

**LRB-FISCAL REVIEW SECTION ANALYSIS**

**FINANCE & PERSONNEL COMMITTEE**

**ITEM 7, FILE # 020478**

**JULY 11, 2002**

**MARK A. RAMION**

File # 020478 is a resolution authorizing contracts for health maintenance organizations (HMO) for 2003, pre-paid dental plans for 2003 and 2004, long-term disability benefits for 2003-2005, to amend the contract for flexible choice programs for 2003-2004, and to extend the fee-for-service contract for 2003 and authorizing the execution of said contracts.

**Background**

1. This resolution will authorize the City of Milwaukee Department of Employee Relations (DER) to enter into contracts for health maintenance organizations (HMO) for 2003, pre-paid dental plans for 2003 and 2004, long-term disability benefits for 2003-2005, to amend the contract for flexible choice programs for 2003-2004, and to extend the fee-for-service contract for 2003 and authorizing the execution of said contracts.
2. The City of Milwaukee DER with Willis Corp and GBG, Inc. solicited responses to Requests for Proposals for HMOs, pre-paid dental plans and long-term disability insurance providers. A five-person team from the city with representatives from DER, the Budget and Comptroller's Offices reviewed the responses and the costs of each of the benefit programs.
3. This resolution advances the recommendations from the City of Milwaukee DER for the employee benefit programs under consideration.

**Discussion**

1. The HMOs recommended by DER offering 2003 rates to the city are CompcareBlue Aurora Family Network and CompcareBlue Traditional Network.

**Monthly rates for Active Employees (HMOs):**

	Single Coverage Rate			Family Coverage Rate		
	2002	2003	Increase	2002	2003	Increase
<b>Health Plan</b>						
Family Network	\$286.43	\$307.10	\$20.67	\$782.84	\$838.38	\$55.54
Traditional	NA	\$341.22	NA	NA	\$931.53	NA
<b>City's Share</b>	\$286.43	<b>\$307.10</b>	<b>\$20.67</b>	\$782.84	<b>\$838.38</b>	<b>\$55.54</b>

The city's monthly contribution for active city employees enrolled in an HMO in 2003 will be **\$307.10 for single coverage and \$ 838.38 for family coverage**, as the city pays the full premium of the lowest HMO monthly rate. These 2003 figures represent a **7%** increase for single coverage and a **7%** increase for family coverage from 2002 rates.

For employees choosing the CompCareBlue Traditional plan, the single coverage premium will be **\$34.12** per month and family coverage will be **\$93.15** per month. Whereas the *Family* coverage is limited\* to medical staff and location, the *Traditional* coverage includes all hospitals and most physicians in the Milwaukee area.

\*(Aurora Family Network is a primary care, staff model HMO with eight locations in the Greater Milwaukee area. Choice is “limited” in that the patient agrees to a specific location and physician for care and, if needed, referrals for specialty care. The Family network has in-house pharmacies, labs other diagnostic and health-related services. Hospital choice is limited to the network affiliations).

There are three HMOs that offered premium rates for 2003. Humana and United offered HMO rates that were, respectively 26% and 39% above the 2002 rates and were ***not recommended*** for contract by the City of Milwaukee DER for employee HMO benefits. Additionally, neither Humana nor United have relationships with the Aurora Health System. The CompCare network includes the Aurora Health System and its network of hospitals and physicians.

2. The following is a reiteration of the rates currently in effect for employees enrolled in the Basic Plan:

**Monthly rates for Active Employees (Basic Plan):**

<b>City Group</b>	<b>Single</b>	<b>Family</b>
Management	\$100	\$190
DC #48/Others	\$50	\$100
Fire and Police	\$25	\$50

***The city’s projected 2003 share/monthly rate for the Basic Plan is \$479.91 for single coverage and \$1,146.92 for family coverage, an 8% increase from 2002.***

**The monthly premium for the Basic Health Plan for management employees is a component of the annual budget process and is part of labor contract negotiations for the city’s represented employees.**

3. Health care benefits for **retirees** are currently categorized in two groups:

For those **under** age **65** years, the city pays 100% of the health plan selected, either the Basic Plan or an HMO (city payment for fire and police retirees in this category is dependent upon a formulary ranging from 0%-33%).

For those age **65 years and older**, the city pays 25% of any health plan selected, basic or HMO. The cost of the plan for the individual will be dependent upon the retirees’ Medicare status and whether or not there is a spouse or dependent child/children to be included.

4. The *prepaid* dental organizations offering rates to the city are Care-Plus Dental Plans, Inc., DentalBlue and First Commonwealth. The employee pays the difference from the city share of

\$13.00 for single coverage and \$37.50 for family coverage, depending upon the dental plan selected.

**Monthly rates for pre-paid dental organizations:**

	Single Coverage Rate			Family Coverage Rate		
	2002	2003	Increase	2002	2003	Increase
<b>Dental Plan</b>						
Care-Plus	\$21.09	\$23.20	\$2.11	\$56.08	\$64.09	\$8.01
DentalBlue	\$19.59	\$22.96	\$3.37	\$62.73	\$68.88	\$6.15
1 <sup>st</sup> Common	\$21.66	\$22.52	\$0.86	\$62.05	\$67.94	\$5.89
<b>City's Share</b>	\$13.00	<b>\$13.00</b>	-	\$37.50	<b>\$37.50</b>	-

5. The *fee-for-service* organization offering dental care rates to the city is Delta Dental Plan of Wisconsin, Inc. There is no rate increase for 2003.

**Monthly rates for Delta Dental:**

	Single Coverage Rate			Family Coverage Rate		
	2002	2003	Increase	2002	2003	Increase
General	\$23.10	\$23.10	\$0.0	\$79.56	\$79.56	\$0.0
Police	\$26.62	\$26.62	\$0.0	\$75.99	\$75.99	\$0.0
Fire	\$26.62	\$26.62	\$0.0	\$80.49	\$80.49	\$0.0
<b>City's Share</b>	\$37.50	<b>\$13.00</b>	-	\$37.50	<b>\$37.50</b>	-

6. The City of Milwaukee DER recommends that a three-year contract be signed with **Standard Insurance**, the current provider of long-term disability insurance. This contract will not require a rate increase. Other providers submitting responses to the RFP were:

- Aetna US Healthcare
- CIGNA
- CNA
- National Insurance Services

7. The City of Milwaukee DER recommends a two-year extension of the contract with Flex Company to provide the Flexible Choices program to active City of Milwaukee employees. A 7% (\$0.25) increase from \$3.25 to \$3.50 per member is a component of the contract extension. This increase will cover the two-year length of the contract.

**Fiscal Impact**

1. DER notes that the increase in HMO rates for 2003 will require **\$49 million** for the HMO line in the Special Purpose Account for employee health benefits. This amount represents an **additional \$5.3 million** (+11.5%) from the 2002 budget.

2. The use of two HMO networks *exclusively* will result in **\$8 million savings** to the city in 2003 as opposed to including all HMOs in employee health insurance choices. This savings is realized through the exclusive option of the CompCareBlue HMOs for City of Milwaukee employee selection.
3. The amount for dental insurance in the health care SPA for 2003 is **\$2.479 million**, a 1% increase from 2002.
4. The cost associated with the long-term disability insurance for 2003 is **\$562,000**, representing an increase (1%) from 2002 of approximately \$10,000.
5. The amount for the flexible savings plan, covering administrative expenses, is **\$35,200**, representing a \$200 increase from 2002.

### **Other Information**

1. City of Milwaukee Employee Benefits Recommendation Team members:
  - Florence Dukes, Deputy Director, DER
  - Michael Brady, Benefits Manager, DER
  - James Michalski, Audit Manager, Comptroller's Office
  - Edwin Reyes, Management and Account Officer, DER
  - Dennis Yaccarino, City Economist, Budget Office
  - Douglas Ley, VP, Willis of Wisconsin, Inc.
  - Clete Anderson, Asst. VP, Willis of Wisconsin
  - Dale Gilliam, President, CBG, Inc.
2. The 2002 budget provides \$50,000 for consultant services related to analyze health care costs and recommend cost reduction plans.

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