

February 23, 2006

The Honorable Common Council
City Hall Room 200
200 East Wells Street
Milwaukee, WI 53202

**RE: COMMUNICATION REGARDING MEDICARE RETIREE HEALTH
INSURANCE AND NEW MEDICARE PART "D" DRUG PLAN**

Dear Ladies and Gentlemen:

In December 2004 the US government approved a Medicare Part D drug plan for medicare retirees. As part of this legislation employers who had prescription drug plans for their retirees over 65, as the City does, were allowed to

- Create their own prescription drug benefit program or PBM,
- Continue providing prescription drug benefits through a Prescription Benefit Manager and apply for a subsidy from Medicare,
- Create a Medicare Part D wrap around plan with an existing PBM
- Continue to provide drug benefits without any input from Medicare, or
- Stop providing drug benefits and allow the retirees to select their own private Medicare D plan.

In evaluating these options, it would appear that the best value for the City of Milwaukee Medicare retirees is to create a wrap around plan with the existing health plans. Since approximately 50% of the cost of the Medicare supplement insurance premium is for prescription drug benefits, and utilizing the benefit of the Medicare D program could reduce that cost significantly.

Currently Medicare retirees pay between \$337 and \$390 per month per person for the City's Medicare supplement that includes a drug plan. This is 75% of the total cost. The City pays the remaining 25% of the cost. I would expect a "wrap around Medicare Part D plan" with the existing providers might reduce the retirees per month share by as much as \$100-\$125 per month. With a wrap around plan the retiree would not have to deal with selecting from among the 50 medicare Part D plans available in Wisconsin, and would not have to be concerned about paying 100% of the costs between \$2200 and \$3600, often referred to as the donut hole. It is quite possible that the HMO co-pays would change from \$4 generic and \$8 brand to \$4/\$5 generic and \$25 brand to provide the desired savings and to avoid the donut hole situation. It is quite possible that the Basic Plan 20% drug benefit would require a formulary to provide the desired savings.

I will be discussing this issue with retiree groups, unions and with health plans. I would be happy to discuss this issue at a Finance and Personnel Committee meeting and/or individually with any Aldermen.

I have had two retiree groups and two Aldermen ask me to investigate the possible savings for Medicare eligible retirees with a Medicare wrap around program.

Sincerely,

Michael Brady
Employee Benefits

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