

Action: Motion was moved and seconded by the Board to approve the meeting minutes for the special closed session and regular meeting of September 11, 2008.

Motion passed 5-0

- 10092008-02 Discussion item

President's report (President Heldfond)

Documents provided to Board prior to meeting:
None.

- President Heldfond stated that he had nothing to report at this time.

Public comments: None.

- 10092008-03 Discussion item

Management team updates:

- Introductory remarks (Bart Duncan)
- Year-end closing and audit process (Tess Navarro)
- HSS Health Fair – October 21-22, 2008 (Rosemary Passantino)
- Vendor contracting and performance management updates (Robin Courtney)

Documents provided to Board prior to meeting:
Health Fair poster, revised annual meeting calendar.

- Bart Duncan, HSS Director, acknowledged and thanked the HSS managers and staff for their continued good work.
- Tess Navarro, Chief Financial Officer, reported the following regarding the year-end closing and audit process for fiscal year 2007-2008:
 - The audit is progressing as scheduled. The onsite field work will be completed by the audit staff tomorrow.
 - To date, no significant audit issues have been identified. The financial certifications are expected to be completed by the end of the month for submission to the Controller's Office.
 - An audit report will be provided to the Board at the November meeting.
 - Rosemary Passantino, Marketing and Communications Manager, reported the following:

- All of the details are in place for a successful Health Fair on October 21 and 22, 2008.
- Promotion of the Health Fair include payroll stuffers, the distribution of posters and e-blasts.
- She thanked Gerry Meister and the UESF retired members for promoting the Health Fair to active school district employees through the UESF newsletter and e-mails.
- All police and fire stations have received notices for the Health Fair, as well as many labor organizations.
- Robin Courtney, Vendor Contracts and Performance Manager, reported the following updates:
 - The UHC follow-up audit is on target for completion by Mercer as planned.
 - HSS is in the process of completing spot audits for the vendors' self-reported performance guarantee results for fiscal year 2007-2008.
 - Pacific Union Dental has made progress in addressing the issues identified in its vendor report card. HSS will continue to track their progress.
 - Kaiser has submitted its self-evaluation, which is the first step in the vendor report card process. Participants will be contacted shortly.

Public comments: None.

□ 10092008-04 Discussion item

Retrospective reviews of the following self-funded and flex-funded plans: (Tess Navarro and Mercer Team)

- City Health Plan for fiscal year 2007-2008
- Delta Dental Plan for active employees for fiscal year 2007-2008
- Flex-funded (PacifiCare) HMO for first six months of fiscal year 2007-2008, and calculation of Contingency Margin pursuant to HSS policy
- Preliminary overview of impact of results on HSS financial statements for fiscal year 2008-2009

Documents provided to Board prior to meeting:
Report prepared by HSS and Mercer

- Rhys Evans, Mercer team, presented a PowerPoint and reported the following:
- A side-by-side comparison of actual and expected claims for plan year 2007-2008 was made of the City Plan and employee dental plan.
- The financial outcome of PacifiCare's flex funded plan for plan year 2007-2008 has not yet been finalized. The final data is expected in November, and a retrospective review will be presented to the Board following analysis. For financial statement purposes, a total liability of \$7.5M was recorded for the 2007-2008 fiscal year.
- The actual total cost of the City Plan for plan year 2007-2008 was \$68.7M compared to the expected amount of \$62.3M.
- For plan year 2007-2008, the City Plan's actual total revenue shortfall was \$10.2M compared to the expected shortfall of \$8.0M. The change in the year-end contingency margin (\$0.5M) revised the total shortfall from \$10.2M to \$10.7M. After applying an \$8.0M Trust Fund subsidy, the net shortfall for plan year 2007-2008 was \$2.7M.
- The \$2.7M net shortfall will be applied in determining the stabilization amount for plan year 2009-2010 rates (\$1M spread over the City Plan's projected premium equivalent rates).
- For the active employee dental plan, member enrollment for plan year 2006-2007 was used to determine members' expected claims for plan year 2007-2008 (\$36.6M expected claims versus \$37.8M actual claims).
- The total revenue shortfall for plan year 2007-2008 was \$2.1M. (The change in the year-end contingency margin—from \$3.0M to \$3.1M—revised the revenue shortfall from \$2.0M to \$2.1M.) The planned application of the \$2.0M stabilization amount (from the overage in plan year 2006-2007) resulted in

a net shortfall in the dental plan of \$100,000 to be applied in full to the 2009-2010 projected per employee dental rates.

- A retrospective review of PacifiCare's flex-funded plan will be completed once the finalized data is received (expected in late November). A presentation will be made to the Board at the December meeting.
- A preliminary estimate of the June 30, 2008 contingency margin has been completed for the flex-funded plan using estimated claims. The estimated contingency margin is \$6.8M.
- Tess Navarro presented a report on the preliminary overview of the impact of results on HSS financial statements for fiscal year 2008-2009:
- A comparative Trust Fund summary for fiscal years 2005-2006 and 2006-2007 reflects previously issued financial statements.
- Fiscal year 2007-2008 is currently under review. A reduction of -\$20.3M from the Trust Fund balance is under audit:
- Total self-insurance -\$20.0M:
 - City Plan, including ASO: -\$10.2M
 - PacifiCare: -\$7.8M
 - Dental (actives), including ASO: -\$2.0M
- Total insured products -\$2.4M:
 - HMOs (Blue Shield and Kaiser): -\$2.6M
 - Administration: \$0.2M
- Total savings and investment of \$2.1M:
 - Interest: \$1.4M
 - Penalties and forfeitures: \$0.7M
- The Trust Fund balance for fiscal year 2006-2007 was \$43.9M.
- The Trust Fund balance for fiscal year 2007-2008 was reduced by -\$20.3M, leaving a balance of \$23.6M.
- The Trust Fund balance for fiscal year 2007-2008 was \$10.4M, after applying the contingency margin of \$13.2M, previously approved by the Board.

- “Commitments” totaling -\$8.5M in the Trust Fund have been included in the self-insurance category of the 2008-2009 rates. The breakdown of the self-insurance “commitments” are as follows:
- City Plan – “planned loss” subsidy: -\$4.0M
- City Plan 2008-2009 stabilization amount: -\$2.9M
- Dental funding policy (FY 07 results): -\$1.6M
- No subsidy has been provided to the HMOs in fiscal year 2008-2009.
- The estimated Trust Fund interest income in fiscal year 2008-2009 is \$700,000.
- Bart Duncan commended Ms. Navarro and the Mercer team for their good work. He also noted the significance of the data presented, which highlights the minimal funds available for future plan subsidies from the Trust Fund (a practice of the past seven years).

Public comments: None.

- 10092008-05 Discussion item [Presentation regarding certain as-needed employees \(DHR Representative\)](#)

Documents provided to Board prior to meeting:
None.

- Micki Callahan, DHR Director, made a presentation to the Board requesting to transfer the administration of the current “as-needed” or temporary-exempt employees’ health benefits program from DHR to HSS.
- Ms. Callahan reported the following:
- In 2006, a joint labor-management committee was created from the MOU negotiations to develop a program to provide health benefits to SEIU-represented temporary-exempt (“as-needed”) employees excluded from receiving health benefits through HSS due to eligibility criteria.
- The MOU allocated \$500,000 for the planning stage of the program and \$2,000,000 for each successive year through 2010. The funds carry over to the

following year if not used. To date, there is a balance of \$3.7M. These funds are not a part of the HSS Trust Fund.

- The committee selected Healthy Workers as the benefit plan for the as-needed employees. This plan is administered by the San Francisco Health Plan (Healthy Families, Healthy Kids and Young Adults). Care is provided by the City's Community Health Network through the Department of Public Health.
- Employees in SEIU 1021 are eligible for health benefits through Healthy Workers based upon years of service and total work hours in a rolling 12-month period established by the committee.
- The program began on August 1, 2007 with 126 employees; membership has grown to 222 employees, including one membership in COBRA. Open enrollment will begin in late-October for the January 1, 2009 benefit period.
- This program is currently being administered by DHR and the duties are handled by a 0.5 FTE in Class 1842 Management Assistant.
- The committee proposes to transfer the administration of the current as-needed health benefits plan from DHR to HSS, since HSS is the department administering health benefits for all other City workers. The transfer would include one FTE currently performing the duties for the health benefits program and any existing infrastructure for the program (i.e., eligibility and enrollment database and contractual relationships with vendors, San Francisco Health Plan and Fringe Benefits Management Corporation).
- If the transfer is approved by the Board, the Employee Relations staff at DHR will continue to serve as the liaison to the As-Needed Health Benefits Committee.
- Some possible advantages to the transfer include:
 - Additional resources for HSS since only 0.5 FTE is required to run the program;

- All plan costs are covered by the MOU fund allocation;
 - All City employee health benefits would be provided through one agency;
 - The plan can be conformed to HSS standards.
- Dr. Katz reported that he has a fairly long history with the program and had taken part in the City's negotiations with SEIU representatives. He stated that the program would never exceed the yearly allocation of \$2M, and that if more as-needed employees opt to enroll in the program, the committee would prioritize eligibility based on the number of hours worked.
 - Commissioner Breslin expressed concern regarding the impact of such a transfer on HSS staff, in light of reduced staff and telephone hours due to budget cuts. She stated that the Board's fiduciary duty is to current HSS members and she does not see how the new program would benefit existing HSS members.
 - Ms. Callahan responded that since the program administration requires one-half FTE and DHR is offering to send over one person, HSS would come out ahead. She also stated that if there was a need for additional staff to run the program, the funds are available to pay for them.

Public comments: David Williams, SEIU 1021 representative and as-needed committee member, encouraged the Board to accept transfer of the program to HSS. He stated that as-needed employees should receive the same health benefits as those provided to full-time employees by HSS.

Margo Reed, SEIU 1021 staff member, stated that the SEIU membership supports the transfer of the as-needed health benefits administration to HSS from DHR. She encouraged the Board to consider the transfer.

Betty Williams, CCSF employee and as-needed committee member, also encouraged the Board to act now in considering the transfer of the as-needed

benefits to HSS.

Dennis Kruger, Director of the Retired San Francisco Firefighters and Widows Association, suggested that SEIU add two or three employees to the HSS staff to assist with providing service to all members, since telephone hours and staff have been reduced.

Claire Dunn, retired teachers' and retired City employees' representative, expressed concerns about how the proposed transfer of the program to HSS would be handled by HSS staff and questioned the philosophical and practical details. She suggested that there are many factors to be taken into consideration and that it might be more practical to handle the administration of the as-needed health benefits in another way.

Gerry Meister, UESF Retired Division representative, concurred with Ms. Dunn's comments and stated that the impact of transferring the administration of the as-needed health benefits to HSS could potentially impact all HSS members and asked the Board to carefully examine the proposal.

Sandra Mack, retired teacher, stated that the solution may lie in making DHR more competent to handle the administration of the as-needed health benefits program rather than transferring the administration to HSS.

Harry Baker, SEIU 1021 representative, stated that the as-needed employees covered by this program are primarily low paid workers and that moving the administration of their benefits program to HSS would be an improvement. He encouraged the Board to consider the transfer.

Vice President Zvanski expressed several concerns regarding HSS administering the as-needed health benefits program, such as administrative overload and the reduced telephone hours due to budget constraints. She noted that the Vision Service Plan's VDT benefit is not administered through HSS, illustrating that not all health programs by HSS vendors are administered through HSS. She also stated that the Charter defines how and to whom medical benefits are provided, and who and what is governed by the Board. Since the as-needed program is not a part of the trust fund or current HSS administration, it compromises the definition of the trustees' responsibilities and fiduciary duties to serve members. She suggested changing the

Charter definition to incorporate the as-needed employees into the HSS membership and trust fund, making them qualified for full benefits provided by HSS and the retirement system. She also expressed concern regarding the Board's fiduciary responsibilities in providing health benefits in a "hybrid" plan that does not fall within the current membership system.

Dr. Katz noted that this issue has not been resolved since presenting it to the Board two years ago and that the as needed health benefits program should be administered through HSS. He encouraged the Board to approve the proposal.

President Heldfond responded that the Board should establish a committee to interface with DHR and clarify the issues. He suggested that Commissioners Breslin, Johnson and Katz become members of the new committee.

Commissioner Breslin stated that the creation of a new committee should wait until after the rates and benefits process is completed, to allow staff to continue to focus on finalizing the rates for open enrollment.

Dr. Katz suggested that Board members vote at the next meeting to decide whether or not to proceed with exploring the transfer of the as-needed health benefits program to HSS.

Bart Duncan expressed concern on behalf of HSS staff regarding rates and benefits, trust fund issues and open enrollment details currently not addressed by the Board. He also noted that budget instructions have not yet been received, which could require further department reductions. Mr. Duncan asked that the Board consider all factors before making a decision.

Ms. Callahan stated that DHR and SEIU 1021 will provide any information requested by the Board to assist in the decision-making process.

- 10092008-06 Discussion item Report on network and health plan issues (if any)
(Respective plan representatives)
Public comments: None.
- 10092008-07 Discussion item Opportunity to place items on future agendas
 - Dr. Katz suggested that the proposal to transfer the administration of the as-needed health benefits program from DHR to HSS be placed on the November agenda as an action item for a Board vote.**Public comments:** None.
- 10092008-08 Discussion item Opportunity for the public to comment on any matters within the Board's jurisdiction
Public comments: None.

Adjourn: 1:40 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>

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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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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.

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) 554-1727 or email at laini.scott@sfgov.org.