



Gallagher

Insurance | Risk Management | Consulting

Health Insurance Issues – Managing Health Care Costs and Plans

MSBO Human Resources Town Hall

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Gallagher Snapshot

Founded in

1927



Gallagher's Expertise

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

1984

The Gallagher Way

500

Gallagher joined the Fortune 500 club in 2016

180+/40,000+

Michigan public school clients and employees to which Gallagher consults on benefits

80

Gallagher's MI/OH Net Promoter Score

\$17B/71

Insured value and number of Michigan public schools to which Gallagher consults on P&C and WC

220+/22,000+

Member organizations and employees in The Pool



Global Reach Local Presence

Shared values
Passion of excellence
Promises Delivered

Agenda

1

Current State

of the Michigan health insurance market

2

Strategies for Containing Benefit Costs

while maintaining and enhancing value

3

PA 152

and cost containment

4

Q & A

Current State

Of the Michigan Health Insurance Market



Michigan Health Insurance Market Overview

Continued consolidation in both the carrier and provider spaces

Key remaining carrier players in the Michigan public school space include:

- Blue Cross Blue Shield of Michigan (BCBSM) and as part of that, MESSA and The Pool
- Blue Care Network (BCN), BCBSM's HMO arm
- Priority Health (also offered through The Pool)
- Health Alliance Plan (HAP)

Notable regional carriers exiting the market in recent years: McLaren Health Plan and Physician's Health Plan (PHP)

Other carriers in Michigan:

- UnitedHealthcare (UHC)
- Aetna
- Cigna

Provider consolidation: merger of Spectrum Health and Beaumont Health to create Corewell Health. More recently, the joint venture between Henry Ford Health and Ascension Michigan.

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

There are mixed opinions about renewals through 2025 and for January 1, 2026. Districts whose health insurance programs renew January 1st each year would be wise to be evaluating program strategies in the first quarter of 2025 to prepare for potential renewal challenges.

Strategies for Containing Benefit Costs while Enhancing Value



The Basics of a Health Insurance Program

Three main elements

Claims

Actual, variable charges incurred by employees and their dependents.

Risk charge

Because medical and prescription costs are variable and significant, this creates financial risk. When we buy insurance, we are paying someone else to hold that risk.

Administrative fee

The cost for a third party to pay claims on behalf of the district, provide customer service, etc.

The Basics of a Health Insurance Program

Key sources of claim costs

Medical

- In-patient hospital stays
- Out-patient procedures
- Doctor's office visits
- Pharmaceuticals administered in a hospital, clinical or provider setting
- Etc.

Pharmacy – administered through a pharmacy benefit manager (PBM)

- Injections
- Patches
- Oral medications
- Intravenous treatments

The Basics of a Health Insurance Program

Opportunities to impact claim costs

Medical

- Pay the lowest price for services rendered
- Steer plan participants to highest quality/lowest cost sites/providers (e.g. telehealth is less expensive than in-person primary care is less expensive than urgent care is less expensive than the emergency room). Not all providers are equal in terms of quality.
- Avoid medically unnecessary care
- Maintain or improve population health status through education and engagement

Pharmacy – administered through a pharmacy benefit manager (PBM)

- Pay the lowest net price for prescriptions filled
- Steer plan participants to safest, most effective and lowest net cost medications
- Avoid medically unnecessary prescriptions
- Maintain or improve population health status through education and engagement

The Basics of a Health Insurance Program

Medical - paying the lowest price for services rendered

Ensure The Quality Of Your Administrator

(e.g. your insurance carrier or third party processing your claims)

- They negotiate reimbursement rates with hospitals, doctor's offices and other providers for services. Are their deals more or less efficient compared to their competitors?
- They decide what gets paid and what doesn't. Are they paying claims accurately?

Explore Network Alternatives

- Preferred Provider Organizations (PPOs) have the broadest list of approved providers to choose from and still pay a portion of charges if an individual chooses to use a non-approved provider
- Health Maintenance Organizations (HMOs) have a narrower list of approved providers to choose from and do not pay for charges if an individual chooses to use a non-approved provide (except in urgent/emergent situations). HMOs also have a primary care physician that is directing care for the individual.
- HMOs are generally more cost effective than PPOs
- Other network options include Exclusive Provider Organization (EPO), Point of Service (POS) and High Performance Network (HPN)

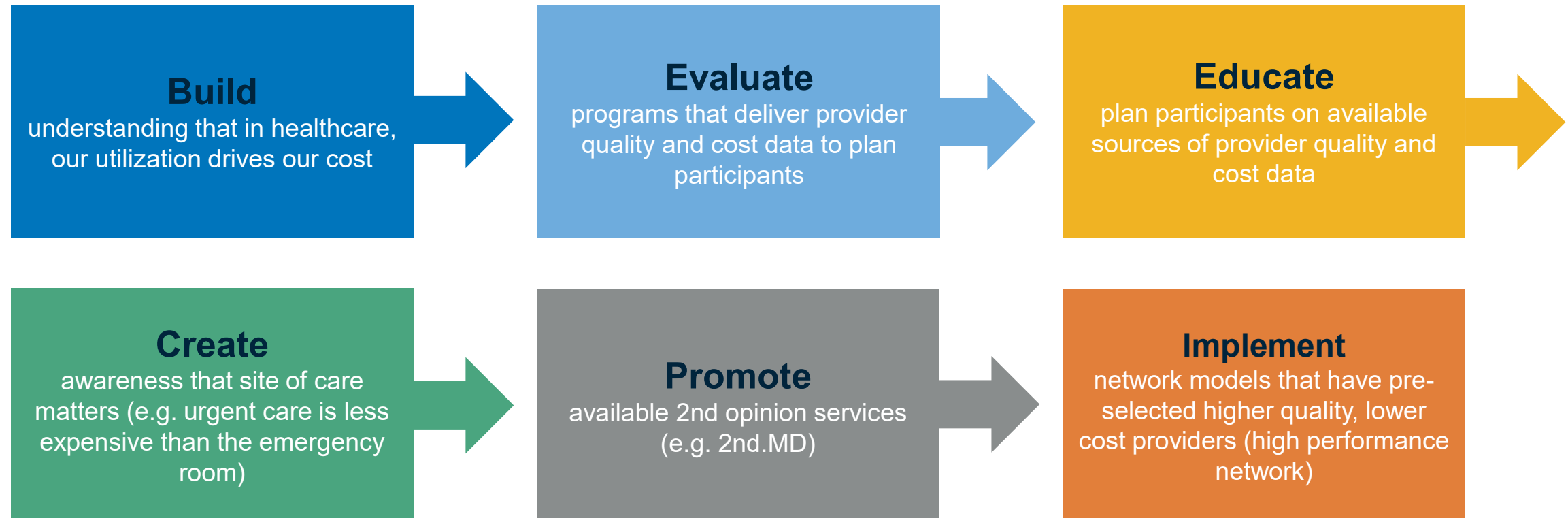
Case Study

Health Insurance Carrier Change

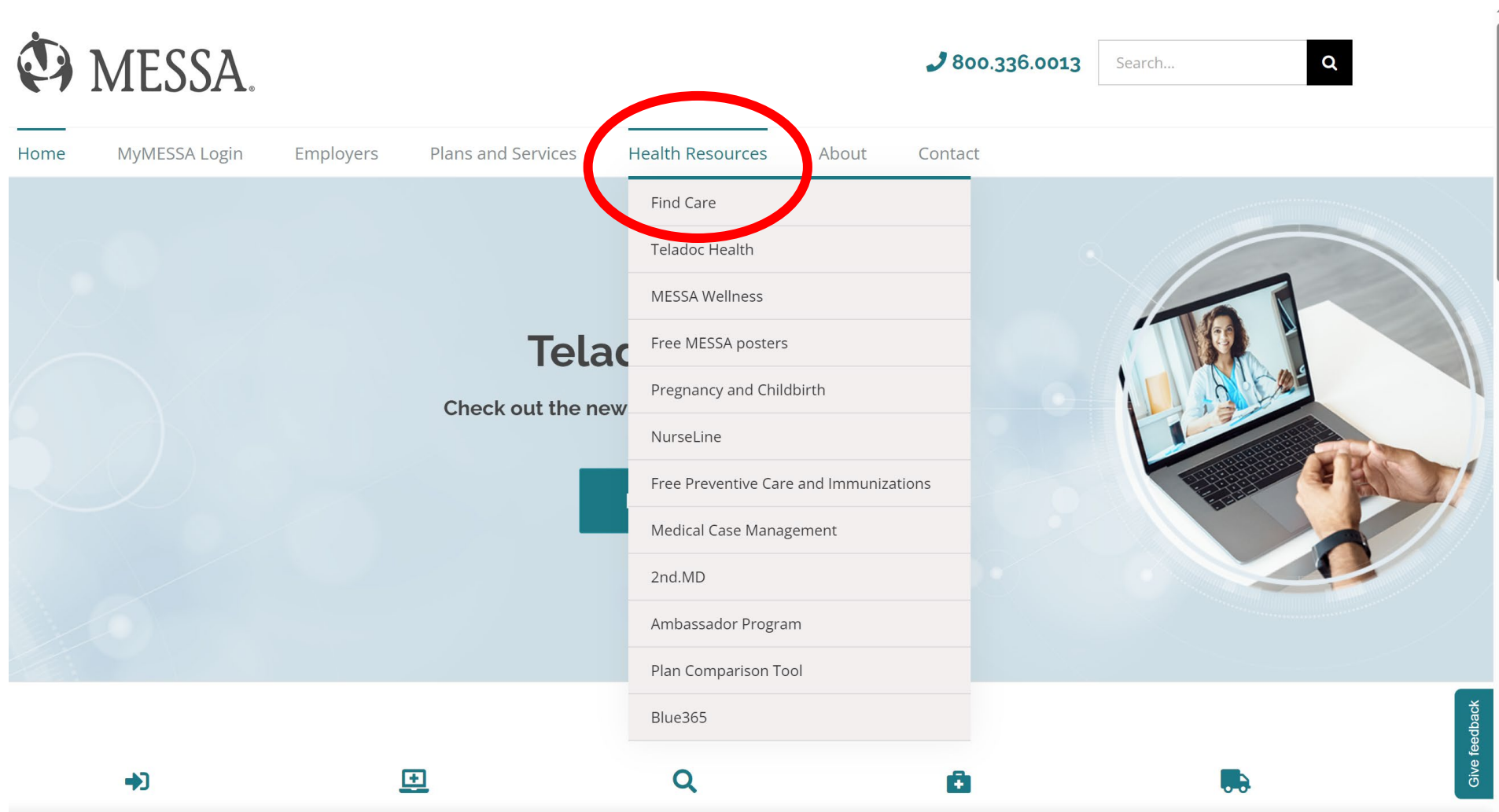
Background / Business Challenge	Approach / Solutions	Results Achieved
<ul style="list-style-type: none">• Client received an 18.5% rate renewal increase• Lack of claims data transparency• Negotiated hard caps were in place that made cost increases the responsibility of employees	<ul style="list-style-type: none">• Evaluate the marketplace to explore alternatives• Facilitated benefit committee meetings to educate union/non-union leadership and involve stakeholders in decision process	<ul style="list-style-type: none">• Moved to an alternate fully insured carrier• Reduced employee premium contributions and increased network choices• Gained access to claim data• Has experienced an average annual increase of under 2% over the 8-1/2 year life of the program

The Basics of a Health Insurance Program


Medical – steering plan participants to highest quality, lowest cost care



The Basics of a Health Insurance Program




The Basics of a Health Insurance Program


Sign In Menu


Dashboard
LOCATION Detroit, MI
PLAN All Plans

Hello,


What are you searching for today?




Doctors by name



Doctors by specialty



Places by name



Places by type

All categories

Advanced Search

PLACES BY TYPE

Urgent Care

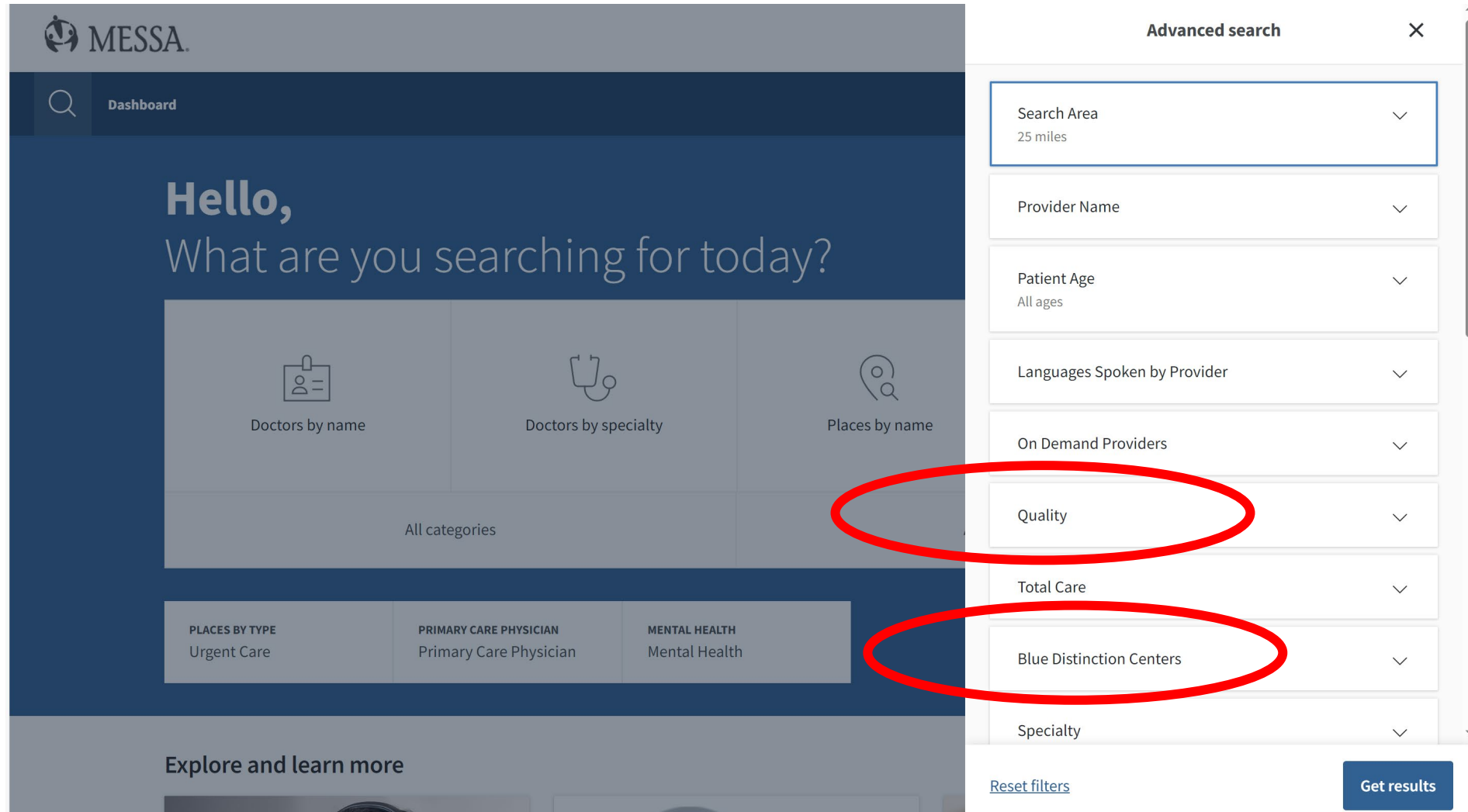
PRIMARY CARE PHYSICIAN

Primary Care Physician

MENTAL HEALTH

Mental Health

The Basics of a Health Insurance Program



The screenshot displays the MESSA website's search interface. The main header includes the MESSA logo and a 'Dashboard' link. Below this, a large blue banner asks 'Hello, What are you searching for today?'. The search area is divided into several sections: 'Doctors by name', 'Doctors by specialty', 'Places by name', and 'All categories'. Below these, there are 'PLACES BY TYPE' including 'Urgent Care', 'PRIMARY CARE PHYSICIAN', and 'MENTAL HEALTH'. At the bottom, there is a section for 'Explore and learn more'. On the right side, an 'Advanced search' panel is open, showing various filters. The 'Search Area' is set to '25 miles'. Other filters include 'Provider Name', 'Patient Age' (All ages), 'Languages Spoken by Provider', 'On Demand Providers', 'Quality', 'Total Care', 'Blue Distinction Centers', and 'Specialty'. The 'Quality' and 'Blue Distinction Centers' filters are highlighted with red circles. At the bottom of the advanced search panel, there are links for 'Reset filters' and a 'Get results' button.

MESSA

Dashboard

Hello,
What are you searching for today?

Doctors by name

Doctors by specialty

Places by name

All categories

PLACES BY TYPE

Urgent Care

PRIMARY CARE PHYSICIAN

Primary Care Physician

MENTAL HEALTH

Mental Health

Explore and learn more

Advanced search

Search Area
25 miles

Provider Name

Patient Age
All ages

Languages Spoken by Provider

On Demand Providers

Quality

Total Care

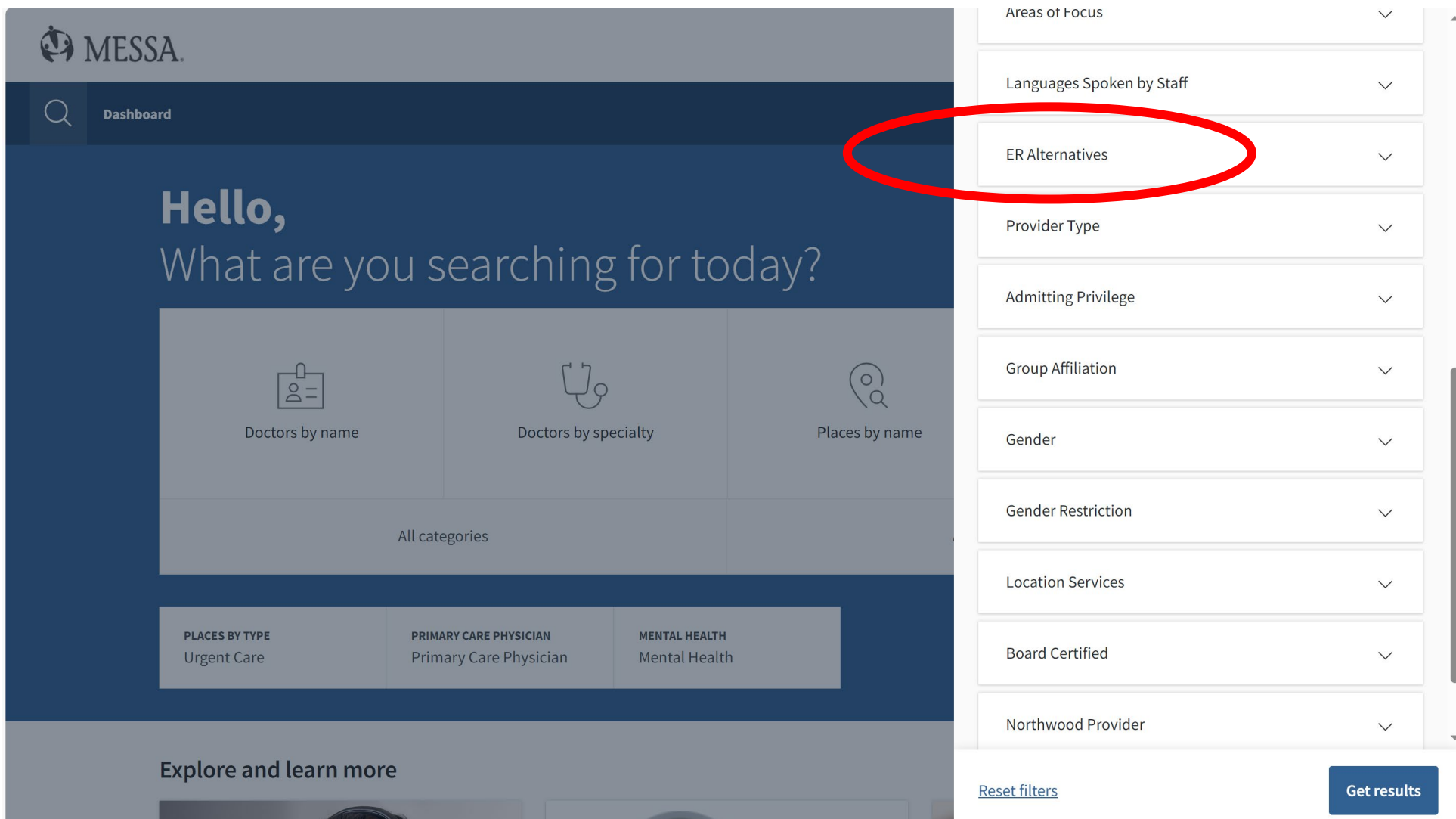
Blue Distinction Centers

Specialty

[Reset filters](#)

Get results

The Basics of a Health Insurance Program



The screenshot displays the MESSA dashboard interface. On the left, the dashboard includes a search bar, a greeting "Hello, What are you searching for today?", and several filter categories: "Doctors by name", "Doctors by specialty", "Places by name", "All categories", and "PLACES BY TYPE" (which includes "Urgent Care", "PRIMARY CARE PHYSICIAN", and "MENTAL HEALTH"). On the right, a vertical list of filters is shown, with "ER Alternatives" circled in red. The filters include "Areas of Focus", "Languages Spoken by Staff", "ER Alternatives", "Provider Type", "Admitting Privilege", "Group Affiliation", "Gender", "Gender Restriction", "Location Services", "Board Certified", and "Northwood Provider". At the bottom right, there are links for "Reset filters" and a "Get results" button.

The Basics of a Health Insurance Program

Medical – avoiding unnecessary care

Build understanding that in healthcare, our utilization drives our cost

Exploring tactical plan design changes

- Adding coinsurance
- Adjusting copayments

Educate plan participants on how to have a conversation with their doctor

The fact that we can get a service or supply doesn't mean we need that service or supply

Case Study

Having a conversation with a provider

Background	Approach / Solutions	Results Achieved
<ul style="list-style-type: none">Visited urgent care center for extended sore throat and cough	<ul style="list-style-type: none">Provider recommended strep test, COVID test and flu testAsked provider to limit testing to strep	<ul style="list-style-type: none">Eliminated inflated cost of COVID and flu testsAvoided unnecessary deductible out of pocket costOpened opportunity to access COVID and flu tests at a retail store for a fraction of the cost

The Basics of a Health Insurance Program

Medical – maintain or improve population health status

Build understanding that in healthcare, our utilization drives our cost

Incentivize preventive health visits for plan participants; we can't manage a condition we don't know we have

Collect and understand available district-specific claim data

Explore, deploy and promote digital health solutions to address risk factors reflected in the claim data:

- Chronic condition management (e.g. diabetes management)
- Virtual health coaches
- Virtual site of care alternatives (e.g. when appropriate, primary care, urgent care, mental health, physical therapy, etc.)

Leverage wellbeing resources available through your health insurance carrier or administrator

The Basics of a Health Insurance Program

RESOURCES

Well-Being

Blue Cross Well-BeingSM gives you resources to improve your health and build healthy habits.

Online resources

Blue Cross Well-Being offers online well-being resources 24 hours a day, every day, when you log in to your account at bcbsm.com or our app. This program provides you with a best-in-class experience that's available to members 18 and older at no added cost. Our features include:

- A [health assessment](#) to help you get a picture of your health and health risks
- Self-guided digital well-being courses called Journeys[®] to help you build healthy habits that stick

The Basics of a Health Insurance Program

Pharmacy - paying the lowest price for prescriptions

Ensure the quality of your pharmacy benefit manager (PBM) contract:

- They negotiate guarantees specific to the terms within the contract. Do you know your guarantees? Is your PBM meeting or exceeding those guarantees?
- The PBM drives the net cost of prescriptions accessed by the district's plan participants
- Optimizing the PBM contract can drive up to 8-12% pharmacy cost avoidance or more

Explore PBM alternatives

"The Big Three" Optum, CVS Caremark, Express Scripts (ESI)	EHiM	Smith Rx
Prime Therapeutics	Capital Rx	Navitus
Rightway	TrueRx	Etc.

The Basics of a Health Insurance Program

Pharmacy – steer plan participants to the safest, most effective and lowest net cost medication

Explore

drug formulary (list of covered medications) options

Understand

PBM capabilities to support plan participants

Educate

plan participants on differences between over-the-counter, generic, brand name and specialty medications

The Basics of a Health Insurance Program

Pharmacy – avoid medically unnecessary prescriptions

Build Understanding

that in healthcare, our utilization drives our cost

Educate

plan participants on how to have a conversation with their doctor

The Basics of a Health Insurance Program

Risk charge – opportunities for cost efficiency

Understand how much the district is paying to transfer health insurance risk to its carrier/administrator

Determine the amount of health insurance risk exposure the district has under its current program

Evaluate program funding alternatives, the associated risk charges and the associated risk exposure:

Fully insured

Self-funded

Stop loss insurance
Stop loss captive

Pooled

Level-funded

To impact risk charges at an individual participant level, evaluate plan design alternatives:

- Embedded deductibles versus aggregate deductibles
- Addition of coinsurance

HSA Plans – Understanding Your Family Deductibles

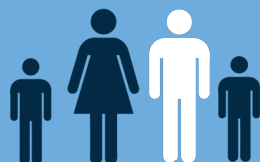
Is your family deductible Embedded or Aggregate? This picture explains when the plan starts covering your costs...

\$3,300 (\$6,600 family) HSA has EMBEDDED

Each member of the family has an individual annual deductible and out-of-pocket maximum (OOP Max) amount.



If any one of us meets the individual deductible, the plan starts paying coinsurance for that person.



If expenses for two or more of us reach the family deductible, all of us are considered to have met the deductible and the plan pays coinsurance for the whole family.

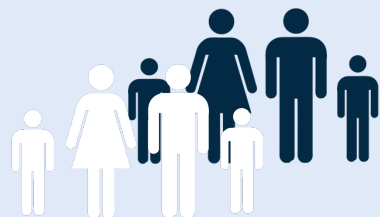


If any one of us meets the individual OOP Max, the plan starts covering the costs for that person. If expenses for two or more of us reach the family OOP Max amount, the plan starts covering the costs for the whole family.

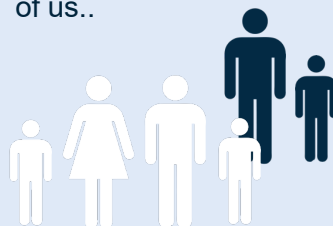


\$1,650 (\$3,300 family) HSA has AGGREGATE

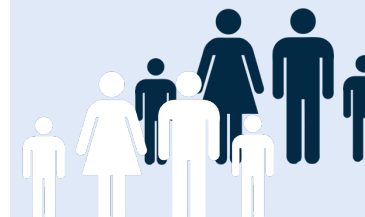
As a family, we have one family deductible that applies to all of us.



When one, or a combination, of us has expenses that meet the family deductible, the deductible is met for all of us..

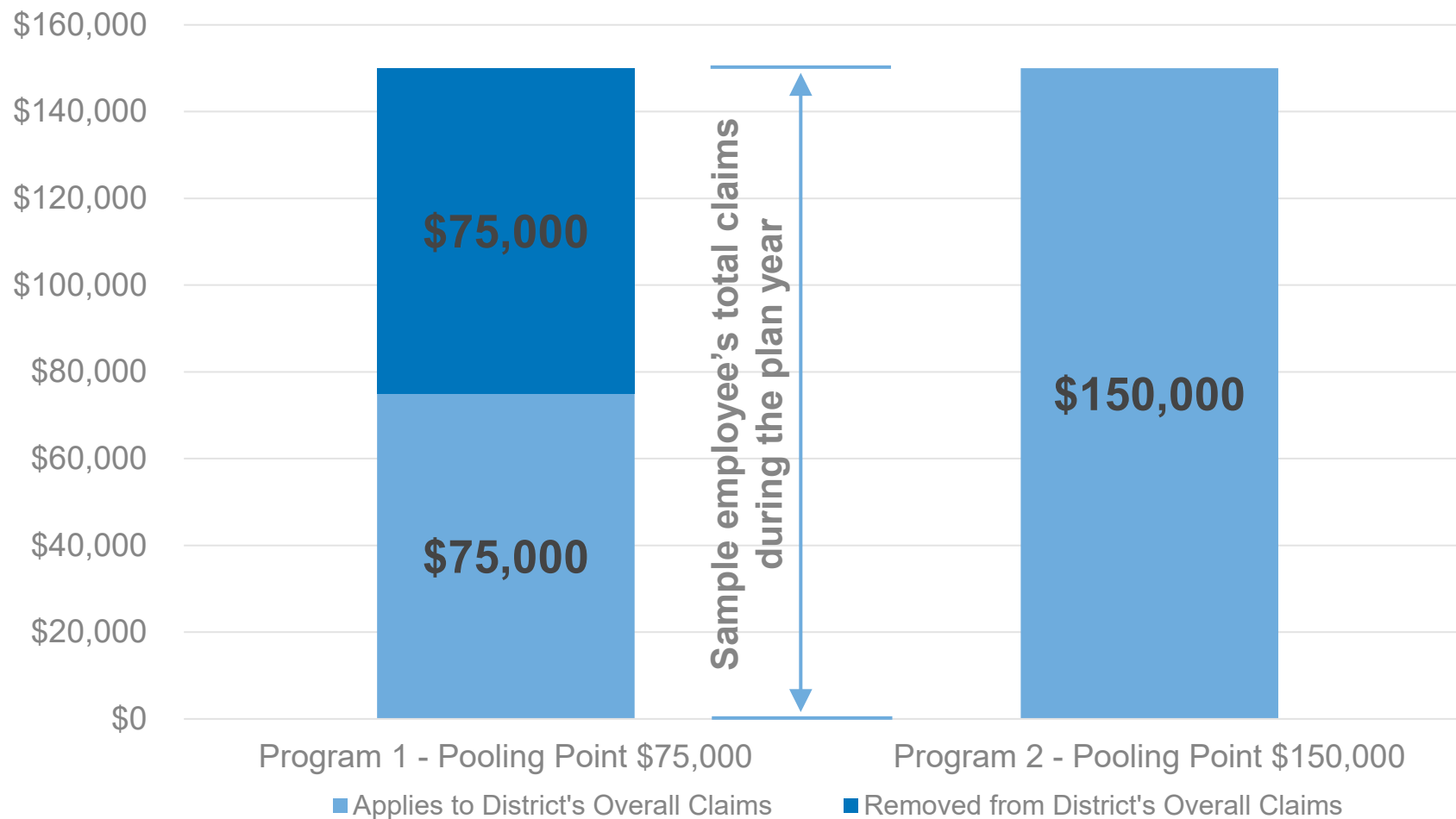


Then the plan begins paying coinsurance for the whole family until we reach the OOP Max.



The Basics of a Health Insurance Program

Underwriting – impact of pooling point – assume employee has \$150,000 in claims during the plan year



The Basics of a Health Insurance Program

Underwriting – impact of pooling point – assume two employees had \$150,000 in claims

Program 1

Group size: 110 employees

Pooling point: \$75,000

Total claims: \$1,500,000

Total claims less pooled claim amount: \$1,350,000

Per employee per year cost: \$14,670

Program 2

Group size: 110 employees

Pooling point: \$150,000

Total claims: \$1,500,000

Total claims less pooled claim amount: \$1,500,000

Per employee per year cost: \$16,305

Additional per employee per year cost: \$1,635

Numbers are not based on an actual client and are for illustrative purposes only.

The Basics of a Health Insurance Program

Underwriting example

Group Information

Group Size	92
Credibility	43.0%

Renewal Period Claim Projections

Experience-Based	\$500,000
Demographic-Based	\$650,000
Credibility	43.0%
Credibility Adjustment	\$85,500
FINAL PROJECTION	\$585,500

The Basics of a Health Insurance Program

Administrative fee

- | Smallest portion of overall health insurance program cost
- | Detailed contract review necessary to ensure no hidden fees

PA 152 and Cost Containment



Current State of PA 152

General observations

Hard cap districts experienced the greatest impact due to a 0.2% hard cap increase compared with what was commonly a double-digit health insurance premium increase

Example:

2024 – Family coverage for a sample district's \$4,000 deductible HSA plan carried an annual payroll contribution of \$2,290.

2025 – After a 13.8% renewal increase, that same plan will cost a family \$5,460 annually, a \$3,170 increase from the prior year or a 138% contribution increase

For comparison, contributions for an 80% cost share district look like this:

2024 – Family coverage for a sample district's \$3,200 deductible HSA plan carried an annual payroll contribution of \$4,180.

2025 – After a 20.8% renewal increase, that same plan will cost a family \$5,050 annually, an \$870 increase from the prior year or a 21% contribution increase

Employee Cost Impact of Hard Cap vs. 80%

	District C		
Approx. number of enrolled EEs	100		
Projected Per Employee Cost – Family Coverage			
	Plan A	Plan B	Diff.
Family deductible	\$1,000	\$3,300	\$2,300
2026 Cost – HB 6058 (assume 11.3% HC increase)	\$5,060	\$1,270	(\$3,790)
2026 – 20%	\$6,020	\$5,270	(\$750)

Assumes 10% projected health insurance increase for 2026. Numbers are rounded.

Percent Cost Share Alternative

	District C		
Approx. number of enrolled EEs	100		
Projected Per Employee Cost – Family Coverage			
	Plan A	Plan B	Diff.
Family deductible	\$1,000	\$3,300	\$2,300
2026 Cost – HB 6058 (assume 11.3% HC increase)	\$5,060	\$1,270	(\$3,790)
2026 – Elect to comply with Section 4 but vary percent cost share by plan design*	\$6,930 (23%)	\$3,950 (15%)	(\$2,980)

*Scenario creates an overall district benefit spend of 81.7% based on existing enrollment by coverage tier and plan

Assumes 10% projected health insurance increase for 2026. Numbers are rounded.

Looking Ahead

1

Review your existing contracts and engage your legal counsel to determine whether it would be wise to explore bargaining changes.

2

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.

3

Work with legal counsel and your benefit consultant to begin planning for future contract negotiations or requests to bargain

Example Potential PA 152 Strategies

<p>Comply with Section 3 (hard cap)</p>	<p>Comply with Section 3</p> <p>Bargain district specific hard caps that represent at least 80% district cost share of total annual costs.</p> <p>Include protections for what happens when district specific hard cap does not represent at least 80% district cost share (e.g. require program design changes to get back to at least 80%?)</p>	<p>Comply with Section 4 by board resolution (percent cost share)</p>	<p>Opt to comply with Section 4 by board resolution</p> <p>Bargain percent cost share by plan that creates appropriate contribution amounts by plan</p> <p>Bargain total spend limits for the district</p> <p>Include protections for what happens when spend limits do not represent at least 80%</p>
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Q&A



Thank you!

Get in touch to let us know how we can help.

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