

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

DATE: August 10, 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 May 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 eleven months ending May 31, 2023 and projections for FYE 2023.

Executive Summary

Trust Fund and Health Sustainability Fund

- The projected FYE trust balance will decrease by \$5.8M mainly due to rate stabilization and Sutter settlement distribution. For the eleven months the fund increased by \$3.8M due to timing differences.
- Total net claims are projected to be \$8.7M higher than plan with higher medical claims offset by lower dental claims.
- The Healthcare Sustainability Fund projected FYE balance will decrease by \$1.7M as budgeted.
- Pharmacy rebates in the first eleven months were \$13.9M and projected to be \$14.8 million for the fiscal year.

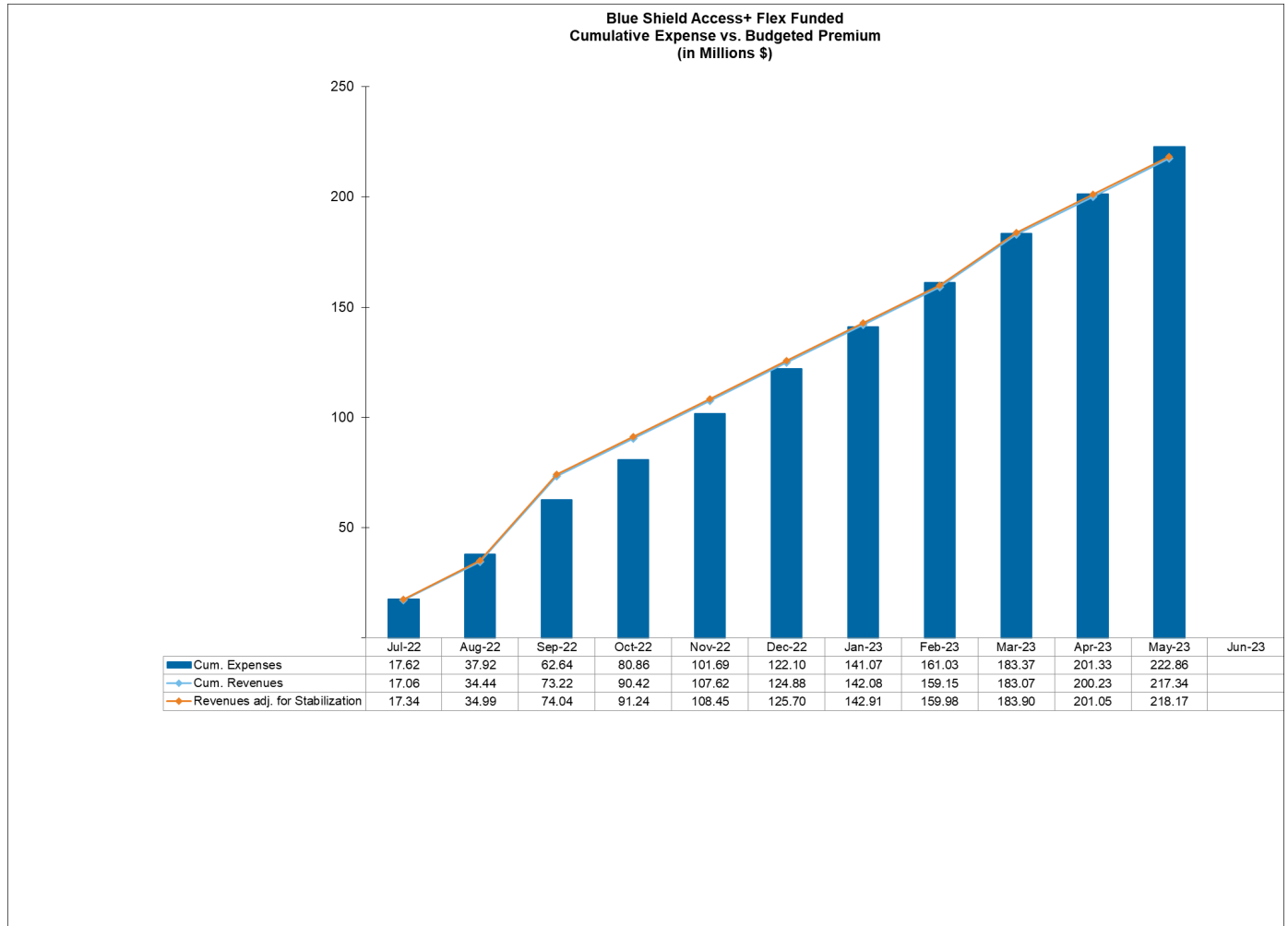
General Fund

The GF has a surplus in the first eleven 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

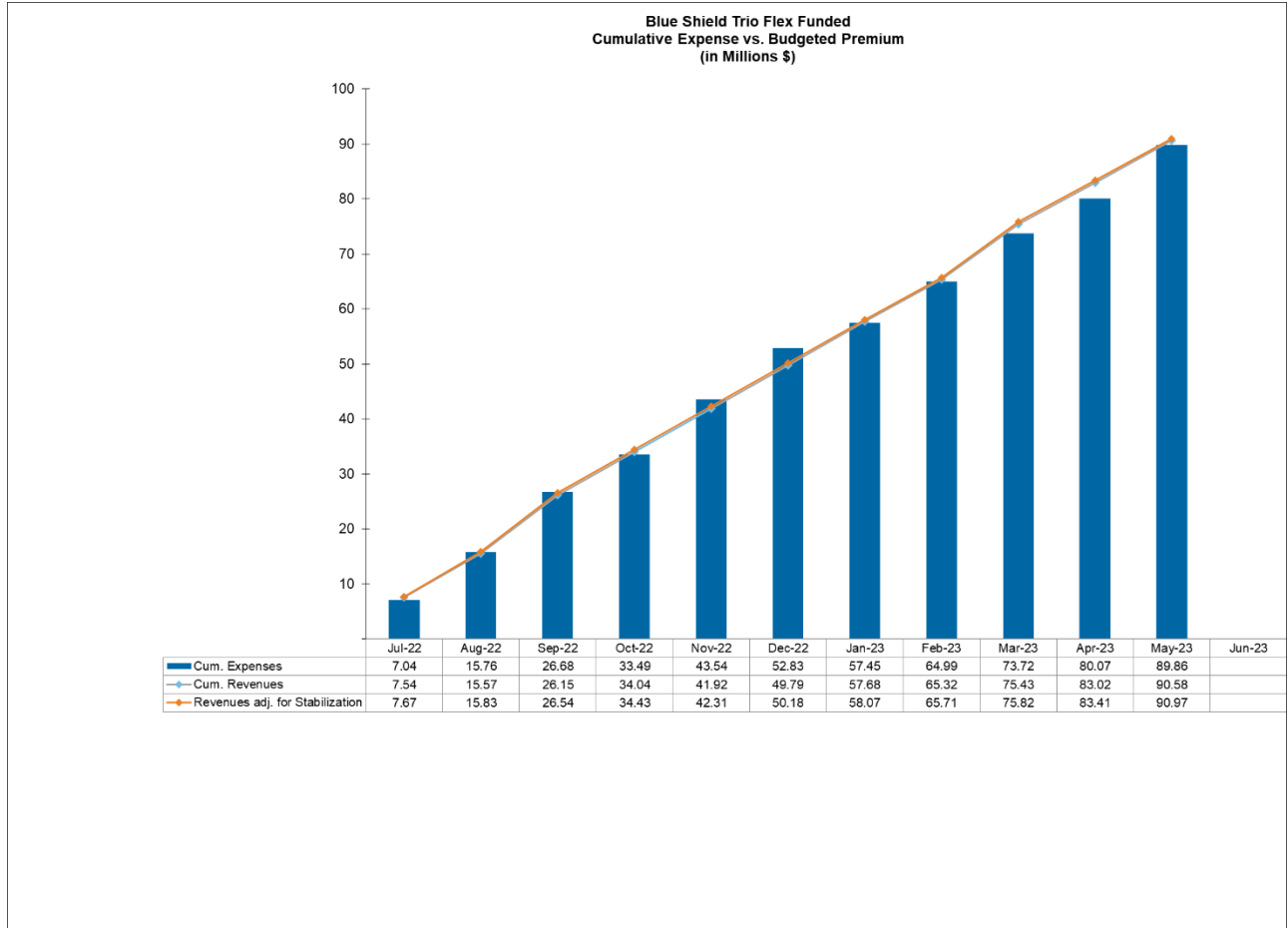
Blue Shield Access+ Flex Funded Plan

YTD revenues include \$14.7M Sutter settlement. Projected FYE balance will decrease by \$7.8M as high claims and rate stabilization offset the settlement distribution.



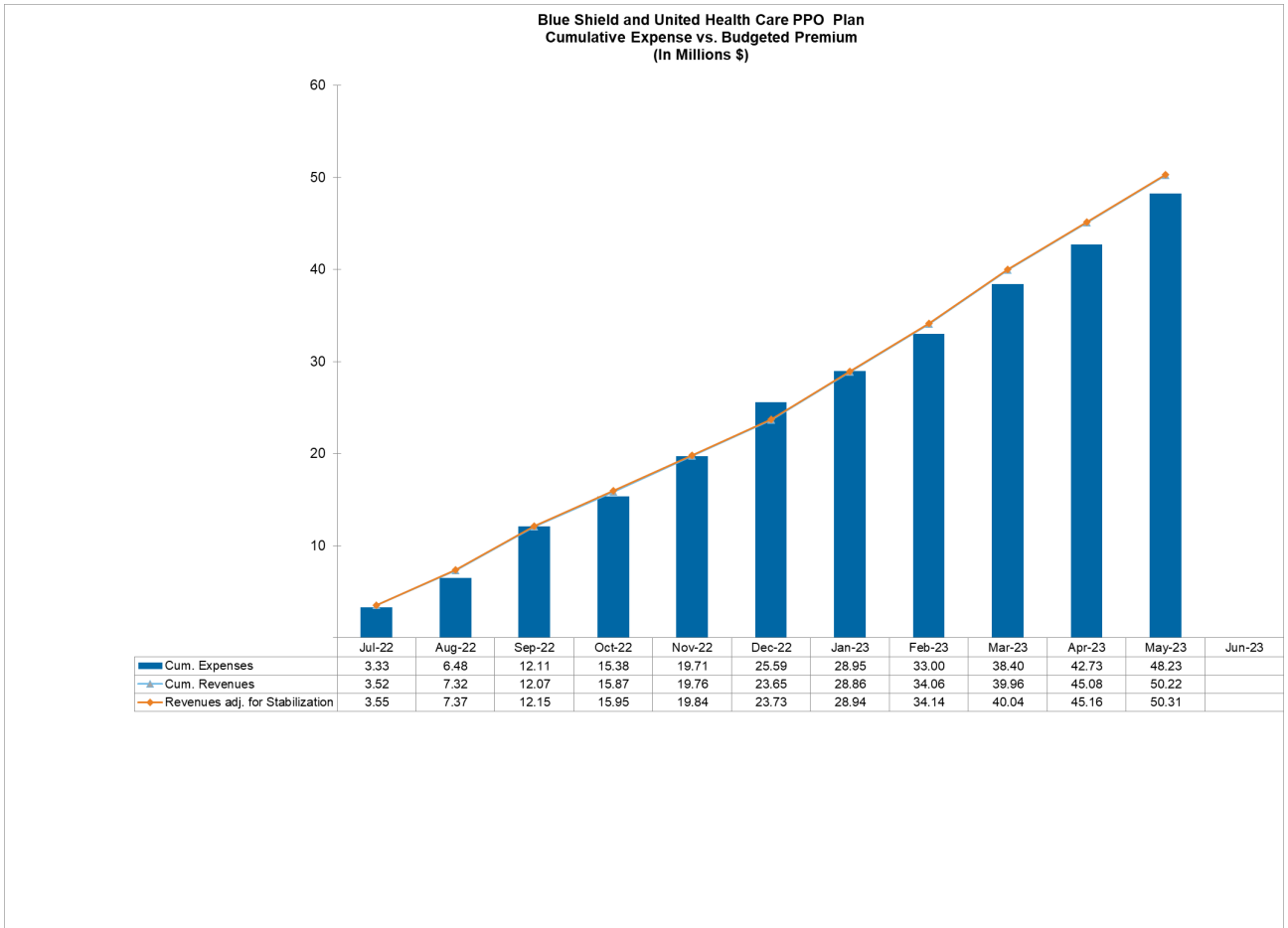
Blue Shield Trio Flex-Funded Plan

FYE projected balance will increase by \$765K due to lower claims.



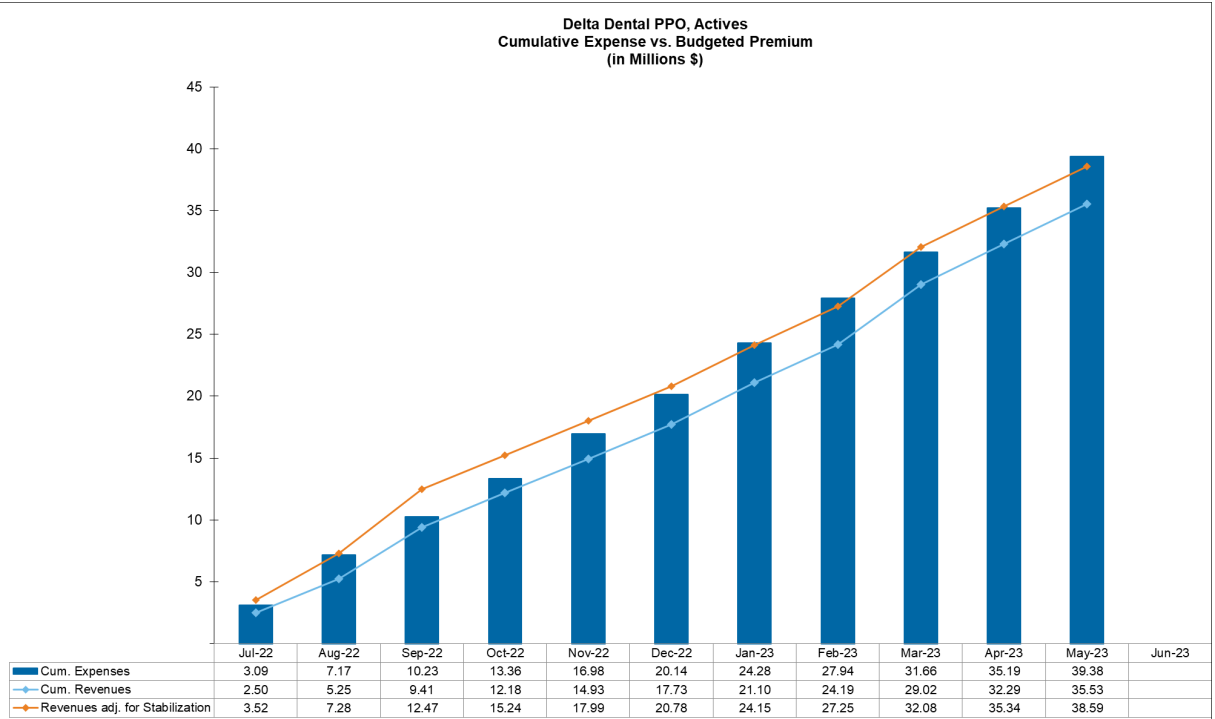
Blue Shield/United Health Care Administered PPO

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 FYE 2023 net increase of \$2.2M due to lower claims.



Delta Dental PPO (Actives Only) Self-Funded Plan

Projected decrease for the year is \$3.9M 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 May YTD	FY 2022-23 Projection
REVENUE SOURCES							
Annual Revenues	\$ 2,544,616	\$ 2,552,366		\$ -	\$ 2,552,366	\$ 2,316,504	\$ 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	\$ 2,316,504	\$ 6,989,541
EXPENDITURE USES							
Personnel	\$ 1,549,921	\$ 2,040,623		\$ (567,427)	\$ 1,473,196	\$ 733,880	\$ 1,473,196
Administrative	6,517	30,000	18,992	115,500	164,492	9,711	164,492
Member Communications	433,331	467,000	69,403	255,500	791,903	438,223	791,903
Communications - Other	243,515	233,870	106,736	314,450	655,056	126,197	655,056
Well-Being	113,849	189,500	64,254	27,000	280,754	103,636	280,754
Initiatives to Reduce Health Care Costs	287,640	378,829	-	249,000	627,829	405,729	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	\$ 1,817,376	\$ 4,263,846
REVENUE - EXP. (excl. carry forward fund balance)	(90,157)	(837,456)	(259,385)	(614,639)	(1,711,480)	499,128	(1,711,480)
BALANCE	\$ 4,437,175	\$ 3,131,875	\$ (259,385)	\$ (146,796)	\$ 2,725,694	\$ 499,128	\$ 2,725,695

*Projection based on 11 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 \$13.9M through May and projected to be \$14.8M for the year.

	Actual	Projected RX
Blue Shield Access+ HMO	8,459,112	8,840,000
Blue Shield Trio HMO	3,806,198	4,160,000
UHC Administered PPO	1,610,948	1,760,000
TOTAL	\$ 13,876,258	\$ 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 05/31/23**

	FY 2022-23 Approved Budget	FY2022-23 Carryforward	FY2022-23 Adjustments	FY 2022-23 Revised Budget	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	12,194,532	13,091,603
Other Revenue	450,000		383,172	833,172	-	400,000
General Fund Carryforward	-	277,942		277,942	277,942	277,942
Interfund Transfer	-			-	-	-
TOTAL REVENUES	\$ 13,550,734	\$ 277,942	\$ 383,172	\$ 14,211,848	\$ 12,472,474	\$ 13,769,545
EXPENDITURES						
Personnel Services	\$ 6,353,817		\$ (249,677)	\$ 6,104,140	\$ 4,901,814	\$ 5,804,140
Mandatory Fringe Benefits	2,862,833		(114,727)	2,748,106	2,264,062	2,615,346
Non-personnel Services	2,314,006	196,981	383,172	2,894,159	2,098,817	2,894,159
Materials & Supplies	61,362	26,594	-	87,956	33,506	87,956
Services of Other Departments	1,958,716	54,367	364,404	2,377,487	1,528,410	2,377,487
				-		
TOTAL EXPENDITURES	\$ 13,550,734	\$ 277,942	\$ 383,172	\$ 14,211,848	\$ 10,826,608	\$ 13,779,088
BALANCE	\$ -	\$ (0)	\$ -	\$ (0)	\$ 1,645,865	\$ (9,543)

Trust Fund and Health Sustainability Fund with FYE Projection

	FY22-23	FY22-23
	Year-to-Date Actual Net as of 05/31/23	Projected Year-End Annual Net
SUMMARY		
Flex/Self Insurance		
Blue Shield-Access+	(5,517,525)	(7,805,743) (a), (h)
Blue Shield-Trio	717,360	765,108 (a)
Blue Shield and United PPO	1,991,473	2,208,437 (b)
Health Net Canopy Care	551,890	-
Delta Dental PPO, Actives	(3,845,821)	(3,880,896) (c)
Fully Insured Plans		
Medical HMOs	4,233,896	-
Dental	4,893	-
LTD/Flexible Benefits/FSA/Health Net Canopy Care	1,325,588	-
Healthcare Sustainability Fund (\$3.00)	499,127	(1,711,480) (d)
Savings & Investments		
Interest	2,123,842	2,831,790
Performance guarantees	1,826,918	1,826,918 (e)
Surrogacy and adoption	(79,883)	(79,883)
Transfers Out	0	-
TOTAL	<u>3,831,759</u>	<u>(5,845,749)</u>
Net assets		
Beginning of the year		<u>106,715,642</u>
End of the year		<u>100,869,893</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*, **	217,342,838	222,860,363	(5,517,525)
Blue Shield Trio HMO*	90,579,188	89,861,828	717,360
Blue Shield and United PPO	50,222,914	48,231,440	1,991,473
Health Net Canopy Care	4,733,524	4,181,634	551,890
Delta Dental PPO- (Active only)	35,530,961	39,376,783	(3,845,821)
TOTAL FLEX/SELF-INSURED PLANS	398,409,426	404,512,048	(6,102,622)
FULLY INSURED PLANS			
UHC MAPD	84,952,660	84,952,660	-
Kaiser-HMO	444,151,606	439,944,302	4,207,304
Vision Service Plan	9,110,034	9,083,442	26,592
Sub-total HMO	538,214,300	533,980,404	4,233,896
Delta Dental PPO - Retirees	17,218,969	17,218,969	-
Delta Care	726,497	723,724	2,773
UHC Dental	373,106	370,986	2,120
Sub-total Dental	18,318,572	18,313,679	4,893
Long Term/Short Term Disability	7,915,818	7,194,429	721,389
Flexible Benefits	3,856,293	3,856,221	72
Flexible Spending-Dependent Care	4,869,980	4,565,842	304,138
Flexible Spending -Medical Reimbursement	10,306,010	10,006,021	299,989
Healthcare Sustainability Fund (\$3.00)	2,316,504	1,817,376	499,127
Adoption & Surrogacy	-	79,883	(79,883)
Sub-total Other Benefits	29,264,606	27,519,773	1,744,834
TOTAL FULLY INSURED PLANS	585,797,478	579,813,855	5,983,623
SAVINGS AND INVESTMENTS			
Interest	2,123,842		2,123,842
Performance guarantees	1,826,918		1,826,918
Forfeitures	-		-
TOTAL SAVINGS & INVESTMENTS	3,950,760	-	3,950,760
TRANSFERS OUT OF FORFEITURES			0
TOTAL FUNDS	988,157,663	984,325,903	3,831,760

* 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: MAY 31, 2023**

ACTIVE & RETIRED COMBINED	For 11 Months Ended May 31, 2023	For 11 Months Ended May 31, 2022	\$ Change	% Change
FLEX/SELF-INSURED PLANS				
Blue Shield-Access+ HMO				
Revenues	217,342,838	206,820,780	10,522,059	5.1% b
Expenses	(222,860,363)	(213,225,817)	(9,634,546)	4.5% f
Net Blue Shield-Access Excess(Shortage)	(5,517,525)	(6,405,038)	887,513	-13.9%
Blue Shield-Trio HMO				
Revenues	90,579,188	94,001,605	(3,422,416)	-3.6%
Expenses	(89,861,828)	(101,623,619)	11,761,791	-11.6% i
Net Blue Shield-Trio Excess(Shortage)	717,360	(7,622,015)	8,339,375	-109.4%
Blue Shield and United PPO				
Revenues	50,222,914	23,498,131	26,724,783	113.7%
Expenses	(48,231,440)	(29,136,679)	(19,094,761)	65.5%
Net BSC and United PPO Excess(Shortage)	1,991,473	(5,638,548)	7,630,021	
Health Net Canopy Care				
Revenues	4,733,524	1,291,834	3,441,690	
Expenses	(4,181,634)	(954,805)	(3,226,829)	
Net Health Net Canopy Care Excess(Shortage)	551,890	337,029	214,861	
Delta Dental PPO (Active only)				
Revenues	35,530,961	36,618,820	(1,087,859)	-3.0% h
Expenses	(39,376,783)	(39,245,537)	(131,245)	0.3% i
Net Delta Dental PPO- (Active Only) Excess(Shortage)	(3,845,821)	(2,626,717)	(1,219,104)	46.4%
NET FLEX/SELF-INSURED PLANS	(6,102,622)	(21,955,288)	15,852,666	-72.2%


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)

		STATEMENTS OF REVENUES AND EXPENSES FY 2022-2023 VS FY 2021-2022 YEAR-TO-DATE: MAY 31, 2023			
ACTIVE & RETIRED COMBINED		For 11 Months Ended May 31, 2023	For 11 Months Ended May 31, 2022	\$ Change	% Change
FULLY INSURED PLANS					
Kaiser-HMO					
Revenues		444,151,606	427,247,202	16,904,404	4.0% d
Expenses		(439,944,302)	(433,350,849)	(6,593,453)	1.5% d, l
Net Kaiser- HMO Excess(Shortage)		4,207,304	(6,103,647)	10,310,950	-168.9% K
UHC MAPD					
Revenues		84,952,660	80,458,991	4,493,669	5.6% d, l
Expenses		(84,952,660)	(80,458,991)	(4,493,669)	5.6% d, l
Net UHC MAPD Excess(Shortage)		0	0	0	
Vision Service Plan, All (City Plan & HMO)					
Revenues		9,110,034	8,494,291	615,743	7.2% d, l
Expenses		(9,083,442)	(8,486,561)	(596,881)	7.0% d, l
Net Vision Service Plan Excess(Shortage)		26,592	7,731	18,862	244.0%
Delta Dental PPO - Retirees					
Revenues		17,218,969	15,784,441	1,434,527	9.1%
Expenses		(17,218,969)	(15,784,441)	(1,434,527)	9.1%
Net Delta Dental PPO - Retirees Excess(Shortage)		0	0	0	
Delta Care					
Revenues		726,497	752,872	(26,375)	-3.5%
Expenses		(723,724)	(717,380)	(6,345)	0.9%
Net Delta Care Excess(Shortage)		2,773	35,493	(32,720)	-92.2%
UHC Dental					
Revenues		373,106	399,178	(26,072)	-6.5%
Expenses		(370,986)	(396,334)	25,349	-6.4%
Net UHC Dental Excess(Shortage)		2,120	2,844	(724)	-25.5%
Long Term/Short Term Disability					
Revenues		7,915,818	8,068,587	(152,769)	-1.9%
Expenses		(7,194,429)	(7,409,800)	215,371	-2.9%
Net Long Term/Short Term Disability Excess(Shortage)		721,389	658,787	62,602	9.5% k
Flexible Benefits					
Revenues		3,856,293	3,663,601	192,692	5.3% g
Expenses		(3,856,221)	(3,664,533)	(191,688)	5.2% g
Net Flexible Benefits Excess(Shortage)		72	(932)	1,004	
Flexible Spending-Dependent Care					
Revenues		4,869,980	5,489,407	(619,427)	-11.3% c
Expenses		(4,565,842)	(5,128,030)	562,187	-11.0% c
Net Flexible Spending-Dependent Care Excess(Shortage)		304,138	361,377	(57,239)	-15.8%
Flexible Spending -Medical Reimbursement					
Revenues		10,306,010	9,001,115	1,304,895	14.5% g
Expenses		(10,006,021)	(9,079,458)	(926,564)	10.2% f
Net Flexible Spending-Medical Reimbursement Excess(Shortage)		299,989	(78,342)	378,331	-482.9%
Adoption & Surrogacy					
Expenses		(79,883)	(16,163)	(63,720)	
Healthcare Sustainability Fund (\$3.00)					
Revenues		2,316,504	2,334,184	(17,679)	-0.8%
Expenses		(1,817,376)	(2,400,656)	583,280	-24.3% e
Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)		499,128	(66,472)	565,600	-850.9%
NET FULLY INSURED PLANS		5,983,623	(5,199,324)	11,182,947	-215.1%
SAVINGS AND INVESTMENTS					
Interest		2,123,842	0	2,123,842	
Performance guarantees		1,826,918	0	1,826,918	
Forfeitures		0	0	0	
TOTAL SAVINGS & INVESTMENTS		3,950,760	0	3,950,760	1616.8%
TOTAL NET EXCESS (SHORTAGE)		3,831,760	(27,154,612)	30,986,372	-114.1%

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