



SFCityOption
THE EMPLOYER'S HEALTH CARE CHOICE

San Francisco City Option Program Annual Report (Fiscal Year 2023-24)

Prepared by the Office of Managed Care of San Francisco Department of Public Health in May 2025

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Acronyms and Terms

DPH	San Francisco Department of Public Health, the program administrator of the City and County of San Francisco for the SF City Option program.
Employee	<p>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) and/or Health Care Security Ordinance (HCSO).</p> <p>Each employee is unique to the SF City Option program, and one employee could have multiple employers who have contributed on their behalf. For example, Jane Doe is working part-time at Starbucks and Macy's while looking for a full-time job, and both employers are making contributions to the program for Jane Doe.</p>
Employer	An employer covered by the City's Healthy Airport Ordinance and/or the Health Care Security Ordinance.
Escheatment	A process governed by the California Government Code Sections 50050 et seq by which unclaimed money in the treasury of a local agency, after a period of three years consecutively, can be transferred to a local agency.
SFCMRA	San Francisco Covered Medical Reimbursement Account, which was a sub-program of the SF City Option program and has been sunset since 2022.
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 under the San Francisco Health Network of DPH
Participant	An employee who is enrolled into SF MRA successfully under the SF City Option program.
PHI	The Protected Health Information defined under the Health Insurance Portability and Accountability Act.
Pool	The SF City Option pool fund where the employer contributions have not been claimed by their employees
SF MRA	San Francisco Medical Reimbursement Account of the SF City Option program
SFCO	San Francisco City Option Program or SF City Option
SFHP	San Francisco Health Plan, DPH's third-party administrator for SF City Option

I. Executive Summary

SF City Option is a voluntary, City sponsored program for employers in San Francisco (the “City”) seeking to comply with the City’s Health Care Security Ordinance (HCSO) and for employers at the San Francisco International Airport (SFO) to comply with the City’s Healthy Airport Ordinance (HAO). Please refer to the Appendix here for a more detailed program overview.

Since the program inception in 2008, the SF City Option program (SFCO):

- has been utilized by a total of 5,063 San Francisco employers (“employers”) who made contribution on behalf of a total of 457,337 unique employees (“employees”), and
- has received \$1.9 billion in contributions, with approximately 77% has been allotted to SF Medical Reimbursement Accounts (SF MRA) or paid out in claims, and 15% remained in the Pool fund, awaiting enrollment.

As for FY23-24, 2,003 active employers contributed a total of \$215 million for 79,227 employees. Of which, 76% (or \$163 million) of the contributed funds were assigned to the SF MRA fund, and the remainder was pending for employees’ enrollment. An employee who is enrolled in SF MRA is referred to “participant” in this report.

In 2022, the San Francisco's Health Commission approved an SFCO escheatment policy. Under this policy, SFCO funds not utilized for three consecutive years will be considered as abandoned funds and returned to the City. This year, the program continued preparing for the first escheatment expected to occur in 2026, and here are the highlights of the program accomplishments:

- Successfully identified and implemented system solutions to monitor how long the SF City Option accounts have been inactive.
- Added extra communication components to increase participant response rates while decreasing communication costs.
- Hosted 253,000 visits to its website (<https://sfcityoption.org/sfmra/>), a 16% increase from FY22-23.
- Completed the development of the SF MRA Funds Finder Online Tool, which will enable the public to search and initiate SF MRA enrollment if there is fund contributed by their employers on their behalf. (<https://sfcityoption.org/sfmra/do-i-have-funds/>)
- Increased program utilization by 60% compared to the previous year, to a record \$194 million claims amount paid out.

With the support of these initiatives, SF City Option was able to significantly increase participant enrollment, funding availability, and utilization. Nonetheless, the program has identified challenges related to the increased cyber security threats and possible account takeover. To prevent such activities from happening, the program will continue its efforts to enhance its ability to identify suspicious activity in FY24-25 and beyond.

II. Program Operations and Process Improvements

SFCO is one-way an employer in the City and at SFO can choose to comply with the City’s Health Care Security Ordinance and/or the Healthy Airport Ordinance. This section summarizes the activities of SF City Option operations and projects that focused on process improvements in FY23-24.

Operations Highlights:

- Responded to 59,400 inquiries, including 56,000 from employees and 3,400 from employers, with a 4% call abandonment rate.
- Provided SF MRA enrollment assistance to a total of 886 participants at the program's Customer Service Center, with 86% completed their SF MRA enrollment and 14% no-show rate. Among the completed appointments, 49% were conducted in English, 40% in Spanish, and 11% in Chinese.
- Conducted 44 training sessions for program staff and employers, with:
 - (a) 21 internal trainings designed to improve staff members' expertise in coverage programs,
 - (b) 12 employer webinars with a focus on SFCO and HCSO, and
 - (c) 11 presentations to educate participants on how to enroll in SF MRA and utilize their benefits.
- Completed 37 marketing projects, including 17 mailings and nine (9) website material projects.
- Completed two rounds of outreach to participants that had not enrolled in SF MRA, resulting in:
 - (a) 46% engagement rate that is 20% higher than initial projections; and
 - (b) A significant increase in program utilization by more than 50% from prior year, from \$123 million to \$198 million, which was the largest utilization or claims paid in record.
- A third round of escheatment outreach did take place starting April 2024 and was completed in September 2024. This data will be included in the FY24-25 annual report.
- Monitored and investigated SF MRA accounts suspicious activity.

Process Improvements Highlights:

- Added skip-tracer addresses to participant contact information, which has helped ensure that the program has the most current employee addresses for marketing and communications.
- Improved the number of participants who could be reached by email from 33 to 55%, with 74% of the total employees registering an email address at the year-end.
- Developed a SF MRA Funds Finder Online Tool to further streamline the funds finding and enrollment process to further increase utilization of program benefits. This tool will be rolled out to the public starting in August 2024.
- Removed social security numbers as an identifier of participants to proactively minimize the potential impacts of identity theft. This body of work will continue in FY24-25.
- Enhanced IT applications and system solutions that support program operations, with 161 new additions and improvements for marketing projects, accounts monitoring, and program enrollment applications and appointments, for example.

III. Escheatment Outreach

DPH's primary goal is to ensure participants maximize the use of their SFCO benefits. As a practical matter, however, SFCO will always have some level of unused funds and accounts as the program grows. As a result, the City has passed an escheatment policy that effectuated in 2023 and expects the first round of escheating or transferring qualified abandoned funds to the City General Funds in late 2026¹. As a part of the planning, multiple rounds of outreach and communication are being conducted prior to 2026; and two rounds of

¹ SF Health Commission. (2022). *Minutes for Health Commission Meeting Tuesday, January 4, 2022, 4:00 p.m.* page 10 item #8. Retrieved January 24, 2025. <https://sf.gov/meeting/january-4-2022/january-4-2022-health-commission-meeting>.

escheatment outreach have been completed thus far. The impacts of these outreach activities are summarized in Exhibit 3.1.

Exhibit 3.1 Escheatment Outreach Metrics

	Round 1	Round 2*
Outreach period	Jan to Feb 2023	Sep to Dec 2023
Number of participants reached	263,000	242,000
<i>In Pool fund</i>	177,000	125,000
<i>In SF MRA</i>	86,000	116,000^
Dollars moved into SF MRAs from Pool fund (in millions)	\$156	\$53
Paid out in claims (in millions)	\$38	\$14

* A snapshot of the data in for Round #s 1 and 2 were respectively taken on 2/2023 and 12/2023.

^ Of the 116,000 participants in SF MRA, 66% has been inactive for over two years, and 34% were active SF MRAs.

These ongoing communication and outreach aim at increasing the utilization of the program and reducing account closures because of the escheatment policy. Specifically, the communication plans consist of:

- At least two reminders per year for participants that have not used their funds;
- At least three reminders in the year prior to account closure to participants that may be subject to permanent account closure;
- Outreach to employers of unused employee accounts; and
- Increased outreach via email, texting, and social media to engage employees.

In terms of the timeline, employees will have three years beginning March 1, 2023, to file a claim for reimbursement in an existing account or set up their SF MRA if appropriate. Taking any of the following actions below will help keep employees' SF MRA active and prevent SFCO funds from being escheated.

- Employers paying into an employee account;
- Employees submitting an SF MRA enrollment form; or
- Employees submitting a claim for reimbursement of eligible expenses.

The use of skip-tracer addresses elicited an overall higher respond rate than the addresses provided by employers, with 22% higher for Pool participants and 67% more for reenrolled participants.

IV. Enrollment and Demographics

Participants are required to fill out and submit an enrollment form online or via mail to enroll in a SF MRA account and submit claims for reimbursement. Since the first round of escheatment in January 2023, the total enrollment forms have exponentially grown (Exhibit 4.1). The growth is five to six times what the prior average number of enrollments has been. Majority of the enrollment forms (over 95%) were submitted online. Exhibit 4.2 further breaks down the number of enrollment forms processed.

Exhibit 4.1 Enrollment Forms Received Over Time

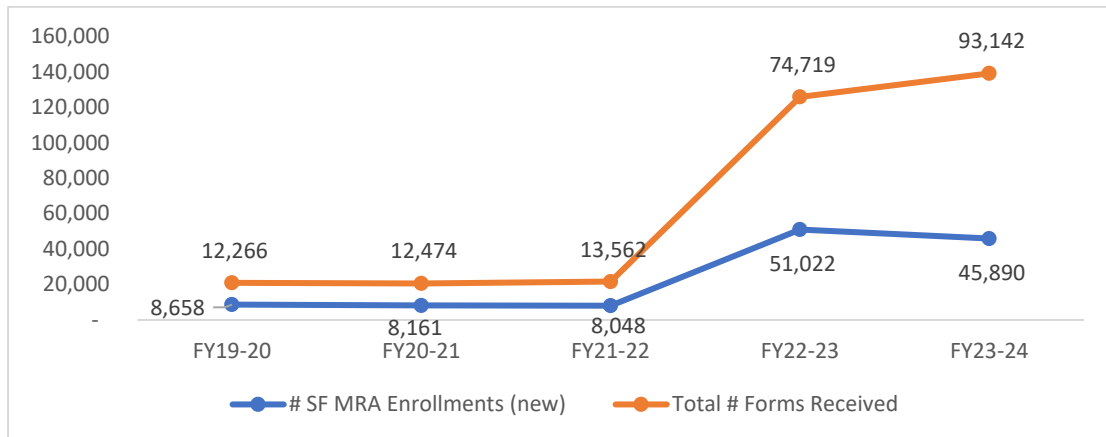


Exhibit 4.2 Determinations Enrollment Forms Received

	FY21-22	%	FY22-23	%	FY23-24	%
Already Enrolled in SFCO Benefit	2,794	21%	10,035	13%	18,907	20%
Reopen SF MRA	103	1%	2,811	4%	262	0%
Unable to Process/ Review Required	46	0%	158	0%	525	1%
No SFCO Contributions Found	2,571	19%	10,693	14%	27,558	30%
SF MRA Enrollment	8,048	59%	51,022	68%	45,890	49%
Total Enrollment Forms Received	13,562	100%	74,719	100%	93,142	100%

Additionally, 50% of the enrollment forms were received from San Francisco residents, 45% from Californian that live outside of San Francisco, and 5% from out of state residents. The trends of their preferred spoken language are also consistent with the prior year, with 88% in English, 9% in Spanish, and 2% in Cantonese.

V. Employers, Employees, Contributions, and Claims

By the Numbers: Since Program Inception in 2008

Employers

- SFCO has recorded over 5,000 employers choosing SFCO to comply with the City Ordinances, with slow but steady increase in the past three fiscal years (Exhibit 5.1).

Employees

- SFCO has documented 457,337 employees participating in the program (Exhibit 5.2). Many of these participants (or 73%) have already enrolled in an active SF MRA account, and the remaining 27% are still in Pool.
- The percentage of SFCO claimants who filed claims within the first 12 months of receiving their first contribution ranges from 10% to upwards of 50% (Exhibit 5.4).

Contributions and Claims

- SFCO has seen a total employer contribution of \$1.9 billion. Of which, 75% has been assigned to SF MRA and 17% remained in the Pool fund (Exhibit 5.3).
- \$839 million (or 44%) of SF MRA funds have been reimbursed to participants.

In 2021, SFCO implemented a program to further simplify the SF MRA enrollment process, including moving the SF Covered MRA and HSF under SF MRA (the “simplification program”). Namely, once an employee enrolls in SF MRA, she can use the funds in her SF MRA to pay insurance premium including premium payment for an insurance product or the HSF programs for herself and her eligible family members. The HSF and the SF Covered MRA funds displayed in Exhibit 5.3 were allocated prior to the implementation of the simplification program in 2021.

Exhibit 5.1 Number of Employers Contributing to SF City Option

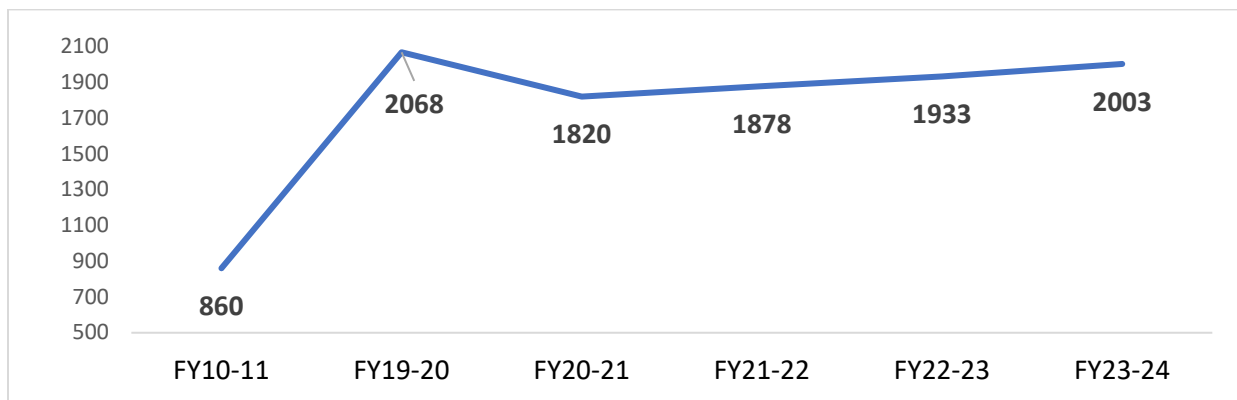


Exhibit 5.2 Number of SFCO Covered Employees

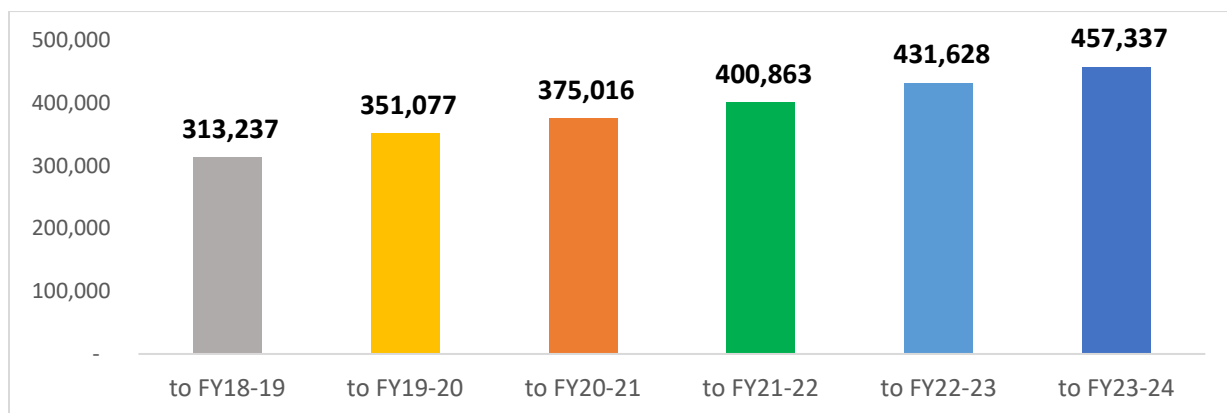


Exhibit 5.3 Employer Dollars Contributed to SFCO Since Program Inception

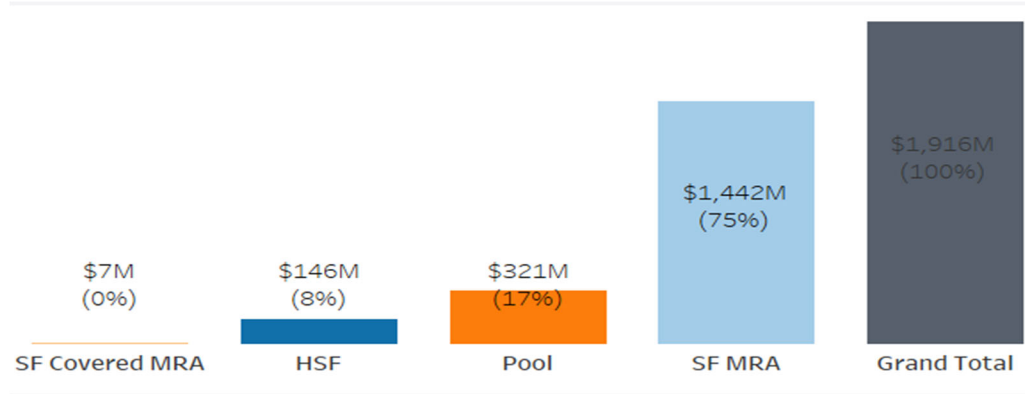


Exhibit 5.4 Percentage of SFCO Claimants Who Filed Claims within 12 Months of Receiving Their First Contribution



By the Numbers: FY23-24

Employers

- 2,003 employers chose SFCO to comply with the City's ordinances (Exhibit 5.5).
- Employers with 500 and more employees accounted for 49% of the total contributions, followed by employers with 100-499 employees, 22%. These trends have been consistent for the past few years (Exhibit 5.5).
- Employers with over 500 employees contributed 79% (or \$170 million) of the total contributions (Exhibit 5.6).
- The top five (5) employers accounted for 21% (or \$45 million) of total contribution amounts and 12% (or 9,761) of the total number of participants.
- The top three (3) employers, namely, Gate Gourmet, Allied Universal Services, and Wells Fargo & Co, by contribution amounts remained consistent with prior year.
- Gate Gourmet had the highest contribution amount at \$26 million, but Allied Universal Services had the greatest number of participants at 2,718 (Exhibits 5.7 – 5.8).

Employees

- In FY23- 24, a total of 79,227 participants received employer contributions. This shows a 3% decrease compared to the prior fiscal year, where the total participants were 81,909. (Exhibit 5.9).
- The percentage of SFCO claimants who filed claims within the first 12 months of receiving their first contribution reached its highest percentage on record, over 50% on 4/1/2023.(Exhibit 5.4).

Contributions and Claims

- The dollars employers contributed increased 4.5% from prior year, with \$215 million in total (Exhibits 5.10 - 5.11).
- Of the \$215 million total employer contribution, 76% (or \$163 million) was assigned to SF MRA and 24% (or \$52 million) remained in the Pool funds (Exhibit 5.12).
- \$194 million were paid out in claims, a 58% increase from prior year (Exhibit 5.13).

Exhibit 5.5: Number of Contributing Employers in FY23-24

Employer Size	Contributions By Count	By Percent of Count
0-19 employees	35	2%
20-49 employees	302	15%
50-99 employees	220	11%
100-499 employees	465	23%
500+ employees	980	49%
Total Employer	2003²	100%

Exhibit 5.6: Total Contributed Amount by Employer Size in FY23-24

Employer Size	\$ Contribution (in millions)	% Contribution
0-19 employees	\$1	<1%
20-49 employees	\$9	4%
50-99 employees	\$7	3%
100-499 employees	\$27	13%
500+ employees	\$170	79%
Total	\$215	100%

Exhibit 5.7: Top Five Employers by Contributed Amounts and Number of Participants in FY23-24

Rank	By Total Contributed Dollars (in millions)		By Number of Participants	
1	Gate Gourmet	\$25.9	Allied Universal Services	2,718
2	Allied Universal Services	\$6.6	Amazon.com Services, Inc.	1,978
3	Wells Fargo & Company	\$4.8	Gate Gourmet	1,934
4	Amazon.com Services, Inc.	\$3.8	Whole Foods Market	1,602
5	Whole Foods Market	\$3.8	Compass Group USA, Inc.	1,529
Total		\$44.9	Total	9,761
% of Total Contribution for All Employers		21%	% of Total Participants from All Employers	12%

² Please note that the total number of contributions by count may not sum to exactly 2,003 due to differences in calculation methods, rounding, or data categorization.

Exhibit 5.8 Top Five Employers by Contributions and Number of Participants in FY 23-24

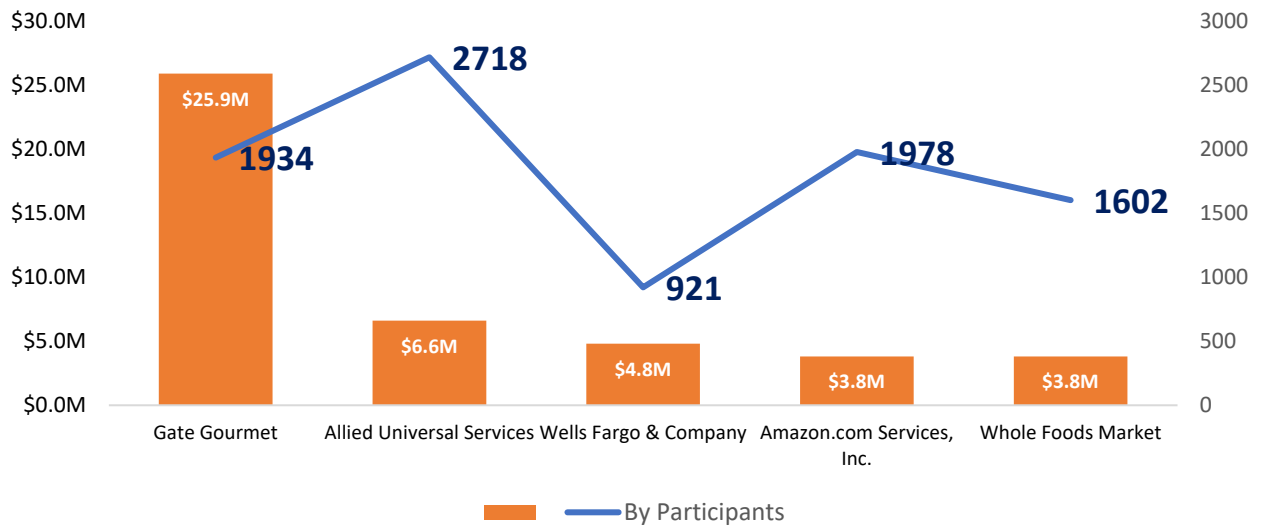


Exhibit 5.9 Participants Receiving Employer Contributions by Fiscal Year

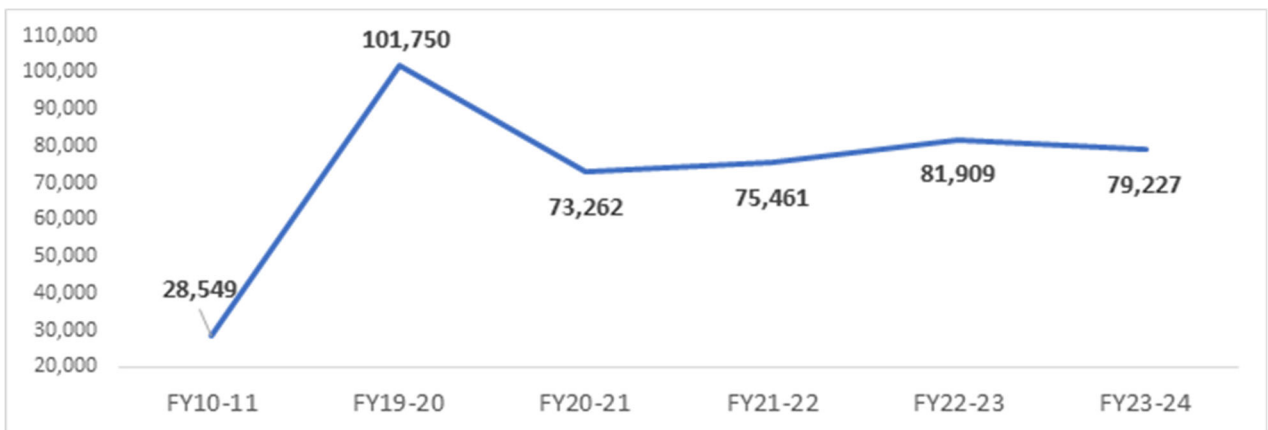


Exhibit 5.10 Dollars Contributed by Fiscal Year

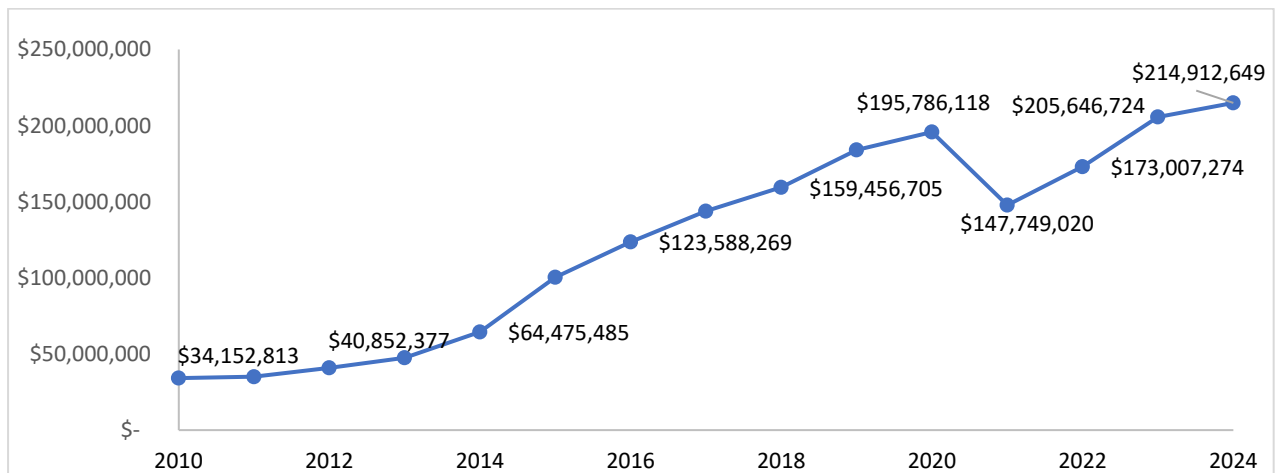


Exhibit 5.11 Comparison of Employer Contributions between FY22-23 and FY23-24

	FY22-23	FY23-24	Diff. (#/\$)	Diff. (%)
No. of Employers	1,933	2,003	70	3%
No. of Unique Participants	81,864	79,227	-2,637	-3%
Pool Fund (in millions)	\$46	\$52	\$6	11%
SF MRA (Active Funds) (in millions)	\$160	\$163	\$3	2%
TOTAL EMPLOYER CONTRIBUTION (in millions)	\$206	\$215	\$9	4.5%

Exhibit 5.12 Dollars Contributed by Fund Allocation, FY23-24

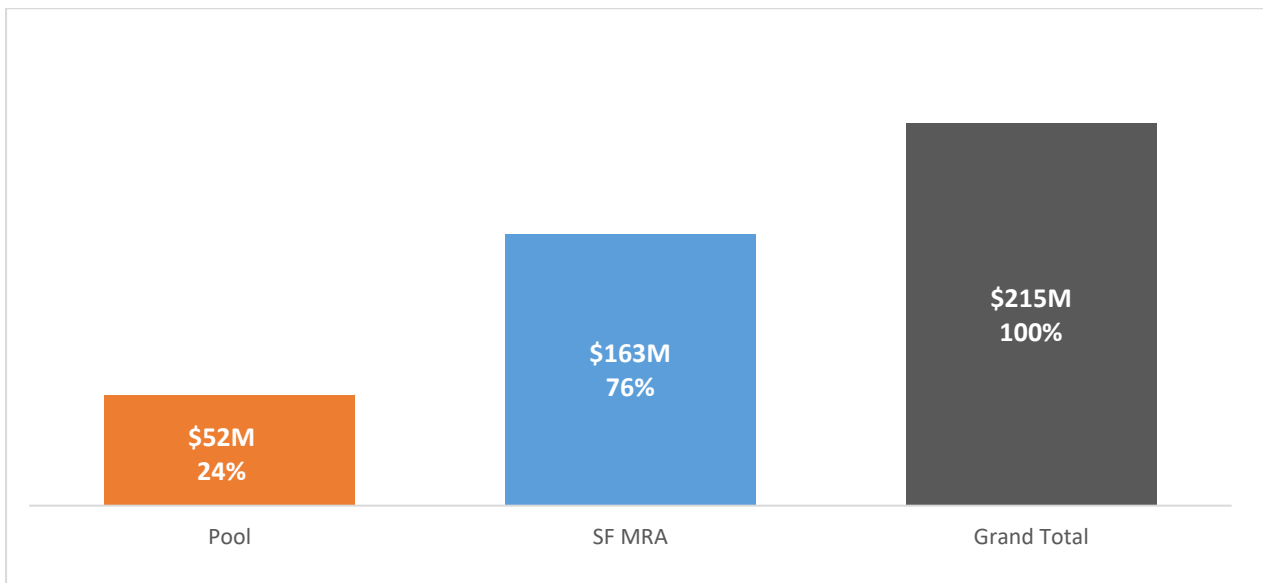
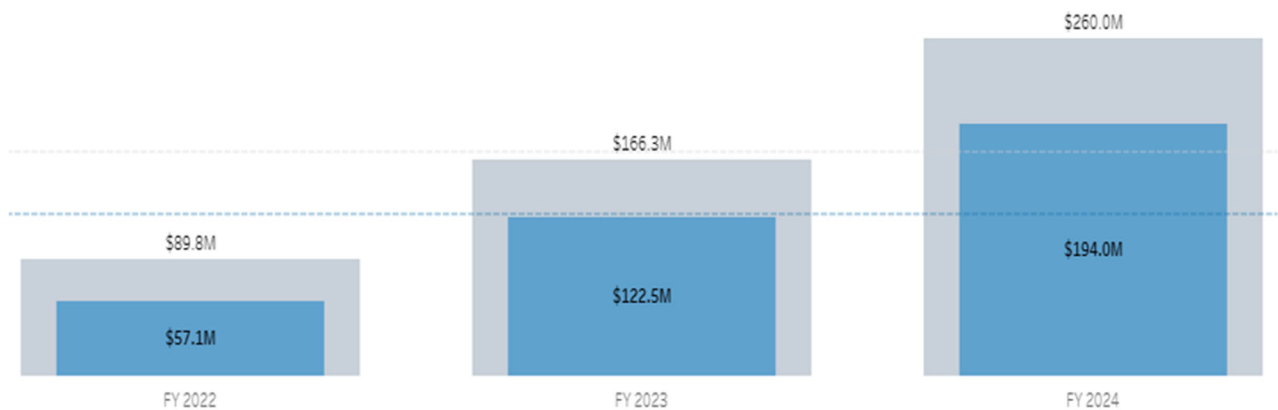


Exhibit 5.13 Claims Amount and Paid Amount



VI.Account Monitoring and Information Security

One of the program priorities is to ensure the appropriate access to participants' account information. When suspicious activities are identified for participant accounts, those accounts will be frozen.

Accounts can be frozen for various reasons, including:

- Shared Bank Account
- Suspicious SF MRA Enrollment Form submission
- Incident
- Shared phone number and/or email address
- Altered and/or shared receipts
- Random domains of email addresses

Frozen accounts mean that withdrawal of funds from such accounts is not allowed. As part of the program policy, those accounts will be investigated by program staff before allowing for reactivation to pay claims or updating participant information. Cumulatively, the program has frozen 1,499 accounts in the last 16 years. Of which, 465 (or 31%) accounts have been unfrozen. However, the majority (80%) of these accounts were frozen in FY23-24. The percentage of accounts that could pass investigation and be reactivated this year is also much smaller than the overall reactivation rate of 31%, at 18% (Exhibits 6.1- 6.2). There were no issues identified for PHI breaches this year.

Exhibit 6.1 Participants with Accounts being Frozen and Unfrozen

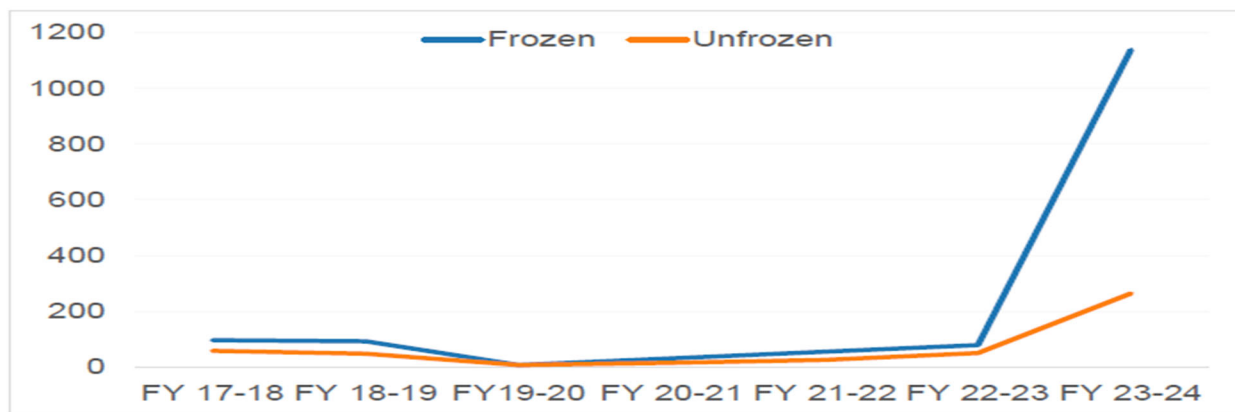


Exhibit 6.2 Account Monitoring Summary by Number of Participant Accounts

Program Responses	Cumulatively Since 2008	FY23-24
Notices Sent for Participant accounts frozen due to suspicious activity	1,499	1,198
Unfrozen accounts after investigations were completed	465 (31%)	213 (18%)
PHI breach notices sent	71	0

Additionally, SFCO has established an information risk management program, with the assistance of Clearwater Compliance. The annual Cybersecurity Program Performance Assessment conducted in July identified no critical risks. SFCO program administration achieved an average score of 93% across five core functions--identify, protect, detect, respond, and recover.

VII. Spending on Third-Party Administration

There was a total of \$834,600 increase in spending on third-party administration fees largely due to costs of living adjustment for business operations (Exhibit 7.1).

Exhibit 7.1 Comparison of Revenues and Expenditures between FY22-23 and FY23-24

	FY22-23	FY23-24	Diff. (#/\$)	Diff. (%)
Third-Party Administrator (TPA) Fee*	\$5,435,144	\$5,905,958	\$470,814	8%
HealthEquity Account Fees	\$1,484,476	\$1,848,262	\$363,786	20%
TOTAL EXPENDITURES	\$6,919,620	\$7,754,220	\$834,600	11%

* Data retrieved January 28, 2025.

VIII. Looking Ahead

With respect to policy, the City has started its work to assess the policies in relation to the Health Care Security Ordinance as well as the Healthy Airport Ordinance. The implementation of policy changes is likely to start within the next two years. Operationally, the program will build on successes and lessons-learned and continue focusing on further improving utilization of the benefits and affordability of health services for the covered employees in the coming year. These will be accomplished through (i) refinements of our technologically supported operation processes to make enrollment and utilization of benefits even more streamlined, (ii) enhancements of marketing and outreach activities to raise awareness of the program, (iii) continuation of our planning and preparation for the first escheatment process expected to start in 2026, and (iv) collaborations with stakeholders to implement any policy changes transpired from the policy evaluation described above.

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.

Acknowledgements

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Thank You to Our Key Community Stakeholder Partners:

San Francisco Health Plan

Health Equity

Appendix: San Francisco City Option Program Overview

San Francisco's Health Care Security Ordinance (HCSO)³ and Healthy Airport Ordinance⁴ (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 San Francisco (or the "City") 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 City or SFO employers to meet the ESR. Many 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.⁵ 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.⁶ 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 San Francisco Health Plan (SFHP) to manage a Customer Services Center that includes an enrollment unit and a call center, marketing and outreach, data analytics and reporting, and subcontracting with vendors to perform some of the TPA functions, such as SF MRA claims processing and related customer inquiries via a subcontract between SFHP and Healthy Equity.

The following describes a high-level step-by-step process on how SFCO⁷ works.

Step 1: Employer. The Employer portal is a 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 funds to SFCO on behalf of their employees. Once an employer makes

³ SF Office of Labor and Standards Enforcement (2023). *Understanding the Health Care Security Ordinance*. Retrieved February 4, 2025. <https://sf.gov/information/understanding-health-care-security-ordinance>

⁴ SF Office of Labor and Standards Enforcement (2022). *Understanding the Healthy Airport Ordinance*. Retrieved February 4, 2025. <https://sf.gov/information/understanding-healthy-airport-ordinance>

⁵ SF City Option (2023). *About Us*. Retrieved February 4, 2025. <https://sfcityoption.org/employers/about-us/>

⁶ SF City Option (2023). *How to Enroll in SF MRA*. Retrieved February 4, 2025. <https://sfcityoption.org/sfmra/enroll-in-sf-mra/>

⁷ SF City Option (2023). *San Francisco City Option Employers: How to Participate in SF City Option*. Retrieved February 4, 2025. <https://sfcityoption.org/employers/how-to-participate-in-sf-city-option/>

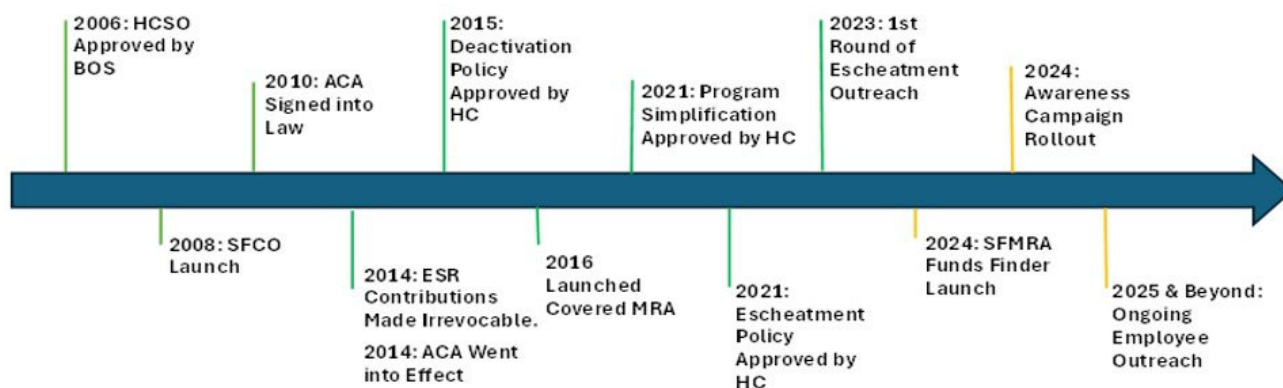
the payment according to the employee roster, the employer will then provide a Health Care Payment Confirmation Notice to employees who are receiving their first SF City Option contribution.

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 posters to remind their employees of the program's 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 information 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.



Author: Elaine Young (2024), City Programs Manager, SFHN Office of Managed Care