

INSURANCE, BENEFITS & LEGISLATIVE COMMITTEE AGENDA 5-5-11

MEMBERSHIP

Les Robbins, Chair
Simon S. Russin, Vice Chair
Marvin Adams
William de la Garza
Shawn R. Kehoe, Alternate

I. APPOINTMENT OF VOTING MEMBER(S) IN THE EVENT ONE OR MORE REGULAR COMMITTEE MEMBERS ARE ABSENT

II. APPROVAL OF THE MINUTES OF THE REGULAR MEETING OF APRIL 14, 2011

III. FOR INFORMATION

- A.** Staff Activities Report for April, 2011
- B.** Claims Administration Audit of Anthem Blue Cross
- C.** Claims Administration Audit of CIGNA Healthcare
- D.** Federal Legislation
 - Weekly Highlights — April 25, 2011
 - Weekly Highlights — April 18, 2011
 - Weekly Highlights — April 11, 2011
 - Weekly Highlights — April 4, 2011

IV. MISCELLANEOUS

V. PUBLIC COMMENT

VI. GOOD OF THE ORDER

(For discussion purposes only)

VII. ADJOURNMENT

INSURANCE, BENEFITS & LEGISLATIVE COMMITTEE MINUTES 5-5-11

PRESENT

Les Robbins, Chair
Simon S. Russin, Vice Chair
Marvin Adams
William de la Garza
Shawn R. Kehoe, Alternate

ALSO ATTENDING:

BOARD MEMBERS AT LARGE

Sadonya Antebi
Alan Bernstein
Yves Chery
Ed C. Morris

STAFF, ADVISORS, PARTICIPANTS

Cassandra Smith
Leilani Ignacio

Mercer Human Resource Consulting

Laurie Silva
Kathy Slothour

The meeting was called to order by Chairman Robbins at 1:20 p.m.

I. APPOINTMENT OF VOTING MEMBER(S) IN THE EVENT ONE OR MORE REGULAR COMMITTEE MEMBERS ARE ABSENT

All regular members of the Committee were present.

II. APPROVAL OF THE MINUTES OF THE REGULAR MEETING OF APRIL 14, 2011

A motion was made by Mr. de la Garza, seconded by Mr. Adams, to approve the minutes of the regular meeting of April 14, 2011. The motion passed unanimously.

III. FOR INFORMATION

A. Staff Activities Report for April, 2011

The staff activities report was discussed.

B. Claims Administration Audit of Anthem Blue Cross

Kathy Slothour of Mercer presented the results of the annual Anthem Blue Cross (Anthem) claims audit. This was a review of a statistical sample of 250 medical claims processed during the period of July 1, 2009 through June 30, 2010. The objectives of the audit were to ensure that medical claims are being processed in accordance with LACERA's plan provisions, and to measure the quality and timeliness of Anthem's performance as compared to existing performance standards.

Based on this audit, it appears that Anthem has administered LACERA's claims with mixed results. With the exception of financial payment accuracy, all audit results exceeded LACERA-specific performance standards and generally accepted industry standards. However, financial payment accuracy was below LACERA's performance standards, other mainstream programs audited by Mercer, and generally acceptable industry standards, resulting in penalties due LACERA.

Mercer feels that Anthem has made several improvements from an operational standpoint that will have a positive impact on quality in the future.

C. Claims Administration Audit of CIGNA Healthcare

Kathy Slothour of Mercer presented the results of the annual audit of the dental plan claims at CIGNA's Scranton, Pennsylvania claims processing facility. The audit consisted of a review of a statistical sample of 200 dental claims processed during the period of July 1, 2009 through June 30, 2010. The objectives of the audit were to determine whether dental claims are being processed in accordance with LACERA's plan provisions, and to measure the quality and timeliness of CIGNA's performance as compared to existing performance guarantees.

Based on Mercer's review of the materials made available during the course of the audit, it appears that CIGNA administered the LACERA dental plan with mixed results. Payment incidence accuracy exceeded CIGNA's performance guarantee standard of 95%, but fell slightly below the generally accepted industry standard of 97% or

higher. The financial payment and overall claims processing accuracy rates fell below CIGNA's performance guarantee standard, where applicable, and generally accepted industry standards.

CIGNA's turnaround time performance for the percentage of claims processed in 10 business days or less met CIGNA's performance guarantee standard and the generally accepted industry standard. The turnaround time performance for the percentage of claims processed in 20 business days or less, as calculated by Mercer, fell below LACERA's performance guarantee standard and the generally accepted industry standard; however, the claim history data provided by CIGNA in connection with this audit does not include adequate data to enable Mercer to accurately measure turnaround time for claim adjustments and claims involving pre-determinations. Taking this into consideration, Mercer is confident that CIGNA met this performance standard. Based on CIGNA's self-reported results, all performance standards for which results are available for Plan Year 2009-2010 were met, and no penalties are due LACERA.

D. Federal Legislation

- Weekly Highlights — April 25, 2011
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The IRS gave guidance on reporting the value of health coverage on employees' W-2 forms. Specifically, anyone who does not receive a W-2 will not have the value of their health care reported. It will not be required to be reported on Form 1099, which LACERA retirees receive.

IV. MISCELLANEOUS

Caremark and LACERA have agreed upon an amount due as a result of the Caremark PBM audit, where growth hormones were covered that should not have been. A final settlement \$875,785 was received by staff this morning.

At the Board of Supervisors meeting on April 19, a motion submitted by Supervisors Ridley-Thomas and Knabe was approved to direct the Chief Executive Officer to work with the County's Legislative Advocates to advocate for legislation which would require health care contracts and policies to provide coverage for the screening, diagnosis, and treatment of autism. Currently two bills have been introduced in Sacramento and are being considered. If passed, it would become a mandate and would apply to LACERA as well.

There was an article in the Los Angeles Time on April 16 regarding legal activity related to CalPERS, and a lawsuit filed against Caremark. Caremark has assured LACERA they have not done anything wrong, that all services to CalPERS were conducted in accordance with their contract with CalPERS and applicable law, and that the lawsuit has no merit.

V. PUBLIC COMMENT

VI. GOOD OF THE ORDER

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VII. ADJOURNMENT