

## LRB-RESEARCH AND ANALYSIS SECTION

**FINANCE & PERSONNEL COMMITTEE**  
**June 13, 2007**

**ITEM 9, FILE # 070308**  
**LESLIE SILLETTI**

### Introduction

This resolution (Proposed Substitute A) will authorize the City of Milwaukee Department of Employee Relations (DER) to enter into a one-year agreement with United Healthcare for HMO services in 2008, and to expand the contract with Navitus Health Solutions to provide prescription benefit services to HMO members in 2008.

The City pays 100% of the HMO premium for all active City employees, and a portion of premium for retirees. Approximately 6,000 active and retired employees are currently enrolled in an HMO, compared to about 5,000 in the Basic Plan.

### Discussion

1. DER sent an RFP to 4 vendors to identify a vendor for Health Maintenance Organization (HMO) services in 2008 for all City employees and retirees.
2. There were 2 responses which met the requirements of providing an insured HMO plan:
  - Humana, the City's current provider, proposed an 18.85% increase. 2007 Humana rates increased about 16%.
  - United Healthcare proposed a net 6.63% increase from the City's current rates.
  - Humana's proposed cost is \$10.2 million greater than United Healthcare's proposed cost (\$85.4 million compared to \$75.2 million).
3. A Benefits Team, composed of representatives from various City departments worked with Willis of Wisconsin to evaluate proposals. The Benefits Team was composed of:
  - Michael Brady – Director Employee Benefits, Department of Employee Relations
  - James Michalski, CPA, – Auditing Manager, Office of the Comptroller
  - Troy Hamblin – Labor Negotiator
  - Maria Monteagudo – Director, Department of Employee Relations
  - Edwin Reyes – Business Operations Manager, Department of Employee Relations
  - Marianne Walsh – Research Manager, Legislative Reference Bureau
  - Katrina Whittley – Employee Benefit Analyst, Department of Employee Relations
  - Dennis Yaccarino – City Economist, Budget Office of the Department of Administration
4. The City entered into an agreement in with Willis of Wisconsin in April, 2007 (CCFN061554), for healthcare consulting services, and the following individuals of Willis of Wisconsin assisted the Benefits Team in evaluating the proposals:
  - Douglas Ley, Vice President, Willis of Wisconsin, Inc.
  - Clete Anderson, Assistant Vice President, Willis of Wisconsin, Inc.
5. As a result of a request for proposal (RFP) process and evaluations and the Benefits Team recommendations, DER recommends contracting with United Healthcare.
6. DER anticipates very little disruption of service, as United Healthcare has a broad provider directory.
7. Furthermore, DER recommends carving out the prescription drug plan and awarding that contract to Navitus Health Solutions. It is anticipated that Navitus' cost-management services will provide a long-run savings to the City. United Healthcare has credited the City with \$15.7 million for the drug carve out that will be used to pay Navitus claims in 2008. Navitus has been providing services for the City's Basic Plan since 2006.

**Fiscal Impact**

DER notes that the increase in HMO rates in 2008 will require no more than \$75 million for the HMO sub-account in the Special Purpose Account for employee health benefits. This amount represents an additional \$3.39 million (+ 4.5%) from the 2007 adopted budget (\$71.61 million).

United Healthcare will provide a net increase of 6.63% in the City's current costs, which reflects an 11.5% increase in active costs and an approximate 18%\* decrease in retiree costs.

	Current Employee Costs	Current City Costs	UHC Employee Costs	UHC City Costs	Difference in Total Costs to City
Active Employees	\$39,813	\$59,069,271	\$0	\$65,873,504	11.5%
Combined Retirees	\$4,227,373	\$11,517,322	\$3,478,860	\$9,390,113	18%
Combined Employee Groups Costs	\$4,267,185	\$70,586,593	\$3,478,860	\$75,263,617	6.63%

\*Actual may be between 16% and 18%; Willis of Wisconsin calculated 16%.

cc: Marianne Walsh  
Maria Monteagudo  
Michael Brady  
Erick Shambarger

W. Martin Morics  
Elisabeth Schraith  
Renee Joos  
Edwin Reyes

Prepared by:  
Leslie Silletti- Legislative Fiscal Analyst  
Legislative Reference Bureau, June 11, 2007