

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

Memorandum

DATE: January 13, 2022

TO: Dr. Stephen Follansbee, President and Members of the Health Service Board

FROM: Larry Loo, MPH Chief Financial Officer

RE: Health Service Board Financial Report as of November 30, 2021

The following is a report on the sources of revenues and uses or expenses of the Health Service System Employee Benefit Trust Fund (Trust Fund) and the General Fund Administration Budget through the five months of Fiscal Year (FY) 2021-22 through November 30, 2021. The Health Sustainability Fund is housed within Trust Fund is reported out in additional detail. This report includes the projected fiscal year-end (FYE) changes for both sources of funds. The discussion below is based on the most complete information available for the reporting period and are subject to adjustments following the close of the fiscal year-end.

Executive Summary

Employee Benefit Trust Fund

- Trust Fund balance at the beginning of the fiscal year was \$125.9 M.
- Based on activity through five months ending November 30, 2021, there is a projected decrease of \$2.5 M at fiscal year-end (FYE) to end with a balance is \$123.4 M.
- Flex and Self-insured plans cumulative year-to-date (YTD) expenses were \$2.4 M less than revenues through five months resulting in the following cumulative net changes:
 - Blue Shield Access + HMO: cumulative expenses were \$5.5 M less than revenues
 - Blue Shield Trio HMO: cumulative expenses were \$2.7 M greater than revenues
 - UHC administered PPO: cumulative expenses were \$1.1 M greater than revenues
 - Delta Dental PPO plan (Actives only): cumulative expenses were \$1.1 M less than revenues
- Insured plan revenues and expenses are expected to net each other out over time, however, the cumulative revenues through five months are \$347 K less than cumulative expenses.
- Healthcare and Dependent Care Flexible Spending Accounts cumulative expenses are \$2.2 M less than cumulative revenues.
- Healthcare Sustainability Fund expenses through five months were \$141 K greater than revenues
- Performance Guarantees of \$21 K were received YTD
- No Interest from Investments were received through five months of the fiscal year
- Pharmacy Rebates of \$4.1 M were received YTD

The projected year-end will likely change due to factors such as the further recovery of health care expenditures as the unsettled COVID-19 pandemic experience, the shifts in the number and status of current employees and the start of the new health plans options effective January 2022.

The following table summarizes the projected changes in fund balance.

	Projected Fiscal Year-End Change in Fund Balance (Millions)	Page
Blue Shield Access+ HMO Flex-Funded Plan*	\$11.2	3
Blue Shield Trio HMO Flex-Funded Plan*	(7.1)	4
UHC administered PPO Self-Funded Plan*	(3.9)	5
Delta Dental PPO Self-Funded Plan (for Actives only)	(0.6)	6
Health Care Sustainability Fund	(1.6)	7
Interest	--	7
Performance Guarantees	0.02	7
Performance Guarantees – Surrogacy and Adoption Assistance Plan	0	7
Forfeitures	--	7
Transfers Out	(0.5)	7
TOTAL	(\$2.5)	
*Includes Pharmacy Rebates	\$8.7 M	8

General Fund Administrative Budget

General Fund expenses during the first five months were \$492 K below revenue. The projected year-end anticipates a surplus of \$70 K. Additional notes on the sources and uses funds in General Fund Administrative Budget can be found on page 8.

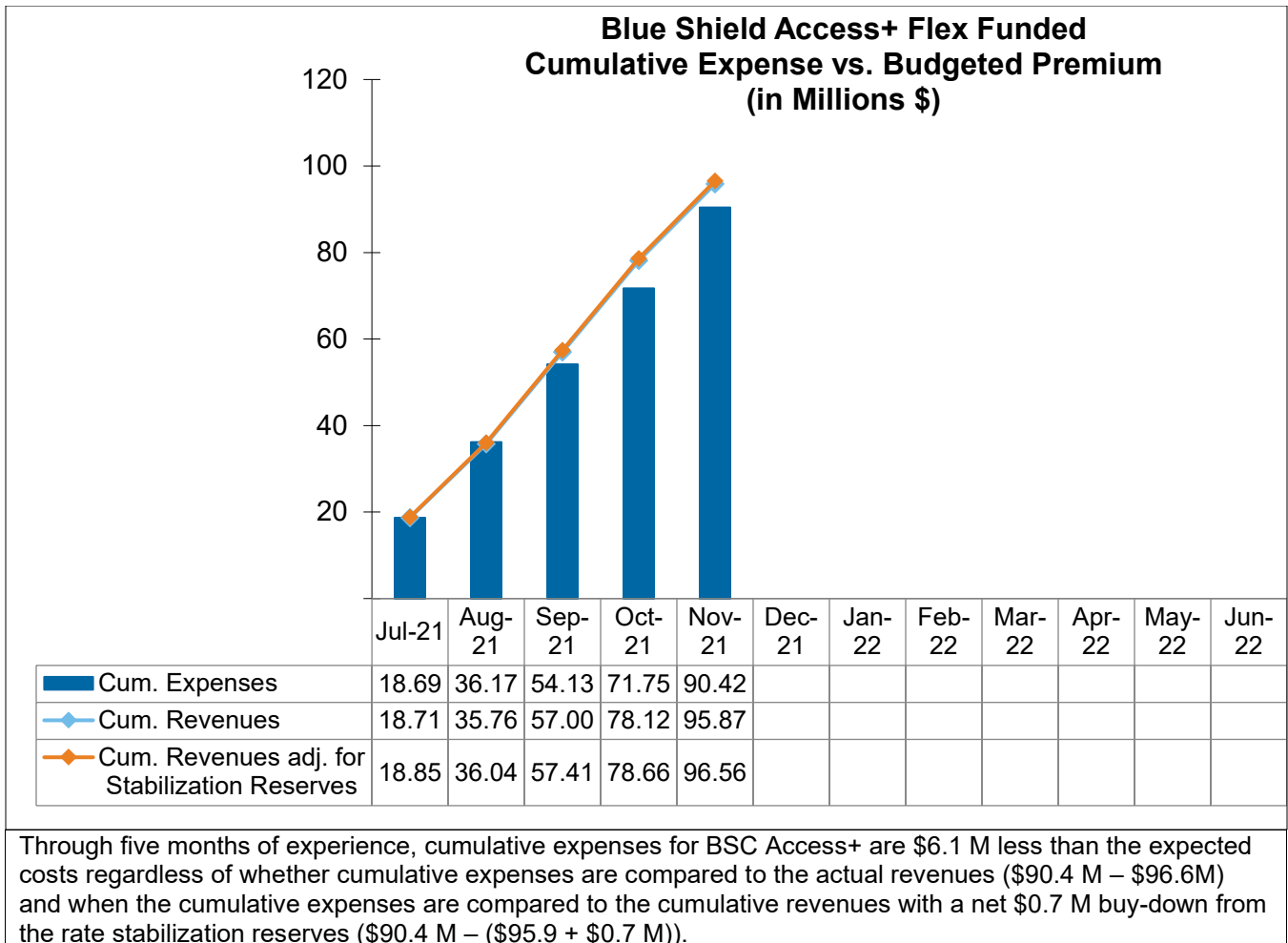
Blue Shield Access+ Flex Funded Plan

Fiscal Year End Projection

Projecting a fiscal year-end increase of \$11.2 M in fund balance due to the following:

- Rate Stabilization Effect:
 - \$820 K associated with the decrease in 2021 rates (for the first six months of FY 2021-22) due to the rating buy-down from the 2019 year-end claim stabilization surplus
 - \$1.5 M associated with the decrease in 2022 rates (for the second six months of FY 2021-22) due to the rating buy-down from the 2020 year-end claim stabilization surplus
- Pharmacy Rebate(s):
 - \$4.5 M increase due to anticipated pharmacy rebates to be received by FYE
- Claims:
 - \$9.1 M increase due to claim expenses trending favorably through five months of reporting

Fiscal Year-to-Date Cumulative Experience Through Five Months in FY 2021-22



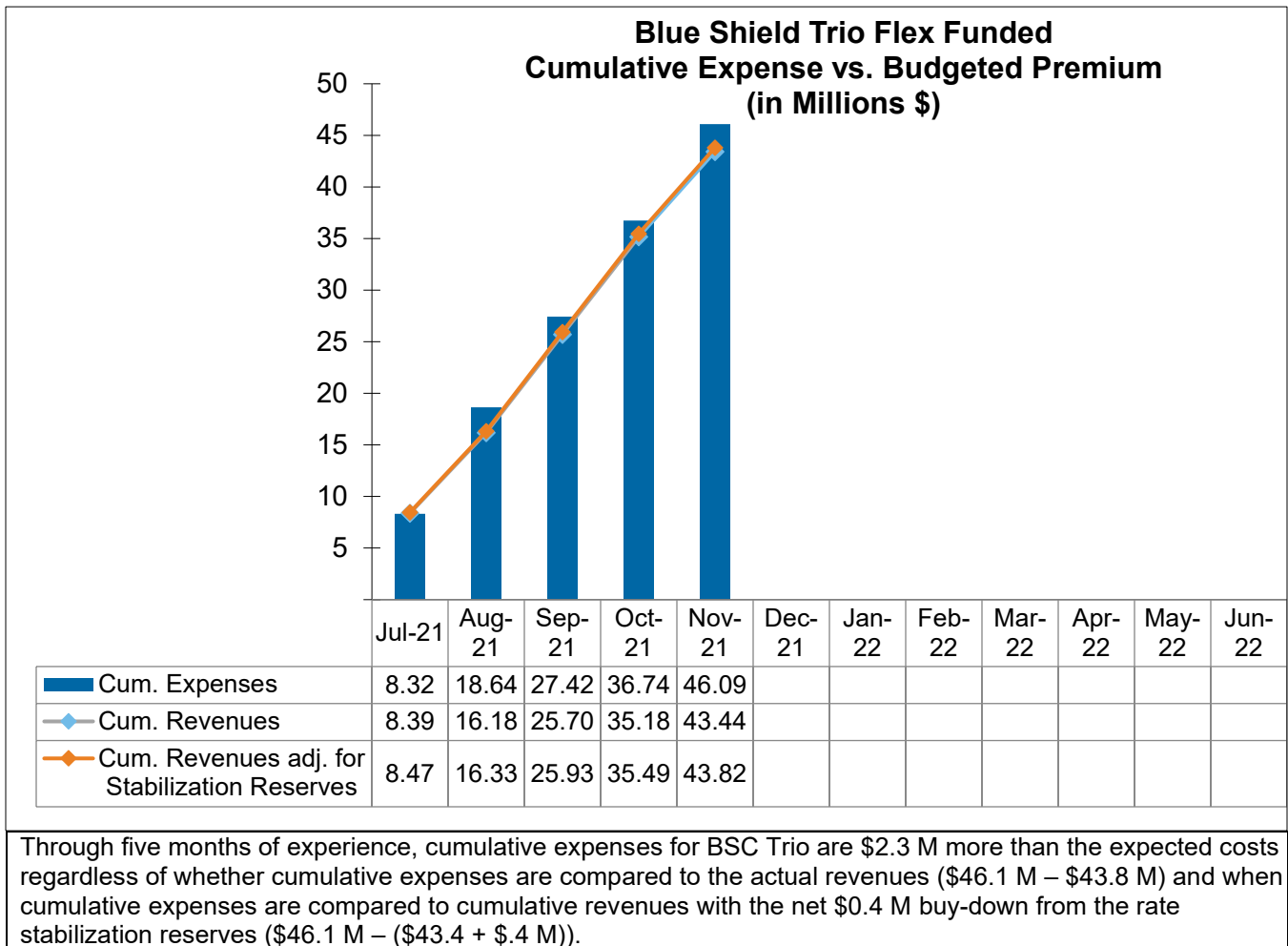
Blue Shield Trio Flex-Funded Plan

Fiscal Year End Projection

Projecting a fiscal year-end decrease of \$7.1 M in fund balance due to the following:

- Rate Stabilization Effect:
 - \$0.46 M associated with the decrease in 2021 rates (for the first six months of FY 2021-22) due to the rating buy-down from the 2019 year-end claim stabilization surplus
 - \$0.87 M associated with the decrease in 2022 rates (for the second six months of FY 2021-22) due to the rating buy-down from the 2020 year-end claim stabilization surplus
- Pharmacy Rebate(s):
 - \$2.5 M increase due to anticipated pharmacy rebates to be received by FYE
- Claims:
 - \$8.3 M decrease due to unfavorable claim expenses through five months of reporting

Fiscal Year-to-Date Cumulative Experience Through Five Months in FY 2021-22



United Health Care Administered PPO

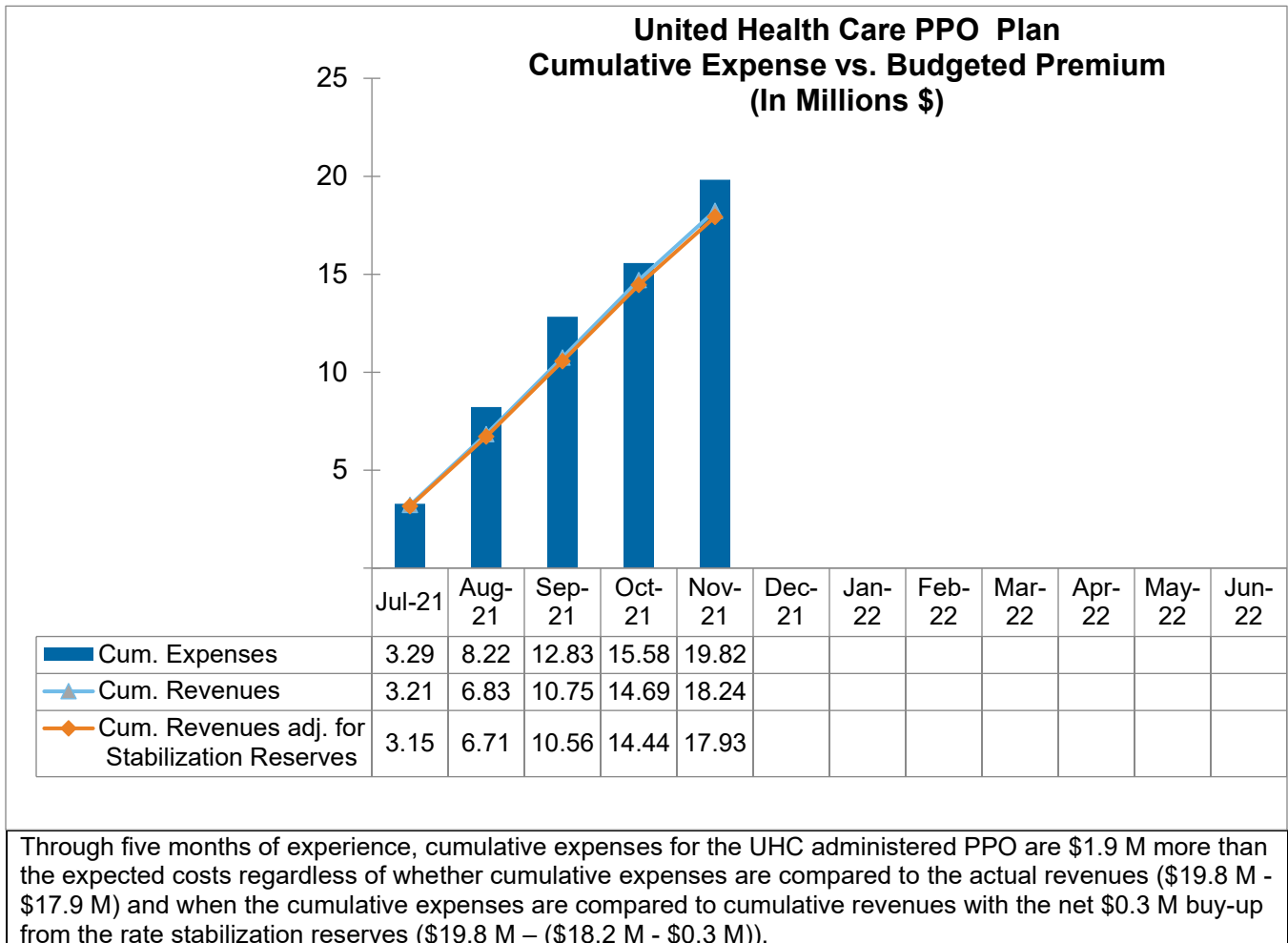
Fiscal Year End Projection

The administration of the self-funded PPO will migrate to Blue Shield starting in January 2022. As this plan is completely self-insured, the cumulative costs and funding sources for the PPO will remain with the plan as it migrates to a new administrator.

Projecting a fiscal year-end decrease of \$3.9 M in fund balance due to the following:

- Rate Stabilization Effect:
 - \$372 K associated with the increase in 2021 rates (for the first six months of FY 2021-22) due to rating buy-up of the 2019 calendar year-end claims stabilization deficit
 - \$165 K associated with the decrease in 2022 rates (for the second six months of FY 2021-22) due to rating buy-down of the 2020 calendar year-end claims stabilization surplus
- Pharmacy Rebate(s):
 - \$1.7 M increase due to anticipated pharmacy rebates to be received by FYE
- Claims:
 - \$5.8 M decrease due to unfavorable claim expenses through five months of reporting

Fiscal Year-to-Date Cumulative Experience Through Five Months in FY 2021-22



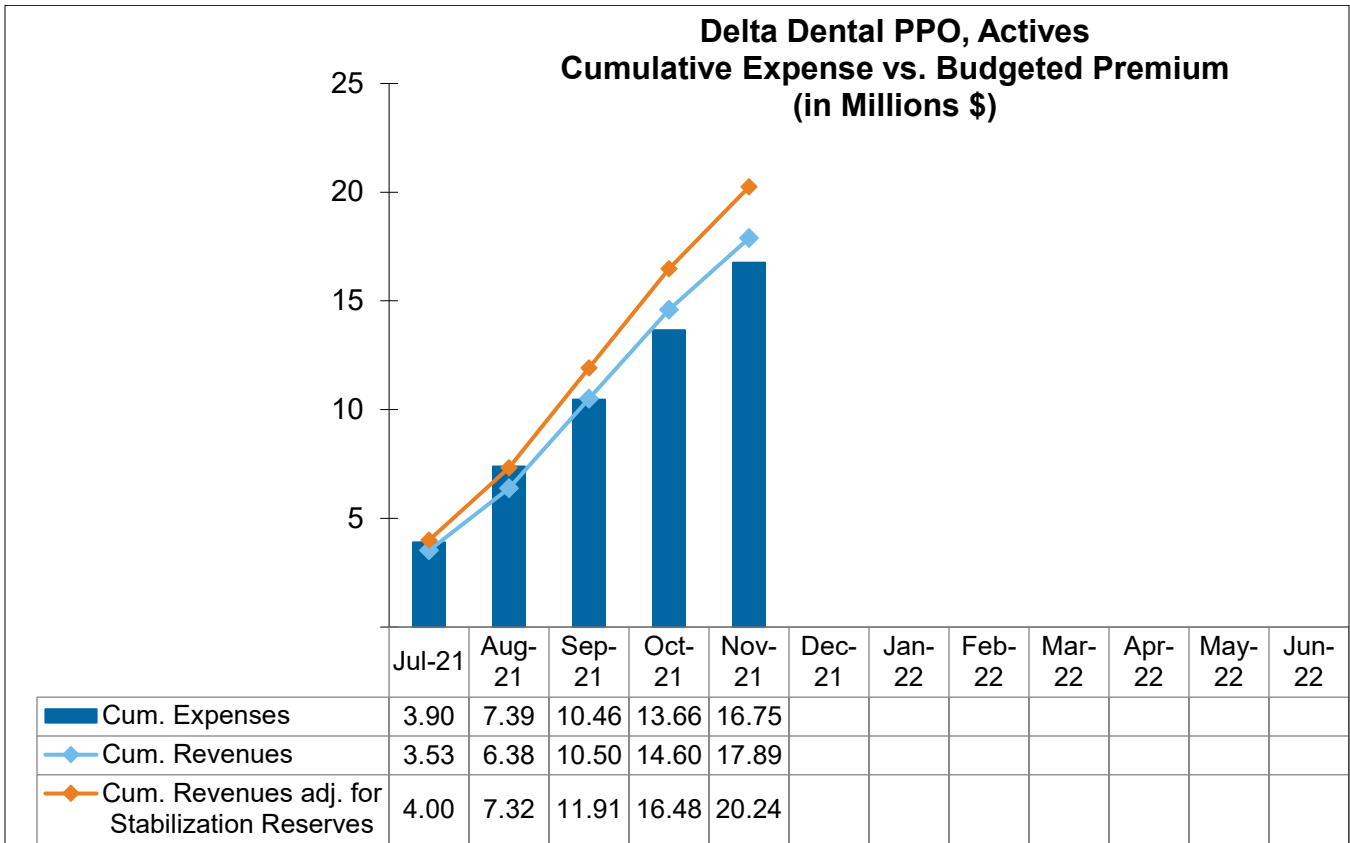
Delta Dental PPO (Actives Only) Self-Funded Plan

Fiscal Year End Projection

Projecting a fiscal year-end decrease of \$0.6 M in the fund balance due to the following:

- Rate Stabilization Effect:
 - \$2.8 M decrease in fund balance associated with subsidizing 2021 rates (for the first six months of FY 2021-22) from the 2019 year-end claim stabilization reserve
 - \$6.1 M decrease in fund balance associated with subsidizing 2022 rates (for the second six months of FY 2021-22) from the 2020 year-end claim stabilization reserve
- Claims:
 - \$8.3 M increase due to favorable claim expenses through five months of reporting

Fiscal Year-to-Date Cumulative Experience Through Five Months in FY 2021-22



Through five months of experience, cumulative expenses for Delta Dental PPO for Actives are \$3.5 M less than the expected costs regardless of whether cumulative expenses are compared to actual revenues (\$16.8 M – \$20.2 M) and when the cumulative expenses are compared to cumulative revenues with the \$2.4 M buy down from the rate stabilization reserve (\$16.8 M – (\$17.9 M + \$2.4 M)).

Other Trust Fund Notes

Healthcare Sustainability Fund

The Healthcare Sustainability Fund resides within the Trust Fund and is designated for member communications, programs to reduce healthcare costs and member well-being programs. Through five months, the sources of funds received were \$141K less expenditures. The reported expenditure through the reporting month of October includes the additional resources supporting the open enrollment activities. Through this period, planned project-based costs have not started. The projected year-end expenditures result in a net decrease of \$1.8 M resulting in a balance of \$2.7 M.

SAN FRANCISCO HEALTH SERVICE SYSTEM <small>Affordable, Quality Benefits & Well-Being</small>	Healthcare Sustainability Fund FY 2021-22		
	FY 2021-22 Revised Budget +	FY 2021-22 Actuals Nov YTD	FY 2021-22 Projection
REVENUE SOURCES			
Annual Revenues	\$ 2,578,896	\$ 1,061,334	\$ 2,578,896
Carryforward from Fund Balance	4,268,467	4,268,467	4,268,467
TOTAL	\$ 6,847,362	\$ 5,329,801	\$ 6,847,362
EXPENDITURE USES			
Personnel	\$ 2,058,244	\$ 704,458	\$ 2,058,244
Administrative	45,655	1,748	30,000
Member Communications	557,750	281,666	470,500
Communications - Other	675,952	61,232	669,182
Well-Being	451,639	9,593	392,860
Initiatives to Reduce Health Care Costs	408,827	143,751	357,508
Other: Contingency & Special Projects	429,000	-	219,000
Benefit Decision Support Tools	100,000	-	-
HSS 360: Customer Contact Improvement	100,000	-	-
Dependent Eligibility Verification Audit (DEVA)	229,000	-	219,000
TOTAL	\$ 4,627,066	\$ 1,202,447	\$ 4,197,293
REVENUE - EXPENDITURES (net of Carry Forward)	(2,048,171)	(141,113)	(1,618,398)
BALANCE	\$ 2,220,296	\$ 4,127,354	\$ 2,650,069
*Projection based on 5 months of actuals including the carryforward funding from FY 2021-22			

Interest & Performance Guarantees

Pooled investment interest is periodically posted by the City’s Treasurer’s Office. There was interest received during the five months of the fiscal year. Performance Guarantees payment also do not occur on a regular schedule, and year-to-date, \$21 K interest of performance guarantees was received.

Pharmacy Rebates

Projecting receipt of \$8.7 M in pharmacy rebates by fiscal year-end. Year-to-date, \$4.1 M of pharmacy rebates were received from the health plans administering the Flex and Self-Funded health plans.

	FY 2021-22 Actual RX Rebates Received Thru 11/30/21	FY 2021-22 Projected FYE RX Rebates
Blue Shield Access+ HMO	2,475,087	4,480,000
Blue Shield Trio HMO	1,079,702	2,520,000
UHC Administered PPO	513,752	1,700,000
TOTAL	\$ 4,068,542	\$ 8,700,000

General Fund Administrative Budget

- General Fund expenses during the first five months were \$492 K below revenue. The projected expenditures are expected to follow the revised budget and result in a modest surplus of \$70 K.

SAN FRANCISCO HEALTH SERVICE SYSTEM <small>Affordable, Quality Benefits & Well-Being</small>				
General Fund Administration Budget FY 2021-22 ANNUALIZED AS OF 11/30/21				
	FY 2021-22 Approved Budget	FY 2021-22 Revised Budget	Total Actual YTD	FYE 2021-22 Projection
REVENUES				
Non-Operating Revenue	\$ 9,131	\$ 9,131	\$ -	\$ -
Operations Work Order Recover	11,935,680	11,935,680	4,971,299	11,935,680
Other Revenue	625,958	625,958	-	500,000
General Fund Carryforward	-	198,850	198,850	198,850
Interfund Transfer	-	-	-	-
TOTAL REVENUES	\$ 12,570,769	\$ 12,769,619	\$ 5,170,149	\$ 12,634,530
EXPENDITURES				
Personnel Services	\$ 5,635,247	\$ 5,635,247	\$ 2,314,484	\$ 5,580,394
Mandatory Fringe Benefits	2,724,533	2,724,533	1,105,021	2,773,456
Non-personnel Services	2,291,057	2,402,225	788,274	2,353,330
Materials & Supplies	47,717	83,217	3,786	57,115
Services of Other Departments	1,872,215	1,924,397	465,692	1,800,000
TOTAL EXPENDITURES	\$ 12,570,769	\$ 12,769,619	\$ 4,677,258	\$ 12,564,295
BALANCE	\$ -	\$ -	\$ 492,890	\$ 70,235

**STATEMENT OF REVENUES AND EXPENSES
FY 2021-2022
FOR 5 MONTHS ENDED NOVEMBER 30, 2021**

ACTIVE & RETIRED COMBINED	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess (Shortage)
FLEX/SELF-INSURED PLANS			
Blue Shield Access+ HMO*	95,874,083	90,417,373	5,456,711
Blue Shield Trio HMO*	43,435,664	46,088,905	(2,653,241)
BSC PPO-Accolade, including ASO	-	-	-
UHC Administere PPO*	18,238,691	19,818,515	(1,579,824)
Health Net Canopy Care	-	-	-
Delta Dental PPO- (Active only)	17,885,171	16,752,719	1,132,452
TOTAL FLEX/SELF-INSURED PLANS	175,433,610	173,077,513	2,356,097
FULLY INSURED PLANS			
UHC MAPD	36,182,172	36,182,172	-
Kaiser-HMO	194,967,215	195,319,424	(352,209)
Vision Service Plan	3,809,808	3,804,752	5,056
Sub-total HMO	234,959,194	235,306,347	(347,153)
Delta Dental PPO - Retirees	6,970,842	6,970,842	-
Delta Care	332,983	328,162	4,820
UHC Dental	189,409	189,349	60
Sub-total Dental	7,493,233	7,488,353	4,880
Long Term/Short Term Disability	3,365,281	3,366,556	(1,275)
Flexible Benefits	1,589,605	1,589,605	0
Flexible Spending-Dependent Care	2,888,167	1,837,668	1,050,499
Flexible Spending -Medical Reimbursement	4,093,915	2,950,779	1,143,136
Healthcare Sustainability Fund (\$3.00)	1,061,334	1,202,447	(141,113)
Adoption & Surrogacy	-	0	0
Sub-total Other Benefits	12,998,301	10,947,054	2,051,247
TOTAL FULLY INSURED PLANS	255,450,729	253,741,755	1,708,974
SAVINGS AND INVESTMENTS			
Interest	-	-	-
Performance guarantees	20,857	-	20,857
Forfeitures	-	-	-
TOTAL SAVINGS & INVESTMENTS	20,857	-	20,857
TRANSFERS OUT OF FORFEITURES			0
TOTAL FUNDS	430,905,196	426,819,267	4,085,929

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

	FY21-22	FY21-22
	Year-to-Date Actual	Projected Year-End
	Net as of 11/30/21	Annual Net
SUMMARY		
Flex/Self Insurance		
Blue Shield-Access+	5,456,711	11,164,467 (a)
Blue Shield-Trio	(2,653,241)	(7,114,632) (a)
UHC PPO	(1,579,824)	(3,861,584) (b)
Delta Dental PPO, Actives	1,132,452	(565,116) (c)
Fully Insured Plans		
Medical HMOs	(347,153)	-
Dental	4,880	-
LTD/Flexible Benefits/FSA	2,192,360	-
Healthcare Sustainability Fund (\$3.00)	(141,113)	(1,618,398) (d)
Savings & Investments		
Interest	-	-
Performance guarantees	20,857	20,857 (e)
Performance guarantees - Surrogacy and adoption	-	-
Forfeitures	-	-
Transfers Out	0	(500,000) (g)
TOTAL	4,085,929	(2,474,406)
Net assets		
Beginning of the year		125,901,507
End of the year		123,427,101

(a) Annual Projection is net of claim stabilization of \$2.4 million to decrease 2022 rates, \$1.3 million to decrease 2021 rates, and Pharmacy rebate of \$7.0 million

(b) Annual Projection is net of claim stabilization of \$0.2 million to decrease 2022 rates, \$0.4 million to increase 2021 rates, and Pharmacy rebate of \$1.7 million

(c) Annual Projection is net of claim stabilization of \$6.1 million to reduce 2022 rates and \$2.8 million to reduce 2021 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 2020-2021

(f) Reflects use of fund balance

(g) Transfer of \$0.6M from forfeitures to General Fund per FY 2020-2021 budget

STATEMENTS OF REVENUES AND EXPENSES
FY 2021-2022 VS FY 2020-2021
YEAR-TO-DATE: NOVEMBER 30, 2021

ACTIVE & RETIRED COMBINED	For 5 Months Ended November 30, 2021	For 5 Months Ended November 30, 2020	\$ Change	% Change
FLEX/SELF-INSURED PLANS				
Blue Shield-Access+ HMO				
Revenues	95,874,083	94,730,009	1,144,075	1.2%
Expenses	(90,417,373)	(89,149,971)	(1,267,402)	1.4% j
Net Blue Shield-Access Excess(Shortage)	5,456,711	5,580,037	(123,327)	-2.2%
Blue Shield-Trio HMO				
Revenues	43,435,664	42,636,642	799,023	1.9%
Expenses	(46,088,905)	(40,809,428)	(5,279,477)	12.9% f
Net Blue Shield-Trio Excess(Shortage)	(2,653,241)	1,827,213	(4,480,454)	-245.2%
BSC PPO-Accolade, including ASO				
Revenues	0	0	0	
Expenses	0	0	0	
Net BSC PPO-Accolade Excess(Shortage)	0	0	0	
UHC Administered PPO				
Revenues	18,238,691	16,491,696	1,746,995	10.6% l
Expenses	(19,818,515)	(16,476,794)	(3,341,721)	20.3% f
Net UHC Administered PPO Excess(Shortage)	(1,579,824)	14,901	(1,594,726)	-10702.0%
Health Net Canopy Care				
Revenues	0	0	0	
Expenses	0	0	0	
Net Health Net Canopy Care Excess(Shortage)	0	0	0	
Delta Dental PPO (Active only)				
Revenues	17,885,171	18,089,777	(204,606)	-1.1%
Expenses	(16,752,719)	(18,178,193)	1,425,474	-7.8% j
Net Delta Dental PPO- (Active Only) Excess(Shortage)	1,132,452	(88,416)	1,220,868	-1380.8%
NET FLEX/SELF-INSURED PLANS	2,356,097	7,333,735	(4,977,638)	-67.9%
FULLY INSURED PLANS				
Kaiser-HMO				
Revenues	194,967,215	188,602,761	6,364,454	3.4% d, l
Expenses	(195,319,424)	(189,095,738)	(6,223,685)	3.3% d, l
Net Kaiser- HMO Excess(Shortage)	(352,209)	(492,978)	140,769	-28.6%
UHC MAPD				
Revenues	36,182,172	35,351,901	830,270	2.3% d, l
Expenses	(36,182,172)	(35,351,901)	(830,270)	2.3% d, l
Net UHC MAPD Excess(Shortage)	0	0	0	
Vision Service Plan, All (City Plan & HMO)				
Revenues	3,809,808	3,632,258	177,550	4.9% d, l
Expenses	(3,804,752)	(3,631,139)	(173,614)	4.8% d, l
Net Vision Service Plan Excess(Shortage)	5,056	1,119	3,937	351.8%
Delta Dental PPO - Retirees				
Revenues	6,970,842	7,017,690	(46,848)	-0.7% h
Expenses	(6,970,842)	(7,017,690)	46,848	-0.7% h
Net Delta Dental PPO - Retirees Excess(Shortage)	0	0	0	
Delta Care				
Revenues	332,983	353,989	(21,006)	-5.9% h
Expenses	(328,162)	(349,749)	21,586	-6.2% h
Net Delta Care Excess(Shortage)	4,820	4,240	580	13.7%
UHC Dental				
Revenues	189,409	190,638	(1,230)	-0.6% h
Expenses	(189,349)	(190,560)	1,211	-0.6% h
Net UHC Dental Excess(Shortage)	60	78	(19)	-23.8%
Long Term/Short Term Disability				
Revenues	3,365,281	3,609,013	(243,732)	-6.8%
Expenses	(3,366,556)	(2,938,139)	(428,416)	14.6% g
Net Long Term/Short Term Disability Excess(Shortage)	(1,275)	670,874	(672,148)	-100.2%
Flexible Benefits				
Revenues	1,589,605	1,281,126	308,479	24.1% g
Expenses	(1,589,605)	(1,279,088)	(310,517)	24.3% g
Net Flexible Benefits Excess(Shortage)	0	2,037	(2,037)	-100.0%
Flexible Spending-Dependent Care				
Revenues	2,888,167	2,046,403	841,764	41.1% g
Expenses	(1,837,668)	(1,688,596)	(149,072)	8.8% g
Net Flexible Spending-Dependent Care Excess(Shortage)	1,050,499	357,807	692,692	193.6%
Flexible Spending -Medical Reimbursement				
Revenues	4,093,915	4,087,643	6,272	0.2%
Expenses	(2,950,779)	(3,222,875)	272,096	-8.4% i
Net Flexible Spending-Medical Reimbursement Excess(Shortage)	1,143,136	864,768	278,368	32.2%
Adoption & Surrogacy				
Expenses	0	(45,258)	45,258	-100.0%
Healthcare Sustainability Fund (\$3.00)				
Revenues	1,061,334	1,072,044	(10,710)	-1.0%
Expenses	(1,202,447)	(1,066,985)	(135,462)	12.7% e
Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	(141,113)	5,059	(146,172)	-2889.2%
NET FULLY INSURED PLANS	1,708,974	1,367,748	341,226	24.9%
SAVINGS AND INVESTMENTS				
Interest	0	0	0	
Performance guarantees	20,857	0	20,857	
Forfeitures	0	108,942	(108,942)	
TOTAL SAVINGS & INVESTMENTS	20,857	108,942	(88,084)	1616.8%
TOTAL NET EXCESS (SHORTAGE)	4,085,929	8,810,425	(4,724,496)	-53.6%

Notes:

- a decrease in membership
- b discontinued on 1/1/20
- c decrease in deductions
- d increase in membership

- e \$3 per member per month for communications, wellness, actuarial work
- f increase in claims
- g increase in deductions
- h decrease in rates
- i increase in rates
- j decrease in claims