

LRB-RESEARCH AND ANALYSIS SECTION

FINANCE & PERSONNEL COMMITTEE
ITEM 7, FILE # 070447

July 25, 2007
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Introduction

File # 070447 transmits a communication file from the Department of Employee Relations relating to the City Basic Plan for 2008.

Background

1. The City of Milwaukee and Willis of Wisconsin have a contract that provides for Willis to prepare the rates for the City of Milwaukee Basic Plan, based on the utilization and experience data received from Claims Management Services, Inc. (CMS), the Basic Plan third-party administrator and Navitus Health Solutions, the City’s prescription drug plan administrator.
2. Willis of Wisconsin has prepared Basic Plan rates for City of Milwaukee active and retired employees for 2008 through its actuarial analysis.

Discussion

1. Management employees have the choice between the HMO (United Health Care), the Basic Plan and the Basic Plan Tier 1. The only represented employees eligible for Tier 1 benefits are Milwaukee Building and Construction Trades Council (MBCTC) and Local 494 Electrical.
2. Basic Plan. The following is a projection of the 2008 premium shares for **active employees** enrolled in the Basic Plan:

Basic Plan Monthly rates for Active Employees (Employee Monthly Premium):

City Group	2008 Single	2007 Single	% Change	2008 Family	2007 Family	% Change
Management	\$178.29	\$184.26	-3%	\$161.20	\$199.51	-19%
DC#48/Others	\$75	\$75	No change	\$150	\$150	No change
Fire and Police	\$75	\$75	No change	\$150	\$150	No change

3. Basic Plan Tier 1. In 2008, for general management employees and some bargaining groups, the Basic Plan will offer one “Tier” option that will reduce the monthly employee share (same as in 2007). The Basic Plan Tier 1 option will have defined terms for participation including specific physicians, clinics and hospitals. Tier 1 provides the same benefits as the Basic Plan, except that it includes higher employee contributions for out of network providers. Management employees, MBCTC and Local 494 Electrical are eligible for Tier 1. The following is a projection of the 2008 premium shares for **active employees** enrolled in the Basic Plan Tier 1.

Basic Plan Tier 1 Monthly rates for Active Employees (Employee Monthly Premium):

City Group	2008 Single	2007 Single	% Change	2008 Family	2007 Family	% Change
Management, MBCTC, Local 494 Electrical	\$41.50	\$56.94	-27%	\$80.93	\$125.26	-35%

4. The overall premium (city share + employee share) has increased by 7.2%:

	Basic Plan Single Premium Total	Basic Plan Family Premium Total	Tier 1 Single Premium Total	Tier 1 Family Premium Total
2007	\$636.63	\$1434.77	\$509.31	\$1,360.52
2008	\$682.77	\$1,538.75	\$545.98	\$1,458.48
% Change	+7.2%	+7.2%	+7.2%	+7.2%

5. Healthcare benefits for **retirees** are currently categorized in 2 groups:

- For those **under age 65 years**, the city pays 100% of the low cost HMO for management retirees who retire after 1/1/04; 100% of any plan for those management employees who retire before 1/1/04; and continues to pay 100% of any plan for eligible general city retirees (excluding police and fire personnel). City payment for police and fire retirees in this category is dependent upon a formulary ranging from 65%–100%.
- For those **age 65 years and older**, the city pays 25% of any health plan selected, basic or HMO. The cost of the plan for the individual will be dependent upon the retirees' Medicare status and whether or not there is a spouse or dependent child/children to be included.

Summary of Fiscal Impact

1. The Claims (Basic Plan) Special Purpose account was funded at \$29,920,000 in the 2007 budget, and DER has requested it be funded at \$38.8 million in 2008. This funding level is derived from utilization and experience data, and anticipated enrollment figures.
2. During the past 5 budget years, the city's total healthcare costs have grown \$25.8 million or 31.9%, from \$80.9 million budgeted for 2003 to \$106.7 million in 2007.

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