

**LRB-Research & Analysis Section**

**Finance & Personnel Committee**  
**File: 080372**

**July 21, 2008**  
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**Title**

Resolution authorizing the City to make management employees health benefits consistent with current union health benefits contracts.

**Introduction**

This resolution authorizes the Department of Employee Relations to initiate changes to management employee benefits consistent with health benefits provided to Fire Fighters Local 215 and Milwaukee Police Association members.

**Background**

Management employees participating in the City-offered Health Maintenance Organization (“HMO”), United Healthcare Choice plan, currently make no contribution to their healthcare insurance premiums, pay 20% on all prescriptions, pay nothing for office and urgent care visits, and pay \$25 for emergency room visits.

Healthcare premium payments currently paid by management employees opting for the City’s Basic Plan and Basic Plan Tier 1 are as follows:

<b>Management Employees 2008 Premium Share</b>		
	<b>Coverage</b>	
	<b>Single</b>	<b>Family</b>
Basic Plan	\$ 178.29	\$ 161.20
Basic Plan Tier 1	\$ 41.50	\$ 80.93

**Discussion**

This resolution authorizes changes in management healthcare benefits consistent with agreements with Fire Fighters Local 215 and Milwaukee Police Association members.

Beginning January 1, 2009, management employees participating in the City’s HMO will pay \$20 per month for single coverage and \$40 per month for family coverage. Prescriptions will be on a 3-tiered system, employees paying \$5 for each generic prescription, \$17 for each formulary brand (specified under the plan) and \$25 per non-formulary prescriptions. Doctor and urgent care visits will cost \$10 per visit, and trips to the emergency room will cost \$50.

Monthly premiums paid by management employees enrolled in the City’s Basic Plan healthcare program for 2009 will be substantially lower for single coverage and slightly lower for family coverage as indicated in comparison below:

<b>Basic Plan - Management 2009 Premium Share</b>		
	<b>Coverage</b>	
	Single	Family
2008 Premium	\$ 178.29	\$ 161.20
2009 Premium	\$ 75.00	\$ 150.00

The City’s Basic Plan Tier 1 will not be offered in 2009. Management employees will have the opportunity to switch to the City’s HMO or to the Basic Plan during open enrollment. Healthcare premiums for employees switching from the Basic Plan Tier 1 program to the City’s HMO will be approximately 50% of their 2008 Tier 1 premiums, while such employees switching to the Basic Plan will see their premiums nearly double. Premium rates for employees switching from the Basic Plan Tier 1 plan to the City’s HMO or Basic Plan for 2009 compared to 2008 rates for the Basic Plan Tier 1 program are as follows:

<b>'09 City Health Plans - '08 Basic Plan Tier 1</b>		
	<b>Coverage</b>	
	Single	Family
2009 HMO	\$ 20.00	\$ 40.00
2009 Basic Plan	\$ 75.00	\$150.00
2008 Basic Plan Tier 1	\$ 41.50	\$ 80.93

As part of the City’s wellness program to reduce healthcare costs and encourage a healthier workforce, “incentives” and “disincentives” will be established for management employees participating in both the City’s HMO and its Basic Plan. Management employees will be offered health risk assessments. Healthcare premiums for employees not participating in the health risk assessment will go up \$20 per month for single coverage and \$40 per month for family coverage. Employees who smoke will pay an additional \$10 per month for single coverage and \$20 per month for family coverage.

An employee with single healthcare coverage under the City’s HMO who takes the health risk assessment, but also smokes, will pay \$30 per month for coverage, while a similar smoking employee covered under the HMO’s family program will pay \$60 per month. Employees participating in the City’s HMO who do not take the health risk assessment will be treated as smokers and monthly premiums will increase to \$50 per month for single coverage and \$100 per month for family coverage.

These incentives and disincentives will also be applied to employees covered under the City’s Basic Plan. Those participants who smoke and do not take a health risk assessment

will pay an extra \$30 per month for single coverage and an extra \$60 per month for family coverage.

Management employees who retire before age 65 will pay the same premiums and have the same choices as active management employees. They will also pay the same co-pay and co-insurance amounts as active management employees.

### **Fiscal Impact**

DER estimates there will be no fiscal impact from this resolution.

While the City will save money on healthcare premiums paid for in 2009 through this resolution because employees will be sharing in the costs of their healthcare benefits, DER estimates the cost savings will not offset the 9.9% increase in HMO premiums the City expects and United Healthcare, the HMO administrator, has already quoted for 2009.