

# San Francisco Health Service System Health Service Board

## **Non-Medicare Health Plan Rating Methodology**

### Part 4—Current State of SFHSS Health Plan Rating Relationships Across Plans and Tiers

April 2020

Prepared by:  
Health Solutions



# Non-Medicare Health Plan Rating Methodology—Introduction

---

This discussion provides information to the Health Service Board (HSB) of the San Francisco Health Service System (SFHSS), as well as other interested parties, regarding how health plan rates are set for SFHSS health plans for the active employee and early retiree populations (e.g., non-Medicare populations). This presentation document was prepared and delivered via video recording by Mike Clarke of Aon (lead actuary for Aon's engagement with the HSB and SFHSS) in early April 2020.

This discussion has emerged to address periodic questions raised by HSB members, as well as in public comments during HSB meetings, about the relationship of health plan rates across:

- Active employees versus early retirees within a plan;
- By dependent coverage tier (single/two-party/family) within a plan; and
- Across health plans offered by SFHSS.

## Non-Medicare Health Plan Rating Methodology

### “The End State”—2020 Monthly Rates and Contributions

- Five health plans and three dependent coverage tiers
- Two major population segments (active employees and early retirees)
- Multiple employer contribution determination rules within each segment—including by employer for active employees (CCSF\* example shown below), percentage of full employer (ER) contribution for retirees (partial for some hired on/after January 10, 2009)

	Active Employees (93/93/83)			Active Employees (100/96/83)			Early Retirees (Full ER Contribution)		
	EE Only	EE+1 Dep	EE+2+ Deps	EE Only	EE+1 Dep	EE+2+ Deps	RET Only	RET+1 Dep	RET+2+ Deps
<b>Total Plan Rates</b>									
o UHC City Plan PPO	\$1,185	\$2,295	\$3,232	\$1,185	\$2,295	\$3,232	\$1,511	\$2,400	\$3,085
o UHC CP-C.N.A.	\$892	\$1,781	\$2,519	\$892	\$1,781	\$2,519	\$1,511	\$2,400	\$3,085
o BSC Access+	\$892	\$1,781	\$2,519	\$892	\$1,781	\$2,519	\$2,059	\$2,984	\$3,722
o BSC Trio	\$754	\$1,505	\$2,128	\$754	\$1,505	\$2,128	\$1,739	\$2,519	\$3,143
o Kaiser CA	\$646	\$1,288	\$1,822	\$646	\$1,288	\$1,822	\$1,296	\$1,938	\$2,472
<b>Employer Contribution</b>									
o UHC City Plan PPO	\$829	\$1,656	\$2,091	\$1,185	\$1,710	\$2,091	\$1,271	\$1,716	\$1,716
o UHC CP-C.N.A.	\$829	\$1,656	\$2,091	\$892	\$1,710	\$2,091	\$1,418	\$1,862	\$1,862
o BSC Access+	\$829	\$1,656	\$2,091	\$892	\$1,710	\$2,091	\$1,966	\$2,429	\$2,429
o BSC Trio	\$701	\$1,399	\$1,766	\$754	\$1,444	\$1,766	\$1,715	\$2,105	\$2,105
o Kaiser CA	\$601	\$1,198	\$1,512	\$646	\$1,237	\$1,512	\$1,296	\$1,617	\$1,617
<b>Member Contribution</b>									
o UHC City Plan PPO	\$356	\$639	\$1,142	\$0	\$585	\$1,142	\$240	\$684	\$1,369
o UHC CP-C.N.A.	\$62	\$125	\$428	\$0	\$71	\$428	\$93	\$538	\$1,223
o BSC Access+	\$62	\$125	\$428	\$0	\$71	\$428	\$93	\$555	\$1,293
o BSC Trio	\$53	\$105	\$362	\$0	\$60	\$362	\$24	\$414	\$1,037
o Kaiser CA	\$45	\$90	\$310	\$0	\$52	\$310	\$0	\$321	\$855

\* CCSF = City/County of San Francisco; figures above rounded to nearest dollar for illustrative purposes

# Non-Medicare Health Plan Rating Methodology—Agenda

---

**Our discussion is segmented into four primary topic areas:**

- (1) How Aon (for self-funded/flex-funded plans) and health plans (for fully insured plans) perform rate setting activities for next year's health plan rate recommendations.
- (2) How total cost rates are segmented into employer and member contributions for each population segment—(a) active employees and (b) retirees.
- (3) Historical perspective on SFHSS health plan rate relationships across health plans and dependent coverage tiers, given historical influence on current methodologies.
- (4) Current state of SFHSS health plan rate relationships across health plans and dependent coverage tiers.

We close this fourth and final part with perspectives for the future on whether the HSB and SFHSS may want to pursue changes in current elements of non-Medicare health plan rating methodology.

**This presentation segment addresses Part 4—Current State of SFHSS Health Plan Rating Relationships Across Plans and Tiers.**

# Part 4: Current State—Health Plan Rate Relationships Across Plans/Tiers

# Current State—Health Plan Rate Relationships

---

For the most part, elements in rating relationships among plans and tiers discussed in Part 3 of this presentation have carried forward through the years into 2020 rating

The two significant developments in SFHSS plan rating in recent years that have helped certain members in the UHC PPO “City Plan” achieve lower member contributions, **which are highlighted in red on the next page**, are:

- Active employees and early retirees living in geographies where BSC and Kaiser plans are not available: lower member contributions via “City Plan—Choice Not Available”
- Early retirees covering dependents: three-year migration of rate ratios for UHC PPO “City Plan” to match BSC tier ratios by 2021 plan year

Still, differences in rate relationship philosophies continue into 2020 rating among the three carriers—and now five plans offered to SFHSS members

# Current State—Health Plan Rate Relationships

## SFHSS Monthly Health Plan Rates—2020 Plan Year

	Active Employees			Early Retirees		
	EE Only	EE + 1	EE + 2	RET Only	RET + 1	RET + 2+
BSC Access+	\$891.88	\$1,780.98	\$2,518.89	\$2,059.22	\$2,983.75	\$3,721.72
BSC Trio	\$753.66	\$1,504.53	\$2,127.72	\$1,738.67	\$2,519.44	\$3,142.67
Kaiser CA HMO	\$645.71	\$1,288.45	\$1,821.90	\$1,295.75	\$1,938.49	\$2,471.97
<b>UHC PPO ("City Plan-Choice Not Available")</b>	<b>\$891.88</b>	<b>\$1,780.98</b>	<b>\$2,518.89</b>	<b>\$1,510.84</b>	<b>\$2,400.05</b>	<b>\$3,085.18</b>
UHC PPO ("City Plan")	\$1,185.11	\$2,295.01	\$3,232.21	\$1,510.84	\$2,400.05	\$3,085.18
Dependent Rate Increment						
o BSC Access+		\$889.10	\$1,627.01		\$924.53	\$1,662.50
o BSC Trio		\$750.87	\$1,374.06		\$780.77	\$1,404.00
o Kaiser CA HMO		\$642.74	\$1,176.19		\$642.74	\$1,176.22
o UHC PPO ("City Plan-Choice Not Available")		\$889.10	\$1,627.01		\$889.21	\$1,574.34
o UHC PPO ("City Plan")		\$1,109.90	\$2,047.10		\$889.21	\$1,574.34
Rate Ratios to EE Only						
o BSC Access+	1.000	1.997	2.824	1.000	1.449	1.807
o BSC Trio	1.000	1.996	2.823	1.000	1.449	1.808
o Kaiser CA HMO	1.000	1.995	2.822	1.000	1.496	1.908
<b>o UHC PPO ("City Plan-Choice Not Available")</b>	1.000	1.997	2.824	1.000	<b>1.589</b>	<b>2.042</b>
<b>o UHC PPO ("City Plan")</b>	1.000	1.937	2.727	1.000	<b>1.589</b>	<b>2.042</b>
Ratio, Early Retirees vs. Actives						
o BSC Access+				2.309	1.675	1.478
o BSC Trio				2.307	1.675	1.477
o Kaiser CA HMO				2.007	1.505	1.357
o UHC PPO ("City Plan-Choice Not Available")				1.694	1.348	1.225
o UHC PPO ("City Plan")				1.275	1.046	0.955
"Actuarial Difference"						
o BSC Access+				\$1,167.34		
o BSC Trio				\$985.01		
o Kaiser CA HMO				\$589.93		
o UHC PPO ("City Plan-Choice Not Available")				\$618.96		
o UHC PPO ("City Plan")				\$325.73		

# Current State—Health Plan Rate Relationships

---

## Most Tenets in 2013 Rating Have Remained Into 2020 Rating

- Dollar portion of dependent rates for Kaiser remain same between active employees and early retirees—with only modest differences for BSC plans due to application of rate increase percentages into active employee versus early retiree rates over time
- There is an artificially high ratio of Employee/Retiree Only Tier rates (early retiree versus active employees) in BSC plans (2.3:1), versus that in UHC City Plan PPO (1.3:1)
  - This gives the perception that the BSC early retiree plans are costing significantly more in actual cost than the UHC PPO plan, since Retiree Only total cost rates for the BSC plans are much higher than the Retiree Only total cost rate for the UHC PPO plan
  - However, this is being driven by historical rating methodologies cascading to the present—and the reality is this helps keep the early retiree member contributions lower for the BSC plans versus the UHC PPO plan—because the “actuarial difference” portion of the City Charter employer contribution formula is much higher for BSC plans than for the UHC PPO plan



# Current State—Health Plan Rate Relationships

---

## Focus on “Actuarial Difference” Part of City Charter Formula

- As discussed earlier in this presentation, the City Charter employer contribution formula for retirees has **three elements** that produce the total dollar amount available from the City for its contributions towards a retiree’s health plan coverage:
  - **10-County Amount:** determined by annual survey, this amount is same for all plans and dependent tiers
  - **“Actuarial Difference”:** difference between Early Retiree Only total cost rate and Active Employee Only total cost rate for each health plan
  - **Prop. E employer contribution:** 50% of what remains after subtracting the 10-County Amount and “Actuarial Difference” amount from the total cost rate—performed for both Retiree Only tier and Retiree + 1 tier (then Retiree + 1 tier amount cascades to Retiree + 2+ tier)

# Current State—Health Plan Rate Relationships

---

## Focus on “Actuarial Difference” Part of City Charter Formula

- The “Actuarial Difference” portion of this formula varies widely in dollar amount from plan to plan as seen in earlier tables—this is because of two key variables:
  - How total cost rates are set between active employees and early retirees—the ratios in cost differentials between Early Retiree Only and Active Employee Only rates vary significantly by plan, which directly influences the “actuarial difference” calculation
  - Kaiser and BSC active employees have more of a “normal” risk pattern, while UHC active employees are much higher in risk—so the “actuarial difference” comparison works against the early retiree in UHC, versus early retirees in other plans

# Current State—Health Plan Rate Relationships

## SFHSS 2020 Monthly Health Plan Rates and Member Contributions

- Many UHC PPO members have been helped by the two recent actions to mitigate contribution increases for some—City Plan-Choice Not Available (see **red highlighting** in table below), and tier ratio adjustments for early retirees in RET+1 and RET+2+ tiers
- However, rating methodology differences applied to BSC and Kaiser plans versus the UHC PPO results in a much higher Early Retiree Only member contribution in “regular City Plan” versus Early Retiree Only contributions paid by members in other plans

	Active Employees (93/83/83 Strategy)			Early Retirees		
	EE Only	EE + 1	EE + 2	RET Only	RET + 1	RET + 2+
Monthly Total Cost Rates						
o BSC Access+	\$891.88	\$1,780.98	\$2,518.89	\$2,059.22	\$2,983.75	\$3,721.72
o BSC Trio	\$753.66	\$1,504.53	\$2,127.72	\$1,738.67	\$2,519.44	\$3,142.67
o Kaiser CA HMO	\$645.71	\$1,288.45	\$1,821.90	\$1,295.75	\$1,938.49	\$2,471.97
o UHC PPO ("City Plan-Choice Not Available")	\$891.88	\$1,780.98	\$2,518.89	\$1,510.84	\$2,400.05	\$3,085.18
o UHC PPO ("City Plan")	\$1,185.11	\$2,295.01	\$3,232.21	\$1,510.84	\$2,400.05	\$3,085.18
Monthly Member Contributions						
<b>o BSC Access+</b>	<b>\$62.43</b>	<b>\$124.67</b>	<b>\$428.21</b>	<b>\$92.98</b>	\$555.24	\$1,293.21
o BSC Trio	\$52.76	\$105.32	\$361.71	\$23.87	\$414.25	\$1,037.48
o Kaiser CA HMO	\$45.20	\$90.19	\$309.72	\$0.00	\$321.37	\$854.85
<b>o UHC PPO ("City Plan-Choice Not Available")</b>	<b>\$62.43</b>	<b>\$124.67</b>	<b>\$428.21</b>	<b>\$92.98</b>	\$537.58	\$1,222.71
o UHC PPO ("City Plan")	\$355.66	\$638.70	\$1,141.53	\$239.59	\$684.20	\$1,369.33

# Current State—Health Plan Rate Relationships

---

## Looking Forward—Non-Medicare Rating Methodology Assessment

- Into the 2021 plan year, we suggest maintaining present state methodology in rating of SFHSS active employee and early retiree health plans—noting 2021 will be the third and final year of the transition of UHC PPO “City Plan” early retiree RET+1 and RET+2+ tier rate ratios to match those for the BSC plans (as approved by the HSB at the May 2018 meeting)
- As part of the planned Request for Proposal plan evaluation process for SFHSS’s 2022 plan year, Aon will construct alternative rating methodology scenarios including impacts to members and employers, that aim to bring more consistency in rating methodology components across the active employee and early retiree health plans offered to SFHSS members
  - We will provide periodic updates to the HSB upon the conclusion of the 2021 plan year Rates & Benefits cycle on scenario models including potential member and employer impacts for possible change considerations in SFHSS health plan rating methodology components