



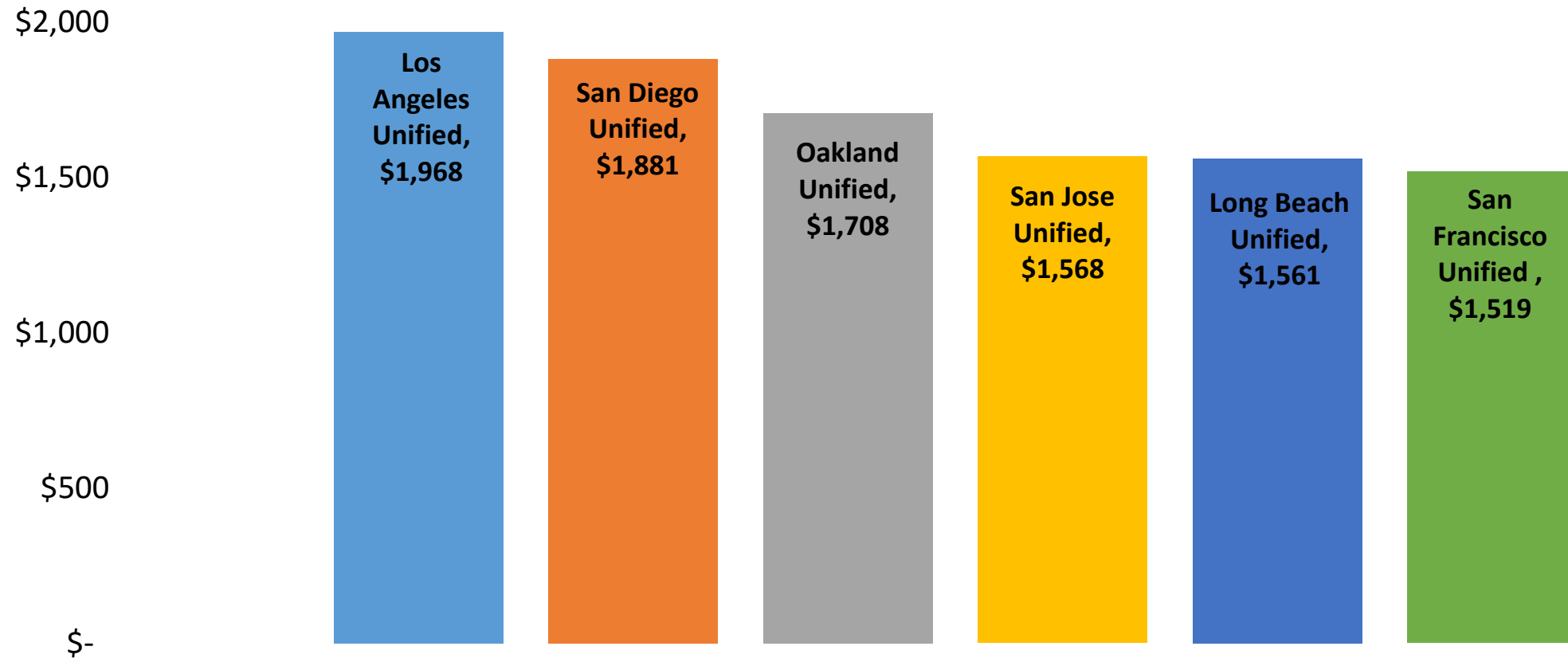
HEALTH CARE UPDATE

Addressing the Hard Choices

August 15, 2018

Scott S. Price, Chief Financial Officer
Janice J. Sawyer, Chief Risk Officer

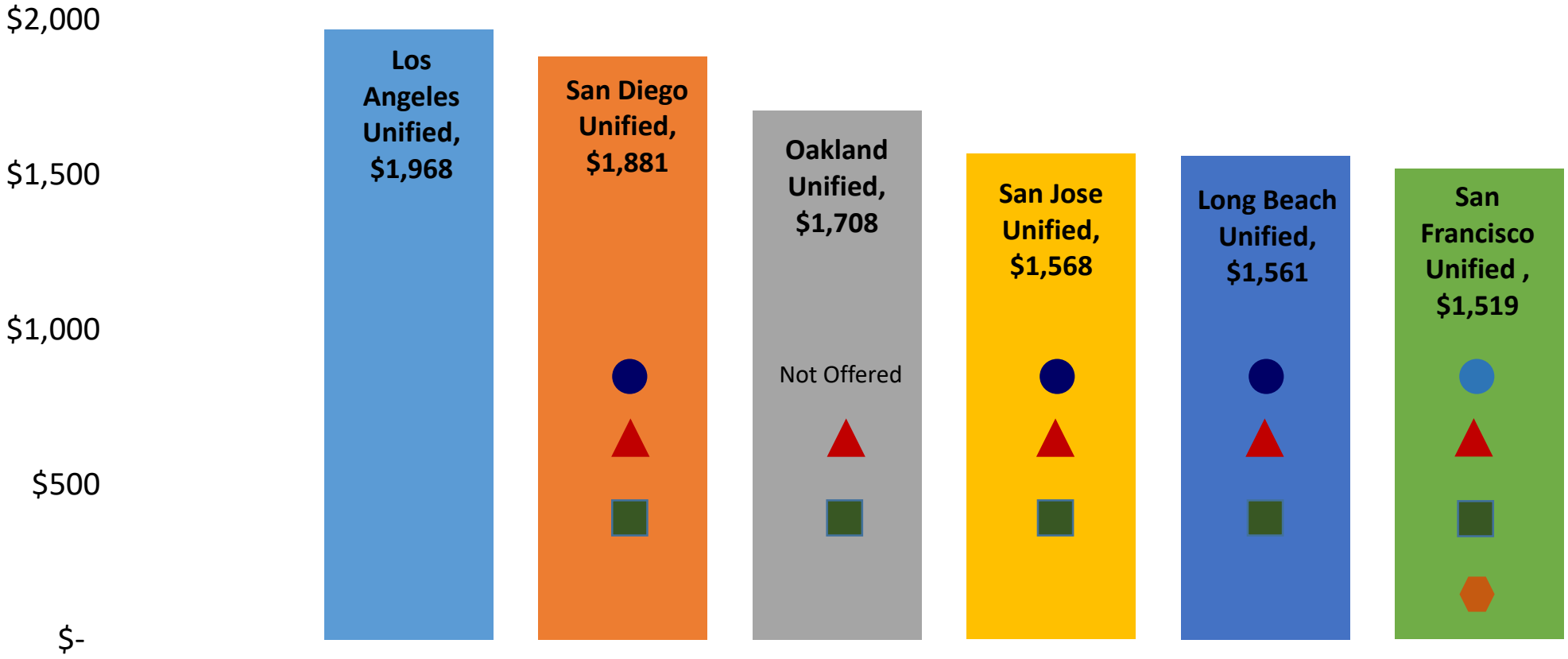
Per Pupil Health Care Cost Comparison FY 2016/17



Per Pupil Difference	\$87	\$260	\$400	\$407	\$449
Impact to LAUSD's 500K enrollment	\$43M	\$130M	\$200M	\$203M	\$224M

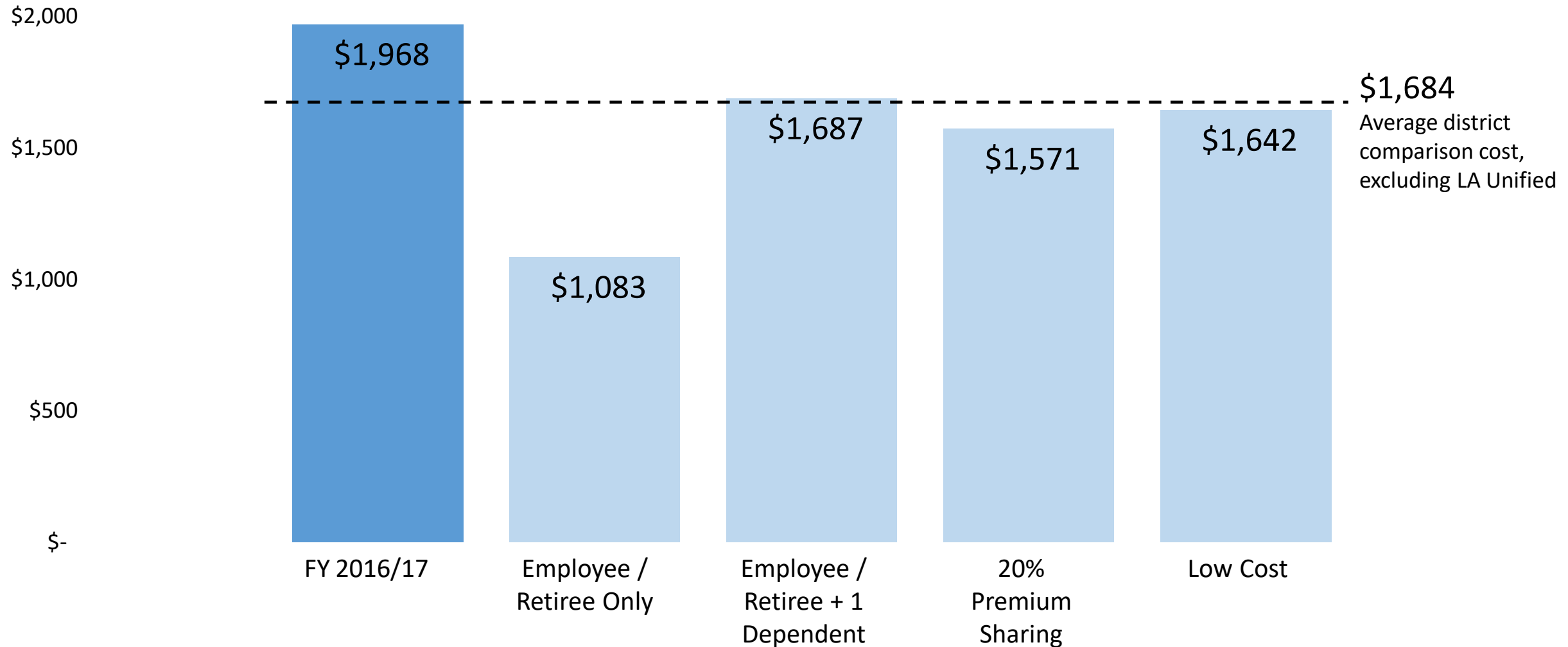
Source: 2016/17 Unaudited Actual Standardized Account Code Structure

Saving Strategies Implemented by Districts



LEGEND			
Limited coverage for lifetime retiree benefits	●	Limited eligibility for part-time employees	■
Employees/retirees contribute for coverage	▲	Offers less costly employee plan	⬡

Per Pupil Impact with Plan Design Alternatives



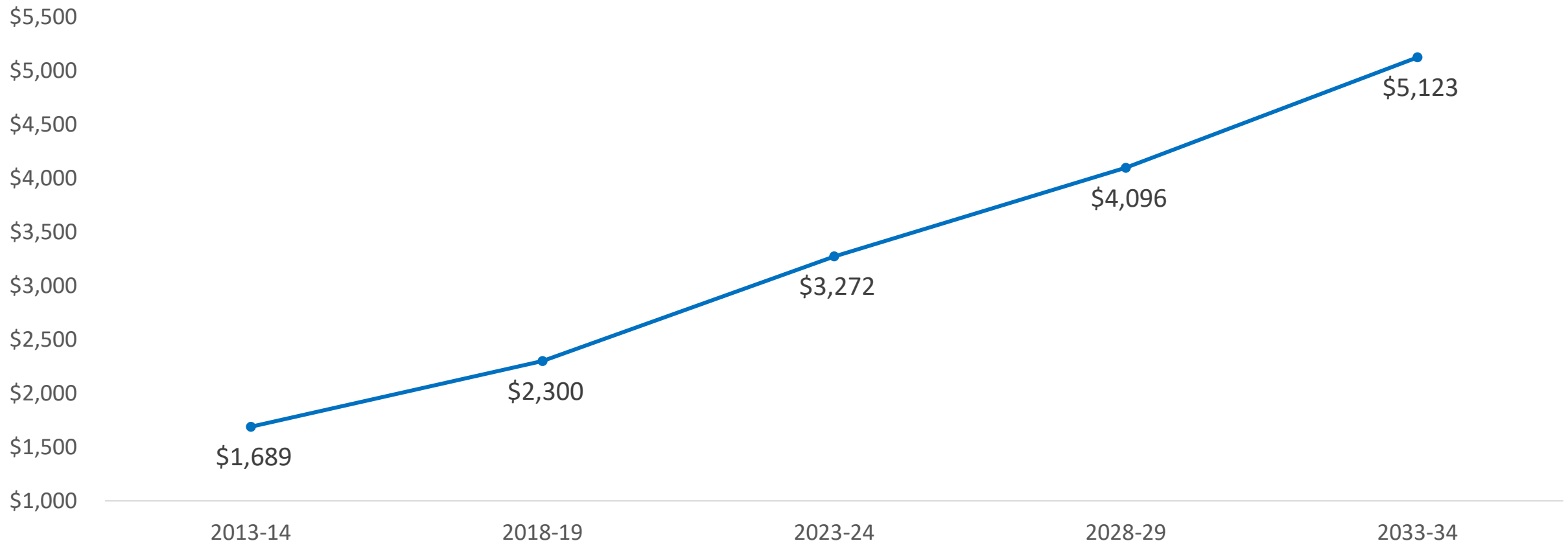
Estimated Cost Saving by Plan Design Alternatives

	Description	# of Affected Members	Annual Estimated Cost Savings	Per Pupil Savings
1	Employee / Retiree Coverage Only	47,446	\$459M	\$885
2	Employee / Retiree + 1 Dependent Coverage	24,299	\$146M	\$281
3	20% Premium Sharing	91,806	\$206M	\$397
4	Lowest Cost Plan	48,601	\$169M	\$326

Source: SAP Data as of March 2017 and calendar year 2018 rates

LA Unified Health Care Contribution Continues to Increase

Health Care Cost Per Pupil



Note: Assumed health care contribution increase of 4.5% from calendar 2018 annually

Weighted Premium Rate Comparison¹

School District	Active		Retired Under 65		Retired Over 65		Key Highlights
	Employer	Employee	Employer	Retiree	Employer	Retiree	
Los Angeles Unified	\$13,141	\$ -	\$18,529	\$ -	\$5,840	\$ -	District pays full premium for employees, retirees, and their dependents.
Long Beach Unified	\$17,221	\$ -	\$15,670	\$ -	\$8,320	\$ -	Active Employees: District pays up to maximum contribution for employees and dependents. All plans are below the cap and therefore no employee contribution. Retirees: District pays full premium up to age 67.
Oakland Unified	\$11,517	\$2,184	\$ -	\$ -	\$ -	\$ -	Active Employees: District pays up to maximum contribution for full time employees (FTE) and dependents. For full FTE's, all plans are below the cap and therefore no employee contribution. Retirees: No coverage offered.
San Diego Unified	\$15,666	\$ -	\$ -	\$9,278	\$ -	\$5,535	Active Employees: District pays full premium for employees. Retirees: Retiree pays full premium. Depending on bargaining agreement, subsidy of \$4,500/year may be available to age 67.
San Francisco Unified	\$7,488	\$2,239	\$16,238	\$1,735	\$4,448	\$1,255	Active Employees: District shares premium cost with employees. Retirees: District contribution based on years of service.
San Jose Unified	\$14,860	\$1,096	\$960	\$8,964	\$ -	\$ -	Active Employees: District pays full premium for employees only coverage. Employee contributions required for dependents. Retirees: Retiree pays full premium. Beginning 2013, District no longer contributes the \$960/year subsidy towards retiree benefits.

Source: California Department of Education Certificated Salaries & Benefits (Form J-90), FY 2016/17.

1. For comparison, rate calculated by using tiered rates and enrollment for certificated staff.

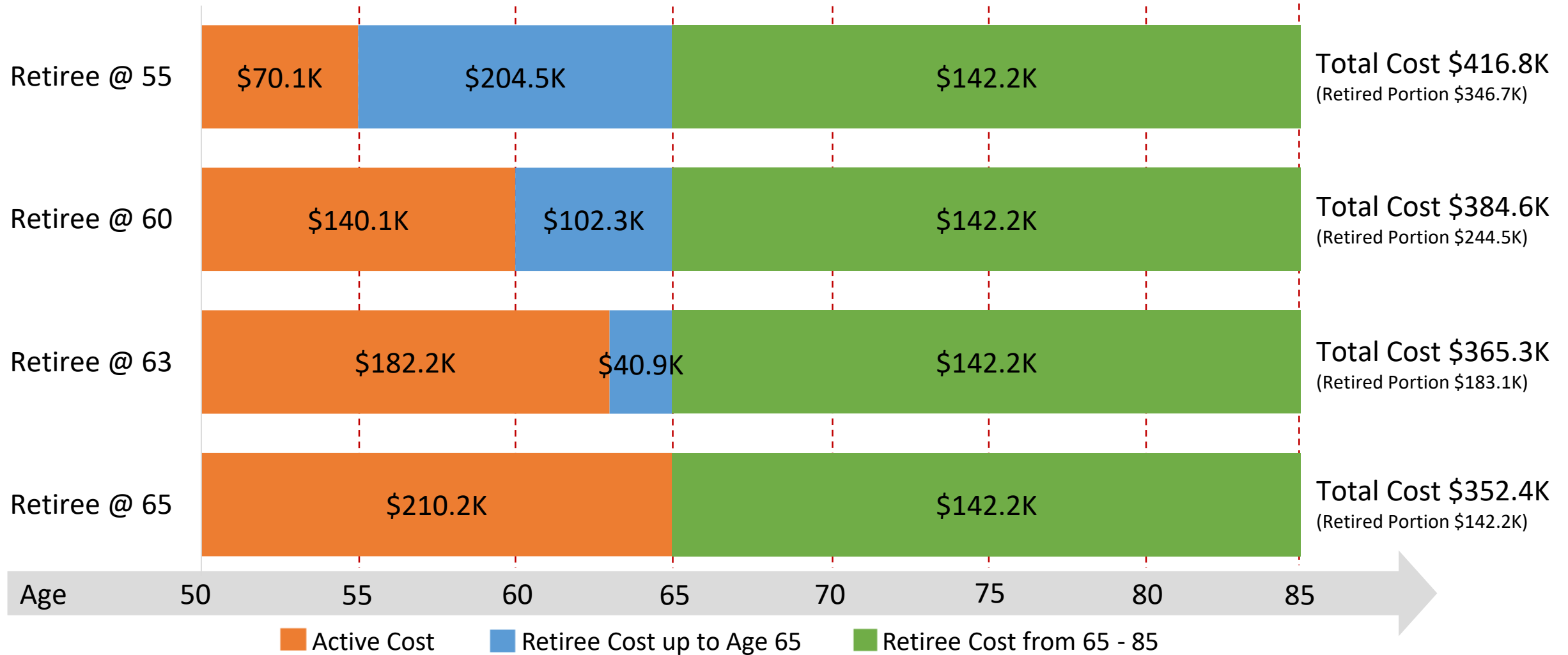
Note: Eligibility rules may vary by hire/retirement date & collective bargaining agreements.

Active/Retiree Benefits Comparison Summary

School District	Premier Structure	Cost Sharing		Notes Retiree
		Active Employee?	Retiree?	
Los Angeles Unified	Composite	No	No	District offers full retiree coverage
Long Beach Unified	Tiered	No	Partial	District offers retiree group plan; after age 67 retiree responsible for premiums
Oakland Unified	Tiered	Yes	N/A	No retiree coverage offered since 2002
San Diego Unified	Tiered	No	Yes	District offers retiree group plan; retiree responsible for premiums; subsidy available through Voluntary Employees' Beneficiary Association
San Francisco Unified	Tiered	Yes	Yes	District contribution based on years of service
San Jose Unified	Tiered	Yes	Yes	District offers retiree group plan; retiree pays full premium; for those retired before 2013, District contributes \$960/yr in subsidies and \$0 for those retired after 2013.

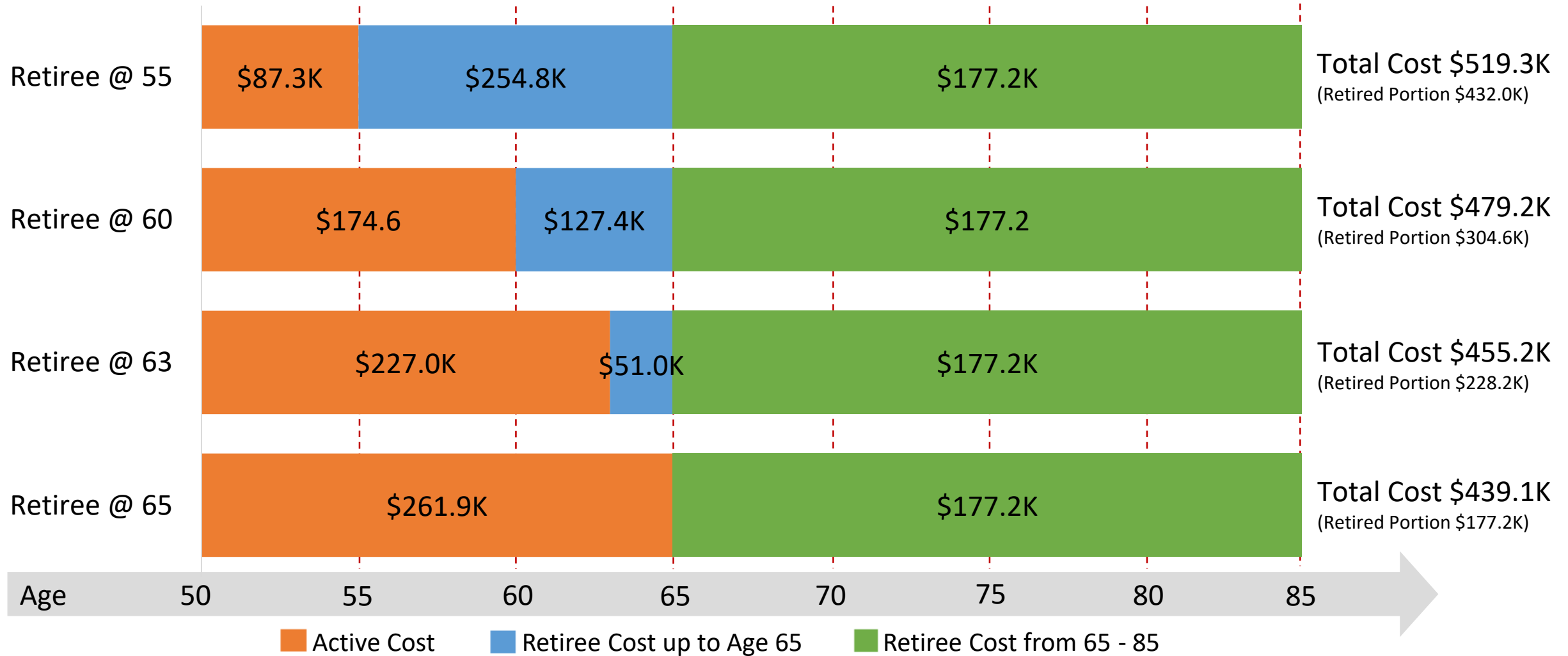
Note: Eligibility rules may vary by hire/retirement date and collective bargaining agreements.

LA Unified 2018 Benefit Contribution Illustration



Source: Costs are calculated based on Health Benefits Agreement contribution rates for actives, pre-Medicare retiree, and Medicare retiree.

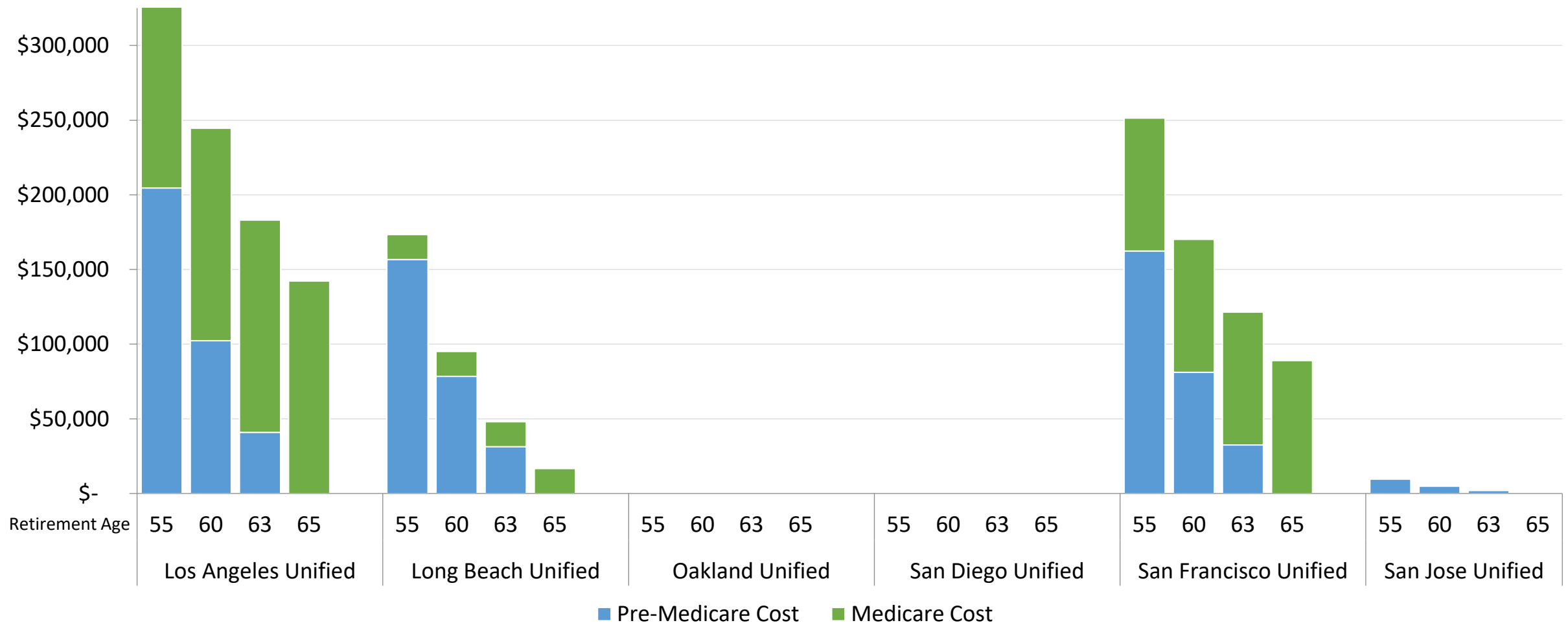
LA Unified 2023 Benefit Contribution Illustration



Source: Costs are calculated based on Health Benefits Agreement contribution rates for actives, pre-Medicare retiree, and Medicare retiree.

Note: Assumption of 4.5% increase in contribution per year.

District Contribution Cost for Retiree Medical Benefits



Source: California Department of Education Certificated Salaries & Benefits (Form J-90), FY 2016/17

Note: Tiered rates converted to weighted composite rate for comparison

Cost Saving Strategies

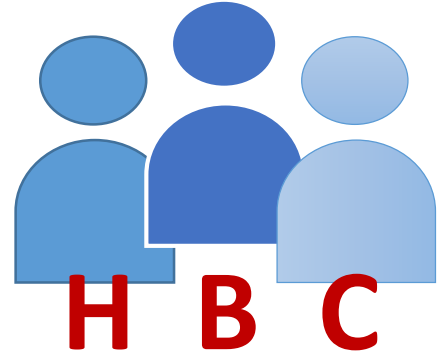
Major Plan Design Initiatives

- Employee / Retiree Coverage Only
- Employee / Retiree + 1 Dependent Coverage
- Premium Sharing
- Lowest Cost Plan

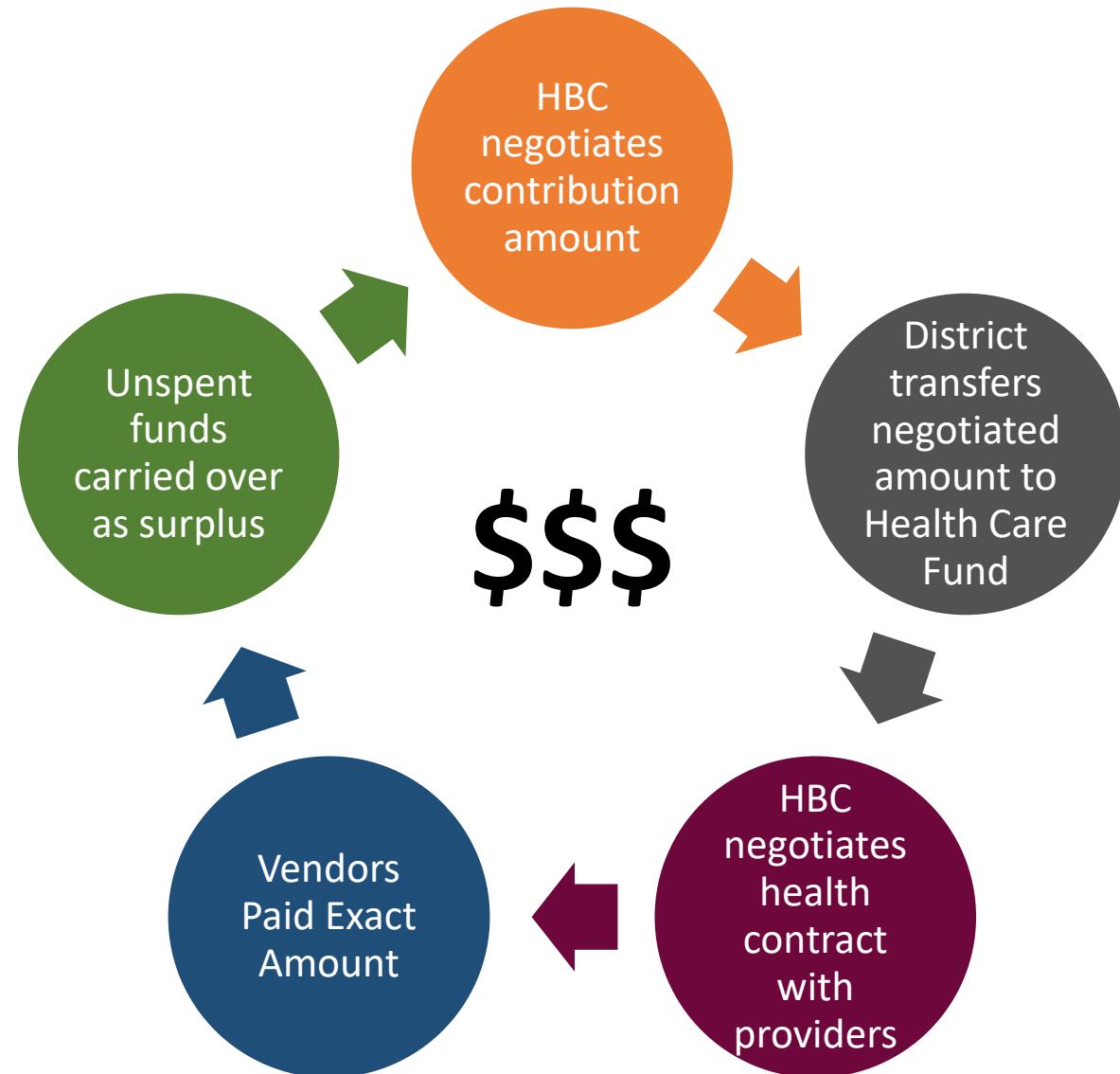
Minor Plan Design Initiatives

- Modify Benefits Coverage Levels such as Copay / Coinsurance
- Increase Opt-Out Amount
- Change Eligibility Rules
- Negotiate Health Benefits Contracts with Providers

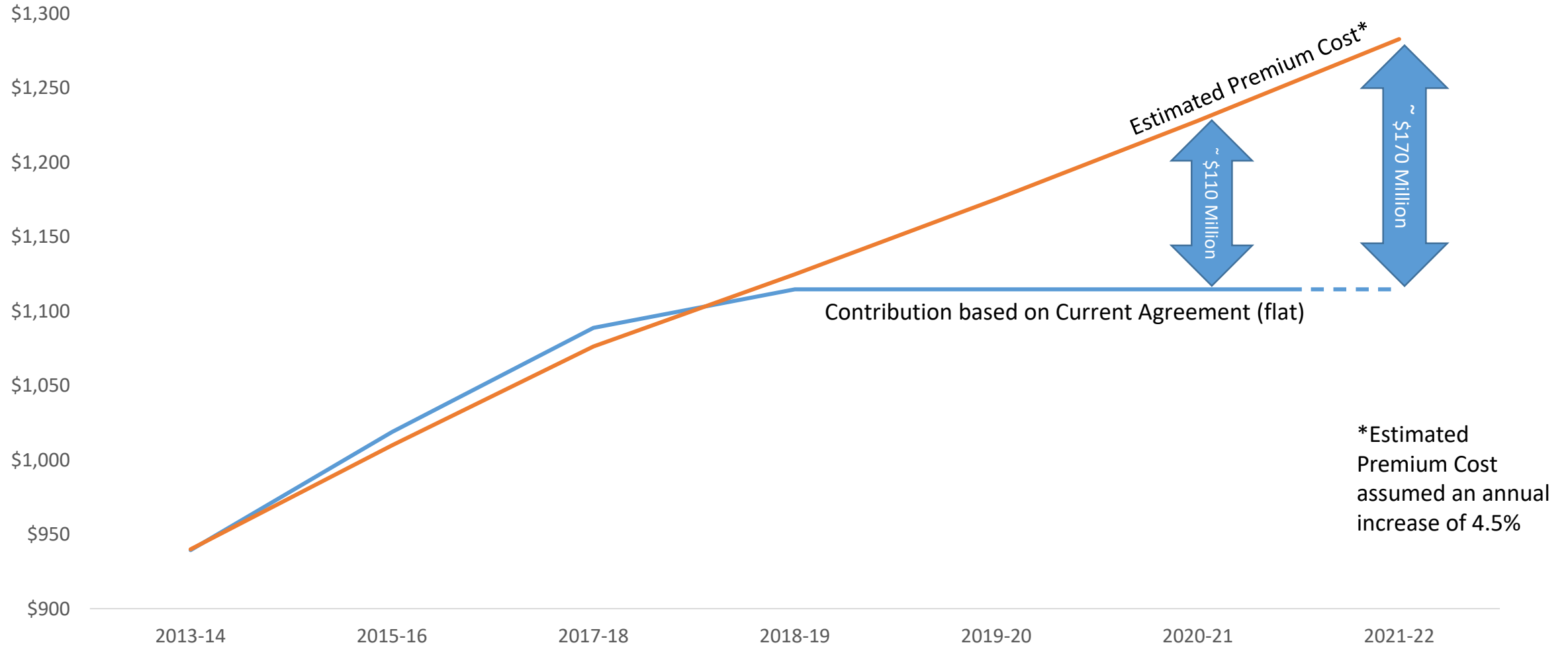
Health Benefits Committee (HBC) & Funding Process



- Comprised of Bargaining units and the District
- Governed by Health Benefit Agreement
- Proposes and approves plan design changes
- Negotiates health benefits contracts with providers



Health Care Contribution vs Premium Cost



Retiree Health Benefits Eligibility Rules

Retiree Eligibility Rule	Hire Date	Hire Age To Retire @ 62	Hire Age To Retire @55
5 Consecutive Years	Prior to 03/11/1984	57	50
10 Consecutive Years	03/11/1984 – 06/30/1987	52	45
15 Consecutive Years	07/01/1987 – 05/31/1992	47	40
Rule of 80 & 10 Consecutive Years	06/01/1992 – 02/28/2007	44	30
Rule of 80 & 15 Consecutive Years	03/01/2007 – 03/31/2009	44	30
Rule of 80 & 20 Consecutive Years ²	04/01/2009 – Present	N/A	30
Rule of 85 & 25 Consecutive Years	04/01/2009 – Present	37	25
Rule of 87 & 30 Consecutive Years ³	07/01/2018 – Present	32	23

1. Age at the time of hire to receive lifetime benefits assuming certificated retirees at age 62 and classified at 55.

2. Applies to sworn School Police members.

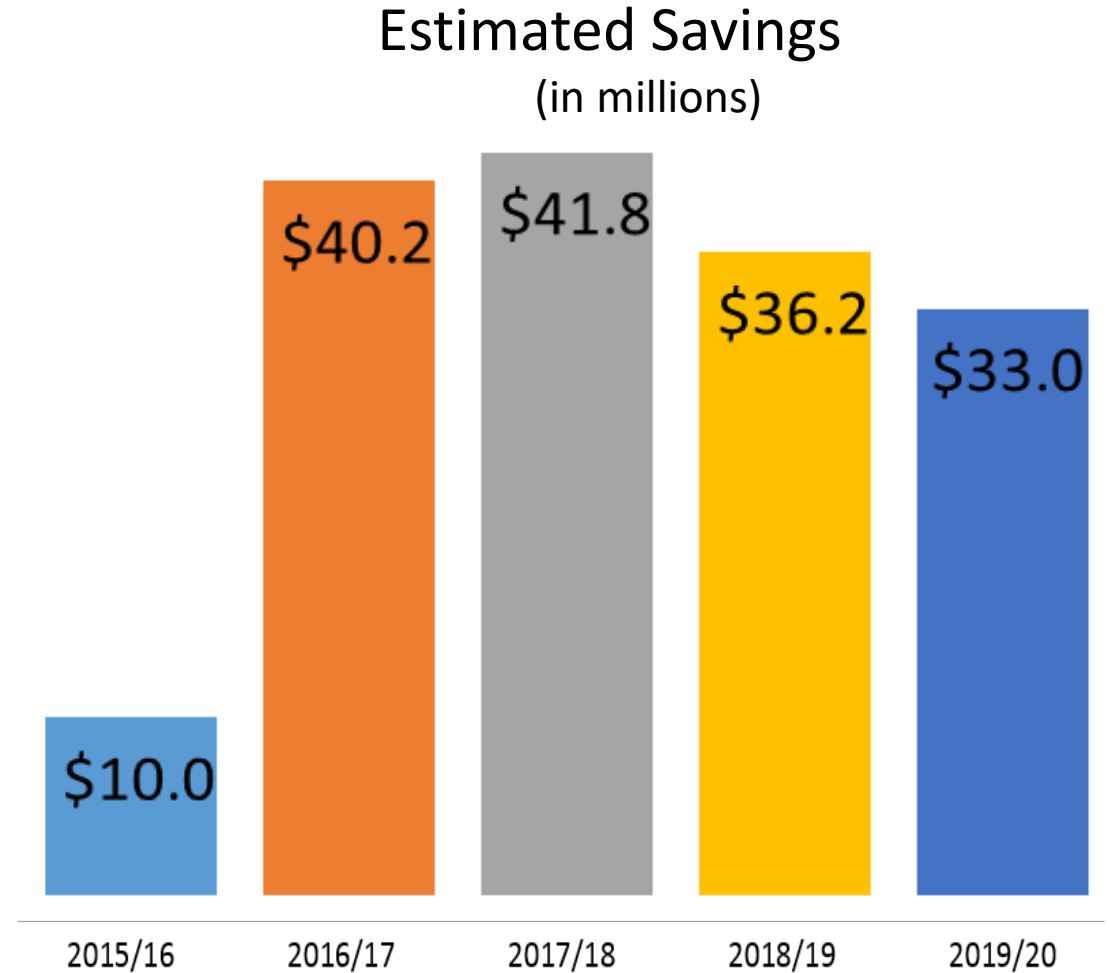
3. Applies to SEIU members. Pending Board approval for AALA and CSEA members.

50 State Anthem Medicare Preferred PPO Medical Plan

- Effective Jan 2019, implementation of a nationwide Medicare Preferred PPO plan through Anthem
- \$50M estimated annual savings to health care fund
- \$2.25B estimated reduction in OPEB liabilities
- Enhanced benefits for Medicare retirees
 - No copay
 - No coinsurance
 - No deductible
 - In and out of network coverages

Employer Group Waiver Plan (EGWP)

- Effective Jan 2016, implemented EGWP to maximize Medicare reimbursement subsidies and manufacturer rebates for Anthem retirees for prescription drug coverage
- Total estimated savings \$161.2M over five fiscal years¹
- \$1.1B estimated reduction in OPEB liabilities as of June 2017 actuarial valuation report²



1. Source: SAP data for Program 15235 and SilverScript projections as of January 10, 2018

2. Source: AON Hewitt Actuarial Valuation Report as of July 1, 2017

Questions?