

Health Service Board City & County of San Francisco

Rates & Benefits

Blue Shield of California Medicare Advantage Fully Funded
Retiree Rates and Premium Contributions Presentation for
the 2017 Plan Year

June 21, 2016

Renewal



Contents

- **Summary**
- **Blue Shield of California (BSC) Renewal – Revised Formulary**
 - Formulary Changes (2016 BSC Current EGWP versus 2017 Medicare Premium EGWP Formulary)
 - Formulary Comparison (Highlights of Results)
 - 2017 Blue Shield of California 65 Plus Medicare Advantage Prescription Drug (MAPD)/ Blue Shield of California Access+ Coordination of Benefits (COB) Retiree Monthly Rate Card with Revised Medicare Premium EGWP Formulary
 - 2017 Blue Shield of California Medicare Rates and Contributions with Revised Medicare Premium EGWP Formulary
- **Observation and Recommendation**
- **Appendices**
 - Appendix 1: BSC Rate Card Footnotes
 - Appendix 2: Glossary
 - Appendix 3: BSC Medicare Retiree 2017 Part D Formulary Evaluation

Summary

- In 2015, during 2016 rate discussions, Blue Shield of California (BSC) advised that they would adopt the **Medicare Premium** Employer Group Waiver Plan (EGWP) Formulary for the 2017 plan year.
- BSC has proposed offering the standard existing BSC 65 Plus (MAPD)/BSC Access+ (COB) with a the revised **Medicare Premium** EGWP Formulary. There are no benefit changes outside the formulary.
- The proposed monthly rate is \$406.17 per retiree per month or a 10.2% increase. The 2017 monthly rate cards for the BSC 65 Plus (MAPD)/BSC Access+ (COB) with a revised formulary are included.
- The **Medicare Premium** Formulary is very closely aligned with the UHC PPO formulary (adopted by HSB 2015).

Summary (continued)

- As of January 2016, there were 5,017 Health Service System (HSS) members in BSC 65 Plus (MAPD) and 1,626 members in BSC Access+ (COB) for a total of 6,643 Medicare-eligible members (retirees and Medicare-eligible dependents).
- BSC retiree rates are high since the BSC Access+ (COB) and the BSC 65 Plus (MAPD) premium rates are blended together.
- The 1,626 members who live outside the BSC 65 Plus (MAPD) service area use non-Medicare Advantage providers making the BSC Access+ (COB) coverage more expensive.
- These retirees live in areas including Alameda, Marin, Merced, Napa, Solano, Sonoma, Stanislaus, Tulare, and Yolo counties (*partial list*).
- In addition, the BSC 65 Plus (MAPD) plan has a narrower network in San Mateo than the active/early retiree network, causing members to need to change physicians when they turn 65.

Summary (continued)

When setting the total overall for the BSC Plan premiums, the following HSS costs are included:

- The VSP vision (which is a 2% decrease for 2017)
- The Healthcare Sustainability Fee which is \$3.00 per employee per month for 2017
- Best Doctors (second opinion benefit) which is \$1.40 per employee per month

Formulary Changes

2016 BSC Current EGWP Compared to 2017 **Medicare Premium**

EGWP Formulary

- BSC proposed a revised formulary offering for 2017 known as **Medicare Premium EGWP Formulary**.
- 2015 prescription claims filled by HSS BSC Medicare members were evaluated by comparing the current BSC EGWP formulary to the BSC **Medicare Premium EGWP Formulary**.
- The current EGWP formulary drugs are categorized into 5 tiers and into 6 tiers in the **Medicare Premium EGWP formulary**. This allows for different copays between tiers in future formularies.
- 7,044 total unique HSS Medicare members filled 180,344 prescriptions for 1,099 different drugs during 2015

Formulary Changes

2016 BSC Current EGWP Compared to 2017 **Medicare Premium** EGWP Formulary

- 21 drugs on the current EGWP formulary are not on the **Medicare Premium** EGWP formulary; 5 additional drugs not on the current EGWP formulary will be on the **Medicare Premium** EGWP formulary
- Members with chronic conditions utilizing any of the 21 drugs (approximately 0.2% of prescriptions filled) that become non-formulary would have their prior authorization grandfathered for continued access (i.e., no disruption for current utilizers) but the copay may be higher
- These changes will require that 2,228 or 32% of utilizing members will have higher copays.

Formulary Changes

2016 UHC Formulary Compared to 2017 **Medicare Premium** EGWP Formulary

- Analysis of the top 6 therapeutic classes indicated a high overlap:
 - 98.1% of 2015 prescriptions filed were drugs covered on both formularies
 - 86% formulary overlap of prescribed drugs between 2016 UHC EGWP and 2017 BSC **Medicare Premium** EGWP formulary
 - A minimal net difference of 14 fewer drugs on BSC's **Medicare Premium** EGWP formulary versus UHC's EGWP formulary

2017 BSC 65 Plus (MAPD) / BSC Access+ (COB) Monthly Rate Card

Revised Medicare Premium EGWP Formulary

	BSC 65 Plus (MAPD) / BSC Access+ (COB) Revised Medicare Premium EGWP Formulary			
	Retiree with Medicare	Retiree & Spouse with Medicare	Retiree & Family (All Medicare)	Retiree & Family
Medical	\$406.17	\$812.34	\$1,218.51	\$1,419.57
Vision	\$3.95	\$7.92	\$11.20	\$11.20
Expense ¹	\$3.00	\$3.00	\$3.00	\$3.00
Best Doctors ²	\$1.40	\$1.40	\$1.40	\$1.40
Claims Stabilization Amount / Self-Funded Policy	\$0.00	\$0.00	\$0.00	\$10.16
Total	\$414.52	\$824.66	\$1,234.11	\$1,445.33
10-County Amount (Early Retirees and Retirees only) ³	\$414.52	\$0.00	\$0.00	\$0.00
Single Retiree Offset ⁴	\$0.00	\$414.52	\$414.52	\$414.52
"Actuarial Difference" ⁵	\$0.00	\$0.00	\$0.00	\$0.00
Retiree Prop. E Subsidy ⁶	\$0.00	\$205.07	\$205.07	\$205.07
Subtotal City Contributions	\$414.52	\$619.59	\$619.59	\$619.59
2017 Non-Bargained Contribution Rate	\$0.00	\$205.07	\$614.52	\$825.74
Final Member Contribution 2016	\$0.00	\$186.23	\$558.00	\$783.40
Difference	\$0.00	\$18.84	\$56.52	\$42.34

NOTE—Footnotes 1 – 6 defined on page 12.

2017 BSC Medicare Rates and Contributions

Revised Medicare Premium EGWP Formulary

		BSC 65 Plus (MAPD) / BSC Access+ (COB) Revised Medicare Premium EGWP Formulary			
		RET	RET + 1	RET + 2 (All Medicare)	RET + 2 (Other)
Retiree Contributions	Plan Year 2016	\$0.00	\$186.23	\$558.00	\$783.40
	Plan Year 2017	\$0.00	\$205.07	\$614.52	\$825.74
	\$ Increase	\$0.00	\$18.84	\$56.52	\$42.34
	% Increase	-	10.12%	10.13%	5.40%
Employer Contributions	Plan Year 2016	\$374.50	\$560.74	\$560.74	\$560.74
	Plan Year 2017	\$414.52	\$619.59	\$619.59	\$619.59
	\$ Increase	\$40.02	\$58.85	\$58.85	\$58.85
	% Increase	10.69%	10.50%	10.50%	10.50%
Total Rate	Plan Year 2016	\$374.50	\$746.97	\$1,118.74	\$1,344.14
	Plan Year 2017	\$414.52	\$824.66	\$1,234.11	\$1,445.33
	\$ Increase	\$40.02	\$77.69	\$115.37	\$101.19
	% Increase	10.69%	10.40%	10.31%	7.53%

Member Impact

- Retiree (RET) Only monthly contributions are constant at \$0.00.
- RET+1 monthly contributions increases by \$18.84.
- RET+2 (All Medicare) increases by \$56.52 and increases by \$42.34 for EE+2 (Other).

Employer Impact

- RET Only monthly employer contribution increases by \$40.02 (from \$374.50 to \$414.52) driven by the rate increase.
- Monthly employer contribution increases by \$58.85 for all other tiers.

Observation and Recommendation

- Aon finds Blue Shield of California's rating for the proposed BSC 65 Plus (MAPD) / BSC Access+ (COB) program with the revised BSC **Medicare Premium** EGWP formulary for 2017 to be reasonable.
- Aon recommends that if the Health Service Board does not adopt the plan to fully fund current City Plan's PPO and to offer the UnitedHealthcare Medicare Advantage PPO "New Fully Funded City Plan" as a substitute to Blue Shield of California, then the Health Service Board should adopt the renewal BSC 65 Plus (MAPD) / BSC Access+ (COB) program with the revised BSC **Medicare Premium** EGWP formulary.

Appendix 1

BSC Rate Card Footnotes

- 1) Expense for Healthcare Sustainability Expense.
- 2) Best Doctors: Second opinion vendor costs \$1.40 PEPM which includes intake claims data to identify members for outreach.
- 3) "10 County" City Contribution: Per Charter Section A8.423, the employer contribution must equal the average of the employer contribution to health premiums of the 10 most populous counties in California, not including San Francisco. If the total single premium is less than the "10 County" amount, which is \$604.84 for 2017, then the total single premium is applied.
- 4) "Single Retiree Offset": Per Charter Section A8.428, for Early Retirees = 10-County Amount; for Medicare-Eligible Retirees = Medicare Premium (because it is the lower than the 10-County Amount).
- 5) Retiree "Actuarial Difference": Per Charter Section A8.428, employer contributes the difference between a single EE and a single non-Medicare Retiree cost of premium. Calculated for Non-Medicare Retiree only.
- 6) Prop. E Subsidy passed in November 2000 Election: Per Charter A8.428, employer subsidy for Retiree (R) and R+1 = $50\% \times [\text{Total Rate Cost} - 10\text{-County} - \text{Actuarial Difference}]$.

Appendix 2

Glossary

- **Medicare Advantage Prescription Drug Plan (MAPD):** Medicare Advantage Prescription Drug Plan (MAPD) includes Medicare Part D and is available to beneficiaries enrolled in Medicare Part A and Part B. HSS offers only MAPD plans in which the Center for Medicare and Medicaid Services (CMS) pays a managed care organization a per member per month (PMPM) premium. HSS negotiates additional benefits not covered by MAPD plans alone. This is the Blue Shield 65 Plus plan.
- **Coordination of Benefits (COB):** Coordination of benefits (COB) allows plans that provide health and/or prescription coverage for a person with Medicare to determine their respective payment responsibilities (i.e., determine which insurance plan has the primary payment responsibility and the extent to which the other plans will contribute when an individual is covered by more than one plan). This is the Blue Shield Access+ plan.

Appendix 3

BSC Medicare Retiree 2017 Part D Formulary Evaluation

Introduction

The prescription claims filled by SF HSS Blue Shield Medicare members during 2015 were evaluated by comparing the current Blue Shield EGWP formulary to Blue Shield's 2017 **Medicare Premium** EGWP Formulary

- Drugs are categorized into 5 tiers in the EGWP formulary and into 6 tiers in the **Medicare Premium** EGWP formulary

Formulary Tier # and Description		2016 EGWP Formulary	2017 Medicare Premium EGWP Formulary
1	Preferred Generic	n/a	\$10
2	Generic	\$10	\$10
3	Preferred Brand	\$25	\$25
4	Non-Preferred Brand	\$50	\$50
5	Injectable	20% up to \$100	20% up to \$100
6	Specialty	20% up to \$100	20% up to \$100

Formulary Evaluation (continued)

Results

The impact of the member cost share differences due to drug tiering in the current EGWP and **Medicare Premium** EGWP formularies was evaluated

	Number	% of Total
Drugs with No Change in Plan Copay	690 Drugs	62.8% of Total Drugs
•Number of members with <u>no</u> copay change	4,798 Members	68.1% of Total Utilizing Members
•Number of Prescriptions with <u>no</u> copay change	162,986 RXs	90.4% of Total Prescriptions
Drugs with Higher Plan Copay with the Premium Formulary	214 Drugs	19.5% of Total Drugs
•Number of members <u>with</u> copay change	2,228 Members	31.6% of Total Utilizing Members
•Number of Prescriptions Impacted <u>with</u> copay change	10,224 RXs	5.7% of Total Prescriptions

Formulary Evaluation (continued)

	Number	% of Total
Drugs with Lower Plan Copay with the Premium Formulary	4 Drugs	0.4% of Total Drugs
•Number of Members Impacted	10 Members	0.14% of Total Utilizing Members
•Number of Prescriptions Impacted	54 RXs	0.03% of Total Prescriptions
Drugs Covered on the EGWP Formulary, Not Covered on the Medicare Premium EGWP Formulary	21 Drugs	1.7% of Total Drugs
•Number of Members Impacted	117 Members	1.7% of Total Utilizing Members
•Number of Prescriptions Impacted	324 RXs	0.2% of Total Prescriptions
Drugs Covered on the Medicare Premium EGWP Formulary, Not Covered on the EGWP Formulary	5 Drugs	0.4% of Total Drugs
•Number of Members Impacted	70 Members	1.0% of Total Utilizing Members
•Number of Prescriptions Impacted	342 RXs	0.2% of Total Prescriptions

Formulary Evaluation (continued)

Member Impact

If a member is currently receiving medication(s) which is not listed on the **Medicare Premium EGWP** formulary and is:

- Members with chronic conditions utilizing any of the 21 drugs moved to non formulary will have prior authorizations grandfathered for continued access **but the copay may be higher depending on the Medicare Premium EGWP formulary tier placement**
- Used for acute conditions, the member would need to switch to one of the numerous **Medicare Premium EGWP** formulary alternatives or obtain prior authorization for coverage
- The impact of the member cost share differences due to drug tiering in the EGWP and **Medicare Premium EGWP** formularies are shown on the following pages.

Detailed Impact of the Tier and Copay Differences

Overall Impact

Tier Change (EGWP/ Medicare Premium EGWP)	Copay Change	#Drugs	#Mbrs*	#RXs
Tier 1 / Tier 3	\$10 / \$25	86	1,067	4,002
Tier 1 / Tier 4	\$10 / \$50	56	659	1,792
Tier 1 / Tiers 5 or 6	\$10 / 20% up to \$100	17	74	288
Tier 1 / Not Tiered	Prior authorization required	13	81	185
Tier 2 / Tier 4	\$25 / \$50	28	838	2,869
Tier 2 / Tiers 5 or 6	\$25 / 20% up to \$100	19	98	1,098
Tier 2 / Not Tiered	Prior authorization required	7	35	126
Tier 3 / Tiers 5 or 6	\$50 / 20% up to \$100	8	38	175
Tier 3 / Not Tiered	Prior authorization required	0	0	0
Tiers 4 or 5 / Not Tiered	Prior authorization required	1	1	13
Not Tiered / Tier 2	Will be \$10	1	20	109
Not Tiered / Tier 3	Will be \$25	1	1	1
Not Tiered / Tier 4	Will be \$50	3	49	232
Not Tiered / Tiers 5 or 6	Will be 20% up to \$100	0	0	0

*Utilizing members may have had filled prescriptions for both chronic maintenance drugs and acute drugs

Detailed Impact of the Tier and Copay Differences (continued)

Chronic Maintenance Drugs Only

Tier Change (EGWP/ Medicare Premium EGWP)	Copay Change	#Drugs	#Mbrs*	#RXs
Tier 1 / Tier 3	\$10 / \$25	35	432	1,730
Tier 1 / Tier 4	\$10 / \$50	10	73	309
Tier 1 / Tiers 5 or 6	\$10 / 20% up to \$100	1	2	7
Tier 1 / Not Tiered	Prior authorization required	2	13	35
Tier 2 / Tier 4	\$25 / \$50	13	238	1,208
Tier 2 / Tiers 5 or 6	\$25 / 20% up to \$100	16	94	1,077
Tier 2 / Not Tiered	Prior authorization required	4	31	116
Tier 3 / Tiers 5 or 6	\$50 / 20% up to \$100	6	23	124
Tier 3 / Not Tiered	Prior authorization required	0	0	0
Tiers 4 or 5 / Not Tiered	Prior authorization required	0	0	0
Not Tiered / Tier 2	Will be \$10	0	0	0
Not Tiered / Tier 3	Will be \$25	1	1	1
Not Tiered / Tier 4	Will be \$50	1	46	227
Not Tiered / Tiers 5 or 6	Will be 20% up to \$100	0	0	0

*Utilizing members may have had filled prescriptions for both chronic maintenance drugs and acute drugs

Detailed Impact of the Tier and Copay Differences (continued)

Acute Drugs Only

Tier Change (EGWP/ Medicare Premium EGWP)	Copay Change	#Drugs	#Mbrs*	#RXs
Tier 1 / Tier 3	\$10 / \$25	51	701	2,272
Tier 1 / Tier 4	\$10 / \$50	46	596	1,483
Tier 1 / Tiers 5 or 6	\$10 / 20% up to \$100	16	72	281
Tier 1 / Not Tiered	Prior authorization required	11	69	150
Tier 2 / Tier 4	\$25 / \$50	15	633	1,661
Tier 2 / Tiers 5 or 6	\$25 / 20% up to \$100	3	4	21
Tier 2 / Not Tiered	Prior authorization required	3	4	10
Tier 3 / Tiers 5 or 6	\$50 / 20% up to \$100	0	0	0
Tier 3 / Not Tiered	Prior authorization required	0	0	0
Tiers 4 or 5 / Not Tiered	Prior authorization required	1	1	13
Not Tiered / Tier 2	Will be \$10	1	20	109
Not Tiered / Tier 3	Will be \$25	0	0	0
Not Tiered / Tier 4	Will be \$50	2	3	5
Not Tiered / Tiers 5 or 6	Will be 20% up to \$100	0	0	0

*Utilizing members may have had filled prescriptions for both chronic maintenance drugs and acute drugs