



ANNUAL REPORT

2016

MISSION STATEMENT

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

MESSAGE FROM THE DIRECTOR

The first priority of the San Francisco Health Service System (SFHSS) remains improving the quality and reducing the costs of benefits for members, even as uncertain change is foreseen for the health insurance industry in 2017 due to federal legal and regulatory reform.

SFHSS has been administering benefits since 1937. This Annual Report is presented pursuant to Charter Section 4.103. What it demonstrates is that in 2016, we provided the same level of quality health benefits our members have come to expect, while effectively managing costs. Looking forward, we will continue working to offer attractive benefits to recruit and retain the talent that makes San Francisco one of the greatest cities to live and work in the nation.

Lower Costs Even With National Premium Increases

As of January 2016, with nearly 116,000 members and dependents enrolled in SFHSS-administered health plans, our aggregate insurance premium cost increase for 2016 was below the national average. We were again below 5% for the fifth year in a row at 4.84%, while the national cost increase range for 2016 was between 5 to 7%. We saved our members and our four employers (the City and County, Unified School District, City College and Superior Court) tens of millions of dollars.

As last year, this year we are seeing premium increases driven by three things. The first cost driver, unique to San Francisco, is the high cost of hospitalization and outpatient medical treatments in the Bay Area driven by large hospital system consolidation. The second cost driver is the rapidly increasing cost of drugs, with specialty drugs estimated to make up 40% of the employers total pharmacy spending by 2020. The last cost driver is utilization of medical services. If SFHSS members keep themselves healthy, our utilization will decrease, which is why we have continued to emphasize the importance of well-being, preventative care flu shots, and managing chronic illnesses.

Innovative Benefits and Business Processes

SFHSS responds to the volatile healthcare market by staying ahead of the trends. Some new initiatives and business processes in 2016 included:

- **Well-Being Division**
 - **Diabetes Prevention Program:** In partnership with Kaiser Permanente, Well-Being completed recruitment of over 150 individuals at 6 worksites for the Diabetes Prevention Program research study.
 - **Well-Being Champion Appreciation:** Coordinated the first ever Champion Appreciation Event to celebrate the work of the over 200 Champions across the city who work to bring well-being to the workplace.
 - **Employee Assistance Program (EAP) Expands:** Added a counselor to better serve members who experience stress related and short-term mental health issues.
- **Advance Directive Education:** SFHSS added a focus on educating members about the importance of planning for end-of-life decisions well in advance, including by offering one-on-one advance directive classes through Kaiser Permanente and working with Blue Shield (BSCA) to design and mail an informative brochure on planning for the end of life to all BSCA members.
- **Administrative Efficiencies:** SFHSS for the first time applied a formal project management framework with a certified project manager to our Open Enrollment, ensuring deadlines were met on time or well in advance. Our new Customer Relations Management (CRM) system, which helps document calls and achieve successful one-call resolution for inquiries, went live in February with over 2,200 member cases logged the first month.
- **Regulatory Compliance:** Beginning in 2016 for the 2015 tax season, the federal Patient Protection and Affordable Care Act (PPACA) required employers to submit to all full-time employees an Internal Revenue Service form documenting that they were offered health coverage and whether they enrolled. SFHSS met all deadlines and generated 51,000 forms, requiring research and programming, resulting in over 1,000 inquiries.
- **Benchmarking Research:** For the first time, a comprehensive overview of the benefits provided in the nine Bay Area Counties was completed, serving as a benchmark for designing competitive sustainable benefits. Additionally, the Data Analytics division presented the first dashboard for Medicare Retirees to the Health Board in six years and will continue its goal of reporting dashboards to provide insight to benefits design.

SFHSS staff took steps this year to roll out changes effective in 2017, including:

- **Designing New Voluntary Benefits for 2017 with Input from Members:** This year we offered new voluntary benefits for City and County and Superior Court employees. As a result, in 2017, SFHSS will offer: group term life insurance, short-term disability insurance, financial accident insurance, critical illness insurance, identity theft protection, legal assistance, and pet insurance. 4,568 enrollees have signed up for these benefits.
- **Refining Performance Guarantees For Contracts:** SFHSS refined our performance guarantees this year to include in 2017, after reviewing Consumers Union reports, American Board of Internal Medicine (ABIM) Choosing Wisely input, and participating in the California Statewide Work Group on Reducing Overuse. Consequently, we will be incorporating guarantees into next year's contracts on opioid use, Magnetic Resonance Imaging (MRI) for lower back pain, and guarantees to ensure 23.9% of births or less should be via caesarean section.
- **Adoption and Surrogacy Assistance Plan:** SFHSS is one of the first public institutions to offer a one-time benefit for members of up to \$15,000 to assist with the costs of adoption and surrogacy.
- **Best Doctors Second Medical Opinion for All Members:** In 2017, all members may call the second opinion vendor for a second opinion from a national expert for any diagnosis and may also use the service to seek guidance on finding physicians or to ask questions.

SFHSS: An Activist Payer Committed To Higher Value

By partnering with external stakeholders such as the Pacific Business Group on Health on legislation to increase transparency and reduce pharmaceutical prices, and with our insurance providers to better coordinate care and ensure preventative testing and behavioral changes to reduce chronic conditions, SFHSS can be classified as an activist public payer of healthcare. This means that we are intent on leveraging the redesign of care delivery systems and supporting the development of innovative payment models to emphasize quality and value of care not volume.

We continue to coordinate with the two Accountable Care Organizations (ACOs) we assisted in developing and one has achieved measurable successful results. SFHSS promoted moving care upstream to prevent chronic conditions that harm our long-term well-being and raise costs, including our new Diabetes Prevention Program and our participation in public employer groups addressing opioid abuse prevention. The San Francisco Fire Department (SFFD) has one of the largest populations of female firefighters in the country. We continue to work with female San Francisco firefighters on a longitudinal study examining their risk of exposure to cancer-causing chemicals.

Looking Ahead: Staying The Course Amid Change

One of the challenges we face in 2017 will be adjusting to potential significant legal and regulatory changes in the health insurance industry, including the possible repeal of the federal Patient Protection and Affordable Care Act (PPACA). The PPACA presently requires, among other things, that we offer coverage for dependent children up to age 26, that we not charge member co-pays for certain preventative care services, and that insurance companies not have lifetime coverage maximums. We will monitor any changes to this law closely.

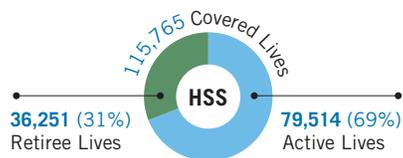
Together with the Health Service Board, we are committed to fulfilling our mission of providing high quality, sustainable benefits and to improving the well-being of our employees, retirees and their families. Regardless of changes on the federal level, we choose to stay the course and will continue to ensure our members receive quality, affordable care and benefits.

Catherine Dodd, PhD, RN

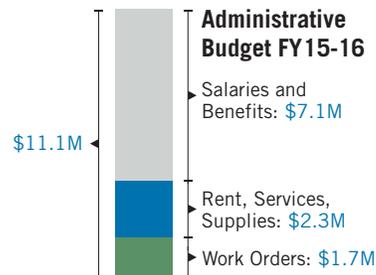
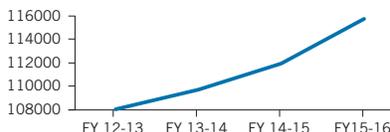
Director, San Francisco Health Service System

OVERVIEW

Governed by the Health Service Board, the San Francisco Health Service System designs quality health benefit plans for employees, retirees, and their families, works to contain premium costs, and encourages employees and retirees to choose healthy lifestyles.

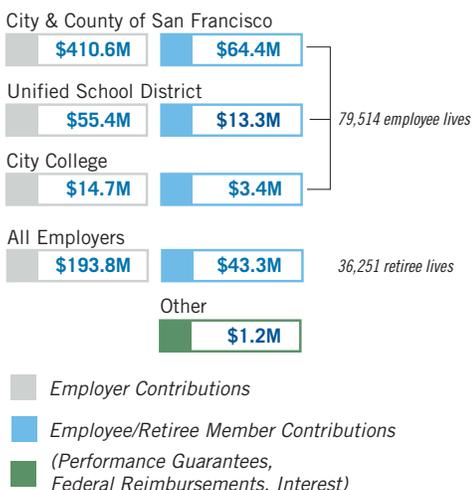


YEAR-OVER-YEAR COVERED LIVES



FUNDING and GOVERNANCE

\$800M TRUST FUND CONTRIBUTIONS FY 15-16



HEALTH SERVICE SYSTEM FY 15-16

Health Service Board

- 7 Commissioners:
 - 3 Elected Members
 - 3 Appointees
 - 1 City Supervisor

28 Plans From 10 Vendors

- Medical: 6 HMO; 4 PPO
- Dental: 2 DMO; 2 DPO
- Vision: 1
- FSA: 2
- Group Life: 6
- Long-Term Disability: 2
- Flex Credits: 2
- COBRA: 1

Health Service Staff



10,644 annual enrollment transactions
51,533 annual member interactions



4,900 annual financial transactions
6,000 annual rate calculations



28 public meetings
100,000+ member files maintained



500 annual data queries
51,720 IRS forms calculated and distributed



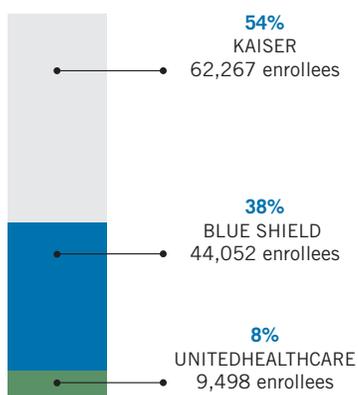
4,158 flu shots
2,138 Colorful Choices participants
841 EAP counseling hours
209 Well-Being Champions



72,000 open enrollment packets mailed
12,167 unique website visits during Open Enrollment

HEALTH PLANS

MEDICAL PLAN ENROLLMENT as of January 1, 2016



HEALTH PREMIUM COSTS BY VENDOR FY 15-16

Medical Total Spend

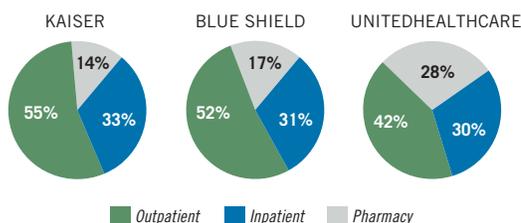
KAISER: \$346.5M BLUE SHIELD: \$331.9M UHC: \$54.0M

Dental and Vision Total Spend

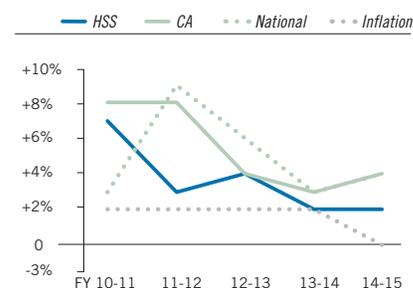
Delta Dental: \$57.4M
Pacific Union Dental: \$0.32M
Vision Service Plan: \$5.0M

Other:
P&A (FSA): \$8.3M
LTD: \$7.0M
Group Life Insurance: \$0.93M
EBS (Flex Credits): \$1.0M

Non-Medicare Spend by Category



YEAR-OVER-YEAR HEALTH PREMIUM BENCHMARKING



Fiscal Year	10-11	11-12	12-13	13-14	14-15
HSS Premiums	+7%	+3%	+4%	+2%	+2%
CA Premiums	+8%	+8%	+4%	+3%	+4%
Ntl Premiums	+3%	+9%	+6%	+3%	+4%
Ntl Inflation	+2%	+2%	+2%	+2%	0%

SUSTAINABLE BENEFITS

Accountable Care

- Contract for coordinated care, quality, efficiency
- Monitor accountable care organizations
- Patient-accessible quality and cost information

Data Transparency

- Transparency in provider cost and billing data
- All Payer Claims Database
- Risk score analysis year-over-year

Member Well-Being

- Employee Assistance Program (EAP)
- Healthy behavior challenges
- Health plan well-being services

San Francisco Health Service System

Per the San Francisco City Charter, the San Francisco Health Service System (SFHSS) administers health benefits for nearly 116,000 employees, retirees and their eligible family members. Participating employers include the City & County of San Francisco, the San Francisco Unified School District, the San Francisco Community College District, and San Francisco Superior Court. Benefits include:

- Medical Plans
- Medical Second Opinion
- Dental Plans
- Vision Plan
- Flexible Spending Accounts
- Long Term Disability
- Group Life Insurance
- Municipal Executive Flex Credits
- COBRA
- Well-being Programs
- EAP

SFHSS core functions are providing efficient and accurate benefits administration, managing cost-effective health vendor contracts, establishing annual rates and benefits via health vendor negotiations, ensuring legal compliance, maintaining accurate financial and demographic records, ensuring eligible members and dependents have access to quality healthcare, and educating employees and retirees about health and well-being benefits. In a rapidly evolving healthcare industry, the SFHSS Director and Chief Operating Officer work with a consulting actuary to develop and recommend strategies to the Health Service Board regarding improving quality of care and maintaining affordable premiums while ensuring legal compliance.



Health Service Board

Per the San Francisco City Charter, the Health Service System Board consists of seven members. Three of the Commissioners are SFHSS members elected by SFHSS members. The four appointed Commissioners are comprised of one member of the San Francisco Board of Supervisors, two individuals selected by the Mayor and one individual selected by the City Controller. (One mayoral appointee must be a physician and the other must be an individual who regularly consults in the healthcare field.) Board commissioners are fiduciaries of the Health Service Trust. Per the City Charter, the San Francisco Health Service Board conducts an annual review of health benefit costs, ensures benefits are applied without favor or privilege, and administers the business of the San Francisco Health Service System. Board meetings are regularly scheduled each month in San Francisco City Hall and broadcast on SFGovTV. The Health Service System Director reports to the Health Service Board.

Finance

The benefits administered by SFHSS cost \$813 million in fiscal year 2015–2016, an increase of \$24 million over the previous fiscal year. The SFHSS departmental administration budget increased by \$0.9 million to \$11.1 million, which correlates to 1.4% of the annual benefits costs. The Finance Division processes approximately 4,500 financial transactions annually, including timely vendor payments for all administered benefits, over-the-counter premium payments and departmental work orders. Working with the actuary and data analytics staff, finance is responsible for calculating over 6,000 employee and retiree premium rates. Finance participates in the annual rate setting process by conducting the Charter-mandated 10-County Survey of public employer contributions to employee health premiums, and participating in rate review and negotiations. The average monthly employer contribution for employee-only coverage under each of the county's medical plans for plan year 2017 was calculated at 4.42% above the 10-County average for plan year 2016.

Finance also cooperates in the annual external Trust Fund audit, the results of which are incorporated into the CAFR (City Comprehensive Annual Financial Report). SFHSS had another clean audit. Working with the Mayor's office,

City Controller, and Budget Analyst's office, Finance develops the annual SFHSS administration budget. In addition to these accounting responsibilities, Finance administers a vendor oversight program with performance guarantees tied to penalties, oversees annual contract renewals and facilitates vendor Request for Proposal (RFP) processes.

Interfacing with the Centers for Medicare & Medicaid Services (CMS) regarding eligible membership and claims, Finance oversees receipt of annual reimbursements from the federal government. Finance also coordinates with other employers and City departments, providing financial analyses pertaining to SFHSS benefits.

Operations

The Operations Division handles day-to-day enrollment transactions, provides benefits decision support, coordinates premium contribution transactions with finance, and acts as a liaison between members and healthcare vendors as needed. Operations is also responsible for monthly reconciliation of member data with plans and employers, processing births, deaths, leaves, new hires and retirements.

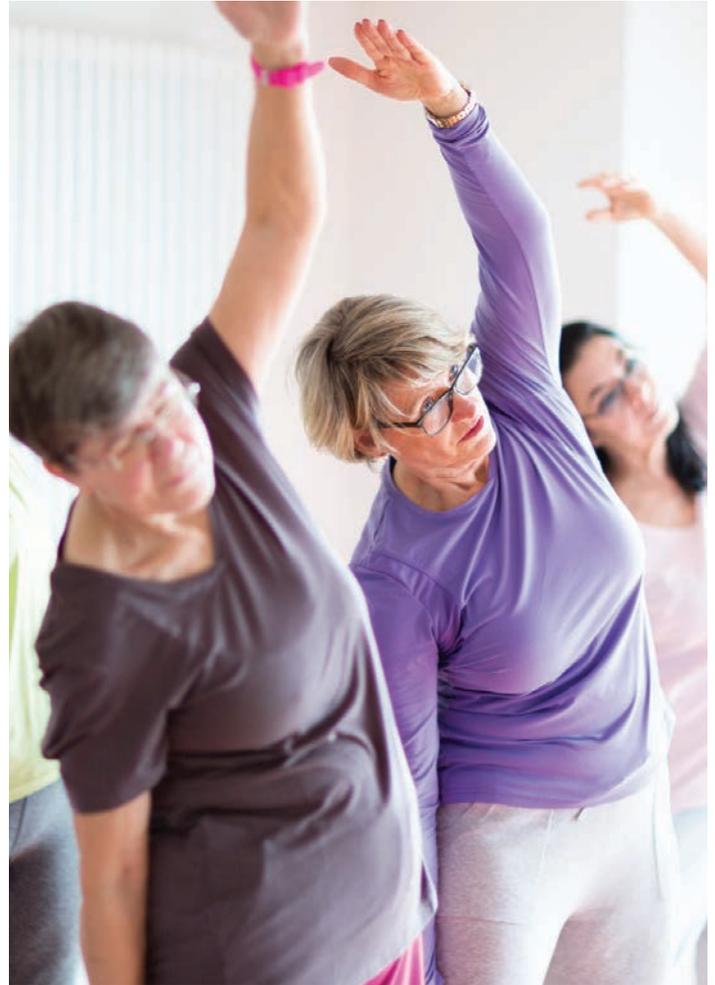
Operations staff answer thousands of calls and meet personally with members between 8:00am and 5:00pm. In 2016, operations staff answered 52,562 calls and assisted 14,817 members in person.

Communications

The Communications Division, financed by the SFHSS Trust Fund, provides employees and retirees with accurate and timely benefits information, so they can make knowledgeable decisions about their health coverage. This includes designing and supervising production of print, web and email materials, organizing events, and coordinating information with human resources professionals, unions and other groups. In addition, this division ensures that information relating to benefits, Health Service Board proceedings, finance and operations are made available to SFHSS members, elected officials, the media and the public, so the department adheres to high standards of government accessibility and transparency. This division also reviews and approves SFHSS member communications issued by healthcare vendors and assists the employers served by SFHSS with benefits-related information as needed. In 2016, the Communications division added a graphic designer and, with outside consultation, designed the structure for the new SFHSS website, plus updated the brand style guide to enhance member communications.

Well-Being

The Well-Being Division expanded in staff and services, since its inception in 2009 with an investment by the City & County and the expanded use of the Trust Fund for well-being programs. The support of the Mayor's Office, Controller's Office and the Department of Human Resources propelled the Well-Being division to a new level for City employees, working to maintain that momentum in the coming years to truly transform the culture to one that actively supports well-being. SFHSS has begun to work with City College of San Francisco and the San Francisco Unified School District to engage them in well-being activities funded by the Trust. This year the well-being team recruited over 200 champions who brought well-being programming and messaging to almost every City department. SFHSS will continue to use existing contracted vendor resources to improve employee and retiree health. The Employee Assistance Program (EAP) is part of the Well-Being Division and continues to provide confidential, no-cost counseling and behavioral health workshops, and organizational well-being workshops to employees and their families.



DEMOGRAPHICS

115,765 member and dependent lives were covered on San Francisco Health Service System medical plans.

Medical Plans

As of January 1, 2016, there was an increase of 3,814 total covered lives under SFHSS medical plans year-over-year. This increase was driven largely by covering all part-time employees working at least 20 hours per week and hiring due to the strong economy. Employee lives increased by 2,970 and retiree lives by 844.

In plan year 2016, SFHSS began offering the UHC NPPO plan to Medicare eligible retirees. 1,233 retiree lives enrolled in UHC NPPO. City Health Plan PPO saw outbound migration from retirees by 537 lives but an increase in enrollment from employees by 224 employee lives. City Health Plan PPO enrolled 7% of the population.

The number of employee lives enrolled in Blue Shield increased by 82; however, the number of retiree lives enrolled in Blue Shield declined by 278 resulting in a net total lives decrease of Blue Shield enrollment of 196 from the previous year. Kaiser continued to increase its overall share, gaining 3,090 total lives in 2016. With 62,244 covered lives in 2016, Kaiser enrolled 53.7% of the population. Blue Shield enrolled 38% of the population, a reduction of 1% compared to 2015.

All Lives—Medical	2015	2016	Change
Kaiser HMO	59,154	62,244	3,090
Blue Shield HMO	44,220	44,024	-196
City Health Plan PPO	8,577	8,264	-313
UHC NPPO	N/A	1,233	1,233
Total Lives	111,951	115,765	3,814

Employee Lives—Medical	2015	2016	Change
Kaiser HMO	43,000	45,664	2,664
Blue Shield HMO	32,728	32,810	82
City Health Plan PPO	816	1,040	224
Total Lives	76,544	79,514	2,970

Retiree Lives—Medical	2015	2016	Change
Kaiser HMO	16,154	16,580	426
Blue Shield HMO	11,492	11,214	-278
City Health Plan PPO	7,761	7,224	-537
UHC NPPO	N/A	1,233	1,233
Total Lives	35,407	36,251	844

101,031 member and dependent lives were covered on San Francisco Health Service System dental plans.

Dental Plans

SFHSS administers dental plans for employees and dependents of the City & County of San Francisco and Superior Court, as well as retirees from all employers. The San Francisco Unified School District and City College administer dental benefits for their employees. Dental benefits for employees are employer-subsidized. Retiree dental plans do not receive employer subsidy and are self-funded. In 2016, the number of lives (defined as including the subscribers and their dependents) enrolled in all SFHSS-administered dental plans increased by 5,471.

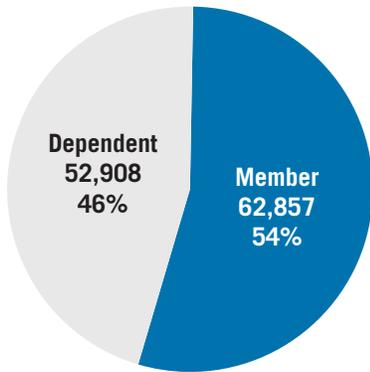
All Lives–Dental	2015	2016	Change
Employee	67,998	70,632	2,634
Retiree	27,562	28,383	821
Total Lives	95,560	101,031	5,471

Flexible Spending Accounts

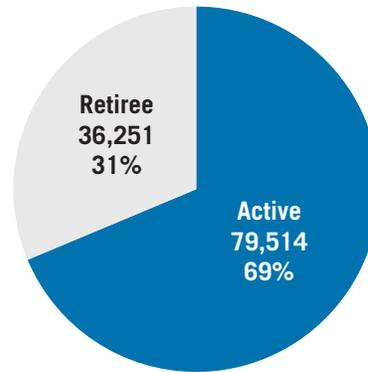
A Flexible Spending Account (FSA) is a tax-favored benefit that allows City & County of San Francisco employees to pay for certain dependent care and healthcare expenses pre-tax. The level of participation in the FSA program shows an increase of 455 members year-over-year.

Flexible Spending Accounts	2015	2016	Change
Health Care FSA	3,208	3,571	363
Dependent Care FSA	976	1,068	92
Total FSA	4,184	4,639	455

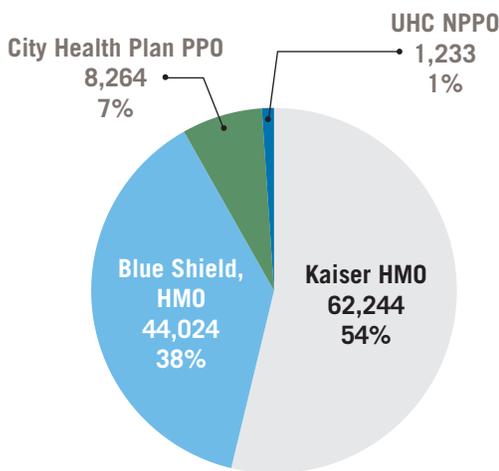
Medical Plan Enrollment as of 2016



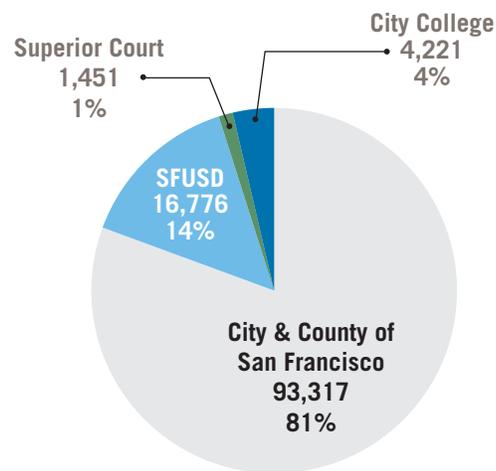
**Medical Plans: Total Enrolled Lives
Member vs. Dependent**



**Medical Plans: Total Enrolled Lives
Active vs. Retiree**



**Total Enrolled Lives
By Medical Plan**

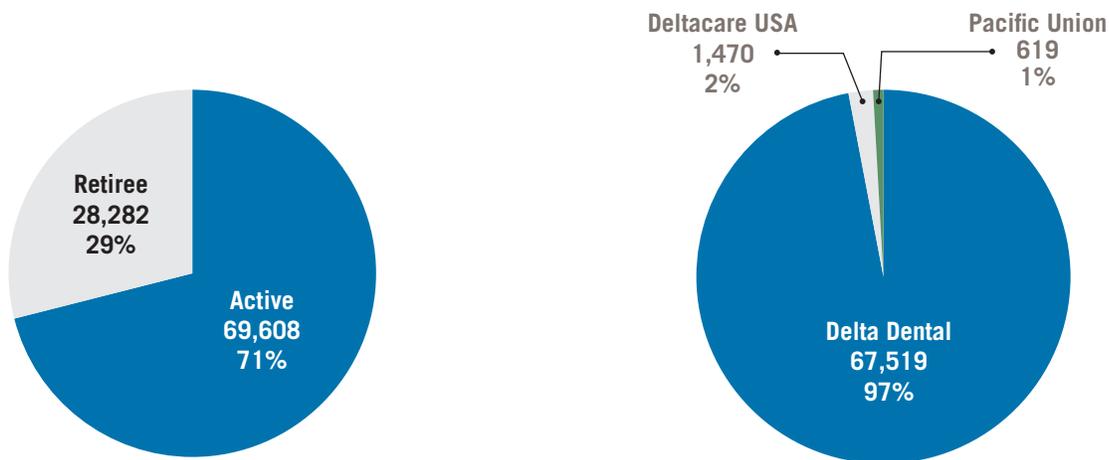


**Total Medical Plan
Enrollment by Employer**

The San Francisco Health Service System administered medical benefits for employees, retirees and dependents of the City & County of San Francisco, the San Francisco Superior Court, the San Francisco Unified School District and the San Francisco Community College District. The migration trend away from Blue Shield and City Plan to the Kaiser plan which began in 2008 has stopped, however Kaiser increases membership with new employees.

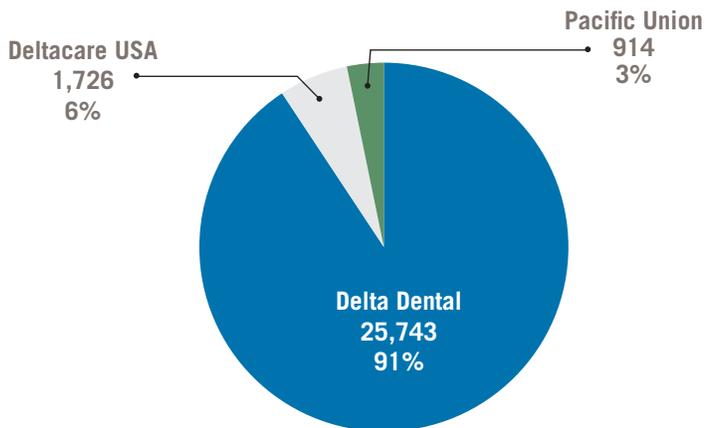
As of January 2016, 115,765 lives were enrolled in SFHSS-administered medical plans.

Dental Plan Enrollment as of January 2016



**Dental Plans: Total Enrolled Lives
Active vs. Retiree**

**Active Enrolled Lives
by Dental Plan**



**Retiree Enrolled
by Dental Plans**

SFHSS administered dental benefits for employees and dependents of the City & County of San Francisco, the San Francisco Superior Court and retirees. The San Francisco Unified School District and San Francisco Community College District administer their own dental benefit programs for their active employees. The City makes a significant contribution to employee dental premiums. Retiree dental plans are not subsidized by the employer.

ACHIEVEMENTS

Sustainable Health Benefits

The delivery of healthcare is characterized by systemic complexity and a crisis in affordability. As a major purchaser of healthcare in the Bay area, the San Francisco Health Service System attempts to work with local medical groups, hospitals and insurers, to seek innovative ways to improve the quality of patient care while containing costs. By taking an activist leadership role, SFHSS is at the forefront of collaborative programs that will have a positive, long-term effect on member health and the fiscal well-being of all City employees. These programs also may serve as a model for maintaining sustainable, quality health benefits for other large private and public employers in our region who are facing similar challenges.

Key Achievements 2016

- Continued to monitor two San Francisco-based Accountable Care Organizations (ACOs) with goals for quality improvements and cost reductions within the Blue Shield provider network.
- Developed and administered vendor performance guarantees and scorecards.
- Incorporated Advance Directive requirements in medical vendor contracts and offered Advance Directive classes at the Well-Being Center.
- Began the first year of implementing new United Healthcare National PPO plan for Medicare-eligible members.
- Launched All Payer Claims Database to begin analyzing and comparing vendor performance.
- Recruited and trained over 200 well-being champions to work throughout the city and at City College and the Unified School District to engage employees in well-being activities.
- Completed recruitment for over 150 individuals at 6 worksites for the Diabetes Prevention Program research study in partnership with Kaiser Permanente.



Fiscal Accountability and Operational Excellence

The San Francisco Health Service System is committed to maintaining the highest accounting standards and providing outstanding member service. This commitment extends to all areas of finance and operations, which comprises complex back office administrative tasks as well as direct member support via the SFHSS call center and our in-person front desk. Metrics are tracked on an ongoing basis, to ensure that SFHSS member transactions are handled with a high level of quality and privacy, while members consistently receive accurate and knowledgeable counseling about health and well-being benefits.

Key Achievements 2016

- Paid \$778 Million in health premiums.
- From January 2016 through December 2016, Operations staff answered 52,562 member calls and provided in-person member assistance to 14,817 members, not including during Open Enrollment.
- During Open Enrollment, an additional 2,160 in-person member assistance was provided, resulting in a total of 16,977 in-person assistance to members during 2016.
- Administered non-health plan contracts worth \$1.3 Million, including managing 28 contracts and executing 9 amendments.
- Maintained 45 inter-departmental work orders worth \$12.4 Million.
- Issued 158 Purchase Orders.
- Processed 391 payments from the operating budget worth \$1.8 Million; 1,503 payments from the Health Service System Trust fund; and 2,500 checks for over-the-counter payments.
- Issued 9 Requests for Proposals and averaged 23 business days from issuance to executed contract.
- Developed 13 desk procedures for processing year-end financial entries, purchase orders and payments.
- Received an unqualified opinion from KPMG finding no deficiencies in internal controls.
- Deployed Salesforce Case Management to track and permit reporting on inbound call types, callback rates, and to ensure resolution of member inquiries within one call.
- Deployed Enterprise Content Management (ECM) for real-time access to in-bound applications and supporting documentation.
- Managed annual budget of \$11 Million.
- Hired new Member Services and Operations Manager.
- Rolled out voluntary benefits to City and County employees with a take rate of 14%.
- Ensured compliance with local, state and federal laws relating to benefits administration.
- Per federal PPACA, implemented benefits for all regularly scheduled employees working 20 or more hours a week.
- Maintained up-to-date member rules and section 125 plan documents.
- Employed tools developed by Data Analytics to calculate approximately 6,000 employee and retiree premium rates.
- Ensured HIPAA training for all SFHSS employees, and employees in the Department of Technology and the City Controller's office.
- Programmed and processed reports to the IRS in compliance with the PPACA. Distributed 51,720 forms to all employees before tax deadline.

Informed, Transparent, Effective Governance

The Health Service Board and SFHSS maintain a high standard for open, responsible governance. The members of the Health Service Board are fiduciaries of a substantial financial trust fund, and the principal negotiators of health vendor contracts totaling \$778 million in health premiums annually. In an atmosphere where public employee benefits are under intense scrutiny, the Health Service Board is committed to information transparency, ethical conduct and accountability.

Key Achievements 2016

- All Board and Committee meeting agendas and associated documents were made available to the public on paper and online within 72 hours of meetings.
- Health Service Board meetings are routinely broadcast live on SFGovTV.
- Digital video archive of Health Service Board meetings is available on SFGovTV. On demand video is available within 72 hours after the live meetings.
- Health Service Board maintained an email address for members to communicate on policy issues.



Educated and Empowered SFHSS Members

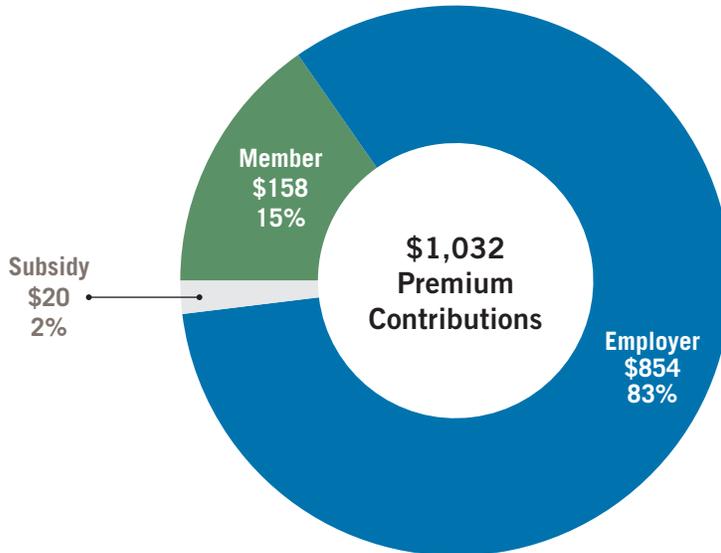
A well-informed member is positioned to make wiser decisions about benefits, as well as behaviors that impact health. To succeed in its efforts to improve quality of care and drive down costs, SFHSS is working to actively engage members as participants in new well-being and costs-saving initiatives. SFHSS communications is shifting from an inform-as-needed model to a paradigm that incites beneficial personal change in our members.

Key Achievements 2016

- Delivered timely, accurate benefits and well-being information via print, web, monthly eNews, phone and in-person member contact to nearly 116,000 members.
- Mailed over 72,000 redesigned Open Enrollment packets and confirmation letters, each containing accurate variable data specific to each member.
- Operations handled 52,562 calls and 14,817 in-person consultations.
- Conducted over 20 educational events to educate retirees about Medicare plan options, including the UHC Medicare Advantage NPPO New City Plan.
- Maintained a network of 209 Champions, who promote well-being activities, including over 150 on-site activities such as biometric screenings, well-being coaching, and seminars.
- Provided 841 hours of free and confidential EAP counseling.
- Expanded EAP presence onsite at departments through over 30 seminars, targeted presentations for supervisors/managers, and EAP liaison relationships with human resource professionals at the larger departments.
- Provided 15 Non-Violent Crisis Intervention trainings and developed an expanded pilot program with 4 of those trainings.
- Partnered with the Retired Employees of CCSF (RECCSF) to promote well-being at member meetings.
- Recruited retirees for a Shape Up Walking Team, offered a retiree-only flu shot clinic, and provided a stretching demonstration.
- Collaborated with SF Recreation and Parks to expand workplace group exercise programs to 6 departments resulting in over 25 classes available for City employees weekly.
- Launched the first-ever nutrition campaign (Eat Better, Feel Better) to promote consumption of fruits and vegetables. 2138 SFHSS members participated: 1972 employees, 101 retirees, 52 employee family members, and 13 retiree family members.
- Launched an enhanced physical activity campaign (Move More, Feel Better) to promote moving more and achieving 30 minutes of physical activity most days of the week. 2399 SFHSS members participated, including: 2251 employees, 97 retirees, 40 adult family members, and 11 child family members.
- Partnered with Operations to provide flu shots and Open Enrollment support at 13 of the 26 flu clinics. Of the 4158 individuals who received flu shots, over 1400 also met with Operations staff for Open Enrollment.
- Two new benefit fairs were added, including one at City Hall and one at One South Van Ness.
- Served a monthly average of approximately 200 employees and retirees at the Well-being Center. Well-being Center services include seminars, group exercise classes, well-being coaching, and special events.

PREMIUM TRENDS

Employer and Member Medical Premiums



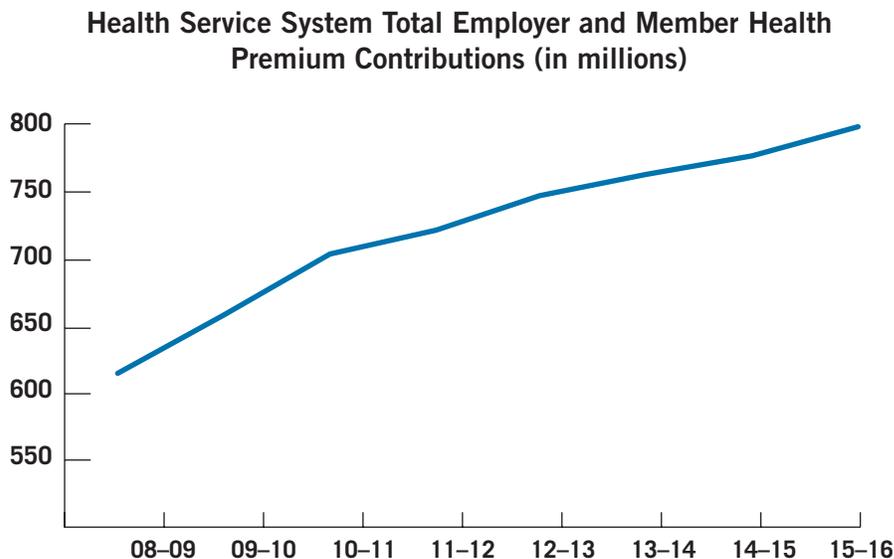
Year-over-year aggregate average employer contributions to medical premiums remained at 83%. Overall member contributions remained at 15% year-over-year.

Average Monthly Premium Contributions	FY 11–12	FY 12–13	FY 13–14	FY 14–15	FY 15–16
Average Monthly Member Premium Contribution	\$ 123	\$ 131	\$ 159	\$ 158	\$ 158
Average Monthly Employer Premium Contribution	\$ 769	\$ 791	\$ 866	\$ 861	\$ 854
Monthly Trust Fund Premium Subsidy Contribution	-	\$11	\$10	\$ 17	\$ 20
Average Monthly Total Premium Contribution	\$ 892	\$ 933	\$ 1,035	\$ 1,036	\$ 1,032

Data from SFHSS finance.

COST TRENDS

Year-Over-Year SFHSS Health Premium Costs

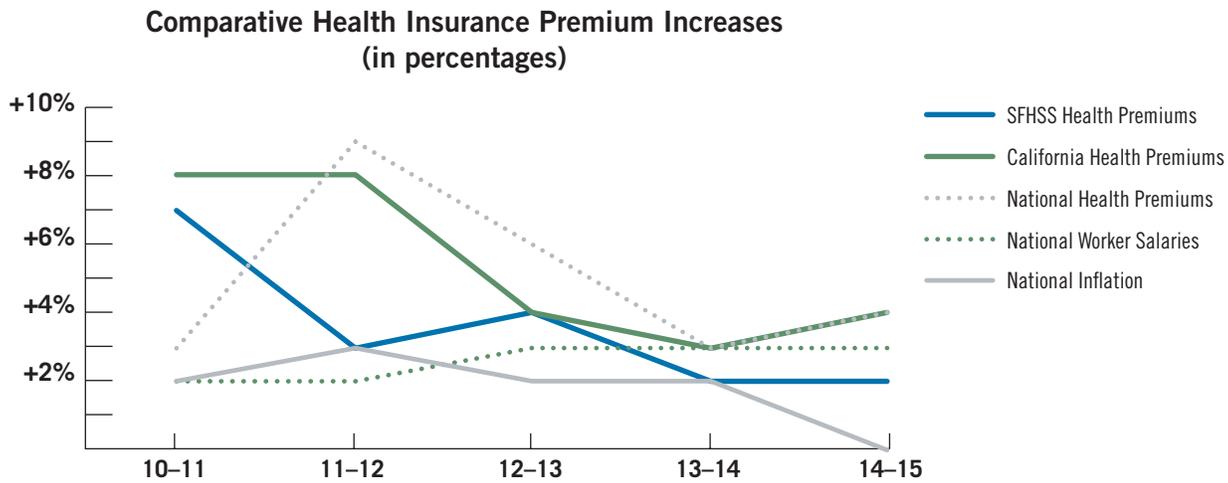


In 2016, HSS' 3% aggregate premium increase was lower than regional, state and national trends. The Health Service Board remains committed to improving care and managing costs through innovative plan design, Accountable Care Organizations, price competition between plans and employee well-being programs.

	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16
Combined Contributions (in millions)	\$ 615 +7%	\$ 658 +7%	\$ 703 +7%	\$ 722 +3%	\$ 748 +4%	\$ 763 +2%	\$ 777 +2%	\$ 799 +3%

Data from HSS finance; includes total premium costs for medical, dental, vision, and long term disability coverage, as well as flex credits and flexible spending accounts.

Year-Over-Year Comparative Cost Increases



The rising cost of healthcare is affecting the local, state and national economy. In general it is out-pacing inflation, and having a negative impact on employers' ability to manage budgets and maintain jobs and wages.

	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15
SFHSS Health Premiums	+7%	+3%	+4%	+2%	+2%
California Health Premiums	+8%	+8%	+4%	+3%	+4%
National Health Premiums	+3%	+9%	+6%	+3%	+4%
National Worker Salaries	+2%	+2%	+3%	+3%	+3%
National Inflation	+2%	+3%	+2%	+2%	0%

Data from HSS finance; includes total premium cost for medical, dental, and vision coverage. Other data is from the California Healthcare Foundation, California Employer Benefits Survey, Kaiser Family Foundation and Society for Human Resource Management.

SUSTAINABLE BENEFITS

Align City Resources

A concerted effort to lower healthcare costs, and achieve sustainable benefits, is required to achieve success. Per current governance, responsibilities for healthcare costs are shared among a wide number of City entities. SFHSS has been facilitating collaborative efforts, in order to bring about significant change.

<p>Voters define 71% of City Contribution via the City Charter</p> <ul style="list-style-type: none"> Establishes minimum health premium contribution City must contribute for employees and retirees. Defines eligibility rules for employees, retirees and surviving dependents. 	<p>Elected Officials Exert Legislative Influence and Approve Aggregate Health Plan Costs</p> <ul style="list-style-type: none"> Board of Supervisors reviews and approves annual rates and benefits for medical, dental, vision plans, and determines eligibility for coverage beyond the City Charter, via the Administrative Code. State and federal officials legislate to ensure vendor pricing transparency and a thriving, competitive marketplace.
<p>Health Service Board Negotiates Aggregate Annual Health Plan Costs</p> <ul style="list-style-type: none"> Directs competitive health vendor RFP processes. Conducts annual rates and benefits negotiations (medical, dental, vision). Determines plan design* (benefits and co-pays). Recommends annual medical, dental and vision plan vendors, rates and benefits to the Board of Supervisors. Ensures benefits are applied without favor or privilege. Creates innovative programs to improve quality and maintain affordable benefits. 	<p>CCSF Department of Human Resources Negotiates 29% of Contribution for City Employees</p> <ul style="list-style-type: none"> Negotiates labor contracts, which determine employer/employee premium contributions and benefits strategies beyond the Charter mandate. Works in partnership to promote a healthy and productive workforce.
<p>Unified School District Adds 16,776 Lives to the Membership Pool</p> <ul style="list-style-type: none"> Defines eligibility for USD employees. Negotiates labor contracts which determine employer/employee premium contributions for USD. 	<p>City College of San Francisco Adds 4,221 Lives to the Membership Pool</p> <ul style="list-style-type: none"> Defines eligibility for CCD employees. Negotiates labor contracts which determine employer/employee premium contributions for CCD.
<p>Labor Unions Negotiate Contracts and Influence Employee Engagement</p> <ul style="list-style-type: none"> Negotiate contracts, including premium contributions and health incentives. Advocates for employee engagement in managing health and healthcare decision making, and well-being participation. 	<p>Civil Service Commission Defines Employee Holdover Benefits</p> <ul style="list-style-type: none"> Defines employee holdover health benefits and eligibility. (Holdover employees currently retain SFHSS health coverage eligibility for 5 years).

*HMO plans, per State of California regulation, are required to provide a certain array of benefits. The Health Service Board has no authority to change state requirements.

STATEMENT OF NET POSITIONS AVAILABLE FOR HEALTH BENEFITS

June 30, 2016 and 2015

	2016	2015
Assets:		
Cash and investments held with City & County Treasurer	\$ 87,628,111	\$ 109,835,621
Contributions receivable from:		
Employer	17,099,557	16,130,447
Employees	3,165,274	2,943,300
Interest receivable	67,451	82,681
Other assets	\$903,601	2,033,132
Total assets	\$ 108,863,994	\$ 131,025,181
Liabilities:		
Reserves for claims—medical, prescription drugs and dental	\$ 29,346,617	\$29,342,770
Health Maintenance Organization, dental and disability		
premiums payable	8,675,494	18,475,271
Unearned contributions	2,238,685	1,677,383
Total liabilities	40,260,796	49,495,424
Total net position	\$ 68,603,198	\$ 81,529,757

To see the accompanying notes, which are an integral part of these financial statements, please visit:
www.myhss.org/finance.

June 30, 2016 and 2015

	2016	2015
Additions:		
Employee and retiree contributions	\$ 124,504,149	\$ 120,467,997
Employer contributions for:		
Active employees	480,737,677	460,327,725
Retired employees	193,818,054	196,075,044
Total assets	\$ 799,059,880	\$ 776,870,766
Plan providers penalties and forfeitures	843,772	467,479
Investment earnings:		
Net increase (decrease) in fair value of investments	(48,423)	(23,137)
Interest income	381,399	672,372
Total investment earnings	332,976	649,235
Total additions	\$ 800,236,628	\$ 777,987,480
Deductions:		
City Health Plan health benefits	54,045,453	49,648,775
Health Maintenance Organization health benefits	679,726,937	663,123,088
Vision benefits	4,988,617	4,810,681
Dental benefits	57,499,941	56,656,927
Disability and flexible benefits	16,902,239	15,039,162
Total deductions	\$ 813,163,187	\$ 789,278,633
Change in net position available for health benefits	(12,926,559)	(11,291,153)
Net position:		
Beginning of year	81,529,757	92,820,910
End of year	\$ 68,603,198	\$ 81,529,757

To see the accompanying notes, which are an integral part of these financial statements, please visit:
www.myhss.org/finance.

GOVERNANCE

Health Service Board

Per the San Francisco City Charter, the Health Service Board is responsible for conducting an annual review of health benefit costs, ensures benefits are applied without favor or privilege, and administers the business of the San Francisco Health Service System. Three elected members serve a five-year term. Of the other four commissioners, one is a member of the Board of Supervisors, two commissioners are appointed by the Mayor and one is appointed by the City Controller.

2016 Health Service Board



Karen Breslin
Elected Commissioner
Current Term: June 2014–May 2019
Retired
Adult Probation Officer
San Francisco



Mark Farrell
Board of Supervisors Appointee
Current Term: June 2015–May 2020
Board of Supervisors
City & County of San Francisco



Sharon Ferrigno
Elected Commissioner
Current Term: June 2014–May 2019
Retired
Deputy Chief
San Francisco Police Department



Stephen Follansbee, MD
Mayoral Appointee
Current Term: August 2015–May 2020
Retired
TPMG and Clinical Professor
UCSF



Wilfredo Lim
Elected Commissioner
Current Term: June 2015–May 2020
Accounting Manager
San Francisco General Hospital



Gregg Sass
Mayoral Appointee
Current Term: August 2015–May 2020
Retired
Chief Financial Officer
San Francisco General Hospital



Randy Scott
City Controller Appointee
Current Term: May 2015–May 2020
Chief Human Resources Officer
Institute on Aging

CONTACT INFORMATION

Location and Management

San Francisco Health Service System Member Services

SFHSS Call Center:
(415) 554-1750
(800) 541-2266
Monday - Friday
8:00AM–5:00PM

SFHSS Office Drop-in:
1145 Market Street, 3rd Floor
San Francisco, CA 94103
8:00AM–5:00PM

San Francisco Health Service System Well-Being

SFHSS Well-Being:
(415) 554-0643
Well-Being@sfgov.org

SFHSS Employee Assistance Program (EAP):
(800) 795-2351
Call to schedule an appointment.

SFHSS Well-Being Center:
Well-Being & EAP Offices
1145 Market Street, Suite 100
San Francisco, CA 94103t

Visit Us Online:
www.myhss.org

2016 San Francisco Health Service System Management Team

Catherine Dodd, RN, PhD
Director

Mitchell Griggs
Chief Operating Officer

Pamela Levin, MPA
Chief Financial Officer

Marina Coleridge, MS, CHPSE
Data Analytics Manager

Stephanie Fisher, MPH
Well-Being Manager

Siobhan O'Connor
Member Services Manager

Michael Visconti
Contracts Manager

Vacant
Communications Manager

Laini Scott
Health Service Board Secretary