

San Francisco Health Service System Health Service Board

Rates & Benefits

Blue Shield of California Flex-Funded Non-Medicare
2018 Claims Experience Presentation

March 14, 2019

BSC 2018 Flex-Funded HMO Plan Experience

Introduction

This presentation captures information on calendar year 2018 claims, fees, and other associated costs relative to total cost premium rates for the two Blue Shield of California (BSC) flex-funded HMO plans (Access+ and Trio) for active employees and early retirees.

Access+ has been offered for several years to SFHSS active employees and early retirees. Trio was a new lower-premium plan first available to members on January 1, 2018.

On the following pages, we summarize key observations captured from the experience charts that follow in this document. All data provided for the combined BSC Access+ and Trio plan active employee / early retiree populations in this presentation was provided by SFHSS Finance team staff. Aon produced the estimated splits between active employees and early retirees on page 11 based on BSC reporting information.

BSC 2018 Flex-Funded HMO Plan Experience

Key Observations Summary—Total Expenses Versus Premiums Collected

- The 2018 total incurred plan expense, before considering changes in contingency reserves, was virtually identical to 2017 expense on a per employee/retiree per month (PEPM) basis.
 - A relatively low increase in overall expense was anticipated with the introduction of Trio as a plan choice in 2018.
- Actual experience, including incurred but not reported (IBNR) and Contingency reserve changes from 2017 to 2018, mapped very closely to 2018 expectations as predicted by 2018 BSC plan premium rates.
 - The actuals are within 0.2% of what was expected when comparing total premiums rates, without the \$3,545,000 rate stabilization deficit adjustment in rates, and actual plan experience including changes in IBNR and Contingency reserves.

BSC 2018 Flex-Funded HMO Plan Experience

Key Observations Summary—Plan Expenses

- Medical claims were the primary **favorable** expense change driver from 2017 to 2018—there was a 2% reduction in overall PEPM medical claims.
- Prescription drug claims and administration expenses were the **unfavorable** expense increase drivers in 2018 versus 2017.
- Total Rx claims increased 7% on a PEPM basis, but net of prescription drug rebate adjustments, the PEPM increase was 2%.
 - \$6.3 million was received in Rx rebates in 2018 versus only \$4.1 million in 2017.
- Administration expense increased by 11% on a PEPM basis.

BSC 2018 Flex-Funded HMO Plan Experience

Key Observations Summary—Plan Expenses

- No Accountable Care Organization (ACO) payouts were made to participating providers in 2018—consistent with 2017.
- The IBNR reserve decreased by about \$390,000 overall for BSC plans from June 30, 2017 to June 30, 2018.
- The Contingency Reserve increased by about \$730,000 overall for BSC plans from June 30, 2017 to June 30, 2018.
 - Both reserves are now split into each of the two BSC plans for 2018, whereas 2017 reserves were based only on for Access+, as the only BSC plan offered at that time.

BSC Flex-Funded Plan Experience—Overview

2018 Versus 2017

Comparison—Total Actual Dollar Basis

- Average total employees/retirees: 17,889 in 2018 versus 18,146 in 2017

Category	2017 Actual Dollars	2018 Actual Dollars	\$ Change	% Change
Premiums Collected	\$305,942,217	\$306,137,134	\$194,917	0%
Administration	\$17,089,977	\$18,693,396	\$1,603,419	9%
Capitation	\$78,271,929	\$77,106,922	(\$1,165,007)	-1%
Medical Claims	\$168,620,024	\$162,779,184	(\$5,840,840)	-3%
Pharmacy Claims	\$51,772,431	\$54,463,608	\$2,691,177	5%
Pharmacy Rebate	(\$4,058,821)	(\$6,336,387)	(\$2,277,566)	56%
ACO	\$0	\$0	\$0	NA
Large Claim Pooling	(\$6,006,127)	(\$5,090,509)	\$915,618	-15%
Change in IBNR	(\$160,320)	(\$390,910)	(\$230,590)	144%
Total Expenses	\$305,529,092	\$301,225,304	(\$4,303,788)	-1%
Recommended Contingency Reserve	\$13,326,881	\$14,058,155	\$731,274	5%

BSC Flex-Funded Plan Experience—Overview

2018 Versus 2017

Comparison—Per Employee / Retiree Per Month (PEPM) Basis

- Average total employees/retirees: 17,889 in 2018 versus 18,146 in 2017

Category	2017 Dollars PEPM	2018 Dollars PEPM	\$ Change PEPM	% Change PEPM
Premiums Collected	\$1,405.00	\$1,426.10	\$21.10	2%
Administration	\$78.48	\$87.08	\$8.60	11%
Capitation	\$359.45	\$359.19	(\$0.26)	0%
Medical Claims	\$774.37	\$758.28	(\$16.09)	-2%
Pharmacy Claims	\$237.76	\$253.71	\$15.95	7%
Pharmacy Rebate	(\$18.64)	(\$29.52)	(\$10.88)	58%
ACO	\$0.00	\$0.00	\$0.00	NA
Large Claim Pooling	(\$27.58)	(\$23.71)	\$3.87	-14%
Change in IBNR	(\$0.74)	(\$1.82)	(\$1.08)	146%
Total Expenses	\$1,403.11	\$1,403.21	\$0.10	0%
Recommended Contingency Reserve	\$61.20	\$65.49	\$4.29	7%

BSC Flex-Funded Plan Experience—Overview

2018 Plan Year

Active Employee / Early Retiree Experience Splits

Category	Active Employees	Early Retirees	Total BSC Plans
Subscriber Count	15,073 (average)	2,816 (average)	17,889 (average)
Premiums Collected	\$244,482,301	\$61,654,833	\$306,137,134
Administration	\$15,749,738	\$2,943,658	\$18,693,396
Capitation	\$64,964,645	\$12,142,277	\$77,106,922
Medical Claims	\$130,100,556	\$32,678,628	\$162,779,184
Pharmacy Claims	\$41,913,415	\$12,550,193	\$54,463,608
Pharmacy Rebate	(\$4,876,277)	(\$1,460,110)	(\$6,336,387)
ACO	\$0	\$0	\$0
Large Claim Pooling	(\$3,006,176)	(\$2,084,333)	(\$5,090,509)
Change in IBNR	(\$831,996)	\$441,086	(\$390,910)
Total Expenses	\$244,013,905	\$57,211,399	\$301,225,304
Premiums Less Expenses	\$468,396	\$4,443,434	\$4,911,830
Incurred Loss Ratio (before change in Contingency reserve)	99.8%	92.8%	98.4%

BSC Flex-Funded Plan Experience Detail—Both Plans ^[1]

2018 Plan Year

Month →	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Total
EE/RET Count	18,051	18,057	18,070	18,026	18,021	17,962	17,827	17,766	17,701	17,754	17,713	17,720	17,889 (avg.)
Premiums Collected [2]	\$25,771,523	\$25,771,523	\$25,771,523	\$25,771,523	\$25,771,523	\$25,771,523	\$25,251,333	\$25,251,333	\$25,251,333	\$25,251,333	\$25,251,333	\$25,251,333	\$306,137,134
Administration	\$1,581,645	\$1,569,064	\$1,575,504	\$1,568,542	\$1,568,977	\$1,563,233	\$1,552,876	\$1,543,477	\$1,540,518	\$1,545,218	\$1,541,911	\$1,542,433	\$18,693,396
Capitation	\$6,574,040	\$6,461,994	\$6,939,360	\$6,164,952	\$7,000,207	\$5,029,824	\$6,906,736	\$6,315,051	\$6,157,410	\$6,340,231	\$6,324,281	\$6,892,836	\$77,106,922
Medical Claims	\$13,154,006	\$11,969,133	\$12,977,989	\$14,968,253	\$15,769,894	\$14,515,066	\$13,300,355	\$14,367,124	\$13,580,460	\$16,125,150	\$11,475,240	\$10,576,513	\$162,779,184
Pharmacy Claims	\$4,662,755	\$4,845,579	\$4,153,688	\$4,723,925	\$4,642,826	\$4,231,505	\$4,437,425	\$4,624,159	\$4,484,162	\$4,521,577	\$4,491,577	\$4,644,430	\$54,463,608
Pharmacy Rebate	(\$503,509)	(\$503,509)	(\$503,509)	(\$536,000)	(\$536,000)	(\$536,000)	(\$536,000)	(\$536,000)	(\$536,000)	(\$536,000)	(\$536,000)	(\$537,860)	(\$6,336,387)
ACO	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Large Claim Pooling [3]	\$0	\$0	\$0	(\$918,370)	(\$1,799,250)	(\$442,639)	(\$257,639)	(\$218,915)	(\$665,345)	(\$366,861)	(\$208,759)	(\$212,732)	(\$5,090,509)
Change in IBNR	\$0	\$0	\$0	\$0	\$0	(\$390,910)	\$0	\$0	\$0	\$0	\$0	\$0	(\$390,910)
Total Expenses	\$25,468,938	\$24,342,261	\$25,143,031	\$25,971,302	\$26,646,653	\$23,970,080	\$25,403,754	\$26,094,896	\$24,561,205	\$27,629,314	\$23,088,251	\$22,905,619	\$301,225,304
Premiums Less Expenses	\$302,586	\$1,429,262	\$628,492	(\$199,779)	(\$875,130)	\$1,801,443	(\$152,422)	(\$843,564)	\$690,128	(\$2,377,982)	\$2,163,082	\$2,345,713	\$4,911,830
Increase / (Decrease) in Contingency Reserve as of June 30, 2018													\$731,274
Total Incurred Expense Including Change in Contingency Reserve													\$301,956,578
Incur Loss Ratio (Total incl. Cont. Reserve Change)	98.83%	94.45%	97.56%	100.78%	103.40%	93.01%	100.60%	103.34%	97.27%	109.42%	91.43%	90.71%	98.40%

[1] Exhibit reflects total BSC population in both plans (active employees and early retirees)

[2] Premiums collected include \$3,545,000 in 2018 BSC plan rate stabilization deficit recovery in rate cards (2018 premiums collected net of this amount = \$302,592,134)

[3] April-May 2018 large claim pooling reimbursements include about \$1.4M for claims incurred in 2017

BSC Flex-Funded Plan Experience Detail—Access+ [1]

2018 Plan Year

Month →	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Total
EE/RET Count	10,289	10,301	10,490	10,456	10,460	10,426	10,523	10,486	10,447	10,478	10,453	10,457	10,439 (avg.)
Premiums Collected	\$16,610,026	\$16,610,026	\$16,610,026	\$16,610,026	\$16,610,026	\$16,610,026	\$16,314,139	\$16,314,139	\$16,314,139	\$16,314,139	\$16,314,139	\$16,314,139	\$197,544,985
Administration	\$901,537	\$894,366	\$913,792	\$909,754	\$910,007	\$906,675	\$916,197	\$910,651	\$908,906	\$911,678	\$909,727	\$910,035	\$10,903,327
Capitation	\$4,820,484	\$3,788,372	\$4,711,812	\$3,864,609	\$4,284,475	\$2,735,982	\$4,509,968	\$4,069,044	\$3,998,608	\$4,117,064	\$4,119,259	\$4,685,239	\$49,704,918
Medical Claims	\$11,894,881	\$9,394,405	\$9,031,547	\$10,658,140	\$11,822,168	\$10,167,651	\$9,524,975	\$10,167,235	\$8,420,825	\$10,419,186	\$7,661,787	\$7,380,929	\$116,543,728
Pharmacy Claims	\$3,196,623	\$3,094,025	\$2,505,230	\$3,063,865	\$2,963,919	\$2,702,002	\$2,849,272	\$2,928,505	\$2,867,706	\$2,839,506	\$2,968,231	\$2,932,873	\$34,911,757
Pharmacy Rebate	(\$386,523)	(\$386,523)	(\$386,523)	(\$410,000)	(\$410,000)	(\$410,000)	(\$410,000)	(\$410,000)	(\$410,000)	(\$410,000)	(\$410,000)	(\$411,860)	(\$4,851,429)
ACO	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Large Claim Pooling [2]	\$0	\$0	\$0	(\$918,370)	(\$1,799,250)	(\$442,639)	(\$257,639)	(\$218,915)	(\$299,305)	(\$366,676)	(\$208,730)	(\$212,714)	(\$4,724,238)
Change in IBNR	\$0	\$0	\$0	\$0	\$0	(\$6,869,066)	\$0	\$0	\$0	\$0	\$0	\$0	(\$6,869,066)
Total Expenses	\$20,427,002	\$16,784,646	\$16,775,859	\$17,167,998	\$17,771,318	\$8,790,605	\$17,132,774	\$17,446,521	\$15,486,740	\$17,510,759	\$15,040,274	\$15,284,502	\$195,618,997
Premiums Less Expenses	(\$3,816,976)	(\$174,620)	(\$165,833)	(\$557,973)	(\$1,161,292)	\$7,819,420	(\$818,635)	(\$1,132,382)	\$827,399	(\$1,196,621)	\$1,273,865	\$1,029,637	\$1,925,988
Increase / (Decrease) in Contingency Reserve as of June 30, 2018													(\$3,839,760)
Total Incurred Expense Including Change in Contingency Reserve													\$193,064,631
Incur Loss Ratio (Total incl. Cont. Reserve Change)	122.98%	101.05%	101.00%	103.36%	106.99%	52.92%	105.02%	106.94%	94.93%	107.33%	92.19%	93.69%	99.03%

[1] Exhibit reflects total BSC Access+ population (active employees and early retirees)

[2] April-May 2018 large claim pooling reimbursements include about \$1.4M for claims incurred in 2017

BSC Flex-Funded Plan Experience Detail—Trio ^[1]

2018 Plan Year

Month →	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Total	
EE/RET Count	7,762	7,756	7,580	7,570	7,561	7,536	7,304	7,280	7,254	7,276	7,260	7,263	7,450 (avg.)	
Premiums Collected	\$9,161,498	\$9,161,498	\$9,161,498	\$9,161,498	\$9,161,498	\$9,161,498	\$9,161,498	\$8,937,194	\$8,937,194	\$8,937,194	\$8,937,194	\$8,937,194	\$8,937,194	\$108,592,149
Administration	\$680,107	\$674,697	\$661,712	\$658,788	\$658,970	\$656,558	\$636,679	\$632,826	\$631,612	\$633,539	\$632,183	\$632,397	\$7,790,069	
Capitation	\$1,753,556	\$2,673,622	\$2,227,547	\$2,300,343	\$2,715,733	\$2,293,843	\$2,396,768	\$2,246,007	\$2,158,801	\$2,223,166	\$2,205,023	\$2,207,596	\$27,402,004	
Medical Claims	\$1,259,126	\$2,574,728	\$3,946,441	\$4,310,113	\$3,947,726	\$4,347,416	\$3,775,380	\$4,199,889	\$5,159,635	\$5,705,964	\$3,813,453	\$3,195,584	\$46,235,456	
Pharmacy Claims	\$1,466,133	\$1,751,554	\$1,648,458	\$1,660,060	\$1,678,907	\$1,529,503	\$1,588,153	\$1,695,654	\$1,616,456	\$1,682,071	\$1,523,346	\$1,711,557	\$19,551,851	
Pharmacy Rebate	(\$116,986)	(\$116,986)	(\$116,986)	(\$126,000)	(\$126,000)	(\$126,000)	(\$126,000)	(\$126,000)	(\$126,000)	(\$126,000)	(\$126,000)	(\$126,000)	(\$1,484,958)	
ACO	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Large Claim Pooling	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$366,040)	(\$185)	(\$28)	(\$366,272)	
Change in IBNR	\$0	\$0	\$0	\$0	\$0	\$6,478,156	\$0	\$0	\$0	\$0	\$0	\$0	\$6,478,156	
Total Expenses	\$5,041,936	\$7,557,616	\$8,367,172	\$8,803,304	\$8,875,335	\$15,179,475	\$8,270,980	\$8,648,376	\$9,074,465	\$10,118,555	\$8,047,977	\$7,621,117	\$105,606,308	
Premiums Less Expenses	\$4,119,562	\$1,603,882	\$794,325	\$358,194	\$286,162	(\$6,017,977)	\$666,214	\$288,818	(\$137,271)	(\$1,181,361)	\$889,217	\$1,316,077	\$2,985,841	
Increase / (Decrease) in Contingency Reserve as of June 30, 2018													\$4,571,034	
Total Incurred Expense Including Change in Contingency Reserve													\$109,217,808	
Incurring Loss Ratio (Total incl. Cont. Reserve Change)	55.03%	82.49%	91.33%	96.09%	96.88%	165.69%	92.55%	96.77%	101.54%	113.22%	90.05%	85.27%	97.25%	

[1] Exhibit reflects total BSC Trio population (active employees and early retirees)

Glossary of Terms

- **ACA**—Affordable Care Act (federal health care reform law)
- **ACO**—Accountable Care Organization is a integrated physician and outpatient facility delivery model constructed to provide medical care in the most efficient manner while maintaining high standards of quality
- **Administration**—Includes BSC claim processing fees, BSC large claim pooling fees, Affordable Care Act taxes, and SFHSS Health Care Sustainability Fund fee
- **Capitation**—Fixed monthly payment on a per member basis remitted to physician groups to cover member medical costs for specified services
- **Contingency Reserve**—Reserve held by self-funded plans to cover contingency for unforeseen excess claims cost (measured as of June 30 each year for SFHSS)
- **IBNR**—Incurred But Not Reported reserve which is actuarial estimate for claims incurred on or before a specific measurement date but paid after that date (measured as of June 30 each year for SFHSS)

Glossary of Terms

- **Large Claim Pooling**—Reimbursements to the plan for claims in excess of \$1,000,000 for a individual member during the plan year
- **Member**—covered individual in health plan (employee, retiree, dependent, and COBRA beneficiary)
- **Pharmacy Rebates**—Paid to plans by drug manufacturers