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**SPECIAL EMPLOYEE RELATIONS COMMITTEE MEETING**  
**Muellner Building – Hart Park**  
**Tuesday, August 7, 2007**

PRESENT: Alds. Krill, Maher, Purins, Stepaniak -4

EXCUSED: Ald. Meaux

ALSO Mayor Estness; J. Archambo, City Admin.; B. Aldana, Asst. City Atty./Human  
PRESENT: Resources Dir.; C. Thomas, Payroll & Benefits Mgr.; Ald. Donegan

Ald. Purins in the Chair called the meeting to order at 6:35 p.m.

**Special Meeting Date**

Mr. Archambo reported that the purpose of a special meeting during the August recess would be to continue the committee's discussion of collective bargaining strategy.

Moved by Ald. Stepaniak, seconded by Ald. Krill to recommend to Council  
that a special meeting be scheduled for 7 p.m. on Tuesday, August 14, 2007. -4

**Third Party Administrator for Health Insurance Plans**

Mr. Archambo clarified that a decision on a third party administrator for the city's health insurance plans does not in any way impact collective bargaining or predispose a course of action. The third party administrator can be changed outside of collective bargaining while the existing health insurance plans retain their design and benefits. Effectively, it is an opportunity to decrease expenditures for the duration of any agreement that is reached. He referred to prior discussions and the finding at the previous meeting that Humana was the apparent lowest cost provider, noting that United Healthcare has since provided a new proposal.

Rae Anne Beaudry, Health Care Systems Consultants, Inc., said that after she informed United Healthcare that their plan was not selected, mainly because of their benefit deviation, they provided a new proposal, as shown on a spreadsheet dated August 6, 2007, which was distributed. She explained that United Healthcare is essentially building a new "plant" in the Green Bay area to handle large self-funded groups using a legacy platform, which is very much like a third party platform. They would use their "choice plus" network, which is their better quality network, and would carve out the prescription drug element so that the city can stay with Restat. There would be no deviations in either of the existing plans; the HMO would be self-funded. This brings their proposal below Humana's with less plan obstacles.

Ms. Beaudry referenced spreadsheet data on total expected claims plus total fixed costs, which yields total expected liability. The city's current carrier, Auxiant, anticipates total liability of \$9,907,252.51. In an apples-to-apples comparison with the same head count, United's new proposal comes to \$8,372,810.40, Midwest Security is at \$9,404,998.06, Anthem/Blue Cross Blue Shield is at \$8,298,458.59, and Humana is at \$8,555,706.94. The Anthem proposal is not being considered because the Milliman study has not confirmed the value of their network and they had a high fixed cost with the least amount allocated to claims. Humana's plan deviations have not changed.

Currently, under Auxiant, deductibles vary depending on whether the employee has completed a health risk assessment. United Healthcare could not tie their deductibles to such an assessment but suggested that, beginning January 1, 2008, they would implement into their system the higher of the two deductibles with the intent that the city could move individuals into a lower plan segment with a different deductible or reimburse the difference as assessments are completed. That would not change the city's cost. Also, United Healthcare does not have a hard and fast age limitation on preventative care—if it is age appropriate and doctor recommended, they will allow the claim. With these two differences and being the least costly option on the table, Ms. Beaudry recommended proceeding with final negotiations with United Healthcare.

Ald. Donegan questioned Milliman's savings forecast and the fact that they have not had access to provider contracts to verify discounts. He asked if a contract will specifically define the discounts. Ms. Beaudry said that the discount is a mixture of both discounted upcharges, fixed fee arrangements, and other factors. Milliman puts up firewalls between their projects but has verified contracts in other projects in the context of their City of Wauwatosa study. Andy Serio, also of Health Care Systems Consultants, Inc., explained that a service contract to pay claims and a service guarantee contract will spell out expectations and penalties. United Healthcare not only will guarantee performance by claims service but also savings to the city. As an actuarial firm, Milliman is among the credentialed experts whom insurance companies rely upon to set rates. In using their services, the city took steps beyond what others might do. They strongly believe the claims will be as stated. Ald. Donegan indicated that he believes good advice is being given and good work has been done here. He simply wanted to caution about relying on the forecasted savings as we go on to decisions on maintaining or reducing benefits.

Responding to questions from the Chair regarding validation of discounts, Ms. Beaudry clarified that their hope is to slow the rate of increase and achieve some savings over the timeframe being discussed. They believe this has the best potential of doing that. Milliman would review the underwriting contracts, if requested, but there would be an additional fee. They were used here essentially to verify what the underwriters are saying can be realized. Discounts offered under the existing HMO have not been validated by actuarial reporting. Locally Milliman has verified them over time, although not specifically for the city.

Responding to a question from Ald. Stepaniak about Humana plan deviation costs above and beyond \$8.55 million, Ms. Beaudry said there are some issues with their prescription drug program although they have indicated a potential to use Restat. Also, there are some plan deviations where we would have to pay above and beyond our contract, at cost put at approximately \$250,000-\$350,000.

Ald. Krill commented on the standard in law of a reasonable degree of certainty and the standard here of a reasonable degree of actuarial probability. He assumes these are the best protections we can possibly find.

Ald. Donegan reiterated that the \$1 million in projected savings is from provider discounts, but Milliman did not have access to underwriting contracts to verify them. Without a good supporting analysis, that should be taken with a big grain of salt.

Moved by Ald. Maher, seconded by Ald. Krol to recommend that the Council authorize entering into an agreement with United Healthcare for third party administration of city health care plans. Ayes: 4

### **Labor Negotiation Strategies and Parameters**

Moved by Ald. Krill, seconded by Ald. Stepaniak to convene into closed session per Wis. Stat. 19.85(1)(3) for the purpose of 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, with the option of reconvening in open session.  
Ayes: 4

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

The meeting adjourned at 7:25 p.m.

Carla A. Ledesma, City Clerk  
Wauwatosa, Wisconsin

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