

San Francisco Health Service System Health Service Board

Rates & Benefits

Blue Shield of California Flex-Funded Non-Medicare
2019 Claims Experience Presentation

March 12, 2020

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BSC 2019 Flex-Funded HMO Plan Experience

Introduction

This presentation captures information on calendar year 2019 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 on page 7.

BSC 2019 Flex-Funded HMO Plan Experience

Key Observations Summary—Total Expenses Versus Premiums Collected

- Total incurred plan expense, before considering changes in contingency reserves, increased by 7% on a per employee/retiree per month (PEPM) basis from 2018 levels—consistent with a national cost trend increase expectation of 6%.

- Total premiums collected increased by 10% on a PEPM basis from 2019 levels.
 - This higher-than-trend rating increase into 2019 came out of knowing the population split impacts of Access+ versus Trio given Trio’s introduction on January 1, 2018.
 - For reference, total projected premium increase in BSC plans from 2019 to 2020 is 2%, as presented by Aon at the May 2019 HSB meeting.

- The overall loss ratio for BSC plans in 2019 was 95.3% -- where loss ratio is defined as plan expenses divided by total premiums. In other words, 2019 plan expenses were 4.7% less than premiums collected.

BSC 2019 Flex-Funded HMO Plan Experience

Key Observations Summary—Plan Expenses

- Prescription drug claims were the most **favorable** expense change driver relative to expectations at the outset of 2019, as prescription drug utilization per member remained at 2018 levels, and an already high generic prescription drug use rate increased by about 1% of overall medications dispensed.
- Medical claims were the most **unfavorable** expense increase driver in 2019 versus 2018, driven primarily by an increase in claim dollars paid for very high cost claimants (including 8 members over the \$1 million pooling point in 2019, versus 5 members in 2018).

| BSC Plan Cost Component | Actual SFHSS Cost Increase PEPM | Expected Market Cost Increase Trend |
|---------------------------------------------|---------------------------------|-------------------------------------|
| Medical | | |
| ▪ Before Large Claim Pooling Reimbursements | 11% | 6% |
| ▪ After Large Claim Pooling Reimbursements | 9% | 6% |
| Prescription Drugs | 3% | 6% |

BSC 2019 Flex-Funded HMO Plan Experience

Key Observations Summary—Plan Expenses

- The Brown & Toland Access+ Accountable Care Organization (ACO) collaboration earned a payout of close to \$1.1 million in 2019, after no provider collaboration payouts in 2018.
- The IBNR reserve increased by about \$341,000 overall for BSC plans from June 30, 2018 to June 30, 2019.
- The Contingency Reserve decreased by about \$80,000 overall for BSC plans from June 30, 2018 to June 30, 2019.

BSC Flex-Funded Plan Experience—Overview

2019 versus 2018

Comparison—Total Actual Dollar Basis

- Average total employees / retirees: 17,618 in 2019 versus 17,889 in 2018

| Category | 2018 Actual Dollars | 2019 Actual Dollars | \$ Change | % Change |
|---------------------------------|----------------------|----------------------|---------------------|-----------|
| Premiums Collected | \$306,137,134 | \$332,341,289 | \$26,204,155 | 9% |
| Administration | \$18,693,396 | \$18,653,235 | (\$40,161) | 0% |
| Capitation | \$77,106,922 | \$79,575,325 | \$2,468,403 | 3% |
| Medical Claims | \$162,779,184 | \$178,358,343 | \$15,579,159 | 10% |
| Pharmacy Claims | \$54,463,608 | \$55,212,557 | \$748,949 | 1% |
| Pharmacy Rebate | (\$7,021,295) | (\$7,286,552) | (\$265,267) | 4% |
| ACO Incentive Payment | \$0 | \$1,090,590 | \$1,090,590 | NA |
| Large Claim Pooling | (\$5,090,509) | (\$9,269,416) | (\$4,178,907) | 82% |
| Change in IBNR | (\$372,113) | \$340,654 | \$712,767 | -192% |
| Total Expenses | \$300,559,193 | \$316,674,736 | \$16,115,543 | 5% |
| Recommended Contingency Reserve | \$14,058,155 | \$13,977,799 | (\$80,356) | -1% |

BSC Flex-Funded Plan Experience—Overview

2019 versus 2018

Comparison—Per Employee / Retiree Per Month (PEPM) Basis

- Average total employees / retirees: 17,618 in 2019 versus 17,889 in 2018

| Category | 2018 Dollars PEPM | 2019 Dollars PEPM | \$ Change PEPM | % Change PEPM |
|---------------------------------|-------------------|-------------------|----------------|---------------|
| Premiums Collected | \$1,426.10 | \$1,571.98 | \$145.88 | 10% |
| Administration | \$87.08 | \$88.23 | \$1.15 | 1% |
| Capitation | \$359.19 | \$376.40 | \$17.20 | 5% |
| Medical Claims | \$758.28 | \$843.64 | \$85.36 | 11% |
| Pharmacy Claims | \$253.71 | \$261.16 | \$7.45 | 3% |
| Pharmacy Rebate | (\$32.71) | (\$34.47) | (\$1.76) | 5% |
| ACO | \$0.00 | \$5.16 | \$5.16 | NA |
| Large Claim Pooling | (\$23.71) | (\$43.84) | (\$20.13) | 85% |
| Change in IBNR | (\$1.73) | \$1.61 | \$3.34 | -193% |
| Total Expenses | \$1,400.11 | \$1,497.87 | \$97.76 | 7% |
| Recommended Contingency Reserve | \$65.49 | \$66.12 | \$0.63 | 1% |

BSC Flex-Funded Plan Experience—Overview

2019 Plan Year

Active Employee / Early Retiree Experience Splits

| Category | Active Employees | Early Retirees | Total BSC Plans |
|------------------------------------------------------------|----------------------|---------------------|----------------------|
| Employee/Retiree Count | 14,847 (average) | 2,771 (average) | 17,618 (average) |
| Premiums Collected | \$265,236,490 | \$67,104,799 | \$332,341,289 |
| Administration | \$15,719,754 | \$2,933,481 | \$18,653,235 |
| Capitation | \$66,744,792 | \$12,830,533 | \$79,575,325 |
| Medical Claims | \$145,801,064 | \$32,557,279 | \$178,358,343 |
| Pharmacy Claims | \$42,333,481 | \$12,879,076 | \$55,212,557 |
| Pharmacy Rebate | (\$5,586,865) | (\$1,669,687) | (\$7,286,552) |
| ACO | \$891,049 | \$199,541 | \$1,090,590 |
| Large Claim Pooling | (\$6,231,000) | (\$3,038,416) | (\$9,269,416) |
| Change in IBNR | \$271,871 | \$68,783 | \$340,654 |
| Total Expenses | \$259,944,145 | \$56,730,591 | \$316,674,736 |
| Premiums Less Expenses | \$5,292,345 | \$10,374,208 | \$15,666,553 |
| Incurred Loss Ratio (before change in Contingency reserve) | 98.0% | 84.5% | 95.3% |

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

2019 Plan Year

| Month → | Jan-19 | Feb-19 | Mar-19 | Apr-19 | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Total |
|-----------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|---------------------|---------------------|----------------------|----------------------|
| EE/RET Count | 17,786 | 17,809 | 17,780 | 17,789 | 17,753 | 17,704 | 17,552 | 17,516 | 17,474 | 17,442 | 17,415 | 17,394 | 17,618 (avg.) |
| Premiums Collected [2] | \$27,859,337 | \$27,859,337 | \$27,859,337 | \$27,859,337 | \$27,859,337 | \$27,859,337 | \$27,530,878 | \$27,530,878 | \$27,530,878 | \$27,530,878 | \$27,530,878 | \$27,530,878 | \$332,341,289 |
| Administration | \$1,572,249 | \$1,573,961 | \$1,564,247 | \$1,566,905 | \$1,566,208 | \$1,561,719 | \$1,550,170 | \$1,545,318 | \$1,541,968 | \$1,536,242 | \$1,539,596 | \$1,534,655 | \$18,653,235 |
| Capitation | \$6,517,705 | \$6,470,108 | \$6,857,416 | \$6,887,741 | \$6,237,473 | \$6,492,434 | \$6,460,281 | \$6,343,958 | \$7,074,597 | \$6,394,393 | \$6,407,629 | \$7,431,590 | \$79,575,325 |
| Medical Claims | \$11,270,698 | \$15,624,798 | \$14,197,565 | \$13,630,317 | \$17,591,423 | \$12,944,425 | \$15,332,250 | \$14,916,824 | \$16,645,751 | \$16,448,820 | \$12,100,754 | \$17,654,718 | \$178,358,343 |
| Pharmacy Claims | \$4,519,847 | \$4,582,666 | \$4,363,865 | \$4,393,709 | \$4,987,714 | \$4,636,394 | \$4,599,746 | \$4,858,149 | \$4,565,884 | \$4,565,618 | \$4,714,404 | \$4,424,561 | \$55,212,557 |
| Pharmacy Rebate | (\$592,548) | (\$592,548) | (\$592,548) | (\$525,162) | (\$525,162) | (\$525,162) | (\$655,570) | (\$655,570) | (\$655,570) | (\$655,570) | (\$655,570) | (\$655,570) | (\$7,286,552) |
| ACO | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,090,590 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,090,590 |
| Large Claim Pooling [3] | \$0 | (\$1,436,510) | \$0 | (\$405,421) | (\$1,499,812) | (\$1,074,620) | (\$368,134) | (\$1,170,408) | (\$238,908) | (\$670,595) | (\$769,996) | (\$1,635,013) | (\$9,269,416) |
| Change in IBNR | \$0 | \$0 | \$0 | \$0 | \$0 | \$340,654 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$340,654 |
| Total Expenses | \$23,287,951 | \$26,222,475 | \$26,390,546 | \$25,548,088 | \$28,357,844 | \$25,466,434 | \$26,918,743 | \$25,838,271 | \$28,933,722 | \$27,618,908 | \$23,336,817 | \$28,754,941 | \$316,674,736 |
| Premiums Less Expenses | \$4,571,386 | \$1,636,862 | \$1,468,791 | \$2,311,249 | (\$498,507) | \$2,392,903 | \$612,135 | \$1,692,607 | (\$1,402,844) | (\$88,030) | \$4,194,061 | (\$1,224,063) | \$15,666,553 |
| Increase / (Decrease) in Contingency Reserve as of June 30, 2019 | | | | | | | | | | | | | (\$80,356) |
| Total Incurred Expense Including Change in Contingency Reserve | | | | | | | | | | | | | \$316,594,380 |
| Incurred Loss Ratio (Total incl. Cont. Reserve Change) | 83.6% | 94.1% | 94.7% | 91.7% | 101.8% | 91.4% | 97.8% | 93.9% | 105.1% | 100.3% | 84.8% | 104.4% | 95.3% |

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

[2] Premiums collected include \$3,162,000 in 2019 BSC plan rate stabilization deficit recovery in rate cards (2019 premiums collected net of this amount = \$329,179,289)

[3] February 2019 large claim pooling reimbursements include about \$1.4M for claims incurred in prior years

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

2019 Plan Year

| Month → | Jan-19 | Feb-19 | Mar-19 | Apr-19 | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Total |
|-----------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| EE/RET Count | 11,027 | 11,041 | 11,055 | 11,077 | 11,076 | 11,073 | 10,995 | 10,982 | 10,961 | 10,959 | 10,952 | 10,936 | 11,011 (avg.) |
| Premiums Collected | \$18,984,297 | \$18,984,297 | \$18,984,297 | \$18,984,297 | \$18,984,297 | \$18,984,297 | \$18,958,204 | \$18,958,204 | \$18,958,204 | \$18,958,204 | \$18,958,204 | \$18,958,204 | \$227,655,008 |
| Administration | \$974,794 | \$975,856 | \$976,002 | \$979,096 | \$979,096 | \$978,566 | \$973,262 | \$970,522 | \$968,931 | \$967,252 | \$969,550 | \$966,545 | \$11,679,472 |
| Capitation | \$4,448,288 | \$4,411,756 | \$4,648,042 | \$4,575,116 | \$4,260,720 | \$4,368,129 | \$4,412,010 | \$4,287,296 | \$4,913,686 | \$4,331,571 | \$4,365,766 | \$4,962,461 | \$53,984,842 |
| Medical Claims | \$7,632,409 | \$11,088,604 | \$10,505,037 | \$9,503,436 | \$11,336,226 | \$9,720,510 | \$10,002,828 | \$9,017,913 | \$11,421,338 | \$11,150,990 | \$8,132,558 | \$11,151,014 | \$120,662,864 |
| Pharmacy Claims | \$3,011,644 | \$3,048,811 | \$2,959,741 | \$3,234,095 | \$3,371,102 | \$3,131,738 | \$3,040,948 | \$3,269,329 | \$3,066,205 | \$3,140,927 | \$3,182,415 | \$3,046,995 | \$37,503,951 |
| Pharmacy Rebate | (\$415,028) | (\$415,028) | (\$415,028) | (\$361,168) | (\$361,168) | (\$361,168) | (\$370,647) | (\$370,647) | (\$370,647) | (\$370,647) | (\$370,647) | (\$370,647) | (\$4,552,468) |
| ACO | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,090,590 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,090,590 |
| Large Claim Pooling | \$0 | (\$1,142,470) | \$0 | (\$265,806) | (\$706,108) | (\$1,069,571) | (\$366,620) | (\$370,043) | (\$215,752) | (\$477,535) | (\$571,883) | (\$402,149) | (\$5,587,937) |
| Change in IBNR | \$0 | \$0 | \$0 | \$0 | \$0 | (\$412,745) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | (\$412,745) |
| Total Expenses | \$15,652,107 | \$17,967,529 | \$18,673,795 | \$17,664,769 | \$18,879,868 | \$17,446,049 | \$17,691,782 | \$16,804,371 | \$19,783,761 | \$18,742,559 | \$15,707,760 | \$19,354,219 | \$214,368,569 |
| Premiums Less Expenses | \$3,332,190 | \$1,016,769 | \$310,502 | \$1,319,528 | \$104,429 | \$1,538,248 | \$1,266,422 | \$2,153,833 | (\$825,557) | \$215,645 | \$3,250,444 | (\$396,014) | \$13,286,439 |
| Increase / (Decrease) in Contingency Reserve as of June 30, 2019 | | | | | | | | | | | | | \$287,297 |
| Total Incurred Expense Including Change in Contingency Reserve | | | | | | | | | | | | | \$214,655,866 |
| Incurred Loss Ratio (Total incl. Cont. Reserve Change) | 82.4% | 94.6% | 98.4% | 93.0% | 99.4% | 91.9% | 93.3% | 88.6% | 104.4% | 98.9% | 82.9% | 102.1% | 94.3% |

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

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

2019 Plan Year

| Month → | Jan-19 | Feb-19 | Mar-19 | Apr-19 | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Total |
|-----------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|----------------------|
| EE/RET Count | 6,759 | 6,768 | 6,725 | 6,712 | 6,677 | 6,631 | 6,557 | 6,534 | 6,513 | 6,483 | 6,463 | 6,458 | 6,607 (avg.) |
| Premiums Collected | \$8,875,040 | \$8,875,040 | \$8,875,040 | \$8,875,040 | \$8,875,040 | \$8,875,040 | \$8,572,674 | \$8,572,674 | \$8,572,674 | \$8,572,674 | \$8,572,674 | \$8,572,674 | \$104,686,281 |
| Administration | \$597,455 | \$598,105 | \$588,245 | \$587,809 | \$587,112 | \$583,153 | \$576,907 | \$574,796 | \$573,037 | \$568,990 | \$570,046 | \$568,110 | \$6,973,763 |
| Capitation | \$2,069,417 | \$2,058,352 | \$2,209,374 | \$2,312,625 | \$1,976,753 | \$2,124,305 | \$2,048,271 | \$2,056,662 | \$2,160,911 | \$2,062,822 | \$2,041,863 | \$2,469,129 | \$25,590,483 |
| Medical Claims | \$3,638,289 | \$4,536,194 | \$3,692,529 | \$4,126,880 | \$6,255,197 | \$3,223,915 | \$5,329,422 | \$5,898,911 | \$5,224,413 | \$5,297,830 | \$3,968,195 | \$6,503,704 | \$57,695,480 |
| Pharmacy Claims | \$1,508,203 | \$1,533,855 | \$1,404,124 | \$1,159,614 | \$1,616,612 | \$1,504,656 | \$1,558,798 | \$1,588,820 | \$1,499,679 | \$1,424,691 | \$1,531,988 | \$1,377,566 | \$17,708,606 |
| Pharmacy Rebate | (\$177,520) | (\$177,520) | (\$177,520) | (\$163,994) | (\$163,994) | (\$163,994) | (\$284,923) | (\$284,923) | (\$284,923) | (\$284,923) | (\$284,923) | (\$284,923) | (\$2,734,084) |
| ACO | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Large Claim Pooling | \$0 | (\$294,039) | \$0 | (\$139,615) | (\$793,704) | (\$5,048) | (\$1,514) | (\$800,366) | (\$23,155) | (\$193,061) | (\$198,113) | (\$1,232,864) | (\$3,681,479) |
| Change in IBNR | \$0 | \$0 | \$0 | \$0 | \$0 | \$753,399 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$753,399 |
| Total Expenses | \$7,635,843 | \$8,254,946 | \$7,716,751 | \$7,883,319 | \$9,477,976 | \$8,020,385 | \$9,226,960 | \$9,033,900 | \$9,149,961 | \$8,876,349 | \$7,629,056 | \$9,400,722 | \$102,306,168 |
| Premiums Less Expenses | \$1,239,197 | \$620,094 | \$1,158,289 | \$991,721 | (\$602,936) | \$854,655 | (\$654,287) | (\$461,226) | (\$577,288) | (\$303,675) | \$943,617 | (\$828,048) | \$2,380,113 |
| Increase / (Decrease) in Contingency Reserve as of June 30, 2019 | | | | | | | | | | | | | (\$367,653) |
| Total Incurred Expense Including Change in Contingency Reserve | | | | | | | | | | | | | \$101,938,515 |
| Incurring Loss Ratio (Total incl. Cont. Reserve Change) | 86.0% | 93.0% | 86.9% | 88.8% | 106.8% | 90.4% | 107.6% | 105.4% | 106.7% | 103.5% | 89.0% | 109.7% | 97.4% |

[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 a 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)
- **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)

Glossary of Terms

- **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