

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

Memorandum

DATE: April 12, 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 January 31, 2018

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 January 31, 2018, 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 January 2018, the fund balance is projected to be \$73.9 million as of June 30, 2018. The projected \$1.4 million increase includes reserves for unpaid claims and is a result of the following changes:

1. City Plan Self-Funded Plan - \$6.9 million decrease in fund balance resulting from:
 - a. \$0.8 million increase in fund balance from pharmacy rebates (additional information on page 3)
 - b. \$7.7 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
 - \$1.6 million due to unfavorable claim experience
2. Blue Shield Access+ Flex-Funded Plan - \$0.7 million increase in fund balance resulting from:
 - a. \$8.7 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
 - \$1.1 million associated with the increase in 2018 rates (for the second six months of FY 2017-18) to recover the 2016 deficit
 - \$5.0 million from pharmacy rebates (additional information on page 3)
 - b. \$8.0 million decrease in fund balance due to unfavorable claim experience

3. Blue Shield Trio Flex-Funded Plan - \$4.9 million increase in fund balance resulting from:
 - \$0.7 million associated with the increase in 2018 rates (for the second six months of FY 2017-18) to recover the 2016 deficit
 - \$4.2 million increase in fund balance due to favorable claim experience
4. Delta Dental Self-Funded Plan - \$3.0 million increase in fund balance resulting from:
 - a. \$5.8 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
5. Healthcare Sustainability Fund - The following table reflects the year-to-date actuals through January 31, 2017. The Revised Budget reflects carryforward of unexpended funds from FY 2016-17.

Healthcare Sustainability Fund FY 2017-18				
	Revised budget	Jan YTD Actuals	Projection	Variance
Revenues/Premiums				
Annual Revenues	\$ 2,351,681	\$ 1,484,870	\$ 2,472,678	\$ 120,997
Carryforward from fun balance	1,713,191	1,713,191	2,506,982	793,791
Total	\$ 4,064,872	\$ 3,198,061	\$ 4,979,660	\$ 914,788
Expenditures				
Annual Expenditures	\$ 1,566,526	\$ 688,990	\$ 1,418,680	\$ 147,846
One-time Expenditures	2,066,797	175,236	918,114	1,148,683
Grand Total Expenditures	\$ 3,633,323	\$ 864,226	\$ 2,336,794	\$ 1,296,529
Balance	\$ 431,549	\$ 2,333,835	\$ 2,642,866	\$ (381,741)

6. Interest - \$0.4 million increase in fund balance from HSS Trust cash balances
7. Performance Guarantees – No Performance Guarantees have been received as of January 31, 2018. The \$72.5 million fund balance includes the \$7.6 million in PGs received since FY 2005-06.

8. 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, five reimbursements have been paid for a total of \$77,710, including \$45,585 in FY 2017-18.
9. Forfeitures - the reconciliation of unused flexible spending account balances occurs annually in June for the prior Plan Year.
10. Pharmacy Rebates - The following table summarizes the FY 2017-18 pharmacy rebates as of January 31, 2018 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	\$4,129,624	\$5,000,000
UHC	271,535	800,000
Total	\$4,401,159	\$5,800,000

General Fund Administration Budget (including Online Premium Payment Project)

Based on the financial results for the first seven months of FY 2017-18, a year-end balance of \$0.3 million is projected.



HEALTH SERVICE SYSTEM
STATEMENT OF REVENUES AND EXPENSES
FY 2017-2018
FOR THE SEVEN MONTHS ENDED January 31, 2018

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 *	52,391,999	57,078,255	(4,686,255)
3 Blue Shield Access+ *	170,493,612	170,864,031	(370,419)
4 Blue Shield Trio *	9,137,606	5,158,921	3,978,684
5 Delta Dental - Active only, including ASO	28,329,394	26,435,128	1,894,266
6 TOTAL SELF-INSURANCE	260,352,610	259,536,335	816,275
8 INSURANCE PRODUCTS			
9 Kaiser-HMO	229,829,474	229,262,800	566,675
10 Vision Service Plan, All (City Plan & HMO)	3,127,542	3,127,542	0
11 Sub-total HMO	232,957,017	232,390,342	566,675
13 Delta Dental - Retired	8,068,829	8,065,522	3,307
14 Delta Care	547,758	550,434	(2,677)
15 Pacific Union	219,362	219,959	(598)
16 Sub-total Dental	8,835,948	8,835,916	32
18 Long Term/Short Term Disability	4,226,462	4,226,462	0
19 Flexible Benefits	1,159,342	1,159,342	0
20 Flexible Spending-Dependent Care	2,931,062	3,151,571	(220,508)
21 Flexible Spending -Medical Reimbursement	3,727,955	3,497,916	230,039
22 Best Doctors (\$1.40)	669,623	669,623	0
23 Healthcare Sustainability Fund (\$3.00)	1,484,870	864,226	620,644
24 Adoption & Surrogacy		15,585	(15,585)
25 TOTAL INSURANCE PRODUCTS	255,992,280	254,810,982	1,181,298
27 SAVINGS AND INVESTMENTS			
28 Interest	15,983		15,983
30 Performance guarantees	0		0
31 Forfeitures	0		0
32 TOTAL SAVINGS & INVESTMENTS	15,983		15,983
34 TRANSFERS OUT OF FORFEITURES		0	0
36 TOTAL FUNDS	516,360,873	514,347,317	2,013,556

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

SUMMARY- In millions	FY17-18	FY17-18
	Year-To Date Actual As of Jan 2018 - Net	Projected Annual-Net
Self Insurance		
City Plan	(4.7)	(6.9) (a)
Blue Shield-Access+	(0.4)	0.7 (b)
Blue Shield-Trio	4.0	4.9 (b)
Dental, Actives	1.9	3.0 (c)
Insurance Products		
Medical HMOs	0.6	0.0
Dental	0.0	0.0
LTD/Flexible Benefits/FSA/Best Doctors	0.0	0.0
Healthcare Sustainability Fund (\$3.00)	0.6	0.1 (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	2.0	1.4
Net assets		
Beginning of the year		72.5
End of the year		73.9

(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 \$5 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.

(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



HEALTH SERVICE SYSTEMS
STATEMENTS OF REVENUES AND EXPENSES
FY2017-2018 VS FY2016-2017
YEAR-TO-DATE: January 31, 2018

	For 7 months ended January 31, 2018	For 7 months ended January 31, 2017	\$ Change	% Change	
1 SELF-INSURANCE					
2 City Plan, including ASO					
3 Revenues	52,391,999	30,137,965	22,254,034	73.8%	m
4 Expenses	(57,078,255)	(38,367,378)	(18,710,877)	48.8%	m
5 Net City Plan Excess(Shortage)	(4,686,255)	(8,229,412)	3,543,157	-43.1%	
6 Blue Shield-Access+					
7 Revenues	170,493,612	176,886,793	(6,393,181)	-3.6%	p
8 Expenses	(170,864,031)	(171,399,175)	535,144	-0.3%	
9 Net Blue Shield-Access Excess(Shortage)	(370,419)	5,487,618	(5,858,037)	-106.8%	
10 Blue Shield-Trio					
11 Revenues	9,137,606	0	9,137,606		p
12 Expenses	(5,158,921)	0	(5,158,921)		p
13 Net Blue Shield-Trio Excess(Shortage)	3,978,684	0	3,978,684		
14 Delta Dental - Active only, including ASO					
15 Revenues	28,329,394	27,343,985	985,409	3.6%	d
16 Expenses	(26,435,128)	(25,103,643)	(1,331,485)	5.3%	f
17 Net Delta Dental - Active Excess(Shortage)	1,894,266	2,240,342	(346,076)	-15.4%	
18 NET SELF-INSURANCE	816,275	(501,452)	(2,660,957)	530.7%	
19 INSURANCE PRODUCTS					
20 Blue Shield-HMO					
21 Revenues	0	15,781,520	(15,781,520)	-100.0%	m
22 Expenses	0	(15,781,520)	15,781,520	-100.0%	m
23 Net Blue Shield HMO Excess(Shortage)	0	0	0		
24 Kaiser-HMO					
25 Revenues	229,829,474	209,295,801	20,533,673	9.8%	d, l
26 Expenses	(229,262,800)	(210,160,179)	(19,102,620)	9.1%	d, l
27 Net Kaiser- HMO Excess(Shortage)	566,675	(864,378)	1,431,053	-165.6%	
28 Vision Service Plan, All (City Plan & HMO)					
29 Revenues	3,127,542	2,968,296	159,246	5.4%	o
30 Expenses	(3,127,542)	(2,968,296)	(159,246)	5.4%	o
31 Net Vision Service Plan Excess(Shortage)	0	0	0		
32					
33 Delta Dental - Retired					
34 Revenues	8,068,829	7,894,496	174,333	2.2%	
35 Expenses	(8,065,522)	(7,810,748)	(254,774)	3.3%	d
36 Net Delta Dental - Retired Excess(Shortage)	3,307	83,748	(80,441)	-96.1%	
37 Delta Care					
38 Revenues	547,758	579,375	(31,617)	-5.5%	a
39 Expenses	(550,434)	(579,607)	29,173	-5.0%	a
40 Net Delta Care Excess(Shortage)	(2,677)	(232)	(2,445)	1053.8%	
41 Pacific Union					
42 Revenues	219,362	195,432	23,930	12.2%	d
43 Expenses	(219,959)	(195,192)	(24,767)	12.7%	d
44 Net Pacific Union Excess(Shortage)	(598)	240	(838)	-349.1%	
45 Net Dental	32	83,756	(83,723)	-100.0%	
46					
47 Long Term/Short Term Disability					
48 Revenues	4,226,462	4,317,327	(90,865)	-2.1%	
49 Expenses	(4,226,462)	(4,317,327)	90,865	-2.1%	
50 Net Long Term/Short Term Disability Excess(Shortage)	0	0	0		
51 Flexible Benefits					
52 Revenues	1,159,342	550,775	608,567	110.5%	k
53 Expenses	(1,159,342)	(550,775)	(608,567)	110.5%	k
54 Net Flexible Benefits Excess(Shortage)	0	0	0		
55 Flexible Spending-Dependent Care					
56 Revenues	2,931,062	2,427,367	503,695	20.8%	d
57 Expenses	(3,151,571)	(2,685,507)	(466,064)	17.4%	f
58 Net Flexible Spending-Dependent Care Excess(Shortage)	(220,508)	(258,140)	37,632	-14.6%	
59 Flexible Spending -Medical Reimbursement					
60 Revenues	3,727,955	2,752,599	975,356	35.4%	d
61 Expenses	(3,497,916)	(2,234,153)	(1,263,763)	56.6%	f
62 Net Flexible Spending-Medical Reimbursement Excess(Shortage)	230,039	518,446	(288,407)	-55.6%	
63 Best Doctors (\$1.40)					
64 Revenues	669,623	94,850	574,773	606.0%	n
65 Expenses	(669,623)	(94,850)	(574,773)	606.0%	n
66 Net Best Doctors Excess(Shortage)	0	0	0		
67 Adoption & Surrogacy					
68 Expenses	(15,585)	0	(15,585)		
69 Healthcare Sustainability Fund (\$3.00)					
70 Revenues	1,484,870	1,122,129	362,741	32.3%	e
71 Expenses	(864,226)	(796,746)	(67,480)	8.5%	e
72 Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	620,644	325,383	295,261	90.7%	
73 NET INSURANCE PRODUCTS	1,181,298	(194,934)	1,391,816	-714.0%	
74 SAVINGS AND INVESTMENTS					
75 Interest	15,983	237,650	(221,667)	-93.3%	b
76 Performance guarantees	0	0	0		
77 Forfeitures	0	0	0		
78 TOTAL SAVINGS & INVESTMENTS	15,983	237,650	(221,667)	48.3%	
79 TOTAL NET EXCESS (SHORTAGE)	2,013,556	(458,736)	(1,490,807)	325.0%	

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

f increase in claims
g increase in rates
h decrease in rates
i increase in rates
j decrease in claims
k implementation of voluntary benefits effective 1/1/17
l effective 1/1/17
m conversion into New City Plan effective 1/1/17
n vision buy-up effective 1/1/18
o effective 1/1/18

Healthcare Sustainability Fund FY 2017-18				
	Revised Budget	Jan YTD Actuals	Projection	Variance
Revenues/Premiums				
Annual Revenues	\$ 2,351,681	\$ 1,484,870	\$ 2,472,678	\$ 120,997
Carryforward from fund balance	1,713,191	1,713,191	2,506,982	793,791
Total	\$ 4,064,872	\$ 3,198,061	\$ 4,979,660	\$ 914,788
Expenditures				
Annual				
Personnel Services and Mandatory Fringes	\$ 353,662	\$ 162,545	\$ 385,870	\$ (32,208)
Communications				
Open Enrollment Communications	226,892	229,751	281,079	(54,187)
Operations Communications	132,160	5,481	90,134	42,026
Well-Being Communications	255,000	142,683	250,000	5,000
Other Communications	32,520	2,600	34,705	(2,185)
Total Communications	\$ 646,572	\$ 380,515	\$ 655,918	\$ (9,346)
Well-Being	133,000	30,123	100,000	33,000
Initiatives to Reduce Health Care Costs	260,292	114,208	247,792	12,500
SFGTV/Board Meetings	23,000	1,599	29,100	(6,100)
Contingency for Unforeseen Issues	150,000			150,000
Total Expenditures	\$ 1,566,526	\$ 688,990	\$ 1,418,680	\$ 147,846
One-time				
Communications				
Open-Enrollment Communications	253,998	175,236	233,829	\$ 20,169
Operations Communications	\$ 1,505,000		\$ 475,000	\$ 1,030,000
Well-Being Communications	1,580		55,000	(53,420)
Other Communications	253,800		154,285	99,515
Total Communications	\$ 2,014,378	175,236	\$ 918,114	1,096,264
Well-Being	2,419		-	2,419
Initiatives to Reduce Health Care Costs	50,000		-	50,000
Total Expenditures	\$ 2,066,797	\$ 175,236	\$ 918,114	\$ 1,148,683
Grand Total Expenditures	\$ 3,633,323	\$ 864,226	\$ 2,336,794	\$ 1,296,529
Balance	\$ 431,549	\$ 2,333,835	\$ 2,642,866	\$ (381,741)



Health Service System
CITY & COUNTY OF SAN FRANCISCO

HEALTH SERVICE SYSTEM - ADMINISTRATION
STATEMENT OF REVENUES AND EXPENDITURES
As of January 31, 2018

YEAR-TO DATE				ANNUAL					
Fav/(Unfav)				Fav/(Unfav)					
Budget	Actual	Variance	% Var	Original Budget	Revised Budget	Projection	Variance	% Var	
REVENUES									
269,809	30	(269,779)	-100.0%	462,530	462,530	462,530	0	0.0%	
6,439,163	6,435,551	(3,612)	-0.1%	10,981,725	11,038,565	11,038,565	0	0.0%	
249,204	249,204	0	0.0%	0	427,206	427,206			
6,958,176	6,684,785	(273,391)	-3.9%	11,444,255	11,928,301	11,928,301	0	0.0%	
EXPENDITURES									
3,034,754	2,789,977	244,777	8.1%	5,202,435	5,202,435	5,031,435	171,000	-3.3%	
1,456,216	1,306,523	149,693	10.3%	2,496,371	2,496,371	2,414,317	82,054	-3.3%	
1,071,601	659,339	412,262	38.5%	1,679,202	1,837,031	1,837,031	0	0.0%	
29,498	23,967	5,531	18.8%	49,915	50,568	50,568	0	0.0%	
975,790	124,208	851,582	87.3%	2,016,332	2,341,896	2,341,896	0	0.0%	
6,567,860	4,904,014	1,663,846	25.3%	11,444,255	11,928,301	11,675,247	253,054	-2.1%	
390,316	1,780,771	1,390,455		0	0	253,054	253,054		