San Francisco City Option Program
Annual Report

(Fiscal Year 2024-25)

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Office of Managed Care |Department of Public Health | City and County of San Francisco

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I. Executive Summary

The San Francisco City Option program ("SFCO" or "SF City Option") is a voluntary, City sponsored program for employers located in San Francisco (the "City") seeking to comply with the City's Health Care Security Ordinance (HCSO) and for employers operating at the San Francisco International Airport (SFO) to comply with the City's Healthy Airport Ordinance (HAO). Please refer to the Appendix for a more detailed program overview.

Since the program's inception in 2008, the SF City Option program: (i) has been utilized by a total of 5,387 San Francisco unique employers who made contributions on behalf of a total of 483,614 unique employees; (ii) has received $2.13 billion in contributions, with approximately $1.71 billion (80%) allotted to SF Medical Reimbursement Accounts (SF MRAs) for employee reimbursement; (iii) has paid $1.12 billion (65% of the $1.71 billion) in claims; and (iv) had a balance of $589.37 million unused SF MRA fund at the fiscal year end.

In Fiscal Year 2024-2025 (FY24-25), 2,065 employers contributed a total of $218 million on behalf of 78,430 employees. Of this amount, 81% (or $178 million) were assigned to the SF Medical Reimbursement Accounts (SF MRAs) fund while the remaining 19% contributions were kept in Pool fund.

In 2022, the San Francisco's Health Commission approved an escheatment policy. Under this policy, SFCO funds not utilized for three consecutive years will be considered as abandoned funds and become the property of the City and County of San Francisco.[1] In an effort to reduce the amount of escheatable funds and increase employees' awareness of their SFCO benefits, this year the program continued preparing for its first escheatment anticipated in 2026.

To reduce potential escheatment, continuous process improvements were carried out to increase utilization of the program benefits by and experiences of the covered employees. The following three projects are highlighted in this report:

- Launched a funds finder online tool to increase enrollment in the SF MRAs;
- Implemented the Pay My Provider feature to minimize employees needing to pay out of pocket upfront for eligible expenses; and
- Increased the frequency of the Program Sponsor File submission to reduce the wait time between SF MRA enrollment and fund available in SF MRA for reimbursement.

For program account monitoring and information security, the program froze 212 accounts due to: (i) shared bank account, (ii) suspicious SF MRA Enrollment Form submission, (iii) shared phone number and/or email address, (iv) altered and/or shared receipts, or (v) random domains of email addresses in FY24-25.

In terms of program administrative costs, the City spent $8.71 million in FY24-25 to manage the day-to-day operations of the program through its Department of Public Health (DPH) and third-party administrator San Francisco Health Plan (SFHP).

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[1] Memorandum Proposed Approval of SFCO Escheatment Policy. Accessed December 17, 2025. https://media.api.sf.gov/documents/Memo_to_Health_Commission_re_SFCO_Escheatment_12-22-2021.pdf.

II. Employers, Contributions, Employees, and Claims

By the Numbers: Since 2008

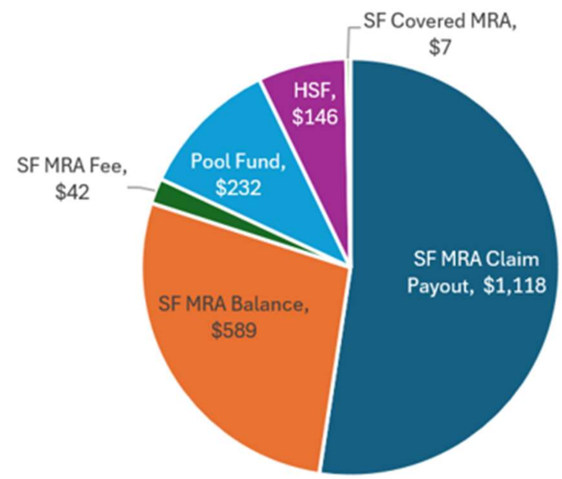
Since inception, a total of 5,387 employers has chosen SFCO to meet the requirements of the City. These employers contributed a total of $2.13 billion on behalf of 483,614 employees.

Of the $2.13 billion contribution, $2.09 billion (98%) has been allocated for employee related health expenditures and $41.72 million (2%) for medical reimbursement accounts fees.

Of the $2.09 billion, $1.71 billion (82%) was assigned to the SFMRAs; while $232.42 million (11%) remained in the Pool fund (i.e., employees have not yet activated their SF MRA enrollment), and the remainder of $152.49 million (7%) was spent on other programs (i.e. Healthy San Francisco, and SF Covered MRA programs).

Of the $1.71 billion that has been assigned to SF MRAs, $1.12 billion (65%) has been paid out in claims and $589.37 million (35%) remained in SF MRAs, waiting for employees to submit claims.

Exhibit 2.1 Allocations of Total Employer Contributions Since 2008 (in millions)



By the Numbers: Fiscal Year 2024-2025

In FY24-25, 2,065 employers chose SFCO to comply with the City's law and contributed a total of $218 million for 78,430 employees. Of this amount, 81% (or $178 million) was allocated to SF MRA, while 19% remained in the Pool fund.

Exhibit 2.2 Two Years Comparison of Employer Contributions

	FY23-24	**FY24-25**	**Diff. ($)**	**Diff. (%)**
Number of Employers	2,003	2,065	62	3%
Number of Unique Employees	79,227	78,430	-797	-1%
Pool fund (in millions)	$35	$41	$6	15%
SF MRA fund (in millions)	$180	$178	$2	-1%
TOTAL EMPLOYER CONTRIBUTION (in millions)	**$215**	**$218**	$3	1%

In terms of the dollar amount contributed, the larger employers with 500 or more employees accounted for 78% (or $170 million) of the total. This trend has been consistent for the past few years.

Exhibit 2.3: Total Contributed Amount by Employer Size in FY24-25

Employer Size	$ Contribution (in millions)	% Contribution
19 employees	$2	1%
20-49 employees	$10	5%
50-99 employees	$8	4%
100-499 employees	$28	13%
500+ employees	$170	78%
Total Employer	**$218**	**100%**

Employees Demographics

Based on the SF MRA Enrollment Forms submitted by employees in FY24-25, demographically:

- 51% were San Francisco residents, 44% lived in another California county and 5% were out of state residents,
- 88% indicated that they preferred communications in English, 9%, in Spanish and 2%, in Cantonese.
- 55% were between the ages of 20-34, 29% were 35-49 years old, 13% were 50-64 years old and 3% were over the age of 65.

Employees' Claims

In FY24-25, the total amount paid in claims for the year was $209 million, an 8% increase from prior year ($193 million). Medical claims, including medication, accounted for 61% of the total claim payment.

Exhibit 2.6: Type of Claims and Amount Paid in FY24-25

Claims Type	Paid Amount (in million)	Percent
Medical (including medication)	$128	61%
Dental	$42	20%
Vision	$14	7%
Insurance Premium	$22	11%
Others (e.g. insurance co-payment)	<$3	1%
Total	**$209**	**100%**

III. Escheatment Outreach

The City's primary goal is to ensure participants fully utilize their SFCO benefits by raising awareness of untapped funds remaining in the Pool or an inactive SF MRA. However, there will be instances in which employees do not activate an SF MRA account and/or use funds in their accounts. To address this, the San Francisco Health Commission adopted an escheatment policy in January 2022 and anticipates conducting the first transfer of qualified abandoned funds to the City's General Fund in 2026. As part of the planning, SFCO has launched multiple rounds of outreach and communication. To date, five (5) rounds of escheatment-related outreach have been completed since the adoption of this escheatment policy. Rounds 1 and 2 included participants from the Pool fund (i.e., employee has not yet activated their SF MRA enrollment) and SF MRA funds, while Rounds 3, 4, and 5 targeted only participants with Pool funds.

Through these outreach efforts, employees have initiated their SF MRA enrollment, resulting in a total of $328 million transferred from the Pool fund into the SF Medical Reimbursement Accounts. The impacts of these outreach efforts are summarized in Exhibit 3.1.

Exhibit 3.1 Escheatment Outreach Metrics

	Fiscal Year 2022-23	**Fiscal Year 2023-24**		**Fiscal Year 2024-25**	
	Round 1	**Round 2**	**Round 3**	**Round 4**	**Round 5**
Outreach Period	Jan-Feb 2023	Sep-Dec 2023	Apr 2024	Oct 2024	Apr 2025
Number of Participants Reached	263,000	242,000	122,000	105,000	91,000
In Pool Fund	*177,000*	*125,500*	122,000	105,000	91,000
In SF MRA	*86,000*	*116,500*	N/A	N/A	N/A
Dollars Moved into SF MRAs from Pool Fund (in millions)	$156	$53	$50	$40	$29

In addition to the outreach efforts discussed above, there were several rounds of notices to all employees with projected escheatable funds to encourage them to enroll and use their funds before escheatment takes place. These notices were mailed in 6-month time intervals from the anticipated escheatment time period (i.e., 30 months before escheatment, 24 months, 18 months, 12 months and 6 months). Employees will also receive 90-day, 30-day and final notices that are scheduled to go out in FY25-26.

These reminders have been proven effective in increasing SF MRA enrollment. Specifically, 25% of employees who received a 30-month notice, 14% of those who received a 24-month and 9% of those who received an 18-month activated their SF MRAs after the notice was sent. The 30-month reminder was the most impactful as recipients were 2.5 times more likely to enroll than those who received all three reminders. Similarly, those who received both the 30- and 24-month reminders were 1.5 times more likely to enroll than those who received all three. These account balances also influenced outcomes. Namely, participants with $4,000 or more are 2.7 times more likely to enroll than those under $500. The program will continue sending and evaluating the impacts on these reminders.

IV. Process Improvements

This section highlights the process improvement activities of SFCO in FY24-25.

Launched the Funds Finder Online Tool to Improve SF MRA Enrollment. The Funds Finder tool (https://sfcityoption.org/sfmra/do-i-have-funds/) was developed to raise awareness among the covered employees and to help them maximize their program benefits. It is a user-friendly, accessible resource for the public to quickly check if they have funds available. This tool was formally launched in September 2024 through a communication and advertising campaign. That campaign included posters at selected BART and MUNI stations as well as advertisements on social media platforms.

Implemented the Pay My Provider Feature to Minimize Upfront Cost. The Pay My Provider option allows employees to use their SF MRA funds to pay service providers directly, rather than paying out of pocket upfront. In October 2024, SFCO's MRA contractor HealthEquity introduced this new payment method and by the end of FY24-25, over 5,000 employee claims had been processed using Pay My Provider.

Increased PSF Submission to Weekly to Make Funds Available Sooner for Reimbursement. The Program Sponsor File (PSF) contains employer contribution data and participant demographic information used to establish and fund participants' SF MRA accounts. Data is transmitted from SFCO to its contractor HealthEquity more promptly, resulting in reduced wait times for employees to receive their SF MRA funds after enrollment. In FY24-25, wait times were reduced by 50%.

V. 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
- 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 SFCO's operations policy, these accounts are investigated by program staff before allowing for reactivation to pay claims or updating participant information. During this fiscal year, 306 accounts were frozen. Of which, 94 (31%) were subsequently unfrozen after completing the account monitoring process.

VI. Program Spending

The Department of Public Health contracts with the San Francisco Health Plan to be the third-party administrator of the SF City Option. SFCO's third-party administrative costs totaled $8,710,680 in FY24-25. Of which, 71% were personnel expenses and 29% were operational expenses. Personnel costs covered staff who worked on marketing, data analytics, call center, enrollment, IT, finance and other functions to support the day-to-day program operations; while the operational spending covers the cost of information systems, contractors, marketing and employee materials (e.g., designing, printing and distributing).

Exhibit 6.1: SF City Option Third-Party Administration Spending, FY24-25

Expense Category	**Expenditure**	
	$	**% of Budget**
Personnel	$6,225,537	71%
Operational	$2,485,143	29%
TOTAL	**$8,710,680**	**100%**

VII. Looking Ahead

The program will build on successes and lessons learnt and continue focusing on continuous improvements designed to increase employee utilization of their medical reimbursement accounts, and privacy and data security for covered employees and employers in the coming year. These will be accomplished through the following:

- streamlining enrollment and benefit utilization by refining the technology used to support operational processes,
- continued improvement in managing employer and employee data to reduce fraud and misconduct by bad actors,
- enhancements of marketing and outreach activities to raise awareness of the program, and
- continuation of planning and preparing for the first escheatment scheduled for 2026.

Data Source

The data used to generate the exhibits and findings in this report was drawn from one primary source—the 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, (v) SFCO TPA invoices, (vi) SFCO Account Monitoring Committee notes, and (vii) SFCO Participants Dashboard.

Glossary

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	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). 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.
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.
HAO	San Francisco's Healthy Airport Ordinance
HCSO	San Francisco's Health Care Security Ordinance
HealthEquity	A subcontractor of the City for SF City Option who processes claims and handles claims related inquiries
Participant	An employee who is enrolled into SF MRA successfully under the SF City Option program.
Pool	The SF City Option Pool fund where the employer contributions have not been claimed by their employees
SF MRA or SFMRA	San Francisco Medical Reimbursement Account of the SF City Option program
SFCO or SF City Option	San Francisco City Option Program
SFHP	San Francisco Health Plan, DPH's third-party administrator for SF City Option

Acknowledgements

Author:
Elaine Young, City Programs Manager, Office of Managed Care, DPH

Contributors from DPH:
Stella Cao, Director, Office of Managed Care, SFHN, DPH
Sophie Feldman, Program Analyst, Office of Managed Care, SFHN, DPH

Other Contributors:
Baby M Djojonegoro, Supervisor, Insights & Analytics, SFHP
Ehsan Rafian, Program Analyst, Insights & Analytics, SFHP

Key Community Stakeholder Partners:
San Francisco Health Plan
HealthEquity

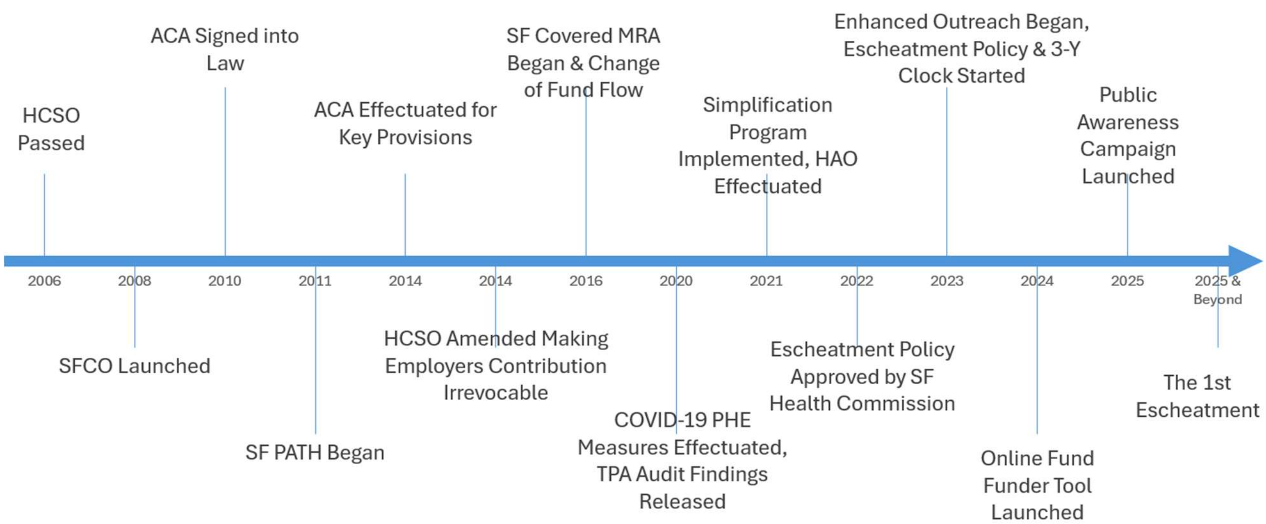
Appendix: San Francisco City Option Program Overview

San Francisco's Health Care Security Ordinance (HCSO)[2] and Healthy Airport Ordinance[3] (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. SFCO was 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.

Exhibit A-1: Overview of SFCO Development Timeline



Source: OMC (December 2025)

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 employees achieve and maintain their best health and wellness by

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[2] SF Office of Labor and Standards Enforcement (2023). *Understanding the Health Care Security Ordinance.* Retrieved February 4, 2025. Accessed December 8, 2025. https://sf.gov/information/understanding-health-care-security-ordinance

[3] SF Office of Labor and Standards Enforcement (2022). *Understanding the Healthy Airport Ordinance.* Retrieved February 4, 2025. Accessed December 8, 2025. https://sf.gov/information/understanding-healthy-airport-ordinance

[4] SF City Option (2023). *About Us*. Retrieved February 4, 2025. Accessed December 8, 2025. https://sfcityoption.org/employers/about-us/

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 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 SFCO[6] 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 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.

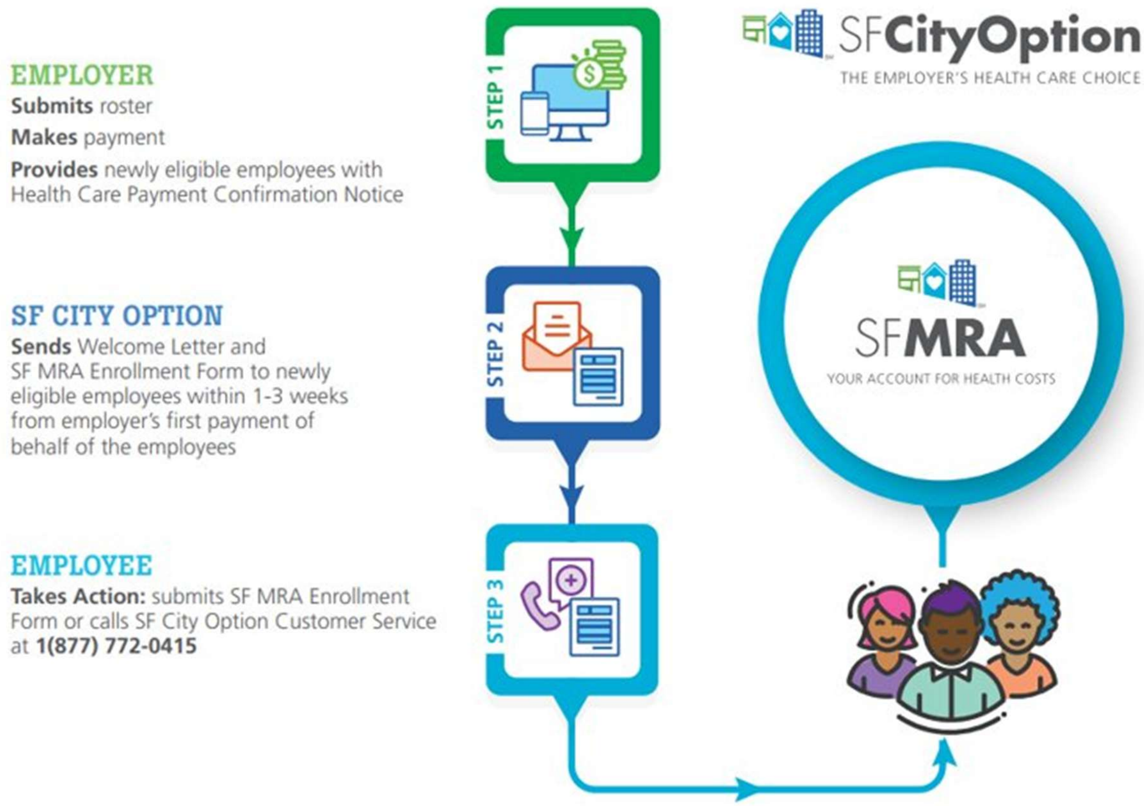
Step 4: Employee submits claims and gets reimbursed. Enrolled employees or participant can then file claims for their eligible medical expenses and get reimbursed.

Some employees delay their response to SFCO enrollment request as described in Step 2 above. In this case, the program will continue sending out enrollment reminder notice every 6 months until the fund is at risk for escheatment. In this situation, the program plans to send 90-day, 30-day and final notices before escheating these unclaimed funds.

[5] SF City Option (2023). *How to Enroll in SF MRA*. Retrieved February 4, 2025. Accessed December 16, 2025. https://sfcityoption.org/sfmra/enroll-in-sf-mra/

[6] SF City Option (2023). *San Francisco City Option Employers: How to Participate in SF City Option*. Retrieved February 4,2025. Accessed December 16, 2025. https://sfcityoption.org/employers/how-to-participate-in-sf-city-option/

Exhibit A-2: Process to Enroll and Use SFCO Funds



Source: SFHP, communication (July 2025)