

# SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

## Memorandum

DATE: February 8, 2018

TO: Randy Scott, President and Members of the Health Service Board

FROM: Pamela Levin, Chief Financial Officer

RE: Update on Financial Report as of November 30, 2017

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This report summarizes revenues and expenses of the Employee Benefit Trust Fund (Trust Fund) and the General Fund Administration Budget for the time period of July 1, 2017 to November 30, 2017, as well as fiscal year-end projections through June 30, 2018.

### Employee Benefit Trust Fund

On June 30, 2017, the Trust Fund balance was \$72.5 million. Based on activity through November 2017, the fund balance is projected to be \$72.0 million as of June 30, 2018. The projected \$0.5 million decrease includes reserves for unpaid claims and is a result of the following changes:

1. City Plan Self-Funded Plan - \$7.7 million decrease in fund balance resulting from:
  - a. \$0.8 million increase in fund balance from pharmacy rebates (additional information on page 4)
  - b. \$8.5 million decrease in fund balance:
    - \$3.8 million associated with subsidizing 2017 rates (for the first six months of FY 2017-18) from the claim stabilization reserve
    - \$2.3 million associated with subsidizing 2018 rates (for the second six months of FY 2017-18) from the claim stabilization reserve
    - \$2.4 million due to unfavorable claim experience
2. Blue Shield Flex-Funded Plan - \$2.6 million increase in fund balance resulting from:
  - a. \$8.9 million increase in fund balance:
    - \$2.6 million associated with the increase in 2017 rates (for the first six months of FY 2017-18) to recover the 2015 deficit
    - \$1.8 million associated with the increase in 2018 rates (for the second six months of FY 2017-18) to recover the 2016 deficit
    - \$4.5 million from pharmacy rebates (additional information on page 4)
  - b. \$6.3 million decrease in fund balance due to unfavorable claim experience

3. Delta Dental Self-Funded Plan - \$4.5 million increase in fund balance resulting from:
  - a. \$7.3 million increase in fund balance due to favorable claim experience
  - b. \$2.8 million decrease in fund balance:
    - \$1.2 million decrease in fund balance associated with subsidizing 2017 rates (for the first six months of FY 2017-18) from the claim stabilization reserve
    - \$1.6 million decrease in fund balance associated with subsidizing 2018 rates (for the second six months of FY 2017-18) from the claim stabilization reserve
4. Healthcare Sustainability Fund - The following table reflects the year-to-date actuals through November 30, 2017. The Revised Budget reflects carryforward of unexpended funds from FY 2016-17.

<b>Healthcare Sustainability Fund FY 2017-18</b>				
	Revised Budget	Nov YTD Actuals	Projection	Variance
<b>Revenues/Premiums</b>				
Annual Revenues	\$ 2,351,681	\$ 1,066,835	\$ 2,472,678	\$ 120,997
Carryforward from fund balance	1,713,191	1,713,191	2,506,982	793,791
<b>Total</b>	<b>\$ 4,064,872</b>	<b>\$ 2,780,026</b>	<b>\$ 4,979,660</b>	<b>\$ 914,788</b>
<b>Expenditures</b>				
<b>Annual</b>				
Personnel Services and Mandatory Fringes	\$ 353,662	\$ 102,860	\$ 385,870	\$ (32,208)
<b>Communications</b>				
Open Enrollment Communications	226,892	270,940	281,079	(54,187)
Operations Communications	132,160	408	90,134	42,026
Well-Being Communications	255,000	72,096	250,000	5,000
Other Communications	32,520		34,705	(2,185)
Total Communications	\$ 646,572	\$ 343,444	\$ 655,918	\$ (9,346)
Well-Being	133,000	25,362	100,000	33,000
Initiatives to Reduce Health Care Costs	260,292	82,792	247,792	12,500
SFGTV/Board Meetings	23,000	795	29,100	(6,100)
Contingency for Unforeseen Issues	150,000			150,000
<b>Total Expenditures</b>	<b>\$ 1,566,526</b>	<b>\$ 555,253</b>	<b>\$ 1,418,680</b>	<b>\$ 147,846</b>

	Revised Budget	Nov YTD Actuals	Projections	Variance
<b>Expenditures</b>				
<b>One-time</b>				
Communications				
Open-Enrollment Communications	253,998	9,631	233,829	\$ 20,169
Operations Communications	\$ 1,505,000		\$ 75,000	\$ 1,430,000
Well-Being Communications	1,580		55,000	(53,420)
Other Communications	253,800		154,285	99,515
Total Communications	\$ 2,014,378	9,631	\$ 518,114	1,496,264
Well-Being	2,419		-	2,419
Initiatives to Reduce Health Care Costs	50,000		-	50,000
Total Expenditures	2,066,797	9,631	518,114	1,548,683

\* Ongoing balance to be carried forward into FY 2018-19

5. Interest - \$0.4 million increase in fund balance from HSS Trust cash balances
6. Performance Guarantees – No Performance Guarantees have been received as of November 30, 2017. The \$72.5 million fund balance includes the \$7.6 million in PGs received since FY 2005-06.
7. Performance Guarantees for Adoption and Surrogacy Assistance Plan - \$0.3 million decrease in fund balance for performance guarantees for FY 2017-18. The program was effective January 1, 2017, three reimbursements have been paid for a total of \$47,710, including \$15,585 in FY 2017-18.
8. Forfeitures - the reconciliation of unused flexible spending account balances occurs annually in June for the prior Plan Year.
9. Pharmacy Rebates - The following table summarizes the FY 2017-18 pharmacy rebates as of November 30, 2017 and year-end projection. The rebates offset the amount of claims HSS pays to the vendors.

Vendor	Amount (year to date)	Year-End Projection
Blue Shield	\$2,366,421	\$4,500,000
UHC	268,878	800,000
Total	\$2,635,299	\$5,300,000

General Fund Administration Budget (including Online Premium Payment Project)

Based on the financial results for the first five months of FY 2017-18, a year-end balance of \$0.3 million is projected.



**ACTIVE & RETIRED COMBINED**

	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess(Shortage)
<b>1 SELF-INSURANCE</b>			
2 City Plan, including ASO *	36,791,659	40,645,843	(3,854,185)
3 Blue Shield Flex *	127,582,589	125,597,569	1,985,020
4 Delta Dental - Active only, including ASO	20,166,615	18,134,186	2,032,429
5 <b>TOTAL SELF-INSURANCE</b>	<b>184,540,864</b>	<b>184,377,599</b>	<b>163,265</b>
<b>7 INSURANCE PRODUCTS</b>			
8 Blue Shield-HMO	-	-	-
9 Kaiser-HMO	160,913,582	161,636,148	(722,567)
10 Vision Service Plan, All (City Plan & HMO)	2,108,940	2,108,940	-
11 Sub-total HMO	163,022,522	163,745,088	(722,567)
12			
13 Delta Dental - Retired	5,762,701	5,761,075	1,626
14 Delta Care	391,895	396,670	(4,775)
15 Pacific Union	154,588	155,809	(1,221)
16 Sub-total Dental	6,309,185	6,313,554	(4,369)
17			
18 Long Term/Short Term Disability	3,008,742	3,008,742	0
19 Flexible Benefits	749,349	749,349	(0)
20 Flexible Spending-Dependent Care	2,224,125	1,815,662	408,463
21 Flexible Spending -Medical Reimbursement	2,789,662	1,942,864	846,798
22 Best Doctors (\$1.40)	477,053	477,053	(0)
23 Healthcare Sustainability Fund (\$3.00)	1,066,835	564,884	501,951
24 Adoption & Surrogacy		15,585	(15,585)
25 <b>TOTAL INSURANCE PRODUCTS</b>	<b>179,647,472</b>	<b>178,632,780</b>	<b>1,014,691</b>
<b>27 SAVINGS AND INVESTMENTS</b>			
28 Interest	15,983	-	15,983
28 Performance guarantees	-	-	-
29 Forfeitures	-	-	-
30 <b>TOTAL SAVINGS &amp; INVESTMENTS</b>	<b>15,983</b>	<b>-</b>	<b>15,983</b>
<b>31 TRANSFERS OUT OF FORFEITURES</b>			
32			
33 <b>TOTAL FUNDS</b>	<b>364,204,319</b>	<b>363,010,379</b>	<b>1,193,940</b>
34			

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

SUMMARY- In millions	FY17-18	FY17-18
	Year-To Date Actual As of Nov 2017 - Net	Projected Annual-Net
Self Insurance		
City Plan	(3.9)	(7.7) (a)
Blue Shield-Flex	2.0	2.6 (b)
Dental, Actives	2.0	4.5 (c)
Insurance Products		
Medical HMOs	(0.7)	0.0
Dental	(0.0)	0.0
LTD/Flexible Benefits/FSA/Best Doctors	1.3	0.0
Healthcare Sustainability Fund (\$3.00)	0.5	0.5 (d)
Savings & Investments		
Interest	0.0	0.4
Performance guarantees	0.0	0.0 (e)
Performance guarantees - Surrogacy and adoption	0.0	(0.3) (f)
Forfeitures	0.0	0.0
Transfers Out of Forfeitures	0.0	(0.5) (g)
<b>TOTAL</b>	<b>1.2</b>	<b>(0.5)</b>
Net assets		
Beginning of the year		72.5
End of the year		72.0

(a) Annual Projection is net of claim stabilization of \$3.8 million used to reduce 2017 rates, \$2.3 million to reduce 2018 rates, and Pharmacy rebate of \$0.8 million

(b) Annual Projection is net of claim stabilization of \$2.6 million to increase 2017 rates, \$1.8 million to increase 2018 rates, and Pharmacy rebate of \$4.5 million

(c) Annual Projection is net of claim stabilization of \$1.2 million to reduce 2017 rates and \$1.6 million to reduce 2018 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 2017-2018

(f) Reflects use of fund balance

(g) Transfer of forfeitures to General Fund per FY 2017-2018 budget



**ACTIVE & RETIRED COMBINED**

	For 5 months ended November 30, 2017	For 5 months ended November 30, 2016	\$ Change	% Change	
<b>SELF-INSURANCE</b>					
City Plan, including ASO					
Revenues	36,791,659	19,122,945	17,668,714	92.4%	m
Expenses	(40,645,843)	(24,985,268)	(15,660,575)	62.7%	m
Net City Plan Excess(Shortage)	(3,854,185)	(5,862,324)	2,008,139	-34.3%	
Blue Shield-Flex					
Revenues	127,582,589	125,597,981	1,984,608	1.6%	
Expenses	(125,597,569)	(128,469,133)	2,871,564	-2.2%	
Net Blue Shield-Flex Excess(Shortage)	1,985,020	(2,871,152)	4,856,172	-169.1%	
Delta Dental - Active only, including ASO					
Revenues	20,166,615	19,411,450	755,165	3.9%	d
Expenses	(18,134,186)	(17,232,094)	(902,092)	5.2%	f
Net Delta Dental - Active Excess(Shortage)	2,032,429	2,179,356	(146,927)	-6.7%	
<b>NET SELF-INSURANCE</b>	<b>163,265</b>	<b>(6,554,120)</b>	<b>6,717,385</b>	<b>-102.5%</b>	
<b>INSURANCE PRODUCTS</b>					
Blue Shield-HMO					
Revenues	0	13,141,205	(13,141,205)	-100.0%	m
Expenses	0	(13,141,205)	13,141,205	-100.0%	m
Net Blue Shield HMO Excess(Shortage)	0	0	0	0.0%	
Kaiser-HMO					
Revenues	160,913,582	146,620,742	14,292,840	9.7%	d, l
Expenses	(161,636,148)	(148,077,441)	(13,558,707)	9.2%	d, l
Net Kaiser- HMO Excess(Shortage)	(722,567)	(1,456,699)	734,132	-50.4%	
Vision Service Plan, All (City Plan & HMO)					
Revenues	2,108,940	2,122,055	(13,115)	-0.6%	
Expenses	(2,108,940)	(2,122,055)	13,115	-0.6%	
Net Vision Service Plan Excess(Shortage)	0	0	0	0.0%	
Delta Dental - Retired					
Revenues	5,762,701	5,640,990	121,711	2.2%	
Expenses	(5,761,075)	(5,564,695)	(196,380)	3.5%	d
Net Delta Dental - Retired Excess(Shortage)	1,626	76,295	(74,669)	-97.9%	
Delta Care					
Revenues	391,895	416,784	(24,889)	-6.0%	a
Expenses	(396,670)	(417,782)	21,112	-5.1%	a
Net Delta Care Excess(Shortage)	(4,775)	(998)	(3,777)	378.4%	
Pacific Union					
Revenues	154,588	137,055	17,533	12.8%	d
Expenses	(155,809)	(137,471)	(18,338)	13.3%	d
Net Pacific Union Excess(Shortage)	(1,221)	(416)	(805)	193.4%	
Net Dental	(4,369)	74,881	(79,250)	-105.8%	
Long Term/Short Term Disability					
Revenues	3,008,742	3,067,515	(58,773)	-1.9%	
Expenses	(3,008,742)	(3,067,515)	58,773	-1.9%	
Net Long Term/Short Term Disability Excess(Shortage)	0	0	0	0.0%	
Flexible Benefits					
Revenues	749,349	371,403	377,946	101.8%	k
Expenses	(749,349)	(371,403)	(377,946)	101.8%	k
Net Flexible Benefits Excess(Shortage)	(0)	0	(0)	100.0%	
Flexible Spending-Dependent Care					
Revenues	2,224,125	1,858,223	365,902	19.7%	d
Expenses	(1,815,662)	(1,677,080)	(138,582)	8.3%	f
Net Flexible Spending-Dependent Care Excess(Shortage)	408,463	181,143	227,320	125.5%	
Flexible Spending -Medical Reimbursement					
Revenues	2,789,662	2,082,349	707,313	34.0%	d
Expenses	(1,942,864)	(1,573,038)	(369,826)	23.5%	f
Net Flexible Spending-Medical Reimbursement Excess(Shortage)	846,798	509,311	337,487	66.3%	
Best Doctors (\$1.40)					
Revenues	477,053	0	477,053	100.0%	n
Expenses	(477,053)	0	(477,053)	100.0%	n
Net Best Doctors Excess(Shortage)	(0)	0	(0)	100.0%	
Adoption & Surrogacy					
Expenses	(15,585)	0	(15,585)	100.0%	
Healthcare Sustainability Fund (\$3.00)					
Revenues	1,066,835	686,403	380,432	55.4%	e
Expenses	(564,884)	(548,739)	(16,145)	2.9%	
Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	501,951	137,664	364,287	264.6%	
<b>NET INSURANCE PRODUCTS</b>	<b>1,014,691</b>	<b>(553,700)</b>	<b>1,583,976</b>	<b>-286.1%</b>	
<b>SAVINGS AND INVESTMENTS</b>					
Interest	15,983	161,615	(145,632)	-90.1%	b
Performance guarantees	0	0	0		
Forfeitures	0	0	0		
<b>TOTAL SAVINGS &amp; INVESTMENTS</b>	<b>15,983</b>	<b>161,615</b>	<b>(145,632)</b>	<b>2.1%</b>	
<b>TOTAL NET EXCESS (SHORTAGE)</b>	<b>1,193,940</b>	<b>(6,946,205)</b>	<b>8,155,729</b>	<b>-117.4%</b>	

Notes: a decrease in membership

b delay in interest income posting due to FSP implementation

c decrease in deductions

d increase in membership

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

k implementation of voluntary benefits effective 1/1/17

f increase in claims

h decrease in rates

i increase in rates

g increase in deductions

j decrease in claims

m conversion into New City Plan effective 1/1/17

n effective 1/1/17



**Health Service System**  
CITY & COUNTY OF SAN FRANCISCO

HEALTH SERVICE SYSTEM - ADMINISTRATION  
STATEMENT OF REVENUES AND EXPENDITURES  
As of November 30, 2017

YEAR-TO DATE				ANNUAL					
Fav/(Unfav)				Fav/(Unfav)					
Budget	Actual	Variance	% Var	Original Budget	Revised Budget	Projection	Variance	% Var	
<b>REVENUES</b>									
192,721	15	(192,706)	-100.0%	462,530	462,530	462,530	0	0.0%	
4,599,402	4,599,330	(72)	0.0%	10,981,725	11,038,565	11,038,565	0	0.0%	
178,003	178,003	0	0.0%	0	427,206	427,206	0	0.0%	
4,970,125	4,777,348	(192,778)	-3.9%	11,444,255	11,928,301	11,928,301	0	0.0%	
<b>EXPENDITURES</b>									
2,167,681	2,002,538	165,144	7.6%	5,202,435	5,202,435	5,031,435	171,000	-3.3%	
1,040,155	922,391	117,763	11.3%	2,496,371	2,496,371	2,414,317	82,054	-3.3%	
765,430	430,844	334,586	43.7%	1,679,202	1,837,031	1,837,031	0	0.0%	
21,070	16,591	4,479	21.3%	49,915	50,568	50,568	0	0.0%	
780,632	20,317	760,315	97.4%	2,016,332	2,341,896	2,341,896	0	0.0%	
4,774,967	3,392,680	1,382,287	28.9%	11,444,255	11,928,301	11,675,247	253,054	-2.1%	
195,158	1,384,667	1,189,509		0	0	253,054	253,054		