



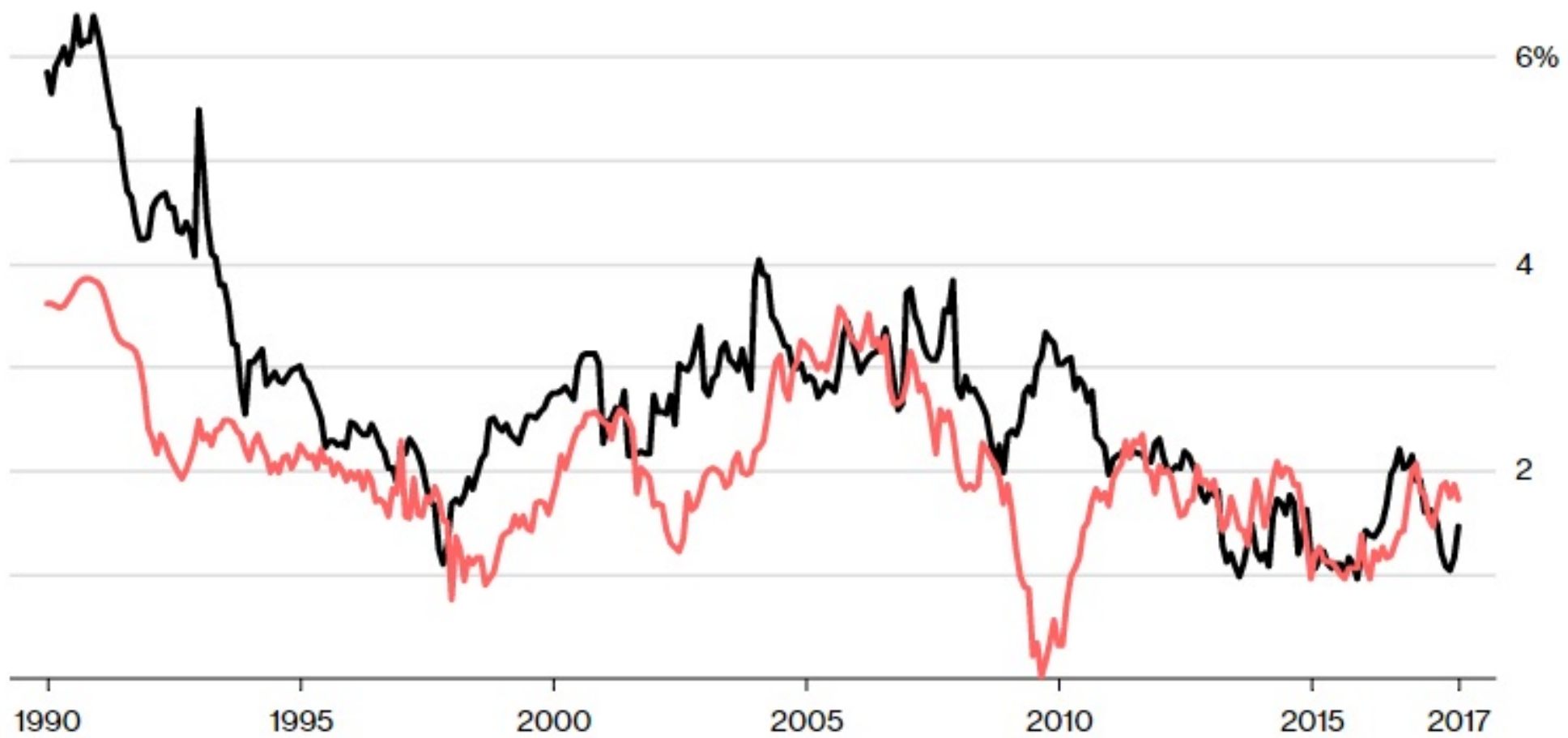
Healthcare for Municipal Employees in the Future

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

■ Health Inflation ■ Overall Inflation



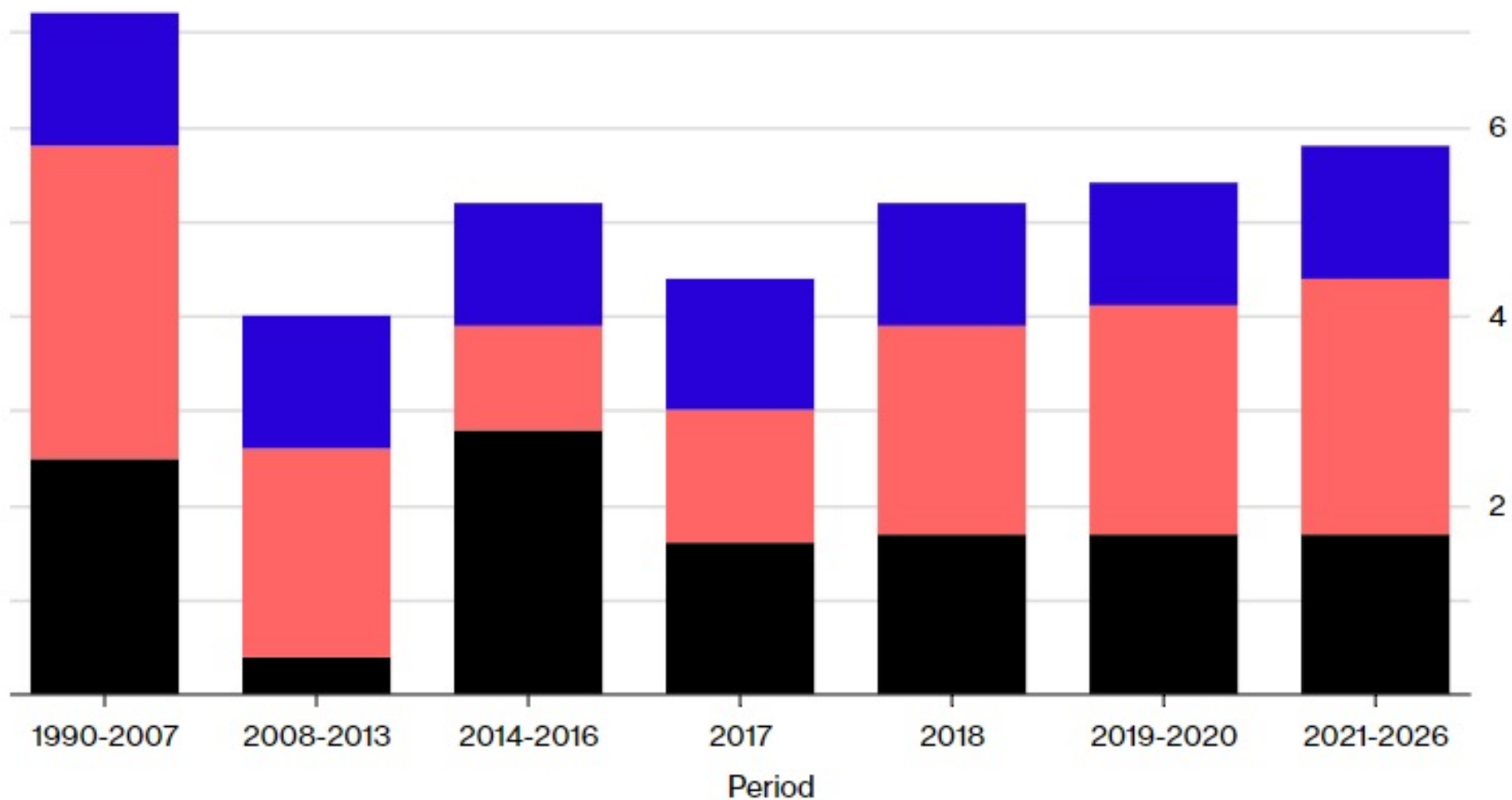
Source: Altarum analysis of data from BLS and Macroeconomic Advisors

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■ Volume and mix of services ■ Medical prices ■ Demographic factors

8% Average annual increase



Source: Centers for Medicare and Medicaid Services, Office of the Actuary.

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

	6 Year Period		5 Year Period		4 Year Period		3 Year Period	
	<u>Total</u>	<u>Average</u>	<u>Total</u>	<u>Average</u>	<u>Total</u>	<u>Average</u>	<u>Total</u>	<u>Average</u>
Group A	32.57%	5.43%	11.16%	2.23%	4.74%	1.18%	6.12%	2.04%
Group B	-7.44%	-1.49%	-7.44%	-1.86%	-21.40%	-5.35%	-8.05%	-2.68%
Group C	18.99%	3.16%	7.69%	1.54%	16.12%	4.03%	19.64%	6.55%
Group D	N/A	N/A	N/A	N/A	22.55%	5.64%	17.62%	5.87%
Group E	31.39%	5.23%	31.39%	6.28%	3.99%	1.00%	-0.37%	-0.12%
Group F	28.10%	4.68%	20.10%	4.02%	13.10%	3.27%	13.10%	4.37%
Norm	26.00%	4.33%	23.00%	4.60%	14.00%	3.50%	11.00%	3.67%
Average	0.00%	3.40%	0.00%	2.44%	0.00%	1.63%	0.00%	2.67%

THANK YOU!

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