

HEALTH SERVICE SYSTEM
CITY & COUNTY OF SAN FRANCISCO

Memorandum

DATE: June 9, 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 April 30, 2016

This report summarizes revenues and expenses of the Employee Benefit Trust Fund (Trust Fund) and the General Fund Administration Budget through April 30, 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 April 2016, the fund balance is projected to be \$71.8 million as of June 30, 2016. The projected \$9.7 million decrease includes reserves for unpaid claims and is a result of the following changes:

1. City Plan - \$10.6 million decrease in fund balance resulting from:
 - a. \$0.6 million increase in fund balance from pharmacy rebates (additional information on page 3)
 - b. \$11.2 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
 - 0.5 million due to unfavorable claim experience
2. Blue Shield Flex Plan - \$3.5 million decrease in fund balance resulting from:
 - a. \$5.0 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)



b. \$8.5 million decrease in fund balance:

- \$4.9 million associated with subsidizing rates in Plan Year 2015 (for the first six months of FY 2015-16) from the claim stabilization reserve
- \$3.6 million due to unfavorable claim experience

3. Self-insured dental plan - \$3.9 million increase in fund balance associated with:

- \$4.5 million due to favorable claim experience
- \$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 projection is consistent with the amount that was presented in the Financial Report as of April 2015.

4. Healthcare Sustainability Fund (\$2.05) - \$0.1 million increase in fund balance

The \$2.05 per member per month charge is one of the components of the premiums. Since the \$2.05 is incorporated in the premiums which has allocated between the employer and employee based on the contribution model.

	Original Budget	Revised Budget	April YTD Actuals	Projection	Balance
Revenues/Premiums	\$ 1,555,310	\$ 1,555,310	\$ 1,345,905	\$ 1,610,259	\$ 54,949
Expenditures					
Personnel Services and Mandatory Fringes	481,308	\$ 481,308	\$ 291,902	\$ 422,350	\$ 58,958
Communications					
Open Enrollment Communications	288,867	288,867	302,301	304,763	(15,896)
Operations Communications	14,700	34,700	60,701	109,350	(74,650)
Wellness Communications	28,000	68,000	10,151	63,000	5,000
Other Communications	9,033	19,033	12,540	23,084	(4,051)
Total Communications	\$ 340,600	\$ 410,600	\$ 385,693	\$ 500,197	\$(89,597)
Wellness	286,460	286,460	228,341	269,170	17,290
Initiatives to Reduce Health Care Costs	257,500	257,500	195,015	268,090	(10,590)
SFGTV/Board Meetings	-	-	10,715	11,767	(11,767)
Contingency for Unforeseen Issues	189,442	119,442		53,736	65,706
Total Expenditures	\$ 1,555,310	\$ 1,555,310	\$ 1,111,666	\$ 1,525,310	\$ 30,000
Revenue Less Expenses	\$ -	\$ -	\$ 234,239	\$ 84,949	\$ 84,949

The table above reflects the year to date actuals through April 30, 2016. The Revised Budget reflects an increased focus on Communications and the categories in which they are expended. The Balance is the difference between the Revised Budget and the Projection. Projected savings are represented by a positive number while expenditures that exceed the budget are represented by a (negative) number.

5. Interest - \$0.4 million increase in fund balance from HSS Trust cash balances
6. Performance guarantees - \$0.2 million increase in fund balance due from Blue Shield for the plan year 2014
7. Forfeitures - \$0.3 million increase in fund balance associated with Health Care and Dependent Care FSA for 2015 Plan Year
8. Transfers Out of Forfeitures - \$0.5 million decrease in fund balance associated with transfers to the General Fund pursuant to the FY 2015-16 budget

Pharmacy Rebates

The following table summarizes the FY 2015-16 pharmacy rebates as of April 30, 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	\$1,644,794	April 2015 – September 2015	\$2,800,000
UHC	376,574	October 2014 – September 2015	600,000
Total	\$2,021,368		\$3,400,000

General Fund Administration Budget (including Enterprise Content Management System)

Based on the financial results for the first ten months of FY 2015-16, the budget is projected to be fully expended. Any unexpended balance will be used to fund part-time staff for scanning documents that will be incorporated in the Enterprise Content Management System (ECM), purchase ergonomic equipment, and fund 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	35,758,396	44,198,737	(8,440,341)
Blue Shield Flex	242,076,982	247,609,721	(5,532,739)
Delta Dental - Active only, including ASO	38,803,442	35,434,922	3,368,520
TOTAL SELF-INSURANCE	316,638,820	327,243,380	(10,604,560)
INSURANCE PRODUCTS			
Blue Shield-HMO	26,629,134	26,629,134	-
Kaiser-HMO	288,059,869	287,474,696	585,173
Vision Service Plan, All (City Plan & HMO)	4,141,885	4,141,885	-
Sub-total HMO	318,830,888	318,245,715	585,173
Delta Dental - Retired	11,301,856	11,226,981	74,875
Delta Care	842,786	841,740	1,046
Pacific Union	261,618	267,514	(5,896)
Sub-total Dental	12,406,260	12,336,235	70,025
Long Term/Short Term Disability	5,768,688	5,768,688	-
Flexible Benefits	777,222	777,222	-
Flexible Spending-Dependent Care	3,369,580	3,560,384	(190,804)
Flexible Spending -Medical Reimbursement	3,775,045	4,309,604	(534,559)
Healthcare Sustainability Fund (\$2.05)	1,345,905	1,111,666	234,239
TOTAL INSURANCE PRODUCTS	346,273,588	346,109,515	164,073
SAVINGS AND INVESTMENTS			
Interest	319,676	-	319,676
Performance guarantees	224,710	-	224,710
Forfeitures	-	-	-
TOTAL SAVINGS & INVESTMENTS	544,386	-	544,386
TRANSFERS OUT OF FORFEITURES			
			-
TOTAL FUNDS	663,456,795	673,352,895	(9,896,100)

SUMMARY- In millions

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

FY 15-16
Projected Annual-Net

Self Insurance		
City Plan	(8.4)	(10.6) (a)
Blue Shield-Flex	(5.5)	(3.5) (b)
Dental, Actives	3.3	3.9 (c)
Insurance Products		
Medical HMOs	0.6	0.0
Dental	0.1	0.0
LTD/Flexible Benefits/Flexible Spending	(0.7)	0.0
Healthcare Sustainability Fund (\$2.05)	0.2	0.1 (d)
Savings & Investments		
Interest	0.3	0.4
Performance guarantees	0.2	0.2
Forfeitures	0.0	0.3
Transfers Out of Forfeitures	0.0	(0.5) (e)
TOTAL	(9.9)	(9.7)
Net assets		
Beginning of the year		81.5
End of the year		71.8

(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 ten months ended April 30, 2016	For ten months ended April 30, 2015	\$ Change	% Change	Notes	
1 SELF-INSURANCE						1
2 City Plan, including ASO						2
3 Revenues	35,758,396	41,867,087	(6,108,691)	-14.6%	a, h	3
4 Expenses	(44,198,737)	(41,324,178)	(2,874,560)	7.0%	f	4
5 Net City Plan Excess(Shortage)	(8,440,341)	542,909	(8,983,250)	-1654.7%		5
6 Blue Shield-Flex						6
7 Revenues	242,076,982	229,826,485	12,250,497	5.3%	l	7
8 Expenses	(247,609,721)	(241,068,789)	(6,540,932)	2.7%		8
9 Net Blue Shield-Flex Excess(Shortage)	(5,532,739)	(11,242,304)	5,709,565	-50.8%		9
10 Delta Dental - Active only, including ASO						10
11 Revenues	38,803,442	37,946,502	856,940	2.3%		11
12 Expenses	(35,434,922)	(35,053,742)	(381,180)	1.1%		12
13 Net Delta Dental - Active Excess(Shortage)	3,368,520	2,892,760	475,760	16.4%		13
14 NET SELF-INSURANCE	(10,604,560)	(7,806,635)	(2,797,925)	35.8%		14
15 INSURANCE PRODUCTS						15
16 Blue Shield-HMO						16
17 Revenues	26,629,134	25,760,841	868,293	3.4%	d, l	17
18 Expenses	(26,629,134)	(25,801,506)	(827,628)	3.2%	d, l	18
19 Net Blue Shield HMO Excess(Shortage)	-	(40,665)	40,665	-100.0%		19
20 Kaiser-HMO						20
21 Revenues	288,059,869	282,453,687	5,606,182	2.0%		21
22 Expenses	(287,474,696)	(281,076,349)	(6,398,347)	2.3%		22
23 Net Kaiser- HMO Excess(Shortage)	585,173	1,377,338	(792,165)	-57.5%		23
24 Vision Service Plan, All (City Plan & HMO)						24
25 Revenues	4,141,885	3,996,700	145,185	3.6%	d, l	25
26 Expenses	(4,141,885)	(3,996,700)	(145,185)	3.6%	d, l	26
27 Net Vision Service Plan Excess(Shortage)	-	-	-	-		27
28						28
29 Delta Dental - Retired						29
30 Revenues	11,301,856	10,646,499	655,357	6.2%	d, l	30
31 Expenses	(11,226,981)	(10,619,735)	(607,246)	5.7%	d, l	31
32 Net Delta Dental - Retired Excess(Shortage)	74,875	26,764	48,111	179.8%		32
33 Delta Care						33
34 Revenues	842,786	835,432	7,354	0.9%		34
35 Expenses	(841,740)	(828,327)	(13,413)	1.6%		35
36 Net Delta Care Excess(Shortage)	1,046	7,105	(6,059)	-85.3%		36
37 Pacific Union						37
38 Revenues	261,618	268,371	(6,753)	-2.5%		38
39 Expenses	(267,514)	(265,715)	(1,799)	0.7%		39
40 Net Pacific Union Excess(Shortage)	(5,896)	2,656	(8,552)	-322.0%		40
41 Net Dental	70,025	36,525	33,500	91.7%		41
42						42
43 Long Term/Short Term Disability						43
44 Revenues	5,768,688	5,305,883	462,805	8.7%	d	44
45 Expenses	(5,768,688)	(5,304,113)	(464,575)	8.8%	d	45
46 Net Long Term/Short Term Disability Excess(Shortage)	-	1,770	(1,770)	-100.0%		46
47 Flexible Benefits						47
48 Revenues	777,222	794,299	(17,077)	-2.1%		48
49 Expenses	(777,222)	(798,760)	21,538	-2.7%		49
50 Net Flexible Benefits Excess(Shortage)	-	(4,461)	4,461	-100.0%		50
51 Flexible Spending-Dependent Care						51
52 Revenues	3,369,580	3,268,132	101,448	3.1%	g	52
53 Expenses	(3,560,384)	(3,284,485)	(275,900)	8.4%	f	53
54 Net Flexible Spending-Dependent Care Excess(Shortage)	(190,804)	(16,353)	(174,452)	1066.8%		54
55 Flexible Spending -Medical Reimbursement						55
56 Revenues	3,775,045	3,598,272	176,773	4.9%	g	56
57 Expenses	(4,309,604)	(3,430,706)	(878,898)	25.6%	f	57
58 Net Flexible Spending-Medical Reimbursement Excess(Shortage)	(534,559)	167,566	(702,125)	-419.0%		58
59 Healthcare Sustainability Fund (\$2.05)						59
60 Revenues	1,345,905	1,302,208	43,697	3.4%	e	60
61 Expenses	(1,111,666)	(850,719)	(260,947)	30.7%	e	61
62 Net Healthcare Sustainability Fund (\$2.05) Excess(Shortage)	234,239	451,489	(217,250)	-48.1%		62
63 NET INSURANCE PRODUCTS	164,073	1,973,209	(1,809,135)	-91.7%		63
64 SAVINGS AND INVESTMENTS						64
65 Interest	319,676	592,359	(272,683)	-46.0%	b	65
66 Performance guarantees	224,710	446,800	(222,090)	-49.7%		66
67 Forfeitures	-	-	-	-		67
68 TOTAL SAVINGS & INVESTMENTS	544,386	1,039,159	(494,773)	-47.6%		68
69 TOTAL NET EXCESS (SHORTAGE)	(9,896,100)	(4,794,268)	(5,101,833)	106.4%		69

Notes: a decrease in membership
b decrease in cash balance
c decrease in deductions
d increase in membership
e \$.05 per member per month for communications, wellness, actuarial work

f increase in claims
h decrease in rates
l increase in rates
g increase in deductions



Health Service System
CITY & COUNTY OF SAN FRANCISCO

HEALTH SERVICE SYSTEM - ADMINISTRATION
STATEMENT OF REVENUES AND EXPENDITURES
As of April 30, 2016

YEAR-TO DATE				ANNUAL						
Fav/(Unfav)				Fav/(Unfav)						
Budget	Actual	Variance	% Var	Original Budget	Carryforward/ Changes	Revised Budget	Projection	Variance	% Var	
REVENUES										
385,442	75	(385,367)	-100.0%	462,530	0	462,530	462,530	0	0.0%	Non-Operating Revenue
8,568,410	8,568,410	0	0.0%	10,264,090	15,000	10,279,090	10,279,090	0	0.0%	Work Order Recovery
349,999	349,999	0	0.0%	0	349,999	349,999	349,999	0	0.0%	General Fund Carryforward
9,303,850	8,918,484	(385,367)	-4.1%	10,726,620	364,999	11,091,619	11,091,619	0	0.0%	TOTAL REVENUES
EXPENDITURES										
4,063,097	3,784,117	278,980	6.9%	4,875,716	0	4,875,716	4,875,716	0	0.0%	Personnel Services
1,867,903	1,742,741	125,161	6.7%	2,241,483	0	2,241,483	2,241,483	0	0.0%	Mandatory Fringe Benefits
1,800,142	1,569,224	230,918	12.8%	1,923,266	236,904	2,160,170	2,160,170	0	0.0%	Non-personnel Services
38,225	26,688	11,537	30.2%	41,700	4,170	45,870	45,870	0	0.0%	Materials & Supplies
62,500	0	62,500	100.0%	75,000	0	75,000	75,000	0	0.0%	Equipment
1,411,150	1,198,446	212,704	15.1%	1,569,455	123,925	1,693,380	1,693,380	0	0.0%	Services of Other Departments
9,243,016	8,321,216	921,800	10.0%	10,726,620	364,999	11,091,619	11,091,619	0	0.0%	TOTAL EXPENDITURES
60,835	597,268	536,433	882%	0	0	0	0	0	0.0%	REVENUE LESS EXPENDITURES