

LRB-RESEARCH AND ANALYSIS SECTION

FINANCE & PERSONNEL COMMITTEE

ITEM 6, FILE # 060188

JUNE 14, 2006

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File # 060188 is a substitute resolution authorizing contracts for health maintenance organizations for 2007, and contract extensions for dental services for 2007.

Background

1. This resolution will authorize the City of Milwaukee Department of Employee Relations (DER) to enter into a one-year contract with Humana for HMO services for active and retired employees for 2007.
2. This resolution will further authorize DER to enter into contract extensions with CarePlus, DentalBlue First Commonwealth and Delta Dental.
3. This resolution advances the recommendations from the City of Milwaukee DER for the employee benefit programs under consideration.

Discussion

1. The HMO recommended by DER offering 2007 rates to the city is Humana. Humana will offer two separate HMO products in 2007, the Humana High Performance Network (HPN) HMO and the Humana Premier (Premier) Network HMO. This combination of the two HMO networks provides the lowest net HMO cost for the City.

Monthly rates for Active Employees (HMOs):

	Single Coverage Rate			Family Coverage Rate		
	2006	2007	Increase	2006	2007	Increase
Health Plan						
AFN* to HPN	\$389.30	\$452.37	\$63.07	\$1,063.05	\$1,235.26	\$172.21
CCB** to Premier	\$641.80	\$844.61	\$202.81	\$1,752.10	\$2,305.76	\$725.87
City's Share	\$389.30	\$452.37	\$63.07	\$1,063.05	\$1,235.26	\$172.21

*AFN – Aurora Family Network was the narrow network for 2006 whereas HPN will become the narrow network in 2007.

**CCB – CompCareBlue was the broad network for 2006 whereas Humana Premier will become the broad network in 2007.

The city's monthly contribution for active city employees enrolled in an HMO in 2007 will be **\$452.37 for single coverage and \$ 1,235.26 for family coverage**, as the city pays the full

premium of the lowest HMO monthly rate. These 2007 figures represent a **16%** increase for single coverage and a **16%** increase for family coverage from 2006 rates.

For management employees choosing the Humana Premier Network plan, the single coverage premium will be **\$392.24** per month and family coverage will be **\$1,070.50** per month. The Humana HPN is larger than the CompCareBlue AFN network and would likely cause little disruption for persons currently in the AFN HMO. The Humana HPN network includes 83% of the hospitals and 61% of the primary care physicians in the seven-country area.

The relatively high employee borne premium for the Premier Network offered by Humana will most likely exclude participation by most City employees.

2. The rates for the Basic Plan for 2007 are not yet available. At this time, DER-Employee Benefits states that it does not appear there will be an increase in the active and retiree rates for the Basic Plan or an increase in the overall Basic Plan portion of the Health Care SPA account. However, a true picture of the Basic Plan status for 2006 and the implications for 2007 rates will not be available for the next several weeks.
3. Health care benefits for **retirees** are currently categorized in two groups:

For those **under** age **65** years, the city pays 100% of the low cost HMO for management retirees who retire after January 1, 2004; 100% of any plan for those management employees who retired before January 1, 2004; and continues to pay 100% of any plan for eligible general city retirees (excluding police and fire personnel). City payment for fire and police retirees in this category is dependent upon a formulary ranging from 0%-33%.

For those age **65 years and older**, the city pays 25% of any health plan selected, basic or HMO. The cost of the plan for the individual will be dependent upon the retirees' Medicare status and whether or not there is a spouse or dependent child/children to be included.

4. DER recommends an extension of the dental contracts with CarePlus, DentalBlue First Commonwealth and Delta Dental. Delta Dental has submitted 2007 rates for the fee-for-service dental plan with a 6.7% increase. CarePlus has submitted rates for 2007 as a pre-paid dental plan with a 9.6% increase. DentalBlue has submitted rates for 2007 as a pre-paid dental plan with a 17% increase. First Commonwealth has submitted rates for 2007 as a pre-paid dental plan with an 18% increase.

5. **Monthly rates for pre-paid dental organizations:**

	Single Coverage Rate			Family Coverage Rate		
	2006	2007	Increase	2006	2007	Increase
Dental Plan						
Care-Plus	\$28.65	\$31.41	\$2.76	\$83.44	\$91.49	\$8.05
DentalBlue	\$27.02	\$31.69	\$4.67	\$81.05	\$95.07	\$14.02
1 st Common	\$27.81	\$32.82	\$5.01	\$83.92	\$99.03	\$15.11
City's Share	\$13.00	\$13.00	-	\$37.50	\$37.50	-

6.

Monthly rates for Delta Dental:

	Single Coverage Rate			Family Coverage Rate		
	2006	2007	Increase	2006	2007	Increase
General	\$24.67	\$26.31	\$1.64	\$84.97	\$90.62	\$5.65
Police	\$28.42	\$30.30	\$1.88	\$85.96	\$91.67	\$5.71
Fire	\$28.42	\$30.30	\$1.88	\$81.16	\$86.55	\$5.39
City's Share	\$37.50	\$13.00	-	\$37.50	\$37.50	-

Fiscal Effect

- DER notes that the increase in HMO rates for 2007 will require approximately **\$61.7 million** for the HMO line in the Special Purpose Account for employee health benefits. This amount represents an **additional \$7.3 million** and is based upon the 2006 enrollment in the HMOs. Furthermore, *these numbers are subject to change as the enrollment mix for 2007 clarifies.*
- The dental insurance recommendations will not affect the City share of the Health Care SPA. The City contributes a fixed amount at \$13 for single coverage and \$37.50 per month for family coverage. The 2006 Health Care Benefit sub account for dental insurance is budgeted for \$2.3 million.

Other Information

- City of Milwaukee Employee Benefits Recommendation Team members:
 - Michael Brady, Benefits Manager, DER
 - James Michalski, Audit Manager, Comptroller's Office
 - Edwin Reyes, Management and Account Officer, DER
 - Dennis Yaccarino, City Economist, Budget Office
 - Katrina Whittley, Employee Benefits Analyst, DER
 - Mark Ramion, Legislative Fiscal Analyst, LRB

Consultants:

- Douglas Ley, Willis of Wisconsin, Inc.
 - Clete Anderson, Willis of Wisconsin
- The 2006 budget provides \$30,000 for consultant services related to analysis of health care costs and recommendations for cost reduction plans.

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