DATE: August 13, 2026

TO: Members of the Health Service Board

FROM: Teresa Tan, Chief Financial and Affordability Officer

SUBJECT: Health Service Board Financial Report as of May 31, 2026

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 eleven months ended May 31, 2026.

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 $33.8M, primarily due to higher medical claims.
- Pharmacy rebates for the year projected to be $22.1M.
- The Healthcare Sustainability Fund is projected to increase by $1.3M, resulting in an ending balance of $7.7M
- Interest income for the year is projected to be $5.5M.

General Fund

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

Trust Fund and Healthcare Sustainability Fund with FYE Projection

SUMMARY	FY25-26 Year-to-Date Actual Net as of 05/31/26	FY25-26 Projected Year-End Annual Net	
Flex/Self Insurance			
Blue Shield-Access+	$ (20,981,576)	$ (20,227,128)	a)
Blue Shield-Trio	(4,060,629)	(3,778,568)	a)
Blue Shield PPO	(13,110,000)	(13,723,124)	b)
Health Net Canopy Care	(785,103)	(758,957)	c)
Delta Dental PPO, Actives	(1,596,744)	(1,528,630)	d)
Fully Insured Plans			
Medical HMOs	(2,002,685)	-	
Dental	(388)	-	
LTD/Flexible Benefits/FSA	(166,964)	-	
Healthcare Sustainability Fund ($4.00/$6.00)	1,353,599	1,328,809	(e)
Savings & Investments			
Interest	4,303,066	5,500,000	
Performance guarantees	63,493	63,493	
Surrogacy and adoption	(96,885)	(96,885)	
Transfers Out	0	(580,000)	(f)
TOTAL	**$ (37,080,816)**	**$ (33,800,990)**	
Net assets			
Beginning of the year		101,580,997	
End of the year		**$ 67,780,007**	

(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 $0.4 million to decrease 2026 rates, $0.2 million to decrease 2025 rates, Pharmacy rebate of $0.6 million
(d) Annual Projection is net of claim stabilization of $0.7 million to reduce 2026 rates and $3.0 million to reduce 2025 rates
(e) $4.00/$6.00 per member per month for communications, wellness, actuarial work; is part of a total premium.
(f) 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 $20.2M due to the use of Sutter settlement to reduce rates and higher claims mainly due to high hospital and pharmacy claims.

Blue Shield Trio Flex-Funded Plan
FYE balance is projected to decrease by $3.8M 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 $13.7M due to claim stabilization and higher claims.

Health Net Canopy Care
FYE balance is projected to decrease by $0.8M due to claim stabilization and higher claims.

Delta Dental PPO (Actives Only) Self-Funded Plan
The FYE balance is projected to decrease by $1.5M 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 increase by $1.3M to a total of $7.7M.

	FY 25-26 Budget + ADJ C/F	FY 25-26 Actuals May YTD	FY25-26 Projection
REVENUE SOURCES			
Annual Revenues	$ 4,371,120	$ 3,906,089	$ 4,342,231
Carryforward from Fund Balance	5,143,777	6,413,208	6,413,208
TOTAL	**$ 9,514,897**	**$10,319,297**	**$ 10,755,439**
EXPENDITURE USES			
Personnel	$ 2,919,350	$ 2,153,424	$ 2,385,050
Administrative	45,000	4,395	31,438
Member Communications	1,211,085	410,072	413,335
Communications - Other	966,833	76,290	251,203
Well-Being	479,194	23,299	34,937
Initiatives to Reduce Health Care Costs	605,333	(114,990)	(102,540)
TOTAL	**$ 6,226,796**	**$ 2,552,490**	**$ 3,013,422**
REV - EXP (excl. carry forward bal)	(1,855,676)	1,353,599	1,328,809
BALANCE	**$ 3,288,101**	**$ 7,766,806**	**$ 7,742,017**

Pharmacy Rebates

Rebates for the year are projected to be $22.1M.

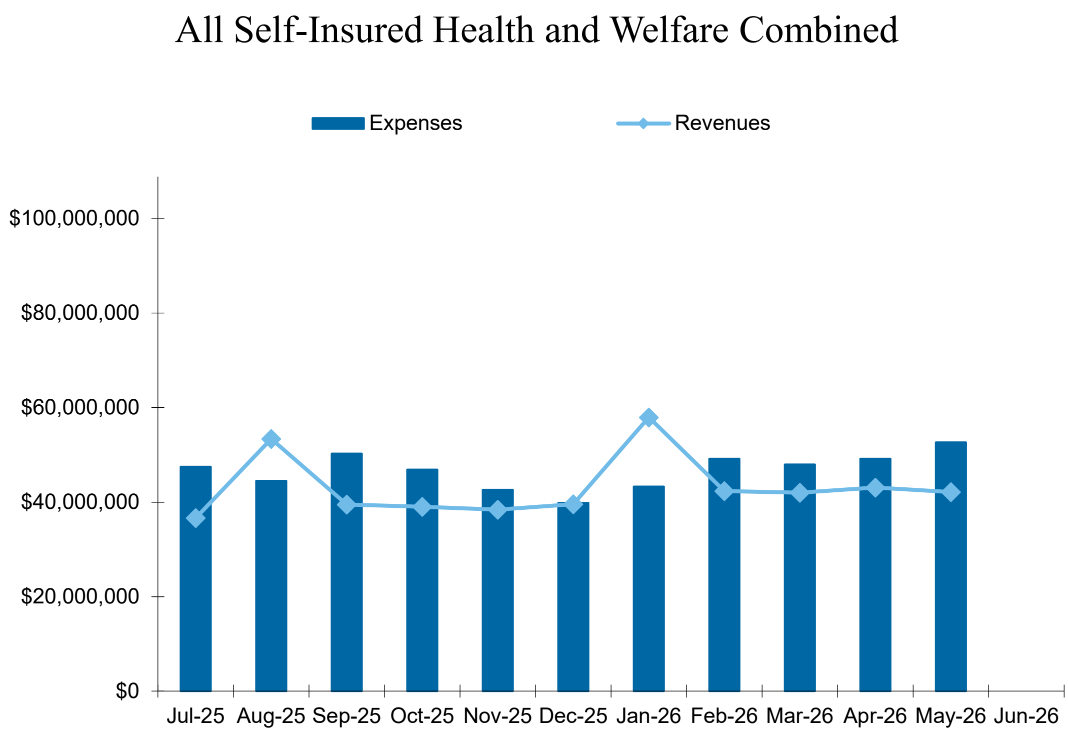
	Actual	Projected Full Year
Blue Shield Access+ HMO	9,647,338	12,863,117
Blue Shield Trio HMO	3,873,734	5,164,978
UHC and BS PPO	2,591,320	3,455,093
HealthNet	428,191	570,921
TOTAL	**$ 16,540,583**	**$ 22,054,110**

General Fund

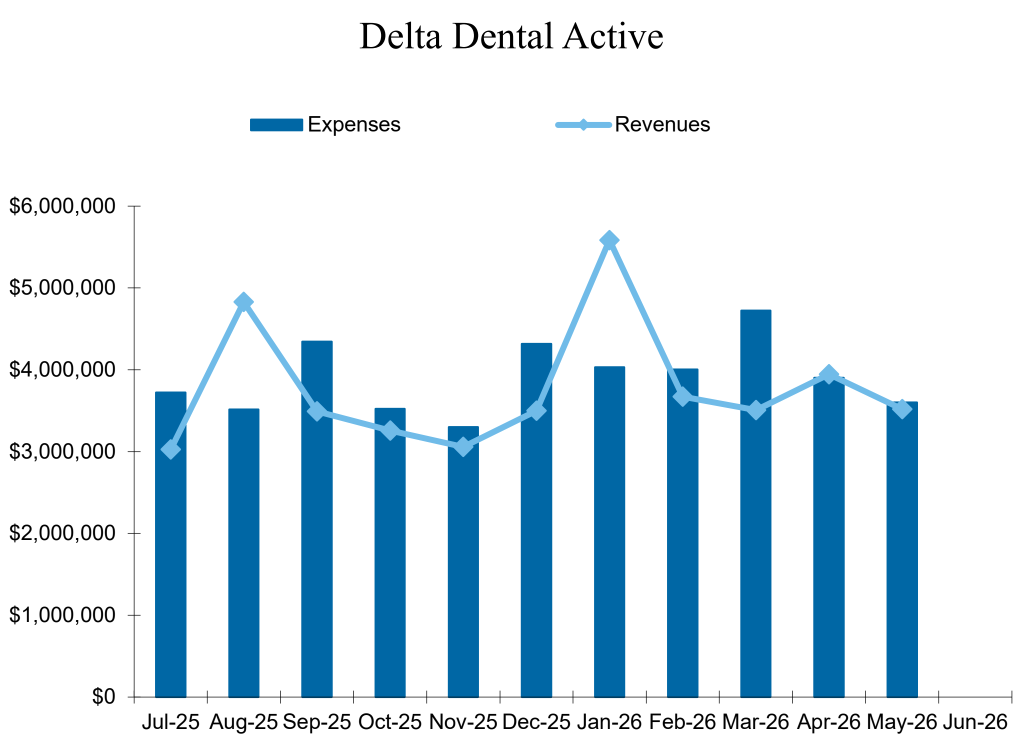
The FY 25-26 budget has been adjusted for carryforward commitments made before June 30, 2025. Net activity is ahead of budget mainly due to vacancies.

	FY 25-26 Budget	Total Actual YTD	FY 25-26 Projection	Fav/(Unfav) Variance
Revenues				
Operating Work Order Recovery	$ 11,692,932	10,714,909	$ 11,649,837	$ (43,095)
Other Revenue	580,000	-	580,000	-
General Fund Carryforward	567,852	567,852	567,852	(0)
Total Revenues	**$ 12,840,784**	**$ 11,282,761**	**$ 12,797,689**	**$ (43,095)**
Expenditures				
Personnel Services	$ 5,566,321	$ 4,690,562	$ 5,134,278	$ (432,043)
Mandatory Fringe Benefits	2,333,233	2,004,199	2,226,127	(107,106)
Non-personnel Services	2,749,964	1,830,709	2,027,088	(722,875)
Materials & Supplies	42,716	40,361	41,029	(1,686)
Services of Other Departments	2,148,551	1,582,972	1,773,844	(374,706)
Total Expenditures	**$ 12,840,784**	**$ 10,148,803**	**$ 11,202,367**	**$ (1,638,416)**
Balance	**$ -**	**$ 1,133,958**	**$ 1,595,322**	**$ 1,595,321**

All Flex Funded Medical Plans



Dental



Supplemental Tables – Trust Fund Activity- Current FY

STATEMENT OF REVENUES AND EXPENSES
FY 25-26
FOR 11 MONTHS ENDED MAY 31, 2026

ACTIVE & RETIRED COMBINED	**Year-To-Date Revenues**	**Year-To-Date Expenses**	**Year-To-Date Net**
FLEX/SELF-INSURED PLANS			
Blue Shield Access+ HMO	$ 268,512,032	$ 289,493,608	$ (20,981,576)
Blue Shield Trio HMO	96,836,462	100,897,091	(4,060,629)
Blue Shield and United PPO	67,366,648	80,476,648	(13,110,000)
Health Net Canopy Care	15,210,808	15,995,911	(785,103)
Delta Dental PPO- (Active only)	41,385,616	42,982,360	(1,596,744)
TOTAL FLEX/SELF-INSURED PLANS	**489,311,566**	**529,845,618**	**(40,534,052)**
FULLY INSURED PLANS			
Blue Shield MAPD	110,353,909	110,353,909	-
Kaiser-HMO	555,180,278	557,204,646	(2,024,367)
Vision Service Plan	10,988,736	10,967,053	21,682
Sub-total HMO	676,522,923	678,525,608	(2,002,685)
Delta Dental PPO - Retirees	20,238,779	20,238,779	-
Delta Care	794,277	795,393	(1,116)
UHC Dental	341,122	340,393	728
Sub-total Dental	**21,374,178**	**21,374,565**	**(388)**
Long Term/Short Term Disability	6,687,566	6,566,156	121,410
Flexible Benefits	5,523,648	5,318,476	205,172
Flexible Spending-Dependent Care	5,323,947	5,366,913	(42,965)
Flexible Spending -Medical Reimbursement	14,856,398	15,306,979	(450,581)
Healthcare Sustainability Fund ($4.00/$6.00)	3,906,089	2,552,490	1,353,599
Adoption & Surrogacy		96,885	(96,885)
Sub-total Other Benefits	**36,297,648**	**35,207,899**	**1,089,749**
TOTAL FULLY INSURED PLANS	**734,194,749**	**735,108,072**	**(913,323)**
SAVINGS AND INVESTMENTS			
Interest	4,303,066		4,303,066
Performance guarantees	63,493		63,493
TOTAL SAVINGS & INVESTMENTS	**4,366,559**	**-**	**4,366,559**
TOTAL FUNDS	**$ 1,227,872,874**	**$ 1,264,953,690**	**$ (37,080,816)**

Supplemental Tables - Trust Fund Activity- with Prior Year

STATEMENTS OF REVENUES AND EXPENSES
FY 25-26 VS FY 24-25
YEAR-TO-DATE: MAY 31, 2026

ACTIVE & RETIRED COMBINED	**For 11 Months Ended May 31, 2026**	**For 11 Months Ended May 31, 2025**	**$ Change**	**% Change**	
FLEX/SELF-INSURED PLANS					
Blue Shield-Access+ HMO					
Revenues	$ 268,512,032	$ 246,018,538	$ 22,493,494	9.1%	I
Expenses	(289,493,608)	(261,802,504)	(27,691,104)	10.6%	f
Net Blue Shield-Access Excess(Shortage)	(20,981,576)	(15,783,966)	(5,197,610)		
Blue Shield-Trio HMO					
Revenues	96,836,462	92,093,932	4,742,530	5.1%	I
Expenses	(100,897,091)	(98,957,901)	(1,939,190)	2.0%	f
Net Blue Shield-Trio Excess(Shortage)	(4,060,629)	(6,863,969)	2,803,340		
Blue Shield and United PPO					
Revenues	67,366,648	65,130,549	2,236,098	3.4%	
Expenses	(80,476,648)	(64,513,571)	(15,963,077)	24.7%	f
Net BSC and United PPO Excess(Shortage)	(13,110,000)	616,979	(13,726,979)		
Health Net Canopy Care					
Revenues	15,210,808	13,040,712	2,170,095	16.6%	d
Expenses	(15,995,911)	(12,338,728)	(3,657,183)	29.6%	f
Net Health Net Canopy Care Excess(Shortage)	(785,103)	701,984	(1,487,087)		
Delta Dental PPO (Active only)					
Revenues	41,385,616	38,005,860	3,379,756	8.9%	I
Expenses	(42,982,360)	(43,094,447)	112,086	-0.3%	
Net Delta Dental PPO- (Active Only) Excess(Shortage)	(1,596,744)	(5,088,587)	3,491,843		
NET FLEX/SELF-INSURED PLANS	**$ (40,534,052)**	**$ (26,417,559)**	**$ (14,116,493)**		

Notes:

a decrease in membership
b administered by Blue Shield effective 1/1/25
c decrease in deductions
d increase in membership
e communic, wellness exp funded by $6pmpm
f increase in claims
g increase in deductions
h decrease in rates
I increase in rates
j decrease in claims
k payperiod Timing

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

STATEMENTS OF REVENUES AND EXPENSES
FY 25-26 VS FY 24-25

ACTIVE & RETIRED COMBINED	**For 11 Months Ended May 31, 2026**	**For 11 Months Ended May 31, 2025**	**$ Change**	**% Change**	
FULLY INSURED PLANS					
Kaiser-HMO					
Revenues	$ 555,180,278	$ 525,024,289	$ 30,155,990	5.7%	l
Expenses	(557,204,646)	(523,386,775)	(33,817,871)	6.5%	l
Net Kaiser- HMO Excess(Shortage)	(2,024,367)	1,637,514	(3,661,881)		
Blue Shield and UHC MAPD					b
Revenues	110,353,909	105,014,601	5,339,308	5.1%	l,d
Expenses	(110,353,909)	(105,014,601)	(5,339,308)	5.1%	l,d
Net Blue Shield and UHC MAPD Excess(Shortage)	0	0	0		
Vision Service Plan, All (City Plan & HMO)					
Revenues	10,988,736	10,587,223	401,513	3.8%	l, d
Expenses	(10,967,053)	(10,541,305)	(425,749)	4.0%	l, d
Net Vision Service Plan Excess(Shortage)	21,682	45,918	(24,236)		
Delta Dental PPO - Retirees					
Revenues	20,238,779	19,328,111	910,668	4.7%	l, d
Expenses	(20,238,779)	(19,328,111)	(910,668)	4.7%	l, d
Net Delta Dental PPO - Retirees Excess(Shortage)	0	0	0		
Delta Care					
Revenues	794,277	831,591	(37,314)	-4.5%	
Expenses	(795,393)	(835,657)	40,264	-4.8%	
Net Delta Care Excess(Shortage)	(1,116)	(4,066)	2,950		
UHC Dental					
Revenues	341,122	370,102	(28,981)	-7.8%	a
Expenses	(340,393)	(367,732)	27,339	-7.4%	a
Net UHC Dental Excess(Shortage)	728	2,370	(1,642)		
Long Term/Short Term Disability					
Revenues	6,687,566	6,967,677	(280,111)	-4.0%	
Expenses	(6,566,156)	(6,967,677)	401,520	-5.8%	
Net Long Term/Short Term Disability Excess(Shortage)	121,410	0	121,410		
Flexible Benefits					
Revenues	5,523,648	4,599,453	924,196	20.1%	k
Expenses	(5,318,476)	(4,599,453)	(719,023)	15.6%	g
Net Flexible Benefits Excess(Shortage)	205,172	0	205,172		
Flexible Spending-Dependent Care					
Revenues	5,323,947	5,601,526	(277,579)	-5.0%	c
Expenses	(5,366,913)	(5,454,987)	88,074	-1.6%	
Net Flexible Spending-Dependent Care Excess(Shortage)	(42,965)	146,540	(189,505)		
Flexible Spending -Medical Reimbursement					
Revenues	14,856,398	13,417,498	1,438,900	10.7%	g
Expenses	(15,306,979)	(13,502,519)	(1,804,460)	13.4%	f
Net Flexible Spending-Medical Reimbursement Excess(Shortage)	(450,581)	(85,021)	(365,560)		
Adoption & Surrogacy					
Expenses	(96,885)	(94,095)	(2,790)	3.0%	
Healthcare Sustainability Fund ($4.00/$6.00)					
Revenues	3,906,089	2,739,530	1,166,559	42.6%	l, d
Expenses	(2,552,490)	(2,997,139)	444,649	-14.8%	e
Net Healthcare Sustainability Fund ($4.00) Excess(Shortage)	1,353,599	(257,609)	1,611,208		
NET FULLY INSURED PLANS	**(913,323)**	**1,391,551**	**(2,304,874)**		
INVESTMENT INCOME AND OTHER					
Interest	4,303,066	4,439,016	(135,950)	-3.1%	o
Performance guarantees	63,493	0	63,493		
TOTAL SAVINGS & INVESTMENTS	**4,366,559**	**4,439,016**	**(72,457)**		
TOTAL NET EXCESS (SHORTAGE)	**$ (37,080,816)**	**$ (20,586,991)**	**$ (16,493,825)**		

Notes:

a decrease in membership
b administered by Blue Shield effective 1/1/25
c decrease in deductions
d increase in membership
e communic, wellness exp funded by $6pmpm
f increase in claims
g increase in deductions
h decrease in rates
l increase in rates
j decrease in claims
k payperiod Timing
o increase in cash balance