

Health Service System, City & County of San Francisco Strategic Plan Mid-Year Status Update

Catherine Dodd PhD, RN

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This report will update changes to key strengths and challenges, as well as review and update each of the Health Service System's strategic goals, considering ongoing initiatives, new initiatives, and threats to success.

Key Strengths

Four key strengths were documented in the HSS Strategic Plan released August 2012:

- Leadership Committed to Innovation
- Experienced Staff
- New Technology Initiatives on the Horizon
- Credibility with Members

In the past six months the Health Service Board and the HSS management team have continued a beneficial collaboration with the consulting actuary Aon Hewitt, actively and successfully improving quality of care while reducing costs. In addition, the HSS Director routinely networks with other large employers in the Bay area, through professional organizations like the Pacific Business Group on Health, to track trends and identify best practices that might be valuable to HSS.

Front-line staff of HSS continues to maintain up-to-date knowledge about HSS medical, dental and vision benefits, including how these benefits are affected by the many different payroll and pension systems that handle premium deductions, as well as the interaction of HSS benefits with federal programs like Medicare. In the past six months, HSS staff successfully handled ongoing stressful challenges related to the eMerge PeopleSoft 9.0 transition, as well as significant problems caused by UnitedHealthcare's failure to effectively manage a change in pharmacy benefits.

Based on the experience in the past six months, the new technology implemented City-wide as part of eMerge PeopleSoft 9.0 has not been a key strength for HSS. Many bugs were discovered, forcing the department into fire drill mode to maintain basic operations. HSS continues to apply significant management and staff resources to documenting, managing and finding solutions to issues related to eMerge. While we have received strong support from the Controller's office in light of these issues, the team anticipates that it may be 12 to 24 months before these issues are stabilized. Applying resources to eMerge diverts HSS from implementing other innovations.

System bugs in eMerge, and UnitedHealthcare's oversight failings in early 2013, in many cases directly affected HSS members. Although HSS moved quickly to resolve all errors and no members were put in a situation of serious jeopardy, unfortunately these issues diminished the credibility the department has carefully established with members over the past five years.

Health Service System, City & County of San Francisco Strategic Plan Mid-Year Status Update

Key Challenges

Five key challenges were documented in the 2012 HSS Strategic Plan:

1. Rising Cost of Healthcare
2. Staff and Budget Reductions
3. Outdated Technology Infrastructure
4. Increasingly Complex Regulatory Compliance
5. Expanding Member Engagement to Include Wellness

1. Rising Cost of Healthcare

Rising costs remain a key concern for HSS and employers throughout the country. However, HSS has made significant progress in articulating the key cost drivers for healthcare in the Bay area market. Documenting key cost drivers such as adverse selection in HSS plans, provider consolidation, lack of cost transparency, shadow pricing, and the incidence of chronic illness allows HSS to explore multi-faceted strategies for containing costs.

2. Staff and Budget Reductions

HSS continues to struggle with staff and budget limitations. For example, it is critical that HSS fill the two positions needed to effectively manage flex-funding of the Blue Shield plan in 2013. Funds were made available the first week of February for two promised positions. HSS needs this additional expertise in in-house analytics capabilities, to take advantage of the additional utilization data that will be available through flex-funding, and to respond in a timely manner to increasing data requests related to demographics, premiums spending and utilization patterns for various segments of our population. In addition, HSS has one contract manager dedicated to overseeing an array of complex health vendor contracts worth over \$750 million. Effective vendor management would alleviate a significant amount of Operations work.

3. Outdated Technology Infrastructure

Also unfortunately, in the near future we do not anticipate progress in improving an enrollment system that remains entirely paper dependent. Emerge holds the promise for significantly reducing the labor-intensive, error-prone data entry required by paper-based enrollment and records maintenance, but this promise is unlikely to be fulfilled for several years.

4. Increasingly Complex Regulatory Compliance

Compliance is another positive in the area of key challenges. To date HSS has effectively tracked and complied with regulatory changes, including significant changes related to federal healthcare reform. This will be an ongoing challenge in coming years.

5. Expanding Member Engagement to Include Wellness

Member engagement in wellness is growing steadily with more requests for departmental wellness councils than the wellness coordinator can manage.

Health Service System, City & County of San Francisco

Strategic Plan Mid-Year Status Update

Strategic Goal 1: Departmental Operational Excellence

Ongoing Initiatives

HSS Finance successfully completed an error-free annual trust fund audit, and completed two sets of complex rate calculations due to the multiple Open Enrollments that took place in the past 12 months.

HSS has a history of meeting or exceeding its target measurements for member service. (As a result, the most recent strategic plan set higher member service goals.) Unfortunately, during the past six months we have consistently missed targets related to call abandonment, speed to answer telephones and lobby wait times. These delays in response time are directly related to PeopleSoft outages and system errors, as well as the more complex and error-prone data processing required by the new PeopleSoft processes. Additional burdens were placed on our Member Services staff by UnitedHealthcare failings to process enrollments properly for the start of the 2013 plan year through the present.

Over the past six months, HSS staff successfully completed extensive PeopleSoft training, as well as training with new vendors in the administration of Flexible Spending Accounts (WageWorks) as well as Life and Long Term Disability Insurance (Aetna). Mandatory training, such as Disaster Service Worker, Ethics, Incompatible Activities and Sexual Harassment, has been completed as required. Other initiatives related to staff effectiveness, such as establishing SMART goals and work environment satisfaction surveys, have been deferred in light of focusing our resources on our primary operational needs.

New Initiatives

HSS has made significant progress working with the City Attorney and consultants Aon Hewitt in ensuring current HIPAA compliance. This included completing mandatory refresher training for all HSS staff. Also, the Section 125 plan has been maintained and is up-to-date.

HSS effectively collaborated with the Department of Technology, Controller, Payroll and Human Resources on rolling out PeopleSoft. However, the issues and system bugs that have been identified will take time to fully resolve. This requires that secondary priorities, such as an EBS interface and HIPAA-compliant self-service, be deferred.

HSS must continue to manage a substantial number of bi-weekly and monthly over-the-counter premium payments manually, due to delays in implementing a City-wide contract for automating credit card payments.

There have been no improvements in HSS records retention processes during the past six months, and no budget funds allocated, as this is not high priority.

Health Service System, City & County of San Francisco

Strategic Plan Mid-Year Status Update

Threats to Success

In our strategic plan, we noted that eMerge PeopleSoft 9.0 could be a potential threat to operational success. For the past six months, this has turned out to be true. HSS staff (and HSS members) have experienced significant operational disruption due eMerge. In addition to system bugs and failures, data entry processes are more complex, error-prone and cumbersome; it takes HSS staff significantly longer to process routine records. Overtime has become routine for HSS staff as we work to not fall behind on meeting basic operational needs such as managing enrollments, benefit election changes, and premium payments.

It is still highly likely that HSS will need to relocate some time in the next six months. A move will, as noted in the strategic plan, cause additional disruption.

Strategic Goal 2: Affordable, Quality, Healthcare

Ongoing Initiatives

The HSS executive team, in collaboration with Aon Hewitt, has successfully prepared detailed monthly analyses for the Health Service Board regarding rates and benefits negotiations, even while managing ongoing operational crises at HSS.

A request for proposal was completed over the past six months, resulting in a new vendor (Aetna) for group life insurance and long term disability insurance. This will save the City, which pays 100% of the premiums for these benefits, \$2.4 million annually for the duration of the contract.

While minimum standards in vendor management, such as the quarterly scorecards and performance guarantees, have been maintained, HSS could do much more with sufficient resources to manage vendors and monitor costs. Operations staff currently spend a significant amount of time reconciling vendor issues.

New Initiatives

Aon Hewitt reported that the Accountable Care Organizations, formed by HSS in partnership with Blue Shield, have been effectively meeting quality and cost reduction goals. This is a significant achievement that improved the underwriting experience for 2013 premium rates and will continue to do so in 2014.

HSS is actively participating in collaboration with the Mayor's office, the Controller, the Department of Human Resources and labor representatives in identifying long-term solutions for health plan design and wellness.

HSS is behind on developing the statistical tools needed to effectively manage flex-funding, as we are waiting for the approval of necessary new hires with expertise in data analytics. Dashboard enhancements, and tools for trend analysis and forecasting, have also been deferred.

Health Service System, City & County of San Francisco Strategic Plan Mid-Year Status Update

Threats to Success

The obstacles to sustaining affordable, quality healthcare have not changed:

- Lack of data transparency prohibits HSS from more clearly understanding medical service utilization and the cost for medical services.
- Adverse selection in Blue Shield and City Plan results in higher premium costs due to unstable risk pools. (Healthier members, especially families, have premium contribution incentives to migrate to Kaiser.) Premium subsidies have kept Blue Shield rates reasonably competitive with Kaiser for the past 18 months. We cannot rely on premium subsidies to maintain stable risk pools in HSS plans.
- Market consolidation, in particular Sutter, inflates hospital and medical group prices in the Bay area.
- Lack of provider competition causes shadow pricing.

Strategic Goal 3: Informed, Transparent, Effective Governance

Ongoing Initiatives

HSS has successfully delivered on all ongoing initiatives stated in the Strategic Plan. Health Service Board proceedings are routinely documented in a variety of media formats and made accessible to members in accordance with targeted deadlines. HSS consistently responds to media inquiries with relevant, fact-based information.

New Initiatives

HSS has expanded outreach and heightened engagement with active and retiree member organizations. This included scheduling a Health Service Board meeting focused on educating members during an evening in December.

Threats to Success

As predicted in the Strategic Plan, over the past six months the Health Service Board and HSS have seen an increase in media attention and scrutiny. We expect there will be continuing public debate over public employee and retiree benefits and their costs.

Strategic Goal 4: Educated and Empowered HSS Members

Ongoing Initiatives

HSS has succeeded in delivering highly accurate health benefits communications over the course of two Open Enrollments. This included coordinating the mailing of 62,000 Open Enrollment member packets in September 2012 (the second Open Enrollment this year), ongoing updates to the website myhss.org, and monthly distribution of an eNewsletter to over 20,000 subscribers.

Health Service System, City & County of San Francisco Strategic Plan Mid-Year Status Update

HSS has taken the lead in promoting wellness and encouraging the development of wellness councils at several City departments. Wellness councils allow each department to take the first step in formulating customized onsite programs.

New Initiatives

Over the past six months there have also been significant progress on two collaborative initiatives regarding employee wellness. HSS is actively participating on the Controller's Wellness Assessment committee, which also includes representatives from the Department of Human Resources and union leaders. Concurrently, the Controller's CCSF Wellness Leadership Council brings labor leaders and City management together, to review and refine what type of wellness programs and incentives might possibly be best for City workers. While discussions with both these committees are in early phases, and nothing definitive has been decided, HSS is hopeful that the result will be future employee wellness initiatives with broad-based consensus, support and participation. Meanwhile, HSS continues to advance many of the wellness goals in the strategic plan, such as expanding EAP wellness programs (such as smoking cessation), participation in department health fairs, and expanding wellness content in HSS communications.

Goals related to improving the HSS website by implementing member self-service enrollment and premium payments have been deferred pending resolution of PeopleSoft technology issues and the City contract for a digital credit card payment system.

Threats to Success

While there are hopeful signs, the timeline for implementing a broad-based employee wellness program is unclear, and the potential source of funding remains unidentified.

With regard to making significant technology improvements to member benefits in the area of self-service, as stated in the Strategic Plan, HSS is largely dependent on other departments, such as the Department of Technology, to provide essential technology infrastructure.

Over the past five years HSS has built strong credibility with our members, based on effective operations and timely, accurate communications. We help over 107,000 people successfully navigate our country's complex and sometimes daunting healthcare system. HSS relies on contracted plan vendors to maintain equally high standards in operations and communications. At the start of the 2013 plan year, UnitedHealthcare, which insures many of our oldest and most vulnerable HSS members, had serious failures in operations and communications. This highlights the importance of ensuring that HSS contracts with plan vendors that are committed to providing HSS and HSS members with service that can meet or exceed standards of excellence.