

Michigan Public School Employees' Retirement System

2023 Strategic Initiative Package

Health Insurance Committee

July 13, 2023

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MPSERS 2023 strategic initiative package

1. Retiree Health Plan Financial Metrics
2. General Healthcare Metrics
3. Strategic Initiative Package

Executive summary

Retiree Plan Financial Metrics

- Funded Ratio of 99.2% as of September 30, 2022, Retiree Health Actuarial Valuation
- Total annual trend for Retiree Health Plan from 2018 to 2021 is -11% (medical, pharmacy, dental and vision combined)



General Healthcare Metrics

- 2023 Medical and pharmacy trend expected to increase by about 1% over 2022
- 2023 Medical and pharmacy trend expected to be between 5.5% and 7.0%
- No significant state or federal legislation expected to negatively impact Retiree Health Plan
- CMS Medicare Advantage revenue expected to remain stable



2023 Strategic Initiative Package

Non-Medicare Population

- Preventive care services covered at 100%
- Allow coverage at retail health clinics
- Specialty copay card solution
- Allow 90-Day supply at retail pharmacy

Total Population

- Change Vision benefit frequency to 12/12/12
- Allow for new Dental Occlusal guard every five years
- Allow for composite fillings on posterior teeth

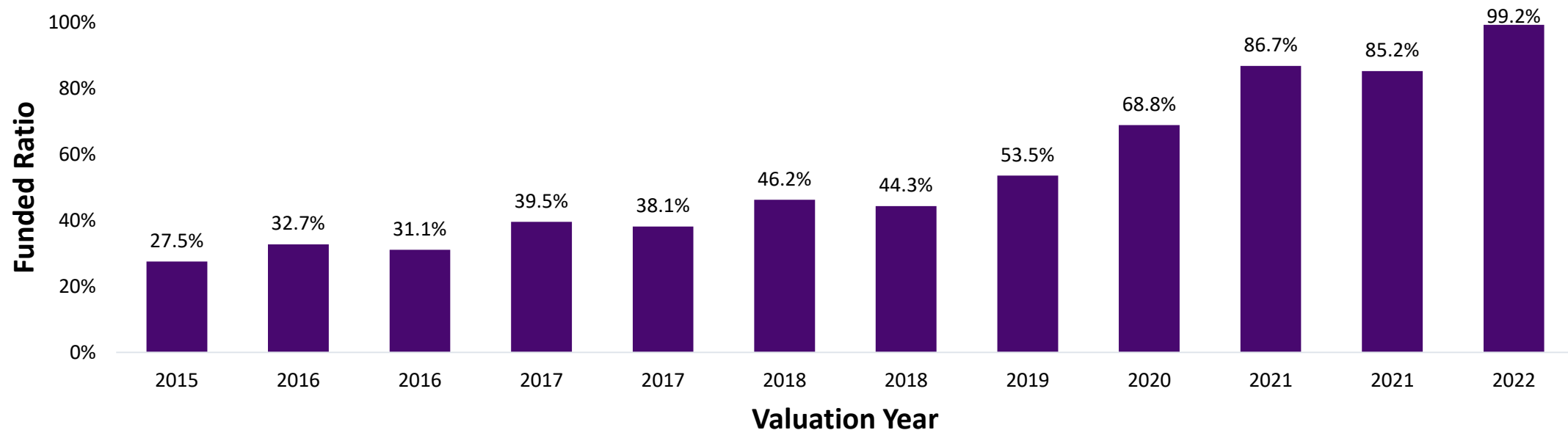
Total Estimated Cost of \$6.1M

Retiree health plan financial metrics

Retiree health plan funding ratio

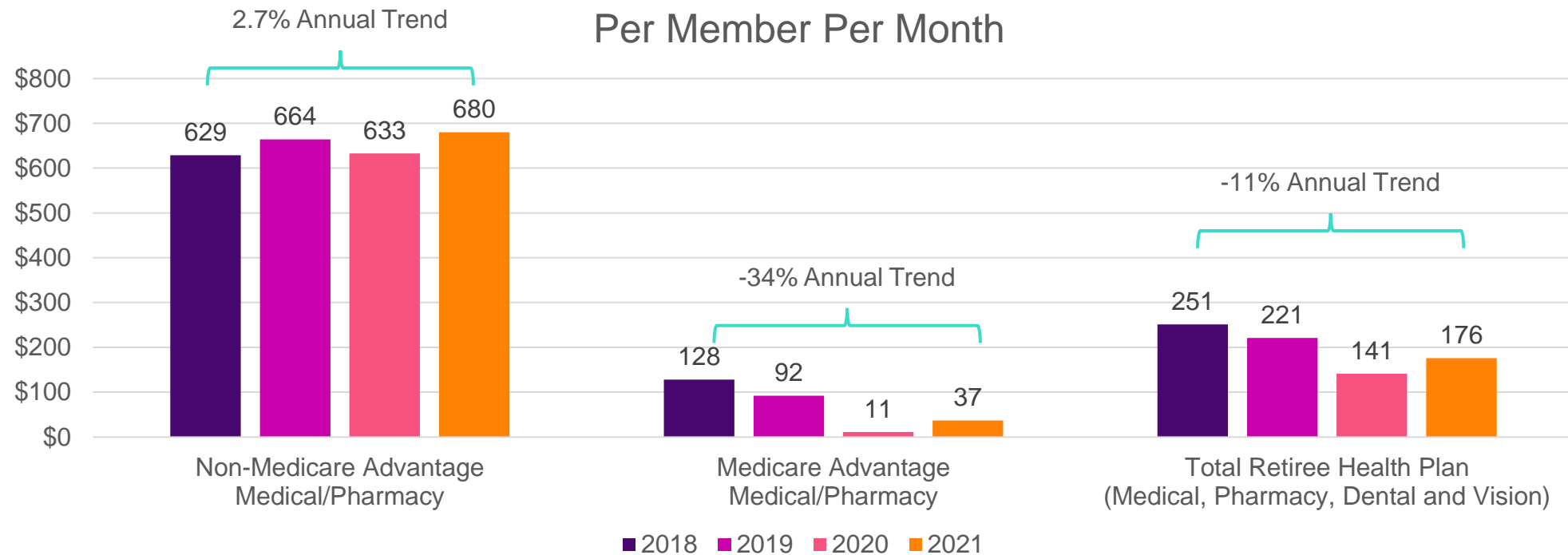
Funding Ratio

- Funds are accumulated by the System to meet future benefit obligations to retirees and beneficiaries.
- The percentage computed by dividing the actuarial value of assets by the actuarial accrued liability is referred to as the “funding ratio”.
- This ratio provides an indication of the funding status of the System and generally, the greater this percentage, the stronger the System.
- **Funding Ratio is 99.2% as of the September 30, 2022, Retiree Health Actuarial Valuation.**



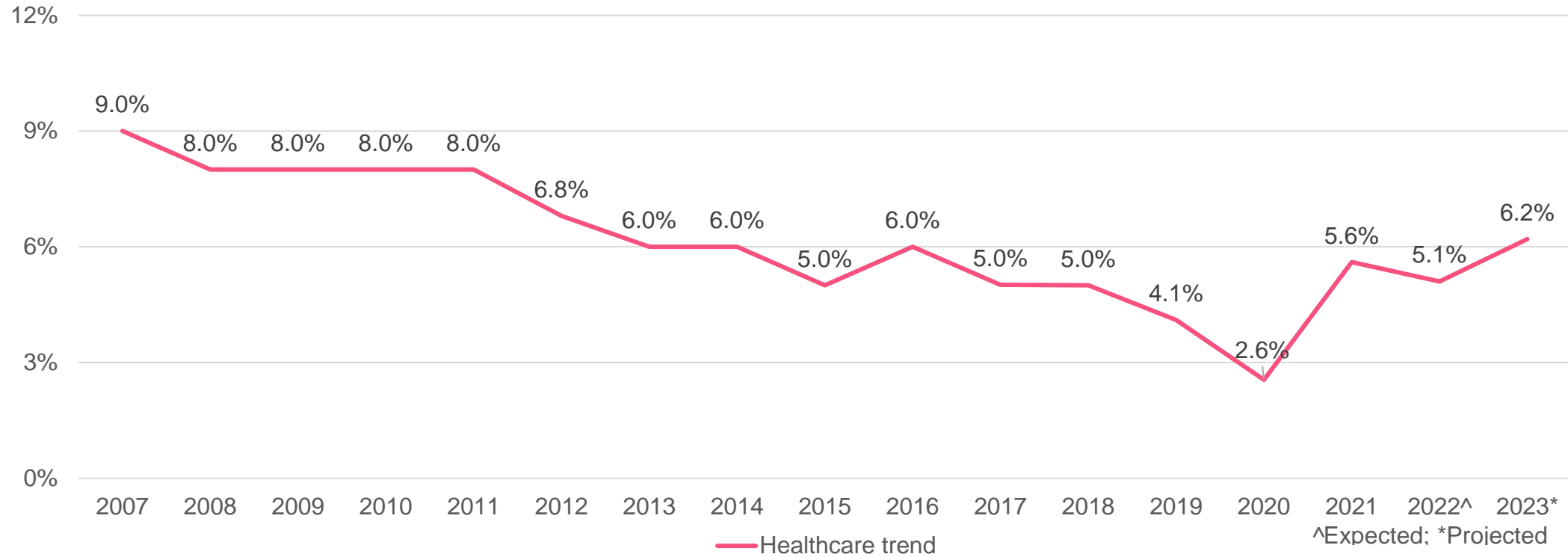
Retiree health plan historical trends

- 3-year annual total trend for the retiree health plan is -11% (medical, pharmacy, dental and vision combined).
 - Non-Medicare Advantage 3-year annual trend is 2.7%
 - Medicare Advantage 3-year annual trend is -34%



General healthcare metrics

Increases in inflation and market forces driving projected rise in healthcare costs

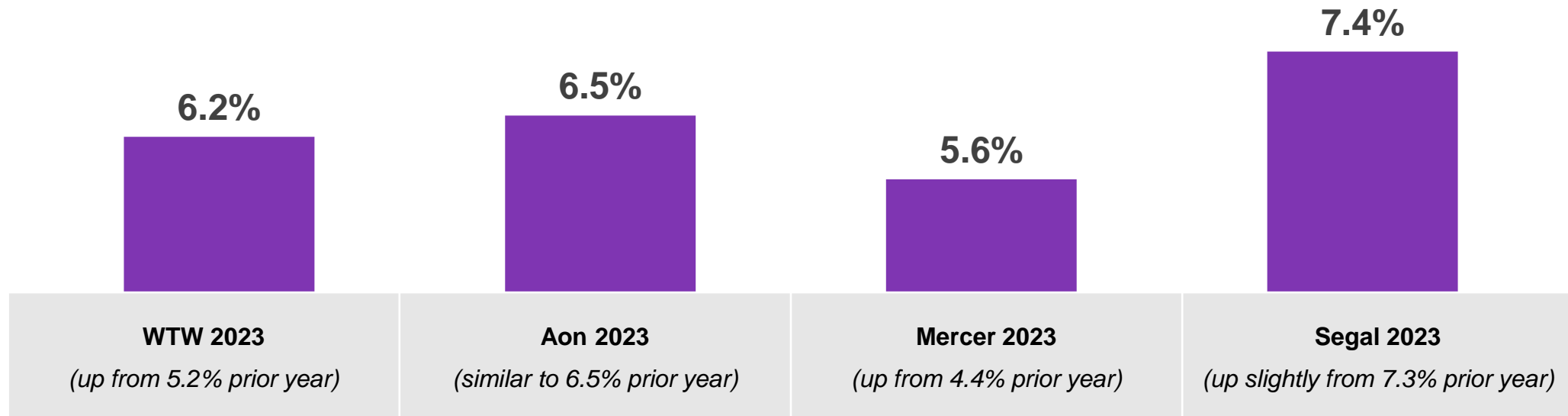


Sample: Companies with at least 1,000 employees.

Source: WTW 2022 Best Practices in Healthcare Survey; Bureau of Labor Statistics, CPI-U, CES.

Trend outlook — Other sources for consideration

- WTW's 2022 Best Practices in Health Care Survey indicates a 1% increase in trend for 2023 compared to the prior year.
- Other consulting firms' trend forecasts project similar or higher trend than last year.
- Note that trend projections in these surveys are backward looking based on trend assumptions chosen for 2023 pricing projections and do not consider prospective factors.



<https://aon.mediaroom.com/2022-08-18-Aon-US-Employer-Health-Care-Cost-Projected-to-increase-6-5-Percent-Next-Year>

<https://www.mercer.us/newsroom/health-benefit-cost-growth-will-accelerate-in-2023.html>

https://www.segalco.com/media/2989/segal-trend-survey-2023.pdf?utm_source=list_email&utm_medium=email&utm_campaign=2023_Segal_HPCTS

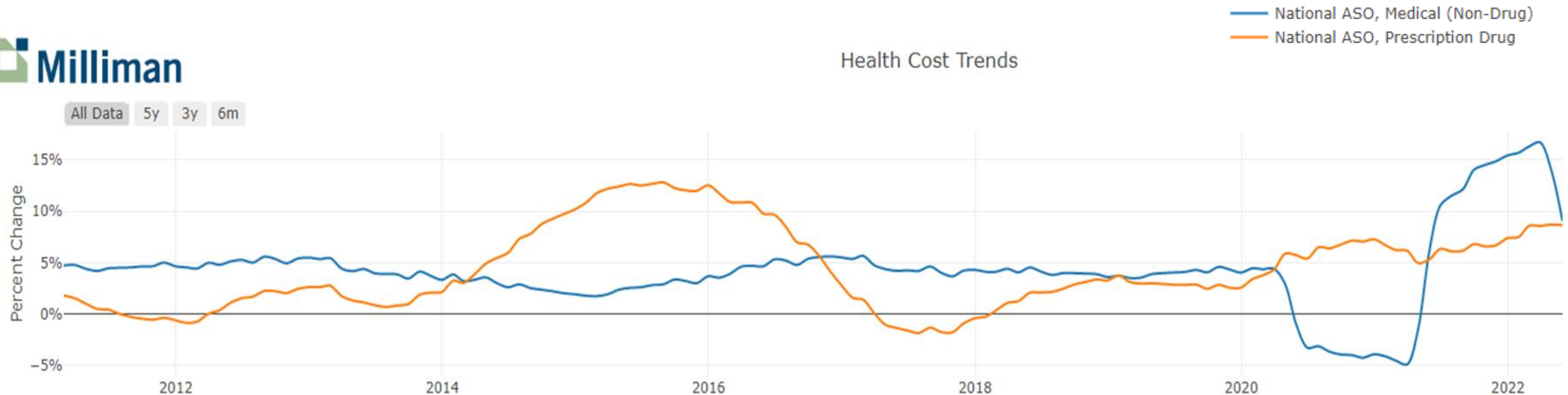
Milliman Health Trend Guidelines (HTG) — Historical trend graph

Incurred 12-month rolling trend

- Milliman HTG measures the historical change in healthcare claim costs and utilization.
 - COVID-19 had a significant impact on the curve in 2020 and 2021.
- National Large Group (fully-insured) and National ASO (self-funded) markets have very similar patterns.
- Meaningful regional differences exist.
 - Northeast costs have increased the most.
 - South costs have increased the least.



Health Cost Trends



Strategic initiative package – metrics summary

	Metric Outlook
Retiree Health Plan Metrics	
Funding Ratio <ul style="list-style-type: none"> Funding ratio of 99.2% as of September 30, 2022 	
Historical Trend <ul style="list-style-type: none"> Total trend for the retiree health plan from 2018 to 2021 is -11% 	
General Healthcare Metrics	
Projected Healthcare Trend <ul style="list-style-type: none"> Expected increases in trend due to inflationary pressures 	
CMS Medicare Advantage Revenue <ul style="list-style-type: none"> No significant changes are expected in the Medicare Advantage revenue from CMS 	
State/Federal Legislative Changes <ul style="list-style-type: none"> Inflation Reduction Act (IRA) of 2022 is expected to increase Medicare Part D costs (pharmacy) in 2025 due to a member maximum out-of-pocket decrease to \$2,000. Final impact analysis is TBD 	
Population Health <ul style="list-style-type: none"> COVID-19 pandemic has ended and expect minimum disruption from ending of pandemic going forward 	
Any other potential impact <ul style="list-style-type: none"> No other significant changes are expected to impact retiree medical plan financial considerations 	

Strategic initiative package

Alignment between Medicare and Non-Medicare

- Historically, the Plan has tried to maintain alignment between the Medicare plan and the Non-Medicare plan.
 - When the Plan moved to Medicare Advantage, we began to see less alignment between the two plans because of CMS requirements.
- Preventive Services
 - Medicare members receive most preventive care services without cost share.
 - Currently, Non-Medicare members must pay 10% coinsurance and the deductible for select preventive care services.
 - **Recommendation:** Cover pelvic exams, pap smears, mammograms, colonoscopies, and prostate cancer screenings at 100% for Non-Medicare members.

Alignment between Medicare and Non-Medicare (continued)

- Retail Health Clinics Coverage
 - For Medicare members this is a covered place of service.
 - Non-Medicare members cannot receive care at a retail health clinic because it is not a covered place of service.
 - This causes confusion for members when they want to receive a vaccine at a retail health clinic.
 - **Recommendation:** Allow coverage at retail health clinics for Non-Medicare members.
- 90-Day Retail
 - Retail pharmacies will fill a prescription for 90 days.
 - Currently, only Medicare members can receive a 90-day supply of medication at a retail pharmacy. Non-Medicare members must use the mail order pharmacy.
 - **Recommendation:** Allow a Non-Medicare member to receive a 90-day supply at a retail pharmacy.

Plan modernization

- Dental Plan Updates
 - Occlusal Guards
 - A clear appliance that is worn over the teeth to protect them from damage.
 - Helps to prevent grinding and/or teeth clenching, which can lead to further dental problems.
 - Currently, a member can receive one occlusal guard per lifetime.
 - **Recommendation:** Allow for a new occlusal guard every five years.
 - Posterior Composite Fillings
 - Another description for composite fillings is a “white filling” instead of the silver fillings.
 - Currently, the Plan does not cover composite fillings on posterior teeth.
 - If a member wants a composite filling on their back teeth, they must pay the difference between a composite filling and a silver filling.
 - The practice of dentistry has evolved where most dentists do not provide silver fillings, which makes it hard for a member to have silver fillings on their posterior teeth.
 - Advancements have made this composite fillings safer and cheaper than in the past.
 - **Recommendation:** Allow for composite fillings on posterior teeth.

Plan modernization (continued)

- Specialty Copay Card Solution
 - The Non-Medicare members currently use coupon cards for specialty medications. The dollars from the coupon card processes as secondary insurance and are thus contributing to and falsely elevating their costs contributing to the out-of-pocket maximum (OOP max).
 - Example: Drug copay equals \$100. The coupon card pays \$50 and the members pays \$50. The member receives credit for the full \$100 dollars towards their OOP maximum.
 - **Recommendation:** Change the set up so that the OOP max reflects the member's true paid out-of-pocket amount.
 - Only applies to Non-Medicare because Medicare does not allow the use of copay coupon cards because pharmaceutical manufacturers are already providing the strongest rebates to Medicare.
- Vision Plan Benefit Frequency
 - The current plan is a 24/24/24 benefit, which means a member can receive an eye exam, new lenses (or contact lenses) and frames every 24 months.
 - Eye disease such as cataracts, glaucoma and age-related macular degeneration can develop without symptoms.
 - Annual eye exams is a way to potentially detect these diseases early.
 - **Recommendation:** Change the benefit frequency to 12/12/12 (eye exam/lenses (or contact lenses)/ frames).

Recommendations summary

Initiative Summary	Plan	Member Population	Estimated Savings/(Costs)	Effective Date	Notes
Cover pelvic exams, pap smear, mammograms, colonoscopies, and prostate cancer screening with no cost share	Medical	Non-Medicare	(\$1.1M)	1/1/2024	
Allow coverage at retail health clinics	Medical	Non-Medicare	\$0	1/1/2024	
Specialty Copay Card Solution	Prescription Drug	Non-Medicare	\$1.6M	1/1/2024	The savings would come from increased member cost share for those currently using coupon cards for specialty medication.
90-Day Retail	Prescription Drug	Non-Medicare	(\$1.9M)	1/1/2024	Assumes a 10% shift of prescriptions from mail to retail.
Change the benefit frequency to 12/12/12	Vision	Non-Medicare/Medicare	(\$3.7M)	1/1/2024	
Allow for a new occlusal guard every five years	Dental	Non-Medicare/Medicare	(\$60.9K)	1/1/2024	
Allow for composite fillings on posterior teeth	Dental	Non-Medicare/Medicare	(\$913.2K)	1/1/2024	
Total			(\$6.1M)		