



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 9, 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
 - Supervisor Mark Farrell
 - Commissioner Sharon Ferrigno, arrived 1:44 p.m.
 - Commissioner Jean S. Fraser
 - Commissioner Jordan Shlain, M.D., arrived 1:29 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.
- 05092013-01 Action item Approval (with possible modifications) of the minutes of the meetings set forth below:
 - Regular meeting of March 14, 2013 Combined with Rates and Benefits Committee; and
 - Regular meeting of April 11, 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 of March 2013, combined with Rates and Benefits Committee, and April 11, 2013, combined with Rates and Benefits Committee.

Motion passed 5-0.

RATES AND BENEFITS COMMITTEE MATTERS

- 05092013-02RB Discussion item Review 2013 Aon Hewitt Plan Benchmarking Report (Aon Hewitt)
- Documents provided to Board prior to meeting:
Report prepared by Aon Hewitt, “HHVI Benchmarking Report Results.”
- Barbara Weaver Lloyd, Aon Hewitt representative, reported on the Hewitt Health Value Initiative (“HHVI”), a benchmarking tool used to compare HSS plans with other comparator groups (including government and educational groups, Fortune 500 companies and employers with 25,000 or more employees), which was used for a second year.
 - Compared to the 2012 report, 2013 member premium contributions increased 6% due to lower contributions in the Blue Shield flex-funded plan. Overall, HSS results are consistent with other government and educational benchmarks throughout the country with overall lower employee, but higher employer, cost shares.
- Public comments: None.
- 05092013-03RB Action item Approve the 2014 Blue Shield flex-funded HMO active and early retiree plan renewal premiums and consider plan changes, including but not limited to possible changes in member copays, deductibles and pharmacy (Aon Hewitt)
- Documents provided to Board prior to meeting:
Report prepared by Aon Hewitt, “Blue Shield HMO

2014 Plan Renewal, Active and Early Retiree.”

- Anil Kochhar, Aon Hewitt actuary, reported on Blue Shield’s proposed HMO flex-funded renewal for actives and early retirees for plan year 2014.
- Mr. Kochhar noted the effectiveness of the ACOs, resulting in controlling costs, and decreasing large claims over \$1M.
- To determine the premium equivalent rate, Aon Hewitt utilized claims data from March 2012 through February 2013 and other components of claims costs (see page 5 of report).
- On January 10, 2013, the Board voted to allocate Early Retiree Reinsurance Program (“ERRP”) funds to lower Blue Shield members’ monthly premiums.
- Based on rating trends, and the projected overall claims spend, the premium equivalent rate for 2014 is a net increase of 0.19%. Therefore, Aon Hewitt recommends no rate increase for actives and early retirees for the 2014 plan year (see page 6 of report).
- Two rate cards were presented for Blue Shield’s 2014 flex-funded plan: the current contribution strategy and the 90/10 contribution strategy (see pages 11 and 12 of Aon Hewitt’s report).
- Under MOU agreement, the 90/10 contribution strategy applies to CCSF members and affects E-Only member contributions. Currently E-Only members make zero contribution to health benefits. The 90/10 contribution strategy would require E-Only members to pay 10% of their health benefits and the City would pay 90%. There are 5,310 E-Only members in Blue Shield’s plan.
- Under the 90/10 contribution strategy, the E-Only member would pay \$60.17 per month for Blue Shield’s 2014 plan renewal.

- Mr. Kochhar also requested Board approval of Blue Shield’s administrative fees, pooling charges and legislative fees (page 18).
- Commissioner Shlain arrived during this agenda item.

Public comments: Herbert Weiner, retired City employee, commended the Board on its deliberation and expressed hope that the quality continues with the new composition of the Board as mandated by Prop C.

Action: Motion was moved and seconded by the Board to approve Blue Shield’s 2014 flex-funded HMO active and early retiree plan renewal premiums as presented on pages 11, 12 and 18 of Aon Hewitt’s report.

Motion passed 6-0.

□ 05092013-04RB Action item

Review the Kaiser HMO renewal history from 2007 thru 2014 and consider recommendations for possible action, including but not limited to directing Kaiser to restructure its method of calculating renewal premiums (Lisa Ghotbi)

Documents provided to Board prior to meeting: Report prepared by HSS, “Kaiser Renewal Pricing: 2007-2014,” and Kaiser response.

- Lisa Ghotbi, HSS Chief Operating Officer, presented a review of Kaiser’s rate renewals for the past seven years.
- Ms. Ghotbi noted that Kaiser’s dashboard presentations have shown a dramatic decrease in members’ use of service in the past seven years countered by a dramatic increase in their cost per service.
- Risk presentations have shown that the Kaiser membership is significantly healthier than Blue Shield’s membership, and as indicated by migration analysis, thousands of families have moved from Blue Shield to Kaiser in the last several years. This analysis supports a rate reduction in Kaiser’s book of business.
- Kaiser’s rate increase for 2014 is 5.25%, of which 1.7% is for health insurer fees. The focus of this presentation was to make the Board and membership aware of the

driving factors in Kaiser's price increases and request assistance in encouraging Kaiser to work on a new way of doing business with HSS.

- Between 2010 and 2012, Kaiser's projected medical service costs for active employees and early retirees were higher than actual costs by an average of 13%, resulting in an \$87M profit margin for Kaiser.
- Kaiser's hospital costs per day are now higher than hospital costs per day at Blue Shield, which has a significantly sicker membership.
- Kaiser's 2014 Other Medical Service ("OMS") and Integrated Management Care ("IMC") charges present a 53% year-over-year increase for active employees and early retirees, equal to \$39.3M or \$75 per member per month ("PMPM") or \$900 per member per year.
- HSS would like Kaiser to take a profit pledge similar to Blue Shield's and cap its profit margin at 4% (Blue Shield's profit margin is capped at 2%).
- HSS' goal is to move forward with Kaiser on building a collaborative business partnership based on transparency, accountability and shared rewards for meeting shared cost and quality goals.
- HSS is recommending that the Health Service Board instruct Aon Hewitt to work with Kaiser to develop an alternative 2014 rate renewal, with a year-over-year rate reduction reflecting fair pricing, and the favorable demographic and utilization trends displayed in the data.
- A charge of no more than 10% of premium for ICM is also recommended, which must have reporting to document specific services, utilization and value to HSS. (See page 19 of report for more recommendations.)
- Wendy Striegel, Kaiser Vice President of Sales and Account Management, responded to Ms. Ghotbi's presentation,

noting that several other Kaiser leaders were in attendance to address HSS' concerns.

- Ms. Striegel stated that Kaiser recognizes that its approach to financing its delivery system and developing Kaiser's premium is unique and often does not appear transparent. She stated that Kaiser's average increase over the last four years was an average increase of 6.61% and its increases from 2010 to 2012 were 5.78%. As a comparison, Kaiser's average book of business for its large commercial clients was a full point higher at approximately 7%.
- Kaiser's current renewal is a 3.48% increase plus 1.77% for fees associated with the Accountable Care Act, resulting in a total increase of 5.25%.
- Ms. Striegel introduced Wendy Sack, Kaiser Vice President of Underwriting, to provide clarity in what they consider the missing parts of the executive summary presented by Ms. Ghotbi, including the \$87M profit reported for the period 2010 through 2012.
- Ms. Sack addressed the Integrated Care Management ("ICM") fee and the large increase from last year stating that a decision was made 18 months ago to allow Kaiser to redistribute its costs by lowering its fee schedule for billed services and increasing its ICM fee to better reflect the distribution of services.
- Ms. Sack noted that many services within the ICM services are not traditional billable services, such as secure e-mail messages.
- Commissioner Shlain questioned the validity of including secure e-mails in ICM services.
- Ms. Sack introduced Dr. Suketu Sanghvi to speak from the physician's side of Kaiser's practices.
- Dr. Sanghvi stated that e-mailing Kaiser members takes a significant amount of time and that when doctors are answering

e-mails, they're engaging more with patients and improving the opportunity for patients to have a better experience and outcome; however, it is not cheaper.

- Commissioner Fraser stated that while she understands some of Kaiser's explanations, she suggested that they return with a presentation that can be understood by the audience because they are losing the PR battle; their explanation is not readily understandable. She moved that the Board defer action on Kaiser's plan renewal.
- Supervisor Farrell concurred that Kaiser's presentation was challenging to understand and suggested that Kaiser return to specifically address Ms. Ghotbi's comments and recommendations going forward.
- The entire discussion on this agenda item may be viewed on the myhss.org website as a YouTube video.
- Kaiser's complete report responding to HSS may be viewed on the myhss.org website.
- Commissioner Ferrigno arrived during this agenda item.

Public comments: Bob Muscat, Chair of the Public Employees Committee, stated that he and Larry Bradshaw, SEIU 1021 Vice President, sent a letter to HSS earlier in the week outlining their opposition to Kaiser's rate increase. He urged the Board's adoption of the motion.

Ian Lewis, Unite Here representative, Local 2 for the Hotel and Food Service Workers' Union, stated that this conversation is not unique to political environments and that they have over 40,000 members and dependents statewide in Kaiser. Local 2, along with the UFCW and teamsters, has introduced SB 746 authored by State Senator Mark Leno, which would require basic disclosure on what is driving trend and prohibit Kaiser from refusing to release basic utilization data to group purchasers to help members navigate the healthcare system and achieve better outcomes. He distributed background information on the bill

for the Board's consideration.

Starr Terrell, Mayor's Office representative, commented on the Mayor's behalf stating that Mayor Lee is engaged in this process and wants the City to have a more strategic relationship with Kaiser moving forward, which reflects the shared stake in improving health outcomes for employees choosing Kaiser. He supports HSS in its negotiations to that effect.

Jeff Duritz, representative for Union of American Physicians and Dentists, stated that the biggest financial problem facing the City is the GASB unfunded liability for retiree healthcare of approximately \$4 Billion. He stated that according to the Controller, a 1% reduction in the premium the City annually pays for health benefits would result in a 9% reduction in the GASB liability.

Evelyn Curiel, SFMTA employee and single parent, stated that she is a member of Kaiser because it is the most affordable plan for her family. She stated that employees are demanding a better fair rate of healthcare for families trying to make ends meet.

Ken Tray, Executive Board member of the United Educators of San Francisco, stated that one of the gravest concerns of teachers is the affordability of healthcare. Given Kaiser's \$2 Billion in profits over the last four years while teachers' and paraprofessionals' salaries have decreased, a reasonable and transparent explanation of how fees have increased while the utilization of services has decreased is warranted. It is the intent of UESF to work with other labor unions, parent groups, and community groups to support the recommendations of the HSS staff to ensure that Kaiser provides high quality affordable healthcare that is transparent and understandable to the City workers and taxpayers.

Larry Bradshaw, Vice President of SEIU 1021, stated that most of Local 1021's members are enrolled in Kaiser. He stated that Kaiser's attitude appears to be, as long as its pricing is less than Blue Shield, it is justified. City workers and taxpayers need cost control. Local 1021 is committed to working with HSS, other unions and City government to achieve a rate reduction, limitations on fee increases, a 4% cap on Kaiser's profits, no increase in copays for members and

full transparency.

Rebecca Rhine, Municipal Executives Association representative, thanked the Board for the discussion taking place and stated that any explanation that utilization has nothing to do with cost is completely unacceptable. There can be no discussion about healthcare without linking the cost of healthcare to utilization.

Larry Barsetti, Chair of Protect Our Benefits and Executive Secretary of the Veteran Police Officer's Association, stated that he did not accept Kaiser's explanation that it did not realize that more administrative fees could have been charged beginning in 2005, so they have raised fees up to 75% to make up for it.

Action: Motion was moved and seconded by the Board to defer action on Kaiser's renewal to the next Board meeting to allow a more comprehensible explanation to be presented.

Motion passed 7-0.

□ 05092013-05RB Action item

Review the 2014 Kaiser HMO active and early retiree plan renewal premiums and consider plan changes, including but not limited to possible changes in member copays, deductibles and pharmacy (Aon Hewitt)

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

Public comments: None.

Action: Motion was moved and seconded by the Board to continue this agenda item to May 23.

Motion passed 6-0 (Commissioner Fraser was absent for the vote).

□ 05092013-06RB Action item

Approve the final 2014 City Plan rate cards (Aon Hewitt)

Documents provided to Board prior to meeting: Report prepared by Aon Hewitt, "City Plan (UHC) Utilization and Claims Experience Presentation – Final 2014 City Plan Rate Cards."

- Anil Kochhar presented the final rate cards for 2014, updated from the February 14 preliminary equivalent rates for City Plan. See page 1 of Aon Hewitt's report for the

final numbers.

- Two rate cards were presented: the current contribution strategy and the 90/10 contribution strategy (see pages 4 and 5 of Aon Hewitt's report).
- Under the 90/10 contribution strategy for 2014, the final member contribution for E-Only is \$320.47 per month.
- Mr. Kochhar noted that E-Only members outside the service area where there is no access to Blue Shield or Kaiser as part of the MOU agreements will continue to pay zero.
- Due to various factors, such as low use, flat fees and the EGWP premium, City Plan's 2014 rates are -2.67%. See page 3 of Aon Hewitt's report.
- Commissioner Ferrigno departed during this agenda item.

Public comments: None.

Action: Motion was moved and seconded by the Board to approve the final rates for City Plan as presented on slides 4 and 5 of Aon Hewitt's report.

Motion passed 6-0.

- 05092013-07RB Discussion item [Overview of next Rates and Benefits Committee meeting](#) (Committee Chair Zvanski)
Next committee meeting: Thursday, May 23, 2013 at 12:30 p.m. in Hearing Room 416 at City Hall (Special meeting)
Documents provided to Board prior to meeting: None.
 - Committee Chair Zvanski noted that beginning at the May 23 meeting, her seat will be occupied by a new commissioner, and that President Breslin will most likely chair Rates and Benefits. She also stated that June 13 will be the last Rates and Benefits Committee meeting.Public comments: Dennis Kruger, active and retired firefighters' representative, inquired if the 90/10 contribution strategy applies to all active employees or just single employees?

Commissioner Zvanski responded that the 90/10 contribution strategy applies to employee-only members. She also clarified that the police and firefighters' unions are not included.

REGULAR MATTERS

- 05092013-08 Discussion item **President's Report** (President Breslin)
Documents provided to Board prior to meeting:
None.
 - President Breslin had nothing to report.Public comments: None.

- 05092013-09 Discussion item **Director's Report** (Lisa Ghotbi)
 - HSS Personnel
 - Finance, Operations, Communications, Wellness/EAP, Vendor Contracts
 - Meetings with Key Departments
 - Other additional updatesDocuments provided to Board prior to meeting:
 1. Director's report;
 2. Reports from Operations, Communications, Health Promotion and Wellness, and Employee Assistance Program;
 3. Letter from member.
 - Lisa Ghotbi presented the Director's report, which may be viewed on the myhss.org website.Public comments: None.

- 05092013-10 Discussion item **Update on Financial Reporting as of March 31, 2013** (Gregg Sass)
Documents provided to Board prior to meeting:
 1. Statement of Revenues and Expenses;
 2. Annual Administrative Budget – FY-2012-2013.
 - Lisa Ghotbi reported that Gregg Sass, , Interim Chief Financial Officer, was absent from this meeting but would present at next month's

- A written finance report prepared by Mr. Sass was presented to the Board and may be viewed on the myhss.org website.

Public comments: None.

□ 05092013-11 Action item

Approval of Resolution for Claire Zvanski commending her longstanding excellent service on the Health Service Board (President Breslin)

Documents provided to Board prior to meeting: Resolution.

- President Breslin announced that this meeting was Commissioner Zvanski's last on the Health Service Board and that she will be greatly missed.
- President Breslin presented a resolution from the Health Service System and Health Service Board commending Commissioner Zvanski's longstanding service on the Board.
- Supervisor Mark Farrell also presented a proclamation from the Board of Supervisors prepared by Supervisor Katie Tang to Commissioner Zvanski.
- Commissioner Zvanski thanked everyone for their acknowledgement of her longstanding service on the Health Service Board and stated that it has been an honor and pleasure to serve for so many years and that she has taken her role as Commissioner very seriously. She also asked that her successor not forget the Hetch Hetchy members.
- President Breslin also read aloud a letter from HSS Director, Catherine Dodd, who could not attend the meeting.
- Commissioner Fraser stated that she has worked with Commissioner Zvanski twice on the Health Service Board and expressed admiration of her passion and advocacy on behalf of the members.
- Commissioner Lim also thanked Commissioner Zvanski for her support as a mentor on the Health Service Board, stating that it has been a pleasure working with her.

Public comments: Dennis Kruger, active and retired firefighters' representative, presented Commissioner Zvanski with a plaque expressing gratitude for her 26 years' service to members and card.

David Williams, President of the West Bay Retirees of SEIU 1021 thanked Commissioner Zvanski on behalf of the members and retirees of SEIU 1021 for her support and service on the Board.

Larry Barsetti, Chair of Protect Our Benefits, Rudy Foltus, POB Secretary, and Herb Weiner, member of the POB Board, presented Commissioner Zvanski with an engraved obelisk acknowledging her years of service on the Board.

Herbert Weiner, retired City employee, read a poem that he had written commending Commissioner Zvanski's dedication to members and the Health Service Board.

Herbert Meiberger, member of the San Francisco Retirement Board, thanked Commissioner Zvanski for her service on the Health Service Board as a devoted trustee.

Action: Motion was moved and seconded by the Board to approve the resolution commending Commissioner Zvanski for her outstanding long-term service on the Health Service Board.

Motion passed 6-0.

- 05092013-12 Discussion item Report on network and health plan issues (if any)
(Respective plan representatives)
Public comments: None.
- 05092013-13 Discussion item Opportunity to place items on future agendas
Public comments: Dennis Kruger followed up on his suggestion from the last Board meeting to direct the actuaries to determine how many members in the Delta Dental retiree plan use the full maximum benefit and what Delta Dental's profit is on the on those unused benefits.
Lisa Ghotbi responded that HSS would be happy to work with Delta Dental to do an in-depth analysis of retired members' utilization.

- 05092013-14 Discussion item Opportunity for the public to comment on any matters within the Board’s jurisdiction

Public comments: None.

- 05092013-15 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 Breslin)

Staff recommendation: Hold closed session.

Public comment on all matters pertaining to the closed session: None.

Action: Motion was moved and seconded by the Board to hold a closed session to discuss member’s appeal.

Motion passed 5-0 (Commissioner Shlain was absent for the vote but returned).

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.

- 05092013-16 Action item Vote on member’s appeal (President Breslin)

Documents provided to Board prior to meeting:

 1. Memo from HSS with supporting documentation; and
 2. Cover letter from member to Health Service Board dated February 15, 2013 with supporting documentation.

Staff recommendation: Uphold HSS decision.

Public comment on all matters pertaining to the closed session: None.

Reconvene in Open Session

- 05092013-17 Action item Possible report on action taken in closed session (President Breslin)

Public Comments: None.

Action: Motion was moved and seconded by the Board not to report on action taken in closed session.

Motion passed 6-0.

- 05092013-18 Action item

Vote to elect whether to disclose any or all discussion held in Closed Session (San Francisco Administrative Code 67.12(a)) (President Breslin)

Public Comments: None.

Action: Motion was moved and seconded by the Board to not disclose any discussion held in closed session.

Motion passed 6-0.

- Adjourn: 4:49 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>

Disability Access

The meeting will be held at City Hall, 1 Dr. Carlton B. Goodlett Place, Room 416. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call (415) 923-6142. There is accessible parking in the vicinity of City Hall at Civic Center Plaza adjacent to Davies Hall and the War Memorial Complex.

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.

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.

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.

