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

DATE: November 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 September 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 three months ended September 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 is projected to decrease by $62.2M, primarily due to higher medical claims.
- Pharmacy rebates for the year projected to be $25.2M.
- 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 salary savings from staff not yet at top step and vacancy savings resulting from the time required to fill positions.

Trust Fund and Healthcare Sustainability Fund with FYE Projection

SUMMARY	FY26-27 Year-to-Date Actual Net as of 09/30/26	FY26-27 Projected Year-End Annual Net	
Flex/Self Insurance			
Blue Shield-Access+	$ (10,892,649)	$ (35,078,971)	a)
Blue Shield-Trio	(4,278,233)	(13,320,373)	a)
Blue Shield PPO	(5,113,834)	(13,891,770)	b)
Health Net Canopy Care	(1,288,622)	(2,707,463)	c)
Delta Dental PPO, Actives	121,835	468,341	(d)
Fully Insured Plans			
Medical HMOs	(8,103,896)	-	
LTD/Flexible Benefits/FSA	1,263,054	-	
Healthcare Sustainability Fund ($6.00)	216,229	(926,734)	(e)
Savings & Investments			
Interest	-	3,000,000	
Performance guarantees	828,918	828,918	
Surrogacy and adoption	(17,816)	(17,816)	
Transfers Out	0	(582,804)	(f)
TOTAL	**$ (27,265,013)**	**$ (62,228,674)**	
Net assets			
Beginning of the year		71,981,011	
End of the year		**$ 9,752,337**	

(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 $20.7 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 is projected to decrease by $35.1M mainly due to high hospital and pharmacy claims.

Blue Shield Trio Flex-Funded Plan
FYE balance is projected to decrease by $13.3M mainly due to high hospital and pharmacy claims.

Blue Shield PPO
FYE balance is projected to decrease by $13.9M due to claim stabilization and higher claims.

Health Net Canopy Care
FYE balance is projected to decrease by $2.7M due to claim stabilization and higher claims.

Delta Dental PPO (Actives Only) Self-Funded Plan
The FYE balance is projected to increase by $0.5M 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 $0.9M to a total of $6.8M.

	FY 26-27 Budget + ADJ C/F	FY 26-27 Actuals Sep YTD	FY26-27 Projection
REVENUE SOURCES			
Annual Revenues	$ 5,228,352	$ 1,299,354	$ 5,228,352
Carryforward from Fund Balance	5,102,462	7,707,881	$ 7,707,881
TOTAL	**$10,330,814**	**$ 9,007,235**	**$ 12,936,233**
EXPENDITURE USES			
Personnel	$ 2,935,797	$ 783,764	$ 2,935,797
Administrative	49,150	1,107	49,150
Member Communications	1,275,106	206,233	1,275,106
Communications - Other	745,683	-	745,683
Well-Being	217,949	17,471	217,949
Initiatives to Reduce Health Care Costs	931,401	74,550	931,401
TOTAL	**$ 6,155,086**	**$ 1,083,125**	**$ 6,155,086**
REV - EXP (excl. carry forward bal)	**(926,734)**	**216,229**	**(926,734)**
BALANCE	**$ 4,175,727**	**$ 7,924,110**	**$ 6,781,147**

Pharmacy Rebates

Rebates for the year are projected to be $25.2M.

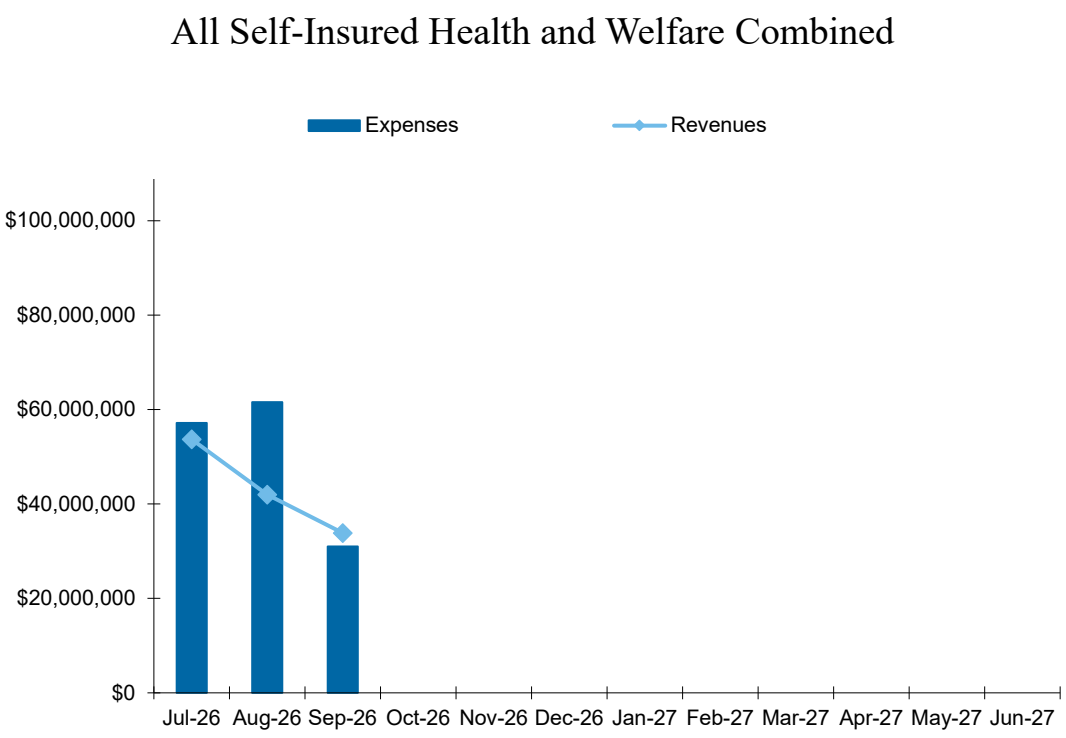
	Actual	Projected Full Year
Blue Shield Access+ HMO	$ 3,940,927	$ 15,084,000
Blue Shield Trio HMO	1,914,829	5,660,000
UHC and BS PPO	1,045,484	4,181,936
HealthNet	78,119	312,476
TOTAL	**$ 6,979,359**	**$ 25,238,412**

General Fund

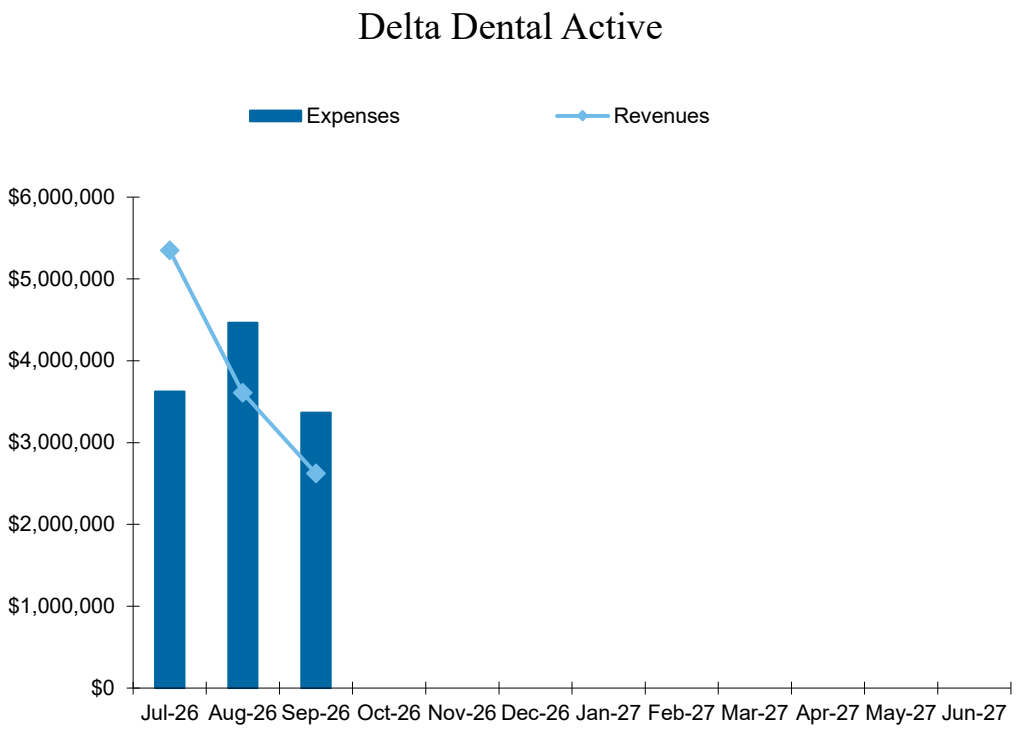
The FY 26-27 budget has been adjusted for carryforward commitments made before June 30, 2026. Net activity was ahead of budget mainly due to vacancies.

	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	2,771,073	9,447,936	-
Other Revenue	582,804	-	582,804	-
General Fund Carryforward	770,690	770,690	770,690	-
Total Revenues	**12,933,646**	**3,541,763**	**12,933,646**	**-**
Expenditures				
Personnel Services	5,467,466	1,220,446	5,139,313	(328,153)
Mandatory Fringe Benefits	2,441,620	545,046	2,312,691	(128,929)
Non-personnel Services	3,013,432	391,133	3,013,432	-
Materials & Supplies	29,473	445	29,473	-
Services of Other Departments	1,981,656	514,615	1,981,656	-
Total Expenditures	**12,933,646**	**2,671,684**	**12,476,564**	**(457,082)**
Balance	**$ -**	**$ 870,079**	**$ 457,082**	**$ (457,082)**

All Flex Funded Medical Plans



Dental


Delta Dental Active
Expenses
Revenues
$6,000,000
$5,000,000
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$0
Jul-26
Aug-26
Sep-26
Oct-26
Nov-26
Dec-26
Jan-27
Feb-27
Mar-27
Apr-27
May-27
Jun-27

Supplemental Tables – Trust Fund Activity- Current FY

STATEMENT OF REVENUES AND EXPENSES
FY 26-27
FOR 3 MONTHS ENDED SEPTEMBER 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	$ 74,102,863	$ 84,995,512	$ (10,892,649)
Blue Shield Trio HMO	25,034,674	29,312,907	(4,278,233)
Blue Shield and United PPO	18,892,085	24,005,919	(5,113,834)
Health Net Canopy Care	4,236,633	5,525,255	(1,288,622)
Delta Dental PPO- (Active only)	11,576,232	11,454,397	121,835
TOTAL FLEX/SELF-INSURED PLANS	**133,842,487**	**155,293,989**	**(21,451,502)**
FULLY INSURED PLANS			
Blue Shield MAPD	31,129,682	31,129,682	-
Kaiser-HMO	150,214,216	158,318,112	(8,103,896)
Vision Service Plan	3,034,407	3,034,407	0
Sub-total HMO	**184,378,305**	**192,482,201**	**(8,103,896)**
Delta Dental PPO - Retirees	5,668,376	5,668,376	-
Delta Care	204,381	204,381	0
UHC Dental	90,086	90,086	0
Sub-total Dental	**5,962,843**	**5,962,843**	**0**
Long Term/Short Term Disability	1,386,615	1,387,080	(465)
Flexible Benefits	1,543,767	1,542,731	1,036
Flexible Spending-Dependent Care	1,569,634	1,241,254	328,380
Flexible Spending -Medical Reimbursement	4,238,558	3,304,455	934,103
Healthcare Sustainability Fund ($6.00)	1,299,354	1,083,125	216,229
Adoption & Surrogacy		17,816	(17,816)
Sub-total Other Benefits	**10,037,928**	**8,576,461**	**1,461,467**
TOTAL FULLY INSURED PLANS	**200,379,077**	**207,021,505**	**(6,642,428)**
SAVINGS AND INVESTMENTS			
Performance guarantees	828,918		828,918
TOTAL SAVINGS & INVESTMENTS	**828,918**	**-**	**828,918**
TOTAL FUNDS	**$ 335,050,482**	**$ 362,315,494**	**$ (27,265,013)**

Supplemental Tables - Trust Fund Activity- with Prior Year

STATEMENTS OF REVENUES AND EXPENSES
FY 26-27 VS FY 25-26
YEAR-TO-DATE: SEPTEMBER 30, 2026

ACTIVE & RETIRED COMBINED	**For 3 Months Ended September 30, 2026**	**For 3 Months Ended September 30, 2025**	**$ Change**	**% Change**	
FLEX/SELF-INSURED PLANS					
Blue Shield-Access+ HMO					
Revenues	$ 74,102,863	$ 74,111,454	$ (8,591)	0.0%	k
Expenses	(84,995,512)	(78,613,940)	(6,381,571)	8.1%	f
Net Blue Shield-Access Excess(Shortage)	(10,892,649)	(4,502,487)	(6,390,162)		
Blue Shield-Trio HMO					
Revenues	25,034,674	26,071,106	(1,036,433)	-4.0%	k
Expenses	(29,312,907)	(28,656,256)	(656,650)	2.3%	f
Net Blue Shield-Trio Excess(Shortage)	(4,278,233)	(2,585,150)	(1,693,083)		
Blue Shield and United PPO					
Revenues	18,892,085	17,992,279	899,806	5.0%	
Expenses	(24,005,919)	(23,395,018)	(610,901)	2.6%	f
Net BSC and United PPO Excess(Shortage)	(5,113,834)	(5,402,739)	288,905		
Health Net Canopy Care					
Revenues	4,236,633	3,617,948	618,685	17.1%	d
Expenses	(5,525,255)	(3,737,229)	(1,788,026)	47.8%	f
Net Health Net Canopy Care Excess(Shortage)	(1,288,622)	(119,281)	(1,169,341)		
Delta Dental PPO (Active only)					
Revenues	11,576,232	10,555,128	1,021,104	9.7%	
Expenses	(11,454,397)	(11,583,733)	129,335	-1.1%	f
Net Delta Dental PPO- (Active Only) Excess(Shortage)	121,835	(1,028,604)	1,150,440		
NET FLEX/SELF-INSURED PLANS	**$ (21,451,502)**	**$ (13,638,261)**	**$ (7,813,241)**		

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 26-27 VS FY 25-26

ACTIVE & RETIRED COMBINED	**For 3 Months Ended September 30, 2026**	**For 3 Months Ended September 30, 2025**	**$ Change**	**% Change**	
FULLY INSURED PLANS					
Kaiser-HMO					
Revenues	$ 150,214,216	$ 146,220,684	$ 3,993,532	2.7%	
Expenses	(158,318,112)	(145,215,719)	(13,102,392)	9.0%	l
Net Kaiser- HMO Excess(Shortage)	(8,103,896)	1,004,964	(9,108,860)		
Blue Shield and UHC MAPD					b
Revenues	31,129,682	29,323,019	1,806,663	6.2%	l,d
Expenses	(31,129,682)	(29,323,019)	(1,806,663)	6.2%	l,d
Net ble Shield and UHC MAPD Excess(Shortage)	0	0	0		
Vision Service Plan, All (City Plan & HMO)					
Revenues	3,034,407	2,942,311	92,096	3.1%	
Expenses	(3,034,407)	(2,942,311)	(92,096)	3.1%	l, d
Net Vision Service Plan Excess(Shortage)	0	0	(0)		
Delta Dental PPO - Retirees					
Revenues	5,668,376	5,437,481	230,895	4.2%	l, d
Expenses	(5,668,376)	(5,437,481)	(230,895)	4.2%	l, d
Net Delta Dental PPO - Retirees Excess(Shortage)	0	0	0		
Delta Care					
Revenues	204,381	226,547	(22,166)	-9.8%	k
Expenses	(204,381)	(226,547)	22,166	-9.8%	k
Net Delta Care Excess(Shortage)	0	(0)	0		
UHC Dental					
Revenues	90,086	95,919	(5,833)	-6.1%	k
Expenses	(90,086)	(95,919)	5,833	-6.1%	k
Net UHC Dental Excess(Shortage)	0	0	0		
Long Term/Short Term Disability					
Revenues	1,386,615	1,943,363	(556,748)	-28.6%	h
Expenses	(1,387,080)	(1,944,463)	557,384	-28.7%	h
Net Long Term/Short Term Disability Excess(Shortage)	(465)	(1,101)	635		
Flexible Benefits					
Revenues	1,543,767	1,399,167	144,600	10.3%	k
Expenses	(1,542,731)	(1,197,270)	(345,462)	28.9%	k
Net Flexible Benefits Excess(Shortage)	1,036	201,897	(200,862)		
Flexible Spending-Dependent Care					
Revenues	1,569,634	1,353,256	216,378	16.0%	g
Expenses	(1,241,254)	(975,942)	(265,312)	27.2%	g
Net Flexible Spending-Dependent Care Excess(Shortage)	328,380	377,315	(48,934)		
Flexible Spending -Medical Reimbursement					
Revenues	4,238,558	3,874,530	364,029	9.4%	g
Expenses	(3,304,455)	(2,788,738)	(515,716)	18.5%	g
Net Flexible Spending-Medical Reimbursement Excess(Shortage)	934,103	1,085,791	(151,688)		
Adoption & Surrogacy					
Expenses	(17,816)	(32,295)	14,479	-44.8%	
Healthcare Sustainability Fund ($4.00/$6.00)					
Revenues	1,299,354	863,113	436,241	50.5%	l, d
Expenses	(1,083,125)	(683,978)	(399,147)	58.4%	e
Net Healthcare Sustainability Fund ($4.00) Excess(Shortage)	216,229	179,135	37,094		
NET FULLY INSURED PLANS	**(6,642,428)**	**2,815,707**	**(9,458,135)**		
INVESTMENT INCOME AND OTHER					
Performance guarantees	828,918	0	828,918		
TOTAL SAVINGS & INVESTMENTS	**828,918**	**0**	**828,918**		
TOTAL NET EXCESS (SHORTAGE)	**$ (27,265,013)**	**$ (10,822,554)**	**$ (16,442,458)**		

Notes:

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