

June 4, 2009

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

File No: 090223 City of Milwaukee Contract Extension for 2010 for UHC Choice

Dear Alderman Murphy:

The City of Milwaukee Department of Employee Relations and the DER Review Team is recommending that the current contract with UnitedHealthcare for the UHC Choice Plan for insured health maintenance organization benefits be extended for a one year period.

UnitedHealthcare (UHC) will continue to provide insured health services through their UHC Choice Plan in 2010 at a 20.4% increase over the 2009 rates. The recommendation is made because:

- The City sent out a request for proposals to four vendors.
- UHC was the only responsive vendor offering an insured plan. The other vendors only offered a “self-insured” exclusive provider organization (EPO) plan.
- The City Review Team, including a representative of Willis of Wisconsin, considered the self-funded EPO option and **found no clear savings to the City and additional financial risk with the EPO option.**
- The projected costs of the self-funded EPO option were projected by Willis of Wisconsin to be anywhere from 20-25% dependent upon trend in health care costs.
- The City Review Team, in making this recommendation, took into consideration the fact that the monthly premium paid to UHC over the twelve month period March 2008 through February 2009 has been less than the total payments UHC has made to providers (\$76,476,012 paid by City to UHC, \$77,431,273 paid by UHC to providers). This is a loss ratio of 101.2%.
- The UHC Choice Plan includes a large network of providers in South East Wisconsin as well as a national network of providers;
- The UHC Choice Plan provides city employees with the opportunity to continue the same health insurance plan for a third year;
- The UHC Choice Plan will continue to provide City employees with their Care24 wellness classes, their Know Your Numbers health risk assessment, on-line health assessments and access to their www.myuhc.com website;
- The UHC Choice Plan will continue to provide care management services to City members to help control the overall cost of healthcare;
- At this time based on existing labor contracts that have not been extended, the City is not able to replace the insured HMO with a self-insured EPO benefit plan. New labor contracts with MPA, Local 215 and other unions will allow this.

- This agreement would increase the total gross costs assuming no changes in enrollment for the UHC Choice HMO plan by \$16M in 2010. The department will work with the Budget office over the summer to see reduce the impact of this agreement on the 2010 budget.
- The Prescription drug costs, which are self-funded through Navitus through 2011, have not been increasing.
- The Basic Plan claims costs, which are self-funded through Anthem through 2011, have not been increasing.
- There is likely to be premium cost sharing with employees in 2010 when contracts for the 2007-2009 years with all unions have been settled. Currently MPA, Local 215 and management employees pay \$20 per month for single and \$40 per month for family coverage with the UHC Choice Plan.

A resolution and a fiscal note are attached to this file. In addition a letter from Willis of Wisconsin, the City's benefits consultant, urging passage of this file will be attached.

A letter from UnitedHealthcare will be attached to the file as well.

Please contact me at mbrady@milwaukee.gov or at 286-2317 if you have any questions or comments regarding this file.

Sincerely,

Michael Brady
Employee Benefits

CC: Maria Monteagudo, DER
Troy Hamblin, DER