HEALTH SERVICE BOARD
CITY & COUNTY OF SAN FRANCISCO

Minutes

Regular Meeting

Thursday, March 10, 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, excused
Vice President Wilfredo Lim
Commissioner Karen Breslin
Supervisor Mark Farrell
Commissioner Sharon Ferrigno
Commissioner Stephen Follansbee, M.D., excused
Commissioner Gregg Sass

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

Vice President Lim officiated this meeting in President Scott's absence. This meeting was called to order at 1:13 pm.

- ☐ 03102016-01 Action item

Approval (with possible modifications) of the minutes of the meeting set forth below:

- Regular meeting of February 11, 2016

Staff recommendation: Approve minutes.

Documents provided to Board prior to meeting: Draft minutes.

- Commissioner Breslin moved to approve the regular meeting minutes of February 11, 2016.
- Commissioner Ferrigno seconded the motion.

Public comments: None.

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

Motion passed 5-0.

□	03102016-02	Discussion item	General public comment on matters within the Board's jurisdiction not appearing on today's agenda

Public comments: None.

□	03102016-03	Action item	Consent Agenda: Approval of City Plan's rate stabilization reserve as previously discussed on February 11, 2016:

- Vice President Lim reported that this matter had been discussed but not voted on during the February 11, 2016 meeting.
- Commissioner Sass moved to approve City Plan's rate stabilization reserve amount of $3,793,000, as discussed at the previous meeting.
- Commissioner Breslin seconded the motion.

Public comments: None.

Action: Motion was moved and seconded by the Board to approve City Plan's rate stabilization reserve amount of $3,793,000 to be applied across all rating tiers to the 2017 rates.

RATES AND BENEFITS

□	03102016-04	Action item	Presentation of 10-County Survey amount for 2017 plan year (Aon Hewitt)

Staff recommendation: Approve 10-County Survey amount.

Documents provided to Board prior to meeting: 10-County Survey report prepared by HSS and Aon Hewitt.

- Anil Kochhar, Aon Hewitt actuary, reported that the 10-County Survey amount for the 2017 plan year is $604.84, which is a 4.42% increase over last year's amount of $579.24.
- Mr. Kochhar noted that while Santa Clara County has frequently been higher than the other counties, it was the outlier on this 10-County Survey with an average increase greater than usual. Its average 10-County amount is $839.32 (the forecast was $785.13).
- Commissioner Breslin moved to approve the 2017 10-County Survey amount of $604.84.
- Commissioner Sass seconded the motion.
- Mr. Kochhar noted that under the current MOUs, the 10-County amount is not used calculate the employer premium contribution for active employees. However, it is used to calculate the employer premium contribution for early retirees.

Public comments: Dennis Kruger, representative for active and retired firefighters, asked for clarification on the 10-County Survey being used only for retirees but not active employees.

Commissioner Lim confirmed that the 10-County amount is applied to the retiree premiums. The active employees' MOUs determine employee contributions. Under the current contribution strategy (93-93-83), the City pays 93% of the active medical premium and the employee pays 7%. This applies to most of the unions but not all.

Action: Motion was moved and seconded by the Board to approve the 2017 10-County Survey amount of $604.84.

Motion passed 5-0.

□	03102016-05	Discussion item	Review Blue Shield 2015 flex-funded non-Medicare claims experience (Aon Hewitt)

Documents provided to Board prior to meeting: Report prepared by Aon Hewitt, "2015 Blue Shield of California (BSC) Flex-Funded Non-Medicare Claims Experience."

- Anil Kochhar presented Blue Shield's flex-funded non-Medicare claims experience for 2015. He highlighted the following:
- Claims payments were suspended in January and February of 2015 due to contract negotiations with Sutter. This resulted in larger than expected claims cost in March;
- Blue Shield changed claims payment systems in October 2015, which resulted in lower than expected claims for that month;
- Medical claims and IBNR reserve from 2014 decreased in 2015;
- Administration costs increased due to taxes implemented under the Affordable Care Act;
- The loss ratio for 2015 is 102.26%, which exceeds revenue from all sources by $6,491,201.
- Commissioner Breslin asked for the years that no funds were lost since establishing the ACOs.
- Mr. Kochhar stated that the only year no money was lost since establishing the ACOs was 2013.
- Commissioner Breslin asked Mr. Kochhar for his recommendation on how long to continue with flex-funding if it appears that it is not turning around.
- Mr. Kochhar stated that he could not make a recommendation on how long to continue with flex-funding. His responsibility is to report the data but not have an opinion. He stated that he saw the flex-funded plan as adequate as it was priced.

- Commissioner Breslin asked Director Dodd if ACOs have been successful in general across the country.
- Director Dodd stated that the ACOs and flex-funding should be viewed separately because they are different. The ACOs are how care is managed. Flex-funding is the way bills are paid.
- Blue Shield's ACO, Hill Physicians Medical Group, is performing extremely well. Because it came in under expectations, Hill Physicians will receive additional funds. This ACO is affiliated with UCSF and Dignity Hospitals.
- Blue Shield's second ACO, Brown and Toland Medical Group, is doing better than last quarter's performance. Care coordinators had been implemented in outpatient and inpatient settings in the prior month and hospital days had decreased. This ACO is affiliated with Sutter Hospital. Sutter had been disengaged for three quarters of 2015; however, Sutter is now engaged and exceeded its target by a couple of percentage points. Director Dodd noted that the quality of care has improved and this was the first time that Brown and Toland had come close to meeting its target.

Public comments: None.

□ 03102016-06 Action item

Approve Blue Shield Rate Stabilization Reserve (Aon Hewitt)

Documents provided to Board prior to meeting: Report prepared by Aon Hewitt, "Blue Shield of California Rate Stabilization Reserve Presentation."

- Mr. Kochhar reported that the current Stabilization Reserve Policy approved by the Board requires an annual determination of the financial gain or loss of the self-funded plans. The difference between the expected versus actual plan cost is added to the existing stabilization reserve and amortized over a three-year rating period.

- The total carry-forward stabilization reserve as of December 31, 2015 is $15,461,155.
- The stabilization policy requires 33% of the reserve or $5,153,718 to be applied to the 2017 rates.
- The remaining carry-forward in the stabilization reserve for plan years 2018 and thereafter is $10,307,437.
- In accordance with the Self-Funded Plans' Stabilization Policy, which requires amortizing the loss of $15,461,155 over a three-year rate period, Aon Hewitt recommended adding $5,153,718 across all rating tiers for the 2017 Blue Shield of California HMO Plan.
- Commissioner Breslin moved to approve Blue Shield's rate stabilization reserve for the 2017 plan year.
- Supervisor Farrell seconded the motion.

Public comments: None.

Action: Motion was moved and seconded by the Board to approve Blue Shield of California's HMO Plan rate stabilization reserve in the amount of $5,153,718 and apply to the 2017 rates across all rating tiers.

Motion passed 5-0.

□ 03102016-07 Action item

Presentation on Self-Funded program reinsurance (stop loss) recommendation (Aon Hewitt)

Documents provided to Board prior to meeting: Report prepared by Aon Hewitt, "Self-Funded Program Reinsurance Recommendation."

- Anil Kochhar reported that there are three (3) self-funded plans offered through the HSS Trust Fund:
  - UnitedHealthcare City Plan PPO;
  - Delta Dental of California PPO; and
  - Blue Shield of California Flex-Funded Plan

- As a matter of practice, many self-funded plan sponsors purchase external reinsurance (or "stop loss insurance") for catastrophic claims exposure to alleviate financial risk.
- Mr. Kochhar advised that additional stop loss insurance is unnecessary for any of the HSS self-funded plans because each is adequately covered for excess losses through the Contingency Reserve Policy and the Self-Funded Plans' Stabilization Policy.
- As a minimum premium product, Blue Shield's flex-funded plan is required by the State of California to retain $1M in stop loss insurance.
- Mr. Kochhar stated that HSS has "max liability" and any exposure over 35% of fee-for-service claims is paid by Blue Shield.
- Commissioner Breslin asked if stop loss insurance was only required for flex-funded plans.
- Mr. Kochhar stated that UnitedHealthcare and Delta Dental do not have external reinsurance (or stop loss). Only Blue Shield as a flex-funded plan has stop loss insurance as required by California State law.
- Commissioner Lim asked if the stop loss for Blue Shield is funded from the Contingency Reserve.
- Mr. Kochhar stated that HSS pays a stop loss premium to Blue Shield; it is not funded from the Contingency Reserve.
- Commissioner Sass stated that it would have been helpful if Aon's report had indicated that stop loss insurance was included in Blue Shield's flex-funded plan as required by California State law; therefore additional stop loss insurance was not recommended for that plan, UnitedHealthcare or Delta Dental.
- Commissioner Breslin asked about the cost of Blue Shield's flex-funded stop loss insurance premium.

- Mr. Kochhar stated that he will include premium costs for stop loss when the rates are presented. He noted that last year the stop loss premium was itemized during the presentation of Blue Shield's rates.
- See Appendix for current contingency fund status.
- Commissioner Breslin moved to approve the actuary's recommendation to not purchase stop loss insurance for any of the self-funded plans.
- Supervisor Farrell seconded the motion.

Public comments: None.

Action: Motion was moved and seconded by the Board to accept the actuarial recommendation to not purchase stop loss insurance for any of the self-funded plans for the 2017 plan year.

Motion passed 5-0.

□ 03102016-08 Discussion item

Educational presentation: Value-based insurance design (Aon Hewitt)

Documents provided to Board prior to meeting: Report prepared by Aon Hewitt, "Value Based Insurance Design ("VBID")."

- Anne Thompson, Aon Hewitt Vice President, reported that Value Based Insurance Design ("VBID") is a strategy that minimizes or eliminates out-of-pocket costs for high value service in defined patient populations, particularly related to chronic conditions. It reduces barriers to care for members who need chronic care condition services.
- VBID can also focus on increasing quality rather than lowering cost.
- There are three key areas in considering value-based insurance design: service-based, condition-based and participation-based.
- Aon Hewitt contacted the three HSS medical carriers and asked for information on each value-based insurance design program currently offered or considered for the future.

- Kaiser listed three key areas under service. It utilizes internal specialty centers and external centers of excellence. It also uses culturally competent care including bilingual caregivers, multilingual signage and resources, and provider handbooks on culturally competent care. See page 3 of report for examples.
- UnitedHealthcare's value-based insurance design under service-based offerings include a cancer resource center, as well as a premium program assisting members in finding doctors who meet quality and cost efficient guidelines. See page 4 of report for examples.
- Blue Shield is evaluating a number of value-based insurance design features for 2017 but currently does not offer any within its product portfolio. It is exploring participation-based incentives such as enhanced plan design and financial reimbursement based on members performing certain tasks. Blue Shield is also considering service-based incentives on its PPO plan for easy and low cost providers. A bundled payment pilot for certain conditions focusing primarily on cancer is being considered as a condition-based VBID option.
- Commissioner Sass stated that the examples on the first slide in Aon Hewitt's report did not appear to fit the description. He did not see member impact related to copays or costs of service.
- Ms. Thompson stated that "value-based insurance design" can mean a variety of things depending upon who is participating in the discussion. Aon Hewitt reported the responses from each of HSS' carriers regarding their framework and activities involving value-based insurance design.
- Commissioner Sass stated that the carriers' responses were more promotional than a guide to reducing members' premiums and shares of cost.

- Director Dodd emphasized that value-based insurance design varies from vendor to vendor. The HSS vendors were unable to improve compliance; therefore, specific disease management and education programs were implemented.

Public comments: None.

REGULAR BOARD MEETING MATTERS

☐ 03102016-09 Discussion item **President's Report** (Vice President Lim)

Documents provided to Board prior to meeting: None.

- Vice President Lim reported that President Scott was unable to attend this meeting.

Public comments: None.

☐ 03102016-10 Discussion item **Director's Report** (Director Dodd)

- HSS Personnel
- Operations, Data Analytics, Communications, Finance and Contracting Activities, Wellness and Employee Assistance Program
- Meetings with Key Departments
- Other additional updates

Documents provided to Board prior to meeting:

1. Director's report;
2. Reports from Operations, Data Analytics, Communications, Finance and Contracts, Wellness and Employee Assistance Program;
3. Testimony on Employer Group Waiver Plan ("EGWP").

- Director Dodd highlighted the following from her Director's Report, which may be viewed in its entirety on the myhss.org website:
- A graphic artist candidate had been selected to assist in communications and was in the final processes. HSS was attempting to get a timeline as open enrollment preparations proceed.

- The call volume and in-person visits increased due to the distribution of the 1095 form (over 51,000).
- All management reports, including Wellness and EAP, may be viewed on the myhss.org website.
- Director Dodd drafted and submitted testimony on the Centers for Medicare and Medicaid Services' proposed decrease in reimbursements for the Employer Group Waiver Plan ("EGWP").
- While it has been a long time coming, Director Dodd reported that the Pharmacy Board has finally released regulations relating to pharmaceutical disposal. She has been working with the Department of the Environment on this issue and HSS has been tracking pharmaceutical disposal. She hoped to have the opportunity to submit testimony that will allow the environmentally safe disposal of medications as well as keep them out of the hands of the wrong individuals.

Public comments: Claire Zvanski, RECCSF representative, again commended Margaret O'Sullivan for her continued support and participation in the retiree organization's activities. She asked that Ms. O'Sullivan be allowed to continue her involvement with the retirees because of her positive impact on the group's activities and the lives of its members.

Ms. Zvanski also reported that when retirees experience vendor service issues, she encourages them to contact HSS Member Services directly to report it. However, she has heard back from members that when called, HSS staff was not interested in receiving the information. Ms. Zvanski stated that her reasoning for contacting HSS was inclusion in tracking the vendor performance guarantees.

Herbert Weiner, retired City employee, reported that his past difficulties with a medical provider's reimbursements was the reason he escalated the matter to the SF Board of Supervisors, which resulted in the aide contacting HSS for resolution.

He stated his belief that service delivery has improved but the issue described previously by Ms. Zvanski needs to be addressed.

□ 03102016-11 Discussion item

HSS Financial Reporting as of January 31, 2016
(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 January 31, 2016.
- Ms. Levin reported that the trust fund balance projection as of June 30, 2016 is $78.2M, which is approximately $3M over the December 2015 forecast. This projected increase is due to improved claims experience in City Plan, Blue Shield and Delta Dental.
- A surplus of approximately $84,949 is projected in the Healthcare Sustainability Fund at the end of this current fiscal year.
- See financial update memo and reports.

Public comments: None.

□ 03102016-12 Discussion item

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

- Paul Brown, Blue Shield Account Manager, reported that Blue Shield recently revised its guidelines on patient qualifications for Hep C medication. Blue Shield has aligned its guidelines with the American Association for the Study of Liver Disease and the Infectious Disease Society of America, resulting in relaxed regulations. Blue Shield members formerly denied access to Hep C medication have been notified to contact their physician and reapply for treatment. The percentage of members who were denied medication was very small (fewer than 30 individuals),

however, there will be broader access in the future.

Public comments: None.

- □ 03102016-13 Discussion item — Opportunity to place items on future agendas

  Public comments: None.

- □ 03102016-14 Discussion item — Opportunity for the public to comment on any matters within the Board's jurisdiction

  Public comments: None.

- □ Adjourn: 2:29 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

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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.

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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