

San Francisco Health Service System Health Service Board

Rates & Benefits

Review Blue Shield of California Flex-Funded Non-Medicare HMO Plans 2022 Claims and Utilization Experience and Approve the Use of One-Third of the Stabilization Reserve Surplus as of December 31, 2022

March 9, 2023

BSC Flex-Funded Non-Medicare HMO Plans 2022 Experience and December 31, 2022 Rate Stabilization Fund

Agenda

- Financial Experience Results Overview – 2022 versus 2021
- Key cost and utilization drivers from BSC reporting
- December 31, 2022 Rate Stabilization Fund Use Recommendation
- Appendix
 - Detailed month-by-month 2022 plan year experience exhibits
 - BSC Plan Rate Stabilization Reserve History
 - BSC HMO Plan Reconciliation Notes
 - Glossary of terms

Today's Recommendation

BSC HMO Plans Rate Stabilization Reserve

In congruence with the Stabilization Fund Policy, approve the use of one third of the December 31, 2022 stabilization reserve **Deficit** or \$3,359,000 (one-third of \$10,077,000) be applied towards buy-up of rates across all rating tiers for the BSC HMO and UHC retiree split family EPO plans for plan year 2024, and apply proportionately between active employees and early retirees.

The remaining Deficit carry forward balance for plan year 2025 is \$6,718,000.

This presentation will explain the derivation of this result and recommendation.

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Financial Experience Results Overview — 2022 versus 2021

BSC Flex-Funded Non-Medicare HMO Plans 2022 Experience

Introduction

This presentation captures information on calendar year 2022 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 Non-Medicare HMO Plans 2022 Experience

Key Observations Summary – Total Expenses Versus Premiums Collected

- Total incurred plan expense, before considering changes in contingency reserves, increased by 13% on a per employee/retiree per month (PEPM) basis from 2021 levels.
 - This comes after PEPM expense increased by 9% from 2020 to 2021.
 - Seven-figure large claims which are subject to large claim pooling reimbursements were a major contributor to the 2022 incurred claim increase.
 - The aggregate increase would be higher if not for the ASO fee savings and shift to SFHSS keeping 100% of Rx rebates from the late 2020/early 2021 Non-Medicare PPO plan RFP process into the 2022 plan year.

BSC Flex-Funded Non-Medicare HMO Plans 2022 Experience

Key Observations Summary – Total Expenses Versus Premiums Collected

- Total premiums collected increased by 1% on a PEPM basis from 2021 levels— reflecting plan year 2022 rate actions and actual plan enrollment for 2022 relative to forecasts in Spring 2021 when 2022 BSC plan rates were determined.
- The overall loss ratio for BSC plans in 2022 was 108.6% (before change in Contingency reserve) — where loss ratio is defined as plan expenses divided by total premiums. In other words, 2022 plan expenses were 8.6% higher than premiums collected.

BSC Flex-Funded Non-Medicare HMO Plans 2022 Experience

Key Observations Summary—Plan Expenses

- Prescription drug claims net of rebates increased on a PEPM basis at a higher rate than expected for the third consecutive year—again, as in past years, this is largely driven by specialty medication spend increases (price and utilization).

BSC Plan Cost Component	Actual SFHSS Cost Change PEPM, 2020-2021	Actual SFHSS Cost Change PEPM, 2021-2022	Expected Market Cost Increase Trend
Medical			
• Before Large Claim Pooling Reimbursements	12.4%	26.8%	6%
• After Large Claim Pooling Reimbursements	11.6%	17.0%	6%
Prescription Drugs (net of rebates)	8.8%	13.3%	7.5%

BSC Flex-Funded Non-Medicare HMO Plans 2022 Experience

- BSC plan fees PEPM decreased by 12% from 2021 to 2022 (blend of -22% for administrative services as a result of fee reductions generated by the Fall 2020 RFP process, and +5% for large claim pooling fee).
- Capitation (fixed cost for certain physician-delivered medical services) PEPM increased by 6% from 2021 to 2022.
- Reserve changes from June 30, 2021, to June 30, 2022, were increases overall for the BSC HMO plans.
 - \$3,859,000 increase in Incurred But Not Reported (IBNR) reserve.
 - \$822,000 increase in Contingency reserve.
- Average enrolled headcount across both plans declined by 4.4% from 2021 to 2022.

BSC Flex-Funded Non-Medicare HMO Plans 2022 Experience

2022 versus 2021 – Total Actual Dollar Basis

Average total employees/retirees: 15,937 in 2022 versus 16,665 in 2021

Category	2021 Actual	2022 Actual	\$ Change	% Change
Premiums Collected	\$336,282,754	\$325,932,412	(\$10,350,342)	-3%
Administration	\$19,237,404	\$16,134,062	(\$3,103,342)	-16%
Capitation	\$82,315,955	\$83,638,423	\$1,322,468	2%
Medical Claims	\$179,200,990	\$217,386,065	\$38,185,076	21%
Pharmacy Claims	\$61,511,131	\$67,415,300	\$5,904,169	10%
Pharmacy Rebate	(\$11,058,019)	(\$12,762,705)	(\$1,704,686)	15%
ACO Incentive Payment	\$807,732	\$0	(\$807,732)	-100%
Large Claim Pooling	(\$4,315,758)	(\$21,653,212)	(\$17,337,454)	402%
Change in IBNR	(\$930,773)	\$3,859,215	\$4,789,988	-515%
Total Expenses	\$326,768,662	\$354,017,148	\$27,248,486	8%
Recommended June 30 Contingency Reserve	\$13,774,152	\$14,595,784	\$821,632	6%

BSC Flex-Funded Non-Medicare HMO Plans 2022 Experience

2022 versus 2021 – Per Employee/Retiree Per Month (PEPM) Basis

Average total employees/retirees: 15,937 in 2022 versus 16,665 in 2021

Category	2021 Dollars PEPM	2022 Dollars PEPM	\$ Change PEPM	% Change PEPM
Premiums Collected	\$1,681.62	\$1,704.27	\$22.64	1%
Administration	\$96.20	\$84.36	(\$11.84)	-12%
Capitation	\$411.63	\$437.34	\$25.71	6%
Medical Claims	\$896.12	\$1,136.69	\$240.57	27%
Pharmacy Claims	\$307.59	\$352.51	\$44.91	15%
Pharmacy Rebate	(\$55.30)	(\$66.73)	(\$11.44)	21%
ACO Incentive Payment	\$4.04	\$0.00	(\$4.04)	-100%
Large Claim Pooling	(\$21.58)	(\$113.22)	(\$91.64)	425%
Change in IBNR	(\$4.65)	\$20.18	\$24.83	-534%
Total Expenses	\$1,634.05	\$1,851.12	\$217.07	13%
Recommended June 30 Contingency Reserve	\$68.88	\$76.32	\$7.44	11%

BSC Flex-Funded Non-Medicare HMO Plans 2022 Experience

2022 Plan Year – Active Employee/Early Retiree Experience Splits

Category	Active Employees	Early Retirees	Total BSC Plans
Employee/Retiree Count	13,633 (average)	2,304 (average)	15,937 (average)
Premiums Collected	\$261,384,912	\$64,547,500	\$325,932,412
Administration	\$13,801,775	\$2,332,287	\$16,134,062
Capitation	\$70,412,780	\$13,225,643	\$83,638,423
Medical Claims	\$181,276,565	\$36,109,500	\$217,386,065
Pharmacy Claims	\$53,148,449	\$14,266,851	\$67,415,300
Pharmacy Rebate	(\$10,061,781)	(\$2,700,924)	(\$12,762,705)
ACO Incentive Payment	\$0	\$0	\$0
Large Claim Pooling	(\$17,080,028)	(\$4,573,184)	(\$21,653,212)
Change in IBNR	\$3,094,938	\$764,277	\$3,859,215
Total Expenses	\$294,592,698	\$59,424,450	\$354,017,148
Premiums Less Expenses	(\$33,207,786)	\$5,123,050	(\$28,084,736)
Incurred Loss Ratio (before change in Contingency reserve)	112.7%	92.1%	108.6%

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Key Cost and Utilization Drivers From BSC Reporting

Key Cost and Utilization Drivers From BSC Reporting

High-Cost Claimants (individuals exceeding \$500,000 claims in a year)

- 49 members exceeded \$500,000 in paid medical/prescription drug claims in 2022 (vs. 28 in 2021) — accounting for \$59.5M of total claim spend.
 - \$21.7M of this was reimbursed to SFHSS for amounts exceeding \$1 million via the large claim pooling mechanism.
 - This compares to \$4.3M reimbursed in 2021 to SFHSS for amounts exceeding \$1 million via the large claim pooling mechanism.
- Predominant diagnostic categories for 2022 claimants exceeding \$500K were similar to 2021:
 - Childbirth
 - Cancer
 - Cardiovascular
- Septicemia was also a large claim contributor for several individuals in 2022.

Key Cost and Utilization Drivers From BSC Reporting

Total Population (Service Dates Through September 2022)

- There were observed high percentage increases in population incidence per 1,000 covered lives for many chronic conditions in the October 2021 – September 2022 period versus prior periods:

Chronic Condition	Incidence per 1,000 Covered Lives			Change, 10/20-9/21 to 10/21-9/22
	Oct 2019-Sep 2020	Oct 2020-Sep 2021	Oct 2021-Sep 2022	
Musculoskeletal	233.5	233.0	261.5	12.2%
Hypertension	89.5	102.4	94.9	-7.3%
Diabetes	77.4	82.5	80.6	-2.3%
Mental Health	61.1	60.7	71.3	17.5%
Lipid Disorders	57.2	66.0	66.3	0.5%
Cancer	41.9	43.8	50.8	16.0%
Cardiovascular Disorders	37.3	39.9	46.7	17.0%
Vascular Disease	24.2	26.9	30.8	14.5%
Asthma	26.7	23.3	22.8	-2.1%
Obesity	13.7	14.6	16.1	10.3%
Renal Failure	7.0	8.2	8.9	8.5%

Key Cost and Utilization Drivers From BSC Reporting

Preventive Care Utilization (Service Dates Through September 2022)

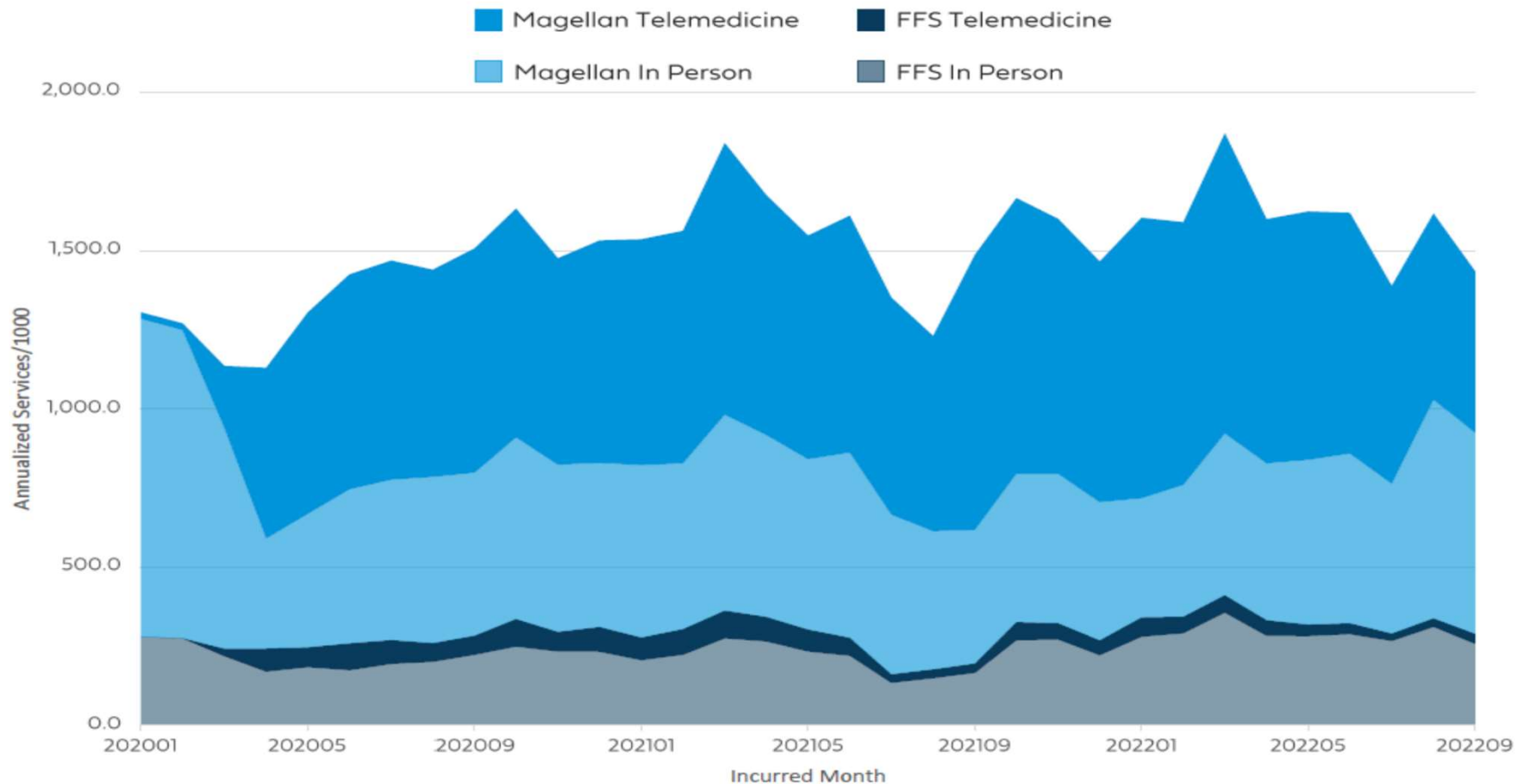
- Preventive care utilization rates are rebounding from the prior 12-month period (Oct 2020 – Sep 2021) to the most recent 12-month period (Oct 2021 – Sep 2022)—though screening rates for breast cancer, prostate cancer, and general preventive screenings remain lower than pre-pandemic rates:

Screening Category	Incidence per 1,000 Covered Lives			Change, 10/20-9/21 to 10/21-9/22
	Oct 2019-Sep 2020	Oct 2020-Sep 2021	Oct 2021-Sep 2022	
Breast Cancer	180.9	147.4	176.6	19.8%
Cervical Cancer	104.6	102.7	122.8	19.6%
Colon Cancer	109.2	111.6	127.9	14.6%
Prostate Cancer	73.4	48.9	50.0	2.2%
Preventive Screenings	458.3	413.0	429.3	3.9%

Key Cost and Utilization Drivers From BSC Reporting

Mental Health Utilization (Service Dates Through September 2022)

- About half of mental health visits for the SFHSS BSC HMO population are delivered virtually—with 80% of total services delivered through a Magellan mental health provider (with remaining 20% delivered fee for service—FFS):



Key Cost and Utilization Drivers From BSC Reporting

Prescription Drugs (Service Dates Through September 2022)

- Rx claims per covered life increased 11% from the prior 12-month period (Oct 2020 – Sep 2021) to the most recent 12-month period (Oct 2021 – Sep 2022).
 - There was a fairly even split between per script cost trend (+6%) and scripts per covered life utilization trend (+5%).
- Nearly half (46.6%) of total Rx spend was driven by specialty medications (utilized by 1.0% of SFHSS covered lives in BSC HMO plans)—which is in line with benchmarks.
 - Specialty Rx spend trend per covered life was +14%.
- Drug classes driving highest cost per script trends were dermatological, cancer, and endocrine/metabolic medications.

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BSC HMO Plans December 31, 2022, Rate Stabilization Fund Recommendation

SFHSS Health Plan Reserves Background

Three Reserves for SFHSS Self-Funded / Flex-Funded Plans

Today's Discussion Focuses on Third Below—Stabilization

- 1) Incurred But Not Reported (IBNR):** Actuarial estimate of the unpaid claim liability for run-out claims where services were incurred on or before a given date, but those claims have not yet been paid as of that date; **calculated annually as of June 30 (last day of fiscal year)** for SFHSS plans (e.g., as of June 30, 2022, for most recent reserve cycle).
- 2) Contingency:** Statistically determined amount which protects against potential for funding estimate shortfalls which could occur when the actual claims incurred over a plan year would exceed projected claims when developing premium equivalents; **calculated annually as of June 30 (last day of fiscal year)** for SFHSS plans (e.g., as of June 30, 2022, for most recent reserve cycle).
- 3) Stabilization:** Annual determination of the financial gain or loss for the self-funded/flex-funded plans; **calculated annually as of December 31 (last day of plan year)** for SFHSS plans (e.g., as of December 31, 2022, for today's review of the Blue Shield of California (BSC) Flex Funded HMO stabilization amounts).

Today's Discussion—BSC HMO Plans Rate Stabilization Fund

Information on the June 30, 2022, IBNR and Contingency Reserves was presented by Aon to the HSB on January 12, 2023.

This presentation focuses on the BSC HMO Plans (Access+ and Trio) Rate Stabilization Reserve amount that is recommended by Aon as of December 31, 2022.

The HSB's Self-Funded Plans' Stabilization Policy requires an annual determination of the financial gain or loss over a calendar year for each self-funded and flex-funded health plan. The difference between the expected and actual plan costs for the just-completed plan year is added to the existing Stabilization Reserve balance, and per policy is amortized over a three-year rating period.

Recent BSC HMO Plans Rate Stabilization Actions

For most years since the BSC HMO became flex-funded in 2013 (after being fully insured prior to 2013), the BSC HMO plans have been in a Rate Stabilization Deficit position—but this changed to a Surplus as of December 31, 2019.

Due to favorable claim experience in 2020 and 2021 plan years relative to plan rates—influenced by claim suppression especially during the second calendar quarter of 2020 due to the COVID-19 pandemic—the BSC HMO plans Rate Stabilization Surplus continued to increase through the December 31, 2021 amount. This resulted in a Rate Stabilization Buy-Down in 2023 BSC HMO plan rates in the amount of \$6,592,000.

The remaining BSC HMO Plans surplus carry forward in Stabilization Reserve after the 2023 rating action described above was \$13,183,000—this will be applied in BSC HMO Plans rating for the 2024 plan year.

Further information on recent Rate Stabilization Fund actions is presented in the Appendix to this document.

Recent BSC HMO Plans Rate Stabilization Actions

At the beginning of every rate and benefits cycle, the claims experience for the prior calendar year is evaluated. Based on the higher-than-expected 2022 BSC HMO Plans claims experience described earlier in this document, the stabilization balance will change from a Surplus to a Deficit as of December 31, 2022. The overall Rate Stabilization Deficit balance as of December 31, 2022 is \$10,077,000 to carry into the 2024 plan year.

This calculation will be discussed in following pages. Per Stabilization Policy, one-third of this Rate Stabilization Deficit amount, or \$3,359,000, is recommended to be applied in 2024 plan year rating for the BSC HMO Plans (Access+ and Trio) and UHC Retiree Split-Family EPO Plans as a buy-up to rates.

This \$3,359,000 rating buy-up figure represents approximately 1% of early estimated 2024 plan year BSC HMO rates, over and above health care cost trend that will also be incorporated into 2024 BSC HMO rate calculations. We will present 2024 BSC HMO rating recommendations during the May 11, 2023 HSB meeting.

BSC HMO Plans 2022 Plan Year Reconciliation

Combined Access+ and Trio Plans for Active Employees and Early Retirees

January 2022 – December 2022 Plan Reconciliation (Actual vs Expected)	Expected	Actual
1 Estimated Incurred Claims—includes capitation, pharmacy cost, BTMG redirection savings forecast from RFP, and fee for service claims cost IBNR Increase / (Decrease)	\$345,931,301	\$346,786,576 <u>\$3,859,215</u>
Total Claims Spend	\$345,931,301	\$350,645,791
2 Administration Expense—BSC Administrative/Large Claim Pooling Fees	\$17,016,780	\$16,134,062
3 Rx Rebates	<u>(\$10,011,870)</u>	<u>(\$13,552,995)</u>
4 Total Cost (1+2+3)	\$352,936,211	\$353,226,858
5 Total Contributions	<u>\$348,080,211</u>	<u>\$325,932,412</u>
6 Revenue Shortfall / (Surplus) (4-5)	\$4,856,000	\$27,294,446
7 Increase / (Decrease) in Contingency Reserve		<u>\$821,632</u>
8 Total Shortfall / (Surplus) (Actual column: 6+7)		\$28,116,078
9 Aon Recommended Carry Forward Shortfall / (Surplus) (Actual 8 – Expected 6; rounded to nearest \$000)		<u>\$23,260,000</u>

Today's Recommendation

Rate Stabilization Reserve Calculation – BSC HMO/UHC EPO Plans

Stabilization surplus balance as of December 31, 2021	(\$19,775,000)
Offset surplus amount applied in 2023 rate buy-down per policy (1/3)	(\$6,592,000)
Prior carry-forward stabilization surplus balance	(\$13,183,000)
Recommended increase to the deficit based on 2022 experience	\$23,260,000
Stabilization deficit balance as of December 31, 2022	\$10,077,000
Calculated amount per amortization policy to apply to 2024 rate buy-up per policy (1/3 of stabilization deficit balance)	\$3,359,000
Updated carry-forward stabilization deficit for use after 2024	\$6,718,000

Today's Recommendation

In congruence with the Stabilization Fund Policy, approve the use of one third of the December 31, 2022 stabilization reserve **Deficit** or \$3,359,000 (one-third of \$10,077,000) be applied towards buy-up of rates across all rating tiers for the BSC HMO/UHC EPO plans for plan year 2024, and apply proportionately between active employees and early retirees.

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Appendix

- BSC Flex-Funded Plan Experience Detail – Both Plans (2022 Plan Year)
- BSC Flex-Funded Plan Experience Detail – Access+ (2022 Plan Year)
- BSC Flex-Funded Plan Experience Detail – Trio (2022 Plan Year)
- BSC Plan Rate Stabilization Reserve History
- BSC HMO Plan Reconciliation Notes
- Glossary of Terms

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

2022 Plan Year

Month →	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Total
EE/RET Count	16,357	16,302	16,264	16,105	16,041	15,989	15,839	15,798	15,706	15,664	15,604	15,576	15,937 (avg.)

Premiums Collected	\$27,675,999	\$27,675,999	\$27,675,999	\$27,675,999	\$27,675,999	\$27,675,999	\$26,646,069	\$26,646,069	\$26,646,069	\$26,646,069	\$26,646,069	\$26,646,069	\$325,932,412
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Administration	\$1,383,656	\$1,374,761	\$1,371,628	\$1,358,471	\$1,353,159	\$1,348,438	\$1,336,037	\$1,331,736	\$1,324,735	\$1,320,941	\$1,316,387	\$1,314,112	\$16,134,062
Capitation	\$6,944,988	\$7,026,990	\$6,945,206	\$6,883,359	\$7,804,370	\$7,037,667	\$6,596,496	\$6,671,998	\$6,752,865	\$6,756,873	\$7,564,930	\$6,652,681	\$83,638,423
Medical Claims	\$14,631,380	\$17,815,229	\$14,902,811	\$21,596,344	\$21,701,339	\$17,524,333	\$11,920,211	\$17,575,848	\$27,033,431	\$15,350,856	\$18,705,100	\$18,629,185	\$217,386,065
Pharmacy Claims	\$5,375,756	\$4,985,435	\$5,807,654	\$5,461,942	\$5,459,496	\$5,756,319	\$5,512,561	\$5,845,138	\$5,773,957	\$5,524,817	\$5,910,945	\$6,001,281	\$67,415,300
Pharmacy Rebate	(\$1,201,775)	(\$1,201,775)	(\$1,201,775)	(\$1,352,460)	(\$1,352,460)	(\$1,352,460)	(\$850,000)	(\$850,000)	(\$850,000)	(\$850,000)	(\$850,000)	(\$850,000)	(\$12,762,705)
ACO	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Large Claim Pooling	(\$584,059)	(\$2,097,529)	(\$805,504)	(\$1,904,764)	(\$947,450)	(\$1,107,379)	(\$706,365)	(\$2,407,431)	(\$5,245,561)	(\$321,818)	(\$2,620,013)	(\$2,905,340)	(\$21,653,212)
Change in IBNR	\$0	\$0	\$0	\$0	\$0	\$3,859,215	\$0	\$0	\$0	\$0	\$0	\$0	\$3,859,215
Total Expenses	\$26,549,946	\$27,903,112	\$27,020,021	\$32,042,892	\$34,018,453	\$33,066,132	\$23,808,940	\$28,167,289	\$34,789,426	\$27,781,669	\$30,027,349	\$28,841,919	\$354,017,148

Premiums Less Expenses	\$1,126,053	(\$227,113)	\$655,978	(\$4,366,892)	(\$6,342,453)	(\$5,390,133)	\$2,837,129	(\$1,521,220)	(\$8,143,357)	(\$1,135,599)	(\$3,381,279)	(\$2,195,850)	\$28,084,736
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Increase / (Decrease) in Contingency Reserve as of June 30, 2021 **\$821,632**

Total Incurred Expense Including Change in Contingency Reserve **\$354,838,780**

Incurring Loss Ratio (Total includes Contingency Reserve Change)	95.9%	100.8%	97.6%	115.8%	122.9%	119.5%	89.4%	105.7%	130.6%	104.3%	112.7%	108.2%	108.9%
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[1] Exhibit reflects total BSC population in both plans (active employees and early retirees)

[2] Premiums collected include (\$2,562,000) in 2021 BSC plan rate stabilization buy down in rate cards (2021 premiums collected net of this amount = \$338,844,754)

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

2022 Plan Year

Month →	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Total
EE/RET Count	10,480	10,443	10,411	10,302	10,279	10,261	10,146	10,121	10,061	10,042	10,010	10,006	10,214 (avg.)
Premiums Collected	\$18,941,028	\$18,941,028	\$18,941,028	\$18,941,028	\$18,941,028	\$18,941,028	\$18,347,217	\$18,347,217	\$18,347,217	\$18,347,217	\$18,347,217	\$18,347,217	\$223,729,468
Administration	\$886,622	\$881,108	\$878,396	\$869,705	\$867,595	\$865,908	\$856,119	\$853,588	\$848,863	\$847,260	\$844,813	\$844,559	\$10,344,535
Capitation	\$4,764,402	\$4,811,182	\$4,813,290	\$4,736,199	\$5,393,041	\$4,848,661	\$4,582,634	\$4,593,674	\$4,668,002	\$4,672,585	\$5,188,997	\$4,597,372	\$57,670,039
Medical Claims	\$9,754,450	\$12,204,598	\$10,185,983	\$17,404,464	\$15,932,052	\$12,317,980	\$9,153,470	\$13,366,710	\$17,770,079	\$11,783,412	\$13,339,096	\$13,734,634	\$156,946,927
Pharmacy Claims	\$3,542,476	\$3,499,163	\$3,854,234	\$3,710,248	\$3,667,564	\$3,839,319	\$3,730,371	\$3,894,442	\$3,995,988	\$3,670,591	\$3,996,763	\$4,093,550	\$45,494,709
Pharmacy Rebate	(\$811,761)	(\$811,761)	(\$811,761)	(\$931,205)	(\$931,205)	(\$931,205)	(\$600,000)	(\$600,000)	(\$600,000)	(\$600,000)	(\$600,000)	(\$600,000)	(\$8,828,899)
ACO Incentive	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Large Claim Pooling	(\$584,059)	(\$2,097,529)	(\$805,504)	(\$1,904,764)	(\$722,686)	(\$1,107,379)	(\$706,351)	(\$2,407,431)	(\$2,562,630)	(\$316,354)	(\$2,542,999)	(\$2,867,303)	(\$18,624,988)
Change in IBNR							\$3,245,497						\$3,245,497
Total Expenses	\$17,552,130	\$18,486,760	\$18,114,637	\$23,884,646	\$24,206,361	\$23,078,781	\$17,016,243	\$19,700,983	\$24,120,301	\$20,057,493	\$20,226,670	\$19,802,813	\$246,247,820
Premiums Less Expenses	\$1,388,898	\$454,268	\$826,391	(\$4,943,618)	(\$5,265,333)	(\$4,137,753)	\$1,330,974	(\$1,353,766)	(\$5,773,085)	(\$1,710,277)	(\$1,879,453)	(\$1,455,596)	(\$22,518,352)
Increase / (Decrease) in Contingency Reserve as of June 30, 2021													\$379,484
Total Incurred Expense Including Change in Contingency Reserve													\$246,627,304
Incurred Loss Ratio (Total includes Contingency Reserve Change)	92.7%	97.6%	95.6%	126.1%	127.8%	121.8%	92.7%	107.4%	131.5%	109.3%	110.2%	107.9%	110.2%

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

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

2022 Plan Year

Month →	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Total
EE/RET Count	5,877	5,859	5,853	5,803	5,762	5,728	5,693	5,677	5,645	5,622	5,594	5,570	5,724 (avg.)
Premiums Collected	\$8,734,971	\$8,734,971	\$8,734,971	\$8,734,971	\$8,734,971	\$8,734,971	\$8,298,853	\$8,298,853	\$8,298,853	\$8,298,853	\$8,298,853	\$8,298,853	\$102,202,944
Administration	\$497,033	\$493,654	\$493,232	\$488,766	\$485,564	\$482,530	\$479,918	\$478,148	\$475,873	\$473,682	\$471,575	\$469,552	\$5,789,526
Capitation	\$2,180,586	\$2,215,808	\$2,131,916	\$2,147,161	\$2,411,329	\$2,189,006	\$2,013,861	\$2,078,325	\$2,084,863	\$2,084,288	\$2,375,933	\$2,055,309	\$25,968,384
Medical Claims	\$4,876,930	\$5,610,631	\$4,716,828	\$4,191,880	\$5,769,287	\$5,206,352	\$2,766,742	\$4,209,138	\$9,263,352	\$3,567,444	\$5,366,004	\$4,894,551	\$60,439,138
Pharmacy Claims	\$1,833,280	\$1,486,273	\$1,953,421	\$1,751,694	\$1,791,931	\$1,917,000	\$1,782,190	\$1,950,696	\$1,777,969	\$1,854,226	\$1,914,181	\$1,907,732	\$21,920,592
Pharmacy Rebate	(\$390,014)	(\$390,014)	(\$390,014)	(\$421,255)	(\$421,255)	(\$421,255)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$3,933,806)
ACO Incentive	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Large Claim Pooling	\$0	\$0	\$0	\$0	(\$224,764)	\$0	(\$14)	\$0	(\$2,682,931)	(\$5,464)	(\$77,014)	(\$38,037)	(\$3,028,224)
Change in IBNR						\$613,718							\$613,718
Total Expenses	\$8,997,816	\$9,416,352	\$8,905,384	\$8,158,245	\$9,812,092	\$9,987,351	\$6,792,697	\$8,466,306	\$10,669,125	\$7,724,175	\$9,800,679	\$9,039,107	\$107,769,328
Premiums Less Expenses	(\$262,844)	(\$681,380)	(\$170,413)	\$576,726	(\$1,077,120)	(\$1,252,380)	\$1,506,156	(\$167,453)	(\$2,370,272)	\$574,677	(\$1,501,826)	(\$740,254)	(\$5,566,384)
Increase / (Decrease) in Contingency Reserve as of June 30, 2021													\$442,148
Total Incurred Expense Including Change in Contingency Reserve													\$108,211,476
Incurred Loss Ratio (Total includes Contingency Reserve Change)	103.0%	107.8%	102.0%	93.4%	112.3%	114.3%	81.9%	102.0%	128.6%	93.1%	118.1%	108.9%	105.9%

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

BSC Plan Rate Stabilization Reserve History

Presented at the March 11, 2021 Meeting

Aon Rate Stabilization Calculation ^[1]

Stabilization surplus balance carry-forward as of December 31, 2019	(\$5,124,000)
Aon recommended an increase to stabilization surplus	(\$9,443,000)
Total stabilization surplus balance as of December 31, 2020	<u>(\$14,567,000)</u>
Stabilization Policy requires 33% of balance to be applied to the 2022 rates	(\$4,856,000)
Remaining carry-forward in stabilization surplus balance for plan years 2022 and after	<u>(\$9,711,000)</u>

[1] Positive numbers reflect a loss and are added to the rates; negative numbers in parentheses reflect a gain and are subtracted from the rates.

BSC Plan Rate Stabilization Reserve History

Presented at the March 10, 2022 Meeting

Aon Rate Stabilization Calculation ^[1]

Stabilization surplus balance carry-forward as of December 31, 2020	(\$9,711,000)
Aon recommended an increase to stabilization surplus	(\$10,064,000)
Total stabilization surplus balance as of December 31, 2021	(\$19,775,000)
Stabilization Policy requires 33% of balance to be applied to the 2023 rates	(\$6,592,000)
Remaining carry-forward in stabilization surplus balance for plan years 2024 and after	(\$13,183,000)

[1] Positive numbers reflect a loss and are added to the rates; negative numbers in parentheses reflect a gain and are subtracted from the rates.

BSC HMO Plans Reconciliation Notes

- 1 Estimated Incurred Claims including claim payments for medical, pharmacy, and capitation in January–December 2022.
- 2 Administration Expense — Cost of administering January–December 2022 claims payments for medical and pharmacy including large claim pooling fees.
- 3 Rx Rebates — Rebates from drug manufacturers for active employees and early retirees.
- 5 Total Contributions — Annual premium revenue collected.
- 6 Revenue Shortfall/(Surplus) — Difference in cost versus premium revenue collected.
- 7 Contingency Reserve — Explicit reserve held to cover excess losses (amount presented in January 2023 HSB meeting).
- 9 Actual shortfall/(surplus) minus expected shortfall/(surplus) — Amount added to existing stabilization balance per HSB Self-Funded Plans' Stabilization Policy and amortized over three years.

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 an 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