

June 23, 2005

Alderman Michael Murphy, Chairman  
City of Milwaukee Common Council Finance and Personnel Committee  
200 East Wells Street, Room 205  
Milwaukee, WI 53202

**City of Milwaukee Health Insurance Recommendations for 2006-2008**

Dear Alderman Murphy:

The City of Milwaukee released a Request for Proposal on April 1, 2005 for vendors to respond to the City regarding the self-funded Basic Health Plan administrative services, the Health Maintenance Organization (HMO) health insurance and invited responses to a carve out of the Prescription Benefit Management Program. The health benefits are provided to both active and retired City employees. The City received fourteen responses to the request. The City worked with Willis of Wisconsin Inc. to review each of the responses and prepare recommendations. A team of City employees including Dennis Yaccarino of the Budget Office, James Michalski of the Comptroller's Office, Mark Ramion of the Legislative Reference Bureau, and Edwin Reyes, Katrina Whittley, and Michael Brady of DER read, reviewed and scored each of the proposals with the assistance of Doug Ley and Cleve Anderson of Willis. Below is a summary of the recommendations. Additional summary data is attached to this letter. A full report from Willis of Wisconsin will be sent to the Committee before the meeting.

**Basic Health Plan Services**

The Department of Employee Relations is recommending that Blue Cross Blue Shield of Wisconsin be awarded the contract for the Basic Plan services of "Third-Party-Administrator," "Utilization Review and Case Management," and "Preferred Provider Organization." A careful review of each of the proposals indicates that the Blue Cross Blue Shield of Wisconsin response will provide the lowest claims costs to the City among the vendors.

- Management employees and represented employees who have negotiated for a "tiered network" would have two tiered networks available with Basic Plan benefits provided through Blue Cross Blue Shield. The first would be the Blue Cross Blue Shield "open access" network throughout Southeast Wisconsin, the second tier would be the nationwide Blue Cross Blue Shield Network. These tiered networks would be available to retirees under 65.
- An attached "2006 Network Discount Analysis" shows the Basic Plan claims costs for retired over 65, retired under 65, active employees and totals for inpatient services, outpatient services, professional services and totals for six vendors. This analysis indicates that Blue Cross Blue Shield (CCB) would have claims

costs between \$541,876 and \$8,534,193 less than the other seven vendors. The second “Network Discount Analysis” prepared by Willis indicates avoided costs with Blue Cross Blue Shield of \$2.2M to \$25M for the same Basic Plan claims over a three year period. The information was gathered from self-reported discounts and actual costs for hospital and professional services reported in the RFP.

- The attached “*2006 UR Proposal Scoring Summary*” and the “*2006 Self Insured Plan Claims Administration Proposal Scoring Summary*” prepared by Willis indicate that the Blue Cross Blue Shield proposal received the highest composite scores for both Utilization Review, 6.78, and Claims Administration, 5.44, on a 7.0 point scale.

### **Prescription Benefit Management Services**

The Department of Employee Relations is recommending that the prescription benefit management (PBM) services be carved out and awarded to Navitus Health Solutions.

- The attached “*2006 PBM Proposal Analysis Summary*” prepared by Willis indicates that Navitus Health Solutions has the lowest costs and highest discounts. Their three year cost of \$36M is between \$736,216 and \$4,084,700 lower than the other thirteen vendors. Their rebates of \$2,297,853 are the highest among the vendors and their net costs after rebates are at least \$2.7M lower than the closest vendor.
- The attached “*2006 Prescription Drug Manager Proposal Scoring Sheet*” indicates Navitus Health Solutions received the highest qualitative and the highest quantitative scores, as well as the highest composite score, 6.01 on a 7.0 point scale.

### **Health Maintenance Organization (HMO) Services**

The Department of Employee Relations is recommending that the City continue with Compcare Blue for HMO services. CompcareBlue will offer two separate HMOs again in 2006, the CompcareBlue Broad Network and the CompcareBlue Aurora Family Network. The combination of the two networks provides the lowest net HMO cost for the City. There is a much smaller increase from 2005 to 2006 in the cost of the CompcareBlue Aurora Family Network than the CompcareBlue Broad Network. It is anticipated that many City employees will leave the CompcareBlue Broad Network for either the CompcareBlue Aurora Family Network HMO or the City’s Basic Plan.

- The attached “*2006 HMO Proposal Analysis*” indicates a 14% increase in HMO net costs in 2006 from \$57.0M to \$64.8M, or \$7.8M for actives and retirees, assuming the same number of actives and retirees select an HMO in 2006 as 2005. As indicated earlier, there are likely to be members leaving the Broad

HMO for the CB AFN HMO or the Basic Plan. The other three vendors considered would result in net costs of \$67M to \$73M.

- The attached “2006 HMO Proposal Scoring Summary” indicates that CompCareBlue had the highest qualitative and quantitative scores, as well as the highest total composite score, 6.95 on a 7 point scale.

### **Health Insurance Increases in 2006**

- Based on 2006 rate projections, utilization and experience, the Basic Plan cost will go up 9.6% for retirees over 65, 26% for retirees under 65 and 19% for active employees.
- The CB AFN HMO network will increase 25% for retirees over and under 65 and 9.5% for active employees.
- The CB Broad HMO network will increase 19% for retirees over 65, 49% for retirees under 65 and 45% for active employees.
- In light of the increases, the Department of Employee Relations will work with the Employee Retirement System to explain both the City rates and other options to retirees, especially those over 65.
- A rate sheet for active management employees and those who have bargained for a tiered network, a rate sheet for represented employees who have not bargained for a tiered network and Retiree Rate Sheet One (1 of 17 retiree rate charts) are attached.

### **Impact on Employee Health Care Benefits Special Purpose Accounts (SPA)**

Preliminary information indicates that the requested budget increase from 2005 to 2006 for Employee Health Care SPA for all active and retired employees of \$16M from \$94.7M to \$110.7M can be reduced through these proposals by between \$5M and \$7M.

Sincerely,

Michael Brady  
Employee Benefits

Cc: Milwaukee Common Council Members  
Vendors responding to City of Milwaukee RFP  
City of Milwaukee Certified Collective Bargaining Units

Attachments: eleven pages