

EMPLOYEE RELATIONS COMMITTEE MEETING

Tuesday, June 26, 2007
Council Chambers

PRESENT: Alds. Krill (7:55 p.m.), Maher, Meaux, Purins, Stepaniak – 4

EXCUSED: Ald. Meaux

ALSO PRESENT: J. Archambo, City Admin.; B. Aldana, Human Resources Dir.; C. Thomas, Payroll & Benefits Mgr.

Ald. Purins as chair called the meeting to order at 7:00 p.m.

Analysis of the state health plan for the City of Wauwatosa

Mr. Archambo reviewed the information sent to committee members regarding the state health plan. He said the information was not intended to be an exhaustive description of the state plan and not intended to be a definitive description of rates. The information is intended to augment any future information regarding the state health plan.

Referring to the information packet, Mr. Archambo outlined the issues for getting into the state plan. The first issue is state premium share options. The city has two choices of premium contribution options under the state plan. With choice #1 the city is required to pay between 50% and 105% of the lowest cost HMO in the service area, which is defined by the state, for active employees working more than 1,044 hours per year; and the employee is required to pay the balance of the premium, if any. The state plan requirement for premium share applies to active employees. State plan employers can pay for all or none of the premium for retirees subject to statutory requirements of existing collective bargaining agreements. With Choice #2 the city must have a premium contribution differential of at least \$20 on a single plan and \$50 on a family plan between the state-defined three tiers. The employer can set a larger differential while the state only sets the minimum. The state determines the tier placement based on the efficiency of the insurance plan. The purpose is to steer employees to plans in more efficient lower tiers. The determination of efficiency is made annually so plans may change tiers. The state plan requirement for premium share applies to active employees only. He added that the current loss provider for Milwaukee County is United Healthcare Southeast. The vast majority of people enrolled are in Tier 1.

Ald. Stepaniak noted that in the state's plan state employees are in one pool and municipal employees are in another. The costs are derived from these pools. Ald. Purins asked for a breakdown between state and municipal employees according to pools.

Referring to the information packet, Mr. Archambo told the committee that the city may determine the rates it will be charged under the state plan without formally requesting to join the state plan. This can be done by providing claims and demographic data and paying an underwriting fee of \$2,200. The underwriting analysis will determine if the city would have to pay a surcharge in addition to the stated rates. The surcharge is based on the amount of risk the underwriters determine the city's current participants pose to the state plan. The higher the risk the higher the surcharge becomes. Representatives of the state plan have told them that risk is not only evaluated in terms of claims experience, but also in terms of the demographics of the enrolled participants. If there is any surcharge, it would decrease annually thereafter. After the first year the surcharge is cut in half and in the third year the premium rates are the same as that for everyone in the plan.

Mr. Archambo noted that in general the city is older. The average age of city employees is 45. The average age of employees enrolled in United Healthcare is 48 and the average age of employees enrolled in Auxiant is 52. Ald. Stepaniak brought up the possibility of adverse selection noting that older employees skew to the higher cost. Ms. Thomas said that the 45 to 65 age range tends to be the most expensive on anybody's health plan. Ms. Aldana noted that the underwriting would be done with active employees. Mr. Archambo pointed out that the city's employees are about 18% older compared to 5% in the state pool.

Mr. Archambo stressed that 3 to 5 years is a reasonable time period for looking at costs. If something major happens on the state level it would change the picture dramatically and there may be some changes in 5 years.

Ald. Purins asked for a spreadsheet covering about 5 years with variables for each scenario. Ms. Aldana advised that ranges may be more consistent since the city's or the state's history contains so many variables. She added that it is easy to compare the current fully-insured plan to the state plan because it is a premium. It is harder to compare the self-insured plan with the state. At the end of the year the claims experience can be different. She added that the self-insured plan is the driver of the city's cost.

Ald. Maher asked how accurate the city has been with budget estimates. Ms. Aldana said that actual experience is not as high as projected. Projections have been higher in some years and lower in others.

Ms. Aldana noted that if the city starts on the state plan on January 1st there will be a premium to pay as well as the run out cost for claims from the months before. Ald. Purins asked about pre-existing conditions. Ms. Thomas responded that if a person has had coverage previously there are no pre-existing conditions. She added that with regard to runout, the city has to pay an administrator to pay out the claims and there is no stop loss.

Referring to the section on cost for retirees living out of Wisconsin, Ms. Aldana noted that retirees who live out of the state can only select the state standard plan because there is virtually no coverage under the HMO plan except for emergencies. The state standard plan is an indemnity plan such that participants can see any providers and are not restricted to specific providers in a certain network. The rate is \$989.50 for singles and \$2,247.50 for families. This would be an issue for an number of retirees.

Ms. Aldana pointed out that the state defines any employee who works 1,044 hours or more as full time for health insurance purposes. That means that the city would have to pay at least 50% of the cost for all part time employees in this category. The city currently does not contribute toward the cost of health insurance for part time employees, even if they work 39 hours per week. For part time employees who qualify for the state pension plan (WRS) coverage, but work less than 1,044 hours per calendar year, the city must pay no less than 25% of the cost of health insurance for those electing coverage.

Ms. Aldana cautioned that once the city is in the state health plan they will lose the city's employee data and there is no way to know if the city's claims experience is subsidizing other municipalities or if other municipalities are subsidizing the city. If the city wants to withdraw, the third part administrator would have to estimate the amount. Ms. Thomas added that the state doesn't have the data segregated by municipality. Ald. Purins asked about using social security numbers to get the information. Mr. Archambo said the state may not wish to share that information.

Ald. Krill arrived at the meeting at 7:55 p.m. (-4)

Ms. Thomas noted that benefits don't change with the state plan, but providers may. Ald. Stepaniak pointed out that under the state plan the city does not negotiate health benefits and there are provisions in the labor negotiation process. Ms. Aldana explained that after the city is in bargaining positions the

question is how much will the employee pay and how much will the employer pay. Unions may say that going to a different health plan is negotiable.

Ms. Aldana said that in the state plan the prescription drug co-pay is less and there is a cap. Mental health benefits are not as strong as in the self-insured plan. She added that while the city could or should make efforts toward wellness there wouldn't be any benefits from true wellness initiatives because the city would be handed the premiums from the state. There would be no credit on the city's premiums for wellness programs. She noted that the lowest cost provider this year doesn't include Froedtert Hospital. South Milwaukee is the only comparable city that is enrolled in the state plan.

Ald. Purins suggested that the staff could look at statewide cities in Wauwatosa's range. Mr. Archambo noted that each year there may be different providers for different cities. He added that one of the immediate flaws is in the variation of the ghost rate. One possible scenario is that the two plans will diverge. If the surcharge is in the 10% to 20% range, that shows the divergence. The state determines what the city has to pay for part time employees. He stressed that moving to the state health plan will not reduce the amount of enrollment issues or the number of complaints involved with any health care plan. Ms. Thomas stressed that the city would be dealing with a number of plans and would be a small frog in a big pond as opposed to only dealing with 2 people currently.

Mr. Archambo mentioned a proposal by State Senator Jon Erpenbach which effectively creates a payroll tax which individuals are put into and once in they can then personally select their own individual health care provider.

The meeting adjourned at 8:04 p.m.

Carla A. Ledesma, City Clerk
City of Wauwatosa

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