

# SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

DATE: June 9, 2022

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

FROM: Iftikhar Hussain, Chief Financial Officer

SUBJECT: Health Service Board Financial Report as of April 30, 2022

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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 through April 30, 2022, with fiscal year-end (FYE) projections.

## **Executive Summary**

### **Trust Fund and Health Sustainability Fund**

- The projected change for the year is \$2.7M decrease with a projected ending balance of \$123M. The decrease is primarily due to stabilization built into the rate setting.
- Flex and Self-insured plans projected balance will decrease by \$3M.
  - There are offsetting variances in Blue Shield PPO and United PPO as the United plan transitioned to Blue Shield in January.
  - Offsetting claims experience in BSC Access+ and BSC Trio.
  - \$3M reduction in Delta Dental for active employees due to rate stabilization.
- The net change through April is \$5M increase due to timing differences. Revenue is collected by pay periods and health plan premiums are paid by month.
- Insured plan revenues and expenses are expected to net out by year end, however, as of April the balance increased by \$4M due to timing differences.
- Healthcare Sustainability Fund projected to decreased by \$685K
- Pharmacy Rebates collected projected at \$11.1M and reflected in the trust balances above.

### **General Fund**

The general fund projected balance for the year is a surplus of \$135K

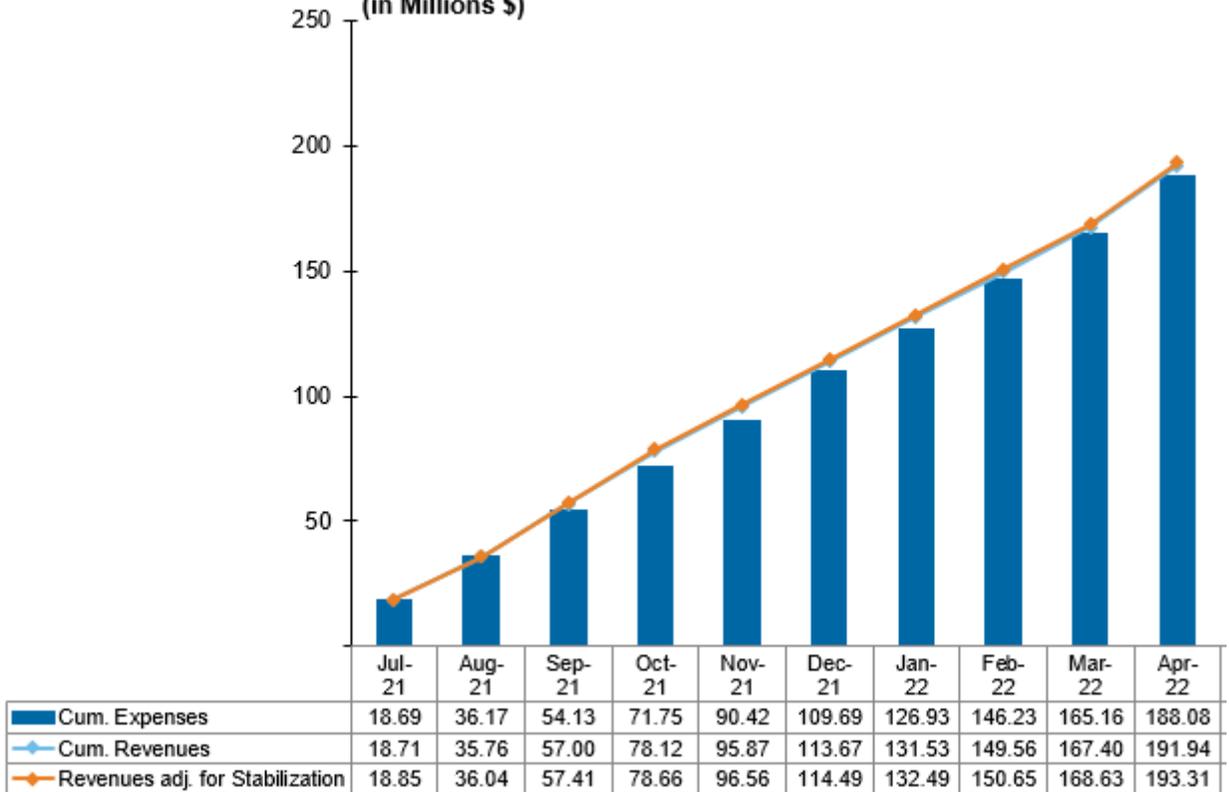
**Detailed Analysis by Fund**

**Blue Shield Access+ Flex Funded Plan**

Projecting a fiscal year-end increase of \$4.3M in fund balance due to the following:

- \$2.4M decrease due to rate stabilization
- \$6.7M increase due to lower claims including pharmacy rebates.

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

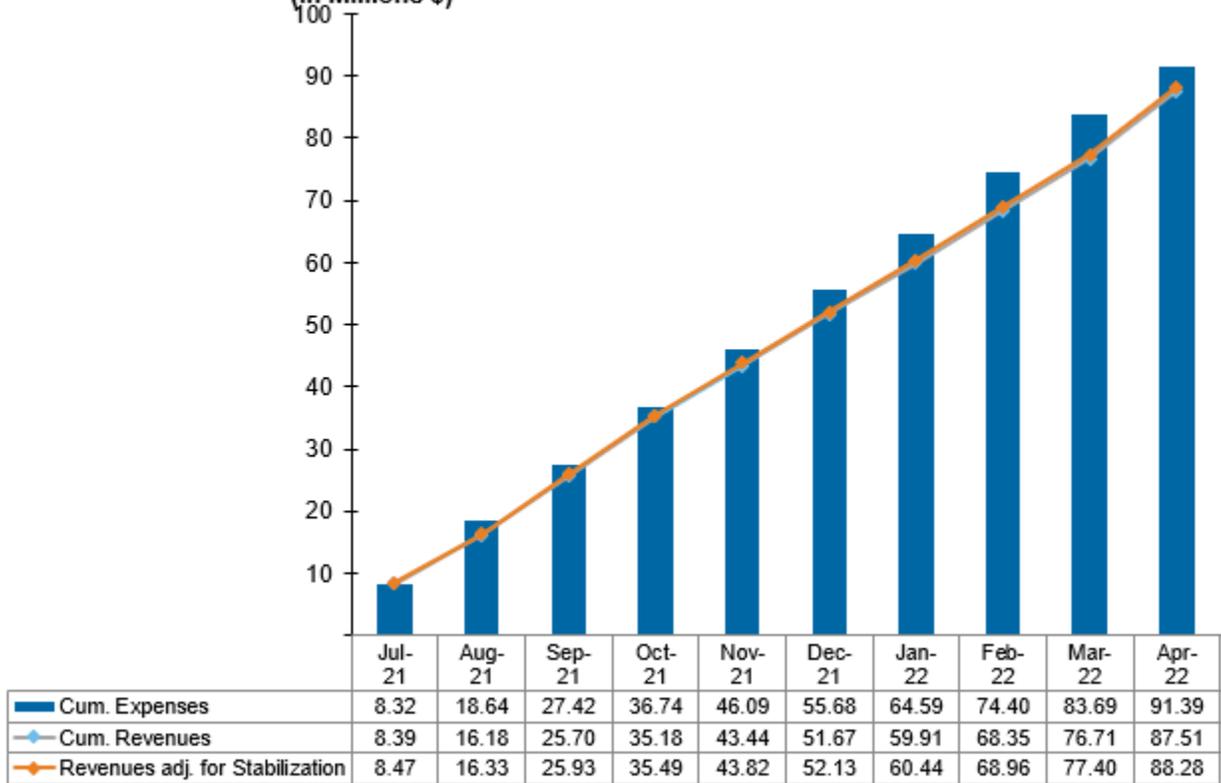


**Blue Shield Trio Flex-Funded Plan**

Projecting a fiscal year-end decrease of \$4.7M fund balance due to the following:

- \$1.3M decrease due to rate stabilization
- \$3.4 million decrease due to higher claims, net of pharmacy rebates

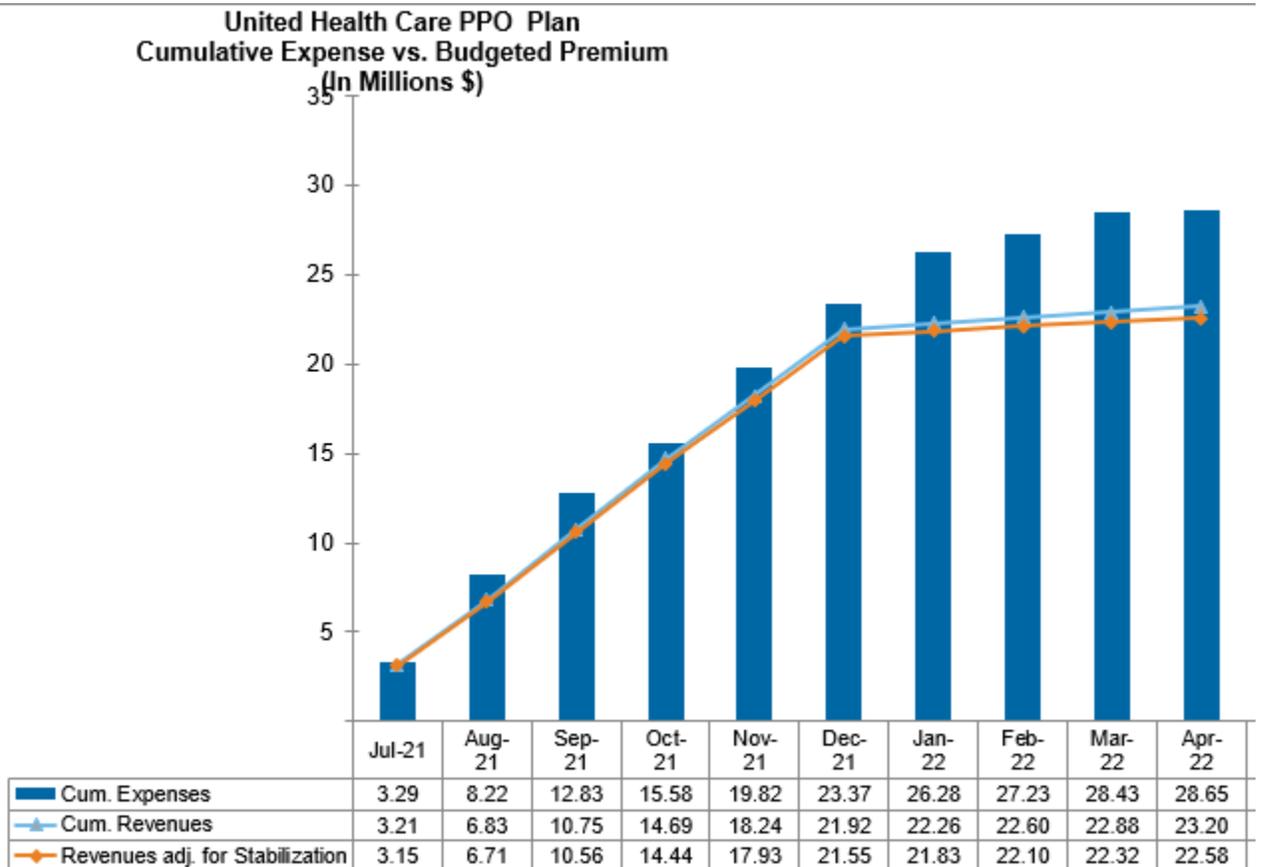
**Blue Shield Trio Flex Funded  
 Cumulative Expense vs. Budgeted Premium  
 (in Millions \$)**



**United Health Care/Blue Shield Administered PPO**

The administration of the self-funded PPO will migrate to Blue Shield starting in January 2022. As this plan is self-insured, the cumulative costs and funding sources for the PPO will remain with the plan as it migrates to a new plan administrator.

The net change in the combined fund balance for these two plans will be zero as the claims lag will be offset by IBNR reserves at year-end.



**Healthnet Canopy Care**

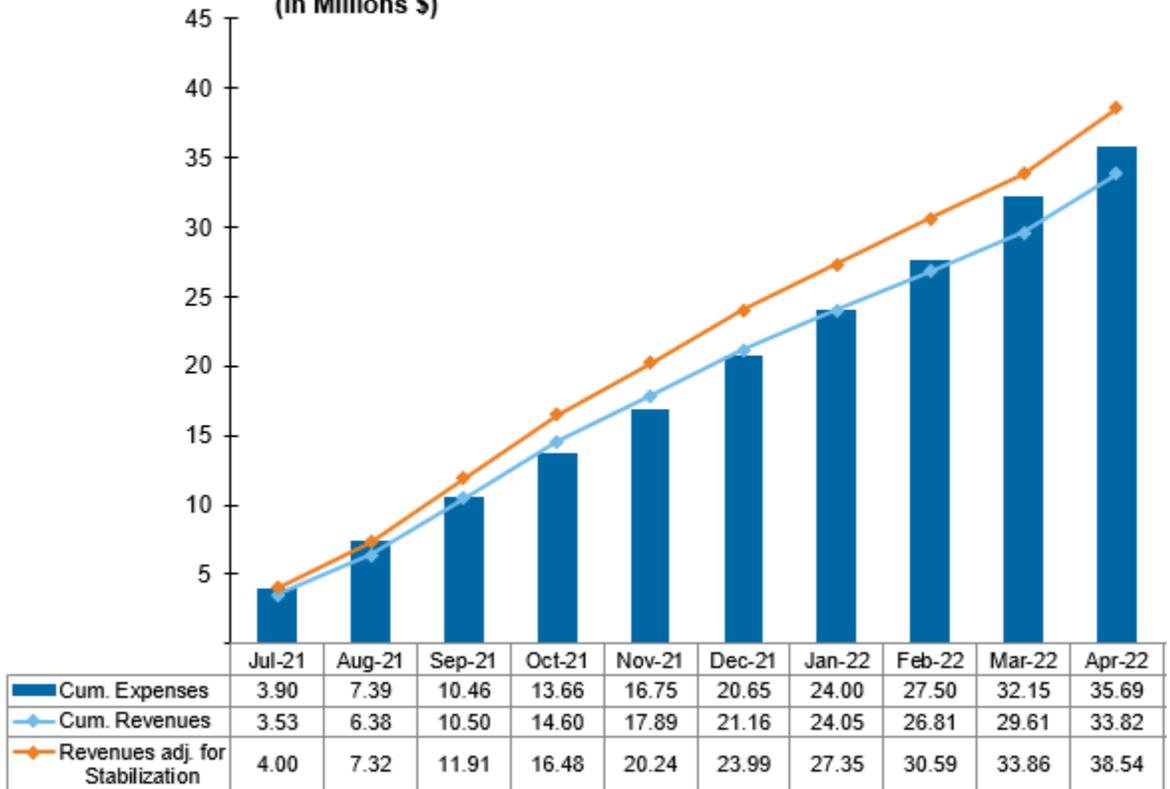
This plan started in January 2022 with low enrollment, and we are projecting no change in FYE trust balance.

**Delta Dental PPO (Actives Only) Self-Funded Plan**

Projecting a fiscal year-end decrease of \$2.9M in the fund balance due to the following:

- \$8.9M decrease due to rate stabilization.
- \$6M increase due to lower claims.

**Delta Dental PPO, Actives  
 Cumulative Expense vs. Budgeted Premium  
 (in Millions \$)**



**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. Current year expenses are lower than budget due to project delays due to the pandemic. The projected year-end expenditures result in a net decrease of \$685K resulting in a balance of \$3.8M.

<b>SAN FRANCISCO</b> <b>HEALTH SERVICE SYSTEM</b> <small>Affordable, Quality Benefits &amp; Well-Being</small>	<b>Healthcare Sustainability Fund FY 2021-22</b>			
	<b>FY 2021-22 Revised Budget + Adj C/F</b>	<b>FY 2021-22 Actuals Apr YTD</b>	<b>FY 2021-22 Projection</b>	<b>Fav/(Unfav) Variance</b>
<b>REVENUE SOURCES</b>				
Annual Revenues	\$ 2,578,896	\$ 2,122,846	\$ 2,578,896	\$ -
Carryforward from Fund Balance	4,268,467	4,527,332	4,527,332	258,866
<b>TOTAL</b>	<b>\$ 6,847,362</b>	<b>\$ 6,650,178</b>	<b>\$ 7,106,228</b>	<b>\$ 258,866</b>
<b>EXPENDITURE USES</b>				
<b>Personnel</b>	<b>\$ 2,058,244</b>	<b>\$ 1,121,540</b>	<b>\$ 1,639,838</b>	<b>\$ 418,406</b>
Administrative	45,655	5,481	30,000	15,655
Member Communications	557,750	351,739	443,500	114,250
Communications - Other	675,952	191,576	510,682	165,270
Well-Being	451,639	79,954	282,860	168,779
Initiatives to Reduce Health Care Costs	408,827	300,297	357,508	51,320
Other Projects	429,000	-	-	429,000
<b>TOTAL</b>	<b>\$ 4,627,066</b>	<b>\$ 2,050,586</b>	<b>\$ 3,264,387</b>	<b>\$ 1,362,679</b>
<b>REVENUE - EXPENDITURES (net of Carry Forward)</b>	<b>(2,048,171)</b>	<b>72,260</b>	<b>(685,492)</b>	
<b>BALANCE</b>	<b>\$ 2,220,296</b>	<b>\$ 4,599,592</b>	<b>\$ 3,841,841</b>	<b>\$ 1,621,544</b>
*Projection based on 10 months of actuals including the carryforward funding from FY 2021-22				

**Pharmacy Rebates**

Projecting \$11.1M in pharmacy rebates by fiscal year-end vs \$8.6M in PY from the health plans administering the Flex and Self-Funded health plans.

	<b>FY 2021-22 Actual RX Rebates Received Thru 04/30/22</b>	<b>FY 2021-22 Projected RX Rebates</b>
Blue Shield Access+ HMO	5,500,154	6,400,000
Blue Shield Trio HMO	2,445,918	3,000,000
UHC Administered PPO	1,468,107	1,700,000
<b>TOTAL</b>	<b>\$ 9,414,178</b>	<b>\$ 11,100,000</b>

**General Fund**

- General Fund expenses during the first ten months were \$383K below revenue. The projected expenditures are expected to follow the budget and result in a modest surplus of \$135K.

<b>SAN FRANCISCO HEALTH SERVICE SYSTEM</b> <small>Affordable, Quality Benefits &amp; Well-Being</small>				
<b>General Fund Administration Budget FY 2021-22 ANNUALIZED AS OF 04/30/22</b>				
	<b>FY 2021-22 Approved Budget</b>	<b>FY 2021-22 Revised Budget</b>	<b>Total Actual YTD</b>	<b>FYE 2021-22 Projection</b>
<b>REVENUES</b>				
Non-Operating Revenue	\$ 9,131	\$ 9,131	\$ -	\$ -
Operations Work Order Recover	11,935,680	11,935,680	9,945,859	11,932,422
Other Revenue	625,958	625,958	-	430,000
General Fund Carryforward	-	198,850	198,850	198,850
Interfund Transfer	-	-	-	-
<b>TOTAL REVENUES</b>	<b>\$ 12,570,769</b>	<b>\$ 12,769,619</b>	<b>\$ 10,144,709</b>	<b>\$ 12,561,272</b>
<b>EXPENDITURES</b>				
Personnel Services	\$ 5,635,247	\$ 5,635,247	\$ 4,514,732	\$ 5,517,389
Mandatory Fringe Benefits	2,724,533	2,724,533	2,146,755	2,587,955
Non-personnel Services	2,291,057	2,402,225	1,759,147	2,402,225
Materials & Supplies	47,717	83,217	33,839	60,147
Services of Other Departments	1,872,215	1,924,397	1,307,654	1,858,400
<b>TOTAL EXPENDITURES</b>	<b>\$ 12,570,769</b>	<b>\$ 12,769,619</b>	<b>\$ 9,762,128</b>	<b>\$ 12,426,116</b>
<b>BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 382,581</b>	<b>\$ 135,156</b>

**Trust Fund and Health Sustainability Fund with FYE Projection**

SUMMARY	FY21-22 Year-to-Date Actual Net as of 04/30/22	FY21-22 Projected Year-End Annual Net	
<b>Flex/Self Insurance</b>			
Blue Shield-Access+	3,857,257	4,270,239	(a)
Blue Shield-Trio	(3,882,441)	(4,665,144)	(a)
Blue Shield-PPO	6,652,993		(b)
UHC PPO	(5,448,888)	-	(b)
Health Net Canopy Care	309,361	-	
Delta Dental PPO, Actives	(1,870,500)	(2,901,200)	(c)
<b>Fully Insured Plans</b>			
Medical HMOs	3,965,020	-	
Dental	42,168	-	
LTD/Flexible Benefits/FSA/Health Net Canopy Care	(90,640)	-	
Healthcare Sustainability Fund (\$3.00)	72,260	(685,492)	(d)
<b>Savings &amp; Investments</b>			
Interest	377,355	754,711	
Performance guarantees	998,343	998,343	(e)
Transfers Out	0	(430,000)	(g)
<b>TOTAL</b>	<b>4,966,125</b>	<b>(2,674,706)</b>	
<b>Net assets</b>			
Beginning of the year		<u>125,901,507</u>	
End of the year		<u><u>123,226,801</u></u>	

(a) Annual Projection is net of claim stabilization of \$2.4 million to decrease 2022 rates, \$1.3 million to decrease 2021 rates, and Pharmacy rebate of \$9.4 million

(b) Annual Projection is net of claim stabilization of \$0.2 million to decrease 2022 rates, \$0.4 million to increase 2021 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 \$2.8 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 2021-2022

(f) Reflects use of fund balance

(g) Transfer of \$0.6M from forfeitures to General Fund.

**Supplemental Tables – Trust Fund Activity- Current FY**

<b>ACTIVE &amp; RETIRED COMBINED</b>	<b>Year-To-Date Revenues</b>	<b>Year-To-Date Expenses</b>	<b>Year-To-Date Net Excess (Shortage)</b>
<b>FLEX/SELF-INSURED PLANS</b>			
Blue Shield Access+ HMO*	191,940,697	188,083,440	3,857,257
Blue Shield Trio HMO*	87,506,929	91,389,370	(3,882,441)
BSC PPO-Accolade, including ASO	14,561,151	7,908,158	6,652,993
UHC Administere PPO*	23,196,751	28,645,638	(5,448,888)
Health Net Canopy Care	1,051,764	742,403	309,361
Delta Dental PPO- (Active only)	33,821,712	35,692,212	(1,870,500)
<b>TOTAL FLEX/SELF-INSURED PLANS</b>	<b>352,079,003</b>	<b>352,461,221</b>	<b>(382,218)</b>
<b>FULLY INSURED PLANS</b>			
UHC MAPD	73,036,472	73,036,472	-
Kaiser-HMO	397,487,143	393,547,840	3,939,303
Vision Service Plan	7,728,564	7,702,847	25,717
Sub-total HMO	478,252,179	474,287,159	3,965,020
Delta Dental PPO - Retirees	14,298,619	14,298,619	-
Delta Care	689,788	652,113	37,675
UHC Dental	366,513	362,020	4,492
Sub-total Dental	15,354,920	15,312,752	42,168
Long Term/Short Term Disability	6,743,451	6,746,614	(3,163)
Flexible Benefits	3,342,772	3,342,772	0
Flexible Spending-Dependent Care	5,064,783	4,958,886	105,896
Flexible Spending -Medical Reimbursement	8,174,651	8,368,024	(193,373)
Healthcare Sustainability Fund (\$3.00)	2,122,846	2,050,586	72,260
Adoption & Surrogacy		16,163	(16,163)
Sub-total Other Benefits	25,448,502	25,483,045	(34,543)
<b>TOTAL FULLY INSURED PLANS</b>	<b>519,055,601</b>	<b>515,082,956</b>	<b>3,972,645</b>
<b>SAVINGS AND INVESTMENTS</b>			
Interest	377,355		377,355
Performance guarantees	998,343		998,343
Forfeitures	-		-
<b>TOTAL SAVINGS &amp; INVESTMENTS</b>	<b>1,375,699</b>	<b>-</b>	<b>1,375,699</b>
<b>TRANSFERS OUT OF FORFEITURES</b>			
			<b>0</b>
<b>TOTAL FUNDS</b>	<b>872,510,302</b>	<b>867,544,177</b>	<b>4,966,125</b>

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

**Supplemental Tables - Trust Fund Activity- with Prior Year**

**STATEMENTS OF REVENUES AND EXPENSES  
FY 2021-2022 VS FY 2020-2021  
YEAR-TO-DATE: APRIL 30, 2022**

<b>ACTIVE &amp; RETIRED COMBINED</b>	<b>For 10 Months Ended April 30, 2022</b>	<b>For 10 Months Ended April 30, 2021</b>	<b>\$ Change</b>	<b>% Change</b>
<b>FLEX/SELF-INSURED PLANS</b>				
Blue Shield-Access+ HMO				
Revenues	191,940,697	192,763,875	(823,178)	-0.4%
Expenses	(188,083,440)	(181,546,341)	(6,537,099)	3.6%
Net Blue Shield-Access Excess(Shortage)	3,857,257	11,217,534	(7,360,277)	-65.6%
Blue Shield-Trio HMO				
Revenues	87,506,929	87,696,124	(189,195)	-0.2%
Expenses	(91,389,370)	(84,909,245)	(6,480,125)	7.6%
Net Blue Shield-Trio Excess(Shortage)	(3,882,441)	2,786,879	(6,669,320)	-239.3%
BSC PPO-Accolade, including ASO				
Revenues	14,561,151	0	14,561,151	
Expenses	(7,908,158)	0	(7,908,158)	
Net BSC PPO-Accolade Excess(Shortage)	6,652,993	0	6,652,993	
UHC Administered PPO				
Revenues	23,196,751	34,740,460	(11,543,709)	-33.2%
Expenses	(28,645,638)	(33,334,353)	4,688,714	-14.1%
Net UHC Administered PPO Excess(Shortage)	(5,448,888)	1,406,107	(6,854,995)	-487.5%
Health Net Canopy Care				
Revenues	1,051,764	0	1,051,764	
Expenses	(742,403)	0	(742,403)	
Net Health Net Canopy Care Excess(Shortage)	309,361	0	309,361	
Delta Dental PPO (Active only)				
Revenues	33,821,712	36,655,263	(2,833,552)	-7.7%
Expenses	(35,692,212)	(37,801,286)	2,109,074	-5.6%
Net Delta Dental PPO- (Active Only) Excess(Shortage)	(1,870,500)	(1,146,022)	(724,478)	63.2%
<b>NET FLEX/SELF-INSURED PLANS</b>	<b>(382,218)</b>	<b>14,264,497</b>	<b>(14,646,716)</b>	<b>-102.7%</b>

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

		STATEMENTS OF REVENUES AND EXPENSES FY 2021-2022 VS FY 2020-2021 YEAR-TO-DATE: MARCH 31, 2022			
ACTIVE & RETIRED COMBINED		For 9 Months Ended March 31, 2022	For 9 Months Ended March 31, 2021	\$ Change	% Change
<b>FULLY INSURED PLANS</b>					
Kaiser-HMO					
Revenues		397,487,143	388,457,886	9,029,257	2.3% d, l
Expenses		(393,547,840)	(384,145,774)	(9,402,066)	2.4% d, l
Net Kaiser- HMO Excess(Shortage)		3,939,303	4,312,111	(372,809)	-8.6%
UHC MAPD					
Revenues		73,036,472	71,164,460	1,872,012	2.6% d, l
Expenses		(73,036,472)	(71,164,460)	(1,872,012)	2.6% d, l
Net UHC MAPD Excess(Shortage)		0	0	0	
Vision Service Plan, All (City Plan & HMO)					
Revenues		7,728,564	7,438,039	290,526	3.9% d, l
Expenses		(7,702,847)	(7,407,795)	(295,052)	4.0% d, l
Net Vision Service Plan Excess(Shortage)		25,717	30,244	(4,527)	-15.0%
Delta Dental PPO - Retirees					
Revenues		14,298,619	13,903,352	395,267	2.8% h
Expenses		(14,298,619)	(13,903,352)	(395,267)	2.8% h
Net Delta Dental PPO - Retirees Excess(Shortage)		0	0	0	
Delta Care					
Revenues		689,788	684,947	4,841	0.7% h
Expenses		(652,113)	(662,643)	10,531	-1.6% h
Net Delta Care Excess(Shortage)		37,675	22,304	15,371	68.9%
UHC Dental					
Revenues		366,513	371,700	(5,187)	-1.4%
Expenses		(362,020)	(337,143)	(24,878)	7.4% h
Net UHC Dental Excess(Shortage)		4,492	34,558	(30,065)	-87.0%
Long Term/Short Term Disability					
Revenues		6,743,451	6,371,460	371,991	5.8%
Expenses		(6,746,614)	(6,253,683)	(492,931)	7.9% g
Net Long Term/Short Term Disability Excess(Shortage)		(3,163)	117,777	(120,940)	-102.7%
Flexible Benefits					
Revenues		3,342,772	2,794,943	547,828	19.6% g
Expenses		(3,342,772)	(2,649,543)	(693,229)	26.2% g
Net Flexible Benefits Excess(Shortage)		0	145,400	(145,400)	-100.0%
Flexible Spending-Dependent Care					
Revenues		5,064,783	3,447,263	1,617,520	46.9% g
Expenses		(4,958,886)	(3,796,196)	(1,162,691)	30.6% g
Net Flexible Spending-Dependent Care Excess(Shortage)		105,896	(348,933)	454,829	-130.3%
Flexible Spending -Medical Reimbursement					
Revenues		8,174,651	7,696,390	478,260	6.2%
Expenses		(8,368,024)	(8,461,466)	93,442	-1.1% i
Net Flexible Spending-Medical Reimbursement Excess(Shortage)		(193,373)	(765,075)	571,702	-74.7%
Adoption & Surrogacy					
Expenses		(16,163)	(55,116)	38,954	-70.7%
Healthcare Sustainability Fund (\$3.00)					
Revenues		2,122,846	2,142,372	(19,527)	-0.9%
Expenses		(2,050,586)	(1,971,680)	(78,906)	4.0% e
Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)		72,260	170,693	(98,433)	-57.7%
<b>NET FULLY INSURED PLANS</b>		<b>3,972,645</b>	<b>3,663,962</b>	<b>308,683</b>	<b>8.4%</b>
<b>SAVINGS AND INVESTMENTS</b>					
Interest		377,355	638,095	(260,740)	
Performance guarantees		998,343	176,283	822,060	
Forfeitures		0	108,942	(108,942)	
<b>TOTAL SAVINGS &amp; INVESTMENTS</b>		<b>1,375,699</b>	<b>923,320</b>	<b>452,379</b>	<b>1616.8%</b>
<b>TOTAL NET EXCESS (SHORTAGE)</b>		<b>4,966,125</b>	<b>18,851,780</b>	<b>(13,885,655)</b>	<b>-73.7%</b>

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