A close-up photograph of a hand holding a red pencil, poised to write on a sheet of lined paper. In the background, an open book with a white cover is visible on a wooden desk. The scene is softly lit, creating a professional and focused atmosphere.

Michigan Public School Employees' Retirement System Consolidated Cost Review and 2021 Health Care Rating

September 17, 2020

Agenda

- Consolidated Cost Review

- Health Care Rating—Calendar Year 2021
 - 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
2015	\$485	\$117	\$602	\$100	\$110	\$210
2016	\$500	\$113	\$613	\$86	\$129	\$215
2017	\$493	\$115	\$608	\$44	\$110	\$154
2018	\$525	\$116	\$641	\$34	\$94	\$128
2019	\$559	\$123	\$681	\$3	\$89	\$92
Average Annualized Trend	3.6%	1.1%	3.1%	-57.4%	-5.0%	-18.6%

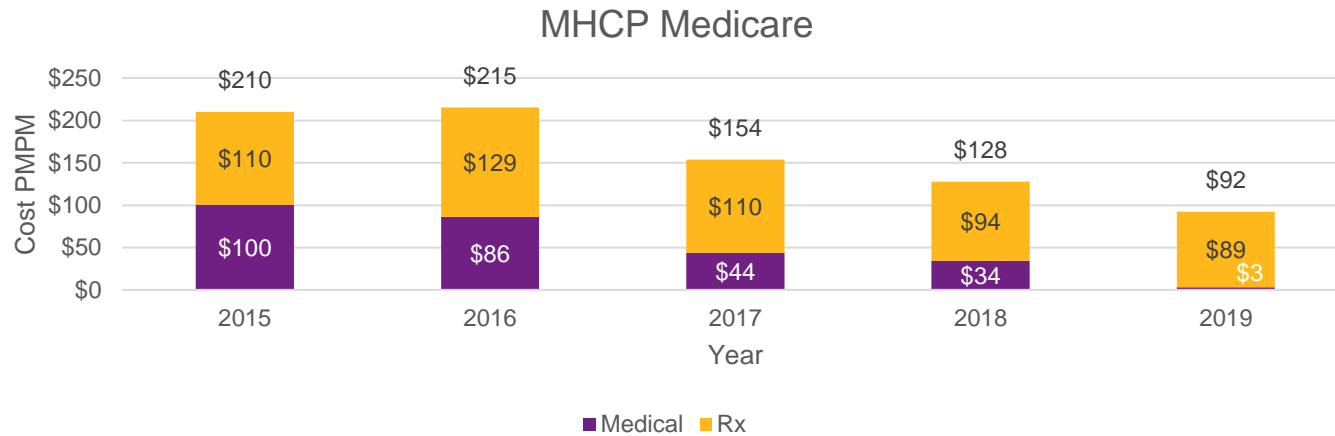
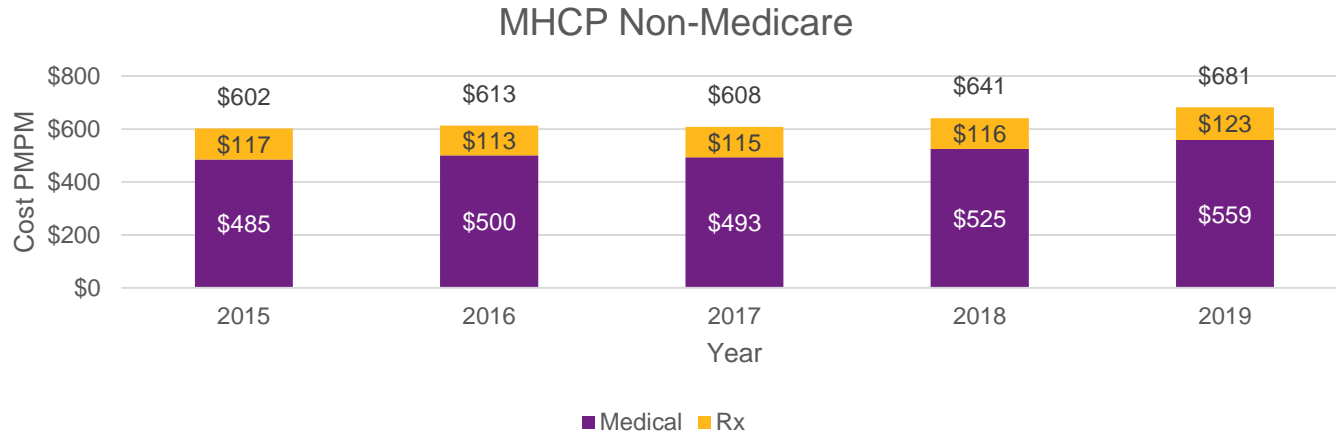
Year	HMOs		MHCP/HMOs Combined		
	Non-Medicare	Medicare	Non-Medicare	Medicare	Non-Med/Med
	Med/Rx	Med/Rx	Med/Rx	Med/Rx	Med/Rx
2015	\$577	\$147	\$596	\$204	\$295
2016	\$585	\$155	\$608	\$204	\$290
2017	\$637	\$129	\$615	\$151	\$242
2018	\$594	\$126	\$629	\$128	\$222
2019	\$641	\$96	\$672	\$93	\$194
Average Annualized Trend	2.7%	-10.1%	3.0%	-17.9%	-10.0%

Year	Dental	Vision
2015	\$27	\$2
2016	\$28	\$2
2017	\$27	\$2
2018	\$28	\$2
2019	\$28	\$2
Average Annualized Trend	1.2%	-0.8%

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

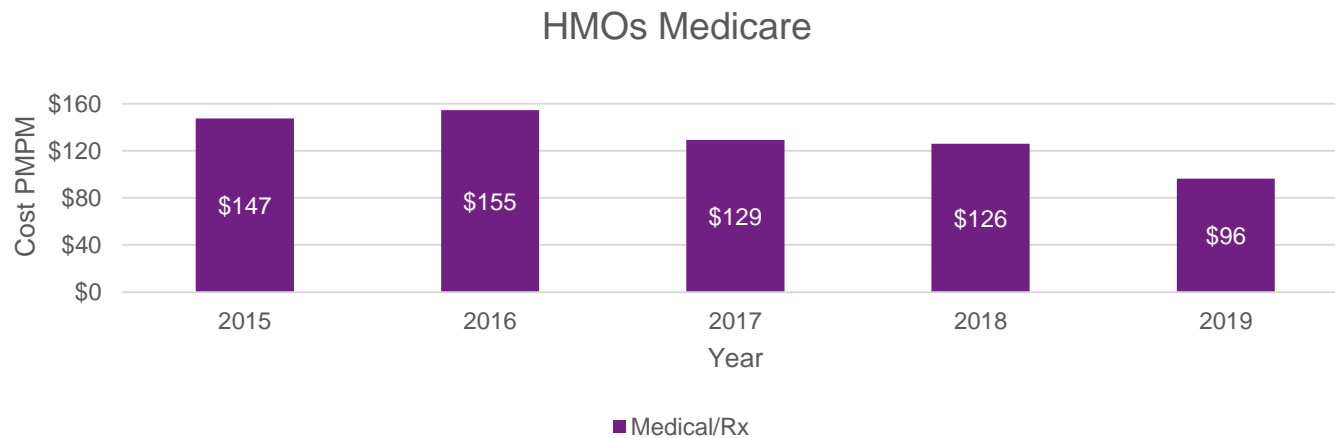
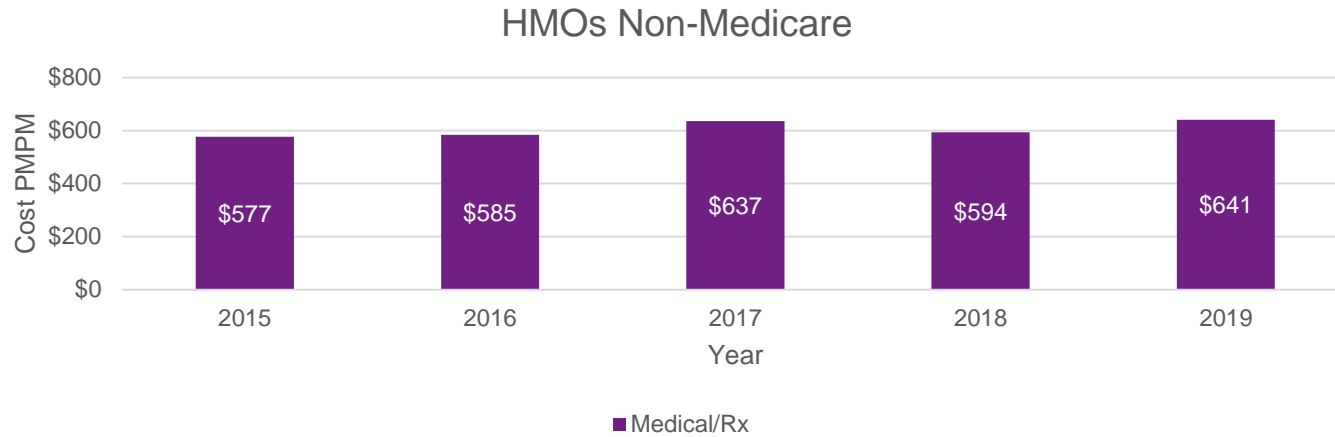
Consolidated Cost Review

MHCP



Consolidated Cost Review

HMOs



Consolidated Cost Review

Dental and Vision

Dental



Vision



Consolidated Cost Review

MHCP Detail for 2017 and 2018

	Non-Medicare				Medicare			
	Medical		Rx		Medical		Rx	
	2018	2019	2018	2019	2018	2019	2018	2019
Members	32,680	31,078	32,680	31,078	168,297	169,746	168,297	169,746
Benefit Expense	\$192,945,728	\$195,672,683	\$53,603,397	\$55,553,368	\$1,593,536,974	\$1,645,286,869	\$469,328,651	\$501,122,158
Admin	\$12,793,415	\$12,679,861	\$833,318	\$705,315	\$122,811,623	\$125,700,308	\$12,249,529	\$12,722,502
EGWP Revenue	\$0	\$0	\$0	\$0	\$1,646,954,442	\$1,764,224,497	\$175,661,612	\$201,485,180
Rebates	\$0	\$0	\$8,798,707	\$10,501,564	\$0	\$0	\$116,978,318	\$130,887,767
Net Cost	\$205,739,143	\$208,352,544	\$45,638,008	\$45,757,120	\$69,394,155	\$6,762,681	\$188,938,250	\$181,471,713
	PMPM							
Benefit Expense	\$492	\$525	\$137	\$149	\$789	\$808	\$232	\$246
Admin	\$33	\$34	\$2	\$2	\$61	\$62	\$6	\$6
EGWP Revenue	\$0	\$0	\$0	\$0	\$816	\$866	\$87	\$99
Rebates	\$0	\$0	\$22	\$28	\$0	\$0	\$58	\$64
Net Cost	\$525	\$559	\$116	\$123	\$34	\$3	\$94	\$89

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

Health Care Rating – Calendar Year 2021

- Reviews historical costs and developing trends to project the total expected benefit costs plus administrative expenses for calendar year 2021
- Rating calculations are used to determine calendar year 2021 premiums for:
 - MHCP Medical and Prescription Drugs
 - Dental and Vision

Health Care Rating – Calendar Year 2021

- MHCP Medical/Prescription Drugs and Dental/Vision Projections
 - Historical claims are collected
 - Projected to 2021 using assumed trends and adjusted for benefit changes
 - Administrative fees are added
 - Medicare Advantage costs offset by 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 2021

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
2017	\$33.14	\$60.50	\$3.32	\$7.00
2018	\$33.14	\$60.50	\$3.32	\$7.00
2019	\$33.81	\$61.71	\$3.32	\$7.00
2020	\$34.49	\$62.94	\$3.32	\$7.00
2021	\$35.18	\$63.88	\$3.27	\$6.95

Health Care Rating – Calendar Year 2021

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
- Willis Towers Watson 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 2021 rating year
- No adjustments to the calendar year 2021 rating have been made to incorporate the impact of the COVID-19 pandemic

Health Care Rating – Calendar Year 2021

MHCP 2021 Trend Assumptions

Source	Hospital	Professional	Prescription Drug	Composite
PwC Health Research Institute Projection*				6.0%
BCBSM Projected Non-Medicare Trend	3.2%			
BCBSM Medicare Advantage Trend**	2.9%			
Standard Willis Towers Watson Pricing Assumptions	4-6%		6-9%	5-7%
2021 Trend Assumption	5.0% Non-Medicare 3.0% Medicare Advantage		9.0%	5.9% Non-Medicare 4.5% Medicare

*Medium-Spending Scenario: Spending grows at roughly the same rate in 2021 as it did from 2014 to 2019 and was expected to in 2020

**Based on BCBSM Net Cost Target

Health Care Rating – Calendar Year 2021

MHCP Annual Rate Adjustments

	2016	2017	2018	2019	2020	Historical Average	2021
Overall							
Medical	-0.9%	-5.4%	-10.9%	-14.9%	-8.8%	-8.2%	1.3%
Prescription Drug	11.3%	13.3%	9.4%	2.2%	2.6%	7.8%	-10.5%
Total	2.9%	0.9%	-3.1%	-7.4%	-3.2%	-2.0%	-5.1%
Non-Medicare	7.2%	1.9%	3.6%	-2.1%	4.9%	3.1%	7.7%
Medicare	0.2%	0.2%	-7.1%	-10.7%	-8.4%	-5.2%	-13.5%

Health Care Rating – Calendar Year 2021

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 2021

MHCP Medical and Prescription Drug Rating

Monthly Rate Comparison (80% Subsidy)

	2020			2021		
	Total Rate	80% Subsidy	Amount Deducted From Pension	Total Rate	80% Subsidy	Amount Deducted From Pension
Without Medicare						
Self	\$809.28	\$647.42	\$161.86	\$871.52	\$697.22	\$174.30
Self & Spouse	\$1,493.51	\$1,194.81	\$298.70	\$1,608.59	\$1,286.87	\$321.72
Self & Children	\$1,109.27	\$887.42	\$221.85	\$1,194.67	\$955.74	\$238.93
Self, Spouse & Children	\$1,793.50	\$1,434.80	\$358.70	\$1,931.74	\$1,545.39	\$386.35
With Medicare						
Medicare Self	\$192.62	\$154.10	\$38.52	\$166.70	\$133.36	\$33.34
Medicare Self & Spouse	\$370.67	\$296.54	\$74.13	\$320.67	\$256.54	\$64.13
Medicare Self & Children	\$392.07	\$313.66	\$78.41	\$339.18	\$271.34	\$67.84
Medicare Self, Spouse & Children	\$570.12	\$456.10	\$114.02	\$493.15	\$394.52	\$98.63
One With and One Without Medicare						
Self w/o Medicare, Spouse w/ Medicare	\$987.33	\$789.86	\$197.47	\$1,025.49	\$820.39	\$205.10
Self w/ Medicare, Spouse w/o Medicare	\$876.85	\$701.48	\$175.37	\$903.77	\$723.02	\$180.75
Self w/o Medicare, Spouse w/ Medicare & Children	\$1,186.78	\$949.42	\$237.36	\$1,197.97	\$958.38	\$239.59
Self w/ Medicare, Spouse w/o Medicare & Children	\$1,176.84	\$941.47	\$235.37	\$1,226.92	\$981.54	\$245.38

Health Care Rating – Calendar Year 2021

Dental Costs and Historical Trend

Experience Period	Per Member Per Month	Trend
2015	\$25.32	
2016	\$25.98	2.6%
2017	\$25.27	-2.7%
2018	\$26.24	3.8%
2019	\$26.45	0.8%
4-year Annualized Trend		1.1%
Assumed Trend		2.0%

Health Care Rating – Calendar Year 2021

Vision Costs and Historical Trend

Experience Period	Per Member Per Month	Trend
2015	\$1.71	
2016	\$1.78	4.1%
2017	\$1.99	11.8%
2018	\$1.76	-11.6%
2019	\$1.80	2.0%
4-year Annualized Trend		1.2%
Assumed Trend		2.0%

Health Care Rating – Calendar Year 2021

Dental and Vision Administrative Fees - PCPM

Calendar Year	Dental	Vision
2017	\$2.45	\$0.46
2018	\$2.52	\$0.11
2019	\$2.58	\$0.11
2020	\$2.63	\$0.11
2021	\$2.58	\$0.11

Health Care Rating – Calendar Year 2021

Dental and Vision Plan Annual Rate Adjustments

	2016	2017	2018	2019	2020	Historical Average	2021
Dental and Vision	-4.6%	0.8%	2.6%	3.1%	-0.8%	0.5%	1.5%

Health Care Rating – Calendar Year 2021

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 2021

Dental and Vision Rating

Monthly Rate Comparison (80% Subsidy)

	2020			2021		
	Total Rate	80% Subsidy	Amount Deducted From Pension	Total Rate	80% Subsidy	Amount Deducted From Pension
Dental and Vision						
Self	\$29.92	\$23.94	\$5.98	\$30.36	\$24.29	\$6.07
Self & Spouse	\$59.84	\$47.87	\$11.97	\$60.72	\$48.58	\$12.14
Self & Children	\$59.84	\$47.87	\$11.97	\$60.72	\$48.58	\$12.14
Self, Spouse & Children	\$89.76	\$71.81	\$17.95	\$91.08	\$72.86	\$18.22