

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

## **Rates & Benefits**

Review and Approve Retiree 2024 Dental Rates and Contributions for Fully Insured Plans (Delta Dental PPO Plan, DeltaCare USA HMO Plan, UnitedHealthcare [UHC] HMO Plan)

April 13, 2023

# Agenda

## Retiree 2024 Dental Rates and Contributions for Fully Insured Plans

- **Rate Setting Methodology Preface**
- **Delta Dental of California (Delta Dental) 2024 Retiree PPO Plan Renewal**
- **DeltaCare USA 2024 Retiree HMO Plan Renewal (plan offered through Delta Dental of California)**
- **UnitedHealthcare (UHC) 2024 Retiree HMO Plan Renewal**
- **Recommendation for HSB Action**
- **Appendix**
  - Dental Insurance General Background
  - Retiree PPO Network Dentist Detail
  - SFHSS Retiree Dental HMO Plan Designs

*Active Employee Dental Plan 2024 Rate Renewals will be presented at the May 11, 2023 Health Service Board (HSB) Meeting*

# Retiree Dental Plans 2024 Renewal

## Recommendation Summary

It is recommended that the Health Service Board (HSB) approve the 2024 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 2023 Demographics Report):

Retiree Dental Plan	Enrolled Retirees
Retiree Delta Dental PPO	22,830
Retiree DeltaCare USA HMO	904
Retiree UHC Dental HMO	781

# Retiree Dental Plans 2024 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 2023 to 2024 (as part of first year of renewal three-year rating commitment for annual 2% increases through 2026 plan year).
- **DeltaCare USA Fully Insured Dental HMO:**
  - After one-time 8.4% insured plan rate decrease in 2023 to reflect impact of pandemic utilization suppression, rates return to same as 2022 rate levels for 2024 (and 2025-2026) as part of renewed three-year rate commitment.
- **UnitedHealthcare (UHC) Insured Dental HMO:**
  - Insured plan rates remain same from 2023 to 2024.

# 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
<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 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.
<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 admin fees/large claim pooling adjustments (and required legislative fees)
<b>SFHSS Plans by Funding Method</b>	<ul style="list-style-type: none"> <li>• Blue Shield of California (BSC) PPO Plan</li> <li>• Delta Dental Active Employee PPO</li> </ul>	<ul style="list-style-type: none"> <li>• BSC Access+ HMO</li> <li>• BSC Trio HMO</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 USA 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 2024 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:

$$\frac{\text{2024 Total Projected Plan Cost}}{\text{2023 Rates x Enrollment}} = \text{Needed Rate Change Factor (2024 vs. 2023)}$$

# Current (2023) Retiree Dental Plans Monthly Rates

- This presentation proposes 2024 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 2023 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 2023 Insured Premium Rates	\$49.26	\$97.97	\$146.22	\$29.52	\$48.71	\$72.05	\$14.38	\$23.74	\$35.11
Monthly 2023 Employer Contributions	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Monthly 2023 Retiree Contributions	\$49.26	\$97.97	\$146.22	\$29.52	\$48.71	\$72.05	\$14.38	\$23.74	\$35.11

# Current (2023) Retiree Dental Plans Monthly Rates

## Background – 2023 Rating Actions

- 2023 plan year was the second of a two-year rating agreement with Delta Dental (for the 2022 and 2023 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 7.7% to account for two benefit enhancements approved by the HSB for the 2023 plan year in an effort to increase use of preventive dental services by plan members:
  - Premier Dentist Diagnostic & Preventive coinsurance increase from 80% to 100% (6.9% of increase).
  - Premier/Non-Contracted Dentist deductible reduction from \$75 single/\$150 family to \$50 single/\$100 family (0.8% of increase).
- DeltaCare USA Retiree HMO rates reduced by 8.4% from 2022 to 2023 to reflect a one-time rate reduction by Delta Dental given COVID-19 pandemic suppression in this plan.
- UHC dental HMO rates for retirees remained at 2022 levels for 2023.

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## Delta Dental 2024 Retiree PPO Plan Renewal

# Delta Dental 2024 Retiree PPO Plan Renewal

## Recent Plan Utilization Patterns

- **Starting Point** — 2024 is the first year of a new three-year rating agreement — where Delta Dental has proposed 2% rate increases each year for the next three years, starting in 2024.
- **Experience Observations** — though 2022 plan utilization has gradually increased from suppressed 2020 levels, utilization remains lower than pre-pandemic levels — especially concerning since this is a member-pay-all plan.
  - While a higher percentage of covered members had at least one dental cleaning in 2022 (67%) than in 2021 (66%), the 2022 statistic was less than pre-pandemic 2019 (71%).
  - The distribution of services among category of services has remained relatively constant over time — 2022 service distribution is:

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>
69% of services	22% of services	9% of services

# Delta Dental 2024 Retiree PPO Plan Renewal

## Recent Plan Utilization Patterns

- **Network Dentist Utilization** — overall use of Delta Dental network dentists is high (91% 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).
- For network dentists, utilization is higher in the lower-discounted Premier network vs. the higher-discounted PPO network.
- Service distribution by network dentist type (PPO, Premier, and Non-Contracted) for SFHSS retirees in 2021 and 2022, compared to 2022 all-California Delta Dental PPO plan benchmarks:

<b>Network Provider Type</b>	<b>2021 Service Dates</b>	<b>2022 Service Dates</b>	<b>Delta Dental Benchmark</b>
PPO Network	41%	42%	60%
Premier Network	52%	49%	35%
Non-Contracted	7%	9%	5%
Total	100%	100%	100%

**NOTE:** See Appendix for 2022 County-specific dentist type utilization detail

# Delta Dental 2024 Retiree PPO Plan Renewal

## 2023 Design Changes Made In Effort to Increase Preventive Care Use

- **Utilization of Cleanings Has Been a Historical Concern** — even pre-pandemic, a relatively high percentage of Retiree PPO plan members have not obtained a cleaning during a year:

2019: No Cleaning	2020: No Cleaning	2021: No Cleaning	2022: No Cleaning
29%	41%	34%	33%

- **Premier Network Dentists Continue to Be Utilized in High Numbers, Along with PPO Dentists** — thus, 2023 plan design changes should help in increasing preventive dental service utilization among those utilizing a Premier dentist.

Service Distribution by Network Dentist Type	2019	2020	2021	2022
PPO Dentists	42%	43%	41%	42%
Premier Dentists	53%	51%	52%	49%
Non-Contracted Dentists	5%	6%	7%	9%

# Delta Dental 2024 Retiree PPO Plan Renewal

## 2024 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 2023 Enrollment	Monthly Rates	
		2023 Plan Year	2024 Plan Year
Retiree Only	14,537	\$49.26	\$50.25
Retiree + 1	8,146	\$97.97	\$99.93
Retiree + 2+	865	\$146.22	\$149.14
<b>Total/Annual</b>	<b>23,548</b>	<b>\$19,687,638</b>	<b>\$20,082,242</b>

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## DeltaCare USA 2024 Retiree HMO Plan Renewal

# DeltaCare USA 2024 Retiree HMO Plan Renewal

## 2024 Plan Year Financial Renewal

### 2024 Rate Renewal – Fully Insured Retiree DeltaCare USA HMO

- For the 2023 plan year, to recognize the premium refund recognized by Delta Dental on the DeltaCare USA HMO for September 2021 premiums due to pandemic impacts on plan experience that continued into 2021, Delta Dental reduced the would-be 2023 plan year premium rates for the Retiree DeltaCare USA HMO plan by one month's premium (8.4%).
  - This was acknowledged to be a one-time rate reduction for the 2023 plan year.
- Delta Dental is proposing 2024 Retiree DeltaCare USA HMO plan premiums to return to 2022 levels—to then hold into the 2025 and 2026 plan years as part of a renewed three-year rating commitment.

# DeltaCare USA 2024 Retiree HMO Plan Renewal

## 2024 Plan Year Financial Renewal

### Proposed 2024 Retiree DeltaCare USA HMO Rating Action by Delta Dental

Rate Tier	January 2023 Enrollment	Monthly Rates		
		2022 Plan Year	2023 Plan Year (with one-time rate reduction)	2024 Plan Year
Retiree Only	622	\$32.22	\$29.52	\$32.22
Retiree + 1	230	\$53.17	\$48.71	\$53.17
Retiree + 2+	25	\$78.65	\$72.05	\$78.65
<b>Total/Annual</b>	<b>877</b>	<b>\$410,834</b>	<b>\$376,392</b>	<b>\$410,834</b>

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## UHC 2024 Retiree HMO Plan Renewal

# UHC 2024 Retiree HMO Plan Renewal

## UHC Financial Renewal

- After rate decreases into the 2021 and 2022 plan years, and a rate hold for the 2023 plan year, the 2024 plan year rating action proposed by UHC is no change to 2023 rates.
- UHC does not provide multi-year rate quotations for their Dental HMO plan.

Rate Tier	January 2023 Enrollment	Monthly Rates	
		2023 Plan Year	2024 Plan Year
Retiree Only	543	\$14.38	\$14.38
Retiree + 1	209	\$23.74	\$23.74
Retiree + 2+	21	\$35.11	\$35.11
<b>Total/Annual</b>	<b>773</b>	<b>\$162,088</b>	<b>\$162,088</b>

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## Recommendation for HSB Action

# Recommendation for HSB Action

It is recommended that the HSB approve the following 2024 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+
<b>Delta Dental PPO</b>	PY 2023	\$49.26	\$97.97	\$146.22
	PY 2024	\$50.25	\$99.93	\$149.14
	\$ Difference	\$0.99	\$1.96	\$2.92
	% Difference	2.0%	2.0%	2.0%
<b>DeltaCare USA DHMO</b>	PY 2023 (w/8.4% suppression)	\$29.52	\$48.71	\$72.05
	PY 2024 (same as 2022)	\$32.22	\$53.17	\$78.65
	\$ Difference	\$2.70	\$4.46	\$6.60
	% Difference	9.1%	9.1%	9.1%
<b>UHC Dental HMO</b>	PY 2023	\$14.38	\$23.74	\$35.11
	PY 2024	\$14.38	\$23.74	\$35.11
	\$ Difference	No change	No change	No change
	% Difference	0.0%	0.0%	0.0%

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## 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

## 2022 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	2022 Procedure Count	Distribution of Procedures		
			PPO Dentists	Premier Dentists	Non-Contracted Dentists
San Francisco	CA	64,099	31%	59%	11%
San Mateo	CA	34,534	40%	53%	7%
Contra Costa	CA	16,742	46%	48%	6%
Alameda	CA	14,576	41%	49%	9%
Marin	CA	9,447	30%	61%	9%
Sonoma	CA	6,963	31%	51%	18%
Solano	CA	6,169	59%	39%	2%
Sacramento	CA	4,044	66%	34%	1%
Santa Clara	CA	3,493	32%	49%	19%
Placer	CA	2,052	71%	26%	3%
Clark	NV	1,772	89%	9%	1%
San Joaquin	CA	1,292	57%	38%	5%
Riverside	CA	1,085	77%	13%	11%
Napa	CA	1,033	25%	60%	16%
Los Angeles	CA	938	66%	28%	7%
San Diego	CA	864	79%	18%	3%
Tuolumne	CA	860	36%	52%	13%
Maricopa	AZ	815	87%	9%	5%
Stanislaus	CA	804	83%	16%	1%
Orange	CA	665	73%	20%	7%
Washoe	NV	622	68%	24%	7%

**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 (2023 Plan Year Enhancements in Yellow)

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)
<b>NOTE:</b>	<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
<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 sfhss.org			