June 16, 2021

Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: January 1, 2022 to December 31, 2022 Health, Life Insurance, and Long-Term Disability Plan Benefits, Rates and Contributions

Honorable Members of the Board of Supervisors:

This letter serves to document our position as the consultant and actuary to the San Francisco Health Service System ("SFHSS") with regard to the completed rates and contribution setting process for SFHSS health, life insurance, and long-term disability plans into the plan year from January 1, 2022 to December 31, 2022. Four employers (referred to as the "Four Employers" in this letter) offer plans through SFHSS, which are documented in this letter, to active employees and retirees:

- City and County of San Francisco, or CCSF (all plans documented in this letter);
- San Francisco Unified School District, or USD (medical and vision plans only);
- San Francisco Community College District, or CCD (medical and vision plans only); and
- The Superior Courts, or CRT (all plans documented in this letter).

The 2022 plan year rates and contribution setting process was concluded on June 10, 2021 under the direction of the Rates and Benefits Committee ("Committee") of the Health Service Board ("HSB"). This report will reference attached exhibits, as well as tables embedded in this letter.

In our opinion, the rate and contribution determination process for the 2022 plan year was completed in a comprehensive manner. Specifically, it is our professional opinion that:

- The premium rates for all fully insured plans, and the administrative and other fees for all self-funded and flex-funded plans, agree with SFHSS' vendors' final rates and represent a fair price given the services provided, and;
- The premium equivalents set for the SFHSS self-funded and flex-funded programs—Blue Shield of California ("BSC") self-funded PPO-Accolade, UnitedHealthcare ("UHC") self-funded Non-Medicare PPO for non-Medicare family members where at least one family member is enrolled in the UHC Medicare Advantage PPO plan (e.g., "split family retirees"), Blue Shield of California ("BSC") flex-funded Access+ and Trio HMO plans, Health Net CanopyCare ("HN CC") flex-funded HMO plan, and Delta Dental of California ("Delta Dental") PPO plan for active employees—represent our best estimate of future expenditures based on the information available at the time these rates were developed. Existing Trust Fund assets are expected to be sufficient to protect the SFHSS Trust Fund against adverse claims experience.

425 Market Street | Suite 2800 | San Francisco, California 94105
t +1.415.486.7000 | f +1.415.486.7026 | aon.com

Legislative Update

The Patient Protection and Affordable Care Act (PPACA)

PPACA continues as law, and thus SFHSS continues to work with all four employers served by the Trust—CCSF, USD, CCD, and CRT—to assure compliance with PPACA requirements continues. Some elements have been permanently eliminated, such as the Excise Tax on high-cost plans. Some aspects have been deferred indefinitely, such as the automatic enrollment requirement. Other provisions continue to be in effect. Below is a brief explanation of the provisions that remain in place currently and have the greatest effect.

PPACA Reporting Requirements

Under PPACA, employers are required to provide reporting to both employees as well as the Internal Revenue Service (IRS). This reporting requirement remains even though the individual mandate penalty moved to $0 for the 2019 plan year and forward. The purpose of the reporting is as follows:

- Establish that the plan sponsor complied with PPACA's employer mandate by making an offer of affordable, minimum value health care coverage to its full-time employees (PPACA defines a full-time employee as an employee who is employed, on average, at least 30 hours of service per week, or 130 hours of service in a calendar month.);
- Provide individuals with information on their employer-provided health care coverage so they can establish compliance with the individual mandate to purchase health care coverage;
- Help the IRS determine whether individuals who have purchased coverage from a public exchange are entitled to a subsidy; and
- Help the IRS determine applicable penalties for failure to comply with the individual mandate.

Reporting started in 2016 with 2015 calendar year information on Forms 1094 and 1095 and remains an annual requirement. SFHSS successfully met this requirement for the 2020 plan year by creating 48,117 IRS forms for distribution to employees and electronic reporting to the IRS in early 2021.

PPACA Legislative Fees

In 2010, the Patient Protection and Affordable Care Act (PPACA) created a Health Insurance Tax and two direct fees which were passed to employers—the Transitional Reinsurance Fee (TRF) and the Patient Centered Outcomes Research Institute (PCORI) Fee. Only PCORI remains in effect, as the TRF expired after the 2016 plan year and the Health Insurance Tax expired at the end of the 2020 plan year. The PCORI fee, originally set to expire after 2019, was extended through 2029 as part of the SECURE Act passed by the federal government in December 2019 and is included in the 2022 fully insured plan premiums. The 2022 PCORI fee is not yet known but should be slightly higher than the $2.66 per covered life per year fee in 2021.

Contributions Under the 10-County Survey

Per City Charter Section A8.428, the employer contribution towards medical benefits is determined by the results of a survey of the dollar premium contributions provided by the ten most populous counties in California, excluding San Francisco. In the June 2014 CCSF collective bargaining process, the 10-County Survey ("Survey") was eliminated for the majority of the CCSF unions in the calculation of premium contributions for active employees in exchange for a percentage-based employee premium contribution. The Survey remains in use as a basis for calculating employer contributions for retirees and some employees in SFHSS health plans. For the 2022 plan year, the 10-County Survey result leads to an increase in average monthly contribution from $729.19 used in 2021 employer contribution determination calculations to $757.31 used in 2022 employer contribution determination calculations (an increase of 3.86%). The full Survey report is contained as an Appendix to this letter and was presented at the March 11, 2021 HSB meeting. It is also accessible at sfhss.org. A summary of results is illustrated in Exhibit 1 of the adjoining document.

Year-Over-Year Medical Plan Cost Comparison for All Four Employers

Annual aggregated costs for all medical plans offered by SFHSS (through UHC, Kaiser, and BSC both years plus HN CC in 2022) to active employees, early retirees, and Medicare retirees are shown in Table 1 below.

Table 1—All Four Employers

January 1, 2022 to December 31, 2022 Aggregate Medical Plans Cost ($ millions)

	Aggregate Member Contributions (a)	Aggregate Employer Contributions (b)	Aggregate Plan Cost (a + b)
Current (2021) Rates	**$111.4**	**$840.0**	**$951.4**
Final Renewal (2022) Rates	**$113.5**	**$858.1**	**$971.6**
$ Difference	$2.1	$18.1	$20.2
% Difference	1.89%	2.15%	2.12%

Per Table 1 above, we expect an increase in aggregate medical plan costs totaling $20.2 million, or 2.12%, for the SFHSS medical plans (including Basic Plan vision coverage costs and the SFHSS Healthcare Sustainability Fund charge—both of which remain at 2021 levels) for the 2022 plan year. This increase in costs will be split between the members and employers with member contributions increasing $2.1 million and employer contributions increasing $18.1 million. These costs are projected based on March 2021 plan enrollment.

Current CCSF Health Plan Employer Contribution Strategy—Active Employees

Most negotiated contribution algorithms for CCSF covered employees fall into two models. The models reflect CCSF's percentage of the contribution; they are **(1) 93 / 93 / 83** contribution model, and **(2) 100 / 96 / 83** contribution model.

1) 93 / 93 / 83 Contribution Model:

a) **Employee Only.** For single-covered employees (Employee Only) who enroll in any health plan offered through the San Francisco Health Service System (SFHSS), CCSF shall contribute ninety-three percent (93%) of the total health insurance premium / premium equivalent provided. However, CCSF's contribution shall be capped at ninety-three percent (93%) of the Employee Only premium / premium equivalent of the second-highest-cost plan.

b) **Employee Plus One.** For employees with one dependent who elect to enroll in any health plan offered through SFHSS, CCSF shall contribute ninety-three percent (93%) of the total health insurance premium / premium equivalent provided. However, CCSF's contribution shall be capped at ninety-three percent (93%) of the Employee Plus One premium / premium equivalent of the second-highest-cost plan.

c) **Employee Plus Two or More.** For employees with two or more dependents who elect to enroll in any health plan offered through SFHSS, CCSF shall contribute eighty-three (83%) of the total health insurance premium / premium equivalent provided. However, CCSF's contribution shall be capped at eighty-three percent (83%) of the Employee Plus Two or More premium / premium equivalent of the second-highest-cost plan.

2) 100 / 96 / 83 Contribution Model:

a) **Employee Only.** For single-covered employees (Employee Only) who enroll in any health plan offered through SFHSS, CCSF shall contribute one hundred percent (100%) of the total health insurance premium / premium equivalent.

b) **Employee Plus One.** For employees with one dependent who elect to enroll in any health plan offered through SFHSS, CCSF shall contribute ninety-six percent (96%) of the total health insurance premium / premium equivalent provided. However, CCSF's contribution shall be capped at ninety-six percent (96%) of the Employee Plus One premium / premium equivalent of the second-highest-cost plan.

c) **Employee Plus Two or More.** For employees with two or more dependents who elect to enroll in any health plan offered through SFHSS, CCSF shall contribute eighty-three (83%) of the total health insurance premium / premium equivalent provided. However, CCSF's contribution shall be capped at eighty-three percent (83%) of the Employee Plus Two or More premium / premium equivalent of the second-highest-cost plan.

Since the majority of CCSF employees fall into the two contribution models, Aon produced two sets of rate cards, both approved by the HSB for plan year 2022. One rate card specified member contributions under the 93 / 93 / 83 model and the other rate card under the 100 / 96 / 83 model.

Current CCSF Health Plan Employer Contribution Strategy—Retirees

For SFHSS retirees, the employer contributions that member employers including CCSF provide to qualified retirees receiving the full employer contribution amounts are defined by Section A8.428 of the City Charter. The three elements are:

- **10-County Survey Amount.** This first component of the employer contribution is the amount derived from the annual survey described in Charter Section A8.423 of contributions provided by the 10 most populous counties in California, not including San Francisco—called the "average contribution". The 2022 10-County amount is $757.31. If the total cost for Retiree Only for a plan is less than the 10-County Amount, that lower amount becomes the basis for that plan for the 10-County employer contribution portion.
- **"Actuarial Difference".** The second employer contribution component is the "actuarial difference" for a given plan. Under Charter Section A8.428(b)(3), the employers contribute the difference between Active Employee-Only premium and Early Retiree-Only premium.
- **Prop. E Contribution.** The third employer contribution component is the Prop. E contribution amount. Under Charter Section A8.428(b)(3)(iii) and A8.428(c), employer contributions toward Retiree Only and Retiree +1 rates = 50% x [Total Rate Cost – 10-County Amount – "Actuarial Difference"].

The full employer contribution amount for retiree medical coverage applies to eligible retirees who were hired on or before January 9, 2009. For retirees who were hired on or after January 10, 2009, there are five coverage / employer contribution classifications based on certain criteria outlined in Table 2, found on page 6.

Table 2—Retiree Medical Coverage / Employer Contribution For Those Hired On or After January 10, 2009	
Years of Credited Service at Retirement	**Percentage of Employer Contribution Established in A8.428 Subsection (b)(3)**
Less than 5 years of Credited Service with the Employers (except for the surviving spouses or surviving domestic partners of active employees who died in the line of duty)	No Retiree Medical Benefits Coverage
At least 5 but less than 10 years of Credited Service with the Employers; or greater than 10 years of Credited Service with the Employers but not eligible to receive benefits under Subsections (a)(4), (b)(4) and (b)(5) **(A8.428 Subsection (b)(6))**	0% — Access to Retiree Medical Benefits Coverage, Including Access to Dependent Coverage, But No Employer Contribution; Employee Pays Health Insurance Premium
At least 10 but less than 15 years of Credited Service with the Employers **(A8.428 Subsection (b)(5))**	50%
At least 15 but less than 20 years of Credited Service with the Employers **(A8.428 Subsection (b)(5))**	75%
At least 20 years of Credited Service with the Employers; Retired Persons who retired for disability; surviving spouses or surviving domestic partners of active employees who died in the line of duty **(A8.428 Subsection (b)(4))**	100%

Outline of 2022 Health Plan Design and Rating Actions

Below we describe the plan design changes and rating actions that apply to each SFHSS health plan for the 2022 plan year, based on approval actions taken during the recently completed Rates and Benefits cycle by the HSB.

Rates, Contributions, and Benefits for the Fully Insured Kaiser Permanente HMO Plans for All Four Employers

The final negotiated rate change for Kaiser Permanente ("Kaiser") active employees, early retirees, and Medicare retirees is an overall increase of 2.94% for plan year 2022. This overall average is generated by a 4.96% premium rate increase for active employees and early retirees in California, and an 10.83% premium rate decrease for Medicare retirees in California. There are also small retiree populations (approximately 150 covered lives) with Kaiser HMO coverage in the Northwest (Oregon), Washington, and Hawaii regions captured in the overall average Kaiser rating action.

The decrease for Medicare retirees was primarily due to differences in Centers for Medicare and Medicaid Services (CMS) actual funding results for the Kaiser Permanente Senior Advantage (KPSA) plan, relative to early Kaiser forecasts in last year's rates, as well as favorable plan cost trends in recent KPSA plan experience.

There are no 2022 plan design changes approved for the active employee and early retiree Kaiser plan or the KPSA Medicare plan by the Rates and Benefits Committee and HSB.

The 2022 Kaiser renewal actions result in an overall estimated increase of $14.0 million from 2021 to 2022 for all four employers based on March 2021 membership, of which $11.3 million is attributed to CCSF and $2.7 million is attributed to the other employer groups (e.g., CRT, USD, and CCD).

The aggregate 2022 projected cost for all four employers for Kaiser Permanente based on March 2021 membership is projected at $489.8 million, with $52.2 million in member contributions and $437.6 million in employer contributions. Table 3 (page 13) provides an overview of annualized costs.

The 2022 Kaiser plan rates are illustrated in exhibits 2a-2e in the adjoining document.

Rates, Contributions, and Benefits for the Flex-Funded BSC HMO Plans and the Self-Funded BSC PPO-Accolade for All Four Employers

BSC (Flex-Funded) HMO Plans—Access+ and Trio (Active Employees and Early Retirees)

As a result of BSC renewal inputs which were influenced by the competitive, public Request for Proposal (RFP) process, total cost rates will increase by 0.8% for BSC Access+ plan and 2.0% for BSC Trio plan into the 2022 plan year. As documented by the SFHSS presentation to the HSB on RFP results in the February 11, 2021 HSB meeting, total cost savings for SFHSS flex-funded HMO plans generated by the RFP process are expected to be $4.7 million in 2022 versus expected 2022 spend absent the RFP process—and $15.1 million across the three-year period 2022 to 2024. These savings are primarily generated by reduced BSC flex-funded HMO plan administrative fees and improvement in pharmacy rebates passed to SFHSS into the 2022 plan year.

There are no 2022 plan design changes approved for the BSC Access+ and Trio plans by the Rates and Benefits Committee and HSB.

Overall, this produces an aggregate increase of 1.2% for the combination of the two BSC flex-funded HMO plans into the 2022 plan year. Overall, 64% of BSC enrolled active employees / early retirees are in Access+ in 2021, versus 36% enrolled in Trio. This has changed only slightly from the 63% Access+ / 37% Trio split in 2020.

The aggregate 2022 projected cost for all four employers in the BSC Access+ and Trio plans based on March 2021 BSC plan enrollments is $346.0 million, with $39.6 million in member contributions and $306.4 million in employer contributions based on March 2021 membership. This results in an overall estimated increase of $4.1 million from 2021 to 2022 for all four employers based on March 2021 membership, of which $3.5 million is attributed to CCSF and the remaining $0.6 million is attributed to the other employer groups (e.g., CRT, USD, and CCD). Table 3 (page 13) provides an overview of annualized costs for the Blue Shield HMO and PPO plans combined. Please note that these figures could reduce as some of these dollars transfer into the new Health Net CanopyCare HMO plan based on how current BSC HMO plan enrollees elect in the 2022 plan year—the majority of current BSC plan enrollees are expected to remain in BSC HMO plans, but some current BSC HMO enrollees (10% estimated) are expected to elect the new Health Net CanopyCare plan in 2022 (see below for more information on this new plan).

The 2022 BSC flex-funded HMO plan rates are illustrated in exhibits 3a-3b for HMO Access+ and 3c-3d for Trio in the adjoining document.

BSC (Self-Funded) PPO-Accolade Plan (Active Employees and Early Retirees)

As a result of a competitive, public RFP process, the Rates & Benefits Committee and HSB approved a change in the administrator for the self-funded PPO medical plan from UnitedHealthcare to Blue Shield of California (with Accolade) for active employees and early retirees. The medical and pharmacy monthly premium equivalent rates for the BSC PPO-Accolade were developed separately

for active employees and retirees without Medicare based on group-specific experience during 2020 with UHC as the administrator of the non-Medicare PPO plans, and RFP financial results.
A substantial factor in the approval of the change of non-Medicare PPO plan administrator effective January 1, 2022 from UHC to BSC at the February 11, 2021 HSB meeting was the savings estimate resulting from the administrator change—with total costs expected to reduce by $0.4 million in 2022 and $1.2 million over the three-year period 2022-2024 relative to projected costs had UHC continued to be plan administrator for the non-Medicare PPO plan. Similar to savings drivers from the RFP for the HMO plans, savings were primarily driven by reduced administrative fees and improvement in pharmacy rebates passed to SFHSS into the 2022 plan year. In addition, BSC will partner with Accolade, a member decision support and clinical advocacy organization, to increase support for non-Medicare PPO plan members.

UHC will remain the non-Medicare PPO plan administrator in 2022 for family members of SFHSS retirees who are not yet Medicare-eligible, where one or more family members is Medicare-eligible and elects the UHC Medicare Advantage (MA) PPO plan as described later in this letter. This is being done for administrative reasons. Additionally, non-Medicare family members in retiree families can continue to also elect the BSC Access+ or BSC Trio plans when one or more members of the retiree's family elects the UHC MA PPO plan.

There are no 2022 plan design changes approved for the 2022 BSC PPO-Accolade Plan by the Rates and Benefits Committee and HSB.

Overall, the non-Medicare PPO plan rate increase is 2.7%. The aggregate 2022 projected cost for all four employers in the BSC PPO-Accolade plan is $41.4 million, with $8.9 million in member contributions and $32.5 million in employer contributions based on March 2021 membership. Table 3 (page 13) provides an overview of annualized costs for the Blue Shield HMO and PPO plans combined.

The 2022 BSC PPO-Accolade plan rates are illustrated in exhibits 5a-5d in the adjoining document. This includes rates for mixed Medicare retiree families (e.g., retiree "split families") where UHC will continue to be plan administrator for non-Medicare retiree family members where one or more family member is Medicare-eligible and enrolls in the UHC MA PPO plan.

Rates, Contributions, and Benefits for the Flex-Funded Health Net CanopyCare HMO Plan for All Four Employers (New in 2022)

As a result of a competitive, public RFP process, the Rates & Benefits Committee and HSB approved the addition of a new flex-funded HMO plan offering through Health Net in partnership with CanopyCare for the 2022 plan year. The plan design will mirror the plan design for the BSC HMO Plans. The medical and pharmacy monthly premium equivalent rates were developed separately for active employees and retirees without Medicare based on Health Net's financial quotation submitted in the RFP process based on their assessment of projected 2022 plan year cost for the SFHSS population. The HSB's Rate Stabilization Policy will not apply in 2022 rating for the Health Net

CanopyCare plan given this is a new plan for SFHSS (it will apply in future years once plan actual experience becomes known).

A best estimate for the aggregate 2022 projected cost for all four employers in the Health Net CanopyCare HMO Plan if 10% of March 2021 BSC HMO enrollees migrate to Health Net CanopyCare for the 2022 plan year is $33.2 million, with $3.8 million in member contributions and $29.4 million in employer contributions.

The 2022 Health Net CanopyCare (flex-funded) HMO plan rates are illustrated in exhibits 4a-4b in the adjoining document.

Rates, Contributions, and Benefits for the UHC Medicare Advantage PPO / Split Retiree Family UHC Non-Medicare PPO for All Four Employers

As of January 1, 2017, all Non-Kaiser Medicare eligible retirees became covered under the UHC fully insured Medicare Advantage (MA) PPO Plan. In 2022, the total per member rate for this Medicare plan will increase 1.2%. The 1.2% increase results from a two-year rating commitment made by UHC for both the 2021 and 2022 plan years, where 2022 is the second year of that two-year rating commitment.

As mentioned above, UHC will remain the administrator of the Non-Medicare PPO plan for individuals who are part of a retiree family where one or more family member is not yet Medicare-eligible and enrolls in the Non-Medicare PPO plan, and one or more family member is Medicare-eligible and enrolls in the UHC MA PPO plan. As of March 2021, there were 272 non-Medicare covered lives enrolled in the non-Medicare PPO plan as part of a Mixed Medicare (or “split family”) retiree family. The rate increase for the non-Medicare PPO plan for the 2022 plan year is 2.7%.

There are no plan design changes into 2022 for the UHC MA PPO and UHC Non-Medicare PPO for retiree split family members who are not Medicare-eligible and elect the Non-Medicare PPO.

The aggregate 2022 projected cost for all four employers for the UHC plans across active employees, early retirees, and Medicare retirees is projected at $94.4 million, with $12.8 million in member contributions and $81.6 million in employer contributions. Table 3 (page 13) provides an overview of annualized costs for the UHC MA PPO plan and retiree non-Medicare split family member PPO plan combined.

The 2022 UHC retiree plan rates are illustrated in the retiree rate columns of exhibits 5a-5d in the adjoining document.

Rates and Benefits for the Vision Plans for All Four Employers

Members enrolled in any medical plan offered by SFHSS also receive the Basic Plan vision benefits through Vision Service Plan (VSP). The cost of the Basic Plan vision benefit is a component of the cost of the medical plan and has been included in the rate exhibits referenced above. For the 2022 plan year, Basic Plan rates will remain at 2021 levels.

There is also a buy-up Premier Plan available to SFHSS members, which was first offered for the 2018 plan year. Members pay the full rate increment between Basic Plan rates and Premier Plan rates. For the 2022 plan year, Premier Plan total premium rates will remain at 2021 levels.

Certain employees also have an employer-paid Computer Vision Care benefit, priced at $0.83 per employee per month. Approximately 20,000 employees have access to this benefit. This rate remains unchanged from 2021 to 2022.

Based on March 2021 enrollment, the aggregate projected 2022 employer cost for all four employers for the VSP Basic vision plan is $5.3 million, plus an additional $0.2 million for the Computer Vision Care benefit. The employer portion of vision plan costs will remain constant from 2021 to 2022, as the Basic Plan premium rates and Computer Vision Care premium rates are not changing from 2021 to 2022. VSP vision plan costs for all four employers are illustrated in Exhibits 6a-6b in the adjoining document.

Rates, Contributions, and Benefits for Dental Plans for CCSF, Court Employees, and All Retirees

Three dental plans are offered to CCSF/Court active employees and all SFHSS retirees—Delta Dental PPO, DeltaCare USA HMO, and UHC Dental HMO. The Delta Dental PPO plan has a network of preferred providers while the other two plans are dental HMOs with closed panels of providers. The City pays most of the cost of the dental PPO benefit / full cost of the dental HMO benefits for active CCSF employees, while retirees pay the full cost of their dental plans (no employer contribution for SFHSS retiree dental plans). Monthly employee contributions for CCSF employees in the Delta Dental PPO plan are $5.00 for the Employee Only tier, $10.00 for the Employee +1 tier, and $15.00 for the Employee +2+ tier.

The Delta Dental PPO plan for active employees is self-funded and administered by Delta Dental of California (Delta Dental). Future plan costs are projected based on the City employees' claim experience. Delta Dental's administrative fee will remain constant from 2021 to 2022, at $4.62 per employee per month.

Due to the combination of favorable experience in the active employee Dental PPO plan stemming from pandemic claims suppression during 2020, as well as availability of substantial rate stabilization reserve balance funds generated by pandemic claims suppression, the aggregate total premium

equivalent rates for the self-funded Delta Dental PPO plan for active employees are decreasing 14.4% for plan year 2022.

The Delta Dental PPO plan for retirees, DeltaCare USA dental plans for active employees and retirees, and UHC Dental plans for active employees and retirees are all fully insured. Active employee rates for the DeltaCare USA HMO plan are remaining at 2021 rates into the 2022 plan year. Retiree rates for the Delta Dental PPO plan and DeltaCare USA HMO plan are increasing by 4.17% from 2021 to 2022—after 2021 rates were discounted by Delta Dental to allow for a partial return of premium to retirees during 2021 only resulting from pandemic-influenced claim suppression. Active employee and retiree UHC Dental HMO rates are decreasing by 10.0% from 2021 to 2022.

There are no dental plan design changes from 2021 to 2022 for the Delta Dental PPO plans for active employees and retirees.

The 2022 dental plan rates are shown in the adjoining document for the Delta Dental PPO (Exhibits 7a-7b), DeltaCare USA HMO (Exhibits 8a-8b), and UHC Dental HMO (Exhibits 9a-9b).
The aggregate dental plan total cost for active employees for the 2022 plan year is projected at $36.2 million with $3.6 million in member contributions and $32.6 million in employer contributions based on March 2021 enrollment. This results in an overall estimated total dental cost decrease of $6.0 million (14.3%) from 2021 to 2022. Table 3 (page 13) provides an overview of annualized costs.

Life and Long-Term Disability (LTD) Insurance for CCSF, Court Employees, and Municipal Executive Active Employees Only

Total premiums for basic life insurance (employer-paid), supplemental life insurance (member-paid), and long-term disability (LTD) insurance (employer-paid) insured through The Hartford Life and Accident Insurance Company will remain at 2021 levels into the 2022 plan year as part of a three-year guarantee through the 2022 plan year.

The aggregate employer cost for the basic life insurance and LTD plans for the 2022 plan year is projected at $7.81 million. This includes $6.425 million in total LTD premiums and $1.385 million in basic life premiums. Additionally, there is $0.78 million in projected member-paid 2022 supplemental life insurance premium. Annualized overall premiums are shown in Exhibit 10 in the adjoining document.

Summary of Projected 2022 Plan Year Costs

Table 3 below summarizes projected 2022 aggregate SFHSS plan costs across the plans available to active employees and retirees relative to 2021 projections for those plans where the employers subsidize the total plan cost. VSP Basic Plan (vision) costs are included in the medical plans' costs.

TABLE 3—ALL FOUR EMPLOYERS Distribution of Aggregate Plan Costs ($millions)					
	Aggregate Member Contributions (a)	Aggregate Employer Contributions (b)	Aggregate Plan Cost (a + b)	Member Contributions as a % of Aggregate Costs	Employer Contributions as a % of Aggregate Costs
Kaiser HMO	**$52.2**	**$437.6**	**$489.8**	**10.66%**	**89.34%**
$ Change	$1.4	$12.6	$14.0		
% Change	2.81%	2.96%	2.94%		
BSC HMOs/PPO	**$48.5**	**$338.9**	**$387.4**	**12.53%**	**87.47%**
$ Change	$9.1	$36.5	$45.6	$ Increase Includes Active Employee/Early Retiree PPO moving from UHC to BSC for 2022 Plan Year	
% Change	23.03%	12.06%	13.33%		
UHC Retiree Plans	**$12.8**	**$81.6**	**$94.4**	**13.52%**	**86.48%**
$ Change	-$8.4	-$30.9	-$39.3	$ Decrease Includes Active Employee/Early Retiree PPO moving from UHC to BSC for 2022 Plan Year	
% Change	-39.80%	-27.47%	-29.43%		
Dental	**$3.6**	**$32.6**	**$36.2**	**9.86%**	**90.14%**
$ Change	$0.0	-$6.0	-$6.0		
% Change	0.00%	-15.58%	-14.27%		
LTD Insurance	**$0.0**	**$6.4**	**$6.4**	**0.00%**	**100.00%**
$ Change	$0.0	$0.0	$0.0		
% Change	0.00%	0.00%	0.00%		
Life Insurance	**$0.8**	**$1.4**	**$2.2**	**35.91%**	**64.09%**
$ Change	$0.0	$0.0	$0.0		
% Change	0.00%	0.00%	0.00%		
Total	**$117.9**	**$898.5**	**$1,016.4**	**11.60%**	**88.40%**
$ Change	$2.1	$12.1	$14.2		
% Change	1.80%	1.37%	1.42%		

***NOTES**: Figures vary due to rounding; BSC and UHC shifts reflect PPO administrator change from UHC to BSC for 2022 plan year; dental costs reflect active employees only (retiree-pay-all dental plan costs not included).*

This year's projected aggregate medical cost increase of 2.12% (see page 3) is below average national benchmark levels for health care cost trend. The "2021 Health Care Trend Survey" published by Aon indicates combined medical / pharmacy cost increases in the range of 5.5% to 6%.

Conclusion

Based on extensive evaluation and collaboration with SFHSS, Aon validates all of the findings presented within this report. Aon would be pleased to answer any questions or provide clarification about the information included in this letter to any interested parties.

Sincerely,

Michael A. Clarke, FSA, MAAA, FCA
Senior Vice President & Consulting Actuary, Aon Consulting, Inc.

cc: President and Members of the Health Service Board
Abbie Yant, San Francisco Health Service System

Appendix—CCSF Costs Only

TABLE 3A—CITY AND COUNTY OF SAN FRANCISCO (CCSF) ONLY					
Distribution of Aggregate Plan Costs ($millions)					
	Aggregate Member Contributions (a)	**Aggregate Employer Contributions (b)**	**Aggregate Plan Cost (a + b)**	**Member Contributions as a % of Aggregate Costs**	**Employer Contributions as a % of Aggregate Costs**
Kaiser HMO	**$42.1**	**$341.1**	**$383.2**	**10.99%**	**89.01%**
$ Change	$1.2	$10.1	$11.3		
% Change	2.86%	3.06%	3.04%		
BSC HMOs/PPO	**$43.4**	**$300.3**	**$343.7**	**12.62%**	**87.38%**
$ Change	$8.0	$32.7	$40.6	$ Increase Includes Active Employee/Early Retiree PPO moving from UHC to BSC for 2022 Plan Year	
% Change	22.51%	12.21%	13.41%		
UHC Retiree Plans	**$10.7**	**$63.3**	**$74.0**	**14.42%**	**85.58%**
$ Change	-$7.4	-$27.9	-$35.3	$ Decrease Includes Active Employee/Early Retiree PPO moving from UHC to BSC for 2022 Plan Year	
% Change	-40.95%	-30.59%	-32.30%		
Dental	**$3.5**	**$32.3**	**$35.8**	**9.86%**	**90.14%**
$ Change	$0.0	-$6.0	-$6.0		
% Change	0.00%	-15.58%	-14.27%		
LTD Insurance	**$0.0**	**$6.4**	**$6.4**	**0.00%**	**100.00%**
$ Change	$0.0	$0.0	$0.0		
% Change	0.00%	0.00%	0.00%		
Life Insurance	**$0.8**	**$1.4**	**$2.1**	**35.91%**	**64.09%**
$ Change	$0.0	$0.0	$0.0		
% Change	0.00%	0.00%	0.00%		
Total	**$100.4**	**$744.6**	**$845.0**	**11.88%**	**88.12%**
$ Change	$1.7	$9.0	$10.7		
% Change	1.76%	1.22%	1.28%		

***NOTES**: Figures vary due to rounding; BSC and UHC shifts reflect PPO administrator change from UHC to BSC for 2022 plan year; dental costs reflect active employees only (retiree-pay-all dental plan costs not included).*