

# SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

DATE: March 10, 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 January 31, 2022

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The following is a report on the sources of revenues and uses or expenses of the Health Service System Employee Benefit Trust Fund (Trust Fund), the Health Sustainability Fund and the General Fund Administration Budget through the seven months of Fiscal Year (FY) 2021-22 through January 31, 2022. This report includes the projected fiscal year-end (FYE) changes. The discussion below is based on information available for the reporting period and are subject to adjustments following FYE close.

## **Executive Summary**

### **Employee Benefit Trust Fund**

- Trust Fund balance at the beginning of the fiscal year was \$126M.
- Based on activity through January 31, 2022, there is a projected decrease of \$4 M at fiscal year-end (FYE) to end with a balance is \$122 M.
- Flex and Self-insured plans cumulative year-to-date balance decreased by \$432K made up of:
  - Blue Shield Access + HMO: \$5 M increase
  - Blue Shield Trio HMO: \$4 M decrease
  - Blue Shield PPO: New plan beginning January. \$2.3 M increase due to claims lag.
  - UHC administered PPO: \$4 M decrease due to payout of claims after the end of the plan year in December 2021.
  - Delta Dental PPO plan (Actives only): \$281K increase
- Insured plan revenues and expenses are expected to net each other out over time, however, as of January the balance decreased by \$2.7M
- Healthcare Sustainability Fund decreased by \$80K
- Interest from Investments will be recorded when information is available typically by fiscal year end
- Pharmacy Rebates were \$5.7M

The projected year-end will likely change due to factors such as the further recovery of health care expenditures as the unsettled COVID-19 pandemic experience, the shifts in the number and status of current employees and the start of the new health plans options effective January 2022.

### **General Fund**

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

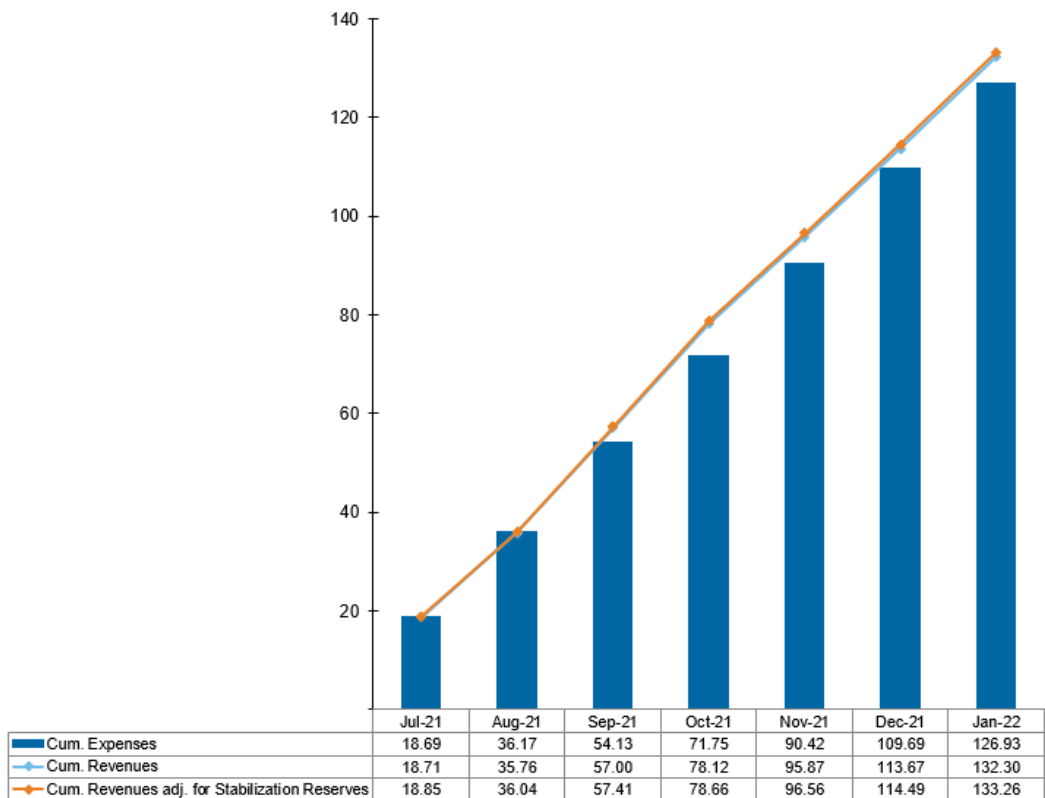
**Detailed Analysis by Fund**

**Blue Shield Access+ Flex Funded Plan**

Projecting a fiscal year-end increase of \$7M in fund balance due to the following:

- Rate Stabilization Effect:
  - \$820 K associated with the decrease in 2021 rates (for the first six months of FY 2021-22) due to the rating buy-down from the 2019 year-end claim stabilization surplus
  - \$1.5 M associated with the decrease in 2022 rates (for the second six months of FY 2021-22) due to the rating buy-down from the 2020 year-end claim stabilization surplus
- Pharmacy Rebate(s):
  - \$4.5 M increase due to anticipated pharmacy rebates to be received by FYE
- Claims:
  - \$5 M increase due to claim expenses trending favorably through seven months of reporting

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

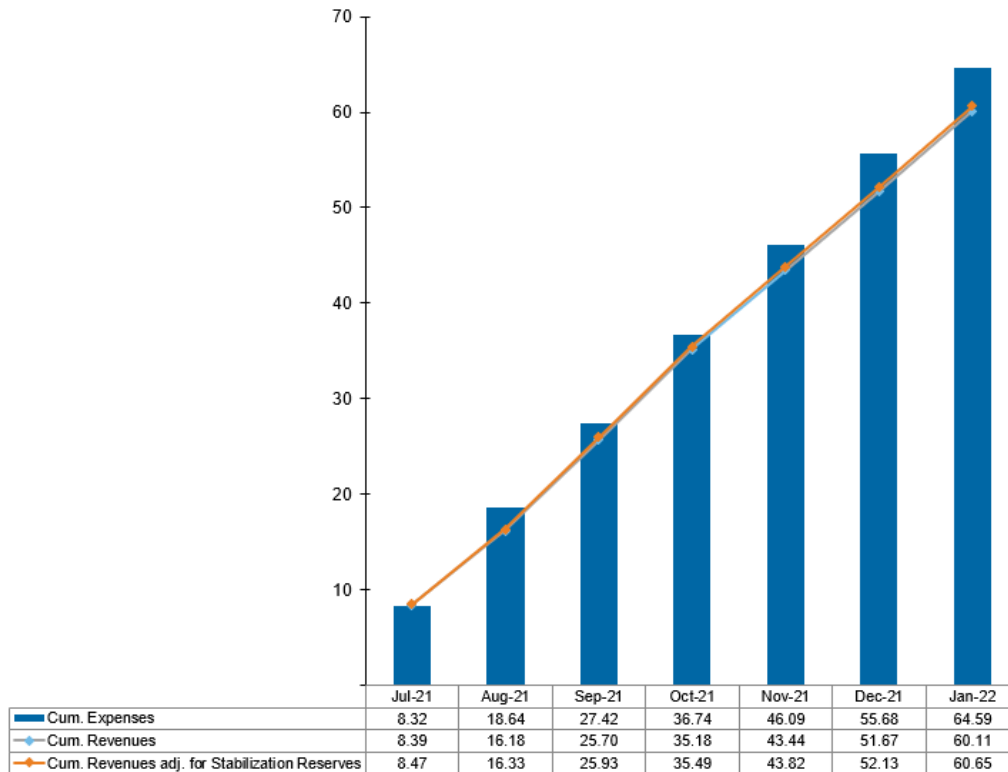


**Blue Shield Trio Flex-Funded Plan**

Projecting a fiscal year-end decrease of \$8.4M in fund balance due to the following:

- Rate Stabilization Effect:
  - \$0.46 M associated with the decrease in 2021 rates (for the first six months of FY 2021-22) due to the rating buy-down from the 2019 year-end claim stabilization surplus
  - \$0.87 M associated with the decrease in 2022 rates (for the second six months of FY 2021-22) due to the rating buy-down from the 2020 year-end claim stabilization surplus
- Pharmacy Rebate(s):
  - \$2.5 M increase due to anticipated pharmacy rebates to be received by FYE
- Claims:
  - \$7.1 M decrease due to unfavorable claim expenses through six months of reporting

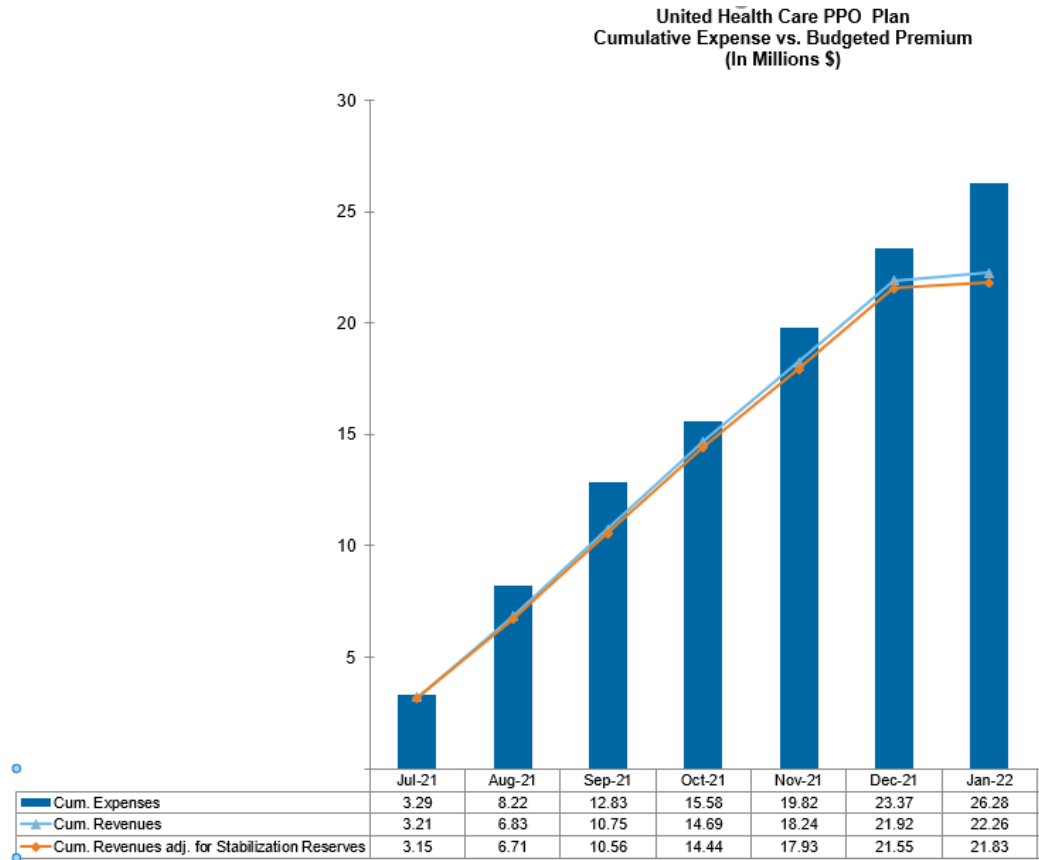
Blue Shield Trio Flex Funded  
 Cumulative Expense vs. Budgeted Premium  
 (in Millions \$)



**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 completely self-insured, the cumulative costs and funding sources for the PPO will remain with the plan as it migrates to a new 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.



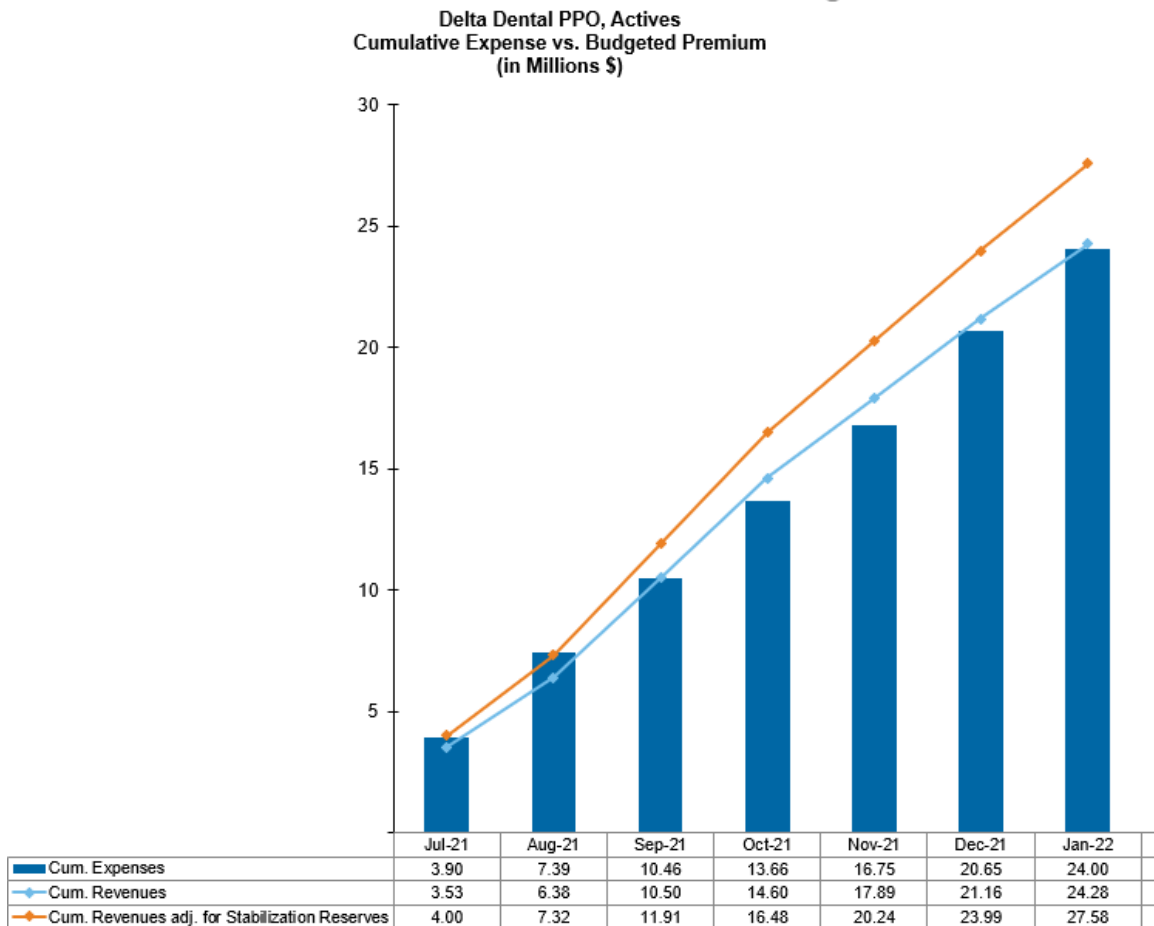
**Healthnet Canopy Care**

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 \$1.9 M in the fund balance due to the following:

- Rate Stabilization Effect:
  - \$2.8 M decrease in fund balance associated with subsidizing 2021 rates (for the first six months of FY 2021-22) from the 2019 year-end claim stabilization reserve
  - \$6.1 M decrease in fund balance associated with subsidizing 2022 rates (for the second six months of FY 2021-22) from the 2020 year-end claim stabilization reserve
- Claims:
  - \$7 M increase due to favorable claim expenses through six months of reporting



**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. Through seven months, the sources of funds received were \$80K less expenditures. The projected year-end expenditures result in a net decrease of \$685K resulting in a balance of \$3.8M.

<b>SAN FRANCISCO HEALTH SERVICE SYSTEM</b> <small>Affordable, Quality Benefits &amp; Well-Being</small>	Healthcare Sustainability Fund FY 2021-22			
	FY 2021-22 Revised Budget +	FY 2021-22 Actuals Jan YTD	FY 2021-22 Projection	Fav/(Unfav) Variance
<b>REVENUE SOURCES</b>				
Annual Revenues	\$ 2,578,896	\$ 1,487,337	\$ 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>\$ 6,014,670</b>	<b>\$ 7,106,228</b>	<b>\$ (258,866)</b>
<b>EXPENDITURE USES</b>				
<b>Personnel</b>	<b>\$ 2,058,244</b>	<b>\$ 963,531</b>	<b>\$ 1,639,838</b>	<b>\$ 418,406</b>
<b>Administrative</b>	45,655	3,220	30,000	15,655
<b>Member Communications</b>	557,750	318,841	443,500	114,250
<b>Communications - Other</b>	675,952	83,840	510,682	165,270
<b>Well-Being</b>	451,639	21,362	282,860	168,779
<b>Initiatives to Reduce Health Care Costs</b>	408,827	176,781	357,508	51,320
<b>Other: Contingency &amp; Special Projects</b>	429,000	-	-	429,000
Benefit Decision Support Tools	100,000	-	-	100,000
HSS 360: Customer Contact Improvement	100,000	-	-	100,000
Dependent Eligibility Verification Audit (DEVA)	229,000	-	-	229,000
<b>TOTAL</b>	<b>\$ 4,627,066</b>	<b>\$ 1,567,576</b>	<b>\$ 3,264,387</b>	<b>\$ 1,362,679</b>
<b>REVENUE - EXPENDITURES (net of Carry Forward)</b>	(2,048,171)	(80,238)	(685,492)	
<b>BALANCE</b>	<b>\$ 2,220,296</b>	<b>\$ 4,447,094</b>	<b>\$ 3,841,841</b>	<b>\$ 1,621,544</b>
*Projection based on 7 months of actuals including the carryforward funding from FY 2021-22				

**Pharmacy Rebates**

Projecting receipt of \$8.7 M in pharmacy rebates by fiscal year-end. Year-to-date, \$5.6 M of pharmacy rebates were received from the health plans administering the Flex and Self-Funded health plans.

	<b>FY 2021-22 Actual RX Rebates Received Thru 01/31/22</b>	<b>FY 2021-22 Projected RX Rebates</b>
Blue Shield Access+ HMO	3,605,101	4,480,000
Blue Shield Trio HMO	1,562,629	2,520,000
UHC Administere PPO	513,752	1,700,000
<b>TOTAL</b>	<b>\$ 5,681,481</b>	<b>\$ 8,700,000</b>

**General Fund Administrative Budget**

- General Fund expenses during the first seven months were \$306 K below revenue. The projected expenditures are expected to follow the revised budget and result in a modest surplus of \$135 K.

<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 01/31/22</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 Recovery	11,935,680	11,935,680	6,961,123	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>\$ 7,159,973</b>	<b>\$ 12,561,272</b>
<b>EXPENDITURES</b>				
Personnel Services	\$ 5,635,247	\$ 5,635,247	\$ 3,251,712	\$ 5,517,389
Mandatory Fringe Benefits	2,724,533	2,724,533	1,541,148	2,587,955
Non-personnel Services	2,291,057	2,402,225	1,171,277	2,402,225
Materials & Supplies	47,717	83,217	26,071	60,147
Services of Other Departments	1,872,215	1,924,397	863,432	1,858,400
<b>TOTAL EXPENDITURES</b>	<b>\$ 12,570,769</b>	<b>\$ 12,769,619</b>	<b>\$ 6,853,639</b>	<b>\$ 12,426,116</b>
<b>BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 306,333</b>	<b>\$ 135,156</b>

**Trust Fund Balance Projection**

	<b>FY21-22</b>	<b>FY21-22</b>	
	Year-to-Date Actual	Projected Year-End	
	Net as of 01/31/22	Annual Net	
<b>SUMMARY</b>			
Flex/Self Insurance			
Blue Shield-Access+	5,374,463	7,267,886	(a)
Blue Shield-Trio	(4,477,332)	(8,408,196)	(a)
Blue Shield-PPO	2,328,610	-	(b)
UHC PPO	(4,022,787)	-	(b)
Health Net Canopy Care	84,375	-	
Delta Dental PPO, Actives	280,781	(1,863,662)	(c)
Fully Insured Plans			
Medical HMOs	(2,688,670)	-	
Dental	5,820	-	
LTD/Flexible Benefits/FSA/Health Net Canopy Care	42,859	-	
Healthcare Sustainability Fund (\$3.00)	(80,239)	(685,492)	(d)
Savings & Investments			
Interest	-	-	
Performance guarantees	102,989	102,989	(e)
Performance guarantees - Surrogacy and adoption	-	-	
Forfeitures	-	-	
Transfers Out	0	(600,000)	(g)
<b>TOTAL</b>	<b>(3,049,130)</b>	<b>(4,186,474)</b>	
Net assets			
Beginning of the year		<u>125,901,507</u>	
End of the year		<u>121,715,033</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 \$7.0 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 per FY 2021-2022 budget



**Trust Fund Activity**



**STATEMENT OF REVENUES AND EXPENSES  
FY 2021-2022  
FOR 7 MONTHS ENDED JANUARY 31, 2022**

<i>ACTIVE &amp; RETIRED COMBINED</i>	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess (Shortage)
<b>FLEX/SELF-INSURED PLANS</b>			
Blue Shield Access+ HMO*	132,302,549	126,928,086	5,374,463
Blue Shield Trio HMO*	60,112,651	64,589,983	(4,477,332)
BSC PPO-Accolade, including ASO	3,402,581	1,073,971	2,328,610
UHC Administere PPO*	22,260,377	26,283,164	(4,022,787)
Health Net Canopy Care	239,977	155,602	84,375
Delta Dental PPO- (Active only)	24,276,798	23,996,017	280,781
<b>TOTAL FLEX/SELF-INSURED PLANS</b>	<b>242,594,932</b>	<b>243,026,823</b>	<b>(431,891)</b>
<b>FULLY INSURED PLANS</b>			
UHC MAPD	50,849,398	50,849,398	-
Kaiser-HMO	271,470,202	274,143,057	(2,672,855)
Vision Service Plan	5,333,272	5,349,087	(15,815)
Sub-total HMO	327,652,873	330,341,543	(2,688,670)
Delta Dental PPO - Retirees	9,767,480	9,767,480	-
Delta Care	460,447	458,305	2,141
UHC Dental	260,917	257,238	3,679
Sub-total Dental	10,488,844	10,483,023	5,820
Long Term/Short Term Disability	4,689,222	4,689,031	191
Flexible Benefits	2,211,540	2,211,540	0
Flexible Spending-Dependent Care	3,585,386	3,633,444	(48,058)
Flexible Spending -Medical Reimbursement	5,307,792	5,217,065	90,726
Healthcare Sustainability Fund (\$3.00)	1,487,337	1,567,576	(80,239)
Adoption & Surrogacy		0	0
Sub-total Other Benefits	17,281,277	17,318,656	(37,380)
<b>TOTAL FULLY INSURED PLANS</b>	<b>355,422,994</b>	<b>358,143,222</b>	<b>(2,720,229)</b>
<b>SAVINGS AND INVESTMENTS</b>			
Interest	-	-	-
Performance guarantees	102,989	-	102,989
Forfeitures	-	-	-
<b>TOTAL SAVINGS &amp; INVESTMENTS</b>	<b>102,989</b>	<b>-</b>	<b>102,989</b>
<b>TRANSFERS OUT OF FORFEITURES</b>			<b>0</b>
<b>TOTAL FUNDS</b>	<b>598,120,915</b>	<b>601,170,045</b>	<b>(3,049,130)</b>

STATEMENTS OF REVENUES AND EXPENSES  
FY 2021-2022 VS FY 2020-2021  
YEAR-TO-DATE: JANUARY 31, 2022

ACTIVE & RETIRED COMBINED	For 7 Months Ended January 31, 2022	For 7 Months Ended January 31, 2021	\$ Change	% Change
<b>FLEX/SELF-INSURED PLANS</b>				
Blue Shield-Access+ HMO				
Revenues	132,302,549	132,092,791	209,758	0.2%
Expenses	(126,928,086)	(126,381,387)	(546,699)	0.4%
Net Blue Shield-Access Excess(Shortage)	5,374,463	5,711,404	(336,941)	-5.9%
Blue Shield-Trio HMO				
Revenues	60,112,651	59,768,070	344,581	0.6%
Expenses	(64,589,983)	(58,667,033)	(5,922,950)	10.1%
Net Blue Shield-Trio Excess(Shortage)	(4,477,332)	1,101,038	(5,578,369)	-506.6%
BSC PPO-Accolade, including ASO				
Revenues	3,402,581	0	3,402,581	
Expenses	(1,073,971)	0	(1,073,971)	
Net BSC PPO-Accolade Excess(Shortage)	2,328,610	0	2,328,610	
UHC Administered PPO				
Revenues	22,260,377	23,485,870	(1,225,493)	-5.2%
Expenses	(26,283,164)	(22,816,834)	(3,466,330)	15.2%
Net UHC Administered PPO Excess(Shortage)	(4,022,787)	669,036	(4,691,823)	-701.3%
Health Net Canopy Care				
Revenues	239,977	0	239,977	
Expenses	(155,602)	0	(155,602)	
Net Health Net Canopy Care Excess(Shortage)	84,375	0	84,375	
Delta Dental PPO (Active only)				
Revenues	24,276,798	25,115,244	(838,447)	-3.3%
Expenses	(23,996,017)	(25,877,968)	1,881,951	-7.3%
Net Delta Dental PPO- (Active Only) Excess(Shortage)	280,781	(762,723)	1,043,504	-136.8%
<b>NET FLEX/SELF-INSURED PLANS</b>	<b>(431,891)</b>	<b>6,718,754</b>	<b>(7,150,645)</b>	<b>-106.4%</b>
<b>FULLY INSURED PLANS</b>				
Kaiser-HMO				
Revenues	271,470,202	264,713,319	6,756,883	2.6%
Expenses	(274,143,057)	(266,090,960)	(8,052,097)	3.0%
Net Kaiser- HMO Excess(Shortage)	(2,672,855)	(1,377,641)	(1,295,214)	94.0%
UHC MAPD				
Revenues	50,849,398	49,799,289	1,050,110	2.1%
Expenses	(50,849,398)	(49,799,289)	(1,050,110)	2.1%
Net UHC MAPD Excess(Shortage)	0	0	0	
Vision Service Plan, All (City Plan & HMO)				
Revenues	5,333,272	5,090,320	242,952	4.8%
Expenses	(5,349,087)	(5,118,498)	(230,590)	4.5%
Net Vision Service Plan Excess(Shortage)	(15,815)	(28,178)	12,363	-43.9%
Delta Dental PPO - Retirees				
Revenues	9,767,480	9,829,718	(62,238)	-0.6%
Expenses	(9,767,480)	(9,829,718)	62,238	-0.6%
Net Delta Dental PPO - Retirees Excess(Shortage)	0	0	0	
Delta Care				
Revenues	460,447	484,461	(24,014)	-5.0%
Expenses	(458,305)	(483,270)	24,965	-5.2%
Net Delta Care Excess(Shortage)	2,141	1,191	951	79.8%
UHC Dental				
Revenues	260,917	254,419	6,498	2.6%
Expenses	(257,238)	(263,919)	6,681	-2.5%
Net UHC Dental Excess(Shortage)	3,679	(9,500)	13,179	-138.7%
Long Term/Short Term Disability				
Revenues	4,689,222	4,909,350	(220,128)	-4.5%
Expenses	(4,689,031)	(4,239,267)	(449,764)	10.6%
Net Long Term/Short Term Disability Excess(Shortage)	191	670,083	(669,891)	-100.0%
Flexible Benefits				
Revenues	2,211,540	1,799,254	412,286	22.9%
Expenses	(2,211,540)	(1,796,231)	(415,309)	23.1%
Net Flexible Benefits Excess(Shortage)	0	3,023	(3,023)	-100.0%
Flexible Spending-Dependent Care				
Revenues	3,585,386	2,456,863	1,128,522	45.9%
Expenses	(3,633,444)	(2,969,286)	(664,158)	22.4%
Net Flexible Spending-Dependent Care Excess(Shortage)	(48,058)	(512,423)	464,364	-90.6%
Flexible Spending -Medical Reimbursement				
Revenues	5,307,792	5,208,716	99,075	1.9%
Expenses	(5,217,065)	(5,447,932)	230,867	-4.2%
Net Flexible Spending-Medical Reimbursement Excess(Shortage)	90,726	(239,216)	329,942	-137.9%
Adoption & Surrogacy				
Expenses	0	(45,258)	45,258	-100.0%
Healthcare Sustainability Fund (\$3.00)				
Revenues	1,487,337	1,500,414	(13,077)	-0.9%
Expenses	(1,567,576)	(1,350,217)	(217,359)	16.1%
Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	(80,239)	150,197	(230,436)	-153.4%
<b>NET FULLY INSURED PLANS</b>	<b>(2,720,229)</b>	<b>(1,387,721)</b>	<b>(1,332,508)</b>	<b>96.0%</b>
<b>SAVINGS AND INVESTMENTS</b>				
Interest	0	0	0	
Performance guarantees	102,989	171,771	(68,782)	
Forfeitures	0	108,942	(108,942)	
<b>TOTAL SAVINGS &amp; INVESTMENTS</b>	<b>102,989</b>	<b>280,712</b>	<b>(177,723)</b>	<b>1616.8%</b>
<b>TOTAL NET EXCESS (SHORTAGE)</b>	<b>(3,049,130)</b>	<b>5,611,746</b>	<b>(8,660,876)</b>	<b>-154.3%</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