

# San Francisco Health Service System Health Service Board

COVID-19 Financial Update

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# COVID-19 Financial Update

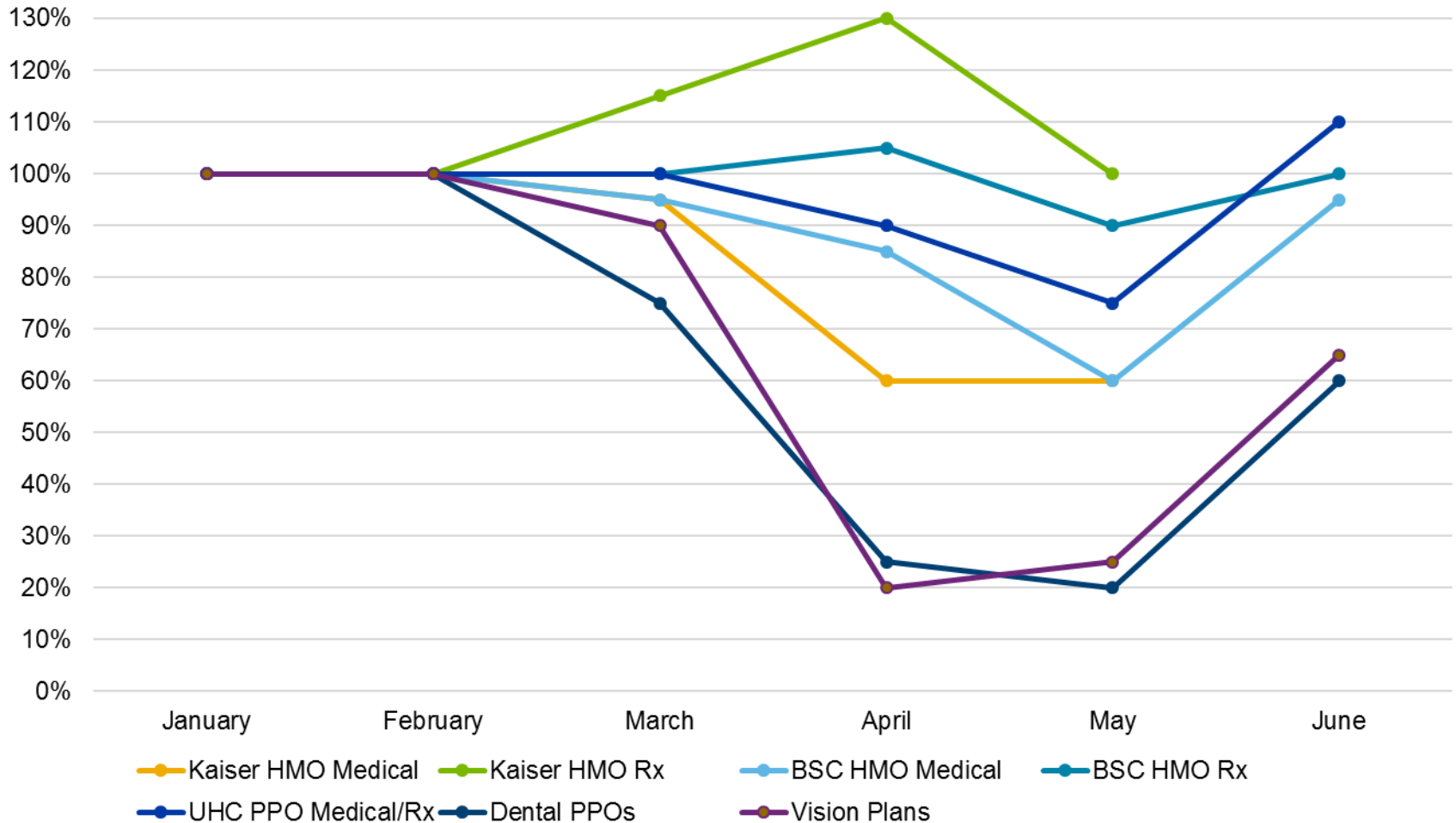
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- During the August 13 Health Service Board (HSB) meeting, general updates on COVID-19 impacts to San Francisco Health Service System (SFHSS) members and health plans were presented.
- This included updates on reduced health plan claim costs during the March through June 2020 period—claim suppression from reduced member utilization of health care services during these “shelter-in-place” / stay-at-home months.
  - Claim suppression is due to several factors, including but not limited to health practitioner practice temporary closures, elective procedure deferrals, and certain care avoided (e.g., sports injuries not occurring)
  - Some deferred care is expected to return in the second half of 2020, but it is too early to tell how much this will impact health plan claim levels for the remainder of 2020.
  - See next page for March to June claim suppression impacts.

# SFHSS Specific Data—Claim Suppression Impacts

(From August 13 HSB Presentation, COVID-19 General Update)

Percentage of "Typical" Non-Pandemic Expected Claims by Month



**NOTE:** Kaiser June data not yet available

# COVID-19 Financial Update

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- Today's discussion reports on premium and administrative fee refunds and invoice credits that some SFHSS health plans have offered in recent months, given the claim suppression impacts experienced during the COVID-19 pandemic.
- A presentation later today will make a recommendation for HSB action on proposed Delta Dental retiree dental plan rate adjustments for the 2021 plan year, in direct correlation to premium refund actions reported in this document by Delta Dental.

# COVID-19 Financial Update—Health Plan Actions

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## Health Plan Financial Return Actions Given COVID-19 Generated Claim Suppression

- Medical Plans—action by UnitedHealthcare for Medicare MA PPO plan (fully-insured):
  - Return of \$1,005,650 as a partial premium refund from the April/May timeframe to be applied in the September invoice.
- Dental Plans—actions by Delta Dental and UnitedHealthcare:
  - Delta Dental active PPO plan (self-funded): 25% of administrative services fee credit applied to August 2020 and September 2020 invoices (approximately \$73,000 total).
  - Delta Dental retiree PPO plan and active/retiree DeltaCare USA DHMO plan (both fully-insured): 25% of premium credit from August 2020 and September 2020 amount, paid to SFHSS in January 2021 (approximately \$15,000 for active employees and \$710,000 for retirees).
  - UnitedHealthcare Dental HMO for actives and retirees (fully-insured): 50% of May 2020 premiums (\$19,227), which was credited to the SFHSS Trust in July 2020 (approximately \$11,251 for active employees and \$7,976 for retirees).
- No other SFHSS health plans have communicated premium/fee refund potential at this time.

# COVID-19 Financial Update—Health Plan Actions

## Health Plan Financial Return Actions Given COVID-19 Generated Claim Suppression

- Some plans refunding amounts to SFHSS given COVID-19 claim suppression are funded mostly or all by the employers.
- The exception is retiree dental plans—where members pay the full premiums for each of the three retiree dental plans offered to retirees through SFHSS.
- The tables below show **self-funded** and **fully insured** plans providing refunds/credits:

<b>Self Funded Health Plan Crediting SFHSS Due to COVID-19 Claim Suppression</b>		
<b>Funded Entirely by Employers</b>	<b>Funded Mostly by Employers*</b>	<b>Funded Entirely by Retirees</b>
(none)	Delta Dental PPO for Active Employees	(none)

<b>Fully Insured Health Plans Crediting SFHSS Due to COVID-19 Claim Suppression</b>		
<b>Funded Entirely by Employers</b>	<b>Funded Mostly by Employers*</b>	<b>Funded Entirely by Retirees</b>
DeltaCare USA Dental HMO for Active Employees	UHC Medicare Advantage (MA) PPO for Retirees	Delta Dental PPO for Retirees
UHC Dental HMO for Active Employees		DeltaCare USA Dental HMO for Retirees
		UHC Dental HMO for Retirees

\* Members are projected to pay 11% of UHC MA PPO plan total cost rates and 9% of Delta Dental active employee PPO plan total cost rates in 2020 via member contributions

# COVID-19 Financial Update—Returned Amounts

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## SFHSS Direction for Health Plan Credits/Refunds

- For plans where the employers pay most or all of plan cost, the amounts returned/credited to SFHSS by health plans will be retained by employers:
  - UHC MA PPO plan (\$1,005,650)
  - Delta Dental active employee PPO (est. \$73,000)
  - DeltaCare USA dental HMO for active employees (est. \$15,000)
  - UHC dental HMO for active employees (\$11,251)
- For plans where members pay all of the plan cost—the three retiree dental plans:
  - SFHSS is proposing to adjust Delta Dental retiree insured premium rates for the 2021 plan year for the value of premium refund applying to the Retiree Dental PPO and Retiree DeltaCare USA DHMO plans—this will be addressed in the upcoming Retiree Dental Rates presentation for recommended HSB action today.
  - For retiree premiums returned in the UHC dental HMO plan, SFHSS will distribute checks to enrollees for 50% of one month 2020 premium, based on tier elected.
    - UHC has already credited approximately \$8,000 in July for retirees in this plan—800 retirees in total, or an average of \$10 per retiree in this plan with specific amounts for each impacted retiree based on tier elected.

# COVID-19 Financial Update—Returned Amounts

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## Historical Perspective on Returned Amounts from Health Plans

- SFHSS has received returned health plan amounts in the past, including:
  - Blue Shield of California (BSC) “2% profit pledge” in 2012—applied against December 2012 premium payment (plan was fully insured in 2012).
  - Early Retiree Reinsurance Program (ERRP) amounts paid by the Federal Government in the early 2010s as part of the federal Affordable Care Act.
    - In January 2013, the HSB approved distributing the funds based on a premium percentage paid by all members, and also adopted a policy that the funds would be applied to a premium reduction up to the amount paid by the member (no ERRP funds paid to members with \$0 premium for their plan).
    - In June 2013, the HSB agreed to subsidize the employee-only enrollee’s 2014 premiums who were in unions that agreed to the 2015 flat premium contribution strategy—ERRP funds partially funded this subsidy.
- The current health plan credits/refunds in response to COVID-19 caused claim suppression are more similar to the BSC profit pledge circumstance above—where returned amounts were applied as an offset to plan expenditures.