

Michigan Public School Employees' Retirement System

Strategic Initiative Package

MPSERS Board

May 23, 2024

Limitations of distribution and use

This document was prepared for your sole and exclusive use and on the basis agreed by you. It was not prepared for the use by any other party and may not address their needs, concerns or objectives. This document should not be disclosed or distributed to any third party other than as agreed with you in writing. We do not assume any responsibility or accept any duty of care or liability to any third party who may obtain a copy of this presentation and any reliance placed by such party on it is entirely at their own risk.

Strategic Initiative Package

1. Plan Modernization
2. Next Steps

Strategic Initiative Package

Plan modernization – Medical

- Change both Medicare and Non-Medicare Medical Plans to apply Deductible before Coinsurance
 - Historically, the Plan has been set up to apply Coinsurance prior to the Deductible when determining what the member pays out-of-pocket.
 - The decision to apply Coinsurance prior to Deductible was made many years ago and intended to be a financial saving mechanism for the Plan, and to decrease the financial impact of medical inflation.
 - Applying Coinsurance prior to Deductible is a non-standard method to determine member out-of-pocket expense across existing health plans.
 - Converting the Plan to apply Deductible before Coinsurance will increase cost for the Plan and decrease cost for members in various circumstances.
 - No members will pay more under the new order to determine member cost sharing, and some members will pay less.
 - The Medicare cost increase will be approximately \$10M per year and the Non-Medicare cost increase will be approximately \$3.5M per year.
 - Aligns with the industry standard (for active and retiree plans) as well as the Dental plan for members.
 - Recommendation: Convert both Medicare and Non-Medicare Plans to apply Deductible before Coinsurance.

Plan modernization – Medical (continued)

Deductible before Coinsurance - Example

Coinsurance before Deductible		Deductible before Coinsurance	
First Medical Claim		First Medical Claim	
Approved Amount	\$800	Approved Amount	\$800
Apply 10% Coinsurance	\$80	Apply Deductible	\$800
Remaining Claim Balance	\$720	Remaining Claim Balance	\$0
Apply Deductible	\$720	Apply 10% Coinsurance	\$0
Member Cost (Coins. + Ded.)	\$800	Member Cost (Coins. + Ded.)	\$800
Plan Cost (Approved – Member Cost)	\$0	Plan Cost (Approved – Member Cost)	\$0
Total Member Cost (YTD)		Total Member Cost (YTD)	
Deductible (max of \$800)	\$720	Deductible (max of \$800)	\$800
Coinsurance (max of \$900)	\$80	Coinsurance (max of \$900)	\$0
Out-of-Pocket Maximum (max of \$1,700)	\$800	Out-of-Pocket Maximum (max of \$1,700)	\$800
Total Plan Cost (YTD)		Total Plan Cost (YTD)	
Plan Cost	\$0	Plan Cost	\$0

Member hits Deductible

After first medical claim the member and Plan have the same overall cost

Plan modernization – Medical (continued)

Deductible before Coinsurance - Example

Coinsurance before Deductible	
Second Medical Claim	
Approved Amount	\$200
Apply 10% Coinsurance	\$20
Remaining Claim Balance	\$180
Apply Deductible	\$80
Member Cost (<i>Coins. + Ded.</i>)	\$100
Plan Cost (<i>Approved – Member Cost</i>)	\$100
Total Member Cost (YTD)	
Deductible (<i>max of \$800</i>)	\$800
Coinsurance (<i>max of \$900</i>)	\$100
Out-of-Pocket Maximum (<i>max of \$1,700</i>)	\$900
Total Plan Cost (YTD)	
Plan Cost	\$100

Deductible before Coinsurance	
Second Medical Claim	
Approved Amount	\$200
Apply Deductible	\$0
Remaining Claim Balance	\$200
Apply 10% Coinsurance	\$20
Member Cost (<i>Coins. + Ded.</i>)	\$20
Plan Cost (<i>Approved – Member Cost</i>)	\$180
Total Member Cost (YTD)	
Deductible (<i>max of \$800</i>)	\$800
Coinsurance (<i>max of \$900</i>)	\$20
Out-of-Pocket Maximum (<i>max of \$1,700</i>)	\$820
Total Plan Cost (YTD)	
Plan Cost	\$180

Already Met

Member pays less when deductible applies first.

Plan pays more.

Plan modernization – Medical (continued)

Deductible before Coinsurance - Example

Coinsurance before Deductible		Limited to \$800 because \$100 was applied to Coinsurance from prior claim	Deductible before Coinsurance	
Third Medical Claim			Third Medical Claim	
Approved Amount	\$8,800		Approved Amount	\$8,800
Apply 10% Coinsurance	\$800		Apply Deductible	\$0
Remaining Claim Balance	\$8,000		Remaining Claim Balance	\$8,800
Apply Deductible	\$0		Apply 10% Coinsurance	\$880
Member Cost (Coins. + Ded.)	\$800		Member Cost (Coins. + Ded.)	\$880
Plan Cost (Approved – Member Cost)	\$8,000		Plan Cost (Approved – Member Cost)	\$7,920
Total Member Cost (YTD)			Total Member Cost (YTD)	
Deductible (max of \$800)	\$800		Deductible (max of \$800)	\$800
Coinsurance (max of \$900)	\$900		Coinsurance (max of \$900)	\$900
Out-of-Pocket Maximum (max of \$1,700)	\$1,700		Out-of-Pocket Maximum (max of \$1,700)	\$1,700
Total Plan Cost (YTD)			Total Plan Cost (YTD)	
Plan Cost	\$8,100		Plan Cost	\$8,100

Already Met

Same spend overall for the year for the member and the Plan. No further expenses for member. Plan pays all costs going forward.

Plan modernization – Pharmacy

- Copay Card Solution for Mail order and Specialty Distribution
 - Explore opportunities to maximize funds from pharmaceutical manufacturers at mail order and specialty distribution.
 - This program would not affect Plan expense, but it could save members money.
 - This program cannot currently be rolled out for the Medicare population due to CMS rules.
 - **Recommendation:** Expand copay card solutions to the Non-Medicare eligible population.

Plan modernization – Dental

- Interim caries arresting medicament
 - Topical medication to treat and prevent tooth decay to preserve the tooth.
 - Helps with tooth sensitivity and avoiding broader invasive procedures.
 - Minimal cost increase to Plan, \$14,000 annual increase in Plan cost.
 - **Recommendation:** Allow for this service to be a covered benefit under the Dental Plan.

Recommendations summary

Initiative Summary	Plan	Member Population	Estimated Savings/(Costs)	Effective Date	Notes
Change both Medicare and Non-Medicare Medical Plans to apply Deductible before Coinsurance	Medical	Non-Medicare and Medicare	(\$13.5M)	1/1/2025	
Copay Card Solutions	Pharmacy	Non-Medicare	\$0	1/1/2025	
Interim caries arresting medicament	Dental	All Dental Members	De Minimus	1/1/2025	
Total			(\$13.5M)		

Next Steps

Strategic Initiative Process

Next Steps

1

Public Review and Comment Period – May-June

2

ORS reviews comments & delivers recommended initiative – June

3

Health Insurance Committee & Board reviews public comments & recommended initiative - July

