

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

Memorandum

DATE: December 13, 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 October 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, 2018 to October 31, 2018, as well as fiscal year-end projections through June 30, 2019.

Employee Benefit Trust Fund

On June 30, 2018, the Trust Fund balance was \$77.4 million. Based on activity through October 2018, the fund balance is projected to be \$72.2 million as of June 30, 2019. The projected \$5.2 million decrease includes reserves for unpaid claims and is a result of the following changes:

1. City Plan Self-Funded Plan - \$1.6 million decrease in fund balance resulting from:
 - a. \$3.1 million decrease in fund balance:
 - \$2.3 million associated with subsidizing 2018 rates (for the first six months of FY 2018-19) from the claim stabilization reserve
 - \$0.8 million associated with subsidizing 2019 rates (for the second six months of FY 2018-19) from the claim stabilization reserve
 - b. \$1.5 million increase in fund balance:
 - \$0.9 million in pharmacy rebates (additional information on page 3)
 - \$0.6 million increase in fund balance due to favorable claim experience
2. Blue Shield Access+ Flex-Funded Plan - \$4.5 million decrease in fund balance resulting from:
 - a. \$2.1 million increase in fund balance:
 - \$1.1 million associated with the increase in 2018 rates (for the first six months of FY 2018-19) to recover the 2016 deficit
 - \$1.0 million associated with the increase in 2019 rates (for the second six months of FY 2018-19) to recover the 2017 deficit

- b. \$6.6 million decrease in fund balance:
 - \$10.8 million in unfavorable claim experience offset by pharmacy rebates of \$4.2 million (additional information on page 3)
- 3. Blue Shield Trio Flex-Funded Plan - \$0.6 million decrease in fund balance resulting from:
 - a. \$1.3 million increase in fund balance:
 - \$0.7 million associated with the increase in 2018 rates (for the first six months of FY 2018-19) to recover the 2016 deficit
 - \$0.6 million associated with the increase in 2019 rates (for the second six months of FY 2018-19) to recover the 2017 deficit
 - b. \$1.9 million decrease in fund balance:
 - \$4.7 million in unfavorable claim experience offset by pharmacy rebates of \$2.8 million (additional information on page 3)
- 4. Delta Dental Self-Funded Plan - \$3.2 million increase in fund balance resulting from:
 - b. \$6.9 million increase in fund balance due to favorable claim experience
 - c. \$3.7 million decrease in fund balance:
 - \$1.6 million decrease in fund balance associated with subsidizing 2018 rates (for the first six months of FY 2018-19) from the claim stabilization reserve
 - \$2.1 million decrease in fund balance associated with subsidizing 2019 rates (for the second six months of FY 2018-19) from the claim stabilization reserve
- 5. Healthcare Sustainability Fund - The following table reflects the year-to-date actuals through October 31, 2018. The Revised Budget reflects carryforward of unexpended funds from FY 2017-18 and a reallocation of the budget approved by the Health Service Board on October 11, 2018.

Healthcare Sustainability Fund FY 2018-19				
	Revised Budget	October YTD Actual	Projection	Variance
Revenues/Premiums				
Annual Revenues	\$ 2,441,171	\$ 840,714	\$ 2,491,344	\$ 50,173
Carryforward from fund balance	3,399,817	3,399,817	3,399,817	-
Total	\$ 5,840,988	\$ 4,240,531	\$ 5,891,161	\$ 50,173
Expenditures				
Annual Expenditures	\$ 2,386,911	\$ 464,357	\$ 2,386,911	\$ -
One-time Expenditures	2,245,728	127,821	2,245,728	-
Grand Total Expenditures	\$ 4,632,639	\$ 592,178	\$ 4,632,639	\$ -
Balance	\$ 1,208,349	\$ 3,648,353	\$ 1,258,522	\$ 50,173

6. Interest - \$0.7 million increase in fund balance from SFHSS Trust cash balances
7. Performance Guarantees – No Performance Guarantees have been received as of October 31, 2019. The \$77.4 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 2018-19. The program was effective January 1, 2017, eight reimbursements have been paid for a total of \$146,249, including \$47,376 in FY 2018-19.
9. Transfers Out – Transfer of \$0.5 million from forfeitures and \$0.1 million from the \$3.00 budget to the General Fund - the transfers will occur in June after the reconciliation of unused flexible spending account balances for the prior Plan Year and posting of the final General Fund expenditures.
10. Pharmacy Rebates - The following table summarizes the FY 2018-19 pharmacy rebates as of October 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	\$1,510,527	\$7,000,000
UHC	262,371	900,000
Total	\$1,772,898	\$7,900,000

General Fund Administration Budget (including Online Premium Payment Project)

Based on the financial results for the first four months of FY 2018-19, a year-end balance of \$0.2 million is projected.



HEALTH SERVICE SYSTEM
STATEMENT OF REVENUES AND EXPENSES
FY 2018-2019
FOR THE FOUR MONTHS ENDED October 31, 2018

ACTIVE & RETIRED COMBINED

	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess(Shortage)
1 SELF-INSURANCE			
2 City Plan, including ASO *	10,807,647	11,855,506	(1,047,858)
3 Blue Shield Access+ *	65,804,188	67,775,466	(1,971,278)
4 Blue Shield Trio *	36,120,918	36,619,596	(498,678)
5 Delta Dental - Active only, including ASO	16,162,078	14,909,962	1,252,115
6 TOTAL SELF-INSURANCE	128,894,831	131,160,530	(2,265,699)
7			
8 INSURANCE PRODUCTS			
9 New City Plan	23,413,098	23,413,098	0
10 Kaiser-HMO	139,415,197	139,711,629	(296,432)
11 Vision Service Plan, All (City Plan & HMO)	2,416,034	2,402,489	13,545
12 Sub-total HMO	165,244,330	165,527,217	(282,887)
13			
14 Delta Dental - Retired	4,938,566	5,103,051	(164,485)
15 Delta Care	307,925	298,021	9,904
16 UHC Dental	135,081	133,819	1,262
17 Sub-total Dental	5,381,572	5,534,891	(153,319)
18			
19 Long Term/Short Term Disability	2,485,121	2,485,121	-
20 Flexible Benefits	745,751	745,726	25
21 Flexible Spending-Dependent Care	1,904,365	1,403,718	500,647
22 Flexible Spending -Medical Reimbursement	2,562,998	1,645,306	917,692
23 Best Doctors (\$1.40)	391,960	388,545	3,415
24 Healthcare Sustainability Fund (\$3.00)	840,714	592,178	248,536
25 Adoption & Surrogacy		47,376	(47,376)
26 TOTAL INSURANCE PRODUCTS	179,556,811	178,370,078	1,186,733
27			
28 SAVINGS AND INVESTMENTS			
29 Interest	0		0
30 Performance guarantees	0		0
31 Forfeitures	0		0
32 TOTAL SAVINGS & INVESTMENTS	0		0
33			
34 TRANSFERS OUT OF FORFEITURES		0	0
35			
36 TOTAL FUNDS	308,451,642	309,530,608	(1,078,966)

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

SUMMARY- In millions	FY18-19	FY18-19
	Year-To Date Actual As of October 2018 - Net	Projected Annual-Net
Self Insurance		
City Plan	(1.0)	(1.6) (a)
Blue Shield-Access+	(2.0)	(4.5) (b)
Blue Shield-Trio	(0.5)	(0.6) (b)
Dental, Actives	1.3	3.2 (c)
Insurance Products		
Medical HMOs	(0.3)	0.0
Dental	(0.2)	0.0
LTD/Flexible Benefits/FSA/Best Doctors	1.4	0.0
Healthcare Sustainability Fund (\$3.00)	0.2	(1.5) (d)
Savings & Investments		
Interest	0.0	0.7
Performance guarantees	0.0	0.0 (e)
Performance guarantees - Surrogacy and adoption	0.0	(0.3) (f)
Forfeitures	0.0	0.0
Transfers Out	0.0	(0.6) (g)
TOTAL	(1.1)	(5.2)
Net assets		
Beginning of the year		77.4
End of the year		72.2

(a) Annual Projection is net of claim stabilization of \$2.3 million used to reduce 2018 rates, \$0.8 million to reduce 2019 rates, and Pharmacy rebate of \$0.9 million

(b) Annual Projection is net of claim stabilization of \$1.8 million to increase 2018 rates, \$1.6 million to increase 2019 rates, and Pharmacy rebate of \$7 million

(c) Annual Projection is net of claim stabilization of \$1.6 million to reduce 2018 rates and \$2.1 million to reduce 2019 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 2018-2019

(f) Reflects use of fund balance

(g) Transfer of \$0.5M from forfeitures and \$0.1M from \$3.00 to General Fund per FY 2018-2019 budget



HEALTH SERVICE SYSTEMS
STATEMENTS OF REVENUES AND EXPENSES
FY2018-2019 VS FY2017-2018
YEAR-TO-DATE: October 31, 2018

	For 4 months ended October 31, 2018	For 4 months ended October 31, 2017	\$ Change	% Change	
1 SELF-INSURANCE					
2 City Plan, including ASO					
3 Revenues	10,807,647	9,838,019	969,628	9.9%	i
4 Expenses	(11,855,506)	(12,892,385)	1,036,879	-8.0%	j
5 Net City Plan Excess(Shortage)	(1,047,858)	(3,054,365)	2,006,508	-65.7%	
6 Blue Shield-Access+					
7 Revenues	65,804,188	102,002,329	(36,198,141)	-35.5%	p
8 Expenses	(67,775,466)	(101,869,691)	34,094,225	-33.5%	p
9 Net Blue Shield-Access Excess(Shortage)	(1,971,278)	132,638	(2,103,916)	-1586.2%	
10 Blue Shield-Trio					
11 Revenues	36,120,918	0	36,120,918		p
12 Expenses	(36,619,596)	0	(36,619,596)		p
13 Net Blue Shield-Trio Excess(Shortage)	(498,678)	0	(498,678)		
14 Delta Dental - Active only, including ASO					
15 Revenues	16,162,078	16,049,598	112,480	0.7%	
16 Expenses	(14,909,962)	(13,446,734)	(1,463,228)	10.9%	f
17 Net Delta Dental - Active Excess(Shortage)	1,252,115	2,602,864	(1,350,749)	-51.9%	
18 NET SELF-INSURANCE	(2,265,699)	(318,863)	(1,448,157)	454.2%	
19 INSURANCE PRODUCTS					
24 Kaiser-HMO					
25 Revenues	139,415,197	128,230,342	11,184,855	8.7%	d, i
26 Expenses	(139,711,629)	(129,125,831)	(10,585,798)	8.2%	d, i
27 Net Kaiser- HMO Excess(Shortage)	(296,432)	(895,489)	599,057	-66.9%	
28 UHC MAPD					
29 Revenues	23,413,098	19,443,434	3,969,664	20.4%	d, i
30 Expenses	(23,413,098)	(19,443,434)	(3,969,664)	20.4%	d, i
31 Net UHC MAPD Excess(Shortage)	0	0	0	0.0%	
32 Vision Service Plan, All (City Plan & HMO)					
33 Revenues	2,416,034	1,685,455	730,579	43.3%	o
34 Expenses	(2,402,489)	(1,685,455)	(717,034)	42.5%	o
35 Net Vision Service Plan Excess(Shortage)	13,545	0	13,545		
36					
37 Delta Dental - Retired					
38 Revenues	4,938,566	4,662,734	275,832	5.9%	d
39 Expenses	(5,103,051)	(4,607,436)	(495,615)	10.8%	d
40 Net Delta Dental - Retired Excess(Shortage)	(164,485)	55,299	(219,783)	-397.4%	
41 Delta Care					
42 Revenues	307,925	317,531	(9,606)	-3.0%	a
43 Expenses	(298,021)	(317,097)	19,076	-6.0%	a
44 Net Delta Care Excess(Shortage)	9,904	434	9,470	2182.0%	
45 UHC Dental					
46 Revenues	135,081	124,690	10,391	8.3%	d
47 Expenses	(133,819)	(124,064)	(9,755)	7.9%	d
48 Net UHC Dental Excess(Shortage)	1,262	626	636	101.6%	
49 Net Dental	(153,319)	56,359	(209,677)	-372.0%	
50					
51 Long Term/Short Term Disability					
52 Revenues	2,485,121	2,399,276	85,845	3.6%	d
53 Expenses	(2,485,121)	(2,399,276)	(85,845)	3.6%	d
54 Net Long Term/Short Term Disability Excess(Shortage)	0	0	0		
55 Flexible Benefits					
56 Revenues	745,751	598,636	147,115	24.6%	g
57 Expenses	(745,726)	(598,636)	(147,090)	24.6%	g
58 Net Flexible Benefits Excess(Shortage)	25	0	25	0.0%	
59 Flexible Spending-Dependent Care					
60 Revenues	1,904,365	1,763,904	140,461	8.0%	d
61 Expenses	(1,403,718)	(1,268,609)	(135,109)	10.7%	f
62 Net Flexible Spending-Dependent Care Excess(Shortage)	500,647	495,294	5,352	1.1%	
63 Flexible Spending -Medical Reimbursement					
64 Revenues	2,562,998	2,210,173	352,825	16.0%	d
65 Expenses	(1,645,306)	(1,443,948)	(201,358)	13.9%	f
66 Net Flexible Spending-Medical Reimbursement Excess(Shortage)	917,692	766,225	151,467	19.8%	
67 Best Doctors (\$1.40)					
68 Revenues	391,960	381,295	10,665	2.8%	
69 Expenses	(388,545)	(381,295)	(7,250)	1.9%	
70 Net Best Doctors Excess(Shortage)	3,415	0	3,415		
71 Adoption & Surrogacy					
72 Expenses	(47,376)	(15,585)	(31,791)		
73 Healthcare Sustainability Fund (\$3.00)					
74 Revenues	840,714	867,884	(27,170)	-3.1%	e
75 Expenses	(592,178)	(435,597)	(156,581)	35.9%	e
76 Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	248,536	432,287	(183,751)	-42.5%	
77 NET INSURANCE PRODUCTS	1,186,733	839,091	379,433	45.2%	
78 SAVINGS AND INVESTMENTS					
79 Interest	0	15,983	(15,983)	-100.0%	
80 Performance guarantees	0	0	0		
81 TOTAL SAVINGS & INVESTMENTS	0	15,983	(15,983)	-100.0%	
82 TOTAL NET EXCESS (SHORTAGE)	(1,078,966)	536,211	(1,084,707)	-202.3%	

Notes: a decrease in membership

c decrease in deductions

d increase in membership

e \$3 per member per month for communications, wellness, actuarial work

f increase in claims

i increase in rates

h decrease in rates

g increase in deductions

j decrease in claims

o vision buy-up effective 1/1/18

p effective 1/1/18

Healthcare Sustainability Fund FY 2018-19				
	Revised Budget	October YTD Actual	Projection	Variance
Revenues/Premiums				
Annual Revenues	\$ 2,441,171	\$ 840,714	\$ 2,491,344	\$ 50,173
Carryforward from fund balance	3,399,817	3,399,817	3,399,817	-
Total	\$ 5,840,988	\$ 4,240,531	\$ 5,891,161	\$ 50,173
Expenditures				
Annual				
Personnel Services and Mandatory Fringes	\$ 895,588	\$ 148,334	\$ 895,588	\$ -
Communications				
Open Enrollment Communications	289,779	236,715	289,779	-
Operations Communications	237,404	5,293	237,404	-
Well-Being Communications	277,010	31,924	277,010	-
Other Communications	109,797	-	109,797	-
Total Communications	\$ 913,990	\$ 273,932	\$ 913,990	\$ -
Well-Being	230,500	2,327	230,500	-
Initiatives to Reduce Health Care Costs	346,833	39,302	346,833	-
SFGTV/Board Meetings		461	-	-
Contingency for Unforeseen Issues			-	-
Total Annual Expenditures	\$ 2,386,911	\$ 464,357	\$ 2,386,911	\$ -
One-Time				
Communications				
Open-Enrollment Communications	\$ 275,000		\$ 275,000	\$ -
Operations Communications	1,249,055	10,409	1,249,055	-
Well-Being Communications			-	-
Other Communications	513,973	91,397	513,973	-
Total Communications	\$ 2,038,028	\$ 101,806	\$ 2,038,028	-
Well-Being	92,700	26,015	92,700	-
Initiatives to Reduce Health Care Costs	115,000	-	115,000	-
Total One-Time Expenditures	\$ 2,245,728	\$ 127,821	\$ 2,245,728	\$ -
Grand Total Expenditures	\$ 4,632,639	\$ 592,178	\$ 4,632,639	\$ -
Balance	\$ 1,208,349	\$ 3,648,353	\$ 1,258,522	\$ 50,173



Health Service System
CITY & COUNTY OF SAN FRANCISCO

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

YEAR-TO DATE				ANNUAL					
Fav/(Unfav)				Fav/(Unfav)					
Budget	Actual	Variance	% Var	Original Budget	Revised Budget	Projection	Variance	% Var	
REVENUES									
195,778	0	(195,778)	-100.0%	587,335	587,335	587,335	0	0.0%	
3,728,525	3,679,564	(48,961)	-1.3%	11,038,687	11,185,575	11,185,575	0	0.0%	
2,000	2,000	0	0.0%	6,000	6,000	6,000	0	0.0%	
					373,467	373,467		0.0%	
3,926,303	3,681,564	(244,739)	-6.2%	11,632,022	12,152,377	12,152,377	0	0.0%	
EXPENDITURES									
1,761,180	1,665,889	95,291	5.4%	5,305,540	5,283,540	5,095,803	187,737	-3.6%	
852,351	799,879	52,472	6.2%	2,557,053	2,557,053	2,557,053	0	0.0%	
662,473	468,648	193,825	29.3%	1,705,486	1,987,419	1,987,419	0	0.0%	
31,847	12,958	18,889	59.3%	43,197	95,541	95,541	0	0.0%	
185,735	164,927	20,808	11.2%	2,020,746	2,228,824	2,228,824	0	0.0%	
3,493,586	3,112,301	381,285	10.9%	11,632,022	12,152,377	11,964,640	187,737	-1.5%	
432,717	569,263	136,546		0	0	187,737	187,737		