

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

Memorandum

DATE: January 9, 2020
TO: Karen Breslin, President and Members of the Health Service Board
FROM: Pamela Levin, Chief Financial Officer
RE: Financial Report as of October 31, 2019

This report summarizes revenues and expenses of the Employee Benefit Trust Fund (Trust Fund) and the General Fund Administration Budget for the first four months of FY 2019-20, as well as fiscal year-end projections through June 30, 2020.

Employee Benefit Trust Fund

On June 30, 2019, the audited Trust Fund balance was \$92.2 million. Based on activity through October 2019, the fund balance is projected to be \$90.6 million as of June 30, 2020. The projected \$1.6 million decrease includes reserves for unpaid claims and is a result of the following changes:

	Change in Fund Balance (in millions)	Page
United Health Care PPO Plan	\$ 0.1	2
Blue Shield Access+ Flex-Funded Plan	11.0	3
Blue Shield Trio Flex-Funded Plan	(6.7)	4
Delta Dental Self-Funded Plan	(4.3)	5
Health Care Sustainability Fund	(1.9)	6
Interest	1.0	6
Performance Guarantees	0.0	6
Performance Guarantees – Surrogacy and Adoption Assistance Plan	(0.2)	6
Forfeitures	0.0	6
Transfers Out	(0.6)	6
Total	\$ (1.6)	

Pharmacy Rebates are discussed on page 7.

General Fund Administration Budget

Based on the financial results for the first four months of FY 2019-20, the General Fund Administration budget is projected to end the year with no balance.

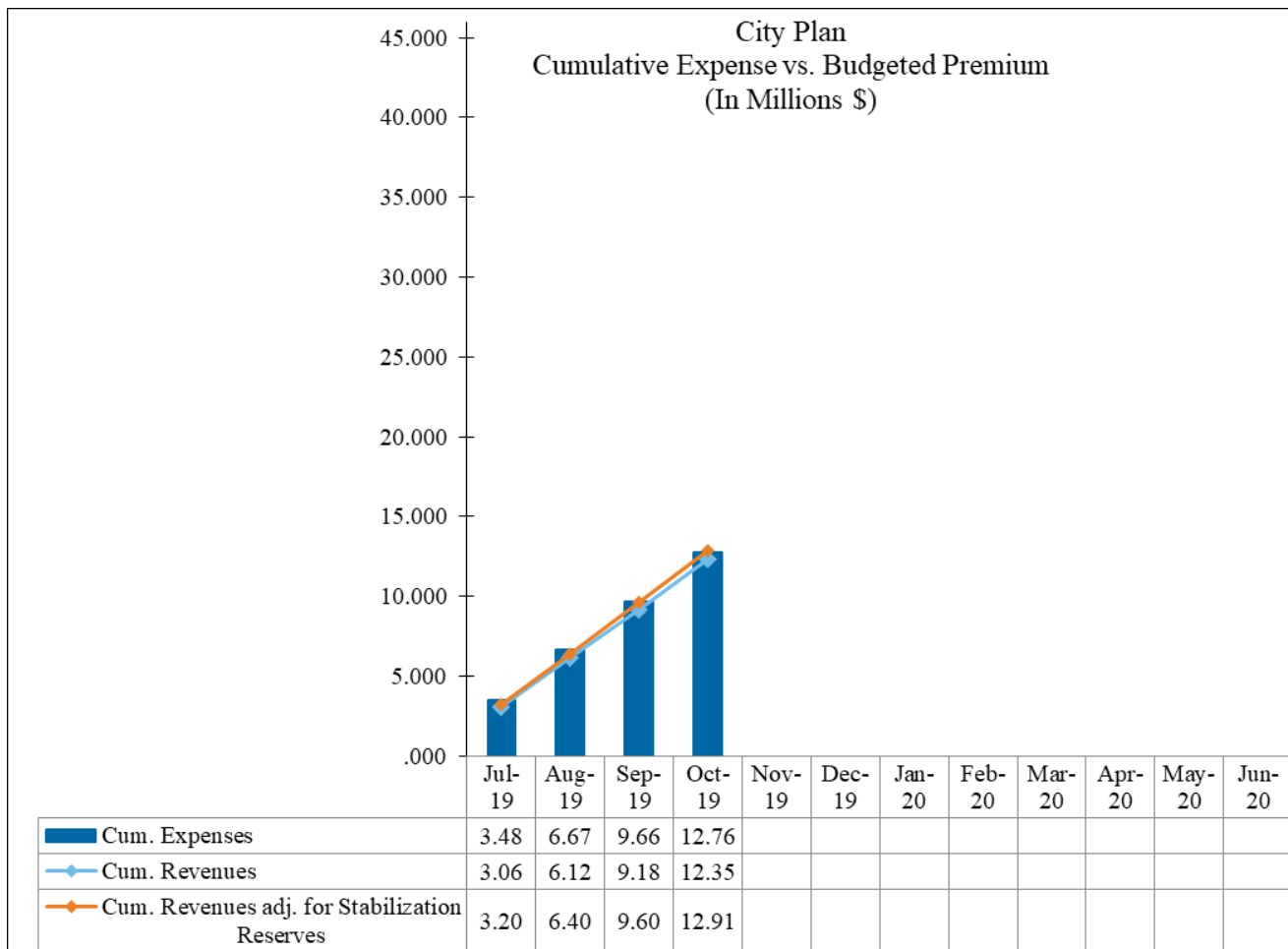
United Health Care PPO Plan

Fiscal Year End Projection

A \$0.1 million increase in fund balance is projected as a result of the following:

- a. \$1.0 million decrease in fund balance:
 - \$0.8 million associated with subsidizing 2019 rates (for the first six months of FY 2019-20) from the claim stabilization reserve
 - \$0.2 million decrease in fund balance due to unfavorable claim experience
- b. \$1.1 million increase in fund balance:
 - \$0.1 million associated with the increase in 2020 rates (for the second six months of FY 2019-20) to recover the 2018 deficit
 - \$1.0 million of pharmacy rebates (additional information on page 7)

First Four (4) months



With four months of experience, cumulative expenses for UHC PPO track \$0.15 M less than the expected cost levels regardless of whether cumulative expenses are compared to the actual revenues (\$12.76 M - \$12.91 M) and when the cumulative expenses are compared to cumulative revenues with the \$0.56 M buy-down for the rate stabilization reserves (12.76 M - (\$12.35 M + \$0.56 M)).

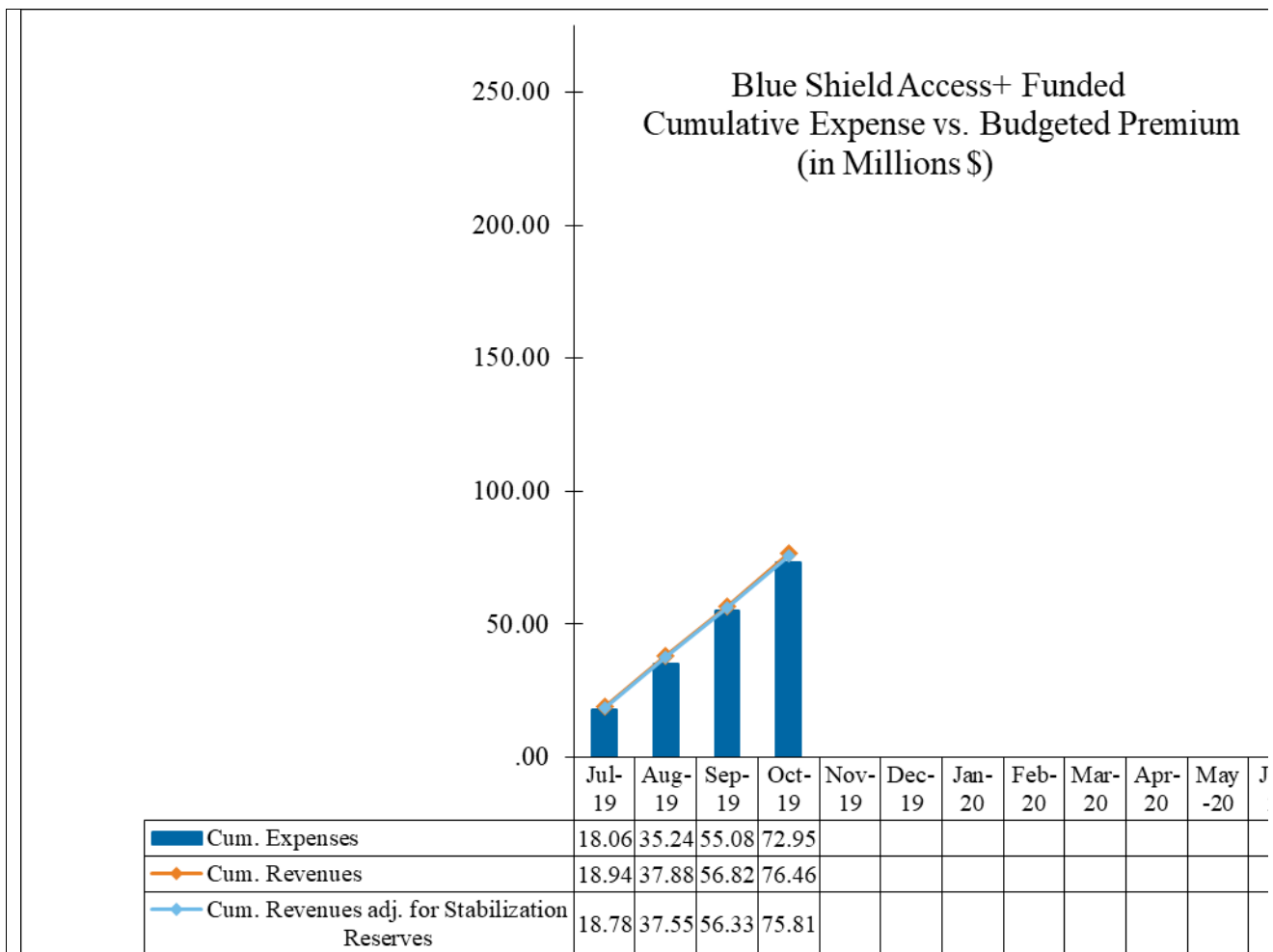
Blue Shield Access+ Flex Funded Plan

Fiscal Year End Projection

A \$11.0 million increase in fund balance is projected resulting from:

- \$1.0 million associated with the increase in 2019 rates (for the first six months of FY 2019-20) to recover the 2017 deficit
- \$0.6 million associated with the increase in 2020 rates (for the second six months of FY 2019-20) to recover the 2018 deficit
- \$4.8 million of pharmacy rebates (additional information on page 7)
- \$4.6 million due to favorable claim experience

First Four (4) months



With four months of experience, cumulative expenses for BSC Access+ track \$2.86 M less than the expected cost levels regardless of whether cumulative expenses are compared to the actual revenues (\$72.95 M - \$75.81 M) and when the cumulative expenses are compared to cumulative revenues with the \$0.65 M buy-up for the rate stabilization reserves (\$72.95 M – (\$76.46 M - \$75.81 M)).

Blue Shield Trio Flex-Funded Plan

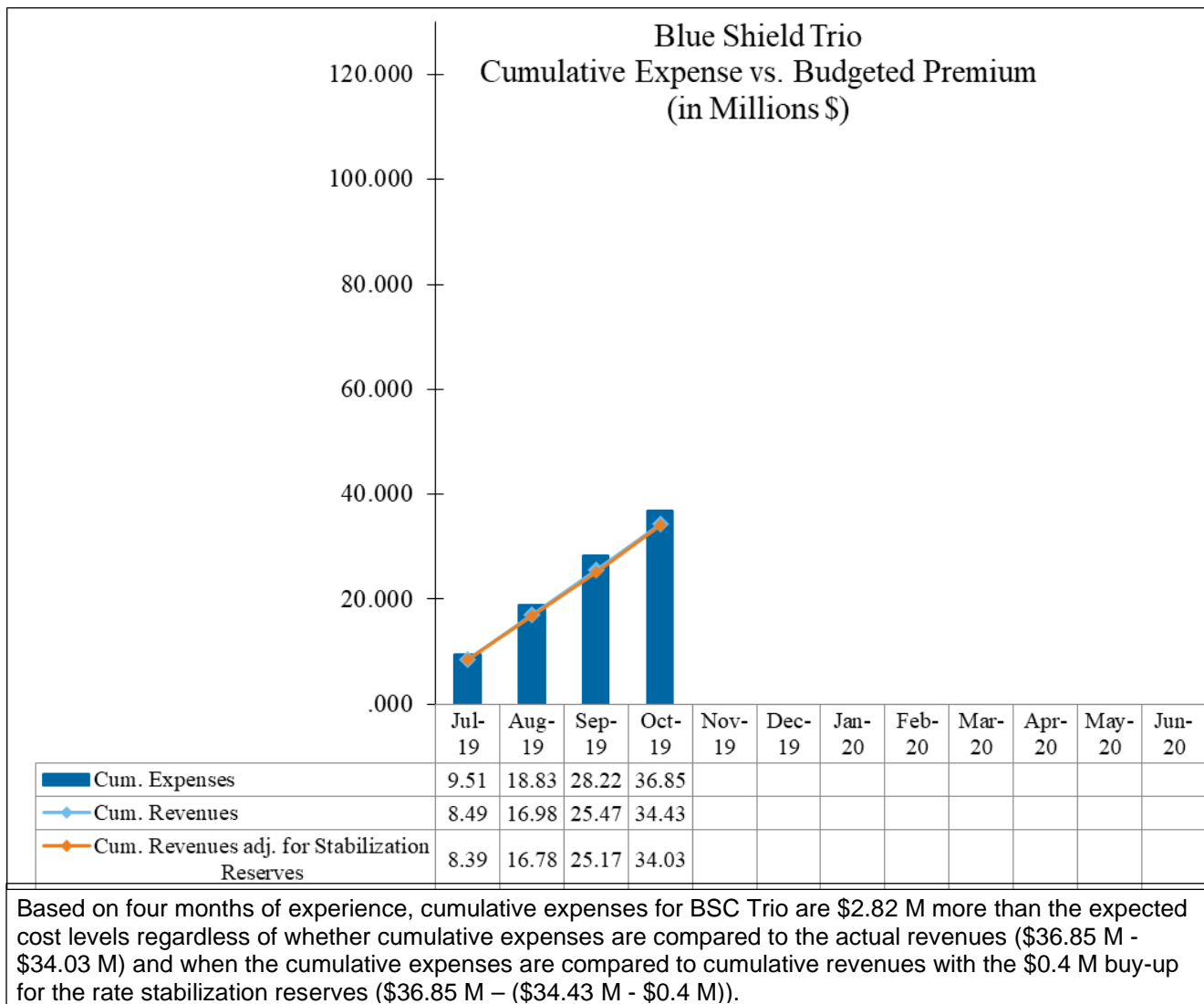
Fiscal Year End Projection

A \$6.7 million decrease in fund balance is projected resulting from:

- a. \$3.1 million increase in fund balance:
 - \$0.6 million associated with the increase in 2019 rates (for the first six months of FY 2019-20) to recover the 2017 deficit
 - \$0.3 million associated with the increase in 2020 rates (for the second six months of FY 2019-20) to recover the 2018 deficit
 - \$2.2 million in pharmacy rebates (additional information on page 7)

- b. \$9.8 million decrease in fund balance due to unfavorable claim experience. In the report for November, we will be reporting a decrease in the medical claims due to better claims experience.

First Four (4) Months



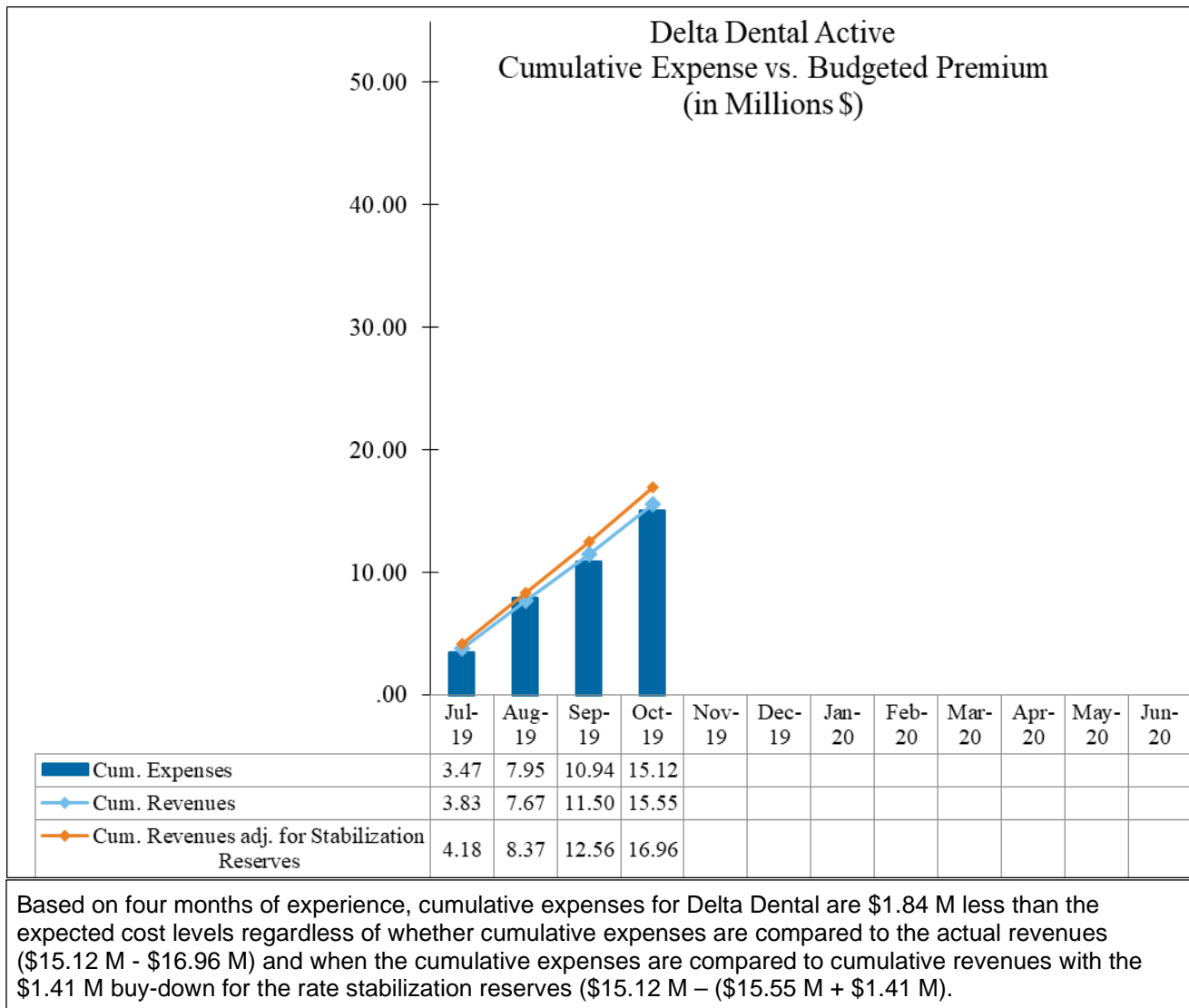
Delta Dental Self-Funded Plan

Fiscal Year End Projection

\$4.3 million decrease in fund balance is projected resulting from:

- a. \$1.3 million increase in fund balance due to favorable claim experience
- b. \$5.6 million decrease in fund balance:
 - \$2.1 million decrease in fund balance associated with subsidizing 2019 rates (for the first six months of FY 2019-20) from the claim stabilization reserve
 - \$3.5 million decrease in fund balance associated with subsidizing 2020 rates (for the second six months of FY 2019-20) from the claim stabilization reserve

First Four (4) Months



Other Trust Fund Notes

Healthcare Sustainability Fund

The following table reflects the year-to-date actuals through October 31, 2019. With four (4) months of actuals, a projected balance of 1.99 million is expected at the end of FY 2019-20. The annual revenues are projected to be \$173,558 more than the annual expenditures.

Healthcare Sustainability Fund FY 2019-20				
	Revised Budget	Oct YTD Actual	Projection	Variance
Revenues/Premiums				
Annual Revenues	\$ 2,602,555	\$ 848,349	\$ 2,551,248	\$ (51,307)
Carryforward from fund balance	3,909,771	3,909,771	3,909,771	-
Total	\$ 6,512,326	\$ 4,758,120	\$ 6,461,019	\$ (51,307)
Expenditures				
Annual Expenditures	\$ 2,556,271	\$ 503,902	\$ 2,377,690	\$ (178,581)
One-time Expenditures	2,036,389	313,955	2,094,157	57,768
Grand Total Expenditures	\$ 4,592,660	\$ 817,857	\$ 4,471,847	\$ (120,813)
Balance	\$ 1,919,666	\$ 3,940,263	\$ 1,989,172	\$ 69,506

Interest

An \$1.0 million increase in fund balance is projected based on the Trust Fund cash balances for FY 2019-20.

Performance Guarantees

No performance guarantees have been received in FY 2019-20. The \$92.2 million fund balance includes the \$8.3 million in PGs received since FY 2005-06.

Performance Guarantees for Adoption and Surrogacy Assistance Plan

Performance guarantees are used to fund the Adoption and Surrogacy Assistance Plan. As of September 30, 2019, \$44,900 has been reimburse to members, and the year-end projection is \$185 thousand.

Forfeitures and Transfers Out

The IRS allows forfeitures from flexible spending accounts to be used to fund the administration of the accounts. Since the funding for the administration is in the General Fund and the forfeitures reside in the Trust, a transfer needs to be made at the close of each fiscal year. If required to balance the General Fund budget, up to \$0.6 million will be transferred. The goal is to minimize the transfer each fiscal year.

Pharmacy Rebates

The following table summarizes the FY 2019-20 pharmacy rebates as of October 31, 2019 and year-end projection. The rebates are provided at the end of each quarter. As of October 31, 2019, \$2.0 million of pharmacy rebates has been received. The year-end projection is \$8.0 million. The rebates offset the claims payments to the plans.

Vendor	Amount (year to date)	Year-End Projection
Blue Shield	\$1,777,644	\$7,000,000
UHC	\$ 206,022	\$1,000,000
Total	\$1,983,666	\$8,000,000



HEALTH SERVICE SYSTEM
STATEMENT OF REVENUES AND EXPENSES
FY 2019-2020
FOR THE FOUR MONTHS ENDED October 31, 2019

ACTIVE & RETIRED COMBINED

	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess(Shortage)
1 SELF-INSURANCE			
2 UHC PPO, including ASO *	12,354,521	12,756,162	(401,641)
3 Blue Shield Access+ *	76,461,473	72,949,588	3,511,885
4 Blue Shield Trio *	34,430,658	36,852,796	(2,422,138)
5 Delta Dental - Active only, including ASO	15,554,855	15,120,135	434,721
6 TOTAL SELF-INSURANCE	138,801,507	137,678,680	1,122,826
8 INSURANCE PRODUCTS			
9 UHC MAPD	24,133,954	24,133,954	0
10 Kaiser-HMO	140,845,874	140,385,809	460,065
11 Vision Service Plan, All (City Plan & HMO)	2,661,235	2,641,962	19,274
12 Sub-total HMO	167,641,063	167,161,725	479,339
14 Delta Dental - Retired	5,404,861	5,365,614	39,247
15 Delta Care	301,137	291,311	9,826
16 UHC Dental	151,642	149,178	2,464
17 Sub-total Dental	5,857,640	5,806,103	51,537
19 Long Term/Short Term Disability	2,575,653	2,575,653	-
20 Flexible Benefits	901,546	901,506	40
21 Flexible Spending-Dependent Care	2,056,534	1,509,099	547,435
22 Flexible Spending -Medical Reimbursement	2,992,196	2,011,762	980,435
23 Best Doctors (\$1.15)	323,719	323,719	-
24 Healthcare Sustainability Fund (\$3.00)	848,349	817,857	30,492
25 Adoption & Surrogacy		48,312	(48,312)
26 TOTAL INSURANCE PRODUCTS	183,196,701	181,155,736	2,040,965
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	321,998,207	318,834,416	3,163,791

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

SUMMARY- In millions	FY19-20	FY19-20
	Year-To Date Actual As of October 2019 - Net	Projected Annual-Net
Self Insurance		
UHC PPO	(0.4)	0.1 (a)
Blue Shield-Access+	3.5	11.0 (b)
Blue Shield-Trio	(2.4)	(6.7) (b)
Dental, Actives	0.4	(4.3) (c)
Insurance Products		
Medical HMOs	0.5	0.0
Dental	0.1	0.0
LTD/Flexible Benefits/FSA/Best Doctors	1.5	0.0
Healthcare Sustainability Fund (\$3.00)	0.0	(1.9) (d)
Savings & Investments		
Interest	0.0	1.0
Performance guarantees	0.0	0.0 (e)
Performance guarantees - Surrogacy and adoption	0.0	(0.2) (f)
Forfeitures	0.0	0.0
Transfers Out	0.0	(0.6) (g)
TOTAL	3.2	(1.6)
Net assets		
Beginning of the year		92.2
End of the year		90.6

(a) Annual Projection is net of claim stabilization of \$0.8 million used to reduce 2019 rates, \$0.1 million to increase 2020 rates, and Pharmacy rebate of \$1.0 million

(b) Annual Projection is net of claim stabilization of \$1.6 million to increase 2019 rates, \$0.9 million to increase 2020 rates, and Pharmacy rebate of \$7 million

(c) Annual Projection is net of claim stabilization of \$2.1 million to reduce 2019 rates and \$3.5 million to reduce 2020 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 2019-2020

(f) Reflects use of fund balance

(g) Transfer of \$0.6M from forfeitures to General Fund per FY 2019-2020 budget



HEALTH SERVICE SYSTEMS
STATEMENTS OF REVENUES AND EXPENSES
 FY2019-2020 VS FY2018-2019
 YEAR-TO-DATE: October 31, 2019

	For 4 months ended October 31, 2019	For 4 months ended October 31, 2018	\$ Change	% Change	
1 SELF-INSURANCE					
2 UHC PPO, including ASO					
3 Revenues	12,354,521	10,807,647	1,546,874	14.3%	l
4 Expenses	(12,756,162)	(11,855,506)	(900,657)	7.6%	f
5 Net UHC PPO Excess(Shortage)	(401,641)	(1,047,858)	646,217		
6 Blue Shield-Access+					
7 Revenues	76,461,473	65,804,188	10,657,284	16.2%	d, l
8 Expenses	(72,949,588)	(67,775,466)	(5,174,121)	7.6%	f
9 Net Blue Shield-Access Excess(Shortage)	3,511,885	(1,971,278)	5,483,163		
10 Blue Shield-Trio					
11 Revenues	34,430,658	36,120,918	(1,690,261)	-4.7%	a
12 Expenses	(36,852,796)	(36,619,596)	(233,199)	0.6%	
13 Net Blue Shield-Trio Excess(Shortage)	(2,422,138)	(498,678)	(1,923,460)		
14 Delta Dental - Active only, including ASO					
15 Revenues	15,554,855	16,162,078	(607,222)	-3.8%	h
16 Expenses	(15,120,135)	(14,909,962)	(210,173)	1.4%	
17 Net Delta Dental - Active Excess(Shortage)	434,721	1,252,115	(817,395)		
18 NET SELF-INSURANCE	1,122,826	(2,265,699)	3,388,525		
19 INSURANCE PRODUCTS					
24 Kaiser-HMO					
25 Revenues	140,845,874	139,415,197	1,430,676	1.0%	
26 Expenses	(140,385,809)	(139,711,629)	(674,179)	0.5%	
27 Net Kaiser- HMO Excess(Shortage)	460,065	(296,432)	756,497		
28 UHC MAPD					
29 Revenues	24,133,954	23,413,098	720,856	3.1%	d
30 Expenses	(24,133,954)	(23,413,098)	(720,856)	3.1%	d
31 Net UHC MAPD Excess(Shortage)	0	0	0		
32 Vision Service Plan, All (City Plan & HMO)					
33 Revenues	2,661,235	2,416,034	245,201	10.1%	o, d
34 Expenses	(2,641,962)	(2,402,489)	(239,472)	10.0%	o, d
35 Net Vision Service Plan Excess(Shortage)	19,274	13,545	5,729		
36					
37 Delta Dental - Retired					
38 Revenues	5,404,861	4,938,566	466,295	9.4%	d
39 Expenses	(5,365,614)	(5,103,051)	(262,563)	5.1%	d
40 Net Delta Dental - Retired Excess(Shortage)	39,247	(164,485)	203,732		
41 Delta Care					
42 Revenues	301,137	307,925	(6,788)	-2.2%	
43 Expenses	(291,311)	(298,021)	6,711	-2.3%	
44 Net Delta Care Excess(Shortage)	9,826	9,904	(78)		
45 UHC Dental					
46 Revenues	151,642	135,081	16,561	12.3%	d
47 Expenses	(149,178)	(133,819)	(15,359)	11.5%	d
48 Net UHC Dental Excess(Shortage)	2,464	1,262	1,202		
49 Net Dental	51,537	(153,319)	204,856		
50					
51 Long Term/Short Term Disability					
52 Revenues	2,575,653	2,485,121	90,532	3.6%	d
53 Expenses	(2,575,653)	(2,485,121)	(90,532)	3.6%	d
54 Net Long Term/Short Term Disability Excess(Shortage)	0	0	0		
55 Flexible Benefits					
56 Revenues	901,546	745,751	155,795	20.9%	g
57 Expenses	(901,506)	(745,726)	(155,781)	20.9%	g
58 Net Flexible Benefits Excess(Shortage)	40	25	15		
59 Flexible Spending-Dependent Care					
60 Revenues	2,056,534	1,904,365	152,169	8.0%	d
61 Expenses	(1,509,099)	(1,403,718)	(105,381)	7.5%	f
62 Net Flexible Spending-Dependent Care Excess(Shortage)	547,435	500,647	46,788		
63 Flexible Spending -Medical Reimbursement					
64 Revenues	2,992,196	2,562,998	429,198	16.7%	d
65 Expenses	(2,011,762)	(1,645,306)	(366,455)	22.3%	f
66 Net Flexible Spending-Medical Reimbursement Excess(Shortage)	980,435	917,692	62,743		
67 Best Doctors (\$1.15)					
68 Revenues	323,719	391,960	(68,240)	-17.4%	b
69 Expenses	(323,719)	(388,545)	64,826	-16.7%	b
70 Net Best Doctors Excess(Shortage)	-	3,415	(3,415)		
71 Adoption & Surrogacy					
72 Expenses	(48,312)	(47,376)	(936)	2.0%	
73 Healthcare Sustainability Fund (\$3.00)					
74 Revenues	848,349	840,714	7,635	0.9%	
75 Expenses	(817,857)	(592,178)	(225,679)	38.1%	e
76 Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	30,492	248,536	(218,044)		
77 NET INSURANCE PRODUCTS	2,040,965	1,186,733	854,232		
78 SAVINGS AND INVESTMENTS					
79 Interest	0	0	0		
80 Performance guarantees	0	0	0		
81 TOTAL SAVINGS & INVESTMENTS	0	0	0		
82 TOTAL NET EXCESS (SHORTAGE)	3,163,791	(1,078,966)	4,242,757		

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

g increase in deductions

j decrease in claims

o vision buy-up effective 1/1/18

p effective 1/1/18

h decrease in rates

b decrease in rates from \$1.40 to \$1.15

Healthcare Sustainability Fund FY 2019-20

	Original Budget	Revised Budget	Oct YTD Actual	Projection	Variance
Revenues/Premiums					
Annual Revenues	\$ 2,602,555	\$ 2,602,555	\$ 848,349	\$ 2,551,248	\$ (51,307)
Carryforward from fund balance	2,681,470	3,909,771	3,909,771	3,909,771	\$ -
Total	\$ 5,284,025	\$ 6,512,326	\$ 4,758,120	\$ 6,461,019	\$ (51,307)
Expenditures					
Annual					
Personnel Services and Mandatory Fringes	\$ 1,326,255	\$ 1,262,265	161,780	\$ 1,081,221	\$ 181,044
Communications					
Open Enrollment Communications	315,000	353,561	231,508	348,561	\$ 5,000
Operations Communications	115,827	121,819	11,210	122,690	\$ (871)
Well-Being Communications	160,000	175,750	12,363	198,000	\$ (22,250)
Other Communications	142,667	89,670	17,315	92,512	\$ (2,842)
Total Communications	\$ 733,494	\$ 740,800	\$ 272,395	\$ 761,763	\$ (20,963)
Well-Being	232,500	262,500	3,163	244,000	\$ 18,500
Initiatives to Reduce Health Care Costs	282,500	272,500	65,500	272,500	\$ -
Board Transcription Services/SFGOV	17,000	18,206	1,064	18,206	\$ -
Contingency for Unforeseen Issues	-	-	-	-	\$ -
Total Annual Expenditures	\$ 2,591,749	\$ 2,556,271	\$ 503,902	2,377,690	\$ 178,581
One-Time					
Communications					
Open-Enrollment Communications	\$ 235,000	\$ 192,400	\$ 14,900	192,400	\$ -
Operations Communications	1,345,475	1,106,532	231,190	1,170,250	\$ (63,718)
Well-Being Communications	-	-	-	-	\$ -
Other Communications	261,660	181,660	67,865	175,710	\$ 5,950
Total Communications	\$ 1,842,135	\$ 1,480,592	\$ 313,955	\$ 1,538,360	\$ (57,768)
Well-Being	108,000	128,650	-	128,650	\$ -
Initiatives to Reduce Health Care Costs	55,000	427,147	-	427,147	\$ -
Total One-Time Expenditures	\$ 2,005,135	\$ 2,036,389	\$ 313,955	\$ 2,094,157	\$ (57,768)
Grand Total Expenditures	\$ 4,596,884	\$ 4,592,660	\$ 817,857	\$ 4,471,847	\$ 120,813
Balance	\$ 687,141	\$ 1,919,666	\$ 3,940,263	\$ 1,989,172	

**SAN FRANCISCO
HEALTH SERVICE SYSTEM**

Affordable, Quality Benefits & Well-Being

SAN FRANCISCO HEALTH SERVICE SYSTEM - ADMINISTRATION
STATEMENT OF REVENUES AND EXPENDITURES
As of October 31, 2019

YEAR-TO-DATE				ANNUAL					
Fav/(Unfav)				Fav/(Unfav)					
Budget	Actual	Variance	% Var	Original Budget	Revised Budget	Projection	Variance	% Var	
REVENUES									
208,212		(208,212)	-100.0%	624,637	624,637	624,637	0	0.0%	
3,818,045	3,818,056	11	0.0%	11,454,136	11,454,136	11,454,136	0	0.0%	
3,044	15	(3,029)	-99.5%	9,131	9,131	9,131	0	0.0%	
108,348		(108,348)			325,045	325,045	0	0.0%	
4,137,650	3,818,071	(319,579)	-7.7%	12,087,904	12,412,949	12,412,949	0	0.0%	
EXPENDITURES									
1,810,994	1,833,839	(22,845)	-1.3%	5,432,981	5,432,981	5,432,981	0	0.0%	
887,336	897,020	(9,684)	-1.1%	2,662,009	2,662,009	2,662,009	0	0.0%	
674,944	510,999	163,945	24.3%	1,804,258	2,024,832	2,024,832	0	0.0%	
18,489	7,781	10,708	57.9%	45,130	55,467	55,467	0	0.0%	
745,887	406,282	339,605	45.5%	2,143,526	2,237,660	2,237,660	0	0.0%	
4,137,650	3,655,920	481,730	11.6%	12,087,904	12,412,949	12,412,949	0	0.0%	
(0)	162,151	162,151		0	(0)	(0)			