

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

DATE: October 8, 2026

TO: Members of the Health Service Board

FROM: Teresa Tan, Chief Financial and Affordability Officer

SUBJECT: Health Service Board Financial Report as of August 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 two months ended August 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 \$64.5M, primarily due to higher medical claims.
- Pharmacy rebates for the year projected to be \$25.1M.
- The Healthcare Sustainability Fund is projected to decrease by \$0.9M, resulting in an ending balance of \$6.8M
- Interest income for the year is projected to be \$3.0M.

General Fund

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

Trust Fund and Healthcare Sustainability Fund with FYE Projection

	FY26-27	FY26-27	
SUMMARY	Year-to-Date Actual Net as of 08/31/26	Projected Year-End Annual Net	
Flex/Self Insurance			
Blue Shield-Access+	\$ (12,521,720)	\$ (35,049,692)	a)
Blue Shield-Trio	(4,052,598)	(13,288,711)	(a)
Blue Shield PPO	(3,441,833)	(13,305,496)	b)
Health Net Canopy Care	(1,061,570)	(2,451,918)	c)
Delta Dental PPO, Actives	(318,336)	(1,929,014)	d)
Fully Insured Plans			
Medical HMOs	(7,890,212)	-	
Dental	(505)	-	
LTD/Flexible Benefits/FSA	637,944	-	
Healthcare Sustainability Fund (\$6.00)	326,411	(926,734)	(e)
Savings & Investments			
Interest	-	3,000,000	
Surrogacy and adoption	(1,669)	(1,669)	
Transfers Out	0	(582,804)	(f)
TOTAL	\$ (28,324,086)	\$ (64,536,039)	
Net assets			
Beginning of the year		71,981,011	
End of the year		\$ 7,444,972	

(a) Annual Projection is net of claim stabilization of \$4.3 million to increase 2026 rates, \$5.8 million to increase 2027 rates, Pharmacy rebate of \$20.6 million

(b) Annual Projection is net of claim stabilization of \$2.2 million to decrease 2026 rates, \$0.3 million to decrease 2027 rates, Pharmacy rebate of \$4.2 million

(c) Annual Projection is net of claim stabilization of \$0.4 million to decrease 2026 rates, \$0.2 million to decrease 2027 rates, Pharmacy rebate of \$0.3 million

(d) Annual Projection is net of claim stabilization of \$0.7 million to reduce 2026 rates and \$0.7 million to reduce 2027 rates

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

(f) Transfer of \$583K from forfeitures to General Fund

Analysis by Health Plan

Blue Shield Access+ Flex Funded Plan

FYE balance decreased by \$35.0M mainly due to high hospital and pharmacy claims.

Blue Shield Trio Flex-Funded Plan

FYE balance decreased by \$13.3M mainly due to high hospital and pharmacy claims.

Blue Shield PPO

FYE balance decreased by \$13.3M due to claim stabilization and higher claims.

Health Net Canopy Care

FYE balance decreased by \$2.5M due to claim stabilization and higher claims.

Delta Dental PPO (Actives Only) Self-Funded Plan

The FYE balance decreased by \$1.9M 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 is projected to decrease by \$0.9M to a total of \$6.8M.

	FY 26-27 Budget + ADJ C/F	FY 26-27 Actuals Aug YTD	FY26-27 Projection
REVENUE SOURCES			
Annual Revenues	\$ 5,228,352	\$ 865,260	\$ 5,228,352
Carryforward from Fund Balance	5,102,462	7,707,881	7,707,881
TOTAL	\$ 10,330,814	\$ 8,573,141	\$ 12,936,233
EXPENDITURE USES			
Personnel	\$ 2,935,797	\$ 462,557	\$ 2,935,797
Administrative	49,150	(49)	49,150
Member Communications	1,275,106	4,804	1,275,106
Communications - Other	745,683	6,738	745,683
Well-Being	217,949	14,699	217,949
Initiatives to Reduce Health Care Costs	931,401	50,100	931,401
TOTAL	\$ 6,155,086	\$ 538,849	\$ 6,155,086
REV - EXP (excl. carry forward bal)	(926,734)	326,411	(926,734)
BALANCE	\$ 4,175,727	\$ 8,034,292	\$ 6,781,147

Pharmacy Rebates

Rebates for the year projected to be \$25.1M.

	Actual	Projected Full Year
Blue Shield Access+ HMO	-	\$ 15,000,000
Blue Shield Trio HMO	-	5,600,000
UHC and BS PPO	-	4,200,000
HealthNet	-	310,000
TOTAL	-	\$ 25,110,000

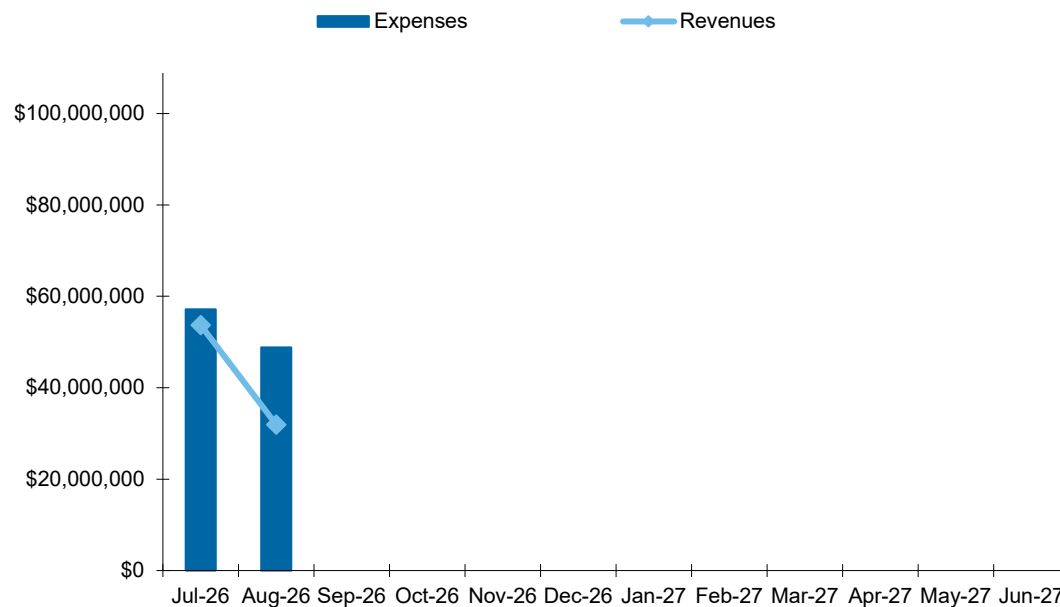
General Fund

The FY 26-27 budget has been adjusted for carryforward commitments made before June 30, 2026. Net activity was ahead of budget mainly due to vacancies.

	FY 26-27 Budget	Total Actual YTD	FY 26-27 Projection	Fav/(Unfav) Variance
Revenues				
Non-Operating Revenue	\$ 2,132,216	\$ -	\$ 2,132,216	\$ -
Operating Work Order Recovery	9,447,936	1,847,382	9,447,936	-
Other Revenue	582,804	-	582,804	-
General Fund Carryforward	770,690	770,690	770,690	-
Total Revenues	12,933,646	2,618,072	12,933,646	-
Expenditures				
Personnel Services	5,467,466	794,705	5,187,772	(279,694)
Mandatory Fringe Benefits	2,441,620	351,352	2,334,498	(107,122)
Non-personnel Services	3,013,432	155,084	3,013,432	-
Materials & Supplies	29,473	155	29,473	-
Services of Other Departments	1,981,656	307,237	1,981,656	-
Total Expenditures	12,933,646	1,608,533	12,546,830	(386,816)
Balance	\$ -	\$ 1,009,539	\$ 386,816	\$ (386,816)

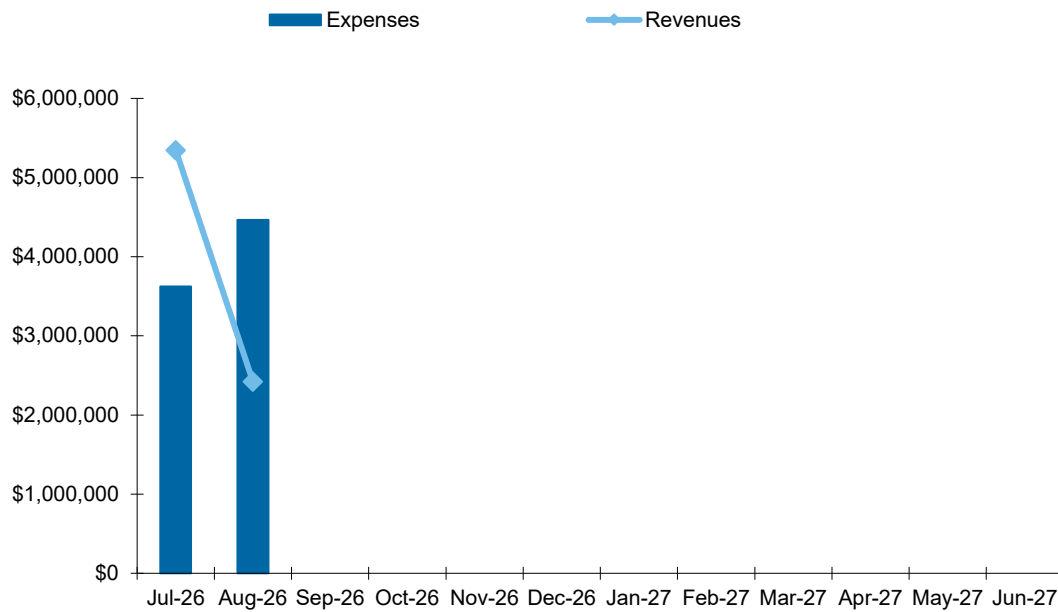
All Flex Funded Medical Plans

All Self-Insured Health and Welfare Combined



Dental

Delta Dental Active



Supplemental Tables – Trust Fund Activity- Current FY

STATEMENT OF REVENUES AND EXPENSES
FY 26-27
FOR 2 MONTHS ENDED AUGUST 31, 2026

ACTIVE & RETIRED COMBINED	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net
FLEX/SELF-INSURED PLANS			
Blue Shield Access+ HMO	\$ 49,152,262	\$ 61,673,982	\$ (12,521,720)
Blue Shield Trio HMO	16,247,270	20,299,868	(4,052,598)
Blue Shield and United PPO	12,497,828	15,939,660	(3,441,833)
Health Net Canopy Care	2,694,580	3,756,150	(1,061,570)
Delta Dental PPO- (Active only)	7,769,353	8,087,689	(318,336)
TOTAL FLEX/SELF-INSURED PLANS	88,361,294	109,757,349	(21,396,055)
FULLY INSURED PLANS			
Blue Shield MAPD	20,736,555	20,736,555	-
Kaiser-HMO	97,717,839	105,571,361	(7,853,521)
Vision Service Plan	1,984,391	2,021,082	(36,691)
Sub-total HMO	120,438,786	128,328,998	(7,890,212)
Delta Dental PPO - Retirees	3,778,213	3,778,213	-
Delta Care	135,017	136,089	(1,073)
UHC Dental	60,679	60,111	568
Sub-total Dental	3,973,909	3,974,414	(505)
Long Term/Short Term Disability	924,667	924,661	6
Flexible Benefits	1,032,490	1,031,454	1,036
Flexible Spending-Dependent Care	1,048,577	843,233	205,344
Flexible Spending -Medical Reimbursement	2,821,228	2,389,670	431,558
Healthcare Sustainability Fund (\$6.00)	865,260	538,849	326,411
Adoption & Surrogacy		1,669	(1,669)
Sub-total Other Benefits	6,692,222	5,729,536	962,686
TOTAL FULLY INSURED PLANS	131,104,916	138,032,947	(6,928,031)
TOTAL FUNDS	\$ 219,466,210	\$ 247,790,297	\$ (28,324,086)

Supplemental Tables - Trust Fund Activity- with Prior Year

STATEMENTS OF REVENUES AND EXPENSES
FY 26-27 VS FY 25-26
YEAR-TO-DATE: AUGUST 31, 2026

ACTIVE & RETIRED COMBINED	For 2 Months Ended August 31, 2026	For 2 Months Ended August 31, 2025	\$ Change	% Change	
FLEX/SELF-INSURED PLANS					
Blue Shield-Access+ HMO					
Revenues	\$ 49,152,262	\$ 52,092,419	\$ (2,940,157)	-5.6%	k
Expenses	(61,673,982)	(52,390,788)	(9,283,193)	17.7%	f
Net Blue Shield-Access Excess(Shortage)	(12,521,720)	(298,369)	(12,223,350)		
Blue Shield-Trio HMO					
Revenues	16,247,270	17,823,005	(1,575,734)	-8.8%	k
Expenses	(20,299,868)	(18,280,003)	(2,019,865)	11.0%	f
Net Blue Shield-Trio Excess(Shortage)	(4,052,598)	(456,999)	(3,595,599)		
Blue Shield and United PPO					
Revenues	12,497,828	12,228,913	268,915	2.2%	
Expenses	(15,939,660)	(14,100,677)	(1,838,983)	13.0%	f
Net BSC and United PPO Excess(Shortage)	(3,441,833)	(1,871,764)	(1,570,068)		
Health Net Canopy Care					
Revenues	2,694,580	2,449,011	245,569	10.0%	d
Expenses	(3,756,150)	(2,509,417)	(1,246,733)	49.7%	f
Net Health Net Canopy Care Excess(Shortage)	(1,061,570)	(60,405)	(1,001,164)		
Delta Dental PPO (Active only)					
Revenues	7,769,353	7,852,096	(82,743)	-1.1%	
Expenses	(8,087,689)	(7,239,101)	(848,588)	11.7%	f
Net Delta Dental PPO- (Active Only) Excess(Shortage)	(318,336)	612,996	(931,331)		
NET FLEX/SELF-INSURED PLANS	\$ (21,396,055)	\$ (2,074,542)	\$ (19,321,514)		

Notes:

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

Supplemental Tables - Trust Fund Activity- with Prior Year (continued)STATEMENTS OF REVENUES AND EXPENSES
FY 26-27 VS FY 25-26

ACTIVE & RETIRED COMBINED	For 2 Months Ended August 31, 2026	For 2 Months Ended August 31, 2025	\$ Change	% Change	
FULLY INSURED PLANS					
Kaiser-HMO					
Revenues	\$ 97,717,839	\$ 100,066,428	\$ (2,348,589)	-2.3%	
Expenses	(105,571,361)	(96,712,530)	(8,858,831)	9.2%	l
Net Kaiser- HMO Excess(Shortage)	(7,853,521)	3,353,898	(11,207,419)		
Blue Shield and UHC MAPD					b
Revenues	20,736,555	19,540,308	1,196,248	6.1%	l,d
Expenses	(20,736,555)	(19,540,308)	(1,196,248)	6.1%	l,d
Net ble Shield and UHC MAPD Excess(Shortage)	0	0	0		
Vision Service Plan, All (City Plan & HMO)					
Revenues	1,984,391	2,027,938	(43,547)	-2.1%	
Expenses	(2,021,082)	(1,958,998)	(62,084)	3.2%	l, d
Net Vision Service Plan Excess(Shortage)	(36,691)	68,940	(105,631)		
Delta Dental PPO - Retirees					
Revenues	3,778,213	3,619,084	159,129	4.4%	l, d
Expenses	(3,778,213)	(3,619,084)	(159,129)	4.4%	l, d
Net Delta Dental PPO - Retirees Excess(Shortage)	0	0	0		
Delta Care					
Revenues	135,017	161,878	(26,862)	-16.6%	k
Expenses	(136,089)	(151,509)	15,420	-10.2%	k
Net Delta Care Excess(Shortage)	(1,073)	10,369	(11,441)		
UHC Dental					
Revenues	60,679	69,767	(9,089)	-13.0%	k
Expenses	(60,111)	(63,897)	3,786	-5.9%	k
Net UHC Dental Excess(Shortage)	568	5,870	(5,302)		
Long Term/Short Term Disability					
Revenues	924,667	1,941,822	(1,017,155)	-52.4%	h
Expenses	(924,661)	(1,255,116)	330,454	-26.3%	h
Net Long Term/Short Term Disability Excess(Shortage)	6	686,707	(686,701)		
Flexible Benefits					
Revenues	1,032,490	1,002,459	30,030	3.0%	k
Expenses	(1,031,454)	(800,562)	(230,892)	28.8%	k
Net Flexible Benefits Excess(Shortage)	1,036	201,897	(200,862)		
Flexible Spending-Dependent Care					
Revenues	1,048,577	901,807	146,770	16.3%	g
Expenses	(843,233)	(662,771)	(180,462)	27.2%	g
Net Flexible Spending-Dependent Care Excess(Shortage)	205,344	239,036	(33,692)		
Flexible Spending -Medical Reimbursement					
Revenues	2,821,228	2,581,401	239,827	9.3%	g
Expenses	(2,389,670)	(2,026,940)	(362,730)	17.9%	g
Net Flexible Spending-Medical Reimbursement Excess(Shortage)	431,558	554,461	(122,903)		
Adoption & Surrogacy					
Expenses	(1,669)	(16,148)	14,479	-89.7%	
Healthcare Sustainability Fund (\$4.00/\$6.00)					
Revenues	865,260	574,679	290,581	50.6%	l, d
Expenses	(538,849)	(450,172)	(88,677)	19.7%	e
Net Healthcare Sustainability Fund (\$4.00) Excess(Shortage)	326,411	124,507	201,904		
NET FULLY INSURED PLANS	(6,928,031)	5,229,537	(12,157,569)		
TOTAL NET EXCESS (SHORTAGE)	\$ (28,324,086)	\$ 3,154,996	\$ (31,479,082)		

Notes:

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