

SAN FRANCISCO
HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

Memorandum

DATE: December 8, 2016
TO: Randy Scott, President and Members of the Health Service Board
FROM: Pamela Levin, Chief Financial Officer
RE: Update on Financial Report as of October 31, 2016

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, 2016 to October 31, 2016, as well as fiscal year-end projections through June 30, 2017.

Employee Benefit Trust Fund

On June 30, 2016, the Trust Fund balance was \$68.6 million. Based on activity through October 2016, the fund balance is projected to be \$52.0 million as of June 30, 2017. The projected \$16.6 million decrease includes reserves for unpaid claims and is a result of the following changes:

1. City Plan - \$10.9 million decrease in fund balance resulting from:
 - a. \$0.8 million increase in fund balance from pharmacy rebates (additional information on page 3)
 - b. \$11.7 million decrease in fund balance:
 - \$7.0 million associated with subsidizing 2016 rates (for the first six months of FY 2016-17) from the claim stabilization reserve
 - \$3.8 million associated with subsidizing 2017 rates (for the second six months of FY 2016-17) from the claim stabilization reserve
 - 0.9 million due to unfavorable claim experience
2. Blue Shield Flex Plan - \$11.1 million decrease in fund balance resulting from:
 - a. \$8.2 million increase in fund balance:
 - \$2.2 million associated with the increase in 2016 rates (for the first six months of FY 2016-17) to recover the 2014 deficit
 - \$2.6 million associated with the increase in 2017 rates (for the second six months of FY 2016-17) to recover the 2015 deficit
 - \$3.4 million from pharmacy rebates (additional information on page 3)

- b. \$19.3 million decrease in fund balance due to unfavorable claim experience, which increased by 14.3% over the same period of last year
3. Self-insured dental plan - \$5.4 million increase in fund balance associated with:
- a. \$7.2 million increase in fund balance due to favorable claim experience
- b. \$1.8 million decrease in fund balance resulting from:
- \$0.6 million decrease in fund balance associated with subsidizing 2016 rates (for the first six months of FY 2016-17) from the claim stabilization reserve
 - \$1.2 million decrease in fund balance associated with subsidizing 2017 rates (for the second six months of FY 2016-17) from the claim stabilization reserve
4. Healthcare Sustainability Fund – For the first six months of FY 2016-17, the charge is \$2.05 per member per month charge and for the second months the charge is \$3.00 per member per month. This is one of the components of the premiums and is allocated between the employer and employee based on the applicable contribution model.

Ongoing	FY 2016-17				
	Original Budget	Revised Budget	October YTD Actuals	Projection	Balance
Revenues/Premiums	\$ 1,619,295	\$ 1,969,295	\$ 547,426	\$ 1,992,278	\$ 22,983
Carryforward for encumbrances		204,967	204,967	204,967	-
Total	\$ 1,619,295	\$ 2,174,262	\$ 752,393	\$ 2,197,245	\$ 22,983
Expenditures					
Personnel Services and Mandatory Fringes	\$ 531,911	\$ 531,911	\$ 129,128	\$ 473,940	\$ 57,971
Communications					
Open Enrollment Communications	280,168	353,212	198,304	353,212	-
Operations Communications	97,923	172,923	6,496	172,923	-
Wellness Communications	195,165	309,918	40,753	309,918	-
Other Communications	34,025	34,025		34,025	-
Total Communications	\$ 607,281	\$ 870,078	\$ 245,553	\$ 870,078	\$ -
Wellness	30,000	80,000	20,851	80,000	-
Initiatives to Reduce Health Care Costs	365,500	432,670	61,375	432,670	-
SFGTV/Board Meetings	11,056	11,056	428	11,056	-
Contingency for Unforeseen Issues	73,547	73,547		73,547	-
Funding for one time eBenefits implementation		175,000		175,000	-
Total Expenditures	\$ 1,619,295	\$ 2,174,262	\$ 457,334	\$ 2,116,291	\$ 57,971
Balance	\$ -	\$ -	\$ 295,059	\$ 80,954	\$ 80,954

The table reflects the year to date actuals through October 31, 2016. The Revised Budget reflects funding for services that were encumbered in FY 2015-16 but unexpended. The Balance is the difference between the Revised Budget and the Projection. Projected savings are represented by a positive number while expenditures

that exceed the budget are represented by a (negative) number.

5. Interest - \$0.4 million increase in fund balance from HSS Trust cash balances
6. Transfers Out of Forfeitures - \$0.5 million decrease in fund balance associated with transfers to the General Fund pursuant to the FY 2016-17 budget

Pharmacy Rebates

The following table summarizes the FY 2016-17 pharmacy rebates as of October 31, 2016 and year-end projection. The rebates reduce the amount of claims HSS pays to the vendors.

Vendor	Amount (year to date)	Time Period Covered	Year-End Projection
Blue Shield	\$50,635	October 2015 – December 2015	\$3,400,000
UHC	2,333	October 2015 – December 2015	800,000
Total	\$52,968		\$4,200,000

General Fund Administration Budget (including Enterprise Content Management System)

Based on the financial results for the first four months of FY 2016-17, the budget is projected to be fully expended.



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	15,215,848	20,166,894	(4,951,046)
3 Blue Shield Flex	100,206,248	105,061,623	(4,855,375)
4 Delta Dental - Active only, including ASO	15,498,010	13,518,113	1,979,897
5 TOTAL SELF-INSURANCE	130,920,106	138,746,630	(7,826,524)
7 INSURANCE PRODUCTS			
8 Blue Shield-HMO	10,502,808	10,502,808	-
9 Kaiser-HMO	116,326,485	118,330,374	(2,003,889)
10 Vision Service Plan, All (City Plan & HMO)	1,696,099	1,696,099	-
11 Sub-total HMO	128,525,392	130,529,281	(2,003,889)
12			
13 Delta Dental - Retired	4,526,023	4,450,633	75,390
14 Delta Care	333,835	334,705	(870)
15 Pacific Union	109,418	109,803	(385)
16 Sub-total Dental	4,969,276	4,895,141	74,135
17			
18 Long Term/Short Term Disability	2,448,106	2,448,106	-
19 Flexible Benefits	297,622	297,622	-
20 Flexible Spending-Dependent Care	1,482,499	1,223,758	258,741
21 Flexible Spending -Medical Reimbursement	1,658,216	1,172,114	486,102
22			
23 Healthcare Sustainability Fund (\$2.05)	548,424	500,034	48,390
24 TOTAL INSURANCE PRODUCTS	139,929,535	141,066,056	(1,136,521)
25 SAVINGS AND INVESTMENTS			
26 Interest	131,366	-	131,366
27 Performance guarantees	-	-	-
28 Forfeitures	-	-	-
30 TOTAL SAVINGS & INVESTMENTS	131,366	-	131,366
31 TRANSFERS OUT OF FORFEITURES			
32			
33			
34 TOTAL FUNDS	270,981,006	279,812,686	(8,831,679)

SUMMARY- In millions	Year-To Date Actual As of Oct. 2016 - Net	FY 16-17 Projected Annual-Net
Self Insurance		
City Plan	(5.0)	(10.9) (a)
Blue Shield-Flex	(4.9)	(11.1) (b)
Dental, Actives	2.0	5.4 (c)
Insurance Products		
Medical HMOs	(2.0)	0.0
Dental	0.1	0.0
LTD/Flexible Benefits/Flexible Spending	0.7	0.0
Healthcare Sustainability Fund	0.0	0.0 (d)
Savings & Investments		
Interest	0.1	0.4
Performance guarantees	0.0	0.0
Forfeitures	0.0	0.0
Transfers Out of Forfeitures	0.0	(0.5) (e)
TOTAL	(8.9)	(16.6)
Net assets		
Beginning of the year		68.6
End of the year		52.0

(a) Annual Projection is net of claim stabilization of \$7.0 million used to reduce 2016 rates, \$3.8 million to reduce 2017 rates, and Pharmacy rebate of \$0.8 million

(b) Annual Projection is net of claim stabilization of \$2.2 million to increase 2016 rates, \$2.6 million to increase 2017 rates, and Pharmacy rebate of \$3.4 million

(c) Annual Projection is net of claim stabilization of \$0.6 million to reduce 2016 rates and \$1.2 million to reduce 2017 rates

(d) \$2.05 per member per month for communications, wellness, actuarial work; effective 2017 the rate increases to \$3.00; is part of a total premium, paid 90% to 100% by employer.

(e) Transfer of forfeitures to General Fund per FY 2016-2017 budget



ACTIVE & RETIRED COMBINED

	For four months ended October 31, 2016	For four months ended October 31, 2015	\$ Change	% Change	Notes	
1 SELF-INSURANCE						1
2 City Plan, including ASO						2
3 Revenues	15,215,848	14,010,663	1,205,184	8.6%	d, l	3
4 Expenses	(20,166,894)	(17,166,496)	(3,000,397)	17.5%	d, f	4
5 Net City Plan Excess(Shortage)	(4,951,046)	(3,155,833)	(1,795,213)	56.9%		5
6 Blue Shield-Flex						6
7 Revenues	100,206,248	92,416,086	7,790,162	8.4%	l	7
8 Expenses	(105,061,623)	(91,954,965)	(13,106,658)	14.3%	f	8
9 Net Blue Shield-Flex Excess(Shortage)	(4,855,375)	461,121	(5,316,496)	-1153.0%		9
10 Delta Dental - Active only, including ASO						10
11 Revenues	15,498,010	15,513,201	(15,191)	-0.1%		11
12 Expenses	(13,518,113)	(13,233,356)	(284,757)	2.2%		12
13 Net Delta Dental - Active Excess(Shortage)	1,979,897	2,279,845	(299,948)	-13.2%		13
14 NET SELF-INSURANCE	(7,826,524)	(414,867)	(7,411,657)	1786.5%		14
15 INSURANCE PRODUCTS						15
16 Blue Shield-HMO						16
17 Revenues	10,502,808	11,020,993	(518,185)	-4.7%	a, h	17
18 Expenses	(10,502,808)	(11,020,993)	518,185	-4.7%	a, h	18
19 Net Blue Shield HMO Excess(Shortage)	-	-	-	-		19
20 Kaiser-HMO						20
21 Revenues	116,326,485	111,780,607	4,545,878	4.1%	d, l	21
22 Expenses	(118,330,374)	(113,160,298)	(5,170,076)	4.6%	d, l	22
23 Net Kaiser- HMO Excess(Shortage)	(2,003,889)	(1,379,691)	(624,198)	45.2%		23
24 Vision Service Plan, All (City Plan & HMO)						24
25 Revenues	1,696,099	1,633,994	62,105	3.8%	d, l	25
26 Expenses	(1,696,099)	(1,633,994)	(62,105)	3.8%	d, l	26
27 Net Vision Service Plan Excess(Shortage)	-	-	-	-		27
28						28
29 Delta Dental - Retired						29
30 Revenues	4,526,023	4,621,035	(95,012)	-2.1%		30
31 Expenses	(4,450,633)	(4,563,910)	113,277	-2.5%		31
32 Net Delta Dental - Retired Excess(Shortage)	75,390	57,125	18,265	32.0%		32
33 Delta Care						33
34 Revenues	333,835	342,245	(8,410)	-2.5%		34
35 Expenses	(334,705)	(340,300)	5,595	-1.6%		35
36 Net Delta Care Excess(Shortage)	(870)	1,945	(2,815)	-144.7%		36
37 Pacific Union						37
38 Revenues	109,418	100,250	9,168	9.1%	d	38
39 Expenses	(109,803)	(106,447)	(3,356)	3.2%	d	39
40 Net Pacific Union Excess(Shortage)	(385)	(6,197)	5,812	-93.8%		40
41 Net Dental	74,135	52,873	21,262	40.2%		41
42						42
43 Long Term/Short Term Disability						43
44 Revenues	2,448,106	2,239,170	208,936	9.3%	d	44
45 Expenses	(2,448,106)	(2,239,170)	(208,936)	9.3%	d	45
46 Net Long Term/Short Term Disability Excess(Shortage)	-	-	-	-		46
47 Flexible Benefits						47
48 Revenues	297,622	297,851	(229)	-0.1%		48
49 Expenses	(297,622)	(297,851)	229	-0.1%		49
50 Net Flexible Benefits Excess(Shortage)	-	-	-	-		50
51 Flexible Spending-Dependent Care						51
52 Revenues	1,482,499	1,328,527	153,972	11.6%	d	52
53 Expenses	(1,223,758)	(1,202,777)	(20,981)	1.7%		53
54 Net Flexible Spending-Dependent Care Excess(Shortage)	258,741	125,750	132,991	105.8%		54
55 Flexible Spending -Medical Reimbursement						55
56 Revenues	1,658,216	1,454,772	203,444	14.0%	d	56
57 Expenses	(1,172,114)	(1,168,471)	(3,643)	0.3%		57
58 Net Flexible Spending-Medical Reimbursement Excess(Shortage)	486,102	286,301	199,801	69.8%		58
59 Healthcare Sustainability Fund						59
60 Revenues	548,424	532,418	16,005	3.0%	e	60
61 Expenses	(500,034)	(497,704)	(2,330)	0.5%		61
62 Net Healthcare Sustainability Fund Excess(Shortage)	48,390	34,714	13,675	39.4%		62
63 NET INSURANCE PRODUCTS	(1,136,521)	(880,053)	(256,469)	29.1%		63
64 SAVINGS AND INVESTMENTS						64
65 Interest	131,366	125,590	5,776	4.6%	b	65
66 Performance guarantees	-	355	(355)	-		66
67 Forfeitures	-	-	-	-		67
68 TOTAL SAVINGS & INVESTMENTS	131,366	125,945	5,421	4.3%		68
69 TOTAL NET EXCESS (SHORTAGE)	(8,831,679)	(1,168,975)	(7,662,705)	655.5%		69

Notes: a decrease in membership
b increase in interest rates
c decrease in deductions
d increase in membership
e \$.05 per member per month for communications, wellness, actuarial work
f increase in claims
g decrease in rates
h increase in rates
i increase in deductions



Health Service System
CITY & COUNTY OF SAN FRANCISCO

HEALTH SERVICE SYSTEM - ADMINISTRATION
STATEMENT OF REVENUES AND EXPENDITURES
As of October 31, 2016

YEAR-TO DATE				ANNUAL					
Fav/(Unfav)				Fav/(Unfav)					
Budget	Actual	Variance	% Var	Original Budget	Carryforward/ Changes	Revised Budget	Projection	Variance	% Var
REVENUES									
154,177	30	(154,147)	-100.0%	462,530	0	462,530	462,530	0	0.0%
3,497,156	3,497,156	0	0.0%	10,456,135		10,456,135	10,456,135	0	0.0%
374,740	374,740	0	0.0%	0	374,740	374,740	374,740	0	0.0%
4,026,073	3,871,926	(154,147)	-3.8%	10,918,665	374,740	11,293,405	11,293,405	0	0.0%
EXPENDITURES									
1,703,771	1,617,117	86,654	5.1%	5,111,314	0	5,111,314	5,111,314	0	0.0%
783,933	731,089	52,844	6.7%	2,351,799	0	2,351,799	2,351,799	0	0.0%
659,313	210,789	448,524	68.0%	1,737,982	239,956	1,977,938	1,977,938	0	0.0%
18,471	12,813	5,658	30.6%	51,797	3,616	55,413	55,413	0	0.0%
598,980	89,228	509,752	85.1%	1,665,773	131,168	1,796,941	1,796,941	0	0.0%
3,764,468	2,661,036	1,103,432	29.3%	10,918,665	374,740	11,293,405	11,293,405	0	0.0%
261,604	1,210,890	949,286	363%	0	0	0	0	0	0.0%