

San Francisco Health Service System Health Service Board

Rates & Benefits

Review and Approve VSP Vision Fully Insured 2026 Rates
and Contributions

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Agenda

VSP Vision Fully Insured 2026 Rates and Contributions

- **Rate Setting Methodology Preface**
- **Vision Service Plan (VSP) 2026 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—**VSP Vision is Fully Insured**

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 Calculates the Recommended SFHSS Plan Rates That HSB Approves?	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"> • Non-Medicare PPO • Delta Dental Active Employee PPO 	<ul style="list-style-type: none"> • Blue Shield of CA Access+ HMO • Blue Shield of CA Trio HMO • Health Net CanopyCare HMO 	<ul style="list-style-type: none"> • All Kaiser HMO plans • BSC Medicare Advantage PPO • Delta Dental Retiree PPO • DeltaCare 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 2026 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:

$$\frac{\text{2026 Total Projected Plan Cost}}{\text{2025 Rates x Enrollment}} = \text{Needed Rate Change Factor (2026 vs. 2025)}$$

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VSP Vision Fully Insured 2026 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.
- Almost 21,000 SFHSS employees also have access to VSP’s Computer Vision Care (CVC) benefit.
- This document outlines recommendations for the 2026 renewal for the VSP plans offered by SFHSS—the fifth and last year of an original 2022-2026 plan year rating agreement between SFHSS and VSP.

Today's Recommendation

VSP Vision Fully Insured Rate Renewal

- It is recommended that the Health Service Board (HSB) approve the following today for the 2026 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.

- Specific information on proposed 2026 plan rates is outlined on the following pages.

Current 5-Year Agreement Background

VSP's Original Fully Insured Rate Renewal Commitment, 2022-2026

- 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:

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 remains same as prior year through 2026.
- Rates were adjusted into the 2023 plan year for the Year 2 provision above, as well as to reflect the addition of certain lens enhancements (ultraviolet light protection, blue light protection, and anti-glare) into the VSP vision plan coverages.

* VSP's original commitment for 2023 and 2025 renewals: overall not-to-exceed 2% increase will be needed if blended Premium Loss Ratio is 100% or over. VSP will calculate 2% of total premium, less CVC and apply total increase to the Premier Plan.

2026 VSP Vision Fully Insured Rate Renewal

2026 Renewal Action—No Change from 2025 Rates

- In addition to Basic Plan and Premier Plan monthly rates shown below, the Computer Vision Care (CVC) benefit rate remains at 2025 level into 2026 (\$1.04 per employee per month, or PEPM).

Monthly Vision Plan Rates (PEPM)

Tier	Basic Plan (No Change)		Premier Plan (No Change)	
	2025	2026	2025	2026
Subscriber Only	\$4.15	\$4.15	\$16.02	\$16.02
Subscriber + 1 Dependent	\$8.32	\$8.32	\$26.43	\$26.43
Subscriber + 2+ Dependents	\$11.76	\$11.76	\$48.78	\$48.78

Recent Loss Ratio Experience—All Plans

VSP Vision Fully Insured Rate Renewal

Combined Plans Financial Experience, 2018–2024

- 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 overall loss ratio has declined each year since 2021 – now 101.2% for 2024.

ALL PLANS (BASIC, PREMIER, AND CVC BENEFIT)

Time Frame	Premium	Claims	Fees (e.g., retention)	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	\$9,296,230	\$9,360,801	\$836,659	\$10,197,460	109.7%
2022	\$9,603,357	\$9,283,669	\$864,302	\$10,147,971	105.7%
2023	\$10,858,580	\$10,122,637	\$977,272	\$11,099,909	102.2%
2024	\$11,411,371	\$10,517,674	\$1,027,023	\$11,544,697	101.2%

Recent Loss Ratio Experience—Basic Plan Only

VSP Vision Fully Insured Rate Renewal

Basic Plan Financial Experience, 2018–2024

- Loss ratios are expected to be favorable for the Basic Plan as those with more intensive vision care needs tend to enroll in the Premier Plan (see next page).

Basic Plan Only

Time Frame	Premium	Claims	Fees (e.g., retention)	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%
2022	\$3,670,666	\$2,663,718	\$330,360	\$2,994,078	81.6%
2023	\$3,719,956	\$2,739,658	\$331,348	\$3,071,006	82.6%
2024	\$3,549,535	\$2,567,347	\$319,458	\$2,886,805	81.3%

Recent Loss Ratio Experience—Premier Plan Only

VSP Vision Fully Insured Rate Renewal

Premier Plan Financial Experience, 2018–2024

- Loss ratios have exceeded 100% for the Premier Plan given those paying the incremental premiums to buy up to Premier benefits utilize the plan at a higher rate than Basic Plan members—though the loss ratio has decreased year to year since 2021.

Premier Plan Only

Time Frame	Premium	Claims	Fees (e.g., retention)	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%
2022	\$5,900,191	\$6,613,781	\$531,017	\$7,144,798	121.1%
2023	\$7,125,299	\$7,373,015	\$641,152	\$8,014,167	112.5%
2024	\$7,847,697	\$7,939,222	\$706,292	\$8,645,514	110.2%

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 2025 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	2023	2024	2025
Covered Employees/Retirees								
Basic Plan	58,937	55,412	53,173	51,741	49,690	47,135	46,138	45,215
Premier Plan	10,488	15,034	17,847	19,064	20,535	22,566	25,082	27,300
VSP Plans Total	69,425	70,446	71,020	70,805	70,225	69,701	71,220	72,515
Distribution of Enrollees								
Basic Plan	85%	79%	75%	73%	71%	68%	65%	62%
Premier Plan	15%	21%	25%	27%	29%	32%	35%	38%

Source: SFHSS Demographic Report, 2018-2024; VSP data for January 2025

2026 VSP Vision Fully Insured Rate Renewal—Monthly

VSP Vision Fully Insured Rate Renewal

Proposed Monthly 2026 Plan Year Rates and Premier Plan Member Contributions

	CY2025			CY2026			Percent Change
	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	\$4.15	\$8.32	\$11.76	\$4.15	\$8.32	\$11.76	0.0%
Premier Plan							
Total premium rate	\$16.02	\$26.43	\$48.78	\$16.02	\$26.43	\$48.78	0.0%
Member-paid contribution rate ^[1]	\$11.87	\$18.11	\$37.02	\$11.87	\$18.11	\$37.02	0.0%
Computer Vision Care (CVC)	\$1.04	N/A	N/A	\$1.04	N/A	N/A	0.0%

[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.

2026 VSP Vision Fully Insured Rate Renewal—Annualized

Projected Aggregate 2026 Premiums and Member Contributions

Based on Annualized January 2025 Premiums

	Basic Plan	Premier Plan - Basic Portion	Total Portion Included in Rate Cards for Basic*	Member-Paid Premier Plan Increment	SFHSS-Paid CVC Benefit	Total VSP Premium Dollars
Projected 2026 Annual Premium	\$3,375,000	\$2,260,000	\$5,635,000	\$6,150,000	\$262,000	\$12,047,000

* Based on contribution cost sharing formulas (MOUs for active employees, City Charter for retirees), employers pay approximately 88% of overall Basic premiums and members pay remaining 12% within their medical plan contributions. Thus, of the \$5,635,000 total projected 2026 Basic premium portion in rate cards, members are projected to pay approximately \$676,000 of this amount in plan year 2026 – with employers paying the remaining \$4,959,000 (for a total of \$5,221,000 including the CVC benefit cost).

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Recommendation for HSB Action

Recommendation for HSB Action—VSP

VSP Vision Fully Insured Rate Renewal

It is recommended that the Health Service Board (HSB) approve the 2026 VSP vision plan monthly insured premium rates and Premier Plan member contributions as outlined below.

	CY2025			CY2026			Percent Change
	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	\$4.15	\$8.32	\$11.76	\$4.15	\$8.32	\$11.76	0.0%
Premier Plan							
Total premium rate	\$16.02	\$26.43	\$48.78	\$16.02	\$26.43	\$48.78	0.0%
Member-paid contribution rate ^[1]	\$11.87	\$18.11	\$37.02	\$11.87	\$18.11	\$37.02	0.0%
Computer Vision Care (CVC)	\$1.04	N/A	N/A	\$1.04	N/A	N/A	0.0%

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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 0.50 diopter or more and change in axis of 15 degrees or more.*