

# SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

## Memorandum

DATE: March 12, 2020

TO: Karen Breslin, President and Members of the Health Service Board

FROM: Pamela Levin, Chief Financial Officer

RE: Financial Report as of December 31, 2019

This report summarizes revenues and expenses of the Employee Benefit Trust Fund (Trust Fund) and the General Fund Administration Budget for the first six 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 December 2019, the fund balance is projected to be \$91.8 million as of June 30, 2020. The projected \$0.4 million decrease 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	\$ (2.1)	2
Blue Shield Access+ Flex-Funded Plan	11.6	3
Blue Shield Trio Flex-Funded Plan	(4.9)	4
Delta Dental Self-Funded Plan	(4.2)	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	\$ (0.4)	

Pharmacy Rebates are discussed on page 7.

### General Fund Administration Budget

Based on the financial results for the first six months of FY 2019-20, the General Fund Administration budget is projected to end the year with \$0.10 million surplus.

## United Health Care PPO Plan

### Fiscal Year End Projection

A \$2.1 million decrease in fund balance is projected as a result of the following:

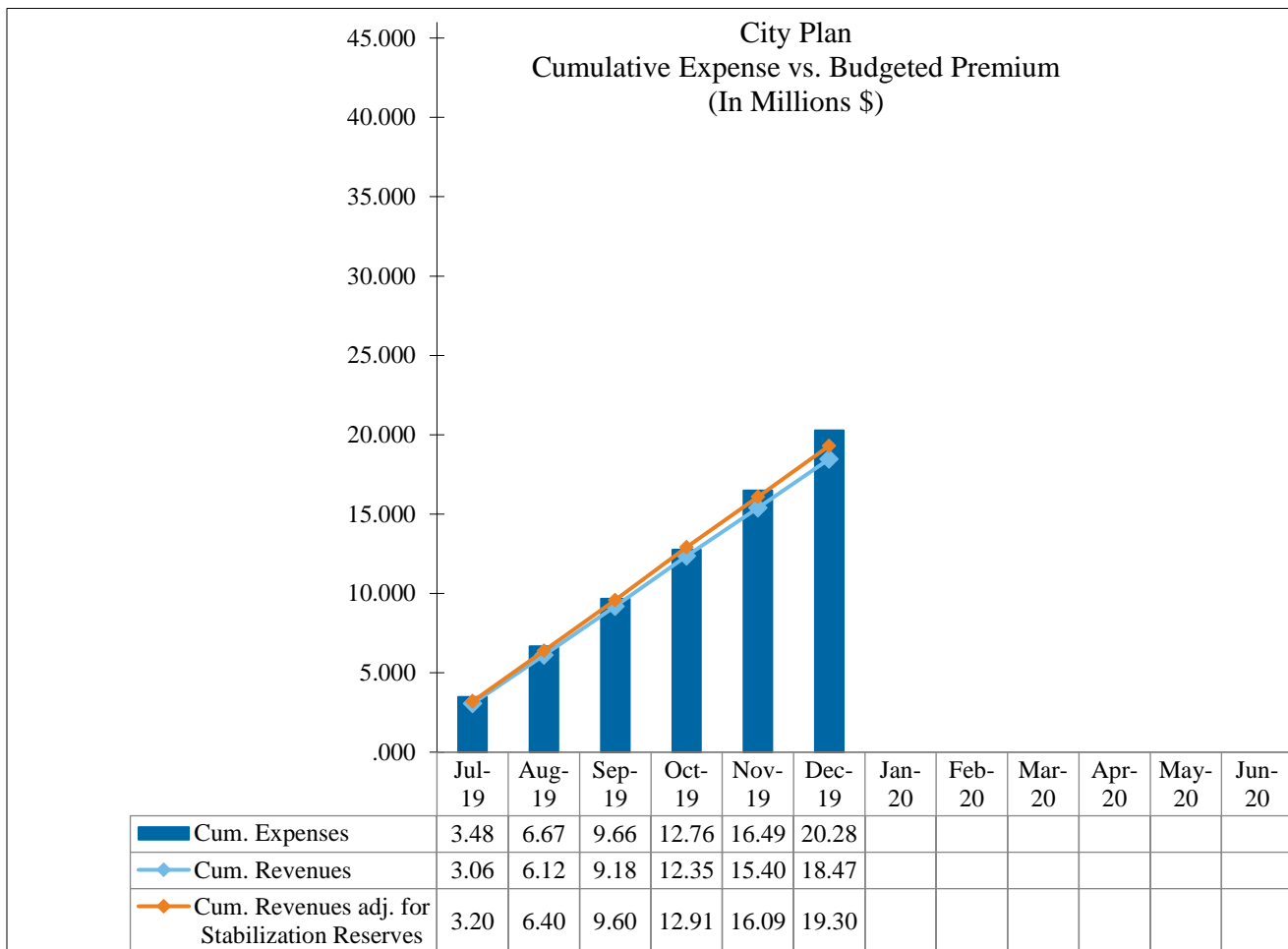
a. \$3.2 million decrease in fund balance:

- \$0.8 million associated with subsidizing 2019 rates (for the first six months of FY 2019-20) from the claim stabilization reserve
- \$2.4 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 Six (6) months



With six months of experience, cumulative expenses for UHC PPO track \$0.98 M more than the expected cost levels regardless of whether cumulative expenses are compared to the actual revenues (\$20.28 M - \$19.30 M) and when the cumulative expenses are compared to cumulative revenues with the \$0.83 M buy-down for the rate stabilization reserves (\$20.28 M - (\$18.47 M + \$0.83 M)).

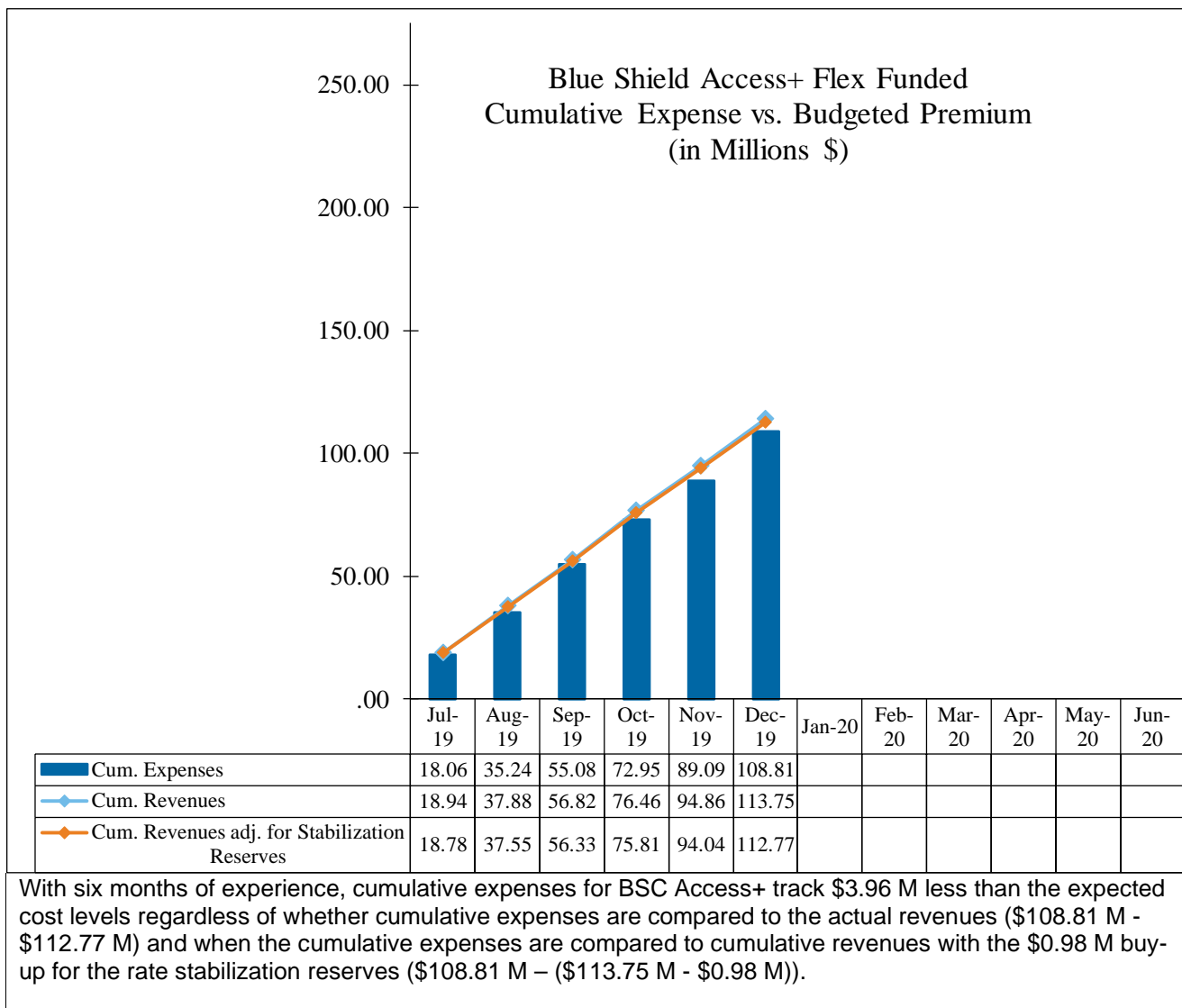
**Blue Shield Access+ Flex Funded Plan**

**Fiscal Year End Projection**

A \$11.6 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)
- \$5.2 million due to favorable claim experience

**First Six (6) months**



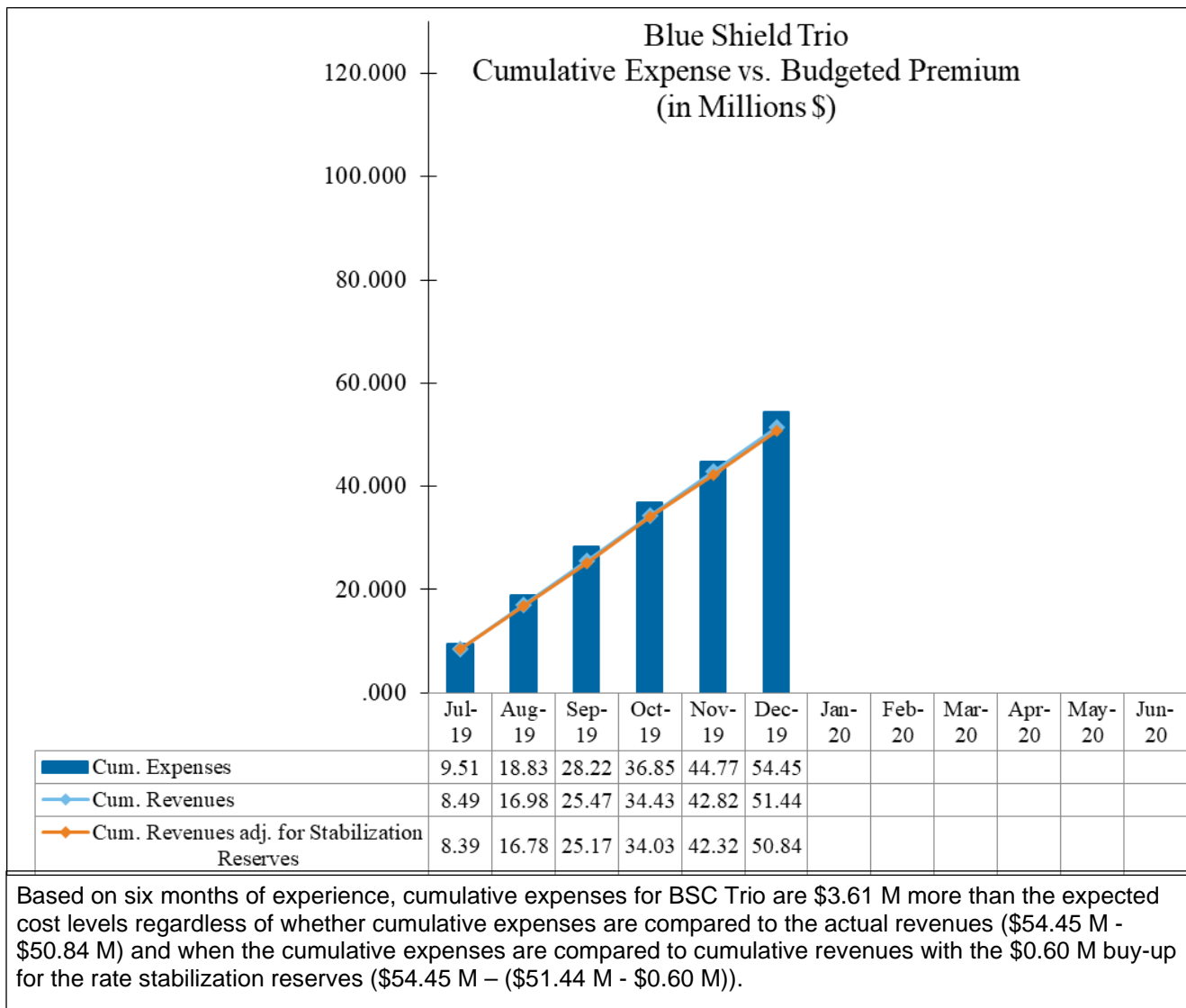
## Blue Shield Trio Flex-Funded Plan

### Fiscal Year End Projection

A \$4.9 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. \$8.0 million decrease in fund balance due to unfavorable claim experience.

### First Six (6) Months



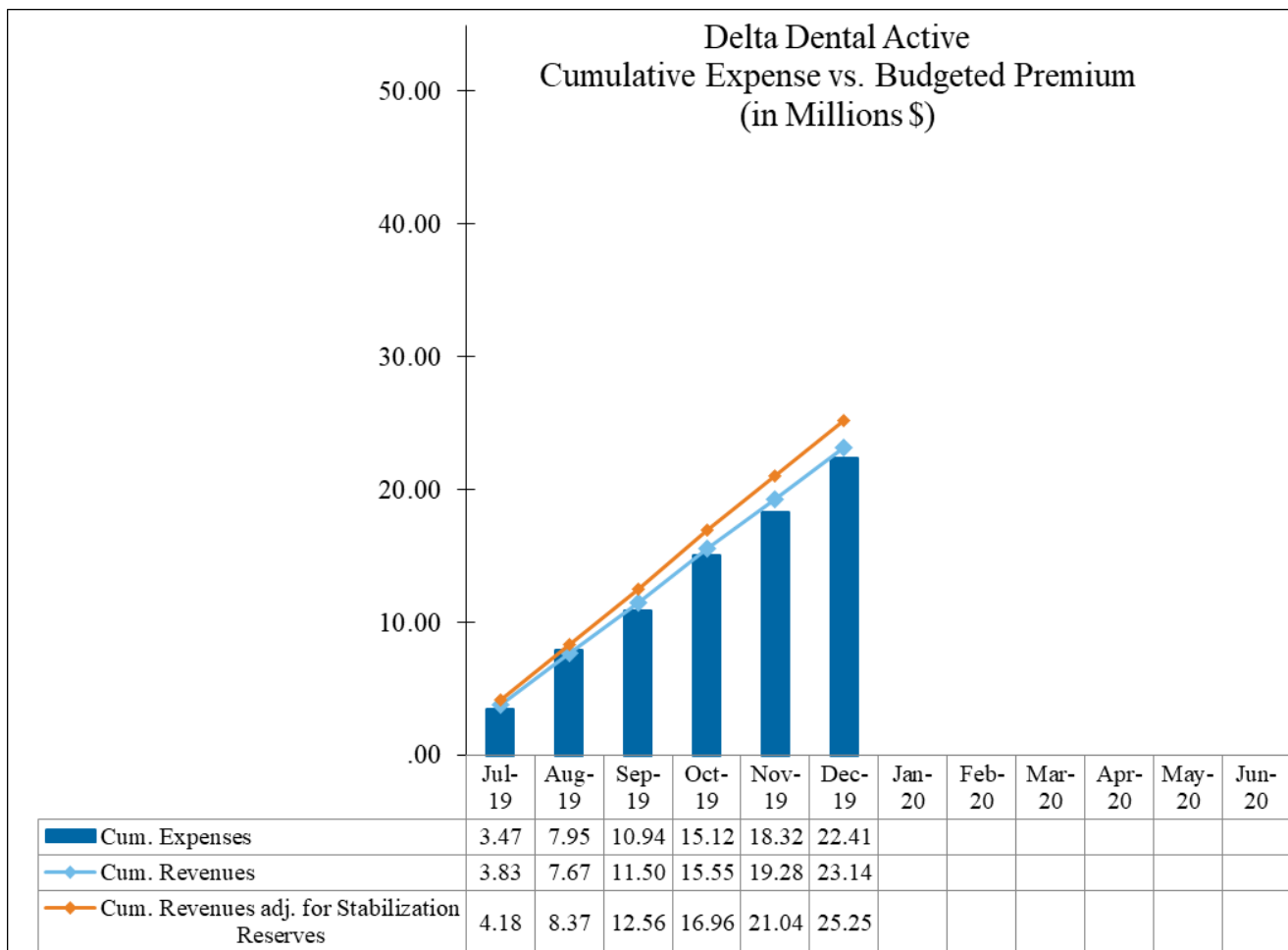
**Delta Dental Self-Funded Plan**

**Fiscal Year End Projection**

\$4.2 million decrease in fund balance is projected resulting from:

- a. \$1.4 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 Six (6) Months**



Based on six months of experience, cumulative expenses for Delta Dental are \$2.84 M less than the expected cost levels regardless of whether cumulative expenses are compared to the actual revenues (\$22.41 M - \$25.25 M) and when the cumulative expenses are compared to cumulative revenues with the \$2.11 M buy-down for the rate stabilization reserves (\$22.41 M - (\$23.14 M + \$2.11 M)).

## Other Trust Fund Notes

### Healthcare Sustainability Fund

The following table reflects the year-to-date actuals through December 31, 2019. With six (6) months of actuals, a projected balance of \$2.73 million is expected at the end of FY 2019-20.

<b>Healthcare Sustainability Fund FY 2019-20</b>				
	<b>Revised Budget</b>	<b>Dec YTD Actual</b>	<b>Projection</b>	<b>Variance</b>
<b>Revenues/Premiums</b>				
Annual Revenues	\$ 2,602,555	\$ 1,273,842	\$ 2,551,247	\$ (51,308)
Carryforward from fund balance	3,080,176	3,080,176	3,909,772	829,596
Total	\$ 5,682,731	\$ 4,354,018	\$ 6,461,019	\$ 778,288
<b>Expenditures</b>				
Annual Expenditures	\$ 2,676,868	\$ 873,008	\$ 2,423,269	\$ (253,599)
One-time Expenditures	2,215,436	321,690	1,305,422	(910,014)
Grand Total Expenditures	\$ 4,892,304	\$ 1,194,698	\$ 3,728,691	\$ (1,163,613)
Balance	\$ 790,427	\$ 3,159,320	\$ 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

Three hundred thousand (\$0.30 million) in 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 December 31, 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 December 31, 2019 and year-end projection. The rebates are provided at the end of each quarter. As of December 31, 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



**HEALTH SERVICE SYSTEM**  
**STATEMENT OF REVENUES AND EXPENSES**  
FY 2019-2020  
FOR THE SIX MONTHS ENDED December 31, 2019

**ACTIVE & RETIRED COMBINED**

	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess(Shortage)
<b>1 SELF-INSURANCE</b>			
2 UHC PPO, including ASO *	18,473,507	20,282,473	(1,808,966)
3 Blue Shield Access+ *	113,749,225	108,813,430	4,935,795
4 Blue Shield Trio *	51,436,042	54,452,807	(3,016,765)
5 Delta Dental - Active only, including ASO	23,136,760	22,414,127	722,633
<b>6 TOTAL SELF-INSURANCE</b>	<b>206,795,534</b>	<b>205,962,837</b>	<b>832,697</b>
<b>8 INSURANCE PRODUCTS</b>			
9 UHC MAPD	36,286,944	36,286,944	0
10 Kaiser-HMO	211,381,967	210,451,112	930,855
11 Vision Service Plan, All (City Plan & HMO)	3,993,535	3,971,263	22,272
12 Sub-total HMO	251,662,446	250,709,319	953,127
14 Delta Dental - Retired	8,100,040	8,056,566	43,474
15 Delta Care	446,142	436,783	9,359
16 UHC Dental	227,488	225,291	2,198
17 Sub-total Dental	8,773,671	8,718,640	55,031
19 Long Term/Short Term Disability	3,885,390	3,885,390	-
20 Flexible Benefits	1,462,038	1,461,855	183
21 Flexible Spending-Dependent Care	2,844,666	2,644,492	200,175
22 Flexible Spending -Medical Reimbursement	4,124,575	2,978,658	1,145,916
23 Best Doctors (\$1.15)	487,668	486,169	1,499
24 Healthcare Sustainability Fund (\$3.00)	1,273,842	1,194,698	79,144
25 Adoption & Surrogacy		48,312	(48,312)
<b>26 TOTAL INSURANCE PRODUCTS</b>	<b>274,514,296</b>	<b>272,127,534</b>	<b>2,386,763</b>
<b>28 SAVINGS AND INVESTMENTS</b>			
29 Interest	0		0
30 Performance guarantees	0		0
31 Forfeitures	0		0
<b>32 TOTAL SAVINGS &amp; INVESTMENTS</b>	<b>0</b>		<b>0</b>
<b>34 TRANSFERS OUT OF FORFEITURES</b>		<b>0</b>	<b>0</b>
<b>36 TOTAL FUNDS</b>	<b>481,309,830</b>	<b>478,090,370</b>	<b>3,219,460</b>

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

	<b>FY19-20</b>	<b>FY19-20</b>
	Year-To Date Actual	Projected Annual-Net
	As of December 2019 - Net	
Self Insurance		
UHC PPO	(1.8)	(2.1) (a)
Blue Shield-Access+	4.9	11.6 (b)
Blue Shield-Trio	(3.0)	(4.9) (b)
Dental, Actives	0.7	(4.2) (c)
Insurance Products		
Medical HMOs	0.9	0.0
Dental	0.1	0.0
LTD/Flexible Benefits/FSA/Best Doctors	1.3	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)
<b>TOTAL</b>	<b>3.2</b>	<b>(0.4)</b>
Net assets		
Beginning of the year		92.2
End of the year		91.8

(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 6 months ended December 31, 2019	For 6 months ended December 31, 2018	\$ Change	% Change
<b>1 SELF-INSURANCE</b>				
2 UHC PPO, including ASO				
3 Revenues	18,473,507	16,225,816	2,247,691	13.9%
4 Expenses	(20,282,473)	(18,588,851)	(1,693,622)	9.1%
5 Net UHC PPO Excess(Shortage)	(1,808,966)	(2,363,035)	554,069	
6 Blue Shield-Access+				
7 Revenues	113,749,225	97,884,832	15,864,394	16.2%
8 Expenses	(108,813,430)	(98,982,444)	(9,830,986)	9.9%
9 Net Blue Shield-Access Excess(Shortage)	4,935,795	(1,097,612)	6,033,408	
10 Blue Shield-Trio				
11 Revenues	51,436,042	53,623,163	(2,187,121)	-4.1%
12 Expenses	(54,452,807)	(52,542,340)	(1,910,467)	3.6%
13 Net Blue Shield-Trio Excess(Shortage)	(3,016,765)	1,080,823	(4,097,588)	
14 Delta Dental - Active only, including ASO				
15 Revenues	23,136,760	23,708,301	(571,541)	-2.4%
16 Expenses	(22,414,127)	(21,665,221)	(748,906)	3.5%
17 Net Delta Dental - Active Excess(Shortage)	722,633	2,043,080	(1,320,448)	
18 <b>NET SELF-INSURANCE</b>	<b>832,697</b>	<b>(336,744)</b>	<b>1,169,441</b>	
19 <b>INSURANCE PRODUCTS</b>				
24 Kaiser-HMO				
25 Revenues	211,381,967	208,965,505	2,416,462	1.2%
26 Expenses	(210,451,112)	(210,271,648)	(179,464)	0.1%
27 Net Kaiser- HMO Excess(Shortage)	930,855	(1,306,143)	2,236,998	
28 UHC MAPD				
29 Revenues	36,286,944	35,197,951	1,088,993	3.1%
30 Expenses	(36,286,944)	(35,197,951)	(1,088,993)	3.1%
31 Net UHC MAPD Excess(Shortage)	0	0	0	
32 Vision Service Plan, All (City Plan & HMO)				
33 Revenues	3,993,535	3,624,252	369,282	10.2%
34 Expenses	(3,971,263)	(3,614,719)	(356,544)	9.9%
35 Net Vision Service Plan Excess(Shortage)	22,272	9,534	12,738	
36				
37 Delta Dental - Retired				
38 Revenues	8,100,040	7,685,215	414,826	5.4%
39 Expenses	(8,056,566)	(7,668,345)	(388,221)	5.1%
40 Net Delta Dental - Retired Excess(Shortage)	43,474	16,869	26,605	
41 Delta Care				
42 Revenues	446,142	456,247	(10,105)	-2.2%
43 Expenses	(436,783)	(447,276)	10,492	-2.3%
44 Net Delta Care Excess(Shortage)	9,359	8,971	387	
45 UHC Dental				
46 Revenues	227,488	203,006	24,482	12.1%
47 Expenses	(225,291)	(202,622)	(22,668)	11.2%
48 Net UHC Dental Excess(Shortage)	2,198	384	1,814	
49 Net Dental	55,031	26,225	28,806	
50				
51 Long Term/Short Term Disability				
52 Revenues	3,885,390	3,745,493	139,897	3.7%
53 Expenses	(3,885,390)	(3,745,493)	(139,897)	3.7%
54 Net Long Term/Short Term Disability Excess(Shortage)	0	0	0	
55 Flexible Benefits				
56 Revenues	1,462,038	1,206,779	255,259	21.2%
57 Expenses	(1,461,855)	(1,206,754)	(255,101)	21.1%
58 Net Flexible Benefits Excess(Shortage)	183	25	159	
59 Flexible Spending-Dependent Care				
60 Revenues	2,844,666	2,622,885	221,782	8.5%
61 Expenses	(2,644,492)	(2,398,542)	(245,949)	10.3%
62 Net Flexible Spending-Dependent Care Excess(Shortage)	200,175	224,342	(24,167)	
63 Flexible Spending -Medical Reimbursement				
64 Revenues	4,124,575	3,546,817	577,757	16.3%
65 Expenses	(2,978,658)	(2,757,474)	(221,184)	8.0%
66 Net Flexible Spending-Medical Reimbursement Excess(Shortage)	1,145,916	789,343	356,573	
67 Best Doctors (\$1.15)				
68 Revenues	487,668	589,432	(101,764)	-17.3%
69 Expenses	(486,169)	(583,864)	97,695	-16.7%
70 Net Best Doctors Excess(Shortage)	1,499	5,568	(4,069)	
71 Adoption & Surrogacy				
72 Expenses	(48,312)	(47,376)	(936)	2.0%
73 Healthcare Sustainability Fund (\$3.00)				
74 Revenues	1,273,842	1,264,311	9,531	0.8%
75 Expenses	(1,194,698)	(949,078)	(245,620)	25.9%
76 Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	79,144	315,233	(236,089)	
77 <b>NET INSURANCE PRODUCTS</b>	<b>2,386,763</b>	<b>16,751</b>	<b>2,370,012</b>	
78 <b>SAVINGS AND INVESTMENTS</b>				
79 Interest	0	0	0	
80 Performance guarantees	0	0	0	
81 <b>TOTAL SAVINGS &amp; INVESTMENTS</b>	<b>0</b>	<b>0</b>	<b>0</b>	
82 <b>TOTAL NET EXCESS (SHORTAGE)</b>	<b>3,219,460</b>	<b>(319,993)</b>	<b>3,539,453</b>	

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**

	<b>Revised Budget</b>	<b>Dec YTD Actual</b>	<b>Projection</b>	<b>Variance</b>
<b>Revenues/Premiums</b>				
Annual Revenues	\$ 2,602,555	\$ 1,273,842	\$ 2,551,247	\$ 1,277,405
Carryforward from fund balance	3,080,176	3,080,176	3,909,772	829,596
<b>Total</b>	<b>\$ 5,682,731</b>	<b>\$ 4,354,018</b>	<b>\$ 6,461,019</b>	<b>\$ 2,107,001</b>
<b>Expenditures</b>				
<b>Annual</b>				
<b>Personnel Services and Mandatory Fringes</b>	<b>\$ 1,262,265</b>	<b>410,461</b>	<b>\$ 1,081,221</b>	<b>\$ 181,044</b>
Communications				
Open Enrollment Communications	353,561	286,448.62	348,561	67,112
Operations Communications	156,754	18,189.44	194,567	138,565
Well-Being Communications	175,750	12,363.46	158,000	163,387
Other Communications	90,332	31,077.76	62,138	59,254
<b>Total Communications</b>	<b>\$ 776,397</b>	<b>348,079.28</b>	<b>\$ 763,266</b>	<b>\$ 428,318</b>
Well-Being	337,500	16,528.31	262,453	320,972
Initiatives to Reduce Health Care Costs	282,500	96,749.94	298,123	185,750
Board Transcription Services/SFGOV	18,206	1,189.50	18,206	17,017
Contingency for Unforeseen Issues			-	-
<b>Total Annual Expenditures</b>	<b>\$ 2,676,868</b>	<b>873,008.20</b>	<b>2,423,269</b>	<b>\$ 1,133,100</b>
<b>One-Time</b>				
Communications				
Open-Enrollment Communications	\$ 192,400	22,350.00	190,000	170,050
Operations Communications	1,506,532	290,954.95	697,700	1,215,577
Other Communications	181,660	8,385.00	264,210	173,275
<b>Total Communications</b>	<b>\$ 1,880,592</b>	<b>321,689.95</b>	<b>\$ 1,151,910</b>	<b>\$ 1,558,902</b>
Well-Being	100,697	-	98,512	100,697
Initiatives to Reduce Health Care Costs	234,147		55,000	234,147
<b>Total One-Time Expenditures</b>	<b>\$ 2,215,436</b>	<b>321,689.95</b>	<b>\$ 1,305,422</b>	<b>\$ 1,893,746</b>
<b>Grand Total Expenditures</b>	<b>\$ 4,892,304</b>	<b>1,194,698.15</b>	<b>\$ 3,728,691</b>	<b>\$ 3,026,846</b>
<b>Balance</b>	<b>\$ 790,427</b>	<b>\$ 3,159,320</b>	<b>\$ 2,732,328</b>	

SAN FRANCISCO HEALTH SERVICE SYSTEM - ADMINISTRATION  
STATEMENT OF REVENUES AND EXPENDITURES  
As of December 31, 2019

YEAR-TO-DATE				ANNUAL					
Fav/(Unfav)				Fav/(Unfav)					
Budget	Actual	Variance	% Var	Original Budget	Revised Budget	Projection	Variance	% Var	
<b>REVENUES</b>									
312,319		(312,319)	-100.0%	624,637	624,637	390,000	(234,637)	-37.6%	Non-Operating Revenue
5,727,068	5,727,084	16	0.0%	11,454,136	11,454,136	11,538,880	84,744	0.7%	Work Order Recovery
4,566	15	(4,551)	-99.7%	9,131	9,131	9,131	0	0.0%	Other Revenue
162,523	162,523	0			325,045	325,045	0	0.0%	General Fund Carryforward
6,206,475	5,889,622	(316,853)	-5.1%	12,087,904	12,412,949	12,263,056	(149,893)	-1.2%	<b>TOTAL REVENUES</b>
<b>EXPENDITURES</b>									
2,716,491	2,646,407	70,083	2.6%	5,432,981	5,432,981	5,363,228	69,753	-1.3%	Personnel Services
1,331,005	1,271,956	59,049	4.4%	2,662,009	2,662,009	2,573,314	88,695	-3.3%	Mandatory Fringe Benefits
931,753	707,884	223,869	24.0%	1,804,258	1,863,505	1,843,507	19,998	-1.1%	Non-personnel Services
27,517	16,317	11,200	40.7%	45,130	55,035	55,467	(432)	0.8%	Materials & Supplies
999,758	544,953	454,805	45.5%	2,143,526	2,399,419	2,299,418	0	-4.2%	Services of Other Departments
6,006,523	5,187,516	819,007	13.6%	12,087,904	12,412,949	12,134,934	278,015	-2.2%	<b>TOTAL EXPENDITURES</b>
199,952	702,105	502,154		0	(0)	128,122			<b>REVENUE LESS EXPENDITURES</b>