

# SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

DATE: April 13, 2023

TO: Randy Scott, President, and Members of the Health Service Board

FROM: Iftikhar Hussain, Chief Financial Officer

SUBJECT: Health Service Board Financial Report as of February 28, 2023

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This report covers the sources and uses of the Health Service System Employee Benefit Trust Fund (Trust Fund), the Health Sustainability Fund and the General Fund for the eight months ending February 28, 2023 and projections for FYE 2023

## **Executive Summary**

### **Trust Fund and Health Sustainability Fund**

- In the first eight months, the trust decreased by \$5M due to stabilization and higher medical claims offset in part by the Sutter Health settlement award. The FYE projected net decrease is \$10M.
- For the eight months, net claims were \$8.5M higher. Medical claims were \$10.6M higher offset by \$2M lower dental claims.
- The Healthcare Sustainability Fund projected FYE balance will decrease by \$1.7M as budgeted.
- Pharmacy rebates in the first eight months were \$8.7M and projected to be \$14.8 million for the fiscal year.

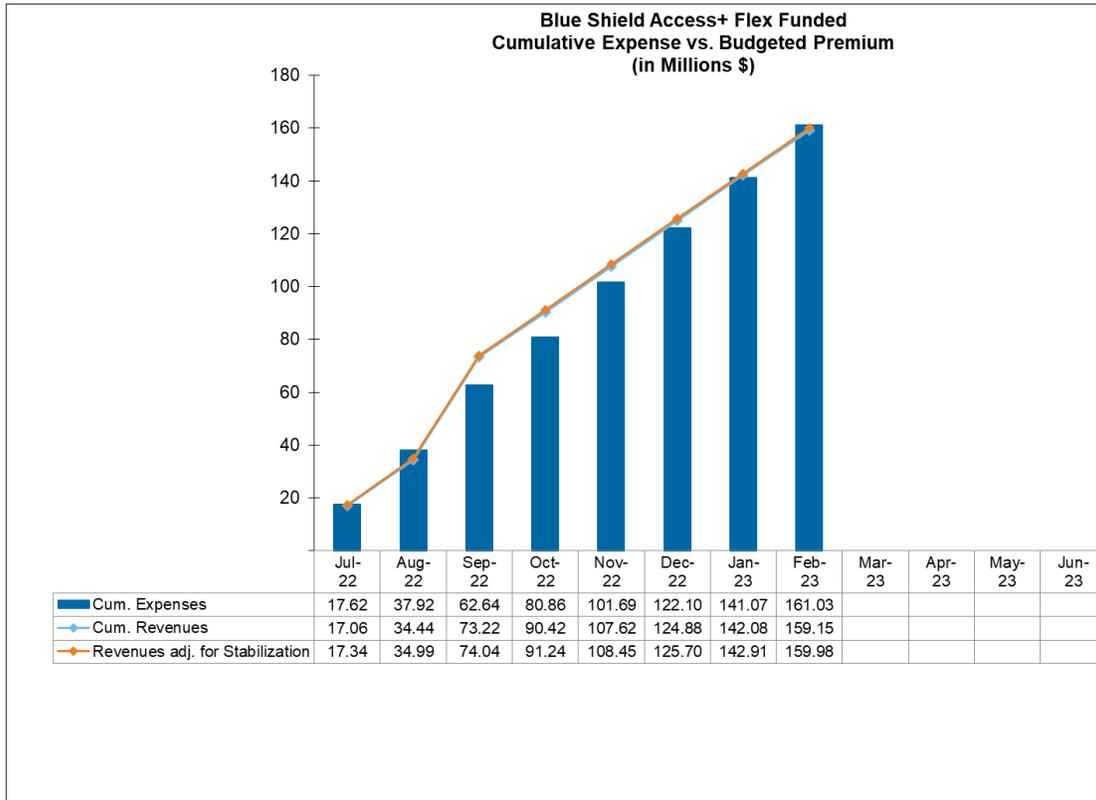
### **General Fund**

The GF has a surplus in the first eight months primarily due to lower personnel expenses due to staff vacancies. Cost of services from other departments is low due to timing delay and will reverse by fiscal year end.

**Detailed Analysis by Fund**

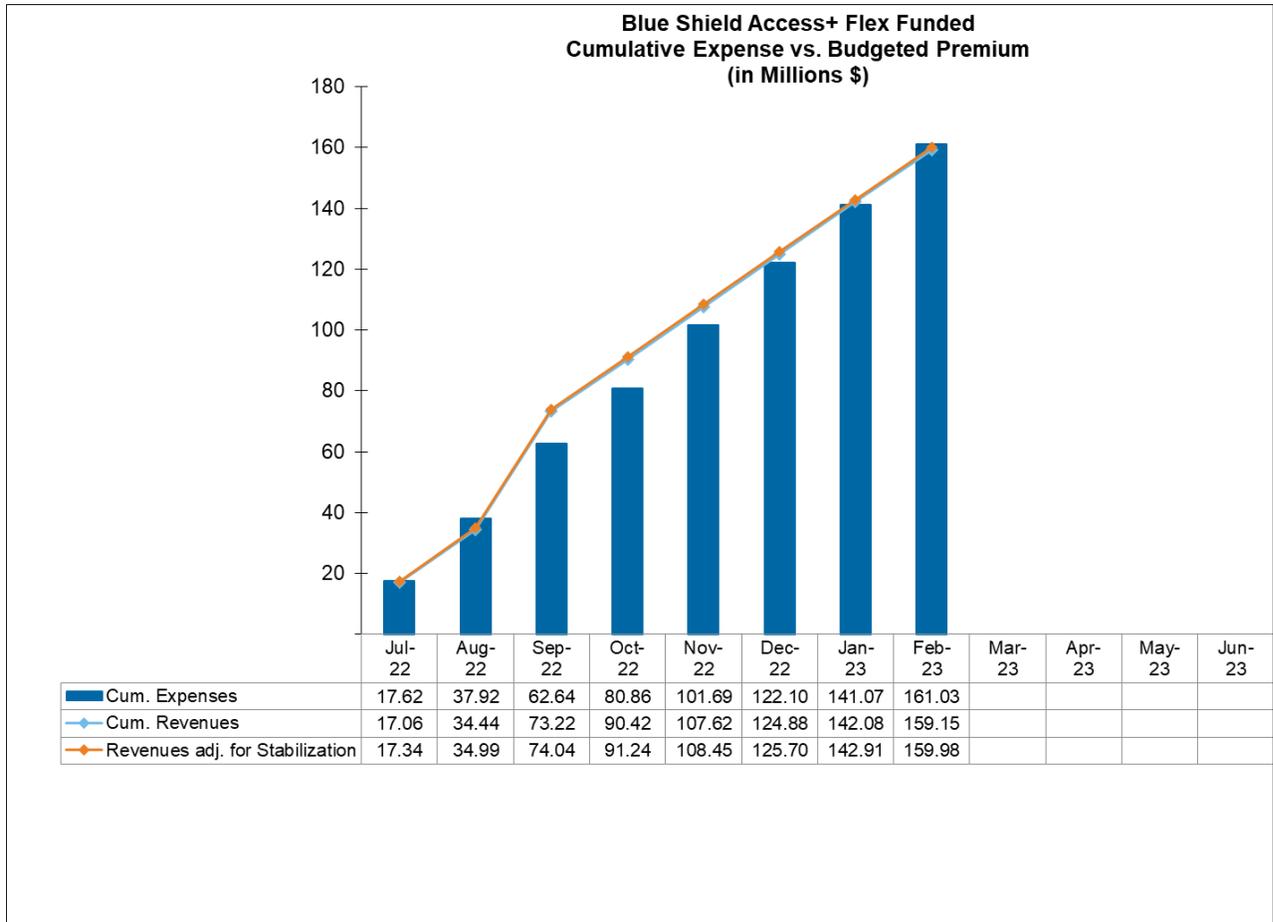
**Blue Shield Access+ Flex Funded Plan**

YTD revenues include \$14.7M Sutter Health settlement award. Projected FYE balance will decrease by \$9.5M due to high claims and rate stabilization.



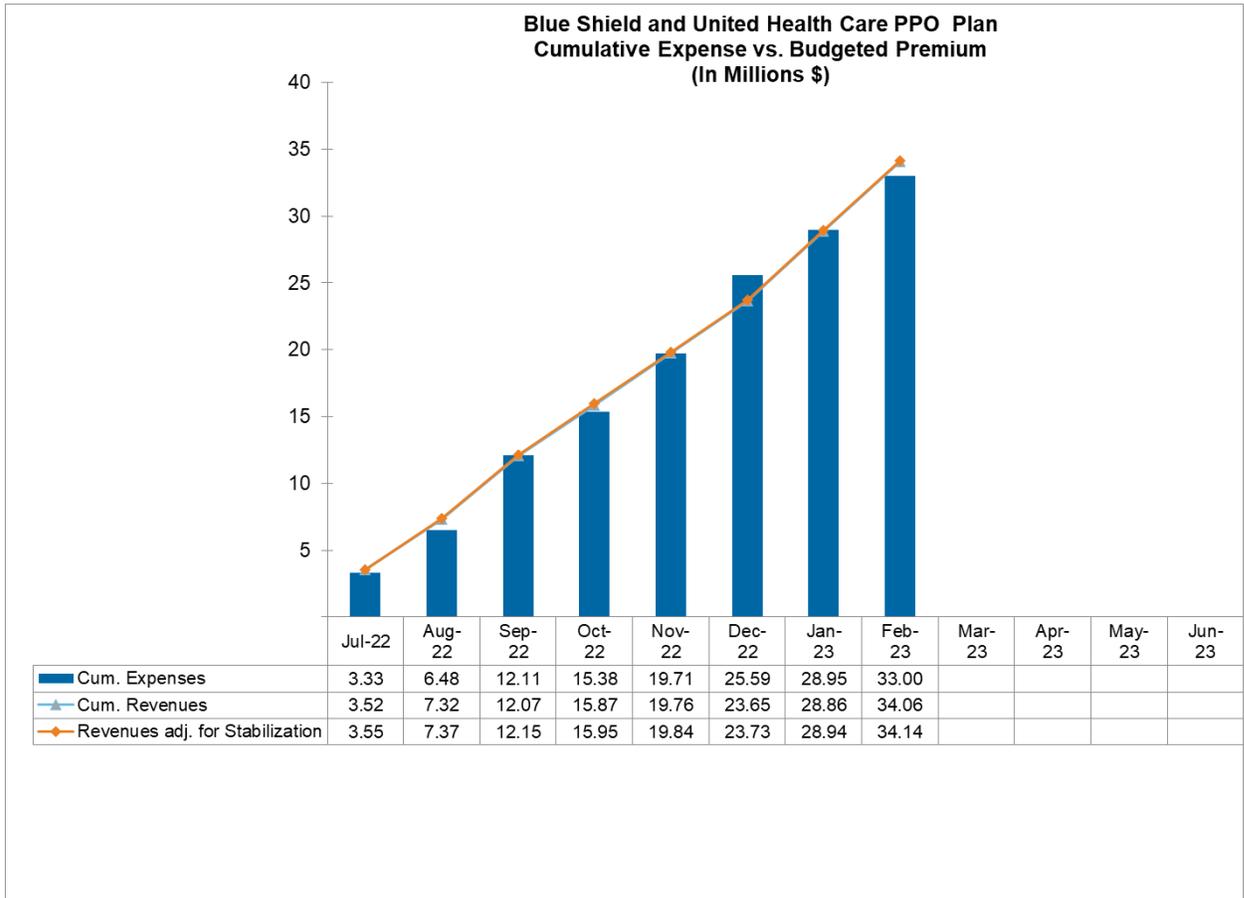
**Blue Shield Trio Flex-Funded Plan**

FYE projected change will be less than \$1M.



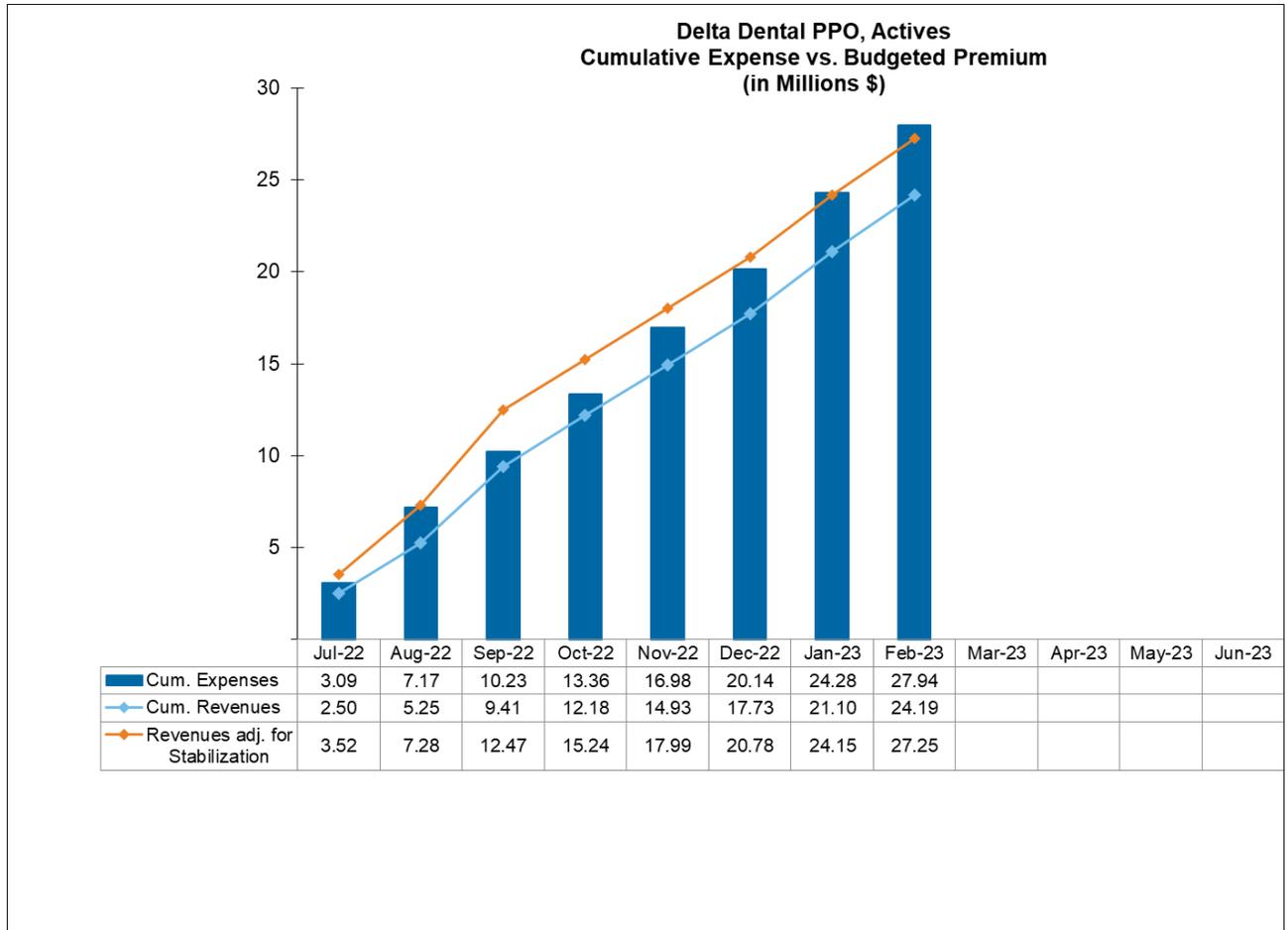
**Blue Shield/United Health Care Administered PPO**

The administration of the self-funded PPO migrated from United to Blue Shield starting in January 2022. The table below shows the combined results of the plan. FYE 2023 net change will be less than \$1M.



**Delta Dental PPO (Actives Only) Self-Funded Plan**

Projected decrease for the year is \$3M due to rate stabilization partially offset by lower claims.



**Other Trust Fund Notes**

Healthcare Sustainability Fund

The Healthcare Sustainability Fund resides within the Trust Fund and is designated for member communications, programs to reduce healthcare costs and member well-being programs. The updated FY 2023 budget includes carry forwards for commitments made before June 31, 2022, reduction in salaries due to movement of funding for 2 positions to the General Fund and updating the beginning fund balance to actual. The projection for the year is at budget.

<b>SAN FRANCISCO HEALTH SERVICE SYSTEM</b> <small>Affordable, Quality Benefits &amp; Well-Being</small>				<b>Healthcare Sustainability Fund FY 2022-23</b>			
	<b>FY 2021-22 Total Actual</b>	<b>FY2022-23 Budget Request (HSS Board)</b>	<b>FY2022-23 Carryforward Budget</b>	<b>FY2022-23 Adjustments</b>	<b>FY 2022-23 Revised Budget + Adj C/F</b>	<b>FY 2022-23 Actuals Feb YTD</b>	<b>FY 2022-23 Projection</b>
<b>REVENUE SOURCES</b>							
Annual Revenues	\$ 2,544,616	\$ 2,552,366		\$ -	\$ 2,552,366	\$ 1,683,609	\$ 2,552,366
Carryforward from Fund Balance	4,527,332	3,969,332		467,843	\$ 4,437,175	-	4,437,175
<b>TOTAL</b>	<b>\$ 7,071,948</b>	<b>\$ 6,521,697</b>	<b>\$ -</b>	<b>\$ 467,843</b>	<b>\$ 6,989,540</b>	<b>\$ 1,683,609</b>	<b>\$ 6,989,541</b>
<b>EXPENDITURE USES</b>							
<b>Personnel</b>	<b>\$ 1,549,921</b>	<b>\$ 2,040,623</b>		<b>\$ (567,427)</b>	<b>\$ 1,473,196</b>	<b>\$ 538,101</b>	<b>\$ 1,473,196</b>
Administrative	6,517	30,000	18,992	115,500	164,492	8,096	164,492
Member Communications	433,331	467,000	69,403	255,500	791,903	354,078	791,903
Communications - Other	243,515	233,870	106,736	314,450	655,056	22,171	655,056
Well-Being	113,849	189,500	64,254	27,000	280,754	84,465	280,754
Initiatives to Reduce Health Care Costs	287,640	378,829	-	249,000	627,829	332,713	627,829
Other Projects	-	50,000	-	220,616	270,616	-	270,616
<b>TOTAL</b>	<b>\$ 2,634,773</b>	<b>\$ 3,389,822</b>	<b>\$ 259,385</b>	<b>\$ 614,639</b>	<b>\$ 4,263,846</b>	<b>\$ 1,339,623</b>	<b>\$ 4,263,846</b>
<b>REVENUE - EXP. (excl. carry forward fund balance)</b>	<b>(90,157)</b>	<b>(837,456)</b>	<b>(259,385)</b>	<b>(614,639)</b>	<b>(1,711,480)</b>	<b>343,987</b>	<b>(1,711,480)</b>
<b>BALANCE</b>	<b>\$ 4,437,175</b>	<b>\$ 3,131,875</b>	<b>\$ (259,385)</b>	<b>\$ (146,796)</b>	<b>\$ 2,725,694</b>	<b>\$ 343,987</b>	<b>\$ 2,725,695</b>

\*Projection based on 8 months of actuals including the carryforward funding from FY 2021-22

**Pharmacy Rebates**

Pharmacy rebates from the health plans administering the Flex and Self-Funded health plans are \$8.6M through February and projected to be \$14.8M for the year.

	Actual	Projected RX
Blue Shield Access+ HMO	5,228,899	8,840,000
Blue Shield Trio HMO	2,433,806	4,160,000
UHC Administered PPO	1,030,195	1,760,000
<b>TOTAL</b>	<b>\$ 8,692,900</b>	<b>\$ 14,760,000</b>

**General Fund**

- The FY 2023 budget has been adjusted for carryforward commitments made before June 31, 2022. Personnel services budget includes funding of two positions from the health sustainability fund budget. Net activity is ahead of budget due to vacancies and billing delays for cost of services from other departments. Projecting a \$376K surplus for the year.



**General Fund Administration Budget FY 2022-23  
ANNUALIZED AS OF 02/28/22**

	FY 2022-23 Approved Budget	Carryforward	FY 2022-23 Revised Budget	FY 2022-23 Actuals	Total Actual YTD	FYE 2022-23 Projection
<b>REVENUES</b>						
Non-Operating Revenue	\$ 9,131		\$ 9,131	\$ -	\$ -	\$ -
Operating Work Order Recovery	13,091,603		13,091,603	8,726,976	8,726,976	13,091,603
Other Revenue	450,000		450,000	-	-	400,000
General Fund Carryforward	-	277,942	277,942	277,942	277,942	820,114
Interfund Transfer	-		-	-	-	-
<b>TOTAL REVENUES</b>	<b>\$ 13,550,734</b>	<b>\$ 277,942</b>	<b>\$ 13,828,676</b>	<b>\$ 9,004,918</b>	<b>\$ 9,004,918</b>	<b>\$ 14,311,717</b>
<b>EXPENDITURES</b>						
Personnel Services	\$ 6,353,817		\$ 6,353,817	\$ 3,486,395	\$ 3,486,395	\$ 6,053,817
Mandatory Fringe Benefits	2,862,833		2,862,833	1,630,092	1,630,092	2,727,850
Non-personnel Services	2,314,006	580,153	2,894,159	1,344,296	1,344,296	2,894,159
Materials & Supplies	61,362	26,594	87,956	29,835	29,835	87,956
Services of Other Departments	1,958,716	213,367	2,172,083	846,425	846,425	2,172,083
			-			
<b>TOTAL EXPENDITURES</b>	<b>\$ 13,550,734</b>	<b>\$ 820,114</b>	<b>\$ 14,370,848</b>	<b>\$ 7,337,043</b>	<b>\$ 7,337,043</b>	<b>\$ 13,935,865</b>
<b>BALANCE</b>	<b>\$ -</b>	<b>\$ (542,172)</b>	<b>\$ (542,172)</b>	<b>\$ 1,667,875</b>	<b>\$ 1,667,875</b>	<b>\$ 375,852</b>

**Trust Fund and Health Sustainability Fund with FYE Projection**

SUMMARY	FY22-23	FY22-23
	Year-to-Date Actual Net as of 02/28/23	Projected Year-End Annual Net
<b>Flex/Self Insurance</b>		
Blue Shield-Access+	(1,878,388)	(9,512,695) (a), (h)
Blue Shield-Trio	332,218	868,738 (a)
Blue Shield and United PPO	1,060,305	1,988,414 (b)
Health Net Canopy Care	826,371	-
Delta Dental PPO, Actives	(3,749,301)	(3,893,951) (c)
<b>Fully Insured Plans</b>		
Medical HMOs	(3,025,525)	-
Dental	(10,442)	-
LTD/Flexible Benefits/FSA/Health Net Canopy Care	2,986	-
Healthcare Sustainability Fund (\$3.00)	343,986	(1,711,480) (d)
<b>Savings &amp; Investments</b>		
Interest	479,344	1,917,378
Performance guarantees	619,103	619,103 (e)
Surrogacy and adoption	(63,720)	(63,720)
Transfers Out	0	(400,000) (g)
<b>TOTAL</b>	<b>(5,063,062)</b>	<b>(10,188,213)</b>
<b>Net assets</b>		
Beginning of the year		<u>106,715,642</u>
End of the year		<u><u>96,527,429</u></u>

(a) Annual Projection is net of claim stabilization of \$2.4 million to decrease 2022 rates, \$3.3 million to decrease 2023 rates, Pharmacy rebate of \$13.0 million, and settlement of \$14.8 million

(b) Annual Projection is net of claim stabilization of \$0.2 million to decrease 2022 rates, \$0.2 million to increase 2023 rates, and Pharmacy rebate of \$1.7 million

(c) Annual Projection is net of claim stabilization of \$6.1 million to reduce 2022 rates and \$2.7 million to reduce 2023 rates

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

(e) Reflects performance guarantees received in FY 2022-2023

(f) Reflects use of fund balance

(g) Transfer of \$0.4M from forfeitures to General Fund.

(h) Includes \$14.8M Sutter settlement distribution

**Supplemental Tables – Trust Fund Activity- Current FY**

 SAN FRANCISCO HEALTH SERVICE SYSTEM <small>Affordable, Quality Benefits &amp; Well-Being</small>	STATEMENT OF REVENUES AND EXPENSES FY 2021-2022 FOR 8 MONTHS ENDED FEBRUARY 28, 2023		
<i>ACTIVE &amp; RETIRED COMBINED</i>	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess (Shortage)
<b>FLEX/SELF-INSURED PLANS</b>			
Blue Shield Access+ HMO*, **	159,152,245	161,030,633	(1,878,388)
Blue Shield Trio HMO*	65,324,751	64,992,532	332,218
Blue Shield and United PPO	34,059,768	32,999,464	1,060,305
Health Net Canopy Care	2,841,468	2,015,097	826,371
Delta Dental PPO- (Active only)	24,194,649	27,943,950	(3,749,301)
<b>TOTAL FLEX/SELF-INSURED PLANS</b>	<b>285,572,881</b>	<b>288,981,676</b>	<b>(3,408,795)</b>
<b>FULLY INSURED PLANS</b>			
UHC MAPD	60,997,536	60,997,536	-
Kaiser-HMO	314,547,761	317,530,729	(2,982,968)
Vision Service Plan	6,404,570	6,447,127	(42,557)
Sub-total HMO	381,949,868	384,975,393	(3,025,525)
Delta Dental PPO - Retirees	12,298,063	12,298,063	-
Delta Care	522,685	529,967	(7,282)
UHC Dental	269,137	272,297	(3,160)
Sub-total Dental	13,089,885	13,100,327	(10,442)
Long Term/Short Term Disability	5,556,827	5,503,097	53,731
Flexible Benefits	2,701,407	2,701,335	72
Flexible Spending-Dependent Care	3,168,122	3,465,722	(297,600)
Flexible Spending -Medical Reimbursement	7,003,277	6,756,494	246,783
Healthcare Sustainability Fund (\$3.00)	1,683,609	1,339,623	343,986
Adoption & Surrogacy	-	63,720	(63,720)
Sub-total Other Benefits	20,113,243	19,829,991	283,252
<b>TOTAL FULLY INSURED PLANS</b>	<b>415,152,995</b>	<b>417,905,710</b>	<b>(2,752,715)</b>
<b>SAVINGS AND INVESTMENTS</b>			
Interest	479,344	-	479,344
Performance guarantees	619,103	-	619,103
Forfeitures	-	-	-
<b>TOTAL SAVINGS &amp; INVESTMENTS</b>	<b>1,098,448</b>	<b>-</b>	<b>1,098,448</b>
<b>TRANSFERS OUT OF FORFEITURES</b>			
			<b>0</b>
<b>TOTAL FUNDS</b>	<b>701,824,324</b>	<b>706,887,386</b>	<b>(5,063,062)</b>

\* Expenses are net of pharmacy rebates - see report for details, \*\* includes Sutter settlement

**Supplemental Tables - Trust Fund Activity- with Prior Year**



STATEMENTS OF REVENUES AND EXPENSES  
FY 2022-2023 VS FY 2021-2022  
YEAR-TO-DATE: FEBRUARY 28, 2023

<i>ACTIVE &amp; RETIRED COMBINED</i>	For 8 Months Ended February 28, 2023	For 8 Months Ended February 28, 2022	\$ Change	% Change
<b>FLEX/SELF-INSURED PLANS</b>				
Blue Shield-Access+ HMO				
Revenues	159,152,245	149,556,619	9,595,626	6.4% b
Expenses	(161,030,633)	(146,232,530)	(14,798,104)	10.1% f
Net Blue Shield-Access Excess(Shortage)	(1,878,388)	3,324,089	(5,202,477)	-156.5%
Blue Shield-Trio HMO				
Revenues	65,324,751	68,346,737	(3,021,986)	-4.4%
Expenses	(64,992,532)	(74,397,537)	9,405,004	-12.6% i
Net Blue Shield-Trio Excess(Shortage)	332,218	(6,050,800)	6,383,018	-105.5%
Blue Shield and United PPO				
Revenues	34,059,768	22,598,002	11,461,766	50.7%
Expenses	(32,999,464)	(27,227,375)	(5,772,089)	21.2%
Net BSC and United PPO Excess(Shortage)	1,060,305	(4,629,372)	5,689,677	
Health Net Canopy Care				
Revenues	2,841,468	457,901	2,383,567	
Expenses	(2,015,097)	(348,665)	(1,666,431)	
Net Health Net Canopy Care Excess(Shortage)	826,371	109,236	717,136	
Delta Dental PPO (Active only)				
Revenues	24,194,649	26,811,974	(2,617,325)	-9.8% h
Expenses	(27,943,950)	(27,500,184)	(443,766)	1.6% i
Net Delta Dental PPO- (Active Only) Excess(Shortage)	(3,749,301)	(688,210)	(3,061,091)	444.8%
<b>NET FLEX/SELF-INSURED PLANS</b>	<b>(3,408,795)</b>	<b>(7,935,057)</b>	<b>4,526,262</b>	<b>-57.0%</b>

Notes:

- a decrease in membership
- b Sutter Settlement
- c decrease in deductions
- d increase in membership

- e \$3 per member per month for communications, wellness
- f increase in claims
- g increase in deductions
- h decrease in rates
- i increase in rates
- j decrease in claims
- k Payperiod Timing

**Supplemental Tables - Trust Fund Activity- with Prior Year (continued)**

		STATEMENTS OF REVENUES AND EXPENSES FY 2022-2023 VS FY 2021-2022 YEAR-TO-DATE: FEBRUARY 28, 2023			
ACTIVE & RETIRED COMBINED		For 8 Months Ended February 28, 2023	For 8 Months Ended February 28, 2022	\$ Change	% Change
<b>FULLY INSURED PLANS</b>					
Kaiser-HMO					
Revenues		314,547,761	308,895,841	5,651,920	1.8% d
Expenses		(317,530,729)	(314,076,311)	(3,454,418)	1.1% d, l
Net Kaiser- HMO Excess(Shortage)		(2,982,968)	(5,180,470)	2,197,501	-42.4% K
UHC MAPD					
Revenues		60,997,536	58,227,280	2,770,256	4.8% d, l
Expenses		(60,997,536)	(58,227,280)	(2,770,256)	4.8% d, l
Net UHC MAPD Excess(Shortage)		0	0	0	
Vision Service Plan, All (City Plan & HMO)					
Revenues		6,404,570	6,082,806	321,764	5.3% d, l
Expenses		(6,447,127)	(6,133,656)	(313,471)	5.1% d, l
Net Vision Service Plan Excess(Shortage)		(42,557)	(50,850)	8,293	-16.3%
Delta Dental PPO - Retirees					
Revenues		12,298,063	11,332,124	965,938	8.5%
Expenses		(12,298,063)	(11,332,124)	(965,938)	8.5%
Net Delta Dental PPO - Retirees Excess(Shortage)		0	0	0	
Delta Care					
Revenues		522,685	586,269	(63,585)	-10.8%
Expenses		(529,967)	(522,568)	(7,399)	1.4%
Net Delta Care Excess(Shortage)		(7,282)	63,702	(70,984)	-111.4%
UHC Dental					
Revenues		269,137	292,825	(23,688)	-8.1%
Expenses		(272,297)	(290,707)	18,410	-6.3%
Net UHC Dental Excess(Shortage)		(3,160)	2,118	(5,278)	-249.2%
Long Term/Short Term Disability					
Revenues		5,556,827	6,014,463	(457,636)	-7.6%
Expenses		(5,503,097)	(5,354,779)	(148,318)	2.8%
Net Long Term/Short Term Disability Excess(Shortage)		53,731	659,684	(605,953)	-91.9% k
Flexible Benefits					
Revenues		2,701,407	2,534,440	166,967	6.6% g
Expenses		(2,701,335)	(2,534,440)	(166,895)	6.6% g
Net Flexible Benefits Excess(Shortage)		72	0	72	
Flexible Spending-Dependent Care					
Revenues		3,168,122	4,005,207	(837,084)	-20.9% c
Expenses		(3,465,722)	(4,039,704)	573,982	-14.2% c
Net Flexible Spending-Dependent Care Excess(Shortage)		(297,600)	(34,497)	(263,103)	762.7%
Flexible Spending -Medical Reimbursement					
Revenues		7,003,277	6,123,498	879,779	14.4% g
Expenses		(6,756,494)	(6,265,303)	(491,191)	7.8% f
Net Flexible Spending-Medical Reimbursement Excess(Shortage)		246,783	(141,805)	388,588	-274.0%
Adoption & Surrogacy					
Expenses		(63,720)	0	(63,720)	
Healthcare Sustainability Fund (\$3.00)					
Revenues		1,683,609	1,723,586	(39,977)	-2.3%
Expenses		(1,339,623)	(1,712,817)	373,194	-21.8% e
Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)		343,986	10,770	333,217	3094.1%
<b>NET FULLY INSURED PLANS</b>					
		<b>(2,752,715)</b>	<b>(4,671,349)</b>	<b>1,918,634</b>	<b>-41.1%</b>
<b>SAVINGS AND INVESTMENTS</b>					
Interest		479,344	0	479,344	
Performance guarantees		619,103	914,305	(295,202)	
Forfeitures		0	0	0	
<b>TOTAL SAVINGS &amp; INVESTMENTS</b>		<b>1,098,448</b>	<b>914,305</b>	<b>184,142</b>	<b>1616.8%</b>
<b>TOTAL NET EXCESS (SHORTAGE)</b>		<b>(5,063,062)</b>	<b>(11,692,101)</b>	<b>6,629,039</b>	<b>-56.7%</b>

Notes:

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