

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

## **Rates & Benefits**

Review and Approve VSP Vision Fully Insured 2027 Rates and Contributions

Mike Clarke, Lead Actuary, Aon

February 12, 2026

# Agenda

## VSP Vision Fully Insured 2027 Rates and Contributions

- **Rate Setting Methodology Preface**
- **Vision Service Plan (VSP) 2027 Insured Rate Renewal (first year of a new five-year rating commitment by VSP)**
  - Basic Vision Plan Premium Rates
  - Premier Vision Plan Premium Rates
  - Computer Vision Care (CVC) Benefit Premium Rate
  - Premier Vision Plan Buy-Up Member Contributions
- **Recommendation for HSB Action**
- **Appendix**
  - VSP Vision Plan Designs

# 1

## Rate Setting Methodology Preface

# Health Plan Funding

## Method Comparison by SFHSS Plan—**VSP Vision is Fully Insured**

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 Blue Shield large claim reinsurance mechanism ("pooling") at \$1.25 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 Calculates the Recommended SFHSS Plan Rates That HSB Approves?</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>Blue Shield of CA Non-Medicare PPO</li> <li>Delta Dental Active Employee PPO</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>BSC Medicare Advantage PPO</li> <li>Delta Dental Retiree PPO</li> <li><b>DeltaCare Dental HMO</b></li> <li>UHC Dental HMO</li> <li><b>VSP Vision</b></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 2027 plan year)



- Next, 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:

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

# 2

## VSP Vision Fully Insured 2027 Rates and Contributions

# Introduction

## VSP Vision Fully Insured Rate Renewal

- The San Francisco Health Service System (SFHSS) offers two vision plans to active employees and retirees through Vision Service Plan (VSP):
  - The “Basic Plan” has been offered for many years as part of enrollment in an SFHSS medical plan; and
  - The “Premier Plan”, offered initially in 2018, provides a higher level of benefits than the Basic Plan (e.g., lower member copays, higher frame and elective contact lens allowances, and ability to obtain new frames/lenses/contacts every calendar year) at a member-paid contribution rate equal to the Premier Plan total premium rates less the Basic Plan total premium rates.
- Almost 21,000 SFHSS employees also have access to VSP’s Computer Vision Care (CVC) benefit.
- This document outlines recommendations for the 2027 renewal for the VSP plans offered by SFHSS—the first year of a new five-year VSP proposal to SFHSS covering 2027 through 2031. Today’s recommendation for Health Service Board (HSB) approval is for 2027 VSP vision plan rates and contributions.
- VSP has partnered with SFHSS since 1976—this year marks the 50-year milestone!

# Today's Recommendation

## VSP Vision Fully Insured Rate Renewal

- It is recommended that the Health Service Board (HSB) approve the following today for the 2027 plan year as presented in this material:
  - (1) VSP Basic Plan total premium rates;
  - (2) VSP Premier Plan total premium rates;
  - (3) VSP Computer Vision Care total premium rate; and
  - (4) VSP Premier Plan member-paid buy-up contribution rates.
- Specific information on proposed 2027 plan rates is outlined on the following pages.

# Current 5-Year Agreement Background

## VSP's Original Fully Insured Rate Renewal Commitment, 2022-2026

- Effective January 1, 2022, the San Francisco Health Service System (SFHSS) and VSP entered into the following 5-year renewal agreement for the Basic and Premier Plans as well as the Computer Vision Care (CVC) benefit available to about 21,000 active employees:

Year	Basic Plan Premium Rates	Premier Plan Premium Rates	CVC Benefit Premium Rates
Year 1 (2022)	Same as 2021 rates	Same as 2021 rates	Same as 2021 rates
Year 2 (2023)	Not to exceed 2%*	Not to exceed 2%*	Same as 2022 rates
Year 3 (2024)	Same as 2023 rates	Same as 2023 rates	Same as 2023 rates
Year 4 (2025)	Not to exceed 2%*	Not to exceed 2%*	Same as 2024 rates
Year 5 (2026)	Same as 2025 rates	Same as 2025 rates	Same as 2025 rates

- Rates were adjusted into the 2023 plan year for the Year 2 provision above, as well as to reflect the addition of certain lens enhancements (ultraviolet light protection, blue light protection, and anti-glare) into the VSP vision plan coverages.

- \* VSP's original commitment for 2023 and 2025 renewals: overall not-to-exceed 2% increase will be needed if blended Premium Loss Ratio is 100% or over. VSP will calculate 2% of total premium, less CVC and apply total increase to the Premier Plan.

# New Proposed 5-Year Agreement

## VSP's Updated Fully Insured Rate Renewal Commitment, 2027-2031

- Effective January 1, 2027, VSP has proposed the following 5-year renewal commitment for insured plan premiums to SFHSS for the Basic and Premier Plans and CVC Benefit:

Year	Basic Plan Premium Rates	Premier Plan Premium Rates	CVC Benefit Premium Rates
Year 1 (2027)	Same as 2026 rates	2% increase over 2026 rates	Same as 2026 rates
Year 2 (2028)	Same as 2027 rates	2% increase over 2027 rates	Same as 2027 rates
Year 3 (2029)	Not to exceed 2%*	Not to exceed 2%*	Same as 2028 rates
Year 4 (2030)	Not to exceed 2%*	Not to exceed 2%*	Same as 2029 rates
Year 5 (2031)	Not to exceed 2%*	Not to exceed 2%*	Same as 2030 rates

- \* VSP's commitment for 2029, 2030, and 2031 renewals: overall not-to-exceed 2% increase may be needed if blended plans loss ratio is 101% or higher. Blended plans loss ratio of 100% or lower results in rate hold from prior year.

# 2027 VSP Vision Fully Insured Rate Renewal

## 2027 Renewal Action—Increase for Premier Plan Rates

- In addition to Basic Plan and Premier Plan monthly rates shown below, the Computer Vision Care (CVC) benefit rate remains at 2026 level into 2027 (\$1.04 per employee per month, or PEPM).

### Monthly Vision Plan Insured Premium Rates (PEPM)

Tier	Basic Plan (No Change)		Premier Plan (2% Increase)	
	2026	2027	2026	2027
Subscriber Only	\$4.15	\$4.15	\$16.02	\$16.34
Subscriber + 1 Dependent	\$8.32	\$8.32	\$26.43	\$26.96
Subscriber + 2+ Dependents	\$11.76	\$11.76	\$48.78	\$49.76

# Recent Loss Ratio Experience—All Plans

## Combined Plans Financial Experience, 2018–2025

- Loss ratios (claims plus fees divided by premium) have steadily improved overall across all plans over time as enrollment in the Premier Plan has increased each year.

### ALL PLANS (BASIC, PREMIER, AND CVC BENEFIT)

Time Frame	Premium	Claims	Fees (e.g., retention)	Claims + Fees	Loss Ratio (Claims + Fees divided by Premium)
2018	\$7,364,930	\$7,672,207	\$810,142	\$8,482,349	115.2%
2019	\$8,204,033	\$8,735,268	\$902,444	\$9,637,712	117.5%
2020	\$8,938,863	\$7,735,883	\$983,275	\$8,719,158	97.5%
2021	\$9,296,230	\$9,360,801	\$836,659	\$10,197,460	109.7%
2022	\$9,603,357	\$9,283,669	\$864,302	\$10,147,971	105.7%
2023	\$10,858,580	\$10,122,637	\$977,272	\$11,099,909	102.2%
2024	\$11,454,719	\$10,528,831	\$1,030,925	\$11,559,756	100.9%
2025	\$12,011,424	\$10,981,367	\$1,081,028	\$12,062,395	100.4%

# Recent Loss Ratio Experience—Basic Plan Only

## Basic Plan Financial Experience, 2018–2025

- Loss ratios are expected to be favorable for the Basic Plan as those with more intensive vision care needs tend to enroll in the Premier Plan (see next page).

### Basic Plan Only

Time Frame	Premium	Claims	Fees (e.g., retention)	Claims + Fees	Loss Ratio (Claims + Fees divided by Premium)
2018	\$4,429,354	\$3,932,195	\$487,229	\$4,419,424	99.8%
2019	\$4,246,735	\$3,443,001	\$467,141	\$3,910,142	92.1%
2020	\$3,979,421	\$2,360,003	\$437,736	\$2,797,739	70.3%
2021	\$3,842,404	\$3,089,304	\$345,815	\$3,435,119	89.4%
2022	\$3,670,666	\$2,663,718	\$330,360	\$2,994,078	81.6%
2023	\$3,719,956	\$2,739,658	\$331,348	\$3,071,006	82.6%
2024	\$3,594,183	\$2,570,567	\$323,477	\$2,894,044	80.5%
2025	\$3,443,561	\$2,534,152	\$309,921	\$2,844,073	82.6%

# Recent Loss Ratio Experience—Premier Plan Only

## Premier Plan Financial Experience, 2018–2025

- Loss ratios have exceeded 100% for the Premier Plan as members paying the incremental premiums to buy up to Premier utilize the plan at a higher rate than Basic Plan members.

### Premier Plan Only

Time Frame	Premium	Claims	Fees (e.g., retention)	Claims + Fees	Loss Ratio (Claims + Fees Divided by Premium)
2018	\$2,924,988	\$3,734,490	\$321,749	\$4,056,239	138.7%
2019	\$3,947,769	\$5,285,407	\$434,255	\$5,719,662	144.9%
2020	\$4,950,136	\$5,369,602	\$544,515	\$5,914,117	119.5%
2021	\$5,511,251	\$6,265,221	\$496,013	\$6,761,233	122.7%
2022	\$5,900,191	\$6,613,781	\$531,017	\$7,144,798	121.1%
2023	\$7,125,299	\$7,373,015	\$641,152	\$8,014,167	112.5%
2024	\$7,846,377	\$7,947,159	\$706,172	\$8,653,331	110.3%
2025	\$8,554,363	\$8,435,397	\$769,893	\$9,205,290	107.6%

# Enrollment Shifts Into Premier Plan Since 2018

- As seen below, enrollment in the Premier Plan has continued to increase from its introduction in the 2018 plan year, through the 2026 plan year open enrollment figures. This demonstrates continued growing interest from SFHSS members in the Premier Plan — which has occurred both for active employees and retirees.

Plan Enrollment	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Employees/Retirees</b>									
Basic Plan	58,937	55,412	53,173	51,741	49,690	47,613	46,190	44,709	43,775
Premier Plan	10,488	15,034	17,847	19,064	20,535	23,089	25,527	27,370	28,991
<b>VSP Plans Total</b>	<b>69,425</b>	<b>70,446</b>	<b>71,020</b>	<b>70,805</b>	<b>70,225</b>	<b>70,702</b>	<b>71,717</b>	<b>72,079</b>	<b>72,766</b>
<b>Plan Distribution</b>									
Basic Plan	85%	79%	75%	73%	71%	67%	64%	62%	60%
Premier Plan	15%	21%	25%	27%	29%	33%	36%	38%	40%

Source: SFHSS Demographic Report, 2018-2022; VSP data for 2023-2025 and January 2026

# 2027 VSP Vision Fully Insured Rate Renewal—Monthly

## VSP Vision Fully Insured Rate Renewal

### Proposed Monthly 2027 Plan Year Rates and Premier Plan Member Contributions

	CY2026			CY2027			Percent Change
	EE/Ret Only	EE/Ret + 1	EE/Ret + 2+	EE/Ret Only	EE/Ret + 1	EE/Ret + 2+	
<b>Basic Plan</b>							
Rates are part of medical rate cards	\$4.15	\$8.32	\$11.76	<b>\$4.15</b>	<b>\$8.32</b>	<b>\$11.76</b>	0.0%
<b>Premier Plan</b>							
Total premium rate	\$16.02	\$26.43	\$48.78	<b>\$16.34</b>	<b>\$26.96</b>	<b>\$49.76</b>	2.0%
Member-paid contribution rate <sup>[1]</sup>	\$11.87	\$18.11	\$37.02	<b>\$12.19</b>	<b>\$18.64</b>	<b>\$38.00</b>	2.6% to 2.9%
<b>Computer Vision Care (CVC)</b>	\$1.04	N/A	N/A	<b>\$1.04</b>	<b>N/A</b>	<b>N/A</b>	0.0%

[1] Members enrolling in the Premier Plan pay buy-up contribution rates within their chosen dependent coverage tier equal to the difference in total premium rates between the Premier Plan and the Basic Plan, in addition to the increment for Basic Vision embedded into medical rate cards paid by all VSP vision plan enrollees.

# 2027 VSP Vision Fully Insured Rate Renewal

Projected Aggregate 2027 Premiums and Member Contributions

**Based on January 2026 Enrollment and 2027 Proposed Premiums**

	Basic Plan	Premier Plan - Basic Portion	Total Portion Included in Rate Cards for Basic*	Member-Paid Premier Plan Increment	SFHSS-Paid CVC Benefit	Total VSP Premium Dollars
Projected 2027 Annual Premium	\$3,244,000	\$2,400,000	\$5,644,000	\$6,712,000	\$259,000	\$12,615,000

\* Based on contribution cost sharing formulas (MOUs for active employees, City Charter for retirees), employers pay approximately 88% of overall Basic premiums and members pay remaining 12% within their medical plan contributions. Thus, of the \$5,644,000 total projected 2027 Basic premium portion in rate cards, members are projected to pay approximately \$677,000 of this amount in plan year 2027 – with employers paying the remaining \$4,967,000 (for a total of \$5,226,000 including the CVC benefit cost).

# 3

## Recommendation for HSB Action

# Recommendation for HSB Action—VSP

## VSP Vision Fully Insured Rate Renewal

It is recommended that the HSB approve the 2027 VSP vision plan monthly insured premium rates and Premier Plan member contributions as outlined below.

	CY2026			CY2027			Percent Change
	EE/Ret Only	EE/Ret + 1	EE/Ret + 2+	EE/Ret Only	EE/Ret + 1	EE/Ret + 2+	
<b>Basic Plan</b>							
Rates are part of medical rate cards	\$4.15	\$8.32	\$11.76	<b>\$4.15</b>	<b>\$8.32</b>	<b>\$11.76</b>	0.0%
<b>Premier Plan</b>							
Total premium rate	\$16.02	\$26.43	\$48.78	<b>\$16.34</b>	<b>\$26.96</b>	<b>\$49.76</b>	2.0%
Member-paid contribution rate <sup>[1]</sup>	\$11.87	\$18.11	\$37.02	<b>\$12.19</b>	<b>\$18.64</b>	<b>\$38.00</b>	2.6% to 2.9%
<b>Computer Vision Care (CVC)</b>	\$1.04	N/A	N/A	<b>\$1.04</b>	<b>N/A</b>	<b>N/A</b>	0.0%

[1] Members enrolling in the Premier Plan pay buy-up contribution rates within their chosen dependent coverage tier equal to the difference in total premium rates between the Premier Plan and the Basic Plan, in addition to the increment for Basic Vision embedded into medical rate cards paid by all VSP vision plan enrollees.

# 4

## Appendix

- VSP Vision Plan Designs

# VSP Vision Plan Designs

SFHSS offers VSP's Choice Core Plan A as the Basic Plan, and Plan C as the Premier Plan. Here is a summary of certain plan design features (with all plan design details accessible on the SFHSS website via this weblink <https://sfhss.org/vsp-vision-plans>):

Design Feature		Basic Plan	Premier Plan
<b>Copays</b>	Exam	\$10	\$10
	Materials	\$25	\$0
<b>Exam Frequency</b>		Every Calendar Year	Every Calendar Year
<b>Lenses Frequency</b>		Every Other Calendar Year <sup>[1]</sup>	Every Calendar Year
<b>Frames Frequency</b>		Every Other Calendar Year	Every Calendar Year
<b>Frame Allowance</b>	Costco, Walmart, Sam's Club	\$80	\$165
	Other In-Network Providers	\$150	\$300
<b>Elective Contact Lens Allowance</b>		\$150	\$250

[1] **Interim Benefits:** Lenses every 12 months with a prescription change of 0.50 diopter or more and change in axis of 15 degrees or more.