

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

Memorandum

DATE: December 14, 2017

TO: Randy Scott, President and Members of the Health Service Board

FROM: Pamela Levin, Chief Financial Officer

RE: Update on Financial Report as of September 30, 2017

This report summarizes revenues and expenses of the Employee Benefit Trust Fund (Trust Fund) and the General Fund Administration Budget for the time period of July 1, 2017 to September 30, 2017, as well as fiscal year-end projections through June 30, 2018.

Employee Benefit Trust Fund

On June 30, 2017, the Trust Fund balance was \$72.5 million. Based on activity through September 2017, the fund balance is projected to be \$67.3 million as of June 30, 2018. The projected \$5.2 million decrease includes reserves for unpaid claims and is a result of the following changes:

1. City Plan Self-Funded Plan - \$7.0 million decrease in fund balance resulting from:
 - a. \$0.8 million increase in fund balance from pharmacy rebates (additional information on pages 4)
 - b. \$7.8 million decrease in fund balance:
 - \$3.8 million associated with subsidizing 2017 rates (for the first six months of FY 2017-18) from the claim stabilization reserve
 - \$2.3 million associated with subsidizing 2018 rates (for the second six months of FY 2017-18) from the claim stabilization reserve
 - \$1.7 million due to unfavorable claim experience
2. Blue Shield Flex-Funded Plan - \$0.4 million decrease in fund balance resulting from:
 - a. \$7.8 million increase in fund balance:
 - \$2.6 million associated with the increase in 2017 rates (for the first six months of FY 2017-18) to recover the 2015 deficit
 - \$1.8 million associated with the increase in 2018 rates (for the second six months of FY 2017-18) to recover the 2016 deficit
 - \$3.4 million from pharmacy rebates (additional information on pages 3-4)
 - b. \$8.2 million decrease in fund balance due to unfavorable claim experience

3. Delta Dental Self-Funded Plan - \$3.9 million increase in fund balance resulting from:
 - a. \$6.7 million increase in fund balance due to favorable claim experience
 - b. \$2.8 million decrease in fund balance:
 - \$1.2 million decrease in fund balance associated with subsidizing 2017 rates (for the first six months of FY 2017-18) from the claim stabilization reserve
 - \$1.6 million decrease in fund balance associated with subsidizing 2018 rates (for the second six months of FY 2017-18) from the claim stabilization reserve
4. Healthcare Sustainability Fund - The following table reflects the year-to-date actuals through September 30, 2017. The Revised Budget reflects carryforward of unexpended funds from FY 2016-17.

Healthcare Sustainability Fund FY 2017-18					
Ongoing	Original Budget	Revised Budget	Sept YTD Actuals	Projection	Balance
Revenues/Premiums	\$ 1,651,681	\$ 1,964,904	\$ 660,828	\$ 1,964,904	\$ -
Carryforward for encumbrances/Manual CF		415,511	415,511	415,511	-
\$0.95 Increase	\$ 700,000				-
Total	\$ 2,351,681	\$ 2,380,415	\$ 1,076,339	\$ 2,380,415	\$ -
Expenditures					
Personnel Services and Mandatory Fringes	\$ 592,108	\$ 353,662	\$ 57,899	\$ 353,662	\$ -
Communications					
Open Enrollment Communications	284,424	431,003	81,340	431,003	-
Operations Communications	139,003	132,160		132,160	-
Well-Being Communications	255,000	255,000	1,000	255,000	-
Other Communications	30,420	30,420		30,420	-
Total Communications	\$ 708,847	\$ 848,583		\$ 848,583	\$ -
Well-Being	133,000	203,555	16,448	203,555	-
Initiatives to Reduce Health Care Costs	260,292	395,037	51,875	395,037	-
SFGTV/Board Meetings	23,000	29,100	580	29,100	-
Contingency for Unforeseen Issues	150,000	150,000		150,000	-
Total Expenditures	\$ 1,867,247	\$ 1,979,937	\$ 209,142	\$ 1,979,937	\$ -
Balance *	\$ 484,434	\$ 400,478	\$ 867,197	\$ 400,478	\$ -

* Ongoing balance to be carried forward into FY 2018-19

Healthcare Sustainability Fund FY 2017-18					
Onetime	Original Budget	Revised Budget	Sept YTD Actuals	Projections	Variance
Revenues					
Carryforward from Onetime	\$ 1,397,666	\$ 1,564,225	\$ 1,564,225	\$ 1,564,225	-
Carryforward from Ongoing	315,525	1,052,954	1,052,954	1,052,954	-
Carryforward for encumbrances	-	-	-	-	-
\$0.95 Increase		-	-	-	-
Total	\$ 1,713,191	\$ 2,617,179	\$ 2,617,179	\$ 2,617,179	\$ -
Expenditures					
Communications					
Open-Enrollment Communications		240,999		240,999	\$ -
Operations Communications	\$ 1,235,000	\$ 1,505,000		\$ 1,505,000	\$ -
Well-Being Communications	-	1,580		1,580	-
Other Communications	325,000	253,800		253,800	-
Total Communications	\$ 1,560,000	\$ 2,001,379	\$ -	\$ 2,001,379	-
Well-Being	-	2,419		2,419	-
Initiatives to Reduce Health Care Costs	50,000	50,000		50,000	-
Total Expenditures	1,610,000	2,053,798	-	2,053,798	-
Balance	\$ 103,191	\$ 563,381	\$ 2,617,179	\$ 563,381	\$ -
Carryforward for encumbrances		\$ -	\$ -	\$ -	-
Carryforward for Onetime		\$ 563,381	\$ 2,617,179	\$ 563,381	-

5. Interest - \$0.4 million increase in fund balance from HSS Trust cash balances
6. Performance Guarantees – No Performance Guarantees have been received as of September 30, 2017. A total of \$133,007 has been received in FY 2016-17. The \$72.5 million fund balance includes the \$7.6 million in PGs received since FY 2005-06.
7. Performance Guarantees for Adoption and Surrogacy Assistance Plan - \$0.3 million decrease in fund balance for performance guarantees for FY 2017-18. The program was effective January 1, 2017, two reimbursements have been paid for a total of \$47,710 and one is being processed.
8. Forfeitures - the reconciliation of unused flexible spending account balances occurs annually in June for the prior Plan Year.

9. Pharmacy Rebates - The following table summarizes the FY 2017-18 pharmacy rebates as of September 30, 2017 and year-end projection. The rebates offset the amount of claims HSS pays to the vendors.

Vendor	Amount (year to date)	Year-End Projection
Blue Shield	\$0	\$3,400,000
UHC		800,000
Total	\$0	\$4,200,000

General Fund Administration Budget (including Enterprise Content Management System)

Based on the financial results for the first three months of FY 2017-18, the budget is projected to be fully expended.



HEALTH SERVICE SYSTEM
STATEMENT OF REVENUES AND EXPENSES
FY 2017-2018
FOR THE THREE MONTHS ENDED September 30, 2017

ACTIVE & RETIRED COMBINED

	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess(Shortage)
1 SELF-INSURANCE			
2 City Plan, including ASO *	21,823,379	23,971,380	(2,148,001)
3 Blue Shield Flex *	75,801,084	76,542,712	(741,628)
4 Delta Dental - Active only, including ASO	11,990,420	10,906,078	1,084,342
5 TOTAL SELF-INSURANCE	109,614,884	111,420,170	(1,805,286)
7 INSURANCE PRODUCTS			
8 Blue Shield-HMO	-	-	-
9 Kaiser-HMO	94,538,689	96,718,233	(2,179,543)
10 Vision Service Plan, All (City Plan & HMO)	1,262,819	1,262,819	-
11 Sub-total HMO	95,801,508	97,981,052	(2,179,543)
12			
13 Delta Dental - Retired	3,454,194	3,453,955	239
14 Delta Care	233,065	237,833	(4,768)
15 Pacific Union	91,071	92,462	(1,391)
16 Sub-total Dental	3,778,330	3,784,250	(5,920)
17			
18 Long Term/Short Term Disability	1,796,833	1,796,833	(0)
19 Flexible Benefits	447,737	447,238	499
20 Flexible Spending-Dependent Care	1,210,088	886,833	323,256
21 Flexible Spending -Medical Reimbursement	1,540,207	1,066,177	474,030
22 Best Doctors (\$1.40)	285,720	285,720	-
23 Healthcare Sustainability Fund (\$3.00)	660,828	209,142	451,686
24 TOTAL INSURANCE PRODUCTS	105,521,251	106,457,244	(935,993)
25			
26 SAVINGS AND INVESTMENTS			
27 Interest	15,983	-	15,983
28 Performance guarantees	-	-	-
29 Forfeitures	-	-	-
30 TOTAL SAVINGS & INVESTMENTS	15,983	-	15,983
31			
32 TRANSFERS OUT OF FORFEITURES			
33			
34 TOTAL FUNDS	215,152,118	217,877,414	(2,725,296)

* Expenses are net of pharmacy rebates - see report for details

SUMMARY- In millions	FY17-18	FY17-18
	Year-To Date Actual As of Sep 2017 - Net	Projected Annual-Net
Self Insurance		
City Plan	(2.1)	(7.0) (a)
Blue Shield-Flex	(0.7)	(0.4) (b)
Dental, Actives	1.1	3.9 (c)
Insurance Products		
Medical HMOs	(2.2)	0.0
Dental	(0.0)	0.0
LTD/Flexible Benefits/FSA/Best Doctors	0.8	0.0
Healthcare Sustainability Fund (\$3.00)	0.5	(1.4) (d)
Savings & Investments		
Interest	0.0	0.4
Performance guarantees	0.0	0.0 (e)
Performance guarantees - Surrogacy and adoption	0.0	(0.3) (f)
Forfeitures	0.0	0.0
Transfers Out of Forfeitures	0.0	(0.5) (g)
TOTAL	(2.7)	(5.2)
Net assets		
Beginning of the year		72.5
End of the year		67.3

(a) Annual Projection is net of claim stabilization of \$3.8 million used to reduce 2017 rates, \$2.3 million to reduce 2018 rates, and Pharmacy rebate of \$0.8 million

(b) Annual Projection is net of claim stabilization of \$2.6 million to increase 2017 rates, \$1.8 million to increase 2018 rates, and Pharmacy rebate of \$3.4 million

(c) Annual Projection is net of claim stabilization of \$1.2 million to reduce 2017 rates and \$1.6 million to reduce 2018 rates

(d) \$3.00 per member per month for communications, wellness, actuarial work; is part of a total premium, paid 90% to 100% by employer. Reflects use of prior year balance.

(e) Only reflects performance guarantees received in FY 2017-2018

(f) Reflects use of fund balance

(g) Transfer of forfeitures to General Fund per FY 2017-2018 budget



ACTIVE & RETIRED COMBINED

	For 3 months ended September 30, 2017	For 3 months ended September 30, 2016	\$ Change	% Change	
1 SELF-INSURANCE					
2 City Plan, including ASO					
3 Revenues	21,823,379	11,414,808	10,408,572	91.2%	m
4 Expenses	(23,971,380)	(14,873,483)	(9,097,897)	61.2%	m
5 Net City Plan Excess(Shortage)	(2,148,001)	(3,458,675)	1,310,675	-37.9%	
6 Blue Shield-Flex					
7 Revenues	75,801,084	75,242,364	558,720	0.7%	j
8 Expenses	(76,542,712)	(79,257,101)	2,714,389	-3.4%	
9 Net Blue Shield-Flex Excess(Shortage)	(741,628)	(4,014,737)	3,273,109	-81.5%	
10 Delta Dental - Active only, including ASO					
11 Revenues	11,990,420	11,602,132	388,288	3.3%	d
12 Expenses	(10,906,078)	(10,426,519)	(479,559)	4.6%	f
13 Net Delta Dental - Active Excess(Shortage)	1,084,342	1,175,613	(91,271)	-7.8%	
14 NET SELF-INSURANCE	(1,805,286)	(6,297,799)	4,492,513	-71.3%	
15 INSURANCE PRODUCTS					
16 Blue Shield-HMO					
17 Revenues	0	7,855,893	(7,855,893)	-100.0%	m
18 Expenses	0	(7,855,893)	7,855,893	-100.0%	m
19 Net Blue Shield HMO Excess(Shortage)	0	0	0	0.0%	
20 Kaiser-HMO					
21 Revenues	94,538,689	87,073,848	7,464,841	8.6%	d, l
22 Expenses	(96,718,233)	(88,534,423)	(8,183,810)	9.2%	d, l
23 Net Kaiser- HMO Excess(Shortage)	(2,179,543)	(1,460,575)	(718,968)	49.2%	
24 Vision Service Plan, All (City Plan & HMO)					
25 Revenues	1,262,819	1,270,423	(7,604)	-0.6%	
26 Expenses	(1,262,819)	(1,270,423)	7,604	-0.6%	
27 Net Vision Service Plan Excess(Shortage)	0	0	(0)	0.0%	
28					
29 Delta Dental - Retired					
30 Revenues	3,454,194	3,408,452	45,742	1.3%	
31 Expenses	(3,453,955)	(3,338,117)	(115,838)	3.5%	d
32 Net Delta Dental - Retired Excess(Shortage)	239	70,335	(70,096)	-99.7%	
33 Delta Care					
34 Revenues	233,065	250,153	(17,088)	-6.8%	a
35 Expenses	(237,833)	(250,664)	12,831	-5.1%	a
36 Net Delta Care Excess(Shortage)	(4,768)	(511)	(4,257)	833.1%	
37 Pacific Union					
38 Revenues	91,071	81,845	9,226	11.3%	d
39 Expenses	(92,462)	(82,064)	(10,398)	12.7%	d
40 Net Pacific Union Excess(Shortage)	(1,391)	(219)	(1,172)	535.0%	
41 Net Dental	(5,920)	69,605	(75,525)	-108.5%	
42					
43 Long Term/Short Term Disability					
44 Revenues	1,796,833	1,831,811	(34,978)	-1.9%	
45 Expenses	(1,796,833)	(1,831,811)	34,978	-1.9%	
46 Net Long Term/Short Term Disability Excess(Shortage)	(0)	0	(0)	0.0%	
47 Flexible Benefits					
48 Revenues	447,737	223,101	224,636	100.7%	k
49 Expenses	(447,238)	(223,101)	(224,137)	100.5%	k
50 Net Flexible Benefits Excess(Shortage)	499	0	499	100.0%	
51 Flexible Spending-Dependent Care					
52 Revenues	1,210,088	1,105,892	104,196	9.4%	d
53 Expenses	(886,833)	(901,286)	14,453	-1.6%	
54 Net Flexible Spending-Dependent Care Excess(Shortage)	323,256	204,606	118,650	58.0%	
55 Flexible Spending -Medical Reimbursement					
56 Revenues	1,540,207	1,236,646	303,561	24.5%	d
57 Expenses	(1,066,177)	(864,417)	(201,760)	23.3%	f
58 Net Flexible Spending-Medical Reimbursement Excess(Shortage)	474,030	372,229	101,801	27.3%	
59 Best Doctors (\$1.40)					
60 Revenues	285,720	0	285,720	100.0%	n
61 Expenses	(285,720)	0	(285,720)	100.0%	n
62 Net Best Doctors Excess(Shortage)	0	0	0	100.0%	
63 Healthcare Sustainability Fund (\$3.00)					
64 Revenues	660,828	364,210	296,618	81.4%	e
65 Expenses	(209,142)	(392,945)	183,803	-46.8%	e
66 Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	451,686	(28,735)	480,421	-1671.9%	
67 NET INSURANCE PRODUCTS	(935,993)	(842,870)	(93,123)	11.0%	
68 SAVINGS AND INVESTMENTS					
69 Interest	15,983	101,003	(85,020)	-84.2%	b
70 Performance guarantees	0	0	0		
71 Forfeitures	0	0	0		
72 TOTAL SAVINGS & INVESTMENTS	15,983	101,003	(85,020)	-84.2%	
73 TOTAL NET EXCESS (SHORTAGE)	(2,725,296)	(7,039,667)	4,314,371	-61.3%	

Notes: a decrease in membership

b decrease in account balance

c decrease in deductions

d increase in membership

e \$3 per member per month for communications, wellness, actuarial work

k implementation of voluntary benefits effective 1/1/17

f increase in claims

h decrease in rates

i increase in rates

g increase in deductions

j decrease in claims

m conversion into New City Plan effective 1/1/17

n effective 1/1/17



Health Service System
CITY & COUNTY OF SAN FRANCISCO

HEALTH SERVICE SYSTEM - ADMINISTRATION
STATEMENT OF REVENUES AND EXPENDITURES
As of September 30, 2017

YEAR-TO DATE				ANNUAL						
Fav/(Unfav)									Fav/(Unfav)	
Budget	Actual	Variance	% Var		Original Budget	Carryforward/ Changes	Revised Budget	Projection	Variance	% Var
REVENUES										
115,633	15	(115,618)	-100.0%	Non-Operating Revenue	462,530	0	462,530	462,530	0	0.0%
2,745,431	2,759,598	14,167	0.5%	Work Order Recovery	10,981,725		10,981,725	10,981,725	0	0.0%
119,416	119,416	0	0.0%	General Fund Carryforward	0	477,666	477,666	477,666	0	0.0%
2,980,480	2,879,029	(101,451)	-3.4%	TOTAL REVENUES	11,444,255	477,666	11,921,921	11,921,921	0	0.0%
EXPENDITURES										
1,300,609	1,161,938	138,671	10.7%	Personnel Services	5,202,435	0	5,202,435	5,202,435	0	0.0%
624,093	559,085	65,007	10.4%	Mandatory Fringe Benefits	2,496,371	0	2,496,371	2,496,371	0	0.0%
486,934	217,982	268,952	55.2%	Non-personnel Services	1,679,202	268,533	1,947,735	1,947,735	0	0.0%
12,601	13,517	(915)	-7.3%	Materials & Supplies	49,915	490	50,405	50,405	0	0.0%
556,244	0	556,244	100.0%	Services of Other Departments	2,016,332	208,643	2,224,975	2,224,975	0	0.0%
2,980,480	1,952,521	1,027,959	34.5%	TOTAL EXPENDITURES	11,444,255	477,666	11,921,921	11,921,921	0	0.0%
0	926,508	926,508	#DIV/0!	REVENUE LESS EXPENDITURES	0	0	0	0	0	