

LRB-FISCAL REVIEW SECTION ANALYSIS

**FINANCE AND PERSONNEL COMMITTEE
FEBRUARY 6, 2002**

**ITEM 6, FILE # 011378
MARK A. RAMION**

File # 011378 is a substitute resolution approving a contract extension with Blue Cross/Blue Shield United of Wisconsin to provide Preferred Provider Organization (PPO) services from January 1, 2002 through June 30, 2002.

Background

1. The City of Milwaukee had a contract with Blue Cross/Blue Shield United of Wisconsin to provide Preferred Provider Organization services for discounts for medical provider services and facilities from January 1, 1999 through December 31, 2001. These services were provided on behalf of enrollees in the City of Milwaukee's Basic Health Plan.
2. For 2002, the city did not renew its contract with Blue Cross/Blue Shield but contracted, instead, with Wisconsin Physicians' Service to provide these PPO discounts for the city's Basic Health plan.
3. Outstanding bills for medical and other health-related services remain from 2001 for some Basic Plan covered services.

Discussion

1. This resolution would authorize the Department of Employee Relations (DER) to enter into, and pay for, a contract extension with Blue Cross/Blue Shield for the purpose of a "Run-Out" service agreement from January 1, 2002 through June 30, 2002.
2. Under the terms of this contract extension, Blue Cross/Blue Shield would continue to provide discount PPO services for enrollees in the Basic Plan who received medical services through December 31, 2001.
3. WPS will not discount medical bills for medical services provided to Basic Plan enrollees prior to January 1, 2002.

Fiscal Impact

1. The cost of this contract extension is \$25,000 to be paid from the 2002 Health Care Benefits Special Purpose Account, Claims sub-account.
2. This total contract extension cost reflects \$2.70 per Basic Plan enrollee (the number has been determined by the December 2001 membership in the Basic

Plan) per month for two months. Blue Cross/Blue Shield has agreed to provide their discount services for six months at the two-month rate.

3. DER Benefits Division estimates that savings of up to \$350,000 could be realized by this contract extension through the discounting of outstanding 2001 dates-of-service medical bills. This amount (based upon historical experience) reflects a 75% savings estimate for months 1 to 3 after contract termination and a 15% savings estimate for months 4-6 after the December 31, 2001 contract termination.
4. The exact number of outstanding bills from 2001 and the ensuing amount attached to these bills are not known.

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LRB-Fiscal Review Section
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