COMMUNITY DEVELOPMENT COMMISSION
of the County of Los Angeles
2 Coral Circle • Monterey Park, CA 91755
323.890.7001 • TTY: 323.838.7449 • www.lacdc.org

Gloria Molina
Yvonne Brathwaite Burke
Zev Yaroslavsky
Don Knabe
Michael D. Antonovich
Commissioners

Carlos Jackson
Executive Director

October 23, 2007

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 approve the proposed premium rates for group medical plans provided by Blue Cross of California Health Maintenance Organization (HMO) and Preferred Provider Option (PPO) and Kaiser Health Plan (Kaiser), to be effective January 1, 2008.

2. Approve the Commission's share of the combined payment for the employer-paid subsidy for the 2008 calendar year, with Blue Cross HMO and PPO, and Kaiser, at a total estimated cost of $460,000.

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, 2008, following approval as to form by County Counsel.

4. Authorize the Commission to fund all health plan costs using funds included in the approved Fiscal Year 2007-2008 budget, and funds to be approved through the annual budget process for Fiscal Year 2008-2009, as needed.

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

1. Authorize the Executive Director to approve the proposed premium rates for group medical plans provided by Blue Cross of California Health Maintenance Organization (HMO) and Preferred Provider Option (PPO) and Kaiser Health Plan (Kaiser), to be effective January 1, 2008.

2. Approve the Housing Authority's share of the combined payment for the employer-paid subsidy for the 2008 calendar year, with Blue Cross HMO and PPO, and Kaiser, at a total estimated cost of $460,000.

3. Authorize the Housing Authority to fund all health plan costs using funds included in the approved Fiscal Year 2007-2008 budget, and funds to be approved through the annual budget process for Fiscal Year 2008-2009, as needed.

PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTION:

The purpose of the recommended action is to provide employees, during the 2008 calendar year, affordable health coverage that is comparable with plans offered to County employees. The current plans end on December 31, 2007.

FISCAL IMPACT/FINANCING:

For 2008, the minimum contribution under the Flexible Benefit Plan will increase to $855 per month and to $597 per month under the Optional Benefit Plan, at an additional cost of $145,000. The Executive Director was provided the authority on October 11, 2005, to increase these contributions provided the amounts do not exceed the contributions for County employees.

The employer-paid subsidy is estimated at $460,000 for January 1, 2008 through December 31, 2008.

The current Fiscal Year 2007-2008 budgets of the Housing Authority and Commission include funds for the proposed health plan changes through June 30, 2008. The next annual budget process will include funding for the remaining costs.

The Board of Commissioners of the Housing Authority and the Housing Commissioners 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:

Currently, employees covered by the Flexible Benefit Plan receive a Commission contribution expressed as a percentage of salary, but not less than a minimum "floor" contribution of $830 per month. Employees covered by the Optional Benefit Plan receive $572 per month. For 2008, the minimum contribution under the Flexible Benefit Plan will increase to $855 per month and to $597 per month under the Optional Benefit Plan, at an additional cost of $145,000. On October 11, 2005, your Board delegated authority to the Executive Director to increase these contributions provided these amounts do not exceed the contributions provided to County employees. On September 11, 2007, the County approved an increase in contributions for 2008 of $987 and $735 under the MegaFlex and Flexible Benefit Plans, respectively.

Employees are currently provided with Blue Cross HMO, Blue Cross PPO, and Kaiser as employee medical plan options. During the month of September, the Commission's group insurance broker, Alliant Insurance Services, and the Commission evaluated these plans and the required cost increase for 2008.

Negotiations with Blue Cross resulted in a premium increase averaging 9.5%. Kaiser is requiring an increase of 19.5%. This premium adjustment is far greater than Kaiser's Southern California average of 9.1%. Kaiser did not provide clear supporting data to substantiate the adjustment for 2008, and was unwilling to entertain negotiations. Approximately 56% of Commission employees who are enrolled in this Plan will be impacted by this substantial increase. As a result of Kaiser's unwillingness to negotiate renewal rates, the Commission will review its continuing relationship with Kaiser for future policy years.

In an effort to assist employees with paying for medical insurance coverage, the Commission will continue to provide an employer-paid subsidy. This amount totaling approximately $460,000 plus the amount contributed by each employee will fund the total cost of medical insurance for 2008.

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

There will be no changes to the dental, vision, life and disability programs for 2008.

The Chief Executive Office and County Counsel have reviewed this letter. This letter is being filed concurrently with the Housing Commission for its monthly meeting on October 24, 2007. The annual open enrollment period allowing Commission employees to enroll in their health plans for 2008 will begin on October 29, 2007. Commission employees must have at least a two-week period to enroll so that the Commission can submit the new enrollment details to the health plan providers during the month of November. Any delays will prevent the Commission from meeting the enrollment deadlines and contractual agreements with the health plan providers which are due to expire on December 31, 2007.

ENVIRONMENTAL DOCUMENTATION:

This action is exempt from the provisions of the National Environmental Policy Act pursuant to 24 Code of Federal Regulations, Part 58, Section 58.34 (a)(3) because it involves administrative activities that will not have a physical impact on or result in any physical changes to the environment. The action is not subject to the provisions of CEQA pursuant to State CEQA Guidelines 15060(c)(3) and 15378 because it is not defined as a project under CEQA and does not have the potential for causing a significant effect on the environment.

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,

Bobbette A. Glover
for CARLOS JACKSON
Executive Director

Attachment

Attachment A

Monthly Employee Contribution for 2008*

Blue Cross HMO

Employee Only	$275
Employee + One	$548
Family	$680

Blue Cross PPO

Employee Only	$406
Employee + One	$988
Family	$1,322

Kaiser

Employee Only	$345
Employee + One	$636
Family	$776

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