

San Francisco Health Service System Health Service Board

Non-Medicare Health Plan Rating Methodology

Part 2—Total Cost Rate Segmentation Into Employer and Member Contributions

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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

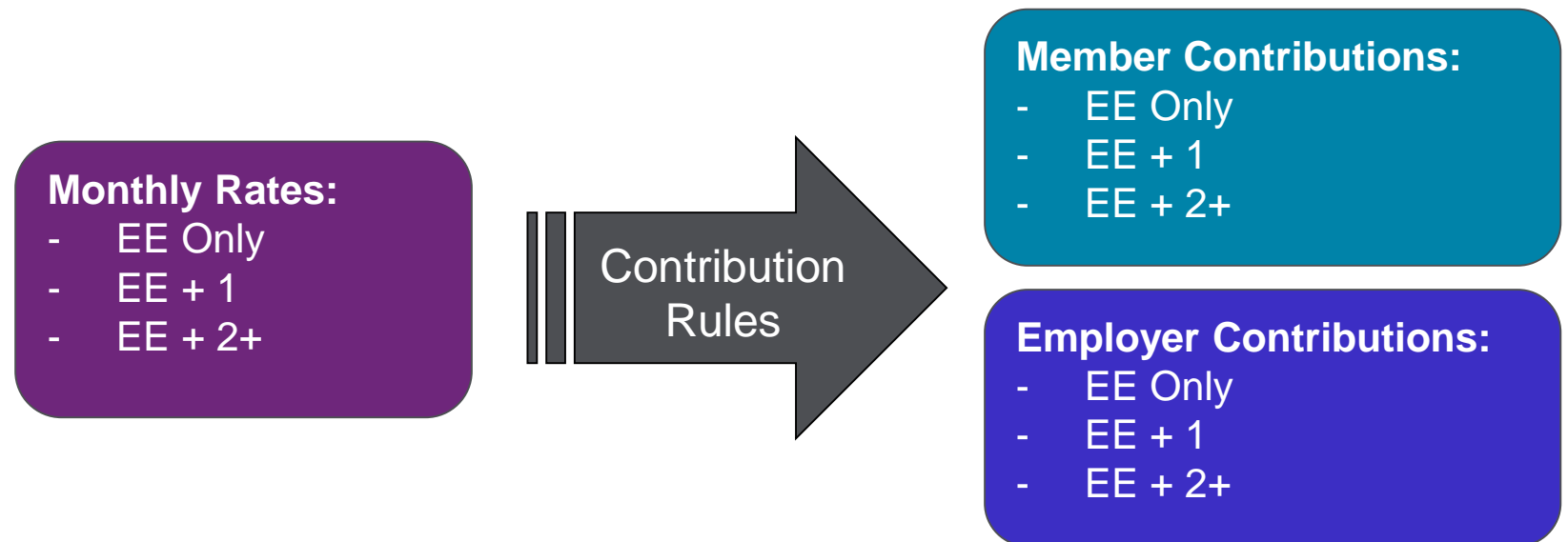
Our discussion is segmented into four primary topic areas:

- (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 2—Total Cost Rate Segmentation Into Employer and Member Contributions (including separate discussions for active employees and retirees).

Part 2a: Segmenting Total Cost Rates Into Employer and Member Contributions (Active Employees)



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

Active Employees—City/County of San Francisco (CCSF)

- Medical/Rx/Core Vision plan **employer contributions** are based on negotiated percentages by dependent tier (100/96/83 and 93/93/83) for most plans
 - For medical/Rx/Core vision, the **employer contribution dollar amounts** for the most expensive plan (UHC “City Plan” PPO) are same as those for second most expensive plan (BSC Access+)
 - Otherwise, **employer contributions** for health plans other than the most expensive plan are guided by the negotiated percentages above
 - **Employee contributions** for health plans then become total cost rates less the employer contribution amounts for each plan and tier
- For dental plans, CCSF employees pay \$5/\$10/\$15 per month for Delta Dental PPO and pay no contributions for the two dental HMOs
- Employees selecting the VSP Premier Plan (“buy-up” plan) pay an incremental contribution equal to the difference in total cost rates between the VSP Premier Plan and the VSP Core Vision Plan, for the dependent tier selected

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

Active Employees—San Francisco Unified School District (SFUSD)

- Medical/Rx/Core Vision plan **employer contributions** for the Employee Only tier vary by plan and tier—anchored to the 10-County Amount at minimum but could be higher for a given employee segment and/or plan depending on agreement
 - Kaiser: Employee Only employer contribution equals the premium since the Kaiser premium is less than the 10-County Amount
- Medical/Rx/Core Vision plan **employer contributions** for the Employee Plus One and Employee Plus Two or More tiers vary by employee type and plan, based on agreements with each employee segment (generally employer contributions for family tiers will increase proportionately with total rate increases)
- **Employee contributions** for health plans then become total cost rates less the employer contribution amounts for each plan and tier—the number of pay periods for a given SFUSD employee in a year varies by type of employee
- SFUSD does not elect to offer dental through SFHSS
- Employees selecting the VSP Premier Plan (“buy-up” plan) pay an incremental contribution equal to the difference in total cost rates between the VSP Premier Plan and the VSP Core Vision Plan, for the dependent tier selected

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

Active Employees—City College of San Francisco (CCD)

- Medical/Rx/Core Vision plan **employer contributions** for the Employee Only tier vary by plan and tier—anchored to the 10-County Amount at minimum but could be higher for a given employee segment and/or plan depending on agreement
 - Kaiser: Employee Only employer contribution equals the premium since the Kaiser premium is less than the 10-County Amount
- Medical/Rx/Core Vision plan **employer contributions** for the Employee Plus One and Employee Plus Two or More tiers vary by employee type and plan, based on agreements with each employee segment (generally employer contributions for family tiers will increase proportionately with total rate increases)
- **Employee contributions** for health plans then become total cost rates less the employer contribution amounts for each plan and tier—the number of pay periods for a given CCD employee in a year varies by type of employee
- CCD does not elect to offer dental through SFHSS
- Employees selecting the VSP Premier Plan (“buy-up” plan) pay an incremental contribution equal to the difference in total cost rates between the VSP Premier Plan and the VSP Core Vision Plan, for the dependent tier selected

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

Active Employees—Superior Court

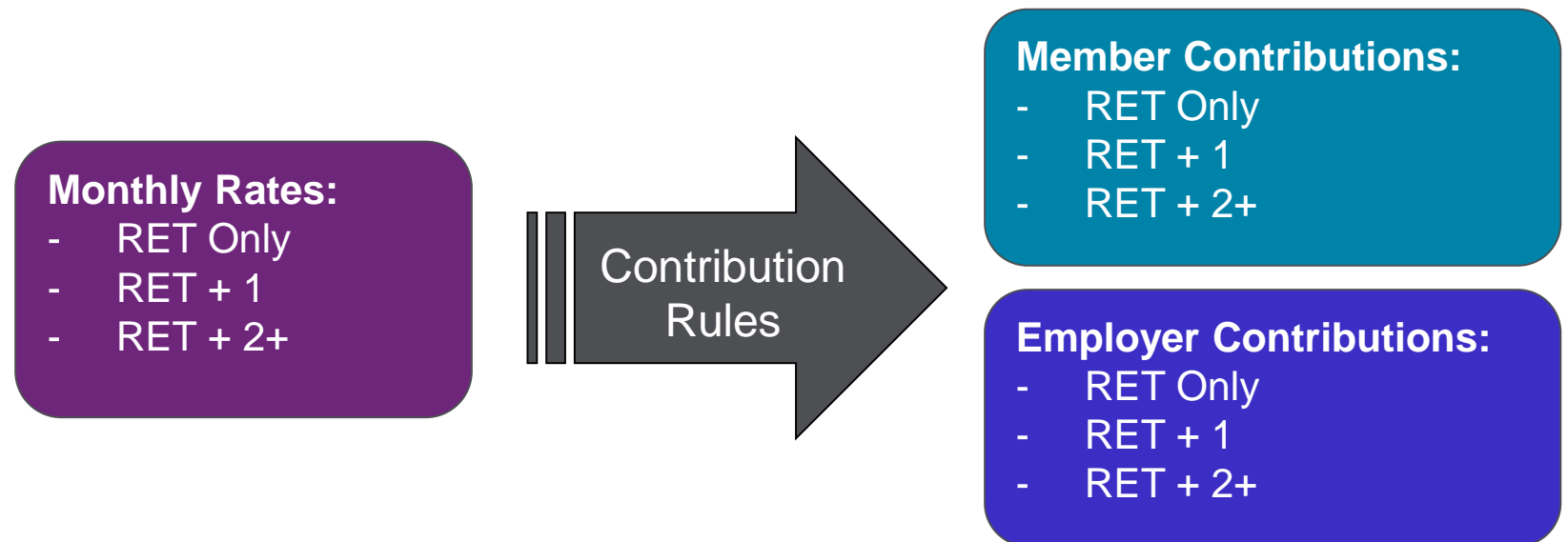
- Most Superior Court employees pay no contributions for medical/Rx/Core Vision coverage
- Superior Court employees pay no contributions for dental coverage
- Employees selecting the VSP Premier Plan (“buy-up” plan) pay an incremental contribution equal to the difference in total cost rates between the VSP Premier Plan and the VSP Core Vision Plan, for the dependent tier selected

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

Active Employees—Municipal Executives Association (MEA)

- Medical/Rx/Core Vision plan **employer contributions** for MEA include two sources:
 - Flex credits which can be spent on a variety of pre-tax and post-tax benefit options, including health care, paid via payroll deduction (credit amounts vary by MEA employee type, and by dependent coverage tier for CCSF/MTA employees); and
 - Employer contributions equal to the 10-County Amount for CCSF and MTA employees enrolling in Employee Only or Employee Plus One tier for medical coverage (Kaiser contribution is less than 10-County Amount given lower premiums for Kaiser).
- CCSF and MTA MEA employees enrolled in the Delta Dental PPO plan pay \$5/\$10/\$15 monthly by tier for coverage; all other plans have no contribution
 - Superior Court MEA employees pay no contributions for any dental plan
- Employees selecting the VSP Premier Plan (“buy-up” plan) pay an incremental contribution equal to the difference in total cost rates between the VSP Premier Plan and the VSP Core Vision Plan, for the dependent tier selected

Part 2b: Segmenting Total Cost Rates Into Employer and Member Contributions (Retirees)



Segmenting Total Cost Rates Into Employer and Member Contributions—Retirees

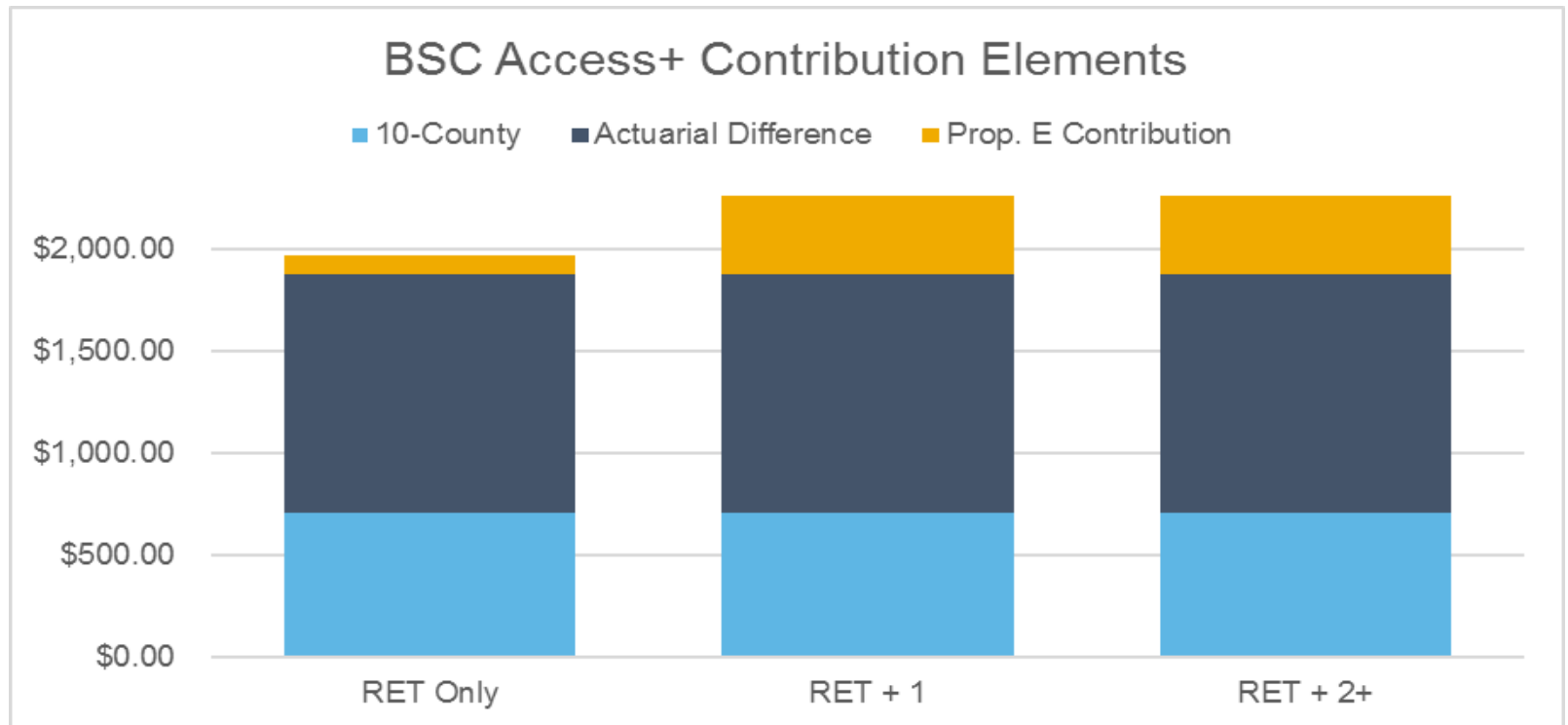
Employer Contributions For Retirees Are Guided by City Charter Formula

- Retirees hired on or before January 9, 2009: **Medical/Rx/Core Vision plan employer contribution amounts** are based on three components as defined in the **City Charter**—two of which are developed separately for each plan
 - **Element that is same for all plans: 10-County Amount** (determined by annual survey; same dollar amount for all plans and dependent tiers)
 - **First element that varies for each plan: “Actuarial difference”** which is the difference between single tier premiums for early retirees and active employees for a given plan (dollar amounts vary by plan; within a plan, the same dollar amount applies to all dependent coverage tiers)
 - **Second element that varies for each plan: Retiree Prop. E Contribution** which is 50% times [total cost rate cost, less 10-County amount, less “Actuarial Difference”]—performed for both Retiree Only tier and Retiree + 1 tier (dollar amounts vary by plan; within a plan, there is an amount for Retiree Only tier and a second amount for RET+1 and RET+2+ tiers)

Segmenting Total Cost Rates Into Employer and Member Contributions—Retirees

Early Retirees—2020 Employer Contribution Components—Example (BSC Access+)

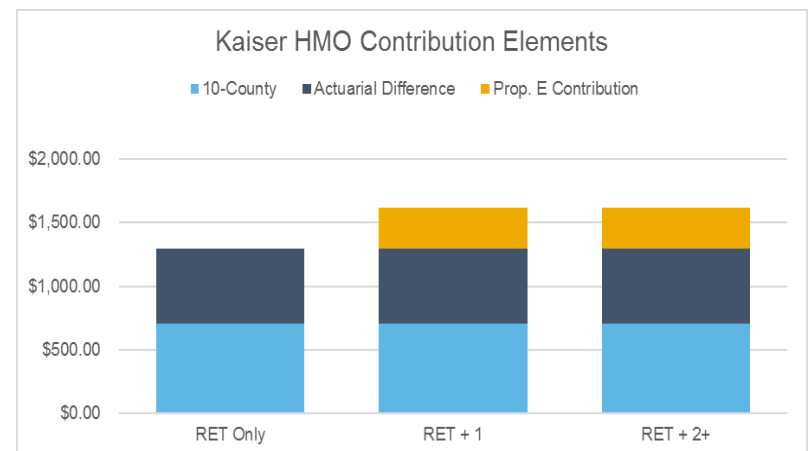
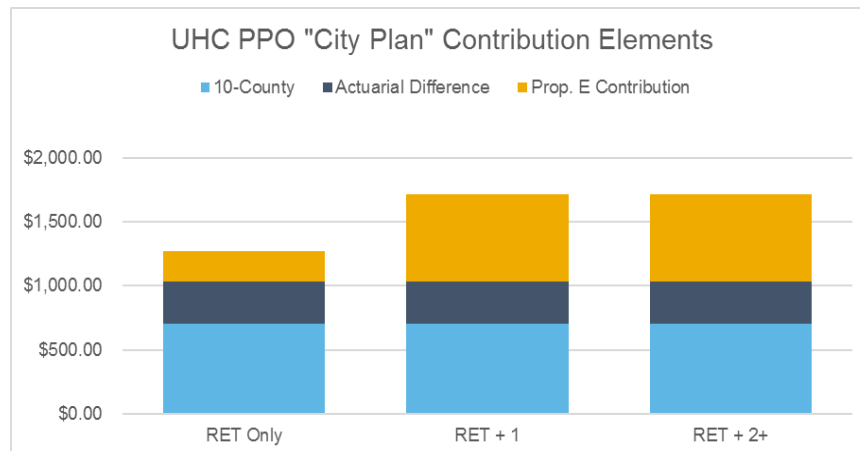
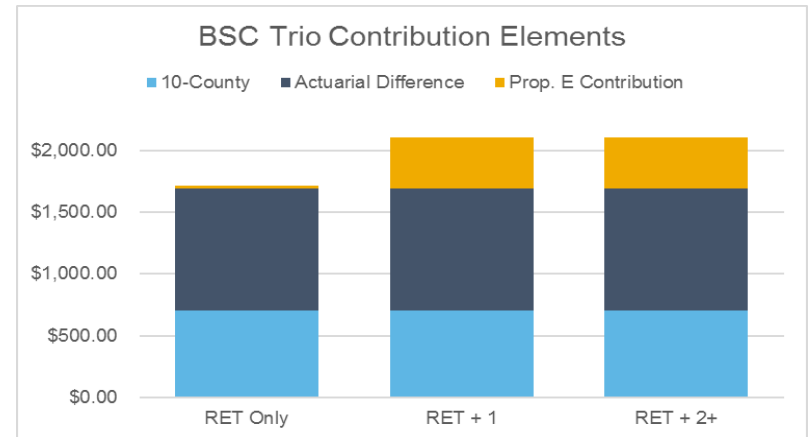
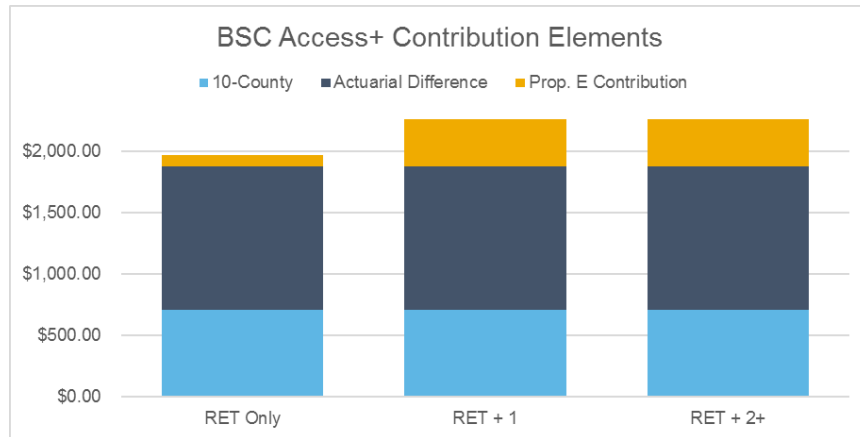
- Light Blue—10-County Amount (same amount for all plans)
- Dark Blue—“Actuarial Difference” (plan-specific, same amount for all tiers)
- Tan—Retiree Prop. E Contribution (plan-specific, varies for Single tier vs. Family tiers)



Segmenting Total Cost Rates Into Employer and Member Contributions—Retirees

Early Retirees—2020 Employer Contribution Components—All Offered Plans

- Dark Blue (“Actuarial Difference”) and Tan (Retiree Prop. E) amounts vary by plan



Segmenting Total Cost Rates Into Employer and Member Contributions—Retirees

Retiree Plans With No Retiree Contributions for Retiree Only Tier in 2020 For Retirees Hired On or Before January 9, 2009

- Employer contributions are limited to be no more than the cost of Retiree Only coverage—this applies in 2020 for the following plans:
 - Kaiser HMO for early retirees
 - Kaiser Permanente Senior Advantage (KPSA) for Medicare retirees
 - UHC Medicare Advantage (MA) PPO for Medicare retirees
- This is why each of these plans listed above have no retiree contributions for Retiree Only tier in 2020
- All other early retiree plans have some level of retiree contribution for Retiree Only coverage in 2020
 - UHC PPO “City Plan” and “City Plan—Choice Not Available”
 - Blue Shield Access+ and Trio HMOs

Segmenting Total Cost Rates Into Employer and Member Contributions—Retirees

Medical/Rx/Core Vision Employer Contributions for Retirees Hired On or After January 10, 2009

- Retirees hired on or after January 10, 2009: medical/Rx/vision employer contributions vary by years of service:
 - At least 5 but less than 10 years of service: no employer contribution (coverage is fully paid by retiree)
 - At least 10 but less than 15 years of service: 50% of the employer contribution amounts provided to retirees hired on or before January 9, 2009
 - At least 15 but less than 20 years of service: 75% of the employer contribution amounts provided to retirees hired on or before January 9, 2009
 - At least 20 years of service: the same employer contribution amounts as those provided to retirees hired on or before January 9, 2009

Segmenting Total Cost Rates Into Employer and Member Contributions—Retirees

Dental Plan and Premier Vision Plan Contributions For Retirees

- Dental coverage for all plans offered is fully contributory (no employer contribution) for all retirees
- VSP Vision Premier Plan “buy-up” coverage is fully contributory (no employer contribution) for all retirees