

Health Service Board City & County of San Francisco

Rates & Benefits

Blue Shield of California Flex Funded HMO 2017 Rates and Premium Contributions Presentation—Active Employees and Early Retirees

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Summary

The overall increase for the Blue Shield plan is 4.26%. This rate includes the flex funded medical and pharmacy (Rx) costs, the claims Rate Stabilization Reserve amortization, vision and HSS Sustainability Fund and second opinion costs.

The increase for the flex funded medical and pharmacy Blue Shield of California (BSC) portion is 3.8%. When the amortization of the stabilization is included, the increase is 3.97%.

A **3.97% increase** over the 2016 is due to 5 key items:

- An 8.33% increase in projected medical and prescription drug spend from 2016 to 2017
- A 2% increase in BSC administrative fee expense
- A \$1.00 per member per month (or 8.77%) reduction in the pooling charge (paid on claims in excess of \$1M covered by BSC)
- The one year elimination of two Affordable Care Act (ACA) fees on December 31, 2016
- Inclusion of the Claims Stabilization amortization 0.17%

It is important to note, when considering the 3.97% increase, that Aon's national trend guidance shows national trends running between 5% and 7% for the same time period.

Summary (continued)

When setting the total overall for the BSC Plan premiums, the following HSS costs are included:

- The VSP vision (which is a 2% decrease for 2017)
- The Healthcare Sustainability Fee which is \$3.00 per employee per month for 2017
- Best Doctors (second opinion benefit) which is \$1.40 per employee per month

The rate cards are provided for the 93 / 93 / 83 and the 100 / 96 / 83 contribution strategies to conform with the majority of union agreements. For the Early Retirees the 10-County average of \$604.84 is used. The 2017 average increased by 4.42% over the 2016 amount.

2017 BSC Flex Funded Premium Equivalent Underwriting Rating Results

- The trend amounts outlined on page 12, apply to claims experience through January 2016 and generate a projected overall claims spend of \$660.77 on a per member per month (PMPM) basis.
- Combining the projected overall claims spend with the additional fees below, results in a premium equivalent rate for 2017 of \$711.82 PMPM, compared to \$684.64 PMPM for 2016. This is an overall net increase of 3.97%.

Rate Comparison Detail

	2016	2017	Change
Projected Medical and Rx Spend	\$609.95	\$660.77	+8.33%
Pooling Charge	\$11.40	\$10.40	-8.77%
Administrative Expense (retention)	\$28.45	\$29.02	+2.00%
Affordable Care Act (ACA) Fees	\$24.93	\$0.20	-99.20%
<i>PCORI</i>	<i>\$0.19</i>	<i>\$0.20</i>	
<i>Transitional Reinsurance</i>	<i>\$2.29</i>	<i>\$0.00</i>	
<i>Health Insurer Tax</i>	<i>\$22.45</i>	<i>\$0.00</i>	
Projected Spend, Fees, and Taxes	\$674.73	\$700.39	+3.80%
Claims Stabilization Reserve Assessment	\$9.91	\$11.43	
Final Projected Claims Spend, Fees, and Taxes	\$684.64	\$711.82	+3.97%

Large Claims Experience

- From February 1, 2015 to January 31, 2016, there were six large claims that exceeded the \$1M pooling point.
- Pursuant to our contract, BSC remitted a total of \$2,525,377 for claims exceeding the pooling point.
- This amount is consistent with current expectations and is in line with historical levels.
- The Accountable Care Organizations (ACOs) are managing large claims effectively under the Flex Funded arrangement.

2017 BSC Flex Funded Rates and Contributions

Active Employee and Early Retiree—93 / 93 / 83 Contribution Strategy

		Active			Early Retiree		
		EE	EE + 1	EE + 2	EE	EE + 1	EE + 2
Employee Contributions	Plan Year 2016	\$50.51	\$100.87	\$346.50	\$71.14	\$445.00	\$1,042.17
	Plan Year 2017	\$52.66	\$105.01	\$360.53	\$73.70	\$462.50	\$1,083.16
	\$ Increase	\$2.15	\$4.14	\$14.03	\$2.56	\$17.50	\$40.99
	% Increase	4.26%	4.10%	4.05%	3.60%	3.93%	3.93%
Employer Contributions	Plan Year 2016	\$671.02	\$1,340.20	\$1,691.74	\$1,593.25	\$1,967.11	\$1,967.11
	Plan Year 2017	\$699.59	\$1,395.08	\$1,760.23	\$1,659.72	\$2,048.51	\$2,048.52
	\$ Increase	\$28.57	\$54.88	\$68.49	\$66.47	\$81.40	\$81.41
	% Increase	4.26%	4.09%	4.05%	4.17%	4.14%	4.14%
Total Rate	Plan Year 2016	\$721.53	\$1,441.07	\$2,038.24	\$1,664.39	\$2,412.11	\$3,009.28
	Plan Year 2017	\$752.25	\$1,500.09	\$2,120.76	\$1,733.42	\$2,511.01	\$3,131.68
	\$ Increase	\$30.72	\$59.02	\$82.52	\$69.03	\$98.90	\$122.40
	% Increase	4.26%	4.10%	4.05%	4.15%	4.10%	4.07%

Member Impact

- Active Employee: EE Only monthly contribution increases by \$2.15 (from \$50.51 to \$52.66) driven by the rate increase.
- Active Employee: EE + 1 monthly contribution increases by \$4.14 and increases by \$14.03 for EE + 2.

Employer Impact

- Active Employee: EE Only monthly employer contribution increases by \$28.57 (from \$671.02 to \$699.59) driven by the rate increase.
- Active Employee: EE + 1 monthly employer contribution increases by \$54.88 and increases by \$68.49 for EE + 2.

2017 BSC Flex Funded Rates and Contributions

Active Employee and Early Retiree—100 / 96 / 83 Contribution Strategy

		Active			Early Retiree		
		EE	EE + 1	EE + 2	EE	EE + 1	EE + 2
Employee Contributions	Plan Year 2016	\$0.00	\$57.64	\$346.50	\$71.14	\$445.00	\$1,042.17
	Plan Year 2017	\$0.00	\$60.00	\$360.53	\$73.70	\$462.50	\$1,083.16
	\$ Increase	\$0.00	\$2.36	\$14.03	\$2.56	\$17.50	\$40.99
	% Increase	-	4.09%	4.05%	3.60%	3.93%	3.93%
Employer Contributions	Plan Year 2016	\$721.53	\$1,383.43	\$1,691.74	\$1,593.25	\$1,967.11	\$1,967.11
	Plan Year 2017	\$752.25	\$1,440.09	\$1,760.23	\$1,659.72	\$2,048.51	\$2,048.52
	\$ Increase	\$30.72	\$56.66	\$68.49	\$66.47	\$81.40	\$81.41
	% Increase	4.26%	4.10%	4.05%	4.17%	4.14%	4.14%
Total Rate	Plan Year 2016	\$721.53	\$1,441.07	\$2,038.24	\$1,664.39	\$2,412.11	\$3,009.28
	Plan Year 2017	\$752.25	\$1,500.09	\$2,120.76	\$1,733.42	\$2,511.01	\$3,131.68
	\$ Increase	\$30.72	\$59.02	\$82.52	\$69.03	\$98.90	\$122.40
	% Increase	4.26%	4.10%	4.05%	4.15%	4.10%	4.07%

Member Impact

- Active Employee: EE Only monthly contributions are paid at 100% under the 100 / 96 / 83 contribution formula.
- Active Employee: EE + 1 monthly contribution increases by \$2.36 and increases by \$14.03 for EE + 2.

Employer Impact

- Active Employee: EE Only monthly employer contribution increases by \$30.72 (from \$721.53 to \$752.25) driven by the rate increase.
- Active Employee: EE + 1 monthly employer contribution increases by \$56.66 and increases by \$68.49 for EE + 2.

2017 BSC Flex Funded Monthly Rate Card

93 / 93 / 83 Contribution Strategy

	Actives			Early Retirees		
	Employee Only	Employee and One Dependent	Employee and Family	Retiree without Medicare	Retiree and Spouse w/o Medicare	Retiree and Family
Medical	\$731.61	\$1,463.25	\$2,070.48	\$1,696.73	\$2,457.62	\$3,064.85
Vision	\$3.95	\$7.92	\$11.20	\$3.95	\$7.92	\$11.20
Expense ¹	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Best Doctors ²	\$1.40	\$1.40	\$1.40	\$1.40	\$1.40	\$1.40
Claims Stabilization Amount / Self-Funded Policy	\$12.29	\$24.52	\$34.68	\$28.34	\$41.07	\$51.23
Total	\$752.25	\$1,500.09	\$2,120.76	\$1,733.42	\$2,511.01	\$3,131.68

10-County Amount (Early Retirees and Retirees only) ³	\$0.00	\$0.00	\$0.00	\$604.84	\$0.00	\$0.00
Single Retiree Offset ⁴	\$0.00	\$0.00	\$0.00	\$0.00	\$604.84	\$604.84
"Actuarial Difference" ⁵	\$0.00	\$0.00	\$0.00	\$981.17	\$981.17	\$981.17
Retiree Prop. E Subsidy ⁶	\$0.00	\$0.00	\$0.00	\$73.71	\$462.50	\$462.50
Subtotal City Contributions	\$0.00	\$0.00	\$0.00	\$1,659.72	\$2,048.51	\$2,048.51
2017 Non-Bargained Contribution Rate	\$752.25	\$1,500.09	\$2,120.76	\$73.70	\$462.50	\$1,083.17

MOU Negotiated Pickup ⁷	\$699.59	\$1,395.08	\$1,760.23			
2017 Typical Bargained Member / Retiree Contribution	\$52.66	\$105.01	\$360.53	\$73.70	\$462.50	\$1,083.17

Final Member Contribution 2016	\$50.51	\$100.87	\$346.50	\$71.14	\$445.00	\$1,042.17
Difference	\$2.15	\$4.14	\$14.03	\$2.56	\$17.50	\$41.00

NOTE—Footnotes 1 – 7 defined on page 10

2017 BSC Flex Funded Monthly Rate Card

100 / 96 / 83 Contribution Strategy

	Actives			Early Retirees		
	Employee Only	Employee and One Dependent	Employee and Family	Retiree without Medicare	Retiree and Spouse w/o Medicare	Retiree and Family
Medical	\$731.61	\$1,463.25	\$2,070.48	\$1,696.73	\$2,457.62	\$3,064.85
Vision	\$3.95	\$7.92	\$11.20	\$3.95	\$7.92	\$11.20
Expense ¹	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Best Doctors ²	\$1.40	\$1.40	\$1.40	\$1.40	\$1.40	\$1.40
Claims Stabilization Amount / Self-Funded Policy	\$12.29	\$24.52	\$34.68	\$28.34	\$41.07	\$51.23
Total	\$752.25	\$1,500.09	\$2,120.76	\$1,733.42	\$2,511.01	\$3,131.68

10-County Amount (Early Retirees and Retirees only) ³	\$0.00	\$0.00	\$0.00	\$604.84	\$0.00	\$0.00
Single Retiree Offset ⁴	\$0.00	\$0.00	\$0.00	\$0.00	\$604.84	\$604.84
"Actuarial Difference" ⁵	\$0.00	\$0.00	\$0.00	\$981.17	\$981.17	\$981.17
Retiree Prop. E Subsidy ⁶	\$0.00	\$0.00	\$0.00	\$73.71	\$462.50	\$462.50
Subtotal City Contributions	\$0.00	\$0.00	\$0.00	\$1,659.72	\$2,048.51	\$2,048.51
2017 Non-Bargained Contribution Rate	\$752.25	\$1,500.09	\$2,120.76	\$73.70	\$462.50	\$1,083.17

MOU Negotiated Pickup ⁷	\$752.25	\$1,440.09	\$1,760.23			
2017 Typical Bargained Member / Retiree Contribution	\$0.00	\$60.00	\$360.53	\$73.70	\$462.50	\$1,083.17

Final Member Contribution 2016	\$0.00	\$57.64	\$346.50	\$71.14	\$445.00	\$1,042.17
Difference	\$0.00	\$2.36	\$14.03	\$2.56	\$17.50	\$41.00

NOTE—Footnotes 1 – 7 defined on page 10

2017 BSC Flex Funded Monthly Rate Card

Contribution Strategy—Footnotes

- 1) Expense for Healthcare Sustainability Expense.
- 2) Best Doctors: Second opinion vendor costs \$1.40 PEPM which includes intake claims data to identify members for outreach.
- 3) "10-County" City Contribution: Per Charter Section A8.423, employer contribution must equal the average of the employer contribution to health premium of the 10 most populous counties in CA, not including San Francisco. Per the MOU, the 10-County offset does not apply to 93 / 93 / 83 for Actives, and the 2016 10-County amount is \$604.84.
- 4) "Single Retiree Offset": Per Charter Section A8.428, for Early Retirees = 10-County Amount; for Medicare-Eligible Retirees = Medicare Premium (because it is the lower than the 10-County Amount).
- 5) Retiree "Actuarial Difference": Per Charter Section A8.428, employer contributes the difference between a single EE and a single non-Medicare Retiree cost of premium. Calculated for Non-Medicare Retiree only.
- 6) Prop. E Subsidy passed in November 2000 Election: Per Charter A8.428, employer subsidy for Retiree (R) and R+1 = $50\% \times [\text{Total Rate Cost} - 10\text{-County} - \text{Actuarial Difference}]$.
- 7) MOU Negotiated Pickup: The employer pickup at 93% of the BCA EE Only, 93% of BSC EE+1, 83% of BSC EE+2. BSC premium is the second lowest cost plan and is the maximum the City contributes, as outlined in the MOU for applicable bargaining units.

2017 BSC Flex Funded HMO Plan

Recommendation

- Aon recommends that the Health Service Board approve the Blue Shield rates and contributions for actives and early retiree rates.

Appendix

Premium Equivalent Rate Development Methodology

Effective January 1, 2013, the HSS Trust assumed the risk for the population enrolled in BSC under a BSC Flex Funded arrangement. Therefore, HSS's independent actuary is required to develop the Premium Equivalent Rates based on their analysis of claims experience and service charge rates required by BSC.

The premium equivalent rate development steps include the following:

- Project historical claims data to the current rating period using HSS specific trend factors
 - Claims data from the period of February 2015 through January 2016 was used
 - The components of the claims cost are fee-for-service (FFS) claims (Inpatient, Outpatient and Professional), capitation, and pharmacy cost
 - The rating trends used to project historical data experience into 2017 are: Medical 3.45%, Pharmacy 12.45%, and Capitation 5.00%

Appendix

Premium Equivalent Rate Development Methodology (continued)

- Service fees for the claims administration and the pooling charges (claims in excess of \$1M are covered by BSC).
- Add fees under the Affordable Care Act that are assessed for 2017. This only includes the Patient Centered Outcomes Research Institute (PCORI) fee, as the Transitional Reinsurance fee sunsets December 31, 2016 and the Health Insurer Tax (HIT) is eliminated for 1 year.

Appendix

Capitation Components

Although what is included in the capitation can vary, the BSC capitation generally includes the following:

- Services rendered in a provider's office.
- Outpatient facility visits that do not result in an admission including:
 - Emergency department
 - Dialysis
 - Group therapy at a facility
 - Lab work
 - Observation room
 - Surgeries
 - Radiology
 - Medical supplies and services

Appendix

Glossary

- **Rate Stabilization Reserve:** The objective of a stabilization reserve is to spread any underwriting gains or losses into following year's premium calculation in an even-handed manner such that the employers and membership are not subject to volatile year-over-year changes in premium. The underwriting gains or losses are added or subtracted from the premium amounts to adjust for previous losses or gains. Each year's loss or gain is spread over the next three years.
- **10-County Average Survey:** Per Charter Section A8.423, the employer contribution must equal the average of the employer contribution to health premiums of the 10 most populous counties in California, not including San Francisco.