

# **Proposed SFHSS Healthcare Sustainability Fund Budget Fiscal Years 2026-27 and 2027-28**

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# Agenda

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- Current SFHSS Fiscal Year 2025-26 Budget
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# Background and Today's Recommendation for Committee Action

**Healthcare Sustainability Fund (HSF)** was established under San Francisco City [Charter Section A8.423](#)

- The HSF budget supports member communications and programs to reduce healthcare costs and member well-being programs.

## Today's Recommendation for Committee Action:

- Recommend the proposed San Francisco Health Service System Healthcare Sustainability 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.

## **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

## **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.

# Current SFHSS Budget for Fiscal Year 2025-26

## **Healthcare Sustainability Fund (HSF)**

- \$6 per member per month in January 2026
- \$5.7M Approved Budget for FY 2025-26

# SFHSS Budget Submission Approach

- The per member per month (PMPM) assessment was raised in January 2026 from \$4 to \$6 PMPM to improve the fund's sustainability. However, the annual fund revenues are estimated to be \$5.2M, and our approved expenditures of FY 2025-26 is \$5.7M, which exceeds our revenues by \$0.5M.
- Conduct a review of the programs and positions in the Healthcare Sustainability Fund and propose changes to better align with the fund's intention.
- To improve long-term sustainability of the HSF, SFHSS should not shift more positions or expenditures from GF to HSF.

# Proposed HSF Budget Changes

- Realign 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 26-27 (in thousands)	HSF FY 26-27 (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)	(33)	One in GF and three in HSF
Other Attrition	2		(2)			Cleanup two positions with no funding/held for attrition
<b>Changes &amp; Savings:</b>		<b>0.10</b>	<b>(3.10)</b>	<b>\$ (253)</b>	<b>\$ (18)</b>	

# Proposed HSF Budget Changes Continued

- Postpone Dependent Eligibility Verification Audit (DEVA) to fund the Call Center during Open Enrollment
- Increase Call Center support during Open Enrollment due to inadequate base funding
- Pause membership renewal with Pacific Business Group on Health (PBGH) and Integrated Health Association (IHA)
- Better utilize plan-supplied credits toward well-being programs and trainings
- Increase actuarial services for audit and Request For Proposal (RFP) support
- To secure funding from the Committee on Information Technology (COIT) for two projects, SFHSS will reapply for funding and match \$100K for each project (total of \$200K):
  - Benefits Administration Process Optimization: Modernizes Salesforce and integrates Cisco Webex to improve efficiency and member experience.
  - PeopleSoft eBenefits System Improvement: Optimizes PeopleSoft to reduce manual work and streamline enrollment.

# Proposed HSF Budget by Division (in thousands)

	<b>FY 26-27</b>	<b>FY 27-28</b>	<b>Comments</b>
<b>Payroll</b>			
Salaries & Mandatory Fringe Benefits	\$ 2,936	\$ 3,120	Salaries & Mandated Fringe Benefits for Employees Budgeted in Trust
<b>Payroll Total</b>	<b>2,936</b>	<b>3,120</b>	
<b>Admin Services</b>			
Administrative Services for Board Meetings, Trainings, Mailings	49	49	Administrative costs for Board Meetings, Trainings, Mailings
<b>Administrative Services Total</b>	<b>49</b>	<b>49</b>	
<b>Communications Team</b>			
Open Enrollment	365	365	Printed Materials for Open Enrollment
Website Redesign 3.0	50	50	SFHSS.org website redesign for Digital Accessibility and Inclusion Standard (DAIS)
Peak Time Call Center Support	400	400	Call Center Needs during Open Enrollment
Communications Other	175	175	Postage, Mailings, Interpretations Services
<b>Communications Total</b>	<b>990</b>	<b>990</b>	
<b>Communications - Other (IS Group)</b>			
DEVA Project (Dependent Eligibility Verification Audit)	0	0	The budget for dependent eligibility verification audits was eliminated to support the Call Center.
Peoplesoft, ECM Integration Project	75	75	Project to integrate all of our software platforms so that they work together.
Salesforce Licenses	159	159	Annual License Fees for Member Services
PeopleSoft Delivered eBenefits and System Improvement - COIT approved	200	200	The budget supports two COIT-funded IT system improvement projects that require departmental matching contributions
Drupal Support and Maintenance	100	100	Funds are allocated for Drupal support and maintenance. Drupal is an open-source content management system (CMS) utilized for creating and managing websites.
Communications-Other	87	87	Expenditures for software, licenses, web hosting services and support
<b>Communications-Other Total</b>	<b>621</b>	<b>621</b>	
<b>Well-Being</b>			
Well-Being Targeted Interventions with Departments	50	50	Project with individual departments to increase their Well-Being Initiatives
Diabetes Prevention Program	53	53	Program for groups to learn how to prevent and control their diabetes.
Well-Being Brand Launch Program Items	50	50	Promotional and communication items designed to establish the SFHSS Well-Being brand.
Well-Being Other	34	34	Expenditures for local field expenses, training event, ergonomic equipment and evaluations, office equipment, supplies and printing
<b>Well-Being Total</b>	<b>187</b>	<b>187</b>	
<b>Initiatives to Reduce Healthcare</b>			
Actuarial Audits and Other Services as Needed	475	475	Actuarial Audits and Services
Organization Memberships	6	6	Catalyst for Payment Reform (CPR)
Detailed rates calculator	142	142	Fees for maintenance on the new rate calculator SQL Server
<b>Initiatives to Reduce Healthcare Total</b>	<b>623</b>	<b>623</b>	
<b>Total Budget</b>	<b>\$ 5,406</b>	<b>\$ 5,590</b>	

# Proposed HSF Budget Full-Time Equivalent (FTE) by Division

Decrease in HSF FTEs mainly due to transfer of Member Services staff to General Fund and elimination of two HSF FTEs historically held for Attrition in FY 2026-27

	Actuals FY 24-25	Actuals FY 25-26	Budget FY 25-26	Budget FY 26-27	Budget FY 27-28
<b>SFHSS DIVISION</b>					
Communications	3.00	3.00	3.00	3.00	3.00
Member Services	2.00	3.00	4.00	1.00	1.00
Information Systems	0.25	2.25	2.25	2.25	2.25
Well-Being	4.00	3.00	3.00	3.00	3.00
Contracts	1.10	1.10	1.10	3.00	3.00
Other (Attrition)	2.00	2.00	2.00	2.00	-
<b>Total HSF Budgeted FTEs:</b>	<b>12.35</b>	<b>14.35</b>	<b>15.35</b>	<b>14.25</b>	<b>12.25</b>
Other (Attrition) - Cleanup				(2.00)	
<b>HSF NET FTEs:</b>	<b>12.35</b>	<b>14.35</b>	<b>15.35</b>	<b>12.25</b>	<b>12.25</b>

# HSF Budget and 5 Year Projection (in thousands)

Assessment of \$6 per member per month.

Sources	Actuals	Actuals	Budget	Projection	Budget		Projection					
	FY 24-25	FY 25-26	FY 25-26	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	
Premiums		3,027	1,440	4,371	4,357	5,228	5,228	5,228	5,228	5,228	5,228	
Other Revenue												
Carryforward		6,614	6,413	6,413	6,413	5,102	4,925	4,563	4,383	4,083	3,660	3,112
<b>Total Revenue Sources</b>	<b>9,641</b>	<b>7,853</b>	<b>10,784</b>	<b>10,770</b>	<b>10,331</b>	<b>10,153</b>	<b>9,791</b>	<b>9,611</b>	<b>9,311</b>	<b>8,888</b>	<b>8,341</b>	
Uses												
Personnel		1,879	943	2,919	2,919	2,936	3,120	3,167	3,231	3,295	3,361	3,429
Administration		30	7	45	29	49	49	51	52	54	55	57
Member Communications		598	211	1,032	1,027	990	990	1,009	1,040	1,071	1,103	1,136
Communications- Other		177	8	644	644	621	621	357	368	379	390	402
Well-Being		164	30	436	330	187	187	334	338	341	345	348
Initiatives to Reduce Healthcare Costs		379	3	605	605	623	623	490	501	511	522	533
<b>Total Expenditures</b>	<b>3,228</b>	<b>1,201</b>	<b>5,682</b>	<b>5,555</b>	<b>5,406</b>	<b>5,590</b>	<b>5,409</b>	<b>5,529</b>	<b>5,651</b>	<b>5,776</b>	<b>5,905</b>	
Revenues Less Expenditures		<b>6,413</b>	<b>6,652</b>	<b>5,102</b>	<b>5,216</b>	<b>4,925</b>	<b>4,563</b>	<b>4,383</b>	<b>4,083</b>	<b>3,660</b>	<b>3,112</b>	<b>2,436</b>

# Summary of Key Changes to the Proposed HSF Budget

- Align 1.9 FTEs in Contracts from GF to HSF with 3 FTEs in Member Services from HSF to GF.
- Postpone Dependent Eligibility Verification Audit (DEVA) to fund Call Center.
- Increase Member services Call Center support during Open Enrollment due to inadequate base funding.
- Better utilize plan-supplied credits toward well-being programs and trainings
- Pause membership renewal with Pacific Business Group on Health and Integrated Health Association.
- Current HSF revenues are projected to be \$5.2M.
- The proposed HSF Expenditures Budget for FY 2026-27 is \$5.4M and FY 2027-28 is \$5.6M.

# Today's Recommendation for Committee Action

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