

# SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

DATE: November 10, 2022

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 September 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 three months ending September 30, 2022 and projections for FYE 2023

## **Executive Summary**

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

- In the first three month, the trust increased by \$14.7M primarily due to Sutter settlement distribution. The FYE projected net change is \$4.7M as rate stabilization partially offsets the settlement distribution.
- For the three months, net claims were \$2.5M higher primarily for medical services.
- Healthcare Sustainability Fund projected FYE balance will decrease by \$1.7M as budgeted.
- There were no pharmacy rebates in the first three months. The expected amount for the year is \$12.7 million.

### **General Fund**

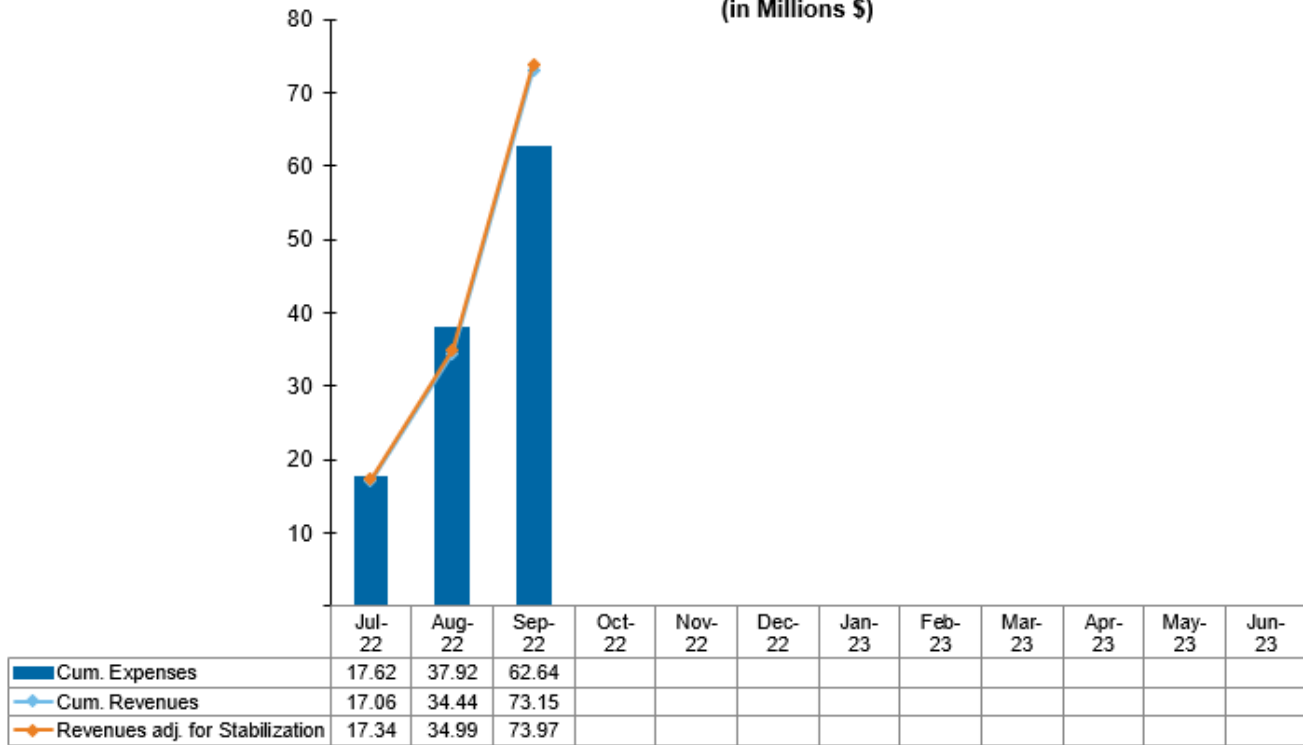
The GF has a surplus in the first three months primarily due to lower personnel expenses because of vacancies.

**Detailed Analysis by Fund**

**Blue Shield Access+ Flex Funded Plan**

The fund increased by \$10.5M due Sutter legal settlement distribution. Projected FYE balance will increase by \$4.5M as rate stabilization partially offsets the settlement distribution.

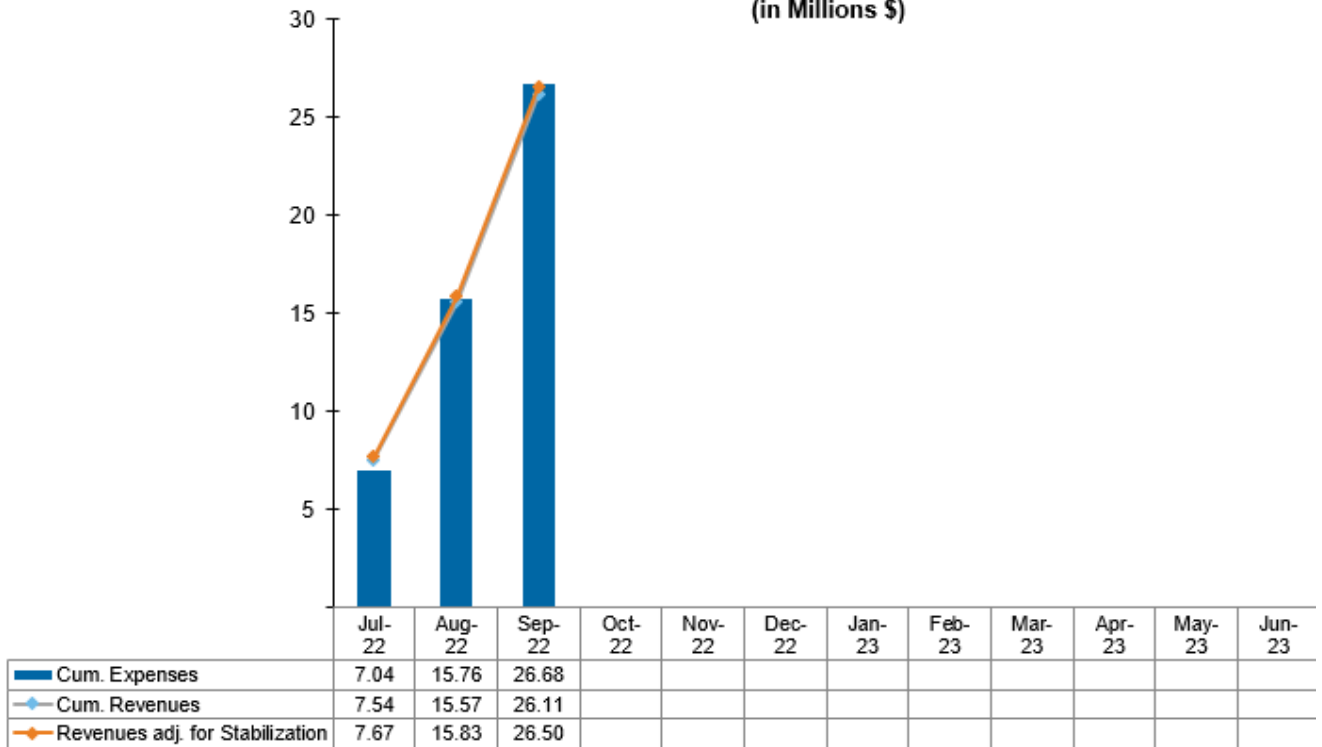
**Blue Shield Access+ Flex Funded  
 Cumulative Expense vs. Budgeted Premium  
 (in Millions \$)**



**Blue Shield Trio Flex-Funded Plan**

Low net change in the first three months.

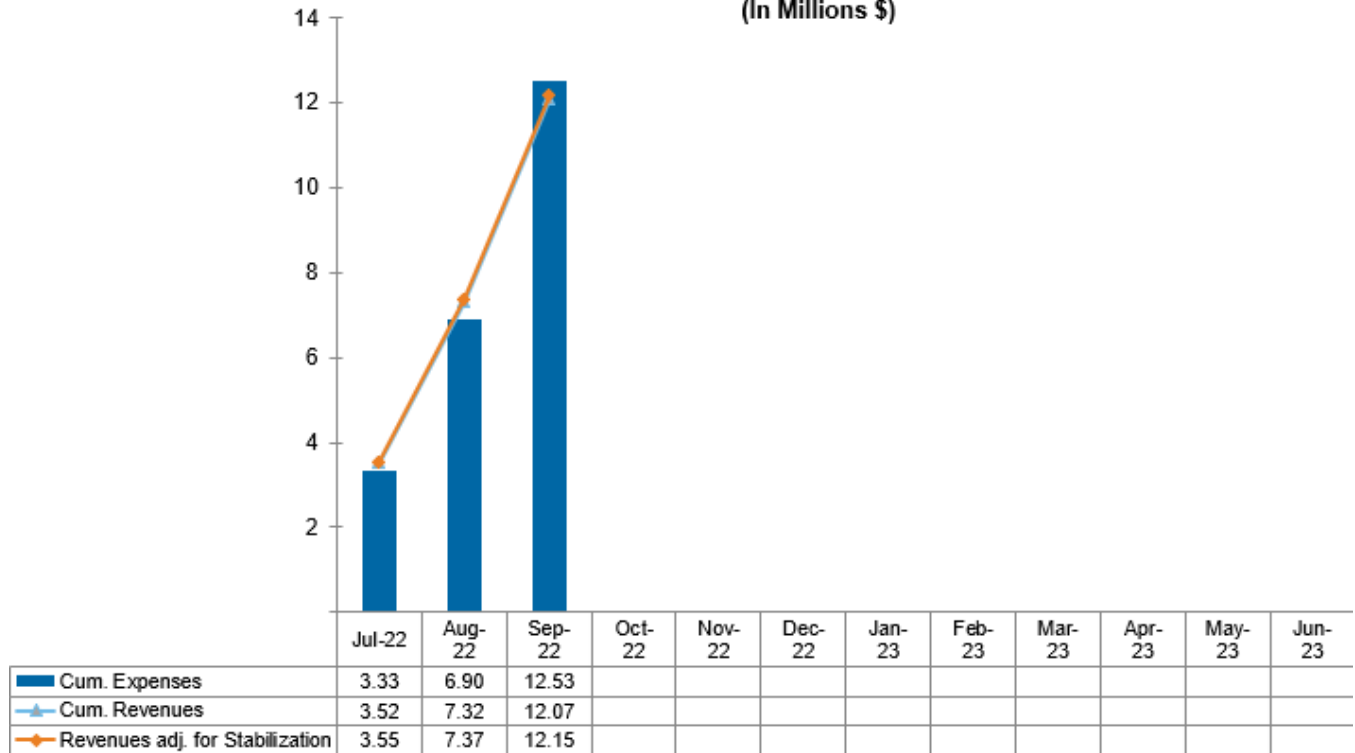
**Blue Shield Trio Flex Funded  
 Cumulative Expense vs. Budgeted Premium  
 (in Millions \$)**



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

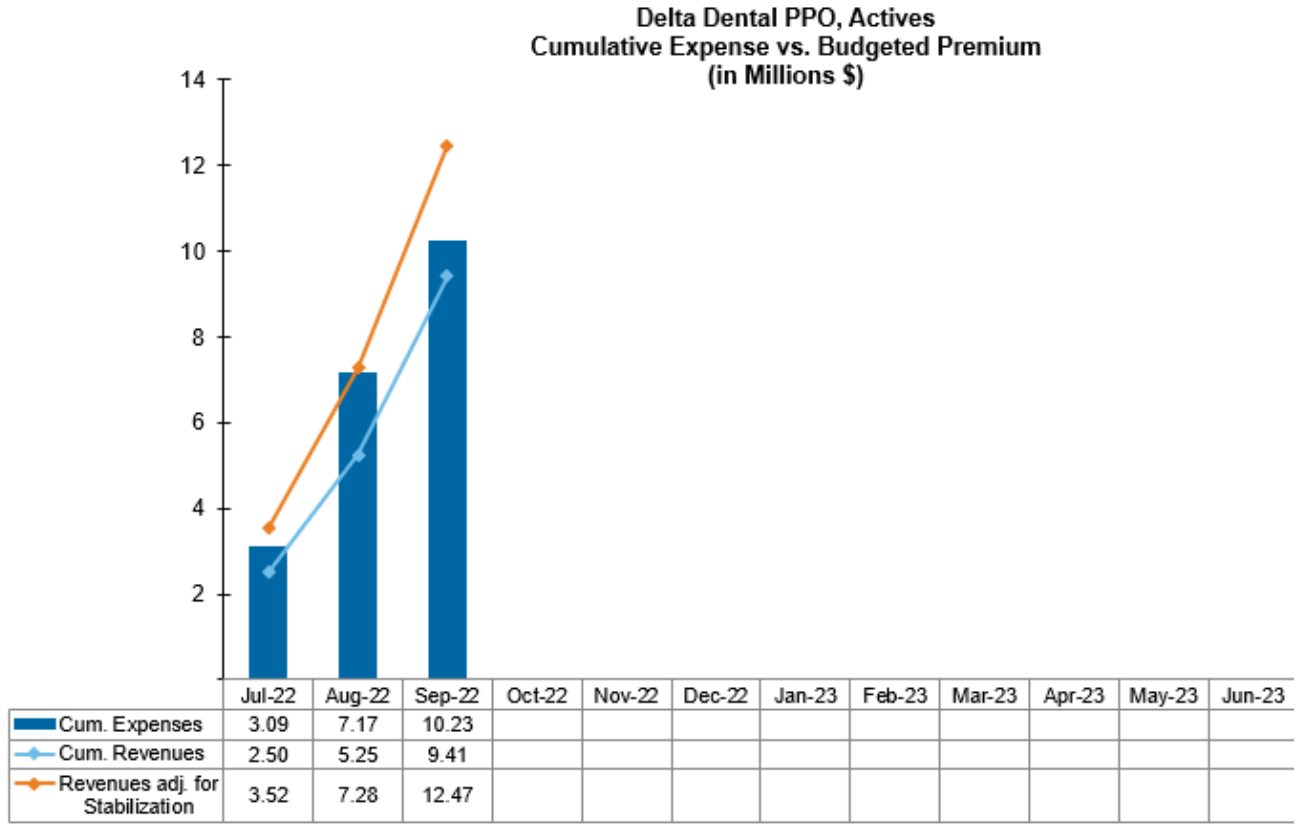
The administration of the self-funded PPO migrated from United to Blue Shield starting in January 2022. The table below shows the combined results of the plan. Very low net change in the first three months.

**Blue Shield and United Health Care PPO Plan  
 Cumulative Expense vs. Budgeted Premium  
 (In Millions \$)**



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

Projected net change for the year is \$180K as rate stabilization is 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 30, 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 close to the budget plan.

<small>SAN FRANCISCO</small> <b>HEALTH SERVICE SYSTEM</b> <small>Affordable, Quality Benefits &amp; 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 Sep YTD	FY 2022-23 Projection
<b>REVENUE SOURCES</b>							
Annual Revenues	\$ 2,544,616	\$ 2,552,366		\$ -	\$ 2,552,366	\$ 631,332	\$ 2,552,366
Carryforward from Fund Balance	4,527,332	3,969,332		467,843	\$ 4,437,175	-	4,437,175
<b>TOTAL</b>	<b>\$ 7,071,948</b>	<b>\$ 6,521,697</b>	<b>\$ -</b>	<b>\$ 467,843</b>	<b>\$ 6,989,540</b>	<b>\$ 631,332</b>	<b>\$ 6,989,541</b>
<b>EXPENDITURE USES</b>							
<b>Personnel</b>	<b>\$ 1,549,921</b>	<b>\$ 2,040,623</b>		<b>\$ (567,427)</b>	<b>\$ 1,473,196</b>	<b>\$ 247,960</b>	<b>\$ 1,500,338</b>
Administrative	6,517	45,500	18,992		\$ 64,492	684	64,492
Member Communications	433,331	775,500	69,403		\$ 844,903	181,268	844,903
Communications - Other	243,515	548,320	106,736		\$ 655,056	4,542	655,056
Well-Being	113,849	236,500	64,254		\$ 300,754	9,892	300,754
Initiatives to Reduce Health Care Costs	287,640	496,445	-		\$ 496,445	1,730	496,445
Other Projects	-	429,000	-		\$ 429,000	-	429,000
<b>TOTAL</b>	<b>\$ 2,634,773</b>	<b>\$ 4,571,888</b>	<b>\$ 259,385</b>	<b>\$ (567,427)</b>	<b>\$ 4,263,846</b>	<b>\$ 446,075</b>	<b>\$ 4,290,987</b>
<b>REVENUE - EXP. (excl. carry forward fund balance)</b>	<b>(90,157)</b>	<b>(2,019,522)</b>	<b>(259,385)</b>	<b>567,427</b>	<b>(1,711,480)</b>	<b>185,257</b>	<b>(1,738,622)</b>
<b>BALANCE</b>	<b>\$ 4,437,175</b>	<b>\$ 1,949,809</b>	<b>\$ (259,385)</b>	<b>\$ 1,035,270</b>	<b>\$ 2,725,694</b>	<b>\$ 185,257</b>	<b>\$ 2,698,554</b>

**Pharmacy Rebates**

Pharmacy rebates from the health plans administering the Flex and Self-Funded health plans were \$12.7M in FY 2022. We have not received any rebates in the first 3 months but expect FY 2023 to be close to prior year.

**General Fund**

- The FY 2023 budget has been adjusted for carryforward commitments made before June 30, 2022. Personnel services budget includes funding of two positions from the health sustainability fund budget. General Fund expenses during the first three months were \$484K below revenue.



**General Fund Administration Budget FY 2022-23  
ANNUALIZED AS OF 09/30/22**

	<b>FY 2022-23 Approved Budget</b>	<b>FY2022-23 Carryforward Budget</b>	<b>FY 2022-23 Revised Budget</b>	<b>FY 2022-23 Actuals</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	13,091,603		\$ 13,091,603	3,273,096	3,273,096	13,091,603
Other Revenue	450,000		\$ 450,000	-	-	400,000
General Fund Carryforward	-	277,942	\$ 277,942	277,942	277,942	348,289
Interfund Transfer	-		\$ -	-	-	-
<b>TOTAL REVENUES</b>	<b>\$ 13,550,734</b>	<b>\$ 277,942</b>	<b>\$ 13,828,676</b>	<b>\$ 3,551,038</b>	<b>\$ 3,551,038</b>	<b>\$ 13,839,892</b>
<b>EXPENDITURES</b>						
Personnel Services	\$ 6,353,817		\$ 6,353,817	\$ 1,463,483	\$ 1,463,483	\$ 6,053,817
Mandatory Fringe Benefits	2,862,833		\$ 2,862,833	647,406	647,406	\$ 2,727,850
Non-personnel Services	2,314,006	196,981	\$ 2,510,987	433,640	433,640	\$ 2,510,987
Materials & Supplies	61,362	26,594	\$ 87,956	19,736	19,736	\$ 87,956
Services of Other Departments	1,958,716	54,367	\$ 2,013,083	503,271	503,271	\$ 2,013,083
			\$ -			
<b>TOTAL EXPENDITURES</b>	<b>\$ 13,550,734</b>	<b>\$ 277,942</b>	<b>\$ 13,828,676</b>	<b>\$ 3,067,536</b>	<b>\$ 3,067,536</b>	<b>\$ 13,393,693</b>
<b>BALANCE</b>	<b>\$ -</b>	<b>\$ (0)</b>	<b>\$ (0)</b>	<b>\$ 483,502</b>	<b>\$ 483,502</b>	<b>\$ 446,198</b>

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

SUMMARY	FY22-23	FY22-23	
	Year-to-Date Actual Net as of 09/30/22	Projected Year-End Annual Net	
<b>Flex/Self Insurance</b>			
Blue Shield-Access+	10,504,241	4,526,860	(a), (h)
Blue Shield-Trio	(566,820)	974,961	(a)
Blue Shield and United PPO	(458,495)	127,519	(b)
Health Net Canopy Care	58,783	235,132	
Delta Dental PPO, Actives	(819,999)	180,002	(c)
<b>Fully Insured Plans</b>			
Medical HMOs	4,176,211	-	
Dental	8,358	-	
LTD/Flexible Benefits/FSA/Health Net Canopy Care	1,658,723	-	
Healthcare Sustainability Fund (\$3.00)	185,257	(1,738,622)	(d)
<b>Savings &amp; Investments</b>			
Interest	-	800,000	
Performance guarantees	14,132	14,132	(e)
Surrogacy and adoption	(39,434)	(39,434)	
Transfers Out	0	(400,000)	(g)
<b>TOTAL</b>	<b>14,720,957</b>	<b>4,680,550</b>	
<b>Net assets</b>			
Beginning of the year		106,715,642	
End of the year		111,396,192	

(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 \$11.0 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**

 SAN FRANCISCO HEALTH SERVICE SYSTEM <small>Affordable, Quality Benefits &amp; Well-Being</small>	STATEMENT OF REVENUES AND EXPENSES FY 2021-2022 FOR 3 MONTHS ENDED SEPTEMBER 30, 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*, **	73,146,501	62,642,260	10,504,241
Blue Shield Trio HMO*	26,113,944	26,680,764	(566,820)
Blue Shield and United PPO	12,068,349	12,526,844	(458,495)
Health Net Canopy Care	905,177	846,394	58,783
Delta Dental PPO- (Active only)	9,410,970	10,230,969	(819,999)
<b>TOTAL FLEX/SELF-INSURED PLANS</b>	<b>121,644,941</b>	<b>112,927,231</b>	<b>8,717,709</b>
<b>FULLY INSURED PLANS</b>			
UHC MAPD	22,528,920	22,528,920	-
Kaiser-HMO	122,251,815	118,122,444	4,129,372
Vision Service Plan	2,391,871	2,345,032	46,840
Sub-total HMO	147,172,607	142,996,396	4,176,211
Delta Dental PPO - Retirees	4,502,808	4,502,808	-
Delta Care	203,613	198,983	4,629
UHC Dental	106,991	103,262	3,729
Sub-total Dental	4,813,411	4,805,053	8,358
Long Term/Short Term Disability	2,110,866	2,111,877	(1,011)
Flexible Benefits	1,105,463	1,105,402	60
Flexible Spending-Dependent Care	1,288,357	800,145	488,212
Flexible Spending -Medical Reimbursement	2,935,145	1,763,683	1,171,462
Healthcare Sustainability Fund (\$3.00)	631,332	446,075	185,257
Adoption & Surrogacy	-	39,434	(39,434)
Sub-total Other Benefits	8,071,162	6,266,616	1,804,546
<b>TOTAL FULLY INSURED PLANS</b>	<b>160,057,180</b>	<b>154,068,065</b>	<b>5,989,115</b>
<b>SAVINGS AND INVESTMENTS</b>			
Interest	-	-	-
Performance guarantees	14,132	-	14,132
Forfeitures	-	-	-
<b>TOTAL SAVINGS &amp; INVESTMENTS</b>	<b>14,132</b>	<b>-</b>	<b>14,132</b>
<b>TRANSFERS OUT OF FORFEITURES</b>			
			<b>0</b>
<b>TOTAL FUNDS</b>	<b>281,716,253</b>	<b>266,995,296</b>	<b>14,720,957</b>

\* Expenses are net of pharmacy rebates - see report for details, \*\* includes Sutter settlement


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

<b>SAN FRANCISCO HEALTH SERVICE SYSTEM</b> <small>Affordable, Quality Benefits &amp; Well-Being</small>	<b>STATEMENTS OF REVENUES AND EXPENSES FY 2022-2023 VS FY 2021-2022 YEAR-TO-DATE: SEPTEMBER 30, 2022</b>			
<i>ACTIVE &amp; RETIRED COMBINED</i>	For 3 Months Ended September 30, 2022	For 3 Months Ended September 30, 2021	\$ Change	% Change
<b>FLEX/SELF-INSURED PLANS</b>				
Blue Shield-Access+ HMO				
Revenues	73,146,501	57,002,916	16,143,585	28.3% <sup>b</sup>
Expenses	(62,642,260)	(54,132,821)	(8,509,439)	15.7% <sup>f</sup>
Net Blue Shield-Access Excess(Shortage)	10,504,241	2,870,095	7,634,146	266.0%
Blue Shield-Trio HMO				
Revenues	26,113,944	25,703,098	410,846	1.6%
Expenses	(26,680,764)	(27,423,695)	742,931	-2.7% <sup>f</sup>
Net Blue Shield-Trio Excess(Shortage)	(566,820)	(1,720,597)	1,153,777	-67.1%
Blue Shield and United PPO				
Revenues	12,068,349	10,749,496	1,318,853	
Expenses	(12,526,844)	(12,834,443)	307,599	
Net BSC PPO-Accolade Excess(Shortage)	(458,495)	(2,084,947)	1,626,452	
Health Net Canopy Care				
Revenues	905,177	0	905,177	
Expenses	(846,394)	0	(846,394)	
Net Health Net Canopy Care Excess(Shortage)	58,783	0	58,783	
Delta Dental PPO (Active only)				
Revenues	9,410,970	10,497,754	(1,086,784)	-10.4% <sup>h</sup>
Expenses	(10,230,969)	(10,464,366)	233,396	-2.2% <sup>j</sup>
Net Delta Dental PPO- (Active Only) Excess(Shortage)	(819,999)	33,388	(853,388)	-2555.9%
<b>NET FLEX/SELF-INSURED PLANS</b>	<b>8,717,709</b>	<b>(902,061)</b>	<b>9,619,770</b>	<b>-1066.4%</b>

Notes:

- |                          |   |                      |
|--------------------------|---|----------------------|
| a decrease in membership | e \$3 per member per month for communications, wellness |                      |
| b Sutter Settlement      | f increase in claims                                    | l increase in rates  |
| c decrease in deductions | g increase in deductions                                | j decrease in claims |
| d increase in membership | h decrease in rates                                     | 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: SEPTEMBER 30, 2022				
ACTIVE & RETIRED COMBINED	For 3 Months Ended September 30, 2022	For 3 Months Ended September 30, 2021	\$ Change	% Change
<b>FULLY INSURED PLANS</b>				
Kaiser-HMO				
Revenues	122,251,815	115,636,555	6,615,261	5.7% d
Expenses	(118,122,444)	(117,256,770)	(865,674)	0.7% d, l
Net Kaiser- HMO Excess(Shortage)	4,129,372	(1,620,215)	5,749,587	-354.9% k
UHC MAPD				
Revenues	22,528,920	21,678,303	850,617	3.9% d, l
Expenses	(22,528,920)	(21,678,303)	(850,617)	3.9% d, l
Net UHC MAPD Excess(Shortage)	0	0	0	
Vision Service Plan, All (City Plan & HMO)				
Revenues	2,391,871	2,274,105	117,767	5.2% d, l
Expenses	(2,345,032)	(2,281,660)	(63,372)	2.8% d, l
Net Vision Service Plan Excess(Shortage)	46,840	(7,555)	54,394	-720.0%
Delta Dental PPO - Retirees				
Revenues	4,502,808	4,183,846	318,962	7.6%
Expenses	(4,502,808)	(4,183,846)	(318,962)	7.6%
Net Delta Dental PPO - Retirees Excess(Shortage)	0	0	0	
Delta Care				
Revenues	203,613	199,277	4,335	2.2%
Expenses	(198,983)	(196,728)	(2,256)	1.1%
Net Delta Care Excess(Shortage)	4,629	2,550	2,080	81.6%
UHC Dental				
Revenues	106,991	111,889	(4,899)	-4.4%
Expenses	(103,262)	(112,943)	9,681	-8.6%
Net UHC Dental Excess(Shortage)	3,729	(1,054)	4,782	-453.9%
Long Term/Short Term Disability				
Revenues	2,110,866	2,040,206	70,660	3.5%
Expenses	(2,111,877)	(2,040,003)	(71,874)	3.5%
Net Long Term/Short Term Disability Excess(Shortage)	(1,011)	203	(1,214)	-599.0% k
Flexible Benefits				
Revenues	1,105,463	853,992	251,471	29.4% g
Expenses	(1,105,402)	(853,992)	(251,411)	29.4% g
Net Flexible Benefits Excess(Shortage)	60	0	60	#DIV/0!
Flexible Spending-Dependent Care				
Revenues	1,288,357	1,565,975	(277,618)	-17.7% g
Expenses	(800,145)	(846,694)	46,549	-5.5% g
Net Flexible Spending-Dependent Care Excess(Shortage)	488,212	719,281	(231,070)	-32.1%
Flexible Spending -Medical Reimbursement				
Revenues	2,935,145	2,365,352	569,793	24.1%
Expenses	(1,763,683)	(1,678,349)	(85,334)	5.1% i
Net Flexible Spending-Medical Reimbursement Excess(Shortage)	1,171,462	687,003	484,459	70.5%
Adoption & Surrogacy				
Expenses	(39,434)	0	(39,434)	#DIV/0!
Healthcare Sustainability Fund (\$3.00)				
Revenues	631,332	636,852	(5,520)	-0.9%
Expenses	(446,075)	(724,634)	278,559	-38.4% e
Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	185,257	(87,782)	273,039	-311.0%
<b>NET FULLY INSURED PLANS</b>	<b>5,989,115</b>	<b>(307,569)</b>	<b>6,296,684</b>	<b>-2047.2%</b>
<b>SAVINGS AND INVESTMENTS</b>				
Interest	0	0	0	
Performance guarantees	14,132	20,857	(6,726)	
Forfeitures	0	0	0	
<b>TOTAL SAVINGS &amp; INVESTMENTS</b>	<b>14,132</b>	<b>20,857</b>	<b>(6,726)</b>	<b>1616.8%</b>
<b>TOTAL NET EXCESS (SHORTAGE)</b>	<b>14,720,957</b>	<b>(1,188,772)</b>	<b>15,909,729</b>	<b>-1338.3%</b>

Notes:

- |                          |   |
|--------------------------|---|
| a decrease in membership | e \$3 per member per month for communications, wellness |
| b transitioned on 1/1/20 | 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                                      |