

ANALYSIS OF THE 2012 HEALTH CARE SECURITY ORDINANCE ANNUAL REPORTING FORMS

Issued September 5, 2013

CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF LABOR STANDARDS ENFORCEMENT

TABLE OF CONTENTS

Contents

Executive Summary _____	1
Introduction _____	3
Data Collection _____	6
Findings _____	7
Conclusion _____	17

Executive Summary

The Employer Spending Requirement of the Health Care Security Ordinance (HCSO or “Ordinance”) mandates that San Francisco employers subject to the Ordinance make health care expenditures to or on behalf of their covered employees. Private sector employers with 20 or more employees and non-profit employers with 50 or more employees are covered by the Ordinance. These employers must make minimum health care expenditures for their employees who have been employed for 90 calendar days, regularly work 8 or more hours per week in San Francisco, and do not meet any of the limited exemption criteria.

The Office of Labor Standards Enforcement (OLSE) collects data on employers’ compliance with the HCSO each year, as required by Administrative Code Section 14.4(a). This report summarizes the 2012 HCSO Annual Reporting Forms (ARFs) submitted by 4,204 covered businesses and nonprofits employing 263,674 persons entitled to health care expenditures under the HCSO. The HCSO was amended, effective January 1, 2012. The amendment regulated the use of health care surcharges used by employers and updated requirements related to the use of Health Reimbursement Accounts (“HRAs” or “Reimbursement Plans”) as a means of compliance with the Employer Spending Requirement. This report is the first to summarize employers’ expenditures after the amendment, and compares the reported expenditures for 2012 with prior years.

Some of the key findings are as follows:

- In 2012, the 4,204 reporting employers made \$1,881,784,519 in health care expenditures on behalf of 263,674 employees.
- Most employers continue to satisfy the Employer Spending Requirement by providing health insurance to their covered employees. In 2012, 90% of all reported health care dollars were spent on health insurance, 3% on the City Option, and 7% on reimbursement plan allocations. This is consistent with prior years, with a slight increase in health insurance expenditures.
- 24% of all employers reported allocating funds to Health Reimbursement Accounts in 2012. This is up from 20% in 2011.
- The overall HRA reimbursement rate increased from 17% in 2011 to 25% in 2012. The median reimbursement rate increased from 9% in 2011 to 18% in 2012. In comparison, City-administered Medical Reimbursement Accounts had a reimbursement rate of 53% in 2012, down from 60% in 2011.
- As was the case in 2011, the majority of employers (52.7%) administering HRAs imposed one or more restrictions on the type of health care costs – e.g. health insurance premiums, Healthy San Francisco fees, dental care, vision care, and dependent expenses – eligible for reimbursement. Of the 525 employers that restricted their HRAs, 228 reported one type of restriction on reimbursements, and 297 reported two or more types of restrictions.

- 198 employers reported collecting \$17.9 million in health care surcharges in 2012. The percentage of employers imposing such surcharges remained stable from 2011 at 4.7%, but the percentage of employers reporting that they collected more in surcharges than they irrevocably spent on health care declined. It went from 2.8% in 2011 (101 out of 3,652 employers) to 1.4% in 2012 (61 out of 4,204 employers).

Introduction

A. STATUTORY AUTHORITY

The San Francisco Health Care Security Ordinance (HCSO or “Ordinance”) was passed unanimously by the Board of Supervisors in July of 2006 and codified as Chapter 14 of the San Francisco Administrative Code. The HCSO is comprised of two main components:

- 1) A health access program – now called “Healthy San Francisco” (HSF) – created by the Department of Public Health; and
- 2) An Employer Spending Requirement, which mandates that employers subject to the HCSO “make required health care expenditures to or on behalf of their covered employees each quarter.”¹

The City’s Office of Labor Standards Enforcement (OLSE) is charged with enforcing the Employer Spending Requirement. According to the Ordinance, employers are required to maintain accurate records of their health care expenditures and to provide information to the OLSE on an annual basis regarding their compliance with the health care expenditure requirement. The OLSE established procedures for covered employers to submit an Annual Reporting Form (ARF) by April 30th every year summarizing their compliance with the ESR in the previous calendar year.

B. THE HCSO EMPLOYER SPENDING REQUIREMENT

Commencing in January 2008, the HCSO requires “covered employers” to make health care expenditures for their “covered employees.” Covered employers are private sector San Francisco with 20 or more employees worldwide and nonprofit employers with 50 or more employees worldwide. The HCSO defines “health care expenditure” as “any amount paid by a covered employer to its covered employees or to a third party on behalf of its covered employees for the purpose of providing health care services for covered employees or reimbursing the cost of such services for its covered employees.”

Employers can make valid health care expenditures in a number of ways, including:

- 1) payments for health, dental, or vision insurance on behalf of covered employees,
- 2) payments to the “City Option” to be used on behalf of covered employees’ health care, and
- 3) contributions “to a health savings account” or to other reimbursement account having substantially the same purpose or effect (such as a Health Reimbursement Arrangement) on behalf of covered employees.

¹ The HCSO is codified in Chapter 14 of the San Francisco Administrative Code, and is available via the HCSO website: www.sfgov.org/olse/hcso.

C. AMENDMENT AND MAYORAL DIRECTIVE

The San Francisco Board of Supervisors passed an amendment to the HCSO in November 2011, which went into effect on January 1, 2012. The amendment established new rules for employers who contribute to reimbursement programs to satisfy the spending requirement of the HCSO as well as for those who impose health care surcharges to cover the cost of the employer spending requirement. The findings in this report reflect employers' health care expenditures from calendar year 2012, after the amendment took effect.

As of January 1, 2012, contributions to reimbursement programs must meet the following criteria to qualify as valid health care expenditures:

- The contributions must be reasonably calculated to benefit the employee.
- The contributions must remain available to the employee for a minimum of twenty-four months from the date of the contribution (whereas the standard industry practice had been that all unused funds would revert back to the employer at the end of each year).
- The employee must receive a written summary of each contribution within 15 days of the date of the contribution.
- Any reimbursement funds available at the end of 2011 must roll-over to 2012; and
- Upon separation, employees must be provided with a written summary of their account within 3 days and the funds must remain available for a minimum of 90 days.

The amended HCSO also regulates health care surcharges collected to satisfy the HCSO's employer spending requirement. If the dollar amount that an employer collects from the surcharge – collected to cover, in whole or in part, the costs of the health care expenditure requirement – is greater than the amount spent on employee health care, the amendment provides that the employer must irrevocably pay or designate an amount equal to that difference for health care expenditures for its covered employees.² In addition, the amendment requires employers to post the official OLSE Notice about the HCSO at every workplace or job site and changes the penalty provisions for violations of the Employer Spending Requirement of the HCSO.

In conjunction with the amendment to the HCSO, Mayor Lee issued Executive Directive 11-04, which instructed OLSE to collect additional data from employers that contribute to Health Reimbursement Arrangements (HRAs or “reimbursement plans”). This report includes the information about HRA utilization rates and plan restrictions requested in the Executive Directive.

² For more information about the amendment see the HCSO website at www.sfgov.org/olse/hcso.

D. THE 2012 ANNUAL REPORTING FORM

The 2012 Annual Reporting Form is a web-based form which asks employers to report on their compliance with the HCSO by providing information on:

- The total number of persons employed (worldwide) in each calendar quarter
- The number of employees covered by the HCSO in each calendar quarter
- Health care expenditures made in each calendar quarter of 2012 (see below); and
- Surcharges collected from customers to cover, in whole or in part, the cost of complying with the HCSO.

Employers provided information on four types of health care expenditures:

- **Health insurance** – payments for insurance premiums, including medical, dental, and vision insurance.
- **Payments to the City Option** – Contributions to the City, which are allocated to Healthy San Francisco or to Medical Reimbursement Accounts (MRAs).
- **Allocations to Health Reimbursement Arrangements (HRAs)** – Funds allocated to an employer-funded account or program that reimburses employees tax free for qualified medical expenses.
- **Contributions to Health Savings Accounts (HSAs) and Medical Savings Accounts (MSAs)** – These are tax-exempt accounts that employees can use to pay or reimburse medical expenses. An employee must be covered under a high deductible health plan to have an HSA or MSA. Funds contributed to these accounts are owned by the employee. See IRS Publication 969 for more information.

See Appendix A for a copy of the Annual Reporting Form and the instructions provided to employers.

Data Collection

Pursuant to San Francisco Administrative Code Section 14.4, the OLSE requires all employers covered by the HCSO to submit the Annual Reporting Form. The OLSE notifies covered employers of their obligation to submit the ARF by U.S. Mail and through our HCSO email list.

In conjunction with the San Francisco Office of the Treasurer and Tax Collector, the OLSE identified a total of 9,516 employers that may have been covered by the HCSO in 2012. This list included: a) private sector employers who reported having 20 or more employees on their business registration certificate application or payroll tax filing; b) “exempt” (mostly non-profit) employers who reported having 45 or more employees; and c) additional employers who had filed the 2011 ARF but were not included on the Office of the Treasurer and Tax Collector’s list. The number of employers on the final mailing list jumped dramatically (from approximately 5,900 last year) due to expanded outreach by the Office of the Treasurer and Tax Collector.³

In March 2013, the OLSE sent a Notice via U.S. Mail to these 9,516 employers explaining the requirement to submit a 2012 ARF by April 30, 2013. This mailing directed employers to the website for the 2012 Annual Reporting Form and included instructions for completing the ARF.

The OLSE also sent an email reminder of the requirement to submit the ARF to 5,899 email addresses on the OLSE’s HCSO email list on March 28, 2013. This list included all individuals who signed up through the OLSE website as well as the email addresses included on the prior years’ ARFs.

Following this notice by mail and email, OLSE allocated additional staff resources to answer questions and work with businesses to help complete the form. OLSE staff responded to approximately 500 emails and over 900 phone calls in March and April alone.

As of May 31, 2013, the OLSE had received 4,204 valid, unique ARFs submitted by covered businesses and nonprofit organizations employing over 263,674 persons entitled to health care expenditures under the HCSO. The submissions represent a 15% increase over the 3,652 valid ARFs submitted for 2011.

All of the ARF data are self-reported, and some employers may have misunderstood the questions on the ARF or otherwise failed to provide accurate data. Moreover, not all covered employers fulfilled the requirement to submit the ARF, and the employers that did submit the ARF may not be representative of the population of covered employers as a whole. Finally, any ARFs or corrections to an ARF submitted after May 31, 2013 are not included in this analysis.

³ The Office of the Treasurer and Tax Collector mailed approximately 18,000 more notifications of the requirement to submit payroll tax filings for 2012 than for 2011, an increase of approximately 86%.

Findings

POPULATION SUMMARY

Submissions and Reported Covered Employees by Year

The number of ARF submissions has increased every year since the HCSO went into effect, as more employers come into compliance with the reporting requirement. There was a 15% increase in the number of ARFs submitted for 2012 (from 3,652 for 2011 to 4,204 for 2012) and a 17% increase in the reported Covered Employees. This is due, in part, to expanded outreach by the Office of the Treasurer and Tax Collector (TTX), which resulted in more employers submitting payroll tax filings for 2012 than in the previous year. Pursuant to a collaboration between OLSE and TTX, each of these new tax filers indicates whether they have more than 20 employees, in which case OLSE provides them with notice of the requirement to submit an ARF. OLSE sent notices regarding the Annual Reporting Form to 61% more employers than last year.

TABLE 1: ARF SUBMISSIONS AND REPORTED COVERED EMPLOYEES

Report Year	ARF SUBMISSIONS	COVERED EMPLOYEES*
2012	4,202	263,674
2011	3,652	220,040
2010	2,960	204,660

**Based on average number of covered employees, per quarter.*

Business Type

The first section of the ARF requires the employer to report whether they are a non-profit organization. As in prior years, the vast majority of ARFs were filed by private sector entities.

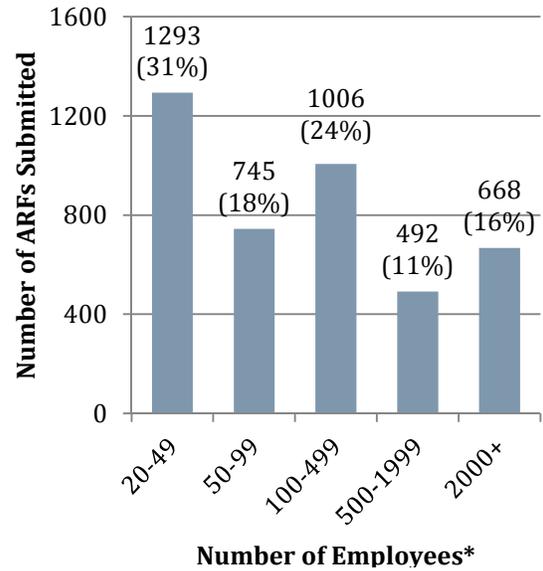
TABLE 2: EMPLOYER TYPE

	PRIVATE SECTOR	NON-PROFIT	TOTAL
Number	3,989	215	4,202
Percent of total	95%	5%	

Submissions by Employer Size

The Ordinance defines a “medium-size business” as an employer for which an average of 20 to 99 persons per week perform work for compensation during a quarter. A “large business” is an employer for which an average of 100 or more persons per week perform work for compensation during a quarter. Medium-sized businesses filed just under half (48%) of the ARF submissions, and large businesses filed slightly more than half (52%). This split represents a slight increase in the proportion of large businesses filing the ARF; for both 2010 and 2011, half (50%) of the ARFs were submitted by medium-sized and half (50%) were submitted by large employers.

Chart 1: Submissions by Employer Size
(4,204 Total)

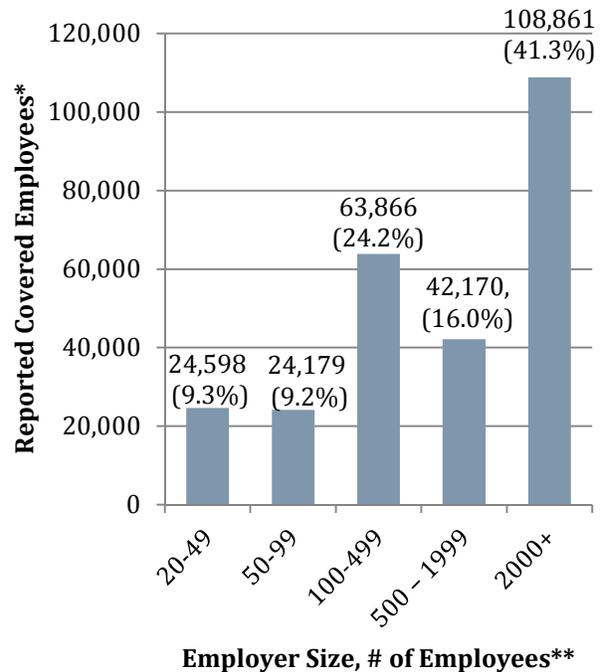


* Number of employees worldwide, based on the highest quarter reported by the employer

Covered Employees by Employer Size

Employers reported on 263,674 employees covered by the HCSO. Most of these employees (81.5%) worked for large businesses with 100 or more employees. Again, this is consistent with recent years’ ARFs: employers reported that for 2011, 79% of covered employees worked at large businesses and for 2010, 82% did so.

Chart 2: Covered Employees
(263,674 Total Employees)



* Based on average number of covered employee reported per quarter.

** Number of employees worldwide, based on the highest quarter reported by the employer.

HEALTH CARE EXPENDITURE CATEGORIES

Health Care Expenditure Dollars

Employers reported making health care expenditures totaling \$1,881,784,519 on behalf of their covered employees. These employers spent the vast majority (90.3%) of the total on health insurance, including medical, dental, and vision premiums. They contributed 2.9% of the total to the City Option (also known as Health San Francisco), and they allocated 5.7% to Health Reimbursement Accounts (HRAs), which are employer-sponsored programs that reimburse employees for their out-of-pocket medical expenses. Finally, employers reported contributing 1.1% to Health Savings Accounts (HSAs), which are employee-owned reimbursement accounts offered in conjunction with a high-deductible health plan.

Despite increases in ARF submissions in recent years, the proportion of total dollars used for each category of health care expenditure has remained consistent.

Chart 3: Reported Health Care Expenditures
(\$1,881.7 Million Total)

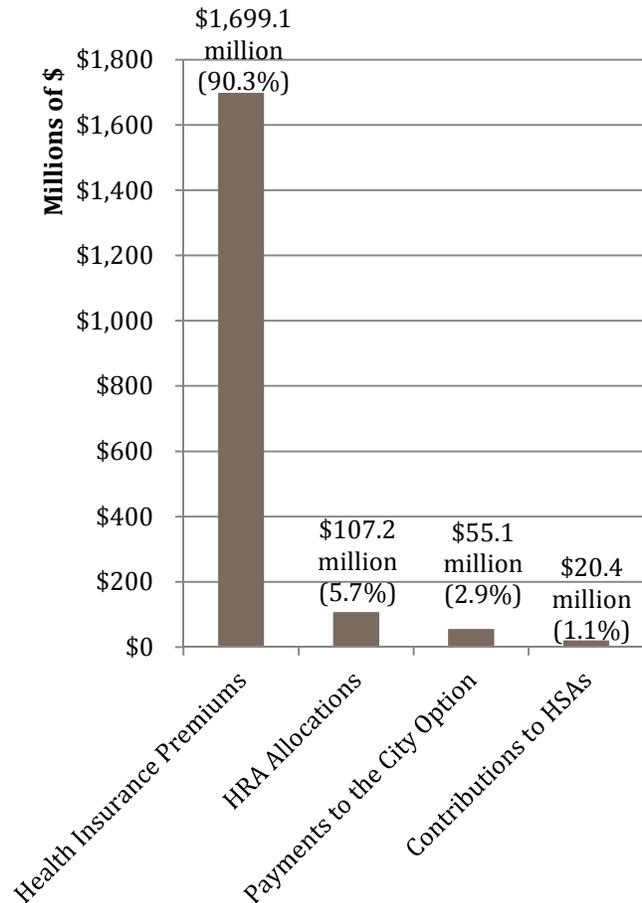


TABLE 3: HEALTH CARE EXPENDITURES (\$), BY YEAR AND EXPENDITURE TYPE

Report Year	HEALTH INSURANCE	CITY OPTION	REIMBURSEMENT PLAN CONTRIBUTIONS*
2012	90.3%	2.9%	6.8%
2011	88.7%	3.8%	7.4%
2010	90.0%	3.2%	6.8%

**HRA, HSAs, and other qualified reimbursement plans

HCSO Compliance Strategies

Many employers utilize more than one health care expenditure option to satisfy the requirements of the HCSO. For example, an employer might provide health insurance for its full-time employees, and utilize the City Option for its part-time employees. More than half (57.3%) of employers reported that they utilized health insurance alone to satisfy the Employer Spending Requirement, while 14.0% reported using health insurance along with the City Option, and 17.1% reported a combination of health insurance and allocations to HRAs.

TABLE 4: COMPLIANCE STRATEGIES

COMPLIANCE STRATEGY	NUMBER OF EMPLOYERS	% OF TOTAL
Health Insurance Only*	2407	57.3%
Health Insurance* + City Option	590	14.0%
Health Insurance* + HRA	720	17.1%
City Option Only	143	3.4%
HRA Only	190	4.5%
Other Strategy	154	3.7%
Total Employers	4204	100.0%

**Includes high deductible health insurance plans that are combined with Health Savings Accounts.*

HEALTH REIMBURSEMENT ACCOUNTS

The 2012 ARF required employers to provide information about the Health Reimbursement Accounts used to comply with the HCSO. This was the second year that the OLSE asked employers to specify how much went to HRAs and how much went to other reimbursement programs, such as Health Savings Accounts. Both types of accounts provide employees with reimbursements for their out-of-pocket health care expenses. Unlike funds contributed to Health Savings Accounts, however, allocations to HRAs remain the property of the employer, and the employer may reclaim contributions to those accounts if the employee does not utilize the funds. To ensure that the HCSO had the intended effect of increasing access to quality, affordable health care, the Board of Supervisors amended the Ordinance, effective January 1, 2012, to regulate when contributions to a reimbursement account satisfied the Employer Spending Requirement of the HCSO.

Mayor Lee's Executive Directive 11-04, issued on November 22, 2011 as a companion piece to the amended legislation that Mayor Lee signed into law, instructed OLSE to collect specific information about HRAs, including the amounts allocated, the amounts reimbursed, and the restrictions placed on their usage. The Mayor also instructed OLSE to compare HRA reimbursement rates to the usage rates of Medical Reimbursement Accounts under the City Option.

Employers Providing HRAs

Nearly one quarter of all employers (23.7%) reported allocating funds to an HRA, up from 20.3% in 2011. As in 2011, Medium-size employers were more likely to utilize these plans than large employers. Employers with between 50 and 99 employees were most likely to report using HRAs, with 29% of employers in that category reporting that they use an HRA.

TABLE 5: EMPLOYERS UTILIZING HEALTH REIMBURSEMENT ACCOUNTS (HRA)

NUMBER OF EMPLOYEES (EES)	20-49 EES	50-99 EES	100-499 EES	500+ EES	TOTAL
Employers with HRAs in 2012 (#)	336	212	223	225	996
Employers with HRA in 2012 (%)	26.0%	28.5%	22.2%	19.4%	23.7%
Employers with HRA in 2011 (%)	22.0%	24.9%	17.6%	17.7%	20.3%

HRA Reimbursement Rates

The proportion of funds allocated to HRAs that employers reported reimbursing to employees increased from 17.2% in 2011 to 24.6% in 2012 (see Table 6). The median reported reimbursement rate across employers who reported allocating funds to an HRA also increased from 9% in 2011 to 17.6% in 2012.

The distribution of reimbursement rates (Chart 4) shows how reimbursement rates shifted upwards. In 2011, for example, 17% of employers with HRAs (126 of 743) reported reimbursing 0% of allocations (meaning that they did not pay out any funds to their employees). In 2012, 12% of employers with HRAs (123 of 996) reported a reimbursement rate of zero.

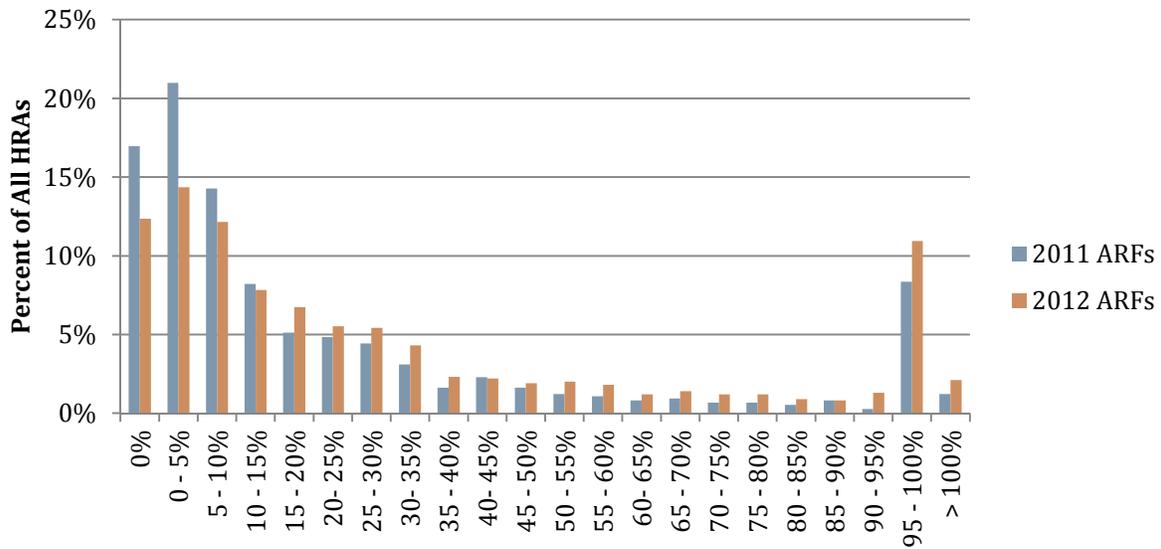
To compare the reported data on HRAs with data from a well-established reimbursement program, the Mayor's Executive Directive asked OLSE to compare HRA utilization with the Medical Reimbursement Accounts (MRAs) available through the City Option (See the right-hand column of Table 6). When an employer contributes to the City Option on behalf of an employee who is not eligible for Healthy San Francisco (because the employee does not meet the program's eligibility requirements), the funds are deposited into a MRA. Employees are provided regular written notice of the accounts, can access online information about the balance of their accounts, and can obtain reimbursements for a wide range of health care expenses, including insurance premiums and dental, vision, and dependent expenses. Despite the increase in HRA reimbursement rates in 2012, the proportion reimbursed remains lower than the reimbursement rate for the City's MRA program. The reimbursement rate for the City's MRAs declined to 53% in 2012, but has generally increased over time: from just 10% in the first fiscal year to a peak of 60% in 2011.

TABLE 6: HRA REIMBURSEMENT RATES

	2012 ARFS	2011 ARFS	CITY OPTION MRA 2012*
Total Allocations / Contributions	\$107,204,578	\$65,965,091	\$27,928,669
Total Reimbursements	\$26,400,777	\$11,314,575	\$14,699,878
Percent of Total Reimbursed	24.6%	17.2%	53%
Median Reimbursement Rate	17.6%	9.0%	n/a

* Total contributions and claims paid provided by the Department of Public Health for calendar year 2012.

Chart 4: Distribution of HRA Reimbursement Rates



HRA Exclusions

Table 7 shows how many employers who allocated funds to HRA accounts placed restrictions on those accounts. More than half (52.7%) of employers with HRA programs imposed one or more restrictions on the types of health care costs they reimbursed. In total, 24,612 workers had restricted HRAs in 2012. The total proportion of employers reporting restrictions remained stable from the prior year.

TABLE 7: EMPLOYERS WITH RESTRICTED HRAS, BY EMPLOYER SIZE

	SIZE OF EMPLOYER		
	Medium*	Large**	All
All Employers with HRAs (#)	548	448	996
Employers with one or more restrictions (#)	281	244	525
Employers with one or more restrictions (%)	51.3%	54.5%	52.7%
Employers with no restrictions (#)	267	204	471
Employers with no restrictions (%)	48.7%	45.5%	47.3%
Employees with Restricted HRAs (#)*	6,892	17,720	24,612
Employees with Restricted HRAs (% of employees with HRAs)	54.3%	53.1%	53.4%
Employers with one or more Restrictions, in 2011 (%)	56.0%	48.8%	53.0%

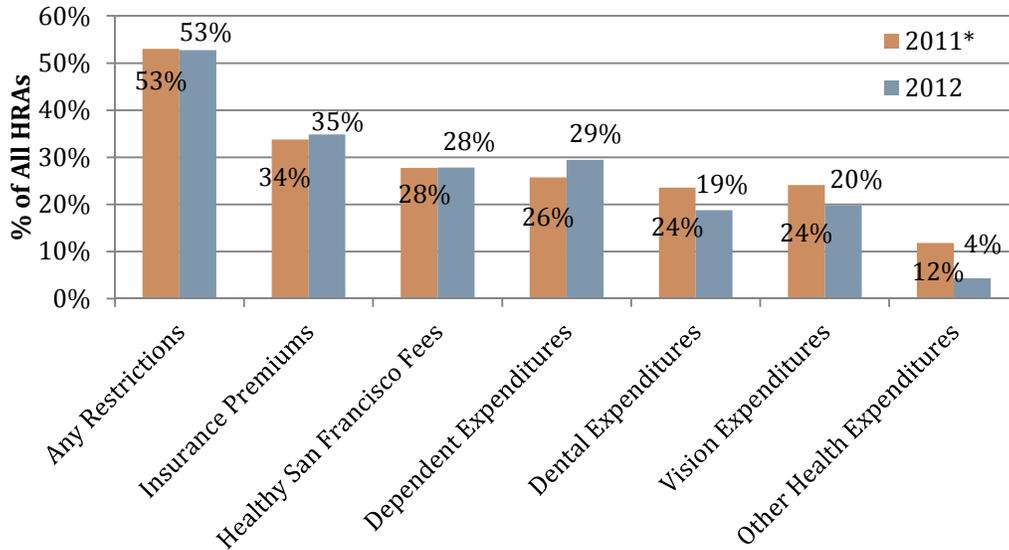
* Fewer than 100 employees worldwide, based on highest of four quarters reported by employer.

** 100 or more employees worldwide, based on highest of four quarters reported by employer.

*** Based on the average number of employees receiving HRA benefits in each quarter.

Chart 5 provides information on the types of expenditures that employers excluded from HRA programs. These are *specific* exclusions from the broad range of IRS-recognized medical expenses, which include medical, dental and vision services, prescription medications, insurance premiums and others. Of the 996 employers that offered HRAs, 35% did not reimburse employees for the cost of insurance premiums, 28% did not reimburse Healthy San Francisco fees, 29% did not reimburse for dependents' costs, 19% did not reimburse for dental care expenses, and 20% did not reimburse for vision expenses. Insurance premiums, Healthy San Francisco fees, and dependents' costs were also the most common restrictions when looking at the subset of employers with just one restriction.

Chart 5: HRA Restrictions, by Type of Restriction



**The 2011 summary does not include employers that reported multiple types of reimbursement accounts, due to limitations in the 2011 ARF data.*

TABLE 8: HRA RESTRICTIONS AND REIMBURSEMENT RATES

	Number of Employers	% of Allocations Reimbursed	Median Reimbursement Rate
Unrestricted HRA	471	26%	20%
1 Type of Restriction	228	24%	17%
2 or More Restrictions	297	22%	12%

Employers that placed restrictions on employees’ HRAs reported lower reimbursement rates than those that reported no restrictions. The median reimbursement rate for HRAs with 2 or more types of restrictions was 12% compared with 17% for HRAs with one type of restriction and 20% for HRAs with no restrictions (and 53% for the City’s MRAs, which are also unrestricted).

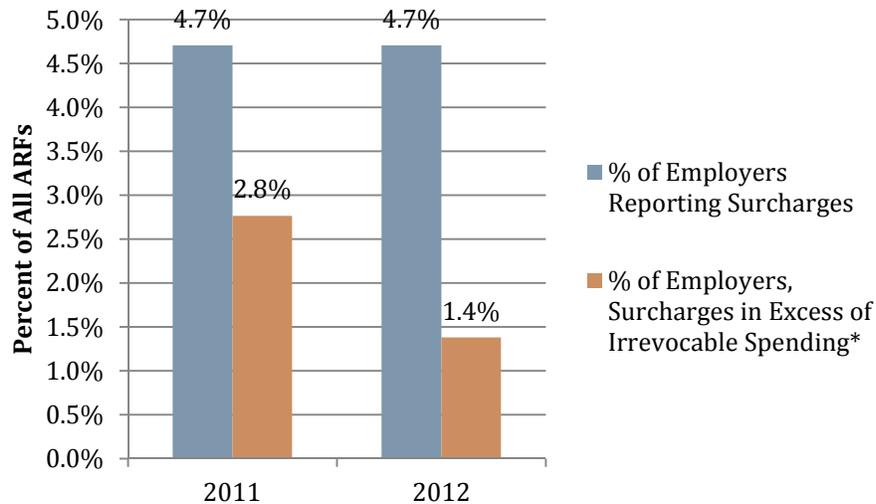
SURCHARGES

As of May 31, 2013, 198 employers reported collecting \$17,879,066 in surcharges from customers to cover “in whole or in part” the cost of complying with the Employer Spending Requirement. These employers further reported making \$52,087,384 in irrevocable health care expenditures.

The proportion of employers reporting that they collected surcharges from customers (198 of 4,204) remained stable from 2011 at 4.7%.

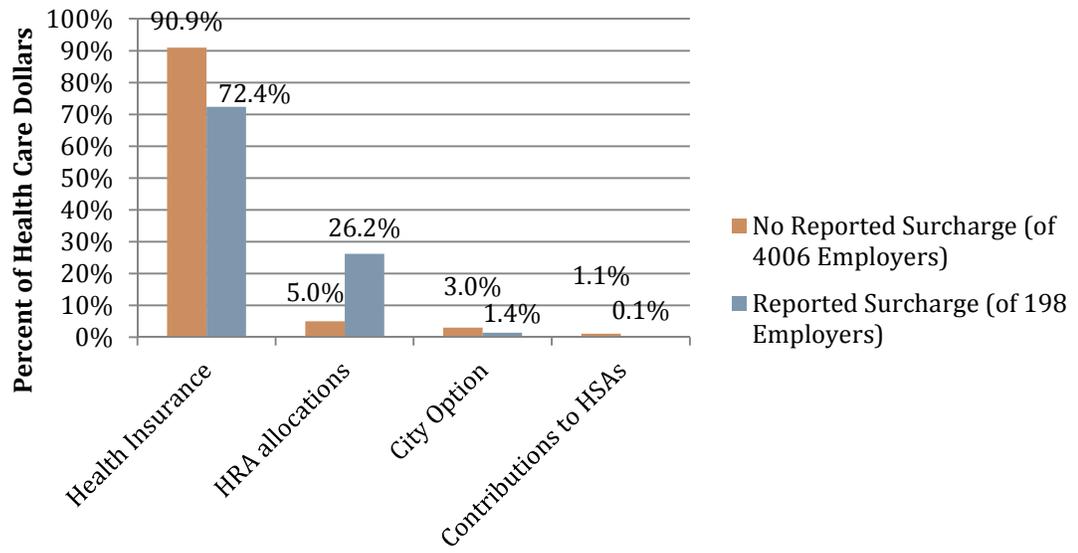
Pursuant to the recent HCSO amendment, effective January 1, 2012, employers who collect more in health care surcharges than they irrevocably spend on health care during a year must “irrevocably pay or designate an amount equal to that difference for health care expenditures for their covered employees.” Sixty-one employers (1.4% of all employers) – compared to 101 employers in 2011 – initially reported that they collected more in surcharges to cover in whole or in part the cost of complying with the HCSO than they irrevocably spent on health care. The Office of Labor Standards Enforcement immediately contacted these employers regarding the potential violation of the HCSO. Some have submitted amended ARFs that show that spending was higher than the surcharges collected, while others are working to remedy the situation.

Chart 6: Employer Surcharges



The 198 employers who reported collecting health care surcharges spent a smaller portion of health care dollars on health insurance and allocated a larger portion to HRAs than those who did not report surcharges. Those with surcharges spent 72.4% on health insurance and allocated 26% to HRAs, while those without surcharges spent 90.9% on health insurance and allocated only 5.7% to HRAs.

Chart 7: Surcharges and Health Care Expenditures



Conclusion

As in previous years, the overwhelming majority (90%) of the total health care expenditures in 2012 were spent on health insurance. A slightly higher proportion of employers reported offering employees some type of reimbursement program in 2012, and the reimbursement rate for those programs increased. 53% of employers with reimbursement plans continue to restrict reimbursements for at least one type of common health care expense. Only a small number of employers (198 or 5%) reported imposing health care surcharges on their customers to comply with the HCSO in 2012. Of these, 61 (31%) collected more than they irrevocably spent on employees' health care. Some of these 61 have submitted amended ARFs with updated data, while others are working to remedy the situation.

The 2012 Annual Reporting Forms provided data on the health care expenditure choices of San Francisco employers and the access to health care provided to San Francisco employees. This was the first year of data following the January 1, 2012 effective date of the amendment to the HCSO. This data also represents one of the final baseline years prior to the January 1, 2014 effective date of some of the key provisions of the Patient Protection and Affordable Care Act (PPACA). As such, this data will serve as a useful baseline to understand how the implementation of the PPACA impacts the health care choices of San Francisco employers and employees.

Appendix A: 2012 Annual Reporting Form and Instructions



General Services Agency

HEALTH CARE SECURITY ORDINANCE (HCSO) - ANNUAL REPORTING FORM 2012

Employers covered by the Health Care Security Ordinance (HCSO) must submit the HCSO 2012 Annual Reporting Form by April 30, 2013. Failure to do so shall constitute a violation of §14.3 (b) of Chapter 14 of the SF Admin Code. Violators shall be subject to a penalty of \$500 per quarter until the Form is submitted.

Please note that you will not be able to save this Form and return to it later. Before you begin, carefully read the [Instructions](#) and review the information you will need to complete the form.

If you need additional assistance, call (415) 554-7892.

Enter your Business Registration Certificate Number and click "Validate." This number can be found on the business registration certificate(s) issued by the San Francisco Treasurer & Tax Collector, on the letter recently mailed to you about submitting this Form, or on the [San Francisco Data website](#). [More information](#).

Business Registration Certificate Number

Business Name:

Is this your Business?

Name and Address

Certificate Number

Registered Name

Business Name

Mailing Address 1

Mailing Address 2

City

State

Zip

Business Type

- Select if you are a nonprofit organization.
- Select if you are filing on behalf of several entities in the same "control group." [More information](#).

Business Size

How many persons worked for your business in each quarter of 2012? [More information.](#)

	1st Quarter January to March 2012	2nd Quarter April to June 2012	3rd Quarter July to September 2012	4th Quarter October to December 2012
<ul style="list-style-type: none"> Count ALL persons including those outside SF. 	<input type="radio"/> 0-19	<input type="radio"/> 0-19	<input type="radio"/> 0-19	<input type="radio"/> 0-19
	<input type="radio"/> 20-49	<input type="radio"/> 20-49	<input type="radio"/> 20-49	<input type="radio"/> 20-49
	<input type="radio"/> 50-99	<input type="radio"/> 50-99	<input type="radio"/> 50-99	<input type="radio"/> 50-99
	<input type="radio"/> 100-499	<input type="radio"/> 100-499	<input type="radio"/> 100-499	<input type="radio"/> 100-499
	<input type="radio"/> 500-1999	<input type="radio"/> 500-1999	<input type="radio"/> 500-1999	<input type="radio"/> 500-1999
	<input type="radio"/> 2000+	<input type="radio"/> 2000+	<input type="radio"/> 2000+	<input type="radio"/> 2000+

Businesses with fewer than 20 employees, (including those outside San Francisco) and non-profits with fewer than 50 employees total are **not** required to submit the HCSO Annual Reporting Form

Covered Employees

How many of these persons were entitled to health care spending from your business (under the HCSO) in each quarter of 2012? [More information.](#)

	1st Quarter January to March 2012	2nd Quarter April to June 2012	3rd Quarter July to September 2012	4th Quarter October to December 2012
Number of Persons	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Health Insurance

Includes self-funded plans [More information.](#)

For the persons listed in Covered Employees, indicate 1) the total number for whom you paid health insurance premiums and 2) the total dollar amount of these health insurance premiums, per quarter.

	1st Quarter January to March 2012	2nd Quarter April to June 2012	3rd Quarter July to September 2012	4th Quarter October to December 2012
Number of Persons	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Dollar Amount Spent	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

City Option

Contributions to Healthy San Francisco and MRAs [More information.](#)

For your Covered Employees, indicate 1) the total number for whom you paid into Healthy San Francisco and 2) the total dollar amount of these payments, per quarter.

	1st Quarter January to March 2012	2nd Quarter April to June 2012	3rd Quarter July to September 2012	4th Quarter October to December 2012
Number of Persons	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Dollar Amount Spent	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Health Savings Account / Medical Savings Account

Payments made for employees covered under a high deductible health plan (HDHP) and paid irrevocably to a qualified trustee [More information.](#)

For the persons listed in Covered Employees, indicate 1) the total number for whom you paid into a Health Savings Account (HSA) or Medical Savings Account (MSA), and 2) the total dollar amount of these payments, per quarter.

	1st Quarter January to March 2012	2nd Quarter April to June 2012	3rd Quarter July to September 2012	4th Quarter October to December 2012
Number of Persons	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Dollar Amount Spent	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Health Reimbursement Accounts (HRAs)

[More information.](#)

For the persons listed in Covered Employees, indicate 1) the total number for whom you had a reimbursement plan, 2) the total dollar amount allocated to the plan, and 3) the total dollar amount reimbursed under the plan, per quarter.

	1st Quarter January to March 2012	2nd Quarter April to June 2012	3rd Quarter July to September 2012	4th Quarter October to December 2012
Number of Persons	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Dollar Amount Allocated	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Dollar Amount Reimbursed	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Who administered the plan? Self-administered 3rd Party Administered

Which, if any, of the following medical expenses were not reimbursable?

- Insurance Premiums Healthy San Francisco fees Dental Vision Dependent Expenses
 Other --> Please Specify

Surcharge

Did you impose a surcharge on your customers at any time in 2012 to cover, in whole or in part, the costs of providing health care and/or complying with the HCISO? [More information.](#)

- Yes
 No

If yes, how much did you collect from your customers in 2012 through this surcharge for employee health care?

Certification

By submitting this form, I certify that the information on this form is being submitted by the registered owner of the business or a duly authorized representative of the entity. Under the laws of the State of California, I declare under penalty of perjury that I have read the foregoing and that the information being submitted is true, correct, and complete to the best of my knowledge and belief.

Name Email

Title Telephone

This form is public and subject to public disclosure.

Please review all of your answers carefully before submitting your Annual Reporting Form. Once you submit the form, a copy will be sent to the email address provided above.

INSTRUCTIONS FOR COMPLETING THE 2012 HCSO ANNUAL REPORTING FORM

REPORTING DEADLINE

All employers covered by the Health Care Security Ordinance (HCSO) are required to submit the 2012 Annual Reporting Form by April 30, 2013. Covered employers who fail to submit the Annual Reporting Form will be subject to a penalty of \$500 per quarter.

BEFORE YOU BEGIN

You can find the Annual Reporting Form and additional information at www.sfgov.org/olse/hcso. You were not covered by the HCSO if:

- You are a private employer and you employed fewer than 20 persons (including those employed outside of San Francisco) in each of the four calendar quarters of 2012; or
- You are a non-profit corporation and you employed fewer than 50 persons (including those employed outside of the City) in each of the four calendar quarters of 2012; or
- You had no covered employees in San Francisco during 2012.

If you were not covered by the HCSO in any quarter of 2012, you should not complete the 2012 Annual Reporting Form. You do not need to notify the City that you were not covered.

Once you have begun the Annual Reporting Form online, you will not be able to save it and return to it later. Please read these instructions before you begin and be prepared to report on:

- Your six-digit San Francisco Business Registration Certificate Number;
- The total number of persons employed (worldwide) for each quarter;
- The number of employees – within specific ranges (i.e. 0-19, 20-49, etc.) – covered by the HCSO for each quarter of 2012;
- Total health care expenditures made on behalf of covered employees in each quarter, including:
 - Total payments for health insurance (medical, dental, and vision);
 - Total contributions to the City Option (Healthy San Francisco and MRAs);
 - Total contributions to Health Savings Accounts and Medical Savings Accounts;

- Total *allocations* to and total *reimbursements* from Health Reimbursement Accounts; and
- Total surcharges collected from customers during the year to cover, in whole or in part, the cost of complying with the HCSO.

TIPS FOR COMPLETING THE ANNUAL REPORTING FORM

- Fill out the Form completely. Do not enter commas in numeric fields. Enter zeroes where appropriate. Enter all dollar amounts in whole dollars; do not include cents.
- **Do not submit two separate 2012 Annual Reporting Forms using the same Business Registration Certificate Number.** If multiple businesses or locations share the same number, please combine the relevant data into a single Annual Reporting Form.
- You may report multiple types of health care expenditures for a single employee. For example, if you paid health insurance premiums and paid into a reimbursement account for a particular employee, the employee would be counted in responses on pages 3 and 4. Employees who worked for you throughout the year should be counted in each quarter.
- If you make a mistake on your Annual Reporting Form, you may re-submit the form. The corrected submission will replace the form submitted previously with the same Business Registration Certificate Number.
- If you cannot access the online form, please call (415) 554-7892 to request a paper copy of the Annual Reporting Form.

BUSINESS REGISTRATION CERTIFICATE NUMBER

Please enter your six-digit San Francisco Business Registration Certificate Number and click "Validate." This number can be found on the Business Registration Certificate(s) issued by the San Francisco Treasurer & Tax Collector. You can also find your Business Registration Certificate Number at the top of the enclosed letter or by searching the San Francisco Data website: <https://data.sfgov.org/d/funx-qxxn>. If you do not have a Business Registration Certificate, please contact the Office of the Treasurer & Tax Collector at (415) 554-4400 and register your business before completing the Annual Reporting Form.

Note: Do not submit two separate 2012 Annual Reporting Forms using the same Business Registration Certificate Number. If you have two locations or related businesses, please combine the relevant data into a single Annual Reporting Form.

BUSINESS TYPE

Please select the appropriate check box if you are submitting this form on behalf of a nonprofit organization or on behalf of several entities in the same “control group.”

BUSINESS SIZE

Include all persons who performed work for your business regardless of whether they worked inside or outside of San Francisco. Indicate the size of the business in each quarter.

In reporting business size, include all employees, regardless of their status or classification as seasonal, permanent or temporary, managers, full-time or part-time, contracted (whether employed directly by the employer or through a temporary staffing agency, leasing company, professional employer organization, or other entity) or commissioned. If the number of persons who performed work for your business *fluctuated* during a quarter, answer this question based on the average number of persons who performed work each week in the quarter.

COVERED EMPLOYEES

Count the total number of persons who were “covered employees” under the HCSO during each quarter. Covered employees are those who:

- Qualified as employees entitled to payment of the San Francisco minimum wage (pursuant to the Minimum Wage Ordinance, Chapter 12R of the San Francisco Administrative Code);
- Were employed by your business for 90 calendar days after his or her first day of work (including any period of leave to which an employee is legally entitled); and
- Regularly performed at least 8 hours of work per week for your business within the geographic boundaries of San Francisco. For an employee without a regular schedule, you may average his or her hours over the 13 weeks in the quarter.

Covered employees may include persons for whom you provided health insurance, paid into the Healthy San Francisco program, or contributed to a health reimbursement account (or people for whom you failed to make health care expenditures).

Do not include your employees who met any of the following **exemption criteria**:

- Persons who were managerial, supervisory, or confidential employees and earned at least \$84,051.00 (or \$40.41 hourly) in 2012;

- Persons who were eligible to receive Medicare coverage;
- Persons who were eligible for TRICARE/CHAMPUS (the federal health care program for active duty and retired members of the uniformed services, their families, and survivors);
- Persons who were “covered employees” under the San Francisco Health Care Accountability Ordinance (HCAO), which applies only to City Contractors (see Section 12Q of the San Francisco Administrative Code for more details about HCAO coverage);
- Persons who were employed by a nonprofit corporation for up to one year as trainees in a bona fide training program consistent with federal law; or
- Persons who voluntarily signed a revocable HCSO waiver form, which indicated they were receiving health care benefits through another employer (either as an employee or by virtue of being the spouse, domestic partner, or child of another person). The form is effective for one year from the date it is signed.

HEALTH INSURANCE

For “Number of Persons,” include any employees covered by the HCSO:

- For whom you paid a health insurance carrier to provide group coverage, including medical, vision and/or dental;
- For whom you made contributions to a Taft-Hartley plan pursuant to a collective bargaining agreement or union contract; or
- Who were covered under your self-insured plan. A “self-insured” or “self-funded, group health plan” is one in which the employer assumes the financial risk for providing health care benefits to its employees.

For “Dollar Amount Spent,” do not count 1) insurance premium contributions made by employees, or 2) expenditures for life insurance, workers’ compensation, or disability insurance.

Tip: Employers with self-insured plans may calculate these expenditures using either the COBRA equivalent rate for the 2011 plan year (minus any administrative fees) or the average actual expenditure amounts.

CITY OPTION (HEALTHY SAN FRANCISCO AND MRAS)

If you contributed to the City Option (Healthy San Francisco or the City’s Medical Reimbursement Accounts) for one or more of your covered employees in 2012, report the number of covered employees for whom you made contributions and the total dollar amount contributed for each quarter.

To find this information, refer to the “Employee Rosters” you submitted to Healthy San Francisco for the four calendar quarters of 2012. You can access this information by logging into your account via the employer login page at <https://employerportal.healthysanfrancisco.org/>.

HEALTH SAVINGS ACCOUNTS / MEDICAL SAVINGS ACCOUNTS

Health Savings Accounts (HSAs) and Medical Savings Accounts (MSAs) are a special type of tax-exempt accounts that are distinct from Health Reimbursement Arrangements (discussed below). **An employee must be covered under a high deductible health plan to have an HSA or MSA.** Funds contributed to these accounts are owned by the employee. These accounts are distinct from HRAs; See IRS Publication 969 for more information on each.

If you contributed to an HSA or MSA for any of your covered employees, report the total employer contribution to those accounts. **Do not count any money contributed by employees.**

HEALTH REIMBURSEMENT ARRANGEMENT (HRA)

A Health Reimbursement Arrangement (HRA) is an employer-funded account or program that reimburses employees tax free for qualified medical expenses up to a maximum dollar amount for a coverage period. Note that to qualify as a health care expenditure that satisfies the Employer Spending Requirement of the HCSO, employers must make funds available for a minimum of 24 months from the date of the contribution, and they must provide quarterly notice about the reimbursement funds available. Please review our website at www.sfgov.org/olse/hcso for more information.

For “**Dollar Amount Allocated**,” indicate the amount of money that was made available to the covered employees for whom you had a reimbursement plan. This is the maximum amount made available for reimbursement.

For “**Dollar Amount Reimbursed**,” indicate the amount of money that was actually reimbursed to the covered employees or paid directly to a health care provider for services rendered.

Check the appropriate box to indicate whether the reimbursement program was **Self-administered**, meaning the employer administered the program, or whether it was

3rd Party Administered, meaning employees sought reimbursements through an independent party.

If your plan restricted the types of eligible medical expenses for which your employees could receive reimbursements, report which types of expenses are not reimbursable. If your plan restricted a type of expense not listed, please select “Other” and describe the restrictions.

SURCHARGES

If you added a surcharge to your customers’ bills that you described as specifically intended for employees’ health care benefits (such as a “Healthy San Francisco surcharge” “or an “employee health care surcharge” on a restaurant check), select “Yes,” and report the full amount collected through the surcharge.

If you added a surcharge to your customers’ bills that covered health care costs in addition to other costs, such as a charge for “San Francisco Employer Mandates,” select “Yes,” and report only the portion of surcharge that was collected for health care costs.

This notice is intended to provide general information and does not establish policy or offer legal advice regarding the HCSO, Chapter 14 of the San Francisco Administrative Code. If you have any questions about your obligations under the ordinance, please visit www.sfgov.org/olse/hcso, call (415) 554-7892 or email hcso@sfgov.org.