

Health Care Security Ordinance for San Francisco Employees



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In July of 2006, the Board of Supervisors passed the Health Care Security Ordinance. This Ordinance, amended on April 2, 2007, requires “covered” employers in San Francisco to make health care expenditures on behalf of their employees.

Legislative findings showed a large number (82,000) of uninsured adults in San Francisco, the majority of who are employed. Too many of these residents are utilizing the emergency health care services of the City to handle their health care needs thereby taxing the health care system.

In response to these findings, the Board of Supervisors is now requiring employers that engage in business in San Francisco and have over 20 employees (per week), to contribute monies, called ‘health care expenditures’ for the benefit of their employees. This Ordinance goes into effect on January 1, 2008 for employers with 50 or more employees and April 1, 2008 for employers with 20 – 50 employees.

Below are the definitions of the various parties affected by the new ordinance.

Covered Employer:

- 1) Engages in business within the City limits and is required to obtain a San Francisco business registration certificate
- 2) Has over 20 employees per week
 - a. Regardless of where the employer is located-all employees are counted to determine if employer is eligible
 - b. Health Care Expenditures are only assessed to those employees within the geographic boundaries of San Francisco

Exemptions:

- 1) Under 20 employees
- 2) Not for profit employers with less than 50 employees

Covered Employee:

- 1) Employed for at least 90 calendar days
- 2) Performs at least 10 hours of work per week in SF (hours will drop to 8/week in 2009)
- 3) Definition includes part time and temporary employees

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Exemptions:

- 1) Employees who sign a Voluntary Waiver Form (verifies coverage through spouse/another employer/domestic partner) and voluntarily waives to have current employer make a Health Care Expenditure on his/her behalf
- 2) Managers, Supervisors and Confidential employees earning more than \$76,851 (2008)
- 3) Employees covered by Medicare/TRICARE/CHAMPUS
- 4) Employees employed with a not for profit corporation for up to one year while part of a bona fide training program
- 5) Employees who receive health care benefits pursuant to the Health Care Accountability Ordinance (Section 12Q.2.9)

The ordinance defines a Health Care Expenditure (HCE) as monies paid by the covered employer, for the benefit of its covered employees, for the purpose of providing health care services. The services are defined as medical/dental/vision care or goods that are considered tax deductible in the IRS Code, Section 213. Services can also be defined as “having substantially the same purpose or effect” as such deductible expenses.

To determine the amount of Health Care Expenditures a covered employer must contribute, the employer must calculate the hours paid by each covered employee and multiply it by the applicable rate. Please note, ‘hours paid’ includes vacation, sick time, paid time off etc. but should not exceed 172 hours per month. These calculations must be made and Health Care Expenditures paid quarterly. The chart below outlines the rate table:

Employer Health Care Expenditure Rate Schedule				
Business Size		Jan 1, 2008	Apr 1, 2008	Jan 1, 2009
Large	100+ Employees	\$1.76/hour		\$1.85/hour
	50-99 Employees	\$1.17/hour		
Medium	20-49 Employees	Not Applicable	\$1.17/hour	\$1.23/hour
	1-19 Employees	Not Applicable		

It is important to remember that if the HCE for *some* employees exceeds the mandated amount, the excess cannot be used to satisfy the requirement for the *remaining* covered employees. Several examples of how these dollars can be spent are listed below:

- 1) Premium payments towards health insurance coverage
- 2) Contributions to a Flexible Spending Accounts, Health Savings Account, Health Reimbursement Account
- 3) Reimbursements for charges such as doctors’ visits and prescription drugs
- 4) Payments to the City towards enrollment into the HAP/Healthy San Francisco program

Covered employers must retain records of its expenditures for a period of at least four years, and provide these records when requested to the OLSE. These records must include:

- 1) Covered employees' address, phone number and first date of work
- 2) Pay statements consistent with the requirements of Labor Code 226
- 3) Records of health expenditures made (including calculations) to each covered employee
- 4) Signed Voluntary Waiver Forms

Covered employers must also provide notice to employees of any payments made to the City and annually employers are required to report expenditures to the City.

Other resources available through the City to assist employers to meet the requirements are Office of Labor Standards Enforcement at www.sfgov.org/olse/hcso or Department of Public Health/San Francisco Health Plan at www.HealthySanFrancisco.org. Or for more information, contact your WGA Employee Benefits Professional.

