

LRB-Research & Analysis Section

Finance & Personnel Committee
File: 080167

June 3, 2008
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Title

Substitute resolution authorizing the Department of Employee Relations to extend a contract for one year through December 31, 2009 with UnitedHealthcare.

Introduction

This substitute resolution authorizes the Department of Employee Relations (“DER”) to extend the City’s employee healthcare benefit insured HMO (“Health Maintenance Organization”) contract with UnitedHealthcare (“UHC”) for an additional year, from January 1, 2009 through December 31, 2009.

Background

Milwaukee’s insured HMO is available to all employees and serves as the baseline for employee healthcare benefits. The City pays all premiums for active employees opting for HMO coverage, and a portion of premiums for retirees choosing this coverage. The City pays a share of premiums for employees and retirees opting for Basic Plan and Basic Plan Tier 1 coverage equal to the HMO premium they would otherwise be entitled.

Recent HMO enrollment history is as follows:

HMO Enrollment	2006	2007	June, 2008
Active Employees	4,362	4,979	5,471
Retiree	1,572	1,295	1,538
Total	5,934	6,274	7,009

The city let a one-year contract for its insured HMO to UHC for 2008 when the then carrier, Humana, proposed an 18.85% rate increase. UHC’s proposed 2008 rates were 6.63% greater than Humana’s 2007 rates or 13.22% below Humana’s 2008 bid.

Discussion

DER is in receipt of a proposal for the City’s insured HMO from UHC proposing a premium increase for 2009 of 9.99% over 2008 premiums for the same coverage. DER recommends the City let its 2009 insured HMO contract to UHC without seeking additional Requests for Proposals based on points contained in Director of Employee

Benefits, Michael Brady's, May 22, 2008 letter to Ald. Michael Murphy (attached to this file) and summarized as follows:

- UHC and Humana are the only 2 healthcare insurers serving southeast Wisconsin with the capacity to service Milwaukee's insured HMO needs
- UHC's 2009 proposed rates are less than the competitive bid received from the City's former HMO insurer, Humana, for 2008 when Humana proposed an 18.85% increase, so it is unlikely Humana will under bid UHC for 2009
- UHC's Choice Plan offers a large provider network, will continue to work with the City to contain healthcare costs and offers healthcare continuity to the City as well as its employees and retirees

UHC's proposed 9.99% premium increase will affect the City's baseline monthly healthcare benefits for active employees as follows:

Active Employee	'08 Actual	Change	'09 Proposed
Single Coverage	\$ 403.75	9.99%	\$ 444.08
Family Coverage	\$ 1,102.49	9.99%	\$ 1,212.63

Fiscal Impact

DER estimates that 2009 insured HMO expenditures will be \$77,768,750 or 15% higher than the \$67,625,000 budgeted for 2008. This estimate was calculated before UHC's 2009 proposal was received and does not include any charges for administrative services for prescription drug coverage.

Recent HMO expenditures:

	'06 Actual	'07 Actual	'08 Budgeted	'09 Proposed
HMO Expenditures	52,984,139	65,687,198	67,625,000	77,768,750
% change	not calculated	23.98%	2.95%	15.00%