Proposed Policy Changes to Health Service System Rules and Cafeteria Plan Year 2025

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Agenda

San Francisco Health Service System Governing Rules

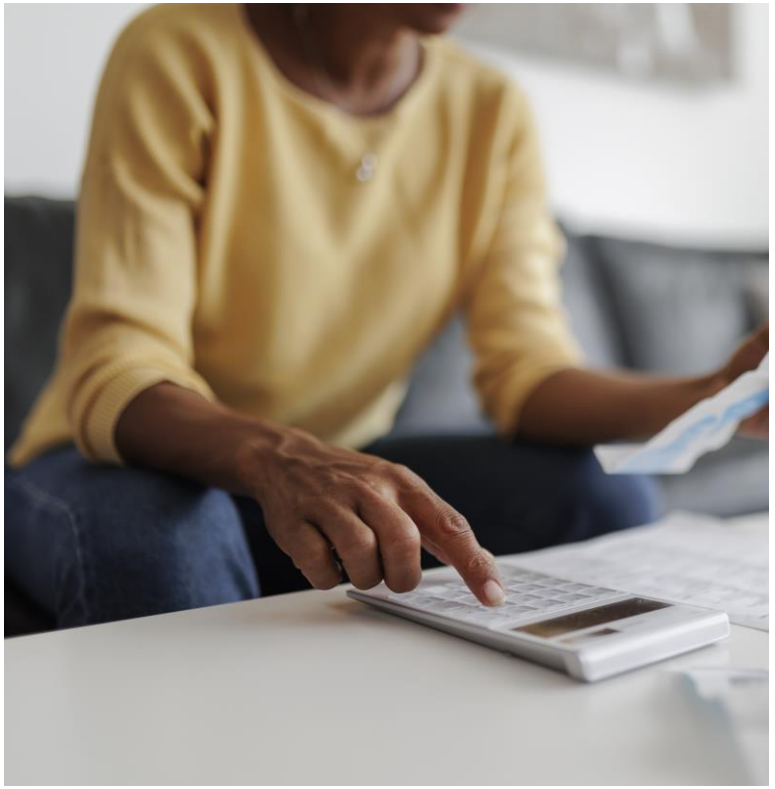
- What is a Cafeteria Plan and why do we have one?
- Key Requirements of the Cafeteria Plan
- San Francisco Health Service System Rules

Proposed Changes

- San Francisco Health Service System Rules
- Cafeteria Plan

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

- The Cafeteria Plan is a program that allows employer to offer pre-tax dollar benefits for certain expenses (e.g., health insurance and dependent care).
  - In 2024, non-compliance with the requirements of Section 125 would risk approximately **$263,401,792.94** pre-tax dollars.
- 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 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).

The purpose of the SFHSS Rules?

The San Francisco Health Service System Rules (SFHSS Rules) are designed to provide a clear and structured framework for managing the health benefits offered to the eligible members and their dependents. These rules have been adopted by the Health Services Board consistent with Rules rely on the San Francisco City Charter, the San Francisco Administrative Code, California Government Code, 26 U.S. Code § 125 (also known as IRS Cafeteria Plan Section 125), along with other state and federal regulations.

These rules serve to ensure equitable access to comprehensive healthcare coverage by defining eligibility criteria, enrollment processes, and the scope of benefits available. They also establish guidelines for appeals and compliance with relevant regulations in the administration of health benefits. By outlining these procedures, the SFHSS Rules aim to promote transparency, efficiency, and fairness in the administration of health benefits, ultimately supporting the well-being and health of the eligible members and their dependents.

Proposed Changes
San Francisco Health Service System Rules

Section	Policy Clarification / Change	Rationale
Sec. A	Additional clarification has been added to the definition of 'Member'.	Due to multiple categories of individuals who are considered Members (i.e. employees, commissioners, retirees), the additional clarification is included to indicate that 'Member' as used throughout the document means any individual identified in Sec. A.
Sec. A	Clarification added to the enrollment deadline for new Members.	Clarification added to the initial enrollment period for newly eligible Members. Members may enroll in health plan within 30-days of their hire date. The 30-day enrollment requirement aligns with the cafeteria plan retroactive enrollment for health insurance premiums on a pre-tax basis.
Sec. B	Clarification has been added to indicate that only enrolled SFHSS Members may enroll dependents.	Clarification added to ensure that the rule clearly states that only enrolled SFHSS Members may enroll dependents on their health benefits coverage.

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San Francisco Health Service System Rules

The section and page numbers in this document refer to the draft rules document- “2025 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 2025 Plan Year. A new paragraph has been added to the beginning of the San Francisco Health Service System Rules (SFHSS Rules) to reflect the purpose of the Rules. 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.

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Sec. B.1.a Sec. B.2.e Sec. B.3.a.ii Sec. B.3.b.iii Sec. B.3.c.ii Sec. C.3	Social Security Number (SSN) has been updated to Social Security card as a required document to enroll dependents.	At present only an SSN is needed to be communicated (verbally or in writing) to enroll a dependent into coverage. Verbal communication of the SSN leads to multiple issues with data integrity. This especially affects Medicare enrolled Members, as failure to provide the correct SSN leads to plan termination when the SSN cannot be validated by Centers for Medicare & Medicaid Services (CMS). To avoid disruptions resulting from incorrect SSN being entered/communicated by the Member, the Social Security card will be requested as part of the regular enrollment verification documents.
Sec. B.2.b	Clarification has been added to address the use of 'Registered Domestic Partners' and 'Domestic Partners'.	Clarification added to indicate that the terms 'Registered Domestic Partner' and 'Domestic Partner' are used interchangeably in the SFHSS Rules, as a certificate of domestic partnership is required to enroll a domestic partner into a SFHSS sponsored plan.
Sec. B.2.c.iii	Clarification has been added to address Members who entered into a domestic partnership in a locale that does not recognize domestic partnership.	The previous statement required the Member to be currently residing in a locale where domestic partnership is not recognized. Language was changed address the timing of the when the domestic partnership was entered into, and not require the Member to reside in the locale to be covered by that section of the Rules.

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Sec. C.1.c	Requirement added for certified documents issued in a language other than English to be accompanied by a certified English translation.	SFHSS staff are not able to process documents like birth certificates and marriage licenses issued by non-English speaking jurisdictions, without a certified English translation. The cost associated with SFHSS seeking translations will amount to a gift of public funds to those who benefit from this costly service.
Sec. C.2	Additional enrollment requirements are added to align initial enrollment verification with the documents required for a Dependent Eligibility Verification Audit (DEVA).	The challenge with a DEVA is that Members do not understand why documents other than those which they submitted at initial enrollment of their dependents are now being asked to validate the dependent relationship. By implementing the DEVA document verifications at the initial enrollment of dependents, Members will be introduced to the required documents early in the process and will have a better understanding of how to comply with the DEVA request, when they are being audited.
Sec. C.3.a	Language added to provide timeliness guidance for Members to provide a newborn's Social Security card.	Members may not receive a Social Security card for their child immediately. Providing Members 6-months to provide the Social Security card, is a reasonable amount of time, for the card to be issued, and aligns with other industries (public assistances) which require Social Security cards as part of their verification process.
Sec. C.3.b	Language added to identify that an issuance of a Social Security Number or Individual Taxpayer Identification Number will be treated as a Qualifying Life Event.	Members may not have a Social Security Number or Individual Taxpayer Identification Number for their dependents who are going through changes in their immigration status. This rule update allows members to enroll dependents who are issued a Social Security Number or Individual Taxpayer Identification Number within 30-days of the issuance date, outside of Open Enrollment.

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Sec. G.2.d	Update to the Court Order Child enrollment process to align with current SFHSS obligations under National Medical Support Notice requirements.	Members do not have a choice to enroll or disenroll their dependent children, when the enrollment is issued by Court Order. SFHSS must comply with the enrollment order which also means that if the Member is not enrolled in benefits, in order for the court ordered child to be enrolled, Member will also be enrolled.
Sec. G.8	Updated Qualifying Life Events for dependents to include obtaining a Social Security Number or Individual Taxpayer Identification Number	Dependents who go through the immigration process may be issued their Social Security Number or Individual Taxpayer Identification Number at some point after they would otherwise be eligible for benefits. This rule update aligns with the Qualified Life Event opportunities under the Affordable Care Act, allowing change in immigration status to gain eligibility for health benefits outside of Open Enrollment.
Sec. G.3.b.5	Updated Qualifying Life Events for Members gaining Medicare/Medicaid coverage	The rule allowed Member to drop coverage under the Qualifying Life Event of gaining eligibility into Medicare/Medicaid. The alternative was added to allow Members and their dependents to add SFHSS sponsored coverage when a Member and/or dependent gains Medicare/Medicaid coverage.

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Sec. K.3.a	Update language for Dependent eligibility, when the Medicare Retiree fails to enroll in premium-free Medicare Part A and Medicare Part B.	Dependents do not have the option to transition to a penalty plan when the Medicare Retiree fails to comply with providing verification of enrollment in premium-free Medicare Part A and Medicare Part B. A penalty plan is not available for the dependent, therefore, the Medicare Retiree's failure will result in termination of coverage for the Dependent. The Dependent will have the opportunity to reenroll once the Medicare Retirees provides proof of Medicare enrollment, this will be treated as a Qualifying Life Event (QLE).
Sec. J.1	Clarification language added to indicate the start date of Retiree health coverage.	Clarification added to notify members when their Retiree health coverage will start, after they've submitted their Retiree Health Benefits Enrollment Application to SFHSS.
Sec. K.1.a	Clarification language added to address plan availability for Active Members enrolled in Medicare.	Clarification added to notify Active Members that enrollment in Medicare while still employed will not provide an opportunity to change plans into a Medicare Advantage Prescription Drug plan.
Sec. K.2.a.i	Clarification language added to address plan availability for dependents identified in Sec. K.2.a and enrolled in Medicare.	Clarification added to notify dependents identified in Sec. K.2.a that enrollment in Medicare while the Active Member still employed will not provide an opportunity to change plans into a Medicare Advantage Prescription Drug plan.

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Sec. K.2.b.i	Clarification language added to address plan availability for registered domestic partner dependents enrolled in Medicare.	Clarification added to notify registered domestic partner dependents of Active Members who are required to enroll in Medicare that their coverage will change to a Medicare Advantage Prescription Drug (MAPD) plan and the Active Member's coverage will be a corresponding non-MAPD plan.
Sec. K.3 Sec. L	Removed mention of unavailable plans.	United Healthcare Medicare Eligible and Not Enrolled plan has been removed.
Sec. K.3.a	Added language regarding plan availability for dependents of non-compliant Medicare Retirees.	Language is added to inform dependents of non-compliant Medicare Retirees, regarding which plans are available to them, while the Retiree is not compliant with Medicare enrollment.
Sec. V	Appeals/Grievances section rewritten to provide clarity between SFHSS, HSB, and Plan appeals/grievances.	The language for appeals and grievances has been reorganized to provide better clarity to Members about their rights to appeal, how the process is structured, and when their appeals would be directed to the San Francisco Health Service System versus to their Health Plan. All the steps of brining an appeal before the Health Services Board are left as they were, with only slight updates to formatting.
Appendix A Update		Appendix A Calendars will be updated prior to 1/1/25 SFHSS Rules publication.

Proposed Changes
Cafeteria Plan

The section and page numbers in this document refer to the draft Cafeteria Plan Document for 2025.

Throughout the document changes are made to dates to reflect that the Rules be updated for the 2025 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.

Proposed Changes
Cafeteria Plan

Section	Policy Change	Rationale
Section B.3.a.1 and B.3.6	Updated to reflect increase the FSA limits to $3,200 per year, up from $3,050 in 2023, and increase the carryover amounts to $640 per year, up from $610.	In Revenue Procedure 2023-208, the Internal Revenue Service (IRS) released updated flexible spending account (FSA) limits for 2024.
Section D.4.2.b	Updated 2025 Flexible Credits dollar values for CCSF and Superior Court employees.	2025 Benefit Program Update due to M.O.U. compliance.
Appendix E	• Update to remove United Healthcare plans and add the Blue Shield of California Medicare Advantage Prescription Drug (MAPD) plan. • Updated to include Kaiser Permanente non-Medicare plans. • Updates to available Voluntary benefits made.	2025 Benefit Plan Update per approval by the San Francisco Health Service Board in June 2024.