

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

Memorandum

DATE: March 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 December 31, 2017

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 December 31, 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 December 2017, the fund balance is projected to be \$71.3 million as of June 30, 2018. The projected \$1.2 million decrease includes reserves for unpaid claims and is a result of the following changes:

1. City Plan Self-Funded Plan - \$6.3 million decrease in fund balance resulting from:
 - a. \$0.8 million increase in fund balance from pharmacy rebates (additional information on page 3)
 - b. \$7.1 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
 - \$1.0 million due to unfavorable claim experience
2. Blue Shield Flex-Funded Plan - \$0.5 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 3)
 - b. \$8.4 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 December 31, 2017. Additional details are found on page 6.

Healthcare Sustainability Fund FY 2017-18				
	Revised Budget	Dec YTD Actuals	Projection	Variance
Revenues/Premiums				
Annual Revenues	\$ 2,351,681	\$ 1,275,689	\$ 2,472,678	\$ 120,997
Carryforward from fund balance	1,713,191	1,713,191	2,506,982	793,791
Total	\$ 4,064,872	\$ 2,988,880	\$ 4,979,660	\$ 914,788
Expenditures				
Annual Expenditures	\$ 1,566,526	\$ 538,029	\$ 1,418,680	\$ 147,846
One-time Expenditures	\$ 2,066,797	\$ 80,263	\$ 918,114	\$ 1,148,683
Grand Total Expenditures	\$ 3,633,323	\$ 618,292	\$ 2,336,794	\$ 1,296,529
Balance	\$ 431,549	\$ 2,370,588	\$ 2,642,866	\$ (381,741)

5. Interest - \$0.4 million increase in fund balance from SFHSS Trust cash balances
6. Performance Guarantees – No Performance Guarantees have been received as of December 31, 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, five reimbursements have been paid for a total of \$77,710, including \$45,585 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 December 31, 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	271,535	800,000
Total	\$2,637,956	\$5,300,000

General Fund Administration Budget (including Online Premium Payment Project)

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



HEALTH SERVICE SYSTEM
STATEMENT OF REVENUES AND EXPENSES
FY 2017-2018
FOR THE SIX MONTHS ENDED December 31, 2017

ACTIVE & RETIRED COMBINED

	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess(Shortage)
SELF-INSURANCE			
City Plan, including ASO *	43,972,010	47,918,842	(3,946,832)
Blue Shield Flex *	152,632,748	151,756,142	876,606
Delta Dental - Active only, including ASO	24,067,865	21,603,979	2,463,886
TOTAL SELF-INSURANCE	220,672,623	221,278,963	(606,339)
INSURANCE PRODUCTS			
Blue Shield-HMO	-	-	-
Kaiser-HMO	192,825,577	194,145,059	(1,319,483)
Vision Service Plan, All (City Plan & HMO)	2,532,440	2,532,440	-
Sub-total HMO	195,358,017	196,677,500	(1,319,483)
Delta Dental - Retired	6,978,587	6,912,799	65,788
Delta Care	475,951	475,515	436
Pacific Union	187,905	187,504	401
Sub-total Dental	7,642,443	7,575,819	66,624
Long Term/Short Term Disability	3,619,090	3,619,090	(0)
Flexible Benefits	976,082	976,082	(0)
Flexible Spending-Dependent Care	2,452,861	2,263,807	189,053
Flexible Spending -Medical Reimbursement	3,082,265	2,544,630	537,635
Best Doctors (\$1.40)	572,961	572,961	(0)
Healthcare Sustainability Fund (\$3.00)	1,275,689	618,292	657,397
Adoption & Surrogacy	-	15,585	(15,585)
TOTAL INSURANCE PRODUCTS	214,979,408	214,863,766	115,641
SAVINGS AND INVESTMENTS			
Interest	15,983	-	15,983
Performance guarantees	-	-	-
Forfeitures	-	-	-
TOTAL SAVINGS & INVESTMENTS	15,983	-	15,983
TRANSFERS OUT OF FORFEITURES			
TOTAL FUNDS	435,668,014	436,142,729	(474,715)

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

SUMMARY- In millions	FY17-18	FY17-18
	Year-To Date Actual As of Dec 2017 - Net	Projected Annual-Net
Self Insurance		
City Plan	(3.9)	(6.3) (a)
Blue Shield-Flex	0.9	0.5 (b)
Dental, Actives	2.5	4.5 (c)
Insurance Products		
Medical HMOs	(1.3)	0.0
Dental	0.1	0.0
LTD/Flexible Benefits/FSA/Best Doctors	0.7	0.0
Healthcare Sustainability Fund (\$3.00)	0.7	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)
TOTAL	(0.5)	(1.2)
Net assets		
Beginning of the year		72.5
End of the year		71.3

(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 6 months ended December 31, 2017	For 6 months ended December 31, 2016	\$ Change	% Change	
1 SELF-INSURANCE					
2 City Plan, including ASO					
3 Revenues	43,972,010	23,055,057	20,916,953	90.7%	m
4 Expenses	(47,918,842)	(30,106,107)	(17,812,735)	59.2%	m
5 Net City Plan Excess(Shortage)	(3,946,832)	(7,051,050)	3,104,218	-44.0%	
6 Blue Shield-Flex					
7 Revenues	152,632,748	151,002,324	1,630,424	1.1%	
8 Expenses	(151,756,142)	(153,830,083)	2,073,941	-1.3%	
9 Net Blue Shield-Flex Excess(Shortage)	876,606	(2,827,759)	3,704,365	-131.0%	
10 Delta Dental - Active only, including ASO					
11 Revenues	24,067,865	23,344,943	722,922	3.1%	d
12 Expenses	(21,603,979)	(20,416,110)	(1,187,869)	5.8%	f
13 Net Delta Dental - Active Excess(Shortage)	2,463,886	2,928,833	(464,947)	-15.9%	
14 NET SELF-INSURANCE	(606,339)	(6,949,976)	6,343,636	-91.3%	
15 INSURANCE PRODUCTS					
16 Blue Shield-HMO					
17 Revenues	0	15,781,520	(15,781,520)	-100.0%	m
18 Expenses	0	(15,781,520)	15,781,520	-100.0%	m
19 Net Blue Shield HMO Excess(Shortage)	0	0	0	0.0%	
20 Kaiser-HMO					
21 Revenues	192,825,577	176,850,167	15,975,410	9.0%	d, l
22 Expenses	(194,145,059)	(177,912,848)	(16,232,211)	9.1%	d, l
23 Net Kaiser- HMO Excess(Shortage)	(1,319,483)	(1,062,681)	(256,802)	24.2%	
24 Vision Service Plan, All (City Plan & HMO)					
25 Revenues	2,532,440	2,548,847	(16,407)	-0.6%	
26 Expenses	(2,532,440)	(2,548,847)	16,407	-0.6%	
27 Net Vision Service Plan Excess(Shortage)	0	0	(0)	0.0%	
28					
29 Delta Dental - Retired					
30 Revenues	6,978,587	6,760,098	218,489	3.2%	d
31 Expenses	(6,912,799)	(6,681,497)	(231,302)	3.5%	d
32 Net Delta Dental - Retired Excess(Shortage)	65,788	78,601	(12,813)	-16.3%	
33 Delta Care					
34 Revenues	475,951	500,368	(24,417)	-4.9%	a
35 Expenses	(475,515)	(500,570)	25,055	-5.0%	a
36 Net Delta Care Excess(Shortage)	436	(202)	638	-315.8%	
37 Pacific Union					
38 Revenues	187,905	165,402	22,503	13.6%	d
39 Expenses	(187,504)	(165,449)	(22,055)	13.3%	d
40 Net Pacific Union Excess(Shortage)	401	(47)	448	-952.6%	
41 Net Dental	66,624	78,352	(11,728)	-15.0%	
42					
43 Long Term/Short Term Disability					
44 Revenues	3,619,090	3,694,466	(75,376)	-2.0%	
45 Expenses	(3,619,090)	(3,694,521)	75,431	-2.0%	
46 Net Long Term/Short Term Disability Excess(Shortage)	(0)	(55)	55	0.0%	
47 Flexible Benefits					
48 Revenues	976,082	444,782	531,300	119.5%	k
49 Expenses	(976,082)	(444,782)	(531,300)	119.5%	k
50 Net Flexible Benefits Excess(Shortage)	(0)	0	(0)	100.0%	
51 Flexible Spending-Dependent Care					
52 Revenues	2,452,861	2,234,498	218,363	9.8%	d
53 Expenses	(2,263,807)	(2,081,603)	(182,204)	8.8%	f
54 Net Flexible Spending-Dependent Care Excess(Shortage)	189,053	152,895	36,158	23.6%	
55 Flexible Spending -Medical Reimbursement					
56 Revenues	3,082,265	2,511,181	571,084	22.7%	d
57 Expenses	(2,544,630)	(2,015,422)	(529,208)	26.3%	f
58 Net Flexible Spending-Medical Reimbursement Excess(Shortage)	537,635	495,759	41,876	8.4%	
59 Best Doctors (\$1.40)					
60 Revenues	572,961	0	572,961	100.0%	n
61 Expenses	(572,961)	0	(572,961)	100.0%	n
62 Net Best Doctors Excess(Shortage)	(0)	0	(0)	100.0%	
63 Adoption & Surrogacy					
64 Expenses	(15,585)	0	(15,585)	100.0%	
65 Healthcare Sustainability Fund (\$3.00)					
66 Revenues	1,275,689	824,444	451,245	54.7%	e
67 Expenses	(618,292)	(715,230)	96,938	-13.6%	e
68 Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	657,397	109,214	548,183	501.9%	
69 NET INSURANCE PRODUCTS	115,641	(226,516)	357,742	-157.9%	
70 SAVINGS AND INVESTMENTS					
71 Interest	15,983	195,394	(179,411)	-91.8%	b
72 Performance guarantees	0	0	0		
73 Forfeitures	0	0	0		
74 TOTAL SAVINGS & INVESTMENTS	15,983	195,394	(179,411)	2.6%	
75 TOTAL NET EXCESS (SHORTAGE)	(474,715)	(6,981,098)	6,521,967	-93.4%	

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
l 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

Healthcare Sustainability Fund FY 2017-18				
	Revised Budget	Dec YTD Actuals	Projection	Variance
Revenues/Premiums				
Annual Revenues	\$ 2,351,681	\$ 1,275,689	\$ 2,472,678	\$ 120,997
Carryforward from fund balance	1,713,191	1,713,191	2,506,982	793,791
Total	\$ 4,064,872	\$ 2,988,880	\$ 4,979,660	\$ 914,788
Expenditures				
Annual				
Personnel Services and Mandatory Fringes	\$ 353,662	\$ 136,595	\$ 385,870	\$ (32,208)
Communications				
Open Enrollment Communications	226,892	208,642	281,079	(54,187)
Operations Communications	132,160	408	90,134	42,026
Well-Being Communications	255,000	65,145	250,000	5,000
Other Communications	32,520	2,600	34,705	(2,185)
Total Communications	\$ 646,572	\$ 276,795	\$ 655,918	\$ (9,346)
Well-Being	133,000	25,362	100,000	33,000
Initiatives to Reduce Health Care Costs	260,292	98,250	247,792	12,500
SFGTV/Board Meetings	23,000	1,028	29,100	(6,100)
Contingency for Unforeseen Issues	150,000			150,000
Total Expenditures	\$ 1,566,526	\$ 538,029	\$ 1,418,680	\$ 147,846
One-time				
Communications				
Open-Enrollment Communications	\$ 253,998	\$ 73,312	\$ 233,829	\$ 20,169
Operations Communications	1,505,000		475,000	1,030,000
Well-Being Communications	1,580	6,951	55,000	(53,420)
Other Communications	253,800		154,285	99,515
Total Communications	\$ 2,014,378	\$ 80,263	\$ 918,114	\$ 1,096,264
Well-Being	\$ 2,419		\$ -	\$ 2,419
Initiatives to Reduce Health Care Costs	\$ 50,000		\$ -	\$ 50,000
Total Expenditures	\$ 2,066,797	\$ 80,263	\$ 918,114	\$ 1,148,683
Grand Total Expenditures	\$ 3,633,323	\$ 618,292	\$ 2,336,794	\$ 1,296,529
Balance	\$ 431,549	\$ 2,370,588	\$ 2,642,866	\$ (381,741)



Health Service System
CITY & COUNTY OF SAN FRANCISCO

HEALTH SERVICE SYSTEM - ADMINISTRATION
STATEMENT OF REVENUES AND EXPENDITURES
As of December 31, 2017

YEAR-TO DATE				ANNUAL					
Fav/(Unfav)				Fav/(Unfav)					
Budget	Actual	Variance	% Var	Original Budget	Revised Budget	Projection	Variance	% Var	
REVENUES									
231,265	30	(231,235)	-100.0%	462,530	462,530	462,530	0	0.0%	
5,519,283	5,519,196	(87)	0.0%	10,981,725	11,038,565	11,038,565	0	0.0%	
213,603	213,603	0	0.0%	0	427,206	427,206	0	0.0%	
5,964,151	5,732,829	(231,322)	-3.9%	11,444,255	11,928,301	11,928,301	0	0.0%	
EXPENDITURES									
2,601,218	2,379,173	222,044	8.5%	5,202,435	5,202,435	5,031,435	171,000	-3.3%	
1,248,186	1,103,909	144,276	11.6%	2,496,371	2,496,371	2,414,317	82,054	-3.3%	
918,516	525,607	392,909	42.8%	1,679,202	1,837,031	1,837,031	0	0.0%	
25,284	17,575	7,709	30.5%	49,915	50,568	50,568	0	0.0%	
975,790	20,317	955,473	97.9%	2,016,332	2,341,896	2,341,896	0	0.0%	
5,768,993	4,046,581	1,722,411	29.9%	11,444,255	11,928,301	11,675,247	253,054	-2.1%	
195,158	1,686,248	1,491,090		0	0	253,054	253,054		