

**SAN FRANCISCO
HEALTH SERVICE SYSTEM**

Affordable, Quality Benefits & Well-Being

MEMORANDUM

DATE: February 10, 2021
TO: Karen Breslin, Chair and Members of the Health Service Board Finance and Budget Committee
FROM: Larry Loo, MPH Chief Financial Officer
RE: Recommendations for San Francisco Health Service System (SFHSS) – Fiscal Year (FY) 2021-22 and FY 2022-23 Healthcare Sustainability Fund Budget

The FY 2021-22 and FY 2022-23 Healthcare Sustainability Fund Budget (Fund) is presented to the Health Service Board (Board) for approval. The sources and uses of the Fund are codified in the City Charterⁱ. The following discusses the development of the components of the proposed Fund Budget.

SUMMARY

The proposed budgets for FY 2021-22 and FY 2022-23 reflect the annual activities and multiyear implementation of strategic initiatives to improve the member service experience, mitigate rising health care costs and invest in the Well-Being of all members. Accumulated funds are accessed for large one-time projects.

Some projects were delayed due to the COVID-19 and shelter in place orders. Notable projects already underway include an updated member communications plan, promotion of member eBenefits self-servicing, telephony replacement including the integration with customer relationship management (CRM) software, operating the All Payer Claims Database, and concluding the Health Plan Request for Proposal (RFP). This proposed budget includes the resources needed to conclude these projects.

For the next few years, SFHSS will be implementing the results of the RFP. The proforma cost mitigation and savings of the RFP results are detailed in another report to the Board. The additional project staff for the implementation is included in this proposal. In anticipation of the need for more broad-based, customer-centric support in upcoming years, several technology projects to audit member data and develop guided decision-making tools.

Table I. A. Summary - Historic Actuals						
	FY 2013-14 ACTUALS	FY 2014-15 ACTUALS	FY 2015-16 ACTUALS	FY 2016-17 ACTUALS	FY 2017-18 ACTUALS	FY 2018-19 ACTUALS
Annual Revenues	\$ 1,522,908	\$ 1,563,884	\$ 1,616,238	\$ 2,042,678	\$ 2,533,833	\$ 2,541,882
Carryforward	345,455	1,079,129	1,471,309	1,715,632	2,506,982	3,399,818
Total Revenues	\$ 1,868,363	\$ 2,643,013	\$ 3,087,547	\$ 3,758,310	\$ 5,040,815	\$ 5,941,700
Annual Expenditures					\$ 1,101,969	\$ 1,592,057
One-Time Expenditures					\$ 539,027	\$ 439,871
Annual and One-Time Expenditures	789,234	1,171,704	1,371,915	1,251,328	1,640,996	2,031,928
Revenues Less Expenditures	\$ 1,079,129	\$ 1,471,309	\$ 1,715,632	\$ 2,506,982	\$ 3,399,818	\$ 3,909,772
% YOY Change Revenues		3%	3%	26%	24%	0%
% YOY Change Expenses		48%	17%	-9%	31%	24%
% Expenditures/Annual Revenue		74.92%	84.88%	61.26%	64.76%	79.94%

Over the two fiscal years, the revenues are sufficient to cover the annual and one-time

expenditures. The cumulative fund balance is projected to be \$2,220,296 at the end of FY 2021-22 and \$1,295,465 at the end of FY 2022-232. The proposed budget will draw down the fund balance. It is projected that there will be a deficit in the Fund by FY 2023-24 and the fiscal years thereafter.

Table I. B Summary - Prior Year-end Actual, Current Projected Year-end & Budget, Proposed Budget						
	FY 2019-20 ACTUALS	FY 2020-21 Projection	FY 2020-21 REVISED BUDGET	FY 2021-22 PROPOSED BUDGET	FY 2022-23 PROPOSED BUDGET	FY 2023-24 PROFORMA
Annual Revenues	\$ 2,563,606	\$ 2,560,688	\$ 2,560,688	\$ 2,578,896	\$ 2,585,343	\$ 2,591,806
Carryforward	3,909,772	4,401,072	4,401,072	4,015,992	2,220,296	1,295,465
Total Revenues	\$ 6,473,378	\$ 6,961,760	\$ 6,961,760	\$ 6,594,887	\$ 4,805,639	\$ 3,887,271
Annual Expenditures	\$ 1,847,958	\$ 2,484,482	\$ 3,060,357	\$ 3,538,664	\$ 3,237,245	\$ 3,387,955
One-Time Expenditures	352,042	461,287	1,074,537	835,927	272,929	554,428
Annual and One-Time Expenditures	\$ 2,200,001	\$ 2,945,769	\$ 4,134,894	\$ 4,374,591	\$ 3,510,174	\$ 3,942,383
Revenues Less Expenditures	\$ 4,273,377	\$ 4,015,992	\$ 2,826,867	\$ 2,220,296	\$ 1,295,465	\$ (55,111)
% YOY Change Revenues		-0.11%	-0.11%	0.71%	0.59%	0.2%
% YOY Change Expenses		34%	88%	6%	-6%	12%
% Expenditures/Annual Revenue	85.82%	115.04%	161.48%	169.63%	135.77%	152.11%

ANNUAL REVENUE SOURCES

The Healthcare Sustainability Fund Budget is funded through a \$3.00 per-member-per-month charge incorporated into the medical premiums paid by all San Francisco Health Service System members, e.g., active and retired employees of the City and County of San Francisco, San Francisco Superior Court, City College of San Francisco and the San Francisco Unified School District. This solely is dependent on the number of members enrolled in medical plans and therefore rises and falls base enrollment.

While expenditures may be responsive to inflation, the revenues are anticipated to remain relatively flat over the next few years. Table I. B above shows that from FY2019-20 to the beginning of FY2020-21 membership and annual revenues stayed flat. From FY2020-21 to the beginning of FY 2020-21, membership experience a small decrease. Historically, the increase in the Fund balance over the years is the result of cumulative underspending in prior years.

EXPENDITURES

Positions/Personnel

Prior budget proposals included 7.61 FTEs of which four are three-year project-based positions for the implementation of the SHSS Strategic Plan. The permanent positions are Communications Manager, Graphic Artist, Well-Being Manager, and a portion of FTE’s working on contracts and project management associated with projects. The project-based positions are Communications Director, Contracts Analyst, Senior Benefits Analyst, Senior Health Program Planner.

Table II - Healthcare Sustainability Fund - FTEs, Personnel Costs						
	FY 2020-21 Revised Budget	FY 2020-21 Projection	FY 2021-22 Budget Chg Requested to Revised FY 2020- 21	FY2021-22 Budget Request	FY 2022-23 Budget Chg Requested to FY 2021-22	FY2022-23 Budget Request
FTE's	7.61	7.61	2.10	9.71	0.50	10.21
Personnel	\$ 1,377,266	\$ 1,377,266	\$ 680,978	\$ 2,058,244	\$ 102,731	\$ 2,160,975

As shown in Table II above, the outcome of the health plan RFP requires incremental project staff to implement policy, systems, and process changes over FY 2021-22 and FY 2022-23. Two project staff are temporarily reclassified to more technical positions in the first year and half an FTE is added in the second year. The incremental project staffing costs (\$680 K) account for the bulk of the budget change in FY 2021-22. An additional \$102 K is needed to fund the half FTE in FY 2022-23.

Table III below provides more detail of the year-over-year changes in the proposed budget. A high-level summary of the major changes will follow in the sections below. For ease of reading, the proposed budgets have a shaded column header and the column preceding it shows the requested changes.

Table III - Healthcare Sustainability Fund by Expenditure Category						
	FY 2020-21 Revised Budget	FY 2020-21 Projection	FY 2021-22 Budget Chg Requested to Revised FY 2020- 21	FY2021-22 Budget Request	FY 2022-23 Budget Chg Requested to FY 2021-22	FY2022-23 Budget Request
REVENUES/PREMIUMS						
Annual Revenues	\$ 2,560,688	\$ 2,560,688	\$ 18,208	\$ 2,578,896	\$ 6,447	\$ 2,585,343
Carryforward from fund balance	4,401,072	4,401,072	(385,081)	4,015,992	(1,446,714)	2,220,296
TOTAL	\$ 6,961,760	\$ 6,961,760	\$ (366,873)	\$ 6,594,887	\$ (1,440,267)	\$ 4,805,639
ANNUAL EXPENDITURES						
Personnel	\$ 1,377,266	\$ 1,377,266	\$ 680,978	\$ 2,058,244	\$ 102,731	\$ 2,160,975
Communications						
Open Enrollment	\$ 350,000	\$ 350,000	\$ (30,000)	\$ 320,000	\$ -	\$ 320,000
Operations Communication	381,572	206,944	35,928	417,500	(242,500)	175,000
Well-Being Communications	190,659	43,000	18,841	209,500	(155,000)	54,500
Other Communications	59,010	56,929	(28,590)	30,420	(650)	29,770
Total Communications	\$ 981,241	\$ 656,873	\$ (3,821)	\$ 977,420	\$ (398,150)	\$ 579,270
Well-Being	\$ 364,507	\$ 120,000	\$ (231,507)	\$ 133,000	\$ 1,000	\$ 134,000
Initiatives to Reduce Health Care Costs	302,000	295,000	48,000	350,000	(7,000)	343,000
Board Transcription Services/SFGOV	35,343	35,343	(15,343)	20,000	-	20,000
Other: Contingency	-	-	-	-	-	-
TOTAL ANNUAL ANNUAL EXPENDITURES	\$ 3,060,357	\$ 2,484,482	\$ 478,308	\$ 3,538,664	\$ (301,419)	\$ 3,237,245
ONE-TIME EXPENDITURES						
Communications						
Open Enrollment Communications	\$ 10,000	\$ 10,000	\$ -	\$ 10,000	\$ -	\$ 10,000
Operations Communications	530,800	51,550	26,200	557,000	(432,500)	\$ 124,500
Other Communications	185,500	51,500	(25,400)	160,100	(57,500)	\$ 102,600
Total Communications	\$ 726,300	\$ 113,050	\$ 800	\$ 727,100	\$ (490,000)	\$ 237,100
Well-Being	\$ 48,237	\$ 48,237	\$ 1,763	\$ 50,000	\$ (50,000)	\$ -
Initiatives to Reduce Health Care Costs	300,000	300,000	(241,173)	58,827	(22,998)	\$ 35,829
TOTAL ONE-TIME EXPENDITURES	\$ 1,074,537	\$ 461,287	\$ (238,610)	\$ 835,927	\$ (562,998)	\$ 272,929
GRAND TOTAL EXPENDITURES	\$ 4,134,894	\$ 2,945,769	\$ 239,698	\$ 4,374,591	\$ (864,417)	\$ 3,510,174
BALANCE	\$ 2,826,867	\$ 4,015,992	\$ (606,570)	\$ 2,220,296	\$ (575,850)	\$ 1,295,465
*Projection based on 6 months of actuals including the carryforward funding from FY 2019-20						

Communications

Communications encompass activities and resources dedicated to reaching members during the annual open enrollment period, during the year to educate members on the value of their benefits, periodically to promote Well-Being programs, and annually for mandatory notices. These costs remain stable annually. When taking into consideration the cost to communicate with the 71,000 members, the average annual cost for communications ranges from \$7 - \$9 per year.

Open Enrollment

The proposed budget for open enrollment communications remains flat at \$330 K for each year.

Operations Communications

The funds proposed for Operations Communications is \$974K for FY 2021-22 and then decrease to \$300K in FY 2022-23 once the larger projects below are completed. This level of funding is needed to continue some infrastructure projects that were interrupted by the COVID-19 emergency. The replacement of the telephony system with a Voice Over Internet Protocol (VOIP) was rapidly implemented by the Department of Technology (DT) during the migration to shelter in place. The ability to use call routing trees or record calls for quality training will be in a later phase. The connection of the new VOIP system with the Customer Relationship Management system (CRM) is also pending.

Integrating HSS member information among the disparate systems is part of a technology initiative called HSS 360. A DT project to build interfaces between the PeopleSoft to the Enterprise Content Management (ECM) system, building the capability for Medicare retirees to use eBenefits, and programming to accommodate additional benefit administration if required.

To aid members in making informed healthcare decisions guiding them to better utilization of their benefits requires the implementation of a benefits decision support tool. This proposed budget includes the assessment and development of this educational platform.

In addition to routine expenditures, in FY 2021-22, SFHSS will develop the capability to perform the Dependent Eligibility Verification Audit (DEVA) in house. The audit will occur annually and cycle through all SFHSS members every three years. This project was deferred from the FY 2019-20 budget.

Other Communications

The new SFHSS website (SFHSS.org) was launched on February 7, 2019. Additional website consulting support is needed for structural updating of the back end to accommodate new decision support tools and new health plan options. This is reflected in the FY 2021-22 budget of \$190 K and drops down to \$132 K in FY 2022-23.

Well-Being

The Well-Being Communications budget funds the quarterly Well-Being campaigns and promotions. The topics included Healthy Eating, Flu, Physical Activity, Self-Care, Mental Health, Gratitude, Sleep, Social Isolation, and Emotional Well-Being. In recognition of the shelter in place environment, the budget is reduced to \$183 K in FY 2021-22 and \$134 K in FY 2022-23.

The Well-Being program continues to meet the goal of expanding the program to provide services and resources to all SFHSS members based on need and industry trends. In addition, funding is provided each year for two targeted health interventions. The interventions focus on preventing the onset of diabetes and retiree health.

Initiatives to Reduce Health Care Costs

Pursuant to the Strategic Plan, the FY 2021-22 and FY 2022-23 proposed budget reflects continued support and development of health analytics of the Health Claims Data Warehouse, formerly the All Payer Claims Database (APCD) project. The goal of the Health Claims Data Warehouse (HCDW) is to develop more targeted programs that address the health care needs of the members of SFHSS. The system is used to inform decisions on plan design and well-being programs, monitor cost and utilization trends, perform ad hoc analysis, and generate health risk scores. The funding includes additional data development including tracking ethnicity and incorporating other health information beyond claims.

Funding in these initiatives include external consultants to perform required vendor program audit and for supporting the health services RFP.

Lastly, SFHSS has successfully advocated for calling out unnecessary health care costs and innovative collaborations to change reimbursement models with health plan providers from traditional Fee For Service to a more value-based arrangement such as Accountable Care Organization, Shared Savings and Quality Based Performance Guarantees. These models are becoming mature and industry groups consolidate standards for purchasers, payers, and providers to adopt. SFHSS is an active purchaser and contributor to these groups and the proposed budget includes funding for SFHSS membership in these groups (Catalyst for Payment Reform, Payer Business Group on Health, and Integrated Healthcare Association).

The proposed budgets for these initiatives are \$409 K in FY 2021-22 and \$379 K for FY 2022-23.

Next Steps

The recommendation to the Board is to approve the proposed budget for the Fund expenditures. The overall proposed budget for FY 2021-22 uses is \$4,374,591, an increase of \$239,698 over the FY 2020-21. For FY 2022-23, the proposed budget is \$3,510,174, a decrease from the FY 2021-22 budget.

ⁱ Healthcare Sustainability Fund was established under San Francisco City Charter Section A8.423:

The Health Service Board shall have the responsibility to obtain and disseminate information to its members about plan benefits and costs thereof. All expenses in connection with obtaining and disseminating said information, the investment of such fund or funds as may be established, including travel and transportation costs, member wellness programs, actuarial expenses and expenses incurred to reduce health care costs, shall be borne by the system from reserves in the health service fund but only upon adoption of a resolution by the Health Service Board approving such expenses.