



# City of Milwaukee

City Hall  
200 East Wells Street  
Milwaukee, WI 53202

## Meeting Agenda FINANCE & PERSONNEL COMMITTEE

**ALD. MICHAEL J. MURPHY, CHAIR**

**Ald. Robert J. Bauman, Vice-Chair**

**Ald. Joe Dudzik, Ald. Milele A. Coggs, and Ald. Nik Kovac**

**Staff Assistant, Tobie Black, 286-2231; Fax: 286-3456,**

**[tblack@milwaukee.gov](mailto:tblack@milwaukee.gov)**

**Legislative Liaison, Jim Carroll, 286-8679,**

**[jcarro@milwaukee.gov](mailto:jcarro@milwaukee.gov)**

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Friday, July 22, 2011

1:30 PM

Room 301-B, City Hall

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### SPECIAL

The FINANCE & PERSONNEL COMMITTEE may convene into closed session, pursuant to s. 19.85(1)(e), Wis. Stats., for the purpose of formulating collective bargaining strategies and then will go into open session for the regular agenda.

1. [110300](#) Substitute resolution authorizing the Department of Employee Relations to change the plan design of the City's health insurance benefits program, and to set health insurance premium contribution rates for City employees and retirees.

**Sponsors:** THE CHAIR

**Attachments:** [Cover Letter](#)

[Memo to Employees and Retirees](#)

[Fiscal Analysis](#)

[Fiscal Impact Statement](#)

[PowerPoint Presentation](#)

[Hearing Notice List](#)

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## Legislation Details (With Text)

**File #:** 110300 **Version:** 1

**Type:** Resolution **Status:** In Committee

**File created:** 7/6/2011 **In control:** FINANCE & PERSONNEL COMMITTEE

**On agenda:** **Final action:**

**Effective date:**

**Title:** Substitute resolution authorizing the Department of Employee Relations to change the plan design of the City's health insurance benefits program, and to set health insurance premium contribution rates for City employees and retirees.

**Sponsors:** THE CHAIR

**Indexes:** DEPARTMENT OF EMPLOYEE RELATIONS, HEALTH INSURANCE

**Attachments:** Cover Letter, Memo to Employees and Retirees, Fiscal Analysis, Fiscal Impact Statement, PowerPoint Presentation, Hearing Notice List

| Date      | Ver. | Action By                     | Action                    | Result | Tally |
|-----------|------|-------------------------------|---------------------------|--------|-------|
| 7/6/2011  | 0    | COMMON COUNCIL                | ASSIGNED TO               |        |       |
| 7/18/2011 | 0    | FINANCE & PERSONNEL COMMITTEE | HEARING NOTICES SENT      |        |       |
| 7/20/2011 | 0    | FINANCE & PERSONNEL COMMITTEE | HELD TO CALL OF THE CHAIR | Pass   | 5:0   |

Number  
110300

Version  
SUBSTITUTE 1

Reference

Sponsor  
THE CHAIR

**Title**  
Substitute resolution authorizing the Department of Employee Relations to change the plan design of the City's health insurance benefits program, and to set health insurance premium contribution rates for City employees and retirees.

**Analysis**  
This resolution authorizes the Department of Employee Relations (DER) to change the City's health insurance benefits plan design for employees and retirees. These changes may include a specific deductible, co-insurance and out-of-pocket maximum for both the self-insured EPO, or Exclusive Provider Organization, plan and for the Basic Plan/Preferred Provider Organization plan as described by the DER in attachments to this file.

While the changes described by DER in the attachments to this file are expected to be the final plan design changes, this resolution further authorizes the DER to make minor modifications to the proposed changes, and to make additional changes not described in the attachments, without seeking additional Common Council approval, provided these modifications are essentially technical in nature, or are in the spirit and within the overall scope of the plan design changes already described by the DER.

This resolution also requires all active general City employees, including civilian employees of the Police and Fire departments, to pay 12% of their total 2012 health premium cost, and stipulates general City employees, including civilian employees of the Police and Fire departments, retiring after December 31, 2011, will make the same health insurance premium contribution as active general City employees.

#### Body

Whereas, The City may change the health insurance benefit plan design for active and retired City employees without labor negotiations after January 1, 2012; and

Whereas, The City is interested in sustaining good health benefits for all City employees and retirees at the most affordable costs to the City employees, retirees and the City; and

Whereas, The Department of Employee Relations (DER) recommends a new health insurance benefit plan design for all City employees and retirees beginning January 1, 2012 with a specific deductible, co-insurance and out-of-pocket maximum for both the self-insured EPO, or Exclusive Provider Organization, plan and for the Basic Plan/Preferred Provider Organization plan as described by the DER in attachments to this file; and

Whereas, The DER recommends all active general City employees, including civilian employees of the Police and Fire departments pay 12% of their total 2012 health insurance premium cost, the same as other non-safety public employees across the state of Wisconsin; and

Whereas, The DER recommends all active general City employees, including civilian employees of the Police and Fire departments who retire on or after January 1, 2012 pay a health insurance plan premium the same as active general City employees; and

Whereas, The DER recommends these changes to provide health benefits for City employees and retirees that are sustainable in the future; and

Whereas, The DER and the health plan vendors are committed to providing information about these changes to City employees and retirees during the open enrollment in 2011; therefore, now, be it

Resolved, By the Common Council of the City of Milwaukee, that the Department of Employee Relations is authorized to change the plan design of the City's health insurance benefits program as described by the Department of Employee Relations in attachments to this file, and to set health insurance premium contribution rates for City employees and retirees effective January 1, 2012; and, be it

Further Resolved, The Department of Employee Relations is authorized to make additional health insurance benefit plan design changes not described by the Department of Employee Relations in the attachments to this file, or modifications to the plan design changes already described by DER, without seeking additional Common Council approval, provided these additional changes and modifications are essentially technical in nature, or are in the spirit and within the overall scope of the plan design changes described by the Department of Employee Relations in the attachments to this file.

Drafter  
DER  
MB  
07/11/11

LRB #131358-2  
Aaron Cadle  
07-18-11



Department of Employee Relations

**Tom Barrett**  
Mayor

**Maria Monteagudo**  
Director

**Michael Brady**  
Employee Benefits Director

**Troy M. Hamblin**  
Labor Negotiator

July 14, 1011

Alderman Michael Murphy, Chairman  
City of Milwaukee Common Council Finance and Personnel Committee  
200 East Wells Street, Room 205  
Milwaukee, WI 53202

**File No: 110300 Authorizing the Department of Employee Relations to administer  
Health Insurance Benefits for City Employees and Retirees**

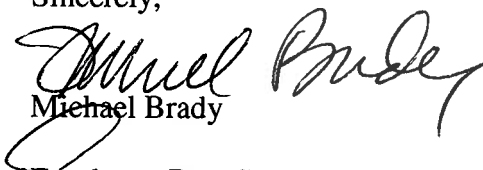
Dear Alderman Murphy:

The Department of Employee Relations (DER) recommends that the City make specific benefit design changes to the current health plans, make specific premium contributions for all non safety City employees and make changes to the three tier drug plan in order to create sustainable health plans for the future.

Details of the changes are spelled out on the attached memo and benefit comparison.

If you have any questions or comments regarding this file, please contact me at [mbrady@milwaukee.gov](mailto:mbrady@milwaukee.gov) or 286-2317 if you have any questions.

Sincerely,



Michael Brady

Employee Benefits

CC: Maria Monteagudo, DER  
Troy Hamblin, DER  
Renee Joos, Budget

July 13, 2011

To: City of Milwaukee Employees and Retirees

From: Michael Brady

Re: Recommendation for Sustainable Health Care Benefits for City Employees and Retirees

There has been much discussion about the current health care benefits of the City of Milwaukee being sustainable over the long term for both employees and retirees. The net City costs have increased \$14M in 2010 and \$15M in 2011. Below is a plan to create a more sustainable benefit design that includes changes and premium contributions from active general city employees. These recommendations are made after careful consideration and discussion with the Budget Office regarding the ongoing financial challenges facing the City related to Act 10 and the State budget. The City health care plan benefits remain very comprehensive with employee cost-sharing below most private sector firms and in line with what public employees will pay. The City will continue to provide a robust pre-65 health benefit for retired City employees.

The recommendations would be effective January 1, 2012 for City employees. (\*)

The City will receive a reduction of over \$14M in state revenue, and generally speaking will be unable raise revenue through taxes. Major challenges in 2013 include meeting an expected \$50M contribution to the Employee Retiree System. The recommendations below are likely to reduce the total City net expenditures on health insurance from the estimated \$137M in 2011 to approximately \$110 to \$115M in 2012. The changes recommended are not made lightly. The control of future health care expenditures will mitigate the need for future benefit design changes.

The Department of Employee Relations will hold a televised meeting with employees on Wednesday July 13 at noon in Room 301-B and will make a copy of the presentation available on the City DER website so all employees can view the presentation. The same recommendations will be submitted for approval to the Finance and Personnel Committee on Wednesday July 20.

**Recommendation #1, Employee Premium:** All public employees in the state of Wisconsin will begin paying 12% of the total premium for their health care. This 12% is less than many private sector employees pay. Beginning January 1, 2012 active general City employees, including all civilian personnel within the Police and Fire departments, would pay 12% of their 2012 premium. When new labor contracts are negotiated with sworn employee unions it is anticipated they will also pay 12%. Sworn unions will continue to pay current premiums until new labor contracts are settled. The Building and Construction Trades Council (BCTC) and Local 494 Electrical Workers have contracts that extend into 2012, and will not pay the 12% until their contracts expire.

The employee premium would be charged based on a four-tier plan -- single, single adult with dependent/s, two adults and two adults with dependent/s. The City currently uses a two-tier system of single only and family. Employee premiums would be taken twice a month or 24 times per year in 2012. The City currently takes a single monthly deduction, or 12 per year.

**Recommendation #2, Benefit Design:** All City employees and retirees, both general city and sworn, will have new benefit design for both their HMO/EPO plan and their Basic Plan/PPO plan. The new benefit designs are described on the attached page.

HMO/EPO Plan: All preventive services as determined by the plan are covered at 100%. Changes to the plan include a \$500 deductible, a 90% co-insurance, and a \$1000 out of pocket maximum. The three-tier drug plan will change to \$5/\$25/\$50. The three tier plan is not part of the deductible, co-insurance or out of pocket maximum. Employees would have a \$150 co-pay for emergency room visits after they have satisfied their deductible, co-insurance and out-of-pocket maximum. This EPO plan will cover services in-network and will not cover services out of network.

Basic Plan/PPO Plan: All preventive services as determined by the plan are covered at 100%. Changes to the plan include a \$750 in-network deductible, a 90% co-insurance in-network, and a \$1500 in-network out of pocket maximum. The out-of-network deductible would be \$1500, the out-of-network co-insurance is 70% and the out-of-network out of pocket maximum is \$3000 This PPO plan will have a three tier drug plan, \$5/\$25/\$50, the same as the EPO plan. The drug co-pay is not part of the deductible, the co-insurance or the out of pocket maximum. This PPO plan will cover services in network and services out of network.

The City anticipates that these changes will help employees become better consumers of their health insurance. They will have the ability to work with their provider to identify the best services at the lowest cost. UnitedHealthcare will be able to work with employees to help them identify the best services at the lowest cost.

The City will continue to provide a three part comprehensive wellness effort through Froedtert Health Workforce Health at no direct cost to employees. Employees and their spouses who fail to complete the process within the timeline set by Workforce Health will have a monthly health assessment fee in 2012.

In a separate resolution DER is recommending that the City enter into a three-year contract with UnitedHealthcare to provide "Exclusive Provider Network" services (EPO) or HMO equivalent plan, that the City enter into a three year contract with UnitedHealthcare to provide Preferred Provider Organization services (PPO) or Basic Plan equivalent services, and that the City enter into a three year contract with Medco for prescription benefit services.

**Recommendation #3, New Retiree Premiums:** All general city employees, including civilian employees in the Police and Fire Department, would pay the same premium as active general city employees if they retire after January 1, 2012.

- Employees under 65 who go through regular retirement before their current labor contract expires will have a premium established by that labor contract.
- General City employees under 65 who go through regular retirement after their labor contract expires will pay the same as active general city employees (12% of their premium).
- New sworn retirees under 65 will have their retiree premiums established through current or future labor contracts.
- Medicare retirees will have the choice of the Basic Plan/City PPO plan as a type of Medicare supplement with the same benefit design as active employees with the in-network and out of network deductibles, co-insurance and out of pocket amounts.
- Medicare retirees will be able to chose the UHC Choice plan with the same benefit design as active employees, including the deductible, co-insurance and out of pocket maximum.



- Medicare retirees will have the opportunity to choose the UHC PPO plan with the current benefits (will not include deductible, co-insurance or out of pocket maximum).
- Medicare retirees will be able to select from the two plans provided through the Milwaukee Retiree Association (MRA) which are not sponsored or subsidized by the City.

Example of how a deductible, co-insurance and maximum out of pocket **EPO plan** works for a single adult with no dependents.

- Employee pays the first \$500 for services, excluding preventive which are covered at 100%
- Employee pays 10% co-insurance for the next \$5000 in costs of service, or \$500, while the City pays \$4,500.
- After paying \$1000, employee has reached out of pocket maximum, and the City, with the exception of emergency room visits, will pay 100% of any additional costs.
- Any out of network services are paid 100% by the employee and do not count toward the deductible, co-insurance or out of pocket maximum.
- Drugs costs will be \$5/\$25/\$50 throughout the year and are not part of the deductible, co-insurance or out of pocket maximum.

Example of how a deductible, co-insurance and maximum out of pocket **PPO in-network plan** works for a single adult with no dependents.

- Employee pays the first \$750 for services in-network, excluding preventive which are covered at 100%.
- Employee will have a 10% co-insurance for the next \$7500 in services, or \$750, while the City pays \$6750.
- After paying \$1500, employee has reached their in-network out of pocket maximum, and with the exception of emergency room visits and the exception of separate out of network services, the City will pay 100% of additional in-network services.
- Drug costs will be \$5/\$25/\$50 co-pays throughout the year and are not part of the deductible, co-insurance or out of pocket maximum.

Example of how the deductible, co-insurance and maximum out of pocket **PPO out-of-network plan** works for a single adult with no dependents.

- If employee uses out-of-network provider for services, employee will have a separate \$1500 deductible associated with out of pocket providers, excluding preventive which are covered at 100%.
- Employee will have a 30% co-insurance for next \$5,000 in out-of-network services, or \$1500, while the City pays \$3,500.
- After paying \$3000 for out-of-network services, employee has reached their out-of-network out of pocket maximum and, with the exception of emergency room visits the City will pay 100% of additional out-of-network services.
- Drug costs will be a \$5/\$25/\$50 co pay throughout the year and are not part of the deductible, co-insurance or out of pocket maximum.

## Definition of Terms

### **Monthly Employee Premium:**

- Amount paid monthly by each member, or member contribution.
- The Employee Benefits Division (EBD) is proposing an employee premium of 12% of the total premium.
- With few exceptions all non-safety public employees throughout the state will be paying 12% of the total cost of their premium.

### **Total Monthly Premium:**

- Amount charged for an insured health plan, or used as the equivalent monthly cost of a self-funded plan.

### **Deductible:**

- amount paid before health plan pays first dollars
- The EBD is proposing a \$500 deductible for the HMO type plan and a \$750 deductible for the Basic Plan. This means all services – provider visits, hospital visits, emergency room – are paid by the member till they reach \$500, with exception of prescription drug costs and preventive services.

### **Co-insurance:**

- Co-insurance is a specific percentage of the total cost of a service that is paid by member.
- The EBD is proposing a 10% co-insurance for the HMO style plan, which means that after an employee pays their \$500 deductible the employee would pay up to another \$500 out of pocket if their services reached a total of \$5000 (Employer would pay \$4500 / 90%). After the deductible and co-insurance the employee will reach their out of pocket maximum and the plan will pay at 100%.

### **Maximum out of Pocket:**

- Beyond a certain contribution by the employee, services are covered at 100% by the employer or health insurance plan
- The City is proposing a \$1000 out of pocket maximum per person for the HMO style plan. After this, with exception of emergency room co-pay, medical costs would be paid at 100%.

### **Co-pays:**

- Co-pays are specific dollar amounts that a member pays for a service.
- City employees would have a three-tier co-pay for drugs at \$5/\$25/\$50 in 2012 with both the HMO and the Basic Plan.

### **Steerage, In-Network and Out-of-Network:**

- Steerage is used to direct employees to a network or providers or hospitals that have higher quality or lower cost, or are in a “network.”
- Steerage typically means that an employer will pay a higher percentage for “in-network” service (90%) and a lower percentage (70%) for “out of network” services.
- The City is proposing steerage with the Basic Plan type benefit.
- The HMO type plan provides no out-of-network benefits with the exception of emergency room services.

| <u>Basic Plan/HMO comparison</u>                             | <u>HMO Proposed benefits</u>  | <u>Basic Plan Proposed benefits</u>                      |
|--|---|--|
| Preventive Care:   | Covered at 100%   | Covered at 100%  |
| Deductible in network  | \$500 single, \$1000 family   | \$750 single, \$1500 family                              |
| Deductible out of network                                    | No coverage   | \$1500 single, \$3000 family                             |
| Hospital in network<br>(In-patient/out-patient)              | 90% after deductible  | 90% after deductible                                     |
| Hospital out of network<br>(In-patient/out-patient)          | No coverage   | 70% after deductible                                     |
| Co insurance in network<br>(Office visits, non-hospital)     | 90% after deductible  | 90% after deductible                                     |
| Co insurance out of network<br>(Office visits, non-hospital) | No Coverage   | 70% after deductible                                     |
| Out of pocket maximum in network                             | \$1000 single, \$2000 family  | \$1500 single, \$3000 family                             |
| Out of pocket maximum out of network                         | No coverage   | \$3000 single, \$6000 family                             |
| Emergency Room visits  | Member has \$150 co-pay after deductible, out of pocket maximum reached | \$150 after deductible and out of pocket maximum reached |
| Drug co-pays   | \$5/\$25/\$50 co-pay  | \$5/\$25/\$50 co-pay                                     |
| Employee Premium   | 12% of projected cost monthly<br>(For General City)                     | 12% of projected cost monthly<br>(For General City)      |
| Premium Tier structure                                       | Four tier   | Four tier  |

## **LRB-Research & Analysis Section**

**Finance & Personnel Committee**  
**File: 110300**

**July 20, 2011**  
**Aaron Cadle**

**Title:** Substitute resolution authorizing the Department of Employee Relations to change the plan design of the City's health insurance benefits program, and to set health insurance premium contribution rates for City employees and retirees.

### **Introduction**

This resolution authorizes the Department of Employee Relations (DER) to:

- 1) Change the City's health insurance benefits plan design for employees and retirees. Highlights are provided below:
  - A. Self-insured EPO – Replaces insured HMO:
    - 1) \$500/deductible
    - 2) 10% employee/retiree co-pay
    - 3) \$1,000 max. out-of-pocket (\$2,000 per family)
    - 4) \$150/ Emergency Room visit after deductible
    - 5) Prescriptions - \$5/\$25/\$50
    - 6) No coverage out-of-network
  - B. Self-insured Basic Plan
    - 1) \$750/deductible
    - 2) 10% employee/retiree co-pay
    - 3) \$1,500 max. out-of-pocket (\$3,000 per family)
    - 4) \$150/ Emergency Room visit after deductible
    - 5) Prescriptions – 20% employee/retiree co-pay
    - 6) 30% employee/retiree co-pay out-of-network
- 2) Require all active general City employees, excluding Police and Fire except civilian employees of these departments, to pay 12% of their total 2012 health premium cost.
- 3) Stipulate general City employees, including civilian employees of the Police and Fire departments, retiring after December 31, 2011, will make the same health insurance premium contribution as active general City employees.

These plan design changes will affect approximately 4,300 retirees plus 6,000 active employees including Police and Fire personnel.

## Plan Design Change Process

The following ad hoc committee was convened to consider health insurance benefit plan design changes:

|                  |                       |
|------------------|-----------------------|
| Mike Brady       | DER – Benefits        |
| Maria Monteagudo | DER                   |
| Troy Hamblin     | DER – Labor Relations |
| Mark Nicolini    | Budget Office         |
| Dennis Yaccarino | Budget Office         |
| Renee Joos       | Budget Office         |

The Mayor's Office provided regular input to this committee.

This committee asked UnitedHaelthcare, the City's current insured HMO provider, to calculate the potential savings for the City as a percentage of 2011 HMO costs for 24 plan design alternatives if the City continued to offer its insured HMO plan. A list of these alternative plan designs, and a summary of changes and the associated cost savings is attached to this analysis.

The general range of alternatives reviewed was as follows:

|                     | <u>From:</u> | <u>To:</u> |
|---------------------|--------------|------------|
| Deductibles         |              |            |
| Individual          | \$ 350       | \$1,000    |
| Family              | \$ 700       | \$2,000    |
| Participant Co-pays | 0%           | 20%        |
| Out-of-Pocket Caps  |              |            |
| Individual          | \$ 500       | \$3,000    |
| Family              | \$1,000      | \$6,000    |
| Potential Savings   | 7.4%         | 22.22%     |

Based on the 2011 insured HMO rates for the 2011 plan design and current enrollment, HMO premium costs would total \$120,880,322, so for each percentage point of potential savings resulting in plan design

changes, the City might expect to save \$1,208,803 – a savings of 7.4% could potentially save the City \$8,945,144 while a 22.22% savings would mean a \$26,859,608 savings. These savings are from plan design changes alone, and do not include City savings from health insurance premium contributions made by active employees and retirees.

UnitedHealthcare estimated the plan design recommended by DER would have saved the City 15.6%, or \$18,857,327 using the above formula, if the City had chosen to continue to offer its insured HMO.

It is unknown what process the ad hoc committee used in arriving at the plan design recommended.

## **Premium Contributions – Employees & Retirees**

The ad hoc committee recommends that non-safety employees be required to pay 12% of their health insurance premiums even though, in the opinion of the City Attorney, state law limiting to 88% the amount public entities can contribute to employee health insurance premium benefits, do not apply to the City.

The State maintains this limitation was designed to allow local public entities to recoup state aid cuts – \$10 million cut from shared revenue plus cuts in street repair and recycling funding to total approximately \$14 million in cuts for the City – although the logical link between general aid cuts and employee benefits is not clear.

DER is projecting the City will save \$4 million by charging employees 12% for their health insurance premium. This falls short of the \$14 million in state aid cuts in part because only 3,774 of the City's 6,040 active employees are required to make contributions. The City's 2,266 Police and Fire, non-civilian personnel are exempted by union contract.

## Projected Savings – Recommended Plan Design

DER projects the following savings:

| Projected Savings                 |              |
|-----------------------------------|--------------|
| Plan Design Changes               | \$15,000,000 |
| Switch to Self-insured HMO        | \$ 6,000,000 |
| Employee Contribution to Premiums | \$ 4,000,000 |
| Total                             | \$25,000,000 |

These projected savings exceed the \$14 million cut in state aid by 79% or \$11,000,000. DER indicates its goal was never to simply cut costs. DER believes the total package of changes – the plan design changes, the switch to a self-insured HMO-style program and premium contributions – create a “sustainable” and “logical” healthcare benefit package that will stabilize the City’s healthcare benefit costs in the future.

DER suggests this additional \$11,000,000 in savings might somehow help address the need for pension contributions in the future. It is unknown whether is savings would be reserved for future pension contributions or any other purpose, used to fund other City programs or ratchet down overall City spending in 2012.

**List of Plan Design Alternatives, Summary of Changes & Associated Potential Savings Provided by UnitedHaelthcare as Requested by the Ad Hoc Committee Reviewing Health Insurance Plan Design Options:**

|         | Deductible |          |        | Out-of-Pocket |          | Potential |
|---------|------------|----------|--------|---------------|----------|-----------|
|         | Individual | Family   | Co-Pay | Individual    | Family   | Savings   |
| Alt. 1  | \$ 500     | \$ 1,000 | 0.00%  | \$ 500        | \$ 1,000 | 7.40%     |
| Alt. 2  | \$ 500     | \$ 1,000 | 10.00% | \$ 2,000      | \$ 4,000 | 12.06%    |
| Alt. 3  | \$ 500     | \$ 1,000 | 20.00% | \$ 3,000      | \$ 6,000 | 15.86%    |
| Alt. 4  | \$ 500     | \$ 1,000 | 0.00%  | \$ 500        | \$ 1,000 | 10.04%    |
| Alt. 5  | \$ 625     | \$ 1,250 | 0.00%  | \$ 625        | \$ 1,250 | 9.37%     |
| Alt. 6  | \$ 625     | \$ 1,250 | 0.00%  | \$ 625        | \$ 1,250 | 10.04%    |
| Alt. 7  | \$ 650     | \$ 1,300 | 0.00%  | \$ 650        | \$ 1,300 | 9.66%     |
| Alt. 8  | \$ 675     | \$ 1,350 | 0.00%  | \$ 675        | \$ 1,350 | 9.94%     |
| Alt. 9  | \$ 350     | \$ 700   | 10.00% | \$ 2,000      | \$ 4,000 | 10.33%    |
| Alt. 10 | \$ 500     | \$ 1,000 | 10.00% | \$ 2,000      | \$ 4,000 | 13.19%    |
| Alt. 11 | \$ 1,000   | \$ 2,000 | 10.00% | \$ 2,000      | \$ 4,000 | 16.57%    |
| Alt. 12 | \$ -       | \$ -     | 0.00%  | \$ -          | \$ -     | 1.89%     |
| Alt. 13 | \$ 500     | \$ 1,000 | 0.00%  | \$ 500        | \$ 1,000 | 9.80%     |
| Alt. 14 | \$ 500     | \$ 1,000 | 10.00% | \$ 1,000      | \$ 2,000 | 13.08%    |
| Alt. 15 | \$ 500     | \$ 1,000 | 10.00% | \$ 2,000      | \$ 4,000 | 14.45%    |
| Alt. 16 | \$ 500     | \$ 1,000 | 10.00% | \$ 3,000      | \$ 6,000 | 14.98%    |
| Alt. 17 | \$ 500     | \$ 1,000 | 20.00% | \$ 1,000      | \$ 2,000 | 14.03%    |
| Alt. 18 | \$ 500     | \$ 1,000 | 20.00% | \$ 2,000      | \$ 4,000 | 17.04%    |
| Alt. 19 | \$ 500     | \$ 1,000 | 20.00% | \$ 3,000      | \$ 6,000 | 18.26%    |
| Alt. 20 | \$ 1,000   | \$ 2,000 | 0.00%  | \$ 1,000      | \$ 2,000 | 15.31%    |
| Alt. 21 | \$ 1,000   | \$ 2,000 | 10.00% | \$ 2,000      | \$ 4,000 | 18.96%    |
| Alt. 22 | \$ 1,000   | \$ 2,000 | 10.00% | \$ 3,000      | \$ 6,000 | 19.20%    |
| Alt. 23 | \$ 1,000   | \$ 2,000 | 20.00% | \$ 2,000      | \$ 4,000 | 20.54%    |
| Alt. 24 | \$ 1,000   | \$ 2,000 | 20.00% | \$ 3,000      | \$ 6,000 | 22.22%    |





# City of Milwaukee Fiscal Impact Statement

**A**

Date 7/11/2011 File Number 110300 ☒ Original ☐ Substitute  
Subject Authorize the Department of Employee Relations to administer health insurance benefits for City employees

**B**

Submitted By (Name/Title/Dept./Ext.) Michael Brady, Employee Benefits Director, Department of Employee Relations, 2317

**C**

- This File
- ☐ Increases or decreases previously authorized expenditures.
  - ☐ Suspends expenditure authority.
  - ☐ Increases or decreases city services.
  - ☒ Authorizes a department to administer a program affecting the city's fiscal liability.
  - ☐ Increases or decreases revenue.
  - ☐ Requests an amendment to the salary or positions ordinance.
  - ☐ Authorizes borrowing and related debt service.
  - ☐ Authorizes contingent borrowing (authority only).
  - ☐ Authorizes the expenditure of funds not authorized in adopted City Budget.

**D**

- Charge To
- |  |  |
|--|--|
| <input type="checkbox"/> Department Account    | <input type="checkbox"/> Contingent Fund                     |
| <input type="checkbox"/> Capital Projects Fund | <input checked="" type="checkbox"/> Special Purpose Accounts |
| <input type="checkbox"/> Debt Service          | <input type="checkbox"/> Grant & Aid Accounts                |
| <input type="checkbox"/> Other (Specify) _____ |  |

**E**

| Purpose            | Specify Type/Use | Expenditure | Revenue |
|--------------------|------------------|-------------|---------|
| Salaries/Wages     |                  | \$0.00      | \$0.00  |
|                    |                  | \$0.00      | \$0.00  |
| Supplies/Materials |                  | \$0.00      | \$0.00  |
|                    |                  | \$0.00      | \$0.00  |
| Equipment          |                  | \$0.00      | \$0.00  |
|                    |                  | \$0.00      | \$0.00  |
| Services           |                  | \$0.00      | \$0.00  |
|                    |                  | \$0.00      | \$0.00  |
| Other              |                  | \$0.00      | \$0.00  |
|                    |                  | \$0.00      | \$0.00  |
| TOTALS             |                  | \$ 0.00     | \$ 0.00 |

**F**

Assumptions used in arriving at fiscal estimate. \_\_\_\_\_

**G**

For expenditures and revenues which will occur on an annual basis over several years check the appropriate box below and then list each item and dollar amount separately.

☐ 1-3 Years      ☐ 3-5 Years☐ 1-3 Years      ☐ 3-5 Years☐ 1-3 Years      ☐ 3-5 Years**H**

List any costs not included in Sections D and E above. \_\_\_\_\_

**I**

Additional information.      The Fiscal impact of this resolution are seen in other resolutions. \_\_\_\_\_

**J**This Note      ☐ Was requested by committee chair.



# Creating a Sustainable Health Care Plan

July 13, 2011

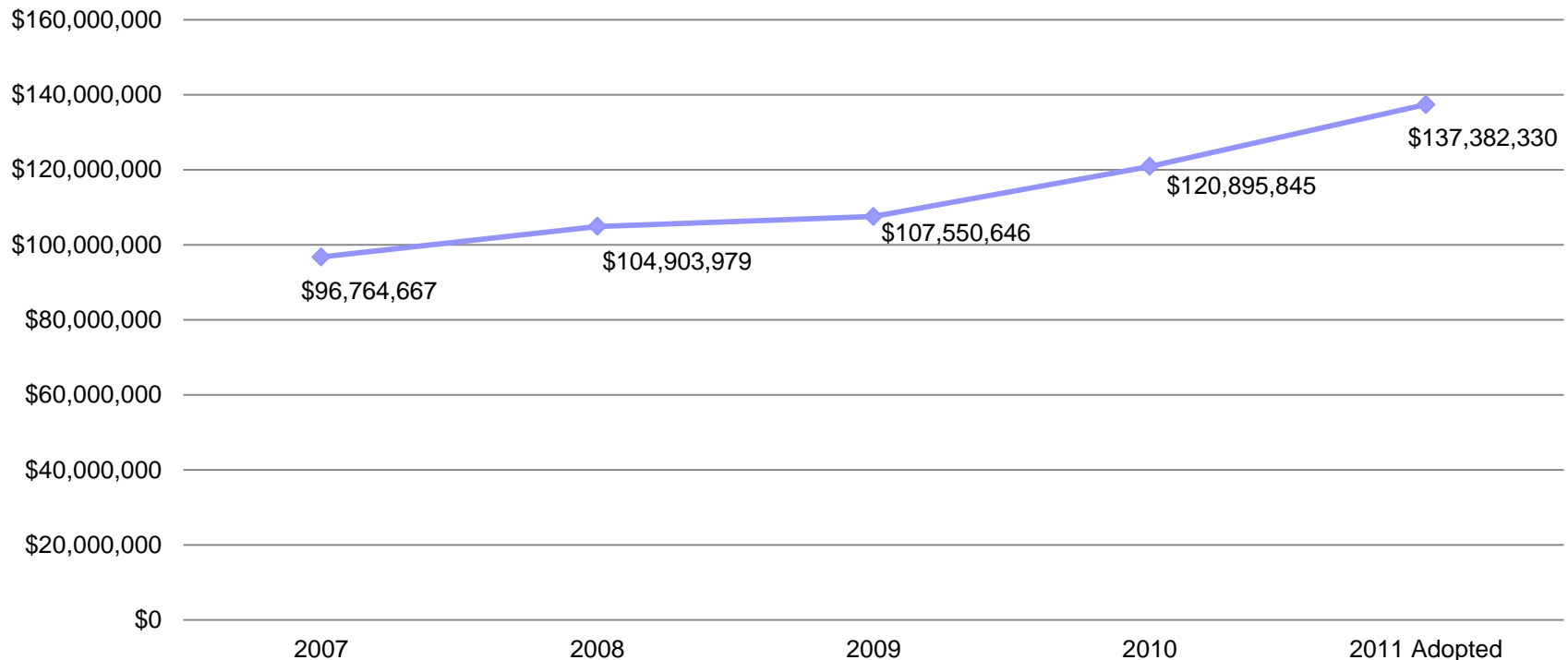


# Reasons for Health Care Changes

- Preserve fiscal capacity for services in the face of State aid cuts, levy limits, and future pension liability (2013 and beyond)
- Preserve employee health care benefits while improving the balance between employee and taxpayer responsibility
- Implement Smart Benefit Design Changes
  - Lower the total premium for both employees and the employer in the long run and encourage more appropriate utilization
  - Continue Wellness Initiative with Workforce Health
- Mitigate the need for benefit design changes in the near future

# Health Care Expenditures

## HMO & Basic Plan Net Expenditures



- Annual Growth of health care expenditures over the last 5 years
- Average expenditure increase of 9%+ annually is not sustainable
- Given the ongoing financial challenges facing the city, a more sustainable health care plan is needed



# Health Care Change Recommendations

- Make changes to both HMO/EPO Plan and Basic/PPO Plan for all employees to reduce total cost
- Active general city employees will pay 12% of the total premium for their health care
- Implement new benefit design changes
  - Deductible
  - Co-Insurance
  - Out of Pocket Maximum
- Change the rate structure from current 2-tier single/family to 4-tier
  - Tier 1 One Adult
  - Tier 2 One Adult w/Dependents
  - Tier 3 Two Adults No Dependents
  - Tier 4 Two Adults w/Dependents
- Change monthly health insurance deductions to bi-weekly to reduce the impact on single check

# Design Change Details

| Basic Plan/HMO Comparison             | HMO/EPO Proposed Benefits                                       | Basic Plan Proposed Benefits                                    |
|---------------------------------------|---|---|
| Preventive Care                       | Covered at 100%   | Covered at 100%   |
| Deductible in network*                | \$500 Single/\$1,000 Family                                     | \$750 Single/\$1,500 Family                                     |
| Deductible out of network*            | No Coverage   | \$1,500 Single/\$3,000Family                                    |
| Hospital in network*                  | 90% after deductible  | 90% after deductible  |
| Hospital out of network*              | No Coverage   | 70% after deductible  |
| Co-Insurance in network*              | 90% after deductible  | 90% after deductible  |
| Co-Insurance out of network*          | No Coverage   | 70% after deductible  |
| Out of Pocket Maximum in network*     | \$1,000 Single/\$2,000 Family                                   | \$1,500 Single/\$3,000 Family                                   |
| Out of Pocket Maximum out of network* | No Coverage   | \$3,000 Single/\$6,000 Family                                   |
| Emergency Room Visits                 | \$150 co-pay after deductible and out of pocket maximum reached | \$150 co-pay after deductible and out of pocket maximum reached |
| Drug Co-Pays                          | \$5/\$25/\$50 Co-Pay  | \$5/\$25/\$50 Co-Pay  |
| Employee Premiums                     | 12% of projected monthly cost (general city only )              | 12% of projected monthly cost (general city only )              |
| Premium Tier Structure                | Four Tier   | Four Tier   |

*\*Can be pre-tax through flexible spending*

# Definition of Terms

## ■ Monthly Employee Premium:

- Amount paid monthly by each member, or member contribution.
- The Employee Benefits Division (EBD) is proposing an employee premium of 12% of the total premium.
- With few exceptions, most non-safety public employees throughout the state will be paying 12% of the total cost of their premium.

## ■ Deductible:

- Amount paid before health plan pays first dollars (\$500 single/\$1,000 family with HMO)

## ■ Co-insurance:

- Co-insurance is a specific percentage of the total cost of a service that is paid by a member.
- Once the deductible is met, the employee pays the co-insurance until an out of pocket maximum is reached

## ■ Maximum out of Pocket:

- Beyond a certain contribution by the employee, services are covered at 100% by the employer or health insurance plan
- The City is proposing a \$1000 Single/\$2,000 Family out of pocket maximum per person for the HMO plan. After this, with exception of emergency room co-pay, medical costs would be paid at 100%.

## ■ Co-pays:

- Co-pays are specific dollar amounts that a member pays for a service.
- City employees have a three-tier co-pay for drugs at \$5/\$25/\$50 and a \$150 ER co-pay once the out of pocket max is reached

## ■ Steerage:

- Steerage is used to direct employees to a narrow network or providers or hospitals that have higher quality and lower cost, or are in a “network.”
- Steerage typically means that an employer will pay a higher percentage for “in-network” service (90%) and a lower percentage (70%) for “out of network” services.



# Estimated Annual Premium Payments With 4 Tiers

|                                   | New Annual Premium | Current Annual Premium | Difference from Current Premium | New Bi-Weekly Premium | New Monthly Premium |
|-----------------------------------|--------------------|------------------------|---------------------------------|-----------------------|---------------------|
| Tier 1: Single                    | \$864              | \$240                  | \$624                           | \$36                  | \$72                |
| Tier 2: Single Adult w/Dependents | \$1,296            | \$480                  | \$816                           | \$54                  | \$108               |
| Tier 3: Two Adults no Dependents  | \$1,728            | \$480                  | \$1,248                         | \$72                  | \$144               |
| Tier 4: Two Adults w/Dependents   | \$2,592            | \$480                  | \$2,112                         | \$108                 | \$216               |

# Payment Examples with Benefit Design Changes

- Single Employee (no dependents) with Knee Surgery Costing \$15,000
  - Employee pays \$500 deductible
  - Employee then pays 10% Co-Insurance of remaining medical costs until out of pocket maximum (\$1,000) is reached
    - 10% of \$14,500 is \$1,450
    - Since employee already paid \$500 deductible, would only pay another \$500 instead of \$950
    - Total Cost to Employee: \$1,000
- Single Employee (no dependents) with ER visit Costing \$1,400
  - Employee pays \$500 deductible
  - Employee then pays 10% Co-Insurance on remaining medical costs
    - 10% of \$900 is \$90
    - Total Cost to Employee: \$590
    - Employee does not pay \$150 ER Co-Pay since Out of Pocket Maximum has not been reached
- Employee with Family Coverage with Outpatient Surgery Costing \$3,300
  - Employee pays \$500 per member deductible
  - Employee then pays 10% Co-Insurance of remaining medical costs until out of pocket maximum (\$1,000 per member or \$2,000 total) is reached
    - 10% of \$2,800 is \$280
    - Total Cost to Employee: \$780

# Health Care Benefit Investment

- Projected 2011 HC expenditures of \$137M would be reduced to \$112M in 2012
- Anticipated Avoided Costs of \$25 million
  - Reduction from switching to an EPO
    - \$6 million
  - Reduction from Benefit Design Changes for active employees and retirees
    - \$15 million
  - Reduction from Premium
    - \$4 million

# Retiree Health Care Coverage

- Retirees both general city and sworn would have a new benefit design for both the HMO/EPO plan
- New retirees (retiring after Jan 1, 2012) would pay the same premium (12%) as active general city employees
  - Employees under 65 who go through regular retirement before their current labor contract expires would have a premium established by that labor contract
  - General City employees under 65 who go through regular retirement after their labor contract expires would pay the same as active general city employees
  - Sworn retirees under 65 would have their retiree premiums established through labor negotiations
  - Medicare retirees would have the choice of the Basic Plan/City PPO plan as a Medicare supplement with the same benefit design as active employees with the in-network and out of network deductibles, co-insurance and out of pocket amounts



# Questions?

**NOTICES SENT TO FOR FILE 110300:**

[illegible]