

# **San Francisco Health Service System Health Service Board**

## **Rates & Benefits**

Review and Approve Active Employee 2025 Dental Plans Rates  
(Self-Funded Delta Dental PPO Plan, Fully Insured DeltaCare USA  
and UnitedHealthcare HMO Plans)

April 11, 2024

# Agenda

- **Rate Setting Methodology Preface**
- **Active Employee 2025 Dental Plans Rates — Renewal Summary and Rating Details**
  - Self-Funded Plan:
    - Delta Dental Active Employee PPO
  - Fully Insured Plans:
    - DeltaCare USA Dental HMO
    - UnitedHealthcare (UHC) Dental HMO
- **Recommendation for HSB Action**
- **Appendix: Active Employee Dental Plan Designs**

# 1

## Rate Setting Methodology Preface

# Health Plan Funding

## Method Comparison by SFHSS Plan

| Funding Method                                    | Self-Funded                                                                                                                                                                                | Flex-Funded                                                                                                                                                                                                                                                                                                 | Fully Insured                                                                                                                                                                                                                                           |
|---------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Funding Method Description</b>                 | Claim dollars based on services delivered to members are paid by the Trust, along with plan administrative fees to manage the plan (process claims, provide call center for members, etc.) | Insurance approach where most claim dollars based on services delivered to members are paid by the Trust, but with fixed costs for certain healthcare services ("capitation") as well as plan administrative fees and large claim reinsurance mechanism ("pooling") at \$1 million per participant annually | Health plan sets fixed dollar plan premiums to cover expected claim costs for healthcare services by members, as well as plan administrative fee costs                                                                                                  |
| <b>Who Sets the Recommended SFHSS Plan Rates?</b> | Aon actuary using Aon-determined cost trend assumptions and health plan-determined administrative fees (and required legislative fees)                                                     | Aon actuary using plan-determined cost trend assumptions that are validated by Aon actuary, and health plan-determined administrative/large claim pooling fees (and required legislative fees)                                                                                                              | Plan's actuary using plan-determined cost trend assumptions which are scrutinized by Aon actuary, and health plan-determined administrative fees/large claim pooling adjustments (and required legislative fees)                                        |
| <b>SFHSS Plans by Funding Method</b>              | <ul style="list-style-type: none"> <li>• Non-Medicare PPO</li> <li>• UHC Select and Doctors EPOs</li> <li>• <b>Delta Dental Active Employee PPO</b></li> </ul>                             | <ul style="list-style-type: none"> <li>• Blue Shield of CA Access+ and Trio HMOs</li> <li>• Health Net CanopyCare HMO</li> </ul>                                                                                                                                                                            | <ul style="list-style-type: none"> <li>• All Kaiser HMO plans</li> <li>• UHC Medicare Advantage PPO</li> <li>• <b>Delta Dental Retiree PPO</b></li> <li>• <b>DeltaCare Dental HMO</b></li> <li>• <b>UHC Dental HMO</b></li> <li>• VSP Vision</li> </ul> |
| <b>HSB Rate Stabilization Policy Applies?</b>     | Yes                                                                                                                                                                                        | Yes                                                                                                                                                                                                                                                                                                         | No                                                                                                                                                                                                                                                      |

# Health Plan Rate Setting Process for Next Plan Year

## Determining Needed Plan Rate Changes For Next Year — Five Step Process

Completion of these five steps below produces an aggregate cost projection based on current plan enrollment for the next plan year (right now, the 2025 plan year)



Next, the Aon and plan actuaries compare these next-year cost projections to the total current-year dollars when multiplying rates times enrollment — and that leads to the needed percentage change in rates from this year to next year:

$$\frac{\text{2025 Total Projected Plan Cost}}{\text{2024 Rates x Enrollment}} = \text{Needed Rate Change Factor (2025 vs. 2024)}$$

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## Active Employee 2025 Dental Plans Rates — Renewal Summary

# Active Employee 2025 Dental Plans Rates

## Renewal Summary and Proposed Monthly Rates

This presentation proposes 2025 rating recommendations for the active employee dental plans offered by San Francisco Health Service System (SFHSS).

The Delta Dental of California (Delta Dental) active employee dental PPO plan is self-funded, and therefore the recommendation includes the administrative fees and Aon-calculated total plan cost rates for action by the HSB today.

The active employee dental HMO plans offered through SFHSS are fully insured, and therefore the recommendation includes the insured rates for action by the HSB for those plans today.

# Active Employee 2025 Dental Plans Rates

## Renewal Summary and Proposed Monthly Rates

### SFHSS Dental Plan Active Employee Covered Populations/Member Contributions

- Active employees of these employers are offered dental coverage through SFHSS: City and County of San Francisco (CCSF), Superior Court and Municipal Executive (MEA) employees.
  - CCSF, CCSF MEA and MTA MEA employees pay the following monthly contributions for the Delta Dental PPO plan:
    - \$5 for Employee Only tier
    - \$10 for Employee Plus One Dependent tier
    - \$15 for Employee Plus Two or More Dependents tier
  - No contributions are required for CCSF, CCSF MEA and MTA MEA employees selecting the DeltaCare USA HMO and UnitedHealthcare (UHC) HMO dental plans.
  - Superior Court and Superior Court MEA employees pay no contributions for any of the three available dental plans.
- San Francisco Unified School District (SFUSD) and City College of San Francisco (CCD) do not elect to offer dental coverage for their active employees through SFHSS.

# Active Employee 2025 Dental Plans Rates

## Renewal Summary and Proposed Monthly Rates

- Below is a summary of total rate change recommendations that are being presented today — with each rating action calculated by individual plan based on the process reviewed earlier in this presentation.
  - The increase in active employee dental PPO plan total cost rates is primarily due to a lower amount of rate stabilization buy-down in 2025 rates versus the amount in 2024 rates (see next page).
  - Insured rates for the two active employee dental HMO plans will remain at current rates from 2024 to 2025.

| Active Employee Dental Plan       | Proposed 2025 Rate Change Action | 2024 Enrolled Employees (SFHSS Demographic Report) |
|-----------------------------------|----------------------------------|----------------------------------------------------|
| Active Employee Dental PPO        | +6.0%                            | 31,016                                             |
| Active Employee DeltaCare USA HMO | No Change                        | 1,027                                              |
| Active Employee UHC Dental HMO    | No Change                        | 560                                                |

# Active Employee 2025 Dental Plans Rates

## PPO — Impact of Historical Experience on Rate Stabilization Reserve

| Rate Stabilization Reserve Surplus/(Deficit) as of December 31 |                    |
|----------------------------------------------------------------|--------------------|
| December 31, 2013                                              | Not Yet Applicable |
| December 31, 2014                                              | \$3,861,000        |
| December 31, 2015                                              | \$7,125,000        |
| December 31, 2016                                              | \$9,583,000        |
| December 31, 2017                                              | \$12,681,000       |
| December 31, 2018                                              | \$14,031,000       |
| December 31, 2019                                              | \$11,325,000       |
| December 31, 2020                                              | \$18,343,000       |
| December 31, 2021                                              | \$10,617,000       |
| December 31, 2022                                              | \$11,113,000       |
| December 31, 2023                                              | \$9,018,000*       |
| Surplus/(Deficit) Amount Applied to Rating                     |                    |
| 2016 Plan Year                                                 | \$1,287,000        |
| 2017 Plan Year                                                 | \$2,375,000        |
| 2018 Plan Year                                                 | \$3,194,000        |
| 2019 Plan Year                                                 | \$4,227,000        |
| 2020 Plan Year                                                 | \$7,016,000        |
| 2021 Plan Year                                                 | \$5,663,000        |
| 2022 Plan Year                                                 | \$12,229,000       |
| 2023 Plan Year                                                 | \$5,309,000        |
| 2024 Plan Year                                                 | \$7,409,000        |
| 2025 Plan Year                                                 | \$6,012,000*       |

**Favorable claim experience over time has led to substantial rate stabilization reserve surpluses in the active employee dental PPO plan.**

### HSB amortization decisions by rating year:

- **2016 – 2019:** One-third of new stabilization reserve per HSB Stabilization Policy
- **2020 - 2021 and 2023:** One-half of new stabilization reserve
- **2022 and 2024 – 2025:** Two-thirds of new stabilization reserve

\* December 31, 2023, active dental PPO plan stabilization reserve reflects approval of \$0 contingency reserve for this plan by the HSB on March 14, 2024.

# Active Employee 2025 Dental Plans Rates

## Recommendation for HSB Action

### Today's Rate Action Recommendations

Staff recommends to the HSB approval of the following 2025 Active Employee Dental Plan Rates and Administrative Fees — specific information on each recommendation below is contained in this document:

- 1) Delta Dental Active Employee PPO (pages 13 – 14):**  
Nominal increase in administrative fee per employee per month, and a 6.0% increase in self-funded total cost rates from 2024 to 2025.
- 2) DeltaCare USA Fully Insured Dental HMO Plan (pages 16 – 17):**  
No change in insured rates from 2024 to 2025.
- 3) UnitedHealthcare (UHC) Insured Dental HMO Plan (pages 16 – 17):**  
No change in insured rates from 2024 to 2025.

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## Active Employee 2025 Dental Plans Rates — Rating Details

### **Self-Funded Plan:**

Delta Dental Active Employee PPO

# Delta Dental of California

## Overview — Active Employee 2025 Dental PPO Plan Rates

After a review of the Delta Dental active PPO 2023 plan year experience trended to 2025, and the application of the 2025 plan year rate stabilization amount approved by the HSB earlier today—a **6.0% increase** in the self-funded total premium equivalent rates from 2024 to 2025 is recommended.

- This change incorporates 2023 claim experience reviewed with the HSB on March 14, 2024.
- As part of the current three-year administrative fee agreement with Delta Dental, the 2025 per employee per month (PEPM) administrative fee is increasing nominally from current:

| Year               | PEPM Administrative Fee |
|--------------------|-------------------------|
| 2012 – 2015        | \$4.38                  |
| 2016 – 2018        | \$4.35                  |
| 2019 – 2023        | \$4.62                  |
| 2024               | \$4.70                  |
| <b>2025 – 2026</b> | <b>\$4.82</b>           |

# Delta Dental of California

## Active Employee Dental PPO — 2025 Projected Rates

- The recommendation is a 6.0% increase in premium rates from 2024 to 2025—mostly attributable to a lower rate stabilization buy-down amount in 2025 rates versus in 2024 rates.
- Claim experience from the 2023 plan year serves as the basis of the projection, with a 3% annual trend assumption used to project claims to 2025.

|                                                        | EE Only        | EE + 1          | EE + 2+         |
|--------------------------------------------------------|----------------|-----------------|-----------------|
| February 2024 Enrollment (31,621 enrolled employees)   | 12,331         | 8,022           | 11,268          |
| 2025 Self-Insured Pre-Stabilization Rates (monthly)    | \$64.05        | \$134.51        | \$192.15        |
| Claims Stabilization Buy-Down (\$6,012,000 total)*     | (\$7.95)       | (\$16.70)       | (\$23.85)       |
| <b>2025 Self-Insured Recommended Rates (monthly)</b>   | <b>\$56.10</b> | <b>\$117.81</b> | <b>\$168.30</b> |
| <b>2025 Self-Insured Recommended Rates (bi-weekly)</b> | <b>\$25.89</b> | <b>\$54.37</b>  | <b>\$77.68</b>  |
| 2024 Self-Insured Active Dental PPO Rates (monthly)    | \$52.93        | \$111.16        | \$158.79        |
| <i>Change From Current</i>                             | +6.0%          | +6.0%           | +6.0%           |

\* 2025 rate stabilization buy-down incorporates approval of \$0 contingency reserve for this plan by the HSB on March 14, 2024.

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## Active Employee 2025 Dental Plans Rates — Rating Details

### **Fully Insured Plans:**

DeltaCare USA Dental HMO

UnitedHealthcare (UHC) Dental HMO

# DeltaCare USA HMO and UnitedHealthcare (UHC) HMO

## Fully Insured Dental Plans — 2025 Rates

### Proposed 2025 Rate Actions for Fully Insured Active Employee Dental HMO Plans

- DeltaCare USA HMO:
  - No change in rates from 2024 plan year to 2025 plan year as part of their 2024-2026 three-year renewal rating commitment.
- UnitedHealthcare (UHC) HMO:
  - No change in rates from 2024 plan year to 2025 plan year (based on UHC proposed renewal action for 2025 plan year).

Each insured dental plan has based its 2025 dental HMO plan renewal upon recent plan experience projected to the 2025 plan year, as underwritten by the actuaries of each dental plan organization.

# DeltaCare USA HMO and UnitedHealthcare (UHC) HMO

## Active Employee Fully Insured 2025 Dental HMO Plans Rates

### Dental HMO Plan Monthly Rates for 2025 Plan Year (same rates as 2024)

| DeltaCare USA HMO | 2024    | 2025    | Rate Change |
|-------------------|---------|---------|-------------|
| Employee Only     | \$26.48 | \$26.48 | No Change   |
| Employee + 1      | \$43.68 | \$43.68 | No Change   |
| Employee + 2+     | \$64.61 | \$64.61 | No Change   |

| UHC Dental HMO | 2024    | 2025    | Rate Change |
|----------------|---------|---------|-------------|
| Employee Only  | \$24.99 | \$24.99 | No Change   |
| Employee + 1   | \$41.27 | \$41.27 | No Change   |
| Employee + 2+  | \$61.02 | \$61.02 | No Change   |

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## Recommendation for HSB Action

### **Active Employee 2025 Dental Plans Rates**

# Recommendation for HSB Action

## Active Employee 2025 Dental Plans Rates

### Today's Recommendations

Staff recommends to the HSB approval of the following 2025 Active Employee Dental Plan Rating/Administrative Fee Actions — with specific information on each recommendation provided earlier in this document:

1. Approve the following recommended Delta Dental Active Employee PPO rating actions: nominal increase in per employee per month administrative fee (\$0.12 PEPM increase to \$4.82 PEPM) and a 6.0% increase in self-funded total cost rates from 2024 to 2025.
2. Approve the following DeltaCare USA Fully Insured Dental HMO Plan: no change in insured rates from 2024 to 2025.
3. Approve the following UnitedHealthcare (UHC) Insured Dental HMO Plan: no change in insured rates from 2024 to 2025.

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## Appendix

### **Active Employee Dental Plan Designs**

# Active Employee Dental PPO Plan Design

## Delta Dental PPO Plan Design Elements

| Plan Feature                                                                                                                                                                                                                                           | PPO Dentists                                                                                                                                                 | Premier Dentists                          | Out-of-Network                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-----------------------------------------|
| Choice of Dentist                                                                                                                                                                                                                                      | You may choose any licensed dentist. You will receive a higher level of benefit and lower out-of-pocket costs when using a Delta Dental PPO network dentist. |                                           |                                         |
| Annual Deductible                                                                                                                                                                                                                                      | No deductible                                                                                                                                                |                                           |                                         |
| Annual Plan Year Maximum                                                                                                                                                                                                                               | \$2,500 per person (excluding orthodontia and diagnostic/preventive services)                                                                                |                                           |                                         |
| Covered Services                                                                                                                                                                                                                                       |                                                                                                                                                              |                                           |                                         |
| Cleanings and Exams                                                                                                                                                                                                                                    | 100% covered                                                                                                                                                 | 80% covered                               | 80% covered                             |
| X-rays                                                                                                                                                                                                                                                 | 100% covered                                                                                                                                                 | 80% covered                               | 80% covered                             |
| Extractions                                                                                                                                                                                                                                            | 90% covered                                                                                                                                                  | 80% covered                               | 60% covered                             |
| Fillings                                                                                                                                                                                                                                               | 90% covered                                                                                                                                                  | 80% covered                               | 60% covered                             |
| Crowns                                                                                                                                                                                                                                                 | 90% covered                                                                                                                                                  | 80% covered                               | 60% covered                             |
| Dentures/Pontics/Bridges                                                                                                                                                                                                                               | 50% covered                                                                                                                                                  | 50% covered                               | 50% covered                             |
| Endodontic/Root Canals                                                                                                                                                                                                                                 | 90% covered                                                                                                                                                  | 80% covered                               | 60% covered                             |
| Oral Surgery                                                                                                                                                                                                                                           | 90% covered                                                                                                                                                  | 80% covered                               | 60% covered                             |
| Implants                                                                                                                                                                                                                                               | 50% covered                                                                                                                                                  | 50% covered                               | 50% covered                             |
| Orthodontia                                                                                                                                                                                                                                            | 50% covered to a \$2,500 Lifetime Maximum                                                                                                                    | 50% covered to a \$2,000 Lifetime Maximum | 50% covered to \$1,500 Lifetime Maximum |
| Night Guards                                                                                                                                                                                                                                           | 80% covered (1 x 3 years)                                                                                                                                    | 80% covered (1 x 3 years)                 | 80% covered (1 x 3 years)               |
| <b>NOTE:</b> This exhibit contains plan summary information only. For a more detailed description of benefits and exclusions for each plan, please review the plan's Evidence of Coverage (EOC), available on <a href="http://sfhss.org">sfhss.org</a> |                                                                                                                                                              |                                           |                                         |

# Active Employee Dental HMO Plan Designs

## DeltaCare USA and UHC Dental HMO Plan Design Elements

| Plan Feature                                                                                                                                                                                                                                           | DeltaCare USA                                                                                        | UHC Dental HMO                                                                                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| Choice of Dentist                                                                                                                                                                                                                                      | DeltaCare USA network only                                                                           | UHC DHMO network only                                                                                |
| Annual Deductible                                                                                                                                                                                                                                      | No deductible                                                                                        | No deductible                                                                                        |
| Annual Plan Year Maximum                                                                                                                                                                                                                               | None                                                                                                 | None                                                                                                 |
| Covered Services                                                                                                                                                                                                                                       |                                                                                                      |                                                                                                      |
| Cleanings and Exams                                                                                                                                                                                                                                    | 100% covered                                                                                         | 100% covered                                                                                         |
| X-rays                                                                                                                                                                                                                                                 | 100% covered                                                                                         | 100% covered                                                                                         |
| Extractions                                                                                                                                                                                                                                            | 100% covered                                                                                         | 100% covered                                                                                         |
| Fillings                                                                                                                                                                                                                                               | 100% covered                                                                                         | 100% covered                                                                                         |
| Crowns                                                                                                                                                                                                                                                 | 100% covered                                                                                         | 100% covered                                                                                         |
| Dentures/Pontics/Bridges                                                                                                                                                                                                                               | 100% covered                                                                                         | 100% covered                                                                                         |
| Endodontic/Root Canals                                                                                                                                                                                                                                 | 100% covered                                                                                         | 100% covered                                                                                         |
| Oral Surgery                                                                                                                                                                                                                                           | 100% covered                                                                                         | 100% covered                                                                                         |
| Implants                                                                                                                                                                                                                                               | Not covered                                                                                          | Covered (see copay schedule)                                                                         |
| Orthodontia                                                                                                                                                                                                                                            | Employee pays:<br>\$1,600 per child and \$1,800 per adult<br>(\$350 start-up fee; limitations apply) | Employee pays:<br>\$1,250 per child and \$1,250 per adult<br>(\$350 start-up fee; limitations apply) |
| Night Guards                                                                                                                                                                                                                                           | \$100 copay                                                                                          | 100% covered                                                                                         |
| <b>NOTE:</b> This exhibit contains plan summary information only. For a more detailed description of benefits and exclusions for each plan, please review the plan's Evidence of Coverage (EOC), available on <a href="http://sfhss.org">sfhss.org</a> |                                                                                                      |                                                                                                      |