



City & County of San Francisco

# HEALTH SERVICE BOARD

1145 Market Street ♦ Suite 200 ♦ San Francisco, CA 94103

## Revised Minutes

Regular Meeting

Thursday, December 13, 2007

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 Karen Breslin
  - Vice President Claire Zvanski
  - Commissioner James Deignan
  - Supervisor Sean Elsbernd, *arrived 1:09 p.m.*
  - Commissioner Scott Heldfond
  - Commissioner Sharon Johnson
  - Commissioner Mitch Katz, M.D., *excused*
- 12132007-01 Action item Approval (with possible modifications) of the minutes of the meeting set forth below:
  - Regular meeting of November 8, 2007Staff recommendation: Approve minutes.  
*Documents provided to Board prior to meeting:*  
*Draft minutes.*  
**Public comments:** None.  
**Action:** Motion was moved and seconded by the Board to approve the regular meeting minutes of November 8, 2007. Motion passed 5-0.

- 12132007-02 Discussion item **President's report** (President Breslin)

*Documents provided to Board prior to meeting:*  
*None.*

- President Breslin wished everyone a happy and healthy holiday season and noted that this meeting is the last regular Board meeting of 2007. She thanked everyone who has contributed to making this a successful year for the Health Service System, especially Bart Duncan, Director, and his staff for their many accomplishments.

**Public comments:** None.

- 12132007-03 Discussion item **Management team updates:**

- Our commitment to the HSS mission and principles and a fully-integrated service model (Bart Duncan)
- Our groundbreaking member service and staff development initiatives (Mark Villares)
- Our substantial enhancements in comprehensive vendor performance management (Robin Courtney)
- Our latest innovations in member communications and engagement (Rosemary Passantino)
- Reminder: Next Rates and Benefits Committee meeting: December 27, 2007, 1:00 p.m., City Hall, Room 416) (Bart Duncan)

*Documents provided to Board prior to meeting:*  
*(1) Statement of HSS mission and principles;*  
*(2) Member focused innovations.*

- Bart Duncan, Director, wished everyone a happy holiday season and thanked the members for their support, ideas and suggestions for improvements at the Health Service System.
- Mr. Duncan presented the HSS mission statement and principles which he created after HSS became an independent department.
- HSS Mission: The San Francisco Health Service System is dedicated to providing outstanding health and other employee

benefits to its members while adhering to the highest standards of customer service.

- HSS Principles:
  - Commitment to Health Service System mission and goals
  - Professionalism
  - Teamwork
  - Mutual respect and support
  - Taking responsibility
  - Sharing information and insights
  - Seeking out and welcoming opportunities for individual and departmental growth and change
  - Positive focus
  - Sense of humor
- The mission statement and principles reflect the efforts of the Health Service System to perfect an integrated model of service delivery and information intake that is seamless. Not only is it important to deliver information to members from the vendors and HSS but also to listen to members' ideas and suggestions to improve service.
- Mark Villares, Operations Manager, reported the following regarding HSS member service and staff development initiatives:
- The HSS commitment to deliver the highest quality of services to members is through innovations, which enhance members' service experience. Such enhancements include:
  - A redesigned lobby area which features:
    - an enhanced visitor log to allow member follow-up and tracking the number of visitors;
    - streamlined, organized member materials;
    - visitor confidentiality by giving members the option to write social security numbers or other private information on a pad rather than stating aloud so that others may

overhear;

- Call Center – a new telephone system was installed and operational effective July 1, 2007. Menu options were introduced which identify employer groups. The new system tracks and analyzes call volume by member groups.
- A telephone satisfaction survey has been implemented to track members' telephone experiences. Surveys are sent to members within 24-48 hours of calling the Health Service System.
- HSS is working collaboratively with the Department of Human Resources, the Police Academy, Municipal Transportation Agency, Human Services Agency and the Firefighters by participating in presentations regarding new employee health benefits.
- HSS also participates in the Retirement Department's orientation on health benefits for employees preparing to retire.
- Robin Courtney, Vendor Contracts and Performance Manager, reported the following regarding vendor performance enhancements:
  - The primary focus has been on contracts, performance guarantees, retrospective reviews, vendor meetings, vendor report cards, competitive RFPs and the Dashboard.
  - The contracts this year have been completed in record time compared to previous years. The goal is to have all of the contracts executed prior to the next contract year (June 30, 2008).
  - Several provisions specific to providing excellent health benefits have been included in the contracts such as the Dashboard Project, communications with members and health fair participation.
  - The vendor contracts include 14 performance guarantees in areas that are important to members such as claims administration, customer service, disease management and data reporting. The performance

guarantees, which are self-reported by the vendors, are monitored and revised as needed.

- Retrospective reviews of the performance guarantees will be conducted this year in a spot audit program to validate the information and ensure that it is understood.
- HSS has begun to hold quarterly vendor meetings to share feedback with vendors and address issues of importance. As a result of these meetings, over 17 significant vendor issues have been identified, many of which have now been resolved.
- The vendor report card process has begun with the goal of completing a vendor report card for all of the vendors and publishing the results on the HSS website. By January 10, 2008, five vendor report cards will have been completed.
- The Dashboard Project will enable monitoring the overall performance of the plans, improved vendor performance and provide a basis for future plan design strategy.
- Rosemary Passantino, Marketing and Communications Manager, reported the following regarding accomplishments in the past six months:
  - Lobby upgrade and materials reorganization (previously discussed by Mark Villares);
  - Expanded member health fair;
  - Updated website interface to enhance clarity and ease of use;
  - Regular monthly e-mail bulletins informing members of HSS news and initiatives;
  - Integrated online surveys and sign-ups into the e-newsletters to engage members in HSS activities, such as the vendor report card process;
  - Medical plan wellness highlight sheets are in the lobby and will be online to help members easily identify wellness programs from the providers and use for plan comparison.
  - Development of the PowerPoint template for new member orientations, the telephone

survey card and the privacy pad in the reception area were all created to support the Operations member service initiatives.

- Future projects include: updating the website home page to include financial data, a section on resources and tools to assist in the member decision support process, colored delinquency notification envelopes with a call to action on the outside to communicate the urgency of a response, and a training area is being reconfigured at the HSS offices to present onsite member seminars on various topics. The program will kick off with a series of seminars regarding decision support relating to Open Enrollment and other topics of member interest.

**Public Comments:** Gerry Meister, UESF retired teachers' representative, commented on her recent positive experience in the lobby at the HSS office. She found the lobby to be warm and welcoming.

□ 12132007-04 Discussion item

Financial reports and forecast for Plan Year 2007-2008, as of October 31, 2007 (Tess Navarro)

*Documents provided to Board prior to meeting:  
(1) Report for the General Administrative Fund; and  
(2) Report for the Trust Fund.*

- Tess Navarro, Chief Financial Officer, reported the following regarding the General Fund, as of October 31, 2007 (Fiscal Year 2007-2008):
- The overall actual expenses to date are right on target at 33% of budget.
- There are no significant savings or shortages projected for the fiscal year. The current annual projection is the budget will be fully spent for this year.
- Approximately half of the \$7,500 training budget may be used by the commissioners to participate in courses, conferences or online sessions.
- Trust Fund information, as of October 31, 2007 (fiscal Year 2007-2008) is as follows:
- A new format is being presented today, which matches the HSS business model and has three categories: self-insurance, insurance

products and savings and investments.

- Self-insurance includes the City Plan (including ASO), Delta Dental (actives only, including ASO).
- Insured products include the HMOs, Vision Service Plan, Delta Dental (retirees), DeltaCare and Pacific Union (actives and retirees). Also included in this category are the negotiated benefits, including flexible benefits and flexible spending
- The summary for the first four months of the fiscal year reflects a year-to-date actual net result of -\$5.1M; the annual projection for the fiscal year is -\$11.6. The volatile components of the projections are the self-insured products since expenses are based actual claims.
- The PacifiCare flex-funded plan assumption indicates actual claims are at approximately the same level as the target premiums (there is not enough information to gauge whether claims will exceed or be lower than the target premiums).
- Significant fluctuations in the plans will be monitored and reflected in future reports.

**Public Comments:** None.

□ 12132007-05 Discussion item

Update on relevant conflict of interest laws for boards that make contracts, including a discussion of the recent appellate decision in *Lexin v. Superior Court*, 154 Cal.App.4<sup>th</sup> 1425 (4<sup>th</sup> App. Dist. 2007) (Jon Givner and Erik Rapoport)

*Documents provided to Board prior to meeting:*  
None.

- Jon Givner of the Ethics and Elections Team in the City Attorney's Office, reported on the recent appellate decision regarding conflict of interest laws which may affect the Health Service Board relating to contracts that it participates in making.
- Section 1090 of the State Government Code applies to contracts and specifies that one cannot be on both sides of a contract (i.e., participating in making a contract and benefiting from it).

- Violations of section 1090 are significant, both for the City and the individual(s) involved. For the City, any contract made in violation of section 1090 can be voided. For the individual, there are potential criminal penalties, including fines and imprisonment. In many circumstances, one cannot sit on a board or commission if he or she has an interest in the contract; one cannot recuse or disqualify himself or herself.
- In Lexin v. Superior Court, the San Diego Retirement Board participated in making a MOU for the City, which, according to the prosecutors in that case, underfunded the retirement system in exchange for increased retirement benefits. Several members of the Retirement Board were alleged to have had an interest in the retirement benefits because they were beneficiaries of the system. The prosecutor alleged there was a quid pro quo arrangement—San Diego City would not pay as much into the retirement system but the beneficiaries will receive more benefits. The Court of Appeals ruled in September that there was cause to move forward with prosecution as a possible section 1090 violation and interpreted the salary exception in a way different from the Attorney General or any other court decisions.
- The Court of Appeals decision has implications for boards and commissions around the state. The Court stated that because board members were voting on a contract that directly involved their own benefits (all city employee and officer benefits), those officers had a conflict and were in violation of section 1090.
- Last month the Supreme Court took the case on review (Court of Appeal decision has been vacated) but its decision is uncertain. At this time, many state boards and commissions are unsure how to move forward with regard to contracts in which members on the board have an interest (i.e., salaries or benefits).
- Health Service Board members are eligible to receive health benefits through the City, and those members will participate in discussions

regarding vendor contracts on December 27 at the Rates and Benefits Committee meeting.

- The City Attorney's advice to the Health Service Board is to follow the Rule of Necessity, which allows a single deciding body (or individual) which is designated to make decisions to participate in the decision-making process (even if there is a conflict). Because each commissioner shares the same type of conflict, the unique nature of the Board and the Charter mandated balance of the Board, the entire Health Service Board may participate in the decisions regarding the contracts so long as the Board members each indicate on record at a public meeting their interest in the contract (disclosing either eligibility or participation in the Health Service System).
- The City Attorney's Office is in the process of making a similar disclosure for its employees determined necessary to participate in the contract-making process.
- Commissioner Heldfond requested that language is added to the City's insurance policy to protect Board members from criminal liability.
- Mr. Duncan suggested that the Board work with the City's new Risk Manager, Matt Hansen, and the City Attorney's Office regarding the proper wording in the contracts that protects the Board members from liability.
- Mr. Givner suggested that all Board members disclose their involvement (eligibility or participation) in the Health Service System's benefits at the December 27, 2007 Rates and Benefits Committee meeting.

**Public Comments:** None.

□ 12132007-06      Action item

Update on results of the vendor performance appraisal of FBMC and approval of vendor report card (Robin Courtney, HSS and Lorraine Strickland, FBMC)

*Documents provided to Board prior to meeting:  
FBMC Vendor Report Card.*

- Robin Courtney, Vendor Contracts and Performance Manager, reported the following on FBMC's vendor report card process which took place on November 27, 2007:
- The report card covered the period July 1, 2007 through June 30, 2007 and the categories of quality and value, responsiveness to HSS and contracting and performance guarantees.
- Overall, participants gave FBMC very high marks for quality and value of services.
- FBMC received the following scores (1-5):
  - Provider quality – 4.3
  - Customer service – 3.8
  - Quality of service to members – 3.8
  - Overall value delivered – 3.8
- Two areas of weakness are:
  - Quality of written communications
  - Quality of the website
- FBMC has been notified of eight issues and has begun to work on resolution, which includes:
  - The development of a new brochure;
  - Consideration of a landing page on website specific to HSS members;
  - In-house training of junior employees;
  - Trend analysis of claims payment
- Lorraine Strickland, President and CEO of Fringe Benefits Management Company, reported the following regarding the report card results:
- During the July 1, 2006 through June 30, 2007, FBMC has processed approximately 15,500 claims with a financial accuracy of 96-99%.
- There was a 20% participation increase in the 2006-2007 Plan year; \$7M was processed through the flexible spending accounts with a savings of approximately \$500,000 to the

City.

- Ms. Strickland commended HSS for the report card process which was clearly communicated, detailed and based on data and facts. As a result, improvements have begun in various areas such as:
  - New HSS website landing page for members;
  - A member's social security number will no longer be a log-in requirement; a password-protected pass code will be provided.

**Public Comments:** None.

**Action:** Motion was moved and seconded by the Board to approve the vendor report card for FBMC. Motion passed 6-0.

□ 12132007-07 Discussion item

Update on activities of citywide committee created pursuant to MOUs to develop recommendations on how to fund retiree health benefits in light of GASB Statement 45 (Employee Relations Division Representative)

*Documents provided to Board prior to meeting:*  
None.

Ileana Samanc, Department of Human Resources representative, reported the following regarding the City's effort to address the retiree health benefit liability:

- Two proposed Charter amendments were submitted to the Board of Supervisors on December 11, 2007 for the June 2008 ballot. One proposed amendment was introduced by Supervisor Elsbernd and Mayor Newsom and the other by Supervisors Peskin, Mirkarimi Sandoval and Ammiano ("Peskin Amendment").
- Both proposed amendments address two aspects:
  - a pension improvement for employees 61 and older; and
  - Other post-employment benefits ("OPEB") liability going forward.
- Pension Improvements:
- Currently, the maximum retirement benefit is 2% beginning at age 60. The proposal by

Supervisor Elsbernd and Mayor Newsom recommends maintaining the benefits at age 60 but increase as follows:

- 2.1% – age 61
  - 2.2% – age 62
  - 2.3% – age 63
  - 2.4% – age 64
  - 2.5% – age 65
- The maximum benefit would be allowed after 20 years of service by employees hired after January 2009.
  - The Peskin Amendment proposes the following benefit changes:
    - 2.1% – age 60
    - 2.2% – age 61
    - 2.3% – age 62
    - 2.4% – age 63
    - 2.5% – age 64
    - 2.6% – age 65

If passed by the voters, this structure would apply to employees with 10 or more years of service, as well as current and prospective employees, effective July 1, 2008.

- The current Cost of Living Adjustment (“COLA”) is 2% for employees, plus 1% if investment earnings allow for that year.
- The Newsom-Elsbernd Amendment makes no change to the COLA.
- The Peskin Amendment includes a 2% COLA, plus 1.5% if earnings are allowed that year at a compounded rate.
- The current cap is 75% of salary.
- The Newsom-Elsbernd Amendment maintains the cap at 75%.
- The Peskin Amendment would raise the cap to 80% of salary.
- Other Post-Employment Benefits (OPEB):
  - The current vesting schedule allows access to 100% of employer subsidy after five years of service.
  - The Newsom-Elsbernd Amendment includes access to the benefits after five years through nine years of service; 50% access at 10

years; 75% access at 15 years and 100% access at 20 years of service.

- The Peskin Amendment includes 50% access of the employers' share at five years; 75% at 10 years and 100% access at 15 years.
- There are no time limit requirements for retirement.
- The Newsom-Elsbernd Amendment would require employees to retire within 180 days of leaving City service.
- The Peskin Amendment would require employees to retire within two years.
- Currently an employee may receive the benefit of retiree healthcare at age 50.
- The Newsom-Elsbernd Amendment would change the retirement age requirement to 55 for subsidized healthcare.
- The Peskin Amendment would maintain the current age requirement.
- The Newsom-Elsbernd Amendment proposes a 3% cap in employee contributions for employees hired after January 10, 2009.
- The Peskin Amendment includes no employee contribution.
- The Newsom-Elsbernd Amendment would discontinue reciprocity between SFERS and outside agencies.
- The Peskin Amendment maintains reciprocity with outside agencies.
- To qualify for the June 2008 ballot, the Board of Supervisors will need to vote on one of the amendments by the end of February 2008.
- Supervisor Elsbernd added that his amendment sponsored with Mayor Newsom discusses the use of the Rainy Day Fund for the next two fiscal years to keep the \$4 billion GASB amount from increasing.
- Discussions will continue with the City's labor organizations.
- Erik Rapoport, Deputy City Attorney, stated that the amendments would revise Charter section A8.428 and outside of changing the vesting schedule, there will be potential

administrative impacts on HSS regarding implementing the changes.

**Public Comments:** Gerry Meister, retired teacher, asked for clarification of the Rainy Day Fund.

Supervisor Elsbernd responded that three or four years ago the voters approved a Charter amendment sponsored by Supervisor Ammiano stating that any time City revenues exceed 5%, a certain percentage goes into a Rainy Day Fund. If the revenues drop lower than 5%, the funds could be used. The Newsom-Elsbernd Amendment proposes using 25% of the current Rainy Day Fund to begin to pay for retiree healthcare for the next two fiscal years.

Claire Dunn, retired City employees' and retired teachers' representative, stated that the retirees are very interested in the proposals being presented. She said there appears to be a conflict and questioned whether there would be a blending of the amendments or the approval of only one proposal. She also asked for details regarding the process. She asked for public notice of the meetings because all members, whether active or retired, will be affected by the amendment.

□ 12132007-08 Discussion item

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

- Supervisor Elsbernd thanked Kaiser for its \$250,000 grant to the Mayor's Shape Up San Francisco Program in the Bay View District.
- Commissioner Zvanski inquired regarding lawsuits against Blue Shield.
- Jeff Hermosillo, Blue Shield representative, reported that the results of a two-year audit conducted by the Department of Insurance were recently released and were published in the Los Angeles Times today. The audit was specific to Department of Insurance-related products relating to a Blue Shield short-term health care policy regarding underwriting and rescission of those products. The issue has nothing to do with Blue Shield's group product and will not impact HSS members.

**Public Comments:** None.

□ 12132007-09 Discussion item

Opportunity to place items on future agendas

**Public Comments:** None.

- 12132007-010 Discussion item Opportunity for the public to comment on any matters within the Board's jurisdiction

**Public Comments:** None.

Adjourn: 2:32 p.m.

## 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>**

## Disability Access

The meeting will be held at City Hall, 1 Dr. Carlton B. Goodlett Place, Room 416. 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.

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](mailto:laini.scott@sfgov.org) at least 72 hours prior to the meeting.

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 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, contact Adele Destro by mail to Interim Administrator, Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94103-4689; by phone at (415) 554-7724; by fax at (415) 554-7854; or by email at [sotf@sfgov.org](mailto:sotf@sfgov.org).

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/>

## Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt 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](http://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 is prohibited at Health Service Board meetings and its committee meetings.
- 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.