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 Meeting)

Thursday, March 14, 2013

1:00 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, excused
Supervisor Mark Farrell, excused
Commissioner Sharon Ferrigno
Commissioner Jean S. Fraser
Commissioner Jordan Shlain, M.D., excused
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.

- ☐ 03142013-01 Action item

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

- Regular meeting of February 14, 2013 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, combined with Rates and Benefits Committee, of February 14, 2013.

Motion passed 4-0.

□	03142013-02	Discussion item (Special Order)	Catalyst for Healthcare Reform presentation on transparency and recommendations to employers (Suzanne Delbanco and Emilio Galan)

Documents provided to Board prior to meeting: Reports prepared by Catalyst for Payment Reform, "2013 Model Health Plan Contract Language on Payment Reform" and "Price Transparency – Lessons from other states and opportunities for San Francisco."

Report prepared by Aon Hewitt, "Review of Catalyst for Payment Reform - 2013 Model Health Plan Contract Language on Payment Reform."

- Catherine Dodd, HSS Director, introduced Suzanne Delbanco, Ph.D., Executive Director of Catalyst for Payment Reform, a national organization. She noted that the material presented at this meeting had not yet been released publicly and, therefore, should not be shared until after March 18, 2013.
- Dr. Delbanco reported that Catalyst for Payment Reform ("CPR") is an independent nonprofit organization working on behalf of large employers and public healthcare purchasers in an effort to promote higher-value care and obtain better value for healthcare dollars in the U.S.
- CPR's belief is that transparency is the building block to higher value healthcare. However, higher prices do not always equal higher quality in services. For the most part, consumer access to pricing information comes through their health plan.
- Dr. Delbanco introduced Emilio Galan, Special Initiatives Analyst, to present the results of a national survey on transparency laws from across the country.
- Mr. Galan reported that CPR's goal was to perform the most comprehensive review on price transparency reflecting relevant state legislation from 1960 to the present in all 50

states. This review narrowed down four different levels of transparency present in the legislation.

- In an effort to provide resources for legislators and others, CPR created a report card on all 50 states. This report card reviewed the laws passed making pricing information available to consumers. The states scored 1 A, 5 B's, 7 C's, 7D's and 29 F's.
- An example of good transparency is the State of New Hampshire, which was graded an "A" (the best in the country). New Hampshire's State website addresses uninsured and insured expected out-of-pocket costs, including the costs of specific health plans based on an individual's benefits.
- California scored a "D" in transparency because the information required to be reported is often not helpful to consumers and the State website links to reports submitted by each hospital, making any comparative analysis quite difficult.
- CPR had the opportunity to review the consumer transparency tools created by the four largest health plans and independent vendors.
- CPR will be releasing the first-ever national scorecard on payment reform on March 26, which will review how the nation is paying for care. Publicly accessible tools, including downloadable documents, are available on CPR's website.
- The meeting handouts and YouTube discussion of this item may be viewed on the myhss.org website.

Public comments: None.

RATES AND BENEFITS COMMITTEE MATTERS

□ 03142013-03RB Action item

Review of revised redline version and final approved policies on Stabilization reserve, Contingency reserves, and Incurred But Not Reported ("IBNR") reserves (Aon Hewitt)

Documents provided to Board prior to meeting: Redline and final versions of revised policies prepared by Aon Hewitt.

Staff Recommendation: Approve redline and final policies for stabilization, contingency and IBNR reserves.

- Anil Kochhar, Aon Hewitt actuary, presented the existing policies and redlined revisions for the Stabilization Reserve, Contingency Reserves and Incurred But Not Reported ("IBNR") Reserves.
- These revised policy documents were presented at the February 14, 2013 meeting, at which time the Board requested redlined versions to clarify the proposed changes.
- Aon Hewitt recommended that the revised policies become effective as of March 14, 2013.

Public comments: None.

Action: Motion was moved and seconded by the Board to approve the redlined and final policies for the Stabilization reserve, Contingency reserves and Incurred But Not Reported ("IBNR") reserves.

Motion passed 4-0.

□ 03142013-04RB Action item

Approve Blue Shield flex-funded Incurred But Not Reported ("IBNR") reserve (Aon Hewitt)

Staff Recommendation: Approve Blue Shield flex-funded IBNR reserve.

Documents provided to Board prior to meeting: Report prepared by Aon Hewitt, "Recommended Blue Shield Flex-Funded IBNR Reserve Presentation."

- Anil Kochhar reported that Aon Hewitt recommended an IBNR Reserve of $19.4M for the Flex-Funded Blue Shield HMO non-capitated costs for the 2013 plan year. This

amount is based on claims experience through December 31, 2012 and includes a 5% margin to account for moderately adverse experience as well as a 5% load for payment of administrative fees in setting the IBNR reserves. This reserve should be 100% funded by the end of the 2013 plan year.

Public comments: None.

Action: Motion was moved and seconded by the Board to approve $19.4M for Blue Shield's flex-funded IBNR reserve.

Motion passed 4-0.

□ 03142013-05RB Action item

Presentation of stop loss insurance for UHC and approve Aon Hewitt recommendation to not purchase stop loss insurance for City Plan (UHC) for plan year 2014 with inclusion of large claim reserve in contingency reserve (Aon Hewitt)

Staff Recommendation: Approve recommendation to not purchase stop loss insurance for UHC.

Documents provided to Board prior to meeting: Report prepared by Aon Hewitt, "City Plan (UHC) Stop Loss Insurance Policy Presentation."

- Anil Kochhar reported that prior to implementation of Health Care Reform, City Plan had a $1M annual maximum. That maximum has now been eliminated.
- Stop loss insurance provides protection against catastrophic or unpredictable loss, which has become a concern for some self-funded employers due to the Affordable Care Act's elimination of lifetime maximum limits.
- In April 2012, the Health Service Board voted to not purchase stop loss insurance for the City Plan for the 2013 plan year. In lieu of stop loss insurance, Aon Hewitt recommended setting aside a large claims reserve for plan year 2013 and reevaluate the amount annually.
- In June 2012, the Board approved a large claims reserve of $5M to cover claims in excess of $500,000 for the 2013 plan year.
- Aon Hewitt's analysis on large claims from July 2011 through June 2012 indicates that purchasing stop loss insurance will result in

additional HSS costs, making premium requirements higher than the coverage gain.

- As an alternative to stop loss insurance, Aon Hewitt completed a large claims analysis in order to estimate the Contingency Reserve necessary to cover the cost of claims over $500,000. This analysis supports a large claim reserve of $4.1M for plan year 2014 at the 99% confidence level.
- Aon Hewitt recommends no additional Contingency Reserve.

Public comments: None.

Action: Motion was moved and seconded by the Board to approve the staff recommendation to not purchase stop loss insurance for City Plan for plan year 2014.

Motion passed 4-0.

□ 03142013-06RB Action item

Approve Dental Plan renewals (Aon Hewitt)

- Active DeltaCare HMO (3.6% increase)
- Retiree DeltaCare HMO (3.6% increase)
- Active Pacific Union HMO (extending rate guarantee)
- Retiree Pacific Union HMO (extending rate guarantee)
- Retiree Delta Dental PPO (4.36% for one year or 6.27% for 2 years)
- Active Delta Dental PPO rates (3.2% increase)

Staff Recommendation: Approve Dental Plan renewals with the 2 year rate guarantee for the Retiree Delta Dental PPO.

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

- Gabriel Briggs, Aon Hewitt representative, presented six dental plan renewals:
  - Delta Dental PPO for actives
  - Delta Dental PPO for retirees
  - DeltaCare HMO for actives
  - DeltaCare HMO for retirees
  - Pacific Union HMO for actives

- Pacific Union HMO for retirees

- Delta Dental's PPO for active members is a self-funded plan. The remaining five dental plans are fully-insured.
- The proposed rate increases are as follows:
  - No increase in the Delta Dental PPO administrative (ASO) fees for active members through December 31, 2015;
  - 3.9% rate increase for the active Delta Dental PPO for the 2014 plan year;
  - 3.64% rate increase for the active DeltaCare HMO for the 2014 plan year guaranteed through December 31, 2015;
  - 3.64% rate increase for the retiree DeltaCare HMO for the 2014 plan year guaranteed through December 31, 2015;
  - The active Pacific Union HMO plan rates were under rate guarantee through June 30, 2014. Pacific Union HMO has extended its rate guarantee through December 31, 2014 to coincide with the new calendar plan year.
  - Delta Dental PPO has proposed two sets of rates for retirees: (1) 4.36% increase for one year through December 31, 2014; or (2) 6.27% rate increase for two years through December 31, 2015.
  - Aon Hewitt recommends approving Delta Dental's PPO rate increase for retirees at 6.27% for two years through December 31, 2015.
- Commissioner Breslin questioned the 6.27% increase for retirees and requested that Aon Hewitt review the numbers again to see if the Delta Dental PPO plan for retirees can be improved. She has received many complaints from retirees regarding this plan.

- Commissioner Zvanski stated that the Delta Dental PPO plan for retirees is not an employer-sponsored plan, which would require a Charter change.
- Mr. Briggs stated that he will look further into the retiree Delta Dental PPO plan for improvements.
- Commissioner Fraser asked that current rates be furnished in the exhibits in conjunction with the proposed new rates for comparison purposes. She also requested additional information on the dental plans' claims information and how the proposed increases were determined.
- Aon Hewitt's report may be viewed on the myhss.org website.

Public comments: Larry Barsetti, Chair of Protect our Benefits and Secretary of the Veteran Police Officers Association, thanked President Breslin for asking that the retiree Delta Dental PPO plan be held out of the dental rate approvals. Many retired police officers have complained that the Delta Dental PPO plan is too expensive. When he asked his dentist about the consequences of dropping the Delta Dental PPO plan, Mr. Barsetti was told that, while the insurance pays more, his dentist would reduce his fees to keep his business. Perhaps other dentists would be willing to do the same to keep their patients.

Action: Motion was moved and seconded by the Board to approve all dental renewal recommendations as presented, including the rate pass on ASO fees, with the exception of the retiree Delta Dental PPO and the retiree DeltaCare HMO.

Motion passed 4-0.

□ 03142013-07RB Discussion item **Overview of next Rates and Benefits Committee meeting** (Committee Chair Zvanski)

Next committee meeting: Thursday, April 11, 2013 at 1:00 p.m. (combined with regular meeting).

Documents provided to Board prior to meeting: None.

- Committee Chair Zvanski reviewed the items to be presented at the next Rates and Benefits Committee meeting, which will be combined with the Board's regular meeting, on April 11, 2013 at 1:00 p.m. in Hearing Room 416.

Public comments: None.

REGULAR BOARD MEETING MATTERS

□ 03142013-08 Discussion item President's report (President Breslin)

Documents provided to Board prior to meeting: None.

- President Breslin wished Catherine Dodd, HSS Director, a happy birthday.
- President Breslin also noted that this meeting will be adjourned in memory of Gerry Meister, longtime member who passed away on March 4. Ms. Meister worked tirelessly for the benefits of retired and active members and was a member of several retiree organizations. She noted that Ms. Meister's regular chair remained empty with a bouquet of flowers and a photo of her in commemoration.
- Dr. Dodd commended Rosemary Passantino, HSS Communications Manager, for writing a tribute to Ms. Meister, which was made available at the meeting.

Public comments: None.

□ 03142013-09 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, and

Employee Assistance Program.

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

Public comments: None.

□ 03142013-10 Discussion item **Update on Financial Reporting as of January 31, 2013** (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, presented the standard monthly reports, which may be viewed on the myhss.org website.

Public comments: None.

□ 03142013-11 Discussion item **Presentation of new 2014 fees as a result of provisions contained in the Patient Protection and Affordability Care Act (PPACA)** (Aon Hewitt)

Documents provided to Board prior to meeting: Report prepared by Aon Hewitt, "PPACA Fees Presentation."

- Gabriel Briggs, Aon Hewitt representative, presented the fees related to the Patient Protection and Affordable Care Act ("PPACA") for the 2014 plan year.
- Applicable fees are:
  - Patient-Centered Outcomes Research Institute ("PCORI") fee
  - Transitional Reinsurance Fee
  - Health Insurer Fee
  - Pharmaceutical Industry Fee
  - Medical Device Manufacturer Tax
- Aon Hewitt's full report and YouTube video discussion may be viewed on the myhss.org website.

Public comments: None.

□ 03142013-12 Discussion item

Demographics presentation after January 2013 Open Enrollment (Catherine Dodd)

Staff recommendation: Approve revisions to Membership Rules.

Documents provided to Board prior to meeting: 2013 Membership Demographics summary.

- Dr. Dodd highlighted the demographics report based on HSS membership as of January 1, 2013, which detailed enrollment for medical, Medicare and dental accounts for all covered lives, as well as other pertinent information.
- Dr. Dodd commended Rosemary Passantino for preparing the report.
- The entire demographics report may be viewed on the myhss.org website.

Public comments: None.

□ 03142013-13 Discussion item

Presentation of UHC apology letters and Task list for implementation clean-up (UHC & Aon Hewitt)

Documents provided to Board prior to meeting:
Letters from UHC CEO; and
UHC report prepared by Aon Hewitt, "Summary of UHC Implementation Issues & Issues Log."

- Barbara Weaver-Lloyd, Aon Hewitt representative, and Heather Chianello, UHC representative, addressed the Board in response to Commissioner Lim's request to receive follow-up information on UHC's issues reported at the last two Board meetings.
- Ms. Weaver-Lloyd reported that her role was to assist Lisa Ghotbi, HSS Chief Operating Officer, in managing the UHC issues as well as working with UHC to understand how the problems arose, the impact on HSS staff and members, determine solutions and timelines, and how to prevent future occurrences.
- Ms. Weaver-Lloyd noted that the log prepared by Ms. Chianello includes a summary of primary issues and resolutions, and is followed by open and closed items.
- Ms. Chianello stated that it was unfortunate that Commissioner Lim was absent because this update was in response to his request.

- Ms. Chianello noted that member access to diabetic test strips and lancets changed under the new Medicare EGWP plan and were no longer covered at previous co-pay levels. However, UHC is implementing coverage of diabetic test strips and lancets at co-pay levels on the PDP plan at no additional cost to HSS, an approximate $350,000 value.
- Effective April 1, 2013, with the Health Service Board approval, UHC will cover diabetic test strips and lancets under the EGWP Part D plan, instead of Part B.
- Dr. Dodd noted that the $147 deductible under Part B for diabetic supplies and other drugs can be burdensome to members, adding that this $147 deductible was not mentioned during any of the EGWP discussions at three separate Health Service Board meetings last year.
- Ms. Chianello responded that Medicare has a $147 Part B deductible for all members. She noted that once the $147 deductible is met, prescriptions are paid at 100% with no required co-pay. Under Part D, there would be no required deductible; however, copays would apply.
- Linda Jones, a member of UHC's PDP team, acknowledged that when the EGWP plan was discussed by UHC, it was unclear that certain medications would be processed differently once members moved from a commercial plan to a Medicare plan. She stated that UHC was requesting Board approval to begin providing diabetic supplies through Part B.
- President Breslin asked for further clarification.
- Ms. Jones stated that test strips and lancets for diabetic supplies will be covered at the commercial copay amounts that were in effect in December 2012, $5-$10-$25-$45. This change will become effective April 1, 2013 with Board approval, and will continue as long as UHC has a contract at the current copay levels. However, there will be additional costs for the 2014 plan year, if the Board requests $0 copay, which is different

from the December 2012 levels.

- President Breslin stated that since this agenda item is not an action item, the Board cannot vote on UHC's recommendation.
- Erik Rapoport, Deputy City Attorney, concurred that the Board could not take action on this discussion item; however, Dr. Dodd could make an executive decision on this matter as Director of the Health Service System. The Director's decision could be ratified at the next Board meeting.
- Commissioner Fraser asked how UHC will handle members who paid the deductible prior to the change.
- Michelle Vollrath, United HealthCare representative, responded UHC will need to be careful in communicating with those members since they have potentially satisfied the deductible for all medical expenses in Part B. Any type of reimbursement would require members to re-satisfy the deductible.
- Ms. Chianello covered the additional items in the issues log as well as the letters of apology signed by UHC CEO, Brandon Cuevas, which were drafted and approved by Rosemary Passantino, HSS Communications Manager, and Mr. Cuevas.
- The full discussion of this agenda item and corresponding materials may be viewed on the myss.org website.

Public comments: None.

□ 03142013-14 Discussion item Report on network and health plan issues (if any)
(Respective plan representatives)

- Kris Perraras, Blue Shield representative, apologized for a coding error in Blue Shield's pharmacy system that impacted approximately 68 Medicare members causing them to pay higher copays than in 2012. The error has been corrected and Blue Shield began notifying members today that a letter of explanation will be mailed during the first week in April. Members will be reimbursed for the difference between the correct copay amount and the higher copay charged.

Public comments: None.

□	03142013-15	Discussion item	Opportunity to place items on future agendas

Public comments: None.

□	03142013-16	Discussion item	Opportunity for the public to comment on any matters within the Board's jurisdiction

Public comments: Kerri Lucas, retired City employee, reported that she enrolled in Medicare Part A and B in February, as instructed by HSS. After receiving a bill for Medicare Part D, she spoke with a HSS supervisor and was told that due to legislation passed by Congress in 2011, Medicare enrollees making over a certain amount must pay a Part D premium. She complained that the HSS staff person was unable to tell her how to proceed regarding her pharmacy coverage through UnitedHealthcare and whether she would receive a pharmacy card.

At President Breslin's request, Dr. Dodd responded that Ms. Lucas would not receive a Part D card from Medicare but would instead receive a UHC card for Optum Rx. She noted that higher income retirees are paying the cost of expanding Medicare Part D as mandated by Congress. The Part D fee is based on the member's last tax statement. Dr. Dodd recommended that Ms. Lucas contest the Part D payment if her income has changed from the time she was employed.

Ms. Lucas suggested that this information be communicated in future Open Enrollment guides. She also complained that UHC's claims continue to reflect an incorrect plan year—July 1, 2012 through June 30, 2013—instead of the correct calendar plan year.

Kristina Beikova, spoke on behalf of her father, Ivan Beikov, a retired City employee. After retirement, her father moved back to Europe but because HSS was not given his correct address, he was unaware that his health coverage had been changed to the City Plan according to HSS rules. It wasn't until recently that Mr. Beikov discovered that his monthly premiums had increased from $44 to $357. She stated that her father appreciated the opportunity to appeal to HSS and that his voice was heard because he is a great believer in the American system.

President Breslin stated that she has also had issues with the incorrect plan year being reflected in

UHC's claims processing. She asked UnitedHealthcare to address that issue, which is causing problems for some members.

Jennifer Magoon, UHC representative, stated that while she does not have a clear answer to the issues raised, she intends to discuss Ms. Lucas' situation directly with her. She also noted that she will follow up with President Breslin regarding her concerns.

President Breslin announced that this meeting was being adjourned in memory of Gerry Meister and opened the agenda for comments.

Dr. Dodd responded that Ms. Meister was the first HSS member she met when taking the position as Director. She stated that she learned something from Ms. Meister at every encounter and always felt appreciated, even if Ms. Meister was voicing a complaint.

- Adjourn in memory of Gerry Meister, UESF Retired Division: 4:15 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/

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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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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.