

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

Memorandum

DATE: June 14, 2018

TO: Randy Scott, President and Members of the Health Service Board

FROM: Pamela Levin, Chief Financial Officer

RE: Update on Financial Report as of March 31, 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, 2017 to March 31, 2018, as well as fiscal year-end projections through June 30, 2018.

Employee Benefit Trust Fund

On June 30, 2017, the Trust Fund balance was \$72.5 million. Based on activity through March 2018, the fund balance is projected to be \$70.5 million as of June 30, 2018. The projected \$2.0 million decrease includes reserves for unpaid claims and is a result of the following changes:

1. City Plan Self-Funded Plan - \$5.9 million decrease in fund balance resulting from:
 - a. \$0.2 million increase in fund balance: pharmacy rebates of \$0.9 million less \$0.7 million of claims (additional information on page 3)
 - b. \$6.1 million decrease in fund balance:
 - \$3.8 million associated with subsidizing 2017 rates (for the first six months of FY 2017-18) from the claim stabilization reserve
 - \$2.3 million associated with subsidizing 2018 rates (for the second six months of FY 2017-18) from the claim stabilization reserve
2. Blue Shield Access+ Flex-Funded Plan - \$3.2 million increase in fund balance resulting from:
 - a. \$3.7 million increase in fund balance:
 - \$2.6 million associated with the increase in 2017 rates (for the first six months of FY 2017-18) to recover the 2015 deficit
 - \$1.1 million associated with the increase in 2018 rates (for the second six months of FY 2017-18) to recover the 2016 deficit
 - b. \$0.5 million decrease in fund balance: \$5.5 million in claims offset by pharmacy rebates of \$5.0 million (additional information on page 3)

3. Blue Shield Trio Flex-Funded Plan - \$1.3 million decrease in fund balance resulting from:
 - a. \$0.7 million increase in fund balance associated with the increase in 2018 rates (for the second six months of FY 2017-18) to recover the 2016 deficit
 - b. \$2.0 million decrease in fund balance due to unfavorable claim experience
4. Delta Dental Self-Funded Plan - \$2.7 million increase in fund balance resulting from:
 - a. \$5.5 million increase in fund balance due to favorable claim experience
 - b. \$2.8 million decrease in fund balance:
 - \$1.2 million decrease in fund balance associated with subsidizing 2017 rates (for the first six months of FY 2017-18) from the claim stabilization reserve
 - \$1.6 million decrease in fund balance associated with subsidizing 2018 rates (for the second six months of FY 2017-18) from the claim stabilization reserve
5. Healthcare Sustainability Fund - The following table reflects the year-to-date actuals through March 31, 2018. The Revised Budget reflects carryforward of unexpended funds from FY 2016-17.

Healthcare Sustainability Fund FY 2017-18				
	Revised budget	Mar YTD Actuals	Projection	Variance
Revenues/Premiums				
Annual Revenues	\$ 2,351,681	\$ 1,904,145	\$ 2,472,678	\$ 120,997
Carryforward from fund balance	1,713,191	1,713,191	2,506,982	793,791
Total	\$ 4,064,872	\$ 3,617,336	\$ 4,979,660	\$ 914,788
Expenditures				
Annual Expenditures	\$ 1,566,526	\$ 790,092	\$ 1,428,680	\$ 137,846
One-time Expenditures	2,066,797	175,236	1,368,114	698,683
Grand Total Expenditures	\$ 3,633,323	\$ 965,328	\$ 2,796,794	\$ 836,529
Balance	\$ 431,549	\$ 2,652,008	\$ 2,182,866	\$ 78,259

6. Interest - \$0.4 million increase in fund balance from SFHSS Trust cash balances
7. Performance Guarantees – No Performance Guarantees have been received as of March 31, 2018. The \$72.5 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 2017-18. The program was effective January 1, 2017, five reimbursements have been paid for a total of \$93,595, including \$61,470 in FY 2017-18.
9. Forfeitures - the reconciliation of unused flexible spending account balances occurs annually in June for the prior Plan Year.
10. Pharmacy Rebates - The following table summarizes the FY 2017-18 pharmacy rebates as of March 31, 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	\$4,129,624	\$5,000,000
UHC	601,490	900,000
Total	\$4,731,114	\$5,900,000

General Fund Administration Budget (including Online Premium Payment Project)

Based on the financial results for the first nine months of FY 2017-18, a year-end balance of \$0.2 million is projected.



HEALTH SERVICE SYSTEM
STATEMENT OF REVENUES AND EXPENSES
FY 2017-2018
FOR THE NINE MONTHS ENDED March 31, 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 *	22,919,964	27,727,318	(4,807,355)
3 Blue Shield Access+ *	203,343,614	205,220,330	(1,876,716)
4 Blue Shield Trio *	26,771,359	21,319,851	5,451,507
5 Delta Dental - Active only, including ASO	36,077,351	33,919,610	2,157,741
6 TOTAL SELF-INSURANCE	289,112,287	288,187,110	925,177
8 INSURANCE PRODUCTS			
9 New City Plan	46,426,046	46,426,046	0
10 Kaiser-HMO	299,532,788	299,377,098	155,690
11 Vision Service Plan, All (City Plan & HMO)	4,319,753	4,322,112	(2,359)
12 Sub-total HMO	350,278,587	350,125,255	153,331
14 Delta Dental - Retired	10,752,427	10,684,672	67,755
15 Delta Care	700,352	700,092	260
16 Pacific Union	284,821	284,947	(127)
17 Sub-total Dental	11,737,600	11,669,711	67,889
19 Long Term/Short Term Disability	5,451,059	5,451,059	0
20 Flexible Benefits	1,537,282	1,536,722	561
21 Flexible Spending-Dependent Care	3,809,706	4,038,875	(229,169)
22 Flexible Spending -Medical Reimbursement	4,915,883	4,919,035	(3,152)
23 Best Doctors (\$1.40)	863,437	863,437	0.00
24 Healthcare Sustainability Fund (\$3.00)	1,904,145	965,328	938,817
25 Adoption & Surrogacy		46,773	(46,773)
26 TOTAL INSURANCE PRODUCTS	380,497,698	379,616,194	881,504
28 SAVINGS AND INVESTMENTS			
29 Interest	15,983		15,983
31 Performance guarantees	0		0
32 Forfeitures	0		0
33 TOTAL SAVINGS & INVESTMENTS	15,983		15,983
35 TRANSFERS OUT OF FORFEITURES		0	0
37 TOTAL FUNDS	669,625,969	667,803,304	1,822,665

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

SUMMARY- In millions	FY17-18	FY17-18
	Year-To Date Actual As of Mar 2018 - Net	Projected Annual-Net
Self Insurance		
City Plan	(4.8)	(5.9) (a)
Blue Shield-Access+	(1.9)	3.2 (b)
Blue Shield-Trio	5.5	(1.3) (b)
Dental, Actives	2.2	2.7 (c)
Insurance Products		
Medical HMOs	0.2	0.0
Dental	0.1	0.0
LTD/Flexible Benefits/FSA/Best Doctors	(0.2)	0.0
Healthcare Sustainability Fund (\$3.00)	0.9	(0.3) (d)
Savings & Investments		
Interest	0.0	0.4
Performance guarantees	0.0	0.0 (e)
Performance guarantees - Surrogacy and adoption	0.0	(0.3) (f)
Forfeitures	0.0	0.0
Transfers Out of Forfeitures	0.0	(0.5) (g)
TOTAL	1.8	(2.0)
Net assets		
Beginning of the year		<u>72.5</u>
End of the year		<u><u>70.5</u></u>

(a) Annual Projection is net of claim stabilization of \$3.8 million used to reduce 2017 rates, \$2.3 million to reduce 2018 rates, and Pharmacy rebate of \$0.9 million

(b) Annual Projection is net of claim stabilization of \$2.6 million to increase 2017 rates, \$1.8 million to increase 2018 rates, and Pharmacy rebate of \$5 million

(c) Annual Projection is net of claim stabilization of \$1.2 million to reduce 2017 rates and \$1.6 million to reduce 2018 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 2017-2018

(f) Reflects use of fund balance

(g) Transfer of forfeitures to General Fund per FY 2017-2018 budget



	For 9 months ended March 31, 2018	For 9 months ended March 31, 2017	\$ Change	% Change	
1 SELF-INSURANCE					
2 City Plan, including ASO					
3 Revenues	22,919,964	21,399,631	1,520,333	7.1%	m
4 Expenses	(27,727,318)	(30,273,612)	2,546,294	-8.4%	m
5 Net City Plan Excess(Shortage)	(4,807,355)	(8,873,982)	4,066,627	-45.8%	
6 Blue Shield-Access+					
7 Revenues	203,343,614	228,619,936	(25,276,322)	-11.1%	p
8 Expenses	(205,220,330)	(223,129,432)	17,909,102	-8.0%	p
9 Net Blue Shield-Access Excess(Shortage)	(1,876,716)	5,490,504	(7,367,220)	-134.2%	
10 Blue Shield-Trio					
11 Revenues	26,771,359	0	26,771,359		p
12 Expenses	(21,319,851)	0	(21,319,851)		p
13 Net Blue Shield-Trio Excess(Shortage)	5,451,507	0	5,451,507		
14 Delta Dental - Active only, including ASO					
15 Revenues	36,077,351	35,368,692	708,659	2.0%	
16 Expenses	(33,919,610)	(32,310,280)	(1,609,330)	5.0%	f
17 Net Delta Dental - Active Excess(Shortage)	2,157,741	3,058,412	(900,671)	-29.4%	
18 NET SELF-INSURANCE	925,177	(325,066)	(4,201,264)	1292.4%	
19 INSURANCE PRODUCTS					
20 Blue Shield-HMO					
21 Revenues	0	15,792,386	(15,792,386)	-100.0%	m
22 Expenses	0	(15,792,386)	15,792,386	-100.0%	m
23 Net Blue Shield HMO Excess(Shortage)	0	0	0		
24 Kaiser-HMO					
25 Revenues	299,532,788	274,575,026	24,957,762	9.1%	d, l
26 Expenses	(299,377,098)	(274,317,410)	(25,059,688)	9.1%	d, l
27 Net Kaiser- HMO Excess(Shortage)	155,690	257,616	(101,926)	-39.6%	
28 New City Plan					
29 Revenues	46,426,046	23,005,541	23,420,505	101.8%	m
30 Expenses	(46,426,046)	(23,005,541)	(23,420,505)	101.8%	m
31 Net New City Plan Excess(Shortage)	0	0	0		
32 Vision Service Plan, All (City Plan & HMO)					
33 Revenues	4,319,753	3,808,207	511,546	13.4%	o
34 Expenses	(4,322,112)	(3,808,207)	(513,905)	13.5%	o
35 Net Vision Service Plan Excess(Shortage)	(2,359)	0	(2,359)		
36					
37 Delta Dental - Retired					
38 Revenues	10,752,427	10,168,639	583,788	5.7%	d
39 Expenses	(10,684,672)	(10,075,986)	(608,686)	6.0%	d
40 Net Delta Dental - Retired Excess(Shortage)	67,755	92,653	(24,898)	-26.9%	
41 Delta Care					
42 Revenues	700,352	738,127	(37,775)	-5.1%	a
43 Expenses	(700,092)	(737,890)	37,798	-5.1%	a
44 Net Delta Care Excess(Shortage)	260	237	23	9.9%	
45 Pacific Union					
46 Revenues	284,821	254,513	30,308	11.9%	d
47 Expenses	(284,947)	(254,467)	(30,480)	12.0%	d
48 Net Pacific Union Excess(Shortage)	(127)	46	(173)	-375.2%	
49 Net Dental	67,889	92,936	(25,047)	-27.0%	
50					
51 Long Term/Short Term Disability					
52 Revenues	5,451,059	5,478,768	(27,709)	-0.5%	
53 Expenses	(5,451,059)	(5,478,768)	27,709	-0.5%	
54 Net Long Term/Short Term Disability Excess(Shortage)	0	0	(0)		
55 Flexible Benefits					
56 Revenues	1,537,282	912,303	624,979	68.5%	k
57 Expenses	(1,536,722)	(912,303)	(624,419)	68.4%	k
58 Net Flexible Benefits Excess(Shortage)	561	0	561		
59 Flexible Spending-Dependent Care					
60 Revenues	3,809,706	3,407,070	402,636	11.8%	d
61 Expenses	(4,038,875)	(3,571,376)	(467,499)	13.1%	f
62 Net Flexible Spending-Dependent Care Excess(Shortage)	(229,169)	(164,306)	(64,863)	39.5%	
63 Flexible Spending -Medical Reimbursement					
64 Revenues	4,915,883	3,966,000	949,883	24.0%	d
65 Expenses	(4,919,035)	(3,600,385)	(1,318,650)	36.6%	f
66 Net Flexible Spending-Medical Reimbursement Excess(Shortage)	(3,152)	365,615	(368,767)	-100.9%	
67 Best Doctors (\$1.40)					
68 Revenues	863,437	284,556	578,881	203.4%	n
69 Expenses	(863,437)	(284,556)	(578,881)	203.4%	n
70 Net Best Doctors Excess(Shortage)	(0)	0	(0)		
71 Adoption & Surrogacy					
72 Expenses	(46,773)	0	(46,773)		
73 Healthcare Sustainability Fund (\$3.00)					
74 Revenues	1,904,145	1,434,095	470,050	32.8%	e
75 Expenses	(965,328)	(999,088)	33,760	-3.4%	e
76 Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	938,817	435,007	503,810	115.8%	
77 NET INSURANCE PRODUCTS	881,504	986,868	(58,591)	-5.9%	
78 SAVINGS AND INVESTMENTS					
79 Interest	15,983	320,694	(304,711)	-95.0%	b
80 TOTAL SAVINGS & INVESTMENTS	15,983	320,694	(304,711)	-31.0%	
81 TOTAL NET EXCESS (SHORTAGE)	1,822,665	982,496	(4,564,566)	-464.6%	

Notes: a decrease in membership
b delay in interest income posting due to FSP implementation
c decrease in deductions
d increase in membership
e \$3 per member per month for communications, wellness, actuarial work

f increase in claims
h decrease in rates
i increase in rates
g increase in deductions
j decrease in claims
n effective 1/1/17
o vision buy-up effective 1/1/18
p effective 1/1/18
k implementation of voluntary benefits effective 1/1/17
m conversion into New City Plan effective 1/1/17

Healthcare Sustainability Fund FY 2017-18				
	Revised Budget	March YTD Actuals	Projection	Variance
Revenues/Premiums				
Annual Revenues	\$ 2,351,681	1,904,145	\$ 2,472,678	\$ 120,997
Carryforward from fund balance	1,713,191	1,713,191	2,506,982	793,791
Total	\$ 4,064,872	3,617,336	\$ 4,979,660	\$ 914,788
Expenditures				
Annual				
Personnel Services and Mandatory Fringes	\$ 353,662	217,308	\$ 385,870	\$ (32,208)
Communications				
Open Enrollment Communications	226,892	229,751	281,079	(54,187)
Operations Communications	132,160	3,287	100,134	32,026
Well-Being Communications	255,000	156,360	250,000	5,000
Other Communications	32,520	2,779	34,705	(2,185)
Total Communications	\$ 646,572	392,178	\$ 665,918	\$ (19,346)
Well-Being	133,000	33,223	100,000	33,000
Initiatives to Reduce Health Care Costs	260,292	145,125	247,792	12,500
SFGTV/Board Meetings	23,000	2,259	29,100	(6,100)
Contingency for Unforeseen Issues	150,000			150,000
Total Expenditures	\$ 1,566,526	790,092	\$ 1,428,680	\$ 137,846
One-time				
Communications				
Open-Enrollment Communications	253,998	175,236	233,829	\$ 20,169
Operations Communications	\$ 1,505,000		\$ 925,000	\$ 580,000
Well-Being Communications	1,580		55,000	(53,420)
Other Communications	253,800		154,285	99,515
Total Communications	\$ 2,014,378	175,236	\$ 1,368,114	646,264
Well-Being	2,419		-	2,419
Initiatives to Reduce Health Care Costs	50,000		-	50,000
Total Expenditures	\$ 2,066,797	175,236	\$ 1,368,114	\$ 698,683
Grand Total Expenditures	\$ 3,633,323	965,328	\$ 2,796,794	\$ 836,529
Balance	\$ 431,549	2,652,008	\$ 2,182,866	\$ 78,259



Health Service System
CITY & COUNTY OF SAN FRANCISCO

HEALTH SERVICE SYSTEM - ADMINISTRATION
STATEMENT OF REVENUES AND EXPENDITURES
As of March 31, 2018

YEAR-TO DATE				ANNUAL					
Fav/(Unfav)				Fav/(Unfav)					
Budget	Actual	Variance	% Var	Original Budget	Revised Budget	Projection	Variance	% Var	
REVENUES									
346,898	30	(346,868)	-100.0%	462,530	462,530	462,530	0	0.0%	
8,496,424	8,271,185	(225,239)	-2.7%	10,981,725	11,328,565	11,328,565	0	0.0%	
320,405	320,405	0	0.0%	0	427,206	427,206			
9,163,726	8,591,620	(572,106)	-6.2%	11,444,255	12,218,301	12,218,301	0	0.0%	
EXPENDITURES									
3,864,326	3,588,831	275,495	7.1%	5,202,435	5,152,435	5,031,435	121,000	-2.3%	
1,872,278	1,674,914	197,364	10.5%	2,496,371	2,496,371	2,414,317	82,054	-3.3%	
1,670,273	899,962	770,311	46.1%	1,679,202	2,227,031	2,227,031	0	0.0%	
37,926	34,196	3,730	9.8%	49,915	50,568	50,568	0	0.0%	
954,957	538,015	416,942	43.7%	2,016,332	2,291,896	2,291,896	0	0.0%	
8,399,760	6,735,919	1,663,842	19.8%	11,444,255	12,218,301	12,015,247	203,054	-1.7%	
763,965	1,855,701	1,091,736		0	0	203,054	203,054		
REVENUE LESS EXPENDITURES									