

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

Memorandum

DATE: December 12, 2019

TO: Karen Breslin, President and Members of the Health Service Board

FROM: Pamela Levin, Chief Financial Officer

RE: Financial Report as of September 30, 2019

This report summarizes revenues and expenses of the Employee Benefit Trust Fund (Trust Fund) and the General Fund Administration Budget for the first three months of FY 2019-20, as well as fiscal year-end projections through June 30, 2020.

Employee Benefit Trust Fund

On June 30, 2019, the Trust Fund balance, that was reported to the auditors, was \$92.1 million. Based on activity through September 2019, the fund balance is projected to be \$89.1 million as of June 30, 2020. The projected \$3.0 million decrease includes reserves for unpaid claims and is a result of the following changes:

	Change in Fund Balance (in millions)	Page
United Health Care PPO Plan	\$ 0.0	2
Blue Shield Access+ Flex-Funded Plan	11.2	3
Blue Shield Trio Flex-Funded Plan	(8.9)	4
Delta Dental Self-Funded Plan	(3.4)	5
Health Care Sustainability Fund	(2.1)	6
Interest	1.0	6
Performance Guarantees	0.0	6
Performance Guarantees – Surrogacy and Adoption Assistance Plan	(0.2)	6
Forfeitures	0.0	6
Transfers Out	(0.6)	6
Total	\$ (3.0)	

Pharmacy Rebates are discussed on page 7.

General Fund Administration Budget

Based on the financial results for the first three months of FY 2019-20, no balance is expected at the end of FY 2019-20.

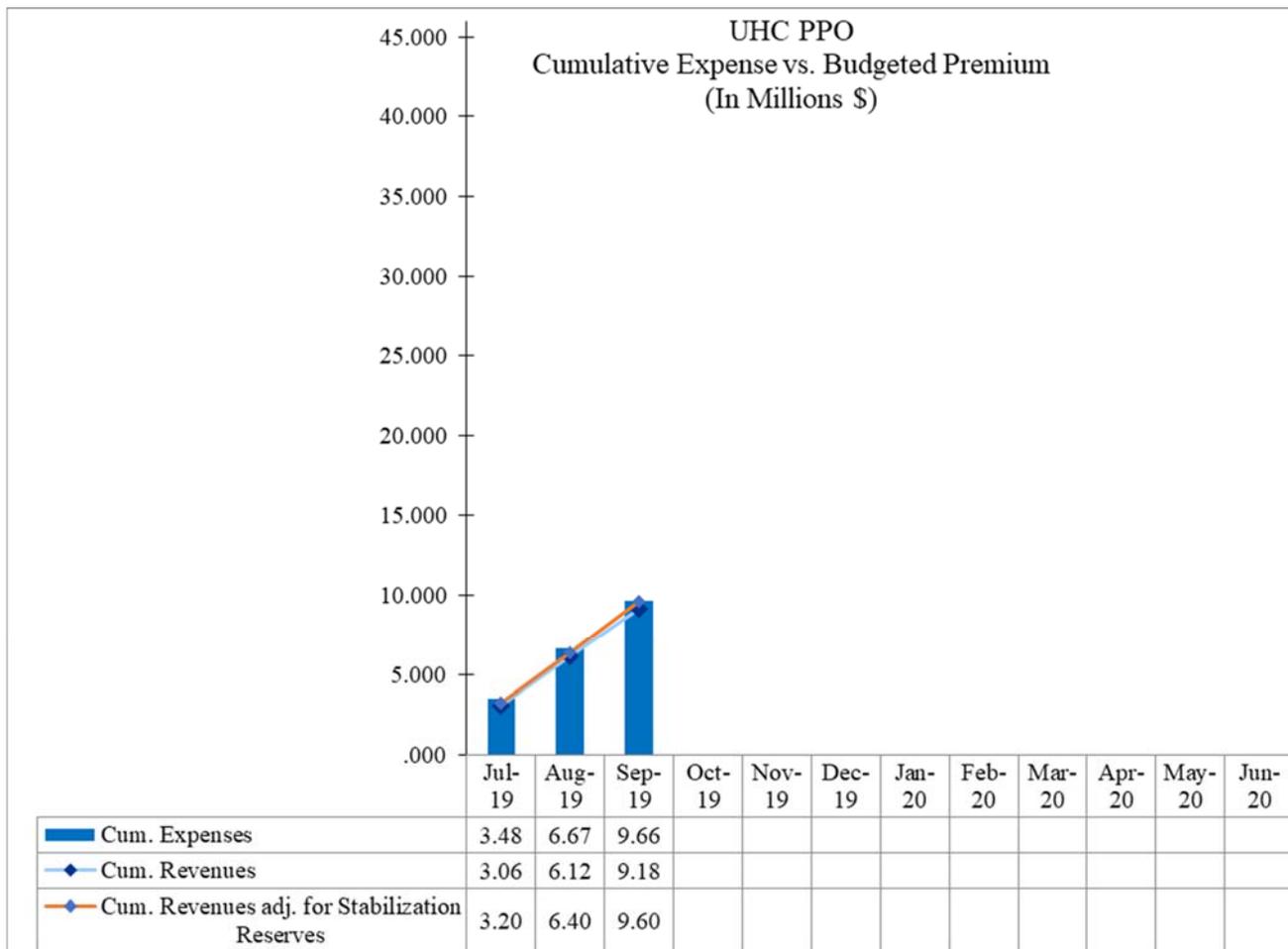
United Health Care PPO Plan

Fiscal Year End Projection

No change in fund balance is projected base on the following:

- a. \$1.1 million decrease in fund balance:
 - \$0.8 million associated with subsidizing 2019 rates (for the first six months of FY 2019-20) from the claim stabilization reserve
 - \$0.3 million decrease in fund balance due to unfavorable claim experience
- b. \$1.1 million increase in fund balance:
 - \$0.1 million associated with the increase in 2020 rates (for the second six months of FY 2019-20) to recover the 2018 deficit
 - \$1.0 million of pharmacy rebates (additional information on page 7)

First Three (3) months



With three months of experience, cumulative expenses for UHC PPO track \$0.06 M more than the expected cost levels regardless of whether cumulative expenses are compared to the actual revenues (\$9.66 M - \$9.6 M) and when the cumulative expenses are compared to cumulative revenues with the \$0.42M buy-down for the rate stabilization reserves (9.66 M - (\$9.18 M + \$0.42M)).

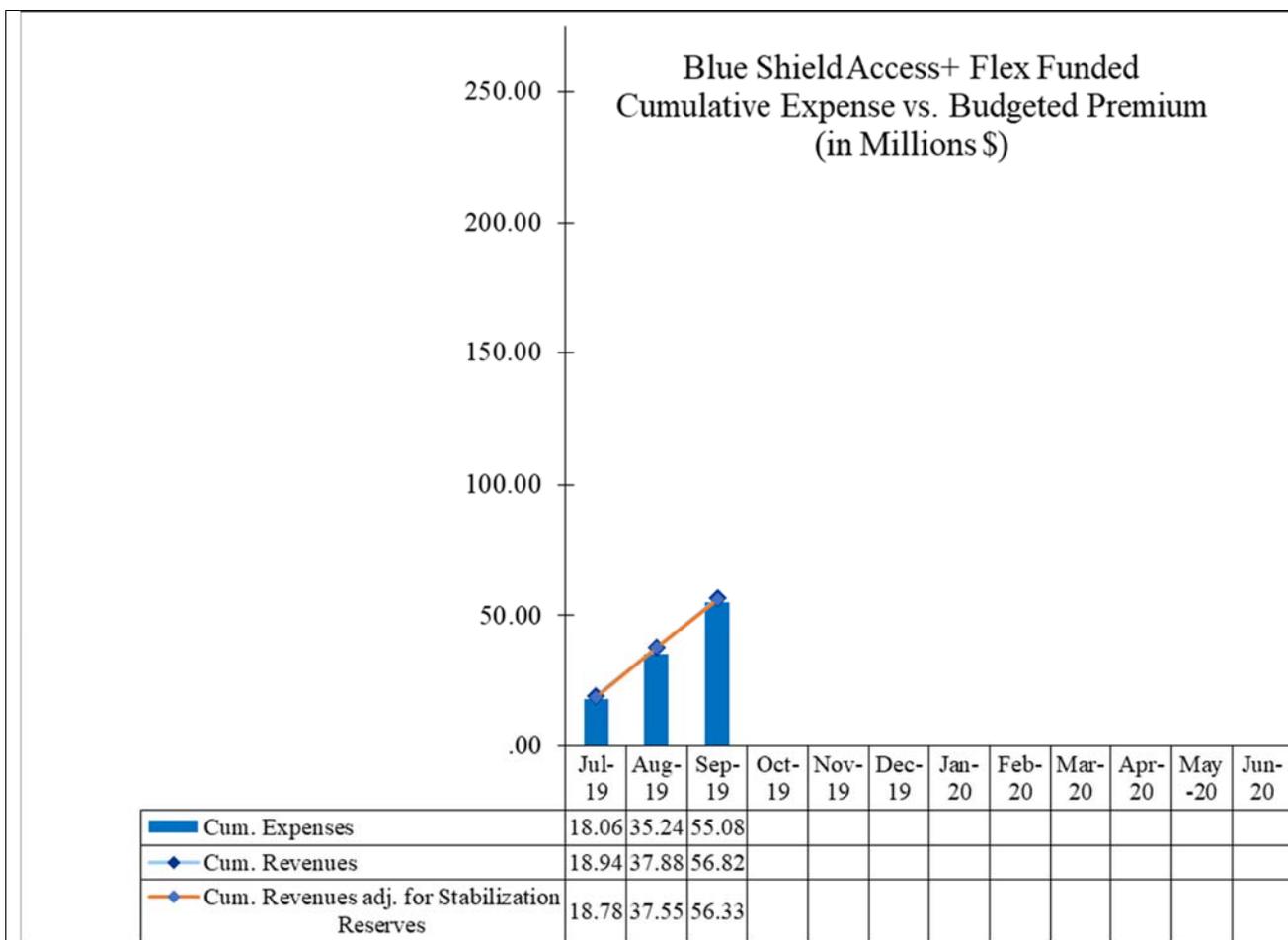
Blue Shield Access+ Flex Funded Plan

Fiscal Year End Projection

A \$11.2 million increase in fund balance is projected resulting from:

- \$1.0 million associated with the increase in 2019 rates (for the first six months of FY 2019-20) to recover the 2017 deficit
- \$0.6 million associated with the increase in 2020 rates (for the second six months of FY 2019-20) to recover the 2018 deficit
- \$4.8 million of pharmacy rebates (additional information on page 7)
- \$4.8 million due to favorable claim experience

First Three (3) months



With three months of experience, cumulative expenses for BSC Access+ track \$1.25 M less than the expected cost levels regardless of whether cumulative expenses are compared to the actual revenues (\$55.08 M - \$56.33 M) and when the cumulative expenses are compared to cumulative revenues with the \$0.49 M buy-up for the rate stabilization reserves (\$55.08 M - (\$56.82 M - \$0.49 M)).

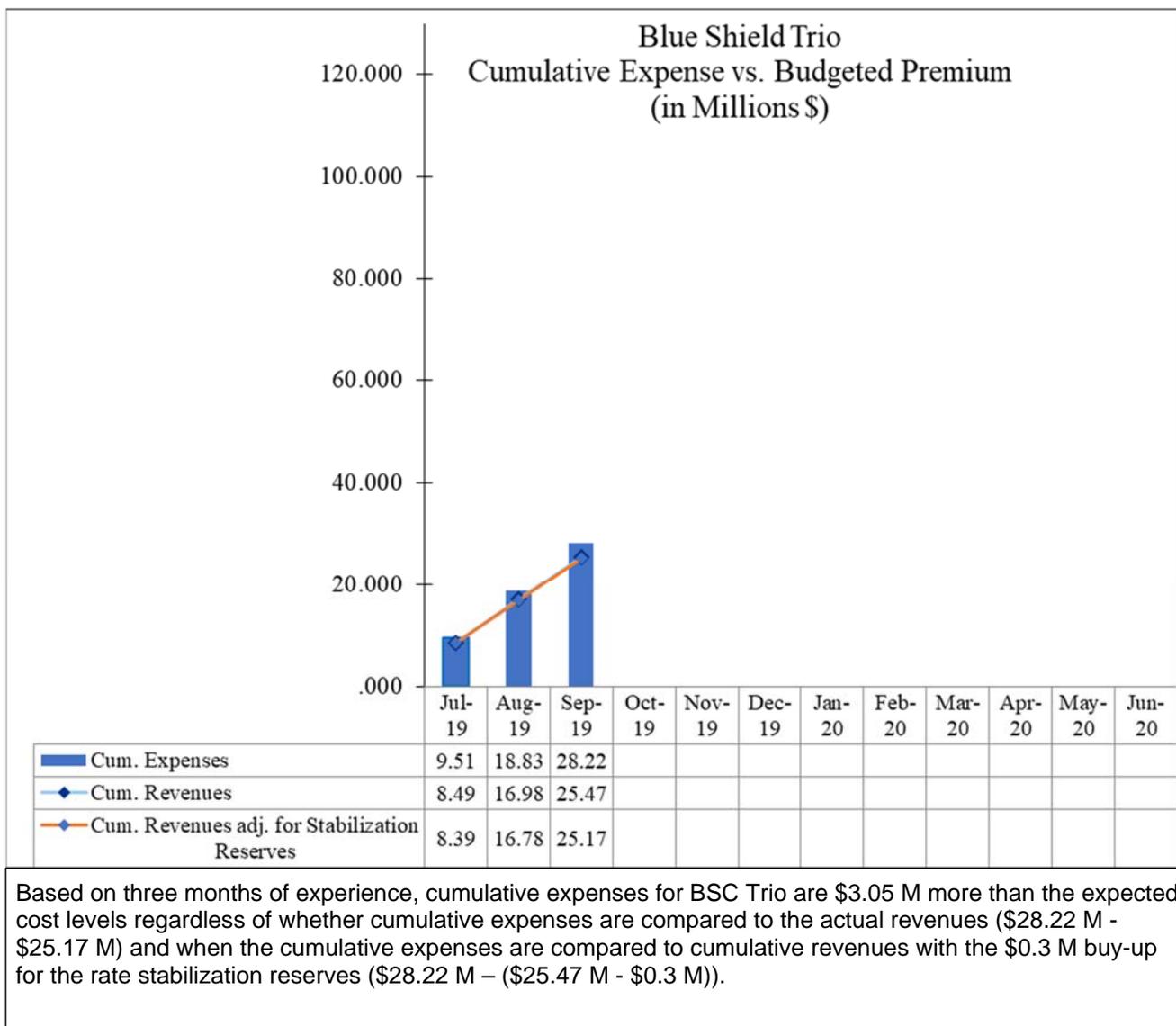
Blue Shield Trio Flex-Funded Plan

Fiscal Year End Projection

A \$8.9 million decrease in fund balance is projected resulting from:

- a. \$3.1 million increase in fund balance:
 - \$0.6 million associated with the increase in 2019 rates (for the first six months of FY 2019-20) to recover the 2017 deficit
 - \$0.3 million associated with the increase in 2020 rates (for the second six months of FY 2019-20) to recover the 2018 deficit
 - \$2.2 million in pharmacy rebates (additional information on page 7)
- b. \$12.0 million decrease in fund balance due to unfavorable claim experience

First Three (3) Months



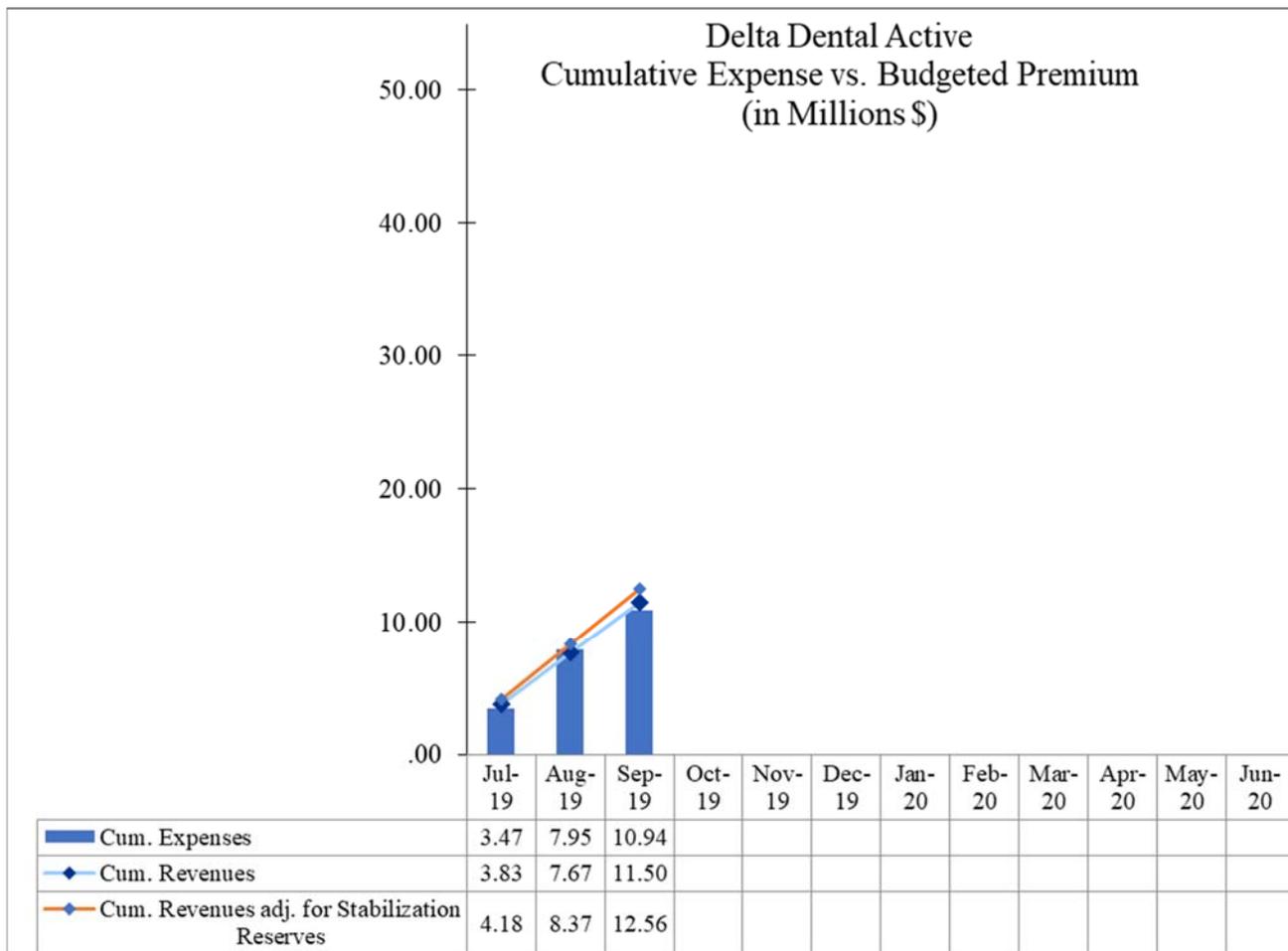
Delta Dental Self-Funded Plan

Fiscal Year End Projection

\$3.4 million decrease in fund balance is projected resulting from:

- a. \$2.2 million increase in fund balance due to favorable claim experience
- b. \$5.6 million decrease in fund balance:
 - \$2.1 million decrease in fund balance associated with subsidizing 2019 rates (for the first six months of FY 2019-20) from the claim stabilization reserve
 - \$3.5 million decrease in fund balance associated with subsidizing 2020 rates (for the second six months of FY 2019-20) from the claim stabilization reserve

First Three (3) Months



Based on three months of experience, cumulative expenses for Delta Dental are \$1.62 M less than the expected cost levels regardless of whether cumulative expenses are compared to the actual revenues (\$10.94 M - \$12.56 M) and when the cumulative expenses are compared to cumulative revenues with the \$1.06 M buy-down for the rate stabilization reserves (\$10.94 M - (\$11.5 M + \$1.06 M)).

Other Trust Fund Notes

Healthcare Sustainability Fund

The following table reflects the year-to-date actuals through September 30, 2019. With three (3) months of actuals, a projected balance of 1.84 million is expected at the end of FY 2019-20. The annual revenues are projected to be \$24,971 less than the annual expenditures.

Healthcare Sustainability Fund FY 2019-20				
	Revised Budget	Sept YTD Actual	Projection	Variance
Revenues/Premiums				
Annual Revenues	\$ 2,602,555	\$ 636,567	\$ 2,551,248	\$ (51,307)
Carryforward from fund balance	3,909,771	3,909,771	3,909,771	-
Total	\$ 6,512,326	\$ 4,546,338	\$ 6,461,019	\$ (51,307)
Expenditures				
Annual Expenditures	\$ 2,556,271	\$ 388,573	\$ 2,526,277	\$ (29,994)
One-time Expenditures	2,036,389	295,240	2,094,157	57,768
Grand Total Expenditures	\$ 4,592,660	\$ 683,813	\$ 4,620,434	\$ 27,774
Balance	\$ 1,919,666	\$ 3,862,525	\$ 1,840,585	\$ (79,081)

Interest

An \$1.0 million increase in fund balance is projected based on the Trust Fund cash balances for FY 2019-20.

Performance Guarantees

No performance guarantees have been received in FY 2019-20. The \$92.2 million fund balance includes the \$8.3 million in PGs received since FY 2005-06.

Performance Guarantees for Adoption and Surrogacy Assistance Plan

Performance guarantees are used to fund the Adoption and Surrogacy Assistance Plan. As of September 30, 2019, \$44,900 has been reimburse to members, and the year-end projection is \$185 thousand. The Plan became effective January 1, 2017 and sixteen reimbursements have been paid for a total of \$245,836.

Forfeitures and Transfers Out

The IRS allows forfeitures from flexible spending accounts to be used to fund the administration of the accounts. Since the funding for the administration is in the General Fund and the forfeitures reside in the Trust, a transfer needs to be made at the close of each fiscal year. If required to balance the General Fund budget up to \$0.6 million will be transferred. The goal is to minimize the transfer each fiscal year.

Pharmacy Rebates

The following table summarizes the FY 2019-20 pharmacy rebates as of September 30, 2019 and year-end projection. The rebates are provided at the end of each quarter. As of September 30, 2019, no rebates have been received but the year-end projection is \$8.0 million. The rebates offset the claims SFHSS pays to the plans.

Vendor	Amount (year to date)	Year-End Projection
Blue Shield	\$0	\$7,000,000
UHC	\$0	\$1,000,000
Total	\$0	\$8,000,000



HEALTH SERVICE SYSTEM
STATEMENT OF REVENUES AND EXPENSES
FY 2019-2020
FOR THE THREE MONTHS ENDED September 30, 2019

ACTIVE & RETIRED COMBINED				
	Year-To-Date	Revenues	Year-To-Date Expenses	Year-To-Date Net Excess(Shortage)
1 SELF-INSURANCE				
2 UHC PPO, including ASO *		9,178,877	9,661,776	(482,899)
3 Blue Shield Access+ *		56,821,630	55,081,465	1,740,165
4 Blue Shield Trio *		25,469,881	28,224,084	(2,754,204)
5 Delta Dental - Active only, including ASO		11,498,682	10,940,463	558,219
6 TOTAL SELF-INSURANCE		102,969,070	103,907,789	(938,720)
8 INSURANCE PRODUCTS				
9 UHC MAPD		18,082,093	18,082,093	0
10 Kaiser-HMO		104,161,599	105,088,519	(926,919)
11 Vision Service Plan, All (City Plan & HMO)		1,988,111	1,978,912	9,199
12 Sub-total HMO		124,231,804	125,149,524	(917,720)
14 Delta Dental - Retired		4,057,125	4,021,562	35,563
15 Delta Care		226,685	218,784	7,901
16 UHC Dental		113,027	111,735	1,292
17 Sub-total Dental		4,396,837	4,352,081	44,756
19 Long Term/Short Term Disability		1,928,380	1,928,380	-
20 Flexible Benefits		675,179	675,139	40
21 Flexible Spending-Dependent Care		1,515,634	931,965	583,669
22 Flexible Spending -Medical Reimbursement		2,211,805	1,392,514	819,291
23 Best Doctors (\$1.15)		242,708	242,708	-
24 Healthcare Sustainability Fund (\$3.00)		636,567	683,813	(47,246)
25 Adoption & Surrogacy			48,312	(48,312)
26 TOTAL INSURANCE PRODUCTS		135,838,914	135,404,436	434,477
28 SAVINGS AND INVESTMENTS				
29 Interest		0		0
30 Performance guarantees		0		0
31 Forfeitures		0		0
32 TOTAL SAVINGS & INVESTMENTS		0		0
34 TRANSFERS OUT OF FORFEITURES			0	0
36 TOTAL FUNDS		238,807,983	239,312,226	(504,242)

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

SUMMARY- In millions	FY19-20	FY19-20
	Year-To Date Actual As of September 2019 - Net	Projected Annual-Net
Self Insurance		
UHC PPO	(0.5)	(0.0) (a)
Blue Shield-Access+	1.7	11.2 (b)
Blue Shield-Trio	(2.8)	(8.9) (b)
Dental, Actives	0.6	(3.4) (c)
Insurance Products		
Medical HMOs	(0.9)	0.0
Dental	0.0	0.0
LTD/Flexible Benefits/FSA/Best Doctors	1.4	0.0
Healthcare Sustainability Fund (\$3.00)	(0.0)	(2.1) (d)
Savings & Investments		
Interest	0.0	1.0
Performance guarantees	0.0	0.0 (e)
Performance guarantees - Surrogacy and adoption	0.0	(0.3) (f)
Forfeitures	0.0	0.0
Transfers Out	0.0	(0.6) (g)
TOTAL	(0.5)	(3.1)
Net assets		
Beginning of the year		92.1
End of the year		89.0

(a) Annual Projection is net of claim stabilization of \$0.8 million used to reduce 2019 rates, \$0.1 million to increase 2020 rates, and Pharmacy rebate of \$1.0 million

(b) Annual Projection is net of claim stabilization of \$1.6 million to increase 2019 rates, \$0.9 million to increase 2020 rates, and Pharmacy rebate of \$7 million

(c) Annual Projection is net of claim stabilization of \$2.1 million to reduce 2019 rates and \$3.5 million to reduce 2020 rates

(d) \$3.00 per member per month for communications, wellness, actuarial work; is part of a total premium.

(e) Only reflects performance guarantees received in FY 2019-2020

(f) Reflects use of fund balance

(g) Transfer of \$0.6M from forfeitures to General Fund per FY 2019-2020 budget



HEALTH SERVICE SYSTEMS
STATEMENTS OF REVENUES AND EXPENSES
FY2019-2020 VS FY2018-2019
YEAR-TO-DATE: September 30, 2019

	For 3 months ended September 30, 2019	For 3 months ended September 30, 2018	\$ Change	% Change
1 SELF-INSURANCE				
2 UHC PPO, including ASO				
3 Revenues	9,178,877	8,016,934	1,161,943	14.5%
4 Expenses	(9,661,776)	(8,593,742)	(1,068,035)	12.4%
5 Net UHC PPO Excess(Shortage)	(482,899)	(576,808)	93,908	
6 Blue Shield-Access+				
7 Revenues	56,821,630	48,686,076	8,135,554	16.7%
8 Expenses	(55,081,465)	(51,299,400)	(3,782,065)	7.4%
9 Net Blue Shield-Access Excess(Shortage)	1,740,165	(2,613,324)	4,353,489	
10 Blue Shield-Trio				
11 Revenues	25,469,881	26,747,214	(1,277,333)	-4.8%
12 Expenses	(28,224,084)	(26,372,940)	(1,851,145)	7.0%
13 Net Blue Shield-Trio Excess(Shortage)	(2,754,204)	374,274	(3,128,477)	
14 Delta Dental - Active only, including ASO				
15 Revenues	11,498,682	11,828,247	(329,565)	-2.8%
16 Expenses	(10,940,463)	(10,946,934)	6,470	-0.1%
17 Net Delta Dental - Active Excess(Shortage)	558,219	881,313	(323,095)	
18 NET SELF-INSURANCE	(938,720)	(1,934,545)	995,825	
19 INSURANCE PRODUCTS				
24 Kaiser-HMO				
25 Revenues	104,161,599	102,622,243	1,539,356	1.5%
26 Expenses	(105,088,519)	(104,373,772)	(714,746)	0.7%
27 Net Kaiser- HMO Excess(Shortage)	(926,919)	(1,751,529)	824,610	
28 UHC MAPD				
29 Revenues	18,082,093	17,510,884	571,209	3.3%
30 Expenses	(18,082,093)	(17,510,884)	(571,209)	3.3%
31 Net UHC MAPD Excess(Shortage)	0	0	0	
32 Vision Service Plan, All (City Plan & HMO)				
33 Revenues	1,988,111	1,804,049	184,063	10.2%
34 Expenses	(1,978,912)	(1,798,083)	(180,829)	10.1%
35 Net Vision Service Plan Excess(Shortage)	9,199	5,966	3,233	
36				
37 Delta Dental - Retired				
38 Revenues	4,057,125	3,819,748	237,377	6.2%
39 Expenses	(4,021,562)	(3,815,657)	(205,905)	5.4%
40 Net Delta Dental - Retired Excess(Shortage)	35,563	4,091	31,472	
41 Delta Care				
42 Revenues	226,685	231,014	(4,329)	-1.9%
43 Expenses	(218,784)	(223,437)	4,653	-2.1%
44 Net Delta Care Excess(Shortage)	7,901	7,577	324	
45 UHC Dental				
46 Revenues	113,027	100,273	12,754	12.7%
47 Expenses	(111,735)	(99,992)	(11,743)	11.7%
48 Net UHC Dental Excess(Shortage)	1,292	280	1,011	
49 Net Dental	44,756	11,948	32,808	
50				
51 Long Term/Short Term Disability				
52 Revenues	1,928,380	1,859,912	68,469	3.7%
53 Expenses	(1,928,380)	(1,859,912)	(68,469)	3.7%
54 Net Long Term/Short Term Disability Excess(Shortage)	0	0	0	
55 Flexible Benefits				
56 Revenues	675,179	559,635	115,544	20.6%
57 Expenses	(675,139)	(559,610)	(115,529)	20.6%
58 Net Flexible Benefits Excess(Shortage)	40	25	15	
59 Flexible Spending-Dependent Care				
60 Revenues	1,515,634	1,402,784	112,850	8.0%
61 Expenses	(931,965)	(971,615)	39,650	-4.1%
62 Net Flexible Spending-Dependent Care Excess(Shortage)	583,669	431,168	152,500	
63 Flexible Spending -Medical Reimbursement				
64 Revenues	2,211,805	1,883,353	328,453	17.4%
65 Expenses	(1,392,514)	(1,216,467)	(176,048)	14.5%
66 Net Flexible Spending-Medical Reimbursement Excess(Shortage)	819,291	666,886	152,405	
67 Best Doctors (\$1.15)				
68 Revenues	242,708	293,630	(50,923)	-17.3%
69 Expenses	(242,708)	(291,047)	48,340	-16.6%
70 Net Best Doctors Excess(Shortage)	-	2,583	(2,583)	
71 Adoption & Surrogacy				
72 Expenses	(48,312)	(47,376)	(936)	2.0%
73 Healthcare Sustainability Fund (\$3.00)				
74 Revenues	636,567	629,844	6,723	1.1%
75 Expenses	(683,813)	(331,227)	(352,586)	106.4%
76 Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	(47,246)	298,617	(345,863)	
77 NET INSURANCE PRODUCTS	434,477	(381,712)	816,189	
78 SAVINGS AND INVESTMENTS				
79 Interest	0	0	0	
80 Performance guarantees	0	0	0	
81 TOTAL SAVINGS & INVESTMENTS	0	0	0	
82 TOTAL NET EXCESS (SHORTAGE)	(504,242)	(2,316,257)	1,812,014	

Notes: a decrease in membership
c decrease in deductions
d increase in membership
e \$3 per member per month for communications, wellness, actuarial work
f increase in claims

l increase in rates
g increase in deductions
j decrease in claims
o vision buy-up effective 1/1/18
p effective 1/1/18
h decrease in rates
b decrease in rates from \$1.40 to \$1.15

Healthcare Sustainability Fund FY 2019-20

	Original Budget	Revised Budget	Sept YTD Actual	Projection	Variance
Revenues/Premiums					
Annual Revenues	\$ 2,602,555	\$ 2,602,555	\$ 636,567	\$ 2,551,248	\$ 1,914,681
Carryforward from fund balance	2,681,470	3,909,771	3,909,771	3,909,771	-
Total	\$ 5,284,025	\$ 6,512,326	\$ 4,546,338	\$ 6,461,019	\$ 1,914,681
Expenditures					
Annual					
Personnel Services and Mandatory Fringes	\$ 1,326,255	\$ 1,262,265	93,910	\$ 1,203,637	\$ 58,628
Communications					
Open Enrollment Communications	315,000	353,561	207,706	348,561	145,855
Operations Communications	115,827	121,819	6,483	128,861	115,336
Well-Being Communications	160,000	175,750	12,058	198,000	163,692
Other Communications	142,667	89,670	17,315	92,512	72,355
Total Communications	\$ 733,494	\$ 740,800	\$ 243,561	\$ 767,934	\$ 497,239
Well-Being	232,500	262,500	3,163	264,000	259,337
Initiatives to Reduce Health Care Costs	282,500	272,500	46,875	272,500	225,625
Board Transcription Services/SFGOV	17,000	18,206	1,064	18,206	17,142
Contingency for Unforeseen Issues	-	-	-	-	-
Total Annual Expenditures	\$ 2,591,749	\$ 2,556,271	\$ 388,573	2,526,277	\$ 1,057,971
One-Time					
Communications					
Open-Enrollment Communications	\$ 235,000	\$ 192,400		192,400	192,400
Operations Communications	1,345,475	1,106,532	289,165	1,170,250	817,367
Well-Being Communications	-	-		-	-
Other Communications	261,660	181,660	6,075	175,710	175,585
Total Communications	\$ 1,842,135	\$ 1,480,592	\$ 295,240	\$ 1,538,360	\$ 1,185,352
Well-Being	108,000	128,650	-	128,650	128,650
Initiatives to Reduce Health Care Costs	55,000	427,147		427,147	427,147
Total One-Time Expenditures	\$ 2,005,135	\$ 2,036,389	\$ 295,240	\$ 2,094,157	\$ 1,741,149
Grand Total Expenditures	\$ 4,596,884	\$ 4,592,660	\$ 683,813	\$ 4,620,434	\$ 2,799,120
Balance	\$ 687,141	\$ 1,919,666	\$ 3,862,525	\$ 1,840,585	

SAN FRANCISCO HEALTH SERVICE SYSTEM - ADMINISTRATION
STATEMENT OF REVENUES AND EXPENDITURES
As of September 30, 2019

YEAR-TO-DATE				ANNUAL					
Fav/(Unfav)				Fav/(Unfav)					
Budget	Actual	Variance	% Var		Original Budget	Revised Budget	Projection	Variance	% Var
REVENUES									
624,637		(624,637)	-100.0%	Non-Operating Revenue	624,637	624,637	624,637	0	0.0%
11,454,136	2,863,542	(8,590,594)	-75.0%	Work Order Recovery	11,454,136	11,454,136	11,454,136	0	0.0%
9,131	14	(9,117)	-99.8%	Other Revenue	9,131	9,131	9,131	0	0.0%
325,045		(325,045)		General Fund Carryforward		325,045	325,045	0	0.0%
12,412,949	2,863,556	(9,549,393)	-76.9%	TOTAL REVENUES	12,087,904	12,412,949	12,412,949	0	0.0%
EXPENDITURES									
5,432,981	1,349,846	4,083,135	75.2%	Personnel Services	5,432,981	5,432,981	5,432,981	0	0.0%
2,662,009	666,317	1,995,692	75.0%	Mandatory Fringe Benefits	2,662,009	2,662,009	2,662,009	0	0.0%
2,024,832	427,767	1,597,065	78.9%	Non-personnel Services	1,804,258	2,024,832	2,024,832	0	0.0%
55,467	6,717	48,750	87.9%	Materials & Supplies	45,130	55,467	55,467	0	0.0%
2,237,660	131,937	2,105,723	94.1%	Services of Other Departments	2,143,526	2,237,660	2,237,660	0	0.0%
12,412,949	2,582,584	9,830,366	79.2%	TOTAL EXPENDITURES	12,087,904	12,412,949	12,412,949	0	0.0%
(0)	280,972	280,972		REVENUE LESS EXPENDITURES	0	(0)	(0)		