

# SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

## Memorandum

DATE: April 11, 2019  
TO: Karen Breslin, President and Members of the Health Service Board  
FROM: Pamela Levin, Chief Financial Officer  
RE: Financial Report as of February 28, 2019

This report summarizes revenues and expenses of the Employee Benefit Trust Fund (Trust Fund) and the General Fund Administration Budget for the first eight 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 February 2019, the fund balance is projected to be \$83.9 million as of June 30, 2019. The projected \$6.5 million increase includes reserves for unpaid claims and is a result of the following changes:

	Change in Fund Balance (in millions)	Page
United Health Care PPO Plan	\$ (3.4)	2
Blue Shield Access+ Flex-Funded Plan	4.2	3
Blue Shield Trio Flex-Funded Plan	5.2	4
Delta Dental Self-Funded Plan	0.9	5
Health Care Sustainability Fund	(0.7)	6
Interest	0.7	6
Performance Guarantees	0.5	6
Performance Guarantees – Surrogacy and Adoption Assistance Plan	(0.3)	6
Transfers Out	(0.6)	6
Total	\$ 6.5	

Pharmacy Rebates are discussed on page 6.

### General Fund Administration Budget (including Online Premium Payment Project)

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

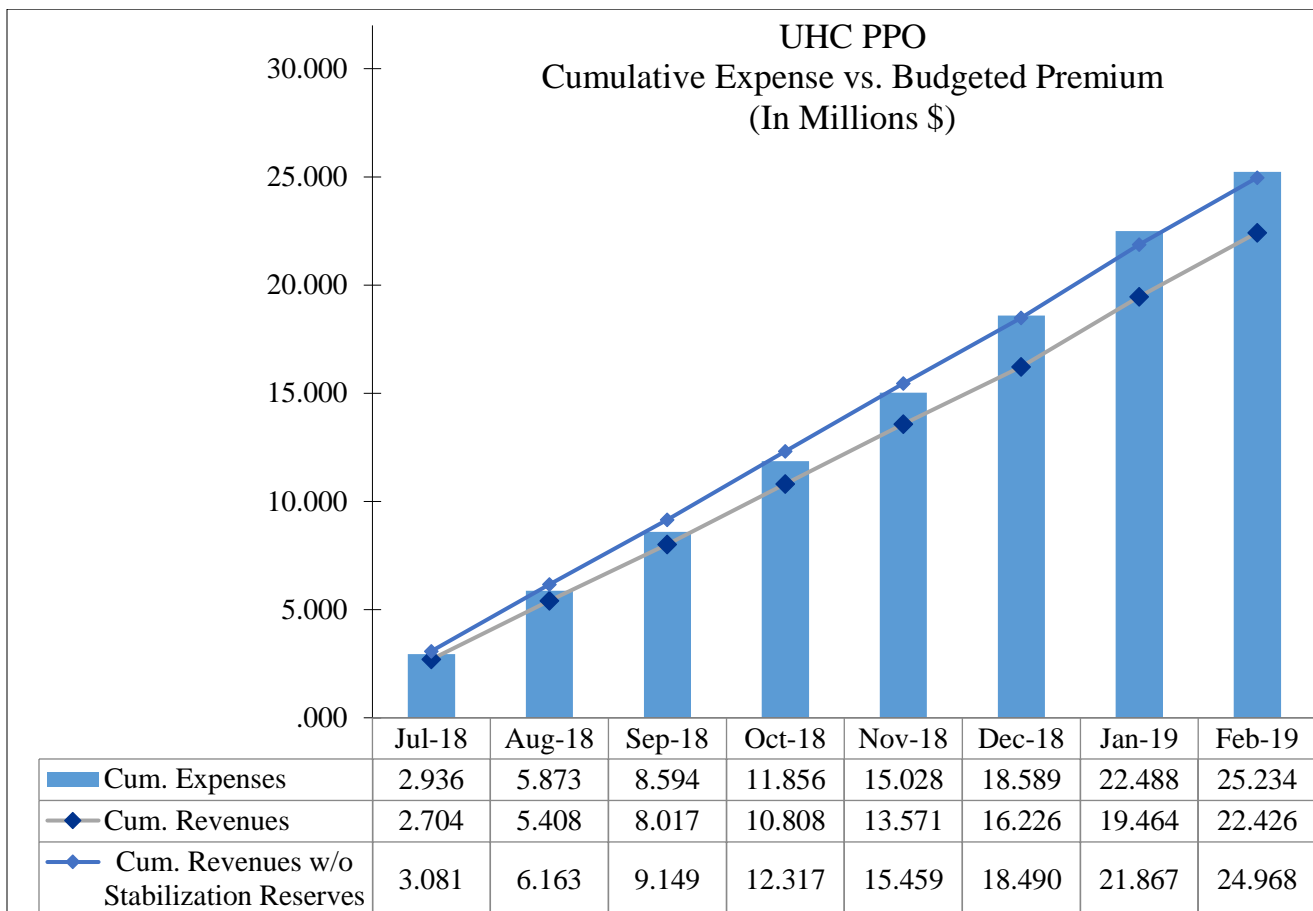
## United Health Care PPO Plan

### Fiscal Year End

A \$3.4 million decrease in fund balance is projected resulting from:

- a. \$4.3 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
  - \$1.2 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 Eight (8) months



Cumulative expenses for UHC PPO continue to track more than the expected cost levels regardless of whether cumulative expenses are compared to the actual revenues (\$25.234 M - \$24.968 M) and when the cumulative expenses are compared to cumulative revenues with the \$2.542 M buy-down for the rate stabilization reserves (\$25.234 M - (\$24.426 M + \$2.542 M)).

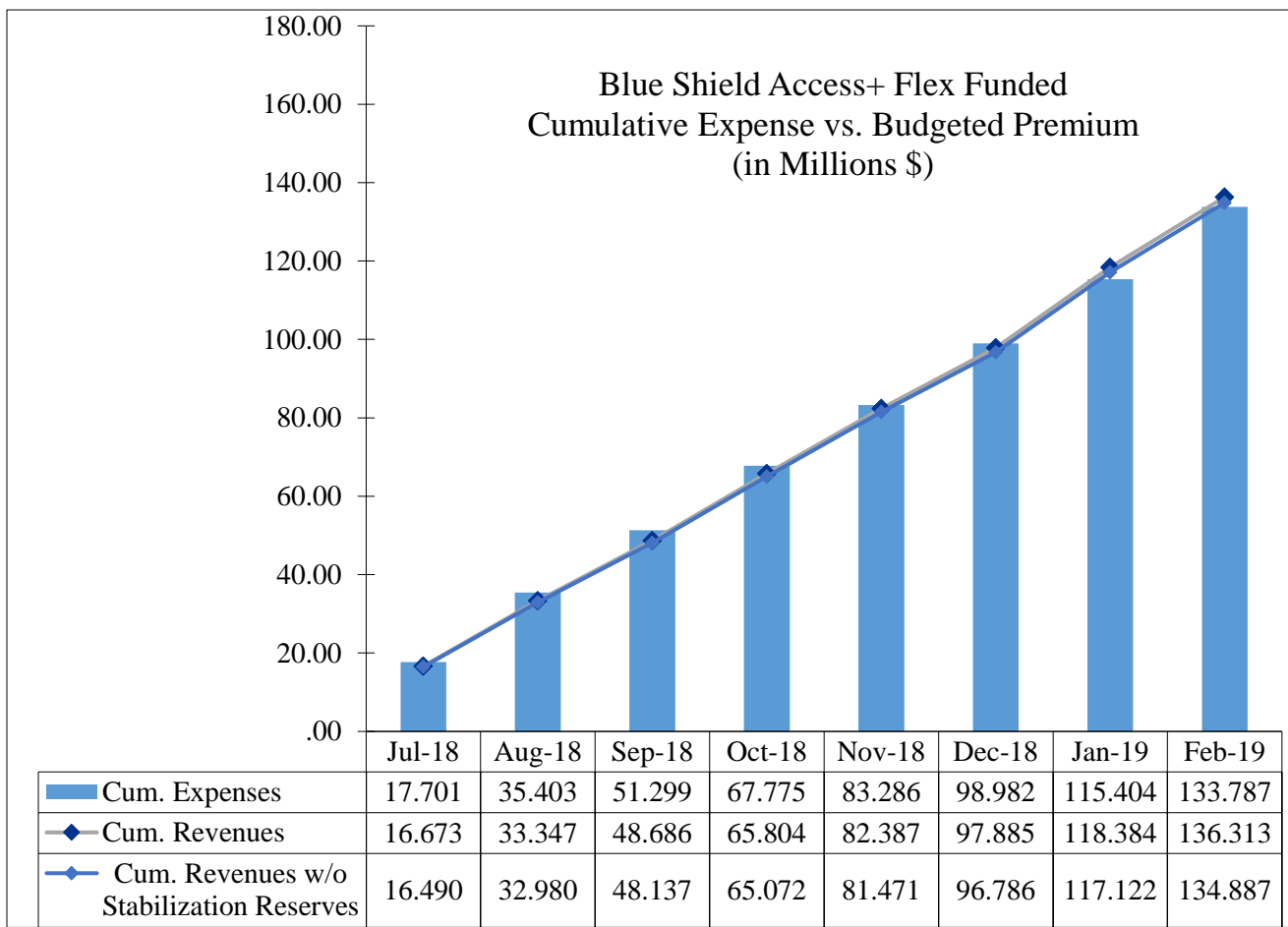
**Blue Shield Access+ Flex Funded Plan**

**Fiscal Year End**

A \$4.2 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. \$2.5 million decrease in fund balance due to unfavorable claim experience

**First Eight (8) Months**



Cumulative expenses for BSC Access+ continue to track less than the expected cost levels regardless of whether cumulative expenses are compared to the actual revenues (\$133.787 M - \$134.887 M) and when the cumulative expenses are compared to cumulative revenues with the \$1.426 M buy-up for the rate stabilization reserves (\$133.787 M – (\$136.313 M - \$1.426 M)).

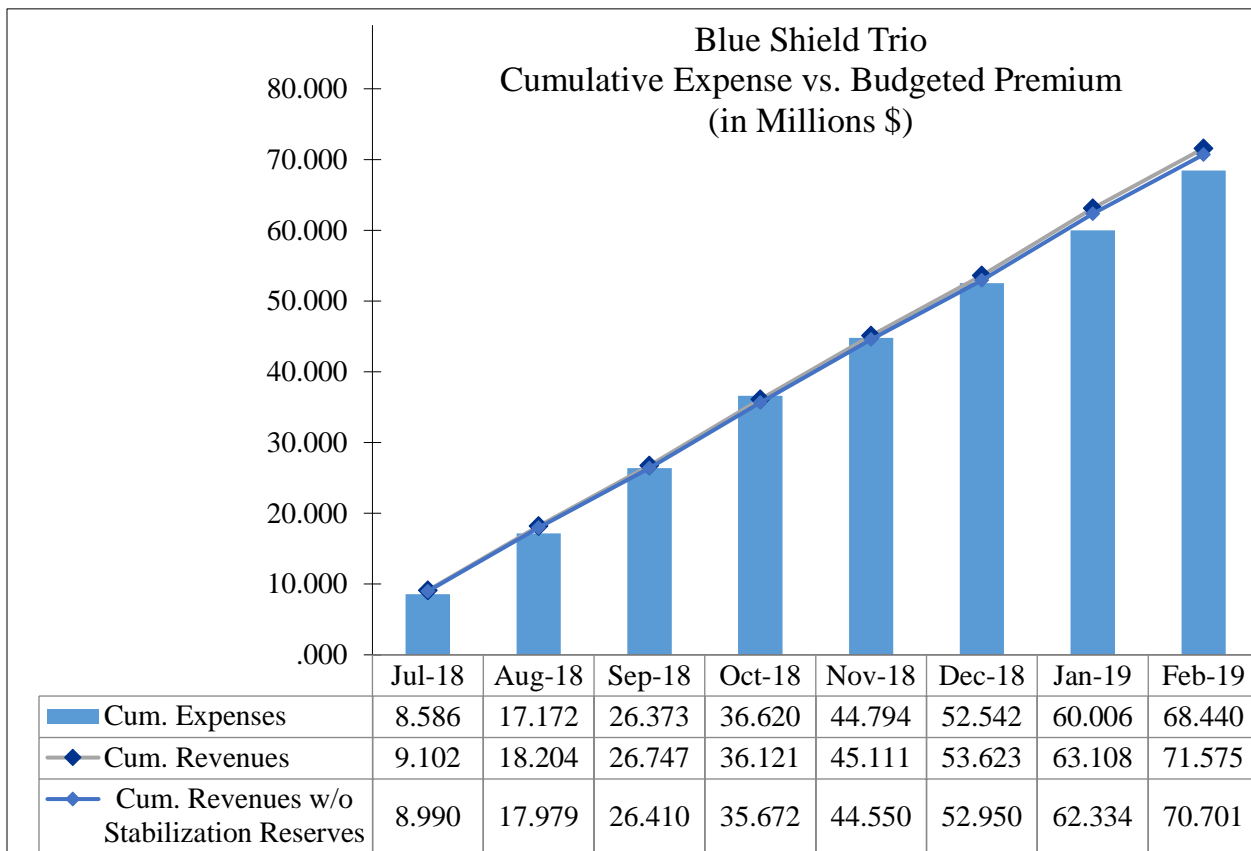
**Blue Shield Trio Flex-Funded Plan**

**Fiscal Year End**

A \$5.2 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)
- \$2.5 million due to favorable claim experience

**First Eight (8) Months**



Cumulative expenses for BSC Trio are \$2.261 M less than the expected cost levels regardless of whether cumulative expenses are compared to the expected cost levels (\$68.440 M - \$70.701 M) and when the cumulative expenses are compared to cumulative revenues with the \$0.874 M buy-up for the rate stabilization reserves (\$68.440 M - (\$70.701 M - \$0.874 M)).

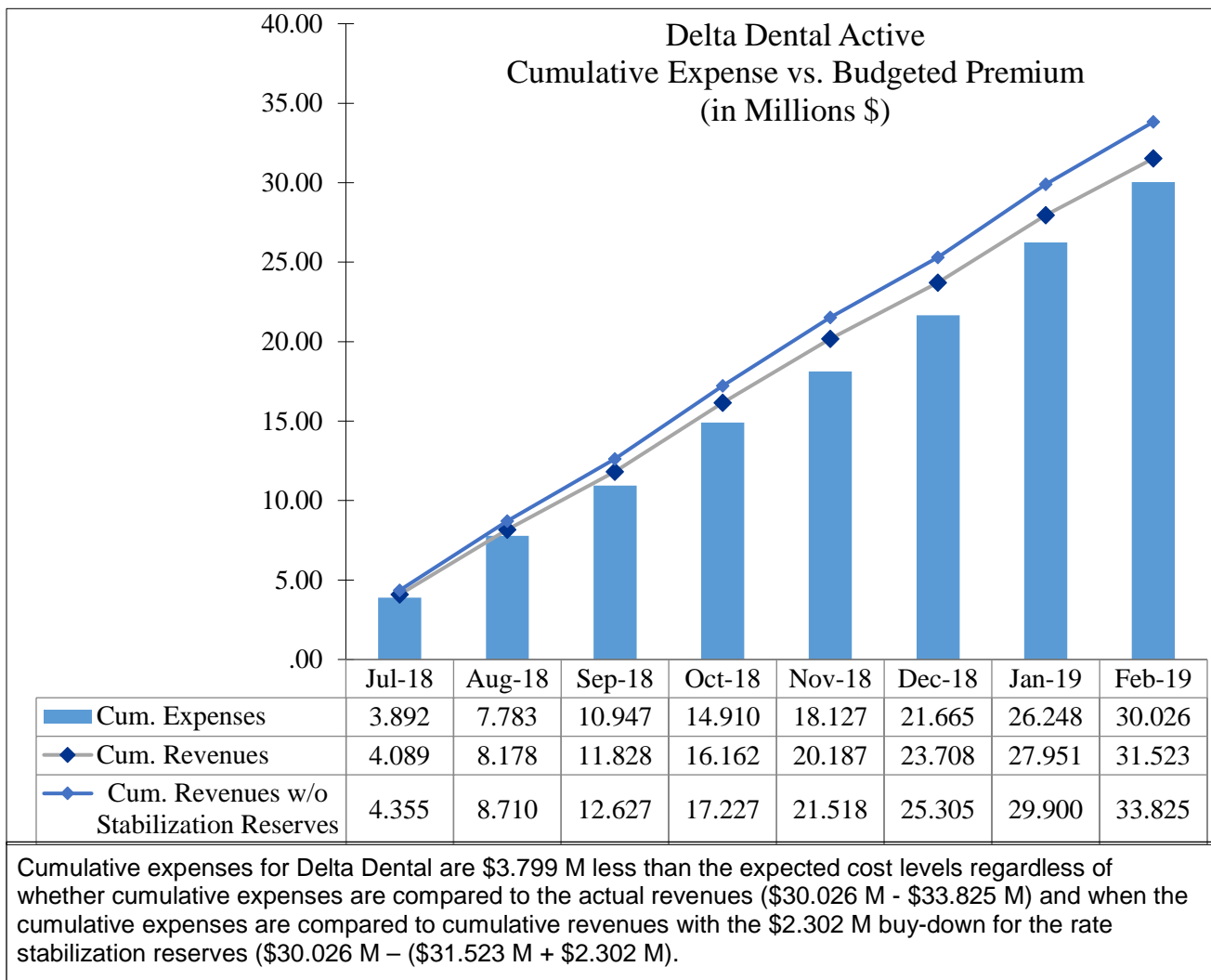
**Delta Dental Self-Funded Plan**

**Fiscal Year End**

A \$0.9 million increase in fund balance is projected resulting from:

- b. \$4.6 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 Eight (8) Months**



**Other Trust Fund Notes**

**Healthcare Sustainability Fund** - The following table reflects the year-to-date actuals through February 28, 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.

<b>Healthcare Sustainability Fund FY 2018-19</b>				
	<b>Revised Budget</b>	<b>February YTD Actual</b>	<b>Projection</b>	<b>Variance</b>
<b>Revenues/Premiums</b>				
Annual Revenues	\$ 2,441,171	\$ 1,689,675	\$ 2,461,274	\$ 20,103
Carryforward from fund balance	3,399,817	3,399,817	3,399,817	-
<b>Total</b>	<b>\$ 5,840,988</b>	<b>\$ 5,089,492</b>	<b>\$ 5,861,091</b>	<b>\$ 20,103</b>
<b>Expenditures</b>				
Annual Expenditures	\$ 2,184,012	\$ 879,209	\$ 1,967,725	\$ 216,287
One-time Expenditures	2,352,808	322,302	1,211,896	1,140,912
<b>Grand Total Expenditures</b>	<b>\$ 4,536,820</b>	<b>\$ 1,201,512</b>	<b>\$ 3,179,621</b>	<b>\$ 1,357,199</b>
<b>Balance</b>	<b>\$ 1,304,168</b>	<b>\$ 3,887,981</b>	<b>\$ 2,681,470</b>	<b>\$ (1,337,096)</b>

**Interest** – An \$0.7 million increase in fund balance is projected based on the Trust Fund cash balances.

**Performance Guarantees** – A total of \$0.5 million has been received in 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** - An \$0.3 million decrease in fund balance from performance guarantees is projected for FY 2018-19. The program was effective January 1, 2017 and thirteen reimbursements have been paid for a total of \$185,936, including \$90,000 in FY 2018-19.

**Transfers Out** – A transfer of \$0.5 million from forfeitures and \$0.1 million from the Health Care Sustainability Fund 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 February 28, 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	\$ 562,431	\$ 900,000
<b>Total</b>	<b>\$2,072,958</b>	<b>\$6,900,000</b>

**ACTIVE & RETIRED COMBINED**

	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess(Shortage)
<b>1 SELF-INSURANCE</b>			
2 UHC PPO, including ASO *	22,426,403	25,233,520	(2,807,117)
3 Blue Shield Access+ *	136,312,886	133,787,100	2,525,786
4 Blue Shield Trio *	71,575,329	68,439,619	3,135,710
5 Delta Dental - Active only, including ASO	31,523,123	30,026,188	1,496,936
<b>6 TOTAL SELF-INSURANCE</b>	<b>261,837,741</b>	<b>257,486,427</b>	<b>4,351,314</b>
<b>8 INSURANCE PRODUCTS</b>			
9 UHC MAPD	46,980,034	46,980,034	0
10 Kaiser-HMO	280,451,765	280,468,767	(17,001)
11 Vision Service Plan, All (City Plan & HMO)	4,943,406	4,926,778	16,628
12 Sub-total HMO	332,375,205	332,375,579	(374)
14 Delta Dental - Retired	10,317,836	10,304,493	13,344
15 Delta Care	603,745	594,554	9,191
16 UHC Dental	275,017	273,510	1,507
17 Sub-total Dental	11,196,598	11,172,556	24,042
19 Long Term/Short Term Disability	5,005,647	5,005,647	0
20 Flexible Benefits	1,627,580	1,627,555	25
21 Flexible Spending-Dependent Care	3,589,502	3,808,744	(219,241)
22 Flexible Spending -Medical Reimbursement	4,980,631	4,551,038	429,592
23 Best Doctors (\$1.15)	787,735	745,436	42,299
24 Healthcare Sustainability Fund (\$3.00)	1,689,675	1,201,512	488,164
25 Adoption & Surrogacy		95,010	(95,010)
<b>26 TOTAL INSURANCE PRODUCTS</b>	<b>361,252,574</b>	<b>360,583,077</b>	<b>669,497</b>
<b>28 SAVINGS AND INVESTMENTS</b>			
29 Interest	0		0
30 Performance guarantees	503,986		503,986
31 Forfeitures			-
<b>32 TOTAL SAVINGS &amp; INVESTMENTS</b>	<b>503,986</b>		<b>503,986</b>
<b>34 TRANSFERS OUT OF FORFEITURES</b>		<b>0</b>	<b>0</b>
<b>35 TOTAL FUNDS</b>	<b>623,594,301</b>	<b>618,069,504</b>	<b>5,524,797</b>

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

SUMMARY- In millions	FY18-19	FY18-19
	Year-To Date Actual As of February 2019 - Net	Projected Annual-Net
Self Insurance		
UHC PPO	(2.8)	(3.4) (a)
Blue Shield-Access+	2.5	4.2 (b)
Blue Shield-Trio	3.1	5.2 (b)
Dental, Actives	1.5	0.9 (c)
Insurance Products		
Medical HMOs	(0.0)	0.0
Dental	0.0	0.0
LTD/Flexible Benefits/FSA/Best Doctors	0.2	0.0
Healthcare Sustainability Fund	0.5	(0.7) (d)
Savings & Investments		
Interest	0.0	0.7
Performance guarantees	0.5	0.5 (e)
Performance guarantees - Surrogacy and adoption	0.0	(0.3) (f)
Forfeitures	0.0	-
Transfers Out	0.0	(0.6) (g)
<b>TOTAL</b>	<b>5.5</b>	<b>6.5</b>
Net assets		
Beginning of the year		77.4
End of the year		83.9

(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

	For 8 months ended February 28, 2019	For 8 months ended February 28, 2018	\$ Change	% Change	
<b>1 SELF-INSURANCE</b>					
2 UHC PPO, including ASO					
3 Revenues	22,426,403	20,177,898	2,248,505	11.1%	I
4 Expenses	(25,233,520)	(24,978,837)	(254,683)	1.0%	
5 Net UHC PPO Excess(Shortage)	(2,807,117)	(4,800,939)	1,993,822	-41.5%	
6 Blue Shield-Access+					
7 Revenues	136,312,886	185,786,494	(49,473,607)	-26.6%	p
8 Expenses	(133,787,100)	(187,997,463)	54,210,362	-28.8%	p
9 Net Blue Shield-Access Excess(Shortage)	2,525,786	(2,210,969)	4,736,755	-214.2%	
10 Blue Shield-Trio					
11 Revenues	71,575,329	18,236,184	53,339,145	292.5%	p
12 Expenses	(68,439,619)	(12,834,839)	(55,604,781)	433.2%	p
13 Net Blue Shield-Trio Excess(Shortage)	3,135,710	5,401,345	(2,265,636)	-41.9%	
14 Delta Dental - Active only, including ASO					
15 Revenues	31,523,123	32,020,357	(497,233)	-1.6%	
16 Expenses	(30,026,188)	(30,139,171)	112,983	-0.4%	
17 Net Delta Dental - Active Excess(Shortage)	1,496,936	1,881,186	(384,251)	-20.4%	
18 <b>NET SELF-INSURANCE</b>	<b>4,351,314</b>	<b>270,623</b>	<b>4,080,691</b>	<b>1507.9%</b>	
19 <b>INSURANCE PRODUCTS</b>					
24 Kaiser-HMO					
25 Revenues	280,451,765	263,644,989	16,806,776	6.4%	d, I
26 Expenses	(280,468,767)	(264,285,660)	(16,183,107)	6.1%	d, I
27 Net Kaiser- HMO Excess(Shortage)	(17,001)	(640,671)	623,670	-97.3%	
28 UHC MAPD					
29 Revenues	46,980,034	40,684,276	6,295,758	15.5%	d, I
30 Expenses	(46,980,034)	(40,684,276)	(6,295,758)	15.5%	d, I
31 Net UHC MAPD Excess(Shortage)	0	0	0		
32 Vision Service Plan, All (City Plan & HMO)					
33 Revenues	4,943,406	3,720,489	1,222,917	32.9%	o
34 Expenses	(4,926,778)	(3,724,192)	(1,202,586)	32.3%	o
35 Net Vision Service Plan Excess(Shortage)	16,628	(3,703)	20,331		
36					
37 Delta Dental - Retired					
38 Revenues	10,317,836	9,491,863	825,973	8.7%	d
39 Expenses	(10,304,493)	(9,426,387)	(878,105)	9.3%	d
40 Net Delta Dental - Retired Excess(Shortage)	13,344	65,476	(52,132)	-79.6%	
41 Delta Care					
42 Revenues	603,745	625,044	(21,300)	-3.4%	a
43 Expenses	(594,554)	(625,349)	30,795	-4.9%	a
44 Net Delta Care Excess(Shortage)	9,191	(305)	9,495	-3117.4%	
45 UHC Dental					
46 Revenues	275,017	252,058	22,959	9.1%	d
47 Expenses	(273,510)	(252,218)	(21,292)	8.4%	d
48 Net UHC Dental Excess(Shortage)	1,507	(160)	1,667	-1041.1%	
49 Net Dental	24,042	65,011	(40,969)	-63.0%	
50					
51 Long Term/Short Term Disability					
52 Revenues	5,005,647	4,836,921	168,726	3.5%	d
53 Expenses	(5,005,647)	(4,836,921)	(168,726)	3.5%	d
54 Net Long Term/Short Term Disability Excess(Shortage)	0	0	(0)		
55 Flexible Benefits					
56 Revenues	1,627,580	1,348,782	278,797	20.7%	g
57 Expenses	(1,627,555)	(1,348,222)	(279,333)	20.7%	g
58 Net Flexible Benefits Excess(Shortage)	25	561	(536)	0.0%	
59 Flexible Spending-Dependent Care					
60 Revenues	3,589,502	3,348,283	241,219	7.2%	d
61 Expenses	(3,808,744)	(3,498,746)	(309,998)	8.9%	f
62 Net Flexible Spending-Dependent Care Excess(Shortage)	(219,241)	(150,463)	(68,778)	45.7%	
63 Flexible Spending -Medical Reimbursement					
64 Revenues	4,980,631	4,291,996	688,635	16.0%	d
65 Expenses	(4,551,038)	(4,037,107)	(513,931)	12.7%	f
66 Net Flexible Spending-Medical Reimbursement Excess(Shortage)	429,592	254,889	174,704	68.5%	
67 Best Doctors (\$1.15)					
68 Revenues	787,735	766,444	21,292	2.8%	
69 Expenses	(745,436)	(766,444)	21,008	-2.7%	
70 Net Best Doctors Excess(Shortage)	42,299	(0)	42,300		
71 Adoption & Surrogacy					
72 Expenses	(95,010)	(46,773)	(48,237)	103.1%	
73 Healthcare Sustainability Fund (\$3.00)					
74 Revenues	1,689,675	1,694,480	(4,805)	-0.3%	
75 Expenses	(1,201,512)	(916,368)	(285,144)	31.1%	e
76 Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	488,164	778,112	(289,948)	-37.3%	
77 <b>NET INSURANCE PRODUCTS</b>	<b>669,497</b>	<b>256,962</b>	<b>412,535</b>	<b>160.5%</b>	
78 <b>SAVINGS AND INVESTMENTS</b>					
79 Interest	0	15,983	(15,983)	0.0%	
80 Performance guarantees	503,986	0	503,986	0.0%	
81 <b>TOTAL SAVINGS &amp; INVESTMENTS</b>	<b>503,986</b>	<b>15,983</b>	<b>488,003</b>	<b>0.0%</b>	
82 <b>TOTAL NET EXCESS (SHORTAGE)</b>	<b>5,524,797</b>	<b>543,569</b>	<b>4,981,228</b>	<b>916.4%</b>	

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	February YTD Actual	Projection	Variance
<b>Revenues/Premiums</b>				
Annual Revenues	\$ 2,441,171	\$ 1,689,675	\$ 2,461,274	\$ 20,103
Carryforward from fund balance	3,399,817	3,399,817	3,399,817	-
<b>Total</b>	<b>\$ 5,840,988</b>	<b>\$ 5,089,492</b>	<b>\$ 5,861,091</b>	<b>\$ 20,103</b>
<b>Expenditures</b>				
<b>Annual</b>				
<b>Personnel Services and Mandatory Fringes</b>	<b>\$ 895,588</b>	<b>308,941</b>	<b>\$ 736,015</b>	<b>\$ 159,573</b>
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	21,313	132,592	605
<b>Total Communications</b>	<b>\$ 744,091</b>	<b>\$ 390,353</b>	<b>\$ 738,573</b>	<b>\$ 5,518</b>
Well-Being	197,500	17,009	122,500	75,000
Initiatives to Reduce Health Care Costs	346,833	161,612	348,833	(2,000)
SFGTV/Board Meetings		1,294	21,804	(21,804)
Contingency for Unforeseen Issues			-	-
<b>Total Annual Expenditures</b>	<b>\$ 2,184,012</b>	<b>\$ 879,209</b>	<b>\$ 1,967,725</b>	<b>\$ 216,287</b>
<b>One-Time</b>				
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
<b>Total Communications</b>	<b>\$ 2,152,598</b>	<b>\$ 263,802</b>	<b>\$ 997,243</b>	<b>1,155,355</b>
Well-Being	85,210	58,500	76,900	8,310
Initiatives to Reduce Health Care Costs	115,000	-	137,753	(22,753)
<b>Total One-Time Expenditures</b>	<b>\$ 2,352,808</b>	<b>\$ 322,302</b>	<b>\$ 1,211,896</b>	<b>\$ 1,140,912</b>
<b>Grand Total Expenditures</b>	<b>\$ 4,536,820</b>	<b>\$ 1,201,512</b>	<b>\$ 3,179,621</b>	<b>\$ 1,357,199</b>
<b>Balance</b>	<b>\$ 1,304,168</b>	<b>\$ 3,887,981</b>	<b>\$ 2,681,470</b>	<b>\$ (1,337,096)</b>

SAN FRANCISCO HEALTH SERVICE SYSTEM - ADMINISTRATION  
STATEMENT OF REVENUES AND EXPENDITURES

As of February 28, 2019

YEAR-TO-DATE				ANNUAL					
Fav/(Unfav)				Fav/(Unfav)					
Budget	Actual	Variance	% Var	Original Budget	Revised Budget	Projection	Variance	% Var	
<b>REVENUES</b>									
391,557	0	(391,557)	-100.0%	587,335	587,335	587,335	0	0.0%	
7,359,125	7,359,128	3	0.0%	11,038,687	11,038,687	10,732,895	(305,792)	-2.8%	
4,000	4,000	0	0.0%	6,000	6,000	6,000	0	0.0%	
248,978	0	(248,978)			373,467	373,467	0	0.0%	
8,003,659	7,363,128	(640,531)	-8.0%	11,632,022	12,005,489	11,699,697	(305,792)	-2.5%	
<b>EXPENDITURES</b>									
3,522,360	3,279,408	242,952	6.9%	5,305,540	5,283,540	5,048,357	235,183	-4.5%	
1,704,702	1,592,938	111,764	6.6%	2,557,053	2,557,053	2,503,301	53,752	-2.1%	
1,227,021	1,040,993	186,028	15.2%	1,705,486	1,840,531	1,862,309	(21,778)	1.2%	
63,694	35,175	28,519	44.8%	43,197	95,541	95,541	0	0.0%	
1,114,412	1,042,687	71,725	6.4%	2,020,746	2,228,824	2,190,189	38,635	-1.7%	
7,632,189	6,991,200	640,989	8.4%	11,632,022	12,005,489	11,699,697	305,792	-2.5%	
371,471	371,928	457		0	0	0			
<b>REVENUE LESS EXPENDITURES</b>									