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COUNTY OF LOS ANGELES

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Chief Executive Officer

Fesia A. Davenport

"To Enrich Lives Through Effective and Caring Service"

November 26, 2024

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:

INCREASING THE LIFETIME MAXIMUM BENEFIT FOR THE ANTHEM BLUE CROSS PLANS PROVIDED BY THE LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION (ALL DISTRICTS) (3 VOTES)

SUBJECT

This letter is to request your approval to allow the Los Angeles County Employees Retirement Association to negotiate with Anthem Blue Cross to increase the lifetime maximum benefit for Anthem Blue Cross I, II, and Prudent Buyer plans.

IT IS RECOMMENDED THAT THE BOARD:

Authorize the Chief Executive Office (CEO) to allow the Los Angeles County Employees Retirement Association (LACERA) to begin negotiating with Anthem Blue Cross of California to increase the lifetime maximum benefit from \$1 million to \$1.5 million for the LACERA-administered Anthem Blue Cross I, II, and Prudent Buyer Plans.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Background

The LACERA Board of Retirement (BOR) created the Retiree Healthcare Program in 1971. The BOR controlled the program's benefit structure and administration and was responsible for funding the retiree health plans' premium subsidies.

In 1982, the County and LACERA entered into an agreement where LACERA relinquished control over the Retiree Healthcare Program structure and reduced the County's 1982 retirement benefit contribution. In return the County agreed to fund the retiree health plans premium subsidies, up to the benchmark plans premiums. LACERA continued administering the Retiree Healthcare Program and was responsible for selecting insurance carriers and negotiating coverage terms and rates.

LACERA-Administered Health Plans and Lifetime Maximum Benefit

LACERA administers different healthcare plans for retired LACERA-eligible County employees. Retirees have the option of choosing between Health Maintenance Organizations (HMOs) plans and Indemnity Medical (also known as Preferred Provider Organization) plans.

The HMO plans do not have a lifetime maximum benefit limit. There is one Medicare supplemental plan offered by LACERA, which is the Anthem Blue Cross III, which also has no lifetime maximum benefit.

The Indemnity Medical plans currently have a lifetime maximum benefit of \$1 million per member. These plans are:

- Anthem Blue Cross I,
- Anthem Blue Cross II, and
- Anthem Blue Cross Prudent Buyer

Once a LACERA member reaches the \$1 million lifetime maximum benefit under these plans, the member has three options for continued healthcare coverage: 1) move to a LACERA-administered HMO plan; 2) move to Anthem Blue Cross III, the Medicare supplemental plan; or 3) purchase a health plan not offered by LACERA. Since 2014, LACERA reported 40 members that reached the lifetime maximum benefit.

The lifetime maximum benefit has not increased since 1992. LACERA requests that the County allow an increase to the lifetime maximum benefit for the Anthem Indemnity plans to ensure retirees receive continued coverage above the current maximum in their existing plans. CEO requests your Board's approval to increase the lifetime maximum benefit from \$1 million to \$1.5 million for the Anthem Blue Cross I, II and Prudent Buyer plans.

Implementation of Strategic Plan Goals

The recommended action in this Board letter supports the County's Strategic Plan North Star 1: Make Investments that Transform Lives, Focus Area Goal A - Healthy Individuals and Families.

FISCAL IMPACT/FINANCING

Increasing the lifetime maximum benefit from \$1 million to \$1.5 million will result in premium increases for Anthem Blue Cross I, II, and Prudent Buyer Plans. The estimated premium increase will be \$3.9 million for Fiscal Year 2025-2026. Once LACERA finalizes negotiations with Anthem Blue Cross, CEO will update the Fiscal Year 2025-26 Budget to account for the increased costs that the County will pay towards the Retiree Healthcare Program.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Once your Board approves the request to increase the lifetime maximum benefit, the CEO will direct LACERA to begin negotiating with Anthem Blue Cross during their rate renewal process for the Fiscal Year 2025-26. The lifetime maximum benefit will increase from \$1 million to \$1.5 million, effective July 1, 2025, when the new healthcare plan year begins.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

No impact on current services.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Fesia A. Davenport". The signature is fluid and cursive, with a large initial "F" and "D".

FESIA A. DAVENPORT

Chief Executive Officer

FAD:JMN:JDS

LR:TTP:rfm

c: Executive Office, Board of Supervisors
County Counsel
Los Angeles County Employees Retirement
Association