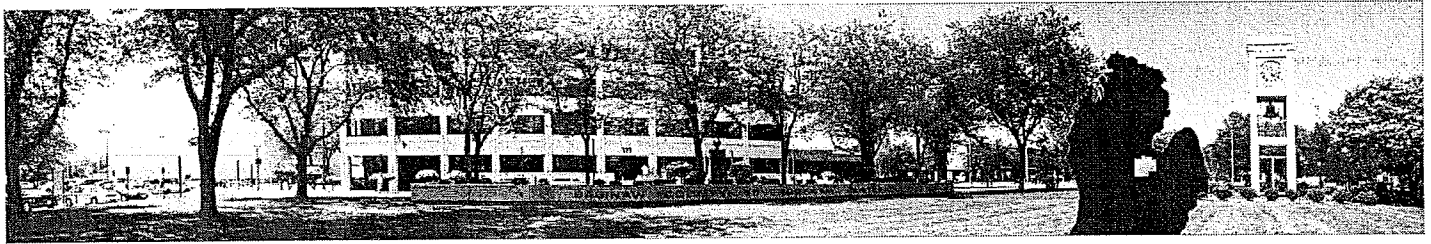


SAGINAW COUNTY



RETIREE HEALTH CARE

PRICING ANALYSIS

November, 2016

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INTRODUCTION

The County's plan currently has approximately 446 retiree contracts (a contract includes the retiree and if eligible, his/her spouse and/or family). The illustrative 2016-17 premiums for retiree healthcare total \$618,771 a month or \$7,425,248 annually. Projections below are based upon retiree plans only; however, where it may impact the total cost of active employees' plans, we have indicated such. If any of these recommended programs were rolled out to active employees, the cost/saving estimates would have to be recalculated. The savings and costs identified for each choice provided within are based upon a snapshot in time and would need to be revisited when the County proceeds to implement each specific option.

Please note that this pricing analysis is not concrete, but rather fluid and additional items and changes may be part of the process of reviewing retiree healthcare costs. Items that could change the information below could include a wide variety of subjects including changes in federal and state regulations surrounding public employer sponsored retiree healthcare, the future financial stability of Saginaw County, recent judgements in various retiree legacy lawsuits, existing and future bargaining agreement retiree healthcare language, retiree healthcare environment, types of healthcare products available and financing mechanisms are just some examples of possible changes that could be on the horizon.

The information below is provided as a cost/savings analysis of the top ranked items as proposed by the Saginaw County Retiree Healthcare Task Force in early 2016. The items detailed below are in the same order as ranked by the Task Force, with detailed cost/savings indicated based upon the most recent pricing. Sources for the pricing are referenced wherever possible.

FIRST CHOICE

- Bond first, address cost savings opportunities after to take advantage of current interest rates received nineteen (19) votes or 18.45%.
 - Saginaw County has engaged Warren Creamer of RW Baird as financial advisor/underwriter and Paul Wyzgoski of Dickenson Wright, as Bond Counsel to advise the Board of Commissioner on the possibility of issuing debt for a portion or all of the County's current Other Post Employment Benefit (OPEB) – retiree healthcare unfunded liability, which as of December 31, 2014 totaled \$127,512,197 with an Annual Required Contribution (ARC) for fiscal year beginning October 1, 2016 of \$12,051,002 (Appendix A).
 - Saginaw County has historically fallen short in meeting the Annual Required Contribution. In fact, Saginaw County has only been able to pay its actual retiree healthcare claims on a pay-as-you-go basis (Appendix B). Retiree healthcare cost for Fiscal Year Ended September 30, 2015 was \$7,375,569 and is projected to be \$7,425,248 for Fiscal Year Ending September 30, 2016.
 - The process for issuing the OPEB bonds would be similar to the process the county followed for issuing its pension bonds.

Potential Cost/Savings calculations:

- Would be based upon the outcome of the interest rates received and actual costs over the life of the bond.
- Education received twelve (12) votes or 11.65%.
 - The cost of providing education consists of time, postage, paperwork, administrative personnel required, webinars, etc. The cost would be dependent upon the number of sessions, attendees, etc. Some savings could come from additional education regarding how best to utilize a member's benefits. Additional training focused on prescriptions drug options and related costs, emergency room versus urgent care versus primary care. Savings as an estimate of total claims could be achieved minimally through education. There is no requirement that members change behavior, unless certain caveats are set up within the actual benefits and allowed by the carrier.
 - ***Potential Cost/Savings calculations:***
 - This number is unknown and would be based upon how many retirees participated, what type of education is provided, cost for mailings, webinars, etc., and then ultimately the number of members that changed behaviors that are costing the County money. A ½% of claims as a potential measure of savings could be afforded generating approximately \$37,126 per year.
 - A 1% change from brand name drugs to generic can generate approximately 1% savings on prescription drug claims savings. The flat copay structure offered to many retirees does not require the member to take a generic over the brand name drug because they pay the same copay regardless of the drug selected. However, Blue Cross Blue Shield has, as a requirement of the Michigan State Law, adjusted their formulary to require generic drugs where available.
- Offer buyouts to existing Retirees received nine (9) votes or 8.74%.
 - Below is a table that is illustrative of offering buyouts to existing retirees based upon a composite cost per retiree contract. Different levels of a buyout are shown along with different assumptions on how many retirees may elect to take the buyout and leave the county's retiree benefit plan. Actuaries would have to provide the detail on projected long term savings based upon the ages of those that leave the plan.
 - ***Potential Cost/Savings calculations:***
 - For a five year projection, the first year savings was trended at a cumulative increase of 5% a year for five years. This trend assumption is a minimal trend in light of medical inflation trend at 9% and prescription drug trend at 15-20%. Source: Saginaw County 2016-17 Renewal

Number of Retiree Contracts	Amount of Retiree Buyout					Average Composite 2016-17 Illustrative Rate / Retiree	1st year Illustrative Savings	5% trend cumulative in first 5 years total estimated savings
	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000			
10	\$100,000	\$150,000	\$200,000	\$250,000	\$300,000	\$16,649	\$166,486	\$919,938
25	\$250,000	\$375,000	\$500,000	\$625,000	\$750,000	\$16,649	\$416,214	\$4,390,687
50	\$500,000	\$750,000	\$1,000,000	\$1,250,000	\$1,500,000	\$16,649	\$832,428	\$8,781,374
75	\$750,000	\$1,125,000	\$1,500,000	\$1,875,000	\$2,250,000	\$16,649	\$1,248,642	\$13,172,060
100	\$1,000,000	\$1,500,000	\$2,000,000	\$2,500,000	\$3,000,000	\$16,649	\$1,664,856	\$17,562,747

- Coaching for lifestyle management changes and preventative programs on certain diseases to help controls costs received eight (8) votes or 7.77%.
 - There are many vendors in health and wellness that provide lifestyle coaching and preventative programs. The current members' benefits include multiple preventative programs with zero dollar copays or cost sharing at participating providers which are covered by either Medicare or BCBS. BCBS is the current vendor for Saginaw County and offers some of these programs at no cost to the County under its contract. The chart below identifies the programs available at no cost. BCBS reports reflect wellness programs are not being fully utilized by County retirees. Wellness utilization could increase with education about the programs. BCBS currently provides limited direct contact with members. Specifically, BCBS will contact members who qualify for the chronic disease management services.

BCBS Healthy Basics Programs	
Component	Description
Online wellness platform	Interactive online resources, including a health assessment, the Digital Health Assistant, integrated apps, message boards, trackers, videos, tools and other
24 Hour Nurse Line	Supports employees with their health care questions 24 hours a day, seven days a
Engagement Center	Specialists help employees understand enroll in Blue Cross Health & Wellness
Case Management	Helps employees coordinate their care and deal with complex health issues
Complex Chronic Condition Management	Helps employees manage chronic conditions
Care Transition to Home	Coordinates health care services and provides support for employees transitioning from the hospital to home to reduce preventable readmissions
Worksite wellness toolkit	Gives you step-by-step guides, campaign kits and promotional materials to foster behavior change and promote a culture of wellness in your workplace
Win by Losing	Provides a toolkit that includes templates for tracking food intake and activity, health coaching videos, and eating plans and healthy recipes
Blue 365 and Healthy Blue Extras	Offers discounts to your employees for health-related products and services needed to support a healthy, balanced lifestyle

- A sampling of enhanced programs and costs based upon the retiree membership is provided below (please note that BCBS utilizes the term employee whether or not the member is a retiree or an active employee). Initially, it has been shown that programs like these increase utilization

in the first 2-3 years, while claims begin to stabilize beyond those initial years. Programs like this are meant to stabilize member health issues and keep those medical issues from deteriorating and typically do not provide a way to reduce existing chronic conditions and illness.

- Medical and pharmacy costs will initially spike as members are directed to additional care they are not receiving today.
- **Potential Cost/Savings calculation:**
- Some education of the programs for full effect should be done to maximize potential long term savings. An estimate of 5% more claims based upon the composite cost due to higher medical procedures and additional medication will add approximately \$371,263.00. (446 contracts x \$16,649 * 0.05% = \$371,263 a year) By year 3 claims should stabilize, however, based upon the age of members, claims will continue to rise; some members may experience longer lives based upon participation and various levels of activities. (Yes. You are correct some members may live longer, but they should also be healthier over the long term if they make certain changes.)
- The BCBS a la carte wellness menu options are detailed below. The cost for each program below is shown as a cost just to add the program and doesn't reflect the additional costs for members changing behavior in how they utilize their healthcare.

BCBS A La Carte Menu of Enhanced Wellness Options				
Cost per month	Retirees	Annualized Cost	Component	Description
Wellness Plus				
\$1.53	446	\$8,189	Chronic Condition Management	Manages a higher percentage of employees with chronic conditions to drive maximum savings
			Elective Surgery Counseling	Helps employees make informed, cost-effective surgical decisions for back pain
A La Carte Programs				
\$55	446	\$24,530	Wellness Health Screenings	Provides biometric screenings in the workplace coupled with advice for health improvement
\$1.00	446	\$5,352	Physician Health Screening	Identifies emerging health issues as early as possible so health care specialists can intervene
\$4.93	446	\$26,385	Total Care Management	Gives your employees and their families access to a dedicated care manager who gives personalized health navigation and care management support
\$15.00	446	\$80,280	Pedometer Fulfillment	Order a bulk shipment of pedometers shipped to your business
\$30 per form	446	\$13,380	Paper Health Assessment	Allows employees who don't have internet access to take the same health assessment that's online; results mailed to member's homes. To count towards compliance requirement, member still has to log online
Lifestyle Coaching				
\$100	annually	\$26,760	Low Risk (estimating 60%)	Solution-focused coaching with specially trained health coaches to help your employees improve their daily quality of life
\$200	per engaged member	\$17,840	Medium Risk (estimated 20%)	
\$300		\$26,760	High Risk (estimating 20%)	
		\$71,360	Lifestyle Coaching TOTAL	

- 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%.

- Saginaw County would need to work directly with area hospitals and/or the health department to determine whether providing pharmaceutical services are feasible. This option would only benefit those retirees residing in Saginaw County. Some medications may not be able to be dispensed in this manner. We are unaware of the hospital or the health department having the ability to run such a program. Another option would be for Saginaw County to contract directly with a pharmacy benefit manager (PBM) to provide a local network that could utilize select pharmacies where additional discounts are achieved. One of the issues with this option is ensuring eligibility is provided to the PBM separately and that anything filled through the insurance would not also be tracked with the BCBS plan. This causes potential risks with drug interactions and could indirectly place additional liability on the County when there are two Rx plans and one may not coordinate with the other. In addition, the County would be ineligible for stop loss protection (of its self-funded plan) on its pharmacy benefits run through any outside program. It would impact the BCBS plan by decreasing the generic utilization, and thus potentially cause BCBS to increase stop loss premiums to the County.
- **Potential Cost/Savings calculation:**
 - The potential cost or savings would depend on any deeper discounts that could be garnered under this program over the existing benefits. Discounts vary by vendor, and separate PBMs utilize different models affecting discounts and rebates. In addition, utilization of the program by its members would have the greatest impact on the bottom line.
- Coordinate incentives for certain items like obtaining and reducing cholesterol, weight loss, lowering blood pressure. Receiving five (5) votes or 4.85%.
 - Incentive based programs for healthier lifestyle typically do not save money as there is no action required of members once they complete the initial assessment. The County could offer some of the healthier lifestyle programs referenced above by requiring members to obtain a biometric screening and/or physician health screening. If this option is chosen, the County should also consider requiring lifestyle coaching so participating members receive the full benefit of these incentive based programs by better understanding what the assessments mean and what practical steps can be taken to live healthier.
- **Potential Cost/Savings Calculations:**
 - Incentive based programs are strictly voluntary, which could skew the expected results and potential cost/savings calculations. A known cost would be 100% of any incentives provided. The chart below details some estimates of wellness incentives as a cash incentive if there were 300 participants out of 446 retiree contracts. (The County currently provides a \$200 cash wellness incentive to retirees who submit various wellness activities that do not include any biometric screening.)

Cash Incentive	Number of Participants	Total Annualized Dollars spent on Incentive
\$200	300	\$60,000
\$300	300	\$90,000

\$400	300	\$120,000
\$500	300	\$150,000

- Look at a Wellness Program for Retirees and offer incentives for doing healthy activities. Receiving four (4) votes or 3.88%.
 - County currently provides a \$200 incentive for retirees participating in wellness activities. These incentives are taxable income to retirees.
 - *Potential Cost/Savings Calculations:*

BCBS Wellness Plus				
Cost per month	Retirees	Annualized Cost	Component	Description
\$1.50	446	\$8,028	Incentive Management Tracking	Engage your employees in wellness programs and track participation
			Reward Fulfillment	Reward your employees for completing wellness programs or meeting certain health goals.
			Text Messaging	Your employees will receive text message reminders to complete wellness activities and motivational messages to help them keep their health on track
\$100	223	\$22,300	Annual Cash or other Incentive	Based upon 50% participation. Incentive is taxable to retiree and 1099's may have to be issued.
\$200	223	\$44,600		
\$250	223	\$55,750		
\$500	223	\$111,500		

- Above chart for BCBS Wellness Plus program could be utilized as an option for the County to pursue. In addition, I've outlined the annualized cost of the exiting wellness incentive if the County had 50% participation. There is a mix of wellness rewards utilized by many of our clients and each employer drives wellness in different ways.
- 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%.
 - The County could move all drugs out from the BCBS program to a pharmacy benefit manager (PBM). BCBS currently requires the County to include its retirees within its overall Plan. The County would be unable to "carve out" post-65 retiree pharmaceutical coverage without transitioning active and pre-65 retirees as well. PBM services could create issues with coordination, i.e., one vendor being able to utilize all claims data for coaching, unless an outside vendor was used, which would increase overall costs. Saginaw County currently purchased stop loss insurance on its pharmaceutical, which would not be available if the County engaged a PBM and carved out the stop loss benefit (both of which BCBS charges additional fees for doing). Depending on the vendor, the County could realize some savings based upon the drug mix of the members and possible discounts available. The County is experiencing an increase in specialty drug usage, which could negate any savings because of the lack of stop loss coverage on pharmacy.

- Under a PBM program the retiree Part D Plan would be a fully insured program and subject to annual increases. Part D plans for groups are allowed to utilize copays rather than members having to satisfy the deductible and donut hole (the gap in a Part D plan where members cost sharing is the most) requirements of a standard individual Part D Plan. This allows the member to continue to pay their plan copays without additional burden or responsibilities of traditional, individual Part D plans which include different levels of participant cost sharing. Part D plans may cover different medications compared to the County's existing pharmaceutical plans but would still cover the therapeutic class. Some members may have to change medication.
- **Potential Cost/Savings Calculations:**
 - To determine savings or costs, the County would have to go out for bid for these services requesting both the prescription drug coverage for actives, early retirees and Medicare eligible retirees. With some of the lower prescription drug cards that the majority of retirees have today, these Part D Plans may only provide minimal savings and because of the lower copays, there will be limited PBM's interested in providing a quote.
 - During the most recent quoting process, no vendor submitted a Part D Prescription Drug plan on a standalone basis although the request was submitted to vendors. All Part D Plans were submitted accompanying either a Medicare supplement plan or a Medicare Advantage plan. The cost/savings are included in the section below that discusses implementing a Medicare Advantage Plan.
- Prescription Assistance Programs to assist in lowering cost of medications to Retirees and group. Receiving three (3) votes or 2.91%.
 - Saginaw County could provide education to members to show them how to access prescription assistance programs that are available from pharmaceutical manufacturers. These are offered at times by the manufacturers for various amounts of time and dollar amounts and may require income information if the discount/coupon is available for low income.
 - **Potential Cost/Savings Calculations:**
 - These programs would not necessarily save the County any money, but would rather provide for member copay savings. One opportunity would be the County could work with an outside PBM to create a program where member still paid the required copay, and the group could take advantage of the discount provided by the pharmaceutical manufacturer. If a member did not participate in the program though, the member's copay would be whatever the copay is plus 100% of the discount provided through the patient assistance program. The Group's overall program costs could be adversely impacted because of the lack of stop loss, coordination of pharmacy benefits, and actives and early retirees having to move to the separate PBM as well.

- Evaluate Medicare Advantage plan with Rx (Part D). Receiving three (3) votes or 2.91%.
 - As part of the RFP, we did receive responses for a Medicare Advantage plan. As the County is currently self-funded with BCBS, the only option under the contract allowed by BCBS is a Medicare Advantage plan. We have begun a rough analysis of the Medicare Advantage plan based upon this year's illustrative rates. There is a 90 day requirement prior to implementation. The time is required due to certain process and CMS (Center for Medicare and Medicaid Services) guidelines that are in place and required under BCBS's authorization to offer such plans. Because of this, the rates provided may increase based upon that actual implementation date. At that time, we will compare the Medicare Advantage rates to the existing illustrative rates. The County would need to engage an actuary to determine whether the Medicare Advantage plan is comparable to each of the current retiree healthcare plans the County offers
 - **Potential Cost/Savings Calculations:**
 - The initial analysis of a Medicare Advantage Plan shows annual, illustrative rate savings of approximately \$2.4 million dollars.
 - There are two possible offsets to these potential savings. First, the County currently receives annual CMS Part D subsidies of \$217,688 (based upon most recent 12 months). The year prior, this amount was \$214,707. The Medicare Advantage Plan is a fully insured plan and as such, the Part D subsidies would no longer be available. Second, BCBS reserves the right to increase the stop loss fees on the remaining members (actives and early retirees) to compensate for the loss in stop loss premiums they would receive when post-65 retirees were included prior to switching them to a Medicare Advantage plan. The below chart illustrates how a Medicare Advantage Plan would affect the County's costs over 404 individuals.

Medicare Advantage BCBS Quote Jan 1 2017			
Benefit Designs	Current	Medicare Advantage	Savings
0013/900	\$4,881,225.60	\$2,582,079.36	\$2,299,146.24
0016/940	\$35,178.84	\$26,028.00	\$9,150.84
0021/989	\$169,809.00	\$145,405.08	\$24,403.92
0024/990	\$51,532.80	\$46,066.56	\$5,466.24
0026/991	\$12,247.20	\$12,689.04	(\$441.84)
Annual Cost	\$5,149,993.44	\$2,812,268.04	\$2,337,725.40

- Evaluate need for lifestyle medications and whether or not non-medically necessary prescriptions should be allowed.
 - Lifestyle medications include sexual dysfunction, smoking cessation products, and some weight loss medications. Some smoking cessation and weight loss medications are covered under the Affordable Care Act (ACA) and may be required. For example, we targeted average costs for sexual dysfunction drugs not medically necessary but covered

under the County's plan. When excluded, they still allow members to obtain these medications who require them under medical necessity with a prior authorization.

- **Potential Cost/Savings calculations:**
 - A prior report with BCBS shows coverage of sexual dysfunction medications (Viagra, Levitra, Cialis) totaling \$110,000 annually for all members. An updated report for just retirees has been requested.
- 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
 - High Deductible Health Plans are plans governed by the IRS. They require that all initial medical and drug costs be paid by the member of the plan initially. Outside of preventative services, members are not subject to traditional copays, but rather pay the cost of the service upfront. For an example, member goes to the doctor office and would pay the full allowable amount or \$67, not a \$20 or \$30 office visit copay, as an example. When they go to the pharmacy, they will pay the full allowable amount of the prescription of say \$124. Each of these amounts then accrues toward a minimum deductible of above \$1,450 per member (minimum amounts are set by the IRS). Members also have an option of payroll deducting pre tax monies into individual accounts known as health savings accounts that they can use to pay for these medical costs.
 - **Potential Cost/Savings Calculations:**
 - Costing for this option would be based upon the plan chosen and this and any change would affect the Other Post Employment Benefit Actuarial Calculation (OPEB). Any future retirees who become covered under a lessor benefit plan will affect the OPEB results and future healthcare costs of the County. The lower the cost to the County of these plans, the lower the future OPEB expense would be on the members, thus decreasing overall OPEB costs in the future.

SECOND CHOICE

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

- Education
 - See Education under First Choice.
- Implement Medtipster

- Medtipster Free is a program that allows members to go to a variety of retail pharmacies and get generic medications at no cost/zero copay. The County would pick up 100% of the discount drug copays (ranging from \$0 to \$35 per script depending upon the medication and the pharmacy). Typically this provides some savings on medications purchased by the members due to the copay being the only cost, and no additional charge to the group. Because this program is outside of the existing pharmacy program, the member should share details of other prescriptions they are using with their doctors and pharmacists due to lack of coordination and review of potential drug interactions.
- **Potential Cost/Savings calculations:**
 - An estimate on the pharmacy savings would be between \$80,000 and \$100,000 after a reduction due to prescription drug copays that members would have paid. In addition, the County would have to pay a fee of \$1.50 per contract per month to Medtipster to administer eligibility. This would be a cost of $\$1.50 * 446 * 12 = \$8,028$ annually, reducing the savings by that amount.
 - Medtipster also provides a place on their site so that the member pays the reduced copay, and no monthly fee to the group would apply. This would not work as well with those with the \$2 flat copay as they are already paying a minimal amount. Possible savings to the group could occur an estimate of \$10,000 on up. It would depend upon utilization of members actually reviewing the Medtipster website prior to picking up their prescription and then having providers direct their scripts to the retail pharmacies that provided discounts on member copays. Even with education, the members have little incentive, and have to actively participate with every script filled to optimize their savings and the County's savings.
- Separate plan documents for Retirees and Actives
 - If the County separated plan documents, there is a possibility that the County could opt out of the affordable care for its retiree health care plans. We would recommend the County obtain a legal opinion on this option to assess its feasible. If it is, it could eliminate some of the benefits the Affordable Care Act has added since its implementation, resulting in a savings.
- **Potential Cost/Savings Calculations:**
 - This could save between approximately 1.5% of medical and pharmacy claims, which is estimated to be about \$115,000. This option would be removing benefits that were added to the plans that include unlimited preventative services and medications along with coverage for up to age 26 year old dependents.
- Voluntary removals from health insurance, depending on when retired
 - The County could reach out to retirees to see if people will opt out of coverage. For every contract that is no longer insured, savings of approximately \$16,649 annually could be

estimated (the average contract illustrative rate for retirees in 2016-17 when taking all retirees and dividing by the number of contracts). We have had some groups try to initiate this option with very little to no success.

- **Potential Cost/Savings Calculations:**

- For every one contract, the average or composite rate is \$16,649. The below chart utilizes a certain number of volunteers and annualized potential savings along with five year trends at annual 5% increases.

Number of Volunteers	2016-17 Composite Rate	Annualized	5 Year Savings including a 5% Trend
10	\$16,649	\$166,490	\$202,370
25	\$16,650	\$416,250	\$505,954
50	\$16,651	\$832,550	\$1,011,970

- Labor negotiations for upcoming Retirees
 - See above in First Choice.
- County Policy – don't hire back Retirees (potential changes in MERS policy and Board policy) all received four votes.
 - The County would still be providing coverage for these retirees. It could eliminate some of the additional benefits that it provides for rehired retirees like dental and vision. This savings is minimal as the retiree is still on the retiree health care plan or has access to it. Additionally, the County would need to hire new employees for jobs currently occupied by retirees, which would result in increased healthcare costs of approximately \$16,140 per family per year. There are four (4) retirees working for Saginaw County in 2016. Also, the retiree who comes back to work would also have to be offered insurance under the affordable care act as an employee if they are working more than 30 hours a week. If the retiree coverage is better, they will probably opt out of the active option.
- **Potential Cost/Savings Calculations:**
 - For every retiree the County rehires, the retiree cost increases by an annual cost of \$16,649 and the active employee cost increases by \$16,140 a family.

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

- Chronic and Clinical Care Management Programs
 - See above under wellness programs offered by BCBS in First Choice section.

- Conduct Health Risk Assessments with incentive offered
 - See above under wellness programs offered by BCBS in the First Choice section.
- Offer buyouts to existing Retirees
 - See above in First Choice.
- Changing the traditional plans to PPO to take advantage of network discounts
 - The Traditional plans the County offers does not provide for a network or network discounts. PPO is widespread in Michigan and moving members from a traditional plan to a PPO can provide savings of up to 6% on the medical programs. Suffix 900 is the Traditional Plan where membership remains. There are minimal early retirees, 32 (those not yet Medicare eligible). The PPO plan would also add benefits like office visit coverage. The savings would only apply to 32 contracts.
 - **Potential Cost/Savings Calculations:**
 - Six percent of the medical costs for those members in a traditional would amount to approximately \$13,338 in savings annually.
- Evaluate Medicare Advantage plan with Rx (Part D)
 - See above in First Choice.
- Review Actuarial Assumptions
 - Actuaries are required to comply with professional guidelines established by the Governmental Accounting Standards Board when they perform an actuarial analysis of the County's Other Post-Employment Benefits OPEB liability. A review of the methodology being utilized could be reviewed through a Request for Proposal with future OPEB studies. OPEB is a projection based on assumptions including, but not limited to, medical inflation, retiree longevity, returns on investments, etc. These assumptions and other requirements are modified to conform to changes in accounting standards. Actuarial valuation does not impact the true cost of retiree healthcare. Actuarial valuations help predict for budgeting purposes the cost of retiree healthcare.
 - **Potential Costs/Savings Calculations:**

THIRD CHOICE

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%.

- See above in First Choice.
- Offer buyouts to existing Retirees received four (4) votes or 6.67%.
 - See above in First Choice.
- Implement Medtipster received three (3) votes or 5.00%.
 - See above in Second Choice.
- Prescription Assistance Programs to assist in lowering cost of medications to Retirees and group received three (3) votes or 5.00%.
 - See above in Second Choice.
- 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%.
 - See above in Second Choice under voluntary opt out.
- Changing the traditional plans to PPO to take advantage of network discounts received three (3) voters or 5.00%.
 - See above in Second Choice.

OTHER OPTIONS

Additional options were provided as discussion points by the Saginaw County Retiree Healthcare Task Force. Those options are available in the original Retiree Healthcare Task Force presented to the Saginaw County Board of Commissioners. These items are available for future consideration and may not be representative of all items available to the Board for consideration regarding any potential retiree changes. They are included as Attachment #1.

SUMMARY

Retiree healthcare cost at Saginaw County continues to increase. Annually, the County is looking at paying \$7.4 Million for retiree healthcare alone this year. The last Other Post Employment Benefit Study showed that retiree healthcare costs over their lifetime could exceed \$127 Million. Legacy costs of retiree healthcare are something that the County needs to address for its long term survival. The Task Force Committee identified multiple items for consideration and review. There are many that initially would cost the County money to partake in; however there are some that are clearly identified for savings consideration.

Three of the recommended items will result in immediate savings and assist in lowering retiree legacy healthcare costs. Those items are identified in order below:

1. Evaluate Medicare Advantage Plans with Rx (Part D) coverage for a potential savings of \$2.4 Million. (as provided in more detail on pages 8-9)
2. Offering buyouts to existing retirees who may not need the retiree healthcare coverage for a potential savings \$416,000 this year if 25 contracts were to take this option. (as provided on pages 3-4)
3. Offering voluntary removals from health insurance which could bring in \$16,649 on average for every person currently insured who voluntarily removes themselves from coverage. (as provided on pages 11-12)

Also, as noted in the introduction, this pricing analysis is not concrete, but rather fluid and additional items and changes may be part of the process of reviewing retiree healthcare costs. Items that could change the information below could include a wide variety of subjects including changes in federal and state regulations surrounding public employer sponsored retiree healthcare, the future financial stability of Saginaw County, judgements in various retiree legacy lawsuits, existing and future bargaining agreement retiree healthcare language, retiree healthcare environment, types of healthcare products available and financing mechanisms are just some examples of possible changes that could be on the horizon.

This report should provide some insight and direction into items that can be considered in reducing existing retiree health care costs. In addition to this report, the County has had legal counsel review existing and past union contracts surround retiree health care language and recent legal judgements, has actuaries reviewing potential Medicare Advantage opportunities, along with getting information regarding bonding out retiree healthcare. These items together should be considered prior to pursuing changes in retiree healthcare.

Attachment #1

The following table references all ideas selected by the Retiree Healthcare Task Force and is inclusive of the votes received as First Choice Items. Please note there are additional items in this table that are not outlined in the preceding report, but could still be considered by the Board of Commissioners. Please also note that outside changes could occur which could add or subtract to those items listed within.

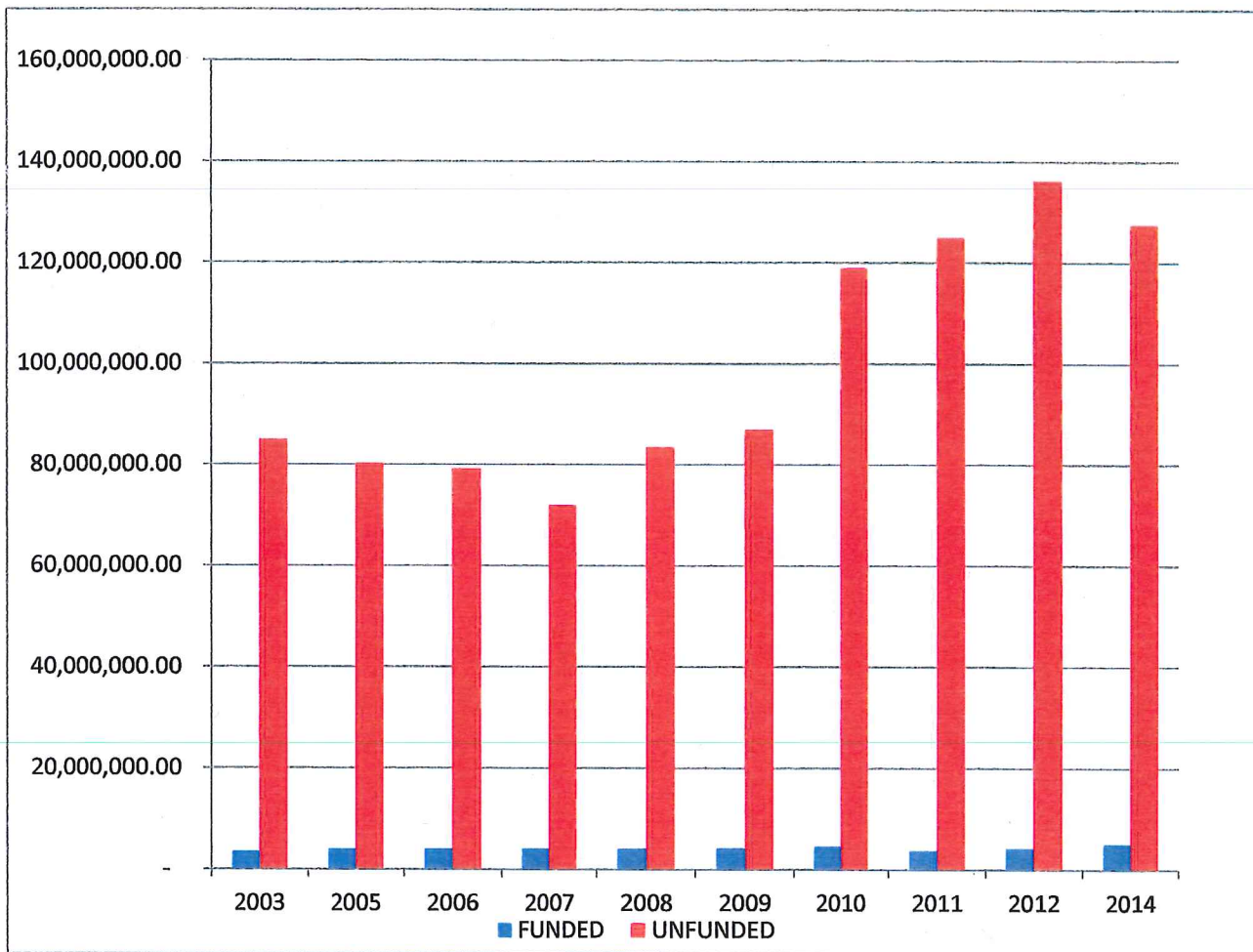
1st Choice Items	BLUE	%
33. Bond first, address cost savings opportunities after to take advantage of current interest rates	19	18.45%
7. Education	12	11.65%
11. Offer buyouts to existing Retirees	9	8.74%
4. Coaching for lifestyle management changes and Preventive Program on certain diseases to help control costs	8	7.77%
2. Contract locally to service prescription drug program for possible savings for maintenance/generic medications-possibly with a local hospital.	7	6.80%
6. Coordinate incentives for certain items like obtaining and reducing cholesterol, weight loss, lowering blood pressure	5	4.85%
10. Look at a Wellness Program for Retirees and offer incentives for doing healthy activities.	4	3.88%
23. Move Drugs to a Part D Provider/Carve out prescription drugs or require Retiree to take Medicare Part D	4	3.88%
12. Prescription Assistance Programs to assist in lowering cost of medications to retirees and group	3	2.91%
18. Evaluate Medicare Advantage plan with Rx (Part D)	3	2.91%
19. Evaluate need for lifestyle medications and whether or not non-medically necessary prescriptions should be allowed.	3	2.91%
30. 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	3	2.91%
9. Implement a Health Center or wellness center/clinic to reduce cost	2	1.94%
16. Evaluate Cost Sharing and existing benefits to determine if can lower or cut benefits in an effort to reduce costs	2	1.94%
20. Look at changing segments/reducing number of benefits programs offered	2	1.94%
25. Retiree health care exchange	2	1.94%
26. Separate Plan Documents for Retirees and Actives.	2	1.94%
31. Labor negotiations for upcoming retirees	2	1.94%
1. Bid out health insurance	1	0.97%
5. Conduct Health Risk Assessments with incentive offered	1	0.97%
8. Implement Medtipster	1	0.97%
13. Add Step Therapy and other pharmacy programs to determine if lesser costing medication could be obtained.	1	0.97%
14. Assisted living at home	1	0.97%

17. Evaluate Individual coverage over group coverage	1	0.97%
21. Look at offering different plan networks	1	0.97%
27. Voluntary removals from health insurance, depending on when retired	1	0.97%
28. Changing plan to allow for same coverage as actives (as active coverage is changed, so does retiree coverage)	1	0.97%
29. Extend current retirement thresholds delaying receipt of retiree healthcare	1	0.97%
37. Do nothing, County accept responsibility for costs	1	0.97%
3. Chronic and Clinical Care Management Programs	0	0.00%
15. Changing the traditional plans to PPO to take advantage of network discounts	0	0.00%
22. Look at Retirees and people identifying characteristics that could allow for changes in benefits (i.e. by pension/retirement, etc.)	0	0.00%
24. Offer Closed Formulary	0	0.00%
32. Privatize current employees	0	0.00%
34. Change State and Federal Law and GASB requirements	0	0.00%
35. Consolidate governments (blend with other municipalities) in an effort to reduce administrative fees and other fees	0	0.00%
36. County Policy – don't hire back retirees (potential changes in MERS policy and Board policy)	0	0.00%
38. Evaluate Stop Loss Level on medical and pharmacy program	0	0.00%
39. Look to other employers/spouses/new job to cover retiree/family with possible opt in at a later date	0	0.00%
40. New millage to cover cost of future retiree healthcare expenses.	0	0.00%
41. Purchase Life Insurance	0	0.00%
42. Review Actuarial Assumptions	0	0.00%
43. Review outside consultant costs and contracts.	0	0.00%
44. Review Transparency in claims cost for appropriate discounts and utilization of benefits.	0	0.00%
45. Sell assets to help offset cost of retiree benefits, this includes selling Harry Browne Airport or HealthSource.	0	0.00%
46. Transferring risk like autos did to the retirees as a group to control own plans.	0	0.00%
47. Use a VEBA to fund or pay for retiree health care costs	0	0.00%
Total:	103	100.00%

Appendix A

RETIREE HEALTHCARE FUNDING 2003 - 2014

Year	FUNDED	UNFUNDED
2003	3,486,185.00	84,968,301.00
2005	4,002,505.00	80,277,842.00
2006	4,058,585.00	79,209,992.00
2007	4,136,120.00	71,978,765.00
2008	4,104,453.00	83,490,320.00
2009	4,226,991.00	86,957,031.00
2010	4,600,183.00	118,892,005.00
2011	3,777,130.00	124,971,418.00
2012	4,230,716.00	136,190,004.00
2014	5,080,998.00	127,512,197.00



Appendix B

RETIREE HEALTHCARE ANNUAL REQUIRED CONTRIBUTIONS

YEAR	ARC	CONTRIBUTIONS
2005	6,014,269	3,486,185
2006	7,942,879	4,002,505
2007	8,085,776	4,058,585
2008	7,684,606	4,136,120
2009	8,545,861	4,104,453
2010	9,074,989	4,226,991
2011	10,901,234	4,600,183
2012	11,512,586	3,777,130
2014	12,227,351	5,080,998
2015	11,532,059	5,510,319

