



**City of Milwaukee
Budget and Management
Intra-Office Memo**

To: Finance and Personnel Committee Members
Mark Nicolini, Budget and Management Director

From: Renee Joos

Date: July 22, 2011

Subject: Request for Health Care Benefit Comparables

At the Finance and Personnel Committee Meeting on July 20, 2012 a request was made for a report sharing health care benefit information for purposes of comparison between the City's proposed health care plan for 2012 and other local and national organizations' health care benefits.

A few highlights of the report include:

- The total cost of the City of Milwaukee's health care benefit plans is comparatively very high, which reflects both the generous nature of the plan design and high, essentially unconstrained utilization.
- Currently the City's plans have low cost-sharing relative to other governmental plans and extremely low cost-sharing relative to private sector plans.
- City employees enrolled in the HMO (approximately 88% of the total) currently have no deductibles. No deductible plans are extremely rare in the private sector and are becoming increasingly rare in the public sector. Plans with no or low deductibles generally extract significant employee cost-sharing via co-insurance and/or co-payments.
- Private and public sector trends regarding employee health care cost-sharing have been moving and continue to move in the same direction as the City of Milwaukee Administration health care proposal for 2012.
- The City of Milwaukee's proposal is also in line with changes being pursued by MPS, Milwaukee County and the state government as well.

Overall, both nationally and in the greater Milwaukee area, governments and educational institutions as well as private sector employers are engaging in more cost containment strategies such as increasing employee premiums, deductibles, co-pays, co-insurance and out-of-pocket maximums. The summary below outlines various health care benefit components and compares City of Milwaukee information to local and national trends, while also noting changes the City plans to make for 2012. It's important to note that the national and local trend information shared in this report is from 2010 and many of the variables (premiums,

deductibles, co-insurance, etc.) have likely experienced increases for 2011 and may experience further increases for 2012.

The information presented here was taken from two primary sources. The first is the Greater Milwaukee Annual Employer Health Care Benefits Survey through HCTrends which surveys different organizations in the Milwaukee area and compares information both by employer size and type, such as financial/insurance, government/education and manufacturing, etc. The HCTrends survey area comprises the seven counties of southeastern Wisconsin, but primarily focuses on Milwaukee, Waukesha, Ozaukee, and Washington.

The second source of information is the Employer Health Benefits 2010 Annual Survey conducted by The Kaiser Family Foundation and Health Research & Educational Trust which looks at national health care benefits. While both surveys examine trends in health care coverage and highlight things like premium cost, health plan design and other cost containment strategies, the Kaiser report focuses on national information while HCTrends compares local information.

Total Premium Cost

For the City of Milwaukee, in 2010 the average annual premium for health care coverage under the HMO was \$8,016 for the single plan and \$21,900 for the family plan. Under the basic plan, the annual premium cost for single coverage was \$10,233 and \$23,061 for family coverage.

In 2010 the national average annual premium for a single plan was \$5,049 and \$13,770 for a family plan. During that same time period, for larger businesses in the Milwaukee area, 50% had single coverage costs between \$4,750 - \$6,000 while 21% experienced costs higher than \$6,000. For family coverage, 75% had costs in the range of \$14,000 - \$20,000 with 5% experiencing costs over \$20,000.

With the health care benefit changes that the City is proposing for 2012, annual premium costs are expected to be around \$7,476 for a single plan and \$11,200 - \$22,400 for a family plan.

Premium Payments

In 2010, some City of Milwaukee workers paid a premium share of 2-3% for single and family coverage under the HMO/EPO plan while other employees paid 0% premium.

In 2010 the national average premium share contributed by workers was 19% for single and 30% for family coverage. Locally, the number of government/education employees paying 10% or more for single coverage increased 45% from 2009 to 2010. For family coverage the number of government/education workers paying more than 10% increased over 200% from 2009 to 2010. It's important to note that most employees working for larger businesses in the Milwaukee area had premium payments in the range of 10-30% for single coverage and 15-25% for family coverage.

For 2012 the City of Milwaukee is proposing a premium payment of 12% for all active general city employees and the number of tiers for single/family coverage will be expanded from two to four to more evenly distribute this cost among health care enrollees according to the number of people enrolled.

Deductibles

In 2010, City of Milwaukee employees were not required to pay any deductibles for health insurance.

During that same time period, the national average deductible for a single plan was \$675 and \$1,518 for a family plan. Locally, single coverage deductibles for large business employees was between \$500 - \$1,750 and \$1,000 - \$3,500 for family coverage. In 2010 the number of government and education employees with single plan deductibles greater than \$500 and family plan deductibles greater than \$1,000 increased 200% from 2009.

For 2012, the City of Milwaukee is proposing deductibles for the HMO/EPO* plan of \$500 single/ \$1,000 family and \$750 single/\$1,500 family for the basic plan. (*Most city employees are enrolled under the HMO/EPO plan and that trend is expected to continue in 2012).

Coinsurance

In 2010, City of Milwaukee employees were not required to pay a health care coinsurance amount.

During that same time period, the national average for employee coinsurance was 18%. Locally, employees in larger institutions had coinsurance between 10-20% and 64% of government/education employees had coinsurance within that range as well. For government/education employees this represented a 190% increase over 2009 when only 22% of those employees had 10-20% coinsurance.

For 2012, the City of Milwaukee is proposing 10% coinsurance for employees enrolled in the HMO/EPO or basic plan.

Out of Pocket Maximum

In 2010, City of Milwaukee employees did not have any out of pocket maximum amount for health insurance.

Nationally for single coverage, 85% of workers had an out of pocket max greater than \$1,500 with 87% of employees having an out of pocket max of \$3,000 or more for family coverage. Locally 90% of employees from larger businesses had an out of pocket max of \$1,000 or greater for single coverage and 77% of employees had an out of pocket max of \$3,500 or greater for family coverage. The number of government/education employees with an out of pocket max increased from 2009 to 2010 with 66% having an out of pocket max greater than \$500 for single coverage and 55% having an out of pocket max greater than \$4,500 for family coverage.

For 2012 the City of Milwaukee is proposing an out of pocket max of \$1,000 single/\$2,000 family for the HMO/EPO* plan and \$1,500/\$3,000 for the basic plan. (*Most city employees are enrolled under the HMO/EPO plan and that trend is expected to continue in 2012).

Prescription Drug Coverage

In 2010, City of Milwaukee employees had a three-tiered drug plan with co-payments of \$5/\$17/\$25 for the HMO plan and a 20% coinsurance for the basic plan.

Nationally, drug co-payments for three tier plans average \$11 for tier one, \$28 for tier two and \$49 for tier three. Locally, larger employers offering three tier drug plans had payments of \$10/\$30/\$50 while government/educational employers had three tier payments of \$10/\$20/\$35.

For 2012 the City of Milwaukee will continue to offer three tiers of drug co-payments at \$5/\$25/\$50.

Retiree Coverage

In 2010, City of Milwaukee retirees were offered health care insurance benefits that were similar to those being offered to active employees. Nationally, 28% of large firms offered retiree health insurance in 2010 with 93% of those providing benefits to early retirees and 75% to Medicare retirees.

In 2012, City of Milwaukee retirees will have the same health care benefit design changes that are being offered to active employees. New retirees who retire after January 1, 2012 will pay the same 12% premium as active general city employees.

MPS/County/WI State Government/Federal Government

In 2011, MPS employees in the EPO plan have annual premium payments of \$527 single/\$1,384 family, deductibles of \$50 single/\$150 family and a 10% coinsurance. The MPS PPO plan has premium payments of \$882 single/\$1,950 family, deductibles of \$75 single/\$225 family, 10% coinsurance and out of pocket maximums of \$200 single/\$600 family.

Currently some County employees have annual premiums, deductibles of \$500 single/\$1,500 family and 10% coinsurance. In 2012, County employees will have premium payments of 13% single/9% family with deductibles of \$500 single/\$1500 family, coinsurance of 10% for the PPO plan, and co-payments for office visits.

Wisconsin State and local government employees who participate in the group insurance board program currently have several different health care plan options with varying degrees of deductibles, coinsurance, and copayments. In 2012, employees in those plans will pay a premium of 12%, have deductibles of \$200 single/\$400 family, coinsurance between 10-30%, and out of pocket maximum payments as well.

Currently, federal employees pay a premium of 25% with some co-pays for office and hospital visits.

RJ:dmr
Common/SPAS/Healthcare/2012