

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

Memorandum

DATE: January 10, 2019

TO: Karen Breslin, President and Members of the Health Service Board

FROM: Pamela Levin, Chief Financial Officer

RE: Update on Financial Report as of November 30, 2018

This report summarizes revenues and expenses of the Employee Benefit Trust Fund (Trust Fund) and the General Fund Administration Budget for the time period of July 1, 2018 to November 30, 2018, as well as fiscal year-end projections through June 30, 2019.

Employee Benefit Trust Fund

On June 30, 2018, the Trust Fund balance was \$77.4 million. Based on activity through November 2018, the fund balance is projected to be \$79.6 million as of June 30, 2019. The projected \$2.2 million increase includes reserves for unpaid claims and is a result of the following changes:

1. City Plan Self-Funded Plan - \$1.8 million decrease in fund balance resulting from:
 - a. \$3.1 million decrease in fund balance:
 - \$2.3 million associated with subsidizing 2018 rates (for the first six months of FY 2018-19) from the claim stabilization reserve
 - \$0.8 million associated with subsidizing 2019 rates (for the second six months of FY 2018-19) from the claim stabilization reserve
 - b. \$1.3 million increase in fund balance:
 - \$0.9 million in pharmacy rebates (additional information on page 3)
 - \$0.4 million increase in fund balance due to favorable claim experience
2. Blue Shield Access+ Flex-Funded Plan - \$0.2 million decrease in fund balance resulting from:
 - a. \$2.1 million increase in fund balance:
 - \$1.1 million associated with the increase in 2018 rates (for the first six months of FY 2018-19) to recover the 2016 deficit
 - \$1.0 million associated with the increase in 2019 rates (for the second six months of FY 2018-19) to recover the 2017 deficit

- b. \$2.3 million decrease in fund balance:
 - \$6.5 million in unfavorable claim experience offset by pharmacy rebates of \$4.2 million (additional information on page 3)
- 3. Blue Shield Trio Flex-Funded Plan - \$2.1 million increase in fund balance resulting from:
 - a. \$4.1 million increase in fund balance:
 - \$0.7 million associated with the increase in 2018 rates (for the first six months of FY 2018-19) to recover the 2016 deficit
 - \$0.6 million associated with the increase in 2019 rates (for the second six months of FY 2018-19) to recover the 2017 deficit
 - \$2.8 million in pharmacy rebates (additional information on page 3)
 - b. \$2.0 million decrease in fund balance due to unfavorable claim experience
- 4. Delta Dental Self-Funded Plan - \$4.4 million increase in fund balance resulting from:
 - b. \$8.1 million increase in fund balance due to favorable claim experience
 - c. \$3.7 million decrease in fund balance:
 - \$1.6 million decrease in fund balance associated with subsidizing 2018 rates (for the first six months of FY 2018-19) from the claim stabilization reserve
 - \$2.1 million decrease in fund balance associated with subsidizing 2019 rates (for the second six months of FY 2018-19) from the claim stabilization reserve
- 5. Healthcare Sustainability Fund - The following table reflects the year-to-date actuals through November 30, 2018. The Revised Budget reflects carryforward of unexpended funds from FY 2017-18 and a reallocation of the budget approved by the Health Service Board on October 11, 2018.

Healthcare Sustainability Fund FY 2018-19				
	Revised Budget	November YTD Actual	Projection	Variance
Revenues/Premiums				
Annual Revenues	\$ 2,441,171	\$ 1,051,875	\$ 2,491,344	\$ 50,173
Carryforward from fund balance	3,399,817	3,399,817	3,399,817	-
Total	\$ 5,840,988	\$ 4,451,692	\$ 5,891,161	\$ 50,173
Expenditures				
Annual Expenditures	\$ 2,386,911	\$ 574,868	\$ 2,386,911	\$ -
One-time Expenditures	2,245,728	182,652	2,245,728	-
Grand Total Expenditures	\$ 4,632,639	\$ 757,520	\$ 4,632,639	\$ -
Balance	\$ 1,208,349	\$ 3,694,172	\$ 1,258,522	\$ 50,173

6. Interest - \$0.7 million increase in fund balance from SFHSS Trust cash balances
7. Performance Guarantees – No Performance Guarantees have been received as of November 30, 2018. The \$77.4 million fund balance includes the \$7.6 million in PGs received since FY 2005-06.
8. Performance Guarantees for Adoption and Surrogacy Assistance Plan - \$0.3 million decrease in fund balance for performance guarantees for FY 2018-19. The program was effective January 1, 2017, eight reimbursements have been paid for a total of \$146,249, including \$47,376 in FY 2018-19.
9. Transfers Out – Transfer of \$0.5 million from forfeitures and \$0.1 million from the \$3.00 budget to the General Fund - the transfers will occur in June after the reconciliation of unused flexible spending account balances for the prior Plan Year and posting of the final General Fund expenditures.
10. Pharmacy Rebates - The following table summarizes the FY 2018-19 pharmacy rebates as of November 30, 2018 and year-end projection. The rebates offset the amount of claims HSS pays to the vendors.

Vendor	Amount (year to date)	Year-End Projection
Blue Shield	\$1,510,527	\$7,000,000
UHC	262,371	900,000
Total	\$1,772,898	\$7,900,000

General Fund Administration Budget (including Online Premium Payment Project)

Based on the financial results for the first five months of FY 2018-19, a year-end balance of \$0.2 million is projected.



HEALTH SERVICE SYSTEM
STATEMENT OF REVENUES AND EXPENSES
FY 2018-2019
FOR THE FIVE MONTHS ENDED November 30, 2018

ACTIVE & RETIRED COMBINED

	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess(Shortage)
1 SELF-INSURANCE			
2 City Plan, including ASO *	13,571,473	15,028,132	(1,456,658)
3 Blue Shield Access+ *	82,387,251	83,285,982	(898,732)
4 Blue Shield Trio *	45,110,846	44,793,613	317,233
5 Delta Dental - Active only, including ASO	20,186,898	18,126,908	2,059,990
6 TOTAL SELF-INSURANCE	161,256,468	161,234,636	21,832
8 INSURANCE PRODUCTS			
9 UHC MAPD	29,295,048	29,295,048	0
10 Kaiser-HMO	175,059,971	175,081,885	(21,914)
11 Vision Service Plan, All (City Plan & HMO)	3,025,240	3,008,127	17,113
12 Sub-total HMO	207,380,259	207,385,060	(4,800)
14 Delta Dental - Retired	6,222,445	6,387,309	(164,864)
15 Delta Care	383,438	372,674	10,763
16 UHC Dental	169,552	167,850	1,703
17 Sub-total Dental	6,775,436	6,927,833	(152,397)
19 Long Term/Short Term Disability	3,116,191	3,116,191	-
20 Flexible Benefits	1,022,698	1,022,673	25
21 Flexible Spending-Dependent Care	2,398,633	1,969,381	429,252
22 Flexible Spending -Medical Reimbursement	3,233,919	2,188,814	1,045,105
23 Best Doctors (\$1.40)	490,398	486,174	4,224
24 Healthcare Sustainability Fund (\$3.00)	1,051,875	757,520	294,355
25 Adoption & Surrogacy		47,376	(47,376)
26 TOTAL INSURANCE PRODUCTS	225,469,409	223,901,021	1,568,388
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	386,725,877	385,135,657	1,590,220

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

	FY18-19	FY18-19
	Year-To Date Actual	Projected Annual-Net
	As of November 2018 - Net	
Self Insurance		
City Plan	(1.5)	(1.8) (a)
Blue Shield-Access+	(0.9)	(0.2) (b)
Blue Shield-Trio	0.3	2.1 (b)
Dental, Actives	2.1	4.4 (c)
Insurance Products		
Medical HMOs	(0.0)	0.0
Dental	(0.2)	0.0
LTD/Flexible Benefits/FSA/Best Doctors	1.5	0.0
Healthcare Sustainability Fund (\$3.00)	0.3	(2.1) (d)
Savings & Investments		
Interest	0.0	0.7
Performance guarantees	0.0	0.0 (e)
Performance guarantees - Surrogacy and adoption	0.0	(0.3) (f)
Forfeitures	0.0	0.0
Transfers Out	0.0	(0.6) (g)
TOTAL	1.6	2.2
Net assets		
Beginning of the year		<u>77.4</u>
End of the year		<u>79.6</u>

(a) Annual Projection is net of claim stabilization of \$2.3 million used to reduce 2018 rates, \$0.8 million to reduce 2019 rates, and Pharmacy rebate of \$0.9 million

(b) Annual Projection is net of claim stabilization of \$1.8 million to increase 2018 rates, \$1.6 million to increase 2019 rates, and Pharmacy rebate of \$7 million

(c) Annual Projection is net of claim stabilization of \$1.6 million to reduce 2018 rates and \$2.1 million to reduce 2019 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 2018-2019

(f) Reflects use of fund balance

(g) Transfer of \$0.5M from forfeitures and \$0.1M from \$3.00 to General Fund per FY 2018-2019 budget



HEALTH SERVICE SYSTEMS
STATEMENTS OF REVENUES AND EXPENSES
FY2018-2019 VS FY2017-2018
YEAR-TO-DATE: November 2018

	For 5 months ended November 30, 2018	For 5 months ended November 30, 2017	\$ Change	% Change	
1 SELF-INSURANCE					
2 City Plan, including ASO					
3 Revenues	13,571,473	12,458,527	1,112,946	8.9%	i
4 Expenses	(15,028,132)	(16,312,711)	1,284,580	-7.9%	j
5 Net City Plan Excess(Shortage)	(1,456,658)	(3,854,185)	2,397,526	-62.2%	
6 Blue Shield-Access+					
7 Revenues	82,387,251	127,582,589	(45,195,339)	-35.4%	p
8 Expenses	(83,285,982)	(125,597,569)	42,311,587	-33.7%	p
9 Net Blue Shield-Access Excess(Shortage)	(898,732)	1,985,020	(2,883,752)	-145.3%	
10 Blue Shield-Trio					
11 Revenues	45,110,846		45,110,846		p
12 Expenses	(44,793,613)		(44,793,613)		p
13 Net Blue Shield-Trio Excess(Shortage)	317,233		317,233		
14 Delta Dental - Active only, including ASO					
15 Revenues	20,186,898	20,166,615	20,283	0.1%	
16 Expenses	(18,126,908)	(18,134,186)	7,278	0.0%	
17 Net Delta Dental - Active Excess(Shortage)	2,059,990	2,032,429	27,561	1.4%	
18 NET SELF-INSURANCE	21,832	163,265	(458,665)	-280.9%	
19 INSURANCE PRODUCTS					
24 Kaiser-HMO					
25 Revenues	175,059,971	160,913,582	14,146,390	8.8%	d, i
26 Expenses	(175,081,885)	(161,636,148)	(13,445,736)	8.3%	d, i
27 Net Kaiser- HMO Excess(Shortage)	(21,914)	(722,567)	700,653	-97.0%	
28 UHC MAPD					
29 Revenues	29,295,048	24,333,132	4,961,916	20.4%	d, i
30 Expenses	(29,295,048)	(24,333,132)	(4,961,916)	20.4%	d, i
31 Net UHC MAPD Excess(Shortage)	0	0	0		
32 Vision Service Plan, All (City Plan & HMO)					
33 Revenues	3,025,240	2,108,940	916,300	43.4%	o
34 Expenses	(3,008,127)	(2,108,940)	(899,187)	42.6%	o
35 Net Vision Service Plan Excess(Shortage)	17,113	0	17,113		
36					
37 Delta Dental - Retired					
38 Revenues	6,222,445	5,762,701	459,745	8.0%	d
39 Expenses	(6,387,309)	(5,761,075)	(626,234)	10.9%	d
40 Net Delta Dental - Retired Excess(Shortage)	(164,864)	1,626	(166,490)	-10238.8%	
41 Delta Care					
42 Revenues	383,438	391,895	(8,458)	-2.2%	
43 Expenses	(372,674)	(396,670)	23,996	-6.0%	a
44 Net Delta Care Excess(Shortage)	10,763	(4,775)	15,538	-325.4%	
45 UHC Dental					
46 Revenues	169,552	154,588	14,964	9.7%	d
47 Expenses	(167,850)	(155,809)	(12,040)	7.7%	d
48 Net UHC Dental Excess(Shortage)	1,703	(1,221)	2,923	-239.5%	
49 Net Dental	(152,397)	(4,369)	(148,028)	3387.9%	
50					
51 Long Term/Short Term Disability					
52 Revenues	3,116,191	3,008,742	107,449	3.6%	d
53 Expenses	(3,116,191)	(3,008,742)	(107,449)	3.6%	d
54 Net Long Term/Short Term Disability Excess(Shortage)	0	0	(0)		
55 Flexible Benefits					
56 Revenues	1,022,698	749,349	273,349	36.5%	g
57 Expenses	(1,022,673)	(749,349)	(273,324)	36.5%	g
58 Net Flexible Benefits Excess(Shortage)	25	(0)	25	0.0%	
59 Flexible Spending-Dependent Care					
60 Revenues	2,398,633	2,224,125	174,508	7.8%	d
61 Expenses	(1,969,381)	(1,815,662)	(153,720)	8.5%	f
62 Net Flexible Spending-Dependent Care Excess(Shortage)	429,252	408,463	20,789	5.1%	
63 Flexible Spending -Medical Reimbursement					
64 Revenues	3,233,919	2,789,662	444,257	15.9%	d
65 Expenses	(2,188,814)	(1,942,864)	(245,950)	12.7%	f
66 Net Flexible Spending-Medical Reimbursement Excess(Shortage)	1,045,105	846,798	198,307	23.4%	
67 Best Doctors (\$1.40)					
68 Revenues	490,398	477,053	13,345	2.8%	
69 Expenses	(486,174)	(477,053)	(9,121)	1.9%	
70 Net Best Doctors Excess(Shortage)	4,224	0	4,224		
71 Adoption & Surrogacy					
72 Expenses	(47,376)	(15,585)	(31,791)	204.0%	
73 Healthcare Sustainability Fund (\$3.00)					
74 Revenues	1,051,875	1,066,835	(14,960)	-1.4%	
75 Expenses	(757,520)	(564,884)	(192,636)	34.1%	e
76 Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	294,355	501,951	(207,596)	-41.4%	
77 NET INSURANCE PRODUCTS	1,568,388	1,014,691	553,697	54.5%	
78 SAVINGS AND INVESTMENTS					
79 Interest	0	15,983	(15,983)	-100.0%	
80 Performance guarantees	0	0	0		
81 TOTAL SAVINGS & INVESTMENTS	0	15,983	(15,983)	-100.0%	
82 TOTAL NET EXCESS (SHORTAGE)	1,590,220	1,193,940	396,280	33.2%	

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

i increase in rates

h decrease in rates

g increase in deductions

j decrease in claims

o vision buy-up effective 1/1/18

p effective 1/1/18

Healthcare Sustainability Fund FY 2018-19				
	Revised Budget	November YTD Actual	Projection	Variance
Revenues/Premiums				
Annual Revenues	\$ 2,441,171	\$ 1,051,875	\$ 2,491,344	\$ 50,173
Carryforward from fund balance	3,399,817	3,399,817	3,399,817	-
Total	\$ 5,840,988	\$ 4,451,692	\$ 5,891,161	\$ 50,173
Expenditures				
Annual				
Personnel Services and Mandatory Fringes	\$ 895,588	188,437.92	\$ 895,588	\$ -
Communications				
Open Enrollment Communications	289,779	293,503	289,779	-
Operations Communications	237,404	5,833	237,404	-
Well-Being Communications	277,010	26,396	277,010	-
Other Communications	109,797		109,797	-
Total Communications	\$ 913,990	\$ 325,731	\$ 913,990	\$ -
Well-Being	230,500	12,532	230,500	-
Initiatives to Reduce Health Care Costs	346,833	47,502	346,833	-
SFGTV/Board Meetings		665	-	-
Contingency for Unforeseen Issues			-	-
Total Annual Expenditures	\$ 2,386,911	\$ 574,868	\$ 2,386,911	\$ -
One-Time				
Communications				
Open-Enrollment Communications	\$ 275,000		\$ 275,000	\$ -
Operations Communications	1,249,055	13,248	1,249,055	-
Well-Being Communications			-	-
Other Communications	513,973	126,869	513,973	-
Total Communications	\$ 2,038,028	\$ 140,117	\$ 2,038,028	-
Well-Being	92,700	42,535	92,700	-
Initiatives to Reduce Health Care Costs	115,000	-	115,000	-
Total One-Time Expenditures	\$ 2,245,728	\$ 182,652	\$ 2,245,728	\$ -
Grand Total Expenditures	\$ 4,632,639	\$ 757,520	\$ 4,632,639	\$ -
Balance	\$ 1,208,349	\$ 3,694,172	\$ 1,258,522	\$ 50,173



Health Service System
CITY & COUNTY OF SAN FRANCISCO

HEALTH SERVICE SYSTEM - ADMINISTRATION
STATEMENT OF REVENUES AND EXPENDITURES
As of November 30, 2018

YEAR-TO DATE				ANNUAL					
Fav/(Unfav)				Fav/(Unfav)					
Budget	Actual	Variance	% Var	Original Budget	Revised Budget	Projection	Variance	% Var	
REVENUES									
244,723	0	(244,723)	-100.0%	587,335	587,335	587,335	0	0.0%	
4,660,656	4,599,455	(61,201)	-1.3%	11,038,687	11,185,575	11,185,575	0	0.0%	
2,500	2,500	0	0.0%	6,000	6,000	6,000	0	0.0%	
					373,467	373,467		0.0%	
4,907,879	4,601,955	(305,924)	-6.2%	11,632,022	12,152,377	12,152,377	0	0.0%	
EXPENDITURES									
2,201,475	2,104,744	96,731	4.4%	5,305,540	5,283,540	5,095,803	187,737	-3.6%	
1,065,439	980,083	85,355	8.0%	2,557,053	2,557,053	2,557,053	0	0.0%	
828,091	569,035	259,056	31.3%	1,705,486	1,987,419	1,987,419	0	0.0%	
39,809	14,057	25,752	64.7%	43,197	95,541	95,541	0	0.0%	
185,735	471,350	(285,614)	-153.8%	2,020,746	2,228,824	2,228,824	0	0.0%	
4,320,549	4,139,269	181,280	4.2%	11,632,022	12,152,377	11,964,640	187,737	-1.5%	
587,330	462,686	(124,644)		0	0	187,737	187,737		