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Rates & Benefits Committee Preliminary 2010/11 Cost Projections and Benefit Design Changes for Considerations

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Summary

- Report provides a preliminary summary of 2011/12 program costs and contributions. These preliminary projections are based on the following cost data:
 - Kaiser: Incorporates the 5.1% non-Medicare and the 2.5% Medicare plan premium increases presented at the November Rates and Benefits Committee meeting
 - Non-Staff Model HMO: Based on the preliminary premium rate proposals received from Blue Cross, Blue Shield and Health Net
 - City Plan: Based on premium equivalent projections presented at the October Rates and Benefits Committee meeting
 - 10-County Amount: TBD
- A number of potential design changes have also been outlined in light of the increased premium costs facing the membership and employers of HSS

Summary of Proposed Kaiser Renewal

Non-Medicare and Medicare Monthly Premium Rates

Per Employee Per Month Rates (PEPM)	Actives			Non-Medicare Retirees		
	Single	Single + 1	Single + 2 or more	Single	Single + 1	Single + 2 or more
2010/11 Rates	\$476.25	\$952.50	\$1,347.79	\$961.29	\$1,437.54	\$1,832.83
2011/12 Rates	\$500.40	\$1,000.80	\$1,416.14	\$1,010.05	\$1,510.45	\$1,925.79
% increase	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%
\$ increase	\$24.15	\$48.30	\$68.35	\$48.76	\$72.91	\$92.96

Per Employee Per Month Rates (PEPM)	Medicare Retirees		
	Single	Single + 1	Single + 2 or more
2010/11 Rates	\$341.78	\$683.56	\$1,078.85
2011/12 Rates	\$350.31	\$700.62	\$1,115.96
% increase	2.5%	2.5%	3.4%
\$ increase	\$8.53	\$17.06	\$37.11



Potential Benefit Design Changes

Potential Benefit Design Changes

Background

- As part of the annual Rates and Benefits process, the Committee, HSS and their consultant reviewed the continued appropriateness and competitiveness of the benefit designs for the available plans
 - Benchmark information suggests that certain sections of the current plan designs are dated and do not reflect the impact from the continued high healthcare trends
 - A number of potential design changes have been outlined in light of the increased premium costs facing the membership and employers of HSS
 - Changes have been requested across the City Plan and both HMO offerings including active and retired members

- Changes are in addition to those required by Health Reform
 - Should HSS chose to implement them voluntarily or due to loss of grandfathered status

Benefit Design Changes Required Under Health Reform

To be implemented for the 2011/12 plan year (components of benefit designs already in place italicized)

- Dependent coverage to age 26 for covered employee's married or unmarried children
- No lifetime dollar limits (City Plan only)
- No cost sharing for certain preventive services
- Restricted annual dollar limits, phased amounts until 2014
- Enrollee choice of primary care physician or pediatrician
- Mandatory internal and external claims appeal process
- *No pre-existing condition requirements for covered children under age 19*
- *No OB-GYN preauthorization or referral requirement*
- *No emergency services pre-authorization or higher cost sharing for out-of-network providers*

Blue Shield

2009 Benchmarking Data




Indicates where benchmark is higher than existing HSS design

	Subscriber Count	Physician Copay	Hospital	Outpatient	ER	Rx Generic	Rx Brand	Rx Non-Formulary
HSS	21,347	\$20	\$100	\$50	\$100	\$5	\$20	\$35
CalPERs	N/A	\$15	\$0	\$0	\$50	\$5	\$15	\$45
County Gov't*	N/A	\$15	\$250	N/A	\$75	\$9	\$24	\$39
BS1	36,438	\$15	\$100	\$50	\$75	\$10	\$25	\$50
BS2	10,750	\$15	\$0	\$0	\$100	carved out	carved out	carved out
BS3	9,040	\$10/\$20	\$250	\$0	\$35/\$50	\$5	\$25/\$30	\$40/\$45
BS4	8,957	\$5/\$10	\$0	\$0	\$100	\$4/\$8	\$15/\$25	\$30/\$50
BS5	8,503	\$15	\$100	\$0	\$50	\$10	\$25	\$50
BS6	6,688	\$5/ \$10	\$0	\$0	\$50	\$5/\$10	\$10/\$25	\$25/\$50
BS7	6,237	\$10	\$0	\$10	\$75	\$5	\$15	\$35
BS8	6,195	\$5/\$10/ \$15/ \$20	\$0 - \$300	\$0 - \$30	\$100	\$10	\$25	\$45
BS9	5,134	\$10	\$0	N/A	N/A	\$5	\$10	\$15
BS10	4,109	\$10	\$250	N/A	N/A	\$10	\$15	not covered

Kaiser

2010 Benchmarking Data

 Indicates where benchmark is higher than existing HSS design

	Subscriber Count	Physician Copay	Hospital	Outpatient	ER	Rx Generic	Rx Brand
HSS	16,346	\$15	\$100	\$15	\$100	\$5	\$15
CalPERs	N/A	\$15	\$0	\$15	\$50	\$5	\$15
County Gov't**	N/A	\$15/25	\$250	N/A	\$75	\$9	\$24
KA1	118,681	\$15	\$0	\$15	\$50	\$5	\$10
KA2	26,027	\$15	\$250	\$15	\$100	\$10	\$30
KA3	19,874	\$15	\$100	\$15	\$100	\$5	\$15
KA4	18,177	\$15	\$250	\$15	\$50	\$10	\$20
KA5	10,275	\$20	\$0	\$20	\$50	\$10	\$30
KA6	10,167	\$20	\$100	\$20	\$100	\$10	\$25
KA7	8,988	\$20	10% MR	\$20	10% MR	\$10	\$20
KA8	7,662	\$5	\$0	\$5	\$5	\$5	\$5
KA9	6,838	\$15	\$0	\$15	\$35	\$10	\$20
KA10	5,350	\$15	\$0	\$15	\$15	\$15	\$15

Impact of Alternative Benefit Design Changes

Non-Medicare Benefit Design Change	Estimated Impact on 2011/12 Premium Rates		
	City Plan	Kaiser	Non-Staff Model HMO
Increase annual out of pocket maximum from \$3,750/\$7,500/\$3,750 for in-network/out-of-network/out of area, respectively to \$4,500/\$9,000/\$4,500	(0.80%)	N/A	N/A
Increase hospital per admit copayment from \$100 to \$150 (just for ambulatory surgical admissions)	N/A	(0.25%)	(0.11%)
Increase non-formulary drug copayment from \$35 to \$45 for Retail and from \$70 to \$90 for Mail Order	(0.20%)	N/A	(0.35%)
Plan changes mandated by Health Reform	1.4%	0.50%	0.20%
Total Impact (Estimated)	0.40%	0.25%	(0.26%)

Medicare Plan Benefit Design Change	Estimated Impact on 2011/12 Premium Rates		
	City Plan	Kaiser	Non-Staff Model HMO
Increase hospital per admit copayment from \$100 to \$150 (just for ambulatory surgical admissions)	N/A	(0.84%)	(0.20%)
Increase non-formulary drug copayment from \$35 to \$45 for Retail and from \$70 to \$90 for Mail Order	(0.70%)	N/A	(0.90%)

Preliminary Contributions and Costs

Summary of Monthly Contributions – City Plan

Typical Bargained – Based on Status Quo Plan Design

Status Quo Basis	Employees			Non-Medicare Retiree			Medicare Retiree		
	Single	Single + 1	Single + 2+	Single	Single + 1	Single + 2	Single	Single + 1	Single + 2+
Membership	\$0.00	\$983.81	\$1,862.59	\$303.01	\$926.50	\$1,805.28	\$0.00	\$175.25	\$1,054.02
% Increase	0%	45%	32%	34%	25%	23%	0%	5%	17%
\$ increase	\$0.00	\$304.36	\$452.38	\$76.11	\$185.55	\$333.57	\$0.00	\$8.35	\$156.36
Employers	\$1,112.93	\$1,198.92	\$1,198.92	\$987.10	\$1,610.60	\$1,610.60	\$384.60	\$559.85	\$559.85
% Increase	20%	6%	6%	17%	19%	19%	5%	5%	5%
\$ increase	\$186.27	\$66.37	\$66.37	\$144.61	\$254.06	\$254.06	\$16.72	\$25.06	\$25.06

Summary of Monthly Contributions – Kaiser

Typical Bargained – Based on Status Quo Plan Design

Status Quo Basis	Employees			Non-Medicare Retiree			Medicare Retiree		
	Single	Single + 1	Single +2+	Single	Single + 1	Single + 2	Single	Single + 1	Single + 2+
Membership	\$0.00	\$0.00	\$230.67	\$0.00	\$252.10	\$670.60	\$0.00	\$177.05	\$595.55
% Increase	0%	(100%)	1%	(100%)	3%	4%	0%	2%	4%
\$ increase	\$0.00	\$(8.84)	\$1.93	\$(4.42)	\$7.35	\$26.90	\$0.00	\$4.08	\$23.63
Employers	\$506.90	\$1,011.10	\$1,198.92	\$1,014.87	\$1,266.97	\$1,266.97	\$355.13	\$532.19	\$532.19
% Increase	5%	6%	6%	5%	5%	5%	2%	2%	2%
\$ increase	\$25.21	\$57.60	\$66.37	\$51.73	\$63.50	\$63.50	\$8.14	\$12.22	\$12.22

Summary of Monthly Contributions – Blue Cross Typical Bargained – Based on Status Quo Plan Design

Status Quo Basis	Employees			Non-Medicare Retiree			Medicare Retiree		
	Single	Single + 1	Single +2+	Single	Single + 1	Single + 2	Single	Single + 1	Single + 2+
Membership	\$0.00	\$146.59	\$648.60	\$73.29	\$399.53	\$941.07	\$0.00	\$199.67	\$741.22
% Increase	0%	21%	19%	21%	12%	11%	0%	4%	8%
\$ increase	\$0.00	\$25.71	\$102.75	\$12.85	\$42.73	\$92.33	\$0.00	\$8.27	\$57.88
Employers	\$653.49	\$1,159.38	\$1,198.92	\$1,378.08	\$1,704.32	\$1,704.32	\$400.37	\$600.05	\$600.05
% Increase	10%	9%	6%	10%	10%	10%	4%	4%	4%
\$ increase	\$59.76	\$93.80	\$66.37	\$120.18	\$150.05	\$150.05	\$16.53	\$24.80	\$24.80

Summary of Monthly Contributions – Blue Shield

Typical Bargained – Based on Status Quo Plan Design

Status Quo Basis	Employees			Non-Medicare Retiree			Medicare Retiree		
	Single	Single + 1	Single + 2+	Single	Single + 1	Single + 2	Single	Single + 1	Single + 2+
Membership	\$0.00	\$86.02	\$477.21	\$43.01	\$338.97	\$830.24	\$0.00	\$191.18	\$682.46
% Increase	0%	(29%)	(13%)	(29%)	(5%)	(2%)	0%	(0%)	(0%)
\$ increase	\$0.00	\$(34.86)	\$(68.64)	\$(17.43)	\$(17.83)	\$(18.50)	\$0.00	\$(0.22)	\$(0.88)
Employers	\$592.92	\$1,098.83	\$1,198.92	\$1,273.28	\$1,569.25	\$1,569.25	\$383.39	\$574.58	\$574.58
% Increase	(0%)	3%	6%	1%	1%	1%	(0%)	(0%)	(0%)
\$ increase	\$(0.81)	\$33.25	\$66.37	\$15.38	\$14.98	\$14.98	\$(0.45)	\$(0.67)	\$(0.67)

Summary of Monthly Contributions – Health Net

Typical Bargained – Based on Status Quo Plan Design

Status Quo Basis	Employees			Non-Medicare Retiree			Medicare Retiree		
	Single	Single + 1	Single +2+	Single	Single + 1	Single + 2	Single	Single + 1	Single + 2+
Membership	\$0.00	\$119.38	\$571.62	\$59.69	\$372.33	\$891.29	\$0.00	\$186.82	\$705.79
% Increase	0%	(1%)	5%	(1%)	4%	5%	0%	(2%)	3%
\$ increase	\$0.00	\$(1.50)	\$25.77	\$(0.75)	\$15.53	\$42.55	\$0.00	\$(4.58)	\$22.45
Employers	\$626.28	\$1,132.19	\$1,198.92	\$1,331.00	\$1,643.65	\$1,643.65	\$374.66	\$561.48	\$561.48
% Increase	5%	6%	6%	6%	6%	6%	(2%)	(2%)	(2%)
\$ increase	\$32.55	\$66.61	\$66.37	\$73.10	\$89.38	\$89.38	\$(9.18)	\$(13.77)	\$(13.77)

Summary of 2011/12 Preliminary Projections

Aggregate Premiums (in millions)

Premium Renewal Proposal	Membership Group				Increase from 2010/11			
	Employees	Non-Medicare Retirees	Medicare Retirees	Total	Employees	Non-Medicare Retirees	Medicare Retirees	Total
City Plan	\$22.8	\$25.4	\$29.5	\$77.7	17.2%	17.7%	2.0%	11.1%
Kaiser	\$183.8	\$47.1	\$40.0	\$270.9	5.1%	5.1%	2.5%	4.7%
Blue Cross	\$244.2	\$56.1	\$22.6	\$322.9	10.3%	10.3%	4.5%	9.9%
Blue Shield	\$221.4	\$50.9	\$21.6	\$293.9	0.0%	0.0%	0.0%	0.0%
Health Net	\$233.9	\$53.8	\$21.1	\$308.8	5.7%	5.7%	(2.3%)	5.1%
Total with Blue Cross				\$671.5	8.4%	9.7%	2.8%	7.8%
Total with Blue Shield				\$642.5	2.9%	5.2%	1.7%	3.2%
Total with Health Net				\$657.4	6.0%	7.7%	1.2%	5.6%

Summary of 2011/12 Preliminary Projections

Preliminary Distribution of Cost Increases – Status Quo (in millions)

	Distribution of Total Rated Cost (TRC)			
	Total Rated Cost	Employers (incl. bargained conts.)	Members	Member Contributions as a % of TRC
City Plan	\$79.1	\$62.9	\$16.2	20.5%
% Increase	14.0%	11.0%	27.0%	2.5%
Kaiser	\$273.3	\$250.0	\$23.3	8.5%
% Increase	4.5%	5.0%	(0.8%)	(6.7%)
Blue Cross	\$325.0	\$270.4	\$54.6	16.8%
% Increase	9.6%	8.1%	18.2%	(1.2%)
Blue Shield	\$295.7	\$256.3	\$39.4	13.3%
% Increase	(0.2%)	2.4%	(14.6%)	(21.8%)
Health Net	\$310.9	\$263.1	\$47.8	15.4%
% Increase	4.9%	5.2%	3.5%	(9.4%)

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