

San Francisco Health Service System Health Service Board

Rates & Benefits

Health Net CanopyCare Medical/Rx Flex-Funded
Non-Medicare HMO Plan 2022 Rates and Contributions

May 13, 2021

Prepared by:
Health Solutions



Contents

- **Rate Setting Methodology Preface**
- **Health Net CanopyCare HMO Plan 2022 Plan Rating—Summary**
- **2022 Monthly Rate Cards for Health Net CanopyCare HMO Plan**
 - Active Employees (93 / 93 / 83 and 100 / 96 / 83 contribution strategies)
 - Early Retirees (per City Charter employer contribution guidance)
- **Recommendation for HSB Action**
- **Appendix—Additional Information**
 - Rate Card Footnotes
 - Glossary of Terms

Rate Setting Methodology Preface

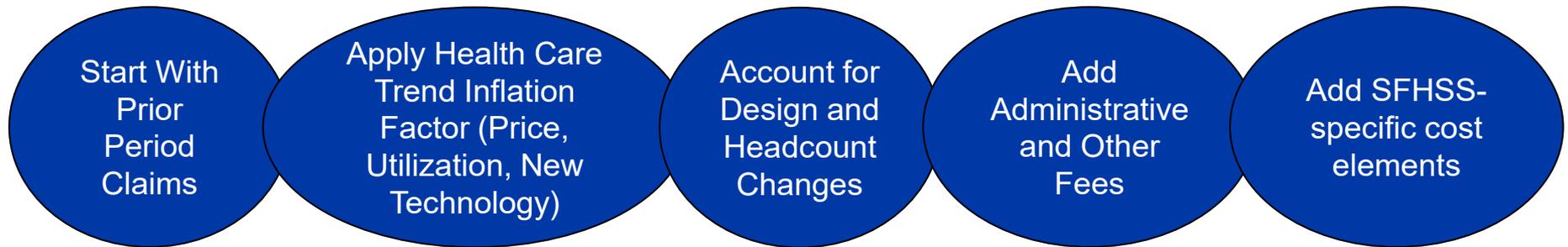
Health Plan Funding—Method Comparison by SFHSS Plan

Funding Method	Self-Funded	Flex-Funded	Fully Insured
Funding Method Description	Claim dollars based on services delivered to members are paid by the Trust, along with plan administrative fees to manage the plan (process claims, provide call center for members, etc.)	Insurance approach where most claim dollars based on services delivered to members are paid by the Trust, but with fixed costs for certain health care services ("capitation") as well as plan admin fees and large claim reinsurance mechanism ("pooling") at \$1 million per participant annually	Health plan sets fixed dollar plan premiums to cover expected claim costs for health care services by members, as well as plan administrative fee costs.
Who sets the recommended SFHSS plan rates?	Aon actuary using Aon-determined cost trend assumptions and health plan-determined administrative fees (and required legislative fees)	Aon actuary using plan-determined cost trend assumptions that are validated by Aon actuary, and health plan-determined administrative/large claim pooling fees (and required legislative fees)	Plan's actuary using plan-determined cost trend assumptions which are scrutinized by Aon actuary, and health plan-determined admin fees/large claim pooling adjustments (and required legislative fees)
SFHSS plans by Funding Method	BSC PPO—Accolade Delta Dental Active Employee PPO	Blue Shield of CA Access+ HMO Blue Shield of CA Trio HMO Health Net CanopyCare HMO (new in 2022)	All Kaiser HMO plans UHC Medicare Advantage PPO Delta Dental Retiree PPO DeltaCare Dental HMO UHC Dental HMO VSP Vision
HSB Rate Stabilization Policy Applies?	Yes	Yes	No

Health Plan Rate Setting Process for Next Plan Year

Determining Needed Plan Rate Changes For Next Year—Five Step Process

- Completion of these five steps below produces an aggregate cost projection based on current plan enrollment for the next plan year (right now, the 2022 plan year)



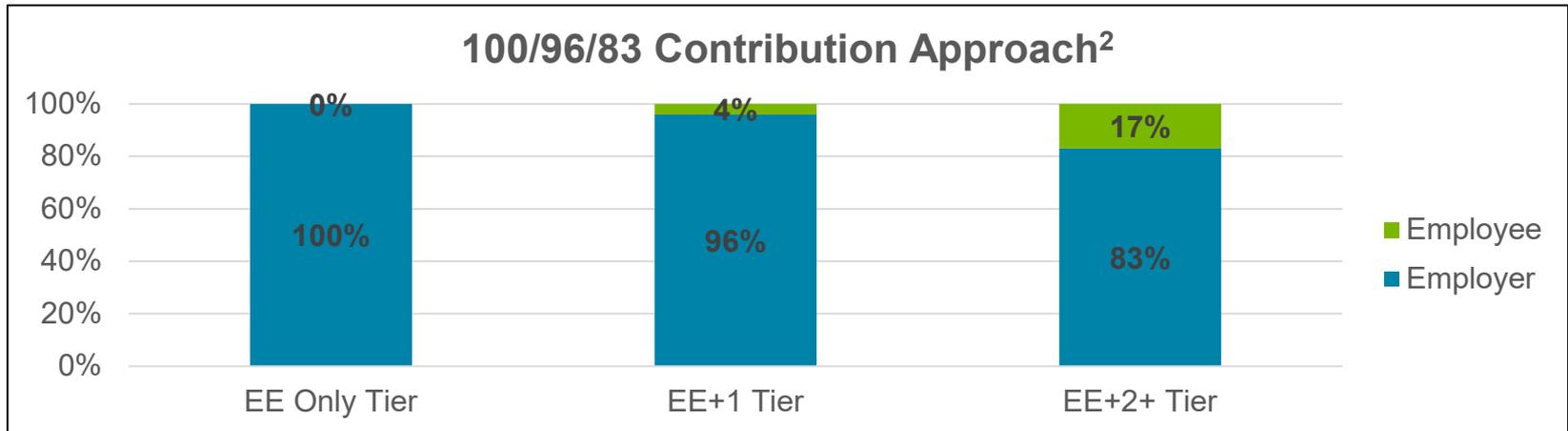
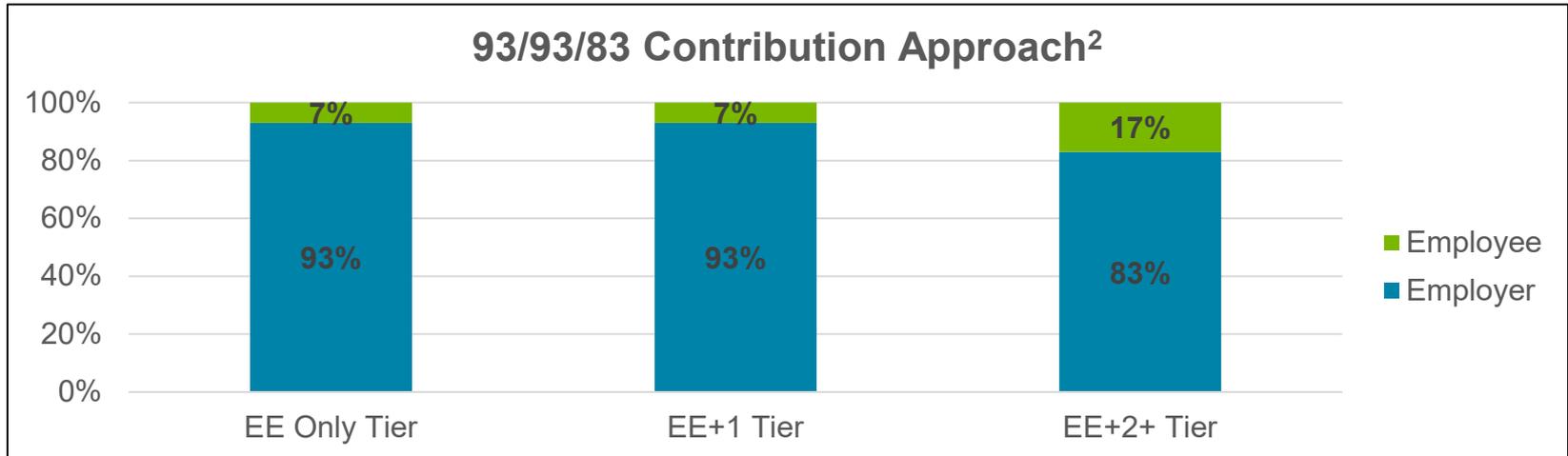
- As a new plan to the SFHSS platform, Health Net CanopyCare 2022 rates are set by the Aon actuary based upon financial projections submitted by Health Net as part of the recently completed Non-Medicare Health Plans Request for Proposal (RFP) process, and upon discussions with the Health Net lead actuary.

Non-Medicare Medical Plan 2022 Proposed Total Rates

- Recommended 2022 **monthly** total cost rates for each SFHSS non-Medicare health plan are shown below (all rate card elements included):

SFHSS Health Plan	Plan Year	Active Employees			Early Retirees		
		EE Only	EE + 1	EE + 2+	RET Only	RET + 1	RET + 2+
Kaiser HMO	PY 2021	\$682.48	\$1,361.98	\$1,925.95	\$1,370.10	\$2,049.60	\$2,613.57
	PY 2022	\$715.97	\$1,428.96	\$2,020.73	\$1,437.79	\$2,150.78	\$2,742.55
	% Difference	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%
BSC Access+	PY 2021	\$923.71	\$1,844.31	\$2,608.43	\$2,133.09	\$3,090.39	\$3,854.54
	PY 2022	\$931.44	\$1,859.91	\$2,630.54	\$2,151.00	\$3,116.47	\$3,887.09
	% Difference	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
BSC Trio	PY 2021	\$800.83	\$1,598.55	\$2,260.67	\$1,848.11	\$2,677.60	\$3,339.74
	PY 2022	\$816.90	\$1,630.81	\$2,306.36	\$1,885.34	\$2,731.68	\$3,407.20
	% Difference	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Health Net CanopyCare	PY 2021	n/a	n/a	n/a	n/a	n/a	n/a
	PY 2022	\$859.02	\$1,715.06	\$2,425.56	\$1,983.02	\$2,873.17	\$3,583.65
	% Difference	n/a	n/a	n/a	n/a	n/a	n/a
BSC PPO–Accolade	PY 2021	\$1,298.42	\$2,517.88	\$3,557.63	\$1,747.72	\$2,535.05	\$3,163.63
	PY 2022	\$1,337.19	\$2,586.45	\$3,651.62	\$1,797.54	\$2,604.04	\$3,247.93
	% Difference	3.0%	2.7%	2.6%	2.9%	2.7%	2.7%
BSC PPO–Accolade (Choice Not Available)	PY 2021	\$923.71	\$1,844.31	\$2,608.43	\$1,747.72	\$2,535.05	\$3,163.63
	PY 2022	\$931.44	\$1,859.91	\$2,630.54	\$1,797.54	\$2,604.04	\$3,247.93
	% Difference	0.8%	0.8%	0.8%	2.9%	2.7%	2.7%

Segmenting Total Cost Rates Into Employer and Member Contributions—Active Employees (CCSF¹)



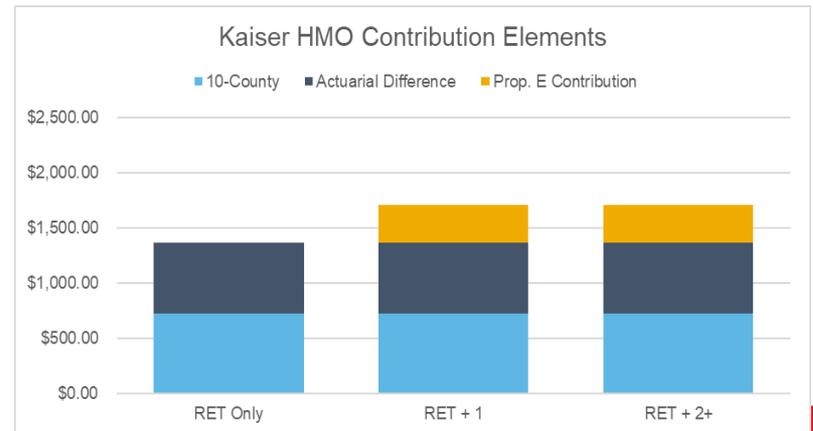
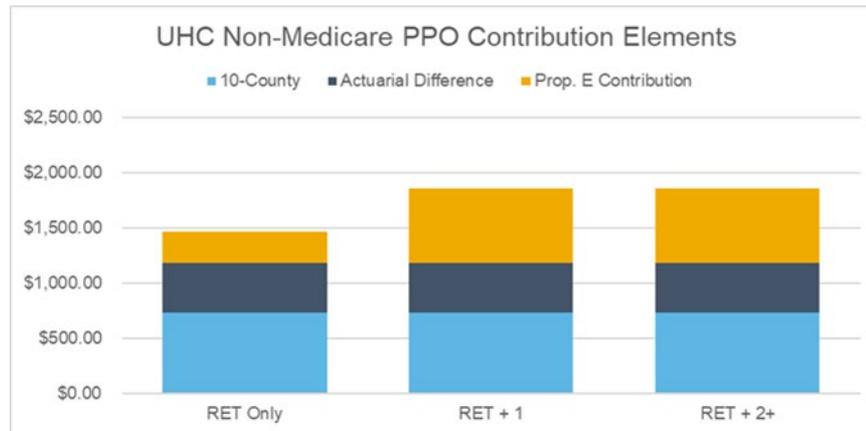
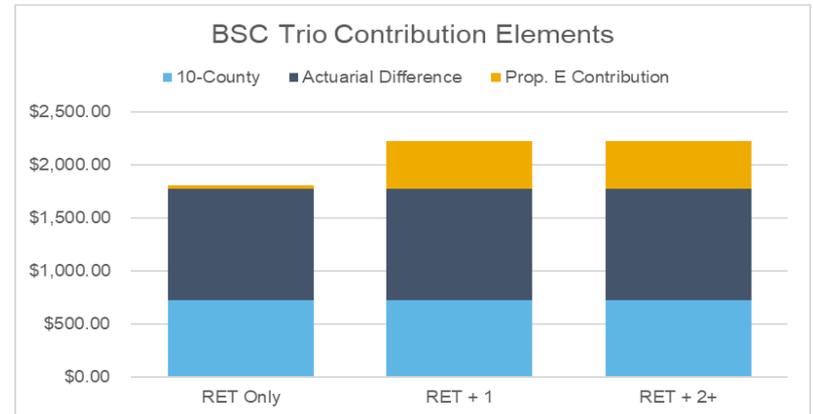
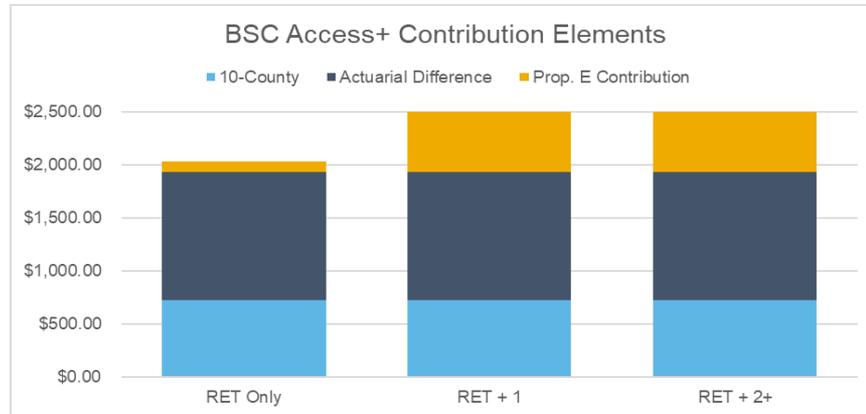
¹ City and County of San Francisco (CCSF) MOU contribution sharing approaches shown above; other employers in SFHSS plans have their employer-specific contribution sharing methodologies for active employees.

² For the highest cost plan (BSC PPO—Accolade Plan), based on MOU the employer contribution dollar amounts are set to equal the employer contribution dollar amounts for the second highest-cost plan (which is BSC Access+ HMO), except for the Employee Only tier in the 100/96/83 contribution approach where the member pays no contribution for any plan.

Segmenting Total Cost Rates Into Employer and Member Contributions—Early Retirees (Based on City Charter)

Early Retirees—2021 Employer Contribution Components—All Offered Plans

- Light Blue—10-County Amount (same amount for all plans)
- Dark Blue—”Actuarial Difference” (plan-specific, same amount for all tiers)
- Gold—Retiree Prop. E Contribution (plan-specific, varies for Single tier vs. Family tiers)



Recommendation to HSB

Health Net CanopyCare HMO 2022 Plan Rating— Recommendation

Staff recommends that the Health Service Board (HSB) approve the 2022 Health Net CanopyCare HMO plan rate cards as presented in this material.

Rates in 2022 for Health Net CanopyCare will be somewhat higher than rates for the Blue Shield of California (BSC) Trio HMO plan, and somewhat lower than rates for the BSC Access+ HMO plan.

Health Net CanopyCare HMO 2022 Plan Rating— Recommendation

- Commentary regarding the rating proposal for 2022 is presented in this document to support the recommendations.
- Active employee rate cards in this presentation are shown for the two most common employer contribution strategies as of the start of this year for City and County of San Francisco (93 / 93 / 83 and 100 / 96 / 83).
 - There are multiple employer contribution strategies for active employees across the employers participating in the San Francisco Health Service System (SFHSS).
- Early retiree rate cards in this presentation are shown for early retirees who earn the full City contribution levels based on dates of hire and length of service—with employer contributions determined based on formulas outlined in the City Charter.

Health Net CanopyCare 2022 HMO Plan Rating— Summary

Health Net CanopyCare 2022 HMO Plan Rating—Summary

- Health Net CanopyCare provided financial information in their Non-Medicare Health Plans RFP submission that is used to determine 2022 monthly total cost rates within the recommended rate cards later in this material.
- The Health Net CanopyCare HMO plan design will mirror the designs for the BSC HMO plans into the 2022 plan year.
- The 2022 Health Net CanopyCare HMO plan rate cards include the following cost components:
 - Projected 2022 medical / pharmacy (net of rebates) claim costs;
 - Projected 2022 capitation charges for certain medical services including physicians;
 - Health Net CanopyCare 2022 fees (including administrative fee and ACA PCORI fees);
 - VSP Basic Plan vision premiums (unchanged from 2021 levels); and
 - The SFHSS Healthcare Sustainability Fund charge of \$3.00 per employee / retiree per month (PEPM), which is unchanged from the 2021 fee.
- Rate stabilization will not apply in 2022 rating for the Health Net CanopyCare plan given this is a new plan for SFHSS.

Health Net CanopyCare 2022 HMO Plan Rating—Summary

Commentary on Rate Recommendations

- Health Net CanopyCare provided per member per month (PMPM) projections for medical claims, medical capitation amounts, and pharmacy (net of Rx rebates) claims for the 2022 plan year, along with administrative fees for the medical and pharmacy plan components.
- The Aon actuary utilized this information in comparison to cost projections for the BSC Access+ and Trio HMO plans to develop the total cost rates for the 2022 plan year for the Health Net CanopyCare exhibited in the recommended rate cards in this presentation.
- Similar to the BSC HMO plans, the Health Net CanopyCare plan flex-funding approach has a maximum liability financial target set at 125% of expected claims cost—setting a maximum overall claim exposure limitation for SFHSS should expected claims ever exceed 125% of expected (which would be a rare event).
- However, there is no large claim pooling with the Health Net CanopyCare HMO plan—which is different than the large claim pooling per individual that is part of the flex-funding arrangement with the BSC HMO plans.

2022 Monthly Rate Cards for Health Net CanopyCare HMO Plan

2022 Health Net CanopyCare HMO Monthly Rate Cards

- Health Net CanopyCare plan 2022 rate cards are presented on the following pages for active employees and early retirees—including two employer contribution models for active employees (93 / 93 / 83 and 100 / 96 / 83)
- The mathematical relationships of rates across each dependent coverage tier and across active employees and early retirees are set to be the same for the Health Net CanopyCare HMO plan as exist for the BSC HMO plans.

Health Net CanopyCare

Proposed Monthly 2022 Rate Card

93 / 93 / 83 Contribution (Active Employees)

	Active Employees			Early Retirees		
	Employee Only	Employee Plus One Dependent	Employee and Family	Retiree without Medicare	Retiree and Spouse w/o Medicare	Retiree and Family
Medical	\$852.07	\$1,704.14	\$2,411.36	\$1,976.07	\$2,862.25	\$3,569.45
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
Claims Stabilization Amount / Self-Funded Policy	n/a	n/a	n/a	n/a	n/a	n/a
Total	\$859.02	\$1,715.06	\$2,425.56	\$1,983.02	\$2,873.17	\$3,583.65

10-County Amount ²	\$0.00	\$0.00	\$0.00	\$757.31	\$0.00	\$0.00
Single Retiree Offset ³	\$0.00	\$0.00	\$0.00	\$0.00	\$757.31	\$757.31
"Actuarial Difference" ⁴	\$0.00	\$0.00	\$0.00	\$1,124.00	\$1,124.00	\$1,124.00
Retiree Prop. E Employer Contribution ⁵	\$0.00	\$0.00	\$0.00	\$50.86	\$495.93	\$495.93
Subtotal City Contributions	\$0.00	\$0.00	\$0.00	\$1,932.17	\$2,377.24	\$2,377.24
2022 Non-Bargained Contribution Rate	\$859.02	\$1,715.06	\$2,425.56	\$50.85	\$495.93	\$1,206.41

MOU Negotiated Pickup ⁶	\$798.89	\$1,595.01	\$2,013.21			
2022 Typical Bargained Member Contribution	\$60.13	\$120.05	\$412.35			

Final Member Contribution 2021	n/a	n/a	n/a	n/a	n/a	n/a
Difference—2022 versus 2021	n/a	n/a	n/a	n/a	n/a	n/a

NOTE—Footnotes 1 – 6 defined in Appendix

Health Net CanopyCare

Proposed Monthly 2022 Rate Card

100 / 96 / 83 Contribution (Active Employees)

	Active Employees			Early Retirees		
	Employee Only	Employee and One Dependent	Employee and Family	Retiree without Medicare	Retiree and Spouse w/o Medicare	Retiree and Family
Medical	\$852.07	\$1,704.14	\$2,411.36	\$1,976.07	\$2,862.25	\$3,569.45
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
Claims Stabilization Amount / Self-Funded Policy	n/a	n/a	n/a	n/a	n/a	n/a
Total	\$859.02	\$1,715.06	\$2,425.56	\$1,983.02	\$2,873.17	\$3,583.65

10-County Amount ²	\$0.00	\$0.00	\$0.00	\$757.31	\$0.00	\$0.00
Single Retiree Offset ³	\$0.00	\$0.00	\$0.00	\$0.00	\$757.31	\$757.31
"Actuarial Difference" ⁴	\$0.00	\$0.00	\$0.00	\$1,124.00	\$1,124.00	\$1,124.00
Retiree Prop. E Employer Contribution ⁵	\$0.00	\$0.00	\$0.00	\$50.86	\$495.93	\$495.93
Subtotal City Contributions	\$0.00	\$0.00	\$0.00	\$1,932.17	\$2,377.24	\$2,377.24
2022 Non-Bargained Contribution Rate	\$859.02	\$1,715.06	\$2,425.56	\$50.85	\$495.93	\$1,206.41

MOU Negotiated Pickup ⁶	\$859.02	\$1,646.46	\$2,013.21			
2022 Typical Bargained Member Contribution	\$0.00	\$68.60	\$412.35			

Final Member Contribution 2021	n/a	n/a	n/a	n/a	n/a	n/a
Difference—2022 versus 2021	n/a	n/a	n/a	n/a	n/a	n/a

NOTE—Footnotes 1 – 6 defined in Appendix

Recommendations for HSB Action

Health Net CanopyCare HMO 2022 Plan Rating— Recommendation

Staff recommends that the Health Service Board (HSB) approve the 2022 Health Net CanopyCare HMO plan rate cards as presented in this material.

Appendix—Additional Information

BSC Rate Card Footnotes

- 1) **Expense:** SFHSS Healthcare Sustainability Fund charge.
- 2) **"10-County" Employer Contribution:** 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. The monthly amount for 2022 rating is \$757.31 (per March 2021 HSB action).
- 3) **"Single Retiree Offset":** Per Charter Section A8.428; for Early Retirees, this is equal to the 10-County Amount.
- 4) **Retiree "Actuarial Difference":** Per Charter Section A8.428, employer contributes the difference between a single active Employee and a single non-Medicare Retiree cost of premium. Calculated for non-Medicare retiree only.
- 5) **Prop. E Employer Contribution (passed in November 2000 Election):** Per Charter A8.428, the Prop. E employer contribution for Retiree (R) and R+1 = $50\% \times [\text{Total Rate Cost} - 10 \text{ County} - \text{Actuarial Difference}]$.
- 6) **Currently, the two most common employer contribution formulas** in MOU agreements follow are 93% Single / 93% E+1 / 83% E+2+ and 100% Single / 96% E+1 / 83% E+2+.

Glossary of Terms

- **ACA PCORI Fee:** The Affordable Care Act's Patient Centered Outcomes Research Institute fee that was extended beyond its original 2019 expiration to the year 2029 as part of the federal SECURE Act signed into law in December 2019.
- **Capitation:** Fixed per member cost that SFHSS pays to BSC for certain services, generally including services rendered in a provider's office and outpatient facility visits that do not result in a hospital admission.
- **Large Claim Pooling:** Insurance protection against catastrophic or unpredictable losses. Claims beyond the large claim pooling amount per individual in a year are transferred to the insurer, in consideration for a large claim pooling fee paid to the insurer.
- **Risk Corridor:** the percentage of expected claims, beyond those expected claims, which the employer is responsible to fund before the insurer covers the remaining claims that exceed the risk corridor percentage (this is set at 125% of expected claims for both Access+ and Trio in 2022).

Glossary of Terms

- **Rate Stabilization Reserve:** HSB policy establishes use of a stabilization reserve to spread any underwriting gains or losses into the following year's premium calculation in a consistent manner to reduce volatility from 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. Per HSB policy, each year's loss or gain is spread over the next three years. **As a new plan for SFHSS in 2022, there is no stabilization applied to 2022 plan year rates for the Health Net CanopyCare plan.**
- **Ten (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 ten most populous counties in California, not including San Francisco.