

Reforming Milwaukee County – A Response to the Fiscal Crisis



A Report by the Greater Milwaukee Committee

September 11, 2006



**By the Quality of Life Task Force
Of the Greater Milwaukee Committee**

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Reforming Milwaukee County

Executive Summary

Background

Comprised of over 230 active and retired leaders from the business, labor, higher education, foundation, non-profit communities, legal and accounting professions and community volunteers; the Greater Milwaukee Committee focuses on four core issues:

- Education
- Regional economic development
- Quality of Life, and
- Diversity.

Employing more than 100,000 individuals in our community, preserving our Quality of Life cultural assets continues to be a major concern for our membership. In the fall of 2005, the GMC Executive Committee authorized the formation of the Quality of Life Task Force focused on preserving our cultural assets within Milwaukee County, chaired by Sheldon Lubar and Chris Abele. The Task Force decided early in the process to include the County Park system as a part of the review. During the financial review of the parks, we discovered that many of the property tax supported functions of the County were in serious jeopardy, which led to an in-depth review of the County's fiscal issues.

Task Force Findings

Milwaukee County must get on the track of a steady balanced budget that provides growth in high quality services. Excessive expenses must be lowered and controlled. Tax increases should be a last resort. If the cost of living and doing business in Milwaukee County exceeds the costs of surrounding counties, population and jobs are lost. At that point, our quality of life erodes for all Milwaukee residents and the cycle of decline builds a dangerous momentum.

The greatest impediment to achieving the goals that everyone seeks is the dysfunctional governance system under which Milwaukee County currently operates.

Through the work of the Quality of Life Task Force over the summer, we met with labor leaders, County Executive Scott Walker, the County administration, members of the County

Board of Supervisors, State officials, Mayor Tom Barrett, City Budget officials, and legal experts. We discovered the following key contributing issues:

1. Communication between the County Executive and the Board of Supervisors is poor to non-existent. There is mutual distrust and a lack of civility. In such an environment, the compromises required in a democratic system are not made and government enters gridlock as the financial crisis worsens.
2. Exacerbating this situation has been huge cost increases relating to healthcare and pensions for County active and retired employees. An actuary provided by Northwestern Mutual reviewed the assumptions of the County's pension and health care liabilities and found the liabilities were not overstated. Changes in this area are mandatory.
3. Milwaukee County, the City of Milwaukee, Milwaukee Public Schools and the other 17 municipalities within the county all have elected boards. These municipal governments are subject to the same state revenue cap of annual 2% increases based on valuation. However, service delivery is often not coordinated. The result is duplication of services resulting in an uneven cost of operations and service quality as well as excessive taxation.
4. The short-term solution to the County budget issues rests with the County Executive and the County Board of Supervisors. Our analysis shows that the mounting budget dilemma can be solved. Both the State of Wisconsin and the City of Milwaukee dealt with the unfunded liabilities of pension and health care cost management in a responsible and timely manner that resulted in balanced budgets and fiscal restraint. If the County leadership is unable to provide a functional approach to resolving the fiscal issues for the 2007 budget through cost-effective measures (particularly in health care cost containment and other defensible budget constraints), the Quality of Life Task Force recommends that a Fiscal Control Board be appointed by the Governor to act until a new functioning governance system is put in place.
5. In the near future, we propose studying long-term solutions for the most effective and efficient delivery of high quality service at reasonable cost throughout the County.

- In the County there are many autonomous appointed authorities with spending and taxing power that have the ability to levy property and/or sales taxes within the limits of their defined legislated authority. These include: Milwaukee Metropolitan Sewerage District, Milwaukee Area Technical College, Wisconsin Center District, and Miller Park Stadium District. We have a system of separate taxing authorities operating in an uncoordinated manner – each acts on their own behalf without any central authority accountable to taxpayers. Other communities have implemented models of an elected oversight board or committee, which approves all expenditures and the resulting property/sales, tax levy for the appointed taxing authorities. As future independent taxing authorities are under discussion, broader coordination and oversight is a reasonable expectation.
- The county fiscal crisis creates a window of opportunity for the long-standing Intergovernmental Cooperation Council (ICC) to conduct a rigorous, comprehensive review of efficient potential shared services arrangements on both a county and multi-county level. The ICC could lead the effort to create a coordination of countywide service delivery through intergovernmental agreements that could result in a uniform quality of service at a reasonable cost to residents and taxpayers. As a voluntary body, its geographic reach could be as wide as makes financial sense in brokering agreements. There are numerous examples of successful intergovernmental coordination for shared services throughout the country—especially in areas of robust economic growth such as Denver’s Regional Council of Governments and other RCOGs throughout the country.
- A review of our current safety and emergency services within our county is warranted as we observed numerous areas of duplication and overlap. Often both the Sheriff’s Department and Local Police respond to calls within the parks, yet there is no ready sharing of data or reports despite two federally funded dispatch systems. From Dive Teams to emergency responses, often both County,

City and sometimes, State units respond to the same call. A study of an effective public safety model for a fully urbanized county is needed to respond to our community's needs today and not models based on Milwaukee's needs of 50 years ago.

Report of the Quality of Life Task Force

Task Force History

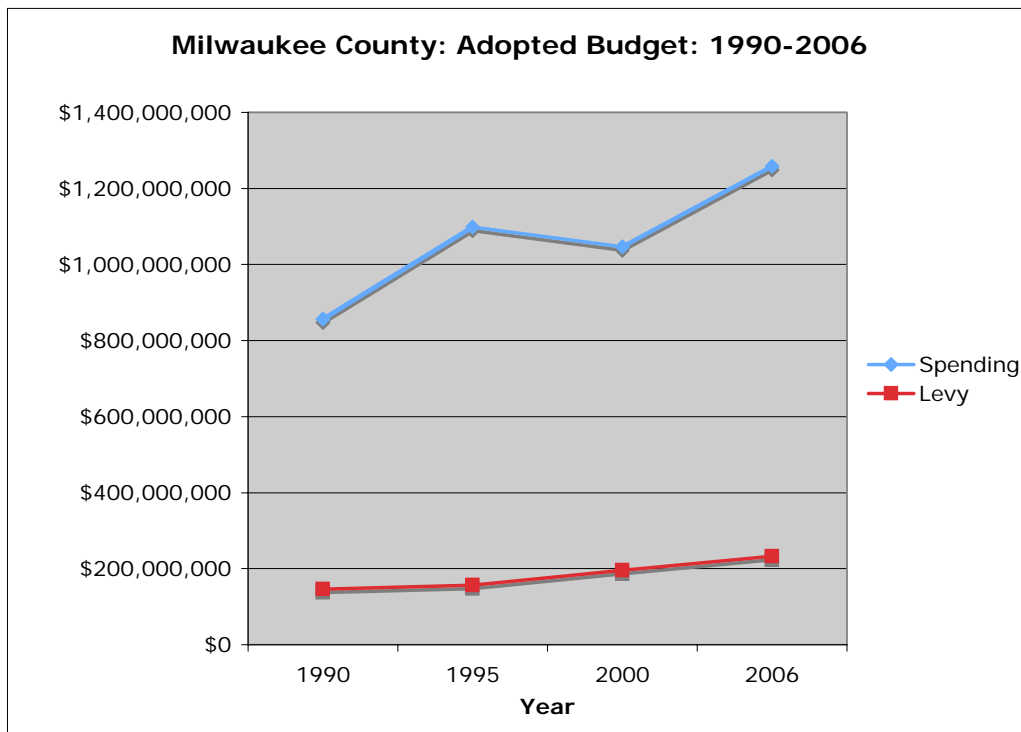
In the fall of 2005, The GMC Executive Committee authorized the formation of the Quality of Life Task Force focused on preserving our cultural assets within Milwaukee County, chaired by Sheldon Lubar and Chris Abele. The Task Force decided early in the process to include the County Park system as a part of the review. During the financial review of the parks, we discovered that many of the property tax supported functions of the County were in serious jeopardy including the transit system, the General Assistance Medical Program (GAMP), funding for cultural institutions and other key non-mandated functions. The impact of a new governmental accounting change GASB 45, calling for transparency in how municipalities dealt with unfunded liabilities for pensions and retiree health care, became a watershed moment in the financial review. All of our cultural assets that have historically been supported by Milwaukee County are not the only county services and functions threatened by the deepening fiscal crisis of county government. The Task Force realized that trying to simply save these assets alone in the face of the fiscal crises became the proverbial finger in the dike.

By February 2006, the Task Force leadership broadened its work to include an in-depth look at the County's fiscal health. The GMC Executive Committee formally changed the charge of the Task Force. County Executive Scott Walker presented "The Reality Road show" in May to our membership, which reinforced the urgency of the Task Force's work. Over this past summer, the leadership and members of the task force have maintained a rigorous meeting schedule of key leaders to garner the ideas and background for this report and its recommendations. Governor Jim Doyle recently appointed a Milwaukee County State Task Force co-chaired by Sheldon Lubar and Secretary of Revenue Michael Morgan, to review Milwaukee County issues. The State Task Force will issue its findings and recommendations in December. The charge of the State Task Force is to: "Review the finances of Milwaukee County to gain a better understanding of the degree to which the county's finances are affecting its ability to deliver services to the citizens and businesses of the county and how its situation may affect the state budget." Many of the issues and

recommendations in this report are pertinent as well to the State Task Force and in many cases require state action. These recommendations will be forwarded to the State Task Force for review and implementation.

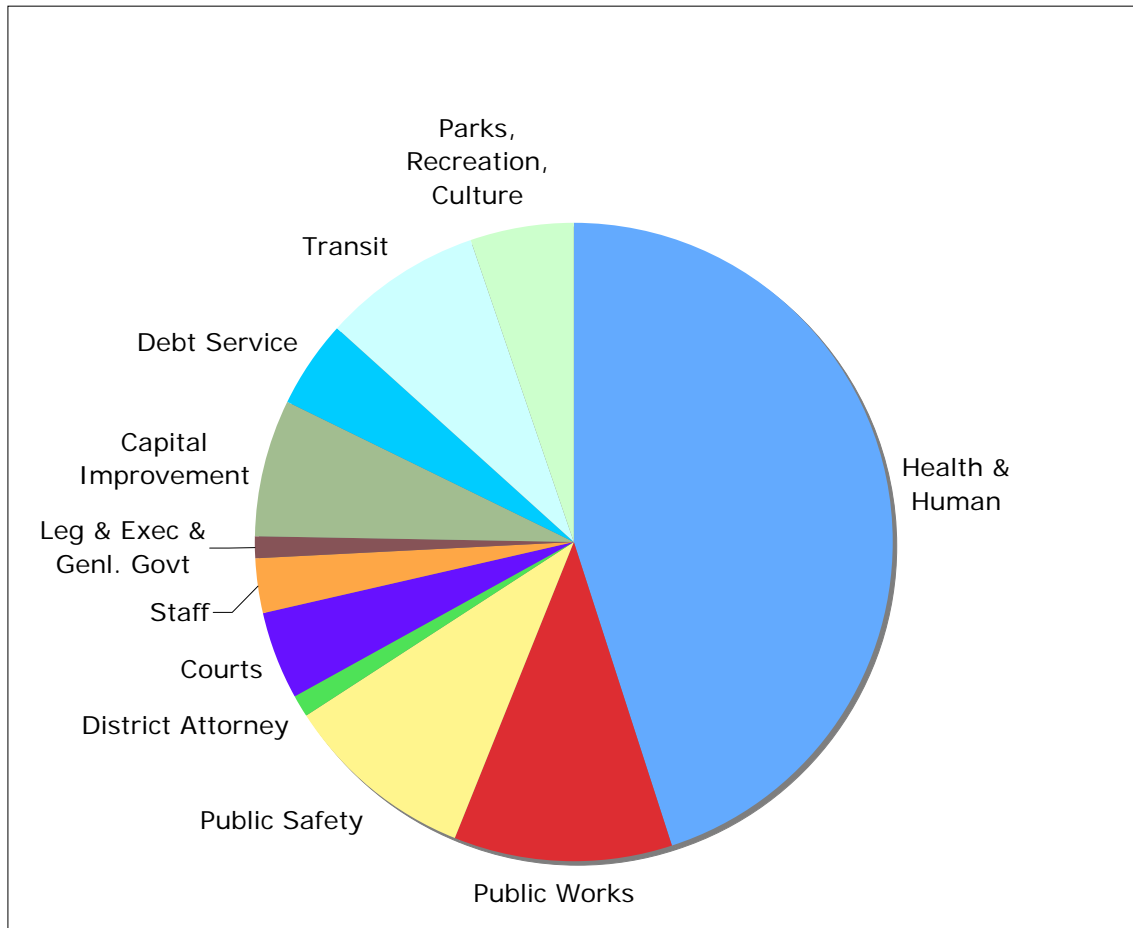
County Budget Background

During the last 16 years, despite closing County Hospital, and shifting services for both welfare (W-2) and child welfare to the State, Milwaukee County’s budget has grown nearly 50%. In 1990, the County spent \$857 million; the 2006 budget was \$1.25 billion. Likewise, the property tax levy has grown by more than 50%, from \$147 million in 1990 to \$233 million in 2006.



But as Milwaukee County’s budget and levy have risen, the *portion* of the County budget and levy that are dedicated to the services that the people care most about—transit, parks, and our unique cultural amenities like the zoo, the museum, and the performing arts center—has in recent years begun to shrink. In 2006, out of the total budget of \$1.259 billion, less than \$171 million, about 13.5%, was spent on the County’s “signature” services – transit and parks, recreation, and culture.

Milwaukee County: 2006 Adopted Budget: Major Functions



The substantial increases in spending and taxes that took place prior to 2001 did not signal a fiscal crisis, but they did warn of the need for management reform. The County increased pension benefits just as the stock market turned down. As recently as January 2001, the County's pension system was fully funded.¹ A series of irresponsible pension benefit increases quickly turned a modest pension surplus into a huge pension liability.²

¹ The January 1, 2001, valuation of the County pension system was 108.6% funded.

² The January 1, 2006, valuation of the County pension system has an unfunded accrued liability of approximately \$1.9 billion compared to an actuarial value of assets of approximately \$1.45 billion. The County's pension system has a shortfall of approximately \$450 million, and its "funded ratio" is 76.2%.

The pension fund is currently 76% funded.³ The actuary's latest recommendation is that, in the 2007 budget, the County should spend \$59 million for pension purposes, comprised of \$25.5 million in "normal costs"⁴ and \$33.5 million in "net annual amortization."⁵

The other large unfunded liability is the County's retiree health insurance program. Under recently promulgated "GASB" rules,⁶ the County must now forecast how much its retirees' health insurance will cost. The County's actuary reports that, as of January 1, 2006, the "unfunded accrued liability" for retiree health stands at \$1.3 billion. Unlike the pension liability, the actuary has made no recommendations for amortizing the County's liability for retiree health insurance. Even if the County "pays as you go" to finance retirees' health insurance costs, the price tag—built into the County's \$1 billion-plus budgets—is huge.⁷ If the County were to begin to actually amortize its "unfunded accrued liability" for retiree health, the cost would undoubtedly be higher.

Other factors—including the costs of both active employee and retiree health insurance, energy costs, caseload trends, state aid allocations—have contributed to the continuing mismatch between expenditure growth and revenue growth.

In 1990, the County contributed just over \$15 million to the pension system. In 1995, it was nearly \$19 million. Thanks to the success of the stock market in the late 1990s, by 2000 the County's pension contribution dropped to a mere \$229,359. For 2007, the actuary's recommendation to Milwaukee County is a pension contribution of \$59 million. The County's pension historical contribution of \$25.5 million annually combined with the \$33.5 million "net annual amortization" cost would be more than 20% of the County's 2006 tax levy of \$233 million. It is impossible for the County to maintain and restore the vital services it

³ The County is legally required to pay 8% interest on its unfunded liability, a rate significantly higher than the regular cost of funds. The County's large unfunded liability may also jeopardize its bond rating.

⁴ This is the amount needed to pay for the value of benefits that accrued during the current year.

⁵ This is the amount that the County's actuary recommends to amortize the County's pre-existing pension liability of approximately \$450 million.

⁶ GASB are the initials of the Governmental Accounting Standards Board, a body that establishes accounting and reporting rules for governmental bodies in the United States.

⁷ The annual cost to Milwaukee County of its retiree health plan is about \$64 million per year. Active employees cost significantly *less*, i.e., about \$51 million per year. Retirees account for over 55% of total annual spending in this category.

provides of transit, parks, and cultural services to their prior levels without a sea change in budget strategy to offset the huge fiscal impact of the pension bill that it must pay.

I. Solutions to Milwaukee County's Budget Issues

The budget solutions detailed both in the body and the appendices of this report are not new revelations to anyone engaged in municipal budget balancing today. In fact, many of our recommendations are patterned after the work of both the State of Wisconsin and the City of Milwaukee. With the support of Labor, both governments have effectively and fairly managed to control critical cost areas for both the private and public sector—controlling health care costs, refinancing long-term debt, cost-effective review of service delivery and creatively utilizing assets.

Lowering Active Employee and Retiree Health Care Costs

Potential Annual Savings \$28 million

Several decades' worth of collective bargaining agreements impose significant constraints, and the language of the Retiree Ordinance (implicitly embedded in the vested rights of the "pre-1994" retirees) constrains the County's ability to bring down retiree costs by insisting that the County pay the full cost of all health insurance options regardless of premium cost.

Within these constraints, the County has room to lower its health care costs. Without violating retirees' rights, the County should be able to modify the "county group health program" in several respects to bring costs down: (1) creating incentives for retirees to enroll in the lower cost plan, (2) restructuring the design of its high-premium PPO offerings to encourage retirees to switch, (3) modifying its deductibles, co-pays, and out-of-pocket maximums so as to reduce underlying costs, (4) switching to more efficient and thus lower cost insurance carriers, and more.

In addition to the savings the County can achieve in retiree health care costs, the County should immediately proceed to lower its active employee health care costs, by requiring them to pay the extra cost if employees choose to enroll in a more costly plan.

The County should immediately proceed to “carve out” prescription drugs. A well-designed prescription drug “carve out” utilizing a Prescription Benefit Manger that delivers the best total value instead of simply the lowest administrative fees—can save millions of dollars. Finally, implement better “wellness” or “lifestyle” programs, which in some cases have been found to produce significant savings in costs.

Contracting with the State for Criminal Justice Services

Milwaukee County could pursue, for 2007 and the more immediate future, the option of paying the State of Wisconsin to take over pieces of the criminal justice system.

- Contracting with the State to take over *all* of the Milwaukee County court system and cover the management and financing of the part of the system beyond the Circuit Court judges’ compensation.
- Contracting with the State to take over *all* of the Milwaukee County prosecutorial system and cover the management and financing of the part of the system beyond the District Attorneys’ compensation.

In each of the above-mentioned areas and perhaps others, the County should explore alternative arrangements in an effort to reduce costs. The State should save money by avoiding certain oversight costs and by spreading some existing oversight costs over a broader base. The County would save money to the extent that the State either delivers the service at a lower “unit” cost, or requires fewer “units” to achieve the task, or both. The County should of course seek to finance its payments to the State of Wisconsin, to the greatest degree possible, by using available state dollars. This includes “general” State Shared Revenue as well as “specific” categorical grants to the County that relate to the very services the County would be “buying back” from the State.

Pension Obligation Bonds

The County should change the way it is financing its pension obligations by replacing its current pension liabilities with Pension Obligation Bonds. It is really a very simple matter.

The County owes money to the pension system, and must pay interest on the debt it now owes at a defined interest rate. The County can pay off this obligation by borrowing money via Pension Obligation Bonds (POBs) from the capital markets, turning the proceeds over to the pension system (thus liquidating *that* debt). Many governmental units nationally (including the State of Wisconsin) have found that the interest paid to the new bondholders is less than the current interest rate being used to calculate the pension liabilities. If the County wants to swap higher fixed interest for lower fixed interest, and the spread is large enough to justify the transaction costs, the County should do so. The statutory 20-year limitation on the length of the debt that Wisconsin municipalities and counties can incur makes it difficult for Milwaukee County to do better than the 8% interest rate it now owes on its unfunded pension liability and, more significantly, its “current cash flow.” Despite the County obtaining a better interest rate, it’s very difficult for the County to achieve the needed “POB cash flow” to repay its debt over 20 years. County officials have indicated that this problem could be solved if they could borrow for 30 years or longer.

However, these funds should only be used to reduce unfunded pension liabilities-- not for operations.

Review of All County Owned Assets

Milwaukee County needs to develop a coherent, defensible, and widely supported policy for disposing of unneeded and under/unused non-parkland assets. It should develop such a policy promptly.

(1) *What* asset is being sold? (2) Will the timing and other facets of the sale yield the highest *price*? (3) What is done with the *proceeds*—that is, when is it (if ever) proper to use the proceeds for operating expenses as opposed to transferring the proceeds into another enduring investment (e.g., more attractive parkland, or a major building renovation)?

The County should also consider the leasing of golf courses, swimming pools, etc., to cover 100% (or more) of expenses and avoid proposed closures.

Coordination of Services Through Intergovernmental Agreements

If the County could contract “overhead” and public safety costs from other governments at 90% of its current costs, the resulting 10% savings would equal at least \$9 million per year, much of which would result in property tax levy savings.

This recommended budget-balancing approach provides a long-term solution to sound governance resulting in improved service delivery at a reasonable cost. The redundancy of services in Milwaukee County is astonishing and a disservice to our residents.

Several cogent examples include:

- **How many governments does it take to mow the grass?**

On the corner of Newberry Boulevard and Oakland Avenue in Milwaukee, on any weekday during the summer, it’s possible to see two different governments mowing the grass. The City is responsible for mowing the grass on Newberry Boulevard. The County is responsible for mowing the grass in Riverside Park just to the west. (And Milwaukee Public Schools must make sure that the grass around Riverside High School is mowed.) We don’t need two governments to mow the grass on our boulevards and parks. One government, making more efficient use of personnel and equipment, and relying on a smaller central bureaucracy, can do the job at a reduced cost. If the City of Milwaukee and other municipalities with grass-mowing responsibilities can mow the County Parks’ grass more cheaply than it costs the County, the County should hire the City and the other municipalities to do the job and save County taxpayers money.

- **How many governments does it take to put out a fire?**

Every municipality in Milwaukee County either operates its own fire department, or in the case of the north shore suburbs participates in a joint fire department, or purchases fire-related services from the fire department of a larger municipality as in the case of West Milwaukee purchasing from the City of Milwaukee. The City of Milwaukee, which includes the airport, has one of the best fire departments in the U.S, including the ability

to repair specialized fire equipment. There is only one fire battalion operated by the County, which is in the secured area of Mitchell airport. If there is a fire in an unsecured area i.e. the concourse, the City of Milwaukee fire department must respond. The over 6 million dollars a year battalion cost is provided by the airport at a cost that is shifted to the airlines. There is no good safety reason why the City of Milwaukee shouldn't provide fire-related services at the airport. Doing so would provide flexibility in shift coverage, professional maintenance of fire vehicles, and ultimately, less cost to operate the airport.

One great opportunity for Milwaukee County to lower its cost of doing business is to eliminate the County's duplication of a dozen "overhead" and public safety services that it now *directly* provides through its own agencies and employees, but that the County could *buy* more cheaply from other governments without sacrificing quality.

Several other governments in the area—the City of Milwaukee, the City of West Allis, the City of Wauwatosa, Waukesha County, and others—provide identical or similar "overhead" services.

And it is likely that these governments provide the same "overhead" services at a lower average price, or may be willing to contract with Milwaukee County to provide "overhead" service at a marginal or marginal-plus price that's less than the County's costs. Milwaukee County should put all of its "overhead services" out for bids from other governments in the area. If the County can obtain the same service, at a comparable or higher level of quality but at a lower price, it should discontinue the direct provision of the "overhead service" and enter into a low-term service contract with the other government. To avoid unnecessarily disrupting the lives of County employees who would be affected, the County's request for proposals should stipulate that qualified County employees should be offered the first opportunity to fill any new positions created by the other government. The other government, consistent with its general policies, would determine the terms of employment.

Following is a list of the administrative and overhead services that the County provides:

- Personnel
- Purchasing
- Information Technology
- Accounting
- Cash management and investment
- Risk management
- Facility maintenance
- Vehicle maintenance
- Grounds maintenance, including:
 - § Greenhouse operations
 - § Tree planting and trimming
- Policing of:
 - § County buildings
 - § County grounds
 - § County roads
 - § State highways
 - § County parks
- Special police and fire units:
 - § Bomb squad
 - § Water safety
 - § Airport
- Road construction and maintenance

2007 Budget Recommendations

Ideally, the 2007 budget process will go beyond the normal steps to include a clear, compelling, comprehensive, long-term reform proposal—one that not only solves the 2007 budget crisis, but permanently places Milwaukee County on a sound financial and programmatic footing—and gains the support of the Milwaukee community, Labor unions and the County Board.

We also call for an effective working relationship between the State, County Executive, County Board and County administration. Many individuals actively involved with governance at the County level acknowledge the lack of communication and respect, which has led to an inertia and stalemate. Leadership needs to step forward to craft a courageous budget that will entail communication with accurate information and enough respect and trust to negotiate a budget premised on a realistic foundation. This includes the ability of the administration to manage the day-to-day functions of the county either through excellent, efficient management personnel or through contracted administrative

services. The retirement of key personnel and the resulting budget cuts have left the county with severely understaffed and struggling administrative services, which will result in costly missteps in the future and an inability to manage the county's basic functions.

Specific budget recommendations include:

- Revisions to both the County retiree and active health care plans as outlined in the report appendix.
- The revised County health care plan be followed by the Milwaukee County Transit System as part of the provision of additional resources to the System and that the practice of offering lifetime health insurance benefits cease.
- A portion of the savings identified in this report be dedicated to restoring transit services, to rebuilding our parks, and to restoring funding to the cultural and arts institutions currently supported by the County. Out of every dollar saved, two-thirds would go to balancing the budget and one-third would be dedicated to restoring our transit system, parks, and the cultural and arts institutions.
- Milwaukee County articulates a clear methodology for analyzing the potential sale of any asset and defines a coherent policy governing potential asset sales and the use of the proceeds from such sales.
- Milwaukee County should put all of its "overhead services" out for bids from other governments in the area. If the County can obtain the same service, at a comparable or higher level of quality but at a lower price, it should discontinue the direct provision of the "overhead service" and enter into a contract with the other government.

We recommend to the state task force the following:

- That state law is changed to allow Milwaukee County as well as other local governments, including other counties to incur 30+-year debt for the sole purpose of reducing their unfunded pension liabilities.
- Identify, and recommend the removal of any statutory impediments to Milwaukee County's and other counties' purchasing of State criminal justice and prosecutorial services;

- Urge State agencies, if legally authorized to do so, to contract for criminal justice and prosecutorial services to Milwaukee County and other counties if such contracts do not impose undue costs on the State of Wisconsin; and
- Lay out a plan and timetable for the steady transfer, from Wisconsin's counties to the State of Wisconsin, of full responsibility for funding and operating all aspects of the criminal justice and prosecutorial systems.
- The Task Force recommends that the County set clear "benchmarks" and guidelines for achieving fiscal soundness, consistent with restoring quality service levels, and for initiating structural reform. The State of Wisconsin would review and approve these benchmarks, as well as the County's performance, for prompt compliance.

If Milwaukee County leadership cannot come together and substantially resolve its budget crisis within the 2007 budget timeline, the Task Force recommends the following:

Trustee/Fiscal Control Board: Amend state law to empower a Fiscal Control Board chosen by the Governor and approved by the legislature to take over financial management of Milwaukee County, including budget, contracting, and labor relations.

II. Reviewing Our Governance System

The Denver Regional Council of Governments (DRCOG) fosters regional cooperation between 9 county and 43 municipal governments in the Denver metropolitan area. The Council is dedicated to making the nine-county Denver region a great place to live, work and play.

In its sixth decade of regional service, the Denver Regional Council of Governments (DRCOG) focuses on quality-of-life issues. These include regional transit, water and land use, regional planning, service to older adults, environmental concerns, public safety, and the provision of information for sound decision-making. Membership is voluntary and DRCOG cannot tax, issue bonds or legislate.

Intergovernmental agreements provide the basis for most regional coordination in the nine County Denver region.

Similarly, Metro is the directly elected regional government that serves more than 1.3 million residents in Clackamas, Multnomah and Washington counties, and the 25 cities in the Portland, Oregon metropolitan area. Started in 1977, Metro protects open space and parks, plans for land use and transportation, and manages garbage disposal and recycling for its residents.

According to a written synopsis of Metro's history by Carl Abbott and Margery Post Abbott, "Since the 1950s, public interest in strengthening regional government has been driven by the related concerns of efficiency and accountability. Area-wide planning, coordination, and service delivery can reduce duplication and hold down the costs of public services. At the same time, area-wide agencies are visible and accountable to the citizens."

Early in its formation, Metro added to its responsibilities project by project often by referendums, which included public revenues for operating and capital costs. Several of these early projects included the management of the Washington Park Zoo, JPACT—the Joint Policy Advisory Committee on Transportation, which oversees regional transit initiatives and the creation and funding of the Oregon Convention Center.

Both of these examples are multi-county in scope and voluntary creations of the local governments. There are lessons in their formation and function that can apply to Milwaukee County and its various forms of governance. The Metro Board acts as a governance board for all of these initiatives entailing public funding and provides broader regional and community oversight. As additional taxing authorities are under study in Milwaukee, a similar structure could bring more accountability, coordinated planning and oversight to the various non-elected boards and commissions in Milwaukee County and keep an eye on both operating budgets, debt levels and capital costs that impact our tax levy.

There are many examples of Regional Councils of Governments (ROCG) in both Colorado and the country. Again these are multi-county in scope and voluntary creations of the local governments. The real power of the ROCGs lies in their ability to create intergovernmental agreements for higher quality and lower cost services at a regional level than can be created by an individual unit of government. Intergovernmental cooperation

does occur here, often at a more significant level than the average citizen is aware. The City of Milwaukee provides by contract all the Personnel Services for the Milwaukee Public Schools. Racine, Waukesha and Milwaukee Counties are finalizing a joint purchasing agreement for cell phone service and working on an IT agreement. Both the City and the County of Milwaukee built a joint web portal for easy access to both governments. We offer kudos to the work that is taking place. Workshop publications by the LaFollette Institute highlight the benefits.⁸ The Intergovernmental Cooperation Council (ICC) representing Milwaukee countywide municipalities in recent years has studied many areas of inner governmental coordination including recent work with the Milwaukee County Federated Library System and a study of EMS services. Engagement of the City of Milwaukee over the past two years has strengthened the Council's impact. The county fiscal crisis creates a window of opportunity for ICC to conduct a rigorous review of efficient potential shared services arrangements on a multi-county level. As a voluntary body, its geographic reach could be as wide as makes financial sense in brokering agreements.

Governance Review Recommendations

- The Task Force recommends a study of a single elected board or committee governance structure that would bring more accountability, coordinated planning and oversight to the various non-elected boards and commissions with taxing authority in Milwaukee County.
- In a similar fashion, the Task Force recommends the study of a multi-governmental shared service delivery through intergovernmental agreements resulting in uniform quality of service at a reasonable cost to residents and taxpayers.

⁸ PA 869: Workshop in Policy Analysis, Domestic Issues

- [Supporting Public Service Efficiency: Creating Incentives for Local Government Collaboration in Wisconsin](#)
by Josh Dukelow, Eric Hudson, Andre Jacque, and Emanda Thomas
- [Intergovernmental Collaboration in the Milwaukee Metropolitan Area](#)
Alicia Sidman, Joshua Todd, Tanya Wagner, and Rachel Walker

- The Task Force recommends a review of our current safety and emergency services within our county is warranted as we observed numerous areas of duplication and overlap. Often both the Sheriff's Department and Local Police respond to calls within the parks, yet there is no ready sharing of data or reports despite two federally funded dispatch systems. From Dive Teams to emergency responses, often both County, City and sometimes, State units respond to the same call. A study of an effective public safety model for a fully urbanized county is needed to respond to our community's needs today and not models based on Milwaukee's needs of 50 years ago.

In conclusion, often in the difficult times of crisis, a burning platform for change appears and long-overdue foundational change results. This is one of those rare moments for logical and long-term change in Milwaukee County. The Quality of Life Task Force spent many months and hours reviewing the County's fiscal situation. We found that while budget restructuring is daunting, it is doable. The greater lesson is the ineffectiveness of our current business practices in government for delivering public services to our residents. The other grave concern is the inability of our elected County Officials to overcome the current divisiveness and distrust to actually govern and manage our County and its very critical public services.

We look to our County leadership to step up to the challenge, set aside the past squabbles and attacks and focus instead on the difficult decisions needed to turn around the County's very vulnerable fiscal position. Our citizens expect and deserve quality and effective services. These services need to continue without interruption whether provided under the County's current governance structure or under a transitional one.

Appendix A

The Milwaukee County Health Care Plan: How It Works, Why It's Flawed, and How to Fix It

a. Active Employees

Attachment #1 compares the per-employee costs of State, City, and County active employees who reside in Milwaukee County. All data is for the calendar year 2006 and comes from the respective governments' official reports. The following table, extracted from Attachment #1, summarizes the per-employee costs for Milwaukee County's active employee health care plan.

Milwaukee County: Department of Human Resources Milwaukee County Employee Health Plan Monthly County Group Health Insurance Rates for CY 2006 (Total monthly premium rates)						
	Single 2006	Employee Pays	County Pays	Family 2006	Employee Pays	County Pays
Managed Care: Patient Choice	\$ 426.10	\$ 80.00	\$ 346.10	\$ 1,192.94	\$ 100.00	\$ 1,092.94
Managed Care: Covenant Direct	\$ 393.52	\$ 80.00	\$ 313.52	\$ 1,101.75	\$ 100.00	\$ 1,001.75
Conventional: Patient Choice PPO	\$ 760.55	\$ 80.00	\$ 680.55	\$ 1,260.72	\$ 100.00	\$ 1,160.72
Conventional: WPS Statewide/Natl. PPO	\$ 927.38	\$ 80.00	\$ 847.38	\$ 1,538.18	\$ 100.00	\$ 1,438.18
Monthly Extra Cost to County of More Costly Plan			\$ 533.86			\$ 436.43
Annual Extra Cost			\$6,406.32			\$ 5,237.16

The fundamental problem with the way Milwaukee County buys health insurance is not that the County doesn't get a range of decent prices from the health insurance market. **Rather, the County's problem is that—in contrast to the State and the City-- the County does not incentivize its employees to enroll in the lowest-cost plan by limiting the County's contribution to or basing the County's contribution on the cost of the lowest-cost plan and requiring employees to pay all (or even part) of the extra cost of the more expensive plans available.** County employees pay a flat dollar amount (\$80 in the case of single coverage, \$100 in the case of family coverage) *regardless* of whether they enroll in the lowest-cost plan, the highest-cost plan, or any plan in between. Except for this flat employee payment, the County pays the *entire* balance of the premium.

This is not to say that either the State's methodology or the City's methodology is perfect. Both the State and the City discourage their employees from enrolling in the more costly plans they offer by requiring their employees to pay larger dollar amounts per month to enroll in the more costly plans. For example, State employees who enroll in the lower cost "Tier I" plans typically pay \$25/month for single coverage and \$62.50/month for family coverage; but State employees who select the more costly "Tier II" or "Tier 3" plans must pay, respectively, twice as much for "Tier 2" (i.e., \$50/month for single coverage, or \$125/month for family coverage) and four times as much for "Tier 3" (i.e., \$100/month for single coverage, or \$250/month for family coverage). The City uses a somewhat different approach, but with the same underlying incentives. The City requires employees to pay

100% of the extra cost of its more costly HMO plan, and an extra \$75/month for single coverage and \$150/month to enroll in its so-called Basic (i.e., non-HMO) plan. As noted, the State and City methodologies aren't perfectly calibrated to encourage employees to enroll in the plans that cost the taxpayers the least, because employees don't always pay 100% (or close to 100%) of the extra cost of every plan whose premium exceeds the low-cost plan's premium. But on the whole the State and City plans do a fair job of controlling the taxpayers' costs by shifting *from* the taxpayers *to* employees most of the cost of employees' decisions to enroll in higher-cost plans.

The County's methodology for buying health insurance, by contrast, is fundamentally flawed. It sticks millions of unnecessary costs on the taxpayers' for two reasons. First, and most obviously, the County pays the *entire* extra cost of all health plans—including the entire extra cost of the most costly plans. If a County employee enrolls in the lowest-cost plan, Covenant Direct, the employee pays \$80 for single coverage or \$100 for family coverage, while the County pays \$313 for single coverage or \$1,002 for family coverage. But if a County employee enrolls in the most costly plan, WPS Statewide/National PPO, the employee doesn't pay a penny more. The employee's share of the premium remains \$80 for single coverage or \$100 for family coverage. Rather, it is the County—the taxpayers—who pick up 100% of the extra \$534 per month (i.e., \$6,406 per year) whenever an employee selects the WPS plan for single coverage. And it's the County—the taxpayers—who pick up 100% of the extra \$436 per month (i.e., \$5,237 per year) whenever an employee chooses the WPS plan for family coverage. The County is fortunate that, for historical reasons, most of its employees (73%) in 2006 chose one of the two less-costly plans. But that means that over a quarter (27%) of its employees chose more costly plans—with the County's taxpayers footing 100% of the extra cost.

If the County in 2006, instead of requiring employees to pay an arbitrary flat amount (\$80 for single coverage, \$100 for family coverage) regardless of the cost of their health plan, had instead required employees to pay 100% of the extra cost of any plan they selected whose premium exceeded the low-cost plan, the County would have saved \$9.061 million. The table that appears on the following page, extracted from Attachment #2, illustrates how much extra the County and its taxpayers are paying to subsidize employees who enroll in the more costly plans.

The savings might indeed have been even greater. For there is an important second reason for requiring employees to pay 100% of the extra cost of more costly plans. Doing so creates an incentive for the insurance companies who are competing for the County's business to lower their premiums.

As long as the *status quo* prevails and insurers know that employees are utterly indifferent to their total premiums, they have no reason to lower their premium prices. Doing so will not induce any more employees to enroll in their plans since the employees pay the same regardless of the insurers' pricing decisions, but lowering premiums will definitely lower their revenue. Why bother?

Milwaukee County Health Insurance Costs: 2006: Active Employees									
Milwaukee County: Department of Human Resources Milwaukee County Employee Health Plan Monthly County Group Health Insurance Rates for CY 2006 (Total monthly premium rates)				Extra Cost to County Of Higher Cost Plan Per Month Per Year		Enrollees..... Number Percent		Minimum Cost Savings to County IF County's Contribution Limited to Lowest-Cost Plan	
Active Employees: Single									
	Total Premium	Employee Pays	County Pays						
						Total =	1,606	100%	
Managed Care: Patient Choice	\$ 426	\$ 80	\$ 346	\$ 33	\$ 391	786	49%	\$ 307,295	
Managed Care: Covenant Direct	\$ 394	\$ 80	\$ 314	\$ -	\$ -	334	21%	\$ -	
Conventional: Patient Choice PPO	\$ 761	\$ 80	\$ 681	\$ 367	\$ 4,404	27	2%	\$ 118,918	
Conventional: WPS Statewide/Natl. PPO	\$ 927	\$ 80	\$ 847	\$ 534	\$ 6,406	459	29%	\$ 2,940,501	
									Subtotal \$ 3,366,713
Active Employees: Family									
	Total Premium	Employee Pays	County Pays						
						Total =	3,015	100%	
Managed Care: Patient Choice	\$ 1,193	\$ 100	\$ 1,093	\$ 91	\$ 1,094	1,645	55%	\$ 1,800,091	
Managed Care: Covenant Direct	\$ 1,102	\$ 100	\$ 1,002	\$ -	\$ -	608	20%	\$ -	
Conventional: Patient Choice PPO	\$ 1,261	\$ 100	\$ 1,161	\$ 159	\$ 1,908	29	1%	\$ 55,322	
Conventional: WPS Statewide/Natl. PPO	\$ 1,538	\$ 100	\$ 1,438	\$ 436	\$ 5,237	733	24%	\$ 3,838,838	
									Subtotal \$ 5,694,250
									Actives \$ 9,060,964

Once the methodology is changed to one where employees do care about the total premium prices bid by insurers, for the simple reason that they now must pay for 100% (or most) of the extra cost of more costly plans, insurers acquire a powerful incentive to lower their premiums. Doing so will induce more employees to enroll in their plans or induce fewer to give up their plans.

So, by altering its methodology for buying employee health insurance to one where the employees' contribution is not arbitrarily fixed, to one where the employees pay 100% (or most) of the extra cost of the more costly plan, Milwaukee County and its taxpayers stand to reap a double benefit. First, the County's and taxpayers' costs will decline, simply because (instead of the County and the taxpayers) the employees are paying the extra cost of more costly plans. Second, the new methodology fundamentally alters the incentives that insurers must respond to, pressuring them—in order to increase or retain employees—to lower the growth of their premiums. **By adopting the new methodology, the County may thus be able to cut its health insurance costs for active employees alone by over \$10 million.**

b. Retirees

The situation for retirees is more complicated. The Wisconsin Supreme Court, in a case called Roth v Glendale⁹ that followed the reasoning of concurring opinion in a prior federal 7th Circuit Court decision,¹⁰ has ruled that “a vesting presumption applies under ... collective bargaining agreements in the absence of contract language or extrinsic evidence indicating an intent against the vesting of retiree health benefits.”¹¹ In other words, the law in Wisconsin is that—unless contractual language or compelling external evidence demonstrates otherwise--a collective bargaining agreement that promises employees with health insurance benefits upon their retirement formally, contractually, and permanently *vests* them with whatever benefits they've been promised until they die.

Further complicating the situation in Milwaukee County is the existence of an ordinance, Section 17.14 (7)(m), which provides that: “employees hired prior to January 1, 1994, upon retirement shall be allowed to continue in the county group health benefit program and the county shall pay the full monthly cost of providing such coverage....” Similar language appears in Section 17.14 (7)(dd): “The county shall pay the full monthly cost of providing such coverage to retired members of the county retirement system with fifteen (15) or more years of creditable pension service as a county employee...”¹²

⁹ Roth et al. v. City of Glendale, 2000 WI 100; 237 Wis.2d 173; 614 N.W.2d 467 (2000).

¹⁰ The federal 7th Circuit case, whose concurring opinion the Wisconsin Supreme Court relied on in Roth, was Bidlack v. Wheelabrator Corp., 993 F. 2d 603 (7th Cir. 1993 (en banc)). The Bidlack decision had modified the 7th Circuit's prior ruling in Senn v. United Dominion Industries, Inc., 951 F.2d 806 (7th Cir. 1992) that there is a “default rule” that “entitlements established by collective bargaining do not survive their expiration or modification,” 951 F.2d at 816 (quoting Merk v Jewel Cos., 848 F.2d 761 (1988)) In other words, the Senn court had held that it must be *presumed* that health insurance benefits provided in a collective bargaining agreement do *not* vest in the employee and do *not* remain vested into retirement. The Senn ruling required that explicit language or other affirmative indications must be included in the collective bargaining agreement *itself* to rebut the “default rule” that benefits don't continue beyond the life of the collective bargaining agreement and don't vest in retirees. In short, Senn required that collective bargaining contractual language must explicitly provide that retiree health benefits will vest in retirees. In Bidlack, the 7th Circuit changed its tune. First, the Bidlack majority continued to embrace the “default rule” that benefits don't last beyond the life of the collective bargaining agreement, but acknowledged that this presumption was rebuttable *not only* by explicit contractual language included in the agreement *but also*—if the contractual language is ambiguous—by extrinsic evidence indicating an intent to vest benefits. Bidlack, 993 F. 2d at 607. Second, and more importantly for Wisconsin, the Bidlack concurrence went further. The concurring judges switched the presumption, declaring that there should be a presumption—a “default rule”—in *favor* of vesting. The concurrence in Bidlack stated that, *only if* the language of the collective bargaining agreement suggests *no* intent to vest benefits in retirees--or, if the language is ambiguous, there is extrinsic evidence, which may then be consulted, that demonstrates that there is no intent to vest benefits—only then may be presumption in favor of vesting be rebutted. The Wisconsin Supreme Court explicitly adopted the Bidlack court's concurring position: “We adopt the vesting presumption, alternatively characterized as a default rule, advocated by the Bidlack concurrence.” Roth, 237 Wis.2d at 184.

¹¹ Roth, 237 Wis.2d 188.

¹² The ordinance then goes on to list numerous other categories of county or quasi-county retirees who have the same health insurance benefit.

Thus, even if the collective bargaining agreements that various unions have negotiated with the County were to give the County some measure of flexibility with respect to (a) *whether* certain retirees had vested health insurance, (b) *which* pre-retirement health insurance benefits those retirees were entitled to receive, and (c) *how* the County was obliged to fulfill its obligations to provide retirees with health insurance benefits (e.g., by continuing to pay for 100% of the premium for all available plans regardless of cost, or doing something else), the “Retiree Ordinance” cited above limits the County’s flexibility with respect to retirees who were hired prior to January 1, 1994, and who have met other applicable vesting requirements. The Retiree Ordinance requires that such retirees must be “allowed to continue” in the County’s group health benefit program, and further requires that the County must pay 100% of the monthly cost of their coverage.

The County could of course repeal, or modify, the Retiree Ordinance. It could *then* assert that the *only* rights that retirees enjoy with respect to vested health insurance benefits are those rights they secured as employees through collective bargaining. But the impact of repealing or modifying the Retiree Ordinance is not so clear. The *additional* health insurance rights conferred on retirees by the Retiree Ordinance *may* not be extinguished by the ordinance’s repeal or modification. The courts (if the matter goes to court, as is likely) may rule that the additional “statutory” rights conferred by the Retiree Ordinance on pre-1994 hires may have the same effect as contractual rights. In another retiree-related case, the Wisconsin Supreme Court cited a U.S Supreme Court ruling that held that: “In general, a statute is itself treated as a contract when the language and circumstances evince a legislative intent to create private rights of a contractual nature enforceable against the state.”¹³

Yet if there are significant extra legal constraints that make it difficult to modify the health insurance “program” of retirees—or at least those retirees who were hired prior to January 1, 1994, which at this point comprises the vast majority of County retirees—the fiscal case for pursuing modification is overwhelming. Just like the County’s active employee health insurance program is fundamentally flawed, so the retiree program is equally flawed in its fundamentals.

The County offers its various retiree groups a choice of four plans. The prices of the four options differ, sometimes by hundreds of dollars per retiree per month. The following table indicates—for the seven retiree groups that the County provides health insurance for—what the County pays monthly for retiree health insurance in 2006 for each of the four available health insurance plans:

¹³ See Wisconsin Professional Policed Association, Inc., et al v. George Lighbourn et al., 2001 WI 59, 145; 243 Wis. 2d 512; 627 N.W. 2d 807, 848 (2001), n. 188, citing United States Trust Co., v. New Jersey, 431 U.S. 1, 17 n.14; 52 L.Ed.2d92; 97 S.Ct. 1505 (1977).

Milwaukee County: Department of Human Resources		NOTE:		Retirees pay nothing regardless of the plan they select. The County pays 100% of all premium costs.			
Milwaukee County Employee Health Plan for Retirees							
Monthly County Group Health Insurance Rates for CY 2006 (Total monthly premium rates)							
Not on Medicare.....	On Medicare.....		...One On+One Off Medicare		Two on Medicare
	Single	Family	One Person	Two Person:	No Children	With Children	With Children
Managed Care: Patient Choice	\$ 762	\$ 2,132	\$ 338	\$ 677	\$ 765	\$ 1,103	\$ 1,018
Managed Care: Covenant Direct	\$ 704	\$ 1,971	\$ 313	\$ 626	\$ 706	\$ 1,019	\$ 940
Conventional: Patient Choice PPO	\$ 761	\$ 1,261	\$ 481	\$ 963	\$ 1,242	\$ 1,080	\$ 1,011
Conventional: WPS Statewide/Natl. PPO	\$ 927	\$ 1,538	\$ 481	\$ 963	\$ 1,409	\$ 1,335	\$ 1,233
Monthly Extra Cost of More Costly Plan	\$ 224	\$ 871	\$ 168	\$ 337	\$ 702	\$ 316	\$ 292
Annual Extra Cost of More Costly Plan	\$ 2,683	\$ 10,457	\$ 2,021	\$ 4,043	\$ 8,428	\$ 3,788	\$ 3,510

As the preceding table indicates, the premium rates of the four plans differ sharply. The difference between the low-cost plan and the high-cost plan ranges from \$224 per month to \$871 per month, i.e., from \$2,683 per year to as much as \$10,457 per year.

Yet despite the sizeable differences in the premium rates for the four available plans, the County pays 100% of all plans. The County pays 100% of the low-cost plan, 100% of the high-cost plan, and 100% of *all* the plans. It gives retirees no incentive at all to select the low-cost plan. Nor does the County provide any incentive to the four competing plans to lower their per-retiree-per-month premium prices, since the County pays 100% *regardless* of the price. It is a mad policy, and the County needs to do everything it legally can to alter it.

The table appearing on the next page, (extracted from Attachment #2), shows how much extra the County and its taxpayers pay for retiree health care because of the current policy of paying 100% of the cost of all plans, i.e., paying in full for the additional cost of the more costly retiree health insurance options.

It's a huge amount: \$18.871 million.

Together with the \$9.061 million extra that the County pays to enroll its active employees in more costly plans, the extra \$18.871 million that the County pays to enroll its retirees in more costly plans means that the price tag of the County's policy of paying in full for the extra cost of more expensive health insurance plans is a mind-boggling \$27.9 million.

Retirees: Single Person Not on Medicare									
	Total Premium	Retiree Pays	County Pays						
						Total =			
						789	100%		
Managed Care: Patient Choice	\$ 762	\$ -	\$ 762	\$ 58	\$ 694	212	27%	\$ 147,221	
Managed Care: Covenant Direct	\$ 704	\$ -	\$ 704	\$ -	\$ -	67	8%	\$ -	
Conventional: Patient Choice PPO	\$ 761	\$ -	\$ 761	\$ 57	\$ 681	16	2%	\$ 10,900	
Conventional: WPS Statewide/Natl. PPO	\$ 927	\$ -	\$ 927	\$ 224	\$ 2,683	494	63%	\$ 1,325,501	
									Subtotal
									\$ 1,483,622
Retirees: Family Not on Medicare									
	Total Premium	Retiree Pays	County Pays			Total =			
						1,090	100%		
Managed Care: Patient Choice	\$ 2,132	\$ -	\$ 2,132	\$ 871	\$ 10,457	340	31%	\$ 3,555,394	
Managed Care: Covenant Direct	\$ 1,971	\$ -	\$ 1,971	\$ 710	\$ 8,518	89	8%	\$ 758,109	
Conventional: Patient Choice PPO	\$ 1,261	\$ -	\$ 1,261	\$ -	\$ -	16	1%	\$ -	
Conventional: WPS Statewide/Natl. PPO	\$ 1,538	\$ -	\$ 1,538	\$ 277	\$ 3,330	645	59%	\$ 2,147,540	
									Subtotal
									\$ 6,461,043
Retirees: One Person on Medicare									
	Total Premium	Retiree Pays	County Pays			Total =			
						2,559	100%		
Managed Care: Patient Choice	\$ 338	\$ -	\$ 338	\$ 26	\$ 308	326	13%	\$ 100,343	
Managed Care: Covenant Direct	\$ 313	\$ -	\$ 313	\$ -	\$ -	147	6%	\$ -	
Conventional: Patient Choice PPO	\$ 481	\$ -	\$ 481	\$ 168	\$ 2,021	33	1%	\$ 66,702	
Conventional: WPS Statewide/Natl. PPO	\$ 481	\$ -	\$ 481	\$ 168	\$ 2,021	2,053	80%	\$ 4,149,688	
									Subtotal
									\$ 7,944,665
Retirees: Two Persons on Medicare									
	Total Premium	Retiree Pays	County Pays			Total =			
						1,199	100%		
Managed Care: Patient Choice	\$ 677	\$ -	\$ 677	\$ 51	\$ 616	113	9%	\$ 69,563	
Managed Care: Covenant Direct	\$ 626	\$ -	\$ 626	\$ -	\$ -	58	5%	\$ -	
Conventional: Patient Choice PPO	\$ 963	\$ -	\$ 963	\$ 337	\$ 4,043	15	1%	\$ 60,638	
Conventional: WPS Statewide/Natl. PPO	\$ 963	\$ -	\$ 963	\$ 337	\$ 4,043	1,013	84%	\$ 4,095,113	
									Total
									\$ 4,316,733
Retirees: One on & One Without Medicare									
	Total Premium	Retiree Pays	County Pays			Total =			
						355	100%		
Managed Care: Patient Choice	\$ 765	\$ -	\$ 765	\$ 58	\$ 699	64	18%	\$ 44,721	
Managed Care: Covenant Direct	\$ 706	\$ -	\$ 706	\$ -	\$ -	26	7%	\$ -	
Conventional: Patient Choice PPO	\$ 1,242	\$ -	\$ 1,242	\$ 535	\$ 6,426	3	1%	\$ 19,277	
Conventional: WPS Statewide/Natl. PPO	\$ 1,409	\$ -	\$ 1,409	\$ 702	\$ 8,428	262	74%	\$ 2,208,031	
									Total
									\$ 4,225,314
Retirees: One on & One Without Medicare and Dependent Child/Children									
	Total Premium	Retiree Pays	County Pays			Total =			
						31	100%		
Managed Care: Patient Choice	\$ 1,103	\$ -	\$ 1,103	\$ 84	\$ 1,006	10	32%	\$ 10,064	
Managed Care: Covenant Direct	\$ 1,019	\$ -	\$ 1,019	\$ -	\$ -	3	10%	\$ -	
Conventional: Patient Choice PPO	\$ 1,080	\$ -	\$ 1,080	\$ 60	\$ 724	0	0%	\$ -	
Conventional: WPS Statewide/Natl. PPO	\$ 1,335	\$ -	\$ 1,335	\$ 316	\$ 3,788	18	58%	\$ 68,187	
									Total
									\$ 2,272,029
Retirees: Two Persons on Medicare and Dependent Child/Children									
	Total Premium	Retiree Pays	County Pays			Total =			
						12	100%		
Managed Care: Patient Choice	\$ 1,018	\$ -	\$ 1,018	\$ 77	\$ 925	3	25%	\$ 2,776	
Managed Care: Covenant Direct	\$ 940	\$ -	\$ 940	\$ -	\$ -	0	0%	\$ -	
Conventional: Patient Choice PPO	\$ 1,011	\$ -	\$ 1,011	\$ 71	\$ 847	0	0%	\$ -	
Conventional: WPS Statewide/Natl. PPO	\$ 1,233	\$ -	\$ 1,233	\$ 292	\$ 3,510	9	75%	\$ 31,588	
									Total
									\$ 34,364
									Medicare
									\$ 10,926,692
									Actives
									\$ 9,060,964
									Retirees
									\$ 18,871,357
									Total
									\$ 27,932,320

What can the County do to lower the cost of the huge retiree component of its retiree health care program while honoring its legal obligations to its retirees?

Clearly, the County can't deny retirees health insurance altogether. The court cases discussed above prohibit the County from renegeing on its promise to provide its retirees with health insurance.

Nor can the County reduce the actual benefits that are incorporated in the health insurance that it provides retirees. The same court cases that compel the County to continue promised coverage to its retirees are likely to be construed to also compel the County to continue the same level services. The County probably can't increase retiree cost-sharing (to the extent it exists) in the form of deductibles, co-insurance or co-pays,

or in the form of higher out-of-pocket maximum, with the possible exception of indexing cost-sharing to the rate of if it's calculated in specific dollar amounts (e.g., deductibles, co-pays, and out-of-pocket maximums) as opposed to percentages of cost. The County also probably can't reduce coverage of the number of visits that retirees can make to doctors, hospitals, and other professionals.

Nor is it likely that the County can require employees to pay a portion of the premium for every plan.

But may the County require employees to pay a portion of the premium of the more costly plans, specifically part or all the difference between the low-cost plan's premium and other plans' premiums?

Not likely. As long as the County's active health benefit "program" includes a choice of plans, the most plausible interpretation of the County's obligation to "pay the full cost of such coverage" and "the full monthly cost of providing such coverage" is that the County must indeed pay 100% of the premium cost of all the plans that can be chosen.

It would be worth doing an historical analysis of the County Board's intent when it enacted Sec. 17.14 (7) (m) and (dd), to see if the Board intended something different. Perhaps there's some evidence that the Board did not intend to have the County pay, on retirees' behalf, 100% of the premium cost of all the available plans. But in the absence of such a legislative intention, it would be a stretch to make a strong argument that--notwithstanding the statutory language itself and despite the County's long practice of paying 100% for all plans--the Retiree Ordinance, while requiring the County to pay the full cost of one or more of the plans available, now allows the County to require retirees who were hired prior to 1994 to pay part or all of the cost of the more costly plans.

If this option is not available, is the County powerless to reduce its retiree health costs?

No. It would be foolish for the County to give up the effort to control retiree health care costs. The County still has several options for encouraging retirees to enroll in low-cost plans. For example:

- The County could consider offering to both active "pre-1994" employees (with respect to their future retirement) and retirees (with respect to the balance of their ongoing retirement) an economic incentive to enroll in the lowest cost plan. The incentive might be a simple cash bonus (i.e., \$50 a month in cash in return for enrolling in the low-cost plan). As a *quid pro quo*, participating employees or retirees would sign a binding waiver to enroll in the low-cost plan—in the case of actives, upon their retirement and for the duration of retirement; in the case of retirees, for the rest of their retirement. The County should of course conduct careful analysis of the costs and benefits of such a "buy out" approach: it may cost more than it gains, or it may save money. But if the waiver is properly

drafted, it should be sufficient to deter retirees from claiming that their rights (which they would have voluntarily surrendered) have been violated.

- In addition or in lieu of a “buy out” approach, the County could restructure the PPO component of its “group health benefit program” so that it fulfills its obligation to “pre-1994” retirees to offer a PPO (as required by Sec. 17.14(7)(c) of the Retiree Ordinance) in a manner that reduces the huge expense it incurs because of the high premium of its current statewide/national PPO option. Here’s how:

--The County is required to offer a PPO, but it’s not prohibited from offering *two or more* PPOs. Indeed, the County now does offer two PPOs: a *generally but not always* low-premium “Patient Choice PPO” (which has a total of 139 enrollees in 2006, of which fewer than 100 are retirees), and an *almost always* very high-premium “WPS Statewide/National PPO” (which enrolls the majority, 5,686, of all the County’s total of 10,656 actives and retirees in 2006, of which over 1,000 are actives, but of which over 4,000 are retirees). Thus, the problem is not that the County doesn’t offer a lower-premium (for the most part) PPO, but that hardly anybody enrolls in it. This is no surprise. For both actives and retirees, the “Patient Choice PPO” imposes cost-sharing that’s higher than the HMO option, and its cost-sharing is no better than the more familiar “Statewide/National PPO” option.

--Thus, the County could try either to turn the “Patient Choice PPO” into, or separately identify or construct, *but for the Milwaukee area only* (or, for that matter, on a national basis if possible, though this is unlikely), a *consistently* low-premium, PPO with significantly lower cost-sharing (i.e., lower deductibles, lower co-pays, and/or lower out-of-pocket maximums) than the cost-sharing incorporated into its traditional, statewide/national PPO. Creating such a major cost-sharing differential between the two PPOs this could happen by either lowering the cost-sharing of the “local” PPO, raising the cost-sharing of the statewide/national PPO, or both.¹⁴

--The result is a new set of choices that honors the County’s contractual commitment, to both actives and retirees, to continue to offer a “group health benefit program” that offers the required choice of HMO or PPO. Indeed, the County could continue to offer two HMO options, and it would definitely continue to offer two PPO options. But the incentives to retirees who want to join a PPO would now be to enroll in the “local” PPO with lower cost-sharing and lower premiums, and to avoid enrolling in the statewide/national PPO with higher cost-sharing and higher premiums. This concept thus has the potential, without violating any retiree’s rights, of lowering the County’s retiree health care costs. Indeed, this approach would tend to lower the County’s retiree costs in two ways. First, by increasing the cost-sharing for the statewide/national PPO, even that high-premium plan’s per-enrollee premium cost would decline somewhat. Second, more importantly, by offering a new lower-premium Milwaukee-based PPO with current levels of cost-sharing--to which most actives and some retirees who want a PPO will be drawn because it equally meets their needs for a less restrictive, non-HMO, PPO option, yet

¹⁴ It would be advisable, however, to avoid lowering the cost-sharing of the “local” PPO down to the low cost-sharing levels of the HMO options--at least as long as the HMO options have lower premiums than the “local” PPO premium—since we don’t want to induce either actives or retirees to switch *from* the lower-premium HMOs *into* the relatively higher premium “local” PPO.

imposes less cost sharing than the statewide/national PPO—the County would induce a drop in the number of retirees who use the high-premium statewide/national PPO. The combination of the two effects—fewer retired enrollees in the higher-premium PPO x a somewhat lower premium—should lower County retiree premium costs.

There are, of course, some potential obstacles to this approach. First, the unions would have to agree to the higher cost-sharing (whether deductible, co-pay, or out-of-pocket maximum) for the statewide/national PPO. Since most actives are already enrolled in the HMO, however, and since the remainder who prefer a PPO could still have access to the new *local* PPO (either a revised version of the current “Patient Choice PPO” or something entirely new) without having to experience higher cost-sharing, the unions may be willing to accept the new approach.

Another concern, of course, is the potential that retirees will sue the County, claiming their contractual (and statutory-into-contractual) rights have been violated. But what right has been violated? Retirees still have full access to the “county group health benefit program”, with the County paying 100% of the premium cost. They have the choice of an HMO (or two), as well as a choice of two PPOs. The only thing new is that—just like actives--the PPOs have different cost-sharing arrangements. The retirees’ strongest argument is that, except for retirees who remain in Milwaukee, the choice of a PPO with lower cost-sharing is not realistic. Will the courts rule that retirees who don’t live in the Milwaukee area, in addition to all their other rights—the right to health insurance itself, the right to a rich benefit package, the right to have the County pay 100% of any premium, the right to both an HMO and a PPO, and the fact (not a right) that all HMO options and one PPO option have lower cost-sharing--*also* have a vested right to a statewide/national PPO with lower cost sharing? At the very least, it’s worth aggressively pursuing the possibility that such an arrangement, which would save the County taxpayers a lot of money, may also be legal.

So far, we have focused on how to get retirees to *agree* or *choose* to enroll in lower premium plans vs. higher premium plans. But there are additional opportunities to try to get retirees to reduce the premiums of all or many of the plans in the first place by lowering the *underlying* cost of health care.

There are two ways to do this.

First, it is important to recognize that the “county group health benefit program”-- for which the County is obliged to “pay the full monthly cost” for retirees--is a flexible concept, not an eternally fixed set of benefits and cost-sharing arrangements. At least as the “country group health benefits program” is spelled out in the Retiree Ordinance, there appears to be no language that permanently squeezes that “program” into a particular mold and prohibits it from ever changing. The Retiree Ordinance, at Sec. 17.14 (7) (d), and (n) through (y), does spell out in great detail the premium sharing, deductible, co-pay, and out-of-pocket maximum arrangements that the County is offering *in 2006*. But the text and context of these provisions makes it clear that this particular cluster of premium sharing and cost-sharing features is not meant to be some sort of permanent, immutable program, but

rather indicate that the cost-sharing details of “county group health benefit program” can and must change. For example, all the premium-sharing arrangement for eligible employees, Sec. 17.14(7)(d), spells out the portion of premium (\$80 for singles, \$100 for families) that employees must pay for the first six months of a particular year, 2006, and then spells out the *differing* portion of premium (\$75 for singles, \$150 for families) that employees must pay for the last six months of that particular year. The provisions for deductibles and co-pays, Sec. 17.14 (7) (n) through (y), specify a long list of flat dollar amounts, but provide no adjustment for inflation. The clear implication is that all of these specific numbers can legally be modified through bargaining, and that (following new rounds of collective bargaining) the specific dollar amounts will indeed be changed, i.e., new flat dollar amounts would be cross-walked from the final collective bargaining agreements and inserted in the Retiree Ordinance. The bottom line is that the county group health benefits “program” can change; the changes can include new and better cost-sharing arrangements across the board; that the County has the ability to use such new and better cost-sharing arrangements to drive down both what the County taxpayers *pay* for the program and the *underlying* cost of the “program”; and that, thus, the County has the capacity through new and better cost-sharing to lower what it spends on retiree health care benefits (regardless of what percent of retirees enroll in the lower-premium or higher-premium plans).

Second, and more important, there is nothing in the Retiree Ordinance that requires the County to continue to use the *particular* insurance carriers it now uses to deliver its “program”, some of which have proved to be far more costly. In other words, while retirees have a vested right to participate in the County’s “program” without paying any part of the premium, they have neither a vested right to a defined array of choices beyond one PPO and one HMO (as discussed above) nor a vested right to a particular health insurance carrier or set of carriers. For both active employees and retirees (i.e., without violating retirees’ rights), the County could replace its high-cost carriers with low-cost carriers. To the extent that the County modifies the “active employee” part of its program so that active employees must pay most or all of the extra cost to enroll in more costly health insurance plans, there would not be major savings in replacing high-cost carriers with low-cost carriers. But this switch could yield major savings for the “retiree part” of the program, where the County gets stuck with paying the full cost of all available plans. In short, if the County must pay the full cost of all plans, it should aggressively lower the prices it must pay for the most costly plans.

Third, the County could implement better “wellness” or “lifestyle” programs, which in some cases have been found to produce significant savings in costs. This is a complex area; and it is important to recognize that not every “wellness” or “lifestyle” program whose sponsors hold it out as a cost-saving program will actually produce cost reductions that show up in lower premiums. But the County should certainly be aggressive about pursuing this area. Specifically, it should seriously considering whether incentives to both active employees and retirees to improve their health-related behaviors—i.e., to not smoke, to not use drugs, to not drink alcohol excessively, to control their diets, to exercise, etc.—can be

effectively linked to documented “wellness” or “lifestyle” programs that produce dollars savings of greater magnitude.

c. Prescription Drug Carve-Out

A final important area that the County should look to, in order to contain both active employee *and* retiree health care costs, has to do with prescription drugs. The State of Wisconsin, the City of Milwaukee, and many private employers have found that they can dramatically reduce the cost of the prescription drug component of their health plans if they “carve out” prescription drugs from the rest of their program, set up a self-funded prescription drug programs, and use a Prescription Benefit Manager (PBM) to manage the program and oversee its powerful incentives to pharmaceutical companies to lower their costs.

The typical prescription drug carve-out program is based upon the following principles:

- Working with the employer, its unions, and a panel of medical experts (doctors, pharmacologists, pharmacists), the PBM create a drug formulary that identifies the major categories of prescription drugs used, and (in the high utilization categories) identifies pharmacologically equivalent generic and brand-name drugs.

- Participants (i.e., active employees and retirees who are covered by the plan, as well as covered spouses and dependents) are able to obtain generic equivalents with a very small co-pay, must pay more for the comparable brand-name drug whose price is most heavily discounted, and must pay significantly more for the comparable brand-name drug that provided the smallest discount.

- Participants thus face a strong out-of-pocket dollar incentive to choose a generic drug over *any* comparable brand-name drug, and also have a strong economic incentive to choose the lower-cost (i.e., most heavily discounted) brand-name drug over its brand-name competitor.

- Participants’ personal cost-saving decision to choose generics also saves money for the program, since generics cost less. Participants’ decision to spend less out-of-pocket to choose the “favored” brand-name drug (compared to the other brand-name drug) also saves the program money, since the reason why the “favored” brand-name drug costs the participant less is that its price has been more heavily discounted than the price bid by its competitor.

The State of Wisconsin’s program, called BadgerCareRx, has been particularly effective in controlling costs, in part because the state insisted that its PBM pass along to the State Employee Health Plan 100% of the discounts offered by pharmaceutical companies. Many employers focus only on the PBM’s service fees rather than on total cost savings, which allows the PBM to capture for its own benefit a significant portion of the drug discounts.

d. Summary: Lowering Active Employee and Retiree Health Care Costs

To begin with, the County should immediately proceed to lower its active employee health care costs, by requiring active employees to pay the extra cost if they choose to enroll in a more costly plan. There is no reason for the County's taxpayers to pay 100% of the extra cost when a County employee voluntarily selects a more costly health care plan. The change should have been made years ago. The County should make the change now. If done properly, this could result in immediate savings of around \$10 million.

There are also major opportunities for the County to cut the cost of the *retiree* component of its plan.

Without violating retirees' rights (although great care should be taken to make sure this is so), the County may be able modify the "county group health program" in several respects to bring costs down: (1) creating incentives for retirees to enroll in the low cost plan, (2) restructuring the design of its high-premium PPO offerings to encourage retirees to switch, (3) modifying its deductibles, co-pays, and out-of-pocket maximums so as to reduce underlying costs,¹⁵ (4) switching to more efficient and thus lower cost insurance carriers, and more..

Finally, the County should immediately proceed to "carve out" prescription drugs, following the State of Wisconsin's example with its BadgerCareRx program. A well-designed prescription drug "carve out"—which requires properly structuring the incentives for covered individuals to use generic equivalents over brand-name drugs and discounted brands over non-discounted ones, and picking a Prescription Benefit Manger that delivers the best total value instead of simply the lowest administrative fees—can save millions of dollars.

¹⁵ Since the "county group health benefit program" must be the same for active employees and retirees, active employees as well as retirees would have to face any *across-the-board* increase in deductibles, co-pays, and out-of-pocket maximums, i.e., increases that apply to all or most plans as opposed to a single PPO. Active employees and their unions are likely to strongly resist this. It may be possible, however, to meet their concerns by providing active employees with compensation *outside of the formal health benefit program*. For example, if both actives and retirees face a \$500 increase in their deductible, but actives get \$500 outside of the health benefit program, actives are held harmless economically, but the higher deductible (1) saves the County money directly, (2) by deterring utilization, may further lower the County's costs, and (3) if the high deductible have a particular impact on the appeal of the high-premium plans, may drive enrollees into the lower-premium plan. Whether the total cost of this approach is less than the total benefits requires further analysis.

Attachment 1

Government Health Insurance Costs for Milwaukee: 2006: Active Employees

State of Wisconsin: Department of Employee Trust Funds

State of Wisconsin Employee Health Plan

Monthly State Group Health Insurance Rates for CY 2006

	Single 2006	Employee Pays	State Pays	Family 2006	Employee Pays	State Pays	Percent of Employees
CompcareBlue--Aurora Family Network	\$ 495.60	\$ 25.00	\$ 470.60	\$ 1,235.60	\$ 62.50	\$ 1,173.10	29.0%
UnitedHealthcare of Wisconsin Southeast	\$ 531.20	\$ 25.00	\$ 506.20	\$ 1,324.60	\$ 62.50	\$ 1,262.10	0.8%
Humana-Eastern	\$ 571.60	\$ 25.00	\$ 546.60	\$ 1,425.60	\$ 62.50	\$ 1,363.10	59.8%
WPS Patient Choice Plan 1	\$ 555.00	\$ 25.00	\$ 530.00	\$ 1,384.10	\$ 62.50	\$ 1,321.60	2.5%
WPS Patient Choice Plan 2 (NB: Tier 2)	\$ 601.50	\$ 50.00	\$ 551.50	\$ 1,500.40	\$ 125.00	\$ 1,375.40	0.1%
Standard Plan (Tier 3)	\$ 808.50	\$ 100.00	\$ 708.50	\$ 2,017.70	\$ 250.00	\$ 1,767.70	7.8%
Monthly Extra Cost to State of Most Costly Plan:			\$ 237.90			\$ 594.60	\$ 168,165
Annual Extra Cost			\$ 2,854.80			\$ 7,135.20	\$ 2,017,980

City of Milwaukee: Department of Employee Relations

City of Milwaukee Employee Health Plan

Monthly City Group Health Insurance Rates for CY 2006 (for largest group of unionized employees)

	Single 2006	Employee Pays	City Pays	Family 2006	Employee Pays	City Pays	Percent of Employees
CompcareBlue--Aurora Family Network	\$ 389.30	\$ -	\$ 389.30	\$ 1,063.55	\$ -	\$ 1,063.55	62%
CompcareBlue--Broad Network	\$ 641.80	\$ 252.50	\$ 389.30	\$ 1,752.10	\$ 689.05	\$ 1,063.05	3%
Basic Plan	\$ 644.35	\$ 75.00	\$ 569.35	\$ 1,452.17	\$ 150.00	\$ 1,302.17	35%
Monthly Extra Cost to State of Most Costly Plan:			\$ 180.05			\$ 238.62	\$ 439,604
Annual Extra Cost			\$ 2,160.60			\$ 2,863.44	\$ 5,275,242

Milwaukee County: Department of Human Resources

Milwaukee County Employee Health Plan

Monthly County Group Health Insurance Rates for CY 2006

(Total monthly premium rates)

	Single 2006	Employee Pays	County Pays	Family 2006	Employee Pays	County Pays	Percent of Employees
Managed Care: Patient Choice	\$ 426.10	\$ 80.00	\$ 346.10	\$ 1,192.94	\$ 100.00	\$ 1,092.94	
Managed Care: Covenant Direct	\$ 393.52	\$ 80.00	\$ 313.52	\$ 1,101.75	\$ 100.00	\$ 1,001.75	
Conventional: Patient Choice PPO	\$ 760.55	\$ 80.00	\$ 680.55	\$ 1,260.72	\$ 100.00	\$ 1,160.72	
Conventional: WPS Statewide/Natl. PPO	\$ 927.38	\$ 80.00	\$ 847.38	\$ 1,538.18	\$ 100.00	\$ 1,438.18	
Monthly Extra Cost to County of More Costly Plan			\$ 533.86			\$ 436.43	\$ -
Annual Extra Cost			\$ 6,406.32			\$ 5,237.16	\$ -

Attachment 2

Milwaukee County Health Insurance Costs: 2006: Active Employees

Milwaukee County: Department of Human Resources
 Milwaukee County Employee Health Plan
 Monthly County Group Health Insurance Rates for CY 2006
 (Total monthly premium rates)

**Extra Cost to CountyEnrollees.....
 Of Higher Cost Plan**
 Per Month Per Year **Number Percent**

**Minimum Cost Savings
 to County IF County's
 Contribution Limited to
 Lowest-Cost Plan**

**.....Total Cost.....
 Per Month Per Year**

Active Employees: Single

	Total Premium	Employee Pays	County Pays	Extra Cost to County	Enrollees	Number	Percent	Minimum Cost Savings	Total Cost Per Month	Total Cost Per Year
						Total = 1,606	100%			
Managed Care: Patient Choice	\$ 426	\$ 80	\$ 346	\$ 33	391	786	49%	\$ 307,295	\$ 272,034.60	\$ 3,264,415.20
Managed Care: Covenant Direct	\$ 394	\$ 80	\$ 314	\$ -	-	334	21%	\$ -	\$ 104,715.68	\$ 1,256,588.16
Conventional: Patient Choice PPO	\$ 761	\$ 80	\$ 681	\$ 367	4,404	27	2%	\$ 118,918	\$ 18,374.85	\$ 220,498.20
Conventional: WPS Statewide/Natl. PPO	\$ 927	\$ 80	\$ 847	\$ 534	6,406	459	29%	\$ 2,940,501	\$ 388,947.42	\$ 4,667,369.04
Subtotal									\$ 784,072.55	\$ 9,408,870.60

Active Employees: Family

	Total Premium	Employee Pays	County Pays	Extra Cost to County	Enrollees	Number	Percent	Minimum Cost Savings	Total Cost Per Month	Total Cost Per Year
						Total = 3,015	100%			
Managed Care: Patient Choice	\$ 1,193	\$ 100	\$ 1,093	\$ 91	1,094	1,645	55%	\$ 1,800,091	\$ 1,797,886.30	\$ 21,574,635.60
Managed Care: Covenant Direct	\$ 1,102	\$ 100	\$ 1,002	\$ -	-	608	20%	\$ -	\$ 609,064.00	\$ 7,308,768.00
Conventional: Patient Choice PPO	\$ 1,261	\$ 100	\$ 1,161	\$ 159	1,908	29	1%	\$ 55,322	\$ 33,660.88	\$ 403,930.56
Conventional: WPS Statewide/Natl. PPO	\$ 1,538	\$ 100	\$ 1,438	\$ 436	5,237	733	24%	\$ 3,838,838	\$ 1,054,185.94	\$ 12,650,231.28
Subtotal									\$ 5,694,250	\$ 41,937,565.44
Actives									\$ 9,060,964	\$ 51,346,436.04

Retirees: Single Person Not on Medicare

	Total Premium	Retiree Pays	County Pays	Extra Cost to County	Enrollees	Number	Percent	Minimum Cost Savings	Total Cost Per Month	Total Cost Per Year
						Total = 789	100%			
Managed Care: Patient Choice	\$ 762	\$ -	\$ 762	\$ 58	694	212	27%	\$ 147,221	\$ 161,469.80	\$ 1,937,637.60
Managed Care: Covenant Direct	\$ 704	\$ -	\$ 704	\$ -	-	67	8%	\$ -	\$ 47,153.26	\$ 565,839.12
Conventional: Patient Choice PPO	\$ 761	\$ -	\$ 761	\$ 57	681	16	2%	\$ 10,900	\$ 12,168.80	\$ 146,025.60
Conventional: WPS Statewide/Natl. PPO	\$ 927	\$ -	\$ 927	\$ 224	2,683	494	63%	\$ 1,325,501	\$ 458,125.72	\$ 5,497,508.64
Subtotal									\$ 1,483,622	\$ 8,147,010.96

Retirees: Family Not on Medicare

	Total Premium	Retiree Pays	County Pays	Extra Cost to County	Enrollees	Number	Percent	Minimum Cost Savings	Total Cost Per Month	Total Cost Per Year
						Total = 1,090	100%			
Managed Care: Patient Choice	\$ 2,132	\$ -	\$ 2,132	\$ 871	10,457	340	31%	\$ 3,555,394	\$ 724,927.60	\$ 8,699,131.20
Managed Care: Covenant Direct	\$ 1,971	\$ -	\$ 1,971	\$ 710	8,518	89	8%	\$ 758,109	\$ 175,379.84	\$ 2,104,558.08
Conventional: Patient Choice PPO	\$ 1,261	\$ -	\$ 1,261	\$ -	-	16	1%	\$ -	\$ 20,171.52	\$ 242,058.24
Conventional: WPS Statewide/Natl. PPO	\$ 1,538	\$ -	\$ 1,538	\$ 277	3,330	645	59%	\$ 2,147,540	\$ 992,126.10	\$ 11,905,513.20
Subtotal									\$ 6,461,043	\$ 22,951,260.72
Pre-Med.									\$ 7,944,665	\$ 31,098,271.68

Retirees: One Person on Medicare

	Total Premium	Retiree Pays	County Pays	Extra Cost to County	Enrollees	Number	Percent	Minimum Cost Savings	Total Cost Per Month	Total Cost Per Year
						Total = 2,559	100%			
Managed Care: Patient Choice	\$ 338	\$ -	\$ 338	\$ 26	308	326	13%	\$ 100,343	\$ 110,341.22	\$ 1,324,094.64
Managed Care: Covenant Direct	\$ 313	\$ -	\$ 313	\$ -	-	147	6%	\$ -	\$ 45,984.54	\$ 551,814.48
Conventional: Patient Choice PPO	\$ 481	\$ -	\$ 481	\$ 168	2,021	33	1%	\$ 66,702	\$ 15,881.58	\$ 190,578.96
Conventional: WPS Statewide/Natl. PPO	\$ 481	\$ -	\$ 481	\$ 168	2,021	2,053	80%	\$ 4,149,688	\$ 988,026.78	\$ 11,856,321.36
Total									\$ 4,316,733	\$ 13,922,809.44

Retirees: Two Persons on Medicare

	Total Premium	Retiree Pays	County Pays	Extra Cost to County	Enrollees	Number	Percent	Minimum Cost Savings	Total Cost Per Month	Total Cost Per Year
						Total = 1,199	100%			
Managed Care: Patient Choice	\$ 677	\$ -	\$ 677	\$ 51	616	113	9%	\$ 69,563	\$ 76,494.22	\$ 917,930.64
Managed Care: Covenant Direct	\$ 626	\$ -	\$ 626	\$ -	-	58	5%	\$ -	\$ 36,287.12	\$ 435,445.44
Conventional: Patient Choice PPO	\$ 963	\$ -	\$ 963	\$ 337	4,043	15	1%	\$ 60,638	\$ 14,437.80	\$ 173,253.60
Conventional: WPS Statewide/Natl. PPO	\$ 963	\$ -	\$ 963	\$ 337	4,043	1,013	84%	\$ 4,095,113	\$ 975,032.76	\$ 11,700,393.12
Total									\$ 4,225,314	\$ 13,227,022.80

Retirees: One on & One Without Medicare

	Total Premium	Retiree Pays	County Pays	Extra Cost to County	Enrollees	Number	Percent	Minimum Cost Savings	Total Cost Per Month	Total Cost Per Year
						Total = 355	100%			
Managed Care: Patient Choice	\$ 765	\$ -	\$ 765	\$ 58	699	64	18%	\$ 44,721	\$ 48,932.48	\$ 587,189.76
Managed Care: Covenant Direct	\$ 706	\$ -	\$ 706	\$ -	-	26	7%	\$ -	\$ 18,364.84	\$ 220,378.08
Conventional: Patient Choice PPO	\$ 1,242	\$ -	\$ 1,242	\$ 535	6,426	3	1%	\$ 19,277	\$ 3,725.43	\$ 44,705.16
Conventional: WPS Statewide/Natl. PPO	\$ 1,409	\$ -	\$ 1,409	\$ 702	8,428	262	74%	\$ 2,208,031	\$ 369,063.68	\$ 4,428,764.16
Total									\$ 2,272,029	\$ 5,281,037.16

Retirees: One on & One Without Medicare and Dependent Child/Children

	Total Premium	Retiree Pays	County Pays	Extra Cost to County	Enrollees	Number	Percent	Minimum Cost Savings	Total Cost Per Month	Total Cost Per Year
						Total = 31	100%			
Managed Care: Patient Choice	\$ 1,103	\$ -	\$ 1,103	\$ 84	1,006	10	32%	\$ 10,064	\$ 11,030.40	\$ 132,364.80
Managed Care: Covenant Direct	\$ 1,019	\$ -	\$ 1,019	\$ -	-	3	10%	\$ -	\$ 3,057.51	\$ 36,690.12
Conventional: Patient Choice PPO	\$ 1,080	\$ -	\$ 1,080	\$ 60	724	0	0%	\$ -	\$ -	\$ -
Conventional: WPS Statewide/Natl. PPO	\$ 1,335	\$ -	\$ 1,335	\$ 316	3,788	18	58%	\$ 68,187	\$ 24,027.30	\$ 288,327.60
Total									\$ 78,251	\$ 38,115.21

Retirees: Two Persons on Medicare and Dependent Child/Children

	Total Premium	Retiree Pays	County Pays	Extra Cost to County	Enrollees	Number	Percent	Minimum Cost Savings	Total Cost Per Month	Total Cost Per Year
						Total = 12	100%			
Managed Care: Patient Choice	\$ 1,018	\$ -	\$ 1,018	\$ 77	925	3	25%	\$ 2,776	\$ 3,052.56	\$ 36,630.72
Managed Care: Covenant Direct	\$ 940	\$ -	\$ 940	\$ -	-	0	0%	\$ -	\$ -	\$ -
Conventional: Patient Choice PPO	\$ 1,011	\$ -	\$ 1,011	\$ 71	847	0	0%	\$ -	\$ -	\$ -
Conventional: WPS Statewide/Natl. PPO	\$ 1,233	\$ -	\$ 1,233	\$ 292	3,510	9	75%	\$ 31,588	\$ 11,095.92	\$ 133,151.04
Total									\$ 34,364	\$ 14,148.48

Medicare \$ 10,926,692 \$ 2,754,836.14 \$ 33,058,033.68

Actives \$ 9,060,964 \$ 4,278,870 \$ 51,346,436.04

Retirees \$ 18,871,357 \$ 5,346,359 \$ 64,156,305.36

Total \$ 27,932,320 \$ 9,625,228 \$ 115,502,741.40

Enrollment TotalsActive Totals.....Retiree Totals.....

	Number	Percent	Number	Percent	Number	Percent
Managed Care: Patient Choice	3,499	33%	2,431	53%	1,068	18%
Managed Care: Covenant Direct	1,332	13%	942	20%	390	6%
Conventional: Patient Choice PPO	139	1%	56	1%	83	1%
Conventional: WPS Statewide/Natl. PPO	5,686	53%	1,192	26%	4,494	74%
Total	10,656	100%	4,621	100%	6,035	100%

Appendix B

2006 County Budget for "Overhead" and Public Safety Services

<u>Function</u>	<u>Expenditures</u>	<u>Tax Levy</u>	<u>Positions</u>	<u>FTE</u>
Personnel				
Labor Relations	\$636,290	\$613,290		
General Office	\$4,010,187	\$2,753,281		
ERS/Benefits	\$1,138,300	\$48,200		
Total	\$5,784,777	\$3,414,771	50	55.49
Procurement	\$900,695	\$861,551	12	10.71
IT	\$18,456,582	\$18,311,514	107	98.04
* Accounting				
* Cash Management				
Risk Management	\$6,122,267	-\$358,040	5	5.75
** Costs are offset by changes to other County Departments total \$6,291,601				
Facilities Maintenance	\$28,593,378	\$15,339,891	176	172
** Costs are offset by changes to other County Departments total \$8,275,393				
Fleet Maintenance	\$11,200,757	-\$485,988		
** Costs are offset by changes to other County Departments total \$11,630,845				
* County Security				
Ground Security	See Below			
Parking and Patrol	\$614,065			
Total for all Grounds Security Functions		0	12	N/A
Froedtert	\$334,052			
County Department	\$245,013	\$334,052		N/A
		\$245,013		N/A
Park Patrol	\$208,836			N/A
Airport	\$6,545,873	\$109,623		N/A
All Overtime				
Zoo	\$52,200	\$0		
Expressway Patrol	\$7,545,841	???	N/A	N/A
* Bomb/Dive/SWAT		\$2,505,055	60	N/A