

Finance Committee

Agenda Item 1

Action Item

- Approval of Finance Committee Minutes



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**Joint San Francisco Health Authority/San Francisco Community Health Authority
Minutes of the Finance Committee
May 6, 2015**

Present: Sue Currin, RN, Reece Fawley, Steven Fugaro, MD, John Gregoire, and John F. Grgurina, Jr.

Absent: Eddie Chan, Pharm.D., and Steve Fields

Reece Fawley chaired the meeting.

Approval of Agenda

The Committee unanimously approved the Finance Committee agenda.

- 1. Call to Order and Public Comment on any matters within the SFHA/SFCHA purview** - There were no public comments.
- 2. Approval of Minutes from March 4, 2015 Finance Committee Meeting**
The minutes of the March 4, 2015 Finance Committee meetings were approved.

The meeting was adjourned to Closed Session.

- 3. Review and Approval of 2015-16 Employee Benefit Rates**
These items were discussed in closed session.
- 4. Review and Approval of Year-To-Date Financial Statements and Investment Reports**
This item was discussed in closed session.
- 5. Review and Approval of Medi-Cal Expansion Rate Change**
This item was discussed in closed session.
- 6. Finance Items that Impact Provider Rates and Administrative Expenses**
This item was discussed in closed session.

The meeting resumed in Open Session.

- 7. Report on Closed Session Action Items**
Reece Fawley reported that the Finance Committee approved the following action items.
 - a. Approved the 2015-16 Employee Benefits Rates.

- b. Approved the Year-To-Date Unaudited Financial Statements and Investment Reports.
- c. Approved the Medi-Cal Expansion Rate Change.

8. Review and Approval of 2015-16 Employee Benefit Contracts

Recommendation: San Francisco Health Plan (SFHP) recommends the following employee benefits for benefit year 2015-16 for Finance Committee and Governing Board approval:

- Replace Blue Shield of CA HMO and PPO with Aetna HMO and PPO.
- Renew Kaiser HMO, with an ER copay increase to \$100 (matches Aetna HMO).
- Provide \$0 contribution for employees with a salary of \$75,000 or more, for either Kaiser or Aetna, to meet the requirement to have at least 50% participation in the non-Kaiser option. (Employees with a salary under \$75,000 already pay \$0 for Kaiser HMO and the non-Kaiser option.)
- Renew with Principal Dental.
- Replace Blue Shield Basic Life/ Accidental Death & Dismemberment (AD&D) with Principal Basic Life/AD&D.
- Change vision plan from EyeMed to VSP.
- Renew existing Employee Assistance Program (EAP), Voluntary Life, Short-Term Disability, and Long-Term Disability.

John F. Grgurina, Jr., CEO, and Shawn Paxson, Consultant from Lockton, reviewed the background with the Finance Committee. SFHP proposes changes to the employee benefits for benefit year 2015-16 to provide savings and overall improvements for employees' benefits. The change to Aetna HMO and PPO is proposed because the Aetna network would be a 99% match to the Blue Shield of CA HMO network and Aetna's PPO network would be a very close to the PPO network, with all major hospitals being in-network. There would also be premium savings compared to Blue Shield premiums. Although there would be an HMO \$35 copay for urgent care and \$15 copay for chiropractic care, there would be no deductibles for prescriptions. For the PPO network, there would be a 20% cost share after meeting the deductible and an additional inpatient copay of \$150, but there would be better coverage for specialty drugs.

SFHP recommended approval of the employee benefits contracts, as stated above, for benefit year 2015-16.

The Finance Committee unanimously approved 2015-16 Employee Benefit Contracts for forwarding to the full Board for approval.

9. Review and Approval of Payment of CalPERS Unfunded Liability

Recommendation: SFHP recommends approval to pay the entire amount of SFHP's CalPERS pension unfunded accrued liability of \$2,659,313 by June 30, 2015.

John Gregoire, CFO, reviewed the background to the Finance Committee. The Government Accounting Standards Board (GASB) Statement number 27 (GASB 27) is an accounting standard for pensions provided by State and Local Government Employers. It specifies that an employer's fiscal year ending in 2015 must begin accruing for unfunded pension liability.

SFHP has booked the unfunded accrued liability amount of \$2,659,313 in the February/March 2015 monthly financials statements as an administrative cost to SFHP in this current year.

CalPERS offers the following options to pay off the unfunded accrued liability:

- 1) Pay it back over a 30-year period with annual interest payments of 7.5% (this is the assumed annual investment rate of return CalPERS is using for all pension funds). This would mean total payments of \$7,122,049 over 30 years (interest payments would be \$4.5 million of this total amount).
- 2) Pay it back over a 25-year or 20-year period, or whatever shortened time period the organization selects.
- 3) Pay it all back now.

SFHP recommended the Finance Committee approve the recommendation to pay off the entire amount now for the following reasons:

- 1) It is financially advantageous to pay the entire amount to avoid the annual 7.5% interest payments (totaling \$4.5 Million over 30 years) versus keeping the cash at our current annual investment return of 1.32%.
- 2) Because of SFHP's strong financial balance sheet, we currently have the cash to pay off the entire amount now.
- 3) Paying off the unfunded accrued liability would place SFHP's CalPERS pension funding level at approximately 100% (currently at 84%).

The Finance Committee unanimously approved full payment of CalPERS Unfunded Liability for forwarding to the full Board for approval.

Adjourn

Reece Fawley, Secretary

Agenda Item 7:

- Report on Closed Session Action Items
(Verbal report only)



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