

San Francisco Health Service System Health Service Board

Rates & Benefits

Review Self-Funded Non-Medicare PPO Plan 2021 Claims and Utilization Experience and Approve the Use of One-Third of the Stabilization Reserve Deficit as of December 31, 2021

April 14, 2022

Self-Funded Non-Medicare PPO Plan 2021 Experience and December 31, 2021 Rate Stabilization Fund

Agenda

- **Preface — Non-Medicare PPO Plan 2021 Experience**
- **2021 Plan Experience Observations**
- **December 31, 2021 Rate Stabilization Fund Use Recommendation**
- **Appendix**
 - Detailed Month-By-Month 2021 Plan Year Experience Exhibits
 - Non-Medicare PPO Plan Rate Stabilization History
 - Non-Medicare PPO Plan Reconciliation Notes

Today's Recommendation

Non-Medicare PPO Plan Rate Stabilization Reserve

In congruence with the Stabilization Fund Policy, approve the use of one third of the December 31, 2021 stabilization reserve **Deficit** amount of \$403,000 (or one-third of \$1,210,000) be applied towards buy-up of rates across all rating tiers for the Non-Medicare PPO Plan (including Choice Not Available) for plan year 2023, and apply proportionately between active employees and early retirees.

The remaining Deficit carry forward balance for plan year 2024 is \$807,000.

This presentation will explain the derivation of this result and recommendation.

1

Preface — Non-Medicare PPO Plan 2021 Experience

Preface — Non-Medicare PPO Plan 2021 Experience

This presentation captures information on calendar year 2021 claims, fees, and other associated costs relative to total cost premium rates for the self-funded Non-Medicare PPO plan. In 2021, the PPO plan was administered by UnitedHealthcare (UHC) for active employees and early retirees.

In 2022, the administrator for the Non-Medicare PPO plan changed for most members to Blue Shield of California. UHC remains the plan administrator of this PPO plan in 2022 for Non-Medicare “split retiree family” members of retiree families where one or more family member is enrolled in the UHC Medicare Advantage PPO plan.

On the following pages, we summarize key observations captured from the experience charts that follow in this document. All data provided for the self-funded Non-Medicare PPO plan in this presentation was sourced from UHC’s reporting portal.

Preface — Non-Medicare PPO Plan 2021 Experience

This presentation contains information on the San Francisco Health Service System (SFHSS) Self-Funded Non-Medicare PPO Plan claim and utilization experience during calendar year 2021 for active employees, early retirees, and their dependents enrolled in the Plan during 2021.

Comparative year-over-year data in Section 2 (Plan Experience Observations) of this document reflects a comparison of claims incurred and paid in 2021 to claims incurred and paid in 2020 as well as claims incurred and paid in 2019 within the Non-Medicare PPO Plan. We show three years in this document given impacts of COVID-19 pandemic-driven claim suppression during 2020.

- “Catastrophic Claims” are defined as individuals who exceeded \$50,000 in medical/pharmacy claims in a calendar year.

The Non-Medicare PPO Plan is self-funded — meaning claims generated by member use of the plan flow through to the Trust for medical and prescription drug expenses.

- Total cost rates, then, reflect a best future estimate for that plan year of claim expenses plus associated plan administrator administrative fees.

Preface — Non-Medicare PPO Plan 2021 Experience

Multiple Circumstances Guide Non-Medicare PPO Plan Enrollment

- There are approximately 1,900 total active employees and early retirees enrolled in the Non-Medicare PPO Plan — with differing circumstances as to why PPO enrollment occurs.
 - Those who select PPO when HMO plans are also geographically available are generally the highest cost, highest health risk enrollees in the PPO plan.
 - Those where the PPO plan is the only available choice are typically more “average” in health plan cost/health risk.

Major Population Segment	PPO — Only Available Plan or Choice with HMOs?	Type of Enrollee	Approximate Employee/ Retiree Count
Active Employees	Choice with HMOs	Single Tier, 100/96/83 contribution strategy: No contributions for any plan, yet choose PPO	250
	PPO Is Only Available Plan	Pay lower contributions via "Choice Not Available" eligibility (no HMOs geographically available) — e.g., Hetch Hetchy	70
	Choice with HMOs	Choose to pay substantially higher contribution for PPO, vs. lower contributions HMOs (have full plan choice)	780
Total — Active Employees			1,100
Early Retirees	PPO Is Only Available Plan	Pay lower contributions via "Choice Not Available" eligibility (no HMOs geographically available) — e.g., live outside Bay Area in CA, or outside CA	450
	Choice with HMOs	Choose to pay substantially higher contribution for PPO, vs. lower contributions HMOs (have full plan choice)	350
Total — Early Retirees			800
All Non-Medicare PPO Plan Active Employees/Early Retirees			1,900

Preface — Non-Medicare PPO Plan 2021 Experience

The 2021 plan year Non-Medicare PPO Plan experience contained in this presentation will serve as a basis for underwriting the Non-Medicare PPO Plan proposed rates for the 2023 plan year.

- Aon will also account for projected cost changes in transitioning from UHC to BSC plan administration from the Non-Medicare RFP financial analysis presented to the HSB in February 2021, in developing 2023 plan year Non-Medicare PPO Plan rate recommendations under BSC with Accolade plan administration.
- The Non-Medicare PPO Plan rate stabilization fund balance that will be presented in today's meeting after this presentation will apply to 2023 Non-Medicare PPO Plan rating.

2

2021 Plan Experience Observations

Self-Funded Non-Medicare PPO Plan — 2021 Claims & Utilization Experience

2021 Plan Experience Observations

Overall Cost Observations — Reasonable 2021 Trend Relative to Pre-COVID 2019

- **Medical claims** per member for the entire plan population (active employees and early retirees) increased substantially from 2020 to 2021, after a reduction from 2019 to 2020 influenced by COVID-19 pandemic claim suppression. However, annualized trend from 2019 to 2021 medical claims increased by only 3%, lower than national average trend (6%).
- **Prescription drug** per member claims for the entire population grew at a lower rate of increase (6%) for the 2021 plan year than experience for the 2020 plan year (9%) — noting pandemic-related claim suppression was not observed in 2020 for prescription drugs.
- Overall combined medical/prescription drug experience exhibited an average increase of 4% across the two-year period 2019 to 2021.

	Medical	Prescription Drug	Total Medical/Rx
2019 Paid/Incurred Claims	\$775	\$215	\$990
2020 Paid/Incurred Claims	\$700	\$235	\$935
2021 Paid/Incurred Claims	\$824	\$249	\$1,073
Annualized % Change			
2019 – 2020	-9.7%	9.3%	-5.6%
2020 – 2021	17.7%	6.0%	14.8%
Annual across 2019 – 2021	3.1%	7.6%	4.1%

NOTE: Claims reported are paid and incurred within year (e.g., no runout)

2021 Plan Experience Observations

More Cost Pressure from High-Cost Claimants (\$50K+) in 2021 vs. 2020

The percentage of total plan spend attributable to claimants over \$50,000 increased in 2021 relative to 2020

- Both a higher number of high-cost claimants (HCCs), and increase in cost per HCC, contributed to this result
- Key diagnostic categories for high-cost claimants (as well as the overall PPO plan population) continue to be cancer and musculoskeletal

	2020 HCCs	2021 HCCs	Change, 2021 vs. 2020
Number of Medical HCCs (\$50K+)	98	116	18
% of Plan Members Who Are HCCs	3.2%	3.6%	
Overall Medical PMPM Attributed to HCCs	\$388	\$488	26.0%
Average HCC Claimant Cost	\$146,026	\$162,361	11.2%
HCC Portion of Total Medical Net Paid	55.4%	59.2%	
Non-HCC Members	2,978	3,097	119
Overall Medical PMPM Attributed to Non-HCCs	\$312	\$336	7.7%
Non-HCC Portion of Total Medical Net Paid	44.6%	40.8%	
Total Plan Members	3,076	3,213	137
Overall Medical PMPM	\$700	\$824	17.8%

2021 Plan Experience Observations

Medical Utilization in 2021 Increased vs. 2020 — But Remains Lower vs. 2019

- The pandemic created suppression in medical plan services — and while utilization has since increased into 2021 vs. 2020, utilization rates for services remain lower than in 2019

	2019	2020	2021
Inpatient Facility Admissions per 1,000 Members	76.8	47.5	57.3
Outpatient Facility Surgeries per 1,000 Members	208.8	169.7	192.3
Emergency Room Visits per 1,000 Members	185.9	143.3	147.5

- In particular, Behavioral Health benefit utilization has increased substantially from 2020 to 2021
 - Two-Thirds of behavioral health expenses are attributable to participating network providers

Behavioral Health Benefit Utilization	2020	2021	Change
Inpatient Admissions per 1,000 Members	4.9	6.8	39%
Outpatient Encounters per 1,000 Members	27.3	50.7	86%

2021 Plan Experience Observations

Prescription Drug Cost Trend Was Lower for 2021 (6%) Than For 2020 (9%)

- **Growth in Cost per Script (2.6%) as well as Scripts per Member (3.5%) were observed**
 - However, rates of generic dispensing and home delivery utilization declined
- Specialty medications account for 48% of total 2021 net pharmacy claims paid

Prescription Drug Measures	2020	2021	Change
Paid Claims PMPM	\$234.93	\$249.34	6.1%
Paid Claim per Script	\$173.77	\$178.22	2.6%
Scripts Per Member Per Year	16.2	16.8	3.5%
% of Scripts Dispensed as Generic	84.3%	82.0%	-2.7%
% of Scripts Dispensed at Home Delivery	6.7%	4.4%	-34.4%

2021 Plan Experience Observations

Looking Ahead to 2023 Non-Medicare PPO Plan Rating

- The Non-Medicare PPO Plan population continues to be the highest average cost population (with the highest health risk scores) of any non-Medicare health plan population for SFHSS.
- In coming months, the SFHSS leadership team and Aon will gain access to early 2022 cost and utilization results for the Non-Medicare PPO Plan given plan administration for most plan enrollees shifted to BSC with Accolade on January 1, 2022. While this information will not be available in time to influence 2023 rating forecasts, we do expect to provide early inputs on plan cost and utilization impacts from the administrator change later in 2022 to the HSB.
- In today's HSB meeting, we will shortly present an update to the Non-Medicare PPO Plan Rate Stabilization Reserve as of December 31, 2021, based on comparison of 2021 plan cost expectations developed in Spring 2020 to actual plan experience now that 2021 has completed.
- During the May 12, 2022 HSB meeting, Aon will present Non-Medicare PPO Plan (including "Choice Not Available") active employee and early retiree rate recommendations for the 2023 plan year.

3

Non-Medicare PPO Plan December 31, 2021 Rate Stabilization Fund Recommendation

Background

Three Reserves for SFHSS Self-Funded/Flex-Funded Plans

Today's Discussion Focuses on Third Below — Stabilization

- 1) **Incurred But Not Reported (IBNR):** Actuarial estimate of the unpaid claim liability for run-out claims where services were incurred on or before a given date, but those claims have not yet been paid as of that date; **calculated annually as of June 30 (last day of fiscal year)** for SFHSS plans (e.g., as of June 30, 2021, for most recent reserve cycle).
- 2) **Contingency:** Statistically determined amount which protects against potential for funding estimate shortfalls which could occur when the actual claims incurred over a plan year would exceed projected claims when developing premium equivalents; **calculated annually as of June 30 (last day of fiscal year)** for SFHSS plans (e.g., as of June 30, 2021, for most recent reserve cycle).
- 3) **Stabilization:** Annual determination of the financial gain or loss for the self-funded/flex-funded plans; **calculated annually as of December 31 (last day of plan year)** for SFHSS plans (e.g., as of December 31, 2021, for today's review of the Self-Funded Non-Medicare PPO Plan stabilization amount).

Today's Discussion

Non-Medicare PPO Plan Rate Stabilization Reserve

Information on the June 30, 2021 IBNR and Contingency Reserves was presented by Aon to the HSB on January 13, 2022.

Today's discussion focuses on the self-funded Non-Medicare PPO Plan Rate Stabilization Reserve amount that is recommended by Aon as of December 31, 2021. The Non-Medicare PPO Plan was administered by UnitedHealthcare (UHC) for the 2021 plan year. Effective January 1, 2022, the plan administrator for most members enrolled in this plan became Blue Shield of California (BSC), with UHC retaining administration of Non-Medicare members of "split retiree families" with one or more family members enrolled in the UHC Medicare Advantage PPO plan.

The Non-Medicare PPO Plan rate stabilization actions described in this presentation will apply in 2023 Non-Medicare PPO Plan rating.

Recent Non-Medicare PPO Plan Rate Stabilization Actions

The HSB's Self-Funded Plans' Stabilization Policy requires an annual determination of the financial gain or loss over a calendar year for each self-funded and flex-funded health plan. The difference between the expected and actual plan costs for the just-completed plan year is added to the existing Stabilization Reserve balance, and per policy is amortized over a three-year rating period.

For several years through 2019 plan year rating, in an effort to promote long-term sustainability of the Non-Medicare PPO Plan, the Health Service Board (HSB) chose to apply Rate Stabilization funds in full towards active employee and early retiree rates.

For both the 2020 and 2021 plan years, a Rate Stabilization Deficit existed for the Non-Medicare PPO Plan — generating rating buy-up amounts of \$117,000 in 2020 rating and \$744,000 in 2021 rating.

Recent Non-Medicare PPO Plan Rate Stabilization Actions

Due to favorability in 2020 Non-Medicare PPO Plan experience as a result of COVID-19 pandemic claim suppression observed primarily in the second calendar quarter of 2020, the Non-Medicare PPO Plan Rate Stabilization balance shifted from deficit to surplus — thus generating a \$330,000 buy-down in 2022 rating.

The remaining Non-Medicare PPO Plan Rate Stabilization Surplus carry forward after the 2022 rating action described above was \$660,000 — this will be applied in Non-Medicare PPO Plan rating for the 2023 plan year and beyond.

Further information on recent Non-Medicare PPO Plan Rate Stabilization actions is presented in the Appendix to this document.

Non-Medicare PPO Plan Rate Stabilization Reserve

Summary

At the beginning of every rate and benefits cycle, the claims experience for the prior calendar year is evaluated. Based on the 2021 Non-Medicare PPO Plan claims experience, there is a projected Rate Stabilization **Deficit** balance of \$1,210,000 to carry into the 2023 plan year and beyond.

This calculation will be discussed in following pages. Per policy, one-third of this Rate Stabilization **Deficit** amount, or \$403,000, is recommended to be applied in 2023 plan year rating for the Non-Medicare PPO Plan (including Choice Not Available) as a buy-up to rates.

This \$403,000 rating buy-up figure represents approximately 0.8% of early estimated 2023 plan year Non-Medicare PPO Plan rates, over and above healthcare cost trend that will also incorporate into 2023 Non-Medicare PPO Plan rate calculations. We will present 2023 Non-Medicare PPO Plan rating recommendations during the May 12, 2022 HSB meeting.

Non-Medicare PPO Plan 2021 Plan Year Reconciliation

January 2021 – December 2021 Plan Reconciliation, Actual vs. Expected		Expected	Actual
1	Estimated Incurred Claims (Plus Shared Savings Fee Portion to UHC)	\$43,792,000	\$44,806,252
2	Base Administrative Fee Expense	\$1,165,000	\$1,077,430
	Affordable Care Act (ACA) Fee — PCORI	<u>\$6,000</u>	<u>\$7,009</u>
	Total Fee Expense	\$1,171,000	\$1,084,439
3	Prescription Drug Rebates	<u>(\$1,465,000)</u>	<u>(\$1,724,645)</u>
4	Total Cost ((1) + (2) + (3))	\$43,498,000	\$44,166,046
5	Total Contributions	<u>\$44,242,000</u>	<u>\$44,304,445</u>
6	Revenue Shortfall/(Surplus) (4-5)	(\$744,000)	(\$138,399)
7	Increase / (Decrease) in Contingency Reserve		<u>\$1,264,133</u>
8	Total Shortfall/(Surplus) ((Actual 6) + (Actual 7))		\$1,125,714
9	Adjustment to Stabilization Carry-Forward (Actual 8 – Expected 6): Aon Recommended Deficit Adjustment to December 31, 2020 Carry-Forward Stabilization Balance to Calculate December 31, 2021 Amount (rounded to nearest \$000)		\$1,870,000

NOTE: Descriptions for items above contained in Appendix to this document

Today's Recommendation

Rate Stabilization Reserve Calculation — Non-Medicare PPO Plan

Stabilization surplus balance as of December 31, 2020	(\$990,000)
Offset surplus amount applied in 2022 rate buy-down per policy (1/3)	(\$330,000)
Prior carry-forward stabilization surplus balance	(\$660,000)
Recommended deficit adjustment based on 2021 experience	\$1,870,000
Stabilization deficit balance as of December 31, 2021	\$1,210,000
Calculated amount per amortization policy to apply to 2023 rate buy-up per policy (1/3 of stabilization deficit balance)	\$403,000
Updated carry-forward stabilization deficit for use after 2023	\$807,000

Today's Recommendation

In congruence with the Stabilization Fund Policy, approve the use of one third of the December 31, 2021 stabilization reserve **Deficit** amount of \$403,000 (or one-third of \$1,210,000) be applied towards buy-up of rates across all rating tiers for the Non-Medicare PPO Plan (including Choice Not Available) for plan year 2023, and apply proportionately between active employees and early retirees.

4

Appendix

- Non-Medicare PPO Plan Experience Detail
- Non-Medicare PPO Plan Rate Stabilization History
- Non-Medicare PPO Plan Reconciliation Notes

Active Employees (Except “Choice Not Available”)

Headcount, Contract Size, and Premiums, and Claim Loss Ratios

Month	EE	EE + 1	EE + 2	Total Employees	Dependents	Average Contract Size	EE Rate	EE + 1 Rate	EE + 2 Rate	Monthly Premium	Paid Claims	Paid Loss Ratio	Incurred Claims	Incurred Loss Ratio
Jan-21	621	187	106	914	506	1.55	\$1,291	\$2,507	\$3,543	\$1,646,408	\$1,347,445	82%	\$1,339,205	81%
Feb-21	622	184	106	912	505	1.55	\$1,291	\$2,507	\$3,543	\$1,640,179	\$1,237,243	75%	\$1,782,051	109%
Mar-21	625	176	107	908	496	1.55	\$1,291	\$2,507	\$3,543	\$1,627,541	\$1,702,460	105%	\$1,986,924	122%
Apr-21	620	181	106	907	498	1.55	\$1,291	\$2,507	\$3,543	\$1,630,075	\$2,212,567	136%	\$1,678,926	103%
May-21	628	185	105	918	501	1.55	\$1,291	\$2,507	\$3,543	\$1,646,891	\$1,631,465	99%	\$1,867,854	113%
Jun-21	627	182	103	912	491	1.54	\$1,291	\$2,507	\$3,543	\$1,630,992	\$1,788,696	110%	\$1,640,283	101%
Jul-21	619	177	101	897	484	1.54	\$1,291	\$2,507	\$3,543	\$1,601,038	\$1,569,762	98%	\$1,645,941	103%
Aug-21	611	176	102	889	486	1.55	\$1,291	\$2,507	\$3,543	\$1,591,743	\$1,332,095	84%	\$1,534,848	96%
Sep-21	613	177	104	894	494	1.55	\$1,291	\$2,507	\$3,543	\$1,603,920	\$1,947,535	121%	\$1,465,283	91%
Oct-21	615	173	106	894	493	1.55	\$1,291	\$2,507	\$3,543	\$1,603,562	\$1,587,967	99%	\$1,604,299	100%
Nov-21	619	172	108	899	497	1.55	\$1,291	\$2,507	\$3,543	\$1,613,308	\$1,694,770	105%	\$1,897,513	118%
Dec-21	620	171	105	896	488	1.54	\$1,291	\$2,507	\$3,543	\$1,601,462	\$1,785,775	112%	\$1,576,533	98%
Totals/Averages				903						\$19,437,117	\$19,837,781	102%	\$20,019,661	103%
Surplus/(Deficit)											(\$400,663)		(\$582,544)	

NOTE: Vision plan costs are excluded from both claims and premium in the chart above; excludes all administration costs and Shared Savings programs; **the above information does not include active employees enrolled in the PPO Plan—Choice Not Available (they are captured with early retirees in 2021 data due to UHC coding structure set-up)**

Loss Ratio = Claims divided by Premiums (higher percentages result from higher claims)

Early Retirees (Plus “Choice Not Available” Actives)

Headcount and Contract Size

Month	Ret Only	Ret + 1 (both NM)	Ret + 2+ (all NM)	NM Ret Total Retirees	NM Deps of NM Rets	Average Contract Size, NM Retirees	NM Deps of Med Rets
Jan-21	694	220	84	998	434	1.43	295
Feb-21	708	218	89	1,015	450	1.44	297
Mar-21	702	216	88	1,006	436	1.43	300
Apr-21	691	218	91	1,000	453	1.45	298
May-21	696	228	94	1,018	475	1.47	306
Jun-21	693	222	96	1,011	473	1.47	309
Jul-21	734	231	101	1,066	489	1.46	308
Aug-21	723	233	104	1,060	497	1.47	306
Sep-21	735	247	103	1,085	512	1.47	309
Oct-21	737	251	100	1,088	504	1.46	300
Nov-21	730	249	96	1,075	491	1.46	304
Dec-21	733	245	94	1,072	473	1.44	301
Totals/Averages				1,041	474		303
Surplus/(Deficit)							

Table Heading Abbreviations:

NM = Non-Medicare

Med = Medicare

Ret = Retiree

Dep = Dependent

NOTE: All PPO Plan — Choice Not Available enrollment (including for active employees) is captured with early retirees in the above table due to UHC coding structure set-up.

Early Retirees (Plus “Choice Not Available” Actives)

Premiums and Paid/Incurred Claim Loss Ratios

Month	Monthly Premium, NM Retiree Tiers	Est. NM Dep of Med Rets Premium	Monthly Premium, All NM Members	Paid Claims	Paid Loss Ratio	Incurred Claims	Incurred Loss Ratio
Jan-21	\$1,955,638	\$223,008	\$2,178,646	\$1,259,762	58%	\$1,716,952	79%
Feb-21	\$1,990,707	\$224,520	\$2,215,228	\$1,431,559	65%	\$1,899,437	86%
Mar-21	\$1,972,065	\$226,788	\$2,198,853	\$1,759,237	80%	\$1,759,215	80%
Apr-21	\$1,967,413	\$225,276	\$2,192,689	\$1,906,303	87%	\$1,429,991	65%
May-21	\$2,010,807	\$231,324	\$2,242,131	\$1,729,297	77%	\$2,853,973	127%
Jun-21	\$1,996,738	\$233,592	\$2,230,330	\$2,513,739	113%	\$3,168,007	142%
Jul-21	\$2,106,574	\$232,836	\$2,339,410	\$3,190,569	136%	\$1,977,870	85%
Aug-21	\$2,101,922	\$231,324	\$2,333,246	\$1,731,544	74%	\$2,649,666	114%
Sep-21	\$2,155,000	\$233,592	\$2,388,592	\$2,525,703	106%	\$1,479,249	62%
Oct-21	\$2,159,130	\$226,788	\$2,385,918	\$1,998,950	84%	\$1,660,426	70%
Nov-21	\$2,129,298	\$229,812	\$2,359,110	\$1,843,152	78%	\$2,072,642	88%
Dec-21	\$2,118,125	\$227,544	\$2,345,669	\$2,092,561	89%	\$2,354,756	100%
Totals/Averages	\$24,663,418	\$2,746,405	\$27,409,824	\$23,982,377	87%	\$25,022,186	91%
Surplus/(Deficit)				\$3,427,446		\$2,387,638	

Table Heading Abbreviations:

NM = Non-Medicare

Med = Medicare

Ret = Retiree

Dep = Dependent

NOTE: Vision plan costs are excluded from both claims and premium in the chart above; excludes all administration costs and Shared Savings programs; all PPO Plan—Choice Not Available claims are captured with early retirees in the above table due to UHC coding structure set-up.

Loss Ratio = Claims divided by Premiums (higher percentages result from higher claims)

Non-Medicare PPO Plan Rate Stabilization History

Final 2021 Rating Presented at the May 28, 2020 Meeting

- At the February 13, 2020 HSB meeting, the Board was presented with the Non-Medicare PPO Plan Rate Stabilization Reserve calculation.
- At that time there was a calculated rate stabilization **Deficit Balance** of \$2,233,000.
- Based on the Health Service System's Self-Funded Plan's Stabilization Policy, one-third (1/3) of any Surplus or Deficit is applied to the following year's rate projections and the two subsequent years.
- On February 13, 2020, the HSB approved that \$744,000 of this **Deficit** (or one-third of \$2,233,000) would be applied to the 2021 Non-Medicare PPO Plan rate projections as a buy-up, leaving a **Deficit** carry forward balance of \$1,489,000 to be applied in future years.

Non-Medicare PPO Plan Rate Stabilization History

Final 2022 Rating Presented at the May 11, 2021 Meeting

- At the March 11, 2021 HSB meeting, the Board was presented with the Non-Medicare PPO Plan Rate Stabilization Reserve calculation.
- At that time there was a calculated rate stabilization **Surplus Balance** of \$990,000.
- Based on the Health Service System's Self-Funded Plan's Stabilization Policy, one-third (1/3) of any Surplus or Deficit is applied to the following year's rate projections and the two subsequent years.
- On March 11, 2021, the HSB approved that \$330,000 of this **Surplus** (or one-third of \$990,000) will be applied to the 2022 Non-Medicare PPO Plan rate projections as a buy-down, leaving a **Surplus** carry forward balance of \$660,000 to be applied in future years.

Non-Medicare PPO Plan Reconciliation Notes

- 1 Estimated Incurred Claims including claim payments for medical, pharmacy, and capitation in January–December 2021.
- 2 Administration Expense — Cost of administering January–December 2021 claims payments for medical and pharmacy, including federal Patient Centered Outcomes Research Institute (PCORI) fee paid by SFHSS.
- 3 Rx Rebates — Rebates from drug manufacturers for active employees and early retirees.
- 5 Total Contributions — Annual premium revenue collected.
- 6 Revenue Shortfall/(Surplus) — Difference in cost versus premium revenue collected.
- 7 Contingency Reserve — Explicit reserve held to cover excess losses (amount presented in January 2022 HSB meeting).
- 9 Actual shortfall/(surplus) minus expected shortfall/(surplus) — Amount added to existing stabilization balance per HSB policy and amortized over three years.