

**City of Milwaukee**  
***2009 Rate Projection***

Prepared by:

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## City of Milwaukee

### 2009 Rate Projection

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Willis was engaged to prepare a 2009 rate recommendation for the City of Milwaukee's Basic Plan, the self-insured medical and prescription drug plan. This plan is split into two components: Base and Major Medical. The plan year is 1/1/2009-12/31/2009.

There has been a significant decrease in enrollment in the Basic Plan. Effective 1/1/2008, active enrollment decreased by 27% from 1,480 to 1,076. Under 65 enrollment decreased by 25% from 361 to 271. Over 65 enrollment decreased by 5% from 2,705 to 2,564. Overall enrollment decreased by 14% from 4,546 to 3,911.

Administrative costs are included in the 2009 rates. The expense per contract for medical claims administration for 2009 is \$35.45 for actives, \$29.75 for under 65 retirees and \$21.50 for over 65 retirees. The expense per member for prescription drug claims administration is \$2.35 for actives and under 65 retirees. The administrative charge for the Wrap plan for Medicare eligible retirees is \$5.00 per participant per month. Overall, this results in an expense component in the rates of 2.6% for medical and .7% for prescription drug.

The 2009 monthly cost per participant is \$48.98 for the Medicare Part D Prescription Drug Plan (PDP) through DeanRx.

The details of the 2009 rate calculation are shown in Attachment 1. Because of the manner that claim data is maintained on the CMS system it was not possible to obtain claim data by retiree plans 1-10. Because of the low enrollment in some of these plans and the lack of credible experience data, it is not recommended to experience rate each plan.

Trend rates used to project 6/1/2007-5/31/2008 experience to 2009 were 10% for medical and 12% for prescription drug.

The rate calculation has resulted in a 9.2% overall increase in 2009 rates compared to 2008 rates for actives and retirees combined. Because the retiree experience has been trending at a lesser rate than the active experience, it was decided to increase active rates by 16.0% and retiree rates by 5.3%. This results in an overall increase of 9.2%.

Attachment 2 shows the 2009 projected costs for active employees broken into Tier 1 and Other Actives. The Tier 1 projected 2009 cost per employee per month is 90.6% of the Other Active 2009 cost per employee per month.

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|         |        | <b>2008 Rates</b> |               |            | 5/31/08    |
|---------|--------|-------------------|---------------|------------|------------|
|         |        | Base              | Major Medical | Total      | Enrollment |
| Active  | Single | \$530.34          | \$152.43      | \$682.77   | 395        |
|         | Family | \$1,195.23        | \$343.52      | \$1,538.75 | 654        |
| Retired | Plan   |                   |               |            |            |
|         | 1      | \$837.22          | \$237.60      | \$1,074.82 | 273        |
|         | 3      | \$1,486.34        | \$421.80      | \$1,908.14 | 549        |
|         | 4      | \$148.41          | \$138.43      | \$286.84   | 1,213      |
|         | 5      | \$285.24          | \$257.70      | \$542.94   | 618        |
|         | 6      | \$508.23          | \$735.18      | \$1,243.41 | 100        |
|         | 7      | \$588.71          | \$868.64      | \$1,457.35 | 4          |
|         | 8      | \$366.86          | \$393.06      | \$759.92   | 2          |
|         | 9      | \$1,220.12        | \$346.25      | \$1,566.37 | 33         |
|         | 10     | \$305.49          | \$398.96      | \$704.45   | 4          |

|                         |        | <b>Recommended 2009 Rates</b> |               |            | Change   | Increase |
|-------------------------|--------|-------------------------------|---------------|------------|----------|----------|
|                         |        | Base                          | Major Medical | Total      |          |          |
| Active                  | Single | \$615.19                      | \$176.82      | \$792.01   | \$109.24 | 16.0%    |
|                         | Family | \$1,386.47                    | \$398.48      | \$1,784.95 | \$246.20 | 16.0%    |
| Active-Tier 1           | Single |                               |               | \$633.34   | \$87.36  | 16.0%    |
|                         | Family |                               |               | \$1,691.84 | \$233.36 | 16.0%    |
| Retired<br>Non-Medicare | Plan   |                               |               |            |          |          |
|                         | 1      | \$881.59                      | \$250.19      | \$1,131.79 | \$56.97  | 5.3%     |
|                         | 3      | \$1,565.12                    | \$444.16      | \$2,009.27 | \$101.13 | 5.3%     |
|                         | 9      | \$1,284.79                    | \$364.60      | \$1,649.39 | \$83.02  | 5.3%     |
| Retired<br>Medicare     | 4      | \$156.28                      | \$145.77      | \$302.04   | \$15.20  | 5.3%     |
|                         | 5      | \$300.36                      | \$271.36      | \$571.72   | \$28.78  | 5.3%     |
|                         | 6      | \$535.17                      | \$774.14      | \$1,309.31 | \$65.90  | 5.3%     |
|                         | 7      | \$619.91                      | \$914.68      | \$1,534.59 | \$77.24  | 5.3%     |
|                         | 8      | \$386.30                      | \$413.89      | \$800.20   | \$40.28  | 5.3%     |
|                         | 10     | \$321.68                      | \$420.10      | \$741.79   | \$37.34  | 5.3%     |

# City of Milwaukee

2009 Rate Projection

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| Retiree Plan | Definition   |
|--------------|--|
| 1            | One person w/o Medicare  |
| 3            | Two persons w/o Medicare & Dependent Child(ren)                          |
| 4            | One person with Medicare   |
| 5            | Two persons with Medicare  |
| 6            | One person with Medicare, One person w/o Medicare                        |
| 7            | One person with Medicare, One person w/o Medicare & Dependent Child(ren) |
| 8            | Two persons with Medicare & Dependent Child(ren)                         |
| 9            | One w/o Medicare & Dependent Child(ren)                                  |
| 10           | One with Medicare & Dependent Child(ren)                                 |

**City of Milwaukee  
2009 Rate Projection**

|  | Actives             | Retirees            |                     | Total               |
|--|---------------------|---------------------|---------------------|---------------------|
| <b>2009 Projected Cost per Enrollee</b>                      |                     | Non-Medicare        | Medicare            |                     |
| Paid Claims-Medical 6/1/07-5/31/08                           | \$12,695,213        | \$4,966,630         | \$14,750,541        | \$32,412,384        |
| Paid Claims-Rx 6/1/07-5/31/08                                | \$2,442,184         | \$5,992,280         |                     | \$8,434,465         |
| <b>Total Medical &amp; Rx Paid Claims<br/>6/1/07-5/31/08</b> | <b>\$15,137,397</b> | <b>\$25,709,452</b> |                     | <b>\$40,846,849</b> |
| Average Enrollment 6/1/07-5/31/08                            | 1,319               | 326                 | 2,645               | 4,289               |
| Average Paid per Enrollee per Month                          | \$956.67            | \$721.20            |                     | \$793.59            |
| Medical  | \$802.33            | \$1,270.24          | \$464.76            | \$629.72            |
| Rx   | \$154.34            | \$168.10            |                     | \$163.87            |
| Trend-Medical  | 10.0%               | 10.0%               | 10.0%               |                     |
| Trend-Rx   | 12.0%               | 12.0%               | 12.0%               |                     |
| Weighted Trend   | 10.3%               | 10.5%               |                     |                     |
| Trend Months at  | 19                  | 19                  | 19                  |                     |
| Trend Factor-Medical   | 1.163               | 1.163               | 1.163               |                     |
| Trend Factor-Rx  | 1.197               | 1.197               | 1.197               |                     |
| Trend to 2009  | \$1,117.70          | \$1,678.28          | \$814.14            | \$955.87            |
| Medical  | \$933.02            | \$1,477.15          | \$540.46            |                     |
| Rx   | \$184.68            | \$201.13            |                     |                     |
| DeanRx (\$48.98 per participant)                             | \$0.00              | \$0.00              | \$72.54             |                     |
| Administrative Expense                                       |                     |                     |                     |                     |
| Basic Plan (per contract)                                    | \$35.45             | \$29.75             | \$21.50             | \$25.88             |
| Navitus (\$2.35 pmpm)  | \$5.69              | \$4.43              | \$7.41              | \$6.73              |
| Wrap Plan (\$5.00 pmpm)                                      |                     |                     |                     |                     |
| <b>Total Cost 2009 per Enrollee</b>                          | <b>\$1,158.83</b>   | <b>\$1,712.46</b>   | <b>\$843.05</b>     | <b>\$988.49</b>     |
| Enrollment 5/31/08   | 1,056               | 261                 | 2,536               | 3,853               |
| <b>2009 Cost at Current Enrollment</b>                       | <b>\$14,684,747</b> | <b>\$5,363,440</b>  | <b>\$25,655,587</b> | <b>\$45,703,775</b> |

**Income at Current Rates**

|  |               | 2008 Rates |               |            | 5/31/08 Enrollment |                     |
|--|---------------|------------|---------------|------------|--------------------|---------------------|
|  |               | Base       | Major Medical | Total      |                    |                     |
| Active   | Single        | \$530.34   | \$152.43      | \$682.77   | 395                | \$3,236,330         |
|  | Family        | \$1,195.23 | \$343.52      | \$1,538.75 | 654                | \$12,076,110        |
|  | Active-Tier 1 |            |               | \$545.98   |                    |                     |
|  | Family        |            |               | \$1,458.48 |                    | \$15,312,440        |
| Retired  | Plan 1        | \$837.22   | \$237.60      | \$1,074.82 | 273                | \$3,521,859         |
|  | 3             | \$1,486.34 | \$421.80      | \$1,908.14 | 549                | \$12,577,213        |
|  | 4             | \$148.41   | \$138.43      | \$286.84   | 1,213              | \$4,176,875         |
|  | 5             | \$285.24   | \$257.70      | \$542.94   | 618                | \$4,025,186         |
|  | 6             | \$508.23   | \$735.18      | \$1,243.41 | 100                | \$1,494,426         |
|  | 7             | \$588.71   | \$868.64      | \$1,457.35 | 4                  | \$73,750            |
|  | 8             | \$366.86   | \$393.06      | \$759.92   | 2                  | \$19,228            |
|  | 9             | \$1,220.12 | \$346.25      | \$1,566.37 | 33                 | \$614,317           |
|  | 10            | \$305.49   | \$398.96      | \$704.45   | 4                  | \$35,649            |
|  |               |            |               |            |                    |                     |
| <b>2009 Income at Current Rates and Enrollment</b> |               |            |               |            |                    | <b>\$41,850,942</b> |
| Increase Needed-Overall                            |               |            |               |            |                    | 9.2%                |
| Increase Needed-Actives                            |               |            |               |            |                    | 16.0%               |
| Increase Needed-Non-Medicare Retirees              |               |            |               |            |                    | 5.3%                |
| Increase Needed-Medicare Retirees                  |               |            |               |            |                    | 5.3%                |

**City of Milwaukee  
2009 Rate Projection  
Active Cost Breakout**

|  | All<br>Actives      | Tier 1<br>Actives              | Other<br>Actives    |
|--|---------------------|--------------------------------|---------------------|
| <b>2009 Projected Cost per Enrollee</b>                      |                     |                                |                     |
| Paid Claims-Medical 6/1/07-5/31/08                           | \$12,695,213        | \$1,406,841                    | \$11,288,372        |
| Paid Claims-Rx 6/1/07-5/31/08                                | \$2,442,184         | \$300,662                      | \$2,141,522         |
| <b>Total Medical &amp; Rx Paid Claims<br/>6/1/07-5/31/08</b> | <b>\$15,137,397</b> | <b>\$1,707,503</b>             | <b>\$13,429,894</b> |
| Average Enrollment 6/1/07-5/31/08                            | 1,319               | 162                            | 1,156               |
| Average Paid per Enrollee per Month                          | \$956.67            | \$876.54                       | \$967.92            |
| Medical  | \$802.33            | \$722.20                       | \$813.58            |
| Rx   | \$154.34            | \$154.34                       | \$154.34            |
| Trend-Medical  | 10.0%               | 10.0%                          | 10.0%               |
| Trend-Rx   | 12.0%               | 12.0%                          | 12.0%               |
| Weighted Trend   | 10.3%               | 10.3%                          | 10.3%               |
| Trend Months at  | 19                  | 19                             | 19                  |
| Trend Factor-Medical   | 1.163               | 1.163                          | 1.163               |
| Trend Factor-Rx  | 1.197               | 1.197                          | 1.197               |
| Trend to 2009  | \$1,117.70          | \$1,024.52                     | \$1,130.78          |
| Medical  | \$933.02            | \$839.84                       | \$946.10            |
| Rx   | \$184.68            | \$184.68                       | \$184.68            |
| Administrative Expense                                       |                     |                                |                     |
| Basic Plan (per contract)                                    | \$35.45             | \$35.45                        | \$35.45             |
| Navitus (2.35 per participant)                               | \$5.69              | \$5.69                         | \$5.69              |
| <b>Total Cost 2009 per Enrollee</b>                          | <b>\$1,158.83</b>   | <b>\$1,065.65</b>              | <b>\$1,171.92</b>   |
| Enrollment 5/31/08   | 1,056               | 135                            | 921                 |
| 2009 Cost at Current Enrollment                              | \$14,684,747        | \$1,726,358                    | \$12,952,021        |
| 2009 Cost  |                     | <b>Relative Cost</b>           |                     |
| Tier 1   | \$1,024.52          | <b>Tier 1 vs Other Actives</b> |                     |
| Other Actives  | \$1,130.78          | <b>90.6%</b>                   |                     |
| All Actives  | \$1,117.70          |                                |                     |