

RETIREE HEALTH CARE

SAGINAW COUNTY BOARD OF COMMISSIONERS COMMITTEE OF THE WHOLE



February 22, 2017

Albert and Woods Professional Development and Business Center

Robert Belleman, Saginaw County Controller

Angela Garner, Executive Vice President, Brown & Brown



agenda



- Retiree Healthcare Legacy
- Task Force Committee
- Education / Review
- Process
- Brainstorming
- Idea Review
- Ranking
- Final Report
- Board and Legal Review
- Pricing Analysis
- Committee Discussion

Retiree Healthcare Legacy



**Saginaw
County Other
Post
Employment
Benefit
(OPEB)
Unfunded
Accrued
Liabilities**

Year	Amount
2003	\$83,968,301
2005	\$80,277,842
2006	\$79,209,992
2007	\$71,978,765
2008	\$83,490,320
2009	\$86,957,031
2010	\$118,892,005
2011	\$124,971,418
2012	\$136,190,004
2014	\$127,512,197
2016	In process

In 2016-17, approximately 446 retirees are covered with estimated annual premiums for medical and pharmacy totaling \$6.6 Million.

County, currently has 9 different benefit levels depending upon when employee retired.

Approximately 207 active employees are still eligible for retiree healthcare coverage.

Legacy, continued

Current Benefit Trust Fund holds \$15 Million in deposits. County currently pays for retiree health care on a pay as you go basis.

Additional costs have continued to hit the County for retirees above and beyond the actual benefits. These include Affordable Care Act taxes and fees* and the State Medicare Tax otherwise known as HICAA. A huge issue for the County is the upcoming Excise Tax aka the Cadillac Tax which will force employers to cap healthcare expenses.

Existing employees are still eligible for retiree benefits, while new hires are not eligible (based upon union contracts).

*ACA taxes and fees include Patient Centered Outcomes Research, Reinsurance, State Affordable Care Act Fees. These amounts have changed each year.

Legacy, continued

Retiree Changes Made by County To Date

Date	Event
Prior to 1993	0% Premium for retiree healthcare
1994 & 2014	Implemented and modified premium cost sharing for new retirees (range is between 0 and 20% based upon date of retirement)
1993 – 1999	Cut off dates for only single coverage (employee only) upon retirement
2004	First of 16 unions discontinued retiree healthcare coverage for new hires
2004	Adopted Health Care Savings Plan for those waiving coverage and new hires
2005	Offered a one-time \$15,000 buyout of retiree health care coverage to active employees. 180 employees opted out between 2005 and 2013 depending upon the contract language sunset clause
2006-2015	Applied for Medicare Part D Subsidy through CMS each year to assist the County in paying for Medicare eligible members prescription drugs
2008	Offered early out to retire with insurance plans without premium sharing to actives agreeing to retire by a certain date
2010-2011	Applied for and received Early Retiree Reinsurance Program or ERRP monies offered by the Federal Government under the Affordable Care Act. Received minimal reimbursement in 2010 and 2011 for retirees aged 55-64.
2013	Changed BCBS coverage for new retirees from a 1 tier prescription drug copay to a 2 tier prescription drug copay, modifying office visit copays as well.
2014	Changed BCBS coverage for new retirees from a 2 tier prescription drug copay to a 3 tier prescription drug copay, modifying office visit copays as well.
2014-2015	County requires all future retirees to contribute minimum of 20% of the health insurance monthly premium.

Task Force Committee



The Board of Commissioners created a Retiree Healthcare Task Force and called for volunteers.

35 members were asked to participate. In the end, 34 participated, with the member from Higher Education not participating.

Not all members participated throughout all 11 meetings between June 17, 2015 and January 20, 2016.

Robert	Belleman	Controller/CAO
Beth	Capen	Union-POAM Courthouse
Terry	Clark	Judge
Jerry	Deslover	Business/Chamber
Pat	Duggan	Union-POAM Prosecutors
Ann	Flattery	Union-UAW
Jamie	Forbes	Citizen at Large
Stephanie	Graft	Citizen at Large
Michael	Hanley	Commissioner
Jim	Hogue	Union-POAM Deputies
Craig	Irvine	Union-POLC
Cheryl	Jarzabkowski	Retiree
Deb	Kestner	Citizen at Large
Jim	Koski	Retiree
Dennis	Kraft	Commissioner
Carol	Lechel	Retiree
Dennis	Lichon	Citizen at Large
Kristine	Manwell	Retiree
Sue	McInerney	Commissioner
Mari	McKenzie	Citizen at Large
John	Milne	Citizen at Large
Joe	Oeming	Retiree
Kathleen	Packard	Retiree
Randy	Pfau	Union-COAM
Brigid	Richards	Retiree
Patricia	Ritter	Union-Teamsters
Lynette	Royer	Union-UAW
Carl	Ruth	Commissioner
Michelle	Slaughter	Union-GELC
Kevin	Stevens	Union-COAM
Wade	Swalwell	Union-POAM Deputies
Robert	VanDeventer	Chamber
Brian	Wending	Dept of Public Works
Pat	Wurtzel	Commissioner

Task Force Committee, Continued

Members who were present during the various meetings are included here. Included with their names are the various segments represented.

This includes Commissioners, Union Members, Elected Officials, Retirees, Citizens at Large, and the Chamber of Commerce.

PURPOSE OF THE RETIREE HEALTHCARE TASK FORCE

The Retiree Healthcare Task Force, a 35 member committee, charged with identifying cost containment opportunities and making recommendations to the Board of Commissioners on how to address its unfunded retiree healthcare liability.

Education / Review



The members of the Task Force, reviewed details of the healthcare plans and history, costs involved, and heard from various speakers to expand the base of knowledge regarding the complexity of the issue of retiree healthcare costs.

The focus of the initial meetings included education and information about the existing retiree benefits including total cost, benefit design, total contracts, and utilization within each of the divisions.

Additionally, a foundation of material was presented and discussed offering insight as to what other entities or groups do regarding health insurance coverage. (see last page of report to see items reviewed by Committee)

Process



The first three meetings were utilized for review and education purposes allowing members to ask questions throughout the process. The County costs of coverage and plans were also reviewed. Updates to the benefits caused by the Affordable Care Act were also reviewed.

The County Actuaries presented their most recent OPEB report. Also, the members heard from presenters on how bonding works for OPEB and Counties.

Early Retirees (those not yet Medicare Eligible), Medicare (due to age or disability) Retirees, Active Coverage were also reviewed.

Medical and pharmacy discussions included existing benefits and alternative coverage and financing methods. Private Exchanges, Medicare, and Group versus Individual benefit options were discussed.

Brainstorming



Over the course of the next few meetings, the committee was broken up into teams to brainstorm ideas on how to address retiree healthcare benefits and cost control.

Initial categories from earlier discussions were given in order to spur ideas: Medical, Pharmacy, Education, Early Retirees, Medicare Eligible Retirees, Future Retirees, Bonding, Third Party Administration, Other Considerations, and Miscellaneous.

After each session, the group came back together to review and discuss the ideas. Members were also allowed to ask additional questions and continue to add to the list throughout all sessions. No idea was thrown out.

Idea Review



Following the brainstorming sessions, the Committee was again broken into groups to add pros and cons to each of the ideas. The Committee followed the same process and then gathered as a group to review and further discuss.

A cumulative listing of 47 ideas, with definitions of the ideas, and every pro and con was created and then organized under five new headings:

1. Alternative Carriers
2. Education/Wellness/Incentives
3. Restructure/Plan Design
4. Existing Actives
5. Revenue Options

Lastly, the Committee asked that potential savings analysis be added to each idea. (i.e. Neutral, Positive, Negative, Unknown) Ultimately savings will be analyzed as each idea is formally priced and recognized.

Ranking



On October 29, 2015, the Committee Members were provided with 5 Blue, 5 Yellow, 5 Green and 1 Red stickers. Members were asked to individually rank each of the ideas by voting for their first (blue), second (yellow), and third (green) choices.

They were allowed to place the stickers wherever they desired and use only those they wished to use.

Following the first, second and third choices, members were asked to place a red sticker on any item that they did not want the Board to consider. The complete record is within the report.

Final Report - Action Plan

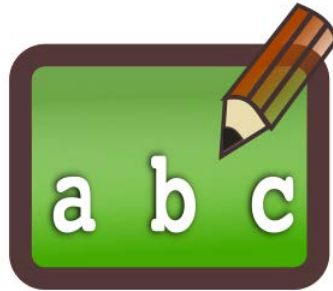


- Signed and approved by members of the Saginaw County Retiree Healthcare Task Force on January 20, 2016. Retirees were invited to speak and ask questions.
- The intent of the Task Force has been to identify potential areas where savings can be made and past promises kept.
- Presented to the Committee of the Whole for review on April 12, 2016.

Pricing Analysis of Task Force Ideas

- At the request of the Board of Commissioners, top ranking items were considered for pricing review.
- Presented to Full Board in November 2016 following pricing through annual health care renewal and bidding processes where necessary.
- Updated and presented to Labor Committee in December for review.
- Bonding was removed due to changes required on Retiree pension side.

Education



One of the Task Force's main requests was to keep retirees up to date of changes and recommendations.

Once identified and approved, formal education to existing retirees will need to be done. This can be done via various methods including in person, one on one, via webinars, communications, phone centers, etc.

Saginaw County is not the first to go down this path, but is making great efforts in working with its retirees in order to assist in reducing its healthcare legacy.

Actuarial and Legal Review

- At the request of the Board of Commissioners, actuarial and legal review of contracts and policies were reviewed along with pricing of task force items to ensure that any idea the County pursues, it is able to do so under prior union contracts and existing agreements.
- Any State or Federal Regulation could change the direction (i.e. State Task Force on Legacy Costs)
- Ongoing process, consistent review and modifications may be necessary to reduce legacy costs.
- Modifications to existing benefits should be further considered and reviewed accordingly

Committee Discussion

- The Board of Commissioners may consider those items presented by the Task Force and Pricing Analysis for implementation.
- Future Recommendations would need to include legal review and actuarial review to ensure that any idea the County pursues, it is able to do so under prior union contracts and existing agreements.
- This process may take shape via multiple recommendations and various effective dates. This process is a dynamic one and not one that is static in time or in course of action.

Ideas and Associated Savings

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Item	Savings	Notes
Implement Medtipster	\$80,000 less fees	(not mandatory-voluntary)
Separate Plan Documents for Retirees	\$115,000	Removing ACA added provisions
Voluntary Removals	\$16,649 per retiree	Retirees waive coverage on own due to other coverage options
Rehiring Retirees- eliminate	Increases healthcare costs for each new hire County needs to hire	
Change Traditional Plans to PPO plans	\$13,338	Savings gained by PPO network discounts over open networks

Ideas and Associated Savings

1

Item	Savings	Notes
Education	\$37,126	(not mandatory-voluntary)
Offer Buyouts to Retirees	\$16,649 per retiree	Cost would be incentive times number of retirees
Health Coaching	Multiyear approach with additional cost upfront and will take years to see effects	
Contracting locally for Prescriptions	Access and Discounts locally may not be same as Rx program in addition to stop loss savings	
Wellness Incentives and Programs	County currently offers a \$200 incentive to retirees, additional resources/costs and unknown impact	
Part D Plan	BCBS contract doesn't allow for splitting of Pharmacy only benefit for Medicare Eligible Retirees	
Prescription Assistance	Carve out Pharmacy and Stop Loss to add some additional layers to benefit from manufacturer coupons	
Medicare Advantage Plan	\$2.3 Million	Actuarially similar plans
Lifestyle Medications	\$110,000	Medically necessary meds only
Future Retiree Changes	Altering future benefits like HDHP reduce future costs	

Actuarial Review of Medicare Advantage Plans

	Fully-Insured Medicare Advantage Plan plus Drugs (MAPD)					
	Division	0013	0016	0021	0024	0026
Self-Insured Medicare Supplemental Plan	0013	0.999	1.039	1.063	1.053	1.021
	0016	0.985	1.025	1.048	1.038	1.006
	0021	0.948	0.987	1.009	1.000	0.969
	0024	0.953	0.992	1.015	1.005	0.975
	0026	1.011	1.052	1.076	1.066	1.033

Saginaw County



Retiree Health Care Action Plan

Retiree Healthcare Action Plan

- Education – First Choice #2, Second Choice #1, and Third Choice #1
- Prescription Assistance Programs – First Choice #9, Third Choice #4
- Chronic & Critical Care Management Programs – Second Choice #7

Retiree Healthcare Action Plan

- Evaluate a Medicare Advantage plan with RX – First Choice #10, Second Choice #11
- Separate Retiree & Active Insurance Plans – Second Choice #3
- Implement Medtipster – Second Choice #2 and Third Choice #3

Retiree Healthcare Action Plan

- Coaching for lifestyles management and wellness programs – First Choice #4, 6, &7 Second Choice #7 & 8
- Look to other employers/spouses/new job to cover Retiree/Family, with possible “opt in” at a later date – Third Choice #5
- Labor Negotiations for upcoming retirees – Second Choice #5

3 Tier Prescription Drug

- Tier 1 (Generic) – your current prescription drug co-pay
- Tier 2 (Brand) - \$40
- Tier 3 (Specialty) - \$80

QUESTIONS



1st Choice

1

- Bond first, address cost savings opportunities after to take advantage of current interest rates received nineteen (19) votes or 18.45%.
- Education received twelve (12) votes or 11.65%.
- Offer buyouts to existing Retirees received nine (9) votes or 8.74%.
- Coaching for lifestyle management changes and Preventative Program on certain disease to help controls costs received eight (8) votes or 7.77%.
- Contract locally to service prescription drug program for possible savings on maintenance/generic medications- possibly with a local hospital received seven (7) votes or 6.8%.

1st Choice, continued

- Coordinate incentives for certain items like obtaining and reducing cholesterol, weight loss, lowering blood pressure. Receiving five (5) votes or 4.85%.
- Look at a Wellness Program for Retirees and offer incentives for doing healthy activities. Receiving four (4) votes or 3.88%.
- Move Drugs to a Part D Provider/Carve out prescription drugs or require Retiree to take Medicare Part D. Receiving four (4) votes or 3.88%.
- Receiving three (3) votes or 2.91%.
 - Prescription Assistance Programs to assist in lowering cost of medications to Retirees and group
 - Evaluate Medicare Advantage plan with Rx (Part D)
 - Evaluate need for lifestyle medications and whether or not non-medically necessary prescriptions should be allowed
 - Implement a High Deductible Health Plan with Health Savings Accounts for future Retiree coverage versus actual insurance benefit so the future Retirees can save for future Retiree health care costs outside of the County's benefits

2nd Choice



The items ranked 2nd choices by number selected with all the top picks receiving four (4) votes or 5.8%:

- Education
- Implement Medtipster
- Separate plan documents for Retirees and Actives
- Voluntary removals from health insurance, depending on when retired
- Labor negotiations for upcoming Retirees
- County Policy – don't hire back Retirees (potential changes in MERS policy and Board policy) all received four votes.

2nd Choice, continued

The following received three (3) votes or 2.90%.

- Chronic and Clinical Care Management Programs
- Conduct Health Risk Assessments with incentive offered
- Offer buyouts to existing Retirees
- Changing the traditional plans to PPO to take advantage of network discounts
- Evaluate Medicare Advantage plan with Rx (Part D)
- Review Actuarial Assumptions

3rd Choice



3

The items ranked in the top for the third round of votes showed the following top votes:

- Education received five (5) votes or 8.33%.
- Offer buyouts to existing Retirees received four (4) votes or 6.67%.
- Implement Medtipster received three (3) votes or 5.00%.
- Prescription Assistance Programs to assist in lowering cost of medications to Retirees and group received three (3) votes or 5.00%.
- Look to other employers/spouses/new job to cover Retiree/family with possible opt in at a later date received five (5) votes or 8.33%.
- Changing the traditional plans to PPO to take advantage of network discounts received three (3) voters or 5.00%.