



COUNTY OF DANE
DEPARTMENT OF ADMINISTRATION

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TRAVIS MYREN, Director of Administration

August 15, 2011

TO: Joe Parisi
Dane County Executive

FROM: Travis Myren
Director of Administration

RE: 2012 Health and Dental Insurance Renewals.

The Department of Administration has finalized negotiations on the County's group health and dental insurance policies. The results of these negotiations were presented to the countywide Insurance Advisory Committee in July, and that group has recommended that the County secure a five-year contract with Physicians Plus for group health coverage and a three-year agreement with Delta Dental for group dental coverage. The Department concurs with this recommendation and further recommends that a resolution be introduced at the next County Board meeting to authorize these agreements. I have included a brief summary of the agreements below.

Health Insurance

The five-year agreement with Physicians Plus would provide group health insurance coverage to County employees and their dependents from January 1, 2012 through December 31, 2016. The County negotiated changes to the health insurance plan design with the collective bargaining units representing all County employees last year. These changes, combined with a competitive bidding environment, resulted in a premium savings of approximately \$900,000 in the first year of the contract. Additional premium contributions by employees of approximately \$250,000 will produce a total savings to the County of over \$1.1 million in 2012. The County was also scheduled to pay \$367,690 in 2011 for exceeding 94% utilization in 2010 as provided in the previous agreement. This payment is reduced by \$250,000 to \$117,690 as part of the 2012-2016 agreement. No additional utilization goals are included in the new agreement.

Although the premium reduction in the first year of the contract is significant, the Physicians Plus offer also provides long term stability and cost containment. The premium caps (the maximum amount premiums could increase) are set at 7% for 2013 and 2014 and at 7.5% for 2015 and 2016. Both previous experience and expert opinion indicate that the size and term of these guarantees are rare in a market as uncertain as the market for health insurance. Actuarial advice from the County's insurance agent suggests that the insurance carrier pricing trend increase is approximately ten percent (10%) annually.

The County has the ability to further reduce the premium caps by 1% in each year of the contract by having a 40% participation rate in the wellness program. In 2010, we achieved over 30% participation in the Health Risk Assessment, so a 40% target in 2013 is achievable. A 1% premium reduction would equate to a savings of over \$260,000. Wellness incentives to employees would continue as the contract would provide \$50,000 per year to invest in wellness initiatives and incentives.

Finally, the contract guarantees access to physicians and specialists at both UW-Health and Meriter Health Systems. This guarantee was important to employees who were concerned about media reports that individuals covered by Physicians Plus insurance may lose access to UW-Health physicians. The contract secures access to these providers on the same basis as is provided now.

Dental Insurance

The three-year agreement with Delta Dental includes an option to extend the contract by either one or two years. The dental rates are one percent lower than current premiums, resulting in a savings of approximately \$25,000 for active employees. The proposed contract also includes coverage for composite fillings which is an improvement from the current plan, and it features an evidenced based integrated care plan which allows providers to customize care plans based on individual needs. For example, the care plan could include coverage for additional cleanings for individuals with severe periodontal disease.

Pending your approval, I will prepare resolutions approving these contracts to be introduced to the County Board at its meeting on August 18. I would also like to acknowledge and thank Amy Utzig in the Division of Employee Relations for her hard work during the evaluation and negotiation process. She did a great job.