

# Health Service Board City & County of San Francisco

## Rates & Benefits Committee

2016 Blue Shield of California (BSC) Flex Funded Non-Medicare Claims  
Experience

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# Executive Summary

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As part of the calculation of the Blue Shield of California (BSC) HMO Rate Stabilization Reserve, the 2016 flex funded non-Medicare claims experience was reviewed. The following pages present the observations of the data found on pages 4 and 5.

- The 2016 total expense increased 3% on a per member per month (PMPM) basis from 2015
- One area in which costs are below trend is the 2016 capitated claims which decreased 4% from 2015
- Total pharmacy claims costs increased 8% which is driven primarily by the increased use of high cost specialty drugs

## Executive Summary (continued)

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- Administration costs decreased significantly due to the 2016 federal Health Insurance Tax (HIT). When the 2016 rates were approved, it was assumed that the HIT tax would be applicable to the Blue Shield Flex Funded Plan due to the California Department of Managed Health (DMHC) filing as a fully-insured plan. Blue Shield of California and the DMHC revisited the definition and as a result flex-funded plans are being treated as not fully insured by Blue Shield and DMHC and therefore were not required to pay the HIT tax for 2016. The decision resulted in an estimated refund to SFHSS by Blue Shield of \$9,934,909. The HIT tax is reflected in Administration costs shown in the charts on pages 4 and 5
- Expenses, including changes in reserves and the refund of HIT, are less than revenue from all sources by \$4,341,800
- The loss ratio for 2016 is 98.64% which is the ratio of total expenses to total revenue

# BSC Flex Funded Claims Experience – 2016

Month	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Total
# Subscribers	18,893	18,886	18,882	18,884	18,891	18,863	18,714	18,702	18,606	18,582	18,595	18,560	18,755
Premiums Collected Flex Funded	\$25,933,718	\$25,794,663	\$25,747,792	\$25,708,000	\$25,588,161	\$25,162,196	\$24,944,895	\$25,079,406	\$25,218,206	\$25,141,444	\$25,214,031	\$25,404,344	\$304,936,856
Administration*	\$2,402,087	\$2,408,068	\$2,404,106	\$2,411,636	\$2,405,902	\$2,402,339	\$2,381,598	\$2,385,415	\$2,367,600	\$2,368,491	\$2,363,655	(\$7,569,218)	\$18,731,681
Capitation	\$5,985,209	\$6,387,484	\$6,212,058	\$6,114,582	\$6,049,456	\$6,202,027	\$5,950,958	\$5,685,690	\$6,139,233	\$6,031,536	\$6,261,138	\$6,677,524	\$73,696,896
Medical Claims	\$11,560,454	\$12,816,698	\$16,706,443	\$11,567,120	\$13,706,212	\$13,272,562	\$13,263,268	\$13,996,540	\$14,344,693	\$13,292,617	\$11,367,961	\$12,501,796	\$158,396,364
Pharmacy Claims	\$4,289,506	\$4,259,994	\$4,563,489	\$4,491,225	\$4,226,923	\$4,656,265	\$4,316,425	\$4,226,741	\$4,398,485	\$4,236,817	\$4,509,566	\$4,433,834	\$52,609,268
Pharmacy Rebate	(\$321,559)	(\$321,559)	(\$321,559)	(\$250,000)	(\$250,000)	(\$250,000)	(\$292,163)	(\$250,000)	(\$250,000)	(\$258,472)	(\$263,147)	(\$250,000)	(\$3,278,458)
ACO	\$0	\$0	\$0	\$0	\$0	\$729,128	\$0	\$0	\$0	\$0	\$0	\$0	\$729,128
Stop Loss	\$284	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$97,596)	(\$62,552)	(\$63,398)	(\$2,334)	(\$225,596)
Monthly IBNR	\$0	\$0	\$0	\$0	\$0	(\$64,227)	\$0	\$0	\$0	\$0	\$0	\$0	(\$64,227)
Premiums Less Expenses	\$2,017,736	\$243,979	(\$3,816,745)	\$1,373,437	(\$550,332)	(\$1,785,899)	(\$675,191)	(\$964,981)	(\$1,684,209)	(\$466,994)	\$1,038,255	\$9,612,743	\$4,341,800
Funding Contingency Reserve													\$182,728
Total Incurred Expense Including Funding Contingency Reserve													\$300,777,784
Monthly Incurred Loss Ratio	92.22%	99.05%	114.82%	94.66%	102.15%	107.10%	102.71%	103.85%	106.68%	101.86%	95.88%	62.16%	98.64%

\* Administration reflects the \$9,934,909 estimated refund of HIT as referenced on page 3

# BSC Flex Funded Claims Experience – 2016 versus 2015

## Per Member Per Month (PMPM) Basis

Expense Category	2015	2015 PMPM	2016	2016 PMPM	Change	% Change	PMPM Change	% Change
Administration	\$28,705,754	\$124.72	\$18,731,681	\$83.23	(\$9,974,073)	-35%	(\$41)	-33%
Capitation	\$76,674,331	\$333.14	\$73,696,896	\$327.46	(\$2,977,435)	-4%	(\$6)	-2%
Medical Claims and IBNR Reserve	\$144,608,935	\$628.31	\$158,332,137	\$703.52	\$13,723,202	9%	\$75	12%
Pharmacy Claims	\$48,555,885	\$210.97	\$52,609,268	\$233.76	\$4,053,384	8%	\$23	11%
Pharmacy Rebate	(\$2,928,885)	(\$12.73)	(\$3,278,458)	(\$14.57)	(\$349,573)	12%	(\$2)	14%
ACO	\$176,030	\$0.76	\$729,128	\$3.24	\$553,098	0%	\$2	0%
Stop Loss	(\$2,580,301)	(\$11.21)	(\$225,596)	(\$1.00)	\$2,354,705	-91%	\$10	0%
<b>Total Expenses</b>	<b>\$293,211,749</b>	<b>\$1,280.67</b>	<b>\$300,595,056</b>	<b>\$1,313.71</b>	<b>\$7,383,307</b>	<b>3%</b>	<b>\$33</b>	<b>3%</b>
Recommended Contingency Reserve	\$14,128,891	\$60.66	\$14,928,178	\$65.24	\$799,287	6%	\$5	8%

# BSC Flex Funded Claims Experience – 2016 versus 2015

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## NOTES:

- All amounts are provided by the Health Service System
- Member count for 2015 was 19,180; member count for 2016 was 18,755
- The 2016 Administration expense category reflects the \$9,934,909 estimated refund of HIT as referenced on page 3
- The 2016 Capitation decreased primarily due to a 2% decrease in HSS membership
- 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
- The paid medical claims for 2016 were \$158,396,364; the change in the IBNR reserve for 2016 was (\$64,277) for a total of \$158,332,137
- Payouts to the Accountable Care Organizations occurred in 2015 to John Muir and 2016 to UCSF/Dignity/Hill Physicians
- In 2016, stop loss reimbursements decreased by \$2,354,705 over 2015

# 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 if applicable.
- **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.