

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

DATE: December 8, 2022

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, 2022

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, 2022 and projections for FYE 2023

Executive Summary

Trust Fund and Health Sustainability Fund

- In the first four month, the trust increased by \$14.7M primarily due to Sutter settlement distribution. The FYE projected net increase is \$465K as rate stabilization offsets the settlement distribution.
- For the four months, net claims were \$637K higher. Medical claims were \$2.4M higher offset by \$1.7M lower dental claims.
- Healthcare Sustainability Fund projected FYE balance will decrease by \$1.7M as budgeted.
- Pharmacy rebates in the first four months were \$4M and projected to be \$12.8 million for the fiscal year.

General Fund

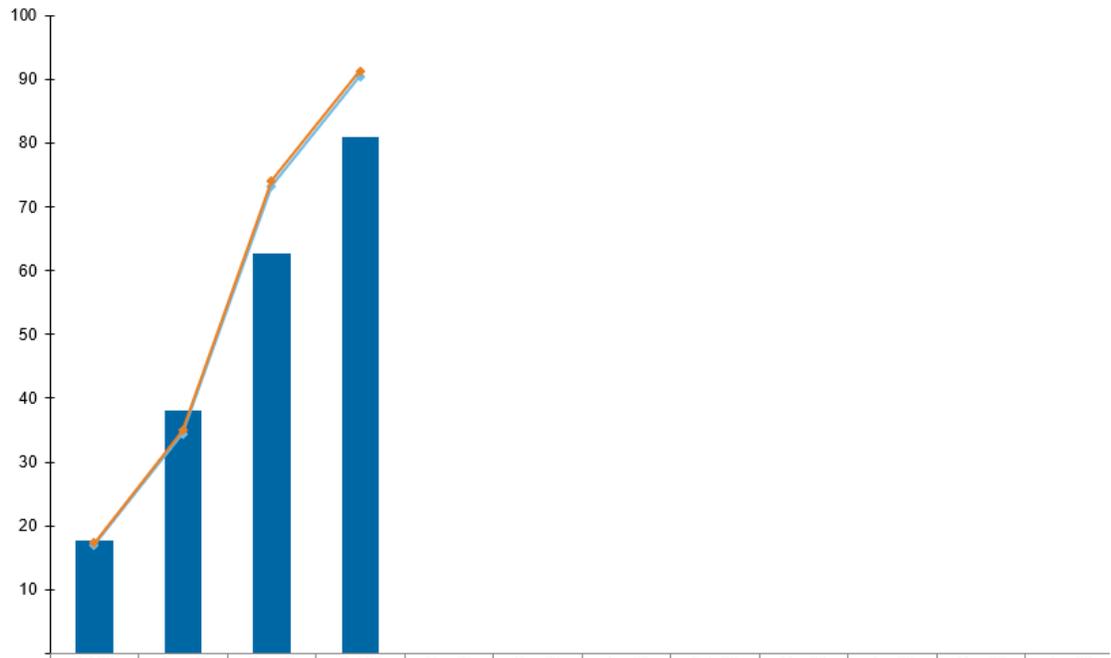
The GF has a surplus in the first four months primarily due to lower personnel expenses because of vacancies. Cost of services from other departments are low due to timing delay and will reverse by fiscal year end.

Detailed Analysis by Fund

Blue Shield Access+ Flex Funded Plan

The fund increased by \$9.6M due to the Sutter legal settlement. Projected FYE balance will increase by \$1.3M as rate stabilization partially offsets the settlement distribution.

Blue Shield Access+ Flex Funded
 Cumulative Expense vs. Budgeted Premium
 (in Millions \$)

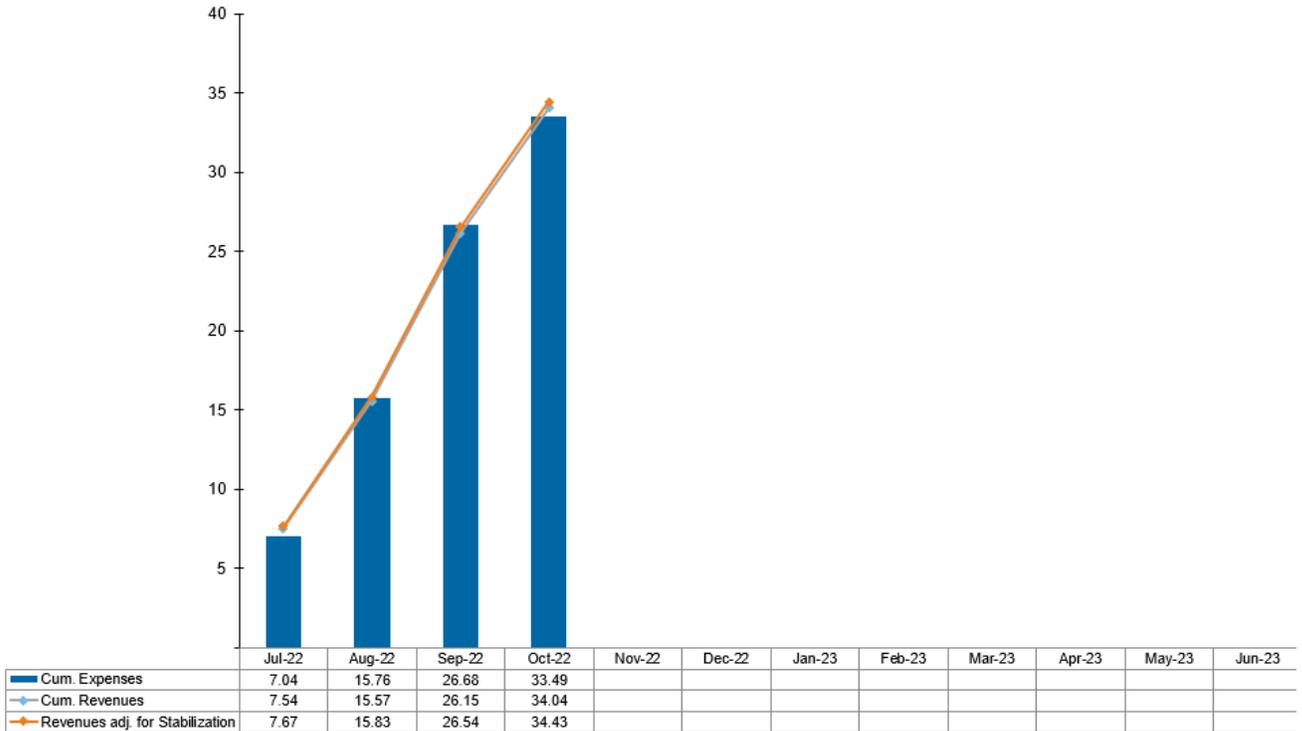


	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Cum. Expenses	17.62	37.92	62.64	80.86								
Cum. Revenues	17.06	34.44	73.22	90.42								
Revenues adj. for Stabilization	17.34	34.99	74.04	91.24								

Blue Shield Trio Flex-Funded Plan

Expecting \$1.4M net increase by FYE.

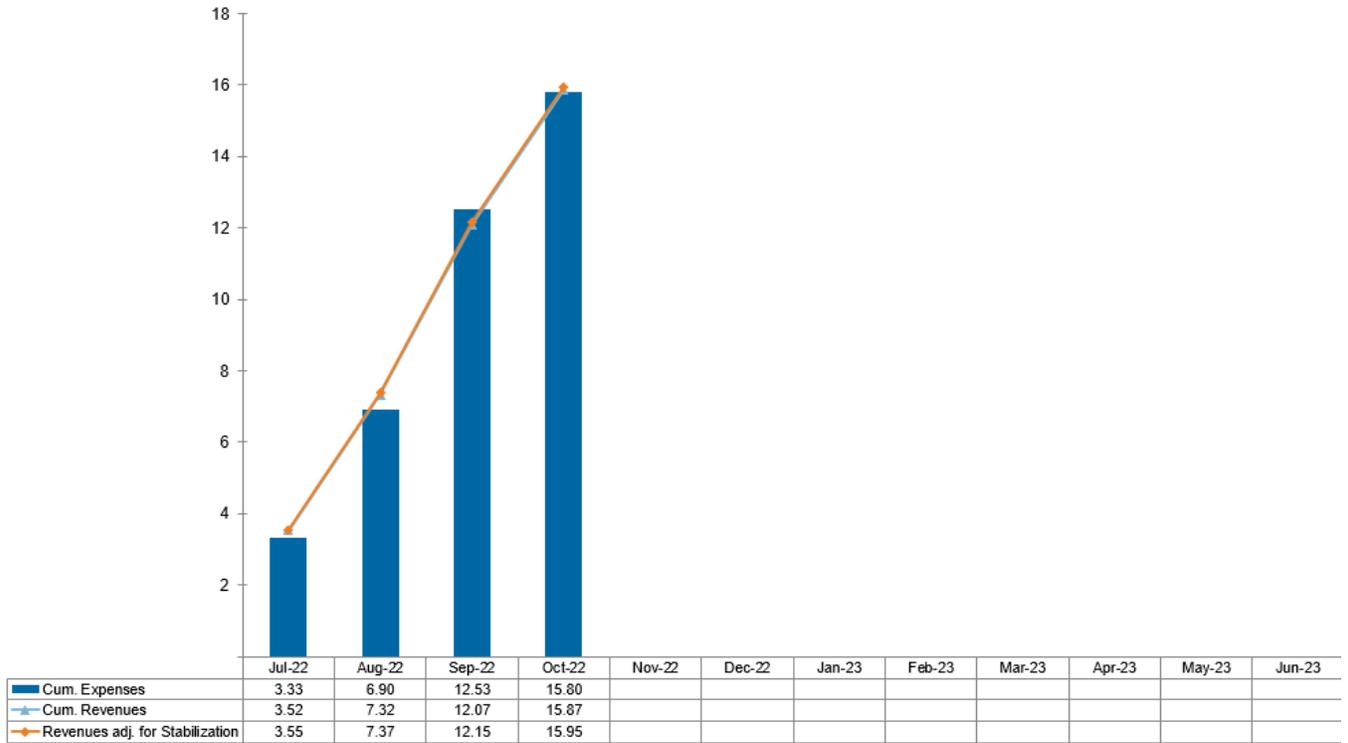
Blue Shield Trio Flex Funded
 Cumulative Expense vs. Budgeted Premium
 (in Millions \$)



Blue Shield/United Health Care Administered PPO

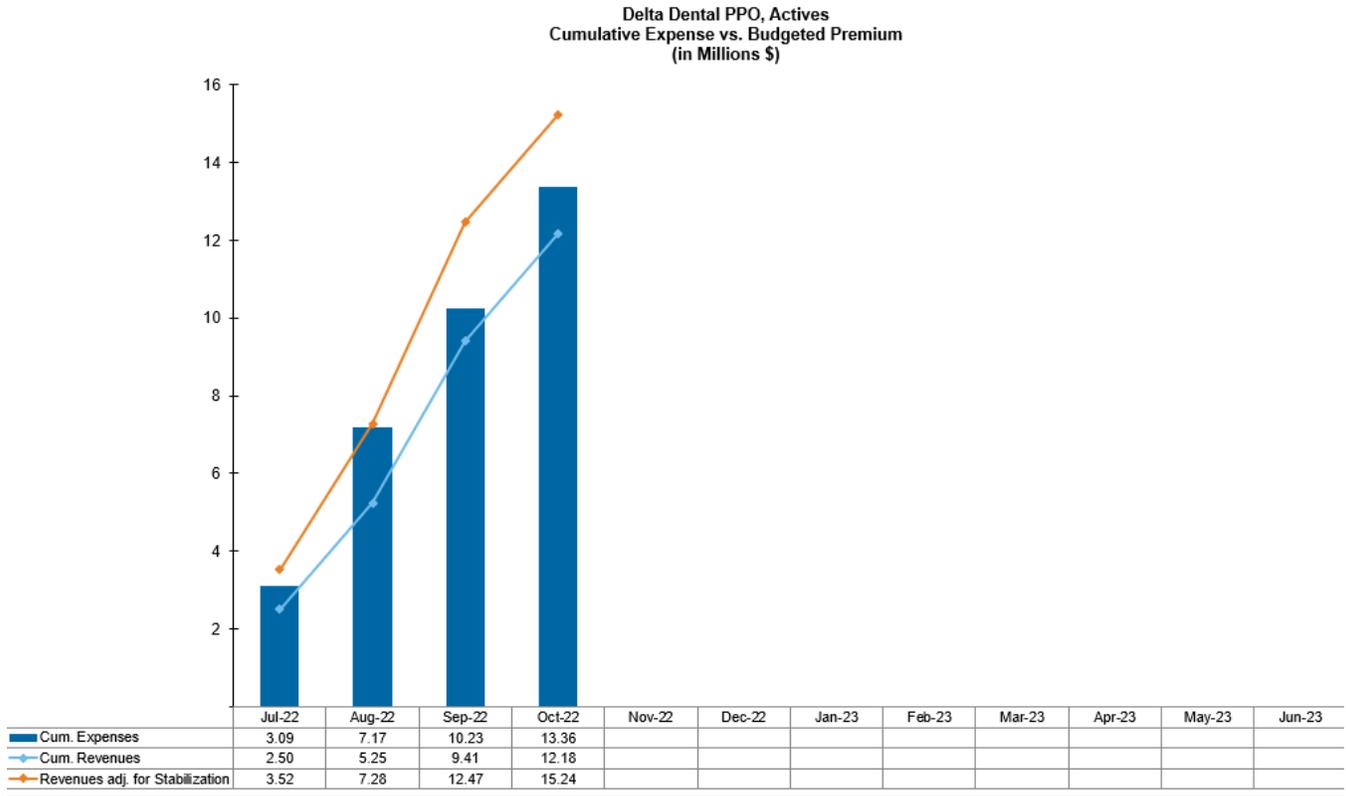
The administration of the self-funded PPO migrated from United to Blue Shield starting in January 2022. The table below shows the combined results of the plan. Projecting \$808K increase at FYE.

Blue Shield and United Health Care PPO Plan
 Cumulative Expense vs. Budgeted Premium
 (In Millions \$)



Delta Dental PPO (Actives Only) Self-Funded Plan

Projected decrease for the year is \$74K as rate stabilization is offset by lower claims.



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 2023 budget includes carry forwards for commitments made before June 31, 2022, reduction in salaries due to movement of funding for 2 positions to the General Fund and updating the beginning fund balance to actual. The projection for the year is at budget.

<small>SAN FRANCISCO HEALTH SERVICE SYSTEM</small> <small>Affordable, Quality Benefits & Well-Being</small>					Healthcare Sustainability Fund FY 2022-23		
	FY 2021-22 Total Actual	FY2022-23 Budget Request (HSS Board Approved)	FY2022-23 Carryforward Budget	FY2022-23 Adjustments	FY 2022-23 Revised Budget + Adj C/F	FY 2022-23 Actuals Oct YTD	FY 2022-23 Projection
REVENUE SOURCES							
Annual Revenues	\$ 2,544,616	\$ 2,552,366		\$ -	\$ 2,552,366	\$ 841,782	\$ 2,552,366
Carryforward from Fund Balance	4,527,332	3,969,332		467,843	\$ 4,437,175	-	4,437,175
TOTAL	\$ 7,071,948	\$ 6,521,697	\$ -	\$ 467,843	\$ 6,989,540	\$ 841,782	\$ 6,989,541
EXPENDITURE USES							
Personnel	\$ 1,549,921	\$ 2,040,623		\$ (567,427)	\$ 1,473,196	\$ 343,211	\$ 1,473,196
Administrative	6,517	45,500	18,992		64,492	684	64,492
Member Communications	433,331	775,500	69,403		844,903	246,253	844,903
Communications - Other	243,515	548,320	106,736		655,056	11,734	655,056
Well-Being	113,849	236,500	64,254		300,754	23,527	300,754
Initiatives to Reduce Health Care Costs	287,640	496,445	-		496,445	95,000	496,445
Other Projects	-	429,000	-		429,000	-	429,000
TOTAL	\$ 2,634,773	\$ 4,571,888	\$ 259,385	\$ (567,427)	\$ 4,263,846	\$ 720,409	\$ 4,263,846
REVENUE - EXP. (excl. carry forward fund balance)	(90,157)	(2,019,522)	(259,385)	567,427	(1,711,480)	121,374	(1,711,480)
BALANCE	\$ 4,437,175	\$ 1,949,809	\$ (259,385)	\$ 1,035,270	\$ 2,725,694	\$ 121,374	\$ 2,725,695

*Projection based on 4 months of actuals including the carryforward funding from FY 2021-22

Pharmacy Rebates

Pharmacy rebates from the health plans administering the Flex and Self-Funded health plans are \$4 M through October and projected to be \$12.8M for the year.

	Actual	Projected RX
Blue Shield Access+ HMO	2,435,283	7,480,000
Blue Shield Trio HMO	1,170,041	3,520,000
UHC Administered PPO	452,779	1,760,000
TOTAL	\$ 4,058,103	\$ 12,760,000

General Fund

- The FY 2023 budget has been adjusted for carryforward commitments made before June 31, 2022. Personnel services budget includes funding of two positions from the health sustainability fund budget. Net activity is ahead of budget due to vacancies and billing delays for cost of services from other departments. Projecting a \$376K surplus for the year.



**General Fund Administration Budget FY 2022-23
ANNUALIZED AS OF 10/31/22**

	FY 2022-23 Approved Budget	FY2022-23 Carryforward Budget	FY 2022-23 Revised Budget	Total Actual YTD	FYE 2022-23 Projection
REVENUES					
Non-Operating Revenue	\$ 9,131		\$ 9,131	\$ -	\$ -
Operating Work Order Recovery	13,091,603		13,091,603	4,364,128	13,091,603
Other Revenue	450,000		450,000	-	400,000
General Fund Carryforward	-	277,942	277,942	277,942	277,942
Interfund Transfer	-		-	-	-
TOTAL REVENUES	\$ 13,550,734	\$ 277,942	\$ 13,828,676	\$ 4,642,070	\$ 13,769,545
EXPENDITURES					
Personnel Services	\$ 6,353,817		\$ 6,353,817	\$ 1,866,810	\$ 6,053,817
Mandatory Fringe Benefits	2,862,833		2,862,833	865,248	2,727,850
Non-personnel Services	2,314,006	196,981	2,510,987	606,998	2,510,987
Materials & Supplies	61,362	26,594	87,956	22,569	87,956
Services of Other Departments	1,958,716	54,367	2,013,083	491,058	2,013,083
			-		
TOTAL EXPENDITURES	\$ 13,550,734	\$ 277,942	\$ 13,828,676	\$ 3,852,683	\$ 13,393,693
BALANCE	\$ -	\$ (0)	\$ (0)	\$ 789,387	\$ 375,852

Trust Fund and Health Sustainability Fund with FYE Projection

SUMMARY	FY22-23	FY22-23
	Year-to-Date Actual Net as of 10/31/22	Projected Year-End Annual Net
Flex/Self Insurance		
Blue Shield-Access+	9,553,849	(1,341,119) (a), (h)
Blue Shield-Trio	556,809	1,402,545 (a)
Blue Shield and United PPO	68,339	808,179 (b)
Health Net Canopy Care	335,546	1,006,637
Delta Dental PPO, Actives	(1,178,128)	(74,383) (c)
Fully Insured Plans		
Medical HMOs	2,370,103	-
Dental	4,941	-
LTD/Flexible Benefits/FSA/Health Net Canopy Care	1,623,196	-
Healthcare Sustainability Fund (\$3.00)	121,373	(1,711,480) (d)
Savings & Investments		
Interest	-	800,000
Performance guarantees	14,132	14,132 (e)
Surrogacy and adoption	(39,434)	(39,434)
Transfers Out	0	(400,000) (g)
TOTAL	13,430,728	465,077
Net assets		
Beginning of the year		106,715,642
End of the year		107,180,719

(a) Annual Projection is net of claim stabilization of \$2.4 million to decrease 2022 rates, \$3.3 million to decrease 2023 rates, Pharmacy rebate of \$11.0 million, and settlement of \$14.8 million

(b) Annual Projection is net of claim stabilization of \$0.2 million to decrease 2022 rates, \$0.2 million to increase 2023 rates, and Pharmacy rebate of \$1.7 million

(c) Annual Projection is net of claim stabilization of \$6.1 million to reduce 2022 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 2022-2023

(f) Reflects use of fund balance

(g) Transfer of \$0.4M from forfeitures to General Fund.

(h) Includes \$14.8M Sutter settlement distribution

Supplemental Tables – Trust Fund Activity- Current FY

<i>ACTIVE & RETIRED COMBINED</i>	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess (Shortage)
FLEX/SELF-INSURED PLANS			
Blue Shield Access+ HMO*, **	90,418,319	80,864,470	9,553,849
Blue Shield Trio HMO*	34,042,130	33,485,321	556,809
Blue Shield and United PPO	15,870,535	15,802,196	68,339
Health Net Canopy Care	1,181,939	846,394	335,546
Delta Dental PPO- (Active only)	12,178,207	13,356,335	(1,178,128)
TOTAL FLEX/SELF-INSURED PLANS	153,691,131	144,354,716	9,336,415
FULLY INSURED PLANS			
UHC MAPD	30,087,097	30,087,097	-
Kaiser-HMO	159,791,141	157,450,205	2,340,936
Vision Service Plan	3,157,443	3,128,276	29,167
Sub-total HMO	193,035,681	190,665,578	2,370,103
Delta Dental PPO - Retirees	6,004,966	6,004,966	-
Delta Care	268,946	266,545	2,401
UHC Dental	140,479	137,938	2,541
Sub-total Dental	6,414,391	6,409,450	4,941
Long Term/Short Term Disability	2,799,924	2,802,145	(2,221)
Flexible Benefits	1,416,626	1,416,566	60
Flexible Spending-Dependent Care	1,652,767	1,297,022	355,745
Flexible Spending -Medical Reimbursement	3,797,111	2,527,500	1,269,611
Healthcare Sustainability Fund (\$3.00)	841,782	720,409	121,373
Adoption & Surrogacy	-	39,434	(39,434)
Sub-total Other Benefits	10,508,211	8,803,076	1,705,136
TOTAL FULLY INSURED PLANS	209,958,284	205,878,103	4,080,181
SAVINGS AND INVESTMENTS			
Interest	-	-	-
Performance guarantees	14,132	-	14,132
Forfeitures	-	-	-
TOTAL SAVINGS & INVESTMENTS	14,132	-	14,132
TRANSFERS OUT OF FORFEITURES			
			0
TOTAL FUNDS	363,663,547	350,232,819	13,430,728

* 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 <small>Affordable, Quality Benefits & Well-Being</small>				
STATEMENTS OF REVENUES AND EXPENSES FY 2022-2023 VS FY 2021-2022 YEAR-TO-DATE: OCTOBER 31, 2022				
<i>ACTIVE & RETIRED COMBINED</i>	For 4 Months Ended October 31, 2022	For 4 Months Ended October 31, 2021	\$ Change	% Change
FLEX/SELF-INSURED PLANS				
Blue Shield-Access+ HMO				
Revenues	90,418,319	78,117,142	12,301,177	15.7% ^b
Expenses	(80,864,470)	(71,747,701)	(9,116,769)	12.7% ^f
Net Blue Shield-Access Excess(Shortage)	9,553,849	6,369,441	3,184,409	50.0%
Blue Shield-Trio HMO				
Revenues	34,042,130	35,177,693	(1,135,563)	-3.2%
Expenses	(33,485,321)	(36,735,564)	3,250,243	-8.8% ⁱ
Net Blue Shield-Trio Excess(Shortage)	556,809	(1,557,870)	2,114,680	-135.7%
Blue Shield and United PPO				
Revenues	15,870,535	14,691,500	1,179,035	
Expenses	(15,802,196)	(15,575,796)	(226,400)	
Net BSC and United PPO Excess(Shortage)	68,339	(884,296)	952,635	
Health Net Canopy Care				
Revenues	1,181,939	0	1,181,939	
Expenses	(846,394)	0	(846,394)	
Net Health Net Canopy Care Excess(Shortage)	335,546	0	335,546	
Delta Dental PPO (Active only)				
Revenues	12,178,207	14,596,922	(2,418,716)	-16.6% ^h
Expenses	(13,356,335)	(13,658,283)	301,948	-2.2% ⁱ
Net Delta Dental PPO- (Active Only) Excess(Shortage)	(1,178,128)	938,639	(2,116,767)	-225.5%
NET FLEX/SELF-INSURED PLANS	9,336,415	4,865,913	4,470,502	91.9%

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 2022-2023 VS FY 2021-2022 YEAR-TO-DATE: OCTOBER 31, 2022				
ACTIVE & RETIRED COMBINED	For 4 Months Ended October 31, 2022	For 4 Months Ended October 31, 2021	\$ Change	% Change
FULLY INSURED PLANS				
Kaiser-HMO				
Revenues	159,791,141	158,016,617	1,774,525	1.1% d
Expenses	(157,450,205)	(156,292,288)	(1,157,917)	0.7% d, l
Net Kaiser- HMO Excess(Shortage)	2,340,936	1,724,329	616,608	35.8% K
UHC MAPD				
Revenues	30,087,097	28,931,927	1,155,170	4.0% d, l
Expenses	(30,087,097)	(28,931,927)	(1,155,170)	4.0% d, l
Net UHC MAPD Excess(Shortage)	0	0	0	
Vision Service Plan, All (City Plan & HMO)				
Revenues	3,157,443	3,066,522	90,921	3.0% d, l
Expenses	(3,128,276)	(3,043,699)	(84,577)	2.8% d, l
Net Vision Service Plan Excess(Shortage)	29,167	22,823	6,345	27.8%
Delta Dental PPO - Retirees				
Revenues	6,004,966	5,575,751	429,215	7.7%
Expenses	(6,004,966)	(5,575,751)	(429,215)	7.7%
Net Delta Dental PPO - Retirees Excess(Shortage)	0	0	0	
Delta Care				
Revenues	268,946	269,794	(848)	-0.3%
Expenses	(266,545)	(262,207)	(4,338)	1.7%
Net Delta Care Excess(Shortage)	2,401	7,587	(5,186)	-68.4%
UHC Dental				
Revenues	140,479	153,246	(12,767)	-8.3%
Expenses	(137,938)	(151,054)	13,115	-8.7%
Net UHC Dental Excess(Shortage)	2,541	2,192	348	15.9%
Long Term/Short Term Disability				
Revenues	2,799,924	3,363,752	(563,828)	-16.8%
Expenses	(2,802,145)	(2,704,181)	(97,965)	3.6%
Net Long Term/Short Term Disability Excess(Shortage)	(2,221)	659,572	(661,793)	-100.3% k
Flexible Benefits				
Revenues	1,416,626	1,297,279	119,348	9.2% g
Expenses	(1,416,566)	(1,297,279)	(119,287)	9.2% g
Net Flexible Benefits Excess(Shortage)	60	0	60	
Flexible Spending-Dependent Care				
Revenues	1,652,767	2,277,878	(625,111)	-27.4% c
Expenses	(1,297,022)	(1,415,784)	118,762	-8.4% c
Net Flexible Spending-Dependent Care Excess(Shortage)	355,745	862,094	(506,349)	-58.7%
Flexible Spending -Medical Reimbursement				
Revenues	3,797,111	3,312,784	484,327	14.6% g
Expenses	(2,527,500)	(2,388,715)	(138,785)	5.8% f
Net Flexible Spending-Medical Reimbursement Excess(Shortage)	1,269,611	924,069	345,543	37.4%
Adoption & Surrogacy				
Expenses	(39,434)	0	(39,434)	
Healthcare Sustainability Fund (\$3.00)				
Revenues	841,782	873,116	(31,334)	-3.6%
Expenses	(720,409)	(987,139)	266,730	-27.0% e
Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	121,373	(114,023)	235,396	-206.4%
NET FULLY INSURED PLANS	4,080,181	4,088,643	(8,462)	-0.2%
SAVINGS AND INVESTMENTS				
Interest	0	244,557	(244,557)	
Performance guarantees	14,132	20,857	(6,726)	
Forfeitures	0	0	0	
TOTAL SAVINGS & INVESTMENTS	14,132	265,414	(251,282)	1616.8%
TOTAL NET EXCESS (SHORTAGE)	13,430,728	9,219,970	4,210,758	45.7%

Notes:

- | | |
|--------------------------|---|
| a decrease in membership | e \$3 per member per month for communications, wellness |
| b Sutter Settlement | f increase in claims |
| c decrease in deductions | g increase in deductions |
| d increase in membership | h decrease in rates |
| | i increase in rates |
| | j decrease in claims |
| | k Payperiod Timing |