

San Francisco Health Service System Health Service Board

Rates & Benefits

UnitedHealthcare (UHC)

2020 City Plan's Administrative Fees Presentation

March 14, 2019

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 2019 total subscriber base of 1,878 active employees and early retirees enrolled in the UHC City Plan. Certain fees are based on a Per Employee/Retiree Per Month ("PEPM") basis where a subscriber is an active employee or early retiree.

Actions Requested From Health Service Board (HSB)

Aon has made recommendations in two areas below.

- Approve a 1.8% overall increase in the UHC base ASO fees as quoted by UHC for 2020.
- Approve the 2020 City Plan total expense PEPM figure recommended by Aon for 2020 active employee / early retiree rating.

Details follow to support these recommendations.

UHC Base ASO Administrative Fees

For 2020, UHC is proposing a 1.8% overall increase from the 2019 base fee to the base fee. The 1.8% increase is consistent with administrative fee increases that Aon sees in the current health plan administrator marketplace.

Most City Plan enrollees are captured in the “active employees / early retirees” column below, with approximately 100 retirees captured in the “Medicare-Eligible, Not Enrolled in Medicare” column.

	UHC City Plan—PEPM Base ASO Fees	
	Active Employees / Early Retirees	Medicare-Eligible, Not Enrolled in Medicare
2019 Current PEPM Fee	\$44.91	\$33.17
2020 Proposed PEPM Fee	\$45.72	\$33.77
Percentage Increase	1.8%	1.8%

Overall 2020 City Plan Administrative Fees

Additional UHC City Plan Savings Programs

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 70% of savings generated, remaining 30% is paid to UHC as program fee. (The sharing percentage was 65% SFHSS / 35% UHC through end of 2018, but was adjusted to 70% / 30% share as part of 2019 UHC City Plan renewal.)
- **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.
- **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.

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, 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 70% of this savings, or \$140 (\$200 times 0.7).
 - SFHSS pays 30% of this savings back to UHC in program fee, or \$60 (\$200 times 0.3).

UHC Shared Savings Program Fees

Value of Shared Savings Programs to SFHSS

Since 2015, these programs have generated almost \$3M in savings for SFHSS—and about \$1.5M was paid to UHC.

Program Component / Year	Total Savings	Savings Retained by SFHSS	Difference Paid to UHC
Total—Three 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	\$1,513,230	\$998,433	\$514,797
2018 Plan Year	\$1,282,953	\$873,790	\$409,163
Total 2015 – 2018	\$4,455,561	\$2,997,691	\$1,457,870

Overall 2020 City Plan Administrative Fees

As a result of the prior discussion and Aon's estimates for 2020 PEPM fee components of the three "Shared Savings" programs based on recent program experience, Aon projects the following ASO Expense component for the 2020 City Plan active employee and early retiree rating on a PEPM basis. Aon recommends adoption of the fees as outlined below.

Fee Component	2019 Monthly PEPM Fees	2020 Monthly PEPM Fees	Percentage Change
Base ASO Fee (Most Members) ¹	\$44.91	\$45.72	+1.8%
Shared Savings Program Fee	\$17.24	\$17.65	+2.4%
Facility R&C Program Fee	\$6.08	\$7.78	+28.0%
Value-Based Contracting Payments	\$0.38	\$0.89	+134.2%
SFHSS Healthcare Sustainability Fee	\$3.00	\$3.00	No Change
Total PEPM Expense for City Plan	\$71.61	\$75.04	+4.8%

¹ Base ASO Fee for Medicare eligible but not enrolled members in 2020 is \$33.77 PEPM

Actions Requested From HSB

Aon's Recommendations

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

- (1) Approve the 2020 UHC base ASO fee increase at 1.8% over the 2019 ASO fee.
- (2) Approve the total Expense PEPM figure for the 2020 City Plan active employee and early retiree rating illustrated on the prior page.