

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

Memorandum

DATE: August 12, 2021

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

FROM: Larry Loo, MPH Chief Financial Officer

RE: Health Service Board Financial Report as of May 30, 2021

The following is a report on the sources of revenues and uses or expenses of the Employee Benefit Trust Fund (Trust Fund) and the General Fund Administration Budget through eleven months of Fiscal Year (FY) 2020-21 ending May 31, 2021. This report also includes the projected fiscal year-end (FYE) changes for both sources of funds. The Health Sustainability Fund, which is a part of the Trust Fund is reported out in additional detail. The discussion below is based the most complete information available for the reporting period and are subject to adjustments as additional transaction throughout the fiscal year are recognized.

Executive Summary

Employee Benefit Trust Fund

- Projecting a \$16.8 M increase in the Trust Fund balance by fiscal year-end (FYE). Prior FYE June 30, 2020 balance was \$116.1 M and projecting FYE June 30, 2021 balance to be \$132.9 M.
- Flex-funded and self-insured plans project a FYE increase of \$15.9 M in the Trust Fund balance:
 - UHC PPO: projecting an increase of \$2.4 M
 - Blue Shield Access +: projecting an increase of \$12.3M
 - Blue Shield Trio: projecting an increase of \$2.4 M
 - Delta Dental PPO (Actives only): projecting a decrease of \$1.2 M
- Flex funded and self-insured plans cumulative year-to-date (YTD) expenses compared to revenues reported through eleven months result in the following cumulative net changes:
 - UHC PPO: cumulative expenses were \$2.1 M less than revenues
 - Blue Shield Access +: cumulative expenses were \$11.1 M less than revenues
 - Blue Shield Trio: cumulative expenses were \$2.2 M less than revenues
 - Delta Dental PPO plan (Actives only): cumulative expenses were \$1.1 M greater than revenues
- Insured plans and other non-chartered benefit revenues and expenses are projected to net each other out by fiscal year-end. Currently, cumulative expenses YTD are \$3.0 M less than revenues.
- Healthcare Sustainability Fund: projecting a FYE \$4.5 M increase in the fund balance
- Performance Guarantees: \$319 K received through eleven months and projecting a FYE of \$319 K
- Pharmacy Rebates: received \$6.2 M in pharmacy rebates through eleven months and project a FYE total of \$7.3 M.
- Interest: Projecting a FYE increase of \$1.1 M

General Fund Administrative Budget

- Projecting no net change in the year-end balance (no surplus or shortfall). Additional notes on the sources and uses funds in General Fund Administrative Budget can be found on page 8.

Employee Benefit Trust Fund (Trust Fund)

The Trust Fund started fiscal year with a beginning balance was \$116.1 M. Based on activity through eleven months ending May 31, 2021, the FYE Trust Fund balance is projected to be \$132.9 M at the end of the fiscal year.

The projected \$16.8 M increase includes reserves for unpaid claims in the flex funded and self-funded health plans. Overall, the flex funded, and self-funded plans are projected to generate an increase to the fund balance. Discussion of the flex and self-funded plans performance follows below.

The cumulative YTD revenues and expenses for the fully insured plans and other benefits includes the impact of rate changes that occur due to the change in plan year or calendar year rates that occur in the middle of the fiscal year.

Other sources of funds and expenses contribute \$876 K to the projected FYE fund balance.

The following table summarizes the projected changes in fund balance.

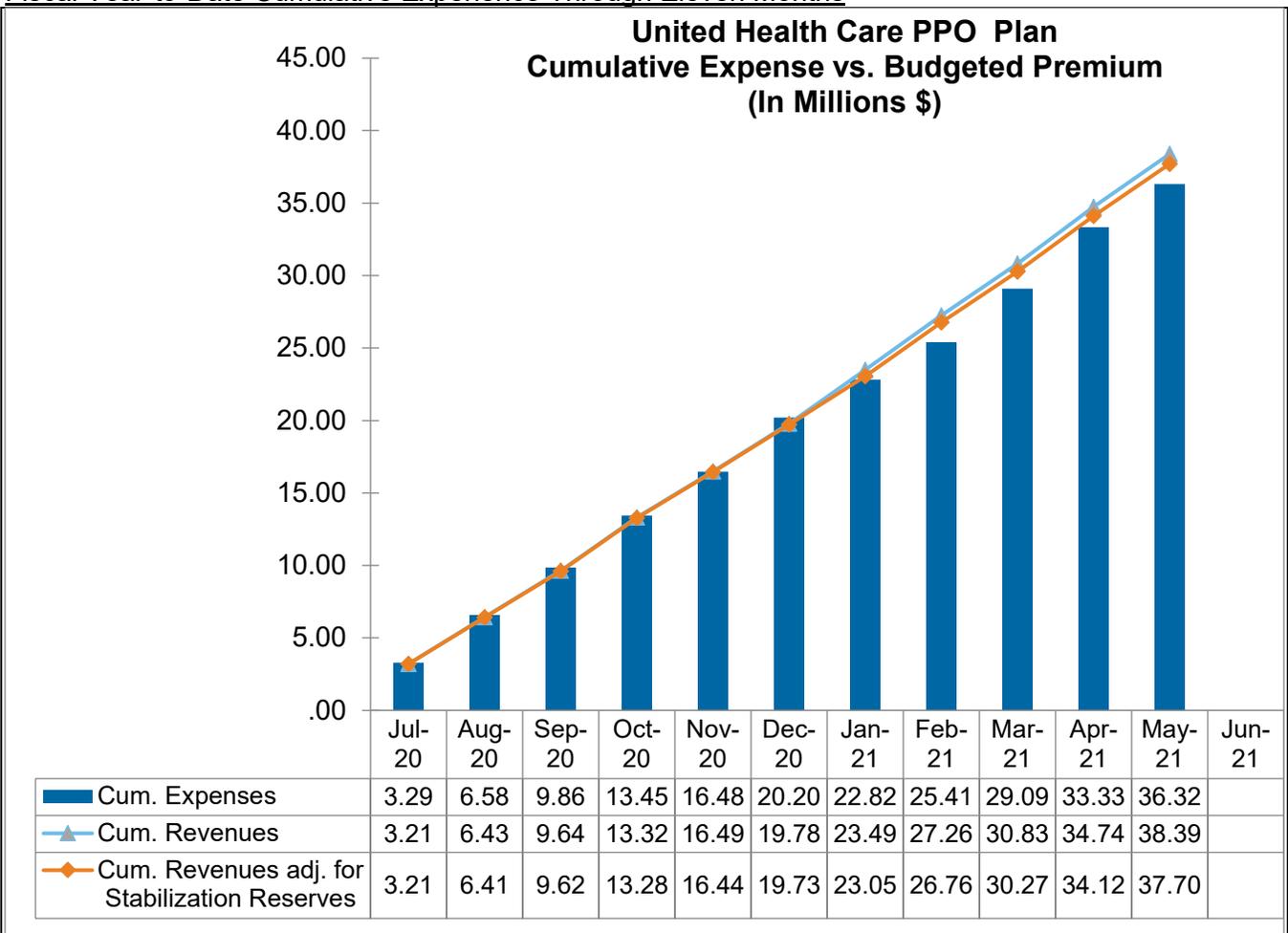
	Projected Fiscal Year-End Change in Fund Balance (in Millions)	Page
United Health Care PPO Self-Funded Plan*	\$2.4	3
Blue Shield Access+ Flex-Funded Plan*	12.3	4
Blue Shield Trio Flex-Funded Plan*	2.3	5
Delta Dental Self-Funded Plan (Actives only)	(1.2)	6
Health Care Sustainability Fund	0.08	7
Interest	1.1	7
Performance Guarantees	0.3	7
Performance Guarantees – Surrogacy and Adoption Assistance Plan	(0.07)	7
Forfeitures	0.11	7
Transfers Out	(0.63)	7
TOTAL	\$16.8	
* Includes Pharmacy Rebates	\$7.3	8

United Health Care PPO

Fiscal year-end projection of a \$2.4 M increase in fund balance is due to the following:

- Rate Stabilization Effect:
 - \$58 K associated with the increase in 2020 rates (for the first six months of FY 2020-21) due to rating buy-up of the 2018 calendar year-end claims stabilization deficit
 - \$372 K associated with the increase in 2021 rates (for the second six months of FY 2020-21) due to rating buy-up of the 2019 calendar year-end claims stabilization deficit
- Pharmacy Rebate(s):
 - \$1.5 M increase due to pharmacy rebates expected by FYE 2020-21
- Claims:
 - \$459 K increase due to claim expenses trending favorably

Fiscal Year-to-Date Cumulative Experience Through Eleven Months



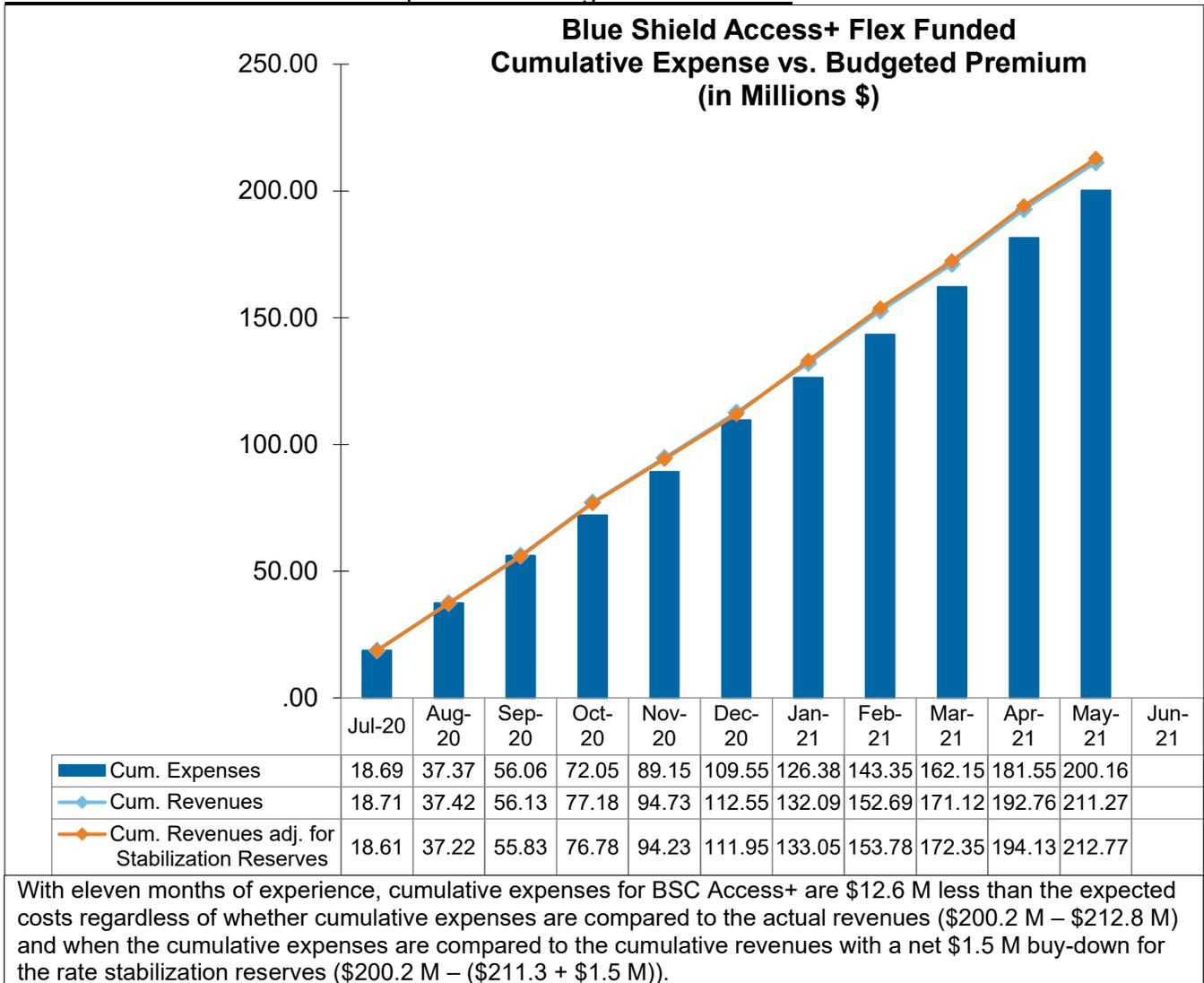
With eleven months of experience, cumulative expenses for UHC PPO are \$1.4 M less than the expected costs regardless of whether cumulative expenses are compared to the actual revenues (\$36.3 M - \$37.7 M) and when the cumulative expenses are compared to cumulative revenues with the \$0.68 M buyup for the rate stabilization reserves (\$36.3 M - (\$38.4 M - \$0.68M)).

Blue Shield Access+ Flex Funded Plan

Fiscal year-end projection of a \$12.3 M increase in fund balance is projected due to the following:

- Rate Stabilization Effect:
 - \$597K associated with the increase in 2020 rates (for the first six months of FY 2020-21) due to the rating buy-up of the 2018 year-end claim stabilization deficit
 - \$820K associated with the decrease in 2021 rates (for the second six months of FY 2020-21) due to the rating buy-down from the 2019 year-end claim stabilization surplus
- Pharmacy Rebate(s):
 - \$4.0 M increase due to pharmacy rebates expected by FYE 2020-21
- Claims:
 - \$8.5 M increase due to claim expenses trending favorably

Fiscal Year-to-Date Cumulative Experience Through Eleven Months

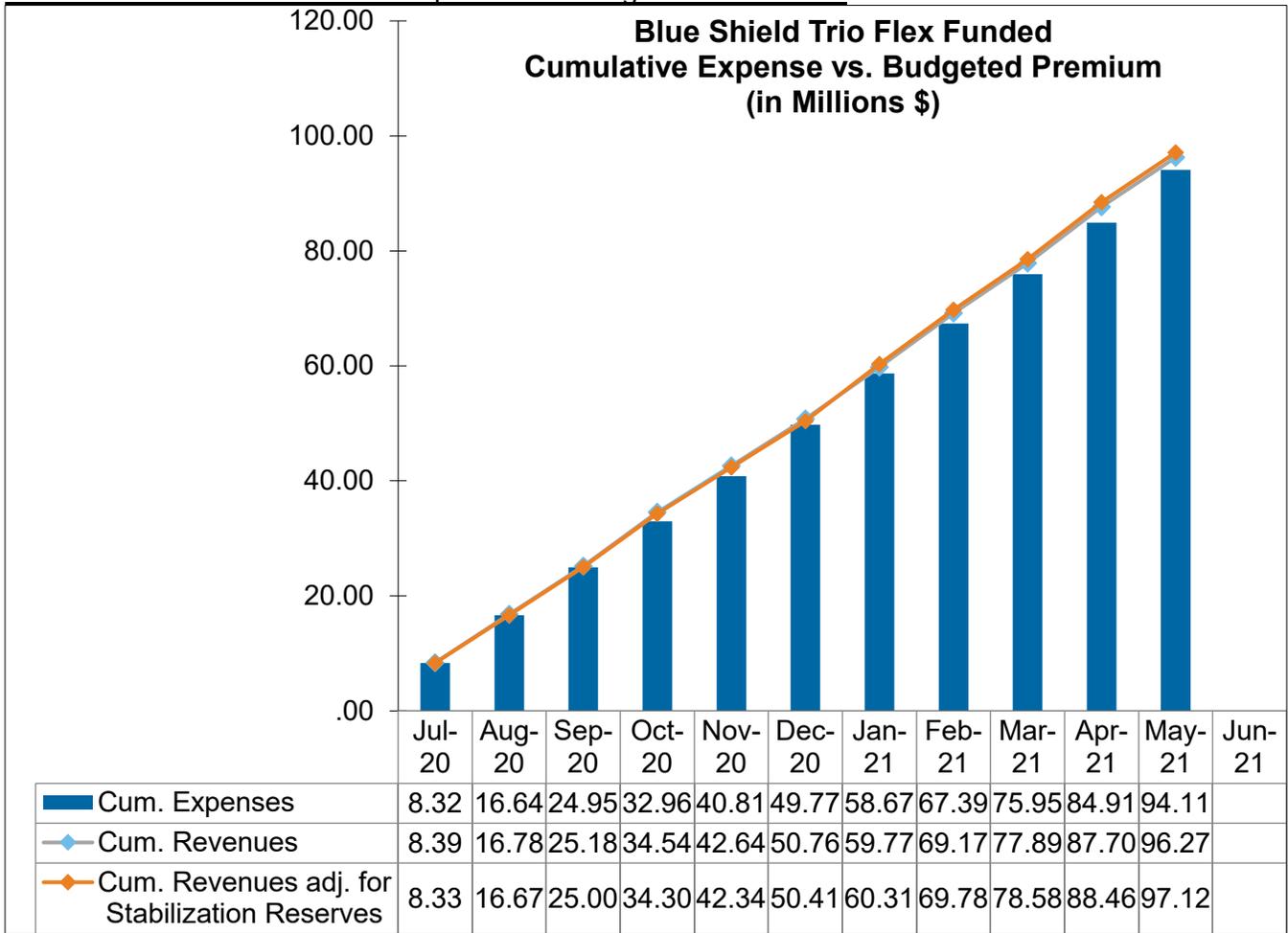


Blue Shield Trio Flex-Funded Plan

Fiscal year-end projection of a \$2.3 M increase in fund balance is projected due to the following:

- Rate Stabilization Effect:
 - \$0.35 million associated with the increase in 2020 rates (for the first six months of FY 2020-21) due to the rating buy-up of the 2018 year-end claim stabilization deficit
 - \$0.46 million associated with the decrease in 2021 rates (for the second six months of FY 2020-21) due to the rating buy-down from the 2019 year-end claim stabilization surplus
- Pharmacy Rebate(s):
 - \$1.8 M increase due to pharmacy rebates expected by FYE 2020-21
- Claims:
 - \$0.6 increase due to claim expenses trending favorably

Fiscal Year-to-Date Cumulative Experience Through Eleven Months



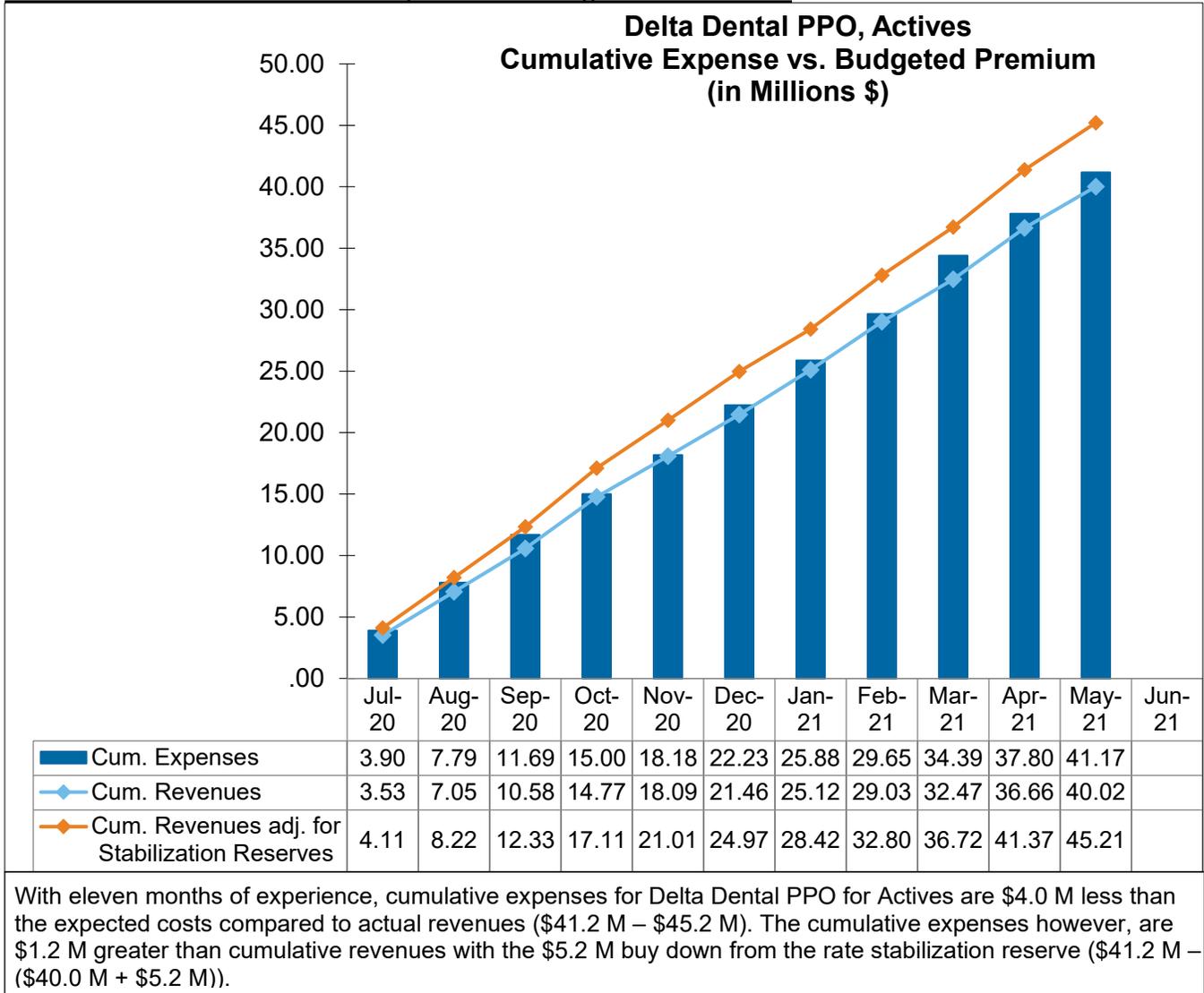
With eleven months of experience, cumulative expenses for BSC Trio are \$3.0 M less than the expected costs regardless of whether cumulative expenses are compared to the actual revenues (\$94.1 M – \$97.1 M) and when cumulative expenses are compared to cumulative revenues with the net \$0.9 M buy down for the rate stabilization reserves (\$94.1 M – (\$96.3+\$0.9 M)).

Delta Dental PPO (Actives Only) Self-Funded Plan

Fiscal year-end projection of a \$1.2 M decrease in fund balance is projected due to the following:

- Rate Stabilization Effect:
 - \$3.5 million decrease in fund balance associated with subsidizing 2020 rates (for the first six months of FY 2020-21) from the 2018 year-end claim stabilization reserve
 - \$2.8 million decrease in fund balance associated with subsidizing 2020 rates (for the second six months of FY 2020-21) from the 2019 year-end claim stabilization reserve
- Claims:
 - \$5.2 M increase due to claim expenses trending favorably

Fiscal Year-to-Date Cumulative Experience Through Eleven Months



Other Trust Fund Notes

Healthcare Sustainability Fund

With eleven months of actual revenues and expenses in the Healthcare Sustainability Fund, there is a projected fiscal year-end 2020-21 positive balance of \$4.5 M. Due to the deferral of project costs into the following fiscal year, there is a projected net \$85 K increase in the FYE balance.

SAN FRANCISCO HEALTH SERVICE SYSTEM <small>Affordable, Quality Benefits & Well-Being</small>	Healthcare Sustainability Fund FY 2020-21		
	FY 2020-21 Revised Budget	FY 2020-21 Actuals May YTD	FY 2020-21 Projection
REVENUES/PREMIUMS			
Annual Revenues	\$ 2,560,688	\$ 2,356,209	\$ 2,569,908
Carryforward from Fund Balance	4,401,072	4,401,072	4,401,072
TOTAL	\$ 6,961,760	\$ 6,757,282	\$ 6,970,981
EXPENDITURES			
Annual Expenditures	\$ 3,060,356	\$ 1,893,372	\$ 2,088,757
One-Time Expenditures	\$ 1,074,537	\$ 219,101	\$ 396,601
TOTAL	\$ 4,134,893	\$ 2,112,473	\$ 2,485,358
BALANCE	\$ 2,826,867	\$ 4,644,809	\$ 4,485,622
*Projection based on 11 months of actuals including the carryforward funding from FY 2019-20			

Interest

Year-to-date, \$858 K interest has been posted in the Trust Fund. There is a projected fiscal year-end increase to the fund balance of \$1.1 M.

Performance Guarantees

\$319 K of Performance Guarantees have been received year-to-date in this fiscal year.

Performance Guarantees for Adoption and Surrogacy Assistance Plan

Performance guarantees are used to fund the Adoption and Surrogacy Assistance Plan. Through eleven months, a total of \$70 K has been reimbursed to members under this program.

Forfeitures and Transfers Out

Forfeitures from unused Flexible Spending Accounts (FSA) fund the administration of the accounts, as is allowed by the IRS. YTD \$109 K of forfeitures have been recorded. Since the administrative funding is in the General Fund and the forfeitures are in the Trust, a transfer is made annually at the end of the fiscal year.

Pharmacy Rebates

The pharmacy rebates from the self-insured health plans are normally reported at the end of each quarter. The following table summarizes the FY 2020-21 pharmacy rebates received as of this report and fiscal year-end projection. Through May 31, 2021, \$5.2 M of pharmacy rebates were received. These rebates offset the claims expense of the self-funded plans above.

Self-Insured Plan	Amount Received Year-to-Date	Projected Fiscal Year-End
UHC	\$1,278,671	\$1,500,000
Blue Shield (Access + and Trio)	4,958,264	5,800,000
Total	\$6,236,935	\$7,300,000

GENERAL FUND ADMINISTRATION BUDGET

Based on the eleven months year-to-date, SFHSS needed to reduce expenditures to balance the budget to end the fiscal year in a neutral position with no surpluses or shortfalls. Other Revenue is expected to be reduced by \$267K due to rolling forward Dependent Care FSA balances for use in 2021. These reductions in the revenues were balanced by reductions in expenditures such as savings in personnel from delayed hiring and reduction of non-personnel service due to the reduce demand for well-being programs.

SAN FRANCISCO HEALTH SERVICE SYSTEM <small>Affordable, Quality Benefits & Well-Being</small>						
General Fund Administration Budget FY 2020-21 ANNUALIZED AS OF 05/31/21						
	FY 2020-21 Approved Budget	FY 2020-21 Revised Budget	Non-COVID-19 Actuals	COVID-19 Actuals	Total Actual YTD	FYE 2020-21 Projection
REVENUES						
Non-Operating Revenue	\$ 9,131	\$ 9,131	\$ -	\$ -	\$ -	\$ -
Work Order Recovery	11,467,900	11,467,900	10,512,300	-	10,512,300	11,467,900
Other Revenue	625,297	625,297	-	-	-	358,000
General Fund Carryforward	-	344,070	344,070	-	344,070	344,070
Interfund Transfer	-	101,477	101,477	-	101,477	101,477
TOTAL REVENUES	\$ 12,102,328	\$ 12,547,875	\$ 10,957,847	\$ -	\$ 10,957,847	\$ 12,271,447
EXPENDITURES						
Personnel Services	\$ 5,203,105	\$ 5,280,982	\$ 4,631,950	\$ 92,463	\$ 4,724,414	\$ 5,214,247
Mandatory Fringe Benefits	2,680,495	2,704,095	2,357,446	41,627	2,399,073	2,639,907
Non-personnel Services	2,299,146	2,475,244	1,903,783	1,352	1,905,135	2,341,044
Materials & Supplies	49,085	65,660	22,078	-	22,078	52,660
Services of Other Departments	1,870,497	2,021,894	1,473,911	-	1,473,911	2,021,894
TOTAL EXPENDITURES	\$ 12,102,328	\$ 12,547,875	\$ 10,389,168	\$ 135,442	\$ 10,524,610	\$ 12,269,752
BALANCE	\$ -	\$ 0	\$ 568,679	\$ (135,442)	\$ 433,237	\$ 1,695

*Projection based on 11 months of actuals including the carryforward funding from FY 2019-20

**STATEMENT OF REVENUES AND EXPENSES
FY 2020-2021
FOR 11 MONTHS ENDED MAY 31, 2021**

<i>ACTIVE & RETIRED COMBINED</i>	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess (Shortage)
SELF-INSURANCE			
UHC PPO, including ASO *	38,386,675	36,319,033	2,067,642
Blue Shield Access+ *	211,269,286	200,164,905	11,104,381
Blue Shield Trio *	96,272,422	94,106,516	2,165,906
Delta Dental - Active only, including ASO	40,017,383	41,166,750	(1,149,367)
TOTAL SELF-INSURANCE	385,945,766	371,757,204	14,188,562
INSURANCE PRODUCTS			
UHC MAPD	78,325,470	78,325,470	-
Kaiser-HMO	426,533,326	423,482,492	3,050,834
Vision Service Plan, All (City Plan & HMO)	8,186,795	8,171,505	15,290
Sub-total HMO	513,045,591	509,979,467	3,066,124
Delta Dental - Retired	15,268,126	15,268,126	-
Delta Care	748,048	727,805	20,243
UHC Dental	407,499	411,337	(3,838)
Sub-total Dental	16,423,673	16,407,268	16,405
Long Term/Short Term Disability	6,906,748	6,909,689	(2,941)
Flexible Benefits	3,085,929	3,082,791	3,138
Flexible Spending-Dependent Care	3,742,777	3,967,815	(225,038)
Flexible Spending -Medical Reimbursement	8,417,377	9,064,106	(646,729)
Best Doctors (discontinued on 1/1/20)	-	-	-
Healthcare Sustainability Fund (\$3.00)	2,356,209	2,112,473	243,736
Adoption & Surrogacy		70,374	(70,374)
TOTAL INSURANCE PRODUCTS	553,978,305	551,593,983	2,384,322
SAVINGS AND INVESTMENTS			
Interest	858,082		858,082
Performance guarantees	319,270		319,270
Forfeitures	108,942		108,942
TOTAL SAVINGS & INVESTMENTS	1,286,294		1,286,294
TRANSFERS OUT OF FORFEITURES			0
TOTAL FUNDS	941,210,365	923,351,187	17,859,177

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

	FY20-21 Year-to-Date Actual Net as of 05/31/21	FY20-21 Projected Year-End Annual Net	
SUMMARY			
Self Insurance			
UHC PPO	2,067,642	2,389,195	(a)
Blue Shield-Access+	11,104,381	12,323,764	(b)
Blue Shield-Trio	2,165,906	2,344,096	
Delta Dental PPO, Actives	(1,149,367)	(1,192,355)	(c)
Insurance Products			
Medical HMOs	3,066,124	-	
Dental	16,405	-	
LTD/Flexible Benefits/FSA/Best Doctors	(871,569)	-	
Healthcare Sustainability Fund (\$3.00)	243,736	84,550	(d)
Savings & Investments			
Interest	858,082	1,144,109	
Performance guarantees	319,270	319,270	(e)
Performance guarantees - Surrogacy and adoption	(70,374)	(70,374)	(f)
Forfeitures	108,942	108,942	
Transfers Out	0	(625,297)	(g)
TOTAL	17,859,177	16,825,901	
Net assets			
Beginning of the year		116,114,257	
End of the year		132,940,158	

(a) Annual Projection is net of claim stabilization of \$0.1 million to increase 2020 rates, \$0.4 million to increase 2021 rates, and Pharmacy rebate of \$1.5 million

(b) Annual Projection is net of claim stabilization of \$0.9 million to increase 2020 rates, \$1.3 million to decrease 2021 rates, and Pharmacy rebate of \$5.8 million

(c) Annual Projection is net of claim stabilization of \$3.5 million to reduce 2020 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 2020-2021

(f) Reflects use of fund balance

(g) Transfer of \$0.6M from forfeitures to General Fund per FY 2020-2021 budget

