

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

## **Rates & Benefits**

Review and Approve VSP Vision Fully Insured 2024  
Rates and Contributions

April 13, 2023

# Agenda

## VSP Vision Fully Insured 2024 Rates and Contributions

- **Rate Setting Methodology Preface**
- **Vision Service Plan (VSP) 2024 Insured Rate Renewal**
  - Basic Vision Plan Premium Rates
  - Premier Vision Plan Premium Rates
  - Computer Vision Care (CVC) Benefit Premium Rate
  - Premier Vision Plan Buy-Up Member Contributions
- **Recommendation for HSB Action**
- **Appendix**
  - VSP Vision 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 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>• Delta Dental Retiree PPO</li> <li>• DeltaCare USA Dental HMO</li> <li>• UHC Dental HMO</li> <li>• <b>VSP Vision</b></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, 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:

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

# 2

## VSP Vision Fully Insured 2024 Rates and Contributions

# Introduction

## VSP Vision Fully Insured Rate Renewal

- The San Francisco Health Service System (SFHSS) offers two vision plans to active employees and retirees through Vision Service Plan (VSP):
  - The “Basic Plan” has been offered for many years as part of enrollment in an SFHSS medical plan; and
  - The “Premier Plan”, offered initially in 2018, provides a higher level of benefits than the Basic Plan (e.g., lower member copays, higher frame and elective contact lens allowances, and ability to obtain new frames/lenses/contacts every calendar year) at a member-paid contribution rate equal to the Premier Plan total premium rates less the Basic Plan total premium rates.
- About 19,000 SFHSS employees also have access to VSP’s Computer Vision Care (CVC) benefit.
- This document outlines recommendations for the 2024 renewal for the VSP plans offered by SFHSS.

# Today's Recommendation

## VSP Vision Fully Insured Rate Renewal

- It is recommended that the Health Service Board (HSB) approve the following today for the 2024 plan year as presented in this material:
  - (1) VSP Basic Plan total premium rates;
  - (2) VSP Premier Plan total premium rates;
  - (3) VSP Computer Vision Care total premium rate; and
  - (4) VSP Premier Plan member-paid buy-up contribution rates.
- Specific information on proposed 2024 plan rates is outlined on the following pages.
  - Plan year 2024 represents the third year of a five-year rate renewal with VSP.



# Current 5-Year Agreement Background

## VSP Vision Fully Insured Rate Renewal

- Effective January 1, 2022, the San Francisco Health Service System (SFHSS) and VSP entered into the following 5-year renewal agreement for the Basic and Premier Plans:

Five-Year Renewal Provisions		
Year	Basic Plan	Premier Plan
Year 1 (2022)	Same as 2021 rates	Same as 2021 rates
Year 2 (2023)	Not to exceed 2%*	Not to exceed 2%*
Year 3 (2024)	Same as 2023 rates	Same as 2023 rates
Year 4 (2025)	Not to exceed 2%*	Not to exceed 2%*
Year 5 (2026)	Same as 2025 rates	Same as 2025 rates

- The Computer Vision Care (CVC) benefit rate remains at current level through 2026.
- Rates were adjusted into the 2023 plan year for the Year 2 provision above, as well as to reflect the addition of certain lens enhancements (ultraviolet light protection, blue light protection, and anti-glare) into the VSP vision plan coverages.
- Per the agreement above, 2024 VSP vision plan rates will remain at 2023 levels.

\* Not to exceed 2% increase will be needed if blended PLR is 100% or over. VSP will calculate 2% of premium, less CVC and apply total increase to the Premier Plan.

# Recent Loss Ratio Experience

## VSP Vision Fully Insured Rate Renewal

### Combined Plans Financial Experience, 2018–2022

- The combination of SFHSS vision plans incurred high loss ratios (claims plus fees divided by insured premiums) in 2018 and 2019.
- The loss ratio was 97.5% overall in 2020, helped by pandemic period claim suppression.
- The 2022 loss ratio (105.9%) was lower than in 2021 (109.7%).

#### ALL PLANS (BASIC, PREMIER, AND CVC BENEFIT)

Time Frame	Premium	Claims	Fees (e.g., retention) <sup>1</sup>	Claims + Fees	Loss Ratio (Claims + Fees divided by Premium)
2018	\$7,364,930	\$7,672,207	\$810,142	\$8,482,349	115.2%
2019	\$8,204,033	\$8,735,268	\$902,444	\$9,637,712	117.5%
2020	\$8,938,863	\$7,735,883	\$983,275	\$8,719,158	97.5%
2021	\$9,296,230	\$9,360,801	\$836,659	\$10,197,460	109.7%
2022	\$9,580,460	\$9,283,669	\$862,241	\$10,145,910	105.9%

<sup>1</sup> Retention (fee) percentage was 11% of claims through 2020 plan year—and is 9% of claims starting in 2021 plan year.

# Recent Loss Ratio Experience

## VSP Vision Fully Insured Rate Renewal

### Basic Plan Financial Experience, 2018–2022

- Loss ratios are expected to be favorable for the Basic Plan as those with more intensive vision care needs tend to enroll in the Premier Plan (see next page).

#### BASIC PLAN ONLY

Time Frame	Premium	Claims	Fees (e.g., retention) <sup>1</sup>	Claims + Fees	Loss Ratio (Claims + Fees divided by Premium)
2018	\$4,429,354	\$3,932,195	\$487,229	\$4,419,424	99.8%
2019	\$4,246,735	\$3,443,001	\$467,141	\$3,910,142	92.1%
2020	\$3,979,421	\$2,360,003	\$437,736	\$2,797,739	70.3%
2021	\$3,842,404	\$3,089,304	\$345,815	\$3,435,119	89.4%
2022	\$3,670,666	\$2,663,718	\$330,360	\$2,994,078	81.6%

<sup>1</sup> Retention (fee) percentage was 11% of claims through 2020 plan year—and is 9% of claims starting in 2021 plan year.

# Recent Loss Ratio Experience

## VSP Vision Fully Insured Rate Renewal

### Premier Plan Financial Experience, 2018–2022

- Loss ratios have exceeded 100% for the Premier Plan given those paying the incremental premiums to buy up to Premier benefits utilize the plan at a higher rate than Basic Plan members.

#### PREMIER PLAN ONLY

Time Frame	Premium	Claims	Fees (e.g., retention) <sup>1</sup>	Claims + Fees	Loss Ratio (Claims + Fees Divided by Premium)
2018	\$2,924,988	\$3,734,490	\$321,749	\$4,056,239	138.7%
2019	\$3,947,769	\$5,285,407	\$434,255	\$5,719,662	144.9%
2020	\$4,950,136	\$5,369,602	\$544,515	\$5,914,117	119.5%
2021	\$5,511,251	\$6,265,221	\$496,013	\$6,761,233	122.7%
2022	\$5,900,191	\$6,613,781	\$531,017	\$7,144,798	121.1%

<sup>1</sup> Retention (fee) percentage was 11% of claims through 2020 plan year—and is 9% of claims starting in 2021 plan year.

# Enrollment Shifts Into Premier Plan Since 2018

## VSP Vision Fully Insured Rate Renewal

- As seen below, enrollment in the Premier Plan has continued to increase from its introduction in the 2018 plan year, through the 2023 plan year open enrollment figures. This demonstrates continued growing interest from SFHSS members in the Premier Plan – which has occurred both for active employees and retirees.

Plan Enrollment/Distribution	2018	2019	2020	2021	2022	2023
<b>Covered Employees/Retirees</b>						
Basic Plan	58,817	55,362	53,173	51,741	49,690	47,135
Premier Plan	10,159	14,772	17,847	19,064	20,535	22,556
<b>Total in VSP Plans</b>	<b>68,976</b>	<b>70,134</b>	<b>71,020</b>	<b>70,805</b>	<b>70,225</b>	<b>69,701</b>
<b>Distribution of Enrollees</b>						
Basic Plan	85%	79%	75%	73%	71%	68%
Premier Plan	15%	21%	25%	27%	29%	32%

Source: SFHSS Demographic Report

# 2024 VSP Vision Fully Insured Rate Renewal

## VSP Vision Fully Insured Rate Renewal

- No change in plan rates from 2023 to 2024 as part of VSP's 2022-2026 rating commitment to SFHSS.

Monthly Vision Plan Rates				
Tier	Basic Plan		Premier Plan	
	2023	2024	2023	2024
Subscriber Only	\$4.15	\$4.15	\$15.71	\$15.71
Subscriber + 1 Dependent	\$8.32	\$8.32	\$25.91	\$25.91
Subscriber + 2+ Dependents	\$11.76	\$11.76	\$47.82	\$47.82

- The employer-paid Computer Vision Care (CVC) benefit rate will remain at current \$1.04 per employee per month (PEPM) into 2024.

# 2024 VSP Vision Fully Insured Rate Renewal

## VSP Vision Fully Insured Rate Renewal

### Proposed Monthly 2024 Plan Year Rates and Premier Plan Member Contributions

- 2024 recommended rates and contributions remain at 2023 levels.

	Monthly Vision Plan Rates						% Increase
	CY2023			CY2024			
	EE/Ret Only	EE/Ret + 1	EE/Ret + 2+	EE/Ret Only	EE/Ret + 1	EE/Ret + 2+	
<b>Basic Plan</b>							
Rates are part of medical rate cards	\$4.15	\$8.32	\$11.76	<b>\$4.15</b>	<b>\$8.32</b>	<b>\$11.76</b>	0.0%
<b>Premier Plan</b>							
Total premium rate	\$15.71	\$25.91	\$47.82	<b>\$15.71</b>	<b>\$25.91</b>	<b>\$47.82</b>	0.0%
Member-paid contribution rate <sup>[1]</sup>	\$11.56	\$17.59	\$36.06	<b>\$11.56</b>	<b>\$17.59</b>	<b>\$36.06</b>	0.0%
<b>Computer Vision Care (CVC)</b>	\$1.04	N/A	N/A	<b>\$1.04</b>	<b>N/A</b>	<b>N/A</b>	0.0%

[1] Members enrolling in the Premier Plan pay buy-up contribution rates within their chosen dependent coverage tier equal to the difference in total premium rates between the Premier Plan and the Basic Plan, in addition to the increment for Basic Vision embedded into medical rate cards paid by all VSP vision plan enrollees.

# 3

## Recommendation for HSB Action



# Recommendation for HSB Action

## VSP Vision Fully Insured Rate Renewal

It is recommended that the Health Service Board (HSB) approve the 2024 VSP vision plan insured premium rates and Premier Plan member contributions as outlined below, where 2024 rates remain at 2023 levels for the Basic Plan, Premier Plan, and CVC benefit.

	Monthly Vision Plan Rates						% Increase
	CY2023			CY2024			
	EE/Ret Only	EE/Ret + 1	EE/Ret + 2+	EE/Ret Only	EE/Ret + 1	EE/Ret + 2+	
<b>Basic Plan</b>							
Rates are part of medical rate cards	\$4.15	\$8.32	\$11.76	<b>\$4.15</b>	<b>\$8.32</b>	<b>\$11.76</b>	0.0%
<b>Premier Plan</b>							
Total premium rate	\$15.71	\$25.91	\$47.82	<b>\$15.71</b>	<b>\$25.91</b>	<b>\$47.82</b>	0.0%
Member-paid contribution rate <sup>[1]</sup>	\$11.56	\$17.59	\$36.06	<b>\$11.56</b>	<b>\$17.59</b>	<b>\$36.06</b>	0.0%
<b>Computer Vision Care (CVC)</b>	\$1.04	N/A	N/A	<b>\$1.04</b>	<b>N/A</b>	<b>N/A</b>	0.0%

# 4

## Appendix

- VSP Vision Plan Designs

# VSP Vision Plan Designs

SFHSS offers VSP’s Choice Core Plan A as the Basic Plan, and Plan C as the Premier Plan. Here is a summary of certain plan design features (with all plan design details accessible on the SFHSS website via this weblink <https://sfhss.org/vsp-vision-plans>):

Design Feature		Basic Plan	Premier Plan
Copays	Exam	\$10	\$10
	Materials	\$25	\$0
Exam Frequency		Every Calendar Year	Every Calendar Year
Lenses Frequency		Every Other Calendar Year <sup>[1]</sup>	Every Calendar Year
Frames Frequency		Every Other Calendar Year	Every Calendar Year
Frame Allowance	Costco, Walmart, Sam’s Club	\$80	\$165
	Other In-Network Providers	\$150	\$300
Elective Contact Lens Allowance		\$150	\$250

[1] **Interim Benefits:** Lenses every 12 months with a prescription change of .50 diopter or more and change in axis of 15 degrees or more.