



# Michigan Public School Employees Retirement System

2013 Health Care Rating  
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By: Judith A. Kermans, EA, MAAA  
John R. Mallows, FSA, MAAA

**GRS**

Gabriel Roeder Smith & Company  
Consultants & Actuaries  
[www.gabrielroeder.com](http://www.gabrielroeder.com)



# Health Care Rating – Calendar Year 2013

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- ◆ Rating calculations are used to determine calendar year 2013 premiums for:
  - ▶ Medical/prescription drug
  - ▶ Dental and vision coverage
- ◆ Involves developing trends to project the total expected benefit costs plus administrative expenses for calendar year 2013
- ◆ Then, making adjustments to the 2012 premiums (rates)



# Health Care Rating – Calendar Year 2013

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- ◆ Medical Projections
  - ▶ BCBSM provided original projections of Medical claims and Medicare Advantage revenue for the System
  - ▶ Projections reviewed for reasonableness
  - ▶ Amounts adjusted for administrative costs
- ◆ Rx and Dental projections – based on claims data



# Administrative Fees

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- ◆ Administrative fees are included in BCBSM Medical projections
- ◆ Non-Medicare Administrative fees
  - ▶ \$30.98 PMPM (per member per month)
- ◆ Medicare Administrative fees
  - ▶ \$58.85 PMPM (per member per month)
- ◆ Fees have not changed since 2012



# Calculated Historical Non-Medicare Rate Adjustments

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<b>Years</b>	<b>Hospital</b>	<b>Surgical/Medical</b>	<b>Prescription Drug</b>	<b>Overall Average</b>
<b>2008</b>	<b>6.4%</b>	<b>10.4%</b>	<b>1.1%</b>	<b>4.8%</b>
<b>2009</b>	<b>7.3%</b>	<b>5.5%</b>	<b>2.1%</b>	<b>5.8%</b>
<b>2010</b>	<b>3.1%</b>	<b>2.4%</b>	<b>0.3%</b>	<b>2.4%</b>
<b>2011</b>	<b>6.3%</b>	<b>7.5%</b>	<b>0.7%</b>	<b>5.4%</b>
<b>2012</b>	<b>-6.1%</b>	<b>-12.5%</b>	<b>7.1%</b>	<b>-3.3%</b>
<b>Average Non-Medicare 2008-2012 increases</b>	<b>3.4%</b>	<b>2.7%</b>	<b>2.3%</b>	<b>3.0%</b>



# Calculated Non-Medicare Rate Increases and Trend development

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- ◆ Historical Non-Medicare adjustments through 2012 averaged only 3.0%
- ◆ 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
- ◆ GRS also uses forward looking measures, such as national trend surveys and other forecasts
- ◆ The trend assumptions are finally used to project claims experience (05/11 - 04/12) to the midpoint of the 2013 rating year (7/1/2013)



# GRS - 2013 Trend Assumptions – Hospital/Medical/Surgical

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- ◆ 2012 national trend survey data was gathered from six leading publications which were then averaged producing a 6.8% trend for 2013
  - ▶ 10% non-Medicare and 6.0% Medicare Advantage
- ◆ Overall BCBS Corporate Medical Trend was 4.8%
  - ▶ 8.0% Non-Medicare and 4.0% Medicare Advantage
- ◆ Majority of gross claims are Medicare Advantage so trends tend toward those amounts



# GRS - 2013 Trend Assumptions - Hospital/Medical/Surgical

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- ◆ National trend sources all provided consistent but higher estimates than BCBSM
- ◆ However, BCBSM trends are based on Michigan experience which is more representative of the System's population
- ◆ For that reason, more weight was given to the BCBSM Corporate Trend Rates



# GRS - 2013 Trend Assumptions - Medical/Hospital/Surgical

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Source	Hospital	Surgical/Medical	Prescription Drug	Overall Average
2012 National Trend Surveys	6.8%	6.8%	7.2%	6.9%
2013 BCBSM / Catamaran Corporate Trends	4.8%	4.8%	4 - 6%	4.5- 5.5%
2013 Trend Assumption	5.2%	5.2%	6.0%	5.4%

- ◆ We used a 5.2% overall Medical trend
  - ◆ 8.0% Non-Medicare Medical Claims
  - ◆ 4.5% Medicare Advantage Claims



## GRS - 2013 Trend Assumptions - Rx

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- ◆ Catamaran is the System's Pharmacy Benefit Manager
- ◆ Catamaran provided a projected trend of 4.0-6.0% for 2013
  - ▶ Less shifting to generic is expected in 2013
  - ▶ The use of high cost specialty medications is expected to increase
- ◆ National Trend surveys reported higher Rx trend of 7.2%
- ◆ We used an Rx trend of 6.0%



# GRS - 2013 Trend Assumptions

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2013 Trend Assumption	5.2%	5.2%	6.0%	5.4%



# Annual Rate Adjustments

- ◆ The highlighted 2013 adjustments are applied to the 2012 rates to derive the 2013 rates

	2008	2009	2010	2011	2012	Historical Average	2013
Medical	5.5%	-1.0%	5.1%	-0.6%	0.2%	1.8%	8.2%
Prescription Drug	-18.9%	-5.6%	-1.0%	0.6%	-2.8%	-5.5%	-22.5%
Total	-4.9%	-2.6%	2.7%	-0.2%	-0.9%	-1.2%	-2.0%



# Annual Rate Adjustments

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- ◆ Large increases in 2012 Non-Medicare Medical experience caused the increase in Overall Medical rates (8.2%)
- ◆ Initiatives to optimize federal funding have continued to reduce Rx rates
- ◆ Total Non-Medicare Rates increased by an average of 3.0%
- ◆ The average change in Medicare rates is -7.8%
- ◆ Overall rates for both Medicare and Non-Medicare are adjusted by -2.0%



# Public Act 300 of 2012

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- ◆ For current Medicare-eligible retirees and Medicare-eligible dependents:
  - ▶ 90% maximum premium subsidy
- ◆ For all other retirees including future retirees:
  - ▶ 80% maximum premium subsidy

# Monthly Rate Comparison (80% Subsidy)



	2012			2013		
	Total Rate	Subsidy	Amount Deducted From Pension	Total Rate	80% Subsidy	Amount Deducted From Pension
<b>Without Medicare</b>						
Self	\$ 657.22	\$ 545.32	\$ 111.90	\$ 677.45	\$ 541.96	\$ 135.49
Self and Spouse	1,210.69	1,043.44	167.25	1,247.04	997.63	249.41
Self and Child(ren)	900.69	764.44	136.25	927.66	742.13	185.53
Self, Spouse & Child(ren)	1,454.16	1,262.57	191.59	1,497.25	1,197.80	299.45
<b>With Medicare</b>						
Self	\$ 272.36	\$ 260.36	\$ 12.00	\$ 251.62	\$ 201.30	\$ 50.32
Self and Spouse	521.09	484.22	36.87	479.42	383.54	95.88
Self and Child(ren)	515.83	479.48	36.35	501.83	401.46	100.37
Self, Spouse & Child(ren)	764.56	703.34	61.22	729.63	583.70	145.93
<b>One With and One Without Medicare</b>						
Self Without & Spouse With	\$ 905.95	\$ 769.18	\$ 136.77	\$ 905.25	\$ 724.20	\$ 181.05
Self With & Spouse Without	825.83	758.48	67.35	821.21	656.97	164.24
Self Without, Spouse With & Child(ren)	1,149.42	988.30	161.12	1,155.46	924.37	231.09
Self With, Spouse Without & Child(ren)	1,069.30	977.61	91.69	1,071.42	857.14	214.28



# Dental Costs and Actual Trend

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<u>Experience Period</u>	<u>Per Member</u>	<u>Trend</u>
<b>July 2007 - June 2008</b>	<b>\$27.35</b>	<b>7.6%</b>
<b>July 2008 - June 2009</b>	<b>\$27.98</b>	<b>2.3%</b>
<b>July 2009 - June 2010</b>	<b>\$28.54</b>	<b>2.0%</b>
<b>July 2010 - June 2011</b>	<b>\$30.25</b>	<b>6.0%</b>
<b>July 2011 - June 2012</b>	<b>\$29.35</b>	<b>-3.0%</b>
<b>Average Trend 2007-2012</b>		<b>3.0%</b>
<b>2013 Trend*</b>		<b>3.5%</b>

**\* Trends rounded up to nearest 1/2 percent**



# Dental Administrative Fees - PMPM

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<b>Calendar Year</b>	<b>Per Member</b>
<b>2011</b>	<b>\$1.72</b>
<b>2012</b>	<b>\$1.78</b>
<b>2013</b>	<b>\$1.85</b>
<b>% Increase</b>	<b>3.9%</b>



# Vision Rating - PMPM

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<b>Calendar Year</b>	<b>Vision</b>
<b>2012</b>	<b>\$2.67</b>
<b>2013</b>	<b>\$2.67</b>
<b>% Increase</b>	<b>0.0%</b>

Fully-Insured Vision Premiums  
supplied by the System



# Dental and Vision Rating

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## ◆ 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

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	2012	2013	12 vs. 13 % Change
Dental	\$33.65	\$32.75	-2.7%
Vision	\$ 2.67	\$ 2.67	0.0%
<b>Total</b>	<b>\$36.32</b>	<b>\$35.42</b>	<b>-2.5%</b>
<b>Per Member Contribution</b>	<b>\$ 3.63</b>	<b>\$ 7.08</b>	<b>95.0%</b>



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