

San Francisco Health Service System Health Service Board

Rates & Benefits

2018 Dental Renewal

June 8, 2017

Executive Summary

The San Francisco Health Service System (SFHSS) offers six dental plans to members. The Delta Dental of California PPO plan for actives is self-insured and the remaining five plans are fully insured. The plans offered are as follows:

- ▶ Delta Dental of California Self-Insured PPO for Actives
- ▶ Delta Dental of California Fully Insured PPO for Retirees
- ▶ DeltaCare Fully Insured HMO for Actives
- ▶ DeltaCare Fully Insured HMO for Retirees
- ▶ Pacific Union Fully Insured HMO for Actives
- ▶ Pacific Union Fully Insured HMO for Retirees

This report summarizes the recommended rate actions for 2018. The highlights of these recommendations are found on the following slides.

Executive Summary (continued)

Delta Dental of California Plans:

- ▶ Delta Dental of California Self-Insured PPO for Actives:
 - The administrative fee for the active PPO plan is currently \$4.35 per employee per month (PEPM) and is guaranteed through December 31, 2018
 - Claims experience and calculated case specific trend leads to a recommended rate decrease of 2.3% for 2018

- ▶ Delta Dental of California Fully Insured PPO for Retirees:
 - A premium increase of 3% (from 2017) was offered for January 1, 2018 through December 31, 2018

Executive Summary (continued)

DeltaCare Plans:

- ▶ DeltaCare Fully Insured HMO for Actives:
 - Current rates have been extended on a guaranteed basis through December 31, 2018

- ▶ DeltaCare Fully Insured HMO for Retirees:
 - Current rates have been extended on a guaranteed basis through December 31, 2018

Executive Summary (continued)

Pacific Union Plans:

- ▶ Pacific Union Fully Insured HMO for Actives:
 - Current rates have been extended on a guaranteed basis through December 31, 2018

- ▶ Pacific Union Fully Insured HMO for Retirees
 - Current rates have been extended on a guaranteed basis through December 31, 2018

Delta Dental of California Plans

2016 Self-Insured PPO Plan Claims Experience—Actives

Month	EE	EE + 1	EE + 2	Total Subscribers	Dependents	Average Contract Size	EE Rate	EE + 1 Rate	EE + 2 Rate	Monthly Premium	Paid Claims	Paid Loss Ratio	Incurred Claims	Incurred Loss Ratio
Jan-16	10,904	7,891	10,875	29,670	39,370	2.33	\$64.02	\$134.44	\$192.05	\$3,847,451	\$3,636,521	95%	\$3,895,161	101%
Feb-16	11,041	7,907	10,907	29,855	39,478	2.32	\$64.02	\$134.44	\$192.05	\$3,864,518	\$3,524,932	91%	\$3,398,459	88%
Mar-16	11,113	7,931	10,930	29,974	39,553	2.32	\$64.02	\$134.44	\$192.05	\$3,876,771	\$4,386,449	113%	\$3,832,253	99%
Apr-16	11,203	7,919	10,946	30,068	39,585	2.32	\$64.02	\$134.44	\$192.05	\$3,883,992	\$3,361,990	87%	\$3,502,889	90%
May-16	11,274	7,939	10,967	30,180	39,657	2.31	\$64.02	\$134.44	\$192.05	\$3,895,259	\$3,261,499	84%	\$3,381,102	87%
Jun-16	11,306	7,926	10,957	30,189	39,585	2.31	\$64.02	\$134.44	\$192.05	\$3,893,640	\$4,020,910	103%	\$3,627,277	93%
Jul-16	11,338	7,823	10,917	30,078	39,379	2.31	\$64.02	\$134.44	\$192.05	\$3,874,159	\$3,181,681	82%	\$3,370,612	87%
Aug-16	11,338	7,867	10,927	30,132	39,406	2.31	\$64.02	\$134.44	\$192.05	\$3,881,995	\$3,230,427	83%	\$3,579,042	92%
Sep-16	11,368	7,894	10,929	30,191	39,436	2.31	\$64.02	\$134.44	\$192.05	\$3,887,929	\$3,619,983	93%	\$3,002,409	77%
Oct-16	11,381	7,927	10,958	30,266	39,537	2.31	\$64.02	\$134.44	\$192.05	\$3,898,767	\$2,960,085	76%	\$3,153,477	81%
Nov-16	11,373	7,965	10,953	30,291	39,557	2.31	\$64.02	\$134.44	\$192.05	\$3,902,404	\$2,867,317	73%	\$3,145,929	81%
Dec-16	11,465	7,987	10,965	30,417	39,606	2.30	\$64.02	\$134.44	\$192.05	\$3,913,555	\$3,766,774	96%	\$3,903,807	100%
Total / Averages				30,109						\$46,620,441	\$41,818,569	90%	\$41,792,416	90%
Surplus / (Deficit)											\$4,801,872		\$4,828,025	

Delta Dental of California Plans (continued)

2016 Self-Insured PPO Plan Claims Experience—Actives

■ Observations:

- ▶ Paid claims costs varied considerably throughout the 2016 calendar year from \$4.3M in March 2016 to \$2.9M in November 2016 with an annual average of \$3.4M
- ▶ Enrollment levels have increased slightly from 29,670 in January 2016 to 30,417 in December 2016
- ▶ The incurred loss ratio is 90% and the paid loss ratio is 90%

Delta Dental of California Plans

Self-Insured PPO Plan Rating Action—Actives

	EE	EE+1	EE+2
January 2017 Enrollment	11,474	9,568	9,744
2018 Self-Insured Active Delta Dental PPO Rates (Monthly)	\$67.41	\$141.57	\$202.24
Claims Stabilization Offset	(\$4.38)	(\$9.19)	(\$13.13)
2018 Self-Insured Recommended Rates (Monthly)	\$63.04	\$132.38	\$189.11
2018 Self-Insured Recommended Rates (Bi-Weekly)	\$29.10	\$61.10	\$87.28
2017 Self-Insured Active Delta Dental PPO Rates (Monthly)	\$64.51	\$135.48	\$193.54
<i>Change From Current</i>	<i>-2.3%</i>	<i>-2.3%</i>	<i>-2.3%</i>

Delta Dental of California Plans (continued)

Self-Insured PPO Plan Rating Action—Actives

■ Notes:

- ▶ The chart above reflects Aon's recommended 2018 rate decrease of 2.3% over 2017 rates on a tier specific basis
- ▶ Claims for January 2015 through December 2016 were used to project 2018 claims and included a 3.0% annual trend assumption
- ▶ The rating margin was set at 2.0% and the administration fee is \$4.35 PEPM
- ▶ Also included is the amortization of the rate stabilization reserve

Delta Dental of California Plans

Fully Insured PPO Plan Rating Action—Retirees

- The monthly rates below are through December 31, 2018:

Rate Tier	Monthly Rates		
	2016	2017	2018
Retiree	\$42.94	\$42.94	\$44.23
Retiree + 1	\$85.42	\$85.42	\$87.98
Retiree + 2	\$127.49	\$127.49	\$131.31
Increase / (Decrease)	(6.0%)	0.0%	3.0%

Delta Dental of California Plans (continued)

Fully Insured PPO Plan Design Options—Retirees

- The Delta Dental of California PPO plan for retirees is not as rich as the PPO plan offered to active employees
- Many retirees find this to be burdensome citing that they incur more dental expenses as a retiree than when they were an active employee
- The retiree PPO plan is not subsidized, and therefore 100% retiree paid
 - This creates a complication in regards to available funding mechanics (must be fully-insured) and means that any rate increase, whether from design change or market increase, will be passed directly to the retirees in this plan
- In response to recent requests for design enhancements, several quotes have been provided by Delta Dental

Delta Dental of California Plans (continued)

Fully Insured PPO Plan Design Options—Retirees

- In March 2014, HSS surveyed the 26,200 retirees and surviving spouse HSS members. A total of 5,383 survey responses were received representing a 20% participation rate
- Two relevant questions from that survey are provided:

Question #1:

If you could only choose one of the Delta Dental Plan options below, which would it be?

	No Change	Exempt preventative care from Max	\$1200 Premier & \$1500 PPO	Exempt preventative + \$1200/\$1500	Same as the active plan \$2500
Mail/Fax	1048	852	258	452	650
Online	695	378	182	256	533
TOTAL	1743	1230	440	708	1183
%	33%	23%	8%	13%	22%

Question #2:

How much would you be willing to pay to make changes to the Delta Dental plan? (Any benefit changes made will result in increased premium costs paid by enrolled retirees)

	I cannot afford to pay any increase	\$5 more per person per month	\$6 more per person per month	\$10 more per person per month	\$25 more per person per month
Mail/Fax	1252	679	309	477	559
Online	600	415	194	356	479
TOTAL	1852	1094	503	833	1038
%	35%	21%	9%	16%	20%

Delta Dental of California Plans (continued)

Fully Insured PPO Plan Design Options—Retirees

- In 2015 the PPO plan was changed so that the benefit maximum does not apply to the Diagnostic and Preventive procedures (similar to increasing the benefit maximum by \$250-\$500)
- The following additional scenarios have been quoted by Delta Dental of California:
 - 1. High/Low Offering:** Retirees would have the choice to purchase either the existing PPO plan or a plan that mirrors the active PPO
 - 2. Incremental Benefit Change:** Increase the benefit maximum from \$1,000 to \$1,250
 - 3. Incremental Benefit Change:** Increase the benefit maximum from \$1,000 to \$1,500

Delta Dental of California Plans

Fully Insured PPO Plan Rating Action—Retirees Option 1

- The monthly rates below are through December 31, 2018:

Rate Tier	Monthly Rates		
	2017	2018 High	2018 Low
Retiree	\$42.94	\$79.92	\$42.94
Retiree + 1	\$85.42	\$158.98	\$85.42
Retiree + 2	\$127.49	\$237.28	\$127.49
Increase / (Decrease)	(6.0%)	86.0%	6.6%

- Option 1: Offer both the existing retiree PPO (Low plan) and the PPO plan offered to the active employees (High plan)

Delta Dental of California Plans

Fully Insured PPO Plan Rating Action—Retirees Option 2

- The monthly rates below are through December 31, 2018:

Rate Tier	Monthly Rates		
	2017	2018	2018 Option 2
Retiree	\$42.94	\$44.23	\$45.77
Retiree + 1	\$85.42	\$87.98	\$91.04
Retiree + 2	\$127.49	\$131.31	\$135.88
Increase / (Decrease)	(6.0%)	3.0%	7.0%

- Option 2: Increase benefit maximum from \$1,000 to \$1,250

Delta Dental of California Plans

Fully Insured PPO Plan Rating Action—Retirees Option 3

- The monthly rates below are through December 31, 2018:

Rate Tier	Monthly Rates		
	2017	2018	2018 Option 2
Retiree	\$42.94	\$44.23	\$47.79
Retiree + 1	\$85.42	\$87.98	\$95.05
Retiree + 2	\$127.49	\$131.31	\$141.90
Increase / (Decrease)	(6.0%)	3.0%	11.0%

- Option 3: Increase benefit maximum from \$1,000 to \$1,500

DeltaCare Plans

Fully Insured HMO Plans Rating Action—Actives and Retirees

- The monthly rates below are guaranteed through December 31, 2018:

Actives Rate Tier	2016	2017	2018
Employee	\$26.95	\$26.95	\$26.95
Employee + 1	\$44.46	\$44.46	\$44.46
Employee + 2	\$65.76	\$65.76	\$65.76
Increase / Decrease	N/A	0.0%	0.0%

Retirees Rate Tier	2016	2017	2018
Retiree	\$32.85	\$32.85	\$32.85
Retiree + 1	\$54.21	\$54.21	\$54.21
Retiree + 2	\$80.19	\$80.19	\$80.19
Increase / Decrease	N/A	0.0%	0.0%

Pacific Union Plans

Fully Insured HMO Plans Rating Action—Actives and Retirees

- The monthly rates below are guaranteed through December 31, 2018:

Actives Rate Tier	2016	2017	2018
Employee	\$27.80	\$27.80	\$27.80
Employee + 1	\$45.90	\$45.90	\$45.90
Employee + 2	\$67.86	\$67.86	\$67.86
Increase / Decrease	N/A	0.0%	0.0%

Retirees Rate Tier	2016	2017	2018
Retiree	\$16.47	\$16.47	\$16.47
Retiree + 1	\$27.20	\$27.20	\$27.20
Retiree + 2	\$40.22	\$40.22	\$40.22
Increase / Decrease	N/A	0.0%	0.0%

Recommendations

Aon recommends approval of the following rating actions for 2018:

Approve dental renewal Option 2: Increase benefit maximum from \$1,000 to \$1,250

Carrier	Dental Plan	Rate Action
Delta Dental of California	Self-Insured PPO—Actives	(2.3%)
	Fully Insured PPO—Retirees	3.0%
DeltaCare	Fully Insured HMO—Actives	0.0%
	Fully Insured HMO—Retirees	0.0%
Pacific Union	Fully Insured HMO—Actives	0.0%
	Fully Insured HMO—Retirees	0.0%