

COMPLIANCE ALERT

SAN FRANCISCO HEALTH CARE SECURITY ORDINANCE UPDATE

October 1, 2020

QUICK FACTS

- The San Francisco Health Care Security Ordinance (HCSO) requires covered employers to spend a minimum amount of money, called an Expenditure, each calendar quarter on their employees' health care.
- The minimum Expenditure will increase to \$3.18 per hour for "large employers" starting January 1, 2021.
- The minimum Expenditure will increase to \$2.12 per hour for "medium employers" starting January 1, 2021.
- The minimum Expenditure does not apply to managers, supervisors, and confidential employees (as defined) that earn more than a designated amount, as determined annually. The 2021 amounts have not yet been announced.

2021 EMPLOYER HEALTH CARE EXPENDITURE

The San Francisco Health Care Security Ordinance (HCSO) requires covered employers to pay a certain amount – a Health Care Expenditure (Expenditure) – toward their covered employees' health care costs. See this [EPIC article](#) for an overview of the HCSO.

The HCSO Expenditure rate is subject to change each January 1. The Expenditure does not apply to certain managerial, supervisory and confidential employees if their annual salary exceeds a designated amount, which is also subject to change each January 1.

The chart below compares the applicable 2021 and 2020 dollar amounts.

EMPLOYER HEALTH CARE EXPENDITURE RATES		
Business Size (Company Wide)	2021	2020
Large (100+ Employees)	\$3.18 /hour	\$3.08/hour
Medium (20-99 Employees)*	\$2.12 /hour	\$2.05/hour
Small (1-19 Employees)	Not applicable; exempt from requirement	

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ANNUAL SALARY EXEMPTION		
Business Size (Company Wide)	2021	2020
Managers/Supervisors/Confidential Employees (defined by regulation)	TBD	\$104,761 (or \$50.37 per hour)

*Nonprofits with fewer than 50 employees are exempt from the Expenditure requirement.

STEPS FOR COVERED EMPLOYERS

Covered employers can ensure compliance with the HCSO as follows:

- Comply with the special calculation methods for self-funded plans, if applicable.
- Make required health care Expenditures on behalf of covered employees.
- Submit quarterly payments for the San Francisco “City Option” (if required) and notify affected employees of such payments.
- Maintain records sufficient to establish compliance with the Expenditure requirement.
- Post the required HCSO notice in all San Francisco workplaces.
- Submit an Annual Reporting Form to the San Francisco Office of Labor Standards Enforcement (OLSE) annually by April 30th (reports for 2019 cancelled due to COVID-19 public emergency).
- Audit internal processes for tracking hours worked, recordkeeping, submitting quarterly payments (if required), and reporting.
- If obtaining annual waivers of coverage, use only the SF [HCSO waiver form](#).
- Sign up on the [OLSE email list](#) to receive updates regarding the annual ESR, notices, forms, deadlines, and other important news.
- Refer to the [HCSO website](#) for the most current guidance, information and forms.

EPIC Employee Benefits Compliance Services

For further information on this or any other topics, please contact your EPIC benefits consulting team.

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