

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

Memorandum

DATE: February 14, 2019

TO: Karen Breslin, President and Members of the Health Service Board

FROM: Pamela Levin, Chief Financial Officer

RE: Financial Report as of December 31, 2018

This report summarizes revenues and expenses of the Employee Benefit Trust Fund (Trust Fund) and the General Fund Administration Budget for the first six month of FY 2018-19, as well as fiscal year-end projections through June 30, 2019.

Employee Benefit Trust Fund

On June 30, 2018, the Trust Fund balance was \$77.4 million. Based on activity through December 2018, the fund balance is projected to be \$80.7 million as of June 30, 2019. The projected \$3.3 million increase includes reserves for unpaid claims and is a result of the following changes:

	Change in Fund Balance (in millions)	Page
City Plan	\$ (2.9)	2
Blue Shield Access+ Flex-Funded Plan	0.1	3
Blue Shield Trio Flex-Funded Plan	3.7	4
Delta Dental Self-Funded Plan	3.6	5
Health Care Sustainability Fund	(1.0)	6
Interest	0.7	6
Performance Guarantees	(0.3)	6
Transfers Out	(0.6)	6
Total	\$ 3.3	

Pharmacy Rebates are discussed on page 6.

General Fund Administration Budget (including Online Premium Payment Project)

Based on the financial results for the first six months of FY 2018-19, a year-end balance of \$0.3 million is projected.

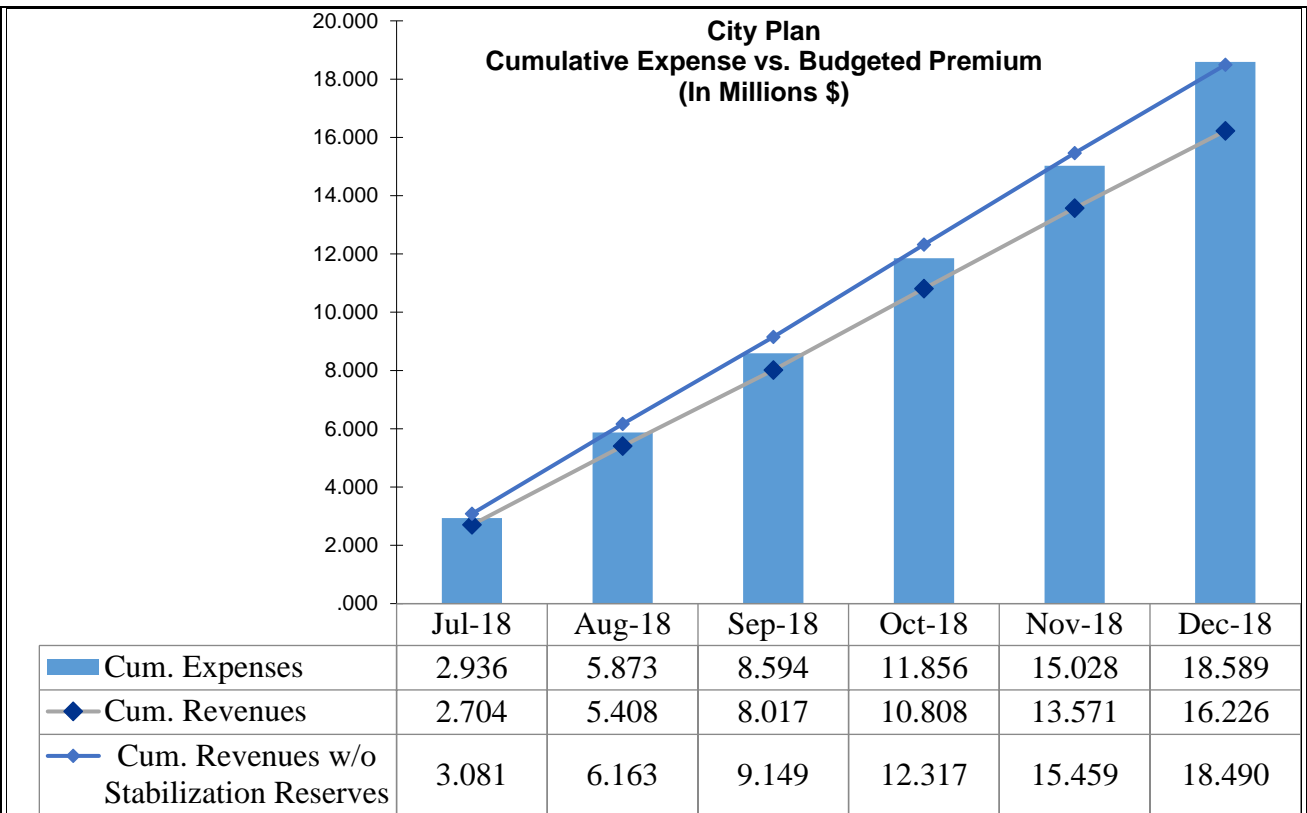
City Plan

Fiscal Year End

A \$2.9 million decrease in fund balance is projected resulting from:

- a. \$3.8 million decrease in fund balance:
 - \$2.3 million associated with subsidizing 2018 rates (for the first six months of FY 2018-19) from the claim stabilization reserve
 - \$0.8 million associated with subsidizing 2019 rates (for the second six months of FY 2018-19) from the claim stabilization reserve
 - \$0.7 million decrease in fund balance due to unfavorable claim experience
- b. \$0.9 million increase in fund balance from pharmacy rebates (details on page 6)

First Six (6) months



It is expected that total actual cumulative expenses for a plan will be approximately equal to cumulative revenues without including the rate stabilization reserve buy-down/buy up adjustments in 2018 rates. City Plan's cumulative expenses are \$0.099 million greater than the revenues without the rate stabilization reserve buy-down (\$18.589 million - \$18.490 million).

The goal of setting rates is for the actual cumulative expenses to be equal to the total revenues including the stabilization reserve buy-down/by-up plus the value of the rate stabilization buy-down/buy-up. In the first six months of the fiscal year, the cumulative expenses for City Plan are \$0.063 million greater than the revenues, thus tracking closely to expected, when the \$2.3 million buy-down from the rate stabilization reserve is applied (\$18.589 million - (\$16.226 million + \$2.3 million)).

Blue Shield Access+ Flex-Funded Plan

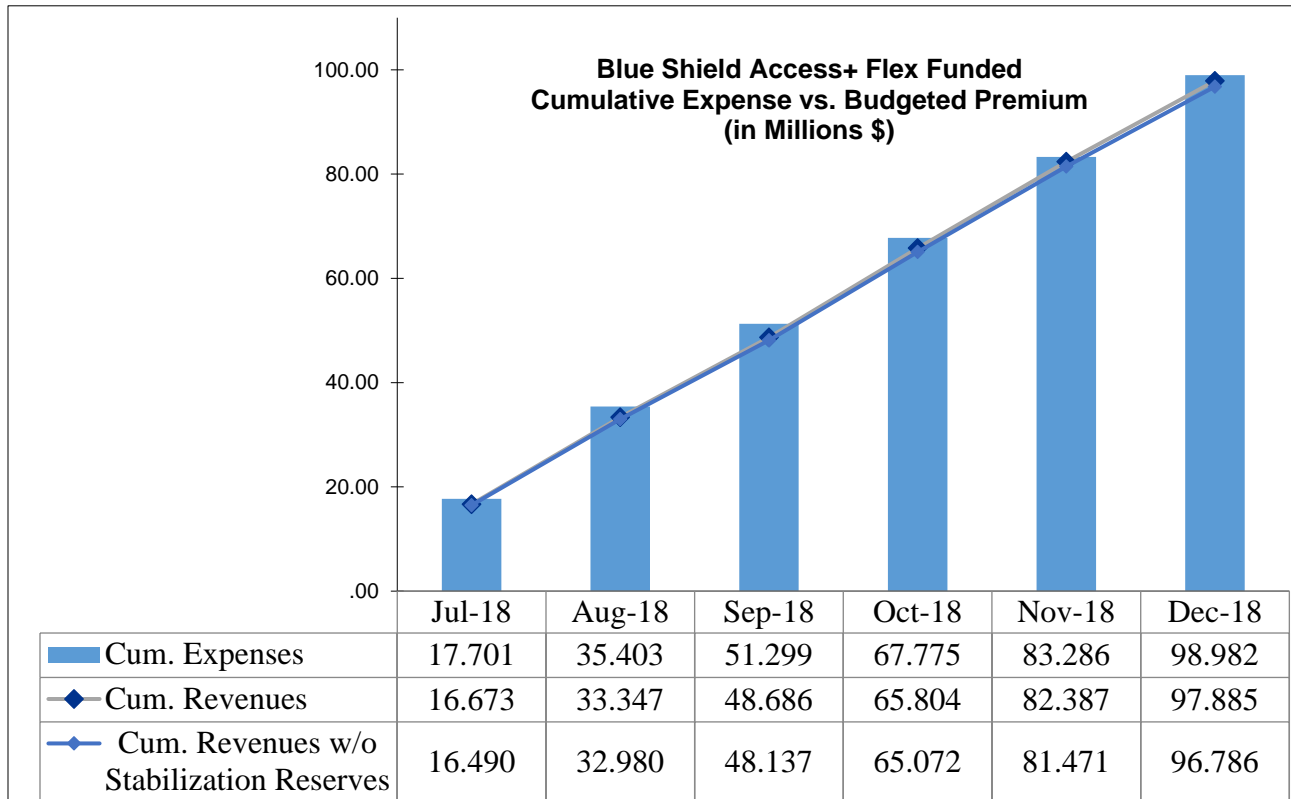
Fiscal Year End

A \$0.1 million increase in fund balance is projected resulting from:

- a. \$2.1 million increase in fund balance:
 - \$1.1 million associated with the increase in 2018 rates (for the first six months of FY 2018-19) to recover the 2016 deficit
 - \$1.0 million associated with the increase in 2019 rates (for the second six months of FY 2018-19) to recover the 2017 deficit

- b. \$2.0 million decrease in fund balance:
 - \$6.2 million in unfavorable claim experience offset by pharmacy rebates of \$4.2 million (additional information on page 6)

First Six (6) Months



For the first six months, overall expenses for the BSC Access+ plan exceed expected cost levels regardless of whether the cumulative expenses are compared to cumulative actual revenues (\$98.982 million - \$96.786 million = \$2.196 million) or when the cumulative expenses are compared to cumulative revenues with the \$1.1 million buy-up for the rate stabilization reserve (\$98.982 million - (\$97.884 million - \$1.1 million) = \$2.198 million).

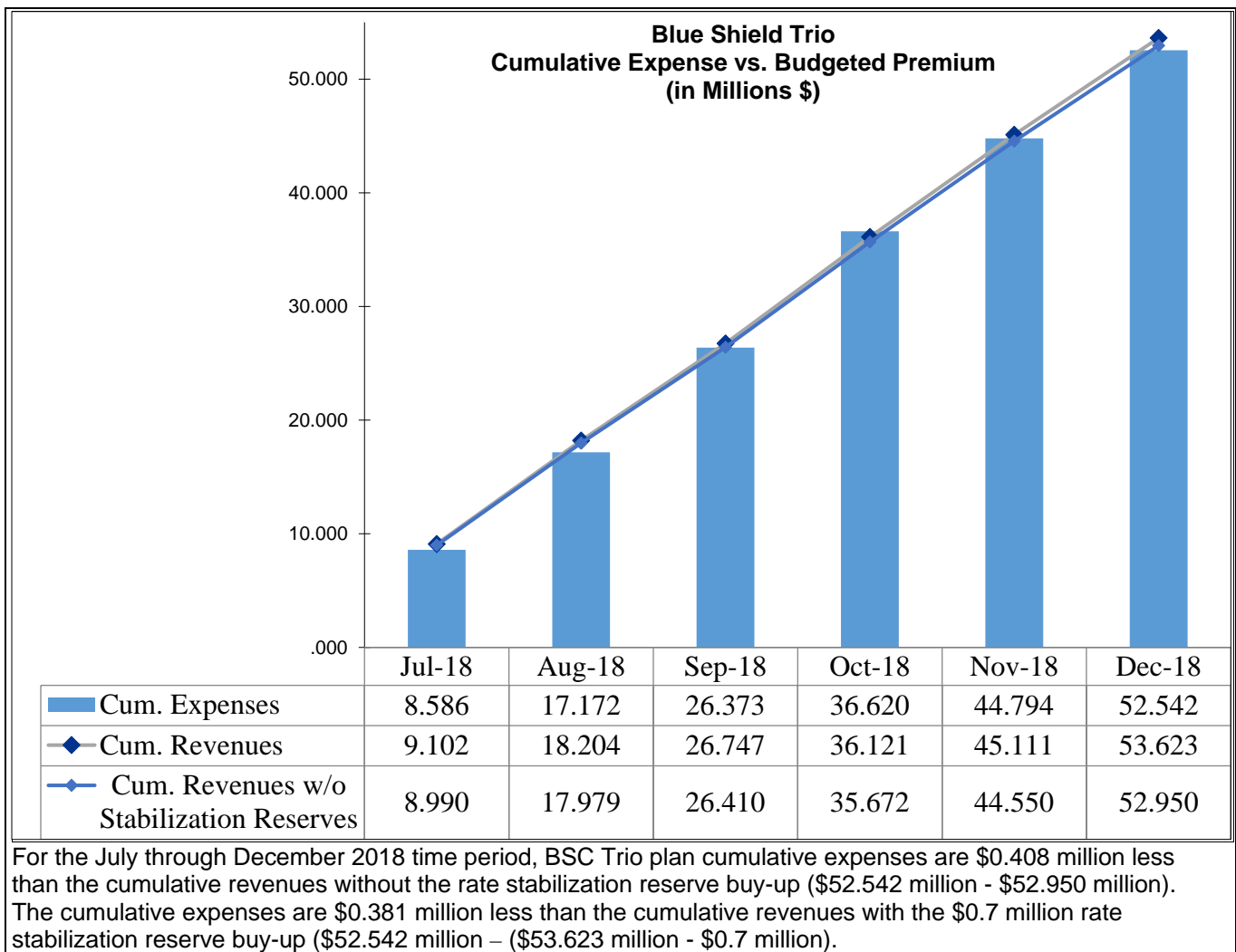
Blue Shield Trio Flex-Funded Plan

Year End

A \$3.7 million increase in fund balance is projected resulting from:

- a. \$4.1 million increase in fund balance:
 - \$0.7 million associated with the increase in 2018 rates (for the first six months of FY 2018-19) to recover the 2016 deficit
 - \$0.6 million associated with the increase in 2019 rates (for the second six months of FY 2018-19) to recover the 2017 deficit
 - \$2.8 million in pharmacy rebates (additional information on page 6)
- b. \$0.4 million decrease in fund balance due to unfavorable claim experience

First Six (6) Months



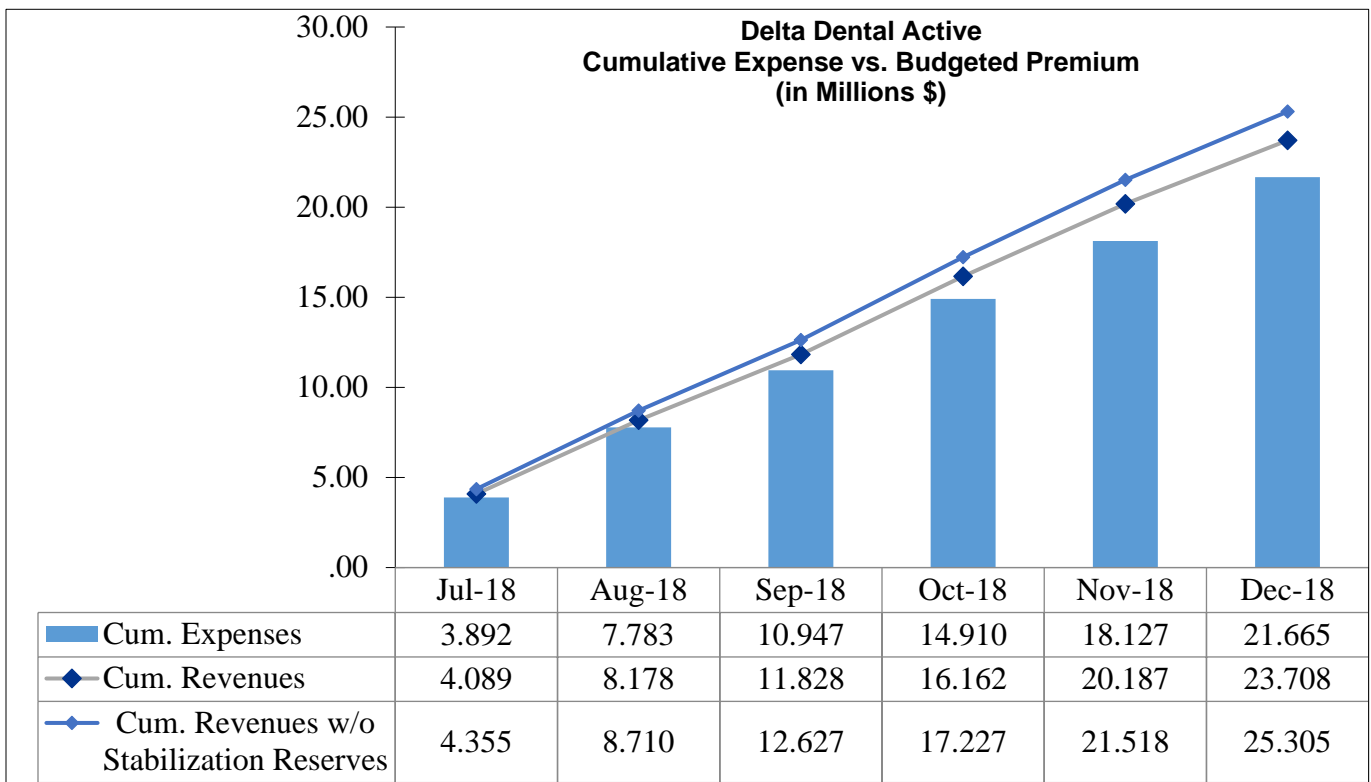
Delta Dental Self-Funded Plan

Year End

A \$3.6 million increase in fund balance is projected resulting from:

- b. \$7.3 million increase in fund balance due to favorable claim experience
- c. \$3.7 million decrease in fund balance:
 - \$1.6 million decrease in fund balance associated with subsidizing 2018 rates (for the first six months of FY 2018-19) from the claim stabilization reserve
 - \$2.1 million decrease in fund balance associated with subsidizing 2019 rates (for the second six months of FY 2018-19) from the claim stabilization reserve

First Six (6) Months



During the first six months of FY 2018-19, the expenses continue to run lower than expected.

Healthcare Sustainability Fund - The following table reflects the year-to-date actuals through December 31, 2018. The Revised Budget reflects carryforward of unexpended funds from FY 2017-18 and a reallocation of the budget approved by the Health Service Board on October 11, 2018.

Healthcare Sustainability Fund FY 2018-19				
	Revised Budget	December YTD Actual	Projection	Variance
Revenues/Premiums				
Annual Revenues	\$ 2,441,171	\$ 1,264,311	\$ 2,461,274	\$ 20,103
Carryforward from fund balance	3,399,817	3,399,817	3,399,817	-
Total	\$ 5,840,988	\$ 4,664,128	\$ 5,861,091	\$ 20,103
Expenditures				
Annual Expenditures	\$ 2,184,012	\$ 726,643	\$ 1,967,725	\$ 216,287
One-time Expenditures	2,352,808	222,435	1,211,896	1,140,912
Grand Total Expenditures	\$ 4,536,820	\$ 949,078	\$ 3,179,621	\$ 1,357,199
Balance	\$ 1,304,168	\$ 3,715,051	\$ 2,681,470	\$ (1,337,096)

Interest - \$0.7 million increase in fund balance from the Trust Fund cash balances

Performance Guarantees – No Performance Guarantees have been received as of December 31, 2018. The \$77.4 million fund balance includes the \$7.8 million in PGs received since FY 2005-06.

Performance Guarantees for Adoption and Surrogacy Assistance Plan - \$0.3 million decrease in fund balance for performance guarantees for FY 2018-19. The program was effective January 1, 2017, eight reimbursements have been paid for a total of \$146,249, including \$47,376 in FY 2018-19.

Transfers Out – Transfer of \$0.5 million from forfeitures and \$0.1 million from the \$3.00 budget to the General Fund the transfers will occur in June after the reconciliation of unused flexible spending account balances for the prior Plan Year and posting of the final General Fund expenditures.

Pharmacy Rebates - The following table summarizes the FY 2018-19 pharmacy rebates as of December 31, 2018 and year-end projection. The rebates offset the claims SFHSS pays to the plans.

Vendor	Amount (year to date)	Year-End Projection
Blue Shield	\$1,510,527	\$7,000,000
UHC	\$ 262,371	\$ 900,000
Total	\$1,772,898	\$7,900,000



HEALTH SERVICE SYSTEM
STATEMENT OF REVENUES AND EXPENSES
FY 2018-2019
FOR THE SIX MONTHS ENDED December 31, 2018

ACTIVE & RETIRED COMBINED

	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess(Shortage)
1 SELF-INSURANCE			
2 City Plan, including ASO *	16,225,816	18,588,851	(2,363,035)
3 Blue Shield Access+ *	97,884,832	98,982,444	(1,097,612)
4 Blue Shield Trio *	53,623,163	52,542,340	1,080,823
5 Delta Dental - Active only, including ASO	23,708,301	21,665,221	2,043,080
6 TOTAL SELF-INSURANCE	191,442,112	191,778,856	(336,744)
8 INSURANCE PRODUCTS			
9 UHC MAPD	35,197,951	35,197,951	0
10 Kaiser-HMO	208,965,505	210,271,648	(1,306,143)
11 Vision Service Plan, All (City Plan & HMO)	3,624,252	3,614,719	9,534
12 Sub-total HMO	247,787,709	249,084,318	(1,296,609)
14 Delta Dental - Retired	7,685,215	7,668,345	16,869
15 Delta Care	456,247	447,276	8,971
16 UHC Dental	203,006	202,622	384
17 Sub-total Dental	8,344,468	8,318,243	26,225
19 Long Term/Short Term Disability	3,745,493	3,745,493	-
20 Flexible Benefits	1,206,779	1,206,754	25
21 Flexible Spending-Dependent Care	2,622,885	2,398,542	224,342
22 Flexible Spending -Medical Reimbursement	3,546,817	2,757,474	789,343
23 Best Doctors (\$1.40)	589,432	583,864	5,568
24 Healthcare Sustainability Fund (\$3.00)	1,264,311	949,078	315,233
25 Adoption & Surrogacy		47,376	(47,376)
26 TOTAL INSURANCE PRODUCTS	269,107,894	269,091,143	16,751
28 SAVINGS AND INVESTMENTS			
29 Interest	0		0
30 Performance guarantees	0		0
31 Forfeitures	0		0
32 TOTAL SAVINGS & INVESTMENTS	0		0
34 TRANSFERS OUT OF FORFEITURES		0	0
36 TOTAL FUNDS	460,550,006	460,869,999	(319,993)

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

	FY18-19	FY18-19
	Year-To Date Actual	Projected Annual-Net
	As of December 2018 - Net	
Self Insurance		
City Plan	(2.4)	(2.9) (a)
Blue Shield-Access+	(1.1)	0.1 (b)
Blue Shield-Trio	1.1	3.7 (b)
Dental, Actives	2.0	3.6 (c)
Insurance Products		
Medical HMOs	(1.3)	0.0
Dental	0.0	0.0
LTD/Flexible Benefits/FSA/Best Doctors	1.0	0.0
Healthcare Sustainability Fund (\$3.00)	0.3	(1.0) (d)
Savings & Investments		
Interest	0.0	0.7
Performance guarantees	0.0	0.0 (e)
Performance guarantees - Surrogacy and adoption	0.0	(0.3) (f)
Forfeitures	0.0	0.0
Transfers Out	0.0	(0.6) (g)
TOTAL	(0.3)	3.3
Net assets		
Beginning of the year		<u>77.4</u>
End of the year		<u>80.7</u>

(a) Annual Projection is net of claim stabilization of \$2.3 million used to reduce 2018 rates, \$0.8 million to reduce 2019 rates, and Pharmacy rebate of \$0.9 million

(b) Annual Projection is net of claim stabilization of \$1.8 million to increase 2018 rates, \$1.6 million to increase 2019 rates, and Pharmacy rebate of \$7 million

(c) Annual Projection is net of claim stabilization of \$1.6 million to reduce 2018 rates and \$2.1 million to reduce 2019 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 2018-2019

(f) Reflects use of fund balance

(g) Transfer of \$0.5M from forfeitures and \$0.1M from \$3.00 to General Fund per FY 2018-2019 budget



HEALTH SERVICE SYSTEMS
STATEMENTS OF REVENUES AND EXPENSES
FY2018-2019 VS FY2017-2018
YEAR-TO-DATE: December 31, 2018

	For 6 months ended December 31, 2018	For 6 months ended December 31, 2017	\$ Change	% Change	
1 SELF-INSURANCE					
2 City Plan, including ASO					
3 Revenues	16,225,816	14,757,203	1,468,613	10.0%	I
4 Expenses	(18,588,851)	(18,704,035)	115,184	-0.6%	
5 Net City Plan Excess(Shortage)	(2,363,035)	(3,946,832)	1,583,797	-40.1%	
6 Blue Shield-Access+					
7 Revenues	97,884,832	152,632,748	(54,747,917)	-35.9%	p
8 Expenses	(98,982,444)	(151,756,142)	52,773,698	-34.8%	p
9 Net Blue Shield-Access Excess(Shortage)	(1,097,612)	876,606	(1,974,219)	-225.2%	
10 Blue Shield-Trio					
11 Revenues	53,623,163		53,623,163		p
12 Expenses	(52,542,340)		(52,542,340)		p
13 Net Blue Shield-Trio Excess(Shortage)	1,080,823		1,080,823		
14 Delta Dental - Active only, including ASO					
15 Revenues	23,708,301	24,067,865	(359,564)	-1.5%	
16 Expenses	(21,665,221)	(21,603,979)	(61,242)	0.3%	
17 Net Delta Dental - Active Excess(Shortage)	2,043,080	2,463,886	(420,806)	-17.1%	
18 NET SELF-INSURANCE	(336,744)	(606,339)	269,595	-44.5%	
19 INSURANCE PRODUCTS					
24 Kaiser-HMO					
25 Revenues	208,965,505	192,825,577	16,139,929	8.4%	d, l
26 Expenses	(210,271,648)	(194,145,059)	(16,126,589)	8.3%	d, l
27 Net Kaiser- HMO Excess(Shortage)	(1,306,143)	(1,319,483)	13,340	-1.0%	
28 UHC MAPD					
29 Revenues	35,197,951	29,214,807	5,983,144	20.5%	d, l
30 Expenses	(35,197,951)	(29,214,807)	(5,983,144)	20.5%	d, l
31 Net UHC MAPD Excess(Shortage)	0	0	0		
32 Vision Service Plan, All (City Plan & HMO)					
33 Revenues	3,624,252	2,532,440	1,091,812	43.1%	o
34 Expenses	(3,614,719)	(2,532,440)	(1,082,278)	42.7%	o
35 Net Vision Service Plan Excess(Shortage)	9,534	0	9,534		
36					
37 Delta Dental - Retired					
38 Revenues	7,685,215	6,978,587	706,628	10.1%	d
39 Expenses	(7,668,345)	(6,912,799)	(755,546)	10.9%	d
40 Net Delta Dental - Retired Excess(Shortage)	16,869	65,788	(48,918)	-74.4%	
41 Delta Care					
42 Revenues	456,247	475,951	(19,704)	-4.1%	a
43 Expenses	(447,276)	(475,515)	28,239	-5.9%	a
44 Net Delta Care Excess(Shortage)	8,971	436	8,536	1958.0%	
45 UHC Dental					
46 Revenues	203,006	187,905	15,101	8.0%	d
47 Expenses	(202,622)	(187,504)	(15,118)	8.1%	d
48 Net UHC Dental Excess(Shortage)	384	401	(17)	-4.2%	
49 Net Dental	26,225	66,624	(40,400)	-60.6%	
50					
51 Long Term/Short Term Disability					
52 Revenues	3,745,493	3,619,090	126,403	3.5%	d
53 Expenses	(3,745,493)	(3,619,090)	(126,403)	3.5%	d
54 Net Long Term/Short Term Disability Excess(Shortage)	0	(0)	0		
55 Flexible Benefits					
56 Revenues	1,206,779	976,082	230,697	23.6%	g
57 Expenses	(1,206,754)	(976,082)	(230,672)	23.6%	g
58 Net Flexible Benefits Excess(Shortage)	25	(0)	25	0.0%	
59 Flexible Spending-Dependent Care					
60 Revenues	2,622,885	2,452,861	170,024	6.9%	d
61 Expenses	(2,398,542)	(2,263,807)	(134,735)	6.0%	f
62 Net Flexible Spending-Dependent Care Excess(Shortage)	224,342	189,053	35,289	18.7%	
63 Flexible Spending -Medical Reimbursement					
64 Revenues	3,546,817	3,082,265	464,552	15.1%	d
65 Expenses	(2,757,474)	(2,544,630)	(212,844)	8.4%	f
66 Net Flexible Spending-Medical Reimbursement Excess(Shortage)	789,343	537,635	251,708	46.8%	
67 Best Doctors (\$1.40)					
68 Revenues	589,432	572,961	16,472	2.9%	
69 Expenses	(583,864)	(572,961)	(10,903)	1.9%	
70 Net Best Doctors Excess(Shortage)	5,568	0	5,568		
71 Adoption & Surrogacy					
72 Expenses	(47,376)	(15,585)	(31,791)	204.0%	
73 Healthcare Sustainability Fund (\$3.00)					
74 Revenues	1,264,311	1,275,689	(11,378)	-0.9%	
75 Expenses	(949,078)	(618,292)	(330,786)	53.5%	e
76 Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	315,233	657,397	(342,164)	-52.0%	
77 NET INSURANCE PRODUCTS	16,751	115,641	(98,890)	-85.5%	
78 SAVINGS AND INVESTMENTS					
79 Interest	0	15,983	(15,983)	0.0%	
80 Performance guarantees	0	0	0	0.0%	
81 TOTAL SAVINGS & INVESTMENTS	0	15,983	(15,983)	0.0%	
82 TOTAL NET EXCESS (SHORTAGE)	(319,993)	(474,715)	154,722	-32.6%	

Notes: a decrease in membership
c decrease in deductions
d increase in membership
e \$3 per member per month for communications, wellness, actuarial work
f increase in claims

l increase in rates
h decrease in rates
g increase in deductions
j decrease in claims
o vision buy-up effective 1/1/18
p effective 1/1/18

Healthcare Sustainability Fund FY 2018-19				
	Revised Budget	December YTD Actual	Projection	Variance
Revenues/Premiums				
Annual Revenues	\$ 2,441,171	\$ 1,264,311	\$ 2,461,274	\$ 20,103
Carryforward from fund balance	3,399,817	3,399,817	3,399,817	-
Total	\$ 5,840,988	\$ 4,664,128	\$ 5,861,091	\$ 20,103
Expenditures				
Annual				
Personnel Services and Mandatory Fringes	\$ 895,588	256,735	\$ 736,015	\$ 159,573
Communications				
Open Enrollment Communications	289,779	309,817	314,540	(24,761)
Operations Communications	123,615	10,175	128,566	(4,951)
Well-Being Communications	197,500	34,864	162,875	34,625
Other Communications	133,197	2,600	132,592	605
Total Communications	\$ 744,091	\$ 357,456	\$ 738,573	\$ 5,518
Well-Being	197,500	12,532	122,500	75,000
Initiatives to Reduce Health Care Costs	346,833	99,112	348,833	(2,000)
SFGTV/Board Meetings		808	21,804	(21,804)
Contingency for Unforeseen Issues			-	-
Total Annual Expenditures	\$ 2,184,012	\$ 726,643	\$ 1,967,725	\$ 216,287
One-Time				
Communications				
Open-Enrollment Communications	\$ 275,000		\$ 115,000	\$ 160,000
Operations Communications	1,303,625	13,611	427,620	876,005
Well-Being Communications	60,000		46,650	13,350
Other Communications	513,973	166,289	407,973	106,000
Total Communications	\$ 2,152,598	\$ 179,900	\$ 997,243	1,155,355
Well-Being	85,210	42,535	76,900	8,310
Initiatives to Reduce Health Care Costs	115,000	-	137,753	(22,753)
Total One-Time Expenditures	\$ 2,352,808	\$ 222,435	\$ 1,211,896	\$ 1,140,912
Grand Total Expenditures	\$ 4,536,820	\$ 949,078	\$ 3,179,621	\$ 1,357,199
Balance	\$ 1,304,168	\$ 3,715,051	\$ 2,681,470	\$ (1,337,096)



Health Service System
CITY & COUNTY OF SAN FRANCISCO

HEALTH SERVICE SYSTEM - ADMINISTRATION
STATEMENT OF REVENUES AND EXPENDITURES
As of December 31, 2018

YEAR-TO DATE				ANNUAL					
Fav/(Unfav)				Fav/(Unfav)					
Budget	Actual	Variance	% Var	Original Budget	Revised Budget	Projection	Variance	% Var	
REVENUES									
293,668	0	(293,668)	-100.0%	587,335	587,335	587,335	0	0.0%	
5,519,344	5,519,346	3	0.0%	11,038,687	11,038,687	10,732,895	(305,792)	-2.8%	
3,000	3,000	0	0.0%	6,000	6,000	6,000	0	0.0%	
186,734					373,467	373,467	0	0.0%	
6,002,745	5,522,346	(293,665)	-4.9%	11,632,022	12,005,489	11,699,697	(305,792)	-2.5%	
EXPENDITURES									
2,641,770	2,474,432	167,338	6.3%	5,305,540	5,283,540	5,048,357	235,183	-4.5%	
1,278,527	1,190,523	88,003	6.9%	2,557,053	2,557,053	2,503,301	53,752	-2.1%	
920,266	718,946	201,320	21.9%	1,705,486	1,840,531	1,862,309	(21,778)	1.2%	
47,771	16,366	31,404	65.7%	43,197	95,541	95,541	0	0.0%	
1,114,412	596,998	517,414	46.4%	2,020,746	2,228,824	2,190,189	38,635	-1.7%	
6,002,744	4,997,266	1,005,479	16.8%	11,632,022	12,005,489	11,699,697	305,792	-2.5%	
0	525,080	525,080		0	0	0			
REVENUE LESS EXPENDITURES									