

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

Memorandum

DATE: November 18, 2021

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

FROM: Larry Loo, MPH Chief Financial Officer

RE: Health Service Board Financial Report as of September 30, 2021

The following is a report on the sources of revenues and uses or expenses of the Employee Benefit Trust Fund (Trust Fund) and the General Fund Administration Budget through the first three months of Fiscal Year (FY) 2021-22 through September 30, 2021. The Health Sustainability Fund is housed within Trust Fund and is reported out in separately on page 7. This report includes the projected fiscal year-end (FYE) changes for both sources of funds. The discussion below is based the most complete information available for the reporting period and are subject to adjustments following the close of the fiscal year-end.

Executive Summary

Employee Benefit Trust Fund

- Trust Fund balance at the beginning of the fiscal year was \$125.9 M. 25
- Based on activity through three months ending September 30, 2021, there is a projected decrease of \$2.2 M at fiscal year-end (FYE) to end with a balance is \$123.7 M.
- Flex and Self-insured plans cumulative year-to-date (YTD) expenses is \$903 K greater than revenues through 3 months resulting in the following cumulative net changes:
 - Blue Shield Access + HMO: cumulative expenses were \$2.9 M less than revenues
 - Blue Shield Trio HMO: cumulative expenses were \$1.7 M greater than revenues
 - UHC PPO: cumulative expenses were \$2.1 M greater than revenues
 - Delta Dental PPO plan (Actives only): cumulative expenses were \$33 K less than revenues
- Insured plan revenues and expenses are expected to net each other out over time, however, the revenues through three months are \$1.6 M less than expenses.
- Healthcare and Dependent Care Flexible Spending Accounts expenses are \$1.4 M less than revenues.
- Healthcare Sustainability Fund expenses during the first three months of the fiscal year were \$87 K greater than revenues
- Performance Guarantees of \$21 K were received YTD
- No Pharmacy Rebates or Interest from Investments were received during the first three months of the fiscal year

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

The following table summarizes the projected changes in fund balance.

	Projected Fiscal Year-End Change in Fund Balance (Millions)	Page
Blue Shield Access+ HMO Flex-Funded Plan	\$15.5	3
Blue Shield Trio HMO Flex-Funded Plan	(5.0)	4
United Health Care PPO Self-Funded Plan	(7.1)	5
Delta Dental PPO Self-Funded Plan (for Actives only)	(3.2)	6
Health Care Sustainability Fund	(1.8)	7
Interest	--	7
Performance Guarantees	0.02	7
Performance Guarantees – Surrogacy and Adoption Assistance Plan	0	7
Forfeitures	--	7
Transfers Out	(0.5)	7
TOTAL	(\$2.2)	

General Fund Administrative Budget

General Fund expenses during the first three months were \$460 K below revenue. The current model shows a projected year-end shortage of \$83 K; note that as more transactions are recorded throughout the year, SFHSS staff constantly manage the expenditures to ensure that there are no year-end shortfalls. Additional notes on the sources and uses funds in General Fund Administrative Budget can be found on page 8.

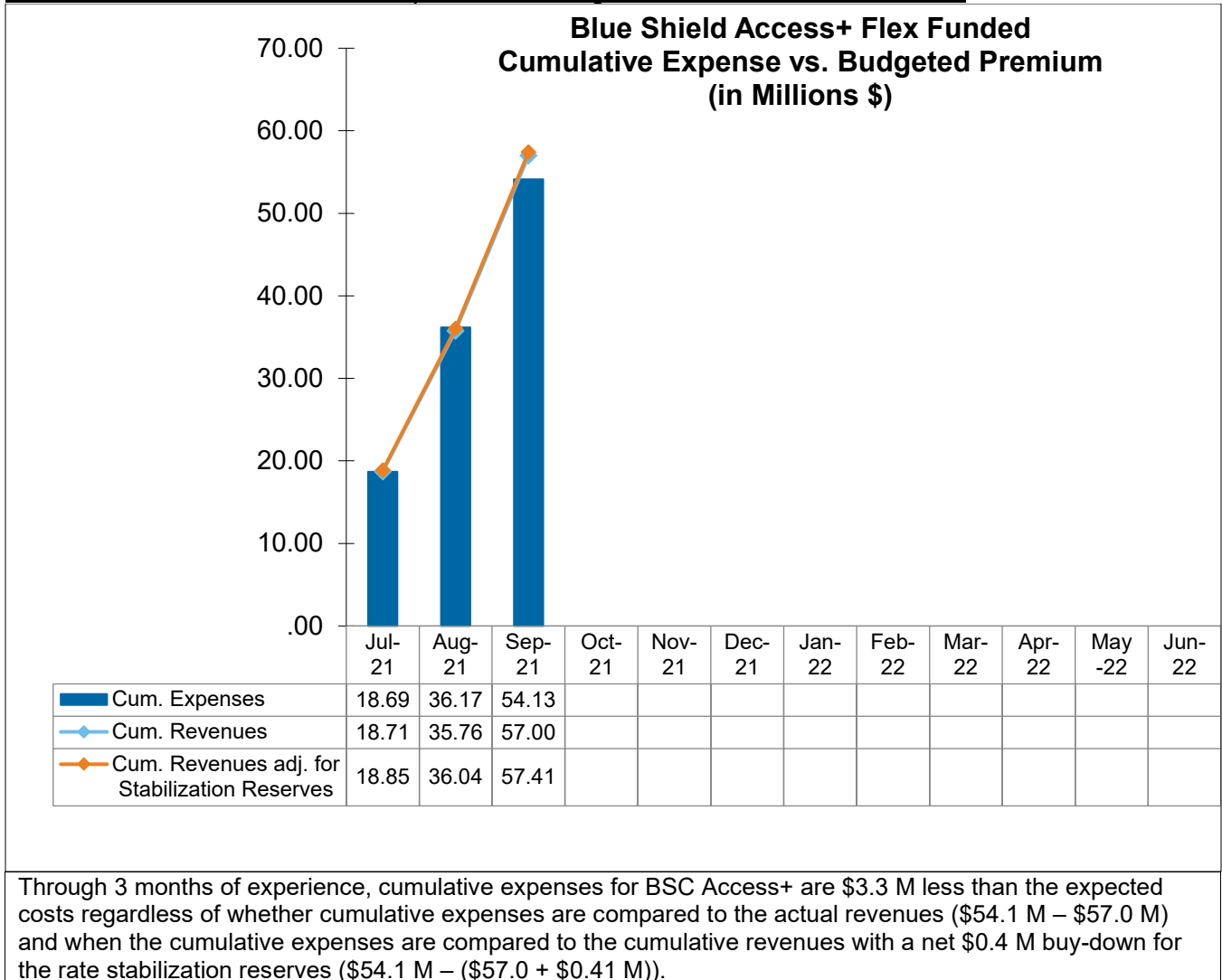
Blue Shield Access+ Flex Funded Plan

Fiscal Year End Projection

Projecting a fiscal year-end increase of \$15.5 M 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:
 - \$13.3 M increase due to claim expenses trending favorably through three months of reporting

Fiscal Year-to-Date Cumulative Experience Through Three Months in FY 2021-22



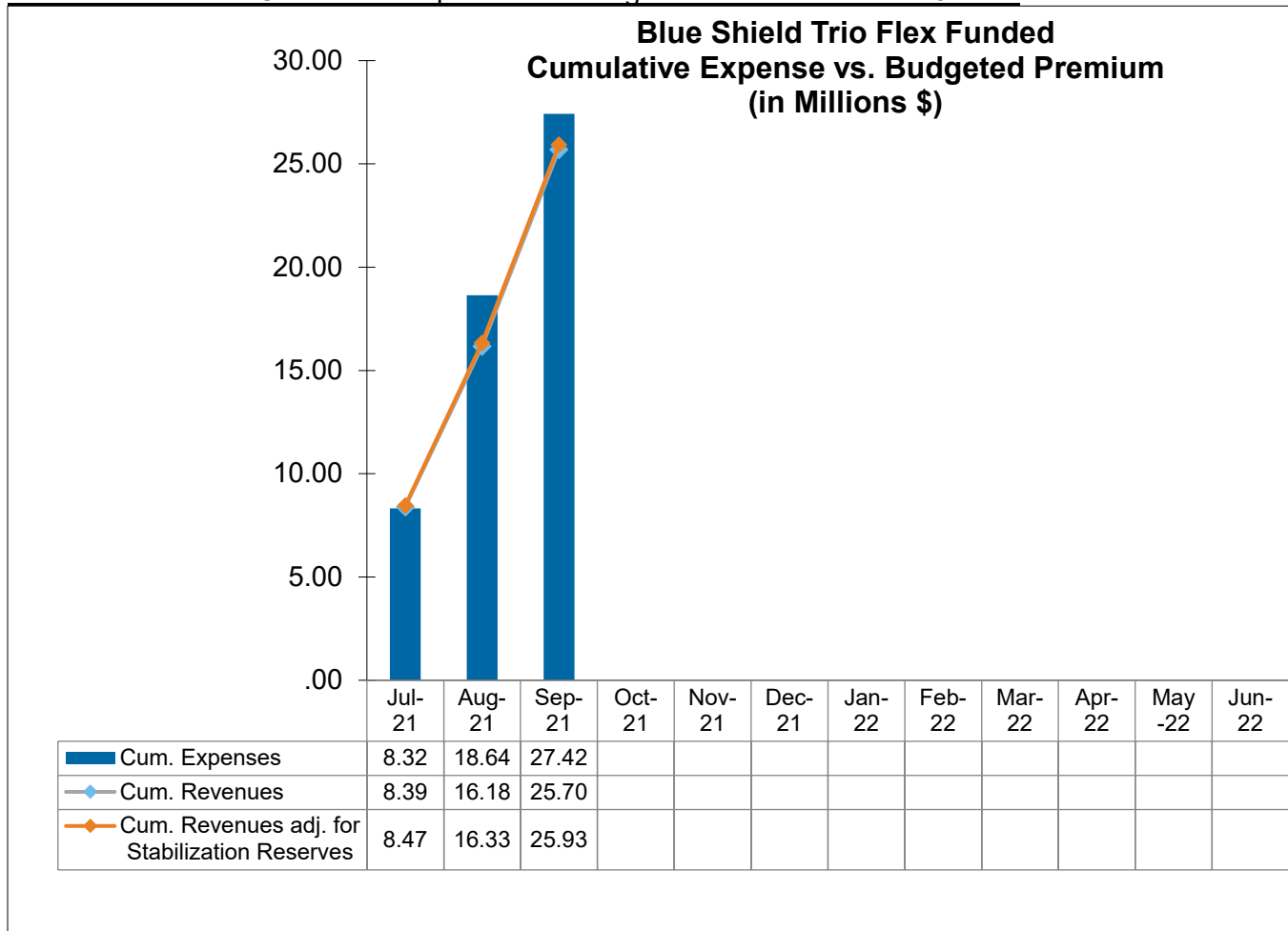
Blue Shield Trio Flex-Funded Plan

Fiscal Year End Projection

Projecting a fiscal year-end decrease of \$5.0 M 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:
 - \$6.2 M decrease due to unfavorable claim expenses through three months of reporting

Fiscal Year-to-Date Cumulative Experience Through Three Months in FY 2021-22



Through 3 months of experience, cumulative expenses for BSC Trio are \$1.5 M more than the expected costs regardless of whether cumulative expenses are compared to the actual revenues (\$27.4 M – \$25.7 M) and when cumulative expenses are compared to cumulative revenues with the net \$0.23 M buy-down for the rate stabilization reserves (\$27.4 M – (\$25.9 + \$.23M)).

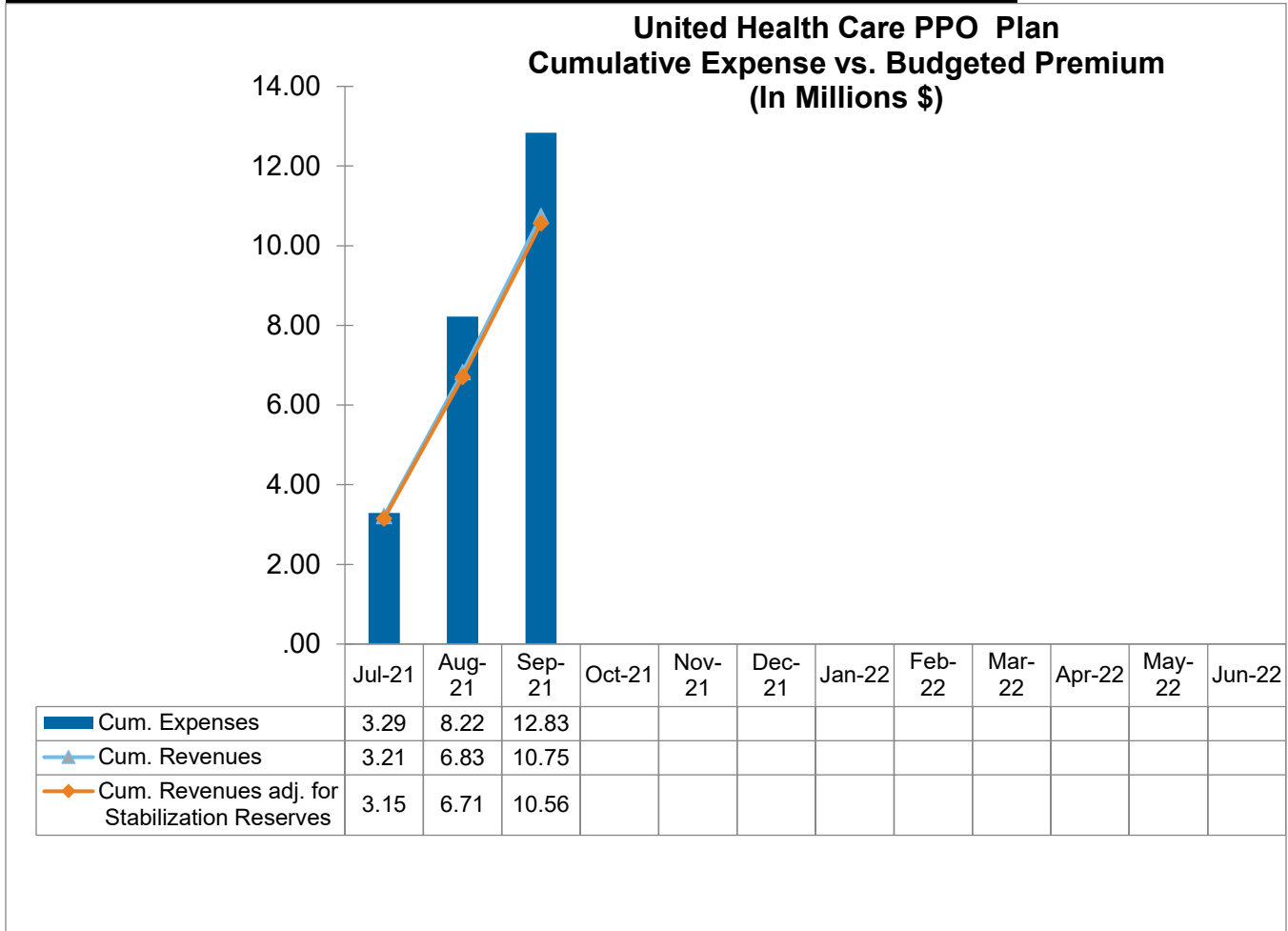
United Health Care PPO

Fiscal Year End Projection

Projecting a fiscal year-end decrease of \$7.2 M in fund balance due to the following:

- Rate Stabilization Effect:
 - \$372 K associated with the increase in 2021 rates (for the first six months of FY 2021-22) due to rating buy-up of the 2019 calendar year-end claims stabilization deficit
 - \$165 K associated with the decrease in 2022 rates (for the second six months of FY 2021-22) due to rating buy-down of the 2020 calendar year-end claims stabilization surplus
- Pharmacy Rebate(s):
 - \$1.7 M increase due to anticipated pharmacy rebates to be received by FYE
- Claims:
 - \$9.1 M decrease due to unfavorable claim expenses through three months of reporting

Fiscal Year-to-Date Cumulative Experience Through Three Months in FY 2021-22



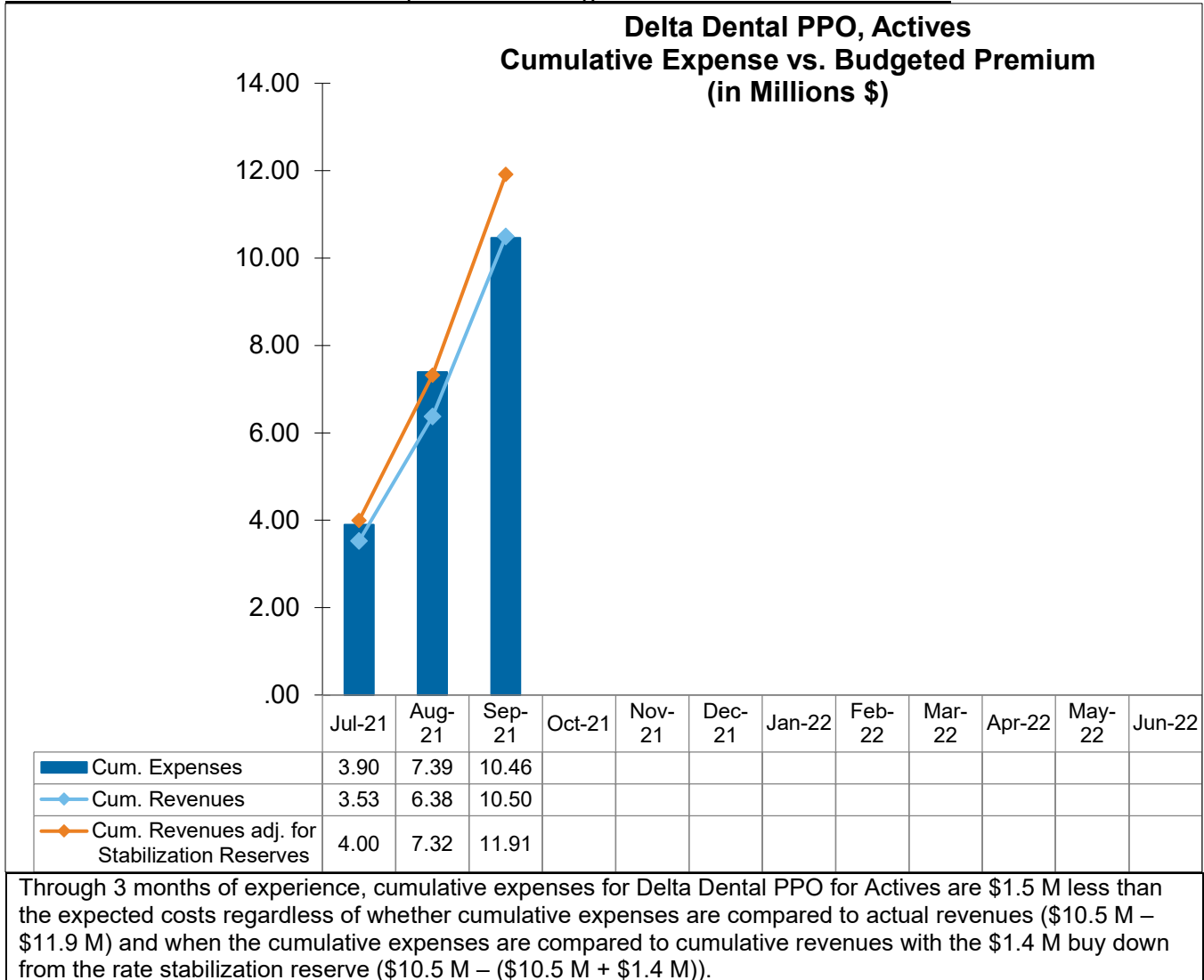
Through 3 months of experience, cumulative expenses for UHC PPO are \$2.3 M more than the expected costs regardless of whether cumulative expenses are compared to the actual revenues (\$12.8 M - \$10.6 M) and when the cumulative expenses are compared to cumulative revenues with the net \$0.2 M buy-up for the rate stabilization reserves (\$12.8 M - (\$10.8 M - \$0.2 M)).

Delta Dental PPO (Actives Only) Self-Funded Plan

Projecting a fiscal year-end decrease of \$3.1 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:
 - \$5.8 M increase due to favorable claim expenses through three months of reporting

Fiscal Year-to-Date Cumulative Experience Through Three Months in FY 2021-22



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 three months, the sources of funds received were \$88K less expenditures. This level of expenditure is reasonable given the additional resources needed to support the recent open enrollment that introduced two new plan options. The projected year-end expenditures are expected to result in a net decrease of \$1.8 M in the balance .

SAN FRANCISCO HEALTH SERVICE SYSTEM <small>Affordable, Quality Benefits & Well-Being</small>	Healthcare Sustainability Fund FY 2021-22		
	FY 2021-22 Revised Budget	FY 2021-22 Actuals Sep YTD	FY 2021-22 Projection
REVENUE SOURCES			
Annual Revenues	\$ 2,578,896	\$ 636,852	\$ 2,578,896
Carryforward from Fund Balance	4,268,467	4,268,467	4,268,467
TOTAL	\$ 6,847,362	\$ 4,905,319	\$ 6,847,362
EXPENDITURE USES			
Personnel	\$ 2,058,244	\$ 333,902	\$ 2,058,244
Administrative	45,655	1,273	30,000
Member Communications	557,750	272,688	470,500
Communications - Other	675,952	61,232	675,952
Well-Being	451,639	9,522	407,860
Initiatives to Reduce Health Care Costs	408,827	46,018	357,508
Other: Contingency & Special Projects	429,000	-	419,000
Benefit Decision Support Tools	100,000	-	100,000
HSS 360: Customer Contact Improvement	100,000	-	100,000
Dependent Eligibility Verification Audit (DEVA)	229,000	-	234,000
TOTAL	\$ 4,627,066	\$ 724,634	\$ 4,419,063
REVENUE - EXPENDITURES (net of Carry Forward)	(2,048,171)	(87,782)	(1,840,168)
BALANCE	\$ 2,220,296	\$ 4,180,685	\$ 2,428,299
*Projection based on 3 months of actuals including the carryforward funding from FY 2021-22			

Pharmacy Rebates, Interest & Performance Guarantees

There were no pharmacy rebates or interest received during the first three months of the fiscal year. Year-to-date, \$21 K interest of performance guarantees were received.

General Fund Administrative Budget

- General Fund expenses during the first three months were \$460 K below revenue. The projected expenditures are expected to follow the revised budget and result in a modest shortage of \$84 K.

SAN FRANCISCO HEALTH SERVICE SYSTEM <small>Affordable, Quality Benefits & Well-Being</small>				
General Fund Administration Budget FY 2021-22 ANNUALIZED AS OF 09/30/10				
	FY 2021-22 Approved Budget	FY 2021-22 Revised Budget	Total Actual YTD	FYE 2021-22 Projection
REVENUES				
Non-Operating Revenue	\$ 9,131	\$ 9,131	\$ -	\$ -
Operations Work Order Recovery	11,935,680	11,935,680	2,981,475	11,935,680
Other Revenue	625,958	625,958	-	500,000
General Fund Carryforward	-	198,850	198,850	198,850
Interfund Transfer	-	-	-	-
TOTAL REVENUES	\$ 12,570,769	\$ 12,769,619	\$ 3,180,325	\$ 12,634,530
EXPENDITURES				
Personnel Services	\$ 5,635,247	\$ 5,635,247	\$ 1,272,921	\$ 5,599,963
Mandatory Fringe Benefits	2,724,533	2,724,533	619,865	2,799,981
Non-personnel Services	2,291,057	2,402,225	455,493	2,341,044
Materials & Supplies	47,717	83,217	1,769	52,660
Services of Other Departments	1,872,215	1,924,397	370,056	1,924,397
TOTAL EXPENDITURES	\$ 12,570,769	\$ 12,769,619	\$ 2,720,105	\$ 12,718,045
BALANCE	\$ -	\$ -	\$ 460,220	\$ (83,515)

**STATEMENT OF REVENUES AND EXPENSES
FY 2021-2022
FOR 3 MONTHS ENDED SEPTEMBER 30, 2021**

<i>ACTIVE & RETIRED COMBINED</i>	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess (Shortage)
SELF-INSURANCE			
Blue Shield Access+ *	57,002,916	54,132,821	2,870,095
Blue Shield Trio *	25,703,098	27,423,695	(1,720,597)
UHC PPO, including ASO *	10,749,496	12,834,443	(2,084,947)
Delta Dental - Active only, including ASO	10,497,754	10,464,366	33,388
TOTAL SELF-INSURANCE	103,953,264	104,855,325	(902,061)
INSURANCE PRODUCTS			
UHC MAPD	21,678,303	21,678,303	-
Kaiser-HMO	115,636,555	117,256,770	(1,620,215)
Vision Service Plan	2,274,105	2,281,660	(7,555)
Sub-total HMO	139,588,963	141,216,733	(1,627,770)
Delta Dental - Retired	4,183,846	4,183,846	-
Delta Care	199,277	196,728	2,550
UHC Dental	111,889	112,943	(1,054)
Sub-total Dental	4,495,012	4,493,516	1,496
Long Term/Short Term Disability	2,040,206	2,040,003	203
Flexible Benefits	853,992	853,992	0
Flexible Spending-Dependent Care	1,565,975	846,694	719,281
Flexible Spending -Medical Reimbursement	2,365,352	1,678,349	687,003
Healthcare Sustainability Fund (\$3.00)	636,852	724,634	(87,782)
Adoption & Surrogacy		0	0
Sub-total Other Benefits	7,462,377	6,143,672	1,318,705
TOTAL INSURANCE PRODUCTS	151,546,352	151,853,921	(307,569)
SAVINGS AND INVESTMENTS			
Interest	-	-	-
Performance guarantees	20,857	-	20,857
Forfeitures	-	-	-
TOTAL SAVINGS & INVESTMENTS	20,857	-	20,857
TRANSFERS OUT OF FORFEITURES			0
TOTAL FUNDS	255,520,474	256,709,246	(1,188,772)

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

	FY21-22 Year-to-Date Actual Net as of 09/30/21	FY21-22 Projected Year-End Annual Net
SUMMARY		
Self Insurance		
Blue Shield-Access+	2,870,095	15,488,950 (a)
Blue Shield-Trio	(1,720,597)	(5,037,957) (a)
UHC PPO	(2,084,947)	(7,176,790) (b)
Delta Dental PPO, Actives	33,388	(3,149,447) (c)
Insurance Products		
Medical HMOs	(1,627,770)	-
Dental	1,496	-
LTD/Flexible Benefits/FSA/Health Net Canopy Care	1,406,487	-
Healthcare Sustainability Fund (\$3.00)	(87,782)	(1,840,168) (d)
Savings & Investments		
Interest	-	-
Performance guarantees	20,857	20,857 (e)
Performance guarantees - Surrogacy and adoption	-	-
Forfeitures	-	-
Transfers Out	0	(500,000) (g)
TOTAL	(1,188,772)	(2,194,554)
Net assets		
Beginning of the year		125,901,507
End of the year		123,706,953

(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 2020-2021

(f) Reflects use of fund balance

(g) Transfer of \$0.6M from forfeitures to General Fund per FY 2020-2021 budget

STATEMENTS OF REVENUES AND EXPENSES
FY 2021-2022 VS FY 2020-2021
YEAR-TO-DATE: SEPTEMBER 30, 2021

ACTIVE & RETIRED COMBINED	For 3 Months Ended September 30, 2021	For 3 Months Ended September 30, 2020	\$ Change	% Change
SELF-INSURANCE				
Blue Shield-Access+				
Revenues	57,002,916	56,125,670	877,247	1.6%
Expenses	(54,132,821)	(56,058,074)	1,925,253	-3.4%
Net Blue Shield-Access Excess(Shortage)	2,870,095	67,595	2,802,500	4146.0%
Blue Shield-Trio				
Revenues	25,703,098	25,177,209	525,889	2.1%
Expenses	(27,423,695)	(24,953,830)	(2,469,865)	9.9%
Net Blue Shield-Trio Excess(Shortage)	(1,720,597)	223,379	(1,943,976)	-870.3%
UHC PPO, including ASO				
Revenues	10,749,496	9,644,289	1,105,207	11.5%
Expenses	(12,834,443)	(9,864,066)	(2,970,377)	30.1%
Net UHC PPO Excess(Shortage)	(2,084,947)	(219,777)	(1,865,170)	848.7%
Delta Dental - Active only, including ASO				
Revenues	10,497,754	10,575,242	(77,488)	-0.7%
Expenses	(10,464,366)	(11,686,576)	1,222,210	-10.5%
Net Delta Dental - Active Excess(Shortage)	33,388	(1,111,334)	1,144,722	-103.0%
NET SELF-INSURANCE	(902,061)	(1,040,137)	138,076	-13.3%
INSURANCE PRODUCTS				
Kaiser-HMO				
Revenues	115,636,555	111,393,375	4,243,180	3.8%
Expenses	(117,256,770)	(113,599,341)	(3,657,430)	3.2%
Net Kaiser- HMO Excess(Shortage)	(1,620,215)	(2,205,965)	585,750	-26.6%
UHC MAPD				
Revenues	21,678,303	20,729,580	948,724	4.6%
Expenses	(21,678,303)	(20,729,580)	(948,724)	4.6%
Net UHC MAPD Excess(Shortage)	0	0	0	
Vision Service Plan, All (City Plan & HMO)				
Revenues	2,274,105	2,166,614	107,490	5.0%
Expenses	(2,281,660)	(2,180,458)	(101,202)	4.6%
Net Vision Service Plan Excess(Shortage)	(7,555)	(13,843)	6,288	-45.4%
Delta Dental - Retired				
Revenues	4,183,846	4,205,306	(21,460)	-0.5%
Expenses	(4,183,846)	(4,205,306)	21,460	-0.5%
Net Delta Dental - Retired Excess(Shortage)	0	0	0	
Delta Care				
Revenues	199,277	213,186	(13,908)	-6.5%
Expenses	(196,728)	(211,106)	14,378	-6.8%
Net Delta Care Excess(Shortage)	2,550	2,080	470	22.6%
UHC Dental				
Revenues	111,889	113,279	(1,390)	-1.2%
Expenses	(112,943)	(114,770)	1,827	-1.6%
Net UHC Dental Excess(Shortage)	(1,054)	(1,491)	437	-29.3%
Long Term/Short Term Disability				
Revenues	2,040,206	1,579,800	460,406	29.1%
Expenses	(2,040,003)	(1,579,851)	(460,152)	29.1%
Net Long Term/Short Term Disability Excess(Shortage)	203	(51)	254	-496.2%
Flexible Benefits				
Revenues	853,992	698,346	155,646	22.3%
Expenses	(853,992)	(696,309)	(157,683)	22.6%
Net Flexible Benefits Excess(Shortage)	0	2,037	(2,037)	-100.0%
Flexible Spending-Dependent Care				
Revenues	1,565,975	1,265,157	300,818	23.8%
Expenses	(846,694)	(834,345)	(12,348)	1.5%
Net Flexible Spending-Dependent Care Excess(Shortage)	719,281	430,811	288,470	67.0%
Flexible Spending -Medical Reimbursement				
Revenues	2,365,352	2,451,923	(86,572)	-3.5%
Expenses	(1,678,349)	(1,687,179)	8,830	-0.5%
Net Flexible Spending-Medical Reimbursement Excess(Shortage)	687,003	764,745	(77,742)	-10.2%
Adoption & Surrogacy				
Expenses	0	(15,000)	15,000	-100.0%
Healthcare Sustainability Fund (\$3.00)				
Revenues	636,852	643,995	(7,143)	-1.1%
Expenses	(724,634)	(634,000)	(90,634)	14.3%
Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	(87,782)	9,995	(97,777)	-978.3%
NET INSURANCE PRODUCTS	(307,569)	(1,026,683)	719,114	-70.0%
SAVINGS AND INVESTMENTS				
Interest	0	0	0	
Performance guarantees	20,857	0	20,857	
Forfeitures	0	0	0	
TOTAL SAVINGS & INVESTMENTS	20,857	0	20,857	1616.8%
TOTAL NET EXCESS (SHORTAGE)	(1,188,772)	(2,066,820)	878,047	-42.5%

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