

City of Milwaukee
2008 Rate Projection

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City of Milwaukee

2008 Rate Projection

Willis was engaged to prepare a 2008 rate recommendation for the City of Milwaukee's Basic Plan, the self-insured medical and prescription drug plan. This plan is split into two components: Base and Major Medical. The plan year is 1/1/2008-12/31/2008.

Effective 1/1/2006, the City changed the medical and prescription drug claim administrators for the Basic Plan. The medical claims administrator was changed from WPS to CMS and the prescription drug claims administrator was changed from Medco to Navitus.

There was an influx of active and under 65 members from the HMO plan into the Basic Plan on 1/1/2006. Active enrollment increased by 48% and under 65 enrollment increased by 17%. Over 65 enrollment decreased by 7%.

Active enrollment decreased by 604 enrollees or 28% and over 65 enrollment increased by 158 enrollees or 6.3% at the beginning of 2007. The under 65 enrollment remained relatively stable going into 2007. Active and over 65 enrollment has decreased slightly and under 65 enrollment has increased slightly since the beginning of 2007.

Administrative costs are included in the 2008 rates. The expense per contract for medical claims administration for 2008 is \$26.50 for actives and for under 65 retirees and \$19.05 for over 65 retirees. The expense per member for prescription drug claims administration is \$3.92 for actives and under 65 retirees. The administrative charge for the Wrap plan for Medicare eligible retirees is \$6.24 per participant per month. Overall, this results in an expense component in the rates of 2.2% for medical and .9% for prescription drug.

Beginning in 2007, Over 65 retirees were moved to a Medicare Part D Prescription Drug Plan (PDP) through DeanRx and a Wrap Plan and have benefited from the resulting drug cost savings. Total per member per month savings in 2007 were expected to be \$100.40. The 2007 rates were adjusted for the expected savings.

The 2008 monthly cost per participant is \$49.98 for the Medicare Part D Prescription Drug Plan (PDP) through DeanRx.

The details of the 2008 rate calculation are shown in Attachment 1. The base period claim data used non-Medicare retirees and Medicare retirees. Because of the way that claim data is maintained on the CMS system it was not possible to obtain claim data by retiree plans 1-10. Because of the low enrollment in some of these plans and the lack of credible experience data, it is not recommended to experience rate each plan.

Trend rates used to project 6/1/2006-5/31/2007 experience to 2008 were 10% for medical and 12% for prescription drug.

The rate calculation has resulted in a 7.2% increase in 2008 rates compared to 2007 rates for actives and retirees combined.

Attachment 2 shows the 2008 projected costs for active employees broken into Tier 1 and Other Actives. The Tier 1 projected 2008 cost per employee per month is 85.7% of the Other Active 2008 cost per employee per month.

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		2007 Rates			5/31/07
		Base	Major Medical	Total	Enrollment
Active	Single	\$494.50	\$142.13	\$636.63	549
	Family	\$1,114.46	\$320.31	\$1,434.77	978
Retired	Plan				
	1	\$780.64	\$221.54	\$1,002.19	332
	3	\$1,385.90	\$393.30	\$1,779.20	766
	4	\$138.38	\$129.07	\$267.46	1,228
	5	\$265.96	\$240.28	\$506.25	625
	6	\$473.88	\$685.49	\$1,159.38	119
	7	\$548.92	\$809.94	\$1,358.86	6
	8	\$342.07	\$366.50	\$708.57	1
	9	\$1,137.67	\$322.85	\$1,460.53	46
	10	\$284.85	\$372.00	\$656.84	3

		Recommended 2008 Rates			Change	Increase
		Base	Major Medical	Total		
Active	Single	\$530.34	\$152.43	\$682.77	\$46.14	7.2%
	Family	\$1,195.23	\$343.52	\$1,538.75	\$103.98	7.2%
Retired Non-Medicare	Plan					
	1	\$837.22	\$237.60	\$1,074.82	\$72.63	7.2%
	3	\$1,486.34	\$421.80	\$1,908.15	\$128.95	7.2%
	9	\$1,220.12	\$346.25	\$1,566.38	\$105.85	7.2%
Retired Medicare	4	\$148.41	\$138.43	\$286.84	\$19.38	7.2%
	5	\$285.24	\$257.70	\$542.94	\$36.69	7.2%
	6	\$508.23	\$735.18	\$1,243.40	\$84.02	7.2%
	7	\$588.71	\$868.64	\$1,457.34	\$98.48	7.2%
	8	\$366.86	\$393.06	\$759.93	\$51.35	7.2%
	10	\$305.49	\$398.96	\$704.45	\$47.60	7.2%

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2008 Rate Projection

Retiree Plan	Definition
1	One person w/o Medicare
3	Two persons w/o Medicare & Dependent Child(ren)
4	One person with Medicare
5	Two persons with Medicare
6	One person with Medicare, One person w/o Medicare
7	One person with Medicare, One person w/o Medicare & Dependent Child(ren)
8	Two persons with Medicare & Dependent Child(ren)
9	One w/o Medicare & Dependent Child(ren)
10	One with Medicare & Dependent Child(ren)

**City of Milwaukee
2008 Rate Projection**

	Actives	Non-Medicare	Medicare	Total	
2008 Projected Cost per Enrollee					
Paid Claims-Medical 6/1/06-5/31/07	\$18,616,331	\$5,647,011	\$16,282,310	\$40,545,652	
Paid Claims-Rx 6/1/06-5/31/07	\$3,262,767	\$1,051,410	\$0	\$4,314,177	
Total Medical & Rx Paid Claims 6/1/06-5/31/07	\$21,879,098	\$6,698,421	\$16,282,310	\$44,859,829	
Average Enrollment 6/1/06-5/31/07	1,923	457	2,590	4,970	
Average Paid per Enrollee per Month	\$948.01	\$1,222.12	\$523.85	\$752.15	
Medical	\$806.64	\$1,030.29	\$523.85	\$679.82	
Rx	\$141.37	\$191.83	\$0.00	\$72.33	
Trend-Medical	10.0%	10.0%	10.0%		
Trend-Rx	12.0%	12.0%	12.0%		
Weighted Trend	10.3%	10.3%	10.0%		
Trend Months at	19	19	19		
Trend Factor-Medical	1.163	1.163	1.163		
Trend Factor-Rx	1.197	1.197	1.197		
Trend to 2008	\$1,107.19	\$1,427.64	\$795.91	\$961.47	96.8%
Medical	\$938.03	\$1,198.11	\$609.18		
Rx	\$169.16	\$229.53	\$110.26		
DeanRx (\$49.98 per participant)	\$0.00	\$0.00	\$76.46	\$49.98 per participant	
Administrative Expense					
Basic Plan (per contract)	\$26.50	\$26.50	\$19.05	\$22.24	2.2%
Navitus (3.92 per participant)	\$9.75	\$7.51	\$9.55	\$9.41	0.9%
Wrap Plan (\$6.24 per participant)					
Total Cost 2008 per Enrollee	\$1,143.44	\$1,461.65	\$824.50	\$993.12	100.0%
Enrollment 5/31/07	1,527	467	2,659	4,653	
2008 Cost at Current Enrollment	\$20,952,392	\$8,191,104	\$26,308,258	\$55,451,754	

Income at Current Rates

		2007 Rates			5/31/07 Enrollment		Increase needed
Active	Single	Base	Major Medical	Total			
	Family	\$1,114.46	\$320.31	\$1,434.77	978	\$21,032,553	0.4%
Retired	Plan						
	1	\$780.64	\$221.54	\$1,002.19	332	\$3,992,721	
	3	\$1,385.90	\$393.30	\$1,779.20	766	\$16,347,543	
	4	\$138.38	\$129.07	\$267.46	1,228	\$3,942,518	
	5	\$265.96	\$240.28	\$506.25	625	\$3,794,293	
	6	\$473.88	\$685.49	\$1,159.38	119	\$1,659,945	
	7	\$548.92	\$809.94	\$1,358.86	6	\$101,507	
	8	\$342.07	\$366.50	\$708.57	1	\$8,822	
	9	\$1,137.67	\$322.85	\$1,460.53	46	\$800,079	
	10	\$284.85	\$372.00	\$656.84	3	\$24,533	
						\$30,671,962	12.5%
2008 Income at Current Rates and Enrollment						\$51,704,516	
Increase Needed						7.2%	

**City of Milwaukee
2008 Rate Projection
Active Cost Breakout**

	All Actives	Tier 1 Actives	Other Actives
2008 Projected Cost per Enrollee			
Paid Claims-Medical 6/1/06-5/31/07	\$18,616,331	\$2,180,322	\$16,436,008
Paid Claims-Rx 6/1/06-5/31/07	\$3,262,767	\$448,862	\$2,813,905
Total Medical & Rx Paid Claims 6/1/06-5/31/07	\$21,879,098	\$2,629,184	\$19,249,914
Average Enrollment 6/1/06-5/31/07	1,923	265	1,659
Average Paid per Enrollee per Month	\$948.01	\$828.09	\$967.14
Medical	\$806.64	\$686.72	\$825.76
Rx	\$141.37	\$141.37	\$141.37
Trend-Medical	10.0%	10.0%	10.0%
Trend-Rx	12.0%	12.0%	12.0%
Weighted Trend	10.3%	10.3%	10.3%
Trend Months at	19	19	19
Trend Factor-Medical	1.163	1.163	1.163
Trend Factor-Rx	1.197	1.197	1.197
Trend to 2008	\$1,107.19	\$967.73	\$1,129.43
Medical	\$938.03	\$798.57	\$960.27
Rx	\$169.16	\$169.16	\$169.16
Administrative Expense			
Basic Plan (per contract)	\$26.50	\$26.50	\$26.50
Navitus (3.92 per participant)	\$9.75	\$9.75	\$9.75
Wrap Plan (\$6.24 per participant)			
Total Cost 2008 per Enrollee	\$1,143.44	\$1,003.99	\$1,165.68
Enrollment 5/31/07	1,527	192	1,335
2008 Cost at Current Enrollment	\$20,952,392	\$2,313,186	\$18,674,271
2008 Cost		Relative Cost	
Tier 1	\$967.73	Tier 1 vs Other Actives	
Other Actives	\$1,129.43	85.7%	
All Actives	\$1,107.19		