

Health Service Board City & County of San Francisco

Rates & Benefits

UnitedHealthcare Medicare Advantage PPO Fully Funded
Proposal with Retiree Rates and Premium Contributions for
2017 Plan Year for all non-Kaiser Permanente Medicare
Retirees

June 21, 2016

Proposed Solution



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Review Process

- Aon appreciates the opportunity to review a solution offered by UHC which fully funds the City Plan, eliminates the Blue Shield 65 Plus MAPD and Blue Shield Access+(COB) plan and provides the “New City Plan” option. This presentation answers the following questions:
 - First, “If there is a change, what are the benefit increases and are there any benefit takeaways?”
 - Second, “Will I be able to access my same provider?”
 - Third, “Will the pharmacy formularies be any different?,” “Will I be precluded from getting a prescription that I need?,” and “If I need to change a prescription what is the process for changing it?”
 - Lastly, from an independent review, is the opinion that this program leaves the retiree in an equal or better position from a benefit and cost perspective? And confirmation that it will be an improved approach for offering coverage at the most affordable level for the retiree and the plan sponsor.

Background

Review of the Medicare Benefit Coverage

- Health Service System (HSS) members enrolled in the Blue Shield of California (BSC) 65 Plus (MAPD)/BSC Access+ (COB) plan continue to experience significant rate increases. These can be attributed to the following: reduced Centers for Medicare and Medicaid Services (CMS) reimbursement, general pharmacy cost increases along with reduced CMS reimbursement for the Employer Group Waiver Plan (EGWP) Part D pharmacy program, and negotiated hospital rates much higher than what Medicare would pay.
- BSC retirees moving from early retiree status to Medicare status continue to experience difficult transitions to the BSC 65 Plus (MAPD)/BSC Access+ (COB) plan causing frustration for members and additional work for HSS staff.
- The BSC network is geographically limited. It excludes many counties including: Alameda, Marin, Merced, Napa, Solano, Sonoma, Stanislaus, Tulare and Yolo. In these counties, members are in the BSC Access+ Coordination of Benefits HMO which is more expensive than the 65 Plus (MAPD) plan.
 - HSS averages the higher premiums of these 1,626 Medicare-eligible retirees and Medicare-eligible dependents into the 65 Plus MAPD rates so HSS is paying more for their coverage.

Background

Review of the Medicare Benefit Coverage (continued)

- In San Mateo, where HSS has the second largest number of retirees, there is a narrower network for BSC 65 Plus retirees than for actives and early retirees. This results in members needing to change long-standing provider relationships when they become Medicare eligible and move to the BSC 65 Plus (MAPD)/BSC Access+ (COB) plan.
- BSC has two separate service sites: one for actives/early retirees and a separate site for Medicare members. Frequently the two locations do not communicate and the members are caught in the middle. The majority of Medicare calls handled by HSS staff are regarding BSC.

2017 HSS Medicare Renewal

All Plans – Status Quo

- The overall 2017 premium rate action for HSS' Medicare population is 13.8%, which equates to an increase of over \$14.9 million in annual premium. The table below is the development of the overall increase which is the vendor-specific renewal weighted by membership. These increases are not sustainable from a budgetary perspective which Aon understands is set at a 7% annual growth rate.

HSS Medical Carrier	Current Enrollment*	2017 Renewal Rate Action (%)
Blue Shield of California	5,494	10.2%
Kaiser Permanente	9,690	8.2%
City Plan (UnitedHealthcare)	5,112	29.0%
UnitedHealthcare National PPO	987	9.5%
Grand Total	21,283	13.8%

* Enrollment as of March 1, 2016

Proposed Solution – Summary

Due to the issues discussed and the magnitude of the overall rate increase, Aon sought a solution. Aon is confident that the following solution, which is being offered by UnitedHealthcare, should be given serious consideration by the Health Service Board (HSB). The basic parameters of the solution are:

- Change the funding status of the post-65 Medicare retirees under the City Plan from self-funded to fully funded.
- Eliminate the BSC 65Plus (MAPD)/BSC Access+(COB) plan as an option and offer these members the UnitedHealthcare Medicare Advantage PPO which includes all providers who accept Medicare and now has a more generous EGWP drug formulary than the BSC product. Kaiser Permanente is also available if members are willing to change doctors.
- As a result of taking the above mentioned steps UnitedHealthcare is offering their Medicare Advantage PPO option for Medicare retirees with significantly lower premiums and a two-year rate guarantee. They are also willing to rebrand this product as the “New City Plan”. This results in a 4.5% increase in cost to the overall Medicare population versus the previously mentioned 13.8% increase. The actual dollar increase is \$5.3M over existing cost.

Proposed Solution – Highlights

- The UHC Medicare Advantage PPO is a plan with hospitals and medical groups throughout the U.S. Specifically it includes providers in the South Bay that BSC retirees must give up when they age into the BSC 65Plus (MAPD)/BSC Access+(COB) plan.
- Members will continue to have predictable copays in addition to access to a much broader network.
- In discussions with UHC, the suggestion was made to fully fund the City Plan (UHC). This would provide a broader provider network and the same EGWP pharmacy plan along with other additional benefits such as HouseCalls and Silver Sneakers as well as more cost effective Part B diabetic supplies.
- UHC has offered a significantly lower premium with a two-year rate guarantee if the HSB agrees to combine both BSC Medicare retirees and City Plan (UHC) Medicare retirees into the fully funded UHC Medicare Advantage PPO, the “New City Plan”.
- To date, retiree members have been very satisfied with the UHC PPO plan.

Proposed Solution – Highlights (continued)

- UHC will offer the New Fully Funded Medicare Advantage City Plan at a rate of \$320.83 per member per month (PMPM).
- Assuming a total of 13,000 Medicare-eligible retirees and their Medicare-eligible dependents are enrolled in the plan after January 1, 2017, UHC will cap the 2018 renewal rate at \$336.00 PMPM, excluding the insurer's fee which is established by the IRS each year.

Analysis of Impact (Disruption Analysis)

In conducting due diligence in providing information for the Health Service System, Aon examined what disruptions will occur in three major areas: Benefits, Providers, and Pharmacy.

Benefits

- As reviewed last year by the Health Service Board, the UHC Medicare Advantage PPO has benefits nearly identical benefits (with some additions) to City Plan. Actuarially the replacement of copays for deductibles and coinsurance is considered equivalent.

Providers

- 89.5% of California physicians already participate with UHC. UHC will present specifics of this in their presentation.

Analysis of Impact (Disruption Analysis) (continued)

Pharmacy

- The UnitedHealthcare MAPD PPO Medicare Formulary compares favorably to the Blue Shield of California Medicare Premium EGWP Formulary

- Since there is a \$5 copay savings for the generic, preferred brand and non-preferred brands tiers as well as no specialty tier, members will experience savings for most medications.

2017 UnitedHealthcare Medicare Advantage PPO Monthly Rate Card

Revised Rate Card

	UnitedHealthcare Medicare Advantage PPO "The New Fully Funded City Plan"			
	Retiree with Medicare	Retiree & Spouse with Medicare	Retiree & Family (All Medicare)	Retiree & Family
Premium	\$320.83	\$641.66	\$962.49	\$1,499.34
Vision	\$3.95	\$7.92	\$11.20	\$11.20
Expense	\$3.00	\$3.00	\$3.00	\$3.00
Best Doctors ¹	\$1.40	\$1.40	\$1.40	\$1.40
Total	\$329.18	\$653.98	\$978.09	\$1,514.94
10-County Amount (Early Retirees and Retirees Only) ²	\$329.18	\$0.00	\$0.00	\$0.00
Single Retiree Offset ³	\$0.00	\$329.18	\$329.18	\$329.18
"Actuarial Difference" ⁴	\$0.00	\$0.00	\$0.00	\$0.00
Prop. E Subsidy ⁵	\$0.00	\$162.40	\$162.40	\$162.40
Subtotal City Contributions	\$329.18	\$491.58	\$491.58	\$491.58
Non-Bargained Contribution Rate	\$0.00	\$162.40	\$486.51	\$1,023.36
Final Member Contribution 2017	\$0.00	\$162.40	\$486.51	\$1,023.36
Final Member Contribution 2016	\$0.00	\$154.58	\$463.05	\$1,045.01
Difference	\$0.00	\$7.82	\$23.46	-\$21.65

NOTE—Footnotes 1 – 5 defined on page 15

2017 UnitedHealthcare Medicare Advantage PPO Monthly Premiums and Contributions

Revised Rate Card

		UnitedHealthcare Medicare Advantage PPO			
		RET	RET + 1	RET + 2 (All Medicare)	RET + 2 (Other)
Retiree Contributions	Plan Year 2016	\$0.00	\$154.58	\$463.05	\$1,045.01
	Plan Year 2017	\$0.00	\$176.19	\$527.89	\$1,037.15
	\$ Increase	\$0.00	\$21.61	\$64.84	(\$7.86)
	% Increase	-	13.98%	14.00%	(0.75%)
Employer Contributions	Plan Year 2016	\$311.20	\$465.79	\$465.79	\$465.79
	Plan Year 2017	\$329.18	\$477.79	\$450.20	\$477.79
	\$ Increase	\$17.98	\$12.00	(\$15.59)	\$12.00
	% Increase	5.78%	2.58%	(3.35%)	2.58%
Total Rate	Plan Year 2016	\$311.20	\$620.37	\$928.84	\$1,510.80
	Plan Year 2017	\$329.18	\$653.98	\$978.09	\$1,514.94
	\$ Increase	\$17.98	\$33.61	\$49.25	\$4.14
	% Increase	5.78%	5.42%	5.30%	0.27%

Member Impact

- Retiree (RET) Only monthly contributions are constant at \$0.00.
- RET+1 monthly contributions increases by \$21.61.
- RET+2 (All Medicare) increases by \$64.84 and decreases by (\$7.86) for RET+2 (Other).

Employer Impact

- Retiree (RET) Only monthly contributions are increases by \$17.98.
- RET+1 monthly contributions increases by \$12.00.
- RET+2 (All Medicare) decreases by \$15.59 and increases by \$12.00 for RET+2 (Other).

Recommendation

Aon recommends that the Health Service Board accept the New Fully Funded City Plan UHC Medicare Advantage PPO plan and rate card which will eliminate the BSC 65 Plus(MAPD)/BSC Access+(COB) plan for 2017 and change the funding status of the City Plan from self-funded to fully funded.

Appendix

UnitedHealthcare Rate Card Footnotes

- 1) Best Doctors—Second opinion vendor that costs \$1.40 PEPM, including claims data intake to identify members for outreach.
- 2) "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.
- 3) "Single Retiree Offset": Per Charter Section A8.428, for retirees = 10 County Amount; for Medicare eligible retirees = Medicare premium (because it is lower than 10 County Amount).
- 4) Retiree "Actuarial Difference": Per Charter Section A8.428, employer contributes the difference between a single employee and a single non-Medicare retiree cost of premium. Calculated for non-Medicare retiree only.
- 5) 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

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 premium. HSS negotiates additional benefits not covered by MAPD plans alone. The Kaiser's Medicare Advantage Plan is called KPSPA: Kaiser Permanente Senior Advantage.
- **PPO:** Preferred Provider Organization (PPO) benefit coverage is distinguished by a panel of preferred providers who contract with a health care vendor allowing the vendor to provide their services at a richer level of coverage. Non-preferred providers are covered at a much lower level thus the member is required to pay a much higher level of the cost.

Proposed UHC PPO Solution Comparison to Existing Programs

		UHC Medicare Advantage PPO- The New City Plan		BSC 65 Plus (MAPD) / BSC Access+ (COB)		City Plan (UHC) Self-Funded Medicare Retiree Premium with EGWP		Status QuoUHC Medicare Advantage PPO		Total Average Impact Non-Kaiser	
		R	R + 1	R	R + 1	R	R + 1	R	R + 1	R	R + 1
Retiree Contribution	Covered Retirees	0	0	3,756	1,685	3,884	1,202	681	326	8,321	3,213
	Plan Year 2017 - (Monthly)	\$0	\$162	\$0	\$205	\$0	\$165	\$0	\$169	\$0	\$187
	Compare to PPO (Monthly)			\$0	\$43	\$0	\$3	\$0	\$7	\$0	\$24
	Cost Impact-Individual (Annual)			\$0	\$512	\$0	\$34	\$0	\$80	\$0	\$289
	Total Cost Impact	-	-	\$0	\$862,787	\$0	\$41,253	\$0	\$25,976	0	\$930,016
Employer Contribution	Plan Year 2017 - (Monthly)	\$329	\$492	\$415	\$620	\$363	\$528	\$342	\$512	\$385	\$574
	Compare to PPO (Monthly)			\$85	\$128	\$34	\$37	\$13	\$20	\$55	\$83
	Cost Impact-Employer(Annual)			\$1,024	\$1,536	\$404	\$438	\$159	\$239	\$664	\$994
	Total Cost Impact			\$3,846,444	\$2,588,362	\$1,569,291	\$527,053	\$108,524	\$77,927	\$5,524,260	\$3,193,342
Total Rate	Plan Year 2017 - (Monthly)	\$329	\$654	\$415	\$825	\$363	\$693	\$342	\$681	\$385	\$761
	Compare to PPO (Monthly)			\$85	\$171	\$34	\$39	\$13	\$27	\$55	\$107
	Cost Impact-Program (Annual)			\$1,024	\$2,048	\$404	\$473	\$159	\$319	\$664	\$1,283
	Total Cost Impact			\$3,846,444	\$3,451,150	\$1,569,291	\$568,306	\$108,524	\$103,903	\$5,524,260	\$4,123,358

Retiree Plan Option Comparison – Cost

		UHC Medicare Advantage PPO- The New City Plan		Kaiser Permanente Medicare Advantage		BSC 65 Plus (MAPD) / BSC Access+ (COB)		City Plan (UHC) Self-Funded Medicare Retiree Premium with EGWP		Status QuoUHC Medicare Advantage PPO		Total Average Impact Non-Kaiser	
		R	R + 1	R	R + 1	R	R + 1	R	R + 1	R	R + 1	R	R + 1
Retiree Contribution	Covered Retirees	0	0	6,867	2,745	3,756	1,685	3,884	1,202	681	326	8,321	3,213
	Plan Year 2017 - (Monthly)	\$0	\$162	\$0	\$175	\$0	\$205	\$0	\$165	\$0	\$169	\$0	\$187
	Compare to PPO (Monthly)			\$0	\$13	\$0	\$43	\$0	\$3	\$0	\$7	\$0	\$24
	Cost Impact-Individual (Annual)			\$0	\$151	\$0	\$512	\$0	\$34	\$0	\$80	\$0	\$289
	Total Cost Impact	-	-	\$0	\$415,044	\$0	\$862,787	\$0	\$41,253	\$0	\$25,976	0	\$930,016
Employer Contribution	Plan Year 2017 - (Monthly)	\$329	\$492	\$349	\$519	\$415	\$620	\$363	\$528	\$342	\$512	\$385	\$574
	Compare to PPO (Monthly)			\$20	\$27	\$85	\$128	\$34	\$37	\$13	\$20	\$55	\$83
	Cost Impact-Employer(Annual)			\$239	\$327	\$1,024	\$1,536	\$404	\$438	\$159	\$239	\$664	\$994
	Total Cost Impact			\$1,642,312	\$897,944	\$3,846,444	\$2,588,362	\$1,569,291	\$527,053	\$108,524	\$77,927	\$5,524,260	\$3,193,342
Total Rate	Plan Year 2017 - (Monthly)	\$329	\$654	\$349	\$694	\$415	\$825	\$363	\$693	\$342	\$681	\$385	\$761
	Compare to PPO (Monthly)			\$20	\$40	\$85	\$171	\$34	\$39	\$13	\$27	\$55	\$107
	Cost Impact-Program (Annual)			\$239	\$478	\$1,024	\$2,048	\$404	\$473	\$159	\$319	\$664	\$1,283
	Total Cost Impact			\$1,642,312	\$1,312,988	\$3,846,444	\$3,451,150	\$1,569,291	\$568,306	\$108,524	\$103,903	\$5,524,260	\$4,123,358

Retiree Plan Option Comparison – Benefits

	UHC Medicare Advantage PPO	Kaiser Permanente Medicare Advantage	BSC 65 Plus (MAPD)	BSC Access+ (COB)	City Plan (UHC) Self-Funded Medicare Retiree Premium with EGWP
Network Reimbursement	In and Out of Network (below is In-Network benefits only)	In-network Only	In-network Only	In-network Only	In and Out of Network (below is In-Network benefits only)
Primary Care Provider	\$5	\$20	\$25	\$25	Deductible + 15% after Medicare pays
Specialist Provider	\$15	\$20	\$25	\$25	
Inpatient Hospital	\$150	\$100	\$200	\$200	
Outpatient Surgery	\$100	\$35	\$25	\$100	
Emergency Department	\$65	\$50	\$50	\$100	
Urgent Care	\$35	\$20	\$25	\$50	
Deductible - Individual	\$0	\$0	\$0	\$0	\$250
Deductible - Family	\$0	\$0	\$0	\$0	\$750
Coinsurance	0%	0%	0%	0%	Deductible + 15% after Medicare pays
Out-of-pocket - Individual	\$3,750	\$1,500	\$6,700	\$2,000	\$3,750
Out-of-pocket - Family	N/A	\$3,000	N/A	\$4,000	N/A
Pharmacy	after \$4,850 Out-of-Pocket reached, \$5 generic/\$10 brand		\$4,850 Out-of-Pocket	\$4,850 Out-of-Pocket	Does not accumulate towards deductible
Generic	\$5	\$5	\$10	\$10	\$5
Brand Formulary	\$20	\$15	\$25	\$25	\$20
Brand Non-Formulary	\$45	N/A	\$50	\$50	\$45
Injectables	N/A	N/A	20% up to \$100	20% up to \$100	N/A
Specialty Pharmacy	N/A	N/A	20% up to \$100	20% up to \$100	N/A
Mail-Order Factor of Retail	2x	2x (31-60 days) 3x (61-100 days)	3x	3x	2x