

San Francisco Health Service System

Health Service Board

City Plan Final Budget Rates
Rates and Benefits Committee
January Board Meeting

January 12, 2012

Prepared by Aon Hewitt
Health and Benefits



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Introduction

During the December 22, 2011 Rates and Benefits Committee Meeting the six month City Plan budget rates for both the status quo plan and alternate design changes were presented by Aon Hewitt.

At the November 2011 Health Service Board (HSB) meeting the HSB approved moving to a six month contract saving an estimated aggregate cost savings of employee savings of \$320,000, employer savings of \$580,000 for a total of \$900,000.

The HSB approved changes as follows:

- Network change from the Options PPO to the Open Choice PPO
- Pharmacy management change to include Specialty Drug Management

The preliminary budget rates for the above changes were developed based on decrements provided by United Healthcare. Subsequent to the December board meeting, Aon Hewitt requested United Healthcare to reconfirm the decrements provided.

Introduction

The decrements have been confirmed with no changes by United Healthcare and the budget rates are now final per Aon Hewitt.

These budget rates are being presented today as a matter of record to confirm and document final Board approval.

City Plan Annual Premium Costs and Savings

City Plan (UHC): Total Annual Premium Costs and Savings July – December 2012 with Plan Design Changes

| Total Premium Renewal Calculation (UHC) | Total Premium Costs | | | | Increase from 2011-2012 | | | |
|---|---------------------|-----------------------|---------------------|---------------------|-------------------------|-----------------------|-------------------|-------------|
| | Active Employees | Non-Medicare Retirees | Medicare Retirees | Total | Active Employees | Non-Medicare Retirees | Medicare Retirees | Total |
| Member | \$2,463,576 | \$4,119,093 | \$1,407,099 | \$7,989,769 | 18.9% | 15.3% | -9.7% | 10.9% |
| Employer | \$8,417,378 | \$9,171,588 | \$13,393,450 | \$30,982,417 | 9.5% | 9.0% | -0.7% | 4.7% |
| Total Costs | \$10,880,954 | \$13,290,681 | \$14,800,549 | \$38,972,185 | 11.5% | 10.9% | -1.6% | 5.9% |

* Calculations reflect a 6 month contract with approved plan design changes

Observations:

- Overall impact with final City Plan rates and final 10-county survey maintains the overall aggregate costs of \$38,972,185 presented in the December 22, 2011 Board Meeting
 - The savings from the initial 12 month to final rates with approved design changes is \$2,432,718

City Plan (UHC): Final Active/Early Retiree Monthly Premium Rates July – December 2012

Total Monthly Premium with Dollar and Percentage Increases

| Total Monthly Premium Rate | Active Employee | | | Non-Medicare Retiree | | |
|----------------------------|-----------------|-------------|-------------|----------------------|-------------|-------------|
| | EE | EE+1 | EE+2 | EE | EE+1 | EE+2 |
| 2011/2012 Rates | \$ 1,110.87 | \$ 2,178.64 | \$ 3,055.73 | \$ 1,287.72 | \$ 2,532.31 | \$ 3,409.40 |
| 2012/2013 Rates | \$ 1,237.46 | \$ 2,431.13 | \$ 3,419.11 | \$ 1,427.03 | \$ 2,810.25 | \$ 3,798.23 |
| % Increase | 11.40% | 11.59% | 11.89% | 10.82% | 10.98% | 11.40% |
| \$ Increase | \$ 126.59 | \$ 252.48 | \$ 363.37 | \$ 139.31 | \$ 277.93 | \$ 388.82 |

* Calculations reflect a 6 month contract with approved plan design changes

Observations:

- Premiums include:
 - Percent and dollar increase for the final City Plan rates including all approved changes

City Plan (UHC): Medicare Monthly Premium Rates July – December 2012

Total Monthly Premium with Dollar and Percentage Increases

| Total Monthly Premium Rate | Medicare Retiree | | | |
|----------------------------|------------------|------------|---------------------|-------------|
| | EE | EE+1 | EE+2 (All Medicare) | EE+2 |
| 2011/2012 Rates | \$ 381.89 | \$ 729.66 | \$ 1,083.62 | \$ 1,606.75 |
| 2012/2013 Rates | \$ 375.14 | \$ 715.90 | \$ 1,064.02 | \$ 1,703.88 |
| % Increase | -1.77% | -1.88% | -1.81% | 6.05% |
| \$ Increase | \$ (6.75) | \$ (13.75) | \$ (19.59) | \$ 97.14 |

* Calculations reflect a 6 month contract with approved plan design changes

Observations:

- Premiums include:
 - Percent and dollar increase for the final City Plan rates including all approved plan design changes

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

City Plan (UHC): Monthly Premiums July – December 2012

Member and Employer Monthly Premiums with Dollar and Percentage Increases

| City Plan (UHC) | 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 | \$1,182.12 | \$2,170.10 | \$357.24 | \$1,048.85 | \$2,036.83 | \$0.00 | \$170.38 | \$518.50 | \$1,158.36 |
| % Increase | 0.0% | 20.3% | 16.7% | 17.7% | 13.3% | 13.0% | 0.0% | -2.0% | -1.8% | 10.2% |
| \$ Increase | \$0.00 | \$199.43 | \$310.32 | \$53.78 | \$123.09 | \$233.98 | \$0.00 | (\$3.50) | (\$9.34) | \$107.39 |
| Employer | \$1,237.46 | \$1,249.01 | \$1,249.01 | \$1,069.79 | \$1,761.40 | \$1,761.40 | \$375.14 | \$545.53 | \$545.53 | \$545.53 |
| % Increase | 11.4% | 4.4% | 4.4% | 8.7% | 9.6% | 9.6% | -1.8% | -1.8% | -1.8% | -1.8% |
| \$ Increase | \$126.59 | \$53.05 | \$53.05 | \$85.53 | \$154.84 | \$154.84 | (\$6.75) | (\$10.25) | (\$10.25) | (\$10.25) |
| Total | \$ 1,237.46 | \$ 2,431.13 | \$ 3,419.11 | \$ 1,427.03 | \$ 2,810.25 | \$ 3,798.23 | \$ 375.14 | \$ 715.90 | \$ 1,064.02 | \$ 1,703.88 |
| % Increase | 11.4% | 11.6% | 11.9% | 10.8% | 11.0% | 11.4% | -1.8% | -1.9% | -1.8% | 6.0% |
| \$ Increase | \$ 126.59 | \$ 252.48 | \$ 363.37 | \$ 139.31 | \$ 277.93 | \$ 388.82 | \$ (6.75) | \$ (13.75) | \$ (19.59) | \$ 97.14 |
| Savings | | | | | | | | | | |
| Member | \$0.00 | \$113.05 | \$167.89 | \$30.43 | \$68.04 | \$122.88 | \$0.00 | \$14.31 | \$42.99 | \$69.15 |
| Employer | \$65.47 | \$17.89 | \$17.89 | \$44.80 | \$82.41 | \$82.41 | \$28.65 | \$42.96 | \$42.96 | \$42.96 |
| Total Savings | \$65.47 | \$130.94 | \$185.78 | \$75.23 | \$150.45 | \$205.29 | \$28.65 | \$57.28 | \$85.96 | \$112.12 |

* Calculations reflect a 6 month contract with approved plan design changes

Observations:

- Rates include:

- Percent and dollar increase for the final City Plan contributions including all approved plan design changes
- Adjusted for the final 10 county survey
- Includes vision costs (\$3.78, \$7.58, and \$10.73)
- Includes \$1.04 expense accrual

City Health Plan Rate Card

City Plan (UHC) Rate Card: July – December 2012

| | Employee Only | Employee and One Dependent | Employee and Family | Retiree without Medicare | Retiree & Spouse w/o Medicare | Retiree without Medicare & Family | Retiree with Medicare | Retiree & Spouse with Medicare | Retiree & Family (all medicare) | Retiree & Family |
|---|--------------------|----------------------------|---------------------|--------------------------|-------------------------------|-----------------------------------|-----------------------|--------------------------------|---------------------------------|--------------------|
| Medical | \$ 981.42 | \$ 1,962.85 | \$ 2,836.51 | \$ 1,070.67 | \$ 2,141.34 | \$ 3,015.00 | \$ 142.41 | \$ 284.82 | \$ 427.23 | \$ 1,158.48 |
| Pharmacy | \$ 193.17 | \$ 386.36 | \$ 484.94 | \$ 291.02 | \$ 582.05 | \$ 680.63 | \$ 229.99 | \$ 460.00 | \$ 689.97 | \$ 558.58 |
| Vision | \$ 3.78 | \$ 7.58 | \$ 10.73 | \$ 3.78 | \$ 7.58 | \$ 10.73 | \$ 3.78 | \$ 7.58 | \$ 10.73 | \$ 10.73 |
| Expense | \$ 43.32 | \$ 43.32 | \$ 43.32 | \$ 43.32 | \$ 43.32 | \$ 43.32 | \$ 33.97 | \$ 33.97 | \$ 33.97 | \$ 33.97 |
| Medicare Part D Subsidy | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (40.00) | \$ (80.00) | \$ (120.00) | \$ (80.00) |
| Claims Stabilization Amount/ Self-Funded Policy | \$ 15.77 | \$ 31.02 | \$ 43.60 | \$ 18.24 | \$ 35.96 | \$ 48.54 | \$ 4.99 | \$ 9.54 | \$ 22.13 | \$ 22.12 |
| Flex Funded Plan Closedown Adjustment | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 1,237.46 | \$ 2,431.13 | \$ 3,419.11 | \$ 1,427.03 | \$ 2,810.25 | \$ 3,798.23 | \$ 375.14 | \$ 715.90 | \$ 1,064.02 | \$ 1,703.88 |

| | | | | | | | | | | |
|--|------------------|--------------------|--------------------|------------------|--------------------|--------------------|-------------|------------------|------------------|--------------------|
| 10-County Amount ¹ | \$ 522.97 | \$ 522.97 | \$ 522.97 | \$ 522.97 | \$ - | \$ - | \$ 375.14 | \$ - | \$ - | \$ - |
| Single Retiree Offset ² | \$ - | \$ - | \$ - | \$ - | \$ 522.97 | \$ 522.97 | \$ - | \$ 375.14 | \$ 375.14 | \$ 375.14 |
| Medicare Part B Subsidy | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| "Actuarial Difference" ³ | \$ - | \$ - | \$ - | \$ 189.57 | \$ 189.57 | \$ 189.57 | \$ - | \$ - | \$ - | \$ - |
| Retiree Prop. E Subsidy ⁴ | \$ - | \$ - | \$ - | \$ 357.25 | \$ 1,048.86 | \$ 1,048.86 | \$ - | \$ 170.39 | \$ 170.39 | \$ 170.39 |
| Subtotal City Contributions | \$ 522.97 | \$ 522.97 | \$ 522.97 | \$ 1,069.79 | \$ 1,761.40 | \$ 1,761.40 | \$ 375.14 | \$ 545.53 | \$ 545.53 | \$ 545.53 |
| (Gap Dollars) ⁵ | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2012/13 Non-Bargained Contribution Rate | \$ 714.49 | \$ 1,908.16 | \$ 2,896.14 | \$ 357.24 | \$ 1,048.85 | \$ 2,036.83 | \$ - | \$ 170.38 | \$ 518.50 | \$ 1,158.36 |

| | | | | | | | | | | |
|--|-------------|--------------------|--------------------|--|--|--|--|--|--|--|
| 75% Kaiser Pickup ⁶ | \$ - | \$ 726.04 | \$ 726.04 | | | | | | | |
| Single Employee Pickup ⁷ | \$ 714.49 | \$ - | \$ - | | | | | | | |
| Typical Bargained Member Contribution | \$ - | \$ 1,182.12 | \$ 2,170.10 | | | | | | | |

City Plan (UHC) Rate Card Footnotes

Footnotes

- 1.) "10 county" City Contribution: Per Charter Section A8.423, employer contribution must equal the average of the employer contribution to health premium of the 10 most populous counties in CA, not including San Francisco.
- 2.) "Single Retiree Offset": Per Charter Section A8.428, for Retirees = 10 County Amount; for Medicare eligible retirees = Medicare Premium (because it is the lower than 10 county)
- 3.) Retiree "Actuarial Difference": Per Charter Section A8.428, employer contributes the difference between a single EE and a single non-Medicare Retiree cost of premium. Calculated for NON-Medicare retiree only
- 4.) Prop. E Subsidy passed in Nov 2000 Election: Per Charter A8.428, employer subsidy for Retiree (R) and R+1 = $50\% \times [\text{Total Rate Cost} - 10 \text{ county} - \text{Actuarial Difference}]$
- 5.) Gap Dollars for Active Employees exist ONLY If 10 county is greater than "total rate cost" for active employees

With respect to most active employee groups, most active employee groups have collectively bargained for enhanced employer contributions for single coverage as well as employer subsidized dependent coverage.

- 6.) Kaiser Pick-UP for subsidized dependent coverage of active employees

Up to $75\% \times [\text{Kaiser E+2 rate} - \text{Kaiser EE rate}]$ \$726.04

- 7.) Per collective bargaining MOU, "medically single" provision: employer contributes the remainder of the single employee total cost after 10 County Amount.