

San Francisco Health Service System Health Service Board

Rates & Benefits

VSP Vision Fully Insured 2022 Rates and Contributions

April 8, 2021

Prepared by:
Health Solutions



Contents—VSP Vision Fully Insured 2022 Rates and Contributions

- **Rate Setting Methodology Preface**
- **Vision Service Plan (VSP) 2022 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—Retiree Dental HMO Plan Designs**

Rate Setting Methodology Preface

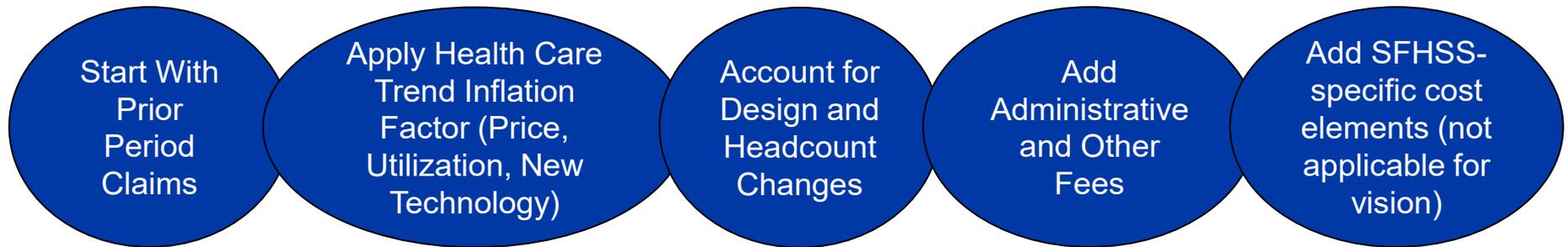
Health Plan Funding—Method Comparison by SFHSS Plan

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	UHC PPO "City Plan" Delta Dental Active Employee PPO	Blue Shield of CA Access+ HMO Blue Shield of CA Trio HMO	All Kaiser HMO plans UHC Medicare Advantage PPO Delta Dental Retiree PPO DeltaCare USA Dental HMO UHC Dental HMO VSP Vision
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 2022 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:

$$\frac{\text{2022 Total Projected Plan Cost}}{\text{2021 Rates times Enrollment}} = \text{Needed Rate Change Factor (2022 vs. 2021)}$$

VSP Vision Fully Insured 2022 Rates and Contributions

Introduction—VSP Vision 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.
- Some SFHSS employees also have access to VSP’s Computer VisionCare benefit.
- This document outlines recommendations for the 2022 renewal for the VSP plans offered by SFHSS.

Today's Recommendation—VSP Vision Rate Renewal

- It is recommended that the Health Service Board (HSB) approve the following today for the 2022 plan year—with all rates remaining at 2021 levels for the 2022 plan year:
 - (1) VSP Basic Plan total premium rates;
 - (2) VSP Premier Plan total premium rates;
 - (3) VSP Computer VisionCare total premium rate; and
 - (4) VSP Premier Plan member-paid buy-up contribution rates.

- Specific information on proposed 2022 plan rates is outlined on the following pages. Plan year 2022 represents the start of a proposed new five-year rate renewal with VSP.

VSP Vision Renewal—Prior 5-Year Agreement Background

- Effective January 1, 2017, the San Francisco Health Service System (SFHSS) and VSP entered into the following 5-year renewal agreement on the underlying Basic Plan vision premiums:
 - 2017: 2% decrease to 2016 rates
 - 2018: No change
 - 2019: No change
 - 2020: Premium increase not to exceed 2% and only if Paid Loss Ratio is 100% or more ^[1]
 - 2021: Premium increase not to exceed 2% and only if Paid Loss Ratio is 100% or more ^[1]
- The Premier Plan was subsequently added for the 2018 plan year.
- Because the overall paid loss ratio for the 2018 and 2019 plan years did exceed 100%, the 2% overall premium increase applied for the 2020 and 2021 plan years, respectively.
 - Because the Premier Plan was the driver of the high loss ratio, the decision was to pass the full dollar value of the premium increases into the Premier Plan (approximately 4% total premium increases for 2020 and 2021 plan years).

[1] If the Paid Loss Ratio is less than 100%, rates remain flat.

VSP Vision Renewal—Recent Loss Ratio Experience

All Plans Financial Experience, 2018-2020

- 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 loss ratio finished above 100% for each calendar quarter in 2020 except the second quarter, the height of vision practice closures during the pandemic.

ALL PLANS (BASIC, PREMIER, AND CVC BENEFIT)

Time Frame	Premium	Claims	Fees (e.g., retention: 11% of premium)	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					
Q1	\$2,237,815	\$2,842,279	\$246,160	\$3,088,439	138.0%
Q2	\$2,241,045	\$718,267	\$246,515	\$964,782	43.1%
Q3	\$2,234,938	\$2,026,834	\$245,843	\$2,272,677	101.7%
Q4	<u>\$2,224,611</u>	<u>\$2,148,503</u>	<u>\$244,707</u>	<u>\$2,393,210</u>	107.6%
Full 2020	\$8,938,409	\$7,735,883	\$983,225	\$8,719,108	97.5%

VSP Vision Renewal—Recent Loss Ratio Experience

Basic Plan Financial Experience, 2018-2020

- After a 100% loss ratio in 2018 and 92% loss ratio in 2019, the 2020 loss ratio decreased significantly given pandemic influences on vision plan utilization.
 - Utilization did pick up in the second half of 2020, but not to the level of Q1-2020.

BASIC PLAN ONLY

Time Frame	Premium	Claims	Fees (e.g., retention: 11% of premium)	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					
Q1	\$998,773	\$890,899	\$109,865	\$1,000,764	100.2%
Q2	\$998,186	\$213,232	\$109,800	\$323,032	32.4%
Q3	\$991,903	\$621,841	\$109,109	\$730,950	73.7%
Q4	<u>\$990,537</u>	<u>\$634,030</u>	<u>\$108,959</u>	<u>\$742,989</u>	75.0%
Full 2020	\$3,979,399	\$2,360,002	\$437,733	\$2,797,735	70.3%

VSP Vision Renewal—Recent Loss Ratio Experience

Premier Plan Financial Experience, 2018-2020

- After very high loss ratios in 2018-2019 upon the introduction of the Premier Plan, the 2020 loss ratio decreased but remained well over 100% (full 2020 loss ratio: 119.5%).
 - Similar to the Basic Plan, utilization did elevate in the second half of 2020 after second quarter suppression, but not to the level of Q1-2020.

PREMIER PLAN ONLY

Time Frame	Premium	Claims	Fees (e.g., retention: 11% of premium)	Claims + Fees	Loss Ratio (claims + EE's 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					
Q1	\$1,236,881	\$1,949,689	\$136,057	\$2,085,746	168.6%
Q2	\$1,240,566	\$504,458	\$136,462	\$640,920	51.7%
Q3	\$1,240,714	\$1,403,434	\$136,479	\$1,539,913	124.1%
Q4	<u>\$1,231,525</u>	<u>\$1,512,021</u>	<u>\$135,468</u>	<u>\$1,647,489</u>	133.8%
Full 2020	\$4,949,686	\$5,369,602	\$544,466	\$5,914,068	119.5%

Enrollment Shifts Into Premier Plan Since 2018

- As seen below, enrollment in the Premier Plan has continued to increase from its introduction in the 2018 plan year, through the 2021 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.
- Enrollments are taken from the SFHSS Demographic Report, March 2021 (page 17).

	2018	2019	2020	2021
Covered Employees/Retirees				
▪ Basic Plan	58,817	55,363	53,173	51,741
▪ Premier Plan	<u>10,159</u>	<u>14,771</u>	<u>17,847</u>	<u>19,064</u>
▪ Total in VSP Plans	68,976	70,134	71,020	70,805
Distribution of Enrollees				
▪ Basic Plan	85%	79%	75%	73%
▪ Premier Plan	15%	21%	25%	27%

VSP Vision Financial Renewal, 2022-2026—Overview

- For the next five-year renewal period (2022-2026), VSP has proposed rates with relatively small change in Basic and Premier Plan premiums during the 5-year renewal timeframes.
 - Year 1 (2022): no rate changes from current for Basic and Premier plans.
 - Year 2 (2023): 0% to 2% increase from 2022 rates based on 2021 loss ratio attainment (no increase if loss ratio less than 100%, 2% overall premium increase maximum for loss ratio greater than 102%).
 - Year 3 (2024): no rate changes from 2023 for Basic and Premier plans.
 - Year 4 (2025): 0% to 2% increase from 2024 rates based on 2023 loss ratio attainment (no increase if loss ratio less than 100%, 2% overall premium increase maximum for loss ratio greater than 102%).
 - Year 5 (2026): no rate changes from 2025 for Basic and Premier plans.
- 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.

VSP Vision Financial Renewal, 2022-2026

First Year of New Five-Year Renewal Period – Monthly Rates				
Tier	Basic Plan		Premier Plan	
	2021	2022	2021	2022
Subscriber Only	\$3.95	\$3.95	\$14.45	\$14.45
Subscriber + 1 Dependent	\$7.92	\$7.92	\$23.84	\$23.84
Subscriber + 2+ Dependents	\$11.20	\$11.20	\$43.99	\$43.99

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

* 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.

- 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.

VSP Vision Renewal—2022 Proposed Premiums

Proposed Monthly 2022 Plan Year Rates and Premier Plan Member Contributions

		Monthly Vision Plan Rates						
		CY2021: EE / Ret Only	CY2021: EE / Ret + 1	CY2021: EE / Ret + 2+	CY2022: EE / Ret Only	CY2022: EE / Ret + 1	CY2022: EE / Ret + 2+	Change
Basic Plan	▪ Rates are part of medical rate cards	\$3.95	\$7.92	\$11.20	\$3.95	\$7.92	\$11.20	No Change
Premier Plan	▪ Total premium rate	\$14.45	\$23.84	\$43.99	\$14.45	\$23.84	\$43.99	No Change
	▪ Member-paid contribution rate ^[1]	\$10.50	\$15.92	\$32.79	\$10.50	\$15.92	\$32.79	No Change
Computer VisionCare		\$0.83	N/A	N/A	\$0.83	N/A	N/A	No Change

[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.

Recommendation for HSB Action

Recommendation for HSB Action—VSP Vision Renewal

- It is recommended that the Health Service Board (HSB) approve the 2022 VSP vision plan insured premium rates and Premier Plan member contributions as outlined in this document—reflecting no change in premium rates and Premier Plan member contributions from 2021 amounts into the 2022 plan year.

Appendix—VSP Vision Plan Designs

Appendix—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:

Design Feature		Basic Plan	Premier Plan
Copays		\$10 Exam / \$25 Materials	\$10 Exam / \$0 Materials
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	(Non-Costco)	\$150	\$300
	(Costco)	\$80	\$165
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.