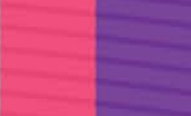




Michigan Public School Employees' Retirement System

Consolidated Cost Review and 2024 Health Care Rating

September 7, 2023



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Agenda

1. Consolidated Cost Review
2. Health Care Rating – Calendar Year 2024
 - Master Health Care Plan (MHCP) – Medical and Prescription Drugs
 - Dental
 - Vision



Consolidated Cost Review

- Consolidates information provided by multiple vendors
 - MHCP Medical
 - MHCP Prescription Drugs
 - Health Maintenance Organizations (HMOs)
 - Dental and Vision
- Reports on net cost by program recognizing all cost and revenue items

Consolidated Cost Review

Historical Net Costs Per Member Per Month (PMPM) by Program

Year	MHCP					
	Non-Medicare			Medicare		
	Medical	Rx	Total	Medical	Rx	Total
2018	\$525	\$116	\$641	\$34	\$94	\$128
2019	\$559	\$123	\$681	\$2	\$87	\$89
2020	\$497	\$136	\$633	-\$98	\$92	-\$5
2021	\$595	\$108	\$703	\$15	\$90	\$105
2022	\$578	\$112	\$690	-\$37	\$98	\$61
Average Annualized Trend	2.4%	-0.9%	1.8%	N/A	1.1%	-17.0%

Year	HMOs		MHCP/HMOs Combined		
	Non-Medicare Med/Rx	Medicare Med/Rx	Non-Medicare Med/Rx	Medicare Med/Rx	Non-Med/Med Med/Rx
2018	\$594	\$126	\$629	\$128	\$222
2019	\$606	\$111	\$664	\$92	\$191
2020	\$633	\$122	\$633	\$11	\$116
2021	\$642	\$96	\$689	\$103	\$202
2022	\$610	\$92	\$673	\$64	\$164
Average Annualized Trend	0.7%	-7.6%	1.7%	-15.8%	-7.3%

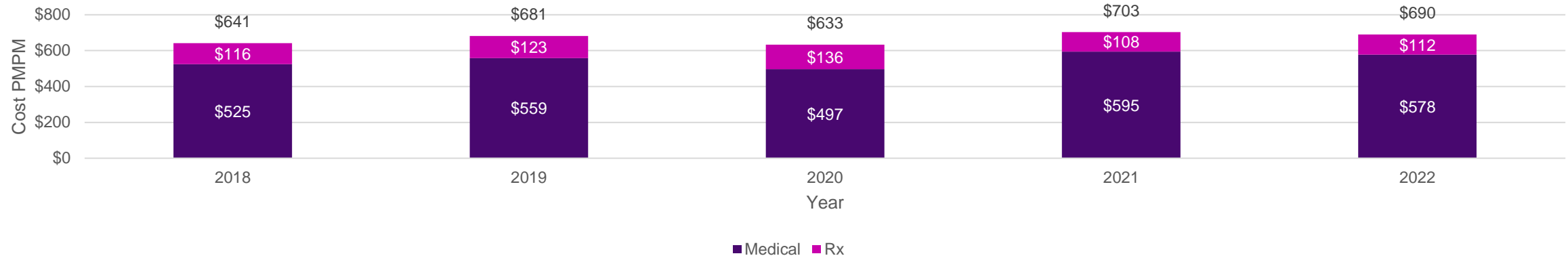
Year	Dental	Vision
2018	\$28	\$2
2019	\$28	\$2
2020	\$24	\$2
2021	\$28	\$2
2022	\$29	\$2
Average Annualized Trend	0.9%	0.1%

All costs are net of CMS revenue, rebates, other recoveries

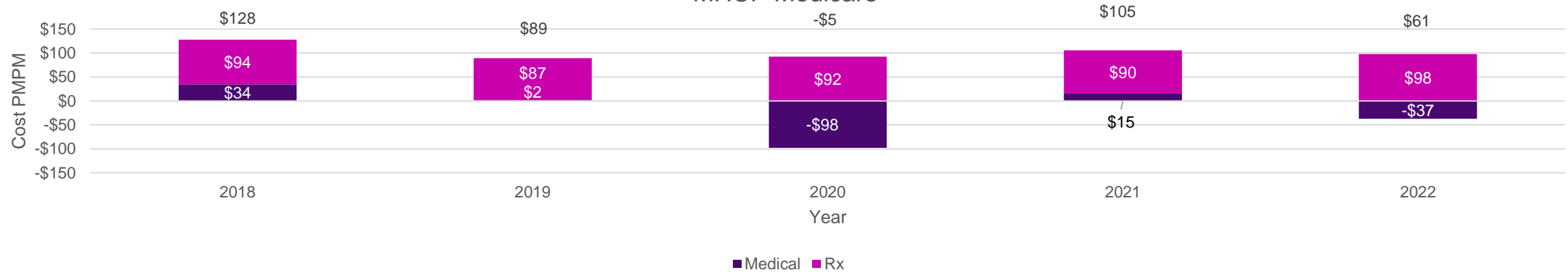
Consolidated Cost Review

MHCP

MHCP Non-Medicare



MHCP Medicare

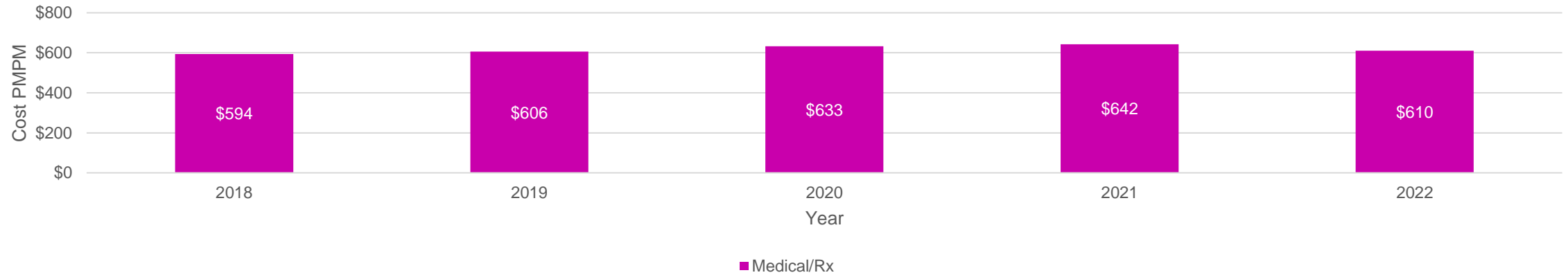


All costs are net of CMS revenue, rebates, other recoveries

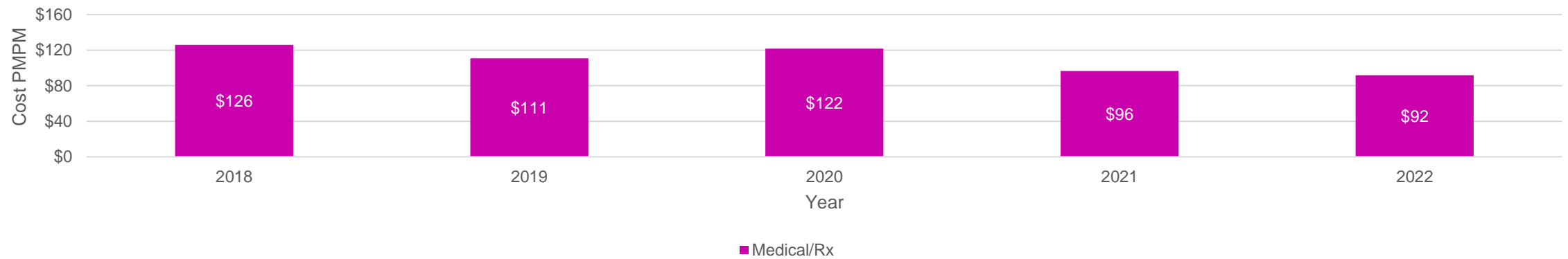
Consolidated Cost Review

HMOs

HMOs Non-Medicare



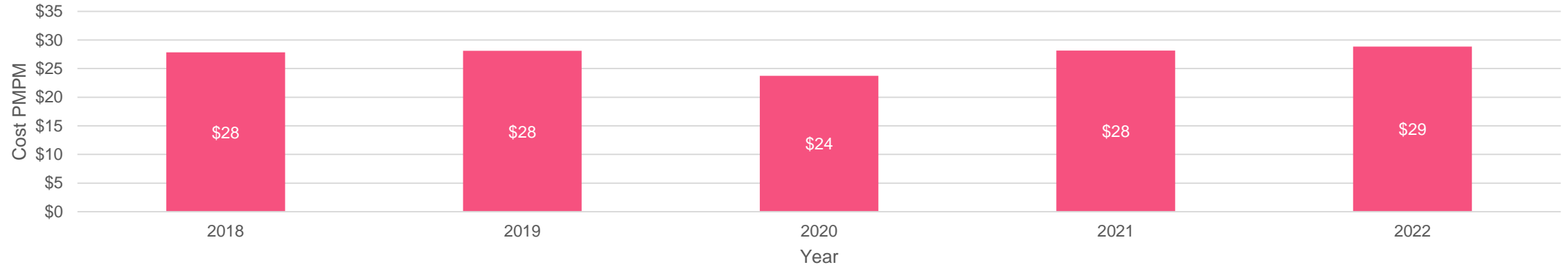
HMOs Medicare



Consolidated Cost Review

Dental and Vision

Dental



Vision



Consolidated Cost Review

MHCP Detail for 2021 and 2022

	Non-Medicare				Medicare			
	Medical		Rx		Medical		Rx	
	2021	2022	2021	2022	2021	2022	2021	2022
Members	30,483	30,195	30,587	30,195	168,639	167,737	166,596	166,066
Benefit Expense	\$204,939,945	\$196,040,842	\$61,373,277	\$66,972,928	\$1,692,767,049	\$1,716,434,012	\$536,371,134	\$576,675,185
Admin	\$12,627,663	\$13,223,171	\$625,113	\$196,961	\$130,244,926	\$132,081,404	\$13,730,254	\$12,867,501
EGWP Revenue	\$0	\$0	\$0	\$0	\$1,792,200,854	\$1,923,212,057	\$213,125,789	\$222,540,572
Rebates	\$0	\$0	\$22,387,868	\$26,553,221	\$0	\$0	\$156,711,365	\$172,244,398
Net Cost	\$217,567,608	\$209,264,013	\$39,610,522	\$40,616,668	\$30,811,120	(\$74,696,641)	\$180,264,234	\$194,757,716
	PMPM							
Benefit Expense	\$560	\$541	\$167	\$185	\$836	\$853	\$268	\$289
Admin	\$35	\$36	\$2	\$1	\$64	\$66	\$7	\$6
EGWP Revenue	\$0	\$0	\$0	\$0	\$886	\$955	\$107	\$112
Rebates	\$0	\$0	\$61	\$73	\$0	\$0	\$78	\$86
Net Cost	\$595	\$578	\$108	\$112	\$15	(\$37)	\$90	\$98

Note: EGWP Revenue includes direct subsidies from CMS, Coverage Gap Discounts, and Federal Reinsurance Recoveries

Health Care Rating – Calendar Year 2024

- Reviews historical costs and developing trends to project the total expected benefit costs plus administrative expenses for Calendar Year 2024
- Rating calculations are used to determine Calendar Year 2024 premiums for:
 - MHCP Medical and Prescription Drugs
 - Annual HMO premium change
 - Dental and Vision
- MHCP Medical/Prescription Drugs and Dental/Vision Projections
 - Historical claims are collected
 - Projected to 2024 using assumed trends and adjusted for benefit changes
 - Administrative fees are added
 - Medicare Advantage costs offset by CMS Federal revenue
 - Pharmacy costs for Employer Group Waiver Plan (EGWP) offset by Federal revenue and pharmaceutical discounts in the coverage gap

Health Care Rating – Calendar Year 2024

MHCP Administrative Fees

Calendar Year	BCBSM		OptumRx	
	Per Member Per Month		Per Contract Per Month	Per Member Per Month
	Non-Medicare	Medicare	Non-Medicare	EGWP
2020	\$34.49	\$62.94	\$3.32	\$7.00
2021	\$35.18	\$63.88	\$3.27	\$6.95
2022	\$35.88	\$64.84	\$3.27	\$6.95
2023	\$36.63	\$69.00	\$2.70	\$6.75
2024	\$37.00	\$70.00	\$2.70	\$6.75

Note: TrueHearing PMPM administration fee of \$0.95 is not included in illustrated administration but is included in the 2024 rating. This is added to the BCBSM PMPM cost.

Health Care Rating – Calendar Year 2024

Trend Development and Calculated Rate Adjustments

- The Board's strategic planning process has kept historical adjustments at lower levels
- Historical experience is considered in setting future trend assumptions but is not the primary factor
- WTW uses several measures, such as national trend surveys and other forecasts
- Carrier projected trends are also considered
- The trend assumptions are used to project claims experience to the 2024 rating year
- 2024 Strategic Initiatives
 - Increase in cost to Non-Medicare Advantage Plan (\$1.4M full preventative coverage, retail health clinics, specialty copay card solution, 90 day at retail)
 - Increase in cost to Dental (\$974,000 new occlusal guard every 5 years and composite fillings on posterior teeth)
 - Increase in cost to Vision (\$3.7M change benefit frequency to 12/12/12)
- 2024 Inflation Reduction Act
 - 5% enrollee cost after the catastrophic coverage level has been reached will be absorbed by the Part D plan in 2024
 - 2024 Medicare Advantage Pharmacy projection reflects the increase in cost (approximately \$8M)

Health Care Rating – Calendar Year 2024

MHCP 2024 Trend Assumptions

Source	Hospital	Professional	Prescription Drug	Composite
PwC Health Research Institute Projection				7.0%
AON 2023 Trend Projection				6.5%
CMS National Health Expenditures related to Private Health Insurance				5.1%
BCBSM Projected Non-Medicare Trend	4.20%	5.30%		4.58%
BCBSM Medicare Advantage Trend*	2.9%			
Standard WTW Pricing Assumptions	5%-9.5%		6-9%	5.25%-9.4%
2024 Trend Assumption	6.5% Non-Medicare 5.5% Medicare Advantage		8.0%	6.9% Non-Medicare 6.2% Medicare

*Based on BCBSM Net Cost Target for 2024

Health Care Rating – Calendar Year 2024

MHCP Annual Rate Adjustments

	2019	2020	2021	2022	2023	Historical Average	2024
Overall							
Medical	-14.9%	-8.8%	1.3%	-11.9%	-17.1%	-10.3%	-36.3%
Prescription Drug	2.2%	2.6%	-10.5%	2.0%	1.3%	-0.5%	11.0%
Total	-7.4%	-3.2%	-5.1%	-3.6%	-7.2%	-5.3%	-8.5%
Non-Medicare	-2.1%	4.9%	7.7%	3.2%	7.1%	4.2%	1.7%
Medicare	-10.7%	-8.4%	-13.5%	-7.9%	-19.6%	-12.0%	-20.3%

Health Care Rating – Calendar Year 2024

MHCP Retiree Contributions – Public Act 300 of 2012

- For retirees and dependents that were enrolled in the plan and Medicare-eligible on January 1, 2013:
 - Contribution is 10% of projected cost (90% plan subsidy)
- For all other retirees including future retirees:
 - Contribution is 20% of projected cost (80% plan subsidy)

Health Care Rating – Calendar Year 2024

MHCP Medical and Prescription Drug Rating

Monthly Rate Comparison (80% Subsidy)

	2023			2024		
	Total Rate	80% Subsidy	Amount Deducted From Pension	Total Rate	80% Subsidy	Amount Deducted From Pension
Without Medicare						
Self	\$901.86	\$721.49	\$180.37	\$917.28	\$733.82	\$183.46
Self & Spouse	\$1,663.59	\$1,330.87	\$332.72	\$1,692.17	\$1,353.74	\$338.43
Self & Children	\$1,235.83	\$988.66	\$247.17	\$1,257.03	\$1,005.62	\$251.41
Self, Spouse & Children	\$1,997.56	\$1,598.05	\$399.51	\$2,031.92	\$1,625.54	\$406.38
With Medicare						
Medicare Self	\$125.02	\$100.02	\$25.00	\$97.41	\$77.93	\$19.48
Medicare Self & Spouse	\$244.48	\$195.58	\$48.90	\$195.07	\$156.06	\$39.01
Medicare Self & Children	\$258.59	\$206.87	\$51.72	\$206.33	\$165.06	\$41.27
Medicare Self, Spouse & Children	\$378.05	\$302.44	\$75.61	\$303.99	\$243.19	\$60.80
One With and One Without Medicare						
Self w/o Medicare, Spouse w/ Medicare	\$1,021.32	\$817.06	\$204.26	\$1,014.94	\$811.95	\$202.99
Self w/ Medicare, Spouse w/o Medicare	\$886.75	\$709.40	\$177.35	\$872.30	\$697.84	\$174.46
Self w/o Medicare, Spouse w/ Medicare & Children	\$1,154.89	\$923.91	\$230.98	\$1,123.86	\$899.09	\$224.77
Self w/ Medicare, Spouse w/o Medicare & Children	\$1,220.72	\$976.58	\$244.14	\$1,212.05	\$969.64	\$242.41

Note: 80% Subsidy and Amount Deducted from Pension are summation of the individual self, spouse and child corresponding amounts.

Health Care Rating – Calendar Year 2024

Dental Costs and Historical Trend

Experience Period	Per Member Per Month	Trend
2018	\$26.24	
2019	\$26.65	1.6%
2020	\$22.27	-16.4%
2021	\$26.49	18.9%
2022	\$27.14	2.5%
4-year Annualized Trend		0.8%
Assumed Trend		2.0%

Health Care Rating – Calendar Year 2024

Vision Costs and Historical Trend

Experience Period	Per Member Per Month	Trend
2018	\$1.76	
2019	\$1.81	2.8%
2020	\$1.53	-15.5%
2021	\$2.00	30.7%
2022	\$1.71	-14.7%
4-year Annualized Trend		-0.8%
Assumed Trend		2.0%

Health Care Rating – Calendar Year 2024

Dental and Vision Administrative Fees – PCPM

Calendar Year	Dental	Vision
2020	\$2.63	\$0.11
2021	\$2.58	\$0.11
2022	\$2.66	\$0.10
2023	\$2.74	\$0.10
2024	\$2.83	\$0.10

Health Care Rating – Calendar Year 2024

Dental and Vision Plan Annual Rate Adjustments

	2019	2020	2021	2022	2023	Historical Average	2024
Dental and Vision	3.1%	-0.8%	1.5%	0.2%	3.5%	1.5%	6.2%

Health Care Rating – Calendar Year 2024

Dental and Vision Retiree Contributions – Public Act 300 of 2012

- 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 (90% subsidy)
 - All others (including future retirees), monthly contribution equals 20% of the projected cost (80% subsidy)

Health Care Rating – Calendar Year 2024

Dental and Vision Rating

Monthly Rate Comparison (80% Subsidy)

	2023			2024		
	Total Rate	80% Subsidy	Amount Deducted From Pension	Total Rate	80% Subsidy	Amount Deducted From Pension
Dental and Vision						
Self	\$31.47	\$25.18	\$6.29	\$33.39	\$26.71	\$6.68
Self & Spouse	\$62.94	\$50.35	\$12.59	\$66.78	\$53.42	\$13.36
Self & Children	\$62.94	\$50.35	\$12.59	\$66.78	\$53.42	\$13.36
Self, Spouse & Children	\$94.41	\$75.53	\$18.88	\$100.17	\$80.14	\$20.03

Note: 80% Subsidy and Amount Deducted from Pension are summation of the individual self, spouse and child corresponding amounts.