

# San Francisco Health Service System Health Service Board

## Incurred But Not Reported (IBNR) Reserve and Contingency Reserve Fund Status

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## Health Plan Reserve Prelude

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The Health Service Board (HSB) has three distinct health plan reserve policies—and as such maintains three distinct reserves on each self-funded/flex-funded health plan. Descriptions of these three types of health plan reserves are outlined on the following page.

This presentation focuses on two of these three reserve items—Incurred But Not Reported (IBNR) and Contingency reserves—calculated as of June 30, 2018.

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

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- (1) Incurred But Not Reported (IBNR):** actuarial estimate of the unpaid claims 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 as of June 30 (last day of fiscal year) annually for SFHSS plans.
- (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 as of June 30 (last day of fiscal year) annually for SFHSS plans.
- (3) Stabilization:** annual determination of the financial gain or loss for the self-funded/flex-funded plans; calculated as of December 31 (last day of plan year) annually for SFHSS plans. Recommended amounts are reviewed with the HSB in February through April following close of a calendar year.

## IBNR Reserves as of June 30, 2018

Recommended IBNR reserves, and change from prior levels, are:

| Self-Funded/Flex-Funded Plan                             | Population Covered               | Incurred But Not Reported (IBNR) Reserves |                     |                          |                         |
|--|----------------------------------|---|---------------------|--------------------------|-------------------------|
|  |                                  | As of June 30, 2017                       | As of June 30, 2018 | \$ Increase / (Decrease) | % Increase / (Decrease) |
| Blue Shield of California (BSC) Plans (Access+ and Trio) | Active Employees, Early Retirees | \$21,904,443                              | \$21,513,532        | (\$390,911)              | (1.8%)                  |
| UnitedHealthcare (UHC) City Plan                         | Active Employees, Early Retirees | \$2,893,472                               | \$3,367,885         | \$474,413                | 16.4%                   |
| Delta Dental of California PPO Plan                      | Active Employees                 | \$2,956,951                               | \$2,943,414         | (\$13,537)               | (0.5%)                  |
| All SFHSS Self-Funded/Flex-Funded Plans                  |                                  | \$27,754,866                              | \$27,824,831        | \$69,965                 | 0.3%                    |

The IBNR reserves for the BSC plans, UHC City Plan, and Delta Dental PPO plan are currently fully funded. These reserve figures will be reset as of June 30, 2019, after the close of the current fiscal year.

## Contingency Reserves as of June 30, 2018

Recommended Contingency reserves, and change from prior levels, are:

| Self-Funded/Flex-Funded Plan                             | Population Covered               | Contingency Reserves |                     |                          |                         |
|--|----------------------------------|----------------------|---------------------|--------------------------|-------------------------|
|  |                                  | As of June 30, 2017  | As of June 30, 2018 | \$ Increase / (Decrease) | % Increase / (Decrease) |
| Blue Shield of California (BSC) Plans (Access+ and Trio) | Active Employees, Early Retirees | \$13,326,881         | \$14,058,155        | \$731,274                | 5.5%                    |
| UnitedHealthcare (UHC) City Plan                         | Active Employees, Early Retirees | \$5,555,678          | \$5,886,198         | \$330,520                | 5.9%                    |
| Delta Dental of California PPO Plan                      | Active Employees                 | \$3,086,872          | \$2,984,855         | (\$102,017)              | (3.3%)                  |
| All SFHSS Self-Funded/Flex-Funded Plans                  |                                  | \$21,969,431         | \$22,929,208        | \$959,777                | 4.4%                    |

The Contingency reserves for the BSC plans, UHC City Plan, and Delta Dental PPO plan are currently fully funded. These reserve figures will be reset as of June 30, 2019, after the close of the current fiscal year.

The change in Contingency reserves will be a component of December 31, 2018 Claims Stabilization reserve calculations in early 2019.