

San Francisco Health Service System Health Service Board

Board Education: Non-Medicare Health Plan Rate Setting Methodology

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January 9, 2025

Non-Medicare Health Plan Rate Setting Methodology— Introduction

Today's discussion will provide information to the Health Service Board (HSB) of the San Francisco Health Service System (SFHSS), as well as other interested parties, regarding how health plan rates are set for SFHSS health plans for the active employee and non-Medicare retiree populations (e.g., non-Medicare populations).

This discussion includes information on the relationship of health plan rates across:

- Active employees versus non-Medicare retirees within a plan;
- By dependent coverage tier (single/two-party/family) within a plan; and
- Across health plans offered by SFHSS.

Multiple employer contribution determination rules within each segment — including by employer for active employees (CCSF* example shown below), percentage of full employer (ER) contribution for retirees (partial for some hired on/after January 10, 2009)

Today's discussion:
how are these rates calculated?

Non-Medicare Health Plan Rating Methodology

“The End State”—2025 Monthly Rates and Contributions*

The End State—2025 Monthly Rates and Contributions

	Active Employees (93/93/83)			Active Employees (100/96/83)			Non-Medicare Retirees (Full ER Contribution)		
	EE Only	EE+1 Dep	EE+2+ Deps	EE Only	EE+1 Dep	EE+2+ Deps	RET Only	RET+1 Dep	RET+2+ Deps
Total Plan Rates									
Non-Medicare PPO	\$1,479	\$2,868	\$4,053	\$1,479	\$2,868	\$4,053	\$1,991	\$2,887	\$3,603
Non-Medicare PPO (CNA)	\$1,164	\$2,324	\$3,287	\$1,164	\$2,324	\$3,287	\$1,991	\$2,887	\$3,603
BSC Access+ / UHC Select	\$1,164	\$2,324	\$3,287	\$1,164	\$2,324	\$3,287	\$2,689	\$3,895	\$4,857
BSC Trio / UHC Doctors	\$990	\$1,975	\$2,794	\$990	\$1,975	\$2,794	\$2,285	\$3,310	\$4,128
Health Net CanopyCare	\$791	\$1,579	\$2,232	\$791	\$1,579	\$2,232	\$1,825	\$2,643	\$3,297
Kaiser	\$881	\$1,759	\$2,487	\$881	\$1,759	\$2,487	\$1,771	\$2,648	\$3,377
Employer Contribution									
Non-Medicare PPO	\$1,082	\$2,161	\$2,728	\$1,479	\$2,231	\$2,728	\$1,692	\$2,141	\$2,141
Non-Medicare PPO (CNA)	\$1,082	\$2,161	\$2,728	\$1,164	\$2,231	\$2,728	\$1,850	\$2,298	\$2,298
BSC Access+ / UHC Select	\$1,082	\$2,161	\$2,728	\$1,164	\$2,231	\$2,728	\$2,548	\$3,151	\$3,151
BSC Trio / UHC Doctors	\$920	\$1,837	\$2,319	\$990	\$1,896	\$2,319	\$2,231	\$2,743	\$2,743
Health Net CanopyCare	\$736	\$1,468	\$1,853	\$791	\$1,516	\$1,853	\$1,825	\$2,234	\$2,234
Kaiser	\$820	\$1,636	\$2,064	\$881	\$1,688	\$2,064	\$1,771	\$2,210	\$2,210
Member Contribution									
Non-Medicare PPO	\$396	\$707	\$1,325	\$0	\$637	\$1,325	\$298	\$747	\$1,463
Non-Medicare PPO (CNA)	\$81	\$163	\$559	\$0	\$93	\$559	\$141	\$589	\$1,305
BSC Access+ / UHC Select	\$81	\$163	\$559	\$0	\$93	\$559	\$141	\$744	\$1,707
BSC Trio / UHC Doctors	\$69	\$138	\$475	\$0	\$79	\$475	\$54	\$566	\$1,384
Health Net CanopyCare	\$55	\$111	\$380	\$0	\$63	\$380	\$0	\$409	\$1,063
Kaiser	\$62	\$123	\$423	\$0	\$70	\$423	\$0	\$439	\$1,167

*Kaiser multiple employer contribution determination rules within each segment — including by employer for active employees (CCSF shown above), percentage of full employer (ER) contribution for retirees (full shown above; partial for some hired on/after January 10, 2009); figures above rounded to nearest dollar for illustrative purposes

Non-Medicare Health Plan Rating Methodology — Agenda

Today's discussion is segmented into four primary topic areas:

- (1) How Aon (for self-funded/flex-funded plans) and health plans (for fully insured plans) perform rate-setting activities for next year's health plan rate recommendations.
- (2) How total cost rates are segmented into employer and member contributions for each population segment — (a) active employees and (b) retirees.
- (3) Historical perspective on SFHSS health plan rate relationships across health plans and dependent coverage tiers, given historical influence on current methodologies.
- (4) Current state of SFHSS health plan rate relationships across health plans and dependent coverage tiers.

This SFHSS weblink provides the [Health Care Glossary of Terms](#).

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Total Cost Rates Calculation Methodology

Self-Funded Plan Total Rates — Calculation Methodology

Aon calculates total cost rates annually for all San Francisco Health Service System (SFHSS) **self-funded** and **flex-funded** medical and dental plans

- Blue Shield of California (BSC) Non-Medicare PPO Plan (active employees and non-Medicare retirees)
- BSC Access+ and Trio HMO Plans (active employees and non-Medicare retirees)
- Health Net CanopyCare HMO Plan (active employees and non-Medicare retirees)
- Delta Dental of California Active Employee PPO Plan

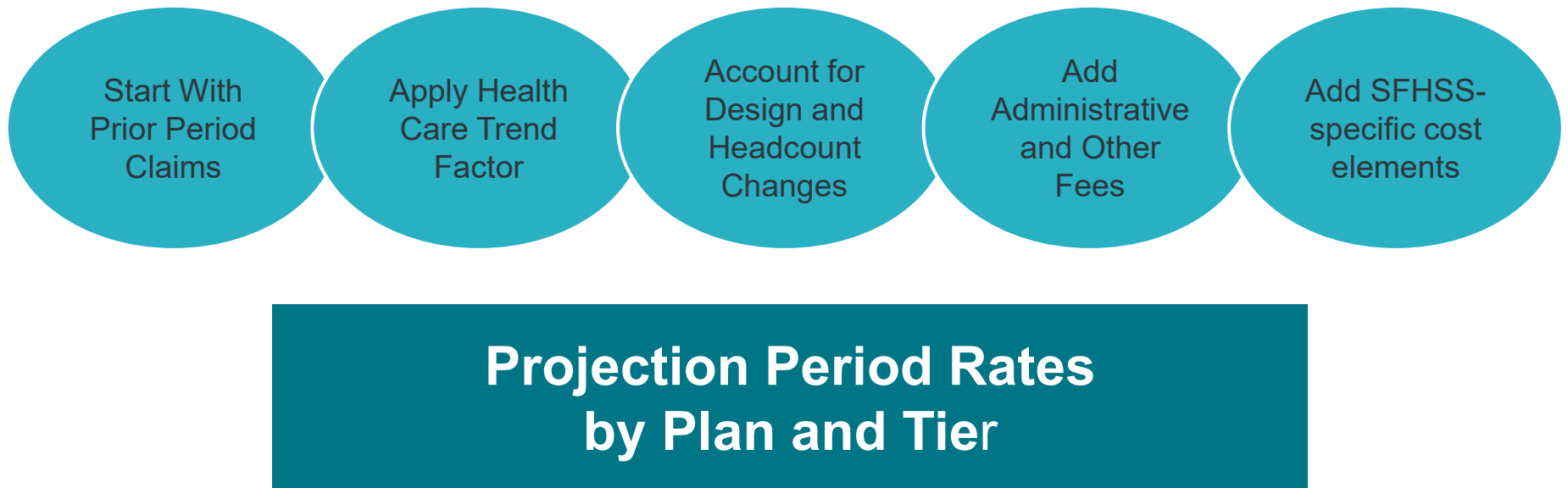
All other plans not listed above that are offered through SFHSS are **fully insured**, and thus total premium rates are developed by the health plans

- All Kaiser Permanente (Kaiser) plans for active employees and retirees
- BSC Medicare Advantage PPO plan
- All dental plans other than the Active Employee PPO Plan
- VSP vision plans

Self-Funded Plan Total Rates — Calculation Methodology

Forecasting Projection Period Costs

- Self-funded plan rate development premise: utilize recent claim experience to project best estimate for projection period incurred claims, then add applicable fees to calculate projection period plan rates



Self-Funded Plan Total Rates — Step #1

Start with Prior Period Claim Experience

Claim experience utilized in SFHSS rate projection calculations is from the most recently completed **calendar year** for initial projections.

Aon may incorporate first quarter data from the current calendar year **IF** substantial plan changes and/or enrollment shifts occurred into present year.

Aon matches claims incurred in experience period to covered headcounts for the same period → this forms the basis of the experience used in the projections

- “Incurred date” = date health care service occurred
- Aon uses separate claims/headcounts for active employees versus non-Medicare retirees for medical/Rx plan rate projection processes

Historical
Claims

Self-Funded Plan Total Rates — Step #2

Apply Health Care Cost Inflation “Trend” in Forecast Calculations

Health care claim trend factors are determined using SFHSS plan-specific experience and applied on a “midpoint-to-midpoint” basis between experience and projection periods.

- For BSC HMO plans, BSC develops the medical/Rx/admin trend factor which is subject to SFHSS/Aon review and negotiation
- For BSC Non-Medicare PPO Plan and Delta Dental active employee PPO, Aon develops trend factor recommendations using a combination of statistical regression on SFHSS rolling 6 to 24-month time periods and national trend factors

Claim costs in the rating projections also include provision for prescription drug rebates in the medical plans, as well as capitation (BSC/Health Net HMOs) and large claim pooling adjustment (BSC HMO).

- “Capitation” is a fixed cost for a set of certain services within the BSC and Health Net HMO plans, including costs for primary care services

Trend

Historical
Claims

Self-Funded Plan Total Rates — Step #3

Adjusting Forecast for Plan Design and Headcount Changes

- The actuarial value of any plan design changes that have occurred from the prior claim experience period and projection period should be accounted for in the rate projection calculation
- Changes in enrollment by plan and tier between claim experience period and current should also be incorporated into the health care rate projection calculations
- Aon may also incorporate significant changes in overall health risk and/or demographic composition of a plan's enrolled population from prior period to current period in this step, though historically SFHSS health risk and demographic profiles within a given plan have remained relatively steady

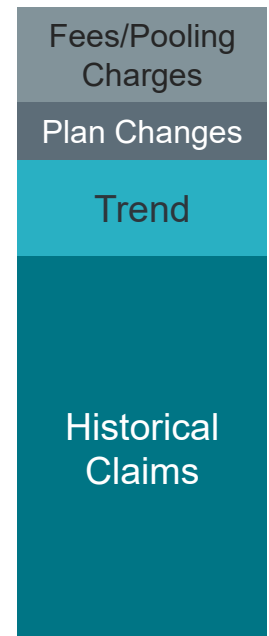


Self-Funded Plan Total Rates — Step #4

Add
Administrative
and Other Fees

Health Plan Administrative Fees

- Administrative fees are included in the underwriting for calculated plan rates.
 - BSC HMOs: large claim pooling fees are included into the total health plan costs shown in BSC plan rate cards
- Legislative fees are also included where applicable (e.g., California’s MCO tax for flex-funded HMO plans)



Self-Funded Plan Total Rates—Step #5

Other SFHSS-Specific Cost Elements in Health Care Rates

All SFHSS self-funded and flex-funded total plan rates include provision for **Claim Stabilization Reserve** change adjustments based on HSB Policy 211.

- Amounts to apply in rating each year for each self-funded/ flex-funded plan are determined in the March/April timeframe based on prior plan year experience relative to original forecasts
- Resulting amounts utilized in total rate setting formulas for the projection period become, per policy, a one-third amortization of claim stabilization reserve balances for each plan as of December 31 of the prior year (deviations from HSB Rates Stabilization Policy 211 can occur with HSB approval)

Medical plan total cost rates also include:

- SFHSS Health Care Sustainability Fund Charge (currently \$4 per month which applies across each coverage tier)
- Basic VSP vision insured plan rates (vary by coverage tier)

Add SFHSS-specific cost elements

SFHSS-specific cost elements

Fees/Pooling Charges

Plan Changes

Trend

Historical Claims

Self-Funded Plan Total Rates — Calculation Methodology

Allocating Projection Period Costs Into Plan/Tier Rates

Once projection period cost estimates are developed, self-funded/flex-funded total plan cost rates are generated for the projection period utilizing existing “rate ratios” for the **three dependent coverage tiers** for each plan:

1. Employee/Retiree Only (e.g., EE/RET Only)
2. Employee/Retiree Plus One Dependent (e.g., EE/RET + 1)
3. Employee/Retiree Plus Two or More Dependents (e.g., EE/RET + 2+)

A “rate ratio” is the mathematical difference relative to the EE/RET Only rate, when dividing a dependent tier rate by the EE/RET Only rate — here is an example:

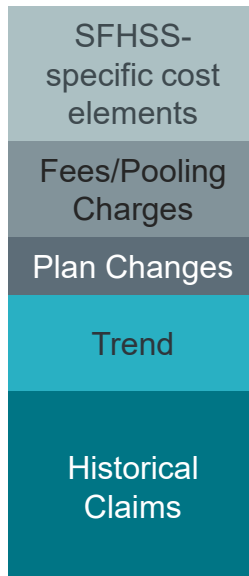
Plan Tier Rates		
Tier	Monthly Rate	Rate Ratio to EE Only
EE Only	\$100	1.00
EE + 1 Dep	\$220	2.20
EE + 2+ Deps	\$350	3.50

Self-Funded Plan Total Rates — Calculation Methodology

Allocating Projection Period Costs Into Plan/Tier Rates

- All of the elements of premium/budget rate projections discussed on earlier pages creates a total expected cost for the health plan in the projection period — rate ratios are then used to allocate these expected costs into rates by each of the **three dependent coverage tiers** as shown below
- Retiree tiers are further delineated for “split families” — where one or more family members of a retiree family are not yet Medicare eligible, and one or more family members is Medicare eligible

Premium/ Budget Dollars

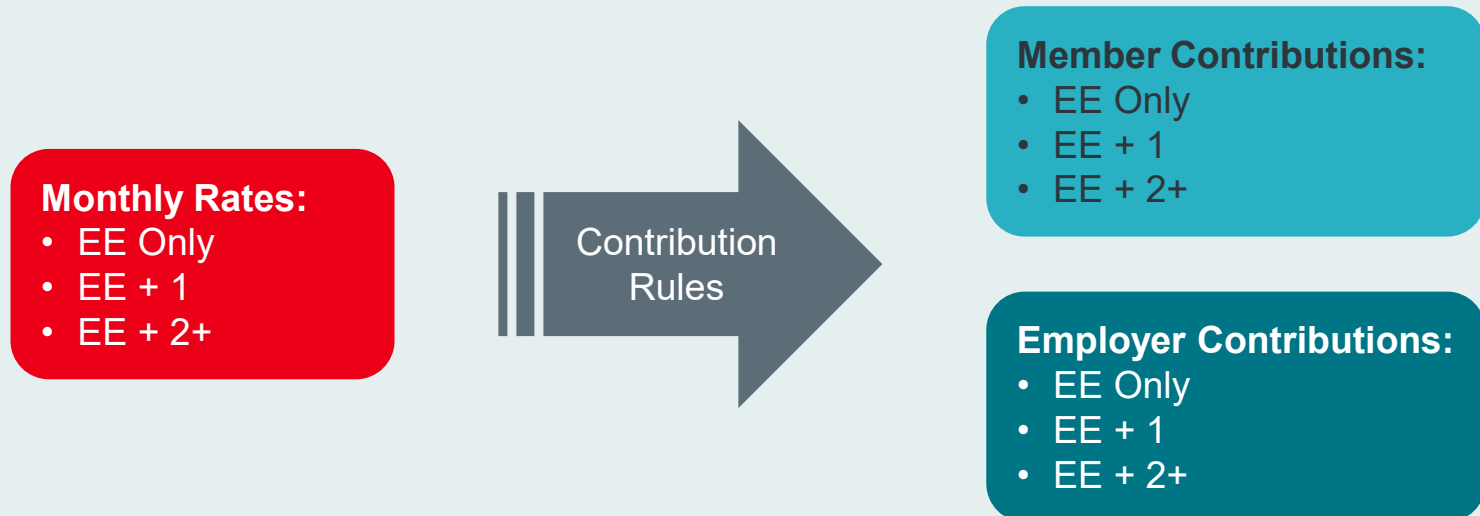


Monthly Rates:

- EE/RET Only
- EE/RET + 1
- EE/RET + 2+

2a

Segmenting Total Cost Rates Into Employer and Member Contributions (Active Employees)



Segmenting Total Cost Rates Into Employer and Member Contributions — Active Employees

Active Employees — City/County of San Francisco (CCSF)

- Medical/Rx/Core Vision plan **employer contributions** are based on negotiated percentages by dependent tier (100/96/83 and 93/93/83) for most plans
 - For medical/Rx/Core vision, the **employer contribution dollar amounts** for the most expensive plan (currently Non-Medicare PPO) are same as those for second most expensive plan (currently BSC Access+)
 - Otherwise, **employer contributions** for health plans other than the most expensive plan are guided by the negotiated percentages above
 - **Employee contributions** for health plans then become total cost rates less the employer contribution amounts for each plan and tier
- For dental plans, CCSF employees pay \$5/\$10/\$15 per month for Delta Dental PPO and pay no contributions for the two dental HMOs
- Employees selecting the VSP Premier Plan (“buy-up” plan) pay an incremental contribution equal to the difference in total cost rates between the VSP Premier Plan and the VSP Core Vision Plan, for the dependent tier selected

Segmenting Total Cost Rates Into Employer and Member Contributions — Active Employees

Active Employees — San Francisco Unified School District (SFUSD)

- Medical/Rx/Core Vision plan **employer contributions** for the Employee Only tier vary by plan and tier — anchored to the 10-County Amount at minimum but could be higher for a given employee segment and/or plan depending on agreement.
 - Kaiser and Health Net HMOs in 2025: Employee Only employer contribution equals the premium since the Kaiser and Health Net premiums are less than the 10-County Amount
- Medical/Rx/Core Vision plan **employer contributions** for the Employee Plus One and Employee Plus Two or More tiers vary by employee type and plan, based on agreements with each employee segment (generally employer contributions for family tiers will increase proportionately with total rate increases)
- **Employee contributions** for health plans then become total cost rates less the employer contribution amounts for each plan and tier — the number of pay periods for a given SFUSD employee in a year varies by type of employee
- SFUSD does not elect to offer dental through SFHSS
- Employees selecting the VSP Premier Plan (“buy-up” plan) pay an incremental contribution equal to the difference in total cost rates between the VSP Premier Plan and the VSP Core Vision Plan, for the dependent tier selected

Segmenting Total Cost Rates Into Employer and Member Contributions — Active Employees

Active Employees — City College of San Francisco (CCD)

- Medical/Rx/Core Vision plan **employer contributions** for the Employee Only tier vary by plan and tier — anchored to the 10-County Amount at minimum but could be higher for a given employee segment and/or plan depending on agreement
 - Kaiser and Health Net HMOs in 2025: Employee Only employer contribution equals the premium since the Kaiser and Health Net premiums are less than the 10-County Amount
- Medical/Rx/Core Vision plan **employer contributions** for the Employee Plus One and Employee Plus Two or More tiers vary by employee type and plan, based on agreements with each employee segment (generally employer contributions for family tiers will increase proportionately with total rate increases)
- **Employee contributions** for health plans then become total cost rates less the employer contribution amounts for each plan and tier — the number of pay periods for a given CCD employee in a year varies by type of employee
- CCD does not elect to offer dental through SFHSS
- Employees selecting the VSP Premier Plan (“buy-up” plan) pay an incremental contribution equal to the difference in total cost rates between the VSP Premier Plan and the VSP Core Vision Plan, for the dependent tier selected

Segmenting Total Cost Rates Into Employer and Member Contributions — Active Employees

Active Employees — Superior Court

- Most Superior Court employees pay no contributions for medical/Rx/Core Vision coverage
- Superior Court employees pay no contributions for dental coverage
- Employees selecting the VSP Premier Plan (“buy-up” plan) pay an incremental contribution equal to the difference in total cost rates between the VSP Premier Plan and the VSP Core Vision Plan, for the dependent tier selected

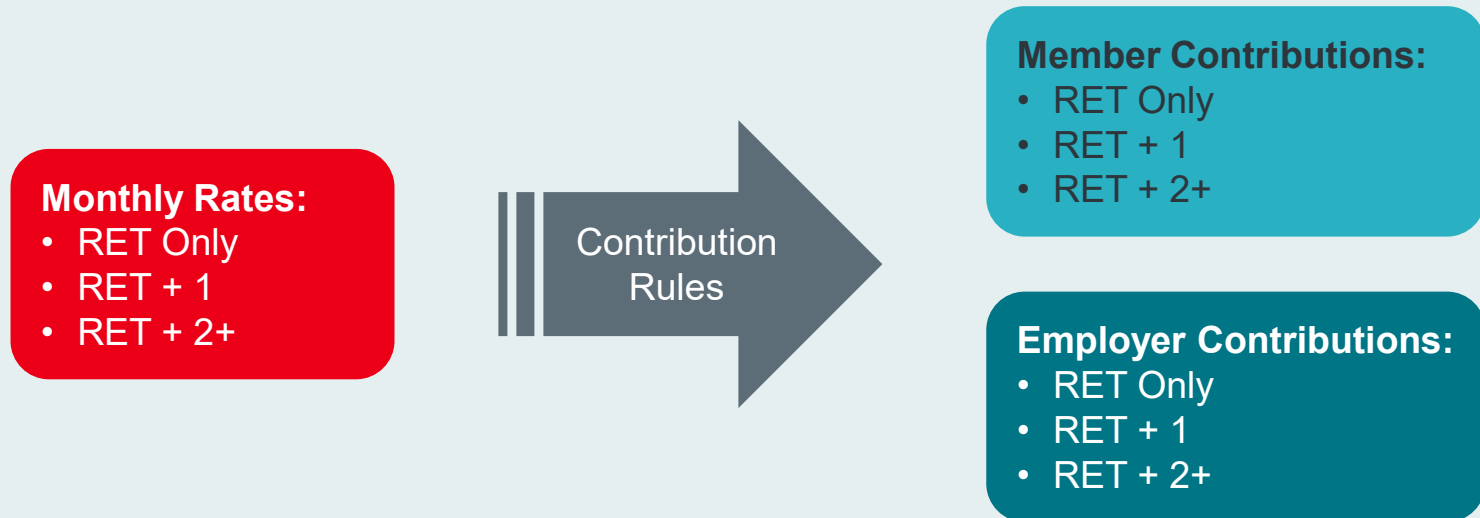
Segmenting Total Cost Rates Into Employer and Member Contributions — Active Employees

Active Employees — Municipal Executives Association (MEA)

- Medical/Rx/Core Vision plan **employer contributions** for MEA include two sources:
 - Flex credits which can be spent on a variety of pre-tax and post-tax benefit options, including health care, paid via payroll deduction (credit amounts vary by MEA employee type, and by dependent coverage tier for CCSF/MTA employees); and
 - Employer contributions equal to the 10-County Amount for CCSF and MTA employees enrolling in Employee Only or Employee Plus One tier for medical coverage (Kaiser and Health Net contributions are less than 10-County Amount given lower premiums for Kaiser and Health Net HMO plans in 2025).
- CCSF and MTA MEA employees enrolled in the Delta Dental PPO plan pay \$5/\$10/\$15 monthly by tier for coverage; all other plans have no contribution
 - Superior Court MEA employees pay no contributions for any dental plan
- Employees selecting the VSP Premier Plan (“buy-up” plan) pay an incremental contribution equal to the difference in total cost rates between the VSP Premier Plan and the VSP Core Vision Plan, for the dependent tier selected

2b

Segmenting Total Cost Rates Into Employer and Member Contributions (Retirees)



Segmenting Total Cost Rates Into Employer and Member Contributions—Retirees

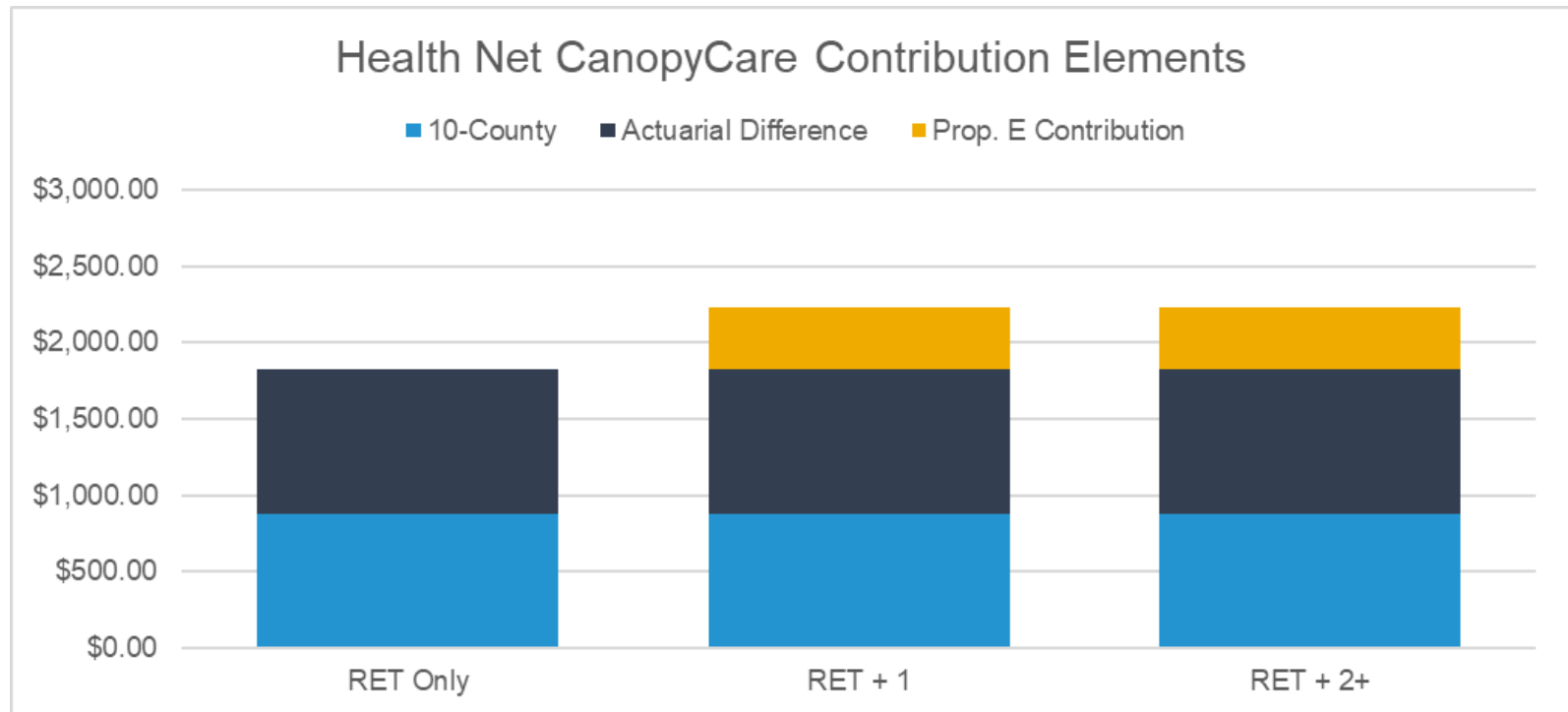
Employer Contributions For Retirees Are Guided by City Charter Formula

- Retirees hired on or before January 9, 2009: **Medical/Rx/Core Vision plan employer contribution amounts** are based on three components as defined in the **City Charter** — two of which are developed separately for each plan
 - **Element that is same for all plans: 10-County Amount** (determined by annual survey; same dollar amount for all plans and dependent tiers)
 - **First element that varies for each plan: “Actuarial difference”** which is the difference between single tier premiums for non-Medicare retirees and active employees for a given plan (dollar amounts vary by plan; within a plan, the same dollar amount applies to all dependent coverage tiers)
 - **Second element that varies for each plan: Retiree Prop. E Contribution** which is 50% times [total cost rate cost, less 10-County amount, less “Actuarial Difference”] — performed for both Retiree Only tier and Retiree + 1 tier (dollar amounts vary by plan; within a plan, there is an amount for Retiree Only tier and a second amount for RET+1 and RET+2+ tiers)

Segmenting Total Cost Rates Into Employer and Member Contributions—Retirees

Non-Medicare Retirees 2025 Employer Contribution Components — Health Net CanopyCare

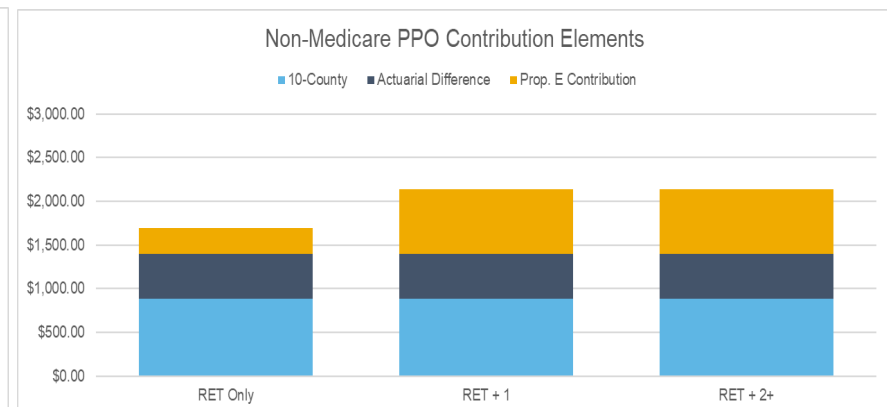
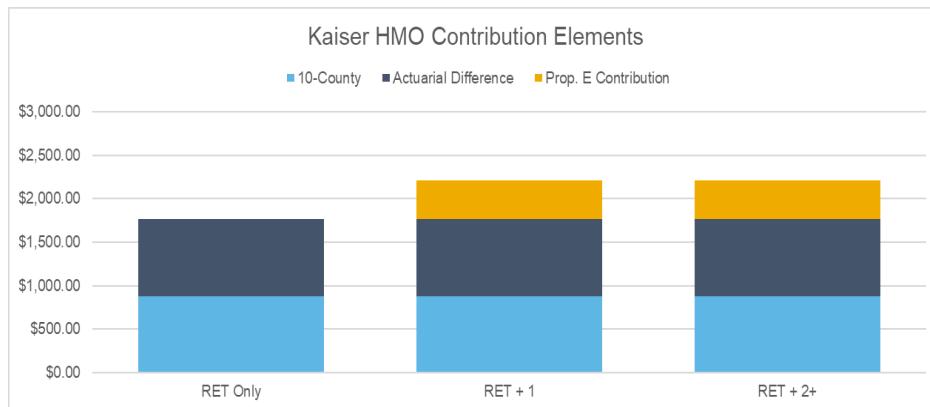
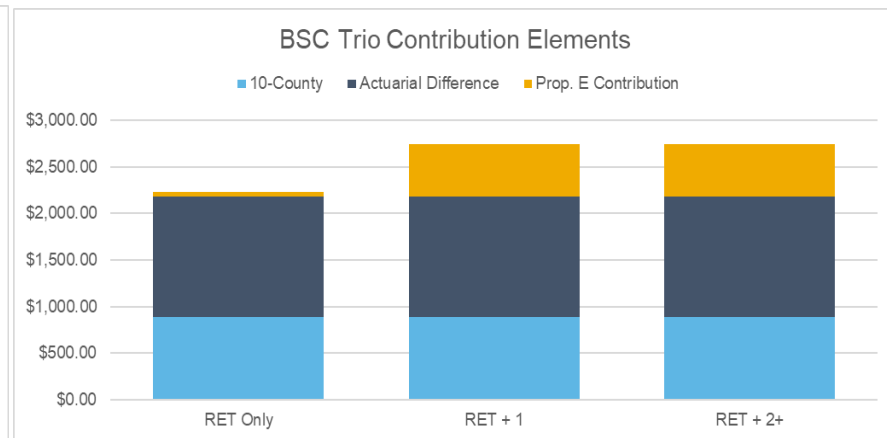
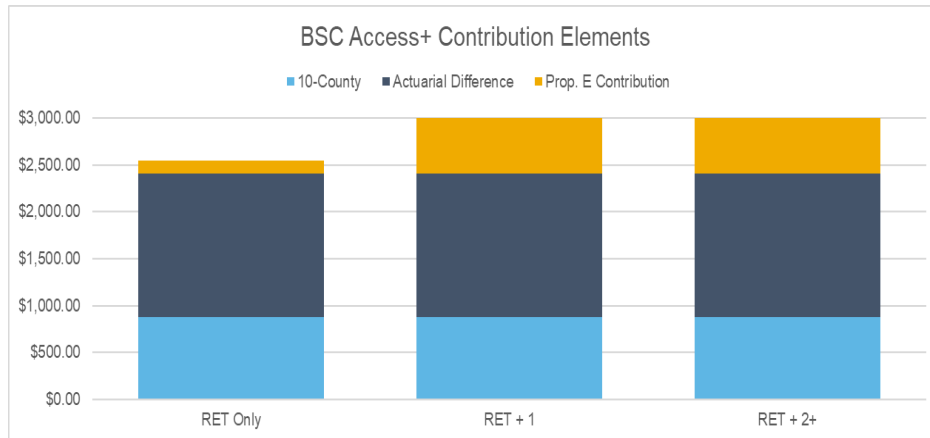
- Light Blue — 10-County Amount (same amount for all plans)
- Dark Blue — "Actuarial Difference" (plan-specific, same amount for all tiers)
- Tan — Retiree Prop. E Contribution (plan-specific, varies for Single tier vs. Family tiers)



Segmenting Total Cost Rates Into Employer and Member Contributions—Retirees

Non-Medicare Retirees 2025 Employer Contribution Components — Other Plans

- Dark Blue (“Actuarial Difference”) and Tan (Retiree Prop. E) amounts vary by plan



Segmenting Total Cost Rates Into Employer and Member Contributions—Retirees

Retiree Plans With No Retiree Contributions for Retiree Only Tier in 2025

For Retirees Hired On or Before January 9, 2009

- Employer contributions are limited to be no more than the cost of Retiree Only coverage — this applies in 2025 for the following plans:
 - Kaiser HMO for non-Medicare retirees
 - Health Net CanopyCare HMO for non-Medicare retirees
 - Kaiser Permanente Senior Advantage (KPSA) for Medicare retirees
 - BSC Medicare Advantage (MA) PPO for Medicare retirees
- This is why each of these plans listed above have no retiree contributions for Retiree Only tier in 2025
- All other non-Medicare retiree plans have some level of retiree contribution for Retiree Only coverage in 2020
 - BSC Non-Medicare PPO (including “Choice Not Available”)
 - BSC Access+ and Trio HMOs

Segmenting Total Cost Rates Into Employer and Member Contributions—Retirees

Medical/Rx/Core Vision Employer Contributions for Retirees Hired On or After January 10, 2009

- Retirees hired on or after January 10, 2009: medical/Rx/vision employer contributions vary by years of service:
 - At least 5 but less than 10 years of service: no employer contribution (coverage is fully paid by retiree)
 - At least 10 but less than 15 years of service: 50% of the employer contribution amounts provided to retirees hired on or before January 9, 2009
 - At least 15 but less than 20 years of service: 75% of the employer contribution amounts provided to retirees hired on or before January 9, 2009
 - At least 20 years of service: the same employer contribution amounts as those provided to retirees hired on or before January 9, 2009

Segmenting Total Cost Rates Into Employer and Member Contributions—Retirees

Dental Plan and Premier Vision Plan Contributions For Retirees

- Dental coverage for all plans offered is fully contributory (no employer contribution) for all retirees
- VSP Vision Premier Plan “buy-up” coverage is fully contributory (no employer contribution) for all retirees

3

Historical Context — Health Plan Rate Relationships Across Plans/Tiers

Historical Context — Health Plan Rate Relationships

How Plans Historically Treated Dependent Rate “Add-Ons” by Plan

- Insured health plans for SFHSS had the **same dollar value rate add-on for dependents** for active employees and non-Medicare retirees
 - Blue Shield’s HMO plan (now Access+) featured this in rating prior to migration from insured to flex-funded in 2013 — and maintained this element of rating in the first year of flex-funding in 2013
 - Kaiser’s insured HMO plan has had this feature for many years, and this practice of same dependent dollar rate add-on for active employees and non-Medicare retirees continues today
- However, the rating add-ons for the Non-Medicare PPO plan for active employees and non-Medicare retirees have historically had similar **rate ratios** apply to determination of rates for dependent tiers for active employees and non-Medicare retirees — **meaning greater spread in the dollar value of the dependent portion of Non-Medicare PPO Plan rates for non-Medicare retirees than for non-Medicare retiree dependents in the BSC, Health Net, and Kaiser HMO plans**

Historical Context — Health Plan Rate Relationships

SFHSS Monthly Health Plan Rates — 2013 Plan Year

- Dollar increment in rates is same between active employees and non-Medicare retirees for BSC and Kaiser plans — but not for Non-Medicare PPO Plan
- This existed in rating methodology even though dependents of non-Medicare retirees are older and generally higher in cost than dependents of active employees

	Active Employees			Non-Medicare Retirees		
	EE Only	EE + 1	EE + 2	RET Only	RET + 1	RET + 2+
BSC Access+	\$647.16	\$1,292.31	\$1,827.77	\$1,435.99	\$2,081.14	\$2,616.60
Kaiser CA HMO	\$537.02	\$1,072.01	\$1,516.05	\$1,078.10	\$1,613.09	\$2,057.13
Non-Medicare PPO	\$1,258.97	\$2,473.63	\$3,489.77	\$1,466.49	\$2,888.64	\$3,904.78
Dependent Rate Increment						
o BSC Access+		\$645.15	\$1,180.61		\$645.15	\$1,180.61
o Kaiser CA HMO		\$534.99	\$979.03		\$534.99	\$979.03
o Non-Medicare PPO		\$1,214.66	\$2,230.80		\$1,422.15	\$2,438.29
Rate Ratios to EE/RET Only						
o BSC Access+	1.000	1.997	2.824	1.000	1.449	1.822
o Kaiser CA HMO	1.000	1.996	2.823	1.000	1.496	1.908
o Non-Medicare PPO	1.000	1.965	2.772	1.000	1.970	2.663
Ratio, Non-Medicare Retirees vs. Actives						
o BSC Access+				2.219	1.610	1.432
o Kaiser CA HMO				2.008	1.505	1.357
o Non-Medicare PPO				1.165	1.168	1.119
"Actuarial Difference"						
o BSC Access+				\$788.83		
o Kaiser CA HMO				\$541.08		
o Non-Medicare PPO				\$207.52		

Historical Context — Health Plan Rate Relationships

The Other Key Observation from 2013 Rating — Active Employee vs. Non-Medicare Retiree Rating Spread Difference, Non-Medicare PPO Plan vs. Other Plans

- The relatively small gap in Employee Only tier and Retiree Only tier rates for Non-Medicare PPO versus the other plans means there is much less of an “Actuarial Difference” dollar amount in the City Charter-guided employer contribution formula, versus that for the Blue Shield and Kaiser plans

	Non-Medicare PPO Plan vs. Other Plans					
	Active Employees			Non-Medicare Retirees		
	EE Only	EE + 1	EE + 2	RET Only	RET + 1	RET + 2+
BSC Access+	\$647.16	\$1,292.31	\$1,827.77	\$1,435.99	\$2,081.14	\$2,616.60
Kaiser CA HMO	\$537.02	\$1,072.01	\$1,516.05	\$1,078.10	\$1,613.09	\$2,057.13
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Rate Ratios to EE/RET Only						
o BSC Access+	1.000	1.997	2.824	1.000	1.449	1.822
o Kaiser CA HMO	1.000	1.996	2.823	1.000	1.496	1.908
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"Actuarial Difference"						
o BSC Access+				\$788.83		
o Kaiser CA HMO				\$541.08		
o Non-Medicare PPO				\$207.52		

Historical Context — Health Plan Rate Relationships

Historical Context Summary, Non-Medicare PPO Plan vs. Other Plans

- In summary, **two key rating methodology differences** existed historically between the Non-Medicare PPO Plan and the Blue Shield/Kaiser plans:
 - Treatment of **dependent rate add-on** beyond EE/RET Only tier for +1 and +2+ tiers by plan:
 - Non-Medicare PPO Plan: proportional ratio approach
 - Blue Shield and Kaiser plans: same dollar value approach
 - Rating differential treatment between Active Employee Only and Non-Medicare Retiree Only by plan (e.g., the **“Actuarial Difference”**):
 - Non-Medicare PPO Plan: smaller ratio approach (Retiree Only rate = 1.16 times Employee Only rate — influenced by adverse selection present in active employees who elect Non-Medicare PPO Plan)
 - Blue Shield and Kaiser plans: larger ratio approach (Retiree Only rate = 2.2 times Employee Only rate for BSC HMO, 2.0 times Employee Only rate for Kaiser HMO)

4

Current State — Health Plan Rate Relationships Across Plans/Tiers

Current State—Health Plan Rate Relationships

For the most part, elements in rating relationships among plans and tiers discussed in Section 3 have carried forward through the years into 2025 rating

The two significant developments in SFHSS plan rating in recent years (approved by the HSB at the April 12, 2018, meeting) that have helped certain members in the Non-Medicare PPO Plan achieve lower member contributions, **which are highlighted in red on the next page**, are:

- Active employees (CCSF and Municipal Court) and non-Medicare retirees living in geographies where BSC and Kaiser plans are not available: lower member contributions via “PPO Plan — Choice Not Available”
- Non-Medicare retirees covering dependents: three-year migration of rate ratios across tiers for Non-Medicare PPO Plan that occurred from 2019 through 2021 plan years to match BSC HMO tier ratios for dependent tiers

Still, differences in rate relationship philosophies continue into 2025 rating among the non-Medicare HMO and PPO plans offered to SFHSS members

Current State—Health Plan Rate Relationships

SFHSS Monthly Health Plan Rates With All Rate Card Elements — 2025 Plan Year

	Active Employees			Non-Medicare Retirees		
	EE Only	EE + 1	EE + 2	RET Only	RET + 1	RET + 2+
BSC Access+	\$1,163.91	\$2,323.84	\$3,286.60	\$2,688.54	\$3,894.74	\$4,857.48
BSC Trio	\$989.72	\$1,975.47	\$2,793.63	\$2,284.58	\$3,309.61	\$4,127.75
Health Net CanopyCare	\$791.41	\$1,578.85	\$2,232.40	\$1,824.65	\$2,643.43	\$3,296.97
Kaiser CA HMO	\$881.38	\$1,758.78	\$2,487.00	\$1,770.88	\$2,648.28	\$3,376.50
Non-Medicare PPO Plan - Choice Not Available	\$1,163.91	\$2,323.84	\$3,286.60	\$1,990.63	\$2,887.46	\$3,603.48
Non-Medicare PPO Plan	\$1,478.50	\$2,867.91	\$4,052.53	\$1,990.63	\$2,887.46	\$3,603.48
Dependent Rate Increment						
o BSC Access+		\$1,159.93	\$2,122.69		\$1,206.20	\$2,168.94
o BSC Trio		\$985.75	\$1,803.91		\$1,025.03	\$1,843.17
o Health Net CanopyCare		\$787.44	\$1,440.99		\$818.78	\$1,472.32
o Kaiser CA HMO		\$877.40	\$1,605.62		\$877.40	\$1,605.62
o Non-Medicare PPO Plan - Choice Not Available		\$1,159.93	\$2,122.69		\$896.83	\$1,612.85
o Non-Medicare PPO Plan		\$1,389.41	\$2,574.03		\$896.83	\$1,612.85
Rate Ratios to EE/RET Only						
o BSC Access+	1.000	1.997	2.824	1.000	1.449	1.807
o BSC Trio	1.000	1.996	2.823	1.000	1.449	1.807
o Health Net CanopyCare	1.000	1.995	2.821	1.000	1.449	1.807
o Kaiser CA HMO	1.000	1.995	2.822	1.000	1.495	1.907
o Non-Medicare PPO Plan - Choice Not Available	1.000	1.997	2.824	1.000	1.451	1.810
o Non-Medicare PPO Plan	1.000	1.940	2.741	1.000	1.451	1.810
Ratio, Non-Medicare Retirees vs. Actives						
o BSC Access+				2.310	1.676	1.478
o BSC Trio				2.308	1.675	1.478
o Health Net CanopyCare				2.306	1.674	1.477
o Kaiser CA HMO				2.009	1.506	1.358
o Non-Medicare PPO Plan - Choice Not Available				1.710	1.243	1.096
o Non-Medicare PPO Plan				1.346	1.007	0.889
"Actuarial Difference"						
o BSC Access+				\$1,524.63		
o BSC Trio				\$1,294.86		
o Health Net CanopyCare				\$942.60		
o Kaiser CA HMO				\$888.83		
o Non-Medicare PPO Plan - Choice Not Available				\$826.72		
o Non-Medicare PPO Plan				\$512.13		

Current State—Health Plan Rate Relationships

Most Tenets in 2013 Rating Have Remained Into 2025 Rating

- Dollar portion of dependent rates for Kaiser remain same between active employees and non-Medicare retirees — with only modest differences for BSC HMO plans due to application of rate increase percentages into active employee versus non-Medicare retiree rates over time
- There is an artificially high ratio of Employee/Retiree Only Tier rates (non-Medicare retiree versus active employees) in BSC and Health Net HMO plans (2.3:1), versus that in the Non-Medicare PPO Plan (1.35:1)
 - This gives the perception that the BSC HMO non-Medicare retiree plans are costing significantly more in actual cost than the Non-Medicare PPO Plan, since Retiree Only total cost rates for the BSC HMO plans are substantially higher than the Retiree Only total cost rate for the Non-Medicare PPO Plan
 - However, this is being driven by historical rating methodologies cascading to the present — and the reality is this helps keep the non-Medicare retiree member contributions lower for the BSC HMO plans versus the Non-Medicare PPO Plan — because the “actuarial difference” portion of the City Charter employer contribution formula is much higher for BSC HMO plans than for the Non-Medicare PPO plan

Current State—Health Plan Rate Relationships

Focus on “Actuarial Difference” Part of City Charter Formula

- As discussed earlier in this presentation, the City Charter employer contribution formula for retirees has **three elements** that produce the total dollar amount available from the City for its contributions towards a retiree’s health plan coverage:
 - **10-County Amount:** determined by annual survey, this amount is same for all plans and dependent tiers
 - **“Actuarial Difference”:** difference between Non-Medicare Retiree Only total cost rate and Active Employee Only total cost rate for each health plan
 - **Prop. E Employer Contribution:** 50% of what remains after subtracting the 10-County Amount and “Actuarial Difference” amount from the total cost rate — performed for both Retiree Only tier and Retiree + 1 tier (then Retiree + 1 tier amount cascades to Retiree + 2+ tier)

Current State—Health Plan Rate Relationships

Focus on “Actuarial Difference” Part of City Charter Formula

- The “Actuarial Difference” portion of this formula varies widely in dollar amount from plan to plan as seen in earlier tables — this is because of two key variables:
 - How total cost rates are set between active employees and non-Medicare retirees — the ratios in cost differentials between Non-Medicare Retiree Only and Active Employee Only rates vary significantly by plan, which directly influences the “actuarial difference” calculation
 - Kaiser, Health Net, and BSC HMO plans active employees have more of a “normal” risk pattern, while Non-Medicare PPO Plan active employees are much higher in health risk — so the “actuarial difference” comparison works against the non-Medicare retiree in the Non-Medicare PPO Plan, versus non-Medicare retirees in other plans

Current State—Health Plan Rate Relationships

SFHSS 2025 Monthly Health Plan Rates and Member Contributions

- Many Non-Medicare PPO Plan members have been helped by the two actions approved in 2018 to mitigate contribution increases for some — PPO-Choice Not Available (see **red highlighting** in table below), and tier ratio adjustments during 2019 through 2021 for non-Medicare retirees in RET+1 and RET+2+ tiers
- However, rating methodology differences applied to HMO plans versus the Non-Medicare PPO Plan results in a much higher Non-Medicare Retiree Only member contribution in the PPO Plan versus Non-Medicare Retiree Only contributions paid by members in other plans

	Active Employees (93/83/83 Strategy)			Non-Medicare Retirees		
	EE Only	EE + 1	EE + 2	RET Only	RET + 1	RET + 2+
Monthly Total Cost Rates						
o BSC Access+	\$1,163.91	\$2,323.84	\$3,286.60	\$2,688.54	\$3,894.74	\$4,857.48
o BSC Trio	\$989.72	\$1,975.47	\$2,793.63	\$2,284.58	\$3,309.61	\$4,127.75
o Health Net CanopyCare	\$791.41	\$1,578.85	\$2,232.40	\$1,824.65	\$2,643.43	\$3,296.97
o Kaiser CA HMO	\$881.38	\$1,758.78	\$2,487.00	\$1,770.88	\$2,648.28	\$3,376.50
o Non-Medicare PPO Plan - Choice Not Available	\$1,163.91	\$2,323.84	\$3,286.60	\$1,990.63	\$2,887.46	\$3,603.48
o Non-Medicare PPO Plan	\$1,478.50	\$2,867.91	\$4,052.53	\$1,990.63	\$2,887.46	\$3,603.48
Monthly Member Contributions						
o BSC Access+	\$81.47	\$162.67	\$558.72	\$140.93	\$744.03	\$1,706.77
o BSC Trio	\$69.28	\$138.28	\$474.92	\$53.83	\$566.35	\$1,384.49
o Health Net CanopyCare	\$55.40	\$110.52	\$379.51	\$0.00	\$409.39	\$1,062.93
o Kaiser CA HMO	\$61.70	\$123.11	\$422.79	\$0.00	\$438.70	\$1,166.92
o Non-Medicare PPO Plan - Choice Not Available	\$81.47	\$162.67	\$558.72	\$140.93	\$589.34	\$1,305.36
o Non-Medicare PPO Plan	\$396.06	\$706.74	\$1,324.65	\$298.22	\$746.64	\$1,462.66