HOUSING AUTHORITY
of the County of Los Angeles
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Gloria Molina
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Commissioners

Carlos Jackson
Executive Director

October 10, 2006

Honorable Board of Commissioners
Community Development Commission
of the County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Honorable Board of Commissioners
Housing Authority of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Commissioners:

APPROVE HEALTH PLAN CHANGES (ALL DISTRICTS)
(3 Vote)

IT IS RECOMMENDED THAT THE BOARD OF COMMISSIONERS OF THE COMMUNITY DEVELOPMENT COMMISSION:

1. Authorize the Executive Director to replace the Blue Cross of California (Blue Cross) Point of Service (POS) employee medical plan with a Preferred Provider Organization (PPO) plan, also to be provided by Blue Cross, effective January 1, 2007.

2. Approve the combined payment, with the Housing Authority, of the employer-paid subsidy for the 2007 calendar year, with Kaiser Health Plan (Kaiser), Blue Cross HMO and Blue Cross PPO, at an estimated cost of $500,000.

3. Authorize the Executive Director to execute contracts and contract amendments with the above firms for the purpose described herein, to be effective January 1, 2007, following approval as to form by County Counsel.

4. Authorize the Commission to fund all medical plan costs using funds included in the approved Fiscal Year 2006-2007 budget, and funds to be approved through the annual budget process for Fiscal Year 2007-2008, as needed.

IT IS RECOMMENDED THAT THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY:

1. Authorize the Executive Director to replace the Blue Cross of California (Blue Cross) Point of Service (POS) employee medical plan with a Preferred Provider Organization (PPO) plan, also to be provided by Blue Cross, effective January 1, 2007.

2. Approve the combined payment, with the Community Development Commission, of the employer-paid subsidy for the 2007 calendar year, with Kaiser Health Plan (Kaiser), Blue Cross HMO and Blue Cross PPO, at an estimated cost of $500,000.

3. Authorize the Housing Authority to fund all medical plan costs using funds included in the approved Fiscal Year 2006-2007 budget, and funds to be approved through the annual budget process for Fiscal Year 2007-2008, as needed.

PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTION:

The purpose of the recommended action is to provide employees, during the 2007 calendar year, affordable health coverage that is comparable with plans offered to County employees. The current plans end on December 31, 2006.

FISCAL IMPACT/FINANCING:

The estimated annual cost is $88,000 to increase the combined contribution under the Optional Benefit Plan from $556 to $572 per month, and under the Flexible Benefit Plan from $810 to $830 per month. These increases are provided to assist employees with the purchase of medical, dental, vision and life insurance benefits.

On October 11, 2005, your Board authorized the Executive Director to increase the dollar contribution for the Optional Benefit Plan and the Flexible Benefit Plan.

The employer-paid subsidy is estimated at $500,000 for January 1, 2007 through December 31, 2007.

The current Fiscal Year 2006-2007 budgets of the Housing Authority and Commission include funds for the proposed health plan changes through June 30, 2007. The next annual budget process will include funding for the remaining costs.

The Board of Commissioners of the Housing Authority must approve the plan changes, because Housing Authority funds will be used to pay a portion of the benefits for Commission personnel performing Housing Authority functions.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

Employees are currently provided with Blue Cross HMO, Blue Cross POS, and Kaiser as employee medical plan options. During the month of September, the Commission evaluated these plans and the required cost increases for 2007. The medical plan rate increases averaged 9.4%. The rising cost of employee benefit programs makes it difficult for the Commission to fund the proposed 9.4% increase in medical plan insurance and to continue the current level of employer-paid subsidy.

Employees participating in the Blue Cross HMO and Kaiser plans will be required to pay on average an additional 16%. The Blue Cross POS plan will be changed to a PPO plan to further reduce escalating costs. The POS plan allows participants three options of receiving services and benefits: within an HMO network; preferred provider network; and providers outside of Blue Cross' network. Since most employees currently enrolled in the POS primarily utilize preferred providers and providers outside of Blue Cross' network it is logical to replace the POS with a PPO. Employees participating in this plan will be required to pay on average an additional 19%.

Given that employee costs for health insurance will be increasing again in 2007, the Commission is recommending an increase for participants under the Optional Benefit Plan to $572 per month. Employees covered under the Flexible Benefit Plan receive a Commission contribution expressed as a percentage of salary, but not less than a minimum contribution. The minimum contribution under the Flexible Benefit Plan will increase to $830 per month.

The Commission will continue to provide an employer-paid subsidy consistent with what the County provides to its employees. This amount totaling $500,000 plus the amount contributed by each employee will fund the total cost of medical insurance for 2007.

The new monthly contribution for each plan is provided in Attachment A.

The September meeting of the Housing Commission was cancelled due to lack of a quorum and the next meeting will not convene until October 25, 2006. Although the Housing Commission has not yet voted on this matter, it is imperative that the health plan open enrollment period for Commission employees begin on October 23, 2006. Employees must be allowed at least two weeks to enroll and submit new forms to the

health plan providers during the month of November. The Commission wishes to proceed with the proposed health plan changes so that it can meet the enrollment deadlines and contractual agreements with the health plan providers. This matter will be presented to the Housing Commission for concurrence at its next meeting.

County Counsel has reviewed this letter.

IMPACT ON CURRENT PROGRAM:

The recommended actions are consistent with the principle of promoting the well being of Commission employees and their families by offering comprehensive employee benefits.

Respectfully submitted,

CARLOS JACKSON
Executive Director

Attachment:1

Attachment A

Monthly Employee Contribution for 2007*

Kaiser

Employee Only	$278.00
Employee + One	$510.00
Family	$626.00

Blue Cross HMO

Employee Only	$250.00
Employee + One	$495.00
Family	$615.00

Blue Cross PPO

Employee Only	$360.00
Employee + One	$875.00
Family	$1,140.00

*Monthly employee contribution is the employee cost after the subsidy is applied to the actual plan cost.