

Michigan Dental Association MEWA Preliminary Projection 2024

June 9, 2023

Methodology

Revenue

- Revenues are projected to CY2024 based on an assumed rate increase and enrollment estimations. Revenues include:
 - Healthcare premiums

Expenses

- Healthcare expenditures are projected to CY2024 using a set of assumptions. These expenditures include:
 - Medical claims
 - Pharmacy claims and rebates
 - Administrative costs
 - Stop Loss premiums and recoveries

“Break Even Point”

- The necessary rate increase for CY2024 is the increase at which projected net expenses equal net revenue

Assumptions Used – Preliminary Rate Setting

Assumption	Value	Comment
Base Period	Jan22-Dec22	See “Base Period” Slide
Demographic Adjustment	-1.3%	See “Demo Adj.” Slide
Priority Health Admin Fee	\$51.39 PEPM	Assumed 2% over CY2023 Rate
Stop Loss Premium inc. (all rates)	2.5%	Assumed 2.5% over CY2023 Rate
Stop Loss Recoveries (% of premium)	50.0%	Assumed Recovery Rate
Medical Trend	7.0%	See Trend Development Slide
Rx Trend	9.0%	
Rx Rebates	26.5% of Rx Cost	Based on 2021 rebates received
Other Expense Increase	0.0%	Non-Claim, Non-Administrative
Change in Enrollment	0.0%	Constant from April 2023
2024 TROOP Changes	-0.21%	Increase to TROOP levels to the 2023 maximum allowed limit

Assumptions Used – Claims Experience Period

- For purposes of projecting Medical and Pharmacy Claims experience, Terry Group used the January 2022 – December 2022 incurred claims experience as an experience period. An average claims cost was calculated for this period and was then trended to CY2024 using a midpoint to midpoint trend.
- We used this experience period as it represents a recent complete period representing one plan year. A rolling 12 month period was used to be sure to capture full effects of seasonality on the experience period claims cost.

Service Type	Base Period	Months of Trend Required	Weighting
Medical	Jan22 – Dec22	24	100% of Med
Pharmacy	Jan22 – Dec22	24	100% of Rx

Assumptions Used – Demographic Adjustments

- Terry Group noted a decrease in collected premiums throughout the experience period, signifying a change in average demographics of MDA's covered population. To account for this, Terry Group made corresponding decreases to the estimated claims projections for CY2024.
- The estimated claims reduction factor can vary for differing experience periods and is based on that period's average premiums compared to CY2023's average premiums controlled for plan enrollment and annual increase differences. Since this projection uses only one experience period, only one such adjustment is needed.

Service Type	Experience Period	Demographic Adjustment
Medical	Jan22 – Dec22	-1.3%

Assumptions Used – Trend Development

Terry Group considers both MDA experience and other industry sources when selected trends for projection

Source	Medical	Pharmacy
Segal Healthcare	7.9%	9.8%
AON Global Trend Report	6.5%	NA
Willis Towers Watson	6.8%	NA
Buck EoY 2022 Trend Report	6.8%	9.3%

	Medical	Pharmacy
Selected for 2023 Rating	7.0%	9.0%

2024 Projection – Impact of Different Rate Increases

Rate Increase Assumption	Projected 2021 Net Income	Comment
2.8%	\$6,700	The “break even” point
0.0%	(\$582,000)	2.8% below recommendation
5.0%	\$469,000	2.2% above recommendation
10.0%	\$1,521,000	7.2% above recommendation

- Terry Group projects that MDA MEWA requires a 2.8% rate increase over CY2023 rates to break even with projected healthcare costs in CY2024
- A 1% change in the rate increase used will have an approximate \$210,000 impact on the net income of MDA MEWA in CY2024
- As examples of alternative rate changes, increases of 0%, 5%, and 10% are shown in the above table as well with their net income projections

2024 Projection – Alternate Trend Assumptions

- In Developing the CY2024 Rate Increase Estimation, Terry Group relied on Median Trend assumptions as detailed on the Trend Selection Slide
- The below table presents 2 alternate trend scenarios – a ‘higher’ trend and ‘lower’ trend. In each case, the trend values and the necessary rate increase are shown.

Trend Scenario	Trends Used	‘Break Even’ Rate Increase
Lower Trend	5% Med / 7% Rx	-1.4%
Higher Trend	8% Med / 10% Rx	3.2%

MDA MEWA – Historic Rate Adequacy

Rating Year	Premium Collected	Expenses - Claims and Fixed Expenses*	Premium over Expenses
2017	\$18,754,790	\$19,020,899	-1.4%
2018	\$20,050,788	\$20,099,670	-0.2%
2019	\$19,639,768	\$19,640,824	0.0%
2020	\$18,830,553	\$18,703,627	0.7%
2021	\$20,169,506	\$22,547,079	-10.5%
2022	\$20,486,324	\$19,711,953	3.9%

*Includes Stop Loss Recoveries and Pharmacy Rebates

Premium Rebalance – Current State

- When only considering plan benefits, the MEWA has a narrow range of benefit values that range from about 71%-84%. This implies that between the richest and leanest plan options, MDA has an average of a 13% cost difference on claims for enrollees in those plans.
- When considering the premiums that MDA charges for their plans, there is a premium cost difference of ~40% for members in the same age/class/area group between the richest and leanest plans.
- For an average member that moves from the richest plan to the leanest plan, MDA may save 13% in claims cost, but receive 40% less premium, resulting in a net loss to MDA

Premium Rebalance – Suggested Rate Increases

- The scenarios described above result in the following increases by plan:

Plan	Uniform Increase	Areas 1/4	Areas 2/3
Plan 0	2.8%	1.25%	1.61%
Plan 1	2.8%	0.00%	0.43%
Plan 2	2.8%	1.11%	1.48%
Plan 3	2.8%	1.80%	1.36%
Plan 4	2.8%	2.19%	2.32%
Plan 5	2.8%	2.00%	3.40%
Plan 6	2.8%	2.55%	3.56%
Plan 8	2.8%	3.04%	3.13%
Plan 10	2.8%	5.14%	5.18%
Plan 11	2.8%	3.55%	3.64%
Plan 12	2.8%	5.64%	5.68%

Premium Rebalance – Area Rebalance Support

- The BV and Rate Relativities assume Plan 1 as the “Base” or 1.0 plan. A plan with a 0.9 Relativity means the current rate is 90% of Plan 1’s rate.
- Note the relativity differences between Areas 1/4 and 2/3, especially on Plans 3 and 5.
- Differing increases on these plans are therefore needed to better align each area with the BV relativity

Plan	Benefit Value(BV) Relativity	Areas 1 and 4 Rate Relativity	Areas 2 and 3 Rate Relativity
Plan 0	0.99	0.89	0.90
Plan 1	1.00	1.00	1.00
Plan 2	0.98	0.88	0.89
Plan 3	0.95	0.81	0.87
Plan 4	0.92	0.77	0.79
Plan 5	0.92	0.78	0.73
Plan 6	0.89	0.72	0.69
Plan 8	0.90	0.70	0.72
Plan 10	0.85	0.58	0.60
Plan 11	0.90	0.68	0.70
Plan 12	0.88	0.59	0.60