



**MEMORANDUM**

To: City of Menasha Administration Committee  
From: Peggy Steeno, Director of Administrative Services  
Date: October 15, 2014  
RE: Approve Selection of Medical Insurance Carrier for 2015/2016

**BACKGROUND**

For the past two years, Wisconsin Education Association Insurance Trust (WEA) has been the City's medical insurance carrier. WEA earned the City's business through an RFP process that took place in 2012. Since the initial contract term (1<sup>st</sup> year at a fixed rate, and 2<sup>nd</sup> year at a not to exceed 10%) will expire at the end of 2014, staff began working with The Horton Group, the City's current health insurance consultant, on a new RFP process in June of 2014. The RFP was released to potential carriers in August, with results coming back in September/early October.

**ANALYSIS**

Included in the proposals that were returned to the City, was a one-year renewal offer to stay with WEA at a 13.3% increase in 2015 over the current years' rates, without any consideration for a 2016 extension. In addition to WEA's offer of renewal, the City received a number of other proposals from additional carriers.

In analyzing the proposals that were returned to the City from the various providers, it became apparent that the City would likely not be able to afford to stay with WEA under the terms of their renewal offer. In fact, for a plan that matches the City's current plan in regard to benefits and provider networks, sponsored by Wisconsin Counties Association / Group Health Trust (WCA/GHT), the proposal was an increase of 4.0% over the City's 2014 rates, a 9.3% savings over the renewal offered by WEA. In addition to the reduced increase, WCA/GHT offers additional funds to the member communities for wellness initiatives throughout the course of the contract and a 2<sup>nd</sup> year not to exceed rate of 8%.

WEA (current provider) offers:	<u>Current Rate</u>	<u>Proposed Rate</u>
● 1-year renewal	\$473.60 Employee	\$536.54 Employee
● 13.3% increase over 2014 rates	\$994.60 Empl/Sp	\$1,126.80 Employee/Sp
	\$872.88 Empl/child	\$998.90 Employee/child
	\$1,532.16 Family	\$1,735.78 Family

WCA (Wisconsin Counties Association/Group Health Trust) offers:

- 2-year proposal \$490.00 Employee
- 4% increase over 2014 rates \$1,035.00 Empl/Sp
- 2<sup>nd</sup> year not to exceed 8% \$910.00 Employee/child  
\$1,594.00 Family

In addition to the WCA/GHT proposal, the City did receive proposals from the following carriers: Network Health, WPS, Humana, and Anthem. And, there were a number of different options requested and received from the carriers. However, the only proposal, in addition to the aforementioned WCA/GHT proposal, that is competitive and potentially viable for the City is a proposal from Network Health in the form of an HMO. The Network Health HMO proposal is priced at approximately 0.9% higher than the City's current plan; however there are additional costs that must be factored in to this proposal to make it an apples to apples comparison to the WCA/GHT and WEA proposals. Because the WCA/GHT and WEA proposal both include Health Risk Assessments (HRA) for employees, and the pricing for the Network Health HMO plan does not, we would need to add an additional \$15,000 to that proposal. In addition, the 2<sup>nd</sup> year not to exceed pricing for the HMO plan is 9%, which is one percent higher than the WCA/GHT not to exceed amount for the 2<sup>nd</sup> year. Also, because this plan is an HMO, there are two substantial deficiencies when comparing it to the City's current plan: (1) there is only 'in network' coverage available, so that means that if someone is traveling out of the area, and there are no network providers in the area, the only way the member would have coverage is if there was a life threatening emergency, and (2) the provider network shrinks in an HMO plan increasing the chances employees will have to change doctors. The providers that we know of that would not be allowable, that our members have used in the past year, are: Healthcare Partners, Aurora Health Care, Froedtert Health, and Medical College of Wisconsin.

Taking into account the coverage and provider differences, staff believes that it is in the best interest of the City to select WCA/GHT.

If approved, staff will begin working on an implementation plan with WCA/GHT.

#### **FISCAL IMPACT**

The fiscal impact of going with WCA/GHT is a not to exceed increase of \$59,057.28, or 4% over the current, 2014 rates. In addition, the 2<sup>nd</sup> year increase is guaranteed at a not to exceed 8% increase.

#### **RECOMMENDATION**

Staff recommends the approval of WCA/GHT as the medical insurance carrier for the calendar years of 2015 and 2016.

Please let me know if you have questions or would like additional information in advance of Monday's meeting. Otherwise, I look forward to discussing this with you at the meeting.