

# Finance Committee

## Agenda Item 2:

### Action Item

## Approval of Minutes

Minutes from March 4, 2015 Meeting



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**Joint San Francisco Health Authority/San Francisco Community Health Authority  
Minutes of the Finance Committee  
March 4, 2015**

**Present:** Sue Currin, RN, Reece Fawley, Steve Fields, John Gregoire, and John F. Grgurina, Jr.

**Absent:** Eddie Chan, PharmD, and Steven Fugaro, MD

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 January 7, 2015 Finance Committee Meeting**  
The minutes of the January 7, 2015 Finance Committee meetings were approved.

The meeting was adjourned to Closed Session.

- 3. Review and Approval of Year-To-Date Unaudited Financial Statements and Investment Reports**  
These items were discussed in closed session.
- 4. Finance Items that Impact Provider Rates and Administrative Expenses**  
This item was discussed in closed session.

The meeting resumed on Open Session.

- 5. Report on Closed Session Action Items**  
Reece Fawley reported that the Finance Committee approved the following action items.
  - a. Approved the Year-To-Date Unaudited Financial Statements and Investment Reports.
- 6. Review and Approval of Contract Approval Process**  
**Recommendation:** San Francisco Health Plan (SFHP) recommends establishing a one million dollar threshold for contracts to be approved by the Governing Board

John F. Grgurina, Jr., CEO, reviewed the background SFHP proposes to establish a one million dollar threshold for contracts that would be required to be presented to the Governing Board for review and approval, within the following framework:

- SFHP holds a contract with the City and County of San Francisco as the third party administrator (TPA) for Healthy Workers, Healthy Kids and Healthy San Francisco. Through these programs there may be subcontracts that are required to fulfill our obligations as the TPA. We believe that since the Department of Public Health (DPH) reviews and approves the TPA services and budget for the program contracts, any subcontracts for the TPA businesses would not require approval by the Governing Board.
- Vendor contracts are often renewed on an annual basis. We propose that the policy for Board approval would not include review and approval of annual renewals of contracts.
- Due to having only six Board meetings per year, we would also recommend that the policy would allow some flexibility regarding exceptions when there are short timeframes and other parameters, e.g. employee health insurance benefits when we have to decide in two to three weeks among the bids and reinsurance, which requires decisions with less than one month. Flexibility would include the parameters of a deal that the Board would provide to the CEO, as was the case with the building leases. In this case, the Board authorized the CEO to execute the agreement as long as the contract was within the approved parameters provided by the Board.

The Finance Committee unanimously approved the establishing a one million dollar threshold for contracts for forwarding to the full Board for final approval with a revision to the second bullet above. The Finance Committee recommends that Board approval of contracts would not include review and approval of annual renewals of contracts, up to five years. After five years, the contract would be presented to the Board for review.

#### **7. Semi-Annual Compliance Report to the Finance Committee**

Nina Maruyama, Officer, Compliance and Regulatory Affairs, attended the Finance Committee to present the SFHP Compliance, Fraud and Abuse Report.

The annual Fraud, Waste and Abuse report is also submitted to the Department of Managed Health Care (DMHC). The report was accepted and is under review. A summary was provided in the Board packet, with an overview of key activities over the past calendar year 2014 related to fraud, abuse and compliance.

After some discussions, the Finance Committee suggested that the mandatory training should be part of the employee bonus process for next fiscal year. Mr. Grgurina stated he will bring this item back in May or June for review.

#### **Adjourn**

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Reece Fawley, Secretary

## Agenda Item 7:

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



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## Agenda Item 8: Action Item

### Review and Approval of 2015-16 Employee Benefit Contracts



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## MEMO

**Date:** April 27, 2015

<b>To</b>	<b>SFHP Finance Committee and Governing Board</b>
<b>From</b>	<b>John F. Grgurina, Jr., CEO</b>
<b>Regarding</b>	<b>Review and Approval of 2015-16 Employee Benefit Contracts</b>

### **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.

### **Background:**

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.

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

## Agenda Item 9: Action Item

### Review and Approval of Payment of CalPERS Unfunded Liability



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## **Finance Committee & Governing Board**

### **MEMO**

<b>Date:</b>	<b>April 27, 2015</b>
<b>To:</b>	<b>Finance Committee and Governing Board</b>
<b>From:</b>	<b>John F. Grgurina Jr., Chief Executive Officer and John A. Gregoire, Chief Financial Officer</b>
<b>Regarding:</b>	<b>Review and Approval of Payment of CalPERS Unfunded Liability</b>

#### **Recommendation:**

San Francisco Health Plan (SFHP) recommends approval to pay the entire amount of SFHP's CalPERS pension unfunded accrued liability of \$2,659,313 by June 30, 2015.

#### **Background:**

The Government Accounting Standards Board (GASB) Statement number 27 (GASB 27) is in reference to an accounting standard for pension 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 is a government employer in the CalPERS Miscellaneous Pooled Plans for the defined benefit pension plan known as 2% @ 55 for employees with hire dates prior to January 1, 2013 and 2% @ 62 for employees with hire dates after December 31, 2012. According to the most recent CalPERS statement in October 2014, SFHP's unfunded accrued liability as of June 30, 2014 is \$2,659,313.

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

CalPERS is offering 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 is recommending to the Finance Committee and the Governing Board to pay off the entire amount now. The reasons are:

- 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%).

Included in the "Additional Background Information" section, for anyone interested in more details, is the letter from the CalPERS actuarial office on this issue.