

San Francisco Health Service System Health Service Board

City Plan (UHC) Utilization and Claims Experience Calendar Year 2016 Presentation

February 9, 2017

Contents

- **Summary**
- **Introduction**
- **City Plan (UHC)—Claims Experience**
 - Active
 - Early Retiree
 - Medicare
- **Conclusion**

Summary

This presentation will outline the following for the City Plan which is administered by UnitedHealthcare (UHC):

- The 2016 experience by employee / retiree status (Active Employees, Early Retiree, Medicare Retiree)
- Observations for 2016 versus 2015 are as follows:
 - Contract Size
 - Average incurred cost per subscriber by subscriber group (Active Employees, Early Retiree, Medicare Retiree)
 - Average paid cost per subscriber by subscriber group (Active Employees, Early Retiree, Medicare Retiree)
 - Membership by subscriber group (Active Employees, Early Retiree, Medicare Retiree)

Introduction

In an effort to bring about long term sustainability of City Plan, in 2016 the Health Service Board (HSB) chose to subsidize the active and early retiree rates for the 2016 plan year by a total of \$13,991,000 to reduce overall rates and corresponding member contributions.

The HSB, at the June 21, 2016 meeting, chose to add additional stabilization funds to the Plan year 2017 active and early member rates to continue stabilization of the City Plan.

Additionally, beginning in the 2017 plan year, the HSB eliminated the self-funded Medicare City Plan and replaced it with a fully-insured Medicare Advantage PPO plan which transferred the risk to UHC and allowed HSS to negotiate lower rates and a two year rate cap.

City Plan (UHC)—Active Claims Experience

Month	EE	EE + 1	EE + 2	Total Subscribers	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-16	554	109	72	735	326	1.44	\$756.67	\$1,484.92	\$2,105.87	\$732,674	\$1,033,390	141%	\$1,165,547	159%
Feb-16	563	117	74	754	345	1.46	\$756.67	\$1,484.92	\$2,105.87	\$755,575	\$1,212,067	160%	\$1,127,853	149%
Mar-16	567	118	76	761	351	1.46	\$756.67	\$1,484.92	\$2,105.87	\$764,299	\$1,389,846	182%	\$879,398	115%
Apr-16	576	122	80	778	368	1.47	\$756.67	\$1,484.92	\$2,105.87	\$785,472	\$1,115,684	142%	\$802,717	102%
May-16	585	120	87	792	385	1.49	\$756.67	\$1,484.92	\$2,105.87	\$804,053	\$768,112	96%	\$1,195,439	149%
Jun-16	588	124	91	803	405	1.50	\$756.67	\$1,484.92	\$2,105.87	\$820,686	\$944,232	115%	\$930,609	113%
Jul-16	594	123	91	808	401	1.50	\$756.67	\$1,484.92	\$2,105.87	\$823,741	\$1,039,035	126%	\$1,211,654	147%
Aug-16	601	125	93	819	414	1.51	\$756.67	\$1,484.92	\$2,105.87	\$836,220	\$853,856	102%	\$1,058,057	127%
Sep-16	616	130	105	851	452	1.53	\$756.67	\$1,484.92	\$2,105.87	\$880,265	\$864,789	98%	\$942,248	107%
Oct-16	620	136	109	865	466	1.54	\$756.67	\$1,484.92	\$2,105.87	\$900,624	\$1,283,676	143%	\$1,050,671	117%
Nov-16	627	138	113	878	478	1.54	\$756.67	\$1,484.92	\$2,105.87	\$917,314	\$1,126,299	123%	\$1,122,878	122%
Dec-16	634	142	115	891	486	1.55	\$756.67	\$1,484.92	\$2,105.87	\$932,762	\$1,065,220	114%	\$1,229,120	132%
Totals / Averages				811						\$9,953,686	\$12,696,206	128%	\$12,716,190	128%
Surplus / (Deficit)											-\$2,742,520		-\$2,762,504	

City Plan (UHC)—Active Claims Experience

Observations

- Contract size has increased since it hit a historical low in December 2014:
 - December 2014: 1.24
 - December 2015: 1.31
 - December 2016: **1.55**

- Average incurred cost per subscriber decreased:
 - 2016: \$1,306 vs. average premium of \$1,022 = incurred loss ratio of **128%**
 - 2015: \$1,486 vs. average premium of \$1,232 = incurred loss ratio of **121%**

City Plan (UHC)—Active Claims Experience

Observations (continued)

- Average paid cost per subscriber decreased:
 - 2016: \$1,304 vs. average premium of \$1,022 = paid loss ratio of **128%**
 - 2015: \$1,482 vs. average premium of \$1,232 = paid loss ratio of **119%**

- Membership increased:
 - December 2016: **891**
 - December 2015: 612

City Plan (UHC)—Early Retiree Claims Experience

Month	EE	EE + 1	EE + 2	Total Subscribers	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-16	617	173	10	800	293	1.37	\$934.45	\$1,838.78	\$2,459.73	\$919,262	\$782,434	85%	\$912,790	99%
Feb-16	607	169	10	786	290	1.37	\$934.45	\$1,838.78	\$2,459.73	\$902,562	\$970,328	108%	\$1,055,344	117%
Mar-16	607	161	10	778	287	1.37	\$934.45	\$1,838.78	\$2,459.73	\$887,852	\$1,237,021	139%	\$1,755,099	198%
Apr-16	589	157	11	757	289	1.38	\$934.45	\$1,838.78	\$2,459.73	\$866,137	\$1,792,309	207%	\$1,368,360	158%
May-16	564	148	13	725	291	1.40	\$934.45	\$1,838.78	\$2,459.73	\$831,146	\$1,141,045	137%	\$1,754,728	211%
Jun-16	557	145	13	715	292	1.41	\$934.45	\$1,838.78	\$2,459.73	\$819,088	\$1,504,088	184%	\$1,599,382	195%
Jul-16	553	153	14	720	304	1.42	\$934.45	\$1,838.78	\$2,459.73	\$832,520	\$1,641,520	197%	\$1,737,711	209%
Aug-16	543	153	16	712	310	1.44	\$934.45	\$1,838.78	\$2,459.73	\$828,095	\$1,668,433	201%	\$1,432,319	173%
Sep-16	541	149	17	707	309	1.44	\$934.45	\$1,838.78	\$2,459.73	\$821,331	\$1,432,052	174%	\$1,076,432	131%
Oct-16	527	146	18	691	311	1.45	\$934.45	\$1,838.78	\$2,459.73	\$805,192	\$1,177,184	146%	\$1,385,570	172%
Nov-16	526	142	19	687	315	1.46	\$934.45	\$1,838.78	\$2,459.73	\$799,362	\$1,373,043	172%	\$1,319,771	165%
Dec-16	533	144	21	698	324	1.46	\$934.45	\$1,838.78	\$2,459.73	\$814,501	\$1,532,670	188%	\$1,450,190	178%
Totals / Averages				731						\$10,127,049	\$16,252,127	160%	\$16,847,697	166%
Surplus / (Deficit)											-\$6,125,078		-\$6,720,649	

City Plan (UHC)—Early Retiree Claims Experience

Observations

- Contract size has decreased slightly:
 - December 2016: **1.46**
 - December 2015: 1.49

- Average incurred cost per subscriber decreased:
 - 2016: \$1,920 vs. average premium of \$1,154 = incurred loss ratio of **166%**
 - 2015: \$2,196 vs. average premium of \$1,468 = incurred loss ratio of **150%**

City Plan (UHC)—Early Retiree Claims Experience

Observations (continued)

- Average paid cost per subscriber decreased:
 - 2016: \$1,852 vs. average premium of \$1,154 = paid loss ratio of **160%**
 - 2015: \$2,321 vs. average premium of \$1,468 = paid loss ratio of **158%**

- The membership increased:
 - December 2016: **698**
 - December 2015: 547

City Plan (UHC)—Medicare Claims Experience

Month	EE	EE + 1	EE + 2	Total Subscribers	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-16	3,732	1,181	16	4,929	1,127	1.23	\$280.66	\$534.74	\$1,155.69	\$1,697,442	\$1,690,464	100%	\$1,855,106	109%
Feb-16	3,735	1,178	16	4,929	1,123	1.23	\$280.66	\$534.74	\$1,155.69	\$1,696,680	\$1,908,840	113%	\$1,891,093	111%
Mar-16	3,741	1,176	16	4,933	1,116	1.23	\$280.66	\$534.74	\$1,155.69	\$1,697,294	\$1,904,182	112%	\$1,952,355	115%
Apr-16	3,751	1,176	16	4,943	1,112	1.22	\$280.66	\$534.74	\$1,155.69	\$1,700,101	\$1,983,058	117%	\$1,912,516	112%
May-16	3,763	1,178	16	4,957	1,109	1.22	\$280.66	\$534.74	\$1,155.69	\$1,704,538	\$1,967,560	115%	\$1,906,231	112%
Jun-16	3,768	1,179	16	4,963	1,105	1.22	\$280.66	\$534.74	\$1,155.69	\$1,706,476	\$1,939,584	114%	\$1,914,519	112%
Jul-16	3,780	1,177	17	4,974	1,106	1.22	\$280.66	\$534.74	\$1,155.69	\$1,709,931	\$2,006,318	117%	\$1,881,352	110%
Aug-16	3,778	1,176	17	4,971	1,104	1.22	\$280.66	\$534.74	\$1,155.69	\$1,708,834	\$1,854,149	109%	\$1,994,350	117%
Sep-16	3,776	1,173	18	4,967	1,102	1.22	\$280.66	\$534.74	\$1,155.69	\$1,707,825	\$1,955,317	114%	\$1,930,420	113%
Oct-16	3,782	1,174	17	4,973	1,099	1.22	\$280.66	\$534.74	\$1,155.69	\$1,708,888	\$1,883,002	110%	\$1,979,141	116%
Nov-16	3,785	1,176	17	4,978	1,095	1.22	\$280.66	\$534.74	\$1,155.69	\$1,710,799	\$1,914,677	112%	\$1,977,014	116%
Dec-16	3,783	1,176	17	4,976	1,094	1.22	\$280.66	\$534.74	\$1,155.69	\$1,710,238	\$2,060,513	120%	\$1,948,013	114%
Totals / Averages				4958						\$20,459,046	\$23,067,667	113%	\$23,142,111	113%
Surplus / (Deficit)											-\$2,608,621		-\$2,683,065	

City Plan (UHC)—Medicare Claims Experience

Observations

- During the year, **enrollment remained flat**
- The contract size remained steady at 1.22 throughout the year
- Average incurred cost per subscriber increased:
 - 2016: \$369 vs. average premium of \$344 = incurred loss ratio of **99%**
 - 2015: \$325 vs. average premium of \$334 = incurred loss ratio of **97%**

City Plan (UHC)—Medicare Claims Experience

Observations (continued)

- Average paid cost per subscriber increased:
 - 2016: \$369 vs. average premium of \$344 = paid loss ratio of **113%**
 - 2015: \$325 vs. average premium of \$334 = paid loss ratio of **100%**

- Membership decreased (due to the NPPO offer to retirees):
 - December 2016: **4,976**
 - December 2015: 5,569

Conclusion

Membership in 2016 has increased for both the active and early retiree pools and the average cost per member has decreased. This is a clear indication that the action taken by the HSB has brought about the desired results.

Conversely, membership in 2016 decreased in the Medicare PPO plan and the cost increased per member. Given the direction of the Medicare PPO plan, from a cost and membership basis, it was prudent to move these members to the fully-insured Medicare Advantage PPO in 2017. The Medicare Advantage Program has a favorable rating position and a second year rate cap.

Conclusion (continued)

The active member count in January 2017 increased from 891, in December 2016, to 981 and the E+2 members increased from 115, in December 2016, to 145. The early retiree members increased to 698 to 719. This indicates that the Buy Down for the 2017 rates was prudent and increased the membership base over which costs are spread particularly among families.

Finally, at May 11, 2017 HSB meeting, Aon will present the City Plan active and early retiree rates which will include claims experience through March 31, 2017.