

LRB-FISCAL REVIEW SECTION ANALYSIS

FINANCE AND PERSONNEL COMMITTEE

ITEM 10, FILE # 040427

JULY 21, 2004

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File # 040427 is a resolution relating to certain prescription drug benefits offered to management employees.

Background

This resolution allows the Department of Employee Relations to require all management employees who select and enroll in a health maintenance organization to have a prescription drug benefit plan that requires a 20% co-insurance.

Discussion

1. For employees who enroll in one of the CompcareBlue health maintenance organization plans (Aurora Family Plan or CompcareBlue-Traditional) offered by the City of Milwaukee, a \$4 for generic prescription medication co-pay and \$8 brand prescription co-pay is required.
2. This resolution will require all management employees who enroll in one of these two alternate CompcareBlue HMO plans to pay 20% of the cost of prescriptions up to an annual maximum of \$1,000. City employees in the *Basic Plan* currently pay 20% of prescription medications.
3. This resolution seeks to encourage and increase the use of generic prescription medications by city management employees with the intention of furthering generic prescription usage by all city employees.
4. DER-Employee Benefits Division estimates that approximately \$1.2 million could be saved annually if all city employees could increase the usage of generic prescriptions by 6% from 49% to 55%. The average insured CompcareBlue group is at 55% generic prescription usage.
5. Approximately 15% (\$10-\$11 million) of the HMO premiums paid are for the cost of prescription medications.
6. Approximately 700 management employees are insured within city government with approximately 560 enrolled in one of the CompcareBlue HMO plans.
7. This resolution is effective January 1, 2005 and will apply to City of Milwaukee management employees who enroll in either the Aurora Family Network or CompcareBlue-Traditional HMO for 2005.

Fiscal Impact

1. As management employees represent approximately 10% of the insured in the City of Milwaukee, \$120,000 would be potential savings if all management employees enrolled in an HMO plan and if the generic prescription medication usage increased by 6%. More accurate savings will be determined after experience is gained.
2. Monthly rates for Active Employees (HMOs) in 2005:

CompcareBlue Health Plan	Single Coverage Rate			Family Coverage Rate		
	Total	City	Employee	Total	City	Employee
Family Network	\$355.61	\$355.61	No Cost	\$970.80	\$970.80	No Cost
Traditional	\$441.10	\$355.61	\$85.49	\$1,204.18	\$970.80	\$233.38

3. If this resolution is adopted, CompcareBlue will adjust the premium rates, reducing the single monthly premium by \$3 and the family premium by \$9. This reduction rate is *tentative* and no decision has yet been made on how any savings would be passed on to the employee.

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LRB-Fiscal Review Section
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