



City & County of San Francisco

HEALTH SERVICE BOARD

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

Minutes

Regular Meeting

Thursday, November 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
Supervisor Mark Farrell, arrived 1:09 p.m.
Commissioner Sharon Ferrigno
Commissioner Jean S. Fraser
Commissioner Randy Scott
Commissioner Jordan Shlain, M.D., arrived 1:30 p.m.

The Health Service Board's regular meetings are now being broadcast live on SFGTV, cable channels 26 and 78. The Board meetings are also recorded by SFGovTV for replay. The videotaped meeting link and all meeting materials are posted on the myhss.org website.

This meeting was called to order at 1:06 p.m.

- 11142013-01 Action item Approval (with possible modifications) of the minutes of the meeting set forth below:
- Regular meeting of September 13, 2013
- 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 September 13, 2013.

Motion passed 5-0.

- 11142013-02 Discussion item

President's report (President Breslin)

- President Breslin reported that HSS Director, Catherine Dodd, was in attendance at this meeting.
- Supervisor Farrell arrived during this agenda item.

Documents provided to Board prior to meeting: None.

Public comments: None.

- 11142013-03 Discussion item

Director's Report (Lisa Ghotbi)

- HSS Personnel
- Finance, Operations, Data Analytics, 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, Data Analytics, Communications, Health Promotion and Wellness, and Employee Assistance Program;
3. Open Enrollment informal member survey;
4. Transparency and Accountability presentation from November 6, 2013 Board of Supervisors Budget and Finance Committee meeting;
5. Health 2.0 2013 Conference meeting notes.
 - Lisa Ghotbi, HSS Deputy Director, stated that Dr. Dodd is very much missed and everyone was happy to see her at this meeting.
 - Ms. Ghotbi reported that Latasha Collins, former HSS benefits analyst, has joined MTA as a personnel analyst and will be missed.
 - Ms. Ghotbi also presented the Director's report, which may be viewed on the myhss.org website.

- Mitchell Griggs, HSS Member Services Manager, presented a preliminary report on Open Enrollment held during the month of October, which may be found in the Director's Report under "Operations Update."
- Mr. Griggs reported the following Open Enrollment summary for October 2013:
 - HSS received 6,585 applications, which is an 18% increase from October 2012.
 - As of this meeting, 4,762 applications had been processed (approximately 72%).
 - HSS conducted outreach to six offsite locations: City Hall, 850 Bryant Street, Laguna Honda, General Hospital, San Francisco Unified School District and the San Francisco Airport.
 - HSS also included an Open Enrollment event at Hetch-Hetchy, which was attended by Health Service Board Commissioners Breslin and Ferrigno as well as HSS Acting Director Lisa Ghotbi.
 - HSS received approximately 480 changes out of a population of 1,058 MEA members.
 - HSS staff was unable to process applications for approximately four and one-half days due to the PeopleSoft system going down for CCSF payroll processing. PeopleSoft's unavailability significantly hindered the processing of applications.
 - Confirmation letters for all members will be sent beginning the week of November 18.
- Commissioner Scott asked how HSS staff is planning to meet Open Enrollment processing deadlines during PeopleSoft's unavailability.
- Mr. Griggs responded that HSS has a 60-day advance notice requirement to submit information to the healthcare carriers. Therefore, as information is being processed, it is also being sent to the carriers in order to meet the deadline. He confirmed that the lack of PeopleSoft access due to monthly payroll

processing does impede the workflow.

- Dr. Dodd suggested that the Board make a formal request to the Controller's Office to allow processing in PeopleSoft every day of the week from October 1 through December 1, 2014 to meet next year's Open Enrollment deadlines. She noted that HSS staff has worked overtime in the recent past to meet deadlines.
- Commissioner Scott suggested that the HSS Director draft a letter for Board endorsement, and perhaps request limiting PeopleSoft downtime to a half day during payroll processing instead of two or three days in 2014 with a target of full day processing in 2015.
- In response to the survey results reported in the communications update, Commissioner Scott commended the HSS communications department for its leadership on the informal member survey and suggested that it be a part of the ongoing member outreach process.
- Dr. Dodd thanked Supervisor Farrell for his leadership in convening the Board of Supervisors Budget and Finance Committee hearing on transparency, noting that San Francisco is the first local government to address the issue.
- Dr. Dodd also commended HSS Deputy Director Lisa Ghotbi and staff for their work on transparency, rate negotiations and reviewing risk factors.
- Supervisor Farrell thanked Dr. Dodd for her recognition and Ms. Ghotbi, HSS staff, the unions, and Health Service Board commissioners for attending the transparency hearing. He attributed the Board's dialogue last summer with Kaiser as the impetus in addressing transparency issues. He also stated that the Board of Supervisors will have legislation in the upcoming months that will empower the Health Service Board and staff to demand that all healthcare providers contracting with the City and County of San Francisco provide certain amounts of transparency.

- Commissioner Lim commended Supervisor Farrell on his leadership role in the transparency hearing.
- President Breslin recommended that anyone who has not read the document presented by HSS at the Board of Supervisors transparency hearing do so to see the statistics on the discrepancies in pricing.

Public comments: Claire Zvanski, retiree and former Health Service Board Commissioner, commended Supervisor Farrell on conducting the transparency hearing. She asked if the transparency legislation sponsored by State Senator Leno, and vetoed by Governor Brown, would be reintroduced at the local level and elevated again to the state level.

Supervisor Farrell responded that Senator Leno stated in a recent conversation his intent to reintroduce some form of transparency legislation again next year. He noted that the local efforts in San Francisco helped create movement at the state level.

Ian Lewis, Local 2 Hotel and Restaurant Workers' Union representative, stated that Local 2 was a sponsor of SB 746 introduced by Senator Leno. He expressed appreciation for the collective efforts in addressing the transparency issue and noted the exceptionally effective work led by Deputy Director Ghotbi in the communication and advocacy of transparency around SB 746.

Commissioner Fraser commended everyone who worked on the transparency issue; however, she cautioned that it is not the solution to the healthcare crisis and stated that the underlying burden of disease is a major factor in driving healthcare costs.

- 11142013-04 Discussion item

[Preliminary report on Open Enrollment for 2014 plan year](#) (Mitchell Griggs)

Documents provided to Board prior to meeting:
HSS report.

- This item was presented under the Director's report and may be viewed on the myhyss.org website.

Public comments: None.

- 11142013-05 Discussion item

Presentation of Audited Financial Statements for Fiscal Year 2012-2013 (Pamela Levin/KPMG)

Documents provided to Board prior to meeting:

1. Audited Financial Statements for Fiscal Year 2012-2013;
2. Presentation of Audit Results prepared by KPMG LLP.
 - Pamela Levin, HSS Chief Financial Officer, introduced Jaime Cavin, KPMG Senior Manager, to present the results for the 2013 fiscal year audit of the HSS Trust Fund.
 - Ms. Cavin reported that KPMG performed an audit of HSS in accordance with Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards (GAS).
 - KPMG issued a clean and unmodified opinion for fiscal year 2013 in its Independent Auditors' Report on the financial statements for the Trust Fund.
 - There were no reported deficiencies or instances of non-compliance in KPMG's Internal Control Over Financial Reporting and Compliance and Other Matters based on an audit of financial statements performed in accordance with GAS (see pages 20-21 of Independent Auditors' Report).
 - There were no proposed or past audit adjustments indicating very good records were kept.
 - KPMG identified three of the most significant changes in the year:
 - A 173% increase in claims reserves (from \$9M to \$26M) due to changing Blue Shield from a fully-insured plan to a flex-funded plan beginning January 1, 2013. Also, the new plan's reserve for the estimated Incurred But Not Reported ("IBNR") claims added \$18.1M to the account balance.
 - The premiums payable decreased by 36% from approximately \$26M to \$17M due to Blue Shield's conversion to the flex-funded plan.

- City Health Plan benefits decreased 26% due to the movement of member enrollment from the City Plan to the HMOs.
- The audit was challenging and overall had some significant accounting changes in the year, primarily due to the plan year change and Blue Shield's plan change from fully-insured to flex-funding.
- Commissioner Lim commended Lisa Ghotbi, Gregg Sass (Interim CFO) and Pamela Levin for a clean audit.
- Dr. Shlain arrived during this agenda item.
- KPMG's Independent Auditors' Report and Presentation of Audit Results for fiscal years ended June 30, 2013 and 2012 may be viewed on the myhss.org website.

Public comments: None.

- 11142013-06 Discussion item

Update on Financial Reporting as September 30, 2013 (Pamela Levin)

Documents provided to Board prior to meeting:

1. Memo re Financial Statement for June 30, 2013 and 2012;
 2. Memo and Statement of Revenues and Expenses.
- Pamela Levin, HSS CFO, followed up on KPMG's audit presentation. She concurred that the audit was difficult due to the short plan year and Blue Shield's HMO plan change from fully-insured to flex-funding.
 - Ms. Levin thanked the HSS finance and contract staff for all their hard work during the audit. She also thanked Blue Shield and Aon Hewitt for assistance in working through the issues.
 - Ms. Levin reported that the HSS Trust Fund ended fiscal year 2013 with net assets of \$77.3M, which was an increase of \$24.1M from the balance of \$53.2M as of June 30, 2012. However, \$68.6M in obligations and reserves against the \$77.3M were identified, resulting in a balance of \$8.7M. (See memo for complete breakdown.)

- Ms. Levin also presented a summary of revenues and expenses of the Trust Fund for the first three months of FY 2013-14 through September 30, 2013. The current projection is an increase of net assets in the amount of \$21M; however, it is difficult to make accurate year-end projections with only three months of data. (See memo and attachments.)

Public comments: None.

□ 11142013-07 Action item

Reconciliation of Kaiser’s 2014 Medicare rate (Aon Hewitt)

Staff recommendation: Approve reconciled rate.

Documents provided to Board prior to meeting: Aon Hewitt report, “Kaiser Medicare Retiree – Final 2014 KPSA Rates.”

- Anil Kochhar, Aon Hewitt actuary, reported that Kaiser’s final Medicare Advantage (“KPSA”) rates are lower than the preliminary 2014 KPSA rates approved by the Health Service Board on June 13, 2014, resulting in an overall savings of approximately \$2.8M.
- The preliminary estimated KPSA rate was \$346.45. The final 2014 KPSA rate is \$324.12.
- Aon Hewitt presented two options for reconciliation of the 2014 KPSA rate:
 - Option 1: In 2015, Kaiser will complete a final reconciliation based on actual 2014 enrollment and refund the difference between the two rates to HSS.
 - Option 2: HSS will keep the offered 2014 KPSA rate and reconcile the entire difference in the 2015 rate.
- Aon Hewitt’s recommendation is Option 2, which will ensure that the refund will directly benefit those who overpay in 2014. It is also the most efficient option administratively.
- Dr. Dodd asked if the refund could be put in a reserve and smoothed out over a three-year period.
- Mr. Kochhar responded that Aon Hewitt could create a reserves policy at the Board’s direction to mirror the three-year amortization

policy when there is cash to be applied to the rating structure.

Public comments: None.

Action: Motion was moved and seconded by the Board to adopt Option 2 and direct HSS' actuary to draft policy recommendations to include the smoothing of rates over a three-year period.

Motion passed 7-0.

□ 11142013-08 Discussion item

Kaiser negotiations update regarding member rates (Lisa Ghotbi)

Documents provided to Board prior to meeting: HSS report.

- Lisa Ghotbi, HSS Deputy Director, presented an update on the negotiations with Kaiser, noting that the goal is to complete the pre-negotiations by the end of December in order to present an overview of all matters at the January 9, 2014 Health Service Board meeting.
- The meeting notes for this update began with Meeting #4, dated September 12, 2013.
- This entire update may be found on myhss.org.

Public comments: Larry Bradshaw, SEIU 1021 representative, asked about Kaiser's profits being capped at 4% for the 2015 plan year. He also asked if limiting the ICM and other medical service charges to not more than 10% of premium is on track and if penalties and rewards are tied to performance guarantees.

Ms. Ghotbi responded that HSS is making progress on the ICM issue but will not be able to definitively report until January. She also noted that performance guarantees carry penalties if they are not met; however, there is no reward for meeting performance guarantees. Transparency continues to be a topic of enormous discussion with Kaiser. There are no set dates when data will be available but HSS is making progress with Kaiser on agreeing to transparency data elements.

Dr. Dodd stated that the performance guarantees are far more stringent than in the past. Kaiser will be held to a 90% level instead of 75%.

Commissioner Scott asked that all interested parties recognize that this process is not yet complete, and that latitude is needed to fully be responsive to the questions being asked, noting that some expectations may need to be changed or modified. He stated that even after the discussions are completed, the rate setting process must be accomplished. There will be ample opportunity to continue the dialogue, but the resolution is not yet complete.

Commissioner Fraser concurred with Commissioner Scott's comments. She stated that setting arbitrary targets for one or another part of a rate is not good public or financial policy. The goal is to get good quality care at a fair price, but how that is accomplished is far more complicated than it may appear. With regard to the questions on quality, she encouraged interested parties to look at what is publicly reported by hospitals, noting readmissions and hospital acquired infections are publicly reported by all hospitals.

Dr. Dodd stated that the website for the Office of Statewide Health Planning and Development ("OSHPD") may be the website to look at for the quality questions. However, it was just learned that OSHPD is limiting public access to its website. Once that is confirmed, HSS may ask the Health Service Board and the Board of Supervisors to put pressure on the state because public scrutiny of that data is very important.

- 11142013-09 Discussion item

Question regarding Blue Shield's 2014 rate calculations (Aon Hewitt)

Documents provided to Board prior to meeting:
Aon Hewitt report, "Review of Blue Shield Trend Assumptions for 2013 and 2014 Rating."

- Lisa Ghotbi reported that a national expert working with one of the City's largest unions is reviewing the rates and benefits process and has questioned whether Blue Shield's rates for the 2013 plan year were overpriced. Aon Hewitt has been asked to respond.
- Anil Kochhar, Aon Hewitt actuary, reviewed the analytics behind the trends used to calculate Blue Shield's 2013 and 2014 premium equivalents. Blue Shield's renewal was presented to the Health Service Board on May 9, 2013.

- Page 2 of Aon Hewitt's report describes how the rates for 2013 were determined based on claims experience from April 2011 through March 2012.
- The rating methodology for 2014 may be found on page 6 of Aon Hewitt's report.
- Dr. Dodd commented that had the dependent rates not been subsidized to preserve families in Blue Shield, the utilization data would not have been as good. She commended Lisa Ghotbi and Marina Coleridge for their work on the contribution model noting that Local 21 and other unions have accepted it. She cautioned that in order for Blue Shield and Kaiser to remain competitive, the other unions currently in negotiations must take responsibility for their contribution models.

Public comments: None.

- 11142013-10 Discussion item

Presentation of UHC dashboard (Aon Hewitt)

Documents provided to Board prior to meeting: Aon Hewitt report.

- Dr. Paige Sipes-Metzler, Aon Hewitt representative, and Marina Coleridge, HSS Data Analytics Manager, presented City Plan's dashboard report through Q2 of 2013.
- The dashboard report included data on claims and utilization for inpatient, outpatient and pharmacy, as well as high cost claimants. A report on the Hetch Hetchy members was also included.
- The majority of members in the City Plan are Medicare retirees.
- This summary reviews emerging costs and utilization trends for HSS' active and early retiree members.
- City Plan's active and early retiree membership has decreased.
- The active membership has decreased at a rate of 20% annually. It is projected that should this trend continue, there will be less than 100 members in City Plan by 2015. Of those 100 members, approximately 70 are Hetch Hetchy members.

- The average age of City Plan's active membership is 49 (12% increase in age).
- City Plan's active members are on average 10 to 12 years older than the active members in Kaiser and Blue Shield.
- The combined effect of decreased enrollment and increased average age has led to higher than expected claims cost, making the City Plan unaffordable.
- The early retiree membership has decreased 15.6% annually. The average age has increased 2.14 years over a five-year period.
- City Plan's early retiree costs have decreased from \$1,074 to \$1,009 or 6.1%.
- The PMPM cost for City Plan is approximately 26% higher than the PMPM cost for Blue Shield.
- The total PMPM increased 8.5% annually from 2008 to 2013 (\$676 - \$1,016) for early retirees.
- Since Q2 2011, the PMPM costs decreased \$53 for a two-year average of 2.5% per year.
- The pharmacy PMPM for City Plan's early retirees in Q2 2013 is \$212.
- City Plan is healthy and sustainable for Medicare retirees; however, the active/early retiree pool is not sustainable as is.
- Aon Hewitt recommends that the Board consider the following options for the future of the active/early retiree pool:
 - Move or pool the early retirees with the Medicare retirees;
 - Close the active City Plan to all employees other than those outside of Kaiser and Blue Shield service areas, such as the Hetch Hetchy membership, which is small but healthy;
 - Ask Aon Hewitt to investigate the possibility of making changes to the active City Plan to attract additional active members and make the plan affordable again (this may disrupt the Blue Shield and Kaiser membership

pools and increase rates for those members).

- Commissioner Shlain commented on the recent statin guidelines issued by the American Academy of Cardiology and the American Heart Association, expressing caution and concern.
- The dashboard report and video discussion may be viewed on the myhss.org website.

Public comments: None.

□ 10 Minute Break.

□ 11142013-11 Discussion item Report on network and health plan issues (if any)
(Respective plan representatives)

Public comments: None.

□ 11142013-12 Discussion item Opportunity to place items on future agendas

- Commissioner Fraser suggested that the Board track the soda tax legislation introduced by Supervisors Wiener and Mar, which could have a significant effect on people's consumption of sugar.
- Commissioner Shlain stated that the soda tax legislation will be debated in committee in the New Year. He suspects that it will take a while to formulate the actual legislation and at present, the outcome is unclear. He will keep the Board updated as discussions progress.

Public comments: None.

□ 11142013-13 Discussion item Opportunity for the public to comment on any matters within the Board's jurisdiction

Public comments: Claire Zvanski requested that the Commissioners speak directly into the microphones since some members have difficulty hearing what is being said.

Dennis Kruger, active and retired firefighters' representative, asked that the Board consider increasing dental benefits for retirees noting the correlation between dental problems and health issues. Preventive dental care can improve one's overall health.

- 11142013-14 Action item Vote on whether to hold closed session to discuss member account overpayments (California Government Code §54956(d)(2)) (President Breslin)
 - Member appeal previously scheduled was withdrawn prior to meeting.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 go into closed session.
Motion passed 6-0.
(Commissioner Ferrigno departed meeting prior to vote.)

Closed session pursuant to California Constitution Article I, Section 1; the Confidentiality of Medical Information Act, California Civil Code §§56 et seq.; the Health Insurance Portability and Accountability Act, 42 U.S.C. §§1320d et seq.; and California Government Code §54956(d)(2)

- 11142013-15 Action item Vote on member's appeal (President Breslin)
Member appeal was not heard due to member's request to withdraw.
- 11142013-16 Action item Vote on member account overpayments (Erik Rapoport)
Documents provided to Board prior to meeting:
Memo from HSS with supporting documentation.

Reconvene in Open Session

- 11142013-17 Action item Possible report on action taken in closed session regarding member's appeal (President Breslin)
Public Comments: None.
Action: Member appeal withdrawn. No action taken.

- 11142013-18 Action item Possible report on action taken in closed session regarding member account overpayments (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 4-0.

(Supervisor Farrell and Commissioner Shlain departed the meeting prior to reconvening in open session.)
- 11142013-19 Action item Vote to elect whether to disclose any or all discussion held in closed session regarding member's appeal (San Francisco Administrative Code 67.12(a)) (President Breslin)

Public Comments: None.

Action: No action taken on member appeal.
- 11142013-20 Action item Vote to elect whether to disclose any or all discussion held in closed session regarding member account overpayments (San Francisco Administrative Code 67.12(a)) (President Breslin)

Public Comments: None.

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

Motion passed 4-0.

Adjourn: 4:09 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.

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.

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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.