

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

## **Rates & Benefits**

Review and Approve Sutter Health Legal Settlement 2025  
Recommended Rating Buy-Down Action Per HSB Policy 213  
for BSC HMO & UHC EPO Plans and Non-Medicare PPO Plan

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# **Sutter Health Legal Settlement 2025 Recommended Rating Buy-Down Action Per HSB Policy 213 for BSC HMO & UHC EPO Plans and Non-Medicare PPO Plan—Agenda**

- **Background – Health Service Board (HSB) Legal Settlement Policy 213**
- **Background – Recent Sutter Health Legal Settlement (which becomes the first application of new HSB Policy 213)**
- **Calculations and 2025 Rating Buy-Down Recommendations by Plan**
  - Blue Shield of California (BSC) Access+ & Trio Flex-Funded HMO and UnitedHealthcare (UHC) Split Family Lives EPO Plans
  - Non-Medicare PPO Plan (administered by BSC and UHC)
- **Today’s Recommendation for 2025 Rating Buy-Down Action for BSC HMO & UHC EPO plans and Non-Medicare PPO Plan from Sutter Health Legal Settlement Dollars**

# Today's Recommendation

## Sutter Health Legal Settlement 2025 Recommended Rating Buy-Down Action

In congruence with the HSB Legal Settlement Policy 213, it is recommended that the Health Service Board (HSB) approve the use of Sutter Health Legal Settlement dollars received by SFHSS in July 2023 for use in 2025 health plan rating buy-downs for the BSC Access+ and Trio HMO plans (including Non-Medicare split family lives in UHC EPO plans), as well as the Non-Medicare PPO Plan administered by BSC and UHC, as described in this material.

The BSC Flex-Funded HMO plans and the Self-Funded Non-Medicare PPO Plan were offered by the San Francisco Health Service System (SFHSS) at the time the Sutter Health actions in question transpired, hence they are selected for rating buy-down of settlement dollars in today's recommended action. Today's recommendation would use all of the Sutter Health Legal Settlement dollars received since those used for 2024 rating buy-downs as approved by the HSB in April 2023 (which specifically were received by SFHSS in July 2023).

# 1

## Background — HSB Policy 213

# Background — HSB Legal Settlement Policy 213

The HSB Governance Policies and Terms of Reference were updated and approved by the HSB at the January 12, 2023, HSB meeting. As part of this update, new Policy 213 – Legal Settlement Policy – was newly adopted. Policy 213 was written and adopted to provide guidance for distribution of monies generated within SFHSS health and welfare plans by legal settlements, starting with the Sutter Health Legal Settlement described in this presentation.

The entirety of the Legal Settlement Policy 213 starts below and continues on the next page.

## **213: LEGAL SETTLEMENT POLICY**

### **Policy Objectives**

SFHSS manages self-funded and flex-funded plans and may participate in legal claims to resolve disputes with providers. The resolution of the dispute may involve payments to SFHSS. This policy describes the acceptance and use of these settlements.

# **Background — New HSB Legal Settlement Policy 213 (continued)**

## **Settlement Policy**

- 1) The settlement funds will be accepted and deposited in the medical trust fund for the health plan that most closely matches the claim.
- 2) The funds will be used in the underwriting rate setting process to set applicable health plan future rates, employer contributions and member contributions.
- 3) The underwriting rate setting process will consider the stability of the rates in determining the number of years for which rates will be adjusted.

## **Review**

- 4) The Board shall review this policy at least every three years.

## **Policy History**

- 5) The Board adopted this policy on January 12, 2023.

# 2

## Background – Recent Sutter Health Legal Settlement

# Background – Recent Sutter Health Legal Settlement

In December 2019, Sutter Health reached an agreement to resolve an antitrust lawsuit with the United Food and Commercial Workers & Employers Benefit Trust (UEBT) on behalf of a class of California Self-Funded Payers and the California Attorney General.

The settlement resolved two antitrust lawsuits involving a dispute over Sutter Health's approach to contracting with insurance companies as an integrated system. The first is a class action lawsuit brought in 2014 on behalf of various group health plans that provide for employees' and members' health insurance, known as self-funded payers. The second is a lawsuit brought by the California Attorney General in 2018.

California-based self-funded group health plans who are class members have started to receive financial payments with amounts determined by the plaintiffs and subject to a plan of allocation approved by the court. An independent claims administrator is responsible for all claims administration and providing information to settlement class members.



# Background – Recent Sutter Health Legal Settlement

SFHSS is a settlement class member and had previously received \$14,791,698 in time to apply these funds into rating buy-downs for the 2024 plan year on the impacted plans (with allocations by plan type calculated by SFHSS):

- BSC HMO & UHC EPO plans: \$11,848,356
- Non-Medicare PPO plan: \$2,943,342

As communicated to the HSB in April 2023, an additional approximate \$2 million was anticipated for receipt later in 2023, but not in time to reflect in 2024 rating. The expectation at that time is remaining funds received would be available for 2025 plan year rating buy-downs for these plans.

On July 5, 2023, the remaining funds totaling \$2,228,280 were received by SFHSS. The allocation of dollars received by SFHSS in July 2023 as calculated by SFHSS by plan type (based on population-weighting) is:

- BSC HMO & UHC EPO plans: \$1,916,321
- Non-Medicare PPO plan: \$311,959

# Background – Recent Sutter Health Legal Settlement

The remainder of this presentation discusses the proposed allocation methodology of Sutter Health Legal Settlement dollars received to date into 2025 self-funded<sup>1</sup> plan rating buy-downs for the BSC HMO & UHC EPO plans and the Non-Medicare PPO Plan.

SFHSS believes the funds received in July 2023 will be the final payout to SFHSS from the Sutter Health Legal Settlement described in this document. Still, should SFHSS receive any additional settlement amounts in the coming 12-month period, SFHSS would apply them to rating buy-downs on the plans outlined in this presentation for the 2026 plan year, pursuant to the Board approving this recommendation.

<sup>1</sup> Within this presentation, self-funded plans include flex-funded plans.

# 3

## Calculations and 2025 Rating Buy-Down Recommendations by Plan

# Calculations and 2025 Rating Buy-Down Recommendations

## BSC HMO & UHC EPO Plans

As referenced earlier in this presentation, the amount received since 2024 rating buy-downs were established applicable to the BSC Access+ and Trio HMO plans (also applicable to Non-Medicare split family lives enrolled in UHC EPO plans) is \$1,916,321.

It is recommended to allocate these funds in 2025 rating buy-downs proportionally by dependent coverage tier for active employees and early retirees in a consistent approach to how rate stabilization amounts are spread in rate cards across active employees and early retirees by tier—so that the total projected allocation equals the \$1,916,321 figure above based on current headcounts by plan, population (e.g., actives and early retirees), and tier for the BSC HMO & UHC EPO plans. Similar to the rate stabilization rating approach utilized for the BSC HMO & UHC EPO plans, the same amounts by population and tier are applied to each of the two BSC HMO & UHC EPO plans.

# Calculations and 2025 Rating Buy-Down Recommendations

## BSC HMO & UHC EPO Plans

Using current enrollment and applying the same allocation of amounts as utilized in rate stabilization portion of BSC HMO & UHC EPO rate cards, below illustrates the suggested BSC Access+ & UHC Select EPO and Trio HMO & UHC Doctors EPO 2025 rate card line item for rating buy-downs of the BSC HMO & UHC EPO portion of the Sutter Health Legal Settlement dollars received in July 2023:

**\$1,916,321 amount to distribute**

### Allocation by Member Type / Tier—follow ratios used for stabilization amounts in Rate Cards

	BSC HMOs Active EE Only	BSC HMOs Active EE+1	BSC HMOs Active EE+2+	BSC HMOs E Ret Only	BSC HMOs E Ret + 1	BSC HMOs E Ret +2+	UHC EPOs E Ret Only	UHC EPOs +1 Only NM	UHC EPOs +2+ NM
2024 HMO Rating Stabilization Amounts (monthly)	\$9.63	\$19.26	\$27.25	\$22.33	\$32.35	\$40.35	\$22.33	\$10.02	\$18.02
Ratio to Active EE Only	1.000	2.000	2.830	2.319	3.359	4.190	2.319	1.040	1.871
January 2024 BSC HMO and UHC EPO Counts (SFHSS reported)*	5,746	3,333	4,117	1,029	407	215	105	586	15
<b>Legal Settlement 2025 rating buy-down (monthly)</b>	<b>(\$5.40)</b>	<b>(\$10.80)</b>	<b>(\$15.28)</b>	<b>(\$12.52)</b>	<b>(\$18.14)</b>	<b>(\$22.62)</b>	<b>(\$12.52)</b>	<b>(\$5.62)</b>	<b>(\$10.10)</b>

\* Headcounts including pre-Medicare retiree split family members in UHC EPO plans, as well as all in BSC Access+ & Trio plans

# Calculations and 2025 Rating Buy-Down Recommendations

## Non-Medicare PPO Plan

As referenced earlier in this presentation, the amount received since 2024 rating buy-downs were established applicable to the Non-Medicare PPO plan (for lives administered by both BSC and UHC for this plan) is \$311,959.

It is recommended to allocate these funds in 2025 rating buy-downs proportionally by dependent coverage tier for active employees and early retirees in a consistent approach to how rate stabilization amounts are spread in rate cards across active employees and early retirees by tier—so that the total projected allocation equals the \$311,959 figure above based on current headcounts by population (e.g., actives and early retirees) and tier for the Non-Medicare PPO Plan.

# Calculations and 2025 Rating Buy-Down Recommendations

## Non-Medicare PPO Plan

Using current enrollment and applying the same allocation of amounts as utilized in rate stabilization portion of Non-Medicare PPO Plan rate cards below illustrates the suggested Non-Medicare PPO Plan rate card line item for reflection of the Non-Medicare PPO Plan portion of the Sutter Health Legal Settlement dollars received to date:

**\$311,959 amount to distribute**

### Allocation by Member Type / Tier—follow ratios used for stabilization amounts in Rate Cards

	BSC PPO Active EE Only	BSC PPO Active EE+1	BSC PPO Active EE+2+	BSC PPO E Ret Only	BSC PPO E Ret + 1	BSC PPO E Ret +2+	UHC PPO E Ret Only	UHC PPO +1 Only NM	UHC PPO +2+ NM
2024 PPO Rating Stabilization Amounts (monthly)	\$21.27	\$41.15	\$58.11	\$28.60	\$41.43	\$51.67	\$28.60	\$12.83	\$23.07
Ratio to Active EE Only	1.000	1.935	2.732	1.345	1.948	2.429	1.345	0.603	1.085
January 2024 BSC and UHC PPO Counts (SFHSS reported)*	934	208	190	625	169	66	44	271	3
<b>Legal Settlement 2025 rating buy-down (monthly)</b>	<b>(\$7.62)</b>	<b>(\$14.74)</b>	<b>(\$20.82)</b>	<b>(\$10.24)</b>	<b>(\$14.84)</b>	<b>(\$18.51)</b>	<b>(\$10.24)</b>	<b>(\$4.60)</b>	<b>(\$8.27)</b>

\* Headcounts including pre-Medicare retiree split family members in UHC-administered PPO plan in addition to BSC PPO members

# 4

## Today's Recommendation for 2025 Rating Buy-Down Action for BSC HMO & UHC EPO plans and Non-Medicare PPO Plan from Sutter Health Legal Settlement Dollars



# Today's Recommendation

## Sutter Health Legal Settlement 2025 Recommended Rating Buy-Down Action

In congruence with the new HSB Legal Settlement Policy 213, it is recommended that the Health Service Board approve the use of Sutter Health Legal Settlement dollars received by SFHSS to date for use in 2025 health plan rating buy-downs for the following plans:

- the Blue Shield of California (BSC) Access+ and Trio HMO plans (including Non-Medicare split family lives in UHC EPO plans) and
- Non-Medicare PPO Plan administered by BSC and UHC, as described in this material.