

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

## **Rates & Benefits**

Review and Approve Active Employee 2023 Dental Rates for Self-Funded Delta Dental PPO Plan, Fully Insured DeltaCare USA HMO Plan and Fully Insured UnitedHealthcare (UHC) HMO Plan

May 12, 2022

# Agenda

- **Rate Setting Methodology Preface**
- **Active Employee Dental Plans 2023 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**
  - Active Employee 2023 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>• BSC PPO—Accolade</li> <li>• <b>Delta Dental Active Employee PPO</b></li> </ul>	<ul style="list-style-type: none"> <li>• Blue Shield of CA Access+ HMO</li> <li>• Blue Shield of CA Trio HMO</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 2023 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:

$$\frac{\text{2023 Total Projected Plan Cost}}{\text{2022 Rates x Enrollment}} = \text{Needed Rate Change Factor (2023 vs. 2022)}$$

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## Active Employee Dental Plans 2023 Plan Rating — Renewal Summary

# Active Employee Dental Plans 2023 Plan Rating

## Renewal Summary and Proposed Monthly Rates

This presentation proposes 2023 rating recommendations for the active employee dental plans offered by San Francisco Health Service System (SFHSS). Retiree dental plan 2023 rate renewals were reviewed with and approved by the Health Service Board (HSB) on April 14, 2022.

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 2023 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 2023 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.
  - The large increase in active employee dental PPO plan total cost rates directly follows a large decrease in 2022 plan year rates — given the unusually large Rate Stabilization balance applied into 2022 rates from 2020 pandemic-related claim suppression.
  - The PPO proposed rate change includes a recommended plan enhancement discussed later in this presentation.
  - 2023 plan year active employee dental PPO plan recommended total cost rates are now similar to those for the 2021 plan year.

Active Employee Dental Plan	Proposed 2023 Rate Change Action	Enrolled Employees (2022 SFHSS Demographic Report)
Active Employee Dental PPO	+15.3%	30,449
Active Employee DeltaCare USA HMO	No Change	750
Active Employee UHC Dental HMO	No Change	541

# Active Employee Dental Plans 2023 Plan Rating

## Stabilization and Plan Design Enhancement Impact on Active PPO

- Most of the total rate increase for the Active PPO plan is attributable to the Rate Stabilization adjustment coming out of a large application of Rate Stabilization Funds in 2022 rating—caused by 2020 plan year pandemic-influenced claim suppression.
  - See next page for more information on the Rate Stabilization impact.
- A portion of the rate increase action (+2.6%) is attributable to the recommended design enhancement to no longer apply Diagnostic & Preventive service claim accumulation to the overall annual plan maximum
- The table below shows the build-up of factors influencing the overall 15.3% increase in total cost rates for the Active PPO plan into the 2023 plan year.

Active Employee Dental Plan Rate Increase Factors	Rate Change Influence by Component
Plan Experience Underwriting	-2.1%
Rate Stabilization Amount Change Impact	+14.8%
Recommended Plan Design Enhancement	+2.6%
Overall Total Rate Increase—Active Dental PPO	+15.3%

# Active Employee Dental Plans 2023 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
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
Percentage Buy-Down Applied in Rating	
2016 Plan Year	2.8%
2017 Plan Year	5.0%
2018 Plan Year	6.5%
2019 Plan Year	8.4%
2020 Plan Year	13.8%
2021 Plan Year	11.3%
2022 Plan Year	24.5%
2023 Plan Year	11.2%

**Pandemic-related claim suppression in 2020 (see next page) caused an unusually large stabilization buy-down in 2022 plan year rates — leading to a 14.4% total rate reduction from 2021 to 2022, and now a 15.3% total rate increase from 2022 to 2023. Rates for 2023 are now similar to those for 2021.**

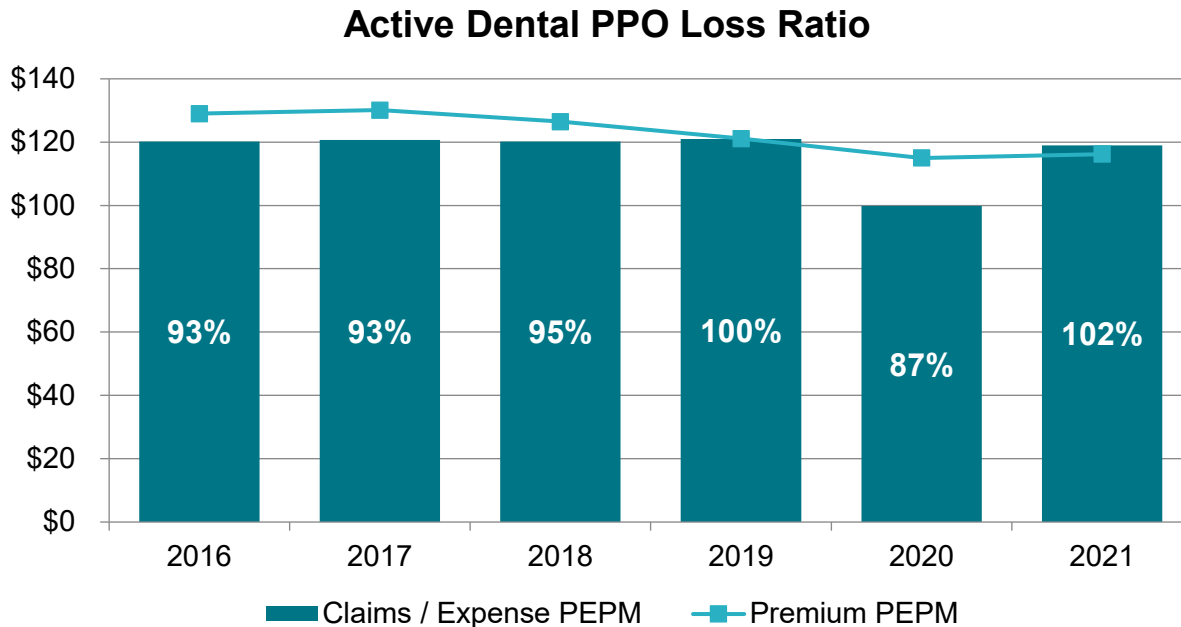
### HSB amortization decisions by rating year:

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

# Delta Dental Active Employee PPO Plan

## 2021 Claim/Fee Experience Summary (from March HSB discussion)

Claims in 2021 have returned to more typical levels after a substantially lower 2020 loss ratio for the active employee dental PPO plan (87%) due to COVID-19 pandemic claim suppression influences, especially in Q2-2020. Actual 2021 plan experience on a per employee per month (PEPM) basis was nearly identical to the claim/expense PEPM figures in years prior to 2020. In the chart below, the line represents PEPM premiums, and the bars represent actual PEPM claims/fees.



Return to about \$120 PEPM actual claim/fee cost for 2021 — after 2020 claim suppression

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

# Active Employee Dental Plans 2023 Plan Rating

## Recommendation for HSB Action

### Today's Recommendations

Staff recommends to the HSB approval of the following 2023 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 15 – 17):**

No change in administrative fees and a 15.3% increase in self-funded total cost rates from 2022 to 2023, which includes a recommended design change to exclude claim costs from Diagnostic & Preventive services from application to a member's \$2,500 annual benefit maximum.

**2) DeltaCare USA Fully Insured Dental HMO Plan (pages 19 – 20):**

No change in insured rates from 2022 to 2023.

**3) UnitedHealthcare (UHC) Insured Dental HMO Plan (pages 19 – 20):**

No change in insured rates from 2022 to 2023.

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## Active Employee Dental Plans 2023 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 plan experience, application of rate stabilization amounts to apply to 2023 rating and market trend expectations, Aon recommends a **15.3% increase** in the self-funded total premium equivalent rates from 2022 to 2023.

- This change incorporates 2021 claim experience projected forward to the 2023 plan year —which has negligible impact on the 2023 rate change projection given steady 2021 claim levels relative to pre-pandemic years, as reviewed with the HSB on March 10, 2022.
- This change incorporates the projected claims impact (+2.62% on annual claims, or \$1.17M) from a recommended PPO Plan design enhancement for the 2023 plan year — specifically to **exclude** from annual maximum accumulation the claim costs for Diagnostic & Preventive services, in order to remove a possible financial barrier for a member seeking cleaning, exam and/or X-ray services (annual maximum in the Active PPO plan: \$2,500/individual).
  - 5% of members achieved the annual maximum in 2021, another 4% came within \$500.
- Most of the 15.3% recommended total cost rate increase reflects the change in rate stabilization amount applied to rates between the 2022 and 2023 plan years, as reviewed earlier in this document.
  - 2023 rates include the application of one-half of the existing rate stabilization reserve balance as approved by the HSB on March 10, 2022 — resulting in a 2023 rating stabilization reserve buy-down of \$5,309,000.

# Delta Dental of California

## Administrative Fee For Active Employee Dental PPO Plan

Delta Dental's per employee per month (PEPM) fee is renewing on January 1, 2023, for the second and final year of a two-year renewal period — the PEPM administrative fee will remain \$4.62 PEPM through the end of the 2023 plan year.

Year	PEPM Administrative Fee
2012 – 2015	\$4.38
2016 – 2018	\$4.35
2019 – 2021	\$4.62
<b>2022 – 2023</b>	<b>\$4.62</b>



# Delta Dental of California

## Active Employee Dental PPO — 2023 Projected Rates

- The recommendation is a 15.3% increase in premium rates from 2022 to 2023, mostly driven by the difference in rate stabilization buy-down from the large 2022 rating offset.
- The projected claim impact from the recommended design change is captured in the calculation table below.
- Claim experience from the 2021 plan year serves as the basis of the projection, with a 3% annual trend assumption used to project claims to 2023.

	EE Only	EE + 1	EE + 2+
February 2022 Enrollment (30,726 enrolled employees)	11,566	7,827	11,333
2023 Self-Insured Pre-Stabilization Rates Before Design Change Consideration (monthly)	<b>\$62.42</b>	<b>\$131.07</b>	<b>\$187.26</b>
2023 Self-Insured Pre-Stabilization Rates With Adjustment for Recommended Plan Design Enhancement (monthly)	<b>\$63.99</b>	<b>\$134.38</b>	<b>\$191.98</b>
Claims Stabilization Buy-Down (\$5,309,000 total)	<b>(\$7.14)</b>	<b>(\$14.98)</b>	<b>(\$21.41)</b>
<b>2023 Self-Insured Recommended Rates (monthly)</b>	<b>\$56.85</b>	<b>\$119.40</b>	<b>\$170.57</b>
<b>2023 Self-Insured Recommended Rates (bi-weekly)</b>	<b>\$26.24</b>	<b>\$55.11</b>	<b>\$78.73</b>
<b>2022 Self-Insured Active Dental PPO Rates (monthly)</b>	<b>\$49.33</b>	<b>\$103.59</b>	<b>\$147.99</b>
<i>Change From Current</i>	<b>+15.3%</b>	<b>+15.3%</b>	<b>+15.3%</b>

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## Active Employee Dental Plans 2023 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 — 2023 Rating

### Proposed 2023 Rating Actions for Fully Insured Active Employee Dental HMO Plans

- DeltaCare USA HMO:
  - No change in rates from 2022 plan year to 2023 plan year (2023 is second year of a two-year agreement to maintain rates for both years)
- UnitedHealthcare (UHC) HMO:
  - No change in rates from 2022 plan year to 2023 plan year (based on UHC proposed renewal action for 2023 plan year)

Each insured dental plan has based its 2023 dental HMO plan renewal upon recent plan experience projected to the 2023 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 2023 Rates

### Dental HMO Plan Monthly Rates for 2023 Plan Year (same rates as 2022)

DeltaCare USA HMO	2022	2023	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	2022	2023	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

### **Active Employee 2023 Dental Plan Rates**

# Recommendation for HSB Action

## Active Employee 2023 Dental Rates

### Today's Recommendations

Staff recommends to the HSB approval of the following 2023 Active Employee Dental Plan Rates and Administrative Fees — with specific information on each recommendation provided earlier in this document:

**1) Delta Dental Active Employee PPO:**

No change in administrative fees and a 15.3% increase in self-funded total cost rates from 2022 to 2023, which includes a recommended design change to exclude claim costs from Diagnostic & Preventive services from application to a member's \$2,500 annual benefit maximum.

**2) DeltaCare USA Fully Insured Dental HMO Plan:**

No change in insured rates from 2022 to 2023.

**3) UnitedHealthcare (UHC) Insured Dental HMO Plan:**

No change in insured rates from 2022 to 2023.

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## Appendix

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

# Active Employee Dental PPO Plan Design

## Current 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)		
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 sfhss.org			

Recommended 2023 design change in yellow highlight



# Active Employee Dental HMO Plan Designs

## Current 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>		