HEALTH AND WELFARE BOARD RETREAT
08.29.17

Presented by:
Scott Price, Chief Financial Officer
Office of the Chief Financial Officer
Janice Sawyer, Chief Risk Officer
Division of Risk Management and Insurance Services
Agenda

- Background
- Budgetary Impact
- Cost Reduction Initiatives
- Cost Savings Scenarios
BACKGROUND
How It All Began
The Evolution of Health & Welfare

- **1940’s**
  - Benefits offered to certificated employees

- **1960**
  - Retiree health benefits established

- **1966**
  - District pays full premium, eliminating employee contribution

- **1969**
  - District receives a vote on the HBC

- **1969**
  - OPEB Trust established

- **1966**
  - Retiree health benefits established

- **1969**
  - District pays full premium, eliminating employee contribution

- **1976**
  - Years of service rule (5 years) introduced

- **1980**
  - Sole authority given to labor partners for plan design changes

- **1984**
  - 10 years of service rule

- **1987**
  - 15 years of service rule

- **1990**
  - Rule of 80

- **1992**
  - Eliminated cash-plan and introduced HMO’s

- **1993**
  - HBC established

- **1993**
  - Board Retreat

- **2000**
  - Eliminated mandatory 2 year HMO election for new hires

- **2002**
  - MOU established baseline budget with increases based on per member contribution

- **2006**
  - MOU renegotiated as an successor agreement to prior MOU

- **2009**
  - ACA’s excise tax becomes effective

- **2010**
  - ACA’s excise tax becomes effective

- **2014**
  - OPEB Trust established

- **2015**
  - MOU renegotiated as an successor agreement to prior MOU
Health Benefits Committee (HBC)

Structure

• Comprised of bargaining units
• One vote per unit and one vote for the District
• Governing Document: Memorandum of Understanding

Roles

• Responsible for plan design changes
• Contain cost within the annual budget for health and welfare
• Negotiate all health & welfare contracts
# LAUSD Benefits

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Paid By</th>
<th>Benefit Provided To</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>District</td>
<td>Employee</td>
</tr>
<tr>
<td><strong>Health Care</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health (Medical, Dental, Vision)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Health Care Flexible Spending Account</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Dependent Care Flexible Spending Account</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Continuation of Health Coverage – COBRA</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Life Insurance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic Life Insurance</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Optional Life Insurance / Accidental Death (AD&amp;D)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Retirement</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>STRS/PERS/PARS</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>403(b) / 457(b)</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>
Benchmarks: Active  
How LAUSD compares to other public entities

<table>
<thead>
<tr>
<th>Public Entity</th>
<th>Medical Plan Structure</th>
<th>Active Employee Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>LAUSD</td>
<td>District pays full premium for eligible employees and their dependents</td>
<td>None</td>
</tr>
<tr>
<td>City of Los Angeles</td>
<td>City pays full premium for eligible employees and their dependents</td>
<td>None</td>
</tr>
<tr>
<td>Los Angeles County</td>
<td>County pays monthly allowance for eligible employees and their dependents</td>
<td>Varies</td>
</tr>
<tr>
<td>San Diego Unified School District</td>
<td>District pays full premium for eligible employees and their dependents</td>
<td>None</td>
</tr>
<tr>
<td>Long Beach Unified School District</td>
<td>District pays annual maximum contribution. Currently all plans offered are under the annual max contribution</td>
<td>None</td>
</tr>
<tr>
<td>New York City, Dept. of Education</td>
<td>Dept. of Education pays full premium for basic plans. Member required to pay additional premiums for upgraded plans.</td>
<td>Varies</td>
</tr>
<tr>
<td>Chicago Public Schools (CPS)</td>
<td>Employees contribute 2-5% of salary depending on plan type and coverage level.</td>
<td>2-5%</td>
</tr>
<tr>
<td>City of Detroit</td>
<td>City pays 80% of premium for eligible employees and dependents</td>
<td>20%</td>
</tr>
</tbody>
</table>
# Benchmarks: Retiree

*How LAUSD compares to other public entities*

<table>
<thead>
<tr>
<th>Public Entity</th>
<th>Medical Plan Structure</th>
<th>Retiree Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>LAUSD</td>
<td>District pays full premium for eligible retirees and their dependents.</td>
<td>None</td>
</tr>
<tr>
<td>City of Los Angeles</td>
<td>City offers premium subsidy based on years of service. Retiree responsible for remaining balance.</td>
<td>Varies</td>
</tr>
<tr>
<td>Los Angeles County</td>
<td>County contributes premium for retiree and dependents based on years of service. Members retired after 07/01/2014 responsible for dependent coverage.</td>
<td>Varies</td>
</tr>
<tr>
<td>San Diego Unified School District</td>
<td>Retiree pays full premium. Depending on Bargaining Unit, subsidy may be offered.</td>
<td>Varies</td>
</tr>
<tr>
<td>Long Beach Unified School District</td>
<td>District pays annual maximum contribution to age 67</td>
<td>Varies</td>
</tr>
<tr>
<td>New York City, Dept. of Education</td>
<td>Dept. of Education pays full premium for basic plans. Retiree required to pay additional premiums for upgraded plans.</td>
<td>Varies</td>
</tr>
<tr>
<td>Chicago Public Schools (CPS)</td>
<td>Retiree pays full premium. Depending on Bargaining Unit, subsidy may be offered. Dependent coverage is not eligible for subsidy.</td>
<td>Varies</td>
</tr>
<tr>
<td>City of Detroit</td>
<td>Members retired after 01/01/2015 are not eligible for medical coverage.</td>
<td>Full amount</td>
</tr>
</tbody>
</table>
## Health & Welfare (H&W) Population

<table>
<thead>
<tr>
<th>Medical Plan</th>
<th>Active Employees</th>
<th>Active Employees’ Dependents</th>
<th>Retirees &lt;65</th>
<th>Retirees &lt;65 Dependents</th>
<th>Retirees &gt;65</th>
<th>Retirees &gt;65 Dependents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anthem Blue Cross EPO</td>
<td>3,651</td>
<td>4,631</td>
<td>829</td>
<td>589</td>
<td>15,735</td>
<td>5,803</td>
</tr>
<tr>
<td>Anthem Blue Cross HMO</td>
<td>16,791</td>
<td>25,324</td>
<td>1,216</td>
<td>875</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Health Net HMO</td>
<td>6,736</td>
<td>9,820</td>
<td>480</td>
<td>327</td>
<td>1,028</td>
<td>511</td>
</tr>
<tr>
<td>Kaiser Permanente HMO</td>
<td>28,683</td>
<td>38,556</td>
<td>2,302</td>
<td>1,536</td>
<td>13,402</td>
<td>4,689</td>
</tr>
<tr>
<td>United Health Care HMO</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>1,061</td>
<td>302</td>
</tr>
<tr>
<td>Opt-Out</td>
<td>3,752</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>59,613</strong></td>
<td><strong>78,331</strong></td>
<td><strong>4,827</strong></td>
<td><strong>3,327</strong></td>
<td><strong>31,226</strong></td>
<td><strong>11,305</strong></td>
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Source: SAP Data as of 03/01/17 and the Office of Data and Accountability
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<td></td>
</tr>
</tbody>
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**FUN FACT!**
Of all the Active Employees’ Dependents, **12,529** are LAUSD students enrolled in a District sponsored plan.

Source: SAP Data as of 03/01/17 and the Office of Data and Accountability
Actives vs. Retirees

2010

Retirees represent 32% of population

72,294 Active
34,681 Retiree

2017

Retirees represent 38% of population

59,613 Active
36,053 Retiree

Source: SAP Data as of 01/01/10 and 03/01/17

Health & Welfare Board Retreat
Retiree Population Distribution

By Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>1</td>
</tr>
<tr>
<td>Africa</td>
<td>2</td>
</tr>
<tr>
<td>Asia</td>
<td>7</td>
</tr>
<tr>
<td>Europe</td>
<td>7</td>
</tr>
<tr>
<td>North America*</td>
<td>4</td>
</tr>
<tr>
<td>U.S. Territories</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: SAP as of 03/01/17
* Excludes United States
Americans’ unhealthy lifestyle choices are linked to costly chronic conditions.

Treating chronic diseases accounts for 86% of U.S. healthcare costs.

Specialty drugs account for 1/3 of prescription drug spending.

21st century medicine highly reliant on expensive technology.
2015 Life Expectancy

At Birth

81.2
76.3

At 65 Years

85.6
83.0

Source: U.S. Department of Health and Human Services, “Health, United States, 2016”
Dialogue & Reflection

What fact was most compelling and what does this mean for the work ahead?
BUDGETARY IMPACT
Health Care and Benefit Costs

• 27% of Average Daily Attendance (ADA) revenues are used for health care, other post employment benefits (OPEB), and pension benefits (pg.13)

• Benefit payments are 9.4% over statewide average (pg. 13)

• Health care cost savings placed on the “Immediate Action” list (pg. 58)

• Health care modifications generate significant ongoing savings (pg. 58)
Independent Financial Review Panel Recommendations

- Implement drug formulary options
- Align retiree benefits to Affordable Care Act
- Implement 90/10 contribution rate
- Offer employees lump sum in lieu of retiree benefits
- Review eligibility of employees and dependents
- Negotiate cap on healthcare expenditures
- Refine & accelerate dependent verification
- Freeze healthcare expenditures for five years
- Renegotiate benefit agreement
- Create incentives to reduce dependent coverage
- Cost sharing for dependent coverage

• LAUSD has a structural deficit
• LAUSD has had to provide and implement a fiscal stabilization plan to the County Office for over 5 years
• Local Control Funding Formula (LCFF) is currently funded at 97%
• LCFF is projected to be fully funded in 2020-21
• LAUSD continues to experience declining enrollment of over 2% annually
• Pension and health care costs continue to rise
Process for Funding Health Benefits

Health Benefits Committee (HBC)

- Negotiates Health Care Average Amount
- Budget Division Informed

District General Fund

Budget Moves Negotiated Average Amount

Health Care Fund (67)

Vendors Paid Exact Amount

08.29.17 Health & Welfare Board Retreat
Employee Compensation and H&W Components

**General Fund Expenditure Budget**
- Salary: $3.8B
- Pension: $0.8B
- Other Statutory Benefits: $0.2B
- H&W: $1.1B

**General Fund Health & Welfare**
- Active "Pay-As-You-Go": $726.8M
- Current Retiree "Pay-As-You-Go": $255.5M
- Future Portion for Active & Retiree: $104.9M

Employee Compensation Represent $5.9B or 79%

Source: 2017-18 Adopted Final Budget

* Includes $104.9 million contribution to OPEB Trust Only (not the Annual Required Contribution)
General Fund H&W expenditures increased by 250% since 1991-92

*2016-17 Third Interim
Active Employee Workforce Data

- **47** Average age of active employee
- **47%** Active employees over age 50
- **33%** Fully qualified life-time health benefits

Source: AON Hewitt Actuarial Valuation Report as of July 1, 2015
Represents all participants (not just General Fund)
Benefit Participants Over Time

Source: AON Hewitt Actuarial Valuation Report as of July 1, 2015
Includes all participants from all funds. Assumes that 85% of the actives are replace as they retire.
Benefit Cost Illustration

Source: Rates are based on Memorandum of Understanding (MOU) contribution rates for actives, pre-medicare retiree, and medicare retiree.
Source: AON Hewitt Actuarial Valuation Report as of July 1, 2015; Represents all participates (not just general fund).
## Increasing Health & Welfare Costs

**Source:** AON Hewitt Actuarial Valuation Report as of July 1, 2015. Based on Actuarial Report Cashflow. Represents all participates (not just General Fund). Assumes that 85% backfilling of actives that retired.

### In Millions

- **Current Retirees PPS:**
  - 2017: $0
  - 2018: $200
  - 2019: $400
  - 2020: $600
  - 2021: $800
  - 2022: $1,000
  - 2023: $1,200
  - 2024: $1,400

- **Remaining Actives:**
  - 2016: $0
  - 2017: Increase by $76.5 M
  - 2018: Increase by $68.9 M
  - 2019: Increase by $63.2 M
  - 2020: Increase by $66.0 M
  - 2021: Increase by $76.5 M

- **Future Retirees PPS:**
  - 2017: $0
  - 2018: $200
  - 2019: $400
  - 2020: $600
  - 2021: $800
  - 2022: $1,000
  - 2023: $1,200
  - 2024: $1,400

- **New Hire Actives:**
  - 2017: $0
  - 2018: $200
  - 2019: $400
  - 2020: $600
  - 2021: $800
  - 2022: $1,000
  - 2023: $1,200
  - 2024: $1,400

### Notes
- Based on Actuarial Report Cashflow.
- Represents all participates (not just General Fund).
- Assumes that 85% backfilling of actives that retired.
Rising Benefit Costs Increase Total Employee Cost

CURRENT

$80K

H&W $18K
Pension and other Fringe Benefits $15K

YEAR 5

$80K

H&W $21K
Pension and other Fringe Benefits $21K

Total Compensation increases before any salary increase
Increasing Benefit Costs Impact Available Funds

1991-92:
- H&W: 9.2%
- Pension: 4.1%
- Total: 86.8%

2001-02:
- H&W: 7.6%
- Pension: 3.7%
- Total: 88.7%

2011-12:
- H&W: 13.8%
- Pension: 10.0%
- Total: 76.2%

2021-22:
- H&W: 18.5%
- Pension: 19.0%
- Total: 62.5%

2031-32:
- H&W: 28.4%
- Pension: 22.4%
- Total: 49.3%

Legend:
- H&W
- Pension
- Total
Given the rising cost of health care, how do we best engage our stakeholders to address this important issue?
COST REDUCTION INITIATIVES
Employee Group Waiver Plan (EGWP)

**What is it?**
Group Medicare Part D prescription drug plan

**Who is affected?**
Medicare eligible retirees and their dependents enrolled in Anthem Blue Cross plans

**When did it start?**
January 2016

**Why did we implement?**
To leverage rebates & subsidies to reduce Rx cost

**How much did we save?**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Estimated Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td>$10.9M</td>
</tr>
<tr>
<td>2016-17</td>
<td>$39.4M</td>
</tr>
<tr>
<td>2017-18</td>
<td>$36.8M</td>
</tr>
<tr>
<td>2018-19</td>
<td>$38.4M</td>
</tr>
<tr>
<td>2019-20</td>
<td>$23.1M</td>
</tr>
<tr>
<td>Est. Total</td>
<td>$148.6M</td>
</tr>
</tbody>
</table>

Source: CVS as of 06/30/17
Dependent Eligibility Audit

**What is it?**
Audit to verify dependent eligibility

**Who is affected?**
Active employees, retirees, and their dependents

**When did it start?**
First phase implemented April 2013

**Why did we change?**
To remove ineligible dependents & contain costs

---

**How much cost avoidance did we potentially save?**

<table>
<thead>
<tr>
<th>From Inception to date</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Audited Dependents</td>
<td>92,858</td>
</tr>
<tr>
<td>Termed Dependents</td>
<td>7,643</td>
</tr>
</tbody>
</table>

**Cost Avoidance $22.9M**

Source: Dependent Audit Status as of 06/01/17
Medical Claims Audit

**What is it?**
Independent audit of self-insured medical plan

**When was the audit period?**
Calendar year 2015

**Why did we implement?**
To verify contract compliance

<table>
<thead>
<tr>
<th>Type</th>
<th>Estimated Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligibility</td>
<td>TBD</td>
</tr>
<tr>
<td>Claims Processing</td>
<td>$152K</td>
</tr>
<tr>
<td><strong>Total Estimated Savings</strong></td>
<td><strong>$152K</strong></td>
</tr>
</tbody>
</table>

How much did we save?

Source: Claims Technology Inc. Executive Summary 02/10/17; pending finalization from Anthem Blue Cross
COST SAVING OPPORTUNITIES
## Description

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Employee / Retiree Coverage Only</td>
</tr>
<tr>
<td>2</td>
<td>Employee / Retiree + 1 Dependent Coverage</td>
</tr>
<tr>
<td>3</td>
<td>20% Premium Sharing</td>
</tr>
<tr>
<td>4</td>
<td>Lowest Cost Plan</td>
</tr>
<tr>
<td>5</td>
<td>50 State Medicare Plan</td>
</tr>
</tbody>
</table>
1. Employee / Retiree Coverage Only

Covers employee / retiree only, premium free

Flexibility to choose from available plans

COST SAVINGS
$434M / year

Member contribution required for dependent coverage

Total Members Affected:
Active: 33,970 | Retiree: 13,476
## 1A. Employee Coverage Only

<table>
<thead>
<tr>
<th>Medical Plan</th>
<th>District Contribution</th>
<th>Monthly Employee Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser Permanente</td>
<td>$475.82</td>
<td>$0</td>
</tr>
<tr>
<td>Anthem Blue Cross HMO</td>
<td>$499.27</td>
<td>$0</td>
</tr>
<tr>
<td>Anthem Blue Cross EPO</td>
<td>$574.71</td>
<td>$0</td>
</tr>
<tr>
<td>Health Net HMO</td>
<td>$723.88</td>
<td>$0</td>
</tr>
</tbody>
</table>

**Total Savings: 345.9M / year**
## 1B. Retiree Coverage Only

<table>
<thead>
<tr>
<th>Medical Plan</th>
<th>District Contribution</th>
<th>Monthly Retiree Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser Permanente (&lt;65)</td>
<td>$798.30</td>
<td>$798.31</td>
</tr>
<tr>
<td>Anthem Blue Cross HMO (&lt;65)</td>
<td>$808.92</td>
<td>$808.92</td>
</tr>
<tr>
<td>Anthem Blue Cross EPO (&lt;65)</td>
<td>$1,096.28</td>
<td>$1,096.28</td>
</tr>
<tr>
<td>Health Net HMO (&lt;65)</td>
<td>$868.01</td>
<td>$998.19</td>
</tr>
<tr>
<td>Kaiser Permanente Senior Adv. (&gt;65)</td>
<td>$202.73</td>
<td>$202.73</td>
</tr>
<tr>
<td>United HealthCare (&gt;65)</td>
<td>$343.00</td>
<td>$343.00</td>
</tr>
<tr>
<td>Health Net Seniority Plus (&gt;65)</td>
<td>$390.25</td>
<td>$390.25</td>
</tr>
<tr>
<td>Anthem Blue Cross EPO (&gt;65)</td>
<td>$538.61</td>
<td>$538.61</td>
</tr>
</tbody>
</table>
2. Employee / Retiree +1 Dependent Coverage

- Covers employee / retiree, and up to 1 dependent, premium free
- Employee contribution required for additional dependent coverage
- Flexibility to choose from available plans
- Total Members Affected:
  - Active: 23,069
  - Retiree: 1,230
- COST SAVINGS
  - $138.3M / year
### 2A. Employee +1 Dependent Coverage

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<th>Monthly Employee Contribution</th>
</tr>
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<td>$0</td>
</tr>
<tr>
<td>Anthem Blue Cross EPO</td>
<td>$1,149.41</td>
<td>$0</td>
</tr>
<tr>
<td>Health Net HMO</td>
<td>$1,556.32</td>
<td>$0</td>
</tr>
</tbody>
</table>

*Contribution will vary up to amount shown

**Total Savings: 128M / year**
## 2B. Retiree +1 Dependent Coverage

<table>
<thead>
<tr>
<th>Medical Plan</th>
<th>District Contribution*</th>
<th>Retiree Only</th>
<th>Retiree + 1 Dep</th>
<th>Retiree + Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser Permanente (&lt;65)</td>
<td>$1,596.61</td>
<td>$0</td>
<td>$0</td>
<td>$662.59</td>
</tr>
<tr>
<td>Anthem Blue Cross HMO (&lt;65)</td>
<td>$1,617.84</td>
<td>$0</td>
<td>$0</td>
<td>$808.92</td>
</tr>
<tr>
<td>Anthem Blue Cross EPO (&lt;65)</td>
<td>$2,192.56</td>
<td>$0</td>
<td>$0</td>
<td>$1,096.28</td>
</tr>
<tr>
<td>Health Net HMO (&lt;65)</td>
<td>$1,866.20</td>
<td>$0</td>
<td>$0</td>
<td>$694.41</td>
</tr>
<tr>
<td>Kaiser Permanente Senior Adv. (&gt;65)</td>
<td>$405.46</td>
<td>$0</td>
<td>$0</td>
<td>$662.59</td>
</tr>
<tr>
<td>United HealthCare (&gt;65)</td>
<td>$686.00</td>
<td>$0</td>
<td>$0</td>
<td>N/A</td>
</tr>
<tr>
<td>Health Net Seniority Plus (&gt;65)</td>
<td>$780.50</td>
<td>$0</td>
<td>$0</td>
<td>$390.25</td>
</tr>
<tr>
<td>Anthem Blue Cross EPO (&gt;65)</td>
<td>$1,077.22</td>
<td>$0</td>
<td>$0</td>
<td>$538.61</td>
</tr>
</tbody>
</table>

* Contribution will vary up to amount shown

**Total Savings: 10.3M / year**
3. 20% Premium Sharing

- District pays 80% of premium
- Employee / Retiree pays 20% of premium
- Flexibility to choose from available plans
- Dependent coverage allowed
- Total Members Affected: Active: 55,861 | Retiree: 35,945
- COST SAVINGS $195M / year
### 3A. 20% Premium Sharing

**Total Savings: 138.8M / year**

<table>
<thead>
<tr>
<th>Medical Plan</th>
<th>District Contribution</th>
<th>Employee Only Contribution (20%)</th>
<th>Employee + 1 Dep Contribution (20%)</th>
<th>Employee + Family Contribution (20%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser Permanente</td>
<td>80%</td>
<td>$95.16</td>
<td>$190.33</td>
<td>$269.31</td>
</tr>
<tr>
<td>Anthem Blue Cross HMO</td>
<td>80%</td>
<td>$99.85</td>
<td>$199.71</td>
<td>$299.56</td>
</tr>
<tr>
<td>Anthem Blue Cross EPO</td>
<td>80%</td>
<td>$114.94</td>
<td>$229.88</td>
<td>$344.82</td>
</tr>
<tr>
<td>Health Net HMO</td>
<td>80%</td>
<td>$144.78</td>
<td>$311.26</td>
<td>$427.08</td>
</tr>
</tbody>
</table>
### 3B. 20% Premium Sharing

<table>
<thead>
<tr>
<th>Medical Plan</th>
<th>District Contribution</th>
<th>Monthly Retiree Contribution (20%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser Permanente (&lt;65)</td>
<td>80%</td>
<td>$159.66</td>
</tr>
<tr>
<td>Anthem Blue Cross HMO (&lt;65)</td>
<td>80%</td>
<td>$161.78</td>
</tr>
<tr>
<td>Anthem Blue Cross EPO (&lt;65)</td>
<td>80%</td>
<td>$219.26</td>
</tr>
<tr>
<td>Health Net HMO (&lt;65)</td>
<td>80%</td>
<td>$173.60</td>
</tr>
<tr>
<td>Kaiser Permanente Senior Adv. (&gt;65)</td>
<td>80%</td>
<td>$40.55</td>
</tr>
<tr>
<td>United HealthCare (&gt;65)</td>
<td>80%</td>
<td>$68.60</td>
</tr>
<tr>
<td>HealthNet Seniority Plus (&gt;65)</td>
<td>80%</td>
<td>$78.05</td>
</tr>
<tr>
<td>Anthem Blue Cross EPO (&gt;65)</td>
<td>80%</td>
<td>$107.72</td>
</tr>
</tbody>
</table>

**Total Savings: 56.2M / year**
4. Lowest Cost Plan

- Covers employee / retiree and eligible dependents
- Flexibility to choose from available plans
- Member contribution required for alternate plans
- Total Members Affected: Active: 27,178 | Retiree: 21,423

COST SAVINGS

$161.2M / year
4A. Lowest Cost Plan

<table>
<thead>
<tr>
<th>Medical Plan</th>
<th>District Contribution</th>
<th>Employee Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser Permanente</td>
<td>$967.46</td>
<td>$0</td>
</tr>
<tr>
<td>Anthem Blue Cross HMO</td>
<td>$967.46</td>
<td>$128.18</td>
</tr>
<tr>
<td>Anthem Blue Cross EPO</td>
<td>$967.46</td>
<td>$214.01</td>
</tr>
<tr>
<td>Health Net HMO</td>
<td>$967.46</td>
<td>$455.31</td>
</tr>
</tbody>
</table>

Total Savings: 72M / year
### 4B. Lowest Cost Plan

<table>
<thead>
<tr>
<th>Medical Plan</th>
<th>District Contribution</th>
<th>Retiree Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser Permanente (&lt;65)</td>
<td>$1,265.55</td>
<td>$281.22</td>
</tr>
<tr>
<td>Anthem Blue Cross HMO (&lt;65)</td>
<td>$1,265.55</td>
<td>$0</td>
</tr>
<tr>
<td>Anthem Blue Cross EPO (&lt;65)</td>
<td>$1,265.55</td>
<td>$557.27</td>
</tr>
<tr>
<td>Health Net HMO (&lt;65)</td>
<td>$1,265.55</td>
<td>$440.52</td>
</tr>
<tr>
<td>Kaiser Permanente Senior Adv. (&gt;65)</td>
<td>$273.98</td>
<td>$0</td>
</tr>
<tr>
<td>United HealthCare (&gt;65)</td>
<td>$273.98</td>
<td>$69.02</td>
</tr>
<tr>
<td>HealthNet Seniority Plus (&gt;65)</td>
<td>$273.98</td>
<td>$156.77</td>
</tr>
<tr>
<td>Anthem Blue Cross EPO (&gt;65)</td>
<td>$273.98</td>
<td>$372.25</td>
</tr>
</tbody>
</table>

**Total Savings: 89.2M / year**
5. 50 State Medicare Advantage Plan

Covers Medicare eligible retirees and their eligible dependents

Anthem Blue Cross EPO not offered. Flexibility to choose from available Medicare advantage plans

COST SAVINGS
$40.6M / year

Premium fully covered by the District

Total Retirees Affected: 15,716
5. 50 State Medicare Advantage Plan

<table>
<thead>
<tr>
<th>Medical Plan</th>
<th>District Contribution</th>
<th>Retiree Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Net Seniority Plus</td>
<td>$430.75</td>
<td>$0</td>
</tr>
<tr>
<td>Anthem Blue Cross EPO (&gt;65)</td>
<td></td>
<td>No longer offered</td>
</tr>
<tr>
<td>Kaiser Permanente Senior Advantage</td>
<td></td>
<td>No change</td>
</tr>
<tr>
<td>United HealthCare</td>
<td></td>
<td>No change</td>
</tr>
</tbody>
</table>

Total Savings: 40.6M / year
Medicare 101

Part A
Hospitalization

Part B
Outpatient Care

Part C
Medicare Advantage Plans

Part D
Prescription Drugs
## Cost Saving Opportunity Comparison

<table>
<thead>
<tr>
<th>Description</th>
<th>Plan Flexibility?</th>
<th>Potential Member Contribution?</th>
<th>Dependent Coverage?</th>
<th># of Affected Members</th>
<th>Annual Cost Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Employee / Retiree Coverage Only</td>
<td>✓</td>
<td>✓</td>
<td>✗</td>
<td>47,446</td>
<td>$434.0M</td>
</tr>
<tr>
<td>2 Employee + 1 Dependent Coverage</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>24,299</td>
<td>$138.3M</td>
</tr>
<tr>
<td>3 20% Premium Sharing</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>91,806</td>
<td>$194.9M</td>
</tr>
<tr>
<td>4 Lowest Cost Plan</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>48,601</td>
<td>$161.2M</td>
</tr>
<tr>
<td>5 50 State Medicare Advantage Plan</td>
<td>✓</td>
<td>✗</td>
<td>✓</td>
<td>15,716</td>
<td>$40.6M</td>
</tr>
</tbody>
</table>
**Status Update**

Independent Financial Review Panel Recommendations

- **Implement** drug formulary options
- **Cost sharing** for dependent coverage
- **Align retiree benefits to Affordable Care Act**
- **Implement 90/10 contribution rate**
- **Offer employees lump sum in lieu of retiree benefits**
- **Review eligibility of employees and dependents**
- **Negotiate cap on healthcare expenditures**
- **Refine & accelerate dependent verification**
- **Renegotiate benefit agreement**
- **Create incentives to reduce dependent coverage**
- **Freeze healthcare expenditures for five years**

Final Reflections
THANK YOU!