HEALTH SERVICE SYSTEM
CITY & COUNTY OF SAN FRANCISCO

DATE: April 7, 2016

TO: Randy Scott, President, and Members of the Health Service Board

FROM: Catherine Dodd PhD, RN
Director HSS

RE: Board Report March 4, 2016 to April, 2016

HSS Personnel

- Finance: 1632, Senior Account Clerk – Ivan Ha will transfer effective April 12.
- 0923, Contracts Manager – Testing to occur on April 14, 2016.
- Operations: 1210 position has been filled; start date is April 18.
- 0931 Operations Manager position is vacant. Job posting is in process.
- Graphic artist start date May 4.
- Research Assistant position: only 2 people left on list will complete interviews by April 16.
- Wellness: 2593 position, Health Program Coordinator III, was posted. Interviews will be conducted later in April.
- 2 positions remain vacant per last year's budget for "attrition savings."
- Employee engagement vendor contract completed and work begun.

Operations

- All customer service levels were met in March.
- Increase in calls compared to 2015 was due to 1095 questions and Blue Shield enrollment issues for members with Medicare.

Data Analytics:

- Implementation of the Enterprise Content Management system is officially underway. Kick-off occurred March 31st.
- Open Enrollment project management is underway. This is our first year applying a formal project management framework with a certified project manager to our open enrollment. The planning and execution phases are underway. 250 tasks have been identified along with their required resources, duration, precedent and dependent activities.

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Finance

- Fully Executed Integral Talent Systems Agreement for professional services as they relate to development, design and administration of the Employee Engagement Survey.
- Received continuing approval from the Civil Service Commission for HSS contracts.
- Procured Training Services for Management Team Training.

Communications

- Informal bids issued for two Board approved communication projects: website strategy and expanding HSS brand style guide to incorporate wellness.
- Health Service Board had top clicked links in March eNews: members are interested about Rates and Benefits.

Wellness

- 111 Champions were trained on healthy eating in the workplace and the new online challenge program Colorful Choices. Additional efforts were made to engage Champions in training and successfully increased the number of participants.
- Colorful Choices is a 6-week program that addresses the low intake of fruits and vegetables reported in the Well-being Assessment (only 17% of respondents reported meeting the daily recommendation).
- Colorful Choices begins 4/18: Employees, retirees, and family members can all participate by going to myhss.org/well-being.
- All Colorful Choices communications were completed and shared with leaders and Champions.

Director: Meetings/Presentations/Misc.

- **Testimony:**
- Submitted Testimony opposing the proposed EGWP increases.
- Submitted Testimony to the Department of Insurance expressing concern regarding the merger of Anthem and Cigna because previous mergers have reduced competition and increased cost to consumers.
- **Meetings:**
- Weekly Aon meetings.
- Monthly emerge meetings.
- ITS INC engagement survey kick off meeting.
- As PBGH member, attended the SF Business Times “Future of Health Care” breakfast.

- Attended ABL meeting.
- Attended National Committee to Preserve Medicare & Social Security meeting.
- Attended PBGH quarterly board meeting. Featured speaker: former Secretary Sebelius.
- Presented at SEIU RN bargaining session.
- Participated in In-Person Brown & Toland ACO quarterly meeting, numbers are improving.
- Participated in In-Person Hill Physicians ACO quarterly meeting, targets met.
- Met with Mayor's staff.
- Participated in semi-annual Blue Shield utilization meeting. Pharmacy costs continue to trend upward due to cost of anti-retrovirals and specialty drugs, insulin costs are also increasing dramatically.
- Participated in Blue Shield HSS marketing meeting.
- Met with UHC account reps regarding progress of NPPO.
- Participated on conference calls with PBGH re: EGWP increases.
- Participated in call with Department of Justice examining merger between Rite-Aid and Walgreens.
- Spoke on the ACA on panel at USF with Senator Art Torres, Dr. Smith, CA Director of Public Health Services and Dr. Patrick Courneya, MD, Executive Vice President of Hospitals, Quality and Care Delivery Excellence for Kaiser Permanente.

Question from Board member

Inquiry from Commissioner Breslin, in the February meeting citing an article in the IFEBP magazine, there is a special rule for excise tax calculation purposes for multiemployer plans:

A special rule treats any coverage under a multiemployer plan as "other than self-only" (i.e., family) coverage regardless of the type of coverage provided to the employee. Consequently, it appears that multiemployer plan sponsors can always use the family dollar amount to calculate the excise tax.

HSS staff consulted AON compliance "subject matter experts" and our Deputy City Attorney consulted with outside Health Counsel and both determined that: *that HSS is not a multiemployer plan for the purposes of avoiding the excise tax in the employee only category.*

Given that HSS is not a multiemployer plan and caveating that final excise tax calculation regulations are not final at this time, it is unlikely that HSS would be eligible to use the special multiemployer plan rule and thus would be subject to the separate individual and family excise tax thresholds.

Below is the definition of a multiemployer plan from the International Foundation for Employee Benefit Plans:

(https://www.ifebp.org/news/featuredtopics/multiemployer/Pages/default.aspx).

Underline added to the definition below for emphasis HSS is not maintained under a collective bargaining agreement and thus HSS is not a multiemployer plan.

A multiemployer plan is an employee benefit plan maintained under one or more collective bargaining agreements to which more than one employer contributes. These collective bargaining agreements typically involve one or more local unions that are part of the same national or international labor union and more than one employer. If the multiemployer plan is a "Taft-Hartley" plan, the plan sponsor is a joint board of trustees consisting of equal representation from labor and management; these trustees are responsible for the overall operation and administration of the plan. The board of trustees is generally the "named fiduciary" and allocates or delegates the administrative functions to persons or entities with expertise regarding the particular function. (Note: Some industries, such as the sports industry, have multiemployer plans that are not Taft-Hartley plans. They involve contributions from several employers and one or more collective bargaining agreements, but they do not have trust funds governed by a joint board of labor and management trustees.)

Other updates:

CMS released its annual Medicare Advantage increase, it will go up by only 0.85%, down from the proposed 1.35%.

Aon re: Medicare Advantage Funding.

On April 4th CMS released final 2017 funding rules for group-based Medicare Advantage plans, which are expected to generally weaken the financial value proposition associated with group-based Medicare Advantage strategies relative to the past. This note provides an overview of the key themes and implications.

The final 2017 CMS rules introduce a new method to determine annual Medicare Advantage group funding based on the individual market Medicare Advantage competitive bid process, generally resulting in reductions in funding for group-based Medicare Advantage plans over time relative to current.

CMS is moving forward with this new funding approach under a two-year phase-in, and with a "one-year look back" to provide the market with an opportunity to adjust to the new funding approach, and mitigate group-based plan sponsor concerns over timing. Reductions in funding could result in larger-than-expected 2017 premium increases, benefit reductions, or both.

- In order to provide health plans, plan sponsors, and retirees time to adapt to this group Medicare Advantage funding change, CMS is providing a two-year transition to the new methodology. The transition will support a 50/50 blend of

the current and new approach toward funding for 2017, with the new approach fully phased-in for 2018.

- In order to publish the group Medicare Advantage funding results with the final CMS guidance (similar to years past), CMS is using the results of individual market Medicare Advantage plan competitive bid process from the prior year to set current year group Medicare Advantage funding.
    - For example, group Medicare Advantage funding for 2017 has been calculated using the results of the 2016 individual market plan bid process, with appropriate adjustments, and under the transition approach outlined above.
    - It appears as though this “one-year look back” strategy will be a permanent part of the annual CMS process, in order to support timing needs associated with group-based benefit delivery.

We originally projected that the impact of the fully-implemented new 2017 funding approach could reduce 2017 group-based Medicare Advantage funding between $20 and $40 PMPM, with results varying by plan sponsor based on their specific facts and circumstances. Due to the CMS transition, we would expect the impact to be softer for 2017, but fully felt in 2018.

Good news for 2017: please note that the ACA Health Insurer Fee has been waived for 2017, resulting in an approximate $20 - $40 PMPM savings for group-based Medicare Advantage plans, which is expected to offset much of the impact of the 2017 CMS funding change outlined here. That said, unless the waiver is extended, the Health Insurer Fee is expected to return for 2018+, so any cost mitigation may result for 2017 only, with a leveraged impact for 2018, and once the CMS transition to the new funding approach is complete.

From UnitedHealthcare re: EGWP fees are going up due to CMS changes. More information on this will be presented at the June Board Meeting.