

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

DATE: March 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 January 31, 2026

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 seven months ended January 31, 2026.

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 \$34.5M, 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

SUMMARY	FY25-26	FY25-26
	Year-to-Date Actual Net as of 01/31/26	Projected Year-End Annual Net
Flex/Self Insurance		
Blue Shield-Access+	(8,678,104)	(12,361,357) (a)
Blue Shield-Trio	(3,268,466)	(5,040,341) (a)
Blue Shield PPO	(9,618,437)	(16,730,469) (b)
Health Net Canopy Care	(806,424)	(1,263,243) (c)
Delta Dental PPO, Actives	(1,503,458)	(901,643) (d)
Fully Insured Plans		
Medical HMOs	(4,021,618)	-
Dental	1,964	-
LTD/Flexible Benefits/FSA	184,145	-
Healthcare Sustainability Fund (\$4.00/\$6.00)	809,567	(537,988) (e)
Savings & Investments		
Interest	-	3,000,000
Surrogacy and adoption	(48,443)	(48,443)
Transfers Out	0	(580,000) (f)
TOTAL	(26,949,273)	(34,463,484)
Net assets		
Beginning of the year		101,580,997
End of the year		67,117,513

(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 \$12.4M 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 \$5.0M 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 \$16.7M due to claim stabilization and unfavorable claims.

Health Net Canopy Care

FYE balance is projected to decrease by \$1.3M due to claim stabilization and unfavorable claims.

Delta Dental PPO (Actives Only) Self-Funded Plan

The FYE balance is projected to decrease by \$0.9M 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 Jan YTD	FY 25-26 Projection	Fav/(Unfav) Variance
REVENUE SOURCES								
Annual Revenues	\$ 3,027,230	\$ 4,371,120		\$ -	\$ 4,371,120	\$ 2,163,905	\$ 4,371,120	\$ (2,207,215)
Carryforward from Fund Balance	6,614,082	\$ 5,143,777	-	-	5,143,777	6,413,208	6,413,208	1,269,431
TOTAL	\$ 9,641,312	\$ 9,514,897	\$ -	\$ -	\$ 9,514,897	\$ 8,577,113	\$ 10,784,328	\$ (937,784)
EXPENDITURE USES								
Personnel	\$ 1,879,270	\$ 2,919,350		\$ -	\$ 2,919,350	\$ 1,371,193	\$ 2,573,282	\$ 1,548,157
Administrative	30,096	45,000	-	-	45,000	13,147	29,000	31,853
Member Communications	598,026	1,032,000	179,085	-	1,211,085	61,818	977,000	1,149,268
Communications - Other	177,456	644,406	322,427	-	966,833	76,290	644,406	890,543
Well-Being	164,184	435,781	43,413	-	479,194	(40,277)	194,091	519,471
Initiatives to Reduce Health Care Costs	379,073	455,329	4	150,000	605,333	(127,833)	491,329	733,166
TOTAL	\$ 3,228,104	\$ 5,531,866	\$ 544,929	\$ 150,000	\$ 6,226,796	\$ 1,354,338	\$ 4,909,108	\$ 4,872,457
REVENUE - EXP. (excl. carry forward fund balance)	(200,874)	(1,160,746)	(544,929)	(150,000)	(1,855,676)	809,567	(537,988)	(7,079,672)
BALANCE	\$ 6,413,208	\$ 3,983,031	\$ (544,929)	\$ (150,000)	\$ 3,288,101	\$ 7,222,775	\$ 5,875,220	\$ 3,934,673

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

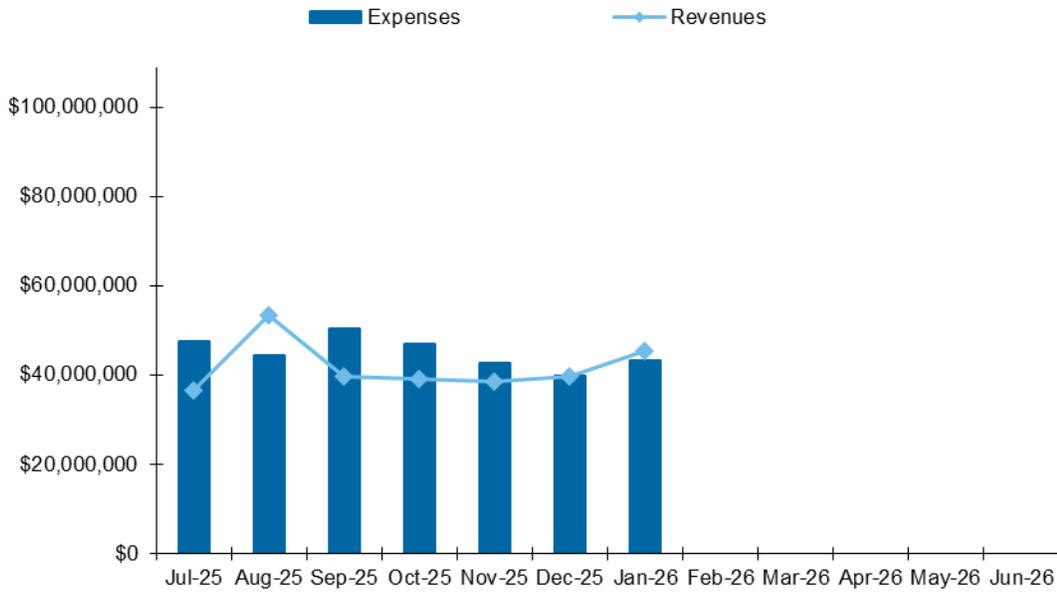
General Fund

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	-	4,809	11,686,932	6,819,544	11,686,932	0
Other Revenue	580,000		-	580,000	-	580,000	-
General Fund Carryforward	-	567,852		567,852	567,852	567,852	(0)
Total Revenues	\$ 12,262,123	\$ 567,852	\$ 4,809	\$ 12,834,784	\$ 7,387,396	\$ 12,834,784	\$ 0
Expenditures							
Personnel Services	\$ 5,629,021		\$ (62,700)	\$ 5,566,321	\$ 3,027,093	\$ 5,490,787	\$ (75,534)
Mandatory Fringe Benefits	2,380,533		(47,300)	2,333,233	1,272,593	2,244,849	(88,384)
Non-personnel Services	2,294,577	455,387	-	2,749,964	1,195,769	2,745,272	(4,691)
Materials & Supplies	36,758	5,958	-	42,716	15,129	42,193	(523)
Services of Other Departments	1,921,234	106,508	114,809	2,142,551	990,267	2,096,996	(45,555)
Total Expenditures	\$ 12,262,123	\$ 567,852	\$ 4,809	\$ 12,834,784	\$ 6,500,851	\$ 12,620,097	\$ (214,686)
Balance	\$ -	\$ -	\$ -	\$ -	\$ 886,546	\$ 214,687	\$ 214,686

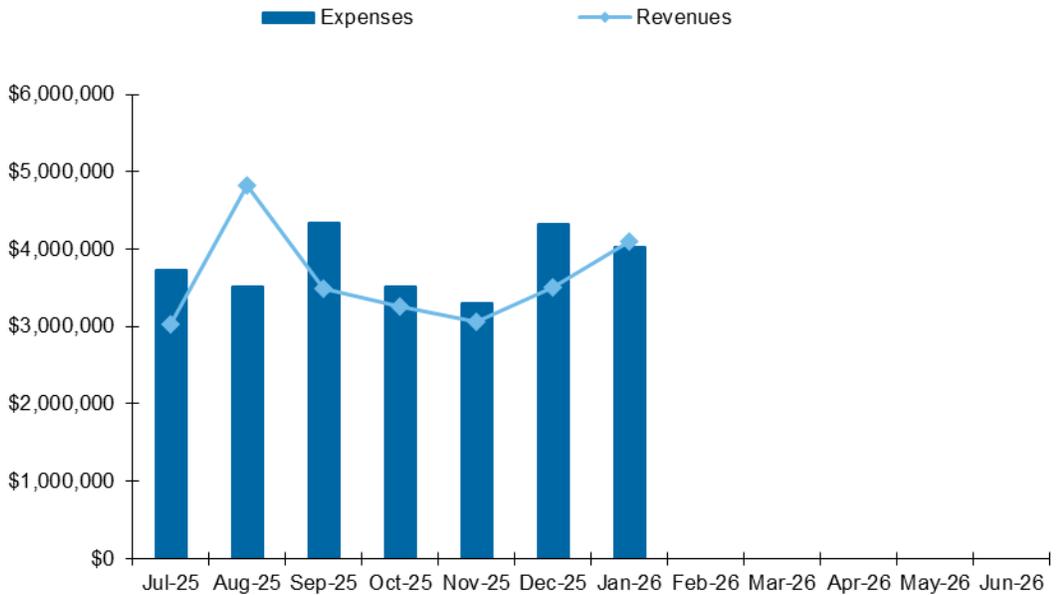
All Flex Funded Medical Plans

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 7 MONTHS ENDED JANUARY 31, 2026

<i>ACTIVE & RETIRED COMBINED</i>	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net
FLEX/SELF-INSURED PLANS			
Blue Shield Access+ HMO*, **	165,258,638	173,936,742	(8,678,104)
Blue Shield Trio HMO*	59,823,745	63,092,211	(3,268,466)
Blue Shield and United PPO	41,474,461	51,092,898	(9,618,437)
Health Net Canopy Care	8,808,178	9,614,602	(806,424)
Delta Dental PPO- (Active only)	25,249,353	26,752,812	(1,503,458)
TOTAL FLEX/SELF-INSURED PLANS	300,614,375	324,489,264	(23,874,889)
FULLY INSURED PLANS			
Blue Shield MAPD	69,147,160	69,147,160	-
Kaiser-HMO	339,780,688	343,789,893	(4,009,205)
Vision Service Plan	6,891,544	6,903,957	(12,413)
Sub-total HMO	415,819,392	419,841,010	(4,021,618)
Delta Dental PPO - Retirees	12,725,255	12,725,255	-
Delta Care	522,727	522,059	668
UHC Dental	222,909	221,613	1,296
Sub-total Dental	13,470,891	13,468,927	1,964
Long Term/Short Term Disability	4,822,341	4,699,679	122,661
Flexible Benefits	3,390,642	3,188,312	202,331
Flexible Spending-Dependent Care	3,272,531	3,895,789	(623,257)
Flexible Spending -Medical Reimbursement	9,254,680	8,772,269	482,411
Healthcare Sustainability Fund (\$4.00/\$6.00)	2,163,905	1,354,338	809,567
Adoption & Surrogacy		48,443	(48,443)
Sub-total Other Benefits	22,904,099	21,958,829	945,270
TOTAL FULLY INSURED PLANS	452,194,382	455,268,766	(3,074,384)
TOTAL FUNDS	752,808,757	779,758,030	(26,949,273)

* 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: JANUARY 31, 2026				
<i>ACTIVE & RETIRED COMBINED</i>	For 7 Months Ended January 31,	For 7 Months Ended January 31,	\$ Change	% Change
FLEX/SELF-INSURED PLANS				
Blue Shield-Access+ HMO				
Revenues	165,258,638	156,258,910	8,999,728	5.8% l
Expenses	(173,936,742)	(161,177,900)	(12,758,842)	7.9% f
Net Blue Shield-Access Excess(Shortage)	(8,678,104)	(4,918,990)	(3,759,114)	
Blue Shield-Trio HMO				
Revenues	59,823,745	58,021,697	1,802,048	3.1% l
Expenses	(63,092,211)	(62,129,872)	(962,339)	1.5% f
Net Blue Shield-Trio Excess(Shortage)	(3,268,466)	(4,108,175)	839,709	
Blue Shield and United PPO				
Revenues	41,474,461	53,007,406	(11,532,944)	-21.8% k
Expenses	(51,092,898)	(49,967,444)	(1,125,454)	2.3% f
Net BSC and United PPO Excess(Shortage)	(9,618,437)	3,039,962	(12,658,398)	
Health Net Canopy Care				
Revenues	8,808,178	8,267,206	540,972	6.5%
Expenses	(9,614,602)	(6,662,906)	(2,951,696)	44.3% f
Net Health Net Canopy Care Excess(Shortage)	(806,424)	1,604,300	(2,410,724)	
Delta Dental PPO (Active only)				
Revenues	25,249,353	24,838,520	410,833	1.7%
Expenses	(26,752,812)	(26,833,854)	81,042	-0.3%
Net Delta Dental PPO- (Active Only) Excess(Shortage)	(1,503,458)	(1,995,333)	491,875	
NET FLEX/SELF-INSURED PLANS	(23,874,889)	(6,378,236)	(17,496,653)	

Notes:

- | | |
|---|---|
| a decrease in membership | e communications, wellness expenses funded by \$4/\$6 ppm |
| b administered by Blue Shield effective 1/1/25, UHC prior | f increase in claims |
| c decrease in deductions | g increase in deductions |
| d increase in membership | 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: JANUARY 31, 2026

<i>ACTIVE & RETIRED COMBINED</i>	For 7 Months Ended January 31,	For 7 Months Ended January 31,	\$ Change	% Change
FULLY INSURED PLANS				
Kaiser-HMO				
Revenues	339,780,688	335,053,861	4,726,828	1.4%
Expenses	(343,789,893)	(327,904,911)	(15,884,982)	4.8% l
Net Kaiser- HMO Excess(Shortage)	(4,009,205)	7,148,950	(11,158,154)	
Blue Shield and UHC MAPD				
Revenues	69,147,160	56,260,867	12,886,293	22.9% l, d
Expenses	(69,147,160)	(56,260,867)	(12,886,293)	22.9% l, d
Net Blue Shield and UHC MAPD Excess(Shortage)	0	0	0	
Vision Service Plan, All (City Plan & HMO)				
Revenues	6,891,544	6,737,071	154,473	2.3% l, d
Expenses	(6,903,957)	(6,601,542)	(302,414)	4.6% l, d
Net Vision Service Plan Excess(Shortage)	(12,413)	135,528	(147,941)	
Delta Dental PPO - Retirees				
Revenues	12,725,255	12,125,381	599,874	4.9% l, d
Expenses	(12,725,255)	(12,125,381)	(599,874)	4.9% l, d
Net Delta Dental PPO - Retirees Excess(Shortage)	0	0	0	
Delta Care				
Revenues	522,727	541,086	(18,359)	-3.4%
Expenses	(522,059)	(532,082)	10,023	-1.9%
Net Delta Care Excess(Shortage)	668	9,003	(8,336)	
UHC Dental				
Revenues	222,909	248,905	(25,996)	-10.4% a
Expenses	(221,613)	(240,605)	18,992	-7.9% a
Net UHC Dental Excess(Shortage)	1,296	8,300	(7,004)	
Long Term/Short Term Disability				
Revenues	4,822,341	4,452,406	369,935	8.3%
Expenses	(4,699,679)	(4,455,021)	(244,658)	5.5%
Net Long Term/Short Term Disability Excess(Shortage)	122,661	(2,615)	125,277	
Flexible Benefits				
Revenues	3,390,642	2,970,742	419,900	14.1% k
Expenses	(3,188,312)	(2,970,742)	(217,569)	7.3% g
Net Flexible Benefits Excess(Shortage)	202,331	0	202,331	
Flexible Spending-Dependent Care				
Revenues	3,272,531	3,586,111	(313,580)	-8.7% c
Expenses	(3,895,789)	(3,697,860)	(197,928)	5.4% f
Net Flexible Spending-Dependent Care Excess(Shortage)	(623,257)	(111,749)	(511,508)	
Flexible Spending -Medical Reimbursement				
Revenues	9,254,680	8,295,528	959,152	11.6% g
Expenses	(8,772,269)	(7,119,439)	(1,652,830)	23.2% f
Net Flexible Spending-Medical Reimbursement Excess(Shortage)	482,411	1,176,089	(693,678)	
Adoption & Surrogacy				
Expenses	(48,443)	(47,513)	(930)	2.0%
Healthcare Sustainability Fund (\$4.00/\$6.00)				
Revenues	2,163,905	1,579,613	584,292	37.0% l, d
Expenses	(1,354,338)	(1,796,246)	441,909	-24.6% e
Net Healthcare Sustainability Fund (\$4.00) Excess(Shortage)	809,567	(216,633)	1,026,201	
NET FULLY INSURED PLANS	(3,074,384)	8,099,360	(11,173,743)	
INVESTMENT INCOME AND OTHER				
Interest	0	1,516,895	(1,516,895)	
TOTAL SAVINGS & INVESTMENTS	(0)	1,516,895	(1,516,895)	
TOTAL NET EXCESS (SHORTAGE)	(26,949,273)	3,238,018	(30,187,291)	

Notes:

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|---|--|
| a decrease in membership | e communications, wellness expenses funded by \$4/\$6 pmpm |
| b administered by Blue Shield effective 1/1/25, UHC prior | f increase in claims |
| c decrease in deductions | g increase in deductions |
| d increase in membership | h decrease in rates |
| | i increase in rates |
| | j decrease in claims |
| | k Payperiod Timing |