



San Francisco City Option Program Annual Report (Fiscal Year 2022-23)

Prepared by the Office of Managed Care of San Francisco Department of Public Health in
January 2024

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1. Acronym List

DPH	San Francisco Department of Public Health
Employee	An employee whose employer(s) have contributed dollars to the SF City Option program on his or her or their behalf per the City's Healthy Airport Ordinance (HAO) or Health Care Security Ordinance (HCSO).
Employer	An employer covered by the HAO or HCSO.
SFCMRA	San Francisco Covered Medical Reimbursement Account
HAO	San Francisco's Healthy Airport Ordinance
HCSO	San Francisco's Health Care Security Ordinance
HSF	Healthy San Francisco or Healthy SF
OMC	Office of Managed Care, within the San Francisco Department of Public Health
Participant	An Employee who is enrolled into SF MRA successfully under SF City Option
Pool	The SF City Option fund pool where the employer contributions have not been claimed by their Employees
SF MRA	San Francisco Medical Reimbursement Account
SFCO	San Francisco City Option Program or SF City Option
SFHP	San Francisco Health Plan, DPH's third-party administrator for SF City Option

2. Executive Summary

Since program inception in 2008, SF City Option program (or “SFCO”) was utilized by a total of 4,816 San Francisco employers (“Employers”) who made contribution to the program on behalf of a total of 402,207 unique employees (“Employees”). For further program background information, please see Appendix.

For FY22-23, 1933 active Employers contributed a total of \$206M on behalf of 82,013 Employees. Of which, 65% (or \$134M) of the contributed fund were assigned to the SF Medical Reimbursement Account (SF MRA) fund, and the remainder was pending for Employees to enroll into SF MRA. An Employee who is enrolled into SF MRA is referred to “participant” in this report.

This year the escheatment policy implementation and outreach has been the main focus of SFCO’s program operations and resource allocation. The Escheatment Outreach in FY22-23 informed 328,000 participants. The results of this escheatment outreach include:

- Enrolled or reopened deactivated accounts for 54,000 participants – five times as many as in the previous fiscal year.
- Paid out \$127M in claims - more than twice as much as in the previous fiscal year.
- Hosted 253,000 visits to its website – up twenty-fold from just 13,000 in the previous FY.
- Responded to 51,000 calls and emails from participants and their employers. Our third-party administrator, HealthEquity, also handled 18,000 calls, which is three times as many as in the previous year, and a third-party call center hired specifically to assist with Escheatment Outreach handled an additional 10,000 calls.

The result, input, and difficulties of this initial escheatment outreach included an unforeseen large number of client enquiries and enrollments that required manual processing. This feedback will help to influence and enhance the design of the next round of outreach.

3. Policy Changes and Program Activities

In FY22-23 the program activities were increased significantly due to the Employers, Employees, and participants outreach as part of the escheatment policy implementation. These activities are summarized below:

- The total number of claims increased more than 100%, \$127M this year vs. \$57M the year prior.
- 54,000 deactivated participant accounts were either enrolled or reopened, which was a five-fold increase from the prior year.
- 253,000 visits were recorded to its website, which was a twenty-fold increase from the year before.
- The volume of customer inquiries were three times as many as in the previous year. SFCO Customer Service Center, Health Equity, a contractor to process SF MRA claims, and another third-party call center named “TTS” respectively received more than 51,000, 18,000 and 10,000 customer inquiries from participants, Employees, and Employers.

The subsections below will further describe SF City Option’s escheatment policy implementation and other program activities.

A. Escheatment Program Implementation

The San Francisco Health Commission approved an escheatment policy¹ to escheat the SFCO inactive fund of three years or more (“Inactive Fund”), following the California Government Code Sections 50050 et seq. and the current escheatment process of the City and County of San Francisco (the “City”) for other City programs. Subsequently, the San Francisco Department of Public Health (DPH) also approved the implementation of such policy, prospectively starting March 2023. This means that the first escheatment can take place no sooner than April 2026.

As part of the escheatment policy implementation and outreach, the program has planned for several initiatives between 2022 and 2026. Such initiatives are designed to encourage Employees to sign up for a SF MRA and to file claims to get reimbursed for eligible medical expenses incurred by themselves or their eligible family members. The first outreach was launched in January 2023, activities included mailing, emailing and updating its website to announce such new policy. In addition, the individual mailing and email notification also specified the total amount unclaimed in their account, and the action required to claim their fund.

This escheatment outreach was overwhelmingly effective, and the results are summarized below:

- 17% (44,000 of the 263,000) participants enrolled in a SF MRA
- \$156M moved from the program fund pool (or the “Pool”) or deactivated accounts into SF MRAs
- 17,000 of the newly enrolled participants claiming a total of \$38M

While such outreach led to many successful outcomes, there were also a couple of challenges SFCO has encountered, including unexpected high numbers of calls to the program’s Customer Services Center, and large columns of SF MRA enrollment forms that required manual processing. As a result, the program’s normal level of customer service, which is to answer 88% of calls within 30 second, was not met. Specifically, its service level was at 75% during the first couple of months of the first round of outreach.

Learning from these challenges, SFCO’s plan for future outreach is to stagger communications over several months to smooth out the call and enrollment form volumes. Additionally, it plans to build an online look-up tool for Employees to search their fund balance and promote online enrollment as an option.

B. Other Program Activities

a. Increased Call Volume

SFCO received a total of 51,000 inquiries in FY22-23, previously years call volume are significantly lower. Of the 51,000 total inquiries, 48,000 (or 95%) of these inquiries were submitted by employees, and 2,600 (or 5%) were submitted by employers. Also, 37,000 (73%) of these inquiries came in the form of a call to the Customer Service Center while others are in the form of email.

b. Enrollment Appointments

Of the 670 enrollment appointments, 562 (or 84%) were completed and 108 (or 16%) were no-shows (Exhibit 3.1.) Additionally, 64% of the completed appointments were conducted in Spanish, 25% in English, and 11% in Chinese (Exhibit 3.2).

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>.

Exhibit 3.1 Breakdown of SFCO Appointments

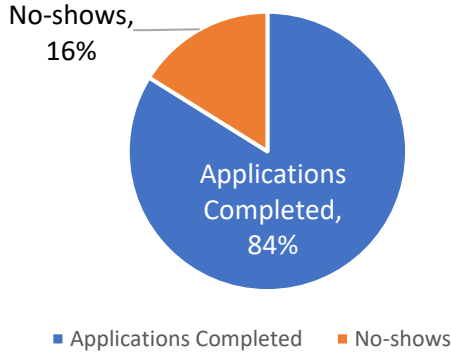
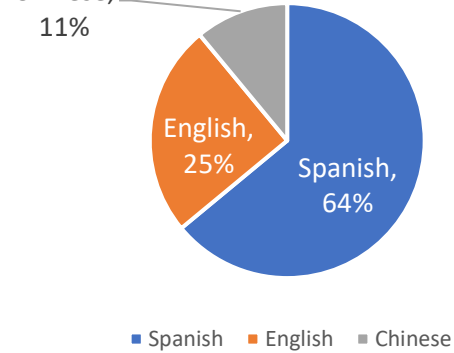


Exhibit 3.2 Languages used for SFCO Appointments



c. Trainings and Education

SF City Option continued to train staff and educate Employers and Employees about the program and its benefits. This year it conducted over 100 trainings and informational events for companies, participants, and program staff. Sixty-four (64) of these training sessions provided an overview of the SF City Option for Employers.

d. Security and Account Monitoring

The data security and privacy are paramount for SF City Option. This year the program identified and froze 129 accounts and 9 enrollment forms that potentially had fraudulent activities, such as someone was submitting a claim using other’s identity. After thorough investigation, 53 accounts were unfrozen.

4. Program Participation

A. Total Contributions by Fund Allocation

Once an Employer contributes fund to SFCO on behalf its employees, the fund will be saved in the SFCO Fund Pool. The program will then notify these Employees of their eligibility to enroll into an SF MRA and use the contributed fund for eligible medical expenses (Exhibit 4.1). Please see Appendix for more details of how the program works.

Exhibit 4.1: SFCO Fund Flow



Since 2008 through the end of FY22-23, \$1,702M (or \$1.7B) has been contributed to SF City Option. Of which, \$1,160M (or 66%) has been assigned to SF MRA or paid out in claims, \$450M (26%) are still in Pool, and \$152M (or 9%) of the funds are assigned to other programs. (See Exhibits 4.2, 4.2.1, 4.3, and 4.3.1)

Exhibit 4.2: SFCO Funds Allocation Since Program Inception:

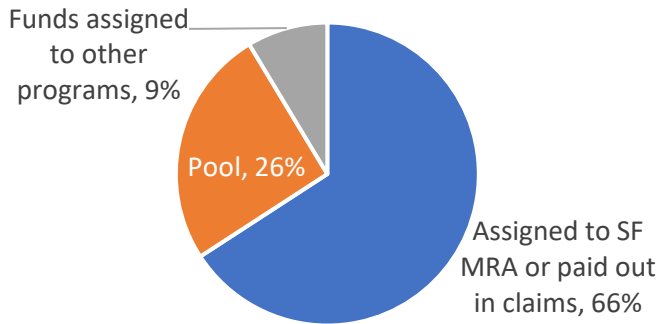


Exhibit 4.2.1: SFCO Funds Allocation Since 2008

Fund Category	By %	By \$
Assigned to SFMRA (see Exhibit 4.2a below)	66%	\$1,160M
Pool	26%	\$450M
Funds assigned to other programs	9%	\$152M
Total	100%	\$1,702M

Exhibit 4.3: Breakdown of SF MRA Funds

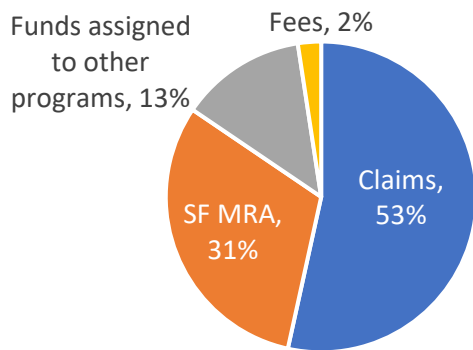


Exhibit 4.3.1: Breakdown of SF MRA Funds

Fund Category	By %	By \$
Claims Paid	53%	\$620M
SF MRA	31%	\$360M
Funds assigned to other programs	13%	\$152M
Fees	2%	\$28M
Total	100%	\$1,160M

B. Total Contributions by Year

In FY22-23, the total amount contributed was \$206M (Exhibit 4.4), which is \$32M (or 19%) more than what was received for the prior year. Of which, 38% of the dollars were assigned to Pool, and the remainder 62% were assigned to SF MRA (Exhibit 4.5).

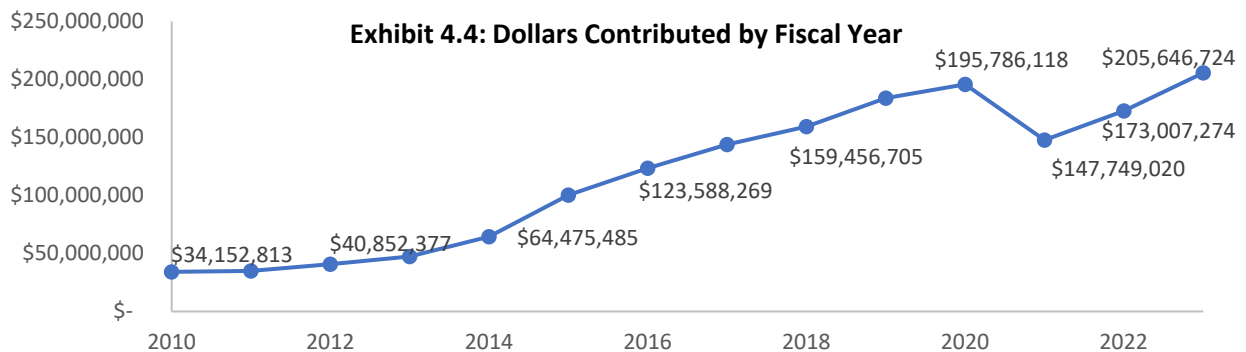
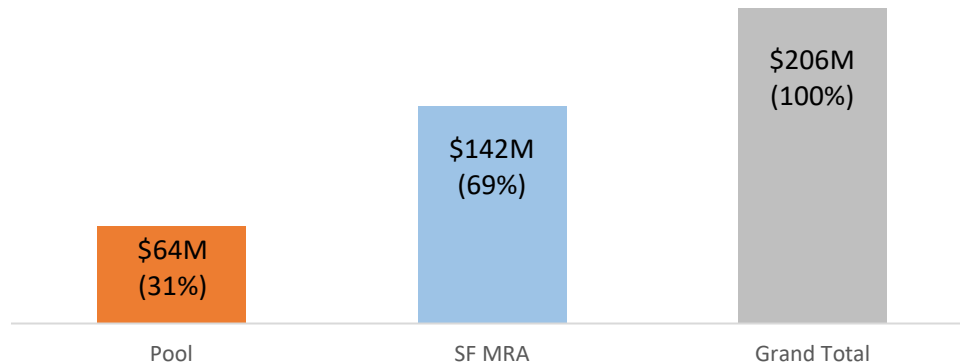


Exhibit 4.5: Dollars Contributed by Fund Allocation, FY22-23



Part of this increase is attributable to:

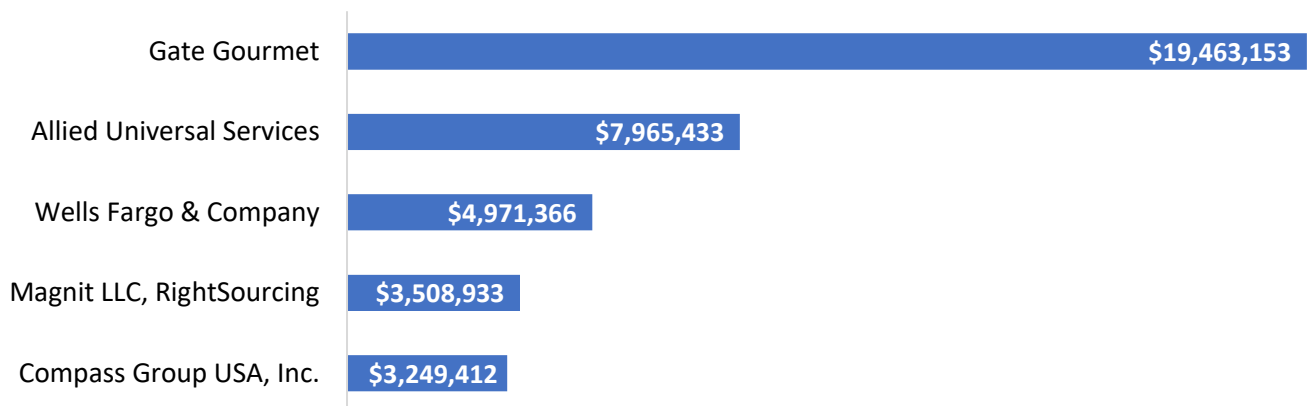
- The HCSO’s hourly required Employer contribution increased 3.5% between FY21-22 and FY22-23.
- The HAO’s required Employer contribution per hour of each employee is substantially higher than those of the HCSO, \$10.30 for each hour the employee works under HAO vs. \$2.27 to \$3.40, under HCSO (depending on business size).

C. Top Employers by Contributions

The top three Employers by the amount of funds contributed since the program's commencement were Wells Fargo & Company (\$56M, or 3% of all contributions), Macy's (\$54M, 3%), and Gate Gourmet (\$38M, 2%) this year. Gate Gourmet began making contributions under the Healthy Airport Ordinance in FY20-21 and has increased those contributions every year since. Wells Fargo, on the other hand, has seen a decrease in contributions since FY20-21. Macy's was a significant contributing Employer up to FY19-20, reducing its annual contribution from \$4M in FY19-20 to \$1.6M in FY22-23.

This year, Wells Fargo, Gate Gourmet, and Allied Universal Services were the top three Employers in terms of money contributed on behalf of their Employees (Exhibit 4.6).

Exhibit 4.6: Top Employers in FY 22-23 According to Contribution Amount



D. Top Employers by the Number of Employees

Since program inception, the top Employers by number of Employees receiving contributions are Macy’s (10,200), Allied Universal Services (7,600), and Magnit LLC / RightSourcing / Workforce Logiq (the “Magnit”) (7,200). Allied Universal Services and Magnit were also the top two contributing Employers by the number of Employees for FY22-23, Compass Group USA, Inc. came in third (Exhibit 4.7). Most of the Employees and the most dollars contributed are in the retail and service industries.

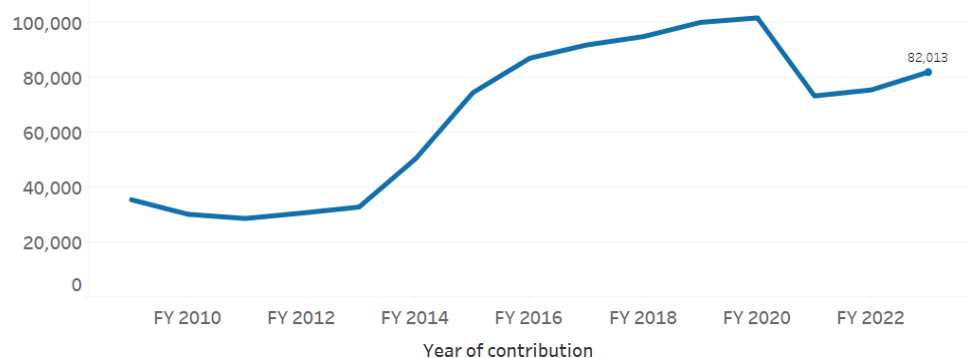
Exhibit 4.7: Top 20 Employers by the Number of Employees Receiving Contributions, FY 22-23

Name of Employer	Number of Employees
Allied Universal Services	2,817
Magnit LLC, RightSourcing, Inc. Workforce Logiq	2,137
Compass Group USA, Inc.	1,657
Gate Gourmet	1,581
University of San Francisco	1,206
Whole Foods Market	1,118
Amazon.com Services, Inc.	1,100
Urban Alchemy	1,074
Staffing Company	991
CPMC/SHSS/SPMF/SOPS	987
Wells Fargo & Company	977
Transdev Alternative Services Inc.	972
Ernst & Young LLP	926
Starbucks Coffee	885
Target Corporation	821
Williams-Sonoma, Inc.	799
Robert Half International Inc.	757
Bank of America	674
salesforce.com, Inc.	663
The Archdiocese of San Francisco	655

E. Employees by Fiscal Year

The overall trend between the numbers of Employers contributing to SFCO and the Employees receiving SFCO contributions were similar as described in subsection E above. As of year-end of FY22-23, there were approximately 82,013 Employees, which is over

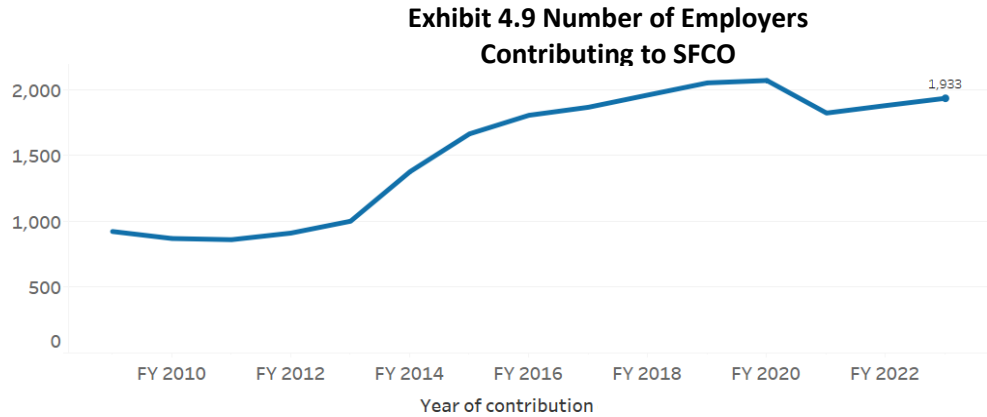
Exhibit 4.8: SFCO Employees by Fiscal Year



100% increase from 10 years ago. Both the numbers of Employers and Employees reached a peak in 2020, and then a drop by 2021. This is likely due to the COVID-19 pandemic and the economic hit that many employers encountered during the shelter-in-place government orders (Exhibit 4.8 above).

F. Uptrend of Employers and Employees

This year 1,933 Employers contributed to SF City Option (Exhibit 4.9), which was nearly 100% increase from 10 years ago. Of these 1933 Employers, 270 were new to the program.



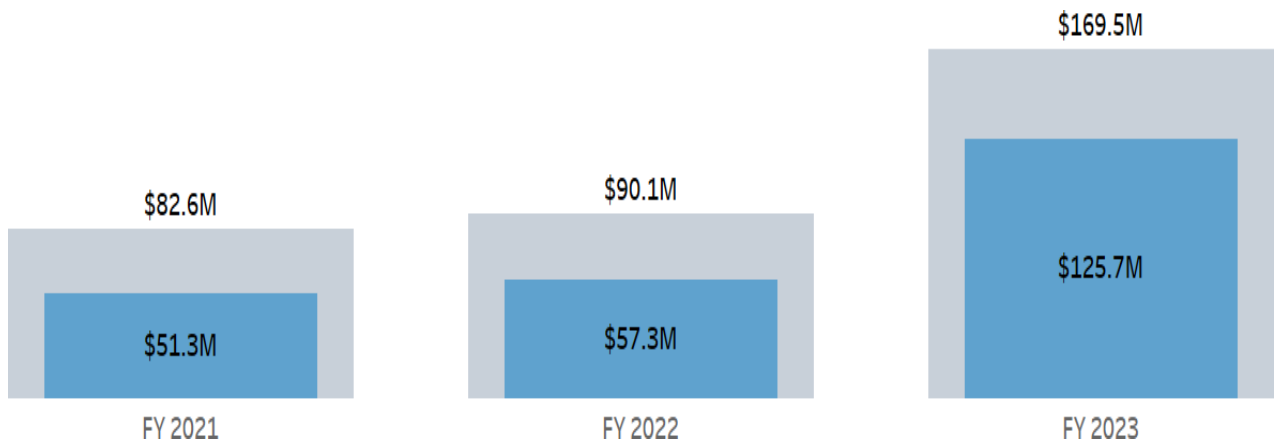
5. Employee Claims and Reimbursement

A. Dollars Claimed

Since program inception, more than \$620M (or 61%) of the money allocated to the SF MRA have been paid out in claims, and more than \$28M (or 3%) has been spent on administrative costs. The remainder, \$592M, in the SF MRA has not yet been claimed.

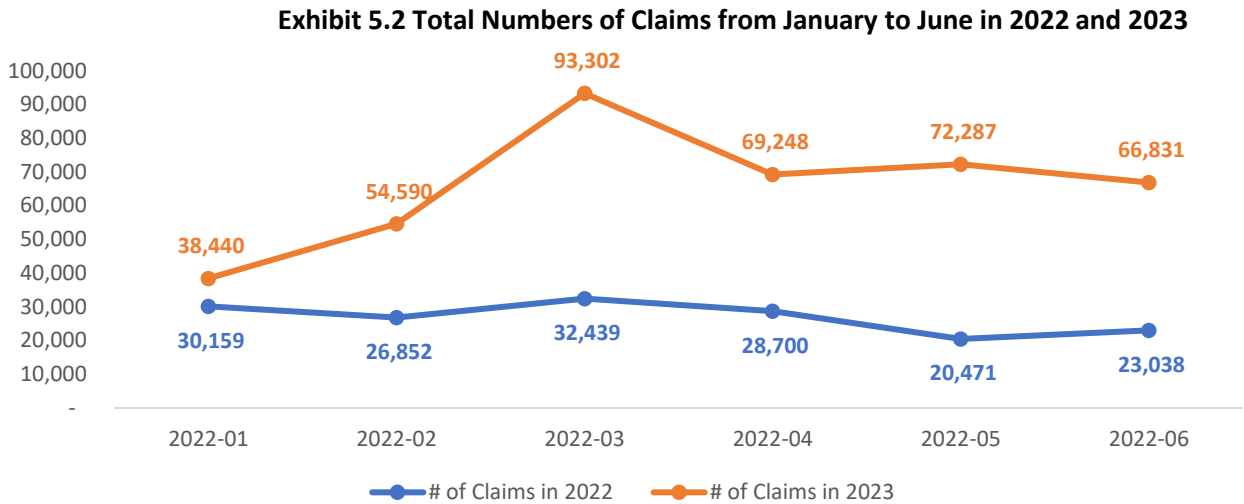
Escheatment outreach started in January 2023--two months prior to the policy effective date in March. Such outreach resulted in the enrollment and subsequent claims of 17,000 new members and nearly \$126M has been paid out in claims for the year. It is worth to note that more than 2/3 of this \$126M was distributed in the third and fourth quarters (Exhibit 5.1).

Exhibit 5.1: Dollars Claimed and Paid by Fiscal Year



B. Total Number of Claims

The total number of claims submitted this year was significantly higher than last year due to the escheatment outreach. Within the first six months of escheatment outreach, from January to June 2023, the total number of claims submitted was 144% more than what were submitted for the same period last year, 394,698 vs. 161,659 (Exhibit 5.2).



In comparison to 91% in FY 21-22, 95% of claims submitted in FY 22-23 were made online. While there was a clear uptrend for the number of claims submitted online this year, there was a 4% increase of claims that were paid by check. This increase is most likely caused by the huge number of participants who were submitting claims for the first time in 2023. Typically, the first claim is paid by check, allowing participants time to set up an electronic funds transfer for subsequent claims.

The annual average time to pay a claim was five days. This included cases where a participant resubmitted a claim with previously missing supporting documents after it had been initially denied and later rewarded.

6. Revenues and Expenditures

The revenue or employer contribution for FY22-23 has increased by \$26M (or 19%) while the expenditures increased at a slower pace, by \$1M (or 13%) (Exhibit 6.1).

Exhibit 6.1: SFCO Revenues and Expenditures

	FY21-22	FY22-23	Diff. (\$)	Diff. (%)
REVENUES (Employer Contributions)				
Pool Fund	\$52,631,380	\$64,303,329	\$11,671,949	22%
SF MRA (Active Funds)	\$120,061,571	\$141,333,655	\$21,272,084	18%
SFCMRA (Discontinued 1/2022)	\$200,778	\$0	N/A	N/A
HSF (Discontinued 3/2022)	\$111,842	\$0	N/A	N/A
TOTAL REVENUE	\$173,005,571	\$205,636,984	\$32,944,033	19%
EXPENDITURES				
Third-Party Administrator Fee*	\$6,260,703	\$6,919,620	\$658,917	11%
HealthEquity Account Fees	\$1,962,475	\$2,444,035	\$412,689	21%
TOTAL EXPENDITURES	\$8,223,178	\$9,294,783	\$1,071,606	13%

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

7. Data Source

The data used to generate the tables, Exhibits and findings in this report was drawn from one primary source San Francisco Health Plan and several supporting sources including: (i) SFCO Annual Operations Report (ii) SFCO Claims Dashboard, (iii) SFCO Employer Contributions Dashboard, (iv) SFCO Enrollment Forms Dashboard, and (iv) SFCO Participants Dashboard.

8. Acknowledgements

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Thank You to Our Key Community Stakeholder Partners:

San Francisco Health Plan

Health Equity

9. Appendix: SF City Option Program Overview

San Francisco’s Health Care Security Ordinance (HCSO)² and Healthy Airport Ordinance³ (HAO) (collectively “City Ordinances”) require certain employers operating in San Francisco and at the SF International Airport (SFO) to provide a health benefit that meets a minimum expenditure for their eligible employees.

HSCO 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 or SFO 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 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 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.⁴ 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.⁵ For more program information, please visit the program website at <https://sfcityoption.org>.

DPH serves as the program administrator who is responsible for setting SFCO 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 Customer Services Center that includes an enrollment unit and a call center, marketing and outreach, data analytics and reporting, and contracting with private providers, Healthy Equity to process SF MRA claims and more.

The following describes a high-level step-by-step process on how SFCO⁶ 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. On a quarterly basis, employers can submit a roster of employees and contribute fund to SFCO on half of their employees. Once the employer

² 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>

³ 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>

⁴ SF City Option (2023). *About Us*. Accessed on 9/12/2023. <https://sfcityoption.org/employers/about-us/>

⁵ SF City Option (2023). *SF MRA Benefit*. Accessed on 9/12/2023. <https://sfcityoption.org/sfmra/about-us/>

⁶ 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/> Accessed on 10/26/2023.

makes the payment for the roster, the employer will then provide a Health Care Payment Confirmation Notice to any employee who is receiving their first SF City Option contribution.

From this point on, the employee's fund will be deposited in the SFCO fund pool pending for employee's SF MRA enrollment. To help promote utilization of the program, 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 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.

Step 3: Employee enrolls. Once an Employee enrolls in SF MRA, their fund will be moved from the Pool to their individual SF MRA within 1-3 weeks.

Step 4: Employee submits claims and get reimbursed. Enrolled employees or participant can then file claims for their eligible medical expenses and get reimbursed (see Exhibit 4.1 above).