MANAGEMENT AND BUDGET

Presentation to the Duty Disability Legislative Work Group

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Today’s agenda

- Who we are
- SEGIP and PEIP program overviews
- What members pay for insurance coverage
- What members pay for medical care
- Innovative plan design
- Recent program developments
- Retiree coverage

Minnesota Management and Budget

MMB is the central budget finance, personnel management, and long-term planning office for Minnesota state government.

The Enterprise Employee Resources division of MMB includes human resources policy, employee experience, classification & compensation, labor relations, and employee insurance.

Who we are

Employee Insurance

State Employee Group Insurance Program (SEGIP)

- Over **136,000** employees and dependents
- All three branches of Minnesota state government, Minnesota State university system, and quasi-state entities

Public Employees Insurance Program (PEIP)

- Over **32,000** employees and dependents
- Cities, towns, counties, school districts and more

Program overviews

SEGIP overview

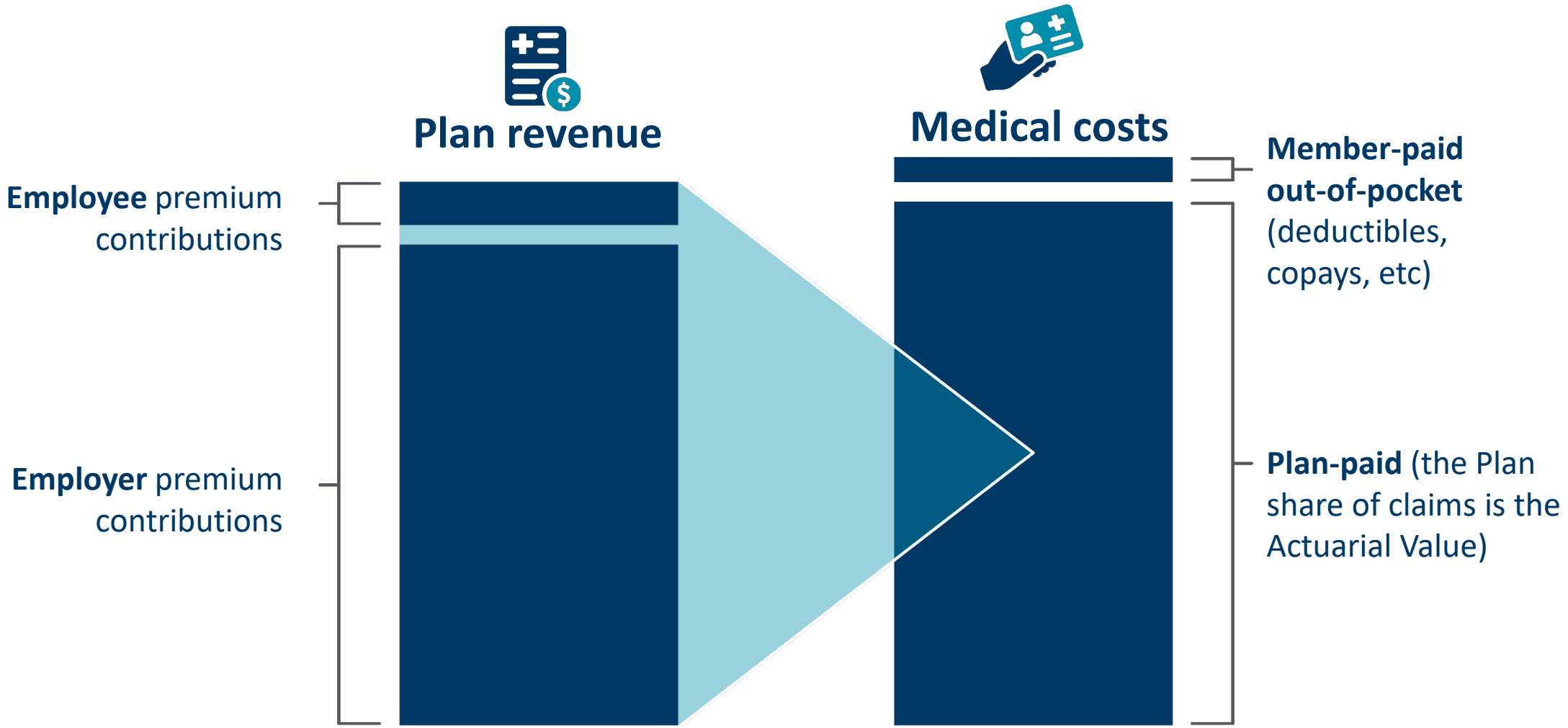
- Self-insured single employer plan managed by MMB
- Participating entities: executive, legislative, and judicial branches; Minnesota State Colleges and Universities system; certain quasi-state entities
- Benefits are collectively bargained with 18 different state bargaining units
- Subject to state insurance mandates
- No direct legislative appropriation
  - Premiums are paid by state agencies and by employees

PEIP overview

- Created by the Legislature in 1987
- Self-insured multi-employer plan (voluntary)
- Health and dental option for units of local governmental such as cities, counties, towns, townships, school districts, and more
- MMB oversees PEIP and manages its finances with actuarial consultants at Deloitte
- Premiums reflect a blend of expected cost of each group, overall pool costs, and expenses to administer the coverage.
- Low administrative overhead in the program (5.6%). Many similarities to SEGIP (in fact, program is required to be modeled after SEGIP)

Costs of insurance and medical care

Financing of employer health insurance



Factors that influence plan-wide medical costs

- Who is in the plan:
  - Age and other demographics
  - Health status
- How does the coverage work:
  - Covered services
  - Member cost-sharing (out-of-pocket responsibility)
  - Provider network

What members pay for insurance - SEGIP

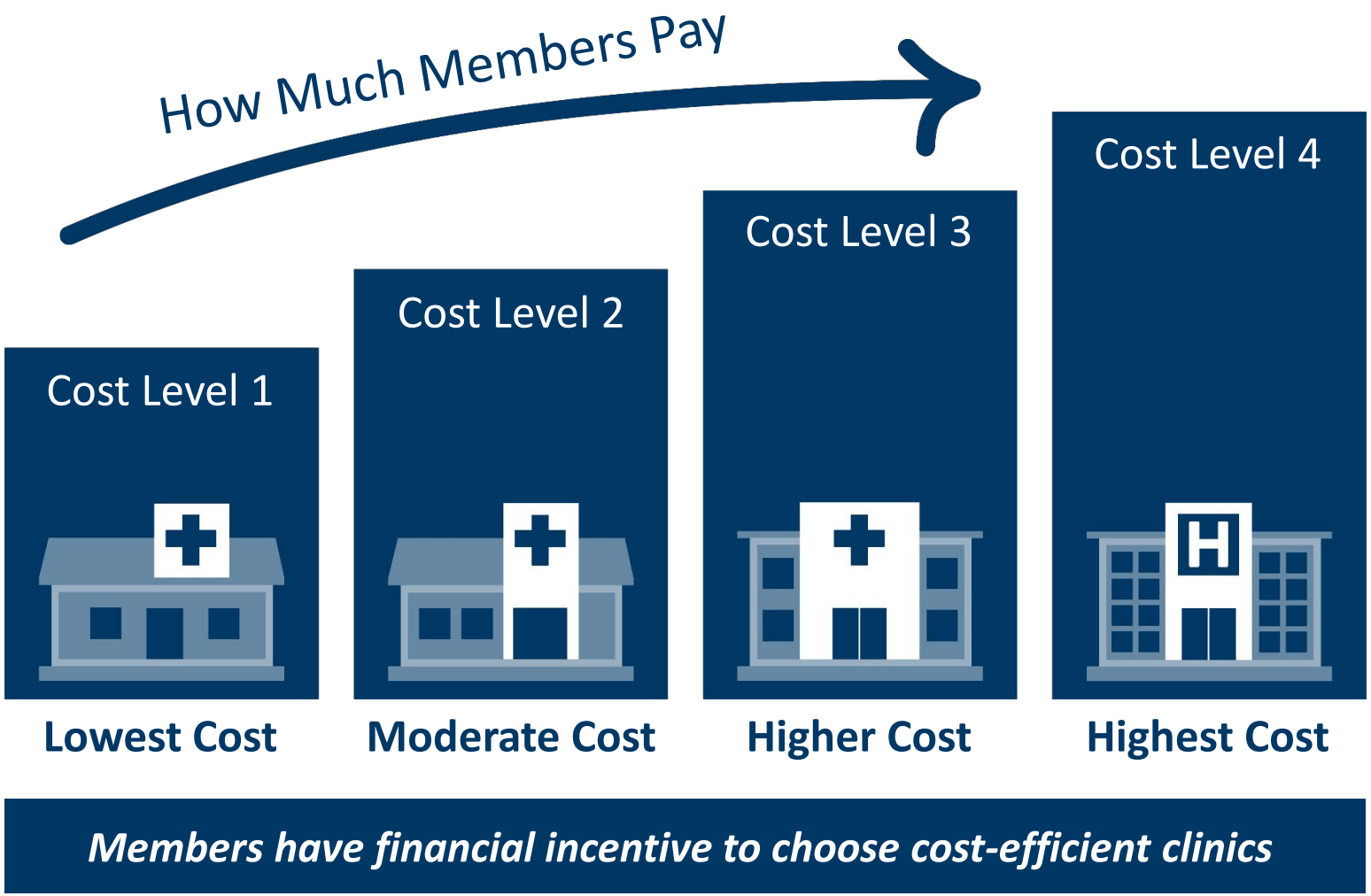
- State unions have prioritized health benefits in past collective bargaining
- State employees eligible to receive the full employer contribution pay **5% of the single premium** and **15% of the dependent premium**.
- The total premium rate is the same across all employees and early retirees

2026 monthly amount	Single coverage	Family coverage
Total premium rate	$979.02	$2,878.98
Full employer contribution	$930.08	$2,545.06
Employee contribution	$48.94	$333.92

What members pay for insurance - PEIP

- Unlike SEGIP, the total premium rate in PEIP varies by group
  - With the initial PEIP quote, all new groups are expected to have their claims and expenses covered by premiums paid.
  - Upon renewal, premiums for larger groups are primarily based on their own claims experience. Smaller groups generally realize a greater benefit from pooling.
- The proportion of the total premium that is paid by *employees* is dependent on the specific CBAs for those employers (significant variation, unlike in SEGIP)

What members pay for care



- SEGIP and PEIP both use the same tiered primary care clinic network
- Copays, deductibles, coinsurance, and out-of-pocket maximums go up as cost levels increase
- This structure saves money for the plan and saves money for members as well

What members pay for care - SEGIP

- The vast majority of SEGIP members are enrolled in what we call the Advantage Plan, which offers very low cost-sharing compared to most employer plans:
  - Single/family deductible ranges from $250/$500 in CL1 to $1,500/$3,000 in CL4
  - Office visit copayment ranges from $35 in CL 1 to $90 in CL4
  - Inpatient hospitalization ranges from $100 in CL1 to 25% coinsurance in CL4
  - OOP max ranges from $1700 single/$3,400 family to $3,600 single/$7,200 family
- In 2026, 90% of SEGIP members selected clinics in the two lowest cost levels
- A tiny proportion of SEGIP members are enrolled in the HDHP, only available to non-represented employees

What members pay for care - PEIP

- **Two plan designs** are available to participating groups (each using the same tiered primary care network as SEGIP)
  - One plan design is the same as SEGIP (with identical cost-sharing as on previous slide).
  - The other plan is an HSA-qualifying high-deductible health plan (HDHP) with higher cost-sharing (and lower premiums on account of the greater member OOP responsibility)
- Each PEIP group decides (or CBAs determine) how much the employer contributes to the premium for either plan, and which plans to offer to employees
- 39% of PEIP groups have enrollment in both plans; 45% only have enrollment in the HDHP, 16% only have enrollment in the SEGIP-style plan.
- In 2026, 88% of PEIP members selected clinics in the two lowest cost levels

Innovative plan design

Key features of tiered network design

- Statewide provider network/broad member choice
- Primary care is at the center
  - Every member chooses a primary care clinic
  - Members then receive referrals from that clinic for most specialty care
- Competition among health care providers (uncommon in plan design)
  - Tiering holds clinics accountable for the total cost of care for each member
  - It is important to most clinics to be available at a lower cost level to members
  - Clinics that are less cost-efficient clinics can buy down to a lower cost level

Member incentives lead to plan savings

- 90% of members select clinics at Cost Level 1 or Cost Level 2.
- Care at an average CL 1 clinic is **45% less expensive** than a CL 4 clinic.
- Thus, greater member enrollment in the lower cost levels means less plan spending, which means lower premiums for everyone
- On top of the promotion of naturally lower-cost clinics, the buydowns save the plan many millions of dollars each year, and result in MMB paying about 10% less in health system rates than other commercial plans
- Unlike with narrow networks, our members have broad choice. Our plan just asks that they pay more to see higher-cost providers.

Recent program developments

PEIP study

- In 2022, MMB commissioned an outside study on PEIP
  - Hired consulting firm to interview stakeholders, research other voluntary pools across the country, and more.
  - Focus groups of employer representatives, labor leaders, and PEIP enrollees
  - Much of the report focused on how best to stabilize the program
- Consultant's recommendations for policymakers:
  - Consider some form of required participation
  - Increase enrollment commitment from two years to something higher

PEIP-related legislation

- In 2014, the Minnesota legislature enacted the Health Insurance Transparency Act (HITA) (M.S. 471.6161)
  - Required that districts get bids every two years (one of which must be from PEIP)
  - Required that MMB provide no-cost PEIP quotes to districts
- More recently, in 2023, the legislature enacted two changes to the PEIP authorizing statute (M.S. 43A.316) for all groups
  - PEIP enrollment term increased from two years to four years
  - Early withdrawal threshold lowered from 50% premium increase to 20% increase
- Recent efforts to expand PEIP and make mandatory for educators

Cost pressures

- Both SEGIP and PEIP face cost pressures affecting health plans of all types, including:
  - Increasing utilization of GLP-1 weight management drugs
  - Introduction of other new high-cost drugs to the market
  - Price increases of medical services, especially hospital services
  - Higher-than-usual demand for mental health care services and higher complexity and acuity of the need
- Overall health care costs are rising at historic rates, which means health insurance premiums must go up as well

Retiree coverage

Key terms

- **Active plan** – the health plan offered by a public employer where all current employees are enrolled (potentially even if employee is age 65+ and still working)
- **Retiree** – an individual who is age 65 or up and who has retired from public employment. Usually enrolls in Medicare upon turning age 65 (or if over age 65, upon retiring from employment)
- **Early retiree** (or pre-65 retiree) – an individual who is under age 65 and who has retired from public employment. Usually, eligible to remain in the active plan of their former employer, along with any pre-65 dependents
- **Employer contributions toward insurance** – for eligible early retirees at the State, typically the same proportion of the total premium paid by the employing agency prior to retirement.

Early retirees - general

- Pre-65 retirees at the State and their dependents, under certain conditions, are entitled to remain in the SEGIP active plan until age 65 (M.S. 43A.27)
- Pre-65 retirees from units of local government have the same right to remain in their employer's active plan with their dependents, under similar conditions, until age 65 (M.S. 471.61)
- The total premium for any health insurance is expensive. Significant difference for certain populations in who pays for it.

Early retirement incentives for state employees

- Early retirees who served in certain law enforcement or correctional positions at the State, under service and age requirements, are eligible for the following:
  1. Early retirement with full pension benefits (per statute)
  2. Remain on the active plan until age 65 (per statute)
  3. Receive the full employer contribution towards insurance premiums until age 65 (per collective bargaining agreements)

Origin of employer contributions towards retiree coverage

- Employer-subsidized health insurance has become a much bigger deal over time as health care has grown so much more expensive.
- Employer contributions to early retiree insurance coverage for this population has been a longstanding priority for state labor unions.
- State unions have prioritized winning and retaining this benefit for their members in past bargaining rounds.
- The first time the benefit was added to a state CBA was in the 1980s, with more additions in the years to follow. It now appears in nine different CBAs at the State.

Cost of employer contributions toward early retiree coverage

- State agencies: Departments of Corrections, Direct Care & Treatment, Natural Resources, and Public Safety
- No special legislative appropriation for the employer cost of insurance contributions for these early retirees. Affected agencies simply pay for these additional expenses, which are substantial and growing, out of their operating budgets.
- Example: in 2025, Corrections spent over $7 million on contributions towards the insurance coverage of their eligible former employees who retired early.

Key takeaways

- Health care is incredibly expensive
- At the State in general, the relatively high level of employer contribution to insurance premiums and the relatively low member out-of-pocket costs both stem from what state labor unions have prioritized in collective bargaining
- The same is true for certain early retiree insurance benefits
- Adding higher-risk members to SEGIP would raise costs for all current plan members and would have impacts on collective bargaining for the State

Questions?