



City & County of San Francisco

# HEALTH SERVICE BOARD

1145 Market Street ♦ Suite 200 ♦ San Francisco, CA 94103

## MINUTES

### Regular Meeting

#### RESCHEDULED DAY AND TIME

Tuesday, December 11, 2012

4:30 PM

City Hall, Room 416  
1 Dr. Carlton B. Goodlett Place  
San Francisco, California 94103

- Call to order
- Pledge of allegiance
- Roll call
  - President Karen Breslin
  - Vice President Wilfredo Lim, arrived 4:37 p.m.
  - Supervisor Carmen Chu, excused
  - Commissioner Sharon Ferrigno
  - Commissioner Jean S. Fraser
  - Commissioner Jordan Shlain, M.D., arrived 5:34 p.m.
  - Commissioner Claire Zvanski

All Health Service Board meetings are recorded and videotaped.  
Meeting audio links, YouTube videos and all meeting materials are posted on the myhss.org website.
- 12112012-01 Action item Approval (with possible modifications) of the minutes of the meeting set forth below:
  - Regular meeting of November 8, 2012

Staff recommendation: Approve minutes.

Documents provided to Board prior to meeting:  
Draft minutes.

Public comments: None.

Action: Motion was moved and seconded by the Board to approve the regular meeting minutes of November 1, 2012.

Motion passed 4-0.

- 12112012-02 Discussion item

**President's Report** (President Breslin)

Documents provided to Board prior to meeting:  
None.

- President Breslin had nothing to report.

Public comments: None.

- 12112012-03 Discussion item

**Director's Report** (Catherine Dodd)

- HSS Personnel
- Finance, Operations, Communications, Wellness/EAP, Vendor Contracts
- Meetings with Key Departments
- Other additional updates

Documents provided to Board prior to meeting:

1. Director's report;
  2. Reports from Operations, Communications, Health Promotion and Wellness and Employee Assistance Program.
- Dr. Catherine Dodd, HSS Director, presented her Director's report, which may be viewed on the myhss.org website.
  - Commissioner Lim arrived during this agenda item.

Public comments: None.

- 12112012-04 Discussion item

**Update on Financial Reporting as of October 31, 2012** (Tracey Loveridge)

Documents provided to Board prior to meeting:

1. Statement of Revenues and Expenses;
  2. Annual Administrative Budget - FY-2012-2013.
- Tracey Loveridge, HSS Chief Financial Officer, reported on the two standard financial reports included in this presentation, ending October 31, 2012.
  - Ms. Loveridge noted that HSS has received approval from the Mayor's office for all requested carry forward amounts, which totals \$426,000.

- Ms. Loveridge also stated that beginning next month the financial statements will be presented in a different format as suggested by Commissioner Lim.

Public comments: None.

□ 12112012-05 Action item

**Approval of Blue Shield Retiree and Family Rate Clarification for 2013 Enrollees** (Aon Hewitt)

Documents provided to Board prior to meeting: Report prepared by Aon Hewitt, "Rate Clarification: Blue Shield Retiree and Family Rate for 2013 Enrollees."

- Anil Kochhar, Aon Hewitt actuary, reported that Blue Shield's premium equivalent increase for the 2013 plan year is 2.50% instead of 6.22% as previously calculated.
- The rates for actives and early retirees are flex-funded, while the rates for retirees are fully-insured.
- The MAPD/COB rates for retirees and their families should have been reflected at a total premium of \$1,260.02 per member per month instead of \$1,307.16 per member per month. This correction reflects a decrease of \$47.17 per member per month.

Action: Motion was moved and seconded by the Board to approve the corrected Blue Shield retiree and family rate for 2013 enrollees as presented.

Motion passed 5-0.

Public comments: None.

□ 12112012-06 Discussion item

**Presentation of UHC Dashboard** (Aon Hewitt)

Documents provided to Board prior to meeting: Report prepared by Aon Hewitt, "Q4 2011 UHC Dashboard: Follow-Up Report."

- Monica Hirning, Aon Hewitt actuary, presented a follow up to City Plan's dashboard data presented in September. At that time, Aon Hewitt recommended follow up in several areas to determine the cause of significant claim costs.
- The areas in question for active members were the high utilization of skilled nursing facilities, increased outpatient surgery unit costs, overall increase in the average

outpatient costs per service and significant increases in mental health substance abuse utilization for actives and pre-65 members.

- Aon Hewitt's research found that the number of members utilizing City Plan's services has not changed but the number of members has decreased.
- City Plan's population decreased 17% between 2010 and 2011. The healthiest members are leaving City Plan and going to Kaiser or Blue Shield while the remaining members are a higher risk burden.
- The number of members utilizing mental health and substance abuse services increased for actives and pre-65 members. The number of members receiving these services did not change but the number of services per member increased. This may be related to Mental Health Parity legislation, which eliminated the annual caps on services.
- Dr. Shlain arrived during this agenda item.
- Aon Hewitt's report, "Q4 2011 UHC Dashboard: Follow-Up Report," may be viewed on the myhss.org website.

Public comments: None.

□ 12112012-07 Discussion item

[Overview of Cost Drivers and HSS Initiatives](#) (Catherine Dodd)

Documents provided to Board prior to meeting:  
Report prepared by HSS, "Healthcare Trends and Challenges."

- Dr. Dodd presented an overview of cost drivers and HSS initiatives that included information regarding the HSS trust fund, medical plan enrollment and premium costs, specific cost drivers, the rates and benefits process, the Accountable Care Organizations, healthcare trends and more, as well as member FAQs.
- The HSS report and entire YouTube video discussion may be viewed on the myhss.org website.

Public comments: Michael Bynum, HSA employee, asked what was being done to stop member migration, whether a multi-county benefit plan is

being considered, and how the wellness plan is getting members to participate at the worksite.

Dr. Dodd responded that HSS has been successful during the last three open enrollments in slowing migration out of Blue Shield and into Kaiser by subsidizing the Blue Shield plan using its credit pledge totaling \$18M. The Health Service Board also approved creating a flex funded plan for active and early retiree Blue Shield members, as well as insisting that the Blue Shield plan include Accountable Care Organizations to reduce the number of admissions, emergency room utilization and readmissions. Regarding wellness, HSS has worked directly with several departments but currently there is only one staff person for 60,000 employees. HSS intends to meet with outside groups interested in establishing a county health insurance exchange to discuss inclusion and broadening the pool of lives to lower risk.

Larry Bradshaw, SEIU 1021 representative, asked what was being done to address the millions of dollars in wasted healthcare expenses (unsafe or ineffective care). He also asked if HSS or the Health Service Board would consider adopting a policy similar to CalPERS' to work with labor through the Labor Council to educate the Mayor and Board of Supervisors on issues such as the lack of accountability and transparency with insurers and health providers.

Dr. Dodd suggested reviewing pages 13 and 14 in her report, which addresses uncoordinated care, medical errors and the lack of data transparency. She also stated that approximately three months ago, the Health Service Board directed the City Attorney to draft transparency legislation requiring any provider doing business in the City and County of San Francisco to provide data.

Dr. Dodd noted that moving from a fully-insured plan to flex-funded with Blue Shield will allow more transparency of data. Whether the Health Service Board will take a position to support CalPERS' efforts is unknown at this time, but Dr. Dodd stated that HSS and the Board would work with any willing partner in terms of data collection.

Brenda Barros, active City employee, asked if the efforts by HSS and the Board are genuine. She suggested sending a survey to HSS members on health plan satisfaction to provide additional

information on migration. She also suggested providing a wellness program that can be implemented during work hours and works for those intended to use it.

Dr. Dodd responded that the efforts made by HSS and the Health Service Board are genuine, which was proven by all of the work the Board and HSS undertook during the last year, including doubling workloads while implementing PeopleSoft 9.0.

Dr. Dodd stated that the members' voices are being heard and she concurs with developing a member feedback survey. HSS will work with the labor management partnership on distributing the survey when ready.

Cathy Helton, active City employee and SEIU 1021 member, expressed concern as a single parent on the contribution models and her unlikely ability to remain in Blue Shield if implemented.

Commissioner Fraser and Dr. Shlain emphasized patient accountability and the need for healthy behaviors (exercise, healthy eating habits, etc.) in the effort to reduce the healthcare crisis and associated costs.

- 12112012-08 Discussion item [Risk Assessment for HSS Membership](#) (Aon Hewitt and Lisa Ghotbi)

Documents provided to Board prior to meeting:  
Report prepared by Aon Hewitt, "Risk Assessment for the HSS Membership by Medical Plans (UHC, Blue Shield, Kaiser)."

- Anil Kochhar, Aon Hewitt actuary, and Lisa Ghotbi, HSS Chief Operating Officer, jointly presented this agenda item.
- Ms. Ghotbi reviewed the methodology used to determine risk scores and presented various risk scores for actives and early retirees.
- The risk scores for early retirees were available only for Blue Shield and Kaiser.
- Dependent members significantly lower the overall risk of the active membership. Active dependents are comprised of two-thirds children and one-third spouses and domestic partners.
- Early retiree dependents are comprised of 20% children and 80% spouses.

- Active employees have a lower risk score than expected based on age/gender alone indicating a lower than normal risk for future healthcare costs.
- Early retirees have a higher risk score than expected based on age/gender alone indicating a higher than normal risk of future healthcare costs, particularly males age 45-59.
- Risk scores by member group may be found on pages 6-9 of the report.
- Anil Kochhar presented risk score results by health plan (UHC, Blue Shield, Kaiser), as well as migration analysis by plan. See pages 10-13 of report for risk scores by plan and pages 14-17 for migration analysis.
- Dr. Shlain stated that it is necessary for the Board to quickly innovate and for members to begin embracing innovation in order to prevent the Board's work from becoming obsolete.
- Dr. Shlain and Commissioner Ferrigno departed the meeting at the end of this agenda item.
- Aon Hewitt's report and the entire YouTube video discussion may be viewed on the myhss.org website.

Public comments: Rebecca Rhine, Municipal Executives Association ("MEA") representative, stated that until there is a larger conversation about transparency and accountability, members will have no idea what they are paying for. She stressed the importance of continuing to push for information that includes a wide range of answers addressing structural decisions that help bolster choice and prevent migration.

□ 12112012-09 Discussion item

[Pillars of Employee Benefits Design](#) (Lisa Ghotbi)

Documents provided to Board prior to meeting:  
Report prepared by HSS, "Pillars of Benefit Design."

- Lisa Ghotbi presented a review of the six pillars of employee benefit design based on the Handbook of Employee Benefits, 7<sup>th</sup> Edition.

- The six pillars of employee benefit design for achieving affordable healthcare and sustainable benefits are:
  - Benefits are part of total compensation package;
  - Accessible for all employees;
  - Financial commitment from employees;
  - Stable risk pools in all plan options;
  - A level playing field for all plan options;
  - Competition between plan options.
- Other key considerations include legal and regulatory compliance (i.e., state regulations governing benefit design, Charter language, Federal PPACA mandates) and marketplace changes (i.e., ACOs, Bay Area hospital and medical group consolidation, healthcare exchanges).
- HSS and Aon Hewitt created a 90/85/80 premium cost-share model in compliance with employee benefit design principles to prevent migration and create stability and competition in the marketplace. This model was designed to more equally distribute the employee premium cost-share across all three coverage tiers (Employee Only, Employee plus 1 and Employee plus 2), and includes the 10-County contribution.
- Since agenda items 9 and 10 are related, it was suggested that public comment for those items be combined and presented after the presentation of item 10.
- The HSS report and entire YouTube video discussion may be viewed on the myhss.org website.

Public comments: See agenda item 10.



- 12112012-10 Discussion item Premium Cost Share Alternative Considerations Example 90/85/80 (Aon Hewitt)

Documents provided to Board prior to meeting:  
Report prepared by Aon Hewitt.

- Anil Kochhar reported that Aon Hewitt was asked at the November 8 meeting to provide a recommended model after presenting the financial impact of changes to the 90-10 employee premium cost-share under MOU agreements scheduled to take effect in 2014.
- Highlights from the November 8 meeting are as follows:
  - The employee premium cost-share for “Employee Only” in City Plan is projected to rise to \$916.90 per month;
  - Change in the employee cost-share will result in an anticipated 57% migration from City Plan to Blue Shield, destabilizing City Plan for active members;
  - The employee premium cost-share for “Employee plus 2” enrolled in Blue Shield is projected to rise to \$702.56 per month;
  - Change in the employee cost-share will result in an anticipated 7.2% migration from Blue Shield to Kaiser, resulting in higher risk rating and higher costs in the Blue Shield plan moving forward.
- In the 90/85/80 premium cost-share sample model, total employee costs will decrease by \$0.966M in 2014 (-1.5%) and employer costs will decrease by \$4.9M (-1.5%).
- The 90/85/80 model meets all the pillars and principles of employee benefit design and will allow the HSS membership to be stable and predictable over the next three years.
- See page 5 of the report for an illustration of the 90/85/80 premium cost-share sample model.

- See page 10 of the report for the “Cost Impact of 2014 Premium Cost-Share Model to 2013 Contribution Methodology.”
- Commissioner Zvanski stated that at one point, the Health Service Board considered having one rate for all plans, and asked if such a model could be considered in the future.
- Dr. Dodd responded that HSS had considered one rate across the board for all member categories but that it would raise the cost for 52% of active members with dependents. In addition, there are several actuarial issues to be considered.
- Lisa Ghotbi also noted that one rate across all categories, regardless of plan, would not support Pillar 6 (competition between plan options) in employee benefit design.
- The Aon Hewitt report and entire YouTube video discussion may be viewed on the myhss.org website.

Public comments: Larry Bradshaw, SEIU Local 1021 representative, stated that while SEIU wants to maintain Blue Shield as a healthcare plan option for members, it represents the lowest paid City workers. SEIU will not ask its lowest paid members to subsidize Blue Shield’s rates to keep higher paid City workers’ rates low. He also noted that SEIU did not agree to the 90-10 contribution split for 2014. He reiterated SEIU’s desire to work with HSS to bring down healthcare costs.

Rebecca Rhine, MEA representative, thanked the Health Service Board for illustrating the contribution model example, stating that everything should be on the table in considering the best approach to providing affordable healthcare and mitigating migration.

Dean Coate, MTA employee and President of Local 21, stated that Local 21 agreed to the 90-10 split during negotiations, a decision that would have otherwise been made by an arbitrator if agreement could not have been reached. However, with discovering unforeseen and unintended consequences of the 90-10 split, Local 21 will be seeking to defer implementation for a year to allow time to develop an alternative. He expressed appreciation to the Health Service Board for

providing the 90/85/80 example but asked for the freedom to follow the collective bargaining process and develop an alternative.

Cathy Helton, active City employee and SEIU member, asked the Board to consider the employee plus one category as well as employee plus two when determining the rates.

Commissioner Zvanski responded that her standard for determining affordable healthcare benefits has been, and continues to be, a single parent in a 1404 clerk position with one or two dependents. She stressed the importance of unions making intelligent decisions based on information gathering and the need to obtain appropriate data during the negotiating process.

President Breslin emphasized that the 90/85/80 contribution example was not being proposed but was in response to a Board member's request at a recent meeting to provide an example to minimize migration.

Bob Britton, Local 21 Staff Director, concurred with Commissioner Zvanski on the importance of having appropriate information during the negotiation process. He stated that it does not make sense to move forward with a model that will cost members more in the long run and that Local 21 will ask the City to postpone implementation of the 90-10 split for one year.

□ 12112012-11 Discussion item

Public Questions and Comments

Documents provided to Board prior to meeting:  
None.

Public comments: Dennis Kruger, representative for active and retired firefighters, asked about an Affordable Care Act fee to be imposed next year for every employee receiving \$63 in benefits, and questioned who will pay a that fee—the City or employees. He also asked if a determination had been made to his question last month regarding Charter language on surviving spouse dependent coverage.

Dr. Dodd stated that HSS would follow up to determine whether the Accountable Care Act fee would apply to HSS members when implemented. She also noted that a meeting was scheduled with the City Attorney to review the Charter language on

surviving spouses and make a determination.

- 12112012-12 Discussion item Report on network and health plan issues (if any)  
(Respective plan representatives)

Public comments: None.

- 11082012-13 Discussion item Opportunity to place items on future agendas

Public comments: None.

- 11082012-14 Discussion item Opportunity for the public to comment on any matters within the Board's jurisdiction

Public comments: Dennis Kruger, representative for active and retired firefighters, stated that during his 23 years of attending Health Service Board meetings, he can attest to the Board's efforts each year to being innovative in deciding healthcare for members. He stated that he took offense at Dr. Shlain's previous statement that the Board needs to quickly innovate to prevent becoming obsolete. He also asked that evening meetings be kept to a minimum in the future noting that the remaining people at the close of the meeting are the same people who are fighting for members every day.

Adjourn: 7:34 pm

## Summary of Health Service System Rules Regarding Public Comment

- Speakers are urged to fill out a speaker card in advance, but may remain anonymous if so desired.
- A member of the public has up to three minutes to make pertinent public comments before action is taken on any agenda item.
- A member may comment on any matter within the Board's jurisdiction at the designated time at the end of the meeting. The complete rules are set forth in Section A(6) of the Health Service System Rules and Regulations. A copy of these Rules and Regulations is available at any time upon request. Call the Administrative Services Manager, Laini K. Scott for further assistance at (415) 554-1727.

**Health Service Board and the Health Service System Web Site: <http://www.myhss.org>**

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Accessible seating for persons with disabilities (including those using wheelchairs) will be available.

The following services are available upon request:

- American Sign Language interpreters will be available upon request.
- A sound enhancement system will be available upon request at the meeting.
- Minutes of the meeting or hearing are available in alternative formats.

If you require the use of any of these services, please contact Administrative Services Manager, Laini K. Scott, at (415) 554-1727 or by email at [laini.scott@sfgov.org](mailto:laini.scott@sfgov.org) at least 72 hours prior to the meeting.

In order to assist the City's effort to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals.

### Knowing Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decision in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact Adele Destro by mail to Interim Administrator, Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94103-4689; by phone at (415) 554-7724; by fax at (415) 554-7854; or by email at [sotf@sfgov.org](mailto:sotf@sfgov.org).

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Ms. Destro or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, <http://www.sfgov.org/sunshine/>

### Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code § 2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 25 Van Ness Avenue, Suite 220, San Francisco, CA 94102; telephone (415) 252-3100; fax (415) 252-3112; web site [www.sfgov.org/ethics](http://www.sfgov.org/ethics).

### Summary of Health Service Board Rules Regarding Cell Phones and Pagers

- The ringing and use of cell phones, pagers and similar sound-producing electronic devices is prohibited at Health Service Board meetings and its committee meetings.
- The chair of the meeting may order the removal from the meeting room of any person(s) in violation of this rule.
- The chair of the meeting may allow an expelled person to return to the meeting following an agreement to comply with this rule.

The complete rules are set forth in Chapter 67A of the San Francisco Administrative Code and in the Rules and Regulations of the Health Service System.

If any materials related to an item on this agenda have been distributed to the Health Service Board after distribution of the agenda packet, those materials are available for public inspection at the Health Service System during normal office hours. For more information, please contact Laini K. Scott at (415) 554-1727 or email at [laini.scott@sfgov.org](mailto:laini.scott@sfgov.org).