

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

Memorandum

DATE: August 9, 2018

TO: Karen Breslin, President and Members of the Health Service Board

FROM: Pamela Levin, Chief Financial Officer

RE: Update on Financial Report as of May 31, 2018

This report summarizes revenues and expenses of the Employee Benefit Trust Fund (Trust Fund) and the General Fund Administration Budget for the time period of July 1, 2017 to May 31, 2018, as well as fiscal year-end projections through June 30, 2018.

Employee Benefit Trust Fund

On June 30, 2017, the Trust Fund balance was \$72.5 million. Based on activity through May 2018, the fund balance is projected to be \$72.9 million as of June 30, 2018. The projected \$0.4 million increase includes reserves for unpaid claims and is a result of the following changes:

1. City Plan Self-Funded Plan - \$6.1 million decrease in fund balance resulting from:
 - \$3.8 million associated with subsidizing 2017 rates (for the first six months of FY 2017-18) from the claim stabilization reserve
 - \$2.3 million associated with subsidizing 2018 rates (for the second six months of FY 2017-18) from the claim stabilization reserve
2. Blue Shield Access+ Flex-Funded Plan - \$5.7 million increase in fund balance resulting from:
 - \$2.6 million associated with the increase in 2017 rates (for the first six months of FY 2017-18) to recover the 2015 deficit
 - \$1.1 million associated with the increase in 2018 rates (for the second six months of FY 2017-18) to recover the 2016 deficit
 - \$7.0 million in pharmacy rebates (additional information on page 3) offset by claims of \$5.0 million
3. Blue Shield Trio Flex-Funded Plan - \$1.8 million decrease in fund balance resulting from:
 - a. \$0.7 million increase in fund balance associated with the increase in 2018 rates (for the second six months of FY 2017-18) to recover the 2016 deficit
 - b. \$2.5 million decrease in fund balance due to timing of receipt of pharmacy rebates to offset claims experience

4. Delta Dental Self-Funded Plan - \$2.6 million increase in fund balance resulting from:
 - a. \$5.4 million increase in fund balance due to favorable claim experience
 - b. \$2.8 million decrease in fund balance:
 - \$1.2 million decrease in fund balance associated with subsidizing 2017 rates (for the first six months of FY 2017-18) from the claim stabilization reserve
 - \$1.6 million decrease in fund balance associated with subsidizing 2018 rates (for the second six months of FY 2017-18) from the claim stabilization reserve
5. Healthcare Sustainability Fund - The following table reflects the year-to-date actuals through May 31, 2018. The Revised Budget reflects carryforward of unexpended funds from FY 2016-17.

Healthcare Sustainability Fund FY 2017-18				
	Revised budget	May YTD Actuals	Projection	Variance
Revenues/Premiums				
Annual Revenues	\$ 2,351,681	\$2,324,571	\$2,472,678	\$ 120,997
Carryforward from fund balance	1,713,191	1,713,191	2,506,982	793,791
Total	\$ 4,064,872	\$4,037,762	\$4,979,660	\$ 914,788
Expenditures				
Annual Expenditures	\$ 1,566,526	\$1,003,005	\$1,428,680	\$ 137,846
One-time Expenditures	2,066,797	223,286	993,114	1,073,683
Grand Total Expenditures	\$ 3,633,323	\$1,226,291	\$2,421,794	\$1,211,529
Balance	\$ 431,549	\$2,811,470	\$2,557,866	\$ (296,741)

6. Interest - \$0.4 million increase in fund balance from SFHSS Trust cash balances
7. Performance Guarantees – No Performance Guarantees have been received as of May 31, 2018. The \$72.5 million fund balance includes the \$7.6 million in PGs received since FY 2005-06.
8. Performance Guarantees for Adoption and Surrogacy Assistance Plan - \$0.3 million decrease in fund balance for performance guarantees for FY 2017-18. The program was effective January 1, 2017, five reimbursements have been paid for a total of \$98,873, including \$76,163 in FY 2017-18.
9. Forfeitures - \$0.4 million increase in fund balance. The reconciliation of unused flexible spending account balances occurs annually in June for the prior Plan Year.

10. Pharmacy Rebates - The following table summarizes the FY 2017-18 pharmacy rebates as of May 31, 2018 and year-end projection. The rebates offset the amount of claims HSS pays to the vendors.

Vendor	Amount (year to date)	Year-End Projection
Blue Shield	\$5,649,137	\$7,000,000
UHC	940,055	940,055
Total	\$6,589,192	\$7,940,055

General Fund Administration Budget (including Online Premium Payment Project)

Based on the financial results for the first eleven months of FY 2017-18, a year-end balance of \$0.4 million is projected.



HEALTH SERVICE SYSTEM
STATEMENT OF REVENUES AND EXPENSES
FY 2017-2018
FOR THE ELEVEN MONTHS ENDED May 31, 2018

ACTIVE & RETIRED COMBINED

	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess(Shortage)
SELF-INSURANCE			
City Plan, including ASO *	28,478,990	34,194,163	(5,715,173)
Blue Shield Access+ *	237,016,089	239,447,962	(2,431,873)
Blue Shield Trio *	46,031,872	39,250,520	6,781,352
Delta Dental - Active only, including ASO	44,386,328	41,982,796	2,403,532
TOTAL SELF-INSURANCE	355,913,279	354,875,441	1,037,839
INSURANCE PRODUCTS			
New City Plan	57,949,625	57,949,625	0
Kaiser-HMO	372,316,915	369,651,836	2,665,079
Vision Service Plan, All (City Plan & HMO)	5,529,371	5,522,647	6,723
Sub-total HMO	435,795,911	433,124,109	2,671,802
Delta Dental - Retired	13,273,698	13,201,483	72,215
Delta Care	852,581	850,483	2,097
Pacific Union	351,908	350,846	1,062
Sub-total Dental	14,478,186	14,402,812	75,374
Long Term/Short Term Disability	6,679,887	6,679,887	0
Flexible Benefits	1,915,718	1,915,157	561
Flexible Spending-Dependent Care	4,753,580	4,573,604	179,976
Flexible Spending -Medical Reimbursement	6,205,739	6,111,127	94,612
Best Doctors (\$1.40)	1,057,827	1,057,827	(0)
Healthcare Sustainability Fund (\$3.00)	2,324,571	1,226,291	1,098,279
Adoption & Surrogacy		62,634	(62,634)
TOTAL INSURANCE PRODUCTS	473,211,418	469,153,449	4,057,969
SAVINGS AND INVESTMENTS			
Interest	0		0
Performance guarantees	0		0
Forfeitures	0		0
TOTAL SAVINGS & INVESTMENTS	0		0
TRANSFERS OUT OF FORFEITURES		0	0
TOTAL FUNDS	829,124,698	824,028,889	5,095,809

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

	FY17-18	FY17-18
	Year-To Date Actual	Projected Annual-Net
	As of May 2018 - Net	
SUMMARY- In millions		
Self Insurance		
City Plan	(5.7)	(6.1) (a)
Blue Shield-Access+	(2.4)	5.7 (b)
Blue Shield-Trio	6.8	(1.8) (b)
Dental, Actives	2.4	2.6 (c)
Insurance Products		
Medical HMOs	2.7	0.0
Dental	0.1	0.0
LTD/Flexible Benefits/FSA/Best Doctors	0.3	0.0
Healthcare Sustainability Fund (\$3.00)	1.1	0.1 (d)
Savings & Investments		
Interest	0.0	0.4
Performance guarantees	0.0	0.0 (e)
Performance guarantees - Surrogacy and adoption	0.0	(0.3) (f)
Forfeitures	0.0	0.4
Transfers Out of Forfeitures	0.0	(0.5) (g)
TOTAL	5.1	0.4
Net assets		
Beginning of the year		<u>72.5</u>
End of the year		<u>72.9</u>

(a) Annual Projection is net of claim stabilization of \$3.8 million used to reduce 2017 rates, \$2.3 million to reduce 2018 rates, and Pharmacy rebate of \$0.9 million

(b) Annual Projection is net of claim stabilization of \$2.6 million to increase 2017 rates, \$1.8 million to increase 2018 rates, and Pharmacy rebate of \$7 million

(c) Annual Projection is net of claim stabilization of \$1.2 million to reduce 2017 rates and \$1.6 million to reduce 2018 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 2017-2018

(f) Reflects use of fund balance

(g) Transfer of forfeitures to General Fund per FY 2017-2018 budget



	For 11 months ended May 31, 2018	For 11 months ended May 31, 2017	\$ Change	% Change	
1 SELF-INSURANCE					
2 City Plan, including ASO					
3 Revenues	28,478,990	26,239,356	2,239,634	8.5%	m
4 Expenses	(34,194,163)	(36,351,203)	2,157,039	-5.9%	m
5 Net City Plan Excess(Shortage)	(5,715,173)	(10,111,847)	4,396,674	-43.5%	
6 Blue Shield-Access+					
7 Revenues	237,016,089	280,321,269	(43,305,180)	-15.4%	p
8 Expenses	(239,447,962)	(275,046,832)	35,598,870	-12.9%	p
9 Net Blue Shield-Access Excess(Shortage)	(2,431,873)	5,274,437	(7,706,310)	-146.1%	
10 Blue Shield-Trio					
11 Revenues	46,031,872		46,031,872		p
12 Expenses	(39,250,520)		(39,250,520)		p
13 Net Blue Shield-Trio Excess(Shortage)	6,781,352		6,781,352		
14 Delta Dental - Active only, including ASO					
15 Revenues	44,386,328	43,413,979	972,349	2.2%	
16 Expenses	(41,982,796)	(39,999,951)	(1,982,845)	5.0%	f
17 Net Delta Dental - Active Excess(Shortage)	2,403,532	3,414,028	(1,010,496)	-29.6%	
18 NET SELF-INSURANCE	1,037,839	(1,423,382)	(4,320,132)	303.5%	
19 INSURANCE PRODUCTS					
20 Blue Shield-HMO					
21 Revenues	0	15,806,352	(15,806,352)	-100.0%	m
22 Expenses	0	(15,806,352)	15,806,352	-100.0%	m
23 Net Blue Shield HMO Excess(Shortage)	0	0	0	0.0%	
24 Kaiser-HMO					
25 Revenues	372,316,915	339,982,937	32,333,978	9.5%	d, l
26 Expenses	(369,651,836)	(338,642,162)	(31,009,674)	9.2%	d, l
27 Net Kaiser- HMO Excess(Shortage)	2,665,079	1,340,775	1,324,304	98.8%	
28 New City Plan					
29 Revenues	57,949,625	32,567,328	25,382,297	77.9%	m
30 Expenses	(57,949,625)	(32,567,328)	(25,382,297)	77.9%	m
31 Net New City Plan Excess(Shortage)	0	0	0	0.0%	
32 Vision Service Plan, All (City Plan & HMO)					
33 Revenues	5,529,371	4,649,554	879,817	18.9%	o
34 Expenses	(5,522,647)	(4,649,554)	(873,093)	18.8%	o
35 Net Vision Service Plan Excess(Shortage)	6,723	0	6,723		
36					
37 Delta Dental - Retired					
38 Revenues	13,273,698	12,442,520	831,178	6.7%	d
39 Expenses	(13,201,483)	(12,349,074)	(852,409)	6.9%	d
40 Net Delta Dental - Retired Excess(Shortage)	72,215	93,446	(21,231)	-22.7%	
41 Delta Care					
42 Revenues	852,581	895,861	(43,280)	-4.8%	a
43 Expenses	(850,483)	(896,021)	45,538	-5.1%	a
44 Net Delta Care Excess(Shortage)	2,097	(160)	2,257	-1410.9%	
45 Pacific Union					
46 Revenues	351,908	314,351	37,557	11.9%	d
47 Expenses	(350,846)	(314,540)	(36,306)	11.5%	d
48 Net Pacific Union Excess(Shortage)	1,062	(189)	1,251	-661.7%	
49 Net Dental	75,374	93,097	(17,723)	-19.0%	
50					
51 Long Term/Short Term Disability					
52 Revenues	6,679,887	6,649,389	30,498	0.5%	
53 Expenses	(6,679,887)	(6,649,403)	(30,484)	0.5%	
54 Net Long Term/Short Term Disability Excess(Shortage)	0	(14)	14		
55 Flexible Benefits					
56 Revenues	1,915,718	1,215,918	699,800	57.6%	k
57 Expenses	(1,915,157)	(1,215,918)	(699,239)	57.5%	k
58 Net Flexible Benefits Excess(Shortage)	561	0	561	0.0%	
59 Flexible Spending-Dependent Care					
60 Revenues	4,753,580	4,200,978	552,602	13.2%	d
61 Expenses	(4,573,604)	(4,117,586)	(456,018)	11.1%	f
62 Net Flexible Spending-Dependent Care Excess(Shortage)	179,976	83,392	96,584	115.8%	
63 Flexible Spending -Medical Reimbursement					
64 Revenues	6,205,739	4,952,150	1,253,589	25.3%	d
65 Expenses	(6,111,127)	(4,546,089)	(1,565,038)	34.4%	f
66 Net Flexible Spending-Medical Reimbursement Excess(Shortage)	94,612	406,061	(311,449)	-76.7%	
67 Best Doctors (\$1.40)					
68 Revenues	1,057,827	474,732	583,095	122.8%	n
69 Expenses	(1,057,827)	(474,732)	(583,095)	122.8%	n
70 Net Best Doctors Excess(Shortage)	0	0	(0)		
71 Adoption & Surrogacy					
72 Expenses	(62,634)	0	(62,634)		
73 Healthcare Sustainability Fund (\$3.00)					
74 Revenues	2,324,571	1,841,923	482,648	26.2%	e
75 Expenses	(1,226,291)	(1,132,416)	(93,875)	8.3%	e
76 Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	1,098,279	709,507	388,772	54.8%	
77 NET INSURANCE PRODUCTS	4,057,970	2,632,818	1,487,785	56.5%	
78 SAVINGS AND INVESTMENTS					
79 Interest	0	414,849	(414,849)	-100.0%	b
80 Performance guarantees	0	47,269	0		
81 TOTAL SAVINGS & INVESTMENTS	0	462,118	(414,849)	-24.8%	
82 TOTAL NET EXCESS (SHORTAGE)	5,095,809	1,671,554	(3,247,196)	-194.3%	

Notes: a decrease in membership
b delay in interest income posting due to FSP implementation
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
j decrease in claims
n effective 1/1/17
o vision buy-up effective 1/1/18
p effective 1/1/18
k implementation of voluntary benefits effective 1/1/17
m conversion into New City Plan effective 1/1/17

Healthcare Sustainability Fund FY 2017-18				
	Revised Budget	May YTD Actuals	Projection	Variance
Revenues/Premiums				
Annual Revenues	\$ 2,351,681	2,324,571	\$ 2,472,678	\$ 120,997
Carryforward from fund balance	1,713,191	1,713,191	2,506,982	793,791
Total	\$ 4,064,872	4,037,762	\$ 4,979,660	\$ 914,788
Expenditures				
Annual				
Personnel Services and Mandatory Fringes	\$ 353,662	285,995	\$ 385,870	\$ (32,208)
Communications				
Open Enrollment Communications	226,892	229,751	281,079	(54,187)
Operations Communications	132,160	18,633	100,134	32,026
Well-Being Communications	255,000	188,557	250,000	5,000
Other Communications	32,520	3,579	34,705	(2,185)
Total Communications	\$ 646,572	440,521	\$ 665,918	\$ (19,346)
Well-Being	133,000	49,914	100,000	33,000
Initiatives to Reduce Health Care Costs	260,292	223,787	247,792	12,500
SFGTV/Board Meetings	23,000	2,789	29,100	(6,100)
Contingency for Unforeseen Issues	150,000			150,000
Total Expenditures	\$ 1,566,526	1,003,005	\$ 1,428,680	\$ 137,846
One-time				
Communications				
Open-Enrollment Communications	253,998	175,236	233,829	\$ 20,169
Operations Communications	\$ 1,505,000	26,925	\$ 550,000	\$ 955,000
Well-Being Communications	1,580	6,951	55,000	(53,420)
Other Communications	253,800	14,175	154,285	99,515
Total Communications	\$ 2,014,378	223,286	\$ 993,114	1,021,264
Well-Being	2,419		-	2,419
Initiatives to Reduce Health Care Costs	50,000		-	50,000
Total Expenditures	\$ 2,066,797	223,286	\$ 993,114	\$ 1,073,683
Grand Total Expenditures	\$ 3,633,323	1,226,291	\$ 2,421,794	\$ 1,211,529
Balance	\$ 431,549	2,811,470	\$ 2,557,866	\$ (296,741)



Health Service System
CITY & COUNTY OF SAN FRANCISCO

HEALTH SERVICE SYSTEM - ADMINISTRATION
STATEMENT OF REVENUES AND EXPENDITURES
As of May 31, 2018

YEAR-TO DATE				ANNUAL					
Fav/(Unfav)				Fav/(Unfav)					
Budget	Actual	Variance	% Var	Original Budget	Revised Budget	Projection	Variance	% Var	
REVENUES									
423,986	30	(423,956)	-100.0%	462,530	462,530	462,530	0	0.0%	
10,387,976	10,079,621	(308,355)	-3.0%	10,981,725	11,332,337	11,328,565	(3,772)	0.0%	
391,606	391,606	0	0.0%	0	427,206	427,206			
11,203,567	10,471,257	(732,310)	-6.5%	11,444,255	12,222,073	12,218,301	(3,772)	0.0%	
EXPENDITURES									
4,723,065	4,479,705	243,360	5.2%	5,202,435	5,152,435	4,912,231	240,204	-4.7%	
2,288,340	2,101,374	186,966	8.2%	2,496,371	2,496,371	2,325,840	170,531	-6.8%	
2,044,903	1,447,740	597,162	29.2%	1,679,202	2,230,803	2,189,549	41,254	-1.8%	
46,354	41,420	4,934	10.6%	49,915	50,568	49,799	769	-1.5%	
954,957	953,942	1,015	0.1%	2,016,332	2,291,896	2,291,896	0	0.0%	
10,057,619	9,024,182	1,033,437	10.3%	11,444,255	12,222,073	11,769,315	452,758	-3.7%	
1,145,948	1,447,074	301,126		0	0	448,986	448,986		