

### **Medical/Rx Rates – Effective July 1, 2014**

- Harvard Pilgrim Health Care (HPHC)
- Blue Cross Blue Shield of Massachusetts (BCBSMA)
- Neighborhood Health Plan (NHP)

# Introduction

- The City of Boston retained The Segal Company to review its health benefits renewals and develop working rates for the year beginning July 1, 2014 (FY 2015).
- This report includes an analysis of the renewals for Harvard Pilgrim Health Care (HPHC), Blue Cross Blue Shield of Massachusetts (BCBSMA), and Neighborhood Health Plan (NHP).
- The City currently provides health coverage via the following health plans:

<b>Health Plan</b>	<b>Non-Medicare Plans</b>	<b>Medicare Plans</b>
Harvard Pilgrim Health Care	Self-Funded Medical/Rx	Medicare Supplemental
Blue Cross Blue Shield of Massachusetts	Self-Funded Medical/Rx, Fully-Insured Dental	Medicare Carve-out, Medicare HMO, & Medicare Advantage
Neighborhood Health Plan	Fully-Insured Medical/Rx	Not Offered
Tufts Health Plan	Not Offered	Medicare Supplemental with PDP & Medicare Advantage

- The Medicare Advantage and Supplemental plans are not included in this report.

# Introduction (continued)

- The projections in this report are estimates of future costs and are based on information available to Segal Consulting at the time the projections were made. Segal Consulting has not audited the information provided. Projections are not a guarantee of future results. Actual experience may differ due to, but not limited to, such variables as changes in the regulatory environment (e.g., the Affordable Care Act or other legislation), local market pressure, health trend rates and claims volatility.

The projections do not reflect the potential impact of any future changes due to health care reform legislation, other than those previously adopted.

- The projection of the retiree costs takes into account only the dollar value of providing benefits for current retirees during the period referred to in the projection. It does not reflect the present value of any future retiree benefits for active, disabled or terminated employees during a period other than that which is referred to in the projection, nor does it reflect any anticipated increase in the number of those eligible for retiree benefits, or any changes that may occur in the nature of benefits over time.

# HPHC – FY 2014 Projections

## Expenses vs. Working Rates

- Based on YTD experience, we project total working rate premium to exceed total expenses and result in a surplus of \$17.1 million (or 6.8% of premium).

	HMO			POS			TOTAL
	Medical	Prescription Drug	Other	Medical	Prescription Drug	Other	
<u>Year-To-Date Incurred Claims</u>							
Claims thru October (Paid to 12/31/13)	\$55,326,115	\$9,312,520	\$870,601	\$5,585,229	\$1,145,363	\$90,387	
Completion Factor	1.0261	1.0000	1.0000	1.0274	1.0000	1.0000	
YTD Incurred Claims	\$56,768,755	\$9,312,520	\$870,601	\$5,738,425	\$1,145,363	\$90,387	
<u>Projected Incurred Claims</u>							
PMPM - 11/1/2013 to 6/30/2014 <sup>1</sup>	\$429.52	\$71.39	\$6.92	\$477.00	\$91.19	\$7.82	
Assumed Members <sup>2</sup>	33,275	33,275	33,275	2,935	2,935	2,935	
Projected Claims - 11/1/2013 to 6/30/2014	\$114,337,108	\$19,003,476	\$1,841,230	\$11,200,009	\$2,141,046	\$183,506	
<u>Projected FY 2014 Total Expenses</u>							
Sub-Total Claims	\$171,105,863	\$28,315,996	\$2,711,831	\$16,938,434	\$3,286,410	\$273,893	
Total Combined Claims		\$202,134,000			\$20,499,000		
Estimated Rebates (City's 70% share)		(\$1,446,000)			(\$127,000)		
Administrative Base Fee <sup>3</sup>		\$7,730,000			\$769,000		
Claim Fiduciary Fee <sup>3</sup>		\$86,000			\$9,000		
Other Program Expenses (e.g., DM, Auditing, etc)		\$427,000			\$38,000		
Fitness Reimbursement		\$303,000			\$30,000		
Federal Health Reform (ACA) Fees <sup>4</sup>		\$1,115,000			\$98,000		
MA Pediatric Immunization Program Assessment <sup>5</sup>		\$615,000			\$54,000		
<u>FY 2014 Projected Experience</u>							
<b>Total Expenses</b>		\$210,964,000			\$21,370,000		\$232,334,000
<b>Total Working Rate Premium<sup>6</sup></b>		\$227,473,000			\$21,912,000		\$249,385,000
<b>Surplus / (Deficit) - \$</b>		\$16,509,000			\$542,000		\$17,051,000
<b>Surplus / (Deficit) - %</b>		7.3%			2.5%		6.8%

Notes:

- Based on the projected claim costs for fiscal year 2015 back trended to the 8-month period November 1, 2013 to June 30, 2014.
- Assumes October 2013 enrollment as reported by HPHC.
- Based on the HPHC administrative and program fees effective July 1, 2013.
- Reflects an assumed Comparative Effectiveness Research fee of \$2.00 PMPY effective July 1, 2013 and Temporary Reinsurance fees of \$5.25 PMPM for CY 2014.
- Based on the surcharge on hospital and ambulatory surgical center claims incurred during February, March, and April 2013.
- Reflects both the City and employees' share of the working rates and is based on enrollment through October 2013 as reported by HPHC. Assumes October enrollment for the remainder of FY 2014.

# HPHC – FY 2015 Working Rates

- Segal's projected HPHC working rates reflect projected costs for each plan. Working rates do not include any adjustments to build up or spend down reserves.
- Segal's projected working rates are based on the following:
  - Claims incurred from November 1, 2012 to October 31, 2013 and paid through December 31, 2013 and HPHC incurred completion factors (reviewed by Segal); and
  - Annual trend assumption of 6.0% for medical, prescription drug, and other claims expenses. This reflects a 50/50 blend of Segal and HPHC trend factors. HPHC trend factors are based on a weighted average trend from fee-for-service and risk-sharing provider contracting.
  - City program fee (e.g., fitness reimbursement, disease management) billed amounts through November 2013; and
  - Anticipated MA state surcharges and Affordable Care Act (ACA) fees for the plan year beginning July 1, 2014.

# HPHC – FY 2015 Working Rates

- Segal's projected FY 2015 rates represent an overall decrease of 1.8% from the current working rates.

Plan	Historic Rate Changes		Projected Rate Change	
	FY 2013	FY 2014	By Plan	Composite
HPHC HMO	-1.2%	3.0%	-2.1%	-1.8%
HPHC POS			1.6%	

Plan	Tier	Current FY 2014 Rates	
		Total 100% Rates	Employee Rates
HPHC HMO	Individual	\$683	\$120
	Family	\$1,837	\$322
HPHC POS	Individual	\$728	\$164
	Family	\$1,959	\$441

# BCBSMA – FY 2014 Projections

## Expenses vs. Working Rates

- Based on YTD experience, we project total expenses to exceed total working rate premium and result in a deficit of \$5.5 million (or 9.1% of premium).

	Blue Choice		Blue Care Elect		Carve Out A&B		Total
	Medical	Prescription Drug	Medical	Prescription Drug	Medical	Prescription Drug	Total
<b>Year-To-Date Incurred Claims</b>							
Claims thru October (Paid to 12/31/13)	\$3,562,566	\$783,606	\$6,819,463	\$1,290,430	\$2,259,774	\$4,786,818	
Completion Factor	1.0120	1.0000	1.0637	1.0000	1.0372	1.0000	
YTD Incurred Claims	\$3,605,168	\$783,606	\$7,254,015	\$1,290,430	\$2,343,923	\$4,786,818	
<b>Projected Incurred Claims</b>							
PMPM - 11/1/2013 to 6/30/2014 <sup>1</sup>	\$584.52	\$108.98	\$1,003.12	\$166.21	\$138.79	\$254.61	
Assumed Members <sup>2</sup>	1,842	1,842	1,889	1,889	4,521	4,521	
Projected Claims - 11/1/2013 to 6/30/2014	\$8,613,513	\$1,605,980	\$15,159,087	\$2,511,774	\$5,019,818	\$9,208,753	
<b>Projected FY 2014 Total Expenses</b>							
Sub-Total Claims	\$12,218,681	\$2,389,586	\$22,413,102	\$3,802,204	\$7,363,741	\$13,995,571	
Total Combined Claims		\$14,608,267		\$26,215,305		\$21,359,312	
Administrative Fee <sup>3</sup>		\$515,603		\$768,834		\$1,335,945	
Capitations <sup>4</sup>		\$781,745		\$0		\$0	
Federal Health Reform (ACA) Fees <sup>5</sup>		\$61,640		\$63,418		\$9,062	
<b>FY 2014 Projected Experience</b>							
<b>Total Expenses</b>		\$15,967,255		\$27,047,558		\$22,704,319	\$65,719,132
<b>Total Working Rate Premium<sup>6</sup></b>		\$14,508,619		\$22,039,063		\$23,715,871	\$60,263,554
<b>Surplus / (Deficit) - \$</b>		(\$1,458,636)		(\$5,008,495)		\$1,011,553	(\$5,455,579)
<b>Surplus / (Deficit) - %</b>		-10.1%		-22.7%		4.3%	-9.1%

**Notes:**

1. Based on the projected claim costs for fiscal year 2015 back trended to the 8-month period November 1, 2013 to June 30, 2014.
2. Assumes October 2013 enrollment as reported by BCBS of MA.
3. Based on the BCBC of MA administrative fee effective July 1, 2013.
4. Based on average year-to-date capitations of \$36.03 per member per month.
5. Reflects Comparative Effectiveness Research fee of \$2.00 PMPY effective July 1, 2013 and Temporary Reinsurance fee of \$5.25 PMPM effective January 1, 2014. The Temporary Reinsurance fee does not apply to the Carve Out A&B as it is a Medicare primary plan.
6. Reflects both the City and employees' share of the working rates and is based on enrollment through October 2013 as reported by BCBS of MA. Assumes October enrollment for the remainder of FY 2014.

# BCBSMA – FY 2015 Working Rates

- Segal’s projected Cost-Only rates reflect the projected costs for each plan and do not include any adjustments to build or spend down reserves.
- Projected Cost-Only rates represent an overall increase of 16.8% from the current working rates.
- Reserve Adjusted alternative rates are estimated to spend down \$7.4 million of reserves during FY 2015.

	Historic Rate Changes						FY 2015 % Change from Current FY 2014 Rates			
							Based on Cost Only		Reserve Adjusted	
Plan	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	By Plan	Composite	By Plan	Composite
Blue Choice	-3.8%	2.7%	1.6%	6.8%	0.0%	0.0%	20.7%	27.3%	6.5%	7.4%
Blue Care Elect	-2.6%						31.6%		8.0%	
Carve Out A&B	-7.0%	0.0%	7.8%	0.0%	0.0%	-2.5%	0.6%	0.6%	0.0%	0.0%
Composite							16.8%		4.5%	

		Current FY 2014 Rates	
Plan	Tier	Total 100% Rates	Employee Rates
Blue Choice	Individual	\$777	\$214
	Family	\$2,005	\$551
Blue Care Elect	Individual	\$1,081	\$297
	Family	\$2,508	\$690
Carve Out A&B	Individual	\$436	\$109

# NHP – FY 2015 Fully-Insured Premium

## *Proposed Premium Rates*

	Renewal Enrollment	Current FY 2014 Rates	Proposed FY 2015 Renewal Rates
<b>HMO Plan</b>			
Individual	959	\$599.13	\$616.24
Family	1,020	\$1,587.70	\$1,633.03
Estimated Annual Premium		\$26,328,000	\$27,080,000
Change From Current Rates			\$752,000
<b>Composite Rate Change</b>			<b>2.9%</b>

- NHP proposes a 2.9% increase for the plan year beginning July 1, 2014. This proposed rate increase is reasonable.