

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

DATE: February 10, 2022

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

FROM: Iftikhar Hussain, Chief Financial Officer

RE: Health Service Board Financial Report as of December 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), the Health Sustainability Fund and the General Fund Administration Budget through the six months of Fiscal Year (FY) 2021-22 through December 31, 2021. This report includes the projected fiscal year-end (FYE) changes. The discussion below is based on 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 \$125.9M.
- Based on activity through six months ending December 31, 2021, there is a projected decrease of \$7.5 M at fiscal year-end (FYE) to end with a balance is \$118 M.
- Flex and Self-insured plans cumulative year-to-date balance decreased by \$976K made up of:
 - Blue Shield Access + HMO: \$4 M increase
 - Blue Shield Trio HMO: \$4 M decrease
 - UHC administered PPO: \$1.4 decrease
 - Delta Dental PPO plan (Actives only): \$505K increase
- Insured plan revenues and expenses are expected to net each other out over time, however, as of December the balance decreased by \$1.2M
- Healthcare and Dependent Care Flexible Spending Accounts increased by \$936K.
- Healthcare Sustainability Fund decreased by \$110K
- Performance Guarantees received were \$21K
- Interest from Investments will be recorded when information is available typically by fiscal year end
- Pharmacy Rebates were \$4.1M

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

General Fund

The general fund projected balance for the year is a surplus of \$135K

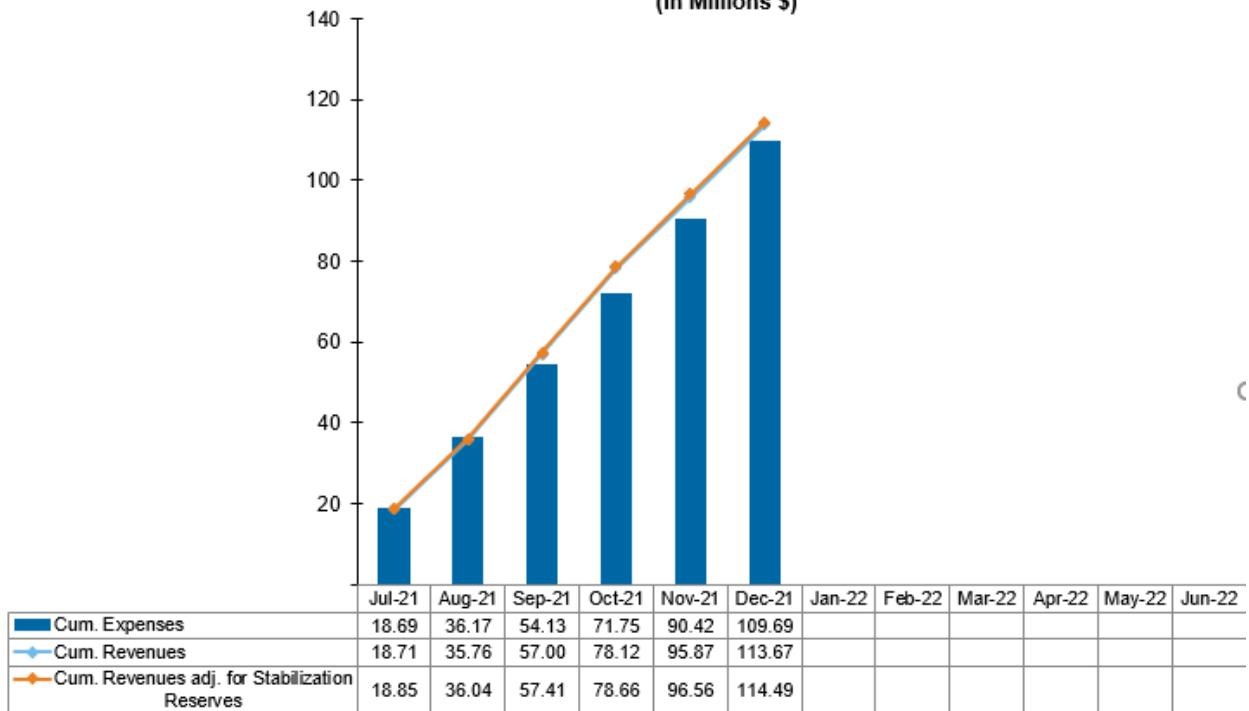
Detailed Analysis by Fund

Blue Shield Access+ Flex Funded Plan

Projecting a fiscal year-end increase of \$7M 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:
 - \$5 M increase due to claim expenses trending favorably through six months of reporting

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

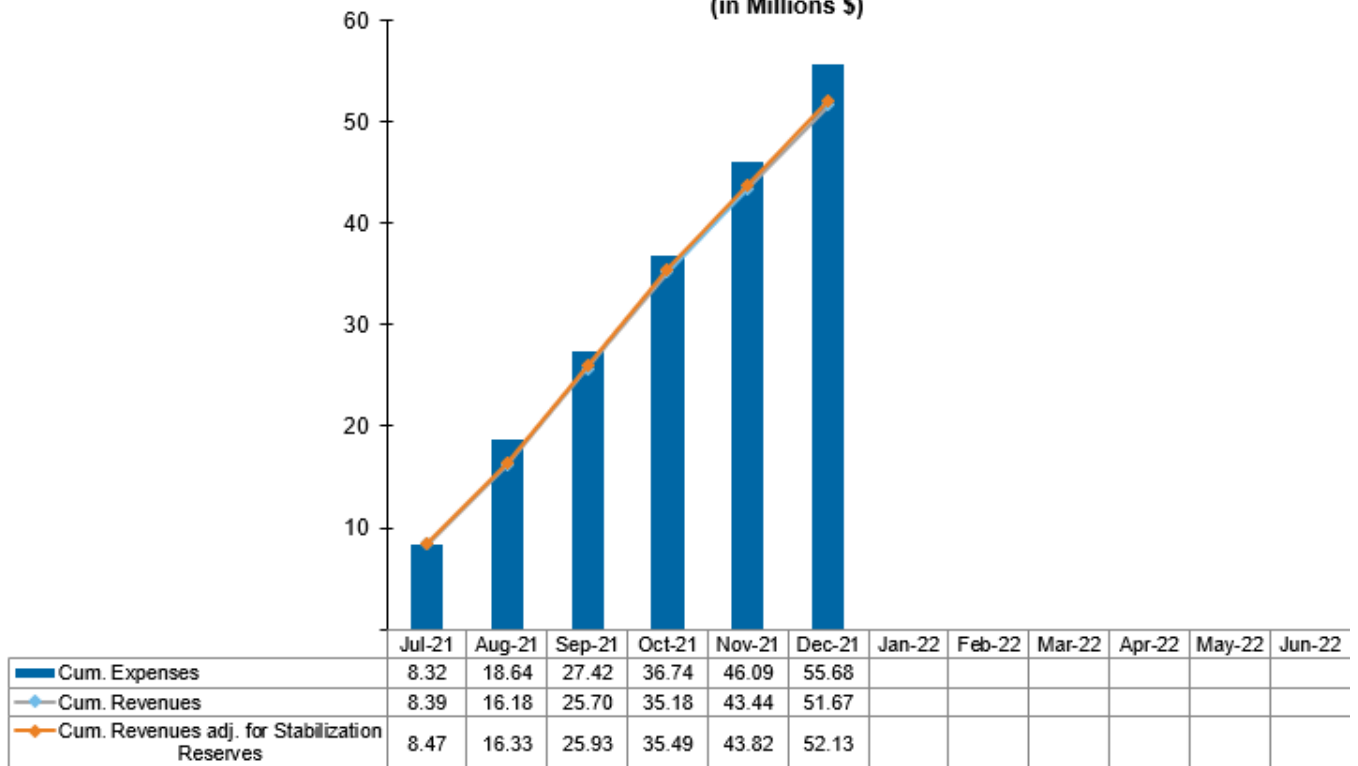


Blue Shield Trio Flex-Funded Plan

Projecting a fiscal year-end decrease of \$8.3M 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:
 - \$9.5 M decrease due to unfavorable claim expenses through six months of reporting

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

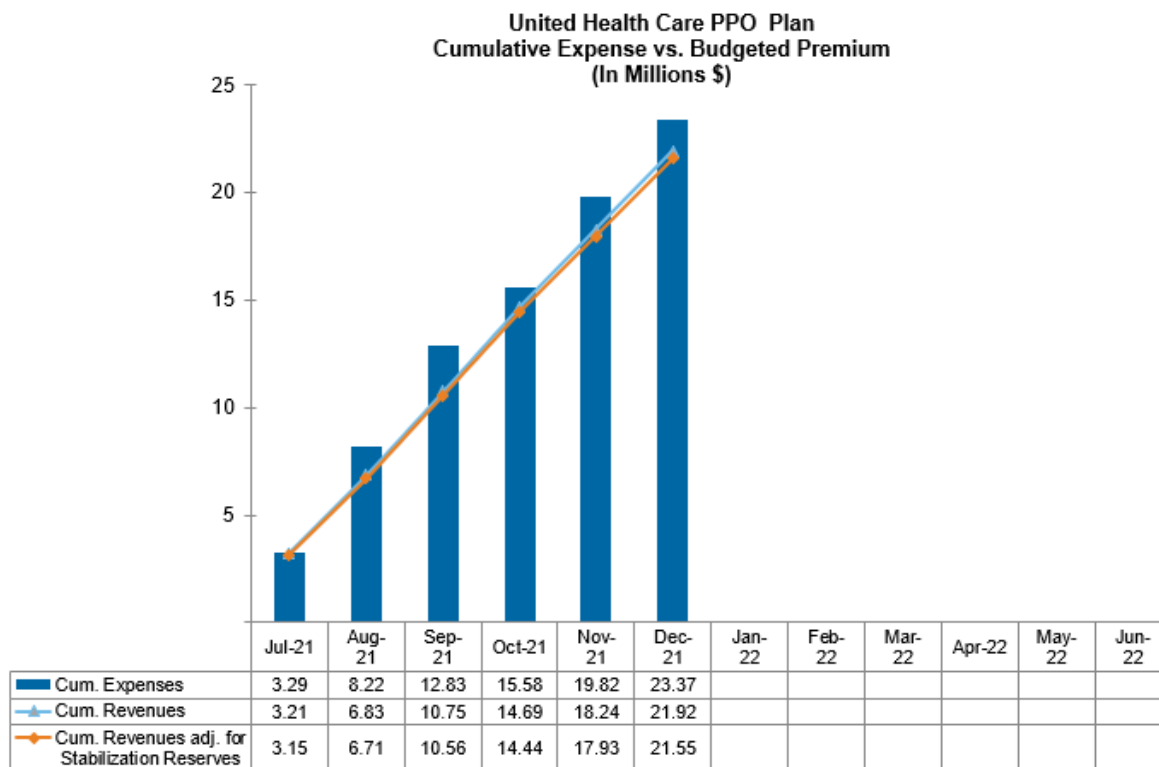


United Health Care Administered PPO

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 \$2.3 M in fund balance due to the following:

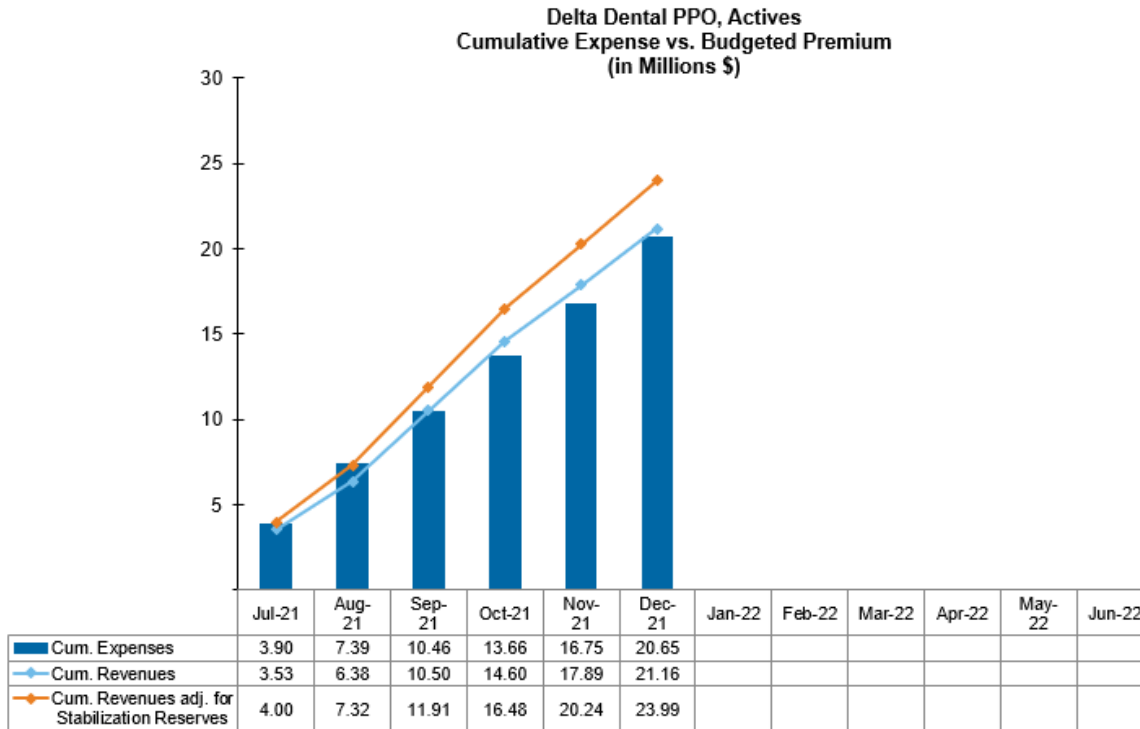
- Rate Stabilization Effect:
 - \$372 K associated with the increase in 2021 rates (for the first six months of FY 2021-22) due to rating buy-up of the 2019 calendar year-end claims stabilization deficit
 - \$165 K associated with the decrease in 2022 rates (for the second six months of FY 2021-22) due 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:
 - \$4.7 M decrease due to unfavorable claim expenses through six months of reporting



Delta Dental PPO (Actives Only) Self-Funded Plan

Projecting a fiscal year-end decrease of \$2.3 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:
 - \$6.7 M increase due to favorable claim expenses through six months of reporting



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 six months, the sources of funds received were \$110K less expenditures. The projected year-end expenditures result in a net decrease of \$685K resulting in a balance of \$3.8M.

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 Dec YTD	FY 2021-22 Projection	Fav/(Unfav) Variance
REVENUE SOURCES				
Annual Revenues	\$ 2,578,896	\$ 1,274,985	\$ 2,578,896	\$ -
Carryforward from Fund Balance	4,268,467	4,527,332	4,527,332	(258,866)
TOTAL	\$ 6,847,362	\$ 5,802,318	\$ 7,106,228	\$ (258,866)
EXPENDITURE USES				
Personnel	\$ 2,058,244	\$ 830,767	\$ 1,639,838	\$ 418,406
Administrative	45,655	2,688	30,000	15,655
Member Communications	557,750	315,715	443,500	114,250
Communications - Other	675,952	63,430	510,682	165,270
Well-Being	451,639	11,451	282,860	168,779
Initiatives to Reduce Health Care Costs	408,827	160,609	357,508	51,320
Other: Contingency & Special Projects	429,000	-	-	429,000
Benefit Decision Support Tools	100,000	-	-	100,000
HSS 360: Customer Contact Improvement	100,000	-	-	100,000
Dependent Eligibility Verification Audit (DEVA)	229,000	-	-	229,000
TOTAL	\$ 4,627,066	\$ 1,384,659	\$ 3,264,387	\$ 1,362,679
REVENUE - EXPENDITURES (net of Carry Forward)	(2,048,171)	(109,674)	(685,492)	
BALANCE	\$ 2,220,296	\$ 4,417,659	\$ 3,841,841	\$ 1,621,544
*Projection based on 6 months of actuals including the carryforward funding from FY 2021-22				

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 12/31/21	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 six months were \$468 K below revenue. The projected expenditures are expected to follow the revised budget and result in a modest surplus of \$135 K.

<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="text-align: left;"> <p>SAN FRANCISCO HEALTH SERVICE SYSTEM <small>Affordable, Quality Benefits & Well-Being</small></p> </div> <div style="text-align: center;"> <p>General Fund Administration Budget FY 2021-22 ANNUALIZED AS OF 12/31/21</p> </div> </div>				
	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	5,966,211	11,932,422
Other Revenue	625,958	625,958	-	430,000
General Fund Carryforward	-	198,850	198,850	198,850
Interfund Transfer	-	-	-	-
TOTAL REVENUES	\$ 12,570,769	\$ 12,769,619	\$ 6,165,061	\$ 12,561,272
EXPENDITURES				
Personnel Services	\$ 5,635,247	\$ 5,635,247	\$ 2,776,953	\$ 5,517,389
Mandatory Fringe Benefits	2,724,533	2,724,533	1,319,518	2,587,955
Non-personnel Services	2,291,057	2,402,225	986,240	2,402,225
Materials & Supplies	47,717	83,217	25,241	60,147
Services of Other Departments	1,872,215	1,924,397	589,275	1,858,400
TOTAL EXPENDITURES	\$ 12,570,769	\$ 12,769,619	\$ 5,697,227	\$ 12,426,116
BALANCE	\$ -	\$ -	\$ 467,833	\$ 135,156

Trust Fund Balance Projection

	FY21-22	FY21-22
	Year-to-Date Actual	Projected Year-End
	Net as of 12/31/21	Annual Net
SUMMARY		
Flex/Self Insurance		
Blue Shield-Access+	3,980,664	7,019,724 (a)
Blue Shield-Trio	(4,015,090)	(8,345,153) (a)
UHC PPO	(1,447,069)	(2,758,642) (b)
Delta Dental PPO, Actives	505,078	(2,272,844) (c)
Fully Insured Plans		
Medical HMOs	(2,136,412)	-
Dental	4,453	-
LTD/Flexible Benefits/FSA/Health Net Canopy Care	933,323	-
Healthcare Sustainability Fund (\$3.00)	(109,674)	(685,492) (d)
Savings & Investments		
Interest	-	-
Performance guarantees	21,630	21,630 (e)
Performance guarantees - Surrogacy and adoption	-	-
Forfeitures	-	-
Transfers Out	0	(500,000) (g)
TOTAL	<u>(2,263,097)</u>	<u>(7,520,777)</u>
Net assets		
Beginning of the year		<u>125,901,507</u>
End of the year		<u>118,380,730</u>

(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

Trust Fund Activity

**STATEMENT OF REVENUES AND EXPENSES
FY 2021-2022
FOR 6 MONTHS ENDED DECEMBER 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*	113,671,719	109,691,055	3,980,664
Blue Shield Trio HMO*	51,665,211	55,680,301	(4,015,090)
BSC PPO-Accolade, including ASO	-	-	-
UHC Administere PPO*	21,921,904	23,368,973	(1,447,069)
Health Net Canopy Care	-	-	-
Delta Dental PPO- (Active only)	21,156,880	20,651,802	505,078
TOTAL FLEX/SELF-INSURED PLANS	208,415,713	209,392,130	(976,417)
FULLY INSURED PLANS			
UHC MAPD	43,448,233	43,448,233	-
Kaiser-HMO	232,055,613	234,178,776	(2,123,163)
Vision Service Plan	4,551,980	4,565,228	(13,249)
Sub-total HMO	280,055,826	282,192,238	(2,136,412)
Delta Dental PPO - Retirees	8,368,260	8,368,260	-
Delta Care	396,473	394,332	2,141
UHC Dental	226,264	223,952	2,312
Sub-total Dental	8,990,998	8,986,545	4,453
Long Term/Short Term Disability	4,024,488	4,028,860	(4,372)
Flexible Benefits	1,879,153	1,879,153	0
Flexible Spending-Dependent Care	3,167,453	2,731,018	436,435
Flexible Spending -Medical Reimbursement	4,494,565	3,993,305	501,260
Healthcare Sustainability Fund (\$3.00)	1,274,985	1,384,659	(109,674)
Adoption & Surrogacy	-	0	0
Sub-total Other Benefits	14,840,643	14,016,995	823,648
TOTAL FULLY INSURED PLANS	303,887,467	305,195,777	(1,308,310)
SAVINGS AND INVESTMENTS			
Interest	-	-	-
Performance guarantees	21,630	-	21,630
Forfeitures	-	-	-
TOTAL SAVINGS & INVESTMENTS	21,630	-	21,630
TRANSFERS OUT OF FORFEITURES			0
TOTAL FUNDS	512,324,810	514,587,907	(2,263,097)

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

ACTIVE & RETIRED COMBINED	For 6 Months Ended December 31, 2021	For 6 Months Ended December 31, 2020	\$ Change	% Change
FLEX/SELF-INSURED PLANS				
Blue Shield-Access+ HMO				
Revenues	113,671,719	112,547,363	1,124,355	1.0%
Expenses	(109,691,055)	(109,547,598)	(143,457)	0.1%
Net Blue Shield-Access Excess(Shortage)	3,980,664	2,999,765	980,899	32.7%
Blue Shield-Trio HMO				
Revenues	51,665,211	50,762,436	902,775	1.8%
Expenses	(55,680,301)	(49,768,219)	(5,912,081)	11.9% f
Net Blue Shield-Trio Excess(Shortage)	(4,015,090)	994,217	(5,009,306)	-503.8%
UHC Administered PPO				
Revenues	21,921,904	19,783,995	2,137,909	10.8% l
Expenses	(23,368,973)	(20,198,024)	(3,170,949)	15.7% f
Net UHC Administered PPO Excess(Shortage)	(1,447,069)	(414,029)	(1,033,040)	249.5%
Delta Dental PPO (Active only)				
Revenues	21,156,880	21,463,453	(306,573)	-1.4%
Expenses	(20,651,802)	(22,227,444)	1,575,642	-7.1% j
Net Delta Dental PPO- (Active Only) Excess(Shortage)	505,078	(763,991)	1,269,070	-166.1%
NET FLEX/SELF-INSURED PLANS	(976,417)	2,815,961	(3,792,378)	-134.7%
FULLY INSURED PLANS				
Kaiser-HMO				
Revenues	232,055,613	224,793,663	7,261,950	3.2% d, l
Expenses	(234,178,776)	(226,740,646)	(7,438,130)	3.3% d, l
Net Kaiser- HMO Excess(Shortage)	(2,123,163)	(1,946,983)	(176,180)	9.0%
UHC MAPD				
Revenues	43,448,233	42,678,869	769,364	1.8% d, l
Expenses	(43,448,233)	(42,678,869)	(769,364)	1.8% d, l
Net UHC MAPD Excess(Shortage)	0	0	0	
Vision Service Plan, All (City Plan & HMO)				
Revenues	4,551,980	4,343,413	208,566	4.8% d, l
Expenses	(4,565,228)	(4,355,606)	(209,622)	4.8% d, l
Net Vision Service Plan Excess(Shortage)	(13,249)	(12,193)	(1,055)	8.7%
Delta Dental PPO - Retirees				
Revenues	8,368,260	8,421,088	(52,828)	-0.6% h
Expenses	(8,368,260)	(8,421,088)	52,828	-0.6% h
Net Delta Dental PPO - Retirees Excess(Shortage)	0	0	0	
Delta Care				
Revenues	396,473	420,845	(24,372)	-5.8% h
Expenses	(394,332)	(418,777)	24,445	-5.8% h
Net Delta Care Excess(Shortage)	2,141	2,068	73	3.5%
UHC Dental				
Revenues	226,264	220,042	6,222	2.8%
Expenses	(223,952)	(227,303)	3,351	-1.5% h
Net UHC Dental Excess(Shortage)	2,312	(7,261)	9,573	-131.8%
Long Term/Short Term Disability				
Revenues	4,024,488	4,256,820	(232,333)	-5.5%
Expenses	(4,028,860)	(3,589,065)	(439,794)	12.3% g
Net Long Term/Short Term Disability Excess(Shortage)	(4,372)	667,755	(672,127)	-100.7%
Flexible Benefits				
Revenues	1,879,153	1,515,166	363,986	24.0% g
Expenses	(1,879,153)	(1,512,959)	(366,194)	24.2% g
Net Flexible Benefits Excess(Shortage)	0	2,208	(2,208)	-100.0%
Flexible Spending-Dependent Care				
Revenues	3,167,453	2,183,865	983,587	45.0% g
Expenses	(2,731,018)	(2,151,509)	(579,509)	26.9% g
Net Flexible Spending-Dependent Care Excess(Shortage)	436,435	32,356	404,079	1248.8%
Flexible Spending -Medical Reimbursement				
Revenues	4,494,565	4,506,134	(11,569)	-0.3%
Expenses	(3,993,305)	(4,019,794)	26,489	-0.7% i
Net Flexible Spending-Medical Reimbursement Excess(Shortage)	501,260	486,340	14,920	3.1%
Adoption & Surrogacy				
Expenses	0	(45,258)	45,258	-100.0%
Healthcare Sustainability Fund (\$3.00)				
Revenues	1,274,985	1,286,232	(11,247)	-0.9%
Expenses	(1,384,659)	(1,209,705)	(174,955)	14.5% e
Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	(109,674)	76,528	(186,202)	-243.3%
NET FULLY INSURED PLANS	(1,308,310)	(744,441)	(563,870)	75.7%
SAVINGS AND INVESTMENTS				
Interest	0	0	0	
Performance guarantees	21,630	171,771	(150,141)	
Forfeitures	0	108,942	(108,942)	
TOTAL SAVINGS & INVESTMENTS	21,630	280,712	(259,082)	1616.8%
TOTAL NET EXCESS (SHORTAGE)	(2,263,097)	2,352,233	(4,615,330)	-196.2%

Notes:

- | | |
|--------------------------|---|
| a decrease in membership | e \$3 per member per month for communications, wellness, actuarial work |
| b discontinued on 1/1/20 | 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 |