Health Care and New Retiree Realities

National Council on Teacher Retirement
17th Annual Trustee Workshop

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How Americans Get Health Insurance

- Non-Group: 21.8m
- Medicare: 43.3m
- Medicaid: 62.4m
- Employer-Based: 156m
- Other Public: 6.4m
- Uninsured: 29m

Each figure is 1 million people

Data: Kaiser Family Foundation 2015; Graphic: Lazaro Gamio / Axios
Ten-Year Summary of Selected Medical, Prescription Drug Carve-Out and Dental Trends: 2008 – 2015 Actual and 2016 and 2017 Projected

Source: 2017 Segal Health Plan Cost Trend Survey

1 All trends are illustrated for actives and retirees under age 65, except for MA HMOs.

2 Prescription drug trend is combined for retail and mail order delivery channels.
Regional Variations

The survey found regional variation among projected trend rates for PPO and POS plans combined [Note that regional results are subject to greater variations due to limited sample size]:

➢ The lowest trend rates are expected in the Northeast (7.0%)
➢ The highest trend rates are expected for the West (9.2%), for the third year in a row.

National projected trend rates for PPOs and POS plans are 7.4%.
What Drives Trend?

➢ New treatments, therapies and technology
➢ Provider cost shifting from reduced CMS payments (Medicaid & Medicare)
➢ Regulations/mandates including the Affordable Care Act (ACA)
➢ Provider price increases and CPI
➢ Increased demand from increased health risks due to aging populations or rise in obesity
➢ Greater emphasis on detection and diagnostics
➢ Other, including fraud and abuse

Trend is the forecast of annual gross per capita claims cost increases.
Plan Design Changes

Changes to eligibility for retiree health benefits
- Completed: 23%
- Partially implemented with grandfathered groups not impacted: 11%
- Plan design changes near final: 9%
- Preliminary discussions held: 23%
- Not considered: 34%

Changes to cost share for retiree member coverage
- Completed: 23%
- Partially implemented with grandfathered groups not impacted: 4%
- Plan design changes near final: 11%
- Preliminary discussions held: 23%
- Not considered: 39%

Changes to cost share for dependent coverage
- Completed: 21%
- Partially implemented with grandfathered groups not impacted: 7%
- Plan design changes near final: 23%
- Preliminary discussions held: 48%

Changes to benefit levels for retiree health plans
- Completed: 18%
- Partially implemented with grandfathered groups not impacted: 4%
- Plan design changes near final: 5%
- Preliminary discussions held: 29%
- Not considered: 44%

Source: SALGBA, Public Sector HealthCare Roundtable and Segal Consulting Public Sector Retiree Health Survey, 2016
## Alternate Delivery Models for Retiree Health Benefits

<table>
<thead>
<tr>
<th>Model</th>
<th>Completed</th>
<th>Partially implemented with grandfathered groups not impacted</th>
<th>Alternatives identified</th>
<th>Preliminary discussions held</th>
<th>Not considered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adding Medicare Advantage Employer Group Waiver Plan (MA EGWP) for</td>
<td>57%</td>
<td></td>
<td>11%</td>
<td>2%</td>
<td>30%</td>
</tr>
<tr>
<td>eligible retirees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Introducing high-deductible plan for</td>
<td>34%</td>
<td></td>
<td></td>
<td>7%</td>
<td>41%</td>
</tr>
<tr>
<td>retirees and/or dependents</td>
<td></td>
<td></td>
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<tr>
<td>Providing a defined contribution health benefit plan to</td>
<td>20%</td>
<td></td>
<td></td>
<td>11%</td>
<td>44%</td>
</tr>
<tr>
<td>retirees and/or dependents</td>
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<tr>
<td>Offering Exchange coverage to non-Medicare retirees and/or</td>
<td>5%</td>
<td></td>
<td></td>
<td>4%</td>
<td>55%</td>
</tr>
<tr>
<td>dependents</td>
<td></td>
<td></td>
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<tr>
<td>Eliminating the retiree health care benefits</td>
<td>4%</td>
<td></td>
<td></td>
<td>5%</td>
<td>63%</td>
</tr>
</tbody>
</table>

Source: SALGBA, Public Sector HealthCare Roundtable and Segal Consulting *Public Sector Retiree Health Survey, 2016*
Segal’s Trend Survey participants were asked to rank the top cost-management strategies implemented in 2016. Here are the top five strategies based on averages of these ratings:

<table>
<thead>
<tr>
<th>Cost Management Strategy</th>
<th>Rating:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Using specialty pharmacy management</td>
<td>4.4</td>
</tr>
<tr>
<td>Intensifying pharmacy management programs</td>
<td>4.3</td>
</tr>
<tr>
<td>Contracting with value-based providers, including Accountable Care Organizations and Patient Centered Medical Homes</td>
<td>3.8</td>
</tr>
<tr>
<td>Adding low-cost primary care access through strategies such as telemedicine, walk-in clinics and on-site clinics</td>
<td>3.5</td>
</tr>
<tr>
<td>Increasing financial incentives in wellness design</td>
<td>3.3</td>
</tr>
</tbody>
</table>
Performing Data Analytics
Thank you!

Segal Consulting

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