

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

Memorandum

DATE: December 9, 2021

TO: Dr. Stephen Follansbee, President and Members of the Health Service Board

FROM: Larry Loo, MPH Chief Financial Officer

RE: Health Service Board Financial Report as of October 31, 2021

The following is a report on the sources of revenues and uses or expenses of the Health Service System Employee Benefit Trust Fund (Trust Fund) and the General Fund Administration Budget through the first four months of Fiscal Year (FY) 2021-22 through October 31, 2021. The Health Sustainability Fund is housed within Trust Fund is reported out in additional detail. This report includes the projected fiscal year-end (FYE) changes for both sources of funds. The discussion below is based on the most complete information available for the reporting period and are subject to adjustments following the close of the fiscal year-end.

Executive Summary

Employee Benefit Trust Fund

- Trust Fund balance at the beginning of the fiscal year was \$125.9 M.
- Based on activity through four months ending October 31, 2021, there is a projected increase of \$3.8 M at fiscal year-end (FYE) to end with a balance is \$129.7 M.
- Flex and Self-insured plans cumulative year-to-date (YTD) expenses were \$4.9 M less than revenues through four months resulting in the following cumulative net changes:
 - Blue Shield Access + HMO: cumulative expenses were \$6.4 M less than revenues
 - Blue Shield Trio HMO: cumulative expenses were \$1.6 M greater than revenues
 - UHC administered PPO: cumulative expenses were \$0.9 M greater than revenues
 - Delta Dental PPO plan (Actives only): cumulative expenses were \$0.9 M less than revenues
- Insured plan revenues and expenses are expected to net each other out over time, however, the cumulative revenues through four months are \$1.8 M less than cumulative expenses.
- Healthcare and Dependent Care Flexible Spending Accounts cumulative expenses are \$1.8 M less than cumulative revenues.
- Healthcare Sustainability Fund expenses through four months were \$138 K greater than revenues
- Performance Guarantees of \$21 K were received YTD
- No Interest from Investments were received through four months of the fiscal year
- Pharmacy Rebates of \$4.1 M were received YTD

The projected year-end will likely change due to factors such as the further recovery of health care expenditures as the COVID-19 pandemic appears to be subsiding, the shifts in the number and status of current employees and the start of the new health plans options effective January 2022.

The following table summarizes the projected changes in fund balance.

	Projected Fiscal Year-End Change in Fund Balance (Millions)	Page
Blue Shield Access+ HMO Flex-Funded Plan*	\$15.7	3
Blue Shield Trio HMO Flex-Funded Plan*	(6.1)	4
UHC administered PPO Self-Funded Plan*	4.2	5
Delta Dental PPO Self-Funded Plan (for Actives only)	(2.7)	6
Health Care Sustainability Fund	(1.8)	7
Interest	--	7
Performance Guarantees	0.02	7
Performance Guarantees – Surrogacy and Adoption Assistance Plan	0	7
Forfeitures	--	7
Transfers Out	(0.5)	7
TOTAL	\$3.8	
*Includes Pharmacy Rebates	\$8.7 M	8

General Fund Administrative Budget

General Fund expenses during the first four months were \$440 K below revenue. The projected year-end anticipates a surplus of \$70 K. Additional notes on the sources and uses funds in General Fund Administrative Budget can be found on page 8.

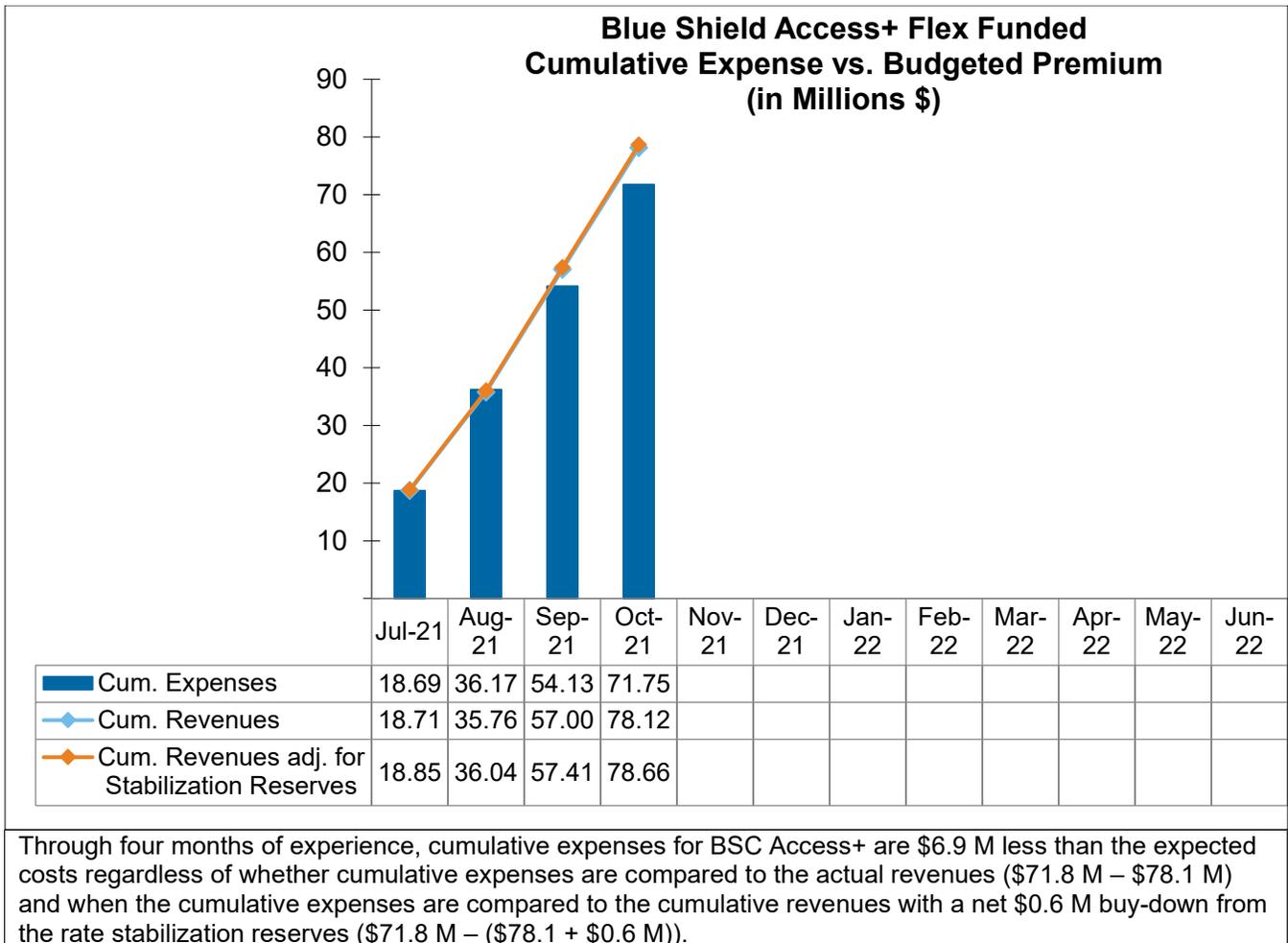
Blue Shield Access+ Flex Funded Plan

Fiscal Year End Projection

Projecting a fiscal year-end increase of \$15.7 M in fund balance due to the following:

- Rate Stabilization Effect:
 - \$820 K associated with the decrease in 2021 rates (for the first six months of FY 2021-22) due to the rating buy-down from the 2019 year-end claim stabilization surplus
 - \$1.5 M associated with the decrease in 2022 rates (for the second six months of FY 2021-22) due to the rating buy-down from the 2020 year-end claim stabilization surplus
- Pharmacy Rebate(s):
 - \$4.5 M increase due to anticipated pharmacy rebates to be received by FYE
- Claims:
 - \$13.6 M increase due to claim expenses trending favorably through four months of reporting

Fiscal Year-to-Date Cumulative Experience Through Four Months in FY 2021-22



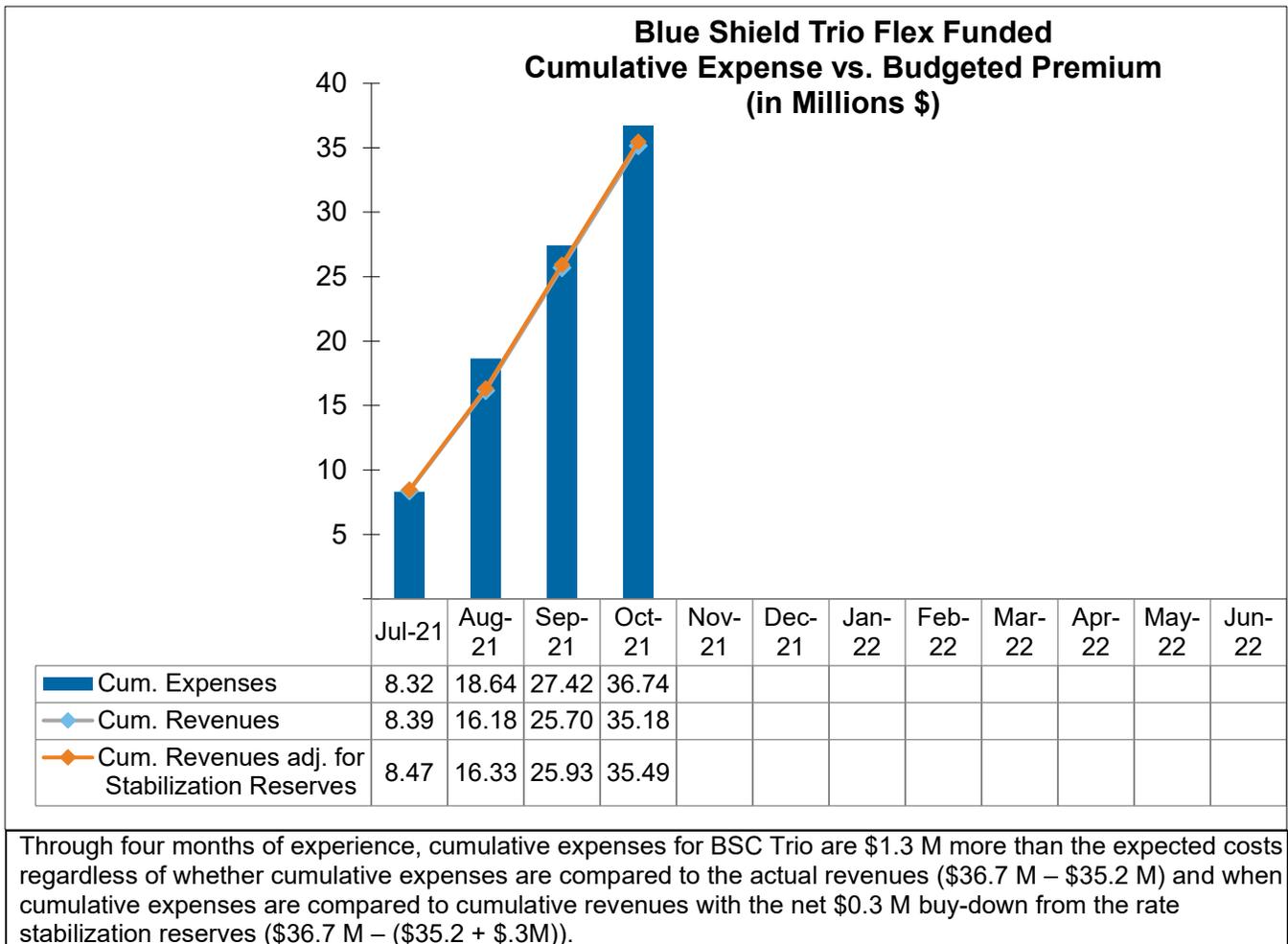
Blue Shield Trio Flex-Funded Plan

Fiscal Year End Projection

Projecting a fiscal year-end decrease of \$6.1 M in fund balance due to the following:

- Rate Stabilization Effect:
 - \$0.46 M associated with the decrease in 2021 rates (for the first six months of FY 2021-22) due to the rating buy-down from the 2019 year-end claim stabilization surplus
 - \$0.87 M associated with the decrease in 2022 rates (for the second six months of FY 2021-22) due to the rating buy-down from the 2020 year-end claim stabilization surplus
- Pharmacy Rebate(s):
 - \$2.5 M increase due to anticipated pharmacy rebates to be received by FYE
- Claims:
 - \$7.3 M decrease due to unfavorable claim expenses through four months of reporting

Fiscal Year-to-Date Cumulative Experience Through Four Months in FY 2021-22



United Health Care Administered PPO

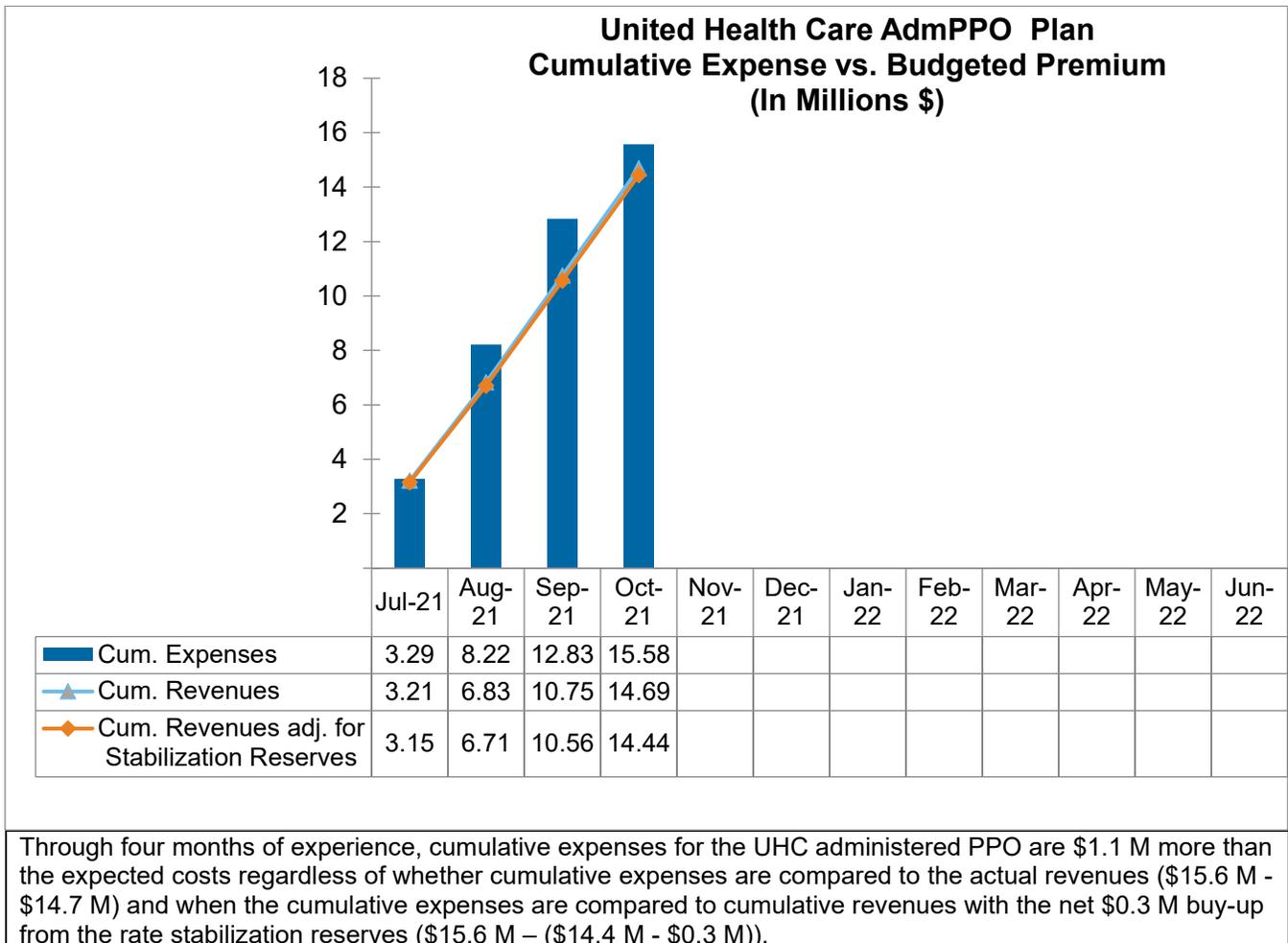
Fiscal Year End Projection

The administration of the self-funded PPO will migrate to Blue Shield starting in January 2022. As this plan is completely self-insured, the cumulative costs and funding sources for the PPO will remain with the plan as it migrates to a new administrator.

Projecting a fiscal year-end decrease of \$3.0 M in fund balance due to the following:

- Rate Stabilization Effect:
 - \$372 K associated with the increase in 2021 rates (for the first six months of FY 2021-22) due to rating buy-up of the 2019 calendar year-end claims stabilization deficit
 - \$165 K associated with the decrease in 2022 rates (for the second six months of FY 2021-22) due to rating buy-down of the 2020 calendar year-end claims stabilization surplus
- Pharmacy Rebate(s):
 - \$1.7 M increase due to anticipated pharmacy rebates to be received by FYE
- Claims:
 - \$4.9 M decrease due to unfavorable claim expenses through four months of reporting

Fiscal Year-to-Date Cumulative Experience Through Four Months in FY 2021-22



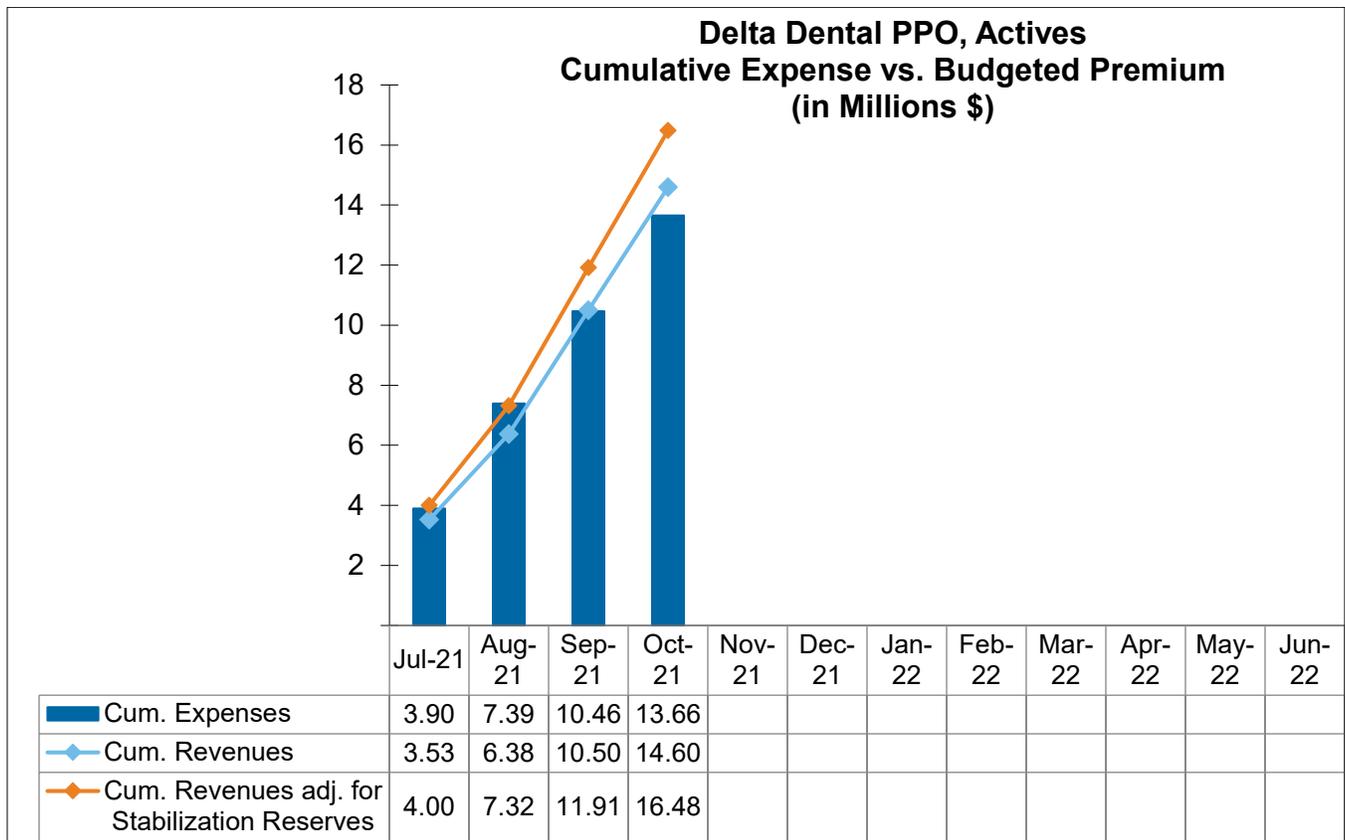
Delta Dental PPO (Actives Only) Self-Funded Plan

Fiscal Year End Projection

Projecting a fiscal year-end decrease of \$0.5 M in the fund balance due to the following:

- Rate Stabilization Effect:
 - \$2.8 M decrease in fund balance associated with subsidizing 2021 rates (for the first six months of FY 2021-22) from the 2019 year-end claim stabilization reserve
 - \$6.1 M decrease in fund balance associated with subsidizing 2022 rates (for the second six months of FY 2021-22) from the 2020 year-end claim stabilization reserve
- Claims:
 - \$8.5 M increase due to favorable claim expenses through four months of reporting

Fiscal Year-to-Date Cumulative Experience Through Four Months in FY 2021-22



Through four months of experience, cumulative expenses for Delta Dental PPO for Actives are \$2.8 M less than the expected costs regardless of whether cumulative expenses are compared to actual revenues (\$13.7 M – \$14.6 M) and when the cumulative expenses are compared to cumulative revenues with the \$1.9 M buy down from the rate stabilization reserve (\$13.7 M – (\$14.6 M + \$1.9 M)).

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. Through four months, the sources of funds received were \$137K less expenditures. The reported expenditure through the reporting month of October includes the additional resources supporting the open enrollment activities. Through this period, planned project-based costs have not started. The projected year-end expenditures result in a net decrease of \$1.8 M resulting in a balance of \$2.4 M.

SAN FRANCISCO HEALTH SERVICE SYSTEM <small>Affordable, Quality Benefits & Well-Being</small>	Healthcare Sustainability Fund FY 2021-22		
	FY 2021-22 Revised Budget	FY 2021-22 Actuals Oct YTD	FY 2021-22 Projection
REVENUE SOURCES			
Annual Revenues	\$ 2,578,896	\$ 849,192	\$ 2,578,896
Carryforward from Fund Balance	4,268,467	4,268,467	4,268,467
TOTAL	\$ 6,847,362	\$ 5,117,659	\$ 6,847,362
EXPENDITURE USES			
Personnel	\$ 2,058,244	\$ 557,201	\$ 2,058,244
Administrative	45,655	1,273	30,000
Member Communications	557,750	273,123	470,500
Communications - Other	675,952	61,232	675,952
Well-Being	451,639	9,522	407,860
Initiatives to Reduce Health Care Costs	408,827	84,790	357,508
Other: Contingency & Special Projects	429,000	-	419,000
Benefit Decision Support Tools	100,000	-	100,000
HSS 360: Customer Contact Improvement	100,000	-	100,000
Dependent Eligibility Verification Audit (DEVA)	229,000	-	234,000
TOTAL	\$ 4,627,066	\$ 987,139	\$ 4,419,063
REVENUE - EXPENDITURES (net of Carry Forward)	(2,048,171)	(137,947)	(1,840,168)
BALANCE	\$ 2,220,296	\$ 4,130,520	\$ 2,428,299
*Projection based on 4 months of actuals including the carryforward funding from FY 2021-22			

Interest & Performance Guarantees

Pooled investment interest is periodically posted by the City's Treasurer's Office. There was interest received during the four months of the fiscal year. Performance Guarantees payment also do not occur on a regular schedule, and year-to-date, \$21 K interest of performance guarantees was received.

Pharmacy Rebates

Projecting receipt of \$8.7 M in pharmacy rebates by fiscal year-end. Year-to-date, \$4.1 M of pharmacy rebates were received from the health plans administering the Flex and Self-Funded health plans.

	FY 2021-22 Actual RX Rebates Received Thru 10/31/21	FY 2021-22 Projected FYE RX Rebates
Blue Shield Access+ HMO	2,475,087	4,480,000
Blue Shield Trio HMO	1,079,702	2,520,000
UHC Administered PPO	513,752	1,700,000
TOTAL	\$ 4,068,542	\$ 8,700,000

General Fund Administrative Budget

- General Fund expenses during the first four months were \$440 K below revenue. The projected expenditures are expected to follow the revised budget and result in a modest surplus of \$70 K.

SAN FRANCISCO HEALTH SERVICE SYSTEM <small>Affordable, Quality Benefits & Well-Being</small>				
General Fund Administration Budget FY 2021-22 ANNUALIZED AS OF 10/31/21				
	FY 2021-22 Approved Budget	FY 2021-22 Revised Budget	Total Actual YTD	FYE 2021-22 Projection
REVENUES				
Non-Operating Revenue	\$ 9,131	\$ 9,131	\$ -	\$ -
Operations Work Order Recover	11,935,680	11,935,680	3,976,387	11,935,680
Other Revenue	625,958	625,958	-	500,000
General Fund Carryforward	-	198,850	198,850	198,850
Interfund Transfer	-	-	-	-
TOTAL REVENUES	\$ 12,570,769	\$ 12,769,619	\$ 4,175,237	\$ 12,634,530
EXPENDITURES				
Personnel Services	\$ 5,635,247	\$ 5,635,247	\$ 1,808,104	\$ 5,580,394
Mandatory Fringe Benefits	2,724,533	2,724,533	875,305	2,790,197
Non-personnel Services	2,291,057	2,402,225	619,401	2,341,044
Materials & Supplies	47,717	83,217	2,232	52,660
Services of Other Departments	1,872,215	1,924,397	429,409	1,800,000
TOTAL EXPENDITURES	\$ 12,570,769	\$ 12,769,619	\$ 3,734,451	\$ 12,564,295
BALANCE	\$ -	\$ -	\$ 440,786	\$ 70,235

**STATEMENT OF REVENUES AND EXPENSES
FY 2021-2022
FOR 4 MONTHS ENDED OCTOBER 31, 2021**

<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*	78,117,142	71,747,701	6,369,441
Blue Shield Trio HMO*	35,177,693	36,735,564	(1,557,870)
UHC Administere PPO*	14,691,500	15,575,796	(884,296)
Delta Dental PPO- (Active only)	14,596,922	13,658,283	938,639
TOTAL FLEX/SELF-INSURED PLANS	142,583,258	137,717,345	4,865,913
FULLY INSURED PLANS			
UHC MAPD	28,931,927	28,931,927	-
Kaiser-HMO	158,016,617	156,292,288	1,724,329
Vision Service Plan	3,066,522	3,043,699	22,823
Sub-total HMO	190,015,065	188,267,914	1,747,151
Delta Dental PPO - Retirees	5,575,751	5,575,751	-
Delta Care	269,794	262,207	7,587
UHC Dental	153,246	151,054	2,192
Sub-total Dental	5,998,791	5,989,012	9,779
Long Term/Short Term Disability	2,703,886	2,704,181	(295)
Flexible Benefits	1,297,279	1,297,279	0
Flexible Spending-Dependent Care	2,277,878	1,415,784	862,094
Flexible Spending -Medical Reimbursement	3,312,784	2,388,715	924,069
Healthcare Sustainability Fund (\$3.00)	849,192	987,139	(137,947)
Adoption & Surrogacy		0	0
Sub-total Other Benefits	10,441,018	8,793,097	1,647,921
TOTAL FULLY INSURED PLANS	206,454,875	203,050,023	3,404,852
SAVINGS AND INVESTMENTS			
Interest	-	-	-
Performance guarantees	20,857	-	20,857
Forfeitures	-	-	-
TOTAL SAVINGS & INVESTMENTS	20,857	-	20,857
TRANSFERS OUT OF FORFEITURES			0
TOTAL FUNDS	349,058,990	340,767,368	8,291,622

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

	FY21-22 Year-to-Date Actual Net as of 10/31/21	FY21-22 Projected Year-End Annual Net	
SUMMARY			
Self Insurance			
Blue Shield-Access+	6,369,441	15,691,631	
Blue Shield-Trio	(1,557,870)	(6,068,287)	(a)
UHC PPO	(884,296)	(3,031,145)	(b)
Delta Dental PPO, Actives	938,639	(467,082)	(c)
FULLY INSURED PLANS			
Medical HMOs	1,747,151	-	
Dental	9,779	-	
LTD/Flexible Benefits/FSA/Health Net Canopy Care	1,785,868	-	
Healthcare Sustainability Fund (\$3.00)	(137,947)	(1,840,168)	(d)
Savings & Investments			
Interest	-	-	
Performance guarantees	20,857	20,857	(e)
Performance guarantees - Surrogacy and adoption	-	-	
Forfeitures	-	-	
Transfers Out	0	(500,000)	(g)
TOTAL	8,291,622	3,805,806	
Net assets			
Beginning of the year		125,901,507	
End of the year		129,707,313	

(a) Annual Projection is net of claim stabilization of \$2.4 million to decrease 2022 rates, \$1.3 million to decrease 2021 rates, and Pharmacy rebate of \$7.0 million

(b) Annual Projection is net of claim stabilization of \$0.2 million to decrease 2022 rates, \$0.4 million to increase 2021 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 \$2.8 million to reduce 2021 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 2020-2021

(f) Reflects use of fund balance

(g) Transfer of \$0.6M from forfeitures to General Fund per FY 2020-2021 budget

STATEMENTS OF REVENUES AND EXPENSES
FY 2021-2022 VS FY 2020-2021
YEAR-TO-DATE: OCTOBER 31, 2021

ACTIVE & RETIRED COMBINED	For 4 Months Ended October 31, 2021	For 4 Months Ended October 31, 2020	\$ Change	% Change
FLEX/SELF-INSURED PLANS				
Blue Shield-Access+ HMO				
Revenues	78,117,142	77,177,877	939,265	1.2%
Expenses	(71,747,701)	(72,054,795)	307,093	-0.4% j
Net Blue Shield-Access Excess(Shortage)	6,369,441	5,123,082	1,246,358	24.3%
Blue Shield-Trio HMO				
Revenues	35,177,693	34,535,985	641,709	1.9%
Expenses	(36,735,564)	(32,959,017)	(3,776,547)	11.5% f
Net Blue Shield-Trio Excess(Shortage)	(1,557,870)	1,576,968	(3,134,838)	-198.8%
UHC Administered PPO				
Revenues	14,691,500	13,319,069	1,372,431	10.3% l
Expenses	(15,575,796)	(13,450,438)	(2,125,358)	15.8% f
Net UHC Administered PPO Excess(Shortage)	(884,296)	(131,370)	(752,927)	573.1%
Delta Dental PPO (Active only)				
Revenues	14,596,922	14,767,883	(170,960)	-1.2%
Expenses	(13,658,283)	(14,998,741)	1,340,458	-8.9% j
Net Delta Dental PPO- (Active Only) Excess(Shortage)	938,639	(230,859)	1,169,498	-506.6%
NET FLEX/SELF-INSURED PLANS	4,865,913	6,337,822	(1,471,909)	-23.2%
FULLY INSURED PLANS				
Kaiser-HMO				
Revenues	158,016,617	152,582,977	5,433,640	3.6% d, l
Expenses	(156,292,288)	(151,410,759)	(4,881,529)	3.2% d, l
Net Kaiser- HMO Excess(Shortage)	1,724,329	1,172,218	552,111	47.1%
UHC MAPD				
Revenues	28,931,927	28,030,647	901,279	3.2% d, l
Expenses	(28,931,927)	(28,030,647)	(901,279)	3.2% d, l
Net UHC MAPD Excess(Shortage)	0	0	0	
Vision Service Plan, All (City Plan & HMO)				
Revenues	3,066,522	2,923,934	142,588	4.9% d, l
Expenses	(3,043,699)	(2,906,425)	(137,274)	4.7% d, l
Net Vision Service Plan Excess(Shortage)	22,823	17,509	5,314	30.3%
Delta Dental PPO - Retirees				
Revenues	5,575,751	5,615,112	(39,361)	-0.7% h
Expenses	(5,575,751)	(5,615,112)	39,361	-0.7% h
Net Delta Dental PPO - Retirees Excess(Shortage)	0	0	0	
Delta Care				
Revenues	269,794	288,350	(18,557)	-6.4% h
Expenses	(262,207)	(280,380)	18,173	-6.5% h
Net Delta Care Excess(Shortage)	7,587	7,971	(384)	-4.8%
UHC Dental				
Revenues	153,246	154,732	(1,486)	-1.0% h
Expenses	(151,054)	(152,741)	1,687	-1.1% h
Net UHC Dental Excess(Shortage)	2,192	1,991	201	10.1%
Long Term/Short Term Disability				
Revenues	2,703,886	2,960,909	(257,024)	-8.7%
Expenses	(2,704,181)	(2,291,071)	(413,109)	18.0% g
Net Long Term/Short Term Disability Excess(Shortage)	(295)	669,838	(670,133)	-100.0%
Flexible Benefits				
Revenues	1,297,279	1,048,033	249,246	23.8% g
Expenses	(1,297,279)	(1,045,996)	(251,283)	24.0% g
Net Flexible Benefits Excess(Shortage)	0	2,037	(2,037)	-100.0%
Flexible Spending-Dependent Care				
Revenues	2,277,878	1,736,413	541,465	31.2% g
Expenses	(1,415,784)	(1,327,588)	(88,196)	6.6% g
Net Flexible Spending-Dependent Care Excess(Shortage)	862,094	408,825	453,269	110.9%
Flexible Spending -Medical Reimbursement				
Revenues	3,312,784	3,285,446	27,338	0.8%
Expenses	(2,388,715)	(2,562,671)	173,956	-6.8% i
Net Flexible Spending-Medical Reimbursement Excess(Shortage)	924,069	722,775	201,294	27.9%
Adoption & Surrogacy				
Expenses	0	(30,258)	30,258	-100.0%
Healthcare Sustainability Fund (\$3.00)				
Revenues	849,192	858,129	(8,937)	-1.0%
Expenses	(987,139)	(876,636)	(110,503)	12.6% e
Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	(137,947)	(18,507)	(119,440)	645.4%
NET FULLY INSURED PLANS	3,404,852	2,954,399	450,453	15.2%
SAVINGS AND INVESTMENTS				
Interest	0	0	0	
Performance guarantees	20,857	0	20,857	
Forfeitures	0	108,942	(108,942)	
TOTAL SAVINGS & INVESTMENTS	20,857	108,942	(88,084)	1616.8%
TOTAL NET EXCESS (SHORTAGE)	8,291,622	9,401,163	(1,109,541)	-11.8%

Notes:

- a decrease in membership
- b discontinued on 1/1/20
- 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
- h decrease in rates
- i increase in rates
- j decrease in claims