SAN FRANCISCO
HEALTH SERVICE SYSTEM
Affordable, Quality Benefits & Well-Being

DATE: November 13, 2025

TO: Members of the Health Service Board

FROM: Teresa Tan, Chief Financial and Affordability Officer

SUBJECT: Health Service Board Financial Report as of September 30, 2025

This report presents the sources and uses of the Health Service System Employee Benefit Trust Fund (Trust Fund), the Health Sustainability Fund (HSF), and the General Fund for the three months ended September 30, 2025.

SFHSS administers both the Benefit Trust Fund and HSF. The Trust Fund accounts for healthcare premiums collected and related benefit expenses. The HSF consists of proceeds from the assessment built into the premium rates and expenses supporting wellness, communications, and initiatives to reduce healthcare costs.

Executive Summary

Trust Fund and Health Sustainability Fund

- The fiscal year-end (FYE) trust balance is projected to decrease by $36.9M, primarily due to higher medical claims.
- Pharmacy rebates for the year projected to be $22.2M.
- The Healthcare Sustainability Fund is projected to decrease by $1.2M, resulting in an ending balance of $5.2M
- Interest income for the year is projected to be $3.0M.

General Fund

Net activity is ahead of budget mainly due to position vacancies.

Trust Fund and Health Sustainability Fund with FYE Projection

SUMMARY	FY25-26 Year-to-Date Actual Net as of 09/30/25	FY25-26 Projected Year-End Annual Net	
Flex/Self Insurance			
Blue Shield-Access+	(4,502,487)	(11,029,356)	(a)
Blue Shield-Trio	(2,585,150)	(7,656,173)	(a)
Blue Shield PPO	(5,402,739)	(16,986,282)	(b)
Health Net Canopy Care	(119,281)	(666,123)	
Delta Dental PPO, Actives	(1,028,604)	(1,768,418)	(c)
Fully Insured Plans			
Medical HMOs	1,004,964	-	
Dental	(0)	-	
LTD/Flexible Benefits/FSA	1,663,903	-	
Healthcare Sustainability Fund ($4.00/$6.00)	179,135	(1,183,539)	(d)
Savings & Investments			
Interest	-	3,000,000	
Performance guarantees	-	-	
Surrogacy and adoption	(32,295)	(32,295)	
Forfeitures	-	-	
Transfers Out	0	(580,000)	(g)
TOTAL	(10,822,554)	(36,902,186)	
Net assets			
Beginning of the year		101,580,997	
End of the year		64,678,811	

(a) Annual Projection is net of claim stabilization of $4.3 million to increase 2026 rates, $4.5 million to increase 2025 rates, Pharmacy rebate of $18.0 million, settlement for rate buydown of $1.0 million in 2025
(b) Annual Projection is net of claim stabilization of $2.2 million to decrease 2026 rates, $1.0 million to decrease 2025 rates, Pharmacy rebate of $3.5 million, and settlement for rate buydown of $0.2 million in 2025

(c) Annual Projection is net of claim stabilization of $0.7 million to reduce 2026 rates and $3.0 million to reduce 2025 rates

(d) $4.00/$6.00 per member per month for communications, wellness, actuarial work; is part of a total premium.

(g) Transfer of $580K from forfeitures to General Fund.

Analysis by Health Plan

Blue Shield Access+ Flex Funded Plan
FYE balance is projected to decrease by $11.0M due to the use of Sutter settlement received in the prior year to reduce rates and high hospital and pharmacy claims.

Blue Shield Trio Flex-Funded Plan
FYE balance is projected to decrease by $7.7M due to the use of Sutter settlement to reduce rates and higher claims mainly due to high hospital and pharmacy claims.

Blue Shield/United Health Care Administered PPO
FYE balance is projected to decrease by $17.0M due to claim stabilization and unfavorable claims.

Delta Dental PPO (Actives Only) Self-Funded Plan
The FYE balance is projected to decrease by $1.8M due to claim stabilization.

Other Trust Fund Notes

Healthcare Sustainability Fund

The Healthcare Sustainability Fund resides within the Trust Fund and is designated for member communications, programs to reduce healthcare costs and member well-being programs.

The FYE balance is projected to decrease by $1.2M to a total of $5.2M.

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Healthcare Sustainability Fund FY 2025-26

	FY 2024-25 Actuals & June YTD	FY2025-26 Budget Request (HSS Board Approved)	FY2025-26 Carryforward Budget	FY2025-26 Adjustments	FY 2025-2026 Revised Budget + ADj C/F	FY 2025-26 Actuals Sep YTD	FY 25-26 Projection
REVENUE SOURCES							
Annual Revenues	$ 3,027,230	$ 4,371,120		$ -	$ 4,371,120	$ 863,113	$ 4,371,120
Other Revenue	-			$ -		-	-
Carryforward from Fund Balance	6,614,082	$ 5,143,777	-	-	5,143,777	6,413,208	6,413,208
TOTAL	**$ 9,641,312**	**$ 9,514,897**	**$ -**	**$ -**	**$ 9,514,897**	**$ 7,276,321**	**$ 10,784,328**
EXPENDITURE USES							
Personnel	**$ 1,879,270**	**$ 2,919,350**		**$ -**	**$ 2,919,350**	**$ 551,978**	**$ 2,919,350**
Administrative	30,096	45,000	-	-	45,000	5,988	29,000
Member Communications	598,026	1,032,000	133,472	-	1,165,472	106,625	1,027,000
Communications - Other	177,456	644,406	322,427	-	966,833	2,148	644,406
Well-Being	164,184	435,781	22,900	-	458,681	17,239	329,574
Initiatives to Reduce Health Care Costs	379,073	455,329	-	150,000	605,329	-	605,329
Other Projects	-	-	-		-	-	-
TOTAL	**$ 3,228,104**	**$ 5,531,866**	**$ 478,800**	**$ 150,000**	**$ 6,160,666**	**$ 683,978**	**$ 5,554,659**
REVENUE - EXP. (excl. carry forward fund balance)	(200,874)	(1,160,746)	(478,800)	(150,000)	(1,789,546)	179,135	(1,183,539)
BALANCE	**$ 6,413,208**	**$ 3,983,031**	**$ (478,800)**	**$ (150,000)**	**$ 3,354,231**	**$ 6,592,343**	**$ 5,229,669**

Pharmacy Rebates

Rebates for the year are projected to be $22.2M.

	Actual	Projected Full Year
Blue Shield Access+ HMO	3,213,734	12,854,938
Blue Shield Trio HMO	1,294,176	5,176,704
UHC and BS PPO	884,201	3,536,806
HealthNet	165,801	663,205
TOTAL	**$ 5,557,913**	**$ 22,231,652**

General Fund

The FY 2026 budget has been adjusted for carryforward commitments made before June 30, 2025. Net activity is ahead of budget mainly due to vacancies.

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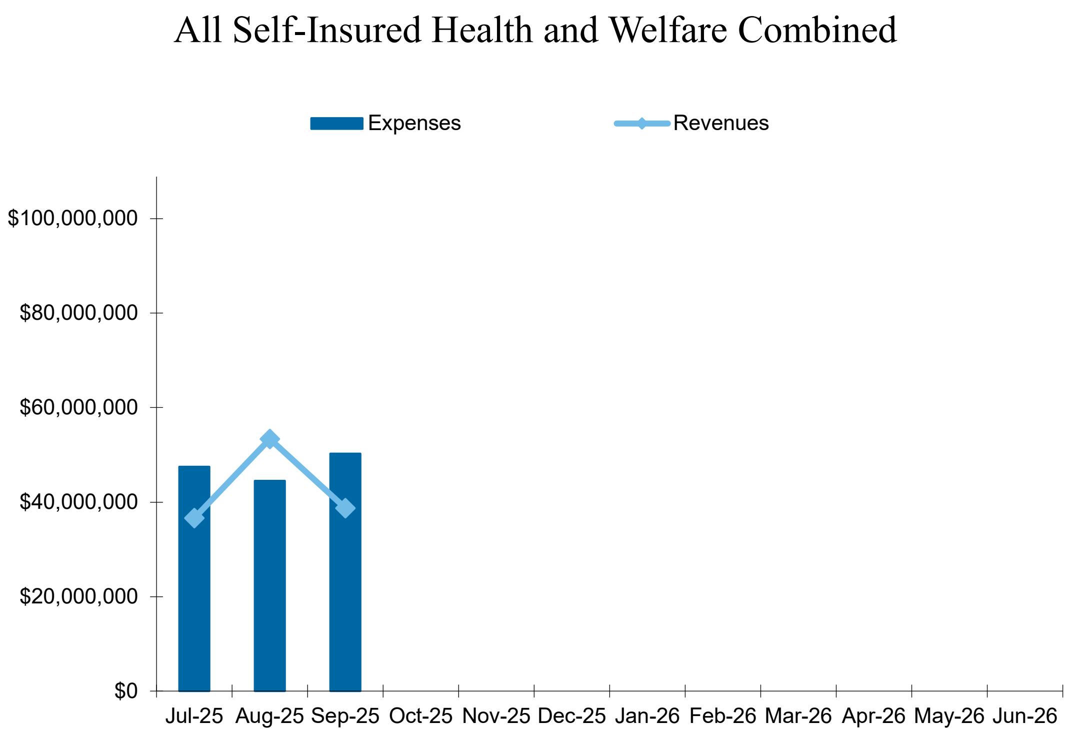
General Fund Administration Budget FY 2025-26

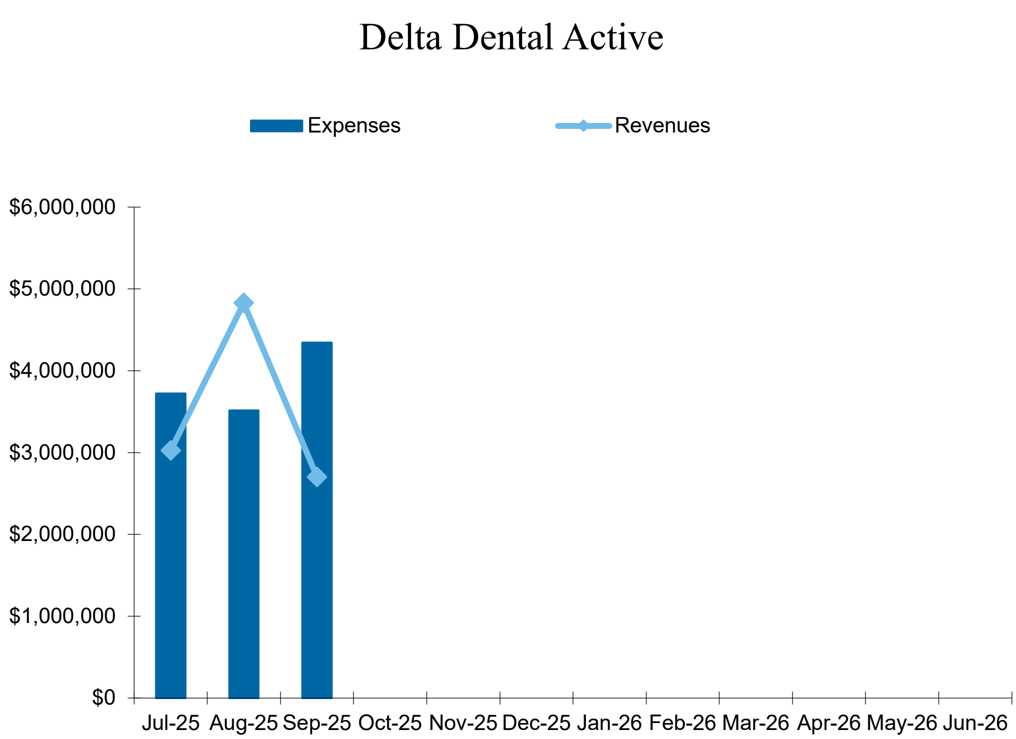
ANNUALIZED AS OF 09/30/25

	FY 2025-26 Approved Budget	FY2025-26 Carryforward Budget	FY2024-25 Adjustments	FY 2025-26 Revised Budget	FY 2025-26 Actuals Sep YTD	FY 2025-26 Projection	Fav/(Unfav) Variance
REVENUES							
Non-Operating Revenue	$ -		$ -	$ -	$ -	$ -	$ -
Operating Work Order Recovery	11,682,123	-	2,172	11,684,295	2,922,980	11,684,295	-
Other Revenue	580,000		-	580,000	-	580,000	-
General Fund Carryforward	-	567,852		567,852	567,852	567,852	-
Interfund Transfer	-			-	-	-	-
TOTAL REVENUES	**$ 12,262,123**	**$ 567,852**	**$ 2,172**	**$ 12,832,147**	**$ 3,490,832**	**$ 12,832,147**	**$ -**
EXPENDITURES							
Personnel Services	$ 5,629,021		$ -	$ 5,629,021	$ 1,335,838	$ 5,414,804	$ (214,217)
Mandatory Fringe Benefits	2,380,533		-	2,380,533	556,211	2,344,507	(36,026)
Non-personnel Services	2,294,577	455,387	-	2,749,964	520,968	2,749,964	-
Materials & Supplies	36,758	5,958	-	42,716	10,307	42,716	-
Services of Other Departments	1,921,234	106,508	2,172	2,029,914	432,492	2,029,914	-
TOTAL EXPENDITURES	**$ 12,262,123**	**$ 567,852**	**$ 2,172**	**$ 12,832,147**	**$ 2,855,816**	**$ 12,581,904**	**$ (250,243)**
BALANCE	**$ -**	**$ (0)**	**$ -**	**$ (0)**	**$ 635,016**	**$ 250,243**	**$ 250,243**

All Flex Funded Medical Plans



Dental



Supplemental Tables – Trust Fund Activity- Current FY

SAN FRANCISCO
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STATEMENT OF REVENUES AND EXPENSES
FY 2025-2026
FOR 3 MONTHS ENDED SEPTEMBER 30, 2025

ACTIVE & RETIRED COMBINED	**Year-To-Date Revenues**	**Year-To-Date Expenses**	**Year-To-Date Net Excess (Shortage)**
FLEX/SELF-INSURED PLANS			
Blue Shield Access+ HMO*, **	74,111,454	78,613,940	(4,502,487)
Blue Shield Trio HMO*	26,071,106	28,656,256	(2,585,150)
Blue Shield and United PPO	17,992,279	23,395,018	(5,402,739)
Health Net Canopy Care	3,617,948	3,737,229	(119,281)
Delta Dental PPO- (Active only)	10,555,128	11,583,733	(1,028,604)
TOTAL FLEX/SELF-INSURED PLANS	**132,347,915**	**145,986,177**	**(13,638,261)**
FULLY INSURED PLANS			
Blue Shield MAPD	29,323,019	29,323,019	-
Kaiser-HMO	146,220,684	145,215,719	1,004,964
Vision Service Plan	2,942,311	2,942,311	0
Sub-total HMO	178,486,014	177,481,050	1,004,964
Delta Dental PPO - Retirees	5,437,481	5,437,481	-
Delta Care	226,547	226,547	(0)
UHC Dental	95,919	95,919	-
Sub-total Dental	5,759,946	5,759,947	(0)
Long Term/Short Term Disability	1,943,363	1,944,463	(1,101)
Flexible Benefits	1,399,167	1,197,270	201,897
Flexible Spending-Dependent Care	1,353,256	975,942	377,315
Flexible Spending -Medical Reimbursement	3,874,530	2,788,738	1,085,791
Healthcare Sustainability Fund ($4.00)	863,113	683,978	179,135
Adoption & Surrogacy		32,295	(32,295)
Sub-total Other Benefits	9,433,429	7,622,686	1,810,743
TOTAL FULLY INSURED PLANS	**193,679,389**	**190,863,682**	**2,815,707**
SAVINGS AND INVESTMENTS			
Interest	-		-
Performance guarantees	-		-
Forfeitures			-
TOTAL SAVINGS & INVESTMENTS	-	-	**-**
TRANSFERS OUT OF FORFEITURES			**0**
TOTAL FUNDS	**326,027,305**	**336,849,859**	**(10,822,554)**

* Expenses are net of pharmacy rebates - see report for details, ** includes Sutter settlement

Supplemental Tables - Trust Fund Activity- with Prior Year

SAN FRANCISCO
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STATEMENTS OF REVENUES AND EXPENSES
FY 2025-2026 VS FY 2024-2025
YEAR-TO-DATE: SEPTEMBER 30, 2025

ACTIVE & RETIRED COMBINED	**For 3 Months Ended September 30, 2025**	**For 3 Months Ended September 30, 2024**	**$ Change**	**% Change**	
FLEX/SELF-INSURED PLANS					
Blue Shield-Access+ HMO					
Revenues	74,111,454	66,320,654	7,790,800	11.7%	l, d
Expenses	(78,613,940)	(68,955,840)	(9,658,100)	14.0%	f
Net Blue Shield-Access Excess(Shortage)	(4,502,487)	(2,635,187)	(1,867,300)	70.9%	
Blue Shield-Trio HMO					
Revenues	26,071,106	24,308,512	1,762,595	7.3%	
Expenses	(28,656,256)	(27,601,628)	(1,054,629)	3.8%	f
Net Blue Shield-Trio Excess(Shortage)	(2,585,150)	(3,293,116)	707,966	-21.5%	
Blue Shield and United PPO					
Revenues	17,992,279	18,541,084	(548,804)	-3.0%	a
Expenses	(23,395,018)	(17,151,147)	(6,243,871)	36.4%	f
Net BSC and United PPO Excess(Shortage)	(5,402,739)	1,389,937	(6,792,676)	-488.7%	
Health Net Canopy Care					
Revenues	3,617,948	3,384,588	233,360	6.9%	
Expenses	(3,737,229)	(2,948,503)	(788,726)	26.8%	f
Net Health Net Canopy Care Excess(Shortage)	(119,281)	436,085	(555,366)	-127.4%	
Delta Dental PPO (Active only)					
Revenues	10,555,128	10,404,351	150,778	1.4%	
Expenses	(11,583,733)	(11,439,811)	(143,922)	1.3%	
Net Delta Dental PPO- (Active Only) Excess(Shortage)	(1,028,604)	(1,035,460)	6,856	-0.7%	
NET FLEX/SELF-INSURED PLANS	**(13,638,261)**	**(5,137,742)**	**(8,500,520)**	**165.5%**	

Notes:

a decrease in membership
b administered by Blue Shield effective 1/1/25, UHC prior
c decrease in deductions
d increase in membership
e communications, wellness expenses funded by $4 pmpm
f increase in claims
g increase in deductions
h decrease in rates
l increase in rates
j decrease in claims
k Payperiod Timing

Supplemental Tables - Trust Fund Activity- with Prior Year (continued)

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STATEMENTS OF REVENUES AND EXPENSES
FY 2025-2026 VS FY 2024-2025
YEAR-TO-DATE: SEPTEMBER 30, 2025

ACTIVE & RETIRED COMBINED	**For 3 Months Ended September 30, 2025**	**For 3 Months Ended September 30, 2024**	**$ Change**	**% Change**	
FULLY INSURED PLANS					
Kaiser-HMO					
Revenues	146,220,684	141,801,306	4,419,378	3.1%	
Expenses	(145,215,719)	(137,445,335)	(7,770,385)	5.7%	I, d
Net Kaiser- HMO Excess(Shortage)	1,004,964	4,355,971	(3,351,007)	-76.9%	
Blue Shield and UHC MAPD					b
Revenues	29,323,019	28,041,746	1,281,274	4.6%	I,d
Expenses	(29,323,019)	(28,041,746)	(1,281,274)	4.6%	I,d
Net ble Shield and UHC MAPD Excess(Shortage)	0	0	0		
Vision Service Plan, All (City Plan & HMO)					
Revenues	2,942,311	2,858,265	84,046	2.9%	
Expenses	(2,942,311)	(2,803,756)	(138,555)	4.9%	I, d
Net Vision Service Plan Excess(Shortage)	0	54,509	(54,509)		
Delta Dental PPO - Retirees					
Revenues	5,437,481	5,200,766	236,714	4.6%	I, d
Expenses	(5,437,481)	(5,200,766)	(236,714)	4.6%	I, d
Net Delta Dental PPO - Retirees Excess(Shortage)	0	0	0		
Delta Care					
Revenues	226,547	226,713	(166)	-0.1%	
Expenses	(226,547)	(226,428)	(119)	0.1%	
Net Delta Care Excess(Shortage)	(0)	285	(285)		
UHC Dental					
Revenues	95,919	108,067	(12,148)	-11.2%	a
Expenses	(95,919)	(104,042)	8,124	-7.8%	a
Net UHC Dental Excess(Shortage)	0	4,025	(4,025)		
Long Term/Short Term Disability					
Revenues	1,943,363	1,904,016	39,346	2.1%	
Expenses	(1,944,463)	(1,904,016)	(40,447)	2.1%	
Net Long Term/Short Term Disability Excess(Shortage)	(1,101)	0	(1,101)		
Flexible Benefits					
Revenues	1,399,167	1,273,243	125,924	9.9%	k
Expenses	(1,197,270)	(1,273,243)	75,974	-6.0%	c
Net Flexible Benefits Excess(Shortage)	201,897	0	201,897		
Flexible Spending-Dependent Care					
Revenues	1,353,256	1,614,813	(261,556)	-16.2%	c
Expenses	(975,942)	(1,059,801)	83,859	-7.9%	j
Net Flexible Spending-Dependent Care Excess(Shortage)	377,315	555,012	(177,698)	-32.0%	
Flexible Spending -Medical Reimbursement					
Revenues	3,874,530	3,690,562	183,968	5.0%	g
Expenses	(2,788,738)	(2,324,072)	(464,667)	20.0%	f
Net Flexible Spending-Medical Reimbursement Excess(Shortage)	1,085,791	1,366,490	(280,699)	-20.5%	
Adoption & Surrogacy					
Expenses	(32,295)	(31,365)	(930)	3.0%	
Healthcare Sustainability Fund ($4.00)					
Revenues	863,113	643,986	219,127	34.0%	d
Expenses	(683,978)	(929,045)	245,067	-26.4%	e
Net Healthcare Sustainability Fund ($4.00) Excess(Shortage)	179,135	(285,059)	464,194	-162.8%	
NET FULLY INSURED PLANS	**2,815,707**	**6,019,868**	**(3,204,161)**	**-53.2%**	
TOTAL NET EXCESS (SHORTAGE)	**(10,822,554)**	**882,126**	**(11,704,680)**	**-1326.9%**	

Notes:

- **a decrease in membership**
- **b administered by Blue Shield effective 1/1/25, UHC prior**
- **c decrease in deductions**
- **d increase in membership**
- **e communications, wellness expenses funded by $4 pmpm**
- **f increase in claims**
- **g increase in deductions**
- **h decrease in rates**
- **I increase in rates**
- **j decrease in claims**
- **k Payperiod Timing**