

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

## **Rates & Benefits**

Review and Approve Self-Funded and Flex-Funded Health  
Plans 2025 Stabilization Reserve Actions

April 11, 2024

# Review and Approve Self-Funded and Flex-Funded Health Plans 2025 Stabilization Reserve Actions

## Agenda

- Introduction—Health Plan Reserves Background
- Rate Stabilization Recommended Actions by Plan
  - Blue Shield of California (BSC) Flex-Funded HMO and United Healthcare (UHC) Self-Funded EPO Plans
  - BSC and UHC Self-Funded Non-Medicare PPO Plan
  - Health Net CanopyCare Flex-Funded HMO Plan
  - Delta Dental of California (Delta Dental) Self-Funded Active Dental PPO Plan
- Recommendations for HSB Action
- Appendix—Historical View of Rate Stabilization Actions for Each Self-Funded and Flex-Funded Health Plan, Reconciliation Exhibits Glossary

# Recommendations for HSB Action

## Self-Funded and Flex-Funded Medical Plans

In congruence with the Stabilization Fund Policy, approve the use of one-third of the December 31, 2023, stabilization fund balances in plan year 2025 plan rates to apply proportionately between active employees and early retirees as follows:

1. BSC HMO and UHC EPO plans: apply a **Deficit** amount of \$9,027,000 (or one-third of \$27,081,000) towards buy-up of rates across all rating tiers for plan year 2025;
2. BSC and UHC Non-Medicare PPO plan: apply a **Surplus** amount of \$2,020,000 (or one-third of \$6,061,000) towards buy-down of rates across all rating tiers for plan year 2025; and
3. Health Net CanopyCare HMO plan: apply a **Surplus** amount of \$332,000 (or one-third of \$996,000) towards buy-down of rates across all rating tiers for plan year 2025.

# Recommendations for HSB Action

## Self-Funded Active Dental PPO Plan

1. Amend the HSB-approved Self-Funded Plans' Stabilization Policy (Stabilization Policy) on a one-time basis for the Delta Dental active employee PPO plan; and
2. Approve use of **two-thirds** of the December 31, 2023, stabilization reserve **Surplus**, or \$6,012,000 (two-thirds of \$9,018,000), to be applied towards buy-down across all rating tiers for the Delta Dental active employee PPO plan for plan year 2025.

# 1

## Introduction—Health Plan Reserves Background

# SFHSS Health Plan Reserves Background

## Three Reserves for SFHSS Self-Funded/Flex-Funded Plans

### Today's Discussion Focuses on Third Below — Stabilization

- 1) Incurred But Not Reported (IBNR):** Actuarial estimate of the unpaid claim liability for run-out claims where services were incurred on or before a given date, but those claims have not yet been paid as of that date; **calculated annually as of June 30 (last day of fiscal year)** for SFHSS plans (e.g., as of June 30, 2023, for most recent reserve cycle).
- 2) Contingency:** Statistically determined amount which protects against potential for funding estimate shortfalls which could occur when the actual claims incurred over a plan year would exceed projected claims when developing premium equivalents; **calculated annually as of June 30 (last day of fiscal year)** for SFHSS plans (e.g., as of June 30, 2023, for most recent reserve cycle).
- 3) Stabilization:** Annual determination of the financial gain or loss for the self-funded/flex-funded plans; **calculated annually as of December 31 (last day of plan year)** for SFHSS plans (e.g., as of December 31, 2023, for today's review of the self-funded and flex-funded health plans stabilization amounts).

# SFHSS Health Plan Reserves Background

Recommended June 30, 2023, IBNR and Contingency reserves amounts were approved by the Health Service Board (HSB) on January 11, 2024.

Modified June 30, 2023, Contingency reserve amounts were approved by the HSB on March 14, 2024, in response to budgetary concerns. The modified contingency reserve amounts lead to lower deficits and higher surpluses for rate stabilization fund amounts into the 2025 plan year relative to calculations utilizing the original June 30, 2023, contingency reserve amounts—benefiting both members and employers.

# SFHSS Health Plan Reserves Background

The HSB's Self-Funded Plans' Stabilization Policy requires an annual determination of the financial gain or loss over a calendar year for each self-funded and flex-funded health plan. The difference between the expected and actual plan costs for the just-completed plan year is added to the existing Stabilization Reserve balance, and per policy is amortized over a three-year rating period.

This presentation contains exhibits showing the impact of actual 2023 self-funded and flex-funded plans experience relative to original 2023 plan cost expectations from the Spring 2022 Rates & Benefits cycle—along with the resulting December 31, 2023, rate stabilization fund balances and allocations of these balances into 2025 plan year stabilization rate portions of rate cards.



# 2

## BSC HMO and UHC EPO Plans

# BSC HMO and UHC EPO Plans

## Rate Stabilization Calculation Introduction

The rate stabilization calculations for 2025 rating are primarily based on 2023 plan experience relative to expectations for the BSC Access+ and Trio plans, combined with deficit carry-forward balance from the plans' December 31, 2022, rate stabilization fund amount.

Starting January 1, 2023, UHC became the administrator of the broad-network HMO and narrow-network HMO plans for Non-Medicare “split family” covered lives where one or more family member is Medicare-eligible and enrolled in the UHC Medicare Advantage (MAPD) plan. Overall, the UHC Select EPO and UHC Doctors EPO plans for these Non-Medicare covered lives represents about 2% of overall plan enrollment, with the remaining 98% distributed into the BSC Access+ and BSC Trio plans. The combination of BSC HMO and UHC EPO plans 2023 experience is included in the evaluation of rate stabilization balance updates as of December 31, 2023—and forms the basis for the 2025 plan year rate stabilization recommended action for these plans.

# BSC HMO and UHC EPO Plans

## 2023 Experience Assessment, Expected Versus Actual

The BSC HMO and UHC EPO plans had a carry-forward deficit balance for use in rate stabilization calculations after 2024 of \$6,718,000.

For the 2023 plan year, plan experience significantly exceeded expected amounts that were calculated in Spring 2022 for the 2023 plan year. A stabilization rating buy-down of \$6,592,000 applied for the 2023 plan year—however, the actual rating shortfall before contingency reserve change adjustment was \$29.4M. Higher-than-expected claim spend combined with a decline in plan enrollment contributed to the large shortfall experienced in the BSC HMO and UHC EPO plans for the 2023 plan year.

The expected and actual figures are illustrated on the next page. The contingency reserve amount change reflects the adoption of the 95<sup>th</sup> percentile confidence interval figure as of June 30, 2023, from the March 14 HSB meeting.

# BSC HMO and UHC EPO Plans 2023 Plan Year Reconciliation

## Combined Plans for Active Employees and Early Retirees

January 2023 — December 2023 Plan Reconciliation (Actual vs Expected)	Expected	Actual
1 Paid Claims — includes capitation and large claim pooling reimbursements for BSC plans IBNR Increase/(Decrease)		\$350,221,831 <u>\$5,356,669</u>
Total Incurred Claims Spend	\$346,436,735	\$355,578,500
2 Administration Expense — includes BSC Pooling, Legislative Fees	\$17,169,828	\$16,249,352
3 Rx Rebates	<u>(\$12,964,512)</u>	<u>(\$18,993,032)</u>
4 Total Cost (1+2+3)	\$350,642,051	\$352,834,820
5 Total Contributions	<u>\$344,050,051</u>	<u>\$323,400,538</u>
6 Revenue Shortfall/(Surplus) (4-5)	\$6,592,000	\$29,434,282
7 Increase/(Decrease) in Contingency Reserve		<u>(\$2,479,570)</u>
8 Total Shortfall/(Surplus) (Actual column: 6+7)		\$26,954,712
9 Aon Recommended Carry Forward Shortfall/(Surplus) (Actual 8 – Expected 6; rounded to nearest \$000)		<u>\$20,363,000</u>

**NOTE:** Descriptions for items above contained in Appendix to this document

# Today's Recommendation—BSC HMO and UHC EPO Plans

## Rate Stabilization Reserve Calculation

Stabilization <b>deficit</b> balance as of December 31, 2022	\$10,077,000
Offset <b>deficit</b> amount applied in 2024 rate buy-down per policy (1/3)	\$3,359,000
Prior carry-forward stabilization <b>deficit</b> balance	\$6,718,000
Recommended increase to the <b>deficit</b> based on 2023 experience	\$20,363,000
Stabilization <b>deficit</b> balance as of December 31, 2023	\$27,081,000
Calculated amount per amortization policy to apply to 2025 rate <b>buy-up</b> per policy (1/3 of stabilization <b>deficit</b> balance)	\$9,027,000
Updated carry-forward stabilization <b>deficit</b> for use after 2025	\$18,054,000

### Today's Recommendation

In congruence with the Stabilization Fund Policy, approve the use of one-third of the December 31, 2023, stabilization reserve **Deficit** or \$9,027,000 (one-third of \$27,081,000) be applied towards buy-up of rates across all rating tiers for the BSC HMO and UHC EPO plans for plan year 2025, and apply proportionately between active employees and early retirees.

# 3

## BSC and UHC Non-Medicare PPO Plan

# BSC and UHC Non-Medicare PPO Plan

## Rate Stabilization Calculation Introduction

The rate stabilization calculations for 2025 rating are based on 2023 plan experience relative to expectations for the Non-Medicare PPO Plan, combined with deficit carry-forward balance from the plan's December 31, 2022, rate stabilization fund amount.

Starting January 1, 2022, BSC became the plan administrator for most Non-Medicare PPO plan covered lives (where it was previously UHC). UHC retained PPO plan administration for Non-Medicare “split family” covered lives where one or more family member is Medicare-eligible and enrolled in the UHC Medicare Advantage (MAPD) plan. PPO plan covered lives distribute approximately 90% in BSC administration and 10% in UHC administration.

The combination of BSC HMO and UHC EPO plans 2023 experience is included in the evaluation of rate stabilization balance updates as of December 31, 2023—and forms the basis for the 2025 plan year rate stabilization recommended action for this plan.

# **BSC and UHC Non-Medicare PPO Plan**

## 2023 Experience Assessment, Expected Versus Actual

The BSC and UHC Non-Medicare PPO plan had a carry-forward deficit balance for use in rate stabilization calculations after 2024 of \$1,492,000.

For the 2023 plan year, plan experience was favorable to expectations, as reviewed during the March 14 HSB meeting. A stabilization rating buy-up of \$403,000 applied for the 2023 plan year. However, actual experience came in lower than plan rates by over \$5.5M. Higher enrollment in 2023 primarily from the active employee population led to an increase in total plan contributions, while aggregate claims came in close to expectations.

The expected and actual figures are illustrated on the next page. The contingency reserve amount change reflects the adoption of the 95<sup>th</sup> percentile confidence interval figure as of June 30, 2023, from the March 14 HSB meeting.



# Non-Medicare PPO Plan 2023 Plan Year Reconciliation

## Active Employees and Early Retirees

January 2023 – December 2023 Plan Reconciliation (Actual vs Expected)		Expected	Actual
1	Paid Claims IBNR Increase/(Decrease)		\$49,696,263 <u>\$33,968</u>
	Total Incurred Claims Spend	\$49,795,299	\$49,730,231
2	Administration Expense — includes PCORI Fee	\$1,207,589	\$1,417,289
3	Rx Rebates	<u>(\$2,181,225)</u>	<u>(\$2,827,402)</u>
4	Total Cost (1+2+3)	\$48,821,663	\$48,320,118
5	Total Contributions	<u>\$49,224,663</u>	<u>\$53,883,629</u>
6	Revenue Shortfall/(Surplus) (4-5)	(\$403,000)	(\$5,563,510)
7	Increase/(Decrease) in Contingency Reserve		<u>(\$2,392,857)</u>
8	Total Shortfall/(Surplus) (Actual column: 6+7)		(\$7,956,367)
9	Aon Recommended Carry Forward Shortfall/(Surplus) (Actual 8 – Expected 6; rounded to nearest \$000)		<b>(\$7,553,000)</b>

**NOTE:** Descriptions for items above contained in Appendix to this document

# Today's Recommendation—BSC and UHC Non-Medicare PPO

## Plan

### Rate Stabilization Reserve Calculation

Stabilization <b>deficit</b> balance as of December 31, 2022	\$2,238,000
Offset <b>deficit</b> amount applied in 2024 rate buy-down per policy (1/3)	\$746,000
Prior carry-forward stabilization <b>deficit</b> balance	\$1,492,000
Recommended <b>surplus amount</b> based on 2023 experience	(\$7,553,000)
Stabilization <b>surplus</b> balance as of December 31, 2023	(\$6,061,000)
Calculated amount per amortization policy to apply to 2025 rate <b>buy-down</b> per policy (1/3 of stabilization <b>surplus</b> balance)	(\$2,020,000)
Updated carry-forward stabilization <b>surplus</b> for use after 2025	(\$4,041,000)

### Today's Recommendation

In congruence with the Stabilization Fund Policy, approve the use of one-third of the December 31, 2023, stabilization reserve **Surplus** amount of \$2,020,000 (one-third of \$6,061,000) be applied towards buy-down of rates across all rating tiers for the Non-Medicare PPO Plan (including Choice Not Available) for plan year 2025, and apply proportionately between active employees and early retirees.

# 4

## Health Net CanopyCare HMO Plan

# Health Net CanopyCare HMO Plan

## Rate Stabilization Calculation Introduction

The rate stabilization calculations for 2025 rating are based on 2023 plan experience relative to expectations for the Health Net CanopyCare HMO Plan, combined with surplus carry-forward balance from the plan's December 31, 2022, rate stabilization fund amount.

The Health Net CanopyCare HMO plan was first offered to SFHSS active employees and early retirees on January 1, 2022. Enrollment in the plan has grown steadily since its initial introduction, resulting in higher dollars of actual 2023 plan experience versus those forecast during Spring 2022 using initial plan enrollment.

The 2023 plan experience is included in the evaluation of rate stabilization balance updates as of December 31, 2023—and forms the basis for the 2025 plan year rate stabilization recommended action for this plan.

# Health Net CanopyCare HMO Plan

## 2023 Experience Assessment, Expected Versus Actual

The Health Net CanopyCare HMO plan had a carry-forward surplus balance for use in rate stabilization calculations after 2024 of \$235,000.

For the 2023 plan year, plan experience was favorable to expectations, as reviewed during the March 14 HSB meeting. Because the plan was only in its second year, there was not yet a stabilization rating element to this plan's 2023 plan year rating. As enrollment continued to grow in this plan through 2023, ending 2023 plan year experience was lower than total plan contributions based on 2023 total cost rates for the plan.

The expected and actual figures are illustrated on the next page. The contingency reserve amount change reflects the adoption of the 95<sup>th</sup> percentile confidence interval figure as of June 30, 2023, from the March 14 HSB meeting.

# Health Net CanopyCare HMO Plan 2023 Plan Year Reconciliation

## Active Employees and Early Retirees

January 2023 – December 2023 Plan Reconciliation (Actual vs Expected)		Expected	Actual
1	Paid Claims		\$6,557,094
	IBNR Increase/(Decrease)		<u>\$28,065</u>
	Total Incurred Claims Spend	\$2,684,089	\$6,585,159
2	Administration Expense — includes PCORI Fee	\$166,577	\$442,184
3	Rx Rebates	<u>(incl. in Rx claims)</u>	<u>(\$207,610)</u>
4	Total Cost (1+2+3)	\$2,850,666	\$6,819,733
5	Total Contributions	<u>\$2,850,666</u>	<u>\$7,681,358</u>
6	Revenue Shortfall/(Surplus) (4-5)	\$0	(\$861,625)
7	Increase/(Decrease) in Contingency Reserve		<u>\$101,040</u>
8	Total Shortfall/(Surplus) (Actual column: 6+7)		(\$760,585)
9	Aon Recommended Carry Forward Shortfall/(Surplus) (Actual 8 – Expected 6; rounded to nearest \$000)		<span style="border: 2px solid red; padding: 2px;">(\$761,000)</span>

**NOTE:** Descriptions for items above contained in Appendix to this document

# Today's Recommendation—Health Net CanopyCare HMO

## Plan

### Rate Stabilization Reserve Calculation

Stabilization <b>surplus</b> balance as of December 31, 2022	(\$353,000)
Offset <b>surplus</b> amount applied in 2024 rate buy-down per policy (1/3)	(\$118,000)
Prior carry-forward stabilization <b>surplus</b> balance	(\$235,000)
Recommended increase to the <b>surplus</b> based on 2023 experience	(\$761,000)
Stabilization <b>surplus</b> balance as of December 31, 2023	(\$996,000)
Calculated amount per amortization policy to apply to 2025 rate <b>buy-down</b> per policy (1/3 of stabilization <b>surplus</b> balance)	(\$332,000)
Updated carry-forward stabilization <b>surplus</b> for use after 2025	(\$664,000)

### Today's Recommendation

In congruence with the Stabilization Fund Policy, approve the use of one-third of the December 31, 2023, stabilization reserve **Surplus** or \$332,000 (one-third of \$996,000) be applied towards buy-down of rates across all rating tiers for the Health Net CanopyCare HMO plan for plan year 2025, and apply proportionately between active employees and early retirees.

# 5

## Delta Dental Active Dental PPO Plan



# Delta Dental Active Dental PPO Plan

## Rate Stabilization Calculation Introduction

The rate stabilization calculations for 2025 rating are based on 2023 plan experience relative to expectations for the Delta Dental Active Dental PPO Plan, combined with surplus carry-forward balance from the plan's December 31, 2022, rate stabilization fund amount.

The Delta Dental Active Dental PPO plan has existed for years in a significant rate stabilization surplus balance due to favorable claim experience over time. This is illustrated on the next page. Though there was a small increase in per employee claim experience from 2022 to 2023, the plan generated added rate stabilization fund surplus in 2023 based on actual plan experience.

To accelerate the amortization of rate stabilization surpluses in this plan over time, the HSB has approved a higher level of rate stabilization surplus amortization than the per-policy one-third level in each of the past five plan years. It is recommended a higher amortization for this plan again be approved today.

# Delta Dental Active Dental PPO Plan

## Impact of Historical Experience on Rate Stabilization Reserve

Rate Stabilization Reserve Surplus/(Deficit) as of December 31	
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	\$3,704,000
Surplus/(Deficit) Amount Applied to Rating	
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

**Delta Dental Rate Stabilization reserve started in 2014 — significant surpluses have built up since, given the favorable plan experience documented earlier. This led to actuarial assumption changes in plan rating starting for the 2019 plan year.**

### HSB amortization decisions by rating year:

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

# Delta Dental Active Dental PPO Plan

## 2023 Experience Assessment, Expected Versus Actual

The Delta Dental Active Dental PPO plan had a carry-forward surplus balance for use in rate stabilization calculations after 2024 of \$3,704,000.

For the 2023 plan year, plan experience was once again favorable to expectations. The reduction of the June 30, 2023, contingency reserve amount for this plan to \$0 (approved at the March 14 HSB meeting) adds to the projected rate stabilization surplus balance for this plan.

The expected and actual figures are illustrated on the next page. As a result of these figures, we are again asking the HSB to approve a higher amount of rate stabilization amortization (two-thirds of the December 31, 2023, stabilization reserve balance—as was approved at this time last year for the 2024 plan year) to apply in active dental PPO plan 2025 plan year rating.

# Active Dental PPO Plan 2023 Plan Year Reconciliation

## Active Employees

January 2023 – December 2023 Plan Reconciliation (Actual vs Expected)	Expected	Actual
1 Paid Claims IBNR Increase/(Decrease)		\$42,393,255 <u>\$128,807</u>
Total Incurred Claims Spend	\$45,907,870	\$42,522,062
2 Administration Expense — includes PCORI Fee	\$1,703,449	\$1,709,926
3 Rx Rebates	<u>n/a</u>	<u>n/a</u>
4 Total Cost (1+2+3)	\$47,611,319	\$44,231,988
5 Total Contributions	<u>\$42,302,319</u>	<u>\$42,110,716</u>
6 Revenue Shortfall/(Surplus) (4-5)	\$5,309,000	\$2,121,272
7 Increase/(Decrease) in Contingency Reserve		<u>(\$2,126,350)</u>
8 Total Shortfall/(Surplus) (Actual column: 6+7)		(\$5,078)
9 Aon Recommended Carry Forward Shortfall/(Surplus) (Actual 8 – Expected 6; rounded to nearest \$000)		<b>(\$5,314,000)</b>

**NOTE:** Descriptions for items above contained in Appendix to this document

# Today's Recommendation—Active Dental PPO Plan

## Rate Stabilization Reserve Calculation

Stabilization <b>surplus</b> balance as of December 31, 2022	(\$11,113,000)
Offset <b>surplus</b> amount applied in 2024 rate buy-down (2/3 per HSB)	(\$7,409,000)
Prior carry-forward stabilization <b>surplus</b> balance	(\$3,704,000)
Recommended increase to the <b>surplus</b> based on 2023 experience	(\$5,314,000)
Stabilization <b>surplus</b> balance as of December 31, 2023	(\$9,018,000)
Calculated amount per recommendation to apply to 2025 rate <b>buy-down</b> (recommend 2/3 of stabilization <b>surplus</b> balance)	(\$6,012,000)
Updated carry-forward stabilization <b>surplus</b> for use after 2025	(\$3,006,000)

### Today's Recommendation

Amend on a one-time basis the Stabilization Fund Policy for this plan and approve the use of two-thirds of the December 31, 2023, stabilization reserve **Surplus** or \$6,012,000 (two-thirds of \$9,018,000) be applied towards buy-down of rates across all rating tiers for the Delta Dental active dental PPO plan for plan year 2025.

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## Recommendations for HSB Action

# Recommendations for HSB Action

## Self-Funded and Flex-Funded Medical Plans

In congruence with the Stabilization Fund Policy, approve the use of one-third of the December 31, 2023, stabilization fund balances in plan year 2025 plan rates to apply proportionately between active employees and early retirees as follows:

1. BSC HMO and UHC EPO plans: apply a **Deficit** amount of \$9,027,000 (or one-third of \$27,081,000) towards buy-up of rates across all rating tiers for plan year 2025;
2. BSC and UHC Non-Medicare PPO plan: apply a **Surplus** amount of \$2,020,000 (or one-third of \$6,061,000) towards buy-down of rates across all rating tiers for plan year 2025; and
3. Health Net CanopyCare HMO plan: apply a **Surplus** amount of \$332,000 (or one-third of \$996,000) towards buy-down of rates across all rating tiers for plan year 2025.

# Recommendations for HSB Action

## Self-Funded Active Dental PPO Plan

1. Amend the HSB-approved Self-Funded Plans' Stabilization Policy (Stabilization Policy) on a one-time basis for the Delta Dental active employee PPO plan; and
2. Approve use of **two-thirds** of the December 31, 2023, stabilization reserve **Surplus**, or \$6,012,000 (two-thirds of \$9,018,000), to be applied towards buy-down across all rating tiers for the Delta Dental active employee PPO plan for plan year 2025.



# 7

## Appendix

- Historical View of Rate Stabilization Actions for Each Self-Funded and Flex-Funded Health Plan
- Reconciliation Exhibits Glossary

# Rate Stabilization History—BSC HMO and UHC EPO Plans

Column reference --->	B	C	G	H	I	J	K	L
Year for Rating Application	Starting Point Stabilization Reserve / Deficit Carry Forward as of date	Starting Point Stabilization Reserve / (Deficit) Carry Forward (col K from prior year)	Increase / (Decrease) to Stabilization Reserve (E+F-D)	Updated Stabilization Reserve / (Deficit) (G+C)	Revised Stabilization Reserve / Deficit as of date	Reserve / (Deficit) Amount Applied in Year for Rating Application	Reserve / (Deficit) Amount Applied to Carry Forward (H-J)	Percentage of Revised Stabilization Reserve / Deficit Applied
2016	12/31/2013	\$2,053,000	(\$15,508,000)	(\$13,455,000)	12/31/2014	(\$4,485,000)	(\$8,970,000)	33.3%
2017	12/31/2014	(\$8,970,000)	(\$6,491,000)	(\$15,461,000)	12/31/2015	(\$5,154,000)	(\$10,307,000)	33.3%
2018	12/31/2015	(\$10,307,000)	(\$327,000)	(\$10,634,000)	12/31/2016	(\$3,545,000)	(\$7,089,000)	33.3%
2019	12/31/2016	(\$7,089,000)	(\$2,396,000)	(\$9,485,000)	12/31/2017	(\$3,162,000)	(\$6,323,000)	33.3%
2020	12/31/2017	(\$6,323,000)	\$636,000	(\$5,687,000)	12/31/2018	(\$1,896,000)	(\$3,791,000)	33.3%
2021	12/31/2018	(\$3,791,000)	\$11,477,000	\$7,686,000	12/31/2019	\$2,562,000	\$5,124,000	33.3%
2022	12/31/2019	\$5,124,000	\$9,443,000	\$14,567,000	12/31/2020	\$4,856,000	\$9,711,000	33.3%
2023	12/31/2020	\$9,711,000	\$10,064,000	\$19,775,000	12/31/2021	\$6,592,000	\$13,183,000	33.3%
2024	12/31/2021	\$13,183,000	(\$23,260,000)	(\$10,077,000)	12/31/2022	(\$3,359,000)	(\$6,718,000)	33.3%
2025	12/31/2022	(\$6,718,000)	(\$20,363,000)	(\$27,081,000)	12/31/2023	(\$9,027,000)	(\$18,054,000)	33.3%

# Rate Stabilization History—Non-Medicare PPO Plan

Column reference --->	B	C	G	H	I	J	K	L
Year for Rating Application	Starting Point Stabilization Reserve / Deficit Carry Forward as of date	Starting Point Stabilization Reserve / (Deficit) Carry Forward (col K from prior year)	Increase / (Decrease) to Stabilization Reserve (E+F-D)	Updated Stabilization Reserve / (Deficit) (G+C)	Revised Stabilization Reserve / Deficit as of date	Reserve / (Deficit) Amount Applied in Year for Rating Application	Reserve / (Deficit) Amount Applied to Carry Forward (H-J)	Percentage of Revised Stabilization Reserve / Deficit Applied
2014	12/31/2011	(\$76,000)	\$7,170,000	\$7,094,000	12/31/2012	\$2,365,000	\$4,729,000	33.3%
2015	12/31/2012	\$4,729,000	\$17,563,000	\$22,292,000	12/31/2013	\$7,431,000	\$14,861,000	33.3%
2016	12/31/2013	\$14,861,000	\$10,913,000	\$25,774,000	12/31/2014	\$13,991,000	\$11,783,000	54.3%
2017	12/31/2014	\$11,783,000	(\$404,000)	\$11,379,000	12/31/2015	\$7,586,000	\$3,793,000	66.7%
2018	12/31/2015	\$3,793,000	\$736,000	\$4,529,000	12/31/2016	\$4,529,000	\$0	100.0%
2019	12/31/2016	\$0	\$1,661,000	\$1,661,000	12/31/2017	\$1,661,000	\$0	100.0%
2020	12/31/2017	\$0	(\$351,000)	(\$351,000)	12/31/2018	(\$117,000)	(\$234,000)	33.3%
2021	12/31/2018	(\$234,000)	(\$1,999,000)	(\$2,233,000)	12/31/2019	(\$744,000)	(\$1,489,000)	33.3%
2022	12/31/2019	(\$1,489,000)	\$1,735,000	\$990,000	12/31/2020	\$330,000	\$660,000	33.3%
2023	12/31/2020	\$660,000	(\$1,870,000)	(\$1,210,000)	12/31/2021	(\$403,000)	(\$807,000)	33.3%
2024	12/31/2021	(\$807,000)	(\$1,431,000)	(\$2,238,000)	12/31/2022	(\$746,000)	(\$1,492,000)	33.3%
2025	12/31/2022	(\$1,492,000)	\$7,553,000	\$6,061,000	12/31/2023	\$2,020,000	\$4,041,000	33.3%

# Rate Stabilization History—HN CanopyCare HMO Plan

Column reference --->	B	C	G	H	I	J	K	L
Year for Rating Application	Starting Point Stabilization Reserve / Deficit Carry Forward as of date	Starting Point Stabilization Reserve / (Deficit) Carry Forward (col K from prior year)	Increase / (Decrease) to Stabilization Reserve (E+F-D)	Updated Stabilization Reserve / (Deficit) (G+C)	Revised Stabilization Reserve / Deficit as of date	Reserve / (Deficit) Amount Applied in Year for Rating Application	Reserve / (Deficit) Amount Applied to Carry Forward (H-J)	Percentage of Revised Stabilization Reserve / Deficit Applied
2024	12/31/2021	\$0	\$353,000	\$353,000	12/31/2022	\$118,000	\$235,000	33.4%
2025	12/31/2022	\$235,000	\$761,000	\$996,000	12/31/2023	\$332,000	\$664,000	33.3%

# Rate Stabilization History—Active Dental PPO Plan

Column reference --->	B	C	G	H	I	J	K	L
Year for Rating Application	Starting Point Stabilization Reserve / Deficit Carry Forward as of date	Starting Point Stabilization Reserve / (Deficit) Carry Forward (col K from prior year)	Increase / (Decrease) to Stabilization Reserve (E+F-D)	Updated Stabilization Reserve / (Deficit) (G+C)	Revised Stabilization Reserve / Deficit as of date	Reserve / (Deficit) Amount Applied in Year for Rating Application	Reserve / (Deficit) Amount Applied to Carry Forward (H-J)	Percentage of Revised Stabilization Reserve / Deficit Applied
2016	12/31/2013	\$0	\$3,861,000	\$3,861,000	12/31/2014	\$1,287,000	\$2,574,000	33.3%
2017	12/31/2014	\$2,574,000	\$4,551,000	\$7,125,000	12/31/2015	\$2,375,000	\$4,750,000	33.3%
2018	12/31/2015	\$4,750,000	\$4,833,000	\$9,583,000	12/31/2016	\$3,194,000	\$6,389,000	33.3%
2019	12/31/2016	\$6,389,000	\$6,292,000	\$12,681,000	12/31/2017	\$4,227,000	\$8,454,000	33.3%
2020	12/31/2017	\$8,454,000	\$5,577,000	\$14,031,000	12/31/2018	\$7,016,000	\$7,015,000	50.0%
2021	12/31/2018	\$7,015,000	\$4,310,000	\$11,325,000	12/31/2019	\$5,663,000	\$5,662,000	50.0%
2022	12/31/2019	\$5,662,000	\$12,681,000	\$18,343,000	12/31/2020	\$12,229,000	\$6,114,000	66.7%
2023	12/31/2020	\$6,114,000	\$4,503,000	\$10,617,000	12/31/2021	\$5,309,000	\$5,308,000	50.0%
2024	12/31/2021	\$5,308,000	\$5,805,000	\$11,113,000	12/31/2022	\$7,409,000	\$3,704,000	66.7%
2025	12/31/2022	\$3,704,000	\$5,314,000	\$9,018,000	12/31/2023	\$6,012,000	\$3,006,000	66.7%

# Reconciliation Exhibits Glossary

- 1 Estimated Incurred Claims including claim payments for medical, pharmacy, and capitation in January–December 2023.
- 2 Administration Expense — Cost of administering January–December 2023 claims payments for medical and pharmacy, including federal Patient Centered Outcomes Research Institute (PCORI) fee paid by SFHSS for self-funded medical plans.
- 3 Rx Rebates — Rebates from drug manufacturers for active employees and early retirees.
- 5 Total Contributions — Annual premium revenue collected.
- 6 Revenue Shortfall/(Surplus) — Difference in cost versus premium revenue collected.
- 7 Contingency Reserve — Explicit reserve held to cover excess losses.
- 9 Actual shortfall/(surplus) minus expected shortfall/(surplus) — Amount added to existing stabilization balance per HSB policy and amortized over three years.