

# Michigan Public School Employees' Retirement System

**2020 – 2021 Initiative Package**

**Final Recommendations**

**July, 18, 2019**



# Agenda

- **Healthcare and cost goals**
- **Proposed initiatives presented at May 23<sup>rd</sup> board meeting**
- **Health Initiative Review Committee feedback**
- **Final recommendations**
- **Member communication**

# Healthcare Goals

- **Healthcare Mission**

- To maintain a quality health care plan that is affordable to both the members and the schools

- **Quality Goal**

- Measurably improve the quality of care enjoyed by members

- **Cost Goal**

- Limit the rate of cost growth to the compound rate of inflation (CPI) and real economic growth

# Cost Goal

- **Cost goal for year is based on previous year's actual costs per person trended forward**

	2020-2021
Forecasted Expenditures	\$2,726-\$2,736 per person per year
Projected Cost Goal	\$2,696 per person per year
<b>Projected Gap</b>	<b>\$15-\$20 million</b>

# Proposed Strategic Initiative Recommendations

**At the May 23, 2019 meeting, the Board heard the proposed initiatives**

- **Cost Reduction/Cost Sharing**
  - Further maximize federal dollars and discounts by updating the prescription drug out-of-pocket maximum
  - Discontinue coverage for in-home skilled private duty nursing care, allowing those who are currently using the benefit to continue in accordance with current benefit level
- **Cost Sharing**
  - Discontinue coverage for in-home skilled private duty nursing care, allowing those who are currently using the benefit to continue in accordance with current benefit level
  - Update the traditional drugs minimum and maximum
  - Create a specialty drug tier with a separate minimum and maximum
- **Benefit Enhancements**
  - Expand vaccine coverage to match Medicare's current vaccine benefit
  - Cover online visits/telehealth for non-chronic, non-severe indications
  - Increase lifetime maximum for outpatient services

# Health Initiative Review Committee Meetings

- **Two meetings were scheduled in June**
- **Verbal feedback at meetings was supportive of the proposed initiatives**
- **Written feedback from meeting attendees was requested but not received**
- **One member wrote to the Board expressing concerns about the cost share updates**

# Final Recommendations

Initiative	Change From Current	Plan	Technique	Effective Date	Est. Savings
Maximize Federal dollars and discounts: Update Maximum out-of-pocket cost to \$1,750	Currently \$1500	Prescription Drug	Cost Reduction/ Cost Sharing	1/1/20	\$6.6M (\$4.5M from federal dollars)
Create a specialty drug tier: 30-day: \$50 min/\$100 max	There is no specialty drug tier today	Prescription Drug	Cost Sharing	1/1/21	\$1M
Update traditional drug tier: 30-day: \$15 min/\$45 max	Currently \$10 min/\$40 max	Prescription Drug	Cost Sharing	1/1/20	\$10.1M
Update traditional drug tier: 90-day: \$37.50 min/\$112.5 max	Currently \$25 min/\$100 max	Prescription Drug	Cost Sharing	1/1/20	

# Final Recommendations

Initiative	Change From Current	Plan	Technique	Effective Date	Est. Savings
Update nursing benefit	Reduces coverage in one infrequently used area that has shown potential unintended use	Medical	Cost Reduction/Cost Sharing	1/1/20	De minimis
Expand vaccine coverage for Non-Medicare	These vaccines are currently covered under the Medicare benefit	Medical & Prescription Drug	Cost Avoidance	1/1/20	De minimis
Cover online visits/telehealth	Currently not offered	Medical	Cost Avoidance	1/1/20	De minimis
Increase lifetime maximum for outpatient services to \$2.5M	Currently \$1M	Medical	Benefit Enhancements	1/1/20	De minimis

**Estimated Savings: \$17.7M**



# Member Communications

**Will utilize communication methods such as:**

- **Member newsletters**
- **Member meetings**
- **Targeted member letters**
- **The applicable vendor call center**
- **The website**

# Benefits

- **Enhances quality of plan by adding preventive benefits and expanding locations of care**
- **Further maximizes federal dollars to keep member and school costs affordable**
- **Updates cost share to help maintain a balance between payments by the members and the System**
- **Maintains low retiree premiums**