

# Michigan Public School Employees Retirement System

## 2015 Health Care Rating

September 18, 2014

## Health Care Rating – Calendar Year 2015

- Rating calculations are used to determine calendar year 2015 premiums for:
  - Medical/prescription drugs
  - Dental
  - Vision
- Involves developing trends to project the total expected benefit costs plus administrative expenses for calendar year 2015

# Health Care Rating – Calendar Year 2015

- Medical, Rx, Dental and Vision Projections
  - Historical claims are collected
  - Projected to 2015 using assumed trends and adjusted for benefit changes
  - Administrative fees are added
  - Medicare Advantage costs offset by Federal revenue
  - Pharmacy costs for Employer Group Waiver Plan (EGWP) offset by Federal revenue and pharmaceutical discounts in the coverage gap

# Administrative Fees

- BCBSM
  - Non-Medicare administrative fees
    - \$31.68 PMPM (per member per month)
    - Increase from \$30.98 in 2014 (had not changed since 2010)
  - Medicare administrative fees
    - \$60.50 PMPM
    - Same as 2014
- Catamaran
  - Non-Medicare
    - \$3.32 per contract per month
    - Same as 2014
  - EGWP
    - \$8.00 per member per month
    - Same as 2014

# Calculated Rate Increases and Trend Development

- Annual plan changes have kept historical adjustments at lower levels
- Historical experience is considered in setting future trend assumptions but is not the primary factor
- Towers Watson uses several measures, such as national trend surveys and other forecasts
- BCBSM corporate trends are also considered
- The trend assumptions are used to project claims experience to the 2015 rating year

## Towers Watson – 2015 Trend Assumptions

Source	Hospital	Professional	Prescription Drug	Composite
TW/NBGH Employer Health Care Survey (estimate for 2014)				7.0%
TW Health Care Changes Ahead Survey (projection for 2015)				5.2%
BCBSM Corporate Non-Medicare Trend	8.5%	6.5%		
BCBSM Medicare Advantage Trend	1.6%	1.6%		
Standard TW Pricing Assumptions	6% - 8%	6% - 8%	7% - 8%	6.5% - 8%
2015 Trend Assumption Non-Medicare	8.0%	6.0%	7.5%	7.3%
2015 Trend Assumption Medicare	3.0%	3.0%	7.5%	3.8%

# Annual Rate Adjustments

	2010	2011	2012	2013	2014	Historical Average	2015
Medical	5.5%	-0.4%	-0.4%	8.2%	1.6%	2.9%	1.2%
Prescription Drug	-1.0%	0.6%	-2.8%	-22.5%	-1.9%	-5.5%	1.1%
Total	2.7%	-0.2%	-0.9%	-2.0%	0.6%	0.0%	1.2%

## Public Act 300 of 2012

- For retirees and dependents that were enrolled in the plan and Medicare-eligible on January 1, 2013:
  - 90% maximum premium subsidy
- For all other retirees including future retirees:
  - 80% maximum premium subsidy

# Monthly Rate Comparison (80% Subsidy)

	2014			2015		
	Total Rate	80% Subsidy	Amount Deducted From Pension	Total Rate	80% Subsidy	Amount Deducted From Pension
<b>Without Medicare</b>						
Self	\$689.39	\$551.51	\$137.88	\$697.37	\$557.90	\$139.47
Self & Spouse	\$1,269.19	\$1,015.35	\$253.84	\$1,283.88	\$1,027.10	\$256.78
Self & Children	\$943.57	\$754.86	\$188.71	\$954.49	\$763.59	\$190.90
Self, Spouse & Children	\$1,523.37	\$1,218.70	\$304.67	\$1,541.00	\$1,232.80	\$308.20
<b>With Medicare</b>						
Medicare Self	\$251.21	\$200.97	\$50.24	\$254.08	\$203.26	\$50.82
Medicare Self & Spouse	\$477.80	\$382.24	\$95.56	\$483.27	\$386.62	\$96.65
Medicare Self & Children	\$505.39	\$404.31	\$101.08	\$511.17	\$408.94	\$102.23
Medicare Self, Spouse & Children	\$731.98	\$585.58	\$146.40	\$740.36	\$592.29	\$148.07
<b>One With and One Without Medicare</b>						
Self w/o Medicare, Spouse w/ Medicare	\$915.98	\$732.78	\$183.20	\$926.56	\$741.25	\$185.31
Self w/ Medicare, Spouse w/o Medicare	\$831.01	\$664.81	\$166.20	\$840.59	\$672.47	\$168.12
Self w/o Medicare, Spouse w/ Medicare & Children	\$1,170.16	\$936.13	\$234.03	\$1,183.65	\$946.92	\$236.73
Self w/ Medicare, Spouse w/o Medicare & Children	\$1,085.19	\$868.15	\$217.04	\$1,097.71	\$878.17	\$219.54

## Dental Costs and Actual Trend

Experience Period	Per Member	Trend
July 2009 – June 2010	\$28.54	2.0%
July 2010 – June 2011	\$30.25	6.0%
July 2011 – June 2012	\$29.35	-3.0%
July 2012 – June 2013	\$29.74	1.3%
July 2013 – June 2014	\$27.34	-8.1%
Average Trend		-0.4%
Assumed Trend		3.0%

## Dental Administrative Fees - PMPM

Calendar Year	Per Member Per Month
2013	\$1.85
2014	\$1.43
2015	\$1.48
Increase	3.5%

## Vision Rating

- 2014 was first year of being self-insured after many years of vision being fully-insured
- The data for the self-insured program is insufficient to perform standard experience rating calculations
- For 2015, rates are being increased by 3.5%, consistent with increase in administrative fees

## Vision Administrative Fees - PMPM

Calendar Year	Per Member Per Month
2013	NA (fully insured)
2014	\$0.21
2015	\$0.22
Increase	3.5%

# Dental and Vision Rating

- Retiree Contribution Requirements
  - Applies to pension recipients and dependents
  - For retirees and dependents who are enrolled and have attained age 65 as of January 1, 2013, monthly contribution equals 10% of the projected cost
  - All others (including future retirees), monthly contribution equals 20% of the projected cost

## Dental and Vision Rating - PMPM

	2014	2015	Change
Dental	\$26.72	\$27.61	3.3%
Vision	\$1.98	\$2.05	3.5%
Total	\$28.70	\$29.66	3.4%
Per Member Contribution	\$5.74	\$5.93	3.3%