

File No. 100134

Committee Item No. 7

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee BUDGET AND FINANCE

Date 2/24/10

Board of Supervisors Meeting

Date _____

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form (for hearings) |
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OTHER

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Completed by: Gail Johnson

Date 2/19/10

Completed by: _____

Date _____

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

1 [Administrative Code Revision: Health Service System]

2
3 **Ordinance amending Chapter 16, Article XV, of Part 1 of the San Francisco Municipal**
4 **(Administrative) Code by amending Section 16.703 regarding Board approval of Health**
5 **Service System Plans and Contribution Rates.**

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

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

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

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

13 Changes in contribution rates adopted by the Health Service Board, as respects the
14 plans of the Health Service System, to become effective on ~~July 1, 2009~~July 1, 2010 for the
15 fiscal year ~~July 1, 2009~~July 1, 2010 through ~~June 30, 2010~~June 30, 2011, approved by the Health
16 Service Board in actions taken by it on ~~January 8, 2009~~January 14, 2010, which plans and
17 contribution rates are on file with the Clerk of the Board of Supervisors, are hereby approved.

18
19 APPROVED AS TO FORM:
20 DENNIS J. HERRERA, City Attorney

21 By: Erik Rapoport
22 Erik Rapoport
23 Deputy City Attorney
24
25

Items 7 & 8**Files 10-0134 & 10-0135****Department(s):**

Health Service System (HSS)

EXECUTIVE SUMMARY**Legislative Objective**

- The proposed ordinance (File 10-0134) would amend Section 16.703 of the City's Administrative Code, to (a) approve the FY 2010-2011 health plans offered by the Health Service System (HSS) to its members and (b) set the employer's and members' contributions for the monthly health plan premiums.
- The proposed resolution (File 10-0135) would establish the monthly employer contribution to the Health Service System Trust Fund for FY 2010-2011. The monthly employer contribution is based on the results of the ten-county survey conducted by the Health Service Board, as required by the Charter.

Fiscal Impact

- Based on the results of the ten-county survey conducted by the Health Service Board, the employer's FY 2010-2011 contribution to the Health Service System Trust Fund is \$472.85 per member per month, which is an increase of \$23.48 or 5.2 percent from the FY 2009-2010 contribution of \$449.37 per member per month.
- The City's total estimated cost is \$323,116,874 for FY 2010-2011 health and dental premium contributions to the Health Service System Trust Fund using the proposed FY 2010-2011 monthly premium rates, including General Fund costs of \$185,248,468. The estimated \$323,116,874 is \$9,149,763, or 2.9 percent, more than the total cost of \$313,967,111 for health and dental premium contributions based on the FY 2009-2010 monthly premium rates.

Recommendation

- Approve the proposed ordinance and resolution.

CHARTER REQUIREMENTS

The Health Service System (HSS) administers non-pension benefits: health, dental, vision, and other benefits that may be available to City employees, such as life and disability insurance. The Health Service Board oversees the Health Service System and adopts the annual health plans and employer and member¹ contributions to monthly premiums.

Under Section A8.423 of the City Charter, 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 employer's contribution for member health plans' monthly premiums, which is equal to the average of the contributions made by each of the ten counties.

DETAILS OF PROPOSED LEGISLATIONS

File 10-0134: The proposed ordinance would amend Section 16.703 of the City's Administrative Code, to (a) approve the FY 2010-2011 health plans offered by the Health Service System (HSS) to its members and (b) set the employer's and members' contributions for the monthly premiums of such plans, as discussed below.

The Health Service Board approved these plans and employer's and members' contributions to the plans' monthly premiums on January 14, 2010.

File 10-0135: The proposed resolution would approve the FY 2010-2011 employer's contribution to the Health Service System Trust Fund² of \$472.85 per member per month, which is an increase of \$23.48 or 5.2 percent from the FY 2009-2010 employer's contribution of \$449.37 per member per month. The proposed FY 2010-2011 employer's monthly contribution is based on the results of the ten-county survey, as shown in Attachment I, provided by HSS.

THE FY 2010-2011 HEALTH, DENTAL AND VISION PLANS' MONTHLY PREMIUMS

Proposed Monthly Premiums and Benefits for the Health Plans and Vision Plans

In FY 2010-2011, HSS will offer three health plans, including one self-funded health plan, the City Health Plan, and two plans provided through third-party insurers, Kaiser and Blue Shield. The City Health Plan is a preferred provider organization, or PPO, which provides services through a network of providers. Both Kaiser and Blue Shield are health maintenance organizations, or HMOs, which provide services through a closed panel of providers. HSS will offer one vision plan provided through third-party insurer, VSP Vision.

¹ HSS employers include the City and County of San Francisco, the San Francisco Unified School District, the San Francisco Community College District, and the San Francisco Superior Court. HSS members are active and retired employees of these 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.

² Under the Charter, the Health Service System Trust Fund receives all contributions and pays all health plan expenses.

As of January 1, 2010, there are approximately 57,069 active and retired HSS members, as shown in Table 1 below.³

Table 1: Active and Retired HSS Members

	Active Employees	Retired Employees	Total	Percent
City Health Plan	1,559	5,424	6,983	12.24%
Kaiser	16,543	8,911	25,454	44.60%
Blue Shield	18,732	5,900	24,632	43.16%
Total	36,834	20,235	57,069	100.00%

Source: Health Service System, as of January 1, 2010

Monthly Premium Increases for the Employer and Employees: Both the employer and members contribute to the total monthly premium. The proposed FY 2010-2011 monthly premiums for the three health plans and the vision plan are shown in Table 2 below for single employees (without dependents) and are further detailed in Attachment II, provided by HSS. Members enrolled in one of the three HSS health plans also receive vision benefits. The monthly VSP Vision premium is included in the total monthly premium for each of the three health plans, shown in Table 2 and in Attachment II.

Table 2: Comparison of FY 2009-2010 and FY 2010-2011 for the Medical and Vision Monthly Premiums for Single Employees

	Proposed FY 2010-2011	FY 2009-2010	Increase (Decrease)	Percent Change
City Health Plan	\$926.66	\$808.28	\$118.38	14.6%
Kaiser	481.69	464.36	17.33	3.7%
Blue Shield	593.73	532.89	60.84	11.4%

Source: Health Service System

As shown in Table 2, the total City Health Plan monthly premium for single employees is increasing by \$118.38 or 14.6 percent, from \$808.28 in FY 2009-2010 to \$926.66 in FY 2010-2011. As noted on page 1 of the January 29, 2010 letter to the Board of Supervisors from Mercer (Attachment III), the HSS consultant and actuary, the monthly premium for the City Health Plan "represents the best estimate of future expenditures based on the information available at the time they were developed".

Also shown in Table 2, (a) the total Blue Shield monthly premium for single employees is increasing by \$60.84 or 11.4 percent, from \$532.89 in FY 2009-2010 to \$593.73 in FY 2010-2011, and (b) the total Kaiser monthly premium for single employees is increasing by \$17.33 or 3.7 percent, from \$464.36 in FY 2009-2010 to \$481.69 in FY 2010-2011. As noted on page 1 of Attachment III, the insured premiums and administrative fees agreed to with Kaiser and Blue Shield "represent a fair price given the services provided and the risks insured".

³ HSS has a total of approximately 107,078 members of the City and County of San Francisco, San Francisco Unified School District, Superior Court, and the Community College District, which includes 57,069 active and retired employees and 50,009 dependents.

HSS is increasing mental health and substance abuse services in each of the three health plans to comply with the Federal Mental Health Parity Act of 2009, which became effective on October 3, 2009 (see Federal Mental Health Parity Act of 2009 in the Policy Analysis section below). Consequently, as noted on page 2 of Attachment III, the health plans' monthly premiums were presented and adopted by the Health Services Board.

The Health Service Board recommends three additional changes to the FY 2010-2011 health plans, which includes (a) increasing the copayment for doctor visits under the Blue Shield and Kaiser HMO plans⁴, (b) increasing the emergency room copayment under the Blue Shield and Kaiser HMO plans⁵ and (c) charging a \$15 copayment for preventive services, which includes routine physicals, well baby care, gynecologic exams, and pre/post-natal care under the Blue Shield plan. The City Health Plan did not have any additional benefit changes.

Monthly Premium Increases for the Employer: The increases to the monthly premiums for single employees (without dependents) of the three health plans, as shown in Table 2 above, are shared by both the employer and the members. As shown in Table 3 below and also further detailed in Attachment IV, provided by HSS, the increase to the employer's contribution is \$23.48, or 5.2 percent. As noted above, the increase in the employer's FY 2010-2011 contribution is based on the results of the ten-county survey.

Table 3: Comparison of FY 2009-2010 and FY 2010-2011 Medical and Vision Monthly Premiums for Single Employees by Employer and Employee Contribution

	Total Contribution	Employee Contribution				Employer Contribution			
	Proposed FY 2010-2011	Proposed FY 2010-2011	FY 2009-2010	Increase (Decrease)	Percent Change	Proposed FY 2010-2011	FY 2009-2010	Increase (Decrease)	Percent Change
City Health Plan	\$926.66	\$453.81	\$358.91	\$94.90	26.4%	\$472.85	\$449.37	\$23.48	5.2%
Kaiser	481.69	\$8.84	14.99	(6.15)	(41.0%)	\$472.85	\$449.37	\$23.48	5.2%
Blue Shield	593.73	120.88	83.52	\$37.36	44.7%	\$472.85	\$449.37	\$23.48	5.2%

Source: Health Service System

Proposed Monthly Premiums and Benefits for the Dental Plans

In FY 2010-2011, HSS will offer three dental plans including one PPO plan, the Delta Premier, and two HMO plans, DeltaCare USA and UHC Dental. The Delta Premier Plan is a dental PPO with a network of preferred providers. The Delta Premier plan is (a) self-insured through HSS for active members and (b) fully insured for retirees. The DeltaCare USA and UHC Dental Plans are dental HMOs with a closed panel of providers and are fully insured plans.

⁴ In the Blue Shield HMO plan, the doctor visit copayment will increase by \$5 or 33.3 percent, from \$15 to \$20. In the Kaiser HMO plan, the doctor visit copayment will increase by \$5 or 50 percent, from \$10 to \$15.

⁵ In the Blue Shield and Kaiser HMO plans, the emergency room copayment will increase by \$50 or 100 percent, from \$50 to \$100.

Employers, including only the City and the Superior Court (not including the San Francisco Unified School District and the Community College District), pay the dental plan premiums for active members. The employer contributes the average cost of employees' monthly dental plan premiums. As shown in Table 4 and Attachment V, the employer's contribution for dental benefits increased from \$116.55 per member per month in FY 2009-2010 to \$131.94 per member per month in FY 2010-2011, an increase of \$15.39 per month, or approximately 13.2 percent.

Table 4: Comparison of FY 2009-2010 and FY 2011-2011 for the Dental Monthly Premiums for Single Employees

	Proposed FY 2010- 2011	FY 2009- 2010	Increase	Percent Change
Delta Premier, DeltaCare USA and UHC Dental.	\$131.94	\$116.55	\$15.39	13.2%

Source: Health Service System

FY 2010-2011 CONTINGENCY AND STABILIZATION POLICIES AND AMOUNTS

In October 2007, the Health Service Board approved policies designating a portion of the Health Service System Trust Fund balance to: (a) provide contingencies for HSS's self-funded City Health Plan and self-funded employee dental plan and (b) stabilize City Health 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.

Contingency Fund: The Contingency Fund is intended to protect against shortfalls in the Health Service System Trust Fund's claims reserve for the self-funded City Health Plan and employee dental plan, resulting from higher than expected claims compared to premium payments. For the past two fiscal years, HSS has reviewed the contingency policy amount annually to assess the adequacy of the contingency to meet potential claims liability, and will increase the contingency amount as necessary.

As shown in Table 5 below, the Contingency Fund amount has increased every year since FY 2008-2009.

Table 5: Contingency Fund Increases

	City Health Plan	Dental Plan	Total	Increase	Percent Change
FY 2008-2009	\$10,200,000	\$3,000,000	\$13,200,000	--	--
FY 2009-2010	\$10,700,000	\$3,100,000	\$13,800,000	\$600,000	4.54%
FY 2010-2011	\$10,800,000	\$3,300,000	\$14,100,000	\$300,000	2.17%

Source: Health Service System

According to Ms. Robin Courtney, Chief Financial Officer of HSS, and shown in Table 5 above, HSS will increase the total contingency amount by \$300,000, or 2.17 percent, from \$13,800,000 in FY 2009-2010 to \$14,100,000 for FY 2010-2011. The increases to the contingency amounts has already been included in the FY 2010-2011 City Health Plan and dental monthly premiums as listed in Table 2 above and Table 4 above.

The monies collected for the Contingency Fund is included in the Health Service System Trust Fund balance (see Health Service System Trust Fund Balance in Fiscal Analysis section below).

Stabilization Policy: In addition to the Contingency Fund, the Health Service Board has adopted a stabilization policy. Under this stabilization policy, HSS will incorporate the City Health Plan's actual premium revenue⁶ surpluses or shortfalls from a prior audited year, over a period of three years, when calculating required premiums in the new plan year. For example, the City Health Plan's actual premium revenue surpluses from FY 2008-2009 have been incorporated into the monthly premium amounts for FY 2010-2011 and will be incorporated into the monthly premium amounts for FY 2011-2012 and FY 2012-2013 as an overall reduction to the monthly premium amounts. HSS will also incorporate the City's self-funded employee dental plan's actual premium revenue surpluses or shortfalls in the prior audited year when calculating required premiums in the new plan year. For example, the dental plan's actual premium revenue shortfalls from FY 2008-2009 have been incorporated into the monthly premium amount for FY 2010-2011 as an overall increase to the monthly premium amount.

In FY 2009-2010 the Health Service Board approved a \$1,100,000 stabilization amount. The Health Service Board has calculated and approved a \$100,000 stabilization amount for FY 2010-2011, which is a \$1,000,000 decrease from the \$1,100,000 approved in FY 2009-2010. The \$1,000,000 stabilization amount in FY 2010-2011 includes (a) a reduction of \$1,200,000 that has already been included in the FY 2010-2011 City Health Plan monthly premiums as listed in Table 2 above, and (b) an increase of \$1,300,000 that has already been included in the FY 2010-2011 dental monthly premium rate as listed in Table 4 above.

FISCAL ANALYSIS

Fiscal Impact of the FY 2010-2011 Health Plan Premium Contributions

According to the Controller's Office, the City's total estimated cost is \$323,116,874 for FY 2010-2011 health and dental premium contributions to the Health Service System Trust Fund using the City's FY 2010-2011 proposed monthly premium rates, including General Fund costs of \$185,248,468. This estimated \$323,116,874 is \$9,149,763 or 2.9 percent more than the total cost of \$313,967,111 for health and dental premium contributions based on the City's FY 2009-2010 monthly premium rates.

Health Service System Trust Fund Balance

The FY 2008-2009 financial audit, conducted by a private auditing firm, KPMG LLP, found that the Health Service System Trust Fund in FY 2008-2009 had decreased by \$10,156,290, or 43.1 percent, from FY 2007-2008, as shown below.

Fund Balance as of June 30, 2009 ⁷	\$13,400,446
Fund Balance as of June 30, 2008	<u>23,556,736</u>
Decrease	(\$10,156,290)

⁶ Premium revenue is the actual amount of monthly premium collected less the actual amount of health expenses and administrative costs claimed.

⁷ Does not include the Contingency Fund amount.

According to the Health Service System's audited financial statements, this decrease in the Trust Fund balance resulted from (a) higher than expected claims costs under the City Health Plan and self-funded dental plan, (b) premium payment costs to close out the PacifiCare plan discussed below, and (c) other reductions.

POLICY ISSUES

Implementation of the Federal Mental Health Parity Act of 2009 Adds New Mental Health and Substance Abuse Benefits and Increases the Monthly Health Plan Premium

Effective on October 3, 2009, the Federal Mental Health Parity Act of 2009 requires group health plans with more than 50 employees to provide the same level of mental health/substance use benefits as medical/surgical benefits. The law requires that such group health plans eliminate any day visit limits or financial maximums that have been imposed on mental health or substance use benefits if the limits or maximums are more restrictive than the predominant requirements and limitations placed on medical/surgical benefits. As a result of complying with the Federal Mental Health Parity Act of 2009, all three health plans offered by HSS, including the City Health Plan, Kaiser and Blue Shield, (a) eliminated limitations of mental health services, and/or (b) changed copayments for mental health/substance use visits to be equal to copayments of medical and surgical visits.

Changes to the City Health Plan include the elimination of (a) the 25 visits per year limitation for combined network and out-of-network services for mental health and/or substance abuse outpatient therapy, (b) the 60 days per year limitation for two courses of treatment per lifetime for networks and non-network benefits for inpatient chemical dependency rehabilitation, (c) the 30 medically certified days per year for non-Emergency inpatient detoxification, and (d) the 30 days per year for network and non-network benefits for any combination of mental health services and/or substance abuse inpatient hospitalization services.

Changes to the Blue Shield HMO Plan include (a) the elimination of the 60 visits per year limitation for outpatient mental health and/or substance abuse, (b) the elimination of the 30 days per year limitation for inpatient substance abuse therapy, (c) a charge of \$20 mental health outpatient therapy copayments for both severe and non-severe visits, (d) a charge of \$20 substance abuse outpatient therapy copayments, and (e) the application of mental health benefits to the out-of-pocket maximum.

Changes to the Kaiser HMO Plan include the elimination of (a) the 45 days per year limitation for inpatient mental health hospitalization, (b) the 20 visits per year limitation for outpatient mental health therapy, (c) the 60 days per calendar year, not to exceed 120 days in any 5-year period limitation for substance abuse transitional residential recovery service, and (d) the 30 days per calendar year rehabilitation limitation for substance abuse.

HSS is Required to Reimburse PacifiCare due to the Close out of the PacifiCare Flex Funded Plan in FY 2008-2009

In FY 2007-2008, HSS began offering a fourth plan, PacifiCare, in addition to the City Health Plan, Kaiser, and Blue Shield. PacifiCare is a "flexibly funded" HMO. Under the contract

between HSS and PacifiCare, if actual health and administrative expenses incurred by HSS members exceed the premiums paid to PacifiCare, which included both the employer and member contributions, HSS was required to reimburse PacifiCare up to approximately 120 percent of the premium payment. HSS stopped offering PacifiCare at the end of FY 2008-2009, and HSS members, previously enrolled in PacifiCare, subsequently enrolled in the City Health Plan, Kaiser, or Blue Shield plans by July 1, 2009. Although HSS stopped offering PacifiCare in FY 2008-2009, HSS is required to reimburse PacifiCare up to 120 percent of the premiums paid in FY 2008-2009, if actual health and administrative expenses exceeded such premiums, referred to as a PacifiCare close-out payment.

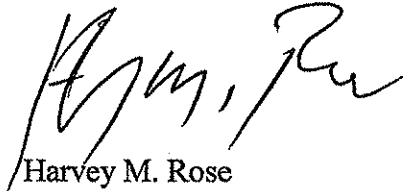
Ms. Courtney advises that in May of 2009, PacifiCare estimated that the FY 2008-2009 close-out payment was \$4,050,000. HSS planned to pay the FY 2008-2009 PacifiCare close-out payment by adding a "flex-funded close down amount" to the FY 2009-2010 and FY 2010-2011 Kaiser, Blue Shield and City Health Plan monthly premiums. According to Ms. Courtney, HSS has already generated \$2,950,000 from such additional FY 2009-2010 monthly premiums. According to Ms. Courtney, the balance of \$1,100,000 (\$4,050,000 less \$2,950,000) was added to the FY 2010-2011 monthly premiums to generate the remaining amount needed for the PacifiCare FY 2008-2009 close-out payment.

In February of 2010, PacifiCare provided HSS with the actual FY 2008-2009 PacifiCare expenditures, premium payments and calculated close-out payment. According to Ms. Courtney, the actual health and administrative expenses of members enrolled in PacifiCare in FY 2008-2009 was \$45,995,606, which exceeded the employer and member premiums of \$42,769,443 paid to PacifiCare in FY 2008-2009 by \$3,226,163, or 7.54 percent. Therefore, the close-out payment that HSS actually owes to PacifiCare is \$3,226,163, or \$823,837 less than the previously estimated PacifiCare close-out payment of \$4,050,000. As noted above, the proposed FY 2010-2011 monthly premium rates already include a "flex-funded close down amount" of \$1,100,000. Since the proposed FY 2010-2011 monthly premium rates already include \$823,837 more than required to fully fund the PacifiCare close-out payment, HSS advises the monthly premium rates will be reduced by an offsetting \$823,837 in FY 2011-2012⁸.

RECOMMENDATION

Approve the proposed ordinance and resolution.

⁸ According to Ms. Courtney, HSS is not amending the proposed monthly premium rates for FY 2010-2011 because (a) Mercer, the HSS consultant and actuary, would need to recalculate the rates and (b) the recalculated rates would need to be approved by the Health Service Board and the Board of Supervisors. Recalculating the monthly premium rates for FY 2010-2011 and resubmitting the rates for approval by the Health Service Board and the Board of Supervisors would delay HSS from establishing such rates in a timely manner for FY 2010-2011.



Harvey M. Rose

cc: Supervisor Avalos
Supervisor Mirkarimi
Supervisor Elsbernd
President Chiu
Supervisor Alioto-Pier
Supervisor Campos
Supervisor Chu
Supervisor Daly
Supervisor Dufty
Supervisor Mar
Supervisor Maxwell
Clerk of the Board
Cheryl Adams
Controller
Greg Wagner

10-County Survey

Exhibit 1 10-County Amount -- Change from 2009-10 to 2010-11

	2010-11	2009-10	Percent Change
1 Los Angeles	\$457.56	\$415.91	10.0%
2 San Diego	364.00	363.48	0.1%
3 Orange	383.75	372.44	3.0%
4 Riverside	488.44	491.27	-0.6%
5 San Bernardino	397.51	377.35	5.3%
6 Santa Clara	608.44	563.19	8.0%
7 Alameda	521.89	497.76	4.8%
8 Sacramento	561.35	516.78	8.6%
9 Contra Costa	495.15	470.02	5.3%
10 Fresno	450.43	425.43	5.9%
10-County Average	\$472.85	\$449.37	5.2%

City Health Plan -- Full Monthly Premium Equivalent

Exhibit 2

City Health Plan -- Change in Full Monthly Premium Equivalent¹

	2010-11					2009-10						
	Before Claims Stabilization and Closedown Amount	Claims Stabilization ²	Flex-Funded Closedown Amount	After Claims Stabilization and Closedown Amount	Dollar Change ³	Percent Change ³	Before Claims Stabilization and Closedown Amount	Claims Stabilization ²	Flex-Funded Closedown Amount	After Claims Stabilization and Closedown Amount	Dollar Change ³	Percent Change ³
Employee Only	\$939.01	(\$13.97)	\$1.62	\$926.66	\$118.38	14.6%	\$815.86	(\$11.61)	\$4.03	\$808.28	\$84.64	13.7%
Employee + 1 Dependent	1,836.16	(27.32)	3.16	1,812.00	237.38	15.1%	1,589.40	(22.62)	7.84	1,574.62	41.85	12.8%
Employee + 2 or more Dependents	2,576.67	(38.34)	4.43	2,542.76	332.10	15.0%	2,231.40	(31.75)	11.01	2,210.66	84.64	13.7%
Retiree without Medicare	1,083.66	(16.13)	1.86	1,069.39	222.16	26.2%	855.18	(12.17)	4.22	847.23	41.85	12.8%
Retiree and Spouse without Medicare	2,125.46	(31.63)	3.66	2,097.49	444.94	26.9%	1,668.06	(23.74)	8.23	1,652.55	84.64	13.7%
Retiree with Medicare	372.79	(5.55)	0.64	367.88	41.85	12.8%	329.09	(4.68)	1.62	326.03	41.85	12.8%
Retiree and Spouse with Medicare	711.05	(10.58)	1.22	701.69	84.64	13.7%	622.85	(8.87)	3.07	617.05	84.64	13.7%

¹ Rates shown include medical, pharmacy, vision, expense, claims stabilization, federal Medicare Part D subsidy, and the plan specific share of the PacificCare Flex-funded plan's close down amount of \$2.95 million and \$1.1 million for the 2009-10 and 2010-11 plan years respectively.

² Reflects claims stabilization amount pursuant to the Board's Self-Funded Plan Funding Policy

³ Change after Claims Stabilization and Flex Funded Closedown Amount.

HMOs – Full Monthly Premium Equivalent

Exhibit 4

HMOs -- Change in Full Monthly Premium Equivalent¹

	2010-11			2009-10		Percent Change ²
	Before Flex-Funded Closedown	Flex-Funded Closedown Amount	After Flex-Funded Closedown	After Flex-Funded Closedown	Dollar Change ²	
Blue Shield						
Employee Only	\$592.71	\$1.02	\$593.73	\$532.89	\$60.84	11.4%
Employee + 1 Dependent	1,184.42	2.04	1,186.46	1,064.76	121.70	11.4%
Employee + 2 or more Dependents	1,675.52	2.88	1,678.40	1,506.20	172.20	11.4%
Retiree without Medicare	1,316.08	2.26	1,318.34	1,182.64	135.70	11.5%
Retiree and Spouse without Medicare	1,907.79	3.28	1,911.07	1,714.51	196.56	11.5%
Retiree with Medicare	383.18	0.66	383.84	313.21	70.63	22.6%
Retiree and Spouse with Medicare	765.33	1.32	766.65	625.38	141.27	22.6%
Kaiser						
Employee Only	\$480.86	\$0.83	\$481.69	\$464.36	\$17.33	3.7%
Employee + 1 Dependent	960.69	1.65	962.34	927.69	34.65	3.7%
Employee + 2 or more Dependents	1,358.95	2.34	1,361.29	1,312.24	49.05	3.7%
Retiree without Medicare	965.90	1.66	967.56	932.61	34.95	3.7%
Retiree and Spouse without Medicare	1,445.73	2.49	1,448.22	1,395.93	52.29	3.7%
Retiree with Medicare	346.39	0.60	346.99	350.55	(3.56)	-1.0%
Retiree and Spouse with Medicare	691.75	1.19	692.94	700.07	(7.13)	-1.0%

¹ Rates shown include HMO premium, vision, and expense components. Additionally, for 2009-10 and 2010-11, includes the plan specific share of the PacificCare Flex-Funded plan's closedown amount of \$2.95 million and \$1.1 million respectively spread across all medical plans

² Change from the 2009-10 full monthly premium equivalent after application of Flex-Funded closedown

Vision Benefits

Exhibit 7 VSP Vision Plan -- Change in Full Monthly Cost

	2010-11 ¹	2009-10 ¹	Dollar Change	Percent Change
Employee Only	\$3.57	\$3.57	-	0.0%
Employee + 1 Dependent	7.15	7.15	-	0.0%
Employee + 2 or more Dependents	10.12	10.12	-	0.0%
Retiree without Medicare	3.57	3.57	-	0.0%
Retiree and Spouse without Medicare	7.15	7.15	-	0.0%
Retiree with Medicare	3.57	3.57	-	0.0%
Retiree and Spouse with Medicare	7.15	7.15	-	0.0%

¹ Vision plan rates are under a 2 year rate guarantee for the period July 1, 2009 through June 30, 2011.

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GUY CARPENTER OLIVER WYMAN

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San Francisco, CA 94111-4156
415 743 8758
Rhys.Evans@mercer.com
www.mercer.com

January 29, 2010

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

Subject: 2010-11 Health Plan Benefits, Rates, and Contributions

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 recently completed rate and contribution setting process. This process was conducted under the direction of the Rates and Benefits Committee (the "Committee") of the Health Service Board. The rates, benefits, and contributions presented herein were approved by the full Health Service Board (the "HS Board") during their meeting on January 14, 2010.

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

- The insured premiums and administrative fees agreed to with HSS's vendors represent a fair price given the services provided and the risks insured.
- The premium equivalents set for the HSS self funded programs (City Health Plan and Active Dental benefits) represent our best estimate of future expenditures based on the information available at the time they were developed.
- Existing Trust Fund assets are expected to be sufficient to protect the HSS trust against adverse claims experience.

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 contributions provided by the ten most populous counties in California. This survey is conducted annually by HSS Staff. For the 2010-11 plan year, the survey determined that the average monthly contribution increased 5.2% from \$449.37 to \$472.85. Exhibit 1 of the attachment presents the individual responses from this survey.

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Rates, Contributions, and Benefits for the City Health Plan

The medical and pharmacy full monthly premium costs were set based on recent experience, with costs developed separately for actives, retirees without Medicare and retirees with Medicare based on group-specific experience. Additionally, we provided a retrospective analysis of historical rates and experience to examine the actual cost trends evident in the City Health Plan's recent claims data. These analyses were considered in conjunction with overall industry and normative data when determining the premium levels for the 2010-11 plan year (all analyses are on the www.myhss.org website as public documents).

The following plan design changes were presented and adopted by the HS Board for the City Health Plan, in order to comply with the Mental Health Parity Act of 2009 - premium equivalent rates were increased accordingly:

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- The 30 medically certified days per year for non-Emergency inpatient detoxification eliminated
- The 30 days per year for network and non-network benefits for any combination of Mental Health Services and/or Substance Abuse inpatient hospitalization services eliminated

There are no other benefit changes for the 2010-11 plan year.

The United Healthcare ("UHC") administration fees were increased by 1.5% from the prior year. The HSS administration load remains unchanged.

Exhibit 2 of the attachment summarizes the change in full monthly premium equivalents for the City Health Plan. Included in the premium equivalent, pursuant to the HS Board's Self Funded Plans' Funding Policy, is the application of the claims stabilization amount and the PacifiCare Flex Funded plan's close out amount (see below).

Exhibit 3 of the attachment summarizes the change in employee and retiree contributions for the City Health Plan. These contributions were determined in accordance with the City Charter. The exhibit does not include any City contributions negotiated for specific groups in addition to the 10-County amount.

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Rates, Contributions, and Benefits for HMOs

Similar to the 2009-10 plan year, two HMOs are offered to HSS members: Blue Shield and Kaiser. The following summarizes the HMO renewal actions on a status quo basis:

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- Actives and retirees without Medicare: The initial proposal requested a 16.3% rate increase. This proposal was subsequently reduced to a 13.5% increase following negotiations resulting in an estimated \$7.3 million premium savings for the 2010-11 plan year.
- Retirees with Medicare: For the 2009-10 plan year, Blue Shield introduced a Medicare Advantage Plan (MA-PD) alongside their Coordination of Benefits Plan (COB) option – the two plans were offered at the same rate. The initial proposal for the 2010-11 plan year presented two options for consideration
 - 1.) Coordination of Benefits (COB¹) Plan only option: The initial proposal requested a 39.8% increase and was subsequently reduced to a 39.4% increase (2010-11 savings of \$0.1 million).
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On January 14, 2010, the HS Board approved the MA-PD / COB option for retirees with Medicare. This option is expected to reduce premium costs by approximately \$2.7 million for the 2010-11 plan year relative to the COB Plan only option.

¹ The COB option is based on the same network as the Blue Shield HMO for actives and non-Medicare retirees. Under COB, the plan is coordinated with Medicare and the member maintains rights to Medicare Parts A and B.

² Under the MA-PD/COB option, retirees who reside in the MA-PD service area will be enrolled in the MA-PD plan. Retirees outside the MA-PD service area will be enrolled in the COB plan. The MA-PD plan benefits are similar to the COB with a few exceptions due to the contract Blue Shield has in place with the Centers for Medicare & Medicaid Services: the emergency room copayment will be \$50 for the MA-PD as compared to \$100 for the COB, specialist visits require a referral under the MA-PD plan, and the MA-PD plan does not cover family planning or infertility benefits. The MA-PD is based on a narrower network of providers and facilities; enrolled members assign their Medicare Part A and B rights to the carrier and the carrier provides the benefits.

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Kaiser.

- Actives and retirees without Medicare: The requested increase of 5.6% remained unchanged from their initial proposal.
- Retirees with Medicare: The requested increase of 6.3% remained unchanged from their initial proposal.

As part of the annual Rates and Benefits process, the Committee, HSS and Mercer review the continued appropriateness and competitiveness of the benefit design for the HMOs. The benchmark information (available on www.myhss.org website) reviewed suggested that certain sections of the plan design were outdated and did not reflect the impact from the continued high healthcare trends. In addition, changes were reviewed and approved due to the increased premium costs facing the membership and employers of the Health Service System. The HS Board was presented with many options and adopted the following benefit changes for the Blue Shield and Kaiser HMO plans:

- Blue Shield
 - \$5 copayment increase (increase from \$15 to \$20)
 - Increase emergency room copayment from \$50 to \$100 (does not apply to Blue Shield MA-PD plan)
 - Introduce \$15 copayment for preventive services which includes routine physicals, well baby care, gynecologic exams, and pre/post-natal care
- Kaiser
 - \$5 copayment increase (increase from \$10 to \$15)
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As a result of the changes, 2010-11 aggregate premiums were reduced by \$4.4 million for the Blue Shield plans and \$5.6 million for the Kaiser plans (total savings of \$10 million).

Additionally, the following plan design changes were presented to the HS Board and approved for compliance with the Mental Health Parity Act of 2009:

- Blue Shield:
 - Change in mental health outpatient therapy copayments for both severe and non-severe visits to \$20
 - Change in substance abuse outpatient therapy copayments to \$20
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- Eliminate the 30 days per year limitation for inpatient substance abuse therapy
- Mental health and substance abuse benefits will apply to the out of pocket maximum
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 - Eliminate the 20 visits per year limitation for outpatient therapy
 - Eliminate the 60 days per calendar year, not to exceed 120 days in any 5-year period limitation for substance abuse transitional residential recovery services
 - Eliminate the 30 days per calendar year rehabilitation limitation for substance abuse

Exhibit 4 of the attachment summarizes the full monthly HMO cost for the 2010-11 plan year. Included in the premium equivalent is the application of the PacifiCare Flex Funded plan's close out amount.

Contributions for HMO members were determined in accordance with the City Charter. Exhibits 5 and 6 of the attachment summarize changes in contributions for actives and retirees respectively. The exhibits do not include any City contributions negotiated for specific groups in addition to the 10-County amount.

Close out of PacifiCare Flex Funded Plan

Last year, the HS Board approved the process for the close out amount on the PacifiCare Flex Funded plan to be amortized over two plan years across all remaining medical plans (City Health Plan, Kaiser & Blue Shield). Each plan will be allocated a proportion of the close out liability based on their anticipated aggregate premium cost over the year of amortization. The two-year amortization was chosen as a balance between the pace at which the close out amount is recouped and the premium impact on the remaining plans.

The 2010-11 plan year is the second year of the two-year amortization of the Flex Funded close out liability. The amount to be collected over the 2010-11 plan year is estimated to be \$1.1 million which is lower than the initial projection of \$2.95 million. All medical plans' premiums or premium equivalent rates were increased accordingly by less than 0.2%. The amount collected over the 2009-10 plan year is estimated to be \$2.95 million.

Mental Health Parity Act of 2009

On October 3, 2008, the Paul Wellstone and Pete Domenic Mental Health Parity and

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Addiction Equity Act of 2009 ("MHSA Parity Act") became law. The MHSA Parity Act requires group health plans (fully insured and self-funded) that offer mental health (MH) or substance abuse (SA) benefits to provide those benefits on par with medical and surgical benefits. It also prohibits plans from imposing financial requirements or treatment limits on MH/SA that are more restrictive than the predominant financial or treatment limits on medical and surgical. The MHSA Parity Act applies to all City and County of San Francisco medical plans with the initial effective date of July 1, 2010. As part of the renewal process, we reviewed your plans for compliance with the act and adjustments have been made and reflected in the premium rates. Plan design changes are outlined above.

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 premiums remain unchanged from the 2009-10 rates and are under a rate guarantee through the end of the 2010-11 plan year. Exhibit 7 in the attachment summarizes the VSP vision plan costs.

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Rates, Contributions, and Benefits for Dental Plans

Three dental plans are offered to HSS members: Delta Dental PPO, Delta Care USA and UHC Dental (formerly known as Pacific Union). 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 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-insured and administered by Delta Dental Plan 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 2009-10 fee and is guaranteed until the end of the 2012-13 plan year.

The Delta Dental PPO plan for retirees, Delta Care USA dental plans for employees and retirees, and UHC dental plans for employees and retirees are all fully insured. The rates for the Delta Dental PPO plan for retirees increased by 8.0%. The rates for the DeltaCare dental plan for employees and retirees increased by 6.9% and are guaranteed until the end of the 2012-13 plan year. The UHC dental plans for employees and retirees remain unchanged at the 2009-10 rates and are guaranteed until the end of the 2011-12 plan year.

Some minor plan enhancements (estimated 0.1% rate impact) were included in the Delta Dental PPO plan for retirees for 2010-11 including expanded IV sedation coverage, general anesthesia and IV sedation covered for selected endodontic procedures and periodontal surgeries, and frequency limitation to Panorex films. No plan design changes were applied to the other retiree dental plans. The dental plans available to employees will retain the current plan designs into the 2010-11 plan year.

The City's per-employee contribution for dental benefits is based on the average cost of coverage for all employees. The monthly contribution for 2010-11 will be \$131.94 per employee per month, an increase of 13.2% over the \$116.55 per employee per month contributed for the 2009-10 plan year. Included in this per employee rate, pursuant to the HS Board's Self Funded Plans' Funding Policy, is the application of the claims stabilization amount of approximately \$1.3 million (equivalent to \$3.64 per employee per month) of accrued deficit, which represents the shortfall of contributions received from employers compared to the costs incurred over the 2008-09 plan year.

Exhibit 8 in the attachment summarizes the changes in cost for active employee dental

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benefits.

City retirees who elect dental benefits have three plans to choose from. Benefits and rates differ from those for active employees. Exhibit 9 in the attachment summarizes the changes in cost for retirees' dental benefits.

Conclusion

Mercer would be pleased to answer any questions or provide clarification about the information included in this letter to any interested parties.

Sincerely,

A handwritten signature in cursive script that reads "R. Evans".

Rhys Evans, FIA < ASA, MAAA

Copy:
Members of the Health Service Board
Catherine Dodd, Robin Courtney, Health Service System
Gerry Murphy, Gillian Printon, Jim Dell, Mercer

City Health Plan – Employee, Retiree, and Employer Contributions

Exhibit 3
City Health Plan -- Change in Monthly Employee, Retiree, and Employer Contributions

	Member Contributions			Employer ¹ Contributions				
	2010-11	2009-10	Dollar Change	Percent Change	2010-11	2009-10	Dollar Change	Percent Change
Employee Only	\$453.81	\$358.91	\$94.90	26.4%	\$472.85	\$449.37	\$23.48	5.2%
Employee + 1 Dependent	1,339.15	1,125.25	213.90	19.0%	472.85	449.37	23.48	5.2%
Employee + 2 or more Dependents	2,069.91	1,761.29	308.62	17.5%	472.85	449.37	23.48	5.2%
Retiree without Medicare	226.90	179.45	47.45	26.4%	842.49	667.78	174.71	26.2%
Retiree and Spouse without Medicare	740.95	582.11	158.84	27.3%	1,356.54	1,070.44	286.10	26.7%
Retiree with Medicare	-	-	-	N/A	367.88	326.03	41.85	12.8%
Retiree and Spouse with Medicare	166.90	145.51	21.39	14.7%	534.79	471.54	63.25	13.4%

¹ Excludes additional negotiated contributions which apply to certain collectively bargained employees

HMOs – Employee and Employer Contributions

Exhibit 5
HMOs -- Change in Monthly Employee and Employer Contributions

	Member Contributions			Employer ¹ Contributions				
	2010-11	2009-10	Dollar Change	Percent Change	2010-11	2009-10	Dollar Change	Percent Change
Blue Shield								
Employee Only	\$120.88	\$83.52	\$37.36	44.7%	\$472.85	\$449.37	\$23.48	5.2%
Employee + 1 Dependent	713.61	615.39	98.22	16.0%	472.85	449.37	23.48	5.2%
Employee + 2 or more Dependents	1,205.55	1,056.83	148.72	14.1%	472.85	449.37	23.48	5.2%
Kaiser								
Employee Only	\$8.84	\$14.99	(\$6.15)	-41.0%	\$472.85	\$449.37	\$23.48	5.2%
Employee + 1 Dependent	489.49	478.32	11.17	2.3%	472.85	449.37	23.48	5.2%
Employee + 2 or more Dependents	888.44	862.87	25.57	3.0%	472.85	449.37	23.48	5.2%

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HMOs – Retiree and Employer Contributions

Exhibit 6 HMOs -- Change in Monthly Retiree and Employer Contributions

	Member Contributions			Employer Contributions				
	2010-11	2009-10	Dollar Change	Percent Change	2010-11	2009-10	Dollar Change	Percent Change
Blue Shield								
Retiree without Medicare	\$60.44	\$41.76	\$18.68	44.7%	\$1,257.90	\$1,140.88	\$117.02	10.3%
Retiree and Spouse without Medicare	356.80	307.69	49.11	16.0%	1,554.27	1,406.82	147.45	10.5%
Retiree with Medicare	-	-	-	N/A	383.84	313.21	70.63	22.6%
Retiree and Spouse with Medicare	191.40	156.08	35.32	22.6%	575.25	469.30	105.95	22.6%
Kaiser								
Retiree without Medicare	\$4.42	\$7.49	(\$3.07)	-41.0%	\$963.14	\$925.12	\$38.02	4.1%
Retiree and Spouse without Medicare	244.75	239.15	5.60	2.3%	1,203.47	1,156.78	46.69	4.0%
Retiree with Medicare	-	-	-	N/A	346.99	350.55	(3.56)	-1.0%
Retiree and Spouse with Medicare	172.97	174.76	(1.79)	-1.0%	519.97	525.31	(5.34)	-1.0%

Dental Benefits – Active Employees

**Exhibit 8
Dental Plans -- Change in Monthly Cost for Active Employees**

	2010-11		2009-10		Percent Change ²
	Before Claims Stabilization Amount	After Claims Stabilization Amount	Before Claims Stabilization Amount	After Claims Stabilization Amount	
Composite City Contribution³					
All Employees	\$128.30	\$131.94	\$116.27	\$116.55	13.2%
			\$0.28	\$15.39	

¹ Total claims stabilization amount of approximately \$1.3 million and \$0.1 million applied to the 2010-11 and 2009-10 plan years respectively, pursuant to the Board's Self Funded Plans' Funding Policy

² Change from the 2009-10 composite rate, after the claims stabilization amount

³ The composite rate reflects composites of the self-insured Delta Dental PPO and the two fully insured plans: Delta Care USA and UHC Dental (formally known as Pacific Union). The Delta Dental PPO Plan is self-insured by the City, with administrative fees unchanged from 2008-09 and guaranteed until the end of the 2012-13 plan year. The fully insured Delta Care USA plan premiums increased by 6.9% from 2009-10 and are guaranteed until the end of the 2012-13 plan year. The UHC Dental plan premiums remain unchanged from 2009-10 and are guaranteed until the end of the 2011-12 plan year.



Health Service System

CITY & COUNTY OF SAN FRANCISCO

MYHSS.ORG

MEMORANDUM

HAND DELIVERED

DATE: January 29, 2010
TO: Supervisor Sean Elsbernd
Board of Supervisors
FROM: Catherine Dodd, PhD, RN
Director, Health Service System
RE: Annual Rates and Benefits Ordinance for 2010-2011 Plan Year – 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 Fiscal Year 2010-2011 adopted by the Health Service Board on January 14, 2010;
2. Actuarial Report dated January 29, 2010 from Mercer Health & 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 January 14, 2010; and
3. Membership Master Report dated January 1, 2010 showing total enrollment distribution across the three different medical plans and the three different dental plans.

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

Attachs.

cc: Members, Health Service Board (w/electronic attachs.) (via e-mail)
Erik Rapoport (w/electronic attachs.)
Ben Rosenfield (w/electronic attachs.)
Rhys Evans (w/electronic attachs.)

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January 29, 2010

Board of Supervisors
City and County of San Francisco
City Hall Room 244
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San Francisco, CA 94102

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Rates, Contributions, and Benefits for the City Health Plan

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 - Eliminate the 60 days per calendar year, not to exceed 120 days in any 5-year period limitation for substance abuse transitional residential recovery services
 - Eliminate the 30 days per calendar year rehabilitation limitation for substance abuse

Exhibit 4 of the attachment summarizes the full monthly HMO cost for the 2010-11 plan year. Included in the premium equivalent is the application of the PacifiCare Flex Funded plan's close out amount.

Contributions for HMO members were determined in accordance with the City Charter. Exhibits 5 and 6 of the attachment summarize changes in contributions for actives and retirees respectively. The exhibits do not include any City contributions negotiated for specific groups in addition to the 10-County amount.

Close out of PacifiCare Flex Funded Plan

Last year, the HS Board approved the process for the close out amount on the PacifiCare Flex Funded plan to be amortized over two plan years across all remaining medical plans (City Health Plan, Kaiser & Blue Shield). Each plan will be allocated a proportion of the close out liability based on their anticipated aggregate premium cost over the year of amortization. The two-year amortization was chosen as a balance between the pace at which the close out amount is recouped and the premium impact on the remaining plans.

The 2010-11 plan year is the second year of the two-year amortization of the Flex Funded close out liability. The amount to be collected over the 2010-11 plan year is estimated to be \$1.1 million which is lower than the initial projection of \$2.95 million. All medical plans' premiums or premium equivalent rates were increased accordingly by less than 0.2%. The amount collected over the 2009-10 plan year is estimated to be \$2.95 million.

Mental Health Parity Act of 2009

On October 3, 2008, the Paul Wellstone and Pete Domenic Mental Health Parity and

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Addiction Equity Act of 2009 ("MHSA Parity Act") became law. The MHSA Parity Act requires group health plans (fully insured and self-funded) that offer mental health (MH) or substance abuse (SA) benefits to provide those benefits on par with medical and surgical benefits. It also prohibits plans from imposing financial requirements or treatment limits on MH/SA that are more restrictive than the predominant financial or treatment limits on medical and surgical. The MHSA Parity Act applies to all City and County of San Francisco medical plans with the initial effective date of July 1, 2010. As part of the renewal process, we reviewed your plans for compliance with the act and adjustments have been made and reflected in the premium rates. Plan design changes are outlined above.

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 premiums remain unchanged from the 2009-10 rates and are under a rate guarantee through the end of the 2010-11 plan year. Exhibit 7 in the attachment summarizes the VSP vision plan costs.

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Rates, Contributions, and Benefits for Dental Plans

Three dental plans are offered to HSS members: Delta Dental PPO, Delta Care USA and UHC Dental (formerly known as Pacific Union). 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 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-insured and administered by Delta Dental Plan 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 2009-10 fee and is guaranteed until the end of the 2012-13 plan year.

The Delta Dental PPO plan for retirees, Delta Care USA dental plans for employees and retirees, and UHC dental plans for employees and retirees are all fully insured. The rates for the Delta Dental PPO plan for retirees increased by 8.0%. The rates for the DeltaCare dental plan for employees and retirees increased by 6.9% and are guaranteed until the end of the 2012-13 plan year. The UHC dental plans for employees and retirees remain unchanged at the 2009-10 rates and are guaranteed until the end of the 2011-12 plan year.

Some minor plan enhancements (estimated 0.1% rate impact) were included in the Delta Dental PPO plan for retirees for 2010-11 including expanded IV sedation coverage, general anesthesia and IV sedation covered for selected endodontic procedures and periodontal surgeries, and frequency limitation to Panorex films. No plan design changes were applied to the other retiree dental plans. The dental plans available to employees will retain the current plan designs into the 2010-11 plan year.

The City's per-employee contribution for dental benefits is based on the average cost of coverage for all employees. The monthly contribution for 2010-11 will be \$131.94 per employee per month, an increase of 13.2% over the \$116.55 per employee per month contributed for the 2009-10 plan year. Included in this per employee rate, pursuant to the HS Board's Self Funded Plans' Funding Policy, is the application of the claims stabilization amount of approximately \$1.3 million (equivalent to \$3.64 per employee per month) of accrued deficit, which represents the shortfall of contributions received from employers compared to the costs incurred over the 2008-09 plan year.

Exhibit 8 in the attachment summarizes the changes in cost for active employee dental

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benefits.

City retirees who elect dental benefits have three plans to choose from. Benefits and rates differ from those for active employees. Exhibit 9 in the attachment summarizes the changes in cost for retirees' dental benefits.

Conclusion

Mercer would be pleased to answer any questions or provide clarification about the information included in this letter to any interested parties.

Sincerely,

A handwritten signature in black ink that reads 'R. W. Evans'.

Rhys Evans, FIA< ASA, MAAA

Copy:

Members of the Health Service Board
Catherine Dodd, Robin Courtney, Health Service System
Gerry Murphy, Gillian Printon, Jim Dell, Mercer

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City & County of San Francisco Board of Supervisors Meeting – Exhibits of Rates and Benefit Decisions for the 2010-11 Plan Year

Approved by the Health Service Board
January 14, 2010

10-County Survey

Exhibit 1 10-County Amount -- Change from 2009-10 to 2010-11

	2010-11	2009-10	Percent Change
1 Los Angeles	\$457.56	\$415.91	10.0%
2 San Diego	364.00	363.48	0.1%
3 Orange	383.75	372.44	3.0%
4 Riverside	488.44	491.27	-0.6%
5 San Bernardino	397.51	377.35	5.3%
6 Santa Clara	608.44	563.19	8.0%
7 Alameda	521.89	497.76	4.8%
8 Sacramento	561.35	516.78	8.6%
9 Contra Costa	495.15	470.02	5.3%
10 Fresno	450.43	425.43	5.9%
10-County Average	\$472.85	\$449.37	5.2%

City Health Plan – Full Monthly Premium Equivalent

Exhibit 2

City Health Plan -- Change in Full Monthly Premium Equivalent¹

	2010-11					Percent Change ³
	Before Claims Stabilization and Closedown Amount	Claims Stabilization ²	Flex-Funded Closedown Amount	After Claims Stabilization and Closedown Amount	Dollar Change ³	
Employee Only	\$939.01	(\$13.97)	\$1.62	\$926.66	\$118.38	14.6%
Employee + 1 Dependent	1,836.16	(27.32)	3.16	1,812.00	237.38	15.1%
Employee + 2 or more Dependents	2,576.67	(38.34)	4.43	2,542.76	332.10	15.0%
Retiree without Medicare	1,083.66	(16.13)	1.86	1,069.39	222.16	26.2%
Retiree and Spouse without Medicare	2,125.46	(31.63)	3.66	2,097.49	444.94	26.9%
Retiree with Medicare	372.79	(5.55)	0.64	367.88	41.85	12.8%
Retiree and Spouse with Medicare	711.05	(10.58)	1.22	701.69	84.64	13.7%
	2009-10					
	Before Claims Stabilization and Closedown Amount	Claims Stabilization ²	Flex-Funded Closedown Amount	After Claims Stabilization and Closedown Amount		
Employee Only	\$815.86	(\$11.61)	\$4.03	\$808.28		
Employee + 1 Dependent	1,589.40	(22.62)	7.84	1,574.62		
Employee + 2 or more Dependents	2,231.40	(31.75)	11.01	2,210.66		
Retiree without Medicare	855.18	(12.17)	4.22	847.23		
Retiree and Spouse without Medicare	1,668.06	(23.74)	8.23	1,652.55		
Retiree with Medicare	329.09	(4.68)	1.62	326.03		
Retiree and Spouse with Medicare	622.85	(8.87)	3.07	617.05		

¹ Rates shown include medical, pharmacy, vision, expense, claims stabilization, federal Medicare Part D subsidy, and the plan specific share of the PacifiCare Flex-funded plan's dose down amount of \$2.95 million and \$1.1 million for the 2009-10 and 2010-11 plan years respectively.

² Reflects claims stabilization amount pursuant to the Board's Self-Funded Plan Funding Policy

³ Change after Claims Stabilization and Flex Funded Closedown Amount.

City Health Plan – Employee, Retiree, and Employer Contributions

Exhibit 3
City Health Plan -- Change in Monthly Employee, Retiree, and Employer Contributions

	Member Contributions			Employer ¹ Contributions				
	2010-11	2009-10	Dollar Change	Percent Change	2010-11	2009-10	Dollar Change	Percent Change
Employee Only	\$453.81	\$358.91	\$94.90	26.4%	\$472.85	\$449.37	\$23.48	5.2%
Employee + 1 Dependent	1,339.15	1,125.25	213.90	19.0%	472.85	449.37	23.48	5.2%
Employee + 2 or more Dependents	2,069.91	1,761.29	308.62	17.5%	472.85	449.37	23.48	5.2%
Retiree without Medicare	226.90	179.45	47.45	26.4%	842.49	667.78	174.71	26.2%
Retiree and Spouse without Medicare	740.95	582.11	158.84	27.3%	1,356.54	1,070.44	286.10	26.7%
Retiree with Medicare	-	-	-	N/A	367.88	326.03	41.85	12.8%
Retiree and Spouse with Medicare	166.90	145.51	21.39	14.7%	534.79	471.54	63.25	13.4%

¹ Excludes additional negotiated contributions which apply to certain collectively bargained employees

HMOs – Full Monthly Premium Equivalent

Exhibit 4

HMOs -- Change in Full Monthly Premium Equivalent¹

	2010-11			2009-10		Percent Change ²
	Before Flex-Funded Closedown	Flex-Funded Closedown Amount	After Flex-Funded Closedown	After Flex-Funded Closedown	Dollar Change ²	
Blue Shield						
Employee Only	\$592.71	\$1.02	\$593.73	\$532.89	\$60.84	11.4%
Employee + 1 Dependent	1,184.42	2.04	1,186.46	1,064.76	121.70	11.4%
Employee + 2 or more Dependents	1,675.52	2.88	1,678.40	1,506.20	172.20	11.4%
Retiree without Medicare	1,316.08	2.26	1,318.34	1,182.64	135.70	11.5%
Retiree and Spouse without Medicare	1,907.79	3.28	1,911.07	1,714.51	196.56	11.5%
Retiree with Medicare	383.18	0.66	383.84	313.21	70.63	22.6%
Retiree and Spouse with Medicare	765.33	1.32	766.65	625.38	141.27	22.6%
Kaiser						
Employee Only	\$480.86	\$0.83	\$481.69	\$464.36	\$17.33	3.7%
Employee + 1 Dependent	960.69	1.65	962.34	927.69	34.65	3.7%
Employee + 2 or more Dependents	1,358.95	2.34	1,361.29	1,312.24	49.05	3.7%
Retiree without Medicare	965.90	1.66	967.56	932.61	34.95	3.7%
Retiree and Spouse without Medicare	1,445.73	2.49	1,448.22	1,395.93	52.29	3.7%
Retiree with Medicare	346.39	0.60	346.99	350.55	(3.56)	-1.0%
Retiree and Spouse with Medicare	691.75	1.19	692.94	700.07	(7.13)	-1.0%

¹ Rates shown include HMO premium, vision, and expense components. Additionally, for 2009-10 and 2010-11, includes the plan specific share of the PacifiCare Flex-Funded plan's closedown amount of \$2.95 million and \$1.1 million respectively spread across all medical plans

² Change from the 2009-10 full monthly premium equivalent after application of Flex-Funded closedown

HMOs – Employee and Employer Contributions

Exhibit 5
HMOs -- Change in Monthly Employee and Employer Contributions

	Member Contributions			Employer ¹ Contributions				
	2010-11	2009-10	Dollar Change	Percent Change	2010-11	2009-10	Dollar Change	Percent Change
Blue Shield								
Employee Only	\$120.88	\$83.52	\$37.36	44.7%	\$472.85	\$449.37	\$23.48	5.2%
Employee + 1 Dependent	713.61	615.39	98.22	16.0%	472.85	449.37	23.48	5.2%
Employee + 2 or more Dependents	1,205.55	1,056.83	148.72	14.1%	472.85	449.37	23.48	5.2%
Kaiser								
Employee Only	\$8.84	\$14.99	(\$6.15)	-41.0%	\$472.85	\$449.37	\$23.48	5.2%
Employee + 1 Dependent	489.49	478.32	11.17	2.3%	472.85	449.37	23.48	5.2%
Employee + 2 or more Dependents	888.44	862.87	25.57	3.0%	472.85	449.37	23.48	5.2%

¹ Excludes additional negotiated contributions which apply to certain collectively bargained employees

HMOs – Retiree and Employer Contributions

Exhibit 6
HMOs -- Change in Monthly Retiree and Employer Contributions

	Member Contributions			Employer Contributions				
	2010-11	2009-10	Dollar Change	Percent Change	2010-11	2009-10	Dollar Change	Percent Change
Blue Shield								
Retiree without Medicare	\$60.44	\$41.76	\$18.68	44.7%	\$1,257.90	\$1,140.88	\$117.02	10.3%
Retiree and Spouse without Medicare	356.80	307.69	49.11	16.0%	1,554.27	1,406.82	147.45	10.5%
Retiree with Medicare	-	-	-	N/A	383.84	313.21	70.63	22.6%
Retiree and Spouse with Medicare	191.40	156.08	35.32	22.6%	575.25	469.30	105.95	22.6%
Kaiser								
Retiree without Medicare	\$4.42	\$7.49	(\$3.07)	-41.0%	\$963.14	\$925.12	\$38.02	4.1%
Retiree and Spouse without Medicare	244.75	239.15	5.60	2.3%	1,203.47	1,156.78	46.69	4.0%
Retiree with Medicare	-	-	-	N/A	346.99	350.55	(3.56)	-1.0%
Retiree and Spouse with Medicare	172.97	174.76	(1.79)	-1.0%	519.97	525.31	(5.34)	-1.0%

Vision Benefits

Exhibit 7 VSP Vision Plan -- Change in Full Monthly Cost

	2010-11 ¹	2009-10 ¹	Dollar Change	Percent Change
Employee Only	\$3.57	\$3.57	-	0.0%
Employee + 1 Dependent	7.15	7.15	-	0.0%
Employee + 2 or more Dependents	10.12	10.12	-	0.0%
Retiree without Medicare	3.57	3.57	-	0.0%
Retiree and Spouse without Medicare	7.15	7.15	-	0.0%
Retiree with Medicare	3.57	3.57	-	0.0%
Retiree and Spouse with Medicare	7.15	7.15	-	0.0%

¹ Vision plan rates are under a 2 year rate guarantee for the period July 1, 2009 through June 30, 2011.

Dental Benefits – Active Employees

Exhibit 8
Dental Plans -- Change in Monthly Cost for Active Employees

	2010-11			2009-10			Percent Change ²
	Before Claims Stabilization Amount	Claims Stabilization Amount ¹	After Claims Stabilization Amount	Before Claims Stabilization Amount	Claims Stabilization Amount ¹	After Claims Stabilization Amount	
	Composite City Contribution³	\$128.30	\$3.64	\$131.94	\$116.27	\$0.28	
All Employees							13.2%

¹ Total claims stabilization amount of approximately \$1.3 million and \$0.1 million applied to the 2010-11 and 2009-10 plan years respectively, pursuant to the Board's Self Funded Plans' Funding Policy

² Change from the 2009-10 composite rate, after the claims stabilization amount

³ The composite rate reflects composites of the self-insured Delta Dental PPO and the two fully insured plans: Delta Care USA and UHC Dental (formally known as Pacific Union). The Delta Dental PPO Plan is self-insured by the City, with administrative fees unchanged from 2008-09 and guaranteed until the end of the 2012-13 plan year. The fully insured Delta Care USA plan premiums increased by 6.9% from 2009-10 and are guaranteed until the end of the 2012-13 plan year. The UHC Dental plan premiums remain unchanged from 2009-10 and are guaranteed until the end of the 2011-12 plan year.

Dental Benefits – Retirees

Exhibit 9

Dental Plans -- Change in Monthly Cost¹ for Retirees

	Member Contributions			Percent Change
	2010-11	2009-10	Dollar Change	
Delta Dental PPO				
Retiree Only	\$39.87	\$36.90	\$2.97	8.0%
Retiree + 1 Dependent	79.80	73.86	5.94	8.0%
Retiree + 2 or more Dependents	120.54	111.57	8.97	8.0%
Delta Care USA²				
Retiree Only	\$31.70	\$29.65	\$2.05	6.9%
Retiree + 1 Dependent	52.31	48.93	3.38	6.9%
Retiree + 2 or more Dependents	77.37	72.37	5.00	6.9%
UHC Dental (formerly Pacific Union)³				
Retiree Only	\$16.47	\$16.47	-	0.0%
Retiree + 1 Dependent	27.20	27.20	-	0.0%
Retiree + 2 or more Dependents	40.22	40.22	-	0.0%

¹ Retirees pay the full cost of dental benefits

² Rates are guaranteed until the end of the 2012-13 plan year

³ Rates are guaranteed until the end of the 2011-12 plan year

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City & County of San Francisco
MEMBERSHIP ENROLLMENT STATISTICS REPORT
HEALTH

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Page No. 1

Run Date 01/01/2010
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MEMBERSHIP STATUS	CITY - PLAN	Kaiser	Blue Shield	Pacificare	Involuntary Exempt	Voluntary Waived	TOTAL
ACTIVE EMPLOYEES	1,559	16,543	18,732	0	410	1,339	38,583
NO MEDICARE	1,559	16,543	18,732	0	410	1,339	38,583
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	5,424	8,911	5,900	0	173	1,254	21,662
NO MEDICARE	1,036	2,470	2,379	0	128	982	6,995
PART A	7	0	14	0	1	4	26
PART B	31	20	17	0	1	0	69
MEDICARE	4,238	6,421	3,489	0	28	238	14,414
CHP COMPLIED MEDICARE A ONLY	6	0	0	0	1	3	10
CHP NONCOMPLIANT MEDICARE A & B	106	0	1	0	14	27	148
RESIGNED EMPLOYEES	6	9	8	0	23	32	78
NO MEDICARE	1	0	1	0	13	22	37
PART A	0	0	0	0	0	0	0
PART B	1	0	0	0	0	1	2
MEDICARE	4	9	7	0	9	9	38
CHP COMPLIED MEDICARE A ONLY	0	0	0	0	0	0	0
CHP NONCOMPLIANT MEDICARE A & B	0	0	0	0	1	0	1
SURVIVING SPOUSE	1,066	1,204	438	0	81	220	3,009
NO MEDICARE	90	198	138	0	56	158	640
PART A	0	0	1	0	0	0	1
PART B	1	1	1	0	0	0	3
MEDICARE	963	1,005	298	0	21	55	2,342
CHP COMPLIED MEDICARE A ONLY	1	0	0	0	0	0	1
CHP NONCOMPLIANT MEDICARE A & B	11	0	0	0	4	7	22
COMMISSIONERS	7	27	43	0	17	135	229
NO MEDICARE	7	27	43	0	17	135	229
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

City & County of San Francisco
MEMBERSHIP ENROLLMENT STATISTICS REPORT
HEALTH

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Data Base : HRPR

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MEMBERSHIP STATUS	CITY - PLAN	KAISER	BLUE SHIELD	PACIFICARE	INVOLUNTARY EXEMPT	VOLUNTARY WAIVED	TOTAL
ADULT DEPENDENTS OF ACTIVE EMPLOYEES	465	6,612	7,915	0	0	0	14,992
NO MEDICARE	465	6,607	7,913	0	0	0	14,985
PART A	0	0	1	0	0	0	1
PART B	0	0	0	0	0	0	0
MEDICARE	0	5	1	0	0	0	6
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	1,592	2,852	1,942	0	0	0	6,386
NO MEDICARE	567	1,161	1,098	0	0	0	2,826
PART A	1	2	3	0	0	0	6
PART B	3	4	2	0	0	0	9
MEDICARE	1,015	1,685	835	0	0	0	3,535
CHP COMPLIED MEDICARE A ONLY	0	0	0	0	0	0	0
CHP NONCOMPLIANT MEDICARE A & B	6	0	4	0	0	0	10
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	3	0	0	0	0	6
NO MEDICARE	3	1	0	0	0	0	4
PART A	0	0	0	0	0	0	0
PART B	0	0	0	0	0	0	0
MEDICARE	0	2	0	0	0	0	2
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	2	2	10	0	0	0	14
NO MEDICARE	2	2	10	0	0	0	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

City & County of San Francisco
 MEMBERSHIP ENROLLMENT STATISTICS REPORT
 HEALTH

MEMBERSHIP STATUS	CITY - PLAN	KAISER	BLUE SHIELD	PACIFICARE	INVOLUNTARY EXEMPT	VOLUNTARY WAIVED	TOTAL
MINOR DEPENDENTS OF ACTIVE EMPLOYEES							
NO MEDICARE	368	11,182	12,839	0	0	0	24,389
PART A	368	11,182	12,839	0	0	0	24,389
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 RETIRED EMPLOYEES							
NO MEDICARE	140	529	661	0	0	0	1,330
PART A	137	519	654	0	0	0	1,310
PART B	0	0	0	0	0	0	0
MEDICARE	3	10	7	0	0	0	20
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							
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							
NO MEDICARE	10	31	30	0	0	0	71
PART A	9	28	30	0	0	0	67
PART B	0	0	0	0	0	0	0
MEDICARE	1	3	0	0	0	0	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							
NO MEDICARE	2	0	11	0	0	0	13
PART A	2	0	11	0	0	0	13
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	10,644	47,905	48,529	0	704	2,980	110,762

City & County of San Francisco
MEMBERSHIP ENROLLMENT STATISTICS REPORT
DENTAL and FLEXIBLE SPENDING

Report ID : /pssoft1/hrpr/sqr/sfanden.sqr
Data Base : HRPR

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Run Date 01/01/2010
Run Time 06:29:00

MEMBERSHIP STATUS	DELTA	PMI	PACIFIC	TOTAL	LTD	DCAP	MED-REIMB
ACTIVE EMPLOYEES	27,165	859	492	28,516	20,336	673	2,061
RETIRED EMPLOYEES	11,975	1,211	568	13,754			
RESIGNED EMPLOYEES	13	3	0	16			
SURVIVING SPOUSE	1,161	210	53	1,424			
COMMISSIONERS	97	6	1	104			
ADULT DEPENDENTS OF ACTIVE EMPLOYEES	14,115	368	217	14,700			
ADULT DEPENDENTS OF RETIRED EMPLOYEES	4,777	471	201	5,449			
ADULT DEPENDENTS OF RESIGNED EMPLOYEES	0	0	0	0			
ADULT DEPENDENTS OF SURVIVING SPOUSE EMPLOYEES	7	0	0	7			
ADULT DEPENDENTS OF COMMISSIONERS	33	0	0	33			
MINOR DEPENDENTS OF ACTIVE EMPLOYEES	23,328	588	376	24,292			
MINOR DEPENDENTS OF RETIRED EMPLOYEES	1,241	99	38	1,378			
MINOR DEPENDENTS OF RESIGNED EMPLOYEES	0	0	0	0			
MINOR DEPENDENTS OF SURVIVING SPOUSE EMPLOYEES	66	10	3	79			
MINOR DEPENDENTS OF COMMISSIONERS	26	0	0	26			
DENTAL PLAN TOTALS	84,004	3,825	1,949	89,778			