



July 15, 2010

Department of Employee Relations

Tom Barrett
Mayor

Maria Monteagudo
Director

Michael Brady
Employee Benefits Director

Troy M. Hamblin
Labor Negotiator

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

File No:100336 Communication from DER regarding 2011 Basic Plan Rates

Dear Alderman Murphy:

The Department of Employee Relations is using this file to communicate to the Finance and Personnel Committee the City of Milwaukee 2011 rate projections for the Basic Plan, prepared by Willis HRH National Actuarial Practice. Their report is attached. The rate calculation has resulted in a 14.9% increase in 2011 rates compared to the 2010 rates for actives and retirees

Also attached are the current rate sheets for Active employees (General City Management), active employees (Represented employees including DC#48, Represented employees including Milwaukee Police Association), and Rate Chart 1 for Retirees. The rate sheets reflect the 14.9% increase.

In 2011, City employees will have an HMO option, United Healthcare (UHC) Choice Plan; and, the Basic Plan, administered by Anthem.. The current employee share for each plan is fixed based on labor agreements.

The attached Retiree Rate Chart 1 would apply primarily to those retirees over 65 with Medicare. The 2010 retiree share of the cost, 75% of the total, are indicated on the rate chart under Plan Code 4, Plan Code 5 and Plan Code 6. The 2010 75% retiree monthly premium is in the box below the 2011 rates. The retirees with Medicare in plan code 4 and plan code 5 will have the choice of three plans, the City Basic Plan, the UHC Choice Plan and the Secure Horizons Medicare Direct Group Plan, which provides essentially the same benefits as UHC Choice for a lower cost. Other retirees will have a choice of the Basic Plan or the UHC Choice Plan. There are additional rate charts for other retiree groups based on their date of retirement or union group or status as duty disability retiree.

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

Sincerely,

Michael Brady
Employee Benefits

CC: Maria Monteagudo, DER

Troy Hamblin, DER

CITY OF MILWAUKEE FISCAL NOTE

A) DATE July 15, 2010

FILE NUMBER: 100336

Original Fiscal Note Substitute

SUBJECT: Provides communication to members of the Finance and Personnel Committee with regard 2011 rates for the City Basic Plan.

B) SUBMITTED BY (Name/title/dept./ext.): Michael Brady, Director of Employee Benefits, DER, 2317

C) CHECK ONE: ADOPTION OF THIS FILE AUTHORIZES EXPENDITURES
 ADOPTION OF THIS FILE DOES NOT AUTHORIZE EXPENDITURES; FURTHER COMMON COUNCIL ACTION NEEDED. LIST ANTICIPATED COSTS IN SECTION G BELOW.
 NOT APPLICABLE/NO FISCAL IMPACT.

D) CHARGE TO: DEPARTMENT ACCOUNT(DA) CONTINGENT FUND (CF)
 CAPITAL PROJECTS FUND (CPF) SPECIAL PURPOSE ACCOUNTS (SPA)
 PERM. IMPROVEMENT FUNDS (PIF) GRANT & AID ACCOUNTS (G & AA)
 OTHER (SPECIFY)

E) PURPOSE	SPECIFY TYPE/USE	ACCOUNT	EXPENDITURE	REVENUE	SAVINGS
SALARIES/WAGES:					
SUPPLIES:					
MATERIALS:					
NEW EQUIPMENT:					
EQUIPMENT REPAIR:					
OTHER:	Basic Plan Net Costs	006100 0001 0165 0001 S114 2011	\$22,000,000		
TOTALS					

F) FOR EXPENDITURES AND REVENUES WHICH WILL OCCUR ON AN ANNUAL BASIS OVER SEVERAL YEARS CHECK THE APPROPRIATE BOX BELOW AND THEN LIST EACH ITEM AND DOLLAR AMOUNT SEPARATELY.

<input type="checkbox"/> 1-3 YEARS	<input type="checkbox"/> 3-5 YEARS
<input type="checkbox"/> 1-3 YEARS	<input type="checkbox"/> 3-5 YEARS
<input type="checkbox"/> 1-3 YEARS	<input type="checkbox"/> 3-5 YEARS

G) LIST ANY ANTICIPATED FUTURE COSTS THIS PROJECT WILL REQUIRE FOR COMPLETION:

H) COMPUTATIONS USED IN ARRIVING AT FISCAL ESTIMATE:
 The vendor will be paid a percentage of the savings.

PLEASE LIST ANY COMMENTS ON REVERSE SIDE AND CHECK HERE

City of Milwaukee
2011 Rate Projection

W

Prepared by:

Sheryl Henry, FSA, MAAA
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City of Milwaukee

2011 Rate Projection

Willis was engaged to prepare a 2011 rate recommendation for the City of Milwaukee's Basic Plan, the self-insured medical and prescription drug plan. This plan is split into two components: Base and Major Medical. The plan year is 1/1/2011-12/31/2011.

Enrollment in the Basic Plan continues to decline. Overall enrollment decreased by 9.6% from 3,483 to 3,187 from 5/31/2009 to 5/31/2010.

Administration of the medical plan was moved from CMS to Anthem effective 1/1/2009.

Administrative costs are included in the 2011 rates. The expense per contract for medical claims administration for 2011 is \$32.49 for actives and under 65 retirees and \$23.49 for over 65 retirees. The expense per contract for Blue Card access for 2011 is \$6.40 for actives and under 65 retirees. The expense per member for prescription drug claims administration is \$2.35 for actives and under 65 retirees. The administrative charge for the Wrap plan for Medicare eligible retirees is \$5.00 per participant per month. Overall, this results in an expense component in the rates of 2.9% for medical and .6% for prescription drug.

The projected 2011 monthly cost per participant is \$73.68 for the Medicare Part D Prescription Drug Plan (PDP) through DeanRx. The most recent information from DeanRx is that the rate will increase to between \$70.44 and \$73.68 for 2011.

The details of the 2011 rate calculation are shown in Attachment 1. Because of the low enrollment in some of the retiree plans and the lack of credible experience data, it is not recommended to experience rate each plan.

Trend used to project 6/1/2009-5/31/2010 experience to 2011 were 10% for medical and 12% for prescription drug for an overall trend of 10.4%.

The rate calculation has resulted in a 14.9% overall increase in 2011 rates compared to 2010 rates for actives and retirees combined.

City of Milwaukee
2011 Rate Projection

		2010 Rates			6/30/10
		Base	Major Medical	Total	Enrollment
Active	Single	\$662.34	\$190.37	\$852.71	271
	Family	\$1,492.73	\$429.02	\$1,921.75	433
		Plan			
Retired	1	\$949.16	\$269.36	\$1,218.52	218
	3	\$1,685.07	\$478.20	\$2,163.27	420
	4	\$167.69	\$156.41	\$324.10	1,080
	5	\$322.29	\$291.17	\$613.46	569
	6	\$574.24	\$830.65	\$1,404.89	67
	7	\$665.16	\$981.45	\$1,646.61	10
	8	\$414.50	\$444.10	\$858.60	4
	9	\$1,383.26	\$392.54	\$1,775.80	29
	10	\$345.16	\$450.77	\$795.93	2

		Recommended 2011 Rates				
		Base	Major Medical	Total	Change	Increase
Active	Single	\$761.04	\$218.74	\$979.77	\$127.06	14.9%
	Family	\$1,715.16	\$492.95	\$2,208.11	\$286.36	14.9%
		Plan				
Retired Non-Medicare	1	\$1,090.59	\$309.50	\$1,400.09	\$181.57	14.9%
	3	\$1,936.16	\$549.46	\$2,485.62	\$322.35	14.9%
	9	\$1,589.38	\$451.03	\$2,040.41	\$264.61	14.9%
Retired Medicare	4	\$192.68	\$179.72	\$372.39	\$48.29	14.9%
	5	\$370.31	\$334.56	\$704.87	\$91.41	14.9%
	6	\$659.81	\$954.43	\$1,614.23	\$209.34	14.9%
	7	\$764.28	\$1,127.70	\$1,891.97	\$245.36	14.9%
	8	\$476.26	\$510.28	\$986.54	\$127.94	14.9%
	10	\$396.59	\$517.94	\$914.53	\$118.60	14.9%

City of Milwaukee
2011 Rate Projection

Retiree Plan	Definition
1	One person w/o Medicare
3	Two persons w/o Medicare & Dependent Child(ren)
4	One person with Medicare
5	Two persons with Medicare
6	One person with Medicare, One person w/o Medicare
7	One person with Medicare, One person w/o Medicare & Dependent Child(ren)
8	Two persons with Medicare & Dependent Child(ren)
9	One w/o Medicare & Dependent Child(ren)
10	One with Medicare & Dependent Child(ren)

**City of Milwaukee
2011 Rate Projection**

	Actives	Retirees		Total
2010 Projected Cost per Enrollee		Non-Medicare	Medicare	
Paid Claims-Medical 6/1/09-5/31/10	\$10,313,691	\$10,463,103	\$4,986,859	\$25,763,653
Paid Claims-Rx 6/1/09-5/31/10	\$2,104,621	\$2,089,258	\$6,486,213	\$10,680,092
Total Medical & Rx Paid Claims 6/1/09-5/31/10	\$12,418,312	\$12,552,361	\$11,473,072	\$36,443,745
Average Enrollment 6/1/09-5/31/10	825	761	1,793	3,379
Current Enrollment 5/31/10	748	702	1,697	3,147
Trend-Medical	10.0%			
Trend-Rx	12.0%			
Weighted Trend	10.3%			
Trend Months at	19			
Trend Factor	1.169			
Medical/Rx Cost Trend to 2011	\$14,511,644	\$14,668,289	\$13,407,066	\$42,586,998
Adjust for Enrollment	0.907	0.922	0.947	
Adjusted Medical/Rx Cost Trend to 2011	\$13,157,224	\$13,523,658	\$12,690,410	\$39,371,292
DeanRx (\$73.68 est per participant)	\$0.00	\$0.00	\$100.00	\$2,036,337
Administrative Expense				
Basic Plan (per contract)	\$38.89	\$38.89	\$23.49	\$1,155,036
Navitus (\$2.35 pmpm)	\$5.75	\$4.82	\$6.79	\$230,404
Wrap Plan (\$5.00 pmpm)				
Total Administrative Cost 2011 per Enrollee	\$44.64	\$43.71	\$30.28	\$1,385,440
2011 Projected Cost	\$13,557,888	\$13,891,904	\$15,343,277	\$42,793,069

Income at Current Rates

		2010 Rates			6/30/10 Enrollment	
Active	Single Family	Base \$662.34 \$1,492.73	Major Medical \$190.37 \$429.02	Total \$852.71 \$1,921.75	271 433	\$2,773,013 \$9,985,413 \$12,758,426
Retired	Plan					
	1	\$949.16	\$269.36	\$1,218.52	218	\$3,187,648
	3	\$1,685.07	\$478.20	\$2,163.27	420	\$10,902,881
	4	\$167.69	\$156.41	\$324.10	1,080	\$4,200,336
	5	\$322.29	\$291.17	\$613.46	569	\$4,188,705
	6	\$574.24	\$830.65	\$1,404.89	67	\$1,129,532
	7	\$665.16	\$981.45	\$1,646.61	10	\$197,593
	8	\$414.50	\$444.10	\$858.60	4	\$41,213
	9	\$1,383.26	\$392.54	\$1,775.80	29	\$617,978
	10	\$345.16	\$450.77	\$795.93	2	\$19,102
						\$24,484,988

2011 Income at Current Rates and Enrollment

\$37,243,414

Increase Needed-Overall

14.9%

Brady, Michael

From: Brady, Michael
Sent: Thursday, July 15, 2010 2:37 PM
To: Reyes, Edwin
Cc: Brady, Michael
Subject: 2011 projected costs for Medicare retirees with Secure Horizons Medicare Direct Retiree Plan

From: Henry, Sheryl [mailto:henry_sh@willis.com]
Sent: Thursday, July 15, 2010 2:26 PM
To: Brady, Michael
Cc: Anderson, Clete
Subject: 2011 projected costs for Medicare Retirees with Secure Horizatons Medicare Direct Retiree Plan (Direct Plan)

group Medicare Advantage only monthly cost	\$184.92
Dean Care Rx Plan monthly cost	\$73.68
Wrap Plan monthly claims	\$142.36
Wrap Plan administrative fee	\$5.00
100% Cost	\$405.96
75% Cost	\$304.47

Sheryl Henry F.S.A., M.A.A.A
National Actuarial Practice
Vice President and Actuary
414-203-5234

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2011 Rate Chart For Active Employees

This Chart applies to all Employees whose positions are represented by any of the following units:
General City Management

HMO Employee Share for "MANAGEMENT"

An employee will pay \$20.00 (single) or \$40.00 (family) as his/her share of the HMO Plan cost. This amount ("Employee Share") will be deducted as a payroll deduction from the employee's second paycheck of each month.

Basic Plan Employee Share for "MANAGEMENT"

An employee will pay \$75.00 (single) or \$150.00 (family) as his/her share of the Basic Plan cost. This amount ("Employee Share") will be deducted as a payroll deduction from the employee's second paycheck of each month.

CHART I - 2011 Monthly HEALTH Plan Rates

HEALTH PLAN	SINGLE PREMIUM	CITY SHARE	SINGLE EMPLOYEE SHARE	FAMILY PREMIUM	CITY SHARE	FAMILY EMPLOYEE SHARE
United Health Care	\$ 746.08	\$ 726.08	\$ 20.00	\$ 2,037.29	\$ 1,997.29	\$ 40.00
Basic Plan	\$ 979.75	\$ 904.75	\$ 75.00	\$ 2,208.11	\$ 2,058.11	\$ 150.00

CHART II - 2011 Monthly DENTAL Plan Rates

DENTAL PLAN	SINGLE PREMIUM	CITY SHARE	SINGLE EMPLOYEE SHARE	FAMILY PREMIUM	CITY SHARE	FAMILY EMPLOYEE SHARE
WPS/Delta Dental	\$ 24.95	\$ 13.00	\$ 11.95	\$ 86.20	\$ 37.50	\$ 48.70
Care-Plus	\$ 42.83	\$ 13.00	\$ 29.83	\$ 126.23	\$ 37.50	\$ 88.73
DentalBlue	\$ 47.25	\$ 13.00	\$ 34.25	\$ 141.77	\$ 37.50	\$ 104.27

EMPLOYEE PREMIUMS IN 2011 ARE SUBJECT TO CHANGE BY ACTION OF THE COMMON COUNCIL AND/OR LABOR AGREEMENTS

2011 Rate Chart For Active Employees

This Chart applies to all Employees whose positions are represented by any of the following units:

**District Council #48; NMNR; TEAM; Assc of Scient Pers; Assc of Muni Attys; SNC; Loc 510 IAM
MBCTC; Loc 494 Electrical; Loc 494 Mach; Loc 75 Plumbers; Loc 195 Bridge Operators; Loc 139**

HMO "EMPLOYEE SHARE" COMPUTATION

An employee will pay \$20.00 (single) or \$40.00 (family) as his/her share of the HMO Plan cost. This amount ("Employee Share") will be deducted as a payroll deduction from the employee's second paycheck of each month.

BASIC PLAN "EMPLOYEE SHARE" COMPUTATION

An employee will pay \$75.00 (single) or \$150.00 (family) as his/her share of the Basic Plan cost. This amount ("Employee Share") will be deducted as a payroll deduction from the employee's second paycheck of each month.

CHART I - 2011 Monthly HEALTH Plan Rates

HEALTH PLAN	SINGLE PREMIUM	CITY SHARE	SINGLE EMPLOYEE SHARE	FAMILY PREMIUM	CITY SHARE	FAMILY EMPLOYEE SHARE
United Health Care	\$746.08	\$726.08	<i>\$20.00</i>	\$2,037.29	\$1,997.29	<i>\$40.00</i>
Basic Plan	\$979.75	\$904.75	<i>\$75.00</i>	\$2,208.11	\$2,058.11	<i>\$150.00</i>

CHART II - 2011 Monthly DENTAL Plan Rates

DENTAL PLAN	SINGLE PREMIUM	CITY SHARE	SINGLE EMPLOYEE SHARE	FAMILY PREMIUM	CITY SHARE	FAMILY EMPLOYEE SHARE
WPS/Delta Dental	\$24.95	\$13.00	<i>\$11.95</i>	\$86.20	\$37.50	<i>\$48.70</i>
Care-Plus	\$42.83	\$13.00	<i>\$29.83</i>	\$126.23	\$37.50	<i>\$88.73</i>
DentalBlue	\$47.25	\$13.00	<i>\$34.25</i>	\$141.77	\$37.50	<i>\$104.27</i>

2011 Rate Chart For Active Employees

This Chart applies to all Employees whose positions are represented by any of the following units:
Milwaukee Police Supervisors Organization (MPSO)

COMPUTATION METHOD OF HMO "CITY SHARE"

The CITY will pay, monthly, 100% of the lowest single or lowest family HMO premium cost to the City. For 2011, this contribution ("City Share") will be no more than \$668.34 (Single) or \$1,825.01 (Family) toward the cost of your HMO plan. Any excess premium over these amounts ("Employee Share") will be deducted as a payroll deduction from the employee's second paycheck of each month.

COMPUTATION METHOD OF BASIC PLAN "EMPLOYEE SHARE"

An employee will pay \$60.00 (single) or \$120.00 (family) as his/her share of the Basic Plan cost. This amount ("Employee Share") will be deducted as a payroll deduction from the last paycheck of each month.

CHART I - 2011 Monthly HEALTH Plan Rates

HEALTH PLAN	SINGLE PREMIUM	CITY SHARE	SINGLE EMPLOYEE SHARE	FAMILY PREMIUM	CITY SHARE	FAMILY EMPLOYEE SHARE
United Health Care	\$746.08	\$746.08	No Cost	\$2,037.29	\$2,037.29	No Cost
Basic Plan	\$979.75	\$904.75	\$75.00	\$2,208.11	\$2,058.11	\$150.00

CHART II - 2011 Monthly DENTAL Plan Rates

DENTAL PLAN	SINGLE PREMIUM	CITY SHARE	SINGLE EMPLOYEE SHARE	FAMILY PREMIUM	CITY SHARE	FAMILY EMPLOYEE SHARE
WPS/Delta Dental	\$28.94	\$13.00	\$15.94	\$88.05	\$37.50	\$50.55
Care-Plus	\$42.83	\$13.00	\$29.83	\$126.23	\$37.50	\$88.73
DentalBlue	\$47.25	\$13.00	\$34.25	\$141.77	\$37.50	\$104.27

EMPLOYEE PREMIUMS IN 2011 ARE SUBJECT TO CHANGE BY ACTION OF THE COMMON COUNCIL AND/OR LABOR AGREEMENTS

2011 MONTHLY RATE CHART FOR RETIREES & SURVIVING SPOUSES

These rates are effective January 1, 2011

We will deduct the new rates effective with your December, 2010 pension check.

This is official notification of health plan rates for 2011. DO NOT discard this rate chart.

RATE CHART I - These Rates Apply To You If You Are:

- 1 General City, Fire or Police Retirees age 65 and over.
- 2 Ordinary Disability Retiree
- 3 Certain General City Retirees under age 60, or between 60-65 paying for health coverage.
- 4 Surviving Spouses of certain General City, Fire or Police Service Retirees.

2011 Monthly Health Premium Rates

(Rates in parentheses are the 2010 rates and are shown only for comparison purposes)

Plan Code	If you are or your family consists of:	Basic Plan	United Health Care (UHC)	Secure Horizons Group Medicare Advantage Plan
1	A single w/o Medicare	\$1,127.44 (\$977.62)	\$788.82 (\$509.29)	N/A
3	Family w/o Medicare	\$2,001.58 (\$1,735.60)	\$2,154.51 (\$1,390.31)	N/A
4	One with Medicare	\$324.23 (\$282.09)	\$346.32 (\$410.29)	\$304.47 (\$277.46)
5	Two with Medicare	\$612.29 (\$532.72)	\$692.62 (\$820.55)	\$608.94 (\$554.91)
6	One with Medicare & one w/o Medicare	\$1,449.29 (\$1,260.96)	\$786.50 (\$931.77)	N/A
7	One with Medicare, one w/o Medicare & Dependent Child(ren)	\$1,700.91 (\$1,479.89)	\$1,109.13 (\$1,313.99)	N/A
8	Family with Medicare & Dependent Child(ren)	\$867.48 (\$754.76)	\$1,015.24 (\$1,202.77)	N/A
9	One w/o Medicare & Dependent Child(ren)	\$1,643.07 (\$1,424.73)	\$2,206.28 (\$1,423.72)	N/A
10	One with Medicare & Dependent Child(ren)	\$815.38 (\$709.43)	\$1,109.13 (\$1,313.99)	N/A

"With Medicare" means having both parts of Medicare, Hospital (Part A) and Medical (Part B).

The Secure Horizons plan is only available for Plan Codes 4 (one with medicare) and 5 (two with medicare)