

# SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

## Memorandum

DATE: March 11, 2021

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

FROM: Larry Loo, MPH Chief Financial Officer

RE: Financial Report as of January 31, 2021

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This is a summary of the revenues and expenses of the Employee Benefit Trust Fund (Trust Fund) and the General Fund Administration Budget for the first seven months of Fiscal Year (FY) 2020-21 through January 31, 2021 including the projected fiscal year-end changes. The Health Sustainability Fund, which is a part of the Trust Fund is reported out in additional detail. The discussion below are based the most complete information available for the reporting period and are subject to adjustments as additional transaction throughout the fiscal year are recognized. In general, all funds are projected to perform positively throughout the remainder of the fiscal year.

### Executive Summary

#### **Employee Benefit Trust Fund**

- Projecting a \$10.4 M increase in the fund balance, from \$116.1 M on prior fiscal year-end June 30, 2020 to \$126.5 M on June 30, 2021
- Projecting fiscal year-end (FYE) changes in fund balance by self-insured plans
  - UHC PPO: \$1.3 M projected increase
  - Blue Shield Access +: \$9.3 M projected increase
  - Blue Shield Trio: \$1.4 M projected increase
  - Delta Dental PPO (Actives only): \$824 K projected decrease
- Cumulative expenses compared to revenues with seven months of experience by self-insured plans
  - UHC PPO: cumulative expenses were \$669 K less than revenues
  - Blue Shield Access +: cumulative expenses were \$5.7 M less than revenues
  - Blue Shield Trio: cumulative expenses were \$1.1 M less than revenues
  - Delta Dental PPO plan (Actives only): cumulative expenses were \$763 K greater than revenues
- Insured plans revenues and expenses are projected to net each other out by fiscal year-end. Cumulative expenses are \$2.0 greater than revenues
- Healthcare Sustainability Fund: projecting a FYE \$4.0 M increase in the fund balance
- Performance Guarantees: \$171 K received through seven months
- Pharmacy Rebates: received \$3.9 M in pharmacy rebates through seven months and project a FYE total of \$7.3 M.

#### **General Fund**

- Projecting a net positive year-end balance of \$143 K.

**Employee Benefit Trust Fund (Trust Fund)**

At the beginning of FY 2020-2021, the Trust Fund beginning balance was \$116.1 M. Based on activity through seven months ending January 31, 2021, the FYE Trust Fund balance is projected to be \$126.6 M at the end of the fiscal year. The projected \$10.4 M increase includes reserves for unpaid claims in the self-funded health plans.

January was the beginning of a new plan year for the SFHSS members where new rates and benefits became effective. This results in slight increase in revenues relative to the prior six months. Overall, the self-funded plans are projected to generate an increase to the fund balance.

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*	\$1.32	3
Blue Shield Access+ Flex-Funded Plan*	9.30	4
Blue Shield Trio Flex-Funded Plan*	1.42	5
Delta Dental Self-Funded Plan	(0.82)	6
Health Care Sustainability Fund	(0.39)	7
Interest	- -	7
Performance Guarantees	0.17	7
Performance Guarantees – Surrogacy and Adoption Assistance Plan	(0.05)	7
Forfeitures	0.11	7
Transfers Out	(0.63)	7
TOTAL	\$10.44	

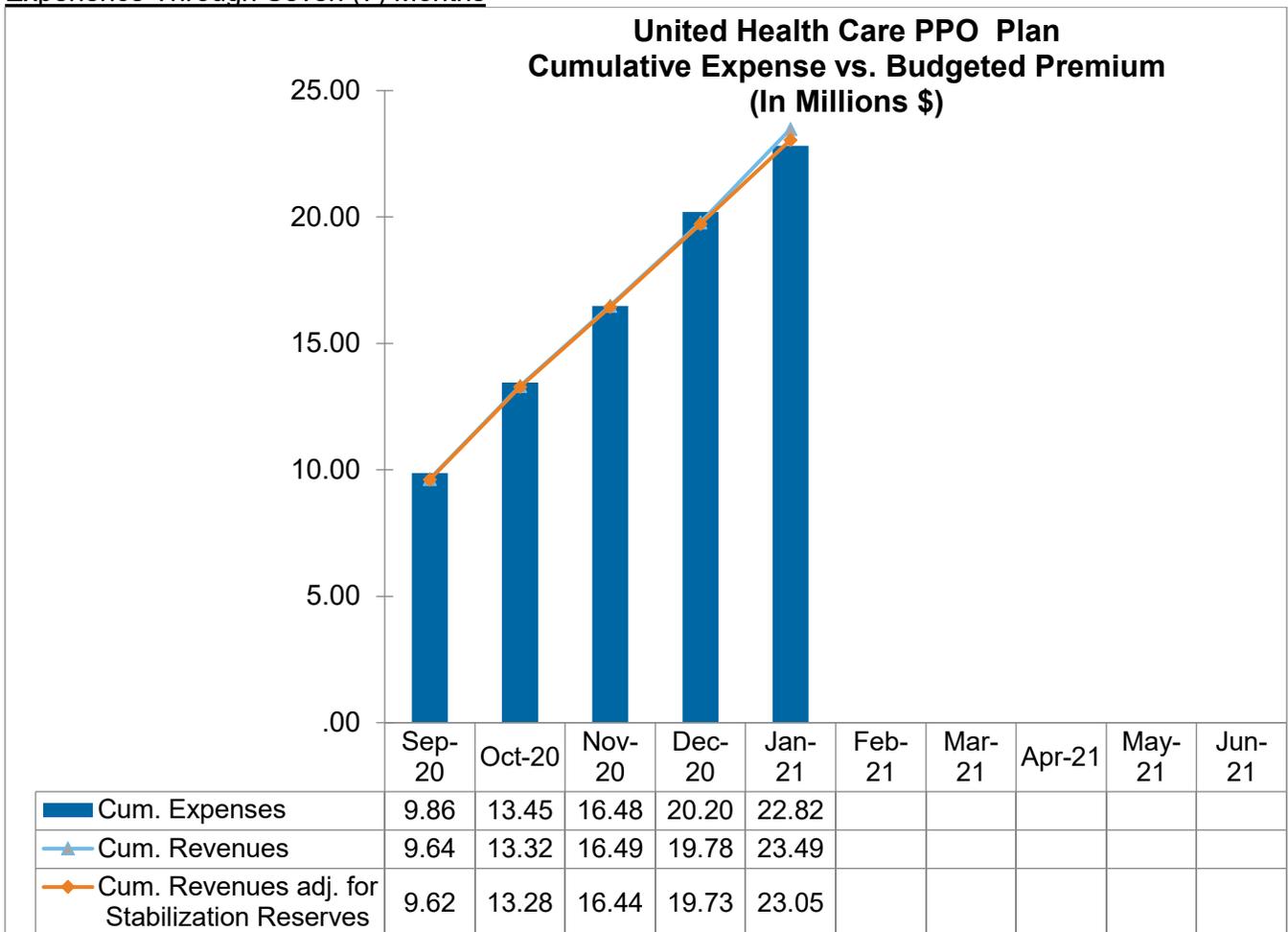
\* Includes Pharmacy Rebates (see page 8)

**United Health Care PPO**

Fiscal year-end projection of a \$1.32 M increase in fund balance is projected 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): \$1.5 M increase due to pharmacy rebates expected by FYE 2020-21 (additional information on page 8)
- Claims: \$607 K decrease due to trended unfavorable claim expense

**Experience Through Seven (7) Months**



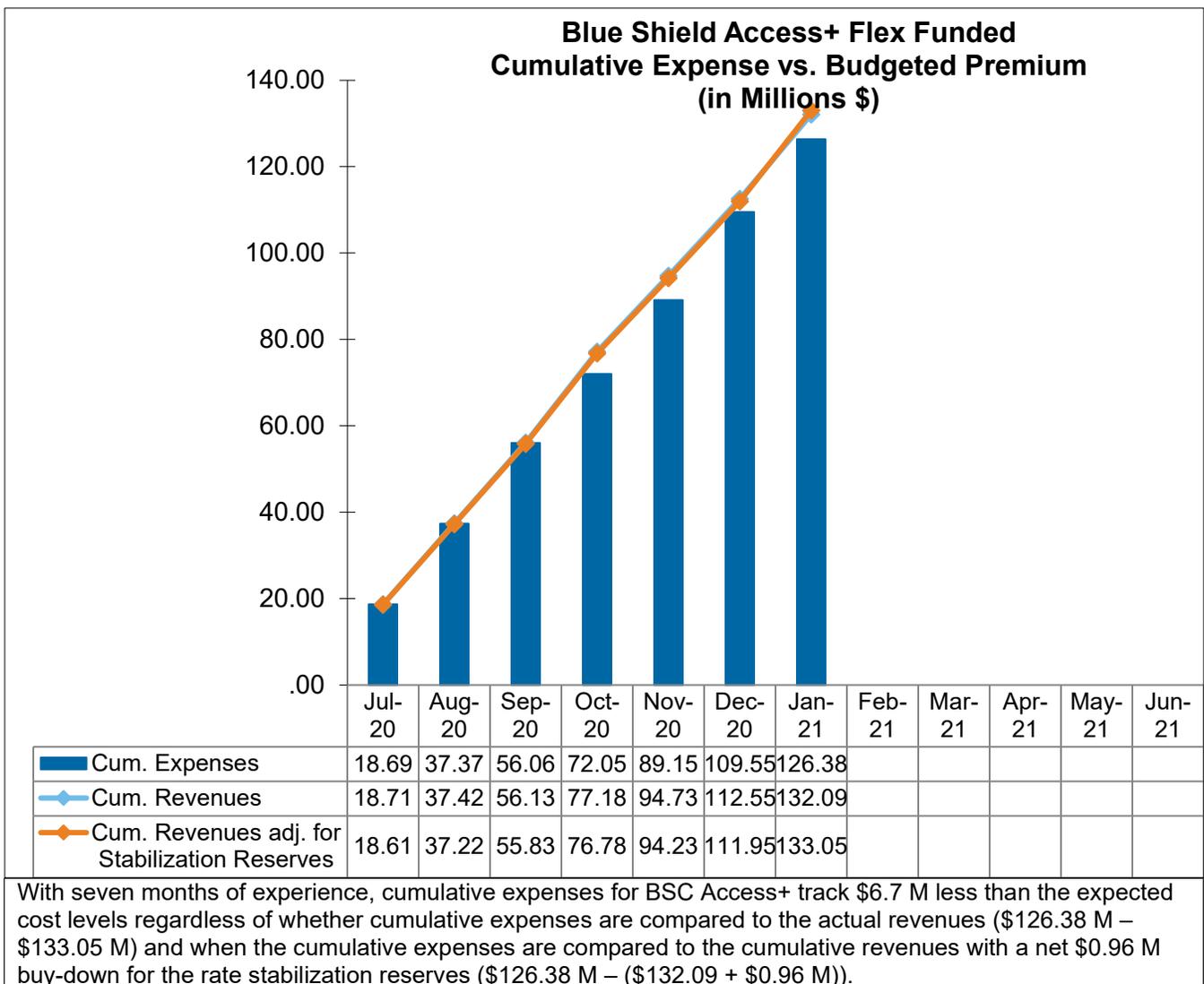
With seven months of experience, cumulative expenses for UHC PPO are \$0.24 M less than the expected cost levels regardless of whether cumulative expenses are compared to the actual revenues (\$22.82 M - \$23.05 M) and when the cumulative expenses are compared to cumulative revenues with the \$0.43 M buyup for the rate stabilization reserves (\$22.82 M - (\$23.49 M - \$0.43 M)).

**Blue Shield Access+ Flex Funded Plan**

Fiscal year-end projection of a \$9.3 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
  - \$807K 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 (additional information on page 8)
- Claims: \$5.5 M increase due to favorable claims expense

**Experience Through Seven (7) Months**

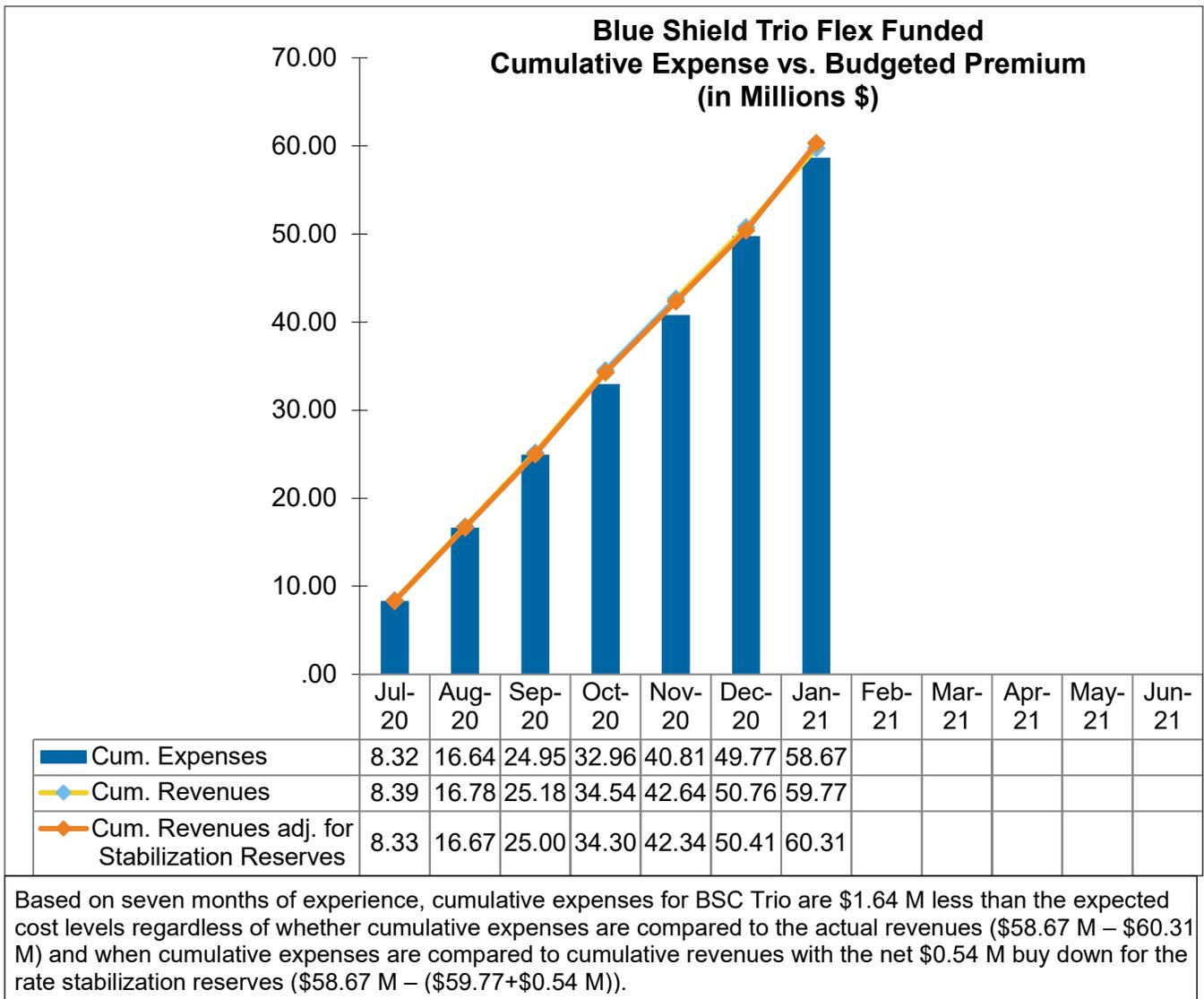


**Blue Shield Trio Flex-Funded Plan**

Fiscal year-end projection of a \$1.4 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
  - \$0.47 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 (additional information on page 8)
- Claims: \$269 K decrease due to unfavorable claims expense

**Experience Through Seven (7) Months**

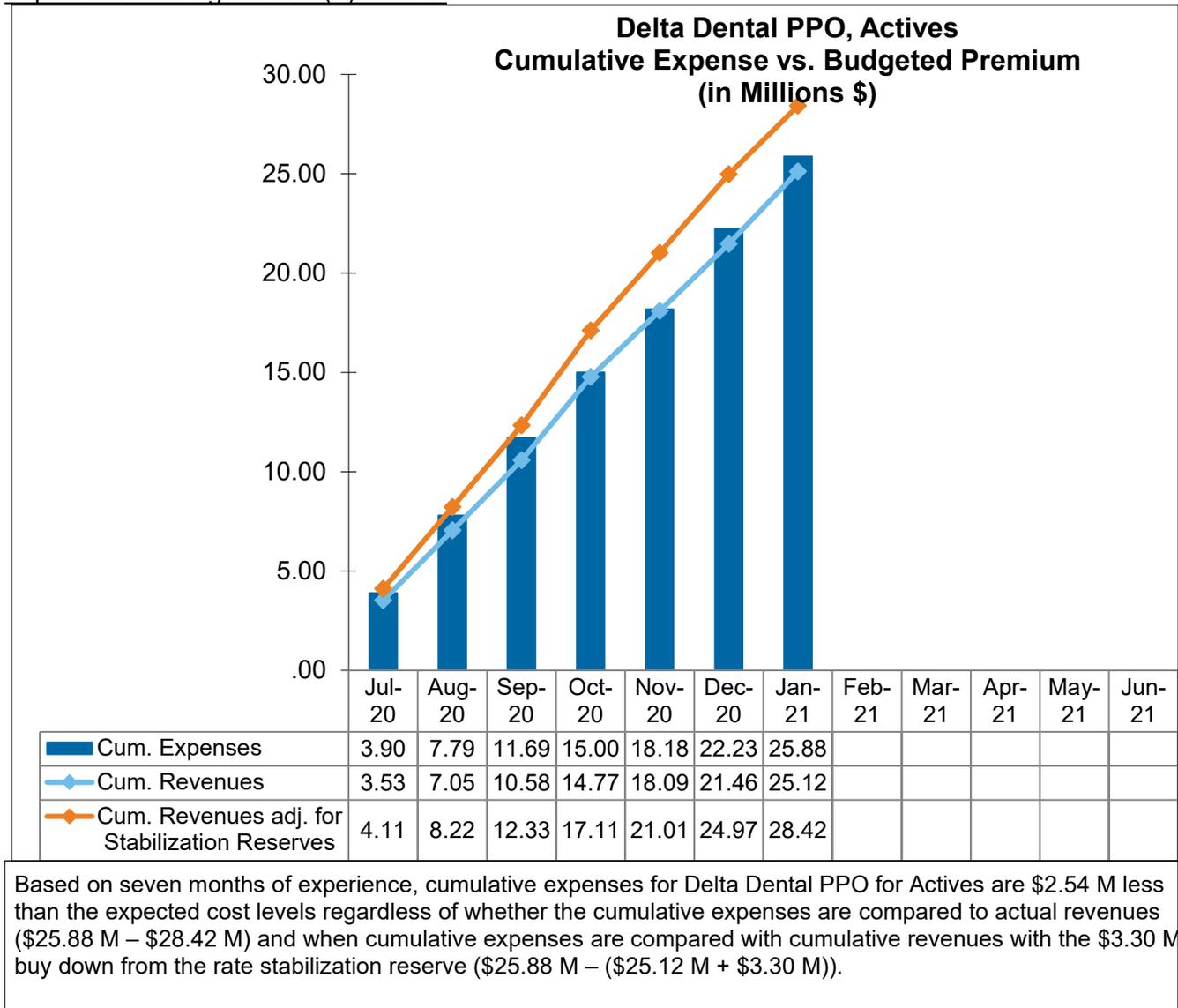


**Delta Dental PPO (Actives Only) Self-Funded Plan**

Fiscal year-end projection of a \$824 K 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: \$5.5 M increase due to favorable claims expense

**Experience Through Seven (7) Months**



**Other Trust Fund Notes**

**Healthcare Sustainability Fund**

With seven (7) months of actuals, a projected positive balance of \$4.0 million is expected at FYE 2020-21. When the carryforward amount from the previous fiscal year is netted out, however, there is a projected net reduction in the Health Care Sustainability Fund of \$385 K.

<b>SAN FRANCISCO HEALTH SERVICE SYSTEM</b> <small>Affordable, Quality Benefits &amp; Well-Being</small>	<b>Healthcare Sustainability Fund FY 2020-21</b>		
	<b>FY 2020-21 Revised Budget</b>	<b>FY 2020-21 Actuals Jan YTD</b>	<b>FY 2020-21 Projection</b>
<b>REVENUES/PREMIUMS</b>			
Annual Revenues	\$ 2,560,688	\$ 1,500,414	\$ 2,560,688
Carryforward from Fund Balance	4,401,072	4,401,072	4,401,072
<b>TOTAL</b>	<b>\$ 6,961,760</b>	<b>\$ 5,901,487</b>	<b>\$ 6,961,760</b>
<b>EXPENDITURES</b>			
<b>Annual Expenditures</b>	<b>\$ 3,060,356</b>	<b>\$ 1,144,219</b>	<b>\$ 2,484,482</b>
<b>One-Time Expenditures</b>	\$ 1,074,537	\$ 205,999	\$ 461,287
<b>TOTAL</b>	<b>\$ 4,134,893</b>	<b>\$ 1,350,217</b>	<b>\$ 2,945,769</b>
<b>BALANCE</b>	<b>\$ 2,826,867</b>	<b>\$ 4,551,269</b>	<b>\$ 4,015,991</b>
<b>BALANCE NET OF CARRYFORWARD</b>			<b>\$ (385,081)</b>
*Projection based on 7 months of actuals including the carryforward funding from FY 2019-20			

**Interest**

Year-to-date, there is no updated interest posted in the Trust Fund.

**Performance Guarantees**

A total of \$171K of Performance Guarantees have been received year-to-date in this fiscal year.

**Performance Guarantees for Adoption and Surrogacy Assistance Plan**

Performance guarantees are used to fund the Adoption and Surrogacy Assistance Plan. through seven months, a total of \$44,258 has been reimburse to members under this program.

**Forfeitures and Transfers Out**

The IRS allows forfeitures from Flexible Spending Accounts to be used to fund the administration of the accounts. Since the funding for the administration is in the General Fund and the forfeitures reside in the Trust, a transfer is made at the close of each fiscal year from the Trust Fund to the General Fund. There was a posting of \$108 K in October from the prior fiscal year. This delayed reporting of forfeitures by the plan administrator was due to the response to the COVID-19 pandemic.

Pharmacy Rebates

The pharmacy rebates from the self-insured health plans are 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. As of December 31, 2020, \$2.36 M of pharmacy rebates were received. These rebates offset the claims expense of the self-funded plans above.

Plan	Amount (Year to Date)	Project (Fiscal Year-End)
UHC	\$903,088	\$1,500,000
Blue Shield (Access + and Trio)	3,014,019	5,800,000
<b>Total</b>	<b>\$3,917,106</b>	<b>\$7,300,000</b>

**GENERAL FUND ADMINISTRATION BUDGET**

Based on the financial results for the first seven months of FY 2020-21 through January 31, 2021, there is a projection of \$143K or 1.1% net surplus at the end of the fiscal year.

<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="font-size: small;"> <b>SAN FRANCISCO HEALTH SERVICE SYSTEM</b> Affordable, Quality Benefits &amp; Well-Being                 </div> <div style="text-align: center;"> <b>General Fund Administration Budget FY 2020-21 ANNUALIZED AS OF 01/31/21</b> </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
<b>REVENUES</b>						
Non-Operating Revenue	\$ 9,131	\$ 9,131	\$ -	\$ -	\$ -	\$ -
Work Order Recovery	11,467,900	11,467,900	6,689,660	-	6,689,660	11,467,900
Other Revenue	625,297	625,297	-	-	-	625,297
General Fund Carryforward	-	344,070	344,070	-	344,070	344,070
Interfund Transfer	-	101,477	101,477	-	101,477	101,477
<b>TOTAL REVENUES</b>	<b>\$ 12,102,328</b>	<b>\$ 12,547,875</b>	<b>\$ 7,135,207</b>	<b>\$ -</b>	<b>\$ 7,135,207</b>	<b>\$ 12,538,744</b>
<b>EXPENDITURES</b>						
Personnel Services	\$ 5,203,105	\$ 5,280,982	\$ 2,973,610	\$ 92,463	\$ 3,066,073	\$ 5,271,511
Mandatory Fringe Benefits	2,680,495	2,704,095	1,515,214	41,627	1,556,840	2,564,859
Non-personnel Services	2,299,146	2,475,244	1,232,906	1,352	1,234,259	2,472,051
Materials & Supplies	49,085	65,660	14,521	-	14,521	65,346
Services of Other Departments	1,870,497	2,021,894	917,526	-	917,526	2,021,894
<b>TOTAL EXPENDITURES</b>	<b>\$ 12,102,328</b>	<b>\$ 12,547,875</b>	<b>\$ 6,653,777</b>	<b>\$ 135,442</b>	<b>\$ 6,789,219</b>	<b>\$ 12,395,661</b>
<b>BALANCE</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ 481,430</b>	<b>\$ (135,442)</b>	<b>\$ 345,988</b>	<b>\$ 143,083</b>

\*Projection based on 7 months of actuals including the carryforward funding from FY 2019-20

**STATEMENT OF REVENUES AND EXPENSES  
FY 2020-2021  
FOR 7 MONTHS ENDED JANUARY 31, 2021**

<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>SELF-INSURANCE</b>			
UHC PPO, including ASO *	23,485,870	22,816,834	669,036
Blue Shield Access+ *	132,092,791	126,381,387	5,711,404
Blue Shield Trio *	59,768,070	58,667,033	1,101,038
Delta Dental - Active only, including ASO	25,115,244	25,877,968	(762,723)
<b>TOTAL SELF-INSURANCE</b>	<b>240,461,976</b>	<b>233,743,222</b>	<b>6,718,754</b>
<b>INSURANCE PRODUCTS</b>			
UHC MAPD	49,799,289	49,799,289	-
Kaiser-HMO	264,713,319	266,090,960	(1,377,641)
Vision Service Plan, All (City Plan & HMO)	5,090,320	5,118,498	(28,178)
Sub-total HMO	319,602,928	321,008,746	(1,405,818)
Delta Dental - Retired	9,829,718	9,829,718	-
Delta Care	484,461	483,270	1,191
UHC Dental	254,419	263,919	(9,500)
Sub-total Dental	10,568,597	10,576,907	(8,309)
Long Term/Short Term Disability	4,261,246	4,239,267	21,979
Flexible Benefits	1,799,254	1,796,231	3,023
Flexible Spending-Dependent Care	2,456,863	2,969,286	(512,423)
Flexible Spending -Medical Reimbursement	5,208,716	5,447,932	(239,216)
Best Doctors (discontinued on 1/1/20)	-	-	-
Healthcare Sustainability Fund (\$3.00)	1,500,414	1,350,217	150,197
Adoption & Surrogacy	-	45,258	(45,258)
<b>TOTAL INSURANCE PRODUCTS</b>	<b>345,398,020</b>	<b>347,433,844</b>	<b>(2,035,824)</b>
<b>SAVINGS AND INVESTMENTS</b>			
Interest	-	-	-
Performance guarantees	171,771	-	171,771
Forfeitures	108,942	-	108,942
<b>TOTAL SAVINGS &amp; INVESTMENTS</b>	<b>280,712</b>		<b>280,712</b>
<b>TRANSFERS OUT OF FORFEITURES</b>			<b>0</b>
<b>TOTAL FUNDS</b>	<b>586,140,708</b>	<b>581,177,066</b>	<b>4,963,642</b>

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

SUMMARY	FY20-21	FY20-21	
	Year-to-Date Actual Net as of 01/31/21	Projected Year-End Annual Net	
Self Insurance			
UHC PPO	669,036	1,322,697	(a)
Blue Shield-Access+	5,711,404	9,298,491	(b)
Blue Shield-Trio	1,101,038	1,420,948	(b)
Delta Dental PPO, Actives	(762,723)	(824,311)	(c)
Insurance Products			
Medical HMOs	(1,405,818)	-	
Dental	(8,309)	-	
LTD/Flexible Benefits/FSA/Best Doctors	(726,636)	-	
Healthcare Sustainability Fund (\$3.00)	150,197	(385,081)	(d)
Savings & Investments			
Interest	-	-	
Performance guarantees	171,771	171,771	(e)
Performance guarantees - Surrogacy and adoption	(45,258)	(45,258)	(f)
Forfeitures	108,942	108,942	
Transfers Out	0	(625,297)	(g)
<b>TOTAL</b>	<b>4,963,642</b>	<b>10,442,901</b>	
Net assets			
Beginning of the year		116,114,257	
End of the year		126,557,158	

- (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