

# San Francisco Health Service System Health Service Board

## Rates & Benefits

Active Employee 2022 Dental Rates for Self-Funded Delta Dental PPO Plan, Fully Insured DeltaCare USA HMO Plan, and Fully Insured UnitedHealthcare (UHC) HMO Plan

May 13, 2021

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# Contents

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- **Rate Setting Methodology Preface**
- **Active Employee Dental Plans 2022 Plan Rating—Renewal Summary and Proposed Monthly Rates**
  - Self-Funded Plan: Delta Dental Active Employee PPO
  - Fully Insured Plans: DeltaCare USA Dental HMO, UnitedHealthcare (UHC) Dental HMO
- **Recommendation for HSB Action**
- **Appendix—Active Employee Dental Plan Designs**

# Rate Setting Methodology Preface

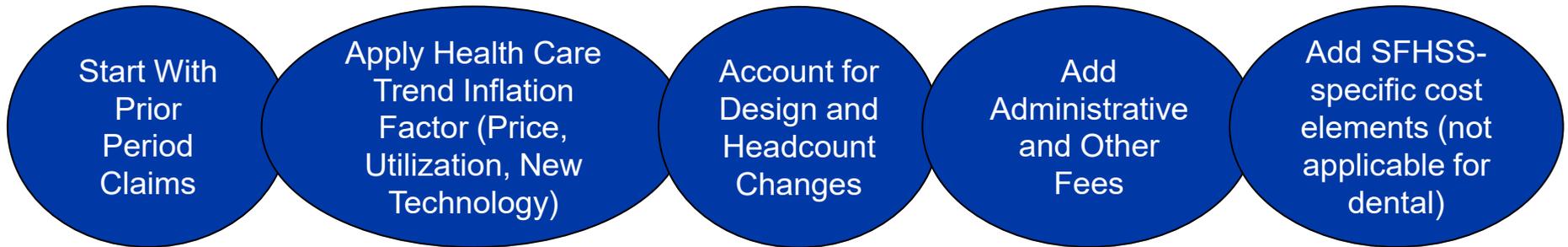
# Health Plan Funding—Method Comparison by SFHSS Plan

| 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 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.  |
| <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 admin fees/large claim pooling adjustments (and required legislative fees) |
| <b>SFHSS plans by Funding Method</b>              | <del>BSC PPO—Accolade</del><br><b>Delta Dental Active Employee PPO</b>   | Blue Shield of CA Access+ HMO<br>Blue Shield of CA Trio HMO<br>Health Net CanopyCare HMO (new in 2022)  | All Kaiser HMO plans<br>UHC Medicare Advantage PPO<br>Delta Dental Retiree PPO<br><b>DeltaCare Dental HMO</b><br><b>UHC Dental HMO</b><br>VSP vision  |
| <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 2022 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:

$$\frac{\text{2022 Total Projected Plan Cost}}{\text{2021 Rates times Enrollment}} = \text{Needed Rate Change Factor (2022 vs. 2021)}$$

# Active Employee 2022 Dental Rates—Summary

# Active Employee 2022 Dental Rates—Summary

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This presentation proposes 2022 rating recommendations for the active employee dental plans offered by San Francisco Health Service System (SFHSS). Retiree dental plan 2022 rate renewals were reviewed with and approved by the Health Service Board (HSB) on April 8, 2021.

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 2022 Dental Rates—Summary

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## 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 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 2022 Dental Rates—Summary

- 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—with January 2021 employee/retiree enrolled counts also shown for each plan (provided by each dental plan).
  - The large reduction for the active employee dental PPO plan total cost rate is attributable to the high level of dental stabilization funds to apply in 2022 rating, as discussed later in this presentation.
  - Plans determine the rate change actions for the fully insured dental HMO programs.

| Dental Plan                       | Proposed 2022 Rate Change Action | Enrolled Employees |
|-----------------------------------|----------------------------------|--------------------|
| Active Employee Dental PPO        | -14.4%                           | 31,525             |
| Active Employee DeltaCare USA HMO | No Change                        | 719                |
| Active Employee UHC Dental HMO    | -10.0%                           | 540                |

# Active Employee 2022 Dental Rates—Summary

- Recommended 2022 **monthly** total cost rates for each SFHSS dental plan:

| SFHSS Dental Plan  | Plan Year     | Active Employees |           |           |
|--------------------|---------------|------------------|-----------|-----------|
|                    |               | EE Only          | EE + 1    | EE + 2+   |
| Delta Dental PPO   | PY 2021       | \$57.63          | \$121.02  | \$172.89  |
|                    | PY 2022       | \$49.33          | \$103.59  | \$147.99  |
|                    | \$ Difference | (\$8.30)         | (\$17.43) | (\$24.90) |
|                    | % Difference  | (14.4%)          | (14.4%)   | (14.4%)   |
| DeltaCare USA DHMO | PY 2021       | \$26.48          | \$43.68   | \$64.61   |
|                    | PY 2022       | \$26.48          | \$43.68   | \$64.61   |
|                    | \$ Difference | No Change        | No Change | No Change |
|                    | % Difference  | No Change        | No Change | No Change |
| UHC Dental HMO     | PY 2021       | \$27.77          | \$45.86   | \$67.80   |
|                    | PY 2022       | \$24.99          | \$41.27   | \$61.02   |
|                    | \$ Difference | (\$2.78)         | (\$4.59)  | (\$6.78)  |
|                    | % Difference  | (10.0%)          | (10.0%)   | (10.0%)   |

# Active Employee 2022 Dental Rates—Summary

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## Today's Recommendations

Staff recommends to the HSB approval of the following 2022 Active Employee Dental Plan Rates and Administrative Fees—specific information on each of the four recommendations below are described in this document:

- 1) Delta Dental Active Employee PPO:** No change in administrative fees and a 14.4% decrease in self-funded total cost rates from 2021 to 2022.
- 2) DeltaCare USA Fully Insured Dental HMO Plan:** no change in insured rates from 2021 to 2022.
- 3) UnitedHealthcare (UHC) Insured Dental HMO Plan:** 10.0% decrease in insured rates from 2021 to 2022.

# Active Employee Dental PPO Plan Rating

# Delta Dental of California

## Overview—Active Employee Dental PPO Rating

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After a review of the Delta Dental active employee self-funded plan experience, application of rate stabilization amounts to apply to 2022 rating, and market trend expectations, Aon recommends a **14.4% decrease** in the self-funded total premium equivalent rates from 2021 to 2022.

- This change incorporates 2019 claim experience projected forward to the 2022 plan year, given the large degree of claim suppression that occurred in 2020 resulting from the COVID-19 pandemic and associated dental office closures primarily in March to June 2020.
  - Details on 2020 active employee dental PPO plan experience were presented to the HSB on March 11, 2021.
- Total rates also reflect the application of two-thirds of the existing rate stabilization reserve balance as approved by the HSB on March 11, 2021—resulting in a 2022 rating stabilization reserve buy-down of \$12,229,000.
  - While there is expected to be claim stabilization buy-down in plan year 2023 rating, the amount of buy-down in 2023 rating should be substantially less than the 2022 amount of \$12,229,000—meaning a total rate increase for the active employee dental PPO plan from 2022 to 2023 is likely.

# 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, 2022, for a new 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—2022 Projected Rates

- The recommendation is a 14.4% decrease in premium rates from 2021 to 2022, almost entirely driven by the substantial rate stabilization buy-down to apply in 2022 rating as a result of pandemic-caused dental plan claim suppression during 2020.
- Claim experience from the 2019 plan year serves as the basis of the projection, with a 3% annual trend assumption used to project claims to 2022.

|  | EE Only          | EE + 1           | EE + 2+          |
|--|------------------|------------------|------------------|
| January 2021 Enrollment (31,525 total enrolled employees)  | 11,811           | 8,196            | 11,518           |
| 2022 Self-Insured Pre-Stabilization Offset Rates (Monthly) | <b>\$65.36</b>   | <b>\$137.25</b>  | <b>\$196.08</b>  |
| Claims Stabilization Buy-Down (\$12,229,000 total)         | <b>(\$16.03)</b> | <b>(\$33.66)</b> | <b>(\$48.09)</b> |
| <b>2022 Self-Insured Recommended Rates (Monthly)</b>       | <b>\$49.33</b>   | <b>\$103.59</b>  | <b>\$147.99</b>  |
| <b>2022 Self-Insured Recommended Rates (Bi-Weekly)</b>     | <b>\$22.77</b>   | <b>\$47.81</b>   | <b>\$68.30</b>   |
| <b>2021 Self-Insured Active Dental PPO Rates (Monthly)</b> | <b>\$57.63</b>   | <b>\$121.02</b>  | <b>\$172.89</b>  |
| <i>Change From Current</i>                                 | <i>-14.4%</i>    | <i>-14.4%</i>    | <i>-14.4%</i>    |

# Active Employee Fully Insured Dental Plans Rating

# Fully Insured Dental Plans—2022 Rating

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## Proposed 2022 Rating Actions for Fully Insured Active Employee Dental HMO Plans

- DeltaCare USA HMO: no change in rates from 2021 plan year to 2022 plan year (with two-year agreement to maintain 2022 rates for 2023 plan year)
- UnitedHealthcare (UHC) HMO: 10% rate reduction for 2022 plan year

Each insured dental plan has based its 2022 dental HMO plan renewal upon recent plan experience projected to the 2022 plan year, as underwritten by the actuaries of each dental plan organization.

# Active Employee Fully Insured Dental HMO 2022 Rates

## Dental HMO Plan Monthly Rates for 2022 Plan Year

| DeltaCare USA HMO | 2021    | 2022    | 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 | 2021    | 2022    | Rate Change |
|----------------|---------|---------|-------------|
| Employee Only  | \$27.77 | \$24.99 | -10.0%      |
| Employee + 1   | \$45.86 | \$41.27 | -10.0%      |
| Employee + 2+  | \$67.80 | \$61.02 | -10.0%      |

# Active Employee 2022 Dental Rates— Recommendation

# Active Employee 2022 Dental Rates—Recommendation

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## Today's Recommendations

Staff recommends to the HSB approval of the following 2022 Active Employee Dental Plan Rates and Administrative Fees—specific information on each of the four recommendations below are described in this document:

- 1) Delta Dental Active Employee PPO:** No change in administrative fees and a 14.4% decrease in self-funded total cost rates from 2021 to 2022.
- 2) DeltaCare USA Fully Insured Dental HMO Plan:** no change in insured rates from 2021 to 2022.
- 3) UnitedHealthcare (UHC) Insured Dental HMO Plan:** 10.0% decrease in insured rates from 2021 to 2022.

# Appendix—Active Employee Dental Plan Designs

# Appendix—Active Employee Dental Plan Designs

## Active Employee 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)   |   |   |
| <b>Covered Services</b>          |  |   |   |
| ▪ 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, 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 (1x3yr)  | 80% covered (1x3yr)                     | 80% covered (1x3yr)                     |

**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)

# Appendix—Active Employee Dental Plan Designs

## Active Employee DeltaCare USA and UHC Dental HMO Plan Design Elements

| Plan Feature                     | DeltaCare USA   | UHC Dental HMO  |
|----------------------------------|---|---|
| Choice of Dentist                | DeltaCare USA network only UHC Dental network only  | DeltaCare USA network only UHC Dental network only  |
| Annual Deductible                | None  | None  |
| 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, and 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:<br>\$1,600 / child<br>\$1,800 / adult<br>\$350 start-up fee; limitations apply | Employee pays:<br>\$1,250 / child<br>\$1,250 / adult<br>\$350 start-up fee; limitations apply |
| ▪ Night Guards                   | \$100 copay   | 100% covered  |

**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)