

# SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

DATE: February 9, 2023  
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, 2022

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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, 2022 and projections for FYE 2023

## **Executive Summary**

### **Trust Fund**

- In the first six months, the trust decreased by \$3.3M due to stabilization and higher medical claims offset in part by the Sutter settlement distribution. The FYE projected net decrease is \$15M.
- For the six months, net claims were \$12.6M higher. Medical claims were \$13.9M higher offset by \$1.2M lower dental claims.
- Pharmacy rebates in the first six months were \$4M and projected to be \$14.7 million for the fiscal year.

### **Health Sustainability Fund**

Healthcare Sustainability Fund projected FYE balance will decrease by \$1.7M as budgeted.

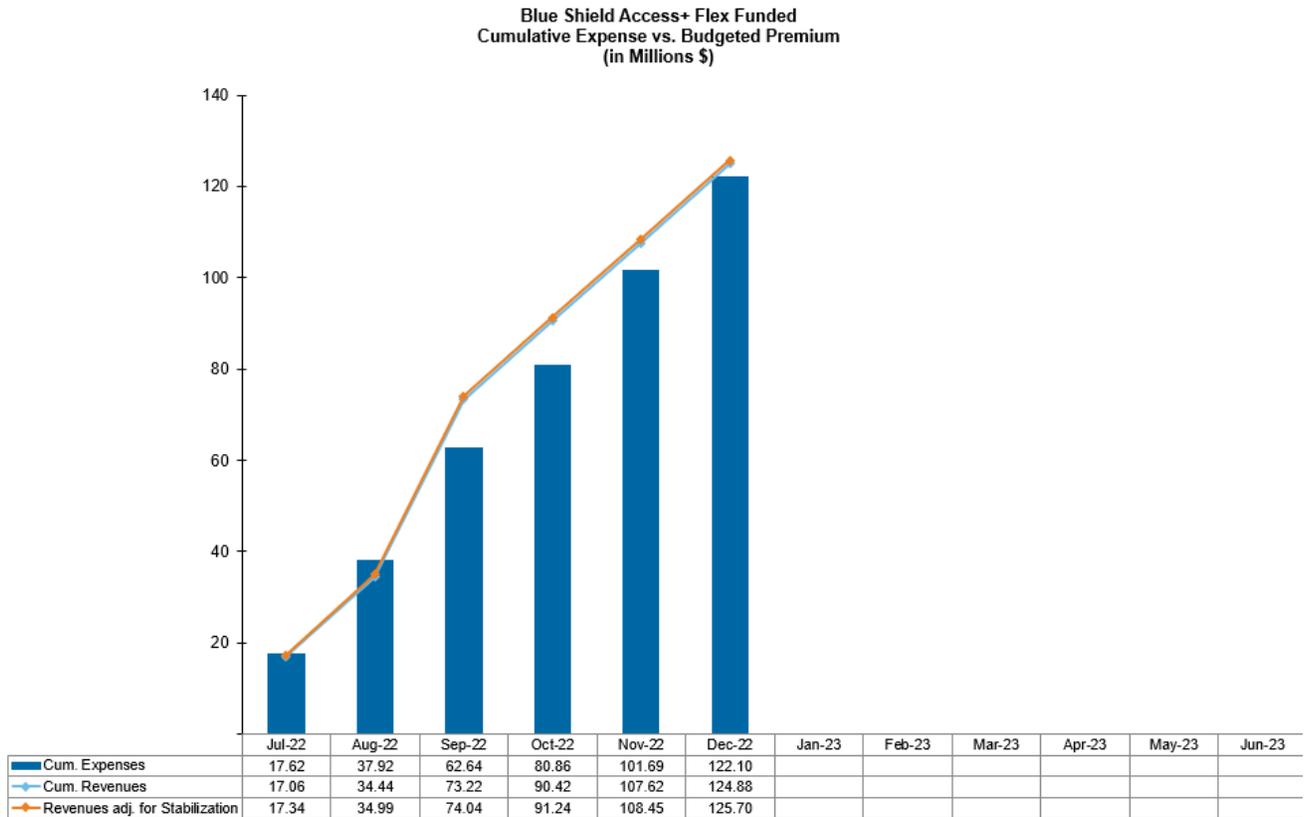
### **General Fund**

The GF has a surplus in the first six months primarily due to lower personnel expenses because of vacancies. Cost of services from other departments is low due to timing delay and will reverse by fiscal year end.

**Detailed Analysis by Fund**

**Blue Shield Access+ Flex Funded Plan**

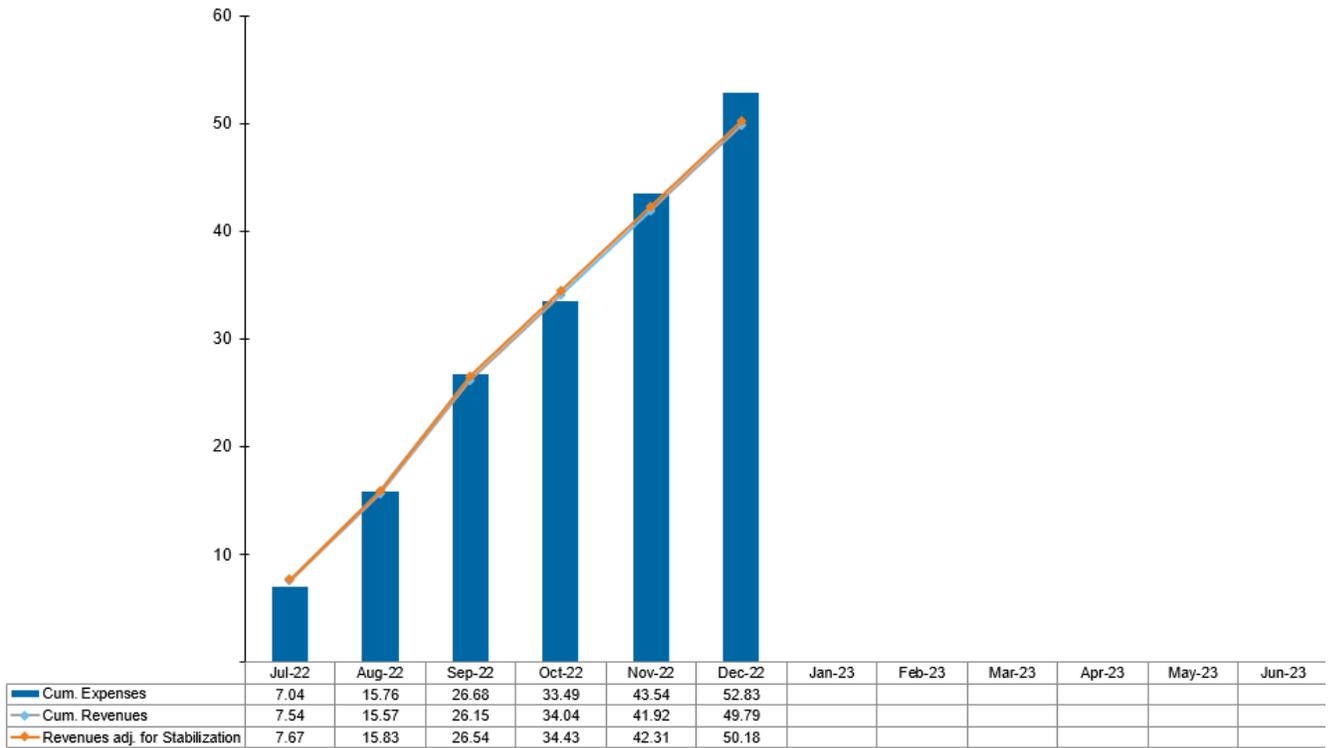
YTD revenues include \$14.7M Sutter settlement. Projected FYE balance will decrease by \$5.9M as high claims and rate stabilization offset the settlement distribution.



**Blue Shield Trio Flex-Funded Plan**

Expecting \$4.5M net decrease by FYE due to rate stabilization and high claims.

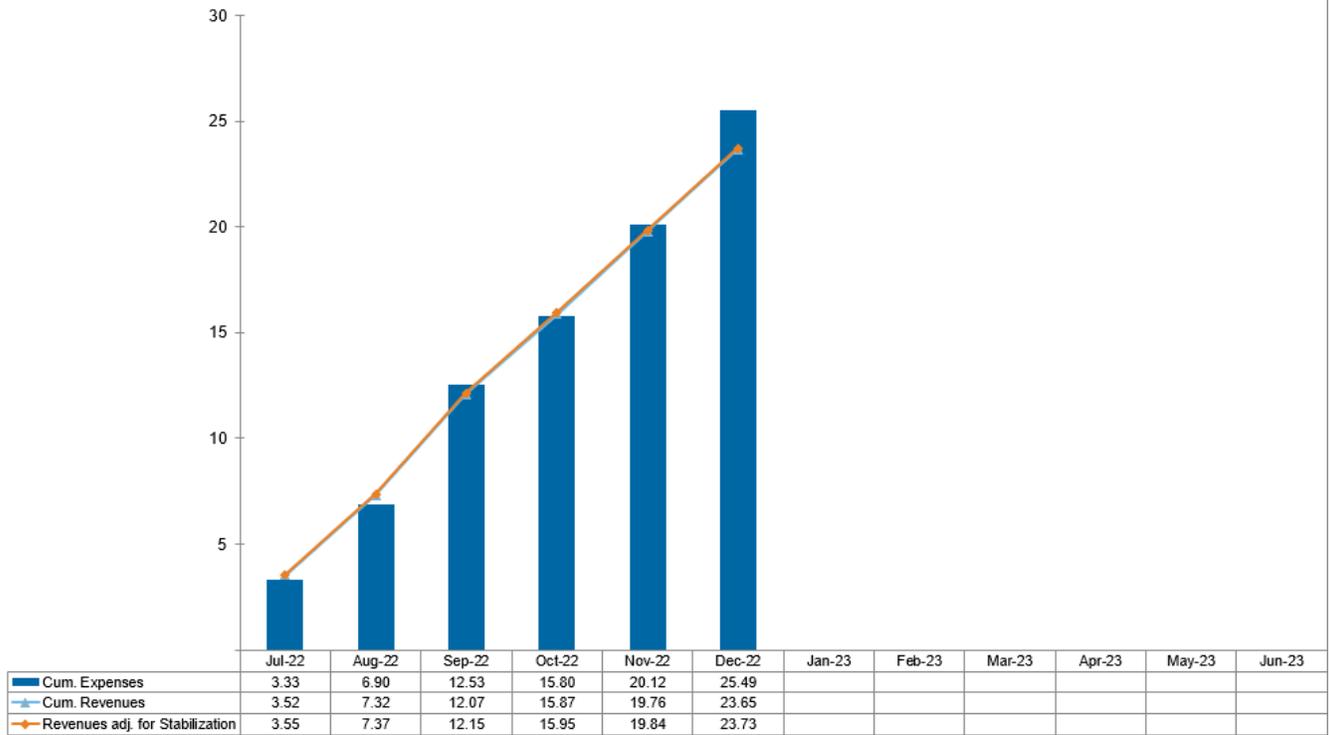
Blue Shield Trio Flex Funded  
 Cumulative Expense vs. Budgeted Premium  
 (in Millions \$)



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

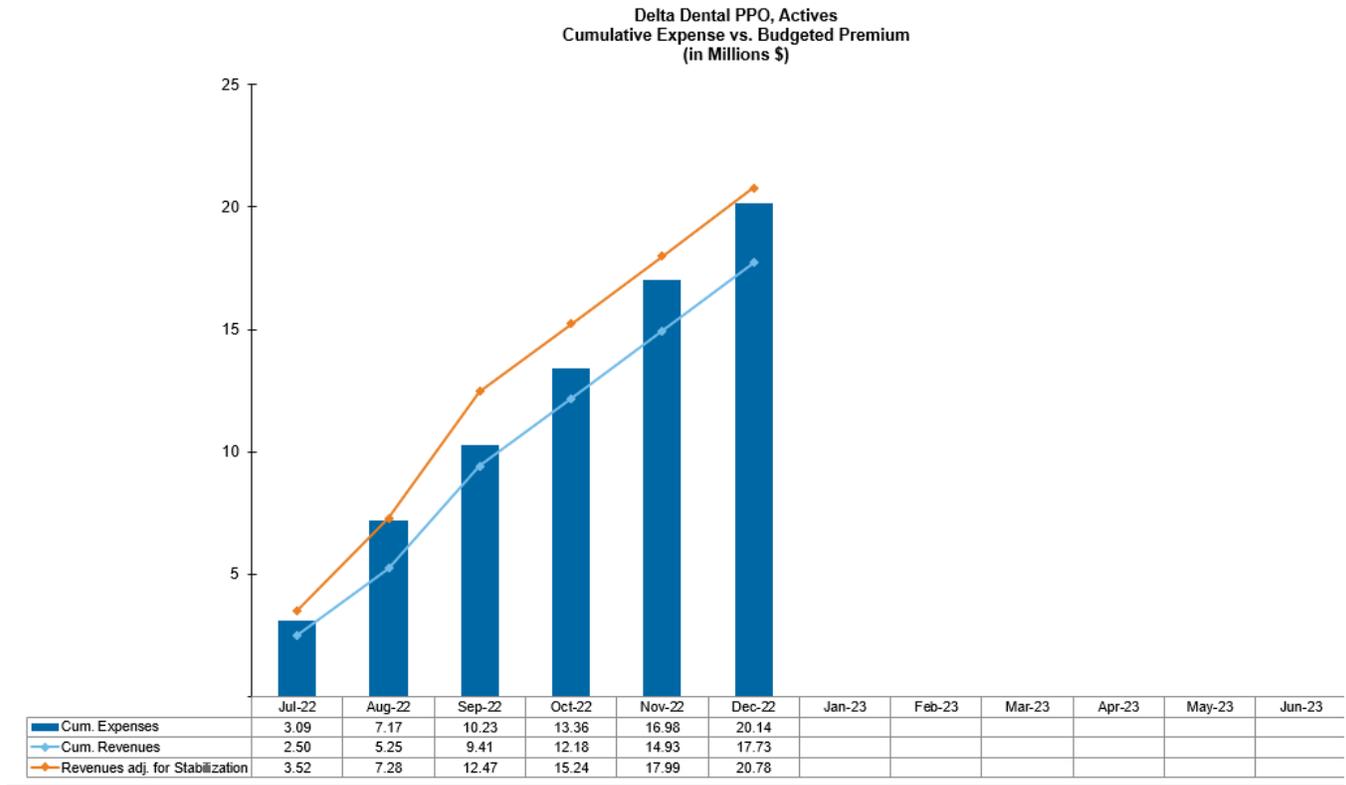
The administration of the self-funded PPO migrated from United to Blue Shield starting in January 2022. The table below shows the combined results of the plan. Projecting a FYE decrease of \$2.6M due to high claims.

Blue Shield and United Health Care PPO Plan  
 Cumulative Expense vs. Budgeted Premium  
 (In Millions \$)



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

Projected decrease for the year is \$1.4M as rate stabilization is offset by lower claims.



**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 2023 budget includes carry forwards for commitments made before June 31, 2022, reduction in salaries due to movement of funding for 2 positions to the General Fund and updating the beginning fund balance to actual. The projection for the year is at budget.

SAN FRANCISCO HEALTH SERVICE SYSTEM <small>Affordable, Quality Benefits &amp; Well-Being</small>					Healthcare Sustainability Fund FY 2022-23		
	FY 2021-22 Total Actual	FY2022-23 Budget Request (HSS Board Approved)	FY2022-23 Carryforward Budget	FY2022-23 Adjustments	FY 2022-23 Revised Budget + Adj C/F	FY 2022-23 Actuals Dec YTD	FY 2022-23 Projection
<b>REVENUE SOURCES</b>							
Annual Revenues	\$ 2,544,616	\$ 2,552,366		\$ -	\$ 2,552,366	\$ 1,262,736	\$ 2,552,366
Carryforward from Fund Balance	4,527,332	3,969,332		467,843	\$ 4,437,175	-	4,437,175
<b>TOTAL</b>	<b>\$ 7,071,948</b>	<b>\$ 6,521,697</b>	<b>\$ -</b>	<b>\$ 467,843</b>	<b>\$ 6,989,540</b>	<b>\$ 1,262,736</b>	<b>\$ 6,989,541</b>
<b>EXPENDITURE USES</b>							
<b>Personnel</b>	<b>\$ 1,549,921</b>	<b>\$ 2,040,623</b>		<b>\$ (567,427)</b>	<b>\$ 1,473,196</b>	<b>\$ 446,031</b>	<b>\$ 1,473,196</b>
Administrative	6,517	30,000	18,992	115,500	164,492	6,932	164,492
Member Communications	433,331	467,000	69,403	255,500	791,903	324,899	791,903
Communications - Other	243,515	233,870	106,736	314,450	655,056	14,834	655,056
Well-Being	113,849	189,500	64,254	27,000	280,754	71,389	280,754
Initiatives to Reduce Health Care Costs	287,640	378,829	-	249,000	627,829	221,786	627,829
Other Projects	-	50,000	-	220,616	270,616	-	270,616
<b>TOTAL</b>	<b>\$ 2,634,773</b>	<b>\$ 3,389,822</b>	<b>\$ 259,385</b>	<b>\$ 614,639</b>	<b>\$ 4,263,846</b>	<b>\$ 1,085,871</b>	<b>\$ 4,263,846</b>
<b>REVENUE - EXP. (excl. carry forward fund balance)</b>	<b>(90,157)</b>	<b>(837,456)</b>	<b>(259,385)</b>	<b>(614,639)</b>	<b>(1,711,480)</b>	<b>176,866</b>	<b>(1,711,480)</b>
<b>BALANCE</b>	<b>\$ 4,437,175</b>	<b>\$ 3,131,875</b>	<b>\$ (259,385)</b>	<b>\$ (146,796)</b>	<b>\$ 2,725,694</b>	<b>\$ 176,866</b>	<b>\$ 2,725,695</b>

\*Projection based on 6 months of actuals including the carryforward funding from FY 2021-22

**Pharmacy Rebates**

Pharmacy rebates from the health plans administering the Flex and Self-Funded health plans are \$4M through December and projected to be \$12.8M for the year.

	Actual	Projected RX
Blue Shield Access+ HMO	2,435,283	8,840,000
Blue Shield Trio HMO	1,170,041	4,160,000
UHC Administered PPO	452,779	1,760,000
<b>TOTAL</b>	<b>\$ 4,058,103</b>	<b>\$ 14,760,000</b>

**General Fund**

- The FY 2023 budget has been adjusted for carryforward commitments made before June 31, 2022. Personnel services budget includes funding of two positions from the health sustainability fund budget. Net activity is ahead of budget due to vacancies and billing delays for cost of services from other departments. Projecting a \$376K surplus for the year.

**SAN FRANCISCO  
HEALTH SERVICE SYSTEM**  
Affordable, Quality Benefits & Well-Being

**General Fund Administration Budget FY 2022-23  
ANNUALIZED AS OF 12/31/22**

	FY 2022-23 Approved Budget	FY2022-23 Carryforward Budget	FY 2022-23 Revised Budget	FY 2022-23 Actuals	Total Actual YTD	FYE 2022-23 Projection
<b>REVENUES</b>						
Non-Operating Revenue	\$ 9,131		\$ 9,131	\$ -	\$ -	\$ -
Operating Work Order Recovery	13,091,603		13,091,603	6,545,552	6,545,552	13,091,603
Other Revenue	450,000		450,000	-	-	400,000
General Fund Carryforward	-	277,942	277,942	277,942	277,942	436,942
Interfund Transfer	-		-	-	-	-
<b>TOTAL REVENUES</b>	<b>\$ 13,550,734</b>	<b>\$ 277,942</b>	<b>\$ 13,828,676</b>	<b>\$ 6,823,494</b>	<b>\$ 6,823,494</b>	<b>\$ 13,928,545</b>
<b>EXPENDITURES</b>						
Personnel Services	\$ 6,353,817		\$ 6,353,817	\$ 2,700,793	\$ 2,700,793	\$ 6,053,817
Mandatory Fringe Benefits	2,862,833		2,862,833	1,244,213	1,244,213	2,727,850
Non-personnel Services	2,314,006	196,981	2,510,987	1,074,095	1,074,095	2,510,987
Materials & Supplies	61,362	26,594	87,956	24,068	24,068	87,956
Services of Other Departments	1,958,716	213,367	2,172,083	914,609	914,609	2,172,083
			-			
<b>TOTAL EXPENDITURES</b>	<b>\$ 13,550,734</b>	<b>\$ 436,942</b>	<b>\$ 13,987,676</b>	<b>\$ 5,957,778</b>	<b>\$ 5,957,778</b>	<b>\$ 13,552,693</b>
<b>BALANCE</b>	<b>\$ -</b>	<b>\$ (159,000)</b>	<b>\$ (159,000)</b>	<b>\$ 865,716</b>	<b>\$ 865,716</b>	<b>\$ 375,852</b>

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

	<b>FY22-23</b>	<b>FY22-23</b>
	Year-to-Date Actual Net as of 12/31/22	Projected Year-End Annual Net
<b>SUMMARY</b>		
<b>Flex/Self Insurance</b>		
Blue Shield-Access+	2,780,070	(5,853,954) (a), (h)
Blue Shield-Trio	(3,034,365)	(4,526,572) (a)
Blue Shield and United PPO	(1,839,743)	(2,623,545) (b)
Health Net Canopy Care	663,756	-
Delta Dental PPO, Actives	(2,413,785)	(1,367,571) (c)
<b>Fully Insured Plans</b>		
Medical HMOs	(1,195,800)	-
Dental	(3,295)	-
LTD/Flexible Benefits/FSA/Health Net Canopy Care	938,332	-
Healthcare Sustainability Fund (\$3.00)	176,865	(1,711,480) (d)
<b>Savings &amp; Investments</b>		
Interest	-	800,000
Performance guarantees	619,103	619,103 (e)
Surrogacy and adoption	(32,325)	(32,325)
Transfers Out	0	(400,000) (g)
<b>TOTAL</b>	<b>(3,341,186)</b>	<b>(15,096,344)</b>
<b>Net assets</b>		
Beginning of the year		<u>106,715,642</u>
End of the year		<u>91,619,298</u>

(a) Annual Projection is net of claim stabilization of \$2.4 million to decrease 2022 rates, \$3.3 million to decrease 2023 rates, Pharmacy rebate of \$13.0 million, and settlement of \$14.8 million

(b) Annual Projection is net of claim stabilization of \$0.2 million to decrease 2022 rates, \$0.2 million to increase 2023 rates, and Pharmacy rebate of \$1.7 million

(c) Annual Projection is net of claim stabilization of \$6.1 million to reduce 2022 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 2022-2023

(f) Reflects use of fund balance

(g) Transfer of \$0.4M from forfeitures to General Fund.

(h) Includes \$14.8M Sutter settlement distribution

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

<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*, **	124,876,588	122,096,518	2,780,070
Blue Shield Trio HMO*	49,793,116	52,827,481	(3,034,365)
Blue Shield and United PPO	23,650,739	25,490,482	(1,839,743)
Health Net Canopy Care	1,768,422	1,104,666	663,756
Delta Dental PPO- (Active only)	17,726,154	20,139,940	(2,413,785)
<b>TOTAL FLEX/SELF-INSURED PLANS</b>	<b>217,815,019</b>	<b>221,659,087</b>	<b>(3,844,067)</b>
<b>FULLY INSURED PLANS</b>			
UHC MAPD	45,253,008	45,253,008	-
Kaiser-HMO	234,908,765	236,099,104	(1,190,339)
Vision Service Plan	4,692,281	4,697,742	(5,461)
Sub-total HMO	284,854,054	286,049,854	(1,195,800)
Delta Dental PPO - Retirees	9,015,746	9,015,746	-
Delta Care	400,416	403,257	(2,841)
UHC Dental	207,571	208,025	(454)
Sub-total Dental	9,623,732	9,627,027	(3,295)
Long Term/Short Term Disability	4,186,984	4,189,970	(2,986)
Flexible Benefits	2,042,167	2,042,095	72
Flexible Spending-Dependent Care	2,215,070	2,237,373	(22,302)
Flexible Spending -Medical Reimbursement	5,140,788	4,177,239	963,549
Healthcare Sustainability Fund (\$3.00)	1,262,736	1,085,871	176,865
Adoption & Surrogacy	-	32,325	(32,325)
Sub-total Other Benefits	14,847,746	13,764,873	1,082,873
<b>TOTAL FULLY INSURED PLANS</b>	<b>309,325,531</b>	<b>309,441,754</b>	<b>(116,222)</b>
<b>SAVINGS AND INVESTMENTS</b>			
Interest	-	-	-
Performance guarantees	619,103	-	619,103
Forfeitures	-	-	-
<b>TOTAL SAVINGS &amp; INVESTMENTS</b>	<b>619,103</b>	<b>-</b>	<b>619,103</b>
<b>TRANSFERS OUT OF FORFEITURES</b>			
			<b>0</b>
<b>TOTAL FUNDS</b>	<b>527,759,654</b>	<b>531,100,841</b>	<b>(3,341,186)</b>

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

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

<i>ACTIVE &amp; RETIRED COMBINED</i>	For 6 Months Ended December 31, 2022	For 6 Months Ended December 31, 2021	\$ Change	% Change
<b>FLEX/SELF-INSURED PLANS</b>				
Blue Shield-Access+ HMO				
Revenues	124,876,588	113,671,719	11,204,870	9.9% b
Expenses	(122,096,518)	(109,691,055)	(12,405,463)	11.3% f
Net Blue Shield-Access Excess(Shortage)	2,780,070	3,980,664	(1,200,594)	-30.2%
Blue Shield-Trio HMO				
Revenues	49,793,116	51,665,211	(1,872,095)	-3.6%
Expenses	(52,827,481)	(55,680,301)	2,852,820	-5.1% i
Net Blue Shield-Trio Excess(Shortage)	(3,034,365)	(4,015,090)	980,724	-24.4%
Blue Shield and United PPO				
Revenues	23,650,739	21,921,904	1,728,835	7.9%
Expenses	(25,490,482)	(23,366,429)	(2,124,053)	9.1%
Net BSC and United PPO Excess(Shortage)	(1,839,743)	(1,444,525)	(395,218)	
Health Net Canopy Care				
Revenues	1,768,422	0	1,768,422	
Expenses	(1,104,666)	0	(1,104,666)	
Net Health Net Canopy Care Excess(Shortage)	663,756	0	663,756	
Delta Dental PPO (Active only)				
Revenues	17,726,154	21,156,880	(3,430,726)	-16.2% h
Expenses	(20,139,940)	(20,651,802)	511,862	-2.5% i
Net Delta Dental PPO- (Active Only) Excess(Shortage)	(2,413,785)	505,078	(2,918,864)	-577.9%
<b>NET FLEX/SELF-INSURED PLANS</b>	<b>(3,844,067)</b>	<b>(973,873)</b>	<b>(2,870,194)</b>	<b>294.7%</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 2022-2023 VS FY 2021-2022  
YEAR-TO-DATE: DECEMBER 31, 2022

ACTIVE & RETIRED COMBINED	For 6 Months Ended December 31, 2022	For 6 Months Ended December 31, 2021	\$ Change	% Change
<b>FULLY INSURED PLANS</b>				
Kaiser-HMO				
Revenues	234,908,765	232,055,613	2,853,152	1.2% d
Expenses	(236,099,104)	(234,178,776)	(1,920,328)	0.8% d, l
Net Kaiser- HMO Excess(Shortage)	(1,190,339)	(2,123,163)	932,824	-43.9% K
UHC MAPD				
Revenues	45,253,008	43,448,233	1,804,774	4.2% d, l
Expenses	(45,253,008)	(43,448,233)	(1,804,774)	4.2% d, l
Net UHC MAPD Excess(Shortage)	0	0	0	
Vision Service Plan, All (City Plan & HMO)				
Revenues	4,692,281	4,551,980	140,302	3.1% d, l
Expenses	(4,697,742)	(4,565,228)	(132,514)	2.9% d, l
Net Vision Service Plan Excess(Shortage)	(5,461)	(13,249)	7,788	-58.8%
Delta Dental PPO - Retirees				
Revenues	9,015,746	8,368,260	647,485	7.7%
Expenses	(9,015,746)	(8,368,260)	(647,485)	7.7%
Net Delta Dental PPO - Retirees Excess(Shortage)	0	0	0	
Delta Care				
Revenues	400,416	396,473	3,942	1.0%
Expenses	(403,257)	(394,332)	(8,925)	2.3%
Net Delta Care Excess(Shortage)	(2,841)	2,141	(4,982)	-232.7%
UHC Dental				
Revenues	207,571	226,264	(18,694)	-8.3%
Expenses	(208,025)	(223,952)	15,928	-7.1%
Net UHC Dental Excess(Shortage)	(454)	2,312	(2,766)	-119.6%
Long Term/Short Term Disability				
Revenues	4,186,984	4,684,354	(497,370)	-10.6%
Expenses	(4,189,970)	(4,028,860)	(161,111)	4.0%
Net Long Term/Short Term Disability Excess(Shortage)	(2,986)	655,495	(658,481)	-100.5% k
Flexible Benefits				
Revenues	2,042,167	1,879,153	163,014	8.7% g
Expenses	(2,042,095)	(1,879,153)	(162,942)	8.7% g
Net Flexible Benefits Excess(Shortage)	72	0	72	
Flexible Spending-Dependent Care				
Revenues	2,215,070	3,167,453	(952,382)	-30.1% c
Expenses	(2,237,373)	(2,731,018)	493,645	-18.1% c
Net Flexible Spending-Dependent Care Excess(Shortage)	(22,302)	436,435	(458,737)	-105.1%
Flexible Spending -Medical Reimbursement				
Revenues	5,140,788	4,494,565	646,223	14.4% g
Expenses	(4,177,239)	(3,993,305)	(183,934)	4.6% f
Net Flexible Spending-Medical Reimbursement Excess(Shortage)	963,549	501,260	462,289	92.2%
Adoption & Surrogacy				
Expenses	(32,325)	0	(32,325)	
Healthcare Sustainability Fund (\$3.00)				
Revenues	1,262,736	1,298,909	(36,173)	-2.8%
Expenses	(1,085,871)	(1,384,659)	298,788	-21.6% e
Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	176,865	(85,750)	262,616	-306.3%
<b>NET FULLY INSURED PLANS</b>	<b>(116,222)</b>	<b>(624,519)</b>	<b>508,297</b>	<b>-81.4%</b>
<b>SAVINGS AND INVESTMENTS</b>				
Interest	0	0	0	
Performance guarantees	619,103	21,630	597,473	
Forfeitures	0	0	0	
<b>TOTAL SAVINGS &amp; INVESTMENTS</b>	<b>619,103</b>	<b>21,630</b>	<b>597,473</b>	<b>1616.8%</b>
<b>TOTAL NET EXCESS (SHORTAGE)</b>	<b>(3,341,186)</b>	<b>(1,576,762)</b>	<b>(1,764,424)</b>	<b>111.9%</b>

Notes:

- a decrease in membership
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- f increase in claims
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- h decrease in rates
- l increase in rates
- j decrease in claims
- k Payperiod Timing