

# San Francisco Health Service System Health Service Board

## Rates & Benefits

Review Delta Dental of California (Delta Dental) Self-Funded Active Employee PPO Plan 2022 Claims & Utilization Experience and Approve One-Time Suspension of the Stabilization Policy and Approve the Use of One-Half of the Stabilization Reserve Surplus as of December 31, 2022

March 23, 2023 (REVISED March 24, 2023)

# Delta Dental Active Employee PPO Plan

## Rate Stabilization Reserve – Recommendation

### Today's Recommended Approval Actions

- 1) Suspend the HSB-approved Self-Funded Plans' Stabilization Policy (Stabilization Policy) on a one-time basis for the Delta Dental active employee PPO plan; and
- 2) Approve use of **one-half** of the December 31, 2022 stabilization reserve **Surplus**, or \$5,557,000 (one-half of \$11,113,000), to be applied towards buy-down across all rating tiers for the Delta Dental active employee PPO plan for plan year 2024.

The remaining Surplus carry forward balance for plan year 2025 and beyond is \$5,556,000.

This presentation will explain the derivation of this result and recommendation.

***Today's dental presentation and recommendations are for active employees. The 2024 retiree dental plan renewals and 2022 experience information will be presented to the Health Service Board (HSB) at the April 13, 2023 meeting.***

# **Delta Dental Active Employee PPO Plan**

## **Rate Stabilization Reserve – Introduction**

### **Stabilization Policy – General Background**

The Health Service Board's (HSB's) Self-Funded Plans' Stabilization Policy requires an annual determination of the financial gain or loss for San Francisco Health Service System (SFHSS) self-funded/flex-funded plans. The Stabilization Policy states for each plan, the difference between the expected plan cost and actual claim/fee cost for a plan year is added to the existing stabilization reserve and amortized over a three-year rating period.

### **Today's Presentation Focus – Delta Dental Active Employee PPO Plan**

This presentation focuses on the recommended adjustment to the Delta Dental of California (Delta Dental) self-funded active employee PPO plan rate stabilization reserve to reflect impact of calendar year 2022 claim and fee experience. That experience is contained in this presentation.

All other dental plans offered to SFHSS active employees and retirees are fully insured. Thus, the only dental plan where the Stabilization Policy applies is the active employee dental PPO plan.

# Delta Dental Active Employee PPO Plan

## Rate Stabilization Reserve – Recommendation Summary

### Recommended Buy-Down for 2024 Rating – One-Half of Available Reserve

Active employee dental PPO plan claim experience ended the year favorably relative to premiums again in 2022. As a result, it is recommended to the HSB that a higher level of rate stabilization reserve buy-down be applied to 2024 active employee dental PPO rating than the “per policy” one-third allocation, as a fiscally responsible approach to reduce the rate stabilization reserve balance. This will require the HSB to suspend the Self-Funded Plans’ Stabilization Policy for Delta Dental Active Employee PPO plan for this cycle’s approval. This is consistent with recent year actions taken on the rate stabilization reserve for this plan given recent favorable experience.

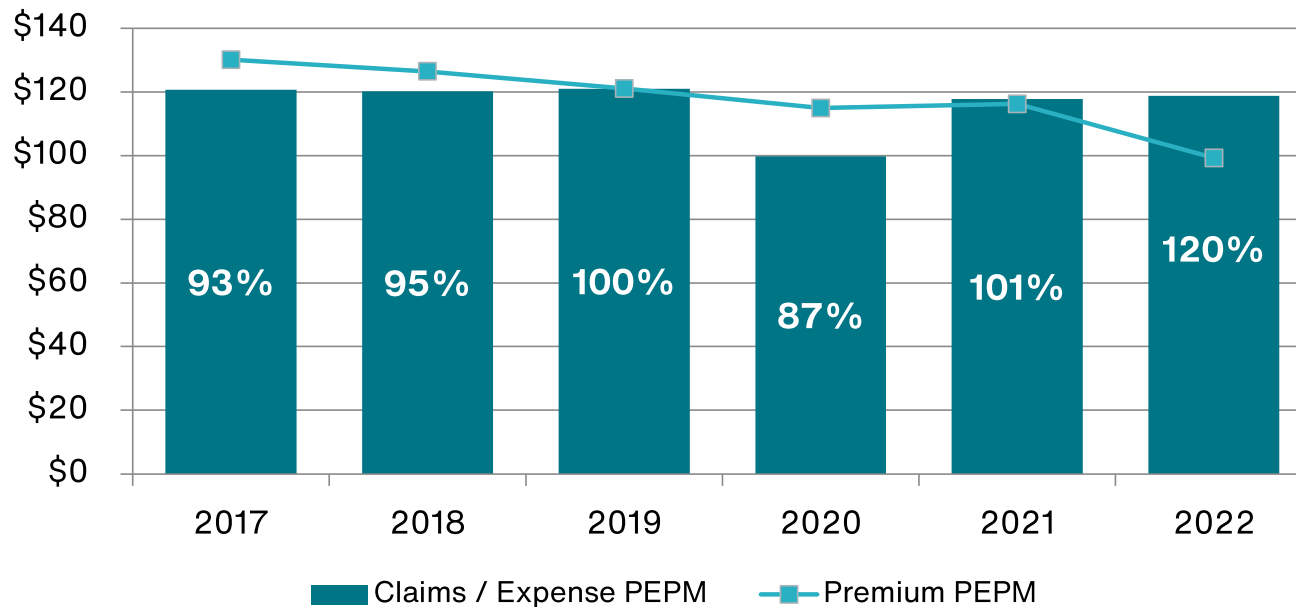
**Today’s recommendation is to apply a buy-down of 2024 rates in the amount of one-half of the available stabilization reserve, or \$5,557,000.** This action would preserve a remaining carryforward balance in rate stabilization reserve of \$5,556,000 for use in 2025 and beyond rating. The recommended \$5,557,000 buy-down figure for 2024 rating compares to the \$5,309,000 buy-down figure (one-half of the December 31, 2021 stabilization surplus balance) utilized in 2023 plan year rating.

# Delta Dental Active Employee PPO Plan

## 2022 Claim/Fee Experience Summary

Claims per employee in 2022 were similar to prior years — with the higher loss ratio reflecting the 2/3 stabilization spend-down applied in 2022 rating as a result of lower-than-typical pandemic influenced 2020 claim experience. In the chart below, the line represents PEPM premiums, and the bars represent actual PEPM claims/fees.

### Active Dental PPO Loss Ratio



Except for pandemic-suppressed 2020, recent years have exhibited about \$120 PEPM actual claim/fee cost

100% loss ratio (claims/expenses divided by premiums) is optimal — claims plus fees equaling premiums

# Delta Dental Active Employee PPO Plan

## 2022 Claim/Fee Experience Summary

### Preventive Dental Utilization Continues to be Sub-Optimal

In typical years, about 1 out of 3 covered lives do not have a dental cleaning – including in 2021 (34.6% of covered active lives) and 2022 (35.5% of covered active lives).

The relative distribution of services among type of care has remained consistent year-to-year – 2022 plan year service distribution is:

Diagnostic & Preventive	Basic	Major
<i>Cleanings and X-rays</i>	<i>Fillings, Oral Surgery, Root Canals</i>	<i>Crowns, Inlays, Implants, Dentures, Bridges</i>
76% of services	20% of services	4% of services

In 2022, 4% of total covered lives utilized orthodontic services, a slight increase from prior years.

***Detailed month-by-month 2022 claim and headcount data for the Delta Dental Active Employee PPO Plan is contained in the Appendix.***

# Delta Dental Active Employee PPO Plan

## 2022 Claim/Fee Experience Summary

### SmileWay Wellness Program Utilization Is Increasing

Kaiser file feed integration has helped to more than double the enrolled membership in Delta Dental's SmileWay program for the active employee PPO population (comparing 2022 to 2021):

<b>SmileWay Wellness Benefits - Active</b>		
	<b>Prior</b>	<b>Current</b>
Total SmileWay Wellness Benefits Members	2,801	7,122
Total Unique SmileWay Wellness Benefits Utilizers	1,968	4,647
<hr/>		
% of Unique Member Utilization	70.2%	65.2%
Procedure Count*	4,094	8,927

\* These are the relevant CDT codes for replacement benefits if enrolled in Wellness Benefits

# Delta Dental Active Employee PPO Plan

## Plan Design Variation by Type of Dentist Utilized

### Three Benefit Levels – Member Costs are Lowest When Using PPO Dentists

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)		
Benefit Coverage Level Paid by the Plan			
Cleanings and Exams	100% covered	100% covered	80% covered
X-rays	100% covered	100% covered	80% covered
Nitrous Oxide/Non-IV Sedation	90% covered	80% covered	60% covered
Extractions	90% covered	80% covered	60% covered
Fillings	90% covered	80% covered	60% covered
Crowns	90% covered	80% covered	60% covered
Dentures, Pontics, and 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 \$2,500 Lifetime Maximum	50% covered to \$2,000 Lifetime Maximum	50% covered to \$1,500 Lifetime Maximum
Night Guards	80% covered (1x3year)	80% covered (1x3year)	80% covered (1x3year)

**NOTE:** 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](http://sfhss.org)



# Delta Dental Active Employee PPO Plan

## Plan Design Variation by Type of Dentist Utilized

### Delta Dental Dentist Network Utilization – Three Benefit Levels

- Delta Dental has two levels of network dentists, based on level of plan discounts dentists are willing to accept
- Deepest discounts are for dentists in Delta Dental's PPO network
- Lesser discounts are for dentists in Delta Dental's Premier (2nd level) network
- No discounts are available for dentists choosing not to participate in either Delta Dental's PPO network or Delta Dental's Premier network
- Members receive the highest level of benefits by utilizing a Delta Dental PPO dentist, as exhibited on the previous page
- Though a higher level of member cost sharing for services is required for use of a Premier network dentist versus a PPO network dentist, benefits are higher for Premier dentist use than for use of a dentist not in any Delta Dental network
- Another key member benefit for using a Delta Dental network dentist (PPO network or Premier network) is no balance billing if service costs are high
- Balance billing can happen with use of an out-of-network dentist

# Delta Dental Active Employee PPO Plan

## Plan Design Variation by Type of Dentist Utilized

### Delta Dental Dentist Network Utilization – Three Benefit Levels

- Presently, SFHSS active employees and their family members use Premier dentists at a much higher rate than PPO dentists – with differences versus general book of business experience from Delta Dental.

### Percentage of Approved Procedures by Network Provider Type:

Network Provider Type	2021 Service Dates	2022 Service Dates	Delta Dental Benchmark
PPO Network	39%	40%	60%
Premier Network	56%	55%	35%
Non-Contracted	5%	5%	5%
Total	100%	100%	100%

# Delta Dental Active Employee PPO Plan

## Plan Design Variation by Type of Dentist Utilized

### Delta Dental Dentist Network Utilization – Three Benefit Levels

- Service utilization across the three dentist network categories (PPO dentists, Premier dentists, and non-contracted dentists) varies across Bay Area counties
- By dentist location – distribution by number of 2022 non-orthodontic procedures in counties with at least 1,000 member procedures

County	2022 Procedure Count	Distribution of Procedures		
		PPO Dentists	Premier Dentists	Non-Contracted Dentists
San Francisco	156,422	30%	63%	6%
San Mateo	96,059	39%	57%	4%
Alameda	50,256	46%	48%	6%
Contra Costa	49,643	47%	50%	3%
Solano	12,431	62%	37%	1%
Santa Clara	10,694	40%	51%	9%
Marin	9,264	40%	53%	8%
Sonoma	6,391	38%	53%	10%
Sacramento	3,636	63%	36%	1%
San Joaquin	3,290	64%	32%	4%
Napa	2,728	51%	49%	0%
Tuolumne	2,117	59%	38%	3%
Placer	2,038	53%	46%	1%
Stanislaus	1,390	80%	17%	2%

# Delta Dental Active Employee PPO Plan

## Plan Design Variation by Type of Dentist Utilized

### Delta Dental Dentist Network Utilization – Three Benefit Levels

- Members are encouraged to consider seeking Delta Dental PPO dentists for services
- Member coinsurance requirements will be less for many services when using a PPO dentist
- Overall service costs are generally less for PPO dentists given higher discounts for PPO network dentists versus Premier network dentists

**SFHSS members can search for PPO network dentists (and Premier network dentists) at this weblink:**

<https://www1.deltadentalins.com/group-sites/ccsf/find-a-dentist.html>

**Weblink for SFHSS member Delta Dental group site:**

<https://www1.deltadentalins.com/group-sites/ccsf.html>

# Delta Dental Active Employee PPO Plan

## Impact of Historical Experience on Rate Stabilization Reserve

Rate Stabilization Reserve Surplus/(Deficit) as of December 31	
December 31, 2013	Not Yet Applicable
December 31, 2014	\$3,861,000
December 31, 2015	\$7,125,000
December 31, 2016	\$9,583,000
December 31, 2017	\$12,681,000
December 31, 2018	\$14,031,000
December 31, 2019	\$11,325,000
December 31, 2020	\$18,343,000
December 31, 2021	\$10,617,000
December 31, 2022	\$11,113,000
Surplus/(Deficit) Amount Applied to Rating	
2016 Plan Year	\$1,287,000
2017 Plan Year	\$2,375,000
2018 Plan Year	\$3,194,000
2019 Plan Year	\$4,227,000
2020 Plan Year	\$7,016,000
2021 Plan Year	\$5,663,000
2022 Plan Year	\$12,229,000
2023 Plan Year	\$5,309,000

**Delta Dental Rate Stabilization reserve started in 2014 – significant surpluses have built up since, given the favorable plan experience documented earlier. This led to actuarial assumption changes in plan rating starting for the 2019 plan year.**

### HSB amortization decisions by rating year:

- **2016 – 2019:** One-third of new stabilization reserve per HSB Stabilization Policy
- **2020 – 2021:** One-half of new stabilization reserve
- **2022:** Two-thirds of new stabilization reserve
- **2023:** One-half of new stabilization reserve

# Delta Dental Active Employee PPO Plan

## Rate Stabilization Reserve – Reconciliation Calculation\*

During every Rates and Benefits cycle, the claims experience for the prior calendar year is evaluated. Based on 2022 claims experience, **\$5,805,000** should be added to the prior Delta Dental active employee PPO carry-forward rate stabilization reserve balance.

Calendar Year 2022 Plan Reconciliation (Actual versus Expected)	Expected	Actual
1 Total Projected Incurred Claims	\$48,116,063	\$40,992,554
2 Administration Expense – Delta Dental Fees	\$1,747,746	\$1,688,744
3 Total Cost (1+2)	\$49,863,809	\$42,683,296
4 Total Contributions	\$37,634,809	\$36,240,276
5 Revenue Shortfall/(Surplus) (3-4)	\$12,229,000	\$6,443,020
6 Increase/(Decrease) in Contingency Reserve		(\$18,745)
7 Total Shortfall/(Surplus) (Actual column: 5+6)		\$6,424,275
8 Adjustment to Stabilization Carry-Forward (Actual 7 – Expected 5): Aon Recommended Surplus to Add to December 31, 2021 Carry-Forward Stabilization Reserve to Calculate December 31, 2022 Amount (rounded to \$000)		\$ (5,805,000)

\* See Appendix for descriptions of items listed above; expected column figures based on Aon rating calculations for 2022 plan year in Spring 2021; actual column figures provided by SFHSS Finance team.

# Delta Dental Active Employee PPO Plan

## Rate Stabilization Reserve – Calculation Detail

### Rate Stabilization Reserve Calculation – Delta Dental Active Employee PPO Plan

Stabilization <b>surplus</b> balance as of December 31, 2021	(\$10,617,000)
Offset <b>surplus</b> amount applied in 2023 rate buy-down (1/2 per HSB action)	(\$5,309,000)
Prior carry-forward stabilization <b>surplus</b> balance	(\$5,308,000)
Recommended increase to the <b>surplus</b> based on 2022 experience	(\$5,805,000)
Stabilization <b>surplus</b> balance as of December 31, 2022	(\$11,113,000)
Calculated amount per recommendation to apply to 2024 rate <b>buy-down</b> (recommend 1/2 of stabilization <b>surplus</b> balance)	(\$5,557,000)
Updated carry-forward stabilization <b>surplus</b> for use after 2024	(\$5,556,000)

# Delta Dental Active Employee PPO Plan

## Rate Stabilization Reserve – Recommendation

### Today's Recommended Approval Actions

- 1) Suspend the HSB-approved Self-Funded Plans' Stabilization Policy (Stabilization Policy) on a one-time basis for the Delta Dental active employee PPO plan; and
- 2) Approve use of **one-half** of the December 31, 2022 stabilization reserve **Surplus**, or \$5,557,000 (one-half of \$11,113,000), to be applied towards buy-down across all rating tiers for the Delta Dental active employee PPO plan for plan year 2024.

***Today's dental presentation and recommendations are for active employees. The 2024 retiree dental plan renewals and 2022 experience information will be presented to the Health Service Board (HSB) at the April 13, 2023 meeting.***



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## Appendix

- Reconciliation Calculation Notes
- 2022 Claim Experience

# Reconciliation Calculation Notes (for page 13)

1. Estimated Incurred Claims including claim payments during January – December 2022.
2. Administration Expense – Calculated Delta Dental fees for administering January – December 2022 claims using \$4.62 per employee per month (PEPM).
4. Total Contributions – Annual premium revenue collected.
5. Revenue Shortfall/(Surplus) – Difference in cost versus premium revenue collected.
6. Contingency Reserve – Explicit reserve held to cover excess losses (amount presented in January 2023 HSB meeting).
8. Actual shortfall/(surplus) minus expected shortfall/(surplus) – Amount added to existing stabilization reserve per HSB Stabilization Policy and amortized over three years, except when policy is suspended an alternative time frame is approved for amortization.

# Delta Dental Active Employee PPO Plan

## 2022 Claim Experience

High loss ratios to premiums were expected in 2022 due to the \$12,229,000 stabilization surplus applied in 2022 rating. Still, actual deficit was substantially less than expected due to lower-than-expected 2022 total claims.

Month	EE Only	EE + 1	EE + 2	Total EEs	Total Depend.	Average Contract Size	EE Only Rate	EE+1 Rate	EE+2 Rate	Monthly Premiums	Admin. Fees	Actual Paid Claims	Paid Loss Ratio	Projected Incurred Claims	Incurred Loss Ratio
Jan-22	11,534	7,865	11,377	30,776	40,448	2.31	\$49.33	\$103.59	\$147.99	\$3,067,390	\$142,185	\$3,200,917	109%	\$3,192,847	109%
Feb-22	11,573	7,852	11,338	30,763	40,341	2.31	\$49.33	\$103.59	\$147.99	\$3,062,195	\$142,125	\$3,362,929	114%	\$3,354,859	114%
Mar-22	11,582	7,827	11,306	30,715	40,211	2.31	\$49.33	\$103.59	\$147.99	\$3,055,314	\$141,903	\$4,505,185	152%	\$4,497,116	152%
Apr-22	11,503	7,796	11,245	30,544	39,986	2.31	\$49.33	\$103.59	\$147.99	\$3,039,178	\$141,113	\$3,405,143	117%	\$3,397,074	116%
May-22	11,497	7,760	11,177	30,434	39,737	2.31	\$49.33	\$103.59	\$147.99	\$3,025,090	\$140,605	\$3,411,551	117%	\$3,403,482	117%
Jun-22	11,522	7,781	11,145	30,448	39,673	2.30	\$49.33	\$103.59	\$147.99	\$3,023,763	\$140,670	\$3,905,798	134%	\$3,897,728	134%
Jul-22	11,493	7,685	11,089	30,267	39,463	2.30	\$49.33	\$103.59	\$147.99	\$3,004,100	\$139,834	\$2,954,224	103%	\$2,946,155	103%
Aug-22	11,508	7,669	11,068	30,245	39,371	2.30	\$49.33	\$103.59	\$147.99	\$3,000,075	\$139,732	\$3,194,803	111%	\$3,186,733	111%
Sep-22	11,514	7,663	11,054	30,231	39,307	2.30	\$49.33	\$103.59	\$147.99	\$2,997,677	\$139,667	\$3,662,899	127%	\$3,654,830	127%
Oct-22	11,576	7,690	11,029	30,295	39,247	2.30	\$49.33	\$103.59	\$147.99	\$2,999,833	\$139,963	\$2,985,754	104%	\$2,977,684	104%
Nov-22	11,591	7,695	11,016	30,302	39,196	2.29	\$49.33	\$103.59	\$147.99	\$2,999,167	\$139,995	\$2,822,169	99%	\$2,814,100	98%
Dec-22	11,587	7,708	10,999	30,294	39,153	2.29	\$49.33	\$103.59	\$147.99	\$2,997,800	\$139,958	\$3,680,013	127%	\$3,671,944	127%
<b>Total/Averages</b>				<b>30,443</b>	<b>39,677</b>	<b>2.30</b>				<b>\$36,240,276</b>	<b>\$1,688,744</b>	<b>\$41,091,385</b>	<b>118%</b>	<b>\$40,994,552</b>	<b>118%</b>
<b>Surplus/(Deficit)</b>												<b>(\$6,539,853)</b>	<b>(\$6,443,020)</b>		

**NOTE:** "Loss Ratio" = (claims + fees) divided by premiums

**Data Source:** Delta Dental of California year-end reporting for headcount, paid claims, and fees

