HEALTH SERVICE BOARD
CITY & COUNTY OF SAN FRANCISCO

Minutes

Special Meeting

Board Forum

Thursday, November 10, 2016

1:00 PM

City Hall, Room 416
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94103

- ☐ Call to order

- ☐ Roll call

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

This special 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 1:06 pm.

- ☐ 11102016-01 Discussion item Opening Remarks – Health Service Board President and Health Service System Director (President Scott and Director Dodd)

Documents provided to Board prior to meeting: None.

- President Scott reported that this special meeting would be conducted differently than a regular meeting. He noted that no public comment would be heard until after the closed session scheduled later in the day.

- President Scott referenced the election results, which may affect the work of the Board. He relayed the story of Sisyphus, a Greek mythological god who was condemned by the gods for his deceit and guile. His punishment for all of eternity was to push a boulder uphill by night, only to find the boulder at the bottom of the hill in the morning. And he was again tasked with pushing the boulder uphill.
- The lesson of Sisyphus for the Board was not one of endless work and drudgery, according to President Scott, but a lesson of purpose and hard work for the members of the Health Service System who are served by the Board. While the mission is endless, there will be moments of rest, pause and renewal to take a breath and gain a wider view. The purpose of this special meeting was dedicated to achieving a broader perspective on the Board's work.
- Mitchell Griggs, HSS Chief Operating Officer, provided a brief update on Open Enrollment, noting that a full report would be provided at the December 8, 2016 Board meeting.
- Mr. Griggs recognized the increased volume of work during this year's open enrollment and commended HSS staff for stepping up. HSS telephone call volume (over 10,000) and the number of open enrollment applications received (10,600) increased significantly over last year. Yet, service levels were met and at the time of this meeting; 90% of open enrollment applications had been processed.
- Mr. Griggs stated that one of HSS' largest challenges this year was to provide more communication and face-to-face interactions with members. This was accomplished through retiree sessions, flu shot clinics and health fairs in several locations in San Francisco. The number of member interactions were nearly triple from recent years (approximately 6,000).

- HSS also placed robo calls to retirees to ensure they were aware of the elimination of Blue Shield as a retiree plan option and the establishment of the new City Plan. There will be only two options for retirees in 2017—Kaiser Permanente and the new City Plan. The calls should be completed within the next week.
- On behalf of the Board, President Scott extended a profound thank you to HSS staff and management for their hard work undertaken during open enrollment.

Public Comments: None.

□ 11102016-02 Discussion item **Review of HSS Charter and Administrative Code Sections** (Erik Rapoport, Deputy City Attorney)

Documents provided to Board prior to meeting: San Francisco Charter and Administrative Code sections applicable to the San Francisco Health Service System ("HSS").

- President Scott stated that during his tenure on the Health Service Board, numerous references have been made to the San Francisco Charter and Administrative Code sections by the amendment of plan documents, guidance from the Board's counsel, Erik Rapoport, and others bringing matters before the Board. As a result, he asked Mr. Rapoport to create a single document that clearly laid out the applicable regulations related to the work of the Health Service Board and the role of Board members. This presentation is in response to President Scott's request.
- Erik Rapoport, Deputy City Attorney, prepared a 56-page reference document containing the San Francisco Charter and Administrative Code sections applicable to the Health Service Board and Health Service System.
- The document was compiled from the American Legal Publishing Corporation's website, which contains up-to-date San Francisco Charter and Admin. Code sections. Mr. Rapoport suggested that Board members perform a Google search before reviewing the

information to ensure it is up-to-date. The sections in the reference document appear in the order of the Charter and Administrative Codes and not by importance.

- Mr. Rapoport made a high level presentation of the Charter and Admin. Code sections. He noted that the Charter is separated into two parts—a numbered section and appendix. He noted that most of the substantive provisions related to HSS are in the appendix.
- Several clarifying questions were asked by Board members regarding historical provisions. Mr. Rapoport stated that this presentation was primarily a review and that he could not provide legal advice. He asked for the opportunity to review each question and report back.
- President Scott suggested that questions be noted and that Mr. Rapoport would report back at a later time.
- Commissioner Breslin asked about Charter section A8.421 (pg.13) requiring two-thirds approval for the Board to adopt a plan or plans.
- Mr. Rapoport stated that he would review the historical nature of the voting requirement for Charter section A8.421. He noted that the two-thirds approval was required of the Board of Supervisors. The provision relating to the Health Service Board voting majority is A8.422. It was changed to a "majority" as amended by Prop C in 2011.
- Mr. Rapoport reviewed Charter section A8.428 in detail, stating that it was the central provision related to HSS eligibility, contributions and benefits. See pages 18-28.
- Charter section A8.429 relates to contributions to the HSS trust fund. It states that the Health Service Board "shall have control of the administration and investment of the Health Service System fund…"
- President Scott stated that Charter section A8.429 will apply as the Board reviews the new investment policy. He noted that the

issue was raised last year. A firm has been retained by HSS to develop the policy.

- Mr. Rapoport presented the Administrative Code sections. At President Scott's request, he clarified the difference between the Charter sections and Administrative codes.
- The Charter is adopted by San Francisco voters and carries the force of California State law under the State Constitution.
- The Administrative Code contains ordinances passed by the Board of Supervisors ("BOS"), which may be revised by the BOS without voter approval.
- Administrative Code section 16.550 (b) incorrectly states the composition of the Health Service Board as "four trustees elected from active and retired members of the Health Service System." The passage of Prop C on November 8, 2011 changed the number of elected positions on the Health Service Board from four to three.
- Mr. Rapoport discussed Admin. Code section 16.565 related to the election of Health Service Board members, as well as elections for the Retirement Board and Retiree Healthcare Trust Fund. He noted that the Board Secretary, Laini Scott, is an expert on conducting Board elections, which are coordinated with the SF Department of Elections. He cautioned that there are criminal penalties for violating code provisions prohibiting giving and receiving anything of value in consideration of voting.
- Admin. Code section 16.700 relates to participation in HSS and eligibility.
- Lastly, Mr. Rapoport reported on Admin. Code section 21.02 relating to City contract services. Occasionally questions are asked about HSS' compliance with the City's process for procurement of services.
- Commissioner Sass asked about the applicability of Government Code sections 53.600.3, 27000.3 and the City Charter relating to insurance and investments since

he had been working with the consultants developing the trust fund investment policy.

- Commissioner Scott stated that the City Attorney will confirm the guidance to be provided to the consultant in order to comply with all requirements. He suggested that the interpretive advice and guidance used to develop the Trust Fund Investment Policy remain attached in order to recall the reasoning behind how it was derived.

Public comments: None.

□ 11102016-03 Discussion item **Presentation of pharmacy trends** (Paige Sipes-Metzler, Aon Hewitt)

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

- Dr. Paige Sipes-Metzler, Aon Hewitt representative, presented a report on pharmacy trends for 2015-2017.
- CVS/Caremark and Express Scripts were used as reference points since they publish annual trend reports for traditional drugs (generics and some brand names).
- The worst case scenario for 2015-2017 is an approximate 10.5% increase in in traditional drugs.
- Specialty drugs are expected to nearly double the cost of traditional drugs. By 2017, CVS Caremark costs will increase by 19.5% and 21.3% for Express Scripts. These increases are significant because traditional drugs do not offset the cost incurred with specialty drugs.
- The Board expressed confusion regarding some of the graphs presented and offered suggestions to make future charts more meaningful.
- Dr. Sipes-Metzler reported that specialty drugs are used by 1-2% of the population but account for approximately 30% of drug costs. Specialty drugs are expected to exceed 50% of the drug trend in the next three to five years.

- President Scott reported on a conference call sponsored by the Pacific Business Group on Health held the previous day on post-election healthcare policy analysis. He encouraged Board members to review the pamphlet written by House Speaker, Paul Ryan, entitled "A Better Way" to see where the government could be going regarding repealing or replacing healthcare programs.
- President Scott asked during the conference call whether CMS would be actively allowed to negotiate Medicare drug prices as part of any future policy change. Unfortunately, there appears to be no political will to do so, especially after this past campaign season. He stated that unless there is some larger intervention on behalf of employers bearing the costs, drug prices will be unsustainable.
- Dr. Sipes-Metzler discussed the value of specialty drugs and the drivers of specialty drug costs. New entries into the specialty drug market were also presented, along with pricing.
- The evolution of drugs over time was presented using Humira as an example. See Aon report for the benefits and use of biosimilars and other data such as drugs for cancer and life expectancy impact and cost, generics, the changing market, etc.
- HSS pharmacy costs have increased in the past four years from a low of 10.5% in costs in 2012 to the following:
    - Kaiser increase of 31.1%
    - Blue Shield increase of 69.5%
- Specialty drugs have driven the increase in pharmacy costs for all plans.
- UHC's pharmacy increase was available only for 2015. While City Plan has a smaller and older population, the drug spend for 2015 was $278.78 PMPM, of which $126.50 or approximately 45% was attributed to specialty drug costs.

- President Scott stated that this presentation should be considered as a background and reference document during the upcoming rate renewal discussions. He suggested that the consultants refer back to it as needed as other information is presented.

Public comments: None.

□ Meeting Break — Recess from 2:45 to 2:54 pm

- After the break, President Scott asked Erik Rapoport, Deputy City Attorney, to correct a statement made during his earlier presentation on the Charter review.
- Mr. Rapoport clarified that the agreement between the City and the unions accepting the 93-93-83 contribution model take precedent over the 10-County amount.

□ 11102016-04 Discussion item — Presentation of infertility trends (Paige Sipes-Metzler, Aon Hewitt)

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

- Dr. Paige Sipes-Metzler stated that an infertility benefit would be considered by the Board in the future.
- Infertility is defined as the inability to become pregnant despite engaging in frequent, unprotected sex for at least a year for most couples. It may result from issues on either the male or female side.
- Approximately 10-15% of couples in the United States are infertile, including same sex couples.
- For various reasons, couples are waiting to start families. Some women are delaying pregnancy in order to establish a career.
- Currently, the health plans require a waiting period before determining infertility (a year of unprotected, frequent heterosexual intercourse). See pages 4 and 5 of report for infertility benefits offered to HSS members.

- Kaiser and Blue Shield cover 50% of the cost in transferring the embryo into the uterus (via GIFT, IVF or ZIFT). UHC covers 50% of costs after deductible (page 5 of report).
- Blue Shield and UHC utilize designated providers for infertility treatments.
- Kaiser Permanente's infertility services are provided in-house or through contracted affiliate members.
- Treatment costs may range from $30,000 to $60,000 for an approximate 31% chance of a live birth. There are other costs associated with infertility, such as the delivery of multiple births (i.e., up to nearly $400,000 for triples)
- Dr. Sipes-Metzler also discussed assisted reproductive technologies to improve effectiveness in treating infertility, such as assisted egg hatching and Single Embryo Transfer ("SET").
- President Scott asked Mitchell Griggs, HSS Chief Operating Officer, if there had been a recent presentation to the Board on infertility benefits provided by HSS.
- Mr. Griggs confirmed that there had been no Board discussion of this benefit for at least five years, noting that inquiries from CCSF employees prompted a review and consideration of more diverse benefits.
- President Scott stated that this presentation was background and context for a future discussion on the subject. He requested that this material be used as a reference.
- Dr. Sipes-Metzler stated that the goal was to provide infertility services that result in a live, healthy birth.
- The suggested new term is "assisted reproductive technology" instead of "infertility" benefit or treatments, which will be used in the future.
- President Scott recommended a prudent review of the policy as well as the eligibility requirements.

Public comments: None.

□ 11102016-05 Discussion item **Update on Cal INDEX** (Jerry Peters, Cal INDEX)

Documents provided to Board prior to meeting: None.

- Jerry Peters, Cal INDEX General Counsel and interim CEO, thanked the Board for the opportunity to discuss Cal INDEX but admitted that he was unsure of what had been previously presented.
- President Scott and Commissioner Follansbee summarized the previous Cal INDEX presentations and remaining questions.
- Two presentations were made to the Health Service Board within the last year regarding Cal INDEX (December 2015 and January 2016). This presentation was an update.
- Mr. Peters reported that most states in this country collect health data on a statewide basis. He noted that California is behind in this practice. The intent of Cal INDEX was to create a single database enabling provider access to patient medical records in office and emergency department settings.
- Cal INDEX is attempting to provide a similar system as Kaiser Permanente's for the rest of the State of California.
- Mr. Peters noted that Cal INDEX is a nonprofit organization and prohibited from selling data to research. It is geared more toward sending data to UCSF, Stanford and UCLA. He stated that sample size and dirty data are two primary issues currently affecting research. It will probably take several years to resolve and will be more regulated than Kaiser.
- President Scott noted the second issue and the center of the Board's concern—the automatic enrollment of HSS members into Cal INDEX without knowledge or consent. They must opt out if they choose not to participate in the program. Also, members cannot access their data collected, even if they choose to opt out. The Board had

previously asked why Cal INDEX was not set up for opt-in participation instead.

- Mr. Peters related a personal experience that led to his interest in the issue of data collection after practicing healthcare law for 33 years at Latham & Watkins. He had decided, after the loss of his mother and best friend within weeks of each other, that he would leave law practice and create a system to collect health data. He was unaware that such data collection had been occurring for approximately 10 years. Thereafter, he became aware that the "Blues" intended to contribute $80 million to Cal INDEX and was offered, and accepted, the position of General Counsel.
- The goal is to enroll 30,000,000 Californians in Cal INDEX. Kaiser has 10,000,000 enrollees in its plan.
- Commissioner Follansbee asked about the number of people currently enrolled in Cal INDEX California. He also asked if incentives were provided for data collection and quality assurance.
- Mr. Peters stated that approximately 9.5 million people are currently enrolled in Cal INDEX. He noted, however, that that number is not completely accurate because it is derived from the payer's side. The providers are just now being brought in.
- It has taken two years to develop the special software being used. Longitudinal Patient Record ("LPR") testing began in September and has been successful. Some of the participants are confidential.
- President Scott asked if Mr. Peters would be willing to return at a future date to continue to update the Board on Cal INDEX's progress. He noted that there were still a few outstanding questions such as the location of Cal INDEX offices and members of its board. He stated that in the interest of time, additional information may be covered at a later time.

- Mr. Peters stated that Cal INDEX's offices are located in Emeryville, California, and that he would happy to return.
- Commissioner Lim asked if there were additional payers than Anthem Blue Cross and Blue Shield of California.
- Mr. Peters stated that currently the two "Blues" are only payers. The intent is to expand to all payers. The key issue is to participate for data inclusion.
- President Scott noted that the opt out/opt in issue is still a profound point of concern for the HSS membership and Board.
- Mr. Peters responded that he was not affiliated with Cal INDEX at the time of rollout to CCSF. He stated that they sought advice and were told that opting out was the way to proceed. The attempt was to follow the industry norm.

Public comments: None.

□ 11102016-06 Discussion item **Presentation of MACRA Overview** (Stephanie Glier, Pacific Business Group on Health)

Documents provided to Board prior to meeting: Presentation prepared by Pacific Business Group on Health.

- Stephanie Glier, Senior Manager with Pacific Business Group on Health ("PBGH"), reported that PBGH is comprised of 65 members who are predominantly large employers. However, there are some non-employer members including the Health Service System. PBGH uses the strength of its members, who collectively spend $40 billion per year purchasing healthcare services for 10 million Americans. It works to drive improvements in cost and quality throughout the healthcare system, through initiatives in care redesign, payment innovation, transparency and policy.
- Ms. Glier reported on the Medicare Access and Chip Reauthorization Act of 2015 ("MACRA"), which passed last year with bipartisan support. While MACRA contains a number of components, this presentation

focused on the new payment system for physicians and other clinicians caring for Medicare recipients.

- Prior to MACRA, Medicare paid physicians using a fee-for-service system based on the volume of services, not value, under a cost control known as the sustainable growth rate ("SGR") formula.
- Last year, Sylvia Burwell, Secretary of Health and Human Services, announced an ambitious commitment to move Medicare from fee-for-service to value-based purchasing.
- In 2016, a goal was set to link at least 30% of all federal healthcare dollars to quality improvements and cost reductions through alternative payment models. The goal for 2018 is to link at least 50% of healthcare payments to value-based purchasing. A coalition of 20 major health systems have since pledged to convert 75% of business to value-based payment arrangements by the end of 2020.
- There is some uncertainty with the election of a new administration and Republican Congress. However, since payment reform and value-based purchasing have been big parts of the Republican healthcare agenda for many years, Ms. Glier stated her belief that the trend will continue, especially for the short term.
- Multiple existing CMS programs have been streamlined into a single new merit-based payment system called "MIPS." This program provides incentive payments for participation in alternate payment models or "APMs." Overall, clinicians are paid for value instead of volume with new bonuses and penalties tied to performance.
- Physicians may choose to participate in either the MIPS or APM program or a combination. However, it is generally an either/or choice.

- In MIPS, physicians receive a traditional Medicare payment, as well as a bonus or penalty based on performance related to a total composite score of four categories. See page 8 of report.
- 2017 will be a transitional year. Physicians will be allowed to participate in an Alternative Payment Model in one of four ways and not receive a payment cut. Non-participation in the Quality Payment Program for the transition year will result in a negative 4% payment adjustment. See page 13 of report.
- The financial incentives in MACRA are tied to things that matter most to patients—better quality tied to health outcomes, care coordination, efficient use of health IT (i.e., viewing lab results electronically). The quality measures used in MIPS are also being used in Medicare Advantage plans as well as most large national carriers in the commercial market.
- Physicians with experience in alternative payment models will most likely succeed in the first few years of the program and receive the 5% bonus offered in addition to the incentives already built into the program design. It is also likely that physicians in the San Francisco ACOs will do well in this program.

Public comments: None.

□	11102016-07 Continued to December 8, 2016	Discussion item	Overview of industry implications for HSS (Won Andersen, Aon Hewitt) Documents provided to Board prior to meeting: Presentation prepared by Aon Hewitt. In the interest of time and a time-certain member appeal, this item was continued to the December 8, 2016 Health Service Board meeting. Public comments: None.
□	Adjourn: 3:55 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.

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Summary of Health Service Board Rules Regarding Cell Phones and Pagers

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- 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