

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

DATE: December 14, 2023

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 October 31, 2023

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 four months ending October 31, 2023.

Executive Summary

Trust Fund and Health Sustainability Fund

- The FYE trust balance is projected to decrease by \$11.5M mainly due to \$14.9M rate stabilization and use of Sutter settlement to buy down rates.
- Net claims for the first four months were equal to plan with higher medical claims offset by lower dental claims.
- The Healthcare Sustainability Fund balance is projected to decrease by \$1.2M as budgeted.
- Pharmacy rebates - \$5.8M were received in the first four months. The projected annual rebates are \$15M and included in the net claims above.
- Projected interest income is \$3M for the year.

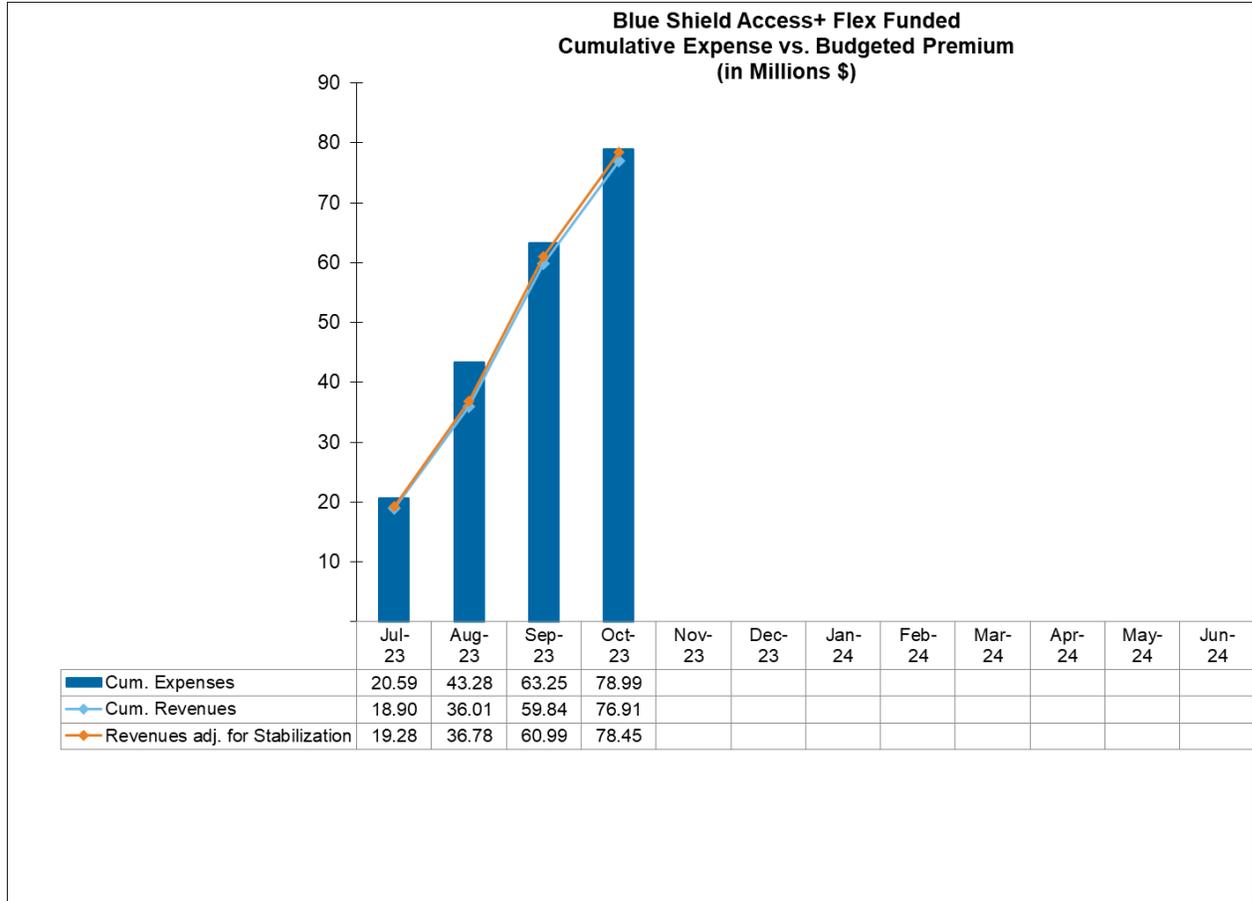
General Fund

Net activity is ahead of budget mainly due to vacancies.

Detailed Analysis by Fund

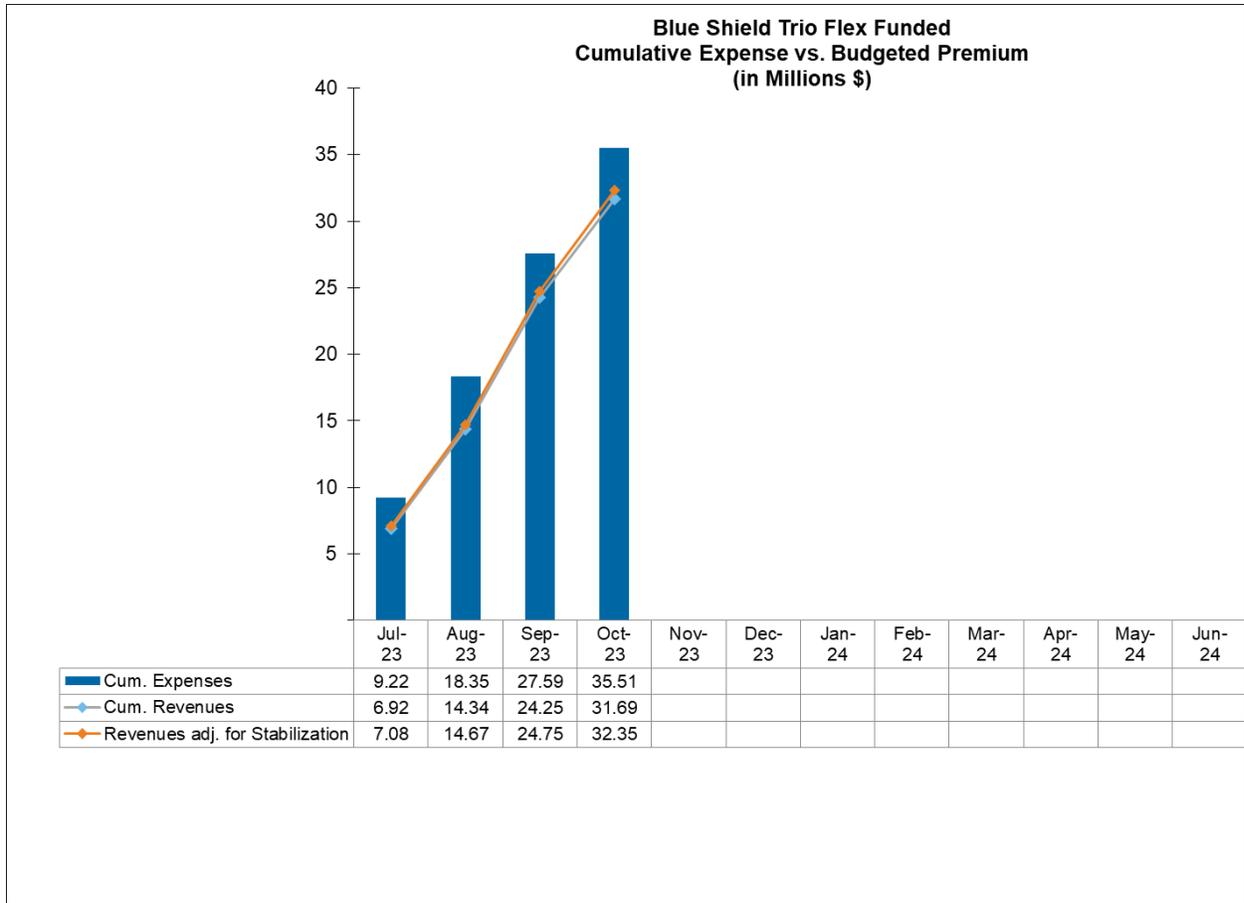
Blue Shield Access+ Flex Funded Plan

Projected FYE balance expected to decrease by \$6M due to rate stabilization and use of Sutter settlement to reduce rates.



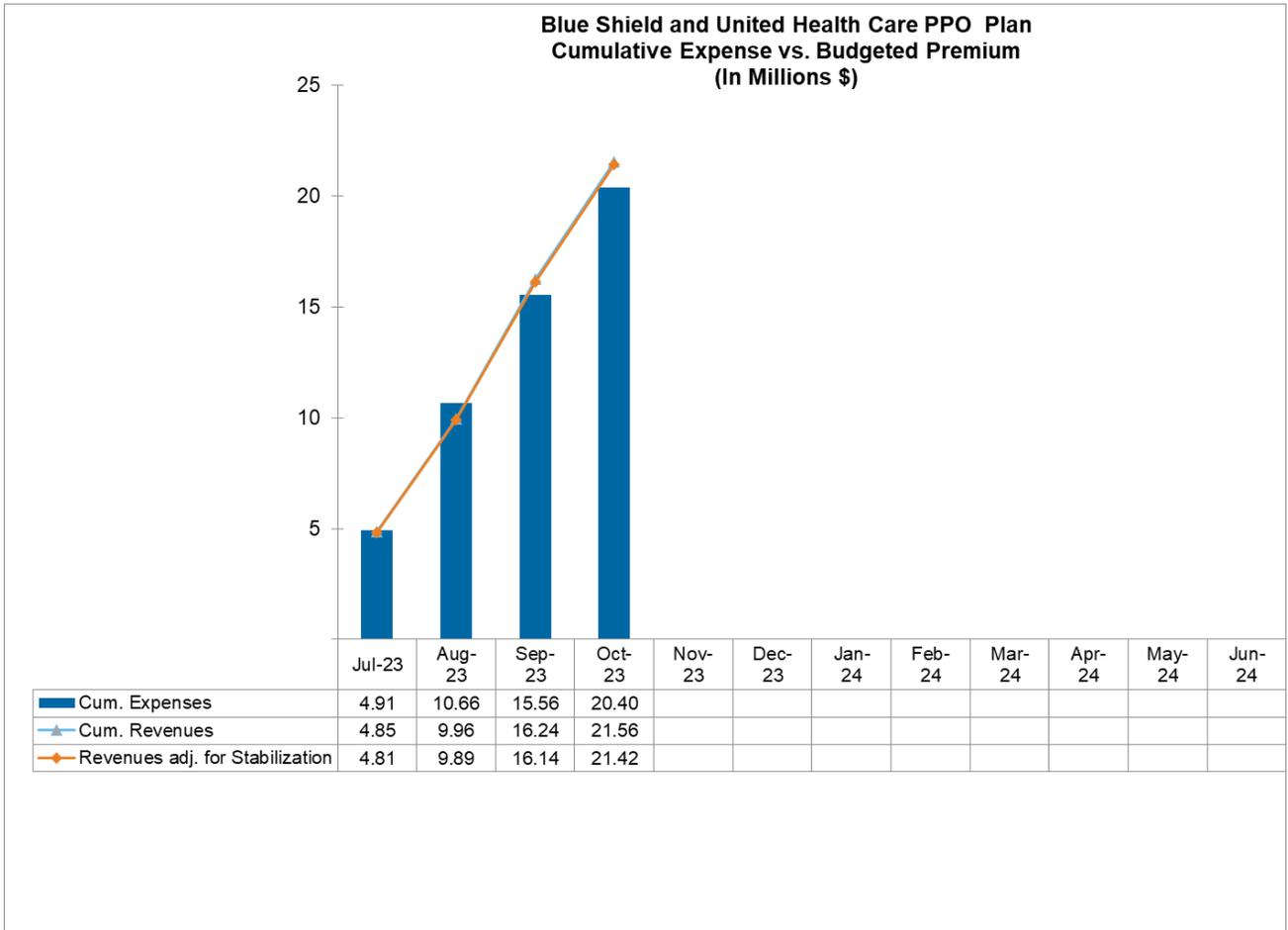
Blue Shield Trio Flex-Funded Plan

FYE balance projected to decrease by \$9.5M due rate stabilization and use of Sutter settlement to reduce rates.



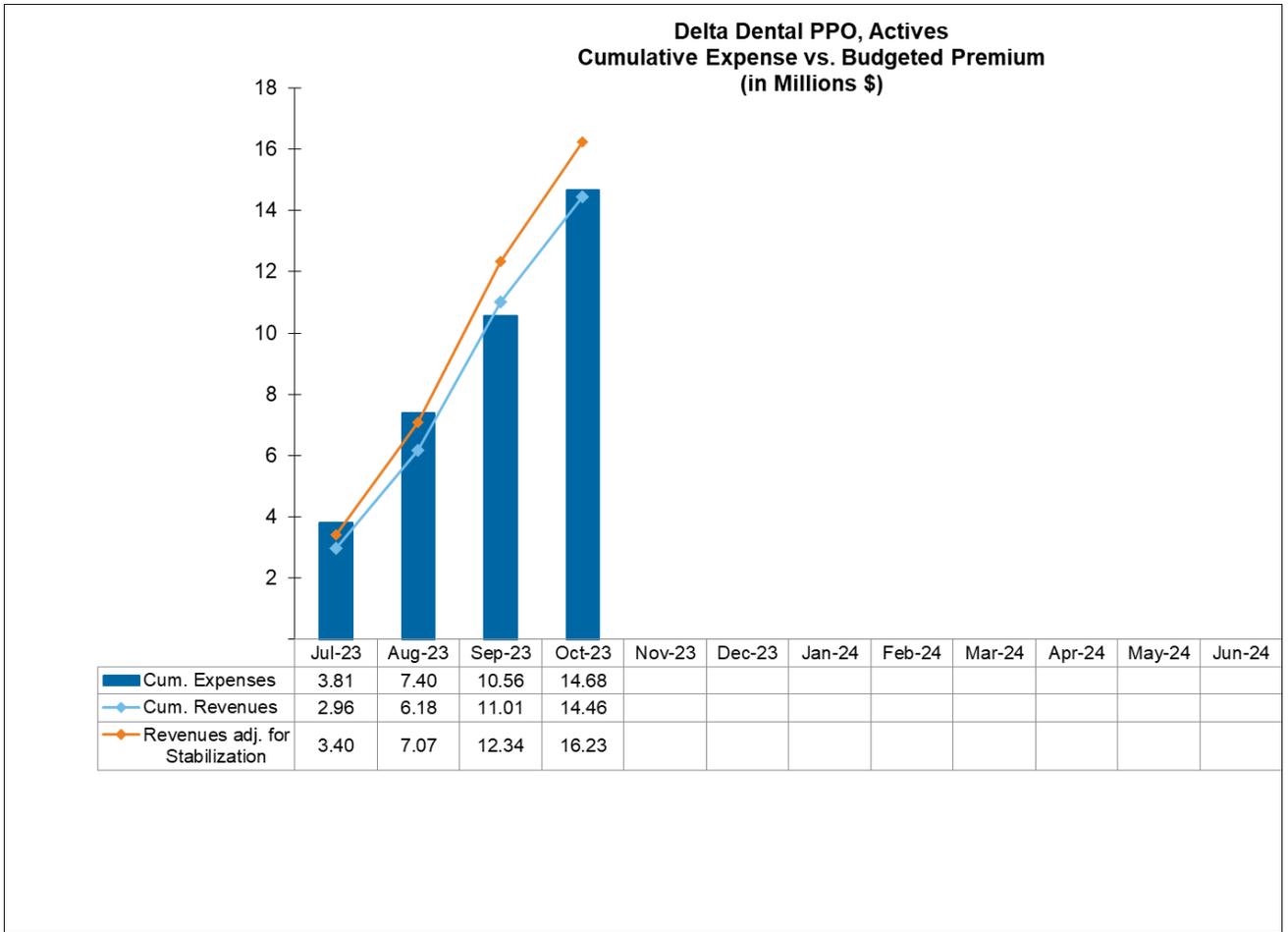
Blue Shield/United Health Care Administered PPO

The administration of the self-funded PPO migrated from United to Blue Shield starting in January 2022. The table below shows the combined results of the plan. FYE 2023 projected net increase of \$3M due to lower claims.



Delta Dental PPO (Actives Only) Self-Funded Plan

Projecting a net decrease of \$0.7M for the year due to rate stabilization.



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. The updated FY 2024 budget includes carry forwards for commitments made before June 30, 2023.

The projected FYE balance will decrease by \$1.3M as budgeted.

<small>SAN FRANCISCO</small> HEALTH SERVICE SYSTEM <small>Affordable, Quality Benefits & Well-Being</small>				Healthcare Sustainability Fund FY 2023-24		
	FY 2022-23 Expenditures June YTD	FY2023-24 Budget Request (HSS Board Approved)	FY2023-24 Carryforward Budget	FY2023-24 Adjustments	FY 2023-24 Revised Budget + Adj C/F	FY 2023-24 Actuals Oct YTD
REVENUE SOURCES						
Annual Revenues	\$ 2,526,489	\$ 2,553,643		\$ -	\$ 2,553,643	\$ 848,154
Carryforward from Fund Balance	4,437,175	4,921,157	264,572	-	\$ 5,185,729	5,185,729
TOTAL	\$ 6,963,664	\$ 7,474,800	\$ 264,572	\$ -	\$ 7,739,372	\$ 6,033,883
EXPENDITURE USES						
Personnel	\$ 810,927	\$ 1,376,559		\$ -	\$ 1,376,559	\$ 206,148
Administrative	10,266	45,500	2,431	-	47,931	(3,859)
Member Communications	494,925	668,000	122,756	-	790,756	245,666
Communications - Other	179,342	302,605	40,138	393,971	736,714	8,150
Well-Being	124,980	247,500	70,788	202,000	520,288	25,715
Initiatives to Reduce Health Care Costs	422,067	379,445	28,458	(43,554)	364,349	(3,286)
Other Projects	-	-	-	-	-	-
TOTAL	\$ 2,042,507	\$ 3,019,609	\$ 264,572	\$ 552,417	\$ 3,836,597	\$ 478,534
REVENUE - EXP. (excl. carry forward fund balance)	483,982	(465,966)	(264,572)	(552,417)	(1,282,955)	369,620
BALANCE	\$ 4,921,157	\$ 4,455,191	\$ 0	\$ (552,417)	\$ 3,902,775	\$ 5,555,349

Pharmacy Rebates

No rebates were received in the first 3 months. The projection for the year is \$14.8M

	Actual	FY 2022-23 Projected RX Rebates
Blue Shield Access+ HMO	3,390,418	8,840,000
Blue Shield Trio HMO	1,442,309	4,160,000
UHC Administered PPO	950,211	1,760,000
HealthNet	\$59,746	238,982
TOTAL	\$ 5,842,683	\$ 14,998,982

General Fund

- The FY 2023 budget has been adjusted for carryforward commitments made before June 31, 2023. Net activity is ahead of budget mainly due to vacancies.



**General Fund Administration Budget FY 2023-24
ANNUALIZED AS OF 10/31/23**

	FY 2023-24 Approved Budget	FY2023-24 Carryforward Budget	FY2023-24 Adjustments	FY 2023-24 Revised Budget	FY 2023-24 Actuals
REVENUES					
Non-Operating Revenue	\$ 9,131		\$ -	\$ 9,131	\$ -
Operating Work Order Recovery	13,392,951		34,373	13,427,324	4,476,796
Other Revenue	460,000		-	460,000	-
General Fund Carryforward	-	709,061		709,061	709,061
Interfund Transfer	-			-	-
TOTAL REVENUES	\$ 13,862,082	\$ 709,061	\$ 34,373	\$ 14,605,516	\$ 5,185,857
EXPENDITURES					
Personnel Services	\$ 6,308,915		\$ (208,326)	\$ 6,100,589	\$ 1,864,796
Mandatory Fringe Benefits	2,613,811		(104,481)	2,509,330	777,814
Non-personnel Services	2,522,965	681,530	148,806	3,353,301	798,747
Materials & Supplies	44,459	8,768	-	53,227	18,750
Services of Other Departments	2,371,932	18,763	198,374	2,589,069	818,287
				-	
TOTAL EXPENDITURES	\$ 13,862,082	\$ 709,061	\$ 34,373	\$ 14,605,516	\$ 4,278,394
BALANCE	\$ -	\$ -	\$ -	\$ -	\$ 907,462

Trust Fund and Health Sustainability Fund with FYE Projection

	FY23-24	FY23-24
	Year-to-Date Actual	Projected Year-End
SUMMARY	Net as of 10/31/23	Annual Net
Flex/Self Insurance		
Blue Shield-Access+	(2,077,935)	(6,178,768) (a), (h)
Blue Shield-Trio	(3,819,758)	(9,493,551) (a)
Blue Shield and United PPO	1,156,720	2,991,028 (b)
Health Net Canopy Care	(284,358)	-
Delta Dental PPO, Actives	(215,946)	(771,837) (c)
Fully Insured Plans		
Medical HMOs	2,400,938	-
Dental	10,590	-
LTD/Flexible Benefits/FSA/Health Net Canopy Care	2,273,196	-
Healthcare Sustainability Fund (\$3.00)	369,620	(1,282,955) (d)
Savings & Investments		
Interest	-	3,000,000
Performance guarantees	730,967	730,967 (e)
Surrogacy and adoption	(47,295)	(47,295)
Transfers Out	0	(460,000) (g)
TOTAL	<u>496,740</u>	<u>(11,512,412)</u>
Net assets		
Beginning of the year		<u>104,744,471</u>
End of the year		<u>93,232,059</u>

(a) Annual Projection is net of claim stabilization of \$1.7 million to increase 2024 rates, \$3.3 million to decrease 2023 rates, Pharmacy rebate of \$16 million, and settlement distribution of \$2.2 million, settlement for rate buydown of \$6 million

(b) Annual Projection is net of claim stabilization of \$0.4 million to increase 2024 rates, \$0.2 million to increase 2023 rates, and Pharmacy rebate of \$2.2 million

(c) Annual Projection is net of claim stabilization of \$2.8 million to reduce 2024 rates and \$2.7 million to reduce 2023 rates

(d) \$3.00 per member per month for communications, wellness, actuarial work; is part of a total premium.

(e) Reflects performance guarantees received in FY 2023-2024

(f) Reflects use of fund balance

(g) Transfer of \$0.5M from forfeitures to General Fund.

(h) Includes \$2.2M Sutter settlement distribution

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*, **	76,913,069	78,991,004	(2,077,935)
Blue Shield Trio HMO*	31,692,664	35,512,422	(3,819,758)
Blue Shield and United PPO	21,556,417	20,399,697	1,156,720
UHC Administere PPO*	-	-	-
Health Net Canopy Care	2,779,613	3,063,971	(284,358)
Delta Dental PPO- (Active only)	14,460,787	14,676,732	(215,946)
TOTAL FLEX/SELF-INSURED PLANS	147,402,550	152,643,826	(5,241,276)
FULLY INSURED PLANS			
UHC MAPD	32,044,027	32,044,027	-
Kaiser-HMO	165,651,387	163,293,853	2,357,534
Vision Service Plan	3,600,422	3,557,018	43,404
Sub-total HMO	201,295,835	198,894,897	2,400,938
Delta Dental PPO - Retirees	6,626,513	6,626,513	-
Delta Care	282,997	276,292	6,705
UHC Dental	142,009	138,124	3,885
Sub-total Dental	7,051,519	7,040,929	10,590
Long Term/Short Term Disability	2,368,479	2,367,727	751
Flexible Benefits	1,456,071	1,456,071	0
Flexible Spending-Dependent Care	2,290,879	1,623,898	666,981
Flexible Spending -Medical Reimbursement	4,416,269	2,810,805	1,605,464
Healthcare Sustainability Fund (\$3.00)	848,154	478,534	369,620
Adoption & Surrogacy	-	47,295	(47,295)
Sub-total Other Benefits	11,379,851	8,784,331	2,595,521
TOTAL FULLY INSURED PLANS	219,727,206	214,720,157	5,007,049
SAVINGS AND INVESTMENTS			
Interest	-	-	-
Performance guarantees	730,967	-	730,967
Forfeitures	-	-	-
TOTAL SAVINGS & INVESTMENTS	730,967	-	730,967
TRANSFERS OUT OF FORFEITURES			
			0
TOTAL FUNDS	367,860,723	367,363,983	496,740

* Expenses are net of pharmacy rebates - see report for details, ** includes Sutter settlement

Supplemental Tables - Trust Fund Activity- with Prior Year

**SAN FRANCISCO
HEALTH SERVICE SYSTEM**
Affordable, Quality Benefits & Well-Being

**STATEMENTS OF REVENUES AND EXPENSES
FY 2023-2024 VS FY 2022-2023
YEAR-TO-DATE: OCTOBER 31, 2023**

<i>ACTIVE & RETIRED COMBINED</i>	For 4 Months Ended October 31, 2023	For 4 Months Ended October 31, 2022	\$ Change	% Change
FLEX/SELF-INSURED PLANS				
Blue Shield-Access+ HMO				
Revenues	76,913,069	90,418,319	(13,505,250)	-14.9% b
Expenses	(78,991,004)	(80,864,470)	1,873,466	-2.3% f
Net Blue Shield-Access Excess(Shortage)	(2,077,935)	9,553,849	(11,631,784)	-121.7%
Blue Shield-Trio HMO				
Revenues	31,692,664	34,042,130	(2,349,466)	-6.9%
Expenses	(35,512,422)	(33,485,321)	(2,027,101)	6.1% i
Net Blue Shield-Trio Excess(Shortage)	(3,819,758)	556,809	(4,376,567)	-786.0%
Blue Shield and United PPO				
Revenues	21,556,417	15,870,535	5,685,882	35.8%
Expenses	(20,399,697)	(15,802,196)	(4,597,500)	29.1%
Net BSC and United PPO Excess(Shortage)	1,156,720	68,339	1,088,381	
Health Net Canopy Care				
Revenues	2,779,613	1,181,939	1,597,674	
Expenses	(3,063,971)	(846,394)	(2,217,577)	
Net Health Net Canopy Care Excess(Shortage)	(284,358)	335,546	(619,903)	
Delta Dental PPO (Active only)				
Revenues	14,460,787	12,178,207	2,282,580	18.7% h
Expenses	(14,676,732)	(13,356,335)	(1,320,398)	9.9% i
Net Delta Dental PPO- (Active Only) Excess(Shortage)	(215,946)	(1,178,128)	962,182	-81.7%
NET FLEX/SELF-INSURED PLANS	(5,241,276)	9,336,415	(14,577,691)	-156.1%

Notes:

- a decrease in membership
- b Sutter Settlement
- 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 2023-2024 VS FY 2022-2023 YEAR-TO-DATE: OCTOBER 31, 2023				
<i>ACTIVE & RETIRED COMBINED</i>	For 4 Months Ended October 31, 2023	For 4 Months Ended October 31, 2022	\$ Change	% Change
FULLY INSURED PLANS				
Kaiser-HMO				
Revenues	165,651,387	159,791,141	5,860,245	3.7% d
Expenses	(163,293,853)	(157,450,205)	(5,843,648)	3.7% d, l
Net Kaiser- HMO Excess(Shortage)	2,357,534	2,340,936	16,598	0.7% K
UHC MAPD				
Revenues	32,044,027	30,087,097	1,956,930	6.5% d, l
Expenses	(32,044,027)	(30,087,097)	(1,956,930)	6.5% d, l
Net UHC MAPD Excess(Shortage)	0	0	0	
Vision Service Plan, All (City Plan & HMO)				
Revenues	3,600,422	3,157,443	442,979	14.0% d, l
Expenses	(3,557,018)	(3,128,276)	(428,742)	13.7% d, l
Net Vision Service Plan Excess(Shortage)	43,404	29,167	14,237	48.8%
Delta Dental PPO - Retirees				
Revenues	6,626,513	6,004,966	621,546	10.4%
Expenses	(6,626,513)	(6,004,966)	(621,546)	10.4%
Net Delta Dental PPO - Retirees Excess(Shortage)	0	0	0	
Delta Care				
Revenues	282,997	268,946	14,051	5.2%
Expenses	(276,292)	(266,545)	(9,747)	3.7%
Net Delta Care Excess(Shortage)	6,705	2,401	4,304	179.3%
UHC Dental				
Revenues	142,009	140,479	1,530	1.1%
Expenses	(138,124)	(137,938)	(186)	0.1%
Net UHC Dental Excess(Shortage)	3,885	2,541	1,344	52.9%
Long Term/Short Term Disability				
Revenues	2,368,479	2,799,924	(431,446)	-15.4%
Expenses	(2,367,727)	(2,802,145)	434,418	-15.5%
Net Long Term/Short Term Disability Excess(Shortage)	751	(2,221)	2,972	-133.8% k
Flexible Benefits				
Revenues	1,456,071	1,416,626	39,445	2.8% g
Expenses	(1,456,071)	(1,416,566)	(39,505)	2.8% g
Net Flexible Benefits Excess(Shortage)	0	60	(60)	
Flexible Spending-Dependent Care				
Revenues	2,290,879	1,652,767	638,112	38.6% c
Expenses	(1,623,898)	(1,297,022)	(326,876)	25.2% c
Net Flexible Spending-Dependent Care Excess(Shortage)	666,981	355,745	311,235	87.5%
Flexible Spending -Medical Reimbursement				
Revenues	4,416,269	3,797,111	619,158	16.3% g
Expenses	(2,810,805)	(2,527,500)	(283,305)	11.2% f
Net Flexible Spending-Medical Reimbursement Excess(Shortage)	1,605,464	1,269,611	335,853	26.5%
Adoption & Surrogacy				
Expenses	(47,295)	(39,434)	(7,862)	
Healthcare Sustainability Fund (\$3.00)				
Revenues	848,154	841,782	6,372	0.8%
Expenses	(478,534)	(720,409)	241,875	-33.6% e
Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	369,620	121,373	248,246	204.5%
NET FULLY INSURED PLANS	5,007,049	4,080,181	926,868	22.7%
SAVINGS AND INVESTMENTS				
Interest	0	0	0	
Performance guarantees	730,967	14,132	716,836	
Forfeitures	0	0	0	
TOTAL SAVINGS & INVESTMENTS	730,967	14,132	716,836	1616.8%
TOTAL NET EXCESS (SHORTAGE)	496,740	13,430,728	(12,933,988)	-96.3%

Notes:

- a decrease in membership
- b Sutter Settlement
- 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