

San Francisco Health Service System Health Service Board

Rates & Benefits

Review and Approve Retiree Fully Insured 2025

Dental Plans Rates and Contributions (Delta Dental PPO Plan, DeltaCare USA HMO Plan, UnitedHealthcare [UHC] HMO Plan)

April 11, 2024

Agenda

Retiree Fully Insured 2025 Dental Plans Rates and Contributions

- **Rate Setting Methodology Preface**
- **Delta Dental of California (Delta Dental) 2025 Retiree PPO Plan Renewal**
- **DeltaCare USA 2025 Retiree HMO Plan Renewal (plan offered through Delta Dental of California)**
- **UnitedHealthcare (UHC) 2025 Retiree HMO Plan Renewal**
- **Recommendation for HSB Action**
- **Appendix**
 - Dental Insurance General Background
 - Retiree PPO Network Dentist Detail
 - SFHSS Retiree Dental HMO Plan Designs

Retiree Dental Plans 2025 Renewal

Recommendation Summary

It is recommended that the Health Service Board (HSB) approve the 2025 retiree dental plan rates presented in this document.

This presentation also includes plan cost and utilization information for the Delta Dental Retiree PPO plan — by far the highest enrolled of the three retiree dental plans offered by SFHSS to retirees, as shown below (from the SFHSS 2024 Demographics Report):

Retiree Dental Plan	Enrolled Retirees
Retiree Delta Dental PPO	24,157
Retiree DeltaCare USA HMO	863
Retiree UHC Dental HMO	752

Retiree Dental Plans 2025 Renewal

Recommendation Summary (continued)

Specific information on each of the retiree dental plan renewal recommendations below are described in this document:

- **Delta Dental Retiree PPO:**
 - Insured rate increase of 2.0% from 2024 to 2025 (as part of second year of renewal three-year rating commitment for annual 2% increases through 2026 plan year).
- **DeltaCare USA Fully Insured Dental HMO:**
 - Insured plan rates remain same from 2024 to 2025 (as part of second year of renewal three-year rating commitment for no change in rates from 2024 through 2026 plan years).
- **UnitedHealthcare (UHC) Insured Dental HMO:**
 - Insured plan rates remain same from 2024 to 2025.

1

Rate Setting Methodology Preface

Rate Setting Methodology Preface

Health Plan Funding Method Comparison by SFHSS Plan

Funding Method	Self-Funded	Flex-Funded	Fully Insured
Funding Method Description	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 health care services ("capitation") as well as plan admin 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 health care services by members, as well as plan administrative fee costs.
Who Sets the Recommended SFHSS Plan Rates?	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 admin fees/large claim pooling adjustments (and required legislative fees)
SFHSS Plans by Funding Method	<ul style="list-style-type: none"> • Blue Shield of California (BSC) and UnitedHealthcare (UHC) Non-Medicare PPO Plan • UHC EPO Plans • Delta Dental Active Employee PPO 	<ul style="list-style-type: none"> • BSC Access+ HMO • BSC Trio HMO • Health Net CanopyCare HMO 	<ul style="list-style-type: none"> • All Kaiser HMO plans • UHC Medicare Advantage PPO • Delta Dental Retiree PPO • DeltaCare USA Dental HMO • UHC Dental HMO • VSP Vision
HSB Rate Stabilization Policy Applies?	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:

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

Current (2024) Retiree Dental Plans Monthly Rates

- This presentation proposes 2025 rating recommendations for the retiree dental plans offered by San Francisco Health Service System (SFHSS). Retirees of all employers participating in SFHSS (including SFUSD and CCD retirees) are offered dental plan coverage in retirement through SFHSS.
- Each of the three dental plans that SFHSS offers to retirees are **fully insured** — meaning the dental plans set the rates for these plans.
- Retiree members pay the full premium rates as member contributions, as there are no employer contributions for SFHSS retiree dental plans. Plan Year 2024 monthly premium rates and retiree contributions are:

Monthly Premium Rates and Contributions	Delta Dental Retiree PPO			DeltaCare USA Dental HMO			UHC Dental HMO		
	RET Only	RET + 1	RET + 2+	RET Only	RET + 1	RET + 2+	RET Only	RET + 1	RET + 2+
Monthly 2024 Insured Premium Rates	\$50.25	\$99.93	\$149.14	\$32.22	\$53.17	\$78.65	\$14.38	\$23.74	\$35.11
Monthly 2024 Employer Contributions	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Monthly 2024 Retiree Contributions	\$50.25	\$99.93	\$149.14	\$32.22	\$53.17	\$78.65	\$14.38	\$23.74	\$35.11

Current (2024) Retiree Dental Plans Monthly Rates

Background — 2024 Rating Actions

- 2024 plan year was the first year of a three-year rating agreement with Delta Dental (for the 2024 through 2026 plan years), while UHC rates are quoted on an annual basis (no multiple year rate agreement for UHC dental HMO plans).
- Delta Dental's Retiree PPO rates increased by 2.0% from 2023 to 2024, as part of a three-year rating commitment for further 2.0% rate increases into each of the 2025 and 2026 plan years.
- DeltaCare USA Retiree HMO rates returned to 2022 levels in 2024 after a one-time rate reduction by Delta Dental for 2023 given COVID-19 pandemic suppression in this plan. Delta Dental committed to holding 2024 rates at the same levels for the 2025 and 2026 plan years.
- UHC dental HMO rates for retirees remained at 2023 levels for 2024.

2

Delta Dental 2025 Retiree PPO Plan Renewal

Delta Dental 2025 Retiree PPO Plan Renewal

Recent Plan Utilization Patterns

- **Starting Point** — 2025 is the second year of a 2024-2026 rating agreement — where Delta Dental proposed 2% rate increases each year 2024 through 2026.
- **Experience Observations** — overall, 69% of retiree PPO plan covered lives had at least one dental cleaning during 2023—up 1% from the prior year.
 - There has been a slight increase in diagnostic and preventive utilization as a percentage of overall services—now 73% of total services delivered to retiree PPO plan covered lives:

Diagnostic & Preventive (D&P) Services	Basic Services	Major Services
<i>Cleanings, Exams, X-rays</i>	<i>Fillings, Oral Surgery, Root Canals</i>	<i>Crowns, Inlays, Implants, Dentures, Bridges</i>
73% of services	19% of services	8% of services

Delta Dental 2025 Retiree PPO Plan Renewal

Recent Plan Utilization Patterns

- **Network Dentist Utilization** — overall use of Delta Dental network dentists is high (88% of approved plan procedures) — thus, Delta Dental does not assign benefits for use of out-of-network providers (e.g., members need to submit claims to be reimbursed for plan-paid portions of service costs for Non-Contracted dentists).
- There was an increase in the proportion of total services delivered by non-contracted (e.g., out-of-network) dentists from 2022 to 2023.
- Below is the service distribution by network dentist type (PPO, Premier, and Non-Contracted) for SFHSS retirees in 2022 and 2023:

Network Provider Type	2022 Service Dates	2023 Service Dates
PPO Network	42%	41%
Premier Network	49%	47%
Non-Contracted	9%	12%
Total	100%	100%

NOTE: See Appendix for 2023 County-specific dentist type utilization detail

Delta Dental 2025 Retiree PPO Plan Renewal

Retiree PPO SmileWay Wellness Program Membership Is Increasing

Program membership in SmileWay—providing added covered services each year for members with certain identified chronic conditions—increased 12.5% from 2022 to 2023.

About 2/3 of eligible covered SmileWay lives are utilizing the dental plan—the goal is to increase utilization of the additional covered benefits available to SmileWay members.

<i>SmileWay Wellness Benefits - Retiree</i>		
	2022	2023
Total SmileWay Wellness Benefits Members	10,256	11,536
Total Unique SmileWay Wellness Benefits Utilizers	7,079	8,010
% of Unique Member Utilization	69.0%	69.4%
Procedure Count	13,744	16,580

Delta Dental 2025 Retiree PPO Plan Renewal

2025 Plan Year Financial Renewal

Proposed 2% Increase to Premium Rates

Reflects dental trend as well as recent fee schedule increases to certain Delta Dental providers

Rate Tier	January 2024 Enrollment	Monthly Rates	
		2024 Plan Year	2025 Plan Year
Retiree Only	14,921	\$50.25	\$51.26
Retiree + 1	8,332	\$99.93	\$101.93
Retiree + 2+	887	\$149.14	\$152.12
Total/Annual	24,140	\$20,576,210	\$20,988,740

3

DeltaCare USA 2025 Retiree HMO Plan Renewal

DeltaCare USA 2025 Retiree HMO Plan Renewal

- The 2025 rates will remain at 2024 levels as part of a three-year rating agreement with Delta Dental for this plan for plan years 2024 through 2026.

Rate Tier	January 2024 Enrollment	Monthly Rates	
		2024 Plan Year	2025 Plan Year
Retiree Only	601	\$32.22	\$32.22
Retiree + 1	227	\$53.17	\$53.17
Retiree + 2+	35	\$78.65	\$78.65
Total/Annual	863	\$410,239	\$410,239

4

UHC Dental 2025 Retiree HMO Plan Renewal

UHC Dental 2025 Retiree HMO Plan Renewal

- The 2025 rates will remain at 2024 levels.
- UHC does not provide multi-year rate quotations for their Dental HMO plan.

		Monthly Rates	
Rate Tier	January 2024 Enrollment	2024 Plan Year	2025 Plan Year
Retiree Only	557	\$14.38	\$14.38
Retiree + 1	200	\$23.74	\$23.74
Retiree + 2+	18	\$35.11	\$35.11
Total/Annual	775	\$160,676	\$160,676

5

Recommendation for HSB Action

Recommendation for HSB Action

It is recommended that the HSB approve the following 2025 Plan Year Retiree Dental Plan Rate Actions based on specific information provided earlier in this document.

Retiree Dental Plan	Plan Year	Monthly Retiree Dental Premiums		
		RET Only	RET + 1	RET + 2+
Delta Dental PPO	PY 2024	\$50.25	\$99.93	\$149.14
	PY 2025	\$51.26	\$101.93	\$152.12
	\$ Difference	\$1.01	\$2.00	\$2.98
	% Difference	2.0%	2.0%	2.0%
DeltaCare USA DHMO	PY 2024	\$32.22	\$53.17	\$78.65
	PY 2025	\$32.22	\$53.17	\$78.65
	\$ Difference	No change	No change	No change
	% Difference	0.0%	0.0%	0.0%
UHC Dental HMO	PY 2024	\$14.38	\$23.74	\$35.11
	PY 2025	\$14.38	\$23.74	\$35.11
	\$ Difference	No change	No change	No change
	% Difference	0.0%	0.0%	0.0%

6

Appendix

- Dental Insurance General Background
- Retiree PPO Network Dentist Detail
- SFHSS Retiree Dental HMO Plan Designs

Dental Insurance General Background

Dental insurance plans exist to provide financial protection towards cost of more intensive dental procedures, as well as to encourage recommended levels of preventive care by the American Dental Association. Common features include:

- Highest levels of coverage for diagnostic and preventive services — including two cleanings/exams per year — to promote maximum dental health.
- Half (50%) to as much as 80% of costs covered for basic restorative and major restorative services — the financial protection element of dental insurance, with remaining costs to be paid by plan members from what is not paid by the plan (e.g., coinsurance).
- An aggregate annual plan maximum for expenses to be paid by the plan — to help assure rate stability across the entire covered population for the dental insurance plan.

Dental Insurance General Background

While there are no employer contributions for SFHSS retiree dental plans, there are advantages for retirees buying their dental plans through SFHSS:

- Historically stable rating over the course of time as these plans are offered via a group insurance mechanism, rather than through individual rating and underwriting.
 - This includes SFHSS and Aon scrutiny of plan premiums underwritten by Delta Dental and UHC.
- SFHSS Member Services support for resolution of individual issues that could arise related to an enrolled SFHSS dental plan.
- Centralized billing and payment for retiree dental plan coverage through SFHSS.
- Enforcement of performance guarantees that SFHSS demands of Delta Dental and UHC to ensure optimal service with minimized dental network disruption is achieved for SFHSS retiree plan members.

Dental Insurance General Background

Retirees have the option of selecting a dental plan that may be available in the individual dental plan marketplace within the geography of a given retiree.

- Individual dental plans are available through public websites such as ehealthinsurance.com as well as through retiree advocacy groups such as AARP.
- Generally speaking, individual insurance market dental plans have higher rates than the group insurance Retiree PPO plan offered through SFHSS, with provisions not present with the SFHSS Retiree PPO plan including:
 - Smoker/non-smoker rate distinctions;
 - Higher levels of member-paid coinsurance in the initial years of coverage;
 - Higher levels of member-paid coinsurance for basic and major restorative services in years when a member does not have preventive care services; and
 - Waiting periods of up to 12 months from initial plan enrollment for basic and major restorative services.
- Rates for individual market dental insurance plans can also vary by geography.

Most retirees will find that buying dental coverage through SFHSS results in a higher level of coverage at a lower premium with no design restrictions upon initial purchase of the plan.

Dental Insurance General Background

Three key elements drive the premium rates that Delta Dental and UHC set for the fully insured retiree dental plans:

- (1) Premiums must be adequate to cover the claim costs incurred by retirees in these plans, along with provision for administrative and other plan management costs.
- (2) Plan designs are set for the retiree dental plans to strike a balance between reasonable benefit coverage for retirees at time of service, and reasonable premiums to be paid by retirees for the plans — this is why benefit coverage levels in the retiree dental PPO are lower than benefit coverage levels in the active employee dental PPO.
- (3) The two-tiered dental network approach in the retiree PPO plan provides retirees the ability to select a network dentist that optimizes their needs — with PPO network dentist use allowing for the lowest out-of-pocket cost at time of service, and Premier network dentist use allowing for a lower out-of-pocket cost at time of service (with no balance billing) versus use of non-network dentists. Retiree PPO rates reflect the existing service utilization by members across the three network dentist distinctions.

Delta Dental contracts with more dentists in Northern California for its PPO product than any other PPO dental plan provider — some Delta Dental network dentists accept the highest service price discount levels offered by Delta Dental (PPO dentists), while some accept lower service price discount levels (Premier dentists).

Delta Dental Retiree PPO Plan

2023 Member Dentist Utilization by Type of Network Dentist

Delta Dental Dentist Network Utilization — Three Benefit Levels

- Retiree service utilization across the three dentist network categories (PPO dentists, Premier dentists, and non-contracted dentists) varies by county (top 21 counties by retiree procedure counts listed):

County	State of County	2023 Procedure Count	Distribution of Procedures		
			PPO Dentists	Premier Dentists	Non-Contracted Dentists
San Francisco	CA	68,005	29%	59%	13%
San Mateo	CA	38,126	40%	50%	10%
Contra Costa	CA	18,847	46%	47%	8%
Alameda	CA	16,234	44%	44%	12%
Marin	CA	9,993	31%	52%	17%
Sonoma	CA	7,731	30%	43%	26%
Solano	CA	6,558	56%	41%	4%
Sacramento	CA	4,449	60%	37%	3%
Santa Clara	CA	3,876	31%	46%	24%
Placer	CA	2,202	71%	27%	2%
Clark	NV	1,922	88%	9%	3%
San Joaquin	CA	1,391	52%	45%	4%
Napa	CA	1,260	28%	62%	10%
Riverside	CA	1,188	75%	15%	9%
Los Angeles	CA	1,072	61%	30%	9%
San Diego	CA	1,029	70%	20%	10%
Tuolumne	CA	862	39%	44%	17%
Maricopa	AZ	836	85%	10%	6%
Orange	CA	736	70%	22%	8%
Stanislaus	CA	696	64%	29%	7%
Washoe	NV	619	63%	23%	14%

NOTE: Figures are rounded to nearest whole % so may not add to 100%

Delta Dental Retiree PPO Plan

Finding a Network Dentist

Delta Dental Dentist Network Utilization — Three Benefit Levels

- Members are encouraged to consider seeking Delta Dental PPO dentists for services
- Member coinsurance requirements will be less for many services when using a PPO dentist
- Overall service costs are generally less for PPO dentists given higher discounts for PPO network dentists versus Premier network dentists

SFHSS members can search for PPO network dentists (and Premier network dentists) at this weblink:

<https://www1.deltadentalins.com/group-sites/ccsf/find-a-dentist.html>

Weblink for SFHSS member Delta Dental group site:

<https://www1.deltadentalins.com/group-sites/ccsf.html>

SFHSS Retiree Dental PPO Plan Design

Retiree 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	\$50 per person; \$100 for family (excluding diagnostic and preventive care)	
Annual Plan Year Maximum	\$1,250 per person (excluding preventive cleanings and exams)		
Covered Services			
Cleanings and Exams	100% covered	100% covered	80% covered
X-rays	100% covered	100% covered	80% covered
Nitrous Oxide/Non-IV Sedation	80% covered	80% covered	80% covered
Extractions	80% covered	80% covered	80% covered
Fillings	80% covered	80% covered	80% covered
Crowns	60% covered	50% covered	50% covered
Dentures/Pontics/Bridges	60% covered	50% covered	50% covered
Endodontic/Root Canals	60% covered	50% covered	50% covered
Oral Surgery	80% covered	80% covered	80% covered
Implants	60% covered	50% covered	50% covered
Orthodontia	Not covered	Not covered	Not covered
Night Guards	80% covered (1x3yr)	80% covered (1x3yr)	80% covered (1x3yr)
NOTE:	<i>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 sfhss.org.</i>		

SFHSS Retiree Dental HMO Plan Designs

Retiree DeltaCare USA and UHC Dental HMO Plan Design Elements

Plan Feature		DeltaCare USA	UHC Dental HMO
Choice of Dentist		DeltaCare USA DHMO 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	\$5 to \$25 copay (varies by service)
Fillings		100% covered	\$5 to \$25 copay (varies by service)
Crowns		\$0 to \$250 copay (varies by service)	100% covered
Dentures/Pontics/Bridges		100% covered	\$90 to \$100 copay (varies by service)
Endodontic/Root Canals		100% covered	\$15 to \$60 copay (varies by service)
Oral Surgery		100% covered	\$0 to \$30 copay (varies by service)
Implants		Not covered	Covered (see copay schedule)
Orthodontia	Retiree Pays:	\$1,600 per child/\$1,800 per adult \$350 start-up fee; limitations apply	\$2,000 per child/\$2,000 per adult \$350 start-up fee; limitations apply
Night Guards		\$100 copay	100% covered
<p>NOTE: 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 sfhss.org</p>			