

# SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

## Memorandum

DATE: January 11, 2018

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

FROM: Pamela Levin, Chief Financial Officer

RE: Update on Financial Report as of October 31, 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 October 31, 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 October 2017, the fund balance is projected to be \$70.9 million as of June 30, 2018. The projected \$1.6 million decrease includes reserves for unpaid claims and is a result of the following changes:

1. City Plan Self-Funded Plan - \$7.6 million decrease in fund balance resulting from:
  - a. \$0.8 million increase in fund balance from pharmacy rebates (additional information on pages 4)
  - b. \$8.4 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
    - \$2.3 million due to unfavorable claim experience
2. Blue Shield Flex-Funded Plan - \$1.9 million increase 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. \$5.9 million decrease in fund balance due to unfavorable claim experience

3. Delta Dental Self-Funded Plan - \$5.9 million increase in fund balance resulting from:
  - a. \$8.7 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 October 31, 2017. The Revised Budget reflects carryforward of unexpended funds from FY 2016-17.

<b>Healthcare Sustainability Fund FY 2017-18</b>					
<b>Ongoing</b>	Original Budget	Revised Budget	Oct YTD Actuals	Projection	Variance
<b>Revenues/Premiums</b>	\$ 1,651,681	\$ 1,964,904	\$ 867,884	\$ 1,964,904	\$ -
Carryforward for encumbrances/Manual CF		415,511	415,511	415,511	-
\$0.95 Increase	\$ 700,000				-
<b>Total</b>	<b>\$ 2,351,681</b>	<b>\$ 2,380,415</b>	<b>\$ 1,283,395</b>	<b>\$ 2,380,415</b>	<b>\$ -</b>
<b>Expenditures</b>					
Personnel Services and Mandatory Fringes	\$ 592,108	\$ 353,662	\$ 80,377	\$ 353,662	\$ -
Communications					
Open Enrollment Communications	284,424	431,003	219,012	431,003	-
Operations Communications	139,003	132,160		132,160	-
Well-Being Communications	255,000	255,000	34,762	255,000	-
Other Communications	30,420	30,420		30,420	-
Total Communications	\$ 708,847	\$ 848,583		\$ 848,583	\$ -
Well-Being	133,000	203,555	23,902	203,555	-
Initiatives to Reduce Health Care Costs	260,292	395,037	67,333	395,037	-
SFGTV/Board Meetings	23,000	29,100	580	29,100	-
Contingency for Unforeseen Issues	150,000	150,000		150,000	-
<b>Total Expenditures</b>	<b>\$ 1,867,247</b>	<b>\$ 1,979,937</b>	<b>\$ 425,966</b>	<b>\$ 1,979,937</b>	<b>\$ -</b>
<b>Balance *</b>	<b>\$ 484,434</b>	<b>\$ 400,478</b>	<b>\$ 857,429</b>	<b>\$ 400,478</b>	<b>\$ -</b>

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

Healthcare Sustainability Fund FY 2017-18					
Onetime	Original Budget	Revised Budget	Oct 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	9,631	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	9,631	\$ 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	9,631	2,053,798	-
Balance	\$ 103,191	\$ 563,381	\$ 2,607,548	\$ 563,381	\$ -
Carryforward for encumbrances		\$ -	\$ -	\$ -	-
Carryforward for Onetime		\$ 563,381	\$ 2,607,548	\$ 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 October 31, 2017. 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, three reimbursements have been paid for a total of \$47,710, including \$15,585 in FY 2017-18.
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 October 31, 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	0	800,000
Total	\$0	\$4,200,000

General Fund Administration Budget (including Online Premium Payment Project)

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



**ACTIVE & RETIRED COMBINED**

	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess(Shortage)
<b>1 SELF-INSURANCE</b>			
2 City Plan, including ASO *	29,281,453	32,335,819	(3,054,365)
3 Blue Shield Flex *	102,002,329	101,869,691	132,638
4 Delta Dental - Active only, including ASO	16,049,598	13,446,734	2,602,864
<b>5 TOTAL SELF-INSURANCE</b>	<b>147,333,381</b>	<b>147,652,244</b>	<b>(318,863)</b>
<b>7 INSURANCE PRODUCTS</b>			
8 Blue Shield-HMO	-	-	-
9 Kaiser-HMO	128,230,342	129,125,831	(895,489)
10 Vision Service Plan, All (City Plan & HMO)	1,685,455	1,685,455	-
11 Sub-total HMO	129,915,797	130,811,286	(895,489)
12			
13 Delta Dental - Retired	4,662,734	4,607,436	55,299
14 Delta Care	317,531	317,097	434
15 Pacific Union	124,690	124,064	626
16 Sub-total Dental	5,104,956	5,048,597	56,359
17			
18 Long Term/Short Term Disability	2,399,276	2,399,276	0
19 Flexible Benefits	598,636	598,636	(0)
20 Flexible Spending-Dependent Care	1,763,904	1,268,609	495,294
21 Flexible Spending -Medical Reimbursement	2,210,173	1,443,948	766,225
22 Best Doctors (\$1.40)	381,295	381,296	(0)
23 Healthcare Sustainability Fund (\$3.00)	867,884	435,597	432,287
24 Adoption & Surrogacy		15,585	(15,585)
<b>25 TOTAL INSURANCE PRODUCTS</b>	<b>143,241,920</b>	<b>142,402,829</b>	<b>839,091</b>
<b>27 SAVINGS AND INVESTMENTS</b>			
28 Interest	15,983	-	15,983
28 Performance guarantees	-	-	-
29 Forfeitures	-	-	-
<b>30 TOTAL SAVINGS &amp; INVESTMENTS</b>	<b>15,983</b>	<b>-</b>	<b>15,983</b>
<b>32 TRANSFERS OUT OF FORFEITURES</b>			
32			
<b>34 TOTAL FUNDS</b>	<b>290,591,284</b>	<b>290,055,073</b>	<b>536,211</b>

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

SUMMARY- In millions	FY17-18	FY17-18
	Year-To Date Actual As of Oct 2017 - Net	Projected Annual-Net
Self Insurance		
City Plan	(3.1)	(7.6) (a)
Blue Shield-Flex	0.1	1.9 (b)
Dental, Actives	2.6	5.9 (c)
Insurance Products		
Medical HMOs	(0.9)	0.0
Dental	0.1	0.0
LTD/Flexible Benefits/FSA/Best Doctors	1.3	0.0
Healthcare Sustainability Fund (\$3.00)	0.4	(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)
<b>TOTAL</b>	<b>0.5</b>	<b>(1.6)</b>
Net assets		
Beginning of the year		72.5
End of the year		70.9

(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 4 months ended October 31, 2017	For 4 months ended October 31, 2016	\$ Change	% Change	
<b>1 SELF-INSURANCE</b>					
2 City Plan, including ASO					
3 Revenues	29,281,453	15,215,848	14,065,606	92.4%	m
4 Expenses	(32,335,819)	(20,166,894)	(12,168,925)	60.3%	m
5 Net City Plan Excess(Shortage)	(3,054,365)	(4,951,046)	1,896,681	-38.3%	
6 Blue Shield-Flex					
7 Revenues	102,002,329	100,206,248	1,796,081	1.8%	
8 Expenses	(101,869,691)	(105,061,623)	3,191,932	-3.0%	j
9 Net Blue Shield-Flex Excess(Shortage)	132,638	(4,855,375)	4,988,013	-102.7%	
10 Delta Dental - Active only, including ASO					
11 Revenues	16,049,598	15,498,010	551,588	3.6%	d
12 Expenses	(13,446,734)	(13,518,113)	71,379	-0.5%	
13 Net Delta Dental - Active Excess(Shortage)	2,602,864	1,979,897	622,967	31.5%	
14 <b>NET SELF-INSURANCE</b>	<b>(318,863)</b>	<b>(7,826,524)</b>	<b>7,507,661</b>	<b>-95.9%</b>	
15 <b>INSURANCE PRODUCTS</b>					
16 Blue Shield-HMO					
17 Revenues	0	10,502,808	(10,502,808)	-100.0%	m
18 Expenses	0	(10,502,808)	10,502,808	-100.0%	m
19 Net Blue Shield HMO Excess(Shortage)	0	0	0	0.0%	
20 Kaiser-HMO					
21 Revenues	128,230,342	116,326,485	11,903,857	10.2%	d, l
22 Expenses	(129,125,831)	(118,330,374)	(10,795,457)	9.1%	d, l
23 Net Kaiser- HMO Excess(Shortage)	(895,489)	(2,003,889)	1,108,400	-55.3%	
24 Vision Service Plan, All (City Plan & HMO)					
25 Revenues	1,685,455	1,696,099	(10,644)	-0.6%	
26 Expenses	(1,685,455)	(1,696,099)	10,644	-0.6%	
27 Net Vision Service Plan Excess(Shortage)	0	0	0	0.0%	
28					
29 Delta Dental - Retired					
30 Revenues	4,662,734	4,526,023	136,711	3.0%	d
31 Expenses	(4,607,436)	(4,450,633)	(156,803)	3.5%	d
32 Net Delta Dental - Retired Excess(Shortage)	55,299	75,390	(20,091)	-26.6%	
33 Delta Care					
34 Revenues	317,531	333,835	(16,304)	-4.9%	a
35 Expenses	(317,097)	(334,705)	17,608	-5.3%	a
36 Net Delta Care Excess(Shortage)	434	(870)	1,304	-149.9%	
37 Pacific Union					
38 Revenues	124,690	109,418	15,272	14.0%	d
39 Expenses	(124,064)	(109,803)	(14,261)	13.0%	d
40 Net Pacific Union Excess(Shortage)	626	(385)	1,011	-262.6%	
41 Net Dental	56,359	74,135	(17,776)	-24.0%	
42					
43 Long Term/Short Term Disability					
44 Revenues	2,399,276	2,448,106	(48,830)	-2.0%	
45 Expenses	(2,399,276)	(2,448,106)	48,830	-2.0%	
46 Net Long Term/Short Term Disability Excess(Shortage)	0	0	0	0.0%	
47 Flexible Benefits					
48 Revenues	598,636	297,622	301,014	101.1%	k
49 Expenses	(598,636)	(297,622)	(301,014)	101.1%	k
50 Net Flexible Benefits Excess(Shortage)	(0)	0	(0)	100.0%	
51 Flexible Spending-Dependent Care					
52 Revenues	1,763,904	1,482,499	281,405	19.0%	d
53 Expenses	(1,268,609)	(1,223,758)	(44,851)	3.7%	f
54 Net Flexible Spending-Dependent Care Excess(Shortage)	495,294	258,741	236,553	91.4%	
55 Flexible Spending -Medical Reimbursement					
56 Revenues	2,210,173	1,658,216	551,957	33.3%	d
57 Expenses	(1,443,948)	(1,172,114)	(271,834)	23.2%	f
58 Net Flexible Spending-Medical Reimbursement Excess(Shortage)	766,225	486,102	280,123	57.6%	
59 Best Doctors (\$1.40)					
60 Revenues	381,295	0	381,295	100.0%	n
61 Expenses	(381,296)	0	(381,296)	100.0%	n
62 Net Best Doctors Excess(Shortage)	(0)	0	(0)	100.0%	
63 Adoption & Surrogacy					
64 Expenses	(15,585)	0	(15,585)	100.0%	
65 Healthcare Sustainability Fund (\$3.00)					
66 Revenues	867,884	548,424	319,460	58.3%	e
67 Expenses	(435,597)	(500,034)	64,437	-12.9%	e
68 Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	432,287	48,390	383,898	793.3%	
69 <b>NET INSURANCE PRODUCTS</b>	<b>839,091</b>	<b>(1,136,521)</b>	<b>1,991,197</b>	<b>-175.2%</b>	
70 <b>SAVINGS AND INVESTMENTS</b>					
71 Interest	15,983	131,366	(115,383)	-87.8%	b
72 Performance guarantees	0	0	0		
73 Forfeitures	0	0	0		
74 <b>TOTAL SAVINGS &amp; INVESTMENTS</b>	<b>15,983</b>	<b>131,366</b>	<b>(115,383)</b>	<b>-87.8%</b>	
75 <b>TOTAL NET EXCESS (SHORTAGE)</b>	<b>536,211</b>	<b>(8,831,679)</b>	<b>9,383,475</b>	<b>-106.2%</b>	

Notes: a decrease in membership  
b delay in interest income posting due to FSP implementation  
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  
n effective 1/1/17  
h decrease in rates  
l increase in rates  
g increase in deductions  
j decrease in claims  
m conversion into New City Plan effective 1/1/17



**Health Service System**  
CITY & COUNTY OF SAN FRANCISCO

HEALTH SERVICE SYSTEM - ADMINISTRATION  
STATEMENT OF REVENUES AND EXPENDITURES  
As of October 31, 2017

YEAR-TO DATE				ANNUAL					
Fav/(Unfav)				Fav/(Unfav)					
Budget	Actual	Variance	% Var		Original Budget	Revised Budget	Projection	Variance	% Var
<b>REVENUES</b>									
154,177	15	(154,162)	-100.0%	Non-Operating Revenue	462,530	462,530	462,530	0	0.0%
3,679,522	3,679,464	(58)	0.0%	Work Order Recovery	10,981,725	11,038,565	11,038,565	0	0.0%
142,402	142,402	0	0.0%	Other Revenue	0	427,206	427,206		
3,976,100	3,821,881	(154,219)	-3.9%	<b>TOTAL REVENUES</b>	11,444,255	11,928,301	11,928,301	0	0.0%
<b>EXPENDITURES</b>									
1,734,145	1,219,412	514,733	29.7%	Personnel Services	5,202,435	5,202,435	5,202,435	0	0.0%
832,124	582,651	249,472	30.0%	Mandatory Fringe Benefits	2,496,371	2,496,371	2,496,371	0	0.0%
612,344	317,831	294,513	48.1%	Non-personnel Services	1,679,202	1,837,031	1,837,031	0	0.0%
16,856	14,821	2,035	12.1%	Materials & Supplies	49,915	50,568	50,568	0	0.0%
780,632	17,390	763,242	97.8%	Services of Other Departments	2,016,332	2,341,896	2,341,896	0	0.0%
3,976,100	2,152,105	1,823,995	45.9%	<b>TOTAL EXPENDITURES</b>	11,444,255	11,928,301	11,928,301	0	0.0%
0	1,669,776	1,669,776		<b>REVENUE LESS EXPENDITURES</b>	0	0	0	0	