

SFHSS Rules and Section 125 Cafeteria Plan PY2026 Revisions Presentation

November 13, 2025

Presented by:

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Recommendation for HSB Action

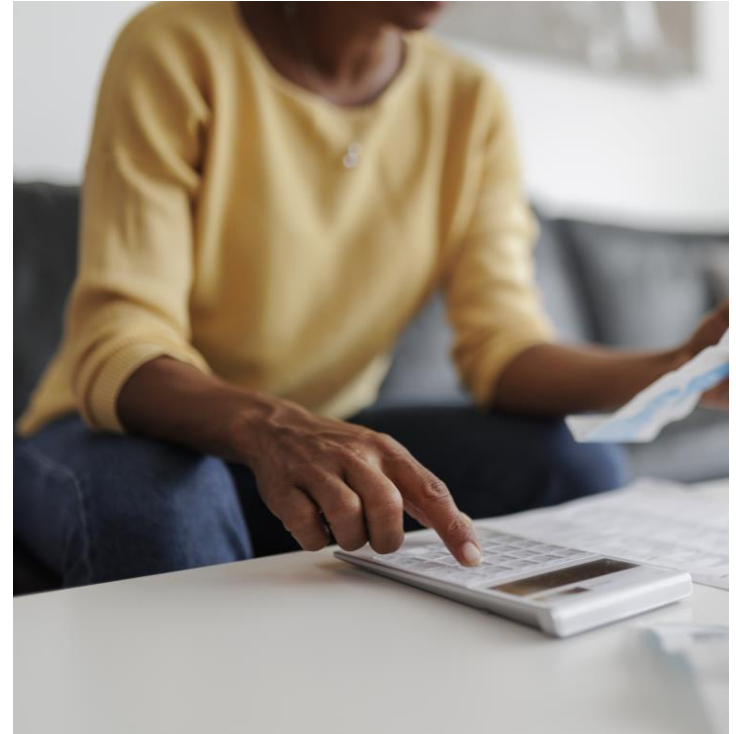
It is recommended that the full Health Service Board approve today's recommendations to adopt the proposed language modifications within the San Francisco Health Service System Rules and Cafeteria Plan, for Plan Year 2026, as approved by the Governance Committee on November 6, 2025.

Agenda

- **Recommendation for HSB Action**
- **San Francisco Health Service System Governing Rules**
 - What is a Section 125 Cafeteria Plan and why do we have one?
 - Key Requirements of the Section 125 Cafeteria Plan
 - Purpose of the San Francisco Health Service System Rules
- **Annual Review**
- **Recommended Revisions for Plan Year 2026**
- **Appendix:** SFHSS Rules and Section 125 Cafeteria Plan PY2026 Revisions Summary

What is a Section 125 Cafeteria Plan and why do we have one?

- The Cafeteria Plan is a program that allows employers to offer pre-tax dollar benefits for certain expenses (e.g., health insurance and dependent care).
- Section 125 of the Internal Revenue Code (IRC) governs how employers implement the pre-tax dollar benefit for eligible expenses (26 U.S. Code § 125).
- Key feature: employees can pay for benefits with pre-tax dollars which lowers their taxable income, lowering federal income tax, Social Security and Medicare taxes.



Key Requirements of the Section 125 Cafeteria Plan



Employers must follow specific rules to avoid losing tax advantages:

- **Plan Document:** A written document outlining the plan (Prop. Regs. Sec. 1.125-1(c)).
- **Irrevocable Elections:** Employee elections are generally irrevocable for the plan year (26 CFR § 1.125-4).
- **Nondiscrimination:** Ensure the plan doesn't favor highly compensated employees (HCEs) (26 U.S. Code § 125).

Purpose of the San Francisco Health Service System Rules

The San Francisco Health Service System (SFHSS) Rules establish a consistent and transparent framework for managing health benefits for eligible members and their dependents.



Adopted in accordance with the San Francisco City Charter, Administrative Code, and relevant state and federal laws, including IRS Section 125, the rules ensure fairness and accountability in the administration of health benefits. By clearly defining eligibility, enrollment, benefits, and appeals procedures, the SFHSS Rules uphold uniform standards that promote equitable access, regulatory compliance, and trust in the system's operations.



Annual Review

- The Health Service System reviews the SFHSS Rules and 125 Cafeteria Plan on an annual basis to ensure ongoing regulatory compliance, accuracy, and protection for both employer and employees.
- SFHSS Rules and 125 Cafeteria Plan change recommendations are brought before the Governance Committee of the Health Service Board for review, discussion and approval.
- Upon approval by the Governance Committee of the Health Service Board the recommendation is then brought before the full Health Service Board for review and approval.

Recommended Revisions for Plan Year 2026

SFHSS Rules

- PY 2026 Proposed Changes:
 - B.4.b.i.1,
 - B.4.c.i.1,
 - B.4.d.i.1,
 - B.4.d.ii.1,
 - C.3,
 - G.3.b.8,
 - K.4.a, and
 - Appendix A

125 Cafeteria Plan

- PY 2026 Proposed Changes:
 - B3.1,
 - B3.6,
 - C3.1, and
 - D.4.2.b

Appendix: SFHSS Rules and Section 125 Cafeteria Plan PY2026 Revisions Summary

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Summary of Proposed Policy Changes

Health Service System Rules Plan Year 2026

The section and page numbers in this document refer to the draft rules document- “2026 San Francisco Health Service System Rules Draft” located behind this summary.

Throughout the document changes are made to dates to reflect that the Rules be updated for the 2026 Plan Year. In addition, minor modifications to the document have been made to improve the documents readability, including removal of duplicative information, updating of terms, and adjustment of section numbering.

All substantive policy changes are listed below.

Section	Policy Clarification / Change	Rationale
Sec. B.4.b.i.1	Clarifying language added to align eligibility of Surviving Spouse/Domestic Partner of Active Members hired on or after 1/10/2009. Language around the start of continued eligibility was previously missing from this section.	This added language clarifies when health coverage becomes effective for a surviving spouse or registered domestic partner after an Active Member's death, and it creates two different rules depending on whether the survivor was already covered under an SFHSS health plan.
Sec. B.4.c.i.1	Clarifying language added to align eligibility of Surviving Spouse/Domestic Partner of Retired Members hired before 1/10/2009. Language around the start of continued eligibility was previously missing from this section.	This added language clarifies when health coverage becomes effective for a surviving spouse or registered domestic partner after an Retired Member's death, and it creates two different rules depending on whether the survivor was already covered under an SFHSS health plan.
Sec. B.4.d.i.1 and ii.1	Clarifying language added to align eligibility of Surviving Spouse/Domestic Partner of Retired Members hired on or after 1/10/2009 or retired with a disability retirement. Language around the start of continued eligibility was previously missing from this section.	This added language clarifies when health coverage becomes effective for a surviving spouse or registered domestic partner after an Retired Member's death, and it creates two different rules depending on whether the survivor was already covered under an SFHSS health plan.
Sec. C.3 and G.3.b.8	Correction to the type of alternative document to a Social Security Number that will allow a dependent to be eligible for SFHSS benefits.	Correction is made to remove the ITIN (as it's issued by the IRS and does not reflect immigration status) and add the Work Authorization Number (which is issued by the Social Security Administration), allowing dependents of Members with qualified immigration status to be eligible for health benefits through SFHSS.
Sec. K.4.a	Clarifying language added for reinstatement of SFHSS health benefits after termination due to enrollment in non-SFHSS sponsored Medicare coverage.	Adding this language to the rules creates a clear right and process for retirees to reenroll in an SFHSS-sponsored Medicare plan if they lose or end their other Medicare coverage. It allows members quicker access to SFHSS sponsored coverage, outside of Open Enrollment, by curing the error of having enrolled in secondary Medicare coverage.
Appendix A Update		Appendix A Calendars have been updated to reflect the employer pay periods for calendar year 2026.

Appendix: SFHSS Rules and Section 125 Cafeteria Plan PY2026 Revisions Summary Continued

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Summary of Proposed Policy Changes Cafeteria Plan Document Plan Year 2026

The section and page numbers in this document refer to the draft Cafeteria Plan Document for 2026.

Throughout the document changes are made to dates to reflect that the Rules be updated for the 2026 Plan Year. In addition, minor modifications to the document have been made to improve the documents readability, including removal of duplicative information, updating of terms, and adjustment of section numbering.

All substantive policy changes are listed below.

Section	Policy Change	Rationale
Sections B3.1 and B3.6	Updated to reflect increase the Health Care FSA limits to \$3,300 per year, up from \$3,200 in 2025, and increase the carryover amounts to \$660 per year, up from \$640.	In <i>IR-2024-287</i> , Nov. 7, 2024, the Internal Revenue Service (IRS) released updated flexible spending account (FSA) limits for 2025. SFHSS is one year behind the IRS published rates, as the rates are issued after the annual Open Enrollment.
Section C3.1	Updated to reflect increase the Dependent Care FSA maximum limits. Included changes in SFHSS administration of limits for IRS defined Highly Compensated Employees (HCEs).	In accordance with Public Law No. 119-21 (H.R. 1, 119th Congress), Dependent Care FSA maximum limits have been updated.
Section D.4.2.b	Updated 2026 Flexible Credits dollar values for CCSF and Superior Court employees.	2026 Benefit Program Update due to M.O.U. compliance.
Appendix E	- COB removed for 2026- Medicare Plans have not been listed in the Benefit Program List historically. - Updated Vendor Names and Policy Numbers - AD&D Ins. added - Updates to available Voluntary benefits made.	2026 Benefit Plan Update per approval by the San Francisco Health Service Board in 2025.