

SAN FRANCISCO HEALTH SERVICE SYSTEM

Affordable, Quality Benefits & Well-Being

Memorandum

DATE: October 11, 2018

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

FROM: Pamela Levin, Chief Financial Officer

RE: Update on Financial Report as of August 31, 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, 2018 to August 31, 2018, as well as fiscal year-end projections through June 30, 2019.

Employee Benefit Trust Fund

On June 30, 2018, the Trust Fund balance was \$72.9 million (unaudited). Based on activity through August 2018, the fund balance is projected to be \$74.5 million as of June 30, 2019. The projected \$1.6 million increase includes reserves for unpaid claims and is a result of the following changes:

1. City Plan Self-Funded Plan - \$0.5 million decrease in fund balance resulting from:
 - a. \$3.1 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
 - b. \$2.6 million increase in fund balance:
 - \$0.9 million in pharmacy rebates (additional information on page 3)
 - \$1.7 million increase in fund balance due to favorable claim experience
2. Blue Shield Access+ Flex-Funded Plan - \$5.7 million decrease in fund balance resulting from:
 - a. \$2.1 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

- b. \$7.8 million decrease in fund balance:
- \$12.0 million in unfavorable claim experience offset by pharmacy rebates of \$4.2 million (additional information on page 3)
3. Blue Shield Trio Flex-Funded Plan - \$6.4 million increase in fund balance 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
 - \$2.8 in pharmacy rebates (additional information on page 3)
 - \$2.3 in favorable claim experience
4. Delta Dental Self-Funded Plan - \$1.9 million increase in fund balance resulting from:
- b. \$5.6 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
5. Healthcare Sustainability Fund - The following table reflects the year-to-date actuals through August 31, 2018. The Revised Budget reflects carryforward of unexpended funds from FY 2017-18.

| Healthcare Sustainability Fund FY 2018-19 | | | | |
|--|------------------------|--------------------------|-------------------|-----------------|
| | Original Budget | August YTD Actual | Projection | Variance |
| Revenues/Premiums | | | | |
| Annual Revenues | \$ 2,491,344 | \$ 419,160 | \$ 2,491,344 | \$ - |
| Carryforward from fund balance | 3,042,866 | 3,042,866 | 3,042,866 | - |
| Total | \$ 5,534,210 | \$ 3,462,026 | \$ 5,534,210 | \$ - |
| Expenditures | | | | |
| Annual Expenditures | \$ 2,198,744 | \$ 99,086 | \$ 2,198,744 | \$ - |
| One-time Expenditures | 1,773,063 | 10,045 | 1,773,063 | - |
| Grand Total Expenditures | \$ 3,971,807 | \$ 109,131 | \$ 3,971,807 | \$ - |
| Balance | \$ 1,562,403 | \$ 3,352,895 | \$ 1,562,403 | \$ - |

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 August 31, 2019. The \$72.9 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 2018-19. The program was effective January 1, 2017, seven reimbursements have been paid for a total of \$130,061, including \$31,188 in FY 2018-19.
9. Transfers Out – Transfer of \$0.5 million from forfeitures and \$0.1 million from the \$3.00 budget 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.
10. Pharmacy Rebates - The following table summarizes the FY 2018-19 pharmacy rebates as of August 31, 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 | \$0 | \$7,000,000 |
| UHC | 0 | 900,000 |
| Total | \$0 | \$7,900,000 |

General Fund Administration Budget (including Online Premium Payment Project)

Based on the financial results for the first two months of FY 2018-19, the budget is projected to be fully expended.



HEALTH SERVICE SYSTEM
STATEMENT OF REVENUES AND EXPENSES
FY 2018-2019
FOR THE TWO MONTHS ENDED August 31, 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 * | 5,407,865 | 5,872,641 | (464,776) |
| 3 Blue Shield Access+ * | 33,346,796 | 35,402,660 | (2,055,864) |
| 4 Blue Shield Trio * | 18,203,961 | 17,172,109 | 1,031,851 |
| 5 Delta Dental - Active only, including ASO | 8,177,922 | 7,783,072 | 394,849 |
| 6 TOTAL SELF-INSURANCE | 65,136,543 | 66,230,483 | (1,093,940) |
| 7 | | | |
| 8 INSURANCE PRODUCTS | | | |
| 9 New City Plan | 11,645,218 | 11,645,218 | 0 |
| 10 Kaiser-HMO | 69,295,364 | 69,880,825 | (585,461) |
| 11 Vision Service Plan, All (City Plan & HMO) | 1,220,032 | 1,196,399 | 23,633 |
| 12 Sub-total HMO | 82,160,614 | 82,722,441 | (561,827) |
| 13 | | | |
| 14 Delta Dental - Retired | 2,536,713 | 2,563,718 | (27,004) |
| 15 Delta Care | 158,460 | 148,963 | 9,496 |
| 16 Pacific Union | 67,944 | 66,484 | 1,461 |
| 17 Sub-total Dental | 2,763,117 | 2,779,164 | (16,047) |
| 18 | | | |
| 19 Long Term/Short Term Disability | 1,237,042 | 1,237,042 | - |
| 20 Flexible Benefits | 373,515 | 373,490 | 25 |
| 21 Flexible Spending-Dependent Care | 968,599 | 666,549 | 302,050 |
| 22 Flexible Spending -Medical Reimbursement | 1,299,013 | 889,073 | 409,940 |
| 23 Best Doctors (\$1.40) | 193,841 | 193,841 | 0 |
| 24 Healthcare Sustainability Fund (\$3.00) | 419,160 | 107,934 | 311,226 |
| 25 Adoption & Surrogacy | | 31,188 | (31,188) |
| 26 TOTAL INSURANCE PRODUCTS | 89,414,902 | 89,000,722 | 414,179 |
| 27 | | | |
| 28 SAVINGS AND INVESTMENTS | | | |
| 29 Interest | 0 | | 0 |
| 30 Performance guarantees | 0 | | 0 |
| 31 Forfeitures | 0 | | 0 |
| 32 TOTAL SAVINGS & INVESTMENTS | 0 | | 0 |
| 33 | | | |
| 34 TRANSFERS OUT OF FORFEITURES | | 0 | 0 |
| 35 | | | |
| 36 TOTAL FUNDS | 154,551,445 | 155,231,205 | (679,760) |

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

| SUMMARY- In millions | FY18-19 | FY18-19 |
|---|--|----------------------|
| | Year-To Date Actual As of August 2018 - Net | Projected Annual-Net |
| Self Insurance | | |
| City Plan | (0.5) | (0.5) (a) |
| Blue Shield-Access+ | (2.1) | (5.7) (b) |
| Blue Shield-Trio | 1.0 | 6.4 (b) |
| Dental, Actives | 0.4 | 1.9 (c) |
| Insurance Products | | |
| Medical HMOs | (0.6) | 0.0 |
| Dental | (0.0) | 0.0 |
| LTD/Flexible Benefits/FSA/Best Doctors | 0.7 | 0.0 |
| Healthcare Sustainability Fund (\$3.00) | 0.3 | 0.0 (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 | 0.0 | (0.6) (g) |
| TOTAL | (0.7) | 1.6 |
| Net assets | | |
| Beginning of the year (estimated) | | 72.9 |
| End of the year | | 74.5 |

(a) Annual Projection is net of claim stabilization of \$2.3 million used to reduce 2018 rates, \$0.8 million to reduce 2019 rates, and Pharmacy rebate of \$0.9 million

(b) Annual Projection is net of claim stabilization of \$1.8 million to increase 2018 rates, \$1.6 million to increase 2019 rates, and Pharmacy rebate of \$7 million

(c) Annual Projection is net of claim stabilization of \$1.6 million to reduce 2018 rates and \$2.1 million to reduce 2019 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 2018-2019

(f) Reflects use of fund balance

(g) Transfer of \$0.5M from forfeitures and \$0.1M from \$3.00 to General Fund per FY 2018-2019 budget

HEALTH SERVICE SYSTEMS
STATEMENTS OF REVENUES AND EXPENSES
FY2018-2019 VS FY2017-2018
YEAR-TO-DATE: August 31, 2018

| | For 2 months ended August 31, 2018 | For 2 months ended August 31, 2017 | \$ Change | % Change | |
|---|---------------------------------------|---------------------------------------|------------------|--------------|------|
| 1 SELF-INSURANCE | | | | | |
| 2 City Plan, including ASO | | | | | |
| 3 Revenues | 5,407,865 | 5,002,452 | 405,413 | 8.1% | i |
| 4 Expenses | (5,872,641) | (6,305,538) | 432,897 | -6.9% | j |
| 5 Net City Plan Excess(Shortage) | (464,776) | (1,303,086) | 838,310 | -64.3% | |
| 6 Blue Shield-Access+ | | | | | |
| 7 Revenues | 33,346,796 | 50,534,056 | (17,187,260) | -34.0% | p |
| 8 Expenses | (35,402,660) | (52,101,380) | 16,698,720 | -32.1% | p |
| 9 Net Blue Shield-Access Excess(Shortage) | (2,055,864) | (1,567,324) | (488,540) | 31.2% | |
| 10 Blue Shield-Trio | | | | | |
| 11 Revenues | 18,203,961 | | 18,203,961 | | p |
| 12 Expenses | (17,172,109) | | (17,172,109) | | p |
| 13 Net Blue Shield-Trio Excess(Shortage) | 1,031,851 | | 1,031,851 | | |
| 14 Delta Dental - Active only, including ASO | | | | | |
| 15 Revenues | 8,177,922 | 8,111,564 | 66,358 | 0.8% | |
| 16 Expenses | (7,783,072) | (6,955,176) | (827,896) | 11.9% | f |
| 17 Net Delta Dental - Active Excess(Shortage) | 394,849 | 1,156,387 | (761,538) | -65.9% | |
| 18 NET SELF-INSURANCE | (1,093,940) | (1,714,023) | (411,768) | 24.0% | |
| 19 INSURANCE PRODUCTS | | | | | |
| 24 Kaiser-HMO | | | | | |
| 25 Revenues | 69,295,364 | 63,731,077 | 5,564,287 | 8.7% | d, l |
| 26 Expenses | (69,880,825) | (64,415,543) | (5,465,282) | 8.5% | d, l |
| 27 Net Kaiser- HMO Excess(Shortage) | (585,461) | (684,466) | 99,005 | -14.5% | |
| 28 UHC MAPD | | | | | |
| 29 Revenues | 11,645,218 | 9,678,800 | 1,966,418 | 20.3% | d, l |
| 30 Expenses | (11,645,218) | (9,678,800) | (1,966,418) | 20.3% | d, l |
| 31 Net UHC MAPD Excess(Shortage) | 0 | 0 | 0 | 0.0% | |
| 32 Vision Service Plan, All (City Plan & HMO) | | | | | |
| 33 Revenues | 1,220,032 | 841,056 | 378,976 | 45.1% | o |
| 34 Expenses | (1,196,399) | (841,056) | (355,342) | 42.2% | o |
| 35 Net Vision Service Plan Excess(Shortage) | 23,633 | 0 | 23,633 | | |
| 36 | | | | | |
| 37 Delta Dental - Retired | | | | | |
| 38 Revenues | 2,536,713 | 2,357,821 | 178,893 | 7.6% | d |
| 39 Expenses | (2,563,718) | (2,301,218) | (262,500) | 11.4% | d |
| 40 Net Delta Dental - Retired Excess(Shortage) | (27,004) | 56,603 | (83,607) | -147.7% | |
| 41 Delta Care | | | | | |
| 42 Revenues | 158,460 | 160,604 | (2,145) | -1.3% | |
| 43 Expenses | (148,963) | (163,112) | 14,149 | -8.7% | a |
| 44 Net Delta Care Excess(Shortage) | 9,496 | (2,507) | 12,004 | -478.7% | |
| 45 UHC Dental | | | | | |
| 46 Revenues | 67,944 | 62,456 | 5,488 | 8.8% | d |
| 47 Expenses | (66,484) | (61,389) | (5,094) | 8.3% | d |
| 48 Net UHC Dental Excess(Shortage) | 1,461 | 1,067 | 393 | 36.9% | |
| 49 Net Dental | (16,047) | 55,162 | (71,209) | -129.1% | |
| 50 | | | | | |
| 51 Long Term/Short Term Disability | | | | | |
| 52 Revenues | 1,237,042 | 1,196,786 | 40,256 | 3.4% | d |
| 53 Expenses | (1,237,042) | (1,196,786) | (40,256) | 3.4% | d |
| 54 Net Long Term/Short Term Disability Excess(Shortage) | 0 | 0 | 0 | | |
| 55 Flexible Benefits | | | | | |
| 56 Revenues | 373,515 | 298,949 | 74,566 | 24.9% | g |
| 57 Expenses | (373,490) | (298,450) | (75,040) | 25.1% | g |
| 58 Net Flexible Benefits Excess(Shortage) | 25 | 499 | (474) | -0.2% | |
| 59 Flexible Spending-Dependent Care | | | | | |
| 60 Revenues | 968,599 | 883,095 | 85,504 | 9.7% | d |
| 61 Expenses | (666,549) | (547,985) | (118,564) | 21.6% | f |
| 62 Net Flexible Spending-Dependent Care Excess(Shortage) | 302,050 | 335,110 | (33,060) | -9.9% | |
| 63 Flexible Spending -Medical Reimbursement | | | | | |
| 64 Revenues | 1,299,013 | 1,104,313 | 194,700 | 17.6% | d |
| 65 Expenses | (889,073) | (681,309) | (207,764) | 30.5% | f |
| 66 Net Flexible Spending-Medical Reimbursement Excess(Shortage) | 409,940 | 423,004 | (13,064) | -3.1% | |
| 67 Best Doctors (\$1.40) | | | | | |
| 68 Revenues | 193,841 | 191,849 | 1,992 | 1.0% | |
| 69 Expenses | (193,841) | (191,849) | (1,992) | 1.0% | |
| 70 Net Best Doctors Excess(Shortage) | 0 | 0 | 0 | | |
| 71 Adoption & Surrogacy | | | | | |
| 72 Expenses | (31,188) | 0 | (31,188) | | |
| 73 Healthcare Sustainability Fund (\$3.00) | | | | | |
| 74 Revenues | 419,160 | 440,552 | (21,392) | -4.9% | e |
| 75 Expenses | (107,934) | (209,142) | 101,208 | -48.4% | e |
| 76 Net Healthcare Sustainability Fund (\$3.00) Excess(Shortage) | 311,226 | 231,410 | 79,816 | 34.5% | |
| 77 NET INSURANCE PRODUCTS | 414,179 | 360,719 | 84,648 | 23.5% | |
| 78 SAVINGS AND INVESTMENTS | | | | | |
| 79 Interest | 0 | 0 | 0 | | |
| 80 Performance guarantees | 0 | 0 | 0 | | |
| 81 TOTAL SAVINGS & INVESTMENTS | 0 | 0 | 0 | | |
| 82 TOTAL NET EXCESS (SHORTAGE) | (679,760) | (1,353,304) | (327,120) | 24.2% | |

Notes: a decrease in membership

c decrease in deductions

d increase in membership

e \$3 per member per month for communications, wellness, actuarial work

f increase in claims

i increase in rates

h decrease in rates

g increase in deductions

j decrease in claims

o vision buy-up effective 1/1/18

p effective 1/1/18

| Healthcare Sustainability Fund FY 2018-19 | | | | |
|---|---------------------|------------------|---------------------|-------------|
| | Original Budget | Actual | Projection | Variance |
| Revenues/Premiums | | | | |
| Annual Revenues | \$ 2,491,344 | 419,160 | \$ 2,491,344 | \$ - |
| Carryforward from fund balance | 3,042,866 | 3,042,866 | 3,042,866 | - |
| Total | \$ 5,534,210 | 3,462,026 | \$ 5,534,210 | \$ - |
| Expenditures | | | | |
| Annual | | | | |
| Personnel Services and Mandatory Fringes | \$ 634,782 | 49,846 | \$ 634,782 | \$ - |
| Communications | | | | |
| Open Enrollment Communications | 284,779 | 5,911 | 284,779 | - |
| Operations Communications | 223,405 | 706 | 223,405 | - |
| Well-Being Communications | 257,500 | 11,625 | 257,500 | - |
| Other Communications | 103,178 | 3,782 | 103,178 | - |
| Total Communications | \$ 868,862 | 22,025 | \$ 868,862 | \$ - |
| Well-Being | 255,500 | 2,323 | 255,500 | - |
| Initiatives to Reduce Health Care Costs | 260,500 | 24,748 | 260,500 | - |
| SFGTV/Board Meetings | 29,100 | 144 | 29,100 | - |
| Contingency for Unforeseen Issues | 150,000 | | 150,000 | - |
| Total Annual Expenditures | \$ 2,198,744 | 99,086 | \$ 2,198,744 | \$ - |
| One-time | | | | |
| Communications | | | | |
| Open-Enrollment Communications | 75,000 | | 75,000 | \$ - |
| Operations Communications | \$ 1,446,900 | 10,045 | 1,446,900 | \$ - |
| Well-Being Communications | - | | - | - |
| Other Communications | 251,163 | | 251,163 | - |
| Total Communications | \$ 1,773,063 | | \$ 1,773,063 | - |
| Well-Being | - | | | - |
| Initiatives to Reduce Health Care Costs | - | - | - | - |
| Total One-Time Expenditures | \$ 1,773,063 | 10,045 | \$ 1,773,063 | \$ - |
| Grand Total Expenditures | \$ 3,971,807 | 109,131 | \$ 3,971,807 | \$ - |
| Balance | \$ 1,562,403 | 3,352,895 | \$ 1,562,403 | \$ - |



Health Service System
CITY & COUNTY OF SAN FRANCISCO

HEALTH SERVICE SYSTEM - ADMINISTRATION
STATEMENT OF REVENUES AND EXPENDITURES

As of August 31, 2018

| YEAR-TO DATE | | | | ANNUAL | | | | | |
|---------------------|-----------|----------|---------|-----------------|----------------|------------|----------|-------|--|
| Fav/(Unfav) | | | | Fav/(Unfav) | | | | | |
| Budget | Actual | Variance | % Var | Original Budget | Revised Budget | Projection | Variance | % Var | |
| REVENUES | | | | | | | | | |
| 97,889 | 0 | (97,889) | -100.0% | 587,335 | 587,335 | 587,335 | 0 | 0.0% | |
| 1,839,781 | 1,839,782 | 1 | 0.0% | 11,038,687 | 11,038,687 | 11,038,687 | 0 | 0.0% | |
| 1,000 | 1,000 | 0 | 0.0% | 6,000 | 6,000 | 6,000 | 0 | | |
| 1,938,670 | 1,840,782 | (97,888) | -5.0% | 11,632,022 | 11,632,022 | 11,632,022 | 0 | 0.0% | |
| EXPENDITURES | | | | | | | | | |
| 884,257 | 893,696 | (9,440) | -1.1% | 5,305,540 | 5,305,540 | 5,305,540 | 0 | 0.0% | |
| 426,176 | 395,889 | 30,286 | 7.1% | 2,557,053 | 2,557,053 | 2,557,053 | 0 | 0.0% | |
| 284,248 | 140,388 | 143,860 | 50.6% | 1,705,486 | 1,705,486 | 1,705,486 | 0 | 0.0% | |
| 7,200 | 2,198 | 5,001 | 69.5% | 43,197 | 43,197 | 43,197 | 0 | 0.0% | |
| 168,396 | 0 | 168,396 | 100.0% | 2,020,746 | 2,020,746 | 2,020,746 | 0 | 0.0% | |
| 1,770,275 | 1,432,171 | 338,103 | 19.1% | 11,632,022 | 11,632,022 | 11,632,022 | 0 | 0.0% | |
| 168,396 | 408,611 | 240,215 | | 0 | 0 | 0 | 0 | | |