

City of Milwaukee

Employee Benefit Contract for 2003

- **Health Maintenance Organization Rates**
 - *Recommendation*
 - *Fiscal Note for contract*
 - *Report from Willis*

- **Pre-Paid Dental Rates**
 - *Recommendation*
 - *Fiscal Note for contract*
 - *Report from Willis*

- **Long Term Disability Insurance**
 - *Recommendation*
 - *Fiscal Note for contract*
 - *Report from Willis*

- **Fee-for-Service Dental**
 - Recommendation to extend contract one year
 - *Fiscal Note for amendment to agreement*
 - Delta-Dental WPS rates

- **Flexible Choices Program**
 - Recommendation to extend contract two years
 - *Fiscal note for amendment to agreement*
 - The Flex Company rates

**HEALTH
MAINTENANCE
(HMO) RATES**
for Active and Retired
City of Milwaukee
Employees

2003

Recommendation: The City received responses from three Health Maintenance Organizations (HMOs). Two of the three HMOs offered two Networks. The Department of Employee Relations recommends that the City of Milwaukee contract with CompcareBlue and their two networks for 2003: the CompcareBlue Traditional Network and the CompcareBlue Aurora Family Network. The costs for these two networks are on the attached page. The use of these two HMO networks exclusively would save the City approximately \$8M in 2003, compared with the use of the Aurora Family Network with Humana and UnitedHealthcare. CompcareBlue's traditional network includes all the hospitals and nearly all of the doctors offered by both Humana and UnitedHealthcare.

Copies of correspondence and the rates from each of the HMOs are also attached.

This contract will increase the City's costs for HMOs approximately 11.5% in 2003.

Fiscal Note: Attached

Report from Willis: Selection Team Recommendations Regarding Contracts for HMOs attached

July 1, 2002

Health Care costs for Employer and Employee for HMO and Basic Plan in 2003
as Proposed by DER for Management Employees

	total single	city share	employee share	total family	city share	employee share
Aurora Family Network:	\$307.10	\$307.10	0	\$838.38	\$838.38	0
CompcareBlue Traditional Network:	\$341.22	\$307.10	\$34.12	\$931.53	\$838.38	\$93.15
Basic Plan (if at 100% low cost)	\$479.91	\$307.10	\$172.81	\$1146.82	\$838.38	\$308.44
<u>* Basic Plan (if close gap 50%)</u>	<u>\$479.91</u>	<u>\$343.51</u>	<u>\$136.40</u>	<u>\$1146.82</u>	<u>\$897.60</u>	<u>\$249.22</u>
2002 Management Employee BP co-pay			\$100			\$190



bluecrosswisconsin.com

20855 Watertown Road
Suite 140
Waukesha, WI 53186

Compcare Health Services
Insurance Corporation

May 30, 2002

Mr. Michael Brady
Manager, Employee Benefits
Department of Employee Relations
Employee Benefits Division
City of Milwaukee – City Hall
200 East Wells Street, Room 706
Milwaukee, WI 53202

Re: 1/1/03 CompcareBlue Request For Proposal

Dear Mike:

As you requested, we reviewed the RFP prepared in 1998 and provided updated responses.

Controlling the escalating cost of health care, and the consequential escalating insurance premium is obviously one of your most important considerations in this RFP. I would like to reiterate that:

- CompcareBlue provides utilization management (including disease management). Upon request, I can pursue information on the number of City of Milwaukee cases currently in our Disease Management Program.
- CompcareBlue recently obtained a “commendable” NCQA certification.
- CompcareBlue recently expanded the cost neutral “LifestyleBlue” discount service to our members.
- CompcareBlue renewed the City of Milwaukee with the “narrow network” AFN option on 1/1/02, and we are proposing the same network for 1/1/03.

I will be providing our response to the Agreement under separate cover. Recommended modifications will need to be renegotiated between the parties, primarily to clarify compliance with legislative changes enacted since the Agreement was last reviewed and to clarify local claims and service.

Thank you for allowing CompcareBlue the opportunity to offer our plan to City employees. We value your business and look forward to continuing our relationship.

Sincerely,

Peggy Dougherty

Peggy Dougherty
Account Manager
262-787-3395

cc: Mike Bernstein
Steve Kleber
Andy Dole

City of Milwaukee

Request for Proposal - HMO Plans

Rates

Please complete a rate chart for each HMO plan you will offer and state whether it can be offered with another plan/network of yours or must be the only HMO you offer.

**City of Milwaukee Rates
HMO Uniform Benefits**

Plan Name: CompcareBlue AFN

Rate Guarantee Period 1/01/2003 to 12/31/2003

Active Rates

Single	\$ 307.10
Family	\$ 838.38

Retiree Rates

1. Single without Medicare	\$ 307.10
2. Family without Medicare	\$ 838.38
3. One with Medicare	\$ 241.60
4. Two with Medicare	\$ 483.20
5. One with Medicare & One without Medicare	\$548.70
6. One with Medicare, One without Medicare & Dependent children	\$ 773.80
7. Two with Medicare & Dependent children	\$ 708.39
8. One without Medicare & Dependent children	\$ 838.38
9. One with Medicare & Dependent children	\$ 773.80

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

NOTE: Rates reflect Compcare's AFN network, dual choice with Traditional network.
Assumes elimination of other HMO's. (Humana, UHC)

City of Milwaukee

Request for Proposal - HMO Plans

Rates

Please complete a rate chart for each HMO plan you will offer and state whether it can be offered with another plan/network of yours or must be the only HMO you offer.

**City of Milwaukee Rates
HMO Uniform Benefits**

Plan Name: CompcareBlue Traditonal

Rate Guarantee Period 1/01/2003 to 12/31/2003

Active Rates

Single	\$ 341.22
Family	\$ 931.53

Retiree Rates

1. Single without Medicare	\$ 341.22
2. Family without Medicare	\$ 931.53
3. One with Medicare	\$ 268.47
4. Two with Medicare	\$ 536.94
5. One with Medicare & One without Medicare	\$ 609.69
6. One with Medicare, One without Medicare & Dependent children	\$ 858.78
7. Two with Medicare & Dependent children	\$ 786.12
8. One without Medicare & Dependent children	\$ 931.53
9. One with Medicare & Dependent children	\$ 858.78

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

NOTE: Rates reflect Compcare's Traditional Network, dual choice with AFN.
Assumes elimination of other HMO's (Humana, UHC)

Rates

Please complete a rate chart for each HMO plan you will offer and state whether it can be offered with another plan/network of yours or must be the only HMO you offer.

City of Milwaukee Rates HMO Uniform Benefits

Plan Name CompcareBlue Aurora Family Network (existing multiple HMO offering arrangement)

Rate Guarantee Period 1/01/2003 – 12/31/2003

Active Rates

Single	\$ 340.38
Family	\$ 930.29

Retiree Rates

1. Single without Medicare	\$ 510.57
2. Family without Medicare	\$1395.44
3. One with Medicare	\$ 340.38
4. Two with Medicare	\$ 930.29
5. One with Medicare & One without Medicare	\$ 680.76
6. One with Medicare, One without Medicare & Dependent children	\$ 930.29
7. Two with Medicare & Dependent children	\$1002.83
8. One without Medicare & Dependent children	\$1395.44
9. One with Medicare & Dependent children	\$ 930.29

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

Note: Rates assume 41 single and 143 family early retirees

Rates

Please complete a rate chart for each HMO plan you will offer and state whether it can be offered with another plan/network of yours or must be the only HMO you offer.

City of Milwaukee Rates HMO Uniform Benefits

Plan Name: CompcareBlue - AFN

Rate Guarantee Period: 1/01/2003 to 12/31/2003

Active Rates

Single	\$309.20
Family	\$844.12

Retiree Rates

1. Single without Medicare	\$463.80
2. Family without Medicare	\$1,267.72
3. One with Medicare	\$309.20
4. Two with Medicare	\$844.12
5. One with Medicare & One without Medicare	\$618.40
6. One with Medicare, One without Medicare & Dependent children	\$845.01
7. Two with Medicare & Dependent children	\$1,070.61
8. One without Medicare & Dependent children	\$1,267.72
9. One with Medicare & Dependent children	\$844.12

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

NOTE: Rates reflect Compcare's AFN Network, dual choice with Traditional.
Assumes the elimination of United Health Care.

Rates

Please complete a rate chart for each HMO plan you will offer and state whether it can be offered with another plan/network of yours or must be the only HMO you offer.

City of Milwaukee Rates HMO Uniform Benefits

Plan Name: CompcareBlue - Traditional

Rate Guarantee Period: 1/01/2003 to 12/31/2003

Active Rates

Single	\$343.56
Family	\$937.92

Retiree Rates

1. Single without Medicare	\$515.34
2. Family without Medicare	\$1,408.60
3. One with Medicare	\$343.56
4. Two with Medicare	\$937.92
5. One with Medicare & One without Medicare	\$687.12
6. One with Medicare, One without Medicare & Dependent children	\$938.92
7. Two with Medicare & Dependent children	\$1,189.58
8. One without Medicare & Dependent children	\$1,408.60
9. One with Medicare & Dependent children	\$937.92

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

NOTE: Rate reflect Compcare's Traditional Network, dual choice with AFN.
Assumes the elimination of United Health Care.

Rates

Please complete a rate chart for each HMO plan you will offer and state whether it can be offered with another plan/network of yours or must be the only HMO you offer.

City of Milwaukee Rates HMO Uniform Benefits

Plan Name: CompcareBlue - AFN

Rate Guarantee Period: 1/01/2003 to 12/31/2003

Active Rates

Single	\$290.69
Family	\$793.58

Retiree Rates

1. Single without Medicare	\$436.04
2. Family without Medicare	\$1,191.83
3. One with Medicare	\$290.69
4. Two with Medicare	\$793.58
5. One with Medicare & One without Medicare	\$581.38
6. One with Medicare, One without Medicare & Dependent children	\$794.46
7. Two with Medicare & Dependent children	\$1,006.66
8. One without Medicare & Dependent children	\$1,191.83
9. One with Medicare & Dependent children	\$793.58

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

NOTE: Rates reflect Compcare's AFN Network, dual choice with Traditional.
Assumes the elimination of Humana HMO.

Rates

Please complete a rate chart for each HMO plan you will offer and state whether it can be offered with another plan/network of yours or must be the only HMO you offer.

City of Milwaukee Rates HMO Uniform Benefits

Plan Name: CompcareBlue - Traditional

Rate Guarantee Period: 01/2003 to 12/31/2003

Active Rates

Single	\$322.99
Family	\$881.76

Retiree Rates

1. Single without Medicare	\$484.49
2. Family without Medicare	\$1,324.26
3. One with Medicare	\$322.99
4. Two with Medicare	\$881.76
5. One with Medicare & One without Medicare	\$645.98
6. One with Medicare, One without Medicare & Dependent children	\$882.73
7. Two with Medicare & Dependent children	\$1,118.37
8. One without Medicare & Dependent children	\$1,324.26
9. One with Medicare & Dependent children	\$881.76

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

NOTE: Rates reflect Compcare's Traditional Network, dual choice with AFN.
Assumes elimination of Humana HMO.

Humana Inc.
111 West Pleasant Street
P.O. Box 12359
Milwaukee, WI 53212-0359
414 223 3300 Tel
414 223 0184 Fax



May 30, 2002

Mr. Michael Brady
Employee Benefits Manager
Department of Employee Relations
City of Milwaukee
200 East Wells Street, Room 701
Milwaukee, WI 53202

Dear Mr. Brady:

Humana Wisconsin Health Organization Insurance Corporation appreciates the opportunity to reply to your request for proposal. Our new business proposal includes HMO benefits for the Milwaukee market. As you consider our proposal, please note the following strengths Humana brings to the table.

Our business is health care solutions.
Our vision is to become the most trusted name in health solutions.

As one of the nations largest publicly traded health benefits companies, Humana offers comprehensive health coverage through a variety of consumer-based and traditional plans. Human's products and services are designed to help employers better manage their costs while providing employees, active and retired, increased choice and participation. The company's Internet capabilities will save time spent on administration through extensive self-service functionality for both the employer and the employee.

Our industry is changing rapidly, and we are ready for the challenges presented. As we continue to develop new processes and enhance customer service,, we commit to serve your group with integrity. Our purpose is to enable peace of mind for our customers and members by providing financial protection and knowledge to empower them.

Please be aware that our responses include information that we consider proprietary in nature. We are pleased to provide this response to your request for proposal and simply ask that you agree to treat it as confidential. This information is released on the condition that it will be used for no purpose other than to determine your choice of health care provider and, that Humana-specific data will not be sold or released for publication. Your acceptance of this information is considered your agreement to these conditions.


Our vision is to improve the health of our members, and provide value to our customers, partners and shareholders.

Michael Brady
Page 2
May 30, 2002

Please do not hesitate to call me should you have any questions or need clarification regarding this matter, or any aspect of this request for proposal.

Humana values its relationship with The City of Milwaukee and is committed to delivering the best possible healthcare service to its employees. I look forward to working with you on the upcoming open enrollment. I look forward to hearing from you.

Sincerely,



Kim Spitzer
Account Executive

Enclosure

Rates

Please complete a rate chart for each HMO plan you will offer and state whether it can be offered with another plan/network of yours or must be the only HMO you offer.

**City of Milwaukee Rates
HMO Uniform Benefits**

Plan Name Humana

Rate Guarantee Period 1-1-03 – 12-31-03

Active Rates

Single	\$329.54
Family	\$930.74

Retiree Rates

1. Single without Medicare	\$ 426.40
2. Family without Medicare	\$1,165.46
3. One with Medicare	\$ 329.51
4. Two with Medicare	\$ 675.72
5. One with Medicare & One without Medicare	\$ 737.75
6. One with Medicare, One without Medicare & Dependent children	\$1,055.11
7. Two with Medicare & Dependent children	\$1,055.11
8. One without Medicare & Dependent children	\$1,025.60
9. One with Medicare & Dependent children	\$1,055.11

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

PLEASE NOTE: There is a 2% risk charge built in these rates for early request on renewal. If Humana is offered to the City employees for 2003, Humana will look at the loss ratio after July 1, 2002 and if the loss ratio does not increase Humana will remove the 2% risk charge from the renewal rate.

June 20, 2002

Mike Brady
Employee Benefits Manager
Department of Employee Relations
City of Milwaukee
200 East Wells Street, room 701
Milwaukee, WI 53202

Dear Mike:

As you had requested, here is Humana's response to your email asking for quotes on various scenarios listed below. On the following pages you will find rates for each scenario. Please note we provided rates if UHC is eliminated or if AFN is eliminated.

1. Humana would be one of only two insurers whose HMO plans would be offered at the City in 2003. Would Humana offer different rates for 2003 under this assumption and if so, what would the rates be? To replace the HMO that is eliminated and preserve choice for City employees, would Humana be willing to offer a narrow network plan alternative alongside the network plan in your original response and if so, what would the rates and network be?
2. Humana would be the sole insurer whose HMO plan would be offered at the City in 2003. Would Humana offer different rates for 2003 under this assumption and if so, what would your rates be? To replace the HMOs eliminated and preserve choice for City employees, would Humana be willing to offer a narrow network plan alternative alongside the network plan in your original response and if so, what would the rates and network be?
3. Humana is one of three insurers who would have HMO plans offered at the City in 2002. Will Humana offer a narrow network in addition to the plan Humana proposed and what would the rates be? Humana would be willing to offer a narrow network alongside the current Premier network, however, the proposed renewal rates that you have received for the Premier network would change by doing this. Please see the attachment titled Scenario #3 for rates in each network

Humana will only offer the narrow network, Advantage, alongside the current Premier network.

If you have any questions to the enclosed, please feel free to contact me directly at 223-0162. I look forward to working with you and your staff in the upcoming open enrollment for the 2003 plan year.

Sincerely,

Kim Spitzer
Account Executive

Enclosure

SCENARIO #2

Only HMO offered Dual Network(Premier & Advantage)

Premier Network

Active ees: \$346.21 – Single
 \$977.83 – Family

Early retirees: \$447.98 – Single
 \$1224.43 – Family

Retirees: \$346.18 – One on medicare
 \$709.91 – two on medicare
 \$775.09 – One on medicare, one under
 \$1108.50 – One on medicare, two under
 \$1108.50 – Two on medicare, two under

Advantage Network

Active ees: \$325.85 – Single
 \$920.32 – Family

Early retirees: \$421.62 – Single
 \$1152.41 – Family

Retirees: \$325.82 – One on medicare
 \$668.15 – two on medicare
 \$729.49 – One on medicare, one under
 \$1043.30 – One on medicare, two under
 \$1043.30 – Two on medicare, two under

SCENERIO #2

Only HMO offered One Network Offered (Premier)

Premier Network

Active ees: \$339.43 – Single
 \$958.66 – Family

Early retirees: \$439.19 – Single
 \$1200.42 – Family

Retirees: \$339.40 – One on medicare
 \$695.99 – two on medicare
 \$759.88 – One on medicare, one under
 \$1086.76 – One with medicare, One without medicare & dependent children
 \$1086.76 – Two with medicare & dependent children
 \$1056.37 – One without medicare & dependent children
 \$1086.76 – One with medicare & dependent children

SCENERIO #1
One of Two HMOs Offered

AFN Network Eliminated
Two Networks Offered (Premier & Advantage)

Premier Network

Active ees: \$336.13 – Single
 \$949.35 – Family

Early retirees: \$434.93 – Single
 \$1188.77 – Family

Retirees: \$336.10 – One on medicare
 \$689.23 – Two on medicare
 \$752.51 – One on medicare, one under
 \$1076.21 – One on medicare, two under
 \$1076.21 – Two on medicare, two under

Advantage Network

Active ees: \$316.36 – Single
 \$893.51 – Family

Early retirees: \$409.34 – Single
 \$1118.84 – Family

Retirees: \$316.33 – One on medicare
 \$648.69 – Two on medicare
 \$708.24 – One on medicare, one under
 \$1012.91 – One on medicare, two under
 \$1012.91 – Two on medicare, two under

AFN Eliminated
One Network Offered (Premier)

Premier Network Only

Active ees: No change in original proposal rates

Early retirees: No change in original proposal rates

Retirees: No change in original proposal rates

SCENARIO #1
One of Two HMOs Offered

UHC – Eliminated
Two Networks Offered (Premier & Advantage)

Premier Network

Active ees: \$352.94 – Single
 \$996.82 – Family

Early retirees: \$456.68 – Single
 \$1248.21 – Family

Retirees: \$352.91 – One on medicare
 \$723.69 – Two on medicare
 \$790.14 – One on medicare, one under
 \$1130.02 – One on medicare, two under
 \$1130.02 – Two on medicare, two under

Advantage Network

Active ees: \$332.18 – Single
 \$938.19 – Family

Early retirees: \$429.81 – Single
 \$1174.78 – Family

Retirees: \$332.15 – One on medicare
 \$681.12 – Two on medicare
 \$743.65 – One on medicare, one under
 \$1063.56 – One on medicare, two under
 \$1063.56 – Two on medicare, two under

UHC Eliminated
One Network Offered (Premier)

Premier Network Only

Active ees: \$346.02 – Single
 \$977.28 – Family

Early retirees: \$447.72 – Single
 \$1223.73 – Family

Retirees: \$345.99 – One on medicare
 \$709.51 – two on medicare
 \$774.64 – One on medicare, one under
 \$1107.87 – One with medicare, One without medicare & dependent children
 \$1107.87 – Two with medicare & dependent children
 \$1076.88 – One without medicare & dependent children
 \$1107.75 – One with medicare & dependent children

SCENARIO #3
One of Three HMOs offered
Dual Network Offered (Premier & Advantage)

Premier Network

Active ees: \$336.13 – Single
 \$949.35 – Family

Early retirees: \$434.93 – Single
 \$1188.77 – Family

Retirees: \$336.10 – One on medicare
 \$689.23 – Two on medicare
 \$752.51 – One on medicare, one under
 \$1076.21 – One on medicare, two under
 \$1076.21 – Two on medicare, two under

Advantage Network

Active ees: \$316.36 – Single
 \$893.51 – Family

Early retirees: \$409.34 – Single
 \$1118.84 – Family

Retirees: \$316.33 – One on medicare
 \$648.69 – Two on medicare
 \$708.24 – One on medicare, one under
 \$1012.91 – One on medicare, two under
 \$1012.91 – Two on medicare, two under

City of Milwaukee
Request for Proposal –
HMO Plans

Prepared by:

UnitedHealthcare of Wisconsin, Inc.

Rates

Please complete a rate chart for each HMO plan you will offer and state whether it can be offered with another plan/network of yours or must be the only HMO you offer.

**City of Milwaukee Rates
HMO Uniform Benefits**

Plan Name _____

Rate Guarantee Period 1/1/03 – 12/31/03

Active Rates

Single	\$478.71
Family	\$1,379.63

Retiree Rates

1. M1 (Class 1/6)	\$478.71
2. M2 (Class 7)	\$975.11
3. M3 (Class 4/8)	\$1,379.63
4. M4 (Class 9)	\$1,541.61

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

CITY OF MILWAUKEE FISCAL NOTE

CC-170 (REV. 6/86)

A) DATE: July 1, 2002

FILE NUMBER: 020478
Original Fiscal Note Substitute

SUBJECT:

Health Maintenance Organization contracts for 2003 through CompcareBlue Traditional HMO Network and CompcareBlue Aurora Family Network

B) SUBMITTED BY (name/title/dept./ext.): Michael Brady/Manager/Employee Benefits/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) CHECK ONE:
- DEPARTMENTAL ACCOUNT (DA)
 - CAPITAL PROJECTS FUND (CPF)
 - PERM. IMPROVEMENT FUNDS (PIF)
 - OTHER (SPECIFY)
 - CONTINGENT FUND (CF)
 - SPECIAL PURPOSE ACCOUNTS (SPA)
 - GRANT & AID ACCOUNTS (G & AA)

E) PURPOSE	SPECIFY TYPE/USE	ACCOUNT	EXPENDITURE	REVENUE	SAVINGS
SALARIES/WAGES:					
SUPPLIES:					
MATERIALS:					
NEW EQUIPMENT:					
EQUIPMENT REPAIR:					
OTHER:	Contracts with HMOs	613001-0001-1654-1613-S140	\$49,000,000		
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:

PLEASE LIST ANY COMMENTS ON REVERSE SIDE AND CHECK HERE

City Of Milwaukee

**Selection Team Recommendations Regarding
Contracts For HMOs**

Willis
One Plaza East, Suite 1400
330 East Kilbourn Avenue
Milwaukee, WI 53202-3195
(414) 271-9800

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Appendices

Appendix A	Request for Proposal from HMOs
Appendix B	Financial Analysis

EXECUTIVE SUMMARY

What is the recommendation of the team?

As a result of a request for proposal (RFP) process and subsequent evaluations, the Selection Team recommends the City do the following:

1. Do not enter into new contracts with Humana and United Healthcare HMOs, and in their place;
2. Enter into a one-year contract with CompcareBlue to offer the current Aurora Family Network (AFN) HMO plan as well as offer a new, CompcareBlue Traditional network HMO. This contract will commence on January 1, 2003 and continue through December 31, 2003. This new combination will offer virtually the same network provider access of the current HMO offerings while reducing the City's 2003 HMO premium increase by more than \$8 million.

Who was on the Selection Team?

The City appointed five individuals who were responsible for conducting the evaluations, scoring the responses and agreeing upon a final recommendation concerning contracting. The City staff members on the Selection Team were:

- **Florence Dukes**, Deputy Director
Department of Employee Relations
- **Michael Brady**, Manager – Employee Benefits
Department of Employee Relations, Employee Benefits Division
- **James Michalski, CPA**, Audit Manager – Office of the Comptroller
- **Edwin Reyes**, Management and Account Officer
Department of Employee Relations, Employee Benefits Division
- **Dennis Yaccarino**, City Economist
Budget Office of the Department of Administration

Assisting the City team were the following individuals:

- **Douglas Ley**, Vice President, Willis of Wisconsin, Inc.
- **Clete Anderson**, Assistant Vice President, Willis of Wisconsin, Inc.
- **Dale Gilliam**, President, GBG, Inc.

The City retained the services of Willis and GBG, Inc. to assist in the following:

- develop a request for proposal,
- assist the City Selection Team in evaluation the written responses,
- conduct an overall financial analysis,
- assist during on-site reviews of finalists, and

- draft this final report and recommendations.

HOW DID THE SELECTION TEAM REACH THIS RECOMMENDATION?

Selection Process

The Selection Team, in conjunction with Willis and GBG, Inc. utilized an objective process to develop an RFP, analyze responses and reach a final decision and recommendations.

The vendor selection process began with the development and distribution of an RFP. There is only a handful of HMOs available in Milwaukee and the City already offers three of them. It seemed probable that we would receive no proposals except from the current HMOs. The team decided to evaluate the proposals as follows:

1. If a "new" HMO does not offer a quote and the current HMOs have not changed since the last evaluation, the team will recommend maintaining the status quo. Only premium cost will change.
2. DER did not anticipate getting a proposal from a new HMO since the City offers all available alternatives now. Though expressing interest, Genesis HealthCare, will not have an insured program to offer by January 1st.
3. Assuming we only receive responses from current HMOs the selection team will evaluate the following:
 - ⇒ Do we eliminate an HMO and, under what circumstances?
 - ⇒ Do we offer a narrow "network" if a current HMOs offers one?
 - ⇒ Should additional value added services be proposed be offered?
4. Review current vendors against elimination criteria, i.e., meeting certain financial criteria or is a material change from the prior response or a publicly noted concern sufficient? The team objective? Protect the City from offering a "substandard" or questionable HMO.
5. Evaluate narrow network alternatives if offered. Initial decision criteria for selecting a narrow network should be as follows:
 - ⇒ If the narrow network is neither the highest or lowest bidder, and the qualitative criteria have not changed from the prior evaluation of "parent," the narrow network HMO should be offered as an alternative in the 2003 plan year unless the network is duplicated by a lower cost HMO.
 - ⇒ If a narrow network HMO is the "low cost bidder," it will be assessed against minimum standards before it is selected as the low cost bidder.
6. Determine the financial impact of new rate structure of selected bidders on City.

Proposal Analysis

Phase I

Proposals were received from the three current HMOs. Based on these proposals duplicating the current HMO offering, total HMO premiums for 2003 were projected to increase \$15.4 million to a total of \$66.8 a 29% increase. The City's HMO cost was projected to increase \$13.5 million and combined employee and retiree contributions increase \$1.8 million. The detail for these figures can be found in Appendix B, Financial Analysis, Exhibit 1.

The Humana and UHC rates originally quoted included a "risk charge" of 2% and 2.74%, respectively, for an "early" renewal. Both Humana and UHC would decide at a later date, based upon subsequent claims experience, whether the risk charge would be kept or eliminated.

Through the RFP the team had also requested alternative, "narrow network" HMOs as possible lower cost alternatives to offer in addition to the current three HMO options. The goal was to increase choice while reducing the City's HMO cost.

UHC did not offer a narrow network alternative. Humana stated that at the time of its initial response that it was still exploring offering its "Advantage" HMO in addition to the City's current "Premier" HMO. The City would have to wait until later to find out if the "Advantage" Network would be an option.

CompcareBlue did not offer a narrow network alternative to its current HMO as requested. The current AFN HMO is their narrow network. Instead, CompcareBlue offered its current narrow network AFN HMO along with its CompcareBlue "Traditional" HMO. The Traditional HMO has a broad network of providers including virtually every Humana and UHC network provider. The Traditional HMO would be the higher cost option and the AFN HMO the lower cost option.

The rates CompcareBlue quoted for this combination could reduce the City's 2003 HMO premium increase by more than \$8.5 million dollars. However, this offer required that the City eliminate both the Humana and UHC HMOs in return. The detail for these figures can be found in Appendix B, Financial Analysis, Exhibit 2 and Exhibit 3.

The Selection Team met on June 11, 2002, discussed the results and their implications, including the impact on the goal of the City to foster competition and provide choice as well as to "place all of the City's HMO 'eggs' in one basket." Nonetheless, the savings potential of consolidating the coverage with one HMO offering both a broad and narrow network had to be explored further. The Selection Team decided that the City should contact Humana, UHC and CompcareBlue and ask them to:

- Make their rates for the current HMO offerings be final with no risk charge contingencies, and
- Provide proposals assuming that they would be either; a) the only HMO offered (with perhaps broad and narrow network alternatives), or b) one of two HMOs offered (again with broad and narrow network alternatives).

All three HMOs were e-mailed these same requests and asked to respond by June 24.

Phase II

Proposals as requested were received from Humana and CompcareBlue. The additional responses created over 23 sets of rates that could be combined in various fashions (only HMO, only HMO with narrow and wide networks, one of two HMOs with one network, and so on). The detail for these rates can be found in Appendix B, Financial Analysis, Exhibit 4.

Here is a summary of the financial impacts of the various scenarios:

- CompcareBlue's original proposal of dropping the other two HMOs was still the lowest cost alternative to the City, reducing its 2003 premium increase to \$4.9 million, about \$8.5 million less than offering the current three HMO options.
- CompcareBlue proposed being one of two HMOs, the other being UHC – Humana would be dropped. This combination was dropped from consideration since it would cost the City an additional \$800,000. More significantly, it would have shifted much more of the cost to retirees because the active rates in this combination are lower than the combination described directly above, but the retiree rates, on which the retirees have to contribute up to 75% in many cases, were much higher. The detail for the least costly combinations to the City of Two HMOs Offered can be found in Appendix B, Financial Analysis, Exhibit 6.
- Humana offered rates for every combination possible and included their narrow, less costly Advantage network that was not offered in their original response. However, any of its combinations would be more costly to the City by millions of dollars and would not offer comparable network access. This resulted from two factors, a) Humana's rates are higher than CompcareBlue's rates, and b) there is a larger difference between CompcareBlue's narrow and broad network option rates, with the narrow option rates determining the City's premium cost. Also, Humana would not offer as many network providers as the CompcareBlue combinations. Most notably no Aurora providers are in Humana's network.
- UHC removed its 2.74% risk charge, but offered no alternatives. The Selection team concluded the offering was not competitive. UHC's rates were much higher than the other two HMOs.

The detail for the least costly combinations to the City of One, Two or Three HMOs Offered can be found in Appendix B, Financial Analysis, Exhibit 5.

WHY DOES THE SELECTION TEAM RECOMMEND OFFERING THE COMPCAREBLUE TRADITIONAL AND AFN HMOS ONLY FOR CITY EMPLOYEES?

The Selection Team recommends discontinuing the Humana and UHC HMOs and offering the CompcareBlue Traditional and AFN HMOs. The primary reasons are that this combination offers:

- Continued choice for employees.
- A broad network, CompcareBlue Traditional, that provides access to virtually all of the providers in the Humana and UHC HMOs.

- A narrower network HMO, AFN, which provides a lower cost alternative to the broad network.
- A reduction of more than \$8 in the City's HMO premium increase for 2003 as compared to offering the current three HMOs.
- The least costly HMO combination to the City with the best access available if offering fewer HMOs.

The Selection Team considered additional value added services included in the RFP and concluded they were not appropriate to offer City employees since they did not relate directly to the delivery of healthcare.

OTHER BACKGROUND INFORMATION

The City of Milwaukee has approximately 5,400 active employees and 1,800 retirees who are enrolled in HMO coverage. The City's contribution for active employee HMO premiums is pegged to the lowest HMO premium rate. Employees who choose the low cost HMO pay no premium. Employees who choose a more expensive HMO pay the full additional premium difference. The low cost HMO in 2003 for Single is AFN, and for Family Humana.

The benefits for the three HMOs are virtually identical and were requested by the RFP to remain that way in conjunction with the City's goal of providing uniform benefits.

The contracts of the HMOs will expire on January 1, 2003 and the relationships with the three HMOs have not been evaluated in four years so the City decided to re-evaluate those plans.

Advisors

To assist in the evaluation process, the City retained Willis of Wisconsin. As with most professional services contracts for the City, approximately 20% was allocated on a subcontracted basis to a minority business enterprise. GBG, Inc., a minority business enterprise, has an ongoing relationship with Willis and assisted in the evaluation process. Willis and GBG are being compensated on a fee basis for their work on this project.

Evaluation Process Summary

Representatives of Willis and GBG, Inc. met with City Selection team to discuss methods that could be employed to obtain competitive quotations, evaluate the responses and make a final recommendation concerning contracting.

Since the recommended contracts may be for a two-year period beginning January 1, 2003, it was essential that the evaluation process be objective, ensure a level playing field and select the best possible vendors.

Based on discussions, Willis, GBG, Inc. and the team decided the following steps would best meet the objectives of the evaluation process.

Step 1 Development of critical evaluation factors

- Step 2 Develop request for proposal (RFP) documents
- Step 3 Development of evaluation approach and weights
- Step 4 Evaluate responses
- Step 5 Select finalists
- Step 6 Interview finalists (if necessary)
- Step 7 Make a final determination and recommendation

Because of budget constraints, the City does not have significant staff to devote to the administration of these programs. The vendors involved in providing services for the HMO programs work closely with members of The Department Of Employee Relations on a day-to-day basis. To ensure the final recommendation regarding vendors would meet the diverse needs of a wide variety of stakeholders within The Department Of Employee Relations, the recommendations contained in this report were not developed by any one individual.

It was the team's responsibility to oversee the entire process, evaluate the proposals and reach the final recommendations outlined in this report. Please see the section entitled "Selection Team" on page 3 for a list of the individuals who participated in this process and in the development of recommendations.

Develop Critical Selection Factors

All HMOs currently offered were subject to a rigorous comprehensive evaluation process in 1998. The Selection Team did not feel there was a change in the needs articulated in the 1998 RFP process. Therefore, respondents were asked to review the previous responses and inform the City of any material changes. In addition, the City added several questions designed to learn more about each vendors plans to finance and control future health care cost increases.

Develop RFP Document

Based on information obtained during the critical selection factors step, Willis assisted in developing a draft RFP to the City.

The draft RFP essentially asked each vendor to review its response to the RFP's issued in 1998 and advise the City of any material changes. Additional questions were included to elicit information about the vendors' plans to deal with future medical cost increases, what they feel makes their plan different and the City's desire to provide narrow networks and value added services.

At the conclusion of this step, the City was provided with a final copy of the RFP in an electronic format for distribution.

Concurrently Willis worked with the City's selection committee to identify vendors that met the requirements of the City that, in the opinion of Willis and the City team, would be qualified to provide a response. Please see the section entitled "Vendor List" for a list of the vendors that were sent the RFP. RFP documents and supporting information were distributed to all vendors on May 6, 2002. Responses were due back from vendors by June 4, 2002.

Develop Evaluation Approach and Weights

After issuing the RFP, the staff of Willis met with the City's selection committee to further discuss and finalize the method that would be used to evaluate the responses as well as to determine the relative weights to be assigned to the qualitative and quantitative responses to the RFP for evaluation purposes if a quote from a new HMO was received. This meeting was held on May 29, 2002.

The RFP outlined the following evaluation process:

- Willis would perform an evaluation of the financial terms and provide a summary of the qualitative response.
- Each member of the evaluation team would review and score the written responses to the RFP according to a predetermined scoring tool.
- Willis and GBG, Inc. would provide technical support to members of the Selection Team in evaluating the written responses. In addition, scores to the written responses to the RFP will be tabulated and summarized by Willis.
- The financial implications of administrative fees would be evaluated by a process where the lowest vendor overall financially will receive the highest possible score. Scores for the remaining vendors will be determined utilizing the following formula:
Score = (maximum score x [lowest cost] / vendor cost)
- Based on a composite evaluation of the financial terms and the project team's evaluation of the written responses to this RFP, two or more finalists will be selected.
- If necessary, finalists will be interviewed and/or have their operations toured. During these tours, finalists will be subjected to a consistent set of predetermined questions.
- A final recommendation and selection will be based on the weighted scores of the evaluation team as follows:
 - Written response scores
 - Financial response scores
 - Input from finalist interviews

Because no proposals were received from any HMOs not currently offered, with the exception of the financial evaluation, this evaluation process became irrelevant.

The Selection Team decided it would be best to evaluate the written responses to the RFP on a group basis off-site. This approach would allow for focused and uninterrupted evaluation of the vendor proposals and technical guidance on demand from Willis and GBG, Inc.

Evaluate Qualitative and Quantitative Responses

The team performed qualitative and quantitative analyses but deemed it unnecessary to score the responses. It should be noted that all premium projections were based on current

enrollment and assumed there would be no migration between the HMOs and the self insured Basic Plan. When analyzing options in which HMO plans would be dropped, assumptions of enrollment migration, how many people would take which plan, had to be made. These assumptions were applied uniformly so as not to misstate the results of one proposal versus another. Nonetheless, even significant changes in plan election for any alternative have little impact on the City's cost, since the City's cost for employees is the same regardless of the plan chosen.

Scoring of Responses and Selection of Finalists

The Selection Team deemed it unnecessary to score the written responses or select finalists.

Onsite Review

The Selection Team deemed it unnecessary to conduct onsite evaluations of the HMO program vendors since they are all incumbents.

Vendor List

The number of HMOs in the Milwaukee area is limited. RFPs were sent to the three incumbent HMOs as well as one alternative, Genesis HealthCare that expressed interest and asked for the RFP, but did not respond.

CompcareBlue Health Services Insurance Company
20855 Watertown Road
Suite 140
Waukesha, WI 53186

Humana Inc.
111 West Pleasant Street
P.O. Box 12359
Milwaukee, WI 53212-0359

United Healthcare of Wisconsin, Inc.
10701 W. Research Drive
Milwaukee, WI 53226

Genesis HealthCare Inc.
5307 S 92nd St # 230
Hales Corners, WI 53130



Appendix A Request for Proposal - HMOs

RFP appendices have not been included as part of this report because of their size. If you would like to review any appendix, you can obtain a copy from The Department of Employee Relations.

City of Milwaukee
Request for Proposal –
HMO Plans

Prepared by:

Willis of Wisconsin, Inc.
One Plaza East, Suite 1400
330 East Kilbourn Avenue
Milwaukee, WI 53202-3195
(414) 271-9800

I. GENERAL INFORMATION

BACKGROUND

The City of Milwaukee has approximately 7,300 employees and retirees who are enrolled in HMO coverage.

The City work force is organized into 19 bargaining units, each of which negotiates a collective bargaining agreement with the City. In addition, there are approximately 1,150 unrepresented employees of which approximately 950 employees are categorized as management.

The City currently offers all employees an opportunity to select one of multiple medical plans before the start of each year. The City has a fee-for-service medical plan in which roughly 1,700 employees and 3,000 retirees are enrolled. The remainder are enrolled in one of three HMOs. The fee-for-service medical plan is administered by WPS and is funded on a self-insured basis. The three fully insured HMOs offered are Aurora Family Network, Humana and UnitedHealthcare.

The contracts of the current HMOs will expire on January 1, 2003. The relationship with the three HMOs has not been evaluated in three years. As a result, the City is requesting proposals from the HMOs. It is anticipated the successful vendors will be the sole option(s) to the existing indemnity program for the 24-month period running from January 1, 2003 through December 31, 2004. The fee-for-service plan is not being evaluated at this time. The initial open enrollment period will occur in October 2002 for a January 1, 2003 effective date. The subsequent open enrollment will occur in the fall of 2003 for a January 1, 2004 effective date.

Willis and GBG, Inc. have been retained to help develop this RFP and to assist with the evaluation of responses. The finalists will be determined according to several factors:

1. Low cost compared to other bidders;
2. Ability to deliver quality services;
3. Completeness of written responses to this request; and
4. Confirmation of full compliance with the attached City contract.

The City contributes 100% of the lowest single or lowest family HMO premium cost to the City. For 2002, this contribution ("City Share") will be no more than \$261.04 (Single) or \$737.28 (Family) toward the cost of the HMO. Any excess over these amounts ("Employee Share") is taken as a payroll deduction from the employee. Benefits for most employees are determined through collective bargained agreements. It is not anticipated that the HMO or indemnity medical benefits will change during the time period for which quotes are sought.

INTENT

The City is seeking a stable business relationship with its HMOs. The actual number selected will be based on how well the HMOs perform against the selection criteria.

The City is committed to maximizing the value of its medical care expenditures on behalf of its employees. The goal is to continue offering the current high level of benefits in a "managed care environment." Critical selection factors will include how well your organization can demonstrate the ability to:

- Manage utilization and expenses,
- Enhance the quality/efficiency of care,
- Provide convenient access for City plan members, and
- Supply data reports to support future rate changes and demonstrate the effectiveness of utilization management.
- Supply appropriate claim utilization data to help the City determine the factors that are driving its cost.

DUE DATE FOR PROPOSAL

To be considered by the City, 10 copies of your proposal must be received no later than Thursday, May 30, 2002 by 4:30 p.m. Proposal should be sent or delivered to:

Mr. Michael J. Brady, Manager
Employee Benefits Manager
Department of Employee Relations
Employee Benefits Division
Room 701, City Hall
200 East Wells Street
Milwaukee, Wisconsin 53202-3554

Project Timetable:

Distribution of RFP	May 6
Responses Due to the City	May 30
Analysis of Responses	May 31- June 7
Selection of Finalists, Interview, and Discussion of Contract Terms	June 21- June 28
Recommendation at Finance and Personnel Committee Meeting	July 11
Recommendation at Common Council Meeting	July 16
Notification of Final Decision	July 16

Program Implementation	August through December
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Proposals received after the due date will not be considered and will be returned unopened.

BENEFIT CONSIDERATIONS

You must duplicate the plan of benefits that you offer to the City today. Please consult a copy of the City "Blue Book" included with this RFP for reference.

While you must duplicate the benefits, we are asking to you to provide quotes on narrow network plans, if you offer them. More explanation is found later in this RFP.

If there are benefit enhancement that could be made to your plan that would be cost neutral and would make the plan better in your opinion, please include a description of your suggested changes.

Census information included with this RFP shows the number of participants in each option. Claim reports for the respective plans have not been included with the RFP because of their length but can be obtained from Michael Brady.

DEVIATIONS

It is recognized that the HMO may not be able to respond to each and every detail of this RFP. It is not the intent to cause disqualification of an otherwise favorable proposal on the basis of a technicality. Therefore, if you are substantially able to meet the requirements of this RFP, you are requested to submit your proposal detailing your deviations in the Statement of Compliance. However, if a proposal is not responsive to the RFP, the City reserves the right to reject that proposal.

CONTRACT AND CONTRACT DATES

The Appendices contain the agreement the City expects each HMO to agree to and sign, in addition to the standard contract each HMO utilizes. Bidders are asked to carefully review the document and address any concerns/deviations in the Statement of Compliance. The City will not make substantial changes to the contract.

Awards for the contract will be for the periods January 1, 2003 through December 31, 2003 and January 1, 2004 through December 31, 2004. The City does not intend to seek proposals until the latter part of 2005.

At any time when changes in the plan of benefits or servicing requirements are needed, such changes shall be made in writing and incorporated into the contract. Under no circumstances shall the HMO change the benefit plan, interpretation of benefit

provisions, legislative interpretations or any part of the agreement without written request to and subsequent written approval of the City.

WILLIS REMUNERATION

Please delete all commissions from your quoted premium rates or, if no rate credit is given by foregoing commissions, state the amounts which would be payable to Willis as agent of record.

Quoted rates must include all costs. Clearly indicate whether your rates remain the same whether commission is paid to Willis or not.

RIGHT TO AUDIT

The City reserves the right to audit the financial and non-financial records of the HMO and its providers as they relate to the medical plans whenever the City deems appropriate. This may include on-site clinical audits of selected providers. Such audits may be performed by City personnel or by outside auditors selected by the city.

CLAIM RECORD RETENTION

The insurance company will be required to maintain all claim records for seven years from the date a claim is closed.

In the event of termination, the selected insurer must agree to transfer to the City of Milwaukee or another party as designated by the City, within thirty days of notification, all required data and records necessary to administer the plan. This data would include but not be limited to the following:

- List of covered employees
- List information regarding historical claim payments
- Medical records

ADDITIONAL INFORMATION

Any additional questions regarding these specifications may be directed to:

Mr. Michael J. Brady, Manager
Employee Benefits Manager
Department of Employee Relations
Employee Benefits Division
Room 701, City Hall

200 East Wells Street
Milwaukee, Wisconsin 53202-3560

Phone: (414) 286-2317
Fax: (414) 286-2106
E-mail: mbrady@ci.mil.wi.us

If selected, you will prepare the contracts, certificate of insurance booklets, necessary administrative forms, enrollment forms, summary plan descriptions and other materials as quickly as possible. The successful insurer will be expected to bear the cost of installation of appropriate administrative systems, billing, preparing and producing contracts, certificates, administrative manuals, and enrollment forms, maintaining and determining eligibility information, and communicating with employees.

Enrollment materials will be distributed in October 2002 for the year 2003 enrollment. Vendors are expected to bear the full cost of printing and a proportionate cost of the preparation and mailing of open enrollment materials. If unable to comply with all of these expectations, please elaborate in your response.

NON - DISCRIMINATION REQUIREMENTS

The City is committed to affirmative action in accordance with State and Federal law and regulations providing for equal employment opportunity. The City will refuse to contract with any firm that has not evidenced its own commitment as an equal opportunity employer through the development of an affirmative action policy. The respondent agrees to provide such evidence to the City upon request.

Prior to contracting, the selected insurance carrier will be required to certify compliance with the following:

- I. In all hiring or employment made possible by or resulting from this agreement, there:
 - A. Will not be any discrimination against any employee or applicant for employment because of age, handicap, marital status, race, color, sexual orientation, religion, sex, national origin, ancestry, or lawful sources of income; and
 - B. Affirmative action will be taken to ensure that applicants are employed and that employees are treated during employment without regard to their age, handicap, marital status, race, color, religion, sexual orientation, sex, national origin, ancestry, or lawful sources of income.

This requirement shall apply to but not be limited to the following:

- A. Employment, upgrading, demotion or transfer, recruitment or recruitment advertising, lay-off or termination, rates of pay or other forms of compensation, and selection for training including apprenticeship.
 - B. There shall be posted in conspicuous places available to employees and applicants for employment, notices required to be provided by federal or state agencies involved setting forth the provisions of the clause.
 - C. All solicitations or advertisements for employees shall state that all qualified applicants will receive consideration for employment without regard to age, handicap, marital status, race, color, religion, sexual orientation, sex, national origin, ancestry, or lawful sources of income.
- II. The plan agrees that they will comply with applicable requirements of the Americans with Disability Act of 1990. 42 U.S.C. 12102, etc. seq.

You must agree to cause the foregoing provisions to be inserted in all subcontracts, if any, for any work covered by this agreement so that such provisions shall be binding upon each subcontractor, provided that the foregoing provisions shall not apply to contracts or subcontracts for standard commercial supplies or raw materials.

EVALUATION PROCESS

Willis and GBG, Inc. are assisting the City with this RFP. A final recommendation and selection will be made by the following process.

The City has identified a project selection team. This team, with the support of Willis, will be responsible for the evaluation of vendors responding to this RFP. The analysis and selection will adhere to the following steps:

- Each member of the evaluation team will review and score the written responses to the RFP according to a predetermined scoring tool.
- Willis will analyze the financial terms and provide a summary of the qualitative aspects of the RFP.
- Willis will tabulate scores to the written responses to the RFP.
- The financial terms of your response will be evaluated by a process where the lowest vendor overall financially will receive the highest possible score. Scores for the remaining vendors will be determined utilizing the following formula:

$$\text{Score} = (\text{number responding} \times [\text{lowest cost}] \setminus \text{vendor cost})$$

- Based on a composite evaluation of the financial terms and the project team's evaluation of the written responses to this RFP finalists will be selected.
- Finalists may be interviewed and/or have their operations toured. During these tours, finalists will be asked a consistent set of questions. Each member of the evaluation team will independently score response to these questions.
- A final recommendation and selection will be based on the weighted scores of the evaluation team with respect to the following:
 - ⇒ Scores regarding written responses to the proposal
 - ⇒ Scores regarding financial response
 - ⇒ Scores regarding finalist interviews

During the entire process Willis will provide technical support, as well as tabulation of the responses and assistance in drafting a recommendation to the City Common Council. The City Common Council reserves the final right to contract with any or none of the respondents.

II. QUESTIONNAIRE

To reduce the work needed to respond to this RFP, please refer to your response to the questionnaire from the RFP in 1998 from Benecorp, Inc. Where you think there would be a meaningful change in your response today, please provide the question, your prior response and your new response. If you need a copy of your prior response please contact Michael Brady.

Also, please respond to the New Questions found on the next page.

NEW QUESTIONS

1. Despite efforts to contain health care costs they continue to rise. Please explain why you think costs are rising and describe the steps you have taken, and plan to take, to better manage costs.
2. Please describe the steps you have taken, and plan to take, to take advantage of technology to communicate with and educate plan participants.
3. Please describe your customer service capabilities and why you believe they are superior.
4. Please provide examples of your standard data reports, as well as describe your ability to provide meaningful utilization data, sufficiently privacy-protected, in an electronic format.
5. Please describe why your plan is superior to others.
6. Please provide a copy of your most recent financial statement.
7. Please describe current rates and future renewal rates will be calculated, including whether the rates are based solely on the City's experience, what the loss ratio for the City's plan has been, the expense and profit loads in the rates as well as any other pertinent information.
8. If there are benefit enhancement that could be made to your plan that would be cost neutral and would make the plan better in your opinion, please include a description of your suggested changes.
9. In addition to providing rates for your current HMO plan, we ask that you also provide a quotation on more cost effective, narrower network plan(s). The benefits must, however, be identical to your current plan. If you can offer a narrow network plan, please include the following information.
 - The rates for this HMO plan.
 - A directory of the providers in this plan.
 - Whether you will offer this plan along with your current HMO plan or whether the City could offer only one.

STATEMENT OF COMPLIANCE

Please submit as a part of your proposal the following statement:

We hereby acknowledge receipt of the RFP for HMO Plans for the City of Milwaukee. We have reviewed the City's required agreement (as included with the RFP), report formats and questionnaires and we certify that our proposal conforms to this RFP and that we can agree to the City's agreement except as detailed below.

Organization

Signature

Date

Title

III. Rates

Rates

Please complete a rate chart for each HMO plan you will offer and state whether it can be offered with another plan/network of yours or must be the only HMO you offer.

**City of Milwaukee Rates
HMO Uniform Benefits**

Plan Name _____

Rate Guarantee Period _____

Active Rates

Single	\$ _____
Family	\$ _____

Retiree Rates

1. Single without Medicare	\$ _____
2. Family without Medicare	\$ _____
3. One with Medicare	\$ _____
4. Two with Medicare	\$ _____
5. One with Medicare & One without Medicare	\$ _____
6. One with Medicare, One without Medicare & Dependent children	\$ _____
7. Two with Medicare & Dependent children	\$ _____
8. One without Medicare & Dependent children	\$ _____
9. One with Medicare & Dependent children	\$ _____

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

APPENDICES

- Census – Attached file HEALTH_CENSUS.xls
- Benefit Plan Description – Attached file Blue Book.pdf
- Rates and Employee Contributions – Attached file 2002 Rate Chart.pdf
- Agreement – Attached file HMO Agreement.doc

Appendix B Financial Analysis

- Exhibit 1 2003 HMO Rates and Contributions Comparison – Offer Current HMOs
- Exhibit 2 2003 HMO Rates and Contributions Comparison – Only CompcareBlue AFN and Traditional Plans Offered, The Lowest Cost to City of one HMO Offered
- Exhibit 3 2003 HMO Rates and Contributions Comparison – Impact of Dropping Humana and United Healthcare HMOs
- Exhibit 4 2003 HMO Rates – One, Two or Three HMOs Offered
- Exhibit 5 2003 HMO Rates and Contributions Comparison – Least Costly Combinations to City of HMOs Offered
- Exhibit 6 2003 HMO Rates and Contributions Comparison – Lowest Cost to City of Two HMOs Offered



Appendix B Financial Analysis

- Exhibit 1 2003 HMO Rates and Contributions Comparison – Offer Current HMOs
- Exhibit 2 2003 HMO Rates and Contributions Comparison – Only CompcareBlue AFN and Traditional Plans Offered, The Lowest Cost to City of one HMO Offered
- Exhibit 3 2003 HMO Rates and Contributions Comparison – Impact of Dropping Humana and United Healthcare HMOs
- Exhibit 4 2003 HMO Rates – One, Two or Three HMOs Offered
- Exhibit 5 2003 HMO Rates and Contributions Comparison – Least Costly Combinations to City of HMOs Offered
- Exhibit 6 2003 HMO Rates and Contributions Comparison – Lowest Cost to City of Two HMOs Offered

	Humana	United Healthcare	CompcareBlue Aurora Family Network	Total
2002 Total Rates				
Active Rates				
Single	\$261.04	\$343.78	\$286.43	
Family	\$737.28	\$990.76	\$782.84	
Retiree Rates				
1. Single without Medicare	\$337.77	\$343.78	\$286.43	
3. Family without Medicare	\$923.21	\$990.76	\$782.86	
4. One with Medicare	\$261.02	\$343.78	\$225.37	
5. Two with Medicare	\$535.27	\$700.26	\$450.74	
6. One with Medicare & One without Medicare	\$584.40	\$990.76	\$511.93	
7. One with Medicare, One without Medicare & Dependent Children	\$835.80	\$1,107.08	\$721.77	
8. Two with Medicare & Dependent children	\$835.80	\$1,107.08	\$660.71	
9. One without Medicare & Dependent Children	\$812.42	\$990.76	\$782.86	
10. One with Medicare & Dependent children	\$835.80	\$990.76	\$721.77	
2002 Total Annual Premium				
Employees	\$29,752,183.68	\$2,414,548.08	\$7,180,160.64	\$39,346,892.40
Retirees	\$5,967,505.42	\$2,553,965.47	\$3,518,014.66	\$12,039,485.55
Total	\$35,719,689.10	\$4,968,513.55	\$10,698,175.30	\$51,386,377.95

	Humana	United Healthcare	CompcareBlue Aurora Family Network	Total
2002 Employee Contributions				
Employee Contributions				
Single	\$0.00	\$82.74	\$25.39	
Family	\$0.00	\$253.48	\$45.56	
Retiree Contributions				
1. Single without Medicare	\$0.00	\$0.00	\$0.00	
3. Family without Medicare	\$0.00	\$0.00	\$0.00	
4. One with Medicare	\$195.76	\$257.83	\$169.03	
5. Two with Medicare	\$401.45	\$525.19	\$338.06	
6. One with Medicare & One without Medicare	\$438.30	\$743.07	\$383.94	
7. One with Medicare, One without Medicare & Dependent Children	\$626.85	\$830.31	\$541.33	
8. Two with Medicare & Dependent children	\$626.85	\$830.31	\$495.53	
9. One without Medicare & Dependent Children	\$0.00	\$0.00	\$0.00	
10. One with Medicare & Dependent children	\$626.85	\$743.07	\$541.33	
2002 Total Annual Employee Contributions				
Employees	\$0.00	\$608,174.64	\$454,289.28	\$1,062,463.92
Retirees	\$1,906,018.99	\$610,504.68	\$1,304,452.18	\$3,820,975.84
Total	\$1,906,018.99	\$1,218,679.32	\$1,758,741.46	\$4,883,439.76

	Humana	United Healthcare	CompcareBlue Aurora Family Network	Total
2002 City Contributions				
Active Employees				
Single	\$261.04	\$261.04	\$261.04	
Family	\$737.28	\$737.28	\$737.28	
Retirees				
1. Single without Medicare	\$337.77	\$343.78	\$286.43	
3. Family without Medicare	\$923.21	\$990.76	\$782.86	
4. One with Medicare	\$65.25	\$85.94	\$56.34	
5. Two with Medicare	\$133.82	\$175.06	\$112.69	
6. One with Medicare & One without Medicare	\$146.10	\$247.69	\$127.98	
7. One with Medicare, One without Medicare & Dependent Children	\$208.95	\$276.77	\$180.44	
8. Two with Medicare & Dependent children	\$208.95	\$276.77	\$165.18	
9. One without Medicare & Dependent Children	\$812.42	\$990.76	\$782.86	
10. One with Medicare & Dependent children	\$208.95	\$247.69	\$180.44	
2002 Total Annual City Contributions				
Active Employees	\$ 29,752,183.68	\$ 1,806,373.44	\$ 6,725,871.36	\$ 38,284,428.48
Retirees	\$ 4,061,486.43	\$ 1,943,460.80	\$ 2,213,562.48	\$ 8,218,509.71
Total	\$ 33,813,670.11	\$ 3,749,834.24	\$ 8,939,433.84	\$ 46,502,938.19
Wtr & Prkg Reimbursement				(\$2,877,154.00)
Net City Cost				\$ 43,625,784.19

2003 HMO Rates and Contributions Comparison
Offer Current HMOs

	Humana	United Healthcare	CompcareBlue Aurora Family Network	Total
2003 Total Rates				
Active Rates				
Single	\$329.54	\$478.71	\$340.38	
Family	\$930.74	\$1,379.63	\$930.29	
Retiree Rates				
1. Single without Medicare	\$426.40	\$478.71	\$510.57	
3. Family without Medicare	\$1,165.46	\$1,379.63	\$1,395.44	
4. One with Medicare	\$329.51	\$478.71	\$340.38	
5. Two with Medicare	\$675.72	\$975.11	\$930.29	
6. One with Medicare & One without Medicare	\$737.75	\$1,379.63	\$680.76	
7. One with Medicare, One without Medicare & Dependent Children	\$1,055.11	\$1,541.61	\$930.29	
8. Two with Medicare & Dependent children	\$1,055.11	\$1,541.61	\$1,002.83	
9. One without Medicare & Dependent Children	\$1,025.60	\$1,379.63	\$1,395.44	
10. One with Medicare & Dependent children	\$1,055.11	\$1,379.63	\$930.29	
2003 Total Annual Premium				
Active Employees	\$37,559,119.68	\$3,362,245.56	\$8,532,563.64	\$49,453,928.88
Retirees	\$7,533,378.84	\$3,556,396.92	\$6,257,662.44	\$17,347,438.20
Total	\$45,092,498.52	\$6,918,642.48	\$14,790,226.08	\$66,801,367.08
Increase over 2002	\$9,372,809.42 26.2%	\$1,950,128.93 39.2%	\$4,092,050.78 38.2%	\$15,414,989.13 30.0%

2003 HMO Rates and Contributions Comparison
Offer Current HMOs

	Humana	United Healthcare	CompcareBlue Aurora Family Network	Total
2003 Employee Contributions				
Employee Contributions				
Single	\$0.00	\$149.17	\$10.84	
Family	\$0.45	\$449.34	\$0.00	
Retiree Contributions				
1. Single without Medicare	\$0.00	\$0.00	\$0.00	
3. Family without Medicare	\$0.00	\$0.00	\$0.00	
4. One with Medicare	\$247.13	\$359.03	\$255.29	
5. Two with Medicare	\$506.79	\$731.33	\$697.72	
6. One with Medicare & One without Medicare	\$553.31	\$1,034.72	\$510.57	
7. One with Medicare, One without Medicare & Dependent Children	\$791.33	\$1,156.21	\$697.72	
8. Two with Medicare & Dependent children	\$791.33	\$1,156.21	\$752.12	
9. One without Medicare & Dependent Children	\$0.00	\$0.00	\$0.00	
10. One with Medicare & Dependent children	\$791.33	\$1,034.72	\$697.72	
2003 Total Annual Employee Contributions				
Employees	\$15,930.00	\$1,082,688.12	\$45,267.84	\$1,143,885.96
Retirees	\$2,406,158.37	\$850,127.76	\$2,315,286.99	\$5,571,573.12
Total	\$2,422,088.37	\$1,932,815.88	\$2,360,554.83	\$6,715,459.08
Increase over 2002				
	\$516,069.38	\$714,136.56	\$601,813.37	\$1,832,019.32
	27.1%	58.6%	34.2%	37.5%

	Humana	United Healthcare	CompcareBlue Aurora Family Network	Total
2003 City Contributions				
Employees				
Single	\$329.54	\$329.54	\$329.54	
Family	\$930.29	\$930.29	\$930.29	
Retirees				
1. Single without Medicare	\$426.40	\$478.71	\$510.57	
3. Family without Medicare	\$1,165.46	\$1,379.63	\$1,395.44	
4. One with Medicare	\$82.38	\$119.68	\$85.10	
5. Two with Medicare	\$168.93	\$243.78	\$232.57	
6. One with Medicare & One without Medicare	\$184.44	\$344.91	\$170.19	
7. One with Medicare, One without Medicare & Dependent Children	\$263.78	\$385.40	\$232.57	
8. Two with Medicare & Dependent children	\$263.78	\$385.40	\$250.71	
9. One without Medicare & Dependent Children	\$1,025.60	\$1,379.63	\$1,395.44	
10. One with Medicare & Dependent children	\$263.78	\$344.91	\$232.57	
2003 Total Annual City Contributions				
Employees	\$37,543,189.68	\$2,279,557.44	\$8,487,295.80	\$48,310,042.92
Retirees	\$5,127,220.47	\$2,706,269.16	\$3,942,375.45	\$11,775,865.08
Total	\$42,670,410.15	\$4,985,826.60	\$12,429,671.25	\$60,085,908.00
Wtr & Prkg Reimbursement				(\$2,877,154.00)
Net City Cost				\$57,208,754.00
Increase over 2002				\$13,582,969.81
				29.2%

There is a 2% risk charge built into the Humana rates and 2.74% by UHC for early request on renewal. The rates will be reviewed and may be reduced based upon the additional claims experience. Please note that the contribution amounts shown for retiree coverage are typical amounts. There are different amounts based on specific groups.

Enrollment Assumptions	Humana	United Healthcare	Aurora Family Network	Total
Actives				
Single	1,166	153	348	1,667
Family	2,950	150	637	3,737
Retirees				
1. Single without Medicare	99	50	72	221
3. Family without Medicare	244	122	153	519
4. One with Medicare	196	76	214	486
5. Two with Medicare	174	41	168	383
6. One with Medicare & One without Medicare	74	12	37	123
7. One with Medicare, One without Medicare & Dependent Children	28	1	1	30
8. Two with Medicare & Dependent children	1	-	2	3
9. One without Medicare & Dependent Children	33	7	10	50
10. One with Medicare & Dependent children	-	-	-	-
	4,965	612	1,642	7,219

**2003 HMO Rates and Contributions Comparison
Only CompareBlue AFN and Traditional Plans Offered
The Lowest Cost to City of One HMO Offered**

	Humana	United Healthcare	CompareBlue Aurora Family Network	CompareBlue Traditional	CompareBlue Aurora Family Network
2003 Total Rates					
Active Rates					
Single	\$329.54	\$478.71	\$340.38	\$341.22	\$307.10
Family	\$930.74	\$1,379.63	\$930.29	\$931.53	\$838.38
Retiree Rates					
1. Single w/o Medicare	\$426.40	\$478.71	\$510.57	\$341.22	\$307.10
3. Family w/o Medicare	\$1,165.46	\$1,379.63	\$1,395.44	\$931.53	\$838.38
4. One with Medicare	\$329.51	\$478.71	\$340.38	\$268.47	\$241.60
5. Two with Medicare	\$675.72	\$975.11	\$930.29	\$536.94	\$483.20
6. One with Medicare, One w/o Medicare	\$737.75	\$1,379.63	\$680.76	\$609.69	\$548.70
7. One with Medicare, One w/o Medicare & Dependent Children	\$1,055.11	\$1,541.61	\$930.29	\$858.78	\$773.80
8. Two with Medicare & Dependent children	\$1,055.11	\$1,541.61	\$1,002.83	\$786.12	\$708.39
9. One w/o Medicare & Dependent Children	\$1,025.60	\$1,379.63	\$1,395.44	\$931.53	\$838.38
10. One with Medicare & Dependent children	\$1,055.11	\$1,379.63	\$930.29	\$858.78	\$773.80
2003 Total Annual Premium					
Employees	\$0.00	\$0.00	\$0.00	\$38,879,436.96	\$ 8,747,908.22
Retirees	\$0.00	\$0.00	\$0.00	\$10,029,007.30	\$ 2,256,527.50
Total	\$0.00	\$0.00	\$0.00	\$48,908,444.26	\$ 11,004,435.72
Increase over 2002	(\$35,719,689.10)	(\$4,968,513.55)	(\$10,698,175.30)	\$48,908,444.26	\$ 8,526,502.02
					16.6%

Percent of Enrollees

0%
0%
0%
0%

0%
80%
20%
Total

**2003 HMO Rates and Contributions Comparison
Only CompcareBlue AFN and Traditional Plans Offered
The Lowest Cost to City of One HMO Offered**

	Humana	United Healthcare	CompcareBlue Aurora Family Network	CompcareBlue Traditional	CompcareBlue Aurora Family Network
2003 Employee Contributions					
Employee Contributions					
Single	\$329.54	\$478.71	\$340.38	\$34.12	\$0.00
Family	\$930.74	\$1,379.63	\$930.29	\$93.15	\$0.00
Retiree Contributions					
1. Single without Medicare	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
3. Family without Medicare	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
4. One with Medicare	\$247.13	\$359.03	\$255.29	\$201.35	\$181.20
5. Two with Medicare	\$506.79	\$731.33	\$697.72	\$402.71	\$362.40
6. One with Medicare & One without Medicare	\$553.31	\$1,034.72	\$510.57	\$457.27	\$411.53
7. One with Medicare, One without Medicare & Dependent Children	\$791.33	\$1,156.21	\$697.72	\$644.09	\$580.35
8. Two with Medicare & Dependent children	\$791.33	\$1,156.21	\$752.12	\$589.59	\$531.29
9. One without Medicare & Dependent Children	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10. One with Medicare & Dependent children	\$791.33	\$1,034.72	\$697.72	\$644.09	\$580.35

	Percent of Enrollees	0%	0%	0%	80%	20%	Total
2003 Total Annual Employee Contributions							
Employees	\$0.00	\$0.00	\$0.00	\$0.00	\$3,887,804.06	\$0.00	\$3,887,804.06
Retirees	\$0.00	\$0.00	\$0.00	\$0.00	\$3,162,514.10	\$711,562.45	\$3,874,076.55
Total	\$0.00	\$0.00	\$0.00	\$0.00	\$7,050,318.17	\$711,562.45	\$7,761,880.61

Increase over 2002	(\$1,906,018.99)	(\$1,218,679.32)	(\$1,758,741.46)	\$7,050,318.17	\$711,562.45	\$2,878,440.85	59%
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**2003 HMO Rates and Contributions Comparison
Only CompareBlue AFN and Traditional Plans Offered
The Lowest Cost to City of One HMO Offered**

	Humana	United Healthcare	CompareBlue Aurora Family Network	CompareBlue Traditional	CompareBlue Aurora Family Network
2003 City Contributions					
Employees					
Single				\$307.10	\$307.10
Family				\$838.38	\$838.38
Retirees					
1. Single without Medicare				\$341.22	\$307.10
3. Family without Medicare				\$931.53	\$838.38
4. One with Medicare				\$67.12	\$60.40
5. Two with Medicare				\$134.24	\$120.80
6. One with Medicare & One without Medicare				\$152.42	\$137.18
7. One with Medicare, One without Medicare & Dependent Children				\$214.70	\$193.45
8. Two with Medicare & Dependent children				\$196.53	\$177.10
9. One without Medicare & Dependent Children				\$931.53	\$838.38
10. One with Medicare & Dependent children				\$214.70	\$193.45
2003 Total Annual City Contributions					
Employees					
Retirees					
Total					
Wtr & Prkg Reimbursement					
Net City Cost					
	Percent of Enrollees				Total
	0%	0%	0%	80%	20%
	\$0.00	\$0.00	\$0.00	\$34,991,632.90	\$8,747,908.22
	\$0.00	\$0.00	\$0.00	\$6,866,493.19	\$1,544,965.05
	\$0.00	\$0.00	\$0.00	\$41,858,126.09	\$10,292,873.27
					\$52,150,999.36
					(\$2,877,154.00)
					\$49,273,845.36
Increase over 2002					
					\$5,648,061.17
					12%

Please note that the contribution amounts shown for retiree coverage are typical amounts. There are different amounts based on specific groups.

2003 HMO Rates and Contributions Comparison
Impact of Dropping Humana and United Healthcare HMOs

	Humana	United Healthcare	CompcareBlue Aurora Family Network	CompcareBlue Traditional	CompcareBlue Aurora Family Network	Total
2002						
City Contributions	\$ 33,813,670.11	\$ 3,749,834.24	\$ 8,939,433.84			\$46,502,938.19
Wtr & Prkg Reimbursement						(\$2,877,154.00)
Net City Contributions	\$1,906,018.99	\$1,218,679.32	\$1,758,741.46			\$43,625,784.19
Employee and Retiree Contributions	\$35,719,689.10	\$4,968,513.55	\$10,698,175.30			\$4,883,439.76
Total Premium						\$51,386,377.95
2003 - Offer Current 3 HMOs						
City Contributions	\$42,670,410.15	\$4,985,826.60	\$12,429,671.25			\$60,085,908.00
Wtr & Prkg Reimbursement						(\$2,877,154.00)
Net City Contributions	\$39,792,256.15	\$4,985,826.60	\$12,429,671.25			\$57,208,754.00
Employee and Retiree Contributions	\$2,422,088.37	\$1,932,815.88	\$2,360,554.83			\$6,715,459.08
Total Premium						\$66,801,367.08
Difference from 2002						
City Contributions	\$8,856,740.04	\$1,235,992.36	\$3,490,237.41			\$13,582,969.81
Wtr & Prkg Reimbursement	(\$1,906,018.99)	(\$1,218,679.32)	(\$1,758,741.46)			\$0.00
Net City Contributions	\$6,950,721.05	\$1,017,313.04	\$1,731,495.95			\$13,582,969.81
Employee and Retiree Contributions	(\$33,297,600.73)	(\$3,035,697.67)	(\$8,337,620.47)			\$1,832,019.32
Total Premium						\$15,414,989.13
2003 - Offer CompcareBlue Traditional and AFN Networks Only						
City Contributions	\$0.00	\$0.00	\$0.00	80%	20%	\$52,150,999.36
Wtr & Prkg Reimbursement	\$0.00	\$0.00	\$0.00	\$41,858,126.09	\$10,292,873.27	(\$2,877,154.00)
Net City Contributions	\$0.00	\$0.00	\$0.00	\$7,050,318.17	\$711,562.45	\$49,273,845.36
Employee and Retiree Contributions	\$0.00	\$0.00	\$0.00	\$48,908,444.26	\$11,004,435.72	\$7,761,880.61
Total Premium						\$59,912,879.98
Difference from 2002						
City Contributions	(\$33,813,670.11)	(\$3,749,834.24)	(\$8,939,433.84)	\$41,858,126.09	\$10,292,873.27	\$5,648,061.17
Wtr & Prkg Reimbursement						\$0.00
Net City Contributions	(\$1,906,018.99)	(\$1,218,679.32)	(\$1,758,741.46)	\$7,050,318.17	\$711,562.45	\$5,648,061.17
Employee and Retiree Contributions	(\$35,719,689.10)	(\$4,968,513.55)	(\$10,698,175.30)	\$48,908,444.26	\$11,004,435.72	\$2,878,440.85
Total Premium						\$8,526,502.02
Difference from offer 3 Current HMOs in 2003						
City Contributions	(\$42,670,410.15)	(\$4,985,826.60)	(\$12,429,671.25)	\$41,858,126.09	\$10,292,873.27	(\$7,934,908.64)
Wtr & Prkg Reimbursement	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Net City Contributions	(\$42,670,410.15)	(\$4,985,826.60)	(\$12,429,671.25)	\$41,858,126.09	\$10,292,873.27	(\$7,934,908.64)
Employee and Retiree Contributions	(\$2,422,088.37)	(\$1,932,815.88)	(\$2,360,554.83)	\$48,908,444.26	\$11,004,435.72	\$1,046,421.53
Total Premium	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$6,888,487.10)

2003 HMO Rates
One, Two or Three HMOs Offered

Humana	One of Two HMOs-UHC Eliminated		One of Two HMOs-AFN Eliminated		One of Two HMOs-AFN Eliminated		One of Two HMOs-AFN Eliminated		Only HMO Offered		Only HMO Offered		One of Three HMOs		One of Three HMOs	
	Premier	Advantage	Premier	Advantage	Premier	Advantage	Premier	Advantage	Premier	Advantage	Premier	Advantage	Premier	Advantage	Premier	Advantage
2003 Rates																
Active Rates																
Single	\$352.94	\$332.18	\$346.02	\$316.36	\$336.13	\$316.36	\$329.54	\$329.54	\$346.21	\$325.85	\$339.43	\$339.43	\$336.13	\$316.36	\$329.54	\$329.54
Family	\$996.82	\$938.19	\$977.28	\$893.51	\$949.35	\$893.51	\$930.74	\$930.74	\$977.83	\$920.32	\$958.66	\$958.66	\$949.35	\$893.51	\$930.74	\$930.74
Retiree Rates																
1. Single without Medicare	\$456.68	\$429.81	\$447.72	\$409.34	\$434.93	\$409.34	\$426.40	\$426.40	\$479.98	\$421.61	\$439.19	\$439.19	\$434.93	\$409.34	\$426.40	\$426.40
3. Family without Medicare	\$1,248.21	\$1,174.78	\$1,223.73	\$1,118.84	\$1,188.77	\$1,118.84	\$1,165.46	\$1,165.46	\$1,224.43	\$1,152.41	\$1,200.42	\$1,200.42	\$1,188.77	\$1,118.84	\$1,165.46	\$1,165.46
4. One with Medicare	\$352.91	\$332.15	\$345.99	\$316.33	\$336.10	\$316.33	\$329.51	\$329.51	\$346.18	\$325.82	\$339.40	\$339.40	\$336.10	\$316.33	\$329.51	\$329.51
5. Two with Medicare	\$723.69	\$681.12	\$709.51	\$648.69	\$689.23	\$648.69	\$675.72	\$675.72	\$709.91	\$668.15	\$695.99	\$695.99	\$689.23	\$648.69	\$675.72	\$675.72
6. One with Medicare & One without Medicare & Dependent Children	\$790.14	\$743.65	\$774.84	\$708.24	\$752.51	\$708.24	\$737.75	\$737.75	\$775.09	\$729.49	\$759.88	\$759.88	\$752.51	\$708.24	\$737.75	\$737.75
7. One with Medicare, One without Medicare & Dependent Children	\$1,130.02	\$1,063.56	\$1,107.87	\$1,012.91	\$1,076.21	\$1,012.91	\$1,055.11	\$1,055.11	\$1,108.50	\$1,043.30	\$1,086.76	\$1,086.76	\$1,076.21	\$1,012.91	\$1,055.11	\$1,055.11
8. Two with Medicare & Dependent children	\$0.00	\$0.00	\$1,107.87	\$0.00	\$0.00	\$0.00	\$1,055.11	\$0.00	\$0.00	\$0.00	\$1,086.76	\$1,086.76	\$0.00	\$0.00	\$1,055.11	\$1,055.11
9. One without Medicare & Dependent Children	\$0.00	\$0.00	\$1,076.88	\$0.00	\$0.00	\$0.00	\$1,025.60	\$0.00	\$0.00	\$0.00	\$1,056.37	\$1,056.37	\$0.00	\$0.00	\$1,025.60	\$1,025.60
10. One with Medicare & Dependent children	\$0.00	\$0.00	\$1,107.75	\$0.00	\$0.00	\$0.00	\$1,055.11	\$0.00	\$0.00	\$0.00	\$1,086.76	\$1,086.76	\$0.00	\$0.00	\$1,055.11	\$1,055.11

CompcareBlue	One of Two HMOs-UHC Eliminated		One of Two HMOs-UHC Eliminated		One of Two HMOs-UHC Eliminated		One of Two HMOs-UHC Eliminated		Only HMO Offered		Only HMO Offered		One of Three HMOs	
	Traditional	AFN	Traditional	AFN	Traditional	AFN	Traditional	AFN	Traditional	AFN	Traditional	AFN	UHC Original Quote	Original Quote
2003 Rates														
Active Rates														
Single	\$322.99	\$290.69	\$343.56	\$306.20	\$306.20	\$306.20	\$343.56	\$306.20	\$343.56	\$307.10	\$343.56	\$307.10	\$478.71	\$478.71
Family	\$881.76	\$793.58	\$937.92	\$844.12	\$844.12	\$844.12	\$937.92	\$844.12	\$937.92	\$838.38	\$937.92	\$838.38	\$1,379.63	\$1,379.63
Retiree Rates														
1. Single without Medicare	\$464.49	\$436.04	\$515.34	\$463.80	\$463.80	\$463.80	\$515.34	\$463.80	\$515.34	\$307.10	\$515.34	\$307.10	\$478.71	\$478.71
3. Family without Medicare	\$1,324.26	\$1,191.83	\$1,408.60	\$1,267.72	\$1,267.72	\$1,267.72	\$1,408.60	\$1,267.72	\$1,408.60	\$838.38	\$1,408.60	\$838.38	\$1,379.63	\$1,379.63
4. One with Medicare	\$322.99	\$290.69	\$343.56	\$309.20	\$309.20	\$309.20	\$343.56	\$309.20	\$343.56	\$241.60	\$343.56	\$241.60	\$478.71	\$478.71
5. Two with Medicare	\$881.76	\$793.58	\$937.92	\$844.12	\$844.12	\$844.12	\$937.92	\$844.12	\$937.92	\$483.20	\$937.92	\$483.20	\$975.11	\$975.11
6. One with Medicare & One without Medicare & Dependent Children	\$645.96	\$591.38	\$697.12	\$616.40	\$616.40	\$616.40	\$697.12	\$616.40	\$697.12	\$548.70	\$697.12	\$548.70	\$1,379.63	\$1,379.63
7. One with Medicare, One without Medicare & Dependent Children	\$882.73	\$794.46	\$938.92	\$845.01	\$845.01	\$845.01	\$938.92	\$845.01	\$938.92	\$773.80	\$938.92	\$773.80	\$1,541.61	\$1,541.61
8. Two with Medicare & Dependent children	\$1,118.37	\$1,006.66	\$1,189.58	\$1,070.61	\$1,070.61	\$1,070.61	\$1,189.58	\$1,070.61	\$1,189.58	\$708.39	\$1,189.58	\$708.39	\$1,541.61	\$1,541.61
9. One without Medicare & Dependent Children	\$1,324.26	\$1,191.83	\$1,408.60	\$1,267.72	\$1,267.72	\$1,267.72	\$1,408.60	\$1,267.72	\$1,408.60	\$838.38	\$1,408.60	\$838.38	\$1,379.63	\$1,379.63
10. One with Medicare & Dependent children	\$881.76	\$793.58	\$937.92	\$844.12	\$844.12	\$844.12	\$937.92	\$844.12	\$937.92	\$773.80	\$937.92	\$773.80	\$1,379.63	\$1,379.63

2003 City Contributions	Only HMO Offered		Only HMO Offered		Only HMO Offered		Two HMOs Offered	
	Two Compcare Networks Offered	Two Humana Networks Offered	Two Compcare Networks Offered	Two Humana Networks Offered	Two Compcare Networks Offered	Two Humana Networks Offered	Two Compcare and UHC	Two Humana and UHC
Employees								
Single	\$307.10	\$225.85	\$339.43	\$290.69	\$339.43	\$290.69	\$339.43	\$290.69
Family	\$838.38	\$920.32	\$958.66	\$793.58	\$958.66	\$793.58	\$958.66	\$793.58
Retirees								
1. Single without Medicare	\$307.10	\$421.61	\$439.19	\$436.04	\$439.19	\$436.04	\$439.19	\$436.04
3. Family without Medicare	\$838.38	\$1,152.41	\$1,200.42	\$1,191.83	\$1,200.42	\$1,191.83	\$1,200.42	\$1,191.83
4. One with Medicare	\$60.40	\$81.46	\$84.85	\$72.67	\$84.85	\$72.67	\$84.85	\$72.67
5. Two with Medicare	\$120.80	\$167.04	\$174.00	\$198.40	\$174.00	\$198.40	\$174.00	\$198.40
6. One with Medicare & One without Medicare & Dependent Children	\$157.16	\$182.37	\$189.97	\$145.35	\$189.97	\$145.35	\$189.97	\$145.35
7. One with Medicare, One without Medicare & Dependent Children	\$193.45	\$260.83	\$271.69	\$196.62	\$271.69	\$196.62	\$271.69	\$196.62
8. Two with Medicare & Dependent children	\$177.10	\$0.00	\$271.69	\$251.67	\$271.69	\$251.67	\$271.69	\$251.67
9. One without Medicare & Dependent Children	\$838.38	\$0.00	\$1,056.37	\$1,191.83	\$1,056.37	\$1,191.83	\$1,056.37	\$1,191.83
10. One with Medicare & Dependent children	\$193.45	\$0.00	\$271.69	\$198.40	\$271.69	\$198.40	\$271.69	\$198.40

**2003 HMO Rates and Contributions Comparison
Least Costly Combinations to City of HMOs Offered**

One HMO Offered

	HMO Network Enrollment	Two Compcare Networks		Total 100%
		Traditional 80%	AFN 20%	
2003 Total Annual Premium				
Active Employees		\$38,879,436.96	\$8,747,908.22	\$47,627,345.18
Retirees		\$9,781,678.66	\$2,200,813.90	\$11,982,492.55
Total		\$48,661,115.62	\$10,948,722.12	\$59,609,837.74
2003 Total Annual Employee Contributions				
Employees		\$3,887,804.06	\$0.00	\$3,887,804.06
Retirees		\$4,327,309.30	\$0.00	\$4,327,309.30
Total		\$8,215,113.37	\$0.00	\$8,215,113.37
2003 Total Annual City Contributions				
Employees		\$34,991,632.90	\$8,747,908.22	\$43,739,541.12
Retirees		\$5,454,369.35	\$2,200,813.90	\$7,655,183.25
Sub Total		\$40,446,002.25	\$10,948,722.12	\$51,394,724.37
Wtr & Prkg Reimbursement				(\$2,877,154.00)
Net City Cost				\$48,517,570.37
Increase over 2002				\$4,891,786.18 11.2%

Two HMOs Offered

	HMOs Network Enrollment of Current Participants Enrollment of Terminated HMO Participants	One of Two HMOs- Humana Eliminated Two Compcare Networks Offered			Total
		Traditional	AFN	UHC	
		100%	100%	100%	
		100%	0%	0%	
2003 Total Annual Premium					
Active Employees		\$35,733,580.08	\$7,280,046.96	\$3,362,245.56	\$46,375,872.60
Retirees		\$8,165,252.40	\$5,336,599.80	\$3,556,396.92	\$17,058,249.12
Total		\$43,898,832.48	\$12,616,646.76	\$6,918,642.48	\$63,434,121.72
2003 Total Annual Employee Contributions					
Employees		\$3,573,513.60	\$0.00	\$1,400,094.72	\$4,973,608.32
Retirees		\$2,968,333.14	\$1,971,481.32	\$1,265,002.74	\$6,204,817.20
Total		\$6,541,846.74	\$1,971,481.32	\$2,665,097.46	\$11,178,425.52
2003 Total Annual City Contributions					
Employees		\$32,160,066.48	\$7,280,046.96	\$1,962,150.84	\$41,402,264.28
Retirees		\$5,196,919.26	\$3,365,118.48	\$2,291,394.18	\$10,853,431.92
Subtotal		\$37,356,985.74	\$10,645,165.44	\$4,253,545.02	\$52,255,696.20
Wtr & Prkg Reimbursement					(\$2,877,154.00)
Net City Cost					\$49,378,542.20
Increase over 2002					\$5,752,758.01 13.2%

Three HMOs Offered (Current Arrangement)

	Humana	UHC	AFN	Total
2003 Total Annual Premium				
Active Employees	\$37,559,119.68	\$3,362,245.56	\$8,532,563.64	\$49,453,928.88
Retirees	\$7,533,378.84	\$3,556,396.92	\$6,257,662.44	\$17,347,438.20
Total	\$45,092,498.52	\$6,918,642.48	\$14,790,226.08	\$66,801,367.08
2003 Total Annual Employee Contributions				
Employees	\$15,930.00	\$1,082,688.12	\$45,267.84	\$1,143,885.96
Retirees	\$2,406,158.37	\$850,127.76	\$2,315,286.99	\$5,571,573.12
Total	\$2,422,088.37	\$1,932,815.88	\$2,360,554.83	\$6,715,459.08
2003 Total Annual City Contributions				
Employees	\$37,543,189.68	\$2,279,557.44	\$8,487,295.80	\$48,310,042.92
Retirees	\$5,127,220.47	\$2,706,289.16	\$3,942,375.45	\$11,775,865.08
Sub Total	\$42,670,410.15	\$4,985,826.60	\$12,429,671.25	\$60,085,908.00
Wtr & Prkg Reimbursement				(\$2,877,154.00)
Net City Cost				\$57,208,754.00
Increase over 2002				\$13,582,969.81 31.1%

**2003 HMO Premiums and Contributions
Lowest Cost to City of Two HMOs Offered**

Two HMOs Offered	HMOs		One of Two HMOs- Humana Eliminated		Total
	Network	Two Compare Networks Offered		UHC	
		Traditional	AFN		
	Enrollment of Current Participants	100%	100%	100%	
	Enrollment of Terminated HMO Participants	100%	0%	0%	
2003 Total Annual Premium					
Active Employees	\$35,733,580.08	\$7,280,046.96	\$3,362,245.56	\$46,375,872.60	
Retirees	\$8,165,252.40	\$5,336,599.80	\$3,556,396.92	\$17,058,249.12	
Total	\$43,898,832.48	\$12,616,646.76	\$6,918,642.48	\$63,434,121.72	
2003 Total Annual Employee Contributions					
Employees	\$3,573,513.60	\$0.00	\$1,400,094.72	\$4,973,608.32	
Retirees	\$2,968,333.14	\$1,971,481.32	\$1,265,002.74	\$6,204,817.20	
Total	\$6,541,846.74	\$1,971,481.32	\$2,665,097.46	\$11,178,425.52	
2003 Total Annual City Contributions					
Employees	\$32,160,066.48	\$7,280,046.96	\$1,962,150.84	\$41,402,264.28	
Retirees	\$5,196,919.26	\$3,365,118.48	\$2,291,394.18	\$10,853,431.92	
Total	\$37,356,985.74	\$10,645,165.44	\$4,253,545.02	\$52,255,696.20	
Wtr & Prkg Reimbursement				(\$2,877,154.00)	
Net City Cost				\$49,378,542.20	
Increase over 2002				\$5,752,758.01	

**PRE-PAID DENTAL
RATES**

for Active City of
Milwaukee Employees

2003

Recommendation: The City received responses from the three vendors who currently provide pre-paid dental services to the City. The Department of Employee Relations recommends the City enter two-year contracts with each of the three Pre-paid dental groups: Care-Plus, DentalBlue and First Commonwealth.

A copy of the rates from each of the three is attached. The City pays a flat \$13.00 for single and \$37.50 for family for dental services for active employees.

These contracts will not increase the City cost for dental insurance. The employee co-pay will increase for each of the three.

Fiscal note for contract: attached

Report from Willis: Selection Team Recommendations Regarding Contracts for Pre-paid Dental Groups attached

2003 Dental Rates Summary for Pre-Paid and Fee-for-Service Dental

	total single	City Share	Employee Share	total family	City Share	Employee Share
Care-Plus (1)	\$23.20	\$13.00	\$10.20	\$64.09	\$37.50	\$26.59
DentalBlue (2)	\$22.96	\$13.00	\$9.96	\$68.88	\$37.50	\$31.38
First Commonwealth (3)	\$22.52	\$13.00	\$9.52	\$67.94	\$37.50	\$30.44
WPS/Delta Dental (197) (4)	\$23.10	\$13.00	\$10.10	\$79.56	\$37.50	\$42.06
(297)	\$26.62	\$13.00	\$13.62	\$75.99	\$37.50	\$38.49
(397)	\$26.62	\$13.00	\$13.62	\$80.49	\$37.50	\$42.99

- (1) Care-Plus proposes a 10% increase for single and a 14% increase for family in 2003, and 2004 increases based on the Consumer Price Index.
- (2) DentalBlue proposes a 17% increase for single and a 10% increase for family in 2003, and not to exceed 15% increase in 2004
- (3) First Commonwealth proposes 7% increase for single and a 10% increase for family in 2003, and 9% increase for single and family in 2004
- (4) There are no increases in costs for DeltaDental in 2003; there will be an RFP regarding the Fee-for-Service Plan in 2003 for 2004 rates.

RATES

1. State your proposed rates for prepaid dental service per-employee basis with the single and family rates in months, beginning January 1, 2003, assuming you offered.

y
ir

1/1/2003-12/31/2003	Single:	<u>\$23.20</u>		
1/1/2004-12/31/2004	Single:	<u>\$*</u>	Family:	<u>\$*</u>

2. State your rates if yours is one of three PDPs offered.

1/1/2003-12/31/2003	Single:	<u>\$23.20</u>	Family:	<u>\$64.09</u>
1/1/2004-12/31/2004	Single:	<u>\$*</u>	Family:	<u>\$*</u>

3. Describe how you handle continuation of coverage for terminating plan members in accord with COBRA. State whether a conversion policy for individual insurance is made available concurrent with, or after, the COBRA continuation period ends.

No Change

4. The City wishes to have information regarding potential plan design changes with a cost containment focus that could be negotiated at a future date. Furnish a description of changes you would suggest, the reasoning behind suggesting them and the change in rate applicable to each.

CARE-PLUS Dental Plans, Inc. suggests consideration of the following plan design changes if the City of Milwaukee is interested in short term program cost reduction:

- | | <u>Approximate
Rate Credit</u> |
|---|------------------------------------|
| a. Replace the current unlimited benefit maximum with: | |
| (1) \$2,000.00 annual benefit maximum | 2% |
| b. Require the patient to pay lab fees | 10% |
| c. Increase the patient co-pay for orthodontia to: | |
| (1) \$1,000.00 (patient pays 50% of the first \$2,000 in charges) | 2% |
| (2) \$1,500.00 (patient pays 50% of the first \$3,000 in charges) | 4% |

It is anticipated that each of the modifications listed above would reduce short-term utilization due to the increased out-of-pocket cost that the patient would incur. The impact on program costs long term is uncertain as necessary services may simply be delayed until a time when costs are higher or the problem becomes more severe. The rate credits stated above are "best estimates" based on the current group demographics and utilization. CARE-PLUS Dental Plans, Inc. reserves the right to re-evaluate the financial impact of any plan design changes prior to implementation.

5. For each procedure below, please indicate whether the member is responsible for the lab fees associated with major restorative work. If members are responsible for lab fees, are network dentists allowed to include a mark-up? If so, how much? Please provide the average lab fees charged to members for the following:

Code	Description	Average Lab Fee
05110	Complete upper denture	\$
05214	Lower partial – cast metal base with resin saddles	\$
02750	Crown - porcelain fused to high noble metal	\$
02790	Crown – full cast noble metal	\$

No Change

*Rates for 2004 to be based on the change in the Medical Component of the Consumer Price Index (1982-84=100). Effective January 1, 2004, the rates will reflect the annual increase as reported in August, 2003 for Milwaukee-Racine, Wisconsin + 2% except that the minimum increase will be 6% of the previous year's rates and the maximum increase will be 12% of the previous year's rates. (The second half 2001 Medical Component of the CPI for Milwaukee-Racine, Wisconsin was 268.9).

II. Rates

*Carly
Dentall*

The rates listed in sections 1 and 2 below are contingent upon the providers agreeing in writing that they will maintain the current rates offered during 2003 and 2004.

**ilwaukee
all PDP's**

1. State your proposed rates for prepaid dental services for the City on a monthly per-employee basis with the single and family rates guaranteed for twenty-four months, beginning January 1, 2003, assuming yours is one of only two PDPs.

1/1/2003-12/31/2003	Single: <u>\$ 22.96 *</u>	Family: <u>\$ 68.88 *</u>
1/1/2004-12/31/2004	Single: <u>\$ **</u>	Family: <u>\$ **</u>

*** These rates are for the current Dentacare 100 plan design. (Exhibit 8)**

**** Rates for 2004 for current Dentacare 100 plan not to exceed a 15.0% increase over 2003 rates.**

Note – Rates have been quoted without commission.

2. State your rates if yours is one of three PDPs offered.

1/1/2003-12/31/2003	Single: <u>\$ 22.96 *</u>	Family: <u>\$ 68.88 *</u>
1/1/2004-12/31/2004	Single: <u>\$ **</u>	Family: <u>\$ **</u>

*** These rates are for the current Dentacare 100 plan design. (Exhibit 8)**

**** Rates for 2004 not to exceed a 15% increase over 2003 rates.**

Note – Rates have been quoted without commission.

III. Rates

1. State your proposed rates for prepaid dental services for the City on a monthly per-employee basis with the single and family rates guaranteed for twenty-four months, beginning January 1, 2003, assuming yours is one of only two PDPs.

1/1/2003-12/31/2003	Single: <u>\$ 22.96 *</u>	Family: <u>\$ 65.77 *</u>
1/1/2004-12/31/2004	Single: <u>\$ **</u>	Family: <u>\$ **</u>

* *These rates are for the current Dentacare 100 plan design. (Exhibit 8)*

** *Rates for 2004 not to exceed a 12.0% increase over 2003 rates.*

Note – Rates have been quoted without commission.

2. State your rates if yours is one of three PDPs offered.

1/1/2003-12/31/2003	Single: <u>\$ 19.96 *</u>	Family: <u>\$ 59.88 *</u>
1/1/2004-12/31/2004	Single: <u>\$ **</u>	Family: <u>\$ **</u>

* *These rates are for the alternative TDC 111 plan (see benefit outline). These rates would also remain the same if this alternative plan design were chosen and Dentacare were 1 of 2 PDP's offered.*

** *Rates for 2004 not to exceed a 12% increase over 2003 rates.*

Note – Rates have been quoted without commission.

3. Describe how you handle continuation of coverage for terminating plan members in accord with COBRA. State whether a conversion policy for individual insurance is made available concurrent with, or after, the COBRA continuation period ends.

COBRA administration is handled by us to the extent that individuals identified by the group are flagged for the amount of extension.

4. The City wishes to have information regarding potential plan design changes with a cost containment focus that could be negotiated at a future date. Furnish a description of changes you would suggest, the reasoning behind suggesting them and the change in rate applicable to each.

To better control costs, we have proposed an alternative benefit design, the Dentacare TDC 111 plan. This plan includes cost-saving features such as a limitation on annual benefits per person and limitation and exclusion language more similar to indemnity plans. Orthodontic benefits can also be standardized with indemnity. While saving costs, these changes allow the open access to specialists and orthodontists that do not exist on current plans.

5. For each procedure below, please indicate whether the member is responsible for the lab fees associated with major restorative work. If members are responsible for lab fees, are network dentists allowed to include a mark-up? If so, how much? Please provide the average lab fees charged to members for the following:

Code	Description	Average Lab Fee
05110	Complete upper denture	\$500
05214	Lower partial – cast metal base	\$300
02750	Crown - porcelain to high noble	\$280
02790	Crown – full cast noble metal	\$250

APPENDICES

- Census – Attached file DENTAL_CENSUS.xls
- Benefit Plan Description – Attached file Blue Book.pdf
- Rates and Employee Contributions – 2002 Rate Chart.pdf
- Agreement – Attached file Dental Agreement.doc

FCW

RATES

1. State your proposed rates for prepaid dental services f per-employee basis with the single and family rates gu months, beginning January 1, 2003, assuming yours is offered.

1/1/2003-12/31/2003	Single: <u>\$22.52</u>	Family: <u>\$67.94</u>
1/1/2004-12/31/2004	Single: <u>\$24.52</u>	Family: <u>\$73.99</u>

These rates are net of commission. Any amounts to be paid as commission would need to be aded to the rates. 2004 rates are subject to completion of negotiations with our dental network.

2. State your rates if yours is one of three PDPs offered.

1/1/2003-12/31/2003	Single: <u>\$22.52</u>	Family: <u>\$67.94</u>
1/1/2004-12/31/2004	Single: <u>\$24.52</u>	Family: <u>\$73.99</u>

These rates are net of commission. Any amounts to be paid as commission would need to be aded to the rates. 2004 rates are subject to completion of negotiations with our dental network.

3. Describe how you handle continuation of coverage for terminating plan members in accord with COBRA. State whether a conversion policy for individual insurance is made available concurrent with, or after, the COBRA continuation period ends.

No Change.

4. The City wishes to have information regarding potential plan design changes with a cost containment focus that could be negotiated at a future date. Furnish a description of changes you would suggest, the reasoning behind suggesting them and the change in rate applicable to each.

We would be happy to work with the City with regard to plan design options. First Commonwealth offers a wide variety of benefit plans on both a voluntary and contributory basis. We have plans that have office visit copayments on basic and major services only. We could implement a lab fee copayment for prosthetic services. These are just two examples of ways we could reduce the City's premium rates.

5. For each procedure below, please indicate whether the member is responsible for the lab fees associated with major restorative work. If members are responsible for lab fees, are network dentists allowed to include a mark-up? If so, how much? Please provide the average lab fees charged to members for the following:

Code	Description	Average Lab Fee
05110	Complete upper denture	\$
05214	Lower partial – cast metal base with resin saddles	\$
02750	Crown - porcelain fused to high noble metal	\$
02790	Crown – full cast noble metal	\$

No Change.

CITY OF MILWAUKEE FISCAL NOTE

CC-170 (REV. 6/86)

A) DATE: July 1, 2002

FILE NUMBER: 020478
Original Fiscal Note Substitute

SUBJECT: Dental Premiums for Pre-Paid Dental Plans for 2003 with Care-Plus, DentaCare and First Commonwealth.

B) SUBMITTED BY (name/title/dept./ext.): Michael Brady/Manager/Employee Benefits/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) CHECK ONE: DEPARTMENTAL 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:	Dental service contracts for Pre-Paid Dental groups	613501-0001-1654-1613-S121	\$1,720,948		
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:

PLEASE LIST ANY COMMENTS ON REVERSE SIDE AND CHECK HERE

City Of Milwaukee

**Selection Team Recommendations Regarding
Contracts For Prepaid Dental Plans**

Willis
One Plaza East, Suite 1400
330 East Kilbourn Avenue
Milwaukee, WI 53202-3195
(414) 271-9800

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Appendices

Appendix A	Request for Proposal from Prepaid Dental Plans
Appendix B	Financial Analysis
Appendix C	Scoring Instrument

EXECUTIVE SUMMARY***What is the recommendation of the team?***

As a result of a request for proposal (RFP) process and subsequent evaluations, the Selection Team recommends the City enter into the following agreements:

1. Two-year contracts with DentalBlue, CARE-PLUS and First Commonwealth to be offered to City employees as prepaid dental plan (PDP) alternatives to the Delta Dental indemnity plan. These are the plans currently offered to City employees. These contracts will commence on January 1, 2003 and continue through December 31, 2004.

Who was on the Selection Team?

The City appointed five individuals who were responsible for conducting the evaluations, scoring the responses and agreeing upon a final recommendation concerning contracting. The City staff members on the Selection Team were:

- **Florence Dukes**, Deputy Director
Department of Employee Relations
- **Michael Brady**, Manager – Employee Benefits
Department of Employee Relations, Employee Benefits Division
- **James Michalski, CPA**, Audit Manager – Office of the Comptroller
- **Edwin Reyes**, Management and Account Officer
Department of Employee Relations, Employee Benefits Division
- **Dennis Yaccarino**, City Economist
Budget Office of the Department of Administration

Assisting the City team were the following individuals:

- **Douglas Ley**, Vice President, Willis of Wisconsin, Inc.
- **Clete Anderson**, Assistant Vice President, Willis of Wisconsin, Inc.
- **Dale Gilliam**, President, GBG, Inc.

The City retained the services of Willis and GBG, Inc. to assist in the following:

- develop a request for proposal,
- assist the City Selection Team in evaluation the written responses,
- conduct an overall financial analysis,
- assist during on-site reviews of finalists if needed, and
- draft this final report and recommendations.

HOW DID THE SELECTION TEAM REACH THIS RECOMMENDATION?***Selection Process***

The task team, in conjunction with Willis and GBG, Inc. utilized an objective process to develop an RFP, analyze responses and reach a final decision and recommendations.

The vendor selection process began with the development and distribution of an RFP. The RFP was distributed on May 6th. There are only a handful of PDPs available in Milwaukee and the City already offers three of them. It seemed possible that we would receive no proposals except from the current PDPs. The City contributes a fixed amount that employees can use to purchase a fee for service or one of three PDPs. Since the support rate the City contributes is below the cost of the plans, the City's principal goal in evaluating PDPs is to ensure that sufficient, quality cost effective dental plan choices are available to employees. Therefore, the team decided to evaluate the proposals as follows:

1. If a "new" PDP does not offer a quote, and the current PDPs have not materially changed since the last evaluation, the team will recommend maintaining the status quo. Only premium costs will change.
2. DER anticipated receiving a proposal from a "new" PDP, American Dental Professional Services, ADPS, which is owned by American Dental Partners indicated it might offer a quote.
3. The selection team will evaluate current PDPs against stated criteria to determine if a current option should be eliminated, i.e., meeting not certain financial criteria, a material change from the prior response or a publicly noted concern. The team objective? How important is it to protect the City from offering a "substandard" PDP?
4. The team will determine whether a "new" PDP should be offered by evaluating it against these criteria:
 - ⇒ Extent to which new providers are included?
 - ⇒ Are the rates more attractive, particularly if there is significant network provider overlap with other PDPs?
 - ⇒ Would offering a new PDP conflict with savings that could be obtained by reducing the number of PDP options?
 - ⇒ Use of the scoring process used to evaluate the current PDPs.
5. The team will assess whether it makes financial sense to eliminate one or more of the PDPs.
 - ⇒ Will PDPs lower rates if competitors are eliminated?
 - ⇒ Is the reduced cost worth the possible provider/patient disruption caused by eliminating a PDP?
6. The Team would determine estimated financial impact of new rate structure and selected bidders on City. The City might only receive quotations from the PDPs

Selection Team Recommendations Regarding Contracts For Prepaid Dental Plans

currently offered. Therefore the evaluation of current PDPs would focus on ensuring they would provide quality service and care as well as provide access that was not materially different than currently provided to city employees.

If a PDP not currently offered were to provide a quote the evaluation would focus on the benefits that would accrue to city employees by offering an additional option.

Assigning Decision Criteria

On May 29th the Select Team met with Willis and GBG Inc. to finalize the following evaluation criteria:

1. Determine appropriate criteria to exclude a PDP that is currently offered.
 - ⇒ Substandard response
 - ✓ Financial status
 - ✓ Network
 - ✓ Quality
 - ✓ Responses to new questions
2. Determine criteria to offer a "new" PDP.
 - ✓ Does the new PDP offer providers not in the current networks?
 - ✓ Does the new PDP offer rates that are lower than the current ones, particularly if there is significant network provider overlap with existing options?
 - ✓ Would offering a new PDP conflict with savings that could be obtained by reducing the number of PDP options?
 - ✓ If the new PDP meets these criteria, then review the new PDP's proposal utilizing the scoring process used in 1999 to determine whether there are any other reasons to not accept proposal.
3. Determine the criteria to assess whether the number of PDPs offered should be reduced.
 - ⇒ Cost
 - ✓ Will PDPs lower rates if fewer are offered?
 - ✓ Is the reduced cost worth the possible provider/patient disruption caused by eliminating a PDP? When do the needs of the many outweigh the needs of few? For example, should one PDP with 15% of City employees be eliminated to reduce cost for the 85% enrolled in the other PDPs?

Proposal Analysis

Proposals were received from the three current PDPs as well as from ADPS. However, shortly after submitting their proposal, a representative from ADPS called and stated that ADPS would have to withdraw their proposal. They had discovered that offering their plan to the City would be in contractual conflict with many of their providers who were part of the old Smileage

program. Given this withdrawal, the team's analysis reverted to reviewing the rates and determining whether it would make financial or other sense to eliminate a current PDP.

WHY DOES THE TEAM RECOMMEND DENTALBLUE, CARE-PLUS AND FIRST COMMONWEALTH AS THE PDPs FOR CITY EMPLOYEES?

The Selection Team recommends accepting the DentalBlue, CARE-PLUS and First Commonwealth proposals. These are the plans offered to City employees as the alternatives to the indemnity plan administered by Delta Dental. There is no reason to eliminate any PDP for qualitative reasons, and none of the PDPs would reduce their rates in any meaningful amount if another PDP were dropped that would have justified reducing choice to employees.

Employees have to contribute toward the cost of all dental choices. This results from the City's support rates being less than the rates of all of the options offered. This means the choice of final vendors and the rates they quote do not have economic impact to the City, but it does for employees.

Appendix B contains a rate summary outlining the total rates and the implications to employees of the quoted rates for the years 2003 and 2004.

The rates for Care-Plus will increase 13.8% for 2003. The rate increase for 2004 is based on medical CPI +2%, with a minimum increase of 6% and a maximum increase of 12%. There was no difference in their rates if they were one of two or one of three PDPs offered.

The First Commonwealth rates will increase 19.1% for 2003. Their 2004 rates were guaranteed at 8.9% higher than the 2003 rates. There was no difference in their rates if the number of choices was limited to one of two or one of three PDPs.

DentalBlue increased their rates 7.3% for 2003 if they were one of two PDPs and 11.3% if one of three PDPs. Their 2004 rate increase is guaranteed to not exceed 12% over the 2003 rates. The small differential DentalBlue quoted did not offer sufficient savings to employees to warrant eliminating another PDP.

DentalBlue's original proposal only offered the current benefit plan if DentalBlue were one of two PDPs. For one of three PDPs, DentalBlue proposed a reduced benefit plan that had lower premiums and therefore lower employee contributions. The selection team concluded that this revised benefit plan was not in accordance with the City's uniform benefit policy. Thus, this proposal was deemed unacceptable. DentalBlue was asked to provide a quote for the current benefit plan for one of three PDPs, to which they complied.

The remainder of this document provides additional information on the selection process.

OTHER BACKGROUND INFORMATION

Selection Team Recommendations Regarding Contracts For Prepaid Dental Plans

The City of Milwaukee has approximately 7,500 active employees who are eligible to enroll in dental coverage. The City provides both single and family coverage. City of Milwaukee retirees are not eligible for dental coverage except as provided by COBRA.

The City offers all employees an opportunity to select a dental plan before the start of each year. The City has a freestanding, fee-for-service dental plan in which roughly 3,000 employees are enrolled. The remaining 4,500 employees are enrolled in one of three PDPs. The fee-for-service dental plan is administered by Delta Dental and WPS through a joint venture. This plan is funded on a fully insured basis. The three PDPs offered are CARE-PLUS, DentalBlue and First Commonwealth and are fully insured as well.

The contracts of the PDPs will expire on January 1, 2003 and the relationships with the three PDPs have not been evaluated in four years so the City decided to re-evaluate those plans.

The City contributes its "support rate" toward dental coverage for its employees. The support rate is \$13.00 per month single and \$37.50 per monthly family. Participating employees are responsible for the difference between PDP or indemnity plan premiums and the employer support rates. Dental coverage is offered to all City employees who are eligible for fringe benefits.

Advisors

To assist in the evaluation process, the City retained Willis of Wisconsin. As with most professional services contracts for the City, approximately 20% was allocated on a subcontracted basis to a minority business enterprise. GBG, Inc., a minority business enterprise, has an ongoing relationship with Willis and assisted in the evaluation process. Willis and GBG are being compensated on a fee basis for their work on this project.

Evaluation Process Summary

Representatives of Willis and GBG, Inc. met with City Selection team to discuss methods that could be employed to obtain competitive quotations, evaluate the responses and make a final recommendation concerning contracting.

Since the recommended contracts are for a two-year period beginning January 1, 2003, it was essential that the evaluation process be objective, ensure a level playing field and select the best possible vendors.

Based on discussions, Willis, GBG, Inc. and the team decided the following steps would best meet the objectives of the evaluation process.

- Step 1 Development of critical selection factors
- Step 2 Develop request for proposal (RFP) documents
- Step 3 Development of evaluation approach and weights
- Step 4 Evaluate responses
- Step 5 Select finalists

Selection Team Recommendations Regarding Contracts For Prepaid Dental Plans

Step 6 Interview finalists (if necessary)

Step 7 Make a final determination and recommendation

Because of budget constraints, the City does not have significant staff to devote to the administration of these programs. The vendors involved in providing services for the PDP programs work closely with members of The Department Of Employee Relations on a day-to-day basis. To ensure the final recommendation regarding vendors would meet the diverse needs of a wide variety of stakeholders within The Department Of Employee Relations, the recommendations contained in this report were not developed by any one individual.

It was the team's responsibility to oversee the entire process, evaluate the proposals and reach the final recommendations outlined in this report. Please see the section entitled "Selection Team" on page 3 for a list of the individuals who participated in this process and in the development of recommendations.

Develop Critical Selection Factors

This information allowed us to clearly articulate to other prospective vendors the service attributes the City would require on an ongoing basis. These factors were:

1. Low cost compared to other vendors.
2. Ability to deliver quality services.
3. Completeness of written report.
4. Confirmation of full compliance with the City Contract.

Develop RFP Document

Willis assisted in developing a draft RFP to the City.

The draft RFP included questions utilized in past evaluation processes completed by the City, as well as encompassing additional questions. These additional questions were designed to elicit the necessary information to make judgments regarding how well a particular vendor would meet the critical selection factors and needs articulated by the City.

The questions were designed to elicit information regarding how well prospective and existing vendors manage their business and finances in order to satisfy the due diligence requirements. Willis worked with the City's Selection Team to identify and collect the necessary information to include with the RFP for vendors to determine their financial and service terms. The RFP included the following historical information:

- Open enrollment communications for both prepaid dental.
- Administrative service agreements the City requires for prepaid dental.
- Census information for prepaid dental.

At the conclusion of this step, the City was provided with a final copy of the RFP in an electronic format for distribution.

Concurrently Willis worked with the City's selection committee to identify vendors that met the requirements of the City that, in the opinion of Willis and the City team, would be qualified to provide a response. Please see the section entitled "Vendor List" for a list of the vendors that were sent the RFP. RFP documents and supporting information were distributed to all vendors on May 6, 2002. Responses were due back from vendors by June 4, 2002.

Develop Evaluation Approach and Weights

After issuing the RFP, the staff of Willis met with the City's selection committee to further discuss and finalize the method that would be used to evaluate the responses as well as to determine the relative weights to be assigned to the qualitative and quantitative responses to the RFP for evaluation purposes. This meeting was held on May 29, 2002.

The RFP outlined the following evaluation process:

- Willis would perform an evaluation of the financial terms and provide a summary of the qualitative response.
- Each member of the evaluation team would review and score the written responses to the RFP according to a predetermined scoring tool.
- Willis and GBG, Inc. would provide technical support to members of the Selection Team in evaluating the written responses. In addition, scores to the written responses to the RFP will be tabulated and summarized by Willis.
- The financial implications of administrative fees would be evaluated by a process where the lowest vendor overall financially will receive the highest possible score. Scores for the remaining vendors will be determined utilizing the following formula:
Score = (maximum score x [lowest cost] / vendor cost)
- Based on a composite evaluation of the financial terms and the project team's evaluation of the written responses to this RFP, two or more finalists will be selected.
- If necessary, finalists will be interviewed and/or have their operations toured. During these tours, finalists will be subjected to a consistent set of predetermined questions.
- A final recommendation and selection will be based on the weighted scores of the evaluation team as follows:
 - Written response scores
 - Financial response scores
 - Input from finalist interviews

Since the three vendors currently offered responses to a similar RFP 3 years ago, they were asked to provide any material updates to their proposal. The Selection Team decided the relative values for the evaluation would be the same as used in 1999.

The Selection Team decided it would be best to evaluate the written responses to the RFP on a group basis off-site. This approach would allow for focused and uninterrupted evaluation of the vendor proposals and technical guidance on demand from Willis and GBG, Inc.

Evaluate Qualitative and Quantitative Responses

Proposals were due from vendors on June 4, 2002. By that date, the following proposals were received.

- American Dental Professional Services (ADPS)
- CARE-PLUS
- DentalBlue
- First Commonwealth

Willis immediately began a quantitative analysis of the financial responses to the RFP. On June 11, 2002, the City Selection Team met at Willis to review in detail each of the written responses to the RFP. During those meetings Willis presented the preliminary analysis of the quantitative responses. Since there were no new PDPs, the analysis focused on whether there was a reason, financial or otherwise, to eliminate a current PDP. There was no need to perform the qualitative scoring of the written proposals.

Scoring of Responses and Selection of Finalists

Selection Team deemed it unnecessary to score the written responses or select finalists since no new PDPs provided quotes. Therefore, only financial terms were evaluated and scored.

Onsite Review

The City Selection Team deemed it unnecessary to conduct onsite evaluations of the PPD program vendors.

Vendor List

The number of PDPs in the Milwaukee area is limited. RFPs were sent to the three incumbent PDPs as well as one new one.

CARE-PLUS Dental Plans, Inc.
11711 W. Burleigh Street
Wauwatosa, WI 53222

DentalBlue
20855 Watertown Road
Waukesha, WI 53186

First Commonwealth
111 E. Kilbourn Avenue, Suite 1800
Milwaukee, WI 53202

American Dental Professional Services (ADPS)

Selection Team Recommendations Regarding Contracts For Prepaid Dental Plans

9052 North Deerbrook Trail
Milwaukee, WI 53223



Appendix A Request for Proposal - Prepaid Dental Plans

RFP appendices have not been included as part of this report because of their size. If you would like to review any appendix, you can obtain a copy from The Department of Employee Relations.

City of Milwaukee
Request for Proposal –
Prepaid Dental Plans

Prepared by:

Willis of Wisconsin, Inc.
One Plaza East, Suite 1400
330 East Kilbourn Avenue
Milwaukee, WI 53202-3195
(414) 271-9800

I. GENERAL INFORMATION

BACKGROUND

The City of Milwaukee has approximately 7,300 active employees who are eligible to enroll in dental coverage. The City provides access to both single and family coverage. City of Milwaukee retirees are not eligible for dental coverage except as provided by COBRA.

The City work force is organized into 19 bargaining units, each of which negotiates a collective bargaining agreement with the City. In addition, there are approximately 1,150 unrepresented employees of which approximately 950 employees are categorized as management.

The City offers all employees an opportunity to select one of four dental plans each year. The City has a fee-for-service dental plan in which roughly 3,000 employees are enrolled. The remaining employees are enrolled in one of three prepaid dental plans. The fee-for-service dental plan is administered by WPS/Delta Dental. The fee-for-service dental plan is funded on a fully insured basis. The three prepaid dental plans (PDPs) currently offered are Care-Plus, DentalBlue and First Commonwealth.

The contracts of the current PDPs will expire on January 1, 2003. The relationship with the three PDPs has not been evaluated in three years. As a result, the City is requesting proposals from the PDPs. It is anticipated the successful vendors will be the sole option(s) to the existing indemnity program for the 24-month period running from January 1, 2003 through December 31, 2004. The fee-for-service plan is not being evaluated at this time. The initial open enrollment period will occur in October 2002 for a January 1, 2003 effective date. The subsequent open enrollment will occur in the fall of 2003 for a January 1, 2004 effective date.

Willis and GBG, Inc. have been retained to help develop this RFP and to assist with the evaluation of responses. The finalists will be determined according to several factors:

1. Low cost compared to other bidders;
2. Ability to deliver quality services;
3. Completeness of written responses to this request; and
4. Confirmation of full compliance with the attached City contract.

The amount the City contributes, its "support rate," toward dental coverage for its employees varies and is determined by the collective bargaining process. The current support rate is \$13.00 per month single and \$37.50 per monthly family. Participating employees are responsible for the difference between PDP or indemnity plan premiums and the employer support rates.

Dental coverage is offered to all City employees who are eligible for fringe benefits. Benefits available for most employees are determined through collectively bargained arrangements. It is not anticipated that the insured funding or plan designs of the

prepaid or indemnity dental programs will change during the time period for which resources are sought.

INTENT

The City is seeking a stable business relationship with its PDPs. The actual number selected will be based on how well the PDPs perform against the selection criteria. To assist you in preparing a competitive rate, The Appendices contains information regarding the number of procedures performed for City plan members by major dental category and demographic data.

The City is committed to maximizing the value of its dental care expenditures on behalf of its employees. The goal is to continue offering the current high level of benefits in a "managed care environment." Critical selection factors will include how well your organization can demonstrate the ability to:

- Manage utilization and expenses,
- Enhance the quality/efficiency of care,
- Provide convenient access for City plan members, and
- Supply data reports to support future rate changes and demonstrate the effectiveness of utilization management.

DUE DATE FOR PROPOSAL

To be considered by the City, 10 copies of your proposal must be received no later than Thursday, May 30, 2002 by 4:30 p.m. Proposal should be sent or delivered to:

Mr. Michael J. Brady, Manager
 Employee Benefits Manager
 Department of Employee Relations
 Employee Benefits Division
 Room 701, City Hall
 200 East Wells Street
 Milwaukee, Wisconsin 53202-3554

Project Timetable:

Distribution of RFP	May 6
Responses Due to the City	May 30
Analysis of Responses	May 31- June 7
Selection of Finalists, Interview, and Discussion of Contract Terms	June 21- June 28
Recommendation at Finance and	July 11

Personnel Committee Meeting	
Recommendation at Common Council Meeting	July 16
Notification of Final Decision	July 16
Program Implementation	August through December

Proposals received after the due date will not be considered and will be returned unopened.

BENEFIT CONSIDERATIONS

You should duplicate the plan of benefits that you offer to the City today. If you propose any changes they must be clearly identified in your response.

Census information included with this RFP shows the number of participants in each option. Please refer to the cost quotation questionnaire section of this proposal for further details as to how to present your financial terms as well as assumptions to use in preparing your response.

DEVIATIONS

It is recognized that the PDP may not be able to respond to each and every detail of this RFP. It is not the intent to cause disqualification of an otherwise favorable proposal on the basis of a technicality. Therefore, if you are substantially able to meet the requirements of this RFP, you are requested to submit your proposal detailing your deviations in the Statement of Compliance (page 20). However, if a proposal is not responsive to the RFP, the City reserves the right to reject that proposal.

CONTRACT AND CONTRACT DATES

The Appendices contains the agreement the City expects each PDP to agree to and sign, in addition to the standard contract each PDP utilizes. Bidders are asked to carefully review the document and address any concerns/deviations in the Statement of Compliance. The City will not make substantial changes to the contract.

Awards for the contract will be for the two-year period commencing January 1, 2003 and ending December 31, 2004. The City does not intend to seek proposals until 2005.

At any time when changes in the plan of benefits or servicing requirements are needed, such changes shall be made in writing and incorporated into the contract. Under no circumstances shall the PDP change the benefit plan, interpretation of benefit

provisions, legislative interpretations or any part of the agreement without written request to and subsequent written approval of the City.

WILLIS REMUNERATION

Please delete all commissions from your quoted premium rates or, if no rate credit is given by foregoing commissions, state the amounts which would be payable to Willis as agent of record.

Quoted rates must include all costs. Clearly indicate whether your rates remain the same whether commission is paid to Willis or not.

RIGHT TO AUDIT

The City reserves the right to audit the financial and non-financial records of the PDP and its providers as they relate to the dental plans whenever the City deems appropriate. This may include on-site clinical audits of selected providers. Such audits may be performed by City personnel or by outside auditors selected by the city.

CLAIM RECORD RETENTION

The insurance company will be required to maintain all claim records for seven years from the date a claim is closed.

In the event of termination, the selected insurer must agree to transfer to the City of Milwaukee or another party as designated by the City, within thirty days of notification, all required data and records necessary to administer the plan. This data would include but not be limited to the following:

- List of covered employees
- List information regarding historical claim payments
- Dental records

ADDITIONAL INFORMATION

Any additional questions regarding these specifications may be directed to:

Mr. Michael J. Brady, Manager
Employee Benefits Manager
Department of Employee Relations
Employee Benefits Division
Room 701, City Hall

200 East Wells Street
Milwaukee, Wisconsin 53202-3560

Phone: (414) 286-2317
Fax: (414) 286-2106
E-mail: mbrady@ci.mil.wi.us

If selected, you will prepare the contracts, certificate of insurance booklets, necessary administrative forms, enrollment forms, summary plan descriptions and other materials as quickly as possible. The successful insurer will be expected to bear the cost of installation of appropriate administrative systems, billing, preparing and producing contracts, certificates, administrative manuals, and enrollment forms, maintaining and determining eligibility information, and communicating with employees.

Enrollment materials will be distributed in October 2002 for the year 2003 enrollment. Vendors are expected to bear the full cost of printing and a proportionate cost of the preparation and mailing of open enrollment materials. If unable to comply with all of these expectations, please elaborate in your response.

NON - DISCRIMINATION REQUIREMENTS

The City is committed to affirmative action in accordance with State and Federal law and regulations providing for equal employment opportunity. The City will refuse to contract with any firm that has not evidenced its own commitment as an equal opportunity employer through the development of an affirmative action policy. The respondent agrees to provide such evidence to the City upon request.

Prior to contracting, the selected insurance carrier will be required to certify compliance with the following:

- I. In all hiring or employment made possible by or resulting from this agreement, there:
 - A. Will not be any discrimination against any employee or applicant for employment because of age, handicap, marital status, race, color, sexual orientation, religion, sex, national origin, ancestry, or lawful sources of income; and
 - B. Affirmative action will be taken to ensure that applicants are employed and that employees are treated during employment without regard to their age, handicap, marital status, race, color, religion, sexual orientation, sex, national origin, ancestry, or lawful sources of income.

This requirement shall apply to but not be limited to the following:

- A. Employment, upgrading, demotion or transfer, recruitment or recruitment advertising, lay-off or termination, rates of pay or other forms of compensation, and selection for training including apprenticeship.
 - B. There shall be posted in conspicuous places available to employees and applicants for employment, notices required to be provided by federal or state agencies involved setting forth the provisions of the clause.
 - C. All solicitations or advertisements for employees shall state that all qualified applicants will receive consideration for employment without regard to age, handicap, marital status, race, color, religion, sexual orientation, sex, national origin, ancestry, or lawful sources of income.
- II. The plan agrees that they will comply with applicable requirements of the Americans with Disability Act of 1990. 42 U.S.C. 12102, etc. seq.

You must agree to cause the foregoing provisions to be inserted in all subcontracts, if any, for any work covered by this agreement so that such provisions shall be binding upon each subcontractor, provided that the foregoing provisions shall not apply to contracts or subcontracts for standard commercial supplies or raw materials.

EVALUATION PROCESS

Willis and GBG, Inc. are assisting the City with this RFP. A final recommendation and selection will be made by the following process.

The City has identified a project selection team. This team of City employees, with the support of Willis, will be responsible for the evaluation of vendors responding to this RFP. The analysis and selection will adhere to the following steps:

- Each member of the evaluation team will review and score the written responses to the RFP according to a predetermined scoring tool.
- Willis will analyze the financial terms and provide a summary of the qualitative aspects of the RFP.
- Willis will tabulate scores to the written responses to the RFP.
- The financial terms of your response will be evaluated by a process where the lowest vendor overall financially will receive the highest possible score. Scores for the remaining vendors will be determined utilizing the following formula:

$$\text{Score} = (\text{number responding} \times [\text{lowest cost}] \setminus \text{vendor cost})$$

-
- Based on a composite evaluation of the financial terms and the project team's evaluation of the written responses to this RFP finalists will be selected.
 - Finalists may be interviewed and/or have their operations toured. During these tours, finalists will be asked a consistent set of questions. Each member of the evaluation team will independently score response to these questions.
 - A final recommendation and selection to offer one or more of your plans will be based on the weighted scores of the evaluation team with respect to the following:
 - ⇒ Scores regarding written responses to the proposal
 - ⇒ Scores regarding financial response
 - ⇒ Scores regarding finalist interviews
 - ⇒ Advantage of reducing the number of options offered

During the entire process Willis will provide technical support, as well as tabulation of the responses and assistance in drafting a recommendation to the City Common Council. The City Common Council reserves the final right to contract with any or none of the respondents.

II. QUESTIONNAIRE

There are two questionnaires in this RFP; "Prior Questionnaire" that is duplicated from the 1998 RFP, and "New Questions."

To reduce the amount of work needed on this RFP, you do not need to write a full response to every question in the Prior Questionnaire. If your response today is same as it was in 1998, simply state in this response "No change." If you think there is a material change in your response please provide it.

Please provide a copy of your prior questionnaire response as well as the current version. If you do not have a copy of your prior response please contact Michael Brady.

Please be sure to answer all of the questions in the New Questions section.

NEW QUESTIONS

1. Despite efforts to contain dental costs they continue to rise. Please explain why you think that costs are rising and describe the steps you have taken, and plan to take, to better manage costs.
2. Please describe the steps you have taken, and plan to take, to take advantage of technology to communicate with and educate plan participants.
3. Please describe your customer service capabilities and why you believe they are superior.
4. Please provide examples of your standard data reports, as well as describe your ability to provide meaningful utilization data, sufficiently privacy-protected, in an electronic format.
5. Please describe why your plan is superior to others.
6. Please provide a copy of your most recent financial statement.
7. Please describe current rates and future renewal rates will be calculated, including whether the rates are based solely on the City's experience, what the loss ratio for the City's plan has been, the expense and profit loads in the rates as well as any other pertinent information.

PRIOR QUESTIONNAIRE

(Only respond on questions for which there is a change from your response to the prior RFP, otherwise indicate "No Change").

CHARACTERISTICS OF THE ORGANIZATION

1. State the dates when the Prepaid Dental Plan (PDP) received approval from the State Office of the Commissioner of Insurance (OCI) for the Milwaukee operation.
2. State the start date of the first employer enrollment in your Milwaukee operation.
3. Describe the ownership of the PDP for all parties who own 5% or more.

<u>Name/Affiliation</u>	<u>% Owned</u>
_____	_____
_____	_____
_____	_____
_____	_____

4. Provide an organizational chart of the PDP management structure and include resumes of all department heads and officers.
5. If any staff is unionized, state the name of the union and the expiration date of the current contract.
6. State the primary reasons why a dentist should participate in your network and what are the advantages of your delivery system as compared to your local competitors.
7. State the primary advantages which your approach and network has over "traditional" fee-for-service dentistry
8. Summarize the primary reasons why the City should choose to offer your dental network.
9. Detail your enrollment history for the Milwaukee operation.

	Actual			Projected	
	1/00	1/01	1/02	1/03	1/04
Commercial Members*					
Employer Groups**					

Lost Employer***					
------------------	--	--	--	--	--

- * Average number of employees excluding dependents.
- ** Association plans of multiple employers should be counted as one employer here.
- *** When the PDP has been notified that an employer is freezing current enrollment (i.e., not allowing new enrollees) or terminating the relationship altogether.

PROVIDER NETWORK

1. For each zip code within the City limits, state the number of network dentists that would be available for City of Milwaukee employees. On a separate list, do the same for other network dentists with the metropolitan area but outside the City.
2. Detail the number of full-time equivalent (FTE)* dentists for your Milwaukee operation.

	Actual			Projected	
	1/00	1/01	1/02	1/03	1/04
Network Dentists					
Terminated Network Dentists**					
Service Locations					
Terminated Service Locations**					

- * A full-time equivalent (FTE) is defined as one dentist working a "normal" full time work week of 45 to 55 hours.
- ** State the applicable number that terminated in the preceding 12 months.

3. Describe the major reasons why individual dentists have left your Milwaukee network. Explain the historical and anticipated trends or management goals in this regard.
4. For each facility provide the following expressed as full-time equivalent staff as defined in 1 and 2:

Name/Zip Code	Hours of Operation			Number of Specialists					
	Mon-Fri Ofc. Hrs.	Night Hours	Sat. Hours	Gen'l. Dent.	Period ontic	Pedio dontic	Prosthodontic	Oral Surg.	Orthodontic

5. Detail the formal criteria used to screen dentists applying for admission to your network. (For example, credential verification, on-site inspections of each dental practice, etc.)
 - a. Large dental clinics
 - b. Solo dentists
 - c. Specialty dentists
6. For each type list above, how many applicants were not credentialed since January 2000, i.e., not accepted into the network. Describe the reasoning and characteristics of those determined not to fit your standards.
7. Provide a sample copy of your contractual agreements for network providers.
8. Will you accept enrollment and election information from the City via Electronic medium in any format so long as the needed information is present?
9. Will you allow the City to self-report monthly premium payments?

COVERAGE AND PRICING

1. Your proposal for prepaid dental services must provide benefit levels identical to those currently offered.
2. Provide sample copies for your Milwaukee operation of your:
 - a. marketing packet for members;
 - b. membership card;
 - c. new member packet;
 - d. member certificate /contract.
3. State your policy or procedure required of members to be covered for the following services. Provide both criteria and maximum benefit available for each.
 - a. In-area emergency services.
 - b. Out-of-area emergency services.
 - c. Services for students living out-of-area.
4. State your recent rate history (average for your Milwaukee employers):

Average Rate Change	1/99	1/00	1/01	1/02
% change	%	%	%	%

OPERATIONAL METHODS

1. Describe the methods used to pay major dental groups in your Milwaukee network by completing the following. Write "N/A" if not applicable to any of your providers. Exclude all off-network emergency care from the percentages you complete.

	Percent of Payments From the PDP		
	General Dentistry	Orthodontics	Special Dentistry
a. Capitation*	%	%	%
b. Discount off regular charges**	%	%	%
c. Negotiated fee schedule** and	%	%	%
• No holdback	%	%	%
• 10% or less holdback	%	%	%
• 11-20% holdback	%	%	%
• More than 20% holdback	%	%	%
d. Percent of Premium	%	%	%
e. Other (explain)			
TOTAL	<u>100%</u>	<u>100%</u>	<u>100%</u>

In addition to completing the table, state whether all network dentists are contractually bound to make referrals within the network and all applicable exceptions for off-network referrals. In addition, please describe how funds for services rendered by specialists are held and distributed. Also state how and when providers are paid for the services they provide.

- * Describe how the capitation amount is determined and if there are any bonus arrangements.
- ** State whether a maximum usual and customary level (U&C) is applied before the discount value is determined and the current amount of discount. State whether the base for applying the listed discount is:
 - a) each dentist's normal billed charges,
 - b) the usual and customary level set as a maximum,
 - c) a predetermined schedule of fees applicable to all network dentists.

2. Detail the major components of the utilization management program for your Milwaukee network. List the PDP initiatives, receptivity and involvement of the dental groups, dentists and regularity of meetings focusing on specific cases.
3. Provide a sample utilization management report that the PDP regularly provides to the dentists and dental groups.
4. Describe ongoing quality assurance procedures and meetings conducted by the (a) the PDP and (b) the dental groups. Please furnish examples of recent quality analysis reports you have prepared.
5. Is an annual review made by the PDP (or other contracted firm) of a sufficient representative sample of dental charts to verify that proper results are being achieved for:

	Each Dental Group	Each Major Specialty
a. Clinical competence and appropriateness		
b. Continuity and follow-up		
c. Completeness and legibility of documentation		

8. Is there a formal mechanism in place to handle member and provider grievances? (Is the quality assurance proactive or reactive based on complaints?) Provide a profile of the number and types of grievances filed in the prior 12 months.
9. Is there written evidence of the minutes of periodic PDP or board meetings that the quality assurance and utilization review practices are adhered to and effective in:
 - a. Detecting over and under utilization.
 - b. Frequency of care.
 - c. Quality of work.
 - d. Patient satisfaction.
 - e. Referrals to specialists.
 - f. Compiling, analyzing and reporting utilization data.
10. What is the maximum period of time a patient should be expected to wait for:
 - a. A non-emergency appointment.
 - b. An emergency appointment.
11. What is the average time a patient should be expected to wait for:
 - a. A non-emergency appointment.
 - b. An emergency appointment.

12. What happens if appointments run over the scheduled time. How is this performance managed and monitored.
13. Describe the procedure(s) for emergency treatment. Are dental generalists and/or specialists available for emergencies outside regular office hours?
14. Describe the coordination of benefit (COB) process in place to coordinate payment should a plan member be eligible for coverage under another dental plan. State your savings achieved for COB as a percent of total premium.
15. Describe the types of services you expect your general practitioners to provide or to limit their involvement and refer to specialists. What services do specialists provide? How does the referral process work? What occurs when a general practitioner does specialty services or refers patients to specialists for work they should be doing?
18. Please provide the details of the practice guidelines your PDP utilizes for the following:
 - a. The frequency with which bite wing x-rays should be taken;
 - b. Criteria for the use and application of sealants (age, frequency, teeth, etc.);
 - c. Criteria for the use of topical fluoride applicants;
 - d. Criteria for performing bacteriological studies, caries susceptibility and histopathological exams.

FINANCIALS

1. Provide full copies of your reporting statements previously sent to the State for the year ending December 31, 2001.
2. Describe the safeguards and insurance against insolvency and the contractual protection for members incurring services.
3. Do your provider contracts state that individual members will not be held financially liable in the event the PDP denies, delays or fails to pay for covered services.
4. Briefly describe the nature and size of pending legal actions against your plan that may affect your financial statements or those of your participating dentists.
5. Data to support financial performance and effective utilization management are important to the City. Please review the report formats included in The Appendices and confirm your ability to furnish this information on a quarterly basis. In addition, please provide examples of additional reports you would be able to furnish the City.

ACCOUNTABILITY/PERFORMANCE

1. State whether the PDP has been audited by any state, federal or independent agencies, the date and circumstances. What was the outcome of those audits?
2. List the top five employer groups in the private sector currently enrolled in your Milwaukee operation.

Name of Group	Number Enrollees	Start Date	Contact Person & Title

3. Describe your regular channels for upward communication by plan members with PDP management.

	Frequency	Conducted Internally	Conducted by External Firm
a. Written survey			
b. Telephone Survey			
c. Focus Groups			
d. Logs of telephone inquiries			
e. Logs of written complaints			
f. Survey of terminating members			
g. Survey of benefit /personnel managers			

4. Will the PDP contractually agree to indemnify and hold harmless the employer from any legal claims arising from the provision of services (or failure to provide services) by the PDP or its contracted providers?
5. What organization is responsible for claims payment if applicable? Is it different for in-network and out-of-network services or providers?
6. How quickly are "clean claims" paid from time of receipt in the PDPs offices?
7. What percent of all claims received are paid within 30 days?
8. What is the average time of payment for out-of-network emergency claims (if applicable)?

STATEMENT OF COMPLIANCE

Please submit as a part of your proposal the following statement:

We hereby acknowledge receipt of the RFP for Prepaid Dental Plans for the City of Milwaukee. We have reviewed the City's required agreement (as included in the RFP), report formats and questionnaires and we certify that our proposal conforms to this RFP and that we can agree to the City's agreement except as detailed below.

Organization

Signature

Date

Title

III. Rates

RATES

1. State your proposed rates for prepaid dental services for the City on a monthly per-employee basis with the single and family rates guaranteed for twenty-four months, beginning January 1, 2003, assuming yours is one of only two PDPs offered.

1/1/2003-12/31/2003	Single: \$ _____	Family: \$ _____
1/1/2004-12/31/2004	Single: \$ _____	Family: \$ _____

2. State your rates if yours is one of three PDPs offered.

1/1/2003-12/31/2003	Single: \$ _____	Family: \$ _____
1/1/2004-12/31/2004	Single: \$ _____	Family: \$ _____

3. Describe how you handle continuation of coverage for terminating plan members in accord with COBRA. State whether a conversion policy for individual insurance is made available concurrent with, or after, the COBRA continuation period ends.
4. The City wishes to have information regarding potential plan design changes with a cost containment focus that could be negotiated at a future date. Furnish a description of changes you would suggest, the reasoning behind suggesting them and the change in rate applicable to each.
5. For each procedure below, please indicate whether the member is responsible for the lab fees associated with major restorative work. If members are responsible for lab fees, are network dentists allowed to include a mark-up? If so, how much? Please provide the average lab fees charged to members for the following:

Code	Description	Average Lab Fee
05110	Complete upper denture	\$ _____
05214	Lower partial – cast metal base with resin saddles	\$ _____
02750	Crown - porcelain fused to high noble metal	\$ _____
02790	Crown – full cast noble metal	\$ _____

APPENDICES

- Census – Attached file DENTAL_CENSUS.xls
- Benefit Plan Description – Attached file Blue Book.pdf
- Rates and Employee Contributions – 2002 Rate Chart.pdf
- Agreement – Attached file Dental Agreement.doc



Appendix B Financial Analysis

Prepaid Dental Plans
Rate Comparison

EMPLOYEE CONTRIBUTIONS

	CARE-PLUS			DENTALBLUE			FIRST COMMONWEALTH			TOTAL		
	1 of 2 PDPs	1 of 3 PDPs	1 of >3 PDPs	1 of 2 PDPs	1 of 3 PDPs	1 of >3 PDPs	1 of 2 PDPs	1 of 3 PDPs	1 of >3 PDPs	1 of 2 PDPs	1 of 3 PDPs	1 of >3 PDPs
2002												
Single		\$8.09			\$6.59				\$8.66			
Family		\$18.58			\$25.23				\$18.58			
Total Annual Contributions		\$340,409.52			\$182,998.44				\$360,151.20			\$883,559.16
2003												
Single	\$10.20	\$10.20	\$10.20	\$9.96	\$9.96	\$9.96	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52
Family	\$26.59	\$26.59	\$26.59	\$28.27	\$31.38	\$31.38	\$30.44	\$30.44	\$30.44	\$30.44	\$30.44	\$30.44
Total Annual Contributions	\$479,426.04	\$479,426.04	\$479,426.04	\$217,289.16	\$235,986.48	\$235,986.48	\$562,484.16	\$562,484.16	\$562,484.16	\$1,259,199.36	\$1,277,896.68	\$1,277,896.68
Increase over 2002												
Single	\$2.11	\$2.11	\$2.11	\$3.37	\$3.37	\$3.37	\$0.86	\$0.86	\$0.86			
Family	\$8.01	\$8.01	\$8.01	\$3.04	\$6.15	\$6.15	\$11.86	\$11.86	\$11.86			
Total Annual Increase	\$139,016.52	\$139,016.52	\$139,016.52	\$34,290.72	\$52,988.04	\$52,988.04	\$202,332.96	\$202,332.96	\$202,332.96	\$375,640.20	\$394,337.52	\$394,337.52
	29.0%	29.0%	29.0%	15.8%	22.5%	22.5%	36.0%	36.0%	36.0%	29.8%	30.9%	30.9%
2004												
Minimum												
Single	\$11.59	\$11.59	\$11.59	\$9.96	\$9.96	\$9.96	\$11.52	\$11.52	\$11.52	\$11.52	\$11.52	\$11.52
Family	\$30.44	\$30.44	\$30.44	\$28.27	\$31.38	\$31.38	\$36.49	\$36.49	\$36.49	\$36.49	\$36.49	\$36.49
Total Annual Contributions	\$548,293.08	\$548,293.08	\$548,293.08	\$217,289.16	\$235,986.48	\$235,986.48	\$674,915.76	\$674,915.76	\$674,915.76	\$1,440,498.00	\$1,459,195.32	\$1,459,195.32
Increase over 2003												
Single	\$1.39	\$1.39	\$1.39	\$0.00	\$0.00	\$0.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00
Family	\$3.85	\$3.85	\$3.85	\$0.00	\$0.00	\$0.00	\$6.05	\$6.05	\$6.05	\$6.05	\$6.05	\$6.05
Total Annual Increase	\$68,867.04	\$68,867.04	\$68,867.04	\$0.00	\$0.00	\$0.00	\$112,431.60	\$112,431.60	\$112,431.60	\$181,298.64	\$181,298.64	\$181,298.64
	14.4%	14.4%	14.4%	0.0%	0.0%	0.0%	20.0%	20.0%	20.0%	12.6%	12.4%	12.4%
Maximum												
Single	\$12.98	\$12.98	\$12.98	\$12.72	\$12.72	\$12.72	\$11.52	\$11.52	\$11.52	\$11.52	\$11.52	\$11.52
Family	\$34.28	\$34.28	\$34.28	\$36.16	\$39.65	\$39.65	\$36.49	\$36.49	\$36.49	\$36.49	\$36.49	\$36.49
Total Annual Contributions	\$617,160.12	\$617,160.12	\$617,160.12	\$277,830.98	\$298,771.98	\$298,771.98	\$674,915.76	\$674,915.76	\$674,915.76	\$1,569,906.86	\$1,590,847.86	\$1,590,847.86
Increase over 2003												
Single	\$2.78	\$2.78	\$2.78	\$2.76	\$2.76	\$2.76	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00
Family	\$7.69	\$7.69	\$7.69	\$7.89	\$8.27	\$8.27	\$6.05	\$6.05	\$6.05	\$6.05	\$6.05	\$6.05
Total Annual Increase	\$137,734.08	\$137,734.08	\$137,734.08	\$60,541.92	\$62,785.50	\$62,785.50	\$112,431.60	\$112,431.60	\$112,431.60	\$310,707.50	\$312,951.18	\$312,951.18
	28.7%	28.7%	28.7%	27.9%	26.6%	26.6%	20.0%	20.0%	20.0%	19.8%	19.7%	19.7%

Prepaid Dental Plans
Rate Comparison

CITY CONTRIBUTIONS

	CARE-PLUS			DENTALBLUE			FIRST COMMONWEALTH			TOTAL	
	1 of 2 PDPs	1 of 3 PDPs	1 of >3 PDPs	1 of 2 PDPs	1 of 3 PDPs	1 of >3 PDPs	1 of 2 PDPs	1 of 3 PDPs	1 of >3 PDPs	1 of 2 PDPs	1 of >3 PDPs
2002		\$668,358.00			\$287,226.00			\$700,452.00			\$1,656,036.00
2003	\$668,358.00	\$668,358.00	\$668,358.00	\$287,226.00	\$287,226.00	\$287,226.00	\$700,452.00	\$700,452.00	\$700,452.00	\$1,656,036.00	\$1,656,036.00
2004	\$668,358.00	\$668,358.00	\$668,358.00	\$287,226.00	\$287,226.00	\$287,226.00	\$700,452.00	\$700,452.00	\$700,452.00	\$1,656,036.00	\$1,656,036.00

Enrollment	Care-Plus	DentalBlue	Commonwealth	ADPS	Total
Single	468	396	492	0	1,356
Family	1,323	501	1,386	0	3,210
Total	1,791	897	1,878	0	4,566

Support Rates	
Single	\$13.00
Family	\$37.50



Appendix C Qualitative Scoring Instrument

Prepaid Dental Plans Proposal Scoring

COMPOSITE SCORES

QUALITATIVE	CARE-PLUS	DENTALBLUE	FIRST COMMONWEALTH	ADPS	Weight
A. CHARACTERISTICS OF THE ORGANIZATION	#DIV/01	#DIV/01	#DIV/01	#DIV/01	5%
B. PROVIDER NETWORK	#DIV/01	#DIV/01	#DIV/01	#DIV/01	30%
C. COVERAGE AND PRICING	#DIV/01	#DIV/01	#DIV/01	#DIV/01	5%
D. OPERATIONAL METHODS	#DIV/01	#DIV/01	#DIV/01	#DIV/01	40%
E. FINANCIALS	#DIV/01	#DIV/01	#DIV/01	#DIV/01	5%
F. ACCOUNTABILITY/PERFORMANCE	#DIV/01	#DIV/01	#DIV/01	#DIV/01	5%
G. NEW QUESTIONNAIRE RESPONSE	#DIV/01	#DIV/01	#DIV/01	#DIV/01	5%
H. STATEMENT OF COMPLIANCE	#DIV/01	#DIV/01	#DIV/01	#DIV/01	5%
COMPOSITE QUALITATIVE SCORE	#DIV/01	#DIV/01	#DIV/01	#DIV/01	100%

QUANTITATIVE	CARE-PLUS	DENTALBLUE	FIRST COMMONWEALTH	ADPS	Weight
					100%

TOTAL COMPOSITE SCORE

SCORING RESULTS	CARE-PLUS	DENTALBLUE	FIRST COMMONWEALTH	ADPS	Weight
QUALITATIVE	#DIV/01	#DIV/01	#DIV/01	#DIV/01	70%
QUANTITATIVE	0.0	0.0	0.0	0.0	30%
TOTAL COMPOSITE SCORE	#DIV/01	#DIV/01	#DIV/01	#DIV/01	100%

Prepaid Dental Plans Proposal Scoring

MIKE BRADY

QUALITATIVE	CARE-PLUS	DENTALBLUE	FIRST COMMONWEALTH	ADPS	Weight
A. CHARACTERISTICS OF THE ORGANIZATION					5%
B. PROVIDER NETWORK					30%
C. COVERAGE AND PRICING					5%
D. OPERATIONAL METHODS					40%
E. FINANCIALS					5%
F. ACCOUNTABILITY/PERFORMANCE					5%
G. NEW QUESTIONNAIRE RESPONSE					5%
H. STATEMENT OF COMPLIANCE					5%
COMPOSITE QUALITATIVE SCORE	0.0	0.0	0.0	0.0	100%

FLORENCE DUKES

QUALITATIVE	CARE-PLUS	DENTALBLUE	FIRST COMMONWEALTH	ADPS	Weight
A. CHARACTERISTICS OF THE ORGANIZATION					5%
B. PROVIDER NETWORK					30%
C. COVERAGE AND PRICING					5%
D. OPERATIONAL METHODS					40%
E. FINANCIALS					5%
F. ACCOUNTABILITY/PERFORMANCE					5%
G. NEW QUESTIONNAIRE RESPONSE					5%
H. STATEMENT OF COMPLIANCE					5%
COMPOSITE QUALITATIVE SCORE	0.0	0.0	0.0	0.0	100%

JIM MICHALSKI

QUALITATIVE	CARE-PLUS	DENTALBLUE	FIRST COMMONWEALTH	ADPS	Weight
A. CHARACTERISTICS OF THE ORGANIZATION					5%
B. PROVIDER NETWORK					30%
C. COVERAGE AND PRICING					5%
D. OPERATIONAL METHODS					40%
E. FINANCIALS					5%
F. ACCOUNTABILITY/PERFORMANCE					5%
G. NEW QUESTIONNAIRE RESPONSE					5%
H. STATEMENT OF COMPLIANCE					5%
COMPOSITE QUALITATIVE SCORE	0.0	0.0	0.0	0.0	100%

Prepaid Dental Plans Proposal Scoring

ED REYES

QUALITATIVE	CARE-PLUS	DENTALBLUE	FIRST COMMONWEALTH	ADPS	Weight
A. CHARACTERISTICS OF THE ORGANIZATION					5%
B. PROVIDER NETWORK					30%
C. COVERAGE AND PRICING					5%
D. OPERATIONAL METHODS					40%
E. FINANCIALS					5%
F. ACCOUNTABILITY/PERFORMANCE					5%
G. NEW QUESTIONNAIRE RESPONSE					5%
H. STATEMENT OF COMPLIANCE					5%
COMPOSITE QUALITATIVE SCORE	0.0	0.0	0.0	0.0	100%

DENNIS YACCARINO

QUALITATIVE	CARE-PLUS	DENTALBLUE	FIRST COMMONWEALTH	ADPS	Weight
A. CHARACTERISTICS OF THE ORGANIZATION					5%
B. PROVIDER NETWORK					30%
C. COVERAGE AND PRICING					5%
D. OPERATIONAL METHODS					40%
E. FINANCIALS					5%
F. ACCOUNTABILITY/PERFORMANCE					5%
G. NEW QUESTIONNAIRE RESPONSE					5%
H. STATEMENT OF COMPLIANCE					5%
COMPOSITE QUALITATIVE SCORE	0.0	0.0	0.0	0.0	100%

DALE GILLIAM (NOT INCLUDED IN COMPOSITE SCORE)

QUALITATIVE	CARE-PLUS	DENTALBLUE	FIRST COMMONWEALTH	ADPS	Weight
A. CHARACTERISTICS OF THE ORGANIZATION					5%
B. PROVIDER NETWORK					30%
C. COVERAGE AND PRICING					5%
D. OPERATIONAL METHODS					40%
E. FINANCIALS					5%
F. ACCOUNTABILITY/PERFORMANCE					5%
G. NEW QUESTIONNAIRE RESPONSE					5%
H. STATEMENT OF COMPLIANCE					5%
COMPOSITE QUALITATIVE SCORE	0.0	0.0	0.0	0.0	100%

DOUG LEY (NOT INCLUDED IN COMPOSITE SCORE)

QUALITATIVE	CARE-PLUS	DENTALBLUE	FIRST COMMONWEALTH	ADPS	Weight
A. CHARACTERISTICS OF THE ORGANIZATION					5%
B. PROVIDER NETWORK					30%
C. COVERAGE AND PRICING					5%
D. OPERATIONAL METHODS					40%
E. FINANCIALS					5%
F. ACCOUNTABILITY/PERFORMANCE					5%
G. NEW QUESTIONNAIRE RESPONSE					5%
H. STATEMENT OF COMPLIANCE					5%
COMPOSITE QUALITATIVE SCORE	0.0	0.0	0.0	0.0	100%

**LONG TERM
DISABILITY**
Insurance Rates for
Active Employees

2003

Recommendation: The City of Milwaukee received five responses to the RFP for LTD vendors. The Department of Employee Relations recommends the City enter a new three-year contract with Standard Insurance to continue providing Long-Term Disability services.

This contract will not require a rate increase. The contract will keep the current 2002 rates for Long Term Disability insurance in place through 2003, 2004 and 2005.

Fiscal Note for contract: attached

Report from Willis: Selection Team Recommendations Regarding Contract for LTD attached

CITY OF MILWAUKEE FISCAL NOTE

CC-170 (REV. 6/86)

A) DATE: July 1, 2002

FILE NUMBER: 020478
Original Fiscal Note Substitute

SUBJECT: Long Term Disability Insurance Services for 2003 with Standard Insurance

B) SUBMITTED BY (name/title/dept./ext.): Michael Brady/Manager/Employee Benefits/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) CHECK ONE: DEPARTMENTAL 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:	Long Term Disability Insurance	661001-001-1654-1513-S101	\$562,000		
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:

PLEASE LIST ANY COMMENTS ON REVERSE SIDE AND CHECK HERE

City Of Milwaukee

**Selection Team Recommendations Regarding
Contracts For Long Term Disability Insurance**

Willis
One Plaza East, Suite 1400
330 East Kilbourn Avenue
Milwaukee, WI 53202-3195
(414) 271-9800

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Appendices

Appendix A	Request for Proposal for Long Term Disability Insurance
Appendix B	Financial Analysis
Appendix C	Scoring Instrument
Appendix D	Oral Interview Scoring Instrument

EXECUTIVE SUMMARY

What is the recommendation of the team?

As a result of a request for proposal (RFP) process and subsequent evaluations, the Selection Team recommends the City enter into the following agreement:

1. A three-year contract with Standard Insurance to be offered to City employees as the long term disability (LTD) plan. Standard Insurance is the incumbent carrier. The contract will commence on January 1, 2003 and continue through December 31, 2005.

Who was on the Selection Team?

The City appointed five individuals who were responsible for conducting the evaluations, scoring the responses and agreeing upon a final recommendation concerning contracting. The City staff members on the Selection Team were:

- **Florence Dukes**, Deputy Director
Department of Employee Relations
- **Michael Brady**, Manager – Employee Benefits
Department of Employee Relations, Employee Benefits Division
- **James Michalski, CPA**, Audit Manager – Office of the Comptroller
- **Edwin Reyes**, Management and Account Officer
Department of Employee Relations, Employee Benefits Division
- **Dennis Yaccarino**, City Economist
Budget Office of the Department of Administration

Assisting the City team were the following advisors:

- **Douglas Ley**, Vice President, Willis of Wisconsin, Inc.
- **Clete Anderson**, Assistant Vice President, Willis of Wisconsin, Inc.
- **Dale Gilliam**, President, GBG, Inc.

The City retained Willis and GBG, Inc. to assist with the following:

- ✓ develop a request for proposal,
- ✓ assist the City Selection Team in evaluation the written responses,
- ✓ conduct an overall financial analysis,
- ✓ assist during on-site reviews of finalists, and
- ✓ draft this final report and recommendations.

Willis and GBG, Inc. have worked with the City's Long Term Disability Insurance Program since its inception on January 1, 1997.

HOW DID THE SELECTION TEAM REACH THIS RECOMMENDATION?

Evaluation Process

There are many carriers that offer LTD who might be interested in insuring the City's program. It was estimated that the team would send RFPs to 20 carriers. The team concluded that the most effective process to evaluate a possible large number of responses would be to proceed as follows:

1. All responses would be evaluated first on the quoted premium cost. Since there is a City paid and employee paid portion, a weight between the employer and employee cost should be set using weights equal to the portion paid by the City and the employees.
2. The 5 lowest bidders would be selected.
3. Each of the 5 lowest responses will be evaluated via "cause to exclude" criteria established by the team. Carriers must be rated at A- or better to be acceptable, and the team may include additional criteria such as poor disability management process, no local representative, or not guaranteeing rates for three years.
4. If a carrier is eliminated based on #3 above the next lowest cost response would be included and subject to the same "cause to exclude" criteria until 5 carriers are selected.
5. The selected five carriers would be subject to a comprehensive evaluation of the written responses and the financial terms.
6. If necessary, the selected carriers may be subject to oral interviews.
7. The carrier with the highest overall score would be awarded the contract.

RFP's were distributed May 7th. On May 29th the Selection Team met to finalize the evaluation process as well as the relative weights to be used in scoring the responses and oral interviews. Upon receipt of the proposals Willis analyzed the financial terms to identify the five (5) lowest bidders.

Scoring

After the lowest 5 responses were selected, each written response was independently evaluated and scored by each member of the Selection Team using a numeric scoring process. The evaluation of the written responses was overseen and coordinated by Willis and GBG, Inc. These organizations provided technical input and support in interpreting responses as well as assisting the Selection Team in understanding the technical aspects and capabilities of the various vendors. Willis or GBG, INC did not influence the final scores.

A copy of the scoring instrument can be found in Appendix C.

A numeric scoring process was used to provide objective comparisons of the financial terms, written proposals and oral interviews of the finalist carriers.

Relative weights were assigned by the Selection Team to the three major categories above as follows:

- 50% - Quantitative - the relative cost of financial terms.
- 40% - Qualitative – the ability of the carrier to meet the City's critical section factors based on each vendor's response to the Questionnaire.
- 10% Oral Interview – the effectiveness of the carrier's capabilities presentation.

These are the same weights that were used in the evaluation of the carriers when the LTD selection process was completed in 1996. These weights were chosen reflecting the fact that rates are important, but that qualitative aspects, such as service and disability management – helping disabled employees return to work productive status quickly, are important as well. Here is how each of those area's was evaluated.

Quantitative

The carrier with the lowest rates for the employer-paid LTD coverage would be assigned the highest score, a seven. The other carriers would be assigned scores based on the ratio of their rates to the lowest rates. The same would be done for the employee paid coverage. The combined quantitative score would be based on a weighted average of the two scores, with 90% weight given to the employer-paid score and 10% to the employee paid score. The 90/10 ratio was based on the average historical split between the employer and employee-paid LTD. This step was included in the event that there were any unusual relativity between employer and employee-paid rates that may skew the final results.

Qualitative

A copy of the qualitative scoring instrument can be found in Appendix C.

The team would evaluate the five finalists' written proposals. The scoring would be on a scale of 1-7, with 1 being the lowest score and 7 the highest. There were eight major categories in the qualitative scoring, corresponding to the categories found in the questionnaire in the RFP. Each category was assigned a weight of 1/8, or 12.5 %.

Oral Interviews

The Team would listen to the finalists respond to a predetermined set of questions. All questions were weighted equally by the Selection Team. Each response was scored on a scale of 1-7, with 1 being the lowest score and 7 the highest.

A copy of the oral interview scoring instrument can be found in Appendix D.

After the quantitative and qualitative steps were complete, the composite scores of five finalists would be compiled. Depending on the results, the team would decide whether oral interview would be needed to complete the analysis – scores are close enough to warrant the interview - and if so, which carriers would be interviewed.

Finalists whose scores so far could not mathematically be brought up to the other finalists by the interview would be excluded. The selection team would interview the carriers chosen. The scoring would be on a scale of 1-7, with 1 being the lowest score and 7 the highest. The interview scores would be added to the quantitative and qualitative scores based on the weights above to produce the combined final scores and determine the carrier selected.

RFP

A copy of the request for proposal can be found in Appendix A. Attachments to the RFP are not included because of their size but can be obtained from DER if desired.

The RFP was designed to accomplish these primary goals:

- ✓ Lay out for bidders the specific needs and requirements of the City for its LTD plan, such as the benefit design, servicing needs, timetables and the like.
- ✓ Provide the data the bidders needed to prepare responses.
- ✓ Ask questions of the bidders to elicit responses that the Selection Team would use to evaluate the carriers and determine which is the best response for the City.
- ✓ Provide a common platform to assure uniformity of responses of the carriers.
- ✓ Assure an objective process that treats all bidders equally and results in selecting the best carrier for the City.

The Process

RFPs Initial Analysis

The RFP with attachments was e-mailed to 20 carriers on May 7, 2002. A list of the carriers can be found in the Vendor Solicitation section of this report. These carriers were chosen because of their capability in LTD. Carriers asked questions and made additional information requests, which is common. The response to any question or request was sent to all carriers, not just the carrier making the request. Responses were due back by May 30.

Six carriers responded to the RFP. The remaining carriers chose not to quote, which is not an uncommon occurrence. The six respondents were:

- ✓ Aetna US Healthcare
- ✓ CIGNA
- ✓ CNA
- ✓ National Insurance Services
- ✓ Standard Insurance (the incumbent)
- ✓ UNUMPROVIDENT Corporation

A financial analysis was done on the proposals of these six respondents to determine possible finalists. The rates quoted by UNUMProvident were the highest, and were "illustrative only",

requiring administration of the City STD program (there is no City short term disability program). UNUMProvident was informed in writing that its proposal was non-responsive. This left five respondents. Their proposals were reviewed to determine if there were any reasons to exclude any of these carriers based on the process to exclude described earlier. All five passed this review, including being financially sound by being rated A- or better, and were included as finalists. As was the practice in the evaluation process in 1996, Willis and GBG, Inc. are to be compensated via commission paid by the selected insurance carrier.

To ensure a level playing field, all carriers were instructed to quote initial rates net of commission. Once responses were received an equal commission equivalent to the amount paid in prior years would be added back to each respondent's rates.

CNA quoted the lowest rates for both City-paid and employee-paid coverages, approximately 8% below current rates for both the City and employee paid coverages. CIGNA and Standard duplicated current rates. National Insurance Services and Aetna were 20% and 22% higher than current rates, respectively. All carriers' rates are guaranteed for 3 years. Assigning the top score of 7 to CNA produced the following quantitative scores:

- Aetna US Healthcare: 5.2
- CIGNA: 6.4
- CNA: 7.0
- National Insurance Services: 5.4
- Standard Insurance: 6.4

Qualitative Review

On June 11, 2002 the Selection team, Willis and GBG met at Willis to perform the qualitative analysis of the five finalists' written proposals. A copy of the qualitative scoring instrument can be found in Appendix C. There were eight primary qualitative categories in the RFP questionnaire. The Selection Team read the questions and carrier responses for a category, discussed the respective responses and then each member gave a score from 1-7 for the category for each carrier. The process was repeated for each category. Willis tabulated those scores, facilitated the discussion and provided answers to questions raised by the Selection Team. A copy of the scoring instrument can be found in Appendix C.

The composite qualitative scores were as follows:

- Aetna US Healthcare: 5.1
- CIGNA: 5.1
- CNA: 5.0
- National Insurance Services: 4.8
- Standard Insurance: 5.6

The combined quantitative/qualitative scores, based on weighting described above, were:

- Aetna US Healthcare: 4.65
- CIGNA: 5.13
- CNA: 5.28
- National Insurance Services: 4.54
- Standard Insurance: 5.37

Based on these scores, the Selection Team concluded that National Insurance Services' and Aetna US Healthcare's scores were far enough behind the top three that an oral interview would not be necessary to eliminate them. CIGNA was also eliminated at this point because it came in third in the scoring, quoted higher rates than CNA, received a lower qualitative score than Standard, the incumbent, and the 10% weight of the oral interview would simply not be enough to make up the difference. CNA and Standard were chosen as finalists for the oral interviews and were informed that they would be given this opportunity.

Oral Interviews

The Selection Team held the oral interviews of CNA and Standard Insurance at City Hall on June 17, 2002. A copy of the interview scoring instrument can be found in Appendix D. The composite oral interview scores on a scale of 1-7 with 7 being best were as follows:

- CNA: 5.28
- Standard Insurance: 5.37

The final composite scores for these two carriers, including the oral interview were:

- CNA: 5.84
- Standard Insurance: 5.95

Why does the team recommend Standard Insurance as the LTD carrier for City employees?

The Selection Team recommends accepting the Standard Insurance proposal by virtue of earning the highest combined score. Standard has done a fine job of its servicing of the City's LTD program over the last 5 years.

OTHER BACKGROUND INFORMATION

The City of Milwaukee has approximately 4,000 active employees who are eligible for LTD. The City provides Basic coverage with a 180 waiting period. Employees, at their option, are allow to "buy down" the waiting period, typically using the their accrued sick day balance to determine the best buy down option.

The LTD contract will expire on January 1, 2003. The relationship has not been evaluated in six years. Given these facts, the City decided to re-evaluate the plan.

To assist in the evaluation process, the City retained the professional expertise of Willis. As with most professional services contracts for the City, approximately 20% was allocated on a subcontracted basis to a minority business enterprise. GBG, Inc., a minority business enterprise, has an ongoing relationship with Willis and assisted in the evaluation process.

Evaluation Process Summary

To perform a rigorous and proper evaluation of its LTD plans, the City, in conjunction with Willis and GBG, Inc. undertook the following process.

Representatives of Willis and GBG, Inc. met with select representatives of The Department Of Employee Relations at the City Of Milwaukee to discuss various methods that could be employed to develop a process to obtain competitive quotations, evaluate the responses and make a final recommendation concerning contracting.

Since the recommended contracts are for a three-year period beginning January 1, 2003, it was essential that an objective evaluation process be objective, ensure a level playing field and select the best possible vendors.

Based on discussions, Willis, GBG, Inc. and The Selection Team decided the following steps would best meet the objectives of the evaluation process.

- Step 1 Development of critical selection factors
- Step 2 Develop request for proposal (RFP) document
- Step 3 Development of evaluation approach and weights
- Step 4 Evaluate responses
- Step 5 Select finalists
- Step 6 Interview finalists (if necessary)
- Step 7 Make a final determination and recommendation

Because of budget constraints, the City does not have significant staff to devote to the administration of these programs. The vendors involved in providing services for the LTD programs work closely with members of The Department Of Employee Relations on a day-to-day basis. To ensure the final recommendation regarding vendors would meet the diverse needs of a wide variety of stakeholders within The Department Of Employee Relations, the recommendations contained in this report were not developed in isolation by any one individual.

The City selected five staff members to be on the team. It was this group's responsibility to oversee the entire process, evaluate the proposals and reach the final recommendations outlined in this report. Please see the selection entitled "Selection Team" on page 3 for a list of the team members.

The following sections provide further detail regarding each stop undertaken to complete the evaluation process, and reach the recommendations outlined in this document.

Development of Critical Selection Factors

This information allowed us to clearly articulate to other prospective vendors the service attributes the City would require on an ongoing basis.

These factors were how well each bidder could demonstrate the ability to:

- Manage utilization and expenses,
- Enhance the quality/efficiency of care for disabled employees,
- Provide prompt claim payment for City plan members, and,
- Supply data reports to support future rate changes and demonstrate the effectiveness of disability management,
- Provide assistance to claimants in applying for Social Security disability benefits, and
- Promptly manage claimants' expectations regarding their conditions following disability and provide rehabilitation services and support designed to return employees to productive status.

Develop RFP Document

Based on information obtained during the critical selection factors step, Willis assisted in developing and providing a draft RFP to the City.

The draft RFP included questions utilized in past evaluation processes completed by the City, as well as encompassing additional questions. These additional questions were designed to elicit the necessary information to make judgments regarding how well a particular vendor would meet the critical selection factors and needs articulated by the City.

Finally, the questions were designed to elicit information regarding how well prospective and existing vendors manage their business and finances in order to satisfy the due diligence requirements. Willis worked with the City's Selection Team to identify and collect the necessary information to include with the RFP for vendors to determine their financial and service terms. The RFPs included the following historical information:

- Census and experience data.
- Administrative service agreements the City requires for LTD.
- LTD summary plan descriptions.

At the conclusion of this step, the City was provided for distribution a final copy of the RFP and attachments in an electronic format.

Concurrently Willis worked with the City's selection committee to identify vendors that met the requirements of the City that, in the opinion of Willis and the City team, would be qualified to provide responses. Please see the section entitled "Vendor Solicitation" list of the vendors that were sent the RFP. RFP documents and supporting information were distributed to all vendors on May 6, 2002. Responses were due back from vendors by June 4, 2002.

Develop Evaluation Approach and Weights

After issuing the RFPs, the staff of Willis met with the City's selection committee to further discuss and finalize the method that would be used to carry out the evaluation process outlined in the RFP. In addition, another purpose of the meeting was to determine the relative weights to be assigned to the qualitative and quantitative responses to the RFP for evaluation purposes. This meeting was held on May 29, 2002.

Willis and GBG, Inc. are assisting the City with this RFP. A final recommendation and selection will be made by the following process.

The City has identified a project evaluation team comprised of City employees. This team, with the support of Willis/GBG, Inc., will be responsible for the evaluation of vendors responding to this RFP. The analysis and selection will adhere to the following steps:

- Proposals will be initially evaluated based on a financial basis. A limited number of finalists will be chosen based on their financial responses.
- Each member of the evaluation team will review and score the written responses to the RFP of the finalists according to a predetermined scoring tool that focuses on qualitative aspects of the responses.
- If one of the finalists selected on the basis of the financial terms fails to satisfactorily meet the non-financial or qualitative critical selection factors they may, at the request of the evaluation team, be eliminated as a finalists and the bidder providing the next lowest financial terms added in their place.
- Willis will compile a summary of the financial and qualitative aspects of the RFP provided by the selected finalists.
- Willis will tabulate scores to the written responses to the RFP.
- The financial terms of your response will be evaluated by a process where the lowest vendor overall financially will receive the highest possible score. Scores for the remaining vendors will be determined utilizing the following formula:

Score = (number responding x [lowest cost] \ vendor cost)

- Based on a composite evaluation of the financial terms and the project team's evaluation of the written responses to this RFP a select group of respondents will be chosen for further review.
- Finalists may be interviewed and/or have their operations toured. During these tours/interviews, finalists will be asked a consistent set of questions. Each member of the evaluation team will independently score response to these questions.

- A final recommendation and selection will be based on the weighted scores of the evaluation team with respect to the following:
 - ⇒ Scores regarding written responses to the proposal
 - ⇒ Scores regarding financial response
 - ⇒ Scores regarding finalist interviews

During the entire process Willis/GBG, Inc. will provide technical support, as well as tabulation of the responses and assistance in drafting a recommendation to the City Common Council. The City Common Council reserves the final right to contract with any or none of the respondents.

The evaluation team discussed the approach and worked to select a relative value for the financial terms vendors versus the relative value for the qualitative aspects of their written responses and service capabilities. This process is outlined on Page 4 of this document.

The weights set for the LTD evaluation can be found in the scoring instrument in Appendix C.

The Selection Team decided it would be best to evaluate the written responses to the RFP off-site. This approach would allow for focused and uninterrupted evaluation of the vendor proposals and technical guidance on demand from Willis and GBG, Inc.

Advisor Remuneration

As consistent with past practice, Willis and GBG, Inc. are being compensated on a commission basis for their participation in the LTD selection. As an added measure to avoid any conflict of interest of carrier selection and advisor compensation, the carriers were instructed to quote their rates without commissions. Once bids were received an identical commission amount would be added to each carriers quoted rates. This commission of 3% is intended to be consistent with the amount paid by the current carrier.

Vendor List

Willis worked with the Selection Team to identify vendors that would be qualified to respond to the City's RFP.

These carriers were sent the LTD RFP:

AIG

Rich Ranju
1000 East Woodfield Road
Schaumburg, IL 60173
Phone: 847-517-6019
Fax: 847-517-7437
Email: ranju.rich@aig.com

Aetna US Healthcare

Ken Wexler
100 N. Riverside Plaza
Chicago, IL 60606
Phone: 312-928-3653
Fax: 312-928-3122
Email: wexlerk@aetna.com

Canada Life

John Cook
325 N. Corporate Dr. Suite 250
Brookfield, WI 53045
Phone: 866-898-8010 ext. 1
Fax: 262-792-1255
Email: john_cook@canadalifeus.com

CIGNA Group Insurance

Kelly O'Donnell
Route Code 1385
525 W. Monroe St., Ste.1800
Chicago, IL 60661
Phone: 312-648-2335
Fax: 312-648-4796
Email: kelly.o'donnell@cigna.com

CNA Insurance Company

Dan Lynch
CNA Plaza, 22 West
Chicago, IL 60685
Phone: 800-362-1852 or 312-822-7742

Fax: 312-817-3329
Email: daniel.lynch@cna.com

Fortis Insurance Company

Ed Rapee
Fortis Benefits Insurance Company
2025 Swenson Dr., Ste. 850
Waukesha, WI 53186
Phone: 262-798-0280 ext.630
Fax: 262-798-0290
Email: edward.rapee@us.fortis.com

The Guardian

Rich Robinson
111 E. Kilbourn Ave., Ste. 1800
Milwaukee, WI 53202
Phone: 414-203-4104
Fax: 414-221-9815
Email: Richard_D_Robinson@glic.com
ALL Quotes to: GPC_milwaukee@glic.com

Jefferson-Pilot

Andy Hulett
425 Martingale Rd., Ste. 1550
Schaumburg, IL 60172
Phone: 800-847-5852 ext. 14
Fax: 847-413-9150
Email: andy.hulett@jpfinancial.com

John Hancock

David Cooke
Greenspoint Office Park
2800 W. Higgins Rd., Ste. 305
Hoffman Estates, IL 60195
Phone: 708-310-3016
Fax: 708-310-0451

Liberty Mutual

Beth Greifenkamp
15700 West Bluemound Road
P.O. Box 0915
Brookfield, WI 53008-0915
Phone: 262-782-9500, 800-242-5838
Fax: 262-782-5682

Email: elizabeth.greifenkamp@libertymutual.com

MetLife

One Plaza East
330 East Kilbourn Avenue, Suite 1010
Milwaukee, WI 53202-3178
414-272-5850
Bill Hughes
Email: whughes@metlife.com

National Insurance Services

Stephanie Laudon
250 South Executive Drive
Brookfield, WI 53005
Phone: 262-785-9995, 800-627-3660
Fax: 262-785-9269
Email: slaudon@nis-sif.com

Principal Financial

Jim Kramer
2401 N. Mayfair Rd., Ste. 309
Milwaukee, WI 53226
Phone: 414-777-4773, ext. 3032
Fax: 414-777-4774
Email: kramer.jim@principal.com

The Prudential Ins. Co. of America

Alan Carkner
440 S. LaSalle St., Ste. 3600
Chicago, IL 60605
Phone: 312-542-
Fax: 312-542-3050
Email: alan.carkner@prudential.com

Reliance Standard

Bob Weier
1100 East Woodfield Road Suite 105
Schaumburg, IL 60173
Phone: 847-517-1550
Fax: 847-517-1561
Email: robert.weier@rsli.com

Standard Insurance

Christine Pawlak

Standard Insurance Company

Chicago Group Office (*9540)
300 N Martingale Rd., Suite 160
Schaumburg, IL 60173
p 847/517-9462
f 847/240-2449
Email: cpawlak@standard.com

Trustmark Insurance Company

Douglas Arnold
400 Field Drive
Lake Forest, IL 60045
Phone: 800-977-8077
Fax: 847-615-3907
Email: dougarnold@trustmarkins.com

UWG

Mick Burns
12695 W. National Ave.
New Berlin, WI 53151
Phone: 262-787-7436
Fax: 262-787-7651
Email: michael.burns@cobalt-corp.com

UNUMProvident

Judy D. Allison
500 Elm Grove Rd., Ste. 201
Elm Grove, WI 53122
Phone: 262-641-4140
Fax: 262-641-4150
Email: jdallison@unum.com

Wausau Benefits

Martin D. Flower
Phone: 414- 410-5407
Fax:
Email: Marty.Flower@WausauBenefits.Com



Appendix A Request for Proposal for Long Term Disability Insurance

Because of their size, RFP appendices have not been included with this report. If you would like to review any appendix you can obtain a copy from The Department of Employee Relations.

City of Milwaukee
Request for Proposal –
Long Term Disability Insurance

Prepared by:

Willis of Wisconsin, Inc.
One Plaza East, Suite 1400
330 East Kilbourn Avenue
Milwaukee, WI 53202-3195
(414) 271-9800

I. GENERAL INFORMATION

BACKGROUND

The City of Milwaukee has approximately 3,000 active employees who are eligible to enroll in LTD coverage. LTD coverage is not offered to all City employees. For example, Police, Fire and Sanitation employees do not have LTD. Retirees are not eligible for LTD coverage.

The City provides a base LTD benefit with a 180 day elimination period and allows employees to “buy down” the waiting period. A copy of the plan SPD can be found in the appendices. The LTD plan is funded on a fully insured basis. The LTD plan carrier is Standard Life, and has been so since the inception of the LTD plan in 1997.

The current LTD contract will expire on January 1, 2003. The relationship with Standard has not been evaluated in five years. As a result, the City is requesting proposals from the LTD Carrier the 36-month period running from January 1, 2003 through December 31, 2005. It is not anticipated that the insured funding or plan designs of the LTD program will change during the time period for which rates are sought. In addition, it is not expected that coverage will be extended to employee groups that are not currently covered.

The enrollment in one of the employee-paid optional plans for a January 1, 2003 effective date will not be a special “open” enrollment but will be subject to the enrollment rules found in the SPD.

Willis and GBG, Inc. have been retained to develop this RFP and to assist with the evaluation of responses. The finalists will be determined according to several factors:

- A. Low cost compared to other bidders;
- B. Ability to deliver quality services;
- C. Completeness of written responses to this request; and
- D. Confirmation of full compliance with the attached City contract.

INTENT

As demonstrated through the duration of the relationship with the current carrier Standard, the City is seeking a stable long-term business relationship with its LTD carrier.

The City is committed to maximizing the value of its LTD expenditures on behalf of its employees. The goal is to continue offering the current high level of

benefits in a "managed disability environment." Critical selection factors will include how well your organization can demonstrate the ability to:

- Manage utilization and expenses,
- Enhance the quality/efficiency of care for disabled employees,
- Provide prompt claim payment for City plan members, and
- Supply data reports to support future rate changes and demonstrate the effectiveness of disability management,
- Provide assistance to claimants in applying for Social Security disability benefits, and
- Promptly manage claimants' expectations regarding their conditions following disability and provide rehabilitation services and support designed to return employees to productive status.

DUE DATE FOR PROPOSAL

To be considered by the City, 10 copies of your proposal must be received no later than Thursday, May 30, 2002 by 4:30 p.m. Proposal should be sent or delivered to:

Mr. Michael J. Brady, Manager
Employee Benefits Manager
Department of Employee Relations
Employee Benefits Division
Room 701, City Hall
200 East Wells Street
Milwaukee, Wisconsin 53202-3554

Project Timetable:

Distribution of RFP	May 7
Responses Due to the City	May 30
Analysis of Responses	May 31- June 7
Selection of Finalists, Interview, and Discussion of Contract Terms	June 21- June 28
Recommendation at Finance and Personnel Committee Meeting	July 11
Recommendation at Common Council Meeting	July 16

Notification of Final Decision	July 16
Program Implementation	August through December

Proposals received after the due date will not be considered and will be returned unopened.

BENEFIT CONSIDERATIONS

You should duplicate the City 's LTD benefits. You may, at your discretion, include benefit provisions that are more liberal than current. If so, please indicate this clearly in your proposal. However, please keep in mind the City wishes to offer a program that is cost effective.

In preparing your response recognize that many covered individuals will be eligible to receive other sources of income that will offset benefits payable under the City's LTD program. Primarily these other sources of income result from either accumulated sick balances that exceed the 180-day elimination period or duty disability or service based pension disability benefits.

The census included with this RFP includes accumulated sick pay balances. Eligibility for duty disability or service based pension disability benefits cannot be provided on a participant-by-participant basis.

DEVIATIONS

It is recognized that you may not be able to respond to each and every detail of this RFP. It is not the intent to cause disqualification of an otherwise favorable proposal on the basis of a technicality. Therefore, if you are substantially able to meet the requirements of this RFP, you are requested to submit your proposal detailing your deviations in the Statement of Compliance. However, if a proposal is not responsive to the RFP, the City reserves the right to reject that proposal.

CONTRACT AND CONTRACT DATES

The Appendices contain the agreement the City expects the LTD carrier to agree to and sign, in addition to the standard contract each LTD carrier utilizes. Bidders are asked to carefully review the document along with the current level

of benefits and address any concerns/deviations in the Statement of Compliance. The City cannot allow substantial changes to the contract.

Awards for the contract will be for the three-year period commencing January 1, 2003 and ending December 31, 2005. The City does not intend to seek proposals until at least the latter part of 2005.

At any time when changes in the plan of benefits or servicing requirements are needed, such changes shall be communicated in writing and incorporated into the contract. Under no circumstances shall the LTD carrier change the benefit plan, interpretation of benefit provisions, legislative interpretations or any part of the agreement without written request to and subsequent written approval of the City.

Quoted rates must include all related to the program except commission as outlined in the following section.

WILLIS REMUNERATION

Willis and GBG, Inc. will be remunerated for this project and ongoing support for the duration of the contract via commissions paid to them as the broker of record as is the practice with the current disability insurance plan. *However*, to ensure a level playing field, please exclude commissions from your quoted rates.

Finalists will be directed by the City to add a fixed dollar amount to their quoted premium rates payable to Willis as the Broker of record for the long term disability program.

Please confirm your ability to add a non-standard commission payable to Willis and GBG, Inc.

RIGHT TO AUDIT

The City reserves the right to audit the financial and non-financial records of the LTD carrier and its providers as they relate to the LTD carrier plans whenever the City deems appropriate. This may include on-site clinical audits of selected providers. Such audits may be performed by City personnel or by outside auditors selected by the city.

CLAIM RECORD RETENTION

The insurance company will be required to maintain all claim records for seven years from the date a claim is closed.

In the event of termination, the selected insurer must agree to transfer to the City of Milwaukee or another party as designated by the City, within thirty days of notification, all required data and records necessary to administer the plan. This data would include but not be limited to the following:

- List of covered employees
- List information regarding historical claim payments
- LTD records

INFORMATION

Data needed for your quotation can be found in the appendices, including a census of current participants, SPD and claims experience information.

Any additional questions regarding these specifications may be directed to:

Mr. Michael J. Brady, Manager
Employee Benefits Manager
Department of Employee Relations
Employee Benefits Division
Room 701, City Hall
200 East Wells Street
Milwaukee, Wisconsin 53202-3560

Phone: (414) 286-2317
Fax: (414) 286-2106
E-mail: mbrady@ci.mil.wi.us

If selected, you will prepare the contracts, certificate of insurance booklets, necessary administrative forms, enrollment forms, summary plan descriptions and other materials as quickly as possible. The successful insurer will be expected to bear the cost of installation of appropriate administrative systems, billing, preparing and producing contracts, certificates, administrative manuals, and enrollment forms, maintaining and determining eligibility information, and communicating with employees.

Enrollment materials will be distributed in September of 2002 for the year 2003 enrollment. Vendors are expected to bear the full cost of printing and a proportionate cost of the preparation and mailing of open enrollment materials. If

unable to comply with all of these expectations, please elaborate in your response.

NON - DISCRIMINATION REQUIREMENTS

The City is committed to affirmative action in accordance with State and Federal law and regulations providing for equal employment opportunity. The City will refuse to contract with any firm that has not evidenced its own commitment as an equal opportunity employer through the development of an affirmative action policy. The respondent agrees to provide such evidence to the City upon request.

Prior to contracting, the selected insurance carrier will be required to certify compliance with the following:

- I. In all hiring or employment made possible by or resulting from this agreement, there:
 - A. Will not be any discrimination against any employee or applicant for employment because of age, handicap, marital status, race, color, sexual orientation, religion, sex, national origin, ancestry, or lawful sources of income; and
 - B. Affirmative action will be taken to ensure that applicants are employed and that employees are treated during employment without regard to their age, handicap, marital status, race, color, religion, sexual orientation, sex, national origin, ancestry, or lawful sources of income.

This requirement shall apply to but not be limited to the following:

- A. Employment, upgrading, demotion or transfer, recruitment or recruitment advertising, lay-off or termination, rates of pay or other forms of compensation, and selection for training including apprenticeship.
- B. There shall be posted in conspicuous places available to employees and applicants for employment, notices required to be provided by federal or state agencies involved setting forth the provisions of the clause.
- C. All solicitations or advertisements for employees shall state that all qualified applicants will receive consideration for employment without regard to age, handicap, marital status, race, color, religion, sexual orientation, sex, national origin, ancestry, or lawful sources of income.

- D. The plan agrees that they will comply with applicable requirements of the Americans with Disability Act of 1990. 42 U.S.C. 12102, etc. seq.

You must agree to cause the foregoing provisions to be inserted in all subcontracts, if any, for any work covered by this agreement so that such provisions shall be binding upon each subcontractor, provided that the foregoing provisions shall not apply to contracts or subcontracts for standard commercial supplies or raw materials.

EVALUATION PROCESS

Willis and GBG, Inc. are assisting the City with this RFP. A final recommendation and selection will be made by the following process.

The City has identified a project evaluation team comprised of City employees. This team, with the support of Willis/GBG, Inc., will be responsible for the evaluation of vendors responding to this RFP. The analysis and selection will adhere to the following steps:

- Proposals will be initially evaluated based on a financial basis. A limited number of finalists will be chosen based on their financial responses.
- Each member of the evaluation team will review and score the written responses to the RFP of the finalists according to a predetermined scoring tool that focuses on qualitative aspects of the responses.
- If one of the finalists selected on the basis of the financial terms fails to satisfactorily meet the non-financial or qualitative critical selection factors they may, at the request of the evaluation team, be eliminated as a finalists and the bidder providing the next lowest financial terms added in their place.
- Willis will compile a summary of the financial and qualitative aspects of the RFP provided by the selected finalists.
- Willis will tabulate scores to the written responses to the RFP.
- The financial terms of your response will be evaluated by a process where the lowest vendor overall financially will receive the highest

possible score. Scores for the remaining vendors will be determined utilizing the following formula:

Score = (number responding x [lowest cost] \ vendor cost)

- Based on a composite evaluation of the financial terms and the project team's evaluation of the written responses to this RFP a select group of respondents will be chosen for further review.
- Finalists may be interviewed and/or have their operations toured. During these tours/interviews, finalists will be asked a consistent set of questions. Each member of the evaluation team will independently score response to these questions.
- A final recommendation and selection will be based on the weighted scores of the evaluation team with respect to the following:
 - ⇒ Scores regarding written responses to the proposal
 - ⇒ Scores regarding financial response
 - ⇒ Scores regarding finalist interviews

During the entire process Willis/GBG, Inc. will provide technical support, as well as tabulation of the responses and assistance in drafting a recommendation to the City Common Council. The City Common Council reserves the final right to contract with any or none of the respondents.

II. QUESTIONNAIRE

A. Claims Administration

- A1. Please provide a flow chart which details your standard LTD claims procedures. Be sure to include in the chart, procedures for use of field investigators, clinics or other medical facilities for claim verification.
- A2. Provide a brief description of each of the processes outlined in the flow chart provided in response to question A1.
- A3. What is your standard procedure for payment of benefits in the event of delay of receiving Social Security or other offset benefits?
- A4. Please describe in detail how you administer the rehabilitation provision. Include documentation on your program's effectiveness.
- A5. Do you have an in-house rehabilitation staff? If yes what is the size and qualifications of this staff?
- A6. If you do not have an in-house staff, who do you use for rehabilitation services?
- A7. Of the persons qualifying for LTD under your insured programs during the last three years, what percentage did you attempt to rehabilitate?
- A8. What percent were you successful in rehabilitating?
- A9. Do you have a system to review and challenge the denial of disability benefits by the Social Security Administration?
- A10. During the last three years what proportion of Social Security denial determinations did you challenge?
- A11. Of the denial determinations you challenged, what proportion were you successful in reversing?
- A12. Integration with other sources of income will be a factor in almost every claim because of the sick day and the pension disability benefits. Sick day information is kept on the City's payroll system. Please outline the process you propose for collecting and verifying offsets from the sick day and pension disability programs. The City will not have budget dollars available for a central source to verify offsets from

sick days and pension disability benefits. What kind of audit trail will you require?

A13. The selected insurance company will be required to pay the City's share of FICA and FUTA taxes associated with any disability benefits paid under the long term disability program. The City will reimburse the insurance company for these taxes within five days of receiving an invoice and documentation that such taxes have been paid. Please confirm that you will pay these taxes on behalf of the City.

A14. Will you, and to what extent will you provide assistance to the City in administering the sick day program for disabilities which are likely to become long term disability claims? Would you charge extra for this service or include as part of your proposal?

B. Staffing

B1. List the location of claim office in which the City's claims would be processed.

B2. For the designated claims office, list the current number of full time equivalent employees. (If less than full time equivalent, state the portion of full time.)

	Proportion of Affected Class Employees	
	Female	Other Minorities*
_____ Management	_____	_____
_____ Unit Supervisors	_____	_____
_____ Claim Processors	_____	_____
_____ Clerical/Administrative	_____	_____
_____ Nurses	_____	_____
_____ Physicians	_____	_____
_____ Other _____	_____	_____
_____ Total	_____	_____
	_____ %	Minorities
	_____ %	Female

* Minorities include Black, Hispanic, American Indian, Asian American, and handicapped individuals.

- B3. Please provide an organizational chart for the claims office in which the City's claims would be processed. Show the number of people dedicated to each function and a summary of their background and training requirements.
- B4. Would City claims be processed by a dedicated unit or group of dedicated examiners? If so, please list the names and backgrounds of those individuals.
- B5. How likely is the claims office stated earlier to remain at that site during the next three years? Is there any anticipated closure, consolidation or unusual expansion?
- B6. State the name and address of the key service representative to be assigned to the City. Provide brief biography including education, years of experience in various assignments, number of other accounts for which this person is the key representative and the name of the three largest accounts represented currently.

C. Claims System

- C1. What is the name of your system's long term disability software program? Was it purchased or internally developed?
- C2. Describe the capabilities of your current automated disability claims system for handling the following (Please refer to the flow chart you provided earlier):
- Automated calculation of other income source reductions.
 - On-line clinically sensitive duration protocols.
 - On-line maintenance of clinical and examiner observations and notes.
 - Information concerning degree of impairment.
 - Historical information concerning payments and dates of payment.
 - Follow up inquiry scheduling.
 - Other items you feel important.

- C3. Describe the nature and timing of any planned major enhancements to your hardware and software.
- C4. Describe the nature and frequency of auditing both pre-payment and post payment, including the type of person who performs the audit.
- C5. Describe your systems to detect fraudulent payments and claims.

D. Servicing City Employees

- D1. Do you provide toll free telephone service for City and employee inquires?
- D2. Describe the degree to which you will provide assistance in helping disabled employees apply for Social Security benefits and under which instances.
- D3. Describe the methods by which you manage employees' expectations with respect to their disability and efforts directed toward vocational rehabilitation services and re-entry into the work force.
- D4. Describe the information you will need to verify the initial enrollment. Will a list of covered employees and an indication of whether they selected an elimination period buy down provided by the City be sufficient?
- D5. Provide a copy of your standard enrollment form and describe the degree of flexibility you will allow the city in performing the enrollment function for future new hires:
 - Will you permit the City to use an alternate form?
 - If so, what data must be provided on that form?
 - Which data is optional or gathered for informational purposes only?
- D6. The City would like to explore electronic enrollment. Can you accept enrollment data electronically? Would you provide software to the City to facilitate an electronic enrollment? If so, please describe that software.

- D7. Describe the process you will use and materials you will provide to help the City explain and offer the optional elimination period buy down to its employees. Will you allow employees to change the buy down on the optional elimination period on an annual basis? Will a pre-existing condition limitation apply of a previously enrolled employee buys down on the elimination period. Would you waive any restrictions on newly hired employees?
- D8. Describe the process you will use and the materials you will provide to explain the claim filing and disability management process, and present actual language that has been utilized in employee booklets for this purpose by other clients similar to the City.

E. Physician involvement

- E1. Describe the extent to which you use physicians in your assessment of an individual's degree of impairment and expected rehabilitation outlook.
- E2. When do you involve a physician on a particular case?
- E3. Why do you do it that way?
- E4. How often does it occur?
- E5. What are the results of the process?
- E6. Who are the physicians who would be involved in providing clinical support on City disability cases? For each physician, provide their name, board (if any) by which certified, full or part time status, and tenure with your disability operation.
- E7. Describe how you have used physician input to develop clinically and sensitive duration protocols by occupational category and impairment.

F. Financial Information

- F1. You must complete the Rate Form provided in the RFP. Your rate proposal must be presented in this form or it will be disqualified. All rates must be quoted per \$100 of covered payroll and guaranteed for the three-year contract period.

- F2. On what basis would you be willing to underwrite this coverage on a participatory or creative financial arrangement at the expiration of the initial term of the contract?
- F3. If you would propose an experience rating approach, please describe in detail the morbidity and interest assumptions you use in arriving at the present value of open claims formula for developing claims and IBNR reserves.
- F4. Please provide examples of the data reports you will provide the City on a regular basis to monitor the effectiveness of your disability management program. Also include an example of how renewal terms and supporting information will be presented at the conclusion of the initial policy term.
- F5. What portion of the rate will be determined by manual rates versus credibility assigned to actual claims?
- F6. What is your investment philosophy? How will this philosophy and associated investment performance relate to the City's ongoing LTD program costs?
- F7. Please provide your most recent two years of audited financial statements including the auditor's unqualified opinion and all footnote disclosures. The City will only consider insurance companies who provide an unqualified opinion.
- F8. Please state whether your company is a subsidiary, parent, joint venture, or holding company. The requirements spelled out in items F8 and F9 must be satisfied by the entity with which the City will be contracting.
- F9. Please provide a copy of your NAIC Statutory Annual Statement as of December 31, 2001, including the Appointed Actuary's unqualified Statement of Actuarial Opinion regarding the adequacy of your company's reserves. The City will only consider insurance companies that provide an unqualified opinion.
- F10. Please confirm that you will provide the following within 90 days of your fiscal year-end for the term of the contract:

- Annual audited financial statements, including the auditor's unqualified opinion and related footnote disclosures, and
- The current NAIC Statutory Annual Statement, including the Appointed Actuary's unqualified Statement of Actuarial Opinion.

F12. Please provide your financial rating from A.M. Best. In addition, please provide your Claims Paying Ability Rating from Standard & Poors and your Financial Strength Rating from Moody's Investor Service.

The City will only consider insurance companies whose A.M. Best rating is A- or better, and whose ratings from Moody's and Standard & Poors are A or better. You must provide all current ratings that you have obtained from these rating agencies.

G. Insurance Contract

- G1. Please provide evidence that your company is authorized to do business in Wisconsin and to sell group long term disability insurance in the State of Wisconsin, and provide a copy of your certificate of authority.
- G2. Please provide evidence that you are a member of the Wisconsin State Guarantee Fund and that all payments required of the Fund are current.
- G3. Please provide a copy of the insurance contract you propose to use for the City's LTD program.
- G4. Identify and describe the definitions you propose for total and partial disability. If those definitions differ from the current carrier, Standard do you consider your definition to be less restrictive, equally restrictive or less restrictive than Standard's.

STATEMENT OF COMPLIANCE

Please submit as a part of your proposal the following statement:

We hereby acknowledge receipt of the RFP for Long Term Disability Insurance for the City of Milwaukee. We have reviewed the City's required agreement (as included with the RFP), the current long term disability plan of benefits, and questionnaire and we certify that our proposal conforms to this RFP and that the benefits of our contract duplicate those of the current contract, and we can agree to the City's agreement except as detailed below.

Organization

Signature

Date

Title

RATE FORM

INSURANCE COMPANY NAME: _____

Division	Annual Covered Payroll	Rate/\$100 of Covered Payroll 1/1/2003-12/31/2005	
		Rate/\$100	Annual Premium @ Current Covered Payroll
City Paid Coverage			
Optional: 60 Day Elimination Period			
Optional: 90 Day Elimination Period			
Optional: 120 Day Elimination Period			
Total			

NOTE: All rates presented in the table must be quoted per \$100 of covered payroll, must be guaranteed for the entire three-year contract period and benefits must duplicate or exceed those of the current policy. Failure to comply with these requirements will automatically disqualify the proposer from further consideration.

II. APPENDICES

- Census – Attached Excel files
- EDB_LTD_BASIC.xls City paid basic coverage. “Balance” is sick pay hours balance.
- EDB_LTD_BUYDOWN.xls Employee paid optional coverage. “Balance” is sick pay hours balance.
 - LTD2A – 120 day buy down
 - LTD2B – 90 day buy down
 - LTD2C – 60 day buy down
- SPD – Attached file City LTD RFP.pdf
- Certificate – Attached file 626556 Cert.pdf
- Experience Information – Attached files:
 - 626556 claim run through 4-29-02.doc
 - 626556 experience through 4-29-02.doc
- A file containing claimant detail from the policy inception date to present will follow shortly.
- City Agreement– Attached file



Appendix B Financial Analysis

LTD Quotes Comparison

	Standard Insurance	CNA	Standard Insurance	CIGNA	National Insurance Services	Aetna US Healthcare	UNUM Provident
Rate/\$100 of Covered Payroll							
City Paid Coverage	\$0.36	\$0.33	\$0.36	\$0.36	\$0.42	\$0.44	\$0.44
Optional: 60 Day Elimination Period	\$0.23	\$0.21	\$0.23	\$0.23	\$0.34	\$0.28	\$0.44
Optional: 90 Day Elimination Period	\$0.13	\$0.12	\$0.13	\$0.13	\$0.21	\$0.16	\$0.44
Optional: 120 Day Elimination Period	\$0.09	\$0.08	\$0.09	\$0.09	\$0.13	\$0.11	\$0.44
Annual Premium @ Current Covered Payroll							
City Paid Coverage	\$592,280	\$542,923	\$592,280	\$592,280	\$690,993	\$723,898	\$723,898
Optional: 60 Day Elimination Period	\$62,929	\$57,457	\$62,929	\$62,929	\$93,025	\$76,609	\$120,385
Optional: 90 Day Elimination Period	\$9,590	\$8,852	\$9,590	\$9,590	\$15,492	\$11,803	\$32,459
Optional: 120 Day Elimination Period	\$3,256	\$2,894	\$3,256	\$3,256	\$4,703	\$3,979	\$15,917
Total Employee Paid	\$75,774	\$69,203	\$75,774	\$75,774	\$113,219	\$92,391	\$168,761
Grand Total	\$688,055	\$612,126	\$688,055	\$688,055	\$804,213	\$816,289	\$892,659
Annual Difference From Current Rates							
City Paid Coverage		(\$49,357)	\$0	\$0	\$98,713	\$131,618	\$131,618
Optional: 60 Day Elimination Period		(\$5,472)	\$0	\$0	\$30,096	\$13,680	\$57,457
Optional: 90 Day Elimination Period		(\$738)	\$0	\$0	\$5,902	\$2,213	\$22,869
Optional: 120 Day Elimination Period		(\$362)	\$0	\$0	\$1,447	\$724	\$12,661
Total Employee Paid		(\$6,572)	\$0	\$0	\$37,445	\$16,617	\$92,987
Grand Total		(\$55,928)	\$0	\$0	\$136,158	\$148,235	\$224,604
3-Year Difference From Current Rates		(\$167,765)	\$0	\$0	\$408,475	\$444,704	\$673,813
3-year Rate Guarantee?		Yes	Yes	Yes	Yes	Yes	Yes

UNUM Provident quote is "illustrative only" and requires their administration of STD program.

Annual Covered Payroll

City Paid Coverage	\$164,522,243
Optional: 60 Day Elimination Period	\$27,360,261
Optional: 90 Day Elimination Period	\$7,376,984
Optional: 120 Day Elimination Period	\$3,617,557

Carriers Declining to Quote

AIG	Principal Financial
Canada Life	Prudential
Fortis	Reliance Standard
The Guardian	Trustmark
Jefferson-Pilot	UWG
Liberty Mutual	Wausau Benefits
MetLife	



Appendix C Scoring Instrument

LTD Scoring Summary

COMPOSITE SCORES

QUALITATIVE	Aetna US Healthcare	CIGNA	CNA	National Insurance Services	Standard Insurance	Weight
A. CLAIMS ADMINISTRATION	4.8	4.6	4.0	4.4	5.6	12.5%
B. STAFFING	5.0	4.8	5.0	4.2	5.6	12.5%
C. CLAIMS SYSTEM	5.0	5.4	5.4	4.6	5.4	12.5%
D. SERVICING OF CITY EMPLOYEES	4.6	4.2	4.0	4.6	5.6	12.5%
E. PHYSICIAN INVOLVEMENT	4.4	5.0	4.2	4.4	5.4	12.5%
F. FINANCIAL INFORMATION	5.0	5.0	5.0	4.0	5.2	12.5%
G. INSURANCE CONTRACT	5.0	5.0	5.0	5.0	5.0	12.5%
C. STATEMENT OF COMPLIANCE	7.0	7.0	7.0	7.0	7.0	12.5%
COMPOSITE QUALITATIVE SCORE	5.1	5.1	5.0	4.8	5.6	100.0%

QUANTITATIVE	Aetna US Healthcare	CIGNA	CNA	National Insurance Services	Standard Insurance	Weight
CITY PAID COVERAGE	5.3	6.4	7.0	5.5	6.4	90.0%
EMPLOYEE PAID COVERAGE	5.2	6.4	7.0	4.3	6.4	10.0%
QUANTITATIVE	5.2	6.4	7.0	5.4	6.4	100.0%

COMPOSITE SCORE: PRE-INTERVIEWS

SCORING RESULTS	Aetna US Healthcare	CIGNA	CNA	National Insurance Services	Standard Insurance	Weight
QUALITATIVE	5.10	5.13	4.95	4.78	5.60	50.0%
QUANTITATIVE	5.25	6.41	7.00	5.38	6.41	40.0%
TOTAL COMPOSITE SCORE	4.65	5.13	5.28	4.54	5.37	100.0%

FINAL COMPOSITE SCORE

	CNA	Standard Insurance	Weight
COMPOSITE SCORE: PRE-INTERVIEW	5.28	5.37	90.0%
INTERVIEW SCORE	5.63	5.83	10.0%
FINAL COMPOSITE SCORE	5.84	5.95	100.0%

(Value from above - percentage already applied)
(Value from Scoring Summary on Vendor Interview)

LTD Scoring Summary

MIKE BRADY

QUALITATIVE	Aetna US Healthcare	CIGNA	CNA	National Insurance Services	Standard Insurance	Weight
A. CLAIMS ADMINISTRATION	4.0	5.0	4.0	4.0	6.0	12.5%
B. STAFFING	5.0	4.0	5.0	4.0	6.0	12.5%
C. CLAIMS SYSTEM	5.0	5.0	5.0	4.0	5.0	12.5%
D. SERVICING OF CITY EMPLOYEES	5.0	4.0	4.0	5.0	6.0	12.5%
E. PHYSICIAN INVOLVEMENT	4.0	5.0	4.0	5.0	6.0	12.5%
F. FINANCIAL INFORMATION	5.0	5.0	5.0	4.0	5.0	12.5%
G. INSURANCE CONTRACT	5.0	5.0	5.0	5.0	5.0	12.5%
C. STATEMENT OF COMPLIANCE	7.0	7.0	7.0	7.0	7.0	12.5%
COMPOSITE QUALITATIVE SCORE	5.0	5.0	4.9	4.8	5.8	100.0%

FLORENCE DUKES

QUALITATIVE	Aetna US Healthcare	CIGNA	CNA	National Insurance Services	Standard Insurance	Weight
A. CLAIMS ADMINISTRATION	5.0	5.0	4.0	4.0	6.0	12.5%
B. STAFFING	5.0	5.0	5.0	4.0	6.0	12.5%
C. CLAIMS SYSTEM	5.0	5.0	5.0	5.0	5.0	12.5%
D. SERVICING OF CITY EMPLOYEES	4.0	4.0	4.0	4.0	6.0	12.5%
E. PHYSICIAN INVOLVEMENT	4.0	5.0	5.0	5.0	6.0	12.5%
F. FINANCIAL INFORMATION	5.0	5.0	5.0	4.0	5.0	12.5%
G. INSURANCE CONTRACT	5.0	5.0	5.0	5.0	5.0	12.5%
C. STATEMENT OF COMPLIANCE	7.0	7.0	7.0	7.0	7.0	12.5%
COMPOSITE QUALITATIVE SCORE	5.0	5.1	5.0	4.8	5.8	100.0%

JIM MICHALSKI

QUALITATIVE	Aetna US Healthcare	CIGNA	CNA	National Insurance Services	Standard Insurance	Weight
A. CLAIMS ADMINISTRATION	5.0	4.0	4.0	5.0	5.0	12.5%
B. STAFFING	5.0	5.0	5.0	5.0	5.0	12.5%
C. CLAIMS SYSTEM	5.0	5.0	5.0	5.0	5.0	12.5%
D. SERVICING OF CITY EMPLOYEES	4.0	4.0	4.0	4.0	5.0	12.5%
E. PHYSICIAN INVOLVEMENT	4.0	5.0	4.0	4.0	4.0	12.5%
F. FINANCIAL INFORMATION	5.0	5.0	5.0	4.0	5.0	12.5%
G. INSURANCE CONTRACT	5.0	5.0	5.0	5.0	5.0	12.5%
C. STATEMENT OF COMPLIANCE	7.0	7.0	7.0	7.0	7.0	12.5%
COMPOSITE QUALITATIVE SCORE	5.0	5.0	4.9	4.9	5.1	100.0%

LTD Scoring Summary

EDWIN REYES

QUALITATIVE	Aetna US Healthcare	CIGNA	CNA	National Insurance Services	Standard Insurance	Weight
A. CLAIMS ADMINISTRATION	5.0	5.0	4.0	5.0	6.0	12.5%
B. STAFFING	5.0	5.0	5.0	4.0	6.0	12.5%
C. CLAIMS SYSTEM	5.0	5.0	6.0	4.0	6.0	12.5%
D. SERVICING OF CITY EMPLOYEES	5.0	5.0	4.0	5.0	6.0	12.5%
E. PHYSICIAN INVOLVEMENT	5.0	5.0	4.0	4.0	6.0	12.5%
F. FINANCIAL INFORMATION	5.0	5.0	5.0	4.0	6.0	12.5%
G. INSURANCE CONTRACT	5.0	5.0	5.0	5.0	5.0	12.5%
C. STATEMENT OF COMPLIANCE	7.0	7.0	7.0	7.0	7.0	12.5%
COMPOSITE QUALITATIVE SCORE	5.3	5.4	5.0	4.8	6.0	100.0%

DENNIS YACCARINO

QUALITATIVE	Aetna US Healthcare	CIGNA	CNA	National Insurance Services	Standard Insurance	Weight
A. CLAIMS ADMINISTRATION	5.0	4.0	4.0	4.0	5.0	12.5%
B. STAFFING	5.0	5.0	5.0	4.0	5.0	12.5%
C. CLAIMS SYSTEM	5.0	6.0	6.0	5.0	6.0	12.5%
D. SERVICING OF CITY EMPLOYEES	5.0	4.0	4.0	5.0	5.0	12.5%
E. PHYSICIAN INVOLVEMENT	5.0	5.0	4.0	4.0	5.0	12.5%
F. FINANCIAL INFORMATION	5.0	5.0	5.0	4.0	5.0	12.5%
G. INSURANCE CONTRACT	5.0	5.0	5.0	5.0	5.0	12.5%
C. STATEMENT OF COMPLIANCE	7.0	7.0	7.0	7.0	7.0	12.5%
COMPOSITE QUALITATIVE SCORE	5.3	5.1	5.0	4.8	5.4	100.0%

LTD Scoring Summary

DALE GILLIAM (NOT INCLUDED IN COMPOSITE SCORE)

QUALITATIVE	Aetna US Healthcare	CIGNA	CNA	National Insurance Services	Standard Insurance	Weight
A. CLAIMS ADMINISTRATION						12.5%
B. STAFFING						12.5%
C. CLAIMS SYSTEM						12.5%
D. SERVICING OF CITY EMPLOYEES						12.5%
E. PHYSICIAN INVOLVEMENT						12.5%
F. FINANCIAL INFORMATION						12.5%
G. INSURANCE CONTRACT						12.5%
C. STATEMENT OF COMPLIANCE						12.5%
COMPOSITE QUALITATIVE SCORE	0.0	0.0	0.0	0.0	0.0	100.0%

DOUG LEY (NOT INCLUDED IN COMPOSITE SCORE)

QUALITATIVE	Aetna US Healthcare	CIGNA	CNA	National Insurance Services	Standard Insurance	Weight
A. CLAIMS ADMINISTRATION						12.5%
B. STAFFING						12.5%
C. CLAIMS SYSTEM						12.5%
D. SERVICING OF CITY EMPLOYEES						12.5%
E. PHYSICIAN INVOLVEMENT						12.5%
F. FINANCIAL INFORMATION						12.5%
G. INSURANCE CONTRACT						12.5%
C. STATEMENT OF COMPLIANCE						12.5%
COMPOSITE QUALITATIVE SCORE	0.0	0.0	0.0	0.0	0.0	100.0%



Appendix D Oral Interview Scoring Instrument

Vendor Differentiation

1. The City is seeking a long term disability carrier that will be a strong partner in managing its long term disability program through ongoing support, claims management, tax administration, and other aspects of the program. Please take a few minutes to explain to us why you believe the City should choose your firm to be that partner.

Score	1	2	3	4	5	6	7	Poor	Great
-------	---	---	---	---	---	---	---	------	-------

Time planned for question: 5 min

Planned elapsed time: 5 min

2. Tell us about the people who will be servicing the City account.

- Names people involved
- Provides staff's background
- Brings key people to meeting

Score	Poor	1	2	3	4	5	6	7	Great
-------	------	---	---	---	---	---	---	---	-------

Time planned for question: 3 min

Planned elapsed time: 8 min

Communication Support

1. The City feels that employee participation in the buy down option could be increased. The City communicates with employees about the Long Term Disability insurance program at two principal times. First when they are new hires, and then annually during the open enrollment period when employees can change the elimination period buy down. How would you help the City communicate the LTD plan and option to buy down to new employees? How would you help the City communicate to employees options during the Open Enrollment period? Also, can you make electronic enrollment available and what, if any, is the additional cost?

Score	1	2	3	4	5	6	7

Poor

Great

Time planned for question: 10 min

Planned elapsed time: 18 min

- Identifies specific information that must be obtained from the enrollment process.
- Identifies certain information that it has obtained electronically in the past.
- Asks about City's data needs and incorporates those needs into discussion.
- Asks about special enrollment form considerations the City may have.
- Offers to incorporate the City's data needs and considerations into enrollment form.
- Provides feedback on what makes enrollment forms effective, and what to avoid.
- Asks about City's preferences relating to custom enrollment forms.
- Offers to provide City with software that generates custom enrollment forms.
- Offers to provide enrollment forms by fax or E-Mail through service office.
- Offers to provide training to City staff on how to explain the enrollment form.
- Offers participation objectives the City should accept as successful.
- Asks about demographics that may impact communication needs.
- Describes different communication mediums and their relative effectiveness.
- Has other clients with an LTD buy-down option.
- Provides feedback on approaches that have worked for these clients.
- Describes specific approaches or problem areas to avoid.
- Describes the need to explain buy-down to employees.
- States the need to explain how buy-down election can be changed in the future.

Claims Processing

1. Early intervention in claims which are expected to be of a long duration will be very important. This will aid rehabilitation efforts as well as manage employee expectations. When answering the following, bear in mind that the sick leave program is essentially unmanaged; meaning an employee who has been receiving sick days may be denied LTD benefits. How do you manage those situations? Further, claims submissions come from several sources. How will you educate the staff who may be involved in filing claims as to when to do so and for which types of illness or injury? What will you do if notification of a potential claim is received late?
- a) What type of administrative manuals will you distribute to the City for each payroll location?
 - b) How will you work with the City's staff and the claimant to gather the information necessary to process the claim?
 - c) How will you work with the City's staff and the claimant to verify the accuracy of the information provided on the claim?
 - d) How will you ensure the everyone included in the process has an understanding of what will occur next in the process?

Defines the time frame during which they would like to receive claim submissions.
Time frame is prior to 90 days after disability has occurred.
Describes proactive approach for achieving claim submission within this time frame.
Describes success rate in achieving claim submission within this time frame.
Offers to provide a list of illness and injuries that should be always be submitted early.
Encourages staff to err on the side of submitting too many claims.
Offers telephonic assistance when staff is unsure.
Offers to provide training to City employees.
Offers to provide training manual to guide City employees.
Describes the legal requirements regarding timely claim submission.
Describes approach for addressing claims not submitted within the desired time frame.
Is up front regarding differences between sick leave and Long Term Disability Program
Use this information to return people to work as quickly as possible.
Gets involved early enough to alert City to potential problems.

Score	Poor	1	2	3	4	5	6	7	Great
-------	------	---	---	---	---	---	---	---	-------

Time planned for question: 10 min

Planned elapsed time: 28 min

2. Once a claim has started, how do you propose to approach modified duty and rehabilitation efforts? When answering, remember that attempts to return City employees to work under modified work are difficult because of labor and department resistance. Note that under the City's Long Term Disability Plan, the definition of Disability changes from one's own occupation to any occupation at 24 months. How do you functionally interpret "any occupation for which your training and background is appropriate"? The City is especially interested in whether this leads to situations where an employee is required to work at a job much beneath their prior position.

Score	1	2	3	4	5	6	7	Poor	Great
-------	---	---	---	---	---	---	---	------	-------

- Acknowledges that the resistance to modified work is strong in organized labor environment.
- Offers suggestions based on experience with similar groups.
- Offers assurance that claimant's dignity is maintained when the definition of disability changes

Time planned for question: 10 min

Planned elapsed time: 38 min

3. How do you deal with a physician, employee, or employee representative who does not return medical information (or any information) on a timely basis?

- Acknowledges that some physicians do not always return medical information on a timely basis.
- Uses established procedure for tracking status of informational requests.
- Uses diagnosis-specific claim forms that streamline the medical data collection process.
- Uses medical director to talk directly with employee's physician when necessary.
- Informs employee when benefits will not be paid because physician has not returned the necessary medical information.

Score	Poor	1	2	3	4	5	6	7	Great
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Time planned for question: 5 min

Planned elapsed time: 43 min

4. What makes working with public employers (and employees) different from private employers?

- Indicates that they work with other public entities.
- Understands "publicity" associated with denials
- Understands the labor environment

Score	1	2	3	4	5	6	7	Poor	Great
-------	---	---	---	---	---	---	---	------	-------

Time planned for question: 5 min

Planned elapsed time: 48 min

Tax Administration

1. The buy-down premiums will not be paid through the Section 125 plan, causing a portion of the benefit non-taxable. Describe the options for handling the tax free portion of the benefits.

Brings out two options:

- a) 100% Tax Free during buy down period OR
- b) Premium Cost paid by employee divided by the total premium cost equals the percentage of benefit which is non taxable

Score	1	2	3	4	5	6	7	Poor	Great
-------	---	---	---	---	---	---	---	------	-------

Time planned for question: 5 min

Planned elapsed time: 53 min

**FEE-FOR-SERVICE
DENTAL**

Rates for Active City of
Milwaukee Employees

2003

Recommendation: The Department of Employee Relations recommends a one-year extension of the contract with DeltaDental for Fee-for- Service Dental services.

This contract will not require a budget increase and will not require an increase in the employee co-pay. The contract extension will maintain the current rates with Delta-Dental through the end of 2003.

Fiscal Note for contract: attached

DeltaDental rates for 2003: attached

CITY OF MILWAUKEE FISCAL NOTE

CC-170 (REV. 6/86)

A) DATE: July 1, 2002

FILE NUMBER: 020478
Original Fiscal Note Substitute

SUBJECT: Dental Premiums for Fee-for-Service Dental in 2003 with DeltaDental.

B) SUBMITTED BY (name/title/dept./ext.): Michael Brady/Manager/Employee Benefits/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) CHECK ONE: DEPARTMENTAL 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:	Fee-for Service Dental service contract only	613501-0001-1654-1613-S121	\$758,000		
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:

PLEASE LIST ANY COMMENTS ON REVERSE SIDE AND CHECK HERE

2003 Dental Rates Summary for Pre-Paid and Fee-for-Service Dental

	total single	City Share	Employee Share	total family	City Share	Employee Share
Care-Plus (1)	\$23.20	\$13.00	\$10.20	\$64.09	\$37.50	\$26.59
DentalBlue (2)	\$22.96	\$13.00	\$9.96	\$68.88	\$37.50	\$31.38
First Commonwealth (3)	\$22.52	\$13.00	\$9.52	\$67.94	\$37.50	\$30.44
WPS/Delta Dental (197) (4)	\$23.10	\$13.00	\$10.10	\$79.56	\$37.50	\$42.06
(297)	\$26.62	\$13.00	\$13.62	\$75.99	\$37.50	\$38.49
(397)	\$26.62	\$13.00	\$13.62	\$80.49	\$37.50	\$42.99

- (1) Care-Plus proposes a 10% increase for single and a 14% increase for family in 2003, and 2004 increases based on the Consumer Price Index.
- (2) DentalBlue proposes a 17% increase for single and a 10% increase for family in 2003, and not to exceed 15% increase in 2004
- (3) First Commonwealth proposes 7% increase for single and a 10% increase for family in 2003, and 9% increase for single and family in 2004
- (4) There are no increases in costs for DeltaDental in 2003; there will be an RFP regarding the Fee-for-Service Plan in 2003 for 2004 rates.

Michael Brady - City of Milwaukee Dental

From: "CRONCE, MARK" <WPS.MCRONCE@WPSIC.COM>
To: <MBRADY@CI.MIL.WI.US>
Date: 6/7/2002 10:47 AM
Subject: City of Milwaukee Dental

--- Received from WPS.MCRONCE 1-414-224-3946 06-07-02 1046a

Mike,
 Here are two options for your Dental plans:

OPTION 1:
 This option is a 0% increase over current rates
 Renewal Period 1/1/03 through 12/31/03

Group #		
197	Single \$23.10	Family \$79.56
297	Single \$26.62	Family \$75.99
397	Single \$26.62	Family \$80.49

OPTION 2:
 --- Received from WPS.AGAZIANO 223-5823 06-06-02 251p

Mark,
 We have reviewed the experience for the City of Milwaukee's dental plan. We would be willing to offer a two year rate that would be 7% above their current rates. The rates are as follows:

Renewal Period
 01/01/2003 - 12/31/2004

Group #		
197	Single \$24.72	
	Family \$85.13	
297	Single \$28.48	
	Family \$81.31	
397	Single \$28.48	
	Family \$86.12	

If the group decides to take the two year rates, we would need something in writing from the group and then I can have Delta Dental run the revised renewal reports.

Any questions, let me know. Thanks, Alfonso.

Mike, please let me know if you have any questions on the above.
If you would like the two year option please let me know so we can
prepare the renewal package. Thanks!
Mark

---- 06-07-02 1046a ---- Sent to -----
-> MBRADY@CI.MIL.WI.US

**FLEXIBLE CHOICE
PROGRAM**

rates for Active City of
Milwaukee Employees

2003

Recommendation: The Department of Employee Relations recommends a two-year extension of the Contract with the Flex Company to provide the Flexible Choices program to active City of Milwaukee Employees.

The cost for the services in 2003 and 2004 will increase from \$3.25 per member per month to \$3.50 per member per month for the full two-year period. When the City last bid this contract the next closest bidder charged \$5.00 per member per month for these services.

Fiscal note for contract: attached

Flex Company rates: attached

CITY OF MILWAUKEE FISCAL NOTE

CC-170 (REV. 6/86)

A) DATE: July 1, 2002

FILE NUMBER: 020478
Original Fiscal Note Substitute

SUBJECT: Flexible Choices Program with the Flex Company, Administrative services for 2003

B) SUBMITTED BY (name/title/dept./ext.): Michael Brady/Manager/Employee Benefits/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) CHECK ONE:
- DEPARTMENTAL ACCOUNT (DA)
 - CAPITAL PROJECTS FUND (CPF)
 - PERM. IMPROVEMENT FUNDS (PIF)
 - OTHER (SPECIFY)
 - CONTINGENT FUND (CF)
 - SPECIAL PURPOSE ACCOUNTS (SPA)
 - GRANT & AID ACCOUNTS (G & AA)

E) PURPOSE	SPECIFY TYPE/USE	ACCOUNT	EXPENDITURE	REVENUE	SAVINGS
SALARIES/WAGES:					
SUPPLIES:					
MATERIALS:					
NEW EQUIPMENT:					
EQUIPMENT REPAIR:					
OTHER:	Flexible Choices Program	661001-001-1654-1513-S101	\$35,200		
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:

PLEASE LIST ANY COMMENTS ON REVERSE SIDE AND CHECK HERE