530%
70 and over	2.743%	5.487%	3.136%	6.270%

* Rates are guaranteed through 12/31/2014.

** Employee Cost for Megaflex is half of the actual premium. The County pays the other 50%.

**SHORT-TERM DISABILITY, LONG-TERM DISABILITY
AND LONG-TERM DISABILITY HEALTH INSURANCE
CURRENT 2011 RATES AND PROPOSED 2012 RATES**

MEGAFLEX SHORT-TERM DISABILITY PLAN

Employee Cost as a Percentage of Monthly Salary:

Current 2011 Rates			Proposed 2012 Rates		
<u>Income Replacement</u>	<u>Waiting Period</u>	<u>Cost</u>	<u>Income Replacement</u>	<u>Waiting Period</u>	<u>Cost</u>
70%	14 Days	0.000%	70%	14 Days	0.000%
100%*	7 Days	0.934%	100%*	7 Days	0.934%

* Reduced to 80% after 21 days

MEGAFLEX LONG-TERM DISABILITY PLAN

Employee Cost as a Percentage of Monthly Salary:

<u>Income Replacement</u>	Current 2011 Rates		Proposed 2012 Rates	
	<u>Plan E + * Retirement Plan</u>	<u>All Other Plans</u>	<u>Plan E + * Retirement Plan</u>	<u>All Other Plans</u>
40%	0.000%	0.040%	0.000%	0.040%
60%	0.117%	0.157%	0.117%	0.157%

* Plan E plus 5 more years of continuous service

**SHORT-TERM DISABILITY, LONG-TERM DISABILITY
AND LONG-TERM DISABILITY HEALTH INSURANCE
CURRENT 2011 RATES AND PROPOSED 2012 RATES**

LONG-TERM DISABILITY HEALTH INSURANCE - Cost per month

For Flex/MegaFlex Employees

<u>Current 2011 Rate</u>		<u>Proposed 2012 Rate</u>	
75 % Premium Payment	100 % Premium Payment	75 % Premium Payment	100 % Premium Payment
\$0.00	\$3.00	\$0.00	\$3.00

For Represented Employees

<u>Current 2011 Rate</u>		<u>Proposed 2012 Rate</u>	
75 % Premium Payment	100 % Premium Payment	75 % Premium Payment	100 % Premium Payment
\$0.00	\$3.00	\$0.00	\$3.00

**UNION-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
CURRENT 2011 RATES AND PROPOSED 2012 RATES**

Plan	Option	Coverage Category ^a	Current 2011 Rates ^b	Proposed 2012 Rates ^b	Percentage Change
ALADS Blue Cross	Prudent Buyer Plan Under Age 50	1	\$ 687.63	\$ 743.92	8.2%
		2	\$ 1,339.33	\$ 1,445.72	7.9%
		3	\$ 1,540.72	\$ 1,662.23	7.9%
	Prudent Buyer Plan Age 50 and Over	1	\$ 687.63	\$ 743.92	8.2%
		2	\$ 1,339.33	\$ 1,445.72	7.9%
		3	\$ 1,540.72	\$ 1,662.23	7.9%
	CaliforniaCare Basic Plan (All Ages)	1	\$ 459.71	\$ 502.21	9.2%
		2	\$ 889.04	\$ 972.40	9.4%
		3	\$ 1,100.95	\$ 1,203.93	9.4%
	Prudent Buyer Plan Premier Plan Under Age 50	1	\$ 780.50	\$ 843.48	8.1%
		2	\$ 1,432.20	\$ 1,545.28	7.9%
		3	\$ 1,633.59	\$ 1,761.79	7.8%
	Prudent Buyer Plan Premier Plan Age 50 and Over	1	\$ 780.50	\$ 843.48	8.1%
		2	\$ 1,432.20	\$ 1,545.28	7.9%
		3	\$ 1,633.59	\$ 1,761.79	7.8%
	CaliforniaCare Premier Plan (All Ages)	1	\$ 552.58	\$ 601.77	8.9%
		2	\$ 981.91	\$ 1,071.96	9.2%
		3	\$ 1,193.82	\$ 1,303.49	9.2%
CAPE Blue Shield	Classic	1	\$ 703.00	\$ 721.00	2.6%
		2	\$ 1,363.56	\$ 1,399.00	2.6%
		3	\$ 1,624.56	\$ 1,666.00	2.6%
	Lite	1	\$ 421.00	\$ 443.00	5.2%
		2	\$ 868.56	\$ 913.00	5.1%
		3	\$ 1,094.56	\$ 1,140.00	4.2%
	PPO (Out-of-state only)	1	\$ 700.00	\$ 718.00	2.6%
		2	\$ 1,357.56	\$ 1,392.56	2.6%
		3	\$ 1,616.56	\$ 1,657.56	2.5%
FIREFIGHTERS LOCAL 1014	1	\$ 583.00	\$ 613.00	5.1%	
	2	\$ 1,107.56	\$ 1,164.56	5.1%	
	3	\$ 1,315.56	\$ 1,383.56	5.2%	

^a 1 = Employee only

2 = Employee + 1 Dependent

3 = Employee + 2 or more Dependents

^b Rates reflect current negotiated County subsidies

ENCLOSURES TO EXHIBIT V

1. ALADS Request
2. CAPE Request
3. Los Angeles County Fire Fighters Local 1014 Request

ALADS Insurance Trust

9500 Topanga Canyon Blvd. Chatsworth, CA 91311
Tel (818) 678-0040 • (800) 842-6635 • Fax (818) 678-0030

August 8, 2011

VIA U.S. MAIL AND E-MAIL: ecarrillo@hr.lacounty.gov

Ms. Lisa M. Garrett, Director of Personnel
County of Los Angeles
Hall of Administration, Room 579
500 West Temple Street
Los Angeles, California 90012

Attention: Ms. Eliza Carrillo, Sr. Human Resources Manager
Department of Human Resources
Employee Benefits – Deferred Income Division
3333 Wilshire Blvd., Suite #1000
Los Angeles, California 90010

RE: ALADS/ANTHEM BLUE CROSS 2012 HEALTHCARE PLAN PREMIUMS

Dear Ms. Carrillo:

Following are the monthly premium rates for the ALADS Anthem Blue Cross Prudent Buyer and CaliforniaCare medical and dental plans for the 2012 plan year:

Plan	Employee	Employee + 1	Employee + 2
Prudent Buyer Basic	\$743.92	\$1,451.16	\$1,667.67
Prudent Buyer Premier	\$843.48	\$1,550.72	\$1,767.23
CaliforniaCare Basic	\$502.21	\$977.84	\$1,209.37
CaliforniaCare Premier	\$601.77	\$1,077.40	\$1,308.93

Further, the ALADS plans do provide "Creditable Coverage" as defined in the Act. There will be no benefit changes for the benefit plan year 2012 other than as required by law.

Sincerely,



Bud Treece
ALADS Trust Administrator



August 3, 2011

Maryanne Keehn
Senior Human Resources Manager
Employee Benefits-Deferred Income Division
County of Los Angeles
Department of Human Resources
3333 Wilshire Boulevard
Los Angeles, CA 90010

Re: 2012 RENEWAL – CAPE/BLUE SHIELD MEDICAL PLANS

Dear Ms. Keehn:

This letter is to advise you of the CAPE Benefit Trust Board of Trustees' approval of the renewal of Blue Shield's contracts for the year 2012 for the CAPE/Blue Shield Point of Service Classic, Lite and the out-of-state PPO COBRA medical plans. Attached please find the benefit structures and rates for all three plans.

The vision coverage under both the CAPE/Blue Shield Lite and Classic Point of Service plans has been enhanced as follows:

- Through MES Providers Only – standard lenses and frames will be covered every 24 months for a \$10 copayment, and elective contact lenses up to \$120 every 24 months
- Out of the MES Network – reimbursement for standard lenses and frames every 24 months up to \$240, and elective contacts up to \$100 every 24 months

There are no other core benefit changes for 2012 other than any mandated regulatory changes.

We would appreciate your forwarding the 2012 CAPE/Blue Shield medical plans' information to the Board of Supervisors for their timely approval.

Sincerely,

CALIFORNIA ASSOCIATION OF
PROFESSIONAL EMPLOYEES BENEFIT TRUST

John W. Fallon
Chairman
CAPE Benefit Trust Board of Trustees

Attachments

2012 CAPE/Blue Shield
Lite Plan*

(800) 487-3092 www.blueshieldca.com

BENEFITS	PRIMARY CARE NETWORK	PPO NETWORK A Point of Service Plan	OUT-OF-NETWORK (Reimbursements Based On Allowable Amount)
Type of Plan	All Participants	All Participants	All Participants
Who is Eligible	None	\$500 per person; \$1,000 per family maximum (combined PPO Network and Out-of-Network)	\$500 per person; \$1,000 per family maximum (combined PPO Network and Out-of-Network)
Calendar Year Deductible	None	After deductible, \$4,000/person; \$8,000/family (combined - PPO Network and Out-of-Network)	After deductible, \$4,000/person; \$12,000/family (combined - PPO Network and Out-of-Network)
Maximum Annual Out-of-pocket Expenses	\$2,000/person; \$4,000/family	Unlimited	Unlimited
Lifetime Maximum Benefit	Unlimited	Unlimited	Unlimited
PREVENTIVE CARE			
Immunizations	100%; no copayment	100%; no copayment	100%; no copayment
Periodic Health Exams	100%; no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography)	100%; no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography-not subject to deductible)	100%; no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography-not subject to deductible)
Vision Care	To age 18 screenings only-100% through MES providers-exam- \$10 copayment-one per 12 months/frames, frames-\$10 copayment one per 24 months/contacts up to \$120 per 24 months	Non-MES Providers-reimbursement per 12 months-Optical/optometrist exam up to \$60/Optomistrist up to \$50/reimbursement per 24 months-lenses, frames up to \$240, contact lenses up to \$100	Non-MES Providers-reimbursement per 12 months-Optical/optometrist exam up to \$60/Optomistrist up to \$50/reimbursement per 24 months-lenses, frames up to \$240, contact lenses up to \$100
MEDICALLY NECESSARY CARE			
Ambulance	100% after \$50 copayment	80% after deductible	80% after deductible
Doctor Office Visits	100% after \$10 copayment	100% after \$25 copayment for consultation only (not subject to deductible)	60% after deductible
Emergency Room	100% after \$50 copayment (waived if admitted)	100% after \$50 copayment (waived if admitted)	100% after \$50 copayment (waived if admitted)
Hospital Care	100%; no copayment	80% after deductible	60% after deductible, carrier max payment \$360 per day
Maternity	100%; no copayment	100% after \$25 copayment for consultation only (not subject to deductible)	60% after deductible
Surgery	100%; no copayment (outpatient \$75 copayment)	80% after deductible	60% after deductible, outpatient-carrier max pymt \$360 per day
X-Ray & Lab Tests	100%; no copayment	80% after deductible	60% after deductible
Prescription Drugs	\$5 (generic), \$15 (brand name), \$30 (nonformulary-requires preapproval), Mail-Order-90-day Supply: \$10 (generic), \$30 (brand name), \$60 (nonformulary-requires preapproval)	\$5 (generic), \$15 (brand name), \$30 (nonformulary-requires preapproval), Mail-Order-90-day Supply: \$10 (generic), \$30 (brand name), \$60 (nonformulary-requires preauthorization)	Covered emergencies only - copayment applies
MENTAL HEALTH CARE			
Mental Health-Outpatient	100% after \$10 copayment	100% after \$25 copayment for consultation only (not subject to deductible)	60% after deductible
Mental Health-Inpatient	100%; no copayment	80% after deductible	60% after deductible, carrier max payment \$360 per day
OTHER PLAN BENEFITS			
Chiropractic Care	100% after \$15 copayment	100% after \$15 copayment	Not covered
Hearing Aids	\$1,000 maximum benefit every two years	Not covered	Not covered
Home Health Care	100% after \$10 copayment (combined 100 visits per calendar year)	80% after deductible	60% after deductible (combined 100 visits per calendar year)
Hospice Care	100% when provided by authorized hospice agency	100% when provided by authorized hospice agency	100% when provided by authorized hospice agency
Physical Therapy	100% after \$10 copayment	80% after deductible	60% after deductible
Skilled Nursing Facility	100%; no copayment (combined 100 days per calendar year)	80% after deductible (combined 100 days per calendar year)	60% after deductible (combined 100 days per calendar year)

*This is a limited benefit summary. Refer to the carrier summary for further details.
In case of discrepancies, the carrier's summary takes precedence

2012 Premium Rates
Employee Only: \$ 443.00
Employee + One: \$ 918.44
Employee + Family: \$1,145.44

2012 CAPE/Blue Shield
Classic Plan*

(800) 487-3092 www.blueshieldca.com

BENEFITS	PRIMARY CARE NETWORK	PPO NETWORK A Point of Service Plan	OUT-OF-NETWORK (Reimbursements Based On Allowable Amount)
Type of Plan	All Participants	All Participants	All Participants
Who is Eligible	None	\$300 per person; \$600 per family maximum (combined-PPO Network and Out-of-Network)	\$300 per person; \$600 per family maximum (combined-PPO Network and Out-of-Network)
Calendar Year Deductible	None	After deductible, \$4,000/person; \$8,000/family (combined - PPO Network and Out-of-Network)	After deductible, \$6,000/person; \$12,000/family (combined - PPO Network and Out-of-Network)
Maximum Annual Out-of-Pocket Expenses	\$2,000/person, \$4,000/family	Unlimited	Unlimited
Lifetime Maximum Benefit	Unlimited	Unlimited	Unlimited
PREVENTIVE CARE			
Immunizations	100%; no copayment	100%; no copayment	100%; no copayment
Periodic Health Exams	100%; no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography)	100%; no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography-not subject to deductible)	100%; no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography-not subject to deductible)
Vision Care	To age 18 screenings only-100%/through MES providers-exam-\$10 copayment-one per 12 months/frames-\$10 copayment-one per 24 months/contacts up to \$120 per 24 months	Non-MES Providers-reimbursement per 12 months-Ophthalmologist exam up to \$60/Optomertist up to \$50/reimbursement per 24 months-frames up to \$240, contact lenses up to \$100	Non-MES Providers-reimbursement per 12 months-Ophthalmologist exam up to \$60/Optomertist up to \$50/reimbursement per 24 months-lenses, frames up to \$240, contact lenses up to \$100
MEDICALLY NECESSARY CARE			
Ambulance	100% after \$50 copayment	90% after deductible	90% after deductible
Doctor Office Visits	100% after \$10 copayment	100% after \$20 copayment for consultation only (not subject to deductible)	60% after deductible
Emergency Room	100% after \$30 copayment (waived if admitted)	100% after \$30 copayment (waived if admitted)	100% after \$30 copayment (waived if admitted)
Hospital Care	100%; no copayment	90% after deductible	60% after deductible
Maternity	100%; no copayment	100% after \$20 copayment for consultation only (not subject to deductible)	60% after deductible
Surgery	100%; no copayment	90% after deductible	60% after deductible
X-Ray & Lab Tests	100%; no copayment	90% after deductible	60% after deductible
Prescription Drugs	\$5 (generic), \$12 (brand name), \$30 (nonformulary-requires preapproval); Mail-Order- 90-day Supply: \$10 (generic), \$30 (brand name), \$60 (nonformulary-requires preapproval)	\$5 (generic), \$15 (brand name), \$30 (nonformulary-requires preapproval); Mail-Order- 90-day Supply: \$10 (generic), \$30 (brand name), \$60 (nonformulary-requires preapproval)	Covered emergencies only - copayment applies
MENTAL HEALTH CARE			
Mental Health-Outpatient	100% after \$10 copayment	100% after \$20 copayment for consultation only (not subject to deductible)	60% after deductible
Mental Health-Inpatient	100%; no copayment	90% after deductible	60% after deductible, carrier max payment \$360 per day
OTHER PLAN BENEFITS			
Chiropractic Care	100% after \$10 copayment ---Includes acupuncture; up to 40 combined visits/calendar year (based on medical necessity)--- ---Provided through American Specialty Health Plus---	100% after \$10 copayment	Not covered
Hearing Aids	\$1,000 maximum benefit every two years	90% after deductible	Not covered
Home Health Care	100% after \$10 copayment (combined 100 visits per calendar year)	90% after deductible (combined 100 visits per calendar year)	60% after deductible (combined 100 visits per calendar year)
Hospice Care	100% when provided by authorized hospice agency	100% when provided by authorized hospice agency	100% when provided by authorized hospice agency
Physical Therapy	100% after \$10 copayment	90% after deductible	60% after deductible
Skilled Nursing Facility	100%; no copayment (combined 100 days per calendar year)	90% after deductible (combined 100 days per calendar year)	60% after deductible (combined 100 days per calendar year)

*This is a limited benefit summary. Refer to the carrier's summary for further details.

In case of discrepancies, the carrier's summary takes precedence.

2012 Premium Rates
Employee Only: \$ 721.00
Employee + One: \$1,404.44
Employee + Family: \$1,671.44

2012 CAPE/Blue Shield
 COBRA PPO Plan *

(800) 487-3092 www.blueshieldca.com

BENEFITS	IN-NETWORK	OUT-OF-NETWORK (Reimbursements Based On Allowable Amount)
Type of Plan	A Preferred Provider Option Plan	
Who is Eligible	Participants residing outside the State of California	Participants residing outside the State of California
Calendar Year Deductible	\$250 per person; \$500 per family maximum (combined In-Network and Out-of-Network)	\$250 per person; \$500 per family maximum (combined In-Network and Out-of-Network)
Maximum Annual Out-of-pocket Expenses	After deductible, \$3,000/person; \$6,000/family (combined - In-Network and Out-of-Network)	After deductible, \$10,000/person; \$20,000/family (combined - In-Network and Out-of-Network)
Lifetime Maximum Benefit	Unlimited	Unlimited
PREVENTIVE CARE		
Immunizations	100%; no copayment and not subject to the deductible	100%; no copayment and not subject to the deductible
Periodic Health Exams	100%; no copayment (Includes Well Woman Pap Smear and Mammography/Well Baby Lab subject to deductible)	100%; no copayment (Includes Well Woman Pap Smear and Mammography/Well Baby Lab subject to deductible)
Vision Care (dependent child to age 18)	Screening only- 100%; no copayment	Screening only- 100%; no copayment
MEDICALLY NECESSARY CARE		
Ambulance	90% after deductible	90% after deductible
Doctor Office Visits	\$20 copayment (not subject to deductible)	70% after deductible
Emergency Room	90% after \$50 copayment (waived if admitted)	90% after \$50 copayment (waived if admitted)
Hospital Care	90% after deductible	70% after deductible, carrier max payment \$420 per day
Maternity	100% after \$20 copayment (not subject to deductible)	70% after deductible
Surgery	90% after deductible	70% after deductible, outpatient-carrier max pymt \$420 per day
X-Ray & Lab Tests	90% after deductible	70% after deductible
Prescription Drugs	\$10 (generic), \$15 (brand name), \$30 (nonformulary)	Covered for emergencies only- 75% of lesser of actual price or reasonable charge, minus copayment
MENTAL HEALTH CARE		
Mental Health-Outpatient	Mail-Order 90-day Supply: \$20 (generic), \$30 (brand name), \$60 (nonformulary)	
Mental Health-Inpatient	\$20 copayment (not subject to deductible)	70% after deductible
Chiropractic Care	90% after deductible	70% after deductible, carrier max payment \$420 per day
OTHER PLAN BENEFITS		
Home Health Care	90% after deductible	70% after deductible
Hospice Care	(combined 100 visits per calendar year)	(combined 100 visits per calendar year)
Physical Therapy	100% when provided by authorized hospice agency	100% when provided by authorized hospice agency
Skilled Nursing Facility	90% after deductible	70% after deductible
	90% after deductible (combined 100 days per calendar year)	70% after deductible (combined 100 days per calendar year)

* This is a limited benefit summary. Refer to the carrier summary for further details.
 In case of discrepancies, the carrier's summary takes precedence.

2012 Premium Rates
 Employee Only: \$ 718.00
 Employee + One: \$1,398.00
 Employee + Family: \$1,663.00



**LOS ANGELES COUNTY FIRE FIGHTERS
LOCAL 1014 HEALTH AND WELFARE PLAN**

3460 FLETCHER AVENUE · EL MONTE, CALIFORNIA 91731
(310) 639-1014 (800) 660-1014 (within California)



July 26, 2011

Ms. Eliza M. Carrillo
Senior Human Resources Manager
Employee Benefits/ Deferred Income Division
County of Los Angeles
Department of Human Resources
3333 Wilshire Boulevard
Los Angeles, California 90010

**RE: Plan Year 2012 Employee Insurance Information
Los Angeles County Fire Fighters Local 1014 Health and Welfare Plan**

Dear Ms. Carrillo:

In response to your letter of June 9, 2011, I am providing employee benefit and premium changes that have been approved by the Board of Trustees for Plan Year 2012. The Trustees wish to have these changes included in your letter to the Board of Supervisors.

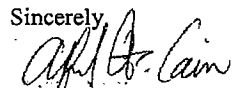
The one benefit change for 2012 is an increase in the reimbursement percentage for LASIK from 80% to 90%. The maximum benefit of \$1,500 per eye is not changing.

After conferring with Mercer, the Plan's consultant, the Board of Trustees approved a 5.11 % premium increase for 2012. Our monthly rates for 2012, rounded to the nearest dollar are as follows:

Member Only	\$ 613.00
Member + 1 Dependent	\$1,170.00
Family	\$1,389.00

Needless to say, should you have any questions, please contact me by E-mail or call me at (800) 660-1014.

Sincerely,


Alfred F. Cain, CEBS
Administrative Manager

C: Dave Gillotte





August 1, 2011

Ms. Eliza Carrillo
Senior HR Manager
County of Los Angeles
3333 Wilshire Boulevard, Suite 1000
Los Angeles, CA 90010-4101

Subject: Summary of 2012 Renewal Results and Recommendations (Represented Plans)

Dear Eliza:

The following letter summarizes the 2012 renewal proposals for medical, dental, life, and AD&D plans offered to the represented employees at the County of Los Angeles (the County), including our analysis, observations, and recommendations. The renewal request and negotiation process is outlined in the attached Addendum.

Medical Plans

Overview

For all represented medical plans, the final projected premium increase for 2012 is 8.3% or about \$54.6 million over expected premiums for 2011. The initial proposed renewal increase for the represented medical plans was 9.8%. Negotiated reductions to the medical renewals (exclusive of benefit design changes) equate to \$9.5 million. For more details on final rate increases, please refer to attachment C.

After evaluation of the renewal proposals, Aon Hewitt recommends that the County accept the final 2012 renewal increases offered by CIGNA, Kaiser and United Healthcare (UHC) as outlined in the table below. It is our opinion that because the County is not making any carrier or benefit changes, all plans should maintain 'grandfathered' status with respect to health care reform legislation. We recommend the County seek the advice of their own legal counsel in this regard, as Aon Hewitt is not a law firm and cannot provide legal advice.

We believe the renewals are justified for all plans. A summary of key issues, proposal terms and negotiation results are outlined by carrier in the following pages.

	CIGNA	Kaiser Choices	Kaiser Options	UHC
Initial 2012 Renewal Action	+11.5%	+7.3%	+8.1%	+12.9%
Final 2012 Renewal Action	+7.3%	+7.3%	+8.1%	+9.6%



CIGNA

CIGNA initially proposed an 11.5% increase to the combined HMO and POS rates for 2012, about a \$7.2 million increase from 2011 premiums. These rates do not include 2009 and 2010 performance guarantee penalty credits totaling \$220,152 that are due to the County. This penalty credits will be applied to the PSR.

Renewal discussions with CIGNA targeted the following issues:

- Potential re-rate due to large shifts in social worker enrollment from CIGNA to UHC
- CIGNA's use of compound trend rates for capitation
- Overall trend assumptions
- Retention increase over 2011
- Claim fluctuation corridor
- Reserve for claims incurred but not paid

The County's financial arrangement with CIGNA provides for a year-end reconciliation of premiums, claims, and expenses associated with the plan. Surpluses are deposited to the PSR and any shortfall is withdrawn from the PSR, to the extent funds are available. The PSR had grown to a significant level in 2007 and 2008 and a significant premium subsidy was applied to the 2009 renewal. No subsidy was applied to the 2010 rates. As claim experience deteriorated, the annual accounting resulted in a deficit, and the stabilization reserve was exhausted. Therefore, there was no premium offset from the PSR for 2011, and there again is no premium offset for 2012.

The chart below summarizes the most recent four years of the PSR (updated based on new rates)

	2008	2009	2010	2011
Premium	\$44,090,806	\$45,982,093	\$54,394,588	\$61,330,938
Year-end Premium Stabilization Reserve (PSR)	\$8,018,960	(\$1,175,816)	(\$1,552,812)	\$243,052
PSR % of Premium	18.2%	-2.6%	-2.9%	0.4%



We noted in the review process that there were several large individual claims. We asked CIGNA to provide quotes for stop-loss coverage at various attachment points to determine if such protection should be included in the 2012 renewal rates. In all cases the insurance premium was significant and the coverage provided no protection based on 2010/2011 large claim amounts. Therefore, stop-loss coverage is not recommended for 2012.

The chart below summarizes S/L premium and excess claims by Attachment Point

Attachment Point	\$300,000	\$350,000	\$400,000
2012 S/L Premium	\$2,704,286	\$2,186,259	\$1,802,412
2010/11 Excess Claims	\$1,086,747	\$892,082	\$840,014

On a stand-alone basis, the HMO increase would have been 5.1% and the POS plan would have been 43.6%. Because the CIGNA rates are blended, the HMO participants will be subsidizing the POS participants for 2012, as has been the case in prior years.

Negotiations with CIGNA resulted in a final 7.3% increase. This amounts to approximately \$4.6 million over current costs and a savings of \$2.6 million from their original proposal. Additionally, CIGNA agreed to defer to the 2013 plan year any needed re-rating brought about by a potential union membership shift from the CIGNA plans to the UHC plans during 2012 open enrollment. Any incremental premium required for 2012 will be included in the 2013 rates. We believe that CIGNA has justified their renewal position and that the County should accept their offer.

Kaiser

Kaiser's renewal proposal was a 7.3% increase for the Choices plan and an 8.1% increase for the Options program. Kaiser's Southern California commercial rate increase is projected to be less than 8%. A 2009 performance guarantee penalty credit of \$323,086 was applied to the 2012 rates for Choices and Options. Performance guarantee results for 2010 are not yet final and will be applied to the 2013 renewal.

Discussions with Kaiser on the renewal proposal targeted the following areas:

- Trend drivers/factors
- Possibilities and costs associated with on-site clinics (for future discussion)
- Targeted health intervention
- Rate impact of increasing pooling point which would apply to the 2013 renewal
- Emergency Room access and utilization
- Impact of newly opened Kaiser facilities on the County's employees
- Increases in inpatient and outpatient unit costs
- Cap on Total Health Assessment (THA) budget

We believe the Kaiser renewal is justified based on the information provided.

United Healthcare

UHC's initial renewal proposal was a 12.9% overall increase. The increases were a 12.9% increase for the HMO plan and a 15.0% increase for the PPO plan, representing an increase of \$26.6 million over current premiums.

Discussions with UHC targeted the following key areas:

- Completion factors and corresponding reserve estimates
- FFS/capitation trend
- Rx trend and rebates
- Retention
- Confirming there will be no re-rate due to migration of Social Workers' Union membership from CIGNA to UHC
- Potential partnership with Healthcare Partners to better manage care and control cost
- Eliminating additional charges for custom marketing materials and "taking Charge of You" program

UHC updated experience and reduced projected capitation, required IBNR reserve and retention. Negotiations resulted in final renewals of 9.5% on the HMO and no change to the 15% increase for the PPO, for a savings of \$6.9 million over the initial renewal position. In addition, UHC agreed to eliminate additional charges for custom marketing and the "Taking Charge of You" program, for an additional savings of \$196,292. A 2009 penalty credit of \$251,296 was applied to the 2012 rates.



Ms. Eliza Carrillo
County of Los Angeles
August 1, 2011
Page 5

We believe that UHC has justified their renewal position and that the County should accept their offer.

Dental Plans

Safeguard Prepaid Dental

Safeguard is currently under a 2 year rate guarantee that extends to 12/31/2012. Based on our review of the plan experience we believe the current rates are justified. There was a \$4,792 performance guarantee penalty credit applied across rates for all County populations, including the non-represented group.

Life and AD&D

CIGNA Life

CIGNA's renewal initially came in at a rate pass, as the CIGNA life and AD&D plans were under a rate guarantee until the end of the 2013 plan year.

A review of the plan's experience revealed that the supplemental life and accidental death plans were running below expected levels; the supplemental life at an 83% loss ratio and accidental death at a 43% loss ratio. We requested a rate reduction on these lines of coverage. Negotiations with CIGNA resulted in a rate decrease of 4.5% to the optional life and 12% to the accidental death effective 1/1/2012 and guaranteed through the end of 2013.

Additionally, the basic life plan is a participating contract, meaning the County shares in surpluses on the plan. At the end of the 2010 plan year, there was approximately \$881,000 available for refund to the County (Represented and Non-represented populations combined). Our analysis revealed that the total decrease negotiated for 1/1/2011 of approximately 30% was not going to be enough to use up the surplus over the three year period from 1/1/2011 – 12/31/2013. We negotiated an additional 24% decrease effective 1/1/2012 to CIGNA's final basic life rates, to credit the \$881,000 back to the County over the remainder of the three-year term ending 12/31/2013.



Ms. Eliza Carrillo
County of Los Angeles
August 1, 2011
Page 6

If you have any questions or need additional information regarding any of the renewals, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Kirby Bosley".

Kirby Bosley
Senior Vice President
Aon Hewitt, Los Angeles

CC:

Marian Hall – County of Los Angeles
Bill Dukes – County of Los Angeles
Jim Adams – County of Los Angeles
Mary Gilmore – County of Los Angeles
Hoa Phan – County of Los Angeles
Maryanne Keehn – County of Los Angeles
Jorge Alvidrez – Aon Hewitt, Los Angeles
Kent Levihn – Aon Hewitt, Houston

Addendum**Process**

The renewal request, analysis, and negotiation are multi-step processes, conducted over a period of several months. Request for Renewals (RFRs) are drafted and reviewed by the Aon Hewitt and County stakeholders.

The RFR includes:

- Stated assumptions and requirements, including a submission letter to be signed by an officer with the authority to bind the company
- Questionnaire targeting key County objectives and issues, including rate development, utilization, legislative issues such as health care reform
- Plan performance exhibits comparing the County's past plan results to the carriers' book of business results
- Rate quotation, rate development and projected cost exhibits
- Benefit design and contract changes
- Performance guarantees

All stakeholders submit requested changes to the draft. These are reviewed and incorporated into the final RFR, which is then released to the carriers.

Carrier proposals are submitted to all stakeholders at the same time. Following a review and analysis period, Aon Hewitt drafts negotiation letters for each plan. The drafts are reviewed by the County and the Union consultants, and their respective comments are incorporated before release to the carriers. Weekly status conference calls are conducted between Aon Hewitt and the County to discuss the renewal results, negotiation process and any open issues.

Responses to the negotiation letters are due from the carriers prior to the renewal meetings. Again, the responses are delivered to all stakeholders concurrently. Final issues are reviewed and prepared for the renewal meetings.



Ms. Eliza Carrillo
County of Los Angeles
August 1, 2011
Page 8

Renewal meetings are conducted with each medical plan carrier. Attendees include representatives from the County of Los Angeles DHR and CEO offices, Union consultants, BAC and EBAC committees and Aon Hewitt, as well as the carrier representatives. The carrier representatives generally include account/sales management, financial, operations, and medical/provider relations personnel. Issues discussed during the meetings include both financial and non-financial questions that explore carriers' methodologies for rate development. Outstanding issues and requests for reduced rates (when justified) are presented to each carrier. Following the meeting, carriers must respond to all identified issues in writing to all stakeholders.

The review and negotiation process continues until all open issues are resolved or the carrier has presented their final offer. The negotiation does not always result in agreement on particular topics; however, it may result in overall business concessions from the carriers.



August 1, 2011

Ms. Eliza Carrillo
Senior HR Manager
County of Los Angeles
3333 Wilshire Boulevard, Suite 1000
Los Angeles, CA 90010-4101

Subject: Summary of 2012 Renewal Results and Recommendations (Non-Represented Plans)

Dear Eliza:

This letter summarizes the results of our analysis and negotiation of the 2012 renewal proposals for medical, dental, Life, and AD&D plans offered to the non-represented employees of the County of Los Angeles (the County) including our analysis, observations, and recommendations. In addition, it presents Aon Hewitt's recommendations for each plan. The renewal request and negotiation process is outlined in the attached Addendum.

Medical Plans

Overview

For all non-represented medical plans, the final projected premium increase for 2012 is 2.9% or about \$3.7 million over expected premiums for 2011. The initial proposed renewal increase for the non-represented medical plans was 5.1%. For more details on final rate increases, please refer to attachment C.

It is our opinion that because the County is not making any carrier or benefit changes, all plans should retain 'grandfathered' status with respect to health care reform legislation. We recommend the County seek the advice of their own legal counsel in this regard, as Aon Hewitt is not a law firm and cannot provide legal advice.

After our analysis of the renewal proposals, Aon Hewitt recommends that the County accept the final 2012 renewals offered by Anthem and Kaiser. A summary of key issues, negotiation results and the proposal terms are outlined below by carrier.

	Anthem	Kaiser
Initial 2012 Renewal Action	+6.8%	+2.4%
Final 2012 Renewal Action	+3.1%	+2.4%

Anthem Blue Cross

The Anthem Blue Cross program is a minimum premium arrangement and expected and maximum liability costs are projected based on prior claims experience and the fixed costs associated with administration of the plan. The Anthem maximum costs are the basis for the renewals outlined in this letter. Anthem's initial renewal proposal was a 6.8% increase across all plans, or about \$5.5 million, over 2011 costs. All plans include specific stoploss of \$300,000 per individual. Aggregate stop loss is currently set at 120% of projected claims for the POS, PPO and Catastrophic plans; the aggregate stoploss limit is 115% of projected claims for the HMO plan.

Renewal discussions with Anthem targeted the following key areas:

- Retention
- FFS, capitation and Rx trend
- Administration fees
- Rx Rebates
- Catastrophic rates

As a result of negotiations, Anthem updated the claims experience and made a business decision that resulted in an overall increase of 3.1% across all plans, or about \$2.5 million, over 2011 costs.

Anthem provided their 2010 performance guarantee report and applied the penalty of \$361,229 to the County's April 2011 invoice, so there is no direct impact to the renewal.

Vision benefits for the HMO, POS, and PPO plans are offered on a non-participating insured basis through an arrangement between Anthem and VSP. There is also a portion of the vision benefit (coverage for laser eye surgery) that is self-insured by the County. The insured portion of the VSP cost received a 17.7% renewal increase for a two-year rate guarantee period beginning 1/1/2011. The cost of the vision program is included in the Anthem renewals described above.

We believe Anthem's most recent renewal proposal is justified and recommend that the County accept it.

Kaiser

Kaiser's renewal proposal is a 2.4% increase over 2011 for the Flex/MegaFlex program. A 2009 performance guarantee penalty credit of \$40,747 was applied to the 2012 rates for the non-represented population. Performance guarantee results for 2010 are not yet final and will be applied to the 2013 renewal.

Addendum**Process**

The renewal request, analysis and negotiation are multi-step processes, conducted over a period of several months. A planning meeting with the County begins the process in which objectives for the following plan year are established. This process was conducted by the County and Aon Hewitt.

Based on the planning meeting discussions, a Request for Renewal (RFR) was drafted. The RFR includes:

- Stated assumptions and requirements, including a submission letter to be signed by a company officer with the authority to bind their proposal
- Questionnaire targeting key County objectives and issues, including rate development, utilization, legislative issues such as mental health parity and health care reform
- Plan performance exhibits comparing the County's past plan results to the carriers' book of business results
- Rate quotation, rate development and projected cost exhibits
- Benefit design and contract changes
- Performance guarantees

All stakeholders submit requested changes to the draft. These are reviewed and incorporated into the final RFR, which is then released to the carriers.

Carrier proposals are submitted to all stakeholders at the same time. Following a review and analysis period, Aon Hewitt drafts negotiation letters for each plan. The drafts are reviewed by the County, and their comments are incorporated before release to the carriers. Weekly status conference calls are conducted between Aon Hewitt and the County to discuss the renewal results, negotiation process and any open issues.

Responses to the negotiation letters are due from the carriers prior to the renewal meetings. Again, the responses are delivered to all stakeholders concurrently. Final issues are reviewed and prepared for the renewal meetings.



Ms. Eliza Carrillo
County of Los Angeles
August 1, 2011
Page 6

Renewal meetings are conducted with each medical plan carrier. Attendees include representatives from the County of Los Angeles DHR and CEOs' offices, Aon Hewitt, and carrier representatives. The carrier representatives generally include account/sales management, financial, operations, and medical/provider relations personnel. Issues discussed during the meetings include both financial and non-financial questions that explore carriers' methodologies for rate development. Outstanding issues and requests for reduced rates (when justified) are presented to each carrier. Following the meeting, carriers must respond to all identified issues in writing to all stakeholders.

The review and negotiation process continues until all open issues are resolved or the carrier has presented their final offer. The negotiation does not always result in agreement on particular topics; however, it may result in overall business concessions from the carriers.

**County of Los Angeles
2012 Renewal Results**

	2012 Initial Renewal		2012 Negotiated Renewal Current Plan		Percent Change from 2011 ¹	Negotiated Savings	Performance		Total Change from Base Renewal ²
	2011 Current Plan	2012 Negotiated	2012 Negotiated	from 2011 ¹			Guarantee Credits	Base Renewal ²	
Flex/MegaFlex									
Kaiser	\$48,898,824	\$50,066,160	\$50,066,160	\$50,066,160	2.4%	\$0	(\$40,747)	(\$40,747)	(\$40,747)
Anthem ³	\$80,689,272	\$86,147,337	\$83,223,647	\$83,223,647	3.1%	(\$2,923,690)	(\$361,229)	(\$3,284,919)	(\$3,284,919)
Options									
Kaiser ⁴	\$262,715,046	\$283,918,834	\$283,918,834	\$283,918,834	8.1%	\$0	(\$219,257)	(\$219,257)	(\$219,257)
UnitedHealthcare	\$205,688,791	\$232,252,151	\$225,371,022	\$225,371,022	9.6%	(\$6,881,129)	(\$251,296)	(\$7,132,425)	(\$7,132,425)
Choices									
Kaiser ⁴	\$125,319,699	\$134,448,873	\$134,448,873	\$134,448,873	7.3%	\$0	(\$103,829)	(\$103,829)	(\$103,829)
CIGNA ⁵	\$62,818,431	\$70,062,671	\$67,414,391	\$67,414,391	7.3%	(\$2,648,280)	\$0	(\$2,648,280)	(\$2,648,280)
Total Medical	\$786,130,063	\$856,896,025	\$844,442,927	\$844,442,927	7.4%	(\$12,453,099)	(\$976,358)	(\$13,429,457)	(\$13,429,457)
Safeguard ⁶									
Flex	\$208,451	\$208,451	\$208,451 ⁷	\$208,451	0.0%	\$0	(\$316)	(\$316)	(\$316)
Options	\$1,718,233	\$1,718,233	\$1,718,233	\$1,718,233	0.0%	\$0	(\$2,602)	(\$2,602)	(\$2,602)
Choices	\$1,238,378	\$1,238,378	\$1,238,378	\$1,238,378	0.0%	\$0	(\$1,875)	(\$1,875)	(\$1,875)
Total Dental	\$3,165,062	\$3,165,062	\$3,165,062	\$3,165,062	0.0%	\$0	(\$4,792)	(\$4,792)	(\$4,792)
CIGNA Basic Life									
Flex/MegaFlex	\$22,865	\$22,865	\$17,377	\$17,377	-24.0%	(\$5,488)		(\$5,488)	(\$5,488)
Choices/Options	\$835,467	\$835,467	\$634,955	\$634,955	-24.0%	(200,512)		(\$200,512)	(\$200,512)
CIGNA Optional/Dependent Life									
Choices/Options	\$25,842,013	\$25,842,013	\$24,679,122	\$24,679,122	-4.5%	(\$1,162,891)		(\$1,162,891)	(\$1,162,891)
Total Life⁷	\$26,700,344.78	\$26,700,344.78	\$25,331,454.49	\$25,331,454.49	-5.1%	(\$1,368,890)		(\$1,368,890)	(\$1,368,890)
TOTAL	\$815,985,469	\$886,761,431	\$872,939,443	\$872,939,443	7.0%	(\$13,821,989)	(\$981,151)	(\$14,803,139)	(\$14,803,139)

Footnotes:

- Medical and dental increases are calculated using January 1, 2011 enrollment; Life increases use January 1, 2010 enrollment/volume
- Base renewal is not shown; base renewal equals initial renewal prior to the application of any performance guarantee credits
- Anthem rates are calculated based on an expected premium basis
- Kaiser Options & Choices performance guarantee penalties were reported together by Kaiser but are shown split based on 2012 premium volume
- CIGNA did not incorporate 2009 and 2010 performance guarantee credits of \$220,152 into the 2012 rates; 2009 and 2010 performance credits will be added to the PSR
- Safeguard performance guarantee credits were reported together by Safeguard but are shown split based on 2012 premium volume
- Life premiums do not include the AD&D plan through CIGNA or the MetLife Optional Life plan for Flex/MegaFlex

Attachment D

MERCER



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Marci K. Burns
Partner

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Los Angeles, CA 90017
213 346 2221
marci.burns@mercer.com
www.mercer.com

August 4, 2011

Ms. Eliza Carrillo
Sr. HR Manager
County of Los Angeles
3333 Wilshire Boulevard, Suite 1000
Los Angeles, CA 90010-4101

Subject: Summary of 2012 Delta Dental Renewal Results and Recommendations (Non-represented Employees)

Dear Eliza:

This letter summarizes the results of our analysis and negotiation of the 2012 renewal proposals for the Delta Dental plans offered to the non-represented employees of the County of Los Angeles (County).

Dental Plans

The following summarizes the Delta Dental PPO and DeltaCare HMO renewals.

DeltaDental PPO

Delta initially proposed a 3.4% decrease to the rates for 2012, with a one year rate guarantee. Rates were based on the current plan design and did not include any credits for performance guarantee penalties.

The dental PPO plan is a participating contract, whereby the County shares in surpluses or deficits on the plan. Depending on the amount of any surplus on the plan, there may be funds available to subsidize premiums from the Contract Refundable Reserve account. Due to the fact that the 2010 projection indicated there would not be a surplus at the end of 2010, the premiums were not subsidized for 2011.

The 2011 accounting projection using data through May 2011, indicates that there will be a surplus of approximately \$1.39 million at the end of 2011. Delta has traditionally allowed up to 75% of the projected surplus to be used to subsidize the following year's premium. Therefore, 2012 premiums will be subsidized from the contract refundable reserve by about \$1.04 million and rates will be guaranteed for two years.

MERCER

 MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Page 2
August 4, 2011
Ms. Eliza Carrillo
County of Los Angeles

After negotiations and application of the Contract Refundable Reserve, Delta's final renewal position is a 3.1% decrease to the contract rates and a 7.6% decrease to the billed rates. These rates include the premium subsidy and the performance guarantee credit previously noted. The final rates represent negotiated savings of \$485,000 from the initial renewal proposal.

DeltaCare USA – DHMO

Delta initially proposed a 3.2% increase to the DHMO rates, however, negotiations brought this down to a rate pass for 2012, for a reduction of almost \$10,000 from the initial proposal. Delta also offered a 2 year renewal at an increase of 2.17% to the current rates, which we would not recommend.

If you have any questions about the above information, please give me a call to discuss.

Sincerely,



Marci Burns
Partner

Copy:
Maryanne Keehn – County of Los Angeles
Bill Dukes – County of Los Angeles
Jim Adams – County of Los Angeles
Mary Gilmore – County of Los Angeles
Hoa Phan – County of Los Angeles
Jeff Whitman – Mercer, Los Angeles
Ann Gillespie – Mercer, Los Angeles

Attachment E

MERCER

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Marci K. Burns
Partner

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Los Angeles, CA 90017
213 346 2221
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www.mercer.com

August 4, 2011

Ms. Eliza Carrillo
Sr. HR Manager
County of Los Angeles
3333 Wilshire Boulevard, Suite 1000
Los Angeles, CA 90010-4101

Subject: Summary of 2012 Delta Dental Renewal Results and Recommendations -
Represented Employees

Dear Eliza:

This letter summarizes the results of our analysis and negotiation of the 2012 renewal proposals for the Delta Dental plans offered to the represented employees of the County of Los Angeles (County).

Dental Plans

The following summarizes the Delta Dental PPO and DeltaCare HMO renewals.

DeltaDental PPO

Delta initially proposed a 1.8% decrease to the rates for Options and a rate pass for Choices for 2012, with a one year rate guarantee. Rates were based on the current plan design and did not include any credits for performance guarantee penalties.

The dental PPO plan is a participating contract, whereby the County shares in surpluses or deficits on the plan. Depending on the amount of any surplus on the plan, there may be funds available to subsidize premiums from the Contract Refundable Reserve account. Due to the fact that the 2010 projection indicated there would not be a surplus at the end of 2010, the premiums were not subsidized for 2011.

The 2011 accounting projection using data through May 2011, indicates that there will be a surplus of approximately \$1.78 million for Choices and \$2.39 million for Options at the end of 2011. Delta has traditionally allowed up to 75% of the projected surplus to be used to subsidize the following year's premium. Therefore, 2012 premiums will be subsidized from

MERCER

 MARSH MERCER KROLL
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Page 2
August 4, 2011
Ms. Eliza Carrillo
County of Los Angeles

the contract refundable reserve by about \$1.33 million for Choices and \$1.79 million for Options and rates will be guaranteed for two years.

After negotiations and application of the Contract Refundable Reserve, Delta's final renewal position is as follows:

Group	Billed Rate Change	Contract Rate Change
Choices	-2.5%	+0.65%
Options	-3.5%	-1.5%

These rates also reflect performance guarantee penalty credits of \$40,616 for Options and \$20,281 for Choices. The final rates represent negotiated savings of \$1.29 million off of the initial renewal proposals.

DeltaCare USA – DHMO

Delta initially proposed a 3.2% increase to the DHMO rates, however, negotiations brought this down to a rate pass for 2012, for a reduction of almost \$103,000 from the initial proposal. Delta also offered a 2 year renewal at an increase of 2.17% to the current rates, which we would not recommend.

If you have any questions or need additional information regarding any of the renewals, please let me know.

Sincerely,



Marci Burns
Partner

Copy:
Maryanne Keehn – County of Los Angeles
Bill Dukes – County of Los Angeles
Jim Adams – County of Los Angeles
Mary Gilmore – County of Los Angeles

MERCER



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Page 3
August 4, 2011
Ms. Eliza Carrillo
County of Los Angeles

Hoa Phan – County of Los Angeles
Jeff Whitman – Mercer, Los Angeles
Ann Gillespie – Mercer, Los Angeles

Discussions with Kaiser on the renewal proposal targeted the following areas:

- Trend rate, fee schedule drivers and utilization trends
- Review of the differences in risk between union populations
- Analysis of pooling point

There was previously one employee covered by the Kaiser Mid-Atlantic plan, which is community rated and has a standard plan design; however, there is no one currently enrolled in that plan.

We believe Kaiser's renewal proposal is justified and recommend that the County accept it.

Dental Plans

Safeguard Prepaid Dental

Safeguard is currently under a 2 year rate guarantee that extends to 12/31/2012. Based on our review of the plan experience we believe the current rates are justified. There was a \$4,792 performance guarantee penalty credit applied across the rates for all County populations, including the represented group.

Life and AD&D

CIGNA Life

CIGNA's renewal initially came in at a rate pass, as the CIGNA life and AD&D plans were under a rate guarantee until the end of the 2013 plan year.

A review of the plan's experience revealed that the accidental death plans were running below expected levels, at a 43% loss ratio. We requested a rate reduction on this line of coverage. Negotiations with CIGNA resulted in a rate decrease of 12% for the accidental death effective 1/1/2012 guaranteed through the end of 2013.

Additionally, the basic life plan is a participating contract, meaning the County shares in surpluses on the plan. At the end of the 2010 plan year, there was approximately \$881,000 available for refund to the County (Represented and Non-Represented populations combined). Our analysis revealed that the total decrease negotiated for 1/1/2011 of approximately 30% was not going to be enough to use up the surplus over the three year period from 1/1/2011 – 12/31/2013. We negotiated an additional 24% decrease effective 1/1/2012 to CIGNA's final basic life rates, to credit the \$881,000 back to the County over the remainder of the three-year term ending 12/31/2013.



Ms. Eliza Carrillo
County of Los Angeles
August 1, 2011
Page 4

If you have any questions about the above information, please give me a call to discuss.

Sincerely,

A handwritten signature in black ink, appearing to read "Kirby Bosley".

Kirby Bosley
Senior Vice President
Aon Hewitt, Los Angeles

CC:

Marian Hall – County of Los Angeles
Bill Dukes – County of Los Angeles
Jim Adams – County of Los Angeles
Mary Gilmore – County of Los Angeles
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Jorge Alvidrez – Aon Hewitt, Los Angeles
Kent Levihn – Aon Hewitt, Houston

COUNTY OF LOS ANGELES
2012 Renewal Results

	2011	2012	2012	Percent	Negotiation	Performance	Total Change
	Original renewal	Original renewal	Negotiated renewal	Change	Results	Guaranteee	from Original
	current plan	current plan	final plan			Credits	Renewal ¹
Delta PPO ²							
Flex	\$11,506,091	\$11,113,767	\$10,628,641	-7.6%	(\$474,143)	(\$10,982)	(\$485,125)
Options	\$46,665,890	\$45,812,125	\$45,051,198	-3.5%	(\$720,312)	(\$40,616)	(\$760,927)
Choices	\$21,502,358	\$21,502,358	\$20,970,591	-2.5%	(\$511,486)	(\$20,281)	(\$531,767)
DeltaCare HMO ³							
Flex	\$304,900	\$314,869	\$304,900	0.0%	(\$9,969)	\$0	(\$9,969)
Choices/Options	\$3,151,018	\$3,253,662	\$3,151,018	0.0%	(\$102,644)	\$0	(\$102,644)
Total Dental	\$83,130,256	\$81,996,781	\$80,106,348	-3.6%	(\$1,819,554)	(\$71,679)	(\$1,890,433)

¹ Reflects changes in total cost due to negotiations

² Delta Dental PPO renewals are based on the billat rates and are guaranteed for 2 years.

³ DeltaCare HMO rates are guaranteed for 1 year.