

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

Memorandum

DATE: June 10, 2021

TO: Dr. Stephen Follansbee, President and Members of the Health Service Board

FROM: Larry Loo, MPH Chief Financial Officer

RE: Health Service Board Financial Report as of April 30, 2021

The following is a report on the sources of revenues and uses or expenses of the Employee Benefit Trust Fund (Trust Fund) and the General Fund Administration Budget through ten months of Fiscal Year (FY) 2020-21 ending April 30, 2021. This report also includes the projected fiscal year-end (FYE) changes. The Health Sustainability Fund, which is a part of the Trust Fund is reported out in additional detail. The discussion below is based the most complete information available for the reporting period and are subject to adjustments as additional transaction throughout the fiscal year are recognized.

Executive Summary

Employee Benefit Trust Fund

- Projecting a \$17.8 M increase by fiscal year-end (FYE) in the Trust Fund balance, from the \$116.1 M at prior fiscal year-end June 30, 2020 to end at \$133.8 M on June 30, 2021
- The flex funded and self-insured plans project a FYE increase of \$17.7 M in the Trust Fund balance:
 - UHC PPO: projecting an increase of \$2.1 M
 - Blue Shield Access +: projecting an increase of \$13.1 M
 - Blue Shield Trio: projecting an increase of \$3.1 M
 - Delta Dental PPO (Actives only): projecting a decrease of \$1.2 M
- The flex funded and self-insured plans cumulative year-to-date (YTD) expenses compared to revenues reported through ten months are as follows:
 - UHC PPO: cumulative expenses were \$1.4 M less than revenues
 - Blue Shield Access +: cumulative expenses were \$11.2 M less than revenues
 - Blue Shield Trio: cumulative expenses were \$2.8 M less than revenues
 - Delta Dental PPO plan (Actives only): cumulative expenses were \$1.1 M greater than revenues
- Insured plans and other non-chartered benefit revenues and expenses are projected to net each other out by fiscal year-end. Currently, cumulative expenses YTD are \$3.4 M less than revenues.
- Healthcare Sustainability Fund: projecting a FYE \$4.0 M increase in the fund balance
- Performance Guarantees: \$176 K received through ten months and projecting a FYE of \$319 K
- Pharmacy Rebates: received \$5.9 M in pharmacy rebates through ten months and project a FYE total of \$7.3 M.
- Interest: Projecting a FYE increase of \$1.2 M

General Fund Administrative Budget

- Projecting no net change in the year-end balance (no surplus or shortfall).

Employee Benefit Trust Fund (Trust Fund)

The Trust Fund started FY 2020-2021 with a beginning balance was \$116.1 M. Based on activity through ten months ending April 30, 2021, the FYE Trust Fund balance is projected to be \$133.9 M at the end of the fiscal year. The projected \$17.8 M increase includes reserves for unpaid claims in the flex funded and self-funded health plans.

Overall, the flex funded, and self-funded plans are projected to generate an increase to the fund balance. Discussion of the flex and self-funded plans performance follows below.

The cumulative YTD April revenues and expenses for the insured plans and other benefits includes an increase reconciliation of revenues and expenses from the end of the last calendar year and beginning of plan year 2021.

The following table summarizes the projected changes in fund balance.

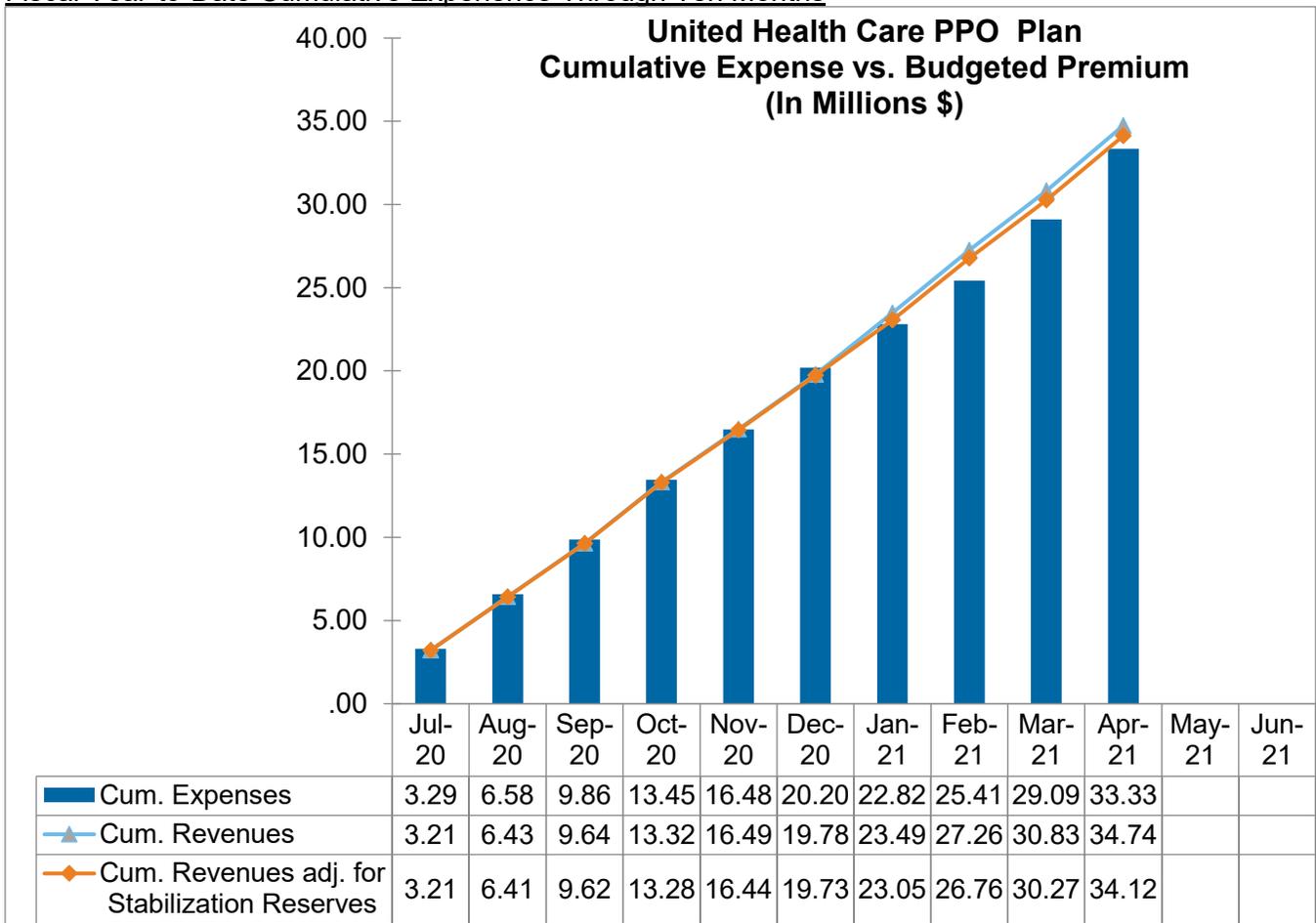
	Projected Fiscal Year-End Change in Fund Balance (in Millions)	Page
United Health Care PPO Self-Funded Plan*	\$2.2	3
Blue Shield Access+ Flex-Funded Plan*	13.1	4
Blue Shield Trio Flex-Funded Plan*	3.1	5
Delta Dental Self-Funded Plan (Actives only)	(1.2)	6
Health Care Sustainability Fund	(0.39)	7
Interest	1.3	7
Performance Guarantees	0.3	7
Performance Guarantees – Surrogacy and Adoption Assistance Plan	(0.07)	7
Forfeitures	0.11	7
Transfers Out	(0.63)	7
TOTAL	\$17.8	
* Includes Pharmacy Rebates	\$7.3	8

United Health Care PPO

Fiscal year-end projection of a \$2.2 M increase in fund balance is due to the following:

- Rate Stabilization Effect:
 - \$58 K associated with the increase in 2020 rates (for the first six months of FY 2020-21) due to rating buy-up of the 2018 calendar year-end claims stabilization deficit
 - \$372 K associated with the increase in 2021 rates (for the second six months of FY 2020-21) due to rating buy-up of the 2019 calendar year-end claims stabilization deficit
- Pharmacy Rebate(s):
 - \$1.6 M increase due to pharmacy rebates expected by FYE 2020-21
- Claims:
 - \$224 K increase due to claim expenses trending favorably

Fiscal Year-to-Date Cumulative Experience Through Ten Months



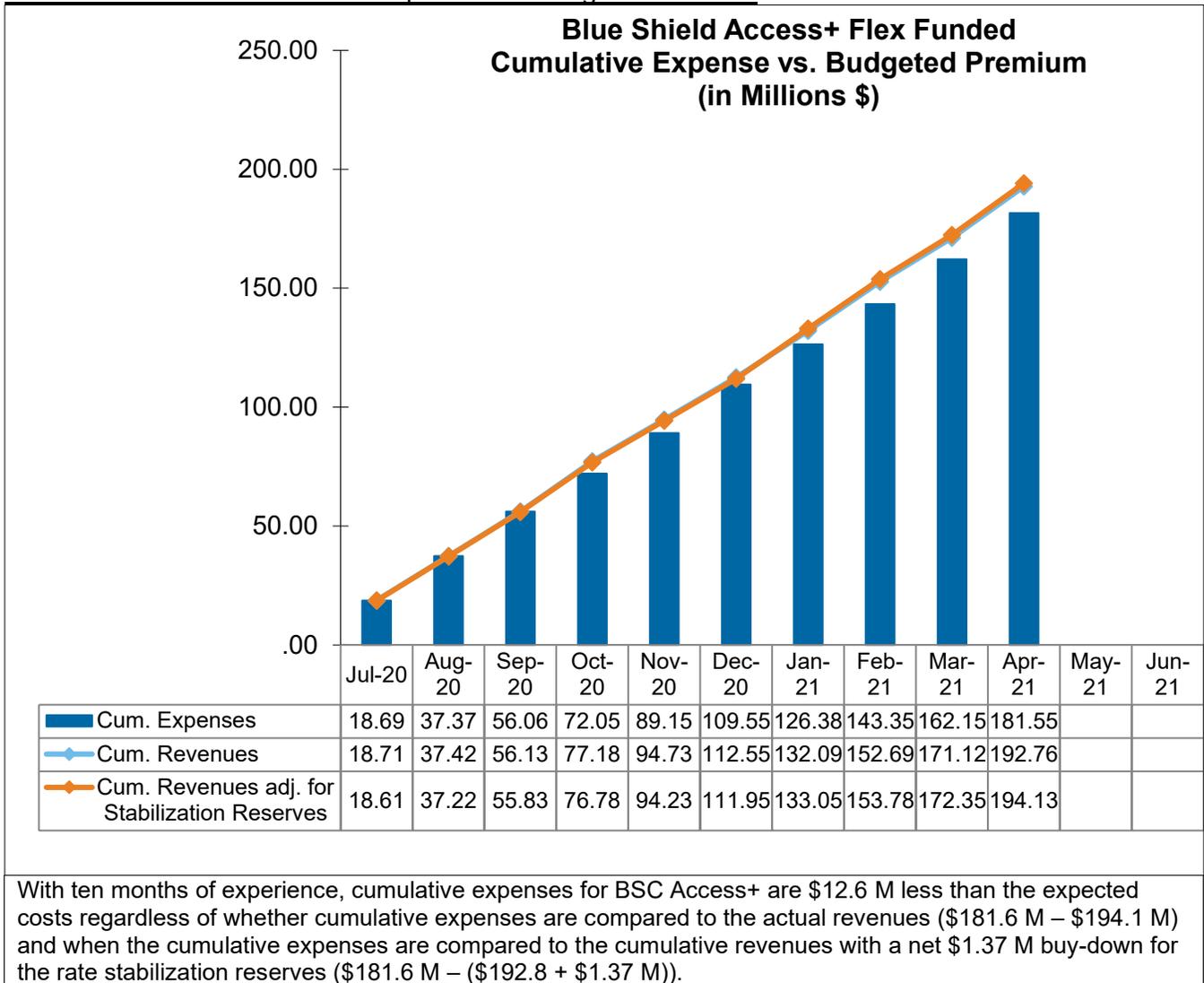
With ten months of experience, cumulative expenses for UHC PPO are \$0.8 M less than the expected costs regardless of whether cumulative expenses are compared to the actual revenues (\$33.3 M - \$34.1 M) and when the cumulative expenses are compared to cumulative revenues with the \$0.62 M buyup for the rate stabilization reserves (\$33.3 M - (\$34.7 M - \$0.62M)).

Blue Shield Access+ Flex Funded Plan

Fiscal year-end projection of a \$13.1 M increase in fund balance is projected due to the following:

- Rate Stabilization Effect:
 - \$597K associated with the increase in 2020 rates (for the first six months of FY 2020-21) due to the rating buy-up of the 2018 year-end claim stabilization deficit
 - \$820K associated with the decrease in 2021 rates (for the second six months of FY 2020-21) due to the rating buy-down from the 2019 year-end claim stabilization surplus
- Pharmacy Rebate(s):
 - \$4.0 M of pharmacy rebates
- Claims:
 - \$9.4 M increase due to claim expenses trending favorably

Fiscal Year-to-Date Cumulative Experience Through Ten Months

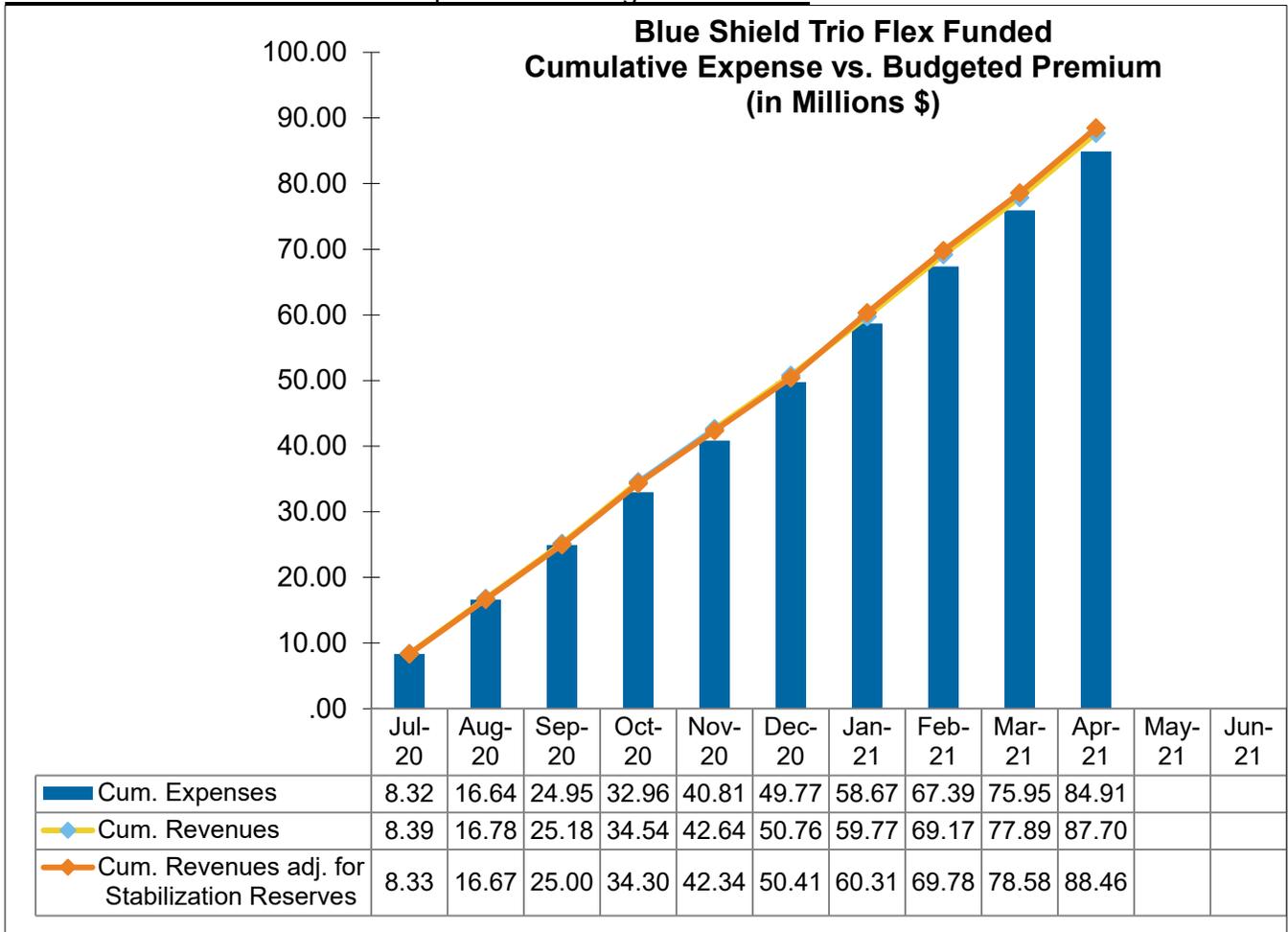


Blue Shield Trio Flex-Funded Plan

Fiscal year-end projection of a \$3.1 M increase in fund balance is projected due to the following:

- Rate Stabilization Effect:
 - \$0.35 million associated with the increase in 2020 rates (for the first six months of FY 2020-21) due to the rating buy-up of the 2018 year-end claim stabilization deficit
 - \$0.46 million associated with the decrease in 2021 rates (for the second six months of FY 2020-21) due to the rating buy-down from the 2019 year-end claim stabilization surplus
- Pharmacy Rebate(s):
 - \$1.8 M of pharmacy rebates
- Claims:
 - \$1.4 M increase due to claim expenses trending favorably

Fiscal Year-to-Date Cumulative Experience Through Ten Months



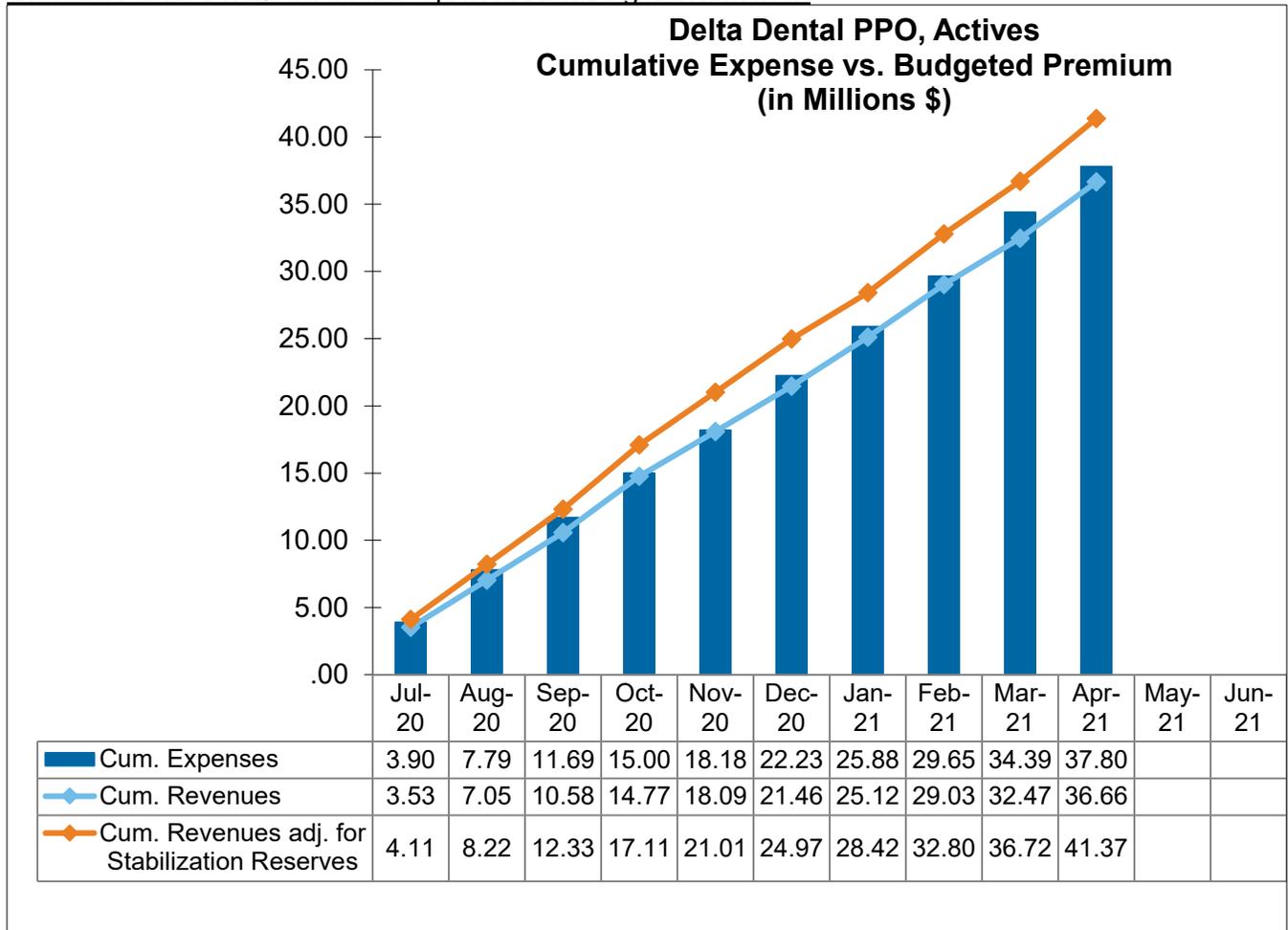
With ten months of experience, cumulative expenses for BSC Trio are \$3.6 M less than the expected costs regardless of whether cumulative expenses are compared to the actual revenues (\$84.9 M – \$88.5 M) and when cumulative expenses are compared to cumulative revenues with the net \$0.8 M buy down for the rate stabilization reserves (\$84.9 M – (\$87.7+\$0.8 M)).

Delta Dental PPO (Actives Only) Self-Funded Plan

Fiscal year-end projection of a \$1.2 M decrease in fund balance is projected due to the following:

- Rate Stabilization Effect:
 - \$3.5 million decrease in fund balance associated with subsidizing 2020 rates (for the first six months of FY 2020-21) from the 2018 year-end claim stabilization reserve
 - \$2.8 million decrease in fund balance associated with subsidizing 2020 rates (for the second six months of FY 2020-21) from the 2019 year-end claim stabilization reserve
- Claims:
 - \$5.0 M increase due to claim expenses trending favorably

Fiscal Year-to-Date Cumulative Experience Through Ten Months



With ten months of experience, cumulative expenses for Delta Dental PPO for Actives are \$3.6 M less than the expected costs regardless of whether the cumulative expenses are compared to actual revenues (\$37.8 M – \$41.4 M) and when cumulative expenses are compared with cumulative revenues with the \$4.7 M buy down from the rate stabilization reserve (\$37.8 M – (\$36.7 M + \$4.7 M)).

Other Trust Fund Notes

Healthcare Sustainability Fund

With ten months of actual revenues and expenses in the Health Care Sustainability Fund, there is a projected fiscal year-end 2020-21 positive balance of \$4.0 M. When the carryforward amount from the previous fiscal year is netted out, however, there is a projected net reduction of \$386 K.

SAN FRANCISCO HEALTH SERVICE SYSTEM <small>Affordable, Quality Benefits & Well-Being</small>	Healthcare Sustainability Fund FY 2020-21		
	FY 2020-21 Revised Budget	FY 2020-21 Actuals Apr YTD	FY 2020-21 Projection
REVENUES/PREMIUMS			
Annual Revenues	\$ 2,560,688	\$ 2,142,372	\$ 2,560,688
Carryforward from Fund Balance	4,401,072	4,401,072	4,401,072
TOTAL	\$ 6,961,760	\$ 6,543,445	\$ 6,961,760
EXPENDITURES			
Annual Expenditures	\$ 3,060,356	\$ 1,760,225	\$ 2,420,571
One-Time Expenditures	\$ 1,074,537	\$ 211,455	\$ 526,287
TOTAL	\$ 4,134,893	\$ 1,971,679	\$ 2,946,858
BALANCE	\$ 2,826,867	\$ 4,571,765	\$ 4,014,902
*Projection based on 10 months of actuals including the carryforward funding from FY 2019-20			

Interest

Year-to-date, \$638 K interest has been posted in the Trust Fund. There is a projected fiscal year-end increase to the fund balance of \$1.3 M.

Performance Guarantees

\$176K of Performance Guarantees have been received year-to-date in this fiscal year. An addition \$143K is expected before the close of the fiscal year-end.

Performance Guarantees for Adoption and Surrogacy Assistance Plan

Performance guarantees are used to fund the Adoption and Surrogacy Assistance Plan. Through ten months, a total of \$55 K has been reimbursed to members under this program. Additional program reimbursements are expected to end with the fiscal year-end with \$70K reimbursed.

Forfeitures and Transfers Out

Forfeitures from unused Flexible Spending Accounts (FSA) fund the administration of the accounts, as is allowed by the IRS. YTD \$109 K of forfeitures have been recorded. Since the administrative funding is in the General Fund and the forfeitures are in the Trust, a transfer is made annually at fiscal year.

Pharmacy Rebates

The pharmacy rebates from the self-insured health plans are normally reported at the end of each quarter. The following table summarizes the FY 2020-21 pharmacy rebates received as of this report and fiscal year-end projection. Through April 30, 2021, \$5.9 M of pharmacy rebates were received. These rebates offset the claims expense of the self-funded plans above.

Self-Insured Plan	Amount Received Year-to-Date	Projected Fiscal Year-End
UHC	\$912,856	\$1,500,000
Blue Shield (Access + and Trio)	4,958,264	5,800,000
Total	\$5,871,120	\$7,300,000

GENERAL FUND ADMINISTRATION BUDGET

Based on the first ten months year-to-date and the recent nine-month projection, SFHSS needed to reduce expenditures to balance the budget to end the fiscal year in a neutral position with no surpluses or shortfalls. Other Revenue is expected to be reduced by \$267K due to rolling forward Dependent Care FSA balances for use in 2021. These reductions in the revenues were balanced by reductions in expenditures such as savings in personnel from delayed hiring and reduction of non-personnel service due to the reduce demand for well-being programs.

<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="font-size: small;"> SAN FRANCISCO HEALTH SERVICE SYSTEM Affordable, Quality Benefits & Well-Being </div> <div style="text-align: center;"> General Fund Administration Budget FY 2020-21 ANNUALIZED AS OF 04/30/21 </div> </div>						
	FY 2020-21 Approved Budget	FY 2020-21 Revised Budget	Non-COVID-19 Actuals	COVID-19 Actuals	Total Actual YTD	FYE 2020-21 Projection
REVENUES						
Non-Operating Revenue	\$ 9,131	\$ 9,131	\$ -	\$ -	\$ -	\$ -
Work Order Recovery	11,467,900	11,467,900	9,556,640	-	9,556,640	11,467,900
Other Revenue	625,297	625,297	-	-	-	358,000
General Fund Carryforward	-	344,070	344,070	-	344,070	344,070
Interfund Transfer	-	101,477	101,477	-	101,477	101,477
TOTAL REVENUES	\$ 12,102,328	\$ 12,547,875	\$ 10,002,187	\$ -	\$ 10,002,187	\$ 12,271,447
EXPENDITURES						
Personnel Services	\$ 5,203,105	\$ 5,280,982	\$ 4,236,942	\$ 92,463	\$ 4,329,405	\$ 5,214,247
Mandatory Fringe Benefits	2,680,495	2,704,095	2,176,646	41,627	2,218,273	2,639,907
Non-personnel Services	2,299,146	2,475,244	1,630,476	1,352	1,631,829	2,341,044
Materials & Supplies	49,085	65,660	22,078	-	22,078	52,660
Services of Other Departments	1,870,497	2,021,894	1,350,913	-	1,350,913	2,021,894
TOTAL EXPENDITURES	\$ 12,102,328	\$ 12,547,875	\$ 9,417,055	\$ 135,442	\$ 9,552,497	\$ 12,269,752
BALANCE	\$ -	\$ 0	\$ 585,132	\$ (135,442)	\$ 449,690	\$ 1,695

*Projection based on 10 months of actuals including the carryforward funding from FY 2019-20

STATEMENTS OF REVENUES AND EXPENSES
FY20-21 VS FY19-20
YEAR-TO-DATE: APRIL 30, 2021

ACTIVE & RETIRED COMBINED	For 10 Months Ended April 30, 2021	For 10 Months Ended April 30, 2020	\$ Change	% Change
SELF-INSURANCE				
UHC PPO, including ASO				
Revenues	34,740,460	31,656,828	3,083,632	9.7% l
Expenses	(33,334,353)	(31,796,363)	(1,537,990)	4.8% f
Net UHC PPO Excess(Shortage)	1,406,107	(139,535)	1,545,642	-1107.7%
Blue Shield-Access+				
Revenues	192,763,875	190,463,222	2,300,653	1.2%
Expenses	(181,546,341)	(180,366,871)	(1,179,470)	0.7%
Net Blue Shield-Access Excess(Shortage)	11,217,534	10,096,351	1,121,183	11.1%
Blue Shield-Trio				
Revenues	87,696,124	86,457,872	1,238,251	1.4%
Expenses	(84,909,245)	(89,573,703)	4,664,458	-5.2% j
Net Blue Shield-Trio Excess(Shortage)	2,786,879	(3,115,830)	5,902,709	-189.4%
Delta Dental - Active only, including ASO				
Revenues	36,655,263	37,756,829	(1,101,565)	-2.9% h
Expenses	(37,801,286)	(34,634,608)	(3,166,677)	9.1% f
Net Delta Dental - Active Excess(Shortage)	(1,146,022)	3,122,220	(4,268,243)	-136.7%
NET SELF-INSURANCE	14,264,497	9,963,206	4,301,291	43.2%
INSURANCE PRODUCTS				
Kaiser-HMO				
Revenues	388,457,886	364,887,261	23,570,625	6.5% d, l
Expenses	(384,145,774)	(362,640,852)	(21,504,922)	5.9% d, l
Net Kaiser- HMO Excess(Shortage)	4,312,111	2,246,409	2,065,703	92.0%
UHC MAPD				
Revenues	71,164,460	64,949,042	6,215,417	9.6% d, l
Expenses	(71,164,460)	(64,949,042)	(6,215,417)	9.6% d, l
Net UHC MAPD Excess(Shortage)	0	0	0	
Vision Service Plan, All (City Plan & HMO)				
Revenues	7,438,039	6,898,225	539,813	7.8% d, l
Expenses	(7,407,795)	(6,878,135)	(529,660)	7.7% d, l
Net Vision Service Plan Excess(Shortage)	30,244	20,091	10,153	
Delta Dental - Retired				
Revenues	13,903,352	13,592,334	311,018	2.3%
Expenses	(13,903,352)	(13,564,010)	(339,342)	2.5%
Net Delta Dental - Retired Excess(Shortage)	0	28,324	(28,324)	-100.0%
Delta Care				
Revenues	684,947	726,608	(41,661)	-5.7% a
Expenses	(662,643)	(718,094)	55,451	-7.7% a
Net Delta Care Excess(Shortage)	22,304	8,514	13,790	162.0%
UHC Dental				
Revenues	371,700	379,338	(7,637)	-2.0%
Expenses	(337,143)	(378,067)	40,924	-10.8%
Net UHC Dental Excess(Shortage)	34,558	1,271	33,287	2619.4%
Net Dental	56,861	38,109	18,753	49.2%
Long Term/Short Term Disability				
Revenues	6,252,636	6,114,918	137,718	2.3%
Expenses	(6,253,683)	(5,988,655)	(265,028)	4.4%
Net Long Term/Short Term Disability Excess(Shortage)	(1,047)	126,263	(127,310)	
Flexible Benefits				
Revenues	2,794,943	2,445,037	349,907	14.3% g
Expenses	(2,649,543)	(2,444,853)	(204,690)	8.4% g
Net Flexible Benefits Excess(Shortage)	145,400	183	145,217	5.9%
Flexible Spending-Dependent Care				
Revenues	3,447,263	4,850,198	(1,402,935)	-28.9% c
Expenses	(3,796,196)	(4,898,543)	1,102,347	-22.5% j
Net Flexible Spending-Dependent Care Excess(Shortage)	(348,933)	(48,345)	(300,587)	621.7%
Flexible Spending -Medical Reimbursement				
Revenues	7,696,390	7,329,333	367,057	5.0% d
Expenses	(8,461,466)	(6,457,463)	(2,004,003)	31.0% f
Net Flexible Spending-Medical Reimbursement Excess(Shortage)	(765,075)	871,870	(1,636,945)	-187.8%
Best Doctors (discontinued on 1/1/20)				
Revenues	0	487,668	(487,668)	-100.0% b
Expenses	0	(486,169)	486,169	-100.0% b
Net Best Doctors Excess(Shortage)	-	1,499	(1,499)	
Adoption & Surrogacy				
Expenses	(55,116)	(71,406)	16,289	-22.8%
Healthcare Sustainability Fund (\$3.00)				
Revenues	2,142,372	2,132,043	10,329	0.5%
Expenses	(1,971,680)	(1,802,912)	(168,768)	9.4% e
Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	170,693	329,131	(158,439)	-48.1%
NET INSURANCE PRODUCTS	3,545,138	3,513,803	31,335	0.9%
SAVINGS AND INVESTMENTS				
Interest	638,095	1,373,147	(735,052)	
Performance guarantees	176,283	317,814	(141,531)	
Forfeitures	108,942	0	0	
TOTAL SAVINGS & INVESTMENTS	923,320	1,690,961	(876,583)	
TOTAL NET EXCESS (SHORTAGE)	18,732,956	15,167,971	3,456,043	22.8%

Notes: a decrease in membership
b discontinued on 1/1/20
c decrease in deductions
d increase in membership
e \$3 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
j decrease in claims

**STATEMENT OF REVENUES AND EXPENSES
FY 2020-2021
FOR 10 MONTHS ENDED APRIL 30, 2021**

ACTIVE & RETIRED COMBINED	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess (Shortage)
SELF-INSURANCE			
UHC PPO, including ASO *	34,740,460	33,334,353	1,406,107
Blue Shield Access+ *	192,763,875	181,546,341	11,217,534
Blue Shield Trio *	87,696,124	84,909,245	2,786,879
Delta Dental - Active only, including ASO	36,655,263	37,801,286	(1,146,022)
TOTAL SELF-INSURANCE	351,855,722	337,591,225	14,264,497
INSURANCE PRODUCTS			
UHC MAPD	71,164,460	71,164,460	-
Kaiser-HMO	388,457,886	384,145,774	4,312,111
Vision Service Plan, All (City Plan & HMO)	7,438,039	7,407,795	30,244
Sub-total HMO	467,060,384	462,718,029	4,342,355
Delta Dental - Retired	13,903,352	13,903,352	-
Delta Care	684,947	662,643	22,304
UHC Dental	371,700	337,143	34,558
Sub-total Dental	14,959,999	14,903,138	56,861
Long Term/Short Term Disability	6,252,636	6,253,683	(1,047)
Flexible Benefits	2,794,943	2,649,543	145,400
Flexible Spending-Dependent Care	3,447,263	3,796,196	(348,933)
Flexible Spending -Medical Reimbursement	7,696,390	8,461,466	(765,075)
Best Doctors (discontinued on 1/1/20)	-	-	-
Healthcare Sustainability Fund (\$3.00)	2,142,372	1,971,680	170,693
Adoption & Surrogacy		55,116	(55,116)
TOTAL INSURANCE PRODUCTS	504,353,989	500,808,851	3,545,138
SAVINGS AND INVESTMENTS			
Interest	638,095		638,095
Performance guarantees	176,283		176,283
Forfeitures	108,942		108,942
TOTAL SAVINGS & INVESTMENTS	923,320		923,320
TRANSFERS OUT OF FORFEITURES			0
TOTAL FUNDS	857,133,031	838,400,075	18,732,956

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

	FY20-21 Year-to-Date Actual Net as of 04/30/21	FY20-21 Projected Year-End Annual Net	
SUMMARY			
Self Insurance			
UHC PPO	1,406,107	2,154,601	(a)
Blue Shield-Access+	11,217,534	13,149,269	(b)
Blue Shield-Trio	2,786,879	3,063,430	(b)
Delta Dental PPO, Actives	(1,146,022)	(1,239,927)	(c)
Insurance Products			
Medical HMOs	4,342,355	-	
Dental	56,861	-	
LTD/Flexible Benefits/FSA/Best Doctors	(969,655)	-	
Healthcare Sustainability Fund (\$3.00)	170,693	(386,170)	(d)
Savings & Investments			
Interest	638,095	1,276,191	
Performance guarantees	176,283	319,270	(e)
Performance guarantees - Surrogacy and adoption	(55,116)	(70,116)	(f)
Forfeitures	108,942	108,942	
Transfers Out	0	(625,297)	(g)
TOTAL	18,732,956	17,750,191	
Net assets			
Beginning of the year		116,114,257	
End of the year		133,864,448	

- (a) Annual Projection is net of claim stabilization of \$0.1 million to increase 2020 rates, \$0.4 million to increase 2021 rates, and Pharmacy rebate of \$1.5 million
(b) Annual Projection is net of claim stabilization of \$0.9 million to increase 2020 rates, \$1.3 million to decrease 2021 rates, and Pharmacy rebate of \$5.8 million
(c) Annual Projection is net of claim stabilization of \$3.5 million to reduce 2020 rates and \$2.8 million to reduce 2021 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 2020-2021
(f) Reflects use of fund balance
(g) Transfer of \$0.6M from forfeitures to General Fund per FY 2020-2021 budget