

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

Memorandum

DATE: May 14, 2020

TO: Karen Breslin, President and Members of the Health Service Board

FROM: Pamela Levin, Chief Financial Officer

RE: Financial Report as of February 29, 2020

This report summarizes revenues and expenses of the Employee Benefit Trust Fund (Trust Fund) and the General Fund Administration Budget for the first eight months of FY 2019-20, as well as fiscal year-end projections through June 30, 2020.

Executive Summary

Trust Fund

- Projecting a \$2.4 million increase in the fund balance, from \$92.4 June 30, 2019 to \$94.6 June 30, 2020
- Fiscal Year Projected change in fund balance by plan
 - UHC PPO: \$0.9 M projected decrease primarily due to unfavorable claims experience
 - Blue Shield Access +: \$10.9 M projected increase primarily due to favorable claims experience and pharmacy rebates
 - Blue Shield Trio: \$4.9 M projected decrease primarily due to unfavorable claims experience
 - Delta Dental Self-Funded plan: \$2.0 M projected decrease due buy-down in rates exceeding favorable claims experience
- Cumulative expenses compared to revenues with eight months of experience by plan
 - UHC PPO: cumulative expenses tracking \$1.13 M more revenues
 - Blue Shield Access +: cumulative expenses tracking \$5.86 M less than revenues
 - Blue Shield Trio: cumulative expenses tracking \$4.23 M more than revenues
 - Delta Dental Sell-Funded plan: cumulative expenses tracking \$4.79 M less than revenues
- Healthcare Sustainability Fund: \$2.73 M projected balance
- Interest: \$1.0 M projected increase in fund balance
- Performance guarantees: \$0.3 M received year-to-day date
- Pharmacy Rebates: \$3.89 M received year-to-date, \$8.0 M projected

General Fund

- Projecting \$4,000 year-end balance

Employee Benefit Trust Fund

On June 30, 2019, the audited Trust Fund balance was \$92.2 million. Based on activity through February 2020, the fund balance is projected to be \$94.6 million as of June 30, 2020. The projected \$2.4 million increase includes reserves for unpaid claims and is a result of the following changes:

	Change in Fund Balance (in millions)	Page
United Health Care PPO Plan	\$ (0.9)	3
Blue Shield Access+ Flex-Funded Plan	10.9	4
Blue Shield Trio Flex-Funded Plan	(4.9)	5
Delta Dental Self-Funded Plan	(2.0)	6
Health Care Sustainability Fund	(1.2)	7
Interest	1.0	7
Performance Guarantees	0.3	7
Performance Guarantees – Surrogacy and Adoption Assistance Plan	(0.2)	7
Forfeitures	0.0	7
Transfers Out	(0.6)	7
Total	\$ 2.4	

Pharmacy Rebates are discussed on page 8.

General Fund Administration Budget

Based on the financial results for the first eight months of FY 2019-20, a balance of \$4,000 is projected at the end of FY 2019-20.

United Health Care PPO Plan

Fiscal Year End Projection

A \$0.9 million decrease in fund balance is projected as a result of the following:

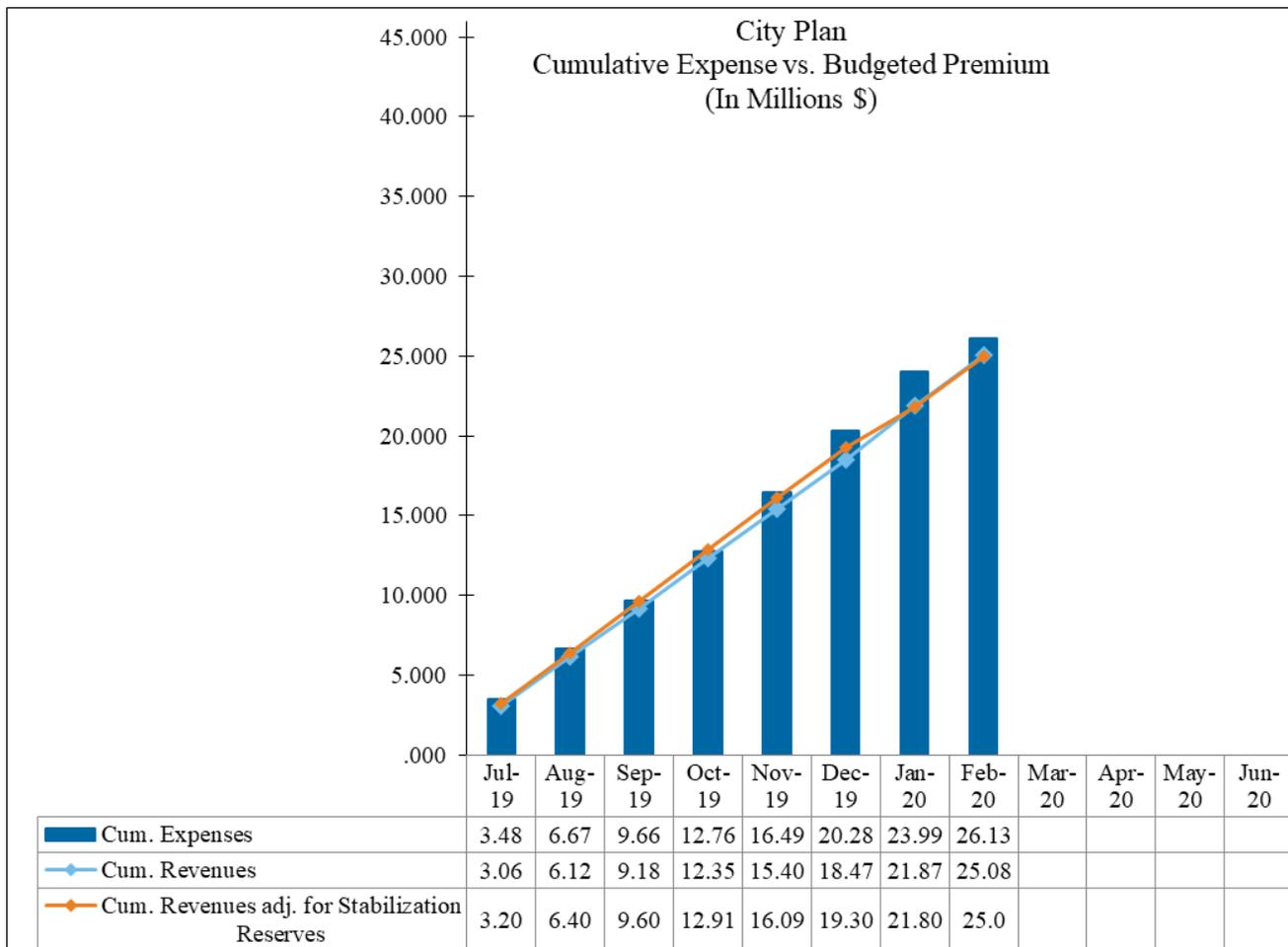
a. \$2.0 million decrease in fund balance:

- \$0.8 million associated with subsidizing 2019 rates (for the first six months of FY 2019-20) from the 2017 year-end claim stabilization reserve
- \$1.2 million decrease in fund balance due to unfavorable claim experience

b. \$1.1 million increase in fund balance:

- \$0.1 million associated with the increase in 2020 rates (for the second six months of FY 2019-20) due to rating buy-up of the 2018 year-end claims stabilization deficit
- \$1.0 million of pharmacy rebates (additional information on page 7)

First Eight (8) months



With eight months of experience, cumulative expenses for UHC PPO track \$1.13 M more than the expected cost levels regardless of whether cumulative expenses are compared to the actual revenues (\$26.13 M - \$25.0 M) and when the cumulative expenses are compared to cumulative revenues with the \$0.80 M buy-up for the rate stabilization reserves (\$26.13 M - (\$25.08 M - \$0.08 M)).

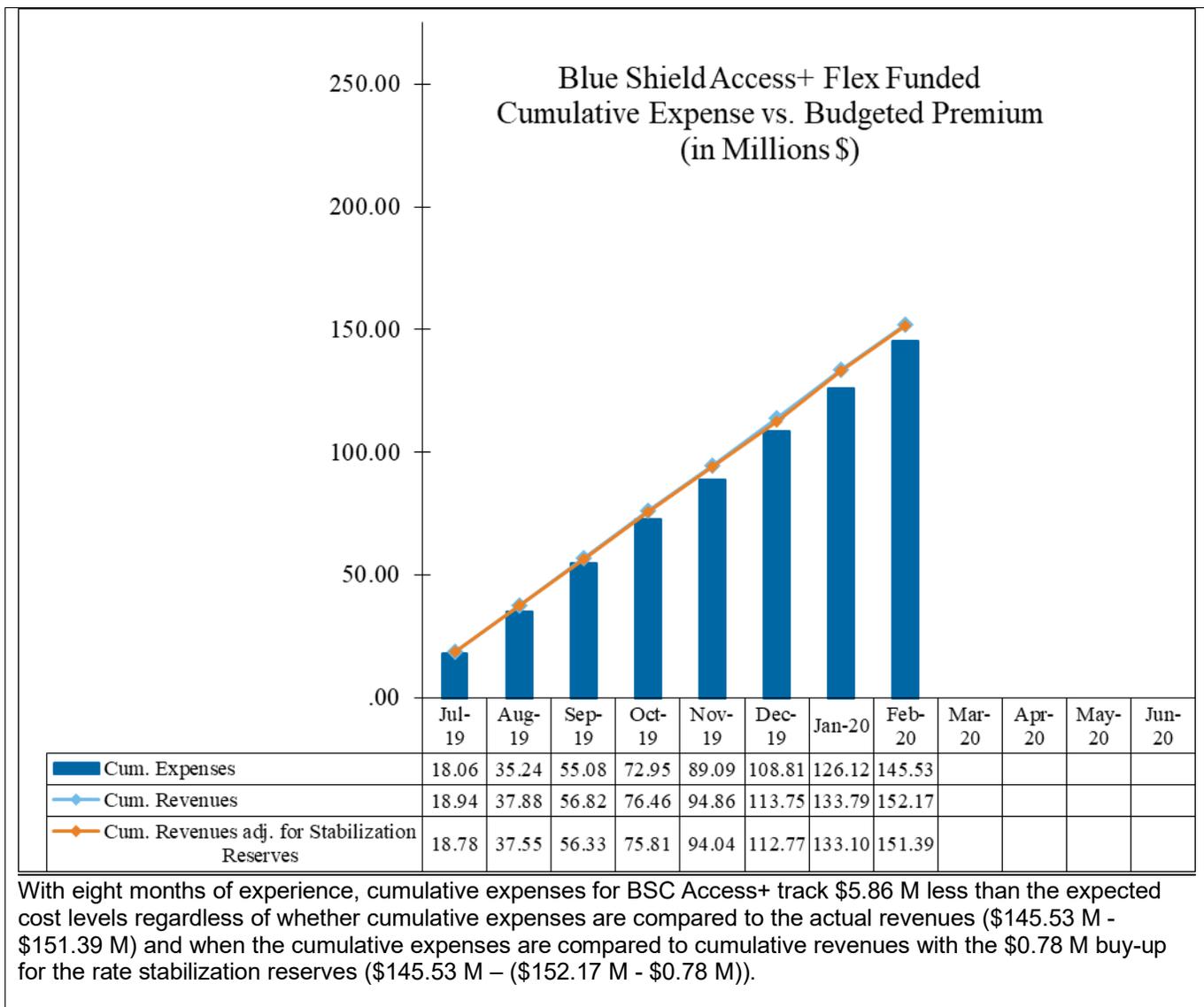
Blue Shield Access+ Flex Funded Plan

Fiscal Year End Projection

A \$10.9 million increase in fund balance is projected resulting from:

- \$1.0 million associated with the increase in 2019 rates (for the first six months of FY 2019-20) to recover the 2017 year-end claim stabilization reserve
- \$0.6 million associated with the increase in 2020 rates (for the second six months of FY 2019-20) from the 2018 year-end claim stabilization reserve
- \$4.8 million of pharmacy rebates (additional information on page 7)
- \$4.5 million due to favorable claim experience

First Eight (8) months



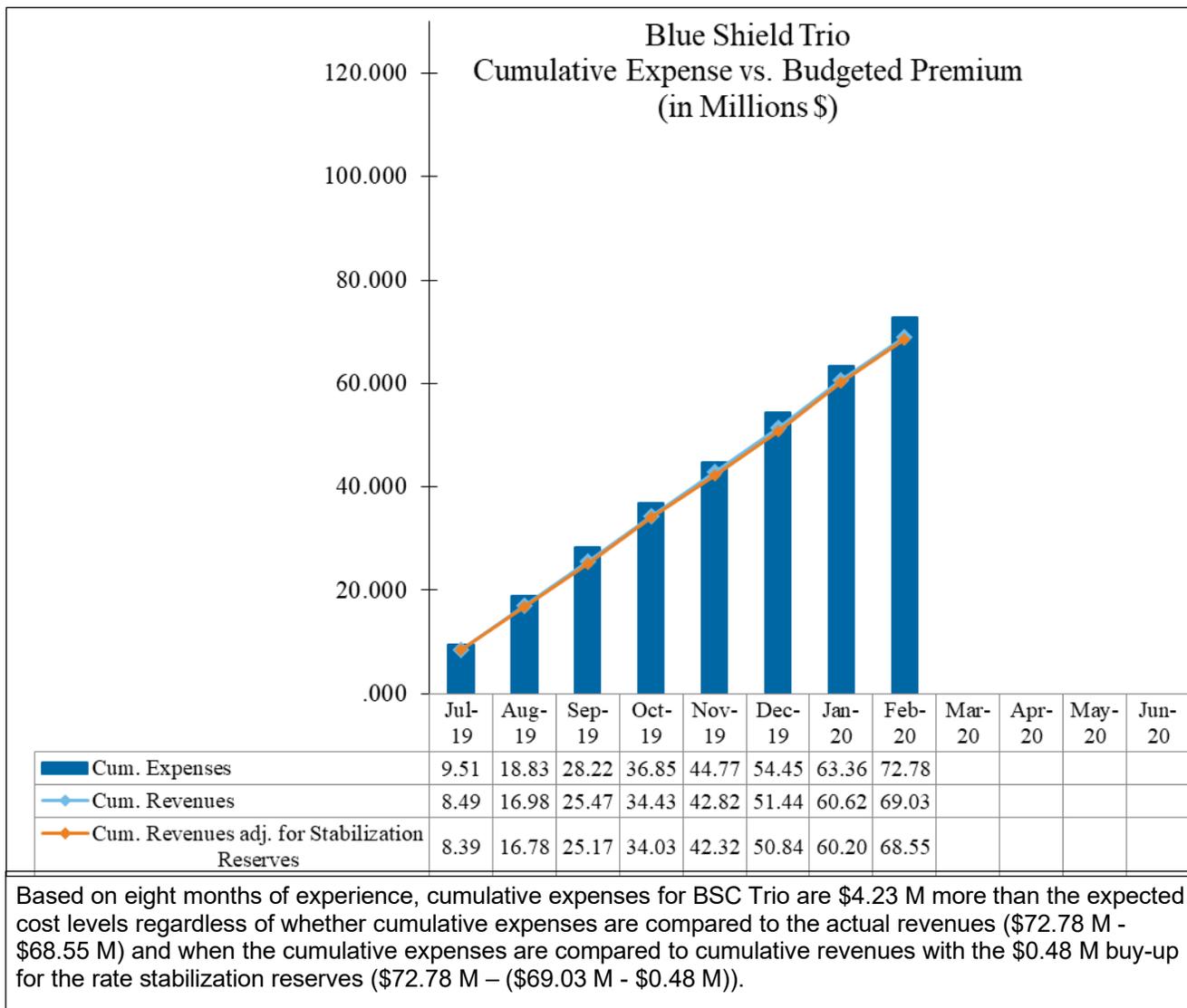
Blue Shield Trio Flex-Funded Plan

Fiscal Year End Projection

A \$4.9 million decrease in fund balance is projected resulting from:

- a. \$3.1 million increase in fund balance:
 - \$0.6 million associated with the increase in 2019 rates (for the first six months of FY 2019-20) to recover the 2017 deficit
 - \$0.3 million associated with the increase in 2020 rates (for the second six months of FY 2019-20) to recover the 2018 deficit
 - \$2.2 million in pharmacy rebates (additional information on page 7)
- b. \$8.0 million decrease in fund balance due to unfavorable claim experience.

First Eight (8) Months



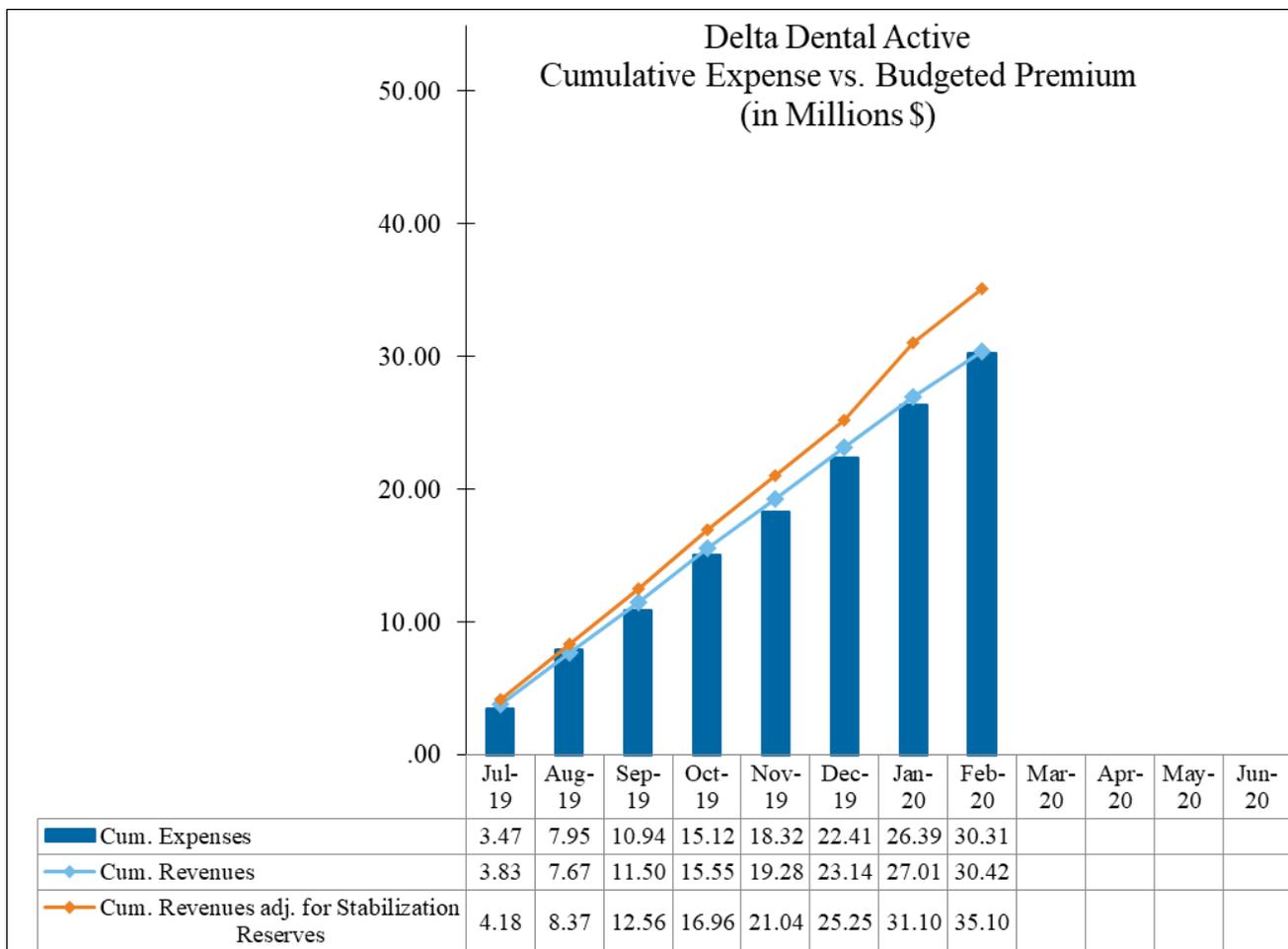
Delta Dental Self-Funded Plan

Fiscal Year End Projection

\$2.0 million decrease in fund balance is projected resulting from:

- a. \$3.6 million increase in fund balance due to favorable claim experience
- b. \$5.6 million decrease in fund balance:
 - \$2.1 million decrease in fund balance associated with subsidizing 2019 rates (for the first six months of FY 2019-20) from the claim stabilization reserve
 - \$3.5 million decrease in fund balance associated with subsidizing 2020 rates (for the second six months of FY 2019-20) from the claim stabilization reserve

First Eight (8) Months



Based on eight months of experience, cumulative expenses for Delta Dental are \$4.79 M less than the expected cost levels regardless of whether cumulative expenses are compared to the actual revenues (\$30.31 M - \$35.10 M) and when the cumulative expenses are compared to cumulative revenues with the \$4.68 M buy-down for the rate stabilization reserves (\$30.31 M - (\$30.42 M + \$4.68 M)).

Other Trust Fund Notes

Healthcare Sustainability Fund

The following table reflects the year-to-date actuals through February 29, 2020. With eight (8) months of actuals, a projected balance of \$2.73 million is expected at the end of FY 2019-20.

Healthcare Sustainability Fund FY 2019-20				
	Revised Budget	Feb YTD Actual	Projection	Variance
Revenues/Premiums				
Annual Revenues	\$ 2,602,555	\$ 1,700,643	\$ 2,551,247	\$ (51,308)
Carryforward from fund balance	3,080,176	3,080,176	3,909,772	829,596
Total	\$ 5,682,731	\$ 4,780,819	\$ 6,461,019	\$ 778,288
Expenditures				
Annual Expenditures	\$ 2,676,868	\$ 1,150,640	\$ 2,423,269	\$ (253,599)
One-time Expenditures	2,215,436	337,242	1,305,422	(910,014)
Grand Total Expenditures	\$ 4,892,304	\$ 1,487,882	\$ 3,728,691	\$ (1,163,613)
Balance	\$ 790,427	\$ 3,292,937	\$ 2,732,328	\$ 1,941,901

Interest

An \$1.0 million increase in fund balance is projected based on the Trust Fund cash balances for FY 2019-20.

Performance Guarantees

Three hundred thousand (\$0.30 million) in performance guarantees have been received in FY 2019-20. The \$92.2 million fund balance includes the \$8.3 million in PGs received since FY 2005-06.

Performance Guarantees for Adoption and Surrogacy Assistance Plan

Performance guarantees are used to fund the Adoption and Surrogacy Assistance Plan. As of February 29, 2020, \$59,900 has been reimburse to members, and the year-end projection is \$185,000.

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 needs to be made at the close of each fiscal year. If required to balance the General Fund budget, up to \$0.6 million will be transferred. The goal is to minimize the transfer each fiscal year.

Pharmacy Rebates

The following table summarizes the FY 2019-20 pharmacy rebates as of February 29, 2020 and year-end projection. The rebates are provided at the end of each quarter. As of February 29, 2020, \$2.0 million of pharmacy rebates has been received. The year-end projection is \$8.0 million. The rebates offset the claims payments to the plans.

Vendor	Amount (year to date)	Year-End Projection
Blue Shield	\$3,353,131	\$7,000,000
UHC	\$ 541,812	\$1,000,000
Total	\$3,894,943	\$8,000,000



HEALTH SERVICE SYSTEM
STATEMENT OF REVENUES AND EXPENSES
FY 2019-2020
FOR THE EIGHT MONTHS ENDED February 29, 2020

ACTIVE & RETIRED COMBINED

	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess(Shortage)
1 SELF-INSURANCE			
2 UHC PPO, including ASO *	25,082,735	26,132,325	(1,049,589)
3 Blue Shield Access+ *	152,173,915	145,530,163	6,643,752
4 Blue Shield Trio *	69,030,550	72,780,481	(3,749,932)
5 Delta Dental - Active only, including ASO	30,420,851	30,306,547	114,304
6 TOTAL SELF-INSURANCE	276,708,051	274,749,516	1,958,535
8 INSURANCE PRODUCTS			
9 UHC MAPD	50,583,309	50,583,309	0
10 Kaiser-HMO	287,892,783	286,389,231	1,503,553
11 Vision Service Plan, All (City Plan & HMO)	5,443,237	5,422,623	20,614
12 Sub-total HMO	343,919,330	342,395,163	1,524,167
14 Delta Dental - Retired	10,849,698	10,805,185	44,513
15 Delta Care	585,681	576,598	9,083
16 UHC Dental	302,841	301,383	1,459
17 Sub-total Dental	11,738,220	11,683,165	55,055
19 Long Term/Short Term Disability	5,586,859	5,460,597	126,263
20 Flexible Benefits	1,924,884	1,924,701	183
21 Flexible Spending-Dependent Care	3,843,648	4,115,587	(271,939)
22 Flexible Spending -Medical Reimbursement	5,714,759	5,277,557	437,202
23 Best Doctors (\$1.15)	487,668	486,169	1,499
24 Healthcare Sustainability Fund (\$3.00)	1,700,643	1,487,882	212,762
25 Adoption & Surrogacy		63,312	(63,312)
26 TOTAL INSURANCE PRODUCTS	374,916,012	372,894,133	2,021,879
28 SAVINGS AND INVESTMENTS			
29 Interest	454,920		454,920
30 Performance guarantees	317,814	-	317,814
31 Forfeitures	0		0
32 TOTAL SAVINGS & INVESTMENTS	772,734		772,734
34 TRANSFERS OUT OF FORFEITURES		0	0
36 TOTAL FUNDS	652,396,797	647,643,649	4,753,148

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

SUMMARY- In millions	FY19-20	FY19-20
	Year-To Date Actual As of February 2020 - Net	Projected Annual-Net
Self Insurance		
UHC PPO	(1.0)	(0.9) (a)
Blue Shield-Access+	6.6	10.9 (b)
Blue Shield-Trio	(3.7)	(4.9) (b)
Dental, Actives	0.1	(2.0) (c)
Insurance Products		
Medical HMOs	1.5	0.0
Dental	0.1	0.0
LTD/Flexible Benefits/FSA/Best Doctors	0.3	0.0
Healthcare Sustainability Fund (\$3.00)	0.2	(1.2) (d)
Savings & Investments		
Interest	0.5	1.0
Performance guarantees	0.3	0.3 (e)
Performance guarantees - Surrogacy and adoption	0.0	(0.2) (f)
Forfeitures	0.0	0.0
Transfers Out	0.0	(0.6) (g)
TOTAL	4.8	2.4
Net assets		
Beginning of the year		92.2
End of the year		94.6

(a) Annual Projection is net of claim stabilization of \$0.8 million used to reduce 2019 rates, \$0.1 million to increase 2020 rates, and Pharmacy rebate of \$1.0 million

(b) Annual Projection is net of claim stabilization of \$1.6 million to increase 2019 rates, \$0.9 million to increase 2020 rates, and Pharmacy rebate of \$7 million

(c) Annual Projection is net of claim stabilization of \$2.1 million to reduce 2019 rates and \$3.5 million to reduce 2020 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 2019-2020

(f) Reflects use of fund balance

(g) Transfer of \$0.6M from forfeitures to General Fund per FY 2019-2020 budget

	For 8 months ended February 29, 2020	For 8 months ended February 28, 2019	\$ Change	% Change	
1 SELF-INSURANCE					
2 UHC PPO, including ASO					
3 Revenues	25,082,735	22,426,403	2,656,332	11.8%	I
4 Expenses	(26,132,325)	(25,233,520)	(898,804)	3.6%	f
5 Net UHC PPO Excess(Shortage)	(1,049,589)	(2,807,117)	1,757,528	-62.6%	
6 Blue Shield-Access+					
7 Revenues	152,173,915	136,312,886	15,861,029	11.6%	p
8 Expenses	(145,530,163)	(133,787,100)	(11,743,062)	8.8%	p
9 Net Blue Shield-Access Excess(Shortage)	6,643,752	2,525,786	4,117,967	163.0%	
10 Blue Shield-Trio					
11 Revenues	69,030,550	71,575,329	(2,544,779)	-3.6%	p
12 Expenses	(72,780,481)	(68,439,619)	(4,340,862)	6.3%	p
13 Net Blue Shield-Trio Excess(Shortage)	(3,749,932)	3,135,710	(6,885,641)	-219.6%	
14 Delta Dental - Active only, including ASO					
15 Revenues	30,420,851	31,523,123	(1,102,272)	-3.5%	h
16 Expenses	(30,306,547)	(30,026,188)	(280,360)	0.9%	
17 Net Delta Dental - Active Excess(Shortage)	114,304	1,496,936	(1,382,632)	-92.4%	
18 NET SELF-INSURANCE	1,958,535	4,351,314	(2,392,779)	-55.0%	
19 INSURANCE PRODUCTS					
24 Kaiser-HMO					
25 Revenues	287,892,783	280,451,765	7,441,018	2.7%	d, I
26 Expenses	(286,389,231)	(280,468,767)	(5,920,464)	2.1%	d, I
27 Net Kaiser- HMO Excess(Shortage)	1,503,553	(17,001)	1,520,554	-8943.7%	
28 UHC MAPD					
29 Revenues	50,583,309	46,980,034	3,603,275	7.7%	d, I
30 Expenses	(50,583,309)	(46,980,034)	(3,603,275)	7.7%	d, I
31 Net UHC MAPD Excess(Shortage)	0	0	0		
32 Vision Service Plan, All (City Plan & HMO)					
33 Revenues	5,443,237	4,943,406	499,831	10.1%	o
34 Expenses	(5,422,623)	(4,926,778)	(495,845)	10.1%	o
35 Net Vision Service Plan Excess(Shortage)	20,614	16,628	3,986		
36					
37 Delta Dental - Retired					
38 Revenues	10,849,698	10,317,836	531,861	5.2%	d
39 Expenses	(10,805,185)	(10,304,493)	(500,692)	4.9%	d
40 Net Delta Dental - Retired Excess(Shortage)	44,513	13,344	31,169	233.6%	
41 Delta Care					
42 Revenues	585,681	603,745	(18,064)	-3.0%	a
43 Expenses	(576,598)	(594,554)	17,956	-3.0%	a
44 Net Delta Care Excess(Shortage)	9,083	9,191	(108)	-1.2%	
45 UHC Dental					
46 Revenues	302,841	275,017	27,825	10.1%	d, h
47 Expenses	(301,383)	(273,510)	(27,873)	10.2%	d, h
48 Net UHC Dental Excess(Shortage)	1,459	1,507	(48)	-3.2%	
49 Net Dental	55,055	24,042	31,013	129.0%	
50					
51 Long Term/Short Term Disability					
52 Revenues	5,586,859	5,005,647	581,212	11.6%	g
53 Expenses	(5,460,597)	(5,005,647)	(454,949)	9.1%	g
54 Net Long Term/Short Term Disability Excess(Shortage)	126,263	0	126,263		
55 Flexible Benefits					
56 Revenues	1,924,884	1,627,580	297,305	18.3%	g
57 Expenses	(1,924,701)	(1,627,555)	(297,146)	18.3%	g
58 Net Flexible Benefits Excess(Shortage)	183	25	159	0.0%	
59 Flexible Spending-Dependent Care					
60 Revenues	3,843,648	3,589,502	254,146	7.1%	d
61 Expenses	(4,115,587)	(3,808,744)	(306,843)	8.1%	f
62 Net Flexible Spending-Dependent Care Excess(Shortage)	(271,939)	(219,241)	(52,698)	24.0%	
63 Flexible Spending -Medical Reimbursement					
64 Revenues	5,714,759	4,980,631	734,128	14.7%	d
65 Expenses	(5,277,557)	(4,551,038)	(726,519)	16.0%	f
66 Net Flexible Spending-Medical Reimbursement Excess(Shortage)	437,202	429,592	7,610	1.8%	
67 Best Doctors (\$1.15)					
68 Revenues	487,668	787,735	(300,067)	-38.1%	b
69 Expenses	(486,169)	(745,436)	259,267	-34.8%	b
70 Net Best Doctors Excess(Shortage)	1,499	42,299	(40,801)		
71 Adoption & Surrogacy					
72 Expenses	(63,312)	(95,010)	31,698	-33.4%	
73 Healthcare Sustainability Fund (\$3.00)					
74 Revenues	1,700,643	1,689,675	10,968	0.6%	
75 Expenses	(1,487,882)	(1,201,512)	(286,370)	23.8%	e
76 Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	212,762	488,164	(275,402)	-56.4%	
77 NET INSURANCE PRODUCTS	2,021,879	669,497	1,352,382	202.0%	
78 SAVINGS AND INVESTMENTS					
79 Interest	454,920	0	454,920	0.0%	
80 Performance guarantees	317,814	503,986	(186,172)	0.0%	
81 TOTAL SAVINGS & INVESTMENTS	772,734	503,986	268,748	0.0%	
82 TOTAL NET EXCESS (SHORTAGE)	4,753,148	5,524,797	(771,649)	-14.0%	

Notes: a decrease in membership

c decrease in deductions

d increase in membership

e \$3 per member per month for communications, wellness, actuarial work

f increase in claims

I increase in rates

h decrease in rates

g increase in deductions

b discontinued on 1/1/20

j decrease in claims

o vision buy-up effective 1/1/18

p effective 1/1/18

Healthcare Sustainability Fund FY 2019-20

	Revised Budget	Feb YTD Actual	Projection	Variance
Revenues/Premiums				
Annual Revenues	\$ 2,602,555	\$ 1,700,643	\$ 2,551,247	850,604
Carryforward from fund balance	3,080,176	3,080,176	3,909,772	829,596
Total	\$ 5,682,731	\$ 4,780,819	\$ 6,461,019	\$ 1,680,200
Expenditures				
Annual				
Personnel Services and Mandatory Fringes	\$ 1,262,265	578,496	\$ 1,081,221	502,725
Communications				
Open Enrollment Communications	353,561	286,448.62	348,561	62,112
Operations Communications	156,754	18,465.04	194,567	176,102
Well-Being Communications	175,750	12,363.46	158,000	145,637
Other Communications	90,332	63,792.27	62,138	(1,654)
Total Communications	\$ 776,397	381,069.39	\$ 763,266	\$ 382,197
Well-Being	337,500	16,528.31	262,453	245,925
Initiatives to Reduce Health Care Costs	282,500	172,999.92	298,123	125,123
Board Transcription Services/SFGOV	18,206	1,546.50	18,206	16,660
Contingency for Unforeseen Issues			-	-
Total Annual Expenditures	\$ 2,676,868	1,150,640.12	2,423,269	\$ 1,272,629
One-Time				
Communications				
Open-Enrollment Communications	\$ 192,400	29,800.00	190,000	160,200
Operations Communications	1,506,532	299,057.05	697,700	398,643
Other Communications	181,660	8,385.00	264,210	255,825
Total Communications	\$ 1,880,592	337,242.05	\$ 1,151,910	\$ 814,668
Well-Being	100,697	-	98,512	98,512
Initiatives to Reduce Health Care Costs	234,147		55,000	55,000
Total One-Time Expenditures	\$ 2,215,436	337,242.05	\$ 1,305,422	\$ 968,180
Grand Total Expenditures	\$ 4,892,304	1,487,882.17	\$ 3,728,691	\$ 2,240,809
Balance	\$ 790,427	\$ 3,292,937	\$ 2,732,328	

**SAN FRANCISCO
HEALTH SERVICE SYSTEM**

Affordable, Quality Benefits & Well-Being

SAN FRANCISCO HEALTH SERVICE SYSTEM - ADMINISTRATION
STATEMENT OF REVENUES AND EXPENDITURES
As of February 29, 2020

YEAR-TO-DATE				ANNUAL					
Budget	Actual	Fav/(Unfav) Variance	%Var	Original Budget	Revised Budget	Projection	Fav/(Unfav) Variance	%Var	
REVENUES									
416,425		(416,425)	-100.0%	624,637	624,637	505,000	(119,637)	-19.2%	
7,636,091	7,636,112	21	0.0%	11,454,136	11,454,136	11,454,136	0	0.0%	
5,326	15	(5,311)	-99.7%	9,131	9,131	0	(9,131)	-100.0%	
216,697	216,697	0			325,045	325,045	0	0.0%	
8,274,539	7,852,824	(421,715)	-5.1%	12,087,904	12,412,949	12,284,181	(128,768)	-1.0%	
EXPENDITURES									
3,621,987	3,493,453	128,534	3.5%	5,432,981	5,432,981	5,310,982	121,999	-2.2%	
1,774,673	1,700,012	74,661	4.2%	2,662,009	2,662,009	2,618,009	44,000	-1.7%	
1,242,337	933,366	308,971	24.9%	1,804,258	1,863,505	2,154,069	(290,564)	15.6%	
36,690	26,663	10,027	27.3%	45,130	55,035	66,716	(11,681)	21.2%	
999,758	867,501	132,257	13.2%	2,143,526	2,399,419	2,130,419	0	-11.2%	
7,675,445	7,020,995	654,449	8.5%	12,087,904	12,412,949	12,280,195	132,754	-1.1%	
599,094	831,829	232,735		0	(0)	3,986			