Healthcare for Municipal Employees in the Future

Presented by: Dennis Maggart, McInnes Group
WHAT IS HEALTHCARE INFLATION

- **Price Component** – Healthcare CPI is 2.45%
- **Utilization Component** - approx. 2.75%
  - Aging Population
  - Aging Workforce
  - Lifestyle Factors
- **Innovation Component** - approx. 2.1%
  - New Treatments – Cancer & Hep-C
  - New Drugs-injectables
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HEALTH CARRIER TREND

• Healthcare Inflation
  • No EE Cost Share - 5.2%
  • Low EE Cost Share - 5.6%
  • Medium EE Cost Share - 6.0%
  • High EE Cost Share - 6.4%
  *Source: Healthcare Analytics/GBS 4th Quarter 2017

• Fixed Cost Increases - Staff Wages

• Risk Factors - Adverse Selection
  • People with expensive Healthcare needs seek/maintain the highest value health insurance coverage
ADVERSE SELECTION IN TODAY’S MARKET

• Collapse of the Exchange
  • Drives “sicker” self-employed & spouses to group plans
  • Elimination of the individual Mandate-fewer healthy members
  • Expansion of Short-Term coverage-fewer healthy members
  • Managed care &/or Volume cannot offset increase in adverse selection

• Individual Marketplace-Fewer Options
  • See Above

• Small Group & Large Group Plans
  • Trend since ACA only 3% for large employers, return to Trend
  • Hidden “tax” on group plans
GAS ON THE FIRE!

• Adverse Selection
  • Market Wide
  • Plan Specific

• Regulatory Uncertainty
  • State review of Individual & Small Group Rates
  • Federal Dismantling of ACA without a Replacement

• Carrier Fear
  • Segmented Market since ACA
  • Pressure to deliver Surplus/Profit
CONTROL WHAT YOU CAN CONTROL

- Can you Change Healthcare Inflation-NO!
  - Volume Purchasing Doesn’t work in Healthcare
- Can you Change Utilization- Maybe!
  - Plan Design Game - Short Term Gains vs. Long Term Costs
  - Disease Management - Large Claims Drive Rates
  - Wellness – Measuring ROI
- Can you Control Innovation-Not Really!
  - New Drug Advertising
  - Employee & Spouse Elections
- Adverse Selection – Let’s talk
THE TRADITIONAL APPROACH

• Higher employee contributions
• Higher employee cost-share through Deductibles & Co-Pays
• Health Savings Accounts – putting EE’s skin in the Game
• Giving Employees Choice - making everyone feel better
• Wellness Plans – Focusing on the short-term

How’s this been working for you?
DRIVING ADVERSE SELECTION

- High Deductibles & Co-Pays just delay care
- Increasing contributions makes healthy people seek other options
- Choice is Bad, no really it’s bad
- Health Savings Accounts make matters worse
THE LATEST FADS

• New Association Plan Regulations
  • What does Volume really get me
  • Who’s in the Pool and Who’s Out?
  • Underwriting the Pool - When does it rub off
  • Can I find a Carrier
  • Fully-Insured vs. Self-Funded

• Captives – Sounds like an Association

• Mini Self-Funding
  • MCR Pool vs. Self-Funding – Am I a better risk?
  • Shock Claims Options – MCR vs. Mid-Sized groups
CONTROL ADVERSE SELECTION

- Demographics drive utilization & recruitment/retention drives demographics
- Keep Plan Affordable & Benefits Appropriate
- Wellness works, but manage for your group
  - Invest in long-term employees
  - Real Financial Incentives
- Close the gaps
  - Injectable RX’s – Hospital vs. PBM Pricing
  - Orthopedic surgery vs. Physical Therapy
  - Manage the Complicated cases
WHAT DOES WORK-SMALL GROUPS

• Plan Design
  • Look for carrier ‘Bargains”
  • Use HRA’s to keep plan consistent
  • Are Discounts for Small Provider Networks Available

• Eligibility
  • Keep EE Plan Affordable
  • Review Spouse Contribution & Eligibility

• Employee recruitment & Retention
  • Make Retirement Affordable
  • Use Other Benefits as “hook” to get/keep employees

• Look for Wellness Discounts
WHAT DOES WORK-MID-SIZED GROUPS

- Plan Design
  - Keep Deductibles & Co-Pays as Reasonable as Possible
  - Offer only One Plan Design
- Eligibility
  - Keep EE Plan Affordable
  - Review Spouse Contribution & Eligibility
- Employee recruitment & Retention
  - Make Retirement Affordable
  - Use Other Benefits as “hook” to get/keep employees
- Emphasize Long-Term Wellness
  - Make Plan Results based, not just participation
  - Require High Risk Patients to Comply with Treatment plan to Receive Incentive
  - Create a significant discount in rates for participating employees
# Trend Analysis

## 2011-2017

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THANK YOU!
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