



HEALTH SERVICE BOARD CITY & COUNTY OF SAN FRANCISCO

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HEALTH SERVICE BOARD MEETING

Minutes

Thursday, April 11, 2019, 12:30 p.m.
City Hall, Room 416
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94103

1. **CALL TO ORDER:** 12:35 pm

2. **PLEDGE OF ALLEGIANCE**

3. **ROLE CALL**

President Karen Breslin – Present
Vice President Stephen Follansbee, M.D.— Present
Commissioner Wilfredo Lim — Present
Commissioner Sharon Ferrigno —Excused
Commissioner Randy Scott -- Present
Supervisor Rafael Mandelman —Present, arrived at 1:20 pm

4. **APPROVAL (with possible modifications) OF THE MINUTES OF THE MEETINGS SET FORTH BELOW: (Action)**

DOCUMENTS ATTACHED: Meeting minutes from the March 14, 2019 meeting can be found on the SFHSS website at: <https://bit.ly/2IsvtsB>

President Breslin affirmed that the Commissioners reviewed the regular meeting minutes from March 14, 2019. President Breslin asked if there were any corrections to the minutes. There were no corrections offered for the meeting minutes presented.

PUBLIC COMMENT: None.

Action Taken: The Health Service Board unanimously approved the meeting minutes.

Ayes: Breslin, Lim, Scott, Follansbee

Nays: (none)

5. GENERAL PUBLIC COMMENT ON MATTERS WITHIN THE BOARD'S JURISDICTION: (Discussion)

PUBLIC COMMENT: None.

6. PRESIDENT'S REPORT: (Discussion)

President Breslin offered a moment of gratitude to the SFHSS member services staff highlighting the exceptional work that they do with the SFHSS membership every day. President Breslin also thanked Mitchell Griggs, Chief Operating Officer, for his superior customer service, particularly when communicating with members who have complicated cases that require support. President Breslin stated that Mr. Griggs work on these matters "exemplified what a fiduciary is."

PUBLIC COMMENT: None.

7. DIRECTOR'S REPORT: (Discussion)

DOCUMENTS ATTACHED: The Director's Report is located on the SFHSS website at: <https://bit.ly/2Kxq862>

Executive Director Abbie Yant began her report with an update on the 2019 Health Service Board Elections. Executive Director Yant stated that at this point in time only two candidates remained in the race for the Commission seats. Executive Director also stated that according to the San Francisco City Charter's Administrative Code these two remaining candidates are eligible to assume the two commission seats in May 2019, therefore there will not be an official election.

Executive Director Yant announced that incumbent Commissioner, Karen Breslin, and an active Police Lieutenant, Chris Canning would begin their terms in June 2019. Additionally, Executive Director Yant noted that the Mayor's Office appointed the 7th Commissioner's seat to Mary Hao. Ms. Hao is expected to begin her term in May or June 2019.

Executive Director Yant highlighted that the SFHSS team has been following two different taxes at the Federal and State level. The Excise Tax has not had any activity, which indicates that this tax will be applied for the 2020 Plan Year. Executive Director Yant mentioned that the Managed Care Tax within California may be applied for the 2020 Plan year. Executive Director Yant noted that if these two taxes are applied the SFHSS team will update the Board on the costs in the future.

Executive Director Yant congratulated the Well-Being team on their successful Well-Being @ Work celebration that took place in March. Executive Director Yant highlighted the departments that participated and also those that were given awards. Executive Director Yant notes the updates on the SFHSS member migration patterns, as well as membership health screening rates.

Executive Director Yant welcomed a new member of the SFHSS staff, Ms. Vanessa Price-Cooper, who is working with the Contracts unit. Executive Director Yant congratulated Ms. Lisa Ocampo, from the Well-Being Team, on her promotion to Program Coordinator, and she also thanked Ms. Malika Alim, from the Administrative team, for her assumption of 1209 benefits technician responsibilities.

Executive Director Yant shared that the SFHSS staff is engaged in a LEAN Leaders project with the Controller's Audit office. Executive Director Yant noted that several staff have been trained in this efficiency process and will be working on a new project through summer.

PUBLIC COMMENT: None.

8. FINANCIAL REPORT AS OF February 28, 2019: (Discussion Item)

DOCUMENTS ATTACHED: The Financial Report is located on the SFHSS website at: <https://bit.ly/2UQMLX2>

Ms. Pamela Levin, Chief Financial Officer, presented the financial report. Ms. Levin stated that this report summarizes the actual revenues and the expenses of the Trust Fund and the General Fund Administration Budget through February 28th, 2019. The projection noted is the year-end balance for June 30th, 2019. Ms. Levin shared that the trust fund balance on June 30th, 2018 was \$77.4 million. Ms. Levin stated that the current projected balance is \$83.9 million.

Ms. Levin noted that there has been unfavorable claims experience for the UHC PPO plan and the Blue Shield Access+ plan. Ms. Levin also stated that for the Blue Shield Trio and the Delta Dental self-funded plan, the claims experience has also continued to be favorable. SFHSS has received \$300,000 in pharmacy rebates which increases the year-to-date total to \$2.1 million. The Healthcare Sustainability Fund has a projected year-end balance of \$1.3 million. The General Fund Administration Budget has a projected year-end balance of approximately \$300,000.

Ms. Levin stated that a total of \$500,000 in performance guarantee payments had been received by February 28, 2019. Ms. Levin noted that \$105,000 had been paid out during this fiscal year for the adoption and surrogacy plan.

PUBLIC COMMENT: None.

RATES AND BENEFITS

9. REVISED RATES AND BENEFITS CALENDAR FOR THE PLAN YEAR 2020: (Discussion)

DOCUMENTS ATTACHED: The Revised Rates and Benefits Calendar is located on the SFHSS website at: <https://bit.ly/2GkiAiR>

Executive Director Yant noted that there was an updated calendar in the Board materials. Executive Director Yant suggested that the Board support the removal of the April 25th Board Meeting calendar hold. The Board agreed to remove the April 25, 2019 meeting.

PUBLIC COMMENT: None.

10. REVIEW AND THE DELTA DENTAL OF CALIFORNIA SELF FUNDED ACTIVE EMPLOYEE PREFERRED PROVIDER ORGANIZATION (PPO) EXPERIENCE AND APPROVE RATE STABILIZATION RESERVE RECOMMENDATION: (Action)

DOCUMENTS ATTACHED: The Delta Dental Active Employee PPO Rate Stabilization Reserve Presentation is located on the SFHSS website at: <https://bit.ly/2UvLsNL>

Mike Clarke, Aon, presented the Delta Dental Active PPO plan experience and recommendation for the application of the Rate Stabilization Reserve to the 2020 rates. Over the past several years, including for the 2018 plan year, there has been a consistent theme of lower claims and fees at the end of a year, relative to the premiums. Mr. Clarke noted that the recommendation is to utilize a higher level of the Rate Stabilization Reserve to be applied as a “buy-down,” and this will be more than the policy’s guideline of one-third of the application of the reserve. Mr. Clarke’s recommendation to the

Board was to approve one-half of the reserve, or \$7,016,000, to be applied in 2020 rates—while preserving the other half (\$7,015,000) for use in 2021 and beyond.

Mr. Clarke made a note that the Delta Dental active employee PPO plan is the only self-funded dental plan offered through SFHSS, while the other dental plans are all fully insured. Mr. Clarke pointed out that the claims experience impacts the rate stabilization application needs. Mr. Clarke reviewed the claims experience from the last 6 years and noted that for 2018, the claim and fee costs were 5% lower than the actual premiums for the plan. Mr. Clarke noted that there has been no cost inflation to this particular plan in recent years, and that loss ratios for each of the past six years have been below 100% (meaning claims plus fees have ended below premiums for these years).

Mr. Clarke did mention a concern that will be addressed with Delta Dental's management team, and it is the low use of the plan's preventive services. Mr. Clarke shared that 1 out of 3 SFHSS members does not use any dental services, including preventive dental care. Commissioner Scott questioned how increased marketing of the dental plan could increase the use of the services, and how this could spike the cost moving forward. Mr. Clarke noted that this is something that may be expected, and if people are getting better preventive care, they may be diagnosed with more serious dental health issues. This could lead to a short-term spike in care and in claims.

Vice President Follansbee wondered if the Delta Dental team or the Aon team had the utilization rates from 2013 onward. Mr. Clarke noted that he has seen the data go back a couple of years, but it would require more collaboration with Delta to gather more data prior to 2016. Vice President Follansbee also wondered if there was data regarding the Delta plan cap. Mr. Clarke noted that the active employee dental PPO plan has a cap of \$2,500 annual maximum. Mr. Clarke confirmed that there would be a more comprehensive data pull to gather information on these two items for future meetings. Executive Director Yant confirmed that the SFHSS team will be working with Delta Dental on new strategies that will support our population's oral health.

Mr. Clarke reviewed the history of the stabilization reserve, as well as the history of the application since 2014. Mr. Clarke asked that the Board approve the use of one half of the December 31st, 2018 stabilization reserve balance, precisely \$7,016,000, be applied towards the buy-down across all rating tiers for the Delta Dental active employee PPO plan for the plan year 2020.

PUBLIC COMMENT: None.

Action Taken: The Health Service Board unanimously approved the Suspension of the Self-Funded Plans' Stabilization Reserve policy on a one-time basis; and application of one half of the balance of the Delta Dental Active Employee PPO Plan reserve to the 2020 rates.

Ayes: Breslin, Lim, Scott, Follansbee

Nays: (none)

11. PRESENTATION OF DxCG RISK SCORES- PRESENTATION OF AGGREGATE DIAGNOSIS COST GROUPER (DxCG) SCORES WHICH CORRELATE COSTS TO THE UNDERLYING ILLNESS BURDEN OF THE SFHSS POPULATION: (Discussion)

DOCUMENTS ATTACHED: The Risk Score Presentation is located on the SFHSS website at: <https://bit.ly/2UvLwgt>

Marina Coleridge, Enterprise System and Analytics Manager, presented the SFHSS DxCG risk score presentation to the Board. Ms. Coleridge explained that the risk scores are a translation of healthcare data that measures a patient's illness "weight." Ms. Coleridge noted that these group-level results are then aggregated to help predict the future cost of care, assess the performance of the plans, measure

efficiencies and assess the disease “burden” of the SFHSS population. Ms. Coleridge’s presentation covered October 2017 through September 2018, and the previous period, October 2016 to September 2017. These periods are adjusted and measured to be used to support the Rates and Benefits planning.

Ms. Coleridge noted that both concurrent and prospective risk scores were presented in this report. Ms. Coleridge noted that the concurrent risk scores tend to be retrospective looking at the unitization in that time period. Ms. Coleridge noted that the prospective risk scores try to predict the future conditions and possibly the costs of the SFHSS population. The prospective risk scores are challenged with factoring in the age, the gender, and the member’s body weight when calculated.

Ms. Coleridge shared that the largest change to this report was the introduction of the Blue Shield of California Trio Plan, and this new plan resulted in the Access+ risk scores to increase. Ms. Coleridge also shared that there has been some improvement in the United Healthcare PPO City Plan population scores due to the increase of members to that plan.

Ms. Coleridge highlighted that musculoskeletal disorders were the condition contributing most to the risk score. Diabetes, despite being in the top 3 conditions that contributed to the overall risk, is the costliest manageable conditions for the SFHSS population. Overall, the concurrent scores increase for all of our groups, the active, early retirees, and the Medicare retirees, where the prospective risk scores have improved slightly for our active population due to the younger age ranges of new hires. Ms. Coleridge also shared that early retirees and Medicare retirees have higher risk scores than the previous years.

Ms. Coleridge reviewed the concurrent and prospective risk scores for all four of the medical plans. Vice President Follansbee asked if the cost of certain risks were driven by member decisions, lack of preventive care or the practices of the medical plans. Ms. Coleridge confirmed that there are many factors that go into this question, and there is an effect of both the member’s decisions and the health plan’s practices.

Commissioner Scott questioned how the risk score analyses were filtered back to the individual plans. Ms. Coleridge confirmed that the actuary and their teams to use this information in the rates and benefits planning discussion, as well as the benefits planning. President Breslin wondered how the statistics are provided for the Medicare population, particularly if the services being reported were possibly “upcoded.” Ms. Coleridge shared that the upcoding related to additional procedures or higher submitted charges, but it did not alter diagnosis codes which are the inputs used to calculate a risk score. Separately, SFHSS has looked into the upcoding and did not find an issue.

PUBLIC COMMENT:

Claire Zvanski, RECCSF, addressed an issue that some of her members have raised regarding the small percentage of early retirees, about 10% of the SFHSS population, who are affected by the higher risk scores. Ms. Zvanski noted that the risk scores are set in alignment with the active members, who are a much larger, more diverse population compared to the early retirees. Ms. Zvanski stated that the Blue Shield benefits rates are particularly concerning to her and her members, because of the high-risk scores that are affiliated with the members who have their plans. Ms. Zvanski would like to see these rates re-negotiated and brought down to a level that works for all of the members.

12. BEST DOCTOR’S ANNUAL REPORT: (Discussion)

DOCUMENTS ATTACHED: The Best Doctor’s Annual Report is located on the SFHSS website at: <https://bit.ly/2GIZPM1>

Mr. Trent Rainey, Best Doctors, presented the Best Doctor's Annual Report to the Board. In this report Mr. Rainey covered the following topics:

- Services – 2-year Trend
- Member Engagement
- Expert Medical Opinion
 - Demographics
 - Diagnostic and Therapeutic Impact Details

Throughout the Best Doctors presentation, Mr. Rainey reviewed various charts and graphs that detailed the SFHSS member demographics and the Best Doctor services utilized throughout 2018.

Vice President Follansbee shared that he had reviewed all of the cases that were reported on for this annual report. Vice President Follansbee noted that he was pleased the presentation did not share “Cost Savings” reports. Vice President Follansbee also noted that some of the recommendations made to the SFHSS members were helpful and had an impact in certain areas, especially for those members who had to ask for more than one “Second Opinion.”

Commissioner Lim stated that he is concerned with the low utilization of the services. Commissioner Lim wondered how the advertising, or the outreach could be improved to increase the number of users from 194 to a higher number. Executive Director Yant highlighted that the SFHSS team has been working with the Medical Plans to share out their Second Opinion services with the Board at the May Board meeting.

President Breslin stated that the Medical Plans “need to step up the second opinion services” and give options to members to ask for a second opinion outside of their medical groups.

PUBLIC COMMENT:

Claire Zvanski, RECCSF, noted that she does inform her members of the Best Doctors Service when she is asked about second opinion needs. Ms. Zvanski mentioned that some of her members have shared stories of great success when using Best Doctors, whether it was for finding a doctor, or asking for another option of appropriate treatment, or for reassurance. Ms. Zvanski stated that her organization's members are supportive of Best Doctors.

Diane Ulrich, UESF retiree, stated that she also supports Best Doctors. Ms. Ulrich noted that one of her friends also had a very positive interaction with the Best Doctors services. Ms. Ulrich maintains that SFHSS members should have the option to use Best Doctors since it is a free service to the members.

13. REPORT ON PHARMACY LANDSCAPE AND TRENDS: (Discussion)

DOCUMENTS ATTACHED: The Presentation on Pharmacy Landscape and Trends is located on the SFHSS website at: <https://bit.ly/2li0Vu7>

Mike Clarke, Aon, and Dr. Neal Mills, M.D., Aon, presented the Pharmacy Landscape and Trends presentation to the Board. Mr. Clarke noted that this presentation's objectives were:

1. Provide education on the current pharmacy benefit landscape and trends; and
2. Level set regarding developments in prescription drug tiering—in the next month, we will be coming forward with proposals on re-tiering within the UnitedHealthcare (UHC) City Plan and Blue Shield of California Access+ and Trio plans.

Dr. Mills began his presentation the around Pharmacy Benefit Managers (PBM) and the specialty drugs trends. Dr. Mills presented an infographic illustrating the relationship between the patient, the physician, the retail pharmacies, the Wholesalers, the Pharmacy Benefit Managers, the Employers, and the Pharmaceutical Manufacturers.

President Breslin asked how the rebates are processed and how much a rebate may be if they are processed back to the carriers or the employer groups. Dr. Mills and Mr. Clarke confirmed that the total rebates processed back to the employer groups are in large quantities. Mr. Clarke reminded the Board that the March 14, 2019 Board meeting presentation for Blue Shield of California documented approximately \$6.2 million dollars in pharmacy rebates paid back to SFHSS in 2018. Mr. Clarke confirmed that the health plans do keep an aggregated amount of the rebates before SFHSS receives their rebates. This information is not provided to SFHSS on a drug by drug basis.

Vice President Follansbee asked if the medical plans that contract with SFHSS manage their own PBMs, or do they contract with a third party. Mr. Clarke stated that Kaiser manages their own PBM, Blue Shield contracts with CVS Health and manages the formulary, and UnitedHealthcare contracts with Optum Rx who is part of the United Health Group organization. Vice President Follansbee noted that the concern here is that some manufacturers will “push their drugs” on particular providers. Dr. Mills noted that the relationship between drug manufacturers and health plans is “opaque” and he acknowledged this is a concern for the consumers, the SFHSS members and the Board.

Dr. Mills reviewed some other pharmaceutical trends beginning with the e-prescribing trends that are growing in the medical field a trend that's affecting providers and ultimately going to change the way they prescribe medication. Dr. Mills also spoke to another way the prescription drug rebates will possibly filter back to the consumer at the pharmacy while they are picking up their prescription. Dr. Mills also reviewed the new use of biosimilar drugs and the impact these drugs will have on consumers who will need high cost drugs but will pay less with biosimilar drugs.

Vice President Follansbee mentioned that there has been some resistance by patients in the past when they are asked to move from a brand name drug to a generic, so he is curious how providers will ask their patients to try a biosimilar that holds higher risk than a generic drug. Dr. Mills noted that the biosimilar drugs will be grandfathered into the system, and the use of biosimilars will be researched actively during each phase of introduction.

Mr. Clarke outlined two circumstances that typically cause high priced generic medications. Mr. Clarke noted that new, single source generics launch on the marketplace with an exclusivity period of 180 days—and with no competition for these first 180 days, the generic’s price during this period tends to be only 10% to 15% less than their brands. Mr. Clarke stated that the brand drug’s rebate often nets the cost of the brand lower than the price of the generic during this period. Mr. Clarke then noted the second reason is that with older generics, the number of competing manufacturers can dwindle resulting in only one or two manufacturers continuing to produce the generic. Mr. Clarke stated that with this lack of competition there is a result of high prices for the generics. Mr. Clarke concluded his presentation with a re-tiering update that is sometimes affected by higher priced generic drugs.

President Breslin asked whether or not there would be more information transparently shared with the consumers regarding the PBM’s rebate percentage sharing. Mr. Clarke clarified that the re-tiering process is focused on the higher cost generic drugs, and the rebates the SFHSS sees are given based on the brand name drugs members are prescribed.

PUBLIC COMMENT:

Erica Maybaum, an active SFHSS member, presented her current medical cost experience with specialty prescription drugs. Ms. Maybaum shared that she was advised by her provider to go to a specialty pharmacy in San Francisco to have the prescriptions filled, and the cost would be a 50% co-pay. Ms. Maybaum further asked her provider for the cost for these same drugs if she was to pay out of pocket at 100%. Ms. Maybaum was quoted an out of pocket cost that was less than the co-payment price. Ms. Maybaum asked the Board to recognize that there is a larger issue with the prescription drug pricing and the current tiering structure is being used in unfair ways that harm some of the SFHSS membership.

Executive Director Yant thanked Ms. Maybaum for her courage in discussing this experience in a public forum. Executive Director Yant acknowledged that this is a complicated situation. Executive Director notes that the SFHSS team is working with Ms. Maybaum, and that this experience is helping to prepare the SFHSS system to support other members who may experience these same issues in the future.

Claire Zvanski, RECCSF, stated that this topic has an enormous component with the drug companies and their advertising strategies. Ms. Zvanski shared that a lot of the SFHSS retired members are being shown specific drug ads on their smartphones and on their televisions. Ms. Zvanski noted that there is an issue with the retired populations prospective of generic drugs versus brand name drugs. Ms. Zvanski shared that some of her members believe that generic drugs are substandard in some ways.

President Breslin noted that there has been a significant number of SFHSS members commenting on the high cost specialty drugs in recent years.

REGULAR BOARD MEETING MATTERS

14. REPORTS AND UPDATES FROM CONTRACTED HEALTH PLAN REPRESENTATIVES: (Discussion)

PUBLIC COMMENT:

Denise Rodriguez, Kaiser Permanente, shared that there was a change in the Executive Management team that works directly with the SFHSS account. Ms. Rodriguez noted that Patricia Purvis was promoted within the Kaiser Permanente management team. Ms. Rodriguez introduced Debbie McConathy, who will be taking over Ms. Purvis' executive management role on the SFHSS account.

15. OPPORTUNITY FOR THE PUBLIC TO COMMENT ON MATTERS WITHIN THE BOARD'S JURISDICTION: (Discussion)

PUBLIC COMMENT: None.

16. OPPORTUNITY TO PLACE ITEMS WITHIN THE BOARD'S JURISDICTION ON FUTURE AGENDAS: (Discussion)

PUBLIC COMMENT:

President Breslin reminded the SFHSS management team that the Blue Shield Plans do not offer nutritional counseling to SFHSS members. President Breslin requested that the Blue Shield plans add this benefit during the negotiation process.

17. ADJOURNMENT: 3:17 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.sfhss.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 Natalie Ekberg at (415) 554-1727 or email Natale.Ekberg@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