File No. 120754

Committee Item No. 8
Board Item No. 19

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Sub-Committee **Date** 7/18/12

Board of Supervisors Meeting **Date** 7/24/12

Cmte	Board	
☐	☐	Motion
☐	☐	Resolution
☒	☒	Ordinance
☐	☐	Legislative Digest
☒	☒	Budget and Legislative Analyst Report
☐	☐	Legislative Analyst Report
☐	☐	Youth Commission Report
☐	☐	Introduction Form (for hearings)
☒	☒	Department/Agency Cover Letter and/or Report
☐	☐	MOU
☐	☐	Grant Information Form
☐	☐	Grant Budget
☐	☐	Subcontract Budget
☐	☐	Contract/Agreement
☒	☒	Form 126 – Ethics Commission
☐	☐	Award Letter
☐	☐	Application
☐	☐	Public Correspondence

OTHER **(Use back side if additional space is needed)**

☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	

Completed by: Victor Young **Date** July 13, 2012
Completed by: Victor Young **Date** 7-A-12

An asterisked item represents the cover sheet to a document that exceeds 25 pages.
The complete document can be found in the file.

FILE NO. 120754

ORDINANCE NO.

[Administrative Code - Health Service System Plans and Contribution Rates for Calendar Year 2013]

Ordinance amending the San Francisco Administrative Code, Chapter 16, Article XV, of Part 1 by amending Section 16.703 regarding Board approval of health service system plans and contribution rates.

Note: Additions are *single-underline italics Times New Roman*; deletions are ~~*strikethrough italics Times New Roman*~~. Board amendment additions are double underlined. Board amendment deletions are ~~strikethrough normal~~.

Be it ordained by the People of the City and County of San Francisco:

Section 1. The San Francisco Administrative Code is hereby amended by amending Section 16.703, to read as follows:

Sec. 16.703 HEALTH SERVICE SYSTEM; PLAN AND CONTRIBUTION RATES.

Changes in contribution rates adopted by the Health Service Board, as respects the plans of the Health Service System, to become effective on ~~*July 1, 2012*~~*January 1, 2013* for the ~~*six month plan*~~ *calendar plan* year ~~*July 1, 2012*~~*January 1, 2013* through ~~*December 31, 2012,*~~ *December 31, 2013,* approved by the Health Service Board in actions taken by it on ~~*January 12, 2012*~~ *April 12, 2012, May 10, 2012, June 1, 2012, June 14, 2012 and July 3, 2012*, which plans and contribution rates are on file with the Clerk of the Board of Supervisors, are hereby approved~~*, provided that, in response to the recommendation of the Executive Director of the Health Service System, the Board approves the Vision Buy Up Plan so long as it contains a provision that makes its implementation subject to the Controller's determination that the City is administratively able to do so.*~~

APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By: Erik Rapoport
Erik Rapoport
Deputy City Attorney

Items 8 and 9 Files 12-0754 and 12-0755	Department Health Service System (HSS)

EXECUTIVE SUMMARY

Legislative Objective

- The proposed ordinance (File 12-0754) would amend Administrative Code Section 16.703, establishing the Health Service System's calendar year (CY) 2013 health, vision, and dental plans and premiums.
- The proposed resolution (File 12-0755) would approve the CY 2013 employers' health plan premium contribution of $534.78 per member per month.

Fiscal Impact

- Under Proposition C, approved by the voters in November 2011, the Health Service System will implement health plans on the calendar year rather than the fiscal year, as of January 1, 2013. In order to implement Proposition C, the Board of Supervisors previously approved Health Service System health plans and premiums for the six-month period from July 1, 2012 through December 31, 2012 (Files 12-0050 and 12-0051).
- The total costs for the City, employees, retirees, and their dependents of $591,749,136 in CY 2013 for the health, vision, and dental plans, and long-term disability and life insurance is $8,040,874 or 1.4% more than the annualized costs for these plans of $583,708,262 from July 1, 2012 through December 31, 2012.
- The City's contribution per employee toward the total monthly premium in CY 2013 is $534.78, which is $11.81 or 2.3% more than the City's contribution of $522.97 from July 1, 2012 through December 31, 2012.

Policy Issues

- The Health Service Board has proposed changing the Blue Shield HMO plan from a fully-insured plan to a flex funded plan. The flex funded plan differs from the fully-insured plan in that (1) under the fully-insured plan, Blue Shield pays all covered claims, while (2) under the flex funded plan, the Health Service System is responsible for paying aggregate claims that exceed the Blue Shield premium payments made by the City and employees. The Health Service System's responsibility for paying aggregate claims exceeding premium payments is capped at 125% of the total amount of the premium payments. The Health Service Board has recommended the Blue Shield flex funded plan in order to reduce the increase in the Health Service System's employers', employees' and retirees' CY 2013 premium costs.
- Although the Blue Shield flex funded plan could result in savings to the Health Service System, the flex funded plan also transfers financial risk to the Health Service System if aggregate claims costs exceed premium payments to Blue Shield. Therefore, the Budget Analyst considers approval of the proposed Blue Shield flex funded plan in CY 2013 to be a policy matter for the Board of Supervisors.

Recommendations

- Approve Resolution 12-0755, setting the City's CY 2013 health plan premium contribution.
- Except for the Blue Shield flex funded plan, approve Ordinance 12-0754, establishing the Health Service System's plans and premiums for the Kaiser Health Plan, the City Health Plan, the vision plans, and the dental plans, and life insurance and long term disability payments.
- Approval of the Blue Shield flex funded plan under Ordinance 12-0754 is a policy matter for the Board of Supervisors.

MANDATE STATEMENT/BACKGROUND

The Health Service Board oversees the Health Service System. The Health Service System administers non-pension benefits, including health, dental, vision, and other benefits that may be available to City employees, such as life and long term disability insurance.

The Health Service Board adopts the annual health, vision, and dental plans, and the respective plan premiums and premium equivalents paid by employers and members.

- Health Service System employers include the City and County of San Francisco ("City"), the San Francisco Unified School District (SFUSD), the San Francisco Community College District (CCD), and the San Francisco Superior Court (Superior Court).

- Health Service System members are active and retired employees of the above noted employers, their dependents, and members of eligible boards and commissions. Dependents include children, spouses, domestic partners, surviving spouses of deceased employees, and other legal dependents.

Under City Charter Section A8.423, the Health Service Board is required to (a) conduct a survey of the ten most populous California counties each year, excluding San Francisco, and (b) determine and set the health plan premiums paid by the City, employees, and retirees. The City's contribution to the health plan premiums for each plan member is equal to the average of the contributions made by each of the ten counties.

Proposition C

Under Proposition C, approved by San Francisco voters in November 2011, the Health Service Board had the option of changing the health plan year from the fiscal year to the calendar year. The Health Service Board adopted the calendar plan year in order to be eligible for other funds, such as the Federal Retiree Drug Subsidies, and to streamline some compliance and administration functions. In order to implement the revised health plan year, the Board of Supervisors previously approved a short plan year from July 1, 2012 through December 31, 2012

(Files 12-0051 and 12-0050). The Health Service Board is now requesting approval for the City's calendar year (CY) 2013 health, vision, and dental plans as discussed in detail below.

DETAILS OF PROPOSED LEGISLATION

File 12-0754: The proposed ordinance would amend Administrative Code Section 16.703 to (a) approve the Health Service Systems' CY 2013 health, vision, and dental plans and premiums, and life insurance and long term disability insurance.

File 12-0755: The proposed resolution would approve the CY 2013 City's health plan premium contribution of $534.78 per member per month.

Proposed Health and Vision Plans

The Health Service Board approved the Health Service System's various proposed health, vision and dental plans and monthly premiums for CY 2013 on April 12, 2012, May 10, 2012, June 1, 2012, June 14, 2012 and July 3, 2012. The Health Service System will continue to offer in calendar year 2013 the three health plans currently offered, as follows.

Kaiser Foundation Health Plan (Health Maintenance Organization or HMO)[1]

The Health Service Board adopted no plan design changes to the Kaiser HMO.

Blue Shield of California (Blue Shield) HMO

The Health Service Board adopted no plan design changes to the Blue Shield HMO.

City Plan Preferred Provider Organization (PPO)[2]

The City Plan is a self-funded plan administered by United HealthCare (UHC). The Health Service Board adopted plan design changes to the City Plan in CY 2013, as follows:

(1) The Health Service Board extended the time period for plan participants to meet annual deductible and out-of-pocket cost limits in CY 2013 by three months, from October 1, 2012 through December 31, 2012. This allows plan participants to apply a portion of the deductibles and out-of-pocket costs incurred during the previous short plan year from July 1, 2012 through December 31, 2012 to costs incurred in CY 2013. Extending the time period to apply deductible and out-of-pocket costs results in estimated cost increases to the City Plan of $969,000, of which $740,000 will be paid by the employers, including the City, and $229,000 will be paid by plan participants.

(2) The Health Service Board approved changing the Medicare pharmacy plan to a Federal Centers for Medicare and Medicaid Services (CMS) subsidized Employer Group Waiver

[1] An HMO offers care through a closed panel of providers, in which members select a primary care physician, who coordinate care to direct access to medical services.

[2] Under a PPO, physicians, hospitals, and other providers contract with a third-party administrator or insurer to provide health care at reduced rates to members.

Plan (EGWP) from the current Retired Drug Subsidy plan. Health Service System is expected to achieve $2,325,000 in annual savings under the Employer Group Waiver Plan. Under the EGWP plan, the Health Service Board approved reducing the number of drugs eligible for reimbursement under the City Plan's formulary by 14. Current City Plan participants who use these 14 drugs would continue to be eligible for reimbursement.

Vision Plans

Members enrolled in one of the three health plans receive vision benefits through VSP, a third party insurer. Monthly premium costs for vision plans are included in the monthly health plan premiums shown in Table 1 below.

Health Plan Premium Increases

Total monthly premiums for single employees (with no dependents), participating in the three health plans in CY 2013 will increase by 1.3% to 6.4%, as shown in Table 1 below. Details of premium increases for all employees and retirees are contained in the July 9, 2012 memorandum to the Board of Supervisors, provided by the Health Service System Director.

Table 1
Total Monthly Health Plan Premium for Single Employees in CY 2013

	Proposed CY 2013	July 1, 2012 through December 31, 2012	Increase	Percent Change
City Health Plan	$1,258.97	$1,237.46	$21.51	1.7%
Kaiser	$537.02	$530.01	$7.01	1.3%
Blue Shield	$647.16	$608.43	$38.73	6.4%

The City's Monthly Premium Costs

The City's contribution per employee toward the total monthly health plan premium is based on a survey of California's 10 most populous counties, as required by the Charter. The City's contribution per employee toward the total monthly premium in CY 2013 is $534.78, which is $11.81 or 2.3% more than the City's contribution of $522.97 from July 1, 2012 through December 31, 2012. The Attachment provides the results of the 10-county survey.

Blue Shield Premium Stabilization

The Health Service System received a credit from Blue Shield of $18.9 million in 2012 as part of Blue Shield's 2 Percent Pledge program, in which Blue Shield credits customer's net income exceeding 2% of revenue. The Health Service Board approved use of $5.2 million of the $18.9 million credit to stabilize premiums for dependents and reduce the impact of Blue Shield premium increases from July 1, 2012 through December 31, 2012, leaving a balance of $13.7 million.

In order to reduce proposed Blue Shield premium increases in CY 2013 and stabilize membership, the Health Service Board has approved (1) using $5.0 million of the unexpended balance of $13.7 million to offset premium costs for dependents, and (2) moving active employees and non-Medicare retirees from a fully insured HMO to a "flex funded" health plan, as discussed in the Policy Consideration section below.

City Health Plan Premiums

The City Health Plan is self-funded. Premiums are deposited into the Health Service System Trust Fund and used to pay claims. Monthly premium amounts are based on claims experience for each type of plan member: active employees, retirees with Medicare, and retirees without Medicare. In CY 2013, City Health Plan premiums include the costs savings noted above, and cost increases due to the 3-month extension for deductibles and out-of-pocket costs, noted above.

Contingency and Stabilization Amounts

The Health Service System also sets aside a portion of the Health Service System Trust Fund balance[3] to (a) provide contingencies for the self-funded City Plan and self-funded dental plan, Delta Dental PPO; and (b) stabilize the City Plan and employees' dental plan premium increases by including prior years' premium revenue surpluses or shortfalls when calculating required premiums in the new plan year.

The CY 2013 contingency amount, as calculated by the Health Service System's actuary, Aon Hewitt, is $10,900,000, of which $7,200,000 is the City Health Plan contingency and $3,700,000 is the Delta Dental PPO contingency.

The CY 2013 stabilization amount is $38,000.

Proposed Dental Plans

The Health Service System offers three dental plans, including one PPO, Delta Dental PPO, and two HMOs, Delta Care USA and Pacific Union Dental. The Health Service Board has recommended the following changes to the Delta Dental PPO plan:

(1) Members' payments for dental exams, x-rays, and cleanings for providers not in the PPO network were increased from 0% to 20% of billed services;

(2) Members' payments for extractions, fillings, endodontic/root canal procedures, and oral surgery for providers not in the PPO network were increased from 20% to 40% of billed services;

(3) Members' payments for crowns and cast restorations for providers not in the PPO network were increased from 20% to 50% of billed services;

(4) Lifetime maximum benefits for child orthodontics were decreased from $2,500 to $2,000 for Premier network providers[4] and $1,500 for out-of-network providers; and

[3] As of May 2012 the Health Service System Trust Fund balance was $57.1 million.
[4] Delta Dental has three contracted networks: Premier, PPO, and PPO plus Premier.

(5) Lifetime maximum benefits for adult orthodontics were decreased from $2,500 to $1,500 for PPO network providers, $1,000 for Premier network providers, and $500 for out-of-network providers.

The changes above are expected to achieve $591,000 in annual savings. The City contributes the full monthly premium for active employees for the two HMOs. The City contributes a portion of the monthly premium for active employees for Delta Dental PPO, as shown in Table 2 below. The City does not contribute to the monthly dental premium for retired employees.

Table 2
Total Monthly Dental Premiums

	CY 2013	July 1, 2012 to December 31, 2012	Increase/ Decrease	Percent
Delta Care USA HMO				
Single Employee	$26.00	$26.00	$0.00	0.0%
Employee + One Dependent	$42.90	$42.90	$0.00	0.0%
Employee + Two or More Dependents	$63.45	$63.45	$0.00	0.0%
Pacific Union Dental HMO				
Single Employee	$27.80	$27.80	$0.00	0.0%
Employee + One Dependent	$45.90	$45.90	$0.00	0.0%
Employee + Two or More Dependents	$67.86	$67.86	$0.00	0.0%
Delta Dental PPO				
Single Employee (Total Premium)	$63.47	$64.35	($0.88)	(1.4%)
Less Employee Contribution	($5.00)	($5.00)	$0.00	0.0%
City's Contribution	$58.47	$59.35	($0.88)	(1.5%)
Employee + One Dependent (Total Premium)	$133.29	$135.14	($1.85)	(1.4%)
Less Employee Contribution	($10.00)	($10.00)	$0.00	0.0%
City's Contribution	$123.29	$125.14	($1.85)	(1.5%)
Employee + Two or More Dependents (Total Premium)	$190.42	$193.06	($2.64)	(1.4%)
Less Employee Contribution	($15.00)	($15.00)	$0.00	0.0%
City's Contribution	$175.42	$178.06	($2.64)	(1.5%)

Life and Long Term Disability Insurance

The Health Service System selected Aetna Life Insurance Company through a Request for Proposal (RFP) process to provide life and long term disability insurance to City employees eligible for coverage through the Memoranda of Understanding between the City and the respective unions.

FISCAL ANALYSIS

As shown in Table 3 below, the total City, employee, and retiree costs for the health, vision, and dental plans, and long-term disability and life insurance will increase by $8,040,874, or 1.4%, from $583,708,262 for July 1, 2012 through December 31, 2012 (annualized) to $591,749,136 in

CY 2013.[5] Attachment II, provided by the Health Service System, gives cost details for the City and for employees and retirees.

Table 3
Total Health and Other Plan Costs for the City, Employees, and Retirees in CY 2013 Compared to Annualized Costs for the Six-Month Period from July 2012 through December 2012

	2012 (July 1, 2012 through December 31, 2012 annualized)	CY 2013 (January 1, 2013 through December 31, 2012)	Total Costs Increase/ (Decrease)	Percent
Kaiser HMO	$232,160,501	$234,735,416	$2,574,914	1.1%
Blue Shield HMO	251,104,950	258,173,555	7,068,605	2.8%
City Plan	59,476,200	60,288,439	812,240	1.4%
Subtotal Health and Vision Plan	542,741,651	553,197,410	10,455,759	1.9%
Dental Plans	34,166,319	33,705,642	(460,678)	(1.3%)
Long Term Disability and Life Insurance	6,800,292	4,846,084	(1,954,208)	(28.7%)
Total City, Employees, and Retirees	**$583,708,262**	**$591,749,136**	**$8,040,874**	**1.4%**

POLICY CONSIDERATION

The Health Service Board has proposed changing the Blue Shield HMO plan from a fully insured plan to a flex funded plan.

The flex funded plan differs from the fully-insured plan in that (1) under the fully insured plan, Blue Shield pays all covered claims, while (2) under the flex funded plan, the Health Service System is responsible for paying aggregate claims that exceed Blue Shield premium payments made by the City and employees. Under the proposed flex funded plan, the Health Service System would pay for aggregate claims costs that are more than 100% of premium payments to Blue Shield up to a cap of 125%[6].

According to Dr. Catherine Dodd, Health Service System Director, the $5 million stabilization payment (see above) combined with the flex funded plan will reduce the amount of Blue Shield premium cost increases that the City and employees would have otherwise paid. The Health Service System estimates that CY 2013 total premium cost increases for the flex funded plan are $20.7 million less than for the fully-insured plan, as shown in Table 4 below.

[5] City costs are funded by General Fund and non-General Fund sources.
[6] For example, if the City's premium payments to Blue Shield, including employer and employee payments, were $200 million in CY 2013, the Health Service System would be responsible for paying aggregate claim costs that exceed $200 million up to a cap of $250 million.

Table 4
Comparison of Blue Shield Cost Increases under Fully Funded and Flex Funded Plan For All Health Service System Employers and Members

	Estimated CY 2013 Premium Increase[1]		Savings Under Flex Funded Plan
	Fully Funded Plan	Flex Funded Plan	
Employer Costs	$14,900,000	$2,000,000	$12,900,000
Member Costs	14,900,000	7,100,000	7,800,000
Total	$29,800,000	$9,100,000	$20,700,000

Source: Health Service System Report to the July 3, 2012 Health Service Board

[1] Includes $5 million stabilization amount

In order to meet potential claims costs that exceed premium payments, the Health Service System actuary, Aon Hewitt, has proposed reserves totaling $24 million, including a claim stabilization reserve of $7 million from the unexpended balance of the 2012 Blue Shield credit, and an additional reserve of $17 million that will be funded over time from excess premiums collected for the Blue Shield plan over claims.

The Health Service System previously offered a flex funded health plan through PacifiCare from July 1, 2007 through June 30, 2009, in which the City was responsible for paying claims that exceeded premium payments to PacifiCare. According to the Health Service System, PacifiCare underestimated the claims costs for active employees and non-Medicare retirees and set premiums too low. As a result, PacifiCare collected $83 million in premiums and spent $105 million in claims, a shortfall of $22 million from July 1, 2007 through June 30, 2009. Under the flex funded plan, the City was responsible for paying the $22 million shortfall in premiums compared to claims. In order to increase the Health Service System Trust Fund balance sufficiently to pay the $22 million shortfall when the City terminated the PacifiCare flex funded plan, the City increased premiums to Blue Shield, Kaiser and the City Health Plan members from 2009 to 2012.

According to Dr. Dodd, the Health Service System will be better able to manage the Blue Shield flex funded plan than the Health Service System was able to manage the PacifiCare flex funded plan because implementation of the Blue Shield Accountable Care Organizations[7] have resulted in decreased utilization and claims costs. Additionally, the Blue Shield flex funded plan will be the only HMO offered other than the Kaiser Health Plan HMO, whereas when PacifiCare was

[7] Under Accountable Care Organization programs, insurers provide incentives to providers through shared savings programs for improving the quality of care and reducing costs. Quality and costs of care are monitored through utilization data, case management, and other protocols.

the offered flex plan, the Health Service System also offered the Blue Shield HMO and the Kaiser Health Plan HMO.

Although the Blue Shield flex funded plan could result in savings to the Health Service System, the flex funded plan also transfers financial risk to the Health Service System if claims costs exceed premium payments to Blue Shield. Therefore, the Budget Analyst considers approval of the proposed Blue Shield flex funded plan in CY 2013 to be a policy matter for the Board of Supervisors.

RECOMMENDATIONS

- Approve Resolution 12-0755, setting the City's CY 2013 health plan premium contribution.
- Except for the Blue Shield flex funded plan, approve Ordinance 12-0754, establishing the Health Service System's plans and premiums for the Kaiser Health Plan, the City Health Plan, the vision plans, and the dental plans, and life insurance and long term disability payments.
- Approval of the Blue Shield flex funded plan under Ordinance 12-0754 is a policy matter for the Board of Supervisors.

Health Service System

CITY & COUNTY OF SAN FRANCISCO

2012-2013 10-COUNTY SURVEY

Rank	County	2003 2004	2004 2005	2005 2006	2006 2007	2007 2008	2008 2009	2009 2010	2010 2011	2011 2012	2012 Jul–Dec	3 Yr Annual Trend	Trend Factor	2013 Result
1	Los Angeles	272.27	276.16	316.07	338.55	362.55	383.10	415.91	457.56	478.56	499.57	6.3%	1.03	515.07
2	San Diego	207.95	262.38	267.86	363.48	305.87	327.00	363.48	364.00	406.00	432.20	5.9%	1.03	444.86
3	Orange	383.50	395.83	374.13	380.63	387.92	338.64	372.44	383.75	434.41	485.10	9.2%	1.05	506.94
4	Riverside	275.61	317.55	364.69	391.53	462.05	469.65	491.27	488.44	513.02	537.43	3.0%	1.02	545.54
5	San Bernardino[1]	242.53	298.45	333.57	299.72	313.73	368.67	377.35	397.51	399.70	398.98	1.9%	1.00	398.98
6	Santa Clara[1]	288.18	342.10	382.32	438.49	479.93	515.52	563.19	608.44	655.97	643.13	4.5%	1.00	643.13
7	Alameda	265.38	276.28	316.40	342.11	398.35	440.58	497.76	521.89	541.06	575.00	4.9%	1.02	588.99
8	Sacramento	308.98	315.25	363.89	422.13	480.54	480.76	516.78	561.35	637.98	667.02	8.9%	1.04	696.00
9	Contra Costa	267.55	299.35	336.62	366.77	407.86	438.47	470.02	495.15	521.90	540.43	4.8%	1.02	553.15
10	Fresno	300.16	345.67	399.71	390.06	432.64	425.58	425.43	450.43	450.80	450.80	1.9%	1.01	455.17
	Average	**281.21**	**312.90**	**345.53**	**373.45**	**403.14**	**418.80**	**449.37**	**472.85**	**503.94**	**522.97**	**5.2%**	**1.02**	**534.78**

Rank	County	2003 2004	2004 2005	2005 2006	2006 2007	2007 2008	2008 2009	2009 2010	2010 2011	2011 2012	2012 Jul–Dec	2013
1	Los Angeles	8.49%	1.43%	14.45%	7.11%	7.09%	5.67%	8.57%	10.01%	4.60%	4.39%	3.10%
2	San Diego	15.55%	26.17%	2.09%	35.70%	-15.85%	6.91%	11.16%	0.14%	11.50%	6.45%	2.93%
3	Orange	-1.89%	3.22%	-5.48%	1.74%	1.92%	-12.70%	9.98%	3.04%	13.20%	11.67%	4.50%
4	Riverside	23.19%	15.22%	14.84%	7.36%	18.01%	1.65%	4.60%	-0.57%	5.00%	4.76%	1.51%
5	San Bernardino[1]	8.59%	23.06%	11.77%	-10.15%	4.67%	17.51%	2.35%	5.34%	0.60%	-0.18%	0.00%
6	Santa Clara[1]	21.73%	18.71%	11.76%	14.69%	9.45%	7.42%	9.25%	8.04%	7.80%	-1.96%	0.00%
7	Alameda	21.57%	4.11%	14.52%	8.13%	16.44%	10.60%	12.98%	4.85%	3.70%	6.27%	2.43%
8	Sacramento	18.91%	2.03%	15.43%	16.00%	13.84%	0.05%	7.49%	8.62%	13.70%	4.55%	4.34%
9	Contra Costa	27.50%	11.89%	12.45%	8.96%	11.20%	7.51%	7.20%	5.35%	5.40%	3.55%	2.35%
10	Fresno	9.81%	15.16%	15.63%	-2.41%	10.92%	-1.63%	-0.03%	5.87%	0.10%	0.00%	0.97%
	Average	**13.99%**	**11.27%**	**10.43%**	**8.05%**	**7.98%**	**3.88%**	**7.30%**	**5.23%**	**6.57%**	**3.78%**	**2.26%**

[1]Plan year's for these counties are not calendar year. Contributions for these counties are for the last 6 months of the calendar year and first 6 months of the next year.

1220 889 10

Attachment I

Calendar Year 2013 City and County of San Francisco (City) Employer, Employee, and Retiree Premium Costs

	2012 (July 1, 2012 through December 31, 2012 annualized)	2013 (January 1, 2013 through December 31, 2012)	Increase/ (Decrease)	Percent
City Costs				
Kaiser HMO	$210,568,789	$213,512,253	$2,943,463	1.4%
Blue Shield HMO	214,945,137	220,221,904	5,276,767	2.5%
City Plan	47,381,423	48,002,758	621,335	1.3%
Subtotal Health and Vision Plan	472,895,349	481,736,914	8,841,565	1.9%
Dental Plans	31,584,164	31,123,486	(460,678)	(1.5%)
Long Term Disability and Life Insurance	6,729,515	4,784,845	(1,944,670)	(28.9%)
Total City Costs	$511,209,028	$517,645,245	$6,436,217	1.3%
Employee and Retiree Costs				
Kaiser HMO	$21,591,712	$21,223,163	($368,549)	(1.7%)
Blue Shield HMO	36,159,813	37,951,651	1,791,838	5.0%
City Plan	12,094,777	12,285,682	190,905	1.6%
Subtotal Health and Vision Plan	69,846,301	71,460,496	1,614,194	2.3%
Dental Plans	2,582,155	2,582,155	0	0.0%
Long Term Disability and Life Insurance	70,777	61,240	(9,537)	(13.5%)
Total Employee and Retiree Costs	**$72,499,234**	**$74,103,891**	**$1,604,657**	**2.2%**
Total Costs				
Kaiser HMO	$232,160,501	$234,735,416	$2,574,914	1.1%
Blue Shield HMO	251,104,950	258,173,555	7,068,605	2.8%
City Plan	59,476,200	60,288,439	812,240	1.4%
Subtotal Health and Vision Plan	542,741,651	553,197,410	10,455,759	1.9%
Dental Plans	34,166,319	33,705,642	(460,678)	(1.3%)
Long Term Disability and Life Insurance	6,800,292	4,846,084	(1,954,208)	(28.7%)
Total Costs	**$583,708,262**	**$591,749,136**	**$8,040,874**	**1.4%**

Source: Health Service System

AON Hewitt

July 6, 2012

Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: January 1, 2013 to December 31, 2013 Plan Benefits, Rates and Contribution

Honorable Members of the Board of Supervisors:

This letter serves to document our position as the consultant and actuary to the Health Service System (HSS) in regards to the completed rate and contribution setting process for the plan year from January 1, 2013 to December 31, 2013. This process was concluded on July 3, 2012 under the direction of the Rates and Benefits Committee (the Committee) of the Health Service Board (the HSB). The rates, benefits, and contributions presented herein were approved by the full HSB during their meetings on April 12, 2012, May 10, 2012, June 1, 2012, June 14, 2012, and July 3, 2012. This report will reference attached Exhibits, as well as Tables embedded in this letter.

In our opinion, the process was completed in a thorough manner. In particular, it is our opinion that:

- The insured premiums and administrative fees agree with HSS's vendor's final rates and represent a fair price given the services provided and the long term prospects of the risk pool, and;
- The premium equivalents set for the HSS self-funded programs: City Plan (UHC), Active Dental plans and the Blue Shield flex funded plan represent our best estimate of future expenditures based on the information available at the time these were developed, and existing Trust Fund assets are expected to be sufficient to protect the HSS Trust Fund against adverse claims experience.

Passage of Proposition C

On November 8, 2011 Proposition C was passed. Proposition C amended the City Charter as it relates to pension and retiree costs, the composition and voting requirements of the HSB, allows for the change of the plan year to a calendar year, and other changes to the City's health and pension benefits. The HSB approved a change in the plan year, from a fiscal plan year to a calendar plan year, starting January 1, 2013 with a one-time six month plan year of July 1, 2012 to December 31, 2012. Changing the plan year allowed HSS to:

- Align more closely with timing of collective bargaining;
- Improve administration related to Flexible Spending Accounts and IRS rules, and
- Implement a different pharmacy benefit program approved by the Centers for Medicare and Medicaid Services (CMS) in the HSS self-funded City Plan administered by United Healthcare (UHC). The move to a calendar year plan makes HSS eligible for the 80%

Aon Hewitt
199 Fremont Street, 15th Floor • San Francisco, CA 94105
t: 415.486.7500 | f: 415.486.7029
w: aon.com |

coinsurance for pharmaceutical costs that exceed the annual catastrophic level under this Medicare pharmacy plan as of 2013. In addition, by moving to an Employer Group Waiver Program (EGWP) HSS will also be eligible for the direct CMS subsidy, 50% discount for brand drugs in the coverage gap and streamlined processing. It is estimated that this EGWP plan will save an additional $2.33 million per year when compared to the current Retiree Drug Subsidy (RDS) pharmacy plan. This program will also reduce the City's, the Community College District's, the San Francisco Unified School District's and the Superior Courts' GASB 45 liability because it is a premium reduction rather than a subsidy.

City Contributions under the 10-County Survey

According to the City Charter, the City's contribution towards medical benefits is determined by the results of a survey of the amount of premium contributions provided by the ten most populous counties in California, excluding San Francisco. For the 2013 plan year, the survey determined that the average monthly contribution increased 2.26% from $522.94 to $534.78. Exhibit 1 presents the results by county from this survey.

Year over Year Health Plan Cost Comparison

The July 2012 – December 2012 plan year rates were adjusted to an annualized cost to facilitate a year over year cost comparison as illustrated below. Annual costs are shown in millions:

TABLE 1 January 1, 2013 to December 31, 2013 Aggregate Cost			
	Member Contributions	Employer Contributions	Aggregate Plan Cost
Current Rates	$81.3	$586.3	$667.6
Final Renewal Rates (including plan design changes)	$83.1	$597.9	$681.0
$ Difference	$1.8	$11.6	$13.3
% Difference	2.21%	1.98%	1.99%

The above chart illustrates an increase in aggregate plan costs of $13.3 million, or 1.99%, for only the three health plans (includes vision and HSS Communications and Healthcare Sustainability expense) for the January 1, 2013 to December 31, 2013 plan year. This increase in costs will be split 12.8%/87.2% between the members and employers with member contributions increasing $1.8 million and employer contributions increasing $11.6 million.

Rates, Contributions, and Benefits for HMOs

Consistent with the July 1, 2012 to December 31, 2012 plan year, two HMOs will be offered to HSS members for the 2013 plan year; Kaiser Permanente (Kaiser) and Blue Shield of California (Blue Shield).

Plan Design Changes for HMOs

As part of the annual Rates and Benefits process HSS, Aon Hewitt, the Committee, and the HSB reviewed the continued appropriateness and competitiveness of the plan designs for the HMOs. The benchmark information (available on www.myhss.org website – June 1, 2012 and June 14, 2012) compiled indicates all member point of service plan design elements were either equal to or greater than those of similar employers. Plan design changes were offered on only the Blue Shield

Plan and were not accepted by the HSB because they were well above similar employer benchmarks for co-pays and deductibles.

Kaiser

The HSB was presented with the benchmarking of the current plan design which was shown to be in line with the comparators. The HSB adopted no plan design changes for the Kaiser plan.

The final negotiated rate change for Kaiser is an overall increase of 1.09%. For actives and retirees without Medicare it is an increase of 1.24% and 1.22% respectively. For retirees with Medicare the final rate change is 0.00% (no change from the July to December, 2012 benefit period).

The aggregate cost for Kaiser for the 2013 plan year is projected at $298.5 million, with $25.0 million in member contributions and $273.5 million in employer contributions. Table 2, on page 7 provides an overview of annualized costs.

Blue Shield

The HSB was presented with the benchmarking of the current plan design which was shown to be in line with the comparators. They adopted no plan design changes for the Blue Shield plan.

For plan year July 1, 2012 to December 31, 2012 rates were reduced by applying the HSB approved Blue Shield stabilization amount of $5.2M, or a -3.26% reduction. Due to this, the 2013 renewal increase of 11.58% requested by Blue Shield for the fully-insured plan has an amplified overall impact to the plan of 13.18%. For actives and retirees without Medicare the 2013 fully-insured increase to rates when compared to July 1, 2012 to December 31, 2012 rates is 15.64% and 15.66% respectively. For retirees with Medicare the final rate change is a decrease of -10.08%. This results in an overall estimated increase of $39.3M annually.

This rate increase for actives and retirees without Medicare was determined by the HSB to be unacceptably high. To mitigate costs for 2013 the HSB voted to move the active and retirees without Medicare plans from fully-insured to flex funded and apply a rate stabilization amount of $5 million to member contributions for these groups. With the rate stabilization of $5 million, Blue Shield recommended a lower migration factor which resulted in the gross renewal rates also decreasing. The combined impact of these two changes reduced the overall aggregate increase of 13.18% to 3.05%, or a $25.2 million net projected savings. For actives and retirees without Medicare the increase to rates when compared to July 1, 2012 to December 31, 2012 rates is 4.53% and 4.07% respectively. Retirees with Medicare will remain in the fully-insured plan with a rate decrease of -10.08%. This results in an overall estimated increase of $9.1M annually.

The aggregate cost for the Blue Shield HMO for the 2013 plan year is projected at $307.6 million, with $43.0 million in member contributions and $264.6 million in employer contributions. Table 2, on page 7, provides an overview of annualized costs.

HMO Contributions

Contributions for HMO members were determined in accordance with the City Charter and include the new 10-County Survey result of $534.78. Exhibits 2 and 3 summarize the changes in contributions for actives and retirees for the Kaiser and the Blue Shield of California plans

respectively for the 2013 plan year. The above, exhibits do not include any City contributions that may be negotiated in MOUs.

Rates, Contributions, and Benefits for City Plan (UHC)

The City Plan (UHC) is a self-funded plan administered by United Healthcare (UHC). The medical and pharmacy monthly premium equivalent costs were developed separately for actives, retirees without Medicare and retirees with Medicare based on group-specific experience. Additionally, Aon Hewitt provided a retrospective analysis of historical rates and experience to examine the actual cost trends evident in the City Plan's (UHC) recent claims data. These analyses were considered in conjunction with overall industry and normative data when determining the premium levels for the 2013 plan year (available at www.myhss.org website – April 12, 2012, May 14, 2012 and June 14, 2012).

As part of the annual Rates and Benefits process HSS, Aon Hewitt, the Committee, and the HSB, reviewed the continued appropriateness and competitiveness of the benefit design for City Plan (UHC). The HSB was presented with many options and adopted the following benefit changes for the City Plan (UHC):

- Provide a 3-month out of pocket cost carry over which will apply member point of service costs incurred from October 2012 through December 2012 to both the short plan year, July 1, 2102 to December, 31, 2012 and to the 2013 calendar plan year
- Change the Medicare pharmacy plan to a fully-insured EGWP with an estimated annually savings over the current RDS plan of $2.33M
- Change the formulary to the UHC traditional formulary grandfathering in current utilizers of 14 drugs that will not be included in the new formulary

Due to the move to the calendar year plan there will be a second open enrollment period within six months of the last open enrollment for the plan year of January 1, 2013 to December 31, 2013.

As a result of the move to the calendar year plan members enrolled in City Plan (UHC) will potentially incur the full annual deductible and out of pocket (OOP) maximum for the 6-month plan year July 1, 2012 to December 31, 2012 should actual utilization reach levels that will invoke these costs . The HSB found that this was too great a burden for City Plan (UHC) members. Therefore, a plan design change was approved for plan year January 1, 2013 to December 31, 2013 that would apply member point of service costs incurred October 1, 2012 to December 31, 2012 towards the member's deductibles and OOP Maximums for both the 6-month short plan year and 2013 plan year. This plan change resulted in an overall increase to plan costs of $969,000 of which $740,000 will be paid by the employers and $229,000 will be paid by the members.

The UHC administration fees were unchanged from the July 1, 2012 to December 31, 2012 short plan year.

The final full monthly premium equivalents after all plan design changes results in an overall increase of 1.31%. For actives and retirees without Medicare it is an increase of 1.79% and 2.78% respectively. For retirees with Medicare the final rate change is a decrease of -0.19%.

Exhibit 4 summarizes the change in full monthly premium equivalents for the City Plan (UHC). Included in the premium equivalent rate, pursuant to the HSB's Self Funded Plans' Funding Policy, is the application of the claims stabilization amount.

The aggregate cost for the City Plan (UHC) for the 2013 plan year is projected at $74.8 million, with $15.0 million in member contributions and $59.8 million in employer contributions. Table 2, on page 7, provides an overview of annualized costs.

Exhibit 5 summarizes the change in employee and retiree contributions for City Plan (UHC). These contributions were determined in accordance with the City Charter, and include the new 10-County Survey result of $534.78. The above exhibit does not include any City contributions that may be negotiated in MOUs.

Rates and Benefits for the Vision Plan

Members enrolled in any medical plan offered by HSS also receive vision benefits through VSP. The cost of the vision benefit is a component of the cost of the medical plan and has been included in the rate exhibits referenced above.

The vision plan is a fully-insured plan. The vision plan is under a rate guarantee through June 30, 2014 with projected aggregate costs of $4.4M for the 2013 plan year. Exhibit 6 in the attachment summarizes the VSP vision plan costs.

Vision plan costs are included in the Kaiser, Blue Shield and City Plan (UHC) costs summarized in Table 2, on page 7.

Rates, Contributions, and Benefits for Dental Plans

Three dental plans are offered to HSS members: Delta Dental PPO, Delta Care USA and Pacific Union Dental. The Delta Dental PPO plan is a dental PPO with a network of preferred providers while the other two plans are dental HMOs with closed panels of providers. The City pays part of the cost of dental benefits for employees while retirees pay the full cost of their dental benefits.

The Delta Dental PPO plan for active employees is self-funded and administered by Delta Dental of California. Future plan costs are projected based on the City employees' claim experience. Delta Dental's fee for claim administration remains unchanged from the July 1, 2012 to December 31, 2012 short plan year and was extended until December 31, 2013.

As part of the annual Rates and Benefits process HSS, Aon Hewitt, the Committee, and the HSB, reviewed the continued appropriateness and competitiveness of the benefit design for the Active Delta Dental PPO plan. The HSB was presented with many options and adopted the following benefit changes for the Active Delta Dental PPO plan to encourage employees to utilize the Delta Dental Premier and PPO networks in order to decrease costs to both the members and employers, and to better align benefit maximums with industry norms:

- The member coinsurance for out of network cleanings, exams, and x-rays was increased from 0% to 20%

- The member coinsurance for out of network extractions, fillings, endodontic/root canals, and oral surgery was increased from 20% to 40%
- The member coinsurance for out of network crowns and cast restorations was increased from 20% to 50%
- Lifetime maximums for child orthodontics in the premiere network and out of network were decreased from $2,500 to $2,000 and $1,500 respectively
- Lifetime maximums for adult orthodontics in the PPO network premiere network and out of network were decreased from $2,500 to $1,500, $1,000 and $500 respectively

The aggregate premium for the self-funded Delta Dental PPO plan for active employees including these plan design changes is a decrease of -1.4%. This results in a reduction to annual premiums of -$0.6M.

The Delta Dental PPO plan for retirees, Delta Care USA dental plans for employees and retirees, and Pacific Union Dental plans for employees and retirees are all fully-insured. The fully-insured premiums are unchanged from the July1, 2012 to December 31, 2012 plan year rates.

For the 2013 plan year the City will contribute the full premium rate towards each of the dental HMO plans. For the self-funded Dental PPO the City will contribute the full monthly premium rate minus employee contributions of $5.00, $10.00, and $15.00 for employee only, employee with one dependent, and employee with two or more dependents respectively. The member contributions for Delta Dental PPO plan for retirees, Delta Care USA dental plans for employees and retirees, and Pacific Union Dental plans for employees and retirees remain unchanged from the prior plan year. Pursuant to the Health Service's Self Funded Plans' Funding Policy no claims stabilization amount has been applied this year.

Exhibit 7, 8, and 9 summarize the changes in dental cost for the active [self-funded] and retirees for the Delta Dental PPO plan, Delta Care USA plan, and Pacific Union Dental plans respectively.

The aggregate dental plan cost for the 2013 plan year is projected at $42.3 million, with $3.2 million in member contributions and $39.0 million in employer contributions. Table 2, on page 7 provides an overview of annualized costs.

Life and Long Term Disability (LTD) Insurance

Aon Hewitt, in conjunction with HSS staff, prepared and submitted a comprehensive Request for Proposal (RFP) to eight vendors. Aon Hewitt received quotes on one or both coverage lines from all eight vendors. A selection panel (comprised of City employees from DHR, Controller's Office and HSS) assessed each product independently. The selection panel unanimously selected Aetna for life and LTD insurance.

The aggregate life and LTD plan cost for the 2013 plan year is projected at $6.1 million, with $100,000 in member contributions and $6.0 million in employer contributions. Table 2, on page 7 provides an overview of annualized costs. This is a savings for the city of $2.45 million annually or $9.8 million over the life of a 4-year rate guarantee. The savings will be split with members saving $12,000 and employers saving $2.44 million annually.

Summary of Projected 2013 Plan Year Costs

Illustrated below, in Table 2, is a summary of how projected 2013 aggregate HSS plan costs are distributed across the different plans available to employees and retirees. Costs are shown only for those plans where the employers subsidize the total premium cost. The premium costs associated with the VSP vision core plan are included in the medical plan's costs.

TABLE 2*
Distribution of Aggregate Plan Costs ($millions)

	Member Contributions	Employer Contributions	Aggregate Plan Cost	Member Contributions as a % of Aggregate Costs	Employer Contributions as a % of Aggregate Costs
Kaiser HMO	$25.0	$273.5	$298.5	8.39%	91.61%
$ Increase	-$0.4	$3.7	$3.2		
% Increase	-1.76%	1.36%	1.09%		
Blue Shield HMO	$43.0	$264.6	$307.6	13.99%	86.01%
$ Increase	$2.0	$7.1	$9.1		
% Increase	4.84%	2.77%	3.05%		
City Plan	$15.0	$59.8	$74.8	20.08%	79.92%
$ Increase	$0.2	$0.7	$1.0		
% Increase	1.55%	1.25%	1.31%		
Dental **	$3.2	$39.0	$42.3	7.66%	92.34%
$ Increase	$0.0	-$0.6	-$0.6		
% Increase	0.00%	-1.46%	-1.35%		
LTD	$0.0	$5.7	$5.7	0.00%	100.00%
$ Increase	$0.0	-$2.4	-$2.4		
% Increase	0.00%	0.00%	-29.51%		
Life	$0.1	$0.3	$0.4	19.55%	80.45%
$ Increase	$0.0	-$0.1	-$0.1		
% Increase	-13.47%	0.00%	-15.35%		
Total	$86.4	$642.9	$729.3	11.85%	88.15%
$ Increase	$1.8	$8.5	$10.3		
% Increase	2.08%	1.34%	1.43%		

* Figures vary due to rounding

** Dental costs are for active employees only, retirees and surviving spouses have not been included

The overall estimated increase of 1.43% is lower than the corresponding July 1, 2012 to December 31, 2012 short plan year estimated increase of 3.42% (annualized). Similarly, this year's projected aggregate cost increase also compares very favorably with available benchmark information. This statistic is supported by the analysis titled "2011 Health Care Trend Survey"[i] published in August 2011. Employers that were analyzed indicated Medical and Pharmacy cost increases in the range of 9% to 10%.

Summary of Savings

It is important to note, while modest rate increases occurred in the three medical plans, significant savings were negotiated as a reduction to rate increases. For the 2013 plan year, these savings are

projected at $29.9 million, of which $13.7 million and $16.2 million are employee and employer savings respectively. Exhibit 11 summarizes these reductions to rates by coverage type.

Conclusion

Based on extensive evaluation and collaboration with HSS, Aon Hewitt validates all of the findings presented within this report. Aon Hewitt would be pleased to answer any questions or provide clarification about the information included in this letter to any interested parties.

Sincerely,

Anil Kochhar, ASA, MAAA

Copy:
Members of the Health Service Board
Catherine Dodd, Lisa Ghotbi, Tracey Loveridge, Health Service System
Catherine Breezee, Barbara Weaver Lloyd, Paige Sipes-Metzler, Monica Hirning Aon Hewitt

---

[i] http://www.aon.com/attachments/thought-leadership/2011_Health_Care_Trends_Survey_Final_FINAL.pdf

10-County Survey Results

Exhibit 1

Rank	County	Short Plan Year July-December 2012	CY 2013	% Change
1	Los Angeles	$499.57	$515.07	3.10%
2	San Diego	$432.20	$444.86	2.93%
3	Orange	$485.10	$506.94	4.50%
4	Riverside	$537.43	$545.54	1.51%
5	San Bernardino *	$398.98	$398.98	0.00%
6	Santa Clara *	$643.13	$643.13	0.00%
7	Alameda	$575.00	$588.99	2.43%
8	Sacramento	$667.02	$696.00	4.34%
9	Contra Costa	$540.43	$553.15	2.35%
10	Fresno	$450.80	$455.17	0.97%
	10-County Average	$522.97	$534.78	2.26%

Starting with plan year 2013 and going forward, due to HSS's change to a calendar year plan, the 10-county survey calendar year change rule, approved by the HSS board April 12, 2012, is applied to all county's with calendar year plans. For these counties the average employer contribution was trended forward to overlap with the 2013 plan year by 6 months.

* Plan years for these counties are not calendar year. Contributions shown for these counties are for July 2012 to June 2013. The 10-county survey calendar year change rule does not apply to these counties.

Kaiser HMO: Final Active/Early Retiree/Medicare Monthly Contributions Calendar Year 2013

Exhibit 2

		Active			Early Retiree			MAPD/COB			
		EE	EE+1	EE+2	EE	EE+1	EE+2	EE	EE+1	EE+2 (All Medicare)	EE+2
embers	July-December 2012	$0.00	$7.04	$249.05	$3.52	$268.01	$707.08	$0.00	$166.70	$499.23	$605.76
	Plan Year 2013	$0.00	$2.24	$247.00	$1.12	$268.61	$712.65	$0.00	$166.70	$499.23	$610.74
	% increase	0.00%	-68.21%	-0.83%	-68.24%	0.22%	0.79%	0.00%	0.00%	0.00%	0.82%
	$ increase	$0.00	($4.80)	($2.06)	($2.40)	$0.60	$5.57	$0.00	$0.00	$0.00	$4.98
nployer	July-December 2012	$530.01	$1,051.96	$1,249.01	$1,061.46	$1,325.96	$1,325.96	$334.42	$501.12	$501.12	$501.12
	Plan Year 2013	$537.02	$1,069.77	$1,269.05	$1,076.98	$1,344.48	$1,344.48	$335.43	$502.13	$502.13	$502.13
	% increase	1.32%	1.69%	1.61%	1.46%	1.40%	1.40%	0.30%	0.20%	0.20%	0.20%
	$ increase	$7.01	$17.81	$20.05	$15.52	$18.52	$18.52	$1.01	$1.01	$1.01	$1.01
otal	July-December 2012	$530.01	$1,059.00	$1,498.06	$1,064.98	$1,593.97	$2,033.04	$334.42	$667.82	$1,000.35	$1,106.88
	Plan Year 2013	$537.02	$1,072.01	$1,516.05	$1,078.10	$1,613.09	$2,057.13	$335.43	$668.83	$1,001.36	$1,112.87
	% increase	1.32%	1.23%	1.20%	1.23%	1.20%	1.18%	0.30%	0.15%	0.10%	0.54%
	$ increase	$7.01	$13.01	$17.99	$13.12	$19.12	$24.09	$1.01	$1.01	$1.01	$5.99

1231

- The total aggregate annual cost for plan year 2013 is $298.5M
- The overall increase reflects a 1.09% or $3.23M
- This translates to an decrease of ($447,000) for members and an increase of $3.67M for the employer
- Excludes additional negotiated contributions which apply to certain collectively bargained employees
- Total premiums include vision costs, $2.05 HSS Communications and Healthcare Sustainability expense, and are adjusted for the final 10-county survey

Blue Shield HMO: Final Active/Early Retiree/Medicare Monthly Contributions Calendar Year 2013

Exhibit 3

		Active (Bargained)			Early Retiree			MAPD/COB			
		EE	EE+1	EE+2	EE	EE+1	EE+2	EE	EE+1	EE+2 (All Medicare)	EE+2
Members	July-December 2012	$0.00	$85.46	$471.01	$42.73	$346.45	$850.60	$0.00	$202.40	$606.55	$706.55
	Initial Contribution	$0.00	$112.37	$558.71	$56.18	$378.76	$914.23	$0.00	$0.00	$0.00	$0.00
	Rate Stabilization	$0.00	$26.86	$38.01	$29.95	$43.38	$54.53	$0.00	$0.00	$0.00	$0.00
	Plan Year 2013	$0.00	$85.51	$520.70	$26.23	$335.38	$859.70	$0.00	$180.64	$541.26	$763.23
	% increase	0.00%	0.06%	10.55%	-38.60%	-3.20%	1.07%	0.00%	-10.75%	-10.76%	8.02%
	$ increase	$0.00	$0.05	$49.69	($16.50)	($11.07)	$9.10	$0.00	($21.76)	($65.29)	$56.68
Employer	July-December 2012	$608.43	$1,130.41	$1,249.01	$1,308.14	$1,611.86	$1,611.86	$405.82	$608.23	$608.23	$608.23
	Plan Year 2013	$647.16	$1,179.94	$1,269.05	$1,379.80	$1,702.38	$1,702.38	$363.30	$543.93	$543.93	$543.93
	% increase	6.36%	4.38%	1.61%	5.48%	5.62%	5.62%	-10.48%	-10.57%	-10.57%	-10.57%
	$ increase	$38.73	$49.53	$20.05	$71.66	$90.52	$90.52	($42.52)	($64.30)	($64.30)	($64.30)
Total	July-December 2012	$608.43	$1,216.87	$1,720.02	$1,350.87	$1,958.31	$2,462.46	$405.82	$810.63	$1,214.78	$1,314.78
	Plan Year 2013	$647.16	$1,292.31	$1,827.77	$1,435.98	$2,081.14	$2,616.60	$363.30	$724.57	$1,085.18	$1,307.16
	% increase	6.36%	6.29%	6.26%	6.30%	6.27%	6.26%	-10.48%	-10.62%	-10.67%	-0.58%
	$ increase	$38.73	$76.44	$107.75	$85.11	$122.83	$154.14	($42.52)	($86.06)	($129.60)	($7.62)

1232

- The total aggregate annual cost for plan year 2013 is $307.6M
- The overall increase reflects a 3.05% or $9.1M
- This translates to an increase $2.0M for members and $7.1M for the employer
- Excludes additional negotiated contributions which apply to certain collectively bargained employees
- Total premiums include vision costs, $2.05 HSS Communications and Healthcare Sustainability expense, and are adjusted for the final 10-county survey
- July 1, 2012 to December 31, 2012 rates include $5.2M rate stabilization
- 2013 plan year rates include $5.0M rate stabilization

City Plan (UHC): Final Active/Early Retiree/Medicare Monthly Premium Rates Calendar Year 2013

Exhibit 4

CATEGORY	December 2011 Enrollment	Plan Year July - December 2012			Plan Year 2013			PERCENTAGE INCREASE
		PREMIUM EQUIVALENT	STABILIZATION AMOUNT	TOTAL	PREMIUM EQUIVALENT	STABILIZATION AMOUNT	TOTAL	
Active EE	835	$1,221.69	$15.77	$1,237.46	$1,258.33	$0.64	$1,258.97	1.74%
Active EE + 1	204	$2,400.11	$31.02	$2,431.13	$2,472.37	$1.26	$2,473.63	1.75%
Active EE + 2	70	$3,375.79	$43.32	$3,419.11	$3,487.99	$1.78	$3,489.77	2.07%
Early Retiree EE	795	$1,408.79	$18.24	$1,427.03	$1,465.74	$0.75	$1,466.49	2.77%
Early Retiree EE + 1	250	$2,774.29	$35.96	$2,810.25	$2,887.17	$1.47	$2,888.64	2.79%
Early Retiree EE+ 2	26	$3,749.69	$48.54	$3,798.23	$3,902.79	$1.99	$3,904.78	2.81%
Medicare Retiree EE	3,978	$370.15	$4.99	$375.14	$374.30	$0.19	$374.49	-0.17%
Medicare Retiree EE + 1	1,300	$706.36	$9.54	$715.90	$713.66	$0.36	$714.02	-0.26%
Medicare Retiree EE + 2	17	$1,681.76	$22.12	$1,703.88	$1,729.28	$0.88	$1,730.16	1.54%
Annualized using December 31, 2011 counts	7,475	$72,917,000	$959,000	$73,876,000	$74,807,000	$38,000	$74,845,000	1.31%
Estimated cost increase plan year 2013	$969,000							

- The overall increase reflects a 1.31% or $969,000
- This translates to an increase of $229,000 for members and $740,000 for the employer
- Excludes additional negotiated contributions which apply to certain collectively bargained employees
- Total rate includes medical, pharmacy, vision premiums, $2.05 HSS Communications and Healthcare Sustainability Expenses, and claims stabilization amount

City Plan (UHC): Final Active/Early Retiree/Medicare Monthly Contributions Calendar Year 2013

Exhibit 5

		Active (Bargained)			Early Retiree			Medicare Retiree			
		EE	EE+1	EE+2	EE	EE+1	EE+2	EE	EE+1	EE+2 (All Medicare	EE+2
Members	July-December 2012	$0.00	$1,182.12	$2,170.10	$357.24	$1,048.85	$2,036.83	$0.00	$170.38	$518.50	$1,158.36
	Plan Year 2013	$0.00	$1,212.81	$2,228.95	$362.09	$1,073.16	$2,089.30	$0.00	$169.75	$508.96	$1,185.89
	% increase	0.00%	2.60%	2.71%	1.36%	2.32%	2.58%	0.00%	-0.37%	-1.84%	2.38%
	$ increase	$0.00	$30.70	$58.85	$4.85	$24.32	$52.47	$0.00	($0.62)	($9.54)	$27.54
Employer	July-December 2012	$1,237.46	$1,249.01	$1,249.01	$1,069.79	$1,761.40	$1,761.40	$375.14	$545.53	$545.53	$545.53
	Plan Year 2013	$1,258.97	$1,260.82	$1,260.82	$1,104.40	$1,815.48	$1,815.48	$374.49	$544.26	$544.26	$544.26
	% increase	1.74%	0.95%	0.95%	3.24%	3.07%	3.07%	-0.17%	-0.23%	-0.23%	-0.23%
	$ increase	$21.51	$11.81	$11.81	$34.61	$54.08	$54.08	($0.64)	($1.26)	($1.26)	($1.26)
Total	July-December 2012	**$1,237.46**	**$2,431.13**	**$3,419.11**	**$1,427.03**	**$2,810.25**	**$3,798.23**	**$375.14**	**$715.90**	**$1,064.02**	**$1,703.88**
	Plan Year 2013	**$1,258.97**	**$2,473.63**	**$3,489.77**	**$1,466.49**	**$2,888.64**	**$3,904.78**	**$374.49**	**$714.02**	**$1,053.22**	**$1,730.16**
	% increase	1.74%	1.75%	2.07%	2.77%	2.79%	2.81%	-0.17%	-0.26%	-1.02%	1.54%
	$ increase	$21.51	$42.51	$70.67	$39.46	$78.40	$106.56	($0.64)	($1.89)	($10.80)	$26.27

- The total aggregate annual cost for plan year 2013 is $74.8M
- The overall increase reflects a 1.31% or $969,000
- This translates to an increase of $229,000 for members and $740,000 for the employer
- Excludes additional negotiated contributions which apply to certain collectively bargained employees
- Total rate includes medical, pharmacy, vision premiums, $2.05 HSS Communications and Healthcare Sustainability Expenses, and claims stabilization amount
- Employer contributions include 10-county contribution amount and final Kaiser pick-up

VSP Vision: Final Active/Early Retiree/Medicare Monthly Contributions Calendar Year 2013

Exhibit 6

		Active (Bargained)			Early Retiree			MAPD/COB			
		EE	EE+1	EE+2	EE	EE+1	EE+2	EE	EE+1	EE+2 (All Medicare)	EE+2
Members	July-December 2012	$3.78	$7.58	$10.73	$3.78	$7.58	$10.73	$3.78	$7.58	$10.73	$10.73
	Plan Year 2013	$3.78	$7.58	$10.73	$3.78	$7.58	$10.73	$3.78	$7.58	$10.73	$10.73
	% increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	$ increase	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

1235

- Vision rates are included in health plan rates

Delta Dental PPO: Final Active/Retiree Monthly Contributions Calendar Year 2013

Exhibit 7

		Active (Bargained)			Early Retiree		
		EE	EE+1	EE+2	EE	EE+1	EE+2
Members	July-December 2012	$64.35	$135.14	$193.06	$39.87	$79.80	$120.54
	Plan Year 2013	$63.47	$133.29	$190.42	$39.87	$79.80	$120.54
	% increase	-1.36%	-1.37%	-1.37%	0.00%	0.00%	0.00%
	$ increase	($0.88)	($1.85)	($2.64)	$0.00	$0.00	$0.00

1236

- The full Delta Dental PPO decrease of -1.4% or ($591K) will be absorbed by the employers
- Excludes additional negotiated contributions which apply to certain collectively bargained employees

Delta Care USA : Final Active/Retiree Monthly Contributions Calendar Year 2013

Exhibit 8

		Active (Bargained)			Early Retiree		
		EE	EE+1	EE+2	EE	EE+1	EE+2
Members	July-December 2012	$26.00	$42.90	$63.45	$31.70	$52.31	$77.37
	Plan Year 2013	$26.00	$42.90	$63.45	$31.70	$52.31	$77.37
	% increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	$ increase	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

1237

- Excludes additional negotiated contributions which apply to certain collectively bargained employees

Pacific Union Dental: Final Active/Retiree Monthly Contributions Calendar Year 2013

Exhibit 9

		Active (Bargained)			Early Retiree		
		EE	EE+1	EE+2	EE	EE+1	EE+2
Members	July-December 2012	$27.80	$45.90	$67.86	$16.47	$27.20	$40.22
	Plan Year 2013	$27.80	$45.90	$67.86	$16.47	$27.20	$40.22
	% increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	$ increase	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

1238

- Excludes additional negotiated contributions which apply to certain collectively bargained employees

Life and LTD (Long Term Disability) Plan Year 2013 Aggregate Costs

Exhibit 10

Plan Type	July-December 2012 (Annualized)	Plan Year 2013	% Increase	$ Increase
Basic Life	$375,000	$316,000	-15.8%	($59,000)
Supplemental Life/Dependent Life	$89,000	$77,000	-13.5%	($12,000)
Long-Term Disability*	$8,068,000	$5,687,000	-29.5%	($2,381,000)
Total Estimated Annual Costs	**$8,532,000**	**$6,080,000**	**-28.7%**	**($2,452,000)**
Total Estimated Four(4) Year Rate Guarantee				**$0**

1239

Life Insurance Plans

- The total aggregate annual cost for plan year 2013 is $393,000
- The overall decrease is -15.3% or ($71,000)
- This translates to an decrease of ($12,000) for members and a decrease of ($59,000) for the employer

LTD (Long Term Disability) Plans

- The total aggregate annual cost for plan year 2013 is $5.69M
- The overall decrease is -29.5% or ($2.38M)
- The plan is 100% employer paid so the decrease of ($2.38M) will go to employers

All Plans – 2013 Aggregate Cost Savings ($Millions)

Exhibit 11

Medical Savings	Total	Employer	Employee
City Plan[1,2]	$1.61	$1.07	$0.54
Kaiser HMO[2]	$0.00	$0.00	$0.00
Blue Shield HMO[2,3]	$25.23	$12.12	$13.11
Total	**$26.84**	**$13.19**	**$13.65**

Dental Savings	Total	Employer	Employee
Dental	$0.59	$0.59	$0.00
Total	**$0.59**	**$0.59**	**$0.00**

Life & LTD Savings	Total	Employer	Employee
Life	$0.07	$0.06	$0.01
Long Term Disability (LTD)	$2.38	$2.38	$0.00
Total	**$2.45**	**$2.44**	**$0.01**

Total Savings	Total	Employer	Employee
Medical	$26.84	$13.19	$13.65
Dental	$0.59	$0.59	$0.00
Life and LTD	$2.45	$2.44	$0.01
Grand Total	**$29.88**	**$16.22**	**$13.66**

Footnotes:
1-Reflects EGWP savings and 3-month carry over
2-Vision benefits are included and reflect no year over year cost change
3-Based on the adoption of Blue Shield Flex-Funding and $5M rate stabilization

1240

AON Hewitt

Attachment 3

Health Service System

Annual Rates and Benefits Memorandum

To: Supervisor Chu, From: Catherine Dodd

Report ID : SFENRMED
Data Base : HRPR

City & County of San Francisco
MEMBERSHIP ENROLLMENT STATISTICS REPORT
HEALTH

Run Date 06/01/2012
Run Time 05:30:31

MEMBERSHIP STATUS	CITY - PLAN	KAISER	BLUE SHIELD	BLSHLD ACC+	INVOLUNTARY EXEMPT	VOLUNTARY WAIVED	TOTAL
ACTIVE EMPLOYEES	1,019	18,240	16,585	-	368	1,410	37,624
NO MEDICARE	1,019	18,240	16,585	-	368	1,410	37,624
PART A	0	0	0	0	0	0	0
PART B	0	0	0	0	0	0	0
MEDICARE	0	0	0	0	0	0	0
CHP COMPLIED MEDICARE A ONLY	0	0	0	0	0	0	0
CHP NONCOMPLIANT MEDICARE A & B	0	0	0	0	0	0	0
RETIRED EMPLOYEES	5,337	9,863	3,282	3,506	149	1,462	23,599
NO MEDICARE	696	2,568	-	2,547	116	1,069	6,997
PART A	-	-	-	-	-	-	16
PART B	40	39	-	34	-	-	114
MEDICARE	4,567	7,255	3,280	921	21	328	16,372
CHP COMPLIED MEDICARE A ONLY	0	0	0	0	0	2	2
CHP NONCOMPLIANT MEDICARE A & B	31	-	-	-	-	55	98
RESIGNED EMPLOYEES	-	-	-	-	22	34	62
NO MEDICARE	0	0	0	0	13	25	38
PART A	0	0	0	0	0	0	0
PART B	-	-	-	-	-	-	1
MEDICARE	-	-	-	-	-	-	22
CHP COMPLIED MEDICARE A ONLY	0	0	0	0	0	0	0
CHP NONCOMPLIANT MEDICARE A & B	-	-	-	-	-	-	1
SURVIVING SPOUSE	1,054	1,255	234	188	65	259	3,055
NO MEDICARE	77	188	-	119	49	178	611
PART A	0	0	0	0	0	0	0
PART B	-	-	-	-	-	-	7
MEDICARE	972	1,064	234	67	14	73	2,424
CHP COMPLIED MEDICARE A ONLY	0	0	0	0	0	0	0
CHP NONCOMPLIANT MEDICARE A & B	-	-	-	-	-	-	13
COMMISSIONERS	-	31	34	-	-	158	240
NO MEDICARE	-	31	34	-	-	158	240
PART A	0	0	0	0	0	0	0
PART B	0	0	0	0	0	0	0
MEDICARE	0	0	0	0	0	0	0
CHP COMPLIED MEDICARE A ONLY	0	0	0	0	0	0	0
CHP NONCOMPLIANT MEDICARE A & B	0	0	0	0	0	0	0

Attachment 3

Health Service System

Annual Rates and Benefits Memorandum

To: Supervisor Chu, From: Catherine Dodd

Report ID : SFENRMED
Data Base : HRPR

City & County of San Francisco
MEMBERSHIP ENROLLMENT STATISTICS REPORT
HEALTH

Run Date 06/01/2012
Run Time 05:30:31

MEMBERSHIP STATUS	CITY - PLAN	KAISER	BLUE SHIELD	BLSHLD ACC+	INVOLUNTARY EXEMPT	VOLUNTARY WAIVED	TOTAL
ADULT DEPENDENTS OF ACTIVE EMPLOYEES	205	7,263	6,641	-	-	-	14,110
NO MEDICARE	203	7,242	6,622	-	-	-	14,068
PART A	-	-	-	-	-	-	2
PART B	0	0	0	0	0	0	0
MEDICARE	-	-	-	-	-	-	40
CHP COMPLIED MEDICARE A ONLY	0	0	0	0	0	0	0
CHP NONCOMPLIANT MEDICARE A & B	0	0	0	0	0	0	0
ADULT DEPENDENTS OF RETIRED EMPLOYEES	1,494	3,075	933	1,276	0	0	6,778
NO MEDICARE	343	1,218	282	903	0	0	2,746
PART A	-	-	-	-	-	-	1
PART B	-	-	-	-	-	-	15
MEDICARE	1,146	1,848	651	370	-	-	4,015
CHP COMPLIED MEDICARE A ONLY	0	0	0	0	0	0	0
CHP NONCOMPLIANT MEDICARE A & B	-	-	-	-	-	-	1
ADULT DEPENDENTS OF RESIGNED EMPLOYEES	0	0	0	0	0	0	0
NO MEDICARE	0	0	0	0	0	0	0
PART A	0	0	0	0	0	0	0
PART B	0	0	0	0	0	0	0
MEDICARE	0	0	0	0	0	0	0
CHP COMPLIED MEDICARE A ONLY	0	0	0	0	0	0	0
CHP NONCOMPLIANT MEDICARE A & B	0	0	0	0	0	0	0
ADULT DEPENDENTS OF SURVIVING SPOUSE EMPLOYEES	-	-	-	-	-	-	3
NO MEDICARE	0	0	0	0	0	0	0
PART A	0	0	0	0	0	0	0
PART B	0	0	0	0	0	0	0
MEDICARE	-	-	-	-	-	-	3
CHP COMPLIED MEDICARE A ONLY	0	0	0	0	0	0	0
CHP NONCOMPLIANT MEDICARE A & B	0	0	0	0	0	0	0
ADULT DEPENDENTS OF COMMISSIONERS	-	-	-	-	-	-	15
NO MEDICARE	-	-	-	-	-	-	14
PART A	0	0	0	0	0	0	0
PART B	0	0	0	0	0	0	0
MEDICARE	-	-	-	-	-	-	1
CHP COMPLIED MEDICARE A ONLY	0	0	0	0	0	0	0
CHP NONCOMPLIANT MEDICARE A & B	0	0	0	0	0	0	0

Health Service System

Annual Rates and Benefits Memorandum

To: Supervisor Chu, From: Catherine Dodd

Attachment 3

Report ID : SFENRMED
Data Base : HRPR

City & County of San Francisco
MEMBERSHIP ENROLLMENT STATISTICS REPORT
HEALTH

Run Date 06/01/2012
Run Time 05:30:31

MEMBERSHIP STATUS	CITY - PLAN	KAISER	BLUE SHIELD	BLSHLD ACC+	INVOLUNTARY EXEMPT	VOLUNTARY WAIVED	TOTAL
MINOR DEPENDENTS OF ACTIVE EMPLOYEES	162	12,801	10,951	-	-	-	23,914
NO MEDICARE	162	12,800	10,951	-	-	-	23,913
PART A	0	0	0	0	0	0	0
PART B	0	0	0	0	0	0	0
MEDICARE	-	-	-	-	-	-	1
CHP COMPLIED MEDICARE A ONLY	0	0	0	0	0	0	0
CHP NONCOMPLIANT MEDICARE A & B	0	0	0	0	0	0	0
MINOR DEPENDENTS OF RETIRED EMPLOYEES	88	637	129	646	-	-	1,500
NO MEDICARE	84	623	122	645	-	-	1,474
PART A	0	0	0	0	0	0	0
PART B	0	0	0	0	0	0	0
MEDICARE	-	-	-	-	-	-	26
CHP COMPLIED MEDICARE A ONLY	0	0	0	0	0	0	0
CHP NONCOMPLIANT MEDICARE A & B	0	0	0	0	0	0	0
MINOR DEPENDENTS OF RESIGNED EMPLOYEES	0	0	0	0	0	0	0
NO MEDICARE	0	0	0	0	0	0	0
PART A	0	0	0	0	0	0	0
PART B	0	0	0	0	0	0	0
MEDICARE	0	0	0	0	0	0	0
CHP COMPLIED MEDICARE A ONLY	0	0	0	0	0	0	0
CHP NONCOMPLIANT MEDICARE A & B	0	0	0	0	0	0	0
MINOR DEPENDENTS OF SURVIVING SPOUSE EMPLOYEES	-	30	-	28	-	-	66
NO MEDICARE	-	27	-	28	-	-	62
PART A	0	0	0	0	0	0	0
PART B	0	0	0	0	0	0	0
MEDICARE	-	-	-	-	-	-	4
CHP COMPLIED MEDICARE A ONLY	0	0	0	0	0	0	0
CHP NONCOMPLIANT MEDICARE A & B	0	0	0	0	0	0	0
MINOR DEPENDENTS OF COMMISSIONERS	-	-	-	-	-	-	14
NO MEDICARE	-	-	-	-	-	-	14
PART A	0	0	0	0	0	0	0
PART B	0	0	0	0	0	0	0
MEDICARE	0	0	0	0	0	0	0
CHP COMPLIED MEDICARE A ONLY	0	0	0	0	0	0	0
CHP NONCOMPLIANT MEDICARE A & B	0	0	0	0	0	0	0
HEALTH PLAN TOTALS	9,379	53,206	38,809	5,647	616	3,323	110,980

Health Service System
CITY & COUNTY OF SAN FRANCISCO

MYHSS.ORG

Memorandum

DATE: July 9, 2012

TO: Supervisor Carmen Chu
Board of Supervisors

FROM: Catherine J. Dodd, PhD, RN
Director, Health Service System

RE: Annual Rates and Benefits Ordinance for Plan Year beginning January 1, 2013 and ending December 31, 2013 – Amendment of Section 16.703 of the San Francisco Administrative Code

---

Attached are the following documents relating to the above matter:

1. Proposed ordinance (approved as to form by the City Attorney's Office) amending Section 16.703 of the San Francisco Administrative Code, approving the Plans and Contribution Rates for the Plan Year beginning January 1, 2013 and ending December 31, 2013, adopted by the Health Service Board on July 3, 2012;
2. Actuarial Report dated July 6, 2012 from Aon Hewitt Health and Benefits, as required under Section A8.422 of Appendix A to the San Francisco Charter, including summaries of rates and benefits as adopted by the Health Service Board on April 12, 2012, May 10, 2012, June 1, 2012, June 14, 2012 and July 3, 2012;
3. Membership Master Report dated June 1, 2012 reflecting total enrollment distribution across the three different medical plans; and
4. Form SFEC-126 (Notification of Contract Approval) for the following vendors: Kaiser Foundation Health Plan (Northern and Southern California Regions), Blue Shield of California, United HeathCare Services, Inc. (City Plan), Delta Dental of California, Pacific Union Dental (a subsidiary of United HealthGroup) and Aetna Life Insurance Company.

We are happy to provide you with any additional reports or materials you may need in connection with the enclosed ordinance.

Attach.

cc: Members, Health Service Board (w/electronic attach.) (via e-mail)
Erik Rapoport (w/electronic attach.)
Ben Rosenfield (w/electronic attach.)
Anil Kochhar (w/electronic attach.)
Tracey Loveridge (w/electronic attach.)

120754

1145 Market Street, 2ND Floor
San Francisco, CA 94103

Phone: (415) 554-1750
(800) 541-2266

Fax: (415) 554-1721

File No. 120754

FORM SFEC-126:
NOTIFICATION OF CONTRACT APPROVAL
(S.F. Campaign and Governmental Conduct Code § 1.126)

City Elective Officer Information *(Please print clearly.)*	
Name of City elective officer(s):	City elective office(s) held:
Members, Board of Supervisors	Members, Board of Supervisors

Contractor Information *(Please print clearly.)*

Name of contractor:

Kaiser Foundation Health Plan, Inc.
Northern California Region

Kaiser Foundation Health Plan, Inc.
Southern California Region

Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.

1.) Please see attached
2.) Please see attached
3.) Kaiser Permanente represents a not-for-profit prepaid group practice plans, which represents a partnership between Kaiser Foundation Health Plan, Inc. and Kaiser Foundation Hospitals and the Permanente Medical Groups. As such, there is no owner, shareholders or sponsor.

    Health Plans and Hospitals are nonprofit corporations whose capital is available for charitable, educational, research and related purposes and are generally exempt from federal and state income taxes. No individual or entity has any ownership interest in Health Plans or Hospitals.

4.) N/A
5.) N/A

Contractor address:

Kaiser Foundation Health Plan, Inc.
Northern California Region
1950 Franklin Street
Oakland, CA 94612

Kaiser Foundation Health Plan, Inc.
Southern California Region
393 East Walnut Street
Pasadena, CA 91188

Date that contract was approved:	Amount of contract:
June 14, 2012 by the Health Service Board	**$298,512,000.00 (calendar year 2013)***

Describe the nature of the contract that was approved: Medical Health Insurance: Kaiser Permanente Traditional Plan, HMO and Senior Advantage with Part D.
Comments: *The amount of this contract is based on the most recent actuarial information and will change due to employee resignations, new hires, terminations and other attrition factors, as well as member selections at the time of qualifying events.

This contract was approved by (check applicable):

☐ the City elective officer(s) identified on this form

a ☒board on which the City elective officer(s) serves San Francisco Board of Supervisors
Print Name of Board

☐ the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

_____
Print Name of Board

Filer Information (*Please print clearly.*)	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: (415)554-5184
Address: City Hall, Rm244, 1 Dr. Carlton B Goodlett Pl. 94102	E-mail: Board.of.Supervisors@sfgov.org

_____ _____
Signature of City Elective Officer (if submitted by City elective officer) Date Signed

_____ _____
Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk) Date Signed

George C. Halvorson
Chairman and Chief Executive Officer, Kaiser Foundation Health Plan, Inc., and Kaiser Foundation Hospitals

Christine K. Cassel, MD, MACP
President and Chief Executive Officer of the American Board of Internal Medicine and ABIM Foundation

Thomas W. Chapman, MPH, EdD
President and Chief Executive Officer of the HSC Foundation

Daniel P. Garcia
Senior Vice President and Chief Compliance Officer, Kaiser Foundation Health Plan, Inc., and Kaiser Foundation Hospitals

William R. Graber
Retired Chief Financial Officer of McKesson Corporation

J. Eugene Grigsby III, PhD
President and Chief Executive Officer of the National Health Foundation

Judith A. Johansen, JD
President of Marylhurst University, Portland, Oregon

Kim J. Kaiser
Senior Pilot, Alaska Airlines

Philip A. Marineau
Operating Partner, LNK Partners, and Retired President and Chief Executive Officer of Levi Strauss & Co.

Jenny J. Ming
President and Chief Executive Officer, Charlotte Russe Holding, Inc., and Former President of Old Navy

Edward Pei
Retired Executive Vice President of the Consumer Banking Group of First Hawaiian Bank

J. Neal Purcell
Retired Vice Chairman and Managing Partner of KPMG, LLP

Cynthia A. Telles, PhD
Director of the Spanish-Speaking Psychosocial Clinic of the Neuropsychiatric Institute and Hospital at the University of California, Los Angeles School of Medicine, and Associate Clinical Professor with the UCLA School of Medicine

Sandra P. Thompkins, JD
Executive Director of Human Resources, Delphi Corporation's Packard Electric Division

National leadership team

George C. Halvorson
Chairman and Chief Executive Officer

Bernard J. Tyson
Executive Vice President, Health Plan and Hospital Operations

Anthony Barrueta
Senior Vice President, Government Relations

Raymond J. Baxter, PhD
Senior Vice President, Community Benefit, Research and Health Policy

Chuck Columbus
Senior Vice President and Chief Human Resources Officer

Phil Fasano
Executive Vice President and Chief Information Officer

Diane Gage Lofgren, APR
Senior Vice President, Brand Strategy, Communications and Public Relations

Kathy Lancaster
Executive Vice President and Chief Financial Officer

Jed Weissberg, MD
Senior Vice President, Quality and Care Delivery Excellence

Arthur M. Southam, MD
Executive Vice President, Health Plan Operations

Mark S. Zemelman
Senior Vice President and General Counsel

File No. 120754

FORM SFEC-126:
NOTIFICATION OF CONTRACT APPROVAL
(S.F. Campaign and Governmental Conduct Code § 1.126)

City Elective Officer Information *(Please print clearly.)*	
Name of City elective officer(s):	City elective office(s) held:
Members, Board of Supervisors	Members, Board of Supervisors

Contractor Information *(Please print clearly.)*

Name of contractor:
Blue Shield of California

Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.

(1) members of the contractor's board of directors:

- Bruce G. Bodaken
- Paul Markovich
- Doug Busch
- Vanessa Chang
- Evelyn Dilsaver
- Hector Flores, M.D.
- Alan Fohrer
- William Hauck
- Sandra Hernandez, M.D.
- Robert Lee
- Mohammad H. Qayoumi, Ph.D.

(2) the contractor's chief executive officer, chief financial officer and chief operating officer;

Bruce Bodaken, Chairman, President & CEO

Heidi Fields, Executive Vice President, Chief Financial Officer

Paul Markovich, Executive Vice President, Chief Operating Officer*
* Paul Markovich will assume the position of CEO in January 2013.

(3) any person who has an ownership of 20 percent or more in the contractor;

Blue Shield is a Not-for-Profit Mutual Benefit Corporation.

(4) any subcontractor listed in the bid or contract; and

Blue Shield currently contracts with the following vendors to provide cost-effective, quality healthcare services:

- **Accent Company, Omaha, NE (2003)** – Accent provides investigation and recovery functions related to workers' compensation and third-party liability.
- **ACS Commercial Solutions Inc., Sandy, UT (2011)** – ACS provides member enrollment data entry services.
- **Aegis USA, Inc., Los Angeles, CA (2007)** – Aegis assists with handling calls from Individual and Family Plan (IFP) members as well as eligibility and billing questions for members with portfolio plans.
- **Alere, Waltham, MA (2003)** – Alere currently administers Blue Shield's Predictive Triage Engine, disease management programs; a suite high-risk case management programs; chronic complex, prenatal, and musculoskeletal case management programs; tobacco cessation services as part of our Tobacco Cessation program; CareTips clinical care gap messaging for members and providers; and our NurseHelp 24/7 program.
- **American Specialty Health Plans, San Diego, CA (1994)** – American Specialty Health Plans provides access to their chiropractic, acupuncture, and podiatry networks.
- **Argus Health Systems, Kansas City, MO (1999)** – Argus Health Systems provides claims processing for pharmacy benefits. Blue Shield provides pharmacy benefit management, pharmacy network, formulary, prior authorization, and member services internally.
- **Citi Prepaid Services, Conshohocken, PA (2008)** – Citi Prepaid Services (formerly known as eCount) manages the financial incentives linked to our wellness offerings via a prepaid debit card that can be electronically reloaded when additional rewards are earned and redeemed.
- **Curascript, Orlando, FL and CVS Caremark, Woonsocket, RI (since 2005)** – Curascript and CVS Caremark provides specialty pharmacy services.
- **Dental Benefit Providers, Columbia, MD (1988)** – Dental Benefit Providers serves as Blue Shield's dental plan administrator.
- **DST Output, El Dorado Hills, CA (2002)** – DST Output provides production services for ID cards and explanation of benefits documents.
- **Electronic Data Systems, Plano, TX (2001)** – Electronic Data Systems (EDS) provides information systems and reporting services.
- **HealthEquity, Draper, UT (2012)** – HealthEquity provides integrated HSA/HRA/FSA consumer directed healthcare services for our high deductible health plans (HDHP).
- **Healthrageous, Inc., Boston, MA (2012)** – Healthrageous offers a wellness platform that uses wireless-enabled fitness devices and apps to power team challenges among employee populations.
- **Healthwise, Boise, ID (2005)** – Healthwise, a nonprofit consumer health content provider, supplies a robust health and wellness knowledgebase product for use on our website, www.blueshieldca.com.

- **Hinduja Global Solutions Inc., Warrenville, IL. (2011)** – Hinduja provides claims edit resolution services.
- **LabCorp, Burlington, NC (1997)** – LabCorp provides access to a national network of clinical laboratories.
- **Language Line, Monterey, CA (2002)** – Language Line provides language services to assist non-English speaking members.
- **Magellan Health Services, Avon, CT (2012)** – Magellan Health Services serves as Blue Shield's Mental Health Service Administrator (MHSA), providing mental health/substance abuse network administration, claims, customer service, care management, and medical management. Additionally, they administer our LifeReferrals 24/7 program and a Behavioral Health Depression Management Program that integrates with our disease management program.
- **Medical Eye Services, Santa Ana, CA (1984)** – Medical Eye Services serves as Blue Shield's vision plan administrator.
- **National Imaging Associates, Columbia, MD (1999)** – National Imaging Associates provides prior authorization and medical management for outpatient radiology services, including CAT scans, MRIs/MRAs, nuclear cardiology, bone densitometry, and PET scanning.
- **PrimeMail, Eagan, MN (2008)** – PrimeMail provides mail service for pharmacy benefits. Blue Shield provides pharmacy benefit management, pharmacy network, formulary, prior authorization, and member services internally.
- **Quest Diagnostics, Madison, NJ (2008)** – Quest Diagnostics has provided onsite and remote biometric screening services for Blue Shield clients since 2008. In this time, Quest has staffed multiple events for several different clients and collected biometric data on thousands of employees.
- **SourceHOV, LLC, Dallas, TX. (2007)** – SourceHOV provides paper claims and correspondence mailroom, imaging and data entry services, including image viewing capabilities, claims edit resolution, correspondence activation, small group enrollment, claim credit backs, and pre-denial audits.
- **Summit Health, Chambersburg, PA (2010)** – Summit Health provides onsite and remote biometric screening services for our Shield Wellcheck program, and other onsite wellness services, including immunizations, onsite seminars, lifestyle management courses, ad hoc screening, and tests for our Onsite Wellness program.
- **TeleTech Financial Services Management, LLC, Englewood, CO (2001)** – TeleTech assists with handling phone calls for IFP members, eligibility and billing questions for members with portfolio plans, and providers.
- **WebMD, New York, NY (2008)** – WebMD provides the platform and content for our award-winning online wellness program, Healthy Lifestyle Rewards, and our telephonic Health Coach program.

Please note that Blue Shield providers are neither agents nor employees of the plan but are independent contractors. Blue Shield cannot be held liable for the negligence, wrongful acts or omissions of any person receiving or providing services, including any physician, hospital or other provider.

(5) any political committee sponsored or controlled by the contractor.

EmPAC

Contractor address: 50 Beale Street, San Francisco CA 94105	
Date that contract was approved: July 3, 2012 by the Health Service Board	Amount of contract: **$307,605,000.00***
Describe the nature of the contract that was approved: Medical Coverage: Blue Shield Flex Funded HMO for Actives and Early Retirees, and MAPD/COB for Retirees.	
Comments: *The amount of this contract is based on the most recent actuarial information and will change due to employee resignations, new hires, terminations and other attrition factors, as well as member selections at the time of qualifying events.	

This contract was approved by (check applicable):

☐ the City elective officer(s) identified on this form

☒ a board on which the City elective officer(s) serves San Francisco Board of Supervisors
Print Name of Board

☐ the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

_____
Print Name of Board

Filer Information *(Please print clearly.)*	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: (415)554-5184
Address: City Hall, Room 244, 1 Dr. Carlton B. Goodlett Pl., San Francisco, 94102	E-mail: Board.of.Supervisors@sfgov.org

_____ _____
Signature of City Elective Officer (if submitted by City elective officer) Date Signed

_____ _____
Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk) Date Signed

S:\ALL FORMS\2008\Form SFEC-126 Contractors doing business with the City 11.08.doc

File No. 120754

FORM SFEC-126:
NOTIFICATION OF CONTRACT APPROVAL
(S.F. Campaign and Governmental Conduct Code § 1.126)

City Elective Officer Information *(Please print clearly.)*	
Name of City elective officer(s):	City elective office(s) held:
Members, Board of Supervisors	Members, Board of Supervisors

Contractor Information *(Please print clearly.)*

Name of contractor: United HealthCare Services, Inc. (for City Plan)

Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.

1. Board Members:

William C. Ballard, Jr.

Richard T. Burke

Robert J. Darretta

Stephen J. Hemsley

Michele J. Hooper

Rodger A. Lawson

Douglas W. Leatherdale

Glenn M. Renwick

Kenneth I. Shine, M.D.

Gail R. Wilensky, Ph.D.

2. CEO, CFO, COO

Steve J. Hemsley CEO, COO
David S. Wichmann CFO

3. No person owns 20 percent or more in the contractor

4. We provide most of our core services directly through the UnitedHealth Group family of companies. This allows us to offer affordable solutions through integrated data elements and systems, streamlined implementations and unified account management support.

We do work with a variety of external vendors and subcontractors and have listed some of these third parties and the different capacities in which we interact with them. Due to the broad spectrum

of UnitedHealth Group businesses and variations in the contractual relationships we have with each vendor or subcontractor, this list is subject to change and should not be considered exhaustive.

VENDORS AND SUBCONTRACTORS

PRESCRIPTION BENEFITS ADMINISTRATION

Medco Health Solutions, Inc. (Medco) is our business partner in the administration of our pharmacy program. While UnitedHealthcare Pharmacy directs all key aspects of the pharmacy benefit program, we have contracted with Medco to outsource general program administration, including retail network management, since 2000.

NETWORK LEASING

UnitedHealthcare owns the majority of networks we use for providing health care coverage. However, we use leased or vendor networks where it is not feasible to develop our own network. Vendor networks must comply with the same quality standards we use for our own networks. Vendor network compensation varies based on market demands and the customary practices of the local marketplace. We retain responsibility for claim processing. In addition, we oversee all quality issues, including quality control of the physicians and other health care professionals in the network.

OVERPAYMENT IDENTIFICATION VENDORS

We contract with a number of vendors to identify overpayments. These vendors perform a variety of audits, including, but not limited to, credit balance, data mining, COB, contract audits, DRG audits, workers' compensation and subrogation. Generally, these vendors do not perform collections on the overpayments they identify in an effort to reduce the number of vendors approaching physicians. A collection vendor is assigned to collect these overpayments.

OVERPAYMENT COLLECTION VENDORS

We contract with a number of vendors to collect overpayments that are identified internally or from an overpayment identification vendor. Overpayment collection vendors are responsible for sending out the initial overpayment notification letter and will follow up with the physician on outstanding balances through phone calls or subsequent recovery letters. These vendors assist with the resolution of physician disputes/appeals.

MATERNITY MANAGEMENT

We subcontract with Alere (formerly Matria Healthcare) to provide portions of our Healthy Pregnancy Program (HPP). We do use an outside vendor for external review on selected cases.

SHARED SAVINGS PROGRAM

We use Viant, Three Rivers Physician's Network, First Health Networks and MultiPlan's national network of hospitals, physicians and other health care professionals to provide discounts to our customers for non-network claims through our Shared Savings Program (SSP).

HEALTH INFORMATION

Various internal and external sources provide health content to our member Web site, **myuhc.com**. Each resource maintains relationships with various health professionals who write, edit and review

the content created for the site. We screen each vendor for accuracy and independence of content.

SURVEYS

We conduct an annual satisfaction survey based upon the HEDIS 3.0 standards.

Administration of the CAHPS survey is a joint effort between the Survey Research Studies division of OptumInsight (a UnitedHealth Group company) and the Center for the Study of Services (CSS). CSS is certified by NCQA as a CAHPS survey vendor.

SOCIAL SECURITY ADVOCACY ASSISTANCE

Social Security advocacy assistance is provided through another vendor. Claim specialists are trained to educate, guide and monitor the application process for Social Security disability benefits. We then consider offering assistance through Social Security Law Group.

ID CARDS

Our member medical ID cards are produced by Fiserv Output Solutions, a business unit of Fiserv, Inc. Fiserv, headquartered in Stafford, Texas, is a provider of business-critical communications to the financial services, health care, telecommunications, investment services and retail markets.

LEGAL

We will be responsible for holding our vendors to the same standards and requirements to which we agree. We will accept responsibility to the extent that our subcontracted vendor fails to meet any contractual obligation assumed by us.

5. There are no political committees sponsored or controlled by the contractor.

Contractor address: 185 Asylum Street Hartford, CT 06103-3408	
Date that contract was approved: April 12, 2012 and June 14, 2012 by the Health Service Board	Amount of contract: $3,198,417 (ASO) + $74,845,000 (estimated claims) =$78,043,417*
Describe the nature of the contract that was approved: Self-Insured Medical Plan sponsored by CCSF and whose claims administration is outsourced to UnitedHealth Services, Inc.	
Comments:* The amount of this contract is based on the most recent actuarial information and will change due to actual claims, employee resignations, new hires, terminations and other attrition factors, as well as member selections at the time of qualifying events.	

This contract was approved by (check applicable):

☐ the City elective officer(s) identified on this form

☒ a board on which the City elective officer(s) serves San Francisco Board of Supervisors
Print Name of Board

☐ the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

_____
Print Name of Board

Filer Information *(Please print clearly.)*	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: (415)554-5184
Address: City Hall, Room 244, 1 Dr Carlton B Goodlett Pl, San Francisco, CA 94102	E-mail: Board.of.Supervisors@sfgov.org

_____ _____
Signature of City Elective Officer (if submitted by City elective officer) Date Signed

_____ _____
Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk) Date Signed

File No. 120754

FORM SFEC-126:
NOTIFICATION OF CONTRACT APPROVAL
(S.F. Campaign and Governmental Conduct Code § 1.126)

City Elective Officer Information *(Please print clearly.)*	
Name of City elective officer(s):	City elective office(s) held:
Members, Board of Supervisors	Members, Board of Supervisors

Contractor Information *(Please print clearly.)*

Name of contractor:
Delta Dental of California (Delta Dental PPO Active Self Insured and Retiree PPO fully insured, and DeltaCare DHMO)

Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.

(1)DIRECTORS AND OFFICERS

Glen F. Bergert
100 First Street
San Francisco, CA 94105

Barbara J. Burgel
100 First Street
San Francisco, CA 94105

D. Douglas Cassat, DDS
100 First Street
San Francisco, CA 94105

R. Kent Farnsworth, DDS, **Chair**
100 First Street
San Francisco, CA 94105

Lynn L. Franzoi
100 First Street
San Francisco, CA 94105

Devang M. Gandhi, DDS
100 First Street
San Francisco, CA 94105

Gregory D. Kaplan, DDS, **2nd Vice Chair**
100 First Street
San Francisco, CA 94105

Steven F. McCann, **Treasurer**
100 First Street
San Francisco, CA 94105

Terry A. O'Toole
100 First Street
San Francisco, CA 94105

Renuka (Becky) P. Patel, **1st Vice Chair**
100 First Street
San Francisco, CA 94105

Gary D. Radine (Ex Officio)
100 First Street
San Francisco, CA 94105

Jo Bonita Rains
100 First Street
San Francisco, CA 94105

Andrew J. Reid, **Secretary**
100 First Street
San Francisco, CA 94105

Coragene I. Savio, DDS
100 First Street
San Francisco, CA 94105

Steven W. Voss
100 First Street
San Francisco, CA 94105

Thomas A. Zimmerman
100 First Street
San Francisco, CA 94105

(2)
Chief Executive Officer – Gary Radine
Chief Financial Officer – Michael Castro
Chief Operating Officer – Tony Barth

(3)
None

(4)
None

(5)
None

Contractor address:
100 First Street, San Francisco, California 94105

Date that contract was approved:	Amount of contract: **$53,403,894.00***
May, 10 2012 and June 1, 2012 approved by the Health Service Board	Delta Dental PPO - **Policy Number 1673 – Retirees** $10,766,513.00 Delta Dental PPO - **Policy 9502 – Actives: (Self-funded Claims + Admin.)** $41,675,275.00 DeltaCare USA – DHMO **Policy # 01797 – DeltaCare:** $962,106.00

Describe the nature of the contract that was approved:
Dental Benefits

Comments:
*The amount of this contract is based on the most recent information and will change due to employee resignations, new hires, terminations and other attrition factors, as well as member selections at the time of qualifying events. The Delta Dental PPO Active Self-Insured Plan is based on actual claims and administration.

Assumptions for Estimated Contract Amounts:

PPO full-insured plan, 1673 (Retirees), based on the current month (June 2012) multiplied by 12 months
Self-Insured Actives PPO (9502) plan based on the last 12 months claims paid, plus the current enrollment multiplied by the admin. fee of $4.38 times 12
DeltaCare USA DHMO plan based on the current month (June 2012) premium multiplied by 12.

This contract was approved by (check applicable):

☐ the City elective officer(s) identified on this form

☒ a board on which the City elective officer(s) serves San Francisco Board of Supervisors
Print Name of Board

☐ the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

_____
Print Name of Board

Filer Information *(Please print clearly.)*	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: (415)554-5184
Address: City Hall, Room 244, 1 Dr Carlton B Goodlett Pl, San Francisco, CA 94102	E-mail: Board.of.Supervisors@sfgov.org

_____ _____
Signature of City Elective Officer (if submitted by City elective officer) Date Signed

_____ _____
Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk) Date Signed

S:\ALL FORMS\2008\Form SFEC-126 Contractors doing business with the City 11.08.doc

File No. 120754

FORM SFEC-126:
NOTIFICATION OF CONTRACT APPROVAL
(S.F. Campaign and Governmental Conduct Code § 1.126)

City Elective Officer Information *(Please print clearly.)*	
Name of City elective officer(s):	City elective office(s) held:
Members, Board of Supervisors	Members, Board of Supervisors

Contractor Information *(Please print clearly.)*

Name of contractor: DENTAL BENEFIT PROVIDERS OF CALIFORNIA, INC., a subsidiary of United HealthGroup [***Pacific Union***]

Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.

1. Board Members:

William C. Ballard, Jr.

Richard T. Burke

Robert J. Darretta

Stephen J. Hemsley

Michele J. Hooper

Rodger A. Lawson

Douglas W. Leatherdale

Glenn M. Renwick

Kenneth I. Shine, M.D.

Gail R. Wilensky, Ph.D.

2. CEO, CFO, COO

Steve J. Hemsley CEO, COO
David S. Wichmann CFO

3. No person owns 20 percent or more in the contractor

4. We provide most of our core services directly through the UnitedHealth Group family of companies. This allows us to offer affordable solutions through integrated data elements and

systems, streamlined implementations and unified account management support.

We do work with a variety of external vendors and subcontractors and have listed some of these third parties and the different capacities in which we interact with them. Due to the broad spectrum of UnitedHealth Group businesses and variations in the contractual relationships we have with each vendor or subcontractor, this list is subject to change and should not be considered exhaustive.

VENDORS AND SUBCONTRACTORS

PRESCRIPTION BENEFITS ADMINISTRATION

Medco Health Solutions, Inc. (Medco) is our business partner in the administration of our pharmacy program. While UnitedHealthcare Pharmacy directs all key aspects of the pharmacy benefit program, we have contracted with Medco to outsource general program administration, including retail network management, since 2000.

NETWORK LEASING

UnitedHealthcare owns the majority of networks we use for providing health care coverage. However, we use leased or vendor networks where it is not feasible to develop our own network. Vendor networks must comply with the same quality standards we use for our own networks. Vendor network compensation varies based on market demands and the customary practices of the local marketplace. We retain responsibility for claim processing. In addition, we oversee all quality issues, including quality control of the physicians and other health care professionals in the network.

OVERPAYMENT IDENTIFICATION VENDORS

We contract with a number of vendors to identify overpayments. These vendors perform a variety of audits, including, but not limited to, credit balance, data mining, COB, contract audits, DRG audits, workers' compensation and subrogation. Generally, these vendors do not perform collections on the overpayments they identify in an effort to reduce the number of vendors approaching physicians. A collection vendor is assigned to collect these overpayments.

OVERPAYMENT COLLECTION VENDORS

We contract with a number of vendors to collect overpayments that are identified internally or from an overpayment identification vendor. Overpayment collection vendors are responsible for sending out the initial overpayment notification letter and will follow up with the physician on outstanding balances through phone calls or subsequent recovery letters. These vendors assist with the resolution of physician disputes/appeals.

MATERNITY MANAGEMENT

We subcontract with Alere (formerly Matria Healthcare) to provide portions of our Healthy Pregnancy Program (HPP). We do use an outside vendor for external review on selected cases.

SHARED SAVINGS PROGRAM

We use Viant, Three Rivers Physician's Network, First Health Networks and MultiPlan's national network of hospitals, physicians and other health care professionals to provide discounts to our customers for non-network claims through our Shared Savings Program (SSP).

HEALTH INFORMATION

Various internal and external sources provide health content to our member Web site, **myuhc.com**. Each resource maintains relationships with various health professionals who write, edit and review the content created for the site. We screen each vendor for accuracy and independence of content.

SURVEYS

We conduct an annual satisfaction survey based upon the HEDIS 3.0 standards.

Administration of the CAHPS survey is a joint effort between the Survey Research Studies division of OptumInsight (a UnitedHealth Group company) and the Center for the Study of Services (CSS). CSS is certified by NCQA as a CAHPS survey vendor.

SOCIAL SECURITY ADVOCACY ASSISTANCE

Social Security advocacy assistance is provided through another vendor. Claim specialists are trained to educate, guide and monitor the application process for Social Security disability benefits. We then consider offering assistance through Social Security Law Group.

ID CARDS

Our member medical ID cards are produced by Fiserv Output Solutions, a business unit of Fiserv, Inc. Fiserv, headquartered in Stafford, Texas, is a provider of business-critical communications to the financial services, health care, telecommunications, investment services and retail markets.

LEGAL

We will be responsible for holding our vendors to the same standards and requirements to which we agree. We will accept responsibility to the extent that our subcontracted vendor fails to meet any contractual obligation assumed by us.

5. There are no political committees sponsored or controlled by the contractor.

Contractor address: 185 Asylum Street Hartford, CT 06103-3408	
Date that contract was approved: May 10, 2012 by the Health Service Board	Amount of contract: $326,188 (calendar year 2013)*
Describe the nature of the contract that was approved: DMO Dental Coverage for both active and retirees	
Comments: *The amount of this contract is based on the most recent information and will change due to employee resignations, new hires, terminations and other attrition factors, as well as member selections at the time of qualifying events.	

This contract was approved by (check applicable):

☐ the City elective officer(s) identified on this form

☒ a board on which the City elective officer(s) serves San Francisco Board of Supervisors
Print Name of Board

☐ the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

_____
Print Name of Board

Filer Information *(Please print clearly.)*	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: (415)554-5184
Address: City Hall, Room 244, 1 Dr Carlton B Goodlett Pl, San Francisco, CA 94102	E-mail: Board.of.Supervisors@sfgov.org

_____ _____
Signature of City Elective Officer (if submitted by City elective officer) Date Signed

_____ _____
Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk) Date Signed

File No. 120754

FORM SFEC-126:
NOTIFICATION OF CONTRACT APPROVAL
(S.F. Campaign and Governmental Conduct Code § 1.126)

City Elective Officer Information *(Please print clearly.)*	
Name of City elective officer(s):	City elective office(s) held:
Members, Board of Supervisors	Members, Board of Supervisors

Contractor Information *(Please print clearly.)*

Name of contractor:
Aetna Life Insurance Company

Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.

(1) Contractor (Aetna) Board of Directors
- *Fernando Aguirre, Chairman, President and Chief Executive Officer Chiquita Brands International, Inc.*
- *Mark T. Bertolini Chairman, Chief Executive Officer and President Aetna*
- *Frank M. Clark, Former Chairman and Chief Executive Officer Commonwealth Edison Company*
- *Betsy Z. Cohen, Chief Executive Officer The Bancorp, Inc*
- *Molly J. Coye, M.D., Chief Innovation Officer UCLA Health System*
- *Roger N. Farah, President, Chief Operating Officer and Director Ralph Lauren Corporation*
- *Barbara Hackman Franklin, President and Chief Executive Officer Barbara Franklin Enterprises, Former U.S. Secretary of Commerce*
- *Jeffrey E. Garten, Juan Trippe Professor in the Practice of International Trade, Finance and Business, Yale University*
- *Ellen M. Hancock, Former President of Jazz Technologies, Inc., Former Chairman and Chief Executive Officer of Exodus Communications, Inc.*
- *Richard J. Harrington, Chairman The Cue Ball Group, Former President and Chief Executive Officer The Thomson Corporation*
- *Edward J. Ludwig, Former Chairman and Chief Executive Officer Becton, Dickinson and Company*
- *Joseph P. Newhouse, John D. MacArthur Professor of Health Policy and Management Harvard University*

(2) Contractor (Aetna) Chief Executive Officer/Chief Financial Officer/Chief Operating Officer
- *Mark T. Bertolini Chairman, Chief Executive Officer and President Aetna*
- *Joseph M. Zubretsky, Senior Executive Vice President, Chief Financial Officer and Chief Enterprise Risk Officer*
- *Meg McCarthy is Executive Vice President, Operations & Technology.*

(3) Any person who has an ownership of 20% or more
- *Aetna is a publically traded company with no one person or entity having 20% or more ownership*

(4) Any subcontractor listed in the bid.
- *Affiliated Customer Services*
- *Allsup*
- *Computer Sciences Corporation*
- *Coventry Priority Services*
- *IBM Daksh*
- *International Beneficiary Locators, Inc.*
- *Intracorp*
- *Open Solutions and Harland (formerly BISYS)*
- *Perot*
- *The Rawlings Company*

(5) Any Political committee sponsored or controlled by the contractor
- *Aetna Political Action Committee (PAC)*
  - *i. Aetna PAC is a bipartisan political action committee, an organization that enables company employees to have a voice with legislators who make laws and policy that have a direct impact on the way the company does business. Its purpose is to collect voluntary contributions from eligible Aetna employees*

and then use these funds to support candidates for federal and state political office in accordance with applicable election laws.	
Contractor address: 151 Farmington Avenue Hartford, CT 06156	
Date that contract was approved: July 3, 2012 by the Health Service Board	Amount of contract: (estimated) Life (basic and supplemental): $392,988 Long Term Disability(LTD): $5,687,262 TOTAL: $6,080,250
Describe the nature of the contract that was approved: **1.) Basic Group Life and Supplemental Life, and;** **2.) Long Term Disability Insurance**	
Comments: *The amount of this contract is based on the most recent information and will change due to employee resignations, new hires, terminations and other attrition factors, as well as member selections at the time of qualifying events.	

This contract was approved by (check applicable):

☐ the City elective officer(s) identified on this form

☒ a board on which the City elective officer(s) serves San Francisco Board of Supervisors
Print Name of Board

☐ the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

_____
Print Name of Board

Filer Information (*Please print clearly.*)	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: (415)554-5184
Address: City Hall, Room 244, 1 Dr Carlton B Goodlett Pl, San Francisco, CA 94102	E-mail: Board.of.Supervisors@sfgov.org

_____ _____
Signature of City Elective Officer (if submitted by City elective officer) Date Signed

_____ _____
Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk) Date Signed

San Francisco Health Service System
Board of Supervisors

10 County Survey Results and Rates and Benefits Decisions for Calendar Year 2013

July 18, 2012

Prepared by Aon Hewitt
Health and Benefits

AON Hewitt

10-County Survey Results

Exhibit 1

Rank	County	Short Plan Year July-December 2012	CY 2013	% Change
1	Los Angeles	$499.57	$515.07	3.10%
2	San Diego	$432.20	$444.86	2.93%
3	Orange	$485.10	$506.94	4.50%
4	Riverside	$537.43	$545.54	1.51%
5	San Bernardino *	$398.98	$398.98	0.00%
6	Santa Clara *	$643.13	$643.13	0.00%
7	Alameda	$575.00	$588.99	2.43%
8	Sacramento	$667.02	$696.00	4.34%
9	Contra Costa	$540.43	$553.15	2.35%
10	Fresno	$450.80	$455.17	0.97%
	10-County Average	**$522.97**	**$534.78**	**2.26%**

Starting with plan year 2013 and going forward, due to HSS's change to a calendar year plan, the 10-county survey calendar year change rule, approved by the HSS board April 12, 2012, is applied to all county's with calendar year plans. For these counties the average employer contribution was trended forward to overlap with the 2013 plan year by 6 months.

* Plan years for these counties are not calendar year. Contributions shown for these counties are for July 2012 to June 2013. The 10-county survey calendar year change rule does not apply to these counties.

AON Hewitt

Kaiser HMO: Final Active/Early Retiree/Medicare Monthly Contributions Calendar Year 2013

Exhibit 2

		Active			Early Retiree			MAPD/COB			
		EE	EE+1	EE+2	EE	EE+1	EE+2	EE	EE+1	EE+2 (All Medicare)	EE+2
Members	July-December 2012	$0.00	$7.04	$249.05	$3.52	$268.01	$707.08	$0.00	$166.70	$499.23	$605.76
	Plan Year 2013	$0.00	$2.24	$247.00	$1.12	$268.61	$712.65	$0.00	$166.70	$499.23	$610.74
	% increase	0.00%	-68.21%	-0.83%	-68.24%	0.22%	0.79%	0.00%	0.00%	0.00%	0.82%
	$ increase	$0.00	($4.80)	($2.05)	($2.40)	$0.60	$5.57	$0.00	$0.00	$0.00	$4.98
Employer	July-December 2012	$530.01	$1,051.96	$1,249.01	$1,061.46	$1,325.96	$1,325.96	$334.42	$501.12	$501.12	$501.12
	Plan Year 2013	$537.02	$1,069.77	$1,269.05	$1,076.98	$1,344.48	$1,344.48	$335.43	$502.13	$502.13	$502.13
	% increase	1.32%	1.69%	1.61%	1.46%	1.40%	1.40%	0.30%	0.20%	0.20%	0.20%
	$ increase	$7.01	$17.81	$20.05	$15.52	$18.52	$18.52	$1.01	$1.01	$1.01	$1.01
Total	July-December 2012	$530.01	$1,059.00	$1,498.06	$1,064.98	$1,593.97	$2,033.04	$334.42	$667.82	$1,000.35	$1,106.88
	Plan Year 2013	$537.02	$1,072.01	$1,516.05	$1,078.10	$1,613.09	$2,057.13	$335.43	$668.83	$1,001.36	$1,112.87
	% increase	1.32%	1.23%	1.20%	1.23%	1.20%	1.18%	0.30%	0.15%	0.10%	0.54%
	$ increase	$7.01	$13.01	$17.99	$13.12	$19.12	$24.09	$1.01	$1.01	$1.01	$5.99

- The total aggregate annual cost for plan year 2013 is $298.5M
- The overall increase reflects a 1.09% or $3.23M
- This translates to an decrease of ($447,000) for members and an increase of $3.67M for the employer
- Excludes additional negotiated contributions which apply to certain collectively bargained employees
- Total premiums include vision costs, $2.05 HSS Communications and Healthcare Sustainability expense, and are adjusted for the final 10-county survey

AON Hewitt

Blue Shield HMO: Final Active/Early Retiree/Medicare Monthly Contributions Calendar Year 2013

Exhibit 3

		Active (Bargained)			Early Retiree			MAPD/COB			
		EE	EE+1	EE+2	EE	EE+1	EE+2	EE	EE+1	EE+2 (All Medicare)	EE+2
Members	July-December 2012	$0.00	$85.46	$471.01	$42.73	$346.45	$850.60	$0.00	$202.40	$606.55	$706.55
	Initial Contribution	$0.00	$112.37	$558.71	$56.18	$376.76	$914.23	$0.00	$0.00	$0.00	$0.00
	Rate Stabilization	$0.00	$26.86	$38.01	$29.95	$43.38	$54.53	$0.00	$0.00	$0.00	$0.00
	Plan Year 2013	$0.00	$85.51	$520.70	$26.23	$335.38	$859.70	$0.00	$180.64	$541.26	$763.23
	% increase	0.00%	0.06%	10.55%	-38.60%	-3.20%	1.07%	0.00%	-10.75%	-10.76%	8.02%
	$ increase	$0.00	$0.05	$49.69	($16.50)	($11.07)	$9.10	$0.00	($21.76)	($65.29)	$56.68
Employer	July-December 2012	$608.43	$1,130.41	$1,249.01	$1,308.14	$1,611.86	$1,611.86	$405.82	$608.23	$608.23	$608.23
	Plan Year 2013	$647.16	$1,179.94	$1,269.05	$1,379.80	$1,702.38	$1,702.38	$363.30	$543.93	$543.93	$543.93
	% increase	6.36%	4.38%	1.61%	5.48%	5.62%	5.62%	-10.48%	-10.57%	-10.57%	-10.57%
	$ increase	$38.73	$49.53	$20.05	$71.66	$90.52	$90.52	($42.52)	($64.30)	($64.30)	($64.30)
Total	July-December 2012	$608.43	$1,215.87	$1,720.02	$1,350.87	$1,958.31	$2,462.46	$405.82	$810.63	$1,214.78	$1,314.78
	Plan Year 2013	$647.16	$1,292.31	$1,827.77	$1,435.98	$2,081.14	$2,616.59	$363.30	$724.57	$1,085.18	$1,307.16
	% increase	6.36%	6.29%	6.26%	6.30%	6.27%	6.26%	-10.48%	-10.62%	-10.67%	-0.58%
	$ increase	$38.73	$76.44	$107.75	$85.11	$122.83	$154.14	($42.52)	($86.06)	($129.60)	($7.62)

- The total aggregate annual cost for plan year 2013 is $307.6M
- The overall increase reflects a 3.05% or $9.1M
- This translates to an increase $2.0M for members and $7.1M for the employer
- Excludes additional negotiated contributions which apply to certain collectively bargained employees
- Total premiums include vision costs, $2.05 HSS Communications and Healthcare Sustainability expense, and are adjusted for the final 10-county survey
- July 1, 2012 to December 31, 2012 rates include $5.2M rate stabilization
- 2013 plan year rates include $5.0M rate stabilization

AON Hewitt

City Plan (UHC): Final Active/Early Retiree/Medicare Monthly Premium Rates Calendar Year 2013

Exhibit 4

CATEGORY	December 2011 Enrollment	Plan Year July - December 2012			Plan Year 2013			PERCENTAGE INCREASE
		PREMIUM EQUIVALENT	STABILIZATION AMOUNT	TOTAL	PREMIUM EQUIVALENT	STABILIZATION AMOUNT	TOTAL	
Active EE	835	$1,221.69	$15.77	$1,237.46	$1,258.33	$0.64	$1,258.97	1.74%
Active EE + 1	204	$2,400.11	$31.02	$2,431.13	$2,472.37	$1.26	$2,473.63	1.75%
Active EE + 2	70	$3,375.79	$43.32	$3,419.11	$3,487.99	$1.78	$3,489.77	2.07%
Early Retiree EE	795	$1,408.79	$18.24	$1,427.03	$1,465.74	$0.75	$1,466.49	2.77%
Early Retiree EE + 1	250	$2,774.29	$35.96	$2,810.25	$2,887.17	$1.47	$2,888.64	2.79%
Early Retiree EE+ 2	26	$3,749.69	$48.54	$3,798.23	$3,902.79	$1.99	$3,904.78	2.81%
Medicare Retiree EE	3,978	$370.15	$4.99	$375.14	$374.30	$0.19	$374.49	-0.17%
Medicare Retiree EE + 1	1,300	$706.36	$9.54	$715.90	$713.66	$0.36	$714.02	-0.26%
Medicare Retiree EE + 2	17	$1,681.76	$22.12	$1,703.88	$1,729.28	$0.88	$1,730.16	1.54%
Annualized using December 31, 2011 counts	7,475	$72,917,000	$959,000	$73,876,000	$74,807,000	$38,000	$74,845,000	1.31%
Estimated cost increase plan year 2013	$969,000							

- The overall increase reflects a 1.31% or $969,000
- This translates to an increase of $229,000 for members and $740,000 for the employer
- Excludes additional negotiated contributions which apply to certain collectively bargained employees
- Total rate includes medical, pharmacy, vision premiums, $2.05 HSS Communications and Healthcare Sustainability Expenses, and claims stabilization amount

City Plan (UHC): Final Active/Early Retiree/Medicare Monthly Contributions Calendar Year 2013

Exhibit 5

		Active (Bargained)			Early Retiree			Medicare Retiree			
		EE	EE+1	EE+2	EE	EE+1	EE+2	EE	EE+1	EE+2 (All Medicare	EE+2
Members	July-December 2012	$0.00	$1,182.12	$2,170.10	$357.24	$1,048.85	$2,036.83	$0.00	$170.38	$518.50	$1,158.36
	Plan Year 2013	$0.00	$1,212.81	$2,228.95	$362.09	$1,073.16	$2,089.30	$0.00	$169.75	$508.96	$1,185.89
	% increase	0.00%	2.60%	2.71%	1.36%	2.32%	2.58%	0.00%	-0.37%	-1.84%	2.38%
	$ increase	$0.00	$30.70	$58.85	$4.85	$24.32	$52.47	$0.00	($0.62)	($9.54)	$27.54
Employer	July-December 2012	$1,237.46	$1,249.01	$1,249.01	$1,069.79	$1,761.40	$1,761.40	$375.14	$545.53	$545.53	$545.53
	Plan Year 2013	$1,258.97	$1,260.82	$1,260.82	$1,104.40	$1,815.48	$1,815.48	$374.49	$544.26	$544.26	$544.26
	% increase	1.74%	0.95%	0.95%	3.24%	3.07%	3.07%	-0.17%	-0.23%	-0.23%	-0.23%
	$ increase	$21.51	$11.81	$11.81	$34.61	$54.08	$54.08	($0.64)	($1.26)	($1.26)	($1.26)
Total	July-December 2012	$1,237.46	$2,431.13	$3,419.11	$1,427.03	$2,810.25	$3,798.23	$375.14	$715.90	$1,064.02	$1,703.88
	Plan Year 2013	$1,258.97	$2,473.63	$3,489.77	$1,466.49	$2,888.64	$3,904.78	$374.49	$714.02	$1,053.22	$1,730.16
	% increase	1.74%	1.75%	2.07%	2.77%	2.79%	2.81%	-0.17%	-0.26%	-1.02%	1.54%
	$ increase	$21.51	$42.51	$70.67	$39.46	$78.40	$105.56	($0.64)	($1.89)	($10.80)	$26.27

- The total aggregate annual cost for plan year 2013 is $74.8M
- The overall increase reflects a 1.31% or $969,000
- This translates to an increase of $229,000 for members and $740,000 for the employer
- Excludes additional negotiated contributions which apply to certain collectively bargained employees
- Total rate includes medical, pharmacy, vision premiums, $2.05 HSS Communications and Healthcare Sustainability Expenses, and claims stabilization amount
- Employer contributions include 10-county contribution amount and final Kaiser pick-up

VSP Vision: Final Active/Early Retiree/Medicare Monthly Contributions Calendar Year 2013

Exhibit 6

		Active (Bargained)			Early Retiree			MAPD/COB			
		EE	EE+1	EE+2	EE	EE+1	EE+2	EE	EE+1	EE+2 (All Medicare)	EE+2
Members	July-December 2012	$3.78	$7.58	$10.73	$3.78	$7.58	$10.73	$3.78	$7.58	$10.73	$10.73
	Plan Year 2013	$3.78	$7.58	$10.73	$3.78	$7.58	$10.73	$3.78	$7.58	$10.73	$10.73
	% increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	$ increase	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

- Vision rates are included in health plan rates

Delta Dental PPO: Final Active/Retiree Monthly Contributions Calendar Year 2013

Exhibit 7

		Active (Bargained)			Early Retiree		
		EE	EE+1	EE+2	EE	EE+1	EE+2
Members	July-December 2012	$64.35	$135.14	$193.06	$39.87	$79.80	$120.54
	Plan Year 2013	$63.47	$133.29	$190.42	$39.87	$79.80	$120.54
	% increase	-1.36%	-1.37%	-1.37%	0.00%	0.00%	0.00%
	$ increase	($0.88)	($1.85)	($2.64)	$0.00	$0.00	$0.00

- The full Delta Dental PPO decrease of -1.4% or ($591K) will be absorbed by the employers
- Excludes additional negotiated contributions which apply to certain collectively bargained employees

Delta Care USA : Final Active/Retiree Monthly Contributions Calendar Year 2013

Exhibit 8

		Active (Bargained)			Early Retiree		
		EE	EE+1	EE+2	EE	EE+1	EE+2
Members	July-December 2012	$26.00	$42.90	$63.45	$31.70	$52.31	$77.37
	Plan Year 2013	$26.00	$42.90	$63.45	$31.70	$52.31	$77.37
	% increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	$ increase	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

- Excludes additional negotiated contributions which apply to certain collectively bargained employees

Pacific Union Dental: Final Active/Retiree Monthly Contributions Calendar Year 2013

Exhibit 9

		Active (Bargained)			Early Retiree		
		EE	EE+1	EE+2	EE	EE+1	EE+2
Members	July-December 2012	$27.80	$45.90	$67.86	$16.47	$27.20	$40.22
	Plan Year 2013	$27.80	$45.90	$67.86	$16.47	$27.20	$40.22
	% increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	$ increase	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

- Excludes additional negotiated contributions which apply to certain collectively bargained employees

Life and LTD (Long Term Disability) Plan Year 2013 Aggregate Costs

Exhibit 10

Plan Type	July-December 2012 (Annualized)	Plan Year 2013	% Increase	$ Increase
Basic Life	$375,000	$316,000	-15.8%	($59,000)
Supplemental Life/Dependent Life	$89,000	$77,000	-13.5%	($12,000)
Long-Term Disability*	$8,068,000	$5,687,000	-29.5%	($2,381,000)
Total Estimated Annual Costs	**$8,532,000**	**$6,080,000**	**-28.7%**	**($2,452,000)**
Total Estimated Four(4) Year Rate Guarantee				**$0**

Life Insurance Plans

- The total aggregate annual cost for plan year 2013 is $393,000
- The overall decrease is -15.3% or ($71,000)
- This translates to an decrease of ($12,000) for members and a decrease of ($59,000) for the employer

LTD (Long Term Disability) Plans

- The total aggregate annual cost for plan year 2013 is $5.69M
- The overall decrease is -29.5% or ($2.38M)
- The plan is 100% employer paid so the decrease of ($2.38M) will go to employers

All Plans – 2013 Aggregate Cost Savings ($Millions)

Exhibit 11

Medical Savings	Total	Employer	Employee
City Plan[1,2]	$1.61	$1.07	$0.54
Kaiser HMO[2]	$0.00	$0.00	$0.00
Blue Shield HMO[2,3]	$25.23	$12.12	$13.11
Total	**$26.84**	**$13.19**	**$13.65**

Dental Savings	Total	Employer	Employee
Dental	$0.59	$0.59	$0.00
Total	**$0.59**	**$0.59**	**$0.00**

Life & LTD Savings	Total	Employer	Employee
Life	$0.07	$0.06	$0.01
Long Term Disability (LTD)	$2.38	$2.38	$0.00
Total	**$2.45**	**$2.44**	**$0.01**

Total Savings	Total	Employer	Employee
Medical	$26.84	$13.19	$13.65
Dental	$0.59	$0.59	$0.00
Life and LTD	$2.45	$2.44	$0.01
Grand Total	**$29.88**	**$16.22**	**$13.66**

Footnotes:
1-Reflects EGWP savings and 3-month carry over
2-Vision benefits are included and reflect no year over year cost change
3-Based on the adoption of Blue Shield Flex-Funding and $5M rate stabilization

Distribution of Aggregate Plan Costs ($Millions)

Exhibit 12

TABLE 2 * Distribution of Aggregate Plan Costs ($millions)	Member Contributions	Employer Contributions	Aggregate Plan Cost	Member Contributions as a % of Aggregate Costs	Employer Contributions as a % of Aggregate Costs
Kaiser HMO	$25.0	$273.5	$298.5	8.39%	91.61%
$ Increase	-$0.4	$3.7	$3.2		
% Increase	-1.76%	1.36%	1.09%		
Blue Shield HMO	$43.0	$264.6	$307.6	13.99%	86.01%
$ Increase	$2.0	$7.1	$9.1		
% Increase	4.84%	2.77%	3.05%		
City Plan	$15.0	$59.8	$74.8	20.08%	79.92%
$ Increase	$0.2	$0.7	$1.0		
% Increase	1.55%	1.25%	1.31%		
Dental**	$3.2	$39.0	$42.3	7.66%	92.34%
$ Increase	$0.0	-$0.6	-$0.6		
% Increase	0.00%	-1.46%	-1.35%		
LTD**	$0.0	$5.7	$5.7	0.00%	100.00%
$ Increase	$0.0	-$2.4	-$2.4		
% Increase	0.00%	-29.51%	-29.51%		
Life**	$0.1	$0.3	$0.4	19.55%	80.45%
$ Increase	$0.0	-$0.1	-$0.1		
% Increase	-13.47%	-15.79%	-15.35%		
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$ Increase	$1.8	$8.5	$10.3		
% Increase	2.08%	1.34%	1.43%		

* Figures vary due to rounding

** Dental costs are for active employees only, retirees and surviving spouses have not been included

- The projected 2013 aggregate cost is only 1.43% or $10.3M higher than the annualized short plan year costs

Calendar Year 2013 City and County of San Francisco (City) Employer, Employee, and Retiree Premium Costs

Exhibit 13

	2012 (July 1, 2012 through December 31, 2012 annualized)	2013 (January 1, 2013 through December 31, 2013)	Increase/ (Decrease)	Percent
City Costs				
Kaiser HMO	$210,568,789	$213,512,253	$2,943,463	1.4%
Blue Shield HMO	214,945,137	220,221,904	5,276,767	2.5%
City Plan	47,381,423	48,002,758	621,335	1.3%
Subtotal Health and Vision Plan	472,895,349	481,736,914	8,841,565	1.9%
Dental	31,584,164	31,123,486	(460,678)	-1.5%
Long Term Disability and Life Insurance	6,729,515	4,784,845	(1,944,670)	-28.9%
Total City Costs	$511,209,028	$517,645,245	$6,436,217	1.3%
Employee and Retiree Costs				
Kaiser HMO	$21,591,712	$21,223,163	($368,549)	-1.7%
Blue Shield HMO	36,159,813	37,951,651	1,791,838	5.0%
City Plan	12,094,777	12,285,682	190,905	1.6%
Subtotal Health and Vision Plan	69,846,301	71,460,496	1,614,194	2.3%
Dental	2,582,155	2,582,155	0	0.0%
Long Term Disability and Life Insurance	70,777	61,240	(9,537)	-13.5%
Total Employee and Retiree Costs	$72,499,234	$74,103,891	$1,604,657	2.2%
Total Costs				
Kaiser HMO	$232,160,501	$234,735,416	$2,574,914	1.1%
Blue Shield HMO	251,104,950	258,173,555	7,068,605	2.8%
City Plan	59,476,200	60,288,439	812,240	1.4%
Subtotal Health and Vision Plan	542,741,651	553,197,410	10,455,759	1.9%
Dental	34,166,319	33,705,642	(460,678)	-1.3%
Long Term Disability and Life Insurance	6,800,292	4,846,084	(1,954,208)	-28.7%
Total Costs	$583,708,262	$591,749,136	$8,040,874	1.4%

- Total employer costs paid for by the City have increased 1.3% or $6,436,217
- Total City Employee and Retiree Costs have increased 2.2% or $1,604,657
- Total gross costs (Employer and Employee costs combined) for City employees and retirees have increased 1.4% or $8,040,874

Board of Supervisors

Approval of Health Service System
Rates and Benefits for Plan Year 2013

Catherine Dodd, PhD, Health Service System Director
July 18, 2012

Health Service System
CITY & COUNTY OF SAN FRANCISCO
MYHSS.ORG

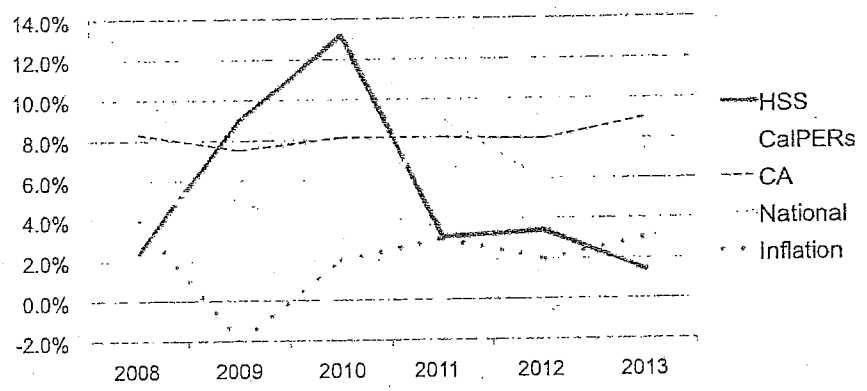
- Good News: Aggregate 1.4% Rate Increase
- Flex-Funding Blue Shield HMO
- Stabilizing Risk in 2013 with Blue Shield HMO Rate Stabilization
- Sustainable Benefits: More Work To Do

Good News: 1.4% Aggregate Increase

	Members Pay	Employers Pay	Total Cost	Year over Year % Increase
Kaiser HMO	$25	$273.5	$298.5	1.09%
Blue Shield HMO	$43	$264.6	$307.6	3.05%
City Plan PPO	$15	$59.8	$74.8	1.31%
Dental Plans	$3.2	$39	$42.3	-1.35%
LTD	$0	$5.7	$5.7	-29.5%
Life	$0.1	$0.3	$0.4	-15.35%
TOTAL	**$86.4**	**$642.9**	**$729.3**	**1.43%**

Dollars in millions. Data for all employers: CCSF, SFUSD, SFCCD.

Good News: 1.4% Aggregate Increase



Good News: Dental, LTD, Life

2013 rates benefited from:

- Dental PPO co-pays adjusted to discourage utilization of out-of-network dentists ($591,00 annual savings).
- Competitive RFP resulted in new vendor (Aetna) for Long Term Disability and Group Life Insurance ($2.44M annual savings).

Good News: Medicare Retiree Plans

2013 Medicare retiree plans benefited from:

- Increased federal reimbursements for Medicare Advantage (Kaiser and Blue Shield).
- Implementation of federal Employer Group Waiver Plan (EGWP) for City Plan PPO takes advantage of increased Medicare pharmacy subsidies (Affordable Care Act; $2.33M annual savings).
- HSS operations oversight ensures all Medicare-eligible members are Medicare enrolled.

Good News: Kaiser

2013 Kaiser rates benefited from:

- Migration of families into Kaiser over past two years, lowering risk in this plan.
- Sunset of federal law linking federal employee health benefits (FEHB) to a group of employers that included HSS. (Previously Kaiser could not lower HSS rates without lowering rates for FEHB.)
- Detailed actuarial analysis allowed HSS to effectively negotiate with Kaiser.
- Formation of ACOs fostered competition with Kaiser.

Good News: Blue Shield of California

2013 Blue Shield active employee/early retiree plans benefited from:

- Flex-funding for active employees and early retirees.
- Rate stabilization for families.
- Detailed actuarial analysis allowing HSS to effectively negotiate and drive adoption of cost-saving alternatives.

Blue Shield Fully-Funded vs Flex-Funded

Many large employers, including CalPERS, are taking control of costs by moving to flex-funding.

FULLY-FUNDED	FLEX-FUNDED
Risk analysis based on extended period in excess of most recent 12 months	Risk analysis based on previous 12 months of claims (better trends due to ACOs)
If claims are less than premiums BSC keeps money (incentive to raise rates)	If claims are less than premiums HSS Trust Fund keeps money
BSC holds all claim reserves and interest	HSS Trust Fund holds claim reserves/ interest

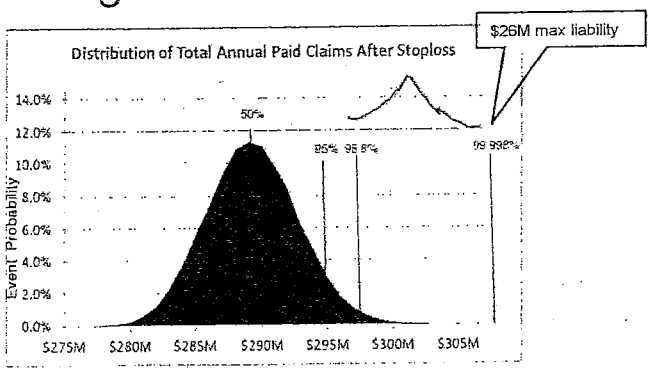
Blue Shield Fully-Funded vs Flex-Funded

FULLY-FUNDED	FLEX-FUNDED
If claims are more than premiums Blue Shield pays	If claims are more than premiums HSS trust liability limited to $1M per claim max
Only providers and BSC have access to utilization claims data	HSS has increased access to claims, especially fee-for-service hospital bills
$312M aggregate premium cost	$297M aggregate premium cost
15.64% aggregate premium rate increase for actives/early retirees compared to 2012	10.12% aggregate premium rate increase for actives/early retirees compared to 2012

Board Chooses Flex-Funded HMO

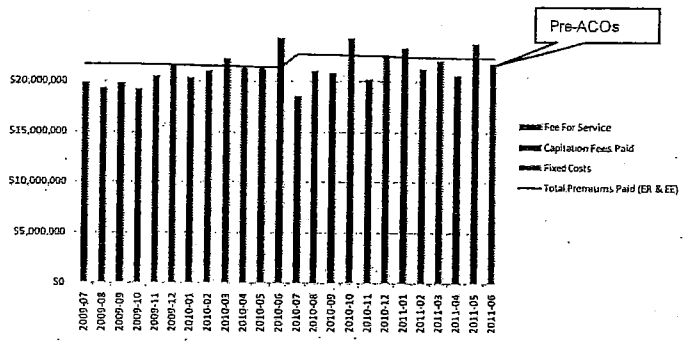
- HSS voted to apply money to trust fund reserves required for flex-funding to active and early retiree plans, instead of depleting trust by paying higher premiums to BSC for 2013.
- $7M in reserves established in 2013, with $31M reserve goal over next few years. Will be monitored monthly.
- If trust money was spent on higher premiums for fully-funded plan in 2013, it would be gone. Board would not have the resources to implement flex-funding (and attempt to build reserves) in the future.

Flex-Funding Financial Risk



Flex-funding risk without rate stabilization.

Flex-Funding Financial Benefits



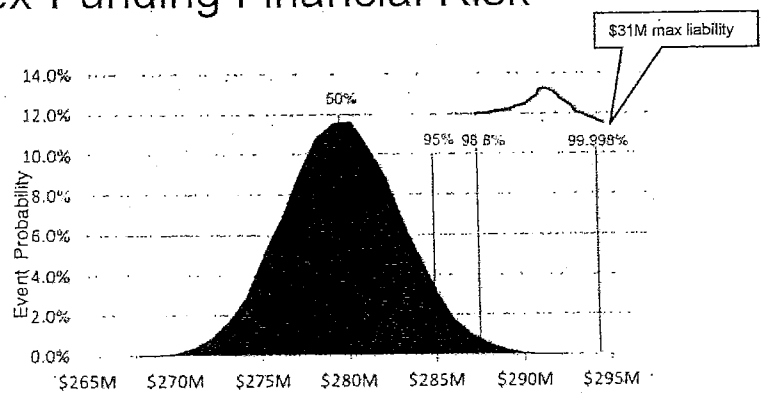
Aon Hewitt: Claims experience indicates HSS would have saved an average of $7.9M if HMO plan had been flex-funded in prior years.

Stabilizing Risk in Blue Shield HMO

Health Service Board also voted to apply $5 million in Blue Shield pledge credit money to stabilize employee and early retiree family Blue Shield premium rates in 2013.

- This is Blue Shield pledge credit funds–not taxpayer dollars.
- Rate stabilization lowered rate increase to about 4% for active and early retirees enrolled in Blue Shield. Board prevented a catastrophic migration out of Blue Shield, which currently has 43% of the membership (44,456 covered lives).
- Total aggregate cost for Blue Shield reduced to $287M, because reduced premium costs prevented migration.

Flex-Funding Financial Risk



Flex-funding risk with rate stabilization.

Flex-Funding Financial Risk

- With a fully funded plan, you pay higher premiums, at no risk. With flex-funding the Health Service System pays less, but assumes risk. If claims exceed premiums, the trust must pay.
- Actuary Aon Hewitt's analysis (with rate stabilization):
  - 98.8% probability claims will be below $287M (break even)
  - 95% probability claims will be below $284.7M (+$2.3M)
  - 50% probability claims will be below $279M (+$8M)
- The worst case scenario is that claims will exceed projections by $31 million. This is more than than is currently held in the trust. (No actuarial projections came close to this maximum liability.)

Plan Migration, Risk and Premium Costs

- If 2,000 members move out of Blue Shield and enroll in Kaiser for family coverage, premiums for these individuals will cost $9.78M less, paid at the lower Kaiser rate.
- But the loss of these (younger, healthier) members would increase risk in the Blue Shield insurance pool, resulting in aggregate premium rates that are $10.4M higher.
- Total loss to employers and members = $1 million.

Sustainable Benefits: More Work To Do

We are holding the line, but the "fire" of escalating healthcare costs is still burning. We need to use our power as the government and as the largest purchaser of healthcare to:

- Ensure fair competition in the local healthcare market for the long term. HSS can't effectively negotiate without market competition.
- Maintain a choice of affordable, quality plans (balanced risk pools).
- Take advantage of the momentum of federal healthcare reform.
- Increase employer purchaser access to claims and cost data.
- Incentivize employee and retiree wellness.
- Support changes in doctor and hospital payment systems so we are paying for quality outcomes not fees for service .