

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

*File 110998
C: COB, BOS-11
Leg Dep. page
Cal. Clerk*

October 25, 2011

Members, Board of Supervisors
San Francisco City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102

Dear Supervisors:

This letter communicates my veto of the ordinance pending in File Number 110998, finally passed by the Board of Supervisors on October 18, 2011. This ordinance proposes to amend Administrative Code sections related to the Health Care Security Ordinance to mandate that deposits into Health Reimbursement Accounts (HRAs) be irrevocable.

This legislation aims to solve an important problem, but imposes an overly broad approach to solving a discrete set of issues. For this reason, I will not sign this ordinance, and encourage the Board to continue its work towards an appropriate legislative solution.

From the outset of the discussion about unfairly structured HRAs, I have consistently communicated my support for the shared objectives of closing the so-called "January 1st loophole" and to protect against consumer fraud.

I have also steadily urged the Board to adopt amendments that would increase access to health care and protect jobs in our City's small businesses.

The ordinance pending before me today neither improves access to health care services nor does it protect jobs. Instead, it would legally require small businesses with 20 or more employees to set aside cash in an account for the purpose of reimbursing out-of-pocket medical expenses. There is no data to support the assertion that a stockpile of money, ever-growing but with heavy restrictions on reimbursement, leads to better health access. Moreover, this cash, pulled out of our local economy, will not be available to pay wages or grow businesses.

After meeting extensively with many leaders of organized labor, dozens of small business owners and employees, and our City's health care professionals, I am confident there is a legislative path forward that closes all the loopholes, increases health access, and protects jobs.

Instead of this proposed set of amendments to the Health Care Security Ordinance, I support a consensus approach to closing the consumer fraud and "January 1st" loopholes. To this end, I have proposed legislation that would increase access to health care and protect jobs. I am also willing to support a policy similar to that provided by President David Chiu (File Number 111030), with some discreet amendments to encourage greater utilization of HRA fund balances, not just larger fund balances as this ordinance would require.

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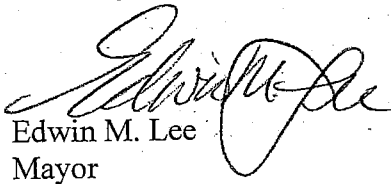
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The ordinance sponsored by David Chiu is currently pending before the Board of Supervisors, and I am encouraged by the conversation that has progressed as this policy develops. If this ordinance eventually passes the Board with amendments to focus on health access and protecting jobs, I will eagerly sign it into law.

My conversations with small business owners around the City convinces me that, working together, we can pull down the most burdensome restrictions on HRAs and in turn increase utilization rates. Employers must notify their workers more frequently and transparently about available HRA fund balances. And we must aggressively pursue cases of consumer fraud by businesses that charge a so-called "Healthy SF Fee" but do not provide these funds to their employees.

By uniting around our shared goals, we can solve these problems, provide better health care, and continue to grow San Francisco's economy.

Sincerely,



Edwin M. Lee
Mayor

cc: Angela Calvillo, Clerk of the Board of Supervisors