



HEALTH SERVICE BOARD

CITY & COUNTY OF SAN FRANCISCO

Minutes

Regular Meeting

Thursday, March 12, 2015

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 Randy Scott, excused
 Vice President Wilfredo Lim
 Commissioner Karen Breslin
 Supervisor Mark Farrell
 Commissioner Sharon Ferrigno, excused
 Commissioner Jordan Shlain, M.D.

This Health Service Board meeting was recorded live by SFGovTV. Links to videotaped meetings and related materials are posted on the myhss.org website.

Vice President Lim chaired this meeting, which was called to order at 1:03 p.m.

- 03122015-01 Action item Approval (with possible modifications) of the minutes of the meeting set forth below:
 - Special Closed Session Member Appeals on February 12, 2015
 - Regular meeting of February 12, 2015Staff 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 special closed session member appeal hearing and regular meeting minutes of February 12, 2015.

Motion passed 4-0.

- 03122015-02 Discussion item General public comment on matters within the Board's jurisdiction not appearing on today's agenda

Public comments: None.

- 03122015-03 Action item Consent Agenda: Approval of the following items previously discussed on February 12, 2015:
 - City Plan (UHC) rate stabilization reserve
 - HSS FY 2015-16 and FY 2016-17 General Fund Administration Budget
 - FY 2015-16 and FY 2016-17 Healthcare Sustainability Fund (\$2.05) Budget

Public Comments: None.

Action: Motion was moved and seconded by the Board to approve the Consent Agenda.

Motion passed 4-0.

RATES AND BENEFITS

- 03122015-04 Action item Presentation of 10-County Survey amount (Aon Hewitt)
Staff recommendation: Approve 10-County Survey amount.
Documents provided to Board prior to meeting:
Report prepared by Aon Hewitt
Public comments: None.
 - Anil Kochhar, Aon Hewitt actuary, reported that the 2016 10-County Survey amount is \$579.24, which is a 2.02% increase over last year's amount of \$567.80.Action: Motion was moved and seconded by the Board to approve the 2016 10-County Survey amount of \$579.24.

Motion passed 4-0.

- 03122015-05 Discussion item **Review 2014 Blue Shield Flex Funded Non-Medicare Claims Experience** (Aon Hewitt)

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

- Mr. Kochhar reported on Blue Shield's 2014 flex-funded non-Medicare claims experience. (See Aon Hewitt's report.)
- By the end of 2014, \$275M had been received and \$290M had been spent. Approximately \$5M was used to increase the IBNR and contingency reserves, which the Board approved.
- In June 2014, the IBNR and contingency reserves were increased. The IBNR reserve was increased from \$18M to \$22M. The contingency reserve was increased approximately \$900,000 for excess losses.
- The 2014 loss ratio is 105%.
- The administration fees increased 54% due to the Health Insurance Tax.
- Pharmacy costs increased 23% due to the high cost of newly-offered Hepatitis drugs and the increased use of specialty drugs.
- See Aon Hewitt's report for the breakdown of flex-funded claims experience and 2014 versus 2013 claims expense.

Public comments: None.

- 03122015-06 Discussion item **Review Blue Shield Flex Funded vs. Fully-Insured Cost Impact Analysis** (Aon Hewitt)

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

- Mr. Kochhar presented an analysis comparing the 2013 and 2014 financial results from adopting flex-funding over a fully-insured Blue Shield HMO plan. By moving to flex-funding, the City saved \$55,679,874. (See Aon Hewitt's report.)

- Director Dodd expressed appreciation to Mr. Kochhar for his guidance in assisting the move from fully-insured to flex-funding in the Blue Shield HMO plan.

Public comments: Claire Zvanski, former Health Service Board member and RECCSF representative, asked how much money was saved in the trust fund by moving to flex-funding, and more importantly, how much it saved members because many times the focus is on savings for the employer. She stated that it has been a remarkable program and rates have been kept very low, which is what she would like to see reflected in the actuarial reports.

Director Dodd stated that \$55M multiplied by 14% is \$770,000, which reflects the Trust Fund savings.

□ 03122015-07 Action item

Approve Blue Shield Rate Stabilization Reserve (Aon Hewitt)

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

- Mr. Kochhar reported that the funding policy requires an annual determination of the financial gain or loss of the self-funded plans. The difference between the expected versus actual plan cost is added to the existing stabilization reserve and amortized over a three-year rating period.
- The total carry-forward stabilization reserve as of December 31, 2014 is \$13,455,233.
- The Stabilization Policy requires 33% of the reserve to be applied to the 2016 rates in the amount of \$4,485,078.
- The remaining carry-forward in stabilization reserve for plan years 2017 and 2018 is \$8,970,155.
- Aon Hewitt recommended Board approval of \$4,485,078 to be applied to the 2016 rates and a carry-forward of \$8,970,155.

Public comments: None.

Action: Motion was moved and seconded by the Board to approve the Blue Shield rate stabilization reserve in the amount of \$4,485,078 to be added to the 2016 rates.

- 03122015-08 Action item Consideration of City Plan (UHC) Stop/Loss Coverage for 2016 Plan Year (Aon Hewitt)
- Staff recommendation: Stabilization Reserve is large enough to negate the need for stop loss.
- Documents provided to Board prior to meeting: None.
- Mr. Kochhar stated that since HSS has a very large stabilization reserve, a substantial contingency reserve and a fully-funded IBNR, stop loss coverage is not required for the City Plan for the 2016 plan year.
- Public comments: None.
- Action: Motion was moved and seconded by the Board to accept the recommendation to decline stop loss coverage for the City Plan for plan year 2016.
- Motion passed 4-0.

REGULAR BOARD MEETING MATTERS

- 03122015-09 Discussion item President's Report (Vice President Lim)
- Documents provided to Board prior to meeting: None.
- Vice President Lim had nothing to report.
- Public comments: None.
- 03122012-10 Discussion item Director's Report (Director Dodd)
- 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, Finance and Contracting, Wellness and Employee Assistance Program;

3. HSS Budget Book submission for Mayor's Office;
4. Controller's Report on Retiree (Post-employment) Medical Benefit Costs.
 - Director Dodd reported on her written Director's Report, which may be viewed on the myhss.org website.
 - HSS is partnering again this year with the Department of Public Health for the Shape Up Walking Challenge. HSS will have a team.
 - Stating that it is a citywide challenge (not just for employees), Director Dodd encouraged retirees to join the Shape Up Walking Challenge, as well as the vendors, with their own teams.
 - Participants in the walking challenge will also receive credit for doing other exercises (20 minutes of continuous movement for one mile credit).
 - The Controller's report on medical benefits liability as required by Governmental Accounting Standards Board-45 ("GASB") was distributed on March 5, 2015. Retiree health benefits contribute to the unfunded liability. That unfunded liability has decreased approximately 10% or \$437M since the last assessment, due at least in part, to cost containment efforts by the Health Service System.
 - Director Dodd reported that the Supreme Court will be ruling on the Affordable Care Act as it relates to subsidies provided to health insurance exchanges "established by the state." The ruling will decide the intent of the law and whether or not 37 states will be eliminated from receiving subsidies since the exchanges in those states were established by the federal government and not the states.
 - Commissioner Breslin made reference to a newspaper article she read about the high cost of specialty drugs, including for HIV. She noted that Kaiser was mentioned in the article and that other health plans had not

resolved the issue. She asked if an update could be provided.

- Director Dodd asked that a Kaiser representative address the question noting that Kaiser had resolved the issue and corrected its tiers. She was not aware of any issues with Blue Shield or UnitedHealthcare, which the representatives for each confirmed.
- Kate Kessler, Kaiser Area Vice President, responded that the matter has been resolved by Kaiser and the specialty drugs mentioned are not part of the third tier.

Public comments: Dennis Kruger, active and retired firefighters' representative, asked for details on the Vision RFP and expressed hope that a two-level plan can be implemented. He also asked for further information on Director Dodd's meeting with the Mayor's staff, the Controller and Department of Human Resources on the upcoming excise tax.

Director Dodd responded that she could not comment on the vision RFP because it was still in process.

Director Dodd's meeting with the Mayor's office, Controller and Department of Human Resources regarding the excise tax included the presentation that was made to the Board in January. She noted that there are less than two years before the excise tax will be implemented.

- 03122015-11 Discussion item [HSS Financial Reporting as of January 1, 2015](#)
(Director Dodd)

Documents provided to Board prior to meeting:

1. Financial update memo;
 2. Report for the Trust Fund;
 3. Report for the General Fund Administration Budget.
- Director Dodd reported that CFO, Pamela Levin, was unable to attend this meeting. She noted that there were no substantive changes to present.

- Commissioner Breslin asked about how the trust fund was affected during the month no contributions were made due to the change in payment.
- Director Dodd stated that the change took place in January and that she did not have an answer to the question but it will be addressed at the next meeting.

Public comments: None.

□ 03122015-12 Action item

Discussion and Possible Action regarding New UHC Medicare Plan (Director Dodd and UHC Representatives)

Documents provided to Board prior to meeting:
Report prepared by UnitedHealthcare.

- Director Dodd reported that UHC was invited to present on a new potential funding mechanism for Medicare eligible retirees. The Board will have the option to retain the current plan or add a new option for retirees.
- Heather Chianello, UHC Account Executive for City Plan, reported that Nicole Bonner, UHC Account Executive and Forrest Burke, UHC Retiree Solutions Chief Executive Officer, were present to address the Board.
- Mr. Burke and Ms. Bonner presented the details of the proposed new plan (see UHC presentation).
- Mr. Burk stated that the proposed new plan would be a Medicare Advantage and Part D plan or MAPD. The member would carry a single card that covers everything including pharmacy coverage. Additional benefits are included beyond the basic fee-for-service benefits. UHC uses a unique national PPO network structure.
- The group plan being proposed would include employer paid additional premiums.
- Commissioner Breslin asked numerous questions regarding various aspects of the proposed Medicare Advantage plan such as in-network and out-of-network, CMS' Stars Rating program, provider fees, pharmacy and formularies, copays, urgent care centers.

- Commissioner Breslin stated that her first impression of this proposal was as a sales presentation and was surprised that it had not been vetted by HSS staff. She also asked why a new plan was presented since the actuary had given the current plan a glowing report.
- Director Dodd responded that this proposal was presented to HSS by Aon Hewitt as alternative funding for an actuarially and service-wise equivalent PPO with the exception of 905 members who use high-risk medications not authorized for CMS reimbursement. She stated that there would be no disruption in providers. Non-Medicare members would remain in City Plan and unaffected by the proposed new plan.
- Director Dodd also noted that this new proposal had been reviewed by President Scott and Vice President Lim prior to the meeting.
- Commissioner Breslin asked if retirees would have the choice of staying in the current plan or enrolling in the new plan.
- Director Dodd responded that the decision remains with the Board.
- Vice President Lim asked if the Board approved considering the new plan whether two rates would be presented.
- Mr. Kochhar stated that comparisons of the two plans would be presented to the Board.
- Commissioner Breslin stated that she was not prepared to vote on this item.
- Director Dodd suggested that the action on this item could be to direct her to instruct Aon Hewitt to present both rates at the next meeting.

Public comments: Dennis Kruger, active and retired firefighters' representative, thanked Commissioner Breslin for inquiring about the pre-Medicare or early retirees. He also stated that it is very sad that the largest healthcare administrator in the country utilizes only right-to-work states for its call centers,

which helps him understand why this country is on a downward cycle.

Claire Zvanski seconded Mr. Kruger's statements regarding right-to-work states. Regarding the presentation, Ms. Zvanski stated that she was very concerned and had a number of questions regarding in-network and out-of-network, the pharmacy program and co-pays and the comparison of formularies. She stated that there will need to be a national education program for physicians regarding medications because apparently some physicians are unaware of the impact on patients of a certain age level, since not all physicians are gerontologists. She also had questions regarding urgent care networks and was not satisfied with the information provided stating additional detail was necessary.

Ms. Zvanski reiterated that there are a number of questions that need answers and that she felt the presentation was something very slick and very fast and that there was not the opportunity to truly vet it at the appropriate level. She thought the presentation was a little disingenuous and urged the Board to look more closely at this plan.

Dave Sotto, retired City employee, echoed Ms. Zvanski's statements and suggested that the Board vet the proposed plan in detail. He stated that there should be educational forums with large groups of Medicare retirees to ensure that everyone has a clear understanding of the positives and negatives of the plan.

Action: Motion was moved and seconded by the Board to direct the HSS Director to instruct the actuary to present two plans for consideration at the next meeting.

Motion passed 4-0.

- 03122015-13 Action item

Approval to Award Contract for the FSA/COBRA Administrator (continued from February 12, 2015)
(Director Dodd)

Documents provided to Board prior to meeting:

1. Memo;
 2. Exhibit 1, scope of work;
 3. Exhibit 2, evaluation criteria for review of proposals;
 4. Exhibit 3, evaluation criteria for oral interviews.
- Director Dodd presented this item on behalf of the Chief Financial Officer. She stated that the packet included all of the elements previously requested by President Scott related to the contracting process.

Public comments: None.

Action: Motion was moved and seconded by the Board to approve the contract award for FSA/COBRA administrator.

Motion passed 4-0.

- 03122015-14 Discussion item

Report on network and health plan issues (if any)
(Respective plan representatives)

- Kris Perreras and Adam Guenther, Blue Shield representatives, provided an update on Anthem's recently released impact report on its cyber-attack.
- Approximately 59,000 of Blue Shield's 3.4M members were affected by the breach. Anthem advised that there was no evidence medical information had been obtained or that member information was misused in any way.
- Of the 59,000 affected members, approximately 758 CCSF members were impacted by the breach. It does not appear that Social Security numbers were compromised for these members. Blue Shield will send a letter notifying these members that they were identified as being affected by the recent cyber-attack on Anthem. These members will also receive a letter from Anthem with

additional details regarding the breach and instructions on how to obtain two years of free credit monitoring and identity repair services.

- On another topic, Commissioner Breslin stated that she had received a letter from a member who questioned a large increase in pharmacy costs and asked whether Walgreens had been removed as a preferred pharmacy.
- Ms. Perreras stated that Director Dodd had forwarded that member's letter to Blue Shield and it was being reviewed. She was not aware of any network changes and confirmed that Walgreens remains in Blue Shield's network.

Public comments: None.

- 03122015-15 Discussion item Opportunity to place items on future agendas

Public comments: None.

- 03122015-16 Discussion item Opportunity for the public to comment on any matters within the Board's jurisdiction

Public comments: Claire Zvanski, RECCSF representative, reported on the general meeting held the previous day. Margaret O'Sullivan, HSS Wellness Plan Coordinator, presented information on the Shape-Up walking challenge and led exercises. The retired members were very excited and the information was well-received. More information will be included in the newsletter. Ms. O'Sullivan will be invited back to present at future meetings.

Ms. Zvanski also complimented the Wellness staff stating that it was an exciting and fun opportunity to exercise as a group. She noted that Kaiser provided stretch bands and there were other items such as pedometers and menu planning books available.

- 03122015-17 Action Item Vote on whether to hold closed session to discuss research on two member appeals under Charter §12.200(5). (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 Scott)
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 appeal research.
Motion passed 4-0.

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.

- 03122015-18 Action Item Discussion and possible action regarding research on member’s appeal (#1) (Erik Rapoport)
Documents provided to Board prior to meeting: None.
- 03122015-19 Action Item Discussion and possible action regarding research on member’s appeal (#2) (Erik Rapoport)
Documents provided to Board prior to meeting: None.

Reconvene in Open Session

- 03122015-20 Action item Possible report on action taken in closed session (Government Code Section 54957.1(a)(5) and San Francisco Administrative Code Section 67.12 (Vice President Lim)
Public Comments: None.
Action: Motion was moved and seconded by the Board to not report on action taken in closed session.
Motion passed 4-0.

- 03122015-21 Action item
Vote to elect whether to disclose any or all discussion held in Closed Session (San Francisco Administrative Code Section 67.12) (Vice President Lim)
Public Comments:
Action: Motion was moved and seconded by the Board to not disclose any discussion held in closed session.
Motion passed 4-0.

- Adjourn: 3:24 pm

Summary of Health Service Board 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 (3) 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 as designated on the agenda.

Health Service Board and 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.

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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 of San Francisco 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, visit the Sunshine Ordinance Task Force website at <http://www.sfgov.org/sunshine>.

Lobbyist Registration and Reporting Requirements

Individuals and entities influencing or attempting 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 are prohibited at Health Service Board and committee meetings.
- The Chair of the meeting may order the removal of any person(s) in violation of this rule from the meeting room.
- 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.

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) 554-1722 or email at laini.scott@sfgov.org.