


HEALTH SERVICE SYSTEM
CITY & COUNTY OF SAN FRANCISCO

Memorandum

DATE: June 14, 2016

TO: Supervisor Mark Farrell
Supervisor Katy Tang
Supervisor Norman Yee
Supervisor Jane Kim
Supervisor Scott Wiener

FROM: Catherine Dodd PHD, RN 
Director HSS

RE: Impact of the Budget Analyst Recommendations for the Health Service System (HSS)

Thank you for your commitment to the City's financial well-being. The Health Service System serves four employers and 116,400 people. The number of lives has increased 8% since 2012. We have also consistently negotiated premium rates that are well below San Francisco Bay Area levels.

The Board of Supervisor's Budget Analyst's recommendation to increase the attrition rate, for both FY 2016-17 and FY 2017-18, will cripple the Health Service System's (HSS) operations. While attrition was high in the last budget cycles, HSS was fully staffed for several months this fiscal year. All funded positions are necessary in order to adequately address the increasing department wide workload requirements. This cut will result in not meeting the HSS Strategic Plan goals, customer services and accuracy standards.

HSS has managed the budget under the ongoing assumption that the equivalent of two positions must be vacant to meet the budgeted attrition level. On June 1, 2016, HSS had five vacant positions including the two required to meet the existing budgeted attrition rate. As of today, offer letters have been issued for two positions and last vacancy is expected to be filled in mid-August. The Budget Analyst is recommending to increase the attrition by one position to the equivalent of three positions.

Currently, HSS is not able to meet industry standards for in-person assistance that is consistently increasing since the SF Retirement System moved into 1145 Market. The City has been filling positions at the rate of 300 per month and retirements have increased. In addition, there is insufficient staff to keep up with the increasing number of



contracts and to ensure health plans meet contractual performance levels for customer service and delivery of benefits. The number of Wellness Champions, who are integral to bringing wellbeing to their departments, increased by 27% in 2015 to over 200 and more HSS Wellness staff support is essential. Finally, staffing must be available to digitize the 250,000 paper records as part of the Enterprise Content Management system project.

On average, HSS employees have eight years with the City and turnover, including retirements, is difficult to project. An increase in the attrition rate will be virtually impossible to achieve given that we will only have two vacant positions by mid-August. Based on the Budget Analyst's recommendation HSS will be required to layoff a position or request a supplemental appropriation for both FY 2016-17 and FY 2017-18.

Increasing the attrition rate will further erode the ability to provide services to HSS members, instill a culture of wellbeing in the City, and negotiate fiscally responsible contracts with the health plans. I respectfully request that the Budget and Finance Committee reject the Budget Analyst's recommendation.

cc: Members of the Health Service Board
cc: Melissa Whitehouse, Mayor's Budget Director
cc: Ben Rosenfield, Controller



Health Service System Mayor's Proposed Budget

Fiscal Years 2016–2017 and 2017–2018

June 16, 2016

The Health Service System of the City & County of San Francisco is dedicated to preserving and improving sustainable, quality health benefits and to enhancing the well-being of employees, retirees and their families.

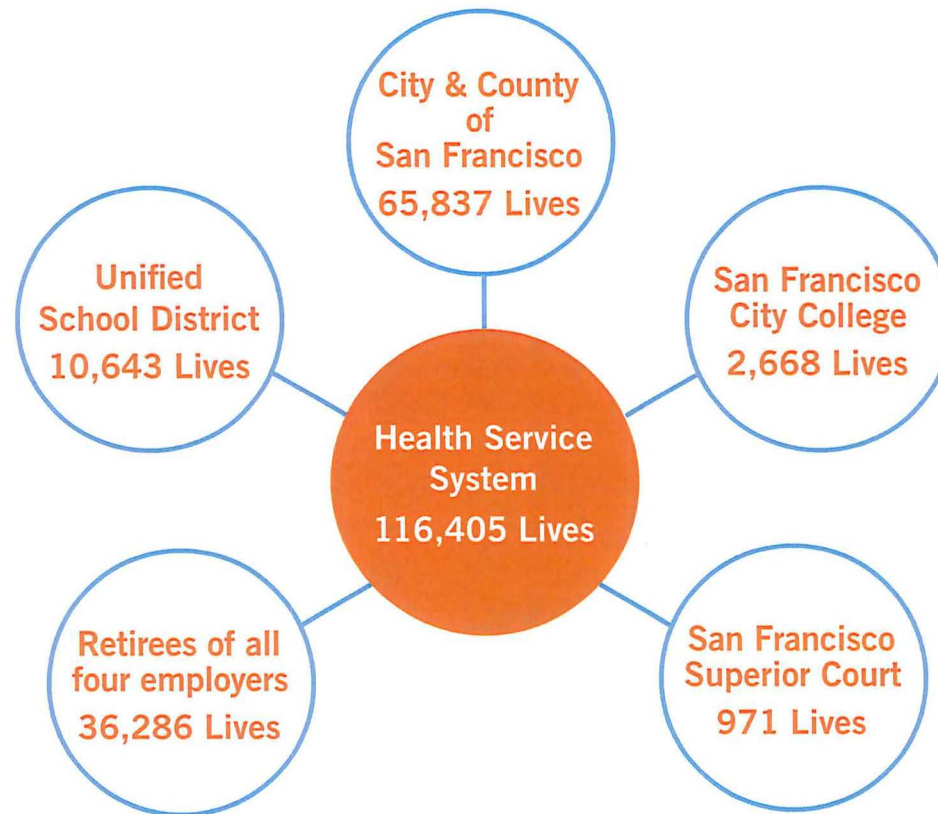
HEALTH SERVICE SYSTEM
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MYHSS.ORG

HSS Administration Budget Serves 116,405 Lives

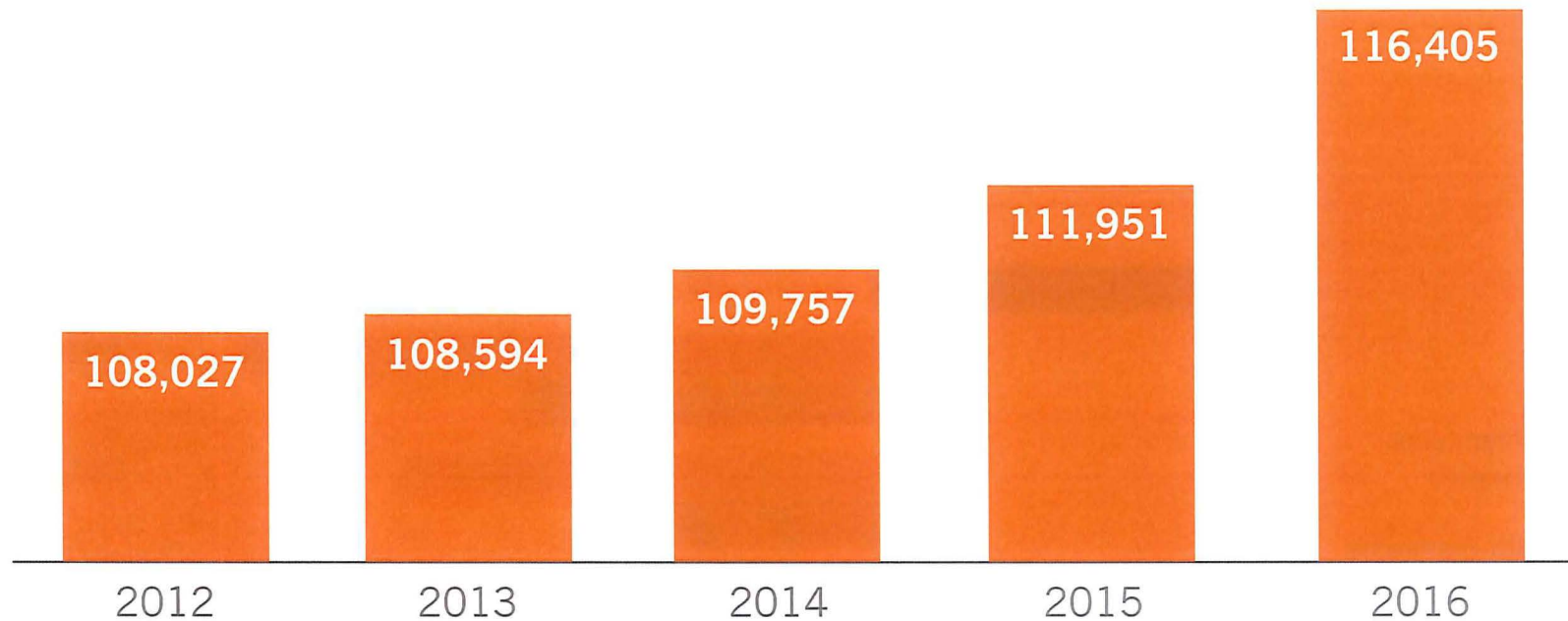
FY 2016-17 \$10,954,130

FY 2017-18 \$11,149,353



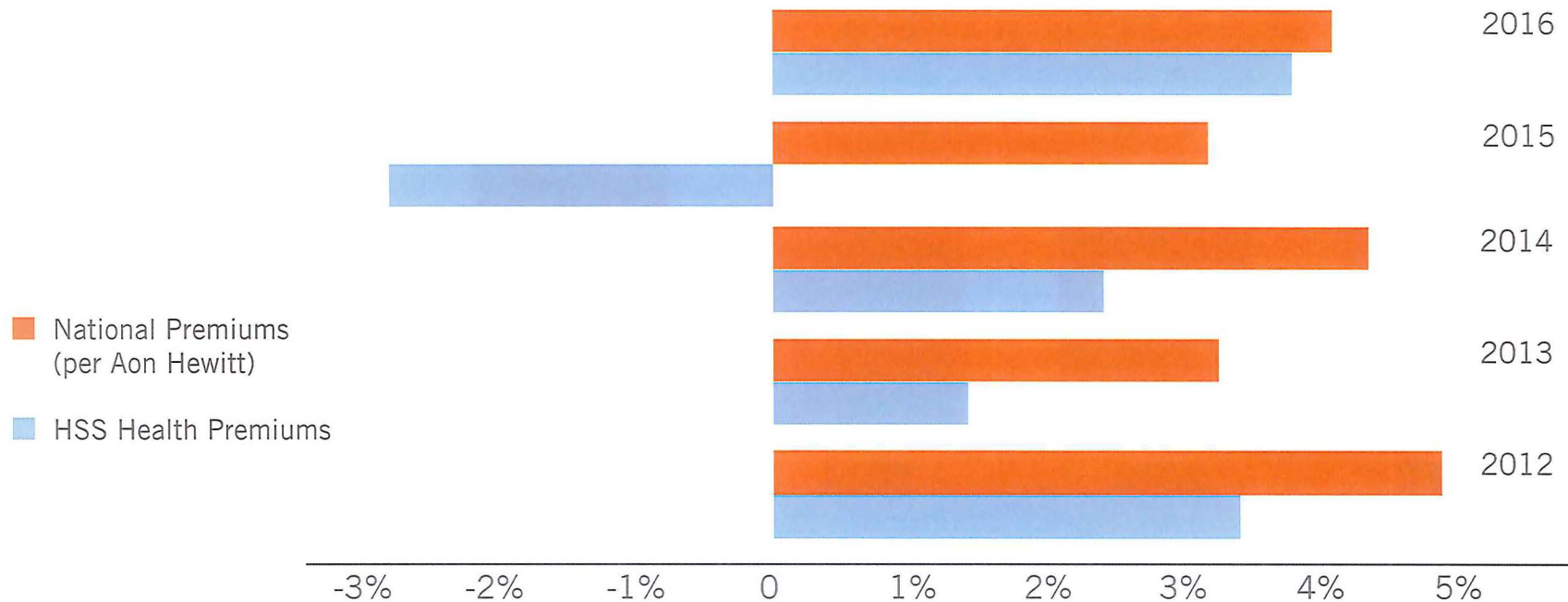
Membership Increased by 8% in Five Years

8,378 additional lives is equal to providing coverage for 8 more large employers



HSS Costs Consistently Lower Than National Over the Last 5 Years

\$111.35M lower than the 5% assumed in the 5-year financial plan since 2012



FTEs and Annual Workload

Excludes Impact of Attrition

Operations

24 FTEs



28 health plans
45,000 member phone calls and visits
10,000 enrollment transactions
40,000 Customer Relationship Management cases

Finance

10 FTEs



\$778M health premiums paid
6,000 rate calculations
22 total contracts
\$1.3M other contracts
\$11M administration budget

Wellness

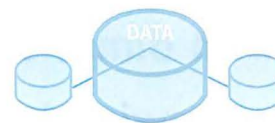
8 FTEs (1 off budget)



3,739 flu shots
7,180 well-being assessments
200 wellness champions
841 EAP counseling hours

Analytics

6 FTEs



500 Peoplesoft data queries
2,400 hours complex reporting
51,000 Coverage calculated and IRS forms distributed

Admin

6 FTEs



24 Health Service Board hearings
250,000 paper records to be digitized using Enterprise Content Management System

Communications

2 FTEs (2 off budget)



66,000 Open Enrollment packets mailed
63,000 confirmation letters sent
122,000 website visits
120,000 eNews emails sent

Challenges

- Complying with Affordable Care Act (ACA)
- Increasing membership of actives (300/month) and retirees (120/month)
- Maintaining wellness program with diminishing vendor support
- Staying informed about rapidly changing health industry, pharmacy costs, medical trends, quality and transparency to ensure negotiation of the best medical premiums

New Initiatives

- Implementing online self-service benefits enrollment
- Digitizing 250,000 member records with Enterprise Content Management System
- Deploying Customer Relationship Management system to improve customer service and increase staff accountability
- Expanding benefits – Second Medical Opinions, Adoption & Surrogacy, Voluntary Benefits
- Rebuilding website myhss.org to facilitate easier access benefit and wellness information
- Upgrade outdated telephone and Call Management System to join Citywide VOIP Project

Major Changes FY 2016-17 vs. FY 2015-16

\$377,379	Personnel	COLA, annualization of positions, fringe benefit increases. No change in FTEs (51) . No overtime.
\$24,716	Non-personnel Services	Contracts, training, EAP printing, other
\$19,097	Materials and Supplies	Wellness and EAP supplies, new ADA equipment
\$96,318	Other Dept Services	Rent, SFGTV, FAMIS Replacement Project
(\$290,000)	Technology	Enterprise Content Management Project one-time expense in FY 2015-2016
\$227,510	Total Change in Expenditures for FY 2016-2017	

Major Changes FY 2017-18 vs. FY 2016-17

\$167,152	Personnel	COLA, annualization of positions, fringe benefit increases. No change in FTEs (51) . No overtime.
(\$66,571)	Non-personnel Services	Contracts (\$57,035), training (\$5,012), other (\$1,988)
\$1,221	Materials and Supplies	Wellness supplies, new ADA equipment
\$93,421	Other Dept Services	Rent, new financial system
\$195,223	Total Change in Expenditures for FY 2017-2018	

Budget Analyst's Recommendations to Increase Attrition from 2 FTEs to 3 FTEs

- Staffing plan currently assumes 2 positions will be held for attrition but Budget Analyst recommends 3 positions
- Five positions are currently vacant
 - 2 held for attrition
 - 2 offers made and expect filling by 7/1/16
 - 1 active recruitment for highly specialized manager that requires knowledge of health insurance industry, health benefits, ACA, IRS regulations, state and local laws/regulations and PeopleSoft. Will be filled by mid-August.
- Prior years attrition savings due to protracted hiring process
- The proposed higher attrition will require a layoff or supplemental budget request
- A layoff resulting from the proposed higher attrition would jeopardize customer service and will prevent utilization of the new Enterprise Content Management System and digitization of a quarter of a million paper records