

San Francisco Health Service System Health Service Board

City Plan (UHC) Utilization and Claims Experience Calendar Year 2017 Presentation

February 8, 2018

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Summary

This presentation will outline the following for the City Plan which is administered by United Healthcare (UHC):

- Recent decisions to apply stabilization funds to City Plan subsidies
- The 2017 experience by active employee and early retiree population segments (Medicare retirees are no longer included in this analysis given migration to fully insured funding on January 1, 2017)
- Observations follow for 2017 versus 2016 for each population segment on these data elements:
 - Membership
 - Contract size
 - Average incurred cost per subscriber
 - Average paid cost per subscriber

Introduction

For the past several years, in an effort to bring about long term sustainability of City Plan, the Health Service Board (HSB) has chosen to apply claim stabilization funds to additionally subsidize the City Plan active employee and early retiree rates.

- The conversion of funding for City Plan Medicare retirees to fully insured as of January 1, 2017 allowed for use of claim stabilization funds previously allocated to this population to be utilized towards City Plan active employees and early retirees.
- On June 8, 2017, the HSB approved allocation of the full City Plan calculated Stabilization Reserve as of December 31, 2016 (\$4,529,000) to be applied towards City Plan subsidy into 2018:
 - \$1,510,000 towards active and early retiree groups (1/3 per policy)
 - Plus the remaining balance (\$3,019,000) for additional active employee subsidy

City Plan (UHC)—2017 Experience, Active Employees

Headcount, Contract Size, and Paid/Incurred Claim Loss Ratios

Month	EE	EE + 1	EE + 2	Total Subscribers	Dependents	Average contract size	EE Rate	EE + 1 Rate	EE + 2 Rate	Monthly Premium	Paid claims	Paid Loss Ratio	Incurred claims	Incurred Loss Ratio
Jan-17	661	196	137	994	596	1.60	\$802.40	\$1,561.09	\$2,190.57	\$1,136,468	\$931,371	82%	\$977,644	86%
Feb-17	665	200	136	1,001	599	1.60	\$802.40	\$1,561.09	\$2,190.57	\$1,143,732	\$1,134,042	99%	\$1,762,179	154%
Mar-17	660	206	142	1,008	623	1.62	\$802.40	\$1,561.09	\$2,190.57	\$1,162,229	\$1,634,104	141%	\$1,307,240	112%
Apr-17	665	209	145	1,019	634	1.62	\$802.40	\$1,561.09	\$2,190.57	\$1,177,496	\$1,370,364	116%	\$1,820,955	155%
May-17	667	207	147	1,021	637	1.62	\$802.40	\$1,561.09	\$2,190.57	\$1,180,360	\$1,588,579	135%	\$1,537,077	130%
Jun-17	668	208	154	1,030	657	1.64	\$802.40	\$1,561.09	\$2,190.57	\$1,198,058	\$1,572,627	131%	\$1,408,511	118%
Jul-17	660	209	149	1,018	646	1.63	\$802.40	\$1,561.09	\$2,190.57	\$1,182,247	\$1,471,626	124%	\$1,561,082	132%
Aug-17	659	208	153	1,020	660	1.65	\$802.40	\$1,561.09	\$2,190.57	\$1,188,646	\$1,219,071	103%	\$1,598,380	134%
Sep-17	668	208	152	1,028	652	1.63	\$802.40	\$1,561.09	\$2,190.57	\$1,193,677	\$1,520,051	127%	\$1,216,059	102%
Oct-17	670	210	160	1,040	676	1.65	\$802.40	\$1,561.09	\$2,190.57	\$1,215,928	\$1,837,545	151%	\$1,748,543	144%
Nov-17	671	212	160	1,043	675	1.65	\$802.40	\$1,561.09	\$2,190.57	\$1,219,853	\$1,448,486	119%	\$1,705,920	140%
Dec-17	671	214	161	1,046	679	1.65	\$802.40	\$1,561.09	\$2,190.57	\$1,225,165	\$1,758,807	144%	\$1,519,581	124%
Totals/Averages				1,022						\$14,223,859	\$17,486,673	123%	\$18,163,172	128%
Surplus/(Deficit)											-\$3,262,814		-\$3,939,313	

City Plan (UHC)—2017 Experience, Active Employees

Key Observations

- Total active employee subscribers have increased:
 - December 2017: **1,046**
 - December 2016: 891

- Average contract size has increased:
 - December 2017: **1.65**
 - December 2016: 1.55
 - This has steadily increased since December 2014 low of 1.24

City Plan (UHC)—2017 Experience, Active Employees

Key Observations (continued)

- Average incurred claim cost per subscriber has increased:
 - 2017: \$1,481 vs. average premium of \$1,159 = incurred loss ratio of **128%**
 - 2016: \$1,306 vs. average premium of \$1,022 = incurred loss ratio of **128%**

- Average paid claim cost per subscriber has increased:
 - 2017: \$1,425 vs. average premium of \$1,159 = paid loss ratio of **123%**
 - 2016: \$1,304 vs. average premium of \$1,022 = paid loss ratio of **128%**

City Plan (UHC)—2017 Experience, Early Retirees

Headcount, Contract Size, and Premium

Month	Ret Only	Ret + 1 (both NM)	Ret + 2+ (all NM)	NM Ret Total Subscribers	NM Deps of NM Rets	Average contract size, NM Subscribers	NM Deps of Med Rets	Ret Rate	Ret + 1 Rate	Ret + 2+ Rate
Jan-17	601	126	19	746	183	1.25	226	\$1,142.48	\$2,241.22	\$3,019.83
Feb-17	606	123	18	747	177	1.24	228	\$1,142.48	\$2,241.22	\$3,019.83
Mar-17	613	114	20	747	172	1.23	222	\$1,142.48	\$2,241.22	\$3,019.83
Apr-17	611	114	18	743	167	1.22	229	\$1,142.48	\$2,241.22	\$3,019.83
May-17	604	116	17	737	168	1.23	232	\$1,142.48	\$2,241.22	\$3,019.83
Jun-17	602	116	16	734	165	1.22	236	\$1,142.48	\$2,241.22	\$3,019.83
Jul-17	628	121	18	767	176	1.23	239	\$1,142.48	\$2,241.22	\$3,019.83
Aug-17	615	117	18	750	172	1.23	233	\$1,142.48	\$2,241.22	\$3,019.83
Sep-17	614	121	20	755	181	1.24	232	\$1,142.48	\$2,241.22	\$3,019.83
Oct-17	621	122	18	761	177	1.23	228	\$1,142.48	\$2,241.22	\$3,019.83
Nov-17	620	121	18	759	176	1.23	229	\$1,142.48	\$2,241.22	\$3,019.83
Dec-17	616	126	17	759	178	1.23	227	\$1,142.48	\$2,241.22	\$3,019.83
Totals/Averages				750	174		230			
Surplus/(Deficit)										

Table Heading Abbreviation Notes:

NM = Non-Medicare

Med = Medicare

Ret = Retiree

Dep = Dependent

City Plan (UHC)—2017 Experience, Early Retirees (continued)

Paid/Incurred Claim Loss Ratios

Month	Monthly Premium, NM Subscriber Tiers	Est. NM Dep of Med Rets Premium	Monthly Premium, All NM Members	Paid claims	Paid Loss Ratio	Incurred claims	Incurred Loss Ratio
Jan-17	\$1,026,401	\$267,784	\$1,294,185	\$1,258,138	97%	\$1,298,333	100%
Feb-17	\$1,022,370	\$270,154	\$1,292,523	\$934,367	72%	\$1,118,742	87%
Mar-17	\$1,016,236	\$263,044	\$1,279,280	\$1,471,643	115%	\$1,265,462	99%
Apr-17	\$1,007,911	\$271,338	\$1,279,250	\$1,393,841	109%	\$1,378,976	108%
May-17	\$1,001,377	\$274,893	\$1,276,270	\$1,377,062	108%	\$1,484,730	116%
Jun-17	\$996,072	\$279,633	\$1,275,704	\$1,392,471	109%	\$1,505,222	118%
Jul-17	\$1,043,022	\$283,187	\$1,326,209	\$1,176,222	89%	\$1,475,078	111%
Aug-17	\$1,019,205	\$276,078	\$1,295,283	\$1,308,336	101%	\$1,285,840	99%
Sep-17	\$1,033,067	\$274,893	\$1,307,960	\$1,458,542	112%	\$1,025,541	78%
Oct-17	\$1,037,266	\$270,154	\$1,307,419	\$1,303,883	100%	\$1,600,663	122%
Nov-17	\$1,033,882	\$271,338	\$1,305,221	\$1,632,731	125%	\$1,291,349	99%
Dec-17	\$1,037,499	\$268,969	\$1,306,467	\$1,170,990	90%	\$1,350,704	103%
Totals/Ave	\$12,274,307	\$3,271,465	\$15,545,772	\$15,878,225	102%	\$16,080,639	103%
Surplus/(Deficit)				-\$332,453		-\$534,867	

Notes:

1. Table heading abbreviations: NM = Non-Medicare; Med = Medicare; Ret = Retirees; Dep = Dependent
2. \$2.7M of claims paid during 2017 for run-out incurred by UHC Medicare self-funded plan members is not included in figures above (these amounts were accounted for against Medicare member reserves as of December 31, 2016)

City Plan (UHC)—2017 Experience, Early Retirees

Key Observations—Non-Medicare Retiree Subscribers

- Total non-Medicare retiree subscribers have increased:
 - December 2017: **759**
 - December 2016: 698

- Average contract size when incorporating all non-Medicare dependents as a ratio of non-Medicare subscribers has increased:
 - December 2017: **1.53**
 - December 2016: 1.46

- December 2017 average contract size when comparing only non-Medicare dependents of non-Medicare retirees is 1.23

City Plan (UHC)—2017 Experience, Early Retirees

Key Observations (continued)

- Average non-Medicare incurred claim cost per subscriber in 2017 (\$1,786) is 103% of the average premium per subscriber in 2017 (\$1,727)
- Average non-Medicare paid claim cost per subscriber in 2017 (\$1,764) is 102% of the average premium per subscriber in 2017 (\$1,727)
- Overall total claims for the City Plan early retirees were lower in 2017 than in 2016, even though covered headcount was slightly higher—but we are now incorporating premium for non-Medicare dependents of Medicare retirees into the loss ratio calculation, thus impacting how we determine loss ratios versus 2016 methodology

Conclusion

Membership in 2017 increased for both the active and early retiree pools.

Average cost per subscriber decreased versus 2016 for early retirees, but increased versus 2016 for active employees.

The high loss ratios in 2017 for active employees validate the application of additional City Plan stabilization reserve monies for active employees in 2018 rating.

During the May 10, 2018 HSB meeting, Aon will present the 2019 City Plan active and early retiree rate recommendations.