

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

DATE: September 14, 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 June 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 twelve months ending June 30, 2023.

Executive Summary

Trust Fund and Health Sustainability Fund

- The FYE trust balance decreased by \$1.3M mainly due to rate stabilization and Sutter settlement distribution.
- Net claims were \$11.4M higher than plan with higher medical claims offset by lower dental claims.
- The Healthcare Sustainability Fund projected FYE balance increased by \$484K.
- Pharmacy rebates were \$18.9M and are included in the net claims above.
- Interest income was \$3.3M for the year vs \$0.9M in the prior year due to higher rates.

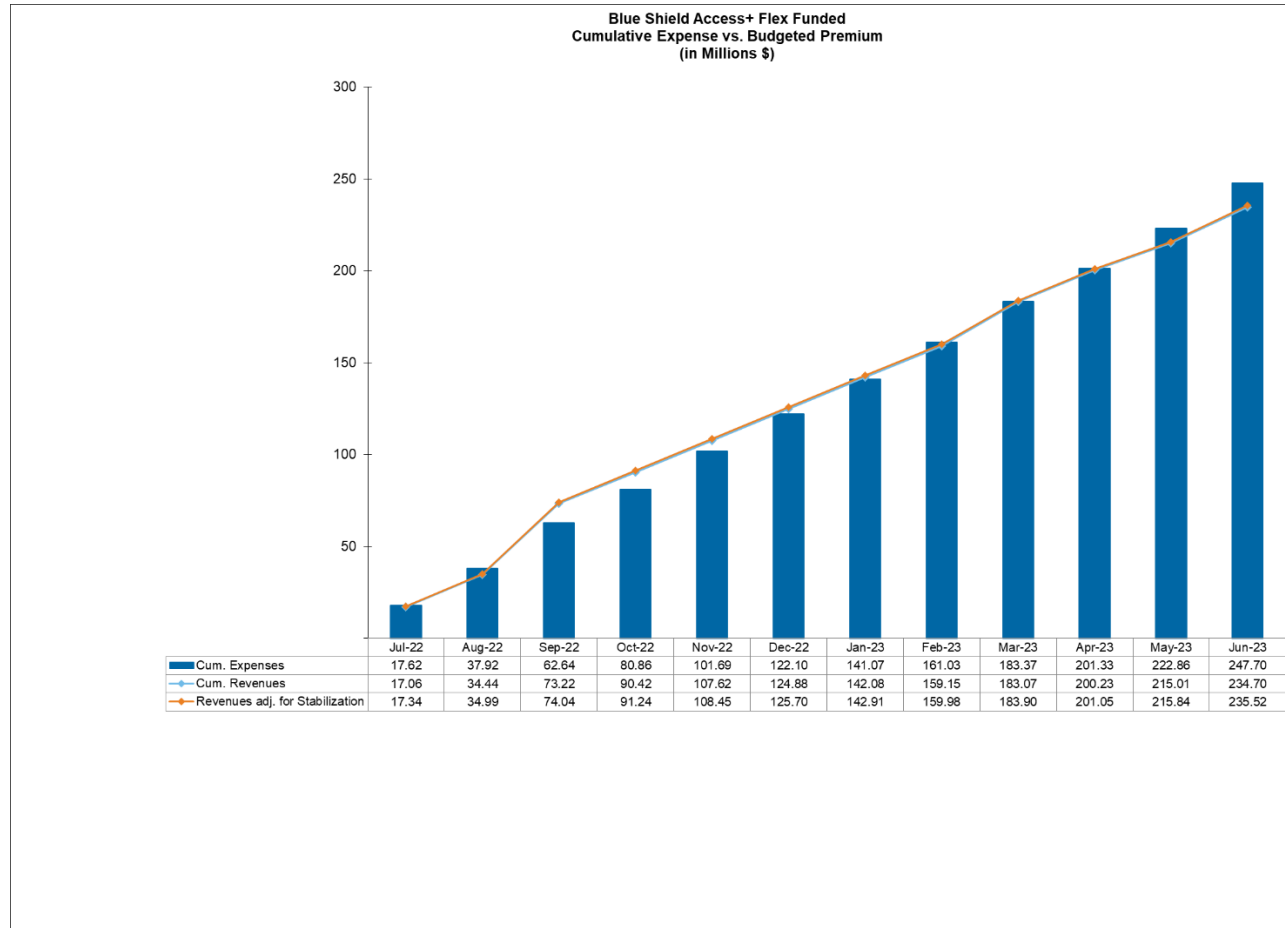
General Fund

The General Fund has a surplus primarily due to lower personnel expenses because of vacancies. Cost of services from other departments is low mainly due to rent holiday for the SFHSS office space.

Detailed Analysis by Fund

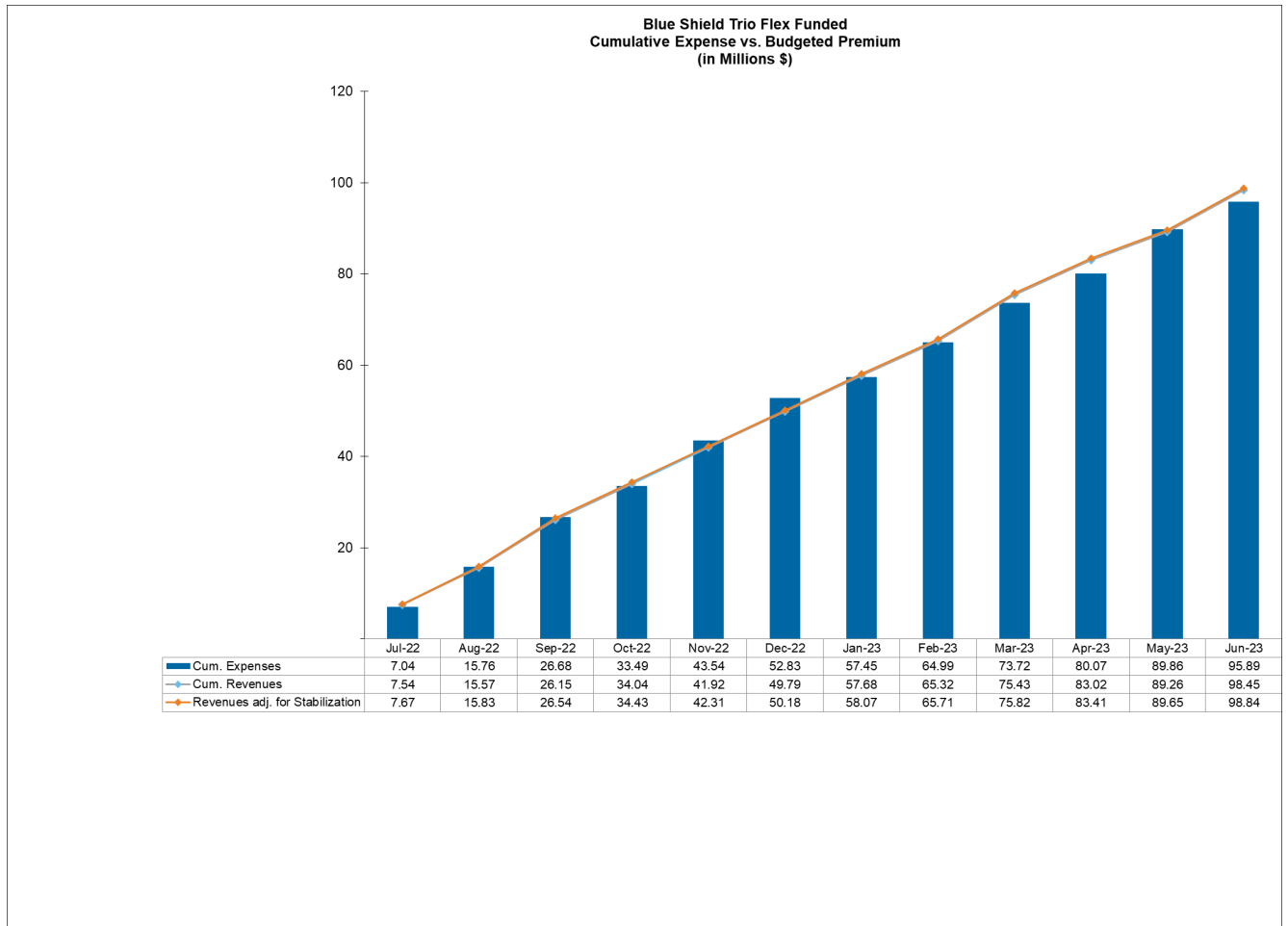
Blue Shield Access+ Flex Funded Plan

YTD revenues include \$14.7M Sutter settlement. The FYE balance decreased by \$13M as high claims and rate stabilization offset the settlement distribution.



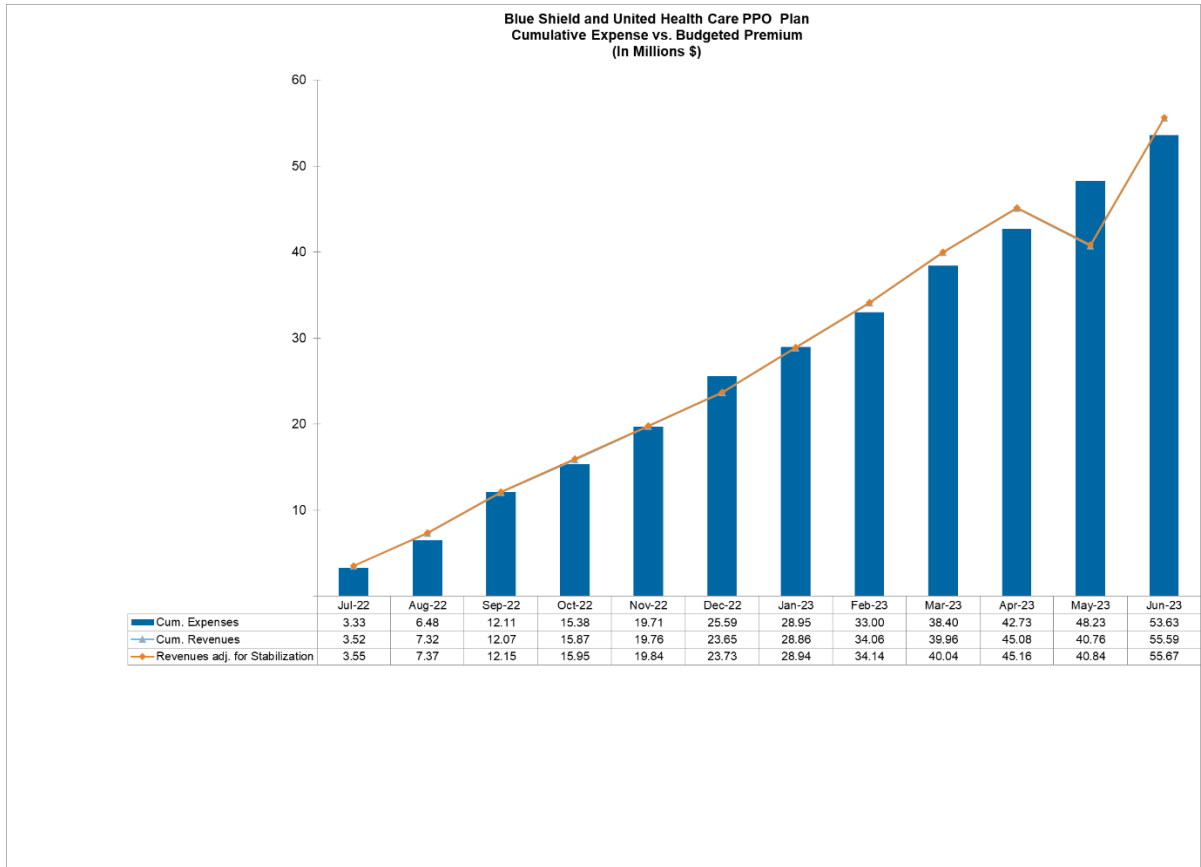
Blue Shield Trio Flex-Funded Plan

FYE balance increased by \$2.6M due to lower claims.



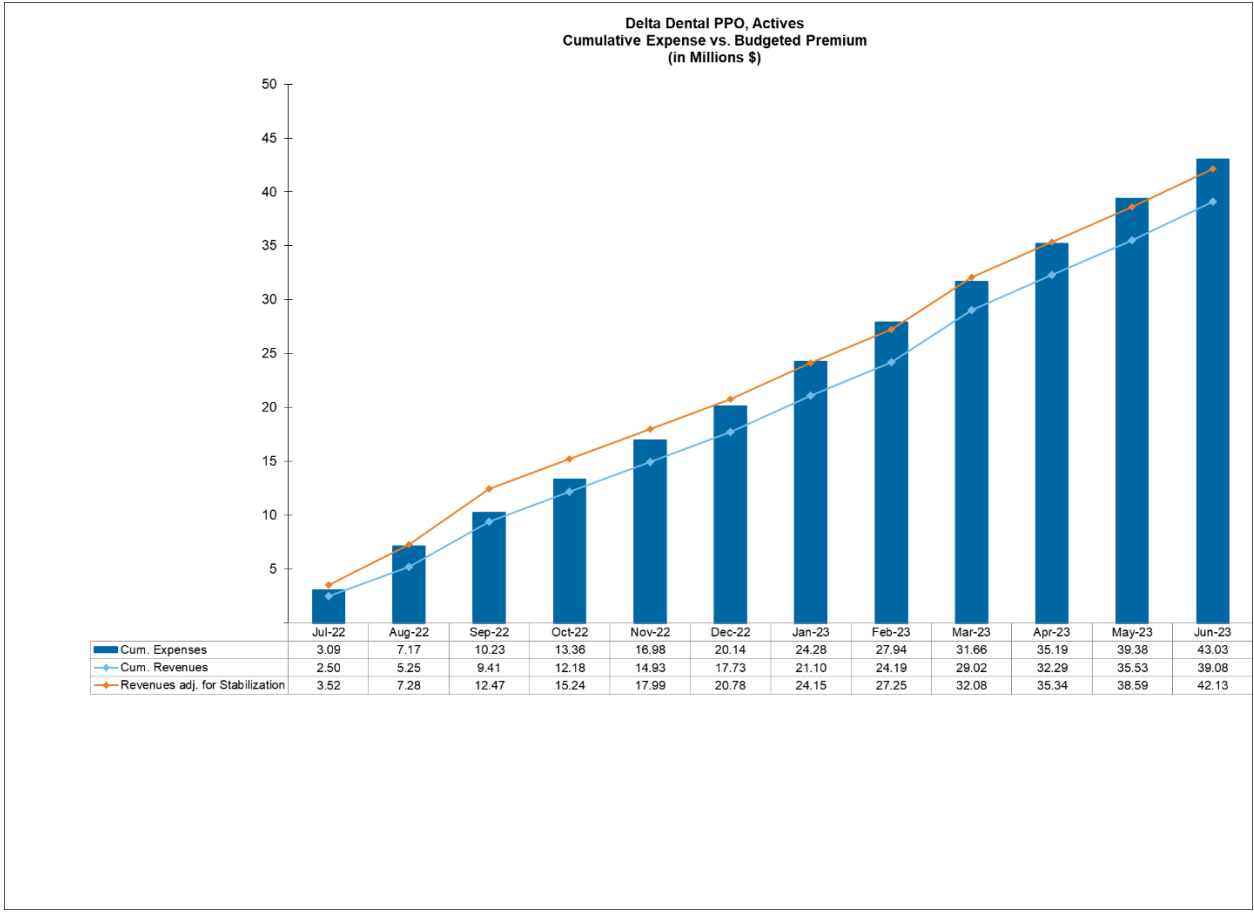
Blue Shield/United Health Care Administered PPO

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. FYE 2023 net increase of \$2M due to lower claims.



Delta Dental PPO (Actives Only) Self-Funded Plan

Decrease for the year is \$4M 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 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 fund grew by \$484K. Expenses were lower than budget due to project delays as we align priorities with the new strategic plan.

 <small>Affordable, Quality Benefits & Well-Being</small>					Healthcare Sustainability Fund FY 2022-23	
	FY 2021-22 Total Actual	FY2022-23 Budget Request (HSS Board Approved)	FY2022-23 Carryforward Budget	FY2022-23 Adjustments	FY 2022-23 Revised Budget + Adj C/F	FY 2022-23 Actuals Jun YTD
REVENUE SOURCES						
Annual Revenues	\$ 2,544,616	\$ 2,552,366		\$ -	\$ 2,552,366	\$ 2,526,489
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	\$ 6,963,664
EXPENDITURE USES						
Personnel	\$ 1,549,921	\$ 2,040,623		\$ (567,427)	\$ 1,473,196	\$ 810,927
Administrative	6,517	30,000	18,992	115,500	164,492	10,091
Member Communications	433,331	467,000	69,403	255,500	791,903	518,090
Communications - Other	243,515	233,870	106,736	314,450	655,056	156,522
Well-Being	113,849	189,500	64,254	27,000	280,754	124,810
Initiatives to Reduce Health Care Costs	287,640	378,829	-	249,000	627,829	422,067
Other Projects	-	50,000	-	220,616	270,616	-
TOTAL	\$ 2,634,773	\$ 3,389,822	\$ 259,385	\$ 614,639	\$ 4,263,846	\$ 2,042,507
REVENUE - EXP. (excl. carry forward fund balance)	(90,157)	(837,456)	(259,385)	(614,639)	(1,711,480)	483,982
BALANCE	\$ 4,437,175	\$ 3,131,875	\$ (259,385)	\$ (146,796)	\$ 2,725,694	\$ 4,921,157

Pharmacy Rebates

Pharmacy rebates from the health plans administering the Flex and Self-Funded health plans are \$18.9M for the year. The increase from prior year is mainly due to change in Blue Shield terms beginning with 2022 under which SFHSS gets 100% of the rebates vs 80% before the change.

	FYE 2023	FYE 2022	Change
BSC Access+	11,489,809	7,630,339	51%
BSC Trio	5,168,755	3,427,681	51%
UHC and BS PPO	2,272,788	1,732,586	31%
Total	18,931,353	12,790,606	48%

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 mainly due to vacancies and rent holiday in the cost of services from other departments.



**General Fund Administration Budget FY 2022-23
ANNUALIZED AS OF 05/31/23**

	FY 2022-23 Approved Budget	FY2022-23 Carryforward Budget	FY2022-23 Adjustments	FY 2022-23 Revised Budget	FY 2022-23 Actuals
REVENUES					
Non-Operating Revenue	\$ 9,131		\$ -	\$ 9,131	\$ -
Operating Work Order Recovery	13,091,603		-	13,091,603	12,194,532
Other Revenue	450,000		383,172	833,172	-
General Fund Carryforward	-	277,942		277,942	277,942
Interfund Transfer	-			-	-
TOTAL REVENUES	\$ 13,550,734	\$ 277,942	\$ 383,172	\$ 14,211,848	\$ 12,472,474
EXPENDITURES					
Personnel Services	\$ 6,353,817		\$ (249,677)	\$ 6,104,140	\$ 4,901,814
Mandatory Fringe Benefits	2,862,833		(114,727)	2,748,106	2,264,062
Non-personnel Services	2,314,006	196,981	383,172	2,894,159	2,098,817
Materials & Supplies	61,362	26,594	-	87,956	33,506
Services of Other Departments	1,958,716	54,367	364,404	2,377,487	1,528,410
				-	
TOTAL EXPENDITURES	\$ 13,550,734	\$ 277,942	\$ 383,172	\$ 14,211,848	\$ 10,826,608
BALANCE	\$ -	\$ (0)	\$ -	\$ (0)	\$ 1,645,865

Trust Fund and Health Sustainability Fund with FYE Projection

SUMMARY	FY22-23	FY22-23
	Year-to-Date Actual Net as of 06/30/23	Projected Year-End Annual Net
Flex/Self Insurance		
Blue Shield-Access+	(13,000,268)	(13,000,268) (a), (h)
Blue Shield-Trio	2,565,387	2,565,387 (a)
Blue Shield and United PPO	1,960,457	1,960,457 (b)
Health Net Canopy Care	1,019,949	1,019,949
Delta Dental PPO, Actives	(3,951,179)	(3,951,179) (c)
Fully Insured Plans		
Medical HMOs	3,545,095	3,545,095
Dental	3,235	3,235
LTD/Flexible Benefits/FSA/Health Net Canopy Care	974,940	974,940
Healthcare Sustainability Fund (\$3.00)	483,982	483,982 (d)
Savings & Investments		
Interest	3,300,956	3,300,956
Performance guarantees	1,882,384	1,882,384 (e)
Surrogacy and adoption	(79,883)	(79,883)
Transfers Out	0	0
TOTAL	(1,294,944)	(1,294,944)
Net assets		
Beginning of the year		<u>106,715,642</u>
End of the year		<u>105,420,698</u>

(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 \$16.7 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 \$2.3 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

<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*, **	234,696,362	247,696,631	(13,000,268)
Blue Shield Trio HMO*	98,453,894	95,888,507	2,565,387
Blue Shield and United PPO	55,589,751	53,629,294	1,960,457
Health Net Canopy Care	5,308,413	4,288,464	1,019,949
Delta Dental PPO- (Active only)	39,076,369	43,027,548	(3,951,179)
TOTAL FLEX/SELF-INSURED PLANS	433,124,788	444,530,442	(11,405,654)
FULLY INSURED PLANS			
UHC MAPD	92,891,720	92,891,720	-
Kaiser-HMO	483,633,088	480,098,600	3,534,488
Vision Service Plan	9,976,104	9,965,496	10,608
Sub-total HMO	586,500,912	582,955,817	3,545,095
Delta Dental PPO - Retirees	18,858,343	18,858,343	-
Delta Care	792,035	790,266	1,769
UHC Dental	406,099	404,633	1,466
Sub-total Dental	20,056,476	20,053,241	3,235
Long Term/Short Term Disability	7,916,711	7,764,911	151,799
Flexible Benefits	4,183,812	4,179,827	3,986
Flexible Spending-Dependent Care	5,365,066	4,868,897	496,169
Flexible Spending -Medical Reimbursement	11,258,421	10,935,435	322,986
Healthcare Sustainability Fund (\$3.00)	2,526,489	2,042,507	483,982
Adoption & Surrogacy		79,883	(79,883)
Sub-total Other Benefits	31,250,500	29,871,461	1,379,039
TOTAL FULLY INSURED PLANS	637,807,889	632,880,519	4,927,370
SAVINGS AND INVESTMENTS			
Interest	3,300,956		3,300,956
Performance guarantees	1,882,384		1,882,384
Forfeitures	-		-
TOTAL SAVINGS & INVESTMENTS	5,183,340	-	5,183,340
TRANSFERS OUT OF FORFEITURES			0
TOTAL FUNDS	1,076,116,017	1,077,410,961	(1,294,944)

* 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: JUNE 30, 2023

<i>ACTIVE & RETIRED COMBINED</i>	For 12 Months Ended June 30, 2023	For 12 Months Ended June 30, 2022	\$ Change	% Change
FLEX/SELF-INSURED PLANS				
Blue Shield-Access+ HMO				
Revenues	234,696,362	227,317,887	7,378,475	3.2% b
Expenses	(247,696,631)	(235,105,618)	(12,591,012)	5.4% f
Net Blue Shield-Access Excess(Shortage)	(13,000,268)	(7,787,732)	(5,212,537)	66.9%
Blue Shield-Trio HMO				
Revenues	98,453,894	104,075,039	(5,621,146)	-5.4%
Expenses	(95,888,507)	(111,050,463)	15,161,956	-13.7% i
Net Blue Shield-Trio Excess(Shortage)	2,565,387	(6,975,424)	9,540,810	-136.8%
Blue Shield and United PPO				
Revenues	55,589,751	23,966,950	31,622,801	131.9%
Expenses	(53,629,294)	(25,477,385)	(28,151,909)	110.5%
Net BSC and United PPO Excess(Shortage)	1,960,457	(1,510,435)	3,470,892	
Health Net Canopy Care				
Revenues	5,308,413	1,550,606	3,757,808	
Expenses	(4,288,464)	(1,044,955)	(3,243,509)	
Net Health Net Canopy Care Excess(Shortage)	1,019,949	505,651	514,299	
Delta Dental PPO (Active only)				
Revenues	39,076,369	39,671,002	(594,633)	-1.5% h
Expenses	(43,027,548)	(43,195,158)	167,610	-0.4% i
Net Delta Dental PPO- (Active Only) Excess(Shortage)	(3,951,179)	(3,524,156)	(427,023)	12.1%
NET FLEX/SELF-INSURED PLANS	(11,405,654)	(19,292,096)	7,886,442	-40.9%

Notes:

- a decrease in membership
- b Sutter Settlement
- c decrease in deductions
- d increase in membership

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

- f increase in claims
- g increase in deductions
- 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	STATEMENTS OF REVENUES AND EXPENSES			
	FY 2022-2023 VS FY 2021-2022		YEAR-TO-DATE: JUNE 30, 2023	
	For 12 Months Ended June 30, 2023	For 12 Months Ended June 30, 2022	\$ Change	% Change
FULLY INSURED PLANS				
Kaiser-HMO				
Revenues	483,633,088	473,449,268	10,183,820	2.2% d
Expenses	(480,098,600)	(472,892,571)	(7,206,029)	1.5% d, l
Net Kaiser- HMO Excess(Shortage)	3,534,488	556,697	2,977,791	534.9% k
UHC MAPD				
Revenues	92,891,720	87,896,598	4,995,123	5.7% d, l
Expenses	(92,891,720)	(87,896,598)	(4,995,123)	5.7% d, l
Net UHC MAPD Excess(Shortage)	0	0	0	
Vision Service Plan, All (City Plan & HMO)				
Revenues	9,976,104	9,263,369	712,735	7.7% d, l
Expenses	(9,965,496)	(9,269,705)	(695,791)	7.5% d, l
Net Vision Service Plan Excess(Shortage)	10,608	(6,336)	16,944	-267.4%
Delta Dental PPO - Retirees				
Revenues	18,858,343	17,275,944	1,582,399	9.2%
Expenses	(18,858,343)	(17,275,944)	(1,582,399)	9.2%
Net Delta Dental PPO - Retirees Excess(Shortage)	0	0	0	
Delta Care				
Revenues	792,035	818,335	(26,300)	-3.2%
Expenses	(790,266)	(782,647)	(7,619)	1.0%
Net Delta Care Excess(Shortage)	1,769	35,688	(33,919)	-95.0%
UHC Dental				
Revenues	406,099	432,837	(26,738)	-6.2%
Expenses	(404,633)	(430,684)	26,051	-6.0%
Net UHC Dental Excess(Shortage)	1,466	2,153	(687)	-31.9%
Long Term/Short Term Disability				
Revenues	7,916,711	8,070,404	(153,693)	-1.9%
Expenses	(7,764,911)	(8,075,412)	310,501	-3.8%
Net Long Term/Short Term Disability Excess(Shortage)	151,799	(5,008)	156,807	-3131.1% k
Flexible Benefits				
Revenues	4,183,812	3,983,458	200,354	5.0% g
Expenses	(4,179,827)	(3,983,134)	(196,693)	4.9% g
Net Flexible Benefits Excess(Shortage)	3,986	324	3,662	
Flexible Spending-Dependent Care				
Revenues	5,365,066	5,672,116	(307,049)	-5.4% c
Expenses	(4,868,897)	(5,327,346)	458,449	-8.6% c
Net Flexible Spending-Dependent Care Excess(Shortage)	496,169	344,770	151,399	43.9%
Flexible Spending -Medical Reimbursement				
Revenues	11,258,421	9,828,992	1,429,429	14.5% g
Expenses	(10,935,435)	(9,722,232)	(1,213,203)	12.5% f
Net Flexible Spending-Medical Reimbursement Excess(Shortage)	322,986	106,760	216,226	202.5%
Adoption & Surrogacy				
Expenses	(79,883)	(16,163)	(63,720)	
Healthcare Sustainability Fund (\$3.00)				
Revenues	2,526,489	2,545,101	(18,611)	-0.7%
Expenses	(2,042,507)	(2,634,773)	592,266	-22.5% e
Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	483,982	(89,672)	573,654	-639.7%
NET FULLY INSURED PLANS	4,927,370	929,212	3,998,158	430.3%
SAVINGS AND INVESTMENTS				
Interest	3,300,956	0	3,300,956	
Performance guarantees	1,882,384	0	1,882,384	
Forfeitures	0	0	0	
TOTAL SAVINGS & INVESTMENTS	5,183,340	0	5,183,340	1616.8%
TOTAL NET EXCESS (SHORTAGE)	(1,294,944)	(18,362,883)	17,067,939	-92.9%

Notes:

- a decrease in membership
- b Sutter Settlement
- c decrease in deductions
- d increase in membership
- e \$3 per member per month for communications, wellness
- f increase in claims
- g increase in deductions
- h decrease in rates
- i increase in rates
- j decrease in claims
- k Payperiod Timing