



Department of Employee Relations

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July 20, 2022

Alderwoman Marina Dimitrijevic, Chairwoman
City of Milwaukee Common Council Finance and Personnel Committee
200 East Wells Street, Room 205
Milwaukee, WI 53202

File No: 220138 Resolution to Execute Health Insurance Administrator and PBM Contract

Dear Alderwoman Dimitrijevic and Finance Committee Members:

File number 211411 authorized the Department of Employee Relations (DER) to issue a request for proposal process (RFP) for the administration of health insurance and prescription drug benefits to City employees and retirees. Health insurance benefits are currently administered by UnitedHealthcare (UHC) and pharmacy benefits are carved out and offered through OptumRx. Contracts for both UnitedHealthcare and OptumRx expire on December 31, 2022.

An evaluation committee including representatives from the DER, the budget office and the Employees' Retirement System along with the City's benefits consultant executed the RFP, reviewed the responses and evaluated final candidates. The RFP asked responders to do a number of things including:

- Provide claims payment administration and customer services for all benefits-eligible City of Milwaukee employees, retirees and their eligible dependents
- Provide eligible members and dependents with high quality service and care management programs to reduce costs and improve health outcomes
- Provide an extensive provider network including nationwide coverage options
- Minimize plan costs for the City and members through competitive provider contracts
- Provide timely, responsive customer service to the plan members and superior administrative service to the City of Milwaukee
- Achieve effective and efficient claims management expertise and ensure member needs and concerns are met in a timely manner
- Minimize provider, network and pharmacy formulary disruption for plan members
- Provide comprehensive education, communication and member resources



It is important to note that health plan network discounts and member utilization are the main determinants of healthcare expenditures. The City is self-funded and pays for the actual costs of claims along with an administration fee which accounts for approximately 5% of the total healthcare budget. After a comprehensive evaluation, the review committee and the City's benefit consultant determined that UHC still provides the broadest network coverage and deepest provider discounts. UHC also agreed to lower the annual administrative fees and guaranteed those rates for five years.

At the conclusion of the evaluation process and final negotiations for pharmacy benefit manager (PBM) services, the committee determined that OptumRx carve-in pharmacy through UHC offered the best financial terms and savings, competitive administrative fees as well as full integration with UHC health plan for a three year term. The contract also includes a second year market check provision with termination for convenience to ensure the pricing structure remains competitive. Additional information on both the health plan administrator and PBM assessment are included in a separate report as part of this file.

The proposed benefit package and financial terms from UHC with carve-in pharmacy are very competitive. In addition, the improved integration of the medical plan and prescription drug benefits will better address gaps in care for members, improve health outcomes, and lead to better cost management. Lastly, UHC is a valuable partner with the City providing excellent account service, high quality healthcare and customer service for members at the best possible value.

Based on the aforementioned factors, the DER recommends the Finance and Personnel Committee approve the file to execute a three year contract with UnitedHealthcare for health plan administration as well as integrated PBM services beginning January 1, 2023, with an option to extend the health plan contract for an additional two years.

I am happy to answer any questions or comments regarding this file.

Sincerely,
Renee Joos
Employee Benefits