

SFHSS Annual Benefit Contracts Market Evaluation and Assessment

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Presenters:

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Agenda

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2. Summary of Benefit Plans and Administrators
3. Approach to Assessment and Market Evaluation of Benefit Agreements
4. Previous and Current Benefit Assessments
5. Intent to Issue a Life and Long-Term Disability Insurances RFP for PY2026
6. Life and Disability Insurance Evaluation and Market Assessment

Introduction

The SFHSS Contracts Division reports on the status of the contracts under SFHSS jurisdiction each year.

In August/September, SFHSS informs the Board of planned RFPs and/or RFIs.

SFHSS has assessed current contracts and is informing the Board today that one contract merits a public notice—the active employee life and disability insurance programs.

Summary of Benefit Plans and Administrators

Summary of Benefit Plans and Administrators

SFHSS manages

- 27 benefit plans (medical, dental, vision, basic life and employer-paid long-term disability (LTD) plans, and iterations).
- 25 basic life insurance certificates.
- 3 LTD insurance certificates (90-day, 180-day, voluntary).

These plans, plan iterations and underlying benefits are negotiated annually across 12 to 13 agreements.

Summary of Benefit Plans and Administrators

Plan(s)	Current Administrator(s)
Basic Life and LTD Insurances	Hartford
Dental (PPO and DHMO)	Delta Dental-PPO/DHMO, UnitedHealthcare (UHC)-DHMO
Commercial Health (non-Medicare Active/Retiree, HMO and PPO)	Blue Shield of California (BSC)-HMO/PPO, HealthNet-HMO, Kaiser-HMO, UHC-EPO/PPO
Medicare Health (Medicare Retiree)	Kaiser-MA HMO, UHC-MA PPO, BSC-MA PPO (1/1/2025)
Vision	Vision Service Plan (VSP)

SFHSS Approach to Assessment and Market Evaluation of Benefit Contracts

Assessment and Market Evaluation of Benefit Contracts

- **Ongoing market awareness and assessments** by the SFHSS and Aon teams as well as Aon subject-matter experts for specific lines of business and benefits.

- **Targeted market assessments** (annually August - December):
 - Annual SFHSS presentations to the Board (August/September)
 - Targeted internal market assessments at the request of SFHSS
 - Formal Requests for Information (RFI), presentation(s) to the Board

- **Competitive Procurements/Requests for Proposals (RFPs):**
 - Completed prior to end of annual rates and benefits process
 - Run concurrently with annual renewal process for targeted benefit

Request for Information (RFI) and Request for Proposal (RFP)

- SFHSS may formally invite administrators or carriers to respond to a written Request for Information or RFI.
- An RFI differs from an RFP in several ways:

	RFI	RFP
Scope	Broad, forward-looking	Narrowly-tailored
Timeline	Two (2) to Three (3) Months	Six (6) to Nine (9) Months
Financials	Voluntary	Mandatory
Process	Fact-finding, open discussion, fewer restrictions on participation	Evaluation panel and scoring, SFHSS recommendation to Board
Binding	No	Yes
Possible Result(s)	Issue RFP, delay RFP, future market assessments	Executed agreement; multiple-year rate/premium commitment(s).

Previous and Current Benefit Assessments

Previous Benefit Assessments: Commercial (Active and Non-Medicare Retiree) Health Plans

Plan Year 2022 Commercial Medical Plan Request for Proposal

- **Market assessments and board presentations (2017 - 2020):**
 - Assessed additional plan offerings, rebate shares; evaluated fees and premiums, performance guarantee (PG) benchmarks and reporting.

- **Scope determination and public discussion (2019 – 2020):**
 - Identified self-funded PPO and (flex-funded) HMO plans;
 - Additional HMO option(s), premium and fee savings, clinical advocacy and Member support, PGs, reporting, increased wellbeing funding.

- **Results:** RFP result and HSS recommendation approved by HSB (2/11/2021)
 - Added Health Net CanopyCare HMO offering effective January 1, 2022
 - Achieved 100% Rx rebate share and lowered admin fees by ~25%.
 - Increased performance guarantee benchmarks and wellbeing funds;
 - Successful transition of Active PPO administration to Blue Shield.

SFHSS Benefit Assessment for Plan Year 2025

Multiyear Life and LTD Insurance Agreement expires December 31, 2025

Assessment: SFHSS intent to issue life and LTD insurances RFP for Plan Year 2026

SFHSS Benefit Assessment for Plan Year 2026

Multiyear Dental and Vision agreements expire December 31, 2026:

- Delta Dental PPO
- Delta Dental DHMO (note: UHC Dental HMO renewal is annual)
- VSP Vision (Basic and Premier)

Assessment: due to the current three (3) year rate guarantee (Delta Dental) and five (5) year rate lock (VSP Vision) both in place through PY2026, SFHSS will consider the following for PY2027 dental and vision benefits:

- Conducting an early renewal in July-August 2025
- Issuing one or more Requests for Information (RFI)
- Issuing a Dental and/or Vision RFP in late 2025 for plan year 2027

SFHSS Benefit Assessment—Other Plans

- **Medicare Advantage (MAPD) PPO Plan:**
 - PY2025 RFP completed this year
 - July – December 2025 administration transition and implementation
 - Assessments and reporting to the Board through PY2025

- **Kaiser Permanente HMO and Senior Advantage (KPSA)**
 - Unique staff model (fully integrated)
 - Competitive pricing through annual renewals and negotiations

- **Dental Benefit Providers of California, Inc. DBA United Healthcare Dental (Fully Insured-DMO)**
 - Enrollment: 1,940 (2024 Demographic Report)
 - Competitive annual renewals.

- **P&A (FSA and COBRA Administration)**
 - High degree of market competition
 - SFHSS to consider an RFI in 2025 and/or RFP in 2026

SFHSS Intent to Issue Life and LTD Insurances RFP for PY2026

Intent to Issue Life and LTD Insurances RFP

SFHSS intends to issue a competitive RFP for life and LTD insurance benefits, including, but not limited to, basic life and LTD insurance coverages required through Union-negotiated Memoranda of Understanding (MOUs) for Active City and County of San Francisco and San Francisco Superior Court employees, with coverage beginning January 1, 2026 (Plan Year 2026).

Basic Life and LTD Insurance—Carrier History

- Basic Life and LTD is currently provided by The Hartford
- Carrier history:
 - RFP for Basic Life and LTD PY2013 (Aetna)¹
 - Hartford acquired Aetna Life/LTD book of business in 2017.
 - Official conversion to Hartford for PY2020.
 - Current rates based on three-year commitment (2023 – 2025).

¹ Prior to 2013, ING (for Life) and Unum (for LTD)

Summary of Current Basic Life and LTD Insurance Benefits

- Basic Life Insurance (employer-paid)
 - \$50,000 - \$150,000 (varies by MOU)
 - [Group Life Insurance | San Francisco Health Service System \(sfhss.org\)](#)

- LTD Insurance (employer-paid)
 - 180-day elimination (60%)
 - 90-day elimination (66.6667%)
 - [Long-Term Disability Insurance | San Francisco Health Service System \(sfhss.org\)](#)

Supp. Life, AD&D, and Short-Term Disability Insurance

- The Hartford
 - Supplemental (Supp.) Life Insurance for Employees and Dependents (voluntary, 100% member-paid)
 - Accidental Death and Dismemberment (AD&D) Insurance for Employees and Dependents (voluntary, 100% member-paid)
- Manhattan Life
 - Supplemental Short-Term Disability Insurance

Supp. Life, AD&D and Short-Term Disability insurance may be elected voluntarily by active employees with employer-paid basic life, including City and County of San Francisco and San Francisco Superior Court Employees, and certain collective bargaining groups.

Life, AD&D, and LTD Insurances — Recent Rate Actions and Utilization

- There have been three (3) recent periods of three (3) year rate agreements with Aetna/Hartford since the start of 2017 (2017-2019, 2020-2022 and 2023-2025).
- Insurance rates progression, 2017 to 2025:
 - Basic life insurance rate is 11.25% higher in 2025 than in 2017.
 - LTD insurance rates are 40% lower in 2025 than in 2017.
 - Employee-paid supp. insurance rates are at least 20% lower in 2025 than in 2017.
- Even with the rate reductions over time for LTD and supp. insurances, claim loss ratios (claims divided by premiums) remain favorable to the insurer—leading to potential to further reduce rates for all coverages via an RFP process.
- Annually, there are approximately 20 employee deaths and 35 new LTD claims.

Life and Disability Insurance Market Trends

- **Digitalization of Life Insurance:** The life insurance sector is embracing digital innovation to enhance processes like underwriting, policy management, and customer engagement. Digital tools, data analytics, and online platforms are transforming how life insurance is delivered to policyholders.
- **Enhanced support for surviving family members and disabled employees.**
- **High degree of market competition.¹**
- **Market growth:**
 - % of adults reporting not having sufficient Life/LTD coverage
 - Health factors affecting life insurance quotes (open market)
 - % of adults overestimating the cost of a policy
 - % of Americans with life insurance

¹ Among others, this list includes The Hartford, MetLife, Unum, Lincoln Financial, The Standard, Guardian, Sun Life, Mutual of Omaha, and Prudential.

Criteria for a Life and Disability Insurance RFP

Based on recent rating actions, utilization, and current market trends, SFHSS expects the following from a competitive RFP for life and LTD benefits:

- Affordable and predictable rates for both employer-paid and member-paid (voluntary) benefits through a multiyear rate commitment (minimum 3 years);
- Material impact to cost of employer-paid Basic Life and LTD (\$7M in 2025); and
- Reduction in cost of employee-paid Supp. Life and AD&D — with increased education, enrollment, digital tools and other Member resources.

Board Discussion