

# Healthcare Update

Chris Glass, Area Vice President  
Gallagher Benefit Services, Inc.

MSBO Finance Committee

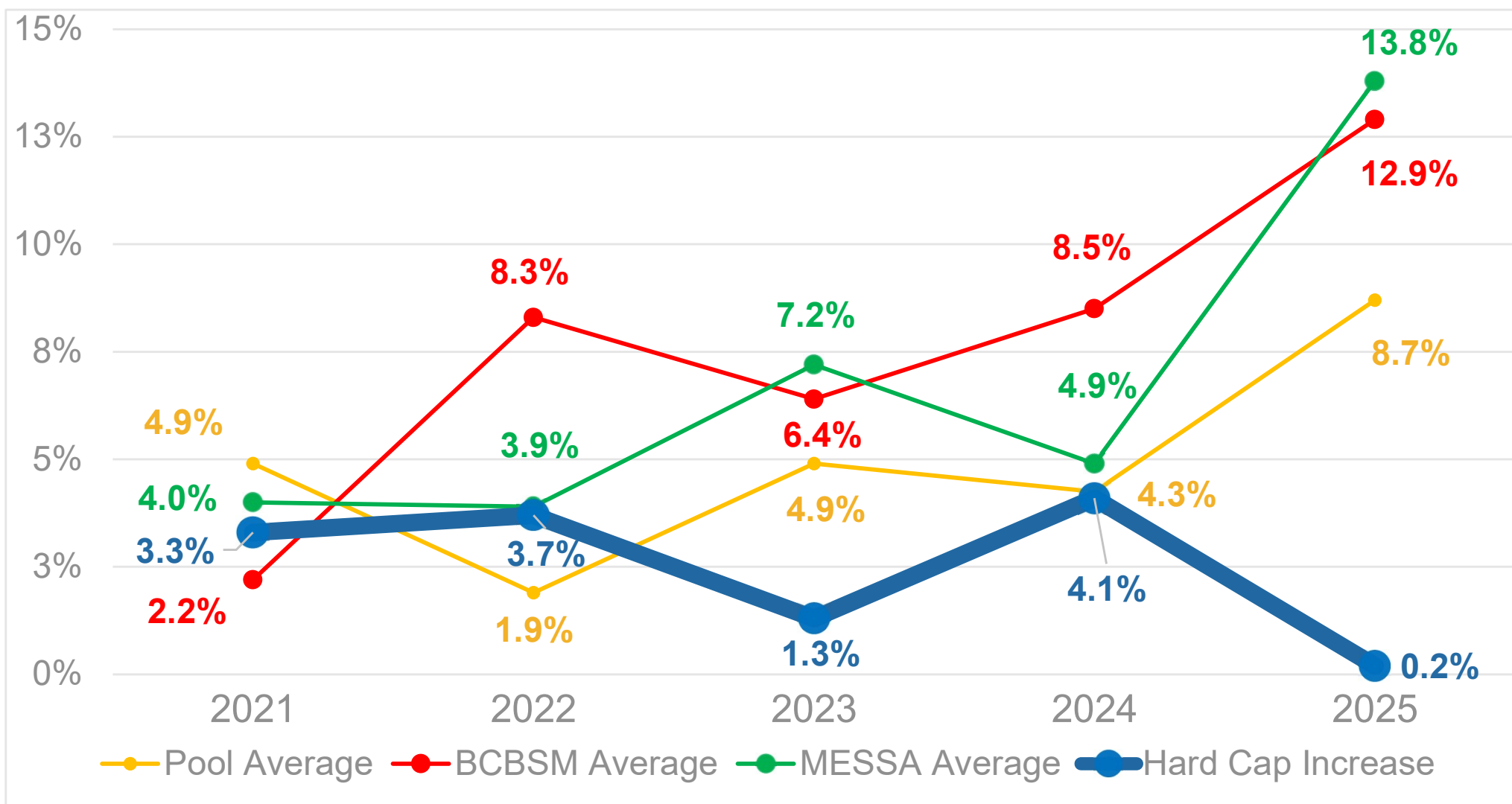
November 15, 2024



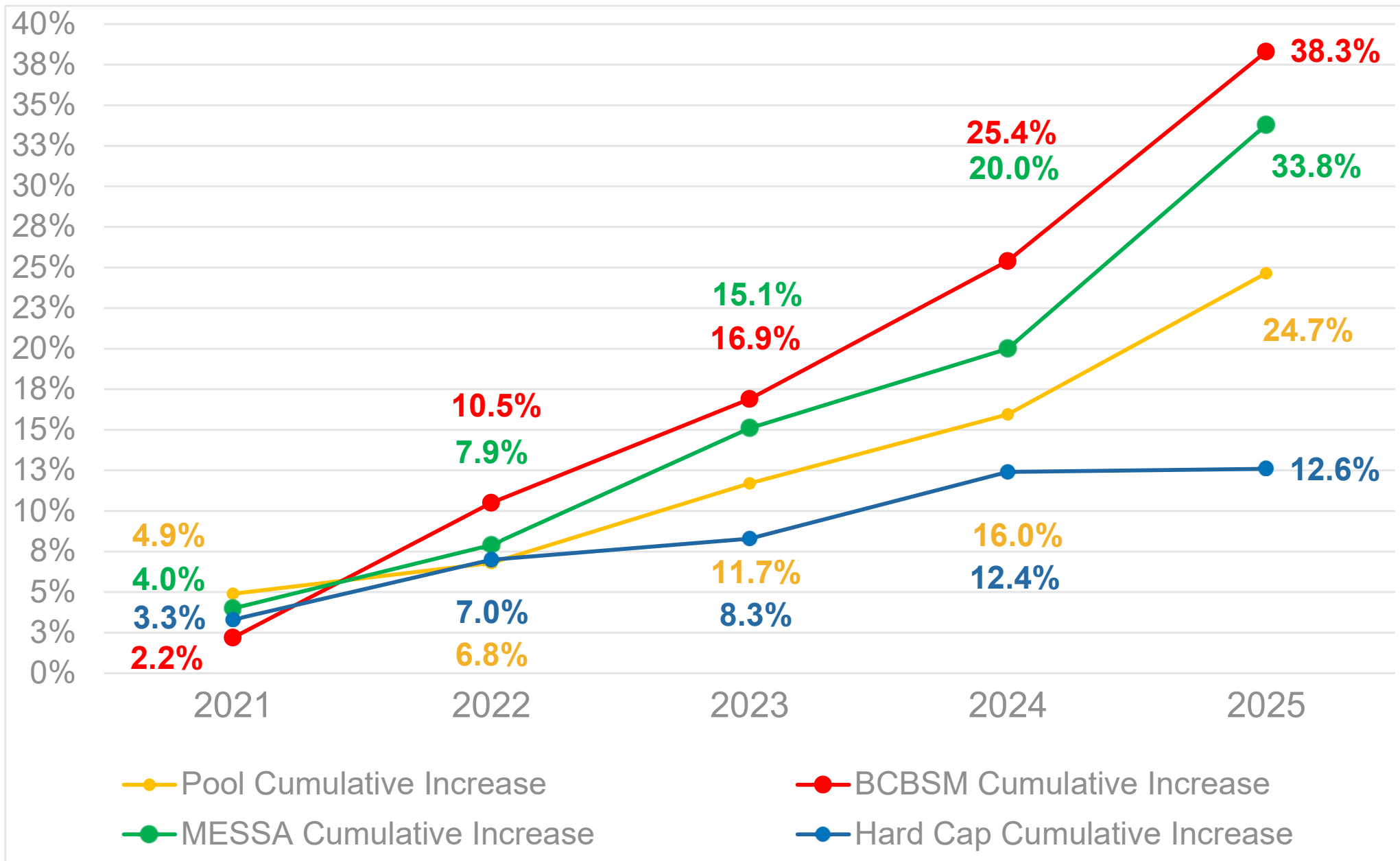
**Gallagher**

Insurance | Risk Management | Consulting

# Market History and Average Increases



# Market History and Cumulative Increases





# PA 152 – HB 6058

Input from Stakeholders

# Legislative Calendar

**JULY**

S	M	T	W	TH	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

**AUGUST**

S	M	T	W	TH	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

**SEPTEMBER**

S	M	T	W	TH	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

**OCTOBER**

S	M	T	W	TH	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

**NOVEMBER**

S	M	T	W	TH	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

**DECEMBER**

S	M	T	W	TH	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

**Regular Session begins at 10:00 AM**

 Session Day
  Tentative Session Day
  State Holiday

# PA 152 – Hard Cap

Heath 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	2.1	2.6	3.1	3.3	3.2	3.0	3.2	3.3			0.2	2025
2024													3.0	2026



# Cost Mitigation PA 152

	Status Quo - Pre PA 152	Actual - Post PA 152	Difference
2010-11	\$1,654,138,655	\$1,654,138,655	\$0
2011-12	\$1,736,845,588	\$1,460,472,217	-\$276,373,371
2012-13	\$1,823,687,867	\$1,317,305,512	-\$506,382,355
2013-14	\$1,914,872,260	\$1,250,075,454	-\$664,796,806
2014-15	\$2,010,615,874	\$1,241,185,410	-\$769,430,464
2015-16	\$2,111,146,667	\$1,249,621,980	-\$861,524,687
2016-17	\$2,216,704,001	\$1,274,277,663	-\$942,426,338
2017-18	\$2,327,539,201	\$1,289,858,932	-\$1,037,680,269
2018-19	\$2,443,916,161	\$1,318,480,510	-\$1,125,435,651
2019-20	\$2,566,111,969	\$1,334,937,003	-\$1,231,174,966
2020-21	\$2,694,417,567	\$1,372,820,662	-\$1,321,596,905
2021-22	\$2,829,138,445	\$1,418,011,890	-\$1,411,126,555
2022-23	\$2,970,595,368	\$1,471,161,410	-\$1,499,433,958
			-11,647,382,324

*Taking average increases pre - PA 152 compared to actual costs post - PA 152.*

*Cumulatively this equates to \$11.65 billion since the passage of PA 152.*

# Election Impact on PA 152

## How the Election Impacts PA 152

- For this current legislative session, Democrats have full control of the House, Senate and the Governor's office.
- Democrats have a one seat majority in the House for the remainder of the legislative session.
- In the Senate, Democrats do not have enough votes for immediate effect.
- Based on election results, Republicans gained a majority in the House of Representatives for the 2025-2026 legislative session.
- It will likely be an active lame duck, as the Democrats push to complete their legislative agenda before split control takes effect after January 1.
- The Republicans will not be looking to compromise.



# PA 152 – Legislative Initiatives

## Bill Introduction

- House Bill 6086 (D-Mai Xiong) amends PA 152.
- The bill was referred to the Labor Committee which has passed prior legislation increasing collective bargaining rights for labor unions.
- Labor unions have agreed to support the bill, they plan to introduce additional legislation as a repeal to PA 152 as an alternative.
- Expect to see legislation introduced in the Senate as well.

# Elements of a HB 6086

- **Main Point:** Flips PA 152 from a law that puts a ceiling on spending for health benefits, to a bill that creates a floor for health care spending.

One time hard cap adjustment of 7%	Adjustment of the benchmark for annual cap increases to 3% or the medical component of the consumer price index, whichever is greater	Ability to bargain amounts over the state cap
Adjust the two person cap to be 2.4 times the single person cap versus the current 2.09 multiple	Ability to bargain amounts over 80% by union group for percent cost share districts	Ability to bargain cost share amounts that vary by bargaining unit

# Potential Schedule for Bargainable Hard Cap Adjustments

- 2025 – an additional 1% over state hard caps
- 2026 – an additional 2% over state hard caps
- 2027 – an additional 3% over state hard caps
- 2028 – an additional 4% over state hard caps
- 2029 & beyond – an additional 5% over state hard caps

\*Negotiated hard cap adjustments do not compound. The additional percentage adjustments would be bargained in any given year and would be additional percentage points over the state hard cap for that year; not over the previously bargained hard cap amounts.



# Potential Schedule for Bargainable Percentage Cost Share Adjustments

- 2025 – an additional 0.3% for a total allowable spend of 80.3%
- 2026 – an additional 0.6% for a total allowable spend of 80.6%
- 2027 – an additional 0.9% for a total allowable spend of 80.9%
- 2028 – an additional 1.2% for a total allowable spend of 81.2%
- 2029 – an additional 1.5% for a total allowable spend of 81.5%

# Potential Elements of a PA 152 Amendment

Increase reflects Hard Cap adjustment only – not bargained amounts above the cap.

Global View	
22-23 Health Insurance Expenditures	\$1,634,287,361
23-24 Total Pupils	1,429,895
PA 152 - 0.2% Medical CPI	\$3,268,575
\$ Per Pupil	\$2.29
Total Increase at 7.2%	\$117,668,690
\$ Per Pupil	\$82.29
Difference	\$114,400,115
<b>Difference Per Pupil</b>	<b>\$80.01</b>

# Logistical Considerations

- Potential effective date
  - Immediate effect
  - 90 days following legislative recess (spring 2025)
- Bargaining
  - These amendments would not necessarily require changes to a district's health insurance cost sharing structure
  - Impacts will vary based on current CBA language (e.g. does current language commit to funding up to the state hard caps, 80%, etc.)
- Benefit program administration
  - Will a special enrollment period be needed to allow employees to make new health insurance elections
    - Rules around making plan changes and carrying over deductibles mid-year
  - If a district's health insurance cost sharing structure is changed, changes will be required in finance and benefit administration systems to reflect new employee contributions



# Roundtable Discussion

Input from Stakeholders

# Roundtable Discussion

What's your reaction to the legislative proposal? What are your concerns?




# Rx Insights


Prescription Trends



# GLP-1 Cost



	Saxenda	Wegovy	Ozempic	Mounjaro	Zepbound
Active Ingredient	liraglutide	semaglutide	semaglutide	tirzepatide	Tirzepatide
Annual Cost	\$19,696	\$21,045	\$10,704	\$12,276	\$12,718
Route	Self-Administered injection	Self-Administered injection	Self-Administered injection	Self-Administered injection	Self-Administered injection
Dose Timing	Daily	Weekly	Weekly	Weekly	Weekly
FDA Approval	Obesity	Obesity	Type II Diabetes	Type II Diabetes	Obesity
Mean % weight loss	5.4% - 7.4%	9.6% - 16%	5-10%	Up to 20%	Up to 20%



# Increasing GLP1 Spend Since 2021

Updated May 2024



## Drugs Included

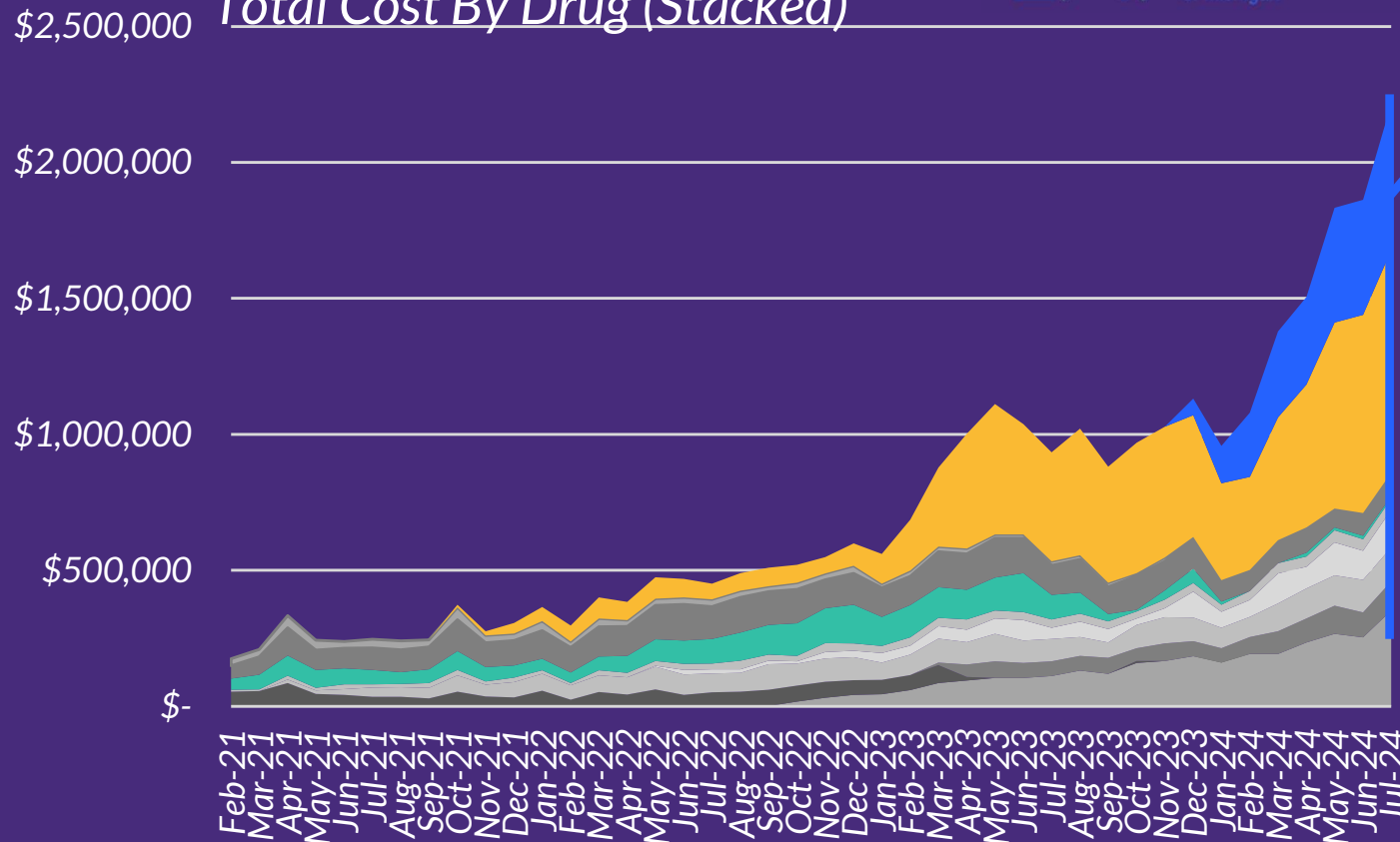
Type 2 Diabetes

Saxenda

Wegovy

Zepbound

Total Cost By Drug (Stacked)



GLP-1 spend for weight loss has generated significant costs for health insurance programs.

THE POOL

Western Michigan Health Insurance

# MESSA 5-Tier Rx Insights

- MESSA released a 5-tier Rx card that many groups/members took advantage of this year to offset premium increases.
- Making the change discounted the premium by 10-12% vs ABC Rx.
- Actuarial reviews by carriers and others have placed the likely savings at 1% – 1.5%.
- No changes to generic, preferred brand and nonpreferred brand.
- Specialty medications are around 2% of total prescriptions and 50% of total spend.

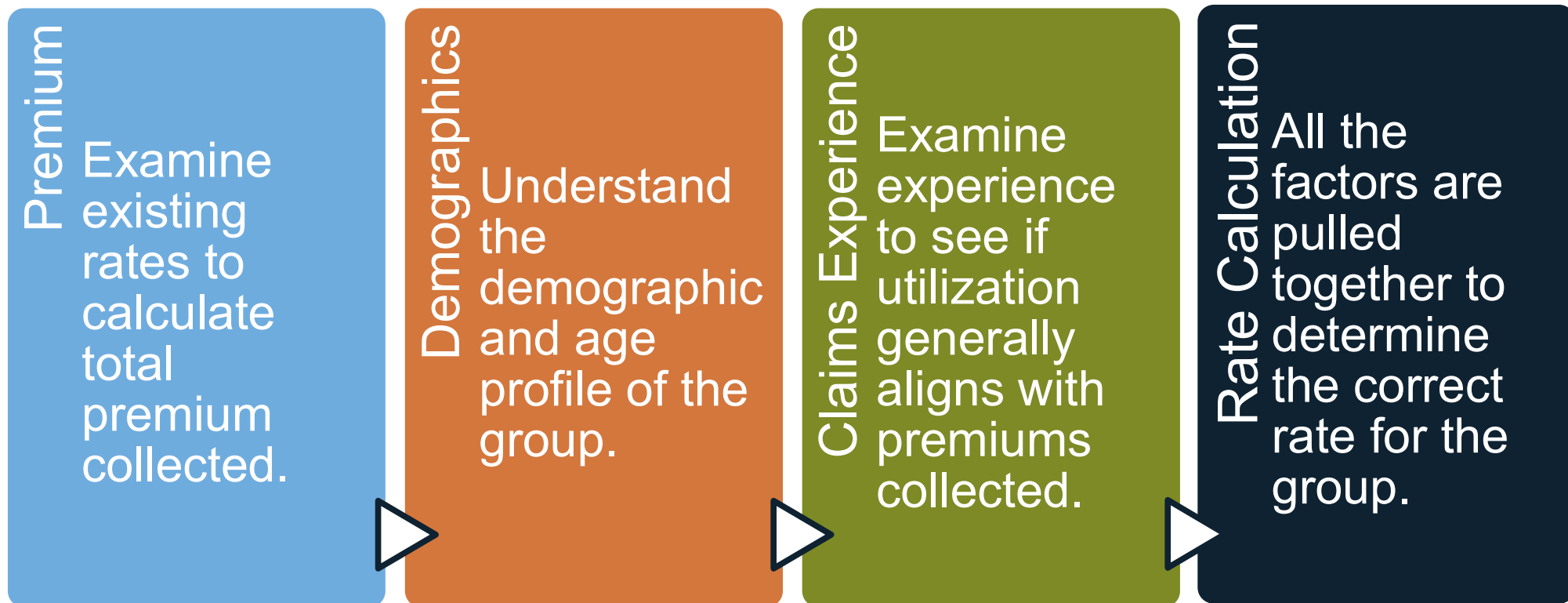
# Program Health – Considerations

Options to Consider



# Quoting Process

## Evaluating Options



# Program Health - Considerations

- Understanding the health of your program gives you insights into future increases.
- Also provides you the necessary information to evaluate alternative options for insurance.
- Recommend if you have a MESSA program – annually request claims data in June/July.
- Not only will this give you insights into program health, it also gives you the necessary information to receive a quote should you want to consider a program move.
- Numerous districts this year were interested in exploring options but were too late in information requests to receive quotes.

# Questions?

Chris Glass  
Area Vice President  
616-308-9971

[Chris\\_Glass@ajg.com](mailto:Chris_Glass@ajg.com)

For Institutional Use Only. Not for Public Distribution.

This material was created to provide information on the subjects covered, but should not be regarded as a complete analysis of these subjects. The information provided cannot take into account all the various factors that may affect your particular situation. The services of an appropriate professional should be sought regarding before acting upon any information or recommendation contained herein to discuss the suitability of the information/recommendation for your specific situation.

**Gallagher Fiduciary Advisors, LLC ("GFA")** is an SEC Registered Investment Advisor that provides retirement, investment advisory, discretionary/named and independent fiduciary services. **GFA** is a limited liability company with Gallagher Benefit Services, Inc. as its single member. **GFA** may pay referral fees or other remuneration to employees of AJG or its affiliates or to independent contractors; such payments do not change our fee. Neither Arthur J. Gallagher & Co., **GFA**, their affiliates nor representatives provide accounting, legal or tax advice.

Securities may be offered through **Triad Advisors, LLC ("Triad")**, member FINRA/SIPC. **Triad** is separately owned and other entities and/or marketing names, products or services referenced here are independent of **Triad**. Neither **Triad** nor their affiliates provide accounting, legal or tax advice.



**Gallagher**

Insurance | Risk Management | Consulting

[AJG.com](http://AJG.com)

©2024 ARTHUR J. GALLAGHER & CO.