WELCOME TO THE

Michigan Municipal Executives

MICHIGAN PLANNERS

EMPLOYEE BENEFITS • INDIVIDUAL INSURANCE
MEDICARE PRODUCTS • RETIREMENT SERVICES

2026 Winter Institute

The Renewal Gauntlet

How Local Governments Can Win Health Care Cost Battle

Aaron MacDonald
Chief Strategy Officer
Michigan Planners, Inc.
amacdonald@miplanners.com
(810) 240-9300

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Why we're here today

Raison d'être

- Most of you have a renewal about 6 months away
- Cost decisions made under time constraints rarely age well
- Health care cost continue to surge and significantly outpace inflation
- The stakes are higher for municipalities. Benefit decisions can affect public trust, labor relations, and long-term planning

WHAT IS HAPPENING IN 2026

Michigan Carriers Large Group Increases

Blue Cross Blue Shield of Michigan

PPO +15.5%

HMO +13.1%

Priority Health

All 9.0%

hap® Health Alliance Plan of Michigan

All 10.5%

HEALTH CARE CHALLENGES

EMPLOYERS AND EMPLOYEES ARE STRUGGLING WITH THE COST OF HEALTHCARE

44%

Increase in healthcare costs 2014 to 2023

34%

Expected increase in costs in Michigan from 2024-2026

65%

Michiganders have delayed or avoided health care in the last 12 months due to cost

37%

Michiganders that report financial burden due to medical debt

https://healthcarevaluehub.org/chess-state-survey/michigan/2025/michigan-survey-respondents-struggle-to-afford-high-health-care-costs-worry-about-affording-health-care-in-the-future-express-bipartisan-support-for-policy-solutions/?utm_source=chatgpt.com
https://www.kff.org/report-section/ehbs-2023-section-1-cost-of-health-insurance/
https://www.kff.org/health-costs/issue-brief/americans-challenges-with-health-care-costs/

THE RENEWAL SEASON PRESSURE COOKER

WHY RENEWAL DECISIONS NEVER FEEL "RIGHT"

- Broker delivers initial increase with suggested plan changes
- Potentially review a long list of options
- Request other possible plan designs, networks, etc., for quoting

- Continue to iterate plan design options with broker and carriers
- Socialize options with internal decision-makers, committees, councils, unions, boards, etc.
- Difficult decisions between the finance team and human resource team

- Update employee education content
- Decisions are made and rolled out to employees for education
- Benefit admin platform (if applicable) loaded with new products

Everyone leaves the process feeling like there might have been a better answer.

HEALTH CARE COSTS

RATE SHOCK IS NO LONGER A "RENEWAL PROBLEM"

Finances

- Eroding municipal budgets
- Trade-offs against infrastructure improvements, hiring, core services, and wages
- Budget volatility due to unpredictable renewals and claims

Human Resources

- Rising employee contributions drives dissatisfaction and disengagement
- Plan complexity / affordability erode value
- Acceleration of turnover, absenteeism, and presenteeism
- Constant changes impact benefit literacy

Leadership & Strategy

- Time diverted from growth, business improvement, and other initiatives
- Regulatory risk and administrative burden
- Over-reliance on reactive, short-term fixes instead of long-term strategy

HISTORIC APPROACH TO ADDRESS COST

WHAT ARE THE MOST COMMMON COST LEVERS THAT EMPLOYERS PULL?

Carrier Changes

Employers are running out of carrier options in Michigan and most of the carriers are relatively aligned in their products and pricing models

Premium Sharing

While many employers still have the opportunity to increase premium sharing, employee recruitment and retention makes it difficult to go further

Cost Sharing

Many employers already have high deductibles and they are running out of runway for increasing cost shares further

Network Changes

With many employers migrating to POS or HMO plans in recent years, there is less room for this strategy. And, narrow network products are niche

Wellness

Wellness initiatives are difficult to administer and the efficacy (and cost savings) are difficult to measure. The ACA reduced their effectiveness

RENEWALS ARE COMING AND WE NEED TO PLAN

WHERE DO WE START?

Population Risk

- Claims experience and volatility
- Chronic condition prevalence
- Workforce stability vs. employee turnover
- Demographics or the workforce

Budget

- What is the total annual budget for benefits
- Is month-to-month cost volatility tolerable
- Are multi-year commitments realistic

Disruption Tolerance

- Innovation tolerance – willing to be a guinea pig
- Sensitivity of employees to new solutions
- Labor relations and CBA flexibility
- Leadership courage and alignment

Resources / Support

- Internal ownership of benefit strategy
- Right resources to support alternative plan designs
- Organization's capacity to manage complexity
- Number of stakeholders

RISK ASSESSMENT

MAKING INFORMED HEALTH CARE DECISIONS

Risk Considerations	Score	Comments
Current Carrier Claims	5	MLR in experience period was 65%
A/I Demographic Assessment	4	A/I Demo score indicates a composite score of 0.81
Rx Claims Analysis	4	Overall, looks like only 25% of Rx cost from repeating high-cost Rx claims
Predictive Mathematic Simulation	3	Self-funding feasibility score of 99.5%
Member Cost Sharing Analysis	4	80% of the population utilizing less than 25% of deductible

Comp. Score
4.1

Score

5 - Great | 4 - Above Avg | 3 - Average | 2 - Below Avg | 1 - Poor

BENEFIT CONSIDERATIONS

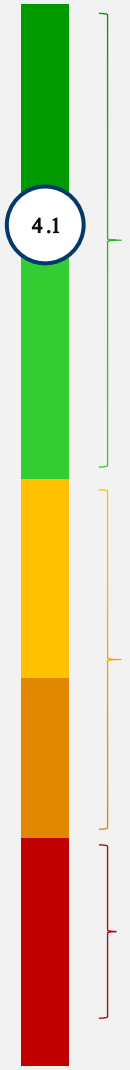
WHAT YOUR COMPANY RISK SCORE IS TELLING US

Score 4 - 5
Employer risk profile indicates that self-funding is likely the best long-term solution to manage costs

Score 3 - 4
Employer risk profile indicates that partially self-funding will likely lead to long-term savings vs. fully-insured solutions

Score 1 - 3
Employer risk profile indicates that they are likely best served fully-insured and employ traditional cost-savings approaches to manage cost

Score 0 - 1
Employer risk profile indicates that they should consider non-traditional approaches to managing cost



Self - Funding

- **Third Party Administrator**. Move away from carrier for maximum self-funding flexibility with TPA
- **Carrier Self-Funding**. Move to a self-funding program administered by a traditional carrier
- **Captives**. Move to a self-funding program that allows employer to share risk with other employers

Partial Self-Funding

- **Level-Funding**. Move to a level-funding program that mitigates budget fluctuations
- **Rx Self-Funding (Carve-Out)**. Keep the medical fully-insured, but self-fund the Rx coverage
- **HRA / MERP**. A health reimbursement arrangement to partially self-fund employee cost-sharing

Fully-Insured

- **MI Life Plan**. Move to a full-replacement HSA model for long-term potential savings
- **Carrier Changes**. Moving carriers might be the best way to manage cost
- **Cost Sharing Strategies**. Traditional levers for mitigating cost – cost sharing changes (e.g. deductibles)
- **Network Changes**. Moving to a more restrictive network to lower overall cost

Non-Traditional

- **ICHRA**. Moving away from group medical to helping employees purchase individual products
- **RBP**. Move a model where the employers sets pricing with providers
- **DPC**. Implement a Direct Primary Care model with wrap around coverage

THREE KEY STRATEGIC PATHS

HOW CAN YOUR ORGANIZATION GET OFF THE HAMSTER WHEEL

Risk Funding

Change How Risk is Funded

Fundamentally, this is a question about taking on risk – whether is fully self-funding, or partial self-funding

- Retain a portion of the claims risk in hopes of reducing cost
- Employ safeguards (stop-loss, deductible, etc) to limit exposure
- Pay some cost in arrears vs. prospectively
- Gain additional transparency on utilization, cost drivers, and claims
- Increase plan design flexibility and ability to address cost
- More plan oversight and potential financial volatility

Cost Drivers

Address Large Cost Drivers

Fundamentally, this is a question about taking on risk – whether is fully self-funding, or partial self-funding

- Focus on a small number of claims categories that drive a lot of cost
- Target areas with the fastest growth – not just the most spend
- Use data to separate single events from structural cost/claim issues
- Apply targeted solutions rather than broad plan changes impacting all employees

Care Delivery

Resign How Care is Delivered

Fundamentally, this is a question about taking on risk – whether is fully self-funding, or partial self-funding

- Change where and how employees access care
- Emphasize earlier access, care navigation, and primary engagement
- Reduce avoidable downstream cost tied to delayed/fragmented care
- Shift incentives towards outcomes, access, and employee experience
- Requires more employee education and engagement

CHANGING RISK FUNDING

OPTIONS TO FUND YOUR ORGANIZATION'S HEALTH CARE EXPENSE DIFFERENTLY

		Self-funding	Rx Cave-Out	HRA's / MERPS	ICHRA
Pros	**Greater financial transparency** Ability to see claims, cost drivers				
Pros	**More control over cost strategy** Flexibility in plan design, networks, vendors, and target cost drivers				
Pros	**Structural cost avoidance** Avoidance of "baked-in" fully insured margins, risk charges				
Pros	**Cost & Experience Alignment** Costs are directly tied to organizations own population / claims				
Cons	**Increase financial variability** Less predictability month-to-month and year-to-year				
Cons	**Greater governance & administration** More decisions, more vendors, and more plan oversight required				
Cons	**Higher demand for internal alignment** Finance, HR, leadership, labor, must stayed aligned on the strategy				
Cons	**Employee communication & Education** Changes are harder to explain than traditional fully-insured plan changes				

In general, the extent a first self-funds, the more potential upside that firm can realize, but also more potential downside. There are partial self-funding approaches that minimize risk but maintain an upside.

CASE STUDY

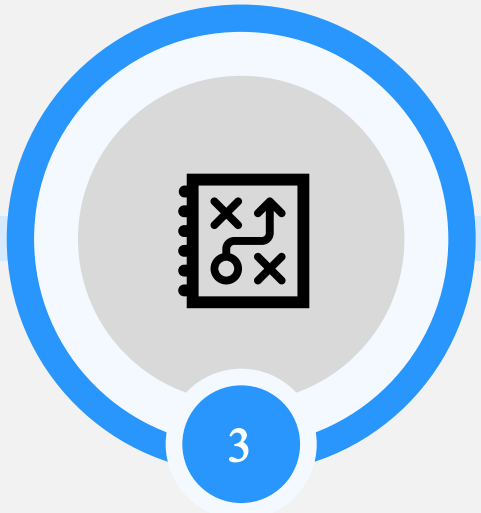
USING PARTIAL SELF-FUNDING TO RESPOND TO RATE SHOCK

Problem

- Initial renewal of +40% from the carrier
- Employer offering low deductible products and hadn't made any changes for years
- Limited insight into population risk and skepticism about carrier claims information
- Budget pressure with cash flow concerns about full self-funding model

Insight

- A risk assessment demonstrated that the population was over-insured relative to risk
- Claims experience did not support the magnitude of the renewal increase
- Medicare-eligible participants represented higher commercial cost and was an addressable opportunity



Action

- Introduced an HRA solution to replace rich plan designs
- Refined HSA plan design and education
- Supported Medicare-eligible employees with education and transition assistance
- Improve employee HSA contribution

Outcome: Employer reduced renewal by $280K and increase HSA enrollment from 27% to 66%

ADDRESS LARGE COST DRIVERS

EXPLORING OPTIONS TO IMPACT YOUR COST

POINT SOLUTIONS

There is a powerful, but complex, point solution ecosystem that has emerged over the past 10 years that allows employers to be more targeted in their benefit delivery approach

PHARMACY CARVE-OUT

For most employers, prescription drugs currently accounts for 20-25% of the healthcare spend. This is expected to continue to increase faster than medical trend.

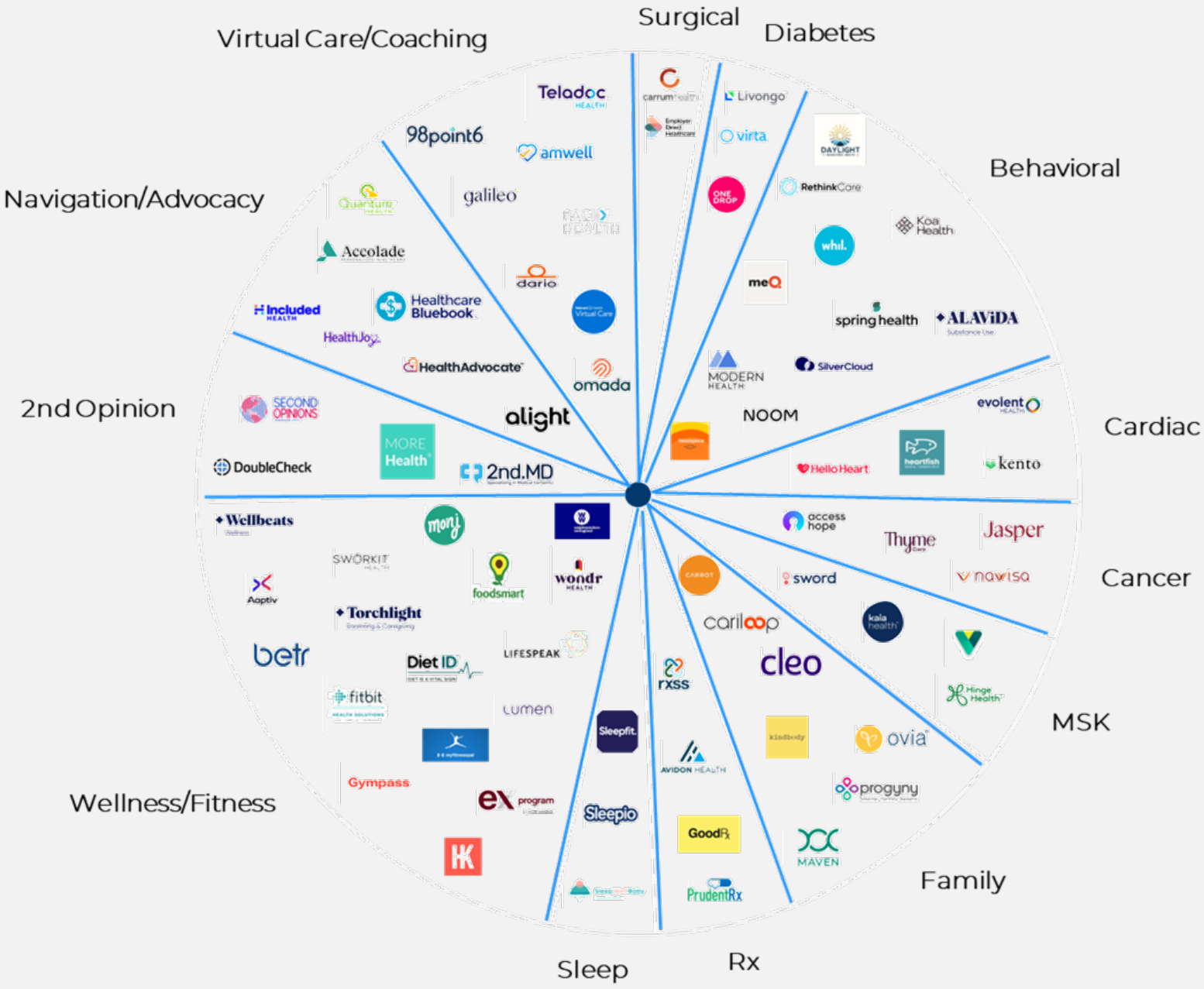
EDUCATION

Employees make better decisions about where, when, and how they seek care – avoiding unnecessary services and selecting more cost-efficient choices.

https://www.bcbsm.mibluedaily.com/affordability

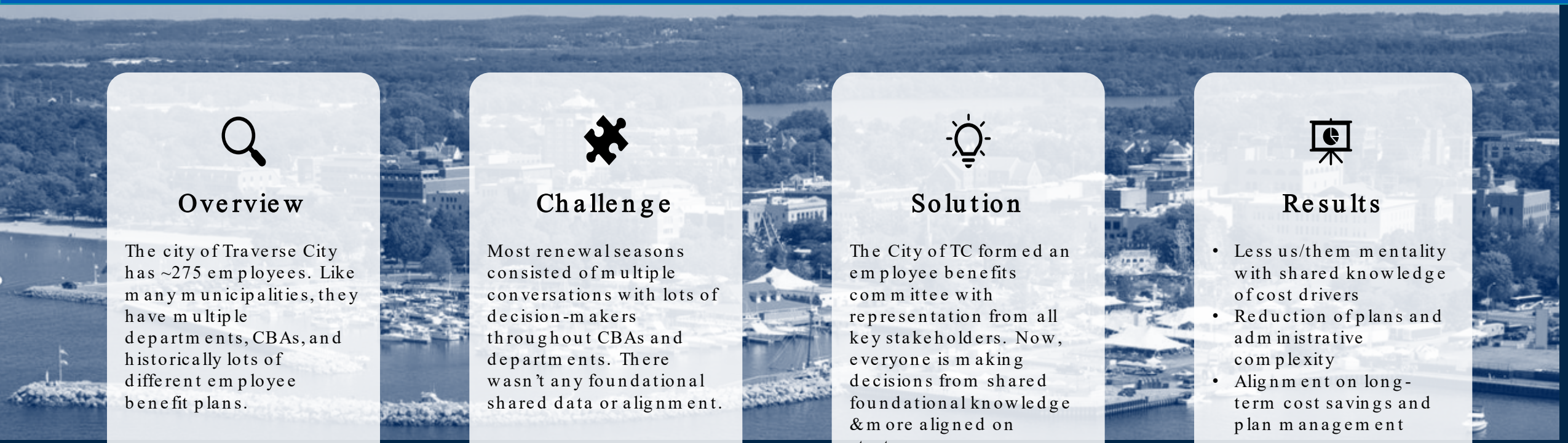
POINT SOLUTION ECOSYSTEM

There is a powerful, but complex, point solution ecosystem that has emerged over the past 10 years that allows employers to be more targeted in their benefit delivery approach



CASE STUDY

CREATING AN EMPLOYEE BENEFITS COMMITTEE – THE VALUE OF EDUCATION



Overview

The city of Traverse City has ~275 employees. Like many municipalities, they have multiple departments, CBAs, and historically lots of different employee benefit plans.

Challenge

Most renewal seasons consisted of multiple conversations with lots of decision-makers throughout CBAs and departments. There wasn't any foundational shared data or alignment.

Solution

The City of TC formed an employee benefits committee with representation from all key stakeholders. Now, everyone is making decisions from shared foundational knowledge & more aligned on strategy.

Results

- Less us/them mentality with shared knowledge of cost drivers
- Reduction of plans and administrative complexity
- Alignment on long-term cost savings and plan management

REDESIGN HOW CARE IS DELIVERED

NEW WAYS TO ACCESS CARE

Direct Primary Care (DPC)

Direct Primary Care (DPC) is a healthcare model where patients pay a flat monthly membership fee directly to a primary care practice for unlimited or low-barrier access to routine primary care services - without insurance billing for those services. More and more employers are paying for this for employees and wrapping coverage with a catastrophic plan.

Onsite Clinics

A benefit model where the employer provides primary (sometimes occupational or preventive) healthcare services at or near the workplace to improve access, reduce absenteeism, and manage healthcare costs. These clinics typically operate on a fixed-fee or employer-funded basis and are integrated with the employer's broader medical plan rather than billing insurance for most visits.

Narrow / Tiered Networks

Narrow or tiered network products are health plans that steer members toward a smaller group of high-value providers by offering lower premiums or lower cost-sharing when those providers are used. The goal is to reduce costs and improve quality by concentrating care within providers that demonstrate better outcomes, efficiency, or contracted pricing.

Reference Based Pricing

Reference-based pricing is a cost-containment strategy where a health plan sets a maximum amount it will pay for a service based on a benchmark (such as a percentage of Medicare), and the provider is paid up to that limit. If a provider charges more than the reference price, the member may be responsible for the difference unless the provider agrees to accept the plan's payment.

REDESIGN HOW CARE IS DELIVERED

DIRECT PRIMARY CARE

Healthcare benefit model in which patients purchase a membership that allows them unlimited access to most primary care services

Easier for people to see their doctor

More one-on-one time during appointments

Zero cost to access primary care services

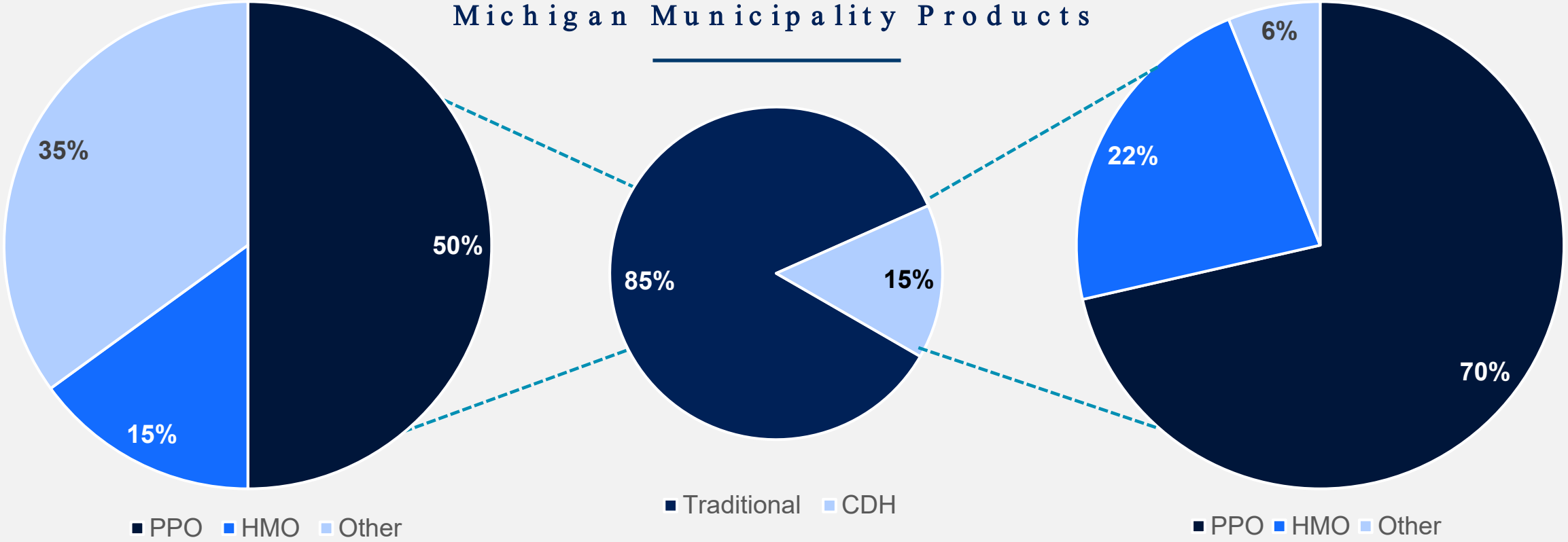
Purchase additional medical coverage for non-primary care

Why it's compelling

- ✓ Can now be coupled with a HSA plan – providing $0 coverage for primary care
- ✓ Employees can use HSA dollars to cover membership fees ($150 individual / $300 family)
- ✓ Improves primary care and prevent care
- ✓ Moves claims out of an employer's carrier experience

BENCHMARKING

Michigan Municipality Products



	Traditional Averages					
	% Mem	Ded	Coins	OOPM	OV	ER
SB – PPO	13%	$2,385	14%	$5,291	$22	$134
CB – PPO	37%	$709	13%	$5,311	$20	$115
HMO	15%	$1,959	12%	$5,548	$17	$133
OTHER	35%	$404	13%	$2,533	$11	$63
TOTAL		$1,612	13%	$5,301	$21	$138

	CDH					
	% Mem	Ded	Coins	OOPM	OV	ER
SB – PPO	68%	$2,866	10%	$4,764	$31	$194
CB – PPO	4%	$474	14%	$6,074	$18	$116
HMO	22%	$2,856	7%	$4,979	$3	$21
OTHER	6%	$1,464	12%	$3,402	$5	$27
TOTAL		2,719	9%	$4,838	$12	$78

* Blue Cross Blue Shield of Michigan product benchmarking data pulled January 16, 2026

FINAL THOUGHTS

PREPARING FOR THE 2026 / 2027 RENEWAL SEASON

Discuss
Your organization might be making bigger changes this year, make sure to engage the right people early

Plan
Start your benefit discussions early. Evaluate your current model now

Innovate
The next two years may require the adoption of creative new solutions

Budget
Plan for larger increases and develop your budget as early as possible

Educate
Expect more employee education than you've had to provide historically

Assess
The claims risk of your company and what those insights suggest for plan strategy

THANK YOU!

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YOUR BENEFIT ADVOCATES

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