

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

Memorandum

DATE: March 14, 2019

TO: Karen Breslin, President and Members of the Health Service Board

FROM: Pamela Levin, Chief Financial Officer

RE: Financial Report as of January 31, 2019

This report summarizes revenues and expenses of the Employee Benefit Trust Fund (Trust Fund) and the General Fund Administration Budget for the first seven months of FY 2018-19, as well as fiscal year-end projections through June 30, 2019.

Employee Benefit Trust Fund

On June 30, 2018, the Trust Fund balance was \$77.4 million. Based on activity through January 2019, the fund balance is projected to be \$85.1 million as of June 30, 2019. The projected \$7.7 million increase includes reserves for unpaid claims and is a result of the following changes:

	Change in Fund Balance (in millions)	Page
City Plan	\$ (3.7)	2
Blue Shield Access+ Flex-Funded Plan	4.4	3
Blue Shield Trio Flex-Funded Plan	5.8	4
Delta Dental Self-Funded Plan	1.9	5
Health Care Sustainability Fund	(1.0)	6
Interest	0.7	6
Performance Guarantees	0.5	6
Performance Guarantees – Surrogacy and Adoption	(0.3)	
Transfers Out	(0.6)	6
Total	\$ 7.7	

Pharmacy Rebates are discussed on page 6.

General Fund Administration Budget (including Online Premium Payment Project)

Based on the financial results for the first seven months of FY 2018-19, a year-end balance of \$0.3 million is projected.

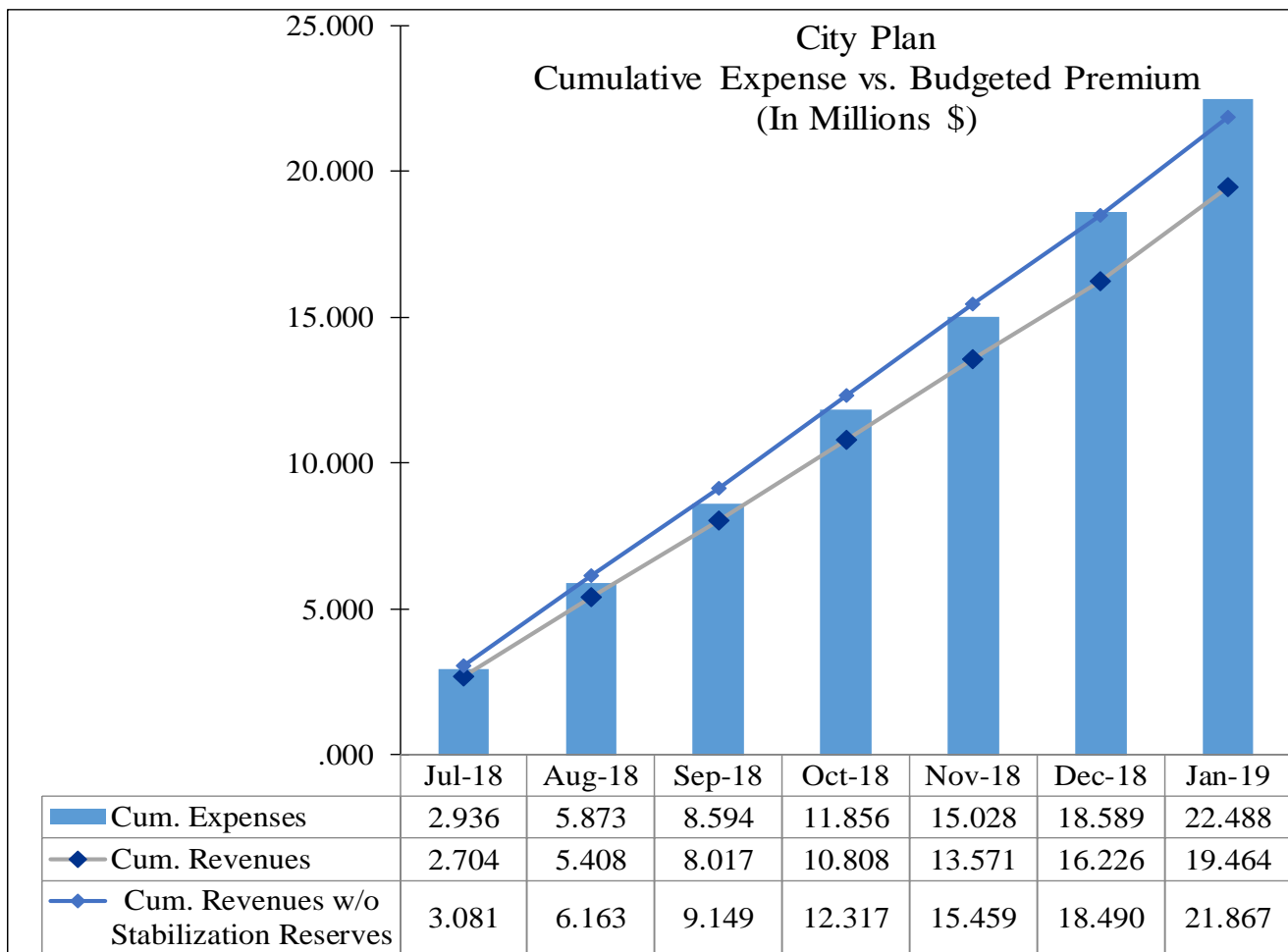
City Plan

Fiscal Year End

A \$3.7 million decrease in fund balance is projected resulting from:

- a. \$4.6 million decrease in fund balance:
 - \$2.3 million associated with subsidizing 2018 rates (for the first six months of FY 2018-19) from the claim stabilization reserve
 - \$0.8 million associated with subsidizing 2019 rates (for the second six months of FY 2018-19) from the claim stabilization reserve
 - \$1.5 million decrease in fund balance due to unfavorable claim experience
- b. \$0.9 million increase in fund balance from pharmacy rebates (details on page 6)

First Seven (7) months



The goal of setting rates is for actual cumulative expenses to be equal to total revenues including the stabilization reserve buy-down/by-up plus the rate stabilization buy-down/by-up. The cumulative expenses are \$0.621 million greater than the revenues without the rate stabilization reserve buy-down (\$22.488 million - \$21.867 million) and with the \$2.4 million rate stabilization buy-down (\$22.488 million - (\$19.464 million + \$2.403 million)).

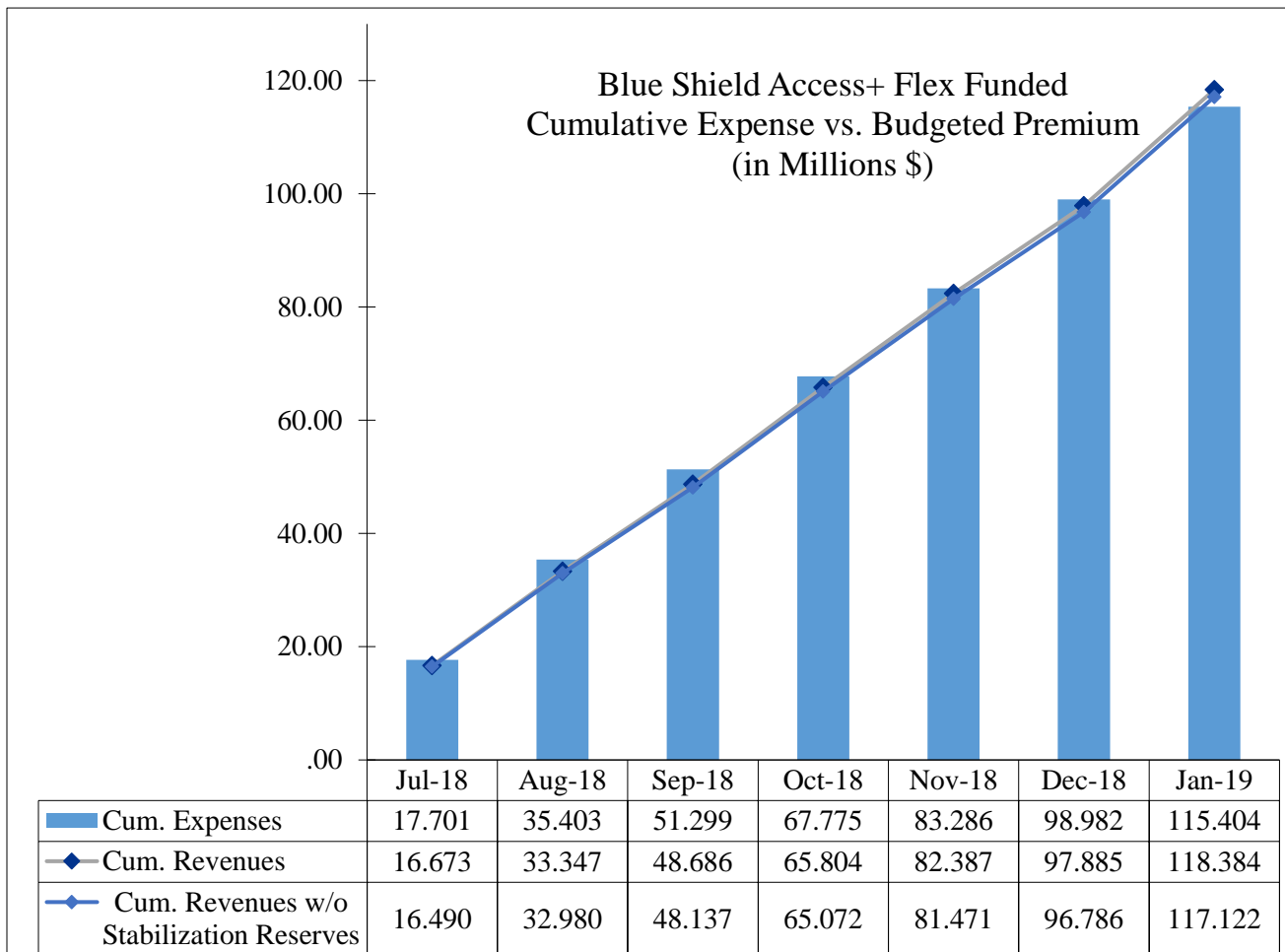
Blue Shield Access+ Flex Funded

Fiscal Year End

A \$4.4 million increase in fund balance is projected resulting from:

- a. \$6.7 million increase in fund balance:
 - \$1.1 million associated with the increase in 2018 rates (for the first six months of FY 2018-19) to recover the 2016 deficit
 - \$1.0 million associated with the increase in 2019 rates (for the second six months of FY 2018-19) to recover the 2017 deficit
 - \$4.6 million of pharmacy rebates (additional information on page 6)
- b. \$2.3 million decrease in fund balance due to unfavorable claim experience

First Seven (7) Months



For the first seven months, overall expenses for the BSC Access+ plan are \$1.718 million less the expected cost levels regardless of whether the cumulative expenses are compared to the actual revenues (\$115.404 million - \$117.122 million = \$1.718 million) and when the cumulative expenses are compared to cumulative revenues with the \$1.262 million buy-up for the rate stabilization reserve (\$115.404 million - (\$118.384 million - \$1.262 million) = \$1.718 million).

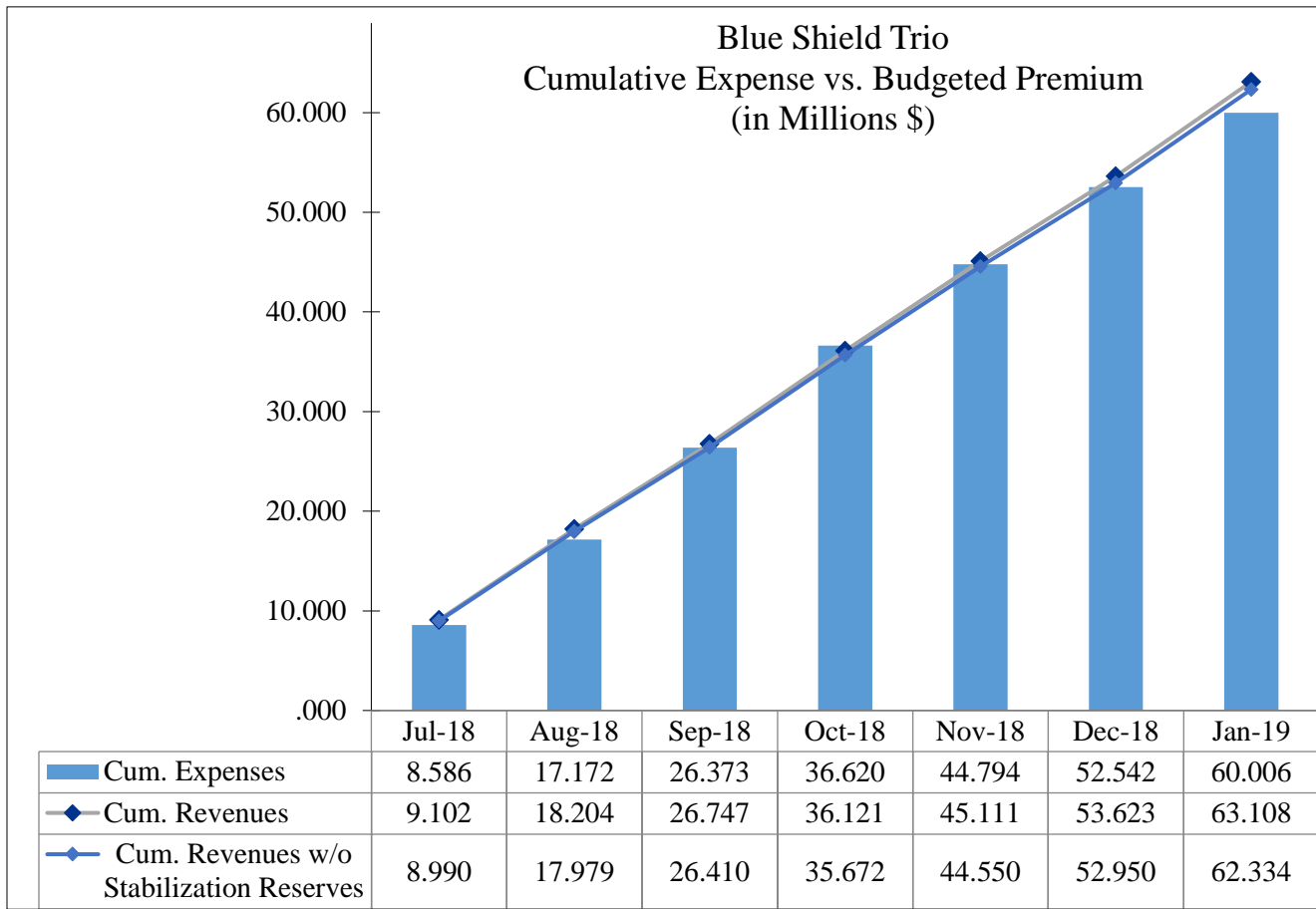
Blue Shield Trio Flex-Funded Plan

Year End

A \$5.8 million increase in fund balance is projected resulting from:

- \$0.7 million associated with the increase in 2018 rates (for the first six months of FY 2018-19) to recover the 2016 deficit
- \$0.6 million associated with the increase in 2019 rates (for the second six months of FY 2018-19) to recover the 2017 deficit
- \$1.4 million in pharmacy rebates (additional information on page 6)
- \$3.1 million due to favorable claim experience

First Seven (7) Months



For July 2018 through January 2019, BSC Trio plan cumulative expenses are \$2.328 million less than the cumulative revenues without the rate stabilization reserve buy-up (\$60.006 million - \$62.334 million = \$2.338 million) and when the cumulative expenses are compared to cumulative revenues with the \$0.774 million buy-up for the rate stabilization reserve (\$60.006 million - (\$63.108 million - \$0.774 million) = 2.328 million).

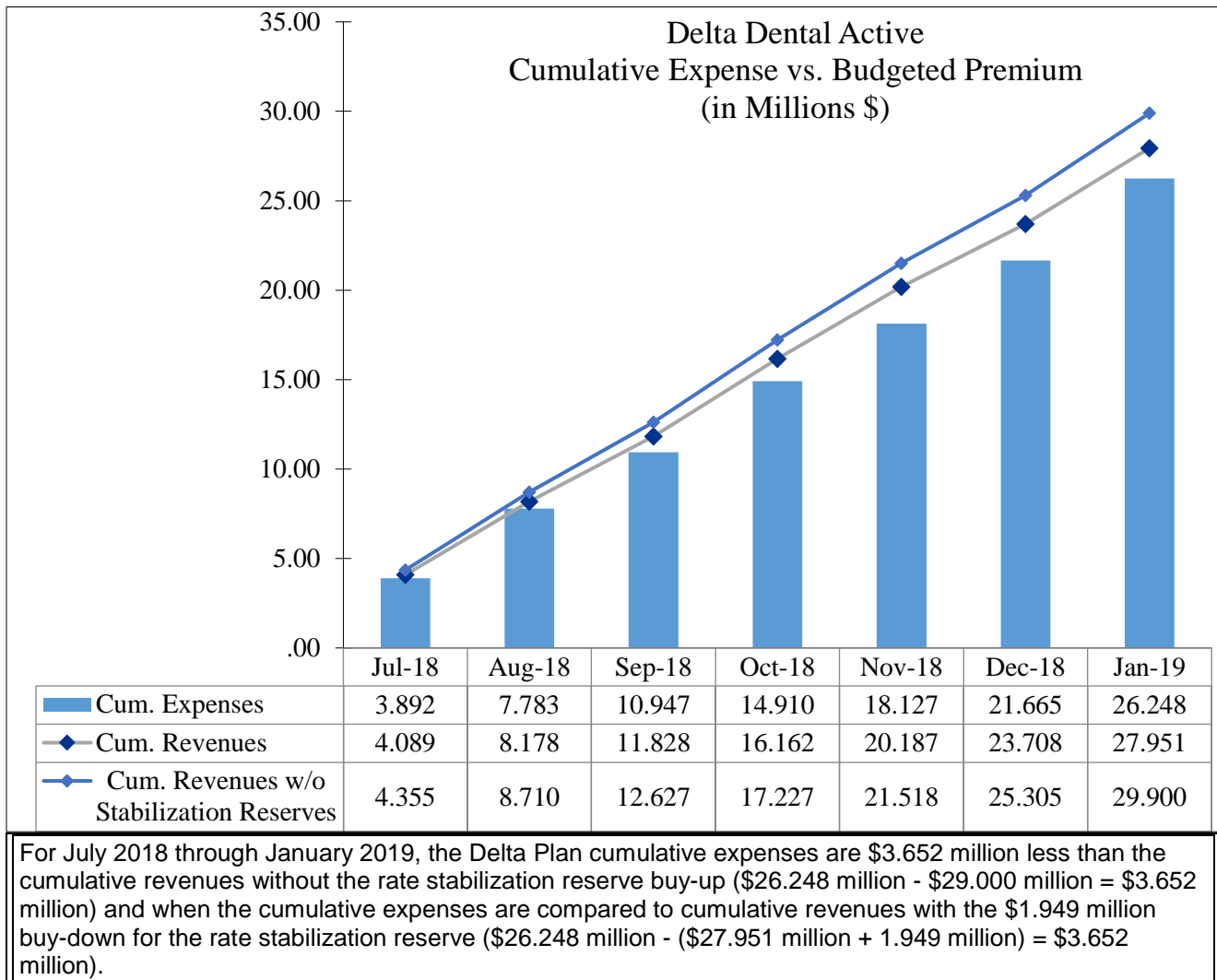
Delta Dental Self-Funded Plan

Year End

A \$1.9 million increase in fund balance is projected resulting from:

- b. \$5.6 million increase in fund balance due to favorable claim experience
- c. \$3.7 million decrease in fund balance:
 - \$1.6 million decrease in fund balance associated with subsidizing 2018 rates (for the first six months of FY 2018-19) from the claim stabilization reserve
 - \$2.1 million decrease in fund balance associated with subsidizing 2019 rates (for the second six months of FY 2018-19) from the claim stabilization reserve

First Seven (7) Months



Healthcare Sustainability Fund - The following table reflects the year-to-date actuals through January 31, 2019. The Revised Budget reflects carryforward of unexpended funds from FY 2017-18 and a reallocation of the budget approved by the Health Service Board on October 11, 2018.

Healthcare Sustainability Fund FY 2018-19				
	Revised Budget	January YTD Actual	Projection	Variance
Revenues/Premiums				
Annual Revenues	\$ 2,441,171	\$ 1,476,915	\$ 2,461,274	\$ 20,103
Carryforward from fund balance	3,399,817	3,399,817	3,399,817	-
Total	\$ 5,840,988	\$ 4,876,732	\$ 5,861,091	\$ 20,103
Expenditures				
Annual Expenditures	\$ 2,184,012	\$ 818,032	\$ 1,967,725	\$ 216,287
One-time Expenditures	2,352,808	306,337	1,211,896	1,140,912
Grand Total Expenditures	\$ 4,536,820	\$ 1,124,369	\$ 3,179,621	\$ 1,357,199
Balance	\$ 1,304,168	\$ 3,752,363	\$ 2,681,470	\$ (1,337,096)

Interest - \$0.7 million increase in fund balance from the Trust Fund cash balances

Performance Guarantees – \$0.5 million has been received in the FY 2018-19. The \$77.4 million fund balance includes the \$7.8 million in PGs received since FY 2005-06.

Performance Guarantees for Adoption and Surrogacy Assistance Plan - \$0.3 million decrease in fund balance for performance guarantees for FY 2018-19. The program was effective January 1, 2017, eleven reimbursements have been paid for a total of \$193,883, including \$95,010 in FY 2018-19.

Transfers Out – Transfer of \$0.5 million from forfeitures and \$0.1 million from the \$3.00 budget to the General Fund the transfers will occur in June after the reconciliation of unused flexible spending account balances for the prior Plan Year and posting of the final General Fund expenditures.

Pharmacy Rebates - The following table summarizes the FY 2018-19 pharmacy rebates as of January 31, 2019 and year-end projection. The rebates offset the claims SFHSS pays to the plans.

Vendor	Amount (year to date)	Year-End Projection
Blue Shield	\$1,510,527	\$6,000,000
UHC	\$ 262,371	\$ 900,000
Total	\$1,772,898	\$6,900,000



HEALTH SERVICE SYSTEM
STATEMENT OF REVENUES AND EXPENSES
FY 2018-2019
FOR THE SEVEN MONTHS ENDED January 31, 2019

ACTIVE & RETIRED COMBINED

	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess(Shortage)
1 SELF-INSURANCE			
2 City Plan, including ASO *	19,464,079	22,488,438	(3,024,359)
3 Blue Shield Access+ *	118,384,137	115,403,506	2,980,632
4 Blue Shield Trio *	63,107,518	60,006,112	3,101,406
5 Delta Dental - Active only, including ASO	27,950,713	26,247,634	1,703,079
6 TOTAL SELF-INSURANCE	228,906,447	224,145,689	4,760,758
8 INSURANCE PRODUCTS			
9 UHC MAPD	41,074,304	41,074,304	0
10 Kaiser-HMO	246,658,805	245,599,805	1,059,000
11 Vision Service Plan, All (City Plan & HMO)	4,296,423	4,269,454	26,969
12 Sub-total HMO	292,029,532	290,943,563	1,085,969
14 Delta Dental - Retired	8,997,508	8,955,749	41,758
15 Delta Care	532,847	520,994	11,853
16 UHC Dental	240,466	237,801	2,664
17 Sub-total Dental	9,770,820	9,714,545	56,276
19 Long Term/Short Term Disability	4,374,402	4,374,402	-
20 Flexible Benefits	1,416,754	1,416,729	25
21 Flexible Spending-Dependent Care	3,150,526	3,248,518	(97,992)
22 Flexible Spending -Medical Reimbursement	4,327,285	3,686,066	641,219
23 Best Doctors (\$1.40)	688,541	664,607	23,934
24 Healthcare Sustainability Fund (\$3.00)	1,476,915	1,124,369	352,546
25 Adoption & Surrogacy		95,010	(95,010)
26 TOTAL INSURANCE PRODUCTS	317,234,776	315,267,810	1,966,966
28 SAVINGS AND INVESTMENTS			
29 Interest	0		0
30 Performance guarantees	195,179		195,179
31 Forfeitures	0		0
32 TOTAL SAVINGS & INVESTMENTS	195,179		195,179
34 TRANSFERS OUT OF FORFEITURES		0	0
36 TOTAL FUNDS	546,336,402	539,413,498	6,922,903

* Expenses are net of pharmacy rebates - see report for details

SUMMARY- In millions	FY18-19	FY18-19
	Year-To Date Actual As of January 2019 - Net	Projected Annual-Net
Self Insurance		
City Plan	(3.0)	(3.7) (a)
Blue Shield-Access+	3.0	4.4 (b)
Blue Shield-Trio	3.1	5.8 (b)
Dental, Actives	1.7	1.9 (c)
Insurance Products		
Medical HMOs	1.1	0.0
Dental	0.1	0.0
LTD/Flexible Benefits/FSA/Best Doctors	0.5	0.0
Healthcare Sustainability Fund (\$3.00)	0.4	(1.0) (d)
Savings & Investments		
Interest	0.0	0.7
Performance guarantees	0.2	0.5 (e)
Performance guarantees - Surrogacy and adoption	0.0	(0.3) (f)
Forfeitures	0.0	0.0
Transfers Out	0.0	(0.6) (g)
TOTAL	6.9	7.8
Net assets		
Beginning of the year		77.4
End of the year		85.2

(a) Annual Projection is net of claim stabilization of \$2.3 million used to reduce 2018 rates, \$0.8 million to reduce 2019 rates, and Pharmacy rebate of \$0.9 million

(b) Annual Projection is net of claim stabilization of \$1.8 million to increase 2018 rates, \$1.6 million to increase 2019 rates, and Pharmacy rebate of \$6 million

(c) Annual Projection is net of claim stabilization of \$1.6 million to reduce 2018 rates and \$2.1 million to reduce 2019 rates

(d) \$3.00 per member per month for communications, wellness, actuarial work; is part of a total premium.

(e) Only reflects performance guarantees received in FY 2018-2019

(f) Reflects use of fund balance

(g) Transfer of \$0.5M from forfeitures and \$0.1M from \$3.00 to General Fund per FY 2018-2019 budget



HEALTH SERVICE SYSTEMS
STATEMENTS OF REVENUES AND EXPENSES
FY2018-2019 VS FY2017-2018
YEAR-TO-DATE: January 31, 2019

	For 7 months ended January 31, 2019	For 7 months ended January 31, 2018	\$ Change	% Change	
1 SELF-INSURANCE					
2 City Plan, including ASO					
3 Revenues	19,464,079	17,448,402	2,015,676	11.6%	I
4 Expenses	(22,488,438)	(22,134,658)	(353,780)	1.6%	
5 Net City Plan Excess(Shortage)	(3,024,359)	(4,686,255)	1,661,896	-35.5%	
6 Blue Shield-Access+					
7 Revenues	118,384,137	170,493,612	(52,109,474)	-30.6%	p
8 Expenses	(115,403,506)	(170,864,031)	55,460,526	-32.5%	p
9 Net Blue Shield-Access Excess(Shortage)	2,980,632	(370,419)	3,351,051	-904.7%	
10 Blue Shield-Trio					
11 Revenues	63,107,518	9,137,606	53,969,912	590.6%	p
12 Expenses	(60,006,112)	(5,158,921)	(54,847,190)	1063.2%	p
13 Net Blue Shield-Trio Excess(Shortage)	3,101,406	3,978,684	(877,278)	-22.0%	
14 Delta Dental - Active only, including ASO					
15 Revenues	27,950,713	28,329,394	(378,681)	-1.3%	
16 Expenses	(26,247,634)	(26,435,128)	187,494	-0.7%	
17 Net Delta Dental - Active Excess(Shortage)	1,703,079	1,894,266	(191,186)	-10.1%	
18 NET SELF-INSURANCE	4,760,758	816,275	3,944,483	483.2%	
19 INSURANCE PRODUCTS					
24 Kaiser-HMO					
25 Revenues	246,658,805	229,829,474	16,829,330	7.3%	d, I
26 Expenses	(245,599,805)	(229,262,800)	(16,337,005)	7.1%	d, I
27 Net Kaiser- HMO Excess(Shortage)	1,059,000	566,675	492,325	86.9%	
28 UHC MAPD					
29 Revenues	41,074,304	34,943,597	6,130,707	17.5%	d, I
30 Expenses	(41,074,304)	(34,943,597)	(6,130,707)	17.5%	d, I
31 Net UHC MAPD Excess(Shortage)	0	0	0		
32 Vision Service Plan, All (City Plan & HMO)					
33 Revenues	4,296,423	3,127,542	1,168,881	37.4%	o
34 Expenses	(4,269,454)	(3,127,542)	(1,141,912)	36.5%	o
35 Net Vision Service Plan Excess(Shortage)	26,969	0	26,969		
36					
37 Delta Dental - Retired					
38 Revenues	8,997,508	8,068,829	928,678	11.5%	d
39 Expenses	(8,955,749)	(8,065,522)	(890,227)	11.0%	d
40 Net Delta Dental - Retired Excess(Shortage)	41,758	3,307	38,451	1162.7%	
41 Delta Care					
42 Revenues	532,847	547,758	(14,911)	-2.7%	
43 Expenses	(520,994)	(550,434)	29,440	-5.3%	a
44 Net Delta Care Excess(Shortage)	11,853	(2,677)	14,530	-542.8%	
45 UHC Dental					
46 Revenues	240,466	219,362	21,104	9.6%	d
47 Expenses	(237,801)	(219,959)	(17,842)	8.1%	d
48 Net UHC Dental Excess(Shortage)	2,664	(598)	3,262	-545.7%	
49 Net Dental	56,276	32	56,243	173290.5%	
50					
51 Long Term/Short Term Disability					
52 Revenues	4,374,402	4,226,462	147,941	3.5%	d
53 Expenses	(4,374,402)	(4,226,462)	(147,941)	3.5%	d
54 Net Long Term/Short Term Disability Excess(Shortage)	0	0	0		
55 Flexible Benefits					
56 Revenues	1,416,754	1,159,342	257,412	22.2%	g
57 Expenses	(1,416,729)	(1,159,342)	(257,387)	22.2%	g
58 Net Flexible Benefits Excess(Shortage)	25	0	25	0.0%	
59 Flexible Spending-Dependent Care					
60 Revenues	3,150,526	2,931,062	219,463	7.5%	d
61 Expenses	(3,248,518)	(3,151,571)	(96,947)	3.1%	f
62 Net Flexible Spending-Dependent Care Excess(Shortage)	(97,992)	(220,508)	122,516	-55.6%	
63 Flexible Spending -Medical Reimbursement					
64 Revenues	4,327,285	3,727,955	599,330	16.1%	d
65 Expenses	(3,686,066)	(3,497,916)	(188,150)	5.4%	f
66 Net Flexible Spending-Medical Reimbursement Excess(Shortage)	641,219	230,039	411,180	178.7%	
67 Best Doctors (\$1.40)					
68 Revenues	688,541	669,623	18,918	2.8%	
69 Expenses	(664,607)	(669,623)	5,016	-0.7%	
70 Net Best Doctors Excess(Shortage)	23,934	0	23,934		
71 Adoption & Surrogacy					
72 Expenses	(95,010)	(15,585)	(79,425)	509.6%	
73 Healthcare Sustainability Fund (\$3.00)					
74 Revenues	1,476,915	1,484,870	(7,955)	-0.5%	
75 Expenses	(1,124,369)	(864,226)	(260,143)	30.1%	e
76 Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	352,546	620,644	(268,098)	-43.2%	
77 NET INSURANCE PRODUCTS	1,966,966	1,181,298	785,669	66.5%	
78 SAVINGS AND INVESTMENTS					
79 Interest	0	15,983	(15,983)	0.0%	
80 Performance guarantees	195,179	0	195,179	0.0%	
81 TOTAL SAVINGS & INVESTMENTS	195,179	15,983	179,196	0.0%	
82 TOTAL NET EXCESS (SHORTAGE)	6,922,903	2,013,556	4,909,348	243.8%	

Notes: a decrease in membership
c decrease in deductions
d increase in membership
e \$3 per member per month for communications, wellness, actuarial work
f increase in claims

I increase in rates
h decrease in rates
g increase in deductions
j decrease in claims
o vision buy-up effective 1/1/18
p effective 1/1/18

Healthcare Sustainability Fund FY 2018-19				
	Revised Budget	January YTD Actual	Projection	Variance
Revenues/Premiums				
Annual Revenues	\$ 2,441,171	\$ 1,476,915	\$ 2,461,274	\$ 20,103
Carryforward from fund balance	3,399,817	3,399,817	3,399,817	-
Total	\$ 5,840,988	\$ 4,876,732	\$ 5,861,091	\$ 20,103
Expenditures				
Annual				
Personnel Services and Mandatory Fringes	\$ 895,588	282,394	\$ 736,015	\$ 159,573
Communications				
Open Enrollment Communications	289,779	309,817	314,540	(24,761)
Operations Communications	123,615	16,360	128,566	(4,951)
Well-Being Communications	197,500	42,864	162,875	34,625
Other Communications	133,197	2,600	132,592	605
Total Communications	\$ 744,091	\$ 371,640	\$ 738,573	\$ 5,518
Well-Being	197,500	17,009	122,500	75,000
Initiatives to Reduce Health Care Costs	346,833	145,987	348,833	(2,000)
SFGTV/Board Meetings		1,001	21,804	(21,804)
Contingency for Unforeseen Issues			-	-
Total Annual Expenditures	\$ 2,184,012	\$ 818,032	\$ 1,967,725	\$ 216,287
One-Time				
Communications				
Open-Enrollment Communications	\$ 275,000		\$ 115,000	\$ 160,000
Operations Communications	1,303,625	13,611	427,620	876,005
Well-Being Communications	60,000		46,650	13,350
Other Communications	513,973	250,191	407,973	106,000
Total Communications	\$ 2,152,598	\$ 263,802	\$ 997,243	1,155,355
Well-Being	85,210	42,535	76,900	8,310
Initiatives to Reduce Health Care Costs	115,000	-	137,753	(22,753)
Total One-Time Expenditures	\$ 2,352,808	\$ 306,337	\$ 1,211,896	\$ 1,140,912
Grand Total Expenditures	\$ 4,536,820	\$ 1,124,369	\$ 3,179,621	\$ 1,357,199
Balance	\$ 1,304,168	\$ 3,752,363	\$ 2,681,470	\$ (1,337,096)



Health Service System
CITY & COUNTY OF SAN FRANCISCO

HEALTH SERVICE SYSTEM - ADMINISTRATION
STATEMENT OF REVENUES AND EXPENDITURES
As of January 31, 2019

YEAR-TO-DATE				ANNUAL					
Fav/(Unfav)				Fav/(Unfav)					
Budget	Actual	Variance	% Var	Original Budget	Revised Budget	Projection	Variance	% Var	
REVENUES									
342,612	0	(342,612)	-100.0%	587,335	587,335	587,335	0	0.0%	
6,439,234	6,439,237	3	0.0%	11,038,687	11,038,687	10,732,895	(305,792)	-2.8%	
3,500	3,500	0	0.0%	6,000	6,000	6,000	0	0.0%	
217,856	0	(217,856)			373,467	373,467	0	0.0%	
7,003,202	6,442,737	(560,465)	-8.0%	11,632,022	12,005,489	11,699,697	(305,792)	-2.5%	
EXPENDITURES									
3,082,065	2,914,427	167,638	5.4%	5,305,540	5,283,540	5,048,357	235,183	-4.5%	
1,491,614	1,407,198	84,416	5.7%	2,557,053	2,557,053	2,503,301	53,752	-2.1%	
1,073,643	873,809	199,834	18.6%	1,705,486	1,840,531	1,862,309	(21,778)	1.2%	
55,732	34,284	21,448	38.5%	43,197	95,541	95,541	0	0.0%	
1,114,412	927,135	187,277	16.8%	2,020,746	2,228,824	2,190,189	38,635	-1.7%	
6,817,467	6,156,854	660,613	9.7%	11,632,022	12,005,489	11,699,697	305,792	-2.5%	
185,735	285,883	100,148		0	0	0			