

# SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

## Memorandum

DATE: August 8, 2019

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

FROM: Pamela Levin, Chief Financial Officer

RE: Financial Report as of May 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 eleven 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 May 2019, the fund balance is projected to be \$88.4 million as of June 30, 2019. The projected \$11.0 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	\$ (4.3)	2
Blue Shield Access+ Flex-Funded Plan	8.1	3
Blue Shield Trio Flex-Funded Plan	6.7	4
Delta Dental Self-Funded Plan	(0.7)	5
Health Care Sustainability Fund	0.5	6
Interest	0.7	6
Performance Guarantees	0.5	6
Performance Guarantees – Surrogacy and Adoption Assistance Plan	(0.3)	6
Forfeitures	0.4	6
Transfers Out	(0.6)	6
Total	\$ 11.0	

Pharmacy Rebates are discussed on page 6.

### General Fund Administration Budget (including Online Premium Payment Project)

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

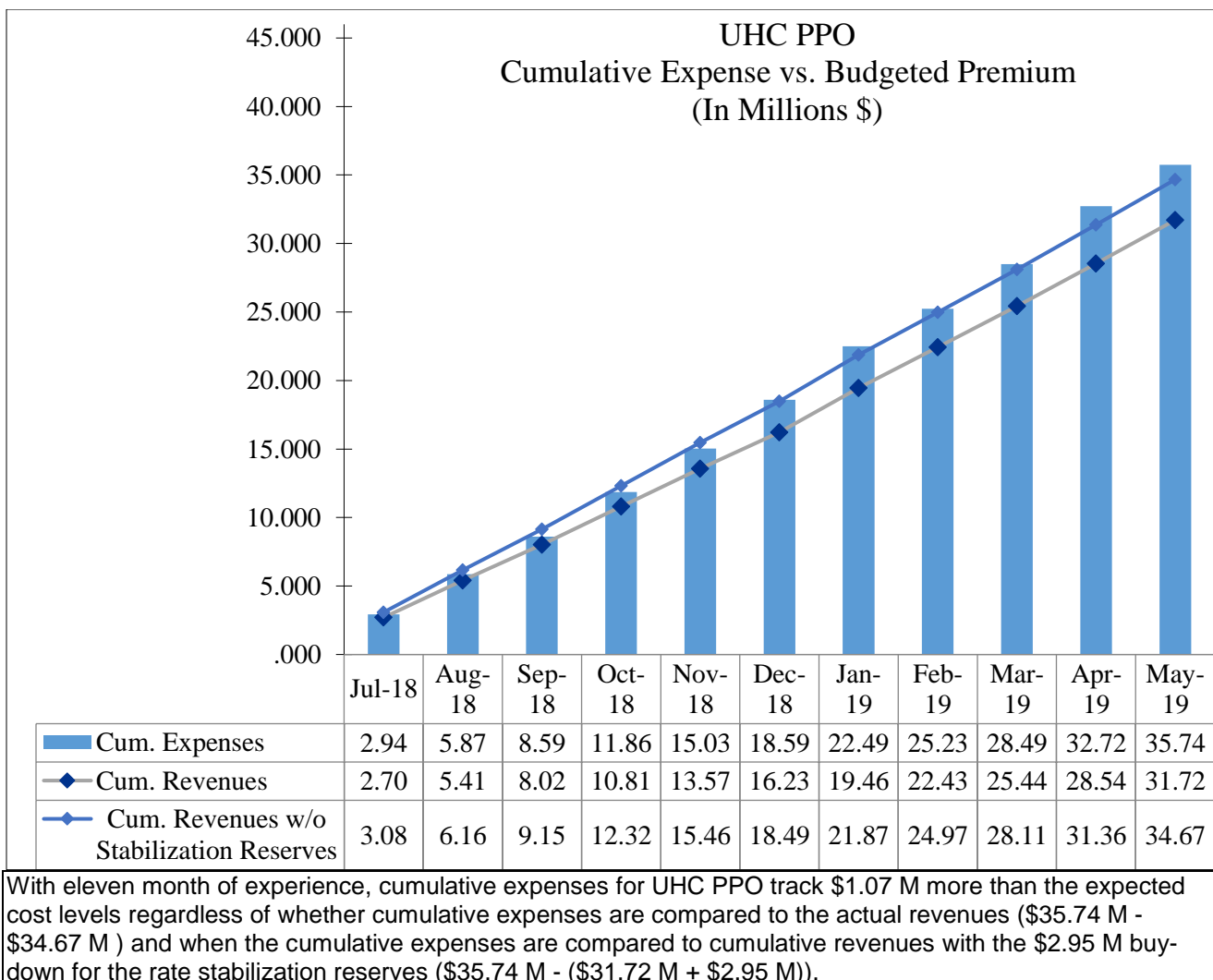
## United Health Care PPO Plan

### Fiscal Year End

A \$4.3 million decrease in fund balance is projected resulting from:

- a. \$5.2 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
  - \$2.1 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 Eleven (11) months



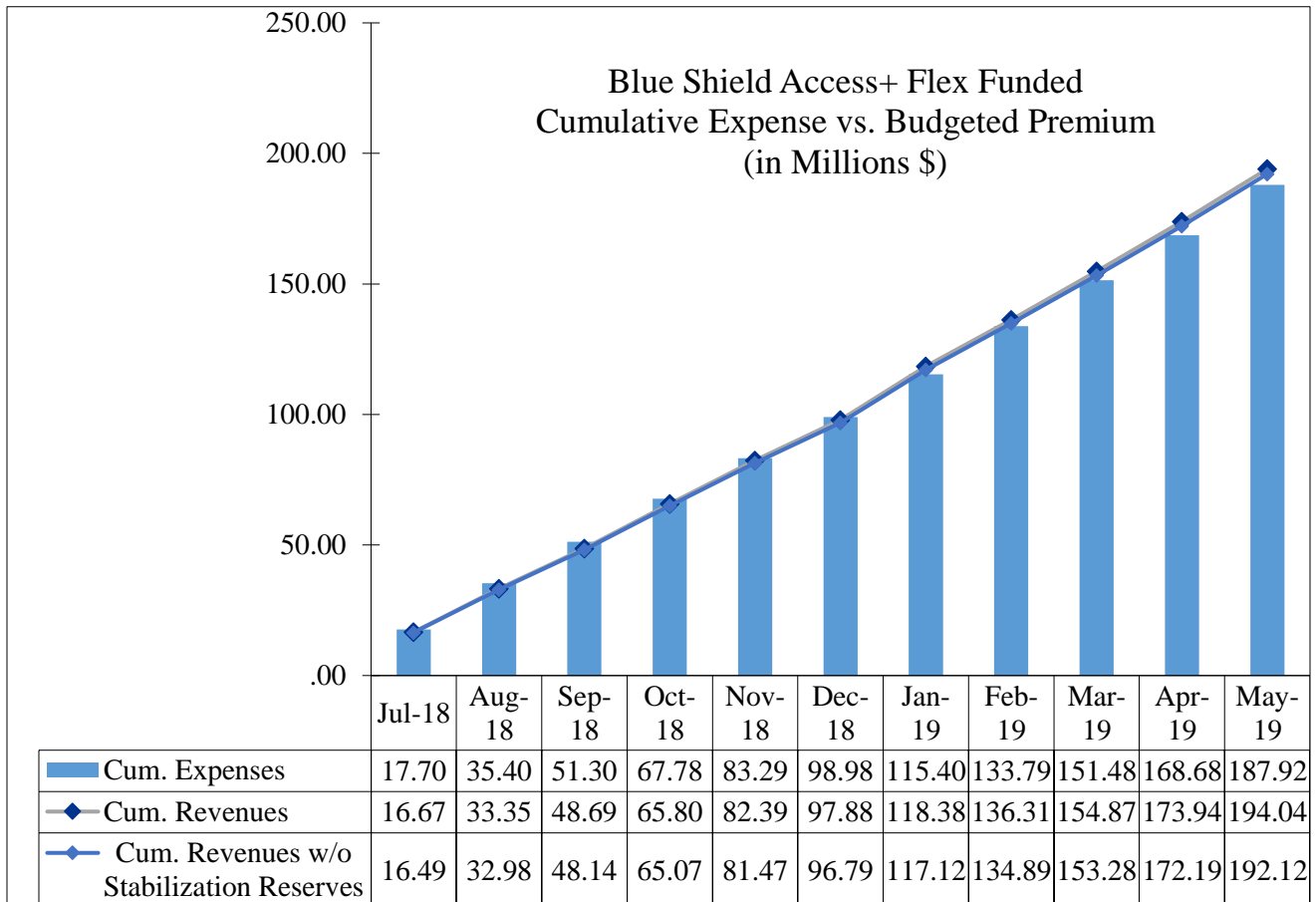
## Blue Shield Access+ Flex Funded Plan

### Fiscal Year End

A \$8.1 million increase in fund balance is projected resulting from:

- a. \$9.2 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
  - \$4.8 million of pharmacy rebates (additional information on page 6)
  - \$2.3 million due to favorable claim experience
  
- b. \$1.1 million decrease in fund balance due to a incentive payment to Brown and Toland ACO for 2018 plan year

### First Eleven (11) Months



With eleven months of experience, cumulative expenses for BSC Access+ continue to track \$4.20 M less than the expected cost levels regardless of whether cumulative expenses are compared to the actual revenues (\$187.92 M - \$192.12 M) and when the cumulative expenses are compared to cumulative revenues with the \$1.92 M buy-up for the rate stabilization reserves (\$187.92M – (\$194.04 M - \$1.92 M)).

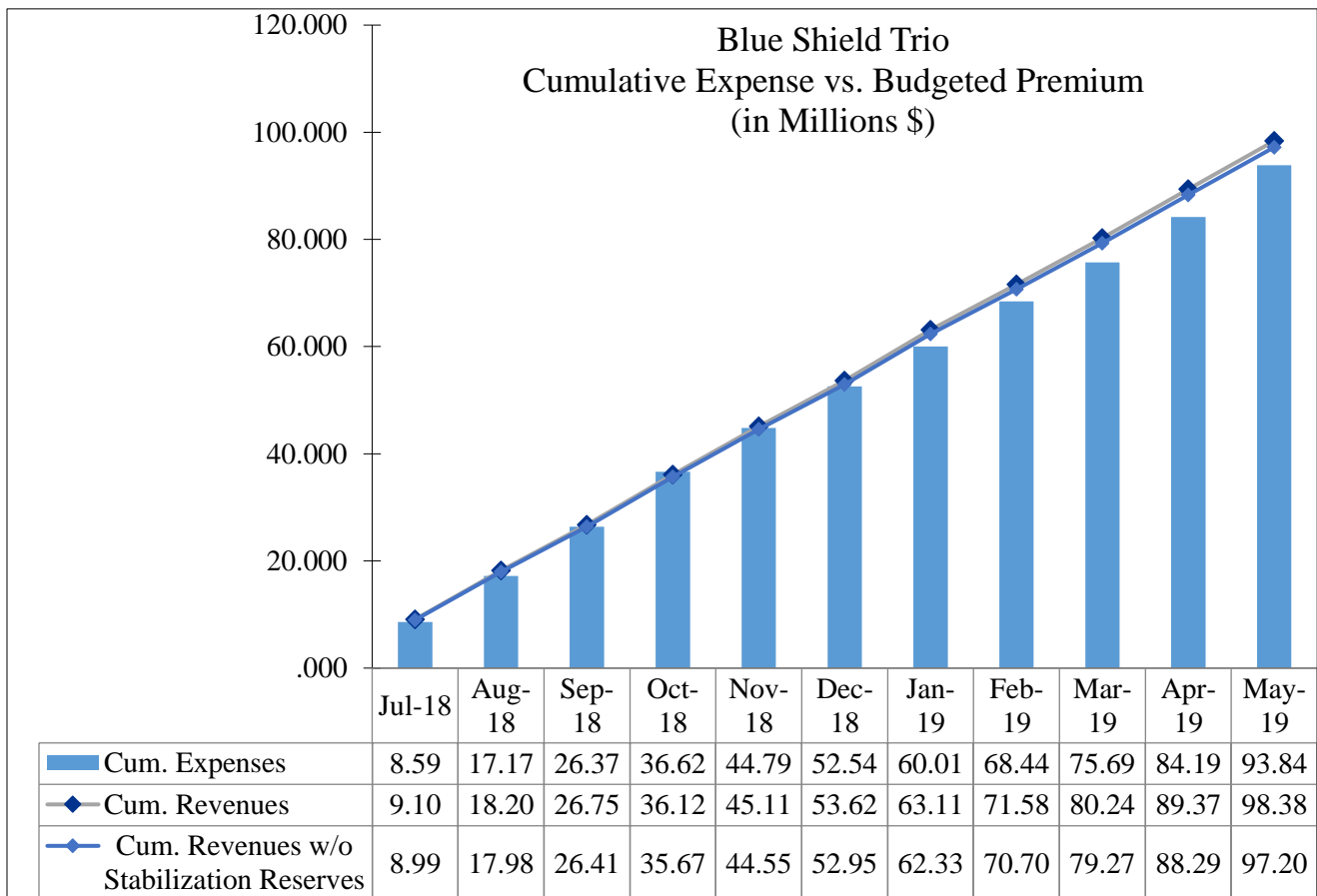
## Blue Shield Trio Flex-Funded Plan

### Fiscal Year End

A \$6.7 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
- \$2.2 million in pharmacy rebates (additional information on page 6)
- \$3.2 million due to favorable claim experience

### First Eleven (11) Months



With eleven months of experience, cumulative expenses for BSC Trio are \$3.36 M less than the expected cost levels regardless of whether cumulative expenses are compared to the actual revenues (\$93.84M - \$97.20 M) and when the cumulative expenses are compared to cumulative revenues with the \$1.18 M buy-up for the rate stabilization reserves (\$93.84 M – (\$98.38 M - \$1.18 M)).

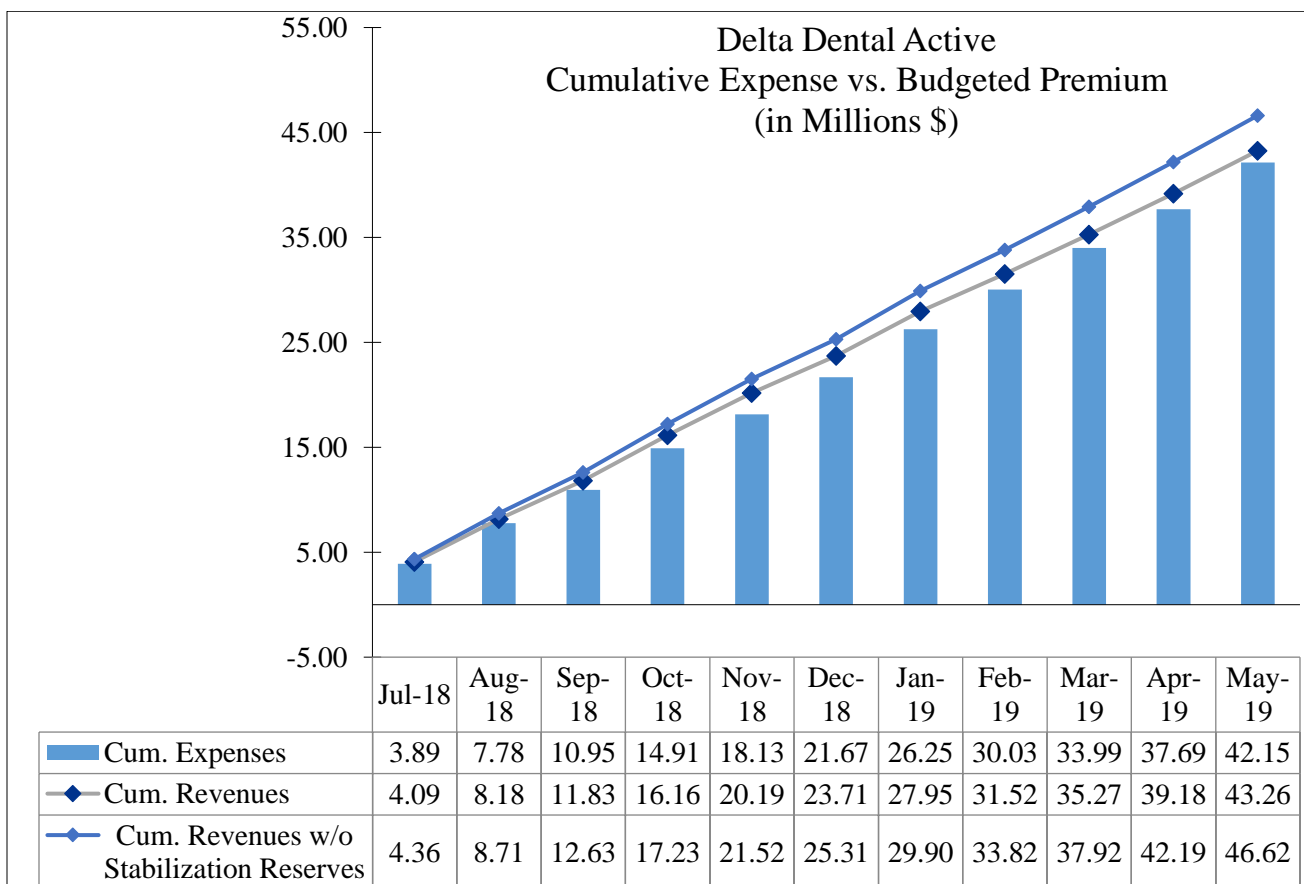
## Delta Dental Self-Funded Plan

### Fiscal Year End

\$0.7 million decrease in fund balance is projected resulting from:

- b. \$3.0 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 Eleven (11) Months



With eleven months of experience, cumulative expenses for Delta Dental are \$4.47 M less than the expected cost levels regardless of whether cumulative expenses are compared to the actual revenues (\$42.15 M - \$46.62 M) and when the cumulative expenses are compared to cumulative revenues with the \$3.36 M buy-down for the rate stabilization reserves (\$42.15 M - (\$43.26 M + \$3.36 M)).

**Other Trust Fund Notes**

**Healthcare Sustainability Fund** - The following table reflects the year-to-date actuals through May 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.

<b>Healthcare Sustainability Fund FY 2018-19</b>				
	<b>Revised Budget</b>	<b>May YTD Actual</b>	<b>Projection</b>	<b>Projected vs. Budget</b>
<b>Revenues/Premiums</b>				
Annual Revenues	\$ 2,441,171	\$ 2,329,266	\$ 2,461,274	\$ 20,103
Total	\$ 2,441,171	\$ 2,329,266	\$ 2,461,274	\$ 20,103
<b>Expenditures</b>				
Annual Expenditures	\$ 2,184,012	\$ 1,395,780	\$ 1,560,222	\$ (623,790)
One-time Expenditures	2,352,808	397,159	439,871	(1,912,937)
Grand Total Expenditures	\$ 4,536,820	\$ 1,792,939	\$ 2,000,092	\$ (2,536,728)
Balance (Annual Revenues - Total Expenditures)	\$ (2,095,649)	\$ 536,327	\$ 461,182	\$ 2,556,831
Carryforward from fund balance	3,399,817	3,399,817	3,399,817	-
<b>Remaining Balance to Carryforward to FY 2019-20</b>	<b>\$ 1,304,168</b>	<b>\$ 3,936,144</b>	<b>\$ 3,860,999</b>	<b>\$ 2,556,831</b>

**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. \$0.4 million was received from forfeitures in FY 2018-19.

**Pharmacy Rebates**

The following table summarizes the FY 2018-19 pharmacy rebates as of May 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	\$4,973,384	\$7,000,000
UHC	\$ 825,063	\$ 900,000
Total	\$5,798,447	\$7,900,000