



2014 Summary Health Care Security Ordinance

Effective January 9, 2008, the Health Care Security Ordinance (HCSO) requires Covered Employers to make health care expenditures for their Covered Employees.

Covered Employers: An employer is covered by the HCSO if it:

- is a for-profit business with 20 or more persons performing work, or a nonprofit business with 50 or more persons performing work, per week during a quarter, and
- employs workers who perform work within the geographic boundaries of the City and County of San Francisco and is required to obtain a valid San Francisco business registration certificate pursuant to Article 12 of the Business and Tax Regulations Code.

An employer need not be physically located in the City to be a Covered Employer. In addition, for the purpose of determining employer size, all persons performing work for compensation during a given week must be counted, regardless of whether the persons work in San Francisco.

Covered Employees: With some exceptions, an employee is covered by the HCSO if s/he works for a Covered Employer and:

- is entitled to be paid the minimum wage;
- has been employed by his or her employer for at least 90 calendar days; and
- performs at least 8 hours of work per week within the geographic boundaries of San Francisco.

To learn more about Exemptions and Waivers, review Regulation 3.2(A).

Health Care Expenditures (HCE): An HCE is any amount paid by a covered employer for the purpose of providing health care services or reimbursing the cost of such services for its covered employees. Examples include, but are not limited to: (a) payments to a third party to provide health care coverage or services; (b) payments to the City for the City Option (which includes Healthy San Francisco and/or its Medical Reimbursement Account); (c) payments to a private reimbursement account¹, provided the employee receives quarterly notice of the deposits and the funds are made available to the employee for at least 24 months.

Applicable Expenditure Rate: An employer with 100 or more persons performing work per week (including both persons working in and outside of San Francisco) is required to make HCEs of \$2.44 per hour for each hour paid to each of its covered employees during that quarter.

¹Please note that the federal Patient Protection and Affordable Care Act (PPACA) has made significant changes to federal regulation and guidance regarding reimbursement accounts that take effect in 2014. The Affordable Care Act may impact the permissibility of such programs under federal law. Consult these federal resources and proper counsel when deciding whether such contributions comply with the PPACA. For more information, please review the FAQs on the HCSO and the PPACA.

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For employers with 20-99 persons performing work, the rate is \$1.63 per hour. (These rates are adjusted annually.)

Calculation of HCE: Required HCEs are calculated by multiplying the total number of “hours paid” to each covered employee by the applicable expenditure rate. “Hours paid” include both work hours (for which a person is paid wages or entitled to be paid wages for work performed within the City) and any paid time off, including vacation and sick leave.

Additional Employer Responsibilities:

- **Employers must post the 2014 HCSO Notice (available on the OLSE website)** in a conspicuous place at any workplace or job site where any Covered Employee works in a language the employee can read.
- Covered Employers must submit an Annual Reporting Form (ARF) which provides data on HCEs made in the previous year. Instructions on how to file the ARF will be mailed to covered employers and will be available on the HCSO website in April 2014.
- Recordkeeping: Employers shall maintain complete and accurate records of HCE calculations, hours paid to employees, and HCEs made. Employers shall allow the Office of Labor Standards Enforcement reasonable access to such records.
- Surcharges: If a Covered Employer imposes a surcharge on its customers to cover the costs of the health care expenditure requirement, the full amount of the surcharge must be spent on employee health care. Violations will be investigated as consumer fraud.
- Employee Voluntary Waiver Form: A Covered Employer that seeks to claim an exemption for an employee who qualifies for the waiver must maintain in its records a completed HCSO Voluntary Waiver Form signed by that employee.

All of the documents referenced in this Notice – including the full text of the Ordinance, the Regulations, and the Frequently Asked Questions (FAQs) – are available at www.sfgov.org/olse/hcso.

This notice is intended to provide general information and does not establish policy or offer legal advice regarding the Health Care Security Ordinance, Chapter 14 of the San Francisco Administrative Code. If you have any questions about your obligations under the ordinance, please visit www.sfgov.org/olse/hcso, call (415) 554-7892, or email HCSO@sfgov.org.

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