City & County of San Francisco
HEALTH SERVICE BOARD
1145 Market Street ✦ Suite 200 ✦ San Francisco, CA 94103

MINUTES

Regular Meeting
(Combined with Rates and Benefits Committee)

Thursday, June 14, 2012

Revised Time

12:30 PM

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

- ☐ Call to order
- ☐ Pledge of allegiance
- ☐ Roll call

President Claire Zvanski
Vice President Karen Breslin
Supervisor Carmen Chu
Commissioner Sharon Ferrigno, arrived 12:50 p.m.
Commissioner Jean S. Fraser
Commissioner Wilfredo Lim
Commissioner Jordan Shlain, M.D., arrived 12:43 p.m.

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.

- ☐ 06142012-01 Action item

Approval (with possible modifications) of the minutes of the meetings set forth below:

- Regular meeting of May 10, 2012 combined with Rates and Benefits Committee
- Special meeting of June 1, 2012 combined with Rates and Benefits Committee

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 May 10, 2012 combined with Rates and Benefits Committee, and the special meeting minutes of June 1, 2012 combined with Rates and Benefits Committee.

Motion passed 5-0.

RATES AND BENEFITS COMMITTEE MATTERS

□	06142012-02RB	Action item	Resolution approving the 10-County Survey results for the 2013 Plan Year and certifying the 10-County amount to the Board of Supervisors (Committee Chair Breslin and Tracey Loveridge)

Staff Recommendation: Approve survey results as presented at Rates and Benefits Committee meeting on June 1, 2012.

Documents provided to Board prior to meeting: Draft Resolution with 10-County Survey.

Public comments: None.

Action: Motion was moved and seconded by the Board to approve the 10-County Survey results and resolution certifying the 10-County amount of $534.78, and to forward to the Board of Supervisors.

Motion passed 5-0.

□	06142012-03RB	Action item	Approval of final City Health Plan (PPO) rates and benefits for active and retired HSS members for Plan Year 2013 (Aon Hewitt)

Staff Recommendation: Approve rates.

Documents provided to Board prior to meeting: Report prepared by Aon Hewitt, "City Plan (UHC) Final Premium Equivalents and Rate Card."

Public comments: None.

- Monica Hirning, Aon Hewitt actuary, presented the final proposed City Plan premium rates, which includes the alternative plan design of a three-month carryover (October through December 2012) of the deductibles and out-of-pocket maximums into the 2013 plan year

previously approved by the Board at the June 1 special meeting.

- The total premium cost for the 2013 plan year is $74.8M, which includes a savings of $2.32M resulting from moving to the Employer Group Waiver Plan ("EGWP").
- Ms. Hirning noted one change in the proposed EGWP prescription drug plan design. The Centers for Medicare and Medicaid Services ("CMS") requires that customizations of copays at the catastrophic level must not negatively impact members. Therefore, the $5/$20 copays for generic and brand medications previously approved by the Board have been reduced to $5/$10 copays. This modification does not change the aggregate costs of the plan.
- Commissioner Zvanski stated that she is not inclined to support the proposed City Plan rates if there is no supplementation to maintain City Plan and keep it affordable for members.

Action: Motion was moved and seconded by the Board to approve City Health Plan's proposed final rates and benefits for active and retired HSS members for Plan Year 2013 as presented.

Motion passed 4-1.

Commissioners Breslin, Chu, Fraser and Lim voted in favor of the motion.

Commissioner Zvanski voted against the motion.

□ 06142012-04RB Action item

Approval of final Kaiser HMO rates and benefits for active and retired HSS members for Plan Year 2013 (Aon Hewitt)

Staff Recommendation: Approve rates.

Documents provided to Board prior to meeting: Report prepared by Aon Hewitt, "Kaiser HMO Plan Renewal – Active, Early Retiree and Medicare Retiree."

- Anil Kochhar, Aon Hewitt actuary, reported that due to no plan changes, Kaiser's rate increases for the 2013 plan year are very low.

- The overall Kaiser HMO active and early retiree renewal rate for plan year 2013 is 1.24%.
- Kaiser's MAPD renewal rate for Medicare retirees for plan year 2013 is 0%.
- Mr. Kochhar also presented an overview of Kaiser's claims experience for active employees and early retirees in Northern and Southern California. There are 44 members with 26 dependents in Southern California.
- Commissioners Ferrigno and Shlain arrived during this agenda item.

Public comments: None.

Action: Motion was moved and seconded by the Board to approve Kaiser's final rates and benefits for active employees and early retirees for plan year 2013 as presented.

Motion passed 7-0.

Action: Motion was moved and seconded by the Board to approve Kaiser's final retiree MAPD rates and benefits for plan year 2013 as presented.

Motion passed 7-0.

□ 06142012-05RB Action item

Approval of final Blue Shield HMO plan design, and either fully-insured or flex funded rates and benefits for active and retired HSS members for Plan Year 2013 (Aon Hewitt)

Documents provided to Board prior to meeting: Report prepared by Aon Hewitt, "Blue Shield HMO 2013 Plan Renewal – Active, Early Retiree and Medicare Retiree."

Staff Recommendation: Approve flex funded rates.

- Anil Kochhar presented a review of Blue Shield's status quo renewal, plan design alternatives and proposed flex funded plan.
- Mr. Kochhar noted that Blue Shield's 2013 plan renewals do not include a rate stabilization amount such as the one-time $5.2M applied to the 2012 short plan year. Therefore, the renewal increase for active employees and early retirees is 15.86%.

- With the elimination of the stabilization subsidy for the 2013 plan year, Blue Shield's premiums will dramatically increase while Kaiser's premiums will remain relatively flat at substantially lower levels, exacerbating migration out of Blue Shield.
- Mr. Kochhar reviewed Blue Shield's rating methodology for the status quo renewal (assumptions, contributing factors, fully credible experience rating formula).
- Claims experience and rating trends (medical, pharmacy and capitation) were used to calculate the per member per month ("PMPM") costs.
- Blue Shield's projected capitation costs have increased from $146.00 PMPM to $161.45 PMPM or 6.2%. As part of the ACO commitment with Brown and Toland and Hill Physicians, HSS anticipated that capitations would increase at 2% to 5% per year, and in some cases, decrease.
- Commissioner Fraser asked Blue Shield's representative if the ACOs have contracts extending beyond one year.
- Bill McQueen, Blue Shield's account representative, responded that Blue Shield's 6.2% underwriting calculation for the capitation trend for the 2013 plan year was their best estimate for the entire HMO plan, not just the ACOs. He also stated that he does not know if Blue Shield has multi-year contracts with the ACOs or whether the contracts are negotiated annually. He stated that it may not be reasonable to assume that the ACOs will hold their capitations flat since capitations are based on members' age and sex.
- Mr. McQueen also reported that approximately 1,000 members migrated out of Blue Shield on July 1 for the six-month plan year and 538 new members were added.
- Commissioner Zvanski asked Mr. McQueen how Blue Shield can justify its high rate increases in light of the work being done with the ACOs.

- Mr. McQueen responded that changing the contribution model is a way to improve the rates.
- Mr. Kochhar reported that the aggregate cost under the status quo is $337M. The total premium cost increase for the 2013 plan year is 13.25%.
- MAPD/COB rates have been reduced by -14.00%.
- Blue Shield has included a 3.07% risk factor in the 2013 rate renewal.
- Aon Hewitt's analysis of historical data indicates that Blue Shield's rating trends are higher than necessary.
- Dr. Shlain asked if members who have migrated from Kaiser to Blue Shield have been risk-scored.
- Mr. Kochhar responded that while there has been some analysis of member migration, those members have not been risk-scored.
- Dr. Shlain requested that risk pool data be provided to the Board.
- Mr. Kochhar noted that if the Board decides to change to a flex funded plan, there would be increased transparency into fees for various services because HSS would receive and pay the invoices and have greater access to claims data.
- To determine cost savings, Blue Shield was requested to price two plan design options adding facility deductibles of $250 and $500. For inpatient facility procedures, members would be responsible for the facility deductible first and then the copay of $200.
- The Status Quo rate increase for the 2013 plan year is 13.25% (no facility deductible).
- Compared to the 2012 short plan year, the total premium cost increase is 11.45% for adding an annual $250 facility deductible.
- Compared to the 2012 short plan year, the total premium cost increase is 9.87% for adding an annual $500 facility deductible.

- After a review of all Blue Shield under-writing materials and claims data, Aon Hewitt recommends changing funding from fully-insured to flex funded for actives and early retirees. Flex funding will increase rates by 6.22% without any plan design changes.
- In an effort to mitigate cost increases and maintain choice at a lower level, utilization of a Sutter Narrow Network is being proposed. A Sutter Narrow Network would decrease costs by -1.94% over current rates for actives and early retirees and -14.00% for MAPD/COB (which remains unchanged from status quo).
- Under the status quo, the monthly contribution increases are as follows:
    - 97.95% or $83.71 for Active EE+1. The current Active EE+1 rate is $85.46 and would increase to $169.17.
    - 52.75% or $248.44 for Active EE+2. The current Active EE+2 rate is $471.01 and would increase to $719.45.
- Under the status quo, overall employer costs change between -10.57% and 15.70%. For Actives EE+2 , the employer contributes $20.05 monthly.
- Aon Hewitt has analyzed Blue Shield's underwriting and disagrees with Blue Shield's 3.07% load for member migration because of improved trends. There is evidence that the ACOs have impacted claims trends with the most current 12 months data through March 2012 indicating a decrease in the annual trend rate to 9.05%.
- The 2013 renewal increase for a fully-insured plan is $39.5M versus a flex funded plan increase of $24.6M, reflecting a savings of $14.9M.
- Under the flex funded plan, Blue Shield will be responsible for paying claims from the prior period as IBNR (incurred but not reported). As a result, HSS will pay much

less in the first few months of the plan year, increasing its cash balances.

- HSS must also establish a reserve for monthly paid claims fluctuation and IBNR claims.
- Under the flex funded plan, the monthly contribution increases would be as follows:
    - 58.71% or $50.17 for Active EE+1;
    - 32.60% or $153.53 for Active EE+2;
    - 16.04% or $55.57 for early retiree EE+1;
    - 12.48% or $106.19 for early retiree EE+2.
- See Aon Hewitt report for detailed analysis.
- Dr. Dodd stated that in order for HSS to administer a flex funded plan, additional resources will be required.
- Committee Chair Breslin asked if HSS has received any assurance that additional staff could be hired to manage the flex funded plan.
- Dr. Dodd responded that HSS has not received assurance from anyone that staff could be added to administer the flex funded plan. She stated that most likely two employees would be needed—an additional finance person and an analyst.
- Dr. Dodd asked Bill McQueen to explain how the transfer of money would work between HSS and Blue Shield in a flex funded plan.
- Mr. McQueen reported that flex funding works very similar to the ASO. Each month HSS would be billed for administration on a per-person basis. HSS would also be billed monthly for capitations, and invoiced every two weeks for non-capitated (hospital) claims. A credit or debit account would be set up to transfer money every two weeks.
- Commissioner Zvanski asked to continue this agenda item to the next meeting to allow the Board more time to review the

extensive information presented.

- In response to a discussion regarding HSS risk and staffing for administering a flex funded plan, Commissioner Fraser asked if the Mayor's Office was in support of changing from a fully-insured plan to a flex funded plan. She stated that in order to make a decision on changing funding, she would need to know the position of the Mayor's office.
- Commissioner Zvanski suggested contacting the Mayor's Office for an immediate response.
- President Breslin called for a 10 minute recess to allow the Mayor's Office to be contacted. The Board recessed from 3:10 to 3:30 p.m.
- Commissioner Fraser reported that during the recess, the Mayor's Office committed to supporting two to three positions if the Board changed to flex funding.
- Commissioner Lim suggested using $5M of the $10M IBNR as subsidy to lower the rates for EE+1, EE+2 and early retirees.
- Mr. Kochhar responded that he would produce such a proposal, which would further lower the contributions for the EE+1, EE+2 and early retirees.
- Mr. Kochhar suggested that the Board vote separately on the Medicare rates, which are fully-insured, since the retiree rates were already reduced (-14.00%).
- Dr. Shlain departed the meeting after the first of two Board votes.

Public comments: Richard Rothman, retired City worker, stated that as of July 1, City workers making more than $50,000 per year will be paying an additional 2% in retirement. He suggested looking at UCSF's web page, stating that they have three breakdowns and member contributions are based on annual income. He also stated his distrust of Blue Shield.

Mary Ann McGuire-Hickey, RECCSF Executive Board member, stated her appreciation of the Health Service Board's thoughtfulness in

deliberating flex funding, and is in favor of it.

Gerry Meister, UESF Retired Division Chair, stated her support for continuing the flex funded discussion.

Bob Britton, Local 21 Director of Field Services, stated his appreciation of the Board's work. He stated general support for the flex funded plan although Blue Shield is not as transparent as it should be. He suggested that the Board hold an evening meeting in the future to discuss rate increases to encourage more members to attend.

Rebecca Rhine, Executive Director of the Municipal Employees Association, stated that there's no way to win with escalating costs. The affordability gap widens, sustainability and choice are decreased and there is no ability to impact the rates by behavior or experience. Plus transparency and access to data is limited. She stated her support for an open hearing requiring the providers to be accountable.

Action: Motion was moved and seconded by the Board to continue this item to June 28 or the first week of July.

Motion passed 7-0.

Motion was moved and seconded by the Board to approve Blue Shield's retiree MAPD/COB rates for plan year 2013 as presented on page 10 of Aon Hewitt report.

Motion passed 6-0.

□ 06142012-06RB Discussion item Future Plan Alternatives (Aon Hewitt)

Documents provided to Board prior to meeting: Report prepared by Aon Hewitt, "Blue Shield Narrow Network Offering – Sutter Narrow Network Plan "SNNP").

- Anil Kochhar reported that in conjunction with Sutter, Blue Shield has developed the Sutter Narrow Network Plan ("SNNP") in five Bay Area counties: Alameda, Contra Costa, San Francisco, San Mateo and Sonoma. This Narrow Network is comprised primarily of Sutter facilities.
- This option would reduce rates by -1.94% for actives and early retirees.

- For MAPD and COB members, this option results in a -14.00% decrease, which reflects the same decrease as the Status Quo Blue Shield renewal.
- The impact of the SNNP would be member disruption in the five counties. A total of 4,865 members out of 44,724 members (or 10.8%) will not have access to their present doctors or access to certain facilities. For example, UCSF Medical Center, Saint Francis Memorial Hospital and Saint Mary's Medical Center are excluded from the SNNP.
- If adopted, the SNNP offers a potential savings of $37M.
- Sutter has included in its Narrow Network proposal a commitment that rate increases on all CCSF custom narrow network hospital and professional provider capitation and fee-for-service fixed rates will increase by a fixed mid-single digit annual percentage through the term of the agreement, with contingencies related to improving the contribution structure in 2014.
- Aon Hewitt has asked for clarification on the following:
    - The exact "fixed mid-single digit annual percentage;"
    - The terms of the agreement; and
    - The contingencies related to improvement in the contribution rate structure in 2014.
- Supervisor Chu asked Bill McQueen, if two Blue Shield products with two different narrow networks have been considered, such as a Brown and Toland narrow network and another provider affiliated with UCSF, Saint Francis and Saint Mary's to allow members the choice of two networks.
- Mr. McQueen responded that Blue Shield has not considered offering a second narrow network but he would pursue it.

- Commissioner Zvanski expressed concern regarding the 10% member disruption. She stated that the Sutter network is the highest priced of medical facilities across the board and asked how the SNNP will save money when the highest cost hospitals are in the network?
- Mr. McQueen stated that Sutter provided a proposal to Blue Shield based upon capitating professional services and facility charges, resulting in a savings of $37M. However, he could not provide additional answers.
- Supervisor Chu suggested that Blue Shield check into the possibility of creating multiple narrow networks to accommodate HSS members.

Public comments: Ray Mason, retired HSS member, spoke of the disruption that occurred when the Mills Peninsula Medical Group was terminated. He stated that many retirees migrated from Blue Shield to either Kaiser or City Plan. He changed to City Plan.

Richard Fish from Brown and Toland spoke to the challenges of attempting to contain costs. He also encouraged creating multiple networks for competition purposes.

□	06142012-07RB	Discussion item	Overview of next Rates and Benefits Committee meeting (Committee Chair Breslin)

Next committee meeting (special): Thursday, June 28, 2012 at 1:00 p.m., in Hearing Room 416 at City Hall.

Documents provided to Board prior to meeting: None.

- Blue Shield's flex funding proposal will be continued to next meeting (June 28 or first week of July).
- Dr. Dodd stated that she would like to invite Jessica Ho, registered dietitian interning at HSS and in Supervisor Chu's office, to present her analysis on obesity prevention and treatment benefits to the Board at the next meeting.

Public comments: None.

REGULAR BOARD MEETING MATTERS

□ 06142012-08 Discussion item **President's report** (President Zvanski)

Documents provided to Board prior to meeting: None.

- President Zvanski had nothing to report.

Public comments: None.

□ 06142012-09 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 Plan and Employee Assistance Program.

- Dr. Dodd presented her Director's report, which may be viewed on the myhss.org website.

Public comments: None.

□ 06142012-10 Discussion item **Update on Financial Reporting as of April 30, 2012** (Catherine Dodd)

Documents provided to Board prior to meeting:

1. Statement of Revenues and Expenses – FY 2011-2012 (summary and detail); and
2. Annual Administrative Budget – FY 2011-2012.

- Dr. Dodd presented the financial report due to Tracey Loveridge's (CFO) absence.
- A request was made to carry forward the majority of funds in non-personnel services in the Administrative Budget. The funds will be used to revise HIPPA compliance documents.
- An additional $40,000 has been requested to carry forward DT items for PeopleSoft 9.0.

- HSS is also anticipating upgrading the autopay system, which will make it easier for members to pay online or make monthly credit card deductions instead of sending checks.

Public comments: None.

	06142012-11	Action item	Vote on whether to cancel July 2012 Health Service Board meeting (President Zvanski)

Documents provided to Board prior to meeting: None.

Staff Recommendation: Approve cancellation.

Public comments: None.

Action: Motion was moved and seconded by the Board to cancel its regular meeting scheduled on July 12.

Motion passed 6-0.

□	06142012-12	Action item	Election of Health Service Board officers (President and Vice President) for fiscal year 2012-2013 (President Zvanski)

Staff Recommendation: None.

Documents provided to Board prior to meeting: None.

Public comments: None.

Action: Motion was moved and seconded by the Board to elect Commissioner Karen Breslin as President and Commissioner Wilfredo Lim as Vice President of the Health Service Board.

Motion passed 6-0.

□	05102012-13	Discussion item	Report on network and health plan issues (if any) (Respective plan representatives)

- President Zvanski asked Tom Hoffman, DHR employee, to introduce himself to the Board.
- Mr. Hoffman stated that he is a Senior Analyst at DHR and that was hired to work on benefit initiatives, such as labor and benefits matters.

Public comments: None.

□	05102012-14	Discussion item	Opportunity to place items on future agendas Public comments: None.
□	05102012-15	Discussion item	Opportunity for the public to comment on any matters within the Board's jurisdiction Public comments: Gerry Meister, Chair of UESF Retired Division, announced that a mass will be held at 10:00 a.m. on June 29 at St. Stephen's for Claire Dunn, retired Unified School District teacher who recently passed away.

□ Adjourn: 4:31 p.m.

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.

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

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- 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.

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- 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.

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