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County of Los Angeles
CHIEF EXECUTIVE OFFICE
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"To Enrich Lives Through Effective And Caring Service"

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

18 September 4, 2018

CELIA ZAVALA
ACTING EXECUTIVE OFFICER

September 04, 2018

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

Dear Supervisors:

MEDICAL, DENTAL, LIFE INSURANCE, AND DISABILITY PLANS FOR 2019
(ALL DISTRICTS)
(3 VOTES)

SUBJECT

Recommendation to approve premium rates for the 2019 calendar year for the medical, dental, life and disability benefit plans applicable to represented and non-represented employees.

IT IS RECOMMENDED THAT THE 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, 2019 through December 31, 2019, as recommended in this letter and shown in Exhibit I; (b) medical and dental rates for non-represented employees for the period January 1, 2019 through December 31, 2019, as recommended in this letter and shown in Exhibit II; (c) basic life and accidental death and dismemberment (AD&D) insurance rates for represented and non-represented employees and, for represented employees only, optional group term life and dependent term life insurance rates, for the period January 1, 2019 through December 31, 2019, as shown in Exhibit III; (d) Optional Group Variable Universal Life (GVUL) and dependent term life insurance for non-represented employees for the period January 1, 2019 through December 31, 2021, as shown in Exhibit III; (e) Survivor Income Benefit (SIB) rates for non-represented employees for the period January 1, 2019 through December 31, 2021, 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.

2. Instruct County Counsel to review and approve as to form the appropriate agreements and/or amendments as follows:

a. Anthem Blue Cross and Anthem Blue Cross Life and Health Insurance Company (Anthem Blue Cross); 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); SafeGuard Health Plans, Inc. (MetLife/SafeGuard); Delta Dental of California (Delta Dental PPO); Delta Dental of California for DeltaCare USA (DeltaCare USA); and Metropolitan Life Insurance Company (MetLife); or their successors and affiliates, as necessary, for the period January 1, 2019 through December 31, 2019.

b. Life Insurance of North America (LINA) or their successors or affiliates, as necessary, for the period January 1, 2019 through December 31, 2019.

3. Instruct the Chair to sign the aforementioned agreements and/or amendments.

4. Approve proposed premium rates for the health plans sponsored by the Association for Los Angeles Deputy Sheriffs, Inc. (ALADS) and the Los Angeles County Fire Fighters Local 1014 (Local 1014), and proposed premium rates for the California Association of Professional Employees (CAPE), for the period January 1, 2019 through December 31, 2019, as shown in Exhibit V.

5. 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, 2019.

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 and dental insurance plans will end on December 31, 2018.

The purpose of the recommendations contained in this letter is to implement negotiated agreements with carriers to continue existing medical and dental benefits and to adopt changes, as recommended, for the 2019 calendar year.

The current premium rates for basic life, optional group term life, dependent term life insurance and AD&D insurance were approved by the Board of Supervisors (Board) in 2016, effective through December 31, 2019. The current premium rates for Optional GVUL and dependent term life insurance for non-represented employees and the SIB were approved by the Board in 2016, effective through December 31, 2021. The 2019 rates are included in the Exhibits for informational purposes for the Board and for payroll purposes for the Auditor-Controller.

JUSTIFICATION

Overall Premium Negotiation Process and Results:

County-Sponsored Plans in General --- The recommendations regarding the County-sponsored plans (Exhibits I, II, III and IV) 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 consultant, Aon Hewitt (Aon). The unions' benefit consultants also provided input during the insurance carrier negotiation process for County-sponsored plans with benefits governed by the 2016-2018 Fringe Benefits Memoranda of Understanding (MOUs) with Service Employees International Union Local 721 (Local 721) and the Coalition of County Unions (CCU).

Aon has concluded that the County-sponsored plans carriers' final negotiated rates are justified. Their opinion and the supporting due diligence are documented in Attachments A and B.

In general, County medical and dental plans are rated by carriers based on the cost of claims, claims trend, and administration costs. The ratings also consider the health risk and the utilization of health care by County employees and their covered dependents. The County-sponsored medical plan rates recommended in this letter will increase an average of 5.5 percent for represented employees and 0.2 percent for non-represented employees, for an overall average increase of 4.6 percent over 2018 rates. The nationwide medical trend for 2019 is estimated by Aon to average 7 percent to 10 percent.

The nationwide dental cost trend continues to be moderate, averaging an estimated 3.4 percent to 4 percent increase over 2018 rates, depending on the type of plan. For 2019, the rates for the County's Delta Dental PPO plan, which covers the majority of the County's employees, will increase 0.6 percent for represented employees and remain unchanged for non-represented employees.

County-Approved Union-Sponsored Plans --- The premium and benefit recommendations in Exhibit V for 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 Benefits 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 2019 (Attachments A and B) was designed to encourage full involvement and transparency among all County, union and carrier stakeholders. The process involved 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 --- Attachment C is a high level summary of carrier negotiation results that compare the estimated actual total premiums from initial carrier premium quotes for 2019 with the final result after performance guarantee review, challenges to carrier underwriting, and negotiation. Total savings to the County from initial carrier proposals for 2019 will be $15.5 million. This amount includes $15 million in negotiated savings and $0.5 million from performance guarantee refunds and rate credits.

Total 2019 premiums to be paid to health, dental, group life and other insurance plan carriers are estimated to be $1.71 billion. Of this total, approximately $1.403 billion is for County-sponsored plans and $303.7 million for Union-sponsored plans. This is an increase of approximately $100 million (6.2 percent) over 2018.

Attachment C also reflects the percentage increase for each carrier by cafeteria plan and 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 2019, as shown on Attachment C, will range from 0.1 percent to 7.7 percent (4.6 percent weighted average). Basic life, optional life, and dependent life insurance rates will remain unchanged for 2019, and AD&D insurance rates will remain unchanged for 2019 for represented and non-represented employees. GVUL, dependent life, and SIB rates will remain unchanged for 2019 for non-represented employees. The 2019 PPO dental rates, which cover the majority of employees, will increase approximately 0.6 percent for represented employees and remain unchanged for non-represented employees.

2019 Premium Rates Recommended for Approval:

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 consistent with the applicable 2016-2018 MOUs or County Code provisions. 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 Attachment C.

Union Concurrence

On July 12, 2018, 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, and the addition of a new lower priced narrow network Cigna HMO to be offered alongside the existing full network Cigna HMO.

On July 18, 2018, Local 721 and management representatives in the Labor-Management Benefits Administration Committee (BAC) voted to recommend the premium rates for the County-sponsored plans applicable to employees represented by Local 721.

Impact of the Affordable Care Act (ACA)

In general, the ACA enacted reforms to provide affordable health insurance to uninsured Americans. In 2018, fees and assessments mandated by the ACA on health insurance providers accounted for between 0.03 to 3.6 percent of the County's health care premium costs. For 2019, these fees and assessments have been suspended by Congress and are not reflected in the Rate Exhibits. If any ACA fees or taxes are reinstated due to changes in federal law after the Board's approval of this letter, the 2019 rates shown in the attached Rate Exhibits may need to be adjusted and re-approved by the Board.

The ACA currently requires that most Americans have health coverage. The Individual Mandate was effective in 2014. The Employer Mandate, effective in 2015, requires large employers, including the County, to offer adequate, affordable insurance to all full-time employees. The health coverage offered to County employees more than meets the standards of both the Individual Mandate and the Employer Mandate of the ACA.

The health insurance marketplaces and exchanges operated by or for the States under the ACA are designed primarily for individuals who are not offered employer subsidized health insurance

coverage or are offered coverage that does not meet the ACA's minimum value and affordability standards. Therefore, the health insurance marketplaces and exchanges are generally not relevant to County employees. Nevertheless, as required by the U.S. Department of Labor, the County will continue to deliver an informational notice about the health insurance marketplaces in the County's benefits enrollment packages.

In 2017, for pediatric office/urgent care visits, the County's plan designs for non-represented employees had a zero-dollar copay for children up to age 5 and a $15 copay for all other ages. In 2017, the County's plan designs for represented employees had a zero-dollar copay for children up to age 5 and a $10 copay for all other ages.

Section 1557 of the ACA prohibits discrimination based on race, color, national origin, sex, age or disability. During 2017 negotiations for the 2018 rates, Kaiser took the position that the difference in copays as described in the previous paragraph for children could violate the prohibition against age discrimination contained in Section 1557 and, therefore, could expose both Kaiser and the County to a risk of federal penalties, if challenged by the U.S. Department of Justice.

To mitigate the risk of a Section 1557 penalty, in 2018, Kaiser copays were increased to $15 for pediatric office/urgent care visits for children up to age 5 for non-represented employees.

For Kaiser's represented employee plans, however, the 2016–2018 fringe benefits MOUs for both Local 721 and the CCU explicitly addressed pediatric benefits with zero-dollar co-pays and did not allow any benefit changes, including changes to copays, without union approval. Kaiser, therefore, agreed to keep the represented employees plans' pediatric copays unchanged for 2018 only. For 2019, Kaiser copays will be increased from $0 to $10 for pediatric/urgent care visits for children up to age 5 for represented employees. The benefit change will be addressed in the new MOUs currently being negotiated.

For equitable reasons, the BAC and EBAC Committees have each decided it is in the best interest of their Kaiser members to now relinquish "grandfathered status" under the ACA. Plans "grandfathered" under the ACA are exempt from some of the patient protections provided by the ACA. Because the ACA requires no copays for preventive services for all ages for plans not "grandfathered," the voluntary loss of "grandfathered status" on January 1, 2019, will now enable Options and Choices Kaiser members of all ages to receive preventative care at no charge.

Note: For the same reason, the equitable decision to lose "grandfathered status" was effective for Kaiser members in the MegaFlex and Flex plans on January 1, 2018.

Implementation of Strategic Plan Goals

The recommended actions are consistent with the principles of the County of Los Angeles' Strategy III.3, by pursuing operational effectiveness, fiscal responsibility, and accountability in managing and maximizing County assets in the medical and dental renewal process to provide County employees comprehensive employee benefits.

FISCAL IMPACT/FINANCING

Each cafeteria plan, including represented employee plans provided by the 2016-2018 MOUs with County unions, provides for a County contribution and, in some cases, an additional subsidy to help pay the cost of insurance benefits. Employees pay for additional costs above and beyond the County contributions through payroll deductions.

For represented employees, the County contributions and subsidies to the cafeteria plans are determined through the collective bargaining process. The negotiated amounts currently in effect are set out in the 2016-2018 Fringe Benefits MOU with CCU, which expired on June 30, and the 2016-2018 Fringe Benefits MOU with Local 721, which will expire on September 30, 2018. As of the date of this letter, collective bargaining continues between the County and each of CCU and Local 721. Until such time as the current contributions and subsidies are changed by successor MOUs, there will be no change in the County costs related to the cafeteria plans or group insurance benefits. Pending the conclusion of collective bargaining for successor MOUs, the increase in 2019 premium costs for group insurance premiums recommended herein will be borne entirely by the affected employees through payroll deductions.

To preserve internal equity, similar treatment will be extended to non-represented employees. All premium rate increases affecting non-represented employees will be absorbed by the employees through payroll deductions pending any future Board action regarding cafeteria plan contributions or subsidy amounts.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The general facts concerning 2019 premium rates for County-sponsored plans affecting both represented and non-represented employees are outlined below. The details of each carriers' County-sponsored medical, dental, and other insurance plan proposal, Aon's evaluation and opinion concerning their justifications and terms of offer are provided in Attachments A and B.

MEDICAL PLAN RATES AFFECTING REPRESENTED EMPLOYEES

Cigna Rates for 2019:

Cigna has historically offered two plans to CCU represented employees: a Health Maintenance Organization (HMO) plan and a Point of Service (POS) plan. Both offer access to Cigna's full network of doctors, medical groups and hospitals. Effective for 2019, to give its members and the County a cost savings opportunity, CCU has voted to offer a third Cigna plan to its represented employees. The new Cigna Select Network HMO plan will offer eligible CCU represented employees the same benefits as the Cigna Full Network HMO, but will give employees the choice of realizing significant monthly premium savings by restricting access to a narrow network of doctors, medical groups and hospitals. The Cigna Select Network HMO will be available to CCU represented employees in eligible zip codes for 2019. The Full Network HMO and the Full Network POS will be offered to all CCU represented employees for 2019.

The 2019 negotiated contract rates for the Cigna Full Network HMO and POS plans will increase 4.6 percent. The 2019 rates for the new Cigna Select Network HMO will be 24.2 percent below the 2018 rates for the Cigna Full Network HMO.

Aon's opinion certifying Cigna's 2019 rates as justified is included in Attachment A.

Kaiser Rates for 2019:

Kaiser's 2019 rates will increase 4.6 percent for both the CCU plan and Local 721 plan. The plans will voluntarily no longer retain grandfathered status under the ACA. The 2019 plan year rates take into account the change in pediatric copays based on Kaiser's interpretation of Section 1557 of the ACA and the change in preventative visit copays, based on the voluntary loss of grandfathered status.

Aon's opinion certifying Kaiser's 2019 rates as justified is included in Attachment A.

UnitedHealthcare Benefit Plan Rates for 2019:

UnitedHealthcare offers two fully insured plans to employees represented by Local 721: a full network HMO and a full network Preferred Provider Organization (PPO) plan. The 2019 overall negotiated contract premium rates for both plans will increase 7.7 percent (7.7 percent for the HMO and 11.9 percent for the PPO). The 7.7 percent overall increase is calculated based on the total premium dollars of both plans, not the average of their percentage increases. Aon's opinion certifying UnitedHealthcare's 2019 rates as justified is included in Attachment A.

Union-Sponsored Benefits Plan Rates for 2019:

Premiums for County-approved union-sponsored plans will also increase for 2019. The estimated increase in premiums paid to carriers in 2019, on behalf of the union-sponsored plans, is approximately $8.9 million or 3 percent over 2018. Proposed 2019 premium increases to be paid to carriers for the ALADS, CAPE, and Local 1014 plans are summarized below:

1. ALADS Anthem Blue Cross plans, a 1.6 percent increase;
2. CAPE Blue Shield plans, a 4.3 percent increase; and
3. Local 1014 plan, a 4.3 percent increase.

The subsidized rates to be paid by employees enrolled in union-sponsored plans are summarized in Exhibit V. Union-sponsored plans' 2019 rates are documented in the Union request letters attached to Exhibit V. We have reviewed the changes for all three plans and support them.

DENTAL PLAN RATES 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 2019, less current County subsidies included in the 2016-2018 Fringe Benefits MOUs with Local 721 and the CCU. The rates for prepaid dental plans (DeltaCare USA and MetLife/SafeGuard) are the rates negotiated with the carriers.

The Delta Dental PPO plan contract rates will remain unchanged for the CCU and will increase 0.8 percent for the Local 721 plan for 2019.

DeltaCare USA's rates will remain unchanged for both CCU and Local 721 for 2019.

MetLife/SafeGuard contract rates will decrease 3 percent for both CCU and Local 721 for 2019. MetLife/SafeGuard billed rates will decrease an additional 0.2 percent from its contract rates for 2019 due to the crediting of 2017 performance guarantee penalties.

Aon's opinion certifying the dental rates as justified is included in Attachment A.

LIFE INSURANCE AND DISABILITY PROGRAMS FOR REPRESENTED EMPLOYEES

Basic term life, optional group term life, dependent life insurance, and AD&D insurance rates will remain unchanged for 2019. Rates and contracts were approved by the Board in 2016 through 2019.

MEDICAL PLAN RATES 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: HMO, POS, PPO, and Catastrophic Plan.

For 2019, the average increase in contract rates for the Anthem Blue Cross HMO and Anthem Blue Cross indemnity plans (POS, PPO and Catastrophic) will be 0.1 percent.

Kaiser's 2019 rates will increase 0.3 percent over the 2018 rates for non-represented employees.

The 2019 negotiated contract rates for the Kaiser Mid-Atlantic plan, available to CEO employees working in the Washington, DC area, are community rated and will increase 5.5 percent for 2019. There is currently one employee enrolled in this plan.

In 2016, an analysis Aon conducted for the County determined that the current ratio of the employee only rates was inconsistent with the actual costs by dependent tier, as well as the contributions made by the employees. We informed Anthem and Kaiser of the County's desire to recalibrate rates to reflect the expected actual costs by tier, which they supported. Therefore, since 2017, the rates and the employee contributions have been recalibrated towards the expected cost of the medical plans in a cost-neutral manner for the County and its employees.

Aon has reviewed the proposed increases and recommends that the County accept the final 2019 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. However, as mentioned earlier, any increases to the County subsidy will be determined after labor negotiations are completed.

DENTAL PLAN RATES 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 the Board. The rates for prepaid dental plans (DeltaCare USA and MetLife/SafeGuard) are the rates negotiated with the carriers.

The Delta Dental PPO plan contract rates and DeltaCare USA's rates will remain unchanged for 2019.

MetLife/SafeGuard contract rates will decrease 3 percent for 2019. MetLife/SafeGuard billed rates will decrease an additional 0.2 percent from its contract rates for 2019 due to the crediting of 2017 performance guarantee penalties.

Aon's opinion certifying the dental rates as justified is included in Attachment B.

LIFE INSURANCE AND DISABILITY PROGRAMS FOR NON-REPRESENTED EMPLOYEES

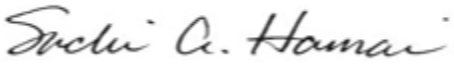
GVUL and dependent term life insurance rates and SIB rates for 2019 will remain unchanged. The contract and rates were approved by the Board in 2016 through 2021 for non-represented employees. Cigna's basic term life insurance under the Flex plan and AD&D insurance rates for 2019 for non-represented employees will remain unchanged. These rates and contracts were approved in 2016 through 2019.

There will be no changes in the cost of LTD, LTD Health Insurance and STD rates for 2019.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

None.

Respectfully submitted,



SACHI A. HAMAI
Chief Executive Officer

SAH:JJ:MM:MTK
SM:DC:mst

Enclosures

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

COUNTY-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
FOR REPRESENTED EMPLOYEES
CURRENT 2018 RATES AND PROPOSED 2019 RATES

Plan	Option	Coverage Category[a]	Current 2018 Rates[b]	Proposed 2019 Rates[b]	Percentage Change
CIGNA	Select Network HMO[c]	1	N/A	$ 651.51	N/A
Choices		2	N/A	$ 1,304.84	N/A
		3	N/A	$ 1,503.25	N/A
	Full Network HMO	1	$ 859.51	$ 899.05	4.6%
		2	$ 1,723.16	$ 1,802.68	4.6%
		3	$ 1,984.92	$ 2,076.48	4.6%
	Network POS	1	$ 1,546.56	$ 1,617.70	4.6%
		2	$ 2,757.87	$ 2,884.98	4.6%
		3	$ 2,893.12	$ 3,026.45	4.6%
CIGNA	Full Network HMO	1	$ 853.51	$ 893.05	4.6%
Options		2	$ 1,719.60	$ 1,799.12	4.6%
		3	$ 1,979.36	$ 2,070.92	4.6%
	Network POS	1	$ 1,540.56	$ 1,611.70	4.6%
		2	$ 2,754.31	$ 2,881.42	4.6%
		3	$ 2,887.56	$ 3,020.89	4.6%
KAISER		1	$ 693.98	$ 725.89	4.6%
Choices		2	$ 1,382.53	$ 1,446.34	4.6%
		3	$ 1,604.61	$ 1,678.63	4.6%
KAISER		1	$ 651.65	$ 682.00	4.7%
Options		2	$ 1,306.30	$ 1,366.99	4.6%
		3	$ 1,514.75	$ 1,585.15	4.6%
UNITEDHEALTHCARE	HMO	1	$ 741.26	$ 798.80	7.8%
Options		2	$ 1,500.48	$ 1,616.71	7.7%
		3	$ 1,737.60	$ 1,872.24	7.7%
	PPO	1	$ 3,216.04	$ 3,599.46	11.9%
		2	$ 6,497.84	$ 7,272.14	11.9%
		3	$ 7,528.33	$ 8,425.49	11.9%

[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 current mandatory Federal healthcare reform taxes and fees.

[c] Effective 2019, CIgna Select Network HMO is added to the Choices plan.

COUNTY-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
FOR REPRESENTED EMPLOYEES
CURRENT 2018 RATES AND PROPOSED 2019 RATES

Plan	Option	Coverage Category[a]	Current 2018 Rates[b]	Proposed 2019 Rates[b]	Percentage Change
DELTA DENTAL[b,c]		1	$ 18.33	$ 18.33	0.0%
Choices		2	$ 30.49	$ 30.49	0.0%
		3	$ 45.41	$ 45.41	0.0%
DELTA DENTAL[b,c]		1	$ 31.81	$ 32.21	1.3%
Options		2	$ 53.09	$ 53.78	1.3%
		3	$ 79.71	$ 80.76	1.3%
DELTACARE USA[c]		1	$ 15.09	$ 15.09	0.0%
Choices & Options		2	$ 24.88	$ 24.88	0.0%
		3	$ 36.87	$ 36.87	0.0%
METLIFE/SAFEGUARD[d]		1	$ 11.06	$ 10.73	-3.0%
Choices & Options		2	$ 21.37	$ 20.73	-3.0%
		3	$ 27.87	$ 27.04	-3.0%

[a] 1 = Employee only
2 = Employee + 1 Dependent
3 = Employee + 2 or more Dependents

[b] Delta Dental rates reflect negotiated County subsidy.

[c] Delta Dental and DeltaCare rates are guaranteed through 12/31/2019.

[d] MetLife/SafeGuard rates are guaranteed through 12/31/2020 and the 2019 rates reflect a credit adjustment of four (4) cents for 2017 performance guarantee penalty.

COUNTY-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
FOR NON-REPRESENTED EMPLOYEES
CURRENT 2018 RATES AND PROPOSED 2019 RATES

Plan	Option	Coverage Category[a]	Current 2018 Rates[b]	Proposed 2019 Rates[b]	Percentage Change
ANTHEM BLUE CROSS	CaliforniaCare HMO	1	$ 272.00	$ 273.00	0.4%
		2	$ 533.00	$ 536.00	0.6%
		3	$ 559.00	$ 562.00	0.5%
		4	$ 632.00	$ 635.00	0.5%
	PLUS POS	1	$ 411.00	$ 413.00	0.5%
		2	$ 827.00	$ 831.00	0.5%
		3	$ 847.00	$ 851.00	0.5%
		4	$ 942.00	$ 946.00	0.4%
	Catastrophic	1	$ 93.00	$ 93.00	0.0%
		2	$ 423.00	$ 425.00	0.5%
		3	$ 430.00	$ 432.00	0.5%
		4	$ 497.00	$ 499.00	0.4%
	Prudent Buyer PPO	1	$ 526.00	$ 528.00	0.4%
		2	$ 965.00	$ 970.00	0.5%
		3	$ 1,001.00	$ 1,006.00	0.5%
		4	$ 1,163.00	$ 1,168.00	0.4%
KAISER		1	$ 272.00	$ 273.00	0.4%
Flex/Megaflex		2	$ 533.00	$ 536.00	0.6%
		3	$ 559.00	$ 562.00	0.5%
		4	$ 632.00	$ 635.00	0.5%
KAISER -		1	$ 291.00	$ 292.00	0.3%
MID-ATLANTIC		2	$ 565.00	$ 568.00	0.5%
		3	$ 611.00	$ 614.00	0.5%
		4	$ 865.00	$ 869.00	0.5%
DELTA DENTAL[c]		1	$ 26.89	$ 26.89	0.0%
Flex/Megaflex		2	$ 41.88	$ 41.88	0.0%
		3	$ 45.68	$ 45.68	0.0%
		4	$ 68.35	$ 68.35	0.0%
DELTACARE USA		1	$ 15.09	$ 15.09	0.0%
Flex/Megaflex		2	$ 26.07	$ 26.07	0.0%
		3	$ 25.88	$ 25.88	0.0%
		4	$ 37.57	$ 37.57	0.0%
METLIFE/SAFEGUARD[d]		1	$ 11.06	$ 10.73	-3.0%
Flex/Megaflex		2	$ 20.74	$ 20.12	-3.0%
		3	$ 23.38	$ 22.68	-3.0%
		4	$ 30.53	$ 29.62	-3.0%

[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.
Anthem Blue Cross rates include the cost of the 360° health programs and the cost of the vision benefit for the HMO, POS, and PPO.
Anthem Blue Cross and Kaiser rates include current mandatory Federal healthcare reform taxes and fees.

[c] Delta Dental rates reflect negotiated County subsidy.

[d] MetLife/SafeGuard rates are guaranteed through 12/31/2020 and the 2019 rates reflect a credit adjustment of four (4) cents for 2017 performance guarantee penalty.

LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT AND SURVIVOR INCOME BENEFIT PROGRAMS

CURRENT 2018 RATES AND PREVIOUSLY APPROVED 2019 RATES[1]

	Monthly Cost per $1,000 of Insurance	
	2018[a]	**2019**[a]
COUNTY-PAID BASIC GROUP TERM-LIFE INSURANCE	$0.146	$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:

Age	**2018**[a]	**2019**[a]
Less than 30	$0.035	$0.035
30-34	$0.061	$0.061
35-39	$0.068	$0.068
40-44	$0.077	$0.077
45-49	$0.114	$0.114
50-54	$0.175	$0.175
55-59	$0.329	$0.329
60-64	$0.504	$0.504
65-69	$0.718	$0.718
70 and over	$1.381	$1.381

Dependent Term Life Insurance:	**2018**	**2019**
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 coverage cost is charged to the employee.	$0.832	$0.832

[a] The County subsidizes 15% of the monthly premium.

[1] The County Board approved the rates in 2016.

LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT AND SURVIVOR INCOME BENEFIT PROGRAMS

CURRENT 2018 RATES AND PREVIOUSLY APPROVED 2019 RATES[1]

OPTIONAL ACCIDENTAL DEATH & DISMEMBERMENT INSURANCE - Cost per Month

	Current 2018 Rates		Approved 2019 Rates	
Employee Coverage	Employee Only Plan G	Employee & Dependents Plan H	Employee Only Plan G	Employee & Dependents Plan H
$ 10,000	$0.124	$0.238	$0.124	$0.238
$ 25,000	$0.310	$0.595	$0.310	$0.595
$ 50,000	$0.620	$1.190	$0.620	$1.190
$100,000	$1.240	$2.380	$1.240	$2.380
$150,000	$1.860	$3.570	$1.860	$3.570
$200,000	$2.480	$4.760	$2.480	$4.760
$250,000	$3.100	$5.950	$3.100	$5.950
$300,000	$3.720	$7.140	$3.720	$7.140
$350,000	$4.340	$8.330	$4.340	$8.330

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.

[1] The County Board approved the rates in 2016.

LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT AND SURVIVOR INCOME BENEFIT PROGRAMS

CURRENT 2018 RATES AND PREVIOUSLY APPROVED 2019 RATES[1]

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:

Age	2019 Rate*	Age	2019 Rate*	Age	2019 Rate*
20-24	$0.035	57	$0.260	77**	$1.908
25-29	$0.043	58	$0.293	78**	$2.154
30-34	$0.051	59	$0.328	79**	$2.427
35-39	$0.052	60	$0.368	80**	$3.133
40	$0.060	61	$0.415	81**	$3.616
41-42	$0.061	62	$0.458	82**	$3.944
43	$0.068	63	$0.492	83**	$4.300
44	$0.077	64	$0.546	84**	$4.685
45	$0.086	65	$0.567	85**	$5.112
46	$0.094	66	$0.637	86**	$5.559
47	$0.101	67	$0.677	87**	$6.048
48	$0.119	68	$0.754	88**	$6.572
49	$0.127	69	$0.838	89**	$7.112
50	$0.135	70	$0.923	90**	$7.663
51	$0.152	71	$1.020	91**	$8.243
52	$0.160	72	$1.133	92**	$8.838
53	$0.176	73	$1.244	93**	$9.453
54	$0.193	74	$1.376	94**	$10.077
55	$0.219	75	$1.517		
56	$0.236	76**	$1.685		

* 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.

[1] The County Board approved the rates in 2016.

LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT AND SURVIVOR INCOME BENEFIT PROGRAMS

CURRENT 2018 RATES AND PREVIOUSLY APPROVED 2019 RATES[1]

Dependent Term Life Insurance for Flex and MegaFlex Participants

Cost per month per $5,000 of dependent life coverage, up to $20,000.	**2019 Rate**
	$1.03

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

	2019 Rates				
Employee Age	Employee Cost*				
	(10% Option)	(15% Option)	(25% Option)	(35% Option)	(50% Option)
Under 30	0.050%	0.080%	0.135%	0.185%	0.260%
30 to 34	0.070%	0.105%	0.170%	0.240%	0.345%
35 to 39	0.090%	0.135%	0.220%	0.315%	0.450%
40 to 44	0.125%	0.185%	0.315%	0.435%	0.620%
45 to 49	0.170%	0.250%	0.420%	0.585%	0.840%
50 to 54	0.220%	0.335%	0.555%	0.780%	1.110%
55 to 59	0.320%	0.480%	0.795%	1.125%	1.605%
60 to 64	0.435%	0.655%	1.090%	1.530%	2.185%
65 to 69	0.600%	0.900%	1.500%	2.100%	3.000%
70 and over	1.065%	1.600%	2.665%	3.730%	5.330%

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

[1] The County Board approved the rates in 2016.

SHORT-TERM DISABILITY, LONG-TERM DISABILITY AND LONG-TERM DISABILITY HEALTH INSURANCE CURRENT 2018 RATES AND PROPOSED 2019 RATES

MEGAFLEX SHORT-TERM DISABILITY PLAN

Employee Cost as a Percentage of Monthly Salary:

Current 2018 Rates			Proposed 2019 Rates		
Income Replacement	Waiting Period	Cost	Income Replacement	Waiting Period	Cost
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:

	Current 2018 Rates			Proposed 2019 Rates	
Income Replacement	Plan E + * Retirement Plan	All Other Plans		Plan E + * Retirement Plan	All Other Plans
40%	0.000%	0.040%		0.000%	0.040%
60%	0.117%	0.157%		0.117%	0.157%

* Plan E plus 5 or more years of continuous service

SHORT-TERM DISABILITY, LONG-TERM DISABILITY AND LONG-TERM DISABILITY HEALTH INSURANCE CURRENT 2018 RATES AND PROPOSED 2019 RATES

LONG-TERM DISABILITY HEALTH INSURANCE - Cost per month

For Flex/MegaFlex Employees

Current 2018 Rate		Proposed 2019 Rate	
75 % Premium Payment	100 % Premium Payment	75 % Premium Payment	100 % Premium Payment
$0.00	$3.00	$0.00	$3.00

For Represented Employees

Current 2018 Rate		Proposed 2019 Rate	
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 2018 RATES AND PROPOSED 2019 RATES

Plan	Option	Coverage Category[a]	Current 2018 Rates[b]	Proposed 2019 Rates[b]	Percentage Change
ALADS	Prudent Buyer Plan	1	$ 1,068.50	$ 1,091.43	2.1%
Blue Cross	Under Age 50	2	$ 2,078.02	$ 2,106.20	1.4%
		3	$ 2,392.37	$ 2,421.81	1.2%
	Prudent Buyer Plan	1	$ 1,068.50	$ 1,091.43	2.1%
	Age 50 and Over	2	$ 2,078.02	$ 2,106.20	1.4%
		3	$ 2,392.37	$ 2,421.81	1.2%
	CaliforniaCare	1	$ 737.26	$ 758.63	2.9%
	Basic Plan	2	$ 1,446.79	$ 1,472.78	1.8%
	(All Ages)	3	$ 1,785.78	$ 1,813.48	1.6%
	Prudent Buyer Plan	1	$ 1,192.46	$ 1,215.39	1.9%
	Premier Plan	2	$ 2,201.98	$ 2,230.16	1.3%
	Under Age 50	3	$ 2,516.33	$ 2,545.77	1.2%
	Prudent Buyer Plan	1	$ 1,192.46	$ 1,215.39	1.9%
	Premier Plan	2	$ 2,201.98	$ 2,230.16	1.3%
	Age 50 and Over	3	$ 2,516.33	$ 2,545.77	1.2%
	CaliforniaCare	1	$ 861.22	$ 882.59	2.5%
	Premier Plan	2	$ 1,570.75	$ 1,596.74	1.7%
	(All Ages)	3	$ 1,909.74	$ 1,937.44	1.5%
CAPE (Choices)	Classic	1	$ 1,004.00	$ 1,076.00	7.2%
Blue Shield		2	$ 1,945.00	$ 2,086.00	7.2%
		3	$ 2,317.00	$ 2,485.00	7.3%
	Lite	1	$ 578.00	$ 610.00	5.5%
		2	$ 1,188.00	$ 1,231.00	3.6%
		3	$ 1,489.00	$ 1,536.00	3.2%
	PPO	1	$ 1,004.00	$ 1,076.00	7.2%
	(Out-of-state only)	2	$ 1,944.56	$ 2,085.56	7.3%
		3	$ 2,316.56	$ 2,484.56	7.3%
CAPE (Options)	Classic	1	$ 998.00	$ 1,070.00	7.2%
Blue Shield		2	$ 1,941.44	$ 2,082.44	7.3%
		3	$ 2,311.44	$ 2,479.44	7.3%
	Lite	1	$ 572.00	$ 604.00	5.6%
		2	$ 1,184.44	$ 1,227.44	3.6%
		3	$ 1,483.44	$ 1,530.44	3.2%
	PPO	1	$ 998.00	$ 1,070.00	7.2%
	(Out-of-state only)	2	$ 1,941.00	$ 2,082.00	7.3%
		3	$ 2,311.00	$ 2,479.00	7.3%
FIREFIGHTERS LOCAL 1014		1	$ 826.00	$ 861.00	4.2%
		2	$ 1,572.56	$ 1,639.56	4.3%
		3	$ 1,869.56	$ 1,949.56	4.3%

[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

ENCLOSURE 1

ALADS Insurance Trust

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

July 19, 2018

VIA U.S. MAIL AND E-MAIL: BKemper@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: Mr. Ben Kemper, Senior Human Resources Manager
Employee Benefits Division
3333 Wilshire Blvd.
Los Angeles, California 90010

RE: ALADS/ANTHEM BLUE CROSS 2019 HEALTHCARE PLAN PREMIUMS

Dear Mr. Kemper:

Following are the monthly premium rates for the ALADS Anthem Blue Cross Prudent Buyer and CaliforniaCare medical and dental plans for the 2019 plan year:

Plan	Employee	Employee + 1	Employee + 2
Prudent Buyer Basic	$1,091.43	$2,111.64	$2,427.25
Prudent Buyer Premier	$1,215.39	$2,235.60	$2,551.21
CaliforniaCare Basic	$758.63	$1,478.22	$1,818.92
CaliforniaCare Premier	$882.59	$1,602.18	$1,942.88

There will be no benefit changes for the benefit plan year 2019 other than as required by law.

Sincerely,

Bud Treece
ALADS Trust Administrator

(Computer generated and laser printed in-house)

There will be no other benefit changes for the benefit plan year 2018 other than as required by law.

Sincerely,

Bud Treece
ALADS Trust Administrator

ENCLOSURE 2

CAPE AFL-CIO
California Association of Professional Employees
Benefit Trust

July 27, 2018

Mr. Ben Kemper
Senior Human Resources Manager
Employee Division
County of Los Angeles
Department of Human Resources
3333 Wilshire Boulevard
Los Angeles, CA 90010

Re: 2019 RENEWAL – CAPE/BLUE SHIELD MEDICAL PLANS

Dear Mr. Kemper:

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 2019 for the CAPE/Blue Shield Point of Service Classic, Lite and the out-of-state PPO COBRA medical plans. Attached please find the benefit summaries and rates for all three plans. The average increase is 4.25% spread across the Lite and Classic rate tiers. The Classic's increase is an average of 7.31% and the Lite is an average of 4%.

There are no core benefit changes for 2019 other than any mandated regulatory changes. We appreciate you forwarding the 2019 CAPE/Blue Shield medical plans' information to the Board of Supervisors for their timely approval.

Sincerely,

CALIFORNIA ASSOCIATION OF
PROFESSIONAL EMPLOYEES BENEFIT TRUST

Nelson Manabat

Nelson Manabat
Chairman
CAPE Benefit Trust Board of Trustees

Attachments

3018 E. Colorado Boulevard, Suite 200 • Pasadena, CA 91107-3840 • (626) 243-0340 • Fax (626) 243-0368 • GOU 1165-M

ENCLOSURE 2

2019 CAPE/Blue Shield

Classic Plan*

(800) 487-3092 www.blueshieldca.com

BENEFITS	PRIMARY CARE NETWORK	PPO NETWORK	OUT-OF-NETWORK (Reimbursements Based On Allowable Amount)
Type of Plan		A Point of Service Plan	
Who is Eligible	All Participants	All Participants	All Participants
Calendar Year Deductible	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)
Maximum Annual Out-of-pocket Expenses	$1,500/person; $3,000/family	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)
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,	100% ; no copayment (inlcuding Well Baby/Well Woman Exam,	100% ; no copayment (inlcuding Well Baby/Well Woman Exam,
	Pap Smear, and Mammography)	Pap Smear, and Mammography-not subject to deductible)	Pap Smear, and Mammography-not subject to deductible)
Vision Care	VSP Providers-$10 exam copayment; $10 lenses/frames/contact	Non-VSP Providers-reimbursement per 12 months-exam up to $45;	Non-VSP Providers-reimbursement per 12 months-exam up to $45;
	lenses copayment-up to $120-one per 12 months	frames up to $70; Lenses up to $65; contacts up to $105	frames up to $70; Lenses up to $65; contacts up to $105
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 forr consultation only (not subject to deductible)	70% after deductible
Urgent Care	$10 if referred or rendered by Primary Care Physician (PCP) or M	90% after deductible	70% after deductible
	/$50 outside PCP/Med. Grp. area		
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	90% after deductible	70% of $600 daily maximum after deductible
Maternity	100%; no copayment	100% after $20 copayment for consultation only (not subject to deductible)	70% after deductible
Surgery	100%; no copayment (outpatient $50 copayment)	90% after deductible	70% of $600 daily maximum after deductible
X-Ray & Lab Tests	100%; no copayment	90% after deductible	70% after deductible
Prescription Drugs	$5 (generic), $15 (brand name), $30 (nonformulary-requires	$5 (generic), $15 (brand name), $30 (nonformulary-requires	Covered emergencies only - copayment applies
	preapproval); Mail-Order- 90-day Supply: $10 (generic),	preapproval); Mail-Order- 90-day Supply: $10 (generic),	
	$30 (brand name), $60 (nonformulary-requires preapproval)	$30 (brand name), $60 (nonformulary-requires preapproval)	
MENTAL HEALTH CARE			
Mental Health-Outpatient	100% after $10 copayment	100% after $10 copayment	70% after deductible
	Provided by Magellan. Must be arranged through MHSA		
Mental Health-Inpatient	100% no copayment	100% no copayment	70% of $600 daily maximum after deductible
	Provided by Magellan. Must be arranged through MHSA		
OTHER PLAN BENEFITS			
Chiropractic Care	100% after $10 copayment	100% after $10 copayment	Not covered
	Includes acupuncture; unlimited visits/calendar year (based on medical necessity)		
	Provided through American Specialty Health Plan		
Hearing Aids	$1,000 maximum benefit every two years	Not covered	Not covered
Home Health Care	100% after $10 copayment	90% after deductible	70% after deductible
	(combined 100 visits per calendar year)	(combined 100 visits per calendar year)	(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	70% after deductible
Skilled Nursing Facility	100%; no copayment (combined 100 days per calendar year)	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.

2019 Premium Rates

Employee:	$1,076.00
Employee + One:	$2,091.44
Employee + Family:	$2,490.44

ENCLOSURE 2

2019 CAPE/Blue Shield

Lite Plan*

(800) 487-3092 www.blueshieldca.com

BENEFITS	PRIMARY CARE NETWORK	PPO NETWORK	OUT-OF-NETWORK (Reimbursements Based On Allowable Amount)
Type of Plan		A Point of Service Plan	
Who is Eligible	All Participants	All Participants	All Participants
Calendar Year Deductible	None	$400 per person; $800 per family maximum (combined-PPO Network and Out-of-Network)	$400 per person; $800 per family maximum (combined-PPO Network and Out-of-Network)
Maximum Annual Out-of-pocket Expenses	$1,500/person; $3,000/family	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)
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,	100%; no copayment (including Well Baby/Well Woman Exam,	100%; no copayment (including Well Baby/Well Woman Exam,
	Pap Smear, and Mammography)	Pap Smear, and Mammography-not subject to deductible)	Pap Smear, and Mammography-not subject to deductible)
Vision Care	VSP Providers-$10 exam copayment; $10 lenses/frames/contact	Non-VSP Providers-reimbursement per 12 months-exam up to $45;	Non-VSP Providers-reimbursement per 12 months-exam up to $45;
	lenses copayment-up to $120-one per 12 months	frames up to $70; Lenses up to $65; contacts up to $105	frames up to $70; Lenses up to $65; contacts up to $105
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	70% after deductible
Urgent Care	$10 if referred or rendered by Primary Care Physician (PCP) or	80% after deductible	70% after deductible
	Medical Group w/i service area/$50 outside PCP/Med. Grp. area		
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	70% of $600 daily maximum after deductible
Maternity	100%; no copayment	100% after $25 copayment for consultation only (not subject to deductible	70% after deductible
Surgery	100%; no copayment (outpatient $75 copayment)	80% after deductible	70% of $600 daily maximum after deductible
X-Ray & Lab Tests	100%; no copayment	80% after deductible	70% after deductible
Prescription Drugs	$5 (generic), $15 (brand name), $30 (nonformulary-requires	$5 (generic), $15 (brand name), $30 (nonformulary-requires	Covered emergencies only - copayment applies
	preapproval); Mail-Order- 90-day Supply: $10 (generic),	preapproval); Mail-Order- 90-day Supply: $10 (generic),	
	$30 (brand name), $60 (nonformulary-requires preapproval)	$30 (brand name), $60 (nonformulary-requires preauthorization)	
MENTAL HEALTH CARE			
Mental Health-Outpatient	100% after $10 copayment	100% after $10 copayment	70% after deductible
	Provided by Magellan. Must be arranged through MHSA		
Mental Health-Inpatient	100% no copayment	100% no copayment	70% of $600 daily maximum after deductible
	Provided by Magellan. Must be arranged through MHSA		
OTHER PLAN BENEFITS			
Chiropractic Care	100% after $15 copayment	100% after $15 copayment	Not covered
	Includes acupuncture; unlimited visits/calendar year (based on medical necessity)		
	Provided through American Specialty Health Plans		
Hearing Aids	$1,000 maximum benefit every two years	Not covered	Not covered
Home Health Care	100% after $10 copayment	80% after deductible	70% after deductible
	(combined 100 visits per calendar year)	(combined 100 visits per calendar year)	(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	70% after deductible
Skilled Nursing Facility	100%; no copayment (combined 100 days per calendar year)	80% 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.

2019 Premium Rates

Employee Only:	$ 610.00
Employee + One:	$1,236.44
Employee + Family:	$1,541.44

ENCLOSURE 2

2019 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/	100%: no copayment (Includes Well Woman Pap Smear and Mammography/
	Well Baby Lab subject to deductible)	Well Baby Lab subject to deductible)
Vision Care	VSP Providers-$10 exam copayment; $10 lenses/frames/contact	Non-VSP Providers-reimbursement per 12 months-exam up to $45;
	lenses copayment-up to $120-one per 12 months	frames up to $70; Lenses up to $65; contacts up to $105
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% of $600 daily maximum after deductible
Maternity	100% after $20 copayment (not subject to deductible)	70% after deductible
Surgery	90% after deductible	70% of $600 daily maximum after deductible
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
	Mail-Order 90-day Supply: $20 (generic), $30 (brand name),	reasonable charge, minus copayment
	$60 (nonformulary)	
MENTAL HEALTH CARE		
Mental Health-Outpatient	$20 copayment (not subject to deductible)	70% after deductible
Mental Health-Inpatient	90% after deductible	70% of $600 daily maximum after deductible
	Provided by Magellan. Must be arranged through MHSA	
Chiropractic Care	$20 copayment - maximum 12 visits per calendar year combined with	70% - maximum 12 visits per calendar year combined with
	Out-of-Network visits	In-Network visits
OTHER PLAN BENEFITS		
Home Health Care	90% after deductible	70% after deductible
	(combined 100 visits per calendar year)	(combined 100 visits per calendar year)
Hospice Care	100% when provided by authorized hospice agency	100% when provided by authorized hospice agency
Physical Therapy	90% after deductible	70% after deductible
Skilled Nursing Facility	90% after deductible (combined 100 days per calendar year)	70% after deductible (combined 100 days per calendar year)

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

2019 Premium Rates

Employee Only:	$1,076.00
Employee + One:	$2,091.00
Employee + Family:	$2,490.00

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)

August 14, 2018

Mr. Ben Kemper
Senior Human Resources Manager
Department of Human Resources
Employee Benefits Division
3333 Wilshire Blvd., Suite 1000
Los Angeles, CA 90010

RE: Plan Year 2019 Employee Insurance Information
Los Angeles County Fire Fighters Local 1014 Health and Welfare Plan

Dear Mr. Kemper:

I am providing the plan year 2019 premium changes that were approved by the Board of Trustees.

After conferring with Mercer, the Plan's consultant, the Board of Trustees approved a 4.26% premium increase for 2019. Our monthly rates for 2019, rounded to the nearest dollar are as follows:

Member Only	$ 861.00
Member + 1 Dependent	$1,645.00
Family	$1,955.00

Should you have any questions, please contact me by e-mail at rcyrus@local1014.org or call me at (800) 660-1014.

Sincerely,

Reginald A. Cyrus, CEBS
Administrative Manager

C: Local 1014 Health Plan Trustees

July 31, 2018

Attachment A

Mr. Ben Kemper
Senior HR Manager
County of Los Angeles
3333 Wilshire Boulevard, Suite 1000
Los Angeles, CA 90010-4101

Subject: Summary of 2019 Renewal Results and Recommendations (Represented Plans)

Dear Ben:

The following letter summarizes the 2019 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.

For the 2019 renewal, the fees imposed under the Affordable Care Act (ACA), the Patient Centered Outcomes Research Institute (PCORI), Health Insurance Industry Fee, the insurer fee and the reinsurance fee had a minimal impact on the renewal. The Health Insurance Industry Fee was suspended for 2019 and therefore not included in the 2019 renewal. Had the fee not been suspended, Kaiser's rates would have increased by approximately 1.0% more as a not-for-profit organization and the CIGNA rates would have increased by approximately 3.6% more and the UHC rates by approximately 3.3% more as for profit organizations. For the dental plans the additional cost increases would have been approximately 1.75% for the Delta DPO and 1.49% for the Delta HMO and 3.6% for MetLife. The Transitional Reinsurance Fee was in place for 2014 – 2016 and was not extended beyond 2016. The PCORI fee is $2.39 per covered life for 2017 and was $2.26 for 2016. The $2.39 will be increased for inflation for 2018, as determined by the Department of Health and Human Services (HHS) and payable in 2019.

Medical Plans

Overview

For all represented medical plans, the final projected premium increase for 2019 is **5.5%,** or about **$55.0 million** over 2018 premiums. The initial proposed renewal increase for the represented medical plans was **6.2%**. Negotiated reductions to the medical renewals equate to approximately **$7.2 million** with changes to the Kaiser benefits, detailed later in this letter. For more details on final rate increases, please refer to Attachment C.

After evaluation of the renewal proposals, Aon recommends that the County accept the final 2019 renewals offered by Cigna, Kaiser and UHC as outlined in the table below.

	Cigna (Choices & Options)	**Kaiser Choices**	**Kaiser Options**	**UHC Options**
Initial 2019 Renewal Action	+9.8%	**4.6%**	**+4.6%**	+9.3%
Final 2019 Renewal Action	+4.6%	**4.6%**	**+4.6%**	+7.7%

The represented groups voluntarily relinquished grandfathered status as defined by the ACA on the Kaiser plans, effective January 1, 2019. We recommend the County seek the advice of their own legal counsel in this regard, as Aon is not a law firm and cannot provide legal advice.

A summary of key issues, proposal terms, and negotiation results are outlined by carrier on the following pages.

Cigna

Cigna initially proposed an **9.8%** increase to the combined HMO and POS rates for 2019, representing an increase over 2018 premiums of approximately **$4.8 million; $3.5 million** for Choices and **$1.3 million** for Options. CIGNA had performance guarantee penalties of $110,000 for the 2017 plan year. This amount was deposited to the premium stabilization reserve in May 2018.

Renewal discussions with Cigna targeted the following issues:

- Medical and pharmacy trend methodology
- Demographic adjustment
- Analysis of expense calculation
- High per member per month retention charges

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 Premium Stabilization Reserve (PSR) and any shortfall is withdrawn from the PSR, to the extent that funds are available. The PSR had grown to a significant level by 2008 and a 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 has been no premium offset from the PSR for renewals from 2011 to 2018, and again there is no premium offset for 2019.The chart below summarizes the most recent five years of the PSR (updated based on settlements provided by Cigna).

	2013	2014	2015	2016	2017
Premium	$60,801,757	$56,937,422	$53,054,005	$50,035,035	$48,801,149
Year-end (PSR)	($1,238,710)	($5,316,794)	($1,442,064)	($3,020,466)	($2,721,315)
PSR % of Premium	-2.04%	-9.34%	-2.72%	-6.04%	-5.58%

Negotiations with Cigna resulted in a final **4.6%** increase including offering Cigna's Select HMO network alongside the current full HMO network for Choices. The Select HMO network is not available for Options as the Cigna offering is a grandfathered plan, This amounts to an increase of approximately **1.7 million** for Choices, and approximately **$591,000** for Options over current costs, and a savings of approximately **$2.6 million**

from Cigna's original proposal. We believe that Cigna has justified their renewal position and that the County should accept their offer.

Kaiser

Kaiser's initial and final renewal proposal was a **4.6%** increase for the Choices plan, representing an increase from 2018 premiums of approximately **7.2 million**. Kaiser's renewal proposal for Options was a **4.6%** increase, representing an increase from 2018 premiums of approximately **23.1 million.** Combined, Kaiser's initial renewal proposal for the represented population is a **4.6%** increase, representing an increase from 2018 premiums of approximately **$30.3 million**.

Kaiser's Southern California commercial trend rate for 2019 is projected to be 4.7%. Kaiser did not have performance guarantee penalties that will be applied to the 2019 rates.

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

- Large claims pooling point
- Medical and pharmacy claims trend
- Incurred claims adjustment
- Retention charges

Due to Kaiser's interpretation of Section 1557 of the ACA pertaining to age discrimination, Kaiser required the County to eliminate the plan provisions for zero dollar copays for all office visits by members under the age of six years old. To partially offset this impact, both CCU and SEIU agreed to voluntarily relinquish grandfathered status, as defined by the ACA, so that all preventive services would have a zero dollar copay, which included many of the same services that currently have a zero dollar copay for members under the age of six. In addition, all preventive services for members six years of age and older will have the current copays reduced to zero in 2019. Kaiser automatically provides tobacco cessation medications covered at no-cost to members when plans lose or relinquish grandfathered status.

Aon negotiated with Kaiser, and Kaiser refused to move from the initial renewal increase of **4.6**% above 2018 costs. Aon believes that the requested rate increase for the Kaiser Permanente represented plans is reasonable and justified.

United Healthcare

UHC's initial renewal proposal was a **9.3%** overall increase. The increases were a **9.3%** increase to the HMO and a **11.9%** increase to the PPO rates for 2019, representing a total increase of approximately **$27.2 million** over current premiums. Discussions with UHC targeted the following key areas:

- Medical & pharmacy claims trend
- Pooling charges
- Retention
- Demographic adjustment
- Changes in reserves

Negotiations with UHC resulted in an increase of **7.7%** for the HMO and a **11.9%** increase for the PPO, for a combined increase of **7.7%** representing a total increase of approximately **$22.5 million,** and a total savings of **$4.7 million** over the initial renewal position. UHC had 2017 performance guarantee penalties of **$197,469**, to be applied to the 2019 rates.

The County's financial arrangement with UHC 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 that funds are available. No premium subsidy will be applied for 2019.

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

Dental Plans

Delta Dental

Delta initially proposed a **2.7% increase** to the rates for 2019, representing an increase over 2018 premiums of approximately **$1.9 million; $886,000** for Choices and **$1.0 million** for Options.

Negotiations with Delta resulted in no increase in rates for Choices and a **0.8%** increase for Options, for a combined increase of **0.6%**, representing a total increase of approximately **$391,000** and a total savings of **$1.5 million** over the initial renewal position. Delta had $16,443 of performance guarantee penalties for Choices and $46,803 of performance guarantee penalties for Options in 2017, which will be applied to the 2019 renewal rates.

Metlife (Safeguard) Prepaid Dental

Metlife (Safeguard) initially proposed a **0.0%** increase to the rates for 2019.

Negotiations with Metlife (Safeguard) resulted in a 3% decrease for both Choices and Options, representing a total decrease and savings of approximately $52,000. Due to 2017 performance guarantee penalties of $1,279 for Choices and of $2,198 for Options, MetLife's (Safeguard's) billed rates will be 0.2% less than the full renewal rates for 2019.

Life and AD&D

Cigna Life

The basic life plan is a participating contract, meaning the County shares in surpluses on the plan. At this time, there is no surplus available. The basic life, employee and dependent supplemental life as well as the AD&D plans are on a rate guarantee through December 31, 2019.

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

Sincerely,

Vern Menden
Senior Vice President
Aon, Los Angeles

CC:

Maggie Martinez– County of Los Angeles
Ben Kemper – County of Los Angeles
Maryanne Keehn – County of Los Angeles
Susan Moomjean – County of Los Angeles
Robin Urban – County of Los Angeles
Loretta Valenzuela – County of Los Angeles
Daniel Cho – County of Los Angeles
Thien-Thu Pham – County of Los Angeles
Sandra Santana – County of Los Angeles
Leslie McKee – Aon, Los Angeles
Stephen Caulk – Aon, Denver
Helen Batsalkin – Aon, Los Angeles
Linda Ung - Aon, Los Angeles
Herman Lu - Aon, Los Angeles

Addendum

Process

The renewal request, analysis, and negotiation are multi-step processes, conducted over a period of several months. Requests for Renewal (RFRs) are drafted and reviewed by the Aon 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 carrier
- Questionnaire targeting key County objectives and issues, including rate development, utilization, and 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 meets with the County, the Unions and their respective consultants to solicit input and comments on the renewal proposals. All of the comments and input are summarized and communicated to the various carriers. Conference calls and meetings are held between Aon and the County as needed to discuss the renewal results, negotiation process, and any open issues.

Responses from the carriers are due prior to the renewal meetings and the responses are delivered to all stakeholders concurrently. Final issues are reviewed in preparation for the renewal meetings.

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, 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.

July 31, 2018

Mr. Ben Kemper
Senior HR Manager
County of Los Angeles
3333 Wilshire Boulevard, Suite 1000
Los Angeles, CA 90010-4101

Subject: Summary of 2019 Renewal Results and Recommendations (Non-Represented Plans)

Dear Ben:

The following letter summarizes the 2019 renewal proposals for medical, dental, life and AD&D plans offered to the non-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.

For the 2019 renewal, the fees imposed under the Affordable Care Act (ACA), the Patient Centered Outcomes Research Institute (PCORI), Health Insurance Industry Fee, and the reinsurance fee had a minimal impact on the renewal. The Health Insurance Industry Fee was suspended for 2019 and therefore not included in the 2019 renewal. Had the fee not been suspended, Kaiser's rates would have increased by approximately 1.0% more as a not-for-profit organization and the Anthem rates would have increased by approximately 0.03% more as the minimum premium funding arrangement of the plans is treated as a self-insured plan according to IRS guidelines. For the dental plans the additional cost increases would have been approximately 1.75% for the Delta DPO and 1.49% for the Delta HMO and 3.6% for MetLife. The Transitional Reinsurance Fee was in place for 2014 – 2016 and was not extended beyond 2016. The PCORI fee is $2.39 per covered life for 2017 and was $2.26 for 2016. The $2.39 will be increased for inflation for 2018, as determined by the Department of Health and Human Services (HHS) and payable in 2019.

Medical Plans

Overview

For all non-represented medical plans, the final projected premium increase for 2019 is **0.2%**, approximately **$384,000** over 2018 premiums. The initial proposed renewal increase for the non-represented medical plans was **2.8%**. Negotiated reductions to the medical renewals equate to approximately **$5.7 million.** For more details on final rate increases, please refer to Attachment C.

After evaluation of the renewal proposals, Aon recommends that the County accept the final 2019 renewals offered by Anthem and Kaiser.

A summary of key issues, proposal terms and negotiation results are outlined by carrier on the following pages.

	Anthem	Kaiser
Initial 2019 Renewal Action	+4.3%	+0.3%
Final 2019 Renewal Action	+0.1%	+0.3%

The Anthem PPO plan maintained grandfathered status for 2018. We recommend the County seek the advice of their own legal counsel in this regard, as Aon is not a law firm and cannot provide legal advice.

Anthem Blue Cross

The Anthem Blue Cross program is a minimum premium arrangement, where 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 liability costs are the basis for the renewals outlined in this letter. Anthem's initial renewal proposal was a **4.3%** increase across all plans or about **$5.8 million** over 2018 costs. All plans include specific stop loss of $300,000 per individual. Aggregate stop continues at 110% of projected claims for all Anthem lines of coverage.

Renewal discussions with Anthem targeted the following key areas:

- Retention increase
- Pooling charges
- Medical and pharmacy trends by product
- Capitation rates
- Pharmacy rebates

Negotiations resulted in an overall increase of **0.1%** across all plans or about **$143,000** over 2018 costs, with negotiated reductions of approximately **$5.7 million**.

Anthem provided their 2017 performance guarantee report and will apply a penalty of $107,454 as a credit to the County's September 2018 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 fully 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. Anthem initially provided a 7.7% renewal with a 48-month rate guarantee. After negotiations with Aon, Anthem provided a 3.3% increase with a 48-month rate guarantee. 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 initial renewal proposal was a **0.3%** increase or about **$241,000** above 2018 costs for the Flex/MegaFlex plan. Kaiser's Southern California commercial trend rate for 2019 is projected to be 4.7%. Kaiser did not have performance guarantee penalties that will be applied to 2019 rates.

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

- Large claims pooling point
- Medical and pharmacy claims trend
- Incurred claims management
- Retention charges

Aon negotiated with Kaiser, however, Kaiser did not move from the initial renewal increase of 0.3% above 2018 costs for the Flex/MegaFlex plan. We believe Kaiser's renewal proposal is justified and recommend that the County accept it.

Dental Plans

Delta Dental

Delta initially proposed a **4.6%** increase to the rates for 2019, representing an increase over 2018 premiums of approximately **$560,000**.

Negotiations with Delta resulted in a **0%** increase, representing a total savings of **$560,000** over the initial renewal position. The DHMO plan had performance guarantee penalties of $10,889 which will be credited to the 2019 renewal.

Metlife (Safeguard) Prepaid Dental

Metlife (Safeguard) initially proposed a 0.0% increase for 2019 with a rate cap of 2.0% from current rates in 2020.

Negotiations with Metlife (Safeguard) resulted in a 3.0% decrease and a total savings of **$5,000** over the initial renewal position with a 3% rate cap in 2020. Due to 2017 performance guarantee penalties of **$322**, MetLife's (Safeguard's) billed rates will be **0.2% less than the full renewal rates.**

Life and AD&D

Cigna Life

The basic life plan is a participating contract, meaning the County shares in surpluses on the plan. At this time, there is no surplus available. The basic life, basic AD&D, employee and dependent AD&D plans are on a rate guarantee through December 31, 2019.

Metlife GVUL

The MetLife GVUL supplemental life insurance plan is on a rate guarantee through December 31, 2021.

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

Sincerely,

Vern Menden
Senior Vice President
Aon, Los Angeles

CC:

Maggie Martinez – County of Los Angeles
Ben Kemper – County of Los Angeles
Maryanne Keehn – County of Los Angeles
Susan Moomjean – County of Los Angeles
Robin Urban – County of Los Angeles
Loretta Valenzuela – County of Los Angeles
Daniel Cho – County of Los Angeles
Thien-Thu Pham – County of Los Angeles
Leslie McKee – Aon, Los Angeles
Sandra Santana – County of Los Angeles
Stephen Caulk – Aon, Denver
Helen Batsalkin – Aon, Los Angeles
Linda Ung - Aon, Los Angeles
Herman Lu – Aon, Los Angeles

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.

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 an officer of the carrier 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 solicits input and comments from the County, and their comments are incorporated into the communications to the various carriers. Conference calls and meetings are held between Aon and the County as needed to discuss the renewal results, negotiation process and any open issues.

Responses to the communications 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.

Renewal meetings are conducted with each medical plan carrier. Attendees include representatives from the County of Los Angeles DHR and CEOs' offices, Aon, 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.

Attachment C

County of Los Angeles
2019 Renewal Results

	2018 Current Plan	2019 Initial Renewal Current Plan	2019 Negotiated Renewal Current Plan	% Change from 2018	Negotiated Savings	Performance Guarantee Credits	Total Change from Base Renewal
Flex/MegaFlex							
Kaiser	$81,856,968	$82,098,328	**$82,098,328**	**0.3%**	$0	$0	$0
Anthem[1]	$136,709,402	$142,533,396	**$136,852,225**	**0.1%**	$5,681,171	$107,454	($5,788,625)
Options							
Kaiser[2]	$499,516,238	$522,565,374	**$522,565,374**	**4.6%**	$0	$0	$0
Cigna[3]	$12,848,544	$14,108,120	**$13,439,603**	**4.6%**	$668,517	$28,525	($697,042)
UnitedHealthcare	$290,339,934	$317,465,505	**$312,803,952**	**7.7%**	$4,661,553	$197,469	($4,859,023)
Choices							
Kaiser[2]	$157,280,607	$164,511,590	**$164,511,590**	**4.6%**	$0	$0	$0
Cigna[3]	$36,194,197	$39,742,408	**$37,859,201**	**4.6%**	$1,883,207	$81,475	($1,964,682)
Total Medical[4]	$1,214,745,892	$1,283,024,722	**$1,270,130,273**	**4.6%**	$12,894,449	$414,923	($13,309,372)
Delta PPO & DeltaCare HMO[2]							
Flex	$12,202,039	$12,761,763	**$12,202,039**	**0.0%**	$559,724	$10,889	($570,613)
Options	$52,039,200	$53,070,286	**$52,429,753**	**0.8%**	$640,533	$46,803	($687,336)
Choices	$18,655,342	$19,541,378	**$18,655,342**	**0.0%**	$886,036	$16,443	($902,479)
Safeguard[2]							
Flex	$165,973	$165,973	**$161,030**	**-3.0%**	$4,944	$322	($5,266)
Options	$1,072,188	$1,072,188	**$1,040,266**	**-3.0%**	$31,922	$2,198	($34,120)
Choices	$671,607	$671,607	**$651,617**	**-3.0%**	$19,990	$1,279	($21,269)
Total Dental[4]	$84,806,348	$87,283,194	**$85,140,046**	**0.4%**	$2,143,148	$77,934	($2,221,082)
Cigna Basic Life	$556,430	$556,430	$556,430	**0.0%**	$0	$0	$0
Cigna AD&D	$4,732,907	$4,732,907	$4,732,907	**0.0%**	$0	$0	$0
Cigna Optional Employee Life	$40,400,894	$40,400,894	$40,400,894	**0.0%**	$0	$0	$0
Cigna Dependent Life	$1,693,981	$1,693,981	$1,693,981	**0.0%**	$0	$0	$0
Total Life & AD&D[5]	$47,384,212	$47,384,212	**$47,384,212**	**0.0%**	$0	$0	$0
TOTAL	$1,346,936,452	$1,417,692,128	**$1,402,654,531**	**4.1%**	$15,037,597	$492,857	($15,530,454)

Footnotes:

1. Anthem rates are calculated based on an expected premium basis plus 1% claims margin
2. Performance guarantee penalties are reported together by carrier but are shown split by group based on premium volume; penalty amounts are credited by a billed rate reduction from full renewal rates
3. Cigna does not incorporate performance guarantee penalties into rates; penalty amounts are credited to the PSR
4. Medical & dental premiums are calculated using January 2018 enrollment to project estimated annual cost
5. Life & AD&D premiums are calculated using January 2018 premium payments to project estimated annual cost
6. Underlying rates are rounded to two decimal places; percentages shown are rounded to one decimal point