



January 2022

# SF City Option Escheatment Proposal

# Agenda

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- Reasons for escheatment
- Communication and outreach plan prior to escheatment in 2025
- Program changes with escheatment
- Next steps and Q&A

## Health Commission to review and approve policy to process inactive funds in SF City Option program (SFCO)

- **Issue**
  - DPH's primary goal is to ensure SFCO participants maximize the use of their benefits. In June 2021, HC approved SFCO Simplification Program to make program easier for employees to use and increase employee utilization. That program is currently in process of implementation.
  - SFCO also has a backlog of old accounts and contributions that have been inactive for multiple years despite outreach attempts.
- **Proposed Policy Solution:**
  - Continue projects to improve employee data and expand outreach projects to connect participants with their funds (currently in process).
  - When eligible, escheat inactive SFCO funds based on state escheatment law and the City's current escheatment process administered by Treasurer & Tax Collector (TTX).

# Background: SF City Option Program

- In 2006, the Health Care Security Ordinance (HCSO) created the Employer Spending Requirement (ESR) and Healthy SF to:
  - encourage enrollment into insurance and improve affordability
  - maximize overall access to health care services for uninsured SF residents and workers
- In 2008, DPH:
  - launched SFCO as one way for employers to meet ESR
  - contracted with SF Health Plan (SFHP) to administer SFCO including the SF Medical Reimbursement Account (SF MRA) benefit and managing the Pool Account (created in 2016) where contributions are deposited

## Background: SF City Option Program (Continued)

- In June 2021, SFCO Simplification was approved by HC aiming to increase funds utilization and employee engagement through:
  - Simplifying the SF MRA enrollment process
  - Increased employer and employee outreach campaign
  - Improving employee data quality
- SFHP currently in process of implementing these multiple projects to improve the program
- However, SFCO will always have some level of unused funds and accounts as the program grows

# Background: SF City Option Program (Continued)

## Current Communications, Outreach, Data Projects

- New SFCO website, new logo with CCSF seal to increase employee trust, overhaul of all employee materials to 8<sup>th</sup> grade reading level by early 2022
- Targeted employer pilots in 2022: outreach and engagement to employers with large numbers of employees that have not set up SF MRA account
  - Employer voice highly influential on employees
  - Healthy Airport pilot in August 2021: when new employers invited SFCO to present to employees on the benefit, very high enrollment resulted (74% of eligible employees)
- SFHP has contract with TransUnion to perform automated, large-scale searches for updated employee contact information

# Background: Escheatment

- What is escheatment?
  - A process by which unclaimed money in the treasury of a local agency, after a period of three years, can be transferred to the local agency
  - This legal process is widely used by local government
- The City's escheatment process:
  - Governed by California Government Code Sections 50050 et seq.
  - Treasurer & Tax Collectors office administers the escheatment process for City programs
- DPH has been meeting with Mayor, Controller, City Attorney, TTX and SFHP to establish a program policy and process for escheating inactive SFCO funds.



# Reasons for Escheatment

- In 2015, the SF MRA Deactivation Policy was approved by HC to address growing inactive SF MRA funds:
  - Participants receive notification that funds may be deactivated 6 months prior to deactivation
  - Participants can reactivate deactivated accounts indefinitely. Currently, there is ~10% reactivation rate.
  - Only dealt with inactive SF MRA funds; Pool Account established in 2016 to hold contributions for employees who had not yet set up their accounts has no deactivation
- SFCO will always have some level of unused funds regardless of the program's communications and outreach efforts
  - For example, flexible spending accounts where employees defer their own funds on a tax-free basis consistently have unclaimed funds at the end of the year.



## Reasons for Escheatment (continued)

- As time passes, the volume of inactive SF MRA accounts and SFCO Pool Account contributions will grow, paralleling the SFCO's growth since 2015.
- Escheatment of inactive funds is the proposed program policy and process to address this.

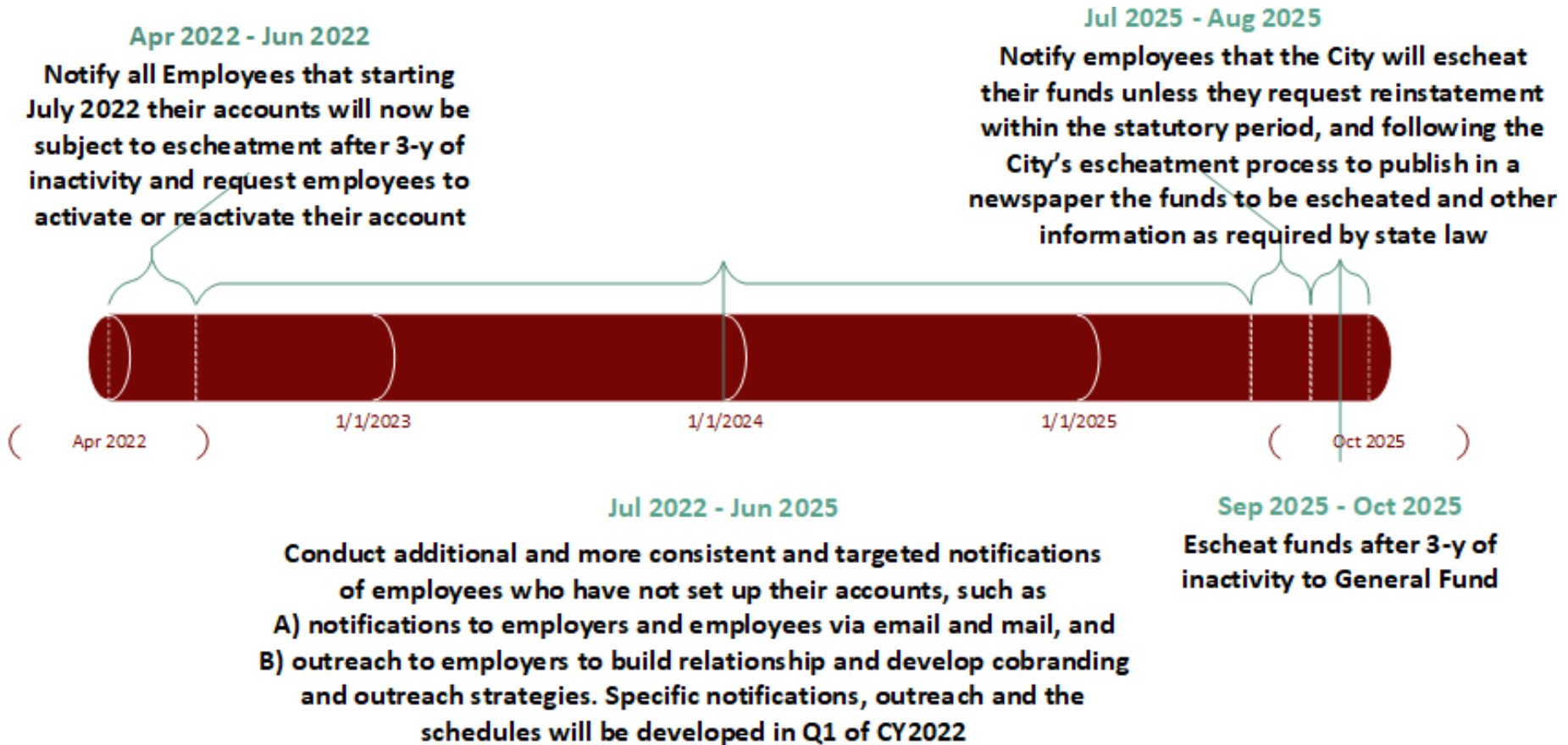
**Policy Proposal:** Establish SFCO escheatment policy of inactive funds following State escheatment statute and the City's current escheatment process administered by TTX

- CCSF through TTX already implements escheatment for various programs.

## Reasons for Escheatment (continued)

- Currently SFCO has a backlog of approximately \$104M in contributions/ accounts inactive for 3+ years:
  - \$50M from SF MRA
  - \$54M from SFCO Pool Account contributions
- Because no money has ever been escheated, this is an unusually large amount that represents 13 years of accumulated funds and 7.6% of the total employer contributions
- Future annual projected escheatment will be lower:
  - \$2M from SF MRA accounts
  - \$36M from Pool Account contributions

# Communication and Outreach Plans Prior to Escheatment in 2025



# Program Changes with Escheatment

Current State	Future State with Approved Escheatment Policy
SFHP holds employer contributions	City holds all employer contributions
SFHP pays claims, vendors, and other program costs directly	SFHP has access through the City Treasury to SFCO funds to pay claims, vendors, and other costs
<p>Separate process for inactive SF MRA and Pool Account funds:</p> <ol style="list-style-type: none"> <li>1. <b>SF MRA funds:</b> deactivated after 24 months but employee could reactivate at any time.</li> <li>2. <b>Unassigned Pool Account funds:</b> no deactivation.</li> </ol>	<p>Same process for SF MRA and Pool Account funds:</p> <p><b>Escheatment</b> after 3 years of inactivity. Reactivation possible up to the end of the 45 to 60-day period under the State escheatment statute. No reactivation after escheatment.</p>

# Next Steps and Q&A

If SFCO escheatment policy is approved by Health Commission, DPH will work with other City agencies and SFHP to implement the escheatment process

- increasing outreach and communication efforts to connect account holders with their funds
- documenting how existing City escheatment policy and procedures integrate with SFCO program
- transferring all employee funds from SFHP to a new bank account within the City's Treasury
- establishing processes for SFHP and its vendor to continue paying claims and invoices via the City's Treasury
- updating current program materials to align with the new policy
- notifying employees and employers of program changes and effective dates
- reporting back to HC on progress in the next 6 months