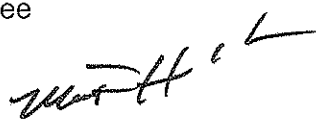


COUNTY OF MILWAUKEE
DAS – Division of Employee Benefits
INTER-OFFICE COMMUNICATION

DATE : September 7, 2011

TO : Supervisor Johnny L. Thomas, Chair, Finance and Audit Committee
Supervisor Joe Sanfelippo, Chair, Personnel Committee

FROM : Matthew Hanchek, Interim Director, Employee Benefits Division 

SUBJECT : **Informational report from the Interim Director, Employee Benefits Division, regarding collaborative purchasing of prescription drug coverage. No action required.**

The 2011 adopted operating budget included a directive to evaluate pooling of prescription drug purchases with other municipalities as a method of reducing health care costs.

In the first quarter of 2011, representatives from Milwaukee County, the City of Milwaukee, MMSD, Milwaukee Public Schools, and MATC conducted a series of meetings to explore opportunities to jointly purchase health care administrative services (medical and pharmacy). After discussing the total enrollment numbers, the variations in plan vendors, design, and eligibility rules, and the constraints limiting flexibility of those plans, the general consensus among the group was that collaboration on medical plans would yield marginal savings at best.

As an alternative, the group agreed to focus on prescription drugs. It was proposed that the group participate in the City of Milwaukee's pharmacy request for proposals (RFP) by submitting basic demographic data. While some of the organizations backed out for a variety of reasons, Milwaukee County's headcount was factored into the RFP analysis conducted by Willis Consulting. Milwaukee County was also represented in the City's review panel and vendor selection process.

From the bids presented, Navitus offered a marginal reduction in proposed costs (\$0.05 Per Member Per Month (PMPM)) contingent on including the County and MPS in the City's contract. None of the other vendors offered additional price concessions. Differences in plan design, drug formularies, and methods of transmitting data erode opportunities for achievable economies of scale. Further, there is limited competition for prescription benefit managers (PBM) capable of handling large employers. Ultimately, it was determined by the participants from the City and County, and the City's actuaries, that the savings available through collaboration were not significantly greater than what the larger members (City, County, and MPS) could achieve on their own.

MH:hmf

Cc: Patrick Farley, Director, Dept. of Administrative Services
Kimberly Walker, Corporation Counsel
Rick Ceschin, Senior Research Analyst, County Board
Steve Cady, Fiscal and Budget Analyst, County Board
Carol Mueller, Chief Committee Clerk
Jodi Mapp, Personnel Committee Clerk