



For your information

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San Francisco Increases Employers' Health Care Expenditure Rates for 2013

Employers subject to San Francisco's Health Care Security Ordinance are required to spend a minimum amount of money each quarter on their covered employees' health care. The minimum expenditure rates for covered employers will increase by approximately 6% next year. Beginning January 1, 2013, large employers have to spend \$2.33 per hour for each covered employee, and medium-size employers have to spend \$1.55 per hour.

Background

San Francisco's Health Care Security Ordinance (HCSO), which took effect in 2008, requires covered employers to make minimum health care expenditures for employees who work in San Francisco. The HCSO covers for-profit employers with 20 or more employees nationwide (and nonprofit organizations with 50 or more employees) that have any employees who work in San Francisco. (See our March 31, 2009 [For Your Information](#).)

Generally, an employee is covered by the HCSO if he or she: (1) is entitled to be paid minimum wage; (2) has been employed by a covered employer for at least 90 days; and (3) works at least eight hours per week in San Francisco. An employee who is a manager, supervisor, or confidential employee and who earns at least \$84,051 annually in 2012 (indexed for future years) is exempt from HCSO coverage.

INSIGHT

Large and medium-size employers, whether located in or outside San Francisco, are subject to the HCSO's expenditure requirement if they have at least one covered employee working in San Francisco.

Employers can satisfy the health care expenditure requirement for their covered employees in a variety of ways, including by providing health insurance coverage, making payments to San Francisco, or contributing to health savings accounts or health reimbursement accounts (HRAs). New rules governing the use of HRAs for this purpose took effect in 2012. (See our December 22, 2011 [For Your Information](#).)

Regardless of how employers choose to satisfy the expenditure requirement, they must spend a minimum amount of money on their covered employees' health care. The "health care expenditure rate" is the minimum amount that must be spent for each covered employee for each hour paid for work performed in San Francisco and for any paid time off (including vacation and sick leave). Health care expenditure rates, which vary by employer size, have increased year-over-year since 2008, and 2013 is no exception.

2013 Health Care Expenditure Rates

The following table summarizes the minimum employer spending requirements for 2012 and 2013. The 2013 health care expenditure rates take effect on January 1, 2013.

Employer Health Care Expenditure Rate Schedule				
Business Size*		2012	2013	% Change
Large	100 or more employees	\$2.20/hour	\$2.33/hour	+ 5.9%
Medium	20 to 99 employees	\$1.46/hour	\$1.55/hour	+ 6.2%
Small	1 to 19 employees	Not applicable/exempt from coverage		

* Includes employees working in and outside San Francisco.

Conclusion

Employers with employees in San Francisco should ensure that they are satisfying applicable HCSO quarterly expenditure, reporting, and notice requirements. Buck's consultants are prepared to assist employers in determining required health care expenditures, evaluating alternative expenditure strategies, and satisfying recordkeeping and other obligations under the HCSO.

This FYI is intended to provide general information. It does not offer legal advice or purport to treat all the issues surrounding any one topic.
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