

San Francisco Health Service System Health Service Board

Rates & Benefits

Review and Approve Self-Funded Active Employee Delta Dental
PPO Plan Renewal 2027 Rates

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May 14, 2026

Agenda

- **Rate Setting Methodology Preface**
- **Self-Funded Active Employee Delta Dental of California (Delta Dental) PPO Plan Renewal 2027 Rates**
 - Renewal Summary
 - Rating Details
- **Recommendation for HSB Action**
- **Appendix: Active Employee Dental PPO Plan Design**

This agenda item is contingent upon the outcome of the active employee dental PPO plan RFP in a prior item during today's HSB meeting

Introduction to Today's Discussion

This presentation contains 2027 rating recommendations for the renewal of the self-funded Delta Dental active employee dental PPO plan offered by San Francisco Health Service System (SFHSS).

Total cost rates recommended in this presentation are based on 2025 claim experience trended to the 2027 plan year along with per employee per month (PEPM) administrative fees quoted by Delta Dental in their renewal for the 2027 plan year. Total renewal cost rates for the active employee Delta Dental PPO plan are recommended to increase by 3.3% for the 2027 plan year.

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Rate Setting Methodology Preface

Health Plan Funding

Method Comparison by SFHSS Plan

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 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
Who Calculates the Recommended SFHSS Plan Rates That HSB Approves?	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)
SFHSS Plans by Funding Method	<ul style="list-style-type: none"> • Non-Medicare PPO • Delta Dental Active Employee PPO 	<ul style="list-style-type: none"> • Blue Shield of CA Access+ HMO • Blue Shield of CA Trio HMO • Health Net CanopyCare HMO 	<ul style="list-style-type: none"> • All Kaiser HMO plans • BSC Medicare Advantage PPO • Delta Dental Retiree PPO • DeltaCare Dental HMO • UHC Dental HMO • VSP Vision
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 2027 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:

$$\frac{\text{2027 Total Projected Plan Cost}}{\text{2026 Rates x Enrollment}} = \text{Needed Rate Change Factor (2027 vs. 2026)}$$

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Self-Funded Active Employee Delta Dental PPO Plan Renewal 2027 Rate Recommendations

Active Employee 2027 Dental PPO Plan Rates

Renewal Summary and Proposed Monthly Rates

The 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 total plan cost rates include the 2027 plan year rate stabilization action approved by the HSB at the March 12, 2026, meeting.

Active employee dental HMO plan 2027 total cost rates were approved by the HSB at the April 9, 2026, meeting.

Active Employee 2027 Dental PPO Plan Rates

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 2027 Dental PPO Plan Rates

PPO — Impact of Historical Experience on Rate Stabilization Reserve

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
December 31, 2023	\$9,018,000
December 31, 2024	\$3,960,000
December 31, 2025	\$4,075,000
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
2025 Plan Year	\$6,012,000
2026 Plan Year	\$1,320,000
2027 Plan Year	\$1,358,000

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

HSB amortization actions by rating year:

- **2016 – 2019:** One-third of new stabilization reserve per HSB Stabilization Policy
- **2020, 2021, 2023:** One-half of new stabilization reserve
- **2022, 2024, 2025:** Two-thirds of new stabilization reserve
- **2026, 2027:** One-third of new stabilization reserve per HSB Stabilization Policy

Active Employee 2027 Dental PPO Plan Rates

- After a review of the Delta Dental active PPO 2025 plan year experience trended to 2027, and the application of the 2027 plan year rate stabilization amount approved by the HSB in March—a 3.3% increase in the self-funded total premium equivalent rates from 2026 to 2027 is recommended. This is slightly lower than national dental plan cost trend (+4%).
- As part of a new five-year administrative fee agreement with Delta Dental (2027 to 2031), the 2027 per employee per month (PEPM) administrative fee will increase by 2.5% from the 2026 fee amount:

Year	PEPM Administrative Fee
2025 – 2026	\$4.82
2027	\$4.94

Active Employee 2027 Dental PPO Plan Rates

Status Quo Plan Design (No Design Change Into 2027)

- The recommendation is a 3.3% increase in premium rates from 2026 to 2027.
- Claim experience from the 2025 plan year serves as the basis of the projection, with a 4% annual trend assumption used to project claims to 2027.

2027 TOTAL COST RATE DEVELOPMENT

	EE Only	EE + 1	EE + 2+
January 2026 Enrollment (32,362 enrolled employees)	12,742	8,274	11,346
2027 Self-Insured Pre-Stabilization Rates (monthly)	\$66.87	\$140.43	\$200.61
Claims Stabilization Buy-Down (\$1,358,000 total)*	(\$1.76)	(\$3.70)	(\$5.28)
2027 Self-Insured Recommended Rates (monthly)	\$65.11	\$136.73	\$195.33
2027 Self-Insured Recommended Rates (bi-weekly)	\$30.05	\$63.11	\$90.15
2026 Self-Insured Active Dental PPO Rates (monthly)	\$63.05	\$132.41	\$189.15
Change From Current	+3.3%	+3.3%	+3.3%

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Recommendation for HSB Action

Self-Funded Active Employee Delta Dental PPO Plan Renewal 2027 Rates

Recommendation for HSB Action

Self-Funded Active Employee Delta Dental PPO Plan Renewal 2027 Rates

Staff recommends to the HSB approval of the following Self-Funded Delta Dental Active Employee PPO renewal rating actions for 2027:

1. Administrative fee of \$4.94 per employee per month (PEPM) for the 2027 plan year; and
2. A 3.3% increase in self-funded total cost rates from 2026 to 2027 as presented in this material.

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Appendix

Self-Funded Active Employee Dental PPO Plan Design Elements

Active Employee 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	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	50% 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)

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