

LRB-FISCAL REVIEW SECTION ANALYSIS

SEPTEMBER 20, 2001

ITEM 19, FILE 010676

FINANCE & PERSONNEL COMMITTEE

MARK A. RAMION

File # 010676 is a resolution appropriating funds from the Common Council Contingent Fund for consulting services relating to provision of health care benefits to city employees and retirees.

Background

1. This resolution authorizes the appropriate city officials to enter into a contract with Gallagher Benefit Services, Inc. in order to review the City of Milwaukee's medical benefit plan. This review is to examine and provide baseline coverage data, identify gaps in benefit provision and assemble a range of benefit information for further consideration and/or Common Council action.
2. Health care benefit provision is one of the city's most significant portions of the annual budget for the foreseeable future.
3. *Historical Information:* The following illustrates *net* health care benefit spending by the city (excluding dental insurance) over the past five years. Health care spending includes the payment of claims submitted through the city's Basic Plan, premiums paid to the contracted Health Maintenance Organizations, and expenses related to administration and cost containment:

Year	Expenditure	Change From Previous Year
1997	\$45,011,133	
1998	46,614,184	+ 4%
1999	49,305,468	+ 6%
2000	54,399,015	+ 10%
2001 (budgeted)	59,110,000	+ 9%

4. A 13% rise in health care costs is anticipated/estimated for 2002.
5. Expenditures include payment of prescription medication through the Basic Plan. Prescription medications have been paid as a component of the Major Medical provision and not itemized.
6. The City of Milwaukee Department of Employee Relations pays the claims for the Basic Plan submitted and approved for payment by the Basic Plan administrator and utilization reviewer.

Discussion

1. This resolution will provide monies to retain an employee benefit consultant for the purpose of reviewing and analyzing the city's employee benefit plan as this plan pertains to health care coverage, in general, and the provision of prescription medication in particular.
2. Gallagher Benefit Services, Inc. is a subsidiary of Arthur J. Gallagher and Co., a diversified insurance broker and risk-management consultant.
3. Gallagher Benefit Services, Inc. proposes a three-phase plan to study the City of Milwaukee health care benefits.
4. Monies appropriated in this resolution will fund only Phase I of the three-phase comprehensive plan.
5. If the city desires to proceed with Phases II and III and Gallagher Benefit Services, Inc. is retained, a financial agreement (most likely a retainer based upon services defined for further action) with Gallagher will require negotiation.

Fiscal Impact

1. The total cost of this appropriation is \$18,000 to be expended from the Common Council Contingent Fund.
2. The Contingent Fund Balance on September 14, 2001 was \$4,289,440.
3. If this file, along with the request (File # 010672) for the transfer of funds to the Worker's Compensation SPA, is approved, the balance in the Common Council Contingent Fund will be \$3,046,440.

Prepared by: Mark A. Ramion, X8680
LRB-Fiscal Review Section
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Cc: Marianne Walsh
Laura Engan
W. Martin Morics
Jeffrey Hansen
Michael Brady
Edwin Reyes
Eric Pearson