

HEALTH SERVICE SYSTEM

The Health Service System (HSS), negotiates, administers and manages health and other benefits for active employees, retirees, and dependents from four employers: City & County of San Francisco, San Francisco Unified School District, City College of San Francisco, and San Francisco Superior Court. The Health Service System is dedicated to preserving and improving sustainable, quality health benefits, and to enhancing the well-being of its members and dependents.

SERVICES

The Health Service System provides services through the following divisions:

ADMINISTRATION develops policy recommendations, rates and benefits analysis, and plan designs to proactively manage health care costs, ensure access to quality care, and comply with local, state and federal law; coordinates monthly Health Service Board meetings; oversees plan vendor selections and performance analysis; and maintains relationships with employers, City departments, plan vendors, and external partners.

FINANCE ensures the timeliness and accuracy of thousands of financial transactions; conducts the Charter mandated 10-county survey; calculates annual premium rates; oversees the annual external audit of the Health Service Trust Fund; routinely reports to the Health Service Board, conducts contract renewals, coordinates vendor solicitations, administers Vendor Performance programs.

MEMBER SERVICES provides health benefits counseling and enrollment support for the more than 116,405 HSS members and dependents; maintains regulatory compliance and membership rules and conducts eligibility audits administration.

COMMUNICATIONS oversees the distribution of annual Open Enrollment packets; maintains a benefits web site with 122,000 visits each year; prepares reports and presentations; manages information requests; and reviews all vendor communications to HSS members for clarity and accuracy.

WELLNESS/EMPLOYEE ASSISTANCE PROGRAM seeks to improve employee quality of life, health outcomes, and reduce healthcare costs; provides services that support the enhancement of individual well-being; and develops a culture that supports employee well-being.

DATA ANALYTICS monitors network performance and trends, provides administrative analysis including forecast modeling, analyzes cost, utilization, and quality of healthcare, responds to informational requests, and manages data exchanges and information technology related to benefits administration.

BUDGET DATA SUMMARY

	2014-15	2015-16	2016-17		2017-18	
	Actual Budget	Original Budget	Proposed Budget	Change from 2015-16	Proposed Budget	Change from 2016-17
Total Expenditures	8,809,301	10,726,620	10,954,130	227,510	11,149,353	195,223
Total FTE	49	51	51	0	51	0



LOOKING BACK

Negotiating rates and benefits is a key function of the Health Service Board and Health Service System (HSS). Cost containment is critical, given the 9 percent increase in number of covered lives over the last five years and the anticipated impact of the 2020 Federal Excise Tax.

HSS has been successful in keeping health premiums below the national average for the last five years. In plan year 2015, the HSS aggregate premiums for medical and dental plans decreased 2.8 percent while the national average increased 3.2 percent. For 2016, the HSS aggregate premiums increased 3.8 percent while the national average increased 4.1 percent.

HSS continues to collaborate with Accountable Care Organizations (ACO) to reduce hospital length of stay and readmissions, increase use of generic drugs and urgent care, and decrease emergency room visits. These measures will reduce the City's Other Post-Employment Benefits (OPEB) liability.

HSS continued to use analytics to reduce the healthcare spend and improve quality of care. The All Payers Claims Database (APCD) was implemented allowing for prospective use of cost and utilization trends, analysis of avoidable costs, identification of gaps in care and insight into the quality of care. For the first time, a comprehensive overview of the benefits provided in the nine Bay Area Counties was completed. This serves as a benchmark for designing benefit offerings so the City can continue to be a competitive employer while maintaining sustainable benefit offerings.

Beginning in 2015, the Affordable Care Act requires employers, to submit to all full-time employees an IRS form documenting that they were offered health coverage and whether they enrolled. HSS created

and sent 51,000 forms which required extensive research and programming and resulted in over 1,000 inquiries. Employers are also required to submit a coverage summary to the IRS.

IMPROVING MEMBERS' EXPERIENCE

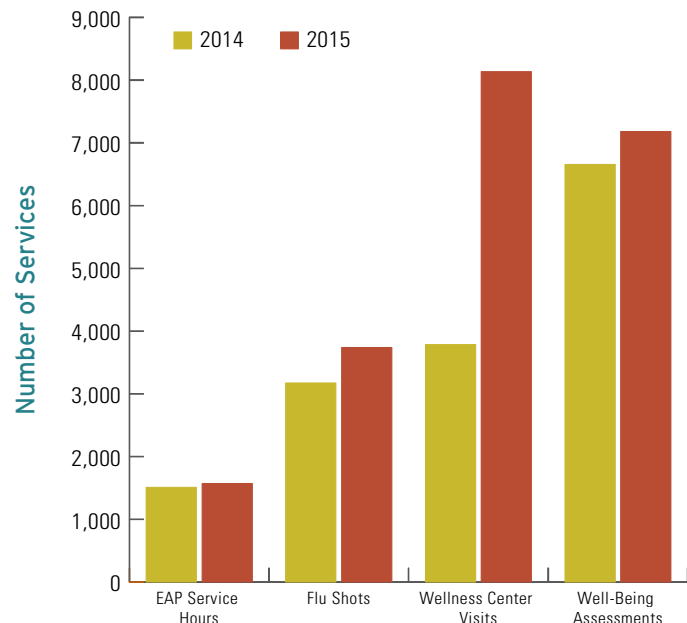
With the growth in covered lives, more member contacts are received. HSS responds to over 100,000 inquires annually and commits to improvement in member services. HSS implemented a Customer Relationship Management (CRM) solution to maximize staff effectiveness and efficiency, ensure timely resolution of member issues, and communicate consistent and accurate benefit information. A multiyear implementation of an Enterprise Content Management (ECM) system, which provides a secure centralized repository for management of member documentation, was initiated. The ECM boosts productivity of member services, meets compliance initiatives, enables better workflow, makes information easier to share and prepares the City for eBenefits.

BUILDING A WELLNESS INFRASTRUCTURE

The Wellness Program expanded in 2015 across the City to support development of a culture of wellness and programs to prevent chronic illness. With the support the from the Mayor and department heads, the number of Wellness Champions recruited and trained increased by 27 percent through 2015 to over 200. With support from the Champions, over 7,180 City employees participated in the 2015 Well-being Assessment. Wellness activities occur in multiple locations every day of the week. HSS also deployed new webpages to provide easier access to Wellness benefits.

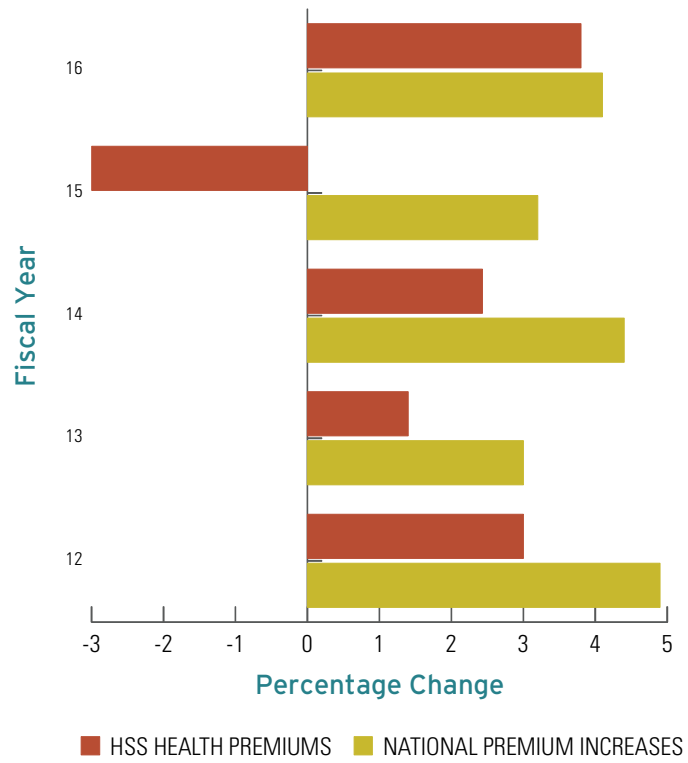
2014 WELLNESS SERVICES

The Citywide wellness program and activities in Health Services System Wellness Center increased since the 2014 launch of the program.



COMPARATIVE HEALTH INSURANCE PREMIUM INCREASES

The rising cost of healthcare is affecting the local, state and national economy. In general it is outpacing inflation, and having a negative impact on employers' ability to manage budgets and maintain jobs and wages. HSS oversight has resulted in lower increases than the national average. (Data on national trends from Aon Hewitt Health Value Initiative database.)



PERFORMANCE MEASURES

	2014-15	2015-16	2015-16	2016-17	2017-18
	Actual	Target	Projected	Target	Target
Collect baseline wellness data and develop infrastructure to support wellness					
• Percentage of departments with Wellness Champions		65%	83%	65%	70%
Educate and empower HSS members					
• Number of vaccinations at worksite/health fair-based flu clinics		3,000	3,739	3,300	3,600
Maintain high accounting standards					
• Percentage of accounts current in premium payments (delinquent less than 60 days)	99%	100%	100%	100%	100%
Manage contracted plans to improve care and reduce costs					
• Percentage of vendor contracts that include HSS specific performance guarantees	100%	100%	100%	100%	100%
Strive for excellence in member interactions and exceed industry standards					
• Average time to answer telephone calls (in seconds)	10	30	15	30	30
• Call abandonment rate	0.9%	5.0%	1.2%	5.0%	5.0%



BUDGET ISSUES AND DETAILS

The Fiscal Year (FY) 2016-17 proposed budget of \$11.0 million for the Health Service System is \$0.2 million, or 2.1 percent, higher than the FY 2015-16 budget of \$10.7 million. This increase is largely due to growth in citywide salary and fringe benefit costs.

The FY 2017-18 proposed budget of \$11.1 million for the Health Service System is slightly higher than the FY 2016-17 proposed budget of \$11.0 million. This increase is largely due to growth in citywide salary and fringe benefit costs.

IMPLEMENTING eBENEFITS

In 2016 HSS will pilot eBenefits for Open Enrollment, to 5,000 existing users of eMerge (the City's personnel and payroll management system). This paperless self-service enrollment solution will allow HSS members to enter their enrollment information at their convenience prior to October 31st and automate the processing of members' elections. Substantial cost savings and increased accuracy will be realized when the process for benefits enrollment is automated. Bottom-line benefits include reduced transaction costs, shorter cycle times for processing Open Enrollment elections, reduced HSS call volume, elimination of duplicate data entry, reduction of enrollment packet preparation, and reduction in the monitoring and tracking effort required for a paper-based system. Additionally, once eBenefits has been launched, HSS members will be able to view their elections online and enter qualifying events at their convenience.

Preparation for eBenefits requires both active and retired employees to be comfortable with using myhss.org to access documents and forms. HSS continues to expand the number and types of documents on myhss.org. The 2016 Open Enrollment guides and associated materials were available digitally. The number of site visits increased by 40 percent and the digital downloads increased by 240 percent as compared to 2014.

IMPROVING OPERATIONAL EFFICIENCY AND RESPONSIVENESS

HSS is working with the Department of Technology to replace the current phone system with Voice Over Internet Protocol (VoIP). The goal is to create a telephony system where higher level features such as advanced call routing, enhanced voice mail and call center functionality. Integration between the CRM and VoIP will significantly improve HSS's member communication capabilities and reduce costs.

A CULTURE OF WELL-BEING

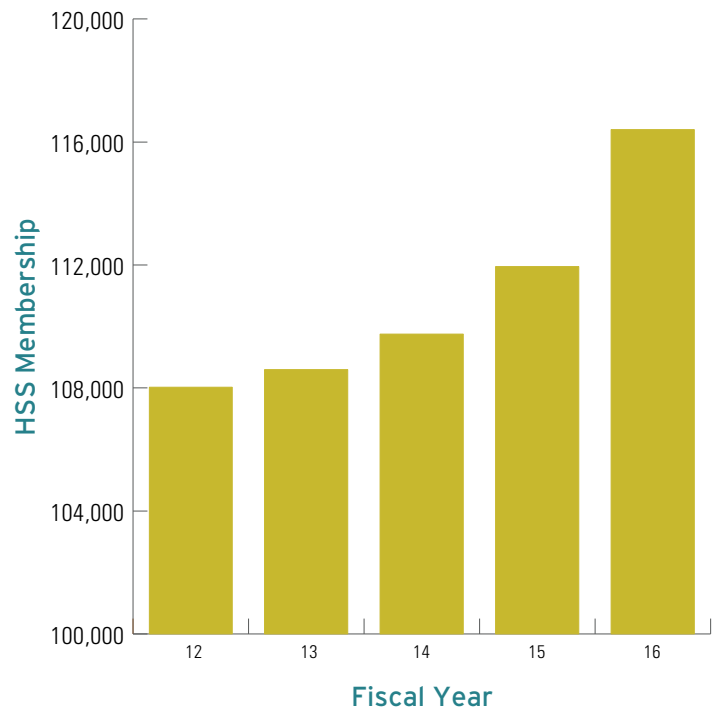
The Well-being Assessment raised awareness of personal well-being and leadership awareness of department specific well-being. In the next two years departments, with assistance from HSS, will be asked to implement programs, offer services, and address policies that will enhance areas that have been identified by their department's Well-being Assessments. These include nutrition and physical activity challenges, group exercise, educational seminars, wellness coaching, biometric screenings, and flu shots. Departments meeting the criteria will receive recognition and funds to support wellness. Onsite Wellness classes will continue to be offered to reduce stress and improve well-being. Additional Employee Assistance staff, added in FY 2015-16, will be available for individual counseling. Support for targeted initiatives will continue such as the diabetes prevention program research study and EAP-driven trainings, and consultations with managers will also be offered.

ENHANCING BENEFIT OFFERINGS

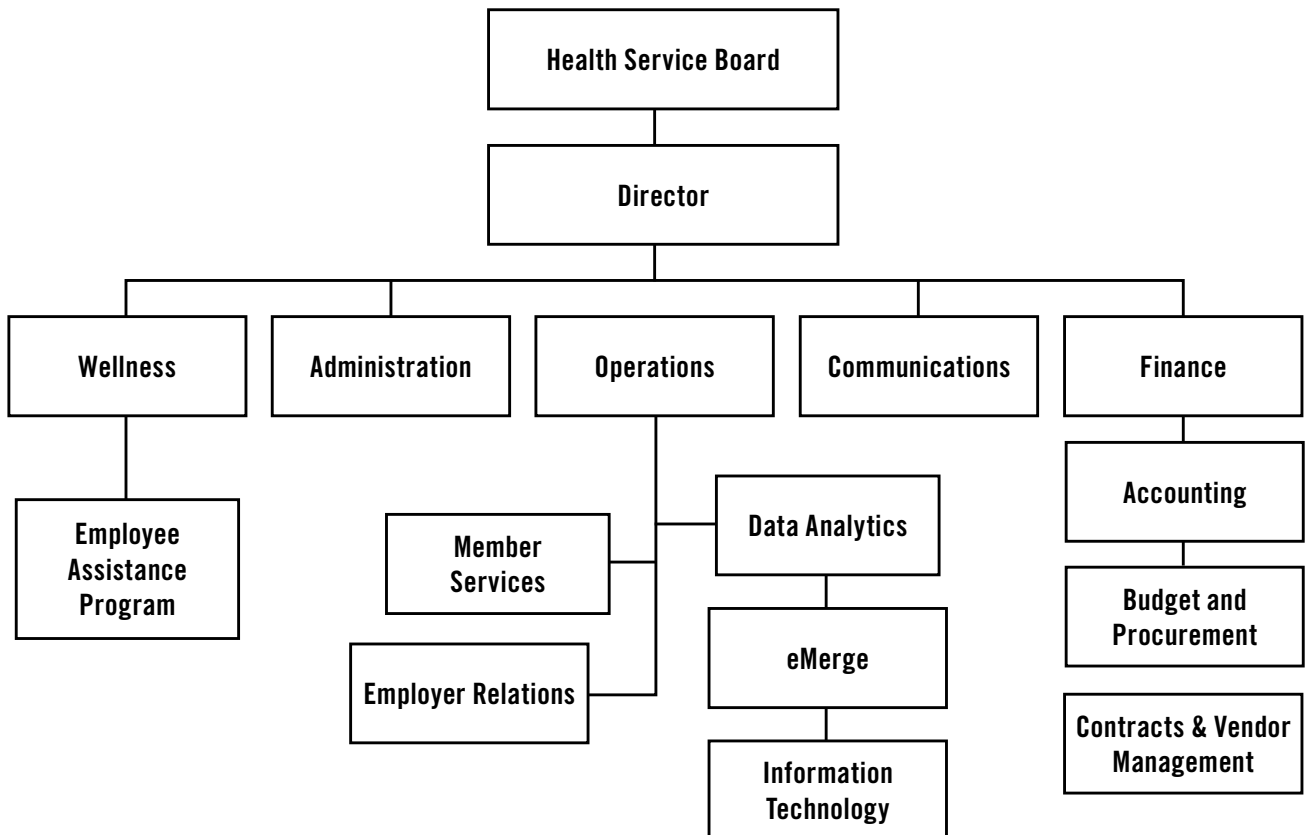
Beginning in 2017, HSS will offer City and Superior Court employees expanded voluntary benefits. Employees will be able to purchase a wide array of affordable benefit options at a lower cost than if they are purchased individually.

MEMBERSHIP BY YEAR

HSS membership has been steadily increasing in the past five years due to implementation of the Affordable Care Act and growth in City employment and retirements.



HEALTH SERVICE SYSTEM ORGANIZATIONAL STRUCTURE



TOTAL BUDGET – HISTORICAL COMPARISON

	2014-15	2015-16	2016-17		2017-18	
	Actual Budget	Original Budget	Proposed Budget	Chg from 2015-16	Proposed Budget	Chg from 2016-17
AUTHORIZED POSITIONS						
Total Authorized	50.64	53.57	54.49	0.92	54.49	0.00
Non-operating Positions (cap/other)	(2.00)	(2.77)	(3.13)	(0.36)	(3.13)	0.00
Net Operating Positions	48.64	50.80	51.36	0.56	51.36	0.00
SOURCES						
Charges for Services	5,300	6,000	6,000	0	6,000	0
Other Revenues	164,759	456,530	456,530	0	456,530	0
Expenditure Recovery	9,475,189	10,264,090	10,491,600	227,510	10,686,823	195,223
General Fund Support	(835,947)	0	0	0	0	0
Sources Total	8,809,301	10,726,620	10,954,130	227,510	11,149,353	195,223
USES - OPERATING EXPENDITURES						
Salaries & Wages	3,900,055	4,875,716	5,136,314	260,598	5,116,677	(19,637)
Fringe Benefits	1,942,367	2,241,483	2,358,264	116,781	2,545,053	186,789
Professional & Contractual Services	1,494,140	1,923,266	1,737,982	(185,284)	1,671,411	(66,571)
Materials & Supplies	30,012	41,700	55,797	14,097	57,018	1,221
Equipment	0	75,000	0	(75,000)	0	0
Services of Other Departments	1,442,727	1,569,455	1,665,773	96,318	1,759,194	93,421
Uses - Operating Expenditures Total	8,809,301	10,726,620	10,954,130	227,510	11,149,353	195,223
USES BY PROGRAM RECAP						
Health Service System	8,809,301	10,726,620	10,954,130	227,510	11,149,353	195,223
Uses by Program Recap Total	8,809,301	10,726,620	10,954,130	227,510	11,149,353	195,223