

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

DATE: February 12, 2026

TO: Members of the Health Service Board

FROM: Teresa Tan, Chief Financial and Affordability Officer

SUBJECT: Health Service Board Financial Report as of December 31, 2025

This report presents the sources and uses of the Health Service System Employee Benefit Trust Fund (Trust Fund), the Health Sustainability Fund (HSF), and the General Fund for the six months ended December 31, 2025.

SFHSS administers both the Benefit Trust Fund and HSF. The Trust Fund accounts for healthcare premiums collected and related benefit expenses. The HSF consists of proceeds from the assessment built into the premium rates and expenses supporting wellness, communications, and initiatives to reduce healthcare costs.

Executive Summary

Trust Fund and Health Sustainability Fund

- The fiscal year-end (FYE) trust balance is projected to decrease by \$43.6M, primarily due to higher medical claims.
- Pharmacy rebates for the year projected to be \$22.3M.
- The Healthcare Sustainability Fund is projected to decrease by \$0.5M, resulting in an ending balance of \$5.9M
- Interest income for the year is projected to be \$3.0M.

General Fund

Net activity is ahead of budget mainly due to position vacancies.

Trust Fund and Health Sustainability Fund with FYE Projection

	FY25-26	FY25-26
	Year-to-Date Actual	Projected Year-End
	Net as of 12/31/25	Annual Net
SUMMARY		
Flex/Self Insurance		
Blue Shield-Access+	(9,578,483)	(15,351,913) (a)
Blue Shield-Trio	(3,460,881)	(7,052,878) (a)
Blue Shield PPO	(10,454,094)	(20,446,616) (b)
Health Net Canopy Care	(914,763)	(1,780,295) (c)
Delta Dental PPO, Actives	(1,565,146)	(784,291) (d)
Fully Insured Plans		
Medical HMOs	(5,609,176)	-
Dental	767	-
LTD/Flexible Benefits/FSA	2,275,013	-
Healthcare Sustainability Fund (\$4.00/\$6.00)	167,053	(537,988) (e)
Savings & Investments		
Interest	-	3,000,000
Surrogacy and adoption	(48,443)	(48,443)
Transfers Out	0	(580,000) (f)
TOTAL	<u>(29,188,152)</u>	<u>(43,582,424)</u>
Net assets		
Beginning of the year		<u>101,580,997</u>
End of the year		<u>57,998,573</u>

(a) Annual Projection is net of claim stabilization of \$4.3 million to increase 2026 rates, \$4.5 million to increase 2025 rates, Pharmacy rebate of \$18.2 million, settlement for rate buydown of \$1.0 million in 2025

(b) Annual Projection is net of claim stabilization of \$2.2 million to decrease 2026 rates, \$1.0 million to decrease 2025 rates, Pharmacy rebate of \$3.5 million, and settlement for rate buydown of \$0.2 million in 2025

(c) Annual Projection is net of claim stabilization of \$0.4 million to decrease 2026 rates, \$0.2 million to decrease 2025 rates, Pharmacy rebate of \$0.6 million

(d) Annual Projection is net of claim stabilization of \$0.7 million to reduce 2026 rates and \$3.0 million to reduce 2025 rates

(e) \$4.00/\$6.00 per member per month for communications, wellness, actuarial work; is part of a total premium.

(f) Transfer of \$580K from forfeitures to General Fund.

Analysis by Health Plan

Blue Shield Access+ Flex Funded Plan

FYE balance is projected to decrease by \$15.4M due to the use of Sutter settlement received in the prior year to reduce rates and high hospital and pharmacy claims.

Blue Shield Trio Flex-Funded Plan

FYE balance is projected to decrease by \$7.1M due to the 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

FYE balance is projected to decrease by \$20.4M due to claim stabilization and unfavorable claims.

Delta Dental PPO (Actives Only) Self-Funded Plan

The FYE balance is projected to decrease by \$0.8M due to favorable claim experience.

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 is projected to decrease by \$0.5M to a total of \$5.9M.

	FY 24-25 Actuals & June YTD	FY 25-26 Budget Request (HSS Board Approved)	FY 25-26 Carryforward Budget	FY 25-26 Adjustments	FY 25-26 Revised Budget + ADJ C/F	FY 25-26 Actuals Dec YTD	FY 25-26 Projection
REVENUE SOURCES							
Annual Revenues	\$ 3,027,230	\$ 4,371,120		\$ -	\$ 4,371,120	\$ 1,728,277	\$ 4,371,120
Carryforward from Fund Balance	6,614,082	\$ 5,143,777	-	-	5,143,777	6,413,208	6,413,208
TOTAL	\$ 9,641,312	\$ 9,514,897	\$ -	\$ -	\$ 9,514,897	\$ 8,141,485	\$ 10,784,328
EXPENDITURE USES							
Personnel	\$ 1,879,270	\$ 2,919,350		\$ -	\$ 2,919,350	\$ 1,160,173	\$ 2,573,282
Administrative	30,096	45,000	-	-	45,000	12,512	29,000
Member Communications	598,026	1,032,000	179,085	-	1,211,085	268,082	977,000
Communications - Other	177,456	644,406	322,427	-	966,833	8,290	644,406
Well-Being	164,184	435,781	43,413	-	479,194	45,381	194,091
Initiatives to Reduce Health Care Costs	379,073	455,329	4	150,000	605,333	66,785	491,329
TOTAL	\$ 3,228,104	\$ 5,531,866	\$ 544,929	\$ 150,000	\$ 6,226,796	\$ 1,561,224	\$ 4,909,108
REVENUE - EXP. (excl. carry forward fund balance)	(200,874)	(1,160,746)	(544,929)	(150,000)	(1,855,676)	167,053	(537,988)
BALANCE	\$ 6,413,208	\$ 3,983,031	\$ (544,929)	\$ (150,000)	\$ 3,288,101	\$ 6,580,261	\$ 5,875,220

Pharmacy Rebates

Rebates for the year are projected to be \$22.3M.

	Actual	Projected Full Year
Blue Shield Access+ HMO	6,494,755	12,989,510
Blue Shield Trio HMO	2,616,607	5,233,214
UHC and BS PPO	1,749,953	3,499,907
HealthNet	295,885	591,770
TOTAL	\$ 11,157,200	\$ 22,314,400

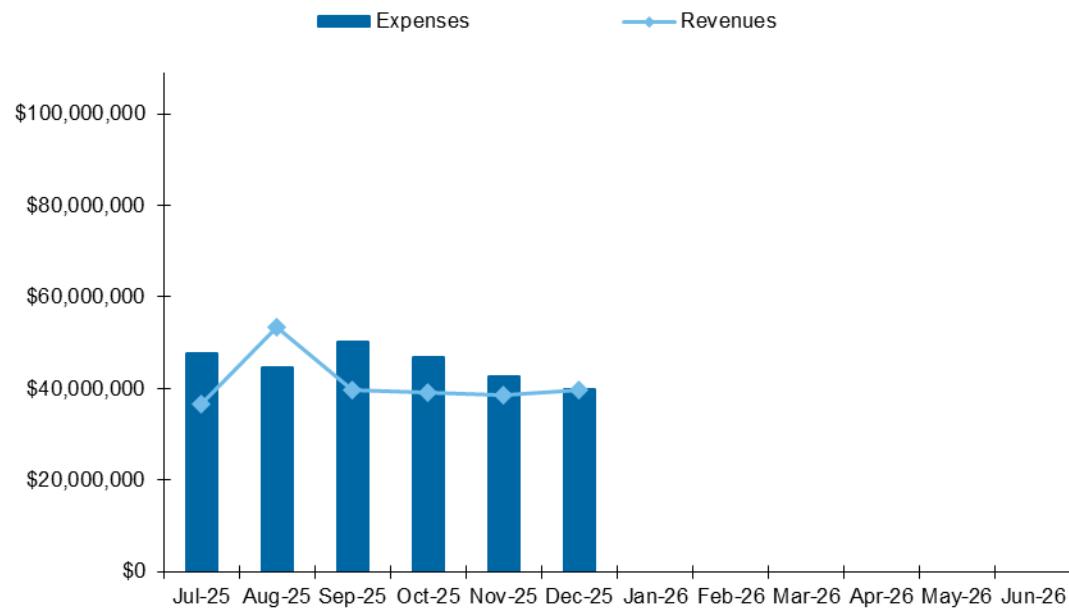
General Fund

The FY 25-26 budget has been adjusted for carryforward commitments made before June 30, 2025. Net activity is ahead of budget mainly due to vacancies.

	FY 25-26 Approved Budget	FY 25-26 Carryforward Budget	FY 24-25 Adjustments	FY 25-26 Revised Budget	FY 25-26 Actuals	FY 25-26 Projection	Fav/(Unfav) Variance
Revenues							
Non-Operating Revenue	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -
Operating Work Order Recovery	11,682,123	-	2,172	11,684,295	5,845,297	11,684,295	-
Other Revenue	580,000		-	580,000	-	580,000	-
General Fund Carryforward	-	567,852		567,852	567,852	567,852	-
Total Revenues	\$ 12,262,123	\$ 567,852	\$ 2,172	\$ 12,832,147	\$ 6,413,149	\$ 12,832,147	\$ -
Expenditures							
Personnel Services	\$ 5,629,021		\$ (62,700)	\$ 5,566,321	\$ 2,579,615	\$ 5,490,787	\$ (75,534)
Mandatory Fringe Benefits	2,380,533		(47,300)	2,333,233	1,094,759	2,244,849	(88,384)
Non-personnel Services	2,294,577	455,387	-	2,749,964	1,044,953	2,745,272	(4,691)
Materials & Supplies	36,758	5,958	-	42,716	14,733	42,193	(523)
Services of Other Departments	1,921,234	106,508	112,172	2,139,914	930,274	2,096,996	(42,918)
Total Expenditures	\$ 12,262,123	\$ 567,852	\$ 2,172	\$ 12,832,147	\$ 5,664,335	\$ 12,620,097	\$ (212,050)
Balance	\$ -	\$ (0)	\$ -	\$ (0)	\$ 748,814	\$ 212,050	\$ 212,050

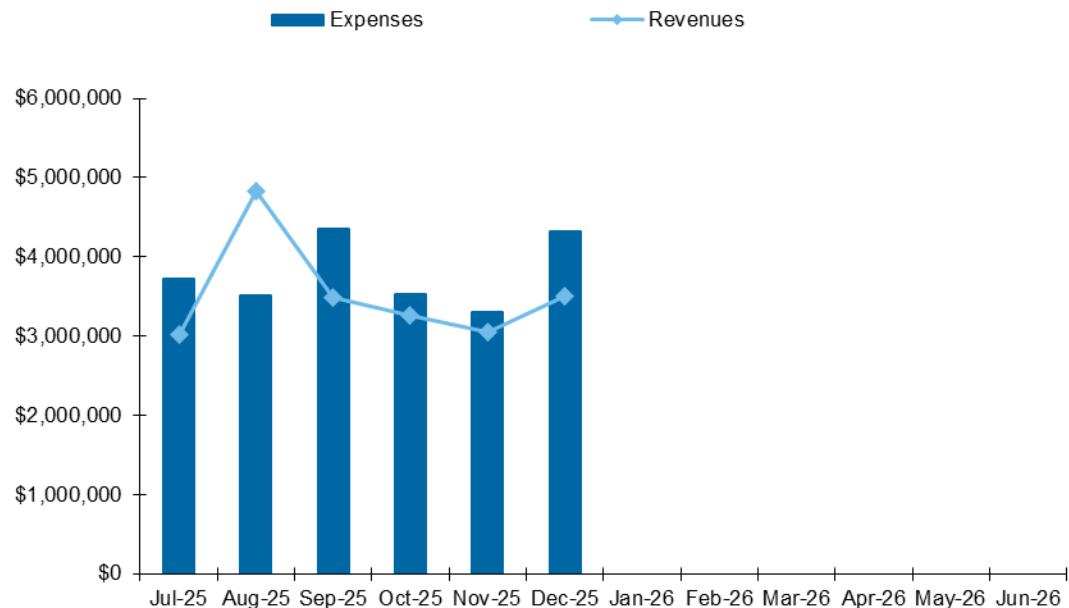
All Flex Funded Medical Plans

All Self-Insured Health and Welfare Combined



Dental

Delta Dental Active



Supplemental Tables – Trust Fund Activity- Current FY

STATEMENT OF REVENUES AND EXPENSES			
FY 25-26			
FOR 6 MONTHS ENDED DECEMBER 31, 2025			
ACTIVE & RETIRED COMBINED	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net
FLEX/SELF-INSURED PLANS			
Blue Shield Access+ HMO*, **	139,721,632	149,300,114	(9,578,483)
Blue Shield Trio HMO*	50,582,061	54,042,942	(3,460,881)
Blue Shield and United PPO	35,083,759	45,537,854	(10,454,094)
Health Net Canopy Care	7,254,827	8,169,590	(914,763)
Delta Dental PPO- (Active only)	21,157,123	22,722,269	(1,565,146)
TOTAL FLEX/SELF-INSURED PLANS	253,799,401	279,772,768	(25,973,367)
FULLY INSURED PLANS			
Blue Shield MAPD	58,818,640	58,818,640	-
Kaiser-HMO	284,905,375	290,494,455	(5,589,080)
Vision Service Plan	5,869,159	5,889,255	(20,096)
Sub-total HMO	349,593,174	355,202,350	(5,609,176)
Delta Dental PPO - Retirees	10,905,963	10,905,963	-
Delta Care	453,582	453,782	(200)
UHC Dental	193,224	192,256	967
Sub-total Dental	11,552,769	11,552,002	767
Long Term/Short Term Disability	3,950,125	3,827,225	122,900
Flexible Benefits	2,579,905	2,377,575	202,331
Flexible Spending-Dependent Care	2,763,960	2,594,133	169,826
Flexible Spending -Medical Reimbursement	7,869,515	6,089,559	1,779,956
Healthcare Sustainability Fund (\$4.00)	1,728,277	1,561,224	167,053
Adoption & Surrogacy		48,443	(48,443)
Sub-total Other Benefits	18,891,782	16,498,159	2,393,624
TOTAL FULLY INSURED PLANS	380,037,725	383,252,510	(3,214,785)
TOTAL FUNDS	633,837,126	663,025,278	(29,188,152)

* 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 25-26 VS FY 24-25 YEAR-TO-DATE: DECEMBER 31, 2025				
ACTIVE & RETIRED COMBINED	For 6 Months Ended December	For 6 Months Ended December	\$ Change	% Change
FLEX/SELF-INSURED PLANS				
Blue Shield-Access+ HMO				
Revenues	139,721,632	124,782,467	14,939,164	12.0% ^{i, l}
Expenses	(149,300,114)	(134,877,030)	(14,423,085)	10.7% ^{d, f}
Net Blue Shield-Access Excess(Shortage)	(9,578,483)	(10,094,562)	516,080	-5.1%
Blue Shield-Trio HMO				
Revenues	50,582,061	46,687,372	3,894,689	8.3%
Expenses	(54,042,942)	(53,457,137)	(585,805)	1.1% ^f
Net Blue Shield-Trio Excess(Shortage)	(3,460,881)	(6,769,766)	3,308,884	-48.9%
Blue Shield and United PPO				
Revenues	35,083,759	36,287,121	(1,203,362)	-3.3% ^a
Expenses	(45,537,854)	(35,327,824)	(10,210,030)	28.9% ^f
Net BSC and United PPO Excess(Shortage)	(10,454,094)	959,298	(11,413,392)	-1189.8%
Health Net Canopy Care				
Revenues	7,254,827	6,770,252	484,575	7.2%
Expenses	(8,169,590)	(6,662,906)	(1,506,684)	22.6% ^f
Net Health Net Canopy Care Excess(Shortage)	(914,763)	107,346	(1,022,109)	-952.2%
Delta Dental PPO (Active only)				
Revenues	21,157,123	19,815,789	1,341,334	6.8%
Expenses	(22,722,269)	(23,074,059)	351,790	-1.5%
Net Delta Dental PPO- (Active Only) Excess(Shortage)	(1,565,146)	(3,258,270)	1,693,125	-52.0%
NET FLEX/SELF-INSURED PLANS	(25,973,367)	(19,055,955)	(6,917,412)	36.3%

Notes:

- a decrease in membership
- b administered by Blue Shield effective 1/1/25, UHC prior
- c decrease in deductions
- d increase in membership

- e communications, wellness expenses funded by \$4 pppm
- 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 25-26 VS FY 24-25 YEAR-TO-DATE: DECEMBER 31, 2025				
ACTIVE & RETIRED COMBINED	For 6 Months Ended December	For 6 Months Ended December	\$ Change	% Change
FULLY INSURED PLANS				
Kaiser-HMO				
Revenues	284,905,375	272,857,796	12,047,579	4.4%
Expenses	(290,494,455)	(279,188,267)	(11,306,188)	4.0%
Net Kaiser- HMO Excess(Shortage)	(5,589,080)	(6,330,471)	741,391	-11.7%
Blue Shield and UHC MAPD				
Revenues	58,818,640	56,260,867	2,557,774	4.5%
Expenses	(58,818,640)	(56,260,867)	(2,557,774)	4.5%
Net ble Shield and UHC MAPD Excess(Shortage)	0	0	0	
Vision Service Plan, All (City Plan & HMO)				
Revenues	5,869,159	5,617,104	252,055	4.5%
Expenses	(5,889,255)	(5,619,607)	(269,648)	4.8%
Net Vision Service Plan Excess(Shortage)	(20,096)	(2,503)	(17,593)	
Delta Dental PPO - Retirees				
Revenues	10,905,963	10,394,185	511,778	4.9%
Expenses	(10,905,963)	(10,394,185)	(511,778)	4.9%
Net Delta Dental PPO - Retirees Excess(Shortage)	0	0	0	
Delta Care				
Revenues	453,582	450,284	3,298	0.7%
Expenses	(453,782)	(457,960)	4,178	-0.9%
Net Delta Care Excess(Shortage)	(200)	(7,676)	7,475	
UHC Dental				
Revenues	193,224	209,221	(15,997)	-7.6%
Expenses	(192,256)	(208,762)	16,506	-7.9%
Net UHC Dental Excess(Shortage)	967	459	509	
Long Term/Short Term Disability				
Revenues	3,950,125	3,763,953	186,173	4.9%
Expenses	(3,827,225)	(3,766,168)	(61,057)	1.6%
Net Long Term/Short Term Disability Excess(Shortage)	122,900	(2,215)	125,116	
Flexible Benefits				
Revenues	2,579,905	2,354,805	225,101	9.6%
Expenses	(2,377,575)	(2,354,805)	(22,770)	1.0%
Net Flexible Benefits Excess(Shortage)	202,331	0	202,331	
Flexible Spending-Dependent Care				
Revenues	2,763,960	3,071,769	(307,809)	-10.0%
Expenses	(2,594,133)	(2,529,968)	(64,166)	2.5%
Net Flexible Spending-Dependent Care Excess(Shortage)	169,826	541,801	(371,975)	-68.7%
Flexible Spending -Medical Reimbursement				
Revenues	7,869,515	7,025,484	844,031	12.0%
Expenses	(6,089,559)	(5,168,455)	(921,104)	17.8%
Net Flexible Spending-Medical Reimbursement Excess(Shortage)	1,779,956	1,857,029	(77,073)	-4.2%
Adoption & Surrogacy				
Expenses	(48,443)	(31,365)	(17,078)	54.4%
Healthcare Sustainability Fund (\$4.00)				
Revenues	1,728,277	1,290,042	438,235	34.0%
Expenses	(1,561,224)	(1,466,576)	(94,648)	6.5%
Net Healthcare Sustainability Fund (\$4.00) Excess(Shortage)	167,053	(176,534)	343,587	-194.6%
NET FULLY INSURED PLANS	(3,214,785)	(4,151,476)	936,691	-22.6%
TOTAL NET EXCESS (SHORTAGE)	(29,188,152)	(23,207,431)	(5,980,721)	25.8%

Notes:

- a decrease in membership
- b administered by Blue Shield effective 1/1/25, UHC prior
- c decrease in deductions
- d increase in membership

- e communications, wellness expenses funded by \$4 pmpm
- f increase in claims
- g increase in deductions
- h decrease in rates
- i increase in rates
- j decrease in claims
- k Payperiod Timing