

Health Plan Market Update

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Agenda

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- What's Driving the Increase in Premium Rates
- SFHSS Health Plan Cost Increases and Drivers
- Premium Increases Fluctuate throughout the Years
- Health Service Board's Role
- Future Strategies to Consider for Plan Year 2028+

Introduction

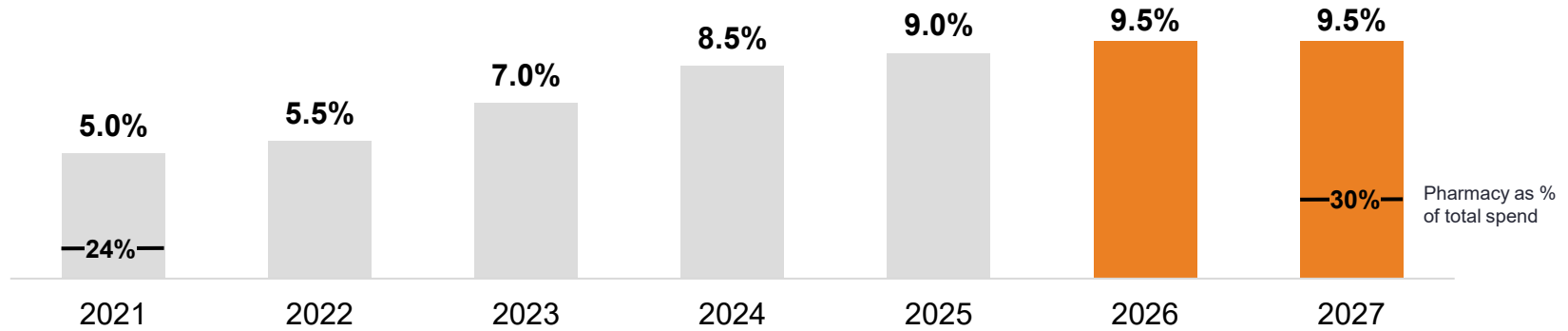
One of the major goals of our Strategic Plan is to provide **affordable and sustainable** healthcare benefits for our four employer organizations.

As we started the rates and benefits cycle this year, we looked at the national healthcare cost drivers as well as the SFHSS' actual utilization. SFHSS projected the annual premium increase would be 9.5%. Following the receipt of actual renewal proposals and negotiations with vendors, there is a 10.5% overall premium rate increase for plan year 2027.

The information that follows guides us through the market update changes and highlights strategies for us to consider in the next rates and benefits cycle.

What’s Driving the Increase in Premium Rates

Projected U.S. Healthcare Trend



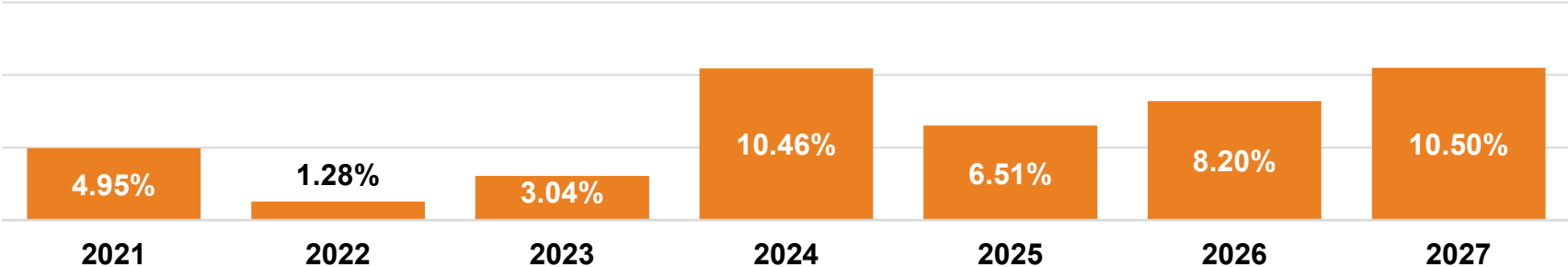
Source: Aon Trend Survey

Eight Key Cost Increase Drivers

Service Price Inflation (increase Labor costs, Higher Service Intensity)	GLP-1 Drugs (Weight Loss + Oral Forms + New Indications)
Worsening Population Health Status (Chronic Conditions – Cancer, MH + Aging Population)	Policy and Regulation Shifting Cost to Commercial Plans (Medicaid and ACA Cuts, Tariffs, Unintended No Surprises Act Impacts)
High-Cost Claims (Neonatal ICU, Cancers)	Market Consolidation Reduces Competition (Health Systems, Payors, Private Equity)
Specialty Prescription Drugs	High-Cost Gene and Cell Therapies

SFHSS Health Plan Cost Increases and Drivers

SFHSS Overall Health Plan Premium Rate Increases



Price, Utilization, and Mix of Services All Contribute to Cost Increases

- **Price** - Provider reimbursement increases, higher hospital charges, drug price inflation
- **Utilization** - members using more services (e.g., more outpatient visits, imaging, specialty drugs)
- **Service Mix** - Shift to more complex procedures or more expensive sites of care

Premium Increases Fluctuate throughout the Years

- Different plans and carriers affect the overall SFHSS medical renewal based on claim experience and member utilization from the prior period.

	2023	2024	2025	2026	2027 (Proposed)	Five-Year Cumulative
Blue Shield CA Trio HMO	5.3%	2.9%	11.8%	9.2%	10.7%	46.4%
Blue Shield CA Access+ HMO	0.5%	14.4%	8.7%	8.7%	17.6%	59.8%
Health Net CanopyCare HMO	-10.4%	3.7%	-1.0%	-0.3%	18.4%	8.6%
Kaiser Non-Medicare HMO	3.9%	12.5%	5.4%	9.9%	7.3%	45.3%
Blue Shield CA Non-Medicare PPO	7.5%	1.7%	1.3%	0.5%	23.1%	37.0%
MAPD PPO (UHC 24, BSC 25-27)	4.7%	15.0%	3.1%	4.5%	6.5%	38.2%
KPSA Medicare HMO	-1.9%	6.2%	8.7%	9.3%	-2.2%	21.1%

** 2027 renewals: Health Net renewal is actual renewal, all other plans proposed/not final, and based on current plan design
 Renewals reflect applicable Rate Stabilization Adjustments included
 Blue Shield HMO plans and PPO plan stabilization adjustments in 2024 & 2025 include buy-downs from one-time Sutter Legal Settlement

Health Service Board's Role

The HSB has a critical role in guiding the present and future state of health plan offerings, financials, and key initiatives for SFHSS members

Control (via Authority to Approve)
Health Plan Design Features
HSB Policies (e.g., reserves, rate stabilization, legal settlements, Board education)
Request for Proposal Recommendations

Future Strategies to Consider for Plan Year 2028+

Adjust Employer Contribution

- Most common contribution models are 93-93-83 and 100-96-83.
- SFHSS employers pay 83% of overall health care spend (allowed charges plus fees), compared to a range of 71% to 77% for benchmark averages*

Change Plan Design

- Increase co-pays.
- Increase out-of-pocket maximums.
- Our plan design co-pays and co-insurance are lower than benchmark organizations*

Incentivize Value-Based Health Care Plans

- Move members into Accountable Care Organizations (ACO).

*AON’s SFHSS Health Value Initiative (HVI) Benchmarking Study presented at the April 9, 2026 Health Service Board meeting.

Questions

Appendix

Appendix—Glossary of Terms

Trend: The expected percentage increase in healthcare costs over a year, assuming the same people and the same benefits. Trend is reflective of both medical and pharmacy inflation, expected changes in provider prices, and typical changes in how much care people use.

Renewal: The actual rate change (increase or decrease) in premiums or costs that the carrier or plan sets for the next year. It starts with trend but then adjusts for a group's own claims experience, enrollment mix, plan design changes, fees, and margins (if applicable).

Claim Experience: A specific group's actual historical claims—how much was paid for medical and pharmacy services for the covered population over a previous period (e.g., the last 12 or 24 months). Claim experience is used to assess how the health plan is performing relative to expectations.

Member Utilization: How often and how intensely members use healthcare services (e.g., number of doctor visits, emergency department visits, hospital days, prescriptions per member). Higher or lower member utilization directly affects total claim costs.

Plan Design: The structure of the benefit plan that determines what is covered and how costs are shared between the plan and members. This includes deductibles, copays, coinsurance, out-of-pocket maximums, covered services, and network rules.