



City & County of San Francisco

# HEALTH SERVICE BOARD

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

## Minutes

Regular Meeting

Thursday, May 8, 2008

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
  - Commissioner Scott Heldfond, *excused*
  - Commissioner Sharon Johnson
  - Commissioner Mitch Katz, M.D. , *excused*
- 05082008-01    Action item    Approval (with possible modifications) of the minutes of the meeting set forth below:
  - Regular Meeting of April 10, 2008Staff recommendation: Approve minutes.  
Documents provided to Board prior to meeting:  
Draft minutes.
  - Commissioner Zvanski requested a correction on page 10, item 4, to indicate the addition of a budget update.

**Public comments:** None.

**Action:** Motion was moved and seconded by the Board to approve the minutes of April 10, 2008 as revised. Motion passed 5-0.

- 05082008-02 Discussion item

**President's report** (President Breslin)

Documents provided to Board prior to meeting:  
None.

- President Breslin stated that she had nothing new to report at this time.

**Public comments:** None.

- 05082008-03 Discussion item

**Management team updates:**

- Health Service Board election (Laini Scott)
- Open enrollment (Jeff Hildebrant)
- Recruitment for Chief Operating Officer (Bart Duncan)
- Dashboard project (Bart Duncan)
- Online management cafeteria plan enrollment (Bart Duncan)
- Upcoming report cards and audits (Tess Navarro substituting for Robin Courtney)

Documents provided to Board prior to meeting:  
None.

- Laini Scott, Commission Secretary, reported the following regarding the Health Service Board's election:
- Due to the expiration of Commissioner Zvanski's term on the Board, an election will be held from May 9 through May 23, 2008.
- The candidates for the seat on the Board are Commissioner Zvanski, incumbent, and Charles Perl, Airport Budget Director.
- The Department of Elections is handling all of the election details. All ballots must be received by that department no later than 5:00 p.m. on May 23, 2008.
- As the Elections Officer for HSS, she is responsible for distributing to department employees any ballot that is returned as undeliverable by the U.S. Postal Service.

- Since Monday, May 26, is a legal holiday, the ballots will be counted on Tuesday, May 27, 2008. Once completed, the certified results will be posted on the Department of Elections' website. The results will be also be relayed to Ms. Scott, who will inform the candidates and the Board. The HSS website will also post the certified election results.
- Jeff Hildebrant, Assistant Director, provided the following Open Enrollment update:
- Approximately 5,600 open enrollment changes have been processed (the standard processing amount is between 5,000 to 6,000 applications). Benefit changes for active employees, the Community College District and the San Francisco Unified School District have been processed. Benefit changes for retired members are in the process of being completed. Once finished, the total changes will be approximately 6,000.
- There are no obvious changes occurring during this open enrollment period; however, a detailed report will be presented in July or possibly at the June Board meeting.
- Confirmation letters will be sent to members before the end of May, which will allow corrections to be made before the new fiscal year deductions begin.
- As a reminder, the deduction schedule has changed from 26 to 24 weeks, beginning with the first paycheck in July; therefore, only two deductions will be made during the months that three paychecks are distributed (September 2008 and May 2009).
- Commissioner Zvanski asked if the open enrollment benefit changes in the Moccasin population can be determined, especially in light of members' concern expressed at the April 11 meeting with Mr. Duncan regarding increased City Plan family rates.
- Mr. Hildebrant responded that once the processing has been completed for all members, a report can be run to provide the requested information.

- Bart Duncan, Director, acknowledged Ms. Scott's efforts in overseeing the Health Service Board election and expressed appreciation for all of her work, which includes duties within the department, as well as Commission Secretary to the Board.
- Mr. Duncan also thanked Jeff Hildebrant and staff for their hard work during open enrollment and reported the following:
  - Many inquiries have been received regarding recruitment for the Chief Operating Officer position, and a competitive process is anticipated. Screening interviews have been conducted with one part of the first group. Once the first round screening is completed, a few of those candidates will be invited back for a second round.
  - Next month is the rollout of Phase 1.0 of the HSS Dashboard project.
  - A medical plan vendor summit will be held on May 13, 2008 with all of the vendors and Mercer.
  - The meeting on April 11 with Commissioner Zvanski and members in the Hetch Hetchy area was a challenging encounter in which members' concern for rising medical costs was expressed, and the reality of the diminished cushion in the trust fund to insulate against higher member costs was discussed.
  - There is a possibility that the management cafeteria plan may be expanded to include online enrollment. Every year an hour is set aside for in-person visits to allow over 900 plan participants to enroll in that plan.
  - In Robin Courtney's absence, Tess Navarro reported the following on upcoming vendor report cards and audits:
    - The vendor report card process for Pacific Union Dental is currently underway.
    - Report cards for the medical vendors (Kaiser, Blue Shield and PacifiCare) will be initiated once Pacific Union Dental's vendor report card is completed.

- The Mercer team will present the medical and pharmacy audit results later at today's meeting.
- HSS, United HealthCare and Mercer came to an agreement that the medical claims audit results warranted a follow-up audit. Therefore, preliminary work has begun and the audit is scheduled to start in June and will be completed at approximately the end of September. The purpose of the follow-up audit is to verify that United HealthCare is performing up to HSS' standards following the implementation of certain changes identified as necessary based on the recently concluded audit report.

**Public comments:** Gerry Meister, UESF retired division representative, asked what the management cafeteria plan is.

Mr. Duncan referred Ms. Meister to the management cafeteria plan's link on the myhss.org website, which covers the benefit options available to managers.

□ 05082008-04 Discussion item

[Financial reports and forecast as of March 31, 2008 for Plan Year 2007-2008 and General Fund budget update for Fiscal Year 2008-2009](#) (Tess Navarro)

Documents provided to Board prior to meeting:

1. Report for General Administrative Fund; and
2. Report for Trust Fund.
  - Tess Navarro, Chief Financial Officer, reported the following general fund financial report for Plan Year 2007-2008 as of March 2008:
  - This year's estimated spending projections will be within the budget.
  - The salary savings for this reporting month has decreased due to a surplus transfer of approximately \$80,600 within the HSS budget line, which was recently approved by the Mayor's and Controller's Offices.
  - Estimated work order savings will allow covering some of the projected deficits for the DTIS work order (telephone usage, workers' compensation and utilities). It is still being assessed whether there will be excess

funds available. She will continue to work with the applicable departments to confirm projects and the amount of funding needed for the remainder of the fiscal year.

- Ms. Navarro reported the following regarding the Trust Fund:
  - The total projection of -\$12.2M remains for the 2007-2008 Fiscal Year.
  - The recent medical and dental paid claims data remains stable at a projected -\$9.2M in the City Plan and the anticipated -\$2M for the dental plan.
  - Due to decreasing interest rates, the projected interest income has been reduced from \$2M to \$1.6M.
  - Several factors are contributing to a decrease of the HMO projected net, such as reconciliation between the department's records versus the vendor's records regarding premiums due, low income subsidy and the timing of members' status changes.
  - Regarding the Fiscal Year 2008-2009 budget status, Ms. Navarro reported the following:
    - There have been no developments or changes from last month's update.
    - To help balance the budget, the Mayor's office will schedule a meet and confer with labor unions to discuss a possible across the board salary reduction.
    - The budget schedule is as follows:
      - June 2, 2008 – Mayor's office will submit proposed budget to the Board of Supervisors;
      - June 30, 2008 – enactment of entering appropriation and annual salary ordinance;
      - July 31, 2008 – Board of Supervisors will adopt the 2008-2009 annual appropriation ordinance.
  - HSS has received preliminary requests for information from the Budget Analyst's office relating to the current year's budget and

spending status, as well as the 2008-2009 Fiscal Year budget submission. HSS will be working with that office to finalize the budget.

**Public comments:** Sandra Mack, retired teacher, asked for clarification on the impact of the low income subsidy on the 2007-2008 Plan Year.

Ms. Navarro responded that the low income subsidy previously mentioned in the trust fund report is related to money from the Medicare program wherein certain members are entitled to a subsidy or a premium refund. HSS receives funds from individual medical providers, which in turn are refunded to qualified members. For those qualified members, the low income subsidy is a pass-through from the medical providers to HSS back to the member. A member is entitled to the refund received by HSS from the medical providers if he or she pays a premium share.

- 05082008-05      Discussion item      [City Health Plan: Audit by Mercer of United HealthCare's: \(i\) medical performance for the period July 1, 2006 through June 30, 2007; and \(ii\) pharmacy program for the period January 1, 2006 through December 31, 2006](#)

- Introduction (Bart Duncan)
- Overview of audit results (Mercer Team)
- Response to audit (United HealthCare Representatives)

Documents provided to Board prior to meeting:  
Overview of audit prepared by Mercer Team

- Bart Duncan reported that this is the first time ever that a third party audit of claims has been conducted. He noted that although he was disappointed in the medical plan audit results, he has been delighted with the teamwork with Mercer and the response of the United HealthCare team. Everyone agrees that the bar needs to be raised.
- Mr. Duncan thanked all of the audit participants, and acknowledged everyone's hard work. He commended the Mercer team and, in particular, Donna Streitz for her thorough detailed work.

- Gillian Printon, Mercer team, presented a summary of the audit and reported the following:
- Since this is the first audit conducted, it is being referred to as a baseline audit of the plan administration by United HealthCare.
- The audit had two main components:
  - UHC's medical plan administration (all fee for service medical claims) ; and
  - Pharmacy plan administration (United Health Pharmacy Solutions and Medco Health Solutions)
- An operational review of the medical plan was conducted in which UHC's staffing (claims and customer service) and performance standards and measures (quality control) were audited.
- The medical claims review included a statistical sample of 250 medical claims processed by UHC during the audit period July 1, 2006 through June 30, 2007. These sample claims were representative of the underlying claims population, therefore results could be projected onto the entire claims population.
- An electronic audit of 100% of all retail and mail order pharmacy claims was conducted for the period January 1, 2006 through December 31, 2006.
- During the audit period, no designated claims processing staff was assigned specifically to HSS, which is a best practice that enhances quality. As of July 1, 2007, UHC assigned seven primary claim processors to the City Plan.
- The results from the statistical claims review focused on two areas:
  - claims quality (the accuracy of claims handling); and
  - turnaround time (how quickly claims are processed).

- UHC's claims quality results were below industry standard in all areas as follows:
  - Claims processing accuracy (overall claims processing without errors) – 88.8% versus the industry standard of 92%
  - Financial or dollar accuracy (total claims paid accurately) – 92.5% versus the industry standard of 99%
  - Payment incidence accuracy (percentage of claims without payment error) – 90.1% versus the industry standard of 97%
- UHC's turnaround times on all claims were also below industry standards:
  - Timeliness – percentage of claims processed in 14 calendar days – 86.7% versus the industry standard of 90%
  - Timeliness – percentage of claims processed in 30 calendar days – 92.7% versus the industry standard of 98%
- UHC's pharmacy audit results significantly exceeded the medical audit results. Two accuracy measures were reviewed:
  - Financial accuracy – 99.67% versus the industry standard of 99.50%
  - Payment accuracy – 99.93% versus the industry standard of 99.25%
- Electronic tests were run to validate the accuracy of the audit results.
- UHC's response to the medical audit has been positive and proactive. Some of the proactive steps taken are as follows:
  - Increased performance guarantees for ASO fees from 17% to 30%, effective January 1, 2008.
  - UHC implemented designated claims and customer service teams.
  - Corrected plan intent/set up errors.
  - UHC agreed to significant financial concessions totaling \$480,700 to date.

- UHC's response to the pharmacy audit is as follows:
- Medco has provided impact reports identifying specific overpayments and underpayments. Analysis of any impact outside of the audit period will be completed by UnitedHealth Pharmacy Solutions/Medco Health by May 16, 2008.
- UHPS/Medco agreed to reimburse the City Health Plan for confirmed overpayments.
- UHPS/Medco agreed to implement discounts and dispensing fee performance guarantees for the City effective July 1, 2008.
- The next steps include:
  - UHC will continue to follow through on improvement actions and provide periodic updates to HSS in the quarterly vendor meetings.
  - A follow-up medical audit has been scheduled to re-evaluate UHC's performance and measure the impact of the action steps taken for the claims period January 1, 2008 through May 31, 2008. The target date for results is late September 2008.
  - Pharmacy improvement actions and financial impact updates will be evaluated at the quarterly vendor meetings.
  - Bart Duncan acknowledged the teamwork and contributions of Robin Courtney, Tess Navarro and the Mercer team.
  - Mike Saavedra, United HealthCare representative reported the following:
    - Paula Kingwater, Director of Operations, and Catherine Miller from UnitedHealth Pharmaceutical Solutions Division were in attendance to address operational or pharmacy questions.
    - An aggressive remediation and action plan has been implemented by UHC related to Mercer's recommendations.

- A root cause analysis was performed to identify the key issues addressed in the audit. As a result, enhanced performance guarantees were proactively implemented.
- UHC has moved the City Plan's customer service to its "Health Advisor" model in Chico, California, which has resulted in improved first call resolution of members' issues.
- Plan benefit intent regarding claims payment concerns was clarified with HSS staff and changes were implemented on January 1, 2008 to correctly pay claims going forward.
- Paula Kingwater addressed the following operational changes:
  - New programs for Medicare COB claims processing and improved controls over High Dollar Payment were implemented. Certified specialists or processors handle these types of claims and are required to maintain a 99.9% financial accuracy rate.
- Two key staffing changes have been made:
  - Designated claims staff includes credentialed Medicare and high-dollar specialists;
  - All claims staff has at least four years' claims processing experience.
- Catherine Miller reported the following regarding improving performance in the pharmacy plan:
  - Continue to build on strong performance with improvements in communications with HSS staff;
  - Increase understanding of plan intent through regular dialogue and plan review;
  - Increase overall responsiveness.
- Mike Saavedra reported the following performance guarantee enhancements:
  - UHC increased performance guarantees from 17% to 30%, effective January 1, 2008. This increase amounts to approximately \$750,000 annually.

- The cap for any one performance guarantee was increased to 4% (approximately \$100,000 for any one standard);
- At the request of HSS, the performance guarantee was revised to a pass/fail rating, effective July 1, 2007.
- UHC has agreed to external verification of performance results through follow-up audits.
- Pharmacy discounts and dispensing fee guarantees will be implemented, effective July 1, 2008.
- UHC is committed to HSS and all City Plan members and will continue to work closely with Robin Courtney on vendor performance metrics and the Mercer team on the Dashboard project.

**Public comments:** Sandra Mack, retired teacher, stated that the Board and HSS staff should receive credit for the improvements resulting from the audit findings and that the information should be posted on the website or in a newsletter.

- 05082008-06      Discussion item      **Report on significant network and health plan issues (if any)** (Respective plan representatives)
  - Angela Kohls, Kaiser representative, reported that Mark Frey has resigned. Kaiser is in the process of recruiting to replace him on the HSS account. She and Kristin Hugel, will work with the HSS team to ensure that all issues or concerns are met.
  - Jeff Hermosillo, Blue Shield representative, provided the following update:
    - Stanford Hospital, Lucille Packard Hospital, Menlo Medical Clinic and the Stanford Hospital Providers (medical group) terminated their contract with Blue Shield on May 26, 2008 at midnight.
    - There has been no HMO disruption because the Department of Managed Healthcare has not yet approved the termination.
    - Meetings are taking place daily to resolve the issues and renew the contract.

**Public comments:** Claire Dunn, retired teachers' and retired City employees' representative, asked that a future agenda item include the discussion of the City Plan subsidy in light of the rate increases this year so that the rates are better next year.

- 05082008-07      Discussion item      Opportunity to place items on future agendas  
**Public comments:** None.
- 05082008-08      Discussion item      Opportunity for the public to comment on any matters within the Board's jurisdiction  
**Public comments:** None.
- Adjourn: 2:46 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](mailto:laini.scott@sfgov.org) at least 72 hours prior to the meeting.

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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.

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