

SAN FRANCISCO
HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

Memorandum

DATE: January 12, 2017
TO: Randy Scott, President and Members of the Health Service Board
FROM: Pamela Levin, Chief Financial Officer
RE: Update on Financial Report as of November 30, 2016

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, 2016 to November 30, 2016, as well as fiscal year-end projections through June 30, 2017.

Employee Benefit Trust Fund

On June 30, 2016, the Trust Fund balance was \$68.6 million. Based on activity through November 2016, the fund balance is projected to be \$56.9 million as of June 30, 2017. The projected \$11.7 million decrease includes reserves for unpaid claims and is a result of the following changes:

1. City Plan - \$10.6 million decrease in fund balance resulting from:
 - a. \$0.8 million increase in fund balance from pharmacy rebates (additional information on page 3)
 - b. \$11.4 million decrease in fund balance:
 - \$7.0 million associated with subsidizing 2016 rates (for the first six months of FY 2016-17) from the claim stabilization reserve
 - \$3.8 million associated with subsidizing 2017 rates (for the second six months of FY 2016-17) from the claim stabilization reserve
 - 0.6 million due to unfavorable claim experience
2. Blue Shield Flex Plan - \$5.6 million decrease in fund balance resulting from:
 - a. \$8.2 million increase in fund balance:
 - \$2.2 million associated with the increase in 2016 rates (for the first six months of FY 2016-17) to recover the 2014 deficit
 - \$2.6 million associated with the increase in 2017 rates (for the second six months of FY 2016-17) to recover the 2015 deficit
 - \$3.4 million from pharmacy rebates (additional information on page 3)

- b. \$13.8 million decrease in fund balance due to unfavorable claim experience, which increased by 8.5% over the same period of last year
3. Self-insured dental plan - \$4.7 million increase in fund balance associated with:
- a. \$6.5 million increase in fund balance due to favorable claim experience
- b. \$1.8 million decrease in fund balance resulting from:
- \$0.6 million decrease in fund balance associated with subsidizing 2016 rates (for the first six months of FY 2016-17) from the claim stabilization reserve
 - \$1.2 million decrease in fund balance associated with subsidizing 2017 rates (for the second six months of FY 2016-17) from the claim stabilization reserve
4. Healthcare Sustainability Fund – For the first six months of FY 2016-17, the charge is \$2.05 per member per month charge and for the second six months the charge is \$3.00 per member per month. This is one of the components of the premiums and is allocated between the employer and employee based on the applicable contribution model.

	FY 2016-17				
Ongoing	Original Budget	Revised Budget	November YTD Actuals	Projection	Balance
Revenues/Premiums	\$ 1,619,295	\$ 1,969,295	\$ 686,403	\$ 2,027,367	\$ 58,072
Carryforward for encumbrances		204,967	204,967	204,967	-
Total	\$ 1,619,295	\$ 2,174,262	\$ 891,370	\$ 2,232,334	\$ 58,072
Expenditures					
Personnel Services and Mandatory Fringes	\$ 531,911	\$ 531,911	\$ 149,972	\$ 531,911	\$ -
Communications					
Open Enrollment Communications	280,168	353,212	198,305	353,212	-
Operations Communications	97,923	172,923	6,811	172,923	-
Wellness Communications	195,165	309,918	40,753	309,918	-
Other Communications	34,025	34,025	2,600	34,025	-
Total Communications	\$ 607,281	\$ 870,078	\$ 248,469	\$ 870,078	\$ -
Wellness	30,000	80,000	20,960	80,000	-
Initiatives to Reduce Health Care Costs	365,500	432,670	76,833	432,670	-
SFGTV/Board Meetings	11,056	11,056	705	11,056	-
Contingency for Unforeseen Issues	73,547	73,547		73,547	-
Funding for one time eBenefits implementation		175,000		175,000	-
Total Expenditures	\$ 1,619,295	\$ 2,174,262	\$ 496,939	\$ 2,174,262	\$ -
Balance	\$ -	\$ -	\$ 394,431	\$ 58,072	\$ 58,072

The table reflects the year to date actuals through November 30, 2016. The Revised

Budget reflects funding for services that were encumbered in FY 2015-16 but unexpended. The Balance is the difference between the Revised Budget and the Projection. Projected savings are represented by a positive number while expenditures that exceed the budget are represented by a (negative) number.

5. Interest - \$0.4 million increase in fund balance from HSS Trust cash balances
6. Surrogacy and adoption - \$0.2 million (\$150,000) decrease in fund balance from performance guarantees for January – June 2017. The program is effective January 1, 2017.
7. Transfers Out of Forfeitures - \$0.5 million decrease in fund balance associated with transfers to the General Fund pursuant to the FY 2016-17 budget

Pharmacy Rebates

The following table summarizes the FY 2016-17 pharmacy rebates as of November 30, 2016 and year-end projection. The rebates offset the amount of claims HSS pays to the vendors.

Vendor	Amount (year to date)	Time Period Covered	Year-End Projection
Blue Shield	\$1,029,804	October 2015 – March 2016	\$3,400,000
UHC	226,076	October 2015 – June 2016	800,000
Total	\$1,255,880		\$4,200,000

General Fund Administration Budget (including Enterprise Content Management System)

Based on the financial results for the first five months of FY 2016-17, the budget is projected to be fully expended.



HEALTH SERVICE SYSTEM
STATEMENT OF REVENUES AND EXPENSES
FY 2016-2017
FOR THE FIVE MONTHS ENDED November 30, 2016

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 *	19,122,945	24,985,268	(5,862,324)
3 Blue Shield Flex *	125,597,981	128,469,133	(2,871,152)
4 Delta Dental - Active only, including ASO	19,411,450	17,232,094	2,179,356
5 TOTAL SELF-INSURANCE	164,132,376	170,686,495	(6,554,120)
7 INSURANCE PRODUCTS			
8 Blue Shield-HMO	13,141,205	13,141,205	-
9 Kaiser-HMO	146,620,742	148,077,441	(1,456,699)
10 Vision Service Plan, All (City Plan & HMO)	2,122,055	2,122,055	-
11 Sub-total HMO	161,884,002	163,340,701	(1,456,699)
12			
13 Delta Dental - Retired	5,640,990	5,564,695	76,295
14 Delta Care	416,784	417,782	(998)
15 Pacific Union	137,055	137,471	(416)
16 Sub-total Dental	6,194,829	6,119,948	74,881
17			
18 Long Term/Short Term Disability	3,067,515	3,067,515	-
19 Flexible Benefits	371,403	371,403	-
20 Flexible Spending-Dependent Care	1,858,223	1,677,080	181,143
21 Flexible Spending -Medical Reimbursement	2,082,349	1,573,038	509,311
22			
23 Healthcare Sustainability Fund (\$2.05)	686,403	548,739	137,664
24 TOTAL INSURANCE PRODUCTS	176,144,724	176,698,424	(553,700)
25			
26 SAVINGS AND INVESTMENTS			
27 Interest	161,615	-	161,615
28 Performance guarantees	-	-	-
29 Forfeitures	-	-	-
30 TOTAL SAVINGS & INVESTMENTS	161,615	-	161,615
31			
32 TRANSFERS OUT OF FORFEITURES			
33			
34 TOTAL FUNDS	340,438,715	347,384,919	(6,946,205)

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

SUMMARY- In millions	FY16-17	FY16-17
	Year-To Date Actual As of Nov. 2016 - Net	Projected Annual-Net
Self Insurance		
City Plan	(5.9)	(10.6) (a)
Blue Shield-Flex	(2.9)	(5.6) (b)
Dental, Actives	2.2	4.7 (c)
Insurance Products		
Medical HMOs	(1.5)	0.0
Dental	0.1	0.0
LTD/Flexible Benefits/Flexible Spending	0.7	0.0
Healthcare Sustainability Fund (\$2.05)	0.1	0.1 (d)
Savings & Investments		
Interest	0.2	0.4
Performance guarantees	0.0	0.0 (e)
Performance guarantees - Surrogacy and adoption	0.0	(0.2) (f)
Forfeitures	0.0	0.0
Transfers Out of Forfeitures	0.0	(0.5) (g)
TOTAL	(7.0)	(11.7)
Net assets		
Beginning of the year		68.6
End of the year		<u>56.9</u>

(a) Annual Projection is net of claim stabilization of \$7.0 million used to reduce 2016 rates, \$3.8 million to reduce 2017 rates, and Pharmacy rebate of \$0.8 million

(b) Annual Projection is net of claim stabilization of \$2.2 million to increase 2016 rates, \$2.6 million to increase 2017 rates, and Pharmacy rebate of \$3.4 million

(c) Annual Projection is net of claim stabilization of \$0.6 million to reduce 2016 rates and \$1.2 million to reduce 2017 rates

(d) \$2.05 per member per month for communications, wellness, actuarial work; effective 2017 the rate increases to \$3.00; is part of a total premium, paid 90% to 100% by employer.

(e) Only reflects performance guarantees received in FY 2016-2017

(f) Reflects use of fund balance

(g) Transfer of forfeitures to General Fund per FY 2016-2017 budget



ACTIVE & RETIRED COMBINED

	For five months ended November 30, 2016	For five months ended November 30, 2015	\$ Change	% Change	Notes	
1 SELF-INSURANCE						1
2 City Plan, including ASO						2
3 Revenues	19,122,945	17,507,906	1,615,038	9.2%	d, l	3
4 Expenses	(24,985,268)	(21,008,933)	(3,976,335)	18.9%	d, f	4
5 Net City Plan Excess(Shortage)	(5,862,324)	(3,501,027)	(2,361,297)	67.4%		5
6 Blue Shield-Flex						6
7 Revenues	125,597,981	115,603,148	9,994,833	8.6%	l	7
8 Expenses	(128,469,133)	(118,437,998)	(10,031,135)	8.5%	f	8
9 Net Blue Shield-Flex Excess(Shortage)	(2,871,152)	(2,834,850)	(36,302)	1.3%		9
10 Delta Dental - Active only, including ASO						10
11 Revenues	19,411,450	19,406,306	5,144	0.0%		11
12 Expenses	(17,232,094)	(16,865,007)	(367,087)	2.2%		12
13 Net Delta Dental - Active Excess(Shortage)	2,179,356	2,541,299	(361,943)	-14.2%		13
14 NET SELF-INSURANCE	(6,554,120)	(3,794,578)	(2,759,542)	72.7%		14
15 INSURANCE PRODUCTS						15
16 Blue Shield-HMO						16
17 Revenues	13,141,205	13,800,801	(659,596)	-4.8%	a, h	17
18 Expenses	(13,141,205)	(13,800,801)	659,596	-4.8%	a, h	18
19 Net Blue Shield HMO Excess(Shortage)	-	-	-	0.0%		19
20 Kaiser-HMO						20
21 Revenues	146,620,742	140,268,279	6,352,463	4.5%	d, l	21
22 Expenses	(148,077,441)	(141,636,311)	(6,441,130)	4.5%	d, l	22
23 Net Kaiser- HMO Excess(Shortage)	(1,456,699)	(1,368,032)	(88,667)	6.5%		23
24 Vision Service Plan, All (City Plan & HMO)						24
25 Revenues	2,122,055	2,045,075	76,980	3.8%	d, l	25
26 Expenses	(2,122,055)	(2,045,075)	(76,980)	3.8%	d, l	26
27 Net Vision Service Plan Excess(Shortage)	-	-	-	-		27
28						28
29 Delta Dental - Retired						29
30 Revenues	5,640,990	5,762,599	(121,609)	-2.1%		30
31 Expenses	(5,564,695)	(5,705,456)	140,761	-2.5%		31
32 Net Delta Dental - Retired Excess(Shortage)	76,295	57,143	19,152	33.5%		32
33 Delta Care						33
34 Revenues	416,784	427,040	(10,256)	-2.4%		34
35 Expenses	(417,782)	(425,325)	7,543	-1.8%		35
36 Net Delta Care Excess(Shortage)	(998)	1,715	(2,713)	-158.2%		36
37 Pacific Union						37
38 Revenues	137,055	127,238	9,817	7.7%	d	38
39 Expenses	(137,471)	(133,536)	(3,935)	2.9%		39
40 Net Pacific Union Excess(Shortage)	(416)	(6,298)	5,882	-93.4%		40
41 Net Dental	74,881	52,560	22,321	42.5%		41
42						42
43 Long Term/Short Term Disability						43
44 Revenues	3,067,515	2,820,799	246,716	8.7%	d	44
45 Expenses	(3,067,515)	(2,820,799)	(246,716)	8.7%	d	45
46 Net Long Term/Short Term Disability Excess(Shortage)	-	(0)	0	-100.0%		46
47 Flexible Benefits						47
48 Revenues	371,403	372,179	(776)	-0.2%		48
49 Expenses	(371,403)	(372,179)	776	-0.2%		49
50 Net Flexible Benefits Excess(Shortage)	-	-	-	0.0%		50
51 Flexible Spending-Dependent Care						51
52 Revenues	1,858,223	1,665,945	192,278	11.5%	d	52
53 Expenses	(1,677,080)	(1,543,632)	(133,448)	8.6%	f	53
54 Net Flexible Spending-Dependent Care Excess(Shortage)	181,143	122,313	58,830	48.1%		54
55 Flexible Spending -Medical Reimbursement						55
56 Revenues	2,082,349	1,821,003	261,346	14.4%	d	56
57 Expenses	(1,573,038)	(1,463,110)	(109,928)	7.5%	f	57
58 Net Flexible Spending-Medical Reimbursement Excess(Shortage)	509,311	357,893	151,418	42.3%		58
59 Healthcare Sustainability Fund (\$2.05)						59
60 Revenues	686,403	666,471	19,932	3.0%	e	60
61 Expenses	(548,739)	(605,494)	56,755	-9.4%	e	61
62 Net Healthcare Sustainability Fund (\$2.05) Excess(Shortage)	137,664	60,977	76,687	125.8%		62
63 NET INSURANCE PRODUCTS	(553,700)	(774,289)	220,589	-28.5%		63
64 SAVINGS AND INVESTMENTS						64
65 Interest	161,615	153,371	8,244	5.4%	b	65
66 Performance guarantees	-	355	(355)	-		66
67 Forfeitures	-	-	-	-		67
68 TOTAL SAVINGS & INVESTMENTS	161,615	153,726	7,889	5.1%		68
69 TOTAL NET EXCESS (SHORTAGE)	(6,946,205)	(4,415,141)	(2,531,064)	57.3%		69

Notes: a decrease in membership
b increase in interest rates
c decrease in deductions
d increase in membership
e \$.05 per member per month for communications, wellness, actuarial work
f increase in claims
g increase in deductions
h decrease in rates
i increase in rates



Health Service System
CITY & COUNTY OF SAN FRANCISCO

HEALTH SERVICE SYSTEM - ADMINISTRATION
STATEMENT OF REVENUES AND EXPENDITURES
As of November 30, 2016

YEAR-TO DATE				ANNUAL						
Fav/(Unfav)				Fav/(Unfav)						
Budget	Actual	Variance	% Var	Original Budget	Carryforward/ Changes	Revised Budget	Projection	Variance	% Var	
REVENUES										
192,721	30	(192,691)	-100.0%	462,530	0	462,530	462,530	0	0.0%	Non-Operating Revenue
4,371,445	4,371,445	0	0.0%	10,456,135		10,456,135	10,456,135	0	0.0%	Work Order Recovery
374,740	374,740	0	0.0%	0	374,740	374,740	374,740	0	0.0%	General Fund Carryforward
4,938,906	4,746,215	(192,691)	-3.9%	10,918,665	374,740	11,293,405	11,293,405	0	0.0%	TOTAL REVENUES
EXPENDITURES										
2,129,714	2,064,908	64,806	3.0%	5,111,314	0	5,111,314	5,111,314	0	0.0%	Personnel Services
979,916	919,318	60,598	6.2%	2,351,799	0	2,351,799	2,351,799	0	0.0%	Mandatory Fringe Benefits
824,141	250,673	573,467	69.6%	1,737,982	239,956	1,977,938	1,977,938	0	0.0%	Non-personnel Services
23,089	13,909	9,180	39.8%	51,797	3,616	55,413	55,413	0	0.0%	Materials & Supplies
748,725	420,455	328,270	43.8%	1,665,773	131,168	1,796,941	1,796,941	0	0.0%	Services of Other Departments
4,705,585	3,669,263	1,036,322	22.0%	10,918,665	374,740	11,293,405	11,293,405	0	0.0%	TOTAL EXPENDITURES
233,320	1,076,952	843,631	362%	0	0	0	0	0		REVENUE LESS EXPENDITURES