

CITY OF WAUWATOSA

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**EMPLOYEE RELATIONS COMMITTEE – SPECIAL MEETING
Monday, July 30, 2007
Council Chambers**

PRESENT: Aids, Maher, Meaux, Purins, Stepaniak – 4

EXCUSED: Ald. Krill

ALSO PRESENT: Aids. Birschel, Didier, Donegan, Grimm; J. Archambo, City Admin.; B. Aldana, Asst. City Atty./Personnel Dir.

Ald. Purins as Chair called the meeting to order at 6:05 p.m.

Results from the Request for Proposals (RFP) regarding third party administrator for city health insurance plans

Ms. Aldana told the committee that they were being given a report on the results of the Request for Proposals (RFP) for a third party administrator for the city's health benefit plans. She posed the question as to whether there would be an advantage to the city to self insure both providers. She noted that each of the vendors may have benefit deviations and there is a possibility that they will not be able to replicate what the current plans offer. These issues will be part of the collective bargaining.

Ms. Rae Anne Beaudry of Health Care Systems Consultants, Inc. reviewed a report on the evaluation of responses for the Health Plan RFP. She stressed that the goal was to determine how to lower the cost of claims. She explained that Milliman Consultants and Actuaries is an actuarial company they used because they wanted to make sure to back up their documentation. Both Health Care System Consultants, Inc. and Milliman agree that there are substantial savings to the city as demonstrated by the market responses to the RFP. She noted that these savings are accomplished by: 1) placing the risk pool of the entire population under one self-funded insurance vehicle; 2) reducing the retention costs of the current plans; and 3) the market's ability to place utilization and cost controls on their "owned" networks vs. the rentable Health EOS Network currently in place.

Ms. Beaudry added that both Milliman and Health Care Systems Consultants agree that all alternatives have a lower overall cost. Fixed fees (including administration, utilization management and stop loss fees) are higher with the proposed claims administrators. She added that both Milliman and Health Care Systems Consultants agree that United Healthcare (UHC) has the best overall financial savings for the city; however, Milliman did not study the benefits proposed by UHC nor did they compare them to the benefit plans currently in place. She cited the report saying that Health Care Systems Consultants felt that the benefit differentials in the proposed plans vs. the current labor negotiated plans would increase the costs of the claims by approximately 8%. According to that calculation the UHC cost increases by approximately \$650,000. She noted that UHC cannot and will not adjust their claim system to accommodate the city's current plan; therefore the city could be responsible for administration of a health reimbursement account for the benefit deviations if UHC is selected.

Ms. Beaudry reviewed the RFP responses from Midwest Security, Anthem (formerly Blue Cross Blue Shield), and Humana. She reported that Milliman believes that Midwest Security with the Options Network presents the next best financial situation for the city. Unfortunately Midwest's response to the RFP does not seem to support this finding based on total expected claim cost plus the fixed fees. Midwest is capable of administering the plans currently in place, with few if any challenges or "work arounds."

Midwest would allow the city to retain the current pharmaceutical benefit manager RESTAT; however, for Healthcare System Consultants to recommend Midwest Security they would need further clarification of the Milliman Report regarding the network value alongside the actual response to the RFP.

Ms. Beaudry noted from the report that both Milliman and Health Care System Consultants agree that Anthem presents an opportunity for savings to the city. Milliman's report does not seem to give the same amount of credit to Anthem as her company would. This would point to a deficiency in the network savings presented by Anthem that Milliman is in a better position to justify. Healthcare System Consultants recommend that Anthem not be considered further at this time.

Ms. Beaudry further noted that both Milliman and Health Care System Consultants rank Humana, Inc. in third place for best financials. Humana can; however, administer the benefit plans in place with very few deviations and clear "work arounds" where those deviations exist. With few adjustments to the final cost, Health Care System Consultants concurs with Milliman that Humana is a viable financial alternative with would save the city between \$900,000 and \$1,500,000. Additionally, Humana can administer the benefit plan (these savings figures assume an HMO renewal under the current scenario of 18%, which UHC presented as an early renewal, but which has not yet been negotiated.)

Ms. Beaudry told the committee that some of the respondents proposed an Administrative Services Only dental fee. Human did not due to time constraints and lack of dental information on the city's fully insured dental plan. Health Care System Consultants believes that if the city performs the same RFP process for the dental plan the savings would be proportionate.

Ms. Beaudry noted that both UHC networks have problems with geographic access in the outlying State of Wisconsin and Options/Midwest Security has issues with the providers in Waukesha and Washington Counties. Humana's proposals for both plans contain the National Point of Service Network. They have issues with ProHealth specialists in Waukesha County, similar to UHC/Options; however, this could be remedied by switching the PPO Network to Humana ChoiceCare which does not have the regional issues that UHC or Midwest Security have in the State of Wisconsin.

Jean Radtke, 6750 Maple Terrace, President of Tosa Taxpayers Alliance, said their group was formed because they have seen taxes increase about 40% in their neighborhood. They would like to see the city be more efficient and even lower taxes. She noted that the vast majority of the city budget is salaries and benefits. They have put together a long list of strategies the private sector is using to control healthcare costs. Her small consulting firm is paying \$830 per month for family coverage and they have a difficult time justifying the amount of money being spent on city workers. She referenced Rep. Leah Vukmir's Assembly Bill 110 which amends the Municipal Employee Relations Act to allow local units of government and school districts to unilaterally change health insurance coverage for represented employees. This change would be excluded from collective bargaining. She had a number of proposals including initiating a high deductible plan for the employees, a spousal carve out which would exclude any family member already covered by a health care plan and she proposed that any savings in the healthcare plans be refunded to the taxpayers.

Ald. Birschel felt that state statutes may create a watch dog group for state, federal and municipal employees.

Ald. Donegan asked about the projection during the budget meetings of a 15% increase in healthcare costs. Mr. Archambo responded that the projection for 2007 would have been right at the point that 2 additional union groups came in at a different benefit level. All of the changes might not have been incorporated into those numbers. Ald. Donegan asked how reliable the forecast is for the cost of healthcare plans. Ms. Beaudry replied that the earlier budget numbers are requested, the more the consultants have to guess.

Ald. Donegan noted that the proposal from Humana reflects an approximate \$1,000,000 savings. Ms. Beaudry added that there are also minimal benefit deviations. Ald. Donegan observed that if the city keeps the same administrator and collapses both plans into self-insured that would save \$300,000. All of those savings are conservative if comparing with a flat year.

Ald. Donegan asked why this process wasn't done earlier. Mr. Archanbo responded that that they have been working on this process culminating with the RFP for quite a while. He explained that essentially the RFP is testing a theory based on the numbers and that theory could save the city over \$1,000,000.

Ald. Donegan asked about closing out the city's options in January. Mr. Archanbo noted that going into collective bargaining there is a high probability the city will be asking for changing benefits. Changing the third party administrator is the best thing they can do without changing benefits. This can be done by November 1st without negotiations.

Bea Lex, 6030 W. Wells Street, felt that the objective was to try to get the best deal for the city. She assumed that the consultant was a city employee and asked why they had to be asked before they did this study. Ms. Beaudry clarified that she is not a city employee, but a consultant hired by the city and in that capacity, her company is available to work for the city when requested. Ms. Lex felt that the process should be much simpler such as calling health insurers and just asking for information. Mr. Archanbo explained that the RFP process is a formal, legal process that goes further than getting information over the phone. There are significant costs and work behind the scenes before the RFP goes out. He was glad to see that through the work they have done, the information is coming together.

Ald. Maher asked if the rates for the first year for Humana were temporary and if they will they escalate in the future years. Ms. Beaudry responded that this is a one year deal, but she added that the claims will escalate much slower with an "owned" system.

Ald. Stepaniak, noted that the consultant's recommendation seems to be that the city ought to have one plan and one administrator. Ms. Beaudry stressed that the city can retain both plans under one administrator and one umbrella. A big reason for the difference is going to fixed fee pricing and not a discount provider. The manipulation is not as great under the fixed fee.

Ald. Maher asked if Humana was the only option the city has. Ms. Beaudry replied that Midwest Security also presented a proposal that would keep a lot of benefits in place, but not give as much savings as Humana.

Ald. Maher stressed that this research was initiated by staff. He believed that the new City Administrator, Jim Archanbo and the staff has gotten the process going. Mr. Archanbo noted that the Asst. City Atty./Personnel Dir., Beth Aldana began the initial work on this change about 3 years ago during the last contract negotiations. Ald. Maher said he appreciated all the work that staff has been doing. Mr. Archanbo noted that increases in the tax levy related to healthcare were much bigger prior to 2004. Since 2004 the increase in the tax levy related to health care has been approximately 3%.

Ald. Stepaniak pointed out that the last round of negotiations produced a number of changes and several of them were related to wellness programs. He believed there were some cost savings due to those programs. He also believed that the city gains continuing savings from wellness programs that show up in the form of lower claims.

Ms. Beaudry explained that the return on investment in wellness programs is noted. It is harder to see, but the large claims have been going down. The carriers do not give reductions for wellness programs, but they can estimate that overall productivity has increased. She added that at present most of the carriers will recommend wellness programs, but they will not give a quantifiable number as a reduction in exchange for the programs.

Ald. Purins noted that this recommendation has nothing to do with the state health insurance program. He asked if there will be a cost analysis between the RFP and the state plan. Mr. Archambo responded that they don't know how far ahead they can project before they can make that analysis. The consultant's proposal tries to bring the collective bargaining units into the process so that all the groups have a stake. Mr. Archambo said they support the consultant's recommendation.

Ald. Meaux asked if there will be any more information on the state program. Mr. Archambo noted that in their estimate, the city would be paying a base cost of \$8,300,000 for the state program. There will be a cost for the state program. He added that another issue regarding the state program is that they have added a mandated 25% contribution for any part time employee who elects to take coverage. He noted that the city does not offer health insurance to part time employees at present.

Moved by Ald. Maher, seconded by Ald. Stepaniak to convene into closed session per Wis. Stat. 19.85(1)(e): Deliberating or negotiating the purchase of public properties, the investing of public funds, or conducting other specified public business, whenever competitive bargaining reasons require a closed session, and may reconvene into open session – 4

The committee convened into closed session at 7:10 p.m.

The meeting adjourned at 8:20 p.m.

Carla A. Ledesma, City Clerk
City of Wauwatosa

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