

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

Memorandum

DATE: May 10, 2018

TO: Randy Scott, President and Members of the Health Service Board

FROM: Pamela Levin, Chief Financial Officer

RE: Update on Financial Report as of February 28, 2018

This report summarizes revenues and expenses of the Employee Benefit Trust Fund (Trust Fund) and the General Fund Administration Budget for the time period of July 1, 2017 to February 28, 2018, as well as fiscal year-end projections through June 30, 2018.

Employee Benefit Trust Fund

On June 30, 2017, the Trust Fund balance was \$72.5 million. Based on activity through February 2018, the fund balance is projected to be \$70.8 million as of June 30, 2018. The projected \$1.7 million decrease includes reserves for unpaid claims and is a result of the following changes:

1. City Plan Self-Funded Plan - \$6.4 million decrease in fund balance resulting from:
 - a. \$0.9 million increase in fund balance from pharmacy rebates (additional information on page 3)
 - b. \$7.3 million decrease in fund balance:
 - \$3.8 million associated with subsidizing 2017 rates (for the first six months of FY 2017-18) from the claim stabilization reserve
 - \$2.3 million associated with subsidizing 2018 rates (for the second six months of FY 2017-18) from the claim stabilization reserve
 - \$1.2 million due to unfavorable claim experience
2. Blue Shield Access+ Flex-Funded Plan - \$0.5 million increase in fund balance resulting from:
 - a. \$8.7 million increase in fund balance:
 - \$2.6 million associated with the increase in 2017 rates (for the first six months of FY 2017-18) to recover the 2015 deficit
 - \$1.1 million associated with the increase in 2018 rates (for the second six months of FY 2017-18) to recover the 2016 deficit
 - \$5.0 million from pharmacy rebates (additional information on page 3)

- b. \$8.2 million decrease in fund balance due to unfavorable claim experience
3. Blue Shield Trio Flex-Funded Plan - \$2.3 million increase in fund balance resulting from:
 - \$0.7 million associated with the increase in 2018 rates (for the second six months of FY 2017-18) to recover the 2016 deficit
 - \$1.6 million increase in fund balance due to favorable claim experience
 4. Delta Dental Self-Funded Plan - \$2.6 million increase in fund balance resulting from:
 - a. \$5.4 million increase in fund balance due to favorable claim experience
 - b. \$2.8 million decrease in fund balance:
 - \$1.2 million decrease in fund balance associated with subsidizing 2017 rates (for the first six months of FY 2017-18) from the claim stabilization reserve
 - \$1.6 million decrease in fund balance associated with subsidizing 2018 rates (for the second six months of FY 2017-18) from the claim stabilization reserve
 5. Healthcare Sustainability Fund - The following table reflects the year-to-date actuals through February 28, 2018. The Revised Budget reflects carryforward of unexpended funds from FY 2016-17.

Healthcare Sustainability Fund FY 2017-18				
	Revised Budget	Feb YTD Actuals	Projection	Variance
Revenues/ Premiums				
Annual Revenues	\$ 2,351,681	\$ 1,694,480	\$ 2,472,678	\$ 120,997
Carryforward From Fund Balance	1,713,191	1,713,191	2,506,982	793,791
Total	\$ 4,064,872	\$ 3,407,671	\$ 4,979,660	\$ 914,788
Expenditures				
Annual Expenditures	\$ 1,566,526	\$ 741,133	\$ 1,428,680	\$ 137,846
One-time Expenditures	2,066,797	175,236	1,368,114	698,683
Grand Total Expenditures	\$ 3,633,323	\$ 916,368	\$ 2,796,794	\$ 836,529
Balance	\$ 431,549	\$ 2,491,303	\$ 2,182,866	\$ 78,259

6. Interest - \$0.4 million increase in fund balance from SFHSS Trust cash balances
7. Performance Guarantees – No Performance Guarantees have been received as of February 28, 2018. The \$72.5 million fund balance includes the \$7.6 million in PGs received since FY 2005-06.
8. Performance Guarantees for Adoption and Surrogacy Assistance Plan - \$0.3 million decrease in fund balance for performance guarantees for FY 2017-18. The program was effective January 1, 2017, five reimbursements have been paid for a total of \$93,595, including \$61,470 in FY 2017-18.

9. Forfeitures - the reconciliation of unused flexible spending account balances occurs annually in June for the prior Plan Year.
10. Pharmacy Rebates - The following table summarizes the FY 2017-18 pharmacy rebates as of February 28, 2018 and year-end projection. The rebates offset the amount of claims HSS pays to the vendors.

Vendor	Amount (year to date)	Year-End Projection
Blue Shield	\$4,129,624	\$5,000,000
UHC	600,013	900,000
Total	\$4,729,637	\$5,900,000

General Fund Administration Budget (including Online Premium Payment Project)

Based on the financial results for the first eight months of FY 2017-18, a year-end balance of \$0.3 million is projected.



HEALTH SERVICE SYSTEM
STATEMENT OF REVENUES AND EXPENSES
FY 2017-2018
FOR THE EIGHT MONTHS ENDED February 28, 2018

ACTIVE & RETIRED COMBINED

	Year-To-Date Revenues	Year-To-Date Expenses	Year-To-Date Net Excess(Shortage)
1 SELF-INSURANCE			
2 City Plan, including ASO *	20,177,898	24,978,837	(4,800,939)
3 Blue Shield Access+ *	185,786,494	187,997,463	(2,210,969)
4 Blue Shield Trio *	18,236,184	12,834,839	5,401,345
5 Delta Dental - Active only, including ASO	32,020,357	30,139,171	1,881,186
6 TOTAL SELF-INSURANCE	256,220,932	255,950,309	270,623
8 INSURANCE PRODUCTS			
9 New City Plan	40,684,276	40,684,276	0
10 Kaiser-HMO	263,644,989	264,285,660	(640,671)
11 Vision Service Plan, All (City Plan & HMO)	3,720,489	3,724,192	(3,703)
12 Sub-total HMO	308,049,753	308,694,127	(644,374)
14 Delta Dental - Retired	9,491,863	9,426,387	65,476
15 Delta Care	625,044	625,349	(305)
16 Pacific Union	252,058	252,218	(160)
17 Sub-total Dental	10,368,965	10,303,954	65,011
19 Long Term/Short Term Disability	4,836,921	4,836,921	0
20 Flexible Benefits	1,348,782	1,348,222	561
21 Flexible Spending-Dependent Care	3,348,283	3,498,746	(150,463)
22 Flexible Spending -Medical Reimbursement	4,291,996	4,037,107	254,889
23 Best Doctors (\$1.40)	766,444	766,444	0
24 Healthcare Sustainability Fund (\$3.00)	1,694,480	916,368	778,112
25 Adoption & Surrogacy		46,773	(46,773)
26 TOTAL INSURANCE PRODUCTS	334,705,624	334,448,662	256,962
28 SAVINGS AND INVESTMENTS			
29 Interest	15,983		15,983
31 Performance guarantees	0		0
32 Forfeitures	0		0
33 TOTAL SAVINGS & INVESTMENTS	15,983		15,983
35 TRANSFERS OUT OF FORFEITURES		0	0
37 TOTAL FUNDS	590,942,540	590,398,971	543,569

* Expenses are net of pharmacy rebates - see report for details

SUMMARY- In millions	FY17-18	FY17-18
	Year-To Date Actual As of Feb 2018 - Net	Projected Annual-Net
Self Insurance		
City Plan	(4.8)	(6.4) (a)
Blue Shield-Access+	(2.2)	0.5 (b)
Blue Shield-Trio	5.4	2.3 (b)
Dental, Actives	1.9	2.6 (c)
Insurance Products		
Medical HMOs	(0.6)	0.0
Dental	0.1	0.0
LTD/Flexible Benefits/FSA/Best Doctors	0.1	0.0
Healthcare Sustainability Fund (\$3.00)	0.8	(0.3) (d)
Savings & Investments		
Interest	0.0	0.4
Performance guarantees	0.0	0.0 (e)
Performance guarantees - Surrogacy and adoption	0.0	(0.3) (f)
Forfeitures	0.0	0.0
Transfers Out of Forfeitures	0.0	(0.5) (g)
TOTAL	0.6	(1.7)
Net assets		
Beginning of the year		72.5
End of the year		70.8

(a) Annual Projection is net of claim stabilization of \$3.8 million used to reduce 2017 rates, \$2.3 million to reduce 2018 rates, and Pharmacy rebate of \$0.9 million

(b) Annual Projection is net of claim stabilization of \$2.6 million to increase 2017 rates, \$1.8 million to increase 2018 rates, and Pharmacy rebate of \$5 million

(c) Annual Projection is net of claim stabilization of \$1.2 million to reduce 2017 rates and \$1.6 million to reduce 2018 rates

(d) \$3.00 per member per month for communications, wellness, actuarial work; is part of a total premium.

(e) Only reflects performance guarantees received in FY 2017-2018

(f) Reflects use of fund balance

(g) Transfer of forfeitures to General Fund per FY 2017-2018 budget



	For 8 months ended February 28, 2018	For 8 months ended February 28, 2017	\$ Change	% Change	
1 SELF-INSURANCE					
2 City Plan, including ASO					
3 Revenues	20,177,898	19,022,777	1,155,121	6.1%	m
4 Expenses	(24,978,837)	(27,163,415)	2,184,578	-8.0%	m
5 Net City Plan Excess(Shortage)	(4,800,939)	(8,140,638)	3,339,699	-41.0%	
6 Blue Shield-Access+					
7 Revenues	185,786,494	202,757,562	(16,971,068)	-8.4%	p
8 Expenses	(187,997,463)	(196,923,810)	8,926,347	-4.5%	p
9 Net Blue Shield-Access Excess(Shortage)	(2,210,969)	5,833,752	(8,044,721)	-137.9%	
10 Blue Shield-Trio					
11 Revenues	18,236,184	0	18,236,184		p
12 Expenses	(12,834,839)	0	(12,834,839)		p
13 Net Blue Shield-Trio Excess(Shortage)	5,401,345	0	5,401,345		
14 Delta Dental - Active only, including ASO					
15 Revenues	32,020,357	31,355,209	665,148	2.1%	
16 Expenses	(30,139,171)	(28,683,292)	(1,455,879)	5.1%	f
17 Net Delta Dental - Active Excess(Shortage)	1,881,186	2,671,917	(790,731)	-29.6%	
18 NET SELF-INSURANCE	270,623	365,031	(5,495,753)	-1505.6%	
19 INSURANCE PRODUCTS					
20 Blue Shield-HMO					
21 Revenues	0	15,789,334	(15,789,334)	-100.0%	m
22 Expenses	0	(15,789,334)	15,789,334	-100.0%	m
23 Net Blue Shield HMO Excess(Shortage)	0	0	0		
24 Kaiser-HMO					
25 Revenues	263,644,989	242,012,094	21,632,895	8.9%	d, l
26 Expenses	(264,285,660)	(242,178,090)	(22,107,570)	9.1%	d, l
27 Net Kaiser- HMO Excess(Shortage)	(640,671)	(165,996)	(474,675)	286.0%	
28 New City Plan					
29 Revenues	40,684,276	18,251,193	22,433,083	122.9%	m
30 Expenses	(40,684,276)	(18,251,193)	(22,433,083)	122.9%	m
31 Net New City Plan Excess(Shortage)	0	0	0		
32 Vision Service Plan, All (City Plan & HMO)					
33 Revenues	3,720,489	3,388,071	332,418	9.8%	o
34 Expenses	(3,724,192)	(3,388,071)	(336,121)	9.9%	o
35 Net Vision Service Plan Excess(Shortage)	(3,703)	0	(3,703)		
36					
37 Delta Dental - Retired					
38 Revenues	9,491,863	9,033,219	458,644	5.1%	d
39 Expenses	(9,426,387)	(8,942,012)	(484,375)	5.4%	d
40 Net Delta Dental - Retired Excess(Shortage)	65,476	91,207	(25,731)	-28.2%	
41 Delta Care					
42 Revenues	625,044	658,758	(33,714)	-5.1%	a
43 Expenses	(625,349)	(658,887)	33,538	-5.1%	a
44 Net Delta Care Excess(Shortage)	(305)	(129)	(176)	136.1%	
45 Pacific Union					
46 Revenues	252,058	224,937	27,121	12.1%	d
47 Expenses	(252,218)	(224,791)	(27,427)	12.2%	d
48 Net Pacific Union Excess(Shortage)	(160)	146	(306)	-209.7%	
49 Net Dental	65,011	91,224	(26,213)	-28.7%	
50					
51 Long Term/Short Term Disability					
52 Revenues	4,836,921	4,896,549	(59,628)	-1.2%	
53 Expenses	(4,836,921)	(4,896,549)	59,628	-1.2%	
54 Net Long Term/Short Term Disability Excess(Shortage)	0	0	0		
55 Flexible Benefits					
56 Revenues	1,348,782	690,135	658,647	95.4%	k
57 Expenses	(1,348,222)	(690,135)	(658,087)	95.4%	k
58 Net Flexible Benefits Excess(Shortage)	561	0	561		
59 Flexible Spending-Dependent Care					
60 Revenues	3,348,283	3,011,302	336,981	11.2%	d
61 Expenses	(3,498,746)	(3,116,209)	(382,537)	12.3%	f
62 Net Flexible Spending-Dependent Care Excess(Shortage)	(150,463)	(104,907)	(45,556)	43.4%	
63 Flexible Spending -Medical Reimbursement					
64 Revenues	4,291,996	3,478,993	813,003	23.4%	d
65 Expenses	(4,037,107)	(2,831,115)	(1,205,992)	42.6%	f
66 Net Flexible Spending-Medical Reimbursement Excess(Shortage)	254,889	647,878	(392,989)	-60.7%	
67 Best Doctors (\$1.40)					
68 Revenues	766,444	189,630	576,814	304.2%	n
69 Expenses	(766,444)	(189,630)	(576,814)	304.2%	n
70 Net Best Doctors Excess(Shortage)	(0)	0	(0)		
71 Adoption & Surrogacy					
72 Expenses	(46,773)	0	(46,773)		
73 Healthcare Sustainability Fund (\$3.00)					
74 Revenues	1,694,480	1,230,741	463,739	37.7%	e
75 Expenses	(916,368)	(848,425)	(67,943)	8.0%	e
76 Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage)	778,112	382,316	395,796	103.5%	
77 NET INSURANCE PRODUCTS	256,962	850,515	(546,781)	-64.3%	
78 SAVINGS AND INVESTMENTS					
79 Interest	15,983	278,408	(262,425)	-94.3%	b
80 TOTAL SAVINGS & INVESTMENTS	15,983	278,408	(262,425)	-17.6%	
81 TOTAL NET EXCESS (SHORTAGE)	543,569	1,493,955	(6,304,959)	-422.0%	

Notes: a decrease in membership
b delay in interest income posting due to FSP implementation
c decrease in deductions
d increase in membership
e \$3 per member per month for communications, wellness, actuarial work

f increase in claims
h decrease in rates
i increase in rates
g increase in deductions
j decrease in claims
n effective 1/1/17
o vision buy-up effective 1/1/18
p effective 1/1/18
k implementation of voluntary benefits effective 1/1/17
m conversion into New City Plan effective 1/1/17

Healthcare Sustainability Fund FY 2017-18				
	Revised Budget	Feb YTD Actuals	Projection	Variance
Revenues/Premiums				
Annual Revenues	\$ 2,351,681	1,694,480	\$ 2,472,678	\$ 120,997
Carryforward from fund balance	1,713,191	1,713,191	2,506,982	793,791
Total	\$ 4,064,872	3,407,671	\$ 4,979,660	\$ 914,788
Expenditures				
Annual				
Personnel Services and Mandatory Fringes	\$ 353,662	193,150	\$ 385,870	\$ (32,208)
Communications				
Open Enrollment Communications	226,892	229,751	281,079	(54,187)
Operations Communications	132,160	5,829	100,134	32,026
Well-Being Communications	255,000	147,000	250,000	5,000
Other Communications	32,520	2,600	34,705	(2,185)
Total Communications	\$ 646,572	385,180	\$ 665,918	\$ (19,346)
Well-Being	133,000	31,031	100,000	33,000
Initiatives to Reduce Health Care Costs	260,292	129,667	247,792	12,500
SFGTV/Board Meetings	23,000	2,105	29,100	(6,100)
Contingency for Unforeseen Issues	150,000			150,000
Total Expenditures	\$ 1,566,526	741,133	\$ 1,428,680	\$ 137,846
One-time				
Communications				
Open-Enrollment Communications	253,998	175,236	233,829	\$ 20,169
Operations Communications	\$ 1,505,000		\$ 925,000	\$ 580,000
Well-Being Communications	1,580		55,000	(53,420)
Other Communications	253,800		154,285	99,515
Total Communications	\$ 2,014,378	175,236	\$ 1,368,114	646,264
Well-Being	2,419		-	2,419
Initiatives to Reduce Health Care Costs	50,000		-	50,000
Total Expenditures	\$ 2,066,797	175,236	\$ 1,368,114	\$ 698,683
Grand Total Expenditures	\$ 3,633,323	916,368	\$ 2,796,794	\$ 836,529
Balance	\$ 431,549	2,491,303	\$ 2,182,866	\$ 78,259



Health Service System
CITY & COUNTY OF SAN FRANCISCO

HEALTH SERVICE SYSTEM - ADMINISTRATION
STATEMENT OF REVENUES AND EXPENDITURES
As of February 28, 2018

YEAR-TO DATE				ANNUAL					
Fav/(Unfav)				Fav/(Unfav)					
Budget	Actual	Variance	% Var		Original Budget	Revised Budget	Projection	Variance	% Var
REVENUES									
308,353	30	(308,323)	-100.0%	Non-Operating Revenue	462,530	462,530	462,530	0	0.0%
7,359,043	7,353,368	(5,675)	-0.1%	Work Order Recovery	10,981,725	11,038,565	11,038,565	0	0.0%
284,804	284,804	0	0.0%	Other Revenue	0	427,206	427,206		
7,952,201	7,638,202	(313,999)	-3.9%	TOTAL REVENUES	11,444,255	11,928,301	11,928,301	0	0.0%
EXPENDITURES									
3,468,290	3,164,241	304,049	8.8%	Personnel Services	5,202,435	5,202,435	5,031,435	171,000	-3.3%
1,664,247	1,492,606	171,641	10.3%	Mandatory Fringe Benefits	2,496,371	2,496,371	2,414,317	82,054	-3.3%
1,224,687	786,638	438,050	35.8%	Non-personnel Services	1,679,202	1,837,031	1,837,031	0	0.0%
33,712	33,632	80	0.2%	Materials & Supplies	49,915	50,568	50,568	0	0.0%
975,790	315,468	660,322	67.7%	Services of Other Departments	2,016,332	2,341,896	2,341,896	0	0.0%
7,366,727	5,792,584	1,574,142	21.4%	TOTAL EXPENDITURES	11,444,255	11,928,301	11,675,247	253,054	-2.1%
585,474	1,845,618	1,260,144		REVENUE LESS EXPENDITURES	0	0	253,054	253,054	