

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

DATE: August 11, 2022
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 May 31, 2022

Audit update – We have 2 audits in process. The Controller’s (internal audit) and the external Benefit Trust fund audit by MGO. The report from the external audit is scheduled for the November meeting. I will report the results of the internal audit when it is completed in the finance report.

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 eleven months through May 31, 2022, with fiscal year-end (FYE) projections.

Executive Summary

Trust Fund and Health Sustainability Fund

- The projected change for the year is \$10.7M decrease with a projected ending balance of \$115M. This decrease consists primarily of 12.5M in rate stabilization and \$1.8M in lower claims.
- Flex and Self-insured plans projected balance will decrease by \$11.4M.
 - There are offsetting variances in Blue Shield PPO and United PPO as the United plan transitioned to Blue Shield in January.
 - BSC Access+ and BSC Trio claims are higher than expected.
 - \$3M reduction in Delta Dental for active employees due to rate stabilization.
- Insured plan revenues and expenses are expected to net out by year end, however, as of May the balance increased by \$2.4M due to timing differences.
- Healthcare Sustainability Fund projected to decreased by \$685K
- Pharmacy rebates projected at \$11.1M and reflected in the trust balances above.

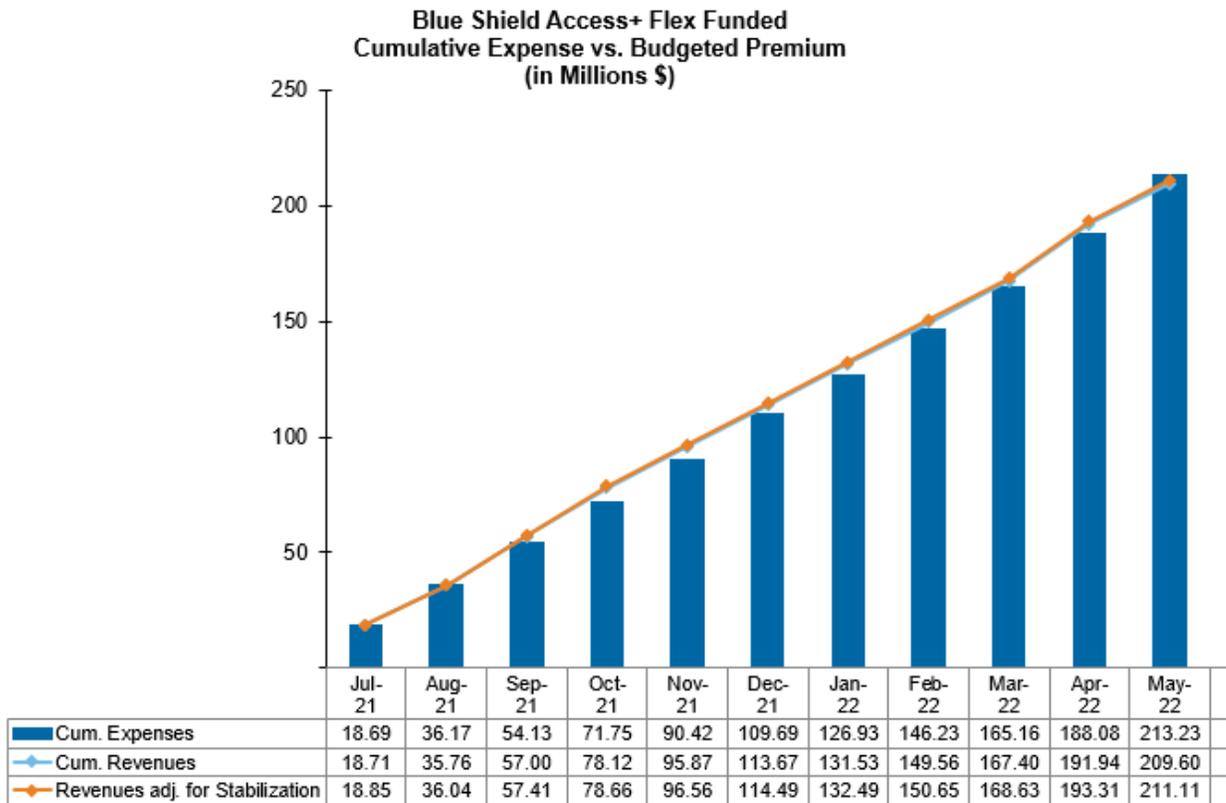
General Fund

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

Detailed Analysis by Fund

Blue Shield Access+ Flex Funded Plan

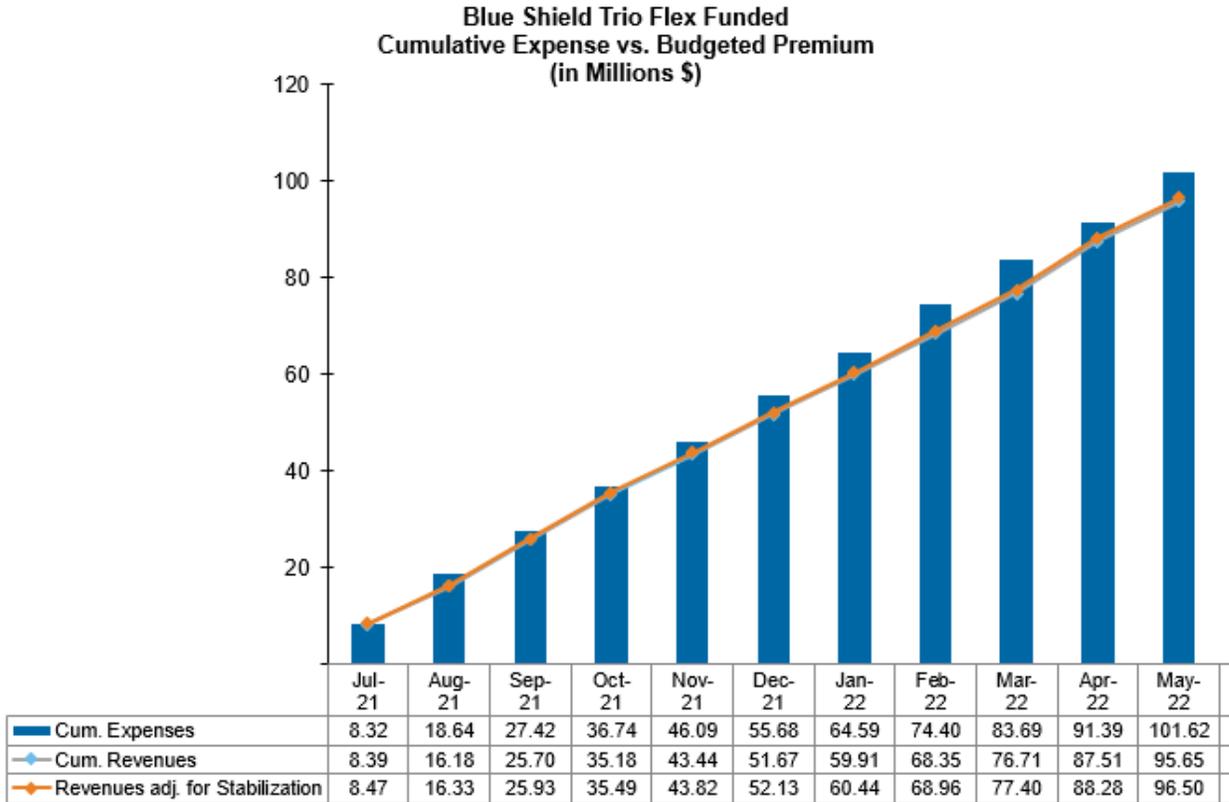
Projecting a fiscal year-end decrease of \$2.4M in fund balance due to rate stabilization.



Blue Shield Trio Flex-Funded Plan

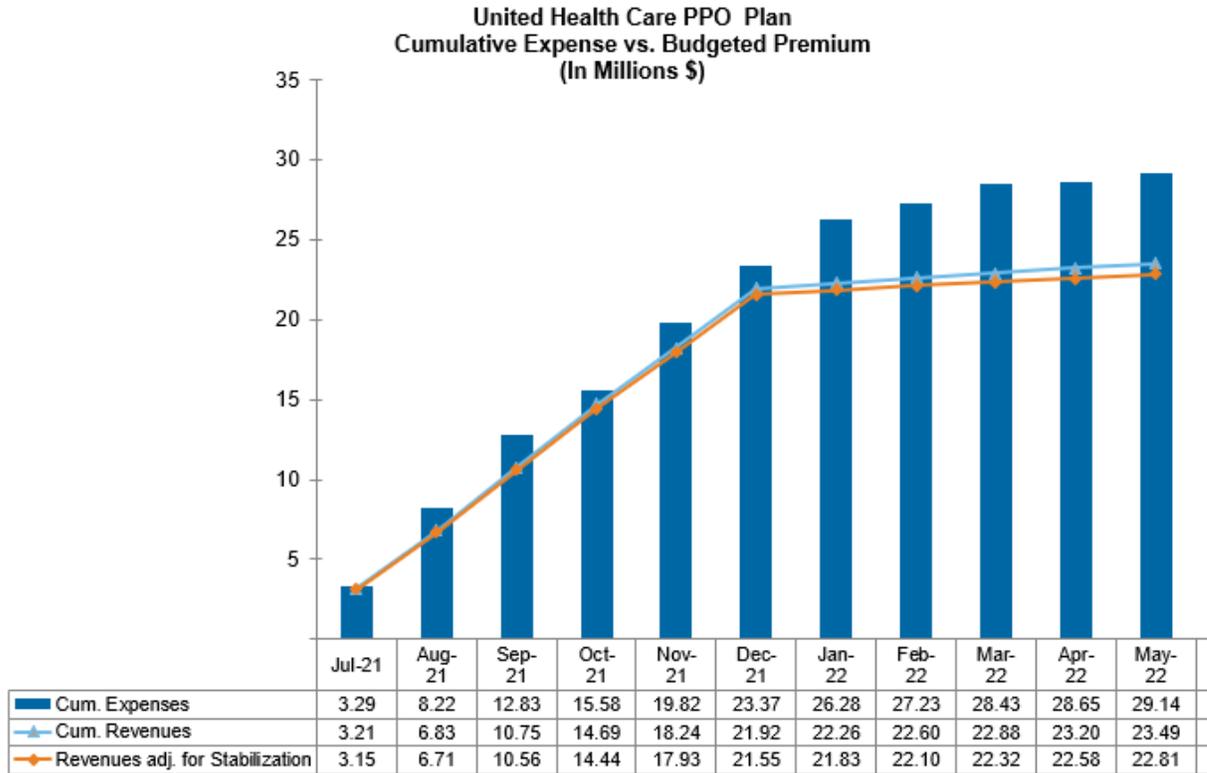
Projecting a fiscal year-end decrease of \$5.8 fund balance due to the following:

- \$1.3M decrease due to rate stabilization
- \$4.5 million decrease due to higher claims.



United Health Care/Blue Shield Administered PPO

The administration of the self-funded PPO migrated from United to Blue Shield starting in January 2022. The projected fund balance is unchanged for the combined plans.



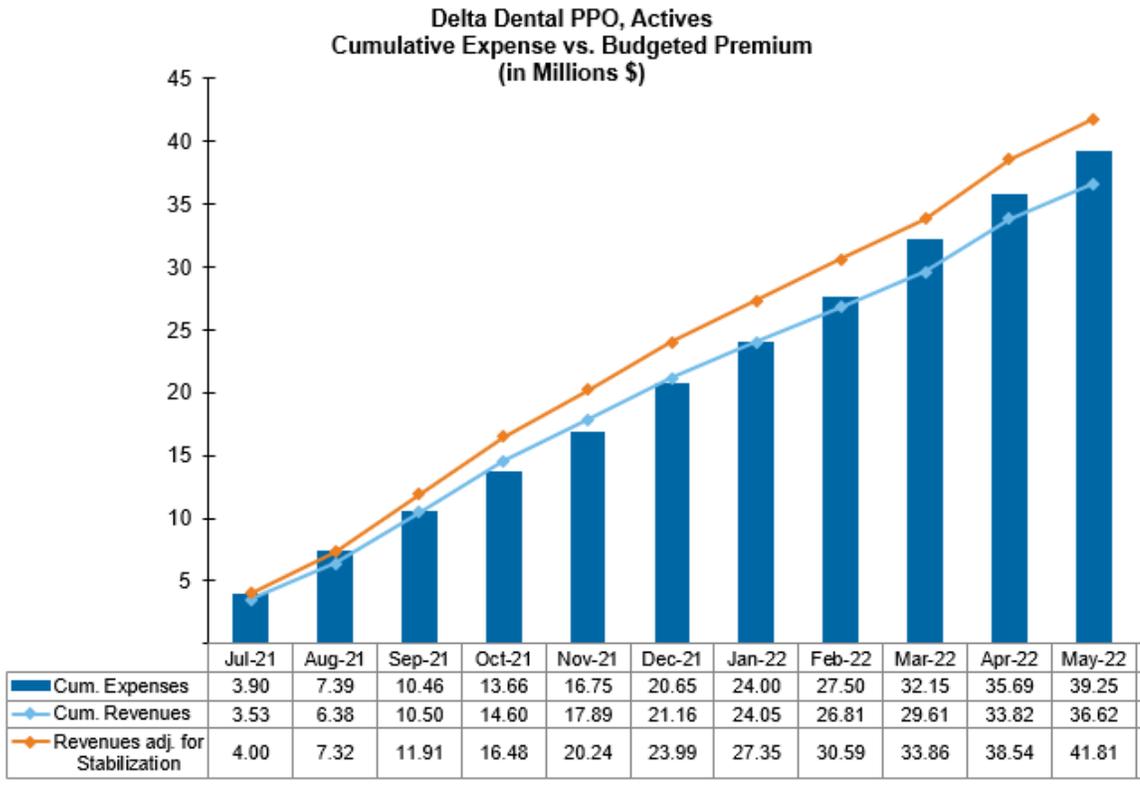
Healthnet Canopy Care

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 \$3.1M in the fund balance due to the following:

- \$8.9M decrease due to rate stabilization.
- \$5.8M increase due to 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. Current year expenses are lower than budget due to project delays tied to pandemic disruptions. The projected decrease of \$685K will leave 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 May YTD	FY 2021-22 Projection	Fav/(Unfav) Variance
REVENUE SOURCES				
Annual Revenues	\$ 2,578,896	\$ 2,334,184	\$ 2,578,896	\$ -
Carryforward from Fund Balance	4,268,467	4,527,332	4,527,332	258,866
TOTAL	\$ 6,847,362	\$ 6,861,516	\$ 7,106,228	\$ 258,866
EXPENDITURE USES				
Personnel	\$ 2,058,244	\$ 1,412,023	\$ 1,639,838	\$ 418,406
Administrative	45,655	5,937	30,000	15,655
Member Communications	557,750	376,193	443,500	114,250
Communications - Other	675,952	210,080	510,682	165,270
Well-Being	451,639	79,954	282,860	168,779
Initiatives to Reduce Health Care Costs	408,827	316,468	357,508	51,320
Other Projects	429,000	-	-	429,000
TOTAL	\$ 4,627,066	\$ 2,400,656	\$ 3,264,387	\$ 1,362,679
REVENUE - EXPENDITURES (net of Carry Forward)	(2,048,171)	(66,472)	(685,492)	
BALANCE	\$ 2,220,296	\$ 4,460,861	\$ 3,841,841	\$ 1,621,544
*Projection based on 11 months of actuals including the carryforward funding from FY 2021-22				

Pharmacy Rebates

Projecting \$11.1M in pharmacy rebates by fiscal year-end vs \$8.6M in PY from the health plans administering the Flex and Self-Funded health plans.

	FY 2021-22 Actual RX Rebates Received Thru 05/31/22	FY 2021-22 Projected RX Rebates
Blue Shield Access+ HMO	5,500,154	6,400,000
Blue Shield Trio HMO	2,445,918	3,000,000
UHC Administered PPO	1,468,107	1,700,000
TOTAL	\$ 9,414,178	\$ 11,100,000

General Fund

- General Fund expenses during the first eleven months were \$354K 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 05/31/22				
	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	10,940,771	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	\$ 11,139,621	\$ 12,561,272
EXPENDITURES				
Personnel Services	\$ 5,635,247	\$ 5,635,247	\$ 4,967,673	\$ 5,517,389
Mandatory Fringe Benefits	2,724,533	2,724,533	2,340,057	2,587,955
Non-personnel Services	2,291,057	2,402,225	1,897,309	2,402,225
Materials & Supplies	47,717	83,217	48,234	60,147
Services of Other Departments	1,872,215	1,924,397	1,532,285	1,858,400
TOTAL EXPENDITURES	\$ 12,570,769	\$ 12,769,619	\$ 10,785,558	\$ 12,426,116
BALANCE	\$ -	\$ -	\$ 354,063	\$ 135,156

Trust Fund and Health Sustainability Fund with FYE Projection

SUMMARY	FY21-22	FY21-22
	Year-to-Date Actual Net as of 05/31/22	Projected Year-End Annual Net
Flex/Self Insurance		
Blue Shield-Access+	(3,621,910)	(2,423,290) (a)
Blue Shield-Trio	(5,970,235)	(5,813,581) (a)
Blue Shield-PPO	6,504,707	(b)
UHC PPO	(5,647,047)	- (b)
Health Net Canopy Care	347,580	-
Delta Dental PPO, Actives	(2,626,717)	(3,163,964) (c)
Fully Insured Plans		
Medical HMOs	2,210,227	-
Dental	38,337	-
LTD/Flexible Benefits/FSA/Health Net Canopy Care	277,935	-
Healthcare Sustainability Fund (\$3.00)	(66,472)	(685,492) (d)
Savings & Investments		
Interest	603,406	804,542
Performance guarantees	998,343	998,343 (e)
Transfers Out	0	(430,000) (g)
TOTAL	(6,968,007)	(10,729,605)
Net assets		
Beginning of the year		<u>125,901,507</u>
End of the year		<u>115,171,902</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 \$11.0 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*	209,603,908	213,225,817	(3,621,910)
Blue Shield Trio HMO*	95,653,385	101,623,619	(5,970,235)
BSC PPO-Accolade, including ASO	17,995,296	11,490,589	6,504,707
UHC Administere PPO*	23,489,632	29,136,679	(5,647,047)
Health Net Canopy Care	1,302,385	954,805	347,580
Delta Dental PPO- (Active only)	36,618,820	39,245,537	(2,626,717)
TOTAL FLEX/SELF-INSURED PLANS	384,663,425	395,677,046	(11,013,621)
FULLY INSURED PLANS			
UHC MAPD	80,458,991	80,458,991	-
Kaiser-HMO	435,553,345	433,350,849	2,202,496
Vision Service Plan	8,494,291	8,486,561	7,731
Sub-total HMO	524,506,628	522,296,401	2,210,227
Delta Dental PPO - Retirees	15,784,441	15,784,441	-
Delta Care	752,872	717,380	35,493
UHC Dental	399,178	396,334	2,844
Sub-total Dental	16,936,492	16,898,155	38,337
Long Term/Short Term Disability	7,405,632	7,409,800	(4,168)
Flexible Benefits	3,663,601	3,664,533	(932)
Flexible Spending-Dependent Care	5,489,407	5,128,030	361,377
Flexible Spending -Medical Reimbursement	9,001,115	9,079,458	(78,342)
Healthcare Sustainability Fund (\$3.00)	2,334,184	2,400,656	(66,472)
Adoption & Surrogacy		16,163	(16,163)
Sub-total Other Benefits	27,893,939	27,698,638	195,301
TOTAL FULLY INSURED PLANS	569,337,059	566,893,195	2,443,864
SAVINGS AND INVESTMENTS			
Interest	603,406		603,406
Performance guarantees	998,343		998,343
Forfeitures	-		-
TOTAL SAVINGS & INVESTMENTS	1,601,750	-	1,601,750
TRANSFERS OUT OF FORFEITURES			
			0
TOTAL FUNDS	955,602,234	962,570,241	(6,968,007)

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

Supplemental Tables - Trust Fund Activity- with Prior Year

**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: MAY 31, 2022**

ACTIVE & RETIRED COMBINED	For 11 Months Ended May 31, 2022	For 11 Months Ended May 31, 2021	\$ Change	% Change
FLEX/SELF-INSURED PLANS				
Blue Shield-Access+ HMO				
Revenues	209,603,908	211,269,286	(1,665,379)	-0.8%
Expenses	(213,225,817)	(200,164,905)	(13,060,912)	6.5% f
Net Blue Shield-Access Excess(Shortage)	(3,621,910)	11,104,381	(14,726,291)	-132.6%
Blue Shield-Trio HMO				
Revenues	95,653,385	96,272,422	(619,037)	-0.6%
Expenses	(101,623,619)	(94,106,516)	(7,517,103)	8.0% f
Net Blue Shield-Trio Excess(Shortage)	(5,970,235)	2,165,906	(8,136,140)	-375.6%
BSC PPO-Accolade, including ASO				
Revenues	17,995,296	0	17,995,296	b
Expenses	(11,490,589)	0	(11,490,589)	b
Net BSC PPO-Accolade Excess(Shortage)	6,504,707	0	6,504,707	
UHC Administered PPO				
Revenues	23,489,632	38,386,675	(14,897,043)	-38.8% b
Expenses	(29,136,679)	(36,319,033)	7,182,354	-19.8% b
Net UHC Administered PPO Excess(Shortage)	(5,647,047)	2,067,642	(7,714,689)	-373.1%
Health Net Canopy Care				
Revenues	1,302,385	0	1,302,385	
Expenses	(954,805)	0	(954,805)	
Net Health Net Canopy Care Excess(Shortage)	347,580	0	347,580	
Delta Dental PPO (Active only)				
Revenues	36,618,820	40,017,383	(3,398,563)	-8.5% h
Expenses	(39,245,537)	(41,166,750)	1,921,212	-4.7% j
Net Delta Dental PPO- (Active Only) Excess(Shortage)	(2,626,717)	(1,149,367)	(1,477,350)	128.5%
NET FLEX/SELF-INSURED PLANS	(11,013,621)	14,188,562	(25,202,183)	-177.6%

Notes:

- a decrease in membership
- b transitioned on 1/1/20
- 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 2021-2022 VS FY 2020-2021 YEAR-TO-DATE: MAY 31, 2022			
ACTIVE & RETIRED COMBINED		For 11 Months Ended May 31, 2022	For 11 Months Ended May 31, 2021	\$ Change	% Change
FULLY INSURED PLANS					
Kaiser-HMO					
Revenues		435,553,345	426,533,326	9,020,019	2.1% d
Expenses		(433,350,849)	(423,482,492)	(9,868,357)	2.3% d, l
Net Kaiser- HMO Excess(Shortage)		2,202,496	3,050,834	(848,338)	-27.8% k
UHC MAPD					
Revenues		80,458,991	78,325,470	2,133,521	2.7% d, l
Expenses		(80,458,991)	(78,325,470)	(2,133,521)	2.7% d, l
Net UHC MAPD Excess(Shortage)		0	0	0	
Vision Service Plan, All (City Plan & HMO)					
Revenues		8,494,291	8,186,795	307,496	3.8% d, l
Expenses		(8,486,561)	(8,171,505)	(315,056)	3.9% d, l
Net Vision Service Plan Excess(Shortage)		7,731	15,290	(7,560)	-49.4%
Delta Dental PPO - Retirees					
Revenues		15,784,441	15,268,126	516,315	3.4%
Expenses		(15,784,441)	(15,268,126)	(516,315)	3.4%
Net Delta Dental PPO - Retirees Excess(Shortage)		0	0	0	
Delta Care					
Revenues		752,872	748,048	4,824	0.6%
Expenses		(717,380)	(727,805)	10,426	-1.4%
Net Delta Care Excess(Shortage)		35,493	20,243	15,250	75.3%
UHC Dental					
Revenues		399,178	407,499	(8,320)	-2.0%
Expenses		(396,334)	(411,337)	15,002	-3.6%
Net UHC Dental Excess(Shortage)		2,844	(3,838)	6,682	-174.1%
Long Term/Short Term Disability					
Revenues		7,405,632	7,025,572	380,060	5.4%
Expenses		(7,409,800)	(6,909,689)	(500,111)	7.2%
Net Long Term/Short Term Disability Excess(Shortage)		(4,168)	115,883	(120,051)	-103.6% k
Flexible Benefits					
Revenues		3,663,601	3,085,929	577,672	18.7% g
Expenses		(3,664,533)	(3,082,791)	(581,742)	18.9% g
Net Flexible Benefits Excess(Shortage)		(932)	3,138	(4,070)	-129.7%
Flexible Spending-Dependent Care					
Revenues		5,489,407	3,742,777	1,746,629	46.7% g
Expenses		(5,128,030)	(3,967,815)	(1,160,214)	29.2% g
Net Flexible Spending-Dependent Care Excess(Shortage)		361,377	(225,038)	586,415	-260.6%
Flexible Spending -Medical Reimbursement					
Revenues		9,001,115	8,417,377	583,738	6.9%
Expenses		(9,079,458)	(9,064,106)	(15,352)	0.2% i
Net Flexible Spending-Medical Reimbursement Excess(Shortage)		(78,342)	(646,729)	568,386	-87.9%
Adoption & Surrogacy					
Expenses		(16,163)	(70,374)	54,212	-77.0%
Healthcare Sustainability Fund (\$3.00)					
Revenues		2,334,184	2,356,209	(22,025)	-0.9%
Expenses		(2,400,656)	(2,112,473)	(288,183)	13.6% e
Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)		(66,472)	243,736	(310,208)	-127.3%
NET FULLY INSURED PLANS		2,443,864	2,503,146	(59,282)	-2.4%
SAVINGS AND INVESTMENTS					
Interest		603,406	858,082	(254,675)	
Performance guarantees		998,343	319,270	679,073	
Forfeitures		0	108,942	(108,942)	
TOTAL SAVINGS & INVESTMENTS		1,601,750	1,286,294	315,456	1616.8%
TOTAL NET EXCESS (SHORTAGE)		(6,968,007)	17,978,002	(24,946,009)	-138.8%

Notes:

- | | |
|--------------------------|---|
| a decrease in membership | e \$3 per member per month for communications, wellness |
| b transitioned on 1/1/20 | f increase in claims |
| c decrease in deductions | g increase in deductions |
| d increase in membership | h decrease in rates |
| | i increase in rates |
| | j decrease in claims |
| | k Payperiod Timing |