

San Francisco Health Service System Health Service Board

Blue Shield HMO Stabilization Rates
Rates and Benefits Committee
January Board Meeting

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Health and Benefits



Contents

- Introduction
- 2012 Stabilization Rates (July through December 2012 Plan Year)
 - Blue Shield Pledge Credit Impact Analysis
 - Active/Early Retiree/Medicare Monthly Premium Costs
 - Active/Early Retiree/Medicare Monthly Premium (Contribution) Costs
 - Blue Shield Stabilization Rate Card

Introduction

At the November 2011 Health Service Board (HSB) meeting Blue Shield confirmed there is a combined \$18.9 million pledge credit that is due to the Health Service System. HSS could elect to use a portion of this credit to stabilize the six month 2012-2013 rates.

Historically, the enrollment has shifted from Blue Shield to Kaiser as demonstrated in the Attrition Leveraging presentation during the December 8, 2011 HSB meeting. In order to stem further deterioration of the Blue Shield pool, the Health Service System has asked Aon Hewitt to evaluate the impact of allocating a portion of this credit to stabilize the premium contributions at the current 2011/2012 level.

Based on Aon Hewitt's analysis it would cost an estimated \$5,191,691 for 6 months or \$865,282 monthly to maintain the present employee contribution levels.

Introduction (continued)

By applying \$5,191,691 of the credit to the Blue Shield projected premium for the 6 month period July 1 – December 31, 2012, the estimated budget of \$148,239,924 is reduced to \$143,048,233. The savings impact for employees and employers are as follows:

- \$2,605,000 savings to employees
- \$2,586,641 savings to employers

Blue Shield Premium Credit Impact Analysis July – December 2012

Impact to Rate with Application of Premium Credit July – December 2012

Per Member Per Month rates (PMPM)	Active Employee			Non-Medicare Retiree			Medicare Retiree			
	EE	EE+1	EE+2	EE	EE+1	EE+2	EE	EE+1	EE+2 (All Medicare)	EE+2
2011/2012 Rates	\$ 584.58	\$1,169.19	\$1,654.40	\$ 1,303.62	\$ 1,888.23	\$ 2,373.44	\$ 373.99	\$ 747.98	\$1,121.97	\$1,233.19
2012/2013 Rates	\$ 603.61	\$1,207.25	\$1,708.25	\$ 1,346.05	\$ 1,949.69	\$ 2,450.69	\$ 401.00	\$ 802.01	\$1,203.01	\$1,303.01
% Increase	3.26%	3.26%	3.25%	3.25%	3.25%	3.25%	7.22%	7.22%	7.22%	5.66%
\$ Increase	\$ 19.03	\$ 38.06	\$ 53.85	\$ 42.43	\$ 61.46	\$ 77.25	\$ 27.01	\$ 54.03	\$ 81.04	\$ 69.82

Observations:

- Utilizing \$5.2 million of this credit in this manner effectively reduces the rate increase from 7.03% to 3.26% for Active & Early Retirees, and from 11.14% to 7.27% for Medicare Retirees

Active/Early Retiree/Medicare Monthly Premium Costs

Aggregate Cost Impact July – December 2012

Total Premium Renewal Calculation (Blue Shield)	Total Premium Costs				Increase from 2011-2012			
	Active Employees	Non-Medicare Retirees	Medicare Retirees	Total	Active Employees	Non-Medicare Retirees	Medicare Retirees	Total
Member	\$15,163,630	\$3,126,067	\$774,731	\$19,064,428	0.1%	2.6%	6.2%	0.8%
Employer	\$93,774,336	\$21,420,803	\$8,788,666	\$123,983,806	3.7%	3.3%	7.1%	3.9%
Total Costs	\$108,937,965	\$24,546,871	\$9,563,397	\$143,048,233	3.2%	3.2%	7.1%	3.5%

Observations:

- The aggregate cost is reduced by \$5,191,691
- Adjusted for 10 county survey

Active/Early Retiree/Medicare Monthly Premium (Contribution) Costs

Blue Shield Stabilization Rate: Active/Early Retiree/Medicare Monthly Premium (Contribution) Costs July – December 2012

Blue Shield	Active Employee			Non-Medicare Retiree			Medicare Retiree			
	EE	EE+1	EE+2	EE	EE+1	EE+2	EE	EE+1	EE+2 (All Medicare)	EE+2
Members	\$0.00	\$85.46	\$471.01	\$42.73	\$346.45	\$850.61	\$0.00	\$202.40	\$606.56	\$706.55
% Increase	0%	0%	0%	0%	3%	3%	0%	7%	7%	4%
\$ Increase	\$0.00	\$0.00	\$0.80	\$0.00	\$9.52	\$25.32	\$0.00	\$13.51	\$40.53	\$29.30
Employer	\$608.43	\$1,130.41	\$1,249.01	\$1,308.14	\$1,611.86	\$1,611.86	\$405.82	\$608.22	\$608.22	\$608.22
% Increase	3.2%	3.5%	4.4%	3.4%	3.3%	3.3%	7.1%	7.1%	7.1%	7.1%
\$ Increase	\$19.03	\$38.06	\$53.05	\$42.43	\$51.94	\$51.94	\$27.01	\$40.51	\$40.51	\$40.51
Total	\$608.43	\$1,215.87	\$1,720.02	\$1,350.87	\$1,958.31	\$2,462.46	\$405.82	\$810.63	\$1,214.78	\$1,314.78
% Increase	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	7.1%	7.1%	7.1%	5.6%
\$ Increase	\$19.03	\$38.06	\$53.85	\$42.43	\$61.46	\$77.25	\$27.01	\$54.03	\$81.04	\$69.82

Observations:

- Rates include:
 - Percent and dollar increase for the final Blue Shield contributions including all approved plan design changes
 - Adjusted for the final 10 county survey, not adjusted for other charter requirements
 - Includes vision costs (\$3.78, \$7.58, and \$10.73)
 - Includes \$1.04 expense accrual
 - Includes utilizing \$5.2 million of pledge credit

Blue Shield Stabilization Rate Card

Blue Shield Stabilization Rate Card: July – December 2012 with Approved Plan Design Changes

	Employee Only	Employee and One Dependent	Employee and Family	Retiree without Medicare	Retiree & Spouse w/o Medicare	Retiree & Family	Retiree with Medicare	Retiree & Spouse with Medicare	Retiree & Family (all medicare)	Retiree & Family
Premium	\$ 625.67	\$ 1,251.37	\$ 1,770.68	\$ 1,395.24	\$ 2,020.94	\$ 2,540.26	\$ 415.66	\$ 831.32	\$ 1,246.98	\$ 1,350.63
Premium credit	\$ 22.06	\$ 44.12	\$ 62.43	\$ 49.19	\$ 71.25	\$ 89.57	\$ 14.66	\$ 29.31	\$ 43.97	\$ 47.62
Net premium	\$ 603.61	\$ 1,207.25	\$ 1,708.25	\$ 1,346.05	\$ 1,949.69	\$ 2,450.69	\$ 401.00	\$ 802.01	\$ 1,203.01	\$ 1,303.01
Vision Expense	\$ 3.78	\$ 7.58	\$ 10.73	\$ 3.78	\$ 7.58	\$ 10.73	\$ 3.78	\$ 7.58	\$ 10.73	\$ 10.73
Medicare Part D Subsidy	\$ 1.04	\$ 1.04	\$ 1.04	\$ 1.04	\$ 1.04	\$ 1.04	\$ 1.04	\$ 1.04	\$ 1.04	\$ 1.04
Flex Funded Plan Closedown Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 608.43	\$ 1,215.87	\$ 1,720.02	\$ 1,350.87	\$ 1,958.31	\$ 2,462.46	\$ 405.82	\$ 810.63	\$ 1,214.78	\$ 1,314.78
10-County Amount	\$ 522.97	\$ 522.97	\$ 522.97	\$ 522.97	\$ -	\$ -	\$ 405.82	\$ -	\$ -	\$ -
Single Retiree Offset	\$ -	\$ -	\$ -	\$ -	\$ 522.97	\$ 522.97	\$ -	\$ 405.82	\$ 405.82	\$ 405.82
Medicare Part B Subsidy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
"Actuarial Difference"	\$ -	\$ -	\$ -	\$ 742.44	\$ 742.44	\$ 742.44	\$ -	\$ -	\$ -	\$ -
Prop. E Subsidy	\$ -	\$ -	\$ -	\$ 42.73	\$ 346.45	\$ 346.45	\$ -	\$ 202.40	\$ 202.40	\$ 202.40
Subtotal City Contributions (Gap Dollars)	\$ 522.97	\$ 522.97	\$ 522.97	\$ 1,308.14	\$ 1,611.86	\$ 1,611.86	\$ 405.82	\$ 608.22	\$ 608.22	\$ 608.22
Non-Bargained Contribution Rate	\$ 85.46	\$ 692.90	\$ 1,197.05	\$ 42.73	\$ 346.45	\$ 850.61	\$ -	\$ 202.40	\$ 606.56	\$ 706.55
75% Kaiser Pickup	\$ -	\$ 607.44	\$ 726.04							
Single Employee Pickup	\$ 85.46	\$ -	\$ -							
Typical Bargained Member Contribution	\$ -	\$ 85.46	\$ 471.01							