2015-2017 STRATEGIC PLAN

Update December 2016

Advancing Employee and Retiree Health and Health Benefits

**SAN FRANCISCO
HEALTH SERVICE SYSTEM**

Affordable, Quality Benefits & Well-Being

Mission and Values

The San Francisco Health Service System is dedicated to preserving and improving sustainable, quality health benefits and to enhancing the well-being of employees, retirees and their families.

- We are **responsive** to members

- We treat members and one another with **respect**

- We **educate and empower** each other and our members

- We are **responsible** for the work we do

- We **appreciate** one another

- We are each good **team** members with individual accountability

- We strive for **excellence**

- We are proud of the **quality** of our work

- We have **fun** and maintain our sense of humor

Overview and Core Competencies

Per the San Francisco City Charter, the San Francisco Health Service System (SFHSS) administers health benefits for over 1150,000 employees as of January 2016, retirees and their eligible family members. Participating employers include the City & County of San Francisco, the San Francisco Unified School District, the San Francisco Community College District, and San Francisco Superior Court.

Benefits currently include:
- Medical Plans
- Dental Plans
- Vision Plan
- Flexible Spending Accounts
- Long Term Disability
- Short Term Disability
- Group Life Insurance
- Municipal Executive Flex Credits and Voluntary Benefits
- COBRA
- Employee Assistance Program
- Well-Being Services
- Voluntary Benefits

SFHSS core functions are: providing efficient and accurate benefits administration, negotiating cost-effective vendor contracts, maintaining accurate financial and vendor management, negotiating and establishing annual rates and benefits, maintaining demographic records, ensuring eligible members and dependents have access to quality healthcare, and providing opportunities for employees and retirees to enhance their health and well-being.

Health Service Board
SFHSS is overseen by the City's Health Service Board (HSB). The composition of the seven--member HSB includes a seated member of the City's Board of Supervisors, appointed by the Board President; an individual who regularly consults in the health care field, appointed by the Mayor; a doctor of medicine, appointed by the Mayor; a member nominated by the Controller and approved by the HSB, and three members of SFHSS, active or retired, elected from among their members. The HSB is responsible for appointing a full-time Administrator, who serves at the pleasure of the Health Service Board, and for setting the policy for and overseeing the administration of the System. The HSB conducts an annual review of health benefit costs, ensures benefits are applied without favor or privilege, and administers the business of SFHSS. Board meetings are regularly scheduled each month in San Francisco City Hall. The SFHSS Director is accountable to the HSB.

Finance
In total, the benefits which SFHSS administers currently cost $789.378 million annually. The SFHSS departmental administration budget of $11.2 million represents one percent of the annual benefits costs. The Finance division processes approximately 5,000 financial transactions annually, including vendor payments, over-the--counter premium payments and departmental work orders. Finance plays an integral role in the annual rate--setting process by assisting with rate negotiations, conducting the Charter-mandated 10-County Survey of public employer contributions to employee health premiums, and calculating approximately 6,0005,700 employee and retiree premium rates. Finance is also responsible for the annual external Trust Fund audit, the results of which are incorporated into the City's Comprehensive Annual Financial Report (CAFR). Working with

the Mayor's office, the Controller, and Board of Supervisors' Budget & Legislative Analyst's office, Finance develops the General Fund administrative budget. In addition, Finance prepares the budget for the Healthcare Sustainability Fund for communication, analytics and Well-Being activities. Finance works with other departments to prepare Governmental Accounting Standards Board (GASB) Other Post-Employment Benefits unfunded liability reports, the City's indirect cost plan, the calculation of retiree health care and assists in drafting legislation concerning benefits. The Contracts and Vendor Management unit in Finance conducts annual contract renewals and facilitates vendor Request for Proposal (RFP) and Requests for Qualifications (RFQ) processes and administers and monitors a Vendor Performance Program with guarantees tied to penalties.

Operations

The Operations division handles day-to-day enrollment transactions, provides decision support, coordinates premium contribution transactions with Finance, and acts as a liaison between members and healthcare vendors as needed. Operations staff provides member assistance from 8:00 a.m. to 5:00 p.m., Monday through Friday. From December 2015 through December 2016, Operations staff answered 51,533 member calls and provided in-person member assistance to 14,656 members, with an additional 2,160 in-person assistance to members occurring during Open Enrollment in October 2016, resulting in a total of 16,816 in-person assistance to members provided by staff during this period. Open Enrollment is conducted annually in October. During this time, the call volume and office traffic increases significantly. Depending on the significance of the year's plan and rate changes, Operations staff manually enters data for between 7,000 and 30,000 open enrollment applications into the PeopleSoft system, in order to meet deadlines for data transfer linked to the start of a new plan year every January 1. This division ensures compliance with city, state and federal regulations regarding protected health information privacy and records retention, advises the HSB on the rules that govern membership in the San Francisco Health Service System, and conducts ongoing eligibility audits. As the facilitator of the department's day-to-day use of PeopleSoft, Operations is playing an instrumental role in the transition to online benefits administration to PeopleSoft 9.2.

Communications

The Communications division, funded by the Health Service System Trust Fund, provides employees and retirees with accurate and timely benefits information, so they can make knowledgeable decisions about their healthcare coverage. This includes overseeing print materials, online information, and member events, as well as coordinating information distribution with DHR personnel officers, unions, retiree organizations and other groups. In addition, Communications ensures that information relating to administered benefits, Health Service Board proceedings, Finance and Operations are made available to SFHSS members. The department adheres to high standards of government accessibility and transparency. This division also oversees SFHSS member communications issued by healthcare vendors.

Well-Being

The Well-Being division, funded by the City and the Health Service System Trust Fund, seeks to improve the quality of life and overall well-being of City employees, retirees and their families, to improve health outcomes through prevention, managing risk, and properly managing conditions, and to help manage the rising costs of healthcare, worker's compensation and disability, as one part of a comprehensive strategy to control costs. Early services of the Well-Being division included the Employee Assistance Program (EAP), onsite events, such as flu shot clinics, biometric events, and health fairs, group exercise classes and Weight Watchers. With the division's expansion in 2014, supported by the Mayor's Office, Controller's Office and the Department of Human Resources, more services were added, including a City-wide Well-Being Assessment, recruitment of Champions for all departments, an expanded website, and the opening of the SFHSS Wellness Center. The Well-Being division works with all four employers, the departments, retirees, and labor, to best service all SFHSS members.

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Data Analytics
In 2015, SFHSS invested in the infrastructure and personnel required to develop the substantial healthcare reporting and analytics capabilities needed for effective rate negotiations, vendor management, premium cost analysis, monitoring of utilization trends and regulatory reporting requirements. Data Analytics partners with the Well-Being division for monitoring and analysis of population health risk, and in establishing baseline data and partners with the Finance division to analyze and calculate SFHSS benefit rates, conduct reconciliation activities and support audits. The Data Analytics division also has responsibility for maintaining and configuring the benefits administration modules in PeopleSoft, which is the transactional system used by Operations staff to administer benefits.

Key Strengths and Challenges

Key Strengths

Leadership Committed to Innovation
The HSB and the SFHSS management team are dedicated to continuous improvement in all aspects of the department. They actively seek to establish SFHSS as a leader in piloting innovative measures that will increase transparency and reduce costs while improving the quality of member healthcare.

Experienced Staff
The average tenure of SFHSS staff exceeds twelveten years of service. SFHSS Benefits Analysts are required to be knowledgeable about benefit programs offered by over ten contracted healthcare vendors to over 60 bargaining units. In addition, SFHSS benefits inter-relate with financial benefits from multiple retirement systems and government medical benefit programs, such as Medicare.

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New Technology Initiatives on the Horizon
SFHSS anticipates delivering Open Enrollment for the 2017 plan year as an online event. The implementation of eBenefits (online self-service) will necessitate significant efforts on a variety of fronts from systems work to communications, process flows, training and change management.

In November 2014, the Health Service Board approved the vendor for an All Payer Claims Database, which is a basic infrastructure component for healthcare reporting and analytics and is consistent with the July 2013 Board of Supervisors resolution on healthcare pricing and transparency. The solution was implemented in October of 2015, enabling analysis of Well-Being initiatives and disease management programs, risk-adjusted episodes of care, insight into avoidable costs and complications, highlighting gaps in care, and delivering a next generation dashboard and key performance indicators.

Credibility with Members and Vendors
SFHSS members trust the San Francisco Health Service System to provide accurate and timely information about benefits, as well as supportive and professional service. In addition, the HSB operates in a transparent and accessible fashion that encourages member review and comment. The San Francisco Health Service System and HSB have established a reputation with vendors for knowing the industry and driving innovation.

Key Challenges

Rapidly Complex Industry Change

The degree of change in the health care industry is creating what the U.S. military refers to as a VUCA world – an environment that is volatile, uncertain, complex and ambiguous. The degree of change and the speed of change create multiple unknowns and interdependencies. Areas SFHSS must respond to include: legislative and regulatory uncertainty, provider system redefinition, the changing practice of medicine, new entrants and intermediaries, health technology including pharma advancement, accompanied by exponential cost increases, a realignment of patient care and health management, the unknown impact of the exchanges, both private and public, the likely repeal of the Affordable Care Act (ACA) and other possible changes to legislation proposed by the new administration, and change in the employee value proposition.

Within the legislative and regulatory realm, changes in the make-up of Congress will usher in changes. The continuation of key taxes is in question. It's unclear if, further the requirement of automatic enrollment has been delayed and no guidance issued, monitoring the definition of reporting on the number of full and part time employees, and notifying employees will continue. It's likely to be required by and the IRS for reporting is required in 20162017. The continued impact of the state exchanges and implications for COBRA and early retirees will need to be monitored. Most significantly, the implementation of the Excise Tax on High Cost Employer-Sponsored Health Coverage (Excise Tax or Cadillac Tax), which is scheduled for 202018, has not yet been clarified. SFHSS medical plans with Healthcare Flexible Spending Accounts (FSA) are close to or above the threshold for the 40% excise tax.

The implementation of the Excise Tax will require identifying multiple approaches to mitigate it. This will require actions involving reducing costs, optimization of network and plan performance, improving employee/retiree health status and risk factor reduction, optimal management of care and chronic conditions, moving to reimbursement for value rather than discounts and changes in plan design. Monitoring and exposing the impact of hospital system mergers, acquisitions and consolidations with physician groups will be essential. The importance of having data in this changing environment cannot be underscored enough. These actions are in order regardless of whether the Excise Tax is repealed.

SFHSS will need to ensure access to care for all members as technology moves to online provider communication. New products and technology will challenge the traditional three plan model SFHSS has worked with for years. SFHSS Benefits Analysts may need to assist in navigating through different vendors as integrated care is sought, which is an expansion of their role.

Rising Cost of Healthcare
The cost of healthcare premiums has risen to an average of 9% per year for the past ten years while SFHSS, by comparison, has remained below 5% the last six years, although costs have decreased in the last four years. Pundits point to a variety of causes for the increase: lack of business transparency, inefficiencies in care delivery, fee-for-service payment systems, additional fees resulting from federal action, patient demand for expensive technology, costly chronic conditions caused in part by poor dietary choices and lack of exercise. But no silver bullet has been found; it will take a multi-dimensional effort to reduce costs. Increases in the next two years will be substantial and by 202018 pharmacy costs will make up 50% of our total medical cost.

Difficult decisions will need to be made regarding access to specialty drugs and services. Advocating for transparency in cost and quality will be essential to manage the environment which predicts between 5% and 9% cost increases year over year.

Limitations in Staffing and Budget
Since Between FY 2010-11 and FY 2016-17, staffing levels increased by a total of 13.27 FTEs15 positions. Finance staff was increased by one position to deal with conversion to the Blue Shield Flex-funded product, the United Healthcare Employer Group Waiver Plan (EGWP) for pharmacy benefits for Medicare retirees, compliance issues associated with the Affordable Care Act, and to provide for increased internal controls. The Contracts and Vendor Management Unit under Finance was increased by one 2 position due to the increased

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volume and complexity of SFHSS contracts and vendor management. Operations was increased by 23 positions due to the PeopleSoft upgrade to version 9.2, increased compliance issues associated with the Health Insurance Portability and Accessibility Act (HIPAA), to implement eBenefits and to begin converting member files to digital formats. Two new programs were added – (a) Data Analytics (32 positions) to support continuing eMerge changes and the use of medical informatics and data to inform rates and benefits decisions, and (b) Well-Being division (4 positions) to address key health risk factors that can be modified through behavior change, and support choices that improve the health and morale of City employees, dependents and retirees. In order to support the increased emphasis on Well-Being Communication, one position was added in FY 2015-16. The Employee Assistance Program (EAP) was also expanded by one position. The balance of two positions are to support a centralized administrative function and to provide cutting edge data on healthcare trends to support informed decision making.

Even with the increase in staff and the new programs, the current level of the funding is only sufficient to sustain minimal staffing levels for ongoing operations. Implementation of PeopleSoft 9.0 resulted in an increase in manual processes, which has not decreased with the upgrade to PeopleSoft 9.2. Rolling out eBenefits will require additional resources in order to ensure SFHSS maximizes the new system's usability and benefits administration capabilities. Operations staff will need to be trained to be benefits counselors rather than benefits analysts. Well-Being and Well-Being Communications require additional resources, as will bringing the document and call management systems up to date. The current budget will not fund new initiatives.

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Outdated Technology Infrastructure

The current primary benefits administration system relies heavily on cumbersome data entry from paper forms. Customer Relations Management Systems have been purchased and built for SFHSS-specific information. Staff has been trained and quality monitored. The new phone system and the call management system will require training. Other essential processes related to member billing continue to be handled in a labor-intensive manual fashion.

eBenefits User Interface

Once eMerge has completed configuration, SFHSS expects there will be a steep learning curve for members utilizing the self-service features of eBenefits and this will impact adoption and implementation. The user experience is not intuitive nor is it designed with a consumer mindset yet eBenefits requires the consumer to be the user.

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Decentralized Departmental/Employer Communication

To correctly and seamlessly administer benefits, SFHSS requires effective communication with the four employers, City departments, and the retirement systems. Critical information does not consistently flow between the various organizations. Not only is SFHSS impacted by upstream decisions; but, likewise, SFHSS decisions and workflows can impact other downstream departments.

Increasingly Complex Regulatory Compliance

Federal healthcare reform as well as state and local initiatives are forcing SFHSS to operate in a climate of rapidly changing and increasingly complex regulation and administration, with the risk of significant fines for non-compliance.

Fragmented Member Communication Systems

There is no coordinated communication system (such as an intranet) for reaching all SFHSS members, employed and retired, across all the City employers. There is no mechanism for meeting federally-mandated legal requirements for employee consent for electronic delivery of health and well-being information. Distribution of benefits and well-being information currently relies heavily on maintaining a network of individual contacts in the various departments, and mailing printed materials, which are expensive to produce and send.

Summary of Strategic Goals

1 Department Operational Excellence

Ongoing Initiatives

- Strive for excellence in member interactions and exceed industry standards.
- Maintain high accounting standards.
- Maximize staff effectiveness.
- Comply with regulatory and legislative updates
- eServices: online enrollment via PeopleSoft 9.2.
- Develop and implement internal reporting environment.
- Improve member records access and retention.

2 Affordable, Quality Healthcare

Ongoing Initiatives

- Effectively prepare Health Service Board for mandated annual rates and benefits review with possible vendor changes
- Manage contracted health plans to improve care and reduce cost.
- Enhance and monitor and advocate for effective Accountable Care Organizations (ACOs).
- Enhance dashboard reporting and informatics.
- Continue to seek out innovative solutions for possible implementation by SFHSS.

New Initiative

- Consider contracting arrangements with vendors, hospitals and medical groups that

3 Informed, Transparent, Effective Governance

Ongoing Initiatives

- Enable Health Service Board effectiveness.
- Heighten members' awareness of Board activities and fiduciary responsibility.
- Continue enhancing web-based digital communication of Board activities.

New Initiative

- Engage vendor to conduct employee climate/engagement survey

4 Educated, Empowered SFHSS Members

Ongoing Initiatives

- Ensure consistency and accuracy of employee and retiree health benefits communications.
- Engage members in making well-being a priority.
- Upgrade HSS website.
- Increase digital communications with members.
- Engage departments in creating a culture of well-being.
- Implement an All Payer Claims Database.

New Initiatives

- Develop web-accessible video library on member informational topics
- Collaborate with eMerge and Operations on implementing HIPAA-compliant new self-service online enrollment.

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This strategic plan is supported by an action plan in Excel format that further details each initiative with a priority of importance, management team leader, data range, metrics for success, critical path tasks and current status. The action plan is a living document that guides the day-to-day decisions of the management team in how best to apply available financial and human resources.

Strategic Goal 1

Department Operational Excellence

Opportunity

The San Francisco Health Service System administers $750 778 million in health and other benefits and provides well-being services to employees and retirees. Managing these responsibilities requires effective outstanding service to members. It also requires complex benefit vendor eligibility and premium reconciliation, financial oversight, vendor management, regulatory compliance, investment in well-being, and the expansion of technology infrastructure for data analytics.

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HSS is committed to delivering key initiatives related to departmental excellence. These include engaging HSS staff in well-being activities, expanding the knowledge and expertise of Benefits Analysts, implementing an internal reporting environment, and improving automation of benefits administration. Accomplishing these initiatives will help ensure HSS can continue to deliver sustainable, quality health benefits and enhance the well-being of employees, retirees and their families in the future.

Ongoing Initiatives
- **Strive for excellence in member interactions and exceed industry standards:**
  - Average call abandonment rate <3%
  - Average speed to answer 90% in 30 seconds or less
  - Average lobby wait time 90% < 10 minutes
  - 90% of enrollment transactions processed within 2 business days
  - 95% of Open Enrollment transactions processed by October 31mid-November
  - Ensure quality and accuracy of in-person member support
  - 99% resolution of member appeals within 60 days
  - Each staff member will receive annual HIPAA training. This training will be extended to the Controller's staff in eMerge and PPSD, and to the Department of Human Resources.

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- **Maintain high accounting standards:**
  - Ensure error-free annual trust fund audit
  - Develop annual budget that accurately projects financial needs of the department
  - Continuous improvement, documentation and standardized reporting of all billing processes, including member delinquencies
  - Coordination of all aspects of annual rate calculations and implementation for all employers and retirees
- **Maximize staff effectiveness:**
  - Provide all staff annual training and ensure they are successful
  - Complete management training and Individual Development Plan for all supervisors
  - Provide annual performance appraisal and SMART goals for all employees

- Ensure compliance with all local, state and federal laws
- Maintain disaster response plan and training
- Maintain City-wide employment policies (Ethics, Disaster Service Worker, Incompatible Activities, etc.)
- Enhance partnerships with other City Departments and SFHSS employees
- Build effective partnerships and maintain consistent communication with all stakeholders across the City
- Provide annual training of staff on Open Enrollment information and plan year changes
- Complete operational technology assessment and implement technology enhancements
- Work with Department of Human Resources to ensure implementation of MOU changes
- Comply with HIPAA and HITECH requirements
- Improve the health and well-being of employees by building a culture of well-being at SFHSS
- Ensure operational and financial risks are mitigated by updating and implementing policies and procedures

- **Comply with regulatory and legislative updates:**
  - Develop and implement plan for federal Patient Protection and Affordable Care Act (PPACA), rolling provisions through 2018
  - Annually update HIPAA plan, SFHSS rules and Section 125 Cafeteria Plan per federal PPACA and Health Information Technology for Economic and Clinical Health (HITECH) Act
  - Comply with all state and municipal legislation affecting public employee health benefits
  - Maintain up-to-date Section 125 Cafeteria Plan document and associated policies

- **Automate benefits administration via PeopleSoft 9.2:**
  - Collaborate with key departments, including eMerge division of the Controller's Office and other employers on usability of PeopleSoft 9.2's self-service – eBenefits
  - Collaborate with eMerge on existing voluntary benefits interfaces for PeopleSoft 9.2
  - Add and Expand voluntary benefits

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  - Coordinate PeopleSoft 9.2 and PeopleTools update training plan for HSS Benefits Analysts
  - Plan and implement member service lobby needs for eBenefits, kiosks, reception and technical support
  - Develop and implement document management system to support incoming digital documentation from PeopleSoft 9.2 eBenefits
  - Develop and implement Customer Relationship Management System to effectively handle member cases and enhance PeopleSoft 9.2 – eBenefits technical support
  - Collaborate with eMerge on PeopleSoft 9.2 post-launch debugging
  - Implement automated member credit card processing

- **Improve member records retention policies:**
  - Secure funding to procure document management system and digitize existing paper records
  - Evaluate off-site storage contents and need for long term retention

- **Develop and implement internal reporting environment (HSSDATA):**
  - Procure Business Intelligence tools to lay on top of Oracle environment provided by eMerge
  - Develop queries, reports, tables, derived fields to support internal querying needs, which support Operations and Finance

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  - Develop intranet portal

- Create accessible repository of internal procedures, forms, workflows, materials and other information to facilitate member service

Threats to Success

The scope of regulatory and legislative changes required in the near future is currently not fully known. Tracking and implementing changes in federal legislation and state/local law, due to legislative action and ballot propositions will require significant management resources, as well as support from SFHSS legal counsel. If significant changes are mandated, it could have a large effect on the allocation of all SFHSS staff resources, including additional revisions to PeopleSoft.

Implementing ballot initiatives presents significant challenges. Charter mandates conflict with employer mandates and information is not readily accessible across all four employers.

These risk factors could require that SFHSS delay other strategic new initiatives simply to succeed at maintaining routine operations related to essential benefits administration. These risk factors could require that SFHSS delay other strategic initiatives in order to succeed at maintaining routine operations related to essential benefits administration.

Delays by eMerge to program for self-service online benefit enrollment continue. SFHSS expects there will be a steep learning curve for individuals utilizing the self-service features of eBenefits and this could impact adoption. The user experience is not intuitive nor is it designed with a consumer mindset yet eBenefits requires the consumer to be the user.

SFHSS administers benefits based on information entered into PeopleSoft. Department and employer non-compliance with timely and accurate updates can result in unnecessary costs or interruptions in coverage.

Finally, staffing and budget constraints may delay implementation of these new initiatives.

Strategic Goal 2

Affordable, Quality Healthcare

Opportunity

The delivery of healthcare today is characterized by systemic complexity and a crisis in affordability. As a major purchaser of healthcare in the Bay Area, SFHSS has the opportunity to work with local medical groups, hospitals and insurers in devising innovative ways to improve the quality of patient care and containing costs. By taking a leadership role, SFHSS can be at the forefront of collaboratively developing programs that have a positive, long term effect on member health, as well as the fiscal well-being of City employers. SFHSS has multiple opportunities associated with the implementation of the All Payer Claims Database (APCD) to improve care and decrease costs. These programs also have the potential to serve as a model for other large employers in the private and public sector who are facing similar challenges.

Ongoing Initiatives
- **Effectively prepare Health Service Board for Charter-mandated annual rates and benefits review:**

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- Prepare Board to negotiate health plan benefits which reflect increased vendor transparency, reduced premium cost, and enhanced quality of care
- Collaborate with actuary to present options for optimal, cost effective, evidence-based benefit design
- Report on innovative programs to promote health and manage disease
- Provide data analysis addressing the need to provide benefit options for out-of-area retirees

- **Manage contracted plans to improve care and reduce costs:**
  - Routinely monitor vendor services, via quarterly scorecard, for continuous quality improvement
  - Keep all annual vendors contracts up-to-date with current regulatory and business requirements
  - Annually audit self-insured plan to ensure payment accuracy
  - Develop and administer performance guarantees and penalties that include clinical outcome measures
  - Apply SFHSS specific performance guarantees to strengthen engagement of vendors in health promotion and chronic disease improvement of SFHSS population
  - Quantify operational tasks related to vendor performance, such as handling discrepancies
  - Conduct routine eligibility audits
  - Embrace opportunities to participate in research projects that will enhance the well-being of our members
  - Audit financial transactions and contract provisions to ensure overpayments do not occur
  - Enhance coordination of benefits practices
  - Improve care coordination for members with complex chronic conditions
  - Embrace opportunities to participate in research projects which will enhance the well-being of our members
  - Enable and monitor the effectiveness of Accountable Care Organizations (ACOs) (hospital admissions and re-admissions and reducing unnecessary emergency room visits)

- **Enhance dashboard reporting and informatics:**
  - Assess and improve data collection standards and presentation for existing dashboard
  - Make presentation of dashboard data more flexible, informative and actionable
  - Benchmark comparable employers to enhance application of industry trend analysis and forecasting
  - Annually monitor population risk changes

- **Continue to seek out innovative solutions for possible implementation by SFHSS:**
  - Participate fully and utilize the Pacific Business Group on Health resources
  - Participate in the Adaptive Business Leaders on Health
  - Stay abreast of changes through the International Foundation of Employee Benefit Program
  - Participate in forums on benefit and well-being design
  - Network with other public employers
  - Identify ways to mitigate the City's exposure to the Excise Tax
  - Implement an All Payer Claims Database (APCD)

New Initiative
- **Consider contracting arrangements with vendors, hospitals and medical groups that reduce cost and improve quality**

Threats to Success

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The healthcare landscape will continue to change primarily driven by financing mechanisms and healthcare reform. Continued market consolidation in the form of acquisitions and mergers and new physician/hospital models are occurring and will further prevent competition. The majority of SFHSS members live in the Bay Area where the market is dominated by one hospital/medical group player (not including Kaiser). In many instances (e.g. outpatient surgery) there is no competition, making a plan design change to use "reference pricing" (which promotes competition) impossible. Further, many hospital, health facility and medical group contracts with the insurers expressly prohibit the release of any cost information ("gag clauses") and include tiering requirements (such as the facility must be included in the lowest premium cost tier even if they are the most expensive). In fact, California law prohibits the disclosure of contracted fees between insurers, medical groups and hospitals. This lack of transparency prohibits employers who purchase managed care services from gaining visibility into actual costs versus premium costs.

Rigorous data analysis is required to identify and address actual rather than speculative health care cost drivers but first the data must be available. Lack of data standardization across vendors can make data collection and analysis difficult.

Lastly, one of the provisions of the Affordable Care Act that is scheduled for implementation in 202018 is the Excise Tax. A 40% excise tax will be levied on premiums that exceed a preset threshold. The tax applies to both fully insured and self-funded medical and dental coverage. The full impact of the tax is not known at this time because the rules for implementation have not been released. In addition, at this time only a few tools are available to SFHSS to mitigate the taxes: increasing copayments for services and eliminating Healthcare Flexible Spending Accounts. The newly elected Congress may also increase the Medicare age of eligibility by two years, increasing the cost of early retiree coverage.

Strategic Goal 3

Informed, Transparent, Effective Governance

Opportunity

By setting a high standard for open, responsible governance, the San Francisco Health Service System and its Board support the fundamental principles of a society ruled by law. The members of the Health Service Board are fiduciaries of a financial trust fund, and are responsible for the authorization of health vendor contracts totaling $77850 million annually. In an atmosphere where public employee benefits are under intense scrutiny, the Health Service Board must continue to highlight its ongoing commitment to information transparency, ethical conduct and accountability.

Ongoing Initiatives
- **Enable Health Service Board effectiveness:**
  - Implement HSB governance policies
  - Routinely report to HSB on all significant aspects of SFHSS benefits administration and changes in the industry
  - Respond to HSB questions and issues within 24 hours
  - Ensure implementation of an education plan for HSB members
- **Heighten members' awareness of Board activities and fiduciary responsibility:**

- Ensure HSB and Committee meeting agendas and associated documents posted online within 72 hours of meetings
- Provide digital video of board meetings on the SFHSS website within 72 hours of meetings
- Publish SFHSS financial metrics routinely on the SFHSS website
- Produce a tri-annual strategic plan and annual report and post in PDF format on SFHSS website

- **Continue enhancing web-based digital communication of Board activities:**
  - Implement digital distribution of HSB materials
  - Pursue funding commissioners to attend conferences related to fiduciary responsibilities and lowering the cost of healthcare
  - Ensure access to International Foundation of Employee Benefit Plan (IFEBP) courses and updates for board members using IFEBP courses and HSB Board Meeting Presentations

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  New Initiative

- **Engage vendor to conduct employee climate/engagement survey**

Threats to Success

City budgetary constraints impact the ability of SFHSS to invest in annual training for SFHSS executive staff and commissioners.

Strategic Goal 4

Educated and Empowered SFHSS Members

Opportunity

Well-informed members will make wiser decisions about benefits, as well as about the behaviors that impact their health. In 2014, the Well-Being division expanded in staff and services, due to an investment by the City and County and the expanded use of the Trust Fund for well-being programs. The support of the Mayor's Office, Controller's Office and the Department of Human Resources has propelled the well-being program to a new level for City employees, however, it will be important to maintain that momentum in the coming years to truly transform the culture to one that actively supports well-being. The City and County has committed funding and resources to the SFHSS Well-Being Program. SFHSS will be implementing the All Payer Claims Database (APCD), which will collect utilization data quarterly and health risk assessment data annually to measure improvement. SFHSS will urge the City College of San Francisco and the San Francisco Unified School District to commit funding as well, but there will be added value to City College and the School District from the City commitment.

SFHSS routinely delivers timely, accurate and well-organized health benefit and well-being information to retiree and employee members. SFHSS standardized visual design, written language and presentation standards across multiple communication channels (web, print, video, email, social media, presentations and events), allowing SFHSS staff to maintain a brand that reflects the mission and values of the department. In addition, SFHSS monitors member communications issued by contracted vendors, complies with state and federal regulations that govern benefits and well-being information, and ensures

digital access to Health Service Board proceedings. Through these initiatives, SFHSS serves as a trusted source, to help employee and retiree members make positive lifestyle choices and navigate a complex and changing healthcare system.

Ongoing Initiatives

- **Ensure consistency and accuracy of employee and retiree health benefits communication:**
  - Communications and operations teams collaborate effectively on timely, consistent, accurate benefits information delivered via print, web, phone and in-person member contact
  - Annual release of accurate OE materials to all members in compliance with regulations
  - Target zero substantive factual errors in annual benefits guides; maximum of two minor errors per guideComply with federal and state regulations pertaining to employee/retiree communications about health benefits and well-being
  - Routinely update website myhss.org
  - Review and approve contracted vendor communications

- **Engage members in making well-being a priority:**
  - Re-assess well-being of employees periodically
  - Increase awareness and utilization of well-being benefits provided by SFHSS and SFHSS health vendors
  - Partner with labor and other stakeholders to promote well-being engagement
  - Maintain the SFHSS Wellness Center
  - Continue to enhance myhss.org to make it the hub for well-being information for SFHSS
  - Partner with the health plans and City departments, such as Recreation & Park department, to offer expanded well-being services on-site

- **Upgrade SFHSS website:**
  - Plan and implement online premium payments

- **Increase digital communications with members:**
  - Develop a project plan for communicating with SFHSS members more effectively via email and social media
  - Develop a project plan for HIPAA-compliant member initiated email communication with SFHSS staff on matters that involve Protected Health Information (PHI)
  - Develop a project plan for reducing member and staff reliance on paper benefits guides
  - Increase use of social media for benefits and well-being communication
  - Make dynamic membership summary data reporting available to members

- **Engage departments in creating a culture of well-being:**
  - Expand the Employee Assistance Program (EAP) team to facilitate a greater onsite presence for individual counseling, mediations, manager consultations, seminars and trainings
  - Provide City-wide well-being challenges
  - Train a network of Champions to develop a culture of well-being through the three P's (people – social interactions, place – environmental changes, policy – informal and formal policies that support well-being)

- **Implement an All Payer Claims Database (APCD):**
  - Provide aggregate information on cost and quality of healthcare
  - Use the APCD to identify gaps in care trends and communicate them to SFHSS members

New Initiatives
- **Collaborate with eMerge and Operations on implementing HIPAA-compliant new self-service online enrollment**
- **Develop web-accessible video library on member informational topics**

Threats to Success
- Progress with Department of Technology and Info Security delayed online premium payment service
- Staffing was inadequate to complete web-accessible video library

The ability to universally distribute health and well-being communications to SFHSS members in a cost-effective manner does not exist. In addition, SFHSS has very limited staff and the budget for communications is constrained.

Successful well-being programs are delivered consistently across the employee population. Continued support from the City both in funding and priority will be vital in sustaining the effort. Additionally, leadership support for well-being at the Superior Court, City College of San Francisco and San Francisco Unified School District will need to be secured for the additional well-being services to have substantial impact at those employers. The Champion network is a key resource. Champion training and support is ongoing. Maintaining that structure requires careful attention and dedicated staff time, especially for vast number of employee members, employers and departments that SFHSS services.

With regard to digital improvements, such as online benefits enrollment and online premium payments, SFHSS must coordinate with other departments to provide essential technology infrastructure. Delays in implementation at those source departments and/or limited input on optimizing systems for member usability, will affect SFHSS' operational efficiency and costs. Accuracy of addresses may be jeopardized by self-service, which allows employees to change their address online.

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Advancing Employee and Retiree Health and Health Benefits