

## **Patrick Monette-Shaw**

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June 30, 2025

The Honorable Raphael Mandelman, Board President  
The Honorable Stephen Sherrill, Supervisor, District 2  
The Honorable Danny Sauter, Supervisor, District 3  
The Honorable Joel Engardio, Supervisor, District 4  
The Honorable Bilal Mahmood, Supervisor, District 5  
The Honorable Matt Dorsey, Supervisor, District 6  
The Honorable Myrna Melgar, Supervisor, District 7  
The Honorable Jackie Fielder, Supervisor, District 9  
The Honorable Shamann Walton, Supervisor, District 10  
The Honorable Chyanne Chen, Supervisor, District 11  
San Francisco Board of Supervisors  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

### **UCSF Health and Blue Shield of California Contract Dispute Threatens City Employee and City Retiree Healthcare Continuity**

Dear Board President Mandelman and Board of Supervisors,

As the Board of Supervisors must surely know, San Francisco City employees and retiree's face an urgent and extended contract dispute between Blue Shield of California and UCSF Medical Group/UCSF Health, which will end insurance coverage on July 10, 2025 and disrupt continuity of care to thousands of City employees and City retirees.

If an agreement between Blue Shield and UCSF Health isn't reached, UCSF will become an out-of-network provider for Blue Shield of California members, and all Medicare plans offered or administered by Blue Shield, including Medicare Advantage plans, will be affected.

To help balance Mayor London Breed's proposed Fiscal Year 2024—2025 and FY 2025—2026 budgets, the Board of Supervisors approved a three-year contract between Blue Shield of California and the Health Services System, including a preferred provider Medicare Advantage Plan for retired City and County retirees. The San Francisco Health Service System promised retirees the Blue Shield plan would be essentially equivalent to the previous UnitedHealthcare Medicare Advantage plan, and would provide uninterrupted, continued access to UCSF medical services and physicians as in-network healthcare provider.

It is somewhat ironic that Blue Shield is blaming this contract impasse on UCSF Health pursuing higher reimbursement rates. After all, during the Health Service Board contract negotiation and bidding process in June 2024, Blue Shield failed to provide guaranteed rate increase caps for Plan Years 2026 and 2027. It's entirely conceivable that Blue Cross may dramatically increase plan rates for Years 2026 and 2027 of the three-year contract, and that the Mayor and San Francisco might not realize the budget savings Mayor Breed was seeking to balance the proposed FY 2024—2025 and FY 2025—2026 City budgets. So now, while Blue Shield quibbles about UCSF Health seeking higher reimbursement rates, Blue Shield itself may end up increasing its rates!

Of concern to consumers is that Blue Shield created an entity called Ascendium Inc., which is now its out-of-state corporate parent company. Blue Shield accrued a surplus of more than \$4 billion over the decades as it benefited from its former tax-exempt status. Blue Shield's restructuring with Ascendium incorporated in Delaware calls into question whether it is reinvesting enough of its profits to lower its rates, better serve low-income residents, and provide coverage for underserved areas in the state of California. Blue Shield's decision to establish an out-of-state parent company is very troubling.

The Health Services Board needs to keep monitoring the guaranteed rate increase caps issue to document whether the migration from UnitedHealthcare to Blue Shield in January 2025 actually saved the City money!

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Unfortunately, the Health Services System's Board — in its role as fiduciaries of health insurance plans for City of San Francisco's employees and retirees — inexplicably cancelled its July monthly meeting, coincidentally also scheduled for July 10, 2025. Just when plan members needed the Health Service System's Board the most to step in and help facilitate resolution of this contract dispute, the HSB went missing in action. This is totally unacceptable. The Board of Supervisors should intervene and urge the HSB to rapidly schedule a special meeting.

The Board of Supervisors must become involved now to insist Blue Shield and the UCSF system reach a settlement that does not degrade retiree health care under the contract you approved based on promises made to retirees and active City employees.

Although UCSF Health has asserted that members seeking care at St. Francis and St. Mary's are not affected by this contract dispute with Blue Shield and can continue to see any provider, hospital, or medical facility that accepts Medicare, we are worried that if we elect care at UCSF Health facilities, we may also face higher co-payments at an out-of-network facility.

The Health Service System and the Board of Supervisors must intervene, in part to make sure UCSF Health patients continue to receive their continuity of care services, and maintain their caregivers of choice. If they seek care from a provider that accepts Medicare, the Health Services System needs to ensure these plan members that Blue Shield will pay the difference in our out-of-pocket and out-of-network co-pay costs.

It is somewhat re-assuring that our City Attorney may explore legal remedies for the City and plan members if Blue Shield doesn't reach a contract extension with UCSF Health. I strongly support Supervisor Dorsey's interpretation that it may potentially amount to a breach of contract. I would support the City Attorney's opinion if he concludes Blue Shield's conduct is actionable, or grounds for contract suspension or debarment as a City contractor.

The healthcare of current City employees and City retirees must not be jeopardized!

Respectfully submitted,

/s/

**Patrick Monette-Shaw**

*Reporter and Columnist*

*Westside Observer* Newspaper

cc: Daniel Lurie, Mayor of San Francisco  
David Chiu, City Attorney  
Rey Guillen, Director, San Francisco Health Service System  
San Francisco Health Service System Board  
Angela Calvillo, Clerk of the Board of Supervisors  
Protect Our Benefits  
RECCSF