



Department of Human Resources
Division of Employee Benefits

INTER-OFFICE COMMUNICATION

Date: 9/29/2014
TO: Chairwoman Marina Dimitrijevic, Milwaukee County Board of Supervisors
FROM: Matthew Hanchek, Director of Benefits – Department of Human Resources *med*
SUBJECT: **A report from the Director of Benefits, Department of Human Resources requesting authorization to contract with United Health Care for providing a voluntary Medicare Advantage option for Medicare-eligible retirees.**

The Benefits Division has vetted an opportunity to offer a voluntary alternative Medicare Advantage plan alongside of the traditional coverage offered to retirees.

The proposed Medicare Advantage option would be a fully-insured plan operated by United Health Care, featuring a higher overall coverage level than the County plan. This option would include the elimination of the deductible, lower office visit copays, and flat-dollar copays on hospital admissions, ER visits, and outpatient surgeries. (See attached summary chart). The Medicare Advantage plan would also include fitness benefits through UHC's silver sneakers program.

Under this option, the Benefits Division estimates that 70% of the Medicare-eligible group would utilize the Medicare Advantage option. At that enrollment rate, we estimate a 2015 retiree medical cost reduction of \$2.6 million. These savings are derived from the fully-insured premium rate being less than the self-funded claim/administrative cost projected for this group.

Impact on premiums/ Medicare B reimbursement

This voluntary option would not impact retiree premiums. Retirees who are not required to pay a contribution toward their premiums would not pay for the voluntary Medicare Advantage option. This change also would not impact any operations regarding Medicare B premiums. Medicare-eligible retirees would continue to enroll in Medicare B and remit premiums to Medicare. The County would continue to reimburse the Medicare B premiums to eligible retirees.

Impact on pharmacy coverage

There also would be no impact to pharmacy coverage under this proposal. This is strictly regarding medical coverage.

Risks:

Proceeding would be adding complexity to the retiree options, and increase the staff time that would typically be involved in communicating and educating retirees about their plan options. These challenges can easily be addressed.

Additional risk comes from underwriting fully insured policies, comparing self-funded per employee coverage to fully-insured per person coverage, and Medicare itself. Medicare sets its funding policy on an annual basis. If Medicare significantly decreased its Medicare Advantage funding at some point in the future, their decision could make offering this option less financially attractive to the County. Similarly, should UHC's underwriting team take a less favorable view of our group's potential claims cost, the savings potential could diminish. If this item is approved, the Benefits Division would monitor the performance and subsequent renewals of this voluntary option. Should any of these scenarios arise, the County would have the ability to revert back to only offering one Medicare Retiree plan on an annual basis.

Recommendation/Requested Action

The board action taken earlier this year approved traditional self-funded services with UHC. The Benefits Division requests approval of this item to permit the execution of a separate, concurrent agreement with UHC allowing the fully-insured plan to be offered to Medicare-eligible retirees alongside of the County's self-funded option.

CC: County Executive Chris Abele
Raisa Koltun, Chief of Staff
Kerry Mitchell, Chief Human Resources Officer
Paul Bargren, Corporation Counsel
Supervisor David Cullen, Co-Chairman, Personnel, Finance & Audit Committee
Supervisor Willie Johnson, Co-Chairman, Personnel, Finance & Audit Committee
Kelly Bablitch, Milwaukee County Board of Supervisors Chief of Staff
Don Tyler, Director of Administrative Services
Josh Fudge, Director, Office of Performance, Strategy, and Budget
Stephen Cady, Comptroller's Office
Rick Norris, Director, Office of the Community Business Development Partners
Amy Pechacek, Director, Risk Management

Summary of coverage:

	Milwaukee County Base Plan	Advantage Option
Annual Deductible*	\$800	None
Office Visits	\$30 Copay	\$10 Copay (Primary Care) \$20 Copay (Specialist)
Inpatient Hospital	20% Coinsurance	\$500 per admission
Outpatient Surgery	20% Coinsurance	\$250
Eye exam	No charge	\$20
Ambulance	20% Coinsurance	\$100
Emergency Room	\$200	\$65
Durable Medical Equipment	20%	20%
Lab services	20%	\$10
Radiology	20%	\$25
Diagnostic Procedure/Test	20%	10%
Preventive Services	No Charge	No Charge