



Gallagher

Insurance | Risk Management | Consulting

MSBO ISD Committee Health Insurance Update

February 13, 2025

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Michigan Health Insurance Market Overview

Cost pressures in 2024 created significant challenges for carriers, health systems and employer health plans

Carriers and health systems will be working in 2025 to balance profit margin targets with consumer affordability considerations

Pharmacy was and will continue to be a major cost driver due to dynamics including:

- Expanding GLP-1 utilization
- Continued release of groundbreaking treatments for conditions such as cancer
- A healthy pipeline of new specialty medications designed to treat a range of conditions

2025 trend and book of business overview

BCBSM/BCN

January 2025 ERS and ASC (Excluding GLP-1) Trends		
	BCBSM	BCN
Facility	5.90%	6.90%
Professional	6.90%	7.00%
Prescription Drugs	14.90%	16.70%
Dental	3.70%	3.70%
Vision	1.20%	1.20%

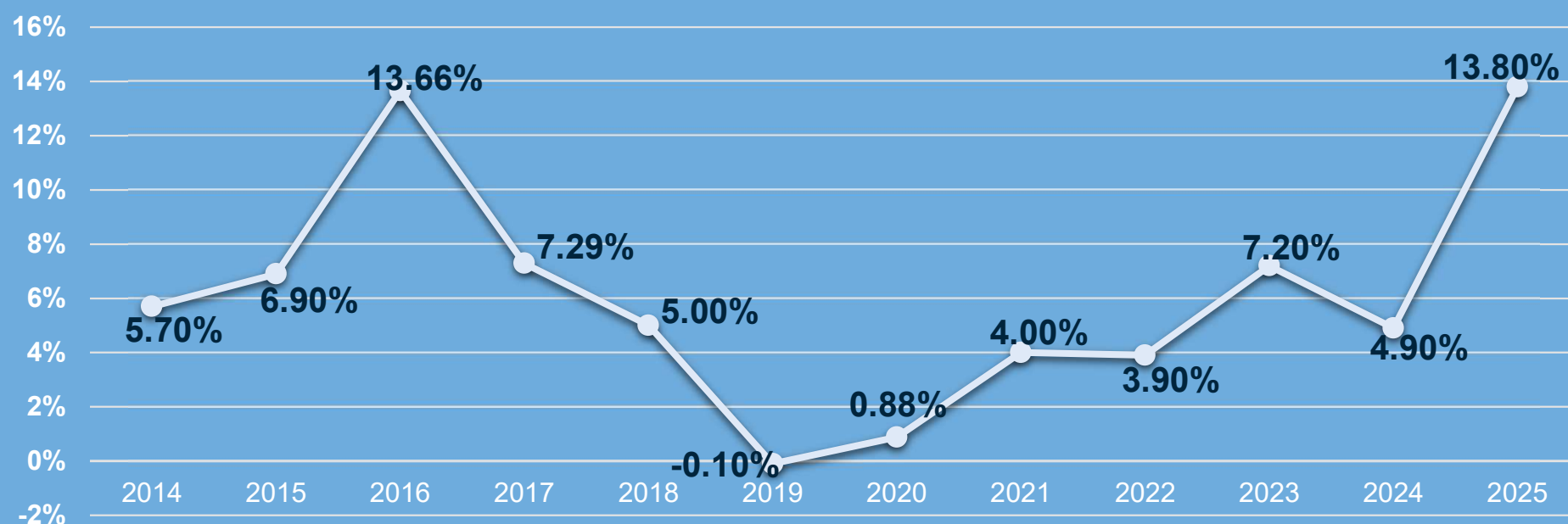
January 2025 ASC (Including GLP-1) Trends		
	BCBSM	BCN
Facility	5.90%	6.90%
Professional	6.90%	7.00%
Prescription Drugs	18.40%	20.30%
Dental	3.70%	3.70%
Vision	1.20%	1.20%

January 1, 2025 average rate increases: fully insured BCBSM: 12.9%, BCN: 12.0%; Specific Stop-Loss: 13.5%; self-funded administration fee 1.5% to 3.5%

MESSA Medical Renewal History

MESSA

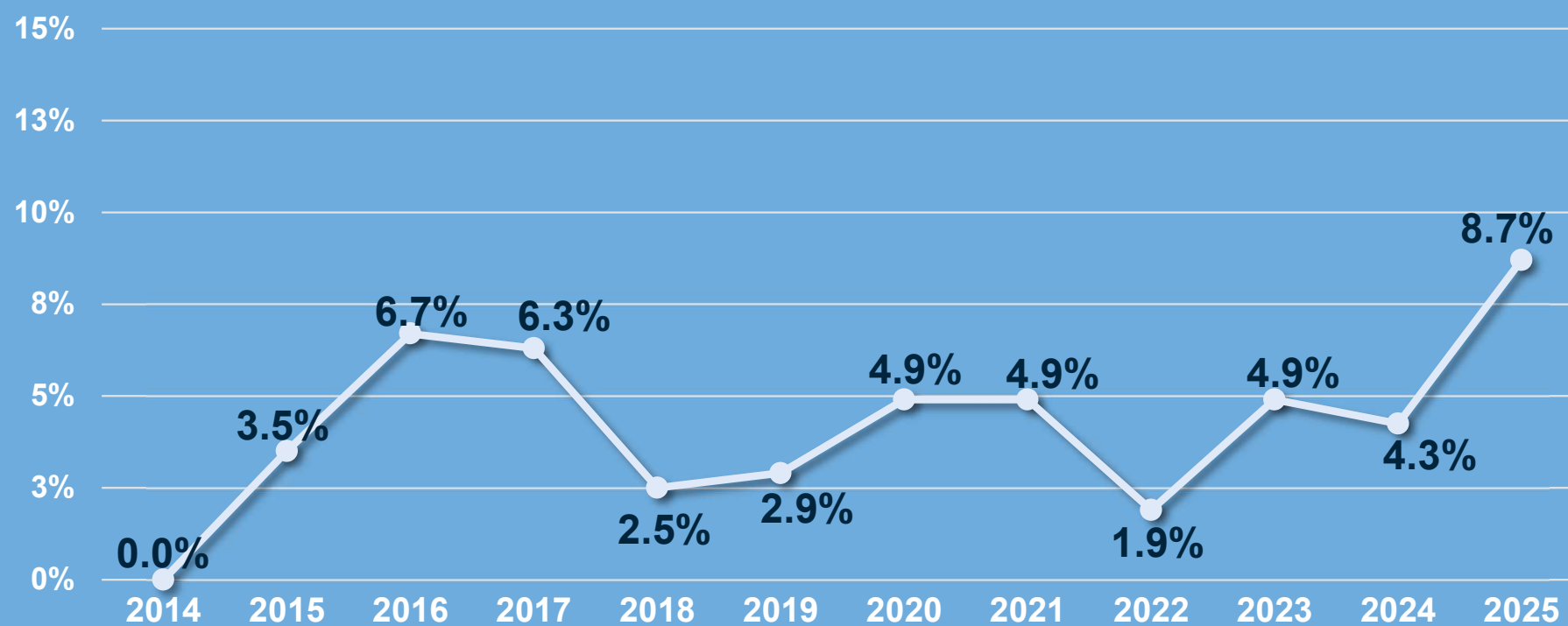
MESSA Statewide Average Annual Increase



Notes: Renewal increase is based on premiums only. It does not include subsidies for taxes and fees.
January 2018 is not reflected in the chart above. MESSA moved to a January plan year in 2018, which resulted in a 0% increase from the prior July 2017 renewal.

Medical Renewal History for The Pool

The Pool



Medical CPI Trends

History of hard cap increases by year since inception

Year	Hard Cap Increase
2013	3.5%
2014	2.9%
2015	2.3%
2016	2.5%
2017	3.3%
2018	3.4%
2019	1.9%
2020	2.0%
2021	3.3%
2022	3.7%
2023	1.3%
2024	4.1%
2025	0.2%

Average healthcare trend over this time period, based on Gallagher's annual healthcare trend study numbers, averaged 7.4%

Medical CPI for 2026

Health Care Inflation by Month and Year

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CAP Calculation*	Effective Year
2014	2.1	2.3	2.2	2.4	2.8	2.6	2.6	2.1	2.0	2.1	2.5	3.0		
2015	2.6	2.3	2.5	2.9	2.8	2.5	2.5	2.5	2.5	3.0	2.9	2.6	2.5	
2016	3.0	3.5	3.3	3.0	3.1	3.5	3.9	4.9	4.9	4.3	4.0	4.1	3.3	
2017	3.9	3.5	3.5	3.0	2.7	2.7	2.6	1.8	1.6	1.7	1.7	1.8	3.4	
2018	2.0	1.8	2.0	2.2	2.4	2.5	1.9	1.5	1.7	1.7	2.0	2.0	1.9	
2019	1.9	1.7	1.7	1.9	2.1	2.0	2.6	3.5	3.5	4.3	4.2	4.6	2.0	2020
2020	4.5	4.6	4.7	4.8	4.9	5.1	5.0	4.5	4.2	2.9	2.4	1.8	3.3	2021
2021	1.9	2.0	1.8	1.5	0.9	0.4	0.3	0.4	0.4	1.3	1.7	2.2	3.7	2022
2022	2.6	2.4	2.8	3.2	3.7	4.5	4.8	5.4	6.0	5.0	4.2	4.0	1.3	2023
2023	3.1	2.3	1.5	1.1	0.7	0.1	-0.5	-1.0	-1.4	-0.8	0.2	0.4	4.1	2024
2024	1.0	1.4	2.2	2.6	3.1	3.3	3.2	3.0	3.3	3.3	3.1	2.8	0.2	2025
2024	2.6												3.0	2026

THE POOL

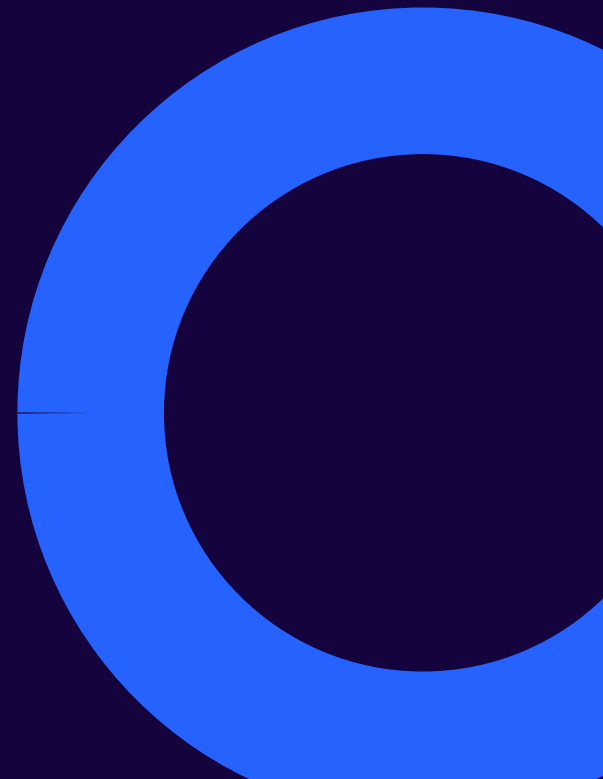
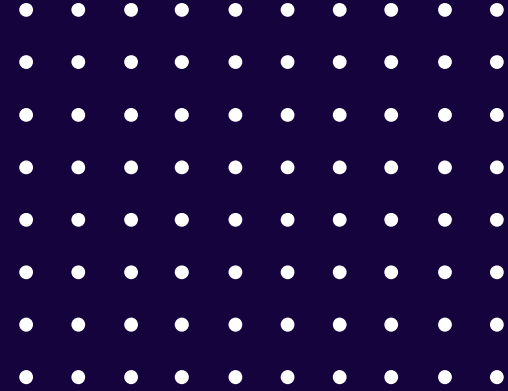
Western Michigan Health Insurance

PA 152 Update



Disclaimer

- *The information provided is based on the best understanding at the time of the presentation. Things will certainly change.*
- *If changes to PA 152 take effect it will require a great deal of guidance from attorneys, state departments, attorney general and others.*



Where things stand

POLITICS

Michigan Senate Democrats sue House Republicans over 9 stalled bills from previous session

POLITICS

Hall, House GOP respond to Senate lawsuit: We're not compelled to present stalled bills

Where things stand

Starting with substance, the Senate's complaint presents a simple question: does Michigan law impose a duty on the 103rd Legislature to present legislation passed by the 102nd Legislature?

The answer is no. The Senate's claim that the current "House" has a "constitutional duty to present these bills to the Governor" is wrong because: (1) the business of the 102nd Legislature does not continue into the 103rd; (2) a past legislature cannot bind future legislatures; and (3) Michigan's Constitution imposes no duty to present legislation upon any specified legislative body or officer.

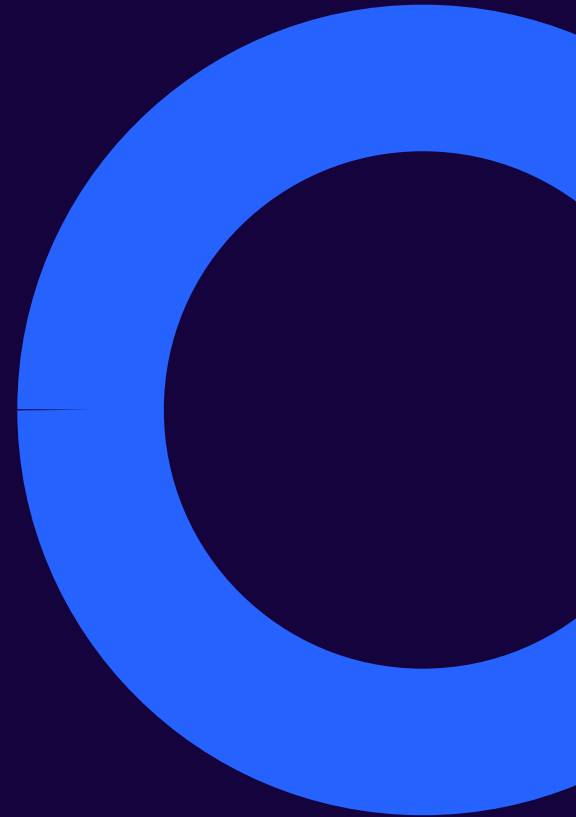
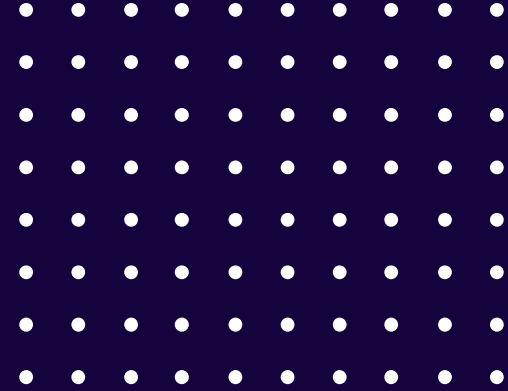
As
pointing it
necessary :
1963, art 4

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now ask the judicial branch to intervene in a dispute between two bodies within the legislative branch, and to order the new 103rd Legislature to clean up the mess left by the 102nd. For both substantive and procedural reasons, the Senate's request lacks merit, its motion for summary disposition should be denied, and this case should be dismissed.

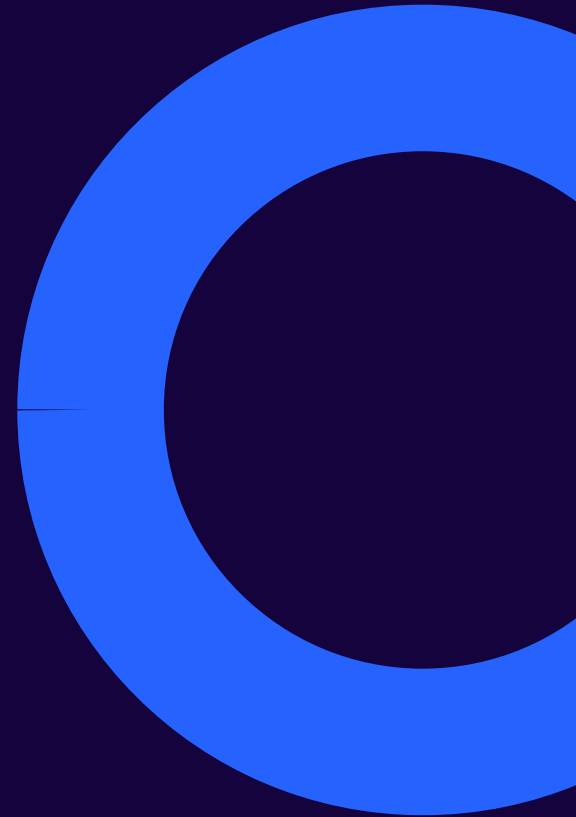
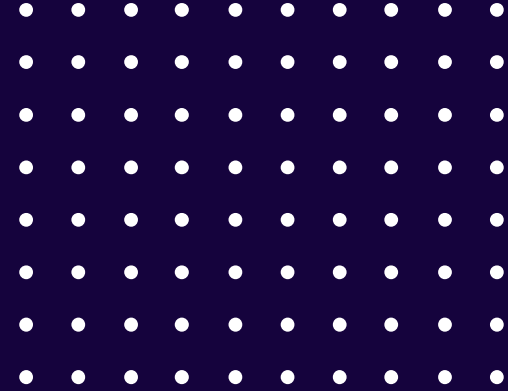
What's to come

- *The House has asked the Court of Claims to dismiss the case.*
- *This lawsuit pushes the discussion past policy and into the rules of the House and Senate. Something courts have historically been reluctant to intervene in.*
- *Depending on the decision of the court, you will see legal challenges likely up to the Michigan Supreme Court.*
- *This will take time to work its way through the system.*

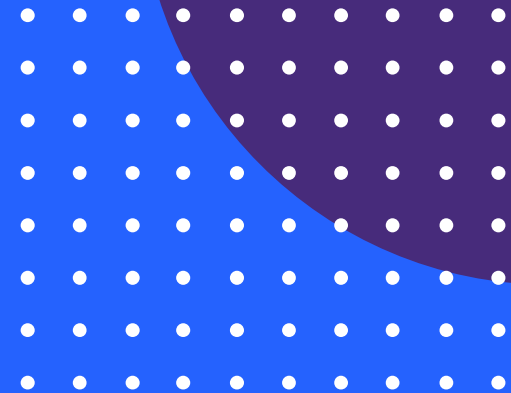
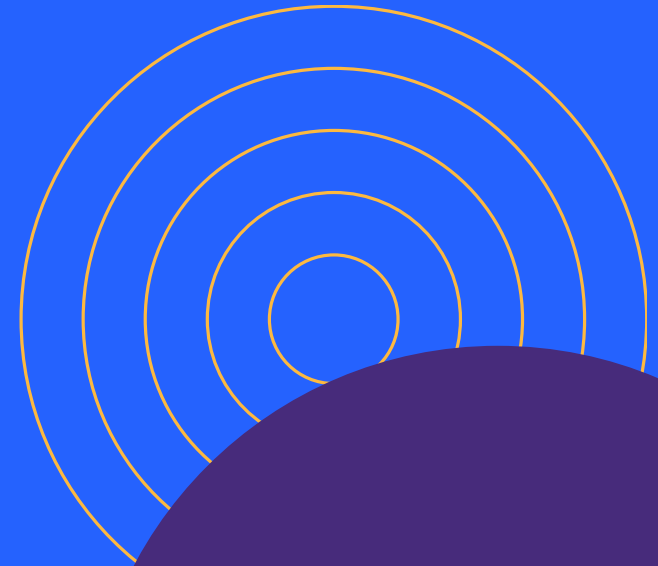


What's to come

- *Meanwhile, we still have an issue with rising healthcare costs putting pressure on employees.*
- *The MEA and supporters of HB 6058 **DO NOT** have an incentive to push a legislative alternative until the court process plays out.*
- *2026 Medical CPI numbers come out on April 1, 2025, we already have a strong indication of what they will be.*
- *As the calendar continues to turn it will put pressure on groups to find an alternative solution.*



New Hard Cap Index



New Hard Cap Index

- *New hard cap amounts will increase annually based on “any change in the medical care component of the average of the Michigan health insurance rates as approved by DIFS or by 3% whichever is greater.”*
- *DIFS does not produce the average of Michigan health insurance rates.*
- *DIFS does annually approve individual and small group market increases for insurance carriers in October.*
- *These increases are not necessarily reflective of the insurance landscape for public entities across the state.*
- *Another concern is the Department of Treasury is required to release updated hard caps by April 1. They could be using rates approved in October of 2024 for the 2026 hard caps.*

New DIFS Index?

2025 Michigan Health Insurance Rate Change Requests

Small Group Market (APPROVED)

Below is a listing of issuers who are approved to offer ACA-compliant health insurance policies in the **SMALL GROUP** market below next to the requested changes. More detailed information can be found on Michigan's website through its SERFF Filings at the links provided above.

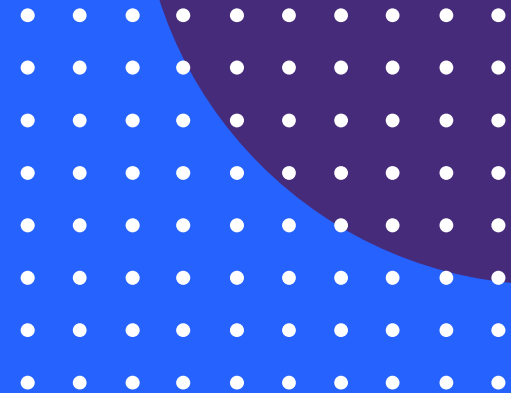
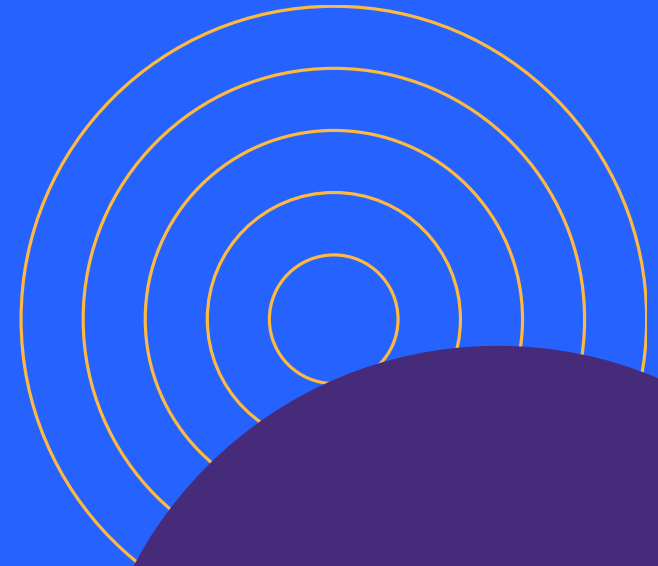
Important Note: As rate changes vary by plan, geographic area, and tobacco status, individuals may experience rate changes that may be affected by the amount the employer contributes to the total premium.

Issuer Name	Participating in Federally Facilitated Marketplace	Annualized Rate Changes		Current Enrollment
		As Requested	As Approved	
Alliance Health and Life Insurance Company	No	9.7%	9.7%	17,607
Blue Care Network of Michigan	No	11.2%	11.6%	112,486
Blue Cross Blue Shield of Michigan Mutual Ins Co	No	11.5%	11.5%	163,728
Health Alliance Plan (HAP)	No	5.8%	5.8%	18,839
Paramount Care of Michigan	No	7.5%	7.5%	339
Paramount Insurance Company	No	12.5%	12.5%	83
PHP Insurance Company	No	6.2%	6.2%	1,050
Physicians Health Plan	No	4.9%	4.9%	5,086
Priority Health	No	13.2%	13.2%	91,223
Priority Health Insurance Company (PHIC)	No	12.3%	12.3%	3,034
UnitedHealthcare Community Plan, Inc.	No	4.9%	4.9%	1,380
UnitedHealthcare Insurance Company	No	4.7%	4.7%	9,215
Total - Small Group Market		11.2%	11.3%	424,070

In 2025 DIFS approved an average of 11.3% increase for the small group market.

SOURCE: 2025 Michigan Health Insurance Approved Rate Changes

Looking Ahead



Cost-Share Impacts

General observations

- Anecdotal, roughly 75% of Michigan public schools are hard cap districts
- Most hard cap districts are paying at least 80% of “the annual costs or illustrative rate and any payments for reimbursement of co-pays, deductibles, or payments into health savings accounts, flexible spending accounts, or similar accounts used for a medical benefit plan coverage year”
- How did the 0.2% hard cap increase compared with what was commonly a double-digit health insurance premium increase impact a district’s overall percentage spend?

	District A	District B	District C	District D	District E	District F
Approx. number of enrolled EEs	100	400	100	1,100	550	300
Carrier/TPA	MESSA	MESSA	MESSA	MESSA	BCBSM/BCN	BCBSM
FI/SF	FI	FI	FI	FI	SF	SF
2024	83%	90%	93%	91%	91%	90%
2025 – 0.2% HC increase	73%	79%	83%	80%	87%	84%

Looking Ahead

- *Review your existing contracts to understand your obligations under the law.*
- *Get a baseline understanding on the cost-share between employer and employees. Be sure to include any employer deductible, HSA or other related contributions in the calculation.*
- *Begin planning for future contract negotiations or requests for bargaining units to want to open contracts.*
- *Think through contract language to provide financial protection to the district.*

A Deeper Dive - Examples

*Disclaimer – examples provide insights if
House Bill 6058 were to become law.*

Examples

ARTICLE 18-INSURANCE

Section 1: HEALTH INSURANCE

A. The District shall contribute the following amounts toward health insurance on a monthly basis:

Single = \$609.81

Dual = \$1275.30

Family = \$1663.12

These amounts shall increase on January 1st of each year this agreement is in effect by 95% of the maximum amount allowed by the state hard caps. If no hard caps exists, the District's contribution shall increase by the percentage increase in insurance costs from the previous year, up to 5%.

- *Contract is in effect from 2024-2027. It is likely this district would not be required to increase contribution amounts in 2025 because the contract states the amounts increase on January 1st.*
- *If HB 6058 were to become law, beginning in 2026 there will be a significant increase in costs.*

Examples

(a) The Board agrees to pay no more than the PA 152 2023 State mandated hard cap amount of the total cost of the medical fees, assessments, and commissions through December 31, 2023, and will pay no more than the PA 152 2024 State mandated hard cap amount of the total cost of the medical fees, assessments, and commissions beginning January 1, 2024, through December 31, 2024, and will pay no more than the PA 152 2025 State mandated hard cap amount of the total cost of the medical fees, assessments, and commissions beginning January 1, 2025 through December 31, 2025, and will pay no more than the PA 152 2025 State mandated hard cap amount of the total cost of the medical fees, assessments, and commissions beginning January 1, 2026 through August 31, 2026,

- *Contract is in effect from 2024-2027. It is likely this district will not be required to increase contribution amounts in 2025 because the contract states the amounts increase on January 1st.*
- *If HB 6058 were to become law, this district will need to renegotiate a contract and fully comply with the new law in August.*

Examples

16.6 Insurance Benefits.

The insurance plan year runs January through December. Open Enrollment will occur once per year in order for Bargaining Unit Members to make changes to coverages if they wish. Any changes made during the Open Enrollment period are effective January 1st of every new year. No changes can be made to insurance coverages at any other time during the year unless there is a qualifying event as defined by the IRS. Should such changes take place, they are effective on the date of the qualifying event.

A. Health Care Plans

For the term of this contract Bargaining Unit Members may select from the following health plans:

- MESSA Account Based Choices (ABC 1) – H.S.A. Plan
- MESSA ESSENTIALS
- MESSA Choices

Employer pays 80% & Bargaining Unit Member pays 20% of premium and applicable Affordable Healthcare Act taxes.

Single, 2-Person & Full-Family coverage is available.

- *This district has an 80/20 cost-sharing agreement in place.*
- *If HB 6058 were to become law, it requires a minimum of 80% employer cost-share they're in compliance.*
- *Future challenges could involve having plans explicitly put into the contract. This limits flexibility in controlling costs with increases.*



Thank you!

