SAN FRANCISCO
HEALTH SERVICE SYSTEM
Affordable, Quality Benefits & Well-Being

MEMORANDUM

DATE: August 13, 2026

TO: Mary Hao, President, and Members of the Health Service Board

FROM: Rey Guillen, SFHSS Executive Director

RE: August 13, 2026, Director's Report

BOARD OF SUPERVISORS BUDGET AND APPROPRIATIONS COMMITTEE- SFHSS GENERAL FUND BUDGET

On June 10, 2026, SFHSS presented the General Fund Budget to the Board of Supervisors Budget and Appropriations Committee. The Citywide budget is now approved, including the SFHSS General Fund budget. There have been no further changes since the June presentation to the Health Service Board. The Employee Assistance Program (EAP) is now within the Department of Human Resources, and the transition is complete.

RATES AND BENEFITS PACKET APPROVED

On Tuesday, July 21, 2027, the San Francisco Board of Supervisors provided final approval for the Rates and Benefits Package for Plan Year 2027. SFHSS will proceed with incorporating the approved programs and rates for Plan Year 2027.

SFHSS RECEIVED LETTER OF INQUIRY REGARDING PRIOR AUTHORIZATIONS

As a follow-up to the May 12, 2026 Letter of Inquiry (LOI) from Supervisor Chan requesting that SFHSS provide the Board of Supervisors with a report detailing the prior authorization denial rate from all SFHSS health plan vendors, SFHSS staff compiled the requested information and submitted an initial report on May 27, 2026. On July 21, 2026, SFHSS sent Supervisor Chan a revised report with additional information.

At the Board of Supervisors meeting on July 21, 2026, Supervisor Chan acknowledged receipt of the updated report and mentioned her intention to request that the Health Service Board continue monitoring the prior authorization data of its health plans.

On July 13, 2026, Protect Our Benefits and Blue Shield had their second meeting on this subject. Both Rey Guillen and Rin Coleridge attended the meeting.

CA PROPOSED MANAGED CARE ORGANIZATION TAX INCREASE

On June 29, 2026, the state approved California Senate Bill 125 (SB 125), a restructured Managed Care Organization (MCO) Tax that would apply annually to commercial health plans regulated by the Department of Managed Health Care (DMHC). The tax would take effect January 1, 2027, pending approval by the Centers for Medicare and Medicaid Services (CMS), and applies to our Kaiser Permanente HMO, Blue Shield of CA Trio and Access+ HMO, and Health Net CanopyCare HMO plans.

Early estimates from the California Association of Health Plans show that the amended MCO tax could increase premiums by $100-$400 annually per covered person or family. Health insurance companies are expected to pass the increased tax costs directly to clients in

premiums. Since SFHSS already completed our renewals for plan year 2027 before SB 125 was passed, the collection of this tax for our fully insured plans will be deferred to 2028.

BOARD OF SUPERVISORS HEARING FOR KAISER PERMANENTE AND NATIONAL UNION OF HEALTHCARE WORKERS (see attachment)
Supervisor Chen requested a hearing of the Board of Supervisors on Tuesday, July 21, 2026 to examine the potential consequences of Kaiser Permanente's proposals in collective bargaining with the National Union of Healthcare Workers for San Francisco residents and employees of the City and County of San Francisco who are Kaiser enrollees, for behavioral health clinicians employed by Kaiser, and for standards of behavioral healthcare professional practice; and requesting that the Chief Executive Officer of the Kaiser Foundation Health Plan, Inc., the Chief Executive Officer of the Permanente Medical Group, and representatives from the National Union of Healthcare Workers to report to the Board. Kaiser did not attend the meeting but provided a response letter to the Board of Supervisors. After months of negotiations, the two groups were unsuccessful in reaching an agreement. Both KP and NUHW have agreed to mediation.

FOLLOW-UP FROM THE JUNE HEALTH SERVICE BOARD REGULAR MEETING

1. Out-of-County Skilled Nursing Facilities: At the June 11 Board meeting, Commissioner Cremen asked for Blue Shield's update on the referrals to out-of-county skilled nursing facilities (SNF). An initial report from Blue Shield of California was shared in January 2026, and a report from Kaiser Permanente was subsequently shared in May 2026. An updated report from Blue Shield of California is attached. Going forward, the Director's Report will provide a biannual Skilled Nursing report from both Kaiser Permanente and Blue Shield of California every January and June. The next report will be shared at the January 2027 board meeting. (see attachment)
2. Hearing Aid Reimbursement: At the June 11 Health Service Board meeting, a retired member reported that their hearing aid reimbursement from Blue Shield was repeatedly underpaid by $50 per device, despite the system showing a $2,500 benefit. He explained that Blue Shield also initially paid for only one hearing aid instead of two. Blue Shield investigated the cause of the hearing aid reimbursement discrepancy and found that their system did not allow submissions by out-of-network providers. Blue Shield is researching ways to improve the reimbursement process that would allow for submissions from both providers and members. In addition, they are conducting a review to identify any additional instances where providers have submitted claims to ensure they were reimbursed correctly. SFHSS confirmed the member has been reimbursed.
3. Incorrect Termination Letters: Blue Shield updated its provider listings on June 11, 2026, to remove certain physicians who are no longer seeing Medicare HMO members. This only applied to Medicare HMO plans and had no expected member impact. There was a processing error resulting in provider termination letters incorrectly being sent to Blue Shield Medicare PPO members, including 6,267 SFHSS Medicare retirees. Blue Shield mailed a correction letter on June 19, 2026, to SFHSS Medicare retirees. (see attachment)

SAN FRANCISCO
HEALTH SERVICE SYSTEM
Affordable, Quality Benefits & Well-Being

SAN FRANCISCO HEALTH SERVICE SYSTEM
DIVISION REPORTS: August 2026

PERSONNEL UPDATES (see attachment)
Recruitments:

- Two 1210 Benefits Analyst vacancies- job offers have been extended and accepted pending completion of verification of experience and fingerprinting.
- One vacant 2820 Senior Health Program Planner vacancy-Request to Fill submitted to the Mayor's Budget Office for review. Awaiting approval.

OPERATIONS: (see attachment)

FINANCE AND BUDGET:

- Handling remaining items to close the 2025/26 fiscal year-end process.
- Drafting financial statements for the final annual audit.
- Staff have begun calculating the 2027 benefit rates.

CONTRACTS:

- Completed competitive bid process for PeopleSoft HCM benefits optimization project.
- Executed 1st Amendment to agreement with Direct Interactions to supply as-needed call center services for Open Enrollment.
- Executed 1st Amendment to agreement with YMCA of SF for Diabetes Prevention Program services.

WELL-BEING:

- 1,185 members engaged in one of the 34 health screening events that took place in support the 'Your Health by the Numbers Campaign' between February and June.
- Implemented three health coaching series cohorts, three Healthy Habits Programs cohorts, and two Diabetes Prevention Program cohorts in alignment with the 'Your Health by the Numbers' campaign.
- 10 HSS staff were trained and certified in CPR & AED.
- Executed a well-being Key Player Training with 100 in attendance. The training provided an overview of the Well-Being@Work program, the 10K-A-Day physical activity challenge, and focused on leveraging our Key Player network to support in messaging related to HSS going paperless this upcoming OE season.

ATTACHMENTS:

- Kaiser Permanente Letter to SF BOS
- Blue Shield of California Referrals to Out-of-County Skilled Nursing Facilities
- Medicare Sutter Incorrect Term Remediation Notice
- Personnel - SFHSS Org Chart
- Operations Dashboard

KAISER PERMANENTE®

July 16, 2026

San Francisco Board of Supervisors
City Hall, 1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

RE: Hearing on Kaiser Permanente and the National Union of Healthcare Workers

Dear Supervisor Chen and Members of the Board:

Kaiser Permanente deeply values the City and County of San Francisco and the work of the Board of Supervisors. We are grateful and proud to provide care and coverage to 69,000 employees of the City and County and to support the broader communities of San Francisco. Our mission calls us to provide high-quality, affordable care and to help improve the health of the communities we serve. That responsibility is especially important in the city and county of San Francisco, where leaders, health care providers, community organizations, and clinicians are working every day to respond to urgent and complex mental health and addiction needs.

While we will not be participating in person at the Board's July 21 hearing, we respectfully submit this letter for the record in the spirit of partnership and shared commitment to the health and well-being of San Franciscans.

Our shared commitment to mental health care nationally and in San Francisco

Across the country, communities are facing a serious and persistent crisis in mental health care. We know the members of this Board see those needs directly and urgently in San Francisco, and we appreciate your leadership and advocacy on behalf of residents who need care and support.

Kaiser Permanente is proud to be part of the broader effort to address those needs. We are committed to expanding access to timely, high-quality mental health and addiction care and to working constructively with public officials, community partners, clinicians, and labor representatives to strengthen care for the people and communities we serve.

Investing in access, care, and the mental health workforce

Kaiser Permanente has made substantial investments in mental health and addiction care in California and to support the clinicians who provide that care every day. We've invested more than $2 billion since 2020 to expand mental health services, facilities, clinician training, and provider networks. Today, our network includes more than 35,000 employed and contracted mental health providers across California, giving members more choice and helping us meet rising demand. Members receive non-urgent mental health appointments, on average, within about six days - better than the state requirement - and members with urgent needs can access appointments within 48 hours. Support is available 24 hours a day, seven days a week for anyone experiencing a crisis.

Kaiser Permanente San Francisco Medical Center
2425 Geary Blvd
San Francisco, CA 94118

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We've invested in an array of workforce development initiatives including the Mental Health Scholars Academy and the Mental Health Workforce Accelerator, where we provide scholarships, mentoring, supervised clinical experience, and career pathways to help more professionals become licensed clinicians.

We are grateful for the dedication of our therapists and mental health clinicians. Their expertise, compassion, and commitment are essential to our members and to the communities we serve, and we remain focused on supporting them through competitive compensation, strong benefits, professional development, and a safe, sustainable practice environment.

Our approach to technology and clinician voice

We also understand that emerging technologies, including artificial intelligence, raise important questions for clinicians, patients, policymakers, and the public. Kaiser Permanente takes those questions seriously.

At Kaiser Permanente, AI does not make clinical decisions, replace licensed clinicians, or provide therapy instead of therapists.

Kaiser Permanente is evaluating technology that can reduce administrative burden, improve care navigation, and help clinicians spend more time with patients. Patient safety, quality, privacy, and clinician oversight remain paramount.

Earlier this year we established an AI framework and agreement with the Alliance of Health Care Unions – built with input from staff, clinicians and unions – which has been recognized by the MIT Management Sloan School as a "landmark agreement … that represents the first comprehensive effort by a major healthcare employer and its union partners to integrate worker voice into all phases of AI decision making." (link) We have proposed a similar framework for NUHW to establish a joint labor-management committee with clinician and union representation. The committee would provide a meaningful forum for clinicians and union representatives to help inform recommendations regarding the responsible use of emerging technologies in support of mental health care, while preserving clinician judgment, patient safety, quality, privacy, and compassionate care.

We remain prepared to move forward with the committee because clinicians deserve a meaningful voice in how emerging technologies are evaluated and implemented.

Working toward a fair agreement

Kaiser Permanente remains committed to reaching a fair agreement with NUHW that supports our clinicians, our patients, and the communities that depend on access to mental health care.

We also understand wages are a critical issue. We are committed to addressing this respectfully and collaboratively with our union-represented clinicians through the bargaining and mediation process.

Kaiser Permanente San Francisco Medical Center
2425 Geary Blvd
San Francisco, CA 94118

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Kaiser Permanente has made a strong offer that includes meaningful wage increases and maintains the strong benefits our clinicians receive. Our compensation philosophy is to pay our employees, on average at or up to 10% of market. Our offer is well within and even at the higher end of our compensation philosophy.

These investments reflect our belief that technology, care delivery improvements, and workforce development should strengthen and support the mental health profession—not replace it.

Mediation as next step

Both NUHW and Kaiser Permanente have agreed to mediation and are finalizing our schedule. We are ready to do the work needed to reach an agreement that rewards clinicians, supports patients, and strengthens access to care.

Our commitment to you and San Francisco

We appreciate the Board's interest in this matter and your continued leadership on behalf of the people of San Francisco. We remain available to answer questions and to continue working constructively in support of the shared goal of expanding access to high-quality mental health and addiction care.

We are grateful for the Board's continued attention to mental health care access and for your service to the people of San Francisco. We share your commitment to ensuring residents can get the care and support they need, and we look forward to continuing to engage in a constructive and respectful way with the Board, our clinicians, our labor partners, and the broader community.

Respectfully,

Abhishek Dosi
Sr. Vice President/Area Manager
Kaiser Permanente
Golden Gate Service Area

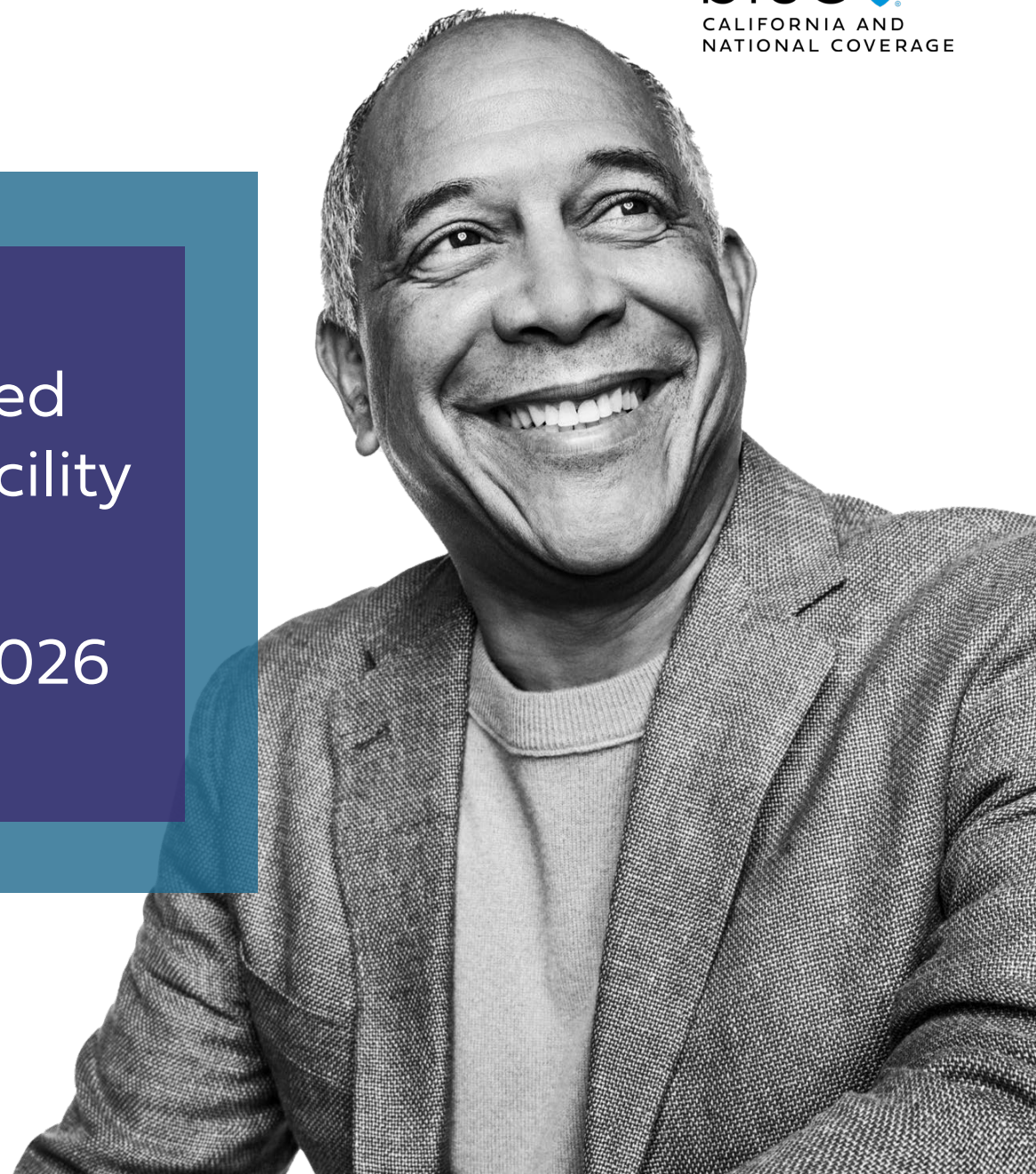
Monica Kendrick, MD
Physician-in-Chief
Kaiser Permanente
San Francisco Medical Center

Kaiser Permanente San Francisco Medical Center
2425 Geary Blvd
San Francisco, CA 94118

blue
CALIFORNIA AND
NATIONAL COVERAGE

SFHSS Skilled Nursing Facility Follow-up

Jan-April 2026



Blue Shield Skilled Nursing Facility Status

- From January through April 2026, **179** SFHSS Medicare retirees live within the County of San Francisco and have been admitted to a SNF.
    - 135 (75%) were admitted to a SNF within the County of San Francisco
    - 33 (18%) were admitted to a SNF in San Mateo County
    - 8 (4%) were admitted to a SNF in Alameda County
    - 2 (1%) were admitted to a SNF in Napa County
    - 1 was admitted to a SNF in Marin County
- For the non-Medicare retirees in the PPO, there were **9** SNF admissions through April 2026.
    - 8 members were admitted to a SNF within the County of San Francisco
    - 1 member was admitted to a SNF in Alameda County

NAME: <Mem_FName> <Mem_LName>
MEMBER ID#: <SUB_ID>

<rtn_addr-line1>
<rtn_addr_city>, <rtn_addr_state> <rtn_addr_zip>

<Mem_FName> <Mem_LName>
<Mail_Addr_Ln_1>
<Mail_Addr_Ln_2>
<Mail_City_Name>, <Mail_State> <Mail_Zip>

Access your plan anytime, anywhere. Download the app at bsca.com/mobile

<Month, Day, Year>

IMPORTANT NOTICE:

Your provider remains in-network with your health plan.

Dear <Mem_FName>,

Thank you for being a Blue Shield of California member. Your health is important to us. We are writing regarding a recent communication you received about your health plan network.

What happened
A system error caused you to receive a communication from Blue Shield about your provider(s) with Sutter Health and affiliated partners that explained how to apply for Continuity of Care.

Your provider(s) with Sutter Health and affiliated partners remains in-network with Blue Shield. You do not need to apply for Continuity of Care. You can continue to see your provider(s), and there has been no lapse in coverage.

Your healthcare needs are important to us, and we are committed to providing you with exceptional service. We apologize for any inconvenience this may have caused.

We're here for you
If you need more information, call us at <TollFree> (TTY: 711), <Days_Hours of Operation>.

We value you as a member and look forward to helping you on your healthcare journey.

Sincerely,

Blue Shield of California

Nondiscrimination Notice

The company complies with applicable state laws and federal civil rights laws and does not discriminate, exclude people, or treat them differently on the basis of race, color, national origin, ethnic group identification, medical condition, genetic information, ancestry, religion, sex, marital status, gender, gender identity, sexual orientation, age, mental disability, or physical disability. La compañía cumple con las leyes de derechos civiles federales y estatales aplicables, y no discrimina, ni excluye ni trata de manera diferente a las personas por su raza, color, país de origen, identificación con determinado grupo étnico, condición médica, información genética, ascendencia, religión, sexo, estado civil, género, identidad de género, orientación sexual, edad, ni discapacidad física ni mental. 本公司遵守適用的州法律和聯邦民權法律，並且不會以種族、膚色、原國籍、族群認同、醫療狀況、遺傳資訊、血統、宗教、性別、婚姻狀況、性別認同、性取向、年齡、精神殘疾或身體殘疾而進行歧視、排斥或區別對待他人。

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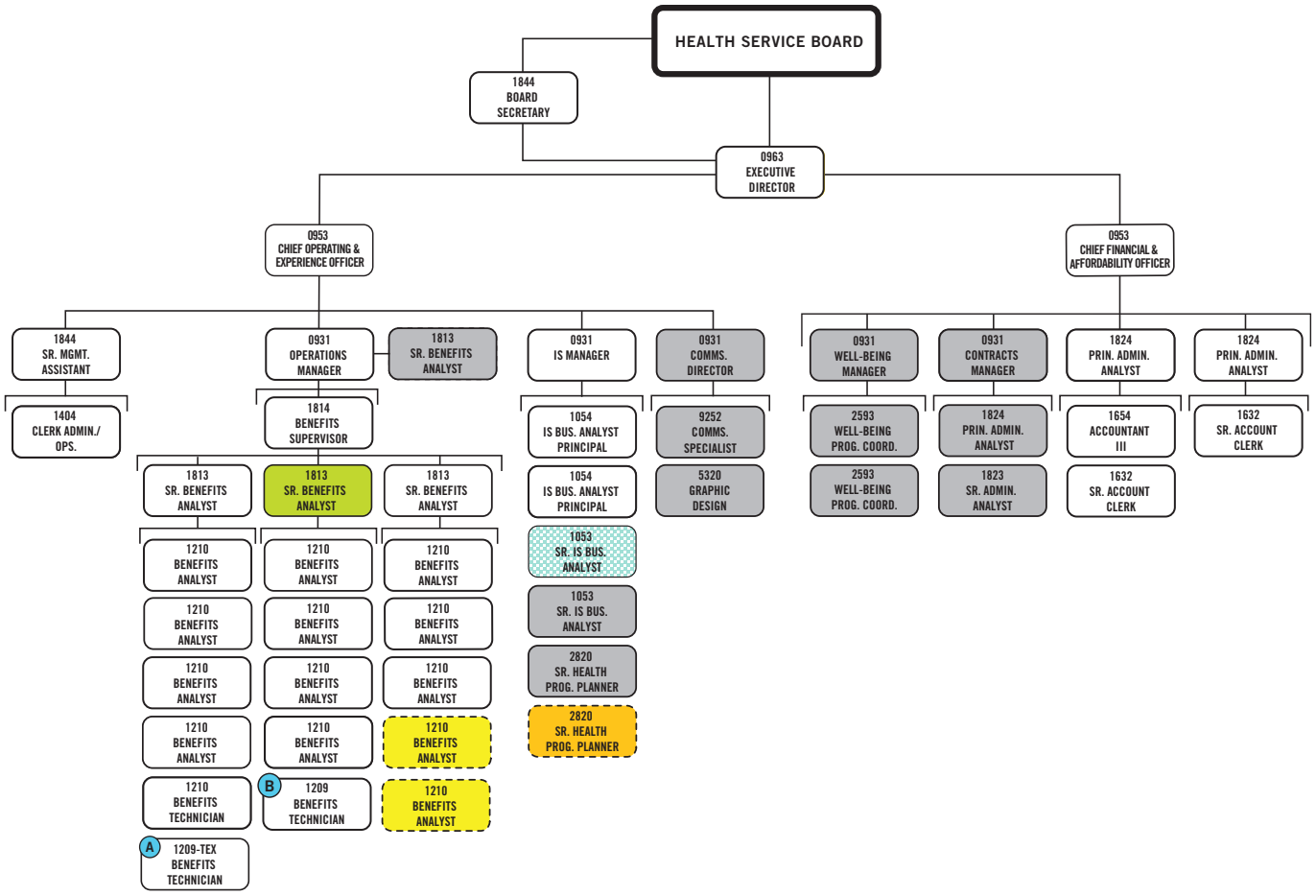
Organizational Chart – Recruitable Budgeted Positions



LEGEND

RECENTLY HIRED/ PROMOTED | ACTIVELY RECRUITING | PENDING MBO APPROVAL | POSITIONS 100% CHARGED TO TRUST | POSITIONS PARTIALLY CHARGED TO TRUST | VACANT

8.7.2026
SFHSS.ORG

BUDGETED POSITIONS FILLED BY DIFFERENT WORKING CLASS

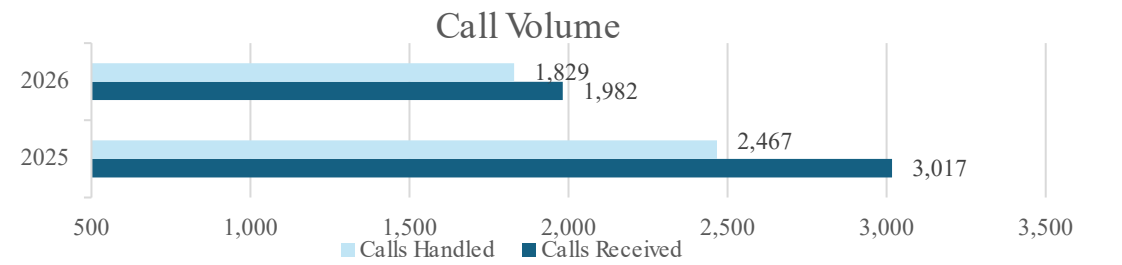
A 1210 Benefits Analysts filled by 1209-TEX Benefits Technician

B 1210 Benefits Analyst filled by 1209 Benefits Technician

Member Experience Dashboard

Member Experience Dashboard – June 2026

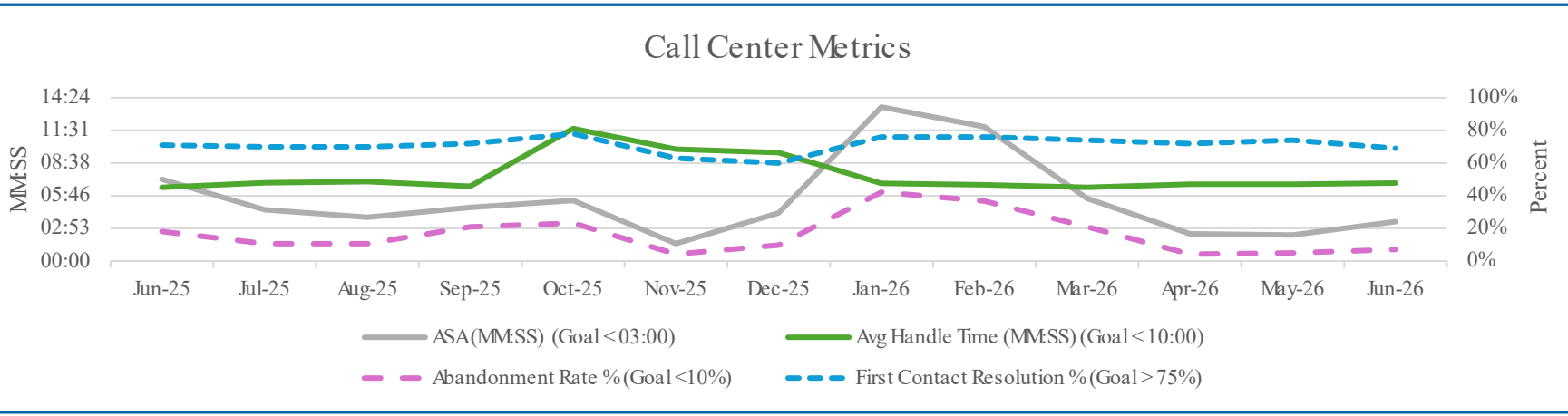
Phone Support



In-Person Support

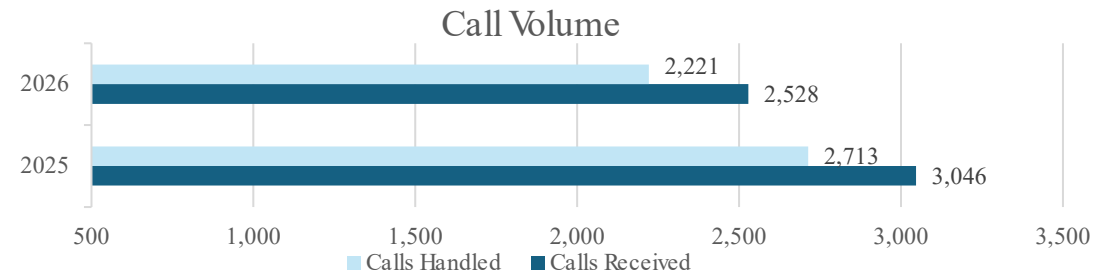
728

Consultations



Member Experience Dashboard – July 2026

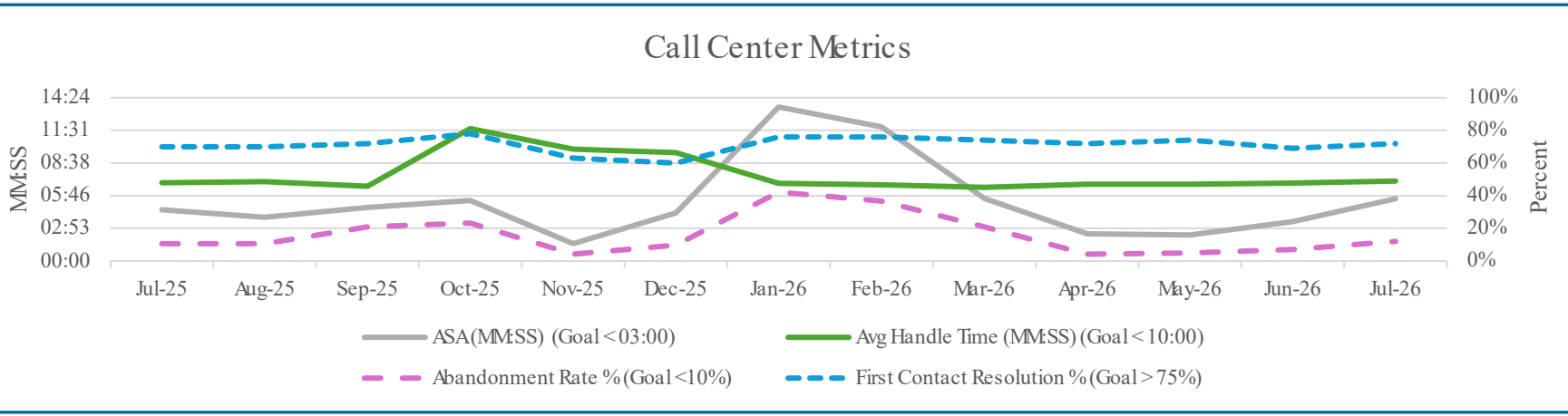
Phone Support



In-Person Support

602

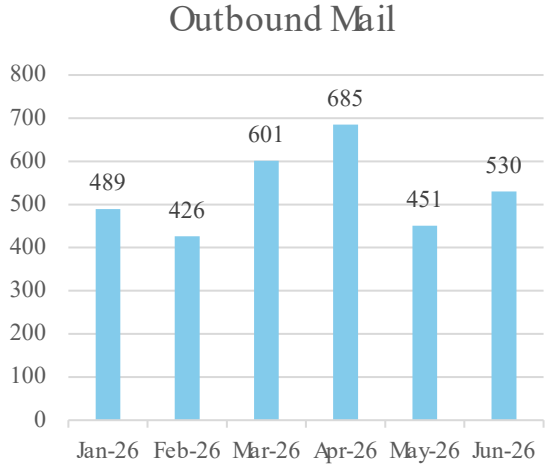
Consultations



Member Experience Dashboard – June 2026

Processing / Operations

Category	Beginning Balance	Received	Total Work	Completed	Net Change	Ending Balance
Case Review/Action Required	223	673	896	653	20	243
Compliance Document	298	548	846	302	246	544
Application	550	488	1,038	197	291	841
Return Mail	0	183	183	25	158	158
Court Order	12	47	59	44	3	15
Demographic Change	6	34	40	21	13	19
CMS Reconciliation	90	24	114	24	0	90
Appeal	11	19	30	5	14	25
HIPAA	11	15	26	8	7	18



3,259

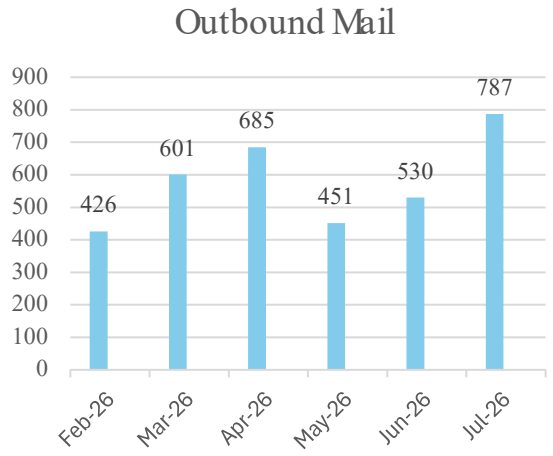
Members YTD with Returned Mail

Member Experience Dashboard – July 2026

Processing / Operations

Document Processing

Category	Received (Mar)	Completed (Mar)	Backlog Change	Remaining Balance
Case Review/Action Required	1166	1109	57	120
Demographic Change	29	16	13	15
Compliance Document	483	365	118	236
CMS Reconciliation	25	22	3	63
HIPAA	20	10	10	12
Adoption/Surrogacy Assistance Form	1	1	0	0
Appeal	22	6	16	21
Application	466	293	173	337
Court Order	52	48	4	5

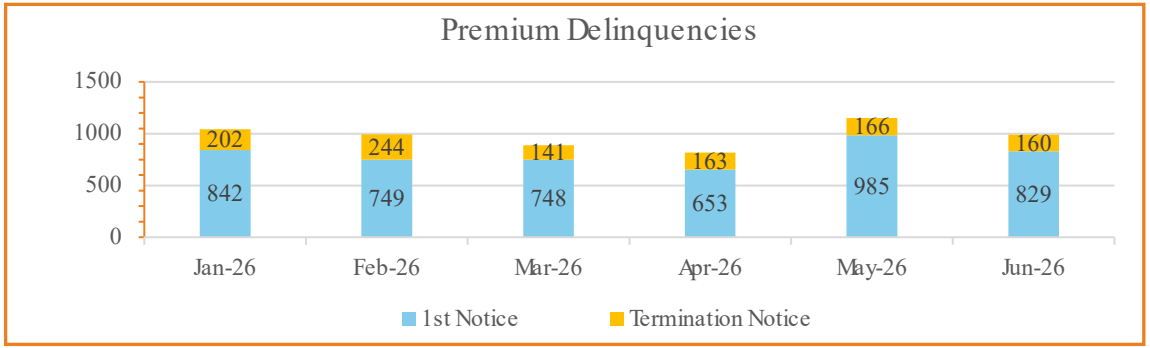


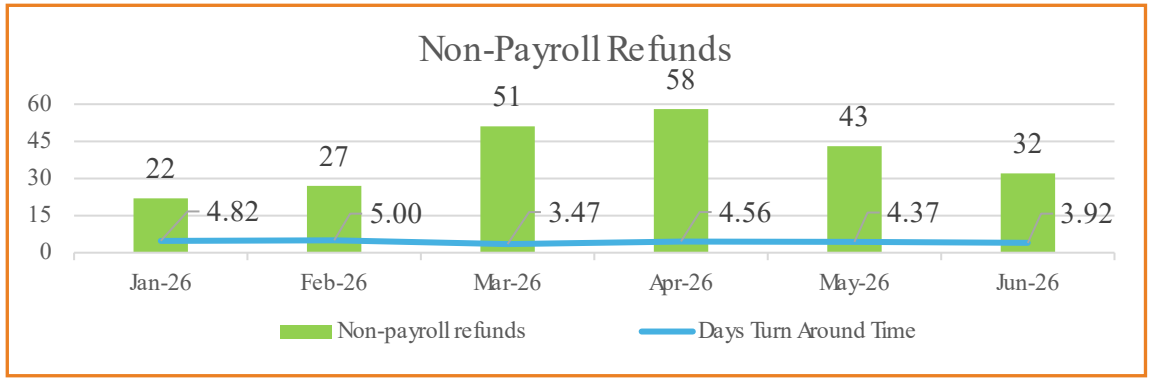
3,296

Members YTD with Returned Mail

Member Experience Dashboard – June 2026

Processing / Operations





Website Engagement

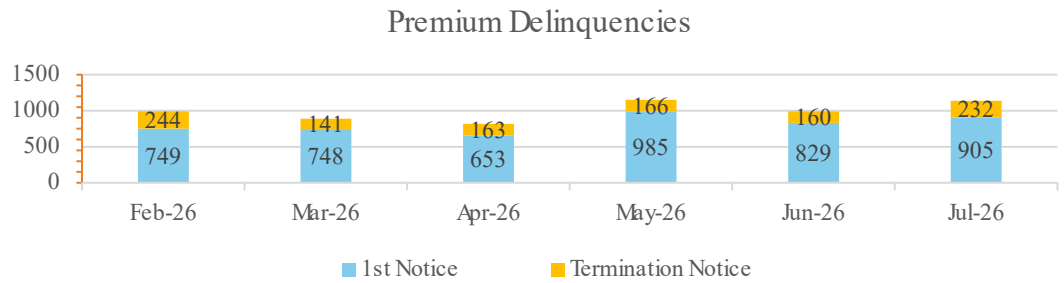
Average Session Duration in Seconds	Unique Users
38	24,075

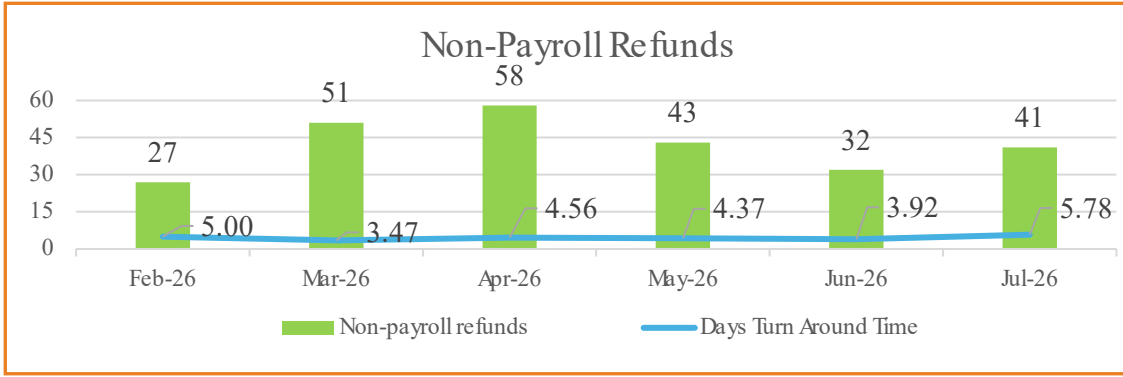
Top SFHSS.ORG Visited Pages

Landing Page	7,109
CCSF Employer Page	2,881
Board Documents	2,711
Contact Us	2,326
Planning to Retire	939

Member Experience Dashboard – July 2026

Processing / Operations





Website Engagement

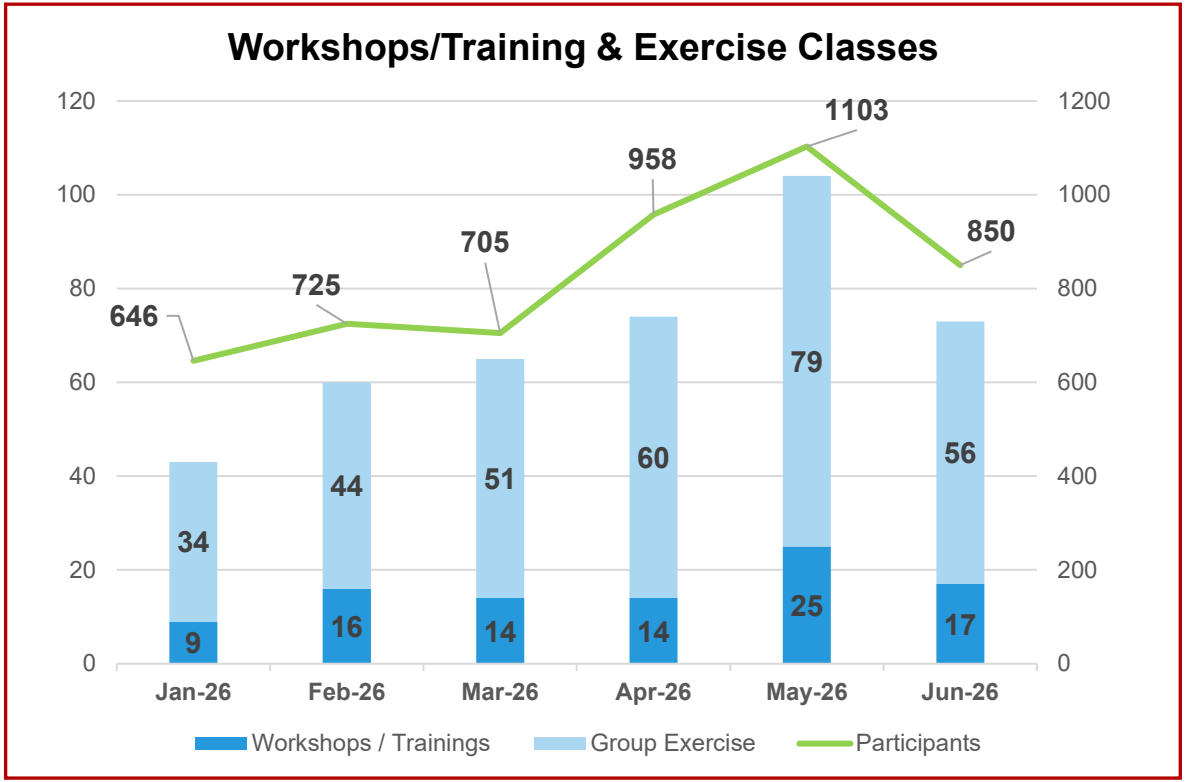
Average Session Duration in Seconds	Unique Users
56	19,822

Top SFHSS.ORG Visited Pages

Landing Page	8,565
CCSF Employer Page	3,588
Benefits	2,730
Contact Us	2,441
Using Your Benefits	1,402

Member Experience Dashboard – June 2026

Well-Being Activities



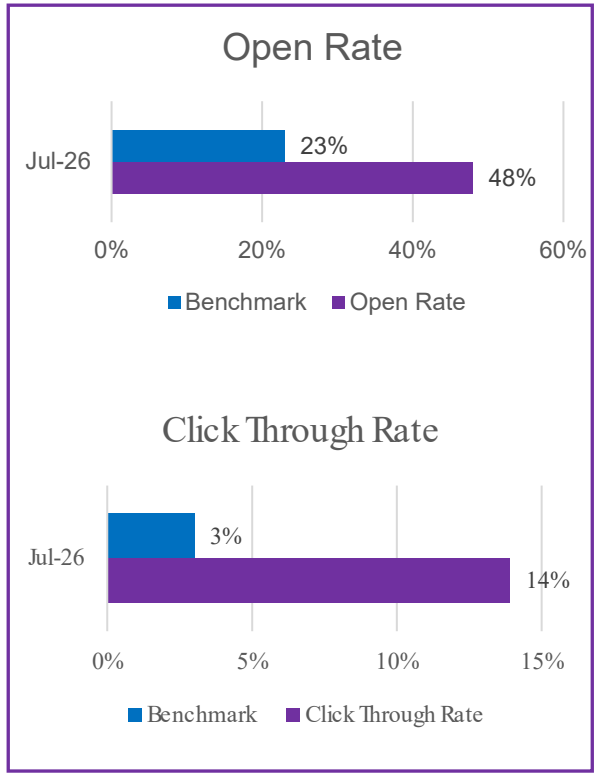
Newsletter

June newsletter was combined with the July newsletter to allow time to apply the HSS Newsletter redesign.

Member Experience Dashboard – July 2026

Well-Being Activities

Newsletter



Member Experience Dashboard – Notes

- **Call Center Metrics:**
  - **Average Speed to Answer (ASA) -** average amount of time in minutes and seconds for a live interaction once the call has entered the queue
  - **Average Handle Time –** average duration in minutes and seconds for a call interaction including hold time and talk time.
  - **Abandonment Rate % -** percentage of callers who hang up before reaching a live agent
  - **First Contact Resolution % -** percentage of member cases resolved during the first interaction.
- **Document Processing Data**: The data reflects the number of correspondences received within each category during the reporting month. Categories have been consolidated under main headings for clarity, for example, the Applications category includes all new hire applications across CCSF, CCD, USD, and other groups, as well as retiree applications for both Medicare and non-Medicare retirees.
  - **Completed Tasks**: The completed task count reflects all tasks resolved during the reporting month, regardless of when they were originally received. It is not uncommon for tasks, particularly applications, to be completed in a month after they were received. Common reasons for this include:
    - The member submitted required supporting documents across two separate months
    - The member submitted a retiree application in advance of their retirement date, requiring SFHSS to wait until the retirement date before processing
    - SFHSS is pending data entry by SFERS or the member's department before action can be taken
  - **Net Change & Remaining Balance**: The Net Change is calculated as the number of tasks completed minus the number of tasks received during the reporting month. The Remaining Balance reflects the total number of incomplete tasks in each category, regardless of the month in which they were received.
- **EAP Utilization:**
  - **Services Provided:** include the number of responses to critical incident for non-first responders and first responder departments, the number of leader/organizational consults for critical incidents, the number of new clients, the number of existing clients, the number of individual consultations, the number of leader/organizations consults, the number of support groups provided, the number of trainings provided by SFHSS EAP, and the number of mediations performed.
  - Individuals Engaged: All individuals engaged in an EAP service including the number of people served for in a critical incident, the number of new clients who sought services under the SFHSS EAP, the number of existing clients who sought services under the SFHSS EAP, the number of individual consultations provided by SFHSS EAP, the number of people served in an leader/organizational consultation, the number of people served in a support group (Guidance Session), the number of people attended a workshop/training facilitated by SFHSS EAP only, the number of individuals engaged in mediation, and those who called ComPsych directly to seek services.

Member Experience Dashboard – Notes

- **Premium Delinquencies:** Delinquencies happen when premium payments are not received. This may occur if there isn't enough money in a paycheck or pension, or if an employee is on unpaid leave and hasn't arranged another way to pay for their benefits. Delinquency notices are sent each month. The first notice alerts the member that a payment was missed. If the balance is not paid, the member will receive a second notice that their benefits have been terminated.
- **Non-Payroll Refunds:** Refunds occur when there are premium differences. For example, a member changes from an EE+1 coverage tier to an EE Only. Refunds also occur when a member sends in a payment after the deadline to reinstate benefits as a result of delinquency. Non-payroll refunds are for those members not in payroll such as retirees or employees on leave. They require manual processing and consequently a higher work effort to process versus payroll refunds.
- **Captured in the outbound mail are:**
  - Member-requested and generated documents (e.g., coverage certificates, incomplete notices, 1095-C copies, applications)
  - Delinquency and Medicare eligibility/enrollment
  - Special mailings as needed (e.g., FSA terminations, domestic partner tax forms, corrections)
- **Returned Mail:** Members who have 5 pieces of returned mail are at risk for termination of benefits. It is the responsibility of the member to maintain current contact information with SFHSS. Included in the YTD count is the returned mail from the prior year open enrollment mailing which is logged after all the year-end activities.
- **Well-Being and EAP Metrics** have a two-month lag on participation / utilization data.
- **Open Rate** measures percentage of successfully delivered emails which were opened by recipients.
- **Click Through Rate** measures percentage of recipients who click on a specific link.
- **Average Session Duration** measures the actual time a website is in the active foreground indicating user interest.