

HEALTH SERVICE SYSTEM
CITY & COUNTY OF SAN FRANCISCO

Memorandum

DATE: August 11, 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 May 31, 2016

This report summarizes revenues and expenses of the Employee Benefit Trust Fund (Trust Fund) and the General Fund Administration Budget through May 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 May 2016, the fund balance is projected to be \$69.4 million as of June 30, 2016. The projected \$12.1 million decrease includes reserves for unpaid claims and is a result of the following changes:

1. City Plan - \$10.4 million decrease in fund balance resulting from:
 - a. \$0.7 million increase in fund balance from pharmacy rebates (additional information on page 3)
 - b. \$11.1 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
 - 0.4 million due to unfavorable claim experience
2. Blue Shield Flex Plan - \$6.6 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. \$11.6 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
 - \$6.7 million due to unfavorable claim experience
3. Self-insured dental plan - \$3.6 million increase in fund balance associated with:
- a. \$4.2 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
4. Medical HMOs - \$0.2 million increase in fund balance from contract premium arrangements for new enrollees, termed members, and members eligible for Medicare. This is a result of the timing of premium collections and payments to health plans based on benefit calendars and HSS rules. For example, SFUSD contributes more in the spring to cover the summer months when employees are on unpaid leave.
5. Flexible Spending Accounts - \$0.2 million decrease in fund balance due to an excess of claim reimbursements over member contributions for the reporting period as a result of timing of FSA contributions and claim submission.
6. 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 and is allocated between the employer and employee based on the applicable contribution model.

	Original Budget	Revised Budget	May YTD Actuals	Projection	Balance
Revenues/Premiums	\$ 1,555,310	\$ 1,555,310	\$ 1,482,594	\$ 1,610,259	\$ 54,949
Expenditures					
Personnel Services and Mandatory Fringes	481,308	\$ 481,308	\$ 323,772	\$ 422,350	\$ 58,958
Communications					
Open Enrollment Communications	288,867	288,867	302,301	304,763	(15,896)
Operations Communications	14,700	34,700	64,684	109,350	(74,650)
Wellness Communications	28,000	68,000	10,151	63,000	5,000
Other Communications	9,033	19,033	12,790	23,084	(4,051)
Total Communications	\$ 340,600	\$ 410,600	\$ 389,926	\$ 500,197	\$ (89,597)
Wellness	286,460	286,460	246,538	269,170	17,290
Initiatives to Reduce Health Care Costs	257,500	257,500	234,303	268,090	(10,590)
SFGTV/Board Meetings	-	-	14,728	11,767	(11,767)
Contingency for Unforeseen Issues	189,442	119,442		53,736	65,706
Total Expenditures	\$ 1,555,310	\$ 1,555,310	\$ 1,209,267	\$ 1,525,310	\$ 30,000
Revenue Less Expenses	\$ -	\$ -	\$ 273,327	\$ 84,949	\$ 84,949

The table on the previous page reflects the year to date actuals through May 31, 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.

7. Interest - \$0.4 million increase in fund balance from HSS Trust cash balances
8. Performance guarantees - \$0.5 million increase in fund balance due from Blue Shield for the plan years 2014 and 2015
9. Forfeitures - \$0.3 million increase in fund balance associated with Health Care and Dependent Care FSA for 2015 Plan Year

Pharmacy Rebates

The following table summarizes the FY 2015-16 pharmacy rebates as of May 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	\$2,540,896	April 2015 – December 2015	\$2,800,000
UHC	534,462	October 2014 – December 2015	700,000
Total	\$3,075,358		\$3,500,000

General Fund Administration Budget (including Enterprise Content Management System)

Based on the financial results for the first eleven months of FY 2015-16, a year-end balance of \$0.4 million is projected.



ACTIVE & RETIRED COMBINED

	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess(Shortage)
SELF-INSURANCE			
City Plan, including ASO	39,477,491	48,790,437	(9,312,946)
Blue Shield Flex	267,665,143	272,533,047	(4,867,904)
Delta Dental - Active only, including ASO	42,678,679	38,828,265	3,850,414
TOTAL SELF-INSURANCE	349,821,313	360,151,749	(10,330,436)
INSURANCE PRODUCTS			
Blue Shield-HMO	29,162,610	29,162,610	-
Kaiser-HMO	317,916,763	316,981,989	934,774
Vision Service Plan, All (City Plan & HMO)	4,565,235	4,565,235	-
Sub-total HMO	351,644,608	350,709,834	934,774
Delta Dental - Retired	12,399,891	12,325,656	74,235
Delta Care	925,105	924,225	880
Pacific Union	288,364	294,111	(5,747)
Sub-total Dental	13,613,360	13,543,992	69,368
Long Term/Short Term Disability	6,365,390	6,365,390	-
Flexible Benefits	852,028	852,028	-
Flexible Spending-Dependent Care	3,902,514	3,735,737	166,777
Flexible Spending -Medical Reimbursement	4,380,577	4,627,269	(246,692)
Healthcare Sustainability Fund (\$2.05)	1,482,594	1,209,267	273,327
TOTAL INSURANCE PRODUCTS	382,241,071	381,043,518	1,197,553
SAVINGS AND INVESTMENTS			
Interest	349,697	-	349,697
Performance guarantees	224,710	-	224,710
Forfeitures	-	-	-
TOTAL SAVINGS & INVESTMENTS	574,407	-	574,407
TRANSFERS OUT OF FORFEITURES			
			-
TOTAL FUNDS	732,636,791	741,195,267	(8,558,476)

SUMMARY- In millions

Year-To Date Actual
As of May 2016 - Net

FY15-16
Projected Annual-Net

Self Insurance		
City Plan	(9.3)	(10.4) (a)
Blue Shield-Flex	(4.9)	(6.6) (b)
Dental, Actives	3.9	3.6 (c)
Insurance Products		
Medical HMOs	0.9	0.2
Dental	0.1	0.0
LTD/Flexible Benefits/Flexible Spending	(0.1)	(0.2)
Healthcare Sustainability Fund (\$2.05)	0.3	0.1 (d)
Savings & Investments		
Interest	0.3	0.4
Performance guarantees	0.2	0.5
Forfeitures	0.0	0.3
Transfers Out of Forfeitures	0.0	0.0
TOTAL	(8.6)	(12.1)
Net assets		
Beginning of the year		81.5
End of the year		69.4

(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 \$0.7 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



ACTIVE & RETIRED COMBINED

	For eleven months ended May 31, 2016	For eleven months ended May 31, 2015	\$ Change	% Change	Notes	
1 SELF-INSURANCE						1
2 City Plan, including ASO						2
3 Revenues	39,477,491	45,378,076	(5,900,585)	-13.0%	a, h	3
4 Expenses	(48,790,437)	(45,377,158)	(3,413,279)	7.5%	f	4
5 Net City Plan Excess(Shortage)	(9,312,946)	919	(9,313,865)			5
6 Blue Shield-Flex						6
7 Revenues	267,665,143	253,310,262	14,354,881	5.7%	l	7
8 Expenses	(272,533,047)	(267,515,584)	(5,017,463)	1.9%		8
9 Net Blue Shield-Flex Excess(Shortage)	(4,867,904)	(14,205,322)	9,337,418	-65.7%		9
10 Delta Dental - Active only, including ASO						10
11 Revenues	42,678,679	41,822,978	855,701	2.0%		11
12 Expenses	(38,828,265)	(38,229,410)	(598,855)	1.6%		12
13 Net Delta Dental - Active Excess(Shortage)	3,850,414	3,593,568	256,846	7.1%		13
14 NET SELF-INSURANCE	(10,330,436)	(10,610,835)	280,399	-2.6%		14
15 INSURANCE PRODUCTS						15
16 Blue Shield-HMO						16
17 Revenues	29,162,610	28,426,192	736,418	2.6%		17
18 Expenses	(29,162,610)	(28,466,857)	(695,753)	2.4%		18
19 Net Blue Shield HMO Excess(Shortage)	-	(40,665)	40,665	-100.0%		19
20 Kaiser-HMO						20
21 Revenues	317,916,763	310,993,724	6,923,039	2.2%		21
22 Expenses	(316,981,989)	(309,167,423)	(7,814,566)	2.5%		22
23 Net Kaiser- HMO Excess(Shortage)	934,774	1,826,301	(891,527)	-48.8%		23
24 Vision Service Plan, All (City Plan & HMO)						24
25 Revenues	4,565,235	4,403,628	161,607	3.7%	d, l	25
26 Expenses	(4,565,235)	(4,403,628)	(161,607)	3.7%	d, l	26
27 Net Vision Service Plan Excess(Shortage)	-	-	-	-		27
28						28
29 Delta Dental - Retired						29
30 Revenues	12,399,891	11,770,962	628,929	5.3%	d, l	30
31 Expenses	(12,325,656)	(11,741,165)	(584,491)	5.0%	d, l	31
32 Net Delta Dental - Retired Excess(Shortage)	74,235	29,797	44,438	149.1%		32
33 Delta Care						33
34 Revenues	925,105	919,195	5,910	0.6%		34
35 Expenses	(924,225)	(911,653)	(12,572)	1.4%		35
36 Net Delta Care Excess(Shortage)	880	7,542	(6,662)	-88.3%		36
37 Pacific Union						37
38 Revenues	288,364	294,371	(6,007)	-2.0%		38
39 Expenses	(294,111)	(291,627)	(2,484)	0.9%		39
40 Net Pacific Union Excess(Shortage)	(5,747)	2,744	(8,491)	-309.4%		40
41 Net Dental	69,368	40,083	29,285	73.1%		41
42						42
43 Long Term/Short Term Disability						43
44 Revenues	6,365,390	5,861,947	503,443	8.6%	d	44
45 Expenses	(6,365,390)	(5,861,947)	(503,443)	8.6%	d	45
46 Net Long Term/Short Term Disability Excess(Shortage)	-	-	-	-		46
47 Flexible Benefits						47
48 Revenues	852,028	868,456	(16,428)	-1.9%		48
49 Expenses	(852,028)	(872,917)	20,889	-2.4%		49
50 Net Flexible Benefits Excess(Shortage)	-	(4,461)	4,461	-100.0%		50
51 Flexible Spending-Dependent Care						51
52 Revenues	3,902,514	3,587,144	315,370	8.8%	g	52
53 Expenses	(3,735,737)	(3,461,599)	(274,139)	7.9%	f	53
54 Net Flexible Spending-Dependent Care Excess(Shortage)	166,777	125,545	41,231	32.8%		54
55 Flexible Spending -Medical Reimbursement						55
56 Revenues	4,380,577	3,955,424	425,153	10.7%	g	56
57 Expenses	(4,627,269)	(3,697,485)	(929,784)	25.1%	f	57
58 Net Flexible Spending-Medical Reimbursement Excess(Shortage)	(246,692)	257,939	(504,631)	-195.6%		58
59 Healthcare Sustainability Fund (\$2.05)						59
60 Revenues	1,482,594	1,434,463	48,131	3.4%	e	60
61 Expenses	(1,209,267)	(1,017,677)	(191,590)	18.8%	e	61
62 Net Healthcare Sustainability Fund (\$2.05) Excess(Shortage)	273,327	416,786	(143,459)	-34.4%		62
63 NET INSURANCE PRODUCTS	1,197,553	2,621,528	(1,423,975)	-54.3%		63
64 SAVINGS AND INVESTMENTS						64
65 Interest	349,697	639,849	(290,152)	-45.3%	b	65
66 Performance guarantees	224,710	446,800	(222,090)	-49.7%		66
67 Forfeitures	-	-	-	-		67
68 TOTAL SAVINGS & INVESTMENTS	574,407	1,086,649	(512,242)	-47.1%		68
69 TOTAL NET EXCESS (SHORTAGE)	(8,558,476)	(6,902,659)	(1,655,817)	24.0%		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 May 31, 2016

YEAR-TO DATE				ANNUAL					
Fav/(Unfav)				Fav/(Unfav)					
Budget	Actual	Variance	% Var	Original Budget	Carryforward/ Changes	Revised Budget	Projection	Variance	% Var
REVENUES									
423,986	90	(423,896)	-100.0%	462,530	0	462,530	90	(462,440)	-100.0%
9,423,751	9,423,751	0	0.0%	10,264,090	15,000	10,279,090	10,243,350	(35,740)	-0.3%
349,999	349,999	0	0.0%	0	349,999	349,999	349,999	0	0.0%
10,197,736	9,773,840	(423,896)	-4.2%	10,726,620	364,999	11,091,619	10,593,439	(498,180)	-4.5%
EXPENDITURES									
4,469,406	4,150,819	318,587	7.1%	4,875,716	0	4,875,716	4,513,399	362,317	-7.4%
2,054,693	1,943,058	111,635	5.4%	2,241,483	0	2,241,483	2,119,647	121,836	-5.4%
1,980,156	1,767,525	212,631	10.7%	1,923,266	236,904	2,160,170	1,948,808	211,362	-9.8%
42,048	37,162	4,886	11.6%	41,700	4,170	45,870	42,175	3,695	-8.1%
68,750	0	68,750	100.0%	75,000	0	75,000	21,105	53,895	-71.9%
1,552,265	1,272,174	280,091	18.0%	1,569,455	123,925	1,693,380	1,561,459	131,921	-7.8%
10,167,317	9,170,737	996,580	9.8%	10,726,620	364,999	11,091,619	10,206,593	885,026	-8.0%
30,418	603,102	572,684	1883%	0	0	0	386,846	386,846	