

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

Memorandum

DATE: May 9, 2019

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

FROM: Pamela Levin, Chief Financial Officer

RE: Financial Report as of March 31, 2019

This report summarizes revenues and expenses of the Employee Benefit Trust Fund (Trust Fund) and the General Fund Administration Budget for the first nine months of FY 2018-19, as well as fiscal year-end projections through June 30, 2019.

Employee Benefit Trust Fund

On June 30, 2018, the Trust Fund balance was \$77.4 million. Based on activity through March 2019, the fund balance is projected to be \$84.3 million as of June 30, 2019. The projected \$6.9 million increase 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	\$ (3.4)	2
Blue Shield Access+ Flex-Funded Plan	4.5	3
Blue Shield Trio Flex-Funded Plan	6.1	4
Delta Dental Self-Funded Plan	0.1	5
Health Care Sustainability Fund	(0.7)	6
Interest	0.7	6
Performance Guarantees	0.5	6
Performance Guarantees – Surrogacy and Adoption Assistance Plan	(0.3)	6
Transfers Out	(0.6)	6
Total	\$ 6.9	

Pharmacy Rebates are discussed on page 6.

General Fund Administration Budget (including Online Premium Payment Project)

Based on the financial results for the first nine months of FY 2018-19, a year-end balance of \$0.3 million is projected. (See table on page 10)

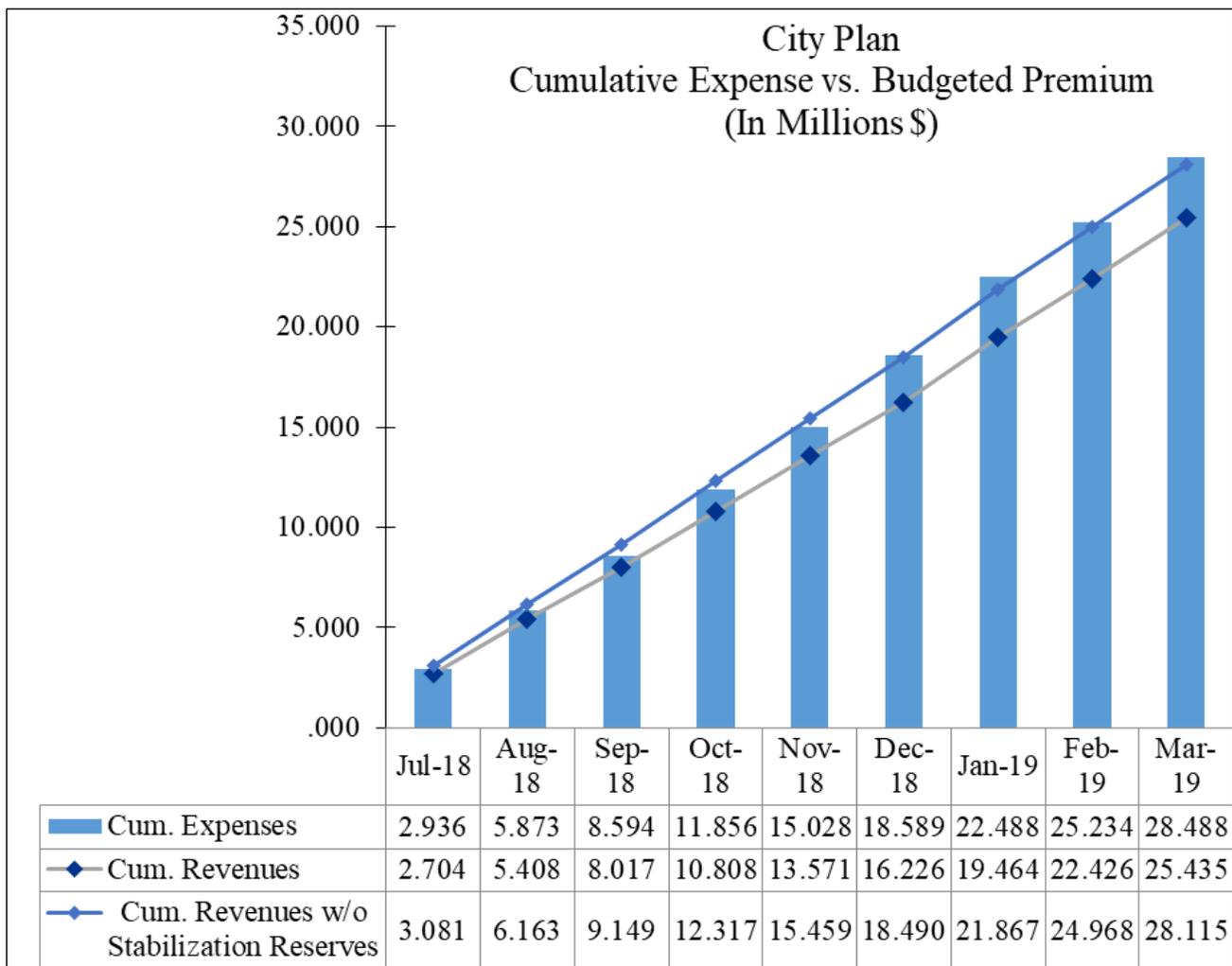
United Health Care PPO Plan

Fiscal Year End

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

- a. \$4.3 million decrease in fund balance:
 - \$2.3 million associated with subsidizing 2018 rates (for the first six months of FY 2018-19) from the claim stabilization reserve
 - \$0.8 million associated with subsidizing 2019 rates (for the second six months of FY 2018-19) from the claim stabilization reserve
 - \$1.2 million decrease in fund balance due to unfavorable claim experience
- b. \$0.9 million increase in fund balance from pharmacy rebates (details on page 6)

First Nine (9) months



Cumulative expenses for UHC PPO continue to track \$0.373 M more than the expected cost levels regardless of whether cumulative expenses are compared to the actual revenues (\$28.488 M - \$28.115 M) and when the cumulative expenses are compared to cumulative revenues with the \$2.680 M buy-down for the rate stabilization reserves (\$28.488 M - (\$25.435 M + \$2.680 M)).

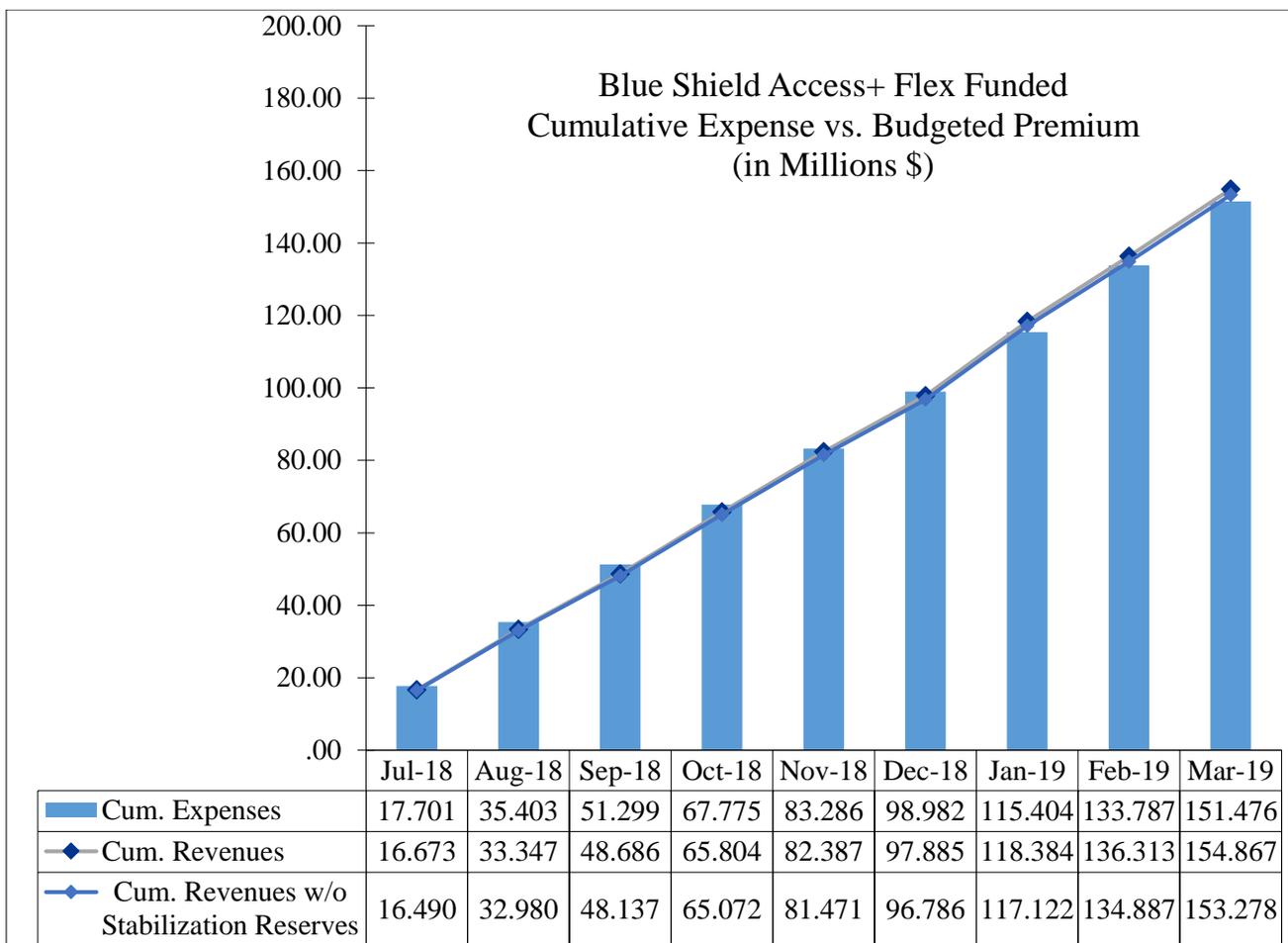
Blue Shield Access+ Flex Funded Plan

Fiscal Year End

A \$4.5 million increase in fund balance is projected resulting from:

- a. \$6.7 million increase in fund balance:
 - \$1.1 million associated with the increase in 2018 rates (for the first six months of FY 2018-19) to recover the 2016 deficit
 - \$1.0 million associated with the increase in 2019 rates (for the second six months of FY 2018-19) to recover the 2017 deficit
 - \$4.6 million of pharmacy rebates (additional information on page 6)
- b. \$2.2 million decrease in fund balance due to unfavorable claim experience

First Nine (9) Months



Cumulative expenses for BSC Access+ continue to track \$1.802 M less than the expected cost levels regardless of whether cumulative expenses are compared to the actual revenues (\$151.476 M - \$153.278 M) and when the cumulative expenses are compared to cumulative revenues with the \$1.589 M buy-up for the rate stabilization reserves (\$151.476 M - (\$154.867 M - \$1.589 M)).

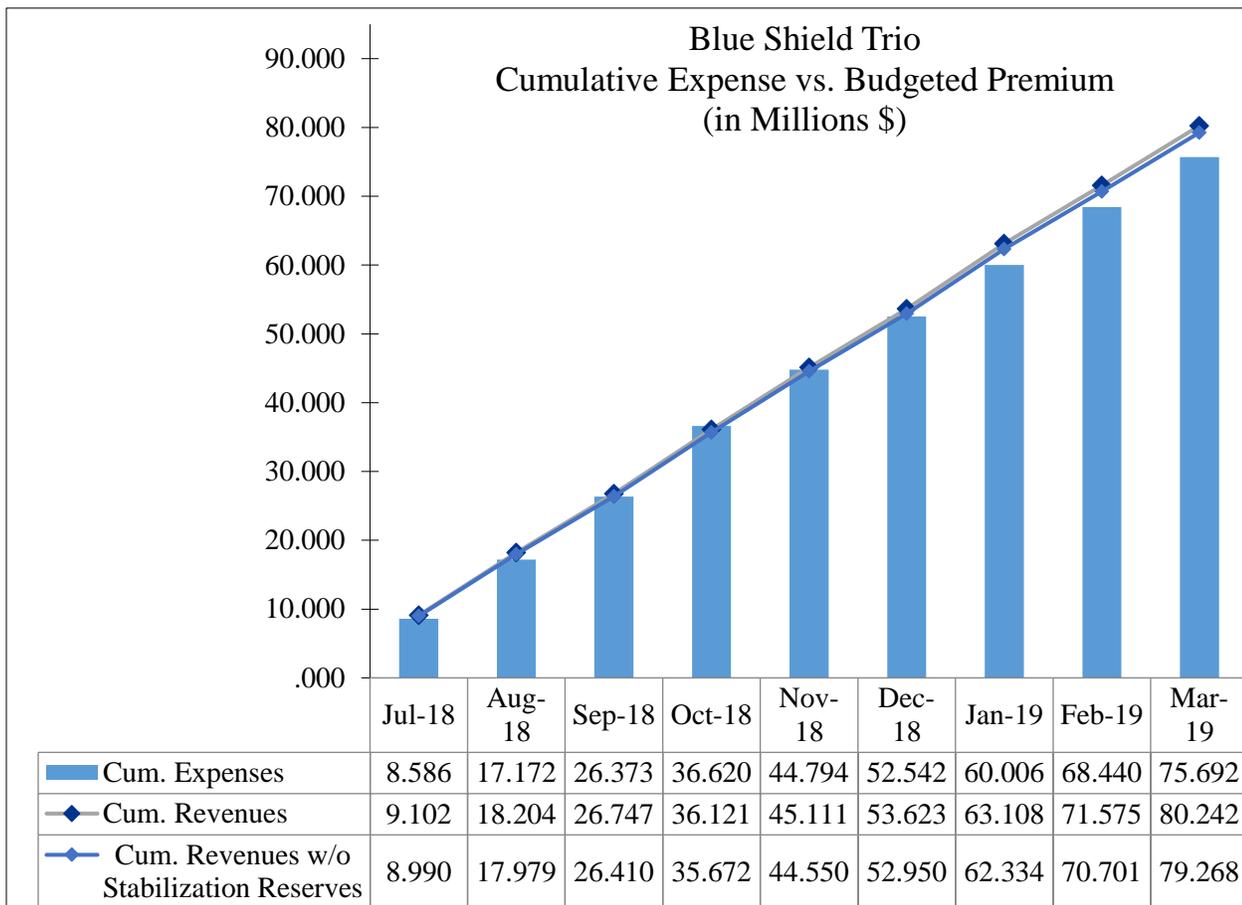
Blue Shield Trio Flex-Funded Plan

Fiscal Year End

A \$6.1 million increase in fund balance is projected resulting from:

- \$0.7 million associated with the increase in 2018 rates (for the first six months of FY 2018-19) to recover the 2016 deficit
- \$0.6 million associated with the increase in 2019 rates (for the second six months of FY 2018-19) to recover the 2017 deficit
- \$1.4 million in pharmacy rebates (additional information on page 6)
- \$3.4 million due to favorable claim experience

First Nine (9) Months



Cumulative expenses for BSC Trio are \$3.576 M less than the expected cost levels regardless of whether cumulative expenses are compared to the actual revenues (\$75.692 M - \$79.268 M) and when the cumulative expenses are compared to cumulative revenues with the \$0.974 M buy-up for the rate stabilization reserves (\$75.692 M - (\$80.242 M - \$0.974 M)).

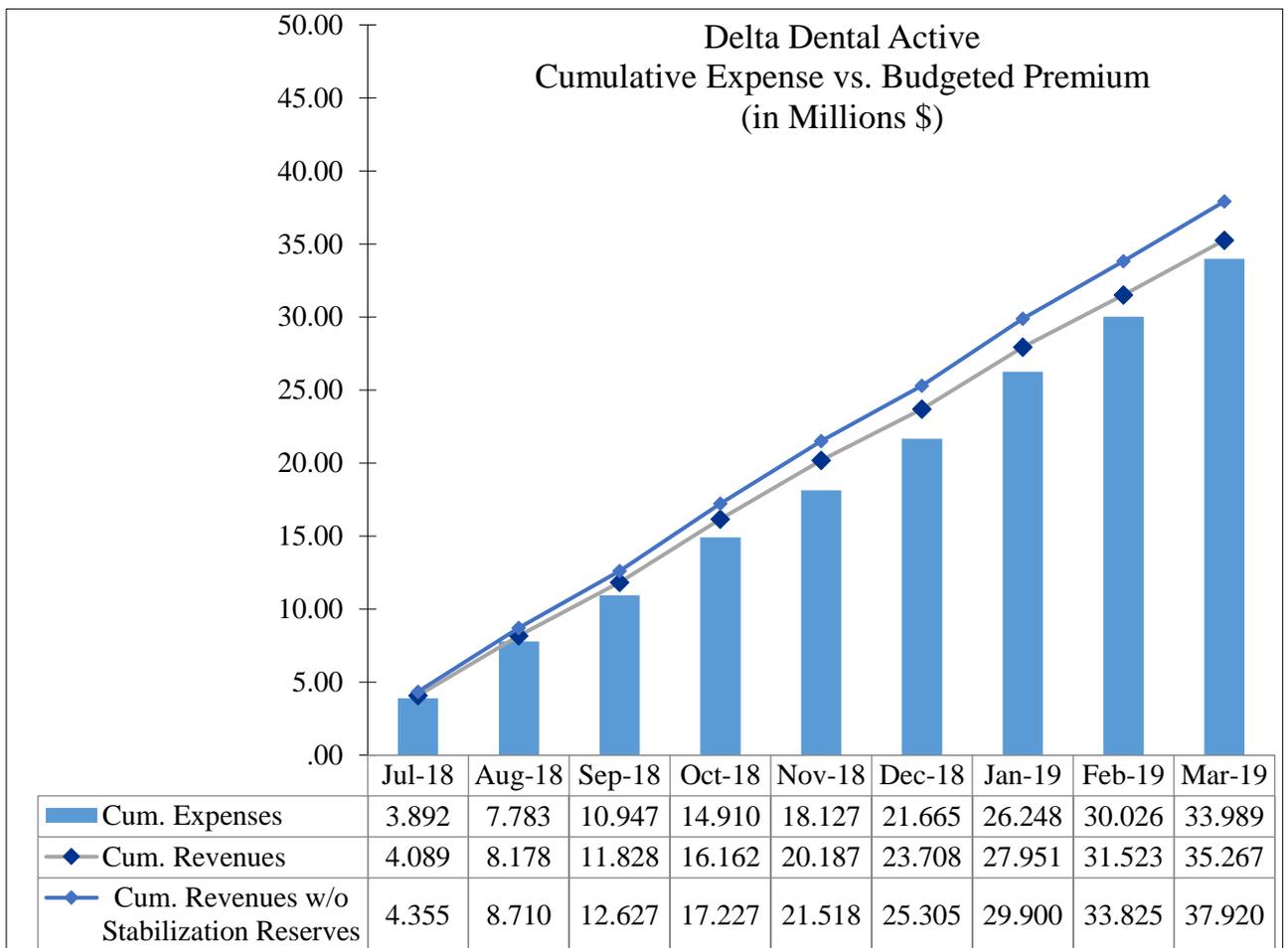
Delta Dental Self-Funded Plan

Fiscal Year End

A \$0.1 million increase in fund balance is projected resulting from:

- b. \$3.8 million increase in fund balance due to favorable claim experience
- c. \$3.7 million decrease in fund balance:
 - \$1.6 million decrease in fund balance associated with subsidizing 2018 rates (for the first six months of FY 2018-19) from the claim stabilization reserve
 - \$2.1 million decrease in fund balance associated with subsidizing 2019 rates (for the second six months of FY 2018-19) from the claim stabilization reserve

First Nine (9) Months



Cumulative expenses for Delta Dental are \$3.931 M less than the expected cost levels regardless of whether cumulative expenses are compared to the actual revenues (\$33.989 M - \$37.920 M) and when the cumulative expenses are compared to cumulative revenues with the \$2.653 M buy-down for the rate stabilization reserves (\$33.989 M - (\$35.267 M + \$2.653 M)).

Other Trust Fund Notes

Healthcare Sustainability Fund - The following table reflects the year-to-date actuals through March 31, 2019. The Revised Budget reflects carryforward of unexpended funds from FY 2017-18 and a reallocation of the budget approved by the Health Service Board on October 11, 2018.

Healthcare Sustainability Fund FY 2018-19				
	Revised Budget	March YTD Actual	Projection	Variance
Revenues/Premiums				
Annual Revenues	\$ 2,441,171	\$ 1,902,855	\$ 2,461,274	\$ 20,103
Carryforward from fund balance	3,399,817	3,399,817	3,399,817	-
Total	\$ 5,840,988	\$ 5,302,672	\$ 5,861,091	\$ 20,103
Expenditures				
Annual Expenditures	\$ 2,184,012	\$ 1,053,706	\$ 1,967,725	\$ (216,287)
One-time Expenditures	2,352,808	398,409	1,211,896	(1,140,912)
Grand Total Expenditures	\$ 4,536,820	\$ 1,452,114	\$ 3,179,621	\$ (1,357,199)
Balance	\$ 1,304,168	\$ 3,850,558	\$ 2,681,470	\$ 1,377,302

Interest – An \$0.7 million increase in fund balance is projected based on the Trust Fund cash balances.

Performance Guarantees – A total of \$0.5 million has been received in FY 2018-19. The \$77.4 million fund balance includes the \$7.8 million in PGs received since FY 2005-06.

Performance Guarantees for Adoption and Surrogacy Assistance Plan - An \$0.3 million decrease in fund balance from performance guarantees is projected for FY 2018-19. The Plan became effective January 1, 2017 and fourteen reimbursements have been paid for a total of \$200,936, including \$105,000 in FY 2018-19.

Transfers Out – A transfer of \$0.5 million from forfeitures and \$0.1 million from the Health Care Sustainability Fund to the General Fund the transfers will occur in June after the reconciliation of unused flexible spending account balances for the prior Plan Year and posting of the final General Fund expenditures.

Pharmacy Rebates

The following table summarizes the FY 2018-19 pharmacy rebates as of March 31, 2019 and year-end projection. The rebates offset the claims SFHSS pays to the plans.

Vendor	Amount (year to date)	Year-End Projection
Blue Shield	\$3,222,233	\$6,000,000
UHC	\$ 562,431	\$ 900,000
Total	\$3,784,654	\$6,900,000

ACTIVE & RETIRED COMBINED

	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess(Shortage)
SELF-INSURANCE			
UHC PPO, including ASO *	25,435,145	28,488,034	(3,052,889)
Blue Shield Access+ *	154,867,333	151,475,881	3,391,452
Blue Shield Trio *	80,241,767	75,691,519	4,550,248
Delta Dental - Active only, including ASO	35,266,556	33,989,247	1,277,310
TOTAL SELF-INSURANCE	295,810,802	289,644,681	6,166,121
INSURANCE PRODUCTS			
UHC MAPD	52,898,365	52,898,365	0
Kaiser-HMO	315,341,689	315,347,390	(5,701)
Vision Service Plan, All (City Plan & HMO)	5,598,466	5,584,905	13,561
Sub-total HMO	373,838,520	373,830,660	7,860
Delta Dental - Retired	11,629,851	11,616,134	13,717
Delta Care	675,737	667,806	7,931
UHC Dental	310,327	309,204	1,124
Sub-total Dental	12,615,915	12,593,144	22,771
Long Term/Short Term Disability	5,639,684	5,639,684	0
Flexible Benefits	1,838,842	1,838,817	25
Flexible Spending-Dependent Care	4,054,003	4,310,143	(256,140)
Flexible Spending -Medical Reimbursement	5,669,876	6,108,279	(438,403)
Best Doctors (\$1.15)	887,142	826,322	60,820
Healthcare Sustainability Fund (\$3.00)	1,902,855	1,452,114	450,741
Adoption & Surrogacy		111,198	(111,198)
TOTAL INSURANCE PRODUCTS	406,446,839	406,710,362	(263,524)
SAVINGS AND INVESTMENTS			
Interest	0		0
Performance guarantees	503,986		503,986
Forfeitures			-
TOTAL SAVINGS & INVESTMENTS	503,986		503,986
TRANSFERS OUT OF FORFEITURES		0	0
TOTAL FUNDS	702,761,627	696,355,044	6,406,583

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

SUMMARY- In millions	FY18-19	FY18-19
	Year-To Date Actual As of March 2019 - Net	Projected Annual-Net
Self Insurance		
UHC PPO	(3.1)	(3.4) (a)
Blue Shield-Access+	3.4	4.5 (b)
Blue Shield-Trio	4.6	6.1 (b)
Dental, Actives	1.3	0.1 (c)
Insurance Products		
Medical HMOs	(0.0)	0.0
Dental	0.0	0.0
LTD/Flexible Benefits/FSA/Best Doctors	(0.6)	0.0
Healthcare Sustainability Fund (\$3.00)	0.5	(0.7) (d)
Savings & Investments		
Interest	0.0	0.7
Performance guarantees	0.5	0.5 (e)
Performance guarantees - Surrogacy and adoption	0.0	(0.3) (f)
Forfeitures	0.0	-
Transfers Out	0.0	(0.6) (g)
TOTAL	6.4	6.9
Net assets		
Beginning of the year		77.4
End of the year		84.3

(a) Annual Projection is net of claim stabilization of \$2.3 million used to reduce 2018 rates, \$0.8 million to reduce 2019 rates, and Pharmacy rebate of \$0.9 million

(b) Annual Projection is net of claim stabilization of \$1.8 million to increase 2018 rates, \$1.6 million to increase 2019 rates, and Pharmacy rebate of \$6 million

(c) Annual Projection is net of claim stabilization of \$1.6 million to reduce 2018 rates and \$2.1 million to reduce 2019 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 2018-2019

(f) Reflects use of fund balance

(g) Transfer of \$0.5M from forfeitures and \$0.1M from \$3.00 to General Fund per FY 2018-2019 budget

	For 9 months ended March 31, 2019	For 9 months ended March 31, 2018	\$ Change	% Change	
1 SELF-INSURANCE					
2 UHC PPO, including ASO					
3 Revenues	25,435,145	22,919,964	2,515,182	11.0%	l
4 Expenses	(28,488,034)	(27,727,318)	(760,716)	2.7%	
5 Net UHC PPO Excess(Shortage)	(3,052,889)	(4,807,355)	1,754,466	-36.5%	
6 Blue Shield-Access+					
7 Revenues	154,867,333	203,343,614	(48,476,280)	-23.8%	p
8 Expenses	(151,475,881)	(205,220,330)	53,744,449	-26.2%	p
9 Net Blue Shield-Access Excess(Shortage)	3,391,452	(1,876,716)	5,268,168	-280.7%	
10 Blue Shield-Trio					
11 Revenues	80,241,767	26,771,359	53,470,408	199.7%	p
12 Expenses	(75,691,519)	(21,319,851)	(54,371,668)	255.0%	p
13 Net Blue Shield-Trio Excess(Shortage)	4,550,248	5,451,507	(901,259)	-16.5%	
14 Delta Dental - Active only, including ASO					
15 Revenues	35,266,556	36,077,351	(810,795)	-2.2%	
16 Expenses	(33,989,247)	(33,919,610)	(69,637)	0.2%	
17 Net Delta Dental - Active Excess(Shortage)	1,277,310	2,157,741	(880,431)	-40.8%	
18 NET SELF-INSURANCE	6,166,121	925,177	5,240,944	566.5%	
19 INSURANCE PRODUCTS					
24 Kaiser-HMO					
25 Revenues	315,341,689	299,532,788	15,808,901	5.3%	d, l
26 Expenses	(315,347,390)	(299,377,098)	(15,970,293)	5.3%	d, l
27 Net Kaiser- HMO Excess(Shortage)	(5,701)	155,690	(161,391)	-103.7%	
28 UHC MAPD					
29 Revenues	52,898,365	46,426,046	6,472,319	13.9%	d, l
30 Expenses	(52,898,365)	(46,426,046)	(6,472,319)	13.9%	d, l
31 Net UHC MAPD Excess(Shortage)	0	0	0		
32 Vision Service Plan, All (City Plan & HMO)					
33 Revenues	5,598,466	4,319,753	1,278,713	29.6%	o
34 Expenses	(5,584,905)	(4,322,112)	(1,262,793)	29.2%	o
35 Net Vision Service Plan Excess(Shortage)	13,561	(2,359)	15,920		
36					
37 Delta Dental - Retired					
38 Revenues	11,629,851	10,752,427	877,424	8.2%	d
39 Expenses	(11,616,134)	(10,684,672)	(931,463)	8.7%	d
40 Net Delta Dental - Retired Excess(Shortage)	13,717	67,755	(54,039)	-79.8%	
41 Delta Care					
42 Revenues	675,737	700,352	(24,615)	-3.5%	a
43 Expenses	(667,806)	(700,092)	32,285	-4.6%	a
44 Net Delta Care Excess(Shortage)	7,931	260	7,670	2945.0%	
45 UHC Dental					
46 Revenues	310,327	284,821	25,506	9.0%	d
47 Expenses	(309,204)	(284,947)	(24,256)	8.5%	d
48 Net UHC Dental Excess(Shortage)	1,124	(127)	1,250	-987.5%	
49 Net Dental	22,771	67,889	(45,118)	-66.5%	
50					
51 Long Term/Short Term Disability					
52 Revenues	5,639,684	5,451,059	188,625	3.5%	d
53 Expenses	(5,639,684)	(5,451,059)	(188,625)	3.5%	d
54 Net Long Term/Short Term Disability Excess(Shortage)	0	0	0		
55 Flexible Benefits					
56 Revenues	1,838,842	1,537,282	301,560	19.6%	g
57 Expenses	(1,838,817)	(1,536,722)	(302,096)	19.7%	g
58 Net Flexible Benefits Excess(Shortage)	25	561	(536)	0.0%	
59 Flexible Spending-Dependent Care					
60 Revenues	4,054,003	3,809,706	244,297	6.4%	d
61 Expenses	(4,310,143)	(4,038,875)	(271,269)	6.7%	f
62 Net Flexible Spending-Dependent Care Excess(Shortage)	(256,140)	(229,169)	(26,971)	11.8%	
63 Flexible Spending -Medical Reimbursement					
64 Revenues	5,669,876	4,915,883	753,994	15.3%	d
65 Expenses	(6,108,279)	(4,919,035)	(1,189,245)	24.2%	f
66 Net Flexible Spending-Medical Reimbursement Excess(Shortage)	(438,403)	(3,152)	(435,251)	13809.4%	
67 Best Doctors (\$1.15)					
68 Revenues	887,142	863,437	23,705	2.7%	
69 Expenses	(826,322)	(863,437)	37,115	-4.3%	
70 Net Best Doctors Excess(Shortage)	60,820	(0)	60,820		
71 Adoption & Surrogacy					
72 Expenses	(111,198)	(46,773)	(64,425)	137.7%	
73 Healthcare Sustainability Fund (\$3.00)					
74 Revenues	1,902,855	1,904,145	(1,289)	-0.1%	
75 Expenses	(1,452,114)	(965,328)	(486,787)	50.4%	e
76 Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	450,741	938,817	(488,076)	-52.0%	
77 NET INSURANCE PRODUCTS	(263,524)	881,504	(1,145,028)	-129.9%	
78 SAVINGS AND INVESTMENTS					
79 Interest	0	0	0	0.0%	
80 Performance guarantees	503,986	0	503,986	0.0%	
81 TOTAL SAVINGS & INVESTMENTS	503,986	0	503,986	0.0%	
82 TOTAL NET EXCESS (SHORTAGE)	6,406,583	1,806,682	4,599,901	254.6%	

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
h decrease in rates
g increase in deductions
j decrease in claims
o vision buy-up effective 1/1/18
p effective 1/1/18

Healthcare Sustainability Fund FY 2018-19				
	Revised Budget	March YTD Actual	Projection	Variance
Revenues/Premiums				
Annual Revenues	\$ 2,441,171	\$ 1,902,855	\$ 2,461,274	\$ 20,103
Carryforward from fund balance	3,399,817	3,399,817	3,399,817	-
Total	\$ 5,840,988	\$ 5,302,672	\$ 5,861,091	\$ 20,103
Expenditures				
Annual				
Personnel Services and Mandatory Fringes	\$ 895,588	336,419	\$ 736,015	\$ 159,573
Communications				
Open Enrollment Communications	289,779	309,817	314,540	(24,761)
Operations Communications	123,615	16,722	128,566	(4,951)
Well-Being Communications	197,500	43,438	162,875	34,625
Other Communications	133,197	65,847	132,592	605
Total Communications	\$ 744,091	\$ 435,823	\$ 738,573	\$ 5,518
Well-Being	197,500	17,009	122,500	75,000
Initiatives to Reduce Health Care Costs	346,833	263,000	348,833	(2,000)
SFGTV/Board Meetings		1,454	21,804	(21,804)
Contingency for Unforeseen Issues			-	-
Total Annual Expenditures	\$ 2,184,012	\$ 1,053,706	\$ 1,967,725	\$ 216,287
One-Time				
Communications				
Open-Enrollment Communications	\$ 275,000		\$ 115,000	\$ 160,000
Operations Communications	1,303,625	13,611	427,620	876,005
Well-Being Communications	60,000		46,650	13,350
Other Communications	513,973	326,297	407,973	106,000
Total Communications	\$ 2,152,598	\$ 339,909	\$ 997,243	1,155,355
Well-Being	85,210	58,500	76,900	8,310
Initiatives to Reduce Health Care Costs	115,000	-	137,753	(22,753)
Total One-Time Expenditures	\$ 2,352,808	\$ 398,409	\$ 1,211,896	\$ 1,140,912
Grand Total Expenditures	\$ 4,536,820	\$ 1,452,114	\$ 3,179,621	\$ 1,357,199
Balance	\$ 1,304,168	\$ 3,850,558	\$ 2,681,470	

**SAN FRANCISCO
HEALTH SERVICE SYSTEM**

Affordable, Quality Benefits & Well-Being

SAN FRANCISCO HEALTH SERVICE SYSTEM - ADMINISTRATION
STATEMENT OF REVENUES AND EXPENDITURES

As of March 31, 2019

YEAR-TO-DATE				ANNUAL					
Fav/(Unfav)				Fav/(Unfav)					
Budget	Actual	Variance	% Var		Original Budget	Revised Budget	Projection	Variance	% Var
REVENUES									
440,501	0	(440,501)	-100.0%	Non-Operating Revenue	587,335	587,335	587,335	0	0.0%
8,279,015	8,279,019	4	0.0%	Work Order Recovery	11,038,687	11,038,687	11,038,687	0	0.0%
4,500	4,500	0	0.0%	Other Revenue	6,000	6,000	6,000	0	0.0%
280,100	0	(280,100)		General Fund Carryforward		373,467	373,467	0	0.0%
9,004,117	8,283,519	(720,598)	-8.0%	TOTAL REVENUES	11,632,022	12,005,489	12,005,489	0	0.0%
EXPENDITURES									
3,962,655	3,647,523	315,132	8.0%	Personnel Services	5,305,540	5,283,540	5,001,366	282,174	-5.3%
1,917,790	1,784,491	133,299	7.0%	Mandatory Fringe Benefits	2,557,053	2,557,053	2,480,000	77,053	-3.0%
1,380,398	1,198,157	182,241	13.2%	Non-personnel Services	1,705,486	1,840,531	1,865,531	(25,000)	1.4%
71,656	51,212	20,444	28.5%	Materials & Supplies	43,197	95,541	95,541	0	0.0%
1,114,412	1,117,248	(2,836)	-0.3%	Services of Other Departments	2,020,746	2,228,824	2,228,824	0	0.0%
8,446,911	7,798,630	648,281	7.7%	TOTAL EXPENDITURES	11,632,022	12,005,489	11,671,262	334,227	-2.8%
557,206	484,889	(72,317)		REVENUE LESS EXPENDITURES	0	0	334,227		