

FILE NO. 130748

RESOLUTION NO.

1 [Greater Transparency for the Kaiser Healthcare Rate Increase and Urging the California  
2 State Legislature to Pass Senate Bill 746]

3 **Resolution urging Kaiser to immediately begin negotiating with the Health Service**  
4 **System toward a fair and transparent pricing model that provides fee schedule**  
5 **transparency; requesting the Health Service System to report back to the Board of**  
6 **Supervisors on the progress of negotiations; and urging the California State**  
7 **Legislature to pass Senate Bill 746 to require health plans to disclose data.**

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9 WHEREAS, Utilization of healthcare services by City Health Service System (HSS)  
10 members enrolled in Kaiser has declined each year for the past seven years, while Kaiser  
11 has increased the charges paid by HSS in each of the same seven years; and

12 WHEREAS, Hospitalizations for HSS Members enrolled in Kaiser have declined by  
13 more than a third over that period of time, while Kaiser has increased its charges per  
14 hospitalization by nearly 90%, all without presenting any data to support these increases; and

15 WHEREAS, The vast majority of public employees covered by Kaiser have made  
16 significant concessions over these years, and Kaiser's proposed 2014 rate increases come at  
17 a time when many of them are just beginning to recover slowly from a deep recession; and

18 WHEREAS, Kaiser has a record of providing high quality care and achieving good  
19 health outcomes, which have reduced utilization rates and should translate into lower costs,  
20 yet Kaiser's pricing is no lower than that of other HMO plans on a risk-adjusted basis; and

21 WHEREAS, Kaiser reports that its pricing is based on 'competing in the marketplace'  
22 without respect to utilization of services or the actual cost of care, and justifies charging what  
23 the market will bear by saying it remains the lowest cost and highest quality health plan; and

24 WHEREAS, Kaiser has made profits of more than \$8 billion since January 2009; and  
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1           WHEREAS, Kaiser is making a profit of at least 15% from the City and County of San  
2   Francisco, and is likely making similar profits from other large San Francisco employers; and .  
3   WHEREAS, Blue Shield , the other large non-profit health plan in California, committed to limit  
4   its profits to 2% profit beginning in 2010, returning nearly \$20 million to HSS over the past 2  
5   years; and

6           WHEREAS, HSS staff, as directed by the Health Service Board, has worked diligently  
7   for many years to engage in fair and forthcoming business relationships with local insurers  
8   and providers to offer health plans and to negotiate rates for City employees and retirees,  
9   under the approval authority of the Board of Supervisors; and

10          WHEREAS, The California State Senate passed and sent to the Assembly for action  
11   SB 746 (Leno) that would extend to Kaiser the same transparency requirements made of  
12   every other California health insurer, now, therefore be it

13          RESOLVED, That Kaiser immediately begin negotiating toward a fair pricing model that  
14   provides full transparency of its fee schedule, utilization data, and clinical outcomes measures  
15   to third-party actuaries and other independent analysts chosen by HSS, and that adequately  
16   reflects the utilization of services by HSS members; and be it

17          FURTHER RESOLVED, That Kaiser provide specific documentation on the drivers of  
18   healthcare costs among HSS members, and commit to a plan for controlling these healthcare  
19   cost drivers and sharing with HSS the benefit of the resulting cost reductions ; and, be it

20          FURTHER RESOLVED, That the Board of Supervisors urges the Health Service Board  
21   to direct HSS staff to pursue, immediate negotiations with Kaiser toward a fair and  
22   transparent pricing system and further, to have HSS staff prepare contingency plans to place  
23   City employees in other high quality, cost effective plans in the event rate negotiations with  
24   Kaiser for 2015 do not produce improved results; and, be it

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1           FURTHER RESOLVED, That the Health Service Board and HSS build upon their  
2 process of consulting with public employee unions and HSS retirees as they formulate  
3 objectives for these negotiations and evaluate their progress, to maximize unity among all  
4 stakeholders in pursuing the common goal of providing high quality, affordable care to HSS  
5 members; and be it

6           FURTHER RESOLVED, That HSS report back to the Board of Supervisors on the  
7 progress of these negotiations; and be it

8           FURTHER RESOLVED, That the Board of Supervisors of the City and County of San  
9 Francisco supports and urges passage of SB 746 by California state elected officials.

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