

LRB-RESEARCH AND ANALYSIS SECTION

FINANCE & PERSONNEL COMMITTEE

ITEM 12, FILE # 060338

JULY 10, 2006

MARK A. RAMION

File # 060338 is a resolution approving the 2007 Basic Plan rates.

**Background**

1. This resolution will approve the 2007 Basic Plan rates for active and retired City of Milwaukee employees.
2. The City of Milwaukee and Willis of Wisconsin have a contract that provides for Willis to prepare the rates for the City of Milwaukee Basic Plan, based on the utilization and experience data received from Claims Management Services, Inc. (CMS), the Basic Plan third-party administrator and Navitus, the City's prescription drug plan administrator.
3. Willis of Wisconsin has prepared Basic Plan rates for City of Milwaukee active and retired employees for 2007 through its actuarial analysis.

**Discussion**

1. The following is a projection of the 2007 premium shares for employees enrolled in the Basic Plan:

**Monthly rates for Active Employees (Basic Plan):**

City Group	Single	Family
Management	\$184.26	\$199.51
DC #48/Others	\$75	\$150
Fire and Police	\$75	\$150

*The city's projected 2007 premium for the Basic Plan is \$ 636.63 for single coverage and \$1,434.77 for family coverage, a decrease of 1.2% for single coverage and 1.2% for family coverage. The 2007 management employee monthly share will decrease by 28.7% for single coverage and 49.9% for family coverage from 2006 premiums. This significant percentage decrease is related to the higher base payment of the low-cost HMO, paid in full by the City.*

It should be noted that, for 2007, for general management employees and some bargaining groups, the Basic Plan will offer one "Tier" option that will reduce the monthly employee share to \$56.94 for single coverage and \$125.26 for family coverage. This is a 9% reduction from the 2006 rates for this tier. The tier option will have defined terms for participation including specific physicians, clinics and hospitals. In general, the Basic Plan "Tier 1" will include the offerings of the CompcareBlue Broad Network. The "Tier 2," offered in 2006 will not be offered in 2007 as employee enrollment in this second tier was very sparse. Tier 2 included,

for the most part, the entire Wisconsin Blue Cross Network whereas Tier 1 was narrower in that it includes the southeast Wisconsin Blue Cross (Broad) Network.

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 65%-100%.

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.

### **Fiscal Effect**

1. The Basic Plan and Pharmacy Benefits Claims are initially budgeted for \$34,100,000 for 2007. This amount is a similar one (\$34.2 million) as the 2006 adopted budget. The amount for the Health Claims SPA sub-account will most likely be adjusted when the 2007 proposed budget is submitted to the Common Council in September 2006.

*Additionally, there may be significant employee migration from the Basic Plan to the Humana HMO Preferred Network. As this plan has significant physician and hospital coverage in the Milwaukee area and as this plan will be offered at no monthly premium to City employees for 2007, employee changes are anticipated during open enrollment in October 2006. As a result, both the Claims and the HMO sub-accounts will be affected.*

2. The 2006 budget provides \$30,000 for consultant services related to analysis of health care costs and recommendations for cost reduction plans.

Prepared by: Mark A. Ramion, X8680  
LRB-Fiscal Review Section  
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Cc: Marianne C. Walsh  
W. Martin Morics  
Maria Monteagudo  
Michael Brady  
Edwin Reyes  
Dennis Yaccarino