

HEALTH SERVICE SYSTEM
CITY & COUNTY OF SAN FRANCISCO

Memorandum

DATE: July 22, 2016

TO: Supervisor London Breed
President of the San Francisco Board of Supervisors

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

RE: Board of Supervisors Consideration of 2017 Rates and Benefits: Overview

The 2017 Health Service System Rates and Benefits package, as approved by the Health Service Board (HSB), and passed at the July 20 Budget and Finance Committee meeting is on calendar for first reading at the July 26, 2016 Board of Supervisors meeting. The second reading will be on Aug 2, 2016.

In order to facilitate your review, and to help your staff respond to calls and emails with confusing information which you may be receiving from Medicare eligible retirees, the following summarizes the major changes in both benefits and rates for actives, early retirees and Medicare eligible retirees. The 2017 premiums are compared to the current 2016 rates.

I will make myself or our Deputy Director Mitchell Griggs available by phone or in person before the Board of Supervisors' meeting. Please call Seretha Gallaread to schedule meeting 415-554-1727 or me directly: 415-554-1703.

Benefit changes for 2017

Addition of medical second opinion service. It is estimated that 44% of medical diagnosis are incorrect adding both a financial and human cost. Beginning in 2017, all members and their dependents will be able to request a second medical opinion from "Best Doctors" an organization with hundreds of nationally renowned experts with extensive and specific expertise in particular areas. This review will help address the limited second option currently offered to the 90% of HSS members who are enrolled in an HMO plan. The rate is \$1.40 per member per month. An evaluation of the benefit will include avoided costs due to misdiagnoses and incorrect treatment plans.

Kaiser Permanente (Kaiser) is adding a new acupuncture benefit in 2017. Kaiser is also adding a third tier of copays for specialty drugs with the exception of HIV drugs. The



drug co-pays tiers are now the same as Blue Shield. This change resulted in no premium change.

Vision

Vision Services for actives, early retirees, and retirees are provided by VSP. For 2017, VSP proposed a 2% reduction in premiums and a rate guarantee through December 31, 2019. Computer Vision Care (VDT) benefits will continue to be covered for certain union groups.

Dental

Three dental plans will continue to be offered: Delta Dental PPO, Delta Care USA, and Pacific Union Dental. The rates for Delta Dental for actives and early retirees will increase by 0.8%. The premiums for Delta Dental PPO for retirees, DeltaCare plans for actives and retirees and Pacific Union plans for actives and retirees will not change from 2016 rates. Additional benefits were added to the latter plans.

Actives and Early Retirees

Blue Shield of California (Blue Shield), Kaiser Permanente (Kaiser) and United Health Care (UHC City Plan) will continue to provide medical benefits for actives and early retirees.

Blue Shield

The Blue Shield (Flex-funded) premium increase for actives and early retirees is 3.97%. When Best Doctors, Vision and the charge for the Healthcare Sustainability Fund are taken into account the premiums are increasing by 4.26%. There are no benefit changes.

Kaiser

Kaiser rates are currently under a two-year guarantee that expires December 31, 2016. The 2017 premiums increase is 4.79%. When Best Doctors, Vision and the charge for the Healthcare Sustainability Fund are taken into account the premiums are increasing by approximately 5%.

UHC City Plan

In June of 2016, the HSB used additional funding from the stabilization reserve to decrease the active and early retiree premiums because the initial rates for 2017 were calculated at 48.8%. The Health Service Board applied additional funding from the rate stabilization reserve to further buy down the premium increase to 12.96% with funds

made available from the transition to fully funding Medicare retirees in City Plan (UHC). When Best Doctors, Vision and the charge for the Healthcare Sustainability Fund are taken into account the premiums are increasing by approximately 13.18%.

Medicare Retirees

Medicare retirees will have two plan choices in 2017: Kaiser Permanente Senior Advantage and the 'New City Plan PPO' (UHC Medicare Advantage PPO). The Blue Shield Medicare Advantage and Coordination of Benefits Plans are being eliminated because of extraordinarily high renewal rate proposals and because many members have had difficulty with the Blue Shield plans. Retirees currently in Blue Shield will need to choose between Kaiser Permanente Senior Advantage and the 'New City Plan PPO' (UHC Medicare Advantage PPO) plans in 2017.

Kaiser

The Kaiser Medicare Advantage Prescription Drug Retiree rates increase by 8.02% in 2017 primarily due to an adjustment resulting from CMS rates. When Best Doctors, Vision and the charge for the Healthcare Sustainability Fund are taken into account the premiums are increasing 8.76%. A new Wellness program is added called Silver & Fit Exercise and Healthy Aging Program is added.

UHC 'New City Plan'

The Health Service Board (HSB) made changes in the plan options for 2017 Medicare retirees not enrolled in Kaiser. These plan changes are to keep the Medicare plans affordable. Blue Shield's proposed increase for 2017 was 10.2% (with substantial decreased choices in the pharmacy formulary) and City Plan's increase was 29%.

The overall increase in 2017 premium rates for Blue Shield, Kaiser, City Plan and the United Health Care National PPO would have totaled 13.8% at a cost of \$14.9 million. In the view of the HSB, a different health plan alternative was required. As a result of adopting the 'New City Plan' the increase is reduced to 4.5% at a cost of \$5.3 million. The savings to the City is \$9.6 million and nearly \$1 million to retirees in premiums alone.

The change the Board adopted eliminates the Blue Shield plan for Medicare retirees (early retirees will be able to stay in Blue Shield until they turn 65 - provisions will be made for spouses who are over and under 65). Retirees will be able to keep their physicians because all physicians who accept Medicare are paid covered by United Health Care.

The Board also voted to change the funding of City Plan PPO for Medicare retirees. City Plan is currently administered by United HealthCare (UHC) and funded directly by

the employers (City and County, Unified School District, City College and the Courts. The "New City Plan PPO" will be funded by UHC as a Medicare Advantage PPO. This is an insurance financing decision, it will not affect plan benefits and it will save money for retirees with lower copays and no deductibles. It also saves the City over \$8 million.

Retirees living outside the Bay Area or California will have a greater choice physicians because both currently, Blue Shield and the current City Plan have "networks" from which to select physicians. (The current City Plan allows members to go "out of Network" if they pay 50% of the cost). The 'New City Plan' UHC PPO includes any physician or hospital in the United States that accepts Medicare. If retirees are having difficulty finding a physician, UHC will assist in outreach and making initial appointments. This is especially helpful for retirees relocating to rural areas. Retirees will continue the health coverage they now have without disruption. They will have lower or simple co-pays rather than cost sharing based on percentages. They will also have no deductibles, no balance billing, no referrals required to see specialists, and additional benefits like Silver Sneakers, and decreased cost of diabetic supplies.

City Plan retiree couples with one Medicare member and one pre-Medicare member would remain in City Plan just as they do today except the Medicare member would have copays instead of coinsurance, (no cost increase) no provider changes and a broader network nationwide. For the current Blue Shield couples in the same circumstances, the pre-sixty five retiree or spouse will stay in Blue Shield until they reach 65 and then move to the "New City Plan" or both could move to Kaiser Permanente Senior Advantage.

Retiree concerns:

The Health Service Board received 35 emails from retirees and testimony from seven individuals at the June 21st meeting (some testified and emailed) expressing concern about these changes. The majority were from retirees concerned that somehow the new financing of the City Plan PPO (through the UHC Medicare Advantage Plan (MAPD)) would mean they would lose their physician. Some Blue Shield retirees expressed the same concern. The Health Service Board president responded to every email and testimony by explaining that they will not lose their physician or hospital because the "New City Plan" United Health Care MAPD PPO pays any physician or hospital that accepts Medicare nationwide.

Some members just did not want change and some members believed that the decision was made to hastily without retiree input. It was explained that the rising cost of retiree coverage has been discussed by the Health Service Board for some years. In addition, in 2016 when the UHC MAPD PPO was introduced as a lower cost option, members who chose that option have been very satisfied.

A couple of members said this vote was rushed through. This concept was first discussed last year and the HSB agreed to add this option for the current plan year to

see if it was feasible. So far there have been only a couple of complaints that were easily resolved. This is not a new idea. The hearing for this plan change (eliminating Blue Shield for Medicare retirees), and for changing the financing of City Plan, was properly noticed with more than 72 hours pursuant to meeting requirements. The Health Service Board is made up of three elected members elected from the HSS membership (currently two retirees and one active member) and four appointees (1-BOS: Sup Farrell, 1-Controller: Randolph Scott, 1 MD appointed by the Mayor: Dr. Follansbee and 1 expert in health care financing: Gregg Sass – former CCSF DPH CFO retired). These members are elected and appointed to represent the interests of all the retirees and they took the decision seriously.

The HSB vote was 4:2 in favor of adopting the changes which broaden the network of physicians and hospitals for Medicare retirees to choose from and which lowers costs. Two retirees (elected) opposed, one active elected voted in favor and the three appointed members voted in favor (the fourth appointed was absent).

At the July 20 Budget and Finance Committee meeting concerns were expressed that retirees living outside of the country would lose their City Plan coverage. This is not true. Retirees living outside the country must give up their Medicare coverage and will be enrolled in the non-Medicare City Plan coverage and pay out of network co-insurance just as they do today.