

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

DATE: May 11, 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 March 31, 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 nine months ending March 31, 2023 and projections for FYE 2023

Executive Summary

Trust Fund and Health Sustainability Fund

- The FYE trust balance net change is close to zero as the Sutter settlement distribution offset rate stabilization. For the nine months the fund increased by \$11M due to timing differences.
- Total Net claims experience is close to plan with higher 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 nine months were \$8.7M and projected to be \$14.8 million for the fiscal year.

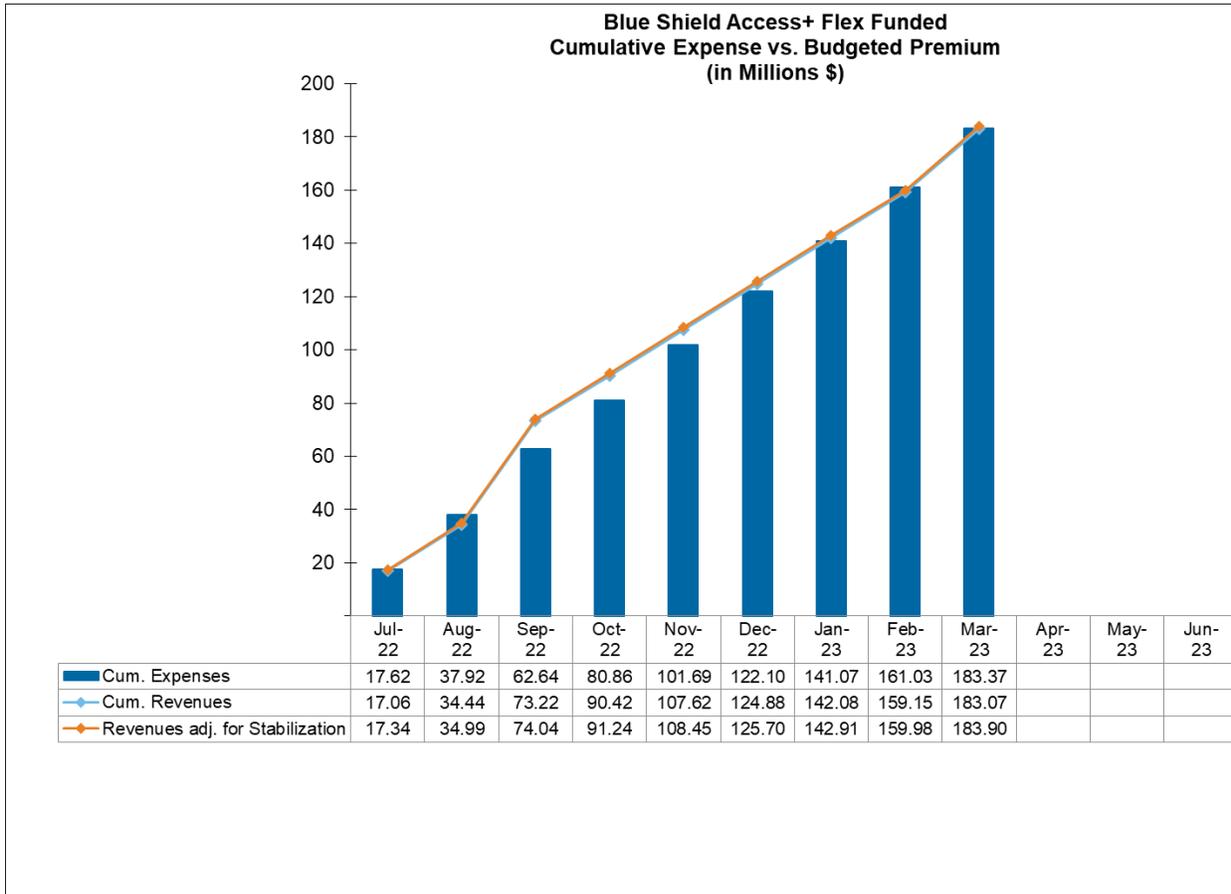
General Fund

The GF has a surplus in the first nine 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

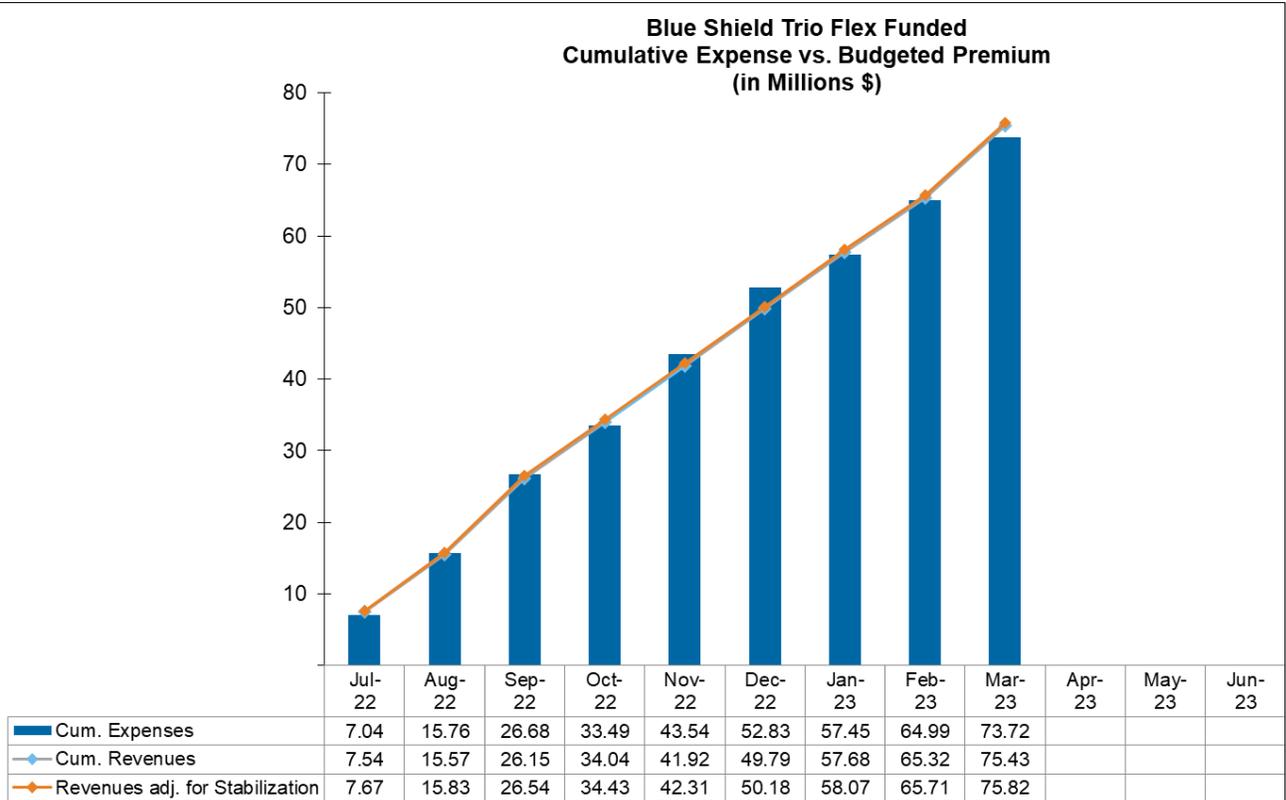
Blue Shield Access+ Flex Funded Plan

YTD revenues include \$14.7M Sutter settlement. Projected FYE balance will decrease by \$3.7M as high claims and rate stabilization offset the settlement distribution.



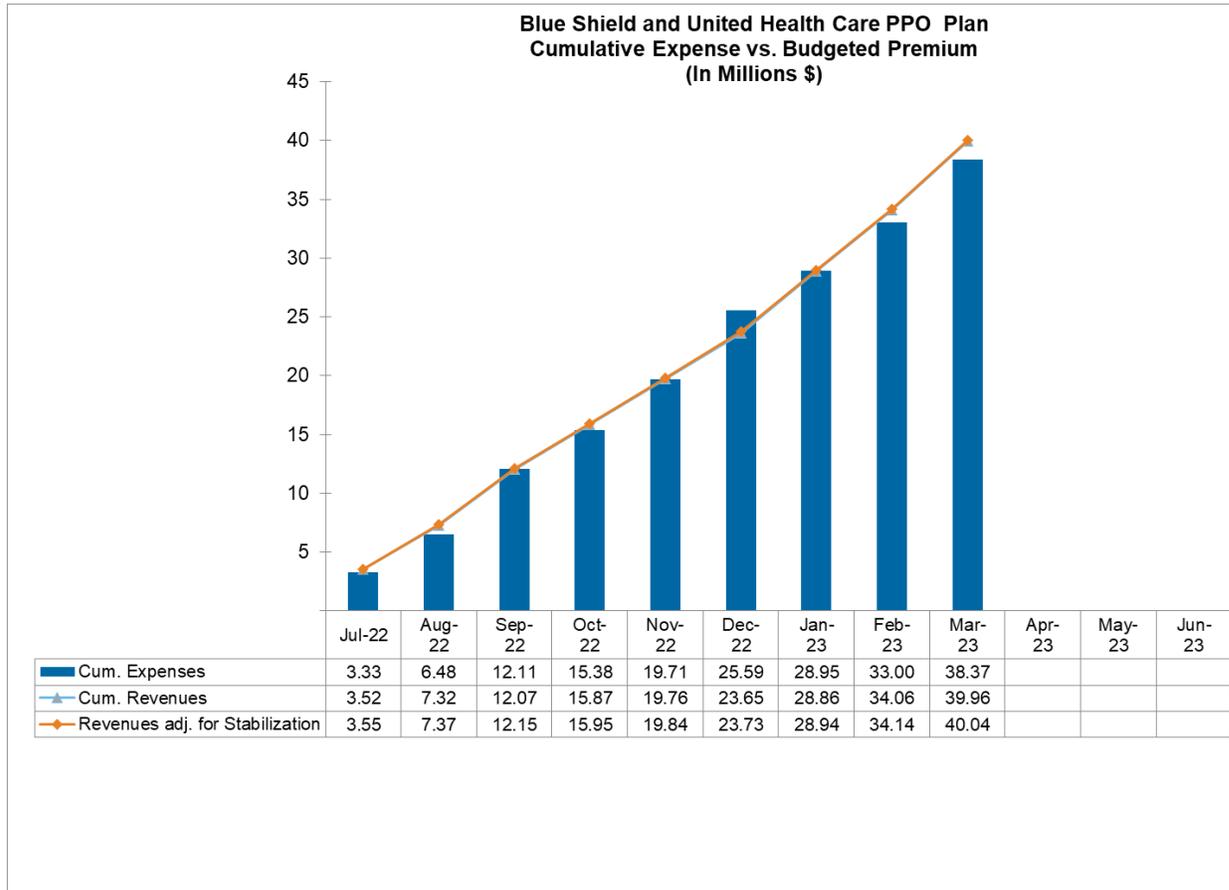
Blue Shield Trio Flex-Funded Plan

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



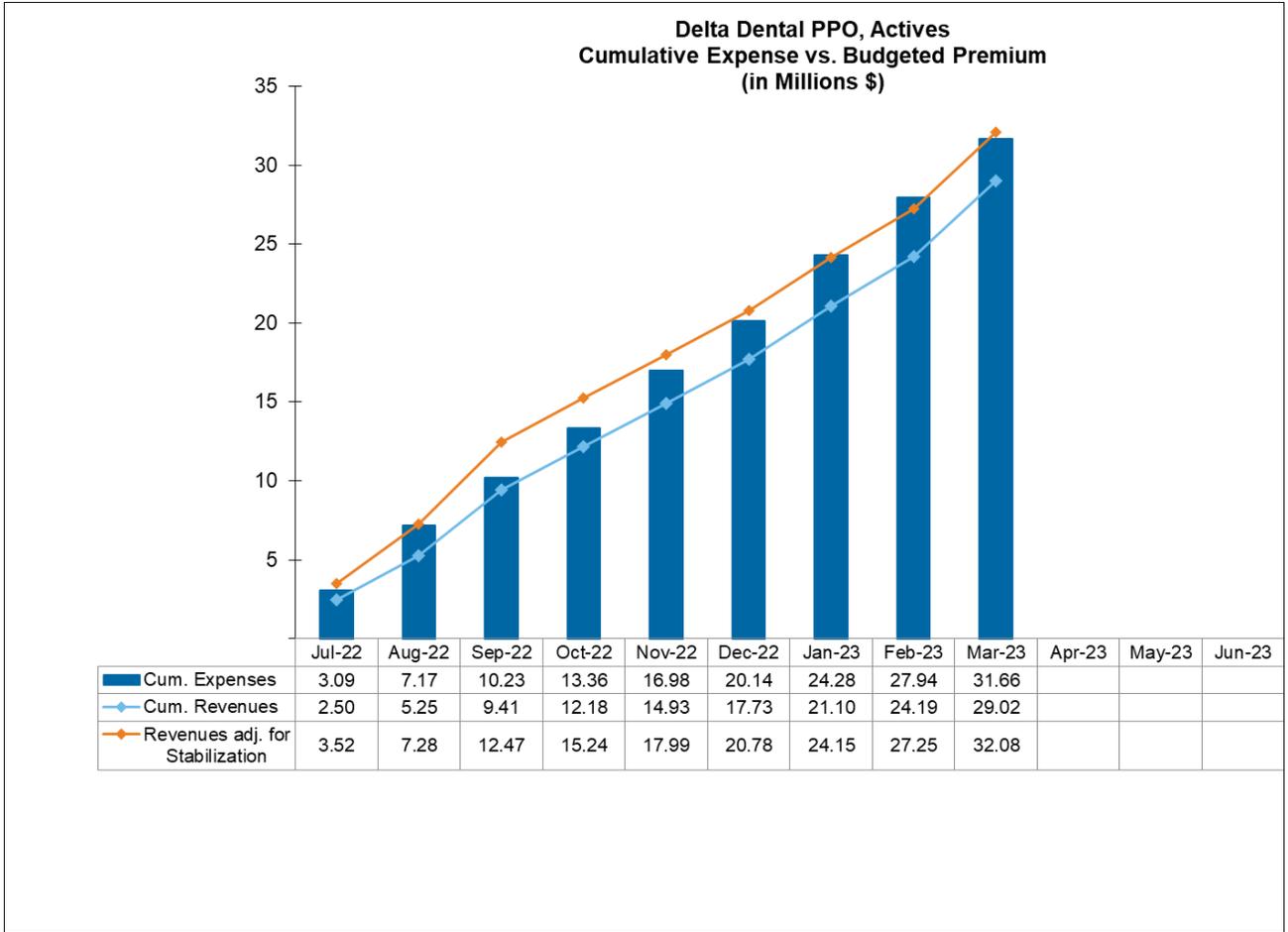
Blue Shield/United Health Care Administered PPO

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 \$2.6M due to lower claims.



Delta Dental PPO (Actives Only) Self-Funded Plan

Projected decrease for the year is \$3M 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 Mar YTD	FY 2022-23 Projection
REVENUE SOURCES							
Annual Revenues	\$ 2,544,616	\$ 2,552,366		\$ -	\$ 2,552,366	\$ 2,051,435	\$ 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	\$ 2,051,435	\$ 6,989,541
EXPENDITURE USES							
Personnel	\$ 1,549,921	\$ 2,040,623		\$ (567,427)	\$ 1,473,196	\$ 607,230	\$ 1,473,196
Administrative	6,517	30,000	18,992	115,500	164,492	8,571	164,492
Member Communications	433,331	467,000	69,403	255,500	791,903	369,316	791,903
Communications - Other	243,515	233,870	106,736	314,450	655,056	31,099	655,056
Well-Being	113,849	189,500	64,254	27,000	280,754	95,451	280,754
Initiatives to Reduce Health Care Costs	287,640	378,829	-	249,000	627,829	349,052	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	\$ 1,460,718	\$ 4,263,846
REVENUE - EXP. (excl. carry forward fund balance)	(90,157)	(837,456)	(259,385)	(614,639)	(1,711,480)	590,716	(1,711,480)
BALANCE	\$ 4,437,175	\$ 3,131,875	\$ (259,385)	\$ (146,796)	\$ 2,725,694	\$ 590,716	\$ 2,725,695

*Projection based on 9 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 \$8.6M through March and projected to be \$14.8M for the year.

	Actual	Projected RX
Blue Shield Access+ HMO	5,228,899	8,840,000
Blue Shield Trio HMO	2,433,806	4,160,000
UHC Administered PPO	1,030,195	1,760,000
TOTAL	\$ 8,692,900	\$ 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 03/31/22**

	FY 2022-23 Approved Budget	FY2022-23 Carryforward Budget	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	9,817,688	13,091,603
Other Revenue	450,000		450,000	-	400,000
General Fund Carryforward	-	277,942	277,942	277,942	820,114
Interfund Transfer	-		-	-	-
TOTAL REVENUES	\$ 13,550,734	\$ 277,942	\$ 13,828,676	\$ 10,095,630	\$ 14,311,717
EXPENDITURES					
Personnel Services	\$ 6,353,817		\$ 6,353,817	\$ 4,086,306	\$ 6,053,817
Mandatory Fringe Benefits	2,862,833		2,862,833	1,903,204	2,727,850
Non-personnel Services	2,314,006	580,153	2,894,159	1,533,047	2,894,159
Materials & Supplies	61,362	26,594	87,956	30,881	87,956
Services of Other Departments	1,958,716	213,367	2,172,083	1,172,942	2,172,083
			-		
TOTAL EXPENDITURES	\$ 13,550,734	\$ 820,114	\$ 14,370,848	\$ 8,726,380	\$ 13,935,865
BALANCE	\$ -	\$ (542,172)	\$ (542,172)	\$ 1,369,250	\$ 375,852

Trust Fund and Health Sustainability Fund with FYE Projection

SUMMARY	FY22-23	FY22-23
	Year-to-Date Actual Net as of 03/31/23	Projected Year-End Annual Net
Flex/Self Insurance		
Blue Shield-Access+	(299,902)	(3,659,578) (a), (h)
Blue Shield-Trio	1,704,000	3,094,338 (a)
Blue Shield and United PPO	1,591,346	2,630,368 (b)
Health Net Canopy Care	492,343	-
Delta Dental PPO, Actives	(2,636,476)	(2,361,968) (c)
Fully Insured Plans		
Medical HMOs	7,321,437	-
Dental	10,660	-
LTD/Flexible Benefits/FSA/Health Net Canopy Care	411,974	-
Healthcare Sustainability Fund (\$3.00)	433,650	(1,711,480) (d)
Savings & Investments		
Interest	1,150,918	2,301,836
Performance guarantees	619,103	619,103 (e)
Surrogacy and adoption	(79,883)	(79,883)
Transfers Out	0	(400,000) (g)
TOTAL	10,719,170	432,738
Net assets		
Beginning of the year		106,715,642
End of the year		107,148,380

(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

			
STATEMENT OF REVENUES AND EXPENSES FY 2022-2023 FOR 9 MONTHS ENDED MARCH 31, 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*, **	183,074,899	183,374,801	(299,902)
Blue Shield Trio HMO*	75,428,349	73,724,350	1,704,000
Blue Shield and United PPO	39,960,895	38,369,549	1,591,346
Health Net Canopy Care	3,583,389	3,091,047	492,343
Delta Dental PPO- (Active only)	29,022,198	31,658,674	(2,636,476)
TOTAL FLEX/SELF-INSURED PLANS	331,069,730	330,218,420	851,310
FULLY INSURED PLANS			
UHC MAPD	69,080,799	69,080,799	-
Kaiser-HMO	365,521,681	358,268,591	7,253,090
Vision Service Plan	7,393,034	7,324,687	68,347
Sub-total HMO	441,995,515	434,674,078	7,321,437
Delta Dental PPO - Retirees	13,942,439	13,942,439	-
Delta Care	600,064	593,806	6,258
UHC Dental	309,235	304,833	4,402
Sub-total Dental	14,851,738	14,841,078	10,660
Long Term/Short Term Disability	6,060,578	6,065,461	(4,882)
Flexible Benefits	3,195,778	3,195,705	72
Flexible Spending-Dependent Care	3,894,571	3,965,663	(71,092)
Flexible Spending -Medical Reimbursement	8,411,322	7,923,446	487,876
Healthcare Sustainability Fund (\$3.00)	1,894,368	1,460,719	433,650
Adoption & Surrogacy	-	79,883	(79,883)
Sub-total Other Benefits	23,456,618	22,690,877	765,741
TOTAL FULLY INSURED PLANS	480,303,871	472,206,033	8,097,838
SAVINGS AND INVESTMENTS			
Interest	1,150,918	-	1,150,918
Performance guarantees	619,103	-	619,103
Forfeitures	-	-	-
TOTAL SAVINGS & INVESTMENTS	1,770,021	-	1,770,021
TRANSFERS OUT OF FORFEITURES			
	-	-	0
TOTAL FUNDS	813,143,622	802,424,453	10,719,170

* 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: MARCH 31, 2023**

<i>ACTIVE & RETIRED COMBINED</i>	For 9 Months Ended March 31, 2023	For 9 Months Ended March 31, 2022	\$ Change	% Change
FLEX/SELF-INSURED PLANS				
Blue Shield-Access+ HMO				
Revenues	183,074,899	167,395,150	15,679,749	9.4% b
Expenses	(183,374,801)	(165,162,338)	(18,212,463)	11.0% f
Net Blue Shield-Access Excess(Shortage)	(299,902)	2,232,812	(2,532,714)	-113.4%
Blue Shield-Trio HMO				
Revenues	75,428,349	76,707,780	(1,279,431)	-1.7%
Expenses	(73,724,350)	(83,692,935)	9,968,585	-11.9% i
Net Blue Shield-Trio Excess(Shortage)	1,704,000	(6,985,155)	8,689,154	-124.4%
Blue Shield and United PPO				
Revenues	39,960,895	22,876,244	17,084,651	74.7%
Expenses	(38,369,549)	(28,433,931)	(9,935,618)	34.9%
Net BSC and United PPO Excess(Shortage)	1,591,346	(5,557,686)	7,149,033	
Health Net Canopy Care				
Revenues	3,583,389	694,136	2,889,253	
Expenses	(3,091,047)	(542,495)	(2,548,551)	
Net Health Net Canopy Care Excess(Shortage)	492,343	151,641	340,702	
Delta Dental PPO (Active only)				
Revenues	29,022,198	29,611,828	(589,630)	-2.0% h
Expenses	(31,658,674)	(32,147,619)	488,945	-1.5% i
Net Delta Dental PPO- (Active Only) Excess(Shortage)	(2,636,476)	(2,535,791)	(100,685)	4.0%
NET FLEX/SELF-INSURED PLANS	851,310	(12,694,179)	13,545,489	-106.7%

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: MARCH 31, 2023			
ACTIVE & RETIRED COMBINED		For 9 Months Ended March 31, 2023	For 9 Months Ended March 31, 2022	\$ Change	% Change
FULLY INSURED PLANS					
Kaiser-HMO					
Revenues		365,521,681	348,020,642	17,501,039	5.0% d
Expenses		(358,268,591)	(353,876,414)	(4,392,178)	1.2% d, l
Net Kaiser- HMO Excess(Shortage)		7,253,090	(5,855,772)	13,108,862	-223.9% k
UHC MAPD					
Revenues		69,080,799	65,622,601	3,458,198	5.3% d, l
Expenses		(69,080,799)	(65,622,601)	(3,458,198)	5.3% d, l
Net UHC MAPD Excess(Shortage)		0	0	0	
Vision Service Plan, All (City Plan & HMO)					
Revenues		7,393,034	6,854,685	538,349	7.9% d, l
Expenses		(7,324,687)	(6,919,088)	(405,600)	5.9% d, l
Net Vision Service Plan Excess(Shortage)		68,347	(64,403)	132,750	-206.1%
Delta Dental PPO - Retirees					
Revenues		13,942,439	12,815,534	1,126,905	8.8%
Expenses		(13,942,439)	(12,815,534)	(1,126,905)	8.8%
Net Delta Dental PPO - Retirees Excess(Shortage)		0	0	0	
Delta Care					
Revenues		600,064	613,449	(13,385)	-2.2%
Expenses		(593,806)	(587,222)	(6,584)	1.1%
Net Delta Care Excess(Shortage)		6,258	26,227	(19,969)	-76.1%
UHC Dental					
Revenues		309,235	324,855	(15,620)	-4.8%
Expenses		(304,833)	(328,084)	23,251	-7.1%
Net UHC Dental Excess(Shortage)		4,402	(3,229)	7,631	-236.3%
Long Term/Short Term Disability					
Revenues		6,060,578	6,140,132	(79,554)	-1.3%
Expenses		(6,065,461)	(6,018,962)	(46,499)	0.8%
Net Long Term/Short Term Disability Excess(Shortage)		(4,882)	121,170	(126,052)	-104.0% k
Flexible Benefits					
Revenues		3,195,778	2,857,926	337,852	11.8% g
Expenses		(3,195,705)	(2,857,926)	(337,780)	11.8% g
Net Flexible Benefits Excess(Shortage)		72	0	72	
Flexible Spending-Dependent Care					
Revenues		3,894,571	4,427,851	(533,280)	-12.0% c
Expenses		(3,965,663)	(4,503,852)	538,189	-11.9% c
Net Flexible Spending-Dependent Care Excess(Shortage)		(71,092)	(76,001)	4,909	-6.5%
Flexible Spending -Medical Reimbursement					
Revenues		8,411,322	6,941,682	1,469,641	21.2% g
Expenses		(7,923,446)	(7,255,350)	(668,096)	9.2% f
Net Flexible Spending-Medical Reimbursement Excess(Shortage)		487,876	(313,668)	801,544	-255.5%
Adoption & Surrogacy					
Expenses		(79,883)	(16,163)	(63,720)	
Healthcare Sustainability Fund (\$3.00)					
Revenues		1,894,368	1,960,992	(66,623)	-3.4%
Expenses		(1,460,719)	(1,888,847)	428,128	-22.7% e
Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)		433,650	72,145	361,505	501.1%
NET FULLY INSURED PLANS		8,097,838	(6,109,694)	14,207,532	-232.5%
SAVINGS AND INVESTMENTS					
Interest		1,150,918	0	1,150,918	
Performance guarantees		619,103	996,233	(377,130)	
Forfeitures		0	0	0	
TOTAL SAVINGS & INVESTMENTS		1,770,021	996,233	773,788	1616.8%
TOTAL NET EXCESS (SHORTAGE)		10,719,170	(17,807,640)	28,526,809	-160.2%

Notes:

- | | |
|--------------------------|---|
| a decrease in membership | e \$3 per member per month for communications, wellness |
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