



Compliance Update - 08/06/14: 2015 Health Care Expenditure Rates Just Released Under the San Francisco Health Care Security Ordinance

The San Francisco Health Care Security Ordinance (HCSO) provides individuals, who work in San Francisco and qualify as an employee entitled to minimum wage, with access to affordable healthcare through a Health Access Program. The HCSO requires covered employers to spend a minimum amount of money each quarter on behalf of their covered employees' healthcare; e.g., those who have been employed for more than 90 days and who regularly work at least 8 hours per week in San Francisco. The 2015 Health Care Expenditure rates have recently been released, and the rate history is as follows:

Employer Size*	Rate Per Hour					
	2010	2011	2012	2013	2014	2015
Large Employers (100+ Employees)	\$1.96	\$2.06	\$2.20	\$2.33	\$2.44	\$2.48
Medium Employers (20-99 Employees)	\$1.31	\$1.37	\$1.46	\$1.55	\$1.63	\$1.65

**Non-profits with fewer than 50 employees are exempt from the Employer Spending Requirement.*

HCSO Amended to Require Irrevocable Expenditures

On June 17, 2014 the San Francisco Board of Supervisors also amended the HCSO to phase in, over a 3-year period, a requirement that all Health Care Expenditures made by covered employers on behalf of their covered employees, be made "irrevocably." Currently, covered employers have the option to make Health care Expenditures on behalf of their covered employees either with Irrevocable Expenditures, for example, Insurance Premium Payments to the City Option on behalf of a covered employee, or with Revocable Expenditures, such as allocations to Health Reimbursement Arrangements (HRAs), where unspent funds can be returned to the employer. Specifically, under the Ordinance, an "Irrevocable Health Care Expenditure" means any amount of Health Care Expenditure that has not been retained by and cannot at any time be recovered by or returned to the Covered Employer. Conversely, a "Revocable Health Care Expenditure" means any amount of Health Care Expenditure that has been allocated for use by a covered employee but retained by the covered employer, or any amount that has been paid to a trustee or third party, but that may at some time be recovered by or returned to the covered employer."

As discussed in a previous [Compliance Brief](#), provisions of the Affordable Care Act (ACA) that went into effect on January 1, 2014, restricted HRAs to those that are integrated with underlying, ACA-compliant group health plans, unless the HRA exclusively benefits retirees and/or other former employees, or is limited to reimburse vision and dental care expenses. As a result of these restrictions, this HCSO legislation provides that all employer Health Care Expenditures must be made irrevocably as of October 1, 2014. Employers will want to work with the City to transfer HRA funds to a Medical Reimbursement Account under the direction of San Francisco's Health Access Program.

The newly added 3-year "phase-in" requires that 60% of the employer Expenditure in 2015 must be irrevocable; 80% must be irrevocable in 2016; and all employer Health Care Expenditures must be irrevocable on and after January 1, 2017. The amended Ordinance also permits employees to voluntarily waive the unused balance of revocable expenditures made on their behalf for hours worked prior to January 1, 2014.

The amended Ordinance clarifies benefits available under the Health Access Program, a public health benefits program for employees whose employers choose to make Expenditures under the City Option, and directed the Department of Public Health to develop a plan by August, 2015 to maximize participant enrollments in health insurance through the State insurance exchange, Covered California.

For details about these and other requirements, Frequently Asked Questions, or other resources, please visit the San Francisco government website at www.sfgov.org/olse/hcso.

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