

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

DATE: January 11, 2024
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 November 30, 2023

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 five months ending November 30, 2023.

Executive Summary

Trust Fund and Health Sustainability Fund

- The FYE trust balance is projected to decrease by \$11.3M mainly due to \$14.9M rate stabilization and use of Sutter settlement to buy down rates.
- Net claims for the first five months were equal to plan with higher medical claims offset by lower dental claims.
- The Healthcare Sustainability Fund balance is projected to decrease by \$1.2M as budgeted.
- Pharmacy rebates - \$5.8M were received in the first five months. The projected annual rebates are \$16M and included in the net claims above.
- Projected interest income is \$3M for the year.

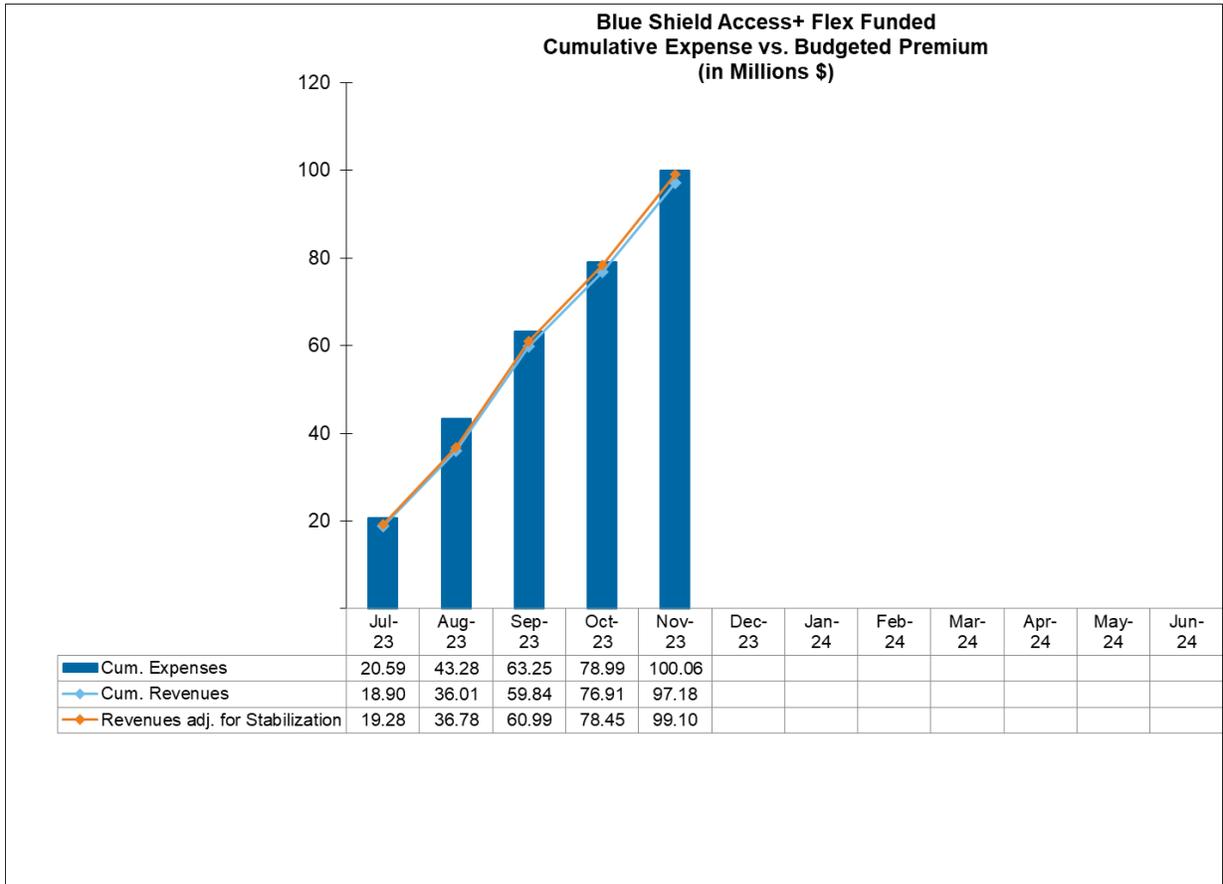
General Fund

Net activity is ahead of budget mainly due to vacancies.

Detailed Analysis by Fund

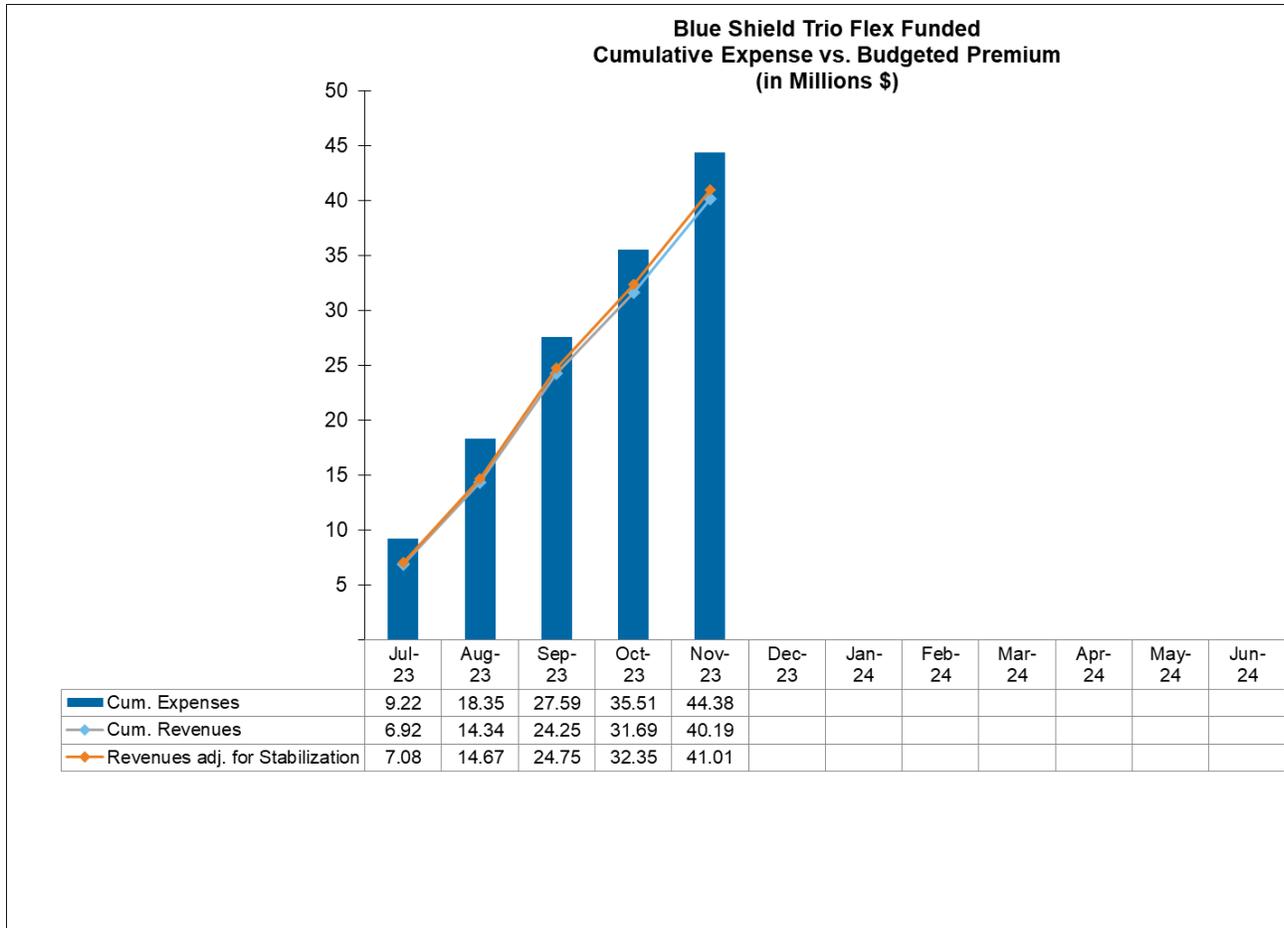
Blue Shield Access+ Flex Funded Plan

Projected FYE balance expected to decrease by \$6M due to rate stabilization and use of Sutter settlement received in the prior year to reduce rates.



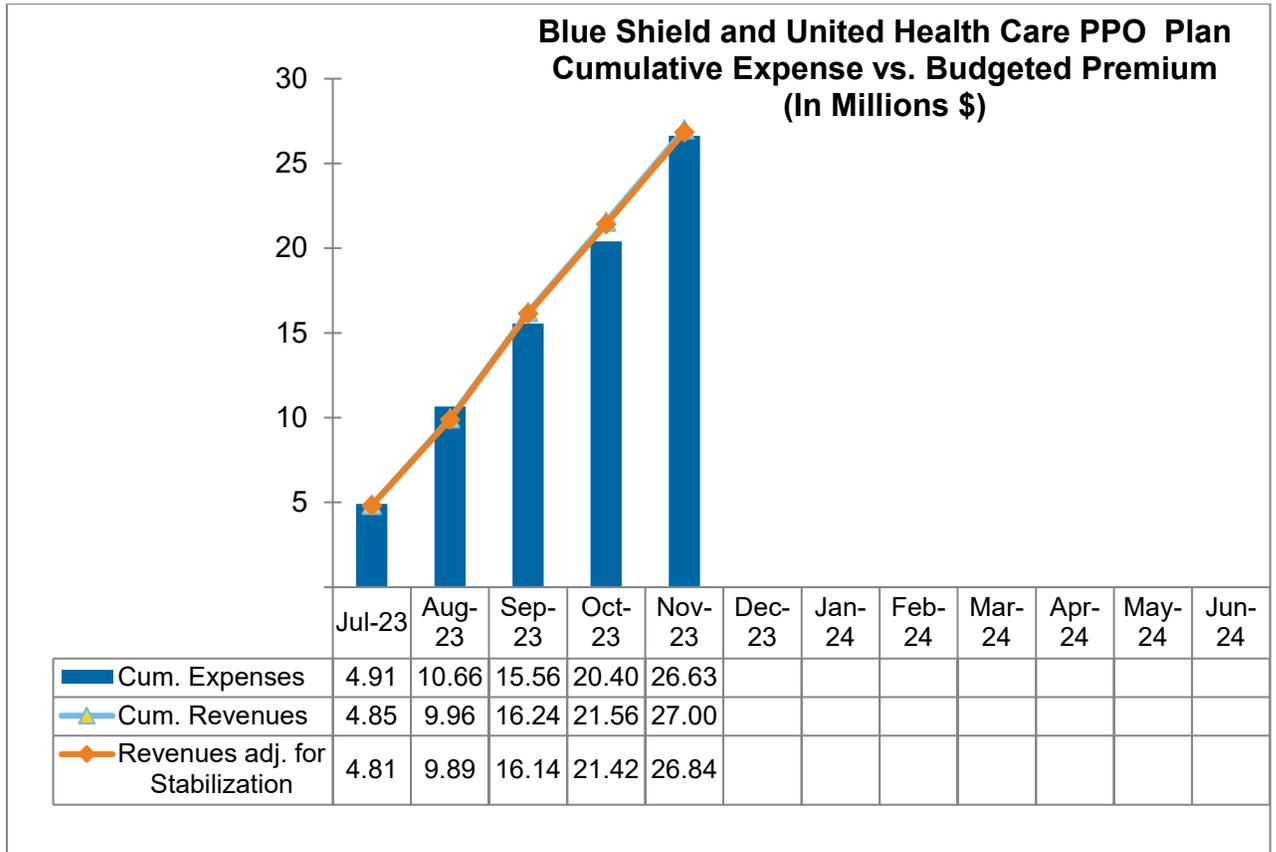
Blue Shield Trio Flex-Funded Plan

FYE balance projected to decrease by \$9.5M due rate stabilization and use of Sutter settlement to reduce rates.



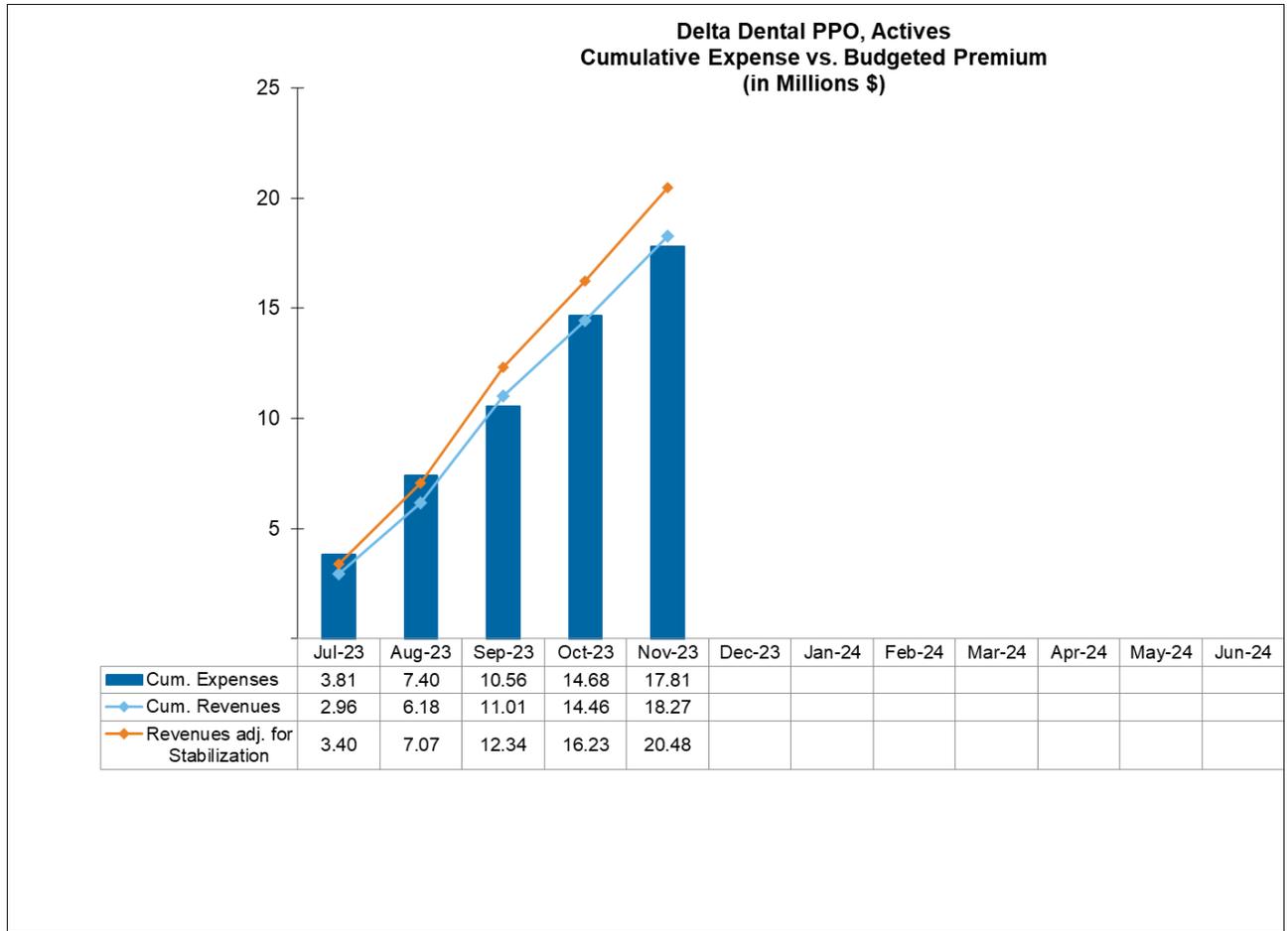
Blue Shield/United Health Care Administered PPO

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. FYE 2024 projected net increase of \$1M due to lower claims.



Delta Dental PPO (Actives Only) Self-Funded Plan

Projecting a net increase of \$1M for the year due to low 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 2024 budget includes carry forwards for commitments made before June 30, 2023.

The projected FYE balance will decrease by \$1.3M as budgeted.

SAN FRANCISCO HEALTH SERVICE SYSTEM <small>Affordable, Quality Benefits & Well-Being</small>		Healthcare Sustainability Fund FY 2023-24				
	FY 2022-23 Expenditures June YTD	FY2023-24 Budget Request (HSS Board Approved)	FY2023-24 Carryforward Budget	FY2023-24 Adjustments	FY 2023-24 Revised Budget + Adj C/F	FY 2023-24 Actuals Nov YTD
REVENUE SOURCES						
Annual Revenues	\$ 2,526,489	\$ 2,553,643		\$ -	\$ 2,553,643	\$ 1,061,298
Carryforward from Fund Balance	4,437,175	4,921,157	264,572	-	\$ 5,185,729	5,185,729
TOTAL	\$ 6,963,664	\$ 7,474,800	\$ 264,572	\$ -	\$ 7,739,372	\$ 6,247,027
EXPENDITURE USES						
Personnel	\$ 810,927	\$ 1,376,559		\$ -	\$ 1,376,559	\$ 271,649
Administrative	10,266	45,500	2,431	-	47,931	(3,207)
Member Communications	494,925	668,000	122,756	-	790,756	289,989
Communications - Other	179,342	696,576	40,138	-	736,714	19,452
Well-Being	124,980	449,500	70,788	-	520,288	26,806
Initiatives to Reduce Health Care Costs	422,067	312,773	28,458	23,118	364,349	76,052
Other Projects	-	-	-	-	-	-
TOTAL	\$ 2,042,507	\$ 3,548,908	\$ 264,572	\$ 23,118	\$ 3,836,597	\$ 680,739
REVENUE - EXP. (excl. carry forward fund balance)	483,982	(995,265)	(264,572)	(23,118)	(1,282,955)	380,558
BALANCE	\$ 4,921,157	\$ 3,925,892	\$ 0	\$ (23,118)	\$ 3,902,775	\$ 5,566,288

Pharmacy Rebates

\$6M were received in the first 4 months. The projection for the year is \$16M

	Actual	FY 2022-23 Projected RX Rebates
Blue Shield Access+ HMO	3,390,418	4,480,326
Blue Shield Trio HMO	1,442,309	9,520,692
UHC Administered PPO	950,211	1,760,000
HealthNet	\$59,746	238,982
TOTAL	\$ 5,842,683	\$ 16,000,000

General Fund

- The FY 2024 budget has been adjusted for carryforward commitments made before June 31, 2023. Net activity is ahead of budget mainly due to vacancies.



**General Fund Administration Budget FY 2023-24
 ANNUALIZED AS OF 11/30/23**

	FY 2023-24 Approved Budget	FY2023-24 Carryforward Budget	FY2023-24 Adjustments	FY 2023-24 Revised Budget	Total Actual YTD
REVENUES					
Non-Operating Revenue	\$ 9,131		\$ -	\$ 9,131	\$ -
Operating Work Order Recovery	13,392,951		80,000	13,472,951	5,604,375
Other Revenue	460,000		-	460,000	-
General Fund Carryforward	-	709,061		709,061	709,061
Interfund Transfer	-			-	-
TOTAL REVENUES	\$ 13,862,082	\$ 709,061	\$ 80,000	\$ 14,651,143	\$ 6,313,436
EXPENDITURES					
Personnel Services	\$ 6,308,915		\$ (208,326)	\$ 6,100,589	\$ 2,360,770
Mandatory Fringe Benefits	2,613,811		(104,481)	2,509,330	982,705
Non-personnel Services	2,522,965	681,530	194,433	3,398,928	1,097,749
Materials & Supplies	44,459	8,768	-	53,227	23,230
Services of Other Departments	2,371,932	18,763	198,374	2,589,069	1,057,750
				-	-
TOTAL EXPENDITURES	\$ 13,862,082	\$ 709,061	\$ 80,000	\$ 14,651,143	\$ 5,522,203
BALANCE	\$ -	\$ -	\$ -	\$ -	\$ 791,233

Trust Fund and Health Sustainability Fund with FYE Projection

	FY23-24	FY23-24
	Year-to-Date Actual	Projected Year-End
	Net as of 11/30/23	Annual Net
SUMMARY		
Flex/Self Insurance		
Blue Shield-Access+	(2,878,991)	(5,983,323) (a), (h)
Blue Shield-Trio	(4,197,011)	(9,241,718) (a)
Blue Shield and United PPO	372,693	985,458 (b)
Health Net Canopy Care	15,597	-
Delta Dental PPO, Actives	459,174	978,017 (c)
Fully Insured Plans		
Medical HMOs	(121,528)	-
Dental	705	-
LTD/Flexible Benefits/FSA/Health Net Canopy Care	2,710,817	-
Healthcare Sustainability Fund (\$3.00)	380,559	(1,282,955) (d)
Savings & Investments		
Interest	-	3,000,000
Performance guarantees	730,967	730,967 (e)
Surrogacy and adoption	(47,295)	(47,295)
Transfers Out	0	(460,000) (g)
TOTAL	<u>(2,574,312)</u>	<u>(11,320,849)</u>
Net assets		
Beginning of the year		<u>104,744,471</u>
End of the year		<u>93,423,622</u>

(a) Annual Projection is net of claim stabilization of \$1.7 million to increase 2024 rates, \$3.3 million to decrease 2023 rates, Pharmacy rebate of \$16 million, and settlement distribution of \$2.2 million, settlement for rate buydown of \$6 million

(b) Annual Projection is net of claim stabilization of \$0.4 million to increase 2024 rates, \$0.2 million to increase 2023 rates, and Pharmacy rebate of \$2.2 million

(c) Annual Projection is net of claim stabilization of \$2.8 million to reduce 2024 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 2023-2024

(f) Reflects use of fund balance

(g) Transfer of \$0.5M from forfeitures to General Fund.

(h) Includes \$2.2M Sutter settlement distribution

Supplemental Tables – Trust Fund Activity- Current FY

			
STATEMENT OF REVENUES AND EXPENSES FY 2023-2024 FOR 5 MONTHS ENDED NOVEMBER 30, 2023			
<i>ACTIVE & RETIRED COMBINED</i>	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess (Shortage)
FLEX/SELF-INSURED PLANS			
Blue Shield Access+ HMO*, **	97,179,035	100,058,026	(2,878,991)
Blue Shield Trio HMO*	40,186,097	44,383,108	(4,197,011)
Blue Shield and United PPO	27,004,004	26,631,311	372,693
UHC Administere PPO*	-	-	-
Health Net Canopy Care	3,774,074	3,758,476	15,597
Delta Dental PPO- (Active only)	18,272,265	17,813,091	459,174
TOTAL FLEX/SELF-INSURED PLANS	186,415,475	192,644,012	(6,228,537)
FULLY INSURED PLANS			
UHC MAPD	40,070,096	40,070,096	-
Kaiser-HMO	204,321,133	204,448,912	(127,779)
Vision Service Plan	4,459,817	4,453,566	6,251
Sub-total HMO	248,851,046	248,972,574	(121,528)
Delta Dental PPO - Retirees	8,288,544	8,288,544	-
Delta Care	347,408	347,124	284
UHC Dental	173,622	173,201	421
Sub-total Dental	8,809,574	8,808,869	705
Long Term/Short Term Disability	2,952,016	2,953,595	(1,580)
Flexible Benefits	1,780,969	1,780,969	0
Flexible Spending-Dependent Care	2,827,998	2,230,580	597,418
Flexible Spending -Medical Reimbursement	5,450,122	3,335,143	2,114,979
Healthcare Sustainability Fund (\$3.00)	1,061,298	680,739	380,559
Adoption & Surrogacy	-	47,295	(47,295)
Sub-total Other Benefits	14,072,402	11,028,321	3,044,081
TOTAL FULLY INSURED PLANS	271,733,022	268,809,764	2,923,258
SAVINGS AND INVESTMENTS			
Interest	-	-	-
Performance guarantees	730,967	-	730,967
Forfeitures	-	-	-
TOTAL SAVINGS & INVESTMENTS	730,967	-	730,967
TRANSFERS OUT OF FORFEITURES			
			0
TOTAL FUNDS	458,879,465	461,453,776	(2,574,312)

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

Supplemental Tables - Trust Fund Activity- with Prior Year



STATEMENTS OF REVENUES AND EXPENSES
FY 2023-2024 VS FY 2022-2023
YEAR-TO-DATE: NOVEMBER 30, 2023

<i>ACTIVE & RETIRED COMBINED</i>	For 5 Months Ended November 30, 2023	For 5 Months Ended November 30, 2022	\$ Change	% Change
FLEX/SELF-INSURED PLANS				
Blue Shield-Access+ HMO				
Revenues	97,179,035	107,620,769	(10,441,734)	-9.7% b
Expenses	(100,058,026)	(101,692,526)	1,634,500	-1.6% f
Net Blue Shield-Access Excess(Shortage)	(2,878,991)	5,928,243	(8,807,234)	-148.6%
Blue Shield-Trio HMO				
Revenues	40,186,097	41,917,807	(1,731,710)	-4.1%
Expenses	(44,383,108)	(43,538,375)	(844,733)	1.9% i
Net Blue Shield-Trio Excess(Shortage)	(4,197,011)	(1,620,568)	(2,576,443)	159.0%
Blue Shield and United PPO				
Revenues	27,004,004	19,762,195	7,241,809	36.6%
Expenses	(26,631,311)	(20,124,436)	(6,506,874)	32.3%
Net BSC and United PPO Excess(Shortage)	372,693	(362,242)	734,935	
Health Net Canopy Care				
Revenues	3,774,074	1,463,774	2,310,299	
Expenses	(3,758,476)	(1,104,666)	(2,653,810)	
Net Health Net Canopy Care Excess(Shortage)	15,597	359,108	(343,511)	
Delta Dental PPO (Active only)				
Revenues	18,272,265	14,934,846	3,337,419	22.3% h
Expenses	(17,813,091)	(16,976,542)	(836,550)	4.9% i
Net Delta Dental PPO- (Active Only) Excess(Shortage)	459,174	(2,041,696)	2,500,870	-122.5%
NET FLEX/SELF-INSURED PLANS	(6,228,537)	2,262,846	(8,491,383)	-375.3%

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 2023-2024 VS FY 2022-2023 YEAR-TO-DATE: NOVEMBER 30, 2023			
ACTIVE & RETIRED COMBINED		For 5 Months Ended November 30, 2023	For 5 Months Ended November 30, 2022	\$ Change	% Change
FLEX/SELF-INSURED PLANS					
FULLY INSURED PLANS					
Kaiser-HMO					
Revenues		204,321,133	197,254,090	7,067,043	3.6% d
Expenses		(204,448,912)	(196,756,440)	(7,692,472)	3.9% d, l
Net Kaiser- HMO Excess(Shortage)		(127,779)	497,650	(625,429)	-125.7% k
UHC MAPD					
Revenues		40,070,096	37,656,048	2,414,048	6.4% d, l
Expenses		(40,070,096)	(37,656,048)	(2,414,048)	6.4% d, l
Net UHC MAPD Excess(Shortage)		0	0	0	
Vision Service Plan, All (City Plan & HMO)					
Revenues		4,459,817	3,924,199	535,618	13.6% d, l
Expenses		(4,453,566)	(3,912,202)	(541,364)	13.8% d, l
Net Vision Service Plan Excess(Shortage)		6,251	11,997	(5,746)	-47.9%
Delta Dental PPO - Retirees					
Revenues		8,288,544	7,510,164	778,380	10.4%
Expenses		(8,288,544)	(7,510,164)	(778,380)	10.4%
Net Delta Dental PPO - Retirees Excess(Shortage)		0	0	0	
Delta Care					
Revenues		347,408	334,252	13,156	3.9%
Expenses		(347,124)	(334,688)	(12,436)	3.7%
Net Delta Care Excess(Shortage)		284	(436)	720	-165.2%
UHC Dental					
Revenues		173,622	173,857	(235)	-0.1%
Expenses		(173,201)	(172,887)	(314)	0.2%
Net UHC Dental Excess(Shortage)		421	970	(550)	-56.7%
Long Term/Short Term Disability					
Revenues		2,952,016	3,493,318	(541,302)	-15.5%
Expenses		(2,953,595)	(3,494,073)	540,477	-15.5%
Net Long Term/Short Term Disability Excess(Shortage)		(1,580)	(754)	(825)	109.4% k
Flexible Benefits					
Revenues		1,780,969	1,727,681	53,288	3.1% g
Expenses		(1,780,969)	(1,727,620)	(53,348)	3.1% g
Net Flexible Benefits Excess(Shortage)		0	60	(60)	
Flexible Spending-Dependent Care					
Revenues		2,827,998	2,025,357	802,640	39.6% c
Expenses		(2,230,580)	(1,646,686)	(583,894)	35.5% c
Net Flexible Spending-Dependent Care Excess(Shortage)		597,418	378,671	218,747	57.8%
Flexible Spending -Medical Reimbursement					
Revenues		5,450,122	4,682,356	767,765	16.4% g
Expenses		(3,335,143)	(3,144,851)	(190,291)	6.1% f
Net Flexible Spending-Medical Reimbursement Excess(Shortage)		2,114,979	1,537,505	577,474	37.6%
Adoption & Surrogacy					
Expenses		(47,295)	(39,434)	(7,862)	
Healthcare Sustainability Fund (\$3.00)					
Revenues		1,061,298	1,052,160	9,138	0.9% e
Expenses		(680,739)	(893,357)	212,618	-23.8% e
Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)		380,558	158,803	221,755	139.6%
NET FULLY INSURED PLANS		2,923,258	2,545,033	378,225	14.9%
SAVINGS AND INVESTMENTS					
Interest		0	0	0	
Performance guarantees		730,967	14,132	716,836	
Forfeitures		0	0	0	
TOTAL SAVINGS & INVESTMENTS		730,967	14,132	716,836	1616.8%
TOTAL NET EXCESS (SHORTAGE)		(2,574,312)	4,822,011	(7,396,323)	-153.4%

Notes:

- | | |
|--------------------------|---|
| a decrease in membership | e \$3 per member per month for communications, wellness |
| b Sutter Settlement | f increase in claims |
| c decrease in deductions | g increase in deductions |
| d increase in membership | h decrease in rates |
| | i increase in rates |
| | j decrease in claims |
| | k Payperiod Timing |