

San Francisco Health Service System Health Service Board

Rates & Benefits

Review and Approve VSP Vision Fully Insured 2023 Rates
and Contributions

April 14, 2022

Agenda

VSP Vision Fully Insured 2023 Rates and Contributions

- **Rate Setting Methodology Preface**
- **Vision Service Plan (VSP) 2023 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

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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) PPO Plan • 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 <p>VSP Vision</p>
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 2023 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:

$$\frac{\text{2023 Total Projected Plan Cost}}{\text{2022 Rates x Enrollment}} = \text{Needed Rate Change Factor (2023 vs. 2022)}$$

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VSP Vision Fully Insured 2023 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 2023 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 2023 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.
- Rating recommendations include plan enhancements that will improve eye health for members — including addition of Anti-Glare and ultraviolet (UV) lens protection.
- Specific information on proposed 2023 plan rates is outlined on the following pages.
 - Plan year 2023 represents the second year of a five-year rate renewal with VSP.
- The VSP network is expanding as of May 1, 2022, to include Walmart Vision and Sam's Club Vision as in-network providers (for Sam's Club, a membership is not required to access a vision exam but is to purchase lens/frame materials).

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 will remain at current level (\$0.83 per employee per month) for each of the five years 2022 through 2026.
 - As the loss ratio for overall 2021 plan experience exceeded the threshold (109%), the overall 2% premium increase will be triggered for the 2023 plan year (total amount applying to the Premier Plan rates given that plan drives higher loss ratios than the Basic Plan).
- * *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, 2018–2021

- 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 2021, helped by pandemic period claim suppression.
- The 2021 loss ratio ended 109.0%, which leads to the required rate increase on Premier Plan for the 2023 plan year.

ALL PLANS (BASIC, PREMIER, AND CVC BENEFIT)

Time Frame	Premium	Claims	Fees (e.g., retention) ¹	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	\$9,363,179	\$9,360,801	\$842,684	\$10,203,485	109.0%

¹ 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, 2018–2021

- The 2021 loss ratio was 89.4% for the Basic Plan — lower than pre-pandemic 2018 and 2019 experience.

BASIC PLAN ONLY

Time Frame	Premium	Claims	Fees (e.g., retention) ¹	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%

¹ 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, 2018–2021

- The 2021 loss ratio was 122.7% for the Premier Plan — which leads to the overall loss ratio result that leads to a proposed rate increase for the Premier Plan into the 2023 plan year.

PREMIER PLAN ONLY

Time Frame	Premium	Claims	Fees (e.g., retention) ¹	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%

¹ 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 2022 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
Covered Employees/Retirees					
Basic Plan	58,937	55,412	52,693	51,271	49,768
Premier Plan	10,488	15,034	17,984	19,193	20,612
Total in VSP Plans	69,425	70,446	70,677	70,464	70,380
Distribution of Enrollees					
Basic Plan	85%	79%	75%	73%	71%
Premier Plan	15%	21%	25%	27%	29%

Benefit Enhancement Recommendations for 2023

Ultraviolet (UV) and Blue Light Lens Enhancement Coverage

- LightCare is a VSP program enhancement consideration for the Basic and Premier plans, as described at right
- The LightCare benefit is in lieu of prescription eyewear, and is available at all in-network locations except Walmart and Sam's Club
- LightCare benefits can be added with 5% extra premium for the Basic and Premier plans (employer cost impact: \$232,000)
- LightCare benefit frequency — once every other calendar year on Basic Plan, once every calendar year on Premier Plan

WHY UV AND BLUE LIGHT COVERAGE?

Even if you don't wear prescription glasses, an annual eye exam is an easy and cost-effective way to take care of your eyes and overall health.

With VSP LightCare™, you can use your frame and lens benefit to get non-prescription eyewear from your VSP® network doctor. Sunglasses or blue light filtering glasses may be just what you're looking for.

KEEP YOUR EYES PROTECTED OUTDOORS AND IN:

Always wear sunglasses outdoors. Protect your eyes from the sun's ultraviolet rays that can damage your corneas and cause eye related diseases like cataracts. 100% UVA and UVB protection is the best choice for your sunglasses.²

Wear blue light filtering glasses indoors to combat digital eye strain. Digital screens and fluorescent lighting emit blue light that can contribute to headaches, blurred vision and sore eyes—all possible symptoms of digital eye strain.

PROVIDER CHOICES YOU WANT



Visionworks

The VSP Premier Program includes thousands of private practice doctors and over 700 Visionworks® retail locations nationwide.



Prefer to shop online?

At Eyeconic.com, you'll be shopping at the preferred online retailer for VSP members where you can connect and use your benefits.¹



YOUR LIGHTCARE COVERAGE WITH A VSP NETWORK DOCTOR*

EYE EXAM

A fully covered comprehensive WellVision Exam^{®1}.

EYEWEAR

Visit a VSP network doctor and choose either prescription eyewear coverage, or use your frame and lens allowance toward ready-to-wear:

- non-prescription sunglasses or
- non-prescription blue light filtering glasses

*Register and log in to vsp.com to review your benefit information. Based on applicable laws; benefits may vary by location.

Benefit Enhancement Recommendations for 2023

Computer Vision Care (CVC) Benefit Enhancement Recommendation

- For about 19,000 individuals in the Computer Vision Care (CVC) benefit, SFHSS could add Anti-Glare and Ultraviolet (UV) coatings to the lens benefit (frequency: once every calendar year).
- The monthly CVC rate (employer-paid) would increase from current \$0.83 per member per month to \$1.04 per member per month (about \$48,000 added employer cost).

VSP® HAS YOUR BACK

VSP members can already save big on anti-reflective (AR) coatings, our secret weapon in the battle against blue light. But you can up the savings even more by:

INCLUDING

The VSP Computer Vision PlanSM with covered AR

ADDING

AR coverage to your plan

GIVING

the choice to upgrade to a premium plan with covered AR

Go easy on your employees' eyes...and wallets.
Include a covered AR coating in your VSP plan

2023 VSP Vision Fully Insured Rate Renewal

VSP Vision Fully Insured Rate Renewal

- Basic Plan rates increase by 5% to reflect the LightCare benefit enhancement recommendation.
- Premier Plan rates increase by 8.7% to reflect combination status-quo design renewal increase (overall 2% of total premium increase all applied to Premier Plan) and 5% to reflect the LightCare benefit enhancement.

Five-Year Renewal Period — Monthly Rates				
Tier	Basic Plan		Premier Plan	
	2022	2023	2022	2023
Subscriber Only	\$3.95	\$4.15	\$14.45	\$15.71
Subscriber + 1 Dependent	\$7.92	\$8.32	\$23.84	\$25.91
Subscriber + 2+ Dependents	\$11.20	\$11.76	\$43.99	\$47.82

- The employer-paid Computer Vision Care (CVC) benefit rate is proposed to increase from current \$0.83 PEPM (per employee per month) to revised \$1.04 PEPM to adjust for the Anti-Glare and UV coatings enhancements outlined on the prior page.

2023 VSP Vision Fully Insured Rate Renewal

VSP Vision Fully Insured Rate Renewal

Proposed Monthly 2023 Plan Year Rates and Premier Plan Member Contributions

- 2023 recommended rates include design enhancements previously outlined.

	Monthly Vision Plan Rates (2023 Includes Benefit Enhancements)						% Increase
	CY2022			CY2023			
	EE/Ret Only	EE/Ret + 1	EE/Ret + 2+	EE/Ret Only	EE/Ret + 1	EE/Ret + 2+	
Basic Plan							
Rates are part of medical rate cards	\$3.95	\$7.92	\$11.20	\$4.15	\$8.32	\$11.76	5.0%
Premier Plan							
Total premium rate	\$14.45	\$23.84	\$43.99	\$15.71	\$25.91	\$47.82	8.7%
Member-paid contribution rate ^[1]	\$10.50	\$15.92	\$32.79	\$11.56	\$17.59	\$36.06	10.0% to 10.5%
Computer Vision Care (CVC)	\$0.83	N/A	N/A	\$1.04	N/A	N/A	25.3%

[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.

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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 2023 VSP vision plan insured premium rates and Premier Plan member contributions as outlined below, where 2023 rates include the proposed benefit enhancements reviewed today for the Basic Plan, Premier Plan, and CVC benefit.

	Monthly Vision Plan Rates (2023 Includes Benefit Enhancements)						% Increase
	CY2022			CY2023			
	EE/Ret Only	EE/Ret + 1	EE/Ret + 2+	EE/Ret Only	EE/Ret + 1	EE/Ret + 2+	
Basic Plan							
Rates are part of medical rate cards	\$3.95	\$7.92	\$11.20	\$4.15	\$8.32	\$11.76	5.0%
Premier Plan							
Total premium rate	\$14.45	\$23.84	\$43.99	\$15.71	\$25.91	\$47.82	8.7%
Member-paid contribution rate ^[1]	\$10.50	\$15.92	\$32.79	\$11.56	\$17.59	\$36.06	10.0% to 10.5%
Computer Vision Care (CVC)	\$0.83	N/A	N/A	\$1.04	N/A	N/A	25.3%

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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 ^[1]	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.*