

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

101: HEALTH SERVICE BOARD TERMS OF REFERENCE

Introduction

- 1) The San Francisco Health Service System (“SFHSS”) is dedicated to providing outstanding health and other employee benefits to its members while adhering to the highest standards of customer service.
- 2) To carry out its mission and the responsibilities of the SFHSS, as set out in the City Charter (“Charter”) and San Francisco Administrative Code (“Administrative Code”), the Health Service Board (“Board”) has established clear roles and responsibilities for itself, and the other parties involved in the governance and management of the SFHSS.
- 3) The Board has established these terms of reference to confirm and build upon the Board’s statutory duties. In the event of a conflict between the City Charter or the Administrative Code and the terms of reference or governance policies adopted by the Board, the City Charter and Administrative Code will prevail.

Duties and Responsibilities

General Duties

- 4) Consistent with Charter section 12.201, the Board and each committee of the Board shall confine its activities to policy matters and matters coming before it as an appeals Board.
- 5) The Board’s duties fall into two broad categories:
 - a) Designing benefit plans and benefit changes and determining rates under Charter section A8.422 subject to final approval by the Board of Supervisors; and
 - b) Health and welfare plan and fund administration in connection with:
 - i) The Health SFHSS Trust Fund, under Charter section 12.203;
 - ii) Benefit plans adopted under Charter section A8.422; and
 - iii) Benefit plans are administered by the Board under Charter section 4.102.

Plan Adoption and Benefit Design

- 6) Under Charter section A8.422, the Board has an important role to play in designing health benefit plans and amendments thereto for adoption by the Board of Supervisors:
 - a) The Board shall have power, and it shall be its duty by a majority vote of the entire membership of the Board, to adopt a plan or plans for rendering medical care to SFHSS members, or for obtaining and carrying insurance against such costs or for such care. Such plan or plans as may be adopted shall not become effective until approved by ordinance of the Board of Supervisors, adopted by three-fourths of its members (Charter § A8.422); and

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- b) Consistent with the plan year set by the Board, at a public meeting, the Board shall review and determine the adequacy of health care provided for SFHSS members and the adequacy of rates and benefits and the compensation paid for all services rendered, and it may make such plan revisions as it deems equitable, however, such revisions shall not become effective until approved by ordinance of the Board of Supervisors adopted by three-fourths of its members.

7) To facilitate carrying out the duties set out in paragraph 6 above, the Board shall approve:

- a) The annual benefit and rate-setting process; and
- b) The Rates and Benefits Review cycle will guide the goals/objectives for the Board so that they can carry out the health care adequacy review as set forth in section 6) b).

Board Governance

8) The Board is responsible for ensuring effective governance practices in respect of the Board.

9) The Board shall approve, and amend, as necessary:

- a) An Annual Statement of Purpose (Charter § 4.102);
- b) Rules and regulations consistent with the Charter and Ordinances at least annually (Charter § 4.104(1));
- c) Terms of reference describing the roles and responsibilities of the Board, Board committees, Board officers, the Executive Director, and, if applicable a Medical Director;
- d) Any governance-related policies necessary to help ensure appropriate governance practices at SFHSS; and
- e) A Board Education Plan.

10) The Board shall:

- a) Elect a President and Vice-President of the Board on an annual basis;
- b) Establish standing or ad hoc committees or task forces as necessary;
- c) Upon the recommendation of the President, appoint Board members and a chair to each standing committee, ad hoc committee, and task force;
- d) Ensure that a Board orientation and continuing education program is in place to assist Board members in securing the knowledge they require to properly execute their duties;
- e) Annually conduct a Board performance evaluation, in which Board members may evaluate the performance and practices of the Board during the prior year and suggest opportunities for improvement;
- f) When budget permits, approve travel requests by Board members for education or other

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business purposes pertaining to SFHSS; and

- g) Ensure that a record of Board and Committee meeting proceedings is maintained as required under the *San Francisco Sunshine Ordinance*, Administrative Code, Chapter 67.

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Benefit Administration

- 11) The Board shall ensure the administration of health and wellness plans adopted by the Board of Supervisors under Charter section A8.422, and health and welfare plans established by the Mayor and the Board of Supervisors under Charter section 4.102.
- 12) The Board shall ensure that SFHSS management implements benefit and administration policies to ensure the efficient and effective administration of all benefit plans it administers, addressing, for example, membership rules, the annual rates, and benefits setting process, service quality standards, member communications, open enrolment rules, the confidentiality of member data, and performance evaluation of vendors.
- 13) The Board shall establish and, at least annually, review and if necessary, amend the SFHSS Rules to comply with Internal Revenue Code section 125.

Investment Administration

- 14) The Board shall administer the SFHSS Trust Fund in accordance with the Charter solely for the benefit of the active and retired members of the SFHSS and their covered dependents. (Charter § 12.203)
- 15) The Board shall have control of the administration and investment of the SFHSS Trust Fund provided that all investments shall be of the character legal for insurance companies in California. (Charter § A8.429)
- 16) In keeping with its fiduciary duty to prudently administer the SFHSS Trust Fund, the Board shall be responsible for:
- a) Approving a written investment policy statement, and reviewing, confirming, or amending such policy at least annually. The policy statement is outlined in the 209: SFHSS TRUST FUND INVESTMENT POLICY.
 - b) Ensuring qualified parties are appointed to manage SFHSS Trust Fund assets.
 - c) Ensuring regular compliance monitoring in regard to the investment policy statement.
 - d) Ensuring ongoing review of the investment performance of the Health Service Trust Fund.

Rates and Accounting

- 17) The Board shall adopt funding policies to ensure the financial health and integrity of each flex and self-funded plan, and shall be reviewed annually and, when necessary, amend said policies. The funding policy shall also address other reserves to be held in the SFHSS Trust Fund. The policy may address, among other things, appropriate contingency reserve targets for unanticipated needs and claims that are incurred but not reported ("IBNR"), the actuarial methodologies and assumptions to be used in determining reserves, and subsidies.

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18) As outlined in the City Ordinance, prior to the second Monday in January in the year, or such time consistent with the plan year set by the Board, the Board shall ensure a survey is conducted of the 10 largest counties in California, other than the City and County of San Francisco, to determine the average contribution made by each employer of such county to health benefit coverage. Based on the survey, the Board shall determine the average contribution made with respect to each employee by the 10 counties toward the health care plans provided for their employees, and shall certify to the Board of Supervisors the amount of such average contribution. (Charter § A8.423)

19) The Board shall:

- a) Ensure that management implements mechanisms to collect all required contributions to the Health SFHSS Trust Fund and to make all distributions in a timely manner;
- b) Ensure historical records on rates and costs are maintained;
- c) Ensure appropriate financial and operational controls are established by management;
- d) Ensure funding is in place to provide for the annual independent financial audit;
- e) Review with management significant accounting policy changes, as required; and
- f) Review and accept the annual audited financial statements and external auditors' management letter and take corrective action if required.

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Organizational Planning & Risk Management

20) The Board shall annually approve:

- a) A strategic plan, which may include a mission statement for the SFHSS, the broad direction and goals of the SFHSS, and the specific projects that must be completed to fulfill SFHSS' direction and goals;
- b) The SFHSS annual General Fund and the Healthcare Sustainability Fund Budget;
- c) The basic SFHSS organizational structure; and
- d) Outsourcing strategies with respect to cores SFHSS services, i.e., whether certain activities will be performed by an outside agent rather than SFHSS staff.

21) The Board shall ensure management develops, over time, on an ongoing system of operational risk management ~~to include health plan audits and compliance plans and that management reports to~~ the Board at least annually on such system. This may be accomplished as part of the strategic planning process if deemed appropriate by SFHSS management and the Board.

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Human Resources

22) The Board shall:

- a) Appoint an Executive Director and determine the duties and responsibilities of the position;

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- b) Establish a process for evaluating the performance of the Executive Director, and annually evaluate the Executive Director accordingly;
- c) Establish and annually review the compensation of the Executive Director within the ranges of the classification set for the position; and
- d) Ensure the Executive Director documents the delineation of SFHSS managerial authority and responsibility in the event the Executive Director is absent or unavailable to perform the Executive Director's duties for an extended period, along with any related procedures to ensure continuity in SFHSS operations. The Executive Director shall review such documentation, and any updates thereto with the Board, from time to time, subject to open meeting law requirements.

Communications

23) The Board shall:

- a) Ensure that an annual report describing its activities, and file such report with the Mayor and the Clerk of the Board of Supervisors; (Charter §4.103)
- b) Hold meetings open to the public and encourage the participation of interested persons; (Charter § 4.104.2)
- c) Conduct meetings in accordance with the *San Francisco Sunshine Ordinance* (San Francisco Administrative Code, Chapter 67), and the *Ralph M. Brown Act* (California Government Code, Section 54950 et seq.);
- d) Ensure that information is obtained and disseminated to the members of the SFHSS with regard to plan benefits and costs thereof; (Charter § A8.423) and
- e) Work with the Executive Director to ensure other mechanisms and procedures are in place to enable accurate, coordinated, and effective communication between the SFHSS and its stakeholders, including plan members, the City, other participating SFHSS employers, and employee groups.

Legislation and Litigation

24) The Board may, in closed session, consider and approve recommendations made by the Executive Director or legal counsel concerning settlements or other legal actions involving SFHSS.

Selection of Vendors

25) The Board shall establish policies to help ensure effective and prudent selection of service providers.

26) The Board recognizes that it is neither effective nor efficient for the Board to be involved in the selection of all service providers. Accordingly, the Board shall be responsible for approving the awarding of final contracts for the following primary service providers named below:

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- a) Actuaries;
- b) Plan Administrators;
- c) Hearing officers or firms providing the services of hearing officers;
- d) Third-party administrators retained for services in connection with non-Charter benefits and with contract values in excess of \$500,000 annually;
- e) External information technology consultants retained for services with contract values in excess of \$500,000;
- f) Services of a Medical Director;
- g) Investment managers or advisors; and
- h) Other service providers, as may be determined by the Board.

27) It is recognized and understood that the following services are provided or coordinated by various departments within the City:

- a) Financial and operational audit services;
- b) Custody services;
- c) Legal services;
- d) Investment management and advisory services; and
- e) Information technology services.

28) The Board shall communicate to the Executive Director regarding secondary service providers or classes of services providers, which the Executive Director shall be authorized to select, and the Board shall determine the controls to be put in place with respect to such authority; such as, for example, dollar limits on expenditure authority.

Monitoring

29) The Board shall ensure that appropriate monitoring and reporting practices are established and documented within SFHSS.

30) The Board shall periodically review compliance with, and the continued appropriateness of, any policies adopted by the Board including, but not limited to, policies in the following areas:

- a) Governance policies and terms of reference;
- b) Benefit design policy;
- c) Funding policies:
 - i) Rate Stabilization Reserve policy;

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- ii) Incurred But Not Reported ("IBNR") policy; and
 - iii) Contingency Reserves policy.
 - d) Investment policy;
 - e) Health Service System rules;
 - f) Communication policy; and
 - g) Accounting policy.
- 31) The Board shall monitor periodically:
- a) The levels of the reserves (on not less than a quarterly basis);
 - b) The adequacy of rates, including a retrospective review of rate-setting; and
 - c) The investment performance and costs of the Health System Trust Fund.
- 32) The Board shall ensure periodic performance reviews of key service providers including, but not limited to, insurance carriers and third-party administrators relative to pre-established performance criteria.
- 33) The Board shall ensure the periodic monitoring of usage and participation levels by members within SFHSS health plans, and the general affordability of the plans it administers.
- 34) The Board shall monitor the levels of service quality provided by the SFHSS health plans, and other benefit plans sponsored by the SFHSS, developing over time the methodologies necessary to do so.
- 35) The Board shall monitor:
- a) Implementation of the Strategic Plan; and
 - b) Compliance with the SFHSS Operating Budget.
- 36) At least annually, the Board shall review the performance of:
- a) The Executive Director; and
 - b) The Board itself.

Review

- 37) The Board shall review these terms of reference at least every three years.

History

- 38) These terms of reference were adopted by the Board on February 22, 2007; amended on April 9, 2015, February 14, 2019, February 10, 2022, and January 12, 2023.

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