

# Health Service Board City & County of San Francisco

## Rates & Benefits

### Delta Dental of California Rate Stabilization Reserve Presentation

April 14, 2016

Prepared by:  
Aon | Aon Hewitt | Health & Benefits



# Delta Dental of California Rate Stabilization

## Self-Funded Plans' Stabilization Policy

The Health Service Board (HSB) approved Self-Funded Plans' Stabilization Policy requires an annual determination of the financial gain or loss for the self-funded plans. This difference between the expected versus actual plan cost is added to the existing stabilization reserve and amortized over a three-year rating period. This includes the Delta Dental of California Self-Funded PPO plan for actives.

### Aon Rate Stabilization Calculation \*

Stabilization reserve as of December 31, 2014 (surplus carry forward)	(\$2,573,715)
Aon recommended increase to stabilization reserve	(\$4,550,830)
<b>Total carry forward stabilization reserve as of December 31, 2015</b>	<b>(\$7,124,545)</b>
Aon recommended amount applied to 2017 to reduce rates (33% of total stabilization reserve)	(\$2,374,848)
<b>Remaining surplus carry forward in stabilization reserve for plan year 2018</b>	<b>(\$4,749,697)</b>

\* Numbers in parentheses “( )” reflect a gain.

# Delta Dental of California Plan Year Reconciliation

January 2015 through December 2015 Plan Reconciliation—Actual Versus Expected		Expected	Actual
1	Estimated Incurred Dental Claims	\$45,668,346	\$41,186,936
2	Administration Expense	\$1,462,745	\$1,517,451
3	Total Cost ((1) + (2))	\$45,543,377	\$42,704,387
4	Total Contributions	\$45,543,377	\$46,451,085
5	Revenue Shortfall / (Surplus)	\$0	(\$3,746,698)
6	Increase in Contingency Reserve / Decrease to Stabilization Reserve		(\$804,132)
7	Total Surplus ((Actual 5) + (Actual 6))		(\$4,550,830)
8	Net To Be Applied When Determining the Stabilization Carry Forward ((Actual 7) – (Expected 5))		(\$4,550,830)
9	<b>Aon Recommended</b>		<b>(\$4,550,830)</b>

**Note:** Numbers in parentheses “( )” reflect a gain.

# Delta Dental of California Plan Year Reconciliation

## Notes:

- 1 Estimated Incurred Claims for January—December 2015 includes change in IBNR.
- 2 Administration Expense—Cost of administering January – December 2015 claims payments. PEPM: **\$4.38**
- 4 Total Contributions—Annual premium revenue collected.
- 5 Revenue Shortfall—Difference in cost versus premium revenue collected.
- 6 Contingency Reserve—Explicit reserve held to cover excess losses.
- 8 Actual results minus expected results. This amount is added to existing stabilization reserve and amortized over three years.
- 9 Based on HSS funding policy. Full amount is to be added to stabilization reserve.

## Recommendation

---

Per the Self-Funded Plan's Stabilization Policy, which requires amortizing the gain of \$4,550,830 (total carry forward stabilization reserve as of December 31, 2015 – page 2) over a 3-year rate period, Aon recommends using \$2,374,848 to reduce rates across all rating tiers for the 2017 Delta Dental of California plans.