



HEALTH SERVICE BOARD
CITY & COUNTY OF SAN FRANCISCO

Minutes

Regular Meeting

Thursday, February 11, 2016

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
 Vice President Wilfredo Lim
 Commissioner Karen Breslin
 Supervisor Mark Farrell
 Commissioner Sharon Ferrigno
 Commissioner Stephen Follansbee, M.D.
 Commissioner Gregg Sass, excused

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

This meeting was called to order at 1:05 pm.

- 02112016-01 Action item Approval (with possible modifications) of the minutes of the meeting set forth below:
 - Regular meeting of January 14, 2016Staff recommendation: Approve minutes.
Documents provided to Board prior to meeting:
Draft minutes.

- Commissioner Follansbee noted a correction in the minutes on page 7, third bullet from the bottom. He had asked a two-part question of Mitchell Griggs (HSS Chief Operating Officer), and requested that the answer to the second part also be included in the minutes: the Form 295C will not be available electronically for 2016.
- Commissioner Lim moved to approve the regular meeting minutes of January 14, 2016, as edited.
- Commissioner Follansbee seconded the motion.

Public comments: None.

Action: Motion was moved and seconded by the Board to approve the regular meeting minutes of January 11, 2016, as edited.

Motion passed 6-0.

□ 02112016-02 Discussion item

General public comment on matters within the Board's jurisdiction not appearing on today's agenda

Public comments: Diane Urlich, United Educators of San Francisco ("UESF") Retired Division, asked why Kaiser Permanente does not offer the Silver Sneakers program, unlike other health plans. She asked if the question could be posed to Kaiser during the rates and benefits process.

Cindy Green, Kaiser Permanente Executive Account Manager, reported that Kaiser does not currently offer Silver Sneakers to its retired members; however, it will be available in the 2017 plan year. Kaiser is currently finalizing the details. There could potentially be a cost for this benefit. Additional information will be presented during the 2017 renewal process.

President Scott acknowledged the extensive agenda, and stated that several items had been continued from previous meetings. He asked for everyone's cooperation in keeping comments and questions focused in order to move efficiently through the presentations, noting that a closed session was also scheduled at the end of the meeting.

RATES AND BENEFITS

- 02112016-03 Action item
- Initiation of black-out period for all HSS vendors for the duration of the rates and benefits process (President Scott)
- Staff recommendation: Approve black-out period during 2017 rates and benefits process.
- Documents provided to Board prior to meeting: HSS memo announcing black-out period.
- Director Dodd referenced her memo regarding the 2017 rates and benefits black-out period. This notice prohibits Board members from communicating with service providers on rates and benefits matters except during Board or committee meetings. Board members who communicate with service providers on subjects unrelated to HSS agree to disclose such in writing to the HSS Director and the Board.
 - Commissioner Breslin moved to approve the blackout period for the 2017 rates and benefits process.
 - Commissioner Lim seconded the motion.
- Public comments: None.
- Action: Motion was moved and seconded by the Board to approve the initiation of a black-out period for all HSS vendors during the 2017 rates and benefits process.
- Motion passed 6-0.
- 02112016-04 Action item
- Approve City Plan’s administrative fees for 2017 plan year (Aon Hewitt)
- Staff recommendation: Approve City Plan’s administrative fee for 2017 plan year.
- Documents provided to Board prior to meeting: Report prepared by Aon Hewitt, “City Plan (UHC) Administrative Fees Presentation.”
- Anil Kochhar, Aon Hewitt actuary, presented the renewal of City Plan’s administrative fees for the 2017 plan year.

- The Employer Group Waiver Plan (“EGWP”) premium for 2017 is not included in this presentation and will be presented when it becomes available.
- UnitedHealthcare proposed an increase of 3% over its 2016 administrative fees for actives, early retirees and Medicare retirees.
- See pages 3 and 4 of report.
- Commissioner Breslin moved to approve UnitedHealthcare’s administrative costs for the 2017 plan year.
- Commissioner Lim seconded the motion.

Public comments: None.

Action: Motion was moved and seconded by the Board to approve UnitedHealthcare’s proposed 2017 administrative fees.

Motion passed 6-0.

□ 02112016-05 Discussion item

Review of City Plan’s (UHC) rate stabilization reserve (Aon Hewitt)

Documents provided to Board prior to meeting: Report prepared by Aon Hewitt, “City Plan PPO Rate Stabilization Reserve Presentation” and Stabilization Policy.

- Anil Kochhar asked if this item could be changed to an action item in order for the Board to approve the stabilization amount to be applied to City Plan’s 2017 rates.
- Erik Rapoport, Deputy City Attorney, responded that this item should have been noticed as an action item if Board approval was required. However, the HSS Director may make an independent decision and follow up at a later time.
- Mr. Kochhar reviewed the stabilization policy and City Plan’s rate stabilization calculation. See page 2 of Aon Hewitt’s report.
- The calculated amount per the amortization policy to be applied to City Plan’s 2017 rates (33% of stabilization reserve) is \$3.793M.
- Commissioner Breslin asked how City Plan’s 2017 rates will be affected by this year’s

stabilization amount of \$3.793M, since it is less than the 2016 stabilization amount of \$8.591M.

- Mr. Kochhar asked to defer his answer until the final rate calculations are presented in April.
- President Scott read the following from the Stabilization Policy: “The objective of a stabilization reserve is to spread any underwriting gains or losses into the following year’s premium calculation in an even-handed manner such that the Employers and membership are not subject to volatile year over year changes in premium.”
- Mr. Kochhar stated that any surplus will be refunded over a three-year period according to the amortization policy. Deficits will be added back into the rates.
- Commissioner Lim stated that according to page 2 of Aon Hewitt’s report \$3.793M will be applied to the 2017 rates. He asked if the \$3.793M will also be applied against City Plan’s premiums across the board when presented in April.
- Mr. Kochhar responded affirmatively.
- Aon Hewitt recommended amortizing \$3.793M across all rating tiers of City Plan PPO according to the Stabilization Policy. See page 5 of report.
- President Scott asked, without objection from the Board, that Director Dodd be guided by Aon Hewitt’s recommendation and that formal action take place at a later date.

Public comments: None.

- 02112016-06 Discussion and possible action item
Presentation on premium rate relativity (R:fR+1:R+2) equalization for Kaiser and Blue Shield early retirees (Aon Hewitt and HSS)

Documents provided to Board prior to meeting: Report prepared by Aon Hewitt and HSS, “Rate Relativity Equalization.”

Staff recommendation: Establish equal rate relativities across entire HSS membership over a

three-year period. Instruct actuary to prepare three sets of rates: status quo, equalizing early retiree rate relativity and spreading equalization over three years.

- This presentation was made by Anil Kochhar, Aon Hewitt actuary, and Catherine Dodd, HSS Executive Director.
- Director Dodd reported that upon examination of the early retiree rate structure, it was determined that rate relativity was not equal across the HSS membership.
- Rate calculations for early retirees differ from active members, 65+ members and all City Plan members. This contributes to Kaiser's and Blue Shield's early retirees exceeding the federal excise tax threshold for 2018 and subsequent years.
- HSS' current rate relativity structure is inconsistent with industry standards and the 10-County average.
- HSS sets the retiree health insurance premium rates for the following three tiers for Blue Shield, Kaiser Permanente and UHC City Plan (note, the new UHC National PPO plan is part of UHC City Plan):
 - retiree only
 - retiree plus one
 - retiree plus two
- Per the Charter, retiree premiums are calculated by subtracting the 10-County average and the actuarial difference from the full retiree premium and then applying the Prop E subsidy.
- Rate relativity is determined by the Health Service Board and not the Charter.
- HSS negotiates the overall premium cost with each insurer for all members in each plan and then divides into three tiers.
- The overall retiree premium rate tiers are stratified: R only; R+1 and R+2. The

relationship between the rates is called the “rate relativity.”

- Commissioner Breslin stated that she had never heard the term “rate relativity” prior to this meeting and asked where it originated.
- Director Dodd stated that “rate relativity” is an insurance industry term.
- The insurance industry practice asserts that R+1 is equal to twice the premium of the R premium. R+2 is equal to three times the R premium. This is consistent with the 10 counties and CalPERS.
 - Example (1:2:3):
R = \$1,000
R+1 = \$2,000
R+3 = \$3,000
- As a matter of long term practice, HSS consistently applied the standard rate relativities equally for all members. At some point, the standard rate relativities were changed to apply only to active members, 65+ members and City Plan members.
- The rate relativity was changed for early retirees in Kaiser and Blue Shield. The change resulted in non-standard rate relativities for early retirees as follows (see chart on page 6 of report):
 - Blue Shield: 1: 1.45 : 1.81
 - Kaiser: 1: 1.50 : 1.91
 - City Plan: 1 : 1.97 : 2.84
- Equalizing the rate relativities across all members will effect one-third of the early retirees (5,689 total). This change will decrease premiums for the retiree-only members in Kaiser and Blue Shield and lower the excise tax for 3,304 members. Early retiree premiums will increase for R+1 and R+2 in Kaiser and Blue Shield. City Plan will not be effected because it has been equal with the other plans (1 to 2 to 3). See page 7 of report.

- HSS staff recommends establishing equal rate relativities across the entire membership over a three-year period.
- HSS staff recommends that the Board direct the actuary to present three sets of rates:
 - status quo
 - equalizing early retiree rate relativity
 - spreading equalization over three years
- See pages 9 and 10 of report for Kaiser and HMO comparisons.
- President Scott stated that this is also an approach to prepare for the 2020 excise tax.
- Commissioner Breslin asked who was behind this proposed change and the examination of the Charter since it had not been previously discussed by the Board. She asked if the Controller had also been involved.
- Director Dodd responded that the proposed rate relativity came from HSS' review of how the rates were calculated and the discovery that the early retiree rates were not equal to the rest of the membership. She stated that the Controller had also taken an interest because of the impact on GASB but the idea did not originate from the Controller.
- Commissioner Breslin asked if the Board actuary worked with (or will work with) the Controller on this rate relativity issue.
- Director Dodd responded affirmatively that the actuary will work with the Controller's Office in determining the City's GASB liability, if the Board decides to take action on the matter.
- Commissioner Breslin reported on an incident prior to Director Dodd's tenure wherein the Controller at the time asked for assistance from the HSS actuary to work on the City's GASB liability. The director at the time did not allow the same staff to assist the Controller's Office due to conflicting interests.

- Commissioner Breslin asked for the historical record on the matter, stating that in her 15 years on the Board, she did not recall a Board discussion on rate relativity. She spoke with Harry Paretchan, who served on the Health Service Board from 1971 to 2001, and another staff member from 1976 to 2004. Neither had recollection of this matter. Commissioner Breslin asked for the dates when the rate relativities were consistently applied.
- Director Dodd stated that it was her understanding that the rate relativities were applied before 2002 and 2003, when Prop E was passed. She offered to go back and pull the rates.
- Commissioner Breslin requested to see the facts surrounding this issue, stating that backup information should have been presented since recommending such a serious change will effect the most vulnerable members. The intent of A8.428 in the Charter is clear—to equalize the rates between retirees and actives, which means that they should pay the same premium. She read aloud excerpts from A8.428 and stated that there had always been a concern regarding providing coverage to early retirees with dependents.
- Director Dodd stated that she was working off the basis of fairness and that the retiree-onlys were subsidizing the retirees plus dependents. Everyone should be treated equally. She stated that the Charter referred specifically to the actuarial difference between the actives and retirees.
- President Scott stated that the driver of this issue was the upcoming excise tax.
- Commissioner Breslin asked why the expansion of benefits, such as surrogacy, was being proposed if there was concern regarding the excise tax. She stated that it did not make sense to increase benefits and

then take from members already on the system.

- Commissioner Lim asked for clarification on pooling the actives and early retirees together for the premium amounts.
- Mr. Kochhar confirmed that for the overall increase to the cost, actives and early retirees are pooled together; however, the rates for actives and retirees are different. The premiums are rated as one pool.
- Commissioner Lim stated that the premiums were the same but spread differently for actives and early retirees.
- Mr. Kochhar concurred.
- Commissioner Breslin again stated concern regarding the impact on early retirees with dependents.
- President Scott also noted that the Board would not make a decision at this meeting. The potential action was to request that the actuary make the calculation and return with a detailed rate structure for the Board's review.
- Commissioner Breslin also asked who concluded that the rate relativity was a policy determination of the Health Service Board. She questioned how something like this could appear yet no one knew where it came from.
- President Scott stated that the rate relativity issue was based on living memory and that no one seemed to know when it originally occurred other than something changed in 2003.
- Commissioner Breslin asked how much the City's annual premium contribution would be reduced by this proposed change.
- Mr. Kochhar responded that he could not answer the question until the calculations had been made.
- Commissioner Breslin asked Mr. Kochhar considered himself a fiduciary of the System.

- Mr. Kochhar replied affirmatively, stating that it was his responsibility to act in accordance with the guiding principles of the Health Service Board.
- Commissioner Follansbee asked for clarification on the information to be presented to the Board. Would HSS attempt to identify the Board's previous discussions and policy decision in the minutes that led to the current treatment of early retirees with dependents?
- President Scott stated that he anticipated clarification would be made on how the current practice came about.
- Supervisor Farrell stated that he has seen similar situations in many different bodies in the City. He asked for additional information for the Board's review; however, he was not as concerned about how the issue came about.
- Commissioner Lim asked to see a presentation of the status quo and an example of the proposed rate relativity based on the 2016 rates at the next meeting.
- Mr. Kochhar stated that he would return next month with the requested information but wanted to make clear that his examples would be based on the current 2016 rates and not 2017.
- Commissioner Breslin asked Mr. Kochhar about her question from last month's meeting regarding the IFEBP article that indicated multi-employer plans are entitled to use the family threshold for all participants, noting that it would make a big difference in the excise tax.
- Mr. Kochhar stated that he would provide an answer at the next Board meeting.
- Supervisor Farrell moved to ask the actuary to return with an example of the proposed rate relativity equalization based on 2016 rates.

- Director Dodd stated that the staff recommendation was to ask the actuary to establish equal rate relativities across the entire HSS membership, prepare three sets of rates for status quo, equalizing early retiree rate relativity and spread the equalization over three years.
- Supervisor Farrell revised his motion to accept the staff recommendation.
- Commissioner Lim seconded the motion.

Public comments: Claire Zvanski, former Health Service Board member and RECCSF representative, concurred with Supervisor Farrell's recommendation to see more information. She could not specifically recall what occurred on the Board in 2003. In the early days, during labor negotiations, families received the breaks in an effort to minimize out-of-pocket impact and the employee-only did not. She noted that the discussion on rate relativity equalization was about raw rates—before the Charter and results of MOU negotiations. The amount paid in the rate schedule is misrepresented because the MOU contract is reflected in the out-of-pocket costs. Her understanding was that the current discussion related to the raw rates before subsidies and the application of Prop E. She stated there were a number of early retirees in her organization with young dependents and they were screaming about the premium costs, noting that Prop E only subsidizes the first dependent. This will be a problem for any early retiree. She strongly suggested that the research be completed so that there can be further discussion, and then the retirees can tell the Board not to proceed because of the impact.

Tim O'Brien, Secretary-Treasurer of the Retired Firemen and Widows Association, stated that while he does not know for a fact, probably the majority of early retirees are police and fire. Many firefighters retire before the age of 65, whether they want to or not because they need to. He stated that healthy people have always subsidized sicker people. Even in education, people without children pay for the education of those who have children. The idea of one group subsidizing another is just the way

insurance works. He and his members have no problem with that. When the age of dependent coverage was raised to 26, a lot more dependents of early retirees were included. He expressed the hope that the follow-up information would not be used as a method to deal with the excise tax and justification to increase members' premiums.

Action: Motion was moved and seconded by the Board to accept the staff recommendation requesting the actuary to establish equal rate relativities across the entire HSS membership based on 2016 rates, prepare three sets of rates for status quo, equalizing early retiree rate relativity and spread the equalization over three years.

Motion passed 4-2.

Commissioners Scott, Lim, Farrell and Follansbee voted in favor of the motion.

Commissioners Breslin and Ferrigno voted against the motion.

□ 02112016-07 Discussion item

Review fund status for the Incurred But Not Reported (IBNR) reserves for UHC and Blue Shield (Aon Hewitt)

Documents provided to Board prior to meeting: Report prepared by Aon Hewitt, "Incurred But Not Reported ("IBNR") Reserve Fund Status Presentation" and IBNR Policy.

- Mr. Kochhar reported that HSS' self-funded plans are required to carry Incurred But Not Reported ("IBNR") reserves.
- An IBNR reserve is an estimate of unpaid claims liability for run-out claims incurred but not yet paid.
- HSS has three self-funded plans: UHC City Plan, Blue Shield of California and Delta Dental of California.
- See page 3 of Aon Hewitt's report for the self-funded plans' reserve balances as of June 30, 2015:
- The total IBNR reserve of \$29,342,768 has been independently reviewed by external auditors.

Public comments: None.

- 02112016-08 Discussion item **Review fund status for Contingency Reserves** (Aon Hewitt)
Documents provided to Board prior to meeting: Report prepared by Aon Hewitt, “Contingency Reserve Fund Status Presentation” and Contingency Reserve Policy.
 - Mr. Kochhar reported that the contingency reserve protects against shortfalls in funding estimates for each of HSS’ self-funded plans: UHC City Plan, Blue Shield of California and Delta Dental of California.
 - UHC City Plan, Blue Shield of California and Delta Dental of California are currently fully-funded. As of June 30, 2015, the contingency reserve total is \$23,844,507. See page 3 of Aon Hewitt report.
 - The estimates will be reset as of June 30, 2016.

Public comments: None.

- Meeting Break
Recess from 2:17 to 2:24 pm
Supervisor Farrell departed the meeting during the break.
- 02112016-09 Discussion and possible action item **Educational presentation: Surrogacy and Adoption Coverage and possible instructions to staff to explore further** (Aon Hewitt)
Documents provided to Board prior to meeting: Surrogacy White Paper and Adoption Assistance White Paper prepared by Aon Hewitt.
 - This topic was originally scheduled for presentation at the November Board Forum. It had been continued from two regular Board meetings and was finally presented at this meeting.
 - Anne Thompson, Aon Hewitt Vice President, reported on surrogacy and adoption coverage.
 - Ms. Thompson reported that according to Merriam Webster, surrogacy is defined as “the practice by which a woman (called a

surrogate mother) becomes pregnant and gives birth to a baby in order to give it to someone who cannot have children.”

- HSS’ current medical vendors do not offer a surrogacy benefit, although there is growing interest. Approximately less than 5% of employers offer surrogacy as a benefit. It is very popular in the tech industry as a way for female employees to build a career and have a family. Facebook was the first to offer a surrogacy benefit, followed quickly by Apple. Columbia University and T-Mobile offer this benefit as well. Aon was not aware of any public governmental entities offering the surrogacy benefit.
- Surrogacy benefits are stated as a lifetime maximum and range from approximately \$10,000 to \$30,000. The benefit would be available to any employee of any type.
- Surrogacy is subject to state and federal taxes, Social Security, Medicare and unemployment taxes. It is not a tax-deductible benefit, unlike medical or dental insurance.
- Typical covered expenses include:
 - Surrogacy agency fee
 - Compensation to the surrogate
 - Medical claims associated with pregnancy and delivery
 - Medical screening
 - Legal fees
- Non-reimbursable expenses include:
 - Voluntary contributions, such as donations
 - Legal expenses not associated with the surrogacy of the child
 - Expenses incurred prior to the employee’s date of hire
 - Charges that are in violation of federal or state law

- Non-medical expenses such, as transportation costs or maternity clothing
 - Loss of income due to pregnancy complications, such as bedrest
- Typical surrogacy costs range from \$50,000 to \$150,000. The program would need to be administered in-house since there are currently no vendors who manage a self-funded surrogacy benefit.
- Lloyds of London was identified as a possible provider of insurance. Aon Hewitt is exploring it as an option should the Board ask for additional information.
- From a legal and tax perspective, surrogacy may not be combined with an adoption benefit. Also, it may not be covered as part of a medical plan because the surrogate would likely not be a tax dependent of the employee.
- While surrogacy is legal in California, it is not legal in all states.
- See Aon Hewitt Surrogacy White Paper for additional information.
- A company-sponsored adoption assistance program financially assists or reimburses employees for expenses related to the adoption of a child.
- Reimbursement may be for a specific expense or expenses associated with an adoption or a set amount of money (i.e., \$5,000). It is usually paid after the adoption is finalized and not during the process.
- Adoption financial assistance for employees is common in the marketplace. Fifty-two percent (52%) of employers offer some level of assistance.
- Adoption plan design is typically a lifetime or per child dollar maximum (i.e., \$5,000 per child or \$5,000 in a lifetime).
- Some of the qualified adoption expenses defined by the IRS include:

- adoption fees
 - court costs and attorney fees
 - travel expenses
 - other adoption-related expenses
- Employer adoption assistance benefits cannot be used if the same expenses were used to claim a deduction or credit on a federal tax return.
- Typical costs via a foster system program is zero to \$2,500. The cost of a private or international adoption could cost \$7,000 to \$40,000 or more.
- From a legal and tax perspective, adoption benefits may be provided under a Section 125 Cafeteria Plan. It is non-taxable to the employee if criteria are met as designated by the IRS.
- See Aon Hewitt Adoption Assistance White Paper for additional information.
- Commissioner Breslin asked why surrogacy was being considered since it is a rare and expensive benefit.
- Director Dodd responded that HSS had been asked by several employees to provide surrogacy benefits. One surrogacy benefit of \$10,000 spread out over 65,000 members is not an expensive benefit. She noted that the benefit could be specifically restricted (i.e., gay men).
- Commissioner Breslin stated that heterosexual couples with infertility issues could also benefit from surrogacy, and not only gay men. She stated her preference of providing adoption benefits rather than surrogacy.
- Commissioner Follansbee asked how the number of requests for adoption benefits compare to requests for surrogacy benefits. He has friends who have completed the surrogacy process and the list provided was a small fraction of the actual costs.

- Director Dodd stated that there have been no requests for adoption benefits but when other companies were consulted, it was suggested to include surrogacy as well. She stated that limits could be set, such as paying only for medical.
- Commissioner Lim moved to instruct HSS staff to explore surrogacy and adoption plan designs and benefits for the Board's review.
- Commissioner Follansbee seconded the motion.

Public comments: None.

Action: Motion was moved and seconded by the Board to instruct HSS staff to explore surrogacy and adoption plan designs and benefits for the Board's review.

Motion passed 5-0.

□ 02112016-10 Discussion item

[Presentation on Copay Benchmarking](#) (Aon Hewitt)

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

- Won Andersen, Aon Hewitt Senior Vice President, reported on plan design benchmarking related to HSS' 2016 HMO and PPO plans.
- Ms. Andersen reported that plan sponsors perform comparative analyses on their plan designs on an ongoing basis to ensure that the programs offered are competitive against industry standards or their markets.
- The illustration in the report included categories for HSS vendors Kaiser Permanente and Blue Shield of California, Aon's book of business for the government and nationally, as well as the Carriers' (Kaiser's and Blue Shield's) book of business.
- Copays for Kaiser Permanente (\$20) and Blue Shield (\$25) are comparable to other plan sponsors' offerings.
- Kaiser's copays are the same for primary care physicians and specialists. The industry trend

has been to differentiate the cost between primary care physicians and specialists, with the costs for specialists being higher.

- The hospital benefit design includes two components—copay per admission or copay per day. HSS carriers charge hospital copays on a per admission basis rather than per day. The HSS plan design is more generous than the industry.
- The HMO pharmacy benefit design is copay structured. Kaiser has a two-tier pharmacy plan, generic and brand. Many benchmarks have a three-tier copay structure, which is being considered by HSS going forward. HSS' copays are either comparable or more generous than Aon Hewitt's book of business or the carriers' book of business.
- UnitedHealthcare's PPO plan design benchmarking components are slightly different than the HMOs' plan design. In addition to copays, co-insurance deductibles and out-of-pocket maximums apply in the PPO plan design.
- Ms. Andersen reported that from a trend perspective, more plans are moving to coinsurance-based programs versus copay.
- City Plan's 85% coinsurance is comparable to the government benchmarks. Other national large employers offer a slightly less generous plan design.
- City Plan's deductibles for individuals and families are relatively low and more generous than the government and national employer benchmarks.
- Out-of-pocket maximums in City Plan are slightly higher than the benchmarks from the government and national employers.
- City Plan's generic retail and mail order drug copays are generous compared to the benchmarks for generic, brand and non-formulary drugs

Public comments: None.

- 02112016-11 Discussion item ICD-10 Educational presentation (Aon Hewitt)

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

- President Scott stated that this was another carryover discussion item.
- Won Andersen reported that this presentation was informational only.
- The International Classification of Diseases (“ICD”) was developed in the 1700s by an Australian statistician and was much more prevalent outside the United States.
- The ICD codes relate to diagnostic, billing and reporting functions. There are two components of the ICD:
 - diagnosis code, which identifies the disease; and
 - procedure code, which identifies the service rendered.
- The version of the ICD is indicated by an accompanying number. For example, the current U.S. version is ICD-9 and there is movement toward ICD-10 (Europe is on its 20th edition).
- ICD-10 became effective on October 1, 2015. Therefore, claims incurred on that date or thereafter are in the new ICD-10 format.
- There are two components of the new ICD-10:
 - CM – clinical modification; and
 - PCS – procedure coding system
- The change in coding reflects the fact that dramatic changes have occurred in the practice of medicine with the discovery of new diseases, new procedures and new medical devices.
- ICD-9-CM contained 14,000 codes while the new ICD-10-CM contains 69,000 codes.
- The ICD-10-PCS (72,000 codes) will replace ICD-9-CM (4,000 codes) to increase the level of specificity in the procedure coding process.

- See Aon Hewitt report for the potential impact to carriers, providers, employers and plan sponsors.
- President Scott noted the last statement on page 6 under “Shifts in Trends,” in bold letters “Physician upcoding is not anticipated as reimbursements are based on CPT codes.” He stated that upcoding does not always occur with physicians but rather in the billing function within the practice.
- Commissioner Follansbee stated that when he was in fee-for-service practice, his bookkeeper questioned diagnoses, etc. Kaiser did not use CPT codes until the Pacific Business Group on Health inquired about it. It was very laborious for physicians who took ownership of the correct coding.
- Director Dodd stated that in a recent periodic utilization review meeting with Kaiser, it was noted that Kaiser’s Integrated Care Management (“ICM”) fee had decreased due to correct coding.

Public comments: None.

FINANCE COMMITTEE MATTERS

- 02112016-12 Action item **Approval of Health Service System FY 2016-17 and FY 2017-18 General Fund Administration Budget**
(Committee Chair Lim)

Staff recommendation: Approve proposed budget.

Documents provided to Board prior to meeting:
HSS memorandum.
 - Committee Chair Lim reported on the Finance and Budget Committee meeting held on February 8, 2016, wherein the Committee unanimously approved the HSS General Fund Administration budget for FY 2016-17 and 2017-18.
 - Commissioner Breslin noted that wellness items were included in the administration budget. She asked why some wellness activities were assigned to the administration

budget and others were assigned to the healthcare sustainability budget (also known as “the \$2.05”).

- Director Dodd stated that items beneficial to all employees and retirees were attributed to the \$2.05 budget. Items related to active CCSF employees, the School District, Community College District and the Courts were assigned the General Fund budget.
- Commissioner Breslin moved to approve the HSS Administration budget for FY 2016-17 and 2017-18.
- President Scott seconded the motion.

Public comments: None.

Action: Motion was moved and seconded by the Board to approve the HSS Administration budget for FY 2016-17 and 2017-18.

Motion passed 5-0.

Director Dodd congratulated Ms. Levin on a job well done.

President Scott commended the entire Finance team.

Pamela Levin, Deputy Director and CFO, reported that the Mayor’s Office and the BOS Finance Committee no longer considered applying a fixed two-year budget to HSS or the other 38 departments under review. The enterprise departments currently on a fixed two-year budget would continue on that schedule.

□ 02112016-13 Action item

Approval of Health Service System FY 2016-17 and FY 2017-18 Budget for the Healthcare Sustainability Fund (Committee Chair Lim)

Staff recommendation: Approve proposed budget.

Documents provided to Board prior to meeting: HSS memorandum.

- Committee Chair Lim reported that the Finance and Budget Committee also approved the HSS Healthcare Sustainability Fund budget (also known as “the \$2.05”) for FY 2016-17 and FY 2017-18 on February 8, 2016.

- HSS proposed an increase in the Healthcare Sustainability Fund from \$2.05 per member per month (“PMPM”) to \$3.00 PMPM. HSS was asked to present the items to be covered by the increase at the next Board meeting.
- Commissioner Breslin asked for a year-to-year accounting of the funds in the Healthcare Sustainability Fund, starting from the date of the increase from \$1.04 to \$2.05 PMPM. She specifically inquired about the funds projected and spent, including carryforwards.
- Pamela Levin referenced the summary on page 3 of her report for ongoing and one-time revenues and expenses beginning with the projection for FY 2015-16. She stated that the funds came from the previous year.
- Commissioner Breslin requested that, for clarity, the reports include projected amounts as well as the amounts spent.
- Commissioner Breslin also asked about the material incentives. She inquired whether there were any statistics suggesting improved member health, money saved or any indication that incentives made a difference in member behavior.
- Ms. Levin called on Stephanie Fisher, HSS Wellness Manager, to respond to the question.
- Ms. Fisher stated that typically bigger trends in wellness programs are not generally seen for at least three to five years; therefore, it is too early to make a determination. Currently the wellbeing assessment data is the best information available. Once that information is entered into the All-Payer Claims Database (“APCD”), a baseline report can be created.
- President Scott asked if particular metrics had been identified, such as diseases, body mass index and preventive therapy.
- Commissioner Breslin asked if the results of the wellbeing assessment had been determined.

- Ms. Fisher stated that the 2014 data had been entered into the APCD right before her leave and that she had just returned to work part-time. The early outcomes to look for would be the employee's perception on how the workplace was supporting their wellbeing. The year one data will be reviewed and the year two data will be input within the next few months.
- Commissioner Breslin asked if any of the vendors could provide preventive services. She also asked if there was any indication that the material incentives were successful in attracting participation.
- Ms. Fisher responded that certain wellness services are included in all of the medical plans but they vary. HSS members have access to fitness discounts through their medical plans but the benefits are not identical across the board.
- The incentives were distributed to encourage individuals to take the wellbeing assessment in order to collect baseline data. However, individuals were not encouraged to change their behavior. HSS is moving away from providing individual incentives and more toward encouraging departments to create workplace wellness from within.
- President Scott stated that half the battle to encouraging participation is to attract people's attention. Sometimes it takes a T-shirt or water bottle, etc. to draw notice.
- Ms. Fisher stated that there is not one strategy that works to get everyone's attention. It is important to find a balance that provides the best results.
- Commissioner Breslin stated that she was hesitant to vote to increase the \$2.05 PMPM to \$3.00 PMPM in the Healthcare Sustainability Fund.
- Committee Chair Lim clarified that today's vote was to approve the Healthcare Sustainability Fund minus the PMPM increase. The proposed increase of \$3.00

PMPM would be presented at the March 10, 2016 meeting along with the expenses attributed to the increase.

- Commissioner Scott moved to approve the HSS Healthcare Sustainability Fund for FY 2016-17 and 2017-18.
- Committee Chair Lim seconded the motion.

Public comments: None.

Action: Motion was moved and seconded by the Board to approve the HSS Healthcare Sustainability Fund for FY 2016-17 and 2017-18.

Motion passed 5-0

REGULAR BOARD MEETING MATTERS

- 02112016-14 Discussion item **President's Report** (President Scott)
Documents provided to Board prior to meeting: None.
 - As a matter of transparency, President Scott reported that the recording of the adjournment of last month's meeting was incomplete. Due to technological issues during the closed session and changes in procedure, SFGovTV was unable to capture a proper recording of the meeting's end. Going forward, all steps in the process will be correctly carried out.Public comments: None.

- 02112016-15 Discussion item **Director's Report** (Director Dodd)
 - HSS Personnel
 - Finance, Operations, Data Analytics, Communications, Wellness/EAP, Vendor Contracts
 - Meetings with Key Departments
 - Other additional updatesDocuments provided to Board prior to meeting:
 1. Director's report;

2. Reports from Operations, Data Analytics, Communications, Wellness and Employee Assistance Program;
3. Revised Rates and Benefits calendar; and
4. Transparency summary.
5. California Healthline article, “Drug Pricing Bill Can’t Pass Committee.”
 - Director Dodd highlighted the following from her Director’s Report, which may be viewed in its entirety on the myhss.org website:
 - Progress has been made in discussions regarding the employee engagement survey. To date, the vendor has administered 500,000 surveys an all 50 states. The questionnaire will contain 40 to 44 questions, which have been statistically tested. HSS will be allowed to add four or five questions.
 - Director Dodd commended Brian Rodriguez, HSS IS Administrator, for implementing HSS’ Customer Relations Management (“CMS”) system, which recently went live. The system will allow staff to document every conversation, provide consistent information and, hopefully, improve member satisfaction.
 - Director Dodd also commended Marina Coleridge, Mitchell Griggs and the Operations staff, as well as Rosemary Passantino in the distribution of 51,720 1095 forms in compliance with the Affordable Care Act.
 - President Scott also called attention to the revised rates and benefits calendar attached to the Director’s Report. It is a guide in the presentation of the rates material but the order can sometimes change.

Public comments: None.

- 02112016-16 Discussion item

HSS Financial Reporting as of December 31, 2015
(Pamela Levin)

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.
 - Pamela Levin, HSS CFO and Deputy Director, provided a brief update on the HSS financial report as of December 31, 2015.
 - The primary difference from the November 2015 year to date report presented last month and this report (as of December 2015) was Blue Shield's unfavorable and unexpected claims experience (approximately \$3M).
 - See Financial update memo and reports.

Public comments: None.

□ 02112016-17 Action item

[Approval of HSS 2015 Annual Report and Wellness Reports](#) (Director Dodd)

Documents provided to Board prior to meeting:

1. HSS 2015 Annual Report;
2. Annual Wellness Center Report;
3. 2015 Employee Well-being Program.
 - Director Dodd stated that all goals in the HSS Annual Report were accomplished and that it was a remarkable list of accomplishments. It is posted on the HSS website.
 - Director Dodd called on Stephanie Fisher, HSS Wellness Manager, to present the annual Wellness Center report for 2015.
 - Ms. Fisher reported that the Wellness Center opened in May 2014. This represents the first full year of reporting.
 - 2015 Highlights include:
 - 43% increase in visits per month
 - 81% increase in participants per month
 - 12% increase in group exercise participation at Wellness Center
 - 61% increase in group exercise at City Hall
 - Ms. Fisher stated that maximum capacity has been reached in the Wellness Center for Zumba and total body conditioning classes.

There is no goal to enlarge the classes because of the lack of physical room to grow.

- Exercise classes are being added at 1:00 pm to provide options for those unable to participate at noon.
- Classes at City Hall are much larger than those at the Wellness Center because of the size of the space. However, classes are cancelled frequently due to special City Hall events.
- The Wellness Center's most popular and successful special event was the flu shot clinic, which was combined with the 2015 open enrollment (over 300 members).
- The Champion program is the heart and soul of the employee wellbeing program. Ms. Fisher noted that Supervisor Farrell spoke about the Board's commitment to wellbeing at a recent champion appreciation event.
- The number of champions increased to 209 by the end of 2015, which was a 27% increase since the beginning of the year.
- A second wellbeing assessment was administered in 2015. The City's participation increased, as well as courts. The Unified School District's participation doubled.
- Thanks to the Board, incentives were provided to the four employers for employee participation in the wellbeing assessment.
- President Scott thanked Ms. Fisher and the Wellness team for their hard work.
- Commissioner Breslin moved to approve the 2015 HSS Annual Report and the Wellness Reports.
- Commissioner Lim seconded the motion.

Public comments: None.

Action: Motion was moved and seconded by the Board to approve the 2015 HSS Annual Report and Wellness Center Reports.

Motion passed 5-0.

□ 02112016-18 Action item

[Approval of 2015 Demographics Report](#) (Marina Coleridge)

Documents provided to Board prior to meeting:
2015 Demographics Report.

- Marina Coleridge, HSS Data Analytics Manager, presented a report on the HSS membership demographics as of January 1, 2016. The full report may be viewed on myhss.org.
- Ms. Coleridge acknowledged Rosemary Passantino, HSS Communications Manager, for her assistance with formatting the presentation.
- Highlights of the report include:
 - 115,765 enrolled lives as of January 1, 2016
 - Enrollment in UHC's National PPO was 1,233 for 2016
 - Significant increase in dental enrollment
 - The average age in City Plan decreased from 47.71 to 44.3 (see page 6)
 - See page 16 for 2016 demographics on employee members and dependents
 - Approximately 313 early retirees (15%) have children-only dependents. (See page 27) [President Scott asked that this information accompany the previous rate relativity item when presented in follow-up to the Board.]
 - See page 29 for 2016 demographics on employers.
 - Commissioner Follansbee stated that figure 4 on page 4 was confusing.
 - Ms. Coleridge stated that she would revise that section for clarity.
 - Commissioner Breslin asked about the early retiree information mentioned earlier (313 members with children-only dependents) on page 27.
 - Ms. Coleridge clarified that she had provided the information verbally. Written data will be

presented at the next presentation, as requested by President Scott.

- Commissioner Follansbee moved to approve the January 2016 Demographics Report.
- Commissioner Lim seconded the motion.

Public comments: None.

Action: Motion was moved and seconded by the Board to approve the January 2016 Demographics Report as presented and clarified.

Motion passed 5-0.

□ 02112016-19 Discussion item

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

- Cindy Green, Kaiser Permanente Executive Account Manager, announced the opening of Kaiser's Mission Bay medical office building on March 8, 2016. It is a 200,000 sq. foot full range medical office building.
- President Scott and Director Dodd, along with HSS staff, had the opportunity to tour the new facility.
- Commissioner Follansbee asked if Kaiser will provide data on member satisfaction comparing specialties that were split up with this new venture. He noted that he was aware of Kaiser's member satisfaction surveys.
- Ms. Green stated that she would return with further information.

Public comments: None.

□ 02112016-20 Discussion item

Opportunity to place items on future agendas

Public comments: None.

□ 02112016-21 Discussion item

Opportunity for the public to comment on any matters within the Board's jurisdiction

Public comments: None.

- 02112016-22 Action Item Vote on whether to hold closed session for member appeal follow-up (President Scott)
- Staff recommendation: Hold closed session.
- Commissioner Lim moved to hold a closed session for member appeal follow-up.
- Commissioner Ferrigno seconded the motion.
- 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 for member appeal follow-up.
- Motion passed 5-0.

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.

- 02112016-23 Action Item Member appeal follow-up (President Scott)
- Documents provided to Board prior to meeting:
Proposed draft decision.

Reconvene in Open Session

- 02112016-24 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 (President Scott)
- Commissioner Breslin moved to not report on action taken in closed session.
 - Commissioner Ferrigno seconded the motion.
- Public Comments: None.
- Action: Motion was moved and seconded by the Board to not report on action taken in closed session.
- Motion passed 5-0.

- 02112016-25 Action item

Vote to elect whether to disclose any or all discussion held in Closed Session (San Francisco Administrative Code Section 67.12) (President Scott)

- Commissioner Breslin moved to not disclose any of the discussion held in closed session.
- Commissioner Ferrigno seconded the motion.

Public Comments: None.

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

Motion passed 5-0.

- Adjourn: 4:13 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>

Disability Access

Regular Health Service Board meetings are held at City Hall, 1 Dr. Carlton B. Goodlett Place, in Hearing Room 416 at 1:00 PM on the second Thursday of each month. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call (415) 923-6142. There is accessible parking in the vicinity of City Hall at Civic Center Plaza adjacent to Davies Hall and the War Memorial Complex.

Accessible seating for persons with disabilities (including those using wheelchairs) will be available.

In order to assist the City's effort to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical-based products. Please help the City accommodate these individuals.

Knowing Your Rights Under the Sunshine Ordinance

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) 554-0662 or email at laini.scott@sfgov.org.

The following email has been established to contact all members of the Health Service Board:
health.service.board@sfgov.org.

Health Service Board telephone number: (415) 554-0662