

Health Service Board City & County of San Francisco

Rates & Benefits

City Plan (UnitedHealthcare) Self-Funded Medicare Retiree Rates and Premium Contributions for the 2017 Plan Year with Subsidy per the Self-Funded Plans' Stabilization Policy

June 21, 2016

Renewal

Prepared by:

Aon | Aon Hewitt | Health & Benefits



Contents

- **Summary**
- **2017 City Plan (UHC) Self-Funded Medicare Retiree Premium Rate Card**
- **Recommendation**
- **Appendix**
 - 2017 City Plan (UHC) Monthly Rate Card—Footnotes
 - Glossary

Summary

- This report provides the Health Service Board (HSB) with Aon's recommendation for the self-funded 2017 City Plan (UHC) Medicare retiree rates.
- The total surplus carry forward reported in February 2016 was \$11,379,000. Per the HSS Self-Funded Plans' Stabilization Policy, one-third or \$3,793,000 (\$3.79M) is applied to the 2017 rates. \$2,007,714 (\$2.0M) of the \$3.79M is applied to the Medicare Retiree rates presented here.
- As a self-funded product, the City and County of San Francisco Health Service System (HSS) pays claims for services received by retirees that Medicare does not completely pay for or by the Employer Group Waiver Plan (EGWP) pharmacy benefit.
- The 2017 City Plan Medicare retiree premium rate is increasing substantially from \$280.66 per retiree per month for 2016 to \$362.85 per retiree per month for 2017 or 29.2%.

Summary (continued)

- The primary reason for the \$82.19 per retiree per month increase is a 30% increase in the EGWP premium as presented at the May 11, 2016 HSB meeting.

Based on the most current information provided by HSS, there are 6,340 total Medicare retirees and Medicare-eligible dependents enrolled in this plan.

When setting the total City Plan (UHC) Medicare retiree 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

2017 City Plan (UHC) Self-Funded Medicare Retiree Premium Rate Card

	City Plan (UHC) Self-Funded Medicare Retiree Premium with EGWP			
	Retiree with Medicare	Retiree & Spouse with Medicare	Retiree & Family (All Medicare)	Retiree & Family
Medical	\$131.49	\$262.98	\$394.47	\$1,111.91
Pharmacy	\$0.00	\$0.00	\$0.00	\$132.01
Vision	\$3.95	\$7.92	\$11.20	\$11.20
Expense ¹	\$33.18	\$33.18	\$33.18	\$33.18
EGWP Premium	\$218.99	\$437.98	\$656.97	\$437.98
Claims Stabilization Amount / Self-Funded Policy	(\$26.34)	(\$50.43)	(\$117.32)	(\$174.09)
Transitional Reinsurance Fee	\$0.18	\$0.35	\$0.53	\$0.75
Best Doctors ²	\$1.40	\$1.40	\$1.40	\$1.40
Total	\$362.85	\$693.38	\$980.43	\$1,554.34
10-County Amount (Early Retirees and Retirees only) ³	\$362.85	\$0.00	\$0.00	\$0.00
Single Retiree Offset ⁴	\$0.00	\$362.85	\$362.85	\$362.85
"Actuarial Difference" ⁵	\$0.00	\$0.00	\$0.00	\$0.00
Retiree Prop. E Subsidy ⁶	\$0.00	\$165.27	\$165.27	\$165.27
Subtotal City Contributions	\$362.85	\$528.12	\$528.12	\$528.12
2017 Non-Bargained Contribution Rate	\$0.00	\$165.26	\$452.31	\$1,026.22
Final Member Contribution 2016	\$0.00	\$127.04	\$263.96	\$747.99
Difference	\$0.00	\$38.22	\$188.35	\$278.23

NOTE—Footnotes 1 – 7 defined on page 7

2017 City Plan (UHC) Self-Funded Medicare Retiree Premium Rate Card

		City Plan (UHC) Self-Funded Medicare Retiree Premium with EGWP			
		RET	RET + 1	RET + 2 (All Medicare)	RET + 2 (Other)
Retiree Contributions	Plan Year 2016	\$0.00	\$127.04	\$263.96	\$747.99
	Plan Year 2017	\$0.00	\$165.26	\$452.31	\$1,026.22
	<i>\$ Increase</i>	<i>\$0.00</i>	<i>\$38.22</i>	<i>\$188.35</i>	<i>\$278.23</i>
	<i>% Increase</i>	<i>-</i>	<i>30.09%</i>	<i>71.36%</i>	<i>37.20%</i>
Employer Contributions	Plan Year 2016	\$280.66	\$407.70	\$407.70	\$407.70
	Plan Year 2017	\$362.85	\$528.12	\$528.12	\$528.12
	<i>\$ Increase</i>	<i>\$82.19</i>	<i>\$120.42</i>	<i>\$120.42</i>	<i>\$120.42</i>
	<i>% Increase</i>	<i>29.28%</i>	<i>29.54%</i>	<i>29.54%</i>	<i>29.54%</i>
Total Rate	Plan Year 2016	\$280.66	\$534.74	\$671.66	\$1,155.69
	Plan Year 2017	\$362.85	\$693.38	\$980.43	\$1,554.34
	<i>\$ Increase</i>	<i>\$82.19</i>	<i>\$158.64</i>	<i>\$308.77</i>	<i>\$398.65</i>
	<i>% Increase</i>	<i>29.28%</i>	<i>29.67%</i>	<i>45.97%</i>	<i>34.49%</i>

Recommendation

- Aon recommends that if the Health Service Board does not adopt the plan to fully fund of City Plan's PPO and the option of the UnitedHealthcare Medicare Advantage PPO, "New Fully Funded City Plan" for Blue Shield of California members, then the Health Service Board should adopt the 2017 City Plan (UHC) self-funded Medicare retirees rates as presented.

Appendix

2017 City Plan (UHC) Monthly Rate Card—Footnotes

- 1) Expenses consist of the ASO fee, Shared Savings accrual, Facility Reasonable & Customary accrual, Value Base Pricing accrual and HSS Communications and Healthcare Sustainability Expense.
- 2) Best Doctors: Second opinion vendor costs \$1.40 PEPM, including a \$0.10 PEPM fee to 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 Retirees, equal to the 10-County Amount; for Medicare eligible retirees, equal to Medicare Premium (because it is the lower than 10-County).
- 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

Glossary

- **Stabilization Amount:** This is the amount that is added or subtracted from the premium amounts to adjust for previous losses or gains. Each year loss or gain is spread over the next three years.