



City and County of San Francisco
London Breed
Mayor

San Francisco Department of Public Health

Grant Colfax, MD
Director of Health

MEMORANDUM

DATE: 4/27/2023

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

THROUGH: Grant Colfax, Director of Health
Naveena Bobba, Deputy Director
Greg Wagner, Chief Operating Officer
Jenny Louie, Chief Financial Officer

FROM: Stella Cao, Director, Office of Managed Care

RE: Updates on SF City Option Escheatment, Outreach, and Program Fund

I. Background

Following the Board of Supervisors' (BOS) approval of the San Francisco Health Care Security Ordinance (HCSO)¹ in 2006, the Department of Public Health (DPH) established the San Francisco City Option program (SFCO) in 2008, to serve as one way for employers to comply with the employer spending requirement (ESR) of HCSO. Since then, DPH has contracted with San Francisco Health Plan as a third-party administrator (TPA) to manage the daily operation of the SFCO program.

In March 2021, ESR was also implemented for employers at the San Francisco International Airport (SFO) due to the BOS' approval of the San Francisco Healthy Airport Ordinance (HAO), an amendment to the Health Care Accountability Ordinance. Employers at SFO are required to provide employees covered by SFO's Quality Standards Program with family health insurance or to make a specified contribution on their behalf to SFCO².

Employers in San Francisco or SFO contribute funds to SFCO on behalf of their employees. The program notifies employees of available funds and the enrollment process for an SF Medical Reimbursement

¹ San Francisco Office of Labor and Standards Enforcement (2023). *Understanding the Health Care Security Ordinance*. Accessed on 4/21/23. <https://sf.gov/information/understanding-health-care-security-ordinance>

² San Francisco Office of Labor and Standards Enforcement (2021). *San Francisco Healthy Airport Ordinance*. Accessed on 4/21/23. <https://sfgov.org/olse/sites/default/files/HCAO%20-%20Healthy%20Airport%20Ordinance%20FAQs%2004.30.21.pdf>

Account (SF MRA). Employees can use the fund for a variety of expenses, such as over-the-counter medication, prescription glasses and copayment for themselves and their family members after successfully enrolled in SF MRA. Once an account is activated, an employee can retroactively claim for eligible expenses since their initial deposit by their employer.

Since program inception 15 years ago, \$1.66 billion has been contributed on behalf of employees. Of which, over \$1.05 billion (or 63%) has been moved to the SF MRAs; \$145.7 (or 9%) million has been paid to the Healthy San Francisco coverage for SFCO employees; \$6.8 million (<1%) has been paid to employees under the SF Covered MRA; and the remaining \$457.5 million (28%) are in the SFCO unallocated pool (the “Pool”)³, awaiting employee enrollment (see Section IV below for further details on program fund).

II. Purposes

This memorandum serves the following two purposes:

1. Provide an update to the Commission on the policy they approved in January 2022 (Resolution 22-03)⁴ (also referred to as the “Permanent Account Closure and Escheatment policy” or the “escheatment policy” or the “policy” below.), to address the cumulating inactive fund in SFCO. This policy, once implemented, will allow the City to permanently close SF MRAs that have been inactive consecutively for a three-year period and escheat the funds to the City’s General Fund following California Government Code Sections 50050 et seq. (“state law”); and
2. Provide a high-level overview of the SF City Option program fund since its inception, including the program fund balances as of today.

III. Activities Related to the Escheatment Policy Implementation

Participation in SFCO was modest prior to 2014. Employer participation and dollars contributed began to significantly grow in 2015 due to the BOS’ action in 2014 reaffirming and tightening HCSO so contributions were irreversible. To put this in context, \$64 million was contributed on behalf of the employees in 2014. The contribution reached \$100 million in 2015 and \$196 million in 2020. Over time, unspent dollars have accumulated and the escheatment policy approved by the Health Commission in 2022 is to address the inactive and unclaimed fund in the program in accordance with state law.

Upon approval of the policy by the Commission, DPH and its TPA commenced planning for the implementation in four project phases:

- Phase 1: Bank transfer of SFCO employee funds from TPA to the City’s Treasury
- Phase 2: Notification of the policy to SFCO employees and employers
- Phase 3: Planning for implementation of the policy and its procedures
- Phase 4: Implementation, monitoring and evaluation

³ “Pool” or “unallocated pool” refers to the fund pool that holds the employer contribution before the fund is transferred into employees’ SF MRAs. The employees still need to take action to activate their SF MRA upon receiving notice from the program.

⁴ San Francisco Health Commission (2022). *Resolution No. 22-03*. Accessed on 4/21/23. https://sf.gov/sites/default/files/2022-01/22_03Resolution%20Recommending%20that%20Funds%20Reclaimed%20Through%20the%20SF%20City%20Option%20Escheatment%20Process%20Be%20Used%20for%20Health%20Care%20Services%20in%20SF.pdf

Phase 1: Bank Transfer of SFCO Employee Funds from TPA to the City’s Treasury | Status: Complete

State law permits local agencies to escheat funds that have been in their possession unclaimed after a three-year consecutive period. This process is consistent with the escheatment process for other City programs. Because funds were in the possession of the TPA, DPH, in consultation with the Office of the City Attorneys and the Mayor’s Office, and in collaboration with the Controller’s Office and Treasurer & Tax Collector (TTX), established a new bank account under the City’s Treasury and moved the SFCO fund of \$830 million from TPA to the City in October 2022.

Phase 2: Notification of the Policy to SFCO Employees and Employers | Status: Complete

Once the bank transfer was complete and SFCO funds were in possession of the City, DPH, TTX and TPA could initiate counting towards the three-year period beginning March 1, 2023. That means, on a going forward basis beginning March 1, 2023, all employee funds will be monitored for activity. State law requires that prior to escheatment of funds, the local agency must publish a notice once a week for two successive weeks that states the amount of money, the fund in which it is held, and that it is proposed that the money will become the property of the local agency on a designated date not less than 45 days nor more than 60 days after the first publication of the notice. That means that mid-April 2026 is the earliest any funds may potentially be escheated.

To provide prior notices to employees and employers, the program initiated a major outreach effort to over 325,000 employees and 4,000 employers. Notifications via mail and email (if known) took place between January 10 and February 17, 2023. These notifications were written in four languages including English, Spanish, Chinese and Tagalog (see Appendix for sample notifications in English). Additionally, the program leveraged this outreach effort to further engage employees and employers towards greater utilization of program funds and to test outreach methods.

This outreach effort has been very successful so far, with nearly \$144 million that has moved into employees’ SF MRAs and over \$51 million in claims in a four-month period (Table 1).

Table 1: Impact of SFCO Escheatment Notification from December 15, 2022 - April 25, 2023

Measure	Impact
Dollars Moved from Pool to SF MRAs	\$143,920,650
Dollars Paid in Employee Claims	\$51,374,530
Number of Employees Making A Claims or Enrolling after Notice	60,504

Phase 3: Planning for Implementation of the Policy and Its Procedures | Status: In Process

The policy requires the program to establish new processes to escheat inactive funds of three years and to notify employees of this new policy. The program is currently researching and planning for the rules and processes that will need to be established prior to 2026, such as:

- Developing new reports and processes with claims vendor for closing accounts, ensuring that information is accurately captured and shared timely with impacted City agencies;
- Building an online look-up tool for the public to verify if they have funds available in SF MRA;
- Developing an outreach program to employees who will be subject to account closure and escheatment; and
- Refining dashboards to monitor and evaluate implementation and utilization.

Phase 4: Implementation, Monitoring and Evaluation | Status: Not Yet Started

Prior to 2026, the TPA will need to develop the policies, procedures and complete a list of projects to ensure readiness, compliance with state law and alignment with City’s escheatment policy. Additionally, there will be significant collaboration with relevant City agencies, such as TTX, to successfully implement this escheatment policy by 2026.

IV. Program Fund

This section provides an overview of the SF City Option program fund since 2008, when the program began. It also shows the impact of the recent outreach, which has resulted in significant enrollment (Pool funds moving to SF MRA) and increase paid claims. Specifically, over \$1.66 billion has been contributed on the employees’ behalf as of April 26, 2023. Of which, \$1.05 billion (or 63%) has been moved to SF MRA from the unassigned fund pool; \$146 million (or 9%) has been paid to Healthy San Francisco (HSF) for employee coverage; and \$458 million (or 28%) remains in the Pool awaiting employees’ action to enroll into SF MRA (Table 2).

Table 2: SF City Option Employee Fund Summary Since 2008

	As of 12/31/2022		As of 4/26/2023	
Assigned to SF MRA (see Table 3 for breakdown)	\$ 872,768,436	54%	\$ 1,051,941,921	63%
Assigned to Pool	\$ 584,808,658	36%	\$ 457,505,750	28%
Assigned to HSF	\$ 145,694,229	9%	\$ 145,694,229	9%
Assigned to SF Covered MRA	\$ 6,796,536	0%	\$ 6,796,536	0%
Total SFCO Contributions	\$ 1,610,067,859	100%	\$ 1,661,938,435	100%

Note: Based on best available information as of 4/27/2023

Table 3: SF City Option Employee Funds Assigned to SF MRA

	As of 12/31/2022		As of 4/26/2023	
Claims Paid Out	\$ 557,026,384	64%	\$ 605,232,080	58%
Account Fees	\$ 27,782,274	3%	\$ 28,436,205	3%
Dollars Remaining	\$ 287,959,778	33%	\$ 418,273,63	40%
Total SFMRA funds	\$ 872,768,436	100%	\$ 1,051,941,921	100%

Note: Based on best available information as of 4/27/2023

Since the escheatment outreach in January, nearly \$144 million has been moved from Pool to SF MRA accounts. Over \$51 million has been paid for employee claims. The outreach and notification efforts over the first four months have exceeded our initial expectations. DPH will continue outreaching to all employees, particularly those who have not yet enrolled and whose funds are sitting in the Pool. Given the success of the most recent outreach, DPH will continue to focus on increasing utilization of the program funds as 2026 approaches. Escheatment of the inactive fund remains to be the last resort of DPH to address the cumulation of unclaimed fund.

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Appendix: Sample Mail Notifications to SFCO Employees

1. Employees Whose SF MRAs Are Inactive

DocuSign Envelope ID: F45DCA24-9DA8-428E-8698-ABF29AEA430D



SFMRA
YOUR ACCOUNT FOR HEALTH COSTS

ACTION NEEDED! Enroll and Use Health Care Funds Deposited by Your Employer



<<First Name>> <<Last Name>>
<<Address Line 1>>
<<Address Line 2>>
<<City>>, <<State>> <<Zip Code>>



Ver última página para español.
請參閱最後一頁的中文。
Tingnan ang huling pahina para sa Tagalog.

Dear <First Name> <Last Name>,

Good news! You have money deposited by your current or past employer into SF City Option.

These funds can be used for health and wellness reimbursements, but you must reactivate your San Francisco Medical Reimbursement Account.

What's New

Beginning March 1, 2023, the City and County of San Francisco will have a policy to close accounts that haven't been used for three years.

What Does This Mean?

If you don't enroll by March 1, 2026, your account will be closed.

Go to sfcityoption.org/sfmrafunds to reactivate your account or to find out more about this new policy.

Your Account Information

Employer Name	Amount Available
Número de cuenta	Fecha de entrada
賬戶號碼	賬戶生效日期
Numero ng Account	Petsa ng Pagkakaroon

<<Employer 1>> <<Deposit 1>>

<<Employer 2>> <<Deposit 2>>

<<Employer 3>> <<Deposit 3>>

<<Employer 4>> <<Deposit 4>>

Total: <<Deposit Total>>



Take Action Now!

To reactivate your account, learn more about your benefit, and access your money, visit sfcityoption.org/sfmrafunds or use the enclosed form/envelope and mail it.

Eligible Expenses Include:

- Copays and premiums
- Prescription/OTC drugs
- Covid-19 tests
- Lab tests
- Doctor's visits
- Therapy and counseling
- Family planning
- Medical supplies
- Dental care
- Baby formula
- Acupuncture
- Activity trackers
- Glasses or contact lenses
- Feminine hygiene products
- First aid supplies
- And more

Get Answers! Get Help!

If you have questions, go to sfcityoption.org/sfmra/employee-FAQ to learn more about your benefits or call Customer Service Monday through Friday, 8:30am to 5:30pm Pacific Time at **1(415) 223-3634**.

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2. Employees Whose SF MRAs Are Active

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SFMRA
YOUR ACCOUNT FOR HEALTH COSTS

ACTION NEEDED! Submit Claims to Access Your Health Care Funds



<<First Name>> <<Last Name>>
<<Address Line 1>>
<<Address Line 2>>
<<City>>, <<State>> <<Zip Code>>



Ver última página para español.
請參閱最後一頁的中文。
Tingnan ang huling pahina para sa Tagalog.

Dear <First Name> <Last Name>,

Thank you for being enrolled and using your SF Medical Reimbursement Account. This is an important benefit that helps pay for your healthcare expenses.

What's Changing?

Starting March 1, 2023, the City and County of San Francisco will have a new policy to close accounts that haven't been used for three years.

If you don't use your SF MRA by March 1, 2026, your account will be permanently closed. You will lose your funds.

Go to sfcityoption.org/sfmrafunfunds to find out more details about this new policy.



Submit Claims Now!

To learn more about what is covered and get your account balance, visit participant.wageworks.com/sfmra.

Eligible Expenses Include:

- Copays and premiums
- Prescription/OTC drugs
- Covid-19 tests
- Lab tests
- Doctor's visits
- Therapy and counseling
- Family planning
- Medical supplies
- Dental care
- Baby formula
- Acupuncture
- Activity trackers
- Glasses or contact lenses
- Feminine hygiene products
- First aid supplies
- And more

Get Answers! Get Help!

If you have questions, go to sfcityoption.org/sfmra/employee-FAQ to learn more about your benefits or call Customer Service Monday through Friday, 5:00am to 5:00pm Pacific Time at **1(866) 697-6078**.

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