

**STATUS REPORT ON THE IMPLEMENTATION OF THE
SAN FRANCISCO
HEALTH CARE SECURITY ORDINANCE**

**A Joint Report of
The Department of Public Health and
The Office of Labor Standards and Enforcement**

**Submitted to the
San Francisco Board of Supervisors**

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EXECUTIVE SUMMARY

In July 2006, the San Francisco Board of Supervisors adopted the San Francisco Health Care Security Ordinance (Ordinance No. 218-06) which creates two new City and County programs, the Employer Spending Requirement (ESR) and the Health Access Program. In April 2007, the San Francisco Board of Supervisors amended the Ordinance (via Ordinance No. 69-07) to: (1) authorize the Department of Public Health to establish and maintain medical reimbursement accounts, (2) extend the operative date of the employer health care expenditure requirement to January 1, 2008 and (3) clarify remedies for violations of the Ordinance. In April 2007, the Health Access Program name was changed to Healthy San Francisco (HSF).

All components of the Ordinance work in tandem and are designed to address the health needs of San Francisco's uninsured residents and workers. The Office of Labor Standards and Enforcement (OLSE) oversees the implementation of the ESR while the Department of Public Health (DPH) oversees the implementation of HSF.

Since the submission of the January 2007 status report, significant progress has been made toward the implementation of the Health Care Security Ordinance. Specifically:

- The Office of Labor Standards and Enforcement:
 - completed the second draft of the proposed regulations and
 - held hearings to solicit public comments on the regulation

- The Department of Public Health:
 - debuted Healthy San Francisco on July 2, 2007 at two health centers in the Chinatown community,
 - issued draft regulations governing Healthy San Francisco and Medical Reimbursement Accounts for public comments and
 - secured over \$73 million in funding from the federal government to support Healthy San Francisco for a three-year period.

Since the signing of the Ordinance, both OLSE and DPH have worked to ensure that the public is kept abreast on the implementation of ESR and HSF, websites have been created to provide the public with information and updates:

- Employer Spending Requirement -- www.sfgov.org/site/olse_index.asp?id=45168
- Healthy San Francisco -- www.sfhp.org/HealthySanFrancisco.

Both organizations have obtained feedback from interested parties including employers, providers, advocates and others.

The Ordinance specifies regular reporting to the Board of Supervisors on the status of both programs. The Ordinance states that OLSE and DPH will report to the Board of Supervisors by July 1, 2007 on the development of rules for Healthy San Francisco and for the enforcement and administration of the employer obligations. This joint report of OLSE and DPH meets this mandated reporting requirement.

I. EMPLOYER SPENDING REQUIREMENT

Pursuant to Section 14.4(h) of the Ordinance, this section provides an update on the development of regulations for the enforcement and administration of the employer obligations under the HCSO.

Since the passage of the Health Care Security Ordinance, the Office of Labor Standards Enforcement (OLSE) has taken the steps necessary for successful administration and enforcement of the Ordinance. The OLSE continues to provide assistance to members of the public through a multi-lingual dedicated phone line (554-7892), an e-mail address (HCSO@sfgov.org), and a dedicated page on its website (http://www.sfgov.org/site/olse_index.asp?id=45168). In addition to responding to telephone and e-mail inquiries, the OLSE has continued to meet with representatives of several temporary staffing agencies and employers, human resources consultants, and advocates to discuss their questions and concerns regarding the Ordinance.

The April amendments to the HCSO required renewed public education on three key aspects of the Employer Spending Requirement: (1) The operative date of the Employer Spending Requirement was changed to January 1, 2008, for employers with 50 or more employees, and April 1, 2008, for employers with 20 or more employees; (2) in 2008, the number of hours an employee must work per week in order to be covered by the Ordinance will be 10 hours per week; and (3) the expenditure rates for 2008 are \$1.76 for employers with an average of 100 or more employees & \$1.17 per hour for employers with an average of 20 or more employees.

To communicate these amendments, the OLSE revised the one-page Notice to Employers, which was included in the Treasurer & Tax Collector's annual business registration mailing and sent this January to approximately 100,000 employers conducting business in San Francisco. The Revised Notice (see Attachment A) is available in English, Chinese, and Spanish and can be downloaded from the OLSE's website.

Internally, the OLSE has also developed a PowerPoint presentation outlining the Employer Spending Requirement of the HCSO and is developing additional materials to conduct education to employer groups, human resources professionals, labor organizations and other stakeholders, including:

- a "Frequently Asked Questions" document;
- ESR calculation flowchart and a web calculator to guide employers through the calculation of health care expenditures (developed with the assistance of staff at the San Francisco Health Plan)

Each of these documents will be made available on the OLSE website.

To expand the breadth of its outreach and education efforts, the OLSE, in conjunction with the Department of Public Health and the Mayor's Office of Economic and Workforce Development, will soon be releasing a Request for Proposals for a professional services contract to provide media services and employer outreach on the

HCSO. The campaign will be accessible to all San Francisco residents, include a targeted education and technical assistance program for employers, and focus on the requirements of the HCSO, the Paid Sick Leave Ordinance, and the Minimum Wage Ordinance.

The OLSE completed the second draft of the Proposed Regulations Implementing the Employer Spending Requirement of the Health Care Security Ordinance (see Attachment B) and released it for public distribution on June 15, 2007. Two Rulemaking Hearings were held on June 27, 2007 to provide an opportunity for the public to provide input on the Proposed Regulations (see Attachment C). Public comments will be considered in the drafting of the Final Regulations, will be completed by mid-July. The OLSE is also working with Treasurer/Tax Collector's Office to finalize the Annual Reporting Form.

Finally, the OLSE continues to partner with the Department of Public Health on implementation of *Healthy San Francisco*. The OLSE has a seat on the HSF Advisory Committee and regularly attends the meetings of the Committee.

II. HEALTHY SAN FRANCISCO

This section provides an update on the development of regulations for the Healthy San Francisco and Medical Reimbursement Account components of the Health Care Security Ordinance and other aspects of program implementation. The Department of Public Health (DPH) is responsible for implementing and administering these components.

Healthy San Francisco (HSF) is the catalyst for changing the current system of care for uninsured residents. It is an innovative health care program designed to expand access to health services and deliver appropriate care to San Francisco's uninsured adult residents. HSF provides a package of services, promotes choice of providers, recognizes the importance of affordability, and maintains a focus on accountability. HSF addresses both access to and management of care. The vision of HSF is that:

- The existing health care safety net system (public and non-profit) is restructured as an integrated whole.
- Uninsured residents have knowledge of and improved access to comprehensive services.
- Focus is placed on primary care and prevention in the provision of services to uninsured persons.
- A common eligibility and enrollment system is adopted for the integrated health care safety net system.
- There is access to health data that facilitates provider monitoring and quality of care.
- Financial resources from all available payer sources are better optimized for efficiency and long-term sustainability.

In April 2007, the Board of Supervisors amended the Health Care Security Ordinance to authorize the Department of Public Health to establish and maintain Medical Reimbursement Accounts (MRA). This new provision will enable an employer who selects Healthy San Francisco to meet the obligations under the Employer Spending Requirement to provide a benefit for both their resident and non-resident employees.

A. HSF and MRA Regulations

In mid-June, DPH released draft regulations implementing the Healthy San Francisco and Medical Reimbursement Account provisions of the San Francisco Health Care Security Ordinance (see Attachment D).

The regulations are based on the HSF design and program recommendations that were developed as part of the overall program planning process. This collaborative effort was comprised of staff from DPH, OLSE, the San Francisco Health Plan and the Human Services Agency. In addition, the Healthy San Francisco Advisory Committee, which is mandated by the Ordinance, contributed to this effort by providing DPH with expert guidance and counsel on the design and program recommendations. The regulations cover the following:

- Eligibility
- Program Fees
- Services
- Service Provision and Delivery Network
- Covered Employee Participation
- Public Information
- Administration
- Reporting

On June 15, 2007, DPH released the draft regulations for public comment. The notice to the public on the draft regulations can be found in Attachment D. Public comment will be considered in the drafting of the final regulations which will be completed before mid-July 2007. On July 17, 2007, the San Francisco Health Commission will consider adoption of the final regulations implementing both HSF and MRA as part of its regular meeting. The meeting will be noticed and the public will have an opportunity to make oral comments and testimony at this meeting.

B. Debut of Healthy San Francisco

On July 2, 2007, Healthy San Francisco (HSF) made its debut at two health centers -- Chinatown Public Health Center and North East Medical Services.

DPH will use the months of July and August 2007 to test critical aspects of the program before expanding it more widely in September 2007. This strategy is consistent with the incremental and targeted phase-in approach for the program. An incremental approach is necessary given the complexity of the implementation and to provide an opportunity to make appropriate adjustments and modifications in the program as necessary. DPH estimates that it will take 18 – 24 months to fully implement HSF.

Because of the debut status, participation in HSF is limited during the months of July and August 2007. Specifically, the program will enroll clinic patients (existing and new) who have an annual income at or below 100% FPL into HSF (for one person this is no more than \$10,200 and for a family of four it is no more than \$20,650). Participants must meet all other HSF eligibility criteria (i.e., uninsured, resident, adult, and willing to apply for publicly-funded health insurance). The enrollment focus will be on those persons scheduling clinical appointments at Chinatown Public Health Center and North East Medical Services. Because the debut is designed for those residing in and seeking care in the Chinatown community, HSF eligibility screening will only take place at these clinic sites. The debut period is not designed to enroll residents not living in or getting care in this community.

On the first day of the debut, 29 San Francisco residents applied for, were found eligible for and became Healthy San Francisco participants. These residents received a temporary HSF participant identification card, a quick guide on how to access services and were scheduled for clinical appointments. It is expected that total enrollment during this time period will range from 600 – 1,000 participants.

C. Communications and Outreach

In anticipation of increased interest in Healthy San Francisco, on June 25, 2007 the program's Inquiry Call Center became operational. DPH, with its partner the San Francisco Health Plan, established a call center to handle public inquiries about the program, the application process and phase-in timeframe. The call center will serve as a centralized communications forum for the public and other stakeholders to access live program information. The launch of the call center will also fortify HSF communication efforts by allowing staff to learn of and respond to questions being asked by the public, enabling an even stronger proactive communications program for the September 2007 expansion and beyond.

The call center number is 415.615.4500. The call center is also linked to the City's 311 system. Members of the public may call this number to receive program information or they may call 311 and will be provided with the number to the Inquiry Call Center. The call center has language capacity in English, Chinese and Spanish.

DPH continues to provide information about the program through the HSF website that is maintained by the San Francisco Health Plan. In addition, DPH continues to provide presentations to various community groups about the program.

D. Funding Issues

On March 30, 2007, DPH received notice that it had been awarded funding under the Health Care Coverage Initiative (HCCI). HCCI is funded by the federal government via a State pass-through. Funding is part of California's five-year Section 1115 Medi-Cal Hospital/ Uninsured Care Demonstration. The HCCI award provides funding for both services and administrative costs for a three-year period beginning September 1, 2007 and terminating August 31, 2010.

The City and County of San Francisco applied for funding to support HSF participants receiving services within the public sector safety net (i.e., DPH). San Francisco's services funding totals \$73.12 million (or \$24.37 million a year) and allowable administrative funding totals \$5.66 million over the three-year period (administrative funding also covers the planning period prior to program implementation). Services and administrative funding under HCCI are provided to the Department based on a claiming mechanism. Specifically, DPH incurs and documents health services and administrative expenditures that are subsequently reimbursed at 50% of costs. Therefore, to receive \$73.12 million in services funding, DPH must document that it has incurred \$146.24 million in expenses.

For its fiscal year 2007-08 proposed budget, DPH submitted a \$23 million augmentation for Healthy San Francisco for City review and approval. DPH identified revenue of \$23 million to cover the increased \$23 million in costs. As a result, implementation of HSF is budget neutral in 2007-08. Below is the revenue summary:

Revenue Category	Total Amount
Health Care Coverage Initiative Funds	\$18.28 million
Participation Fees (individuals and employers)	\$4.75 million
Point of Service Fees (DPH only)	\$0.05 million
Estimated New Revenues	\$23.09 million

The additional revenue will be used to fund such activities as clinical expansions, delivery system innovations and patient access.