SAN FRANCISCO
HEALTH SERVICE SYSTEM
Affordable, Quality Benefits & Well-Being

DATE: September 10, 2026

TO: Members of the Health Service Board

FROM: Teresa Tan, Chief Financial and Affordability Officer

SUBJECT: Health Service Board Financial Report as of June 30, 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 twelve months ended June 30, 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 decreased by $34.7M, primarily due to higher medical claims.
- Pharmacy rebates for the year were $36.1M.
- The Healthcare Sustainability Fund increased by $1.3M, resulting in an ending balance of $7.7M
- Interest income for the year net of unrealized loss was $5.2M.

General Fund

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

Trust Fund and Healthcare Sustainability Fund with FYE Projection

SUMMARY	FY25-26 Year-to-Date Actual Net as of 06/30/26	FY25-26 Projected Year-End Annual Net	
Flex/Self Insurance			
Blue Shield-Access+	$ (21,264,272)	$ (21,264,272)	a)
Blue Shield-Trio	(1,187,977)	(1,187,977)	(a)
Blue Shield PPO	(14,358,043)	(14,358,043)	(b)
Health Net Canopy Care	(579,783)	(579,783)	(c)
Delta Dental PPO, Actives	(2,284,527)	(2,284,527)	(d)
Fully Insured Plans			
Medical HMOs	(2,706,978)	(2,706,978)	
Dental	(630)	(630)	
LTD/Flexible Benefits/FSA	1,272,112	1,272,112	
Healthcare Sustainability Fund ($4.00/$6.00)	1,294,673	1,294,673	(e)
Savings & Investments			
Interest	5,193,690	5,193,690	
Performance guarantees	66,480	66,480	
Surrogacy and adoption	(96,885)	(96,885)	
TOTAL	**$ (34,652,141)**	**$ (34,652,141)**	
Net assets			
Beginning of the year		101,580,997	
End of the year		**$ 66,928,856**	

(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 $30.3 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 $5.1 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 $0.7 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.

Analysis by Health Plan

Blue Shield Access+ Flex Funded Plan
FYE balance decreased by $21.3M due to the use of Sutter settlement to reduce rates and higher claims mainly due to high hospital and pharmacy claims.

Blue Shield Trio Flex-Funded Plan
FYE balance decreased by $1.2M 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 decreased by $14.4M due to claim stabilization and higher claims.

Health Net Canopy Care
FYE balance decreased by $0.6M due to claim stabilization and higher claims.

Delta Dental PPO (Actives Only) Self-Funded Plan
The FYE balance decreased by $2.3M due to claim 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 increased by $1.3M to a total of $7.7M.

	FY 25-26 Budget + ADJ C/F	FY 25-26 Actuals Jun YTD	FY25-26 Projection
REVENUE SOURCES			
Annual Revenues	$ 4,371,120	$ 4,338,489	$ 4,338,489
Carryforward from Fund Balance	5,143,777	6,413,208	6,413,208
TOTAL	**$ 9,514,897**	**$10,751,697**	**$10,751,697**
EXPENDITURE USES			
Personnel	$ 2,919,350	$ 2,418,527	$ 2,418,527
Administrative	45,000	25,763	25,763
Member Communications	1,211,085	420,645	420,645
Communications - Other	966,833	215,414	215,414
Well-Being	479,194	40,957	40,957
Initiatives to Reduce Health Care Costs	605,333	(77,490)	(77,490)
TOTAL	**$ 6,226,796**	**$ 3,043,816**	**$ 3,043,816**
REV - EXP (excl. carry forward bal)	**(1,855,676)**	**1,294,673**	**1,294,673**
BALANCE	**$ 3,288,101**	**$ 7,707,881**	**$ 7,707,881**

Pharmacy Rebates

Rebates for the year were $36.1M.

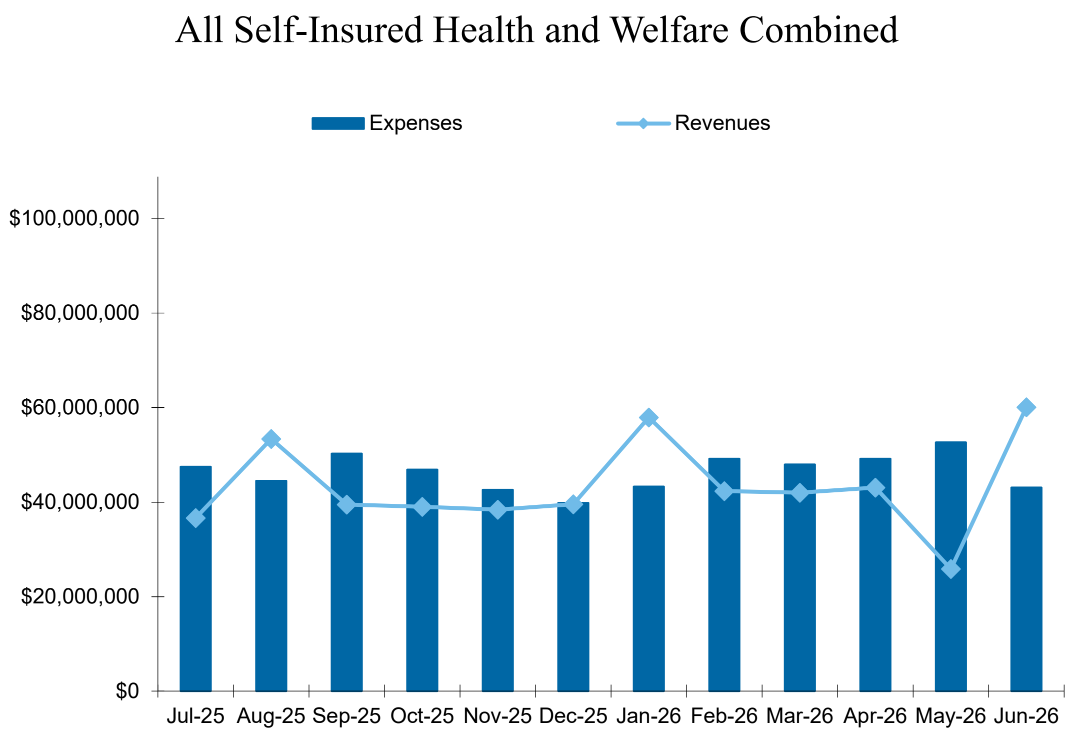
	Actual	Projected Full Year
Blue Shield Access+ HMO	21,693,573	21,693,573
Blue Shield Trio HMO	8,590,382	8,590,382
UHC and BS PPO	5,119,469	5,119,469
HealthNet	675,401	675,401
TOTAL	**$ 36,078,825**	**$ 36,078,825**

General Fund

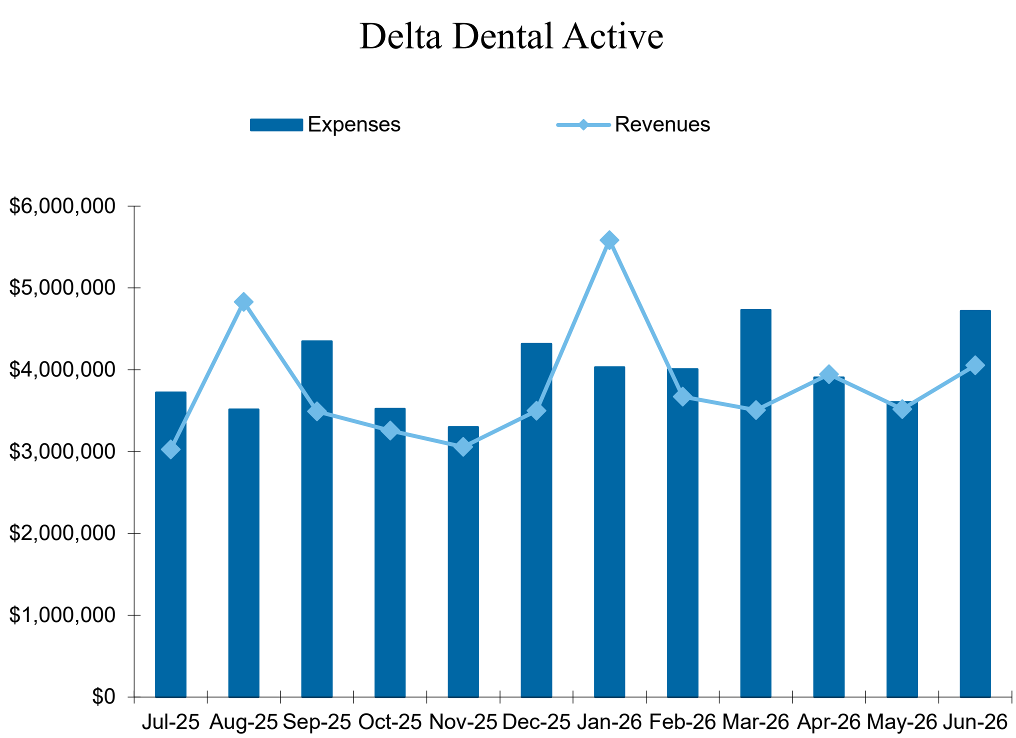
The FY 25-26 budget has been adjusted for carryforward commitments made before June 30, 2025. Net activity was ahead of budget mainly due to vacancies.

	FY 25-26 Budget	Total Actual YTD	FY 25-26 Projection	Fav/(Unfav) Variance
Revenues				
Operating Work Order Recovery	$ 11,692,932	$ 11,631,967	$ 11,631,967	$ (60,964)
Other Revenue	580,000	-		(580,000)
General Fund Carryforward	567,852	567,852	567,852	-
Total Revenues	**12,840,784**	**12,199,819**	**12,199,819**	**(640,964)**
Expenditures				
Personnel Services	5,566,321	5,134,278	5,134,278	432,043
Mandatory Fringe Benefits	2,333,233	2,226,127	2,226,127	107,106
Non-personnel Services	2,749,964	2,030,503	2,030,503	719,461
Materials & Supplies	42,716	41,029	41,029	1,686
Services of Other Departments	2,148,551	1,710,606	1,710,606	437,944
Total Expenditures	**12,840,784**	**11,142,543**	**11,142,543**	**1,698,241**
Balance	**$ -**	**$ 1,057,277**	**$ 1,057,276**	**$ 1,057,277**

<u>All Flex Funded Medical Plans</u>



<u>Dental</u>



Supplemental Tables – Trust Fund Activity- Current FY

STATEMENT OF REVENUES AND EXPENSES
FY 25-26
FOR 12 MONTHS ENDED JUNE 30, 2026

ACTIVE & RETIRED COMBINED	**Year-To-Date Revenues**	**Year-To-Date Expenses**	**Year-To-Date Net**
FLEX/SELF-INSURED PLANS			
Blue Shield Access+ HMO	$ 292,649,680	$ 313,913,952	$ (21,264,272)
Blue Shield Trio HMO	106,000,271	107,188,247	(1,187,977)
Blue Shield and United PPO	73,796,624	88,154,667	(14,358,043)
Health Net Canopy Care	16,720,254	17,300,038	(579,783)
Delta Dental PPO- (Active only)	45,438,569	47,723,096	(2,284,527)
TOTAL FLEX/SELF-INSURED PLANS	**534,605,397**	**574,280,000**	**(39,674,602)**
FULLY INSURED PLANS			
Blue Shield MAPD	120,673,326	120,673,326	-
Kaiser-HMO	607,677,657	610,396,986	(2,719,329)
Vision Service Plan	11,994,163	11,981,812	12,351
Sub-total HMO	740,345,146	743,052,124	(2,706,978)
Delta Dental PPO - Retirees	22,110,191	22,110,191	-
Delta Care	862,637	863,074	(437)
UHC Dental	370,340	370,533	(193)
Sub-total Dental	**23,343,168**	**23,343,798**	**(630)**
Long Term/Short Term Disability	7,202,817	7,082,945	119,871
Flexible Benefits	6,311,835	6,105,148	206,687
Flexible Spending-Dependent Care	6,097,197	5,607,044	490,153
Flexible Spending -Medical Reimbursement	16,966,819	16,511,419	455,401
Healthcare Sustainability Fund ($4.00/$6.00)	4,338,489	3,043,816	1,294,673
Adoption & Surrogacy		96,885	(96,885)
Sub-total Other Benefits	**40,917,156**	**38,447,256**	**2,469,900**
TOTAL FULLY INSURED PLANS	**804,605,470**	**804,843,178**	**(237,708)**
SAVINGS AND INVESTMENTS			
Interest	5,193,690		5,193,690
Performance guarantees	66,480		66,480
TOTAL SAVINGS & INVESTMENTS	**5,260,169**	**-**	**5,260,169**
TOTAL FUNDS	**$ 1,344,471,037**	**$ 1,379,123,178**	**$ (34,652,141)**

Supplemental Tables - Trust Fund Activity- with Prior Year

STATEMENTS OF REVENUES AND EXPENSES
FY 25-26 VS FY 24-25
YEAR-TO-DATE: JUNE 30, 2026

ACTIVE & RETIRED COMBINED	**For 12 Months Ended June 30, 2026**	**For 12 Months Ended June 30, 2025**	**$ Change**	**% Change**	
FLEX/SELF-INSURED PLANS					
Blue Shield-Access+ HMO					
Revenues	$ 292,649,680	$ 268,628,299	$ 24,021,381	8.9%	l
Expenses	(313,913,952)	(279,017,548)	(34,896,404)	12.5%	f
Net Blue Shield-Access Excess(Shortage)	(21,264,272)	(10,389,249)	(10,875,024)		
Blue Shield-Trio HMO					
Revenues	106,000,271	100,965,049	5,035,221	5.0%	l
Expenses	(107,188,247)	(102,548,126)	(4,640,121)	4.5%	f
Net Blue Shield-Trio Excess(Shortage)	(1,187,977)	(1,583,077)	395,100		
Blue Shield and United PPO					
Revenues	73,796,624	70,774,112	3,022,512	4.3%	
Expenses	(88,154,667)	(68,361,097)	(19,793,569)	29.0%	f
Net BSC and United PPO Excess(Shortage)	(14,358,043)	2,413,014	(16,771,057)		
Health Net Canopy Care					
Revenues	16,720,254	14,169,829	2,550,425	18.0%	d
Expenses	(17,300,038)	(13,471,770)	(3,828,268)	28.4%	f
Net Health Net Canopy Care Excess(Shortage)	(579,783)	698,059	(1,277,843)		
Delta Dental PPO (Active only)					
Revenues	45,438,569	41,438,158	4,000,411	9.7%	l
Expenses	(47,723,096)	(47,708,320)	(14,776)	0.0%	
Net Delta Dental PPO- (Active Only) Excess(Shortage)	(2,284,527)	(6,270,162)	3,985,635		
NET FLEX/SELF-INSURED PLANS	**$ (39,674,602)**	**$ (15,131,413)**	**$ (24,543,189)**		

Notes:

a decrease in membership
b administered by Blue Shield effective 1/1/25
c decrease in deductions
d increase in membership
e communic, wellness exp funded by $6pmpm
f increase in claims
g increase in deductions
h decrease in rates
l 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

ACTIVE & RETIRED COMBINED	**For 12 Months Ended June 30, 2026**	**For 12 Months Ended June 30, 2025**	**$ Change**	**% Change**	
FULLY INSURED PLANS					
Kaiser-HMO					
Revenues	$ 607,677,657	$ 572,297,282	$ 35,380,375	6.2%	l
Expenses	(610,396,986)	(572,248,192)	(38,148,794)	6.7%	l
Net Kaiser- HMO Excess(Shortage)	(2,719,329)	49,090	(2,768,419)		
Blue Shield and UHC MAPD					b
Revenues	120,673,326	114,732,024	5,941,302	5.2%	l,d
Expenses	(120,673,326)	(114,732,024)	(5,941,302)	5.2%	l,d
Net Blue Shield and UHC MAPD Excess(Shortage)	0	0	0		
Vision Service Plan, All (City Plan & HMO)					
Revenues	11,994,163	11,542,083	452,079	3.9%	l, d
Expenses	(11,981,812)	(11,525,578)	(456,234)	4.0%	l, d
Net Vision Service Plan Excess(Shortage)	12,351	16,505	(4,155)		
Delta Dental PPO - Retirees					
Revenues	22,110,191	21,114,022	996,169	4.7%	l, d
Expenses	(22,110,191)	(21,114,022)	(996,169)	4.7%	l, d
Net Delta Dental PPO - Retirees Excess(Shortage)	0	0	0		
Delta Care					
Revenues	862,637	875,983	(13,346)	-1.5%	
Expenses	(863,074)	(911,471)	48,397	-5.3%	
Net Delta Care Excess(Shortage)	(437)	(35,488)	35,051		
UHC Dental					
Revenues	370,340	389,362	(19,022)	-4.9%	a
Expenses	(370,533)	(399,450)	28,918	-7.2%	a
Net UHC Dental Excess(Shortage)	(193)	(10,089)	9,896		
Long Term/Short Term Disability					
Revenues	7,202,817	7,594,980	(392,163)	-5.2%	
Expenses	(7,082,945)	(7,596,240)	513,295	-6.8%	
Net Long Term/Short Term Disability Excess(Shortage)	119,871	(1,261)	121,132		
Flexible Benefits					
Revenues	6,311,835	5,005,340	1,306,495	26.1%	k
Expenses	(6,105,148)	(5,205,472)	(899,677)	17.3%	g
Net Flexible Benefits Excess(Shortage)	206,687	(200,132)	406,819		
Flexible Spending-Dependent Care					
Revenues	6,097,197	5,653,066	444,130	7.9%	c
Expenses	(5,607,044)	(5,697,374)	90,331	-1.6%	
Net Flexible Spending-Dependent Care Excess(Shortage)	490,153	(44,308)	534,461		
Flexible Spending -Medical Reimbursement					
Revenues	16,966,819	14,446,356	2,520,464	17.4%	g
Expenses	(16,511,419)	(14,511,591)	(1,999,827)	13.8%	f
Net Flexible Spending-Medical Reimbursement Excess(Shortage)	455,401	(65,236)	520,636		
Adoption & Surrogacy					
Expenses	(96,885)	(110,243)	13,358	-12.1%	
Healthcare Sustainability Fund ($4.00/$6.00)					
Revenues	4,338,489	3,027,230	1,311,259	43.3%	l, d
Expenses	(3,043,816)	(3,228,104)	184,288	-5.7%	e
Net Healthcare Sustainability Fund ($4.00) Excess(Shortage)	1,294,673	(200,874)	1,495,547		
NET FULLY INSURED PLANS	**(237,708)**	**(602,034)**	**364,326**		
INVESTMENT INCOME AND OTHER					
Interest	5,193,690	5,964,429	(770,739)	-12.9%	o
Performance guarantees	66,480	286,348	(219,868)		
TOTAL SAVINGS & INVESTMENTS	**5,260,169**	**6,250,777**	**(990,607)**		
TOTAL NET EXCESS (SHORTAGE)	**$ (34,652,141)**	**$ (9,482,670)**	**$ (25,169,471)**		

Notes:

a decrease in membership
b administered by Blue Shield effective 1/1/25
c decrease in deductions
d increase in membership
e communic, wellness exp funded by $6pmpm
f increase in claims
g increase in deductions
h decrease in rates
l increase in rates
j decrease in claims
k payperiod Timing
o increase in cash balance