

# **San Francisco Health Service System Health Service Board**

## **Rates & Benefits**

Review and Approve One-Time Suspension of the Stabilization Policy and Approve the Use of Two-Thirds of the Active Employee Dental PPO Stabilization Reserve Surplus as of December 31, 2022; Review and Approve Active Employee 2024 Dental Rates for Self-Funded Delta Dental PPO Plan, Fully Insured DeltaCare USA HMO Plan and Fully Insured UnitedHealthcare HMO Plan

May 11, 2023

# Agenda

- **Rate Setting Methodology Preface**
- **Request for Revised Rate Stabilization Action for Delta Dental Active Employee PPO Plan for 2024 Plan Year Rating**
- **Active Employee Dental Plans 2024 Plan Rating — Renewal Summary and Rating Details**
  - Self-Funded Plan:
    - Delta Dental Active Employee PPO
  - Fully Insured Plans:
    - DeltaCare USA Dental HMO
    - UnitedHealthcare (UHC) Dental HMO
- **Recommendation for HSB Action**
  - Updated Active Employee Dental PPO Rate Stabilization Recommendation
  - Active Employee 2024 Dental Plan Rates
- **Appendix: Active Employee Dental Plan Designs**

# 1

## Rate Setting Methodology Preface

# Health Plan Funding

## Method Comparison by SFHSS Plan

Funding Method	Self-Funded	Flex-Funded	Fully Insured
<b>Funding Method Description</b>	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 healthcare services ("capitation") as well as plan administrative 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 healthcare services by members, as well as plan administrative fee costs
<b>Who Sets the Recommended SFHSS Plan Rates?</b>	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 administrative fees/large claim pooling adjustments (and required legislative fees)
<b>SFHSS Plans by Funding Method</b>	<ul style="list-style-type: none"> <li>• Non-Medicare PPO</li> <li>• <b>Delta Dental Active Employee PPO</b></li> </ul>	<ul style="list-style-type: none"> <li>• Blue Shield of CA Access+ HMO/ UHC Select EPO</li> <li>• Blue Shield of CA Trio HMO/ UHC Doctors EPO</li> <li>• Health Net CanopyCare HMO</li> </ul>	<ul style="list-style-type: none"> <li>• All Kaiser HMO plans</li> <li>• UHC Medicare Advantage PPO</li> <li>• Delta Dental Retiree PPO</li> <li>• <b>DeltaCare Dental HMO</b></li> <li>• <b>UHC Dental HMO</b></li> <li>• VSP Vision</li> </ul>
<b>HSB Rate Stabilization Policy Applies?</b>	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 2024 plan year)



Next, the 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:

$$\frac{\text{2024 Total Projected Plan Cost}}{\text{2023 Rates x Enrollment}} = \text{Needed Rate Change Factor (2024 vs. 2023)}$$

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## Request for Revised Rate Stabilization Action for Delta Dental Active Employee PPO Plan for 2024 Plan Year Rating

# Delta Dental Active Employee PPO Plan

## Rate Stabilization Reserve — Revised Recommendation

During the March 23, 2023, HSB meeting, the HSB approved 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.

Due to City budgetary concerns, it is recommended that the HSB revise the 2024 stabilization buy-down in 2024 active employee dental PPO rates to be **two-thirds** of the December 31, 2022, stabilization reserve surplus—for a revised buy-down amount in 2024 rates of \$7,409,000.

This proposed action generates an additional \$1,852,000 in 2024 active dental PPO plan rating buy-down relative to the one-half buy-down approved by the HSB at the March 23, 2023, meeting. The revised stabilization amount available for 2025 plan year would be \$3,704,000.

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## Active Employee Dental Plans 2024 Plan Rating — Renewal Summary

# Active Employee Dental Plans 2024 Plan Rating

## Renewal Summary and Proposed Monthly Rates

This presentation proposes 2024 rating recommendations for the active employee dental plans offered by San Francisco Health Service System (SFHSS). Retiree dental plan 2024 rate renewals were reviewed with and approved by the Health Service Board (HSB) on April 13, 2023.

The Delta Dental of California (Delta Dental) active employee dental PPO plan is self-funded, and therefore the recommendation includes the administrative fees and Aon-calculated total plan cost rates for action by the HSB today.

The active employee dental HMO plans offered through SFHSS are fully insured, and therefore the recommendation includes the insured rates for action by the HSB for those plans today.

# Active Employee Dental Plans 2024 Plan Rating

## Renewal Summary and Proposed Monthly Rates

### SFHSS Dental Plan Active Employee Covered Populations/Member Contributions

- Active employees of these employers are offered dental coverage through SFHSS: City and County of San Francisco (CCSF), Superior Court and Municipal Executive (MEA) employees.
  - CCSF, CCSF MEA and MTA MEA employees pay the following monthly contributions for the Delta Dental PPO plan:
    - \$5 for Employee Only tier
    - \$10 for Employee Plus One Dependent tier
    - \$15 for Employee Plus Two or More Dependents tier
  - No contributions are required for CCSF, CCSF MEA and MTA MEA employees selecting the DeltaCare USA HMO and UnitedHealthcare (UHC) HMO dental plans.
  - Superior Court and Superior Court MEA employees pay no contributions for any of the three available dental plans.
- San Francisco Unified School District (SFUSD) and City College of San Francisco (CCD) do not elect to offer dental coverage for their active employees through SFHSS.

# Active Employee Dental Plans 2024 Plan Rating

## Renewal Summary and Proposed Monthly Rates

- Below is a summary of total rate change recommendations that are being presented today — with each rating action calculated by individual plan based on the process reviewed earlier in this presentation.
  - Favorable claim experience in the Active Employee Dental PPO plan as reviewed with the HSB on March 23, 2023, as well as rate stabilization buy-down leads to the proposed rate reduction action for this plan from 2023 to 2024.
  - Insured rates for the two active employee dental HMO plans will remain at current rates from 2023 to 2024.

Active Employee Dental Plan	Proposed 2024 Rate Change Action	2023 Enrolled Employees (Per Dental Plan Reporting)
Active Employee Dental PPO*	-6.9%	30,630
Active Employee DeltaCare USA HMO	No Change	865
Active Employee UHC Dental HMO	No Change	604

\* Presuming approval today of use of two-thirds of December 31, 2022, rate stabilization surplus for the active employee dental PPO plan to be applied in 2024 rating buy-down.

# Active Employee Dental Plans 2024 Plan Rating

## PPO — 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
2024 Plan Year	\$7,409,000

Favorable claim experience over time has led to substantial rate stabilization reserve surpluses in the active employee dental PPO plan.

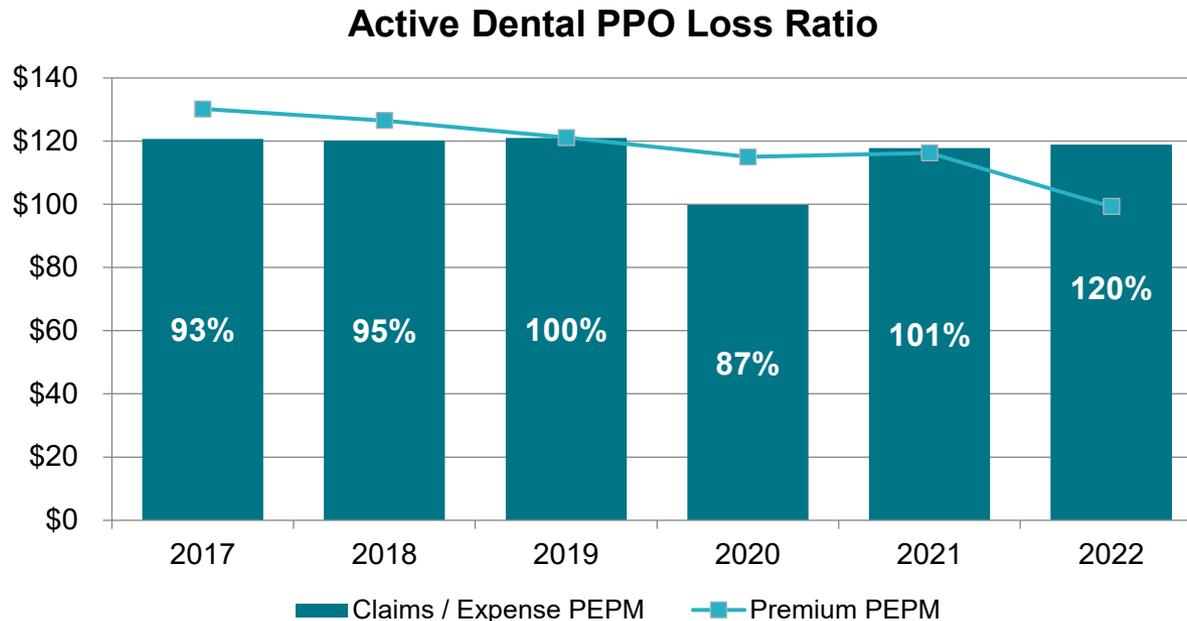
### HSB amortization decisions by rating year:

- **2016 – 2019:** One-third of new stabilization reserve per HSB Stabilization Policy
- **2020 - 2021 and 2023:** One-half of new stabilization reserve
- **2022, and updated proposed 2024:** Two-thirds of new stabilization reserve

# Delta Dental Active Employee PPO Plan

## 2022 Claim/Fee Experience Summary (from March HSB Discussion)

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.



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

# Active Employee Dental Plans 2024 Plan Rating

## Recommendation for HSB Action

### Today's Rate Action Recommendations

Staff recommends to the HSB approval of the following 2024 Active Employee Dental Plan Rates and Administrative Fees — specific information on each recommendation below is contained in this document:

- 1) Delta Dental Active Employee PPO (pages 16 – 17):**  
Nominal increase in administrative fee per employee per month, and a 6.9% decrease in self-funded total cost rates from 2023 to 2024.
- 2) DeltaCare USA Fully Insured Dental HMO Plan (pages 19 – 20):**  
No change in insured rates from 2023 to 2024.
- 3) UnitedHealthcare (UHC) Insured Dental HMO Plan (pages 19 – 20):**  
No change in insured rates from 2023 to 2024.

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## Active Employee Dental Plans 2024 Plan Rating — Rating Details

### **Self-Funded Plan:**

Delta Dental Active Employee PPO

# Delta Dental of California

## Overview — Active Employee Dental PPO Rating

After a review of the Delta Dental active PPO 2022 plan year experience, application of revised rate stabilization amounts recommended for action today to apply to 2024 rating, and market trend expectations—a **6.9% decrease** in the self-funded total premium equivalent rates from 2023 to 2024 is recommended.

- This change incorporates 2022 claim experience projected forward to the 2024 plan year —which was favorable to expectations as reviewed with the HSB on March 23, 2023.
- As part of a new three-year administrative fee renewal with Delta Dental, the 2024 per employee per month (PEPM) administrative fee is increasing nominally from current:

Year	PEPM Administrative Fee
2012 – 2015	\$4.38
2016 – 2018	\$4.35
2019 – 2023	\$4.62
<b>2024</b>	<b>\$4.70</b>
2025 – 2026 (stated commitment)	\$4.82

# Delta Dental of California

## Active Employee Dental PPO — 2024 Projected Rates

- The recommendation is a 6.9% decrease in premium rates from 2023 to 2024, presuming approval today by the HSB of use of two-thirds of the December 31, 2022, rate stabilization surplus to apply in 2024 rating.
- Claim experience from the 2022 plan year serves as the basis of the projection, with a 2% annual trend assumption used to project claims to 2024.

	EE Only	EE + 1	EE + 2+
February 2023 Enrollment (30,630 enrolled employees)	11,596	7,870	11,164
2024 Self-Insured Pre-Stabilization Rates (monthly)	\$62.95	\$132.20	\$188.85
Claims Stabilization Buy-Down (\$7,409,000 total)	(\$10.02)	(\$21.04)	(\$30.06)
<b>2024 Self-Insured Recommended Rates (monthly)</b>	<b>\$52.93</b>	<b>\$111.16</b>	<b>\$158.79</b>
<b>2024 Self-Insured Recommended Rates (bi-weekly)</b>	<b>\$24.43</b>	<b>\$51.30</b>	<b>\$73.29</b>
2023 Self-Insured Active Dental PPO Rates (monthly)	\$56.85	\$119.40	\$170.57
<i>Change From Current</i>	-6.9%	-6.9%	-6.9%

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## Active Employee Dental Plans 2024 Plan Rating — Rating Details

### **Fully Insured Plans:**

DeltaCare USA Dental HMO

UnitedHealthcare (UHC) Dental HMO

# DeltaCare USA HMO and UnitedHealthcare (UHC) HMO

## Fully Insured Dental Plans — 2024 Rating

### Proposed 2024 Rating Actions for Fully Insured Active Employee Dental HMO Plans

- DeltaCare USA HMO:
  - No change in rates from 2023 plan year to 2024 plan year as part of their 2024-2026 three-year renewal rating commitment.
- UnitedHealthcare (UHC) HMO:
  - No change in rates from 2023 plan year to 2024 plan year (based on UHC proposed renewal action for 2024 plan year).

Each insured dental plan has based its 2024 dental HMO plan renewal upon recent plan experience projected to the 2024 plan year, as underwritten by the actuaries of each dental plan organization.

# DeltaCare USA HMO and UnitedHealthcare (UHC) HMO

## Active Employee Fully Insured Dental HMO 2024 Rates

### Dental HMO Plan Monthly Rates for 2024 Plan Year (same rates as 2023)

DeltaCare USA HMO	2023	2024	Rate Change
Employee Only	\$26.48	\$26.48	No Change
Employee + 1	\$43.68	\$43.68	No Change
Employee + 2+	\$64.61	\$64.61	No Change

UHC Dental HMO	2023	2024	Rate Change
Employee Only	\$24.99	\$24.99	No Change
Employee + 1	\$41.27	\$41.27	No Change
Employee + 2+	\$61.02	\$61.02	No Change

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## Recommendation for HSB Action

### **Updated Active Employee Dental PPO Rate Stabilization Recommendation and Active Employee 2024 Dental Plan Rates**

# Recommendation for HSB Action

## Active Employee 2024 Dental Rates

### Today's Recommendations

Staff recommends to the HSB approval of the following 2024 Active Employee Dental Plan Stabilization and Rating/Administrative Fee Actions — with specific information on each recommendation provided earlier in this document:

- 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;
- 2) Approve use of **two-thirds** of the December 31, 2022 stabilization reserve Surplus, or \$7,409,000 (two-thirds 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.
- 3) Approve the following recommended Delta Dental Active Employee PPO rating actions: nominal increase in per employee per month administrative fee (\$0.08 PEPM increase to \$4.70 PEPM) and a 6.9% decrease in self-funded total cost rates from 2023 to 2024.
- 4) Approve the following DeltaCare USA Fully Insured Dental HMO Plan: no change in insured rates from 2023 to 2024.
- 5) Approve the following UnitedHealthcare (UHC) Insured Dental HMO Plan: no change in insured rates from 2023 to 2024.

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## Appendix

### **Active Employee Dental Plan Designs**

# Active Employee Dental PPO Plan Design

## Delta Dental PPO Plan Design Elements

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 and diagnostic/preventive services)		
Covered Services			
Cleanings and Exams	100% covered	80% covered	80% covered
X-rays	100% covered	80% covered	80% covered
Extractions	90% covered	80% covered	60% covered
Fillings	90% covered	80% covered	60% covered
Crowns	90% covered	80% covered	60% covered
Dentures/Pontics/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 a \$2,500 Lifetime Maximum	50% covered to a \$2,000 Lifetime Maximum	50% covered to \$1,500 Lifetime Maximum
Night Guards	80% covered (1 x 3 years)	80% covered (1 x 3 years)	80% covered (1 x 3 years)
<b>NOTE:</b> 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 <a href="http://sfhss.org">sfhss.org</a>			

# Active Employee Dental HMO Plan Designs

## DeltaCare USA and UHC Dental HMO Plan Design Elements

Plan Feature	DeltaCare USA	UHC Dental HMO
Choice of Dentist	DeltaCare USA network only	UHC DHMO network only
Annual Deductible	No deductible	No deductible
Annual Plan Year Maximum	None	None
Covered Services		
Cleanings and Exams	100% covered	100% covered
X-rays	100% covered	100% covered
Extractions	100% covered	100% covered
Fillings	100% covered	100% covered
Crowns	100% covered	100% covered
Dentures/Pontics/Bridges	100% covered	100% covered
Endodontic/Root Canals	100% covered	100% covered
Oral Surgery	100% covered	100% covered
Implants	Not covered	Covered (see copay schedule)
Orthodontia	Employee pays: \$1,600 per child and \$1,800 per adult (\$350 start-up fee; limitations apply)	Employee pays: \$1,250 per child and \$1,250 per adult (\$350 start-up fee; limitations apply)
Night Guards	\$100 copay	100% covered
<b>NOTE:</b> 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 <a href="http://sfhss.org">sfhss.org</a>		