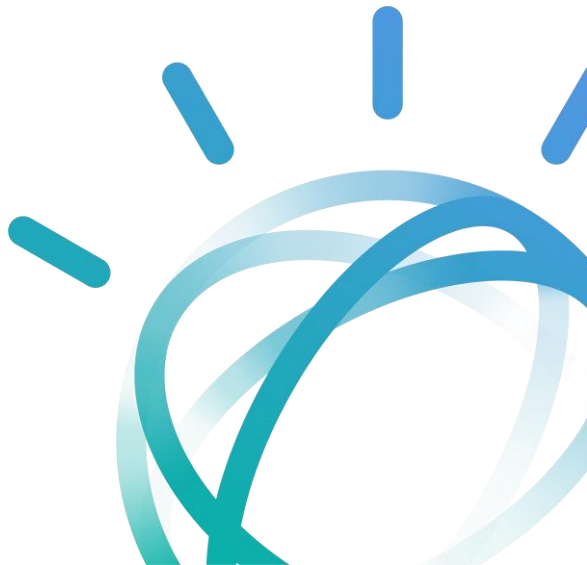


IBM **Watson Health**[™]

Michigan Office of
Retirement Services

November 2017

2016 Management Report



Agenda

Historical Experience

Prescription Drug Plan Analysis

- Claims Cost – Supply

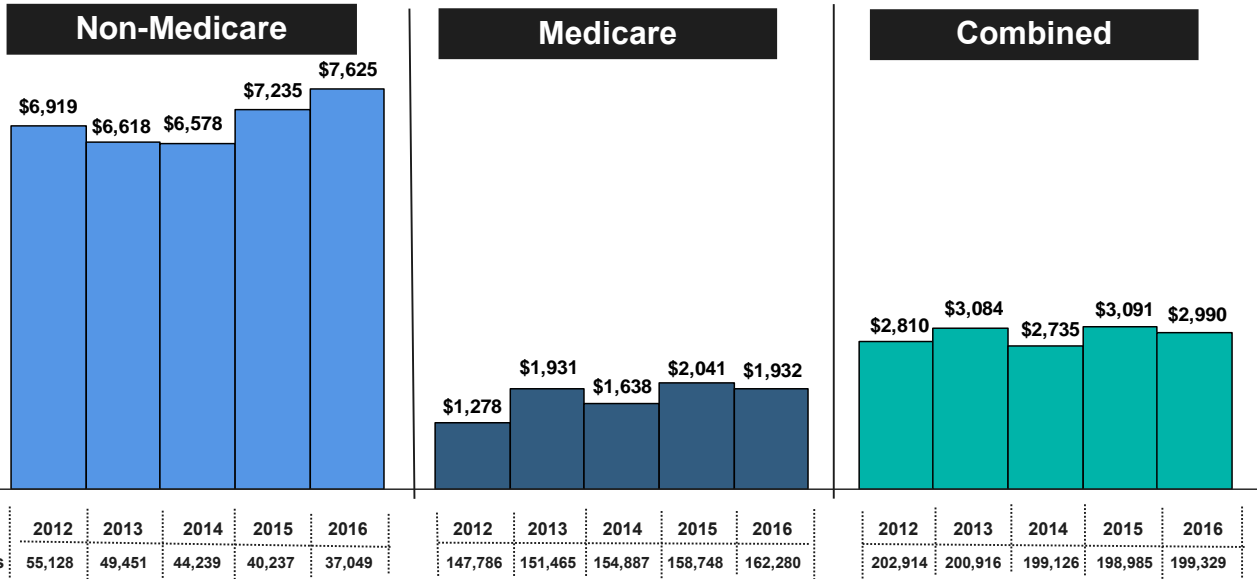
Medical Plan Analysis

- Claims Cost – Inpatient and Outpatient

Summary of Key Findings

Historical Experience: 2012 – 2016

Total Cost to the Retirement System¹ per Person²

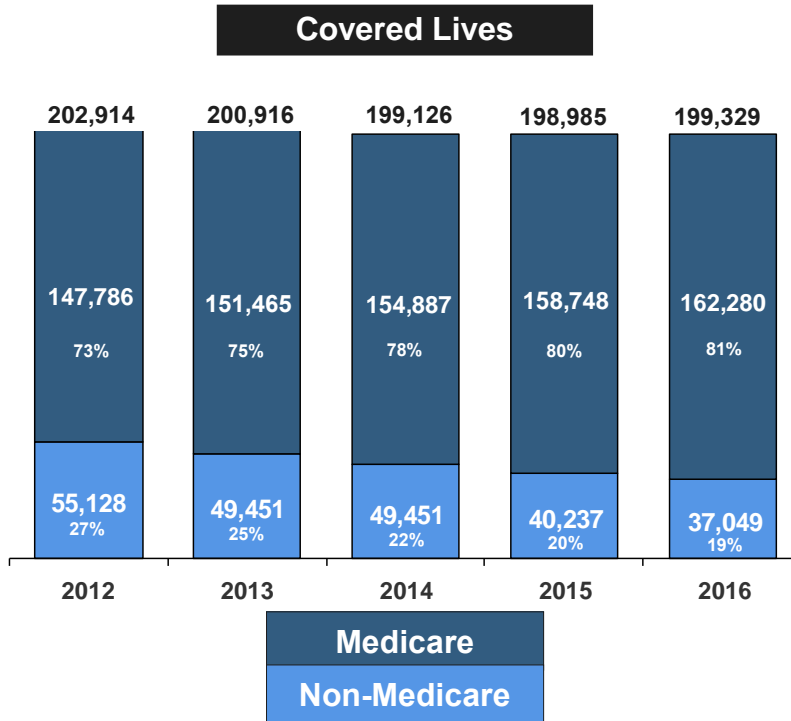


¹Cost to the Retirement System includes amounts paid for medical and prescription drug claims, capitated programs, and administration costs. It also accounts for retiree premiums and savings from Medicare revenue.

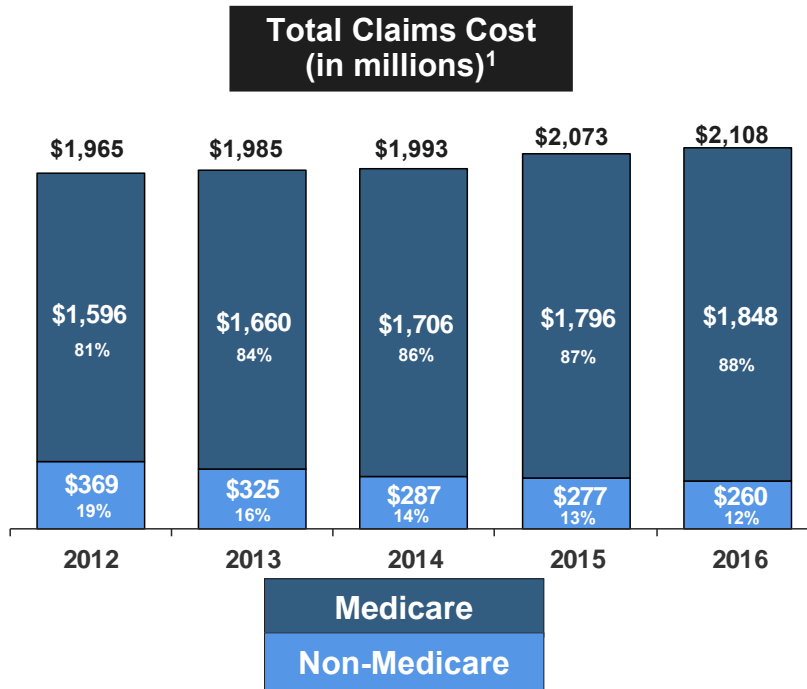
²In this presentation the term 'person' includes both retirees and dependents.

Note: Results for previous years on this slide have been adjusted since last year's report. Administrative fees that are reflective of PPO plans are now being used.

Historical Experience: Enrollment

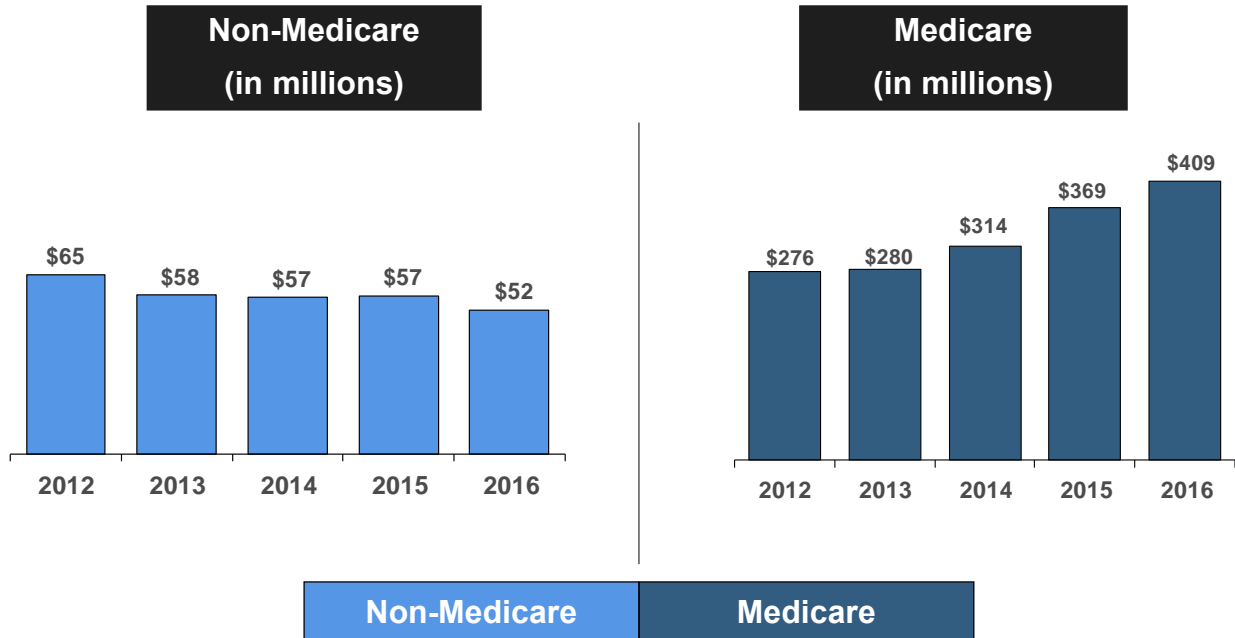


Historical Experience¹: Total Claims Cost



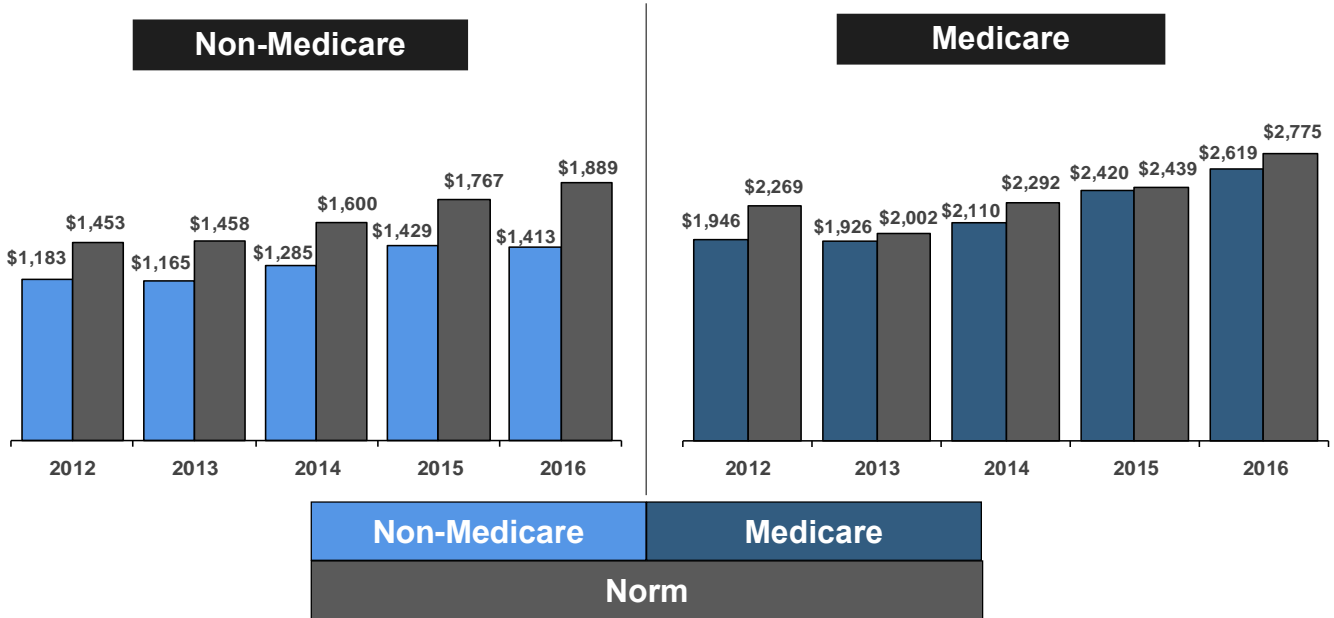
¹Claims cost is the total amount paid for medical and prescription drug claims. Claims shown here are not offset by Medicare revenue or member out of pocket costs.

Prescription Drug Claims Cost¹



¹Claims cost is the total amount paid for prescription drug claims. Claims shown here are not offset by Medicare revenue or member out of pocket costs.

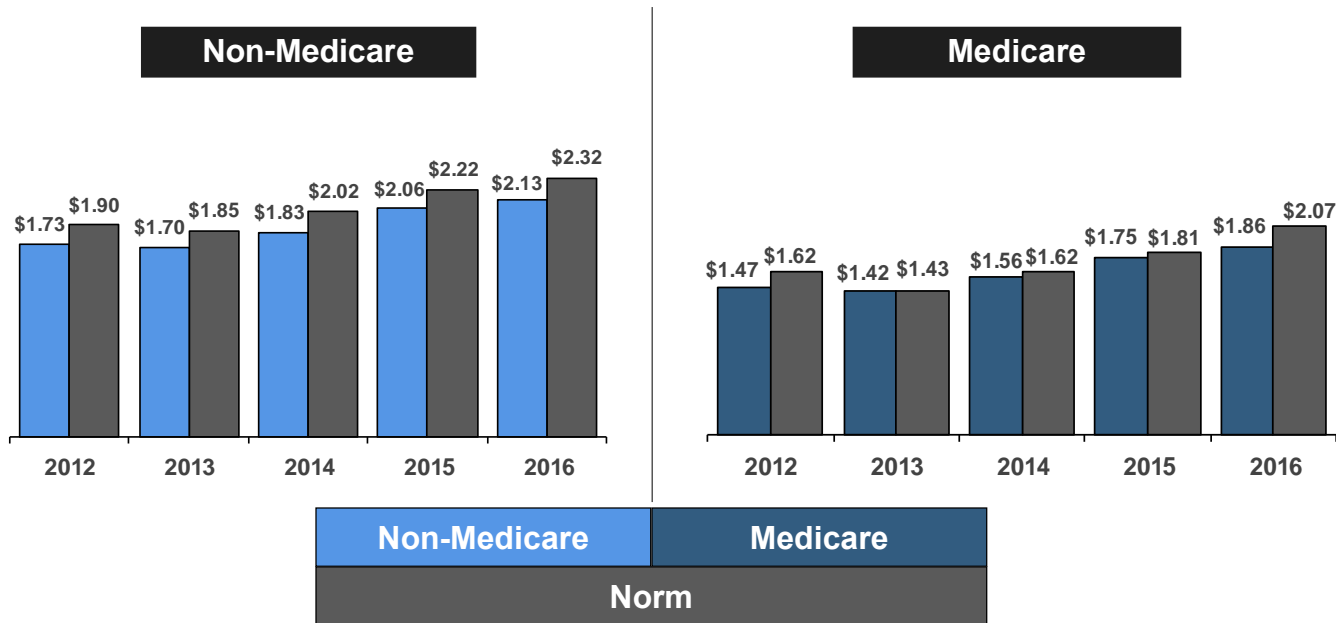
Prescription Drug Claims Cost: Per Person Compared to Norm¹



¹ Truven Health MarketScan® Normative database, representing the experience of other retiree populations with characteristics similar to those of the Retirement System population.

Claims cost is the total amount paid for prescription drug claims. Claims shown here are not offset by Medicare revenue or member out of pocket costs.

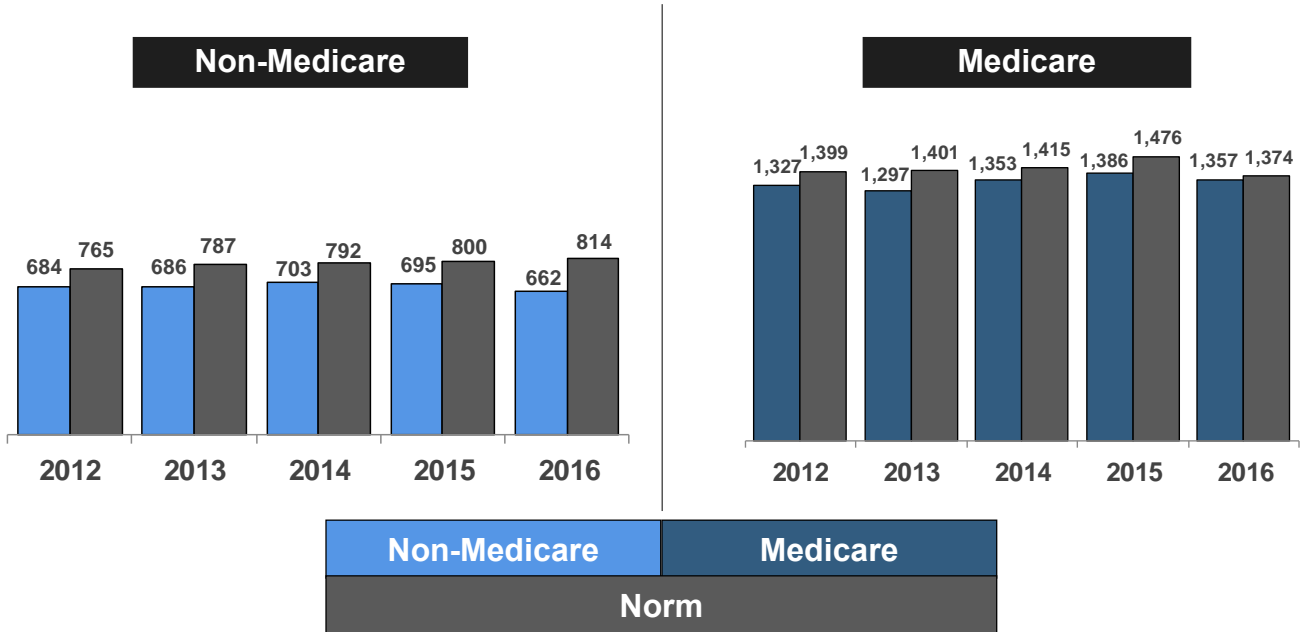
Prescription Drug Claims Cost: Per Day's Supply Compared to Norm¹



¹ Truven Health MarketScan® Normative database, representing the experience of other retiree populations with characteristics similar to those of the Retirement System population.

Claims cost is the total amount paid for prescription drug claims. Claims shown here are not offset by Medicare revenue or member out of pocket costs.

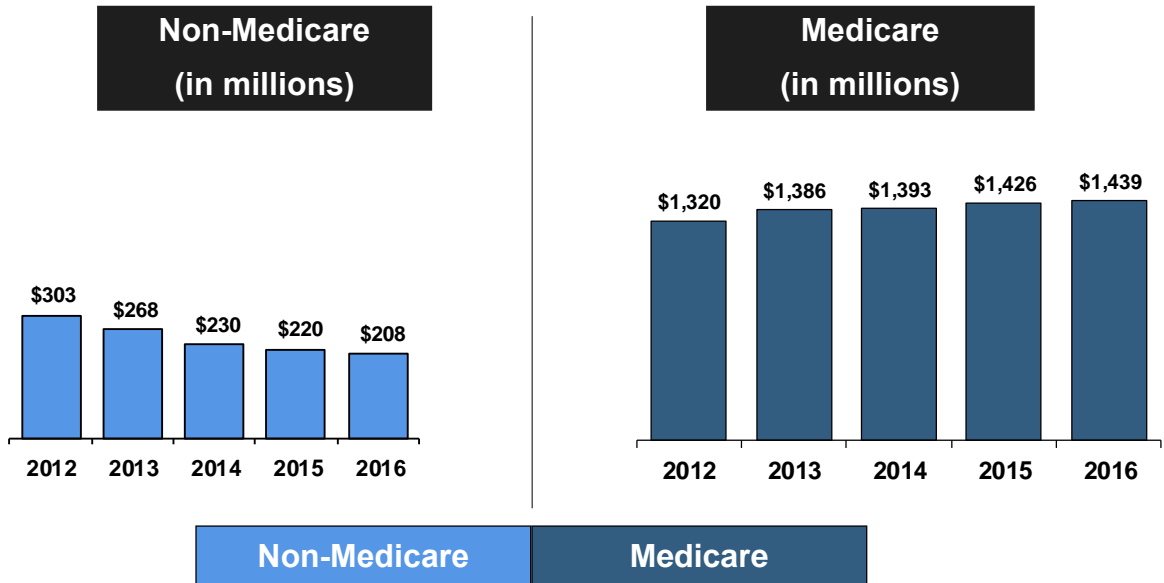
Prescription Drug Day's Supply: Per Person Compared to Norm¹



¹ Truven Health MarketScan® Normative database, representing the experience of other retiree populations with characteristics similar to those of the Retirement System population.

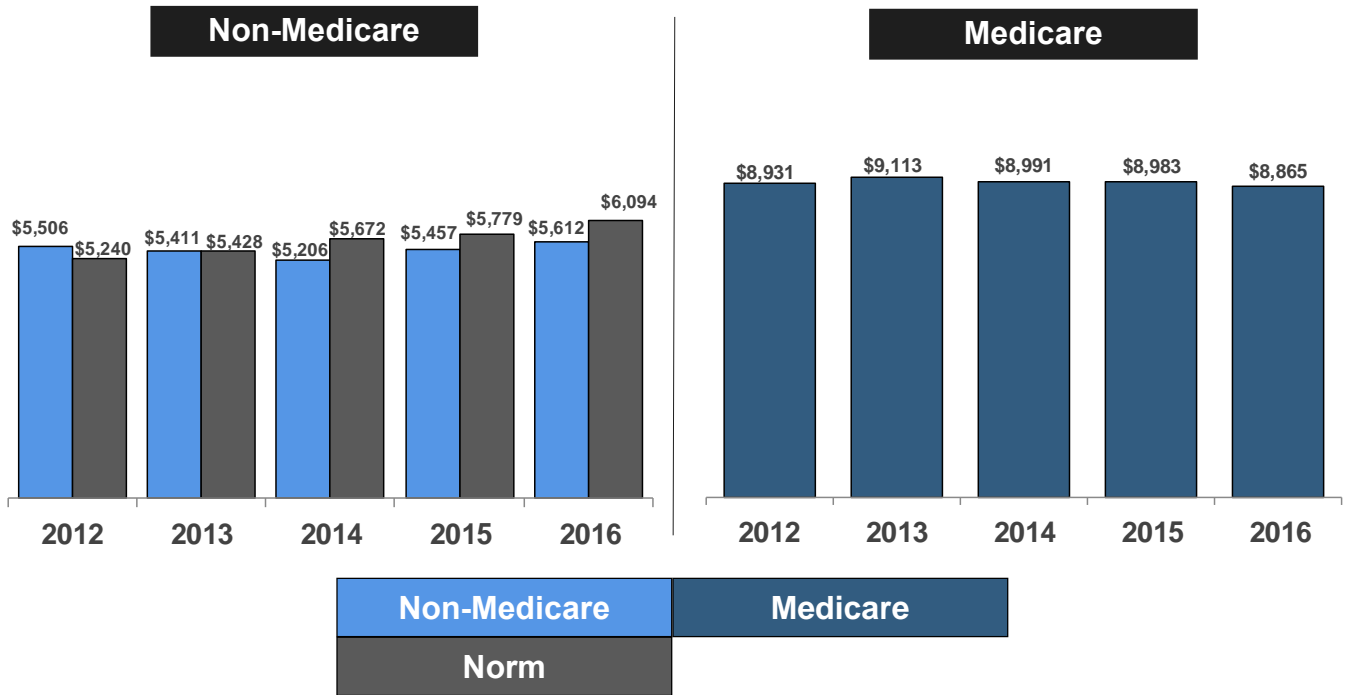
Claims cost is the total amount paid for prescription drug claims. Claims shown here are not offset by Medicare revenue or member out of pocket costs.

Medical Claims Cost¹



¹Claims cost is the total amount paid for medical claims. Claims shown here are not offset by Medicare revenue or member out of pocket costs.

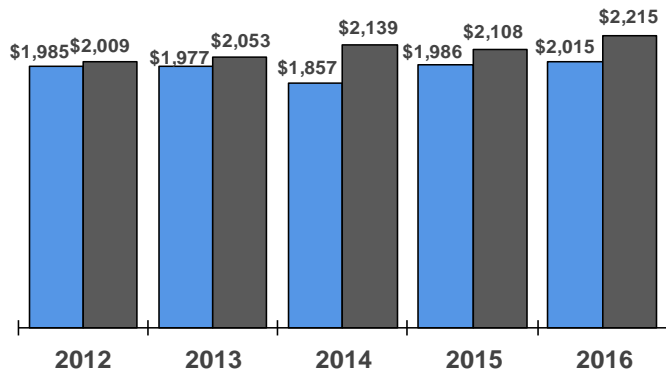
Medical Claims Cost: Per Person Compared to Norm¹



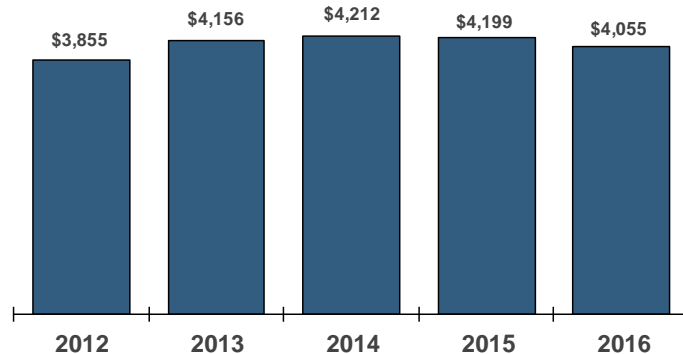
¹ Claims cost is the total amount paid for medical claims. Claims shown here are not offset by Medicare revenue or member out of pocket costs.

Inpatient Claims Cost: Per Person Compared to Norm¹

Non-Medicare



Medicare



Non-Medicare

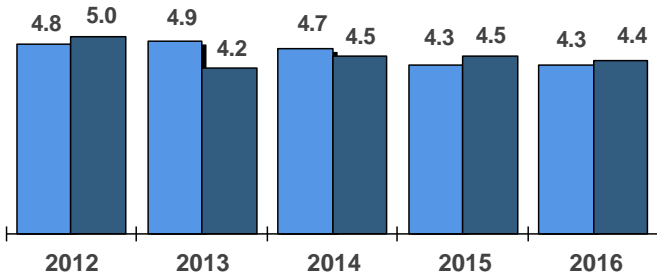
Medicare

Norm

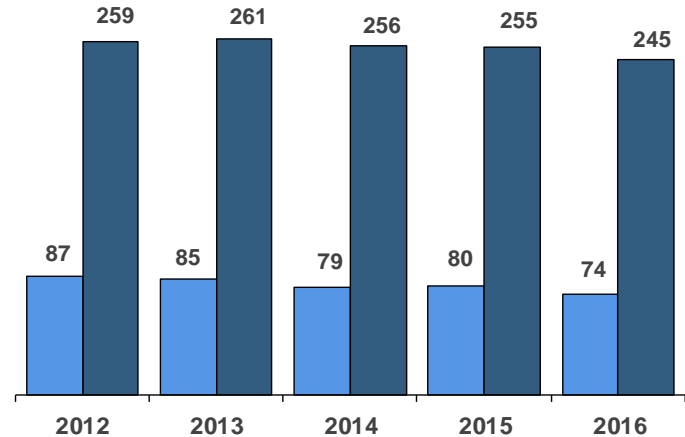
¹ Claims cost is the total amount paid for medical claims. Claims shown here are not offset by Medicare revenue or member out of pocket costs.

Inpatient Use: Average Length of Stay–Rate of Admission

Average Length of Stay



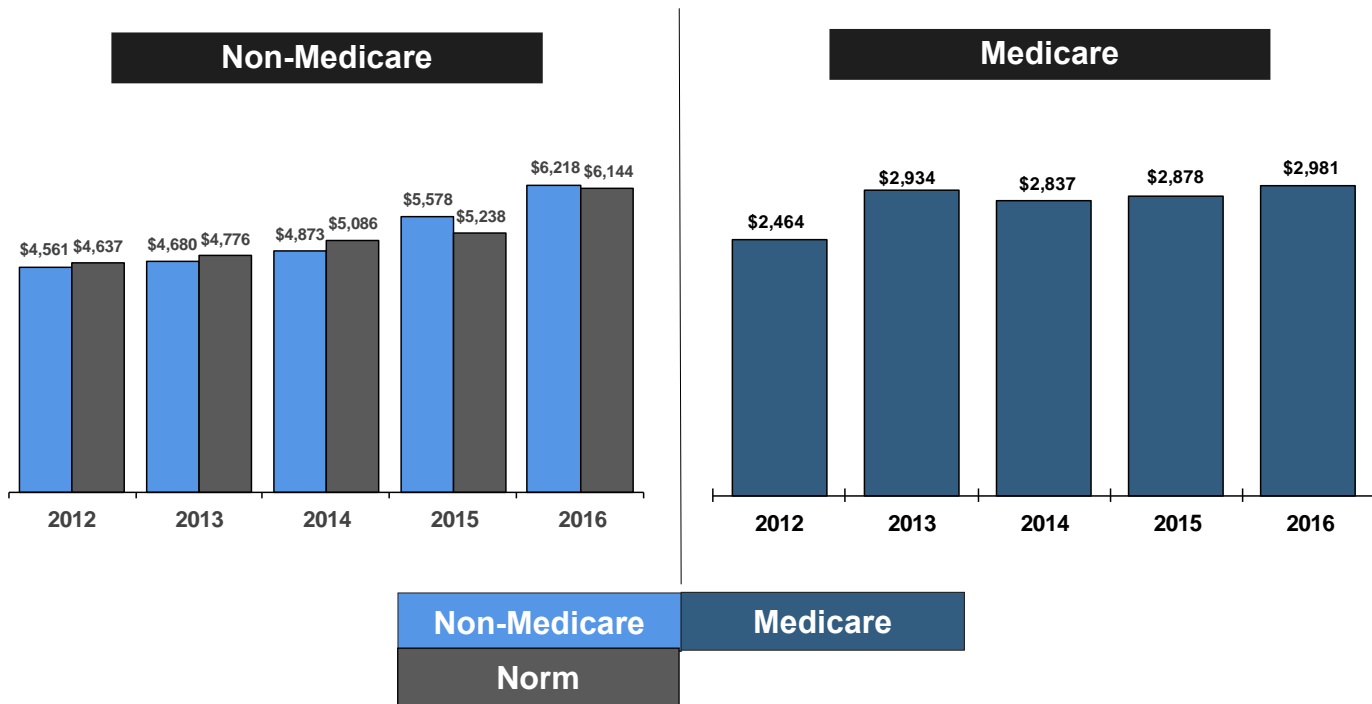
Admissions/1,000



Non-Medicare

Medicare

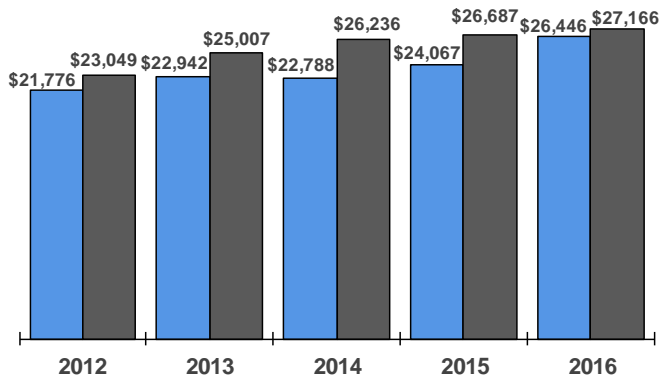
Inpatient Claims Cost¹: Per Day



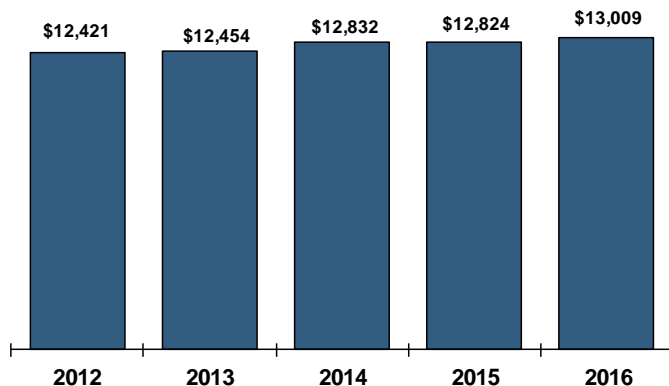
¹ Claims cost is the total amount paid for medical claims. Claims shown here are not offset by Medicare revenue or member out of pocket costs.

Inpatient Claims Cost¹: Per Admission

Non-Medicare



Medicare



Non-Medicare

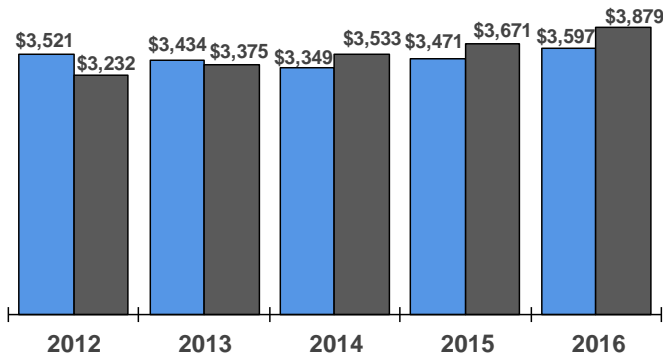
Medicare

Norm

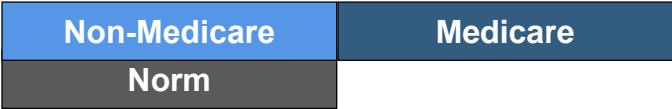
¹ Claims cost is the total amount paid for medical claims. Claims shown here are not offset by Medicare revenue or member out of pocket costs.

Outpatient Medical Claims Cost: Per Person Compared to Norm¹

Non-Medicare



Medicare



¹ Claims cost is the total amount paid for medical claims. Claims shown here are not offset by Medicare revenue or member out of pocket costs.

Summary of Key Findings

- The total covered population, including dependents, remained relatively flat at 199,329 members in 2016.
- Before taking into account CMS revenue, premiums, and administrative fees, claims costs per-member-per-year increased 2% between 2015 and 2016 mostly due to increases in per-member-per-year Medicare drug costs.
- After taking into account CMS revenue, premiums, and administrative fees, Retirement System costs per-person decreased 3% in 2016.
- Prescription drug claims costs per person increased 3% for the Non-Medicare population and 8% for the Medicare population from 2015 to 2016. Prescription drug claims costs per person were 25% below the norm for the Non-Medicare population and 6% below norm in the Medicare population.
- Medical claims costs per person in the Non-Medicare population increased 3% in 2016 driven by an increase in inpatient costs per day and per admission. However, medical claims costs per person in the Non-Medicare population were 8% below norm.
- Medical costs per person in the Medicare population remained stable from 2015 to 2016.
-

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