

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

DATE: September 8, 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 June 30, 2022

Audit update – We have 2 audits in process. The Controller’s (internal audit) and the external Benefit Trust fund audit by MGO. The report from the external audit is scheduled for the November meeting. I will report the results of the internal audit in the finance report when it is completed.

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 twelve months through June 30, 2022.

Executive Summary

Trust Fund and Health Sustainability Fund

- The change for the year is \$15.6M decrease with a projected ending balance of \$110M.
 - Rate stabilization accounts for \$12.5M of the decrease
 - Net claims were \$5.8 million higher made up of:
 - \$11.6M million higher medical claims
 - \$5.8M lower dental claims.
- Healthcare Sustainability Fund is essentially flat for the year - decreased by \$90K.
- Pharmacy rebates are \$12.8M and included in claims described above.

General Fund

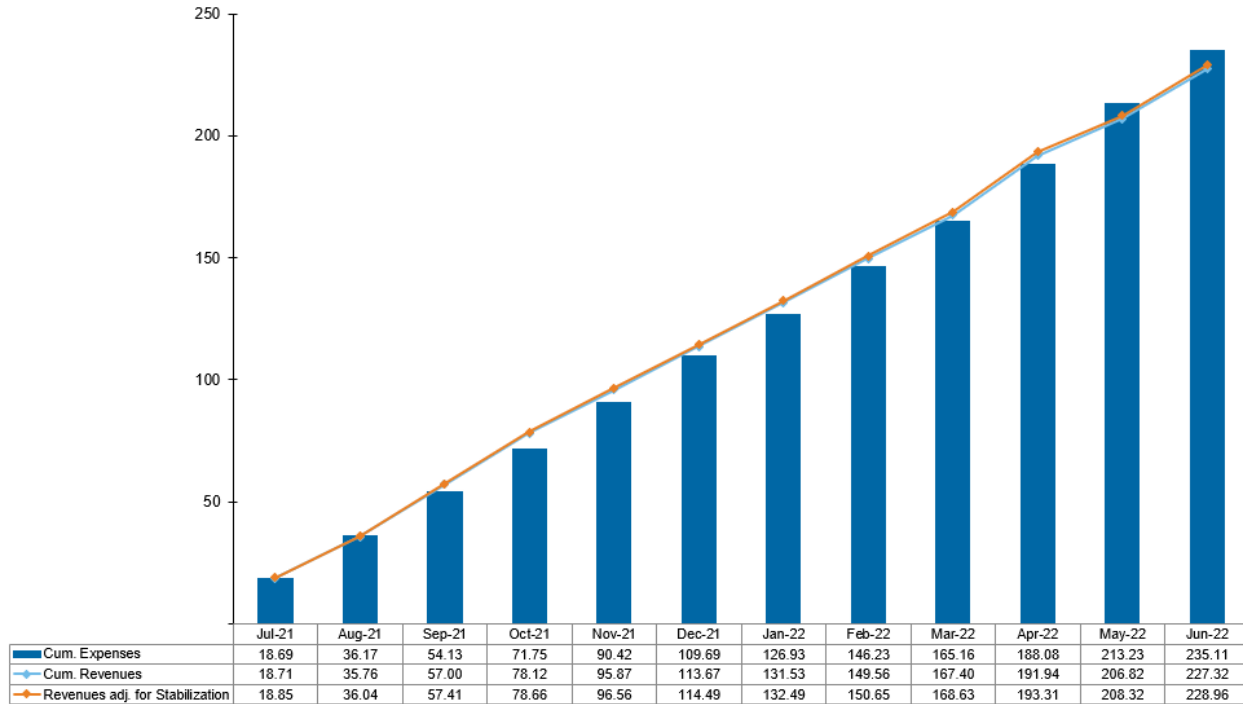
The general fund had \$406K surplus for year. The FYE 2023 budget carryforwards are \$146K

Detailed Analysis by Fund

Blue Shield Access+ Flex Funded Plan

The fund decreased by \$7.8M due to \$2.4M million in rate stabilization and \$5.4M in higher than expected claims. Current year claims were 5.9% higher than prior year.

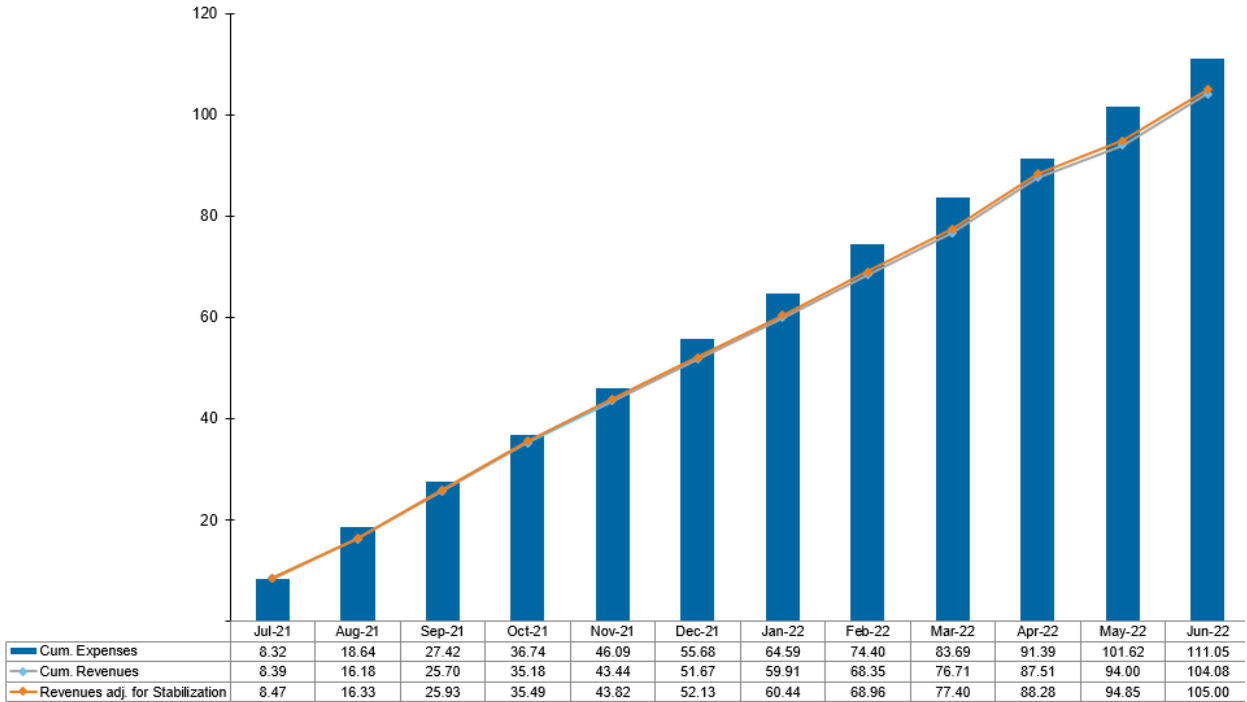
Blue Shield Access+ Flex Funded
 Cumulative Expense vs. Budgeted Premium
 (in Millions \$)



Blue Shield Trio Flex-Funded Plan

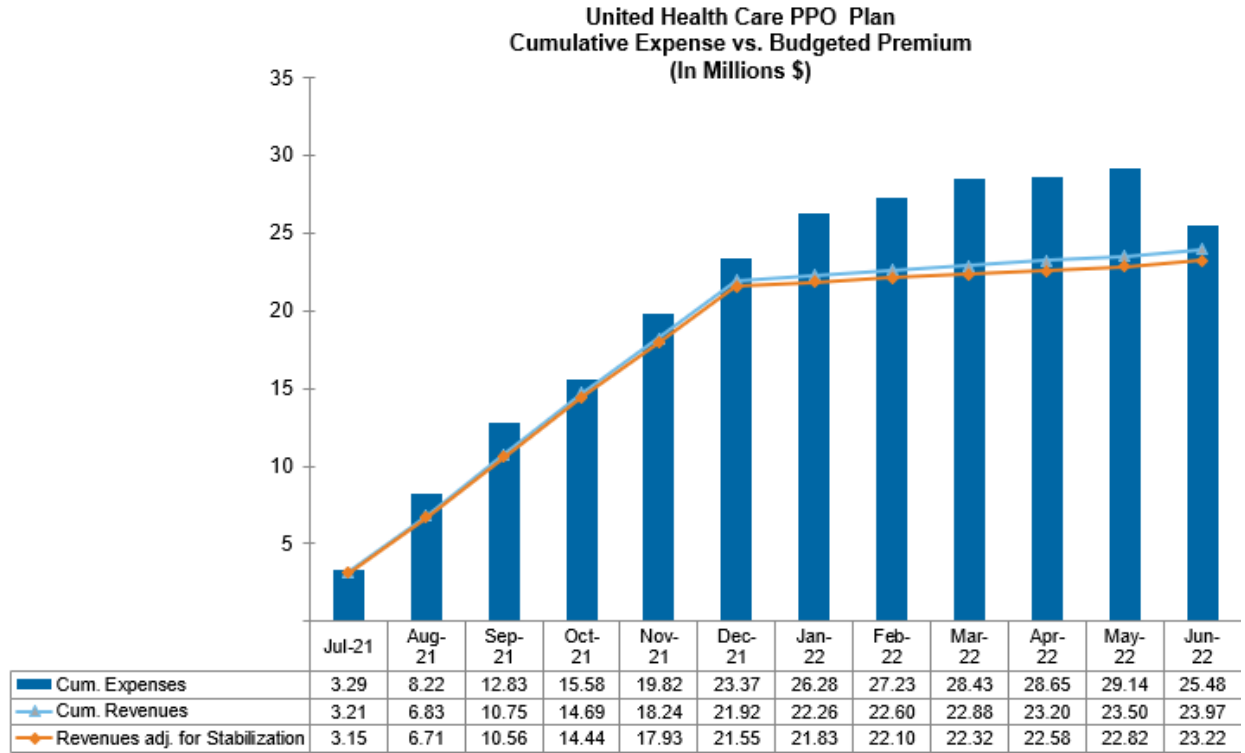
The fund decreased by \$7M due to \$1.3M in rate stabilization and \$5.7M in higher claims. Current year claims were 9.7% higher than prior year.

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



United Health Care/Blue Shield Administered PPO

The administration of the self-funded PPO migrated from United to Blue Shield starting in January 2022. The fund balance decreased by \$1.5 million due to higher than expected claims.

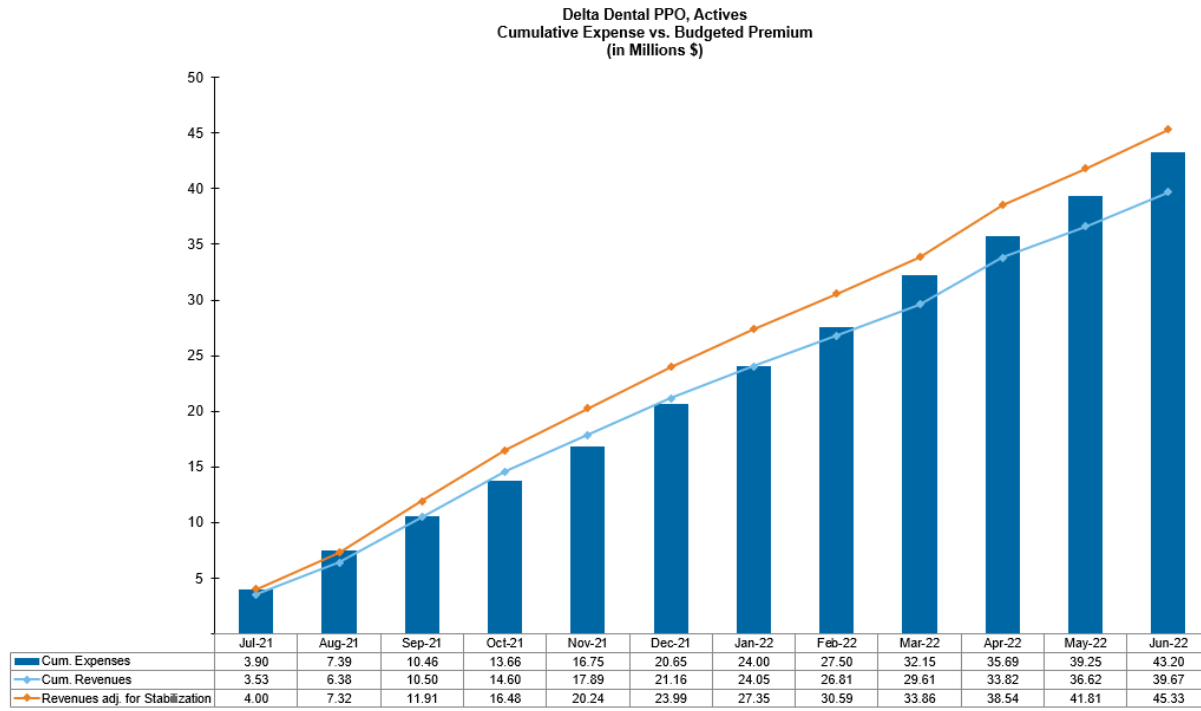


Healthnet Canopy Care

This plan started in January 2022 with low enrollment. The surplus balance is primarily due Healthnet invoicing delay.

Delta Dental PPO (Actives Only) Self-Funded Plan

The fund decreased by \$3.5M due to \$8.6M in rate stabilization and \$5.1M in lower than expected claims. Current year claims are 7.8% lower than prior year.



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. Current year expenses are lower than budget due to project delays tied to pandemic disruptions. The \$90K decrease leaves a balance of \$4.4M.

	FY 2021-22 Revised Budget + Adj C/F	FY 2021-22 Expenditures Jun YTD
REVENUE SOURCES		
Annual Revenues	\$ 2,578,896	\$ 2,544,616
Carryforward from Fund Balance	4,268,467	4,527,332
TOTAL	\$ 6,847,362	\$ 7,071,948
EXPENDITURE USES		
Personnel	\$ 2,058,244	\$ 1,549,921
Administrative	45,655	6,517
Member Communications	557,750	433,331
Communications - Other	675,952	243,515
Well-Being	451,639	113,849
Initiatives to Reduce Health Care Costs	408,827	287,640
Other Projects	429,000	-
TOTAL	\$ 4,627,066	\$ 2,634,773
REVENUE - EXPENDITURES (net of Carry Forward)	(2,048,171)	(90,157)
BALANCE	\$ 2,220,296	\$ 4,437,175

Pharmacy Rebates

Pharmacy rebates from the health plans administering the Flex and Self-Funded health plans are \$12.7M vs \$8.6M in PY.

	FY 2021-22 Actual RX Rebates Received Thru 06/30/22
Blue Shield Access+ HMO	7,630,339
Blue Shield Trio HMO	3,427,681
UHC Administered PPO	1,732,586
TOTAL	\$ 12,790,605

General Fund

- General Fund expenses during the first twelve months were \$405K below revenue. The FY 2023 carryforwards are \$146K.



**General Fund Administration Budget FY 2021-22
ANNUALIZED AS OF 06/30/22**

	FY 2021-22 Approved Budget	FY 2021-22 Revised Budget	FY 2021-22 Actuals	COVID-19 Actuals	Total Actual YTD
REVENUES					
Non-Operating Revenue	\$ 9,131	\$ 9,131	\$ -	\$ -	\$ -
Operations Work Order Recovery	11,935,680	11,935,680	11,889,139	-	11,889,139
Other Revenue	625,958	625,958	240,000	-	240,000
General Fund Carryforward	-	198,850	198,850	-	198,850
Interfund Transfer	-	-	-	-	-
TOTAL REVENUES	\$ 12,570,769	\$ 12,769,619	\$ 12,327,989	\$ -	\$ 12,327,989
EXPENDITURES					
Personnel Services	\$ 5,635,247	\$ 5,635,247	\$ 5,421,551	\$ -	\$ 5,421,551
Mandatory Fringe Benefits	2,724,533	2,724,533	2,572,493	-	2,572,493
Non-personnel Services	2,291,057	2,402,225	2,017,229	-	2,017,229
Materials & Supplies	47,717	83,217	46,664	9,200	55,864
Services of Other Departments	1,872,215	2,007,397	1,854,966	-	1,854,966
TOTAL EXPENDITURES	\$ 12,570,769	\$ 12,852,619	\$ 11,912,903	\$ 9,200	\$ 11,922,103
BALANCE	\$ -	\$ (83,000)	\$ 415,086	\$ (9,200)	\$ 405,885

Trust Fund and Health Sustainability Fund with FYE Projection

SUMMARY	FY21-22	FY21-22
	Year-to-Date Actual	Projected Year-End
	Net as of 06/30/22	Annual Net
Flex/Self Insurance		
Blue Shield-Access+	(7,787,732)	(7,787,732) (a)
Blue Shield-Trio	(6,975,424)	(6,975,424) (a)
Blue Shield-PPO	944,900	944,900 (b)
UHC PPO	(1,510,435)	(1,510,435) (b)
Health Net Canopy Care	505,651	505,651
Delta Dental PPO, Actives	(3,524,156)	(3,524,156) (c)
Fully Insured Plans		
Medical HMOs	550,360	550,360
Dental	37,841	37,841
LTD/Flexible Benefits/FSA/Health Net Canopy Care	686,846	686,846
Healthcare Sustainability Fund (\$3.00)	(89,672)	(89,672) (d)
Savings & Investments		
Interest	795,159	867,446
Performance guarantees	998,343	998,343 (e)
Performance guarantees - Surrogacy and adoption	(16,163)	(16,163)
Transfers Out	(240,000)	(240,000) (g)
TOTAL	<u>(15,624,481)</u>	<u>(15,552,194)</u>
Net assets		
Beginning of the year		<u>125,901,507</u>
End of the year		<u>110,349,313</u>

(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 \$11.0 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 2021-2022

(f) Reflects use of fund balance

(g) Transfer of \$0.3M from forfeitures to General Fund.

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*	227,317,887	235,105,618	(7,787,732)
Blue Shield Trio HMO*	104,075,039	111,050,463	(6,975,424)
BSC PPO-Accolade, including ASO	21,428,099	20,483,200	944,900
UHC Administere PPO*	23,966,950	25,477,385	(1,510,435)
Health Net Canopy Care	1,550,606	1,044,955	505,651
Delta Dental PPO- (Active only)	39,671,002	43,195,158	(3,524,156)
TOTAL FLEX/SELF-INSURED PLANS	418,009,583	436,356,778	(18,347,196)
FULLY INSURED PLANS			
UHC MAPD	87,896,598	87,896,598	-
Kaiser-HMO	473,449,268	472,892,571	556,697
Vision Service Plan	9,263,369	9,269,705	(6,336)
Sub-total HMO	570,609,234	570,058,874	550,360
Delta Dental PPO - Retirees	17,275,944	17,275,944	-
Delta Care	818,335	782,647	35,688
UHC Dental	432,837	430,684	2,153
Sub-total Dental	18,527,116	18,489,275	37,841
Long Term/Short Term Disability	8,070,404	8,075,412	(5,008)
Flexible Benefits	3,983,458	3,983,134	324
Flexible Spending-Dependent Care	5,912,116	5,327,346	584,770
Flexible Spending -Medical Reimbursement	9,828,992	9,722,232	106,760
Healthcare Sustainability Fund (\$3.00)	2,545,101	2,634,773	(89,672)
Adoption & Surrogacy	-	16,163	(16,163)
Sub-total Other Benefits	30,340,070	29,759,059	581,011
TOTAL FULLY INSURED PLANS	619,476,420	618,307,208	1,169,212
SAVINGS AND INVESTMENTS			
Interest	795,159	-	795,159
Performance guarantees	998,343	-	998,343
Forfeitures	-	-	-
TOTAL SAVINGS & INVESTMENTS	1,793,502	-	1,793,502
TRANSFERS OUT OF FORFEITURES			
	-	240,000	(240,000)
TOTAL FUNDS	1,039,279,505	1,054,903,986	(15,624,481)

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

Supplemental Tables - Trust Fund Activity- with Prior Year



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

<i>ACTIVE & RETIRED COMBINED</i>	For 12 Months Ended June 30, 2022	For 12 Months Ended June 30, 2021	\$ Change	% Change
FLEX/SELF-INSURED PLANS				
Blue Shield-Access+ HMO				
Revenues	227,317,887	229,268,675	(1,950,788)	-0.9%
Expenses	(235,105,618)	(221,976,675)	(13,128,943)	5.9% f
Net Blue Shield-Access Excess(Shortage)	(7,787,732)	7,291,999	(15,079,731)	-206.8%
Blue Shield-Trio HMO				
Revenues	104,075,039	104,986,948	(911,909)	-0.9%
Expenses	(111,050,463)	(101,239,554)	(9,810,909)	9.7% f
Net Blue Shield-Trio Excess(Shortage)	(6,975,424)	3,747,394	(10,722,818)	-286.1%
BSC PPO-Accolade, including ASO				
Revenues	21,428,099	0	21,428,099	b
Expenses	(20,483,200)	0	(20,483,200)	b
Net BSC PPO-Accolade Excess(Shortage)	944,900	0	944,900	
UHC Administered PPO				
Revenues	23,966,950	42,166,536	(18,199,586)	-43.2% b
Expenses	(25,477,385)	(41,042,928)	15,565,543	-37.9% b
Net UHC Administered PPO Excess(Shortage)	(1,510,435)	1,123,608	(2,634,044)	-234.4%
Health Net Canopy Care				
Revenues	1,550,606	0	1,550,606	
Expenses	(1,044,955)	0	(1,044,955)	
Net Health Net Canopy Care Excess(Shortage)	505,651	0	505,651	
Delta Dental PPO (Active only)				
Revenues	39,671,002	43,613,888	(3,942,886)	-9.0% h
Expenses	(43,195,158)	(46,837,973)	3,642,816	-7.8% j
Net Delta Dental PPO- (Active Only) Excess(Shortage)	(3,524,156)	(3,224,086)	(300,070)	9.3%
NET FLEX/SELF-INSURED PLANS	(18,347,196)	8,938,916	(27,286,112)	-305.3%


Notes:

- a decrease in membership
- b transitioned on 1/1/20
- 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)

		STATEMENTS OF REVENUES AND EXPENSES FY 2021-2022 VS FY 2020-2021 YEAR-TO-DATE: MAY 31, 2022			
ACTIVE & RETIRED COMBINED		For 11 Months Ended May 31, 2022	For 11 Months Ended May 31, 2021	\$ Change	% Change
FULLY INSURED PLANS					
Kaiser-HMO					
Revenues		473,449,268	464,137,234	9,312,034	2.0% d
Expenses		(472,892,571)	(463,226,706)	(9,665,865)	2.1% d, l
Net Kaiser- HMO Excess(Shortage)		556,697	910,528	(353,831)	-38.9% k
UHC MAPD					
Revenues		87,896,598	85,471,272	2,425,325	2.8% d, l
Expenses		(87,896,598)	(85,471,272)	(2,425,325)	2.8% d, l
Net UHC MAPD Excess(Shortage)		0	0	0	
Vision Service Plan, All (City Plan & HMO)					
Revenues		9,263,369	8,934,145	329,223	3.7% d, l
Expenses		(9,269,705)	(8,934,779)	(334,926)	3.7% d, l
Net Vision Service Plan Excess(Shortage)		(6,336)	(633)	(5,703)	900.2%
Delta Dental PPO - Retirees					
Revenues		17,275,944	16,642,417	633,527	3.8%
Expenses		(17,275,944)	(16,642,417)	(633,527)	3.8%
Net Delta Dental PPO - Retirees Excess(Shortage)		0	0	0	
Delta Care					
Revenues		818,335	807,856	10,479	1.3%
Expenses		(782,647)	(792,742)	10,095	-1.3%
Net Delta Care Excess(Shortage)		35,688	15,114	20,574	136.1%
UHC Dental					
Revenues		432,837	444,141	(11,304)	-2.5%
Expenses		(430,684)	(448,539)	17,855	-4.0%
Net UHC Dental Excess(Shortage)		2,153	(4,398)	6,551	-148.9%
Long Term/Short Term Disability					
Revenues		8,070,404	7,559,967	510,437	6.8%
Expenses		(8,075,412)	(7,566,240)	(509,172)	6.7%
Net Long Term/Short Term Disability Excess(Shortage)		(5,008)	(6,273)	1,265	-20.2% k
Flexible Benefits					
Revenues		3,983,458	3,381,921	601,536	17.8% g
Expenses		(3,983,134)	(3,378,783)	(604,351)	17.9% g
Net Flexible Benefits Excess(Shortage)		324	3,138	(2,814)	-89.7%
Flexible Spending-Dependent Care					
Revenues		5,672,116	3,797,941	1,874,175	49.3% g
Expenses		(5,327,346)	(4,106,998)	(1,220,348)	29.7% g
Net Flexible Spending-Dependent Care Excess(Shortage)		344,770	(309,057)	653,826	-211.6%
Flexible Spending -Medical Reimbursement					
Revenues		9,828,992	9,140,955	688,037	7.5%
Expenses		(9,722,232)	(9,620,769)	(101,463)	1.1% i
Net Flexible Spending-Medical Reimbursement Excess(Shortage)		106,760	(479,815)	586,575	-122.3%
Adoption & Surrogacy					
Expenses		(16,163)	(70,374)	54,212	-77.0%
Healthcare Sustainability Fund (\$3.00)					
Revenues		2,545,101	2,568,786	(23,686)	-0.9%
Expenses		(2,634,773)	(2,314,831)	(319,942)	13.8% e
Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)		(89,672)	253,955	(343,628)	-135.3%
NET FULLY INSURED PLANS		929,212	312,185	617,027	197.6%
SAVINGS AND INVESTMENTS					
Interest		795,159	979,087	(183,928)	
Performance guarantees		998,343	319,270	679,073	
Forfeitures		0	0	0	
TOTAL SAVINGS & INVESTMENTS		1,793,502	1,298,357	495,145	1616.8%
TOTAL NET EXCESS (SHORTAGE)		(15,624,481)	10,549,458	(26,173,940)	-248.1%

Notes:

- a decrease in membership
- b transitioned on 1/1/20
- 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
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