

August 20, 2013

MPSERS Board Makes Changes to Retiree Health Care

The Michigan Public School Employees Retirement System Board (MPSERS) met on July 11 to act on changes to retiree health care, which were initially proposed at a June 5 meeting. AFT Michigan and the Coalition for Secure Retirement, of which AFT Michigan is a founding member, had substantial opportunity input into these changes and were pleased to see some modification in them.

The Health Committee had recommended three approaches to address the projected \$56.3 M cost gap by 2015: cost avoidance, cost reduction and cost sharing. Their stated goal was to spread the gap amongst all members and schools to minimize the impact on any one member, not penalize the sicker members, and provide choices to avoid additional cost sharing. Now that retirees have to pay 20% of their MPSERS premiums, keeping costs down can be an advantage to many retirees as well.

The **cost avoidance approach** will be addressed by Living Well incentives. The current Living Well program requires non-Medicare members to complete a survey to get a reduced deductible. The adopted Living Well program will also require members to designate a Primary Care Physician and have a (newly) reimbursable wellness physical in either the last quarter of the current year or the first quarter of the next year. The Primary Care Physician is what once was called a “general practitioner”—i.e., the retiree’s main doctor, not one of the specialists he or she might see. The Primary Care Physician does **not** have the role of pre-approving specialists, as may occur in the HMO model.

The proposed **cost sharing** would increase medical deductibles and prescription drug copayments. The current medical deductible for FY 2013 is \$500. However it would increase to \$650 in FY 2014 and \$850 in FY 2015, with opportunities to reduce these costs by taking certain actions. See chart from Gabriel Roeder Smith & Company below for more details:

Medical Plan	2013	2014	2015
Medical Deductible	\$500	\$650	\$850
Alternative Health Plans Medical Deductible	\$0-\$300	Variable but lower	Variable but lower
Living Well Program	\$100	\$100	\$200
Living Well Program + Medical Home designed PCP*	N/A	\$50	\$50

*In 2014, all Medicare members will be in this category

The original proposed increase in the medical deductible for 2015 would have set it at \$900, but AFT Michigan and the umbrella coalition, Coalition for a Secure Retirement (CSR), objected to such a high increase, and the MPSERS Board reduced the cap to \$850. Retirees should note that there are alternative plans available with lower deductibles, and if affordability is a major issue, should contact the Office of Retirement Services and review whether these alternatives are appropriate for your needs.

AFT Michigan and CSR also weighed in on the original proposal to require the wellness physical to take place between January and March for it to qualify for the reduction in the deductible, give the impact on “snowbirds”. As a compromise, the Board will allow a 6-month window for the physical, the last quarter of 2013 and the first quarter of 2014. There was a great deal of MPSERS Board discussion urging that such flexibility be extended to future years, and that is being reviewed.

The prescription drug plan, which is a cost-sharing program, will still maintain annual out of pocket maximums at \$1000 for each of the next two years. Minimums and maximums for each prescription are currently at \$7/\$36 for FY 2013 but will rise to \$10/\$40 in 2014. See chart from Gabriel Roeder Smith & Company below for more details.

Prescription Drug Plan	2013	2014	2015
Retail min/max	\$7/\$36	\$10/\$40	\$10/\$40
Retail 90 & Mail Order min/max	\$17.50/\$90	\$25/\$100	\$25/\$100
Out-of-pocket maximum	\$1,000*	\$1,000	\$1,000

*With a \$100 discount if the retiree completed the Living Well health assessment survey

Cost reduction will be accomplished by making it more expensive for retirees to use dentists who are not PPO network providers and by encouraging more dentists to become PPO network providers. The Delta Dental plan covering MPSERS retirees already has a PPO, but a majority of retirees have not moved to it. In other words, starting next year, a retiree whose dentist is not in the Delta Dental PPO will pay more. Finding PPO dentists is very easy in some parts of the state, such as southeast Michigan, but more challenging in rural areas. One bit of good news: the dental maximum annual payment will increase from the current \$1000 to \$1100 in 2014.