



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, May 10, 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, excused
Commissioner Jean S. Fraser, excused
Commissioner Wilfredo Lim
Commissioner Jordan Shlain, M.D

All Health Service Board regular meetings are recorded and videotaped. Meeting audio links, YouTube videos and all meeting materials are posted on the myhss.org website.

05102012-01

Action item

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

- Regular meeting combined with Rates and Benefits Committee of April 12, 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 April 12, 2012.

Motion passed 4-0.

RATES AND BENEFITS COMMITTEE MATTERS

- 05102012-02RB Action item Approve implementation transition from the City Plan (UHC) formulary for retirees to an Employer Group Waiver Plan (“EGWP”) Prescription Reimbursement Program in order to take advantage of new Federal subsidies (Committee Chair Breslin and Aon Hewitt)

Staff Recommendation: Approve transition from Retiree Drug Subsidy Program to fully insured EGWP prescription reimbursement.

Documents provided to Board prior to meeting: Report prepared by Aon Hewitt, “City Plan Retirees with Medicare – Pharmacy Benefit: Employer Group Waiver Plan (EGWP).”
 - Monica Hirning, Aon Hewitt actuary, reported that this item was continued from last month to provide additional member disruption information regarding the Employer Group Waiver Plan (“EGWP”).
 - Aon Hewitt recommended replacing the current Retiree Drug Subsidy (“RDS”) plan with a fully-insured EGWP without Wrap effective January 1, 2013. Aon also recommended using UHC’s traditional formulary and grandfathering the 14 drugs excluded from that list.
 - Approving Aon Hewitt’s recommendation would result in the following:
 - Potential savings to the City Plan of \$2,325,000 over current drug costs, which include the RDS subsidy and drug rebates;
 - CMS Direct Subsidies;
 - Manufacturers’ 50% discount on brand drugs within the coverage gap;

- 80% CMS paid co-insurance for costs exceeding the annual catastrophic level;
 - Minimal disruption as members transition into the Retirees with Medicare Plan (96.5% of drugs or 95.1% of prescriptions will be covered at the same or lower copay levels);
 - Simplified administration and billing.
- Forty (40) drugs and some devices will not be covered under the traditional UHC formulary. However, 14 of the 40 drugs may be grandfathered to minimize disruption to current members. Sixteen (16) of the drugs are either bulk compounds or spacers and cannot be grandfathered into the plan.
 - A list of the 14 drugs currently covered by HSS that cannot be added to the EGWP PDP Plan but can be grandfathered for all current users may be found on page 8 of Aon Hewitt's report.
 - Commissioner Zvanski expressed concern regarding the impact on members in removing the 40 drugs, especially the pain and narcotic compounds used to assist with end stage disease pain management.
 - Dr. Shlain responded that there are always alternatives to compound drugs.
 - Lisa Ghotbi, HSS COO and licensed pharmacist, reported that there are numerous options commercially available now to treat almost every disease with generic or brand drugs. One concern regarding compounds is quality control. In a self-insured plan, HSS would have the option of making an exception on a case-by-case basis if there is a special situation.
 - Committee Chair Breslin inquired if the same formulary could be applied to active and early retiree members.

- Catherine Dodd, HSS Director, responded that HSS made the same inquiry of UHC regarding including active and early retirees in the proposed PDP and noted that UHC has provided an answer.
- Heather Chianello, UHC account representative, reported that UHC would be able to match the plan for active members with the same exclusions in formulary as provided for retirees. She noted that the disruption rate for Medicare retirees is 0.09%, a very small amount in overall claims.
- Commissioner Zvanski asked if UHC could provide disruption data for active members.
- Ms. Chianello confirmed that UHC could provide disruption information for active members to the Board.
- Dr. Shlain arrived at the beginning of this agenda item.

Public comments: None.

Action: Motion was moved and seconded by the Board to approve the transition from the City Plan formulary for retirees to an Employer Group Waiver Plan prescription reimbursement program in order to take advantage of new federal subsidies.

Motion passed 5-0.

□ 05102012-03RB Action item

Establish City Plan (UHC) annual deductible and annual out-of-pocket maximum for Plan Year 2013 (Aon Hewitt)

Staff Recommendation: Approve status quo or Option C of the City Plan (UHC) deductible and out-of-pocket maximum for Plan Year 2013.

Documents provided to Board prior to meeting: Report prepared by Aon Hewitt, “City Plan Design Options to Mitigate the Impact of the Short Plan Year on Member Out-of-Pocket Costs”.

- Monica Hirning reported that the City Plan’s preliminary 2013 plan year rate renewals were presented at the April 12 meeting as follows:

- 1.3% increase for actives;
- 2.4% increase for early retirees; and
- 1.8% increase for Medicare retirees.
- The result of the proposed rate renewals is a total increase of 0.42%, which includes savings provided through EGWP.
- At that time, the Board expressed concern regarding the impact on members paying the full \$250 annual deductible and out-of-pocket maximum for the six-month plan year and resetting those amounts again for the 2013 plan year.
- Aon Hewitt was asked to review alternatives in an effort to reduce the potential impact of the deductible and out-of-pocket maximum on members for the 2013 plan year. Ten options were evaluated.
- Aon Hewitt presented two options for the Board's review: status quo and Option C.
- The status quo option for the 2013 plan year is as follows:
 - \$250 annual in-network deductible;
 - \$3,750 annual out-of-pocket in-network maximum;
 - \$311,000 rate increase or 0.42%.
- Option C for the 2013 plan year is as follows:
 - No changes or adjustments to the annual in-network or annual out-of-pocket in-network maximum.
 - Carry forward \$250 deductible and \$3,750 out-of-pocket maximum paid during the last three months of the 2012 six-month plan year (October through December) and apply in 2013 plan year.
 - \$964,000 rate increase or 1.30% (\$600,000 over the status quo).
- During the 2010-2011 plan year, 13% of City Plan members met the in-network deductible and 0.5% of members had total

costs over the in-network out-of-pocket maximum.

- Aon Hewitt and HSS recommended Option C for the deductible and out-of-pocket maximum.
- Commissioner Zvanski inquired into the members' monthly premium costs.
- Supervisor Chu questioned whether spreading the cost among the entire membership is in everyone's best interest.
- Commissioner Lim suggested that the best option would be to spread the cost among the membership since the increase would be approximately \$1 to \$4.
- Catherine Dodd, HSS Director, stated that in order to determine the premium equivalent calculation, the deductible amount must first be decided.
- Supervisor Chu recommended that the Board ask the actuaries to prepare a status quo and Option C analysis for the June 1 special meeting.

Public comments: Susan Blomberg, President of Retired Employees of the City and County of San Francisco, spoke against adoption of the status quo since active employees are able to change health plans while retired members living outside the plan area have only the City Plan as an option. She also noted that many retirees are on fixed incomes. She spoke in favor of the Board adopting Option C, which spreads the increase across all members.

Gerry Meister, Chair of United Educators of San Francisco, Retired Division, concurred with Ms. Blomberg's comments.

Larry Barsetti, Chair of Protect Our Benefits and executive secretary of the Veteran Police Officers Association, stated that Option C would be the best choice. He also pointed out that the impact of increases in the City Plan greatly affects early retirees, many of whom are former police officers and firefighters.

Action: Motion was moved and seconded by the Board to request actuarial analysis of the status quo City Plan annual deductible and annual out-of-pocket maximum and Option C for Plan Year 2013 to be presented at the June 1 Health Service Board meeting.

Motion passed 5-0.

□ 05102012-04RB Action item

Approve City Plan (UHC) premium equivalent development assumptions for Plan Year 2013 (Aon Hewitt)

Staff Recommendation: Approve overall City Plan premium equivalent development assumptions for Plan Year 2013.

Documents provided to Board prior to meeting: Report prepared by Aon Hewitt, "City Plan (UHC) Premium Equivalent Development Assumptions."

- Barbara Weaver Lloyd, Aon Hewitt Account Manager, reported that the purpose of this presentation was reaffirmation of the premium equivalent development established for the 2013 plan year.
- The assumptions used to establish the premium equivalents were based on claims experience from February 2008 through January 2012.

Public comments: None.

Action: Motion was moved and seconded by the Board to approve the overall City Plan premium equivalent development assumptions for Plan Year 2013.

Motion passed 5-0.

□ 05102012-05RB Action item

Approve Dental Plan renewals under rate guarantee (Aon Hewitt)

- Retiree DeltaCare HMO
- Retiree Pacific Union HMO
- Retiree Delta Dental PPO
- Active DeltaCare HMO
- Active Pacific Union HMO

Documents provided to Board prior to meeting: Report prepared by Aon Hewitt, "Dental Plan Renewals Under Rate Guarantee."

Staff Recommendation: Approve dental plan renewals under rate guarantee.

- Barbara Weaver Lloyd reported that rate guarantees for all fully-insured dental plans have been extended to the end of the 2013 plan year and beyond.
- Dental plans with rate guarantees through December 2013:
 - Active Delta Dental PPO ASO fee
 - Active DeltaCare HMO plan
 - Retiree DeltaCare HMO plan
- Dental plans with rate guarantees through December 2014:
 - Active Pacific Union HMO plan
 - Retiree Pacific Union HMO plan
 - Retiree Delta Dental PPO plan
- Ms. Weaver Lloyd stated that with Board approval, these dental guarantees will not be presented to the Board at the June 14 meeting.

Public comments: None.

Action: Motion was moved and seconded by the Board to approve the dental plan renewals under the rate guarantees as presented.

Motion passed 5-0.

□ 05102012-06RB Action item

Approve Active Delta Dental PPO self-insured plan design changes related to network providers and rates (Aon Hewitt)

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

Staff Recommendation: Adopt Alternative 1 or 2 to encourage members to select in-network and PPO dentists and approve corresponding rates.

- Monica Hirning reported that for the 2013 plan year, Aon Hewitt is predicting a very small change to the increase in active Delta Dental PPO self-funded rates. This is due to the loss ratio over the last year of approximately 90%, which is below the target loss ratio of 94% to 95%.

- Based on historical trends, Aon Hewitt projects a 2.54% increase in claims for the 2013 plan year, resulting in a premium increase of 1.9% or \$814,810 for the 2013 plan year.
- Currently 17.7% of claims costs are incurred within the Delta Dental PPO network, which is the network tier with the highest provider discounts.
- Aon Hewitt presented two alternative plan designs that would encourage employees to utilize the provider tiers with the highest discounts for employees, thereby offering additional savings for the employer and employee.
- Aon Hewitt recommended Alternative 2, which would provide a \$1.4M savings over current costs although it does not require members to move from non-participating dentists to Premier or PPO dentists.
- Commissioner Zvanski stated her preference to include the non-participating dentist element in Alternative 2, but expressed concern regarding the 70/30 reduction from 80/20 split for crowns and cast restorations in the Premier network. She also expressed concern regarding the significant reductions in the orthodontics maximum.
- Supervisor Chu suggested directing HSS staff to return in June with a second Alternative 2 option for an 80/20 split instead of the 70/30 split.
- Raymond Lee, Delta Dental account representative, stated that a second Alternative 2 could be presented in June.
- Dr. Shlain departed the meeting after this agenda item.

Public comments: None.

Action: No action was taken by the Board.

- 05102012-07RB Action item **Approve Vision Service Plan (VSP) renewal** (Aon Hewitt)

Documents provided to Board prior to meeting:
Report prepared by Aon Hewitt, “Vision Plan Renewal Presentation.”
 - Barbara Weaver Lloyd presented the Vision Service Plan rate renewal, which has been extended through June 30, 2014. Therefore, the vision rates remain unchanged for the 2013 Plan Year.
Staff Recommendation: Approve Vision Service Plan (VSP) renewal.

Public comments: None.

Action: Motion was moved and seconded by the Board to approve the Vision Service Plan’s renewal for plan year 2013.

Motion passed 4-0.

- 05102012-08RB Discussion item **Overview of next Rates and Benefits Committee meeting** (Committee Chair Breslin)

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

Documents provided to Board prior to meeting:
None.

Public comments: None.

REGULAR BOARD MEETING MATTERS

- 05102012-09 Discussion item **President’s report** (President Zvanski)

Documents provided to Board prior to meeting:
None.
 - President Zvanski had nothing to report.
Public comments: None.

□ 05102012-10 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.
- Catherine Dodd, HSS Director, reported on her written Director's Report and asked Mitchell Griggs, Member Services Manager, to present a brief Operations Report on open enrollment. Both reports may be viewed on the myhss.org website.

Public comments: None.

□ 05102012-11 Discussion item Update on Financial Reporting as of March 31, 2012 (Tracey Loveridge)

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.
- Tracey Loveridge, HSS CFO, reported on the Statement of Revenues and Expenses as of March 31, 2012 and stated that all of the plans were in very good shape.
 - The only anomaly was under Administration and Support. Those revenues reflected that the \$1.05 PMPM in the communications and sustainable health care expenses were over revenues by \$64,000, which is simply a timing issue. By the June 30 year-end, revenue will increase to approximately \$660,000, which will be more than enough to cover the entire year's expenses in that category.

- In the Administration report under Personnel Services, HSS continues to have a favorable variance in personnel and fringe benefits in the amount of \$120,000. This is due to vacancies in staff positions.

Public comments: None.

- 05102012-12 Discussion item Report on network and health plan issues (if any) (Respective plan representatives)
Public comments: None.
- 05102012-13 Discussion item Opportunity to place items on future agendas
Public comments: None.
- 05102012-14 Discussion item Opportunity for the public to comment on any matters within the Board's jurisdiction
Public comments: None.
- 05102012-15 Action item Vote on whether to hold closed session to discuss member's appeal. (California Constitution Article I, Section 1; the Confidentiality of Medical Information Act, Cal. Civ. Code §§56 et seq; and the Health Insurance Portability and Accountability Act, 42 U.S.C. §§1320d et seq.) (President Zvanski)
Staff recommendation: Hold closed session.
Public comment on all matters pertaining to the closed session:
Action: Motion was moved and seconded by the Board to hold a closed session to discuss member's appeal.
Motion passed 40-.

Closed session pursuant to California Constitution Article I, Section 1; the Confidentiality of Medical Information Act, California Civil Code §§56 et seq; and the Health Insurance Portability and Accountability Act, 42 U.S.C. §§1320d et seq.

- 05102012-016 Action item Vote on member's appeal (Catherine Dodd)
Documents provided to Board prior to meeting:
 1. Memo from Director;
 2. Letter from member's representative to Health Service System dated April 2, 2012 (includes January 29, 2008 letter from Health Service System to member);

3. Letter from Health Service System to member dated March 15, 2012;
4. 2007 HSS Membership Rules.

Reconvene in Open Session

- 05102012-17 Action item Possible report on action taken in closed session (President Zvanski)
Public Comments: None.
Action: No action taken.

- 05102012-18 Action item Vote to elect whether to disclose any or all discussion held in Closed Session (San Francisco Administrative Code 67.12(a)) (President Zvanski)
Public Comments: None.
Action: Motion was moved and seconded by the Board not to disclose any of the discussion held in closed session.
Motion passed 4-0.

- Adjourn: 4:26 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 at least 72 hours prior to the meeting.

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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.

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.