

**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

Health 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%

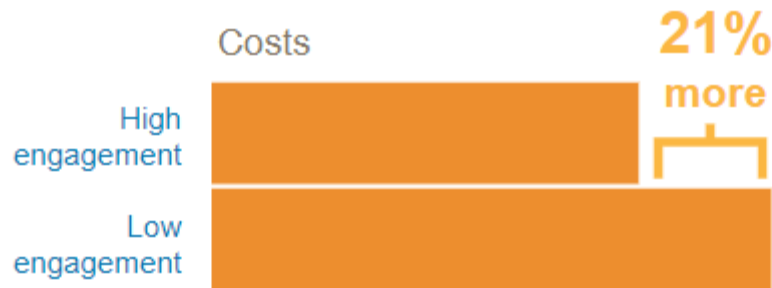
Saving \$24 M to \$39 M

	2021 Forecast	2022 Forecast	Increase / (Decrease), 2022 vs. 2021	Percent Change, 2022 vs. 2021
City Costs Only				
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%
Total City Costs	\$735,645,145	\$744,604,589	\$8,959,444	1.22%
Employee and Retiree Costs Only				
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%
Total Employee and Retiree Costs	\$98,665,299	\$69,133,049	\$1,737,880	1.76%
Total Costs				
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%
Total Costs	\$834,310,444	\$845,007,767	\$10,697,323	1.28%
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

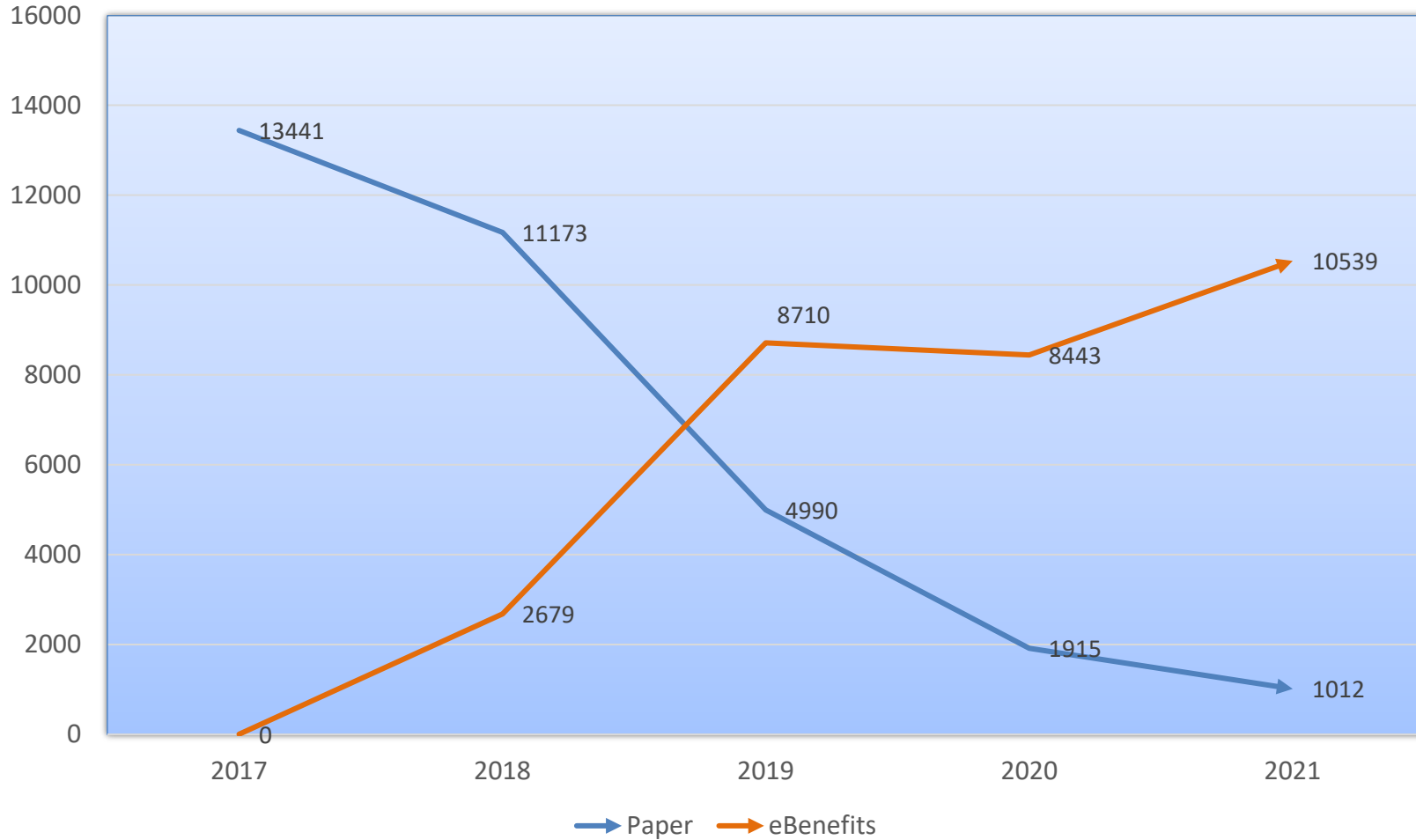
Your results: overview

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
Getting connected Registering and signing on to kp.org	66.0%	60.0%	65.6%	82.9%	79.3%	80.4%
Knowing your numbers Body mass index, blood pressure, exercise as a vital sign	37.8%	34.1%	47.5%	81.7%	79.0%	84.7%
Staying up to date Cancer screenings, flu shots, cholesterol, glucose	58.8%	48.7%	54.8%	87.1%	83.0%	85.8%
Seeking care Outpatient visits, nurse advice, secure messaging, filling prescriptions	52.7%	46.5%	51.7%	90.8%	86.9%	90.1%
Improving health 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

	FY 2020-21 Actuals	FY 2021-22 Projection	FY2022-23 Budget	FY 2022-23 BUDGET	FY 2023-24 BUDGET
Annual Revenue Sources					
Premiums	\$ 2,568,786	\$ 2,578,896	\$ 2,585,343	\$ 2,552,366	\$ 2,553,643
Carryforward	4,400,869	4,654,823	2,220,296	3,969,332	1,949,808
Total Revenue Sources	\$ 6,969,655	\$ 7,233,719	\$ 4,805,639	\$ 6,521,697	\$ 4,503,451
Annual Expenditure Uses					
Personnel	\$ 1,302,331	\$ 1,639,838	\$ 2,160,975	\$ 2,040,624	\$ 2,091,193
Key Activities: Communications, Well-Being & Reducing Health Care Costs	1,012,371	1,624,549	1,299,199	2,102,265	2,065,550
Other: Contingency & Projects	-	-	50,000	429,000	50,000
Total Expenditures	\$ 2,314,702	\$ 3,264,387	\$ 3,510,174	\$ 4,571,889	\$ 4,206,743
Revenues Less Expenditures	\$ 4,654,953	\$ 3,969,332	\$ 1,295,465	\$ 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
FTE's	9.15	8.85	9.40	9.61
Personnel	\$ 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
EXPENDITURE USES				
Personnel	\$ 2,058,244.00	\$ 1,639,838.00	\$ 2,040,624.13	\$ 2,091,192.59
Administrative	\$ 45,655	\$ 30,000	\$ 45,500	\$ 45,500
Member Communications	557,749	443,500	775,500	785,500
Communications - Other	683,452	510,682	548,320	302,605
Well-Being	451,639	282,860	236,500	297,500
Initiatives to Reduce Health Care Costs	408,827	357,508	496,445	634,445
Other: Contingency & Special Projects	429,000	-	429,000	50,000
	\$ 2,576,322	\$ 1,624,549	\$ 2,531,265	\$ 2,115,550
TOTAL EXPENDITURES:	\$ 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.

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