

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

DATE: April 14, 2022

TO: Dr. Stephen Follansbee, President and Members of the Health Service Board

FROM: Iftikhar Hussain, Chief Financial Officer

SUBJECT: Health Service Board Financial Report as of February 28, 2022

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 through February 28, 2022, and the fiscal year-end (FYE) projections.

Executive Summary

Trust Fund and Health Sustainability Fund

- The projected change for the year is \$2.4M decrease with a projected ending balance is \$123M. The decrease is primarily due to rate stabilization.
- The net change through February is \$898K decrease.
- Flex and Self-insured plans cumulative year-to-date balance decreased by \$260K made up of:
 - Blue Shield Access + HMO: \$5.5M increase
 - Blue Shield Trio HMO: \$5.2M decrease
 - Blue Shield PPO: New plan beginning February. \$4M increase due to claims lag.
 - UHC administered PPO: \$4M decrease due to payout of claims after the end of the plan year in December 2021.
 - Delta Dental PPO plan (Actives): \$238K decrease.
- Insured plan revenues and expenses are expected to net out by year end, however, as of February the balance decreased by \$1.7M.
- Healthcare Sustainability Fund decreased by \$10K
- Interest from Investments will be recorded when information is available by FYE.
- Pharmacy Rebates collected were \$6.2M

General Fund

The general fund projected balance for the year is a surplus of \$135K

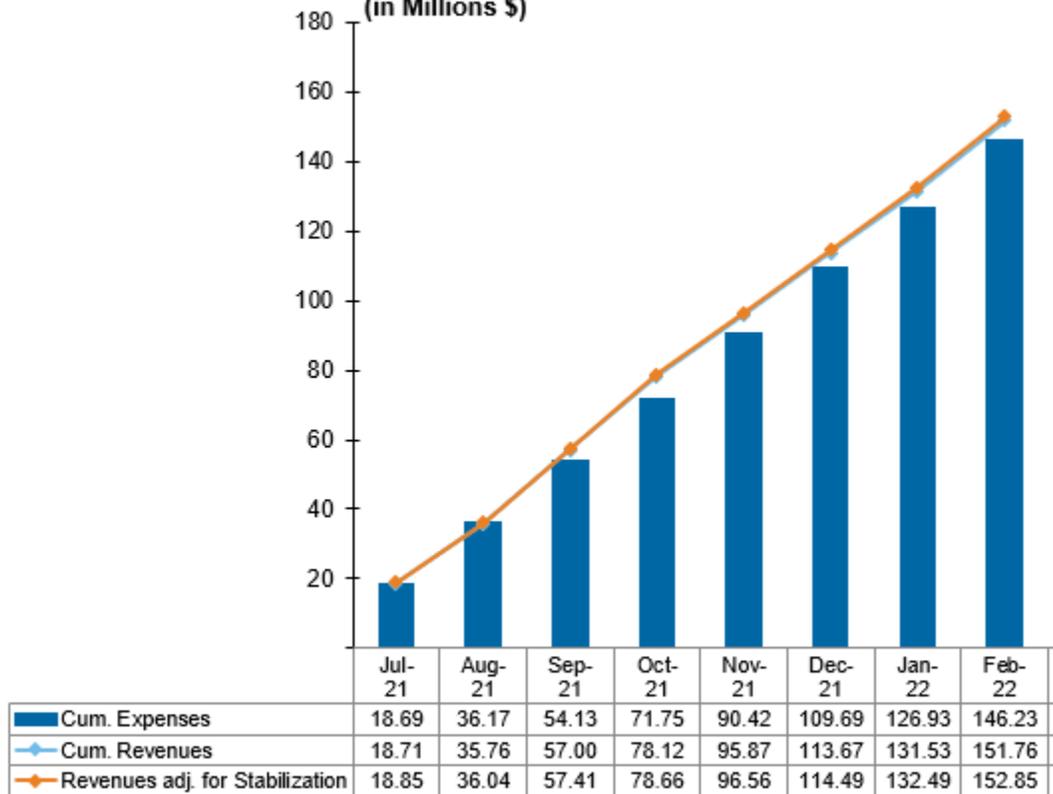
Detailed Analysis by Fund

Blue Shield Access+ Flex Funded Plan

Projecting a fiscal year-end increase of \$7.3M in fund balance due to the following:

- Rate Stabilization Effect:
 - \$820K associated with the decrease in 2021 rates (for the first six months of FY 2021-22) due to the rating buy-down from the 2019 year-end claim stabilization surplus
 - \$1.5M associated with the decrease in 2022 rates (for the second six months of FY 2021-22) due to the rating buy-down from the 2020 year-end claim stabilization surplus
- \$9.4 increase due to lower claims, net of pharmacy rebate(s).

**Blue Shield Access+ Flex Funded
 Cumulative Expense vs. Budgeted Premium
 (in Millions \$)**

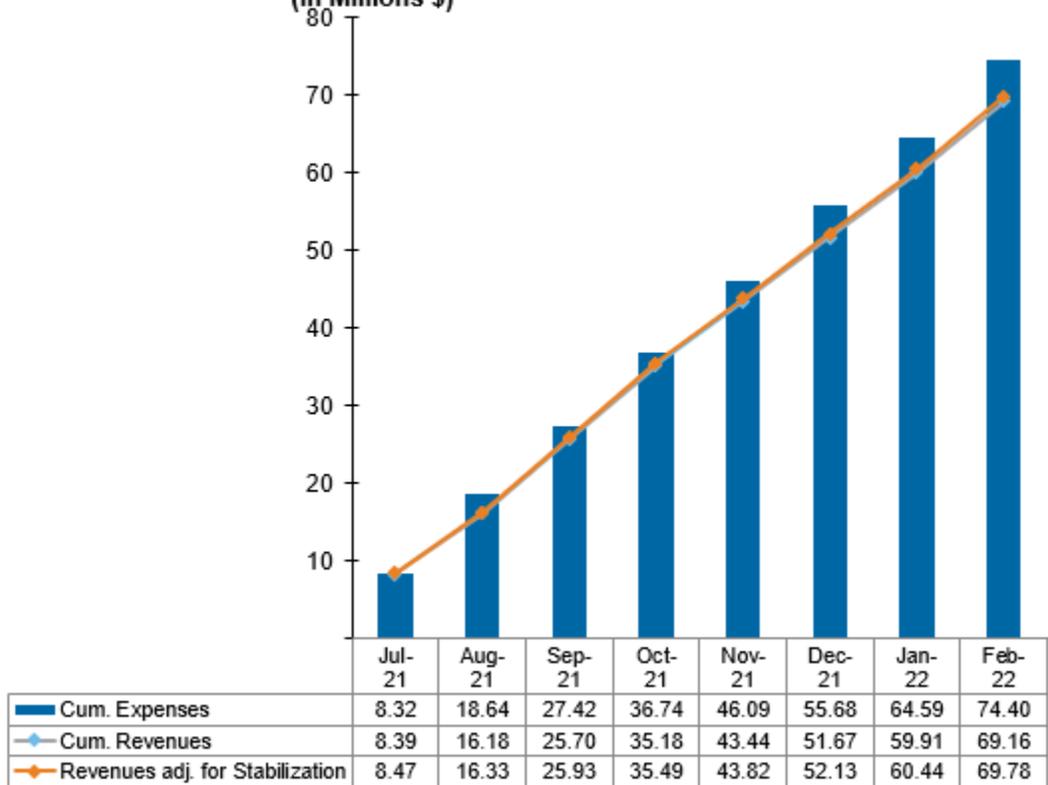


Blue Shield Trio Flex-Funded Plan

Projecting a fiscal year-end decrease of \$8.2M in fund balance due to the following:

- Rate Stabilization Effect:
 - \$0.46 M associated with the decrease in 2021 rates (for the first six months of FY 2021-22) due to the rating buy-down from the 2019 year-end claim stabilization surplus
 - \$0.87 M associated with the decrease in 2022 rates (for the second six months of FY 2021-22) due to the rating buy-down from the 2020 year-end claim stabilization surplus
- \$7 million decrease due to higher claims net of pharmacy rebates

**Blue Shield Trio Flex Funded
 Cumulative Expense vs. Budgeted Premium
 (in Millions \$)**

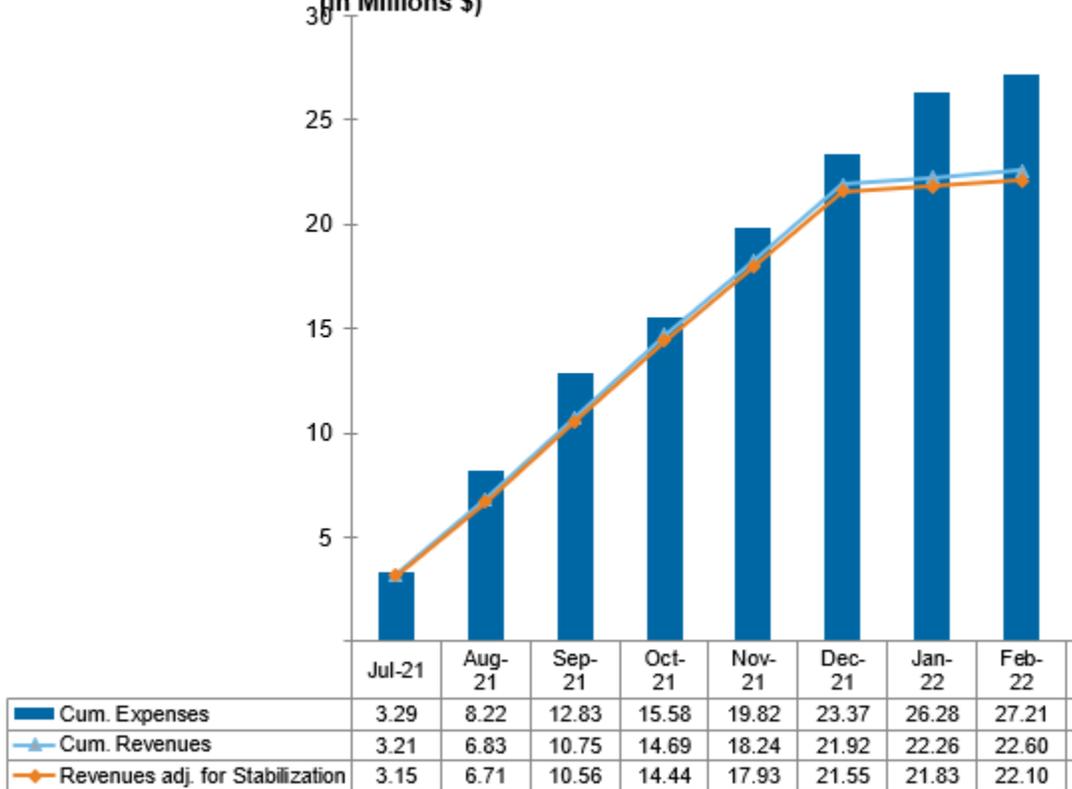


United Health Care/Blue Shield Administered PPO

The administration of the self-funded PPO will migrate to Blue Shield starting in January 2022. As this plan is self-insured, the cumulative costs and funding sources for the PPO will remain with the plan as it migrates to a new plan administrator.

The net change in the combined fund balance for these two plans will be zero as the claims lag will be offset by IBNR reserves at year-end.

**United Health Care PPO Plan
 Cumulative Expense vs. Budgeted Premium
 (In Millions \$)**



Healthnet Canopy Care

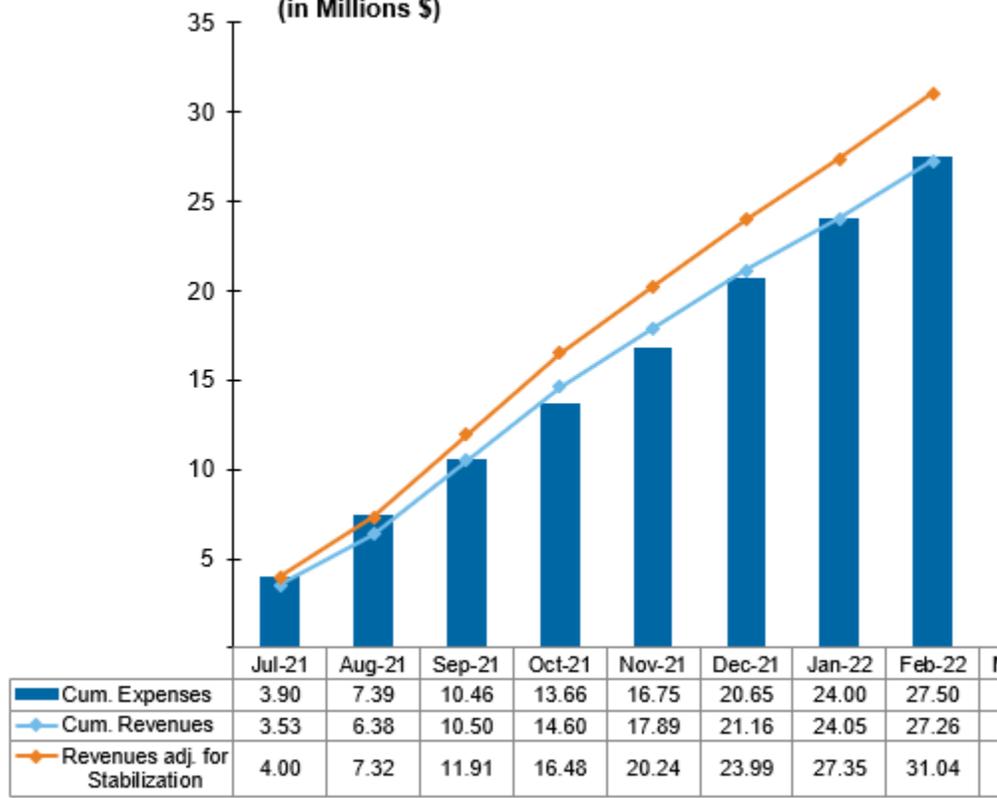
This plan started in January 2022 with low enrollment, and we are projecting no change in FYE trust balance.

Delta Dental PPO (Actives Only) Self-Funded Plan

Projecting a fiscal year-end decrease of \$2M in the fund balance due to the following:

- Rate Stabilization Effect:
 - \$2.8 M decrease in fund balance associated with subsidizing 2021 rates (for the first six months of FY 2021-22) from the 2019 year-end claim stabilization reserve
 - \$6.1 M decrease in fund balance associated with subsidizing 2022 rates (for the second six months of FY 2021-22) from the 2020 year-end claim stabilization reserve
- Claims:
 - \$7M increase due to favorable claim expenses through eight months of reporting

**Delta Dental PPO, Actives
 Cumulative Expense vs. Budgeted Premium
 (in Millions \$)**



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. Current year expenses are lower than budget due to project delays. The projected year-end expenditures result in a net decrease of \$685K resulting in a balance of \$3.8M.

SAN FRANCISCO HEALTH SERVICE SYSTEM <small>Affordable, Quality Benefits & Well-Being</small>	Healthcare Sustainability Fund FY 2021-22			
	FY 2021-22 Revised Budget + Adj C/F	FY 2021-22 Actuals Feb YTD	FY 2021-22 Projection	Fav/(Unfav) Variance
REVENUE SOURCES				
Annual Revenues	\$ 2,578,896	\$ 1,723,586	\$ 2,578,896	\$ -
Carryforward from Fund Balance	4,268,467	4,527,332	4,527,332	258,866
TOTAL	\$ 6,847,362	\$ 6,250,919	\$ 7,106,228	\$ 258,866
EXPENDITURE USES				
Personnel	\$ 2,058,244	\$ 1,063,572	\$ 1,639,838	\$ 418,406
Administrative	45,655	4,104	30,000	15,655
Member Communications	557,750	346,367	443,500	114,250
Communications - Other	675,952	83,840	510,682	165,270
Well-Being	451,639	21,981	282,860	168,779
Initiatives to Reduce Health Care Costs	408,827	192,953	357,508	51,320
Other Projects	429,000	-	-	429,000
TOTAL	\$ 4,627,066	\$ 1,712,817	\$ 3,264,387	\$ 1,362,679
REVENUE - EXPENDITURES (net of Carry Forward)	(2,048,171)	10,770	(685,492)	
BALANCE	\$ 2,220,296	\$ 4,538,102	\$ 3,841,841	\$ 1,621,544
*Projection based on 8 months of actuals including the carryforward funding from FY 2021-22				

Pharmacy Rebates

Projecting receipt of \$8.7 M in pharmacy rebates by fiscal year-end. Year-to-date, \$6.1M of pharmacy rebates were received from the health plans administering the Flex and Self-Funded health plans.

	FY 2021-22 Actual RX Rebates Received Thru 02/28/22	FY 2021-22 Projected RX Rebates
Blue Shield Access+ HMO	3,605,101	4,480,000
Blue Shield Trio HMO	1,562,629	2,520,000
UHC Administere PPO	1,021,364	1,700,000
TOTAL	\$ 6,189,093	\$ 8,700,000

General Fund

- General Fund expenses during the first eight months were \$477K below revenue. The projected expenditures are expected to follow the budget and result in a modest surplus of \$135K.

SAN FRANCISCO HEALTH SERVICE SYSTEM <small>Affordable, Quality Benefits & Well-Being</small>				
General Fund Administration Budget FY 2021-22 ANNUALIZED AS OF 02/28/22				
	FY 2021-22 Approved Budget	FY 2021-22 Revised Budget	Total Actual YTD	FYE 2021-22 Projection
REVENUES				
Non-Operating Revenue	\$ 9,131	\$ 9,131	\$ -	\$ -
Operations Work Order Recover	11,935,680	11,935,680	7,956,035	11,932,422
Other Revenue	625,958	625,958	-	430,000
General Fund Carryforward	-	198,850	198,850	198,850
Interfund Transfer	-	-	-	-
TOTAL REVENUES	\$ 12,570,769	\$ 12,769,619	\$ 8,154,885	\$ 12,561,272
EXPENDITURES				
Personnel Services	\$ 5,635,247	\$ 5,635,247	\$ 3,671,388	\$ 5,517,389
Mandatory Fringe Benefits	2,724,533	2,724,533	1,738,868	2,587,955
Non-personnel Services	2,291,057	2,402,225	1,373,690	2,402,225
Materials & Supplies	47,717	83,217	28,746	60,147
Services of Other Departments	1,872,215	1,924,397	864,669	1,858,400
TOTAL EXPENDITURES	\$ 12,570,769	\$ 12,769,619	\$ 7,677,362	\$ 12,426,116
BALANCE	\$ -	\$ -	\$ 477,523	\$ 135,156

Trust Fund and Health Sustainability Fund with FYE Projection

SUMMARY	FY21-22	FY21-22	
	Year-to-Date Actual Net as of 02/28/22	Projected Year-End Annual Net	
Flex/Self Insurance			
Blue Shield-Access+	5,524,089	7,282,768	(a)
Blue Shield-Trio	(5,235,800)	(8,175,427)	(b)
Blue Shield-PPO	3,968,410	-	(b)
UHC PPO	(4,614,052)	-	(b)
Health Net Canopy Care	334,841	-	
Delta Dental PPO, Actives	(238,210)	(1,998,814)	(c)
Fully Insured Plans			
Medical HMOs	(1,581,319)	-	
Dental	37,711	-	
LTD/Flexible Benefits/FSA/Health Net Canopy Care	(176,486)	-	
Healthcare Sustainability Fund (\$3.00)	10,770	(685,492)	(d)
Savings & Investments			
Interest	157,204	628,818	
Performance guarantees	914,305	914,305	(e)
Transfers Out	0	(430,000)	(g)
TOTAL	(898,536)	(2,463,842)	
Net assets			
Beginning of the year		<u>125,901,507</u>	
End of the year		<u>123,437,665</u>	

(a) Annual Projection is net of claim stabilization of \$2.4 million to decrease 2022 rates, \$1.3 million to decrease 2021 rates, and Pharmacy rebate of \$7.0 million

(b) Annual Projection is net of claim stabilization of \$0.2 million to decrease 2022 rates, \$0.4 million to increase 2021 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 \$2.8 million to reduce 2021 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 2021-2022

(f) Reflects use of fund balance

(g) Transfer of \$0.6M from forfeitures to General Fund.

Supplemental Tables – Trust Fund Activity- Current FY

ACTIVE & RETIRED COMBINED	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess (Shortage)
FLEX/SELF-INSURED PLANS			
Blue Shield Access+ HMO*	151,756,619	146,232,530	5,524,089
Blue Shield Trio HMO*	69,161,737	74,397,537	(5,235,800)
BSC PPO-Accolade, including ASO	7,046,385	3,077,974	3,968,410
UHC Administere PPO*	22,598,002	27,212,055	(4,614,052)
Health Net Canopy Care	493,901	159,060	334,841
Delta Dental PPO- (Active only)	27,261,974	27,500,184	(238,210)
TOTAL FLEX/SELF-INSURED PLANS	278,318,618	278,579,340	(260,721)
FULLY INSURED PLANS			
UHC MAPD	58,227,280	58,227,280	-
Kaiser-HMO	312,510,841	314,076,311	(1,565,470)
Vision Service Plan	6,117,806	6,133,656	(15,850)
Sub-total HMO	376,855,928	378,437,247	(1,581,319)
Delta Dental PPO - Retirees	11,332,124	11,332,124	-
Delta Care	555,161	522,568	32,593
UHC Dental	295,825	290,707	5,118
Sub-total Dental	12,183,110	12,145,399	37,711
Long Term/Short Term Disability	5,354,596	5,354,779	(183)
Flexible Benefits	2,534,440	2,534,440	0
Flexible Spending-Dependent Care	4,005,207	4,039,704	(34,497)
Flexible Spending -Medical Reimbursement	6,123,498	6,265,303	(141,805)
Healthcare Sustainability Fund (\$3.00)	1,723,586	1,712,817	10,770
Adoption & Surrogacy		0	0
Sub-total Other Benefits	19,741,327	19,907,043	(165,716)
TOTAL FULLY INSURED PLANS	408,780,365	410,489,689	(1,709,324)
SAVINGS AND INVESTMENTS			
Interest	157,204		157,204
Performance guarantees	914,305		914,305
Forfeitures	-		-
TOTAL SAVINGS & INVESTMENTS	1,071,510	-	1,071,510
TRANSFERS OUT OF FORFEITURES			
			0
TOTAL FUNDS	688,170,493	689,069,028	(898,536)

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

Supplemental Tables - Trust Fund Activity- with Prior Year



STATEMENTS OF REVENUES AND EXPENSES
FY 2021-2022 VS FY 2020-2021
YEAR-TO-DATE: FEBRUARY 28, 2022

<i>ACTIVE & RETIRED COMBINED</i>	For 8 Months Ended February 28, 2022	For 8 Months Ended February 28, 2021	\$ Change	% Change
FLEX/SELF-INSURED PLANS				
Blue Shield-Access+ HMO				
Revenues	151,756,619	152,687,563	(930,945)	-0.6%
Expenses	(146,232,530)	(143,347,932)	(2,884,598)	2.0%
Net Blue Shield-Access Excess(Shortage)	5,524,089	9,339,632	(3,815,543)	-40.9%
Blue Shield-Trio HMO				
Revenues	69,161,737	69,166,939	(5,202)	0.0%
Expenses	(74,397,537)	(67,394,853)	(7,002,683)	10.4%
Net Blue Shield-Trio Excess(Shortage)	(5,235,800)	1,772,086	(7,007,886)	-395.5%
BSC PPO-Accolade, including ASO				
Revenues	7,046,385	0	7,046,385	
Expenses	(3,077,974)	0	(3,077,974)	
Net BSC PPO-Accolade Excess(Shortage)	3,968,410	0	3,968,410	
UHC Administered PPO				
Revenues	22,598,002	27,258,223	(4,660,220)	-17.1%
Expenses	(27,212,055)	(25,413,430)	(1,798,625)	7.1%
Net UHC Administered PPO Excess(Shortage)	(4,614,052)	1,844,793	(6,458,845)	-350.1%
Health Net Canopy Care				
Revenues	493,901	0	493,901	
Expenses	(159,060)	0	(159,060)	
Net Health Net Canopy Care Excess(Shortage)	334,841	0	334,841	
Delta Dental PPO (Active only)				
Revenues	27,261,974	29,025,041	(1,763,067)	-6.1%
Expenses	(27,500,184)	(29,652,790)	2,152,607	-7.3%
Net Delta Dental PPO- (Active Only) Excess(Shortage)	(238,210)	(627,749)	389,540	-62.1%
NET FLEX/SELF-INSURED PLANS	(260,721)	12,328,761	(12,589,482)	-102.1%

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

SAN FRANCISCO HEALTH SERVICE SYSTEM Affordable, Quality Benefits & Well-Being		STATEMENTS OF REVENUES AND EXPENSES FY 2021-2022 VS FY 2020-2021 YEAR-TO-DATE: FEBRUARY 28, 2022			
ACTIVE & RETIRED COMBINED	For 8 Months Ended February 28, 2022	For 8 Months Ended February 28, 2021	\$ Change	% Change	
FULLY INSURED PLANS					
Kaiser-HMO					
Revenues	312,510,841	306,283,075	6,227,766	2.0%	d, l
Expenses	(314,076,311)	(305,294,026)	(8,782,284)	2.9%	d, l
Net Kaiser- HMO Excess(Shortage)	(1,565,470)	989,049	(2,554,518)	-258.3%	
UHC MAPD					
Revenues	58,227,280	56,905,747	1,321,533	2.3%	d, l
Expenses	(58,227,280)	(56,905,747)	(1,321,533)	2.3%	d, l
Net UHC MAPD Excess(Shortage)	0	0	0		
Vision Service Plan, All (City Plan & HMO)					
Revenues	6,117,806	5,886,877	230,929	3.9%	d, l
Expenses	(6,133,656)	(5,881,168)	(252,487)	4.3%	d, l
Net Vision Service Plan Excess(Shortage)	(15,850)	5,709	(21,558)	-377.6%	
Delta Dental PPO - Retirees					
Revenues	11,332,124	11,158,130	173,994	1.6%	h
Expenses	(11,332,124)	(11,158,130)	(173,994)	1.6%	h
Net Delta Dental PPO - Retirees Excess(Shortage)	0	0	0		
Delta Care					
Revenues	555,161	547,692	7,468	1.4%	h
Expenses	(522,568)	(547,824)	25,256	-4.6%	h
Net Delta Care Excess(Shortage)	32,593	(131)	32,724	-24915.7%	
UHC Dental					
Revenues	295,825	289,419	6,406	2.2%	
Expenses	(290,707)	(300,441)	9,734	-3.2%	h
Net UHC Dental Excess(Shortage)	5,118	(11,022)	16,140	-146.4%	
Long Term/Short Term Disability					
Revenues	5,354,596	5,538,493	(183,897)	-3.3%	
Expenses	(5,354,779)	(4,884,043)	(470,737)	9.6%	g
Net Long Term/Short Term Disability Excess(Shortage)	(183)	654,451	(654,634)	-100.0%	
Flexible Benefits					
Revenues	2,534,440	2,083,425	451,015	21.6%	g
Expenses	(2,534,440)	(2,080,402)	(454,038)	21.8%	g
Net Flexible Benefits Excess(Shortage)	0	3,023	(3,023)	-100.0%	
Flexible Spending-Dependent Care					
Revenues	4,005,207	2,803,496	1,201,711	42.9%	g
Expenses	(4,039,704)	(3,087,531)	(952,173)	30.8%	g
Net Flexible Spending-Dependent Care Excess(Shortage)	(34,497)	(284,034)	249,537	-87.9%	
Flexible Spending -Medical Reimbursement					
Revenues	6,123,498	6,088,980	34,517	0.6%	
Expenses	(6,265,303)	(6,526,062)	260,759	-4.0%	i
Net Flexible Spending-Medical Reimbursement Excess(Shortage)	(141,805)	(437,082)	295,277	-67.6%	
Adoption & Surrogacy					
Expenses	0	(55,116)	55,116	-100.0%	
Healthcare Sustainability Fund (\$3.00)					
Revenues	1,723,586	1,714,311	9,275	0.5%	
Expenses	(1,712,817)	(1,623,546)	(89,271)	5.5%	e
Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	10,770	90,765	(79,996)	-88.1%	
NET FULLY INSURED PLANS	(1,709,324)	955,611	(2,664,935)	-278.9%	
SAVINGS AND INVESTMENTS					
Interest	157,204	0	157,204		
Performance guarantees	914,305	173,836	740,469		
Forfeitures	0	108,942	(108,942)		
TOTAL SAVINGS & INVESTMENTS	1,071,510	282,778	788,732	1616.8%	
TOTAL NET EXCESS (SHORTAGE)	(898,536)	13,567,150	(14,465,685)	-106.6%	

Notes:

- a decrease in membership
- b discontinued on 1/1/20
- c decrease in deductions
- d increase in membership

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