

**City of Milwaukee**  
***2007 Rate Projection***

Prepared by:

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Willis was engaged to prepare a 2007 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 1/1/2007-12/31/2007.

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%. It is anticipated that the employees and retirees who have changed coverage from the HMO to the Basic Plan will have a claim cost similar to other Basic Plan participants in 2007.

Administrative costs are included in the 2007 rates. The expense per contract for medical claims administration for 2007 is \$25.50 for actives, \$22.00 for under 65 retirees and \$18.25 for over 65 retirees. The expense per member for prescription drug claims administration is \$4.01 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 2.1% for medical and .8% for prescription drug.

The details of the 2007 rate calculation are shown in Attachment 1. The base period claim data used for the projection was 6/30/2005-5/31/2006. The cost projection has been split into active, under 65 retirees and over 65 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 a few of these plans and lack of credible experience data, it is not recommended to experience rate each plan.

Trend rates used to project 6/1/2005-5/31/2006 experience to 2007 were 12% for both medical and prescription drug.

The rate calculation has resulted in a 1.2% decrease in 2007 rates compared to 2006 rates for active employees and under 65 retirees. The rate decrease has resulted from provider network discounts.

Over 65 retirees will be moved to a Medicare Part D Prescription Drug Plan (PDP) and a Wrap Plan beginning 1/1/2007 and will benefit from the resulting drug cost savings. The total per member per month savings are expected to be \$100.40 per Medicare eligible member which will be passed on to the retiree.

The details of the expected savings resulting from the adoption of the PDP/Wrap are shown in Attachment 2.

**2006 Rates**

		Base	Major Medical	Total
Active	Single	\$500.50	\$143.85	\$644.35
	Family	\$1,127.98	\$324.19	\$1,452.17
Retired	Plan			
	1	\$790.11	\$224.23	\$1,014.34
	3	\$1,402.71	\$398.07	\$1,800.78
	4	\$140.06	\$232.26	\$372.32
	5	\$269.19	\$446.44	\$715.63
	6	\$479.63	\$795.43	\$1,275.06
	7	\$555.58	\$921.38	\$1,476.96
	8	\$346.22	\$574.19	\$920.41
	9	\$1,151.47	\$326.77	\$1,478.24
	10	\$288.30	\$478.13	\$766.43

**Recommended 2007 Rates - Current Plan**

		Base	Major Medical	Total	Change
Active	Single	\$494.50	\$142.13	\$636.63	-\$7.72
	Family	\$1,114.46	\$320.31	\$1,434.77	-\$17.40
Retired	Plan				
	1	\$780.64	\$221.54	\$1,002.19	-\$12.15
	3	\$1,385.90	\$393.30	\$1,779.20	-\$21.58
	9	\$1,137.67	\$322.85	\$1,460.53	-\$17.71

**Recommended 2007 Rates for Medicare Retirees - Current Plan**

	Plan	Base	Major Medical	Total	# Medicare Eligible per contract
Retired	4	\$138.38	\$229.48	\$367.86	1
	5	\$265.96	\$441.09	\$707.05	2
	6	\$473.88	\$785.90	\$1,259.78	1
	7	\$548.92	\$910.34	\$1,459.26	1
	8	\$342.07	\$567.31	\$909.38	2
	10	\$284.85	\$472.40	\$757.25	1

**Recommended 2007 Rates for Medicare Retirees - PDP/Wrap Plan**

	Plan	Base	Major Medical	Total	Savings compared to Current Plan
Retired	4	\$138.38	\$129.07	\$267.46	\$100.40
	5	\$265.96	\$240.28	\$506.25	\$200.81
	6	\$473.88	\$685.49	\$1,159.38	\$100.40
	7	\$548.92	\$809.94	\$1,358.86	\$100.40
	8	\$342.07	\$366.50	\$708.57	\$200.81
	10	\$284.85	\$372.00	\$656.84	\$100.40

Retiree Plan	Definition
1	1 Person - No Medicare
3	2 Persons - No Medicare
4	1 Person with Medicare
5	2 Persons with Medicare
6	1 Person with Medicare, 1 Person without Medicare
7	1 Person with Medicare, 1 Person without Medicare and Dependent(s)
8	2 Persons with Medicare and Dependent(s)
9	1 Person and Dependent(s) - No Medicare
10	1 Person with Medicare and Dependent(s)

**City of Milwaukee  
2007 Rate Projection**

	Actives	Under 65	Over 65	Total	
<b>2007 Projected Cost per Enrollee</b>					
Paid Claims-Medical 6/1/05-5/31/06	\$15,996,252	\$14,867,318	\$4,504,729	\$35,368,299	
Paid Claims-Rx 6/1/05-5/31/06	\$2,701,458	\$2,677,761	\$5,265,035	\$10,644,254	
<b>Total Medical &amp; Rx Paid Claims 6/1/05-5/31/06</b>	<b>\$18,697,710</b>	<b>\$17,545,079</b>	<b>\$9,769,764</b>	<b>\$46,012,553</b>	
Average Enrollment 6/1/05-5/31/06	1,787	1,063	1,751	4,601	
Average Paid per Enrollee per Month	\$872.09	\$1,375.55	\$464.94	\$833.44	
Trend-Medical	12.0%	12.0%	12.0%		
Trend-Rx	12.0%	12.0%	12.0%		
Weighted Trend	12.0%	12.0%	12.0%		
Trend Months at	19	19	19		
Trend Factor	1.197	1.197	1.197		
Trend to 2007	\$1,043.50	\$1,645.90	\$556.32	\$997.25	97.1%
Administrative Expense per Contract					
Basic Plan	\$25.50	\$22.00	\$18.25	\$21.93	2.1%
Navitus	\$10.27	\$8.09	\$5.56	\$7.97	0.8%
<b>Total Cost 2007 per Enrollee</b>	<b>\$1,079.27</b>	<b>\$1,675.99</b>	<b>\$580.13</b>	<b>\$1,027.15</b>	<b>100.0%</b>
Enrollment 5/31/06	2,201	1,164	1,678	5,043	
<b>2007 Cost at Current Enrollment</b>	<b>\$28,505,666</b>	<b>\$23,410,220</b>	<b>\$11,681,436</b>	<b>\$63,597,322</b>	

**Income at Current Rates**

		Rate			5/31/06 Enrollment	
		Base	Major Medical	Total		
Active	Single	\$500.50	\$143.85	\$644.35	663	\$5,126,449
	Family	\$1,127.98	\$324.19	\$1,452.17	1538	\$26,801,250
Retired	Plan					
	1	\$790.11	\$224.23	\$1,014.34	282	\$3,432,527
	3	\$1,402.71	\$398.07	\$1,800.78	810	\$17,503,582
	4	\$140.06	\$232.26	\$372.32	1054	\$4,709,103
	5	\$269.19	\$446.44	\$715.63	588	\$5,049,485
	6	\$479.63	\$795.43	\$1,275.06	66	\$1,009,848
	7	\$555.58	\$921.38	\$1,476.96	5	\$88,618
	8	\$346.22	\$574.19	\$920.41	0	\$0
	9	\$1,151.47	\$326.77	\$1,478.24	36	\$638,600
	10	\$288.30	\$478.13	\$766.43	1	\$9,197
<b>2007 Income at Current Rates and Enrollment</b>						<b>\$64,368,657</b>

Increase Needed -1.2%

**City of Milwaukee  
PDP/Wrap Savings**

Over 65 PMPM Rx Cost under Current Plan for 2007

Paid Claims-Rx 6/1/05-5/31/06	\$5,265,035	
Average Members 6/1/05-5/31/06	2,427	
Rx PMPM 6/1/05-5/31/06	\$180.81	
Annual Trend	12.0%	19 months
Number of months to 2007	19	
Trend Factor	19.7%	

Current Plan	
Rx PMPM 2007	\$216.34
Annual per member 2007 excluding copays	\$2,596.12
Average percentage member copay	18.1%
Annual per member 2007 including copays	\$3,066.02
PMPM 2007 including copays	\$255.50

Est Costs Paid under PDP	
Annual per member 2007 including copays	\$3,066.02
Annual deductible	\$265.00
After Deductible	\$2,801.02
At 75%	\$2,100.77
PMPM Paid under PDP	\$175.06

City Rx Claim Cost 2007	
PMPM 2007 including copays	\$255.50
PMPM Paid under PDP	\$175.06
Difference	\$80.44
At 80%	\$64.35

2007 Rx City Costs under PDP

	Monthly	Annual
City Rx Claim Cost 2007	\$64.35	\$772.20
PDP Premium	\$45.35	\$544.20
Navitus Admin for Wrap Plan	\$6.24	\$74.88
Rx Cost - City	\$115.94	\$1,391.28
Rx PMPM 2007 under current plan	\$216.34	\$2,596.12
Rx PMPM under PDP/Wrap Plan	\$115.94	\$1,391.28
PMPM Savings	<b>\$100.40</b>	<b>\$1,204.84</b>