

June 5, 2007

Alderman Michael Murphy, Chairman
City of Milwaukee Common Council Finance and Personnel Committee
200 East Wells Street, Room 205
Milwaukee, WI 53202

Dear Alderman Murphy:

RE: 2008 HMO Recommendation

DER, Employee Benefits, sent a Request for Proposal (RFP) for Health Maintenance Organization (HMO) services in 2008 for all City employees and retirees to four vendors. Two vendors, Anthem CompCareBlue and WPS sent proposals that were not responsive because they did not provide an insured HMO. Two vendors sent in rates for 2008, Humana and United Healthcare.

A City review team including representatives from the Legislative Reference Bureau, the Comptroller's Office, the Budget Office, DER and the City's consultant Willis of Wisconsin has reviewed the proposals.

DER is recommending the Finance and Personnel Committee and the full Common Council **award the HMO contract in 2008 to United HealthCare (UHC) HMO**. Humana, the current HMO, proposed an 18.85% increase with total City cost of \$83,890,045 in 2008 over base of \$70M in 2007. [Base includes HACM/RACM, parking, and WCD]. UHC proposed an increase of 6.63% with total City cost of \$75,263,617 in 2008 over base of \$70M in 2007. The **Humana rates would cost more** than the UHC rates in 2008, including

- additional City costs \$8,626,427,
- additional employee and retiree costs of \$1,594,307, with
- additional total costs of **\$10,220,734**.

UHC rates increase active costs 11% and decrease retiree rates 16% for the net change of 6.3%. The City is projecting net HMO costs of \$66M in 2007 [City only] and net Basic Plan costs of \$33M in 2007 [City only].

DER, the review team and the City consultant have reviewed the value of carving out the prescription drug plan from the HMO in order to better control health care costs. DER is recommending that the **drug benefits be carved out** from the HMO in 2008 and awarded to Navitus Health Solutions in 2007. UHC has credited the City with \$15.7M for the drug carve out that will be used to pay Navitus drug claims in 2008.

Willis will send a separate communication regarding the recommendations.

Sincerely,

Michael Brady
Employee Benefits

Attachments: Fiscal Note
File for 070308