



Annual Report

(Fiscal Year 2020-21)

Prepared by the Office of Managed Care, SF Department of Public Health
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I. Program Overview

A. Overview of City Ordinances

San Francisco’s Health Care Security Ordinance (HCSO)¹ and Healthy Airport Ordinance² (HAO) (collectively “City Ordinances”) require certain employers operating in San Francisco and at San Francisco International Airport (SFO) to provide a health benefit that meets a minimum expenditure for their eligible employees.

HCSO was passed by the San Francisco Board of Supervisors in 2006. It includes the following two components:

1. Employer Spending Requirement (ESR), which requires employers in San Francisco to make health care expenditures on behalf of their employees; and
2. Healthy San Francisco (HSF) was launched in 2007 (formerly known as Health Access Program).

The San Francisco City Option Program (SFCO) was developed by the City and County of San Francisco (the “City”) as one way for such employers to meet the requirements of HCSO. HAO is an amendment to the Health Care Accountability Ordinance effectuated in March 2021. This amendment requires employers at SFO to provide employees covered by SFO’s Quality Standards Program with family health insurance or to make a specified contribution on their behalf to SFCO³.

For these two City Ordinances and the programs established under HCSO, namely HSF and SFCO, the City’s Department of Public Health (DPH) serves as the program administrator and is responsible for setting program policies and overseeing program operations, while the City’s Office of Labor Standards Enforcement (OLSE) administers and enforces the requirements of the City Ordinances to employers. To manage the daily operational functions of two programs, DPH has contracted with a third-party administrator San Francisco Health Plan (TPA) to manage a call center, marketing and outreach, data analytics and reporting, and vendor contracting.

SFCO’s goal is to help participants achieve and maintain their best health and wellness by providing funds to help with health-related expenses such as over-the-counter medications, copayment and insurance premium.⁴ For more program information, please visit the program website at <https://sfcityoption.org>.

B. Employer Spending Requirement

As mentioned in subsection A above, OLSE oversees the implementation and compliance of the respective ESR by San Francisco employers as mandated by the City Ordinances. This year, SFCO co-hosted 12 webinars with OLSE to educate interested employers about SFCO, HCSO and HAO compliance and the employer spending

¹ San Francisco Office of Labor and Standards Enforcement (2023). *Understanding the Health Care Security Ordinance*. Assessed on 3/22/23, <https://sf.gov/information/understanding-health-care-security-ordinance>

² San Francisco Office of Labor and Standards Enforcement (2022). *Understanding the Healthy Airport Ordinance*. Assessed on 3/22/23. <https://sf.gov/information/understanding-healthy-airport-ordinance>

³ San Francisco Office of Labor and Standards Enforcement (2021). *San Francisco Healthy Airport Ordinance*. Assessed on 3/22/23. <https://sfgov.org/olse/sites/default/files/HCAO%20-%20Healthy%20Airport%20Ordinance%20FAQs%2004.30.21.pdf>

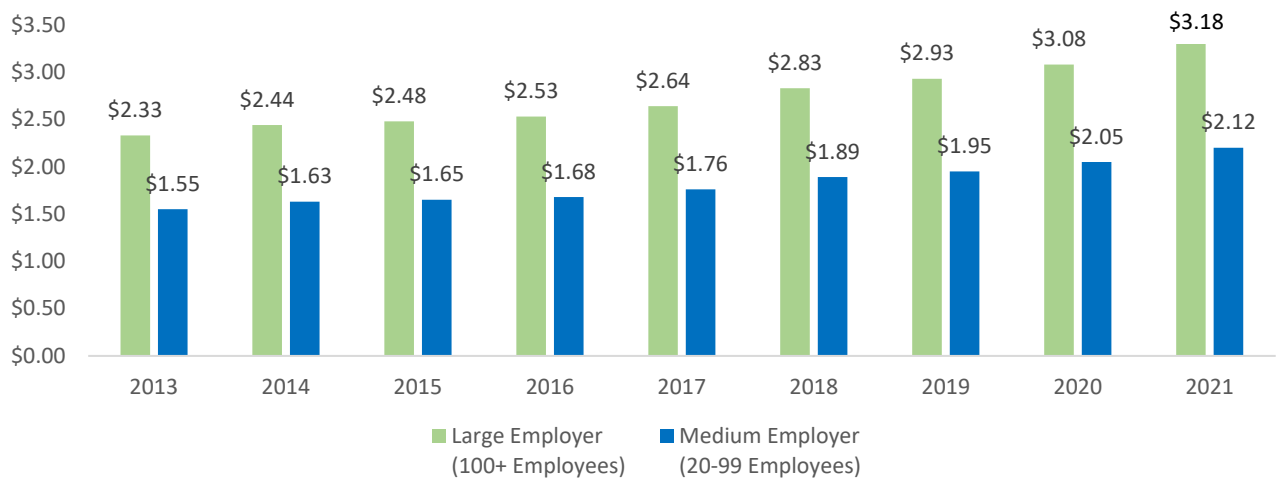
⁴ San Francisco City Option. (2023). *Employee Resources*. <https://sfcityoption.org/sfmra/about-us/employee-resources/#:~:text=The%20ultimate%20goal%20of%20the,and%20other%20health%2Drelated%20expenses.>

requirement. The ESR was implemented for all employers with 50 or more employees in January 2008 for HCSO while it was implemented in March 2021 for HAO.

Health Care Security Ordinance’s ESR

The ESR under the HCSO applies to for-profit employers with 20 or more employees and non-profit employers with 50 or more employees as of April 2008. Figure 1 demonstrates the gradual increase in the required minimum amount per employee per hour since its implementation. This year, the minimum expenditure was \$2.12 per hour for medium-sized employers (i.e. 20-99 employees) and \$3.18 per hour for large employers (i.e. 100+ employees). For most update ESR information, please visit OLSE at <https://sf.gov/information/understanding-health-care-security-ordinance>.

Figure 1: Minimum Health Care Expenditures Per Covered Employee Per Hour by Year for HCSO



Healthy Airport Ordinance’s ESR

Starting in March 2021, employers at SFO are required to provide employees covered by SFO’s Quality Standards Program with family health insurance at no cost to the employee or to pay \$9.90 per hour (up to \$396 per week) on behalf of each employee to SFCO. Employers may choose which option they use to comply. For most update information, please visit OLSE’s website at <https://sf.gov/information/understanding-healthy-airport-ordinance>.

C. SFCO Program Structure

It is important to note that while participation in SFCO is a way for employers to meet the ESR of the City Ordinances, most San Francisco employers do not participate in SFCO and demonstrate their compliance to the City Ordinances outside of SFCO. However, SFCO provides a valuable alternative for some employers to meet such requirement. Since 2008, 4,249 employers have made at least one contribution to the program. An employer that chooses to contribute to SFCO on behalf of their covered employees will make those employees eligible to either: (1) participate HSF at a reduced cost, (2) be assigned a Medical Reimbursement Account (SF

MRA), or (3) receive Covered MRA (SFCMRA) premium assistance for Covered CA. Contributions are assigned based on program eligibility criteria as well as these listed below. An eligible SFCO employee is called a “participant.”⁵

- If the employee is eligible for HSF or SFCMRA, the employee will be notified and must initiate and complete that program’s application process in order to participate.
- If the employee is ineligible for either HSF or SFCMRA, a SF MRA will be opened for the employee. All funds contributed on the employee’s behalf by the employer(s) are deposited into this account. Subsequently, the employee can access these funds for reimbursement of eligible health care expenses.

As part of the enrollment process, SFCO sends the employees a notification and encourages them to complete an online Program Finder Form, to help determine preliminary eligibility to one of the three programs mentioned previously. Employees’ contributions by employers are not assigned to a designated program and stay in a fund pool until they have engaged with the program and completed the enrollment process.

II. Policy Changes and Activities

In addition to several program activities related to continuous program improvement, SFCO has made two policy changes this year in response to the COVID-19 pandemic and the Shelter-in-Place orders (SIPs) by local, state, and federal officials to ensure continued access to health care services.

A. COVID-19 Response

Employer ESR Payment and Employee Enrollment Flexibility

An alternative payment option was initiated last year and has been continued to allow employers who were unable to pay by check or via TPA’s electronic fund transfer (EFT). SFCO also continued to allow employers to temporarily use their own ACH (automated clearing house) systems to pay contributions. Additionally, due to the temporary closure of the TPA Service Center, the program established remote appointments for enrollment.

Cash Grant Program

At the direction of the Mayor, SFCO created an SF MRA COVID-19 Cash Grant Program which provided a one-time \$500 cash payment to eligible participants. At program closure, 29,788 participants (64% of eligible participants) were approved for the one-time \$500 cash payment, totaling \$14.9M.

⁵ San Francisco City Option. (2023). *About Us*. San Francisco Department of Public Health. Assessed on 2/14/23. <https://sfcityoption.org/employers/about-us/>

B. Program Activities

Program Simplification

During this fiscal year, SFCO initiated work on the program simplification (“SFCO Simplification”) which was approved by the Health Commission. The purpose of this SFCO Simplification is to maximize employee utilization of the program benefits by making the enrollment process simpler and more user-friendly. This new program includes the creation of a new SF MRA enrollment process and is projected to be completed next year.

Healthy Airport Ordinance Implementation

In response to the new HAO passed by the San Francisco Board of Supervisors in November 2020, DPH and OLSE partnered to provide information and guidance about the SF MRA benefit under the HAO to employers, employees, and stakeholders. The initial response to the program has been very positive, with over 63% of eligible employees already enrolled in their SF MRA benefit.

Lockbox Implementation

SFCO successfully completed two efforts to minimize on-site check processing of employer contributions: a “lockbox” process for employers to send contributions directly to our vendor, City National Bank (CNB); and a credit card payment option. These efforts have resulted in a significant reduction of staff time, enabling the repurposing of resources to other program enhancements. The lockbox has minimized deposit cycle time as well, allowing participants to receive their benefits more quickly. Payment by credit card had long been requested by employers and promotes an enhanced user experience.

Financial Audit

During FY20-21, the Controller’s Office of the City, in conjunction with Sjoberg Evashenk Consulting (SEC), released a financial performance audit report on TPA’s management of SFCO funds. The report was generally positive and included 22 recommendations to further improve program operations. For a complete copy of this audit, please visit the City’s website here: <https://openbook.sfgov.org/webreports/details3.aspx?id=2898>.

WageWorks Claims Audit

The program conducted a third-party claims audit of WageWorks, SFCO’s claim vendor. The audit was generally positive though found several opportunities for enhancements including improving the overall accuracy rate of claims payment (currently at 93%) and increasing claims status reporting to enhance program oversight.

III. Program Participation

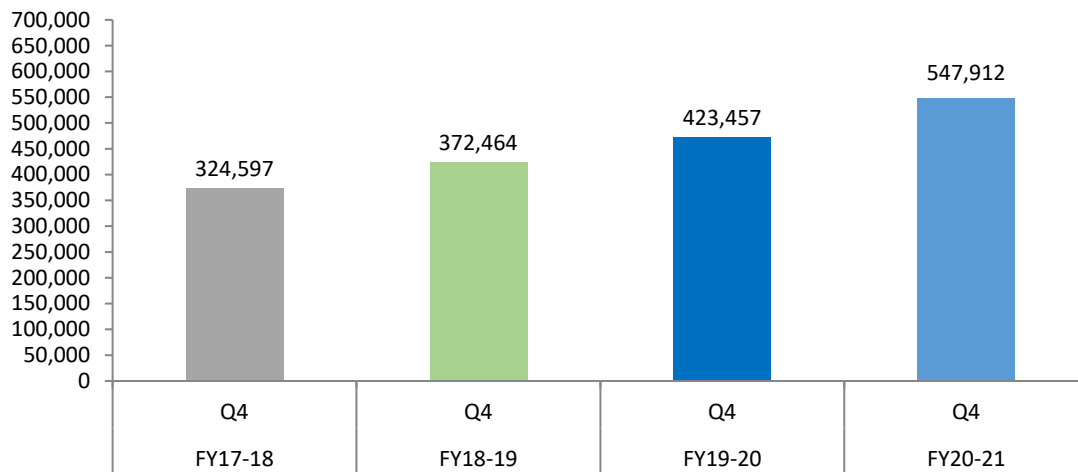
A. Highlights

By the end of FY20-21:

- There was a 29% cumulative increase of employees from the year before (Figure 2). This number includes those employees who were counted more than once because they received contributions from multiple employers.

- There were 44,540 active SF MRA participants with at least one claim within the prior 12 months, 567 active HSF participants enrolled with an ESR Discount applied on their most recent HSF invoice, and 129 active SFCMRA participants.
- 229 employers made their first contributions (new employers), which was added up to a total of 4,249 employers with at least one contribution to SFCO since program inception.
- 1,822 employers made at least one contribution to SFCO (active employers), which represents a 12% decrease compared to last year.
- \$148 million was deposited to SFCO on behalf of their San Francisco employees, which represents a 25% or \$48 million decrease from the year before.
- Of the employer funds contributed to the program, fifty-one percent (51%) were assigned to the pool, forty-eight percent (48%) to SF MRA, one percent (1%) to HSF, and less than 1% to SFCMRA.

Figure 2: Program-to-Date Count of Employees Receiving Employer Contributions, Q4 FY17-18 – Q4 FY20-21



B. Employee Data

At the year end, there were 44,540 SF MRA participants. Of which, 41,220 unique individuals with at least one SF MRA claim within the prior 12 months (defined as “active SF MRA participants”), 567 unique individuals currently enrolled with an ESR Discount applied on their most recent invoice (defined as “active HSF participants”), and 129 unique individuals currently enrolled in SFCMRA (defined as “active SFCMRA participants”) (Table 1).

Most SFCO participants (47%) actively enrolled in HSF this year had incomes between 101% - 200% FPL, which is consistent with FY19-20. Two percent (2%) were between 0 - 100% FPL while 29% were between 201 - 300% FPL (Figure 3). Compared to the general HSF population, SFCO employees enrolled in HSF with employer contributions have relatively higher incomes.

Given these modest incomes relative to the overall cost of health insurance, this is an indicator that affordable health insurance remains a pressing issue for the City. Additionally, with the burden of obtaining affordable health care even with available subsidies, individuals who are eligible for subsidies through Covered CA and SFCO may continue to elect to remain in HSF.

Table 1: SFCO Employees by Program Eligibility in FY20-21

Category	Description	Number
HSF-Eligible Employee	SFCO employee who is a resident of San Francisco, not insured, and not eligible for public insurance programs such as Medi-Cal or Medicare; whose age is 18 or over, and who is living in a household with an income at or below 500% of FPL.	567
SF MRA Employee	An employee who works in San Francisco and their employer(s) pays into SFCO.	44,540
SFCMRA Employee	SFCO employee who is a resident of San Francisco, has purchased insurance coverage through Covered CA, and meets income and other eligibility guidelines.	129

Figure 3: SFCO Participants Enrolled in HSF by FPL, as of June 30, 2021

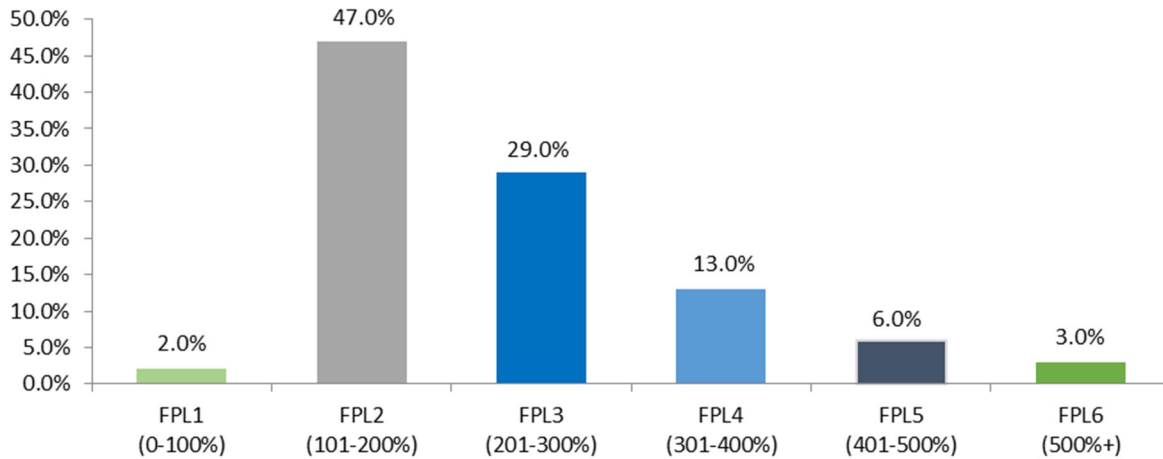
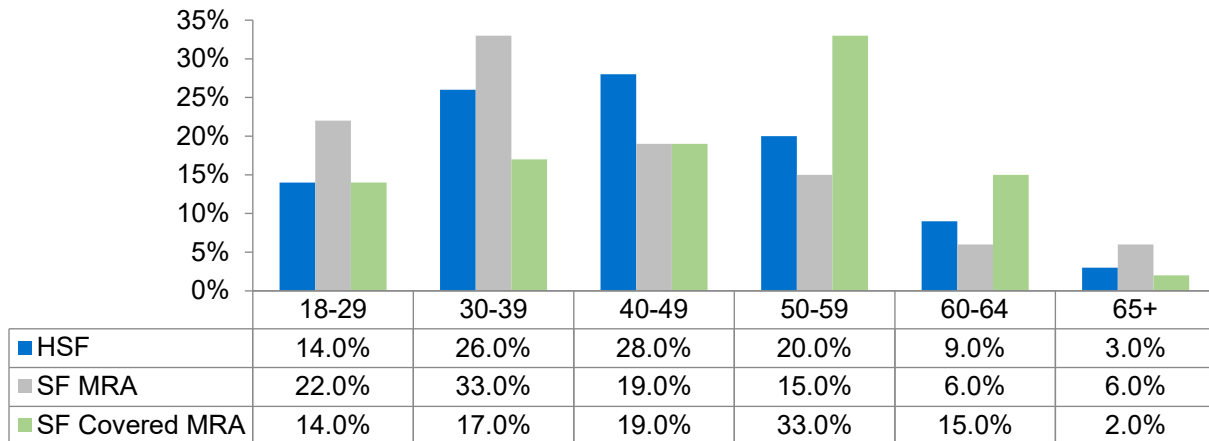


Figure 4 illustrates the distribution of SFCO employees across its programs and age groups at the end of FY20-21. It is worth noting that the largest SFCMRA age group was the 50-59, while more younger cohorts were enrolled into SF MRA or HSF.

Figure 4: Age Distribution of Active HSF, SF MRA, and SFCMRA Participants, as of June 30, 2021



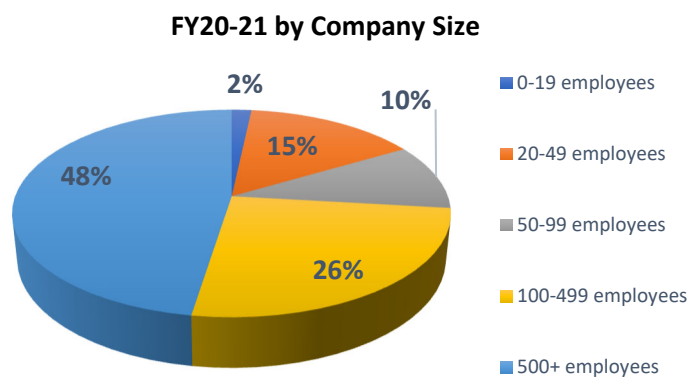
C. Employer Data

Figure 5 summarizes the SFCO employers' information by company size, as of June 2021. Employers may use SFCO to supplement any existing health care expenditures that have been made if they do not meet required ESR expenditure levels. The data indicates that:

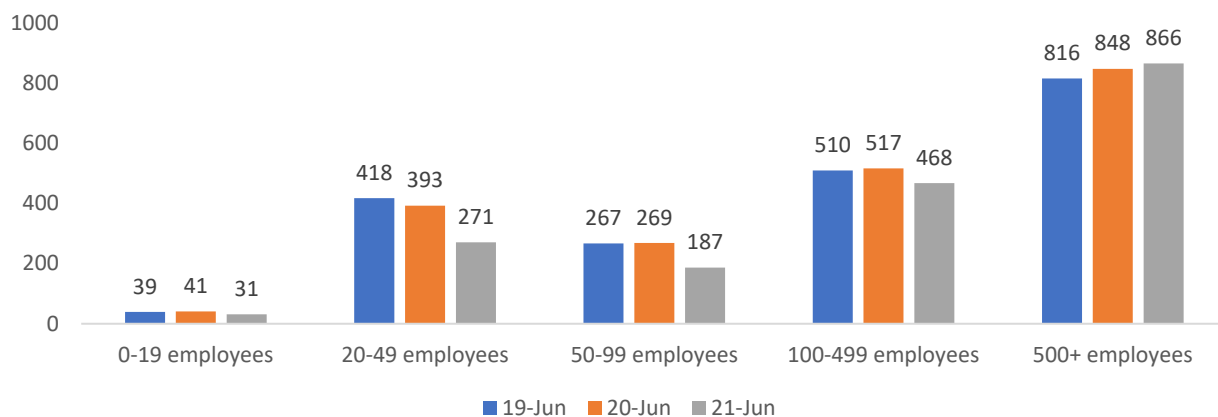
- SFCO touches every industry and the vast majority are concentrated in retail and service industries such as Target, Macy's, hotels, security companies but also large companies like Wells Fargo and California Pacific Medical Center. Almost half of the remaining are food services in the restaurant industry;
- Twenty-six percent (26%) of the companies have 100-499 employees and 48% have 500+ employees; and
- The count by company size has been decreasing for almost all of the categories, except for the 500+ employees. Such employee group has increased steadily for the past few years.

Figure 5: SFCO Employers by Company Size

Count of Employees by Company Size	Jun-19	Jun-20	Jun-21
0-19	39	41	31
20-49	418	393	271
50-99	267	269	187
100-499	510	517	468
500+	816	848	866
Total	2050	2068	1823



Count by Company Size

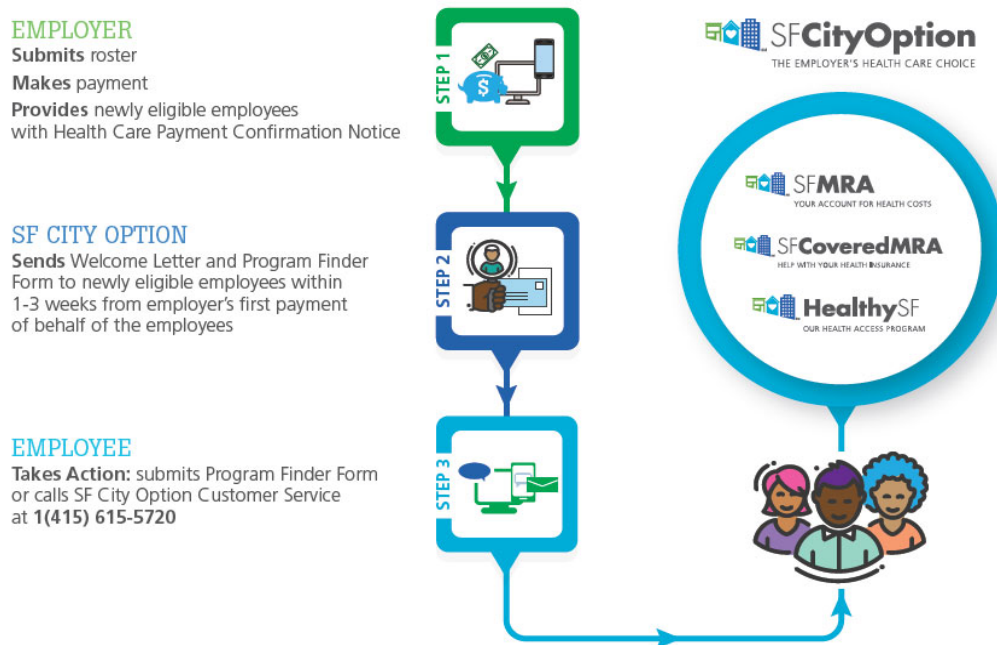


IV. Other Program Statistics

A. Program Finder Form

The Program Finder Form was created in October 2016 as a screening tool for participants and a mechanism to enroll in SF MRA (Figure 6). An employee is required to take action by submitting this form. Based on the information provided in this form, an employee can be eligible for one of the three SFCO programs. In FY20-21, SFCO received a total of 12,506 Program Finder Forms, with 92% submitted online and 8% by mail or fax. The majority of participants that completed the Program Finder Form during this fiscal year were determined to be eligible and 64% were enrolled into SF MRA, consistent with the trend established in previous years. If an employee takes no action, her program funds will remain in the pool fund as discussed previously.

Figure 6: Enrollment Flowchart



B. Website Analytics

The SFCO website (<http://sfcityoption.org>) is a key source of information for San Francisco employers and their employees to learn more about the program resources available. The SFCO site is a resource for frequently asked questions, program resources, documentation, and materials. It also serves as a portal to employers' SFCO accounts and employees' SF Medical Reimbursement Accounts. Additionally, the SFCO Program Finder Form is an online tool used to determine and inform SFCO employees' program eligibility.

During FY20-21, the SFCO website experienced 146,343 visits, a 12% increase from last year. Of the total visits, eighty percent (80%) were new. The average number of visits per month was 12,195. Of the page views, ninety-three percent (93%) were in English, four percent (4%) in Spanish and 3% in Chinese. Further analysis of these website activities may be required in order to improve website traffic for the non-English speaking visitors.

V. Revenues and Expenditures

A. Budget Summary

Table 2 provides information on program revenue and fund flow associated with all three SFCO programs. Due to the Shelter-in-Place orders started in March 2020, the program revenues dropped 25% comparing to the revenues from prior year, and overall expenditure was added up to nearly \$22 million. Of which, almost \$15 million (or 69%) were distributed to the eligible SF MRA participants as part of the Mayor’s COVID-19 response.

Table 2: Estimated Total Revenues and Expenditures

	FY19-20	FY20-21
REVENUES (Employer Contributions)		
Pool Fund	\$113,398,067	\$75,139,878
SF MRA	\$78,478,204	\$70,693,677
SFCMRA	\$1,362,260	\$764,641
HSF	\$2,574,371	\$1,317,341
TOTAL REVENUE	\$195,812,901	\$147,150,897
EXPENDITURES		
Third-Party Administrator (TPA) Fee*	\$5,449,917	\$5,092,474
Services		
WageWorks Account Fees^	\$1,864,512	\$1,962,475
COVID-19 Cash Grant Program (\$500 cash payment to 29,788 participants)	\$0	\$14,894,000
SUBTOTAL EXPENDITURES	\$7,314,429	\$21,948,949

*Third-Party Administrator Fees include the contract administration of third-party vendors such as WageWorks.

^WageWorks Account Fees including those for SF MRA and SFCMRA were born by the account holders or participants and were deducted directly from their accounts. See Table 3 for further breakdown.

TPA contracts with WageWorks to provide administrative services for SF MRAs. In FY20-21, \$1,953,413 was paid in SF MRA administrative fees and \$9,062 was paid in SFCMRA administrative fees (Table 3).

Table 3: Monthly Administrative Fees from WageWorks

	Fee Per Account	FY 19-20 Total	FY 20-21 Total
SF MRA Fees Paid	\$2.75	\$1,852,055	\$1,953,413
SFCMRA Fees Paid	\$3.50	\$12,457	\$9,062
Average # Accounts Per Month		56,419	59,484

B. SF MRA Deactivation or Reactivation

To minimize the account fees to WageWorks, SFCO deactivates SF MRAs that have no claims or employer deposits for 24 months or more. SF MRAs with no activity receive three outreaches prior to deactivation. After deactivation, funds are no longer available to the employee and WageWorks administrative fees are no longer deducted from the account. SFCO restores the balance and reopens the account for employees who contact the program after deactivation.

SFCO resumed the deactivation process in the third quarter of this year. The deactivation was put on hold due to COVID-19 occurring during the deactivation response period. Next deactivation is scheduled during the first quarter of next fiscal year. This year, 429 SF MRAs were reopened with a total of \$629,883 added back to the impacted accounts. Program to date, the overall reopen rate is close to 5%.

VI. Looking Ahead and Conclusion

This year, the San Francisco Department of Public Health, with support from the Controller's Office, conducted its first in-depth program and financial audits of the TPA's administration of SFCO; and an claims audit of WageWorks. The following targets derived from these audits will remain as priorities as the program moves into the next fiscal year:

1. Program Simplification efforts intended to increase access for participants;
2. Enhanced and focused participant outreach for the purposes of burgeoning enrollment and re-enrollment and increasing utilization of the program benefits;
3. Enhanced reporting and monitoring capacity to evaluate future outreach efforts;
4. Establishing additional policies and procedures for managing program funds including the inactive funds from its deactivation policy, for evaluating the performance of subcontractors such as WageWorks, and for guiding the development of internal trainings and their related materials to ensure that all relevant staff are cross-trained where possible; and
5. Performing a program risk assessment in the areas of financial management, enrollment, claims and customer service.

The COVID-19 pandemic that began in March 2020 destabilized the healthcare environment from the local to the global scale, and the ramifications of this event are likely to be felt for years to come. The current priorities for DPH for next fiscal year include: (1) comprehensive vaccination for participants, ensuring continued coverage and access to resources in the wake of the pandemic, and (2) simplification of the administrative processes of the program to improve user experience and increase the utilization of program benefits by San Francisco employees.

VII. Data Source

The data used to generate the tables, figures and findings in this report was drawn from one primary source San Francisco Health Plan and several supporting sources including: (1) SFCO Claims Dashboard, (2) SFCO Employer Contributions Dashboard, (3) SFCO Enrollment Forms Dashboard, and (4) SFCO Participants Dashboard.

VIII. Acknowledgements

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