

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

Memorandum

DATE: February 13, 2020
TO: Karen Breslin, President and Members of the Health Service Board
FROM: Pamela Levin, Chief Financial Officer
RE: Financial Report as of November 30, 2019

This report summarizes revenues and expenses of the Employee Benefit Trust Fund (Trust Fund) and the General Fund Administration Budget for the first five months of FY 2019-20, as well as fiscal year-end projections through June 30, 2020.

Employee Benefit Trust Fund

On June 30, 2019, the audited Trust Fund balance was \$92.2 million. Based on activity through November 2019, the fund balance is projected to be \$94.3 million as of June 30, 2020. The projected \$2.1 million increase includes reserves for unpaid claims and is a result of the following changes:

	Change in Fund Balance (in millions)	Page
United Health Care PPO Plan	\$ (1.2)	2
Blue Shield Access+ Flex-Funded Plan	13.1	3
Blue Shield Trio Flex-Funded Plan	(5.8)	4
Delta Dental Self-Funded Plan	(3.3)	5
Health Care Sustainability Fund	(1.2)	6
Interest	1.0	6
Performance Guarantees	0.3	6
Performance Guarantees – Surrogacy and Adoption Assistance Plan	(0.2)	6
Forfeitures	0.0	6
Transfers Out	(0.6)	6
Total	\$ 2.1	

Pharmacy Rebates are discussed on page 7.

General Fund Administration Budget

Based on the financial results for the first five months of FY 2019-20, the General Fund Administration budget is projected to end the year with \$0.1 million surplus.

United Health Care PPO Plan

Fiscal Year End Projection

A \$1.2 million decrease in fund balance is projected as a result of the following:

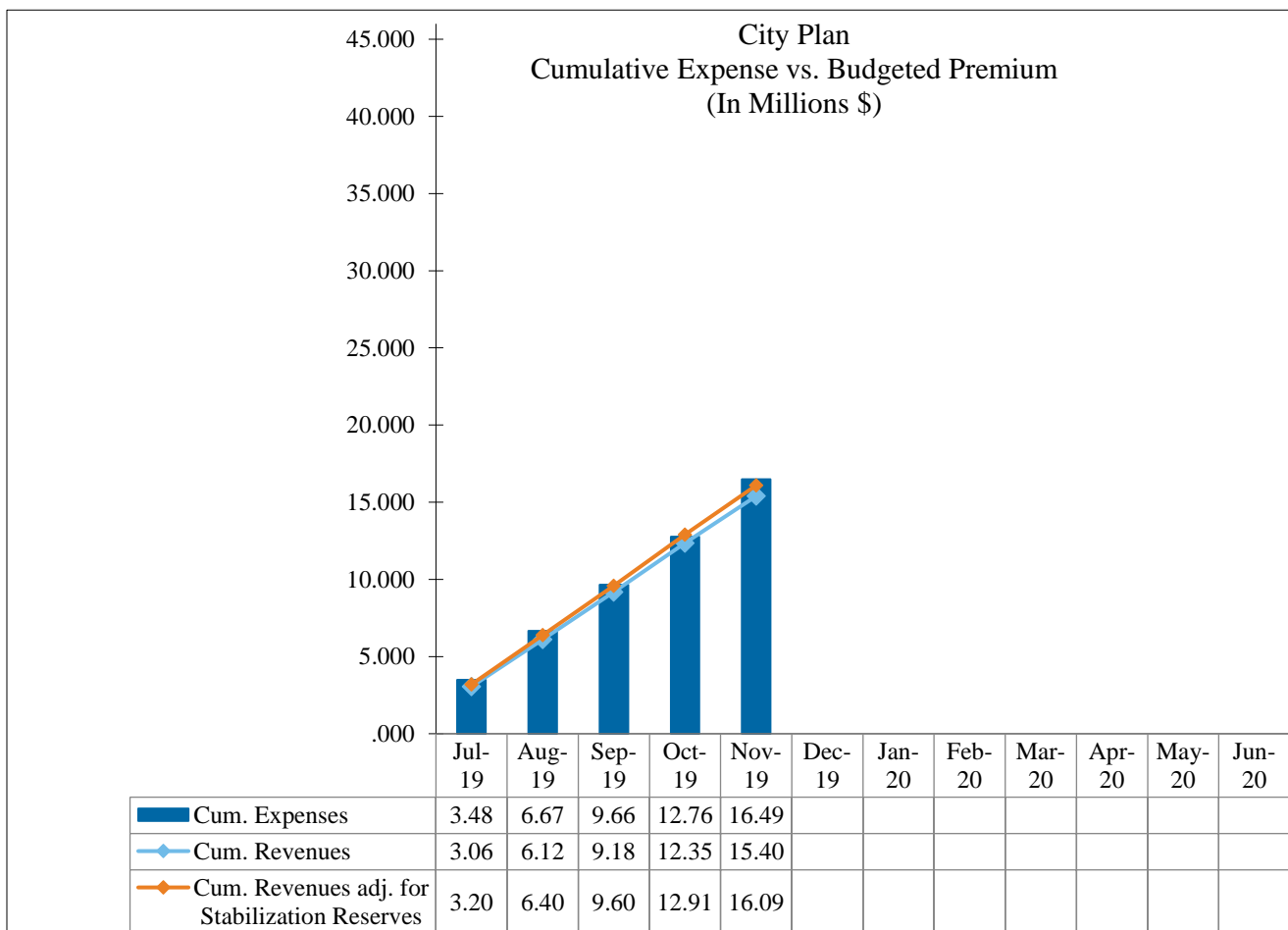
a. \$2.3 million decrease in fund balance:

- \$0.8 million associated with subsidizing 2019 rates (for the first six months of FY 2019-20) from the claim stabilization reserve
- \$1.5 million decrease in fund balance due to unfavorable claim experience

b. \$1.1 million increase in fund balance:

- \$0.1 million associated with the increase in 2020 rates (for the second six months of FY 2019-20) to recover the 2018 deficit
- \$1.0 million of pharmacy rebates (additional information on page 7)

First Five (5) months



With five four months of experience, cumulative expenses for UHC PPO track \$0.40 M more than the expected cost levels regardless of whether cumulative expenses are compared to the actual revenues (\$16.49 M - \$16.09 M) and when the cumulative expenses are compared to cumulative revenues with the \$0.69 M buy-down for the rate stabilization reserves (\$16.49 M - (\$15.4 M + \$0.69 M)).

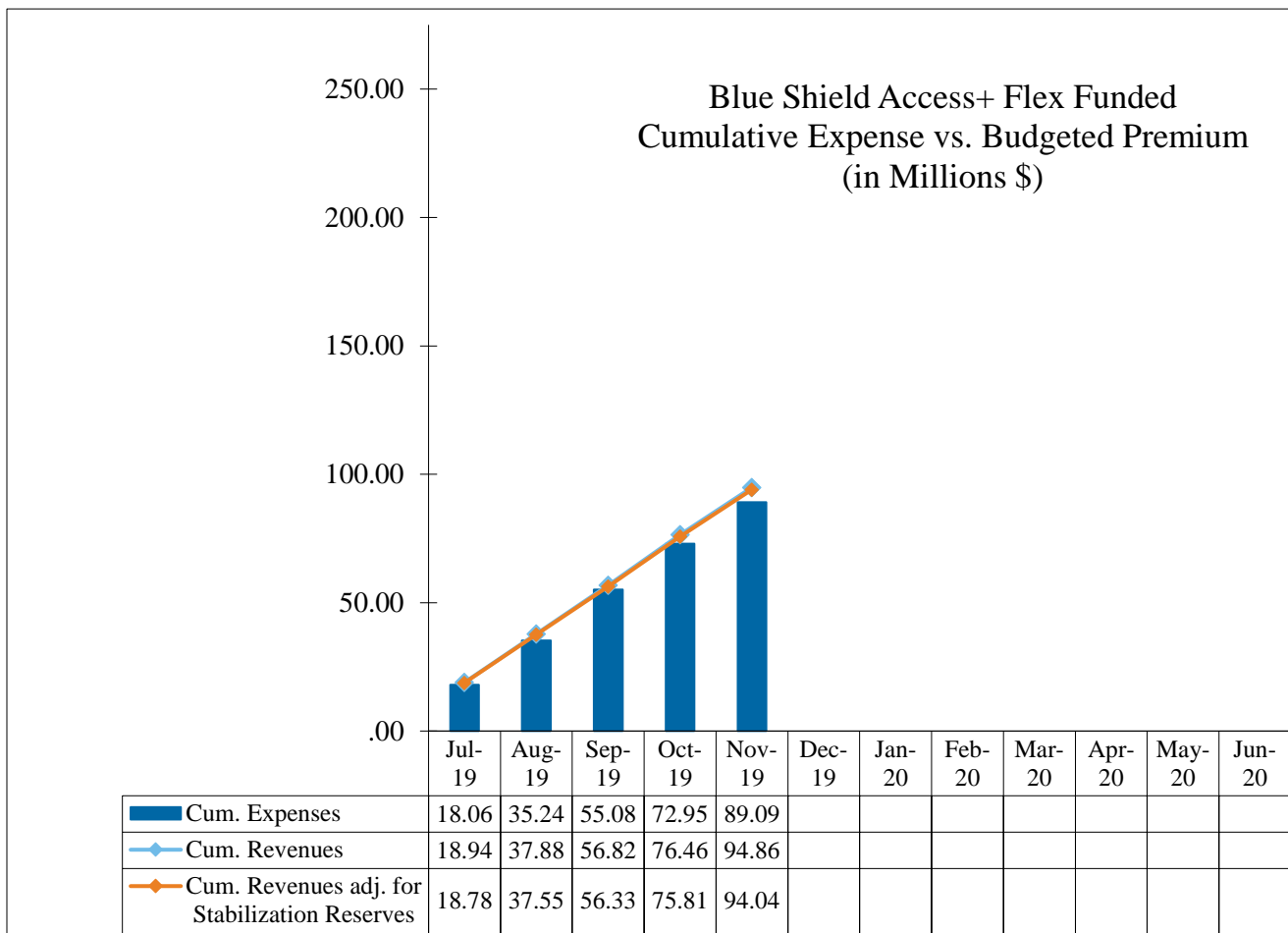
Blue Shield Access+ Flex Funded Plan

Fiscal Year End Projection

A \$13.1 million increase in fund balance is projected resulting from:

- \$1.0 million associated with the increase in 2019 rates (for the first six months of FY 2019-20) to recover the 2017 deficit
- \$0.6 million associated with the increase in 2020 rates (for the second six months of FY 2019-20) to recover the 2018 deficit
- \$4.8 million of pharmacy rebates (additional information on page 7)
- \$6.7 million due to favorable claim experience

First Five (5) months



With five months of experience, cumulative expenses for BSC Access+ track \$4.95 M less than the expected cost levels regardless of whether cumulative expenses are compared to the actual revenues (\$89.09 M - \$94.04 M) and when the cumulative expenses are compared to cumulative revenues with the \$0.82 M buy-up for the rate stabilization reserves (\$89.09 M – (\$94.86 M - \$0.82 M)).

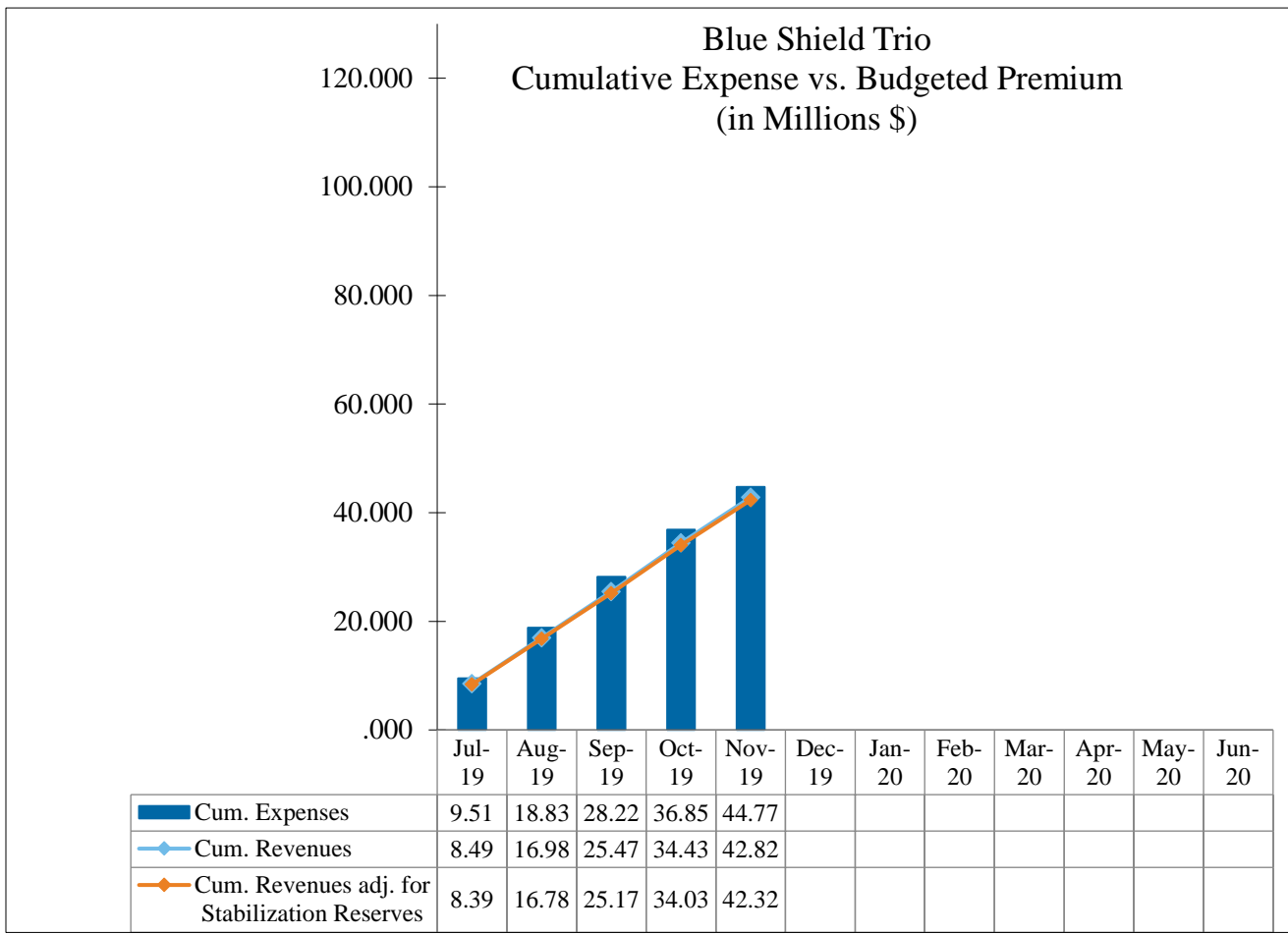
Blue Shield Trio Flex-Funded Plan

Fiscal Year End Projection

A \$5.8 million decrease in fund balance is projected resulting from:

- a. \$3.1 million increase in fund balance:
 - \$0.6 million associated with the increase in 2019 rates (for the first six months of FY 2019-20) to recover the 2017 deficit
 - \$0.3 million associated with the increase in 2020 rates (for the second six months of FY 2019-20) to recover the 2018 deficit
 - \$2.2 million in pharmacy rebates (additional information on page 7)
- b. \$8.9 million decrease in fund balance due to unfavorable claim experience.

First Five (5) Months



Based on five months of experience, cumulative expenses for BSC Trio are \$2.45 M more than the expected cost levels regardless of whether cumulative expenses are compared to the actual revenues (\$44.77 M - \$42.32 M) and when the cumulative expenses are compared to cumulative revenues with the \$0.5 M buy-up for the rate stabilization reserves (\$44.77 M - (\$42.82 M - \$0.5 M)).

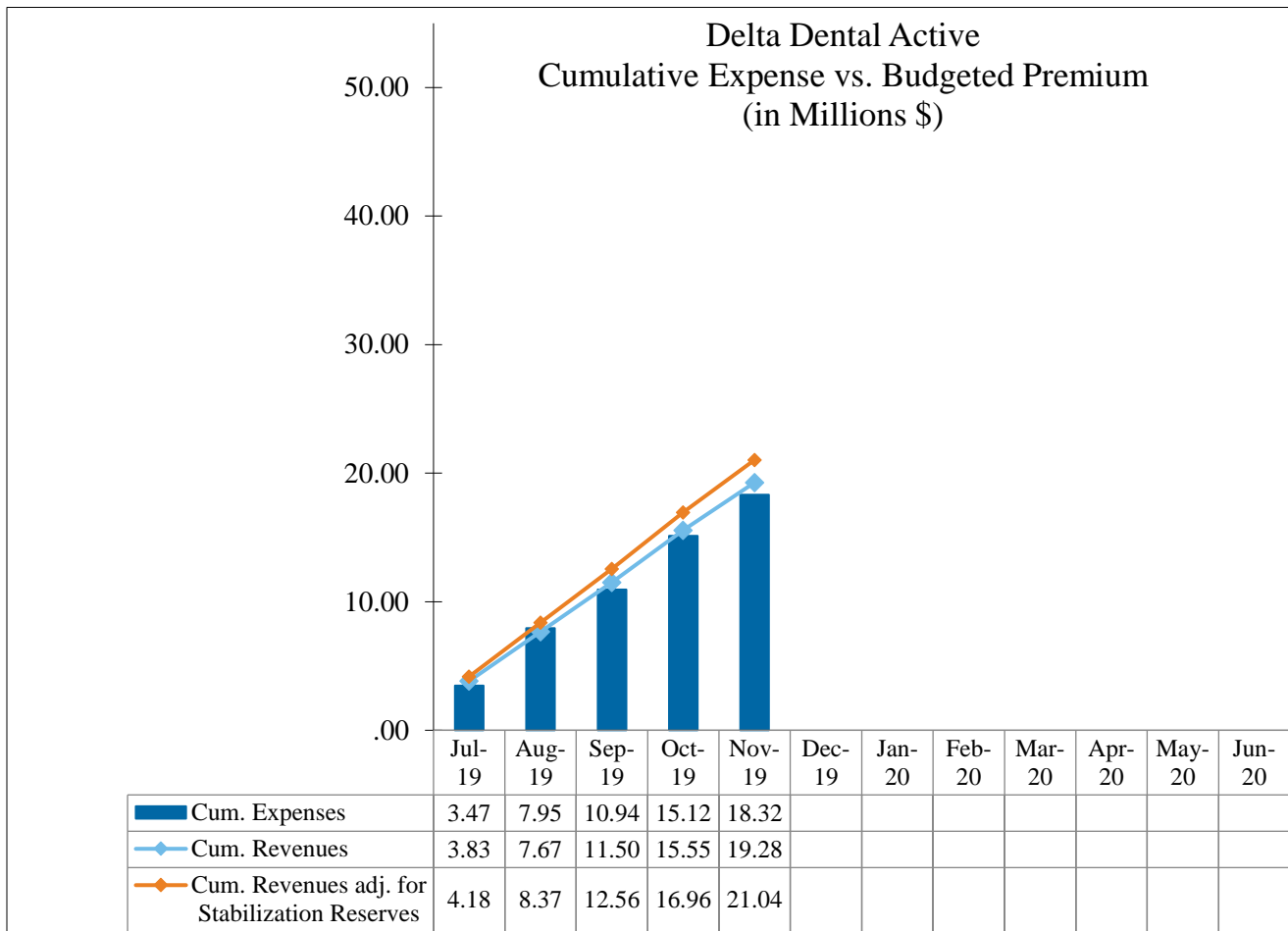
Delta Dental Self-Funded Plan

Fiscal Year End Projection

\$3.3 million decrease in fund balance is projected resulting from:

- a. \$2.3 million increase in fund balance due to favorable claim experience
- b. \$5.6 million decrease in fund balance:
 - \$2.1 million decrease in fund balance associated with subsidizing 2019 rates (for the first six months of FY 2019-20) from the claim stabilization reserve
 - \$3.5 million decrease in fund balance associated with subsidizing 2020 rates (for the second six months of FY 2019-20) from the claim stabilization reserve

First Five (5) Months



Based on five months of experience, cumulative expenses for Delta Dental are \$2.72 M less than the expected cost levels regardless of whether cumulative expenses are compared to the expected cost levels (\$18.32 M - \$21.04 M) and when the cumulative expenses are compared to cumulative revenues with the \$1.76 M buy-down for the rate stabilization reserves (\$18.32 M - (\$19.28 M + \$1.76 M)).

Other Trust Fund Notes

Healthcare Sustainability Fund

The following table reflects the year-to-date actuals through November 30, 2019. With five (5) months of actuals, a projected balance of \$2.73 million is expected at the end of FY 2019-20. The annual revenues are projected to be \$127,978 more than the annual expenditures.

Healthcare Sustainability Fund FY 2019-20				
	Revised Budget	Nov YTD Actual	Projection	Variance
Revenues/Premiums				
Annual Revenues	\$ 2,602,555	\$ 1,060,443	\$ 2,551,247	\$ (51,308)
Carryforward from fund balance	3,080,176	3,080,176	3,909,772	829,596
Total	\$ 5,682,731	\$ 4,140,619	\$ 6,461,019	\$ 778,288
Expenditures				
Annual Expenditures	\$ 2,676,868	\$ 647,014	\$ 2,423,269	\$ (253,599)
One-time Expenditures	2,215,436	325,328	1,305,422	(910,014)
Grand Total Expenditures	\$ 4,892,304	\$ 972,342	\$ 3,728,691	\$ (1,163,613)
Balance	\$ 790,427	\$ 3,168,277	\$ 2,732,328	\$ 1,941,901

Interest

An \$1.0 million increase in fund balance is projected based on the Trust Fund cash balances for FY 2019-20.

Performance Guarantees

\$0.3 million of performance guarantees have been received in FY 2019-20. The \$92.2 million fund balance includes the \$8.3 million in PGs received since FY 2005-06.

Performance Guarantees for Adoption and Surrogacy Assistance Plan

Performance guarantees are used to fund the Adoption and Surrogacy Assistance Plan. As of November 30, 2019, \$44,900 has been reimburse to members, and the year-end projection is \$185,000.

Forfeitures and Transfers Out

The IRS allows forfeitures from flexible spending accounts to be used to fund the administration of the accounts. Since the funding for the administration is in the General Fund and the forfeitures reside in the Trust, a transfer needs to be made at the close of each fiscal year. If required to balance the General Fund budget, up to \$0.6 million will be transferred. The goal is to minimize the transfer each fiscal year.

Pharmacy Rebates

The following table summarizes the FY 2019-20 pharmacy rebates as of November 30, 2019 and year-end projection. The rebates are provided at the end of each quarter. As of November 30, 2019, \$2.0 million of pharmacy rebates has been received. The year-end projection is \$8.0 million. The rebates offset the claims payments to the plans.

Vendor	Amount (year to date)	Year-End Projection
Blue Shield	\$1,777,644	\$7,000,000
UHC	\$ 206,022	\$1,000,000
Total	\$1,983,666	\$8,000,000



ACTIVE & RETIRED COMBINED

	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess(Shortage)
1 SELF-INSURANCE			
2 UHC PPO, including ASO *	15,398,601	16,487,595	(1,088,994)
3 Blue Shield Access+ *	94,860,729	89,087,607	5,773,122
4 Blue Shield Trio *	42,823,173	44,766,775	(1,943,602)
5 Delta Dental - Active only, including ASO	19,277,928	18,319,732	958,195
6 TOTAL SELF-INSURANCE	172,360,430	168,661,709	3,698,721
8 INSURANCE PRODUCTS			
9 UHC MAPD	30,200,785	30,200,785	0
10 Kaiser-HMO	175,583,314	175,157,841	425,473
11 Vision Service Plan, All (City Plan & HMO)	3,320,580	3,306,442	14,138
12 Sub-total HMO	209,104,680	208,665,069	439,611
14 Delta Dental - Retired	6,747,952	6,711,039	36,913
15 Delta Care	372,820	363,834	8,986
16 UHC Dental	189,095	187,200	1,895
17 Sub-total Dental	7,309,867	7,262,072	47,795
19 Long Term/Short Term Disability	3,234,119	3,234,119	-
20 Flexible Benefits	1,238,894	1,238,855	40
21 Flexible Spending-Dependent Care	2,556,508	2,070,043	486,465
22 Flexible Spending -Medical Reimbursement	3,707,201	2,343,366	1,363,835
23 Best Doctors (\$1.15)	406,032	404,933	1,098
24 Healthcare Sustainability Fund (\$3.00)	1,060,443	972,342	88,101
25 Adoption & Surrogacy		48,312	(48,312)
26 TOTAL INSURANCE PRODUCTS	228,617,745	226,239,112	2,378,634
28 SAVINGS AND INVESTMENTS			
29 Interest	0		0
30 Performance guarantees	0		0
31 Forfeitures	0		0
32 TOTAL SAVINGS & INVESTMENTS	0		0
34 TRANSFERS OUT OF FORFEITURES		0	0
36 TOTAL FUNDS	400,978,175	394,900,821	6,077,354

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

	FY19-20 Year-To Date Actual As of November 2019 - Net	FY19-20 Projected Annual-Net
SUMMARY- In millions		
Self Insurance		
UHC PPO	(1.1)	(1.2) (a)
Blue Shield-Access+	5.8	13.1 (b)
Blue Shield-Trio	(1.9)	(5.8) (b)
Dental, Actives	1.0	(3.3) (c)
Insurance Products		
Medical HMOs	0.4	0.0
Dental	0.0	0.0
LTD/Flexible Benefits/FSA/Best Doctors	1.9	0.0
Healthcare Sustainability Fund (\$3.00)	0.1	(1.2) (d)
Savings & Investments		
Interest	0.0	1.0
Performance guarantees	0.0	0.3 (e)
Performance guarantees - Surrogacy and adoption	0.0	(0.2) (f)
Forfeitures	0.0	0.0
Transfers Out	0.0	(0.6) (g)
TOTAL	6.1	2.1
Net assets		
Beginning of the year		92.2
End of the year		94.3

(a) Annual Projection is net of claim stabilization of \$0.8 million used to reduce 2019 rates, \$0.1 million to increase 2020 rates, and Pharmacy rebate of \$1.0 million

(b) Annual Projection is net of claim stabilization of \$1.6 million to increase 2019 rates, \$0.9 million to increase 2020 rates, and Pharmacy rebate of \$7 million

(c) Annual Projection is net of claim stabilization of \$2.1 million to reduce 2019 rates and \$3.5 million to reduce 2020 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 2019-2020

(f) Reflects use of fund balance

(g) Transfer of \$0.6M from forfeitures to General Fund per FY 2019-2020 budget



	For 5 months ended November 30, 2019	For 5 months ended November 30, 2018	\$ Change	% Change	
1 SELF-INSURANCE					
2 UHC PPO, including ASO					
3 Revenues	15,398,601	13,571,473	1,827,128	13.5%	l
4 Expenses	(16,487,595)	(15,028,132)	(1,459,464)	9.7%	f
5 Net UHC PPO Excess(Shortage)	(1,088,994)	(1,456,658)	367,664		
6 Blue Shield-Access+					
7 Revenues	94,860,729	82,387,251	12,473,478	15.1%	d, l
8 Expenses	(89,087,607)	(83,285,982)	(5,801,624)	7.0%	f
9 Net Blue Shield-Access Excess(Shortage)	5,773,122	(898,732)	6,671,854		
10 Blue Shield-Trio					
11 Revenues	42,823,173	45,110,846	(2,287,673)	-5.1%	a
12 Expenses	(44,766,775)	(44,793,613)	26,838	-0.1%	
13 Net Blue Shield-Trio Excess(Shortage)	(1,943,602)	317,233	(2,260,835)		
14 Delta Dental - Active only, including ASO					
15 Revenues	19,277,928	20,186,898	(908,971)	-4.5%	h
16 Expenses	(18,319,732)	(18,126,908)	(192,824)	1.1%	
17 Net Delta Dental - Active Excess(Shortage)	958,195	2,059,990	(1,101,795)		
18 NET SELF-INSURANCE	3,698,721	21,832	3,676,888		
19 INSURANCE PRODUCTS					
24 Kaiser-HMO					
25 Revenues	175,583,314	175,059,971	523,343	0.3%	
26 Expenses	(175,157,841)	(175,081,885)	(75,957)	0.0%	
27 Net Kaiser- HMO Excess(Shortage)	425,473	(21,914)	447,387		
28 UHC MAPD					
29 Revenues	30,200,785	29,295,048	905,737	3.1%	d
30 Expenses	(30,200,785)	(29,295,048)	(905,737)	3.1%	d
31 Net UHC MAPD Excess(Shortage)	0	0	0		
32 Vision Service Plan, All (City Plan & HMO)					
33 Revenues	3,320,580	3,025,240	295,340	9.8%	o, d
34 Expenses	(3,306,442)	(3,008,127)	(298,315)	9.9%	o, d
35 Net Vision Service Plan Excess(Shortage)	14,138	17,113	(2,975)		
36					
37 Delta Dental - Retired					
38 Revenues	6,747,952	6,222,445	525,507	8.4%	d
39 Expenses	(6,711,039)	(6,387,309)	(323,730)	5.1%	d
40 Net Delta Dental - Retired Excess(Shortage)	36,913	(164,864)	201,777		
41 Delta Care					
42 Revenues	372,820	383,438	(10,618)	-2.8%	
43 Expenses	(363,834)	(372,674)	8,841	-2.4%	
44 Net Delta Care Excess(Shortage)	8,986	10,763	(1,777)		
45 UHC Dental					
46 Revenues	189,095	169,552	19,543	11.5%	d
47 Expenses	(187,200)	(167,850)	(19,350)	11.5%	d
48 Net UHC Dental Excess(Shortage)	1,895	1,703	192		
49 Net Dental	47,795	(152,397)	200,192		
50					
51 Long Term/Short Term Disability					
52 Revenues	3,234,119	3,116,191	117,928	3.8%	d
53 Expenses	(3,234,119)	(3,116,191)	(117,928)	3.8%	d
54 Net Long Term/Short Term Disability Excess(Shortage)	0	0	0		
55 Flexible Benefits					
56 Revenues	1,238,894	1,022,698	216,197	21.1%	g
57 Expenses	(1,238,855)	(1,022,673)	(216,182)	21.1%	g
58 Net Flexible Benefits Excess(Shortage)	40	25	15		
59 Flexible Spending-Dependent Care					
60 Revenues	2,556,508	2,398,633	157,875	6.6%	d
61 Expenses	(2,070,043)	(1,969,381)	(100,662)	5.1%	f
62 Net Flexible Spending-Dependent Care Excess(Shortage)	486,465	429,252	57,213		
63 Flexible Spending -Medical Reimbursement					
64 Revenues	3,707,201	3,233,919	473,282	14.6%	d
65 Expenses	(2,343,366)	(2,188,814)	(154,551)	7.1%	f
66 Net Flexible Spending-Medical Reimbursement Excess(Shortage)	1,363,835	1,045,105	318,730		
67 Best Doctors (\$1.15)					
68 Revenues	406,032	490,398	(84,366)	-17.2%	b
69 Expenses	(404,933)	(486,174)	81,240	-16.7%	b
70 Net Best Doctors Excess(Shortage)	1,098	4,224	(3,126)		
71 Adoption & Surrogacy					
72 Expenses	(48,312)	(47,376)	(936)	2.0%	
73 Healthcare Sustainability Fund (\$3.00)					
74 Revenues	1,060,443	1,051,875	8,568	0.8%	
75 Expenses	(972,342)	(757,520)	(214,822)	28.4%	e
76 Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	88,101	294,355	(206,254)		
77 NET INSURANCE PRODUCTS	2,378,634	1,568,388	810,246		
78 SAVINGS AND INVESTMENTS					
79 Interest	0	0	0		
80 Performance guarantees	0	0	0		
81 TOTAL SAVINGS & INVESTMENTS	0	0	0		
82 TOTAL NET EXCESS (SHORTAGE)	6,077,354	1,590,220	4,487,134		

Notes: a decrease in membership
c decrease in deductions
d increase in membership
e \$3 per member per month for communications, wellness, actuarial work
f increase in claims

l increase in rates
g increase in deductions
j decrease in claims
o vision buy-up effective 1/1/18
p effective 1/1/18
h decrease in rates
b decrease in rates from \$1.40 to \$1.15

Healthcare Sustainability Fund FY 2019-20

	Revised Budget	Nov YTD Actual	Projection	Variance
Revenues/Premiums				
Annual Revenues	\$ 2,602,555	\$ 1,060,443	\$ 2,551,247	\$ 1,490,804
Carryforward from fund balance	3,080,176	3,080,176	3,909,772	829,596
Total	\$ 5,682,731	\$ 4,140,619	\$ 6,461,019	\$ 2,320,400
Expenditures				
Annual				
Personnel Services and Mandatory Fringes	\$ 1,262,265	228,316	\$ 1,081,221	\$ 181,044
Communications				
Open Enrollment Communications	353,561	277,314	348,561	76,247
Operations Communications	156,754	11,810	194,567	144,944
Well-Being Communications	175,750	12,363	158,000	163,387
Other Communications	90,332	25,415	62,138	64,917
Total Communications	\$ 776,397	\$ 326,903	\$ 763,266	\$ 449,494
Well-Being	337,500	9,763	262,453	327,737
Initiatives to Reduce Health Care Costs	282,500	81,125	298,123	201,375
Board Transcription Services/SFGOV	18,206	908	18,206	17,299
Contingency for Unforeseen Issues			-	-
Total Annual Expenditures	\$ 2,676,868	\$ 647,014	2,423,269	\$ 1,176,949
One-Time				
Communications				
Open-Enrollment Communications	\$ 192,400	\$ 22,350	190,000	170,050
Operations Communications	1,506,532	231,190	697,700	1,275,342
Other Communications	181,660	71,788	264,210	109,872
Total Communications	\$ 1,880,592	\$ 325,328	\$ 1,151,910	\$ 1,555,264
Well-Being	100,697	-	98,512	100,697
Initiatives to Reduce Health Care Costs	234,147		55,000	234,147
Total One-Time Expenditures	\$ 2,215,436	\$ 325,328	\$ 1,305,422	\$ 1,890,108
Grand Total Expenditures	\$ 4,892,304	\$ 972,342	\$ 3,728,691	\$ 3,067,057
Balance	\$ 790,427	\$ 3,168,277	\$ 2,732,328	

SAN FRANCISCO HEALTH SERVICE SYSTEM - ADMINISTRATION
STATEMENT OF REVENUES AND EXPENDITURES
As of November 30, 2019

YEAR-TO-DATE				ANNUAL					
Fav/(Unfav)				Fav/(Unfav)					
Budget	Actual	Variance	% Var	Original Budget	Revised Budget	Projection	Variance	% Var	
REVENUES									
260,265		(260,265)	-100.0%	624,637	624,637	390,000	(234,637)	-37.6%	
4,772,557	5,727,084	954,527	20.0%	11,454,136	11,454,136	11,538,880	84,744	0.7%	
3,805	15	(3,790)	-99.6%	9,131	9,131	9,131	0	0.0%	
135,436		(135,436)			325,045	325,045	0	0.0%	
5,172,062	5,727,099	555,037	10.7%	12,087,904	12,412,949	12,263,056	(149,893)	-1.2%	
EXPENDITURES									
2,263,742	2,280,869	(17,127)	-0.8%	5,432,981	5,432,981	5,363,228	69,753	-1.3%	
1,109,170	1,109,982	(811)	-0.1%	2,662,009	2,662,009	2,573,314	88,695	-3.3%	
776,461	631,395	145,066	18.7%	1,804,258	1,863,505	1,843,507	19,998	-1.1%	
22,931	10,451	12,480	54.4%	45,130	55,035	55,467	(432)	0.8%	
999,758	406,282	593,476	59.4%	2,143,526	2,399,419	2,299,418	0	-4.2%	
5,172,062	4,438,978	733,084	14.2%	12,087,904	12,412,949	12,134,934	278,015	-2.2%	
(0)	1,288,121	1,288,121		0	(0)	128,122			