

HEALTH SERVICE SYSTEM
CITY & COUNTY OF SAN FRANCISCO

Memorandum

DATE: May 12, 2016
TO: Randy Scott, President and Members of the Health Service Board
FROM: Pamela Levin, Chief Financial Officer
RE: Update on Financial Report as of March 31, 2016

This report summarizes revenues and expenses of the Employee Benefit Trust Fund (Trust Fund) and the General Fund Administration Budget through March 31, 2016, as well as fiscal year-end projections through June 30, 2016.

Employee Benefit Trust Fund

On June 30, 2015, the Trust Fund balance was \$81.5 million. Based on activity through March 2016, the fund balance is projected to be \$72.1 million as of June 30, 2016. The projected \$9.4 million decrease includes reserves for unpaid claims and is a result of the following changes:

1. City Plan - \$10.4 million decrease in fund balance resulting from:
 - a. \$0.6 million increase in fund balance from pharmacy rebates (additional information on page 3)
 - b. \$11.0 million decrease in fund balance:
 - \$3.7 million associated with subsidizing 2015 rates (for the first six months of FY 2015-16) from the claim stabilization reserve
 - \$7.0 million associated with subsidizing 2016 rates (for the second six months of FY 2015-16) from the claim stabilization reserve
 - 0.3 million due to unfavorable claim experience
2. Blue Shield Flex Plan - \$3.0 million decrease in fund balance resulting from:
 - a. \$5.0 million increase in fund balance:
 - \$2.2 million associated with the increase in 2016 rates (for the second six months of FY 2015-16) to recover the 2014 deficit
 - \$2.8 million from pharmacy rebates (additional information on page 3)



b. \$8.0 million decrease in fund balance:

- \$4.9 million associated with subsidizing rates in Plan Year 2015 (for the first six months of FY 2015-16) from the claim stabilization reserve
- \$3.1 million due to unfavorable claim experience

3. Self-insured dental plan - \$3.8 million increase in fund balance associated with:

- \$4.4 million due to favorable claim experience
- \$0.6 million decrease in fund balance associated with subsidizing 2016 rates (for the second six months of FY 2015-16) from the claim stabilization reserve

The projection is consistent with the amount that was presented in the Financial Report as of March 2015.

4. Healthcare Sustainability Fund (\$2.05) - \$0.1 million increase in fund balance

The \$2.05 per member per month charge is one of the components of the premiums. Since the \$2.05 is incorporated in the premiums which has allocated between the employer and employee based on the contribution model.

	Original Budget	Revised Budget	March YTD Actuals	Projection	Balance
Revenues/Premiums	\$ 1,555,310	\$ 1,555,310	\$ 1,209,419	\$ 1,610,259	\$ 54,949
Expenditures					
Personnel Services and Mandatory Fringes	481,308	\$ 481,308	\$ 264,033	\$ 422,350	\$ 58,958
Communications					
Open Enrollment Communications	288,867	288,867	302,301	304,763	(15,896)
Operations Communications	14,700	34,700	44,935	109,350	(74,650)
Wellness Communications	28,000	68,000	10,151	63,000	5,000
Other Communications	9,033	19,033	12,789	23,084	(4,051)
Total Communications	\$ 340,600	\$ 410,600	\$ 370,176	\$ 500,197	\$ (89,597)
Wellness	286,460	286,460	161,792	269,170	17,290
Initiatives to Reduce Health Care Costs	257,500	257,500	195,015	268,090	(10,590)
SFGTV/Board Meetings	-	-	9,530	11,767	(11,767)
Contingency for Unforeseen Issues	189,442	119,442		53,736	65,706
Total Expenditures	\$ 1,555,310	\$ 1,555,310	\$ 1,000,545	\$ 1,525,310	\$ 30,000
Revenue Less Expenses	\$ -	\$ -	\$ 208,874	\$ 84,949	\$ 84,949

The table above reflects the year to date actuals through March 31, 2016. The Revised Budget reflects an increased focus on Communications and the categories in which they are expended. The Balance is the difference between the Revised Budget and the Projection. Projected savings are represented by a positive number while expenditures

that exceed the budget are represented by a (negative) number.

5. Interest - \$0.4 million increase in fund balance from HSS Trust cash balances
6. Performance guarantees - \$0.2 million increase in fund balance due from Blue Shield for the plan year 2014
7. Transfers Out of Forfeitures - \$0.5 million decrease in fund balance associated with transfers to the General Fund pursuant to the FY 2015-16 budget

The Plan Year 2015 run-out period ended on March 31, 2016 and HSS will reconcile the amount of forfeitures associated with Health Care and Dependent Care FSA before the fiscal year-end.

Pharmacy Rebates

The following table summarizes the FY 2015-16 pharmacy rebates as of March 31, 2016 and year-end projection. The rebates reduce the amount of claims HSS pays to the vendors.

Vendor	Amount (year to date)	Time Period Covered	Year-End Projection
Blue Shield	\$1,626,097	April 2015 – September 2015	\$2,800,000
UHC	374,796	October 2014 – September 2015	600,000
Total	\$2,000,893		\$3,400,000

General Fund Administration Budget (including Enterprise Content Management System)

Based on the financial results for the first nine months of FY 2015-16, the budget is projected to be fully expended. Any unexpended balance will be used to fund part-time staff for scanning documents that will be incorporated in the Enterprise Content Management System (ECM), purchase ergonomic equipment, and fund other essential expenditures.



ACTIVE & RETIRED COMBINED

	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess(Shortage)
SELF-INSURANCE			
City Plan, including ASO	32,046,313	39,078,762	(7,032,449)
Blue Shield Flex	216,368,983	223,009,901	(6,640,918)
Delta Dental - Active only, including ASO	34,915,778	31,942,071	2,973,707
TOTAL SELF-INSURANCE	283,331,074	294,030,734	(10,699,660)
INSURANCE PRODUCTS			
Blue Shield-HMO	24,100,127	24,100,127	-
Kaiser-HMO	258,191,330	258,031,956	159,374
Vision Service Plan, All (City Plan & HMO)	3,719,351	3,719,351	-
Sub-total HMO	286,010,808	285,851,434	159,374
Delta Dental - Retired	10,203,728	10,132,022	71,706
Delta Care	760,727	759,092	1,635
Pacific Union	234,990	240,832	(5,842)
Sub-total Dental	11,199,445	11,131,946	67,499
Long Term/Short Term Disability	5,173,970	5,173,970	(0)
Flexible Benefits	704,497	704,497	-
Flexible Spending-Dependent Care	3,019,351	3,374,171	(354,820)
Flexible Spending -Medical Reimbursement	3,373,837	3,881,508	(507,671)
Healthcare Sustainability Fund (\$2.05)	1,209,419	1,000,545	208,874
TOTAL INSURANCE PRODUCTS	310,691,326	311,118,072	(426,745)
SAVINGS AND INVESTMENTS			
Interest	287,202	-	287,202
Performance guarantees	224,710	-	224,710
Forfeitures	-	-	-
TOTAL SAVINGS & INVESTMENTS	511,912	-	511,912
TRANSFERS OUT OF FORFEITURES			
			-
TOTAL FUNDS	594,534,313	605,148,806	(10,614,493)

SUMMARY- In millions

Year-To Date Actual
As of Mar. 2016 - Net

FY15-16

Projected Annual-Net

Self Insurance		
City Plan	(7.0)	(10.4) (a)
Blue Shield-Flex	(6.6)	(3.0) (b)
Dental, Actives	3.0	3.8 (c)
Insurance Products		
Medical HMOs	0.2	0.0
Dental	0.1	0.0
LTD/Flexible Benefits/Flexible Spending	(0.9)	0.0
Healthcare Sustainability Fund (\$2.05)	0.2	0.1 (d)
Savings & Investments		
Interest	0.3	0.4
Performance guarantees	0.2	0.2
Forfeitures	0.0	0.0
Transfers Out of Forfeitures	0.0	(0.5) (e)
TOTAL	(10.6)	(9.4)
Net assets		
Beginning of the year		81.5
End of the year		72.1

(a) Annual Projection is net of claim stabilization of \$3.7 million used to reduce 2015 rates, \$7.0 million to reduce 2016 rates, and Pharmacy rebate of \$0.6 million

(b) Annual Projection is net of claim stabilization of \$4.9 million used to reduce 2015 rates, \$2.2 million to increase 2016 rates, and Pharmacy rebate of \$2.8M

(c) Annual Projection is net of claim stabilization of \$0.6 million to reduce 2016 rates

(d) \$2.05 per member per month for communications, wellness, actuarial work; \$2.05 is part of a total rate, paid 90% to 100% by employer. Annual Projection is \$85,000

(e) Transfer of forfeitures to General Fund per FY 2015-2016 budget



ACTIVE & RETIRED COMBINED

	For nine months ended March 31, 2016	For nine months ended March 31, 2015	\$ Change	% Change	Notes	
1 SELF-INSURANCE						1
2 City Plan, including ASO						2
3 Revenues	32,046,313	38,331,775	(6,285,463)	-16.4%	a, h	3
4 Expenses	(39,078,762)	(37,553,990)	(1,524,772)	4.1%	f	4
5 Net City Plan Excess(Shortage)	(7,032,449)	777,786	(7,810,235)	-1004.2%		5
6 Blue Shield-Flex						6
7 Revenues	216,368,983	206,518,005	9,850,978	4.8%	l	7
8 Expenses	(223,009,901)	(215,643,435)	(7,366,466)	3.4%	f	8
9 Net Blue Shield-Flex Excess(Shortage)	(6,640,918)	(9,125,430)	2,484,512	-27.2%		9
10 Delta Dental - Active only, including ASO						10
11 Revenues	34,915,778	34,078,540	837,238	2.5%		11
12 Expenses	(31,942,071)	(31,639,681)	(302,390)	1.0%		12
13 Net Delta Dental - Active Excess(Shortage)	2,973,707	2,438,859	534,848	21.9%		13
14 NET SELF-INSURANCE	(10,699,660)	(5,908,785)	(4,790,875)	81.1%		14
15 INSURANCE PRODUCTS						15
16 Blue Shield-HMO						16
17 Revenues	24,100,127	23,125,285	974,842	4.2%	d, l	17
18 Expenses	(24,100,127)	(23,165,950)	(934,177)	4.0%	d, l	18
19 Net Blue Shield HMO Excess(Shortage)	-	(40,665)	40,665	-100.0%		19
20 Kaiser-HMO						20
21 Revenues	258,191,330	254,215,381	3,975,949	1.6%		21
22 Expenses	(258,031,956)	(252,972,025)	(5,059,931)	2.0%		22
23 Net Kaiser- HMO Excess(Shortage)	159,374	1,243,356	(1,083,982)	-87.2%		23
24 Vision Service Plan, All (City Plan & HMO)						24
25 Revenues	3,719,351	3,590,572	128,779	3.6%	d, l	25
26 Expenses	(3,719,351)	(3,590,572)	(128,779)	3.6%	d, l	26
27 Net Vision Service Plan Excess(Shortage)	-	-	-	-		27
28						28
29 Delta Dental - Retired						29
30 Revenues	10,203,728	9,526,702	677,026	7.1%	d, l	30
31 Expenses	(10,132,022)	(9,501,215)	(630,807)	6.6%	d, l	31
32 Net Delta Dental - Retired Excess(Shortage)	71,706	25,487	46,219	181.3%		32
33 Delta Care						33
34 Revenues	760,727	752,625	8,102	1.1%		34
35 Expenses	(759,092)	(744,959)	(14,133)	1.9%		35
36 Net Delta Care Excess(Shortage)	1,635	7,666	(6,031)	-78.7%		36
37 Pacific Union						37
38 Revenues	234,990	242,647	(7,657)	-3.2%	a	38
39 Expenses	(240,832)	(240,023)	(809)	0.3%		39
40 Net Pacific Union Excess(Shortage)	(5,842)	2,624	(8,466)	-322.6%		40
41 Net Dental	67,499	35,777	31,722	88.7%		41
42						42
43 Long Term/Short Term Disability						43
44 Revenues	5,173,970	4,751,589	422,381	8.9%	d	44
45 Expenses	(5,173,970)	(4,750,607)	(423,363)	8.9%	d	45
46 Net Long Term/Short Term Disability Excess(Shortage)	(0)	982	(982)	-100.0%		46
47 Flexible Benefits						47
48 Revenues	704,497	682,822	21,675	3.2%	g	48
49 Expenses	(704,497)	(687,283)	(17,214)	2.5%		49
50 Net Flexible Benefits Excess(Shortage)	-	(4,461)	4,461	-100.0%		50
51 Flexible Spending-Dependent Care						51
52 Revenues	3,019,351	2,952,486	66,865	2.3%		52
53 Expenses	(3,374,171)	(3,017,968)	(356,204)	11.8%	f	53
54 Net Flexible Spending-Dependent Care Excess(Shortage)	(354,820)	(65,482)	(289,339)	441.9%		54
55 Flexible Spending -Medical Reimbursement						55
56 Revenues	3,373,837	3,243,324	130,513	4.0%	g	56
57 Expenses	(3,881,508)	(2,914,095)	(967,413)	33.2%	f	57
58 Net Flexible Spending-Medical Reimbursement Excess(Shortage)	(507,671)	329,229	(836,900)	-254.2%		58
59 Healthcare Sustainability Fund (\$2.05)						59
60 Revenues	1,209,419	1,170,075	39,344	3.4%	e	60
61 Expenses	(1,000,545)	(785,835)	(214,710)	27.3%	e	61
62 Net Healthcare Sustainability Fund (\$2.05) Excess(Shortage)	208,874	384,240	(175,366)	-45.6%		62
63 NET INSURANCE PRODUCTS	(426,745)	1,882,976	(2,309,721)	-122.7%		63
64 SAVINGS AND INVESTMENTS						64
65 Interest	287,202	550,843	(263,641)	-47.9%	b	65
66 Performance guarantees	224,710	446,800	(222,090)	-49.7%		66
67 Forfeitures	-	-	-	-		67
68 TOTAL SAVINGS & INVESTMENTS	511,912	997,643	(485,731)	-48.7%		68
69 TOTAL NET EXCESS (SHORTAGE)	(10,614,493)	(3,028,166)	(7,586,326)	250.5%		69

Notes: a decrease in membership
b decrease in cash balance
c decrease in deductions
d increase in membership
e \$.05 per member per month for communications, wellness, actuarial work

f increase in claims
h decrease in rates
l increase in rates
g increase in deductions



Health Service System
CITY & COUNTY OF SAN FRANCISCO

HEALTH SERVICE SYSTEM - ADMINISTRATION
STATEMENT OF REVENUES AND EXPENDITURES
As of March 31, 2016

YEAR-TO DATE				ANNUAL						
Fav/(Unfav)				Fav/(Unfav)						
Budget	Actual	Variance	% Var	Original Budget	Carryforward/ Changes	Revised Budget	Projection	Variance	% Var	
REVENUES										
346,898	75	(346,823)	-100.0%	462,530	0	462,530	462,530	0	0.0%	Non-Operating Revenue
7,713,069	7,713,069	0	0.0%	10,264,090	15,000	10,279,090	10,279,090	0	0.0%	Work Order Recovery
349,999	349,999	0	0.0%	0	349,999	349,999	349,999	0	0.0%	General Fund Carryforward
8,409,965	8,063,143	(346,823)	-4.1%	10,726,620	364,999	11,091,619	11,091,619	0	0.0%	TOTAL REVENUES
EXPENDITURES										
3,656,787	3,522,229	134,558	3.7%	4,875,716	0	4,875,716	4,875,716	0	0.0%	Personnel Services
1,681,112	1,631,658	49,454	2.9%	2,241,483	0	2,241,483	2,241,483	0	0.0%	Mandatory Fringe Benefits
1,620,128	1,125,699	494,428	30.5%	1,923,266	236,904	2,160,170	2,160,170	0	0.0%	Non-personnel Services
34,403	25,794	8,609	25.0%	41,700	4,170	45,870	45,870	0	0.0%	Materials & Supplies
56,250	0	56,250	100.0%	75,000	0	75,000	75,000	0	0.0%	Equipment
1,270,035	738,202	531,833	41.9%	1,569,455	123,925	1,693,380	1,693,380	0	0.0%	Services of Other Departments
8,318,714	7,043,582	1,275,132	15.3%	10,726,620	364,999	11,091,619	11,091,619	0	0.0%	TOTAL EXPENDITURES
91,251	1,019,561	928,310	1017%	0	0	0	0	0		REVENUE LESS EXPENDITURES