



City and County of San Francisco
London Breed
Mayor

MEMORANDUM

DATE: May 26, 2021

TO: Dan Bernal, President, San Francisco Health Commission and Members of the Health Commission

THROUGH: Grant Colfax, Director of Health
Naveena Bobba, Deputy Director

FROM: Greg Wagner, Chief Operation Officer

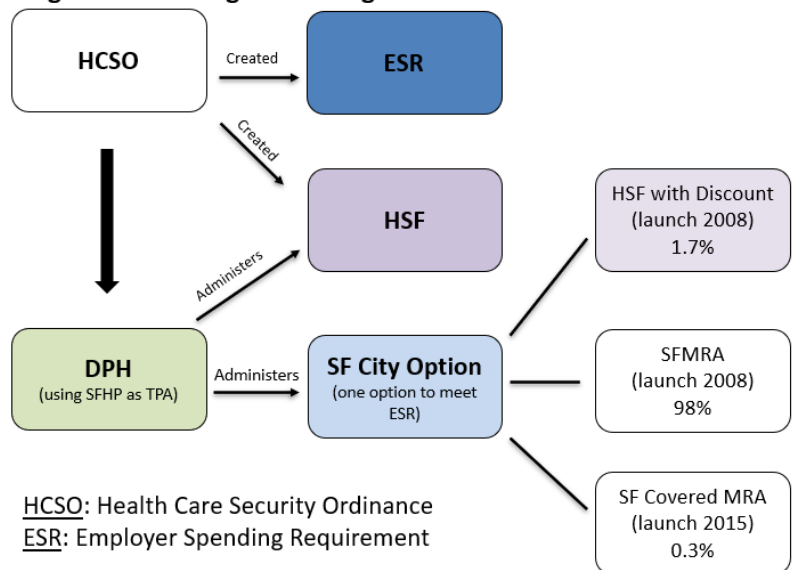
RE: Proposal to Simplify San Francisco City Option Program

Background

The San Francisco Health Care Security Ordinance (HCSO or “ordinance”) was passed unanimously by the Board of Supervisors in July of 2006 and codified as Chapter 14 of the San Francisco Administrative Code. The HCSO comprises two main components (Figure 1):

- 1) A health access program known as Healthy San Francisco (HSF) administered by the San Francisco Department of Public Health (DPH) and the SF Medical Reimbursement Account (SFMRA) program where employees can draw on employer funds to spend on health care.
- 2) An Employer Spending Requirement (ESR), effective January 1, 2008, mandates that employers subject to the HCSO “make required health care expenditures to or on behalf of their covered employees each quarter.” Funds collected from the ESR would, in part, fund HSF or be deposited into an SFMRA for employees not eligible for HSF.

Fig 1. SFCO Program Background



HSF and the SFMRA programs were originally established and made available by DPH to employees whose employers chose to meet the HCSO through the San Francisco City Option (SFCO) program. The HSF program is also available to San Francisco residents who are not SFCO employees if they meet program eligibility criteria. DPH has contracted with the San Francisco Health Plan (SFHP) since 2007 to provide third-party administrative services to HSF and SFCO programs.

SFCO employees enrolled in the SFMRA program receive 100% of employer contributions in their SFMRA to spend on a broad array of health care expenses. Employer contributions for SFCO employees enrolled in HSF are directed to DPH to help support the cost of HSF coverage. As a result, SFCO employees also receive a discount on their quarterly HSF fees, which is similar to premiums and known as the HSF Discount. HSF participants may also be charged point of service (POS) fees by their Medical Homes, but employer fees are not currently available to defray the cost of POS fees.

SF Covered MRA Program Increases Affordability of Covered California Health Plans But Its Enrollment is Lower Than Projected and Requires a Multi-Step Process

In 2014, the HCSO was amended to reflect changes due to passage and implementation of the Affordable Care Act (ACA). The HCSO amendment also required DPH to present a plan to the Health Commission by August 2015 where funds contributed by employers under the ordinance could be used to maximize enrollment and affordability in Covered CA. This plan would need to be approved by the Health Commission in time for Open Enrollment for Plan Year 2016. At the time, UC Berkeley Labor Center estimated enrollment of over 3,000, which would have likely required significant funding from the City without a pooling of employer funds because an individual's subsidy was determined independent of their employer contribution amount.

Following the newly amended HCSO requirement, DPH established a subsidy program in 2015, which was intended to be budget-neutral to the City's General Fund. Under the subsidy program, SFCO employer contributions would be directed or pooled to help improve the affordability of Covered CA health plans for San Francisco residents enrolled in SFCO. To administer this premium assistance program, DPH contracted with SFHP to establish an enrollment screening process to determine eligibility and subsidy amount. The subsidy amount was also determined to be commensurate with an individual employee's out of pocket costs for Covered CA insurance after taking into account existing state and federal subsidies. This became the SF Covered MRA program launched in October 2015, the third SFCO program DPH launched after HSF and SFMRA.

SFCO employees enrolled in SF Covered MRA, unlike the SFMRA program, do not receive the exact dollar amount of their employer contribution which varies from a few dollars to more than \$1,000 per quarter. Instead, SF Covered MRA employees receive a subsidy amount based on their income and Covered California plan type. While this new program has increased affordability for a small group of SFCO employees, with total program enrollment ranging between 117 and 489 amounting to 933 unique enrollees, it is far below the original 3,000 projected. The redesigned enrollment and screening process to launch the SF Covered MRA program has added significant complexity for all SFCO employees to enroll in any SFCO program, including HSF, SFMRA and SF Covered MRA, leading to 80% of SFCO employees without any SFCO program enrollment, and adversely impacting the SFCO employees' utilization of employer contributions broadly.

SFCO Program Simplification Will Increase Flexibility and Utilization of Employer Contributions for SFCO Employees

DPH and SFHP are committed to improving SFCO Program and have been collaboratively working with external consultants and stakeholders on a multi-year process to improve the program. This has resulted in a series of program simplification proposals that are currently before the Health Commission for review (collectively referred to herein as “SFCO Program Simplification or “SFCO Simplification”):

- (1) Consolidation of three (3) benefits into a single benefit: SFMRA
- (2) Fair and careful transition for impacted employees into SFMRA benefits
- (3) New health insurance affordability subsidy for Plan Year 2023 through SFMRA benefits

(1) Consolidation of Three Benefits into A Single Benefit: SFMRA

Of the total SFCO program enrollment across the three programs in March 2021, SFMRA accounted for 98% (or close to 42,000 active accounts), HSF, 1.7% (or 711 enrollees) and SF Covered MRA, 0.3% (or 117 enrollees). Launching SF Covered MRA required complicated changes to the enrollment process to accurately screen employees for the three prospective SFCO programs prior to enrollment into any SFCO program. As a result, this introduced additional steps for employees to receive an SFMRA, which most employees were ultimately enrolled.

This proposed SFCO Program Simplification will allow all SFCO employees to receive an SFMRA, and 100% of SFCO employer contributions will be deposited into their SFMRA account effective January 1, 2022. Employees receiving employer contributions will only need to verify their identity through a simplified SFMRA enrollment form and no in-person enrollment would be required. This means transitioning the current SF Covered MRA and HSF Discount programs into the more flexible and financially advantageous SFMRA benefit as the sole program. An enrollment form will be used to verify identity and establish contact preferences.

(2)(a) Fair and Careful Transition for Impacted Employees into SFMRA Benefits from SF Covered MRA

More than half of current SF Covered MRA enrollees do not received 100% of their employer contributions. The transition to SFMRA will be more financially beneficial for 60% of current participants.

To help the 117 SF Covered MRA employees with the transition to the simplified SFCO program, all 117 employees will receive a subsidy for Plan Year 2022. Specifically, SFHP will open an SFMRA for these employees and will deposit an amount equal to their 2021 subsidy in the SFMRA that they can use to cover any eligible SFMRA expenses in 2022, including Covered CA premiums. This subsidy is in addition to any employer contributions they may receive beginning January 2022 which will also be deposited into their SFMRA.

(2)(b) Fair and Careful Transition for Impacted Employees into SFMRA Benefits from the HSF Discount Program

Currently, employer contributions for SFCO employees enrolled in HSF are directed to DPH to support overall HSF costs. Employees receive a discount on their quarterly fees based on their income, but this may not be equal to 100% of employer contributions. The transition to SFMRA

will be more financially beneficial for more than 95% of current 711 participants. It would also provide employees greater flexibility to use their SFMRA towards HSF quarterly fees, point of service fees at their Medical Home, or any out-of-pocket health care expenses allowable under the SFMRA program, such as dental, vision and pharmacy. Eligible SFCO employees may continue to enroll in HSF, and currently only 4.6% of the total HSF participants are also SFCO employees.

Specifically, the 711 employees currently receiving an HSF discount will continue to receive the HSF Discount through December 31, 2021. Additionally, SFHP will open an SFMRA for these employees, and 100% of their employer contributions will be deposited into their SFMRA for the August through December time period. Essentially, these 711 employees will receive a double benefit for the five (5) months period: both the HSF Discount on their quarterly fees and their SFMRA, which can be used for health care expenses. Beginning January 1, 2022, all employer contributions will be deposited into the SFMRA and the HSF Discount will be fully transitioned into SFMRA.

(3) New Health Insurance Affordability Subsidy for Plan Year 2023 through SFMRA Benefits

Over the next 12 months, DPH will collaborate with SFHP and stakeholders to continue to plan for and support the relaunch of affordability subsidy program for SFCO employees to purchase health insurance in time for Plan Year 2023. While the amount of and the formula for calculating the subsidy have yet to be determined, the final subsidy amount will be deposited into an existing SFMRA. DPH will provide updates to the Health Commission as it finalizes the stakeholder engagement and planning of this program in Spring 2022.

The Appendix provides a before and after summary of SFCO Program Simplification.

DPH Will Continue to Monitor and Evaluate SFCO Program Simplification Efforts and Support Additional Program Improvements

In the spirit of continuous improvement and to better serve SFCO employees, SFHP is currently establishing dashboards to monitor and evaluate these program changes, improve data and reporting to DPH and stakeholders, and support greater transparency and outcome measures of the program. Additionally, multiple projects are underway to overhaul the outreach efforts and tools of the program, improve program features, such as debit cards, and technologically better integrate with employer HR systems to improve employee data.

DPH believes that the SFCO Program Simplification and other program improvements as summarized in this memorandum will allow DPH to continue meeting its responsibility under HCSO while further improving the SFCO benefits, expanding access and utilization of employer contributions and improving experience for the SFCO employees.

Appendix

SFCO Programs	Current State	Transition Period Impacts (Aug – Dec 2021)	SFCO Program Simplification (Jan 2022 Forward)
SFMRA	41,375 current participants	None	None
HSF Discount	711 current participants	<p>Auto-enroll into SFMRA 8/2021</p> <p>Continue to receive HSF Discount until 01/2022</p> <p>Beginning 8/2021, 100% of employer contributions will be deposited into SFMRA.</p> <p>SFMRA funds towards point of service (POS) fees or any other allowable health care expenses</p>	<p>SFMRA with 100% of employer contribution</p> <p>SFMRA can be used towards HSF quarterly fees, POS fees, as well as any other healthcare related expenses allowed under SFMRA.</p> <p>HSF Discount fully transitioned into SFMRA with 95% of transitioned individuals financially better off.</p>
SF Covered MRA	117 current participants	<p>Auto-enroll a new SFMRA account 1/2022</p> <p>Participants will have access to full 2021 SF Covered MRA subsidy through 12/2021.</p> <p>Deposit matching 2021 Covered MRA benefit into participants SFMRA account for participant to use for Plan Year 2022</p>	<p>SFMRA with 100% of employer contribution</p> <p>SF Covered MRA fully transitioned into SFMRA with 60% of transitioned individuals financially better off</p> <p>In October 2022, SF City Option will offer new affordability program that will provide <i>additional</i> subsidy on top of employer contributions for Plan Year 2023.</p> <p>In 2023, participants will receive 100% of employer contributions <i>plus</i> affordability subsidy in an SFMRA.</p>
SFCO Pool (SFCO employees not enrolled into a program yet)	<p>Employer contributions are deposited into a Pool and not directly accessible to SFCO employees.</p> <p>Multi-step in-person enrollment process to enroll in one of three SFCO programs leading to 80% of total SFCO employees remained in the Pool and not enrolling into any SFCO program</p>	<p>Beginning 8/2021, all enrollments will be through an SFMRA enrollment form.</p> <p>Form requires less personal information, is more user friendly, and eliminates need for in-person appointments for enrollment.</p>	<p>Simplified single benefit SFMRA enrollment process. No in-person enrollment process for SFMRA enrollment.</p>