

COBRA, AB 528, Flexible Spending Account and Dependent Care Spending Account Administration

Resolution to amend and extend the agreement
between the San Francisco Health Service System
and P & A Administrative Services, Inc. through
December 31, 2026

Board of Supervisors Budget and Finance Committee

March 5, 2025

Resolution

HSS requests that the Board of Supervisors approve the tenth amendment to the agreement between the City, by and through the San Francisco Health Service System (HSS), and P & A Administrative Services, Inc. (“P & A”) to administer COBRA, AB 528 programs, health care spending accounts, and flexible spending accounts, to extend the term by eighteen months for a total term of approximately twelve years from March 1, 2015 to December 31, 2026, and for a total not to exceed amount of \$4,667,457; and to authorize the Executive Director of HSS to make necessary, non-material changes to the Amendment before its execution.

Resolution and Amendment Summary

Resolution to approve the tenth amendment to the agreement between the **San Francisco Health Service System (HSS)** and **P & A Administrative Services, Inc. (P&A)**

- **Scope:** Continued administration by P&A of COBRA, AB428 and flexible spending accounts (FSAs)

- **Term:** Eighteen (18) month extension to December 31, 2026

- **Amount:** increase the not-to-exceed value of the agreement by \$555,0000 to \$4,667,457.

COBRA and AB528 Mandates

- Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA)
 - Continuation of medical, dental, vision and FSA coverage following a qualifying event; required notices of eligibility and benefits:
 - ✓ To employees (termination of employment, reduction in hrs.)
 - ✓ To covered dependents (termination of employment, divorce/legal separation/dissolution, death)
 - Inform new employees of rights under COBRA (within 90 days)

- AB528 (California Assembly Bill 1985)
 - Continuation of health or dental upon retirement
 - California schools and community college district
 - SFHSS administers AB528 for CCD and SFUSD for medical coverage only

Flexible Spending Accounts (FSAs)

■ Healthcare FSA

- Employees use pre-tax dollars for qualifying expenses
- FSA debit card (online or at point-of-sale), or submit receipts online, through smartphone, or by mail
- Set aside up to \$3,200 (2025), annual rollover (\$10 - \$640)

■ Dependent Care Assistance FSA

- Employees use pre-tax dollars to pay for certified day care, pre-school and elder care needed by eligible children under age 13 or aging parents
- Set aside up to \$5,000 (IRS limit) no rollover (per IRS rules)

FSA Enrollment and COBRA and AB528 Notices

Between 2016 and 2025:

- Healthcare FSA enrollment increased from 4,279 to 8,920
- Total annual pre-tax Healthcare FSA elections increased from \$4.9M to \$16.1M
- Dependent Care Assistance FSA enrollment increased from 1,256 to 1,651
- Total annual pre-tax DCA FSA elections increased from \$4.8M to \$6.5M ¹

In 2024, P&A issued:

- 5,088 initial COBRA notices (new hires)
- 4,680 qualifying event notices
- 87 AB528 Notices ²

¹ Please see the Appendix for a table of annual enrollments, elections, and annual FSA administration costs by year between 2016 and 2025

² COBRA/AB528 administration requirements change based on hiring and the occurrence of qualifying events.

Contract History and Amendments (2020 – present)

Amendments 5 – 9: Each year between 2020 and 2024 HSS executed an annual extension to the COBRA/AB528/FSA administration agreement with P&A:

- To avoid disruption to continuing medical, dental & vision coverage during the COVID-19 pandemic;
- Ability to negotiate zero increase in all service charges;
- Prioritize the following benefit plan competitive procurements:
 - 2020 Health Plan RFP for PY2022
 - Medicare RFI (2021) & RFP (2023-2024) for PY2025
 - Life/Disability Benefits RFP (2024-2025) for the PY2026

Proposed HSS Competitive Procurement Schedule – COBRA, AB528 and FSA RFP for PY2027

Date(s)	Descriptions
August – November 2025	HSS presentation to the Health Service Board; Member and stakeholder input and public comment period.
December 2025 – March 2026	Request for Proposal
April – September 2026	Contracting and Implementation
October 2026	Open Enrollment for PY2027
January 1, 2027	FSA Transition

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Questions

Appendix

Appendix | Year-over-Year FSA Enrollment, Elections, Est. Tax Savings, Administration Costs and Net Savings

Year	Health FSA Enrollment	Health FSA Annual Elections (\$)	DCA Enrollment	DCA Annual Elections (\$)	Total FSA Elections (\$)	Tax Savings (\$) [est. 10%]	Annual Administration Fees (\$)	Net Savings to CCSF (\$)
2016	4,279	4,923,402	1,256	4,886,188	9,809,590	980,959	205,902	775,057
2017	4,918	5,751,724	1,324	5,198,225	10,949,949	1,094,995	232,202	862,793
2018	5,796	6,653,319	1,482	5,603,719	12,257,037	1,225,704	270,742	954,962
2019	6,257	7,654,288	1,523	5,858,350	13,512,639	1,351,264	289,416	1,061,848
2020	6,356	9,851,018	1,196	5,332,156	15,183,174	1,518,317	280,934	1,237,383
2021	6,084	9,529,331	904	5,202,018	14,731,349	1,473,135	259,954	1,213,181
2022	7,040	10,989,936	1,441	5,193,079	16,183,015	1,618,302	315,493	1,302,808
2023	7,854	12,520,984	1,661	6,418,565	18,939,549	1,893,955	353,958	1,539,997
2024	8,199	14,108,692	1,707	6,287,102	20,395,793	2,039,579	368,503	1,671,076
2025	8,920	16,112,275	1,651	6,514,772	22,627,047	2,262,705	393,241	1,869,464