



**Rebecca Grill**  
City Administrator  
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Tuesday, January 02, 2018

Members of the Common Council  
7525 W. Greenfield Avenue  
West Allis, WI 53214

Alderspersons:

Attached is an update regarding our current status and timeline for our annual health insurance process and information regarding the Serve You pharmacy benefit manager. We will briefly discuss this at the Administration and Finance Committee recess meeting tonight, but will provide more detail at the regular meeting of the Administration and Finance Committee on January 8, 2018.

Please let me know if you have any questions or require further information.

Sincerely,

A handwritten signature in black ink that reads "Rebecca N. Grill".

Rebecca N. Grill  
City Administrator



January 2, 2018

Ms. Rebecca Grill, CPM, CMC, MBA  
City Administrator  
City of West Allis  
7525 W. Greenfield Ave.  
West Allis, WI 53214

RE: City of West Allis Timeline and Update

Dear Rebecca:

We have included updates from The Horton Group on ongoing projects with the City, and the status of the budget and renewal process.

I. Anthem Renewal

- A. Stop Loss – We have received the stop loss renewal for the current/incumbent carrier, Symetra. They are requesting a 22% increase and will not release any offers that have a lower specific deductible than the current \$275,000 per individual. Horton does not believe this is competitive or in line with what we are looking to accomplish for the 2018-2019 year.
- B. We have two competitive offers for stop loss at \$175,000. Anthem has given us a competitive quote, with no lasers and no aggregating specific. QBE has also given us a competitive quote but they have yet to finalize underwriting and there could be a change in rates. Additionally, American Fidelity has determined they are interested and willing to be aggressive. We will continue to negotiate with all three of these carriers until such time as we can bind coverage, generally February 1, 2018.
- C. Administrative Fees – The Anthem administrative fee renewal cannot be completed until such time as the City determines where we are placing the stop loss, who will be the pharmacy benefit manager, etc. However, we do have ballpark figures that are pretty certain and we are working with those at this time. The administrative fees have been updated to include a small increase that your Anthem contract currently called for at renewal, as well as to add the additional cost of approximately \$20.00 per employee per month, if we move the Pharmacy Benefit Manager to Serve You and if we keep the stop loss with an outside carrier. These fees will be reduced slightly if Anthem writes the stop loss for the City. These fees were shown on both the budget we shared on December 19, 2017 with the Committee and the new budget that is attached.

II. Pharmacy Benefit Management

- A. The Horton Group is recommending a change to the Pharmacy Benefit Management, from Express Scripts to Serve You Pharmacy Management for all the reasons we discussed on 12/19/17, including a savings to the City of \$1,445,276. We believe this move to be beneficial financially to the City by reducing the cost of prescription drug claims paid by the City and the change in customer service to a local, smaller vendor to be a vast improvement. We have attached a listing of reasons that show the Serve You value proposition for your review.
- B. If the City does not make any changes to the medical plan, it would require a substantial overall increase (16.88%/\$2,543,987) in premiums (from both the City and the employees). However with the proposed PBM changes, we were able to lessen the overall premium increase (7.38%/\$1,113,021) increase in premiums, positively benefitting the City Budget and all plan members. This represents an overall savings of \$1,430,966.
- C. Horton has begun discussions with Anthem and Serve You to coordinate their ability to connect and integrate on behalf of the City. Before Anthem would move forward on this request it was necessary to inform Anthem, via letter that the City intended to move forward and RENEW (at least administratively) with Anthem for 3/1/18. We had asked the City to sign that letter of intent. This Letter of Intent can be rescinded at any time prior to renewal if we should determine that the City not be moving forward with Serve You, but Horton believes that the City will renew with Anthem for the upcoming year, regardless of which Pharmacy Benefit Manager is selected. Express Scripts can and will remain an option for 3/1/18 should we determine the integration is not going smoothly.
- D. The goal is to have all of the research, pricing, coordination done on the Pharmacy Benefit Manager selection in advance of the January 16<sup>th</sup> Council Meeting so that Council can take action on this at that time. If Council approves this change in Pharmacy Benefit Management on January 16, 2018, we will move forward with a full blown communication and implementation plan. This plan will include mailings to all employees and retirees on the plan. It will particularly address those members who have an opportunity to save money and NOT be medically impacted, as well as inform all members as to any actions that they need to take in advance of the 3/1 renewal date in regard to ongoing prescriptions. Serve You and Anthem will work on the listing to be certain that all affected members have a clear outline of their best options for the 2018/2019 plan year.
- E. The message to employees regarding this change should be that while there may be some inconvenience in moving prescriptions to a new Pharmacy Benefit Administrator, all major pharmacies are still available and the savings generated from this change are helping to keep employee premium costs down.

III. Open Enrollment

- A. The Horton Group will be working with Human Resources to facilitate and assist with open enrollment. This assistance will include making sure all appropriate vendors are in attendance at employee/retiree meetings. There will be listening sessions, question and answer sessions and opportunities as well as written and webinar communication pieces.
- B. The Horton Group will look to City of West Allis H.R. leadership as to timing and other needs, particularly with regard to scheduling of all shifts and retiree needs.
- C. These meetings and sessions will take place in late January and early February, 2018.

IV. Medicare Advantage

- A. The Horton Group has begun the Request for Proposals process for customized Medicare Advantage Plans. These requests will go to Anthem, Humana, United American, Transamerica, Hartford, Aetna and Cigna. (Note: We did have to wait until January 1 to begin this process as the rates for effective dates, after January 1 from Medicare would not be available to the carriers prior to this date.)
- B. The Horton Group will then determine the cost of the plan against the current cost to both the City of West Allis and the retiree population these programs will impact.
- C. The Horton Group will also determine the level of customization (as we understand some items currently covered by the City are not GENERALLY covered by Medicare Advantage Plans) and the cost effectiveness of those customizations.
- D. This recommendation anticipates a benefit to the City in managing the costs of retiree insurance obligations, as well as cost savings to retirees in the form of lower premiums. Pending the outcome of items A–C above, the Horton Group expects this to be a win-win for both the City and its retirees.
- E. Once items A–C above, are completed, The Horton Group will evaluate the feasibility of implementing this change in 2018/2019. Please note that this change could substantially impact the City by changing their OPEB liability in the future and protect the City's ability to keep vested promises already made to retirees.

V. Overall Considerations

- A. The Horton Group recognizes that we have 60 days to achieve all of these potential changes. We do not anticipate a problem with the change in Pharmacy Benefit Management OR in the obtaining a well strategized stop loss program for the City.
- B. Anthem's administrative fees will be dependent upon the choices made for stop loss and for pharmacy benefit management so final renewal pricing on these may be later than normal for the City. The Horton Group does believe we have illustrated our budgets within pennies of where this will actually come out.
- C. If we are going to move the retirees to a Medicare Advantage plan for the 3/1/18 renewal date, there will be a major impact to the City. This move would impact the stop loss, administrative fees with Anthem and the pharmacy benefit manager, regardless of which one we use (in either the stop loss or pharmacy benefit management case) as there will be 300 fewer plans. This represents a third of the population currently underwritten and this could cause an impact on pricing and on underwriting. Please note that if the City should decide that 3/1/18 is not feasible due to communication needs with the retirees, we can pick any effective date in 2018, AS LONG AS the City determines that the Medicare Advantage Plan will be the offering for retirees effective on that date selected. This action by the City creates the Medicare special enrollment period necessary.

VI. Timeline

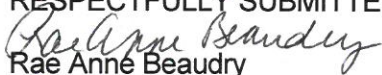
- A. January 2, 2018 – Update the Administration and Finance Committee as to the above.
- B. January 2, 2018 – Send Requests for Proposals to all Medicare Advantage Markets We will request turnaround before end of day on January 12, 2018. This timeline is aggressive, but it is our goal to be able to discuss these quotes at the January 16 meeting of the Administration and Finance Committee. This will allow the City and Horton to determine if this strategy is too fast and if we need to plan for a different effective date for this change.
- C. January 8, 2018 – Administration and Finance Committee presentation of any and all updates to the above noted items. Final determination as to Pharmacy Benefit Manager selection and stop loss carrier.
- D. January 9 and 10, 2018 – finalize administrative fee renewal with Anthem.
- E. January 12, 2018 – finalize rates for 2018/2019 plan year for all classifications.


Ms. Rebecca Grill  
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- F. Throughout January, 2018 – continue to work with Anthem and Serve You for integration and ability to connect. Continue negotiations with stop loss carriers and with Anthem regarding administrative fees.
- G. January 19, 2018 – begin communication for open enrollment. Refer to Human Resources for scheduling and communication needs with Horton and vendors.
- H. January 22, 2018 – finalize all contracts with Anthem, stop loss carrier and pharmacy benefit manager.
- I. Week of January 8, 2018 – finalize Administrative Service Agreement with Anthem. Meet with City Attorney, Rebecca Grill and other team members for finalization of City's concerns.
- J. Week of January 15, 2018 – finalize active employees Summary Plan Document with Anthem. Meet with Jane and Audrey to obtain City approval before presentation to City Administration and Attorneys.
- K. February, 2018 – cleanup of remaining issues and continue work on all additional items that come up.

We sincerely appreciate the opportunity to keep the Committee updated. Please let us know if there is anything else you need prior to the meeting this evening.

RESPECTFULLY SUBMITTED,

  
Rae Anne Beaudry  
Executive Vice President

  
Alex Beaudry  
Sales Executive

Enclosure

# Serve You Carrier Considerations

## City of West Allis

Items to consider when evaluating potential change to Serve You for Pharmacy Benefit Manager for the City:

- Serve You Cost savings – (\$1,797,233) compared to current provider PBM. When factoring in additional administrative fees, change in stop loss carrier and reduction in level of stop loss, net savings is \$1,445,276.
- No plan members will be medically disadvantaged
- More economical option for plan members for mail order
- Improved customer service
- Clinical programs and expertise
- Utilization management strategies
- Local Provider – Headquarters in Milwaukee, WI
- Self-owned & operated call center, mail service and specialty pharmacy located in Wauwatosa
- Broad national retail network
- The City of West Allis will be managed by a multi-disciplined team
- Serve You's call center customer service representatives are certified pharmacy technicians