



MICHIGAN MUNICIPAL LEAGUE  
**CONVENTION2024**

———— *WELCOME!* ————

M M L  
CONV  
2024

# Transforming Employee Health Insurance

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# We have a problem with health care costs



**44%**

Increase in  
healthcare costs  
since 2013



**50%**

Indicate that it is  
difficult to afford  
health care in U.S.



**25%**

Insured adults  
have put off  
health care in the  
last 12 months  
due to cost



**41%**

U.S. adults that  
report some level  
of medical debt



# MACRO ECONOMIC COST DRIVERS

## Why is healthcare more expensive in the U.S.?



### Administration

Studies attribute ~30% of U.S. healthcare costs to administrative complexity



### Aging Society

In 2020, 1 in 6 U.S. citizens are age 65+. (In 1920, it was 1 in 20)



### Health Status

42% of the U.S. population have 2 or more chronic conditions. (90% of spend)



### Defensive Medicine

75% of physicians report practicing defensive medicine to avoid lawsuits



### Transparency

The U.S. health system lacks cost or quality transparency



### Technology

Healthcare is an industry where tech adds cost. (~40-50% of annual increases)

[High U.S. Health Care Spending | Commonwealth Fund](#)

[2020 Census: 1 in 6 People in the United States Were 65 and Over](#)

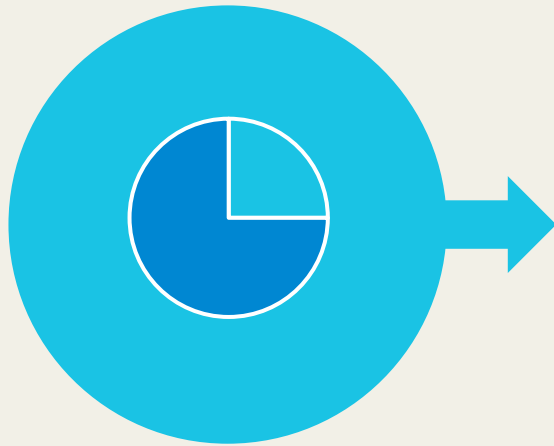
[Chronic Disease Prevalence in the US: Sociodemographic and Geographic Variations by Zip Code Tabulation Area \(cdc.gov\)](#)

[Reducing the Cost of Defensive Medicine - Center for American Progress](#)

[Technology And Rising Health Care Costs \(forbes.com\)](#)

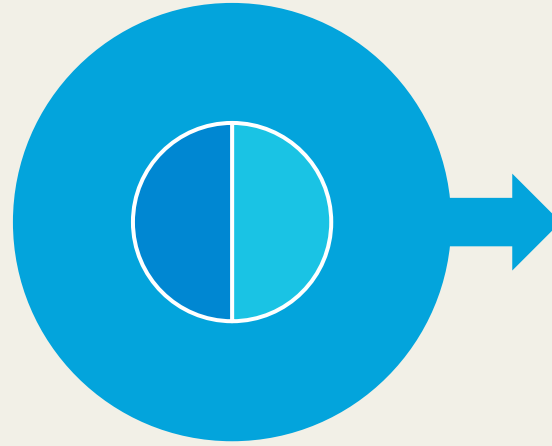
# COST CONTAINMENT STRATEGIES

What employers are doing today to address cost



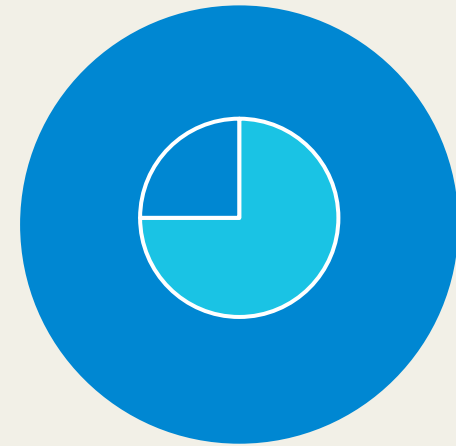
## TIER 1

- Plan Design Changes
- Employee Contributions
- Network Strategy
- High Deductible Health Plans (HSAs)
- Medicare Migration Strategy
- Family Glitch Strategy



## TIER 2

- Funding Changes (Level-Funding, Self-Funded, Captives)
- Pharmacy Carve-Outs
- Point Solutions



## TIER 3

- Reference Based Pricing
- Direct Provider Contracting
- IC-HRA

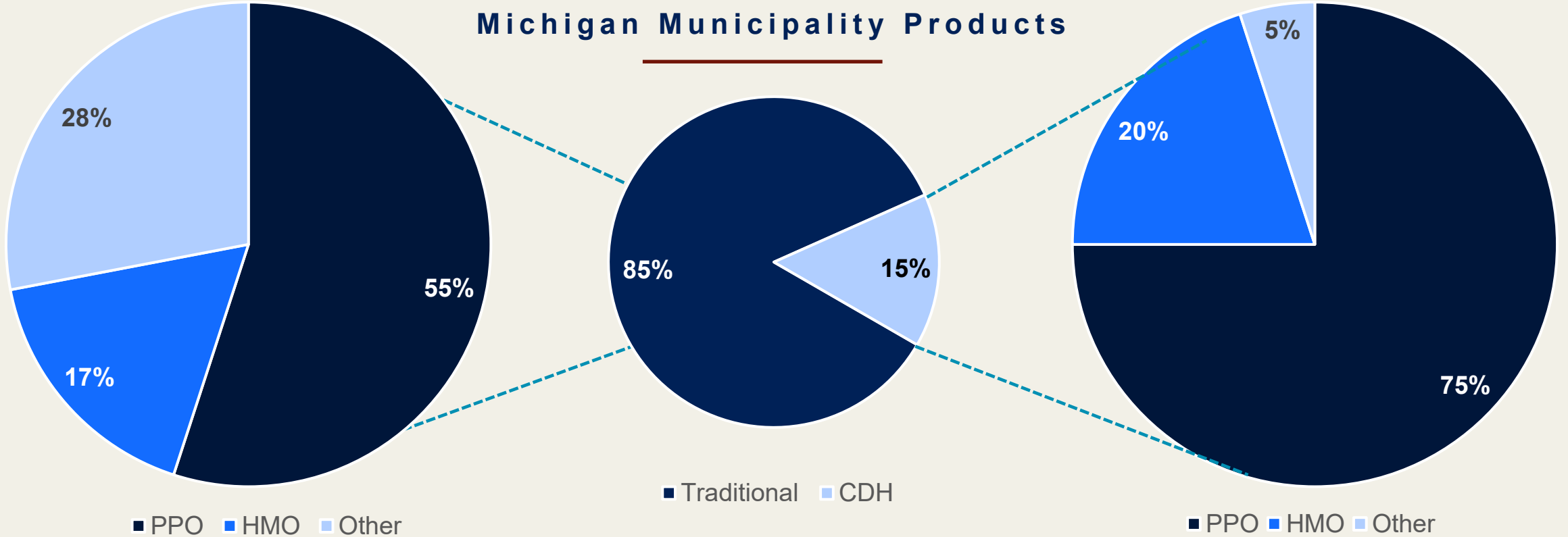
Low

Potential Disruption / Potential Savings

High

# BENCHMARKING

## Michigan Municipality Products

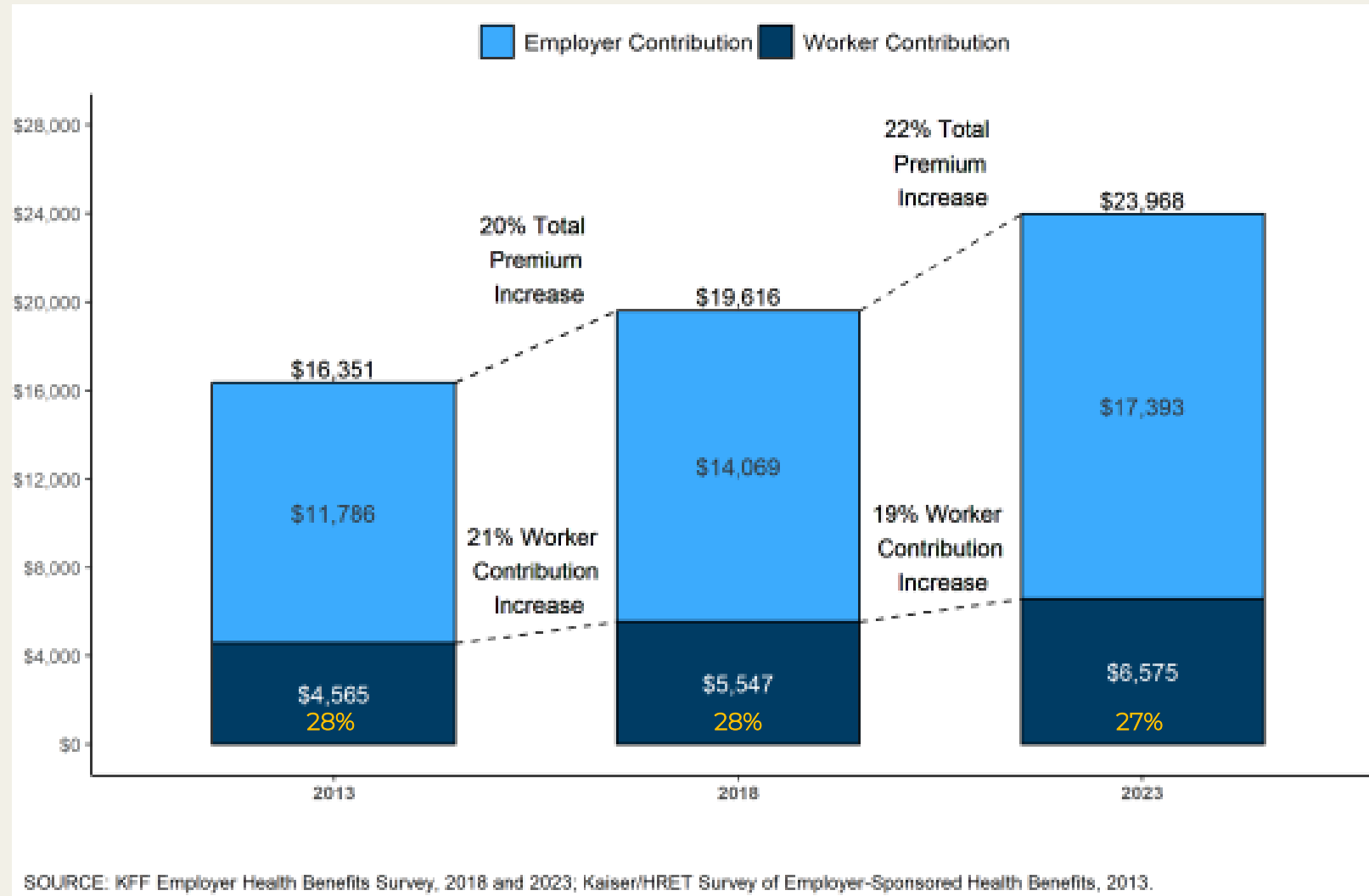


Traditional Averages					
	Ded	Coins	OOPM	OV	ET
<b>PPO</b>	\$1,112	13%	\$5,291	\$22	\$134
<b>HMO</b>	\$1,981	17%	\$5,363	\$25	\$188
<b>OTHER</b>	\$390	14%	\$2,238	\$12	\$53
<b>TOTAL</b>	\$1,602	14%	\$5,212	\$23	\$152

CDH Averages					
	Ded	Coins	OOPM	OV	ET
<b>PPO</b>	\$2,731	10%	\$4,948	\$32	\$189
<b>HMO</b>	\$2,641	19%	\$4,777	\$23	\$127
<b>OTHER</b>	\$2,071	12%	\$4,138	\$0	\$0
<b>TOTAL</b>	\$2,674	12%	\$4,885	\$26	\$153

# BENCHMARKING

## Premium Sharing



90%

Average employer contribution among Michigan Planners' municipal customers

78%

Lowest employer contribution among Michigan Planners' municipal customers

100%

Highest employer contribution among Michigan Planners' municipal customers

# HEALTHCARE VALUE

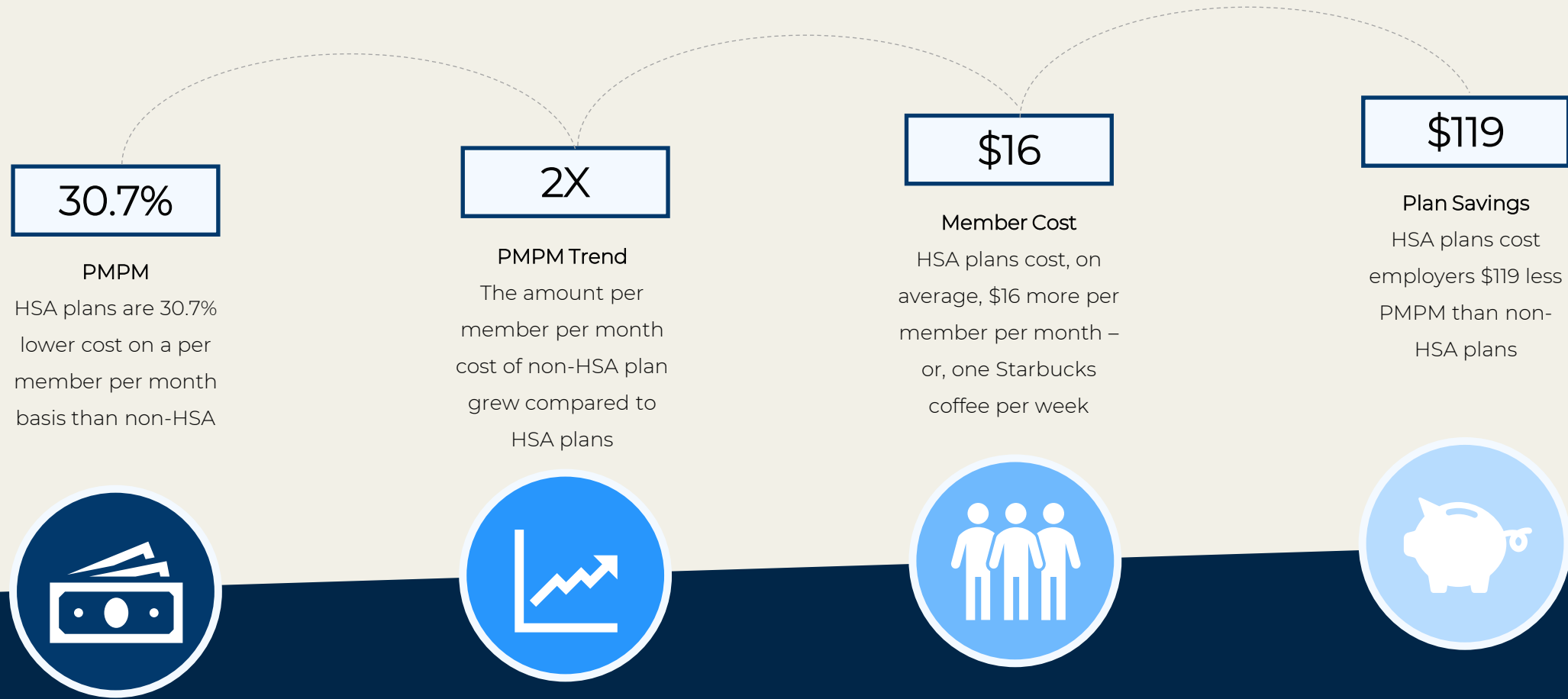
Employers & employees often equate lower deductibles & other cost sharing with value. In other words, a low deductible plan is viewed as a “high value” plan. Is that really true?

	 <b>EMPLOYER</b>	 <b>UNHEALTHY EMPLOYEES</b> ~20%	 <b>HEALTHY EMPLOYEES</b> ~80%	 <b>CARRIER</b>
<b>Pro</b>	<ul style="list-style-type: none"> <li>✓ Can promote rich plan design for recruitment and retention of employees</li> <li>✓ Potential reduction of employee benefit inquiries</li> </ul>	<ul style="list-style-type: none"> <li>✓ The plan requires lower out-of-pocket costs <b>WHEN</b> services are utilized</li> </ul>	<ul style="list-style-type: none"> <li>✓ The plan requires lower out-of-pocket costs <b>IF</b> services are utilized</li> </ul>	<ul style="list-style-type: none"> <li>✓ Maximizes carrier revenue with highest cost premium products</li> <li>✓ Improves cash flow position on monthly interest accrual</li> </ul>
<b>Con</b>	<ul style="list-style-type: none"> <li>✓ Costly for employer to offer if they have high premium share contribution rates</li> <li>✓ Little correlation between employee benefit satisfaction and deductible levels</li> <li>✓ Creates perverse incentive for employees to utilize care once cost sharing maximums are met</li> </ul>	<ul style="list-style-type: none"> <li>✓ Likely has higher premium contributions out of paycheck</li> <li>✓ Inability to access triple-tax advantaged HSAs to pay for health care services or save towards retirement healthcare costs</li> </ul>	<ul style="list-style-type: none"> <li>✓ Likely has higher premium contributions out of paycheck for an unused benefit</li> <li>✓ Inability to access triple-tax advantaged HSAs to pay for health care services or save towards retirement healthcare costs</li> </ul>	<ul style="list-style-type: none"> <li>✓ Creates perverse incentive for members to utilize care once deductible and coinsurance maximums are met</li> </ul>



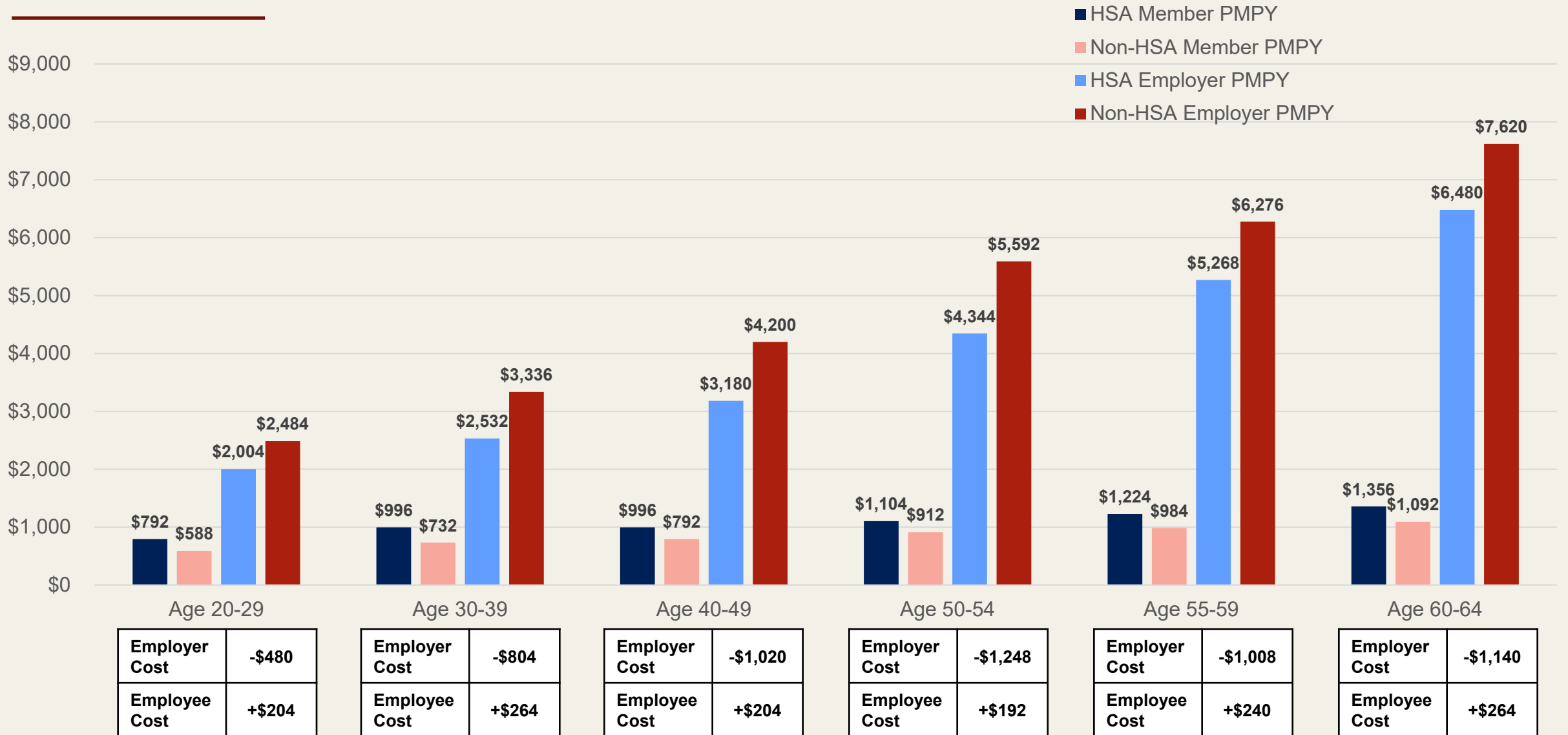
# HIGH DEDUCTIBLE HEALTH PLANS

## Advantages of Offering HSA Products



# HSA COSTS

## Employer & Employee Cost for HSA vs. Non-HSA



# CASE STUDIES

Employers' potential savings by moving to HDHP

## Client 1

Large Employer – PPO

BCBSM	Current	HSA
Deductible	\$1,000	\$3,500
Coinsurance	0%	0%
Coinsurance Maximum	N/A	N/A
Annual OOPM	\$8,150	\$6,900
Rx	\$10/\$40/\$80	\$10/\$40/\$80
Single Monthly Premium	\$1,078	\$730
Annual Premium	\$12,936	\$8,760
HDHP Annual Savings	<b>\$4,176</b>	

## Client 2

Small Employer - PPO

BCBSM	Current	HSA
Deductible	\$500	\$4,500
Coinsurance	20%	0%
Coinsurance Maximum	\$2,000	N/A
Annual OOPM	\$8,700	\$7,000
Rx	\$10/\$40/\$100	\$20/\$60/\$150/ 20%/20%
Single Monthly Premium	\$814	\$522
Annual Premium	\$9,768	\$6,264
HDHP Annual Savings	<b>\$3,504</b>	

## Client 3

Large Employer - POS

Priority	Current	HSA
Deductible	\$1,000	\$2,000
Coinsurance	20%	0%
Coinsurance Maximum	\$1,500	N/A
Annual OOPM	\$7,900	\$4,000
Rx	10%/20%/30%	10%/20%/30%
Single Monthly Premium	\$638	\$503
Annual Premium	\$7,656	\$6,036
HDHP Annual Savings	<b>\$1,620</b>	

# HEALTH SAVINGS ACCOUNTS

What are some of the key features?

## Eligibility



- Must be enrolled in a high deductible health plan
- Must be a U.S. taxpayer
- Cannot be enrolled in another non-HDHP or Medicare plan
- Cannot be enrolled in an FSA or HRA
- Can't be claimed as a dependent

## Ownership



- Account owned by employee
- Account is portable by the employee
- Account rolls over from year-to-year

## Uses



- To pay for IRS qualified health care related expenses
  - Deductibles, copays, etc.
  - Dental, vision, Rx
- To pay for retiree health care expenses including Medicare

## Tax Advantages



- HSA accounts are triple tax advantaged
  - Contributions to the HSA are pre-tax
  - Account growth from interest & investments is tax free
  - IRS qualified distributions are tax free

## Annual Maximums

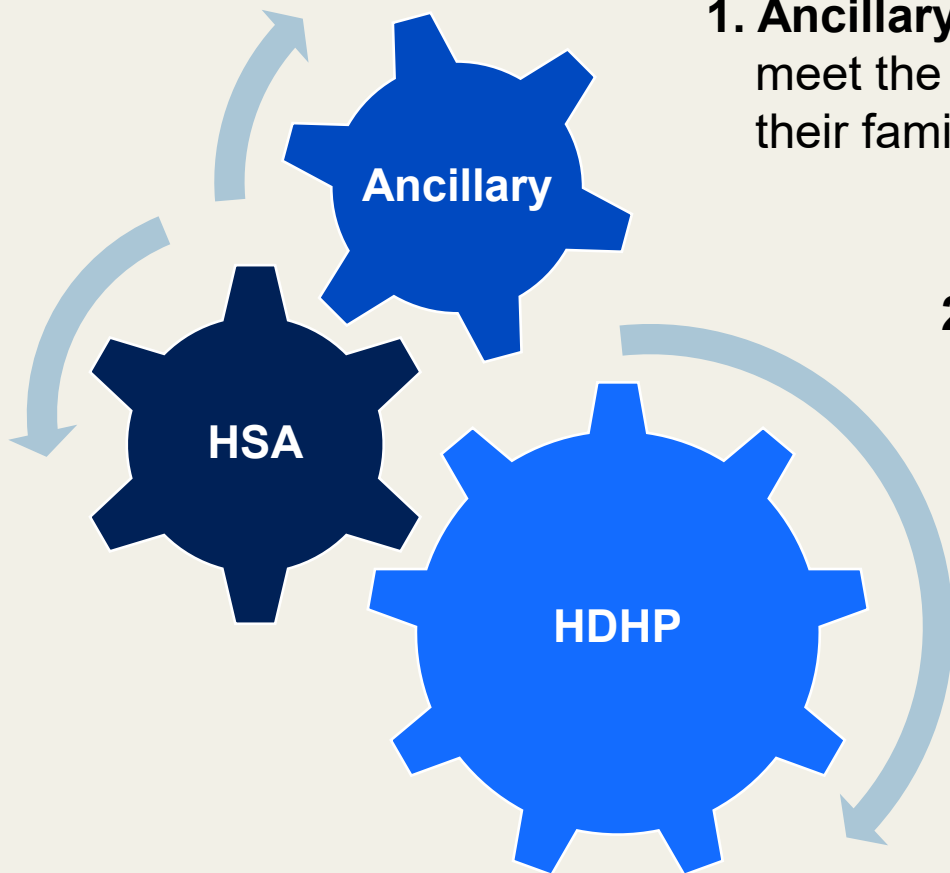


- IRS sets annual HSA contribution maximums. For 2025:
  - Single = \$4,300
  - Family = \$8,550
- Also, individuals aged 55 or older can contribute an additional \$1,000 in catch-up contributions

# MI LIFE PLAN

Introducing a new long-term strategic approach to health insurance

MI Life Plan is a benefit strategy built on three key product offerings:



**1. Ancillary:** offer voluntary programs that meet the unique needs of employees and their families at different life stages

**2. HSA:** employers & employees fund health savings accounts in anticipation of health care cost and retirement needs

**3. HDHP:** offer an HSA qualifiable HDHP as a total replacement with the expectation that the plan design will not change year-to-year

## What it does

- ✓ Gets employers out of the year-over-year plan design changes
- ✓ Moves all employees to more cost effective HDHP plans
- ✓ Reduces in-group adverse selection – improving long-term claims experience
- ✓ Helps employees plan for future health & retirement expenditures
- ✓ Potentially decreases annual cost sharing exposure
- ✓ Demonstrates long-term commitment to employees

# MI LIFE PLAN

Takes into account each stage of an individual's life and provides a strategy to address

Covered under parent or guardian

Covered under employer sponsored plan

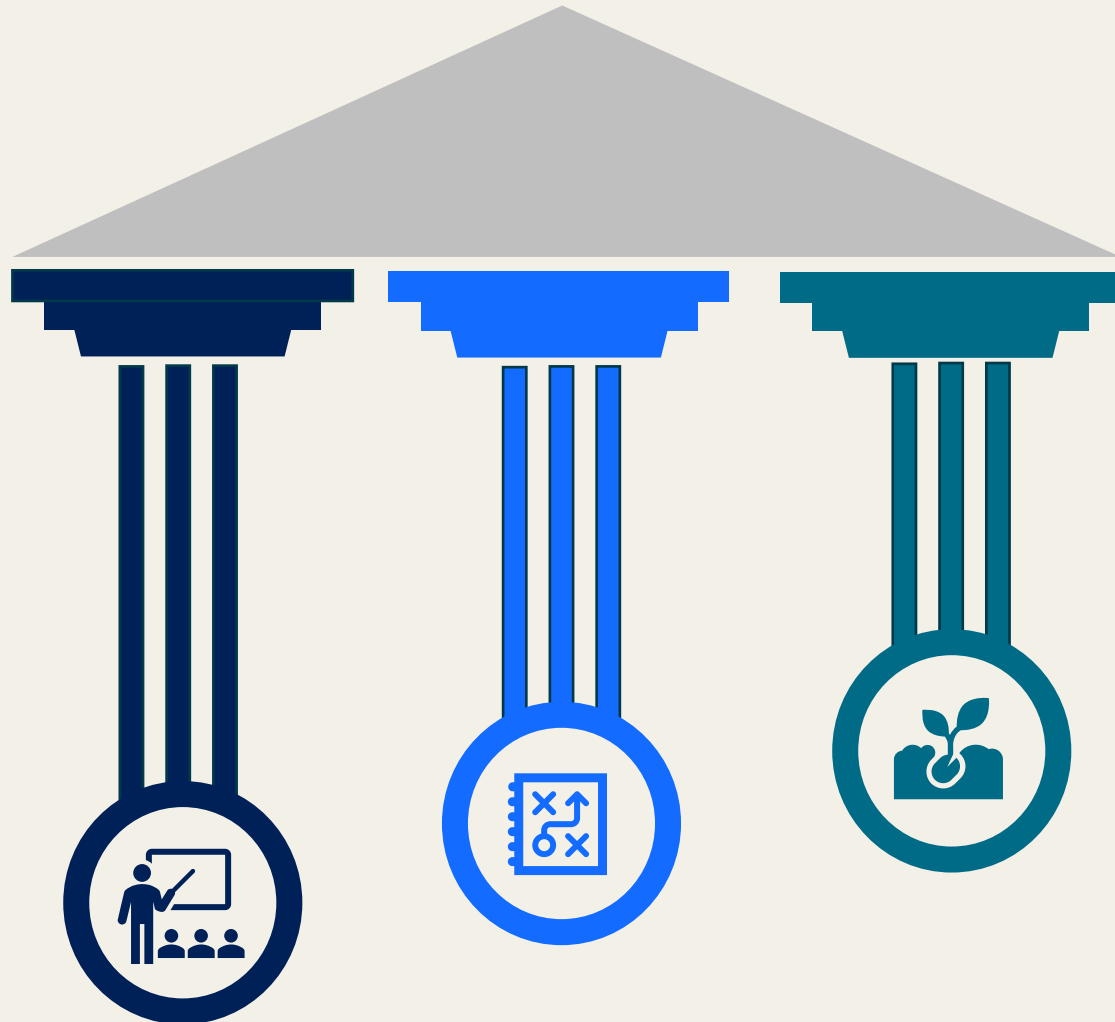
Covered under a Medicare plan

	Covered under parent or guardian		Covered under employer sponsored plan			Covered under a Medicare plan
	Childhood	Working Age			Senior	
Life Stage	Young Adult	Progressing Adult	Middle Age Adult	Pre-Retirement	Retirement	
Age	20-29	30-49	50-59	60-64	65+	
Expected Annual Member Cost (HSA)	\$792 PMPY	\$996 PMPY	\$1,164 PMPY	\$1,356 PMPY	N/A	
HSA Savings	\$\$\$\$	\$\$\$	\$\$	\$	N/A	
HSA Spend	\$	\$\$	\$\$	\$\$\$\$	\$\$\$\$\$	
Important Voluntary Plans	<ul style="list-style-type: none"> <li>• Accident</li> </ul>	<ul style="list-style-type: none"> <li>• Accident</li> <li>• Critical Illness (40+)</li> <li>• Life Insurance</li> </ul>	<ul style="list-style-type: none"> <li>• Critical Illness</li> <li>• Hospital Indemnity</li> <li>• Life Insurance</li> </ul>	<ul style="list-style-type: none"> <li>• Critical Illness</li> <li>• Hospital Indemnity</li> </ul>	N/A	

# MI LIFE PLAN

Key considerations for the long-term success of the plan

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## Education

- It's critical that employees understand the program and its long-term value
- Education cannot start and stop at open enrollment – especially during strategy onset
- Strategy should be “sold” to senior and mid-level management for alignment
- The strategy should be sold to employees as not just a health care solution but a retirement solution



## Commitment to Strategy

- This is a long-term solution and leadership should be invested in maintaining this approach
- This approach alters the most common lever to pull to address premium increases – need to think differently about what levers to pull
- Invest in other programs (virtual health, point solutions, etc.) to ensure long-term success

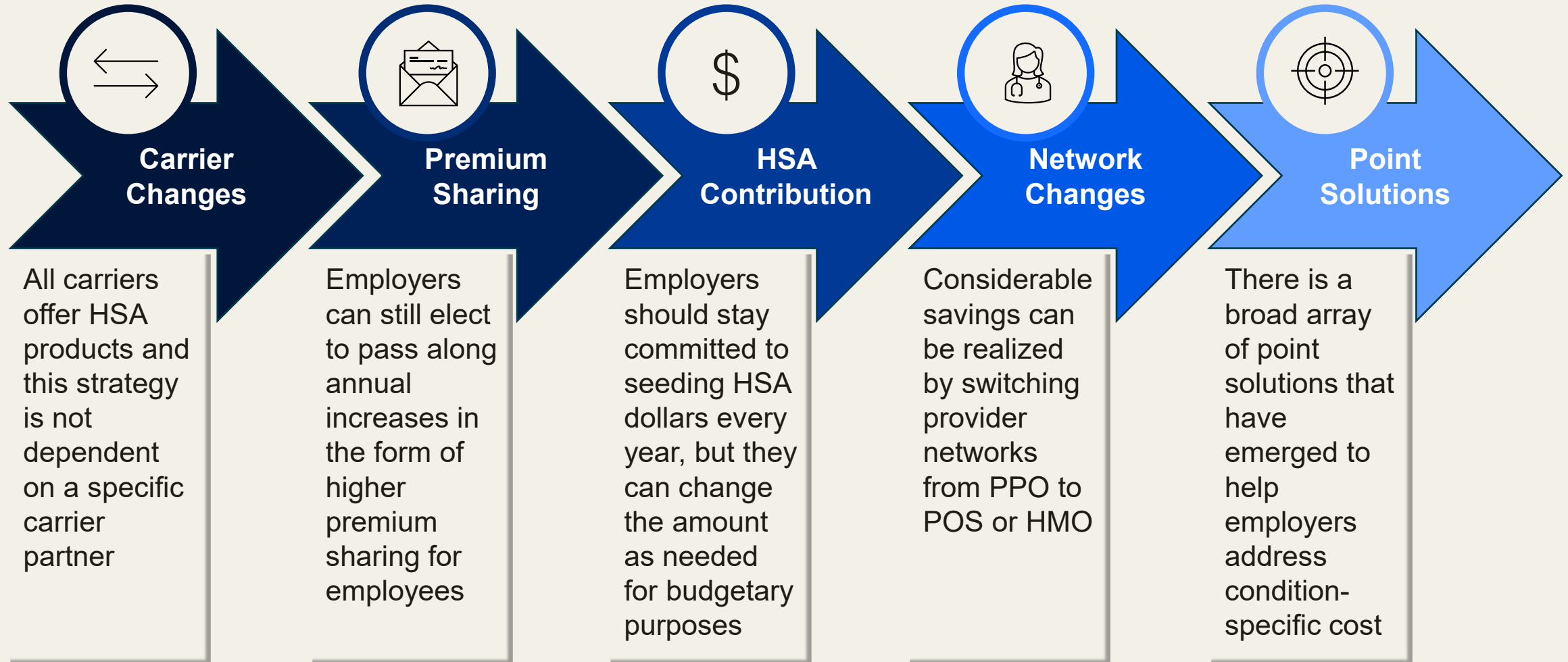


## Health Savings Account Seeding

- It is critical that employers are invested in seeding the employees' HSA accounts
- Develop a multi-year HSA seeding budget and stay committed to the investment

# MI LIFE PLAN

Tactics to reduce premium increases

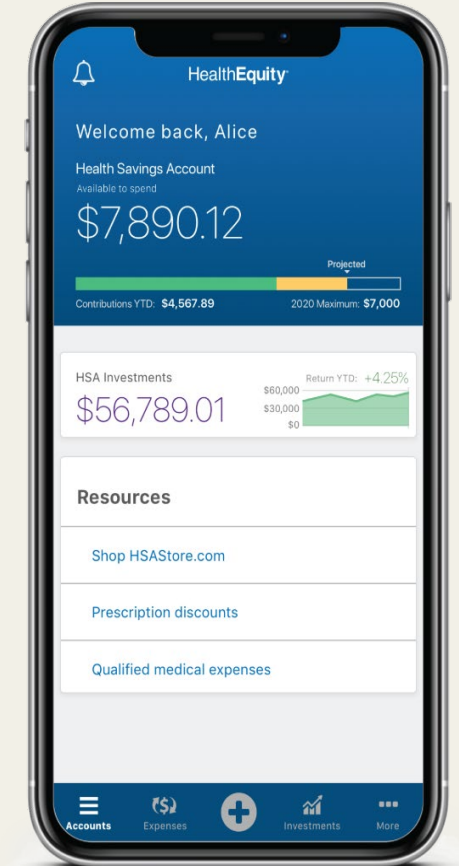
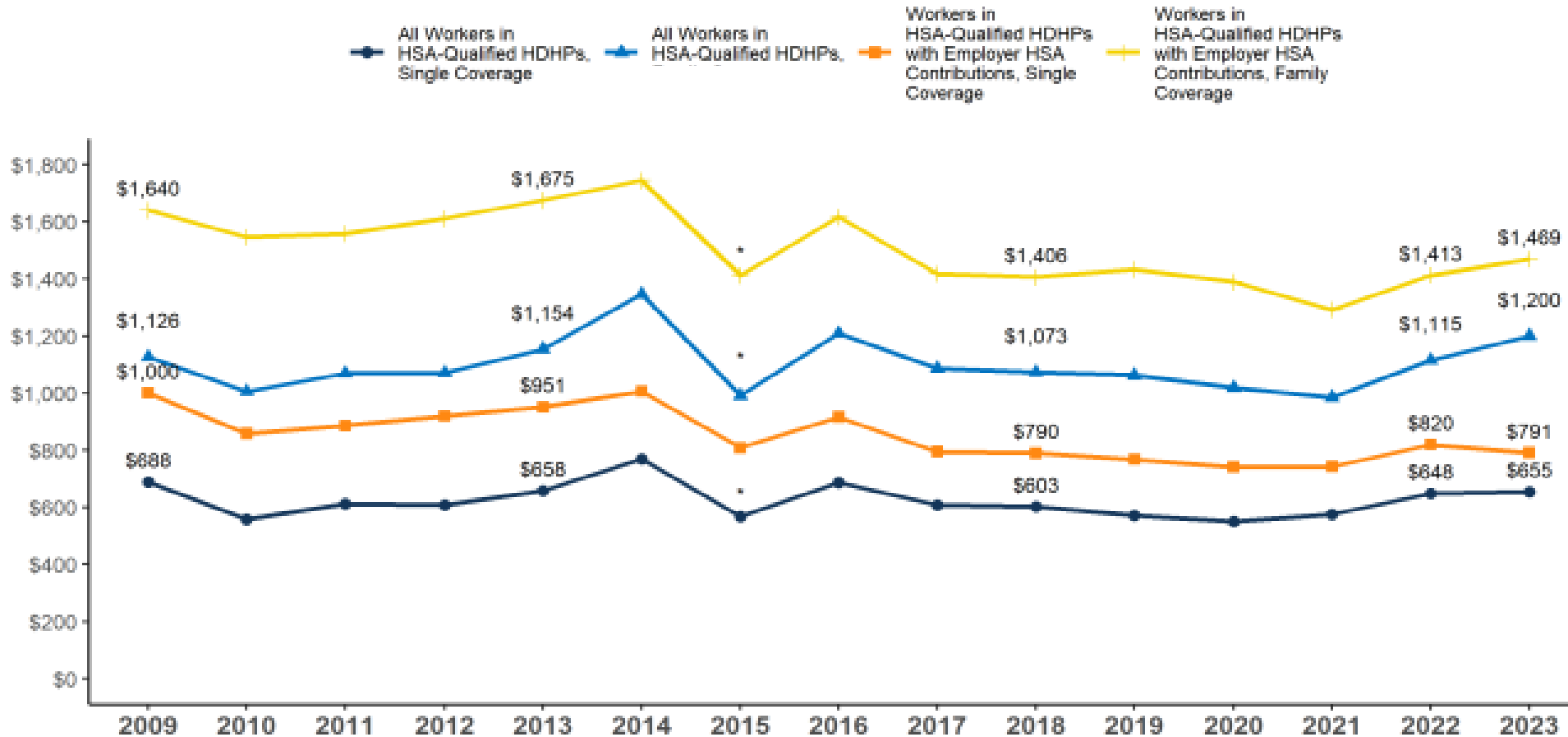




# BENCHMARKING

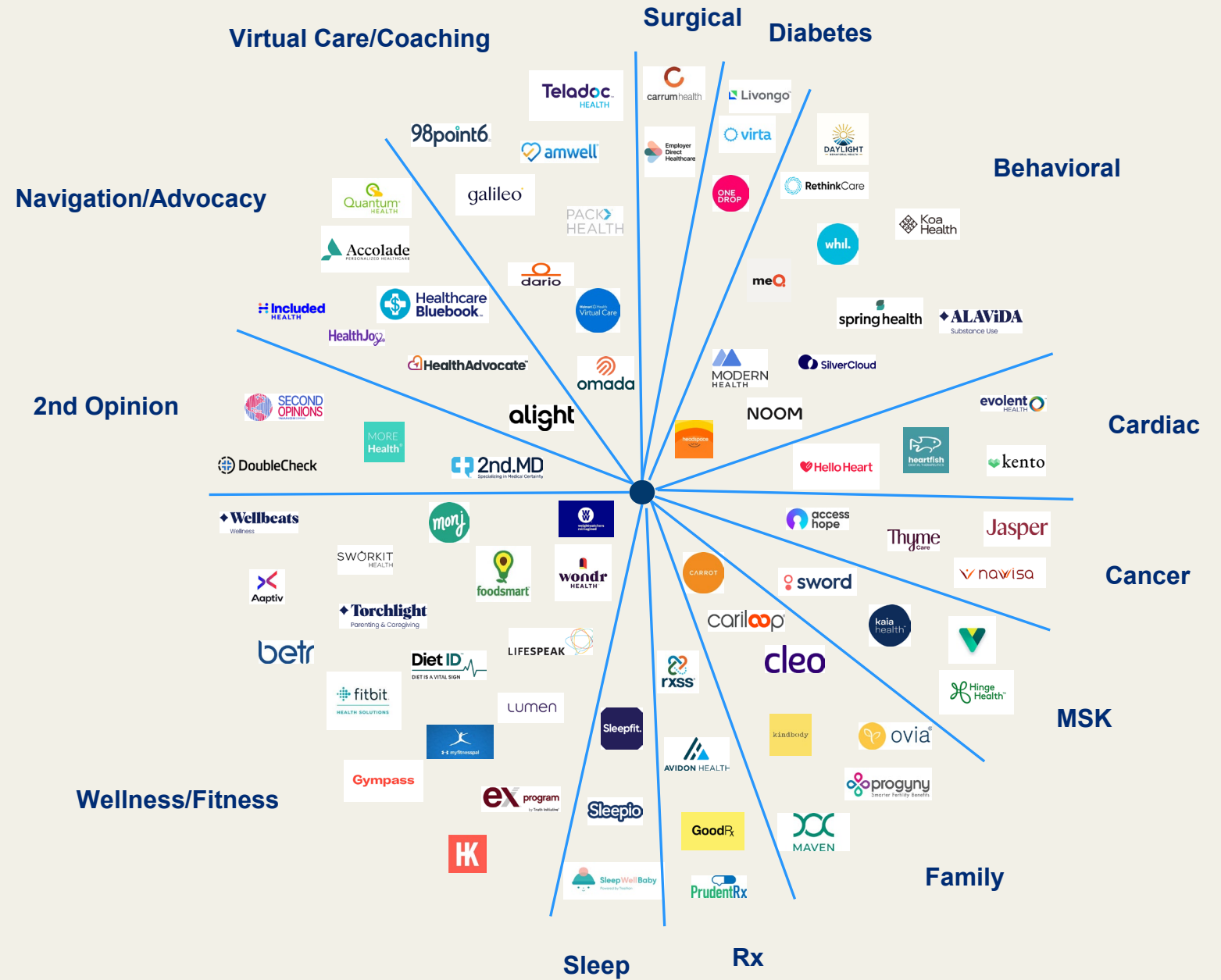
## Employer HSA Contributions

### Average Annual Employer Contributions to HSA Accounts for Covered Workers Enrolled in an HSA-Qualified HDHP, 2009-2023



# POINT SOLUTION ECOSYSTEM

There is a powerful, but complex, point solution ecosystem that has emerged over the past 10 years that allows employers to be more targeted in their benefit delivery approach



# SELF FUNDING

## Why Consider Self-Funding vs. Fully-Insured

### Product Flexibility

Self-funded employers are afforded maximum product flexibility and can tailor a product to best fit the employer's unique needs

### Cash Flow

Self-funded employers pay their carrier/TPA retrospectively for claims vs. prospectively in a fully-insured arrangement

### Transparency

Self-funded employers have the highest claims transparency and can take actionable steps to address endemic issues



### Risk Charges

Self-funded employers avoid risk charges that carriers build into their fully-insured premium formulas (~ 1-3%)

### Regulation & Taxes / Fees

Self-funded employers do not have to offer state-mandated benefits. They also avoid onerous taxes and fees (~ 3-5%)

### Point Solution Enablement

Self-funded employers can take advantage of powerful point solutions to target condition categories that are driving cost



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