

HEALTH SERVICE SYSTEM
CITY & COUNTY OF SAN FRANCISCO

Memorandum

DATE: March 10, 2016
TO: Randy Scott, President and Members of the Health Service Board
FROM: Pamela Levin, Chief Financial Officer
RE: Update on Financial Report as of January 31, 2016

This report summarizes revenues and expenses of the Employee Benefit Trust Fund (Trust Fund) and the General Fund Administration Budget through January 31, 2016, as well as fiscal year-end projections through June 30, 2016.

Employee Benefit Trust Fund

On June 30, 2015, the Trust Fund balance was \$81.5 million. Based on activity through January 2016, the fund balance is projected to be \$78.2 million as of June 30, 2016. The projected \$3.3 million decrease includes reserves for unpaid claims and is a result of the following changes.

1. City Plan - \$10.1 million decrease in fund balance resulting from:
 - a. \$0.6 million increase from pharmacy rebates (additional information on page 3)
 - b. \$10.7 million decrease in fund balance:
 - \$3.7 million associated with subsidizing 2015 rates (for the first six months of FY 2015-16) from the claim stabilization reserve
 - \$7.0 million associated with subsidizing 2016 rates (for the second six months of FY 2015-16) from the claim stabilization reserve
2. Blue Shield Flex Plan - \$1.2 million increase in fund balance resulting from:
 - a. \$6.1 million increase in fund balance:
 - \$2.2 million associated with the increase in 2016 rates (for the second six months of FY 2015-16) to recover the 2014 deficit



- \$2.8 million from pharmacy rebates (additional information on page 3)
 - \$1.1 million due to favorable claim experience
- b. \$4.9 million decrease in fund balance associated with subsidizing rates in Plan Year 2015 (for the first six months of FY 2015-16) from the claim stabilization reserve
3. Self-insured dental plan - \$5.4 million increase in fund balance associated with:
- a. \$6.0 million due to favorable claim experience
 - b. \$0.6 million decrease in fund balance associated with subsidizing 2016 rates (for the second six months of FY 2015-16) from the claim stabilization reserve

The projections for the self-insured dental premiums and claims are based on the actual experience during the current fiscal year. For the most part, the projections are straight lined based on the number of months that we have actual premiums and claims data. The Board report that was presented last month was based on six months of experience. As the fiscal year progresses the accuracy of the projections improve.

Several factors impact the timing of the claims. The 2015 plan year is a calendar year and covers two fiscal years - FY 2014-15 and FY 2015-16. If claims occur in the first six months of the plan year, they will be posted to one fiscal year, and if they occur during the second six months of the plan year, they will be posted to the subsequent fiscal year. The timing of claims vary month to month and year to year, therefore it is difficult to project.

Based on seven months of experience, \$5.4 million in excess premium equivalents over claims is projected. This projection is consistent with the amount that was presented in the Financial Report as of January 2015.

- 4. Interest - \$0.4 million increase in fund balance from HSS Trust cash balances
- 5. Forfeitures - \$0.5 million decrease in fund balance associated with transfers to the General Fund pursuant to the FY 2015-16 budget (additional information on page 4)
- 6. Performance guarantees - \$0.2 million increase in fund balance due from Blue Shield for the plan year 2014

Healthcare Sustainability Fund (\$2.05)

The \$2.05 per member per month is one of the components of the premiums. Based on the current contribution models, the employer pays the majority of the premium not the employee. Based on six months of actuals, we are projecting a balance of \$85,000 at the end of fiscal year.

	Budget	Actuals	Projections	Variance
Revenues/Premiums	\$ 1,555,310	\$ 937,456	\$ 1,610,259	\$ 54,949
Expenditures				
Personnel Services and Mandatory Fringes	\$ 481,308	\$ 194,357	\$ 422,350	\$ 58,958
Communications				
Open Enrollment Communications	288,867	269,458	282,642	6,225
Operations Communications	14,700	28,080	125,311	(110,611)
Wellness Communications	28,000	10,074	63,000	(35,000)
Other Communications	9,033	10,554	29,953	(20,920)
Total Communications	\$ 340,600	\$ 318,166	\$ 500,906	\$ (160,306)
Wellness	286,460	102,002	213,726	72,734
Initiatives to Reduce Health Care Costs	247,500	195,935	328,090	(80,590)
SFGTV (Televising Board meetings)	-	5,513	11,056	(11,056)
Contingency for Unforeseen Issues	199,442		49,182	150,260
Total Expenditures	\$ 1,555,310	\$ 815,973	\$ 1,525,310	\$ 30,000
Revenue Less Expenses	\$ -	\$ 121,483	\$ 84,949	\$ 84,949

Pharmacy Rebates

The following table summarizes the FY 2015-16 pharmacy rebates as of January 31, 2016 and year-end projection. The rebates reduce the amount of claims HSS pays to the vendors.

Vendor	Amount (year to date)	Time Period Covered	Year-End Projection
Blue Shield	\$1,626,097	April 2015 – September 2015	\$2,800,000
UHC	374,796	October 2014 – September 2015	600,000
Total	\$2,000,893		\$3,400,000

Forfeitures associated with Health Care and Dependent Care FSA

The Federal and IRS rules expressly state that the forfeitures can be used to fund administration. In addition, the Health Service Board approves the HSS Section 125 Cafeteria Plan (Plan) which is reviewed annually by HSS to ensure consistency with the Federal and IRS rules. The Health Service Board approves changes to the Plan annually.

The Plan Year 2015 run-out period will end on March 31, 2016 and HSS will reconcile the amount before the fiscal year-end. No additional information is available for 2015.

General Fund Administration Budget (including Enterprise Content Management System)

Based on the financial results for the first seven months of FY 2015-16, we do not project a surplus or deficit by year-end. Any savings will be used for part-time staff for scanning (Enterprise Content Management (ECM) project), purchase of ergonomic equipment, and other essential expenditures.



ACTIVE & RETIRED COMBINED

	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess(Shortage)
SELF-INSURANCE			
City Plan, including ASO	24,694,898	29,414,944	(4,720,046)
Blue Shield Flex	164,826,528	167,950,658	(3,124,130)
Delta Dental - Active only, including ASO	27,187,440	23,770,878	3,416,562
TOTAL SELF-INSURANCE	216,708,866	221,136,480	(4,427,614)
INSURANCE PRODUCTS			
Blue Shield-HMO	19,088,664	19,088,664	-
Kaiser-HMO	198,717,710	199,371,049	(653,339)
Vision Service Plan, All (City Plan & HMO)	2,874,638	2,874,638	-
Sub-total HMO	220,681,012	221,334,351	(653,339)
Delta Dental - Retired	8,009,283	7,993,580	15,703
Delta Care	595,508	593,000	2,508
Pacific Union	181,435	187,455	(6,020)
Sub-total Dental	8,786,226	8,774,035	12,191
Long Term/Short Term Disability	3,994,821	3,994,821	-
Flexible Benefits	512,547	512,547	-
Flexible Spending-Dependent Care	2,331,156	2,706,154	(374,998)
Flexible Spending -Medical Reimbursement	2,579,587	2,605,742	(26,155)
Healthcare Sustainability Fund (\$2.05)	937,456	815,973	121,483
TOTAL INSURANCE PRODUCTS	239,822,805	240,743,624	(920,819)
SAVINGS AND INVESTMENTS			
Interest	217,862	-	217,862
Performance guarantees	223,443	-	223,443
Forfeitures	-	-	-
TOTAL SAVINGS & INVESTMENTS	441,305	-	441,305
TRANSFERS OUT OF FORFEITURES			
			-
TOTAL FUNDS	456,972,977	461,880,104	(4,907,127)

SUMMARY- In millions

Year-To Date Actual
As of Jan. 2016 - Net

FY 15-16

Projected Annual-Net

Self Insurance		
City Plan	(4.7)	(10.1) (a)
Blue Shield-Flex	(3.1)	1.2 (b)
Dental, Actives	3.4	5.4 (c)
Insurance Products		
Medical HMOs	(0.6)	0.0
Dental	0.0	0.0
LTD/Flexible Benefits/Flexible Spending	(0.4)	0.0
Healthcare Sustainability Fund (\$2.05)	0.1	0.1 (d)
Savings & Investments		
Interest	0.2	0.4
Performance guarantees	0.2	0.2
Forfeitures	0.0	0.0
Transfers Out of Forfeitures	0.0	(0.5) (e)
TOTAL	(4.9)	(3.3)
Net assets		
Beginning of the year		81.5
End of the year		78.2

(a) Annual Projection is net of claim stabilization of \$3.7 million used to reduce 2015 rates, \$7.0 million to reduce 2016 rates, and Pharmacy rebate of \$0.6 million

(b) Annual Projection is net of claim stabilization of \$4.9 million used to reduce 2015 rates, \$2.2 million to increase 2016 rates, and Pharmacy rebate of \$2.8M

(c) Annual Projection is net of claim stabilization of \$0.6 million to reduce 2016 rates

(d) \$2.05 per member per month for communications, wellness, actuarial work; \$2.05 is part of a total rate, paid 90% to 100% by employer. Annual Projection is \$85,000

(e) Transfer of forfeitures to General Fund per FY 2015-2016 budget



ACTIVE & RETIRED COMBINED

	For seven months ended January 31, 2016	For seven months ended January 31, 2015	\$ Change	% Change	Notes	
1 SELF-INSURANCE						1
2 City Plan, including ASO						2
3 Revenues	24,694,898	31,212,372	(6,517,474)	-20.9%	a, h	3
4 Expenses	(29,414,944)	(28,849,503)	(565,442)	2.0%		4
5 Net City Plan Excess(Shortage)	(4,720,046)	2,362,870	(7,082,916)	-299.8%		5
6 Blue Shield-Flex						6
7 Revenues	164,826,528	160,112,119	4,714,409	2.9%		7
8 Expenses	(167,950,658)	(164,625,866)	(3,324,792)	2.0%		8
9 Net Blue Shield-Flex Excess(Shortage)	(3,124,130)	(4,513,747)	1,389,617	-30.8%		9
10 Delta Dental - Active only, including ASO						10
11 Revenues	27,187,440	26,377,246	810,194	3.1%	d, l	11
12 Expenses	(23,770,878)	(23,534,720)	(236,158)	1.0%		12
13 Net Delta Dental - Active Excess(Shortage)	3,416,562	2,842,526	574,036	20.2%		13
14 NET SELF-INSURANCE	(4,427,614)	691,649	(5,119,263)	-740.2%		14
15 INSURANCE PRODUCTS						15
16 Blue Shield-HMO						16
17 Revenues	19,088,664	17,869,380	1,219,284	6.8%	d, l	17
18 Expenses	(19,088,664)	(17,909,669)	(1,178,995)	6.6%	d, l	18
19 Net Blue Shield HMO Excess(Shortage)	-	(40,289)	40,289	-100.0%		19
20 Kaiser-HMO						20
21 Revenues	198,717,710	197,894,934	822,776	0.4%		21
22 Expenses	(199,371,049)	(196,916,197)	(2,454,852)	1.2%		22
23 Net Kaiser- HMO Excess(Shortage)	(653,339)	978,737	(1,632,076)	-166.8%		23
24 Vision Service Plan, All (City Plan & HMO)						24
25 Revenues	2,874,638	2,780,067	94,571	3.4%	d, l	25
26 Expenses	(2,874,638)	(2,780,067)	(94,571)	3.4%	d, l	26
27 Net Vision Service Plan Excess(Shortage)	-	-	-	-		27
28						28
29 Delta Dental - Retired						29
30 Revenues	8,009,283	7,172,812	836,471	11.7%	d, l	30
31 Expenses	(7,993,580)	(7,175,867)	(817,713)	11.4%	d, l	31
32 Net Delta Dental - Retired Excess(Shortage)	15,703	(3,055)	18,758	-614.0%		32
33 Delta Care						33
34 Revenues	595,508	582,755	12,753	2.2%		34
35 Expenses	(593,000)	(579,740)	(13,260)	2.3%		35
36 Net Delta Care Excess(Shortage)	2,508	3,015	(507)	-16.8%		36
37 Pacific Union						37
38 Revenues	181,435	190,451	(9,016)	-4.7%	a	38
39 Expenses	(187,455)	(188,705)	1,250	-0.7%		39
40 Net Pacific Union Excess(Shortage)	(6,020)	1,746	(7,766)	-444.8%		40
41 Net Dental	12,191	1,706	10,485	614.6%		41
42						42
43 Long Term/Short Term Disability						43
44 Revenues	3,994,821	3,658,967	335,854	9.2%	d	44
45 Expenses	(3,994,821)	(3,658,967)	(335,854)	9.2%	d	45
46 Net Long Term/Short Term Disability Excess(Shortage)	-	-	-	-		46
47 Flexible Benefits						47
48 Revenues	512,547	526,682	(14,135)	-2.7%		48
49 Expenses	(512,547)	(531,143)	18,596	-3.5%	c	49
50 Net Flexible Benefits Excess(Shortage)	-	(4,461)	4,461	-100.0%		50
51 Flexible Spending-Dependent Care						51
52 Revenues	2,331,156	2,331,793	(637)	0.0%		52
53 Expenses	(2,706,154)	(2,365,632)	(340,522)	14.4%	f	53
54 Net Flexible Spending-Dependent Care Excess(Shortage)	(374,998)	(33,839)	(341,159)	1008.2%		54
55 Flexible Spending -Medical Reimbursement						55
56 Revenues	2,579,587	2,540,865	38,722	1.5%		56
57 Expenses	(2,605,742)	(2,083,359)	(522,383)	25.1%	f	57
58 Net Flexible Spending-Medical Reimbursement Excess(Shortage)	(26,155)	457,506	(483,661)	-105.7%		58
59 Healthcare Sustainability Fund (\$2.05)						59
60 Revenues	937,456	906,620	30,836	3.4%	e	60
61 Expenses	(815,973)	(640,620)	(175,353)	27.4%	e	61
62 Net Healthcare Sustainability Fund (\$2.05) Excess(Shortage)	121,483	266,000	(144,517)	-54.3%		62
63 NET INSURANCE PRODUCTS	(920,819)	1,625,360	(2,546,179)	-156.7%		63
64 SAVINGS AND INVESTMENTS						64
65 Interest	217,862	458,870	(241,008)	-52.5%	b	65
66 Performance guarantees	223,443	-	223,443			66
67 Forfeitures	-	-	-			67
68 TOTAL SAVINGS & INVESTMENTS	441,305	458,870	(17,565)	-3.8%		68
69 TOTAL NET EXCESS (SHORTAGE)	(4,907,127)	2,775,878	(7,683,006)	-276.8%		69

Notes: a decrease in membership
b decrease in cash balance
c decrease in deductions
d increase in membership
e \$2.05 per member per month for communications, wellness, actuarial work
f increase in claims
h decrease in rates
l increase in rates



Health Service System
CITY & COUNTY OF SAN FRANCISCO

HEALTH SERVICE SYSTEM - ADMINISTRATION
STATEMENT OF REVENUES AND EXPENDITURES
As of January 31, 2016

YEAR-TO DATE				ANNUAL						
Fav/(Unfav)				Fav/(Unfav)						
Budget	Actual	Variance	% Var		Original Budget	Carryforward/ Changes	Revised Budget	Projection	Variance	% Var
REVENUES										
269,809	75	(269,734)	-100.0%	Non-Operating Revenue	462,530	0	462,530	462,530	0	0.0%
6,002,387	6,002,387	0	0.0%	Work Order Recovery	10,264,090	15,000	10,279,090	10,279,090	0	0.0%
349,999	349,999	0	0.0%	General Fund Carryforward	0	349,999	349,999	349,999	0	0.0%
6,622,195	6,352,461	(269,734)	-4.1%	TOTAL REVENUES	10,726,620	364,999	11,091,619	11,091,619	0	0.0%
EXPENDITURES										
2,844,168	2,675,432	168,736	5.9%	Personnel Services	4,875,716	0	4,875,716	4,875,716	0	0.0%
1,307,532	1,232,600	74,932	5.7%	Mandatory Fringe Benefits	2,241,483	0	2,241,483	2,241,483	0	0.0%
1,260,099	838,004	422,095	33.5%	Non-personnel Services	1,923,266	236,904	2,160,170	2,160,170	0	0.0%
26,758	22,758	4,000	14.9%	Materials & Supplies	41,700	4,170	45,870	45,870	0	0.0%
43,750	0	43,750	100.0%	Equipment	75,000	0	75,000	75,000	0	0.0%
987,805	664,018	323,787	32.8%	Services of Other Departments	1,569,455	123,925	1,693,380	1,693,380	0	0.0%
6,470,111	5,432,811	1,037,300	16.0%	TOTAL EXPENDITURES	10,726,620	364,999	11,091,619	11,091,619	0	0.0%
152,084	919,650	767,566	505%	REVENUE LESS EXPENDITURES	0	0	0	0	0	