

BSC Flex-Funded HMO Plans 2020 Experience

Introduction

This presentation captures information on calendar year 2020 claims, fees, and other associated costs relative to total cost premium rates for the two Blue Shield of California (BSC) flex-funded HMO plans (Access+ and Trio) for active employees and early retirees.

Access+ has been offered for several years to San Francisco Health Service System (SFHSS) active employees and early retirees. Trio was a new lower-premium plan first available to members on January 1, 2018.

On the following pages, we summarize key observations captured from the experience charts that follow in this document. All data provided for the combined BSC Access+ and Trio plan active employee / early retiree populations in this presentation was provided by SFHSS Finance team staff. Aon provided the estimates for dollar splits into active employees and early retirees contained in this presentation.

BSC Flex-Funded HMO Plans 2020 Experience

Agenda

- Financial results overview, 2020 versus 2019
- Key cost and utilization drivers for BSC HMO plan population
- Appendix
 - Detailed month-by-month 2020 plan year experience exhibits
 - Glossary of terms

Financial Results Overview, 2020 Versus 2019

BSC Flex-Funded HMO Plans 2020 Experience

Key Observations Summary—Total Expenses Versus Premiums Collected

- Total incurred plan expense, before considering changes in contingency reserves, increased by 2% on a per employee/retiree per month (PEPM) basis from 2019 levels.
- Total premiums collected increased by 1% on a PEPM basis from 2019 levels.
- The overall loss ratio for BSC plans in 2020 was 96% (before change in Contingency reserve) -- where loss ratio is defined as plan expenses divided by total premiums. In other words, 2020 plan expenses were 4% less than premiums collected.
 - The primary driver of this result was lower medical claims than originally expected in 2020 due to COVID-19 pandemic influenced claim suppression.
 - Prescription drug claims did not show evidence of claim suppression over the course of 2020 experience.

BSC Flex-Funded HMO Plans 2020 Experience

Key Observations Summary—Plan Expenses

- Prescription drug claims net of rebates were the most **unfavorable** expense increase driver relative to expectations at the outset of 2020.
- Medical claims were the most **favorable** expense change driver in 2020 versus 2019, driven primarily by decreased utilization stemming from the COVID-19 pandemic
 - In addition, there was a significant decrease in claim dollars paid for very high-cost claimants from 2019 to 2020—including fewer covered lives exceeding the \$1 million large claim pooling point in 2020 versus 2019.

BSC Plan Cost Component	Actual SFHSS Cost Increase PEPM	Expected Market Cost Increase Trend
Medical		
▪ Before Large Claim Pooling Reimbursements	(5.5%)	5.5%
▪ After Large Claim Pooling Reimbursements	(2.1%)	5.5%
Prescription Drugs (net of rebates)	9.9%	6%

BSC Flex-Funded HMO Plans 2020 Experience

Key Observations Summary—Plan Expenses

- Administrative fees PEPM increased by 2% from 2019 to 2020.

- Capitation (fixed cost for certain physician-delivered medical services) PEPM increased by 5% from 2019 to 2020.

- Reserve changes from June 30, 2019 to June 30, 2020 were relatively nominal overall for the BSC HMO plans.
 - \$69,000 increase in Incurred But Not Reported (IBNR) reserve.
 - \$252,000 increase in Contingency reserve.

BSC Flex-Funded HMO Plans 2020 Experience

2020 Versus 2019—Total Actual Dollar Basis

Average total employees / retirees: 17,291 in 2020 versus 17,618 in 2019

Category	2019 Actual Dollars	2020 Actuals	\$ Change	% Change
Premiums Collected	\$332,341,289	\$329,271,754	(\$3,069,535)	-1%
Administration	\$18,653,235	\$18,588,252	(\$64,983)	0%
Capitation	\$79,575,325	\$81,932,230	\$2,356,905	3%
Medical Claims	\$178,358,343	\$165,476,266	(\$12,882,077)	-7%
Pharmacy Claims	\$55,212,557	\$58,658,484	\$3,445,927	6%
Pharmacy Rebate	(\$7,286,552)	(\$6,947,440)	\$339,113	-5%
ACO Incentive Payment	\$1,090,590	\$1,236,580	\$145,990	13%
Large Claim Pooling	(\$9,269,416)	(\$2,926,141)	\$6,343,275	-68%
Change in IBNR	\$340,654	\$68,621	(\$272,033)	-80%
Total Expenses	\$316,674,736	\$316,086,853	(\$587,884)	0%
Recommended Contingency Reserve	\$13,977,799	\$14,230,134	\$252,335	2%

BSC Flex-Funded HMO Plans 2020 Experience

2020 Versus 2019—Per Employee / Retiree Per Month (PEPM) Basis

Average total employees / retirees: 17,291 in 2020 versus 17,618 in 2019

Category	2019 Dollars PEPM	2020 Dollars PEPM	\$ Change PEPM	% Change PEPM
Premiums Collected	\$1,571.98	\$1,586.90	\$14.90	1%
Administration	\$88.23	\$89.58	\$1.35	2%
Capitation	\$376.40	\$394.87	\$18.47	5%
Medical Claims	\$843.64	\$797.50	(\$46.15)	-6%
Pharmacy Claims	\$261.16	\$282.70	\$21.54	8%
Pharmacy Rebate	(\$34.47)	(\$33.48)	\$0.98	-3%
ACO Incentive Payment	\$5.16	\$5.96	\$0.80	16%
Large Claim Pooling	(\$43.84)	(\$14.10)	\$29.74	-68%
Change in IBNR	\$1.61	\$0.33	(\$1.28)	-79%
Total Expenses	\$1,497.87	\$1,523.35	\$25.47	2%
Recommended Contingency Reserve	\$66.12	\$68.58	\$2.47	4%

BSC Flex-Funded HMO Plans 2020 Experience

2020 Plan Year—Active Employee/Early Retiree Experience Splits

Category	Active Employees	Early Retirees	Total BSC Plans
Employee/Retiree Count	14,591 (average)	2,700 (average)	17,291 (average)
Premiums Collected	\$262,717,864	\$66,553,890	\$329,271,754
Administration	\$15,603,134	\$2,985,118	\$18,588,252
Capitation	\$68,866,542	\$13,065,688	\$81,932,230
Medical Claims	\$132,947,644	\$32,528,622	\$165,476,266
Pharmacy Claims	\$45,268,976	\$13,389,509	\$58,658,484
Pharmacy Rebate	(\$5,361,603)	(\$1,585,837)	(\$6,947,440)
ACO Incentive Payment	\$998,542	\$238,038	\$1,236,580
Large Claim Pooling	(\$1,741,956)	(\$1,184,185)	(\$2,926,141)
Change in IBNR	\$54,751	\$13,870	\$68,621
Total Expenses	\$256,636,031	\$59,450,822	\$316,086,853
Premiums Less Expenses	\$6,081,833	\$7,103,068	\$13,184,901
Incurred Loss Ratio (before change in Contingency reserve)	97.7%	89.3%	96.0%

Key Cost and Utilization Drivers

Key Cost and Utilization Drivers

High-Cost Claimants (Individuals Exceeding \$500,000 Claims in 2020)

- 29 members exceeded \$500,000 in paid medical/prescription drug claims in 2020—accounting for \$24.5M of total claim spend
 - Almost \$3M of this was reimbursed to SFHSS for amounts exceeding \$1 million via the large claim pooling mechanism
- Predominant diagnostic categories for 2020 claimants exceeding \$500K are:
 - Cancer
 - Cardiovascular
 - Sepsis

Key Cost and Utilization Drivers

Chronic Condition Prevalence for BSC HMO Population

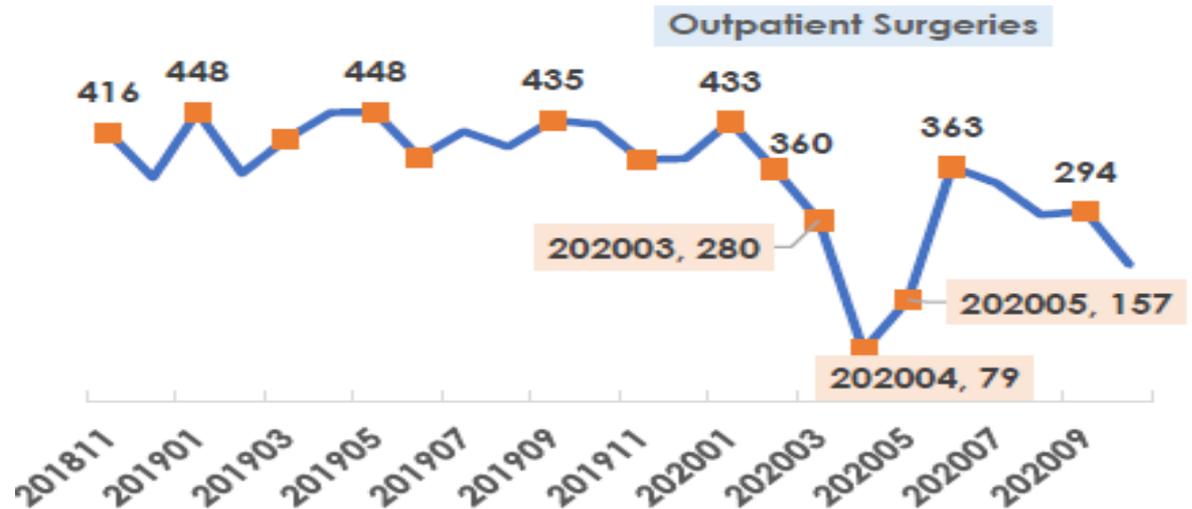
- Incidence reductions for chronic conditions from 2019 to 2020 may be driven in part by suppression-induced reductions in members seeking care during pandemic closures

Episode Treatment Group	Overall			Actives			Non-Medicare Retirees		
	PY	CY	Y-o-Y Change	PY	CY	Y-o-Y Change	PY	CY	Y-o-Y Change
Musculoskeletal	25.5%	15.7%	-9.8%	24.3%	14.6%	-9.6%	35.0%	24.3%	-10.7%
Hypertension	14.7%	13.2%	-1.5%	13.1%	11.7%	-1.5%	27.2%	25.6%	-1.6%
MHSA	11.7%	9.6%	-2.0%	11.4%	9.2%	-2.1%	13.6%	12.4%	-1.2%
Hyperlipidemia	8.7%	7.1%	-1.6%	7.7%	6.1%	-1.6%	16.3%	15.0%	-1.3%
Diabetes	6.3%	5.6%	-0.7%	5.7%	5.1%	-0.6%	11.3%	10.2%	-1.1%
Asthma	5.1%	4.8%	-0.3%	5.2%	4.8%	-0.4%	4.9%	4.9%	0.0%
Obesity	4.2%	2.5%	-1.7%	4.1%	2.5%	-1.6%	5.1%	2.9%	-2.2%
Cancer	3.4%	2.3%	-1.1%	2.9%	2.0%	-0.9%	6.3%	4.4%	-2.0%
Ischemic Heart Disease	1.4%	1.2%	-0.2%	1.2%	1.0%	-0.2%	3.3%	2.8%	-0.5%
Migraine headache	1.8%	1.0%	-0.8%	1.8%	1.0%	-0.8%	1.8%	1.0%	-0.8%
Chronic renal failure	0.7%	0.5%	-0.2%	0.6%	0.5%	-0.1%	1.2%	0.9%	-0.4%
COPD	0.5%	0.5%	0.0%	0.4%	0.4%	0.0%	1.4%	1.2%	-0.2%
Chronic Heart Failure	0.4%	0.4%	0.0%	0.3%	0.3%	0.0%	0.8%	0.8%	-0.1%
Cardiomyopathy	0.3%	0.2%	-0.1%	0.2%	0.2%	-0.1%	0.5%	0.4%	-0.1%
Heart failure, diastolic	0.1%	0.1%	0.0%	0.1%	0.1%	0.0%	0.3%	0.3%	0.0%
Lipidoses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Key Cost and Utilization Drivers

COVID-19 Pandemic Impact on 2020 Plan Utilization

- Outpatient surgery counts greatly reduced during the Q2-2020 pandemic closure months...



- While use of physician-driven telehealth increased significantly:



Key Cost and Utilization Drivers

COVID-19 Pandemic Impact on 2020 Plan Utilization

- Utilization reductions from 2019 to 2020 in both inpatient and outpatient care

Service Category	Metric	Prior Year	Current Year	Trend	Blue Shield of CA Book of Business (BoB)	Variance to BoB
Inpatient	admits/1000	47.7	43.5	-9%	47.4	-8%
	ALOS	6.12	5.16	-16%	5.14	0%
	paid/day	\$7,084	\$8,690	23%	\$7,659	14%
	paid/admit	\$43,350	\$44,811	3%	\$39,383	14%
Outpatient	services/1000	1164.9	788.1	-32%	1039.2	-24%
	paid/service	\$1,756	\$2,501	43%	\$1,763	42%

Key Cost and Utilization Drivers

Direct COVID-19 Costs and Impacted Members in 2020

- Most members with a COVID-19 claim are for testing
- Data for 11-month period from March 2020 to January 2021 (relative to overall covered lives in BSC HMO plans of approximately 35,000):

Unique Members With A COVID Claim	2,797
Total Tests Administered	3,771
Total Hospital Admissions	34
Average Length of Hospital Stay	8.5 days
Total Medical Paid Claims for COVID-19	\$2,832,087

Key Cost and Utilization Drivers

Prescription Drug Cost and Utilization—Active Employee Group

- Costs increased by 8% due to price inflation—utilization held steady for 2020

Pharmacy Measure	Jan 2019 – Dec 2019	Jan 2020 – Dec 2020	Trend	Benchmark	Variance
Paid Claim Dollars PMPM	\$112.59	\$120.92	8.4%	\$112.35	7.6%
Average Paid per RX	\$122	\$132	8.7%	\$131.42	0.8%
# RX PMPM	0.92	0.91	-0.3%	0.85	7.4%
Generic Drug Fill Rate	86.7%	86.3%	-0.4%	87.1%	-0.9%

Key Cost and Utilization Drivers

Prescription Drug Cost and Utilization—Early Retiree Group

- Costs increased by 2% primarily driven by a slight utilization increase

Pharmacy Measure	Jan 2019 - Dec 2019	Jan 2020 - Dec 2020	Trend	Benchmark	Variance
Paid Claim Dollars PMPM	\$297.70	\$303.45	1.9%	\$267.18	13.6%
Average Paid per RX	\$153	\$153	-0.1%	\$142.90	7.2%
# RX PMPM	1.94	1.98	2.1%	1.87	5.9%
Generic Drug Fill Rate	87.0%	86.1%	-0.9%	87.1%	-1.2%

Appendix

BSC Flex-Funded Plan Experience Detail—Both Plans ^[1]

2020 Plan Year

Month →	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Total
EE/RET Count	17,573	17,551	17,507	17,454	17,421	17,374	17,263	17,211	17,161	17,090	16,969	16,920	17,291 (avg.)
Premiums Collected [2]	\$27,660,326	\$27,660,326	\$27,660,326	\$27,660,326	\$27,660,326	\$27,660,326	\$27,218,300	\$27,218,300	\$27,218,300	\$27,218,300	\$27,218,300	\$27,218,300	\$329,271,754
Administration	\$1,574,240	\$1,569,979	\$1,568,898	\$1,563,707	\$1,560,394	\$1,558,692	\$1,546,509	\$1,539,970	\$1,537,014	\$1,532,803	\$1,520,531	\$1,515,514	\$18,588,252
Capitation	\$6,954,531	\$6,114,399	\$7,651,999	\$6,609,959	\$6,957,361	\$6,837,513	\$6,838,979	\$6,488,401	\$6,920,729	\$6,781,013	\$7,036,035	\$6,741,312	\$81,932,230
Medical Claims	\$13,831,004	\$16,688,877	\$14,951,643	\$12,597,092	\$8,930,734	\$15,004,595	\$13,565,272	\$14,616,624	\$14,323,347	\$13,224,336	\$14,150,579	\$13,592,163	\$165,476,266
Pharmacy Claims	\$5,069,797	\$4,414,851	\$4,979,885	\$5,194,148	\$4,602,103	\$4,909,723	\$4,917,538	\$4,857,221	\$4,926,043	\$4,868,982	\$5,049,276	\$4,868,919	\$58,658,484
Pharmacy Rebate	(\$608,125)	(\$608,125)	(\$608,125)	(\$396,548)	(\$396,548)	(\$396,548)	(\$655,571)	(\$655,570)	(\$655,570)	(\$655,570)	(\$655,570)	(\$655,570)	(\$6,947,440)
ACO Incentive	\$0	\$0	\$0	\$0	\$0	\$1,236,580	\$0	\$0	\$0	\$0	\$0	\$0	\$1,236,580
Large Claim Pooling	\$0	\$0	(\$99,399)	(\$423,248)	(\$212,035)	(\$335,066)	(\$242,048)	(\$133,149)	(\$141,264)	(\$282,799)	(\$959,498)	(\$97,634)	(\$2,926,141)
Change in IBNR	\$0	\$0	\$0	\$0	\$0	\$68,621	\$0	\$0	\$0	\$0	\$0	\$0	\$68,621
Total Expenses	\$26,821,447	\$28,179,981	\$28,444,901	\$25,145,110	\$21,442,008	\$28,884,109	\$26,276,249	\$27,019,067	\$27,215,869	\$25,774,335	\$26,446,923	\$26,270,275	\$317,920,274
Premiums Less Expenses	\$838,879	(\$519,655)	(\$784,575)	\$2,515,216	\$6,218,317	(\$1,223,783)	\$942,051	\$199,233	\$2,431	\$1,443,965	\$771,377	\$948,025	\$11,351,480
Increase / (Decrease) in Contingency Reserve as of June 30, 2020													\$252,335
Total Incurred Expense Including Change in Contingency Reserve													\$318,172,609
Incurring Loss Ratio (Total incl. Cont. Reserve Change)	97.0%	101.9%	102.8%	90.9%	77.5%	104.4%	96.5%	99.3%	100.0%	94.7%	97.2%	96.5%	96.6%

[1] Exhibit reflects total BSC population in both plans (active employees and early retirees)

[2] Premiums collected include \$1,896,000 in 2020 BSC plan rate stabilization deficit recovery in rate cards (2020 premiums collected net of this amount = \$327,375,754)

BSC Flex-Funded Plan Experience Detail—Access+ [1]

2020 Plan Year

Month →	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Total
EE/RET Count	11,007	11,027	11,018	11,001	10,986	10,953	10,897	10,864	10,813	10,780	10,701	10,678	10,894 (avg.)
Premiums Collected	\$18,982,695	\$18,982,695	\$18,982,695	\$18,982,695	\$18,982,695	\$18,982,695	\$18,757,894	\$18,757,894	\$18,757,894	\$18,757,894	\$18,757,894	\$18,757,894	\$226,443,530
Administration	\$985,989	\$986,545	\$986,902	\$985,201	\$984,035	\$982,782	\$976,332	\$972,033	\$968,539	\$966,927	\$958,954	\$956,446	\$11,710,684
Capitation	\$4,677,059	\$4,221,155	\$5,290,018	\$4,507,795	\$4,744,080	\$4,652,635	\$4,644,070	\$4,410,203	\$4,748,005	\$4,630,614	\$4,737,762	\$4,630,328	\$55,893,724
Medical Claims	\$8,981,526	\$11,173,157	\$10,611,335	\$8,538,913	\$5,207,196	\$10,770,170	\$10,020,461	\$10,160,708	\$10,042,240	\$8,887,842	\$10,162,014	\$9,793,616	\$114,349,176
Pharmacy Claims	\$3,431,904	\$2,982,962	\$3,424,167	\$3,591,693	\$3,121,704	\$3,397,911	\$3,424,071	\$3,168,630	\$3,409,801	\$3,230,525	\$3,367,193	\$3,336,862	\$39,887,422
Pharmacy Rebate	(\$411,931)	(\$411,931)	(\$411,931)	(\$263,475)	(\$263,475)	(\$263,475)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$3,526,218)
ACO Incentive	\$0	\$0	\$0	\$0	\$0	\$1,232,897	\$0	\$0	\$0	\$0	\$0	\$0	\$1,232,897
Large Claim Pooling	\$0	\$0	(\$99,399)	(\$423,248)	(\$212,035)	(\$335,066)	(\$242,048)	(\$133,149)	(\$141,264)	(\$282,799)	(\$959,498)	(\$97,634)	(\$2,926,141)
Change in IBNR	\$0	\$0	\$0	\$0	\$0	(\$990,145)	\$0	\$0	\$0	\$0	\$0	\$0	(\$990,145)
Total Expenses	\$17,664,547	\$18,951,888	\$19,801,092	\$16,936,880	\$13,581,505	\$19,447,709	\$18,572,885	\$18,328,424	\$18,777,321	\$17,183,108	\$18,016,424	\$18,369,617	\$215,631,400
Premiums Less Expenses	\$1,318,147	\$30,807	(\$818,397)	\$2,045,815	\$5,401,189	(\$465,014)	\$185,009	\$429,470	(\$19,427)	\$1,574,785	\$741,469	\$388,277	\$10,812,130
Increase / (Decrease) in Contingency Reserve as of June 30, 2020													\$33,211
Total Incurred Expense Including Change in Contingency Reserve													\$215,664,611
Incurred Loss Ratio (Total incl. Cont Reserve Change)	93.1%	99.8%	104.3%	89.2%	71.5%	102.4%	99.0%	97.7%	100.1%	91.6%	96.0%	97.9%	95.2%

[1] Exhibit reflects total BSC Access+ population (active employees and early retirees)

BSC Flex-Funded Plan Experience Detail—Trio ^[1]

2020 Plan Year

Month →	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Total
EE/RET Count	6,566	6,524	6,489	6,453	6,435	6,421	6,366	6,347	6,348	6,310	6,268	6,242	6,397 (avg.)
Premiums Collected	\$8,677,631	\$8,677,631	\$8,677,631	\$8,677,631	\$8,677,631	\$8,677,631	\$8,460,406	\$8,460,406	\$8,460,406	\$8,460,406	\$8,460,406	\$8,460,406	\$102,828,224
Administration	\$588,251	\$583,435	\$581,996	\$578,506	\$576,359	\$575,910	\$570,177	\$567,937	\$568,475	\$565,877	\$561,577	\$559,069	\$6,877,568
Capitation	\$2,277,472	\$1,893,244	\$2,361,981	\$2,102,164	\$2,213,280	\$2,184,878	\$2,194,909	\$2,078,199	\$2,172,724	\$2,150,399	\$2,298,273	\$2,110,984	\$26,038,506
Medical Claims	\$4,849,478	\$5,515,721	\$4,340,308	\$4,058,179	\$3,723,538	\$4,234,424	\$3,544,811	\$4,455,917	\$4,281,107	\$4,336,494	\$3,988,565	\$3,798,548	\$51,127,090
Pharmacy Claims	\$1,637,893	\$1,431,889	\$1,555,717	\$1,602,454	\$1,480,399	\$1,511,813	\$1,493,467	\$1,688,590	\$1,516,242	\$1,638,456	\$1,682,083	\$1,532,058	\$18,771,062
Pharmacy Rebate	(\$196,194)	(\$196,194)	(\$196,194)	(\$133,073)	(\$133,073)	(\$133,073)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$1,587,801)
ACO Incentive	\$0	\$0	\$0	\$0	\$0	\$3,683	\$0	\$0	\$0	\$0	\$0	\$0	\$3,683
Large Claim Pooling	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Change in IBNR	\$0	\$0	\$0	\$0	\$0	\$1,058,766	\$0	\$0	\$0	\$0	\$0	\$0	\$1,058,766
Total Expenses	\$9,156,900	\$9,228,094	\$8,643,809	\$8,208,230	\$7,860,503	\$9,436,401	\$7,703,364	\$8,690,643	\$8,438,548	\$8,591,226	\$8,430,498	\$7,900,658	\$102,288,874
Premiums Less Expenses	(\$479,269)	(\$550,462)	\$33,823	\$469,401	\$817,128	(\$758,769)	\$757,042	(\$230,237)	\$21,858	(\$130,820)	\$29,908	\$559,748	\$539,350
Increase / (Decrease) in Contingency Reserve as of June 30, 2020													\$219,124
Total Incurred Expense Including Change in Contingency Reserve													\$102,507,998
Incurring Loss Ratio (Total incl. Cont Reserve Change)	105.5%	106.3%	99.6%	94.6%	90.6%	108.7%	91.1%	102.7%	99.7%	101.5%	99.6%	93.4%	99.7%

[1] Exhibit reflects total BSC Trio population (active employees and early retirees)

Glossary of Terms

ACA—Affordable Care Act (federal health care reform law)

ACO—Accountable Care Organization is an integrated physician and outpatient facility delivery model constructed to provide medical care in the most efficient manner while maintaining high standards of quality

Administration—Includes BSC claim processing fees, BSC large claim pooling fees, Affordable Care Act taxes, and SFHSS Health Care Sustainability Fund fee

Capitation—Fixed monthly payment on a per member basis remitted to physician groups to cover member medical costs for specified services

Contingency Reserve—Reserve held by self-funded plans to cover contingency for unforeseen excess claims cost (measured as of June 30 each year for SFHSS)

Glossary of Terms

IBNR—Incurred But Not Reported reserve which is actuarial estimate for claims incurred on or before a specific measurement date but paid after that date (measured as of June 30 each year for SFHSS)

Large Claim Pooling—Reimbursements to the plan for claims in excess of \$1,000,000 for a individual member during the plan year

Member—covered individual in health plan (employee, retiree, dependent, and COBRA beneficiary)

Pharmacy Rebates—Paid to plans by drug manufacturers