

San Francisco Health Service System Health Service Board

Rates & Benefits

Review Self-Funded and Flex-Funded Health Plans
2025 Experience

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March 12, 2026

Review Self-Funded and Flex-Funded Health Plans 2025 Experience

Agenda

- 2025 Experience Overview for San Francisco Health Service System (SFHSS) Self-Funded and Flex-Funded Health Plans
 - Blue Shield of California (BSC) Flex-Funded HMO plans
 - Health Net (HN) CanopyCare Flex-Funded HMO plan
 - BSC Self-Funded Non-Medicare PPO plan
 - Delta Dental of California (DDCA) Self-Funded Active Employee Dental PPO plan
- Appendix—2025 total dollar basis financial exhibits, glossary of terms

Today's 2025 Plan Experience Information—Background

Today's discussion focuses on reporting of 2025 self-funded and flex-funded health plan experience to the Health Service Board (HSB). This information will be used to determine proposed rate stabilization actions for 2027 plan year rating for self-funded and flex-funded plans (today for active dental and Health Net CanopyCare HMO, in April for BSC PPO and HMOs), as well as proposed rating actions for these plans during this Rates and Benefits cycle for the 2027 plan year.

HSB Meeting Date	Rates and Benefits Agenda Items
March 12, 2026	Self-Funded and Flex-Funded Plans 2025 Experience Reviews, Active Employee Dental PPO Plan and Health Net CanopyCare HMO Plan Stabilization Actions
April 9, 2026	BSC Self-Funded PPO and Flex-Funded HMO Plans Rate Stabilization Actions, Kaiser HMO 2025 Experience Review, Health Net CanopyCare HMO Plan 2027 Rates and Contributions
May 14, 2026	BSC Self-Funded PPO and Flex-Funded HMO Plans 2027 Rates and Contributions, Dental Plans 2027 Rates and Contributions
June 11, 2026	Kaiser HMO Plans and BSC Medicare Advantage PPO Plan 2027 Rates and Contributions

Today's 2025 Plan Experience Information—Summary

Below is a summary of the percentage changes in per employee/retiree per month (PEPM) plan expenses for each self-funded and flex-funded SFHSS health plan. Details for each plan follow in this presentation.

The 2025 plan experience will be used in plan underwriting to determine projected 2027 plan year costs—with rate changes to then follow based on the comparison of forecast 2027 costs to actual 2026 plan total rates. Rate changes will not be the same as the plan experience changes below.

Self-Funded/Flex-Funded Plan	Plan Cost PEPM Percentage Change, 2024 to 2025
BSC HMO Plans	+9.1%
Health Net CanopyCare HMO Plan	+16.1%
BSC Non-Medicare PPO Plan	+17.1%
Delta Dental Active PPO Plan	+2.8%

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Financial Experience Results — Non-Medicare BSC HMO Plans

Non-Medicare BSC HMO Plans 2025 Experience

Introduction

This section captures information on calendar year 2025 claims, fees, and other associated costs relative to total cost premium rates for the two Blue Shield of California (BSC) flex-funded HMO plans (Access+ and Trio). In addition to the BSC data shown in this report, there was also about \$1 million of claim dollars paid by UnitedHealthcare (UHC) in 2025 for the split-family EPO plans available in 2024 to certain covered lives in families where one or more family life was covered in the MA PPO plan – known as “claim runout” for services incurred prior to the discontinuation of UHC after 2024.

On the following pages, we summarize 2025 key experience observations, followed by month-by-month financial information contained in the Appendix.

All data provided for the plans’ active employee/non-Medicare retiree populations in this presentation was provided by SFHSS Finance team staff as well as the health plans.

Non-Medicare BSC HMO Plans 2025 Experience

2025 Plan Enrollment Split—Access+ and Trio Plans

Below shows March 2025 enrollment in the BSC HMO plans for SFHSS. Access+ has higher premiums and member contributions given the Access+ network includes certain physicians and facilities that are not included in the Trio network (see next page for details). Trio premiums and member contributions are lower than those for Access+.

	SFHSS Members			Total Covered Lives (incl. dependents)		
	Actives	Retirees	Total	Actives	Retirees	Total
BSC HMO Plans						
o Access+ HMO (broad network)	9,204	1,064	10,268	20,112	1,695	21,807
o Trio HMO (targeted network)	<u>4,051</u>	<u>632</u>	<u>4,683</u>	<u>8,213</u>	<u>959</u>	<u>9,172</u>
o Total – BSC HMO Plans	13,255	1,696	14,951	28,325	2,654	30,979

Non-Medicare BSC HMO Plans 2025 Experience

Network Composition in Bay Area—Access+ and Trio HMO Plans

While not an exhaustive list, the major health systems and provider group network participation in Access+ and Trio is shown below. Trio offers a more focused network that produces a lower aggregate cost of care (and thus, member contributions) than Access+.

IPA / Medical Group Name	Access+ HMO	% of SFHSS Access+ Mbrs	Trio HMO	% of SFHSS Trio Mbrs
Brown And Toland Physicians	x	31%	x	40%
Sutter Medical Foundation ¹	x	29%		--
Hill Physicians Medical Group ²	x	24%	x	44%
John Muir Physician Network	x	5%	x	10%
Affinity Medical Group (Stanford)	x	3%		--
Providence Medical Network	x	1%		--
All American Medical Group	x	1%		--
Dignity Health Medical Network	x	<1%	x	<1%
Santa Clara County IPA	x	<1%	x	<1%
Accolade Care (Virtual Only)		--	x	<1%

¹ SFHSS members have access to Sutter's California Pacific Medical Center (CPMC) facilities and hospitals as long as the member's selected medical group contracts with CPMC

² Affiliated with UCSF

Non-Medicare BSC HMO Plans 2025 Experience

Medical and Prescription Drug Costs

- Medical claim increases into 2024 and 2025 were consistent with national trends. Large claim pooling provided reimbursement for highest-cost claims to SFHSS during these years.
- Prescription drug costs net of rebates increased almost 18% into 2025—higher than Aon’s book of business trend average of 13% to 15%. This continues to be driven by specialty medication spend increases.

BSC HMO Plan Cost Component	Actual SFHSS Cost Change PEPM, 2023-2024	Actual SFHSS Cost Change PEPM, 2024-2025	BSC Annual Cost Increase Trend Assumption in 2025 Renewal
Medical including Capitation <ul style="list-style-type: none"> • Before Large Claim Pooling Reimbursements • After Large Claim Pooling Reimbursements 	9.5%	8.9%	4.3%
Prescription Drugs (net of rebates)	13.3%	17.7%	12.6%

Non-Medicare BSC HMO Plans 2025 Experience

2025 versus 2024 — Per Employee/Retiree Per Month (PEPM) Basis

Average total employees/retirees: 15,144 in 2025 versus 14,978 in 2024.

Overall increase in plan expenses: 9.1% PEPM.

Category	2024 Dollars PEPM	2025 Dollars PEPM	\$ Change PEPM	% Change PEPM
Administration	\$108.80	\$99.59	(\$9.21)	-8.5%
Capitation	\$472.64	\$491.01	\$18.37	3.9%
Medical Claims	\$1,219.03	\$1,352.05	\$133.02	10.9%
Pharmacy Claims	\$473.30	\$494.86	\$21.57	4.6%
Pharmacy Rebate	(\$139.29)	(\$101.90)	\$37.40	-26.8%
ACO Incentive Payment	\$0.00	\$0.00	\$0.00	NA
Large Claim Pooling	(\$53.00)	(\$81.71)	(\$28.71)	54.2%
Change in IBNR	(\$7.26)	\$9.16	\$16.42	-226.1%
Total Expenses	\$2,074.22	\$2,263.07	\$188.85	9.1%

NOTES: Costs include UHC EPO plans offered to non-Medicare split family covered lives through the end of 2024 (as well as run-out amounts paid for these lives during 2025). The administration fee reduction occurred as the large claim pooling fee lowered with the shift from \$1 million pooling in 2024/prior to \$1.25 million.

Non-Medicare BSC HMO Plans 2025 Experience

High-Cost Claimants (individuals exceeding \$500,000 claims in a year)

- 59 members exceeded \$500,000 in paid medical/prescription drug claims in 2025 — accounting for \$67.2M of total claim spend.
 - \$15.0M of this was reimbursed to SFHSS for amounts exceeding \$1.25 million via the large claim pooling mechanism. Large claim pooling shifted from \$1 million in 2024/prior to \$1.25M in 2025 to reduce the large claim pooling fee paid by SFHSS.
 - This compares to \$9.5M reimbursed in 2024 to SFHSS for amounts exceeding \$1 million via the large claim pooling mechanism (where overall in 2024, 38 individuals exceeded \$500,000 in claims).
- Predominant diagnostic categories for 2025 claimants exceeding \$500K were similar to 2024 – with high-cost kidney/liver cases also appearing for 2025.
 - Continuing prominent large claimant conditions include childbirth/neonatal, cancer, cardiovascular, and septicemia.

Non-Medicare BSC HMO Plans 2025 Experience

SFHSS Clinical Focus Areas

- Rates of hypertension maintained at 2024 levels into 2025, at or below Blue Shield benchmarks.
- Cardiovascular disorders prevalence is similar to Blue Shield benchmarks, but per member cost increased by 14% from 2024 and is now above benchmark.
- Diabetes and obesity prevalence both increased substantially versus 2024.
- Screening rates for prostate cancer and cervical cancer decreased from 2024 levels (prostate cancer screening rate is 10% below benchmark).
- Well visit and immunization rates well exceed benchmarks.
- Mental health visit rates increased substantially, with half of all visits delivered virtually (largest increase in visits for Anxiety diagnosis).

NOTE: Observations based on service dates through September 30, 2025

Non-Medicare BSC HMO Plans 2025 Experience

Prescription Drugs (Service Dates Through September 2025)

- Pre-rebate prescription drug costs per covered life increased 5.8% from the prior measurement period (Jan-Sept 2024) to the most recently year-to-date measured period (Jan–Sep 2025).
 - Utilization decreased 2.5% while cost per prescription increased 8.5%.
- However, 2025 Rx rebates paid were less than in 2024—consistent with industry trends—resulting in a 17.7% increase in BSC HMO per person net-of-rebates pharmacy spend from 2024 to 2025. Industry rebate shift reasons include:
 - Shift from back-end rebates to lower list prices or net price guarantees;
 - Increased use of generics/biosimilars and lower-rebate preferred products;
 - Regulatory and contractual changes that favor transparency over large often-hidden rebates;
 - Manufacturer strategy changes resulting in reduction in deep rebate programs; and
 - Timing and accounting effects in how rebates are recognized.

Non-Medicare BSC HMO Plans 2025 Experience

Prescription Drugs (Service Dates Through September 2025)

- Specialty drugs continued to drive over half of total BSC HMO plans Rx spend, even though these drugs represent only 1.3% of all scripts dispensed. SFHSS's per person specialty drug spend exceeded benchmark by 17%.
- Top drug classes driving highest Rx cost trends were dermatologic, anti-diabetic, anti-viral, anti-inflammatory, and cancer agents. Anti-diabetic drugs surpassed anti-viral drugs to become the #2 spend 2025 drug class for SFHSS BSC HMOs.

HMO Plans Prescription Drug Measures	Jan-Sept 2024	Jan-Sept 2025	Change
Paid Claims PMPM	\$220.06	\$232.88	5.8%
Paid Claim per Script	\$174	\$189	8.5%
Scripts Per Member Per Year	15.1	14.8	-2.5%
% of Scripts Dispensed as Generic	86.5%	85.0%	-1.6%
Percentage of Lives With 1+ Script	35.6%	32.7%	-2.9%

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Financial Experience Results — Non-Medicare HN CanopyCare HMO Plan

HN CC Flex-Funded Non-Medicare HMO Plan 2025 Experience

Introduction

This section captures information on calendar year 2025 claims, fees, and other associated costs relative to total cost premium rates for the Health Net CanopyCare HMO Plan for active employees and pre-Medicare retirees.

The Health Net CanopyCare HMO plan was first offered by SFHSS to active employees and pre-Medicare retirees on January 1, 2022. This resulted from the HSB approval to offer this plan in the February 2021 HSB meeting.

HN CC Flex-Funded Non-Medicare HMO Plan 2025 Experience

Summary

Covered active employee/early retiree counts in Health Net CanopyCare grew substantially from plan introduction through 2024. Into 2025, headcount remained similar to 2024 levels. As of December 2025, there were 854 enrolled active employees and 102 enrolled pre-Medicare retirees.

Overall plan expense per covered employee/retiree increased 16.1% from 2024 to 2025 after a decrease in cost from 2023 to 2024.

Key drivers behind cost experience increases are listed on the immediate next pages, followed by tables illustrating comparisons of 2025 versus 2024 aggregate plan experience by expense item.

HN CC Flex-Funded Non-Medicare HMO Plan 2025 Experience

2025 versus 2024 — Per Employee and Retiree Per Month (PEPM) Basis

Average total employees/retirees: **944 in 2025** versus 864 in 2024.

Overall increase in per employee/retiree plan expenses: 16.1% PEPM.

Category	2024 Dollars PEPM	2025 Dollars PEPM	\$ Change PEPM	% Change PEPM
Administration	\$72.79	\$77.58	\$4.78	6.6%
Capitation (incl. Chiro)	\$826.09	\$908.96	\$82.87	10.0%
Medical Claims (incl. MH)	\$78.40	\$117.58	\$39.18	50.0%
Pharmacy Claims	\$174.98	\$259.58	\$84.59	48.3%
Pharmacy Rebate	(\$33.25)	(\$49.32)	(\$16.07)	48.3%
Change in IBNR	\$11.63	(\$1.66)	(\$13.29)	-114.3%
Total Expenses	\$1,130.65	\$1,312.71	\$182.06	16.1%

HN CC Flex-Funded Non-Medicare HMO Plan 2025 Experience

Explanation for 2025 Experience Increases

Medical Cost Drivers (Capitation and Fee-For-Service Claims)

- **Medical Utilization Covered Under Capitation:** outpatient surgery, emergency room visits, and high-cost drugs are the key drivers of the capitation increase—based on comparison of 2025 data through September to 2024 full year data:
 - Rate of outpatient surgeries increased by 26% in 2025 vs 2024.
 - Rate of emergency room visits increased by 11% in 2025 vs 2024.
 - Pharmacy costs that fall under capitation increased by 16% in 2025 vs 2024.
 - On the favorable side, the inpatient admission rate grew only modestly (+1.2%).
- **Behavioral Health:** utilization increased significantly into 2025 including a higher percentage of utilizing members 2025 vs 2024 (11.2% vs 10.6%).
 - Rate of office visits increased by 32% in 2025 vs 2024.
 - Outpatient allowed cost per visit increased by 15% in 2025 vs 2024.
 - This resulted in a 52% increase in allowed cost per visit in 2025 vs 2024.
 - Per member inpatient allowed costs increased by 56% in 2025 vs 2024.

HN CC Flex-Funded Non-Medicare HMO Plan 2025 Experience

Explanation for 2025 Experience Increases

Pharmacy Claim Cost Drivers

- Outpatient pharmacy spend per covered life increased significantly (44.7%) in 2025 compared to 2024.
- Utilization of high-cost drugs by a small number of members drove much of this year-over-year cost increase across many diagnostic categories with specialty drug utilization—including the utilization rate of Ozempic for diabetes more than doubling.
- Focusing on the most recent months of cost and utilization, per covered life per month gross Rx spend in Q4 2025 is 24.5% higher than overall 2025 gross Rx spend per covered life. Significantly higher drug costs in the last 4 months of 2025 are also driven by singularly high-cost drugs utilized by a small number of covered lives.

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Financial Experience Results — Non-Medicare BSC PPO Plan

Non-Medicare PPO Plan 2025 Experience

This section captures calendar year 2025 claims, fees, and other associated costs relative to total cost rates for the self-funded Non-Medicare PPO plan.

Member and covered life counts as of March 2025 based on SFHSS headcount data:

	SFHSS Members			Total Covered Lives (incl. dependents)		
	Actives	Retirees	Total	Actives	Retirees	Total
Non-Medicare PPO Plan	1,722	974	2,696	2,692	2,198	4,890

The following pages show key observations captured from the experience charts that follow in this document. All data provided for the self-funded Non-Medicare PPO plan in this presentation was sourced from BSC.

Non-Medicare PPO Plan 2025 Experience

2025 versus 2024 — Per Employee/Retiree Per Month (PEPM) Basis

Average total employees/retirees: 3,029 in 2025 versus 2,364 in 2024 (most of this enrollment growth was active employees).

Overall increase in plan expenses: 17.1% PEPM.

Category	2024 Dollars PEPM	2025 Dollars PEPM	\$ Change PEPM	% Change PEPM
Administration	\$60.96	\$42.13	(\$18.83)	-30.9%
Medical Claims (incl. MH)	\$1,489.71	\$1,789.58	\$299.87	20.1%
Pharmacy Claims	\$473.22	\$447.03	(\$26.19)	-5.5%
Pharmacy Rebate	(\$127.79)	(\$95.06)	\$32.73	-25.6%
Change in IBNR	(\$13.22)	\$21.42	\$34.64	-262.1%
Total Expenses	\$1,882.88	\$2,205.10	\$322.22	17.1%

NOTE: costs include UHC non-Medicare PPO expenses for non-Medicare split family covered lives through the end of 2024 (as well as run-out amounts paid for these lives during 2025).

Non-Medicare PPO Plan 2025 Experience

High-Cost Claimants (HCCs) Over \$50K, 2025 Versus 2024

High-Cost Claimants (Individuals \$50K in a year) Account for Majority of Overall Spend

- 329 total PPO covered lives in 2025 exceeded \$50K in claims, versus 269 in 2024—including 14 who exceeded \$500K.
 - These 329 claimants accounted for almost 70% of total claims paid in 2025.
 - The top 5 claimants in 2025 accounted for 13.4% of plan claim expense.
- Cancer, neonatal, and musculoskeletal were among the key 2025 diagnostic categories for high-cost claimants in the PPO plan.

	2024 HCCs (\$50K+)	2025 HCCs (\$50K+)
% of Plan Members Who Are HCCs	7%	7%
Average HCC Claimant Cost	\$120K	\$151K
HCC Portion of Total Net Paid	58%	69%

Non-Medicare PPO Plan 2025 Experience

SFHSS Clinical Focus Areas

- Chronic disease rates for PPO population substantially exceed BSC benchmarks across these conditions: hypertension, cardiovascular disorders, lipid disorders, diabetes, and obesity.
- While rates of colon cancer screenings exceed BSC benchmarks, those for breast cancer, cervical cancer, and prostate cancer screenings are well below BSC benchmarks.
- Well visit and immunization rates exceed benchmarks.
- Mental health visit rates are well above BSC benchmarks—and similar to the BSC HMOs, half of PPO mental health visits were delivered virtually.

NOTE: Observations based on service dates through September 30, 2025

Non-Medicare PPO Plan 2025 Experience

- Prescription drug per member per month (PMPM) increased below typical trend from the prior to current January-September period (thru September 2024) at +5.5%—driven by reduced average utilization of prescription drugs across PPO plan members as many were new to this plan in 2025 given the enrolled population growth documented earlier.
- Similar to BSC HMO plans, specialty medications account for half of all pharmacy spend in the Non-Medicare PPO plan—top trend drivers include dermatological, cancer, anti-viral, anti-diabetic, and anti-inflammatory medications.

PPO Plan Prescription Drug Measures	Jan-Sept 2024	Jan-Sept 2025	Change
Paid Claims PMPM	\$271.76	\$286.74	5.5%
Paid Claim per Script	\$161	\$191	18.4%
Scripts Per Member Per Year	20.3	18.0	-10.9%
% of Scripts Dispensed as Generic	87.1%	85.2%	-1.9%
Percentage of Lives With 1+ Script	43.3%	37.4%	-5.9%

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Financial Experience Results — Delta Dental Active Employee Dental PPO Plan

Delta Dental Active Employee PPO Plan 2025 Experience

Overall, plan costs increased 2.8% per employee from 2024 to 2025—lower than expected national dental cost trends averaging +4% to +5%. Covered headcount increased by 1.4%.

- Average total employees: **32,085 in 2025** versus 31,637 in 2024.

Total Dollar Basis Costs	2024 Actual	2025 Actual	\$ Change	% Change
Administration	\$1,784,313	\$1,855,796	\$71,484	4.0%
Dental Claims	\$44,248,992	\$46,044,719	\$1,795,727	4.1%
Change in IBNR	(\$49,653)	\$63,426	\$113,079	-227.7%
Total Expenses	\$45,983,652	\$47,963,941	\$1,980,290	4.3%

PEPM Basis Costs	2024 Dollars PEPM	2025 Dollars PEPM	\$ Change PEPM	% Change PEPM
Administration	\$4.70	\$4.82	\$0.12	2.6%
Dental Claims	\$116.55	\$119.59	\$3.04	2.6%
Change in IBNR	(\$0.13)	\$0.16	\$0.30	-226.0%
Total Expenses	\$121.12	\$124.58	\$3.45	2.8%

Delta Dental Active Employee PPO Plan 2025 Experience

In typical years, about 1 out of 3 covered lives do not have a dental cleaning — including in 2024 (31.7% of covered active lives) and 2025 (31.4% of covered active lives).

Over three-fourth of delivered dental services are in the diagnostic and preventive service category:

Diagnostic & Preventive	Basic	Major
<i>Cleanings and X-rays</i>	<i>Fillings, Oral Surgery, Root Canals</i>	<i>Crowns, Inlays, Implants, Dentures, Bridges</i>
77% of services	19% of services	4% of services

In 2025, 4% of total covered lives utilized orthodontic services, a slight increase from prior years.

Delta Dental Active Employee PPO Plan 2025 Experience

SmileWay Wellness Program Membership Continues to Increase

Program membership in SmileWay—providing added covered services each year for members with certain identified chronic conditions—increased 4.4% from 2024 to 2025.

About 2/3 of eligible covered SmileWay lives are utilizing the dental plan—the goal is to increase utilization of the additional covered benefits available to SmileWay members.

SmileWay Wellness Benefits - Active		
	2024	2025
Total SmileWay Wellness Benefits Members	10,829	11,307
Total Unique SmileWay Wellness Benefits Utilizers	7,553	7,705
% of Unique Member Utilization	69.7%	68.1%
Procedure Count	15,708	15,580

Delta Dental Active Employee PPO Plan 2025 Experience

2025 Service Utilization by Network Dentist Type

- From 2024 to 2025, the percentage of approved services performed by PPO network dentists improved by 3% of total services.
- The percentage of all services performed by non-contracted providers remained at 9% from 2024 to 2025.

Percentage of Approved Procedures by Network Provider Type:

Network Provider Type	2024 Service Dates	2025 Service Dates
PPO Network	42%	45%
Premier Network	49%	46%
Non-Contracted	9%	9%
Total	100%	100%

Delta Dental Active Employee PPO Plan 2025 Experience

2025 Service Utilization by Network Dentist Type

- Service utilization across the three dentist network categories (PPO dentists, Premier dentists, and non-contracted dentists) varies across Bay Area counties. PPO dentist utilization increased somewhat across Bay Area counties in 2025 versus 2024.
- The table below shows the distribution of 2025 non-orthodontic procedures in counties with at least 1,000 member procedures (each rounded to nearest 1%):

County	2025 Procedure Count	Distribution of Procedures		
		PPO Dentists	Premier Dentists	Non-Contracted Dentists
San Francisco	181,381	37%	51%	13%
San Mateo	112,555	44%	50%	6%
Alameda	64,016	53%	39%	9%
Contra Costa	60,598	52%	42%	6%
Solano	13,734	60%	37%	3%
Santa Clara	12,587	43%	46%	12%
Marin	10,012	48%	33%	19%
Sonoma	6,632	29%	44%	27%
San Joaquin	4,643	66%	31%	3%
Sacramento	4,315	68%	30%	2%
Napa	3,047	53%	40%	7%
Placer	2,578	61%	34%	4%
Tuolumne	2,340	62%	28%	10%
Stanislaus	1,952	71%	24%	5%
Los Angeles	1,038	73%	20%	7%

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Appendix

- 2025 BSC Flex-Funded HMO Plans Total Dollars
- 2025 HN Flex-Funded CanopyCare HMO Plan Total Dollars
- 2025 Self-Funded Non-Medicare PPO Plan Total Dollars
- Glossary of Terms

Non-Medicare BSC HMO Plans 2025 Experience

2025 versus 2024 — Total Actual Dollar Basis

Average total employees/retirees: 15,144 in 2025 versus 14,978 in 2024.

Category	2024 Actual	2025 Actual	\$ Change	% Change
Administration	\$19,555,254	\$18,098,440	(\$1,456,814)	-7.4%
Capitation	\$84,951,001	\$89,230,969	\$4,279,968	5.0%
Medical Claims	\$219,103,580	\$245,705,527	\$26,601,947	12.1%
Pharmacy Claims	\$85,068,503	\$89,930,563	\$4,862,060	5.7%
Pharmacy Rebate	(\$25,036,222)	(\$18,517,298)	\$6,518,924	-26.0%
ACO Incentive Payment	\$0	\$0	\$0	N/A
Large Claim Pooling	(\$9,525,938)	(\$14,849,326)	(\$5,323,388)	55.9%
Change in IBNR	(\$1,305,061)	\$1,663,743	\$2,968,804	-227.5%
Total Expenses	\$372,811,117	\$411,262,618	\$38,451,501	10.3%

NOTE: costs include UHC EPO plans offered to non-Medicare split family covered lives through the end of 2024 (as well as run-out amounts paid for these lives during 2025). Administrative fee reduction due to lower large claim pooling premiums with move from \$1 million pooling level in 2024/prior to \$1.25 million in 2025.

HN CC Flex-Funded Non-Medicare HMO Plan 2025 Experience

2025 versus 2024 — Total Actual Dollar Basis

Average total employees/retirees: 944 in 2025 versus 864 in 2024.

Category	2024 Actual	2025 Actual	\$ Change	% Change
Administration	\$754,374	\$879,021	\$124,647	16.5%
Capitation (incl. Chiro)	\$8,560,806	\$10,299,477	\$1,738,671	20.3%
Medical Claims (incl. MH)	\$812,428	\$1,332,253	\$519,825	64.0%
Pharmacy Claims	\$1,813,362	\$2,941,253	\$1,127,891	62.2%
Pharmacy Rebate	(\$344,539)	(\$558,838)	(\$214,299)	62.2%
Change in IBNR	\$120,531	(\$18,796)	(\$139,327)	-115.6%
Total Expenses	\$11,716,962	\$14,874,370	\$3,157,408	26.9%

Non-Medicare PPO Plan 2025 Experience

2025 versus 2024 — Total Actual Dollar Basis

Average total employees/retirees: 3,029 in 2025 versus 2,364 in 2024.

Category	2024 Actual	2025 Actual	\$ Change	% Change
Administration	\$1,729,246	\$1,531,209	(\$198,037)	-11.5%
Medical Claims	\$42,260,038	\$65,047,676	\$22,787,638	53.9%
Pharmacy Claims	\$13,424,320	\$16,248,680	\$2,824,360	21.0%
Pharmacy Rebate	(\$3,625,098)	(\$3,455,233)	\$169,865	-4.7%
Change in IBNR	(\$374,923)	\$778,658	\$1,153,581	-307.7%
Total Expenses	\$53,413,583	\$80,150,990	\$26,737,407	50.1%

NOTE: costs include UHC non-Medicare PPO expenses for non-Medicare split family covered lives through the end of 2024 (as well as run-out amounts paid for these lives during 2025).

Glossary of Terms

ACA — Affordable Care Act (federal health care reform law).

ACO — Accountable Care Organization is an integrated physician and outpatient facility delivery model constructed to provide medical care in the most efficient manner while maintaining high standards of quality.

Administration — Includes claim processing fees, BSC large claim pooling fees, Affordable Care Act taxes, and SFHSS Health Care Sustainability Fund fee.

Capitation — Fixed monthly payment on a per member basis remitted to physician groups to cover member medical costs for specified services.

Contingency Reserve — Reserve held by self-funded plans to cover contingency for unforeseen excess claims cost (measured as of June 30 each year for SFHSS).

Glossary of Terms (continued)

IBNR — Incurred But Not Reported reserve which is actuarial estimate for claims incurred on or before a specific measurement date but paid after that date (measured as of June 30 each year for SFHSS).

Large Claim Pooling (BSC HMO Plans Only) — Reimbursements to the plan for claims in excess of \$1,250,000 for an individual member during the plan year.

Member — Covered individual in health plan (employee, retiree, dependent, and COBRA beneficiary).

Pharmacy Rebates — Paid to plans by drug manufacturers.