

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

## **Board Education**

Healthcare Transition from Active Employment to  
Early Retiree Status

August 10, 2023

# Healthcare Contribution Transition from Active Employment to Early Retiree Status

- This material outlines the member healthcare plan contribution transition when an employee covered through SFHSS healthcare plans transitions into retirement when not yet Medicare eligible (e.g., “early retiree” status).

## What Stays the Same?

- Deductibles, copays, coinsurance and out-of-pocket maximums for medical/ prescription drug (Rx) and vision plans
- Member contributions to purchase the Premier (buy-up) vision plan

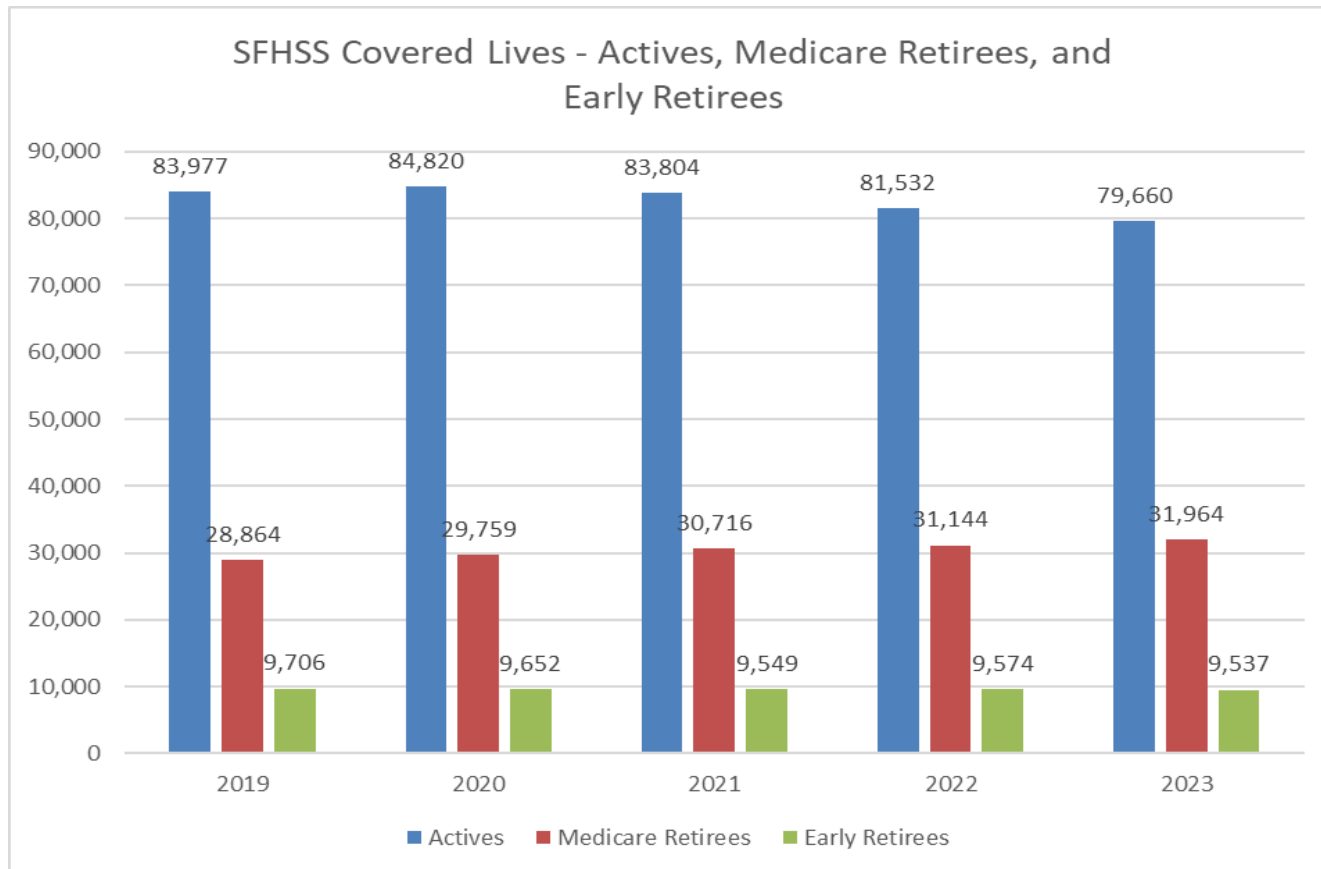
## What Changes?

- Member contributions for medical/Rx/Basic vision and dental\* coverage
- Dental plan deductibles, coinsurances, and annual maximum
- Life, accidental death and dismemberment (AD&D), and long-term disability insurances ends upon termination from active employment

\* NOTE: SFUSD and CCD active employees have dental coverage outside of SFHSS, but SFUSD and CCD retirees have dental coverage through SFHSS

# Distribution of SFHSS Covered Active Employees, Retirees, and Dependents (e.g., Covered Lives), 2019-2023

About 1-in-4 SFHSS retiree lives are Non-Medicare (e.g., “Early Retirees”), where health plan costs are higher (given no federal government funding) than for Medicare retirees where SFHSS Medicare plans are majority funded by the federal government.



# Healthcare Contribution Transition from Active Employment to Early Retiree Status

## Medical/Rx/Basic Vision Plans

- SFHSS health plan contributions generally increase for a person upon transition to early retirement—**especially for those covering dependents**—for two reasons.
- **FIRST REASON:** Higher total cost rates for early retirees versus active employees—reflecting a higher cost of health care on average for early retirees than for active employees.
- **SECOND REASON:** Differences in employer contribution amounts between active employees (driven by Memorandums of Understanding, or MOUs) and early retirees (driven by City Charter formulas)—where differences increase for covered dependents.

**2024 monthly health plan member contributions are shown on the next page for CCSF active employees and SFHSS early retirees—with information on how contributions are determined for each population segment following.**

# Member Contributions—2024 Monthly Amounts

Monthly member contributions (rounded to nearest dollar) in 2024 for CCSF active employees and SFHSS early retirees by plan and dependent coverage tier are shown below. CCSF active employees have two cost sharing formulas based on MOUs.

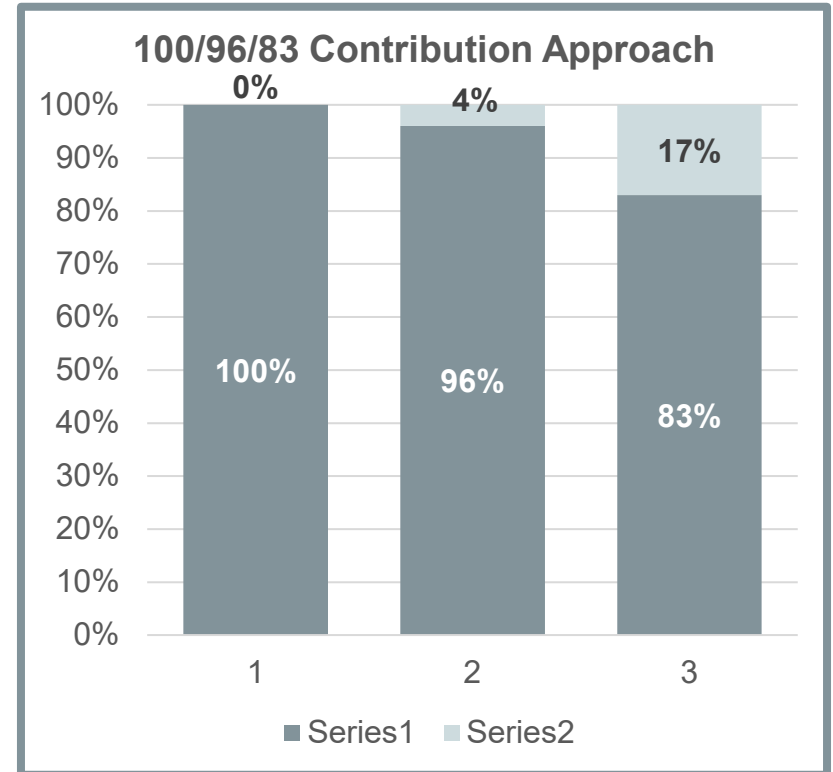
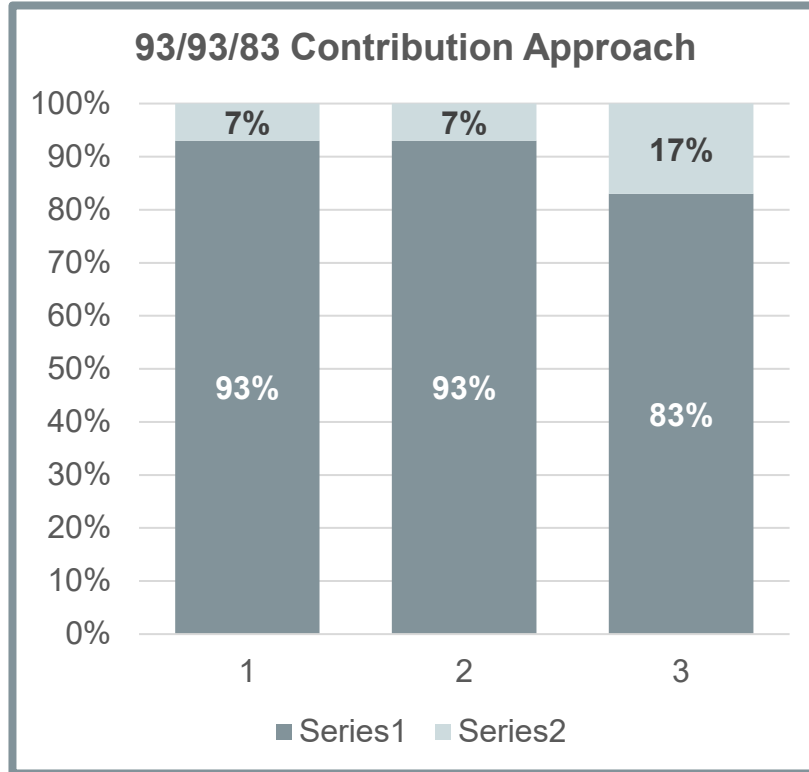
|                                    | Active Employees (93/93/83) |          |            | Active Employees (100/96/83) |          |            | Early Retirees (Full City Contribution) |           |             |
|------------------------------------|-----------------------------|----------|------------|------------------------------|----------|------------|---|-----------|-------------|
|                                    | EE Only                     | EE+1 Dep | EE+2+ Deps | EE Only                      | EE+1 Dep | EE+2+ Deps | RET Only                                | RET+1 Dep | RET+2+ Deps |
| <b>Monthly Member Contribution</b> |                             |          |            |                              |          |            |   |           |             |
| Non-Medicare PPO                   | \$464                       | \$844    | \$1,492    | \$0                          | \$779    | \$1,492    | \$327                                   | \$770     | \$1,477     |
| Non-Medicare PPO (CNA)             | \$75                        | \$150    | \$514      | \$0                          | \$86     | \$514      | \$132                                   | \$575     | \$1,282     |
| BSC Access+ HMO                    | \$75                        | \$150    | \$514      | \$0                          | \$86     | \$514      | \$132                                   | \$687     | \$1,573     |
| BSC Trio HMO                       | \$62                        | \$124    | \$425      | \$0                          | \$71     | \$425      | \$39                                    | \$498     | \$1,230     |
| Health Net CanopyCare HMO          | \$56                        | \$112    | \$383      | \$0                          | \$64     | \$383      | \$0                                     | \$414     | \$1,074     |
| Kaiser HMO                         | \$59                        | \$117    | \$401      | \$0                          | \$67     | \$401      | \$15                                    | \$431     | \$1,122     |

The majority of SFHSS early retirees are Retiree Only—with about 1-in-3 covering at least one dependent.

| Early Retiree Tier                  | Early Retiree Count | Percentage by Tier |
|-------------------------------------|---------------------|--------------------|
| Retiree Only                        | 3,467               | 64%                |
| Retiree Plus One Dependent          | 1,468               | 27%                |
| Retiree Plus Two or More Dependents | 482                 | 9%                 |
| Total Early Retirees                | 5,417               | 100%               |

# Active Employee City Contribution—CCSF Employees<sup>1</sup>

Member Contributions Determined by Percentage Cost Share of Medical/Rx/Basic Vision Total Cost Rate Based on MOUs<sup>2</sup>



<sup>1</sup> City and County of San Francisco (CCSF) MOU contribution sharing approaches shown above; other employers in SFHSS plans have their employer-specific contribution sharing methodologies for active employees.

<sup>2</sup> For the highest cost plan (Non-Medicare PPO Plan), based on MOU the employer contribution dollar amounts are set to equal the employer contribution dollar amounts for the second highest-cost plan (which is BSC Access+ HMO/UHC Select EPO), except for the Employee Only tier in the 100/96/83 contribution approach where the member pays no contribution for any plan.

# Active Employee City Contribution—Other Employers

## SFUSD and CCD Medical/Rx/Basic Vision Plans

- Employer contributions for the **Employee Only tier** vary by plan and tier—anchored to the 10-County Amount at minimum but could be higher for a given employee segment and/or plan depending on agreement.
- Employer contributions for the **Employee Plus One and Employee Plus Two or More tiers** vary by employee type and plan, based on agreements with each employee segment (generally employer contributions for family tiers will increase proportionately with total rate increases).
- Employee contributions for Medical/Rx/Basic vision plans then become total cost rates less the employer contribution amounts for each plan and tier—the number of pay periods for a given SFUSD employee in a year varies by type of employee.

## Municipal Court Medical/Rx/Basic Vision Plans

- Most Superior Court employees pay no contributions for Medical/Rx/Basic Vision coverage.

# Early Retiree City Contribution—Based on City Charter

## City Contribution Formula for Retirees Hired On or Before January 9, 2009— Receive “Full City Contribution”

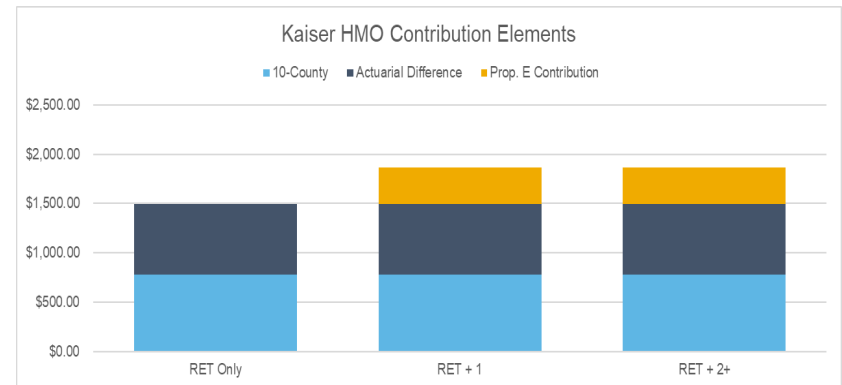
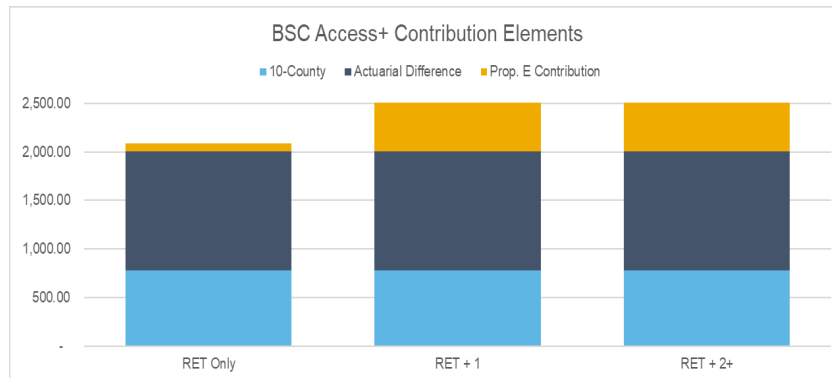
- Medical/Rx/Basic Vision plan employer contribution amounts are based on three components as outlined in the City Charter—two of which are developed separately for each plan (with text color matching graph element on next page):
  - 1) **Element that is same for all plans:** 10-County Amount (determined by annual survey; same dollar amount for all plans and dependent tiers)
  - 2) **First element that varies for each plan:** “Actuarial difference” which is the difference between the Early Retiree Only tier premium and the Active Employee Only tier premium for a given plan (dollar amounts vary by plan; within a plan, the same dollar amount applies to all dependent coverage tiers)
  - 3) **Second element that varies for each plan:** Retiree Prop. E Contribution which is 50% times [total cost rate cost, less 10-County amount, less “Actuarial Difference”]—performed for both Retiree Only tier and Retiree + 1 tier (dollar amounts vary by plan; within a plan, there is an amount for Retiree Only tier and a second amount for RET+1 and RET+2+ tiers)



# Early Retiree City Contribution—Based on City Charter

## Early Retiree City Contributions Based on Three Formula Components

### EXAMPLES FOR EARLY RETIREE EMPLOYER CONTRIBUTIONS: BSC Access+, Kaiser plans



Impact for early retirees from the City Contribution formula:

- Most of the dollars paid by the employers for City Contribution go to the retiree in coverage.
- The Prop. E portion of the formula provides some City Contribution for the **first dependent** in coverage—but a far lower dollar amount than for the retiree in coverage.
- There is no City Contribution for the **second and further dependents** in retiree coverage—the retiree must pay the full total cost increment from the Retiree + 1 tier to the Retiree + 2+ tier to cover their second and higher dependents.

# Member Contribution Change Magnitude by Dependent Coverage Tier—Active Employment to Early Retiree Status

| Dependent Coverage Tier                                  | Medical/Rx/Basic Vision Difference Magnitude Upon Transition   |  |
|--|--|--|
|  | 93/93/83 CCSF Actives  | 100/96/83 CCSF Actives   |
| Employee Only --> Early Retiree Only                     | Modest difference in transitioning from 7% of cost as active employee to early retiree status given "actuarial difference" City Charter formula element. In some cases, Early Retiree Only member contributions are lower than for Active Employee Only.         | Zero contribution as active to some contribution as retiree, though magnitude is moderated by "actuarial difference" City Charter formula element  |
| Employee + 1 Dependent --> Early Retiree + 1 Dependent   | <b>Widening gap</b> in transitioning from 7% of cost as active employee to early retiree status given Prop. E City Contribution element provides some incremental City contribution for first dependent, but nowhere close to the 93% level in active employment | <b>Widening gap</b> in transitioning from 4% of cost as active employee to early retiree status given Prop. E City Contribution element provides some incremental City contribution for first dependent, but nowhere close to the 96% level in active employment |
| Employee + 2+ Dependent --> Early Retiree + 2+ Dependent | <b>Widest gap</b> in transition to early retiree status given no incremental City contribution is provided for second/additional dependents (e.g., retiree must pay full total cost increment between RET+1 total cost rates and RET+2+ total cost rates)        | <b>Widest gap</b> in transition to early retiree status given no incremental City contribution is provided for second/additional dependents (e.g., retiree must pay full total cost increment between RET+1 total cost rates and RET+2+ total cost rates)        |

**NOTE:** dependent tier differentials reduce for Non-Medicare PPO given active employee City contributions are limited to 2nd highest cost plan levels.

# City Contribution For Those Hired After January 9, 2009

## City Contribution Formula for Retirees Hired After January 9, 2009—Requires At Least 20 Years of Service for “Full City Contribution”

- Retirees hired on or after January 10, 2009: medical/Rx/Basic Vision employer contributions vary by years of service:

| Service in Years          | Percentage of Full City Contribution Level |
|---------------------------|--|
| At Least 5, Less Than 10  | No City Contribution                       |
| At Least 10, Less Than 15 | 50% of Full Amount                         |
| At Least 15, Less Than 20 | 75% of Full Amount                         |
| At Least 20               | Full Amount (no reduction)                 |

**This will become increasingly important for post-January 9, 2009 hires contemplating retirement—currently 136 retirees hired after January 9, 2009 receive less than the full City Contribution for retiree health coverage.**

# Total, Employer, and Member Contributions (2024 Monthly Amounts)

Monthly rates and member contributions (rounded to nearest dollar) in 2024 for CCSF active employees and SFHSS early retirees earning full City Contribution by plan and dependent coverage tier are shown below.

|                              | Active Employees (93/93/83) |          |            | Active Employees (100/96/83) |          |            | Early Retirees (Full City Contribution) |           |             |
|------------------------------|-----------------------------|----------|------------|------------------------------|----------|------------|---|-----------|-------------|
|                              | EE Only                     | EE+1 Dep | EE+2+ Deps | EE Only                      | EE+1 Dep | EE+2+ Deps | RET Only                                | RET+1 Dep | RET+2+ Deps |
| <b>Total Plan Rates</b>      |                             |          |            |                              |          |            |   |           |             |
| Non-Medicare PPO             | \$1,459                     | \$2,832  | \$4,002    | \$1,459                      | \$2,832  | \$4,002    | \$1,965                                 | \$2,851   | \$3,558     |
| Non-Medicare PPO (CNA)       | \$1,070                     | \$2,138  | \$3,024    | \$1,070                      | \$2,138  | \$3,024    | \$1,965                                 | \$2,851   | \$3,558     |
| BSC Access+ / UHC Select     | \$1,070                     | \$2,138  | \$3,024    | \$1,070                      | \$2,138  | \$3,024    | \$2,473                                 | \$3,583   | \$4,469     |
| BSC Trio / UHC Doctors       | \$885                       | \$1,766  | \$2,498    | \$885                        | \$1,766  | \$2,498    | \$2,042                                 | \$2,959   | \$3,691     |
| Health Net CanopyCare        | \$799                       | \$1,594  | \$2,254    | \$799                        | \$1,594  | \$2,254    | \$1,842                                 | \$2,670   | \$3,330     |
| Kaiser (status quo design)   | \$836                       | \$1,668  | \$2,359    | \$836                        | \$1,668  | \$2,359    | \$1,680                                 | \$2,512   | \$3,203     |
| <b>Employer Contribution</b> |                             |          |            |                              |          |            |   |           |             |
| Non-Medicare PPO             | \$995                       | \$1,988  | \$2,510    | \$1,459                      | \$2,052  | \$2,510    | \$1,638                                 | \$2,081   | \$2,081     |
| Non-Medicare PPO (CNA)       | \$995                       | \$1,988  | \$2,510    | \$1,070                      | \$2,052  | \$2,510    | \$1,833                                 | \$2,276   | \$2,276     |
| BSC Access+ / UHC Select     | \$995                       | \$1,988  | \$2,510    | \$1,070                      | \$2,052  | \$2,510    | \$2,341                                 | \$2,896   | \$2,896     |
| BSC Trio / UHC Doctors       | \$823                       | \$1,643  | \$2,074    | \$885                        | \$1,696  | \$2,074    | \$2,003                                 | \$2,461   | \$2,461     |
| Health Net CanopyCare        | \$743                       | \$1,482  | \$1,871    | \$799                        | \$1,530  | \$1,871    | \$1,842                                 | \$2,256   | \$2,256     |
| Kaiser (status quo design)   | \$777                       | \$1,552  | \$1,958    | \$836                        | \$1,602  | \$1,958    | \$1,665                                 | \$2,081   | \$2,081     |
| <b>Member Contribution</b>   |                             |          |            |                              |          |            |   |           |             |
| Non-Medicare PPO             | \$464                       | \$844    | \$1,492    | \$0                          | \$779    | \$1,492    | \$327                                   | \$770     | \$1,477     |
| Non-Medicare PPO (CNA)       | \$75                        | \$150    | \$514      | \$0                          | \$86     | \$514      | \$132                                   | \$575     | \$1,282     |
| BSC Access+ / UHC Select     | \$75                        | \$150    | \$514      | \$0                          | \$86     | \$514      | \$132                                   | \$687     | \$1,573     |
| BSC Trio / UHC Doctors       | \$62                        | \$124    | \$425      | \$0                          | \$71     | \$425      | \$39                                    | \$498     | \$1,230     |
| Health Net CanopyCare        | \$56                        | \$112    | \$383      | \$0                          | \$64     | \$383      | \$0                                     | \$414     | \$1,074     |
| Kaiser (status quo design)   | \$59                        | \$117    | \$401      | \$0                          | \$67     | \$401      | \$15                                    | \$431     | \$1,122     |

# Dental and Vision Plan Transitions

## Dental Coverage Becomes Fully Member Paid Upon Retirement

- Active employee PPO and dental HMO plan designs generally pay higher amounts at time of service due to lower deductibles, higher coinsurance levels, and higher plan annual maximum in active employee dental coverage vs. retiree dental coverage (see Appendix pages for active employee PPO and retiree PPO plan design information).
- Active employees (CCSF, Court) pay \$5/\$10/\$15 per month by tier for the active dental PPO plan, and no contributions for active dental HMO plans (SFUSD and CCD employees do not receive dental plans through SFHSS).
- Retirees pay full premium costs for dental—2024 monthly contributions are:

| <b>Plan</b>        | <b>RET Only</b> | <b>RET + 1</b> | <b>RET + 2+</b> |
|--------------------|-----------------|----------------|-----------------|
| Delta Dental PPO   | \$50.25         | \$99.93        | \$149.14        |
| DeltaCare USA DHMO | \$32.22         | \$53.17        | \$78.65         |
| UHC Dental HMO     | \$14.38         | \$23.74        | \$35.11         |

- Member contributions for the Premier (Buy-Up) VSP vision plan are the same for active employees and retirees.

# Summary—Healthcare Transition Into Retirement

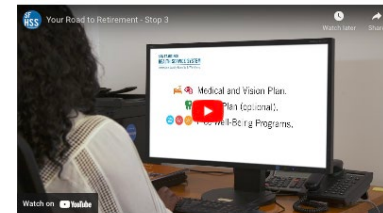
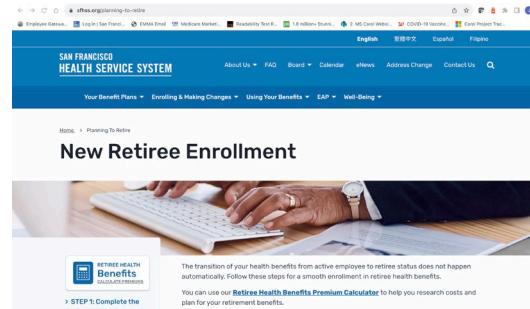
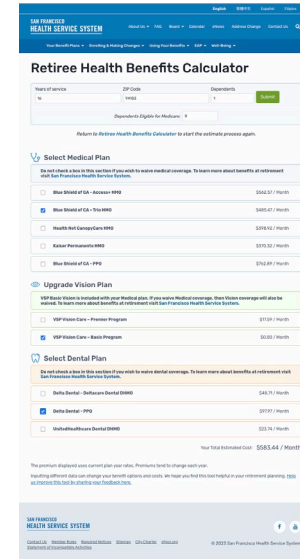
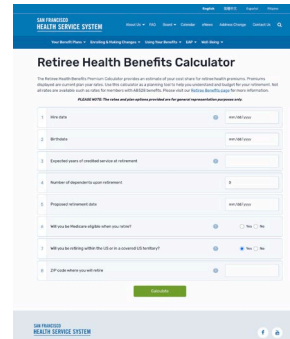
## Advance Planning Is Key

- Healthcare contributions will increase most notably for active employees transitioning into early retirement who cover dependents—especially if covering two or more dependents.
- Dental coverage into retirement transitions from nominal employee contributions for dental PPO coverage (or none for dental HMO coverage) to fully-paid by the retiree.
- Employer life insurance and long-term disability insurance ends at retirement.

**Planning is all the more pronounced for employees hired after January 9, 2009 who do not plan to work for at least 20 years, since City Contributions for health care will be less than the Full Amounts.**

# SFHSS Resources for Members Transitioning to Retirement

- One-on-One Retiree Consultations with a Benefits Analyst
  - Consultations in the Past Year: 3,372
- Group Health Benefits Retirement Webinars Hosted by SFHSS or by Department Invitation
- Dedicated Webpage with Step-by-Step Instructions to Help Members Prepare for Retirement with Health Benefits
- 3-Part *Road to Retirement* Video Series Educating Members on What They Need to do to Retire with Health Benefits
- **\*NEW\*** *Retiree Health Benefits Premium Calculator*



# Appendix—Active Employee Dental PPO Plan Design

| 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  |   |   |
| Annual Plan Year Maximum   | \$2,500 per person (excluding orthodontia and diagnostic/preventive services)  |   |   |
| Covered Services   |  |   |   |
| Cleanings and Exams  | 100% covered   | 80% covered                               | 80% covered                             |
| X-rays   | 100% covered   | 80% covered                               | 80% covered                             |
| Extractions  | 90% covered  | 80% covered                               | 60% covered                             |
| Fillings   | 90% covered  | 80% covered                               | 60% covered                             |
| Crowns   | 90% covered  | 80% covered                               | 60% covered                             |
| Dentures/Pontics/Bridges   | 50% covered  | 50% covered                               | 50% covered                             |
| Endodontic/Root Canals   | 90% covered  | 80% covered                               | 60% covered                             |
| Oral Surgery   | 90% covered  | 80% covered                               | 60% covered                             |
| Implants   | 50% covered  | 50% covered                               | 50% covered                             |
| Orthodontia  | 50% covered to a \$2,500 Lifetime Maximum  | 50% covered to a \$2,000 Lifetime Maximum | 50% covered to \$1,500 Lifetime Maximum |
| Night Guards   | 80% covered (1 x 3 years)  | 80% covered (1 x 3 years)                 | 80% covered (1 x 3 years)               |
| <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 <a href="http://sfhss.org">sfhss.org</a> |  |   |   |



# Appendix—Retiree Dental PPO Plan Design

Deductible applies for certain Premier/Out-of-Network services; lower annual plan maximum than for actives; some differences in plan-paid coinsurance

| 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> |  |                     |