

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

Memorandum

DATE: February 11, 2021

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

FROM: Larry Loo, Chief Financial Officer

RE: Financial Report as of December 31, 2020

This report is a summary of the revenues and expenses of the Employee Benefit Trust Fund (Trust Fund) and the General Fund Administration Budget for the first six months of Fiscal Year (FY) 2020-21 through December 31, 2020. The Health Sustainability Fund, which is a part of the Trust Fund is reported out in additional detail. The reports below are based the most complete information available for the reporting period and are subject to adjustments as additional transaction throughout the fiscal year are recognized.

In general, all funds are projected to perform positively throughout the fiscal year. These projections are incorporated into the annual budget planning cycle for the General Fund and Trust Fund. The planning objectives for those funding sources are addressed in other Health Service Board documents.

Executive Summary

Trust Fund

- Projecting a \$6.2 M increase in the fund balance, from \$116.1 M on June 30, 2020 to \$122.3 M on June 30, 2021
- Projecting fiscal year-end (FYE) changes in fund balance by self-insured plans
 - UHC PPO: \$80 K projected decrease
 - Blue Shield Access +: \$6.1 M projected increase
 - Blue Shield Trio: \$1.8 M projected increase
 - Delta Dental PPO (Actives only): \$851 K projected decrease
- Cumulative expenses compared to revenues with six months of experience by self-insured plans
 - UHC PPO: cumulative expenses were \$414 K greater than revenues
 - Blue Shield Access +: cumulative expenses were \$3.0 M less than revenues
 - Blue Shield Trio: cumulative expenses were \$994 K less than revenues
 - Delta Dental PPO plan: cumulative expenses were \$763 K greater than revenues
- Healthcare Sustainability Fund: projecting a FYE \$4.0 M increase in the fund balance
- Interest: (not projected as of this writing)
- Performance Guarantees: \$171 K received through six months
- Pharmacy Rebates: received \$2.36 M in pharmacy rebates through six months and project a FYE total of \$7.3 M.

General Fund

- Projecting a net positive year-end balance of \$143 K.

Employee Benefit Trust Fund

At the beginning of FY 2020-2021, the Trust Fund beginning balance was \$116.1 M. Based on activity through six months ending December 31, 2020, the FYE Trust Fund balance is projected to be \$122.3 M at the end of the fiscal year. The projected \$6.2 M increase includes reserves for unpaid claims in the self-funded health plans.

December was the last month in the calendar year and benefit year for coverage and there was an increase in claims activity in the UHC PPO and Delta Dental (Active Only) plans that resulted in net decreases. Overall, the self-funded plans are projected to generate an increase to the fund balance.

The following table summarizes the projected changes in fund balance.

	Projected Fiscal Year-End Change in Fund Balance (in Millions)	Page
United Health Care PPO Self-Funded Plan*	\$(.08)	3
Blue Shield Access+ Flex-Funded Plan*	6.12	4
Blue Shield Trio Flex-Funded Plan*	1.79	5
Delta Dental Self-Funded Plan	(0.85)	6
Health Care Sustainability Fund	(0.39)	7
Interest	- -	7
Performance Guarantees	0.17	7
Performance Guarantees – Surrogacy and Adoption Assistance Plan	(0.05)	7
Forfeitures	0.11	7
Transfers Out	(0.63)	7
TOTAL	\$6.20	

* Includes Pharmacy Rebates (see page 8)

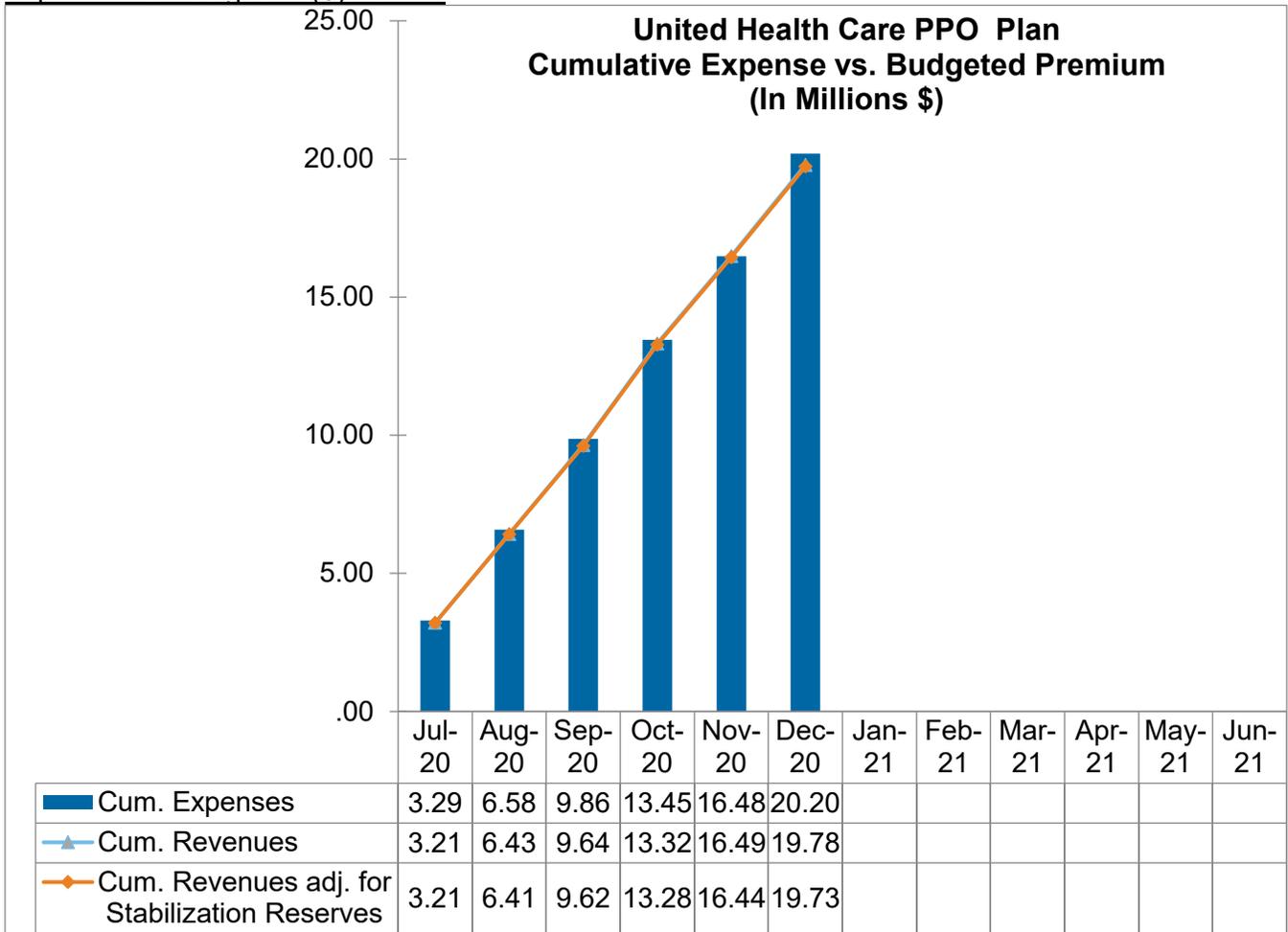
United Health Care PPO

Fiscal Year End Projection

A \$80 K decrease in fund balance is projected as a result of the following:

- Rate Stabilization Effect:
 - \$58 K associated with the increase in 2020 rates (for the first six months of FY 2020-21) due to rating buy-up of the 2018 calendar year-end claims stabilization deficit
 - \$372 K associated with the increase in 2021 rates (for the second six months of FY 2020-21) due to rating buy-up of the 2019 calendar year-end claims stabilization deficit
- Pharmacy Rebate(s): \$1.5 M increase due to pharmacy rebates expected by FYE 2020-21 (additional information on page 8)
- Claims: \$1.85 M decrease due to trended unfavorable claim expense

Experience Through Six (6) Months



With six months of experience, cumulative expenses for UHC PPO are \$0.47 M greater than the expected cost levels regardless of whether cumulative expenses are compared to the actual revenues (\$20.20 M - \$19.73 M) and when the cumulative expenses are compared to cumulative revenues with the \$0.06 M buyup for the rate stabilization reserves (\$20.20 M - (\$19.78 M - \$0.06 M)).

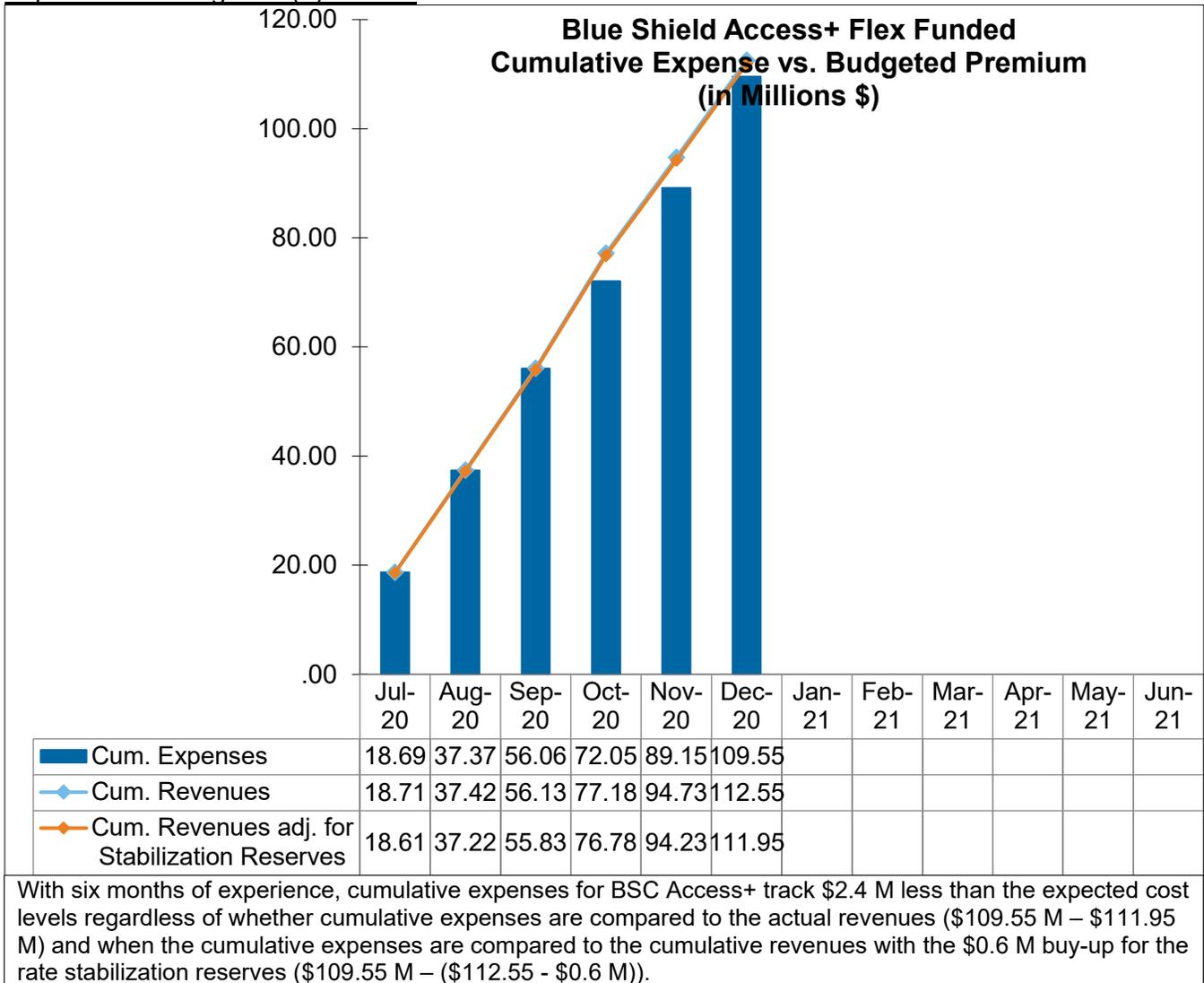
Blue Shield Access+ Flex Funded Plan

Fiscal Year End Projection

A \$6.1 M increase in fund balance is projected resulting from:

- Rate Stabilization Effect:
 - \$597K associated with the increase in 2020 rates (for the first six months of FY 2020-21) due to the rating buy-up of the 2018 year-end claim stabilization deficit
 - \$807K associated with the decrease in 2021 rates (for the second six months of FY 2020-21) due to the rating buy-down from the 2019 year-end claim stabilization surplus
- Pharmacy Rebate(s): \$4.0 M of pharmacy rebates (additional information on page 8)
- Claims: \$2.3 M increase due to favorable claims expense

Experience Through Six (6) Months



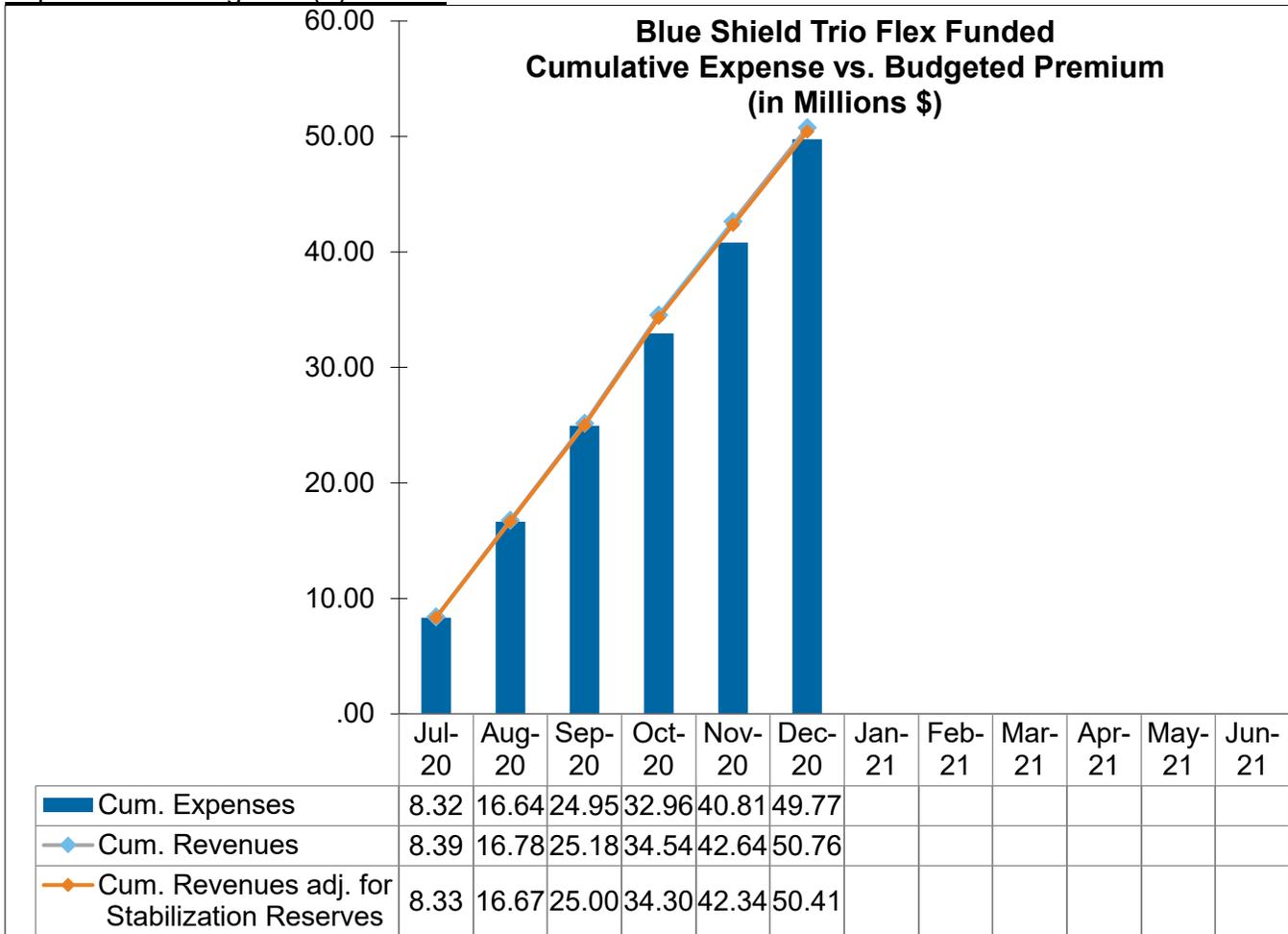
Blue Shield Trio Flex-Funded Plan

Fiscal Year End Projection

A \$1.7 M increase in fund balance is projected resulting from:

- Rate Stabilization Effect:
 - \$0.35 million associated with the increase in 2020 rates (for the first six months of FY 2020-21) due to the rating buy-up of the 2018 year-end claim stabilization deficit
 - \$0.47 million associated with the decrease in 2021 rates (for the second six months of FY 2020-21) due to the rating buy-down from the 2019 year-end claim stabilization surplus
- Pharmacy Rebate(s): \$1.8 M of pharmacy rebates (additional information on page 8)
- Claims: \$109 K increase due to favorable claims expense

Experience Through Six (6) Months



Based on six months of experience, cumulative expenses for BSC Trio are \$0.64 M less than the expected cost levels regardless of whether cumulative expenses are compared to the actual revenues (\$49.77 M – \$50.41 M) and when cumulative expenses are compared to cumulative revenues with the \$0.29 M buy up for the rate stabilization reserves (\$49.77 M – (\$50.76- \$0.35 M)).

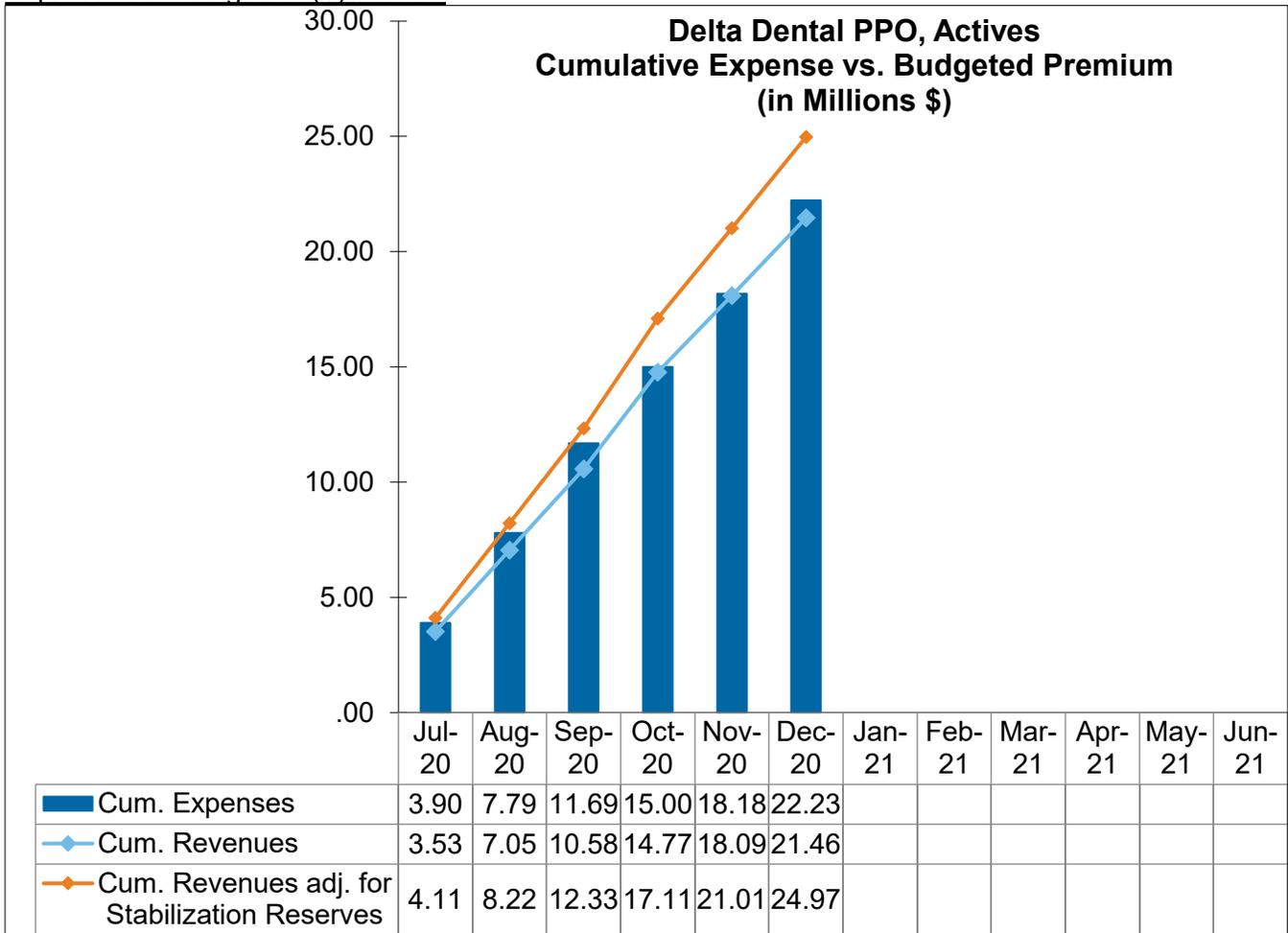
Delta Dental PPO (Actives Only) Self-Funded Plan

Fiscal Year End Projection

A \$851 K decrease in fund balance is projected resulting from:

- Rate Stabilization Effect:
 - \$3.5 million decrease in fund balance associated with subsidizing 2020 rates (for the first six months of FY 2020-21) from the 2018 year-end claim stabilization reserve
 - \$2.8 million decrease in fund balance associated with subsidizing 2020 rates (for the second six months of FY 2020-21) from the 2019 year-end claim stabilization reserve
- Claims: \$5.48 M increase due to favorable claims expense

Experience Through Six (6) Months



Based on six months of experience, cumulative expenses for Delta Dental PPO for Actives are \$2.74 M less than the expected cost levels regardless of whether the cumulative expenses are compared to actual revenues (\$22.23 M – \$24.97 M) and when cumulative expenses are compared with cumulative revenues with the \$3.51 M buy down from the rate stabilization reserve (\$22.23 M – (\$21.46 M + \$3.51 M)).

Other Trust Fund Notes

Healthcare Sustainability Fund

With six (6) months of actuals, a projected positive balance of \$4.0 million is expected at FYE 2020-21. When the carryforward amount from the previous fiscal year is netted out, however, there is a projected net reduction in the Health Care Sustainability Fund of \$385 K.

SAN FRANCISCO HEALTH SERVICE SYSTEM <small>Affordable, Quality Benefits & Well-Being</small>	Healthcare Sustainability Fund FY 2020-21		
	FY 2020-21 Revised Budget	FY 2020-21 Actuals Dec YTD	FY 2020-21 Projection
REVENUES/PREMIUMS			
Annual Revenues	\$ 2,560,688	\$ 1,286,232	\$ 2,560,688
Carryforward from Fund Balance	4,401,072	4,401,072	4,401,072
TOTAL	\$ 6,961,760	\$ 5,687,305	\$ 6,961,760
EXPENDITURES			
Annual Expenditures	\$ 3,060,356	\$ 1,011,056	\$ 2,484,482
One-Time Expenditures	\$ 1,074,537	\$ 198,649	\$ 461,287
TOTAL	\$ 4,134,893	\$ 1,209,705	\$ 2,945,769
BALANCE	\$ 2,826,867	\$ 4,477,600	\$ 4,015,991
BALANCE NET OF CARRYFORWARD			\$ (385,081)
*Projection based on 6 months of actuals including the carryforward funding from FY 2019-20			

Interest

Year-to-date, there is no updated interest posted in the Trust Fund.

Performance Guarantees

A total of \$171K of Performance Guarantees have been received year-to-date in this fiscal year.

Performance Guarantees for Adoption and Surrogacy Assistance Plan

Performance guarantees are used to fund the Adoption and Surrogacy Assistance Plan. through six months, a total of \$44,258 has been reimburse to members under this program.

Forfeitures and Transfers Out

The IRS allows forfeitures from Flexible Spending Accounts to be used to fund the administration of the accounts. Since the funding for the administration is in the General Fund and the forfeitures reside in the Trust, a transfer is made at the close of each fiscal year from the Trust Fund to the General Fund. There was a posting of \$108 K in October from the prior fiscal year. This delayed reporting of forfeitures by the plan administrator was due to the response to the COVID-19 pandemic.

Pharmacy Rebates

The pharmacy rebates from the self-insured health plans are reported at the end of each quarter. The following table summarizes the FY 2020-21 pharmacy rebates received as of this report and fiscal year-end projection. As of December 31, 2020, \$2.36 M of pharmacy rebates were received. These rebates offset the claims expense of the self-funded plans above.

Plan	Amount (Year to Date)	Project (Fiscal Year-End)
UHC	\$532,726	\$1,500,000
Blue Shield (Access + and Trio)	1,824,374	5,800,000
Total	\$2,357,130	\$7,300,000

GENERAL FUND ADMINISTRATION BUDGET

Based on the financial results for the first six months of FY 2020-21, there is a projection of no net surplus or deficit projected at the end of the fiscal year.

<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="font-size: small;"> SAN FRANCISCO HEALTH SERVICE SYSTEM Affordable, Quality Benefits & Well-Being </div> <div style="text-align: center;"> General Fund Administration Budget FY 2020-21 ANNUALIZED AS OF 12/31/20 </div> </div>						
	FY 2020-21 Approved Budget	FY 2020-21 Revised Budget	Non-COVID-19 Actuals	COVID-19 Actuals	Total Actual YTD	FYE 2020-21 Projection
REVENUES						
Non-Operating Revenue	\$ 9,131	\$ 9,131	\$ -	\$ -	\$ -	\$ -
Work Order Recovery	11,467,900	11,467,900	5,733,960	-	5,733,960	11,467,900
Other Revenue	625,297	625,297	-	-	-	625,297
General Fund Carryforward		344,070	344,070	-	344,070	344,070
Interfund Transfer		101,477	101,477	-	101,477	101,477
TOTAL REVENUES	\$ 12,102,328	\$ 12,547,875	\$ 6,179,507	\$ -	\$ 6,179,507	\$ 12,538,744
EXPENDITURES						
Personnel Services	\$ 5,203,105	\$ 5,280,982	\$ 2,559,504	\$ 92,463	\$ 2,651,968	\$ 5,271,511
Mandatory Fringe Benefits	2,680,495	2,704,095	1,293,628	41,627	1,335,254	2,564,859
Non-personnel Services	2,299,146	2,475,244	988,877	1,352	990,230	2,472,051
Materials & Supplies	49,085	65,660	12,458	-	12,458	65,346
Services of Other Departments	1,870,497	2,021,894	599,981	-	599,981	2,021,894
TOTAL EXPENDITURES	\$ 12,102,328	\$ 12,547,875	\$ 5,454,449	\$ 135,442	\$ 5,589,891	\$ 12,395,661
BALANCE	\$ -	\$ 0	\$ 725,058	\$ (135,442)	\$ 589,616	\$ 143,083

*Projection based on 6 months of actuals including the carryforward funding from FY 2019-20

**STATEMENTS OF REVENUES AND EXPENSES
FY20-21 VS FY19-20
YEAR-TO-DATE: DECEMBER 31, 2020**

<i>ACTIVE & RETIRED COMBINED</i>	For 6 Months Ended December 31, 2020	For 6 Months Ended December 31, 2019	\$ Change	% Change
SELF-INSURANCE				
UHC PPO, including ASO				
Revenues	19,783,995	18,473,507	1,310,488	7.1% l
Expenses	(20,198,024)	(20,282,473)	84,449	-0.4%
Net UHC PPO Excess(Shortage)	(414,029)	(1,808,966)	1,394,937	-77.1%
Blue Shield-Access+	-2%			
Revenues	112,547,363	113,749,225	(1,201,862)	-1.1%
Expenses	(109,547,598)	(108,813,430)	(734,168)	0.7%
Net Blue Shield-Access Excess(Shortage)	2,999,765	4,935,795	(1,936,030)	-39.2%
Blue Shield-Trio	3%			
Revenues	50,762,436	51,436,042	(673,606)	-1.3%
Expenses	(49,768,219)	(54,452,807)	4,684,588	-8.6% j
Net Blue Shield-Trio Excess(Shortage)	994,217	(3,016,765)	4,010,982	-133.0%
Delta Dental - Active only, including ASO	2%			
Revenues	21,463,453	23,136,760	(1,673,307)	-7.2% h
Expenses	(22,227,444)	(22,414,127)	186,683	-0.8%
Net Delta Dental - Active Excess(Shortage)	(763,991)	722,633	(1,486,624)	-205.7%
NET SELF-INSURANCE	2,815,961	832,697	1,983,264	238.2%
INSURANCE PRODUCTS				
Kaiser-HMO				
Revenues	224,793,663	211,381,967	13,411,696	6.3% d, l
Expenses	(226,740,646)	(210,451,112)	(16,289,534)	7.7% d, l
Net Kaiser- HMO Excess(Shortage)	(1,946,983)	930,855	(2,877,838)	-309.2%
UHC MAPD				
Revenues	42,678,869	36,286,944	6,391,925	17.6% d, l
Expenses	(42,678,869)	(36,286,944)	(6,391,925)	17.6% d, l
Net UHC MAPD Excess(Shortage)	0	0	0	
Vision Service Plan, All (City Plan & HMO)				
Revenues	4,343,413	3,993,535	349,878	8.8% d, l
Expenses	(4,355,606)	(3,971,263)	(384,344)	9.7% d, l
Net Vision Service Plan Excess(Shortage)	(12,193)	22,272	(34,465)	
Delta Dental - Retired				
Revenues	8,421,088	8,100,040	321,048	4.0% d
Expenses	(8,421,088)	(8,056,566)	(364,522)	4.5% d
Net Delta Dental - Retired Excess(Shortage)	0	43,474	(43,474)	-100.0%
Delta Care				
Revenues	420,845	446,142	(25,297)	-5.7% a
Expenses	(418,777)	(436,783)	18,006	-4.1% a
Net Delta Care Excess(Shortage)	2,068	9,359	(7,291)	-77.9%
UHC Dental				
Revenues	220,042	227,488	(7,446)	-3.3%
Expenses	(227,303)	(225,291)	(2,012)	0.9%
Net UHC Dental Excess(Shortage)	(7,261)	2,198	(9,458)	-430.4%
Net Dental	(5,193)	55,031	(60,223)	-109.4%
Long Term/Short Term Disability				
Revenues	3,608,717	3,885,390	(276,673)	-7.1% h
Expenses	(3,589,065)	(3,885,390)	296,325	-7.6% h
Net Long Term/Short Term Disability Excess(Shortage)	19,652	0	19,651	
Flexible Benefits				
Revenues	1,515,166	1,462,038	53,128	3.6% g
Expenses	(1,512,959)	(1,461,855)	(51,104)	3.5% g
Net Flexible Benefits Excess(Shortage)	2,208	183	2,024	0.1%
Flexible Spending-Dependent Care				
Revenues	2,183,865	2,844,666	(660,801)	-23.2% c
Expenses	(2,151,509)	(2,644,492)	492,983	-18.6% j
Net Flexible Spending-Dependent Care Excess(Shortage)	32,356	200,175	(167,819)	-83.8%
Flexible Spending -Medical Reimbursement				
Revenues	4,506,134	4,124,575	381,559	9.3% d
Expenses	(4,019,794)	(2,978,658)	(1,041,135)	35.0% f
Net Flexible Spending-Medical Reimbursement Excess(Shortage)	486,340	1,145,916	(659,576)	-57.6%
Best Doctors				
Revenues	0	487,668	(487,668)	-100.0% b
Expenses	0	(486,169)	486,169	-100.0% b
Net Best Doctors Excess(Shortage)	-	1,499	(1,499)	
Adoption & Surrogacy				
Expenses	(45,258)	(48,312)	3,054	-6.3%
Healthcare Sustainability Fund (\$3.00)				
Revenues	1,286,232	1,273,842	12,390	1.0%
Expenses	(1,209,705)	(1,194,698)	(15,006)	1.3% e
Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	76,528	79,144	(2,616)	-3.3%
NET INSURANCE PRODUCTS	(1,392,544)	2,386,763	(3,779,307)	-158.3%
SAVINGS AND INVESTMENTS				
Interest	0	0	0	
Performance guarantees	171,771	0	171,771	
Forfeitures	108,942	0	0	
TOTAL SAVINGS & INVESTMENTS	280,712	0	171,771	
TOTAL NET EXCESS (SHORTAGE)	1,704,130	3,219,460	(1,624,272)	-50.5%

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

**STATEMENT OF REVENUES AND EXPENSES
FY 2020-2021
FOR 6 MONTHS ENDED DECEMBER 31, 2020**

ACTIVE & RETIRED COMBINED	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess (Shortage)
SELF-INSURANCE			
UHC PPO, including ASO *	19,783,995	20,198,024	(414,029)
Blue Shield Access+ *	112,547,363	109,547,598	2,999,765
Blue Shield Trio *	50,762,436	49,768,219	994,217
Delta Dental - Active only, including ASO	21,463,453	22,227,444	(763,991)
TOTAL SELF-INSURANCE	204,557,247	201,741,285	2,815,961
INSURANCE PRODUCTS			
UHC MAPD	42,678,869	42,678,869	-
Kaiser-HMO	224,793,663	226,740,646	(1,946,983)
Vision Service Plan, All (City Plan & HMO)	4,343,413	4,355,606	(12,193)
Sub-total HMO	271,815,946	273,775,122	(1,959,176)
Delta Dental - Retired	8,421,088	8,421,088	-
Delta Care	420,845	418,777	2,068
UHC Dental	220,042	227,303	(7,261)
Sub-total Dental	9,061,976	9,067,168	(5,193)
Long Term/Short Term Disability	3,608,717	3,589,065	19,652
Flexible Benefits	1,515,166	1,512,959	2,208
Flexible Spending-Dependent Care	2,183,865	2,151,509	32,356
Flexible Spending -Medical Reimbursement	4,506,134	4,019,794	486,340
Best Doctors (discontinued on 1/1/20)	-	-	-
Healthcare Sustainability Fund (\$3.00)	1,286,232	1,209,705	76,528
Adoption & Surrogacy	-	45,258	(45,258)
TOTAL INSURANCE PRODUCTS	293,978,036	295,370,580	(1,392,544)
SAVINGS AND INVESTMENTS			
Interest	-	-	-
Performance guarantees	171,771	-	171,771
Forfeitures	108,942	-	108,942
TOTAL SAVINGS & INVESTMENTS	280,712		280,712
TRANSFERS OUT OF FORFEITURES			0
TOTAL FUNDS	498,815,995	497,111,865	1,704,130

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

	FY20-21	FY20-21
	Year-to-Date Actual	Projected Year-End
	Net as of 12/31/20	Annual Net
SUMMARY		
Self Insurance		
UHC PPO	(414,029)	(80,069) (a)
Blue Shield-Access+	2,999,765	6,123,677 (b)
Blue Shield-Trio	994,217	1,786,539 (b)
Delta Dental PPO, Actives	(763,991)	(851,483) (c)
Insurance Products		
Medical HMOs	(1,959,176)	-
Dental	(5,193)	-
LTD/Flexible Benefits/FSA/Best Doctors	540,555	-
Healthcare Sustainability Fund (\$3.00)	76,528	(385,081) (d)
Savings & Investments		
Interest	-	-
Performance guarantees	171,771	171,771 (e)
Performance guarantees - Surrogacy and adoption	(45,258)	(45,258) (f)
Forfeitures	108,942	108,942
Transfers Out	0	(625,297) (g)
TOTAL	1,704,130	6,203,740
Net assets		
Beginning of the year		116,114,257
End of the year		122,317,997

(a) Annual Projection is net of claim stabilization of \$0.1 million to increase 2020 rates, \$0.4 million to increase 2021 rates, and Pharmacy rebate of \$1.5 million

(b) Annual Projection is net of claim stabilization of \$0.9 million to increase 2020 rates, \$1.3 million to decrease 2021 rates, and Pharmacy rebate of \$5.8 million

(c) Annual Projection is net of claim stabilization of \$3.5 million to reduce 2020 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