

June 8, 2006

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 HMO Health Insurance Recommendations for 2007

Dear Alderman Murphy:

The City of Milwaukee released a Request for Proposal on May 5, 2006 for vendors to respond to the City regarding the Health Maintenance Organization (HMO) health insurance. The HMO health benefits are provided to both active and retired City employees. The City received three 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 Whittle, and Michael Brady of DER read, reviewed and scored each of the proposals with the assistance of Doug Ley and Clete Anderson of Willis. Below is a summary of the recommendations. Additional summary data is attached to this letter.

This file also recommends approval of contract extensions with the four City of Milwaukee Dental Plans for 2005.

Health Maintenance Organization (HMO) Services

The Department of Employee Relations is recommending that the City change to the Humana HMO in 2007. Humana will offer two separate HMOs products in 2007, the Humana High Performance Network HMO and the Humana Premier Network HMO. This combination of the two HMO networks provides the lowest net HMO cost for the City. The HMO costs in 2006 are projected at \$54.4M. The HMO costs with Humana in 2007 are projected at \$61.7M, a 13% increase. The other HMO plans would cost \$63.6M, UHC, a 16% increase; or, \$64.6M, CB, an 18% increase.

- The attached "2007 HMO Quotes Comparison" shows the breakdown of the costs for active and retired employees.
- The attached "2007 HMO Proposal Scoring Summary" indicates that Humana had the highest qualitative and quantitative scores and highest total composite score of 6.9 on a 7.0 scale.
- The attached "2007 HMO Rate Quote Comparison" indicates what the 2006 HMO rates are and what the rates would be with each of the three vendors in 2007.
- The actual 2007 HMO rates for Medicare retirees will be lower than the 2006 HMO Medicare rates.
- The attached "Impact of Carving out Rx Benefits from HMO Coverage" shows that the cost of that is higher, or more expensive than the Humana cost to the City. The team looked at Rx carve out of both active and retirees, as well as carve out of either actives or retirees and there was no change in the result.

- The Humana HP HMO Network is larger than the CompcareBlue AFN network and would likely cause little disruption for persons currently in the CB AFN HMO. The Humana HPN network includes 83% of the hospitals and 61% of the primary care physicians in the seven county area. The CB AFN HMO Network includes 17% of the physicians and 12% of the hospitals in Southeast Wisconsin.
- All of the HMO responses required that their HMO be the exclusive HMO for the City. None would participate with other HMO plans.

Fee-for-Service Dental and Pre-paid Dental Plan Contract Extension

DeltaDental has submitted 2007 rates for the fee-for-service dental plan with a 6.7% increase. CarePlus has submitted rates for 2007 as a pre-paid dental plan with a 9.6% increase. DentalBlue has submitted rates for 2007 as a pre-paid dental plan with a 17% increase. First Commonwealth has submitted rates for 2007 as a pre-paid dental plan with an 18% increase.

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

The HMO recommendations will result in the HMO portion of the Health Care SPA increasing by \$7.3M in 2007.

The Dental recommendations will not affect the City share of the Health Care SPA. The City contributes a fixed at \$13 single and \$37.50 per month.

The final rates for the Basic Plan are not available so the total Health Care SPA is not available. At this time it does not appear there will be an increase in the active and retiree rates for the Basic Plan or an increase in the overall Basic Plan portion of the Health Care SPA account.

This office is still reviewing the value of a Medicare Part D insured Prescription Drug Plan with a self-funded Wrap plan for Medicare retirees in the Basic Plan. This office will report on both issues at the July 10, 2007 Finance and Personnel Committee meeting.

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

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: four pages