

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

DATE: January 12, 2022
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, 2022

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, 2022 and projections for FYE 2023

Executive Summary

Trust Fund and Health Sustainability Fund

- In the first five month, the trust increased by \$4.8M primarily due to Sutter settlement distribution. The FYE projected net decrease is \$10.8M as rate stabilization offsets the settlement distribution.
- For the five months, net claims were \$6.5M higher. Medical claims were \$8.1M higher offset by \$1.6M lower dental claims.
- Healthcare Sustainability Fund projected FYE balance will decrease by \$1.7M as budgeted.
- Pharmacy rebates in the first five months were \$4M and projected to be \$12.8 million for the fiscal year.

General Fund

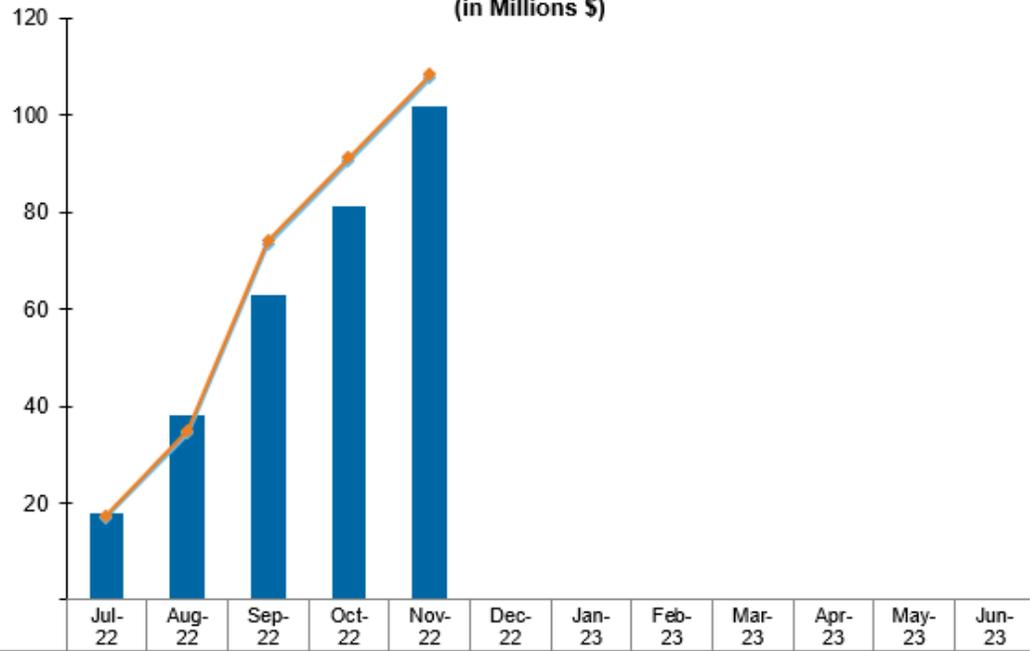
The GF has a surplus in the first five months primarily due to lower personnel expenses because of vacancies. Cost of services from other departments is low due to timing delay and will reverse by fiscal year end.

Detailed Analysis by Fund

Blue Shield Access+ Flex Funded Plan

YTD revenues include \$14.7M Sutter settlement. Projected FYE balance will decrease by \$5.4M as high claims and rate stabilization offset the settlement distribution.

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

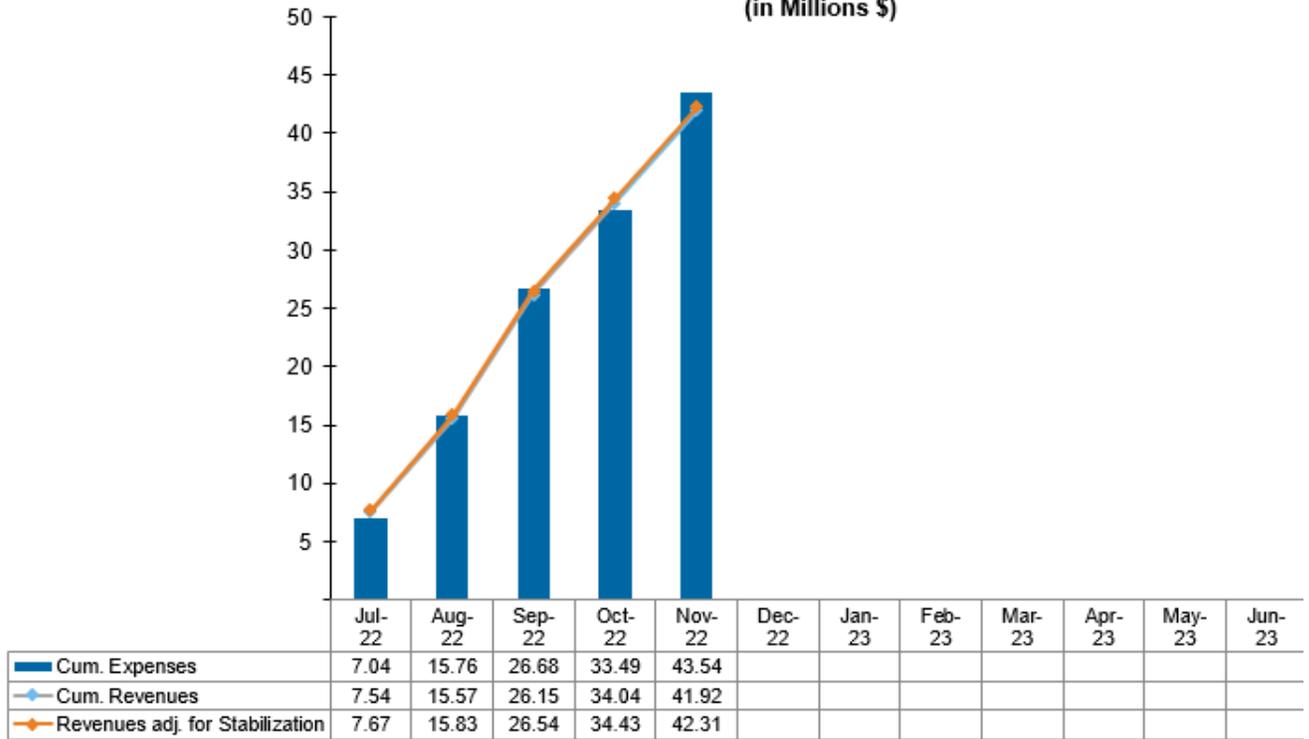


Cum. Expenses	17.62	37.92	62.64	80.86	101.69							
Cum. Revenues	17.06	34.44	73.22	90.42	107.62							
Revenues adj. for Stabilization	17.34	34.99	74.04	91.24	108.45							

Blue Shield Trio Flex-Funded Plan

Expecting \$3.4M net decrease by FYE due to rate stabilization.

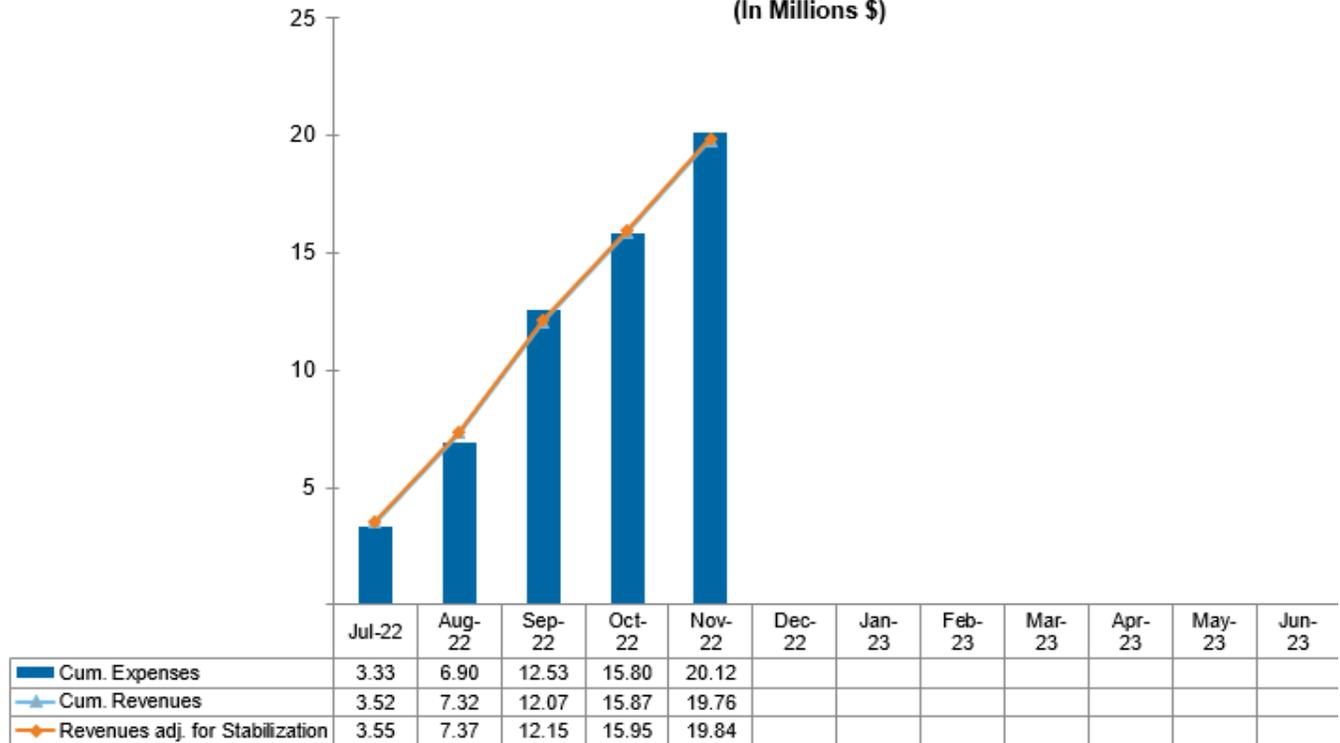
**Blue Shield Trio Flex Funded
 Cumulative Expense vs. Budgeted Premium
 (in Millions \$)**



Blue Shield/United Health Care Administered PPO

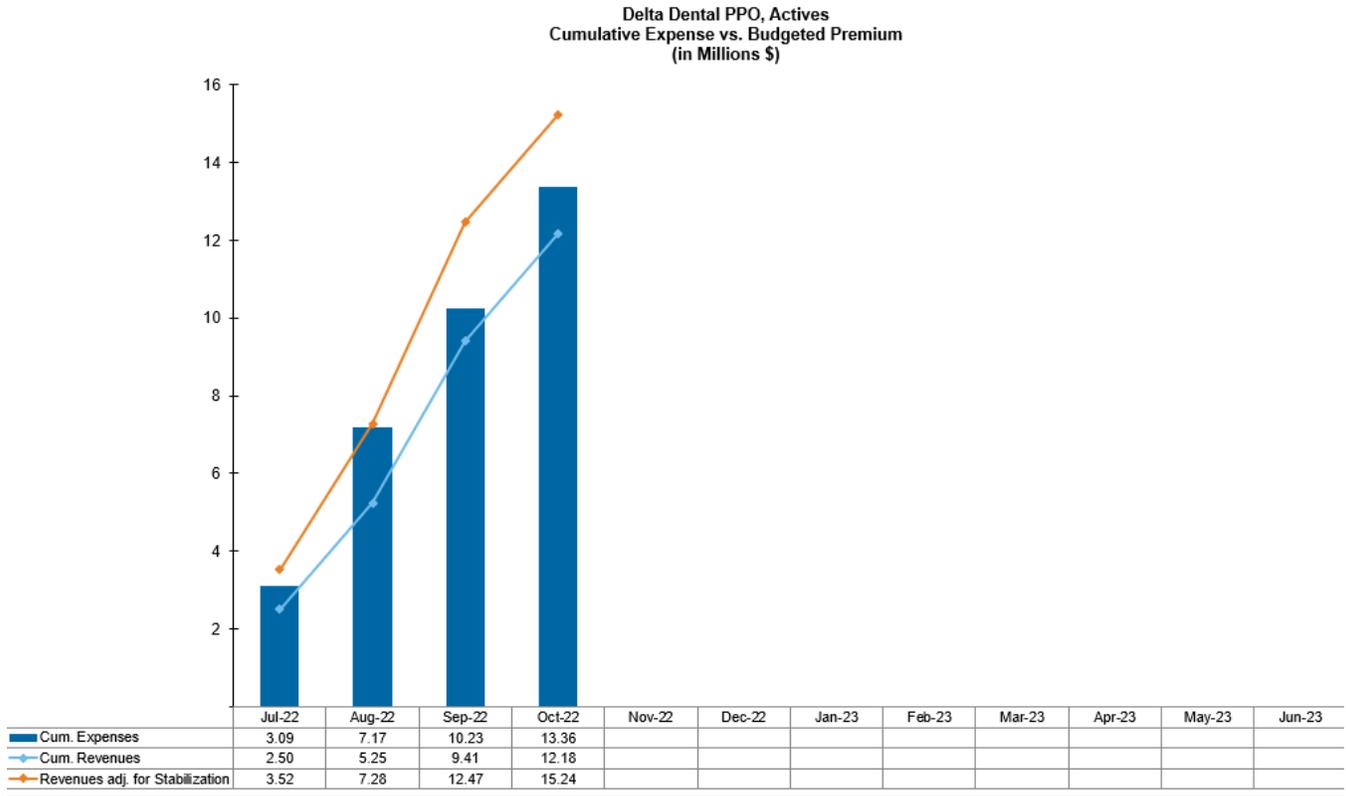
The administration of the self-funded PPO migrated from United to Blue Shield starting in January 2022. The table below shows the combined results of the plan. Projecting flat fund balance at FYE as premiums and claims are close to target.

**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.

<small>SAN FRANCISCO HEALTH SERVICE SYSTEM Affordable, Quality Benefits & Well-Being</small>					Healthcare Sustainability Fund FY 2022-23		
	FY 2021-22 Total Actual	FY2022-23 Budget Request (HSS Board)	FY2022-23 Carryforward Budget	FY2022-23 Adjustments	FY 2022-23 Revised Budget + Adj C/F	FY 2022-23 Actuals Nov YTD	FY 2022-23 Projection
REVENUE SOURCES							
Annual Revenues	\$ 2,544,616	\$ 2,552,366		\$ -	\$ 2,552,366	\$ 1,052,160	\$ 2,552,366
Carryforward from Fund Balance	4,527,332	3,969,332		467,843	\$ 4,437,175	-	4,437,175
TOTAL	\$ 7,071,948	\$ 6,521,697	\$ -	\$ 467,843	\$ 6,989,540	\$ 1,052,160	\$ 6,989,541
EXPENDITURE USES							
Personnel	\$ 1,549,921	\$ 2,040,623		\$ (567,427)	\$ 1,473,196	\$ 343,211	\$ 1,473,196
Administrative	6,517	30,000	18,992	115,500	164,492	1,581	164,492
Member Communications	433,331	467,000	69,403	255,500	791,903	307,661	791,903
Communications - Other	243,515	233,870	106,736	314,450	655,056	11,734	655,056
Well-Being	113,849	189,500	64,254	27,000	280,754	23,723	280,754
Initiatives to Reduce Health Care Costs	287,640	378,829	-	249,000	627,829	205,448	627,829
Other Projects	-	50,000	-	220,616	270,616	-	270,616
TOTAL	\$ 2,634,773	\$ 3,389,822	\$ 259,385	\$ 614,639	\$ 4,263,846	\$ 893,357	\$ 4,263,846
REVENUE - EXP. (excl. carry forward fund balance)	(90,157)	(837,456)	(259,385)	(614,639)	(1,711,480)	158,804	(1,711,480)
BALANCE	\$ 4,437,175	\$ 3,131,875	\$ (259,385)	\$ (146,796)	\$ 2,725,694	\$ 158,804	\$ 2,725,695

*Projection based on 5 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 \$4 M through October and projected to be \$12.8M for the year.

	Actual	Projected RX
Blue Shield Access+ HMO	2,435,283	7,480,000
Blue Shield Trio HMO	1,170,041	3,520,000
UHC Administered PPO	452,779	1,760,000
TOTAL	\$ 4,058,103	\$ 12,760,000

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.



**General Fund Administration Budget FY 2022-23
ANNUALIZED AS OF 11/30/22**

	FY 2022-23 Approved Budget	FY2022-23 Carryforward	FY 2022-23 Revised Budget	Total Actual YTD	FYE 2022-23 Projection
REVENUES					
Non-Operating Revenue	\$ 9,131		\$ 9,131	\$ -	\$ -
Operating Work Order Recovery	13,091,603		13,091,603	5,454,840	13,091,603
Other Revenue	450,000		450,000	-	400,000
General Fund Carryforward	-	277,942	277,942	277,942	277,942
Interfund Transfer	-		-	-	-
TOTAL REVENUES	\$ 13,550,734	\$ 277,942	\$ 13,828,676	\$ 5,732,782	\$ 13,769,545
EXPENDITURES					
Personnel Services	\$ 6,353,817		\$ 6,353,817	\$ 2,279,668	\$ 6,053,817
Mandatory Fringe Benefits	2,862,833		2,862,833	1,054,198	2,727,850
Non-personnel Services	2,314,006	196,981	2,510,987	804,976	2,510,987
Materials & Supplies	61,362	26,594	87,956	23,559	87,956
Services of Other Departments	1,958,716	54,367	2,013,083	583,995	2,013,083
			-		
TOTAL EXPENDITURES	\$ 13,550,734	\$ 277,942	\$ 13,828,676	\$ 4,746,397	\$ 13,393,693
BALANCE	\$ -	\$ (0)	\$ (0)	\$ 986,385	\$ 375,852

Trust Fund and Health Sustainability Fund with FYE Projection

SUMMARY	FY22-23	FY22-23
	Year-to-Date Actual Net as of 11/30/22	Projected Year-End Annual Net
Flex/Self Insurance		
Blue Shield-Access+	5,928,243	(5,437,740) (a), (h)
Blue Shield-Trio	(1,620,568)	(3,455,220) (a)
Blue Shield and United PPO	(362,242)	5,450 (b)
Health Net Canopy Care	359,108	861,860
Delta Dental PPO, Actives	(2,041,696)	(1,440,070) (c)
Fully Insured Plans		
Medical HMOs	509,647	-
Dental	534	-
LTD/Flexible Benefits/FSA/Health Net Canopy Care	1,915,482	-
Healthcare Sustainability Fund (\$3.00)	158,803	(1,711,480) (d)
Savings & Investments		
Interest	-	800,000
Performance guarantees	14,132	14,132 (e)
Surrogacy and adoption	(39,434)	(39,434)
Transfers Out	0	(400,000) (g)
TOTAL	4,822,011	(10,802,502)
Net assets		
Beginning of the year		<u>106,715,642</u>
End of the year		<u>95,913,140</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 \$11.0 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

 SAN FRANCISCO HEALTH SERVICE SYSTEM <small>Affordable, Quality Benefits & Well-Being</small>	STATEMENT OF REVENUES AND EXPENSES FY 2021-2022 FOR 5 MONTHS ENDED NOVEMBER 30, 2022		
<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*, **	107,620,769	101,692,526	5,928,243
Blue Shield Trio HMO*	41,917,807	43,538,375	(1,620,568)
Blue Shield and United PPO	19,762,195	20,124,436	(362,242)
Health Net Canopy Care	1,463,774	1,104,666	359,108
Delta Dental PPO- (Active only)	14,934,846	16,976,542	(2,041,696)
TOTAL FLEX/SELF-INSURED PLANS	185,699,390	183,436,544	2,262,846
FULLY INSURED PLANS			
UHC MAPD	37,656,048	37,656,048	-
Kaiser-HMO	197,254,090	196,756,440	497,650
Vision Service Plan	3,924,199	3,912,202	11,997
Sub-total HMO	238,834,338	238,324,691	509,647
Delta Dental PPO - Retirees	7,510,164	7,510,164	-
Delta Care	334,252	334,688	(436)
UHC Dental	173,857	172,887	970
Sub-total Dental	8,018,274	8,017,739	534
Long Term/Short Term Disability	3,493,318	3,494,073	(754)
Flexible Benefits	1,727,681	1,727,620	60
Flexible Spending-Dependent Care	2,025,357	1,646,686	378,671
Flexible Spending -Medical Reimbursement	4,682,356	3,144,851	1,537,505
Healthcare Sustainability Fund (\$3.00)	1,052,160	893,357	158,803
Adoption & Surrogacy	-	39,434	(39,434)
Sub-total Other Benefits	12,980,873	10,946,021	2,034,851
TOTAL FULLY INSURED PLANS	259,833,484	257,288,451	2,545,033
SAVINGS AND INVESTMENTS			
Interest	-	-	-
Performance guarantees	14,132	-	14,132
Forfeitures	-	-	-
TOTAL SAVINGS & INVESTMENTS	14,132	-	14,132
TRANSFERS OUT OF FORFEITURES			
			0
TOTAL FUNDS	445,547,006	440,724,996	4,822,011

* 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 2022-2023 VS FY 2021-2022
YEAR-TO-DATE: NOVEMBER 30, 2022

<i>ACTIVE & RETIRED COMBINED</i>	For 5 Months Ended November 30, 2022	For 5 Months Ended November 30, 2021	\$ Change	% Change
FLEX/SELF-INSURED PLANS				
Blue Shield-Access+ HMO				
Revenues	107,620,769	95,874,083	11,746,686	12.3% b
Expenses	(101,692,526)	(90,417,373)	(11,275,153)	12.5% f
Net Blue Shield-Access Excess(Shortage)	5,928,243	5,456,711	471,533	8.6%
Blue Shield-Trio HMO				
Revenues	41,917,807	43,435,664	(1,517,858)	-3.5%
Expenses	(43,538,375)	(46,088,905)	2,550,530	-5.5% i
Net Blue Shield-Trio Excess(Shortage)	(1,620,568)	(2,653,241)	1,032,673	-38.9%
Blue Shield and United PPO				
Revenues	19,762,195	18,238,691	1,523,504	8.4%
Expenses	(20,124,436)	(19,815,972)	(308,465)	1.6%
Net BSC and United PPO Excess(Shortage)	(362,242)	(1,577,281)	1,215,039	
Health Net Canopy Care				
Revenues	1,463,774	0	1,463,774	
Expenses	(1,104,666)	0	(1,104,666)	
Net Health Net Canopy Care Excess(Shortage)	359,108	0	359,108	
Delta Dental PPO (Active only)				
Revenues	14,934,846	17,885,171	(2,950,325)	-16.5% h
Expenses	(16,976,542)	(16,752,719)	(223,823)	1.3% i
Net Delta Dental PPO- (Active Only) Excess(Shortage)	(2,041,696)	1,132,452	(3,174,148)	-280.3%
NET FLEX/SELF-INSURED PLANS	2,262,846	2,358,641	(95,795)	-4.1%

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 |

Supplemental Tables - Trust Fund Activity- with Prior Year (continued)

 STATEMENTS OF REVENUES AND EXPENSES FY 2022-2023 VS FY 2021-2022 YEAR-TO-DATE: NOVEMBER 30, 2022				
<i>ACTIVE & RETIRED COMBINED</i>	For 5 Months Ended November 30, 2022	For 5 Months Ended November 30, 2021	\$ Change	% Change
FULLY INSURED PLANS				
Kaiser-HMO				
Revenues	197,254,090	194,967,215	2,286,876	1.2% d
Expenses	(196,756,440)	(195,319,424)	(1,437,017)	0.7% d, l
Net Kaiser- HMO Excess(Shortage)	497,650	(352,209)	849,859	-241.3% k
UHC MAPD				
Revenues	37,656,048	36,182,172	1,473,877	4.1% d, l
Expenses	(37,656,048)	(36,182,172)	(1,473,877)	4.1% d, l
Net UHC MAPD Excess(Shortage)	0	0	0	
Vision Service Plan, All (City Plan & HMO)				
Revenues	3,924,199	3,809,808	114,391	3.0% d, l
Expenses	(3,912,202)	(3,804,752)	(107,450)	2.8% d, l
Net Vision Service Plan Excess(Shortage)	11,997	5,056	6,941	137.3%
Delta Dental PPO - Retirees				
Revenues	7,510,164	6,970,842	539,322	7.7%
Expenses	(7,510,164)	(6,970,842)	(539,322)	7.7%
Net Delta Dental PPO - Retirees Excess(Shortage)	0	0	0	
Delta Care				
Revenues	334,252	332,983	1,269	0.4%
Expenses	(334,688)	(328,162)	(6,526)	2.0%
Net Delta Care Excess(Shortage)	(436)	4,820	(5,256)	-109.0%
UHC Dental				
Revenues	173,857	189,409	(15,551)	-8.2%
Expenses	(172,887)	(189,349)	16,462	-8.7%
Net UHC Dental Excess(Shortage)	970	60	911	1525.1%
Long Term/Short Term Disability				
Revenues	3,493,318	4,025,148	(531,829)	-13.2%
Expenses	(3,494,073)	(3,366,556)	(127,517)	3.8%
Net Long Term/Short Term Disability Excess(Shortage)	(754)	658,592	(659,346)	-100.1% k
Flexible Benefits				
Revenues	1,727,681	1,589,605	138,076	8.7% g
Expenses	(1,727,620)	(1,589,605)	(138,016)	8.7% g
Net Flexible Benefits Excess(Shortage)	60	0	60	
Flexible Spending-Dependent Care				
Revenues	2,025,357	2,888,167	(862,809)	-29.9% c
Expenses	(1,646,686)	(1,837,668)	190,981	-10.4% c
Net Flexible Spending-Dependent Care Excess(Shortage)	378,671	1,050,499	(671,828)	-64.0%
Flexible Spending -Medical Reimbursement				
Revenues	4,682,356	4,093,915	588,442	14.4% g
Expenses	(3,144,851)	(2,950,779)	(194,073)	6.6% f
Net Flexible Spending-Medical Reimbursement Excess(Shortage)	1,537,505	1,143,136	394,369	34.5%
Adoption & Surrogacy				
Expenses	(39,434)	0	(39,434)	
Healthcare Sustainability Fund (\$3.00)				
Revenues	1,052,160	1,085,258	(33,098)	-3.0%
Expenses	(893,357)	(1,202,447)	309,090	-25.7% e
Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	158,803	(117,189)	275,992	-235.5%
NET FULLY INSURED PLANS	2,545,033	2,392,765	152,268	6.4%
SAVINGS AND INVESTMENTS				
Interest	0	311,129	(311,129)	
Performance guarantees	14,132	20,857	(6,726)	
Forfeitures	0	0	0	
TOTAL SAVINGS & INVESTMENTS	14,132	331,986	(317,854)	1616.8%
TOTAL NET EXCESS (SHORTAGE)	4,822,011	5,083,392	(261,381)	-5.1%

Notes:

- | | |
|--------------------------|---|
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