

# Potential Impact of Group Health Plan Costs

2026 Renewal Recap and Planning  
for 2027

MSBO School Finance Services  
Committee

December 19, 2025



**Gallagher**

Insurance | Risk Management | Consulting

# About Gallagher

## Association Involvement



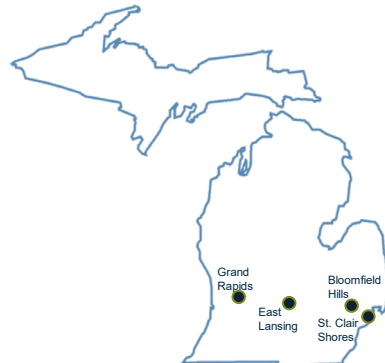
## Consulting Services

- Benefits (medical, dental, vision, life and disability insurance)
- Healthcare analytics
- Pharmacy
- Leadership development
- Property & Casualty
- Workers' Compensation
- Human resources
- Compensation
- Retirement
- Wellbeing and engagement
- Human resource technology
- Voluntary benefits
- Communications
- Compliance
- Executive benefits

## Michigan's Public Sector Focus

### 300+ Public Sector Clients

- Consulting with **200+** public schools in Michigan



# Today's Conversation

- What Just Happened?
- What Should We Expect Next?
- What Can We Do About It?
- Best Practice Takeaways

# What Just Happened?

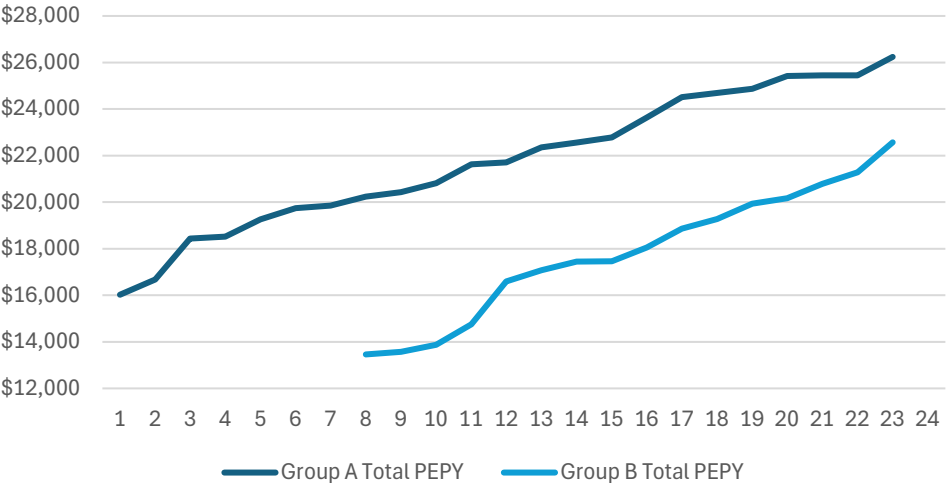
Increases are for January 1, 2026 effective dates. Wide variations apply to the percentage increases below.

- **BCBSM (PPO) fully insured** – 15.5% average renewal
- **BCN (HMO) fully insured** – 13.1% average renewal
- **Blue Cross self-funded stop loss** – 17.3% average renewal
- **Blue Cross self-funded admin fee** – 2.0% to 3.5% average renewal
- **MESSA** – 9.4% statewide average renewal
- **The Pool** – 9.1% average renewal
- **Priority Health fully insured PPO (small group)** – 13.0% average renewal
- **Health Alliance Plan fully insured PPO and HMO (large group)** – under 7.0% average trend
- **Health Alliance Plan fully insured PPO and HMO (small group)** – between 8.0% and 9.0% average trend

**Important to understand how your district's claim data, if available, compares to your renewal offer**

# Benchmarking Group Total Utilization

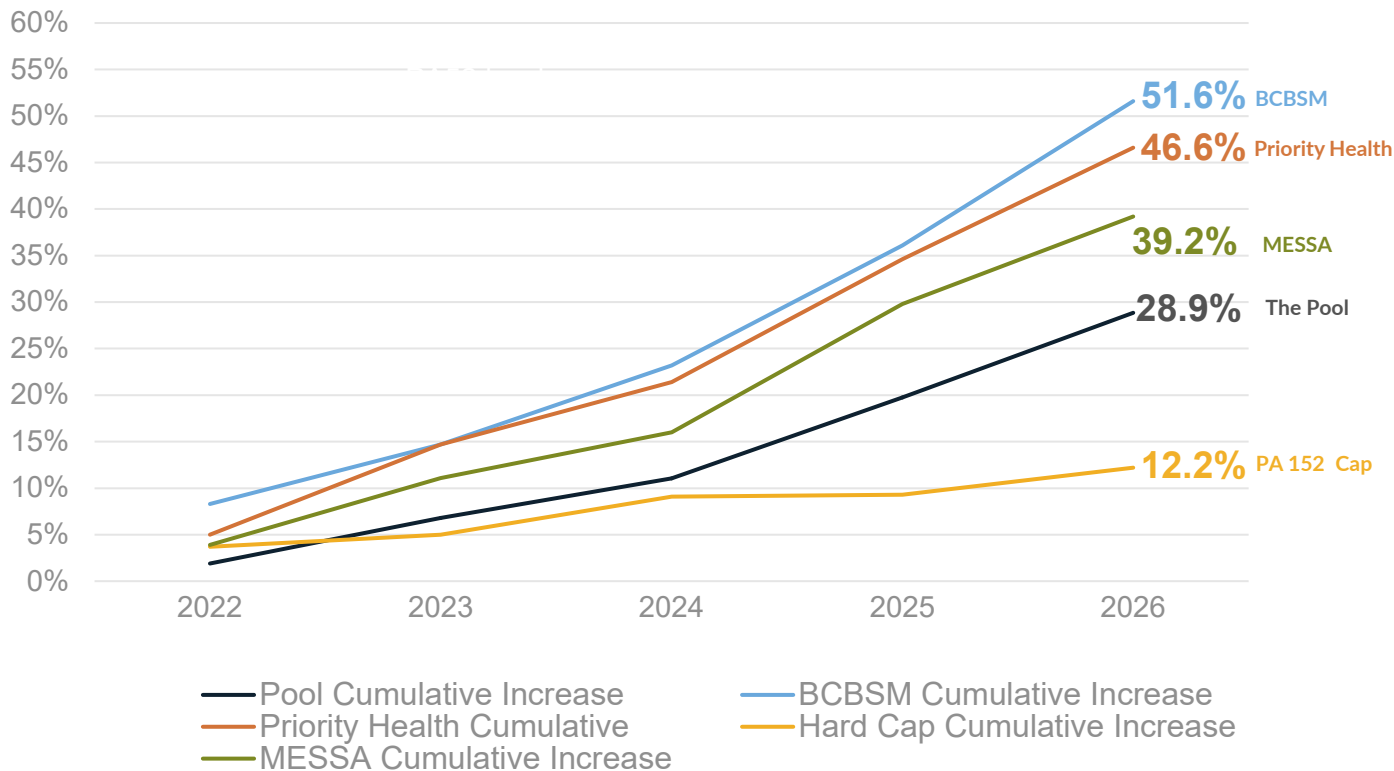
Group A vs Group B Total



	Group A	Group B
Max	\$26,200	\$22,600
Min	\$16,000	\$13,600
Median	\$21,700	\$17,800
Mean	\$21,800	\$17,800

# Trends in Cost

Health insurance increases have far outpaced the PA 152 hard cap.



Note: Priority Health does not publish state-wide large group increases. Number illustrates Small Group increases filed with DIFS

# Executive Summary

## 2025 Second Quarter Results

The 2025 second quarter year over year results show trends in line with the Gallagher published trend survey in the September 2025 release.

Medical trend has softened in the most recent quarter.

Pharmacy trend is dependent on coverage of GLP-1 weight loss medications.

### Medical

Annual total trend was **8% to 9%**  
Most recent quarter annual trend was **6% to 7%**

### Pharmacy

Annual total trend was **14% to 15%**  
Most recent quarter annual trend was **15% to 16%**

## Top Medical Conditions By Spend

Type	% of Spend	Trend
Cancer	11.8%	10.4%
MSK	11.5%	9.8%
Circulatory	7.4%	6.0%
Digestive	7.1%	9.6%
Injury	6.0%	4.5%

## Top Rx Drugs By Spend

Type	% of Spend	Trend
Mounjaro	5.7%	68.6%
Ozempic	5.1%	7.1%
Humira Pen	4.7%	-23.1%
Stelara	3.8%	9.3%
Wegovy	2.9%	37.2%

# Key Health Insurance Cost Drivers

1

Inflationary pressures resulting in higher negotiated reimbursement rates for healthcare facilities and providers

4

Tariffs are expected to increase the cost of imported pharmaceuticals

2

Increased health care utilization; particularly in the areas of mental health and cardiovascular along with later stage cancer diagnoses

5

Federal government spending cuts and other administrative changes

3

Increased pharmaceutical trend including GLP-1 utilization and accelerated gene and cell therapy treatments

6

Significant underwriting losses on the part of health insurance carriers



# What Should We Expect Next?

## More of the Same

- Market volatility is expected to continue for at least the next three years
- There was a \$50B increase in pharmacy spending in 2024, up from a \$20B increase in 2023<sup>1</sup>
- Stop loss insurers are projecting 20-25% renewal increases through 2026
- Medicare/Medicaid cuts and potential impacts on commercial health plans
- ACA individual subsidies and potential impacts on commercial health plans

## And...potential changes to PA 152???

<sup>1</sup>Source: PWC Medical Cost Trend: Behind the Numbers 2026; <https://www.pwc.com/us/en/industries/health-industries/library/behind-the-numbers.html>

# HB 6058 Update

- Court of Appeals ruling on October 27, 2025
- Michigan House Speaker Matt Hall and House Republicans filed an appeal with the Michigan Supreme Court on December 8, 2025
- A number of potential outcomes

# Hard Cap Numbers

	2025	2026	2026 (if HB 6058 effective)*
Single	\$7,718.26	\$7,942.09	\$9,166.98
Two-person	\$16,141.28	\$16,609.38	\$19,171.00
Family	\$21,049.85	\$21,660.30	\$25,000.91

*\*Assumes the 7% increase to 2025 hard caps that was outlined in the bill as well as an assumed 11% hard cap increase for 2026*

- Using a sample distribution of 30 singles, 15 two-person and 50 family contracts per 100 employees, the assumed 2026 hard cap amount would cost districts approximately \$260,000 per 100 employees
- Anecdotally, most Michigan public schools are paying at least 80% of total healthcare costs today

# What Can We Do About It?

- Know your data
- Explore alternative funding models
- Evaluate the market
- Educate your workforce
- Bargain wisely

# Know Your Data

- What is your district's total annual premium paid?
- What is your district's total annual dollar amount of health care consumed?
- Are there prevalent disease states present?
- How do preventive care utilization rates look?
- If you are too small to access your data, how do your rates compare?

# Explore Alternative Funding Models

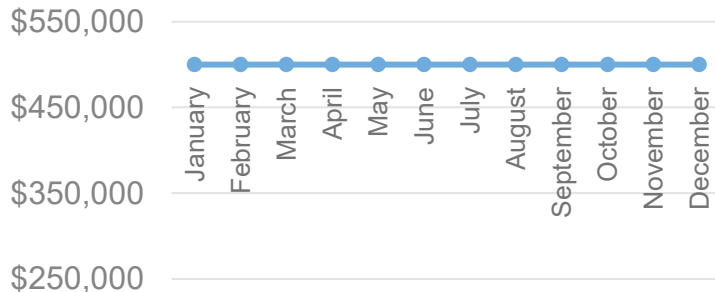
- Fully insured
- Self-funded
- Pooling

# Funding Overview

## Fully Insured

Enrollment Type	Monthly Rate	Enrollment	Total Monthly Premium
Single	\$600	100	\$60,000
Two Person	\$1,200	75	\$90,000
Family	\$1,750	200	\$350,000
<b>TOTAL MONTHLY PREMIUM</b>			<b>\$500,000</b>

### Monthly Premium Illustration



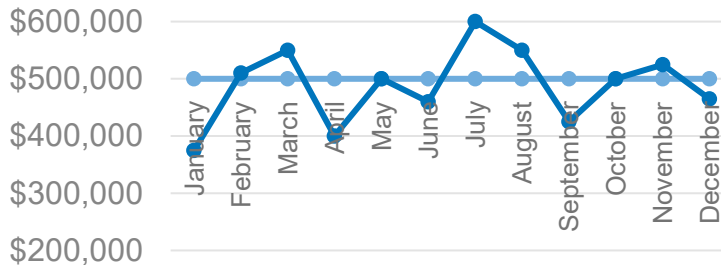
- Established single, two person and family rate for each plan offered
- Rates generally guaranteed for 12 months
- Employer pays the same rates for 12 months whether enrollees use more care than expected or less

# Funding Overview

## Self-funded

Cost Components	Monthly Rate	Enrollment	Total Monthly Projected Cost
Administrative Fee	\$75.00	375	\$28,125
Stoploss Insurance	\$125.00	375	\$46,875
Projected Claims	\$1,133.33	375	\$425,000
<b>TOTAL</b>			<b>\$500,000</b>

Monthly Projected vs. Actual Cost Illustration



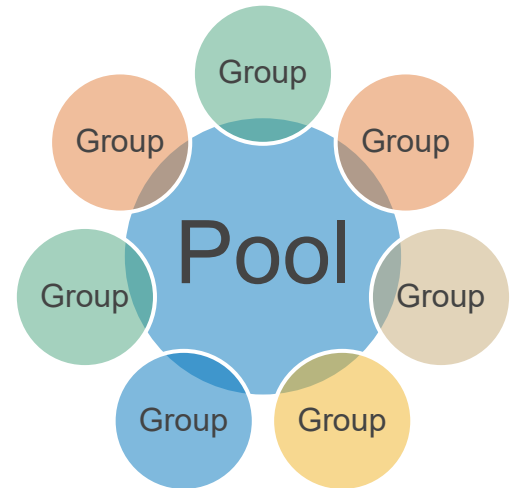
- Employer pays for the cost of products and services as they are used by enrollees
- Rates are established based on projected costs expected for the 12 month plan year and are not guaranteed
- Employer pays more if enrollees use more care than expected and pays less if enrollees use less care than expected
- Insurance retained by Employer to protect against catastrophic losses called stop loss insurance



# Funding Overview

## Pooling (Based on the Western Michigan Health Insurance Pool)

- Sharing claim risk with other employers and taking advantage of collective buying power
- Established single, two person and family rate for each plan offered
- Rates guaranteed for 12 months
- Employer pays the same rates for 12 months whether enrollees use more care than expected or less
- Pool members make program decisions with a view toward providing high quality coverage at a reasonable and stable cost



# The Pool

## About Us

The Pool was created in 2005 when eight West Michigan school districts wanted to offer better, quality benefits at a lower cost to employees and their families.

## Making Waves

The Pool offers the most affordable, best-in-class coverage through Blue Cross Blue Shield of Michigan or Priority Health that supports our members' total wellbeing.

Being a member of The Pool allows you to take advantage of life-changing programs ranging from muscle, back, and joint pain relief to fully reversing diabetes, all for **free**.

### Member-Focused



The Pool was created for members and has always been run by members – ensuring an enhanced experience for all.

### Value



We offer plans at the most competitive rates in the industry by investing in innovations that enhance member wellbeing.

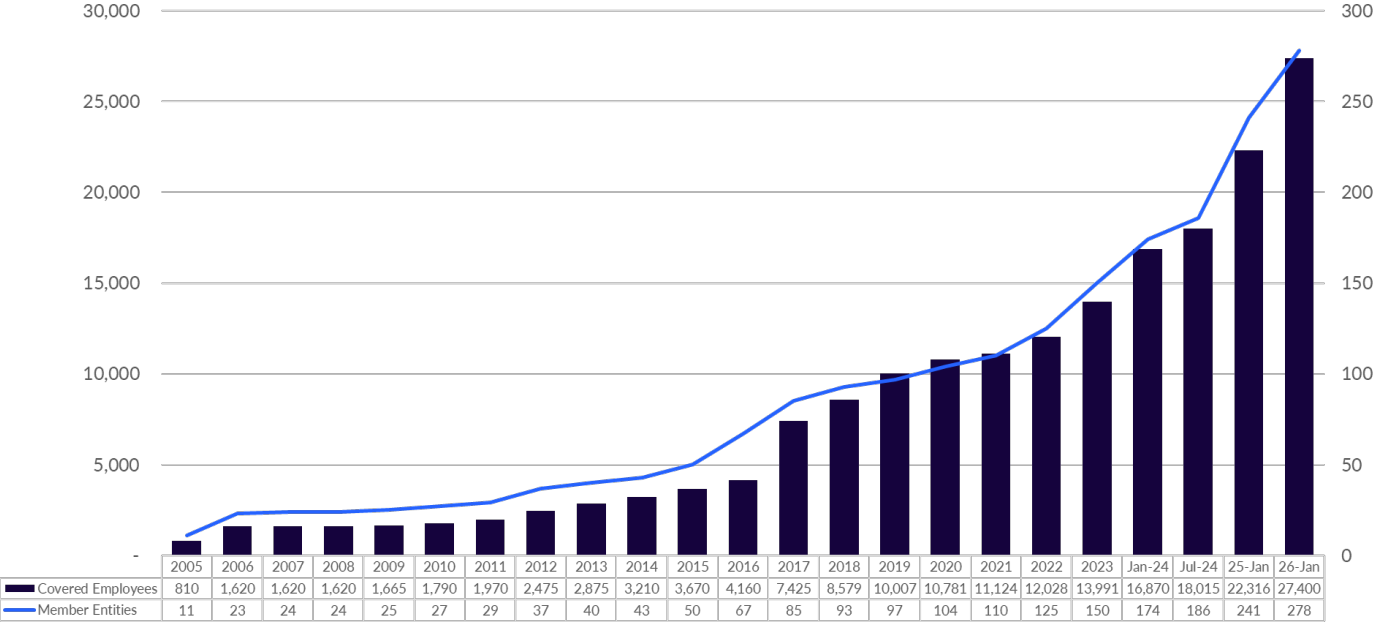
### Trust



Transparency, partnership and feedback are essential to everything we do in The Pool. Members can trust The Pool is working on their behalf everyday.

**Member-Focused, Value & Trust are pillars that have withstood the test of time and drive decision making today.**

# 20 Years of Sustained Growth

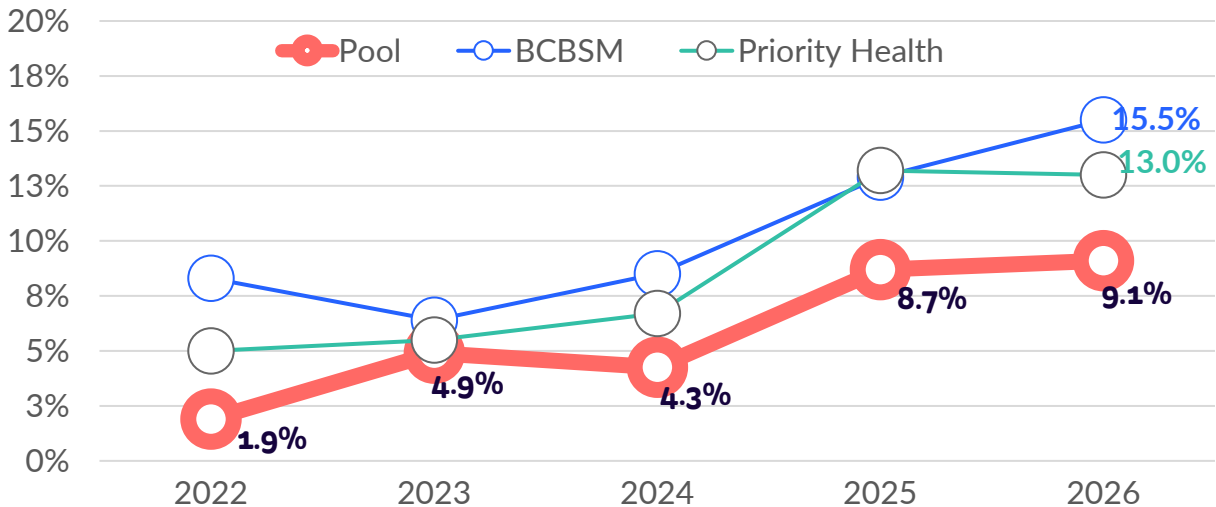


\*January 2026 covered employees is an est.

# Outperforming the market



The Pool consistently outperforms average market increases - leading to money saved for organizations and employees.



Note: Priority Health does not publish state-wide large group increases. The number shown is a given estimate provided by WMHIP's Priority Health representative. In previous years, what's been illustrated is the Small Group increases filed with DIFS.

# Evaluate The Market

- Alternative carriers and networks
- Stop loss captives
- Onsite/near-site clinics and direct primary care
- Pharmacy alternatives

# Marketing Timeline

Based on a January 1 renewal date

- Establish a vendor partner for marketing effort
- Establish strategy – January/February/March
- Engage stakeholders – February/March/April
- Collect data – June/July
- Release request for proposals to the market – July/August
- Compile and review marketing results – August/September/October
- Review marketing results with stakeholders – August/September/October
- Make decisions – earlier the better; no later than October 31
- Program implementation and open enrollment – October/November
- Decisions become effective January 1

# Alternative Carriers and Networks

- May be less expensive alternatives depending upon group location, demographics, claim data, etc.
- Ability of each carrier to adjust to current market dynamics will significantly impact associated rates and competitiveness (e.g. adoption of new programs, new partners, renegotiation of contract terms with existing partners, ability to influence utilization trends, etc.)
- Network alternatives other than PPO include HMO, POS, EPO, high performance, etc.
- Alternative health plan models are gaining traction
- An increase in marketing efforts of union-affiliated plans has been observed

# Stop Loss Captives

- Pooling for self-funded stop loss insurance
- Seeks to reduce profit margin as part of overall fixed costs and help participating employer groups retain those dollars
- Potential to reduce year to year renewal volatility
- Secure enhanced stop loss contract terms
- Gain access to value added programs



# On-site/near-site Clinics and Direct Primary Care (DPC)

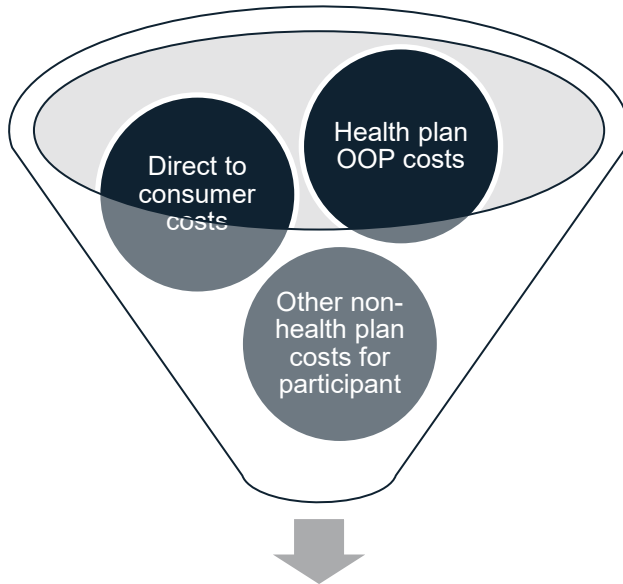
- Provide convenient access to care for the workforce and their dependents
- Can be used as an employment benefit for non-benefit-eligible employees
- Important to understand ability to assess cost effectiveness
- Multiple examples of Michigan public schools joining and then leaving clinic relationships

# Pharmacy Alternatives

- For self-funded plans, renegotiate pharmacy benefit manager (PBM) contract
- Evaluate alternative PBMs
- Review formulary (list of covered drugs) for efficiencies
- Determine biosimilar strategy
- Evaluate strategic opportunities specific to specialty medications
- Understand pros, cons and potential compliance concerns specific to international sourcing

# Direct to Consumer Programs

Does not replace health insurance



Total Healthcare Spend for  
the Individual

Examples:

- TrumpRx
- GoodRx
- Ro
- Hims/Hers

# TrumpRx

## Background & Context

1

**Most-Favored Nation (MFN) Pricing:** Manufacturers would commit to price drugs for US consumers no higher than the lowest price they charge comparable countries.

2

**Direct Manufacturer Sales:** The government will “facilitate direct-to-consumer” purchasing programs for drugmakers that offer MFN pricing.

3

**Imports of branded drugs** may face 100% tariffs unless the manufacturer agrees to onshore production or participate in discount programs.

4

**Manufacturer Engagement:** Trump administration has sent letters to major drug companies demanding lower pricing and outlining expectations



Source: [TrumpRx](#)

Source: IPD Analytics “RxBrief: Potential Impact of Tariffs on Pharmaceutical Industry”  
Source: IPD Analytics “Legislation and Governmental Insights\_Executive Order on Most-Favored Nation Pricing”

Note: Due to the evolving nature of this topic, some information is subject to change. Information is current as of October, 2025

# Potential Impacts to Key Stakeholders

**Direct-to-consumer access presents considerations and impact to supply chain and overall drug delivery channels**

Manufacturers	Patients	PBMs	Dispensing Pharmacies
<ul style="list-style-type: none"> <li>Profits are often linked to drug costs</li> <li>Potential impact to international drug pricing strategies (i.e., many have announced increases to drug prices in other parts of the world)</li> <li>Potential impact to US leadership in medical technology and innovation</li> </ul>	<ul style="list-style-type: none"> <li>Potentially lower cost of medications via DTC platforms; however, discounted prices remain often higher than copays/coinsurance for insured patients</li> <li>Potential disruption to treatment if drugs are no longer imported, or supply chain disruption</li> </ul>	<ul style="list-style-type: none"> <li>DTC purchasing chain bypasses PBMs</li> <li>Potential decrease to rebate offerings/decreased profits</li> <li>Lack of claims visibility for DTC purchases</li> </ul>	<ul style="list-style-type: none"> <li>Profits are often linked to drug costs</li> <li>Potentially decreased volume at retail pharmacies, where profitability remains sensitive</li> </ul>

Source: IPD Analytics "RxBrief: Potential Impact of Tariffs on Pharmaceutical Industry"

Source: IPD Analytics "Legislation and Governmental Insights\_Executive Order on Most-Favored Nation Pricing"

# Best practices for managing pharmacy plan spend

## PBM PROCUREMENT

19.67%

The average three-year savings for clients

14.87%

The average savings within the first year of the three-year contract

## PBM AUDIT

- \$24.1 M recovered
- 226 PBM audits
- 32% of audits resulted in some type of recovery

## CONTRACT RENEGOTIATION

12.35%

The average three-year savings for clients

8.52%

The average savings within the first year of that three-year contract



## PBM Procurement

A unique comprehensive process to drive best practices, identify and eliminate unfavorable contract terms and pricing for clients.

## Contract Renewal

Beyond the typical price and spreadsheet models, incorporating evaluation of contractual language to reveal the true costs associated with each PBM.

## PBM Audit

This is an integral part of a plan's overall risk assessment strategy to ensure financial and contractual terms are being administered as intended.

## Market Check

Mid-contract financial benchmarking and support for renegotiation of the current in-force PBM contract.

# Pharmacy Recovery Programs

## A Word of Caution

- Aggressive marketing alleging wrongdoing specific to pharmacy practices and the opportunity for significant recoveries
- In some cases, marketing includes unsubstantiated claims
- Apply a high degree of scrutiny and proceed with caution

# Educate Your Workforce

- Identify opportunities to discuss the connection between utilization and cost
- Promote preventive health and health management opportunities
- Maintain an awareness of current and alternative program options



# Informing Employees about their Benefits

## Through leveraging voluntary/worksite benefits

- Do employees understand their benefits and the value?
- When a person is considering coming to work for the district or considering employment elsewhere, are they weighing the impact of benefit costs?
- Voluntary/worksite benefits – payroll-deducted benefit offerings (e.g. voluntary supplemental life insurance, hospital indemnity, critical illness, accident, life with long term care, etc.)
- Can be used to fund one-on-one counsellors, group meetings, call centers or enrollment technology during open enrollment or off cycle to educate on benefit offerings
- Can provide leverage when negotiating group life and long term disability contracts and pricing
- Various approaches in the market

# Voluntary/Worksite Benefits Best Practices

## Key Considerations

- Group platform versus individual contracts
- Pre-tax/post-tax
- On cycle with open enrollment versus off cycle
- Salaried versus commissioned individuals
- One-on-one, group, call center, or tech-driven
- Mandatory versus optional

# Bargain Wisely

- Consider potential cost impacts of HB 6058 if it became effective
- Explore language that provides flexibility for the district and its workforce
- Avoid arrangements where the district is responsible for the majority of health insurance increases with no limit on overall district expenditures

# Best Practice Takeaways

- Know your data
- Know how your costs benchmark against other districts
- Have a plan for your 2027 renewal - start planning process in Q1 2026
- Track PA 152/HB 6058 status
- Evaluate the market
- Explore ways to better engage your workforce on their benefits – consider supporting with voluntary benefits launch
- Bargain wisely

Chadd Hodkinson, LIC  
Senior Area Vice President  
Market Leader, Michigan Public Sector  
[Chadd\\_Hodkinson@ajg.com](mailto:Chadd_Hodkinson@ajg.com)  
517-898-7752

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