

San Francisco Health Service System Health Service Board

Rates & Benefits

Review and Approve VSP Vision Fully Insured 2025 Rates
and Contributions

Mike Clarke, Lead Actuary, Aon

March 14, 2024

Agenda

VSP Vision Fully Insured 2025 Rates and Contributions

- **Rate Setting Methodology Preface**
- **Vision Service Plan (VSP) 2025 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

1

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 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	<ul style="list-style-type: none"> • Blue Shield of California (BSC) PPO Plan • Delta Dental Active Employee PPO 	<ul style="list-style-type: none"> • BSC Access+ HMO • BSC Trio HMO • Health Net CanopyCare HMO 	<ul style="list-style-type: none"> • All Kaiser HMO plans • UHC Medicare Advantage PPO • Delta Dental Retiree PPO • DeltaCare USA Dental HMO • UHC Dental HMO <p>VSP Vision</p>
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 2025 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:

$$\frac{\text{2025 Total Projected Plan Cost}}{\text{2024 Rates x Enrollment}} = \text{Needed Rate Change Factor (2025 vs. 2024)}$$

2

VSP Vision Fully Insured 2025 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.
- About 20,000 SFHSS employees also have access to VSP’s Computer Vision Care (CVC) benefit.
- This document outlines recommendations for the 2025 renewal for the VSP plans offered by SFHSS.

Today's Recommendation

VSP Vision Fully Insured Rate Renewal

- It is recommended that the Health Service Board (HSB) approve the following today for the 2025 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 2025 plan rates is outlined on the following pages.
 - Plan year 2025 represents the fourth year of a five-year rate renewal commitment with VSP.

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:

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

- The Computer Vision Care (CVC) benefit rate remains at current level 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 PLR is 100% or over. VSP will calculate 2% of total premium, less CVC and apply total increase to the Premier Plan.

2025 VSP Vision Fully Insured Rate Renewal

Actual 2025 Renewal Action—2% Increase on Premier Plan Rates Only

- No change in Basic Plan rates or the employer-paid Computer Vision Care (CVC) benefit rate (\$1.04 per employee per month, or PEPM) from 2024 to 2025 .
- Premier Plan total premium rates are increasing by 2.0% from 2024 to 2025.
- In aggregate, this is a more favorable rate renewal action for 2025 than what was outlined in VSP’s original five-year commitment.

Monthly Vision Plan Rates (PEPM)				
Tier	Basic Plan (No Change)		Premier Plan (2% Increase)	
	2024	2025	2024	2025
Subscriber Only	\$4.15	\$4.15	\$15.71	\$16.02
Subscriber + 1 Dependent	\$8.32	\$8.32	\$25.91	\$26.43
Subscriber + 2+ Dependents	\$11.76	\$11.76	\$47.82	\$48.78

Recent Loss Ratio Experience

VSP Vision Fully Insured Rate Renewal

Combined Plans Financial Experience, 2018–2023

- 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.

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	\$10,818,555	\$10,122,637	\$973,670	\$11,096,307	102.6%

Recent Loss Ratio Experience

VSP Vision Fully Insured Rate Renewal

Basic Plan Financial Experience, 2018–2023

- 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	\$3,681,642	\$2,739,658	\$331,348	\$3,071,006	83.4%

Recent Loss Ratio Experience

VSP Vision Fully Insured Rate Renewal

Premier Plan Financial Experience, 2018–2023

- 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 decreased into 2023.

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	\$7,123,912	\$7,373,015	\$641,152	\$8,014,167	112.5%

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 2024 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
Covered Employees/Retirees							
Basic Plan	58,937	55,412	53,173	51,741	49,690	47,135	46,128
Premier Plan	10,488	15,034	17,847	19,064	20,535	22,566	25,082
VSP Plans Total	69,425	70,446	71,020	70,805	70,225	69,701	71,210
Distribution of Enrollees							
Basic Plan	85%	79%	75%	73%	71%	68%	65%
Premier Plan	15%	21%	25%	27%	29%	32%	35%

Source: SFHSS Demographic Report

2025 VSP Vision Fully Insured Rate Renewal

VSP Vision Fully Insured Rate Renewal

Proposed Monthly 2025 Plan Year Rates and Premier Plan Member Contributions

	Monthly Vision Plan Rates						% Increase
	CY2024			CY2025			
	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	\$15.71	\$25.91	\$47.82	\$16.02	\$26.43	\$48.78	2.0%
Member-paid contribution rate ^[1]	\$11.56	\$17.59	\$36.06	\$11.87	\$18.11	\$37.02	2.7% to 3.0%
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.

2025 VSP Vision Fully Insured Rate Renewal

Projected Aggregate 2025 Premiums and Member Contributions

Based on Annualized January 2024 Premiums and Premier Plan Rate Changes to 2025

	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 2025 Annual Premium	\$3,480,000	\$2,090,000	\$5,570,000	\$5,678,000	\$252,000	\$11,500,000

* 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 \$5,570,000 total projected 2025 Basic premium portion in rate cards, members are projected to pay approximately \$668,000 of this amount in plan year 2024 – with employers paying the remaining \$4,902,000 (for a total of \$5,154,000 including the CVC benefit cost).

3

Recommendation for HSB Action

Recommendation for HSB Action

VSP Vision Fully Insured Rate Renewal

It is recommended that the Health Service Board (HSB) approve the 2025 VSP vision plan insured premium rates and Premier Plan member contributions as outlined below.

	Monthly Vision Plan Rates						
	CY2024			CY2025			% Increase
	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	\$15.71	\$25.91	\$47.82	\$16.02	\$26.43	\$48.78	2.0%
Member-paid contribution rate ^[1]	\$11.56	\$17.59	\$36.06	\$11.87	\$18.11	\$37.02	2.7% to 3.0%
Computer Vision Care (CVC)	\$1.04	N/A	N/A	\$1.04	N/A	N/A	0.0%

4

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