

# **San Francisco Health Service System Health Service Board**

## **Rates & Benefits**

Review and Approve UnitedHealthcare (UHC) Medicare Advantage PPO Fully Insured Medicare Retiree 2024 Rates and Contributions

June 8, 2023

# Agenda

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- **Aon Commentary on UnitedHealthcare (UHC) Medicare Advantage Prescription Drug (MAPD) Plan 2024 Rates**
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  - Non-Medicare PPO Plan—Choice Not Available (C.N.A.) Definition
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# Staff Recommendation

Staff recommends the Health Service Board (HSB) accept the UHC MAPD Medicare Retiree rate card for status quo plan design as presented today, which includes a 15.0% insured premium increase into the 2024 plan year.

# Introduction

This report provides the Health Service Board (HSB) with the recommendations for the fully insured 2024 UnitedHealthcare (UHC) Medicare Advantage Prescription Drug (MAPD) PPO plan. There are 17,990 Medicare-eligible retirees and dependents enrolled in the UHC MAPD PPO plan.

UHC's 2024 rate on a per member per month (PMPM) basis for the MAPD plan is \$514.31 PMPM on a status quo (no design changes) basis.<sup>1</sup> This represents a 15.0% increase versus the 2023 rate — following a 4.7% increase in PMPM rate from 2022 to 2023.

This UHC renewal is magnified by a change to methodology the federal government is using for Centers for Medicare and Medicaid (CMS) payments into 2024 MAPD plans. This methodology change is described later in this material.

<sup>1</sup> *The Part B Only plan rate for 2024 is \$897.14 PMPM, a 15.0% increase from the 2023 rate (\$780.12 PMPM). The Part B Only plan is for members who have not qualified during their working years for Medicare Part A based on work requirements (40+ quarters paying Medicare taxes) and choose not to pay the Part A premium in lieu. Presently 138 SFHSS covered lives are enrolled in the UHC MAPD Part B Only plan.*

# Introduction

For Non-Medicare dependents of retirees enrolled in the UHC MAPD plan, as well as Non-Medicare retirees and dependents where at least one family member is Medicare eligible and enrolled in the UHC MAPD plan, UHC is the administrator for all plans available to Non-Medicare family covered lives in these “split family” (or Mixed Medicare) family situations where at least one family member is enrolled in the UHC MAPD plan.

Non-Medicare family covered lives of a retiree where at least one family member is enrolled in the UHC MAPD plan have the following plan choices:

- UHC Select Network EPO plan (with same rates as Blue Shield of California (BSC) Access+ plan);
- UHC Doctors EPO plan (with same rates as BSC Trio plan); and
- UHC Non-Medicare PPO plan (and Choice Not Available PPO plan<sup>1</sup>— with same rates as BSC Non-Medicare PPO plan).

<sup>1</sup> See Appendix for Choice Not Available, or C.N.A., definition.

# Aon Commentary on UHC MAPD 2024 Rates

UHC MAPD plan premiums are significantly higher than those in recent year renewals. This is due to a change in how CMS (federal government agency that oversees Medicare programs) is funding MAPD health plans into the 2024 plan year.

CMS funding methodology changes are creating a lower increase in payments into MAPD plans than in years past—meaning more of the claim and administrative costs for MAPD plans cascade to premiums paid by SFHSS and other MAPD plan sponsors. The three change components to CMS funding include:

(1) Growth Rate reduction: for 2024, CMS has made an adjustment to the per capita cost calculations related to indirect and direct medical education costs associated with services furnished to MA enrollees. This adjustment will be phased in over three years, and CMS will apply one-third of the adjustment in CY 2024. This adjustment reduces the growth rate by about 0.8% per year for 2024, 2025 and 2026.

# Aon Commentary on UHC MAPD 2024 Rates

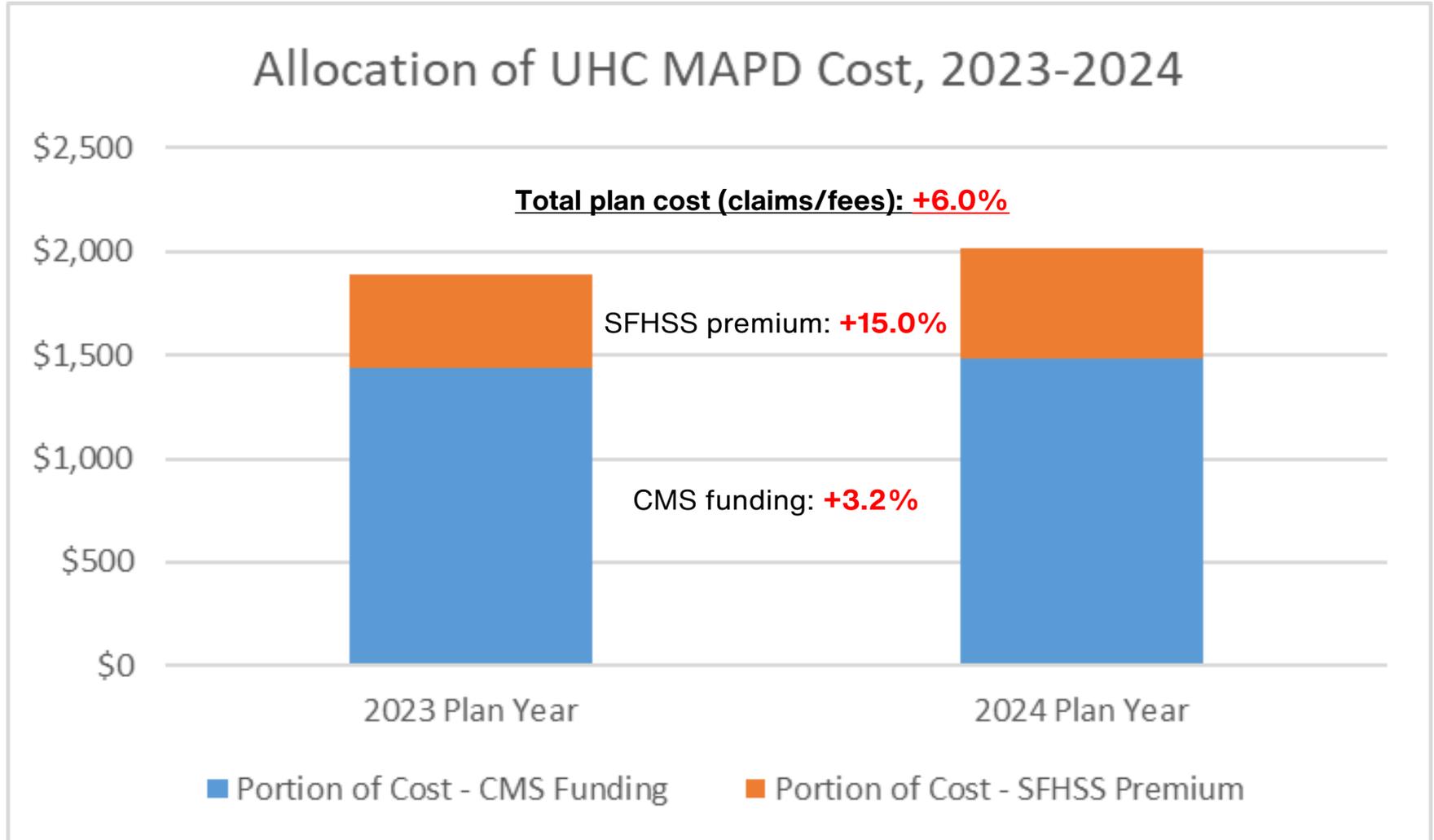
- CMS funding change influences into 2024 (continued):

(2) MA (Part C) Risk Adjustment Model Change: CMS finalized the 2024 proposed Part C risk adjustment model which includes restructured condition categories using the International Classification of Diseases (ICD)-10 classification system (instead of the formerly used ICD-9 classification system), as well as revisions focused on conditions that are subject to more coding variation. This action by CMS removed about 2,000 diagnosis codes from their risk model. The size of the impact of this change will vary by group based on the specific mix of disease states in the covered population.

(3) MA (Part C) Risk Adjustment Coding Change: In addition to the impact on risk scores for existing coded health conditions (as described in (2) above), the change in the risk adjustment model will impact the incremental funding received for new conditions that emerge over time. This will further reduce funding received by MA plans and will further reduce the “MA risk score trend” item that CMS added to its MA funding Fact Sheet the last two years.

# Aon Commentary on UHC MAPD 2024 Rates

- Impact of CMS funding methodology change on 2024 UHC MAPD renewal rate:



# 2024 UHC MAPD Plan Design Change Evaluation

This presentation contains a design change to UHC office visit copays.

- Currently, the UHC MAPD plan has lower primary care office visit (\$5 per visit) and specialty office visit (\$15 per visit) copays as compared to the Kaiser Permanente Senior Advantage Plan (KPSA) in California (\$20 copay per visit for both primary care and specialist physicians). The UHC MAPD plan copays are also lower than benchmark.
- Given the high rate renewal increase presented by UHC, SFHSS staff reviewed and considered a plan design change proposed by UHC—namely, increasing UHC MAPD office visit copays by \$5 per visit for both primary and specialty care.
- This change would lower the needed rate increase into the 2024 plan year for the UHC MAPD plan to a 14.1% increase—or a 0.9% difference in rates (\$900,000 annually) between status quo design and the design illustrated on the next page.
  - Approximately \$100,000 would be applied to reduce 2024 “status quo design” retiree contributions, and \$800,000 to reduced employer cost versus “status quo design” premiums.

# 2024 UHC MAPD Plan Design Change Evaluation Findings

SFHSS staff does not recommend the physician office copay plan design change for the following reasons:

- CMS funding for Medicare Advantage plans is primarily based on risk scores, determined by claims data collected at the annual wellness visit at home or in the primary care office. SFHSS Medicare retirees are encouraged to attend annual wellness visits where their health status can be evaluated and recorded.
- The proposed change is approximately \$50 in annual premium reduction per covered life, making a break-even point of 10 annual primary care and specialty office visits combined.
- Increasing the primary care provider copay may reduce utilization. With such a low copay, what else can be done to increase the utilization of primary care within this population?
- SFHSS staff will schedule a Health Service Board Education topic on plan design later this year.

# Proposed 2024 UHC MAPD Plan Monthly Rate Card

When setting the total UHC MAPD plan premiums in the recommended 2024 UHC MAPD plan monthly rate card, the following SFHSS costs are included:

- VSP Basic Plan vision premiums (2024 vision rates remain at 2023 levels); and
- The SFHSS Healthcare Sustainability Fund charge of \$3.00 per retiree per month, which is unchanged from the 2023 fee.

The UHC MAPD plan rate card has distinct mixed Medicare family columns for each of these variations of non-Medicare dependent plan enrollment:

- UHC Non-Medicare PPO (and City Plan—Choice Not Available);
- UHC Select EPO; and
- UHC Doctors EPO.

As in 2023, Mixed Medicare family enrollment will not be available in the 2024 plan year for the non-Medicare Health Net CanopyCare plan.

# Retiree Medical Contributions in Rate Card

The rate card presented in this document reflects the full employer contributions for retiree medical coverage presently available to:

- Retired employees eligible for health benefits hired on or before January 9, 2009;
- Retired persons who retired for disability; and
- Surviving spouses or surviving domestic partners of active employees who died in the line of duty.

Retiree medical coverage — but no employer contribution — is available to retired employees hired on or after January 10, 2009, with at least 5 but less than 10 years of Credited Services with the Employers, and their surviving spouses or surviving domestic partners.

# Retiree Medical Contributions in Rate Card

Retiree medical coverage at the 50% employer Charter-contribution rate is available to retired employees hired on or after January 10, 2009, with greater than 10 years but less than 15 years of Credited Service with the Employers.

- This segment of retirees will receive 50% of the full employer Charter contribution for each retiree medical plan and coverage tier as reflected in the following rate card.

Retiree medical coverage at the 75% employer Charter-contribution rate is available to retired employees hired on or after January 10, 2009, with greater than 15 years but less than 20 years of Credited Service with the Employers.

- This segment of retirees will receive 75% of the full employer Charter contribution for each retiree medical plan and coverage tier as reflected in the following rate card.

# 2024 UHC MAPD Plan Monthly Rate Card

## Status Quo Plan Design

C.N.A. = Choice Not Available

	All Members in Medicare			Full Family – 2 in Medicare, 1+ Non-Medicare		
	Retiree Only	Retiree + 1	Retiree + 2+	1+ Non- Medicare in UHC PPO/C.N.A.	1+ Non- Medicare in UHC Select EPO	1+ Non- Medicare in UHC Doctors EPO
Premium	\$514.31	\$1,028.62	\$1,542.93	\$1,732.43	\$1,911.10	\$1,756.97
Vision	\$4.15	\$8.32	\$11.76	\$11.76	\$11.76	\$11.76
Expense <sup>1</sup>	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
<b>Total</b>	<b>\$521.46</b>	<b>\$1,039.94</b>	<b>\$1,557.69</b>	<b>\$1,747.19</b>	<b>\$1,925.86</b>	<b>\$1,771.73</b>
10-County Amount (or single tier premium, if less) <sup>2</sup>	\$521.46	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Single Retiree Offset <sup>3</sup>	\$0.00	\$521.46	\$521.46	\$521.46	\$521.46	\$521.46
"Actuarial Difference" <sup>4</sup>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Prop. E Contribution <sup>5</sup>	\$0.00	\$259.24	\$259.24	\$259.24	\$259.24	\$259.24
Subtotal City Contributions	\$521.46	\$780.70	\$780.70	\$780.70	\$780.70	\$780.70
<b>Non-Bargained Contribution Rate 2024</b>	<b>\$0.00</b>	<b>\$259.24</b>	<b>\$776.99</b>	<b>\$966.49</b>	<b>\$1,145.16</b>	<b>\$991.03</b>
<b>Final Member Contribution 2024</b>	<b>\$0.00</b>	<b>\$259.24</b>	<b>\$776.99</b>	<b>\$966.49</b>	<b>\$1,145.16</b>	<b>\$991.03</b>
<b>Final Member Contribution 2023</b>	<b>\$0.00</b>	<b>\$225.69</b>	<b>\$676.35</b>	<b>\$921.14</b>	<b>\$999.96</b>	<b>\$937.19</b>
<b>Difference – 2024 vs. 2023 Contribution</b>	<b>\$0.00</b>	<b>\$33.55</b>	<b>\$100.64</b>	<b>\$45.35</b>	<b>\$145.20</b>	<b>\$53.84</b>

**NOTE: Footnotes 1 – 5 defined in Appendix**

# UHC MAPD Plan Monthly Rates and Contributions

## 2024 vs. 2023—Status Quo Plan Design

PY = Plan Year  
C.N.A. = Choice Not Available

		All Members in Medicare			Full Family — 2 in Medicare, 1+ Non-Medicare		
		Retiree Only	Retiree + 1	Retiree + 2+	1+ Non- Medicare in UHC PPO/C.N.A.	1+ Non- Medicare in UHC Select EPO	1+ Non- Medicare in UHC Doctors EPO
Monthly Retiree Contributions	PY 2023	\$0.00	\$225.69	\$676.35	\$921.14	\$999.96	\$937.19
	PY 2024	\$0.00	\$259.24	\$776.99	\$966.49	\$1,145.16	\$991.03
	\$ Change	\$0.00	\$33.55	\$100.64	\$45.35	\$145.20	\$53.84
	% Change	—	14.9%	14.9%	4.9%	14.5%	5.7%
Monthly Employer Contributions	PY 2023	\$454.37	\$680.07	\$680.07	\$680.07	\$680.07	\$680.07
	PY 2024	\$521.46	\$780.70	\$780.70	\$780.70	\$780.70	\$780.70
	\$ Change	\$67.09	\$100.63	\$100.63	\$100.63	\$100.63	\$100.63
	% Change	14.8%	14.8%	14.8%	14.8%	14.8%	14.8%
Monthly Total Rate	PY 2023	\$454.37	\$905.76	\$1,356.42	\$1,601.21	\$1,680.03	\$1,617.26
	PY 2024	\$521.46	\$1,039.94	\$1,557.69	\$1,747.19	\$1,925.86	\$1,771.73
	\$ Change	\$67.09	\$134.18	\$201.27	\$145.98	\$245.83	\$154.47
	% Change	14.8%	14.8%	14.8%	9.1%	14.6%	9.6%

# Recommendation

Staff recommends the Health Service Board (HSB) accept the UHC MAPD Medicare Retiree rate card for status quo plan design as presented today, which includes a 15.0% insured premium increase into the 2024 plan year.

# Appendix

- 2023 UHC MAPD Medicare HMO Monthly Rate Card
- UHC MAPD Rate Card Footnotes
- MAPD Plan Definition
- Non-Medicare PPO Plan—Choice Not Available (C.N.A.) Definition
- Member Contribution Change Exhibits for All Retiree Tiers — 2024 vs. 2023

# 2023 UHC MAPD Plan Monthly Rate Card

C.N.A. = Choice Not Available	All Members in Medicare			Full Family — 2 in Medicare, 1+ Non-Medicare		
	Retiree Only	Retiree + 1	Retiree + 2+	1+ Non-Medicare in UHC PPO/C.N.A.	1+ Non-Medicare in UHC Select EPO	1+ Non-Medicare in UHC Doctors EPO
Premium	\$447.22	\$894.44	\$1,341.66	\$1,586.45	\$1,665.27	\$1,602.50
Vision	\$4.15	\$8.32	\$11.76	\$11.76	\$11.76	\$11.76
Expense <sup>1</sup>	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
<b>Total</b>	<b>\$454.37</b>	<b>\$905.76</b>	<b>\$1,356.42</b>	<b>\$1,601.21</b>	<b>\$1,680.03</b>	<b>\$1,617.26</b>

10-County Amount (or single tier premium, if less) <sup>2</sup>	\$454.37	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Single Retiree Offset <sup>3</sup>	\$0.00	\$454.37	\$454.37	\$454.37	\$454.37	\$454.37
"Actuarial Difference" <sup>4</sup>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Prop. E Contribution <sup>5</sup>	\$0.00	\$225.70	\$225.70	\$225.70	\$225.70	\$225.70
Subtotal City Contributions	\$454.37	\$680.07	\$680.07	\$680.07	\$680.07	\$680.07
<b>Non-Bargained Contribution Rate 2023</b>	<b>\$0.00</b>	<b>\$225.69</b>	<b>\$676.35</b>	<b>\$921.14</b>	<b>\$999.96</b>	<b>\$937.19</b>

<b>Final Member Contribution 2023</b>	<b>\$0.00</b>	<b>\$225.69</b>	<b>\$676.35</b>	<b>\$921.14</b>	<b>\$999.96</b>	<b>\$937.19</b>
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<b>Final Member Contribution 2022</b>	<b>\$0.00</b>	<b>\$215.59</b>	<b>\$646.09</b>	<b>\$859.48</b>	<b>\$986.21</b>	<b>\$891.11</b>
<b>Difference — 2023 vs. 2022 Contribution</b>	<b>\$0.00</b>	<b>\$10.10</b>	<b>\$30.26</b>	<b>\$61.66</b>	<b>\$13.75</b>	<b>\$46.08</b>

**NOTE: Footnotes 1 – 5 defined in Appendix**

# UHC MAPD Plan Rate Card Footnotes

- 1) **Expense:** SFHSS Healthcare Sustainability Fund charge of \$3.00 per employee or retiree per month.
- 2) **10-County Amount:** Amount derived from annual survey described in Charter Section A8.423 of contributions provided by 10 most populous counties in CA, not including San Francisco – called the “average contribution”. The 2024 10-County amount is \$805.85.
- 3) **Single Retiree Offset:** Under Charter Section A8.428(b)(2), the 10-County amount is the first of three Charter contribution elements used to calculate retiree rates. Employers are required to pay lesser of the 10-County amount or actual cost of coverage for each retiree member.
- 4) **"Actuarial Difference":** Under Charter Section A8.428(b)(3), the employers contribute the difference between Active Employee-Only premium and Early Retiree-Only premium. This is the second of three Charter contribution elements applied to the calculation of retiree rates.
- 5) **2000 Prop. E Contribution:** Under Charter Section A8.428(b)(3)(iii) and A8.428(c), employer contributions toward Retiree Only and Retiree +1 rates = 50% x [Total Rate Cost – 10-County Amount – “Actuarial Difference”]. This is the third of three Charter contribution elements that applied to the calculation of retiree rates.

# Glossary of Plan Terms

- **Medicare Advantage Prescription Drug (MAPD) Plan:** 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
- **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

# Non-Medicare PPO Plan—Choice Not Available (C.N.A.)

## Criteria for Availability and Rate Determination

- Non-Medicare participants are assigned to the **Non-Medicare PPO Plan — Choice Not Available** as a plan they enroll in when they live in a zip code where the following occurs:
  - Non-Medicare PPO Plan is the only plan choice available;
  - Non-Medicare PPO Plan and Kaiser Permanente are available plan choices, but not UHC Select EPO; or
  - Non-Medicare PPO Plan and UHC Select EPO are available plan choices, but not Kaiser Permanente.
- Non-Medicare PPO Plan — Choice Not Available provides member contribution relief primarily to active employees in the Hetch Hetchy/Moccasin areas, and early retirees living outside of the Bay Area of Northern California.

# Member Contributions for All Retiree Tiers

Non-Medicare Dependents in Non-Medicare PPO (including Choice Not Available)

Overall Coverage Tier	Non-Medicare and Medicare Statuses	Monthly Member Contribution <sup>1</sup>		\$ Change	% Change
		2023	2024		
<b>Retiree Only</b>	Medicare Retiree	\$0.00	\$0.00	\$0.00	--
<b>Retiree + 1 Dependent</b>	Medicare Retiree/Non-Medicare Dependent	\$435.54	\$442.91	\$7.37	1.7%
	Medicare Retiree/Medicare Dependent	\$225.69	\$259.24	\$33.55	14.9%
<b>Retiree + 2+ Dependents</b>	Medicare Retiree/Non-Medicare Dependents	\$1,130.99	\$1,150.16	\$19.17	1.7%
	Medicare Retiree/Medicare Dependent/Non-Medicare 2nd+ Dependent(s)	\$921.14	\$966.49	\$45.35	4.9%
	Medicare Retiree/Medicare Dependents	\$676.35	\$776.99	\$100.64	14.9%

<sup>1</sup> For members receiving full City Charter employer contribution amounts.

# Member Contributions for All Retiree Tiers

Non-Medicare Dependents in UHC Select EPO Plan

Overall Coverage Tier	Non-Medicare and Medicare Statuses	Monthly Member Contribution <sup>1</sup>		\$ Change	% Change
		2023	2024		
<b>Retiree Only</b>	Medicare Retiree	\$0.00	\$0.00	\$0.00	--
<b>Retiree + 1 Dependent</b>	Medicare Retiree/Non-Medicare Dependent	\$485.03	\$554.98	\$69.95	14.4%
	Medicare Retiree/Medicare Dependent	\$225.69	\$259.24	\$33.55	14.9%
<b>Retiree + 2+ Dependents</b>	Medicare Retiree/Non-Medicare Dependents	\$1,259.30	\$1,440.90	\$181.60	14.4%
	Medicare Retiree/Medicare Dependent/Non-Medicare 2nd+ Dependent(s)	\$999.96	\$1,145.16	\$145.20	14.5%
	Medicare Retiree/Medicare Dependents	\$676.35	\$776.99	\$100.64	14.9%

<sup>1</sup> For members receiving full City Charter employer contribution amounts.

# Member Contributions for All Retiree Tiers

Non-Medicare Dependents in UHC Doctors EPO Plan

Overall Coverage Tier	Non-Medicare and Medicare Statuses	Monthly Member Contribution <sup>1</sup>		\$ Change	% Change
		2023	2024		
<b>Retiree Only</b>	Medicare Retiree	\$0.00	\$0.00	\$0.00	--
<b>Retiree + 1 Dependent</b>	Medicare Retiree/Non-Medicare Dependent	\$445.72	\$458.42	\$12.70	2.8%
	Medicare Retiree/Medicare Dependent	\$225.69	\$259.24	\$33.55	14.9%
<b>Retiree + 2+ Dependents</b>	Medicare Retiree/Non-Medicare Dependents	\$1,157.22	\$1,190.21	\$32.99	2.9%
	Medicare Retiree/Medicare Dependent/Non-Medicare 2nd+ Dependent(s)	\$937.19	\$991.03	\$53.84	5.7%
	Medicare Retiree/Medicare Dependents	\$676.35	\$776.99	\$100.64	14.9%

<sup>1</sup> For members receiving full City Charter employer contribution amounts.