

PUBLIC EMPLOYEES COMMITTEE
Of the San Francisco Labor Council

Mayor Ed Lee
San Francisco City Hall
1 Dr Carlton B. Goodlett Place
San Francisco, CA 94102

June 7, 2013

Dear Mayor Lee:

Public employee unions are firmly committed to expanding our collaboration with the City and Health Service System to reduce health benefits costs by improving employee health and holding health plans and providers accountable for safe, effective, and fairly priced health care.

Like you, we are heartened by the early success of the HSS-Blue Shield Accountable Care Organizations, resulting in \$52 million in savings over the next two years. This is a powerful demonstration that when we work together, we can achieve better health, better care, and lower costs. The resulting financial savings benefit both City taxpayers and employees.

As we celebrate this success, HSS continues 2014 rate renewal negotiations with Kaiser Foundation Health Plan. With an impending deadline of the HSS board meeting on June 13, we urge you to issue a public letter to Kaiser communicating your concern that Kaiser has thus far refused to negotiate a reduced rate based on these facts:

- HSS Kaiser members have trended younger and required fewer services over the past 7 years. Rather than reduce our 2014 premium to reflect this decreasing utilization, Kaiser is proposing a 5.25% rate increase.
- Kaiser's 2014 proposal contains "Integrated Care Management" and "Service Trends and Factors" fees totaling \$81 million, yet Kaiser provides no data to justify these fees.
- Between 2010 and 2012, HSS paid \$87 million more to Kaiser than it cost Kaiser to provide care. Kaiser's self-reported profits total \$8 billion over the past four years, after calculating community benefit, facility expansion, and infrastructure upgrade costs.
- Kaiser reports standard utilization data, but it does not report members' utilization attributable to provider and system failures (e.g., errors, preventable hospitalizations, and infections).

On May 9, the HSS Board instructed Kaiser to resume negotiations. Since that time, their proposal is unchanged. The City and its employees can no longer afford millions of dollars in unjustified fees and increases. Your voice is urgently needed. On behalf of City residents and employees, we call on you to issue a public letter to Kaiser that reinforces HSS and our concerns about the integrity of Kaiser's rate setting and our need for full transparency of information.

Sincerely,


Bob Muscat
Chair, Public Employees Committee