

Proposed SFHSS General Fund Budget Fiscal Years 2026-27 and 2027-28

Presented by Teresa Tan
Chief Financial And Affordability Officer

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Agenda

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Today's Recommendation for Committee Action:

- Recommend the proposed San Francisco Health Service System General Fund Budget Fiscal Years 2026-27 and 2027-28 for the Mayor's Budget Office (MBO) Submission.

SFHSS Budget Overview and Challenges

Health Benefits Trust

This fund holds the premiums paid to the carriers for the fully insured plans and the funds to pay claims for the flex-funded/self-funded plans. This Trust is funded by the premium deductions from employers and members.

Healthcare Sustainability Fund (HSF)

Fund to support member communications and programs to reduce healthcare costs and member well-being programs. This is funded by a per member per month (PMPM) fee added to the rates.

- In January 2026, the \$4 per member per month fee increased to \$6 PMPM in benefit costs, which generates a projected annual revenue of \$5.2M.
- Our approved expenditures of FY 2025-26 exceeds our projected \$5.7M revenue.

General Fund (GF)

SFHSS' operating budget and subject to the Mayor's Budget Instructions.

- Reorient SFHSS GF spend to prioritize core services
- To meet budget cuts for FY 2025-26, SFHSS transferred positions and expenditures from the GF to the HSF

Mayor's Budget Instructions to Departments

- No specific reduction target was provided to departments. Instead, Departments will work with Mayor's Budget Office (MBO) to:
 - Identify core operational services, strategic, discretionary, and legally mandated programs.
- Prioritize core services and eliminate discretionary programs
- Reduce Citywide General Fund spending by \$400M ongoing through restructured service delivery
- Restructure departments around current staffing levels
 - *Every vacated position will need MBO permission to fill or the role's 2080 hours of work will need to be redistributed amongst staff.*
- Reduce Citywide workorders and / or overhead by 10%
- Shift duplicative or common services toward a centralized model
- Propose near-term investments for long-term cost savings

Current SFHSS Budget for Fiscal Year 2025-26

- **General Fund**
 - \$12.3M Approved Budget for FY 2025-26
 - \$12.7M Base Budget for FY 2026-27
- **Healthcare Sustainability Fund**
 - \$6 per member per month in January 2026
 - \$5.7M Approved Budget

SFHSS Budget Submission Approach

- Conduct a review of the programs and positions in the Healthcare Sustainability Fund and propose changes to better align with the fund's intention.
- Provide a response to the Mayor's Budget Instructions that identifies SFHSS's mandated, core, and discretionary programs/services.
- Any reduction in staff due to vacancy will require reductions in programs/services, including the recent elimination of a 2820 Senior Health Program Planner position.

GF and HSF Programs and Services

- SFHSS is mandated by [SF City Charter § 12.200](#) to administer medical, dental, vision, life insurance, and long-term disability insurance benefits as well as medical and dependent care flexible spending accounts.
- All SFHSS divisions contribute to the administration of benefits. The below table outlines the core, mandated, and discretionary services and programs. These services are essential to support benefit plan administration and achieve our strategic goals.

Division	Core/Mandated Services or Programs	Discretionary Services or Programs
Member Services	Health Plan Enrollment and Eligibility	
Information Systems	Tech systems, Data security, Compliance	
Communications	Member education, Benefit updates	
Finance	Budget, Premiums, Accounting, Audits	
Contracts	Vendor contracts, Plan procurements	
Administration	HSS Board operations, Policy Compliance	
Well-Being		Well-Being programs (HSF) Employee Assistance programs (GF)

- Based on SFHSS' assessment, SFHSS proposes to continue all major programs for the FY 2026-27 and 2027-28 as the services are essential to support benefit plan administration and achieve our strategic goals.

Proposed GF and HSF Budget Changes

- Realignment of positions between GF and HSF to better reflect the intent of the HSF fund
 - Align 1.9 FTEs in Contracts from GF to HSF with 3 FTEs in Member Services from HSF to GF.
- Position substitutions and Attrition – one in GF and three in the HSF; removal of two HSF FTEs historically held for Attrition

	FTE/Position	GF FTE	HSF FTE	GF FY 2026-27 (in thousands)	HSF FY 2026-27 (in thousands)	Comments
Contracts	1.90	(1.90)	1.90	\$ (479)	\$ 479	Positions realignment between GF and HSF
Member Services	3	3	(3)	465	(465)	Positions realignment between GF and HSF
Information Systems	1	(1)		(221)	-	Retirement and elimination of 2820 position
FTE Substitutions Up/Down	4			(18)	(32)	One in GF and three in HSF
Other Attrition	2		(2)			Cleanup two positions with no funding/held for attrition
Changes & Savings:		0.10	(3.10)	\$ (253)	\$ (18)	

Proposed GF Budget Changes Continued

- Deletion of 2820 Senior Health Program Planner position from the GF in January 2026 due to retirement and ongoing savings thereafter. Reduction of positions have consequences, and this proposed approach to rebalance the workload to focus on our core and mandated work. The 2080 hours of core and mandated job duties must be reallocated amongst existing staff. SFHSS is considering the administrative workload of the following programs:
 - Kaiser Permanente Multi-Region (Washington State, Northwest) health plans which is also a duplicative program due to the current nation-wide PPO plan.
 - Dependent Eligibility Verification Audit (DEVA)

Proposed GF Budget Increase/(Decrease) in Expenditures (in thousands)

	FY 2026-27	FY 2027-28	Comments
Base Budget Expenditures	12,768	13,542	The MBO uses last year's budget submission (FY 26-27), including COLA to create new starting base budget for current submission.
Salary & Mandated Fringe Benefits Savings	(253)	(280)	Salary Savings represents the following: transfer 3 Benefits personnel from HSF to GF and 2 Contracts personnel from GF to HSF; downgrade the 932 IS Director position to 931 Manager III; deletion of 2820 Senior Health Program Planner position due to retirement
Non-Personnel Services - Professional Services	(45)	(43)	Services remain. Reductions from contracts savings for Compsych (EAP Mental Health Service vendor) and a minor decrease in the Workterra (voluntary benefits provider) contracts
Non-Personnel Services - Software Licenses	(4)	(11)	Minor contract savings in EAP Expert (Employee Assistance Program software vendor)
Non-Personnel Services - Travel and Training	(1)	3	EAP Counselors are required to complete training every two years to maintain their certification. There is a minor decrease in EAP trainings for FY26-27, but the budget increases in FY27-28 when the EAP counselors will require the training.
Non-Personnel Services - Other	2	3	Increase in IFEWP memberships, Oracle training for IT Team, Kodak Scanner Hardware Warranty Services
Materials and Supplies	(0)	2	Eliminating Desktop copiers results in minor saving and increases for EAP training materials
Total expenses	12,467	13,215	
Inter Departmental Costs (Work Orders)	65	64	Additional Work Order service increases of \$50K for City Attorney's Office are due to additional services anticipated in FY26-27 for RFPS (request for proposals) and \$16K in Department of Human Resources Trainings for department's strategic planning, 24 hour Plus training for managers, and for an all-day staff training
Proposed Budget	12,532	13,279	

Proposed GF Budget Full-Time Equivalent (FTE) by Division

General Fund budgeted FTEs in FY 2026-27 and FY 2027-28. (Actual FTEs are lower than budget due to vacancies.)

SFHSS DIVISION	Actual FY 2024-25	Actual FY 2025-26	Budget FY 2025-26	Budget FY 2026-27	Budget FY 2027-28
Administration	3.00	2.00	2.00	2.00	2.00
Member Services	20.55	17.93	21.00	24.00	24.00
Information Systems	4.75	3.75	4.75	3.75	3.75
Finance	7.00	7.00	7.00	7.00	7.00
Well-Being (EAP)	2.00	2.00	2.00	2.00	2.00
Contracts	1.90	1.90	1.90		
Other Misc. (Attrition/Steps)			(0.41)	(0.10)	(0.10)
Total General Fund FTEs:	39.20	34.58	38.24	38.65	38.65
HSF FTEs	12.35	14.35	15.35	12.25	12.25
Total General Fund and HSF FTEs:	51.55	48.93	53.59	50.90	50.90

Proposed GF Budget (dollars in thousands)

	FY 2024-25 Budget	FY 2025-26 Budget	FY 2026-27 Original Budget	FY 2026-27 SFHSS Adj	FY 2026-27 Proposed Budget	FY 2027-28 Original Budget	FY 2027-28 SFHSS Adj	FY 2027-28 Proposed Budget
General Fund FTE's	45.04	38.24	38.55	0.10	38.65	38.55	0.10	38.65
Healthcare Sustainability Fund FTE's	11.35	15.35	15.35	(3.10)	12.25	15.35	(3.10)	12.25
Total FTE's	56.39	53.59	53.90	(3.00)	50.90	53.90	(3.00)	50.90
Sources								
Other Revenues		580	580		580	580		580
Expenditure Recovery	10,614	11,682	12,188	(236)	11,952	12,962	(263)	12,699
General Fund Support - Carryforward	2,068							
Sources Total	12,682	12,262	12,768	(236)	12,532	13,542	(263)	13,279
Operating Expenditures								
Personnel								
Salaries	5,821	5,629	5,884	(201)	5,683	6,301	(219)	6,082
Benefits	2,441	2,381	2,607	(52)	2,555	2,871	(61)	2,810
Personnel Total	8,262	8,010	8,491	(253)	8,238	9,172	(280)	8,892
Non-Personnel Services Total								
Training and Travel	24	34	20	5	24	23	8	32
Software Licenses	70	87	72	(4)	68	67	(11)	56
Professional Services	2,208	2,118	2,096	(45)	2,051	2,191	(43)	2,147
Other	75	55	73	(3)	69	73	(3)	70
Non-Personnel Services Total	2,377	2,295	2,260	(48)	2,212	2,353	(49)	2,304
Materials & Supplies	51	37	36		36	36		37
Services of Other Departments	1,992	1,921	1,981	65	2,046	1,981	64	2,046
Total Expenses	12,682	12,262	12,768	(236)	12,532	13,542	(263)	13,279

Summary of Key Changes to the Proposed GF Budget

- SFHSS followed MBO instructions
 - Identified and propose to continue core, mandated, and discretionary programs and services.
 - Restructure department around current staffing levels. With the deletion of the 2820 position, SFHSS must reprioritize the workload for remaining staff.
- Reconciled positions between GF and HSF to better align with HSF's fund intention
- MBO will review all City-Wide submissions and may determine changes to meet the Mayor's targets. Possible changes occur between February 24 through June.
- General Fund Proposal
 - \$12.7M base budget is now \$12.5M proposed budget for FY 2026-27
 - \$13.3M proposed budget for FY 2027-28

Today's Recommendation for Committee Action:

- Recommend the proposed San Francisco Health Service System General Fund Budget Fiscal Years 2026-27 and 2027-28 for the Mayor's Budget Office (MBO) Submission.

Appendix

Budget Timeline

January 8: Mayor's Instructions

January 20: HSB Finance Committee, Review and Approve Proposed Budget,
1st Opportunity for Public Input

February 12: HSB Regular Meeting, Review and Approve Budget for MBO Submission,
2nd Opportunity for Public Input

February 23: Budget submission to Mayor's Budget Office (MBO)

March-May: SFHSS responds to MBO questions

June 1: The Mayor proposes a balanced budget to the Board of Supervisors (BOS)

June: BOS Budget and Appropriations Committee hearing

June 11: HSB Regular Meeting, SFHSS presents Mayor's Budget Office revisions

July: Board of Supervisors reviews and adopts budget