The Feasibility and Cost-Effectiveness of a Consolidated State-wide Health Benefits System for Michigan Public School Employees'

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School District Survey

- Survey covered
  - Enrollment
  - Plans offered
  - Costs & financing
  - Employee contributions
  - Plan management
- 244 responses, representing
  - 30% of districts
  - 43% of school employees

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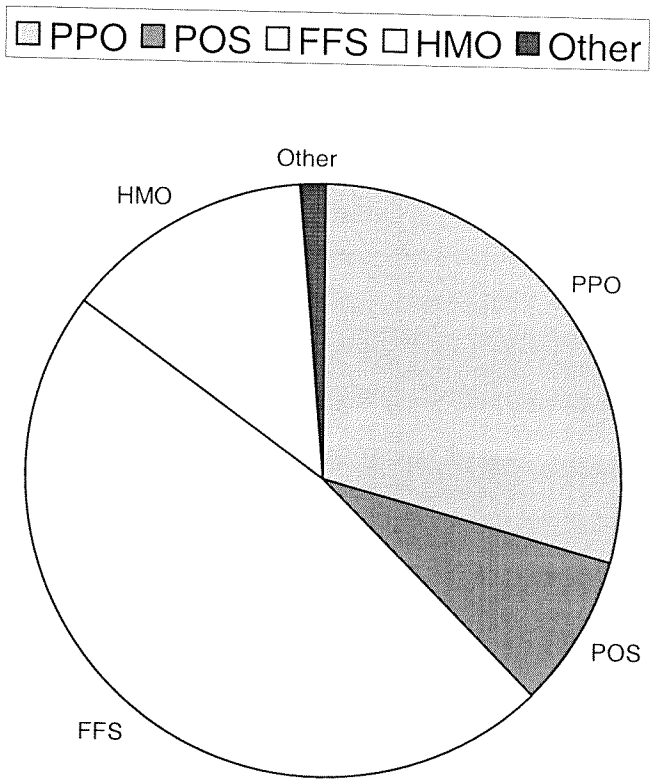
Type of Coverage



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What Other Employers Are Doing

Type of Plan	Michigan School Employees	Governmental Employers	All Employers
Fee-for-Service	48 %	8 %	2 %
PPO	30 %	54 %	61%
HMO	14 %	32 %	25 %
POS	8 %	6 %	12%

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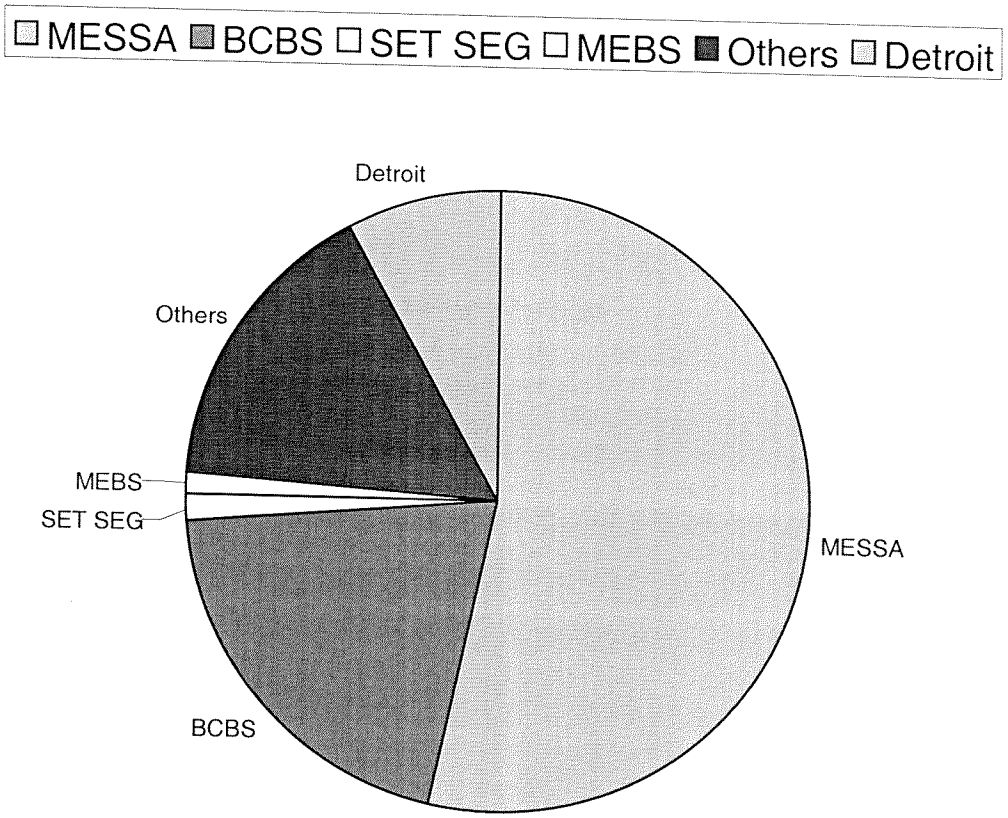
How Coverage is Purchased

Distribution of Number of School Employees by each type of Purchasing Mechanism



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Current Enrollment & Spending

Total Expected Healthcare Expenditures		
	Enrollment	**FY2005/06 Annual Premium**
MEBS	1,989	$19,312,000
MESSA Choices 1	10,970	133,305,000
MESSA Choices 2	16,538	197,352,000
MESSA Super Care 1	62,036	806,870,000
MESSA Trimed	6,302	65,942,000
SET SEG	2,698	28,878,000
Blue Cross Blue Shield	37,299	389,007,000
HAP	20,003	182,995,000
Blue Care Network	9,176	88,346,000
Miscellaneous	14,742	161,701,000
Community Colleges	8,756	90,871,000
Grand Total	**190,509**	**$2,164,580,000**

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Relative Value of Benefit Plans

Retired and Active School Employee Benefits		
Name of Plan	**Type Of plan**	**BVC Value**
Blue Choice POS	POS	4,357
MPSERS	**PPO**	**4,683**
Ultra Med Preferred 1	PPO	4,896
Community Blue PPO	PPO	5,176
MESSA Choices II	PPO	5,191
Blue Managed Traditional	FFS	5,247
MESSA Choices	PPO	5,258
MESSA Tri-Med	PPO	5,329
MEBS	FFS	5,515
MESSA Super Care I (average)	FFS	5,800

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Sources of Savings

- Eligibility Management
  - Frequent updates
  - Student eligibility
- Self Funding
  - Insurer Gain
  - Stop-loss premiums
  - Commissions
  - Subsidies
- Purchasing
  - Negotiated admin fees
  - Provider access fees
  - Pharmacy carve-out
  - DME carve-out
  - Audits

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State-Wide Systems

- MPSERS
- Michigan Civil Service
- 16 Other States

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Three Options

- Option 1
  - Move to single, self-funded program
  - No changes in benefits
- Option 2
  - Single, self-funded program
  - Move to common set of standard plans
- Option 3
  - Single, self-funded program
  - Standardized Plans
  - Replace FFS plans with PPO plans

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Plan Options Modeled

	Fee-for-Service Plans		Preferred Provider Organization Plans		Point of Service Plan
Type of Care	**High Option**	**Low Option**	**High Option**	**Low Option**	**In-network Benefits**
Plan Deductible	$50	$100	$0	$0	$0
Maximum Out-of-Pocket Limit	$1,000	$1,000	$0	$0	$0
	Co-payments / Coinsurance				
Inpatient hospital	100%	100%	100%	100%	100%
Surgical	100%	100%	100%	100%	100%
Physician Visits	100%	90%	$5 copay	$10 copay	$20 copay
Specialty Visits	100%	90%	$5 copay	$10 copay	$20 copay
Preventive Services	100%	100%	$5 copay	100%	$20 copay
	Prescription Drug Coverage				
Coverage for Generic	$2 copay	$10 copay	$5 copay	$10 copay	$10 copay
Coverage for Preferred	$2 copay	$20 copay	$10 copay	$10 copay	$15 copay
Coverage for Non-preferred	$5 copay	$20 copay	$10 copay	$10 copay	$20 copay

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MPSERS Plan

Type of Care	In-Network	Out-of-Network
Plan Deductible	$235	$235
Maximum Out-of-Pocket Limit	no maximum out-of-pocket	no maximum out-of-pocket
	Coinsurance	
Inpatient Hospital	100%	80%
Physician Visits	90%	70%
Specialist Visits	90%	70%
Surgical	100%	80%
Preventive Services	fully covered with few exceptions	covered with copayments
	Prescription Drug Coverage	
Coverage for Preferred and generic	20 % copayment with a $7 minimum and $30 maximum	
Coverage for Non-Preferred	40% copayment	
Coverage for Brand-name	Same copayments as above plus difference between brand-name and generic if generic is available.	

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Sources of Savings

Sources of Savings Under a State-wide Plan			
FY2005/06 (Dollars in Millions)			
	Option 1	Option 2	Option 3
Single Self-Funded System	$57	$57	$57
Centralized Administration	$89	$137	$155
Move to Standard Plans	$0	($39)	($39)
Elimination of FFS Plans	$0	$0	$108
Total Savings	**$146**	**$155**	**$281**

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Recommended Approach

- Option 3
- Mandatory participation as collective bargaining agreements expire
- Administered by MPSERS
- School districts negotiate on:
  - Plan option offered
  - Premium cost-sharing
  - Eligibility
  - Dental and vision benefits
- Medical Plan Options
  - 2 PPO plans
  - 1 POS plan
  - All currently available HMOs

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Impact on Collective Bargaining

- Benefit design would be limited to the state-wide plan
- All other provisions would still be subject to collective bargaining
  - Eligibility conditions
  - Share of premium
  - Dental and vision benefits
- Savings could be shared with employees through collective bargaining

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Projected Savings

Recommended Approach Mandatory Plan starting July 2006 (School FY 2006/07)	
Year	**Total Savings**
FY2005/06	$ (1,500,000)
FY2006/07	192,533,841
FY2007/08	349,903,597
FY2008/09	400,235,737
FY2009/10	422,108,480

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Impact on Benefit Levels

Winners and Losers Recommended Approach	
Change in Benefit from Current Level	**Percent**
Decrease in benefits of more than 10%	0.1%
Decrease of 5% to 10%	7.2%
Decrease of less than 5%	1.2%
No Change	17.6%
Increase of less than 5%	45.5%
Increase of 5% to 10%	27.9%
Increase of more than 10%	0.5%
Total	100.0%

Half of employees would move from FFS to PPO coverage

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