



City and County of San Francisco  
Edwin M. Lee  
Mayor

## San Francisco Department of Public Health

Barbara A. Garcia, MPA  
Director of Health

# MEMORANDUM

**DATE:** October 7, 2014

**TO:** Dr. Edward Chow, Health Commission President, and Members of the Health Commission

**THROUGH:** Barbara A. Garcia, MPA, Director of Health

**FROM:** Colleen Chawla, Deputy Director of Health and Director of Policy & Planning

**RE:** Financial Impact of Proposed Changes to Eligibility Requirements for Healthy San Francisco and the Administration of the City MRA

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### **Background**

At its September 2, 2014 meeting, the Health Commission heard a request for approval of changes to Healthy San Francisco (HSF) eligibility and the City Option Medical Reimbursement Account (City MRA). Per the Commissioners' discussion and request, this memo provides clarification and financial impact analyses for the proposed changes. A revised resolution is attached for the Commission's consideration. The changes proposed on September 2<sup>nd</sup> included:

#### Healthy San Francisco Program Eligibility Changes

1. Extend the current HSF Transition Period to allow those eligible for Covered California to enroll in or continue their HSF participation through December 31, 2015
2. Remove the 65 age limit for eligibility
3. Decrease income eligibility cap from 500% of the federal poverty level (FPL) to 400% FPL

#### City Option Program Policy Changes

1. Default City Option contributions to the City MRA rather than HSF
2. Remove requirements to show proof of HSF program ineligibility in order to transfer funds from HSF to MRA

#### Modification to City Option Program Policy Changes

SFDPH is recommending a modification to the City Option Program Policy Changes originally proposed. Specifically, SFDPH is no longer recommending adoption of policy change number 1, but recommending adoption of policy change number 2 alone. The intent of both City Option Program Policy Changes was to ensure that persons eligible for Covered California could accrue employer

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We shall ~ Assess and research the health of the community ~ Develop and enforce health policy ~ Prevent disease and injury ~  
~ Educate the public and train health care providers ~ Provide quality, comprehensive, culturally-proficient health services ~ Ensure equal access to all ~

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contributions made on their behalf outside of open enrollment in a City MRA. However, defaulting all contributions to a City MRA presents operational challenges. Removing the HSF proof of ineligibility requirement (City Option Program Policy Change number 2) accomplishes the same goal of facilitating accrual of MRA dollars outside of open enrollment for the purchase of health insurance during open enrollment. Currently, among the most common reasons for denial of an HSF to MRA transfer is the inability to provide proof of insurance. Employees who request a transfer of funds to an MRA would no longer be eligible for the 75% discount on HSF participation fees.

## **Financial Impact of Proposed Policy Changes**

### **1. Extend the current HSF transition period to allow those eligible for Covered California to enroll or continue their HSF participation through December 31, 2015**

This proposed policy change is expected to have minimal impact on the SFDPH budget. The majority of the costs related to allowing a transition period was incurred in 2014 and those costs are anticipated to decline in 2015 as Covered California eligible persons enroll into health insurance.

The original transition period, which expires on December 31, 2014, was intended to reduce gaps in coverage for HSF enrollees who were unable or unprepared to enroll in Covered California. After accounting for program savings from an average 9% per month decline in HSF enrollment since January 2014, SFDPH's cost for the original 2014 transition period is estimated at \$8.28 million, or 7.4% of the HSF budget.

Assuming that current disenrollment trends continue through December 2015, extending the transition period for another year is projected to cost \$2.67 million, or 2.4% of the HSF budget. Additionally, savings of \$1.67 million are anticipated in 2016 when the transition period no longer applies. However, in light of ongoing outreach efforts and the upcoming second Covered California open enrollment period, the actual cost could be less than projected. While a small number of HSF participants eligible for Covered California may choose to stay in HSF, data trends are insufficient to determine enrollment or cost estimates for this group at this time.

### **2. Remove the 65 age limit for HSF eligibility**

Given the relatively low numbers of seniors projected to participate in HSF (approximately 400 to start, and growing by approximately 87 each year), and the cost savings realized from not providing charity care for those participants, this policy is expected to be neutral for the SFDPH budget. It is also important to note that not all seniors projected to be eligible for HSF will enroll, and actual costs may be lower.

Currently SFDPH serves uninsured seniors through uncompensated charity care at a cost of approximately \$2.56 million in 2014. If approved, the cost of extending HSF to seniors in 2015 is estimated to be \$2.39 million, accounting for the 2015 transition period, and approximately \$771,900 in 2016, once the transition period has expired.

### **3. Decrease income eligibility limit from 500% Federal Poverty Level (FPL) to 400% FPL**

The effect of this proposed policy on the SFDPH budget is expected to be minimal. As noted previously, this policy change is intended to align HSF eligibility with Affordable Care Act (ACA) subsidy eligibility. Currently, 175 HSF enrollees earn above 400% FPL, at a program cost of \$323,400 in 2014.

Because this income group pays the highest HSF participation fees, the program will incur a net loss of \$193,200 in 2015. However, compared to 2014 costs, HSF will realize a savings of \$130,200.

4. Remove requirements to show proof of HSF program ineligibility in order to transfer funds from HSF to MRA

This proposed policy is expected to result in a minor increase in ongoing HSF cost. In 2014, 1,435 employees receiving an employer contribution to HSF requested a transfer of funds to a City MRA, and 92% of those requests were approved. Of the 117 requests that were denied, 96 (82%) were denied for lack of proof of insurance or residency, which are the HSF eligibility determinants. The approved transfers correspond to an estimated \$2.89 million in HSF revenue and \$901,500 in program savings, for a net cost of \$1.48 million. Under the proposed policy, facilitating the additional 96 previously denied transfers would add approximately \$108,000 to the annual cost, for a projected net cost of \$1.59 million in 2015.

**Summary**

In the absence of the proposed policy changes, the total SFDPH cost for the affected groups (uninsured seniors, HSF participants eligible for the extended transition period, HSF participants earning >400% FPL, and MRA transfer requesters) in 2014 is \$12.65 million. Approving the proposed changes translates to a cost of \$6.85 million in 2015, and \$690,400 in 2016.

	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Cost of all proposed changes</b>	\$14,282,488	\$8,647,687	\$3,451,924
<b>Savings from all proposed changes</b>	\$1,631,288	\$1,801,770	\$2,761,535
<b>TOTAL COST OF ALL CHANGES</b>	<b>\$12,651,200</b>	<b>\$6,845,917</b>	<b>\$690,389</b>
<b>Change over previous year</b>		\$(5,805,283)	\$(6,155,528)