City & County of San Francisco
HEALTH SERVICE BOARD
1145 Market Street ✦ Suite 200 ✦ San Francisco, CA 94103

RATES AND BENEFITS COMMITTEE

Minutes

Special Meeting

Thursday, October 14, 2010

12:30 P.M.

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

Focus: Preliminary self-funded and insured plan rates

- Call to order

- Roll call
  Committee Chair Karen Breslin
  Committee Member, Supervisor Carmen Chu, arrived 12:40 p.m.
  Committee Member Sharon Ferrigno, excused
  Committee Member Scott Heldfond
  Committee Member Wilfredo Lim
  Committee Member Jordan Shlain, M.D., arrived 1:16 p.m.
  Committee Member Claire Zvanski, Board President

- 10142010RB-01 Action item Approval (with possible modifications) of the minutes of the meeting set forth below:

  - Special Meeting of January 14, 2010

  Staff recommendation: approve minutes.

  Documents provided to Board prior to meeting: Draft minutes.

  Public comments: None.

  Action: Motion was moved and seconded by the Committee to approve the special meeting meetings of January 14, 2010.

Motion passed 4-0.

□	10142010RB-02	Discussion item	Preliminary self-funded plan rates (Mercer Team)

- City Health Plan
- Active Delta Dental

Documents provided to Board prior to meeting:

1. Overview of rates and benefits & RFP process, and Committee meeting schedule;
2. Report prepared by Mercer.

- Rhys Evans, Mercer actuary, reported the following updates on the City Health Plan and the active Delta Dental Plan:
- City Plan
- The claims experience for the 2009-10 plan year was higher than anticipated in the premium equivalent rates.
  - The active employee experience continues to deteriorate and was the driving factor in the overall unfavorable occurrence in the 2009-2010 plan year.
  - Cost trends in the non-Medicare membership continue to deteriorate for medical and pharmacy costs.
  - While the number of large claims has remained fairly stable, enrollment has decreased indicating a considerable increase in per capita claims over $50,000.
  - The acceleration in the pharmacy cost trend has been driven by the active group's claims experience. The change in pharmacy co-payments in July 2009 has mitigated some of the trend cost increases. The purpose of the change was to encourage greater usage of generic drugs.
- Commissioner Heldfond stated that until last year, the Board was able to make plan adjustments, such as increased co-pays and hospital deductibles. However, it now appears that claims are well above any adjustments that can be made to the City Plan to prevent a downward spiral.

- Mr. Evans responded that one way to reverse the "death spiral" is to encourage healthy members back into the City Plan. Currently, it is nearly impossible because of the way the Charter sets contributions (the City pays the difference over the 10-County amount). Funding flexibility would assist the entire program.
- Commissioner Heldfond requested that Mercer explore the viability of a self-insured program versus a fully-insured PPO plan.
- Catherine Dodd, HSS Director, responded that she spoke with Mr. Evans this morning regarding this issue and that Charter reform will need to be considered.
- Commissioner Zvanski asked if Mr. Evans could explain the reasons for the high number of claims over $50,000.
- Mr. Evans responded that the risk profile of the City Plan is considerably worse than the other plans. At this point, the underlying causes of the claims over $50,000 is unknown, however, he has discussed this issue with Dr. Dodd and will explore.
- Dr. Dodd noted that she had asked Mercer to review the City Plan's membership when the premiums increased and members with dependents left City Plan. The issue is to either recruit healthy members into the City Plan or determine what to do with it.
- Mr. Evans reported that on the inpatient side, both active and non-Medicare retiree members have seen considerable increases in costs.
- The outpatient proportion of costs is unusually high, which has been driven by the costs of procedures. Since the dashboard does not allow a more in-depth review, Mr. Evans suggested working with United HealthCare to determine why unit costs are increasing at such a rapid pace.
- Commissioner Zvanski suggested determining where the costs are originating because some providers in certain geographical areas charge higher costs and certain corporations keep costs artificially

high. She stated that, in some cases, United HealthCare may not have the opportunity to control some of the higher costs, such as the providers in the Tuolumne area.

- Mr. Evans confirmed, stating that as geographical concentration becomes more rural, there is potentially more out-of-network utilization.
- Mr. Evans reported that the aggregate number of large claims over $50,000 for active members has leveled off and is increasing for early retirees. Due to a 20% decline in active member enrollment, the per capita experience continues to be unfavorable.
- Claims were higher than anticipated when setting the contributions for the 2009-2010 plan year resulting in an overrun of $5.4M, which has been added to the stabilization amount in the funding methodology.
- Under the new healthcare reform, the City Plan will not be grandfathered in order to avoid certain plan design changes. As a result, certain preventive services will be provided free of charge for City Plan members, which will add 0.2% to the overall cost.
- The preliminary premium equivalent rates for 2011-2012 reflect a 17% to 18% increase for active members in the non-Medicare group and a 5% increase in the Medicare group. The increase for retirees with Medicare with two or more dependents is 11.4% due to dependent costs.
- The preliminary premium equivalent rates are without any application of the Early Retiree Reinsurance Program's claims reimbursement.
- <u>Dental Plan</u>
- The overall claims were higher than expected in the dental plan. The 2009-2010 costs exceeded revenue by an estimated $2.5M (approximately 6% of the annual cost of the dental program).

- The preliminary 2011-2012 estimate is a flat renewal of $132.03 per employee per month ("PEPM").
- Mercer's entire PowerPoint presentation "Preliminary Self-Funded Plan(s) Premium Equivalent Rates and HMO Request for Proposal Update" may be viewed on the myhss.org website.
- This meeting may also be viewed on the myhss.org website as a YouTube video.

Public comments: None.

☐	10142010RB-03	Discussion item	Update on HMO RFP (Mercer Team)

Documents provided to Board prior to meeting: Report prepared by Mercer.

- Rhys Evans, Mercer actuary, reported the following HMO Request For Proposal ("RFP") update:
- The RFP requested the following information:
  - Fully insured medical quote for active members, early retirees and Medicare eligible retirees for medical, pharmacy and behavior health;
  - Fully insured vision quote which would tie a vision plan to member's medical plan election (also requested of Kaiser and UHC);
  - Plan design changes for compliance with healthcare reform, non-grandfathered status.
- The RFP was sent to the following vendors:
  - Aetna
  - Anthem Blue Cross of California
  - Blue Shield of California
  - Chinese Community Health Care
  - Health Net
  - PacifiCare
- All of the vendors attended the pre-bidders conference on August 11, 2010.
- After the pre-bidders conference, Aetna and PacifiCare declined to quote. Four competitive quotes have been received from

the remainder of the vendors.

- Dr. Shlain asked the reason for Aetna and PacifiCare declining to provide a quote.
- Mr. Evans responded that PacifiCare was prepared to offer only a flex-funded risk sharing plan, and not a fully insured plan as requested in the pre-bidders conference.
- Mr. Evans did not have the details of Aetna's reason for declining to provide a quote and offered to follow up with Dr. Shlain.
- Dr. Shlain stated that he would like to receive that information.
- Mr. Evans reported that HSS has been presented with a side-by-side comparison of the plan quotes.
- A meeting will be scheduled near the end of October for Mercer to present its summary of the analysis to HSS. Once the selection panel is identified, Mercer will present its summary to that panel as well for its determination and recommendation of the finalists.
- The finalist interviews with the selection panel will take place on November 30, 2010.
- The finalist's presentation to the Health Service Board will take place at the December 9 meeting.
- The HMO contract will be awarded at the January 13, 2011 Health Service Board meeting and implementation will begin soon thereafter.
- Commissioner Zvanski suggested that a refresher for the Board on the Charter requirements would be helpful prior to awarding the HMO contract.
- Mercer's entire PowerPoint presentation "Preliminary Self-Funded Plan(s) Premium Equivalent Rates and HMO Request for Proposal Update" may be viewed on the myhss.org website.

Public comments: None.

☐	10142010RB-04	Discussion item	Overview of next Rates and Benefits Committee meeting (Committee Chair Breslin) Next committee meeting: Thursday, November 18, 2010 at 9:00 a.m. Documents provided to Board prior to meeting: None. ▪ Committee Chair Breslin announced the date of the next Rates and Benefits Committee meeting and the topics of discussion. Public comments: None.
☐	10142010RB-05	Discussion item	Opportunity to place items on future agendas Public comments: None.
☐	10142010RB-06	Discussion item	Opportunity for the public to comment on any matters within the Board's jurisdiction Public comments: Herbert Weiner, retired City employee, expressed concern regarding the selection of a new HMO provider in light of past negative experiences with Blue Shield. Ray Mason, retired HSS member, denounced Blue Shield for last year's 38% rate increase for Medicare retirees and requiring retirees on the peninsula to change doctors. He stated that he and his wife decided to leave Blue Shield and are now enrolled in the City Plan. Gus Goldstein, AFT 2121 Faculty Union representative for City College of San Francisco, inquired if her letter had been received by the Board. Commissioner Zvanski responded that Ms. Goldstein's comments should be addressed to the full Board at the following meeting.

Adjourn: 1:30 pm

Summary of Health Service System 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 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 at the designated time at the end of the meeting. The complete rules are set forth in Section A(6) of the Health Service System Rules and Regulations. A copy of these Rules and Regulations is available at any time upon request. Call the Administrative Services Manager, Laini K. Scott for further assistance at (415) 554-1727.

Health Service Board and the 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.

The following services are available upon request:

- American Sign Language interpreters will be available upon request.
- A sound enhancement system will be available upon request at the meeting.
- Minutes of the meeting or hearing are available in alternative formats.

If you require the use of any of these services, please contact Administrative Services Manager, Laini K. Scott, at (415) 554-1727 or by email at laini.scott@sfgov.org at least 72 hours prior to the meeting.

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Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Ms. Destro or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, http://www.sfgov.org/sunshine/

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- The chair of the meeting may order the removal from the meeting room of any person(s) in violation of this rule.
- 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 and in the Rules and Regulations of the Health Service System.

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