

Health Service Board City & County of San Francisco

Rates & Benefits

2015 Blue Shield of California (BSC) Flex Funded Non-Medicare Claims Experience

March 10, 2016

BSC Flex Funded Claims Experience—2015

Month	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Total
# Subscribers	19,146	19,216	19,232	19,237	19,252	19,231	19,150	19,115	19,153	19,142	19,157	19,124	19,180
Premiums Collected Flex Funded	\$24,060,768	\$23,733,479	\$24,169,981	\$24,045,452	\$24,220,749	\$23,799,242	\$23,598,132	\$23,881,506	\$23,940,995	\$23,943,341	\$23,924,034	\$24,026,126	\$287,343,805
Administration	\$2,390,582	\$2,393,875	\$2,399,814	\$2,397,936	\$2,403,754	\$2,399,327	\$2,388,780	\$2,382,558	\$2,377,306	\$2,395,396	\$2,389,395	\$2,387,033	\$28,705,754
Capitation	\$6,329,995	\$6,478,306	\$6,042,279	\$6,683,084	\$6,501,251	\$6,565,331	\$6,417,194	\$6,355,936	\$6,343,653	\$6,507,901	\$6,105,311	\$6,344,091	\$76,674,331
Medical Claims	\$8,700,348	\$10,839,394	\$15,667,789 ¹	\$11,798,748	\$13,736,512	\$13,981,812	\$9,976,117	\$11,877,876	\$13,056,260	\$7,542,087 ²	\$14,297,382	\$13,268,798	\$144,743,122
Pharmacy Claims	\$4,067,400	\$3,971,292	\$3,987,149	\$4,376,901	\$3,805,278	\$3,962,063	\$4,019,299	\$4,050,510	\$3,908,366	\$4,234,899	\$4,030,733	\$4,141,996	\$48,555,885
Pharmacy Rebate	(\$230,523)	(\$230,523)	(\$230,523)	(\$256,027)	(\$256,027)	(\$256,027)	(\$289,745)	(\$289,745)	(\$289,745)	(\$200,000)	(\$200,000)	(\$200,000)	(\$2,928,885)
ACO	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Stop Loss	\$0	\$0	(\$143,642)	\$0	\$0	(\$118,124)	(\$233,288)	(\$359,269)	(\$603,036)	(\$309,541)	(\$317,138)	(\$496,263)	(\$2,580,301)
Monthly IBNR	\$0	\$0	\$0	\$0	\$0	(\$134,187)	\$0	\$0	\$0	\$0	\$0	\$0	(\$134,187)
Total Incurred Expense	\$21,257,802	\$23,452,343	\$27,722,865	\$25,000,642	\$26,190,768	\$26,400,195	\$22,278,355	\$24,017,865	\$24,792,803	\$20,170,742	\$26,305,683	\$25,445,656	\$293,035,719
Premiums Less Expenses	\$2,802,966	\$281,136	(\$3,552,884)	(\$955,190)	(\$1,970,019)	(\$2,600,953)	\$1,319,777	(\$136,359)	(\$851,808)	\$3,772,599	(\$2,381,649)	(\$1,419,530)	(\$5,691,914)
Funding Contingency Reserve													\$799,287
Total Incurred Expense Including Funding Contingency Reserve													\$293,835,006
Monthly Incurred Loss Ratio	88.35%	98.82%	114.70%	103.97%	108.13%	110.93%	94.41%	100.57%	103.56%	84.24%	109.96%	105.91%	102.26%

1. Claims were held in January and February of 2015 due to Sutter contract negotiations which resulted in a larger than expected March claims cost
2. BSC changed claims payment systems in October of 2015 which resulted in a lower than expected October claims cost

BSC Flex Funded Claims Experience—2015 versus 2014

Per Member Per Month (PMPM) Basis

Expense Category	2014	2014 PMPM	2015	2015 PMPM	Change	% Change	PMPM Change	% Change
Administration	\$25,872,887	\$113.07	\$28,705,754	\$124.72	\$2,832,867	11%	\$12	10%
Capitation	\$73,857,448	\$322.78	\$76,674,331	\$333.14	\$2,816,883	4%	\$10	3%
Medical Claims and IBNR Reserve	\$151,831,399	\$663.56	\$144,608,935	\$628.31	(\$7,222,465)	-5%	(\$35)	-5%
Pharmacy Claims	\$41,614,291	\$181.87	\$48,555,885	\$210.97	\$6,941,593	17%	\$29	16%
Pharmacy Rebate	(\$2,137,691)	(\$9.34)	(\$2,928,885)	(\$12.73)	(\$791,195)	37%	(\$3)	36%
ACO	\$332,385	\$1.45	\$0	\$0.00	(\$332,385)	-100%	(\$1)	0%
Stop Loss	(\$1,596,961)	(\$6.98)	(\$2,580,301)	(\$11.21)	(\$983,339)	62%	(\$4)	0%
Total Expenses	\$289,773,759	\$1,266.42	\$293,035,719	\$1,280.67	\$3,261,960	1%	\$14	1%
Recommended Contingency Reserve	\$14,128,891	\$60.66	\$14,928,178	\$65.24	\$799,287	6%	\$5	8%

NOTES:

- All amounts are provided by the Health Service System City & County of San Francisco
- Member count for 2014 was 19,068; member count for 2015 was 19,180
- The paid medical claims for 2014 were \$147,702,692 the change in the IBNR reserve for 2014 was \$4,128,707 for a total of \$151,831,399
- The paid medical claims for 2015 were \$144,743,122 the change in the IBNR reserve for 2015 was (\$134,187) for a total of \$144,608,935
- In 2015, stop loss reimbursements increased by \$983,339 over 2014

Observations

- As demonstrated in the prior slide, total expense increased 1% on a per member per month basis.
- One area in which costs are below trend is for the 2015 non-capitated claims (“Medical Claims and IBNR Reserve”) which decreased 5% from 2014.
- Total pharmacy claims costs increased 17% which is driven by the high cost of newly offered hepatitis C drugs and the increased use of high-cost specialty drugs in general.
- Administration costs increased due to the Health Insurance Tax implemented under the Affordable Care Act.
- The loss ratio for 2015 is 102.26% for total expense, including changes in reserve levels, exceeds revenue from all sources (\$8,843,667—BSC’s 2% promise pledge subsidy) by \$6,491,201.

Glossary

- **IBNR**—Incurred but not Reported reserve held by self-funded plans to pay claims after the termination date of a program that occurred prior to the termination date.
- **ACO**—Accountable Care Organization is a integrated physician and outpatient facility delivery model constructed to provide medical care in the most efficient manner while maintaining high standards of quality.
- **Contingency Reserve**—Reserve held by self-funded plans to cover excess claims cost.
- **Capitation**—Fixed monthly payment on a per member basis remitted to physician groups to cover the members medical cost.
- **Administration**—Includes standard claims processing fees plus Health Care reform Taxes.
- **Stop Loss**—Reimbursements to the plan for claims in excess of \$1,000,000 for a individual member during the plan year.
- **Pharmacy Rebates**—Rebates by drug manufactures to plans.