

San Francisco Health Service System Health Service Board

Non-Medicare Health Plan Rating Methodology

Part 3—Historical Perspective on SFHSS Health Plan Rating Relationships Across Plans and Tiers

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Non-Medicare Health Plan Rating Methodology—Introduction

This discussion provides information to the Health Service Board (HSB) of the San Francisco Health Service System (SFHSS), as well as other interested parties, regarding how health plan rates are set for SFHSS health plans for the active employee and early retiree populations (e.g., non-Medicare populations). This presentation document was prepared and delivered via video recording by Mike Clarke of Aon (lead actuary for Aon's engagement with the HSB and SFHSS) in early April 2020.

This discussion has emerged to address periodic questions raised by HSB members, as well as in public comments during HSB meetings, about the relationship of health plan rates across:

- Active employees versus early retirees within a plan;
- By dependent coverage tier (single/two-party/family) within a plan; and
- Across health plans offered by SFHSS.

Non-Medicare Health Plan Rating Methodology

“The End State”—2020 Monthly Rates and Contributions

- Five health plans and three dependent coverage tiers
- Two major population segments (active employees and early retirees)
- Multiple employer contribution determination rules within each segment—including by employer for active employees (CCSF* example shown below), percentage of full employer (ER) contribution for retirees (partial for some hired on/after January 10, 2009)

	Active Employees (93/93/83)			Active Employees (100/96/83)			Early Retirees (Full ER Contribution)		
	EE Only	EE+1 Dep	EE+2+ Deps	EE Only	EE+1 Dep	EE+2+ Deps	RET Only	RET+1 Dep	RET+2+ Deps
Total Plan Rates									
o UHC City Plan PPO	\$1,185	\$2,295	\$3,232	\$1,185	\$2,295	\$3,232	\$1,511	\$2,400	\$3,085
o UHC CP-C.N.A.	\$892	\$1,781	\$2,519	\$892	\$1,781	\$2,519	\$1,511	\$2,400	\$3,085
o BSC Access+	\$892	\$1,781	\$2,519	\$892	\$1,781	\$2,519	\$2,059	\$2,984	\$3,722
o BSC Trio	\$754	\$1,505	\$2,128	\$754	\$1,505	\$2,128	\$1,739	\$2,519	\$3,143
o Kaiser CA	\$646	\$1,288	\$1,822	\$646	\$1,288	\$1,822	\$1,296	\$1,938	\$2,472
Employer Contribution									
o UHC City Plan PPO	\$829	\$1,656	\$2,091	\$1,185	\$1,710	\$2,091	\$1,271	\$1,716	\$1,716
o UHC CP-C.N.A.	\$829	\$1,656	\$2,091	\$892	\$1,710	\$2,091	\$1,418	\$1,862	\$1,862
o BSC Access+	\$829	\$1,656	\$2,091	\$892	\$1,710	\$2,091	\$1,966	\$2,429	\$2,429
o BSC Trio	\$701	\$1,399	\$1,766	\$754	\$1,444	\$1,766	\$1,715	\$2,105	\$2,105
o Kaiser CA	\$601	\$1,198	\$1,512	\$646	\$1,237	\$1,512	\$1,296	\$1,617	\$1,617
Member Contribution									
o UHC City Plan PPO	\$356	\$639	\$1,142	\$0	\$585	\$1,142	\$240	\$684	\$1,369
o UHC CP-C.N.A.	\$62	\$125	\$428	\$0	\$71	\$428	\$93	\$538	\$1,223
o BSC Access+	\$62	\$125	\$428	\$0	\$71	\$428	\$93	\$555	\$1,293
o BSC Trio	\$53	\$105	\$362	\$0	\$60	\$362	\$24	\$414	\$1,037
o Kaiser CA	\$45	\$90	\$310	\$0	\$52	\$310	\$0	\$321	\$855

* CCSF = City/County of San Francisco; figures above rounded to nearest dollar for illustrative purposes

Non-Medicare Health Plan Rating Methodology—Agenda

Our discussion is segmented into four primary topic areas:

- (1) How Aon (for self-funded/flex-funded plans) and health plans (for fully insured plans) perform rate setting activities for next year's health plan rate recommendations.
- (2) How total cost rates are segmented into employer and member contributions for each population segment—(a) active employees and (b) retirees.
- (3) Historical perspective on SFHSS health plan rate relationships across health plans and dependent coverage tiers, given historical influence on current methodologies.
- (4) Current state of SFHSS health plan rate relationships across health plans and dependent coverage tiers.

We will then close Part 4 with perspectives for the future on whether the HSB and SFHSS may want to pursue changes in current elements of non-Medicare health plan rating methodology.

This presentation segment addresses Part 3—Historical Perspective on SFHSS Health Plan Rating Relationships Across Plans and Tiers.

Part 3: Historical Context—Health Plan Rate Relationships Across Plans/Tiers

Historical Context—Health Plan Rate Relationships

How Plans Historically Treated Dependent Rate “Add-Ons” by Plan

- Insured health plans for SFHSS had the **same dollar value rate add-on for dependents** for active employees and early retirees
 - Blue Shield’s HMO plan (now Access+) featured this in rating prior to migration from insured to flex-funded in 2013—and maintained this element of rating in the first year of flex-funding in 2013
 - Kaiser’s insured HMO plan has had this feature for many years, and this practice of same dependent dollar rate add-on for active employees and early retirees continues today
- However, the rating add-ons for UHC’s self-funded PPO plan (“City Plan”) for active employees and early retirees have historically had similar **rate ratios** apply to determination of rates for dependent tiers for active employees and early retirees—**meaning greater spread in the dollar value of the dependent portion of UHC PPO plan rates for early retirees than for early retiree dependents in the BSC and Kaiser plans**

Historical Context—Health Plan Rate Relationships

SFHSS Monthly Health Plan Rates—2013 Plan Year

- Dollar increment in rates is same between active employees and early retirees for BSC and Kaiser plans—but not for UHC plan
- This existed in rating methodology even though dependents of early retirees are older and generally higher in cost than dependents of active employees

	Active Employees			Early Retirees		
	EE Only	EE + 1	EE + 2	RET Only	RET + 1	RET + 2+
BSC Access+	\$647.16	\$1,292.31	\$1,827.77	\$1,435.99	\$2,081.14	\$2,616.60
Kaiser CA HMO	\$537.02	\$1,072.01	\$1,516.05	\$1,078.10	\$1,613.09	\$2,057.13
UHC PPO ("City Plan")	\$1,258.97	\$2,473.63	\$3,489.77	\$1,466.49	\$2,888.64	\$3,904.78
Dependent Rate Increment						
o BSC Access+		\$645.15	\$1,180.61		\$645.15	\$1,180.61
o Kaiser CA HMO		\$534.99	\$979.03		\$534.99	\$979.03
o UHC PPO ("City Plan")		\$1,214.66	\$2,230.80		\$1,422.15	\$2,438.29
Rate Ratios to EE Only						
o BSC Access+	1.000	1.997	2.824	1.000	1.449	1.822
o Kaiser CA HMO	1.000	1.996	2.823	1.000	1.496	1.908
o UHC PPO ("City Plan")	1.000	1.965	2.772	1.000	1.970	2.663
Ratio, Early Retirees vs. Actives						
o BSC Access+				2.219	1.610	1.432
o Kaiser CA HMO				2.008	1.505	1.357
o UHC PPO ("City Plan")				1.165	1.168	1.119
"Actuarial Difference"						
o BSC Access+				\$788.83		
o Kaiser CA HMO				\$541.08		
o UHC PPO ("City Plan")				\$207.52		

Historical Context—Health Plan Rate Relationships

The Other Key Observation from 2013 Rating—Active vs. Early Retiree Rating Spread Difference, UHC PPO “City Plan” vs. Other Plans

- The relatively small gap in Employee Only tier and Retiree Only tier rates for UHC PPO “City Plan” versus the other plans means there is much less of an “Actuarial Difference” dollar amount in the City Charter-guided employer contribution formula, versus that for the Blue Shield and Kaiser plans

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Historical Context—Health Plan Rate Relationships

Historical Context Summary, UHC PPO “City Plan” vs. Other Plans

- In summary, **two key rating methodology differences** existed historically between the UHC PPO “City Plan” and the Blue Shield/Kaiser plans:
 - Treatment of **dependent rate add-on** beyond EE/RET Only tier for +1 and +2+ tiers by plan:
 - UHC PPO “City Plan”: proportional ratio approach
 - Blue Shield and Kaiser plans: same dollar value approach
 - Rating differential treatment between Active Employee Only and Early Retiree Only by plan (e.g., **the “Actuarial Difference”**):
 - UHC PPO “City Plan”: smaller ratio approach (Retiree Only rate = 1.16 times Employee Only rate—influenced by adverse selection present in active employees who elect UHC PPO “City Plan”)
 - Blue Shield and Kaiser plans: larger ratio approach (Retiree Only rate = 2.2 times Employee Only rate for BSC HMO, 2.0 times Employee Only rate for Kaiser HMO)

These differences continue today, as we discuss in Part 4