

City Of Milwaukee

Selection Team Recommendation Regarding 2014
Contracts for Fee-for-Service and Prepaid Dental
Plans

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EXECUTIVE SUMMARY

What are the Recommendations of the Selection Team?

Fee-for-Service Dental Plan

As a result of a request for proposal (RFP) process and evaluations, the Selection Team recommends the following for the fee-for-service dental plan:

Enter into a three-year contract for 2014 through 2016 with MetLife.

Prepaid Dental Plans

As a result of a request for proposal (RFP) process and evaluations, the Selection Team recommends the following for the prepaid dental plans:

Enter into two-year contracts for 2014 through 2015 with Anthem/Dental Blue and Care-Plus. Anthem/Dental Blue and Care-Plus are the incumbent prepaid dental plan carriers.

Who was on the Selection Team?

The City staff members on the Selection Team were:

- **Michael Brady** - Director, Department of Employee Relations
- **Renee Joos** – Fiscal & Risk Manager, Department of Employee Relations
- **Dennis Yaccarino** – City Economist, Budget Office, Department of Administration

Assisting the City team were the following individuals:

- **Clete Anderson**, Vice President, Willis of Wisconsin
- **Daniel Hennig**, Assistant Placement Specialist, Willis of Wisconsin

How Did the Selection Team Reach These Recommendations?

Selection Process

The City's contribution toward dental coverage is fixed and well below current dental plan rates, so obtaining quotes would not reduce the City's cost. The goal was to keep the dental plans as affordable as possible to employees while providing employees with choice and minimizing disruption with their current dentists.

The City currently offers the fee-for-service dental plan through Delta Dental. This plan is also called a "passive PPO" because there is no benefit plan "steerage" for using network dentist. The prepaid dental plans (akin to HMOs for dental coverage) provided through Anthem/Dental Blue and Care-Plus have higher benefits but small dentist networks to better manage the cost.

There is need for only one fee-for-service dental plan, but because prepaid plans have limited provider networks it gives employees more choice by offering multiple plans. If we could obtain either a less costly fee-for-service dental plan or an additional prepaid plan it would benefit City employees. There are a limited number of carriers that offer prepaid dental plans, plus the relatively rich benefit plan design of the City's plan can make carriers shy away from quoting, so a limited response was expected.

The RFPs were e-mailed to carriers that offer dental plans. Responses were received from the following:

Carrier	Status
Aetna	Response Not Received
Always Care	Response Not Received
Ameritas	Quote Received - PPO Only, Uncompetitive - did not match current benefits
Anthem	Incumbent - provided full replacement option
Assurant	Declined - Uncompetitive
Care-Plus	Incumbent - did not provide PPO option
Cigna	Declined - Uncompetitive
Delta Dental	Incumbent - did not provide pre-paid plan option
Guardian	Quote Received - PPO Option Only
Humana	Quote Received - PPO Option Only
MetLife	Quote Received - couldn't match prepaid plan but provided an alternative
United Healthcare	Quote Received - PPO Option Only - Uncompetitive 5% over current

Analysis

The appendices to this report summarize the current rates as well as the rates quoted for 2014, 2015, and 2016.

Fee-for-Service Plan

Financial

MetLife quoted the lowest rates for 2014, 13% below the current rates and 9% below the rates of the incumbent, Delta Dental, who cut their rates 4% for 2014. Humana's quote was second, 5.2% below current rates. Delta Dental guaranteed their rates for two years. MetLife's rates are guaranteed for only one year, but MetLife provided a rate increase cap of 7% for both 2015 and 2016. If we assume the maximum rate increase from MetLife, the MetLife rates are 9% lower than Delta Dental for 2014, 3% lower for 2015, and if we would assume a 4% increase from Delta Dental for 2016, the 2016 Delta Dental and MetLife rates would be equivalent. Employees would realize a significant savings by switching to MetLife since they pay the entire difference between the rates.

MetLife duplicated the current fee-for-service dental benefit plan design as required.

Qualitative

The fee-for-service plan is a “passive PPO” meaning that there is no benefit steerage (higher benefits) paid for using network providers. However, there is a savings to employees for using network providers since the employee out-of-pocket expense on network dentists will be lower than on non network dentists. Any switch in dental provider networks will cause some disruption for employees. Some dentists in the network today would be out and vice versa. A new dental network should provide easy access to a broad network of dentists to minimize network provider disruption. The MetLife dental network provides such a network. The Humana network is also broad, but the difference in their rates from MetLife was significant, and only slightly better than the incumbent Delta Dental.

Prepaid Plans

We required bidders to duplicate current benefit plan design, which some could not. Prepaid dental plans have small dentist networks. A competing bidder would need to offer rates significantly below the incumbents to warrant changing from an incumbent because employees in these plans would probably have to change dentists. No non-incumbent bidders could meet these requirements.

Combined RFP

The dental RFP was done on a combined basis with the Milwaukee Public Schools with the goal of achieving savings from combined purchasing. There is no way of measuring savings that may have come from the combined effort.

Conclusion

For these reasons the Selection Team recommends placing the fee-for-service dental contract with MetLife for 2014 through 2016 and renewing with Care-Plus and Anthem/Dental Blue on the prepaid plans for 2014 through 2015.