

THE POOL

Western Michigan
Health Insurance

MSBO ISD Meeting Health Insurance Update

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Gallagher Benefit Services



Agenda

- *The Hard Cap – Behind the Scenes*
- *PA 152 Changing Landscape*
- *Using Data & Staying Ahead of Trends*





**The Hard Cap -
Behind the Scene**

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What is PA 152?

Public Act 152 of 2011 limits the amount that public employers are allowed to pay towards employee medical benefit plans.

In order to satisfy the law, public employers have two options:

- *Pay up to a statutorily established “hard cap” amount for medical benefit plans. Each year the hard cap increases by medical CPI percentage.*
- *Pay no more than 80% of medical benefit plan costs. Employees are responsible for 20%.*





86% of school districts in Michigan are utilizing the hard cap option for health insurance

**Data based on survey of 330 school districts across Michigan.*

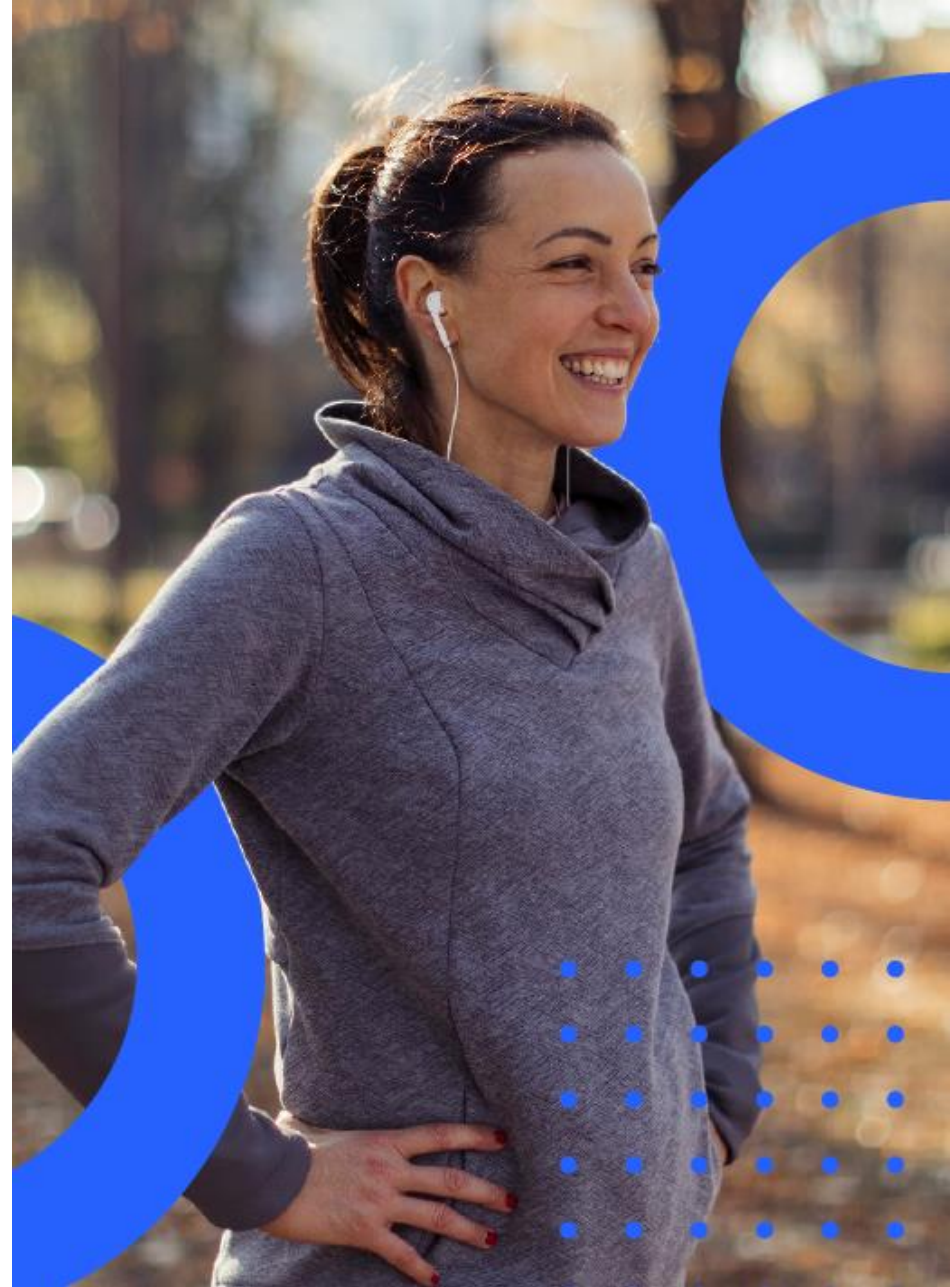
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Why are public entities choosing the hard cap?

- *Option best suits their needs based on plan structure and out-of-pocket cost.*
- *Hard cap allows for more plan offerings - 73% of districts offer 3 or more plans for employees to choose from.*
- *Depending on plan selection under the hard cap, a district typically pays more than 80% of the cost. On average districts are paying around 85% of cost.*
- *In some instances the district pays the entire premium for employee if the plan amount falls under the hard cap amount – also allowing for HSA contributions.*

**Data based on survey of 330 school districts across Michigan.*

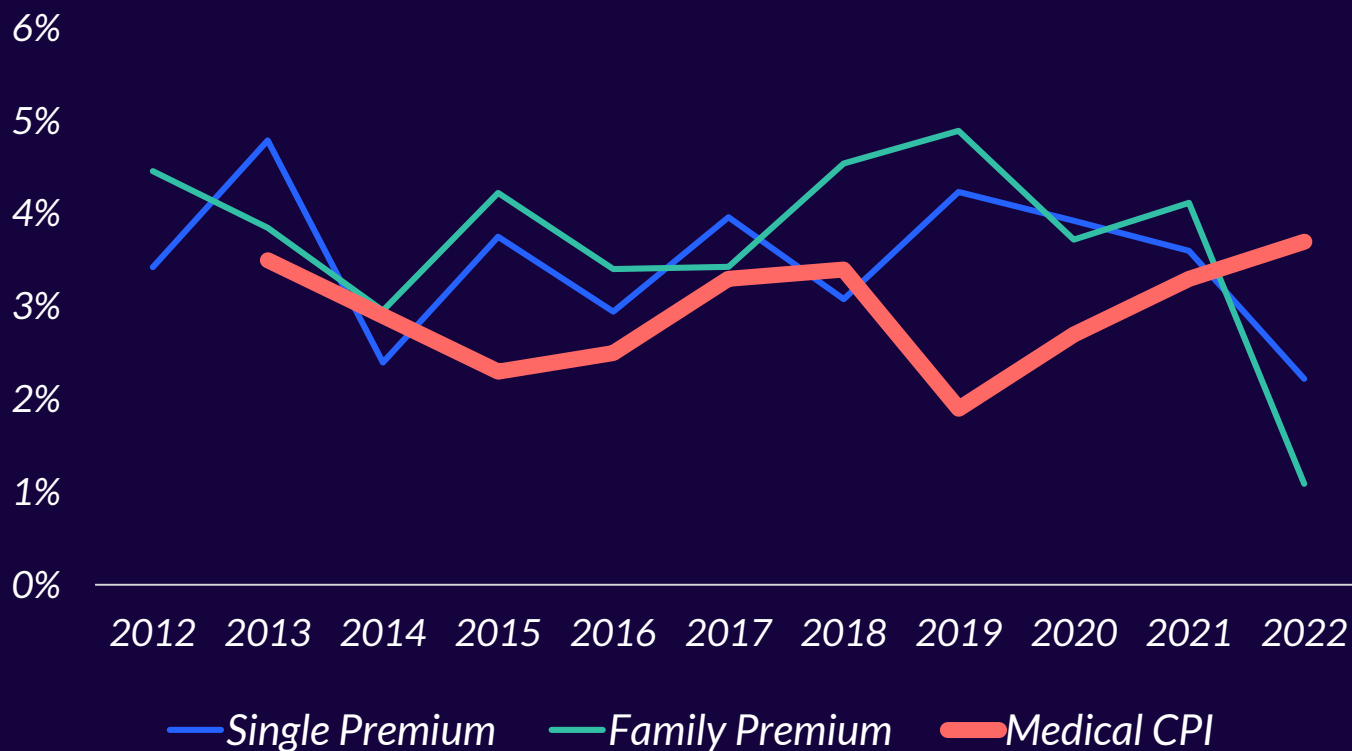


Understanding Medical CPI

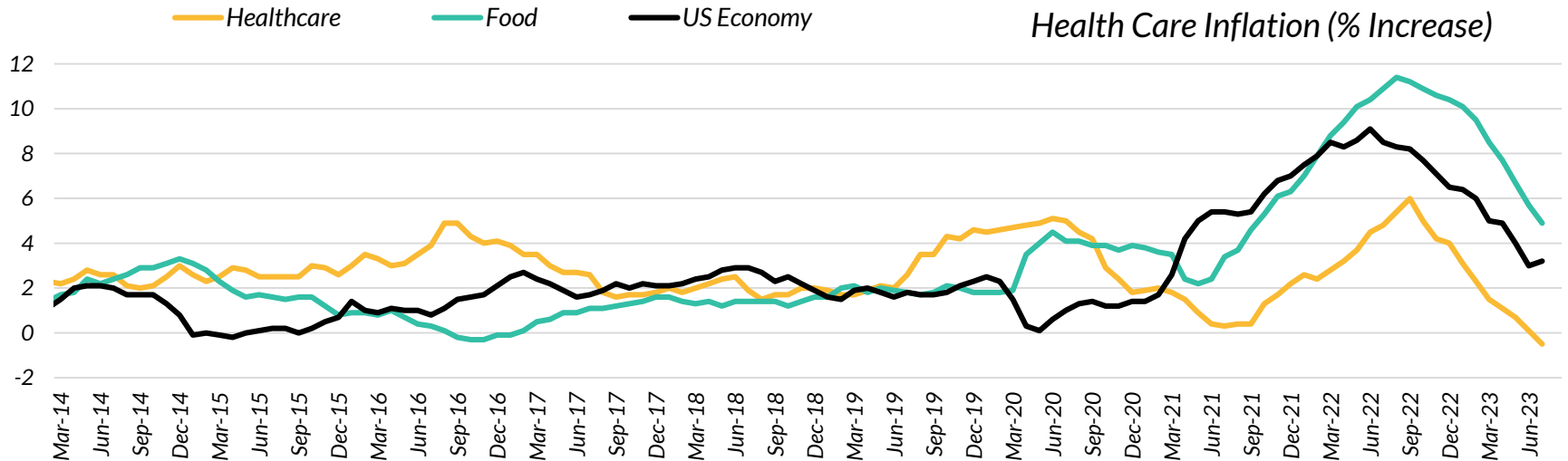
- *PA 152 capped rates increase annually by the Medical Consumer Price Index.*
- *Medical CPI is a lagging indicator, even more so than other CPI categories.*
 - *Health Insurance CPI for September 2023 reflects margins from 2021.*
- *Medical CPI is comprised of:*
 - *Medical Care Services (82% weight)*
 - *Medical Care Commodities (18% weight)*
 - *Health Insurance CPI (9% weight)*
- *Medical CPI is not an accurate measure for predicting price increases in premiums for health insurance.*



Medical - CPI vs. Premium Trends



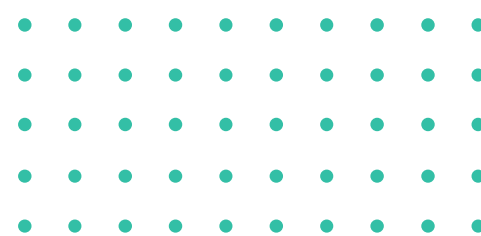
PA 152 Cap Increase Calculation



Health Care Inflation by Month and Year

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CAP Calculation*	Effective Year
2014	2.1	2.3	2.2	2.4	2.8	2.6	2.6	2.1	2	2.1	2.5	3		
2015	2.6	2.3	2.5	2.9	2.8	2.5	2.5	2.5	2.5	3	2.9	2.6	2.5	
2016	3	3.5	3.3	3	3.1	3.5	3.9	4.9	4.9	4.3	4	4.1	3.3	
2017	3.9	3.5	3.5	3	2.7	2.7	2.6	1.8	1.6	1.7	1.7	1.8	3.4	
2018	2	1.8	2	2.2	2.4	2.5	1.9	1.5	1.7	1.7	2	2	1.9	
2019	1.9	1.7	1.7	1.9	2.1	2	2.6	3.5	3.5	4.3	4.2	4.6	2.0	2020
2020	4.5	4.6	4.7	4.8	4.9	5.1	5	4.5	4.2	2.9	2.4	1.8	3.3	2021
2021	1.9	2	1.8	1.5	0.9	0.4	0.3	0.4	0.4	1.3	1.7	2.2	3.7	2022
2022	2.6	2.4	2.8	3.2	3.7	4.5	4.8	5.4	6.0	5.0	4.2	4.0	1.3	2023
2023	3.1	2.3	1.5	1.1	0.7	0.1	-0.5	-1.0	-1.4	-0.8			4.1	2024
2024													-0.04	2025

Looking Ahead to 2024



PETERSON
CENTER ON
HEALTHCARE

KFF

**Most proposed rate increases for 2024
ACA Marketplace plans fall between
2% and 10%, with a median increase of
6%**

Impact on Employees

Family Plan (2024)	\$21,007.80
PA 152 Cap (2025)	\$20,692.68
% Increase in Plan (2025)	7%
Family Plan Estimate (2025)	\$22,478.35
Employee Out-Of-Pocket Increase	\$1,785.66

- Under PA 152 any reduction in the employer capped contributions, falls on the employee.
- If rates in 2025 increase by 7% and Medical CPI is -1.5% the employee will shoulder a 8.5% out-of-pocket increase.






**Potential
Reforms - PA 152**

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***School districts spent
over \$1.56 billion on
insurance.***

***Over \$1,100 per
student.***

**Data Source: FID. This does not include employee
contributions.*

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What are the barriers to PA 152 reform?

- *Disrupting the current public employer health insurance landscape.*
- *Reforms could impact entities (municipalities) who have opt-out abilities under the existing law.*
- *Conflicting ideas on solutions between stakeholders – administrators, unions, etc.*
- *Cost implications – any reform considered would push costs from employees to employers.*



PA 152 Reform Options

1.

Full repeal of
PA 152

2.

Eliminate the
hard cap option
in PA 152

3.

Hybrid
Approach –
Increase hard
cap amounts
and index

4.

Subsidization
of Healthcare
costs

Full Repeal of PA 152

- *Repealing PA 152 would return healthcare discussions fully back to the bargaining table.*
- *No longer will there be legislative cost controls.*
- *Who remains a policy holder will still be a prohibited subject of bargaining.*



Hybrid Approach

- *Increase “hard cap” amounts for single, two-person and full family.*
- *Migrate rate adjustments from Medical CPI to a different factor such as the Milliman Medical Index.*
- *Impact would increase costs for employers and depending on adjustments lead to plan migration.*



Eliminate the Hard Cap Option

- *If the hard cap option was eliminated and public entities were pushed to 80/20 or 90/10 minimum, it would cause significant disruption in plan offerings.*
- *Result (likely) in increased costs for public employers.*
- *Migration would occur where individuals would move to more expensive plans.*



Subsidizing Healthcare Costs

- *With changes to PA 152 you could see a push to have cost increases included in the budget.*
- *Precedent with this approach - retirement costs.*
- *Concern would be using the budget takes away from other funding streams such as the foundation grant. Covering Cost increases at the state level leaves little incentive to negotiate the best rates locally.*



Estimating Cost – Hybrid (MEA) Proposal

	PA 152 Rates (2024)	MEA Proposal Rates
Single	\$7,702	\$8,400
Two-Person	\$16,109	\$18,900
Full Family	\$21,007	\$23,500
	Total Financial Impact	\$204,126,189

The financial impact is estimated using plan sampling and 21-22 FID data. Cost increase only accounts for public K-12 entities.

What is Plan Migration?

- *Plan migration occurs when employees are incentivized to move to a different healthcare plan.*
- *If out-of-pocket costs increase for employees **they're likely to move to a cheaper plan.***
- *If out-of-pocket costs are reduced, **they're likely to move to a more expensive plan.***



Max Out of Pocket Exposure - Hardcap

\$250/500 100%

Annual Family Premium (2024) - \$27,504

Employee share after hardcap for 2024 = \$6,497 (\$27,504 - \$21,007)

Max exposure = \$500 deductible + \$6,497 = \$6,997

\$1,600/\$3,200 100% HDHP

Annual Family Premium (2024) - \$22,380

Employee share after hardcap for 2024 = \$1,373 (\$22,380 - \$21,007)

Max exposure = \$3,200 deductible + \$1,373 = \$4,573

Max Out of Pocket Exposure - 90/10

\$250/500 100%

Annual Family Premium (2024) - \$27,504

Employee share 10% = \$2,750 (Employer = \$24,754)

Max exposure = \$500 deductible + \$2,750 = \$3,250

\$1,600/\$3,200 100% HDHP

Annual Family Premium (2024) - \$22,380

Employee share 10% = \$2,238 (Employer = \$20,142) **20% higher than \$250 plan**

Max exposure = \$3,200 deductible + \$2,238 = \$5,438

Looking Ahead – Questions to Ask



- *What if any are your preferred changes to PA 152?*
- *What are the impacts of potential reforms for my district or employee finances?*
- *What steps can I take to prepare or mitigate impact?*

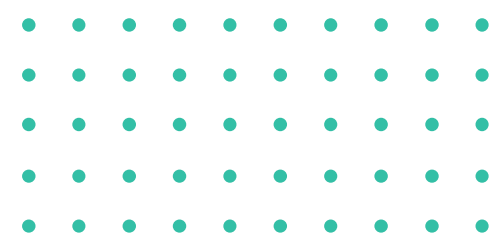


Using Data and Staying Ahead of Trends

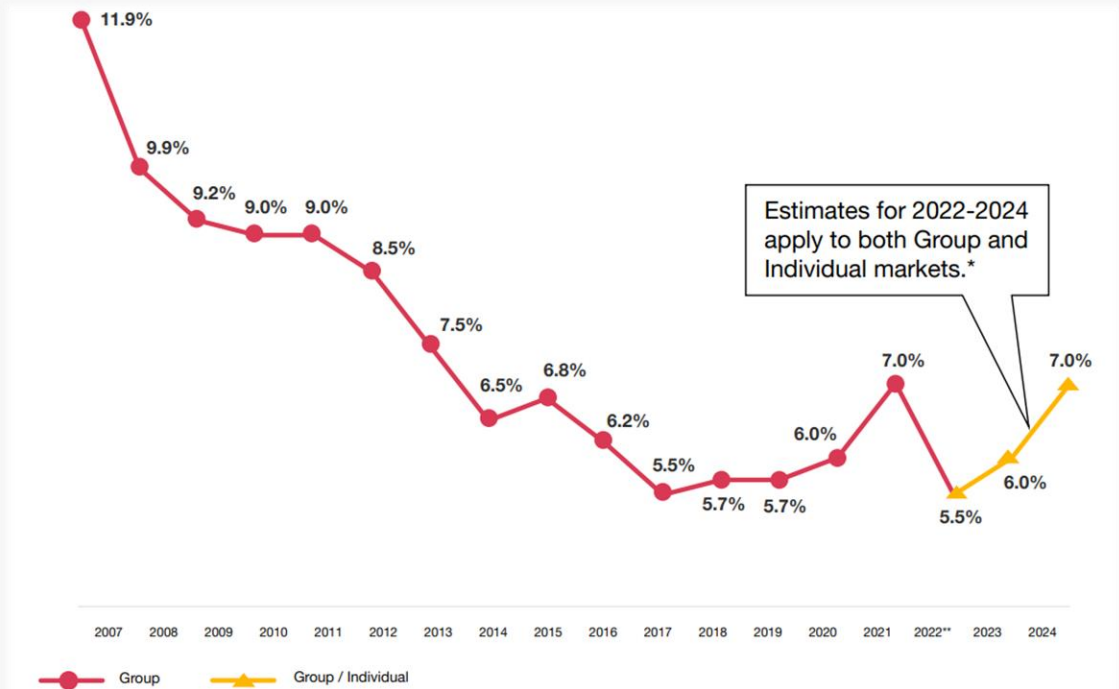
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Insurance Trends - % Increase



Over the past 15 years we have seen a decreasing trend with insurance costs. The pandemic lowered utilization of healthcare, we are seeing a rebound.



Source: PwC Health Research Institute medical cost trends, 2009-2024

Average Premium Cost

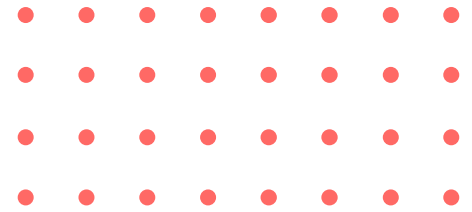
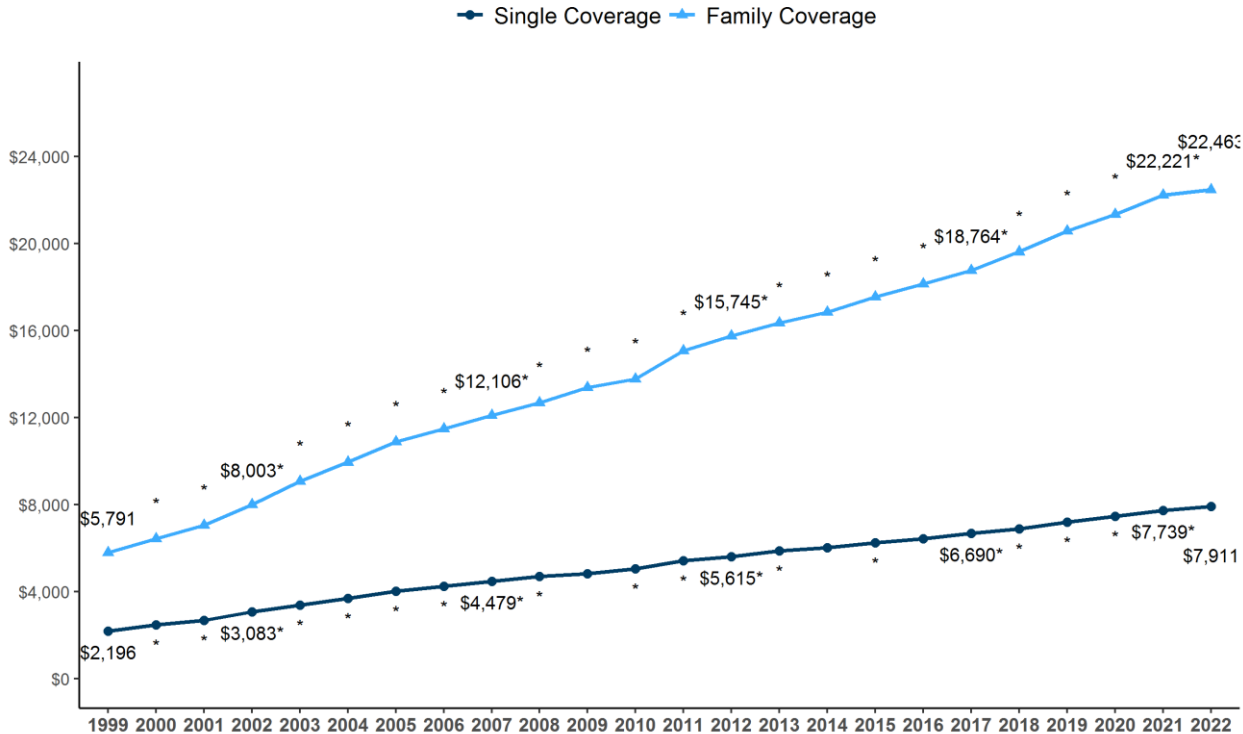


Figure 1.12
Average Annual Premiums for Single and Family Coverage, 1999-2022



- Annual premiums continue to rise year-over-year.
- Premiums are driven by the cost of care and prescription drug costs.

* Estimate is statistically different from estimate for the previous year shown (p < .05).

SOURCE: KFF Employer Health Benefits Survey, 2018-2022; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017

Top 5 Most Popular Plans

- 90 plan options currently utilized in the WMHIP
- 35% of employees are enrolled in the top three plan designs
- 58% of employees are enrolled in the “Top 10” plan designs

Plan Design	Number of Employees Enrolled	Number of Members Enrolled	% of WMHIP (BCBS) Employees Enrolled in this Plan
Versatile 3 90% Plan \$250/\$500 ded, \$20 OV, \$10/\$40 Rx	1951	5013	15.8%
HSA 100% Plan \$1500/\$3000 ded, \$10/\$40 Rx	1921	5517	15.2%
PPO Plan 3 80% Plan \$1000/\$2000 ded, \$20 OV, \$10/\$40 Rx	627	1803	5.6%
CB \$500 Plan \$500/\$1000 ded, \$20 OV, \$10/\$40 Rx	547	1402	4.4%
Simply Blue 90% Plan \$250/\$500 ded, \$20/\$40/\$60/\$150 OV, \$10/\$40/\$80 Rx	541	1382	4.4%
Versatile 4 90% Plan \$500/\$1000 ded, \$20 OV, \$10/\$40 Rx	387	973	3.0%
Flex Blue 3 100% Plan \$2000/\$4000 ded, \$10/\$40 Rx	370	901	2.9%
PPO Select 100% Plan \$250/\$500 ded, \$20 OV, \$10/\$40 Rx	356	795	2.7%
Simply Blue HSA 80% Plan \$1500/\$3000 ded, \$20/\$40/\$80 Rx	328	813	2.5%
Simply Blue HSA 3, 100% Plan \$1500/\$3000 ded, \$10/\$40/\$80 Rx	303	945	2.3%

Single Deductible

On average -

- 2% of Single contracts met Out-of-Pocket-Max
- 26% of Single contracts met Deductible

Single Plans	0	250	500	1000	1500	2000	3000	3500	6350
\$0 - \$99	100%	49%	47%	56%	31%	33%	38%	38%	10%
\$100 - \$249	0%	11%	8%	7%	8%	8%	14%	13%	25%
\$250 - \$499	0%	39%	12%	10%	8%	9%	12%	13%	25%
\$500 - \$999	0%	1%	31%	12%	10%	9%	12%	0%	25%
\$1000 - \$1499	0%	0%	1%	14%	36%	8%	3%	0%	10%
\$1500 - \$1999	0%	0%	0%	0%	2%	4%	5%	13%	5%
\$2000 - \$2499	0%	0%	0%	0%	0%	26%	2%	13%	0%
\$2500 - \$2999	0%	0%	0%	0%	4%	1%	1%	0%	0%
\$3000 - \$3499	0%	0%	0%	0%	0%	0%	11%	0%	0%
\$3500 - \$3999	0%	0%	0%	0%	0%	0%	1%	13%	0%
\$4000 - \$4499	0%	0%	0%	0%	0%	3%	0%	0%	0%
\$4500 - \$4999	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$5000 - \$5499	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$5500 - \$5999	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$6000 - \$6499	0%	0%	0%	0%	0%	0%	1%	0%	0%
\$6500 - \$6999	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$7000 - \$7499	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$7500 - \$7999	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$8000 - \$8499	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$8500 - \$8999	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$9000 - \$9499	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$9500 - \$9999	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$10000 - \$10499	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$10500 - \$10999	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$11000 - \$11499	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$11500 - \$11999	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$12000 - \$12499	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$12500 - \$12999	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$13000 - \$13499	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$13500 - \$13999	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$14000 - \$14499	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$14,500 +	0%	0%	0%	0%	0%	0%	0%	0%	0%
Contracts	166	1761	906	528	1247	386	139	8	20
	100%	39%	31%	14%	2%	26%	11%	13%	0%

Family Deductible

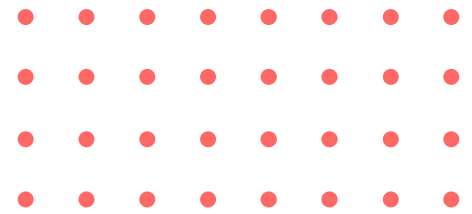
67% of families do not hit their deductible

Employers are cost sharing at 85%

\$24,000 at 85% = \$20,160

Family Plans	0	250	500	1000	1500	2000	3000	3500	6350
\$0 - \$99	99%	23%	27%	28%	10%	9%	23%	0%	0%
\$100 - \$249	0%	8%	5%	8%	2%	2%	4%	4%	0%
\$250 - \$499	0%	36%	9%	9%	3%	5%	11%	8%	3%
\$500 - \$999	0%	33%	38%	12%	6%	8%	10%	0%	17%
\$1000 - \$1499	0%	0%	20%	24%	5%	7%	11%	15%	3%
\$1500 - \$1999	0%	0%	0%	10%	4%	6%	2%	12%	10%
\$2000 - \$2499	0%	0%	0%	7%	4%	6%	5%	4%	7%
\$2500 - \$2999	0%	0%	0%	0%	62%	3%	4%	12%	3%
\$3000 - \$3499	0%	0%	0%	0%	2%	4%	3%	8%	7%
\$3500 - \$3999	0%	0%	0%	0%	0%	4%	2%	8%	0%
\$4000 - \$4499	0%	0%	0%	0%	0%	44%	4%	4%	10%
\$4500 - \$4999	0%	0%	0%	0%	0%	1%	0%	8%	0%
\$5000 - \$5499	0%	0%	0%	0%	0%	0%	1%	0%	3%
\$5500 - \$5999	0%	0%	0%	0%	0%	0%	0%	8%	0%
\$6000 - \$6499	0%	0%	0%	0%	0%	0%	18%	4%	3%
\$6500 - \$6999	0%	0%	0%	0%	0%	0%	1%	4%	0%
\$7000 - \$7499	0%	0%	0%	0%	0%	0%	0%	4%	3%
\$7500 - \$7999	0%	0%	0%	0%	0%	0%	0%	0%	14%
\$8000 - \$8499	0%	0%	0%	0%	0%	0%	0%	0%	3%
\$8500 - \$8999	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$9000 - \$9499	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$9500 - \$9999	0%	0%	0%	0%	0%	0%	0%	0%	3%
\$10000 - \$10499	0%	0%	0%	0%	0%	0%	0%	0%	3%
\$10500 - \$10999	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$11000 - \$11499	0%	0%	0%	0%	0%	0%	0%	0%	3%
\$11500 - \$11999	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$12000 - \$12499	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$12500 - \$12999	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$13000 - \$13499	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$13500 - \$13999	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$14000 - \$14499	0%	0%	0%	0%	0%	0%	0%	0%	0%
\$14,500 +	0%	0%	0%	0%	0%	0%	0%	0%	0%
Contracts	362	2861	1405	935	2609	457	94	26	29
	99%	33%	20%	7%	2%	44%	18%	4%	0%

Case Study – Plan Selection



PPO Select 1 158 Enrolled		Flexible Blue 2 126 Enrolled		
Deductible	\$0/\$0	Deductible	\$1,600/\$3,200	
Coinsurance	100%	Coinsurance	100%	
Rx Card	\$10/\$40	Rx Card	\$10/\$40	
Single Annual	\$10,627.44	Single Annual	\$8,459.16	\$2,168.28
Two Person Annual	\$23,911.44	Two Person Annual	\$19,033.08	\$4,836.36
Family Annual	\$29,756.28	Family Annual	\$23,685.36	\$6,070.92

- This example is from a public entity in the state of Michigan. It demonstrates the lack of education individuals make with selecting healthcare plans.
- With the example above you have identical plans – with the exception of the deductible. 158 people still select the PPO Select 1 plan despite no financial incentive to do so.

Reducing Costs – Factors to Consider

1.

Choosing the correct partner when purchasing insurance matters.

Do you have an agent that is actively looking out for your best interest?

2.

Structure matters – whether it be Pooling, self-funded or fully insured.

The right partner will match you with the structure that best fits your needs.

3.

Networks impact costs – there are variations of PPOs, HMOs.

Networks are large cost drivers in insurance.

4.

Plan options matter.

- increase in deductible by \$500 reduces premium costs by 5%.

- Rx Card – moving to a 3-tier Rx card can save over 4% with minimal disruption for employees.

Pool Membership

Central Michigan – 13 members

Clinton County
Clinton County RESA
Pewamo Westphalia CS
St. Johns Public Schools

Eaton County
Eaton County RESA

Ingham County
Holt Public Schools
Ingham ISD
Lansing Community College
Mason Public Schools
Okemos Public Schools

Ionia County
Belding Area Schools
Ionia ISD
Ionia Public Schools
Portland Public Schools

East Michigan – 13 members

Genesee County
Mott Community College

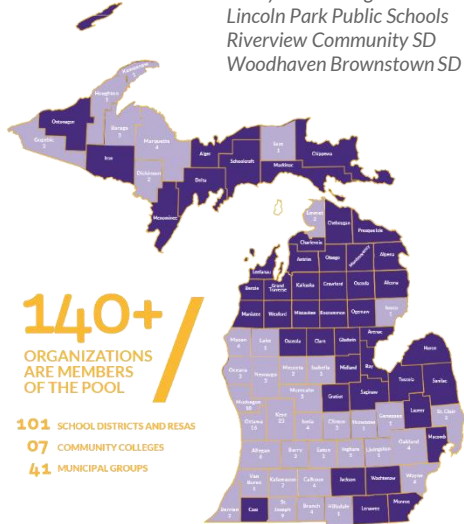
Livingston County
Livingston ESA

Oakland County
50th District Court
Ferndale Public Schools
Huron Valley School District
Oakland Community College

Shiawassee County
Shiawassee RESD

St. Clair County
Region 10
St. Clair County CMH

Wayne County
Henry Ford College
Lincoln Park Public Schools
Riverview Community SD
Woodhaven Brownstown SD



Northern Michigan – 46 members

Baraga County
Baraga County
Baraga County RC
Village of L'Anse

Dickinson County
City of Norway
Dickinson County RC

Emmet County
Emmet County
NEMCOG

Gogebic County
Cht. Township of Ironwood
Gogebic County
Gogebic County RC

Houghton County
Western UP HD

Iosco County
AuSable Valley CMH

Isabella County
Montabella CS

Keweenaw County
Keweenaw County RC

Lake County
Baldwin Community Schools

Luce County
Luce County RC

Marquette County
City of Marquette
County of Marquette
Marquette Board of P&L
Northcare Network

Mason County
Ludington Area School District
Mason County Eastern
Mason County Central
West Shore ESD

Mecosta County
Big Rapids Public Schools
Chippewa Hills Public Schools
Mecosta Osceola ISD

Montcalm County
Central Montcalm Public Schools
Greenville Public Schools
Montcalm ISD

Muskegon County
Fruitport Community Schools
Mona Shores Public Schools
Montague Area Public Schools
Muskegon Area ISD
Muskegon Public Schools
North Muskegon Public Schools
Oakridge Public Schools
Ravenna Public Schools
Reeths-Puffer Schools
Whitehall District Schools

Newaygo County
City of Fremont
Grant Public Schools
Newaygo County RESA

Oceana County
Hart Public Schools
Pentwater Public Schools
Shelby Community SD

Midwest Michigan – 39 members

Kent County
Byron Center Public Schools
Caledonia Public Schools
Cascade Township
Cedar Springs Public Schools
City of Cedar Springs
City of Lowell
Comstock Park Public Schools
East Grand Rapids PS
Forest Hills Public Schools
Godfrey Lee Public Schools
Godwin Heights Public Schools
Grand Rapids CC
Grand Rapids Public Schools
Grandville Public Schools
Kenowa Hills Public Schools
Kent ISD
Kentwood Public Schools
Lowell Schools
Network 180
Northview Public Schools
Rockford Public Schools
Sparta Area Schools
Wyoming Public Schools

Ottawa County
Allendale Public Schools
City of Ferrysburg
City of Hudsonville
City of Zeeland
Coopersville Public Schools
Georgetown Township
Grand Haven Area PS
Harbor Transit Authority
Hudsonville Public Schools
Jenison Public Schools
Ottawa ISD
Park Township
Spring Lake Public Schools
Spring Lake District Library
Village of Spring Lake
West Ottawa Public Schools

Southwest Michigan – 38 members

Allegan County
Allegan County
Allegan Area AESA
Allegan Public Schools
Fennville Public Schools
Hopkins Public Schools
Plainwell CS

Barry County
Barry ISD
Delton Kellogg Schools
Thornapple Kellogg

Berrien County
Coloma Public Schools
Lakeshore Public Schools

Branch County
Branch ISD
Bronson CS
City of Coldwater
Quincy Public Schools

Calhoun County
Athens Public Schools
Calhoun ISD
City of Marshall
Pennfield Public Schools

Hillsdale County
City of Hillsdale

Kalamazoo County
Climax-Scotts CS
Comstock Public Schools
Kalamazoo County RESA
Kalamazoo Valley CC
Schoolcraft Community Schools
Texas Township
Vicksburg Public Schools

St. Joseph County
Burr Oak CS
Centreville PS
Colon CS
Glen Oaks CC
Nottawa CS
St. Joseph County ISD
St. Joseph Public Schools
Three Rivers CS
White Pigeon CS

Van Buren County
South Haven PS

Total Member Entities: 152

As of January 2024



Questions?

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Thank
you



THE POOL

Western Michigan Health Insurance

Cras venenatis ultricies mauris, et ullamcorper eros rutrum tincidunt. Sed neque massa, venenatis quis elit id, pharetra tristique nibh. Praesent convallis, elit a pharetra sollicitudin, nisl metus tristique ipsum, ac pretium quam sapien eget turpis. Ut aliquet pretium massa at sagittis. Aliquam erat volutpat. Curabitur et nibh velit. Aenean finibus dapibus magna vel condimentum. Aliquam ultricies arcu nec elementum tristique. Nulla id orci purus. Pellentesque nec neque congue, cursus turpis ut, ornare massa. Phasellus aliquam vulputate lacus, nec suscipit nibh blandit quis. In hac habitasse platea dictumst. Sed eleifend sapien felis, sed ullamcorper nulla fermentum porttitor. Nulla eleifend pulvinar tellus vitae sodales. Donec tempor at odio non pellentesque. Pellentesque volutpat scelerisque iaculis. Cras venenatis ultricies mauris, et ullamcorper eros.