

MPSERS Board Considering Retiree Health Care Changes

The Michigan Public School Employees Retirement System Board (MPSERS) will be meeting on July 11 to take action on some proposed changes to retiree health care, which were set out at a June 5 meeting. Since that time, a Health Care Initiative Review Committee provided an opportunity for organizations to meet with MPSERS staff and their actuaries to hear about these proposals in more detail and ask questions. AFT Michigan has been reviewing the proposed changes and analyzing their potential impact on retirees.

The Health Committee has recommended three approaches to address the projected \$56.3 M cost gap by 2015: cost avoidance, cost reduction and cost sharing. Their stated goal is 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.

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 proposed Living Well program would additionally require members to designate a Primary Care Physician and have a (newly) reimbursable wellness physical in the first quarter of each year.

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 \$900 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	\$900
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 prescription drug plan, which is designed as a cost-share program, would still keep out of pocket maximums at \$1000. Minimums and maximums 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.

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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 addressed by aligning the medical and dental benefits to encourage utilizing PPO network providers. The dental maximum annual payment would rise from the current \$1000 to \$1100 in 2014.

As we know, unlike pensions, MPSERS health benefits have not been prefunded. Thus, in order to manage costs, the Retirement System has set a cost goal of limiting the rate of cost growth to the compound rate of inflation (CPI) and real economic growth. However, costs have risen as more members retire and health inflation outpaces general inflation. Circumstances that would increase projected costs include Medicare funding reductions, medical inflation greater than assumed, and greater decline in the active member population than projected.

AFT Michigan is part of the Coalition for Secure Retirement (CSR) and is currently reviewing a response to these proposed changes that would be advanced by the entire coalition. AFT Michigan's major concerns include the substantial size of the proposed increases in the medical deductible, the difficulty for "snowbird" retirees of scheduling their annual wellness physical in the first quarter of the year, and potential access problems to Delta Dental PPO's.

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