

History Rate Relativity And Current Early Retiree Census

Catherine Dodd PhD, RN

Rate Relativity (or Ratio)

- Typically in health plan benefit design, premium rates for a plan covering two individuals is approximately double the cost of a plan covering one individual, and a plan covering a family is approximately triple the cost - a ratio referred to as “rate relativity.”
- Rate relativity between Early Retirees in Blue Shield and Kaiser is unequal to all of the Active employees and the City Plan Early Retirees.
- HSS’s Rate relativity structure is inconsistent with industry standards and 10 county average counties (see appendix).

- Charter language does not determine “rate relativity” or how the premium ratio between E, E1, E2 or R, R1, R2 is calculated.
 - Historically rate relativity was determined by the HSB Actuary and Executive Director.
 - This is a policy issue and therefore the Executive Director is requesting involvement of the HSB to transparently decide whether rate relativity for Blue Shield and Kaiser Early Retirees and All Active employees and City Plan Early Retirees should be equalized.

Review of the Minutes of HSB Rates and Benefits Committee and HSB minutes 1998 through 2016

- Prop E was passed in Nov 2000 and rate relativities changed for HMO Early Retirees in the 2002/03 rates negotiated in December 2001.
- According to the minutes, there was tremendous volatility in the Early Retiree HMO rates from 1999 through 2010.
- In determining rate relativity for 02/03 plan year, rate relativities for Early Retirees in HSS HMOs were lowered for the R1 and R2 tiers.

continued

Minutes review continued

- Rate relativities for Active Employees were slightly increased for the 02/03 rates and did not change from 1998 through 2016.
- City Plan Early Retiree rate relativities increased in 2008/2009 (negotiated in Dec 2007). HMO rates were trending steeply upward and the board was consistently subsidizing the rates. According to the actuary at the time, the HSS Executive Director agreed to not move the HMO rate relativities, but believed since City Plan was the HSS plan that increasing the rate relativity was appropriate.

	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09
Actives	City plan	1:1.7:2.4	1:1.7:2.5	1:1.7:2.4	1:1.7:2.5	1:2.0:2.8	1:2.0:2.8	1:1.9:2.7	1:1.9:2.7	1:1.9:2.7	1:1.8:2.5
	Kaiser	1:2.0:2.8	1:2.0:2.8	1:2.0:2.8	1:2.0:2.8	1:2.0:2.8	1:1.9:2.7	1:1.9:2.7	1:1.9:2.7	1:2.0:2.8	1:2.0:2.8
	Pacific Care	1:2.0:2.8	1:1.9:2.7	1:2.0:2.8						1:2.0:2.8	1:2.0:2.8
	Health Net	1:2.0:2.8	1:1.9:2.7	1:2.0:2.8	1:2.0:2.8	1:2.0:2.8	1:2.0:2.8	1:2.0:2.8	1:2.0:2.8		
	Blue Shield				1:2.0:2.8	1:2.0:2.8	1:2.0:2.8	1:1.9:2.6	1:1.9:2.7	1:1.9:2.7	1:2.0:2.8

	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09	
Early Retirees	City plan	1:1.4:1.8	1:1.4:1.8	1:1.4:1.8	1:1.5:1.9	1:1.5:1.9	1:1.5:1.9	1:1.5:1.9	1:1.5:1.9	1:1.5:1.9	1:1.9:2.6	
	Kaiser	1:1.8:2.5	1:1.9:2.5	1:1.7:2.6	1:1.8:2.4	1:1.5:1.9	1:1.5:1.9	1:1.5:1.9	1:1.5:1.9	1:1.5:1.9	1:1.5:1.9	
	Pacific Care	1:2.0:2.7	1:2.0:2.7	1:2.0:2.8							1:1.4:1.8	1:1.5:1.8
	Health Net	1:1.7:2.4	1:1.9:2.5	1:2.0:2.8	1:2.0:2.8	1:1.5:2.0	1:1.5:1.8	1:1.4:1.8	1:1.4:1.8	1:1.4:1.8	1:1.4:1.9	
	Blue Shield					1:1.5:1.8	1:1.4:1.8	1:1.5:1.9	1:1.5:1.9	1:1.5:1.9	1:1.4:1.8	1:1.5:1.8

	09/10	10/11	11/12	2013	2014	2015	2016
Actives	City plan	1:1.9:2.7	1:2:2.7	1:2:2.8	1:2:2.8	1:2:2.8	1:2:2.8
	Kaiser	1:2:2.8	1:2:2.8	1:2:2.8	1:2:2.8	1:2:2.8	1:2:2.8
	Blue Shield	1:2:2.8	1:2:2.8	1:2:2.8	1:2:2.8	1:2:2.8	1:1.9:2.8

	09/10	10/11	11/12	2013	2014	2015	2016
Early Retirees	City plan	1:2:2.7	1:2:2.6	1:2:2.6	1:2:2.7	1:2:2.7	1:2:2.6
	Kaiser	1:1.5:1.9	1:1.5:1.9	1:1.5:1.9	1:1.5:1.9	1:1.5:1.9	1:1.5:1.9
	Blue Shield	1:1.5:1.8	1:1.5:1.8	1:1.5:1.8	1:1.5:1.8	1:1.5:1.8	1:1.5:1.8

City Plan Early Retirees have had similar rate relativity to Actives since 08/09

Active and Early Retiree rates are blended to reduce Early Retiree rates by spreading them across a larger pool. Actives rates subsidize Early Retiree rates.

Actives also have higher rate relativity.

In a blended pool, Early Retiree rate relativity should be equal to Active rate relativity.

HSS staff recommendation is to equalize rate relativity over three years.

Who is affected by this change?

Currently there are 5,689 covered Early Retirees. 583 are in City Plan and their rate relativity won't change. 3,249 are R only and are not impacted by a change.

This leaves 1,857 affected members of which 1,440 are R+1 and 417 are R+2.

- 66 (4.5%) of the R+1 Early Retirees were due to disability
- 26 (6.2%) of the R+2 Early Retirees were due to disability

APPENDIX

Rate Relativity Comparison - Kaiser

	Retiree	Retiree+1	Retiree+2
San Francisco	1	1.5	1.9
Alameda	1	2.0	2.8
CALPERS	1	2.0	2.6
Fresno*	1	1.8	2.3
Orange	1	2.0	2.9
Riverside	1	2.0	2.6
Sacramento	1	2.0	2.8
San Bernardino	1	2.0	2.8
San Diego	1	2.0	3.0
Santa Clara	1	2.0	2.8

Note: Contra Costa and Los Angeles counties only have Retiree and Retiree + Family rates

*Only 5 Kaiser plans in Fresno County (2.5 percent of plans)

Rate Relativity Comparison - HMO

	Retiree	Retiree+1	Retiree+2
San Francisco	1	1.4	1.8
Alameda	1	2.0	2.8
CALPERS	1	2.0	2.6
Fresno*	1	1.6	2.9
Orange	1	1.8	2.1
Riverside	1	2.0	2.9
Sacramento	1	2.0	2.6
San Bernardino	1	2.0	2.8
San Diego	1	2.1	2.9
Santa Clara	1	2.0	3.0

Note: Contra Costa and Los Angeles counties only have Retiree and Retiree + Family rates

*Only 5 Kaiser plans in Fresno County (2.5 percent of plans)