



City and County of San Francisco
Edwin M. Lee
Mayor

San Francisco Department of Public Health

Barbara A. Garcia, MPA
Director of Health

Office of Policy and Planning

MEMORANDUM

DATE: July 30, 2015

TO: Edward Chow, MD, 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
Aneeka Chaudhry, Senior Health Program Planner, Office of Policy & Planning

RE: Follow-up to Proposal to Modernize the City Option and Explore an Employee Wellness Fund

This memo responds to Commissioners' requests for further analysis and clarifications regarding SFDPH's proposed modernization of the City Option and the development of a new Employee Wellness Fund, which was first heard at the Health Commission on July 21, 2015. A revised resolution is attached for the Health Commission's consideration.

Economic Stress Test

The Commissioners requested an analysis of how changes in the economy might affect SFDPH projections for the proposed City Option modernization.

[Lower Incomes Resulting from a Recession Would Shift Bridge to Coverage Participants' Reliance on Federal Subsidies and Reduces Reliance on Local Subsidies](#)

According to an analysis performed by the UC Berkeley Labor Center, historical U.S. Census Bureau data on income and health insurance status in San Francisco show that San Franciscans experienced a shift from higher incomes to lower incomes during the last recession. The recession officially lasted from December 2007 to June 2009, though many of the statistics that describe the U.S. economy took much longer to return to their pre-recession values.¹ Figure 1 shows that the local income shift peaked in 2010, when compared to 2008, there was a 10

¹ BLS Spotlight on Statistics: Recession of 2007-2009, U.S. Bureau of Labor Statistics, February 2012. (Accessed on 7/29/15 at http://www.bls.gov/spotlight/2012/recession/pdf/recession_bls_spotlight.pdf.)

The mission of the San Francisco Department of Public Health is to protect and promote the health of all San Franciscans.

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 ~

101 Grove Street, Room 308, San Francisco, CA 94102 ♦ (415) 554-2610

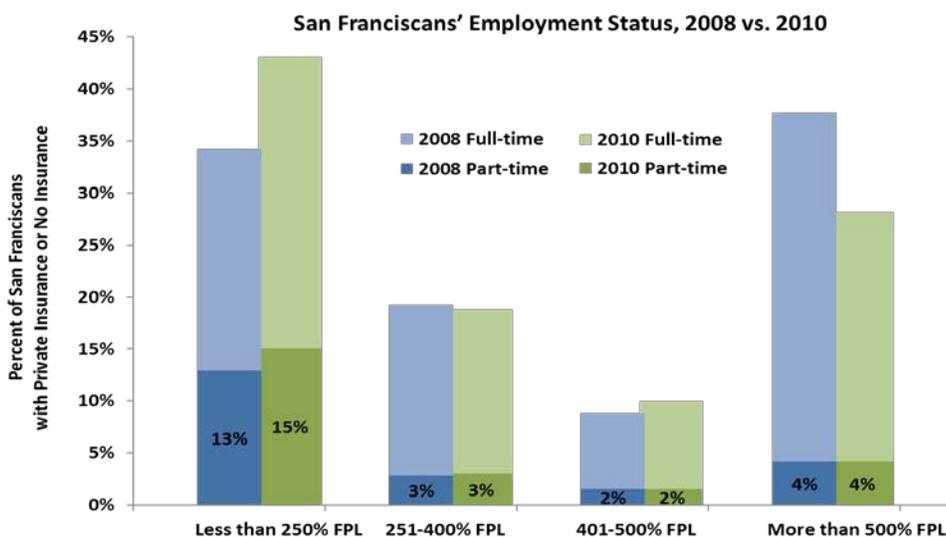
percent reduction in San Franciscans earning more than 500 percent of the federal poverty level (FPL), accompanied by a 9 percent increase in San Franciscans earning less than 250 percent of FPL, and a 1 percent increase in those earning between 400 to 500 percent FPL. As the economy recovered, incomes once again gradually shift higher.

Figure 1: During an economic downturn more San Franciscans have lower incomes



Lower incomes in an economic downturn are partially due to an increase in part-time employment among those with incomes below 250 percent of FPL, as shown in Figure 2.

Figure 2: The recession led to an increase in San Franciscans earning less than 250% FPL and working part-time



Using the 2010 shifts in incomes as proxy, SFDPH projects that in an economic downturn, overall participation in Bridge to Coverage would increase slightly and the income of

participants would shift downward, with the largest growth occurring among those with incomes below 250 percent of FPL. As employer contributions to the City Option are requisite for participation, the Bridge to Coverage component would also receive a corresponding increase in revenues. The increased revenue is expected to be sufficient to cover increased expenditures, which would likely be relatively modest due to the increased shift toward incomes below 250 percent of FPL. Because the Bridge to Coverage benefit is calculated to decrease the participant’s cost of insurance after federal subsidies are applied, overall programmatic expenditures are reduced as more of the population is eligible for robust federal subsidies available to those earning less than 250 percent of FPL. Table 1 shows the SFDPH baseline projections compared to a recession scenario modeled on the 2010 incomes shifts.

Table 1: Increases in Bridge to Coverage participation and expenditures would be covered by increases in revenues

BRIDGE TO COVERAGE Projections						
	2016		2018		2020	
	Baseline	Recession	Baseline	Recession	Baseline	Recession
Participants	~2,900	~3,000	~3,900	~4,100	~4,100	~4,300
Revenues	\$8.8M	\$9.2M	\$12.1M	\$12.6M	\$13.6M	\$14.2M
Total Expenses	\$8M	\$8.3M	\$11.4M	\$11.8M	\$13.2M	\$13.7M
Benefits + Administration	\$7M + \$1M	\$7.2M + \$1M	\$10.3M + \$1.1M	\$10.7M + \$1.2M	\$12M + \$1.2M	\$12.5M + \$1.2M

[In Periods of Inflation, Employer Contributions Expected to Rise along with the Cost of Health Insurance to Support Continued Sustainability of Bridge to Coverage](#)

Under the Health Care Security Ordinance, employers are required to make minimum health care expenditures on behalf of their covered employees. The minimum health care expenditure rate under the ordinance is based on an annual survey of the 10 most populous counties in California to determine their average health care contributions for their full-time county employees. The health care expenditure rate is calculated annually at 75 percent of the 10 county survey amount for large businesses and 50 percent for medium-sized businesses, pro-rated on an hourly basis. Because both the health care expenditure rate at which employers contribute and the Bridge to Coverage benefit that their employees receive are both tied to the cost of health insurance, the effect of health care inflation on the Bridge to Coverage program is expected to be neutral.

[Potential for Increased Healthy San Francisco Enrollment in an Economic Downturn Mitigated by Medi-Cal Expansion and Bridge to Coverage](#)

While an economic downturn could also potentially increase the number of San Franciscans eligible for Healthy San Francisco, SFDPH anticipates that Bridge to Coverage medical reimbursement accounts and the Medi-Cal expansion would mitigate this effect.

The Medi-Cal expansion was not available during the last recession, but now covers nearly all adults under 138 percent of FPL. As Healthy San Francisco has historically served a largely low-income population², many San Franciscans who were previously eligible for Healthy San Francisco are now enrolled in Medi-Cal. As an economic downturn would likely push incomes down so that a larger proportion would be below 250 percent of FPL, many San Franciscans who would have been previously eligible for Healthy San Francisco would become eligible for Medi-Cal and would be enrolled if they applied for Healthy San Francisco. Furthermore, San Francisco residents earning between 139 and 500 percent of FPL and receiving employer contributions to the City Option would be directed to Bridge to Coverage rather than Healthy San Francisco.

For those San Franciscans who do remain in the program because they do not have other options, Healthy San Francisco will continue to provide coordinated care. As noted in the previous memo to the Commission, while Healthy San Francisco incurs a net General Fund cost, the program helps SFDPH avoid costs related to unnecessary emergency department visits. The previous memo estimated emergency department cost avoidance of \$437,000 in 2016 associated with 1,200 Healthy San Francisco participants enrolled under the Affordability Extension. For that same amount, Healthy San Francisco could provide comprehensive coordinated care for a year for 235 Healthy San Francisco participants.

Updated Employee Wellness Fund proposal

[SFDPH to Explore Options for the Department to Provide Wellness Services](#)

SFDPH presented its proposal to modernize the City Option and develop an Employee Wellness Fund to the Small Business Commission on July 27, 2015. The proposal was well-received, and the Small Business Commission echoed the Health Commission's concerns that smaller businesses may lack the resources or capacity to implement effective wellness programs.

To address these concerns, SFDPH explored additional mechanisms to partner with employers to enhance employee wellness. Per the Health Commission's discussion, consultation with the SFDPH Population Health Division identified opportunities for the Department to provide wellness services for participating businesses. For example, SFDPH staff could offer on-site flu vaccines, provide occupational health and safety training, or hold mini clinics for STD testing or targeting specific health conditions. Such activities could also be conducted in partnership with

² Since 2008, Healthy San Francisco participants' income profile consistently shows at least 65% of enrollees earning less than 100% FPL, and approximately 89% earning less than 200% FPL.

professional associations and tied to outreach and engagement on the City Option and efforts to increase health insurance enrollment and literacy. Other mechanisms for partnership might include public-private joint purchasing of exercise programs or gym memberships for employees.

SFDPH will consider the logistics and feasibility of providing such services and creating partnerships as part of the proposed stakeholder process for the development of the Employee Wellness Fund.

[Stakeholder Advisory Group to Inform Employee Wellness Fund Design](#)

At its July 21st hearing, the Commission requested more information on the stakeholder process. During 2016, SFDPH plans to convene an advisory group, which would include representatives from the business and labor communities, wellness experts, occupational health professionals, community partners, and SFDPH staff. The process would define wellness for purposes of the Employee Wellness Fund, conduct an assessment of employer/employee demographics and wellness needs, and identify best practice and existing resources. Ultimately, the advisory group would recommend a program design linking research on the most effective programs for the identified target population to the priorities identified in San Francisco's Community Health Improvement Plan. The advisory group would address program parameters, including which or what types of employers would be eligible; program scope, including how and what type of benefit would be offered; and program integrity, including clear objectives for population health improvement with measurable and reportable outcomes.

This process presents a prime opportunity for collective impact through partnerships with employer and employee professional associations and groups such as the San Francisco Health Improvement Partnership.

[Findings and Recommendations of Advisory Group will be presented to Health Commission for Approval](#)

SFDPH will present the findings and recommendations of the advisory group to the Health Commission for approval prior to program launch. Accordingly, the accompanying resolution language has been updated to request the Commission to approve the Department to "explore" rather than "create" the Employee Wellness Fund.

Evaluation

As noted during the July 21st hearing, SFDPH recognizes the importance of ongoing assessment of the impact of the proposed modernization of the City Option and the Employee Wellness Fund. Together, the two proposal elements serve the SFDPH mission to protect and promote the health of all San Franciscans, and could provide a model for other counties in adapting to a post-health reform environment. SFDPH plans to track effects on insurance uptake, San

Franciscans' health, employee health, health care utilization, and costs/benefits over time; the Department will present findings and updates to Health Commission on a regular basis.