



plante moran | Group Benefit Advisors

Michigan Municipalities

Health Insurance Strategy Review



Contents:

Objectives and Constraints

Common Approach

New Approach

Future Considerations

Case Studies



Objectives and Constraints

Many of Michigan's municipalities have similar objectives related to health care:

1. Control costs – keep plans affordable under Public Act 152 and in compliance with the ACA
2. Maintain high quality benefits for recruiting/retention (and because union partners expect it)
3. Manage OPEB liabilities – Public Act 202



Objectives and Constraints

The health care partnership in the United States has 4 major players

Which partner is the only one negatively impacted by increasing costs?

Employers

Medical/Rx
Providers

Insurance
Brokers

Insurance
Companies



Objectives and Constraints

Many of Michigan's municipalities have similar constraints related to health care:

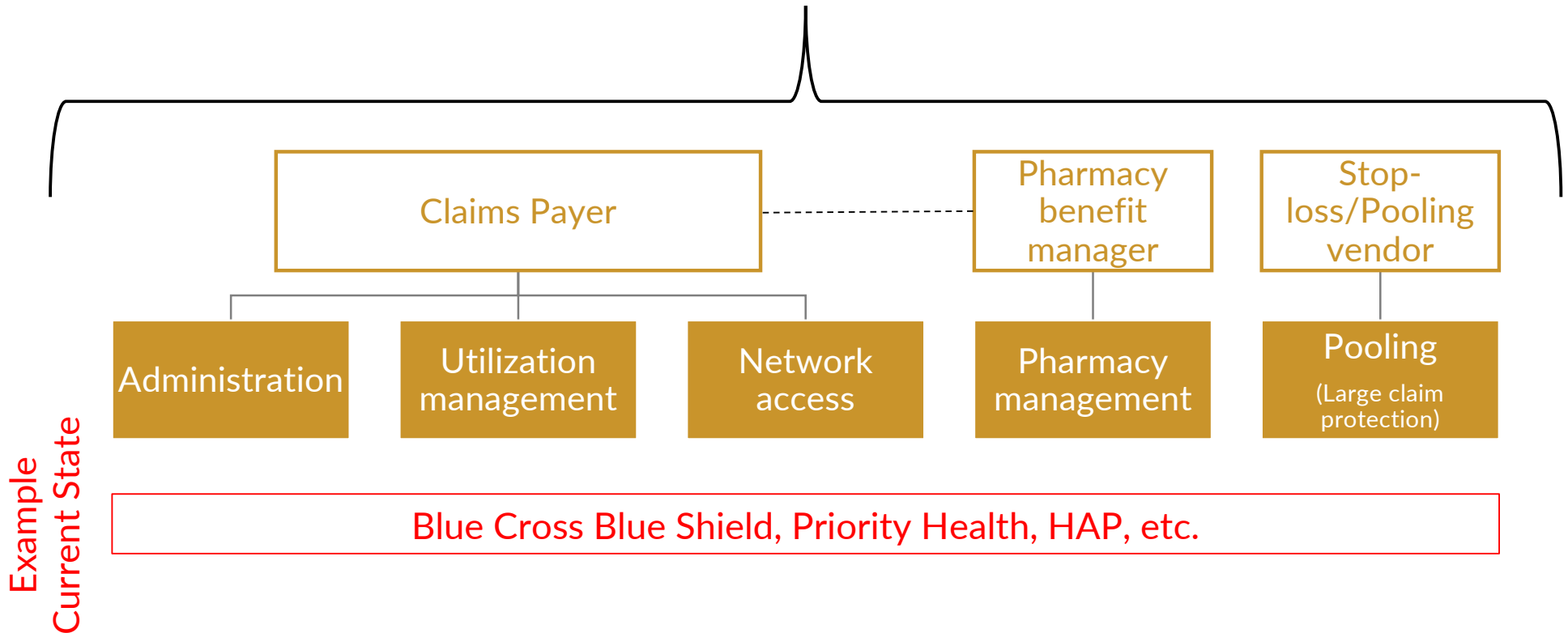
1. The market consolidation around 2-3 insurance carriers
2. Bargaining obligations create splintered strategies
3. Retiree obligations can limit options
4. Majority of advice from brokers and carriers is not aligned with the interests of the employer or the employees/retirees
5. Municipalities are bombarded with marketing that offer only partial solutions



Common Approach

The following is an example of how many municipalities currently structure their fully-insured medical plan

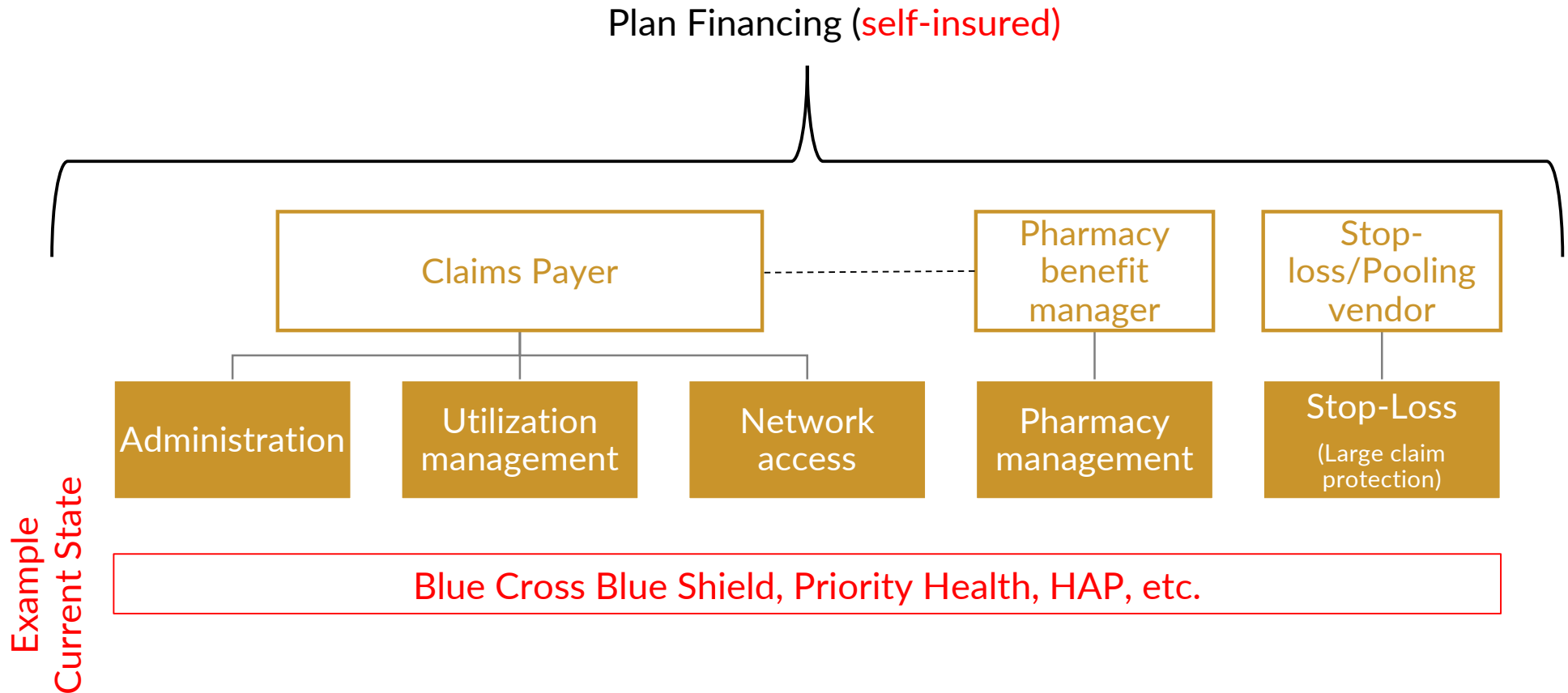
Plan Financing (fully-insured)





Common Approach

The following is an example of how many municipalities currently structure their self-insured medical plan





Common Approach

Many municipalities cover their retiree populations alongside the active employees

- Very generous plan designs (no deductibles, \$3 Rx copays, etc.)
- Filing for and collecting the Retiree Drug Subsidy (RDS) to help offset Medicare retiree costs



New Approach

Self-insurance provides the greatest flexibility and ability to meet the stated objectives

- Federally regulated instead of state regulated
- Risk management decisions made by employer instead of insurance company
- Fewer taxes/fees
- Reduction of profit associated with traditional insurance arrangements

A la carte purchasing allows employers to pick best-in-class cost controls

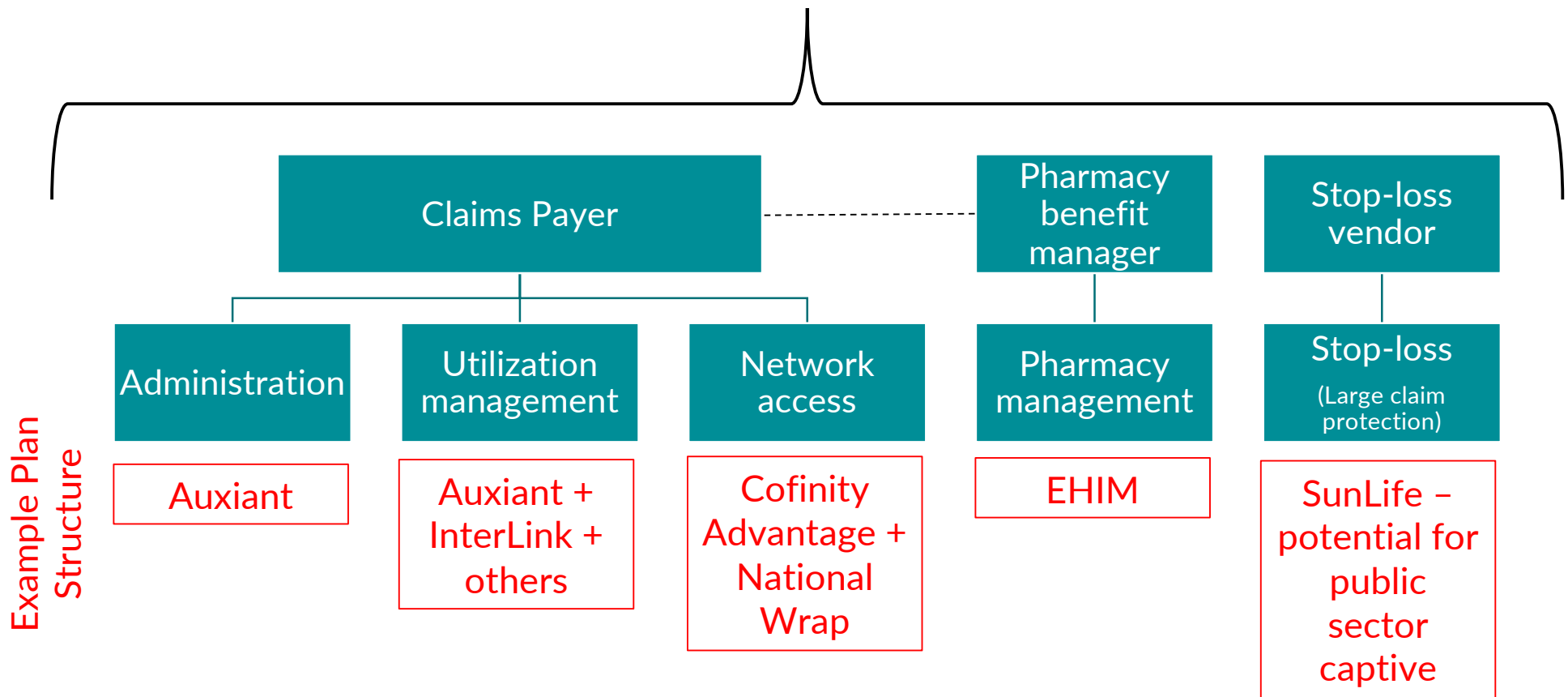
- No longer restricted or pre-determined by the carrier



New Approach

The following is an example of a self-insured plan that selects best-in-class plan components

Self-Insured Approach





New Approach

Retirees can be handled in the following manner:

- Pre-65 retirees and/or their eligible pre-65 family members will be covered alongside the active employees (self-insured plan)
- Post-65 retirees and/or their eligible post-65 family members will be covered on a fully-insured, custom Medicare Advantage plus Part D plan with a leading carrier

Replacing the RDS with a Part D plan results in immediate OPEB reduction



New Approach

A la carte purchasing allows the employer to roll-out cost containment strategies such as:

- Direct primary care
- Capitated telemedicine
- Rx copay assistance programs
- Concierge programs – member assistance
- Provider reimbursement strategies – i.e., reference based pricing



Future Considerations

For municipalities with more than 50 employees/retirees

Create a package that clearly includes all aspects of managing a health care plan for employees and retirees

- Medical/Rx for both actives and retirees
- Cost containment solutions built into the plans – where appropriate
- Administrative platform to help keep employees and retirees organized
- Underwriting services to set rates for application of Public Act 152 while also complying with guidance on Public Act 202



Future Considerations

Marketplace-like approach that makes a la carte purchasing easier for municipality

- Partner with a select few vendors, administrators, pharmacy benefit managers, cost containment solutions, etc. that are interested in this approach

Use collective size of the participating municipalities to increase purchasing power

Potential to form a stop-loss insurance captive to create significant purchasing power

- Each municipality retains design autonomy



Future Considerations

All forms of compensation to participating partners are on a transparent basis

Compensation for advisor(s) are based on results rather than cost increases

Properly aligned incentive are critical!



Case Studies

Municipality reduces OPEB liabilities by \$27 million

- Eliminated retiree health care for new hires
- Tied pre-65 retiree health care to active benefit levels – natural indexing
- Eliminated city sponsored health care for future Medicare beneficiaries – replaced with retiree HRA/stipend
- Converted current Medicare retirees to MAPD – no reduction in benefits
- Replaced RDS filing with MAPD – subsidized premiums



Case Studies

Municipality's new health care strategy results in significant enrollment shift and total cost reductions

- 2017 = 100% of employees enrolled in \$100 deductible plan with \$500 out-of-pocket maximum; employees contributed about 10% of total costs
- 2018 = applied PA152 hard caps; introduced range of plan options including HSA; 74% enrolled in HSA or other lower cost option
- 2019 = costs expected to be flat compared to 2018

	2017	2018	2019
Total Costs PCPM	\$1,729.64	\$1,585.63	\$1,582.87
% Change		(8.3%)	(0.2%)



Thank you!

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