



2010–2011

# Annual Report

Health Service System  
CITY & COUNTY OF SAN FRANCISCO

**DRAFT submitted for Health Service Board Approval January 2012**

Mission Statement

The Health Service System of the City & County of San Francisco seeks opportunities to serve, promote and protect the health and well being of employee and retiree members and their families, in order to achieve the vision of San Francisco's public employees and retirees becoming the healthiest in the state.

## 2010–2011 was a productive year for the Health Service System, with significant accomplishments in containing costs and ensuring quality of care.

The Health Service Board and Health Service System are working with elected officials, the San Francisco Unified School District, the San Francisco Community College District, and other City departments to address the challenge of rising healthcare costs. This report provides examples of how the Health Service Board and the Health Service System (HSS) are actively pursuing innovative solutions, while prudently managing financial and human resources.

In 2010–2011, the Health Service System conducted a rigorous, competitive request for proposal for our contracted network HMO vendor, which resulted in a zero premium increase for that HMO plan. (The average 2010–2011 rate increase for large employers in California was 9%.) As part of that process, HSS required the formation of two Accountable Care Organizations (ACOs) in San Francisco. These ACOs have the potential to significantly improve the coordination of care between the insurer and local medical groups and hospitals. At the same time, the ACOs can realize cost savings through administrative efficiencies and process improvements designed to reduce unnecessary emergency department visits, hospital readmissions and more. Launched in July 2011, these are the first ACOs in the country within a managed care setting and their progress is being monitored nationally.

During this year HSS implemented benefit design changes, such as increased co-pays for brand name prescription medications, which brought \$10 million in employer premium savings. HSS also conducted eligibility audits resulting in \$2.5 million year-over-year cost savings, and implemented the first phase of national healthcare reform, which included maintaining eligibility for nearly 1,000 member dependents through age 26. HSS member rules were amended to reflect this and other changes in compliance with federal law.

HSS issued a strategic plan during this fiscal year, to ensure expenditures of human and financial capital are aligned with objectives that serve the department's mission. An important component of this plan is coordinating with other employers and departments, including the Department of Human Resources, Payroll and multiple retirement systems, in the effective administration of employee and retiree benefits.

This year was characterized by heightened complexity in healthcare delivery systems, and heightened public and political scrutiny regarding the cost of public employee benefits. HSS is proud of its commitment to fiscal responsibility and governmental transparency. Our annual budget includes administration of over \$600 million for health and other insurance premiums, and \$6 million in operating expenses. Annual audits of the Health Service trust fund are conducted annually by KPMG, and are consistently clean and error-free.

The challenges that the City and its employees and retirees face regarding the rising costs of health care are significant. However, this provides an opportunity for San Francisco to take the lead, with our 105,545 members, in devising and implementing ground-breaking innovations in health benefits administration and expanding on the successful wellness programs launched in 2010–2011.

Catherine Dodd, PhD, RN  
Director, Health Service System

# Department Overview

Per the San Francisco City Charter, the Health Service System (HSS) administers health benefits for over 105,545 employees, retirees and their eligible family members. Participating employers include the City & County of San Francisco, the San Francisco Unified School District, the San Francisco Community College District, and San Francisco Superior Court. Benefits currently include:

- Medical Plans
- Dental Plans
- Vision Plan
- Flexible Spending Accounts
- Long Term Disability
- Short Term Disability
- Group Life Insurance
- Municipal Executive Flex Credits
- COBRA

HSS core functions are providing efficient and accurate benefits administration, cost-effective vendor and contracts management, establishing annual rates and benefits through health vendor negotiations, maintaining accurate financial and demographic records, ensuring eligible members and dependents have access to quality healthcare, and providing opportunities for employees and retirees to enhance their health and well-being.

## Health Service Board

In November 2004, the San Francisco City Charter was amended to establish the Health Service System as a separate department, governed by the Health Service Board. The Health Service Board is made up of four elected commissioners, two appointees selected by the Mayor and one member of the Board of Supervisors. (One mayoral appointee must be a physician and the other must be an individual who regularly consults in the healthcare field.) The Health Service Board conducts an annual review of health benefit costs, ensures benefits are applied without favor or privilege, and administers the business of the Health Service System. Board meetings are regularly

scheduled each month in San Francisco City Hall. The Health Service System Director is accountable to the Health Service Board.

## Finance

The benefits which HSS administers cost \$660.2 million annually in fiscal year 2010–2011. The HSS departmental administration budget of \$6.6 million represents less than one percent of the annual benefits costs. The finance division processes approximately 12,500 financial transactions annually, including timely vendor payments for all administered benefits, over-the-counter premium payments and departmental work orders. Finance plays an integral role in the annual rate setting process by assisting with rate negotiations, conducting the Charter-mandated 10-County Survey of public employer contributions to employee health premiums, and calculating over 1,000 employee and retiree premium rates. Finance is also responsible for the annual external Trust Fund audit, the results of which are incorporated into the City Comprehensive Annual Financial Report (CAFR). Working with the Mayor's office, the Controller, and Budget Analyst's office, Finance develops the annual HSS administration budget. In addition to these accounting responsibilities, Finance administers a vendor oversight program with performance guarantees tied to penalties, oversees annual contract renewals and facilitates the vendor Request for Proposal (RFP) processes. Interfacing with the Center for Medicare Services (CMS) to provide eligible membership and claims, Finance oversees receipt of annual reimbursements from the federal government. Finance coordinates with other employers and City departments as well as unions, providing financial analyses pertaining to HSS benefit rates. These analyses are used in Memorandum of Understanding (MOU) negotiations, Governmental Accounting Standards Board (GASB) unfunded liability reports, and the introduction of benefits-related legislation.

## Operations

The operations division handles day-to-day enrollment transactions, provides benefits decision support, coordinates premium contribution transactions with finance, and acts as

a liaison between members and healthcare vendors, if needed. Operations staff answer member calls and provide in-person member assistance from 8am to 5pm, Monday through Friday. Open enrollment is conducted annually in April. During this time call volume and office traffic increases significantly. Depending on the significance of the year's plan and rate changes, Operations staff manually enters data for between 7,000 and 30,000 open enrollment applications into the PeopleSoft system, in order to meet deadlines for data transfer linked to the start of a new plan year every July 1. This division ensures compliance with city, state and federal regulations regarding protected health information privacy and records retention, advises the Health Service Board on the rules that govern membership in the Health Service System, and conducts ongoing eligibility audits. As the facilitator of the department's day-to-day use of PeopleSoft, Operations is playing an instrumental role in the transition of benefits administration to PeopleSoft 9.0.

### Communications

The communications division, funded by the HSS Trust Fund, provides employees and retirees with accurate and timely benefits information, so they can make knowledgeable decisions about their healthcare coverage. This includes overseeing print materials, online information, member events, and other member communications as well as coordinating information distribution with DHR personnel officers, unions and other groups. In addition, this division ensures that information relating to administered benefits, Health Service Board proceedings, Finance and Operations are made available to HSS members, elected officials, the media and the public, so the department adheres to high standards of government accessibility and transparency. This division also oversees HSS member communications issued by healthcare vendors and assists other City departments with benefits-related information as needed.

### Wellness

Funded by the HSS Trust Fund with the approval of the Health Service Board, this employee and retiree wellness division was created in 2009 to bring HSS into alignment with current industry best practices in employee/retiree

wellness and health premium cost savings. Using existing contracted vendor resources, this division works with City employers and departments, retirees and health plan vendors to improve employee and retiree health, and is establishing baseline data to measure the effectiveness of pilot projects related to physical and mental health, disease prevention, early detection, chronic condition management, smoking cessation, and stress reduction. The City's Employee Assistance Program (EAP) is overseen by this division.



As of July 2010, 105,545 member and dependent lives were covered on Health Service System medical plans.

### Medical Plans

As of July 1, 2010, there has been a year-over-year decrease of 1,736 in total covered lives under HSS medical plans. This reflects a reduction in active covered lives of 2,716 and a small increase in retired lives covered of 980. Due to premium contribution increases, a significant number of members and their dependents migrated from Blue Shield and City Plan to Kaiser. Blue Shield experienced a reduction of 3,353 covered lives or about 7% of its membership. City Plan lives fell 603, 6% of its membership. Kaiser lives increased about 5%, gaining 2,220 new members and their dependents.

Total Lives–Medical	July 1, 2009	July 1, 2010	Change
Blue Shield HMO	48,741	45,388	(3,353)
Kaiser HMO	47,751	49,971	2,220
City Health Plan PPO	10,789	10,186	(603)
Total Lives	107,281	105,545	(1,736)

Both active and retiree members and their dependents migrated to Kaiser, with 1,556 active lives and 664 retirees and their dependents joining the Kaiser plan. Year over year, Blue Shield lost about 9% of their active lives—3,620 active members and their dependents. This was offset slightly by 267 retirees who joined the Blue Shield plan as of July 1, 2010. The City Plan increase of 49 retiree lives was more than offset by the 652 actives and their dependents who left the City Plan.

Active Lives–Medical	July 1, 2009	July 1, 2010	Change
Blue Shield HMO	40,016	36,396	(3,620)
Kaiser HMO	34,373	35,929	1,556
City Health Plan PPO	2,533	1,881	(652)
Total Lives	76,922	74,206	(2,716)

Retiree Lives–Medical	July 1, 2009	July 1, 2010	Change
Blue Shield HMO	8,725	8,992	267
Kaiser HMO	13,378	14,042	664
City Health Plan PPO	8,256	8,305	49
Total Lives	30,359	31,339	980

## Dental Plans

In addition, the System provides dental benefits to eligible active employees of the City & County of San Francisco, all retired members, and eligible dependents. Between July 1, 2009 and July 1, 2010, HSS experienced a decrease of 996 total covered lives under our dental plans. This reflects a decrease of 2,283 actives offset by an increase of 1,287 retirees and their dependents.

Total Lives–Dental	July 1, 2009	July 1, 2010	Change
Active	68,554	66,271	(2,283)
Retiree	21,575	22,862	1,287
Total Lives	90,129	89,133	(996)

## Flexible Spending Accounts

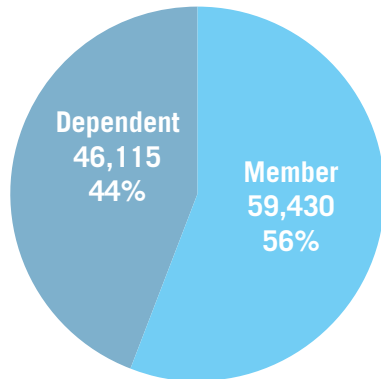
A Flexible Spending Account (FSA) is a tax-favored benefit that allows City & County of San Francisco employees to pay for certain dependent care and healthcare expenses pre-tax. The level of participation in the FSA program remained relatively flat with a slight, 1% increase in membership or 48 new members as of July 1, 2010.

Flexible Spending Accounts	July 1, 2009	July 1, 2010	Change
Health Care FSA	2,443	2,494	51
Dependent Care FSA	785	782	3
Total FSA	3,228	3,276	48

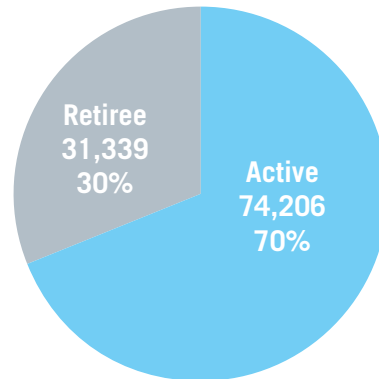


Demographics

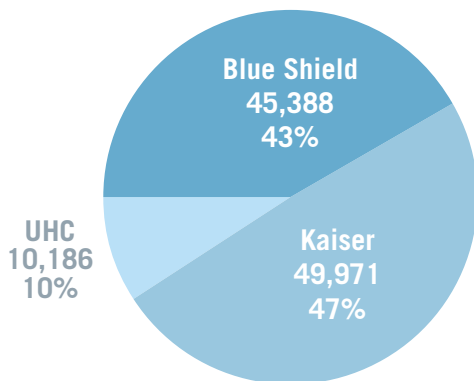
# 2010–2011 Medical Plan Enrollment



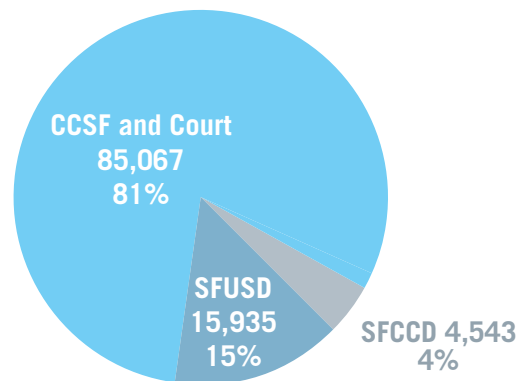
Medical Plans: Total Enrolled Lives  
Member vs. Dependent



Medical Plans: Total Enrolled Lives  
Active vs. Retiree



Total Enrolled Lives  
By Medical Plan

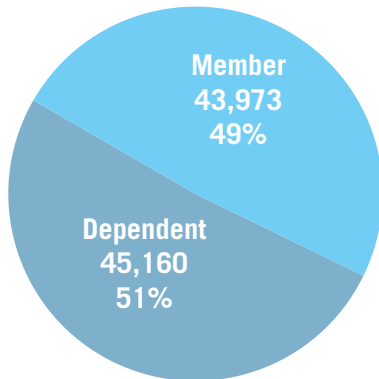


Total Medical Plan  
Enrollment by Employer

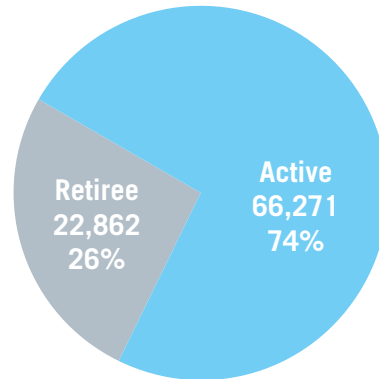
The Health Service System administers medical benefits for employees, retirees and dependents of the City & County of San Francisco, the San Francisco Superior Court, the San Francisco Unified School District and the San Francisco Community College District. Since 2008, there has been a steady migration of about 2% of the covered population per year to the Kaiser plan. This is likely due to increasing premium contribution costs, especially for families. Additional demographic statistics are available on myhss.org. This data was collected at the start of the plan year, July 1, 2010.

Demographics

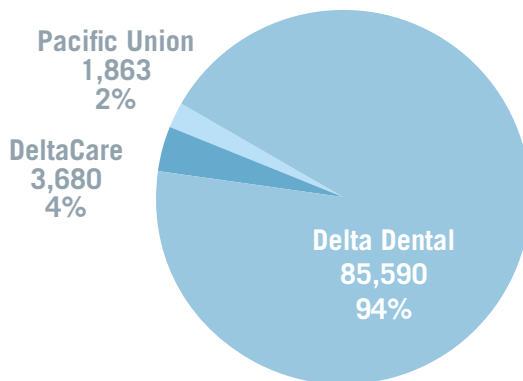
# 2010–2011 Dental Plan Enrollment



Dental Plans: Total Enrolled Lives  
Member vs. Dependent



Dental Plans: Total Enrolled Lives  
Active vs. Retiree



Dental Plans: Total Enrolled Lives  
By Plan

The Health Service System administers dental benefits for employees and dependents of the City & County of San Francisco, the San Francisco Superior Court and retirees. (The San Francisco Unified School District and San Francisco Community College District administer their own dental benefit programs for their active employees.) Additional demographic statistics are available on [myhss.org](http://myhss.org). This data was pulled at the start of the plan year, July 1, 2010.

## Achievements

# Sustainable Health Benefits

The delivery of healthcare is characterized by systemic complexity and a crisis in affordability. As a major purchaser of healthcare in the Bay area, the Health Service System has the opportunity to work with local medical groups, hospitals and insurers in devising innovative ways to improve the quality of patient care and containing costs. By taking a leadership role, HSS is at the forefront of collaborative programs that will have a positive, long term effect on member health, as well as the fiscal well-being of City employers. These programs also have the potential to serve as a model for maintaining sustainable, quality health benefits for other large private and public employers in our region who are facing similar challenges.

### 2010–2011 Key Achievements

- Successful rates and benefits negotiations conducted in fall 2011 resulted in a zero annual premium increase for our HMO plans, a negotiated savings of \$6.5M projected for fiscal year 2011–2012.
- Strategic changes in plan design changes, including increased co-pays for brand name medications were also negotiated in fall 2011. This will result in an estimated \$10M savings to the City and other employers.
- Formation of two San Francisco-based Accountable Care Organizations (ACOs) required in our non-staff model HMO plan (Blue Shield) contract effective July 2011. These are intended to create competition based on cost and quality within the Blue Shield provider network.
- Implemented Medicare Advantage enrollment requirements, resulting in \$2.7M annual savings.
- Hired Health Promotion and Wellness Plan Coordinator to initiate planning for enterprise-wide employee wellness programs aimed at to improving quality of life and reducing insurance costs.
- Collaborated on improving eligibility coordination between the Health Service System, the Department of Human Resources, the Controller and other key departments and elected officials, to consolidate and focus cost-reduction efforts.



## Achievements

# Fiscal Accountability and Operational Excellence

The Health Service System is committed to maintaining the highest accounting standards and providing outstanding member service. This commitment extends to all areas of finance and operations, which comprises complex back office administrative tasks as well as direct member support via the HSS call center and our in-person front desk. Metrics are tracked on an ongoing basis, to ensure that HSS member transactions are handled with a high level of quality and privacy, while members consistently receive accurate and knowledgeable counselling about health and wellness benefits.

### 2010–2011 Key Achievements

- Successfully implemented complex annual open enrollment rate change calculations for all employer bargaining units and retirees.
- Successfully coordinated Early Retiree Reimbursement Program (ERRP) fund applications, resulting in federal rebates in 2010 and 2011.
- Achieved error-free independent audit of Health Service System trust fund financial statements.
- 2010–2011 speed-to-answer incoming member calls averaged 43 seconds over the year, a 33% decrease from 2009–2010. Maintained average call abandonment rate of no more than 3%.
- Successfully coordinated new Delta Dental employee premium contributions and other plan changes effective in July 2011 with PeopleSoft, Human Resources and Payroll teams.
- Processed over 8,000 open enrollment changes in spring 2011, for plan year beginning in July.
- Made in-person presentations to over 1,000 members at new hire orientations and pre-retirement seminars.
- Conducted eligibility audits resulting in \$2.5M cost savings, which will compound year-over-year.
- Coordinated with City Attorney and Payroll to implement exemption from imputed income for members with qualifying domestic partners and same sex spouses.
- Realized \$1.46M from plan vendor performance guarantees and forfeitures.



## Achievements

# Informed, Transparent, Effective Governance

By setting a high standard for open, responsible governance, the Health Service System and its Board support the fundamental principles of a society ruled by law. The members of the Health Service Board are fiduciaries of a substantial financial trust fund, and the principal negotiators of health vendor contracts totalling nearly \$700 million annually. In an atmosphere where public employee benefits are under intense scrutiny, the Health Service Board is committed to information transparency, ethical conduct and accountability.

### 2010–2011 Key Achievements

- Successfully documented and implemented Board governance policies.
- All Board and Committee meeting agendas and associated documents were made available to the public on paper and online within 72 hours of meetings.
- Digital audio and video of board meetings made available on HSS website within 72 hours after meetings.
- Successfully coordinated Health Service Board commissioner election with the Department of Elections.
- Assisted in the orientation of new Commissioner appointed by the Mayor in 2011.



## Achievements

# Educated and Empowered HSS Members

A well-informed member is positioned to make wiser decisions about benefits, as well as behaviors that impact health. To succeed in its efforts to improve quality of care and drive down costs, HSS is working to actively engage members as participants in new wellness and costs saving initiatives. HSS communications is shifting from an inform-as-needed model to a paradigm that incites beneficial personal change in our members.

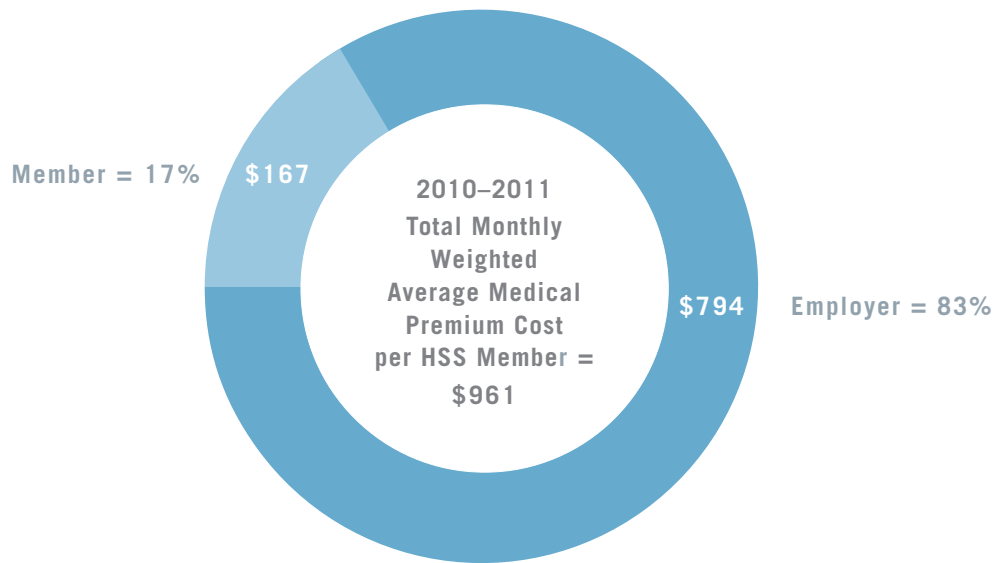
### 2010–2011 Key Achievements

- Communications and operations teams collaborated effectively on timely, consistent, accurate benefits information delivered via print, web, phone and in-person member contact.
- Over 65,000 complete and accurate member open enrollment packets mailed by necessary deadlines.
- Instituted web-based video and audio access of Health Service Board meetings.
- Coordinated with the City Attorney to effectively inform members, public and the media regarding City ballot propositions related to the Health Service System.
- Employee Assistance Program (EAP) offered free solutions-focused counseling, workshops and behavioral health services to City employees and their families.
- Annual member health fair attracted nearly 3,000 employee and retiree attendees.
- Fitness classes and educational seminar programs ranging from Bullying in the Workplace to Zumba expanded.
- In conjunction with the Department of Aging, co-sponsored the Healthy Aging Summit, focused on our retiree population.
- Weight Watchers at Work is taking place at multiple sites; over 1,700 pounds lost since the program's initiation.
- In collaboration with UCSEF, provided stress management training to staff at the Police department, the Unified School District, Airport, and MTA.
- Fitness club discount program expanded, including facilities that serve Hetch Hetchy-based employees.



Premium Trends

# Employer/Member Contributions



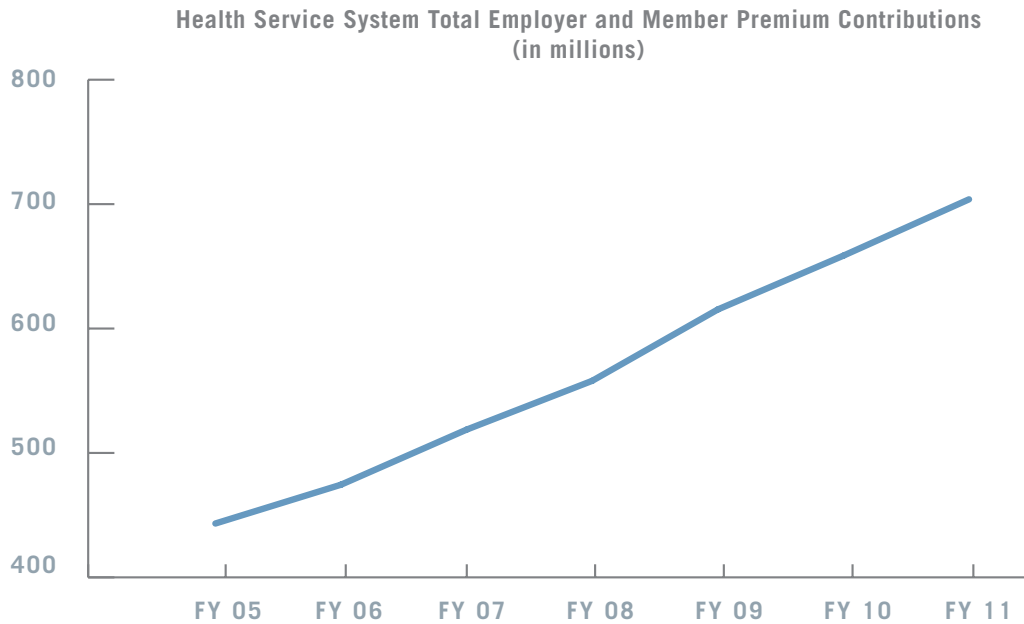
Year-over-year aggregate weighted average employer contributions to medical premiums have declined by 3%, from 86% to 83%, and overall member contributions have increased from 14% to 17%.

Average Monthly Premium Contributions	2007–2008	2008–2009	2009–2010	2010–2011
Average Monthly Member Premium Contribution	\$83	\$115	\$117	\$167
Average Monthly Employer Premium Contribution	\$612	\$641	\$717	\$794
Monthly Trust Fund Premium Subsidy Contribution	\$16	\$9	-	-
Average Monthly Total Premium Contribution	\$711	\$765	\$834	\$961

Data from HSS finance.

## Cost Trends

# Year-over-year HSS Premium Costs



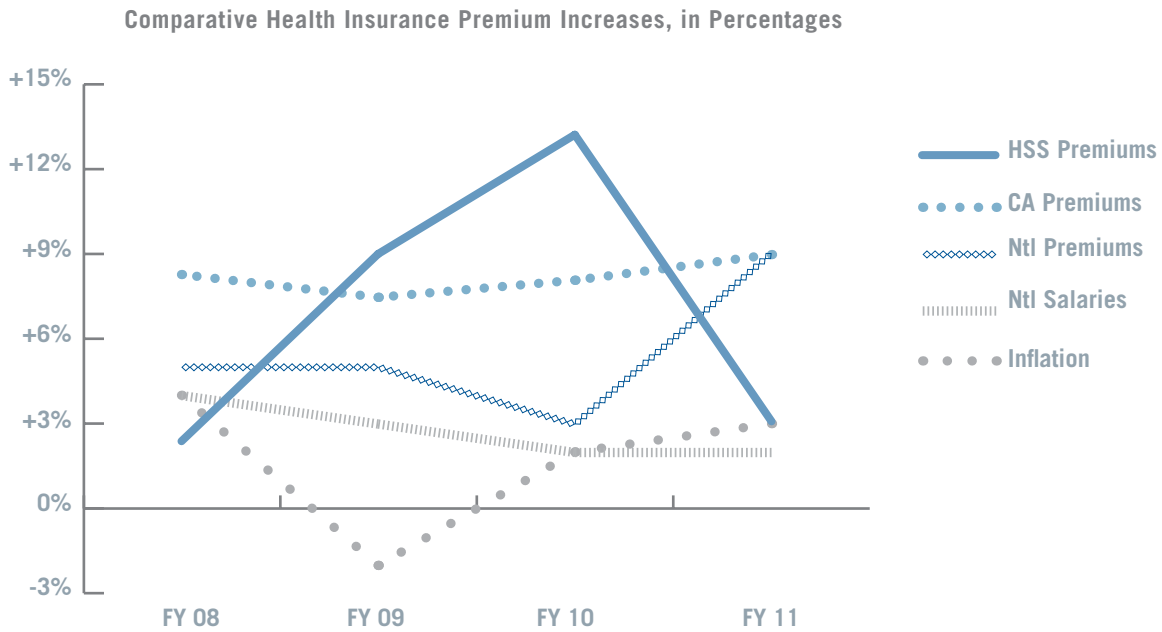
HSS trends are in line with other national trends and are unsustainable. The Health Service Board is committed to bending this unsustainable cost trend through innovative plan design, Accountable Care Organization implementation and reduction of insurance risk resulting from successful employee wellness programs.

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Total Combined Contributions (in millions)	\$ 444	\$ 475 +7%	\$ 519 +10%	\$ 558 +10%	\$ 615 +7%	\$ 658 +7%	\$ 703 +7%

Data from HSS finance.

Cost Trends

# Year-over-year Comparative Cost Increases



The rising cost of healthcare is affecting the local and national economy. In general it is outpacing inflation, and having a negative impact on employers’ ability to manage budgets and maintain jobs and wages.

	2008	2009	2010	2011
HSS Health Premiums	+2.4%	+9%	+13.2%	+3.1%
California Health Premiums	+8.3%	+7.5%	+8.1%	+8.1%
National Health Premiums	+5%	+5%	+3%	+9%
National Worker Salaries	+4%	+3%	+2%	+2%
National Inflation	+4%	-2%	+2%	+3%

California Health premium data shown in the chart above is from the California Healthcare Foundation, California Employer Benefits Survey. National data is from the Kaiser Family Foundation.

## Sustainable Benefits

# Identify Healthcare Cost Drivers

As the administrator of employee benefits for the City & County of San Francisco, the San Francisco Unified School District, the Community College District and retirees, the Health Service System has a unique view into the challenges and complexities related to healthcare costs, both nationwide and in the Bay area. Getting to sustainable benefits depends on mitigation of these healthcare cost drivers so we can not simply shift costs around, but bend the cost of healthcare over the long term. We have identified these key drivers:

### Key Drivers of Unsustainable Employee and Retiree Health Benefits

1. Non-Kaiser healthcare provider charges are primarily fee-for-service. Profits are tied to volume of services provided, rather than quality outcomes. Federal healthcare reform is moving the country toward fee-for-value (payment for outcomes and global capitation). In alignment with healthcare reform, we must offer vendors financial incentives for efficient, coordinated, quality care.
2. In-patient and outpatient facility costs are driven locally by hospital and medical group consolidation, which result in monopoly pricing.
3. Key players in the local healthcare industry are building and buying so they become too big to fail. Building occurs where profits are highest regardless of whether beds are needed.
4. There is a need for transparent competition in the Bay area healthcare market, to deter shadow pricing rather than actual pricing. Shadow pricing is arbitrary; it is not based on the actual cost of delivering services.
5. HSS members—active employee and retirees—are aging. This trend accelerates when hiring is slow-to-frozen and retirements are delayed due to economic recession.
6. City employers do not have an enterprise-wide culture of wellness. We must address the significant illness burden in our employee population, to improve quality of life and reduce actuarial risk.
7. Blue Shield and UHC membership pools are deteriorating at an accelerating rate, contributing over 5% to trend projections. We must stabilize this risk.

Sustainable Benefits

# Align City Resources

A concerted effort to lower healthcare costs, and achieve sustainable benefits, is required to achieve success. Per current governance, responsibilities for healthcare costs are shared among a wide number of City entities. HSS has been facilitating collaborative efforts, in order to bring about significant change.

<p><b>Voters define 71% of City contribution via the City Charter</b></p> <ul style="list-style-type: none"> <li>• Establishes minimum health premium contribution City must contribute for employees and retirees.</li> <li>• Defines eligibility rules for employees, retirees and surviving dependents.</li> </ul>	<p><b>Elected Officials Exert Legislative Influence and Approve Aggregate Health Plan Costs</b></p> <ul style="list-style-type: none"> <li>• Board of Supervisors reviews and approves annual rates and benefits for medical, dental, vision plans.</li> <li>• Legislates to ensure vendor pricing transparency and a thriving, competitive marketplace.</li> <li>• Board of Supervisors determines eligibility for coverage beyond the City Charter, via the Administrative Code.</li> </ul>
<p><b>Health Service Board Negotiates Aggregate Annual Health Plan Costs</b></p> <ul style="list-style-type: none"> <li>• Directs competitive health vendor RFP processes.</li> <li>• Conducts annual rates and benefits negotiations (medical, dental and vision).</li> <li>• Determines plan design* (benefits and co-pays).</li> <li>• Recommends annual medical, dental and vision plan vendors, rates and benefits to the Board of Supervisors.</li> <li>• Ensures benefits are applied without favor or privilege.</li> </ul>	<p><b>Department of Human Resources Negotiates 29% of City Contribution</b></p> <ul style="list-style-type: none"> <li>• Negotiates labor contracts, which determine employer/employee premium contributions and benefits strategies beyond the Charter mandate.</li> <li>• Devises strategies to promote a healthy and productive workforce.</li> </ul>
<p><b>Unified School District Adds 16,000 Lives to the Membership Pool, Improving the City’s Insurance Risk</b></p> <ul style="list-style-type: none"> <li>• Defines eligibility for USD employees.</li> <li>• Negotiates labor contracts which determine employer/employee premium contributions for USD.</li> </ul>	<p><b>Community College District adds 5,000 Lives to the Membership Pool, Improving the City’s Insurance Risk</b></p> <ul style="list-style-type: none"> <li>• Defines eligibility for CCD employees.</li> <li>• Negotiates labor contracts which determine employer/employee premium contributions for CCD.</li> </ul>
<p><b>Labor Unions Negotiate Contracts and Influence Employee Engagement</b></p> <ul style="list-style-type: none"> <li>• Negotiate contracts, including premium contributions and health incentives.</li> <li>• Advocates for employee engagement in managing health and healthcare decision making.</li> </ul>	<p><b>Civil Service Commission Defines Employee Holdover Benefits</b></p> <ul style="list-style-type: none"> <li>• Defines employee holdover health benefits and eligibility. (Holdover employees currently retain HSS health coverage eligibility for 5 years).</li> </ul>

\*HMO plans, per State of California regulation, are required to provide a certain array of benefits. The Health Service Board has no authority to change state requirements.

## Sustainable Benefits

# Develop a Collaborative Action Plan

As the largest regional buyer of group employer health insurance for our 105,545 members, HSS exerts considerable purchasing power. However, years of escalating profits have resulted in the institutionalization of health vendor profiteering from fee-for-service and market consolidation, rather than fee-for-value, based on efficiency and quality. On the other side of the spectrum, beneficiaries of healthcare benefits—employees and retirees—also need to take more responsibility for their health and become more engaged in wellness. To achieve progress across these dimensions requires a coordinated and collaborative approach that brings employers, City departments and labor together to devise solutions.

### **Governing Principles for a Collaborative Approach to Sustainable Benefits**

1. Leadership, governance, planning and reporting are critical. Collaborate on developing a 5-year plan on projected costs and targets, actions and owners to effect change, with governance to stay on track or course-correct as needed.
2. Employees, retirees, departments, CCSF and other employers, insurance vendors, doctors and hospital systems should have a stake in succeeding at reducing costs and improving quality of care. This should be supported in the contracts HSS signs with plan vendors.
3. Maintain the highest possible percentage of membership in HMO benefits, to ensure dollars are spent on coordinated care and quality outcomes.
4. Similar to CalPERS, offer narrow-network HMO plans with competitive pricing.
5. Support an employee health and wellness strategy that involves employers, department-level wellness plans and employee/retiree wellness incentives.
6. Implement end-to-end healthcare data, cost and quality transparency, allowing employers and members to make informed choices based on individual affordability.
7. Require ACOs (Accountable Care Organizations) that receive incentives for cost management, waste reduction, coordinated care, preventive care and quality care.
8. Evaluate leveraging public health infrastructure and other City facilities to support cost-reduction initiatives such as routine preventive care and more accessible after-hours urgent care.



## Sustainable Benefits

# Measure for Success

We can't improve if we don't measure. Aside from aggregate dollars spent, we need to develop more detailed metrics for measuring the success of the initiatives established in the collaborative action plan.

### Metrics for Measuring Success

1. Utilize revised HSS dashboard to enhance visibility into rolling trends.
2. Increase transparency regarding insurer and provider fee schedules and their relation to premium costs.
2. Require vendors to provide data that will identify trends in high cost claims, especially those based on chronic conditions, which could result in significant dollar savings through improved coordination of care.
3. Include wellness objectives in individual performance reviews for managers.
5. Measure employee and retiree participation in wellness programs, and tie any improvement in population health metrics to reduced insurance premiums.
6. Measure employee and retiree understanding of healthcare options and the impact of behavioral change on healthcare costs.



# Statement of Net Assets Available for Health Benefits

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets:		
Cash and investments held with City & County Treasurer	\$ 73,310,631	65,594,454
Contributions receivable from:		
Employer	16,605,267	16,909,533
Employees	3,183,878	3,983,638
Interest receivable	—	26,949
Other assets	<u>10,017,561</u>	<u>8,136,013</u>
Total assets	<u>\$ 103,117,337</u>	<u>94,650,587</u>
Liabilities:		
Reserves for claims—City Health Plan (medical and prescription drugs), and dental	\$ 8,706,025	12,424,047
Health Maintenance Organization, dental and disability premiums payable	26,035,398	27,214,761
Unearned contributions	40,853,675	40,785,353
Interest payable	<u>35,811</u>	<u>—</u>
Total liabilities	<u>75,630,909</u>	<u>80,424,161</u>
Net assets available for health benefits	<u>\$ 27,486,428</u>	<u>14,226,426</u>

To see the accompanying notes, which are an integral part of these financial statements, please visit:  
[www.myhss.org/finance.html](http://www.myhss.org/finance.html).

# Statement of Net Assets Available for Health Benefits

Years Ended June 30, 2011 and 2010

	2011	2010
Additions:		
Employer and retiree contributions	\$ 119,430,273	110,294,034
Employer contributions for:		
Active employees	401,292,191	388,673,554
Retired employees	182,048,421	159,511,369
Total contributions	<u>702,770,885</u>	<u>658,478,957</u>
Plan providers penalties and forfeitures	1,458,217	1,623,775
Investment earnings:		
Net increase (decrease) in fair value of investments	(85,591)	427,493
Interest income	474,407	510,151
Total investment earnings	<u>388,816</u>	<u>937,644</u>
Total additions	<u>704,617,918</u>	<u>661,040,376</u>
Deductions:		
City Health Plan health benefits	70,992,313	69,273,756
Health Maintenance Organization health benefits	546,066,398	516,366,608
Vision benefits	4,052,520	4,093,377
Dental benefits	51,253,618	50,694,316
Disability and flexible benefits	18,993,067	19,786,339
Total deductions	<u>691,357,916</u>	<u>660,214,396</u>
Change in net assets available for health benefits	13,260,002	825,980
Net assets available for health benefits:		
Beginning of year	<u>14,226,426</u>	<u>13,400,446</u>
End of year	<u>27,486,428</u>	<u>14,226,426</u>

To see the accompanying notes, which are an integral part of these financial statements, please visit:  
[www.myhss.org/finance.html](http://www.myhss.org/finance.html).

# Health Service Board

Per the San Francisco City Charter, the Health Service Board is responsible for conducting an annual review of health benefit costs, ensures benefits are applied without favor or privilege, and administers the business of the Health Service System. In 2010–2011 the Health Service Board consisted of seven commissioners. One commissioner is a member of the Board of Supervisors appointed by the President of the Board of Supervisors. Two commissioners are appointed by the Mayor. One mayoral appointee must regularly consult in the health care field and the other must be a doctor of medicine. Four commissioners are elected from among the active and retired members of the Health Service System. Elected commissioners serve a five year term.

## 2010–2011 Health Service Board



Karen Breslin  
Elected Commissioner  
Current Term: June 2011–May 2015  
  
Retired from San Francisco  
Probation Department



Carmen Chu  
Appointee  
  
Board of Supervisors  
City & County of San Francisco



Sharon Ferrigno  
Elected Commissioner  
Current Term: May 2009–May 2014  
  
Captain, San Francisco  
Police Department



Scott Heldfond  
Appointee  
  
Director,  
NASDAQ Insurance Group  
  
(resigned with commendation in 2011)



Wilfredo Lim  
Elected Commissioner  
Current Term: May, 2010–May, 2015  
  
Accounting Manager,  
San Francisco General Hospital



Jordan Shlain, MD  
Appointee  
  
Medical Director, SF Oncall  
Assistant Clinical Professor,  
UCSF Medical Center



Claire Zvanski  
Elected Commissioner  
Current Term: May 2008–May 2013  
  
Retired from San Francisco  
Municipal Transportation Authority



# Contact Information

## Health Service System Member Services

HSS Call Center:  
(415) 554-1750  
(800) 541-2266  
Monday - Friday  
8:00am–5:00pm

HSS Office Drop-in:  
1145 Market Street  
2nd Floor  
San Francisco, CA 94103  
8:00am–5:00pm

HSS website:  
[www.myhss.org](http://www.myhss.org)

## Health Service System Management Team

Catherine Dodd, RN, PhD  
Director

Lisa Ghotbi, PharmD  
Chief Operating Officer

Tracey L. Loveridge  
Chief Financial Officer

Margaret O’Sullivan, RN, MBA  
Health Promotion and Wellness Plan Coordinator

Rosemary Passantino  
Communications Manager

Laini Scott  
Health Service Board Secretary