LRB-FISCAL REVIEW SECTION ANALYSIS

FINANCE & PERSONNEL COMMITTEE **ITEM 6, FILE # 030406**

JULY 9, 2003 **MARK A. RAMION**

File # 030406 is a resolution authorizing contracts for health maintenance organizations (HMO) for 2004, fee-for-service dental plans for 2004 through 2006 and flexible benefit program for 2004 through 2006.

Background

1. This resolution will authorize the City of Milwaukee Department of Employee Relations (DER) to enter into contracts for health maintenance organizations (HMO) for 2004, flexible choice programs for 2004-2006, and for fee-for-service dental plans for 2004-2006 and authorizing the execution of said contracts.

2. The City of Milwaukee DER with Willis Corp and GBG, Inc. solicited responses to Requests for Proposals for HMOs, flexible benefit plans and fee-for service dental providers. A six-person team from the city with representatives from DER, the Budget and Comptroller's Offices and the Legislative Reference Bureau reviewed the responses and the costs of each of the benefit programs.

3. This resolution authorizes contracts for various health benefit programs per the recommendations of the city's benefit recommendation team (see page 3 for participants).

Discussion

1. The HMOs recommended by DER offering 2004 rates to the city are CompcareBlue Aurora Family Network and CompcareBlue Traditional Network.

   Monthly rates for Active Employees (HMOs):

	Single Coverage Rate			**Family Coverage Rate**		
	2003	**2004**	Increase	2003	**2004**	Increase
Health Plan						
Family Network	$307.10	$336.43	$29.33	$838.38	$918.45	$80.07
Traditional	$341.22	$373.81	$32.59	$931.53	$1,020.49	$88.96
City's Share	$307.10	**$336.43**	**$29.33**	$838.38	**$918.45**	**$80.07**

   The city's monthly contribution for active city employees enrolled in an HMO in 2004 will be **$ 336.43 for single coverage and $918.45 for family coverage**, as the city pays the full premium of the lowest HMO monthly rate. These 2004 figures represent a **9.55%** increase for single coverage and a **9.54%** increase for family coverage from 2003 rates.

   For employees choosing the CompcareBlue Traditional plan, the single coverage premium will be **$37.38** per month and family coverage will be **$102.04** per month. Whereas the *Family*

coverage is limited***** to medical staff and location, the *Traditional* coverage includes all hospitals and most physicians in the Milwaukee area.

*****(Aurora Family Network is a primary care, staff model HMO with eight locations in the Greater Milwaukee area. Choice is "limited" in that the patient agrees to a specific location and physician for care and, if needed, referrals for specialty care. The Family network has in-house pharmacies, labs other diagnostic and health-related services. Hospital choice is limited to the network affiliations).

There are two HMOs that offered premium rates for 2004. Humana offered HMO rates that resulted in a $4.5 million additional cost (7%) above the 2004 rates offered by CompcareBlue and were ***not recommended*** for contract by the City of Milwaukee DER for employee HMO benefits. Additionally, Humana does not have a relationship with the Aurora Health System. The Compcare network includes the Aurora Health System and its network of hospitals and physicians.

2. Health care benefits for **retirees** are currently categorized in two groups:

   For those **under** age **65** years, the city pays 100% of the health plan selected, either the Basic Plan or an HMO (city payment for fire and police retirees in this category is dependent upon a formulary ranging from 0%-33%).

   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.

3. The *fee-for-service* organization offering dental care rates to the city is Delta Dental Plan of Wisconsin, Inc. There is no rate increase for 2004. Delta Dental Plan will raise rates by approximately 6% in 2005 and approximately 8% in 2006. The city share of the fee-for-service dental coverage remains at $13.00 for single coverage and $37.50 for family coverage.

Monthly rates for Delta Dental:

	Single Coverage Rate			**Family Coverage Rate**		
	2003	**2004**	Increase	2003	**2004**	Increase
General	$23.10	$23.10	$0.0	$79.56	$79.56	$0.0
Police	$26.62	$26.62	$0.0	$75.99	$75.99	$0.0
Fire	$26.62	$26.62	$0.0	$80.49	$80.49	$0.0
City's Share	$37.50	**$13.00**	-	$37.50	**$37.50**	-

Five other fee-for-service dental plans offered rates to the city and were not recommended for contract based upon the three-year cost of the premiums and, in the case of DentalBlue, a comparative score to Delta Dental that did not offer a compelling reason to switch carriers.

4. The City of Milwaukee DER recommends a three-year contract with Flex Company to provide the *Flexible Choices* program to active City of Milwaukee employees. A flat fee of $3.50 per member will remain through the three-year contract.

   One other carrier, FlexBen Corporation, submitted a proposal for the flexible spending program and was not recommended for contract with the city.

Fiscal Impact

1. DER notes that the increase in HMO rates for 2004 will require approximately **$51 million** for the HMO line in the Special Purpose Account for employee health benefits. This amount represents an **additional $3 million** (6%) from the 2003 budget.

2. The amount for dental insurance in the health care SPA for 2004 will be approximately **$2.475 million**, a similar amount as in 2003.

3. The amount for the flexible savings plan, covering administrative expenses, is approximately **$25,000**, a $10,000 decrease from 2003.

Other Information

1. City of Milwaukee Employee Benefits Recommendation Team members:

   - Michael Brady, Benefits Manager, DER
   - James Michalski, Audit Manager, Comptroller's Office
   - Edwin Reyes, Management and Account Officer, DER
   - Dennis Yaccarino, City Economist, Budget Office
   - Katrina Whittley, Employee Benefits Analyst, DER
   - Mark Ramion, Fiscal Review Analyst, Sr., LRB
   - Douglas Ley, VP, Willis of Wisconsin, Inc.
   - Clete Anderson, Asst. VP, Willis of Wisconsin
   - Charles Hilson, CEO, CBG, Inc.

2. The 2003 budget provides $30,000 for consultant services related to analyzing health care costs and recommend cost reduction plans.

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LRB-Fiscal Review Section
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