



San Francisco City Option Program Annual Report (Fiscal Year 2021-22)

Prepared by the Office of Managed Care of San Francisco Department of Public Health
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I. Executive Summary

Since program inception in 2008, San Francisco City Option program (“SFCO” or “SF City Option”) was utilized by a total of 4,484 San Francisco (SF) employers (“Employers”) who made contribution to the program on behalf of a total of 402,207 unique employees (“Employees”). The total contribution this year amounted to \$170 million, a 15% increase from the prior year. Of which, 55% of the contributed fund are assigned to the SF Medical Reimbursement Account (SF MRA) fund, and the remainder is pending for Employees to enroll into SF MRA.

In fiscal year (FY) 21-22, the top four initiatives included: i) completion of a simplification program (“SFCO Simplification”) that was designed to increase Employee utilization by making enrollment more streamlined and reducing program complexity; ii) rebranding of program communications that consisted of website and collaterals for Employers and Employees as well as visitors; iii) pilots with Employers to assess enrollment and access to benefits; and iv) the proposal and approval for its escheatment policy to address inactive fund cumulated since program inception. Appendix. SF City Option Program Overview here provides further background information of SFCO.

SFCO Simplification includes the following components:

- **SF MRA-Only Enrollment:** SFCO transitioned to a one-benefit program, namely, SF MRA, from three benefit programs—SF MRA, Healthy San Francisco (HSF Discount) and SF Covered MRA. The newly streamlined enrollment process requires no in-person interaction.
- **Ending SF Covered MRA:** SF Covered MRA was sunset in December 2021. The 132 participants enrolled in Plan Year 2021 received a one-time payment in their new SF MRA in January 2022 that matched their SF Covered MRA benefit in 2021.
- **Ending HSF Discount:** In September 2021, the new enrollment of the HSF Discount program was terminated. The 600 existing participants were enrolled in SF MRA and continued to receive an HSF discount until March 2022.

To further improve public trust, SFCO adopted several recommendations from the American Institutes for Research. One of which was to redesign the program logo to incorporate some components of the SF City Seal, which is more known and respected among the communities.

Additionally, to better understand why some Employers have more successes than the others in terms of enrollment and benefit utilization, SFCO launched four Employer pilots. One of the key findings was that Employers have been treating SFCO as a compliance program rather than a benefit program.

In January 2022, the SF Health Commission approved a new policy to escheat SFCO inactive fund of three years or more. In the coming years, The program’s plan is to actively prepare for and leverage this policy implementation to further increase enrollment and utilization.

As more and more people obtain health coverage outside of SFCO and HSF due to state and federal programs that continue positively addressing the access issue of health care services, SFCO will likely become a program addressing affordability rather than accessibility of health care services.

II. Policy Changes and Program Activities

A. SF City Option Escheatment Policy¹

In January 2022, the SF Health Commission approved a new policy to escheat the SFCO inactive fund of three years or more (“Active Fund”), following the California Government Code Sections 50050 et seq. and the City’s current escheatment process for other City programs. Subsequently, the SF Department of Public Health (DPH) also approved the implementation of such policy, prospectively starting March 2023. This means that the first escheatment will take place no sooner than April 2026. Since the policy approval, the program administration has been working on developing a communication plan that includes outreach and communications to Employers, Employees, trade associations, and other City agencies that interact with the local businesses to further maximize the utilization of the program benefits. Escheating the Inactive Fund is the City’s last resort.

B. Program Activities

SFCO implemented several program activities related to continuous improvement. Such activities are further described in this section below.

Completion of SFCO Simplification

SFCO Simplification that started last year was completed. Its purpose is to maximize Employee access and utilization by making the enrollment process simpler and more user-friendly.

The three key projects of this initiative included:

- Reprogramming SF MRA as the only benefit under SFCO starting in January 2022;
- Ending SF Covered MRA program as of December 2021, with February 2022 serving as the final month of billing; and
- Discontinuing new HSF Discount enrollment in September 2021 and enrolling the approximately 600 existing participants into SF MRA. These participants also received an HSF Discount benefit until March 2022.

Dashboards

To improve the versatility and access to SFCO dashboards for program administration, the existing dashboards were updated and moved into Tableau, a visual analytics platform to transform the way the program displays and uses its data. New dashboards launched in Tableau included employer contributions, claims, and enrollment forms. Two additional reports are also expected to go live by fall 2022, including participants demographics, and employer firmographics.

Rebranding, Collaterals, and Messaging

SF MRA adopted several recommendations made by the American Institutes for Research to enable higher employee enrollment and utilization. The projects implemented included:

¹ SF Health Commission. (2022). *Minutes for Health Commission Meeting Tuesday, January 4, 2022 4:00 p.m.* page 10 item #8. Accessed on 9/12/23. <https://sf.gov/meeting/january-4-2022/january-4-2022-health-commission-meeting>.

- Rewriting program collaterals at the grades 6-8 reading level and updated its website to make it more user-friendly;
- Rebranding program materials by redesigning a logo that resembles the SF City Seal to further improve the program's credibility and public trust; and
- Automating an 'SF MRA Welcome Email' with information on how participants can access their accounts. For participants that do not have any email address, they received a SF MRA Welcome letter in the mail.

SF MRA Vendor Migration

HealthEquity, formerly known as WageWorks, is a vendor who processes SF MRA claims and reimbursement. This year, it migrated these processes to a new system called 'V5', aiming to better participant experience. Specifically, it merged accounts with the same account holder into one account to simplify account maintenance and reimbursement tracking, resulting a reduction of the monthly average number of accounts by 4.5% (or 2,540). In addition, HealthEquity has launched 24/7 chat feature, personalized P.O. Box, and fax number to decrease claims processing time. Due to this V5 migration, from May 17th to June 15th of 2022, participants were unable to access their SF MRA or submit reimbursements and the program Call Center received more calls and had higher rate for abandon calls than it normally has.

Employer Outreach Pilots

SFCO launched several outreach pilots to better understand how Employers manage the program. These pilots, on one hand, focused on developing relationships with and increasing participation from Employers. On the other hand, they aimed at measuring the effectiveness of Employer participation in Employee enrollment and utilization. Wells Fargo, Sutter West Bay Hospitals, Universal Services of America, and Salesforce were the four Employers that the pilots targeted as these firms made contributions to the program on behalf of a significant portion of their workforce.

Specifically, in-depth interviews were conducted at each company with senior staff who were in charge of compliance. A summary of enrollment data was also provided to the interviewees. These interviews revealed that these Employers manage SFCO as a means of achieving compliance of the SF Health Care Security Ordinance (HCSO) rather than as a health benefit. Consequently, these companies have not put much emphasis on educating their staff about the program benefits and process to claim reimbursements.

To improve staff education and monitor enrollment, these Employers have indicated a desire to receive enrollment summary on a regular basis. Wells Fargo has also started informing staff about the SFCO contribution on a quarterly basis. To facilitate staff education between Employers and Employees, the program has updated a program video and created additional collaterals that Employers can send to Employees.

Website Analytics

The SFCO website (<https://sfcityoption.org/sfmra/>) is a key source of information for SF employers and their employees to learn more about the program. It is a source for frequently asked questions, and program documentation and materials. It also serves as a portal for Employers and Employees. This year, the SFCO website experienced 111,208 visits. Of which, 77% were new. Of the pages viewed, 93% were in English, 4% in Spanish and 3% in Chinese.

III. Program Participation

Figure 1 below summarizes the definitions for Employers, Employees and participants, and their total numbers in FY21-22.

Figure 1: Summary of SFCO Employers and Participants in FY21-22

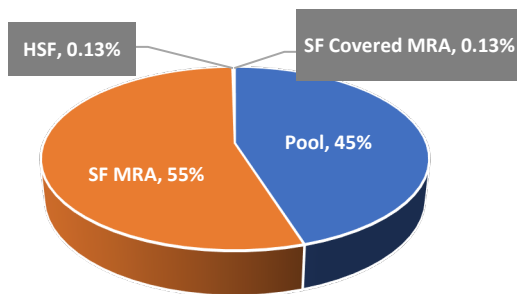
Category	Description	Count For FY21-22	Count Since 2008
Employers	An SF employer is covered under HCSO if the employer is a for-profit business with 20 or more employees worldwide, or a non-profit business with 50 or more employees worldwide; and has employees working in San Francisco. Those employers who choose SFCO to comply with HCSO and who have made at least one contribution on behalf of their employees are defined in this report as “Employers”.	1,878	4,484
Employees	Once SFCO receives the first Employer contribution for an employee, this employee becomes an SFCO employee (“Employee”). The number here indicates the total unduplicated count of Employees who have received Employer contribution regardless of their SF MRA enrollment. Without enrollment into SF MRA, Employees’ fund will remain in an unclaimed fund pool, which is referred to as the “Pool Fund” or “Pool”. For those that enroll into SF MRA successfully, their Pool Fund will be moved to the “Active Fund” as defined below.	75,508	402,207
Participants	The count of participants here is a subset of Employees. To become a participant, this Employee is required to initiate enrollment into SF MRA. Once an Employee enrolls into SF MRA successfully, he will become a SFCO program participant or “participant”. The fund in his SF MRA is referred to as “Active Fund”, which he can now submit claims for covered services and receive reimbursement on clean claims.	40,713	236,705 (or 59% of Employees)

A. Employers

Since program inception, there has been 4,484 Employers making contributions. This year, there were 1,878, which represents a 3% increase from last year. Of which, 235 Employers were new to the program. In terms of Employer contribution this year, the program saw \$174 million contributed on behalf of Employees, which represents a 17% or \$27 million increase from the year before.

As showed in Figure 2, by the end of FY21-22, 55% of the total Employer contributions were Active Funds. The remainder was allocated in the Pool Fund. Furthermore, as a result of SFCO Simplification, no additional contributions were assigned to the last two quarters for the HSF Discount and SF Covered MRA programs, although these contribution amounts were insignificantly low in comparison to the Active Fund and Pool Fund.

Figure 2: SFCO Employer Contributions Overview for FY 21-22



Contributions Allocation	\$	%
Pool Fund	\$76,523,942	45%
Active Fund for SF MRA	\$92,770,059	55%
HSF Discount	\$220,978	<1%
SF Covered MRA	\$218,496	<1%
Total	\$169,733,475	100%

SF employers may use SFCO to supplement any existing health care expenditures that have been made if they do not meet the HCSO's employer spending requirement (ESR). Figure 3 summarizes Employers by company size at year end.

Figure 3: SFCO Employer Contributions by Company Size, FY 21-22

Employer Size	By Count	By Percent
0-19 employees	32	2%
20-49 employees	277	15%
50-99 employees	212	11%
100-499 employees	453	24%
500+ employees	904	48%
Total Employer	1,878	100%

The data indicates that:

- The vast majority of Employers are concentrated in retail and services such as Target, Macy's, hotels, security companies and large companies like Wells Fargo and California Pacific Medical Center. Almost half of the remainder are in the restaurant industry;

- Nearly half (or 48%) of Employers reported employing at least 500 employees, and another 24% employing 100-499 employees; and the remaining 28% have less than 100 employees; and
- Compared to the prior years, there was a steady decrease for all company sizes except for the 500 plus employees category. The decrease in small businesses may have been impacted by COVID-19 according to the SF Office of Small Business².

Figure 4 shows the top five Employers by the total dollar contributed and by the total number of contributions.

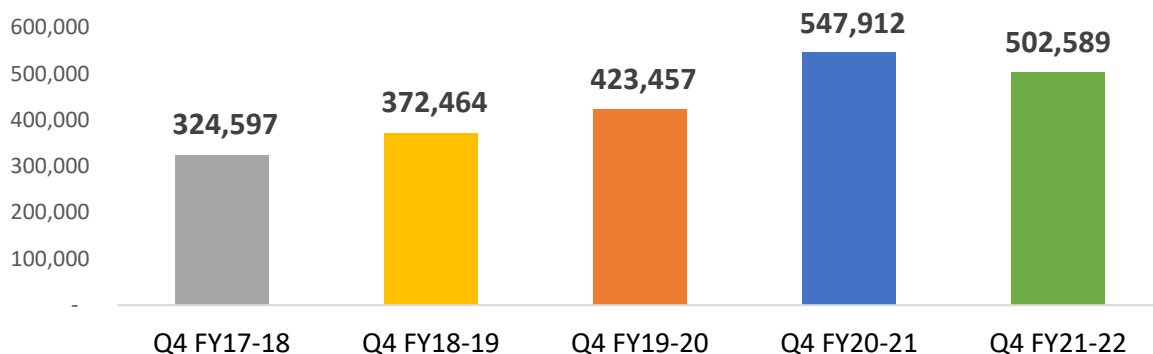
Figure 4: Top Five Employers for FY 21-22

Rank	By the Total Dollar Amount Contributed	By Number of Contributions
1	Gate Gourmet	Universal Services of America
2	Wells Fargo & Company	Gate Gourmet
3	Universal Services of America	Wells Fargo & Company
4	Allegis Group Inc.	Amazon.com Services, Inc.
5	Amazon.com Services, Inc.	Allegis Group, Inc.

B. Employees

There has been 402,207 total unique Employees since SFCO program inception. This year, the total number of Employees dropped from 547,912 to 502,589, an 8% decrease from the year prior (Figure 5).

Figure 5: Program-to-Date Count of SFCO Employees Q4 FY17-18 – Q4 FY21-22



In FY 21-22, 1,878 employers made SF City Option contributions on behalf of 75,508 unique Employees. Figure 6 shows that 54% (40,713) of Employees have moved their funds into an active SF MRA account and become program participants.

²SF Office of Small Business. (2021). *Impact of COVID-19 on Small Businesses in San Francisco*. Accessed on 9/12/23.

https://sfosb.org/sites/default/files/documents/SBC/Covid%20Impact%20Final%20Report%20with%20Survey_May%2028%202021.pdf

Figure 6: Number of Unique Employees by Contribution Type

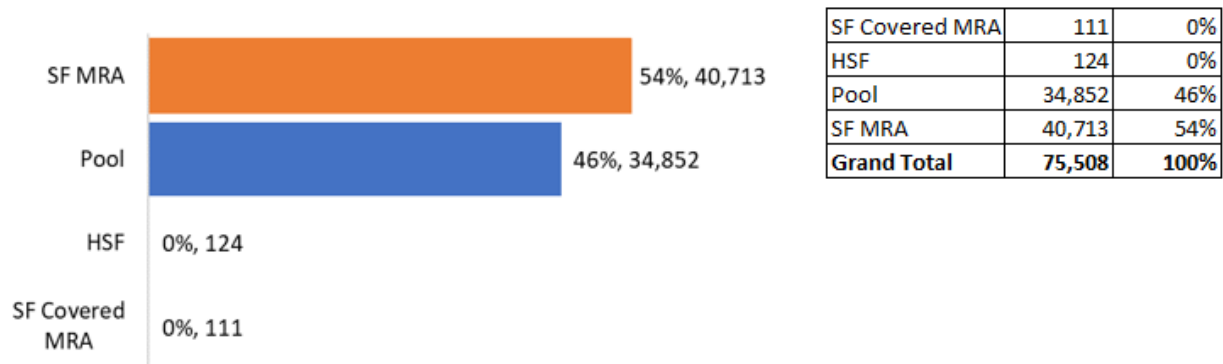


Figure 7 shows 75% of Employees are employed by large Employers with over 500 employees. Logically, 80% of the dollars contributed also fall into this category.

Figure 7: SFCO Employees Receiving Contributions by Employer Size and Dollars Contributed

Employer Size	By Count	By Percent	Dollars Contributed
500+ employees	57,415	75%	\$139.8M
100-499 employees	10,897	14%	\$18.9M
20-49 employees	4,148	5%	\$6.9M
50-99 employees	3,600	5%	\$6.6M
0-19 employees	431	1%	\$0.8M
Total	76,491	100%	\$173.3M

C. Participants

SFCO has enrolled a total of 236,705 (or 59% of total Employees) into SF MRA since the start of the program. At the year end, SFCO had a total of 75,508 participants. Of which, 27,640 (or 36%) individuals had at least one claim within the last 12 months. Fifty-one percent (51%) of the participants were under age 39; followed by the age 40-49 group, at 19%. This trend is consistent with what was observed last year (Figure 8).

Figure 8: Age Distribution of SF MRA Participants, FY21-22

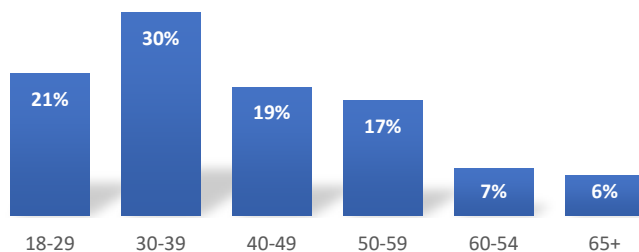


Figure 9 shows that the program had a quarterly average of 56,943 active SF MRA accounts throughout FY21-22. As of March 2022, all SF Covered MRA contributions were discontinued. The monthly administrative fee for SF MRA was \$2.75 until June 2022, where the fees have increased to \$3.15 since then. These account maintenance fees (“Account Fees”) were paid from the Active Fund of participants. As part of the City’s plan to implement the SFCO escheatment policy starting in 2023, these fees will eventually be paid using the interest earned from the Pool and Active Fund.

Figure 9: HealthEquity Monthly Account Maintenance Fees Paid in FY21-22

Monthly Fees	Q1	Q2	Q3	Q4
SF MRA (\$2.75/\$3.15)	\$496,746	\$467,709	\$460,617	\$471,603
SF Covered MRA (\$3.50)	\$1,025	\$964	\$440	\$0
Avg # of Accounts Avg (56,944)	60,336	56,800	55,885	54,753

IV. Revenues and Expenditures

A. Budget Summary

Figure 10 compares Employer contributions and program fund allocations for the last two years. The expenditures dropped 63% comparing to prior year due to the one-time COVID-19 Cash Grant distributed last year. Removing this grant, the program expenditure increased 16% this year.

Figure 10: Total Revenues and Expenditures

	FY20-21	FY21-22	Diff. (\$)	Diff. (%)
REVENUES (or Employer Contributions)				
Pool Fund	\$75,139,878	\$76,523,942	\$1,384,064	2%
Active Fund (i.e. SF MRA fund)	\$70,693,677	\$92,770,059	\$22,076,382	31%
SF Covered MRA (discontinued 1/2022)	\$764,641	\$218,496	-\$546,145	-71%
HSF Discount (discontinued 3/2022)	\$1,317,341	\$220,978	-\$1,096,363	-83%
TOTAL REVENUES	\$147,150,897	\$169,733,475	\$22,582,578	15%
EXPENDITURES				
Third-Party Administrator (TPA) Fee*	\$5,092,474	\$6,206,703	\$1,114,229	22%
Account Fees (paid by participants)	\$1,962,475	\$1,899,104	-\$63,371	-3%
COVID-19 Cash Grant Program (\$500 cash payment to 29,788 participants)	\$14,894,000	N/A	N/A	N/A
SUBTOTAL EXPENDITURES	\$21,948,949	\$8,159,807	-\$13,789,142	-63%

* TPA Fee includes the contract administration of third-party vendors such as HealthEquity.

SFCO contracts with HealthEquity to provide administrative services. Figure 11 shows that in FY21-22, a lion share of the Account Fees were paid in SF MRA fees, adding up to a total of nearly \$1.9 million. In contrast, there is a noticeable decrease of SF Covered MRA fees from last year. Such decrease was due to the completion of SFCO Simplification that ended the program.

Figure 11: HealthEquity Monthly Account Maintenance Fees, 2-Year Comparison

	Fee Per Account	FY 20-21 Total	FY 21-22 Total
SF MRA Fees Paid*	\$2.75/\$3.15	\$1,953,413	\$1,896,675
SF Covered MRA Fees Paid**	\$3.50	\$9,062	\$2,430
Total Monthly Admin Fees		\$1,962,475	\$1,899,104
Average # Accounts Per Month		59,484	56,944

* SF MRA account fee was \$2.75 between July 2021 and May 2022. It was increased to \$3.15 starting in June 2022.

**SF Covered MRA Fees are discontinued effective March 2022. February 2022 was the last month billed.

B. SF MRA Deactivation or Reactivation

To minimize Account Fees, SFCO deactivates SF MRAs that have no claims or Employer deposits for 24 months or more and that have a balance of more than \$25. SF MRAs with no activity receive three outreach communications prior to deactivation. After deactivation, funds would no longer be available to the Employee and the Account Fees will no longer be deducted from the Employee's SF MRA. SFCO restores the balance and reopens the account for Employees who contact the program after deactivation. The overall reopen rate is 4.2% program-to-date.

In FY21-22, 62,974 SF MRAs were deactivated, with a total amount of \$11,536,770. The SF Health Commission approved a new escheatment policy this year that will replace the deactivation process and address the cumulative inactive funds in the program.

V. Looking Ahead and Conclusion

More and more people, regardless of immigration status, will have health coverage outside of the HCSO programs due to state and federal programs that continue positively addressing the access issue of health care services. As a result, SFCO will be increasingly becoming a program addressing affordability rather than accessibility.

Based on the Employer outreach pilots discussed earlier in this report, Employers have been focusing more on the compliance component of SFCO than on the education of Employees on the program benefits and access to such. To change this trajectory, SFCO is required to enhance its efforts in i) expanding its partnership with Employers to further promote employee education and outreach, ii) improving data collection, analysis and reporting, and iii) if necessary, changing policy that can lead to better data for program administration and effectiveness. Lastly, addressing the findings from the financial and

operational audits respectively conducted in FY20-21³ and in FY21-22⁴ remain to be one of the program priorities for FY22-23.

VI. Data Source

The data used to generate the figures and findings in this report was drawn from the SF Health Plan Annual Operations Report; and several supporting sources including i) SFCO Claims Dashboard, ii) SFCO Employer Contributions Dashboard, iii) SFCO Enrollment Forms Dashboard, and iv) SFCO Participants Dashboard.

VII. Acknowledgements

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Thank You to Our Key Community Stakeholder Partners:

San Francisco Health Plan

HealthEquity

³ SF Controller's Office (2020). *San Francisco Health Plan Properly Manages SF City Option Program Funds, but Program Improvements Are Needed to Address the Growing Balance of Employer-Contributed Funds*. Accessed on 9/12/2023.

<https://sfcontroller.org/sites/default/files/Documents/Auditing/DPH%20SF%20City%20Option%20Program%20Audit%20Report%2010.13.2020.pdf>

⁴ SF Controller's Office (2022). *The Department of Public Health Complies With the Health Care Security Ordinance but Needs to Monitor and Manage the City Option Program and San Francisco Health Plan More Appropriately, Effectively, and Efficiently*. Accessed on 9/12/2023.

<https://sfcontroller.org/sites/default/files/Documents/Auditing/DPH%20City%20Option%20Audit%20Report%202.22.pdf>

VIII. Appendix. SF City Option Program Overview

San Francisco’s Health Care Security Ordinance (HCSO)⁵ and Healthy Airport Ordinance⁶ (HAO) (collectively “City Ordinances”) require certain employers operating at the SF International Airport (SFO) to provide a health benefit that meets a minimum expenditure for their eligible employees.

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

1. Employer Spending Requirement (ESR), which requires employers in SF to make health care expenditures on behalf of their employees;
2. Healthy San Francisco was launched in 2007. Subsequently, SFCO was also launched in 2008 as one way for such SF employers to meet the ESR. Most SF employers do not participate in SFCO and demonstrate their compliance to the City Ordinances outside of SFCO; and
3. HAO is an amendment to the Health Care Accountability Ordinance effectuated in early 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 the employees’ behalf to SFCO.

An employer that chooses to contribute to SFCO on behalf of their covered employees will make those employees eligible to enroll into a SF MRA account where they can claim reimbursement for covered services.⁷ SFCO’s goal is to help participants achieve and maintain their best health and wellness by providing funds to reduce their health-related expenses such as over-the-counter medications, copayment and insurance premium.⁸ For more program information, please visit the program website at <https://sfcityoption.org>.

For these two City Ordinances and the SF MRA, DPH serves as the program administrator who is responsible for setting program policies and overseeing program operations. The City’s Office of Labor Standards Enforcement administers and enforces the ESR to employers. To manage the daily operations of SFCO, DPH has contracted with a third-party administrator SF Health Plan to manage a call center, marketing and outreach, data analytics and reporting, and vendor contracting.

The following describes a high-level step-by-step process on how SFCO⁹ works.

Step 1: Employer. The Employer portal is the web application for Employer transactions. Employers can create an account by providing the company’s contact information.

⁵ SF Office of Labor and Standards Enforcement (2023). *Understanding the Health Care Security Ordinance*. Accessed on 9/1/2023. <https://sf.gov/information/understanding-health-care-security-ordinance>

⁶ SF Office of Labor and Standards Enforcement (2022). *Understanding the Healthy Airport Ordinance*. Accessed on 9/1/23. <https://sf.gov/information/understanding-healthy-airport-ordinance>

⁷ SF City Option (2023). *About Us*. Accessed on 9/12/2023. <https://sfcityoption.org/employers/about-us/>

⁸ SF City Option (2023). *SF MRA Benefit*. Accessed on 9/12/2023. <https://sfcityoption.org/sfmra/about-us/>

⁹ SF City Option (2023). *San Francisco City Option Employers: How to Participate in SF City Option*. Accessed on 9/12/2023. <https://sfcityoption.org/employers/how-to-participate-in-sf-city-option/>

Step 2: SFCO sends out Welcome Packet and Enrollment Form. Once Employer submits the employee roster, SFCO sends a welcome letter and an SF MRA Enrollment Form to the newly eligible Employees within 1-3 weeks. Employers can also display SFCO poster to remind Employees of the program benefits. Employers can contact SF City Option at **(415) 615-4492** to obtain a summary of Employee enrollment.

Step 3: Employee enrolls. Once an Employee enrolls in SF MRA, the contributions will be deposited into their SF MRA within 1-3 weeks.