

February 23, 2006

The Honorable Common Council  
City Hall Room 200  
200 East Wells Street  
Milwaukee, WI 53202

**RE: COMMUNICATION FROM DER REGARDING FILE 050432**

Dear Ladies and Gentlemen:

File 050432 was introduced July 6, 2005 by Alderman T. Anthony Zielinski and was passed by the Common Council on December 13, 2005. The resolution directed the Department of Employee Relations (DER), in conjunction with a representative of the Common Council President, to investigate options for reducing the cost of health care benefit provision for City of Milwaukee employees while assuring the highest quality in health care coverage and specifically to “explore and evaluate the feasibility and implementation of the approach in health care savings of the Business Health Care Group of Southeast Wisconsin (BHCG), including membership of the City of Milwaukee in the same organization and provide a written report to the Common Council within 4 months.”

DER sent a letter, dated July 19, 2005 with attachments to the Committee detailing some of the health care cost containment efforts the City is pursuing.

Following the Finance and personnel Committee meeting in November, DER scheduled a meeting on December 5, 2005 with Diane Kiehl, Executive Director of the BHCG; R. Craig Reynolds, Director HR Special Projects at Briggs and Stratton Corporation; Alderman T. Anthony Zielinski and Maria Monteagudo and Michael Brady from DER to discuss the BHCG and how the City might support and/or participate in their efforts.

The BHCG is a private employer health care purchasing coalition that was launched in January 2003 to explore alternatives to contain health care costs through consumer-driven efforts and collective purchasing. The BHCG has 24 voting members representing private employers with 130,000 health care lives. The BHCG members pay \$9.50 per eligible employee and retiree in 2006 to support the activity of the group. New members would pay accordingly. For the City that would be about \$14,000 for 12,000 eligible employees and retiree contracts.

The BHCG in 2005 signed a contract with Humana to provide a “high performance network” at a reduced cost. The high performance network includes Aurora doctors and facilities, Columbia St. Mary’s doctors and facilities, Froedtert and Community health doctors and clinics, but does not include doctors and facilities from the Covenant system. The Covenant system includes St. Joseph’s, St. Francis, St. Michaels and Elmbrook hospitals and doctors. Employees are allowed to select the Covenant doctors or hospitals but pay additional per cent of the costs.

During the RFP process in 2005 the City received responses from Humana, UHC, CB AFN and CB Broad Network HMO plans. The Human HMO 2006 cost for the City’s insured plan was \$490 for single and \$1227.18 for family. The CB AFN HMO 2006 cost for the City’s insured plan that was awarded the contract costs the City \$389.30 for single and \$1063.05 for family. The Humana plan required that it be exclusive of any other insured HMO plan. Since the City pays 100% of the lowest cost HMO plan, the Humana plan was projected to cost the City \$7M more than the CB AFN in 2006 for a plan with the same benefits.

The City will be doing an RFP for HMO insured services for 2007. At that time Humana, on behalf of the BHCG, can offer the City an HMO plan with the City's HMO benefits. The HMO benefits offered through the Humana "high performance network" used by the BHCG are not currently the same benefits that have been negotiated with labor unions. The Humana "high performance network" requires a high deductible and is self funded, not insured. The City will offer Humana an opportunity to bid on these services with their standard or high performance HMO for 2007.

At this time I would recommend that the City continue to support the efforts of the BHCG to control costs and continue to take other steps to control health care costs.

I would not recommend that the City formally "join" the BHCG and commit funding based on the number of active employees and retiree contracts.

I would be happy to discuss this and other cost containment efforts of the DER either at a meeting or individually with members of the Common Council.

Sincerely,

Michael Brady  
Employee Benefits

Cc: James Owczarski, Common Council Records Section  
Debra Fowler, Common Council Records Section  
Diane Kiehl, Business Health Care Group of Southeast Wisconsin  
Craig Reynolds, Briggs and Stratton  
Alderman T. Anthony Zielinski  
City Attorney Grant Langley  
Ellen Tange, City Attorney's Office  
Dennis Yaccarino, Budget Office  
Barry Zalben, Legislative Reference Bureau  
Marianne Walsh, Legislative Reference Bureau  
Mark Ramion, Legislative Reference Bureau  
Maria Monteagudo, DER  
Edwin Reyes, DER