

San Francisco Health Service System Health Service Board

Rates and Benefits Committee

UnitedHealthcare (UHC)

2019 City Plan Administrative Fees

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Prepared by:
Health & Benefits



Introduction

This presentation outlines the components of the administration services only (ASO) fees used in the rate setting process for the self-funded City Plan for active employees and early retirees. These fee components are:

- UnitedHealthcare (UHC) Administrative Services Only (ASO) and related program fees; and
- SFHSS' Healthcare Sustainability Budget Fee.

Aggregate projected fee calculations in this presentation are based on a February 2018 total subscriber base of 1,829 active employees and early retirees enrolled in the UHC City Plan. Certain fees are based on a Per Subscriber Per Month "PSPM" basis where a subscriber is an active employee or early retiree.

Actions Needed from Health Service Board

Aon has made recommendations in three areas below.

- (1) Approve a 2.7% increase in the UHC base ASO fees as quoted by UHC for 2019.
- (2) Approve a \$0.71 PSPM increase in base ASO fees for 2019 beyond the increase outlined in (1) above in return for a reduction in the SFHSS-paid portion of Shared Savings Program savings back to UHC.
- (3) Approve the 2019 City Plan total expense PSPM figure recommended by Aon for 2019 active employee/early retiree rating.

Details follow to support these recommendations.

(1) UHC Base ASO Administrative Fees

For 2019, UHC is proposing a 2.7% increase to the base administration services only (ASO) fee versus 2018. The 2.7% increase is derived by UHC based on the Consumer Price Index for All Urban Consumers (CPI-U) in the San Francisco area for the period ending October 2017.

	UHC City Plan—PSPM Base ASO Fees	
	Active Employees / Early Retirees	Medicare-Eligible, Not Enrolled in Medicare
2018 Current PSPM Fee	\$43.04	\$31.61
2019 Proposed PSPM Fee	\$44.20	\$32.46
Percentage Increase	2.7%	2.7%

(2) UHC Shared Savings Program Fees

Background

UHC sponsors three programs for SFHSS that generate incremental savings to the City Plan. There are fees charged by UHC for these programs as a partial offset to savings generated.

- **Shared Savings Program (SSP)**—Provides discounts to service rates for certain out-of-network health care providers that are not part of UHC’s primary PPO network. In return, SFHSS keeps 65% of savings generated, remaining 35% is paid to UHC as program fee
- **Facility Reasonable & Customary Program (FR&C)**—Limits plan financial exposure when care is sought at a network facility but treatment is provided by an out-of-network provider, or when an individual is treated at a non-contracted facility for emergency care. SFHSS keeps 70% of savings generated, remaining 30% is paid to UHC as program fee

(2) UHC Shared Savings Program Fees

Background (continued)

- **Value-Based Contracting Program (VBC)**—Pays financial incentives to certain providers participating in this program based on achievement of pre-set quality, cost, and efficiency metrics. SFHSS funds VBC provider payments

(2) UHC Shared Savings Program Fees

Example—Outpatient Surgical Procedure in Physician Office

Assume a “retail” cost for this procedure of \$1,000.

Physician A is an in-network provider in UHC’s primary network, and has agreed to a 50% discount for the service, so that the discounted cost for the service is \$500. SFHSS does not make any payments under the Shared Savings Program.

Physician B is **NOT** an in-network provider in UHC’s primary network, but has agreed to participate in the Shared Savings Program and accept a 20% discount for the service—so, the discounted cost for the service is \$800. The value of the Shared Savings Program is \$200 for this service.

- SFHSS keeps 65% of this savings, or \$130 ($\200×0.65).
- SFHSS pays 35% of this savings back to UHC in program fee, or \$70 ($\200×0.35)

(2) UHC Shared Savings Program Fees from 2015-2017

Since 2015, these programs have generated over \$2M in savings for SFHSS— and \$1M was paid to UHC.

Program Component / Year	Total Savings	Savings Retained by SFHSS	Difference Paid as Program Fees
Shared Savings Program (SSP)			
2015 Plan Year	\$362,404	\$235,563	\$126,841
2016 Plan Year	\$426,387	\$277,151	\$149,235
2017 Plan Year	<u>\$1,154,037</u>	<u>\$750,124</u>	<u>\$403,913</u>
Total 2015-2017	\$1,942,828	\$1,262,838	\$679,990
Facility R&C Program (FR&C)			
2015 Plan Year	\$243,124	\$170,187	\$72,937
2016 Plan Year	\$592,772	\$414,940	\$177,832
2017 Plan Year	<u>\$300,450</u>	<u>\$210,315</u>	<u>\$90,135</u>
Total 2015-2017	\$1,136,346	\$795,442	\$340,904
Value-Based Contracting Program (VBC)*			
2016 Plan Year	\$34,691	\$27,627	\$7,064
2017 Plan Year (Jan-Sep)	<u>\$60,071</u>	<u>\$54,612</u>	<u>\$5,459</u>
Total 2016-2017	\$94,762	\$82,239	\$12,523
Total—UHC "Shared Savings" Programs			
2015 Plan Year	\$605,528	\$405,749	\$199,779
2016 Plan Year	\$1,053,850	\$719,719	\$334,131
2017 Plan Year	<u>\$1,514,558</u>	<u>\$1,015,051</u>	<u>\$499,507</u>
Total 2015-2017	\$3,173,936	\$2,140,519	\$1,033,417

* Program began for 2016 plan year

(2) UHC Shared Savings Program Fees

Specifically for the Shared Savings Program, UHC is proposing that SFHSS change from the current non-standard approach for this program to UHC's standard approach. This has no downside for SFHSS, and only upside from an overall financial perspective.

The standard approach will cap the claim level at which sharing of program savings will occur at \$50,000 for each individual exceeding this level of claims under Shared Savings program providers per year. For claim amounts saved as a result of the Shared Savings program for a given member that exceed \$50,000, SFHSS will retain the entire savings over that amount.

(2) UHC Shared Savings Program Fees

This adoption of UHC's standard approach for Shared Savings Program is **projected to save SFHSS \$243,000 annually**, based on UHC evaluation of 2017 out-of-network Shared Savings Program provider utilization by SFHSS members in City Plan.

(2) UHC Shared Savings Program Fees

In addition to moving to the standard approach for 2019, Aon requested UHC modify its Shared Savings fee percentage from 35% to 30%. In return, UHC requires a \$0.71 PSPM base ASO fee increase. This is in addition to the separate annual increase outlined in (1) earlier.

Aon estimate savings from the 5% reduction of 2019 Shared Savings Program Fee (from 35% to 30%)	\$62,991
Projected impact of additional \$0.71 PSPM fee (1,829 subscribers x \$0.71 PSPM x 12 months)	\$15,583
Projected 2019 savings from adopting the recommendation	\$47,408

(3) Overall 2019 City Plan Administrative Fees

As a result of the prior discussion and estimates for 2019 PSPM fee components of the three “Shared Savings” programs based on 2015-2017 program experience, Aon projects the following Expense component for 2019 City Plan active employee and early retiree rating on a PSPM basis. Aon recommends adoption of the fees in the “Shared Savings Program Fee Shifts to 30%” column below.

Fee Component	If Shared Savings Program Fee:	
	Remains at 35%	Shifts to 30%
Base ASO Fee	\$44.20	\$44.91
Shared Savings Program Fee	\$20.11	\$17.24
Facility R&C Program Fee	\$6.08	\$6.08
Value-Based Contracting Payments	\$0.38	\$0.38
SFHSS Healthcare Sustainability Fee	\$3.00	\$3.00
Total PSPM Expense for City Plan	\$73.77	\$71.61

HSB Decision Actions Required—Aon's Recommendations

Aon requests the following of the HSB based on this presentation:

- (1) Approve the 2019 UHC base ASO fee increase at 2.7% over the 2018 ASO fee.
- (2) Approve migration to UHC's Standard approach to the Shared Savings discount program for certain providers who do not participate in UHC's primary PPO network, as well as migration of the fee SFHSS pays to UHC for this program from 35% of savings to 30% of savings, in return for an incremental \$0.71 PSPM increase to the UHC ASO fees, over and above that outlined in (1) above.
- (3) Approve the total Expense PSPM figure for 2019 City Plan active employee and early retiree rating illustrated on the prior page, based on the HSB decision on items (1) and (2) above.