

**SAN FRANCISCO HEALTH SERVICE SYSTEM  
FISCAL YEAR 2022-23 AND FISCAL YEAR 2023-2024  
PROPOSED HEALTHCARE SUSTAINABILITY FUND**

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# Background and Board Action

- Healthcare Sustainability Fund (HSF) was established under San Francisco City Charter Section A8.423
- The HSF budget covers 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.
- Projects include:
  - An updated member communications plan
  - Self-servicing eBenefits
  - Telephony replacement including the integration with customer relationship management (CRM)
  - Software, operating the All-Payer Claims Database
  - Health Plan Request for Proposal (RFP).
- Recommendation to the Board
  - **APPROVE SAN FRANCISCO HEALTH SERVICE SYSTEM FISCAL YEAR 2022-23 AND FISCAL YEAR 2023-2024 PROPOSED HEALTHCARE SUSTAINABILITY FUND BUDGET**
  - Approve budget requests to Mayor's office. Any items approved by the Mayor's office will become part of the HSS budget.

# HSS Impact on SF City and County Budget

## SF City and County Non-Pension Benefits - \$845 M

- HSS Impact
  - Rates negotiation, RFPs
  - Manages self insured plans
  - Wellness
  - EAP
  - Open enrollment

## General Fund - \$12.5 M

- Ongoing Expenses

## ***Healthcare Sustainability Fund - \$4 M – this presentation***

- ***Special projects***
- ***Funded with \$3 pmpm charge in benefit costs***
- ***Annual revenue of \$2.5 million.***
- ***Amounts over \$2.5 million use up remaining balances from prior years***

## Trust (7Q)

- Funds flow of health benefit premiums charges and payments.

## Outcome Improvements Related to HSF Projects

- Healthcare cost increases lower than benchmarks due to rate negotiations and RFP process
- High member engagement in health leading to lower costs
- Open enrollment and communication efforts leading to high adoption of electronic enrollment

# SF City and County Benefits

2022 rate increase 1.28% vs benchmarks of 4.2% - 6%

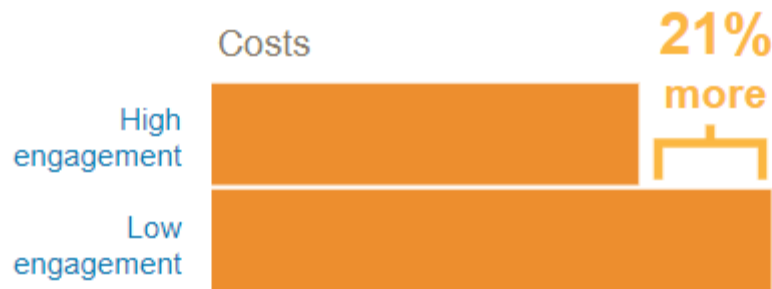
Saving \$24 M to \$39 M

	2021 Forecast	2022 Forecast	Increase / (Decrease), 2022 vs. 2021	Percent Change, 2022 vs. 2021
<b>City Costs Only</b>				
Kaiser HMO (Actives and Retirees)	\$330,919,154	\$341,058,893	\$10,139,738	3.06%
Blue Shield HMO (Actives and Early Retirees)	\$267,605,912	\$270,983,534	\$3,377,622	1.26%
Non-Medicare PPO (Actives and Early Retirees)*	\$33,609,210	\$34,333,695	\$724,485	2.16%
UHC MA PPO (Medicare Retirees)	\$57,574,499	\$58,245,869	\$671,370	1.17%
Subtotal Health/Basic Vision Plans (Actives and Retirees)	\$689,708,775	\$704,621,990	\$14,913,215	2.16%
Dental (Actives Only)	\$38,208,772	\$32,255,001	(\$5,953,771)	-15.58%
Long Term Disability and Life Insurance (Actives Only)	\$7,727,598	\$7,727,598	\$0	0.00%
<b>Total City Costs</b>	<b>\$735,645,145</b>	<b>\$744,604,589</b>	<b>\$8,959,444</b>	<b>1.22%</b>
<b>Employee and Retiree Costs Only</b>				
Kaiser HMO (Actives and Retirees)	\$40,918,253	\$42,090,184	\$1,171,931	2.86%
Blue Shield HMO (Actives and Early Retirees)	\$35,386,013	\$35,528,368	\$142,355	0.40%
Non-Medicare PPO (Actives and Early Retirees)*	\$9,986,443	\$10,314,081	\$327,638	3.28%
UHC MA PPO (Medicare Retirees)	\$8,080,517	\$8,176,472	\$95,955	1.19%
Subtotal Health/Basic Vision Plans (Actives and Retirees)	\$94,371,226	\$96,109,106	\$1,737,880	1.84%
Dental (Actives Only)	\$3,526,260	\$3,526,260	\$0	0.00%
Long Term Disability and Life Insurance (Actives Only)	\$767,813	\$767,813	\$0	0.00%
<b>Total Employee and Retiree Costs</b>	<b>\$98,665,299</b>	<b>\$69,133,049</b>	<b>\$1,737,880</b>	<b>1.76%</b>
<b>Total Costs</b>				
Kaiser HMO (Actives and Retirees)	\$371,837,408	\$383,149,077	\$11,311,669	3.04%
Blue Shield HMO (Actives and Early Retirees)	\$302,991,925	\$306,511,902	\$3,519,977	1.16%
Non-Medicare PPO (Actives and Early Retirees)*	\$43,595,653	\$44,647,776	\$1,052,123	2.41%
UHC MA PPO (Medicare Retirees)	\$65,655,016	\$66,422,341	\$767,325	1.17%
Subtotal Health/Basic Vision Plans (Actives and Retirees)	\$784,080,001	\$800,731,095	\$16,651,095	2.12%
Dental (Actives Only)	\$41,735,032	\$35,781,261	(\$5,953,771)	-14.27%
Long Term Disability and Life Insurance (Actives Only)	\$8,495,411	\$8,495,411	\$0	0.00%
<b>Total Costs</b>	<b>\$834,310,444</b>	<b>\$845,007,767</b>	<b>\$10,697,323</b>	<b>1.28%</b>
Benchmarks				
Low		\$24,343,715.30		4.2%
High		\$39,361,303.29		6.0%

# Wellness and Communication Programs Increase Engagement and Lower Costs

## Higher engagement, lower costs

Studies show that engaged patients experience better health outcomes at lower costs — one analysis found health care costs were **up to 21% greater** for less engaged patients.\*



\* Hibbard and Greene, *Health Affairs*, February 2013.

# HSS Wellness and Communication Plans are Effective

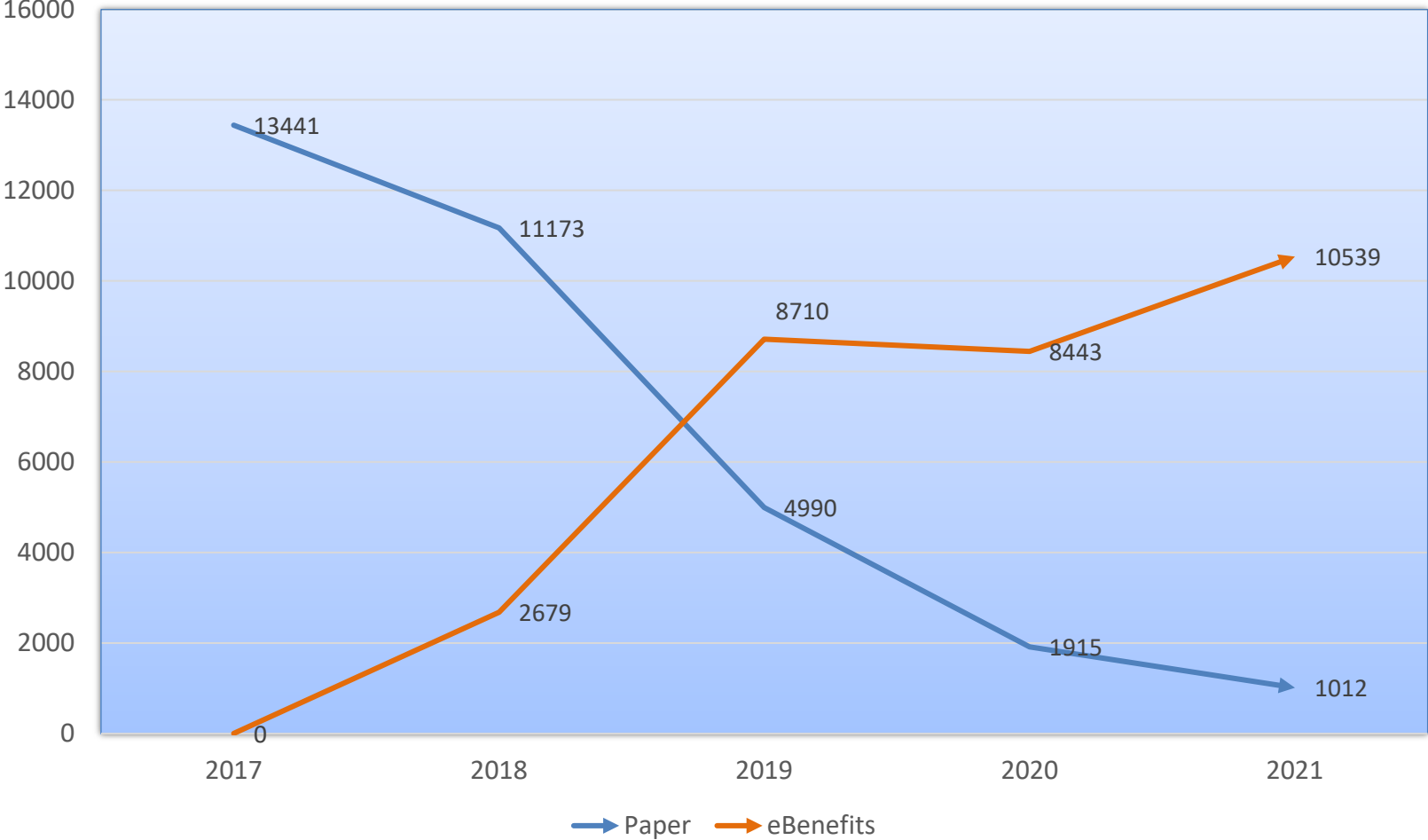
## Your results: overview

The percentages below represent the members who are engaged in each category.

Member engagement category	Member for 1 year or less			Member for longer than 1 year		
	Your group	Regional average	Industry average	Your group	Regional average	Industry average
<b>Getting connected</b> Registering and signing on to kp.org	66.0%	60.0%	65.6%	82.9%	79.3%	80.4%
<b>Knowing your numbers</b> Body mass index, blood pressure, exercise as a vital sign	37.8%	34.1%	47.5%	81.7%	79.0%	84.7%
<b>Staying up to date</b> Cancer screenings, flu shots, cholesterol, glucose	58.8%	48.7%	54.8%	87.1%	83.0%	85.8%
<b>Seeking care</b> Outpatient visits, nurse advice, secure messaging, filling prescriptions	52.7%	46.5%	51.7%	90.8%	86.9%	90.1%
<b>Improving health</b> Total Health Assessment, healthy lifestyle programs, Wellness Coaching by Phone	1.0%	1.0%	4.2%	0.9%	1.2%	3.2%

Note: Regional and industry averages are based on Kaiser Permanente membership.

# Advancing adoption of eBenefits





# HSF Budget Summary

Table I. B Summary - Prior Year-end Actual, Current Projected Year-end & Budget, Proposed Budget				
	FY 2020-21 Actuals	FY 2021-22 Projection	FY2022-23 BUDGET	FY2023-24 BUDGET
<b>Annual Revenue Sources</b>				
Premiums	\$ 2,568,786	\$ 2,578,896	\$ 2,552,366	\$ 2,553,643
Carryforward	\$ 4,400,869	\$ 4,654,823	\$ 3,969,332	\$ 1,949,808
Total Revenue Sources	6,969,655	7,233,719	6,521,697	4,503,451
<b>Annual Expenditure Uses</b>				
Personnel	\$ 1,302,331	\$ 1,639,838	\$ 2,040,624	\$ 2,091,193
Key Activities: Communications, Well-Being & Reducing Health Care Costs	1,012,371	\$ 1,624,549	\$ 2,102,265	\$ 2,065,550
Other: Contingency & Projects	-	\$ -	\$ 429,000	\$ 50,000
Total Expenditures	2,314,702	3,264,387	4,571,889	4,206,743
<b>Revenues Less Expenditures</b>	4,654,953	3,969,332	1,949,808	296,708

- FYE 2022 expenses close to plan. FYE 2021 lower due to delays
- FYE 24 ending balance of fund is down to \$296K
- Need to transition costs to General fund or Find Additional sources in FYE 2025

# HSF Budget Labor

	FY2021-22 Revised Budget	FY2021-22 Projection	FY2022-23 Budget	FY2023-24 Budget
<b>FTE's</b>	9.15	8.85	9.40	9.61
<b>Personnel</b>	\$ 2,058,244	\$ 1,639,838	\$ 2,040,624.13	\$ 2,091,192.59

- Small FTE changes due to vacancies and timing of recruitment

## HSF Budget Expenses by Initiative

	FY2021-22 Revised Budget	FY2021-22 Projection	FY2022-23 Budget	FY2023-24 Budget
<b>EXPENDITURE USES</b>				
<b>Personnel</b>	\$ 2,058,244.00	\$ 1,639,838.00	\$ 2,040,624.13	\$ 2,091,192.59
<b>Administrative</b>	\$ 45,655	\$ 30,000	\$ 45,500	\$ 45,500
<b>Member Communications</b>	557,749	443,500	775,500	785,500
<b>Communications - Other</b>	683,452	510,682	548,320	302,605
<b>Well-Being</b>	451,639	282,860	236,500	297,500
<b>Initiatives to Reduce Health Care Costs</b>	408,827	357,508	496,445	634,445
<b>Other: Contingency &amp; Special Projects</b>	429,000	-	429,000	50,000
	\$ 2,576,322	\$ 1,624,549	\$ 2,531,265	\$ 2,115,550
<b>TOTAL EXPENDITURES:</b>	\$ 4,634,566	\$ 3,264,387	\$ 4,571,889	\$ 4,206,743

Contingency and other items was moved from FYE 2022 budget to FYE 2023. It includes dependent eligibility audit and benefit selection assistance tools.

## Requests to Mayor's Office

- Transition Wellness and Communication from HSF to General Fund
  - Transitioned over 3 years
  - Programs implemented in HSF fund and have made an impact in reducing healthcare costs.
  - Trust fund will be depleted FYE 2024.

<b>Wellness and Communication - 3 year transition</b>	<b>FY22-23</b>	<b>FY23-24</b>
Personnel cost	305,182	305,910
Non Personnel	253,110	295,680
total	558,292	601,590