

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

DATE: February 13, 2025
TO: Members of the Health Service Board
FROM: Iftikhar Hussain, Chief Financial Officer
SUBJECT: Health Service Board Financial Report as of December 31, 2024

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 six months ending December 31, 2024.

Executive Summary

Trust Fund and Health Sustainability Fund

- The FYE trust balance is projected to decrease by \$37M for the year. The decrease is due to \$9 million in stabilization and Sutter settlement and higher hospital and pharmacy utilization based on experience in the first six months.
- Pharmacy rebates for the year are projected to be \$16M.
- The Healthcare Sustainability Fund projected to decrease by \$1.5M with an ending balance of \$5.1M
- Interest income for the year projected at \$3M.

General Fund

Net activity is ahead of budget mainly due to vacancies.

Trust Fund and Health Sustainability Fund with FYE Projection

| SUMMARY | FY24-25 | FY24-25 |
|--|---|----------------------------------|
| | Year-to-Date Actual Net as of 12/31/24 | Projected Year-End Annual Net |
| Flex/Self Insurance | | |
| Blue Shield-Access+ | (10,094,562) | (17,898,808) (a) |
| Blue Shield-Trio | (6,769,766) | (13,459,878) (a) |
| Blue Shield and United PPO | 959,298 | 570,193 (b) |
| Health Net Canopy Care | 107,346 | - |
| Delta Dental PPO, Actives | (3,258,270) | (5,818,041) (c) |
| Fully Insured Plans | | |
| Medical HMOs | (6,332,974) | - |
| Dental | (7,217) | - |
| LTD/Flexible Benefits/FSA | 2,396,615 | - |
| Healthcare Sustainability Fund (\$3.00/\$4.00) | (176,534) | (1,470,305) (d) |
| Savings & Investments | | |
| Interest | - | 3,000,000 (i) |
| Performance guarantees | - | - (e) |
| Surrogacy and adoption | (31,365) | (31,365) |
| Forfeitures | - | - |
| Transfers Out | 0 | (2,068,410) (g) |
| TOTAL | (23,207,431) | (37,176,614) |
| Net assets | | |
| Beginning of the year | | <u>109,319,775</u> |
| End of the year | | <u>72,143,161</u> |

(a) Annual Projection is net of claim stabilization of \$1.7 million to increase 2024 rates, \$4.5 million to increase 2025 rates, Pharmacy rebate of \$10.9 million, settlement for
(b) Annual Projection is net of claim stabilization of \$0.4 million to increase 2024 rates, \$1.0 million to decrease 2025 rates, Pharmacy rebate of \$2.2 million, and settlement for rate buydown of \$1.5 million in 2024 and \$0.2 million in 2025

(c) Annual Projection is net of claim stabilization of \$3.7 million to reduce 2024 rates and \$3.0 million to reduce 2025 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 2024-2025

(f) Reflects use of fund balance

(g) Transfer of \$2.1M from forfeitures to General Fund.

(i) Projection includes unrealized gains

Analysis by Health Plan

Blue Shield Access+ Flex Funded Plan

FYE balance projected to decrease by \$18M due to rate stabilization and use of Sutter settlement received in the prior year to reduce rates and 10% increase in claims from prior year mainly due to high hospital and pharmacy claims.

Blue Shield Trio Flex-Funded Plan

FYE balance decreased by \$13M due rate stabilization and use of Sutter settlement to reduce rates and higher claims mainly due to high hospital and pharmacy 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. FYE balance projected to increase by \$.6M due to favorable claims.

Delta Dental PPO (Actives Only) Self-Funded Plan

The FYE balance decreased by \$5.8M due to stabilization.

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 FYE balance decrease by \$1.5M to \$5.1M.

| SAN FRANCISCO HEALTH SERVICE SYSTEM <small>Affordable, Quality Benefits & Well-Being</small> | | Healthcare Sustainability Fund FY 2024-25 | | | | | |
|--|--------------------------------|---|-------------------------------------|--------------------------|---|-------------------------------|---------------------|
| | FY 2023-24 Actuals June YTD | FY2024-25 Budget Request (HSS Board Approved) | FY2024-25 Carryforward Budget | FY2024-25 Adjustments | FY 2024-25 Revised Budget + Adj C/F | FY 2024-25 Actuals Dec YTD | FY 24-25 Projection |
| REVENUE SOURCES | | | | | | | |
| Annual Revenues | \$ 2,562,918 | \$ 3,404,857 | | \$ - | \$ 3,404,857 | \$ 1,290,042 | \$ 3,010,351 |
| Other Revenue | 1,010 | | | | | - | - |
| Carryforward from Fund Balance | 5,185,729 | 6,521,000 | - | 93,082 | 6,614,082 | 6,614,082 | 6,614,082 |
| TOTAL | \$ 7,749,657 | \$ 9,925,857 | \$ - | \$ 93,082 | \$ 10,018,939 | \$ 7,904,124 | \$ 9,624,433 |
| EXPENDITURE USES | | | | | | | |
| Personnel | \$ 756,480 | \$ 2,776,489 | | \$ 354,853 | \$ 3,131,342 | \$ 876,407 | \$ 2,049,489 |
| Administrative | 3,883 | 44,000 | 22,880 | | 66,880 | 2,345 | 24,000 |
| Member Communications | (190,851) | 700,500 | 113,326 | | 813,826 | 396,148 | 744,000 |
| Communications - Other | 190,215 | 909,324 | 286,657 | | 1,195,981 | 47,550 | 850,536 |
| Well-Being | (50,803) | 673,827 | 64,360 | | 738,187 | 76,173 | 433,400 |
| Initiatives to Reduce Health Care Costs | 426,651 | 405,613 | 3,458 | | 409,071 | 67,954 | 379,231 |
| Other Projects | - | - | - | | - | - | - |
| TOTAL | \$ 1,135,575 | \$ 5,509,753 | \$ 490,681 | \$ 354,853 | \$ 6,355,286 | \$ 1,466,576 | \$ 4,480,656 |
| REVENUE - EXP. (excl. carry forward fund balance) | 1,427,343 | (2,104,895) | (490,681) | (354,853) | (2,950,429) | (176,534) | (1,470,305) |
| BALANCE | \$ 6,614,082 | \$ 4,416,105 | \$ (490,681) | \$ (261,771) | \$ 3,663,653 | \$ 6,437,548 | \$ 5,143,777 |

Pharmacy Rebates

\$4M was received in the first six months. Projected rebates for the year are \$16M.

| | Actual | Projected Full Year |
|-------------------------|---------------------|----------------------|
| Blue Shield Access+ HMO | 4,173,965 | 4,493,013 |
| Blue Shield Trio HMO | 1,760,260 | 9,547,653 |
| UHC Administered PPO | 1,190,547 | 1,760,000 |
| HealthNet | 149,501 | 199,334 |
| TOTAL | \$ 7,274,273 | \$ 16,000,000 |

General Fund

The FY 2025 budget has been adjusted for carryforward commitments made before June 31, 2024. Net activity is ahead of budget mainly due to vacancies.

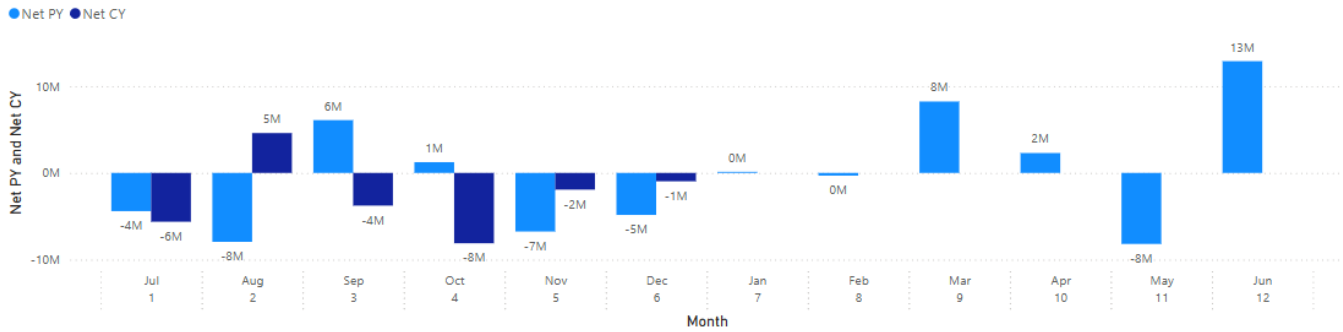


General Fund Administration Budget FY 2024-25

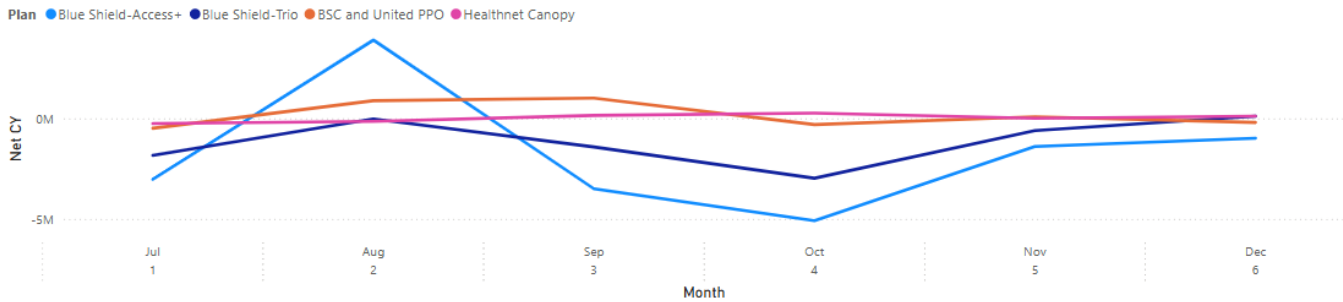
| ANNUALIZED AS OF 12/31/24 | | | | | |
|-------------------------------|----------------------------------|-------------------------------------|------------------------------|---------------------|--------------------------|
| | FY 2024-25 Approved Budget | FY2024-25 Carryforward Budget | FY 2024-25 Revised Budget | Total Actual YTD | FY 2024-25 Projection |
| REVENUES | | | | | |
| Non-Operating Revenue | \$ - | | \$ - | \$ - | \$ - |
| Operating Work Order Recovery | 10,613,691 | - | 10,647,691 | 5,306,850 | 10,647,691 |
| Other Revenue | 2,068,410 | | 2,068,410 | - | 2,068,410 |
| General Fund Carryforward | - | 539,346 | 539,346 | 539,346 | 539,346 |
| Interfund Transfer | - | | - | - | - |
| TOTAL REVENUES | \$ 12,682,101 | \$ 539,346 | \$ 13,255,447 | 5,846,196 | 13,255,447 |
| EXPENDITURES | | | | | |
| Personnel Services | \$ 5,820,949 | | \$ 5,820,949 | \$ 2,761,577 | \$ 5,613,110 |
| Mandatory Fringe Benefits | 2,440,791 | | 2,440,791 | 1,171,251 | 2,387,334 |
| Non-personnel Services | 2,377,136 | 317,693 | 2,728,829 | 1,043,855 | 2,728,829 |
| Materials & Supplies | 50,873 | 9,074 | 59,947 | 16,422 | 59,947 |
| Services of Other Departments | 1,992,352 | 212,579 | 2,204,931 | 1,009,456 | 2,204,175 |
| | | | - | | - |
| TOTAL EXPENDITURES | \$ 12,682,101 | \$ 539,346 | \$ 13,255,447 | 6,002,561 | 12,993,396 |
| BALANCE | \$ - | \$ (0) | \$ (0) | (156,365) | 262,051 |

All Flex Funded Medical Plans

Net Change by Month

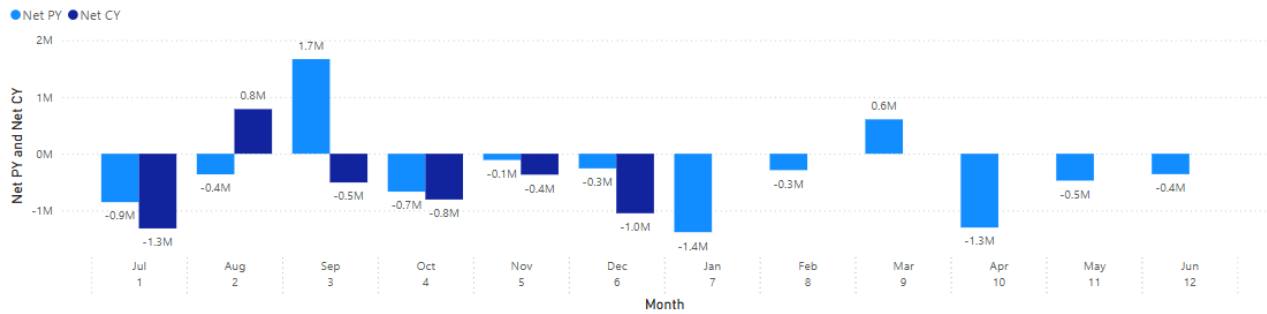


Net Change by Month and Plan

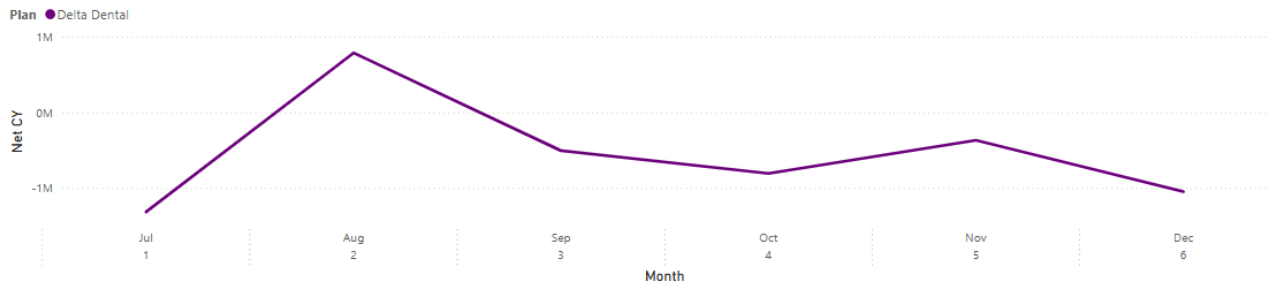


Dental

Net Change by Month

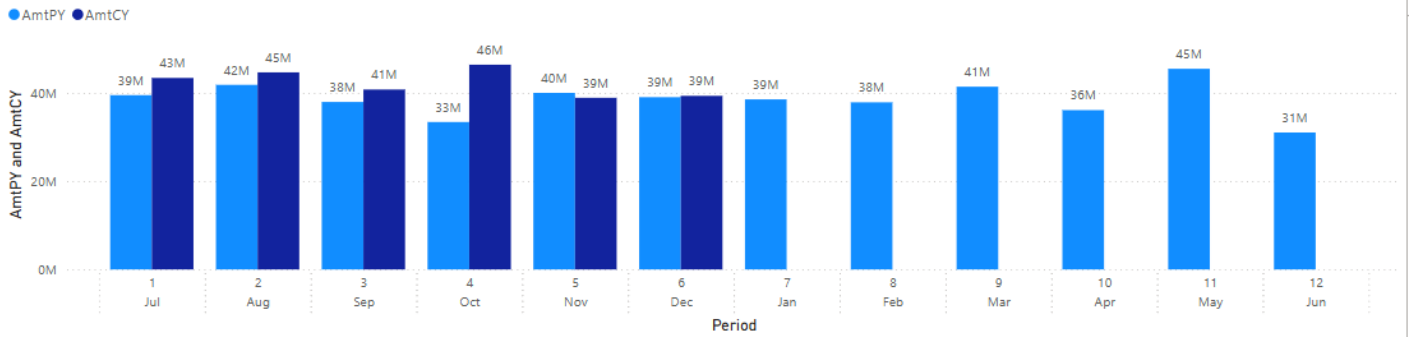


Net Change by Month and Plan

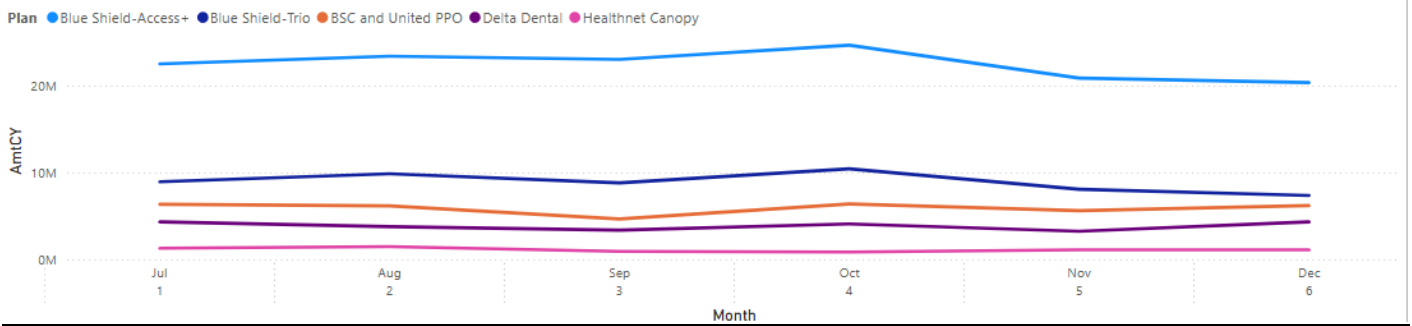


Medical And Dental Expenses by Plan


Expenses by Month



Expenses by Month and Plan



Supplemental Tables – Trust Fund Activity- Current FY

|  Affordable, Quality Benefits & Well-Being | STATEMENT OF REVENUES AND EXPENSES FY 2024-2025 FOR 6 MONTHS ENDED DECEMBER 31, 2024 | | |
|--|--|--------------------------|--|
| <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*, ** | 124,782,467 | 134,877,030 | (10,094,562) |
| Blue Shield Trio HMO* | 46,687,372 | 53,457,137 | (6,769,766) |
| Blue Shield and United PPO | 36,287,121 | 35,327,824 | 959,298 |
| UHC Administere PPO* | - | - | - |
| Health Net Canopy Care | 6,770,252 | 6,662,906 | 107,346 |
| Delta Dental PPO- (Active only) | 19,815,789 | 23,074,059 | (3,258,270) |
| TOTAL FLEX/SELF-INSURED PLANS | 234,343,001 | 253,398,955 | (19,055,955) |
| FULLY INSURED PLANS | | | |
| UHC MAPD | 56,260,867 | 56,260,867 | - |
| Kaiser-HMO | 272,857,796 | 279,188,267 | (6,330,471) |
| Vision Service Plan | 5,617,104 | 5,619,607 | (2,503) |
| Sub-total HMO | 334,735,766 | 341,068,740 | (6,332,974) |
| Delta Dental PPO - Retirees | 10,394,185 | 10,394,185 | - |
| Delta Care | 450,284 | 457,960 | (7,676) |
| UHC Dental | 209,221 | 208,762 | 459 |
| Sub-total Dental | 11,053,690 | 11,060,907 | (7,217) |
| Long Term/Short Term Disability | 3,763,953 | 3,766,168 | (2,215) |
| Flexible Benefits | 2,354,805 | 2,354,805 | 0 |
| Flexible Spending-Dependent Care | 3,071,769 | 2,529,968 | 541,801 |
| Flexible Spending -Medical Reimbursement | 7,025,484 | 5,168,455 | 1,857,029 |
| Healthcare Sustainability Fund (\$4.00) | 1,290,042 | 1,466,576 | (176,534) |
| Adoption & Surrogacy | | 31,365 | (31,365) |
| Sub-total Other Benefits | 17,506,053 | 15,317,337 | 2,188,716 |
| TOTAL FULLY INSURED PLANS | 363,295,509 | 367,446,985 | (4,151,476) |
| SAVINGS AND INVESTMENTS | | | |
| Interest | - | - | - |
| Performance guarantees | - | - | - |
| Forfeitures | - | - | - |
| TOTAL SAVINGS & INVESTMENTS | - | - | - |
| TRANSFERS OUT OF FORFEITURES | | | 0 |
| TOTAL FUNDS | 597,638,509 | 620,845,940 | (23,207,431) |

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

Supplemental Tables - Trust Fund Activity- with Prior Year



STATEMENTS OF REVENUES AND EXPENSES
FY 2024-2025 VS FY 2023-2024
YEAR-TO-DATE: DECEMBER 31, 2024

| <i>ACTIVE & RETIRED COMBINED</i> | For 6 Months Ended December 31, 2024 | For 6 Months Ended December 31, 2023 | \$ Change | % Change |
|--|---|---|--------------------|--------------|
| FLEX/SELF-INSURED PLANS | | | | |
| Blue Shield-Access+ HMO | | | | |
| Revenues | 124,782,467 | 111,053,091 | 13,729,377 | 12.4% b |
| Expenses | (134,877,030) | (121,599,522) | (13,277,507) | 10.9% f |
| Net Blue Shield-Access Excess(Shortage) | (10,094,562) | (10,546,432) | 451,870 | -4.3% |
| Blue Shield-Trio HMO | | | | |
| Revenues | 46,687,372 | 46,472,116 | 215,256 | 0.5% |
| Expenses | (53,457,137) | (52,641,618) | (815,519) | 1.5% i |
| Net Blue Shield-Trio Excess(Shortage) | (6,769,766) | (6,169,503) | (600,263) | 9.7% |
| Blue Shield and United PPO | | | | |
| Revenues | 36,287,121 | 31,825,822 | 4,461,300 | 14.0% |
| Expenses | (35,327,824) | (31,641,416) | (3,686,407) | 11.7% |
| Net BSC and United PPO Excess(Shortage) | 959,298 | 184,406 | 774,892 | |
| Health Net Canopy Care | | | | |
| Revenues | 6,770,252 | 4,352,934 | 2,417,317 | |
| Expenses | (6,662,906) | (3,689,033) | (2,973,873) | |
| Net Health Net Canopy Care Excess(Shortage) | 107,346 | 663,902 | (556,556) | |
| Delta Dental PPO (Active only) | | | | |
| Revenues | 19,815,789 | 20,760,501 | (944,712) | -4.6% h |
| Expenses | (23,074,059) | (21,344,382) | (1,729,677) | 8.1% i |
| Net Delta Dental PPO- (Active Only) Excess(Shortage) | (3,258,270) | (583,881) | (2,674,390) | 458.0% |
| NET FLEX/SELF-INSURED PLANS | (19,055,955) | (16,451,507) | (2,604,447) | 15.8% |


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 2024-2025 VS FY 2023-2024 YEAR-TO-DATE: DECEMBER 31, 2024 | | | |
|---|--|--|---|--------------------|----------------|
| ACTIVE & RETIRED COMBINED | | For 6 Months Ended December 31, 2024 | For 6 Months Ended December 31, 2023 | \$ Change | % Change |
| FULLY INSURED PLANS | | | | | |
| Kaiser-HMO | | | | | |
| Revenues | | 272,857,796 | 243,604,760 | 29,253,036 | 12.0% d |
| Expenses | | (279,188,267) | (245,527,330) | (33,660,936) | 13.7% d, l |
| Net Kaiser- HMO Excess(Shortage) | | (6,330,471) | (1,922,570) | (4,407,901) | 229.3% k |
| UHC MAPD | | | | | |
| Revenues | | 56,260,867 | 48,115,888 | 8,144,979 | 16.9% d, l |
| Expenses | | (56,260,867) | (48,115,888) | (8,144,979) | 16.9% d, l |
| Net UHC MAPD Excess(Shortage) | | 0 | 0 | 0 | |
| Vision Service Plan, All (City Plan & HMO) | | | | | |
| Revenues | | 5,617,104 | 5,333,913 | 283,191 | 5.3% d, l |
| Expenses | | (5,619,607) | (5,350,365) | (269,242) | 5.0% d, l |
| Net Vision Service Plan Excess(Shortage) | | (2,503) | (16,452) | 13,949 | -84.8% |
| Delta Dental PPO - Retirees | | | | | |
| Revenues | | 10,394,185 | 9,948,544 | 445,641 | 4.5% |
| Expenses | | (10,394,185) | (9,948,544) | (445,641) | 4.5% |
| Net Delta Dental PPO - Retirees Excess(Shortage) | | 0 | 0 | 0 | |
| Delta Care | | | | | |
| Revenues | | 450,284 | 415,530 | 34,754 | 8.4% |
| Expenses | | (457,960) | (418,409) | (39,551) | 9.5% |
| Net Delta Care Excess(Shortage) | | (7,676) | (2,879) | (4,797) | 166.6% |
| UHC Dental | | | | | |
| Revenues | | 209,221 | 207,219 | 2,001 | 1.0% |
| Expenses | | (208,762) | (208,504) | (258) | 0.1% |
| Net UHC Dental Excess(Shortage) | | 459 | (1,284) | 1,743 | -135.7% |
| Long Term/Short Term Disability | | | | | |
| Revenues | | 3,763,953 | 3,541,118 | 222,834 | 6.3% |
| Expenses | | (3,766,168) | (3,543,570) | (222,598) | 6.3% |
| Net Long Term/Short Term Disability Excess(Shortage) | | (2,215) | (2,452) | 237 | -9.6% k |
| Flexible Benefits | | | | | |
| Revenues | | 2,354,805 | 2,105,358 | 249,447 | 11.8% g |
| Expenses | | (2,354,805) | (2,105,358) | (249,447) | 11.8% g |
| Net Flexible Benefits Excess(Shortage) | | 0 | 0 | 0 | |
| Flexible Spending-Dependent Care | | | | | |
| Revenues | | 3,071,769 | 3,096,887 | (25,118) | -0.8% c |
| Expenses | | (2,529,968) | (3,066,674) | 536,706 | -17.5% c |
| Net Flexible Spending-Dependent Care Excess(Shortage) | | 541,801 | 30,213 | 511,588 | 1693.3% |
| Flexible Spending -Medical Reimbursement | | | | | |
| Revenues | | 7,025,484 | 5,975,525 | 1,049,959 | 17.6% g |
| Expenses | | (5,168,455) | (4,534,374) | (634,082) | 14.0% f |
| Net Flexible Spending-Medical Reimbursement Excess(Shortage) | | 1,857,029 | 1,441,151 | 415,878 | 28.9% |
| Adoption & Surrogacy | | | | | |
| Expenses | | (31,365) | (47,295) | 15,930 | |
| Healthcare Sustainability Fund (\$3.00) | | | | | |
| Revenues | | 1,290,042 | 1,275,870 | 14,172 | 1.1% |
| Expenses | | (1,466,576) | (848,659) | (617,917) | 72.8% e |
| Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage) | | (176,534) | 427,211 | (603,745) | -141.3% |
| NET FULLY INSURED PLANS | | (4,151,476) | (94,357) | (4,057,119) | 4299.8% |
| INVESTMENT INCOME AND OTHER | | | | | |
| Interest | | 0 | 0 | 0 | |
| Performance guarantees | | 0 | 730,967 | (730,967) | |
| Forfeitures | | 0 | 0 | 0 | |
| TOTAL SAVINGS & INVESTMENTS | | 0 | 730,967 | (730,967) | 1616.8% |
| TOTAL NET EXCESS (SHORTAGE) | | (23,207,431) | (15,814,897) | (7,392,534) | 46.7% |

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