

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

DATE: March 23, 2023

TO: Randy Scott, President, and Members of the Health Service Board

FROM: Iftikhar Hussain, Chief Financial Officer

SUBJECT: Health Service Board Financial Report as of January 31, 2023

This report covers the sources and uses of the Health Service System Employee Benefit Trust Fund (Trust Fund), the Health Sustainability Fund and the General Fund for the seven months ending January 31, 2022 and projections for FYE 2023

Executive Summary

Trust Fund and Health Sustainability Fund

- In the first seven months, the trust decreased by \$1.6M due to stabilization and higher medical claims offset in part by the Sutter settlement distribution. The FYE projected net decrease is \$12M.
- For the seven months, net claims were \$9.9M higher. Medical claims were \$10.4M higher offset by \$.5M lower dental claims.
- Healthcare Sustainability Fund projected FYE balance will decrease by \$1.7M as budgeted.
- Pharmacy rebates in the first seven months were \$4M and projected to be \$14.7 million for the fiscal year.

General Fund

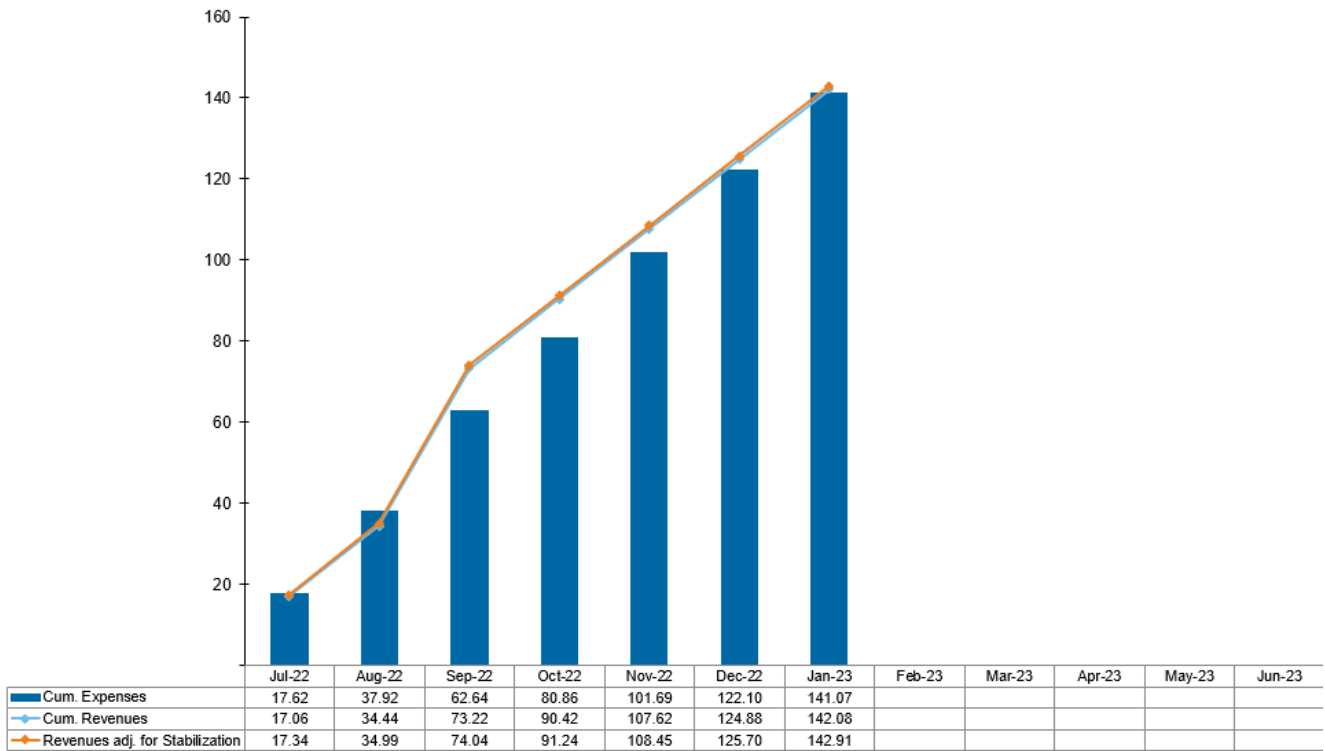
The GF has a surplus in the first seven months primarily due to lower personnel expenses because of vacancies. Cost of services from other departments is low due to timing delay and will reverse by fiscal year end.

Detailed Analysis by Fund

Blue Shield Access+ Flex Funded Plan

YTD revenues include \$14.7M Sutter settlement. Projected FYE balance will decrease by \$9.3M as high claims and rate stabilization offset the settlement distribution.

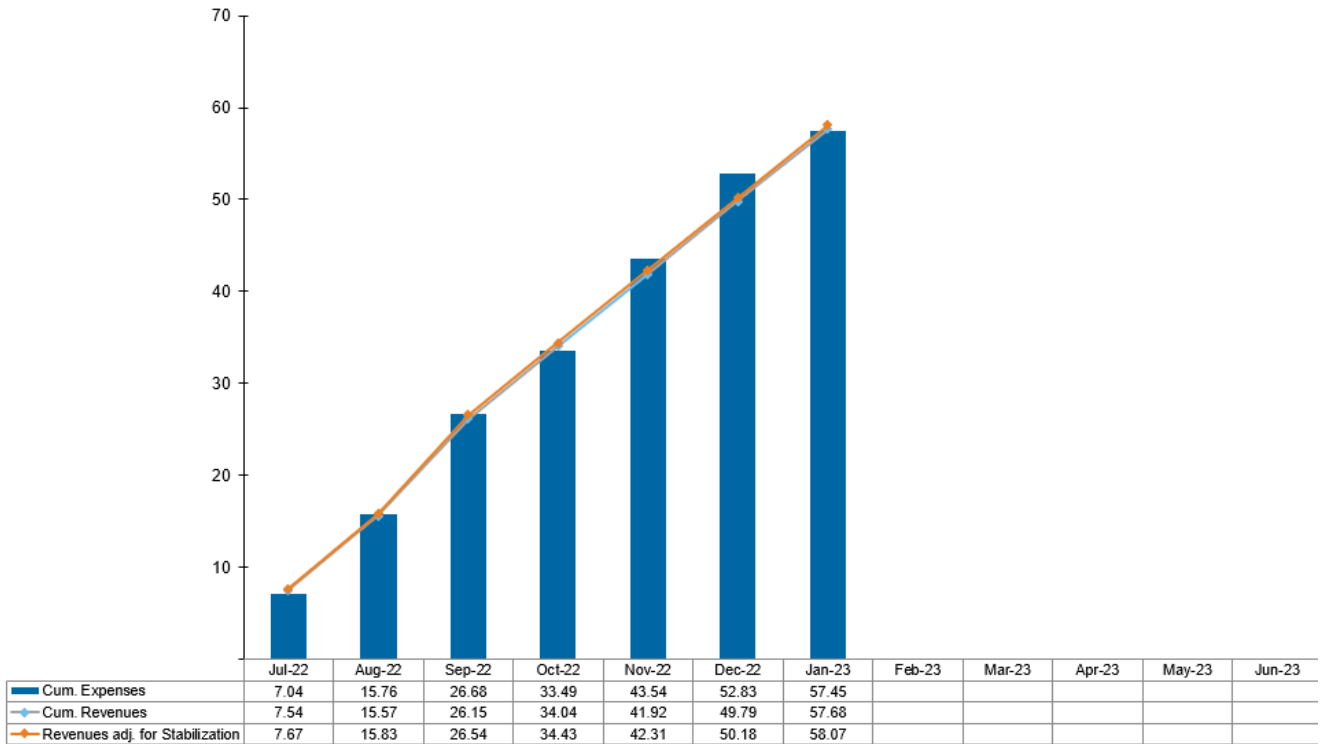
Blue Shield Access+ Flex Funded
 Cumulative Expense vs. Budgeted Premium
 (in Millions \$)



Blue Shield Trio Flex-Funded Plan

Expecting no net change by FYE.

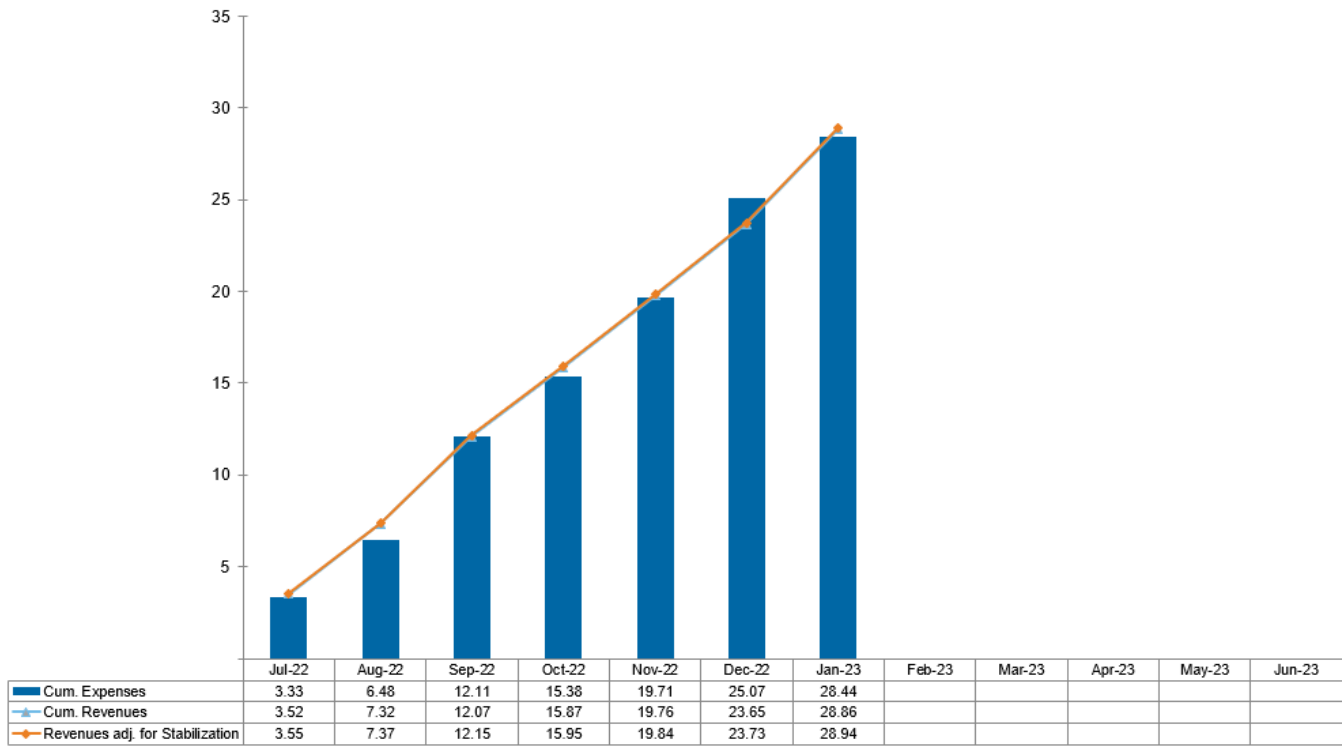
Blue Shield Trio Flex Funded
 Cumulative Expense vs. Budgeted Premium
 (in Millions \$)



Blue Shield/United Health Care Administered PPO

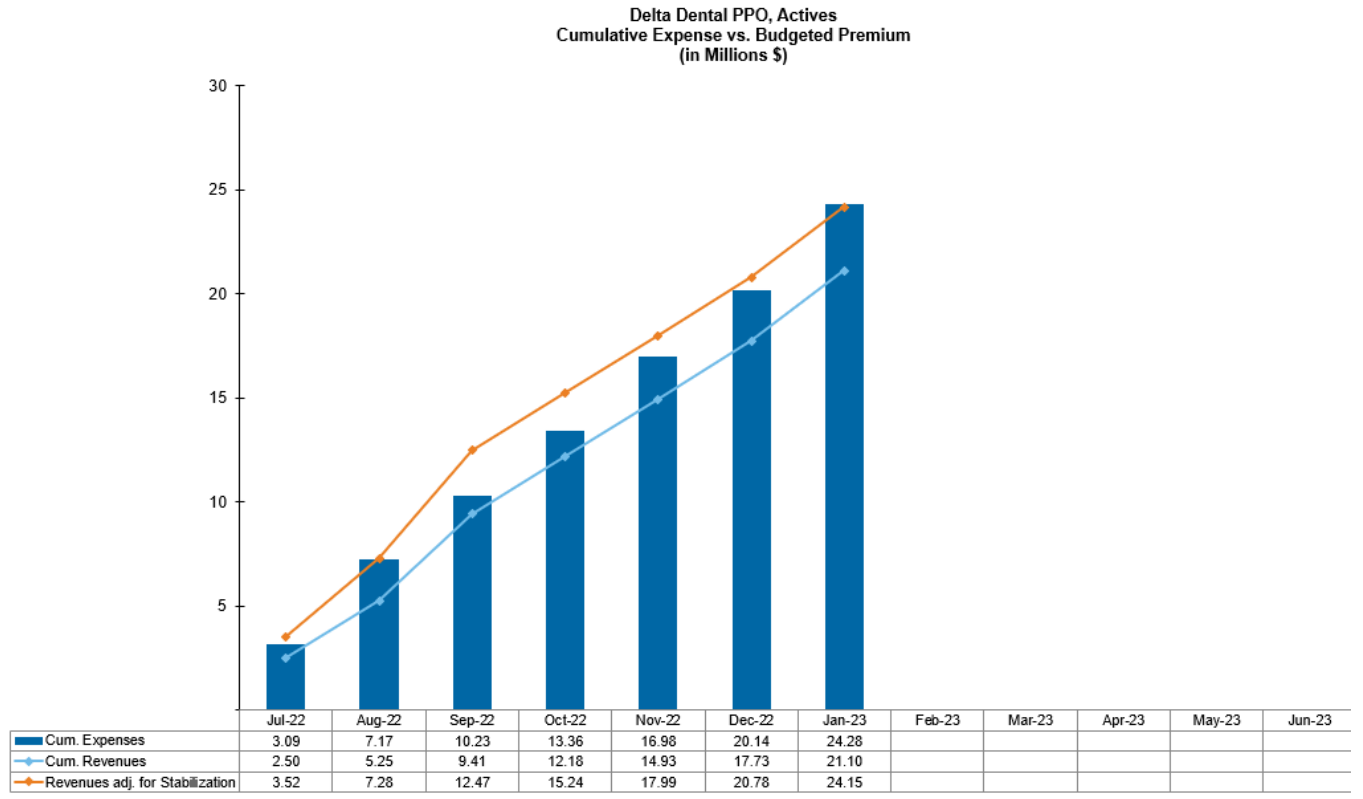
The administration of the self-funded PPO migrated from United to Blue Shield starting in January 2022. The table below shows the combined results of the plan. Projecting a FYE increase of \$.8M.

Blue Shield and United Health Care PPO Plan
 Cumulative Expense vs. Budgeted Premium
 (In Millions \$)



Delta Dental PPO (Actives Only) Self-Funded Plan

Projected decrease for the year is \$3M due to rate stabilization partially offset by lower claims.



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. The updated FY 2023 budget includes carry forwards for commitments made before June 31, 2022, reduction in salaries due to movement of funding for 2 positions to the General Fund and updating the beginning fund balance to actual. The projection for the year is at budget.

SAN FRANCISCO HEALTH SERVICE SYSTEM <small>Affordable, Quality Benefits & Well-Being</small>					Healthcare Sustainability Fund FY 2022-23		
	FY 2021-22 Total Actual	FY2022-23 Budget Request (HSS Board Approved)	FY2022-23 Carryforward Budget	FY2022-23 Adjustments	FY 2022-23 Revised Budget + Adj C/F	FY 2022-23 Actuals Jan YTD	FY 2022-23 Projection
REVENUE SOURCES							
Annual Revenues	\$ 2,544,616	\$ 2,552,366		\$ -	\$ 2,552,366	\$ 1,473,042	\$ 2,552,366
Carryforward from Fund Balance	4,527,332	3,969,332		467,843	\$ 4,437,175	-	4,437,175
TOTAL	\$ 7,071,948	\$ 6,521,697	\$ -	\$ 467,843	\$ 6,989,540	\$ 1,473,042	\$ 6,989,541
EXPENDITURE USES							
Personnel	\$ 1,549,921	\$ 2,040,623		\$ (567,427)	\$ 1,473,196	\$ 492,033	\$ 1,473,196
Administrative	6,517	30,000	18,992	115,500	164,492	7,222	164,492
Member Communications	433,331	467,000	69,403	255,500	791,903	336,611	791,903
Communications - Other	243,515	233,870	106,736	314,450	655,056	14,834	655,056
Well-Being	113,849	189,500	64,254	27,000	280,754	84,465	280,754
Initiatives to Reduce Health Care Costs	287,640	378,829	-	249,000	627,829	268,125	627,829
Other Projects	-	50,000	-	220,616	270,616	-	270,616
TOTAL	\$ 2,634,773	\$ 3,389,822	\$ 259,385	\$ 614,639	\$ 4,263,846	\$ 1,203,290	\$ 4,263,846
REVENUE - EXP. (excl. carry forward fund balance)	(90,157)	(837,456)	(259,385)	(614,639)	(1,711,480)	269,753	(1,711,480)
BALANCE	\$ 4,437,175	\$ 3,131,875	\$ (259,385)	\$ (146,796)	\$ 2,725,694	\$ 269,753	\$ 2,725,695

*Projection based on 7 months of actuals including the carryforward funding from FY 2021-22

Pharmacy Rebates

Pharmacy rebates from the health plans administering the Flex and Self-Funded health plans are \$4M through January and projected to be \$14.8M for the year.

	Actual	Projected RX
Blue Shield Access+ HMO	2,435,283	8,840,000
Blue Shield Trio HMO	1,170,041	4,160,000
UHC Administered PPO	452,779	1,760,000
TOTAL	\$ 4,058,103	\$ 14,760,000

General Fund

- The FY 2023 budget has been adjusted for carryforward commitments made before June 31, 2022. Personnel services budget includes funding of two positions from the health sustainability fund budget. Net activity is ahead of budget due to vacancies and billing delays for cost of services from other departments. Projecting a \$376K surplus for the year.



General Fund Administration Budget FY 2022-23
ANNUALIZED AS OF 01/31/22

	FY 2022-23 Approved Budget	FY2022-23 Carryforward Budget	FY 2022-23 Revised Budget	FY 2022-23 Actuals	Total Actual YTD	FYE 2022-23 Projection
REVENUES						
Non-Operating Revenue	\$ 9,131		\$ 9,131	\$ -	\$ -	\$ -
Operating Work Order Recovery	13,091,603		13,091,603	7,636,264	7,636,264	13,091,603
Other Revenue	450,000		450,000	-	-	400,000
General Fund Carryforward	-	277,942	277,942	277,942	277,942	436,942
Interfund Transfer	-	-	-	-	-	-
TOTAL REVENUES	\$ 13,550,734	\$ 277,942	\$ 13,828,676	\$ 7,914,206	\$ 7,914,206	\$ 13,928,545
EXPENDITURES						
Personnel Services	\$ 6,353,817		\$ 6,353,817	\$ 3,096,850	\$ 3,096,850	\$ 6,053,817
Mandatory Fringe Benefits	2,862,833		2,862,833	1,435,742	1,435,742	2,727,850
Non-personnel Services	2,314,006	196,981	2,510,987	1,189,883	1,189,883	2,510,987
Materials & Supplies	61,362	26,594	87,956	24,653	24,653	87,956
Services of Other Departments	1,958,716	213,367	2,172,083	807,361	807,361	2,172,083
TOTAL EXPENDITURES	\$ 13,550,734	\$ 436,942	\$ 13,987,676	\$ 6,554,489	\$ 6,554,489	\$ 13,552,693
BALANCE	\$ -	\$ (159,000)	\$ (159,000)	\$ 1,359,717	\$ 1,359,717	\$ 375,852

Trust Fund and Health Sustainability Fund with FYE Projection

SUMMARY	FY22-23	FY22-23
	Year-to-Date Actual Net as of 01/31/23	Projected Year-End Annual Net
Flex/Self Insurance		
Blue Shield-Access+	1,019,278	(9,364,727) (a), (h)
Blue Shield-Trio	229,491	182,774 (a)
Blue Shield and United PPO	424,361	818,214 (b)
Health Net Canopy Care	380,901	-
Delta Dental PPO, Actives	(3,182,623)	(2,984,497) (c)
Fully Insured Plans		
Medical HMOs	(1,493,565)	-
Dental	(6,323)	-
LTD/Flexible Benefits/FSA/Health Net Canopy Care	222,274	-
Healthcare Sustainability Fund (\$3.00)	269,752	(1,711,480) (d)
Savings & Investments		
Interest	-	800,000
Performance guarantees	619,103	619,103 (e)
Surrogacy and adoption	(63,720)	(63,720)
Transfers Out	0	(400,000) (g)
TOTAL	(1,581,070)	(12,104,333)
Net assets		
Beginning of the year		<u>106,715,642</u>
End of the year		<u>94,611,309</u>

(a) Annual Projection is net of claim stabilization of \$2.4 million to decrease 2022 rates, \$3.3 million to decrease 2023 rates, Pharmacy rebate of \$13.0 million, and settlement of \$14.8 million

(b) Annual Projection is net of claim stabilization of \$0.2 million to decrease 2022 rates, \$0.2 million to increase 2023 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 \$2.7 million to reduce 2023 rates

(d) \$3.00 per member per month for communications, wellness, actuarial work; is part of a total premium.

(e) Reflects performance guarantees received in FY 2022-2023

(f) Reflects use of fund balance

(g) Transfer of \$0.4M from forfeitures to General Fund.

(h) Includes \$14.8M Sutter settlement distribution

Supplemental Tables – Trust Fund Activity- Current FY

<i>ACTIVE & RETIRED COMBINED</i>	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess (Shortage)
FLEX/SELF-INSURED PLANS			
Blue Shield Access+ HMO*, **	142,084,499	141,065,221	1,019,278
Blue Shield Trio HMO*	57,679,254	57,449,763	229,491
Blue Shield and United PPO	28,859,641	28,435,279	424,361
Health Net Canopy Care	2,322,330	1,941,429	380,901
Delta Dental PPO- (Active only)	21,095,628	24,278,251	(3,182,623)
TOTAL FLEX/SELF-INSURED PLANS	252,041,352	253,169,944	(1,128,591)
FULLY INSURED PLANS			
UHC MAPD	53,104,103	53,104,103	-
Kaiser-HMO	275,290,699	276,763,007	(1,472,308)
Vision Service Plan	5,550,100	5,571,357	(21,257)
Sub-total HMO	333,944,902	335,438,467	(1,493,565)
Delta Dental PPO - Retirees	10,518,106	10,518,106	-
Delta Care	462,237	466,560	(4,322)
UHC Dental	237,934	239,934	(2,000)
Sub-total Dental	11,218,277	11,224,600	(6,323)
Long Term/Short Term Disability	4,880,814	4,885,520	(4,706)
Flexible Benefits	2,371,638	2,371,566	72
Flexible Spending-Dependent Care	2,688,952	2,979,799	(290,846)
Flexible Spending -Medical Reimbursement	6,070,020	5,552,267	517,753
Healthcare Sustainability Fund (\$3.00)	1,473,042	1,203,290	269,752
Adoption & Surrogacy		63,720	(63,720)
Sub-total Other Benefits	17,484,467	17,056,162	428,306
TOTAL FULLY INSURED PLANS	362,647,647	363,719,229	(1,071,582)
SAVINGS AND INVESTMENTS			
Interest	-		-
Performance guarantees	619,103		619,103
Forfeitures	-		-
TOTAL SAVINGS & INVESTMENTS	619,103	-	619,103
TRANSFERS OUT OF FORFEITURES			0
TOTAL FUNDS	615,308,102	616,889,172	(1,581,070)

* Expenses are net of pharmacy rebates - see report for details, ** includes Sutter settlement

Supplemental Tables - Trust Fund Activity- with Prior Year

**SAN FRANCISCO
HEALTH SERVICE SYSTEM**
Affordable, Quality Benefits & Well-Being

**STATEMENTS OF REVENUES AND EXPENSES
FY 2022-2023 VS FY 2021-2022
YEAR-TO-DATE: JANUARY 31, 2023**

<i>ACTIVE & RETIRED COMBINED</i>	For 7 Months Ended January 31, 2023	For 7 Months Ended January 31, 2022	\$ Change	% Change
FLEX/SELF-INSURED PLANS				
Blue Shield-Access+ HMO				
Revenues	142,084,499	131,532,926	10,551,574	8.0% b
Expenses	(141,065,221)	(126,928,086)	(14,137,135)	11.1% f
Net Blue Shield-Access Excess(Shortage)	1,019,278	4,604,840	(3,585,562)	-77.9%
Blue Shield-Trio HMO				
Revenues	57,679,254	59,905,918	(2,226,664)	-3.7%
Expenses	(57,449,763)	(64,589,983)	7,140,220	-11.1% i
Net Blue Shield-Trio Excess(Shortage)	229,491	(4,684,065)	4,913,556	-104.9%
Blue Shield and United PPO				
Revenues	28,859,641	22,260,377	6,599,263	29.6%
Expenses	(28,435,279)	(26,280,940)	(2,154,339)	8.2%
Net BSC and United PPO Excess(Shortage)	424,361	(4,020,563)	4,444,924	
Health Net Canopy Care				
Revenues	2,322,330	222,768	2,099,562	
Expenses	(1,941,429)	(22,622)	(1,918,807)	
Net Health Net Canopy Care Excess(Shortage)	380,901	200,147	180,755	
Delta Dental PPO (Active only)				
Revenues	21,095,628	24,046,798	(2,951,169)	-12.3% h
Expenses	(24,278,251)	(23,996,017)	(282,235)	1.2% i
Net Delta Dental PPO- (Active Only) Excess(Shortage)	(3,182,623)	50,781	(3,233,404)	-6367.4%
NET FLEX/SELF-INSURED PLANS	(1,128,591)	(3,848,861)	2,720,269	-70.7%

Notes:

- a decrease in membership
- b Sutter Settlement
- c decrease in deductions
- d increase in membership

e \$3 per member per month for communications, wellness

- f increase in claims
- g increase in deductions
- h decrease in rates
- i increase in rates
- j decrease in claims
- k Payperiod Timing

Supplemental Tables - Trust Fund Activity- with Prior Year (continued)

ACTIVE & RETIRED COMBINED	STATEMENTS OF REVENUES AND EXPENSES			
	FY 2022-2023 VS FY 2021-2022 YEAR-TO-DATE: JANUARY 31, 2023			
	For 7 Months Ended January 31, 2023	For 7 Months Ended January 31, 2022	\$ Change	% Change
FULLY INSURED PLANS				
Kaiser-HMO				
Revenues	275,290,699	270,342,599	4,948,101	1.8% d
Expenses	(276,763,007)	(274,143,057)	(2,619,950)	1.0% d, l
Net Kaiser- HMO Excess(Shortage)	(1,472,308)	(3,800,458)	2,328,151	-61.3% K
UHC MAPD				
Revenues	53,104,103	50,849,398	2,254,704	4.4% d, l
Expenses	(53,104,103)	(50,849,398)	(2,254,704)	4.4% d, l
Net UHC MAPD Excess(Shortage)	0	0	0	
Vision Service Plan, All (City Plan & HMO)				
Revenues	5,550,100	5,318,425	231,675	4.4% d, l
Expenses	(5,571,357)	(5,349,087)	(222,270)	4.2% d, l
Net Vision Service Plan Excess(Shortage)	(21,257)	(30,662)	9,405	-30.7%
Delta Dental PPO - Retirees				
Revenues	10,518,106	9,767,480	750,626	7.7%
Expenses	(10,518,106)	(9,767,480)	(750,626)	7.7%
Net Delta Dental PPO - Retirees Excess(Shortage)	0	0	0	
Delta Care				
Revenues	462,237	523,969	(61,731)	-11.8%
Expenses	(466,560)	(458,305)	(8,254)	1.8%
Net Delta Care Excess(Shortage)	(4,322)	65,663	(69,986)	-106.6%
UHC Dental				
Revenues	237,934	260,917	(22,983)	-8.8%
Expenses	(239,934)	(257,238)	17,304	-6.7%
Net UHC Dental Excess(Shortage)	(2,000)	3,679	(5,680)	-154.4%
Long Term/Short Term Disability				
Revenues	4,880,814	5,349,089	(468,275)	-8.8%
Expenses	(4,885,520)	(4,689,031)	(196,489)	4.2%
Net Long Term/Short Term Disability Excess(Shortage)	(4,706)	660,058	(664,764)	-100.7% k
Flexible Benefits				
Revenues	2,371,638	2,211,540	160,098	7.2% g
Expenses	(2,371,566)	(2,211,540)	(160,026)	7.2% g
Net Flexible Benefits Excess(Shortage)	72	0	72	
Flexible Spending-Dependent Care				
Revenues	2,688,952	3,585,386	(896,433)	-25.0% c
Expenses	(2,979,799)	(3,633,444)	653,645	-18.0% c
Net Flexible Spending-Dependent Care Excess(Shortage)	(290,846)	(48,058)	(242,788)	505.2%
Flexible Spending -Medical Reimbursement				
Revenues	6,070,020	5,307,792	762,229	14.4% g
Expenses	(5,552,267)	(5,217,065)	(335,202)	6.4% f
Net Flexible Spending-Medical Reimbursement Excess(Shortage)	517,753	90,726	427,027	470.7%
Adoption & Surrogacy				
Expenses	(63,720)	0	(63,720)	
Healthcare Sustainability Fund (\$3.00)				
Revenues	1,473,042	1,511,261	(38,219)	-2.5%
Expenses	(1,203,290)	(1,567,576)	364,286	-23.2% e
Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	269,752	(56,315)	326,067	-579.0%
NET FULLY INSURED PLANS	(1,071,582)	(3,115,367)	2,043,785	-65.6%
SAVINGS AND INVESTMENTS				
Interest	0	0	0	
Performance guarantees	619,103	102,989	516,114	
Forfeitures	0	0	0	
TOTAL SAVINGS & INVESTMENTS	619,103	102,989	516,114	1616.8%
TOTAL NET EXCESS (SHORTAGE)	(1,581,070)	(6,861,238)	5,280,168	-77.0%

Notes:

- | | |
|--------------------------|---|
| a decrease in membership | e \$3 per member per month for communications, wellness |
| b Sutter Settlement | f increase in claims |
| c decrease in deductions | g increase in deductions |
| d increase in membership | h decrease in rates |
| | i increase in rates |
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