

# **San Francisco Health Service System Health Service Board**

## **Rates & Benefits**

Review Blue Shield of California Flex-Funded Non-Medicare HMO Plans 2021 Claims and Utilization Experience and Approve the Use of One-Third of the Stabilization Reserve Surplus as of December 31, 2021

March 10, 2022

# BSC Flex-Funded Non-Medicare HMO Plans 2021 Experience and December 31, 2021 Rate Stabilization Fund

## Agenda

- Financial Experience Results Overview — 2021 versus 2020
- Key cost and utilization drivers for BSC HMO plan population
- December 31, 2021 Rate Stabilization Fund Use Recommendation
- Appendix
  - Detailed month-by-month 2021 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, 2021 stabilization reserve **Surplus** or \$6,592,000 (or one-third of \$19,775,000) be applied towards buy-down of rates across all rating tiers for the BSC HMO plans for plan year 2023, and apply proportionately between active employees and early retirees.

The remaining Surplus carry forward balance for plan year 2024 is \$13,183,000.

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

# 1

## Financial Experience Results Overview — 2021 versus 2020

# BSC Flex-Funded Non-Medicare HMO Plans 2021 Experience

## Introduction

This presentation captures information on calendar year 2021 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 2021 Experience

## Key Observations Summary — Total Expenses Versus Premiums Collected

- Total incurred plan expense, before considering changes in contingency reserves, increased by 9% on a per employee/retiree per month (PEPM) basis from 2020 levels.
  - This comes after PEPM expense increased by 2% from 2019 to 2020.
  - Both figures are influenced by medical claim suppression during 2020 due to the COVID-19 pandemic.
- Total premiums collected increased by 6% on a PEPM basis from 2020 levels—reflecting plan year 2021 rate actions and actual plan enrollment for 2021 relative to forecasts in Spring 2020 when 2021 BSC plan rates were determined.
- The overall loss ratio for BSC plans in 2021 was 98.3% (before change in Contingency reserve) — where loss ratio is defined as plan expenses divided by total premiums. In other words, 2021 plan expenses were 1.7% less than premiums collected.

# BSC Flex-Funded Non-Medicare HMO Plans 2021 Experience

## Key Observations Summary—Plan Expenses

- Actual PEPM medical claim increase reflects comparison of a more typical 2021 plan year to a suppressed 2020 plan year due to medical claim suppression observed especially in the second calendar quarter of 2020
- Prescription drug claims net of rebates increased on a PEPM basis at a higher rate than expected for the second consecutive year—almost all driven by Rx price inflation for specialty medications, most notably for cancer (utilization increase is modest—2% for Access+ population, flat for Trio population).

BSC Plan Cost Component	Actual SFHSS Cost Change PEPM, 2019-2020	Actual SFHSS Cost Change PEPM, 2020-2021	Expected Market Cost Increase Trend <sup>1</sup>
<b>Medical</b>			
• Before Large Claim Pooling Reimbursements	(5.5%)	12.4%	5.5%
• After Large Claim Pooling Reimbursements	(2.1%)	11.6%	5.5%
Prescription Drugs (net of rebates)	9.9%	8.8%	6%

[1] Trend expectation in a typical year-to-year circumstance—but due to claim suppression observed in 2020, actual market trends from 2020 to 2021 for medical will be higher

# BSC Flex-Funded Non-Medicare HMO Plans 2021 Experience

- BSC plan fees PEPM increased by 7% from 2020 to 2021 (blend of +2% for administrative services and +18% for large claim pooling fee).
- Capitation (fixed cost for certain physician-delivered medical services) PEPM increased by 4% from 2020 to 2021.
- Reserve changes from June 30, 2020 to June 30, 2021, were decreases overall for the BSC HMO plans.
  - \$931,000 decrease in Incurred But Not Reported (IBNR) reserve.
  - \$456,000 decrease in Contingency reserve.
- Average enrolled headcount across both plans declined by 3.6% from 2020 to 2021.



# BSC Flex-Funded Non-Medicare HMO Plans 2021 Experience

## 2021 versus 2020 — Total Actual Dollar Basis

Average total employees/retirees: 16,665 in 2021 versus 17,291 in 2020

Category	2020 Actual	2021 Actual	\$ Change	% Change
<b>Premiums Collected</b>	<b>\$329,271,754</b>	<b>\$336,282,754</b>	\$7,011,000	2%
Administration	\$18,588,252	\$19,237,404	\$649,152	3%
Capitation	\$81,932,230	\$82,315,955	\$383,725	0%
Medical Claims	\$165,476,266	\$179,200,990	\$13,724,724	8%
Pharmacy Claims	\$58,658,484	\$61,511,131	\$2,852,647	5%
Pharmacy Rebate	(\$6,947,440)	(\$7,267,729)	(\$320,289)	5%
ACO Incentive Payment	\$1,236,580	\$807,732	(\$428,848)	-35%
Large Claim Pooling	(\$2,926,141)	(\$4,315,758)	(\$1,389,617)	47%
Change in IBNR	\$68,621	(\$930,773)	(\$999,394)	-1456%
<b>Total Expenses</b>	<b>\$316,086,853</b>	<b>\$330,558,952</b>	<b>\$14,472,099</b>	<b>5%</b>
Recommended June 30 Contingency Reserve	\$14,230,134	\$13,774,152	(\$455,982)	-3%

# BSC Flex-Funded Non-Medicare HMO Plans 2021 Experience

2021 versus 2020 — Per Employee/Retiree Per Month (PEPM) Basis

Average total employees/retirees: 16,665 in 2021 versus 17,291 in 2020

Category	2020 Dollars PEPM	2021 Dollars PEPM	\$ Change PEPM	% Change PEPM
<b>Premiums Collected</b>	<b>\$1,586.90</b>	<b>\$1,681.62</b>	\$94.73	6%
Administration	\$89.58	\$96.20	\$6.61	7%
Capitation	\$394.87	\$411.63	\$16.77	4%
Medical Claims	\$797.50	\$896.12	\$98.62	12%
Pharmacy Claims	\$282.70	\$307.59	\$24.89	9%
Pharmacy Rebate	(\$33.48)	(\$36.34)	(\$2.86)	9%
ACO Incentive Payment	\$5.96	\$4.04	(\$1.92)	-32%
Large Claim Pooling	(\$14.10)	(\$21.58)	(\$7.48)	53%
Change in IBNR	\$0.33	(\$4.65)	(\$4.99)	-1507%
<b>Total Expenses</b>	<b>\$1,523.35</b>	<b>\$1,653.00</b>	<b>\$129.65</b>	<b>9%</b>
Recommended Contingency Reserve	\$68.58	\$68.88	\$0.30	0%

# BSC Flex-Funded Non-Medicare HMO Plans 2021 Experience

## 2021 Plan Year — Active Employee/Early Retiree Experience Splits

Category	Active Employees	Early Retirees	Total BSC Plans
Employee/Retiree Count	14,302 (average)	2,363 (average)	16,665 (average)
<b>Premiums Collected</b>	<b>\$275,835,475</b>	<b>\$60,447,279</b>	<b>\$336,282,754</b>
Administration	\$16,509,899	\$2,727,505	\$19,237,404
Capitation	\$69,468,541	\$12,847,415	\$82,315,955
Medical Claims	\$148,291,101	\$30,909,889	\$179,200,990
Pharmacy Claims	\$48,157,915	\$13,353,217	\$61,511,131
Pharmacy Rebate	(\$5,690,005)	(\$1,577,724)	(\$7,267,729)
ACO Incentive Payment	\$659,469	\$148,263	\$807,732
Large Claim Pooling	(\$2,465,145)	(\$1,850,613)	(\$4,315,758)
Change in IBNR	(\$763,466)	(\$167,308)	(\$930,773)
<b>Total Expenses</b>	<b>\$274,168,308</b>	<b>\$56,390,644</b>	<b>\$330,558,952</b>
<b>Premiums Less Expenses</b>	<b>\$1,667,167</b>	<b>\$4,056,634</b>	<b>\$5,723,802</b>
Incurred Loss Ratio (before change in Contingency reserve)	99.4%	93.3%	98.3%

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## Key Cost and Utilization Drivers

# Key Cost and Utilization Drivers

## High-Cost Claimants (individuals exceeding \$500,000 claims in 2021)

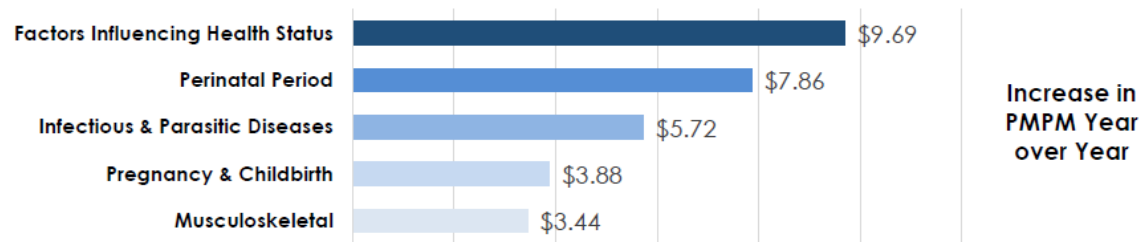
- 28 members exceeded \$500,000 in paid medical/prescription drug claims in 2021 — accounting for \$26.9M of total claim spend
  - \$4.3M of this was reimbursed to SFHSS for amounts exceeding \$1 million via the large claim pooling mechanism
  - This compares to \$2.9M reimbursed in 2020 to SFHSS for amounts exceeding \$1 million via the large claim pooling mechanism
- Predominant diagnostic categories for 2021 claimants exceeding \$500K are:
  - Childbirth (elevated vs. 2020)
  - Cancer (also on top 2020 list)
  - Cardiovascular (also on top 2020 list)

# Key Cost and Utilization Drivers

All Claimants (Incurred Data Through June 2021)

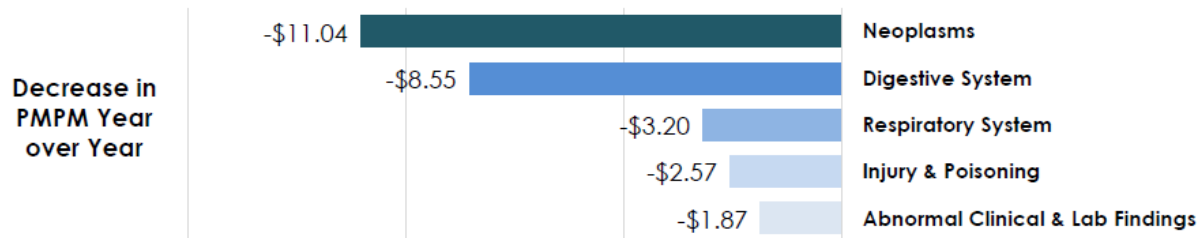
- Top diagnostic categories driving overall increases in BSC HMO plan spend include COVID-19 (captured in Factors Influencing Health Status and Infectious & Parasitic Diseases), maternity/newborns, and musculoskeletal

## Top ICD-10 Diagnoses with Increased PMPM



- Cancer and digestive categories saw lower spend in 2021 vs. 2020

## Top ICD-10 Diagnoses with PMPM Savings



# Key Cost and Utilization Drivers

## Preventive Care Utilization Rates (Incurred Data Through June 2021)

- Preventive care utilization rates are substantially lower in the past year (“CY”) than pre-pandemic levels two years ago (“PPY”)—this continues to be an important focus to elevate preventive care utilization among BSC HMO plan members.
- Lower preventive care utilization is associated with higher emergency room utilization in the SFHSS population, per BSC analysis.

Health Screenings (Current Year)	SFHSS PPY Cases/1000	SFHSS PY Cases/1000	SFHSS CY Cases/1000	PY vs CY Trend	Adj. HMO Book Cases/1000	Variance
Breast Cancer	244.4	199.4	164.0	-17.8%	155.8	5.2%
Cervical Cancer	139.5	111.5	113.3	1.6%	103.0	10.0%
Colon Cancer	147.3	116.1	115.5	-0.5%	93.3	23.8%
Prostate Cancer	97.0	73.6	59.5	-19.1%	64.7	-8.0%
Preventive Care Visits	592.4	486.0	452.6	-6.9%	430.0	5.3%

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## BSC HMO Plans December 31, 2021 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, 2021, 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, 2021, 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, 2021, 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, 2021 IBNR and Contingency Reserves was presented by Aon to the HSB on January 13, 2022.

This presentation focuses on the BSC HMO Plans (Access+ and Trio) Rate Stabilization Reserve amount that is recommended by Aon as of December 31, 2021.

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 the 2020 plan year 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 increased as of December 31, 2020. This resulted in a Rate Stabilization Buy-Down in 2022 BSC HMO plan rates in the amount of \$4,856,000.

The remaining BSC HMO Plans surplus carry forward in Stabilization Reserve after the 2022 rating action described above was \$9,711,000—this will be applied in BSC HMO Plans rating for the 2023 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 2021 BSC HMO Plans claims experience, there is a projected Rate Stabilization Surplus balance of \$9,711,000 to carry into the 2023 plan year.

This calculation will be discussed in following pages. Per Stabilization Policy, one-third of this Rate Stabilization Surplus amount, or \$6,592,000, is recommended to be applied in 2023 plan year rating for the BSC HMO Plans (Access+ and Trio) as a buy-down to rates.

This \$6,592,000 rating buy-down figure represents approximately 1.8% of early estimated 2023 plan year BSC HMO rates, over and above health care cost trend that will also be incorporated into 2023 BSC HMO rate calculations. We will present 2023 BSC HMO rating recommendations during the May 12, 2022 HSB meeting.

# BSC HMO Plans 2021 Plan Year Reconciliation

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

January 2021 – December 2021 Plan Reconciliation (Actual vs Expected)	Expected	Actual
1 Estimated Incurred Claims—includes capitation, pharmacy cost, and fee for service claims cost IBNR Increase / (Decrease)	\$331,479,000	\$319,520,050 <u>(\$930,773)</u>
Total Claims Spend	\$331,479,000	\$318,589,277
2 Administration Expense—BSC Administrative/Large Claim Pooling Fees	\$22,965,000	\$19,237,404
3 Rx Rebates	<u>(\$5,390,000)</u>	<u>(\$8,589,987)</u>
4 Total Cost (1+2+3)	\$349,054,000	\$329,236,694
5 Total Contributions	<u>\$346,492,000</u>	<u>\$336,282,754</u>
6 Revenue Shortfall / (Surplus) (4-5)	\$2,562,000	(\$7,046,060)
7 Increase / (Decrease) in Contingency Reserve		<u>(\$455,982)</u>
8 Total Shortfall / (Surplus) (Actual column: 6+7)		(\$7,502,042)
9 Adjustment to Stabilization Carry-Forward (Actual 8 – Expected 6): Aon Recommended Increase to December 31, 2020 Carry-Forward Stabilization Surplus Balance to Calculate December 31, 2021 Amount (rounded to nearest \$000)		<u>(\$10,064,000)</u>

# Today's Recommendation

## Rate Stabilization Reserve Calculation — BSC HMO Plans

Stabilization <b>surplus</b> balance as of December 31, 2020	(\$14,567,000)
Offset <b>surplus</b> amount applied in 2022 rate buy-down per policy (1/3)	(\$4,856,000)
Prior carry-forward stabilization <b>surplus</b> balance	(\$9,711,000)
Recommended increase to the <b>surplus</b> based on 2021 experience	(\$10,064,000)
Stabilization <b>surplus</b> balance as of December 31, 2021	(\$19,775,000)
Calculated amount per amortization policy to apply to 2023 rate <b>buy-down</b> per policy (1/3 of stabilization <b>surplus</b> balance)	(\$6,592,000)
Updated carry-forward stabilization <b>surplus</b> for use after 2023	(\$13,183,000)

### Today's Recommendation

In congruence with the Stabilization Fund Policy, approve the use of one third of the December 31, 2021 stabilization reserve **Surplus** or \$6,592,000 (or one-third of \$19,775,000) be applied towards buy-down of rates across all rating tiers for the BSC HMO plans for plan year 2023, and apply proportionately between active employees and early retirees.

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## Appendix

- BSC Flex-Funded Plan Experience Detail — Both Plans (2021 Plan Year)
- BSC Flex-Funded Plan Experience Detail — Access+ (2021 Plan Year)
- BSC Flex-Funded Plan Experience Detail — Trio (2021 Plan Year)
- BSC Plan Rate Stabilization Reserve History
- BSC HMO Plan Reconciliation Notes
- Glossary of Terms

# BSC Flex-Funded Plan Experience Detail — Both Plans <sup>[1]</sup>

## 2021 Plan Year

Month → →	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Total
EE/RET Count	16,954	16,912	16,882	16,860	16,790	16,780	16,598	16,550	16,457	16,436	16,409	16,347	16,665 (avg.)
<b>Premiums Collected <sup>[2]</sup></b>	<b>\$28,490,971</b>	<b>\$28,490,971</b>	<b>\$28,490,971</b>	<b>\$28,490,971</b>	<b>\$28,490,971</b>	<b>\$28,490,971</b>	<b>\$27,556,155</b>	<b>\$27,556,155</b>	<b>\$27,556,155</b>	<b>\$27,556,155</b>	<b>\$27,556,155</b>	<b>\$27,556,155</b>	<b>\$336,282,754</b>
Administration	\$1,631,385	\$1,625,470	\$1,626,028	\$1,622,008	\$1,615,371	\$1,608,947	\$1,597,844	\$1,593,842	\$1,582,284	\$1,580,833	\$1,578,428	\$1,574,965	\$19,237,404
Capitation	\$6,833,711	\$6,679,923	\$7,640,062	\$6,739,933	\$6,863,780	\$6,860,903	\$6,852,501	\$6,699,137	\$7,025,467	\$6,698,258	\$6,760,335	\$6,661,945	\$82,315,955
Medical Claims	\$13,252,672	\$12,360,259	\$13,357,300	\$16,627,234	\$14,290,014	\$18,166,976	\$13,888,827	\$14,837,867	\$12,894,651	\$17,656,149	\$15,262,933	\$16,606,108	\$179,200,990
Pharmacy Claims	\$5,472,005	\$5,033,861	\$5,158,550	\$5,309,179	\$5,084,721	\$5,074,800	\$4,950,562	\$4,662,628	\$5,453,577	\$5,298,658	\$4,683,279	\$5,329,312	\$61,511,131
Pharmacy Rebate	(\$1,184,930)	(\$1,184,930)	(\$1,184,930)	(\$537,646)	(\$537,646)	(\$537,646)	(\$350,000)	(\$350,000)	(\$350,000)	(\$350,000)	(\$350,000)	(\$350,000)	(\$7,267,729)
ACO Incentive	\$0	\$0	\$0	\$0	\$0	\$807,732	\$0	\$0	\$0	\$0	\$0	\$0	\$807,732
Large Claim Pooling	(\$267,619)	(\$2,791)	(\$3,982)	(\$1,510)	(\$38,049)	(\$1,167,214)	(\$121,797)	(\$155,032)	(\$230,047)	(\$752,936)	(\$261,962)	(\$1,312,818)	(\$4,315,758)
Change in IBNR	\$0	\$0	\$0	\$0	\$0	(\$930,773)	\$0	\$0	\$0	\$0	\$0	\$0	(\$930,773)
<b>Total Expenses</b>	<b>\$25,737,224</b>	<b>\$24,511,792</b>	<b>\$26,593,029</b>	<b>\$29,759,197</b>	<b>\$27,278,189</b>	<b>\$29,883,724</b>	<b>\$26,817,937</b>	<b>\$27,288,442</b>	<b>\$26,375,931</b>	<b>\$30,130,963</b>	<b>\$27,673,013</b>	<b>\$28,509,512</b>	<b>\$330,558,952</b>
<b>Premiums Less Expenses</b>	<b>\$2,753,747</b>	<b>\$3,979,179</b>	<b>\$1,897,942</b>	<b>(\$1,268,226)</b>	<b>\$1,212,781</b>	<b>(\$1,392,753)</b>	<b>\$738,218</b>	<b>\$267,713</b>	<b>\$1,180,224</b>	<b>(\$2,574,808)</b>	<b>(\$116,858)</b>	<b>(\$953,357)</b>	<b>\$5,723,802</b>
Increase / (Decrease) in Contingency Reserve as of June 30, 2021													(\$455,982)
<b>Total Incurred Expense Including Change in Contingency Reserve</b>													<b>\$330,102,970</b>
Incurring Loss Ratio (Total includes Contingency Reserve Change)	90.3%	86.0%	93.3%	104.5%	95.7%	104.9%	97.3%	99.0%	95.7%	109.3%	100.4%	103.5%	98.3%

[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]

## 2021 Plan Year

Month → →	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Total
EE/RET Count	10,761	10,732	10,724	10,713	10,688	10,690	10,564	10,542	10,485	10,462	10,441	10,408	10,601 (avg.)
<b>Premiums Collected</b>	<b>\$19,453,552</b>	<b>\$19,453,552</b>	<b>\$19,453,552</b>	<b>\$19,453,552</b>	<b>\$19,453,552</b>	<b>\$19,453,552</b>	<b>\$18,945,287</b>	<b>\$18,945,287</b>	<b>\$18,945,287</b>	<b>\$18,945,287</b>	<b>\$18,945,287</b>	<b>\$18,945,287</b>	<b>\$230,393,031</b>
Administration	\$1,035,637	\$1,031,874	\$1,033,119	\$1,030,912	\$1,028,602	\$1,027,099	\$1,016,614	\$1,016,478	\$1,008,587	\$1,006,662	\$1,004,641	\$1,002,428	\$12,242,652
Capitation	\$4,674,699	\$4,579,891	\$5,212,634	\$4,675,134	\$4,699,287	\$4,694,349	\$4,707,523	\$4,583,876	\$4,843,400	\$4,593,904	\$4,621,069	\$4,560,122	\$56,445,887
Medical Claims	\$8,463,356	\$7,934,028	\$9,416,977	\$11,450,821	\$9,493,346	\$12,924,630	\$9,201,261	\$9,477,232	\$8,724,077	\$11,131,329	\$10,188,307	\$11,272,224	\$119,677,588
Pharmacy Claims	\$3,718,049	\$3,426,142	\$3,462,479	\$3,567,765	\$3,435,379	\$3,431,609	\$3,290,717	\$3,148,653	\$3,608,106	\$3,576,136	\$3,066,982	\$3,569,418	\$41,301,436
Pharmacy Rebate	(\$825,029)	(\$825,029)	(\$825,029)	(\$376,671)	(\$376,671)	(\$376,671)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$5,105,101)
ACO Incentive	\$0	\$0	\$0	\$0	\$0	\$807,732	\$0	\$0	\$0	\$0	\$0	\$0	\$807,732
Large Claim Pooling	(\$267,619)	(\$2,791)	(\$3,982)	(\$1,510)	(\$38,049)	(\$721,405)	(\$121,581)	(\$155,032)	(\$229,831)	(\$218,639)	(\$211,328)	(\$1,131,946)	(\$3,103,715)
Change in IBNR						\$669,048							\$669,048
<b>Total Expenses</b>	<b>\$16,799,093</b>	<b>\$16,144,115</b>	<b>\$18,296,198</b>	<b>\$20,346,451</b>	<b>\$18,241,894</b>	<b>\$22,456,391</b>	<b>\$17,844,533</b>	<b>\$17,821,207</b>	<b>\$17,704,338</b>	<b>\$19,839,391</b>	<b>\$18,419,671</b>	<b>\$19,022,246</b>	<b>\$222,935,527</b>
<b>Premiums Less Expenses</b>	<b>\$2,654,459</b>	<b>\$3,309,437</b>	<b>\$1,157,354</b>	<b>(\$892,899)</b>	<b>\$1,211,658</b>	<b>(\$3,002,839)</b>	<b>\$1,100,754</b>	<b>\$1,124,080</b>	<b>\$1,240,949</b>	<b>(\$894,105)</b>	<b>\$525,615</b>	<b>(\$76,959)</b>	<b>\$7,457,504</b>
Increase / (Decrease) in Contingency Reserve as of June 30, 2021													(\$954,434)
<b>Total Incurred Expense Including Change in Contingency Reserve</b>													<b>\$221,981,093</b>
Incurring Loss Ratio (Total includes Contingency Reserve Change)	86.4%	83.0%	94.1%	104.6%	93.8%	115.4%	94.2%	94.1%	93.4%	104.7%	97.2%	100.4%	96.8%

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

# BSC Flex-Funded Plan Experience Detail — Trio [1]

## 2021 Plan Year

Month → →	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Total
EE/RET Count	6,193	6,180	6,158	6,147	6,102	6,090	6,034	6,008	5,972	5,974	5,968	5,939	6,064 (avg.)
<b>Premiums Collected</b>	<b>\$9,037,419</b>	<b>\$9,037,419</b>	<b>\$9,037,419</b>	<b>\$9,037,419</b>	<b>\$9,037,419</b>	<b>\$9,037,419</b>	<b>\$8,610,869</b>	<b>\$8,610,869</b>	<b>\$8,610,869</b>	<b>\$8,610,869</b>	<b>\$8,610,869</b>	<b>\$8,610,869</b>	<b>\$105,889,723</b>
Administration	\$595,748	\$593,596	\$592,909	\$591,096	\$586,768	\$581,848	\$581,231	\$577,364	\$573,697	\$574,171	\$573,787	\$572,537	\$6,994,752
Capitation	\$2,159,012	\$2,100,032	\$2,427,429	\$2,064,799	\$2,164,493	\$2,166,555	\$2,144,978	\$2,115,260	\$2,182,067	\$2,104,354	\$2,139,266	\$2,101,823	\$25,870,069
Medical Claims	\$4,789,316	\$4,426,231	\$3,940,323	\$5,176,412	\$4,796,668	\$5,242,346	\$4,687,567	\$5,360,635	\$4,170,574	\$6,524,820	\$5,074,626	\$5,333,884	\$59,523,402
Pharmacy Claims	\$1,753,956	\$1,607,719	\$1,696,071	\$1,741,414	\$1,649,342	\$1,643,191	\$1,659,845	\$1,513,975	\$1,845,471	\$1,722,522	\$1,616,297	\$1,759,893	\$20,209,695
Pharmacy Rebate	(\$359,901)	(\$359,901)	(\$359,901)	(\$160,975)	(\$160,975)	(\$160,975)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$2,162,629)
ACO Incentive	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Large Claim Pooling	\$0	\$0	\$0	\$0	\$0	(\$445,809)	(\$216)	\$0	(\$216)	(\$534,296)	(\$50,634)	(\$180,872)	(\$1,212,043)
Change in IBNR						(\$1,599,821)							(\$1,599,821)
<b>Total Expenses</b>	<b>\$8,938,132</b>	<b>\$8,367,677</b>	<b>\$8,296,831</b>	<b>\$9,412,745</b>	<b>\$9,036,296</b>	<b>\$7,427,333</b>	<b>\$8,973,405</b>	<b>\$9,467,235</b>	<b>\$8,671,593</b>	<b>\$10,291,571</b>	<b>\$9,253,341</b>	<b>\$9,487,266</b>	<b>\$107,623,425</b>
<b>Premiums Less Expenses</b>	<b>\$99,287</b>	<b>\$669,742</b>	<b>\$740,587</b>	<b>(\$375,326)</b>	<b>\$1,123</b>	<b>\$1,610,085</b>	<b>(\$362,536)</b>	<b>(\$856,366)</b>	<b>(\$60,725)</b>	<b>(\$1,680,703)</b>	<b>(\$642,473)</b>	<b>(\$876,397)</b>	<b>(\$1,733,702)</b>
Increase / (Decrease) in Contingency Reserve as of June 30, 2021													\$498,452
<b>Total Incurred Expense Including Change in Contingency Reserve</b>													<b>\$108,124,877</b>
Incurring Loss Ratio (Total includes Contingency Reserve Change)	98.9%	92.6%	91.8%	104.2%	100.0%	82.2%	104.2%	109.9%	100.7%	119.5%	107.5%	110.2%	101.6%

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

# BSC Plan Rate Stabilization Reserve History

Presented at the March 12, 2020 Meeting

## Aon Rate Stabilization Calculation <sup>[1]</sup>

Stabilization <b>deficit</b> balance carry-forward as of December 31, 2018	\$3,791,000
Aon recommended a decrease to stabilization <b>deficit</b>	(\$11,477,000)
Total stabilization <b>surplus</b> balance as of December 31, 2019	(\$7,686,000)
Stabilization Policy requires 33% of balance to be applied to the 2021 rates	(\$2,562,000)
Remaining carry-forward in stabilization <b>surplus</b> balance for plan years 2022 and after	(\$5,124,000)

**[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 Plan Rate Stabilization Reserve History

Presented at the March 11, 2021 Meeting

## Aon Rate Stabilization Calculation <sup>[1]</sup>

Stabilization <b>surplus</b> balance carry-forward as of December 31, 2019	(\$5,124,000)
Aon recommended an increase to stabilization <b>surplus</b>	(\$9,443,000)
Total stabilization <b>surplus</b> 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 <b>surplus</b> 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 HMO Plans Reconciliation Notes

- 1 Estimated Incurred Claims including claim payments for medical, pharmacy, and capitation in January–December 2021.
- 2 Administration Expense — Cost of administering January–December 2021 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 2022 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