

LRB-FISCAL REVIEW SECTION ANALYSIS

JULY 11, 2001

ITEM 3, FILE 010365

FINANCE & PERSONNEL COMMITTEE

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File # 010365 is a resolution approving an extension of health and dental fringe benefit contracts with service providers.

Background

The Department of Employee Relations (DER) is seeking authorization to extend one-year contracts with three health care HMOs for 2002 and to execute a contract for the City of Milwaukee's Basic Health Plan for 2002-2003-2004. Additionally, this file will extend dental insurance contracts with fee-for service and pre-paid dental organizations for 2002.

Discussion

1. The HMOs offering 2002 rates to the city are Humana, CompicareBlue Aurora Family Network and United Health Care (formerly Primecare).

Monthly rates for Active Employees (HMOs):

	Single Coverage Rate			Family Coverage Rate		
	2001	2002	Increase	2001	2002	Increase
Health Plan						
Humana	\$213.97	\$261.04	\$47.07	\$604.33	\$737.28	\$132.95
Family Network	\$215.36	\$286.43	\$71.07	\$588.60	\$782.84	\$194.24
United	\$272.26	\$343.78	\$71.52	\$748.64	\$990.76	\$242.12
City's Share	\$213.97	\$261.04	\$47.07	\$588.60	\$737.28	\$148.68

The city's monthly contribution for active city employees enrolled in an HMO in 2002 will be **\$261.04 for single coverage and \$737.28 for family coverage**, as the city pays the full premium of the lowest HMO monthly rate. From 2001 rates, these 2002 figures represent a **22% increase for single coverage and a 25% increase for family coverage**.

There are three HMOs that offered premium rates for 2002. One HMO currently under contract with the city through 2001, CompicareBlue, **declined** to offer a rate to the city for 2002.

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):

City Group	Single	Family
Management	\$60	\$120
Two Unions	\$50	\$100
DC #48/Others	\$40	\$80
Fire and Police	\$25	\$50

The city's projected 2002 share/monthly rate for the Basic Plan is unavailable at this time.

3. Health care benefits for **retirees** are 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., Dentacare and First Commonwealth.

Monthly rates for pre-paid dental organizations:

	Single Coverage Rate			Family Coverage Rate		
	2001	2002	Increase	2001	2002	Increase
Dental Plan						
Care-Plus	\$19.53	\$21.09	\$1.56	\$51.93	\$56.08	\$5.05
Dentacare	\$17.81	\$19.59	\$1.78	\$57.03	\$62.73	\$5.70
1 st Common	\$17.08	\$21.66	\$4.58	\$48.94	\$62.05	\$13.11
City's Share	\$13.00	\$13.00	-	\$37.50	\$37.50	-

5. The *fee-for-service* organization offering dental care rates to the city is Delta Dental Plan of Wisconsin, Inc.

Monthly rates for Delta Dental:

	Single Coverage Rate			Family Coverage Rate		
	2001	2002	Increase	2001	2002	Increase
General	\$20.39	\$23.10	\$2.71	\$70.24	\$79.56	\$9.32
Police	\$23.50	\$26.62	\$3.12	\$71.06	\$75.99	\$4.93
Fire	\$23.50	\$26.62	\$3.12	\$67.09	\$80.49	\$13.40
City's Share	\$37.50	\$13.00	-	\$37.50	\$37.50	-

Fiscal Impact

DER notes that the increase in HMO rates for 2002 will require **\$44 million** for the HMO line in the Special Purpose Account for employee health benefits. This amount is an **additional \$4 million** to the 2002 budget request and represents an **additional \$8 million** from the 2001 budget. The amount for dental insurance in the health care SPA for 2002 is \$2.5 million.

Other Information

DER will offer new RFPs in year 2002 for HMO contracts and rates for year 2003.