

# San Francisco Health Service System Health Service Board

June 30, 2020 Incurred But Not Reported (IBNR)  
Reserve and Contingency Reserve Amounts for  
Self-Funded and Flex-Funded Health Plans

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# Background—Three Reserves for SFHSS Self-Funded / Flex-Funded Plans<sup>1</sup>

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## Today's Discussion Focuses on First Two—IBNR and Contingency

- (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 annually as of June 30 (last day of fiscal year)** for SFHSS plans (e.g., as of June 30, 2020 for this 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, 2020 for this 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, 2020 for the upcoming Rates & Benefits cycle—recommended amounts will reviewed with the HSB in February through April 2021).

<sup>1</sup> See last page of this presentation for more information on Health Service Board (HSB) Reserve Policies

# Today's Discussion—IBNR and Contingency Reserves

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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 and flex-funded medical/prescription drug and dental plan (e.g., health plan). Descriptions of these three types of health plan reserves are outlined on the prior page. Reserves are held by San Francisco Health Service System (SFHSS) on these health plans:

- Blue Shield of California (BSC) flex-funded HMO plans (Access+ and Trio) for active employees and early retirees;
- UnitedHealthcare (UHC) self-funded PPO plan (“City Plan”) for active employees and early retirees; and
- Delta Dental of California (Delta Dental) self-funded PPO plan for active employees.

**This presentation requests HSB approval today** for Incurred But Not Reported (IBNR) and Contingency reserve amounts calculated as of June 30, 2020 for the SFHSS health plans listed above.

## IBNR Reserves as of June 30, 2020

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, 2019	As of June 30, 2020	\$ Increase / (Decrease)	% Increase / (Decrease)
Blue Shield of California (BSC) Plans (Access+ and Trio)	Active Employees, Early Retirees	\$21,854,184	\$21,922,805	\$68,621	0.3%
UnitedHealthcare (UHC) City Plan	Active Employees, Early Retirees	\$3,220,254	\$3,405,317	\$185,063	5.7%
Delta Dental of California PPO Plan	Active Employees	\$2,824,625	\$1,697,144	(\$1,127,481)	(39.9%)
All SFHSS Self-Funded/Flex-Funded Plans		\$27,899,063	\$27,025,266	(\$873,797)	(3.1%)

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, 2021, after the close of the current fiscal year.

The large decrease in active employee dental PPO plan IBNR reserve as of June 30, 2020 (versus June 30, 2019) was due to ongoing substantial dental plan utilization suppression still occurring in June 2020.

## Contingency Reserves as of June 30, 2020

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

Self-Funded/Flex-Funded Plan	Population Covered	Contingency Reserves			
		As of June 30, 2019	As of June 30, 2020	\$ Increase / (Decrease)	% Increase / (Decrease)
Blue Shield of California (BSC) Plans (Access+ and Trio)	Active Employees, Early Retirees	\$13,977,799	\$14,230,134	\$252,335	1.8%
UnitedHealthcare (UHC) City Plan	Active Employees, Early Retirees	\$6,497,653	\$6,343,969	(\$153,684)	(2.4%)
Delta Dental of California PPO Plan	Active Employees	\$3,017,539	\$2,940,270	(\$77,269)	(2.6%)
All SFHSS Self-Funded/Flex-Funded Plans		\$23,492,991	\$23,514,373	\$21,382	0.1%

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, 2021, after the close of the current fiscal year.

The change in Contingency reserves will be a component of December 31, 2020 Claims Stabilization reserve calculations in early 2021.

# Today's Recommendation

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It is recommended that the Health Service Board (HSB) approve the Incurred But Not Reported (IBNR) and Contingency reserve amounts as of June 30, 2020 as presented in this material for the following SFHSS self-funded and flex-funded health plans:

- Blue Shield of California (BSC) flex-funded HMO plans (Access+ and Trio) for active employees and early retirees;
- UnitedHealthcare (UHC) self-funded PPO plan (“City Plan”) for active employees and early retirees; and
- Delta Dental of California (Delta Dental) self-funded PPO plan for active employees.

The HSB Reserve Policies are captured in the sfhss.org website within the Governance Policies and Terms of Reference document (dated February 2019) available at this link:

<https://sfhss.org/sites/default/files/2020-07/Final%20Updated%20Governance%20Policies%20and%20Terms%20of%20Reference%20as%20of%202-26-19.pdf>

The Reserve Policy numbers and descriptions are:

- 210 - Contingency Reserve Policy and Methodology
- 211 - Self-Funded Plans' Stabilization Policy
- 212 - IBNR Reserve Policy and Methodology