# Background — Health Service Board Education Plan 2023

The Health Service Board (HSB) Education Policy 202 outlines educational practices and reporting expectations for Commissioners throughout each calendar year. Commissioners complete an annual Education Survey to request education topics. The Commissioners and San Francisco Health Service System (SFHSS) leadership work in partnership to provide educational opportunities that enhance continuous learning to effectively carry out their duties in alignment with the Strategic Plan years 2023-2025.

The requested 2023 Board Education topics are

- Healthcare Cost Trends (Active and Retirees);
- Equity Data Reporting; and
- Data Transparency.

Education sessions are open to the public and members are encouraged to attend. Commissioners complete an education evaluation after every session to be completed within one week of the session.

# San Francisco Health Service System
# Health Service Board

## Board Education

Benefit Design Benchmarking and Plan Design Influence on Member Plan Use Behavior

Anne Thompson, Senior Account Executive and
Mike Clarke, Lead Actuary

November 9, 2023

# Benefit design benchmarking and plan design influence on member plan use behavior —Agenda

- Background and Board Education Modules — August Through December
- Benefit Design Benchmarking and Plan Design Influence on Member Plan Use Behavior:
  - Impact of design components on plan utilization
  - HMO plan design competitive landscape
    - Aon Health Value Initiative (HVI) database
    - 10-County Survey employers (large California counties)
  - Plan design/program incentives to drive optimized health behaviors
- Looking Ahead—Upcoming HSB Education Agenda Items

# HSB Board Education Modules — August Through

Incorporate Strategic Goals Throughout: Foster Equity, Advance Primary Care, Affordable/Sustainable, Support Mental Health and Well-Being, Optimize Service

## August HSB

- **Holistic health ecosystem overview & outline September to December education modules**
  - "U.S. Healthcare 101" — our complex ecosystem
  - Health system merger/acquisition (M&A) impacts
  - Vendor market: current state, notable innovation
  - SFHSS considers any RFI/RFP for vendors
  - HSB control vs. influence
  - Outline education modules

## September HSB

- **Module 1: Market/ Health System innovation**
  - Vendor innovation
  - Health system innovation
  - New research on health care/behavior/ outcomes

## November HSB

- **Module 2: Benefit design benchmarking and plan design influence on member plan use behavior**
  - Impact of design components on plan utilization
  - HMO plan design competitive landscape (Aon HVI data, 10-County)
  - Plan design/program incentives to drive optimized health behaviors

## December HSB

- **Module 3: Future state opportunities for SFHSS**
  - Harmonizing design features across Non-Medicare HMO plans and between the two MAPD plans
  - Ideal state of design/ vendors/network/etc.

# Benefit Plan Design—Drivers Behind Recommendations

Two Elements to Drive Any Plan Design Change Recommendation

- **Generate lower renewal rate increases**—when total rates adjust lower upon plan design feature increases, members pay less in contributions than they would without plan design changes, and employer costs reduce.

- **Encourage shifts in site of care decisions that are clinically appropriate**—examples include:
  - Urgent care and physician office as alternatives to emergency room;
  - Lab and radiology services at physician office and free-standing facilities rather than within inpatient and outpatient hospital facilities; and
  - Surgery in outpatient settings rather than inpatient hospital.

# Medical/Rx Benefit Design Features for SFHSS Plans

## Plan Design Feature Distinctions—Active and Retiree Health Plans

| Plan Provision | Active Employees & Early Retirees HMO Plans | Active Employees & Early Retirees PPO Plan | Retiree Medicare Advantage PPO (UHC) and HMO (Kaiser) Plans |
|---|---|---|---|
| **Network** | In-Network Only | In- and Out-of-Network Coverage | Kaiser: In-Network Only<br>UHC: Any willing provider |
| **Preventive Care** | No Member Cost | No Member Cost | No Member Cost |
| **Deductibles** | None | Yes | None |
| **Fixed-Dollar Copayments** | Apply to most medical services | Apply to a few services, including in-network prescriptions | Apply to most medical services |
| **Coinsurance** | Applies to a few services, including fertility and specialty prescriptions | Applies to most medical services | Kaiser: applies to a few services, including specialty prescriptions;<br>UHC: None |
| **Out-of-Pocket Maximum** | Aggregate | Aggregate | Aggregate |

# Medical/Rx Benefit Design Features for SFHSS Plans

## Major SFHSS Health Plan Design Features

Differentials in design elements exist between Kaiser and other available plans

| | | CURRENT PLAN DESIGN FEATURES | | | | | |
|---|---|---|---|---|---|---|---|
| | | BSC HMO/ UHC EPO/ HN CC Plans | KP HMO | Non-Medicare PPO Plan | | UHC MA PPO | KPSA |
| PLAN DESIGN FEATURE | | Non-Medicare | Non-Medicare | In-Network | Out-of-Network | Medicare | Medicare |
| **Deductible** | **Individual** | $0 | $0 | $250 | $500 | $0 | $0 |
| | **Two Party** | $0 | $0 | $500 | $1,000 | $0 | $0 |
| | **Family** | $0 | $0 | $750 | $1,500 | $0 | $0 |
| **Out-of-Pocket Maximum** | **Individual** | $2,000 | $1,500 | $3,750 | $7,500 | $3,750 | $1,000 |
| **(PPO includes deductibles)** | **Family** | $4,000 | $3,000 | $7,500 | $7,500 per indiv. | $3,750 per indiv. | $2,000 |
| **Physician Visit** | **Primary Care** | $25 copay | $20 copay | Ded / 15% Coins | Ded / 50% Coins | $5 copay | $20 copay |
| | **Specialist** | $25 copay | $20 copay | Ded / 15% Coins | Ded / 50% Coins | $15 copay | $20 copay |
| **Emergency Room (ER)** | | $100 copay* | $100 copay* | Ded / 15% Coins | Ded / 15% Coins | $65 copay* | $50 copay* |
| **Urgent Care** | | $25 copay | $20 copay | Ded / 15% Coins | Ded / 50% Coins | $20 copay* | $20 copay |
| **Hospital Inpatient** | | $200 copay | $100 copay | Ded / 15% Coins | Ded / 50% Coins | $150 copay | $100 copay |
| **Outpatient Surgery** | | $100 copay | $35 copay | Ded / 15% Coins | Ded / 50% Coins | $100 copay | $35 copay |
| **Pharmacy (retail)** | **Generic** | $10 copay | $5 copay | $10 copay | $10 copay then 50% | $5 copay | $5 copay |
| | **Brand Formulary** | $25 copay | $15 copay | $25 copay | $25 copay then 50% | $20 copay | $15 copay |
| | **Non-Formulary** | $50 copay | $15 copay** | $50 copay | $50 copay then 50% | $45 copay | $15 copay** |
| **Pharmacy (mail)** | **Generic** | $20 copay | $10 copay | $20 copay | Not Covered | $10 copay | $10 copay |
| | **Brand Formulary** | $50 copay | $30 copay | $50 copay | Not Covered | $40 copay | $30 copay |
| | **Non-Formulary** | $100 copay | $30 copay** | $100 copay | Not Covered | $90 copay | $30 copay** |
| **Pharmacy (specialty)** | **Specialty** | 20% to $100 max | 20% to $100 max | same as retail | same as retail | $20 copay | 20% to $100 max |

* ER copay waived if admitted (UHC MAPD: ER and Urgent Care copays waived if admitted within 24 hours)

** Physician authorization required in KP for a non-formulary brand medication

# Impact of Design Components on Plan Utilization

## What Does Research Say About Design Influence on Member Plan Use?

- A general concern over the years is when members have to pay for a significant portion—or all—of the cost of a health care service/prescription drug, a member may not seek the needed care or purchase the needed prescription drug.

- Many researchers have studied this over the years, as far back as the early 1970s (RAND study, see next page) when plans were first starting to introduce member cost sharing at time of service.

- Research accelerated as plan choices became popular with flexible benefits in the 1990s, and high deductible health plans with savings accounts were introduced to the employer plan marketplace during the 2000s.

# Impact of Design Components on Plan Utilization

## The Enduring Landmark Design Influence Study—RAND Health Insurance Experiment (HIE)

- The RAND HIE (conducted 1971-1986) sought to understand how much more medical care will people use if it is provided free of charge, and what are the consequences for their health.
- The HIE study showed five primary findings:
  - Cost sharing reduced spending for health care services.
  - Participants with cost sharing made fewer medical visits and were admitted to hospitals less frequently.
  - Reduced spending resulted entirely from less use of care; the costs of care were not affected.
  - Cost sharing reduced the use of effective and less effective services about equally.
  - Cost sharing had no detrimental effects on participants' health, except for the sickest and poorest patients.

**Source:** https://www.rand.org/health-care/projects/HIE-40.html

# Impact of Design Components on Plan Utilization

## Other Studies and Findings Through the Years

- American Journal of Public Health study (late 1990s): study sought to determine the effect of cost sharing on medical care use for acute symptoms and on health status among chronically ill adults (https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1446896).
  - Key finding: “In this study, both low and high levels of cost sharing, in comparison with no cost sharing, were associated with less use of medical care for minor symptoms. Cost sharing was also associated with lower rates of seeking care for serious symptoms, but only at the highest cost-sharing level.”
- Recent studies have focused on High Deductible Health Plans, or HDHPs (e.g., those with deductibles of at least $1,000 per person), including a RAND analysis from the late 2000s that showed “multiple studies confirm that individuals use less health care when faced with health plans requiring higher cost sharing, such as HDHPs.” (https://www.rand.org/pubs/technical_reports/TR562z4/analysis-of-high-deductible-health-plans.html)
  - However, these recent studies are not necessarily applicable to SFHSS since HDHPs are not offered.

# Impact of Design Components on Plan Utilization

## Health Plan Member Cost Sharing—Design Features Versus Contributions

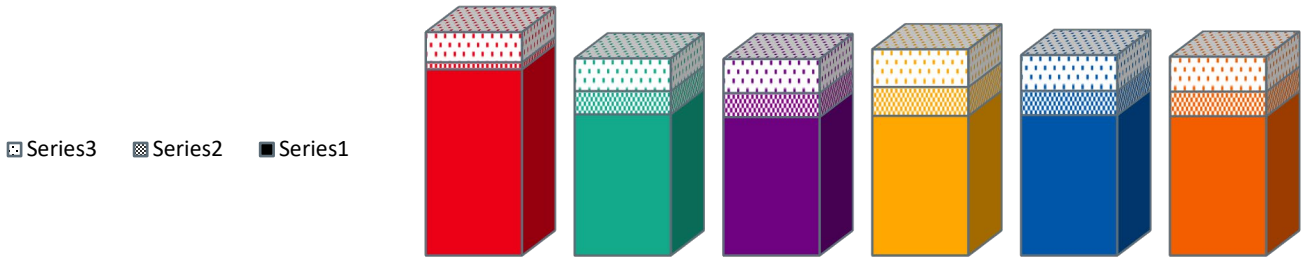
- Plan sponsors can vary on whether to build higher levels of member cost sharing into plan design features versus employee contributions.

- As seen on the following page, the majority of average cost sharing paid by SFHSS active employees is for member contributions.

# HMO Plan Design Competitive Landscape

- 97% of SFHSS employees are enrolled in HMO plans (3% in PPO)
- From annual Aon HVI benchmarking (see April 2023 Executive Director Report), SFHSS active employee plans have similar average employee contribution levels to national benchmarks—but substantially less design cost sharing on average:

**Health Plan Costs Per Employee—Overall**




| | SFHSS | Public Sector | Jumbo (>25k) | Fortune 500 | Labor Market | HVI |
|---|---|---|---|---|---|---|
| Employee Contributions | $2,416 | $2,672 | $2,424 | $2,894 | $2,652 | $2,689 |
| Employee Design Out-of-Pocket | $608 | $2,057 | $1,778 | $2,167 | $1,847 | $1,901 |
| Employer Cost | $14,730 | $12,166 | $10,549 | $11,247 | $10,827 | $10,850 |
| Total Health Plan Cost | $17,754 | $16,895 | $14,751 | $16,308 | $15,326 | $15,440 |
| Employer Portion Percent | 83% | 72% | 72% | 69% | 71% | 70% |

# HMO Plan Design Competitive Landscape

## Ten-County Employer HMO Plan Design Comparisons to SFHSS

- The average actuarial plan design value for SFHSS active employee/early retiree plans is 96.6%. What does “actuarial value” mean?
  - It means 96.6% of the total cost of care delivered to SFHSS members is paid by the plan, with the remaining 3.4% paid by members in their plan design cost sharing elements (primarily flat-dollar copayments).

- The 3.4% of total cost paid by members in design cost sharing is substantially lower than other Aon national database benchmarks including public sector employers (12.2%) and all industry employers (12.3%).

- However, SFHSS HMO plan design cost sharing is similar to that for large California county and CalPERS HMO plans as captured by information contained in the SFHSS 10-County Survey study (most recent: Board Documents section of sfhss.org, March 23, 2023, meeting)

# HMO Plan Design Competitive Landscape

## Ten-County Employer HMO Plan Design Comparisons to SFHSS

- Comparison of SFHSS active employee HMO plan design features to those for California 10-County employers and CalPERS shows California large counties tend to have low plan design cost sharing for HMOs:

| PLAN DESIGN FEATURE | | SFHSS BSC HMO/ UHC EPO/ HN CC Non-Medicare Plans | SFHSS KP HMO Non-Medicare Plan | 10-County Employers/ CalPERS HMOs Non-Medicare* | |
|---|---|---|---|---|---|
| | | | | Typical Feature** | Maximum Feature |
| Deductible | | none | none | none | none |
| Physician Visit | | $25 copay | $20 copay | $10 to $20 copay | $40 copay |
| Emergency Room (ER) | (waived if admitted) | $100 copay | $100 copay | $50 to $100 copay | $125 copay |
| Hospital Inpatient | | $200 copay | $100 copay | $0 to $100 copay | $500 copay |
| Pharmacy (retail) | Generic | $10 copay | $5 copay | $5 to $10 copay | $25 copay |
| | Brand Formulary | $25 copay | $15 copay | $15 to $20 copay | $30 copay |
| | Non-Formulary | $50 copay | $15 copay*** | $30 to $50 copay | $50 copay |

* Primary HMOs used for design comparison; San Diego, Sacramento, and Contra Costa counties also offer deductible-based HMO

** Santa Clara and Contra Costa counties each have one plan with no design cost sharing for member

*** Physician authorization required in KP for a non-formulary brand medication

# Plan Design/Program Incentives to Drive Optimized Health Behaviors

## Current SFHSS Design Features—Do They Influence Plan Utilization Choices?

- From 2022 plan year Kaiser average service cost reporting for SFHSS active employees and early retirees:

| Service Type | Active Employee 2022 Average Service Cost | | | Early Retiree 2022 Average Service Cost | | |
|---|---|---|---|---|---|---|
| | Total Cost | Member Copay | Member % of Total | Total Cost | Member Copay | Member % of Total |
| Physician Office Visit | $204 | $20 | 9.8% | $210 | $20 | 9.5% |
| Inpatient Hospital Admission | $51,477 | $100 | 0.2% | $61,711 | $100 | 0.2% |
| Outpatient Surgery | $5,337 | $35 | 0.7% | $4,936 | $35 | 0.7% |
| Emergency Room Visit (copay only if not admitted) | $2,040 | $100 | 4.9% | $2,361 | $100 | 4.2% |
| Formulary Rx - Generic | $22 | $10 | 45.4% | $20 | $10 | 50.5% |
| Formulary Rx – Brand | $1,318 | $30 | 2.3% | $1,455 | $30 | 2.1% |

- Prescription drug copayment differences incent generic Rx choices over brand Rx, which is beneficial to overall plan cost management given substantial difference in unit cost between generics and brands.
- **The plan pays over 99% of the cost for inpatient hospitalizations and outpatient surgeries, on average—and about 98% of the cost of Brand Rx drugs.**

# Plan Design/Program Incentives to Drive Optimized Health Behaviors

## Impact of Service Price Change Over Time—Costs That Accrue to the Plan Under Fixed Copayment Plan Design

- Comparison of change in Kaiser average service costs, 2019-2022:

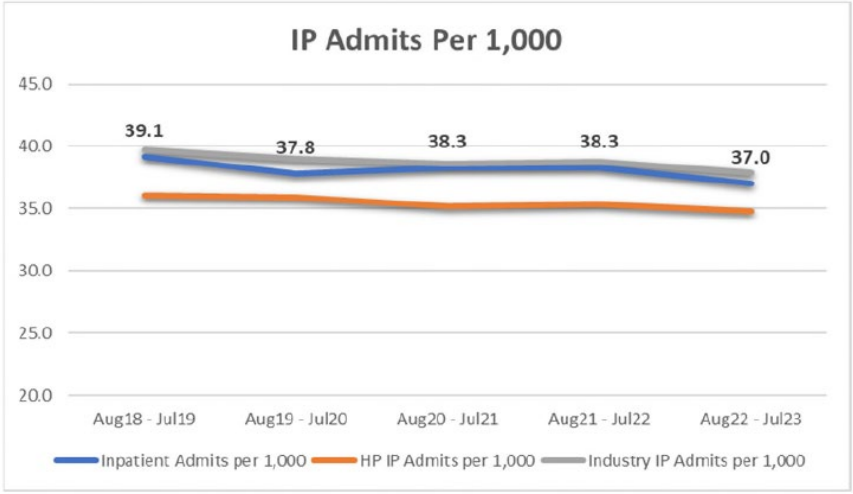
| Service Type | Active Employee Average Service Cost, 2019 and 2022 | | | Early Retiree Average Service Cost, 2019 and 2022 | | |
|---|---|---|---|---|---|---|
| | 2019 Total Cost | 2022 Total Cost | Annualized % Change, 2019-2022 | 2019 Total Cost | 2022 Total Cost | Annualized % Change, 2019-2022 |
| Physician Office Visit | $217 | $202 | -2.4% | $267 | $210 | -7.7% |
| Inpatient Hospital Admission | $43,866 | $50,658 | 4.9% | $50,843 | $61,990 | 6.8% |
| Outpatient Surgery | $4,304 | $5,223 | 6.7% | $3,728 | $4,726 | 8.2% |
| Emergency Room Visit (copay only if not admitted) | $1,905 | $2,048 | 2.4% | $2,132 | $2,354 | 3.4% |
| Formulary Rx – Generic | $29 | $22 | -8.8% | $28 | $20 | -10.6% |
| Formulary Rx – Brand | $1,179 | $1,323 | 3.9% | $1,211 | $1,467 | 6.6% |

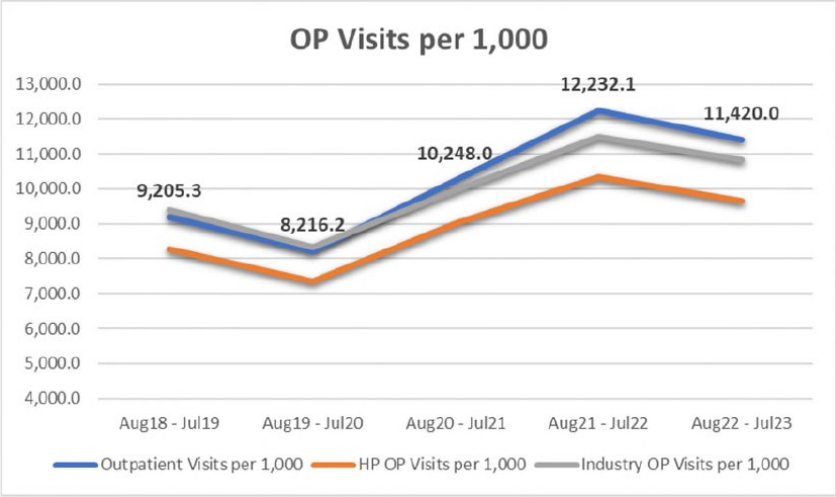
- Given fixed dollar copayments that have not changed over time, these total cost changes for services accrue fully to the plan—and ultimately in the premium rates.
- **Items with the lowest member copayments as a percentage of total cost—inpatient hospital, outpatient surgery, and formulary Rx-brand—have seen the highest total cost of service increases from 2019 to 2022.**

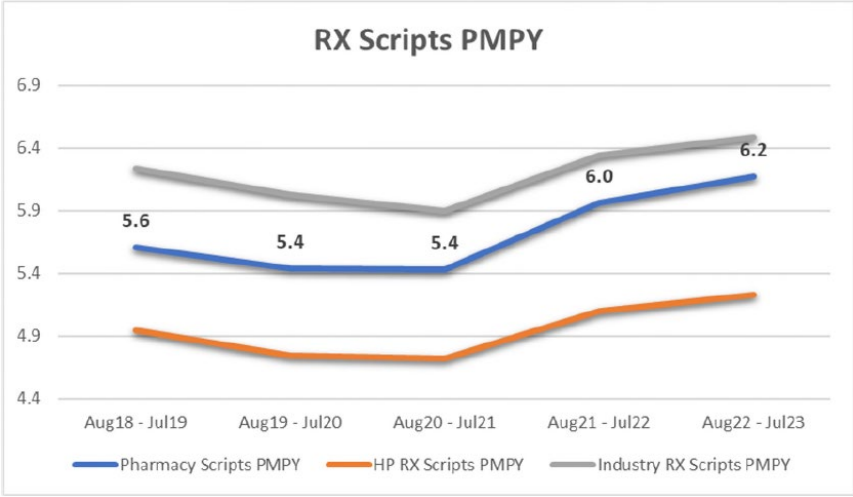
# Plan Design Influence on Member Plan Utilization

## From August 2022-July 2023 SFHSS Kaiser HMO Plan Reporting

SFHSS utilization for inpatient hospital admissions, outpatient visits, and prescription drugs (blue lines) are higher than Kaiser No CA health plan averages (orange lines), and generally similar to Kaiser public sector industry averages (gray lines) though higher for outpatient visits)



# Plan Design Influence on Member Plan Utilization

**From April 2022-March 2023 SFHSS Blue Shield (BSC) HMO Plan Reporting—Utilization Metrics Exceed BSC Book of Business Benchmarks in All Categories**

## Cost of Healthcare Drivers by Service Type Overall HMO

| Service Category | Service Type | Metric | Prior Year | Current Year | Trend | HMO NorCal Book | Variance |
|---|---|---|---|---|---|---|---|
| Inpatient | Medical | Admits / 1000 | 18.0 | 15.5 | -13.9% | 13.1 | 18.3% |
| | | ALOS | 5.6 | 6.2 | 10.7% | 5.8 | 6.9% |
| | | Paid / Admit | $48,842 | $50,325 | 3.0% | $47,408 | 6.2% |
| | Surgical | Admits / 1000 | 12.0 | 10.8 | -10.0% | 8.9 | 21.3% |
| | | ALOS | 6.7 | 5.7 | -14.9% | 5.1 | 11.8% |
| | | Paid / Admit | $89,495 | $81,950 | -8.4% | $76,664 | 6.9% |
| | Maternity | Admits / 1000 | 10.0 | 10.4 | 4.0% | 9.7 | 7.2% |
| | | ALOS | 3.3 | 3.2 | -3.0% | 3.1 | 3.2% |
| | | Paid / Admit | $25,658 | $24,372 | -5.0% | $23,094 | 5.5% |
| | Total | Admits / 1000 | 44.5 | 41.3 | -7.2% | 35.4 | 16.7% |
| | | ALOS | 6.4 | 6.3 | -1.6% | 5.6 | 12.5% |
| | | Paid / Admit | $66,693 | $57,215 | -14.2% | $54,679 | 4.6% |
| Outpatient | Emergency Room | Visits / 1000 | 159.9 | 188.2 | 17.7% | 161.8 | 16.3% |
| | | Paid / Visit | $4,543 | $4,567 | 0.5% | $4,518 | 1.1% |
| | Surgical | Visits / 1000 | 104.1 | 107.4 | 3.2% | 90.2 | 19.1% |
| | | Paid / Visit | $8,821 | $9,155 | 3.8% | $8,819 | 3.8% |
| | Radiology | Visits / 1000 | 301.6 | 305.5 | 1.3% | 196.1 | 55.8% |
| | | Paid / Visit | $4,134 | $3,742 | -9.5% | $3,665 | 2.1% |
| | Total | Visits / 1000 | 1,976.0 | 1,929.9 | -2.3% | 1,361.9 | 41.7% |
| | | Paid / Visit | $2,748 | $3,082 | 12.2% | $3,058 | 0.8% |
| Professional | Total | Visits / 1000 | 12,098.3 | 11,446.6 | -5.4% | 10,574.3 | 8.2% |

# Plan Design/Program Incentives to Drive Optimized Health Behaviors

## How Plan Design Incents Member Plan Utilization Choices

- Creates financial accountability for use of services and prescriptions by a plan member;
- Incents lower intensity forms of plan utilization when appropriate
  - Example: physician office visit and urgent care copayments are lower than emergency room copayments—but emergency room copayments are waived if admitted to a hospital;
- Encourages enrollment into certain available plans; and
- Strikes a balance in member cost sharing overall between plan contributions and plan design cost sharing features.

# Recent Plan Design Change Recommendations to HSB

Medical Plan Design Change Recommendations in SFHSS Health Plans, 2020-2023

- Recent medical plan design feature change recommendations in SFHSS health plans:

| HSB Meeting | SFHSS Health Plan | Change Recommendation | Financial Impact to Plan and Members | HSB Action |
|---|---|---|---|---|
| **May 14, 2020 (for 2021 plan year)** | Kaiser Active/ Early Retiree HMO | Increase outpatient surgery copayment from $35 to $100<br><br>Increase hospital inpatient copayment from $100 to $200<br><br>(for both to match BSC HMO features) | 0.2% reduction to renewal increase<br><br>($699K total--split $627K employers, $72K members through lower contributions) | Not Approved |
| **May 25, 2023 (for 2024 plan year)** | Kaiser Active/ Early Retiree HMO | Changes proposed above on May 14, 2020<br><br>Additional changes to match the BSC HMO designs for: out-of-pocket maximum, physician office copays, urgent care copay, and drug copays | 1.64% reduction to renewal increase<br><br>($7.22M total--split $6.48M employers, $0.74M members through lower contributions) | Not Approved |

# Conclusions from Today's Discussion

- SFHSS plan design features are less requiring to members than typical national employer plans—but are in line with large public sector employers in California.

- Use of flat dollar copayments in SFHSS HMO and Medicare Advantage plans which remain at same dollar amounts year after year mean the burden of health care cost trend falls entirely to the plan.

- Plan design changes are considered for two primary reasons—cost savings to the plan; and encouragement of care redirection to lower intensity, clinically appropriate settings.

- It is prudent to periodically evaluate the role plan design features play in member care choices, including type of provider and plan enrolled—and consider periodic increases to member plan design elements to, at minimum, keep up with health care cost trend increases.

# Upcoming HSB Education Agenda Items

## Module #3:

- Future state opportunities for SFHSS — December 14, 2023

## Additional Board Education:

- SFHSS fiduciary training — January 11, 2024
- Leadership insights from SFHSS employers — February 8, 2024