

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

DATE: November 9, 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 September 30, 2023

This report covers the sources and uses of the Health Service System Employee Benefit Trust Fund (Trust Fund), the Healthcare Sustainability Fund and the General Fund for the three months ending September 30, 2023.

Executive Summary

Trust Fund and Healthcare Sustainability Fund

- The FYE trust balance is projected to decrease by \$11M mainly due to \$14.9M rate stabilization and use of Sutter settlement to buy down rates.
- Net claims for the first three months were \$1.5M higher than planned with higher medical claims offset by lower dental claims.
- The Healthcare Sustainability Fund balance is projected to decrease by \$1.2M as budgeted.
- No Pharmacy rebates were received in the first three months. The projected rebates are \$14.8M and included in the net claims above.
- Projected interest income is \$3M for the year.

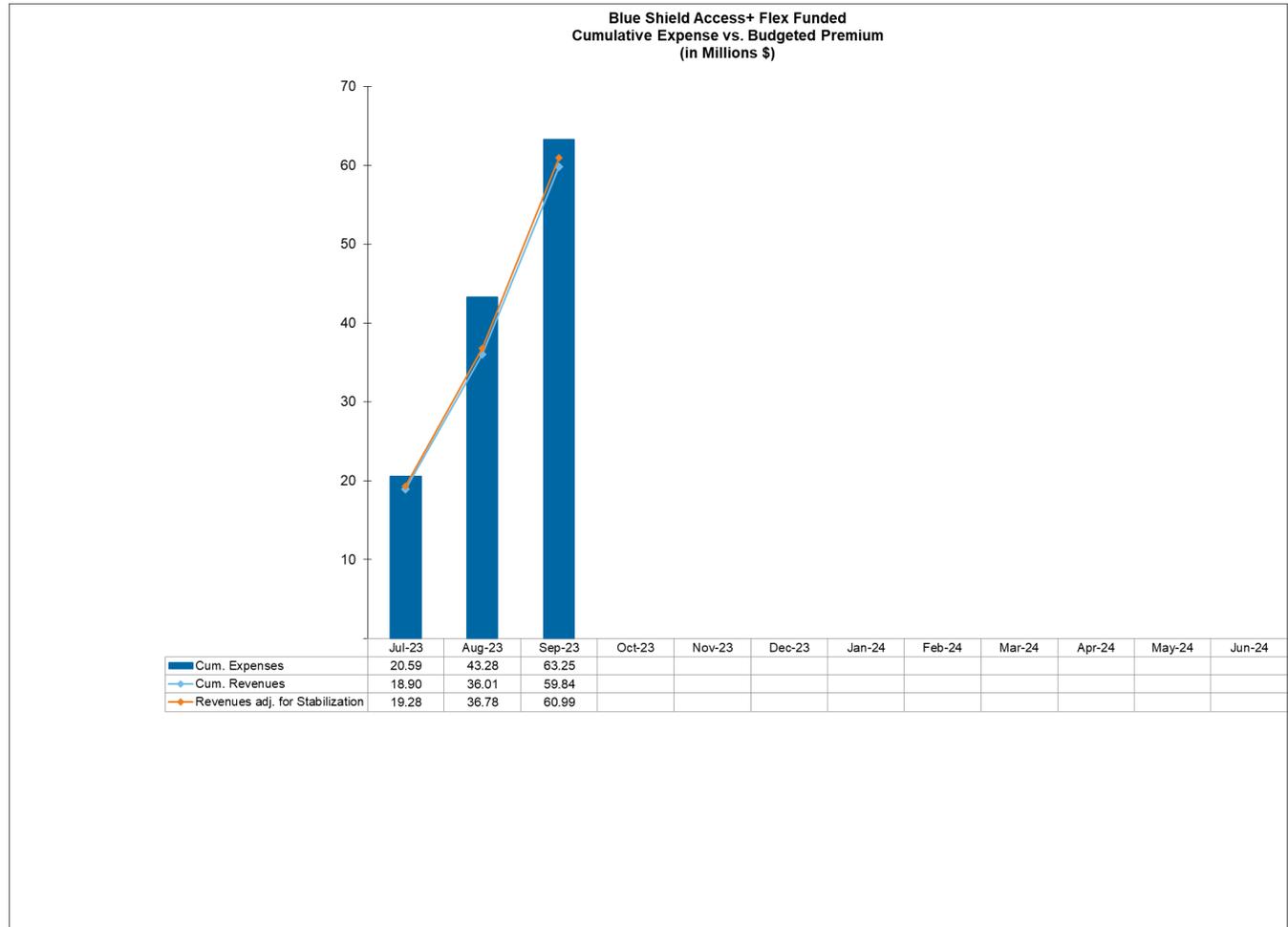
General Fund

Net activity is ahead of budget mainly due to vacancies.

Detailed Analysis by Fund

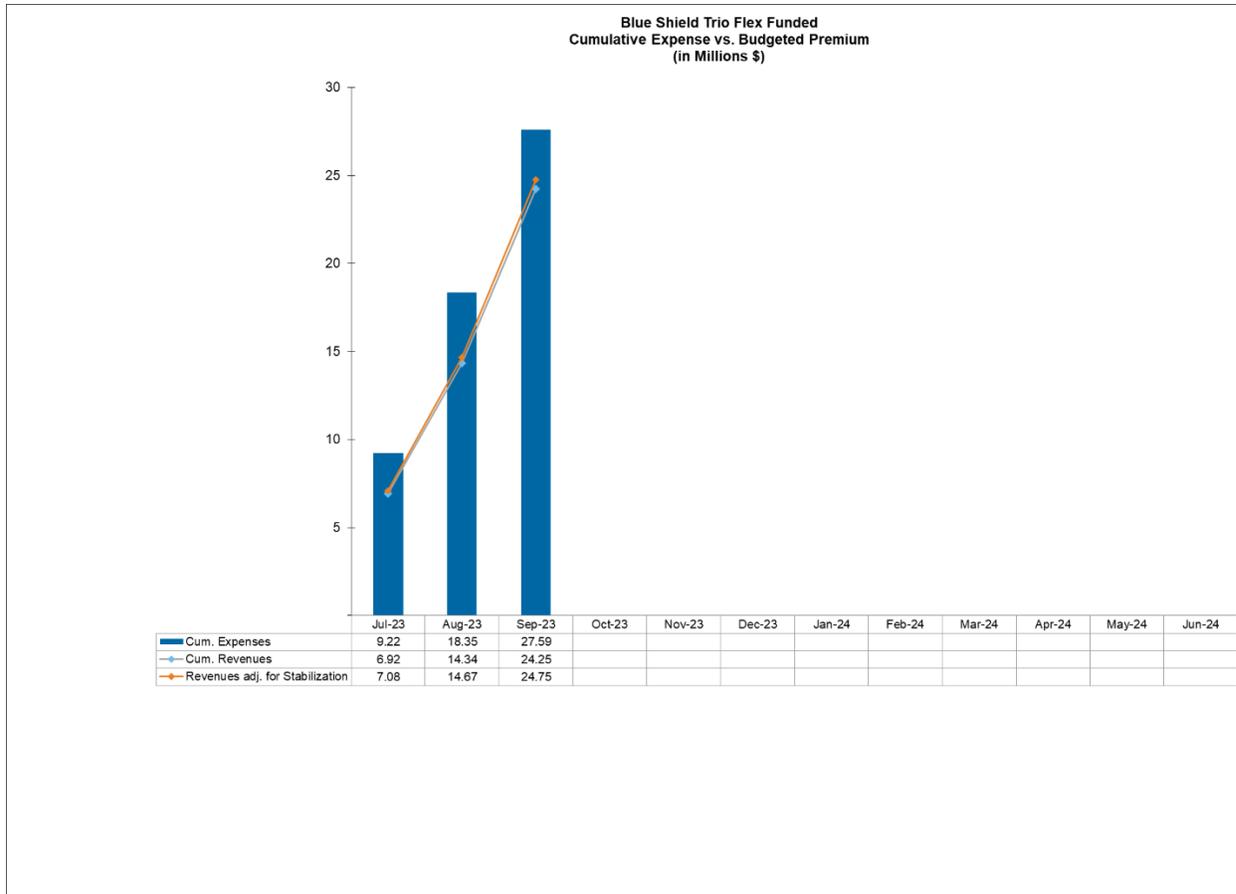
Blue Shield Access+ Flex Funded Plan

Projected FYE balance expected to decrease by \$11M due to rate stabilization and use of Sutter settlement to reduce rates.



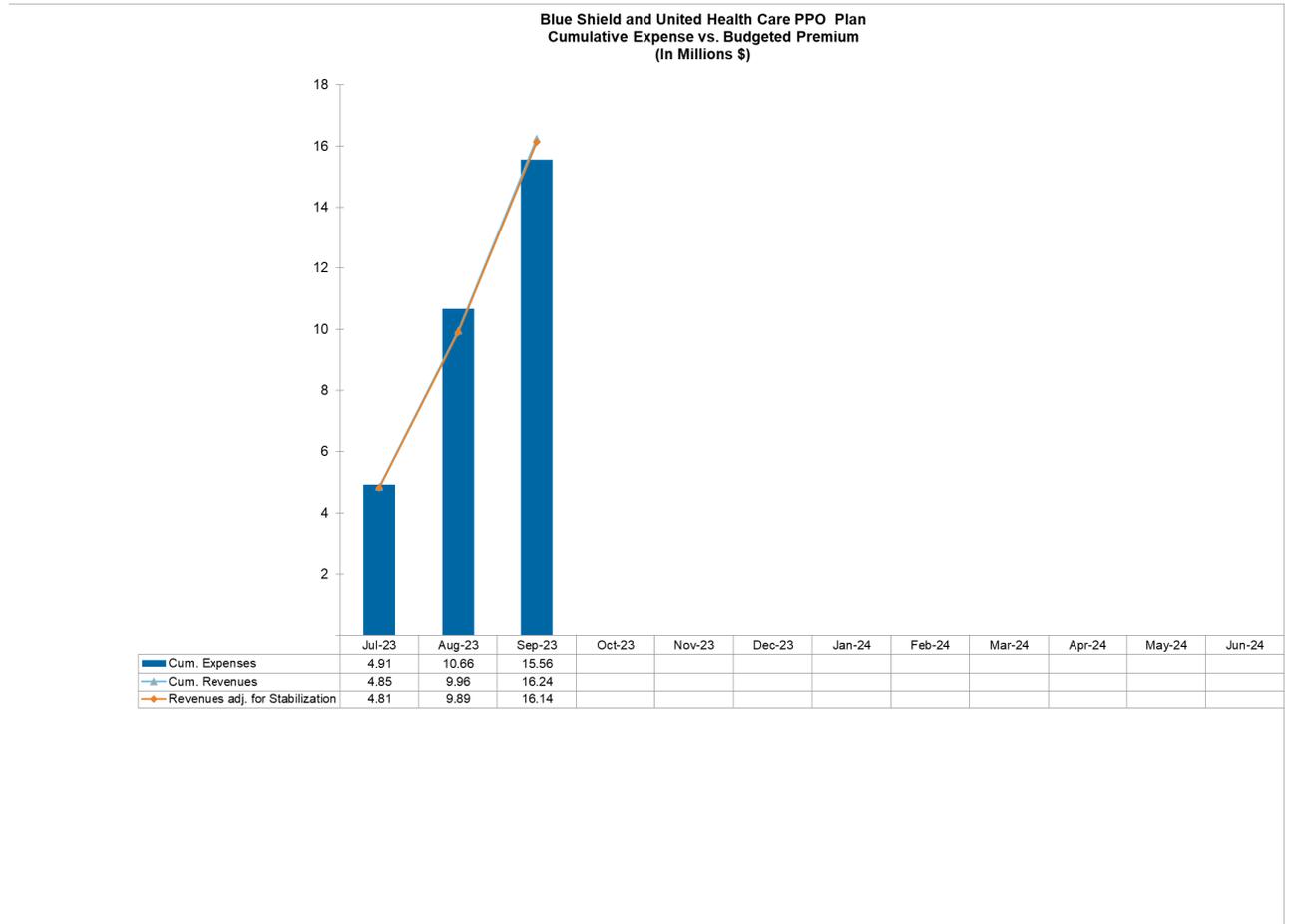
Blue Shield Trio Flex-Funded Plan

FYE balance projected to decrease by \$9M due rate stabilization and use of Sutter settlement to reduce rates.



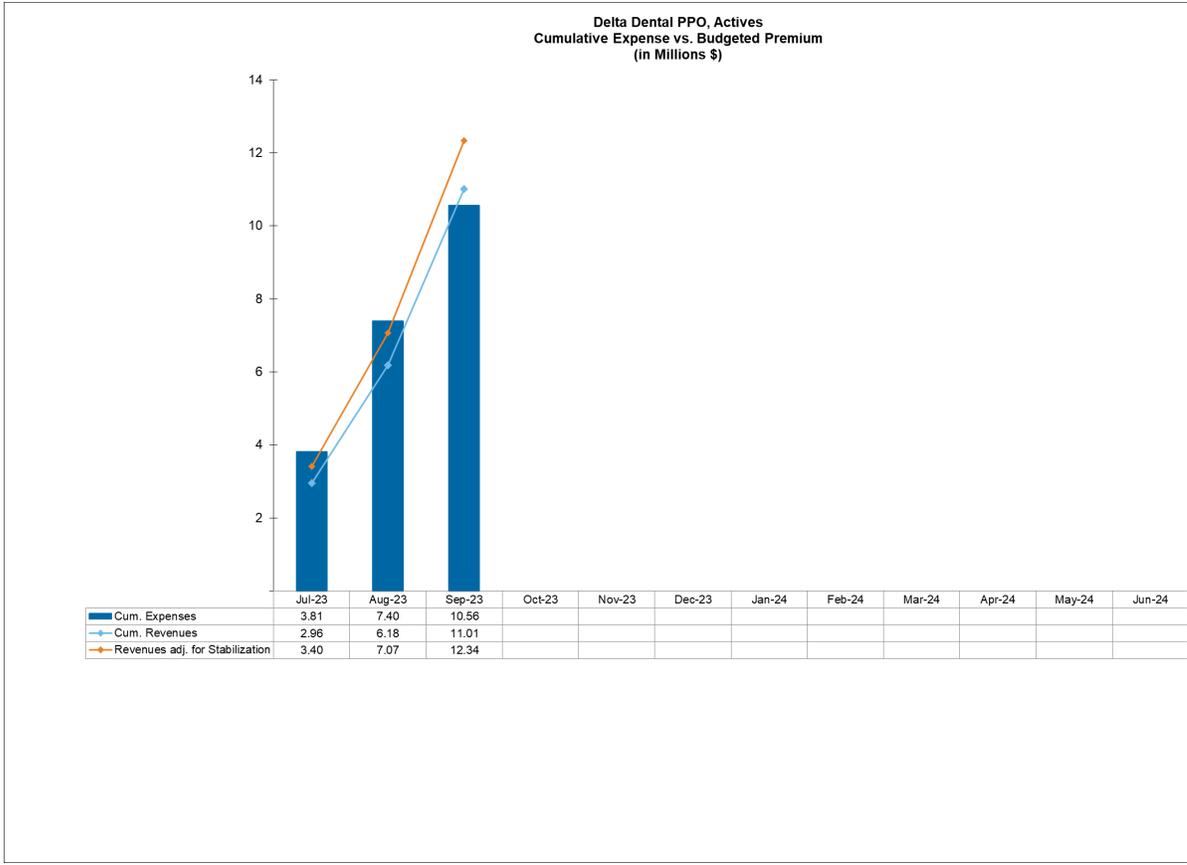
Blue Shield/United Health Care Administered PPO

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. FYE 2023 projected net increase of \$5M due to lower claims.



Delta Dental PPO (Actives Only) Self-Funded Plan

Projecting a net increase of \$1.7M for the year due to low 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 2024 budget includes carry forwards for commitments made before June 30, 2023.

The projected FYE balance will decrease by \$1.3M as budgeted.

SAN FRANCISCO HEALTH SERVICE SYSTEM <small>Affordable, Quality Benefits & Well-Being</small>		Healthcare Sustainability Fund FY 2023-24				
	FY 2022-23 Expenditures JuneYTD	FY2023-24 Budget Request (HSS Board Approved)	FY2023-24 Carryforward Budget	FY2023-24 Adjustments	FY 2023-24 Revised Budget + Adj C/F	FY 2023-24 Actuals Sep YTD
REVENUE SOURCES						
Annual Revenues	\$ 2,526,489	\$ 2,553,643		\$ -	\$ 2,553,643	\$ 635,154
Carryforward from Fund Balance	4,437,175	1,949,808	264,572	-	2,214,380	4,921,157
TOTAL	\$ 6,963,664	\$ 4,503,451	\$ 264,572	\$ -	\$ 4,768,023	\$ 5,556,311
EXPENDITURE USES						
Personnel	\$ 810,927	\$ 1,376,559		\$ -	\$ 1,376,559	\$ 151,111
Administrative	10,266	45,500	2,431	-	47,931	(3,859)
Member Communications	494,925	668,000	122,756	-	790,756	194,071
Communications - Other	179,342	302,605	40,138	393,971	736,714	5,001
Well-Being	124,980	247,500	70,788	202,000	520,288	25,559
Initiatives to Reduce Health Care Costs	422,067	379,445	28,458	(43,554)	364,349	(20,125)
Other Projects	-	-	-	-	-	-
TOTAL	\$ 2,042,507	\$ 3,019,609	\$ 264,572	\$ 552,417	\$ 3,836,597	\$ 351,760
REVENUE - EXP. (excl. carry forward fund balance)	483,982	(465,966)	(264,572)	(552,417)	(1,282,955)	283,394
BALANCE	\$ 4,921,157	\$ 1,483,842	\$ 0	\$ (552,417)	\$ 931,426	\$ 5,204,551

Pharmacy Rebates

No rebates were received in the first 3 months. The projection for the year is \$14.8M

	Actual	Projected RX
Blue Shield Access+ HMO	-	8,840,000
Blue Shield Trio HMO	-	4,160,000
UHC Administered PPO	-	1,760,000
TOTAL	\$ -	\$ 14,760,000

General Fund

- The FY 2023 budget has been adjusted for carryforward commitments made before June 31, 2023. Net activity is ahead of budget mainly due to vacancies.

		General Fund Administration Budget FY 2023-24 ANNUALIZED AS OF 09/30/23				
	FY 2023-24 Approved Budget	FY2023-24 Carryforward Budget	FY2023-24 Adjustments	FY 2023-24 Revised Budget	FY 2023-24 Actuals	
REVENUES						
Non-Operating Revenue	\$ 9,131		\$ -	\$ 9,131	\$ -	
Operating Work Order Recovery	13,392,951		34,373	13,427,324	3,352,210	
Other Revenue	460,000		-	460,000	-	
General Fund Carryforward	-	709,061		709,061	709,061	
Interfund Transfer	-			-	-	
TOTAL REVENUES	\$ 13,862,082	\$ 709,061	\$ 34,373	\$ 14,605,516	\$ 4,061,270	
EXPENDITURES						
Personnel Services	\$ 6,308,915		\$ (208,326)	\$ 6,100,589	\$ 1,386,224	
Mandatory Fringe Benefits	2,613,811		(104,481)	2,509,330	580,418	
Non-personnel Services	2,522,965	681,530	148,806	3,353,301	553,074	
Materials & Supplies	44,459	8,768	-	53,227	10,109	
Services of Other Departments	2,371,932	18,763	198,374	2,589,069	537,013	
				-		
TOTAL EXPENDITURES	\$ 13,862,082	\$ 709,061	\$ 34,373	\$ 14,605,516	\$ 3,066,839	
BALANCE	\$ -	\$ -	\$ -	\$ -	\$ 994,432	

Trust Fund and Healthcare Sustainability Fund with FYE Projection

SUMMARY	FY23-24	FY23-24
	Year-to-Date Actual Net as of 09/30/23	Projected Year-End Annual Net
Flex/Self Insurance		
Blue Shield-Access+	(3,414,381)	(10,659,516) (a), (h)
Blue Shield-Trio	(3,339,549)	(9,065,547) (a)
Blue Shield and United PPO	678,579	5,085,814 (b)
Health Net Canopy Care	407,638	-
Delta Dental PPO, Actives	451,469	1,681,875 (c)
Fully Insured Plans		-
Medical HMOs	4,365,064	-
Dental	10,571	-
LTD/Flexible Benefits/FSA/Health Net Canopy Care	1,944,655	-
Healthcare Sustainability Fund (\$3.00)	283,394	(1,282,955) (d)
Savings & Investments		
Interest	-	3,000,000
Performance guarantees	6,460	730,967 (e)
Surrogacy and adoption	(31,148)	(31,148)
Transfers Out	0	(460,000) (g)
TOTAL	<u>1,362,751</u>	<u>(11,000,510)</u>
Net assets		
Beginning of the year		<u>104,744,471</u>
End of the year		<u>93,743,961</u>

(a) Annual Projection is net of claim stabilization of \$1.7 million to increase 2024 rates, \$3.3 million to decrease 2023 rates, Pharmacy rebate of \$16 million, and settlement distribution of \$2.2 million, settlement for rate buydown of \$6 million

(b) Annual Projection is net of claim stabilization of \$0.4 million to increase 2024 rates, \$0.2 million to increase 2023 rates, and Pharmacy rebate of \$2.2 million

(c) Annual Projection is net of claim stabilization of \$2.8 million to reduce 2024 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 2023-2024

(f) Reflects use of fund balance

(g) Transfer of \$0.5M from forfeitures to General Fund.

(h) Includes \$2.2M Sutter settlement distribution

Supplemental Tables – Trust Fund Activity- Current FY

<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*, **	59,837,088	63,251,470	(3,414,381)
Blue Shield Trio HMO*	24,251,488	27,591,037	(3,339,549)
Blue Shield and United PPO	16,238,773	15,560,194	678,579
UHC Administere PPO*	-	-	-
Health Net Canopy Care	2,092,780	1,685,142	407,638
Delta Dental PPO- (Active only)	11,012,024	10,560,555	451,469
TOTAL FLEX/SELF-INSURED PLANS	113,432,153	118,648,398	(5,216,245)
FULLY INSURED PLANS			
UHC MAPD	24,016,665	24,016,665	-
Kaiser-HMO	126,536,784	122,225,758	4,311,026
Vision Service Plan	2,715,981	2,661,943	54,038
Sub-total HMO	153,269,430	148,904,366	4,365,064
Delta Dental PPO - Retirees	4,966,588	4,966,588	-
Delta Care	212,453	205,784	6,669
UHC Dental	107,112	103,210	3,902
Sub-total Dental	5,286,153	5,275,582	10,571
Long Term/Short Term Disability	1,785,465	1,786,583	(1,119)
Flexible Benefits	1,130,170	1,130,170	0
Flexible Spending-Dependent Care	1,772,063	1,150,644	621,419
Flexible Spending -Medical Reimbursement	3,409,687	2,085,331	1,324,355
Healthcare Sustainability Fund (\$3.00)	635,154	351,760	283,394
Adoption & Surrogacy	-	31,148	(31,148)
Sub-total Other Benefits	8,732,538	6,535,637	2,196,901
TOTAL FULLY INSURED PLANS	167,288,121	160,715,585	6,572,537
SAVINGS AND INVESTMENTS			
Interest	-	-	-
Performance guarantees	6,460	-	6,460
Forfeitures	-	-	-
TOTAL SAVINGS & INVESTMENTS	6,460	-	6,460
TRANSFERS OUT OF FORFEITURES			
			0
TOTAL FUNDS	280,726,734	279,363,983	1,362,751

* 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 2023-2024 VS FY 2022-2023
YEAR-TO-DATE: SEPTEMBER 30, 2023

<i>ACTIVE & RETIRED COMBINED</i>	For 3 Months Ended September 30, 2023	For 3 Months Ended September 30, 2022	\$ Change	% Change
FLEX/SELF-INSURED PLANS				
Blue Shield-Access+ HMO				
Revenues	59,837,088	73,146,501	(13,309,413)	-18.2% b
Expenses	(63,251,470)	(62,642,260)	(609,210)	1.0% f
Net Blue Shield-Access Excess(Shortage)	(3,414,381)	10,504,241	(13,918,622)	-132.5%
Blue Shield-Trio HMO				
Revenues	24,251,488	26,113,944	(1,862,456)	-7.1%
Expenses	(27,591,037)	(26,680,764)	(910,273)	3.4% i
Net Blue Shield-Trio Excess(Shortage)	(3,339,549)	(566,820)	(2,772,729)	489.2%
Blue Shield and United PPO				
Revenues	16,238,773	12,068,349	4,170,424	34.6%
Expenses	(15,560,194)	(12,526,844)	(3,033,350)	24.2%
Net BSC and United PPO Excess(Shortage)	678,579	(458,495)	1,137,074	
Health Net Canopy Care				
Revenues	2,092,780	905,177	1,187,603	
Expenses	(1,685,142)	(846,394)	(838,749)	
Net Health Net Canopy Care Excess(Shortage)	407,638	58,783	348,855	
Delta Dental PPO (Active only)				
Revenues	11,012,024	9,410,970	1,601,054	17.0% h
Expenses	(10,560,555)	(10,230,969)	(329,586)	3.2% i
Net Delta Dental PPO- (Active Only) Excess(Shortage)	451,469	(819,999)	1,271,468	-155.1%
NET FLEX/SELF-INSURED PLANS	(5,216,245)	8,717,709	(13,933,955)	-159.8%

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)

ACTIVE & RETIRED COMBINED	For 3 Months Ended September 30, 2023	For 3 Months Ended September 30, 2022	\$ Change	% Change	
FULLY INSURED PLANS					
Kaiser-HMO					
Revenues	126,536,784	122,251,815	4,284,968	3.5%	d
Expenses	(122,225,758)	(118,122,444)	(4,103,314)	3.5%	d, l
Net Kaiser- HMO Excess(Shortage)	4,311,026	4,129,372	181,654	4.4%	K
UHC MAPD					
Revenues	24,016,665	22,528,920	1,487,745	6.6%	d, l
Expenses	(24,016,665)	(22,528,920)	(1,487,745)	6.6%	d, l
Net UHC MAPD Excess(Shortage)	0	0	0		
Vision Service Plan, All (City Plan & HMO)					
Revenues	2,715,981	2,391,871	324,110	13.6%	d, l
Expenses	(2,661,943)	(2,345,032)	(316,911)	13.5%	d, l
Net Vision Service Plan Excess(Shortage)	54,038	46,840	7,199	15.4%	
Delta Dental PPO - Retirees					
Revenues	4,966,588	4,502,808	463,780	10.3%	
Expenses	(4,966,588)	(4,502,808)	(463,780)	10.3%	
Net Delta Dental PPO - Retirees Excess(Shortage)	0	0	0		
Delta Care					
Revenues	212,453	203,613	8,841	4.3%	
Expenses	(205,784)	(198,983)	(6,801)	3.4%	
Net Delta Care Excess(Shortage)	6,669	4,629	2,040	44.1%	
UHC Dental					
Revenues	107,112	106,991	121	0.1%	
Expenses	(103,210)	(103,262)	52	-0.1%	
Net UHC Dental Excess(Shortage)	3,902	3,729	173	4.6%	
Long Term/Short Term Disability					
Revenues	1,785,465	2,110,866	(325,401)	-15.4%	
Expenses	(1,786,583)	(2,111,877)	325,294	-15.4%	
Net Long Term/Short Term Disability Excess(Shortage)	(1,119)	(1,011)	(107)	10.6%	k
Flexible Benefits					
Revenues	1,130,170	1,105,463	24,708	2.2%	g
Expenses	(1,130,170)	(1,105,402)	(24,768)	2.2%	g
Net Flexible Benefits Excess(Shortage)	0	60	(60)		
Flexible Spending-Dependent Care					
Revenues	1,772,063	1,288,357	483,706	37.5%	c
Expenses	(1,150,644)	(800,145)	(350,499)	43.8%	c
Net Flexible Spending-Dependent Care Excess(Shortage)	621,419	488,212	133,207	27.3%	
Flexible Spending -Medical Reimbursement					
Revenues	3,409,687	2,935,145	474,542	16.2%	g
Expenses	(2,085,331)	(1,763,683)	(321,649)	18.2%	f
Net Flexible Spending-Medical Reimbursement Excess(Shortage)	1,324,355	1,171,462	152,893	13.1%	
Adoption & Surrogacy					
Expenses	(31,148)	(39,434)	8,286		
Healthcare Sustainability Fund (\$3.00)					
Revenues	635,154	631,332	3,822	0.6%	
Expenses	(351,760)	(446,075)	94,314	-21.1%	e
Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	283,394	185,257	98,136	53.0%	
NET FULLY INSURED PLANS	6,572,537	5,989,115	583,421	9.7%	
SAVINGS AND INVESTMENTS					
Interest	0	0	0		
Performance guarantees	6,460	14,132	(7,672)		
Forfeitures	0	0	0		
TOTAL SAVINGS & INVESTMENTS	6,460	14,132	(7,672)	1616.8%	
TOTAL NET EXCESS (SHORTAGE)	1,362,751	14,720,957	(13,358,206)	-90.7%	

Notes:

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