

# SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

DATE: February 8, 2024  
TO: Randy Scott, President, and Members of the Health Service Board  
FROM: Iftikhar Hussain, Chief Financial Officer  
SUBJECT: Health Service Board Financial Report as of December 31, 2023

---

This report covers the sources and uses of the Health Service System Employee Benefit Trust Fund (Trust Fund), the Health Sustainability Fund and the General Fund for the six months ending December 31, 2023.

## **Executive Summary**

### **Trust Fund and Health Sustainability Fund**

- The FYE trust balance is projected to decrease by \$21M mainly due to \$14.9M rate stabilization and use of Sutter settlement to buy down rates.
- Claims for the first six months were higher than planned due to medical claims driven by high pharmacy costs. Dental claims are higher than prior year but lower than plan.
- The Healthcare Sustainability Fund balance is projected to decrease by \$128K.
- Pharmacy rebates - \$6M were received in the first six months. The projected annual rebates are \$16M and included in the net claims above.
- Projected interest income is \$3M for the year.

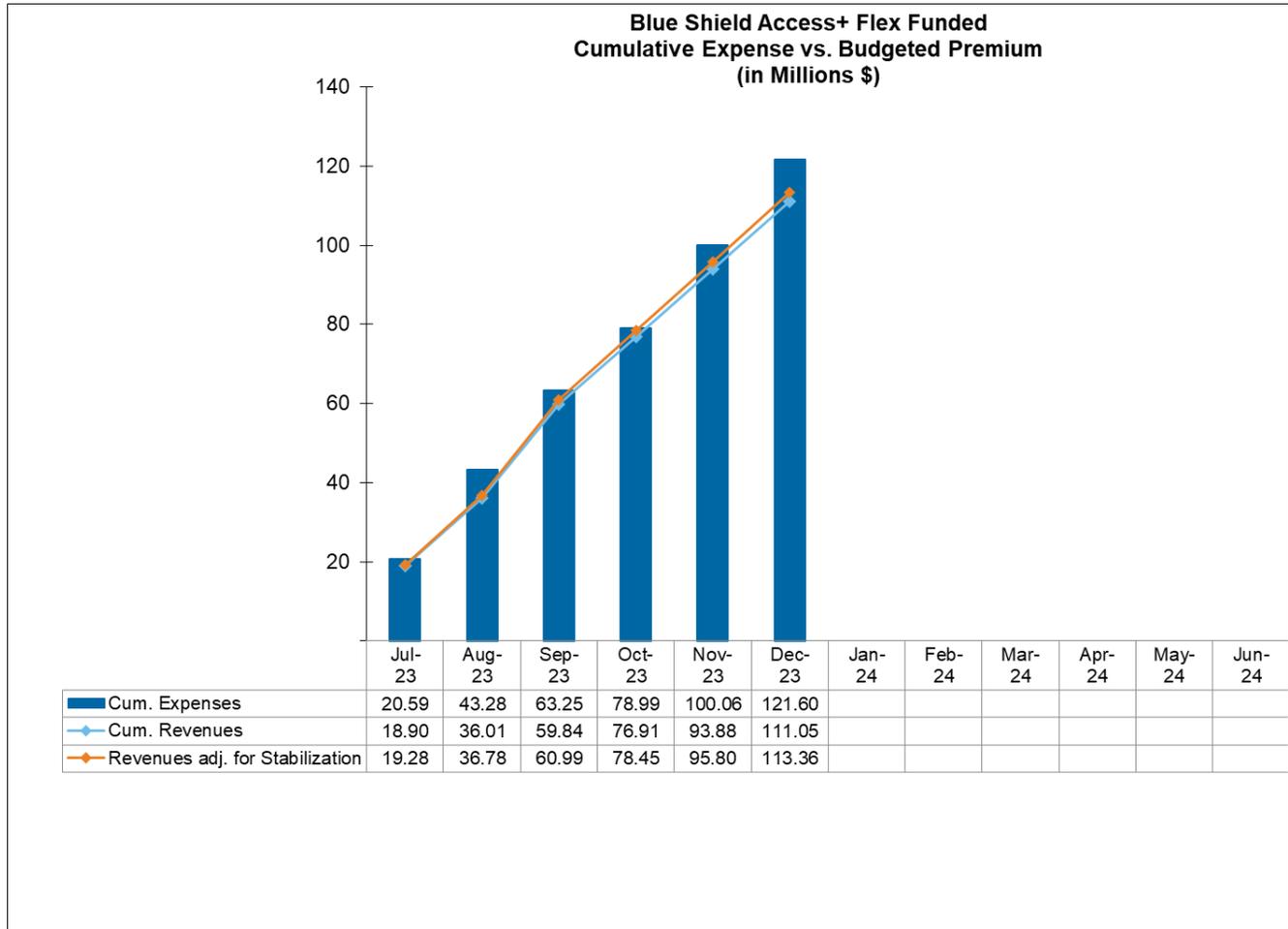
### **General Fund**

Net activity is ahead of budget mainly due to vacancies.

**Detailed Analysis by Fund**

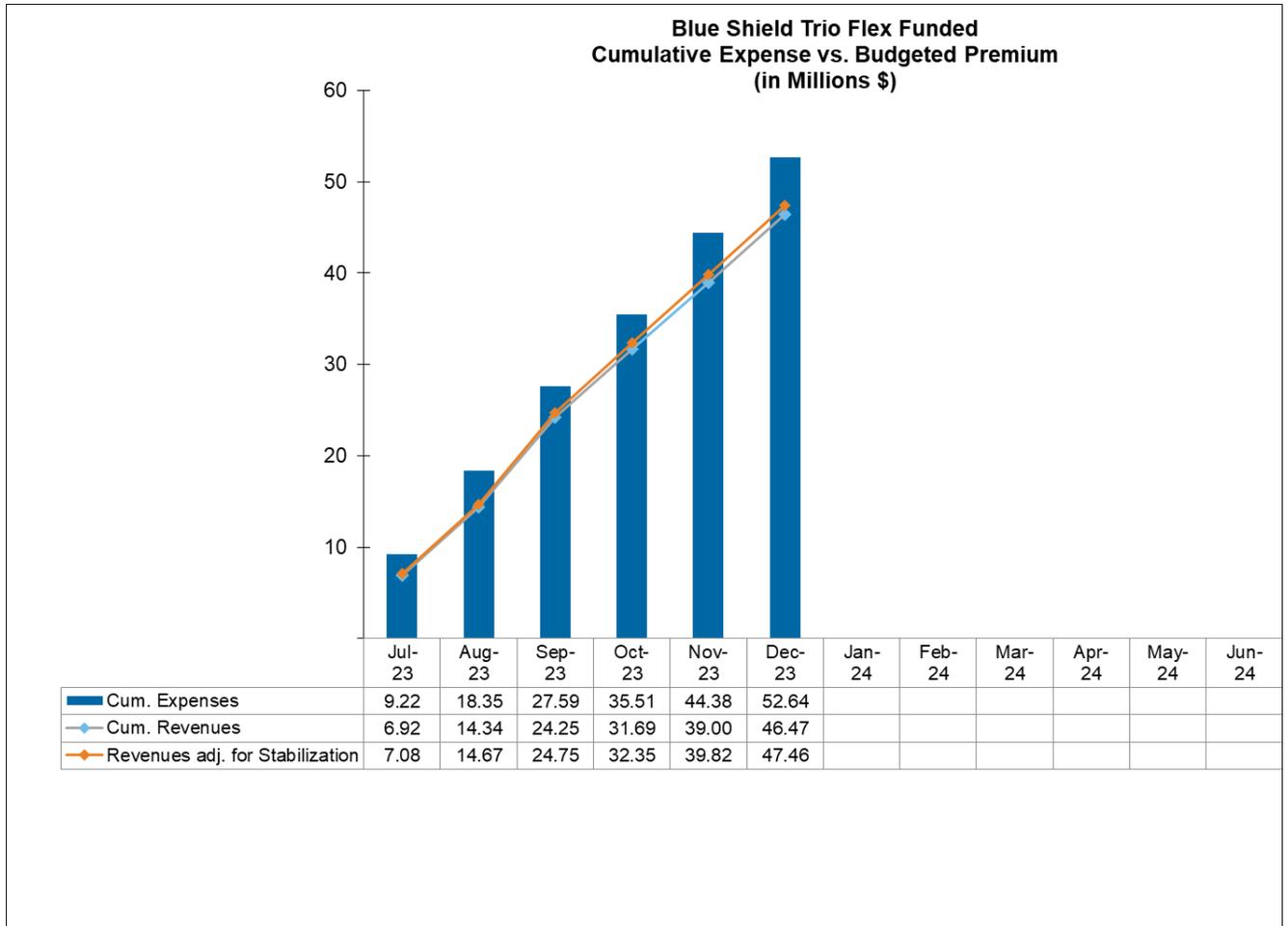
**Blue Shield Access+ Flex Funded Plan**

Projected FYE balance expected to decrease by \$12M due high claims, rate stabilization and use of Sutter settlement received in the prior year to reduce rates.



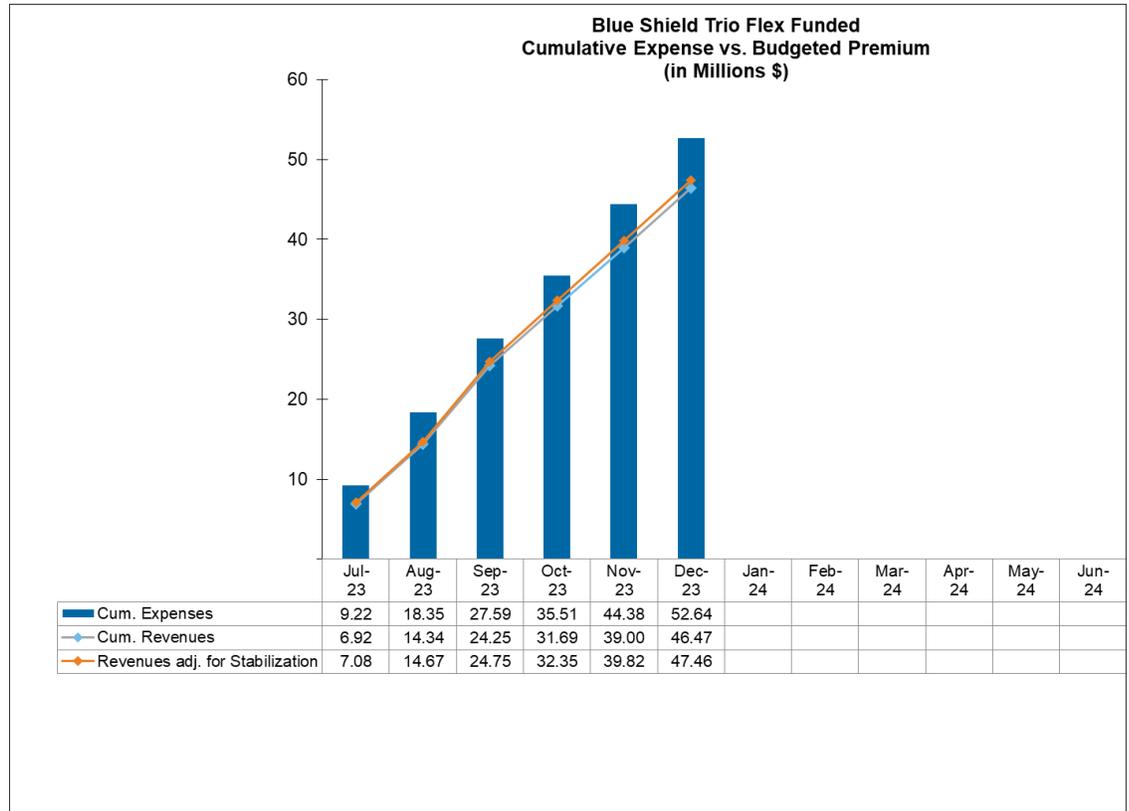
**Blue Shield Trio Flex-Funded Plan**

FYE balance projected to decrease by \$9.6M due rate stabilization and use of Sutter settlement to reduce rates.



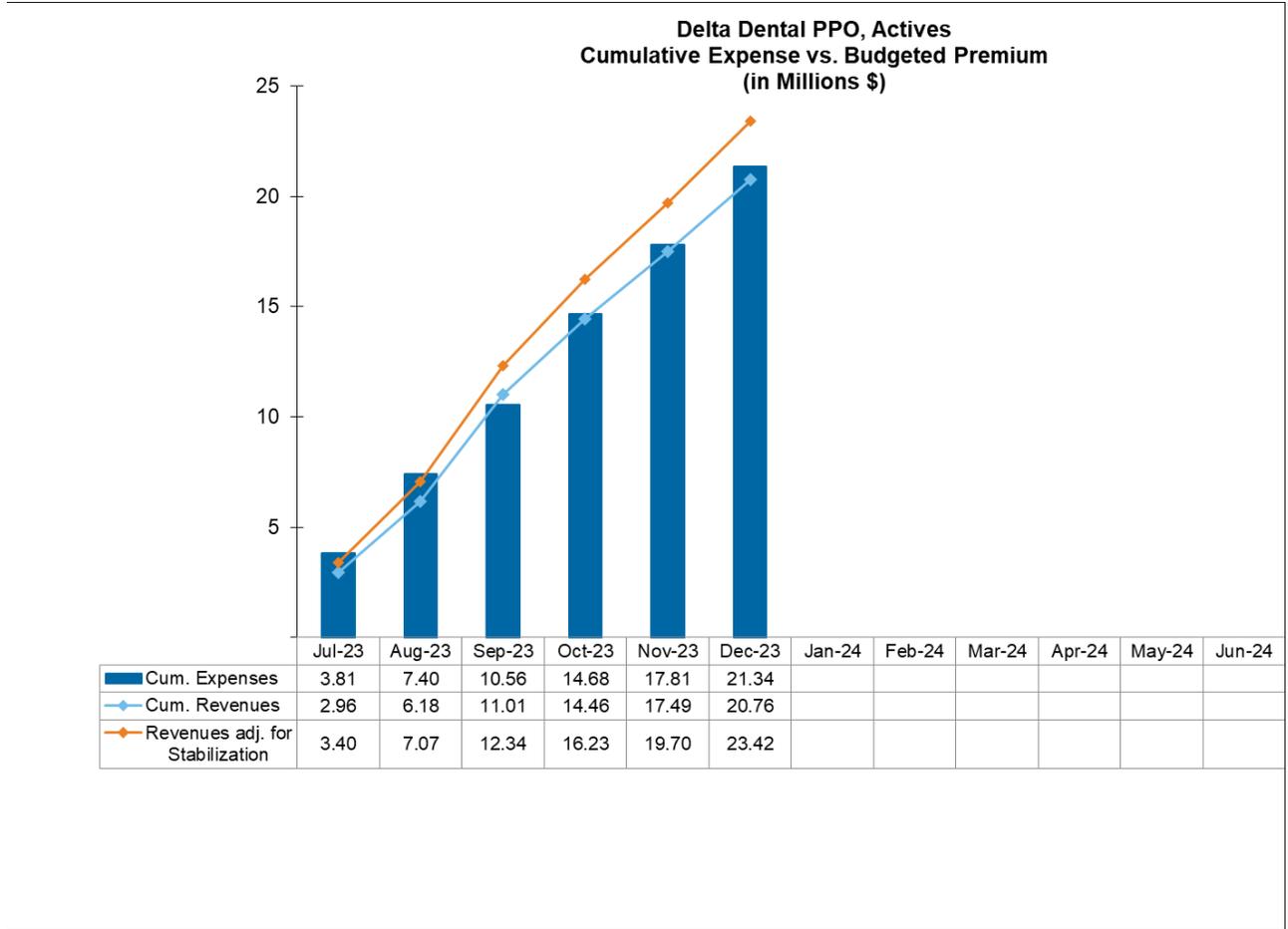
**Blue Shield/United Health Care Administered PPO**

The administration of the self-funded PPO migrated from United to Blue Shield starting in January 2022. The table below shows the combined results of the plan. FYE 2024 projected net decrease of \$600K.



**Delta Dental PPO (Actives Only) Self-Funded Plan**

Projecting a net increase of \$2.3M for the year due to stabilization



**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. The updated FY 2024 budget includes carry forwards for commitments made before June 30, 2023.

The projected FYE balance will decrease by \$128K. The favorable variance from budget is due to Blue Shield wellness and communications reimbursement.

SAN FRANCISCO HEALTH SERVICE SYSTEM <small>Affordable, Quality Benefits &amp; Well-Being</small>					Healthcare Sustainability Fund FY 2023-24		
	FY 2022-23 Expenditures JuneYTD	FY2023-24 Budget Request (HSS Board Approved)	FY2023-24 Carryforward Budget	FY2023-24 Adjustments	FY 2023-24 Revised Budget + Adj C/F	FY 2023-24 Actuals Dec YTD	FY 2023-24 Projection
<b>REVENUE SOURCES</b>							
Annual Revenues	\$ 2,526,489	\$ 2,553,643		\$ -	\$ 2,553,643	\$ 1,275,870	\$ 2,600,000
Carryforward from Fund Balance	4,437,175	4,921,157	264,572	-	5,185,729	5,185,729	5,185,729
<b>TOTAL</b>	<b>\$ 6,963,664</b>	<b>\$ 7,474,800</b>	<b>\$ 264,572</b>	<b>\$ -</b>	<b>\$ 7,739,372</b>	<b>\$ 6,461,599</b>	<b>\$ 7,785,729</b>
<b>EXPENDITURE USES</b>							
Personnel	\$ 810,927	\$ 1,376,559		\$ -	\$ 1,376,559	\$ 333,594	\$ 1,007,992
Administrative	10,266	45,500	2,431	-	47,931	(2,707)	39,300
Member Communications	494,925	668,000	122,756	-	790,756	313,417	489,125
Communications - Other	179,342	696,576	40,138	-	736,714	24,660	623,500
Well-Being	124,980	449,500	70,788	-	520,288	61,806	268,075
Initiatives to Reduce Health Care Costs	422,067	312,773	28,458	23,118	364,349	117,891	300,000
Other Projects	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 2,042,507</b>	<b>\$ 3,548,908</b>	<b>\$ 264,572</b>	<b>\$ 23,118</b>	<b>\$ 3,836,597</b>	<b>\$ 848,659</b>	<b>\$ 2,727,992</b>
REVENUE - EXP. (excl. carry forward fund balance)	483,982	(995,265)	(264,572)	(23,118)	(1,282,955)	427,211	(127,992)
<b>BALANCE</b>	<b>\$ 4,921,157</b>	<b>\$ 3,925,892</b>	<b>\$ 0</b>	<b>\$ (23,118)</b>	<b>\$ 3,902,775</b>	<b>\$ 5,612,940</b>	<b>\$ 5,057,737</b>

**Pharmacy Rebates**

\$5.9M was received in the first six months. The projection for the year is \$16M.

	Actual	FY 2022-23 Projected RX Rebates
Blue Shield Access+ HMO	3,390,418	4,474,119
Blue Shield Trio HMO	1,442,309	9,507,503
UHC Administered PPO	950,211	1,760,000
HealthNet	\$129,189	258,378
<b>TOTAL</b>	<b>\$ 5,912,127</b>	<b>\$ 16,000,000</b>

**General Fund**

- The FY 2024 budget has been adjusted for carryforward commitments made before June 31, 2023. Net activity is ahead of budget mainly due to vacancies. The \$478K favorable projection for the year includes \$228K mid-year reductions.



**General Fund Administration Budget FY 2023-24**

**ANNUALIZED AS OF 12/31/23**

	FY 2023-24 Approved Budget	FY2023-24 Carryforward Budget	FY2023-24 Adjustments	FY 2023-24 Revised Budget	Total Actual YTD	FY 2023-24 Projection
<b>REVENUES</b>						
Non-Operating Revenue	\$ 9,131		\$ -	\$ 9,131	\$ -	\$ -
Operating Work Order Recovery	13,392,951		80,000	13,472,951	6,716,297	13,629,311
Other Revenue	460,000		-	460,000	-	460,000
General Fund Carryforward	-	709,061		709,061	709,061	709,061
Interfund Transfer	-			-	-	-
<b>TOTAL REVENUES</b>	<b>\$ 13,862,082</b>	<b>\$ 709,061</b>	<b>\$ 80,000</b>	<b>\$ 14,651,143</b>	<b>\$ 7,425,358</b>	<b>\$ 14,798,372</b>
<b>EXPENDITURES</b>						
Personnel Services	\$ 6,308,915		\$ (208,326)	\$ 6,100,589	\$ 2,882,335	\$ 5,921,535
Mandatory Fringe Benefits	2,613,811		(104,481)	2,509,330	1,197,677	2,427,829
Non-personnel Services	2,522,965	681,530	194,433	3,398,928	1,319,532	3,361,286
Materials & Supplies	44,459	8,768	-	53,227	29,260	52,750
Services of Other Departments	2,371,932	18,763	198,374	2,589,069	1,222,377	2,566,583
				-		
<b>TOTAL EXPENDITURES</b>	<b>\$ 13,862,082</b>	<b>\$ 709,061</b>	<b>\$ 80,000</b>	<b>\$ 14,651,143</b>	<b>\$ 6,651,181</b>	<b>\$ 14,329,983</b>
<b>BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 774,177</b>	<b>\$ 468,389</b>

**Trust Fund and Health Sustainability Fund with FYE Projection**

	<b>FY23-24</b>	<b>FY23-24</b>
	Year-to-Date Actual	Projected Year-End
SUMMARY	Net as of 12/31/23	Annual Net
<b>Flex/Self Insurance</b>		
Blue Shield-Access+	(10,546,432)	(12,266,054) (a), (h)
Blue Shield-Trio	(6,169,503)	(9,648,227) (a)
Blue Shield and United PPO	184,406	(631,782) (b)
Health Net Canopy Care	663,902	-
Delta Dental PPO, Actives	(583,881)	(2,341,761) (c)
<b>Fully Insured Plans</b>		
Medical HMOs	(1,939,023)	-
Dental	(4,163)	-
LTD/Flexible Benefits/FSA/Health Net Canopy Care	1,468,913	-
Healthcare Sustainability Fund (\$3.00)	427,211	(127,992) (d)
<b>Savings &amp; Investments</b>		
Interest	-	3,000,000
Performance guarantees	730,967	730,967 (e)
Surrogacy and adoption	(47,295)	(47,295)
Transfers Out	0	(460,000) (g)
<b>TOTAL</b>	<u>(15,814,897)</u>	<u>(21,792,143)</u>
<b>Net assets</b>		
Beginning of the year		<u>104,744,471</u>
End of the year		<u>82,952,328</u>

(a) Annual Projection is net of claim stabilization of \$1.7 million to increase 2024 rates, \$3.3 million to decrease 2023 rates, Pharmacy rebate of \$19 million, and settlement distribution of \$2.2 million, settlement for rate buydown of \$5.9 million

(b) Annual Projection is net of claim stabilization of \$0.4 million to increase 2024 rates, \$0.2 million to increase 2023 rates, and Pharmacy rebate of \$2.2 million

(c) Annual Projection is net of claim stabilization of \$3.7 million to reduce 2024 rates and \$2.7 million to reduce 2023 rates

(d) \$3.00 per member per month for communications, wellness, actuarial work; is part of a total premium.

(e) Reflects performance guarantees received in FY 2023-2024

(f) Reflects use of fund balance

(g) Transfer of \$0.5M from forfeitures to General Fund.

(h) Includes \$2.2M Sutter settlement distribution

**Supplemental Tables – Trust Fund Activity- Current FY**

			
<b>STATEMENT OF REVENUES AND EXPENSES</b> <b>FY 2023-2024</b> <b>FOR 6 MONTHS ENDED DECEMBER 31, 2023</b>			
<i>ACTIVE &amp; RETIRED COMBINED</i>	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess (Shortage)
<b>FLEX/SELF-INSURED PLANS</b>			
Blue Shield Access+ HMO*, **	111,053,091	121,599,522	(10,546,432)
Blue Shield Trio HMO*	46,472,116	52,641,618	(6,169,503)
Blue Shield and United PPO	31,825,822	31,641,416	184,406
UHC Administere PPO*	-	-	-
Health Net Canopy Care	4,352,934	3,689,033	663,902
Delta Dental PPO- (Active only)	20,760,501	21,344,382	(583,881)
<b>TOTAL FLEX/SELF-INSURED PLANS</b>	<b>214,464,464</b>	<b>230,915,971</b>	<b>(16,451,507)</b>
<b>FULLY INSURED PLANS</b>			
UHC MAPD	48,115,888	48,115,888	-
Kaiser-HMO	243,604,760	245,527,330	(1,922,570)
Vision Service Plan	5,333,913	5,350,365	(16,452)
Sub-total HMO	297,054,561	298,993,583	(1,939,023)
Delta Dental PPO - Retirees	9,948,544	9,948,544	-
Delta Care	415,530	418,409	(2,879)
UHC Dental	207,219	208,504	(1,284)
Sub-total Dental	10,571,293	10,575,456	(4,163)
Long Term/Short Term Disability	3,541,118	3,543,570	(2,452)
Flexible Benefits	2,105,358	2,105,358	0
Flexible Spending-Dependent Care	3,096,887	3,066,674	30,213
Flexible Spending -Medical Reimbursement	5,975,525	4,534,374	1,441,151
Healthcare Sustainability Fund (\$3.00)	1,275,870	848,659	427,211
Adoption & Surrogacy	-	47,295	(47,295)
Sub-total Other Benefits	15,994,758	14,145,929	1,848,829
<b>TOTAL FULLY INSURED PLANS</b>	<b>323,620,612</b>	<b>323,714,969</b>	<b>(94,357)</b>
<b>SAVINGS AND INVESTMENTS</b>			
Interest	-	-	-
Performance guarantees	730,967	-	730,967
Forfeitures	-	-	-
<b>TOTAL SAVINGS &amp; INVESTMENTS</b>	<b>730,967</b>	<b>-</b>	<b>730,967</b>
<b>TRANSFERS OUT OF FORFEITURES</b>			
			<b>0</b>
<b>TOTAL FUNDS</b>	<b>538,816,043</b>	<b>554,630,940</b>	<b>(15,814,897)</b>

\* Expenses are net of pharmacy rebates - see report for details, \*\* includes Sutter settlement

**Supplemental Tables - Trust Fund Activity- with Prior Year**



STATEMENTS OF REVENUES AND EXPENSES  
FY 2023-2024 VS FY 2022-2023  
YEAR-TO-DATE: DECEMBER 31, 2023

<i>ACTIVE &amp; RETIRED COMBINED</i>	For 6 Months Ended December 31, 2023	For 6 Months Ended December 31, 2022	\$ Change	% Change
<b>FLEX/SELF-INSURED PLANS</b>				
Blue Shield-Access+ HMO				
Revenues	111,053,091	124,876,588	(13,823,497)	-11.1% b
Expenses	(121,599,522)	(122,096,518)	496,995	-0.4% f
Net Blue Shield-Access Excess(Shortage)	(10,546,432)	2,780,070	(13,326,502)	-479.4%
Blue Shield-Trio HMO				
Revenues	46,472,116	49,793,116	(3,321,000)	-6.7%
Expenses	(52,641,618)	(52,827,481)	185,863	-0.4% i
Net Blue Shield-Trio Excess(Shortage)	(6,169,503)	(3,034,365)	(3,135,137)	103.3%
Blue Shield and United PPO				
Revenues	31,825,822	23,650,739	8,175,083	34.6%
Expenses	(31,641,416)	(25,490,482)	(6,150,934)	24.1%
Net BSC and United PPO Excess(Shortage)	184,406	(1,839,743)	2,024,149	
Health Net Canopy Care				
Revenues	4,352,934	1,768,422	2,584,512	
Expenses	(3,689,033)	(1,104,666)	(2,584,367)	
Net Health Net Canopy Care Excess(Shortage)	663,902	663,756	146	
Delta Dental PPO (Active only)				
Revenues	20,760,501	17,726,154	3,034,347	17.1% h
Expenses	(21,344,382)	(20,139,940)	(1,204,442)	6.0% i
Net Delta Dental PPO- (Active Only) Excess(Shortage)	(583,881)	(2,413,785)	1,829,905	-75.8%
<b>NET FLEX/SELF-INSURED PLANS</b>	<b>(16,451,507)</b>	<b>(3,844,067)</b>	<b>(12,607,440)</b>	<b>328.0%</b>

Notes:

- a decrease in membership
- b Sutter Settlement
- c decrease in deductions
- d increase in membership
- e \$3 per member per month for communications, wellness
- f increase in claims
- g increase in deductions
- h decrease in rates
- i increase in rates
- j decrease in claims
- k Payperiod Timing

**Supplemental Tables - Trust Fund Activity- with Prior Year (continued)**

		STATEMENTS OF REVENUES AND EXPENSES FY 2023-2024 VS FY 2022-2023 YEAR-TO-DATE: DECEMBER 31, 2023			
ACTIVE & RETIRED COMBINED		For 6 Months Ended December 31, 2023	For 6 Months Ended December 31, 2022	\$ Change	% Change
<b>FULLY INSURED PLANS</b>					
Kaiser-HMO					
Revenues		243,604,760	234,908,765	8,695,995	3.7% d
Expenses		(245,527,330)	(236,099,104)	(9,428,226)	4.0% d, l
Net Kaiser- HMO Excess(Shortage)		(1,922,570)	(1,190,339)	(732,231)	61.5% k
UHC MAPD					
Revenues		48,115,888	45,253,008	2,862,880	6.3% d, l
Expenses		(48,115,888)	(45,253,008)	(2,862,880)	6.3% d, l
Net UHC MAPD Excess(Shortage)		0	0	0	
Vision Service Plan, All (City Plan & HMO)					
Revenues		5,333,913	4,692,281	641,632	13.7% d, l
Expenses		(5,350,365)	(4,697,742)	(652,623)	13.9% d, l
Net Vision Service Plan Excess(Shortage)		(16,452)	(5,461)	(10,991)	201.3%
Delta Dental PPO - Retirees					
Revenues		9,948,544	9,015,746	932,798	10.3%
Expenses		(9,948,544)	(9,015,746)	(932,798)	10.3%
Net Delta Dental PPO - Retirees Excess(Shortage)		0	0	0	
Delta Care					
Revenues		415,530	400,416	15,114	3.8%
Expenses		(418,409)	(403,257)	(15,152)	3.8%
Net Delta Care Excess(Shortage)		(2,879)	(2,841)	(37)	1.3%
UHC Dental					
Revenues		207,219	207,571	(351)	-0.2%
Expenses		(208,504)	(208,025)	(479)	0.2%
Net UHC Dental Excess(Shortage)		(1,284)	(454)	(830)	183.0%
Long Term/Short Term Disability					
Revenues		3,541,118	4,186,984	(645,866)	-15.4%
Expenses		(3,543,570)	(4,189,970)	646,400	-15.4%
Net Long Term/Short Term Disability Excess(Shortage)		(2,452)	(2,986)	534	-17.9% k
Flexible Benefits					
Revenues		2,105,358	2,042,167	63,191	3.1% g
Expenses		(2,105,358)	(2,042,095)	(63,263)	3.1% g
Net Flexible Benefits Excess(Shortage)		0	72	(72)	
Flexible Spending-Dependent Care					
Revenues		3,096,887	2,215,070	881,817	39.8% c
Expenses		(3,066,674)	(2,237,373)	(829,301)	37.1% c
Net Flexible Spending-Dependent Care Excess(Shortage)		30,213	(22,302)	52,516	-235.5%
Flexible Spending -Medical Reimbursement					
Revenues		5,975,525	5,140,788	834,737	16.2% g
Expenses		(4,534,374)	(4,177,239)	(357,135)	8.5% f
Net Flexible Spending-Medical Reimbursement Excess(Shortage)		1,441,151	963,549	477,603	49.6%
Adoption & Surrogacy					
Expenses		(47,295)	(32,325)	(14,970)	
Healthcare Sustainability Fund (\$3.00)					
Revenues		1,275,870	1,262,736	13,134	1.0%
Expenses		(848,659)	(1,085,871)	237,212	-21.8% e
Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)		427,211	176,865	250,346	141.5%
<b>NET FULLY INSURED PLANS</b>		<b>(94,357)</b>	<b>(116,222)</b>	<b>21,866</b>	<b>-18.8%</b>
<b>SAVINGS AND INVESTMENTS</b>					
Interest		0	0	0	
Performance guarantees		730,967	619,103	111,864	
Forfeitures		0	0	0	
<b>TOTAL SAVINGS &amp; INVESTMENTS</b>		<b>730,967</b>	<b>619,103</b>	<b>111,864</b>	<b>1616.8%</b>
<b>TOTAL NET EXCESS (SHORTAGE)</b>		<b>(15,814,897)</b>	<b>(3,341,186)</b>	<b>(12,473,710)</b>	<b>373.3%</b>

Notes:

- |                          |   |
|--------------------------|---|
| a decrease in membership | e \$3 per member per month for communications, wellness |
| b Sutter Settlement      | 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                                    |
|                          | k Payperiod Timing                                      |