kaiser commission on medicaid and the uninsured
KEY FACTS
THE HENRY J. KAISER FAMILY FOUNDATION

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# Healthy San Francisco

On July 25, 2006, by a unanimous vote, the San Francisco Board of Supervisors adopted the Health Care Security Ordinance, which created the *Healthy San Francisco* program, making San Francisco the first city in the nation to provide health care services to all uninsured residents. *Healthy San Francisco* is not health insurance, but rather it provides access to affordable basic and ongoing health care services for uninsured residents, regardless of immigration status, employment status, or pre-existing medical conditions. Administered by the San Francisco Department of Public Health, the program provides medical homes to uninsured adults and focuses on prevention and the management of chronic conditions. Enrollment into *Healthy San Francisco* began on July 2, 2007.

## HEALTH COVERAGE IN SAN FRANCISCO

*Healthy San Francisco* builds on a solid foundation of employer-sponsored health care and public coverage, including health insurance for virtually all children. The city also boasts a strong health care safety net, anchored by San Francisco General Hospital and an extensive network of public and community clinics.

According to the San Francisco Department of Public Health, 73,000 San Francisco adults are uninsured, representing 11 percent of the non-elderly population. Over half of the uninsured reported being employed. It is estimated that nearly 70 percent of the uninsured have utilized the City's public health care system at some point.

## UNIVERSAL ACCESS

All San Francisco residents, age 18-64, who have been uninsured for at least 90 days and who are ineligible for other public programs, are eligible for *Healthy San Francisco*. The program provides access to basic and ongoing medical services, including primary and specialty care, inpatient care, diagnostic services, mental health services, and prescription drugs. However, because the program provides universal access, not coverage, these services may only be obtained from San Francisco General Hospital and the 27 participating clinics, though there are plans to expand the provider network as the program matures.

### Medical Homes

A key feature of *Healthy San Francisco* is the use of medical homes to improve the quality and continuity of care enrollees receive. Upon enrollment, individuals choose a medical home from among the participating clinics. The medical home is then responsible for assigning patients their own physician and coordinating the care they receive. The current medical homes include 14 clinics operated by the San Francisco Department of Public Health and 13 clinics operated by the San Francisco Community Clinic Consortium.

To enhance the care provided by the medical homes, the city is expanding its specialty service electronic patient referral system and plans to hire additional physicians and nurses to reduce wait times at the clinics and to meet the expected increase in demand for care.

### Participant Cost Sharing

Enrollees in *Healthy San Francisco* are required to pay quarterly participant fees based on income. The fees are assessed per family member, but are designed not to exceed 5 percent of family income for individuals with income below 500% of the federal poverty level (FPL). Residents with income below the poverty level are not charged a participant fee.

| | % Federal Poverty Level | | | | | |
|---|---|---|---|---|---|---|
| | 0-100% | 101-200% | 201-300% | 301-400% | 401-500% | 501%+ |
| Quarterly Participant Fee | $0 | $60 | $150 | $300 | $450 | $675 |
| Fee as Percent of Income | 0% | 2.3% | 2.9% | 3.9% | 4.4% | 5.2% |

*The federal poverty level is $10,210 for an individual in 2007.

In addition to the quarterly participant fee, individuals with income above the poverty level are required to pay point of service fees for clinic and hospital services. These fees include $10 for a primary care visit, $20 for specialty care, $5 for preferred drugs/$25 for non-preferred drugs, and $200 per hospital admission.

## EMPLOYER REQUIREMENTS

The most controversial aspect of the Health Care Security Ordinance is a requirement that employers in San Francisco spend a minimum amount per hour on healthcare for their employees. The requirement applies to medium and large firms with more than 20 workers. Non-profit organizations with less than 50 employees and small firms are exempt from the requirements.

Beginning in January 2008, employers must contribute between $1.17 and $1.76 per hour per covered worker. Covered workers include employees who have been

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employed for at least 90 days and who work a minimum of 10 hours per week.

| Business Size | | Rate Schedule | | |
|---|---|---|---|---|
| | | 1/9/08 | 4/1/08 | 1/1/09 |
| **Large** | 100+ Employees | $1.76/hour | | $1.85/hour |
| **Medium** | 50-99 Employees | $1.17/hour | | $1.23/hour |
| | 20-49 Employees | Not Applicable | $1.17/hour | |
| **Small** | 1-19 Employees | Not Applicable | | |

Employers can satisfy these requirements in a number of ways, including by directly paying for health care services or purchasing health insurance on behalf of their employees, by funding health savings accounts, or by contributing to the city option. If an employer chooses the city option, employees who are San Francisco residents will be enrolled in *Healthy San Francisco* and will receive discounts on their participant fees; employees who are not San Francisco residents and are thus not eligible for *Healthy San Francisco* will be given medical reimbursement accounts which they can use to pay for out-of-pocket medical expenses.

**Legal Challenge to Employer Requirement**
In November 2006, the Golden Gate Restaurant Association filed a lawsuit challenging the city's employer spending requirement on the grounds that it violated the Employee Retirement and Income Security Act of 1974 (ERISA). ERISA prohibits state or local governments from regulating employee benefit plans, including health insurance.

On December 26, 2007, a District Court Judge ruled in favor of the Restaurant Association and barred the city from implementing the employer spending requirements on January 1, 2008 as planned. However, the Ninth Circuit Appeals Court suspended the district court ruling, allowing the requirement to go into effect on January 9, 2008. In the meantime, the Supreme Court weighed in on the issue denying the Restaurant Association's request to lift the appeals court decision. As a result, the employer spending requirement will remain in effect at least until the appeals court renders its decision in the case. The hearing before the appeals court is scheduled for April 17, 2008.

## FINANCING

*Healthy San Francisco* is expected to cost approximately $200 million a year once fully implemented. The city will finance the program by redirecting $110-$115 million in city funds that are currently spent on health care services for the uninsured and with $73 million in federal funds spread over three years. The remaining funds will come from members' participant and point of service fees and payments from employers. It is expected that less than 15 percent of financing will come from employer contributions.

## IMPLEMENTATION

Implementation of the program will be phased-in over two years. It was launched in July 2007 at two health centers and was expanded on September 17, 2007 to all 27 sites. The initial phase-in targeted the uninsured with incomes below the poverty line. Residents with incomes up to 300 percent FPL became eligible to apply for the program on January 2, 2008. The city has indicated that further expansion of the program will depend on the outcome of the legal challenge to the employer spending requirement.

Initial enrollment exceeded expectations and the city hopes to enroll 30,000 people in the first year. As of February 25, 2008, over 13,000 people had enrolled.

## KEY ISSUES

While several cities, including Dallas, Indianapolis, and Miami, as well as several other counties in California, have established health care service access programs, San Francisco is the first city to provide services for all uninsured residents. This innovative program may prove to be a testing ground for key issues related to coverage and access that will have implications for broader health reform efforts.

**ERISA and Employer Mandates**
Similar to *Healthy San Francisco,* reform laws enacted in Massachusetts and Vermont (as well as proposals in a number of other states including California) impose requirements on employers to provide or help to finance health insurance coverage for their employees. These mandates serve as both a means for generating revenue to support reform and a mechanism for ensuring a stable source of coverage for state or local residents. Of these enacted laws, to date, only the San Francisco requirement has been challenged in court as a violation of ERISA. The ruling in this case may provide some legal clarity over whether and to what extent state and local governments can require employers to finance coverage for their employees.

**Universal Access vs. Universal Coverage**
Health care reform undertaken at the local level often highlights the tension between maximizing limited resources through a structure that guarantees access to health care services and providing participants with the choices and flexibility afforded by a coverage model. With the financing needed to support universal coverage not available, an access model offers a solution for communities like San Francisco that are committed to addressing the uninsured problem. The success of the *Healthy San Francisco* program may shed light on whether this type of model can be incorporated into a broader reform initiative.

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