

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

DATE: June 8, 2023

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 April 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 ten months ending April 30, 2023 and projections for FYE 2023

Executive Summary

Trust Fund and Health Sustainability Fund

- The projected FYE trust balance will decrease by \$1.9M as the Sutter settlement distribution offsets rate stabilization. For the ten months the fund increased by \$10M due to timing differences.
- Total Net claims are projected to be \$3M higher than planned with high Blue Shield Access+ medical claims offset by lower dental claims.
- The Healthcare Sustainability Fund projected FYE balance will decrease by \$1.7M as budgeted.
- Pharmacy rebates in the first ten months were \$13.9M and are projected to be \$14.8 million for the fiscal year.

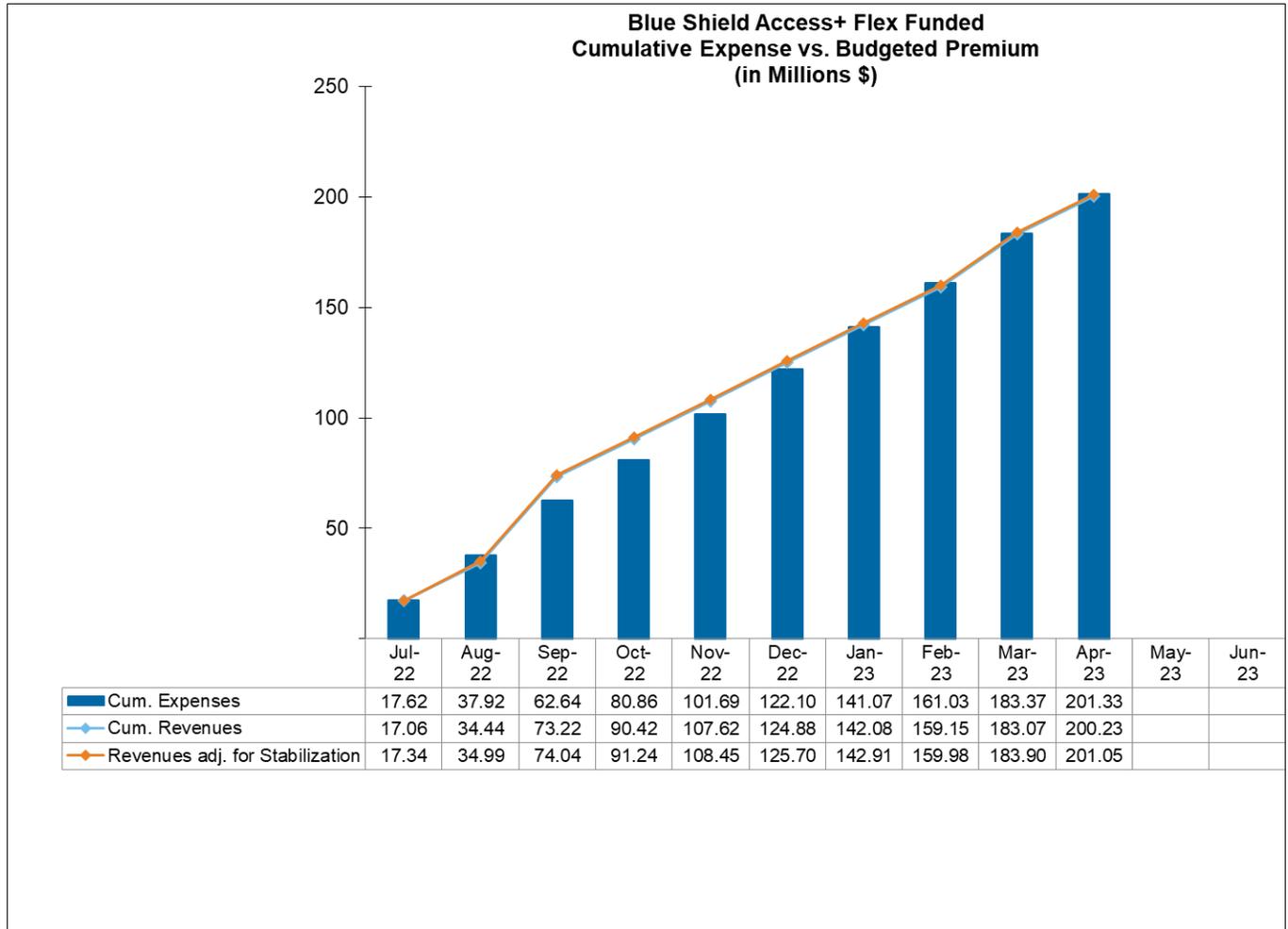
General Fund

The GF has a surplus in the first ten 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

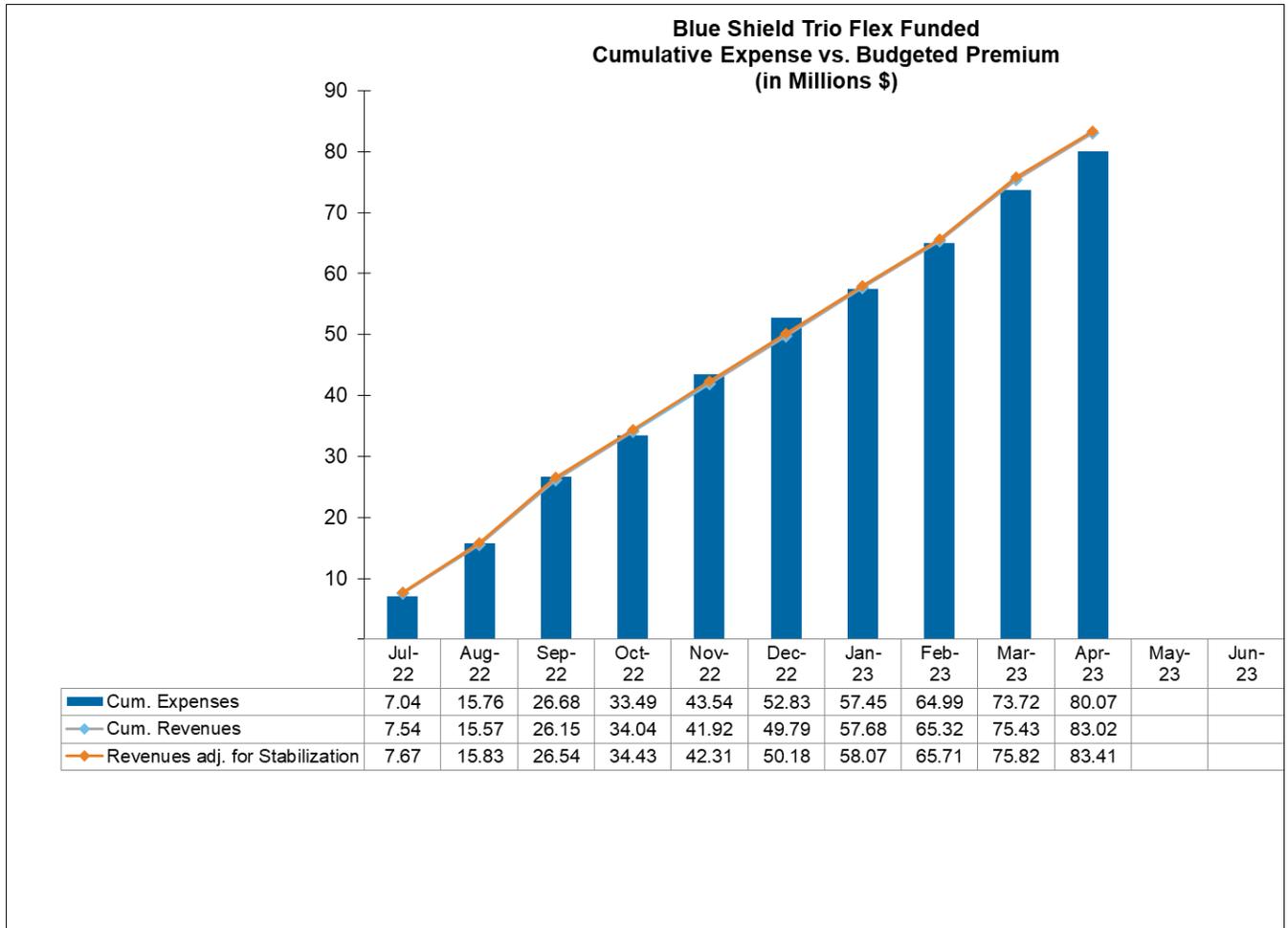
Blue Shield Access+ Flex Funded Plan

YTD revenues include \$14.7M Sutter settlement. Projected FYE balance will decrease by \$5.7M as high claims and rate stabilization offset the settlement distribution.



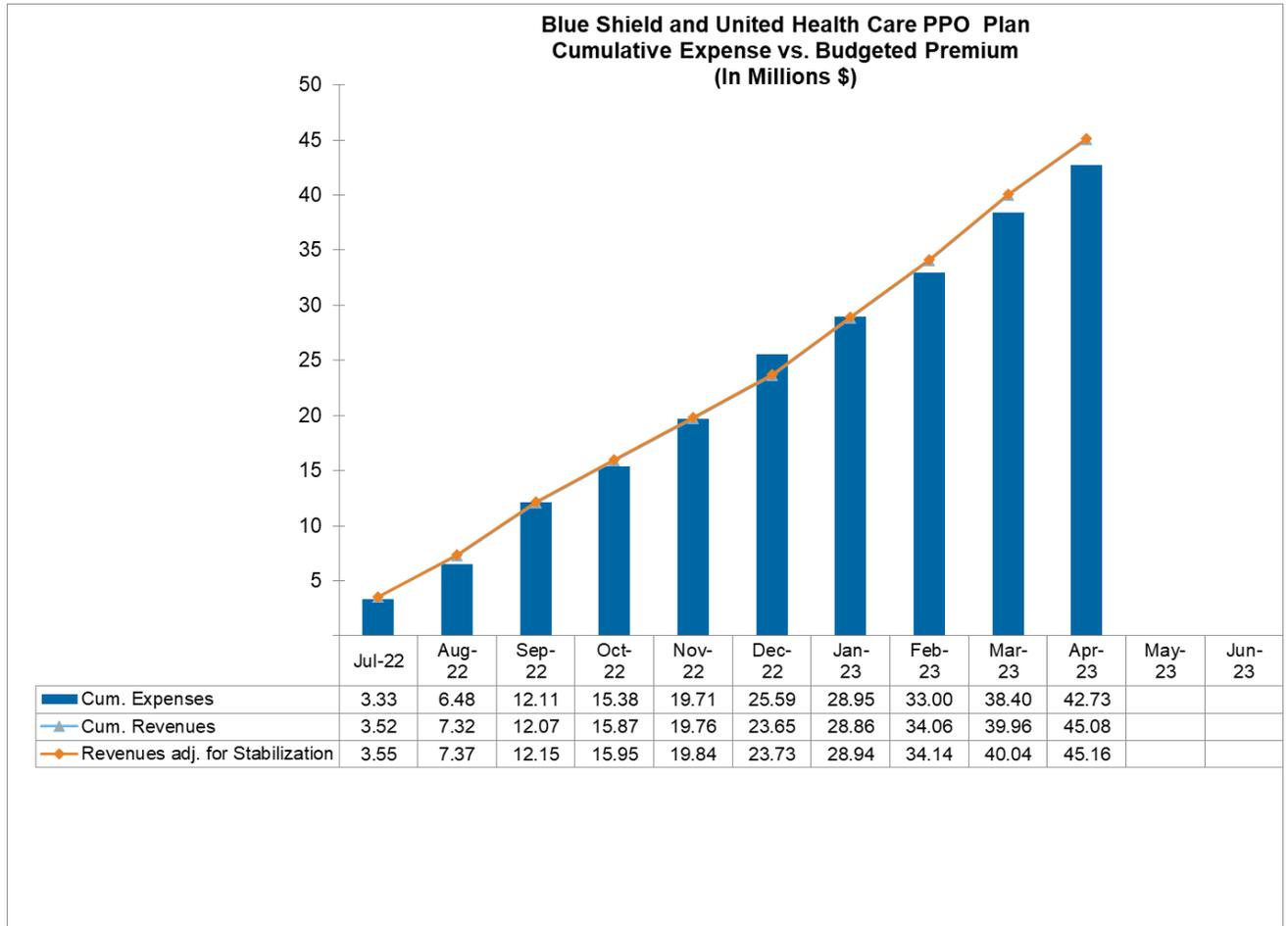
Blue Shield Trio Flex-Funded Plan

FYE projected balance will increase by \$3M due to lower claims.



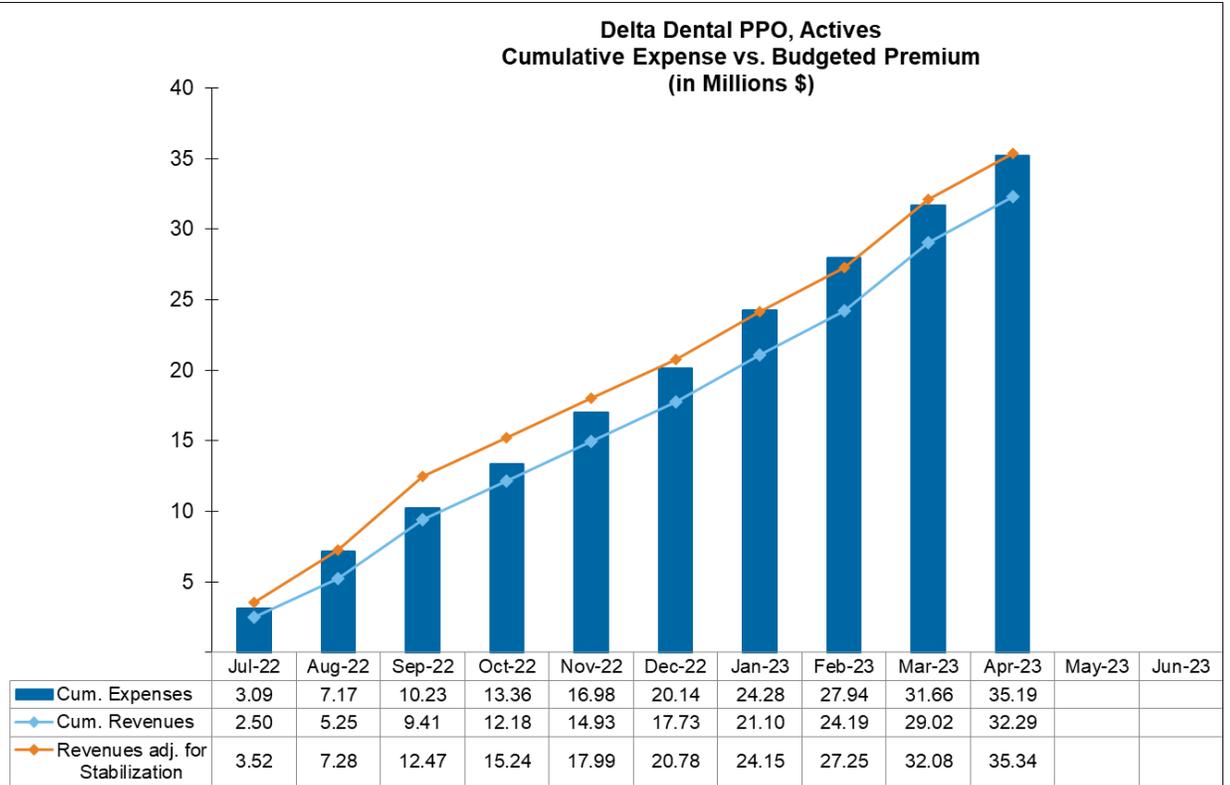
Blue Shield/United Health Care Administered PPO

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 FYE 2023 net increase of \$2.7M due to lower claims.



Delta Dental PPO (Actives Only) Self-Funded Plan

Projected decrease for the year is \$2.8M due to rate stabilization partially 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.

SAN FRANCISCO HEALTH SERVICE SYSTEM <small>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 Apr YTD	FY 2022-23 Projection
REVENUE SOURCES							
Annual Revenues	\$ 2,544,616	\$ 2,552,366		\$ -	\$ 2,552,366	\$ 2,105,256	\$ 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	\$ 2,105,256	\$ 6,989,541
EXPENDITURE USES							
Personnel	\$ 1,549,921	\$ 2,040,623		\$ (567,427)	\$ 1,473,196	\$ 670,489	\$ 1,473,196
Administrative	6,517	30,000	18,992	115,500	164,492	8,951	164,492
Member Communications	433,331	467,000	69,403	255,500	791,903	424,923	791,903
Communications - Other	243,515	233,870	106,736	314,450	655,056	37,724	655,056
Well-Being	113,849	189,500	64,254	27,000	280,754	103,981	280,754
Initiatives to Reduce Health Care Costs	287,640	378,829	-	249,000	627,829	389,390	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	\$ 1,635,458	\$ 4,263,846
REVENUE - EXP. (excl. carry forward fund balance)	(90,157)	(837,456)	(259,385)	(614,639)	(1,711,480)	469,798	(1,711,480)
BALANCE	\$ 4,437,175	\$ 3,131,875	\$ (259,385)	\$ (146,796)	\$ 2,725,694	\$ 469,798	\$ 2,725,695

*Projection based on 10 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 \$13.9M through April and projected to be \$14.8M for the year.

	Actual	Projected RX
Blue Shield Access+ HMO	8,459,112	8,840,000
Blue Shield Trio HMO	3,806,198	4,160,000
UHC Administered PPO	1,610,948	1,760,000
TOTAL	\$ 13,876,258	\$ 14,760,000

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 04/30/22**

	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	10,908,400	13,091,603
Other Revenue	450,000		450,000	-	400,000
General Fund Carryforward	-	277,942	277,942	277,942	975,900
Interfund Transfer	-	-	-	-	-
TOTAL REVENUES	\$ 13,550,734	\$ 277,942	\$ 13,828,676	\$ 11,186,342	\$ 14,467,503
EXPENDITURES					
Personnel Services	\$ 6,353,817		\$ 6,353,817	\$ 4,493,479	\$ 6,053,817
Mandatory Fringe Benefits	2,862,833		2,862,833	2,101,705	2,727,850
Non-personnel Services	2,314,006	540,153	2,854,159	1,694,938	2,854,159
Materials & Supplies	61,362	16,976	78,338	32,108	78,338
Services of Other Departments	1,958,716	418,771	2,377,487	1,346,667	2,377,487
			-		
TOTAL EXPENDITURES	\$ 13,550,734	\$ 975,900	\$ 14,526,634	\$ 9,668,898	\$ 14,091,651
BALANCE	\$ -	\$ (697,958)	\$ (697,958)	\$ 1,517,444	\$ 375,852

Trust Fund and Health Sustainability Fund with FYE Projection

SUMMARY	FY22-23	FY22-23
	Year-to-Date Actual Net as of 04/30/23	Projected Year-End Annual Net
Flex/Self Insurance		
Blue Shield-Access+	(1,099,171)	(5,706,645) (a), (h)
Blue Shield-Trio	2,949,510	3,076,423 (a)
Blue Shield and United PPO	2,351,590	2,722,071 (b)
Health Net Canopy Care	478,776	-
Delta Dental PPO, Actives	(2,906,708)	(2,796,049) (c)
Fully Insured Plans		
Medical HMOs	5,778,337	-
Dental	8,128	-
LTD/Flexible Benefits/FSA/Health Net Canopy Care	359,887	-
Healthcare Sustainability Fund (\$3.00)	469,798	(1,711,480) (d)
Savings & Investments		
Interest	1,185,251	2,370,501
Performance guarantees	619,380	619,380 (e)
Surrogacy and adoption	(79,883)	(79,883)
Transfers Out	0	(400,000) (g)
TOTAL	10,114,896	(1,905,682)
Net assets		
Beginning of the year		<u>106,715,642</u>
End of the year		<u>104,809,960</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 \$13.0 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 2022-2023 FOR 10 MONTHS ENDED APRIL 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*, **	200,227,512	201,326,682	(1,099,171)
Blue Shield Trio HMO*	83,022,043	80,072,533	2,949,510
Blue Shield and United PPO	45,077,973	42,726,383	2,351,590
Health Net Canopy Care	4,137,614	3,658,838	478,776
Delta Dental PPO- (Active only)	32,285,841	35,192,549	(2,906,708)
TOTAL FLEX/SELF-INSURED PLANS	364,750,983	362,976,985	1,773,998
FULLY INSURED PLANS			
UHC MAPD	77,006,110	77,006,110	-
Kaiser-HMO	404,818,620	399,088,107	5,730,513
Vision Service Plan	8,250,767	8,202,943	47,824
Sub-total HMO	490,075,497	484,297,160	5,778,337
Delta Dental PPO - Retirees	15,574,055	15,574,055	-
Delta Care	663,199	658,478	4,720
UHC Dental	341,173	337,765	3,408
Sub-total Dental	16,578,427	16,570,299	8,128
Long Term/Short Term Disability	6,782,500	6,629,031	153,469
Flexible Benefits	3,523,944	3,523,871	72
Flexible Spending-Dependent Care	4,381,397	4,348,667	32,730
Flexible Spending -Medical Reimbursement	9,355,053	9,181,438	173,616
Healthcare Sustainability Fund (\$3.00)	2,105,256	1,635,458	469,798
Adoption & Surrogacy	-	79,883	(79,883)
Sub-total Other Benefits	26,148,151	25,398,347	749,803
TOTAL FULLY INSURED PLANS	532,802,075	526,265,806	6,536,268
SAVINGS AND INVESTMENTS			
Interest	1,185,251	-	1,185,251
Performance guarantees	619,380	-	619,380
Forfeitures	-	-	-
TOTAL SAVINGS & INVESTMENTS	1,804,630	-	1,804,630
TRANSFERS OUT OF FORFEITURES			0
TOTAL FUNDS	899,357,688	889,242,792	10,114,897

* 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: APRIL 30, 2023

<i>ACTIVE & RETIRED COMBINED</i>	For 10 Months Ended April 30, 2023	For 10 Months Ended April 30, 2022	\$ Change	% Change
FLEX/SELF-INSURED PLANS				
Blue Shield-Access+ HMO				
Revenues	200,227,512	191,940,697	8,286,815	4.3% b
Expenses	(201,326,682)	(188,083,440)	(13,243,242)	7.0% f
Net Blue Shield-Access Excess(Shortage)	(1,099,171)	3,857,257	(4,956,428)	-128.5%
Blue Shield-Trio HMO				
Revenues	83,022,043	87,506,929	(4,484,886)	-5.1% i
Expenses	(80,072,533)	(91,389,370)	11,316,837	-12.4% i
Net Blue Shield-Trio Excess(Shortage)	2,949,510	(3,882,441)	6,831,951	-176.0%
Blue Shield and United PPO				
Revenues	45,077,973	23,196,751	21,881,222	94.3%
Expenses	(42,726,383)	(28,645,638)	(14,080,744)	49.2%
Net BSC and United PPO Excess(Shortage)	2,351,590	(5,448,888)	7,800,478	
Health Net Canopy Care				
Revenues	4,137,614	1,051,764	3,085,851	
Expenses	(3,658,838)	(742,403)	(2,916,435)	
Net Health Net Canopy Care Excess(Shortage)	478,776	309,361	169,416	
Delta Dental PPO (Active only)				
Revenues	32,285,841	33,821,712	(1,535,870)	-4.5% h
Expenses	(35,192,549)	(35,692,212)	499,663	-1.4% i
Net Delta Dental PPO- (Active Only) Excess(Shortage)	(2,906,708)	(1,870,500)	(1,036,207)	55.4%
NET FLEX/SELF-INSURED PLANS	1,773,998	(7,035,211)	8,809,210	-125.2%

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: APRIL 30, 2023			
ACTIVE & RETIRED COMBINED		For 10 Months Ended April 30, 2023	For 10 Months Ended April 30, 2022	\$ Change	% Change
FULLY INSURED PLANS					
Kaiser-HMO					
Revenues		404,818,620	397,487,143	7,331,477	1.8% d
Expenses		(399,088,107)	(393,547,840)	(5,540,267)	1.4% d, l
Net Kaiser- HMO Excess(Shortage)		5,730,513	3,939,303	1,791,210	45.5% k
UHC MAPD					
Revenues		77,006,110	73,036,472	3,969,638	5.4% d, l
Expenses		(77,006,110)	(73,036,472)	(3,969,638)	5.4% d, l
Net UHC MAPD Excess(Shortage)		0	0	0	
Vision Service Plan, All (City Plan & HMO)					
Revenues		8,250,767	7,728,564	522,202	6.8% d, l
Expenses		(8,202,943)	(7,702,847)	(500,096)	6.5% d, l
Net Vision Service Plan Excess(Shortage)		47,824	25,717	22,107	86.0%
Delta Dental PPO - Retirees					
Revenues		15,574,055	14,298,619	1,275,437	8.9%
Expenses		(15,574,055)	(14,298,619)	(1,275,437)	8.9%
Net Delta Dental PPO - Retirees Excess(Shortage)		0	0	0	
Delta Care					
Revenues		663,199	689,788	(26,589)	-3.9%
Expenses		(658,478)	(652,113)	(6,366)	1.0%
Net Delta Care Excess(Shortage)		4,720	37,675	(32,955)	-87.5%
UHC Dental					
Revenues		341,173	366,513	(25,340)	-6.9%
Expenses		(337,765)	(362,020)	24,255	-6.7%
Net UHC Dental Excess(Shortage)		3,408	4,492	(1,085)	-24.1%
Long Term/Short Term Disability					
Revenues		6,782,500	7,403,707	(621,207)	-8.4%
Expenses		(6,629,031)	(6,746,614)	117,583	-1.7%
Net Long Term/Short Term Disability Excess(Shortage)		153,469	657,093	(503,624)	-76.6% k
Flexible Benefits					
Revenues		3,523,944	3,342,772	181,172	5.4% g
Expenses		(3,523,871)	(3,342,772)	(181,100)	5.4% g
Net Flexible Benefits Excess(Shortage)		72	0	72	
Flexible Spending-Dependent Care					
Revenues		4,381,397	5,064,783	(683,386)	-13.5% c
Expenses		(4,348,667)	(4,958,886)	610,220	-12.3% c
Net Flexible Spending-Dependent Care Excess(Shortage)		32,730	105,896	(73,167)	-69.1%
Flexible Spending -Medical Reimbursement					
Revenues		9,355,053	8,174,651	1,180,403	14.4% g
Expenses		(9,181,438)	(8,368,024)	(813,414)	9.7% f
Net Flexible Spending-Medical Reimbursement Excess(Shortage)		173,616	(193,373)	366,989	-189.8%
Adoption & Surrogacy					
Expenses		(79,883)	(16,163)	(63,720)	
Healthcare Sustainability Fund (\$3.00)					
Revenues		2,105,256	2,122,846	(17,589)	-0.8%
Expenses		(1,635,458)	(2,050,586)	415,129	-20.2% e
Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)		469,798	72,260	397,539	550.2%
NET FULLY INSURED PLANS		6,536,268	4,632,901	1,903,367	41.1%
SAVINGS AND INVESTMENTS					
Interest		1,185,251	0	1,185,251	
Performance guarantees		619,380	998,343	(378,964)	
Forfeitures		0	0	0	
TOTAL SAVINGS & INVESTMENTS		1,804,630	998,343	806,287	1616.8%
TOTAL NET EXCESS (SHORTAGE)		10,114,897	(1,403,967)	11,518,864	-820.5%

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