



Department of Employee Relations

Tom Barrett
Mayor

Maria Monteagudo
Director

Renee Joos
Employee Benefits Director

Vacant
Labor Negotiator

September 28, 2016

Aldерwoman Milele Coggs, Chairwoman
City of Milwaukee Common Council Finance and Personnel Committee
200 East Wells Street, Room 205
Milwaukee, WI 53202

File No: 160680 UnitedHealthcare and OptumRx Contract Extension

Dear Alderwoman Coggs and Finance Committee Members:

The Department of Employees (DER) recommends a three year extension of the current contract with UnitedHealthcare (UHC) and OptumRx to provide health benefit plan administrator services and prescription benefit management services for the City. The contract extension will begin January 1, 2017 and go through December 31, 2019.

The DER along with Willis Towers Watson and the Milwaukee County Healthcare Consortium (MCHCC) which includes the City, Milwaukee County, Milwaukee Public Schools and Milwaukee County Transit system worked together to complete the request for proposal for the initial contracts with UHC and OptumRx. The MCHCC continued their collaboration and worked with Willis Towers Watson to negotiate and finalize the contract extensions which will result in favorable financial terms for the City of Milwaukee.

UHC administrative fees will increase 2% from 2016 to 2017 and UHC will waive any additional increases in administrative fees through 2019 which will save the City approximately \$844,000 over the next three years. This is in addition to UHC providing the deepest discounts on network provider charges based on the previous request for proposal comparisons with other insurance companies. OptumRx agreed to improved contract terms including flat administrative fees, decreased dispensing fees and higher rebates. OptumRx has also agreed to a market check provision after the second year of the contract extension to ensure the terms remain competitive in the third year.

Willis Towers Watson and the DER believe the renewal package and terms from UHC and OptumRx are very competitive. In addition, the City continues to benefit from the clinical integration between UHC and OptumRx for the medical plan and prescription drug benefits. Both UHC and OptumRx have become valuable partners to the City in helping to provide high quality healthcare for members at the best possible value. The DER recommends that the Finance and Personnel Committee approve a three year contract extension with UHC and OptumRx.



Please contact me if you have any questions or comments regarding his file.

Sincerely,
Renee Joos
Employee Benefits

CC: Ellen Tangen, City Attorney's Office
Dennis Yaccarino, Budget Office

