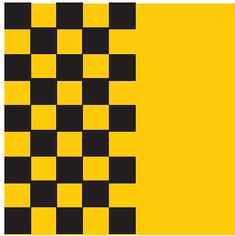


Establishing a San Francisco Taxi Driver Health Care Coverage Program

Administration, Cost, and Funding Options



MARCH 2006



City and County of San Francisco
Department of Public Health

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Acknowledgements

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We are so pleased to announce the release of *“Establishing a San Francisco Taxi Driver Health Plan: Plan Administration, Cost and Funding Options.”*

Health care coverage for taxi drivers is within reach.

The San Francisco Health Plan (SFHP), in partnership with the San Francisco Department of Public Health (DPH), is pleased to release this report which assesses the feasibility of extending health insurance benefits to taxi drivers in San Francisco. The study and report were funded by a California HealthCare Foundation Step-by-Step Planning Grant for which we are very grateful.

This report represents several years of efforts by policymakers to develop reliable information on realistic alternatives for providing health insurance benefits for San Francisco taxi drivers. In response to requests from the San Francisco Board of Supervisors and the City Controller, DPH and SFHP engaged in a detailed study to determine the cost of providing health insurance to taxi drivers, and to develop models for financing the coverage.

This report shows that every driver can get health insurance, but only if the various stakeholders in the taxi industry are each willing to contribute something to reach this goal.

As an experienced health insurance provider, SFHP hopes to support the expansion of health care coverage by providing local policymakers and advocates with the necessary information to make informed decisions. Our analysis is intended to be nonpartisan and provide a wide range of policy options. SFHP would be delighted to provide coverage under any one of the scenarios presented.

San Francisco has an admirable history of pioneering innovative public/private programs to extend the reach of health insurance coverage. We believe that, by building on the successes of the Healthy Workers and Healthy Kids & Young Adults programs, **San Francisco can create another first-in-the-nation health coverage model by providing insurance to our hard-working taxi drivers.**

We hope that this report marks another milestone on our road to universal coverage.

Sincerely,

Jean Fraser
CEO
San Francisco Health Plan

Mitchell H. Katz, MD
Director
San Francisco Department of Public Health

Executive Summary

In San Francisco, taxi drivers as a group represent a working population with inadequate access to health insurance. Because they are classified as independent contractors, the City's taxi drivers do not receive employment-based health care coverage. Generally low income levels further place the cost of private individual health policies out of reach for many drivers. As a result, approximately half of San Francisco's taxi drivers do not have health coverage. Of those without insurance, 80% report that they are unable to afford it.

In 2002, the San Francisco Board of Supervisors passed Ordinance Number 228-02, which required the Controller's Office to develop recommendations for a program "that would make a substantial and reasonable degree of health insurance or health benefits available to all taxi drivers." The Controller's Office determined that such a program was possible and suggested that health insurance through the San Francisco Health Plan would both provide the greatest potential benefit and be a step in the direction of more universal health care coverage for San Francisco's population. The Controller's Office noted that any direct health service program or health insurance plan would need the participation of the Department of Public Health.

This report details the Department of Public Health's recommendations for coverage of San Francisco's taxi drivers through the San Francisco Health Plan, assesses potential funding sources for the program, and lays out a range of funding options from industry sources. As requested by the Department of Public Health, all funding options analyzed in this report assume that participating drivers would contribute a minimum of 15% of premium costs and a \$15.00 co-pay per medical visit.

The Department of Public Health's proposal includes coverage for medical benefits only (i.e., vision and dental would not be included). Benefits would include: hospitalization, outpatient and maternity services, emergency services, prescription drugs, and mental health/chemical dependency.

The provider network would include SFHP's network of providers, including the Department of Public Health's Community Health Network (San Francisco General Hospital and Primary Care Clinics) and private hospitals and physicians.

Health care programs generally place limits on participation as a way of controlling costs and promoting program stability. Participation restrictions in turn require determination of eligibility and also increase the need for administrative oversight. With respect to driver eligibility and administration, the Department of Public Health recommends:

- Participation in a taxi driver health plan be limited to drivers who have had their "A" Cards for at least six months and who are ineligible for no-cost Medi-Cal
- A minimum of 25 hours of cab driving over either of the previous two months
- Cab companies be made responsible for maintaining appropriate driver data and for providing this information to the San Francisco Health Plan

Participants are also generally required to contribute to the cost of their health care through premiums, co-pays, and payment for additional services. While participant contributions help defray health care costs, they are also intended to discourage overuse of health services.

The Department of Public Health proposes a \$15 per visit co-pay for medical visits and a participating driver contribution of either 15% or 20% of net plan costs. The final decision about whether to implement a 15% or a 20% contribution rate is a policy choice.

The stability of a taxi driver health program also requires an appropriate protection against the problem of adverse selection. Adverse selection refers to the disproportionate preference of individuals who are sick or at risk for illness to participate in a health plan. Healthy individuals in general are less inclined to pay for health coverage, and the higher the cost of participating in a health plan, the more likely they are to forego participation. As a result, the healthier portion of a population is the first to opt out of a health plan as contribution rates increase.

Cost estimates use a lower than-expected participation rate of 2,800 drivers for a voluntary program to provide an additional margin to handle the potential impact of a less healthy population on per participant costs.

This report also provides detailed information about cost estimates for a mandatory program, under which renewal of a driver's "A" Card would be dependent on proof that the driver participates in the San Francisco Health Plan program or has other health care coverage. While acceptable coverage would not be limited to the San Francisco Health Plan, this plan would provide a cost-favorable option relative to most other health care alternatives. A mandatory program would help decrease the per participant cost of a plan, reduce problems of adverse selection, and cover a greater number of drivers; it would also increase the overall cost of the program, and potentially place a financial burden on those drivers least able to afford it.

Under the four possible plan scenarios: a voluntary or mandatory plan with 15% or 20% driver contribution rates, revenue needed to fund a taxi driver health plan are as follows:

Revenue Levels Needed to Fund Plan

Contribution Rate	15%	20%
Voluntary Program Net Cost	\$9,648,939	\$9,081,354
Mandatory Program Net Cost	\$16,324,268	\$15,364,017

Possible funding sources for a taxi driver health program include four primary stakeholder groups: drivers, medallion (permit) holders, color schemes (taxicab companies), and the riding public. Medallion holders comprise a subset of drivers, and a number of medallion holders are also shareholders of cab companies.

To implement a taxi health care plan, the following policy decisions need to be made:

- *Whether the program will be mandatory or voluntary*
- *Whether contribution rates will be set at 15% or 20%*
- *The appropriate funding model*

This report details multiple options for funding a taxi driver health plan, including options in which the entire cost of the program is paid for by a single industry stakeholder, alternatives in which the cost is paid for jointly by two stakeholders, options in which the cost is paid by three of the four industry constituencies, and alternatives in which the cost is shared by all of the stakeholders. Each option is further broken down by possible driver contribution rates and voluntary versus mandatory participation.

In this Executive Summary, we briefly highlight three of the possible models for paying for coverage:

1. Program funded by participant contributions, driver fees and fare increase
2. Program funded by participant contributions, cab companies, medallion holders and fare increase
3. Program funded by participant contributions, driver fees, cab companies, medallion holders and fare increase

These models all use a 20% participant contribution rate, which equals \$67.57 per month in a voluntary program and \$57.16 for a mandatory program.

Model 1 and Model 3, which both include a driver health fee for all drivers, set the driver fee so that total participating driver costs equal \$80 per month (i.e. monthly participant contributions plus driver fee equals \$80). Because participating drivers will already be paying a monthly contribution, funding options that include an additional driver health fee for all drivers require participating drivers to pay twice: once through contribution rates, and once as part of the driver fee. However, total costs for participating drivers are partially offset by the fees paid by non-participating drivers. Given the low income levels of drivers, these models balance funding needs with affordability for drivers. (The full report also includes options in which a driver fee is not limited to a set amount.)

Model 2, which does not involve driver fees, is included here as an alternative in which participating drivers are not asked to pay twice under the health care plan: once through contribution rates, and once as part of the driver fee. Instead, only participating drivers pay the plan contribution rate.

These models illustrate possible funding options. The relative amount paid by each stakeholder group could be adjusted in the final plan.

Model 1: Program Funded by Driver Fee, Participant Contributions and Fare Increase with Total Driver Amount Held to an \$80 Maximum

	Voluntary	Mandatory
Program Net Cost	\$9,081,354	\$15,364,017
Annual (Monthly) Fee per Driver	\$149.16 (\$12.43)	\$274.11 (\$22.84)
Annual (Monthly) Participant Contribution	\$810.84 (\$67.57)	685.89 (\$57.16)
Total Annual (Monthly) Amount for Participating Drivers	\$960.00 (\$80.00)	\$960.00 (\$80.00)
Fare Increase per Ride	\$0.84	\$1.44

Model 2: Program Funded by Participant Contributions, Cab Companies, Medallion Holders and Fare Increase

	Voluntary	Mandatory
Program Net Cost	\$9,081,354	\$15,364,017
Annual (Monthly) Participant Contribution	\$810.84 (\$67.57)	685.89 (\$57.16)
Annual Cab Company Cost per Medallion	\$2,191.98	\$3,708.43
Annual Cost per Medallion Holder	\$2,191.98	\$3,708.43
Fare Increase per Ride	\$0.31	\$0.53

**Model 3: Program Funded by Cab Companies, Medallion Holders,
Participant Contributions, Driver Fee and Fare Increase
with Total Driver Amount Held to an \$80 Maximum**

	Voluntary	Mandatory
Program Net Cost	\$9,081,354	\$15,364,017
Annual Cab Company Cost per Medallion	\$1,643.98	\$2,781.32
Annual Cost per Medallion Holder	\$1,643.98	\$2,781.32
Annual (Monthly) Fee per Driver	\$149.16 (\$12.43)	\$274.11 (\$22.84)
Annual (Monthly) Participant Contributions	\$810.84 (\$67.57)	\$685.89 (\$57.16)
Total Annual (Monthly) Contribution for Participating Drivers	\$960.00 (\$80.00)	\$960.00 (\$80.00)
Fare Increase per Ride	\$0.36	\$0.60

Each possible funding model detailed in this report has benefits and disadvantages, including the three that we address in the Executive Summary. An assessment of the three models discussed in the Executive Summary yields the following trade-offs:

	Pros	Cons
Model 1: Drivers & Riders Fund	<ul style="list-style-type: none"> • Doesn't require voter approval 	<ul style="list-style-type: none"> • Participating drivers pay twice • Largest fare increase
Model 2: Companies, Medallion Holders, Riders Fund	<ul style="list-style-type: none"> • Companies carry some responsibility for health care • Participating drivers don't pay twice 	<ul style="list-style-type: none"> • Requires voter approval
Model 3: Everyone Funds	<ul style="list-style-type: none"> • Burden lessened for each stakeholder • Companies carry some responsibility for health care 	<ul style="list-style-type: none"> • Participating drivers pay twice • Requires voter approval

Within each of the options, the amount paid by each stakeholder could be adjusted. While new fees on medallion holders and cab companies would require voter approval, driver costs could also be offset through lower gate fees, which would not require separate voter approval.

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I. Introduction

Approximately 16% of working Californians, or 2.4 million inhabitants, lack health insurance. The health consequences of this widespread problem are serious: the uninsured are far less likely to have a personal doctor or to receive needed health care. Adults without coverage are nearly twice as likely to report that they are in poor or fair health as adults with health insurance.¹

In San Francisco, taxi drivers as a group represent a working population with inadequate access to health insurance. Because they are classified as independent contractors, the City's taxi drivers do not receive health care coverage through their place of employment. Generally low income levels place the cost of private individual health policies out of reach for many drivers. As a result, approximately half of San Francisco's taxi drivers do not have health coverage.²

In 1998, the voters of San Francisco overwhelmingly expressed support for expanding health care coverage for the uninsured. Measure J, which passed with 65% of the vote, made it the official policy of the City and County of San Francisco to promote universal health care coverage. The measure supported the creation of:

...a health care purchasing program that allows private employers to voluntarily purchase affordable health care insurance, to use the market strength of the City to lower the cost of coverage, and to offer insurance programs that encourage regular use of preventative health care services.³

In 2002, the San Francisco Board of Supervisors passed Ordinance Number 228-02, which required the Controller's Office to develop recommendations for a program "that would make a substantial and reasonable degree of health insurance or health benefits available to all taxi drivers."⁴ The Controller's Office determined that such a program was possible and suggested that health insurance through the San Francisco Health Plan would both provide

¹ State Health Access Data Assistance Center, University of Minnesota. 2005. "Characteristics of the Uninsured: A View from the States." May. For information about declining health care coverage for working Californians, see Dube, Arindrajit et al., 2005. "Falling Apart: Declining Job-Based Health Coverage for Working Families in California and the United States." UC Berkeley Labor Center and Working Partnerships USA. June.

² San Francisco Office of the Controller and Taxicab Commission. 2004. "Taxi Driver Survey -- Summary Findings." April 8. It should be noted that the summary findings report percentages both out of the total number of responses and out of the total number of responses, excluding "Not Specified." For this report, we draw on the statistics that exclude non-answers.

³ League of Women Voters. 1998. "Measure J: Universal Health Care Declaration of Policy City of San Francisco." Found at: <http://www.smartvoter.org/1998nov/ca/sf/meas/J/>. For more information about efforts in San Francisco to promote universal health care, see San Francisco Department of Public Health. 2001. "Options for Achieving Universal Health Care in San Francisco: Expanding Coverage to Uninsured Children and Youth." January. Found at: <http://64.233.187.104/search?q=cache:zCWIPJODuVkJ:www.dph.sf.ca.us/HealthComm/Attach/Options4ExpHlthCvr.pdf+Measure+J:+Universal+Health+Care+Declaration+of+Policy+City+of+San+Francisco&hl=en&client=firefox-a>.

⁴ SF Police Code § 1135.1(ii). See also Office of the Controller. 2003. "Health Benefits for San Francisco Taxi Drivers." October.

the greatest potential benefit and be a step in the direction of more universal health care coverage for San Francisco's population. The Controller's Office noted that any direct health service program or health insurance plan would need the participation of the Department of Public Health.⁵

This report details the Department of Public Health's recommendations for coverage of San Francisco's taxi drivers through the San Francisco Health Plan and explores multiple funding options from industry sources.

⁵ San Francisco Office of the Controller. 2003. "Health Benefits for San Francisco Taxi Drivers: Health Plan Alternatives, Funding & Implementation." October. In its report on the promotion of universal health care coverage in San Francisco, the Department of Public Health identifies an incremental approach as the method most likely to succeed by allowing "by allowing the CCSF to appropriately identify the financial resources and specific issues necessary to expand coverage for each uninsured population." San Francisco Department of Public Health. 2001. "Options for Achieving Universal Health Care in San Francisco: Expanding Coverage to Uninsured Children and Youth." January. P. 4. Found at: <http://64.233.187.104/search?q=cache:zCWIPJODuVkJ:www.dph.sf.ca.us/HealthComm/Attach/Options4ExpHlthCvr.pdf+Measure+J:+Universal+Health+Care+Declaration+of+Policy+City+of+San+Francisco&hl=en&client=firefox-a>

II. Taxi Drivers and Health Care Coverage

A. Taxi Driver Information

At any given time, approximately 7,000 drivers hold the “A” Card permit necessary to drive a taxi in the City of San Francisco.⁶ As of 2004, these drivers provided approximately 40,000 to 50,000 trips per day for residents and the tourists who visit San Francisco.⁷ They also play a crucial role in MUNI’s paratransit program, which provides transportation services to qualified disabled persons in accordance with the Americans with Disabilities Act of 1990.⁸

In 2004, the San Francisco Office of the Controller and the Taxicab Commission released a survey of taxi drivers that included information about drivers’ health care coverage, income and driving arrangements. This survey revealed that San Francisco taxi drivers are inadequately covered as a consequence of their independent contractor status and face limited health care options given their income constraints.

Fifty-four percent of the survey’s respondents reported that they had no health care coverage.⁹ Those who did have health insurance obtained it from a variety of sources: 21% had individual insurance, 9% received coverage from a spouse or partner, and the rest relied on other sources such as Medi-Cal, Medicare and COBRA.¹⁰

⁶ Estimate provided by Inspector Farrell Suslow of Taxi Detail.

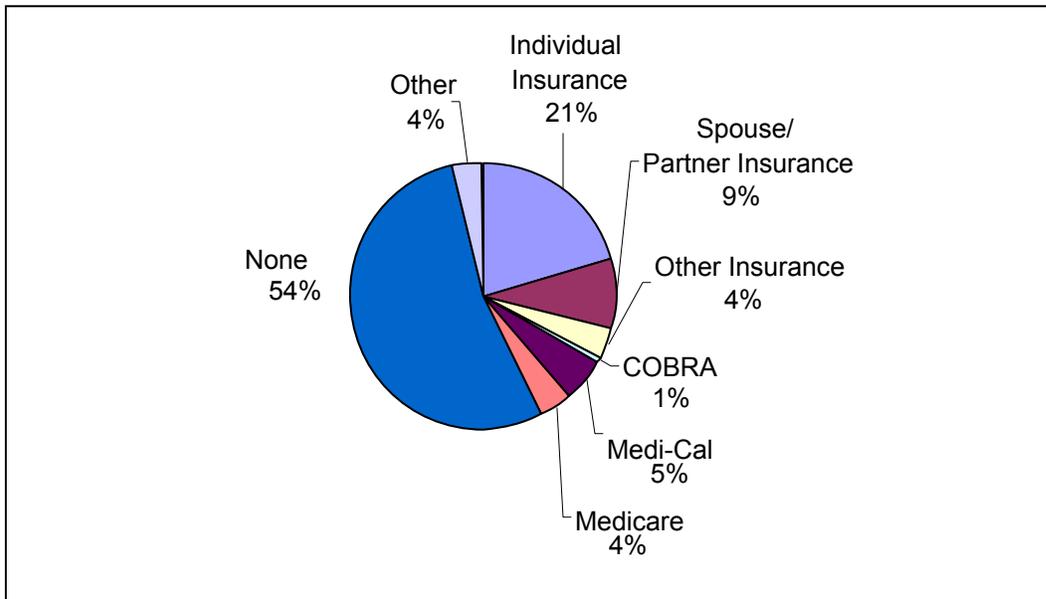
⁷ San Francisco Office of the Controller. 2005. “Taxicab Industry Report: Rates of Fare and Gate Fees.” December.

⁸ San Francisco Transportation Authority. 2005. “MUNI’s Paratransit Program: Program Roles and Components.” September 15. Found at: sfcta.org/documents/I4A1_ParatransitOverview.pdf.

⁹ Fifteen percent of the drivers surveyed did not respond to this question. When non-responses are included, 46% of drivers reported having no health insurance. San Francisco Office of the Controller and Taxicab Commission. 2004. “Taxi Driver Survey -- Summary Findings.” April 8.

¹⁰ When non-responses are included, 18% of drivers reported having individual insurance, and 7% reported receiving insurance through a spouse or partner. San Francisco Office of the Controller and Taxicab Commission. 2004. “Taxi Driver Survey -- Summary Findings.” April 8. For the chart below, percentages total slightly more than 100% due to rounding.

Chart 1: Health Insurance Coverage for Taxi Drivers



When the uninsured drivers were asked why they did not have health coverage, 80% of respondents reported that they could not afford it. Six percent stated that they had a pre-existing condition, and only 9% replied that they did not believe that they needed health insurance.¹¹

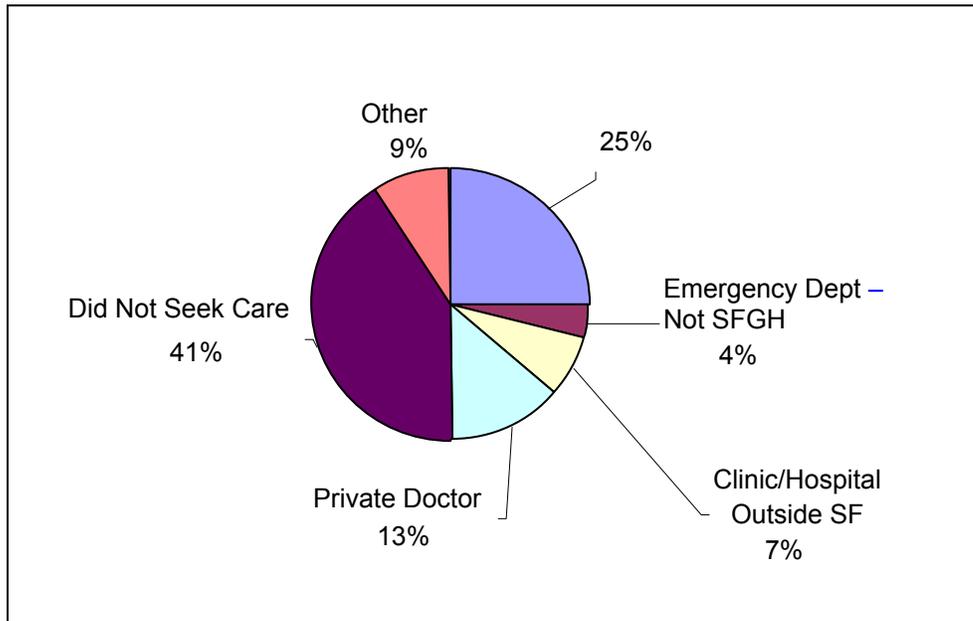
Drivers who did not have insurance were also asked where they receive their medical care. Among respondents, a plurality (41%) reported that they did not seek medical care. One out of four drivers used the San Francisco Health Clinics - SFGH, and only 13% saw a private doctor. An additional 7% went to clinics or hospitals outside the city.¹²¹³

¹¹ A large percentage of drivers, 44%, did not answer this question. When non-responses are included, 45% reported that they could not afford insurance. San Francisco Office of the Controller and Taxicab Commission. 2004. "Taxi Driver Survey -- Summary Findings." April 8.

¹² A large percentage of drivers, 48%, did not answer this question. When non-responses are included, 22% reported that they did not seek medical care. San Francisco Office of the Controller and Taxicab Commission. 2004. "Taxi Driver Survey -- Summary Findings." April 8.

¹³ For the chart below, percentages total slightly less than 100% due to rounding.

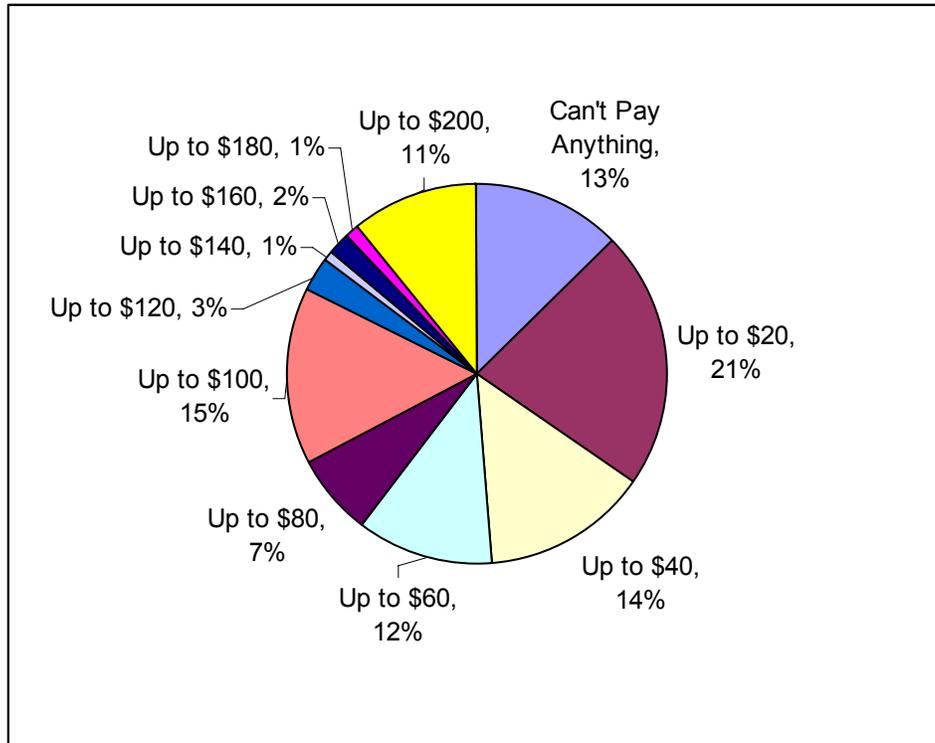
Chart 2: Where Uninsured Receive Medical Care



Drivers without insurance were asked how much they would be able to pay out of their own pocket to obtain individual health care coverage. Respondents provided a wide range of answers, from up to \$20 to up to \$200 a month. Fifty-five percent of respondents stated that they could pay \$80 per month or less. Thirteen percent said that they were not able to pay a portion at all.¹⁴ The responses are below the cost of coverage on the individual insurance market.

¹⁴ Twenty-nine percent of drivers did not respond to this question. When non-responses are included, 40% that they could pay \$80 per month or less. San Francisco Office of the Controller and Taxicab Commission. 2004. "Taxi Driver Survey -- Summary Findings." April 8.

Chart 3: Amount Able to Pay

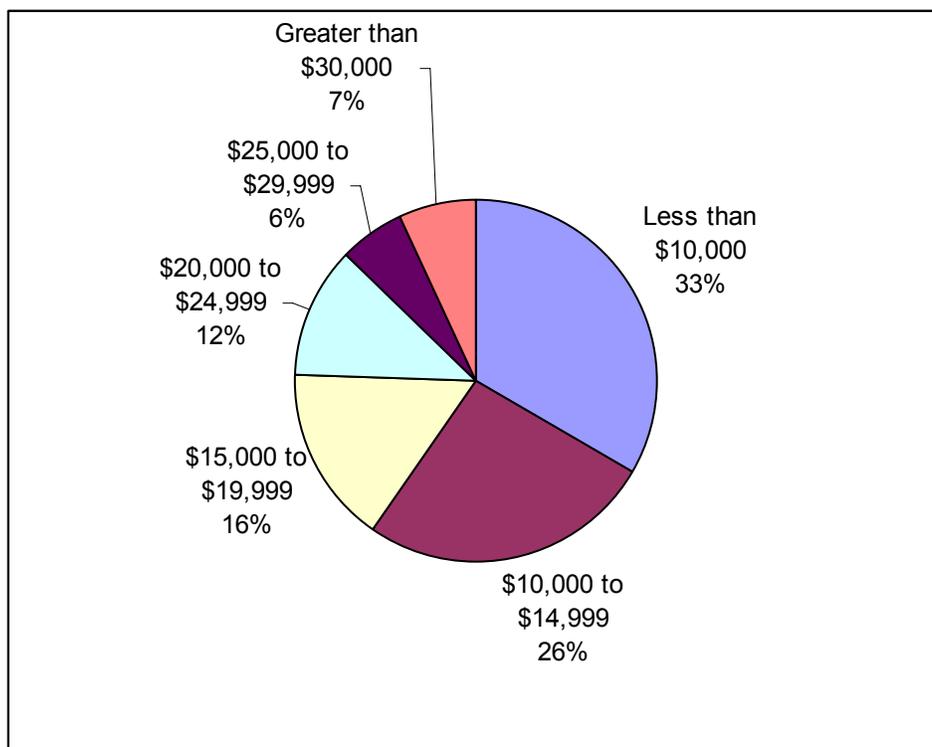


The Office of the Controller and Taxicab Commission's survey also questioned drivers about their annual taxi-related income. Approximately one third (34%) of the respondents reported that they made less than \$10,000 in taxi-related income. An additional 27% earned between \$10,000 and \$14,999. In total, 77% reported earning less than \$20,000 in taxi-related income per year.¹⁵ While one should take into account the possibility that self-reported income may under-represent actual income, the income reported in the taxi drivers' survey is not broadly out of line with official industry data. The Bureau of Labor Statistics reported a national mean annual income for taxi drivers and chauffeurs of \$23,450 in 2003.¹⁶

¹⁵ Eighteen percent of drivers did not respond to this question. When non-responses are included, twenty-two percent of drivers reported earning less than \$10,000, and 63% reported earning less than \$20,000. San Francisco Office of the Controller and Taxicab Commission. 2004. "Taxi Driver Survey -- Summary Findings." April 8. For fare information from the Taxi Driver Survey, see Appendix A. For the chart below, percentages total slightly more than 100% due to rounding.

¹⁶ U.S. Bureau of Labor Statistics. 2003. "November 2003 National Industry-Specific Occupational Employment and Wage Estimates NAICS 485300 - Taxi and Limousine Service." Found at: http://www.bls.gov/oes/2003/november/naics4_485300.htm.

Chart 4: Estimated Annual Taxi-Related Income



Survey respondents included drivers with taxi medallions who earned additional income by leasing their medallions to the cab companies. Nevertheless, more than half of all respondents (54%) also reported total household earnings of less than \$20,000 annually.¹⁷ To put these figures in perspective, the median household income for San Francisco was \$60,031 in 2004.¹⁸ The low annual taxi-related income cannot be attributed to driving as a part-time occupation. Sixty-eight percent of drivers surveyed reported driving thirty hours per week or more.¹⁹ According to the 2000 Census, 67% of taxi drivers nationwide work full-time.²⁰

¹⁷ Nineteen percent of drivers did not respond to this question. When non-responses are included, 44% reported total household earnings of less than \$20,000 annually. San Francisco Office of the Controller and Taxicab Commission. 2004. "Taxi Driver Survey -- Summary Findings." April 8.

¹⁸ See Johnson, Jason. 2005. "U.S. Census Finds More Are Poor but Number Lacking Health Insurance Remains Steady." *San Francisco Chronicle*. August 31. Found at: <http://www.sfgate.com/cgi-bin/article.cgi?file=/c/a/2005/08/31/MNGR9EFN511.DTL>.

¹⁹ Eight percent of drivers did not respond to this question. When non-responses are included, 63% reported driving thirty hours per week or more. San Francisco Office of the Controller and Taxicab Commission. 2004. "Taxi Driver Survey -- Summary Findings." April 8. See Appendix A for more detailed information about San Francisco taxi drivers' hours and fare rates.

²⁰ For Census figures, full-time is defined as at least 40 weeks a year and 40 hours per week. Census figures were cited in Schaller Consulting. 2004. "The Changing Face of Taxi and Limousine Drivers: U.S., Large States and Metro Areas and New York City. July 6. Found at: <http://www.schallerconsult.com/taxi/taxidriver.pdf>.

B. History and Challenge of Providing Health Coverage to Taxi Drivers

Unless one qualifies for a publicly funded health program such as Medi-Cal or Medicare, workers have four principal ways of obtaining health coverage: from employers, as individuals, through associations, and from unions. Taxi drivers in San Francisco are generally classified as independent contractors and therefore lack access to health insurance through an employer, since there is no employer to act as a group policyholder.²¹ Because employer-sponsored health coverage is the primary means of obtaining affordable health care among the working population in the U.S., taxi drivers' status as independent contractors is a major impediment to assuring adequate health coverage for this population.²²

Because costs are less expensive when risk is pooled, individual coverage through private insurers is the most expensive means of obtaining health care. In 2003, the Office of the Controller researched the possibility of individual coverage for taxi drivers through private insurers. The Controller reviewed the costs of Kaiser HMO Personal Advantage and Blue Cross HMO Saver. Individual premiums for a 45-year-old averaged \$250 per month, with \$624 in monthly costs for a family of three. The Controller determined that drivers earning an adjusted gross income of \$25,000 per year would spend 12% of their income for individual coverage and concluded:

While the cost of insurance is partially deductible from state and federal taxes for self-employed individuals, cost will still be the major deterrent to obtaining individual or family coverage given the likely annual income range of \$15,000 to \$40,000 per taxicab driver.²³

²¹ Under the Internal Revenue Service and Franchise Tax Board classifications, drivers are generally considered to be independent contractors and are therefore classified as self-employed. For worker's compensation and liability purposes, the difference between the cab companies and the drivers is more ambiguous. Cab companies are required to provide worker's compensation insurance for their drivers, and they generally provide insurance for the cabs as well. Under SF Police Code § 1147.4:

All persons, firms or corporations holding taxicab color scheme permits pursuant to Section 1125(b) of this Article shall comply with all applicable state statutes concerning Workers' Compensation and any applicable regulations adopted pursuant to those statutes. Taxicab color scheme permit holders must include a sworn statement attesting to compliance with such applicable statutes and regulations as part of the annual filing required by Section 1095 of this Article. (Added by Ord. 76-94, App. 2/18/94)

See also San Francisco Office of the Controller. 2003. "Memo RE: Taxicab Industry – Long-Term Lease Report." October 1.

²² As of 2004, sixty percent of the population obtained health care coverage through an employment-related health insurance plan. DeNavas-Walt, Carmen, Bernadette D. Proctor and Cheryl Hill Lee. 2005. "Income, Poverty, and Health Insurance Coverage in the United States: 2004." U.S. Census Bureau. August. Found at: <http://www.census.gov/prod/2005pubs/p60-229.pdf>.

²³ San Francisco Office of the Controller. 2003. "Health Benefits for San Francisco Taxi Drivers." October. P. 7. The U.S. Census Bureau reports that nearly 1 out of 4 (24%) people who live in households earning less than \$25,000 did not have health insurance in 2004. The likelihood of having health insurance rises as income increases. DeNavas-Walt, Carmen, Bernadette D. Proctor and Cheryl Hill Lee. 2005. "Income, Poverty, and Health Insurance Coverage in the United States: 2004." U.S. Census Bureau. August. Found at: <http://www.census.gov/prod/2005pubs/p60-229.pdf>.

It is also possible to obtain health insurance through an association or union. The National Association of Socially Responsible Organizations (NASRO) is a non-profit association that specializes in providing health insurance and other benefits for small businesses and the self-employed.²⁴ Between 1997 and 2002, taxi drivers had access to health care coverage through a Kaiser Permanente Group Health Plan administered by NASRO and available through the United Taxicab Workers (UTW) and the San Francisco Taxi Permitholders and Drivers Association (PDA). The plan, which cost \$216 per month for individual coverage and \$575 for family coverage in 2002, included comprehensive health services with a \$10 co-pay. Exact participation figures are unavailable; the Controller estimated that between 30 and 80 drivers were enrolled in the program.²⁵

The program was terminated in 2002 when Kaiser discontinued its contract with NASRO. NASRO then offered alternative plans to enrollees that either excluded treatment for pre-existing conditions or potentially disqualified the least healthy. As a result, only a few drivers continued coverage through the NASRO program.²⁶

Given the high rates of occupational injury among taxi drivers and the relative instability of the group, taxi drivers are considered “an unattractive risk to underwrite.”²⁷ Other association or union alternatives are not available to San Francisco taxi drivers, as no other entity exists in which a majority of drivers participate and with the ability to collect contributions, consistently make premium payments and guarantee high participation levels. While drivers do participate in both the UTW and the PDA, membership is small for both organizations.²⁸ The creation of a new association is not an option, since associations cannot legally be created solely for the purpose of providing health benefits to their members.

C. Driver Cost Increases Tied to Resolution of Health Care Issue

With the loss of health care coverage through Kaiser, the issue of health insurance for drivers became an element of debate over an increase in fees paid by drivers to cab companies. The increase, which passed the Board of Supervisors in 2002, was made contingent in part upon the fulfillment of reporting requirements and the provision of workers compensation by the cab companies. Section 1135.1 (g)(ii) of the San Francisco Police Code also tied the increase in the gate fee cap explicitly to health care provision for drivers. The statute reads:

By no later than October 1, 2003, the Controller shall submit a recommendation to the Board of Supervisors for enactment of a program that

²⁴ National Association of Socially Responsible Organizations. n.d. “About NASRO - Who We Are.” Found at: <http://www.nasro-co-op.com/about/who.shtml>.

²⁵ San Francisco Office of the Controller. 2003. “Health Benefits for San Francisco Taxi Drivers: Health Plan Alternatives, Funding & Implementation.” October.

²⁶ Office of the Controller. 2003. “Health Benefits for San Francisco Taxi Drivers.” October. In the 2003 report, the Controller stated that no drivers participated in the plan. However, we have uncovered two drivers who did continue their coverage through NASRO for some time. It is not known if additional drivers participated as well.

²⁷ San Francisco Office of the Controller. 2003. “Health Benefits for San Francisco Taxi Drivers: Health Plan Alternatives, Funding & Implementation.” October. P. 6.

²⁸ San Francisco Office of the Controller. 2003. “Health Benefits for San Francisco Taxi Drivers: Health Plan Alternatives, Funding & Implementation.” October.

would make a substantial and reasonable degree of health insurance or health benefits available to all taxi drivers. The Controller's recommendation shall be based on his study of the health insurance/health benefits issue, which shall include consultation with City departments having expertise in one or more dimensions of the issue. If, within 90 days of the Controller's submission of a recommendation, or, if the Controller fails to meet the deadline for submitting a recommendation, by no later than January 1, 2004, *the City fails to enact into law an ordinance that establishes a program that makes a substantial and reasonable degree of health insurance or health benefits available to all taxi drivers, subsection (b) [establishing the cap of \$91.50] shall expire*, unless the Controller certifies that it is not feasible for the City to establish such a program.²⁹ [Italics added]

As a result of the ordinance, the Controller's Office completed a report in October 2003 entitled "Health Benefits for San Francisco Taxi Drivers: Health Plan Alternatives, Funding & Implementation." The report determined that "[p]roviding health benefits to drivers is possible, but comes with a cost."³⁰

The Controller's Office provided three alternative strategies for the provision of health benefits for drivers: 1) medical savings accounts; 2) a local direct health service program; or 3) health insurance. While the health insurance option was considered the most complex, it also provided the greatest potential benefit. Further, the Controller's Office suggested:

...providing health insurance through the San Francisco Health Plan, using the HealthyWorkers program of health insurance for local In-Home Supportive Service workers as the prototype, is a possible solution that could move San Francisco another step closer to universal health insurance coverage.³¹

The Controller determined that a direct health service program would need to be designed with the participation of the Department of Public Health. As a result, the Department of Public Health obtained a grant from the California Healthcare Foundation to develop a proposal for a taxi driver insurance program. In this report, the Department of Public Health addresses the issues outlined by the Controller and, based on the Controller's initial suggestions, provides details of possible health plan options for taxi drivers provided by the San Francisco Health Plan. The applicability of the HealthyWorkers model is discussed below in Section IV(B).

²⁹ SF Police Code § 1135.1. Subsection (b) increases the cap to \$91.50; subsection (a) refers to the earlier cap of \$85. The reversion to the lower gate cap was initially waived after the deadline passed, because the process was moving forward. Personal Communication with Mark Gruberg of United Taxi Workers.

³⁰ San Francisco Office of the Controller. 2003. "Health Benefits for San Francisco Taxi Drivers: Health Plan Alternatives, Funding & Implementation." October. P. 1.

³¹ San Francisco Office of the Controller. 2003. "Health Benefits for San Francisco Taxi Drivers: Health Plan Alternatives, Funding & Implementation." October. P. 1

III. Overview of the Taxi Industry

To understand both the circumstances of taxicab drivers and adequately assess revenue options for funding driver health insurance, it is important to understand how the taxi industry operates. This section reviews the principal participants and structure of the industry.

The taxicab industry in San Francisco includes three primary groups: drivers, medallion (permit) holders, and color schemes (taxicab companies). As we discuss below, these groups are not exclusive. Medallion holders comprise a subset of drivers, and a number of medallion holders are also shareholders of cab companies.

A. Drivers

Approximately 7,000 “A” card permits for drivers are in circulation at any given time, although the number is in constant flux. The Taxi Detail, which oversees regulatory compliance for the industry, estimates a turnover rate for drivers of approximately 10-12% each year.³²

The majority of drivers operate under the gas and gate system, in which they pay their own gas and a gate fee to the companies in exchange for services the cab companies provide. Meter fares and all tips go directly to the driver, out of which they pay all driving-related expenses. Gate fees are paid directly to the cab company and vary both by the level of services provided by the cab companies and by the desirability of the shift. A driver’s income is therefore determined by how much he or she can earn in excess of gas costs and gate fees.

In addition to the gate fee, it is customary for drivers to pay the dispatcher a “tip” at the beginning and end of each shift. The amount varies by company, but the minimum is \$2, \$5 to \$10 is common, and the amount can be as high as \$20 for a Friday or Saturday night. The tip can affect whether the driver gets a cab or not, how good a cab the driver gets, and whether he or she has to wait for a cab or not.³³

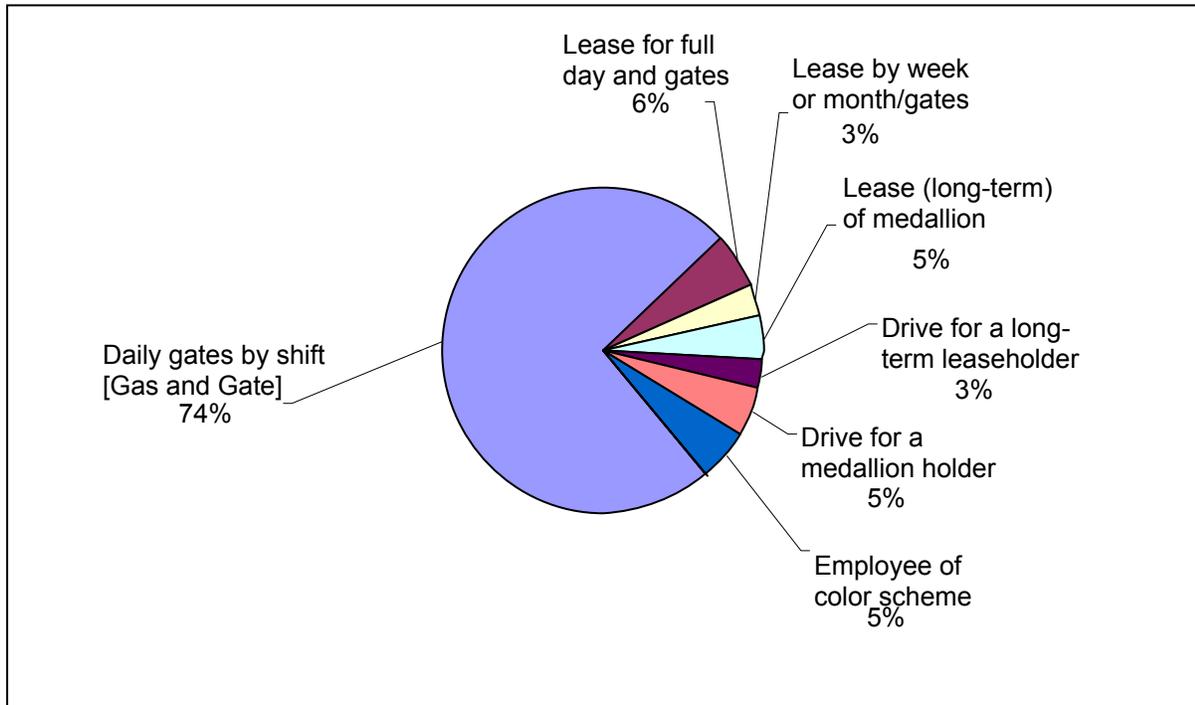
The Taxicab Commission survey of drivers reported that approximately three-fourths of drivers (74%) operate under the daily gas and gate arrangement. Drivers may also enter into longer-term lease arrangements with cab companies, or they may drive directly for either a medallion holder or a person who leases a medallion. The total breakdown in driving arrangements is summarized in Chart 5.³⁴

³² Estimate provided by Inspector Farrell Suslow of Taxi Detail.

³³ Personal communications with Mark Gruberg and Ruach Graffis of United Taxi Workers.

³⁴ Nine percent of drivers did not respond to this question. When non-responses are included, 67% of drivers reported driving under the daily gas and gate system. San Francisco Office of the Controller and Taxicab Commission. 2004. “Taxi Driver Survey -- Summary Findings.” April 8. For the chart below, percentages total slightly more than 100% due to rounding.

Chart 5: Driving Arrangements



The Controller's Office reports that the number of taxi drivers who drive for other drivers has increased over time, and there has been a recent trend toward primary driver vehicle ownership as well. Both of these trends serve to highlight the independent contractor status of drivers and reinforce a separation between the drivers and the cab companies.³⁵

B. Medallion Holders

The number of cabs presently in operation in San Francisco is tightly controlled by the San Francisco Taxicab Commission through the release of a limited number of taxicab medallions (or permits). These medallions dictate the number of cabs in operation in the City, since each cab on the street must have a unique medallion.³⁶ There are currently 1381 permits in circulation, including 75 for specialized ramped vehicles.³⁷

Before 1978, medallions were private assets that could be purchased by companies or individuals for the market rate, or \$15,000 in 1978. Proposition K, which passed in 1978,

³⁵ San Francisco Office of the Controller. 2003. "Memo RE: Taxicab Industry – Long-Term Lease Report." October 1.

³⁶ With the exception of vehicles that are used when others are being serviced, a cab's taxi number is identical to its medallion number.

³⁷ San Francisco Taxicab Commission. 2002. *Annual Report*. Found at: http://www.sfgov.org/site/taxicommission_page.asp?id=17692.

made medallions a public asset to be given to working taxicab drivers.³⁸ The Controller's Office has estimated that the present value of a medallion if auctioned today would be approximately \$180,000.³⁹

Proposition K mandated the issuance of medallions to persons who declared an intention to "actively and personally" drive for "at least four hours during any 24 hour period on at least 75 percent of the business days during the calendar year."⁴⁰ Approximately 912 of the 1391 medallions in use today are Proposition K medallions held by taxicab drivers.⁴¹ The rest are held by individuals and corporations that possessed medallions prior to Proposition K and are exempt from the driving requirement. There is some disagreement surrounding transferability and the rate of return of pre-Proposition K medallions to the City.⁴²

The wait among drivers for medallions is lengthy – generally no more than 40 to 50 become available through driver attrition in any given year. As a result, taxicab drivers can remain on the waiting list for more than a decade before obtaining the right to take possession of a medallion. The Office of the Controller and San Francisco Taxicab Commission survey of drivers found that 34% of respondents were on the medallion waiting list.⁴³ It should be noted, however, that even drivers in legal possession of medallions do not "own" them, but instead must return the medallions to the City when they cease paying the yearly fee or no longer meet the driving requirements.

Medallions are a supplemental source of income for the drivers who hold them. Most medallion-holders lease their medallions to larger taxi cab companies for whom they drive, and the companies in turn make the medallions available to other drivers when medallion-holders are off-duty.

Cab companies compete for the ability to lease medallions from medallion holders, as they begin sending letters to potential medallion recipients when the recipients reach the top of the

³⁸ San Francisco Taxicab Commission. 2002. *Annual Report*. Found at: http://www.sfgov.org/site/taxicommission_page.asp?id=17692.

³⁹ San Francisco Office of the Controller. 2004. "Taxi Medallion Privatization." May 21.

⁴⁰ San Francisco Administrative Code. Appendix 6 § 2(b). This has been interpreted by the Taxicab Commission to mean that a medallion holder must drive 156 four-hour shifts. (See San Francisco Taxicab Commission. 2002. *Annual Report*. Found at: http://www.sfgov.org/site/taxicommission_page.asp?id=17692.) Medallion recipients must have been driving for one year prior to obtaining the medallion. A new rule is gradually being phased in that increases the driving requirement. Next year drivers will have to have driven two out of the past three years; this will increase by one year each year until 5 out of six years are required.

⁴¹ San Francisco Office of the Controller. 2004. "Taxicab Industry Report: Rates of Fare and Gate Fees." December. Internal Report. The passage of Proposition K did not immediately revoke all privately held medallions. Instead, Pre-Proposition K medallions are exempt from the driving restrictions requirement. See San Francisco Taxicab Commission. 2002. *Annual Report*. Found at: http://www.sfgov.org/site/taxicommission_page.asp?id=17692.

⁴² See United Taxicab Workers. n.d. "Commission Does It Again Gives Medallions to Children of Deceased Permit Holder." Found at: <http://www.utw.us/archive/sp03/article03.htm>. San Francisco Taxicab Commission. 2003. "Minutes." September 9. See also San Francisco Office of the Controller. 2003. "Health Benefits for San Francisco Taxi Drivers: Health Plan Alternatives, Funding & Implementation." October.

⁴³ Thirteen percent of drivers did not respond to this question. When non-responses are included, 30% of drivers reported that they are on the medallion waiting list. San Francisco Office of the Controller and Taxicab Commission. 2004. "Taxi Driver Survey -- Summary Findings." April 8.

medallion waiting list. In addition to offering a monthly lease fee (which is generally \$1,800 but can be higher), some companies also promise to buy the medallion holder's vehicle, pay to maintain it, and buy the insurance for the medallion holder. In addition, medallion holders also sometimes pay lower gate fees (see Section C on cab companies below) than other drivers.⁴⁴

Medallion lease rates were capped at \$1,800 in 1998, but this ordinance expired through a sunset clause in 2000. The lasting effect was to permanently reduce lease rates, which remain lower than they had been before the cap.⁴⁵

In several cases, medallion holders are also shareholders in the cab company. Yellow Cab, the largest cab company, and DeSoto are both cooperatives, in which a large number, although not all, of the medallion holders own shares. Shareholders receive dividends every month in lieu of their monthly lease fee. For Yellow cab, the dividend amount is set. For DeSoto, the amount varies.⁴⁶

Some medallion holders operate as small business owners, where they own their own cabs and may hire drivers. All have to associate with cab companies for regulatory or "color" purposes, and must work with a dispatch company as well. The structure of the industry has diversified so that a medallion holder can go to almost any company and act as an independent operator. These small business operators do not receive a monthly medallion check, but instead have gate fees paid directly to them.⁴⁷

C. Cab Companies

Cab companies in San Francisco must register with the City to obtain a color scheme required for operation. Each cab company has its own unique color markings that distinguish it from its competitors. There are presently 34 cab companies, or color schemes, in operation in San Francisco.⁴⁸

Cab companies can be subdivided into three categories: large companies that control the majority of medallions and operate primarily by charging drivers gate fees, medium-sized companies that exhibit the most variation in relationships with medallion-holders and with other drivers, and small companies that consist of one or a few medallion-holders with several drivers. The industry is characterized by considerable concentration: one-third of San Francisco's taxicab companies control approximately 85% of the city's medallions.⁴⁹ (See Appendix C for a complete list of companies and number of medallions.)

⁴⁴ Personal communications with Mark Gruberg and Ruach Graffis of United Taxi Workers, and with Richard Hybels of MetroCab.

⁴⁵ SF Police Code § 1135.2(a) and (e).

⁴⁶ Personal communications with Mark Gruberg and Ruach Graffis of United Taxi Workers and Inspector Farrell Suslow of Taxi Detail.

⁴⁷ Castagnero, Kelly. 2004. Letter to Thomas Owen. October 13. San Francisco Office of the Controller. 2003. "Memo RE: Taxicab Industry – Long-Term Lease Report." October 1. Personal Communication with Mark Gruberg and Ruach Graffis of United Taxi Workers.

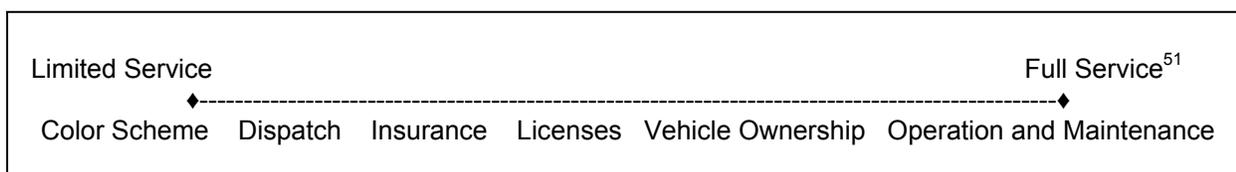
⁴⁸ San Francisco Taxi Detail. 2005. "Color Scheme Phone List." See also San Francisco Office of the Controller. 2005. "Taxi Cab Industry Report: Rates of Fare and Gate Fees." December.

⁴⁹ San Francisco Office of the Controller. 2003. "Memo RE: Taxicab Industry – Long-Term Lease Report." October 1.

Over the past five years, the industry has experienced considerable turnover among smaller cab companies. While no large companies have folded in the past decade, seven small companies have disbanded and eight additional companies have been established since 2001.⁵⁰

Cab companies provide a variety of services to drivers that vary depending on the size and scope of the company. Minimum services include use of color scheme and dispatch, but they can also include insurance, vehicles to drive, and maintenance of the vehicles. As the Controller’s Office explains, the range of services may be classified along a continuum from limited service to full service for drivers:

Chart 6: Continuum of Cab Company Services



Large companies are more likely to provide full service to their drivers, while small and medium-sized companies are likely to offer more limited service.

Income for taxicab companies is primarily derived from drivers’ gate fees, advertising, medallion subleases, interest and gasoline sales.⁵² Gate fees vary by the level of service provided to drivers and also by the desirability of a given shift. In general, Fridays have the highest gates and Sundays have the lowest. Gate fees had been capped by the Board of Supervisors at \$91.50; a company’s average fee could not exceed that amount.⁵³ The gate fee cap technically sunset on September 1, 2004, which should have resulted in a reversion to the \$86.50 gate fee cap. However, the Controller’s Office reports that the sunset was not enforced at the time of expiration, and companies may still be charging the higher rate. As discussed in Section II(C), the gate fee sunset was tied in part to the resolution of health care coverage for drivers.⁵⁴

⁵⁰ San Francisco Taxi Detail. 2005. “Color Scheme Phone List.” For a comparison of the industry in 2001, see Spur. 2001. “Making Taxi Service Work in San Francisco.” Found at: http://www.spur.org/documents/011001_report_01.shtm. November. See also San Francisco Office of the Controller. 2005. “Taxi Cab Industry Report: Rates of Fare and Gate Fees.” December.

⁵¹ This graphic is reproduced from San Francisco Office of the Controller. 2003. “Memo RE: Taxicab Industry – Long-Term Lease Report.” October 1.

⁵² Personal Communication with Simon Chu of the Controller’s Office.

⁵³ While some shifts could be higher than \$91.50, the average across all 10-hour shifts could not to exceed \$91.50. Maximum gate fees were to be prorated at \$9.15 per hour for shifts shorter than 10 hours. See SF Police Code § 1135.1(b).

⁵⁴ San Francisco Office of the Controller. 2005. “Taxi Cab Industry Report: Rates of Fare and Gate Fees.” December.

Medallion lease payments to medallion holders constitute a major expense for cab companies. Other expenses include worker's compensation, vehicle insurance, radio dispatch, car parts, general administration, marketing and operating costs.⁵⁵

D. MUNI Paratransit Program

Finally, it is worth briefly describing the MUNI Paratransit Program, which both affects industry participants and provides a model for the administrative accounting and disbursement of taxi funds. As part of the City's compliance with the Americans with Disabilities Act of 1990 (ADA), each cab company is required to provide transportation to eligible ambulatory and wheelchair-bound residents through the City's paratransit program.⁵⁶ The program operates through a decentralized brokerage model, in which a private broker handles tasks such as eligibility certification, customer service and outreach. Taxis supply the majority of paratransit trips under the program, and customers pay \$4 for scrip books worth \$30 of metered taxi service.⁵⁷

The program requires cost calculations by the cab companies and reimbursement of fees to the San Francisco Paratransit office. The most recent taxi meter increase was boosted from the initially proposed \$2.75 to \$2.85 and the mean gate fee cap was increased from the proposed \$90 to \$91.50 to "offset increased costs to the paratransit program arising from meter fare increases."⁵⁸

The cost of the paratransit program is determined monthly by the companies and the San Francisco Paratransit office and subsequently allocated to cab companies based on the number of affiliated medallions. Each month, the Paratransit office calculates flag drops and mileage from passenger trip and billing data, which is submitted by each taxi company under contract to the Paratransit Broker. The office then calculates the cost of the paratransit service for that month.⁵⁹

After determining the difference between the total cost between the old rates (those in effect on November 1, 2002) and the rates that went into effect on January 1, 2003, the difference is then divided by the total number of medallions. Each cab company's quotient is based on the total number of medallions as determined by the San Francisco Taxicab Commission. The

⁵⁵ Personal Communications with Simon Chu of the Controller's Office, Richard Hybels of MetroCab, and Jim Gillespie of the San Francisco Taxi Association.

⁵⁶ SF Police Code § 1147.8(a).

⁵⁷ San Francisco County Transportation Authority. 2005. "MUNI's Paratransit Program: Program Roles and Components." September 19. Found at: sfcta.org/documents/I4A1_ParatransitOverview.pdf. See also Toran, Kate. 2005. "Taxi Medallion Reimbursement." The San Francisco Municipal Transportation Agency. Draft provided by the author.

⁵⁸ Cited in Toran, Kate. 2005. "Taxi Medallion Reimbursement." The San Francisco Municipal Transportation Agency. Draft provided by the author. The \$1.50 add-on sunsets on December 31, 2005. Legislation is presently pending that would extend the funding until December 31, 2007. See San Francisco Office of the Controller. 2005. TaxiCab Industry Report: Rates of Fare and Gate Fees." December.

⁵⁹ Williams, Annette. 2002. Letter to Naomi Little. December 12.

Paratransit office then deducts the amount due from the monthly invoice for each cab company it has under contract.⁶⁰

Enforcement of this process is shared jointly between the San Francisco Municipal Railway, which oversees the paratransit program, and the San Francisco Taxicab Commission, which is responsible for the taxi companies.⁶¹

The paratransit program already captures some taxi ride information and therefore provides an example of the administrative capabilities available for collecting driver and fare data. Paratransit costs must also be factored in when assessing appropriate fare rates for the industry.

⁶⁰ Williams, Annette. 2002. Letter to Naomi Little. December 12. For companies not under contract to the Paratransit office, the office submits an invoice. If payment is not received within 15 days, the company is considered in breach of the ordinance and reported to the San Francisco Taxicab Commission.

⁶¹ Williams, Annette. 2002. Letter to Naomi Little. December 12.

IV. San Francisco Health Plan

A. Overview and Programs

The San Francisco Health Authority was established in 1994 to serve the health needs of low and middle-income residents of San Francisco. It organized the San Francisco Health Plan (SFHP), a not-for-profit, licensed health plan that provides affordable health coverage to qualified residents.⁶² The organization's mission:

By providing superior, affordable health care that emphasizes prevention and promotes healthy living, we strive to improve the quality of life for the people of San Francisco.⁶³

As one of its guiding principles, the organization seeks to: “[l]ead with innovation, continually creating new ways to make health care more accessible and affordable.”⁶⁴

The San Francisco Health Plan began enrolling members in 1997 and has provided health insurance to more than 50,000 San Francisco residents in need of affordable health care.⁶⁵ It is the only community health plan in the United States that extends complete health care coverage to segments of the 19-24 year-old population.⁶⁶ Through SFHP, members obtain access to a full range of medical services, including: preventive care, hospitalization, prescription drugs, family planning and substance abuse programs. The organization contracts with a range of hospitals and clinics, and allows for a choice of primary care provider within its network.⁶⁷

SFHP presently serves Medi-Cal, Healthy Families, Healthy Kids & Young Adults and HealthyWorkers beneficiaries. The Healthy Families Program provides health, dental and vision coverage for children of families with incomes that are too high to qualify for Medi-Cal but are less than 250% of federal poverty guidelines. The Healthy Kids & Young Adults Program covers children in families up to 300% of federal poverty guidelines, regardless of immigration status, who do not qualify for Medi-Cal or the Healthy Families Program. It also provides health care coverage to young adults aged 19-24 who are aging out of, or who

⁶² San Francisco Health Plan. “Our History.” Found at:
http://www.sfhp.org/about_us/how_we_do_it/history.aspx.

⁶³ San Francisco Health Plan. n.d. “Our Mission.” Found at:
http://www.sfhp.org/about_us/why_we_are_here/our_mission.aspx.

⁶⁴ San Francisco Health Plan. n.d. “Our Mission.” Found at:
http://www.sfhp.org/about_us/why_we_are_here/our_mission.aspx.

⁶⁵ San Francisco Health Plan. “Our History.” Found at:
http://www.sfhp.org/about_us/how_we_do_it/history.aspx. San Francisco Health Plan. 2005. “San Francisco Achieves Over 99% Health Care Coverage Rate for Children.” October 11. Found at:
http://www.sfhp.org/about_us/how_we_do_it/press_room/##.

⁶⁶ San Francisco Health Plan. 2005. “City Of San Francisco And San Francisco Health Plan Extend Health Insurance To Former Foster Care Children.” October 12. Found at:
http://www.sfhp.org/about_us/how_we_do_it/press_room/##.

⁶⁷ San Francisco Health Plan. n.d. “Healthy Kids & Young Adults: Benefits & Services.” Found at:
http://www.sfhp.org/visitors/programs/healthy_kids_young_adults/benefits_and_services.aspx.

have children enrolled in, one of the other programs. The HealthyWorkers Program offers health benefits to in-home support service (IHSS) workers in San Francisco.⁶⁸

The Healthy Families program charges members \$7-12 monthly per child, with a cap of \$36 per family. Healthy Kids & Young Adults charges members \$48-108 annually. The Healthy Families Program and Healthy Kids & Young Adults Programs have no deductibles but some co-payments of \$5 or less.⁶⁹

The HealthyWorkers Program establishes a precedent for assisting workers that have traditionally received inadequate health care coverage because of low pay and independent contractor status. IHSS workers have \$3 deducted from their pay each month, and receive a full range of wellness, maternity, family planning, mental health, prescription drugs, eyeglasses, tests and medical specialists. As with other SFHP programs, there are no deductibles. Many services do not require co-payments; co-payments can range from \$3 for generic prescription medications to \$25 for eyeglasses.⁷⁰

The San Francisco Health Plan is independent from the City of San Francisco and is overseen by a governing board comprised of physicians, members, hospital and clinic staff, Department of Public Health staff, and San Francisco governmental representatives. SFHP also includes a Member Advisory Committee made up of health plan members and health care advocates. The Member Advisory Committee enables health plan members to voice concerns and provide input about what and how health services are delivered.⁷¹

B. Relevance of the HealthyWorkers Program

Because of the similarity between IHSS workers and taxi drivers in terms of independent contractor status and low income levels, the Department of Public Health has explored the possibility of replicating the health care program established for in-home supportive service workers. Under the IHSS program, caretakers continue to be considered independent contractors for the purposes of hiring and firing, and they work directly for the persons they care for. However, the City has created the IHSS Public Authority, a legally separate entity, which provides IHSS workers with benefits through the San Francisco Health Plan's HealthyWorkers coverage plan.

The IHSS Public Authority acts as the employer of record and health insurance policyholder. It participates in collective bargaining over wages and benefits, provides screened provider lists to participants, and handles administrative issues of dues collection through paycheck deduction, eligibility and plan administration. The Public Authority purchases health care coverage from the San Francisco Health Plan, which in turn contracts services through the Department of Public Health's Community Health Network.⁷²

⁶⁸ For descriptions of the San Francisco Health Plan's programs, see their web site at www.sfhp.org.

⁶⁹ For descriptions of the San Francisco Health Plan's programs, see their web site at www.sfhp.org.

⁷⁰ San Francisco Health Plan. n.d. "HealthyWorkers Summary of Benefits." Found at: http://www.sfhp.org/visitors/programs/healthy_workers/.

⁷¹ San Francisco Health Plan. n.d. "Governing Board." Found at: http://www.sfhp.org/about_us/who_we_are/governing_board.aspx.

⁷² San Francisco Office of the Controller. 2003. "Health Benefits for San Francisco Taxi Drivers: Health Plan Alternatives, Funding & Implementation." October.

Unfortunately, the Department of Public Health has determined that the IHSS model is not applicable to the taxicab industry in San Francisco. While the IHSS Public Authority facilitates management of the program through contribution deductions and the administration of benefits, its role as the employer of record would not be replicable in the taxi industry. Since the taxi industry is a cash business, this would mean that drivers would lose control over their fares. Drivers are unlikely to willingly participate in such an arrangement. Further, taxi drivers do not engage in collective bargaining.

In addition, the structure of the IHSS system with the Public Authority stems in part from the willingness of the federal and state government to provide funding for home health care workers. Fifty percent of the IHSS premium costs are funded through Medicaid.⁷³ The Department of Human Services provides claims to the government for reimbursement of premiums and in turn contracts for the purchase of IHSS services through the IHSS Public Authority.⁷⁴ This function is not relevant to taxi driver health coverage, since no federal or state funds are available.

The Department of Public Health recommends instead that any health program for taxi drivers in San Francisco be directly administered by the San Francisco Health Plan.

C. Coverage That Would Be Provided to Taxi Drivers through an SFHP Program⁷⁵

Coverage would include medical benefits only (i.e., vision and dental would not be included). Benefits would include:

- Hospitalization – \$200 per admission deductible
- Outpatient and Maternity Services – \$15 per visit co-payment
- Emergency Services – \$50 per visit co-payment; waived if admitted
- Prescription Drugs – Limited formulary; \$10 co-payment for generic drugs; \$20 co-payment for name brand drugs; 30-day supply
- Mental Health/Chemical Dependency – Covered through the Department of Public Health’s Community Behavioral Health Services

The provider network would include SFHP’s network of providers including the Department of Public Health’s Community Health Network (San Francisco General Hospital and Primary Care Clinics), as well as private hospitals and physicians.

There would be no requirement that a driver live in San Francisco.

⁷³ Personal Communications with Tony Nicco, Program Director, IHSS. The Office of the Controller reported that the federal government contributed 44% of total funding for the HealthyWorkers program in fiscal year 2003-4, while the state government supplied 16% and local government contributed 39%. IHSS workers supplied only 1% of the total premium costs. San Francisco Office of the Controller. 2003. “Health Benefits for San Francisco Taxi Drivers: Health Plan Alternatives, Funding & Implementation.” October.

⁷⁴ San Francisco Office of the Controller. 2003. “Health Benefits for San Francisco Taxi Drivers: Health Plan Alternatives, Funding & Implementation.” October.

⁷⁵ Section written by Jim Soos, Sr. Health Program Planner, Office of Policy and Planning, Department of Public Health.

V. Administrative Challenges to Implementation

A. Adverse Selection and Voluntary versus Mandatory Participation

One of the primary administrative challenges faced by all health insurance programs is the risk of adverse selection. Adverse selection refers to the disproportionate preference of individuals who are sick or at risk for illness to participate in a health plan. Healthy individuals in general are less inclined to pay for health coverage, and the higher the cost of contributing to a health plan, the more likely they are to forego participation. As a result, the healthier portion of a population is the first to opt out of a health plan.⁷⁶

The danger for providers comes from the importance of pooled risk in managing health care costs. Loss of low-risk participants increases the expected average cost for the remaining enrolled population. As enrollment decreases, the underlying risk characteristics of the participants in a health plan increase. As a result, the expected cost of a program per participant will rise as the participation percentage declines. One study, for example, found costs among competing Medicare managed care plans to be 12% higher for plans with moderate adverse selection compared to average plans.⁷⁷

The risk of adverse selection must be taken into account when setting the contribution costs for participants in a voluntary program, since high costs will result in decreased enrollment rates. As we discuss below, estimated program costs for San Francisco taxi drivers include the possibility of adverse selection risks at different contribution levels. The actuary has recommended a conservative estimate of driver participation rates to account for such risk, based upon the experience of Medi-Cal, Medicare and employer-based programs in California and beyond.

Another approach to the problem of adverse selection is to make participation in a health care program mandatory, which will help decrease the per participant cost of a plan and increase overall contribution rates. Under this approach, renewal of a driver's "A" Card would be dependent on proof that the driver has some health care coverage. While acceptable coverage would not be limited to the San Francisco Health Plan, the plan is subsidized through other sources and would therefore provide a less expensive option relative to other health care alternatives.

This arrangement is not likely to be popular among all drivers, since it will require payment from those who would prefer to opt out of health coverage in general. However, mandatory coverage may help contribute to the viability of a health plan for taxi drivers. ***The decision between voluntary and mandatory coverage is ultimately a policy choice.***

⁷⁶ For more discussion of adverse selection, see Zaslavsky, Alan and Melinda J. Beeuwkes Buntin. 2002. "Using Survey Measures to Assess Risk Selection Among Medicare Managed Care Plans." *Inquiry*. Vol. 39, No. 2, PP. 138–151. See also Swartz, Katherine. 2001. "Markets for Individual Health Insurance: Can We Make Them Work with Incentives to Purchase Insurance?" *Inquiry*. Vol. 38, No. 2, PP. 133–145.

⁷⁷ Moderate adverse selection in this study was defined as one standard deviation above the mean. Zaslavsky, Alan and Melinda J. Beeuwkes Buntin. 2002. "Using Survey Measures to Assess Risk Selection Among Medicare Managed Care Plans." *Inquiry*. Vol. 39, No. 2, PP. 138–151.

B. *Legal Rationale for Requiring Mandatory Coverage*⁷⁸

While the choice to mandate health coverage is ultimately a policy decision, there is a legal justification for adopting this approach. A taxicab is considered a "common carrier."⁷⁹ As such, a person operating a taxicab must exercise a high standard of care towards his or her passengers: "A carrier of persons for reward must use the utmost care and diligence for their safe carriage, must provide everything necessary for that purpose, and must exercise to that end a reasonable degree of skill."⁸⁰

State law also provides that "every city or county shall protect the public health, safety, and welfare by adopting an ordinance or resolution in regard to taxicab transportation service ... within the jurisdiction of the city or county."⁸¹ San Francisco regulates taxicabs and taxicab drivers under Article 16 of the San Francisco Police Code, beginning with Section 1075.

As part of those regulations, San Francisco already sets a number of qualifications for taxi drivers, including requirements that the permit applicant: (1) be a resident of the United States, of good moral character; (2) be of the age of 21 years or over; (3) be of sound physique, with good eyesight and not subject to any disease, condition, infirmity, or addiction to the use of alcohol or any controlled substance, which might render the applicant unfit for the safe operation of a taxicab or other motor vehicle for hire; (4) be able to read and write the English language; (5) be clean in dress and person; and (6) hold a valid California driver's license of a class sufficient for the lawful operation of the motor vehicle to be driven.⁸² The proposal under consideration would add an additional requirement that all San Francisco taxi drivers submit proof of health insurance coverage as a condition of obtaining a permit.

The legislature may impose conditions and qualifications on the practitioners of a particular occupation in order to protect the public.⁸³ Regulations on entry into a profession, as a general matter, are constitutional if they have a rational connection with the applicant's fitness or capacity to practice the profession.⁸⁴ A legislative body could reasonably conclude that having health insurance increases the likelihood that taxi drivers will have access to timely and effective medical care, thereby promoting the health and well-being of drivers and reducing the likelihood that drivers—as a result of illness or poor health—will mishandle their vehicles and possibly harm their passengers, other motorists, or themselves. The requirement of health insurance therefore is rationally related to the legitimate governmental interest in ensuring that taxi drivers are capable of performing under the high standard of care required of their profession.

⁷⁸ With the exception of the first sentence, this section was written by San Francisco Deputy City Attorney Thomas Owen. Personal Communication. October 6, 2005.

⁷⁹ *Ingham v. Luxor Cab Co.* (2002) 93 Cal.App.4th 1045, 1050.

⁸⁰ *Id.*, citing Cal. Civil Code § 2100.

⁸¹ Cal. Govt. Code § 53075.5.

⁸² See SF Police Code § 1089(d).

⁸³ *In re Application of Carlson* (1927) 87 Cal.App. 584, 587.

⁸⁴ *Dittman v. State of California* (9th Cir. 1999) 191 F.3d 1020, 1030-31.

C. Creation of Participation Restrictions

The question of participation parameters must also be taken into account in developing a health care program for taxi drivers. In general, health care programs, whether public or private, place limits on who can participate and for what period of time as a way of controlling costs and promoting program stability. San Francisco drivers as a group both experience considerable turnover annually and include a large number of part-time workers. Without restrictions, there would be a considerable incentive to obtain a taxi driver's license solely for the purpose of obtaining health care coverage.

Employer-based programs generally restrict participation to workers who are beyond a provisional period and who work a minimum number of hours. As a result of waiting periods and minimum work-hour rules, 80% of workers at companies that offer employee health insurance are eligible for coverage on average. For employer-based health plans, the average waiting period is 1.7 months before an employee is eligible to receive health care coverage.⁸⁵

Two precedents are particularly useful for assessing appropriate program parameters for a taxi driver health program: guidelines for the HealthyWorkers Program and existing policies for taxi medallion holders. Under the HealthyWorkers Program, in-home supportive services workers must have worked for at least two months and at least 25 hours in one of the previous two months to qualify for the program.⁸⁶ This threshold identifies legitimate in-home supportive services workers while limiting the number who are excluded from health care coverage.

The tracking of some drivers' work hours already occurs as a result of the rules governing who can receive medallions. As mentioned above, drivers are required to drive a minimum of four hours on at least 75% of the business days in the prior year. The Taxi Detail is responsible for ensuring that the regulations regarding medallion possession are upheld. However, the intent of these regulations is to limit medallions to active long-term drivers.⁸⁷ The Department of Public Health believes that such constraints are overly restrictive in the context of health care provision and would limit the desired goal of increasing access to healthcare. ***Therefore, the Department of Public Health recommends that the standards used for the HealthyWorkers Program be applied to drivers. Under these criteria, coverage would be limited to holders of "A" Cards who had worked at least 25 hours in one of the previous two months to qualify for health care coverage. In addition, the Department of Public Health recommends that coverage be limited to those drivers who have held an "A Card" for at least six months with proof of employment as a taxi driver and who is ineligible for no-cost Medi-Cal.***

⁸⁵ Kaiser Family Foundation. 2005. "Employer Health Benefits 2005 Annual Survey." Found at: <http://www.kff.org/insurance/7315/index.cfm>.

⁸⁶ See San Francisco Health Plan. "Do I Qualify?" n.d. Found at: http://www.sfhp.org/visitors/programs/healthy_workers/do_i_qualify.aspx.

⁸⁷ See San Francisco Taxicab Commission. 2002. "Enforcement of the Full-Time Driving Requirement: Standards for Permit Revocation." January 26. Found at: http://www.sfgov.org/site/taxicommission_page.asp?id=8130.

D. *Responsibility for Obtaining Driver Information*

Participation restrictions, while necessary, require determination of eligibility and also increase the need for administrative oversight. Unfortunately, the taxicab industry in San Francisco is not widely computerized and often lacks accurate way-bill information related to drivers and shifts. Drivers are required to show a letter of intent to hire from a cab company when they first obtain an “A” Card, but they are not obliged to submit similar information at renewal. As a result, there is no tracking of a drivers’ employment status beyond the first year if drivers are not medallion holders. In addition, it is widely acknowledged that fraud in the industry does exist.⁸⁸ Therefore, aggregation of driver information for the purposes of health care coverage poses somewhat of a challenge.

However, the intent of the Board of Supervisors to promote greater transparency and aggregation of industry data is clear from increased reporting requirements. Section 1135.1(b)(i) of the San Francisco Police Code on higher gate fees requires that cab companies submit to reporting compliance:

"Compliance" shall mean that by no later than January 1, 2003 or, if the effective date of the Ordinance creating the higher cup [sic] on gate fees occurs thereafter, by no later than the effective date of that Ordinance, the taxicab company has submitted the information required by the Controller's rules and regulations for the most recent year the information is required, and by no later than April 1, 2003 the taxicab company has submitted the information required by the Controller's rules and regulations for the three most recent years the information is required. The condition that the taxicab company be in compliance with the Controller's rules and regulations is ongoing; hence, the right to charge the higher mean gate fee authorized by this subsection is dependent on continued fulfillment of this condition.⁸⁹

In addition, cab companies are already required to provide detailed monthly passenger and trip data for the purposes of the paratransit program. ***The Department of Public Health therefore recommends that cab companies be responsible for maintaining the appropriate driver participation data and for providing this information to the San Francisco Health Plan.*** To limit fraud, we recommend that companies not be charged any health-care related costs on a per-driver basis. Funding options are discussed in greater detail in Section VII(C).

⁸⁸ Personal communication with Inspector Farrell Suslow of Taxi Detail.

⁸⁹ SF Police Code § 1135.1(b)(i).

VI. Estimated Costs

The Department of Public Health hired Michael Schionning, an actuary who specializes in health care, to determine the expected monthly cost of providing medical coverage to San Francisco's uninsured taxi drivers. Schionning used Medi-Cal data for San Francisco County combined with proprietary cost and utilization databases to develop his cost estimates.⁹⁰ Because taxi drivers in San Francisco are an under-insured population, Schionning adjusted the estimates to account for pent-up demand.

The actuary provided three sets of numbers: estimated baseline costs under various co-pay and contribution rates, costs running 5% lower than the projected baseline, and costs exceeding the baseline by 5%. Costs for the program were based upon an assumption of immediate 100% uptake. Schionning included cost estimates for \$10 and \$15 co-pay options and for participant contribution rates of 10%, 15% and 20%. Cost estimates include an additional 12% in administrative expenses for SFHP management of the program. (See Appendix B for the complete actuarial tables)

For the purposes of determining the revenues necessary to fund coverage for San Francisco taxi drivers, we use the 5% higher cost projection to minimize the possibility of a revenue shortfall. Schionning noted that while the expected cost differentials between a \$10 co-pay plan and a \$15 co-pay plan are small, a \$15 co-pay plan "is likely to help control long term costs better than the \$10 co-pay plan."⁹¹ We have therefore used the \$15 co-pay figure to provide reasonable funding levels for the program.

A. *Costs with Voluntary Participation*

Participants are generally required to contribute to the cost of their health care through premiums, deductibles or co-pays, and payment for additional services. While participant contributions help defray health care costs, they are also intended to discourage overuse of health services.⁹² Employee contributions for health care premiums averaged 16% for single coverage in 2005.⁹³ In our assessment of cost and revenue options for the development of a taxi driver health plan, we will use both the 15% and a 20% contribution figures provided by the actuary. ***The final decision about whether to implement a 15% or a 20% contribution rate is a policy choice.***

The actuary used the survey of San Francisco taxi drivers to determine expected participation rates in a voluntary health plan. Voluntary enrollment rates are expected to decrease as

⁹⁰ The proprietary database includes Medi-Cal data for the State of California, Medicaid data from other western U.S. states, OSHPD hospital data for the State of California, and other employer-based information for the Western U.S. For more information about the methodology used, see Appendix B. Schionning, Michael. 2005. "San Francisco Health Plan and San Francisco Department of Public Health Proposed Benefit Program Taxi Cab Driver Coverage Expected Cost Analysis." August 19.

⁹¹ Schionning, Michael. 2005. "San Francisco Health Plan and San Francisco Department of Public Health Proposed Benefit Program Taxi Cab Driver Coverage Expected Cost Analysis." August 19. P. 1.

⁹² San Francisco Office of the Controller. 2003. "Health Benefits for San Francisco Taxi Drivers." October.

⁹³ Kaiser Family Foundation. 2005. "Employer Health Benefits 2005 Annual Survey." Found at: <http://www.kff.org/insurance/7315/index.cfm>.

possible contribution rates rise, and Schionning therefore calculated an enrollment range of 46% to 57%, or 3,200 to 4,000 drivers, depending on the required contribution rates (20% or 15%).⁹⁴

With a 15% contribution rate, the estimated cost of the program net of driver contribution is \$11,870,626 for the first year. With a 20% contribution rate, the cost of the program net of driver contribution is \$10,501,939 for the first year. The actuary provides the following estimates:⁹⁵

**Table 1: Voluntary Plan Total Costs
Costs 5% Higher than Expected**

Contribution Rate	15%	20%
Number of Participants	3,600	3,200
Total Plan Cost	\$13,955,458	\$12,973,363
Total Driver Contributions⁹⁶	\$2,084,832	\$2,471,424
Net Cost	\$11,870,626	\$10,501,939

However, because adverse selection results in higher underlying risk characteristics of the enrolled population as enrollment rates decrease, Schionning recommends the use of a 40% enrollment estimate to set initial premium rates. This conservative estimate provides additional margin to handle the potential impact of a less healthy population on per participant costs at higher contribution rates.

With a 40% participation rate, total costs will be lower but costs per participant will increase. In addition, less total revenue will be contributed by participants. Given an estimated 2,800 enrollees, we extrapolate total plan cost, driver contribution rates and net cost based on the baseline actuarial estimates.⁹⁷

⁹⁴ Schionning, Michael. 2005. "San Francisco Health Plan and San Francisco Department of Public Health Proposed Benefit Program Taxi Cab Driver Coverage Expected Cost Analysis." August 19.

⁹⁵ Schionning, Michael. 2005. "San Francisco Health Plan and San Francisco Department of Public Health Proposed Benefit Program Taxi Cab Driver Coverage Expected Cost Analysis." August 19.

⁹⁶ Driver contributions are based on total premium rates of \$13,900,032 and \$12,355,584 respectively.

⁹⁷ These figures are based on Exhibit IV of the actuarial data, which provides enrollment based monthly costs per driver at different participation rates. Using the 40% figure of \$321.76, we calculate monthly costs with a 5% additional cost beyond baseline assumptions and then determine total annual costs for 2,800 drivers.

**Table 2: Voluntary Plan Total Costs
Costs 5% Higher than Expected with 40% Participation**

Contribution Rate	15%	20%
Number of Participants	2,800	2,800
Total Plan Cost	\$11,351,693	\$11,351,693
Total Driver Contributions	\$1,702,754	\$2,270,339
Net Cost	\$9,648,939	\$9,081,354

Given a 40% participation rate, we can then calculate the enrollment-based costs and the contribution costs per participant. With a 15% contribution rate, the monthly cost per participant is \$50.68. With a 20% contribution rate, the monthly cost per participant is \$67.57.⁹⁸

**Table 3: Voluntary Plan Costs per Participant
Costs 5% Higher than Expected with 40% Participation**

Contribution Rate	15%	20%
Monthly Total Cost per Participant	\$337.85	\$337.85
Monthly Fee per Participant	\$50.68	\$67.57
Monthly Net Cost per Participant	\$287.17	\$270.28
Annual Total Cost per Participant	\$4,054.18	\$4,054.18
Annual Fee per Participant	\$608.13	\$810.84
Annual Net Cost per Participant	\$3,446.05	\$3,243.34

These contribution rates are in line with premiums for employees in employer-based plans, which has averaged \$51 per member for single coverage in 2005.⁹⁹ Under the two scenarios, SFHP's cost per participant would range from \$3,243.34 annually with 20% driver contribution rates to \$3,446.05 annually with 15% contribution rates.

⁹⁸ Schionning, Michael. 2005. "San Francisco Health Plan and San Francisco Department of Public Health Proposed Benefit Program Taxi Cab Driver Coverage Expected Cost Analysis." August 19.

⁹⁹ Workers in low wage firms (where 35% or more of the employees earn \$20,000 or less per year) pay a higher percentage of their premium costs on average than workers in higher wage firms (where fewer than 35% earn \$20,000 or less per year). Workers in low wage firms contribute 20% for single coverage, while workers in higher wage firms contribute 15%. Kaiser Family Foundation. 2005. "Employer Health Benefits 2005 Annual Survey." Found at: <http://www.kff.org/insurance/7315/index.cfm>.

B. Costs with Mandatory Participation

Extrapolating from the actuarial figures, the Department of Public Health has also determined total plan cost, driver contribution rates and net costs if health coverage were made mandatory for San Francisco taxi drivers.¹⁰⁰ While a mandatory program would incur higher total costs, it would both reduce the risk associated with adverse selection and would improve the overall stability of a health coverage program for taxi drivers.

Estimates for the costs of a mandatory plan are based on participation rates of 80%. While more than 20% of drivers surveyed responded that they presently have health insurance from another source, we take into account the likelihood that some drivers will switch from their present carrier to a SFHP-based plan. This is particularly true for those presently paying for individual health care, who will find more favorable rates with the SFHP-based plan.

Given an 80% participation rate and still assuming actual costs are 5% higher than expected costs, total plan costs for a mandatory plan would be \$19,205,021 per year. Depending on the contribution rates required, net costs would range from \$15,364,017 with 20% contribution from drivers to \$16,324,268 with 15% contribution.

**Table 4: Mandatory Plan Total Costs
Costs 5% Higher than Expected with 80% Participation**

Contribution Rate	15%	20%
Number of Participants	5,600	5,600
Total Plan Cost	\$19,205,021	\$19,205,021
Total Driver Contributions	\$2,880,753	\$3,841,004
Net Cost	\$16,324,268	\$15,364,017

Given total costs, drivers would pay \$42.87 per month under a 15% contribution model and \$57.16 under a 20% contribution model. Net costs per participant would range from \$228.63 to \$242.92 per month, depending on the driver contribution rate.

¹⁰⁰ These figures are based on Exhibit IV of the actuarial data, which provides enrollment based monthly costs per driver at different participation rates. Using the 80% figure of \$272.18, we calculate monthly costs with a 5% additional cost beyond baseline assumptions and then determine total annual costs for 5,600 drivers.

**Table 5: Mandatory Plan Costs per Participant
Costs 5% Higher than Expected with 80% Participation**

Contribution Rate	15%	20%
Monthly Cost per Participant	\$285.79	\$285.79
Monthly Fee per Participant	\$42.87	\$57.16
Monthly Net Cost per Participant	\$242.92	\$228.63
Annual Cost per Participant	\$3,418.47	\$3,418.47
Annual Fee per Participant	\$514.42	\$685.89
Annual Net Cost per Participant	\$2,915.05	\$2,743.57

Under a mandatory program, both driver contributions and SFHP costs per participant would decline relative to a voluntary program with a 40% participation rate. SFHP would spend \$531.00 less per driver with 15% driver contribution rates and \$499.77 less per driver with 20% contribution rates. Participating drivers would contribute \$93.71 less annually under the 15% model. Their rates would be \$124.94 less annually under the 20% contribution model. Under either contribution rate, drivers would spend 15% less under the mandatory program compared to the voluntary program.

VII. Funding Models

Adequate funding levels for a San Francisco taxicab driver health plan depend on the driver contribution level chosen and whether the program is voluntary or mandatory. Depending on the policy choice made, revenue needs range from \$9,081,354 under a voluntary program with 20% contribution rates to \$16,324,268 under a mandatory program with 15% contribution rates.

Table 6: Revenue Levels Needed to Fund Plan

Contribution Rate	15%	20%
Net Voluntary Program Cost	\$9,648,939	\$9,081,354
Net Mandatory Program Cost	\$16,324,268	\$15,364,017

In this section, we begin with an assessment of the types of revenue streams that may be used to fund the program. Next, the report outlines the supply and demand factors that should be taken into account in determining which stakeholders contribute to the plan and how costs should be shared. Finally, we provide detailed revenue breakdowns based on different cost sharing models.

A. Fees versus Taxes

Because federal and state funds are not available for this project, a health care plan for San Francisco taxi drivers must be financed within the industry. Funding options are shaped by California laws concerning the imposition of fees and taxes. Due to legal restrictions on the use of fees, the City Attorney has determined that existing fees imposed on drivers, medallion holders and cab companies cannot simply be raised to obtain the revenue needed to fund a taxi driver health plan. A new fee, tax and/or fare increase will have to be implemented to pay for the program.¹⁰¹

A fee is a charge imposed on an individual, business or other organization for a service or facility provided directly to the individual or organization. State law mandates that a fee cannot exceed the cost of providing the service or facility – otherwise, it is considered a special tax. Local governments do not have to obtain voter approval for new or increased fees, which for San Francisco are set by the Board of Supervisors. However, they must hold a public hearing on the proposed fee and notify the public of the hearing 10 days in advance.¹⁰²

¹⁰¹ Personal communication with Thomas Owen, Deputy City Attorney.

¹⁰² California Budget Project. 1996. "What Are the Differences between Assessments, Fees and Taxes?" August. Found at: <http://www.cbp.org/1996/bb960801.html>.

A tax is a charge against an individual or organization for the provision of general service or facility benefits. Unlike fees, taxes do not have to confer a specific benefit to the taxpayer. There are two types of taxes: general and special. General taxes generate revenue for the general operation of government and may be used for any purpose. A special tax is one whose proceeds can only be used for a specified purpose.

Under Propositions 62 and 218, state and local governments must get majority voter approval before levying any new general taxes or increasing an existing general tax. The State Constitution requires that special taxes be approved by two-thirds of voters.¹⁰³

In contrast, taxi fare increases are controlled by the Board of Supervisors and require only the approval of the Board.¹⁰⁴

Existing fees on medallion holders, other drivers and cab companies cannot be extended to cover a taxi driver health plan, because the fees must be used only to cover the administrative costs for which they were enacted. Further, under the legal distinction between fees and taxes, any assessment on cab companies for the purposes of a driver health plan would be considered a special tax, since it would not directly benefit the cab companies.¹⁰⁵

As a result of the distinction between fees and taxes, the City and County of San Francisco has two broad options to fund a taxi driver health plan: 1) institute a new driver-related fee and/or fare increase to pay for the plan; or 2) levy new taxes on cab companies and/or medallion holders through a voter referendum. The City may also combine the two options to provide the broadest distribution of responsibility and minimize the burden on any one industry stakeholder. These options are discussed in Section VII(C) below.

The City could also lower gate fees as a way of having cab companies absorb part of the costs without going to the ballot. As discussed above the \$91.50 gate fee was specifically set in order to help pay for a health care plan. Rather than raising the gate to pay for a health care plan, the City could lower the fee, providing drivers with more income to pay for a health plan. This would not require voter approval. However, the maximum gate fee is not charged by all companies or for all shifts. This implies that lowering the gate fee would be an imperfect way to balance program costs.

It should be noted that there has been some discussion in the industry of privatizing medallions. Medallions are a public asset to which only a small number of drivers derive benefits, and the long wait list creates a bottleneck that disadvantages younger drivers. It has also been argued that the present system requires older drivers to drive full-time to maintain their medallions, even when it might be unsafe for them to drive. The Office of the Controller has determined that privatizing medallions would generate an estimated \$180,000 per medallion, or \$249 million for all 1,381 medallions. However, the Controller does not know if the market could bear auctioning more than 50 medallions at a time, which would

¹⁰³ California Budget Project. 1996. "What Are the Differences between Assessments, Fees and Taxes?" August. Found at: <http://www.cbp.org/1996/bb960801.html>. For information about Proposition 218, see Legislative Analyst's Office. 1996. "Understanding Proposition 218." December. Found at: http://www.lao.ca.gov/1996/120196_prop_218/understanding_prop218_1296.html.

¹⁰⁴ See SF Police Code § 1137.

¹⁰⁵ Personal communication with Thomas Owen, Deputy City Attorney.

yield \$9 million in revenue.¹⁰⁶ Because the yearly cost of a driver health program exceeds \$9 million, we have not focused on the mechanics of privatization as a funding option. However, if that option were chosen, the funding numbers provided in this report would still be applicable. ***Privatization, which would require a change in law to amend or revoke Proposition K, is a policy choice.***

B. Supply and Demand Factors Affecting San Francisco's Taxicab Industry

The San Francisco taxicab industry includes both regulatory restrictions and free-market elements that have implications for whether and how fee increases are passed along. Since fare increases as well as new fees and taxes can have supply and demand effects, we have researched the supply and demand consequences of fee or fare increases for each of the major stakeholders. This section also discusses existing fee and fare levels. Table 11 at the end of the section provides a summary overview of supply and demand information.

Overview of Industry Supply and Demand

The San Francisco Office of the Controller reported in December, “The economy is beginning to rebound, albeit at a slower pace than would be optimal, and with it the outlook for the taxicab industry is improving as well.”¹⁰⁷ However, the Controller also noted “Limited recovery in demand for taxicab services has occurred since the early 2000s.”¹⁰⁸

In terms of general taxi industry supply and demand, the Office of the Controller reported that tourism has exhibited a “moderate rebound”¹⁰⁹ over the past five years, but that jobs and daily transportation have been sluggish. Employment decreased 4% between 2000 and 2004, while MUNI trips declined 1% during the same time period.¹¹⁰

¹⁰⁶ Office of the Controller. 2004. “Taxi Medallion Privatization.” May 21. Kim, Hansu. 2005. “Improving How We Get Around Taxi Medallions – Why Give S.F. Assets Away?” San Francisco Chronicle. March 29. Personal Communication with Carl Macmurdo.

¹⁰⁷ San Francisco Office of the Controller. 2005. “Taxi Cab Industry Report: Rates of Fare and Gate Fees.” December. P. 2.

¹⁰⁸ San Francisco Office of the Controller. 2005. “Taxi Cab Industry Report: Rates of Fare and Gate Fees.” December. P. 2.

¹⁰⁹ San Francisco Office of the Controller. 2005. “Taxi Cab Industry Report: Rates of Fare and Gate Fees.” December. P. 8.

¹¹⁰ San Francisco Office of the Controller. 2005. “Taxicab Industry Report: Rates of Fare and Gate Fees.” December.

Table 7: Taxi Industry Demand and Supply Growth Over 5 years

	Compound Average Annual Growth Since 2000	2004	2003	2002	2001	2000
Market Supply & Demand						
Taxi Medallions Issued – Supply Measures						
Total Medallions	0.0%	1,381	1,381	1,381	1,381	1,381
Sedan Medallions	0.0%	1,306	1,306	1,306	1,306	1,306
Ramp Medallions	0.0%	75	75	75	75	75
Resident Component – Demand Measures						
Population (Residential)	0.6%	793,403	791,418	788,808	783,882	775,000
MUNI Passenger Trips (1000s)	-1.0%	217,049	216,947	234,303	236,205	226,182
Paratransit Trips	9.1%	747,126	833,482	807,598	669,622	527,629
Business & Tourism Component – Demand Measures						
Employment (all Jobs in SF, 100s)	-4.2%	5,036	5,132	5,349	5,730	5,981
SFIA Enplaned Passengers (1000s)	-6.5%	15,396	14,615	15,546	19,319	20,159
Occupied Hotel Room Nights (1000s)	-0.6%	6,383	5,904	5,574	5,543	6,549

Chart is reproduced from the Office of the Controller.¹¹¹

The Office of the Controller also gave different weights to demand factors to assess changes in demand for taxi services between 2000 and 2004. The years from 2001 to 2003 were marked by consecutive declines in demand, while 2004 experienced what is characterized by the Controller as an increase in demand by approximately 2 to 4%. Because demand for taxi rides combines residential and business factors, the Office of the Controller assigned different weights to each factor to assess overall changes in demand.¹¹²

Table 8: Estimated Year-to-Year Change in Demand for Taxi Service

		2004	2003	2002	2001	2000
Demand Weights						
% Resident	% Business & Tourism	Year-to-Year Change				
30%	70%	4.1%	-0.4%	-6.1%	-5.2%	2.7%
40%	60%	3.4%	-0.4%	-4.9%	-3.9%	2.8%
50%	50%	2.7%	-0.3%	-3.7%	-2.6%	2.9%
60%	40%	2.0%	-0.3%	-2.4%	-1.3%	3.0%
70%	30%	1.3%	-0.3%	-1.2%	0.1%	3.1%

Chart is reproduced in its entirety from the Office of the Controller.¹¹³

¹¹¹ San Francisco Office of the Controller. 2005. "Taxicab Industry Report: Rates of Fare and Gate Fees." December

¹¹² San Francisco Office of the Controller. 2005. "Taxicab Industry Report: Rates of Fare and Gate Fees." December

¹¹³ San Francisco Office of the Controller. 2005. "Taxicab Industry Report: Rates of Fare and Gate Fees." December.

Consumers

San Francisco residents and tourists take approximately 40,000 to 50,000 taxi rides each day.¹¹⁴ Taxicab fares are set by the San Francisco Board of Supervisors. At present, the rates of fare for taxicabs are as follows:

First 1/5th mile or “flag”	\$2.85
Each additional 1/5th mile or fraction thereof	\$0.45
Each minute of waiting, or traffic time delay	\$0.45
Airport Exit Surcharge	\$2.00 ¹¹⁵

The fare for out-of-town trips that exceed 15 miles beyond City limits is 150% of the metered rate.¹¹⁶

To provide context for any consideration of fare increases to fund a taxi driver health program, we have documented the most recent increases. San Francisco has raised taxicab fares three times since 1999. The following table lists fare changes since 1999:¹¹⁷

Table 9: Schedule of Fare Increases

Effective	Flag	Mileage	Waiting Time
December 2002	\$2.85 first 1/5 mile	\$0.45 per additional 1/5 mile	\$0.45 per minute
June 2002	\$2.50 first 1/5 mile	\$0.40 per additional 1/5 mile	\$0.40 per minute
January 1999	\$2.50 first 1/6 mile	\$0.30 per additional 1/6 mile	\$0.40 per minute

Any evaluation of fare as a potential funding source for a taxi driver health plan must take into account decreased ridership as a result of an increase in fares. Broadly speaking, demand for taxi rides is inelastic; demand does contract with price increases, but the percentage decrease in cab rides is less than the percentage increase in cab fares. Based on data from other cities and the experience of past fare increases in San Francisco, we estimate cab rides in San Francisco to have a price elasticity of demand in the range of -.22 to -.35. In the revenue breakdowns provided in Section VII(C), we use the more conservative -.35 to estimate appropriate fare increases. For a more detailed discussion of the literature on price elasticity of demand for cab rides, see Appendix E.

¹¹⁴ San Francisco Office of the Controller. 2004. “Taxicab Industry Report: Rates of Fare and Gate Fees.” December.

¹¹⁵ SF Police Code § 1135.

¹¹⁶ SF Police Code § 1135.

¹¹⁷ San Francisco Office of the Controller. 2005. “Taxicab Industry Report: Rates of Fare and Gate Fees.” December.

However, any policy assessment that involves raising fares should take two additional issues into account. First, cab fares in San Francisco are already high when compared to rates in other major metropolitan areas. For short trips, San Francisco's fares are second only to Honolulu among the 23 major metropolitan areas studied. San Francisco's cab fares are the fourth-highest for long trips.¹¹⁸

Second, fare increases are already being considered for next year as part of a cost of living adjustment. In each even-numbered year, the Board of Supervisors evaluates whether to change fares and gate fees based upon changes in the Consumer Price Index.¹¹⁹ Ten of the 23 cities included in the study on taxi rates have increased fares in 2005 in response to rising gas prices and to catch up from increases that were postponed due to the recession earlier in the decade.¹²⁰ Based on a general inflation rate of 6.6%, the Office of the Controller has recommended an increase in the flag drop to \$3.04, an increase in the mileage per 1/5 mile to \$0.48, and an increase in wait time to \$0.48 per minute. The Controller also recommends an additional \$0.03 surcharge to the mileage rate to cover increases in fuel costs.¹²¹

Drivers

The supply of drivers is unlikely to be significantly affected by an additional driver fee, since the number of drivers is limited in large part by the 1381 cabs allowed on the street. Driver shortages in the past have been temporary, even when the number of medallions, and therefore demand for drivers, rapidly increased by 300 in 1998-99.¹²²

However, any additional fee must be assessed in light of the generally low level of taxi drivers' incomes and the lack participation in the higher cost insurance program under NASRO. In addition, their earnings have been negatively impacted by cost of living increases and particularly the surge in gas prices, which are a substantial business cost for drivers. The Office of the Controller reports that drivers have been faced with an average increase in gasoline costs of 51.9% since the beginning of January 2003.¹²³ Because fares are set by the Board of Supervisors, drivers must work longer hours to counteract cost increases. The Office of the Controller has determined that drivers pay an average of \$10.29 more per 10-hour shift than they did at the beginning of 2003. Total costs per shift have increased 9.2% since that time.¹²⁴ Any recommendations must take into account the economic impact of a fee increase for drivers beyond driver supply.

¹¹⁸ Schaller Consulting. 2005. "Taxi Fares in Major U.S. Cities." October 7. Found at: <http://www.schallerconsult.com/taxi/fares1.htm>.

¹¹⁹ SF Police Code § 1135.

¹²⁰ Schaller Consulting. 2005. "Taxi Fares in Major U.S. Cities." October 7. Found at: <http://www.schallerconsult.com/taxi/fares1.htm>.

¹²¹ San Francisco Office of the Controller. 2005. "Taxicab Industry Report: Rates of Fare and Gate Fees." December.

¹²² Personal communication with Inspector Farrell Suslow of Taxi Detail.

¹²³ San Francisco Office of the Controller. 2005. "Taxi Cab Industry Report: Rates of Fare and Gate Fees." December. P. 2.

¹²⁴ San Francisco Office of the Controller. 2005. "Taxicab Industry Report: Rates of Fare and Gate Fees." December.

Drivers are presently required to pay filing fees of \$76 plus a \$43 fingerprinting fee. The license renewal fee for a driver's "A" Card is \$46. Prospective drivers are also required to attend a taxi driver training class. Costs for training range from \$125 or \$175, depending on the school.¹²⁵

Medallion Holders

Demand for medallions is unlikely to be significantly affected by an additional medallion fee, given that the supply is restricted to 1381, turnover averages 40 to 50 medallions a year, and the waiting list is more than a decade long.¹²⁶

It could be argued that medallion holders obtain excess rents on medallions, since medallions are a municipal license valued at \$21,600 per year.¹²⁷ However, it should also be noted that many medallion holders use the medallions to fund partial retirement after many years of service. Further, medallion holders were negatively impacted economically by the medallion lease cap, and lease rates have not rebounded to pre-cap levels.

Drivers presently pay a \$354 application fee to get on the medallion waiting list. The initial medallion fee is \$577 for a regular medallion and \$112 for a ramp medallion. Medallion renewal costs \$490 for a regular medallion and \$103 for a ramp medallion.¹²⁸

Taxicab Companies

The Office of the Controller obtained detailed financial statements for the period between 2001 and 2004 for twenty-nine cab companies. Overall, the financial health of San Francisco's cab companies improved in 2004, with average gross income per medallion increasing to \$45,324 per medallion per year from \$44,009 in 2003. However, the Controller noted that revenues are "still relatively flat when comparing the average results of 2004 to 2001."¹²⁹

Average net income per medallion for reporting taxi companies was \$9,639 in 2004. While this compares favorably to 2003 net income per medallion of \$7,153, 2002 net income figures were higher at \$11,253 per medallion. Average net profit margins were 21% in 2004, compared to a low of 16% in 2003, 21% in 2002 and 19% in 2001.¹³⁰

¹²⁵ San Francisco Taxicab Commission. n.d. "Taxi Commission Fee Schedule." Found at: <http://www.sfgov.org/site/uploadedfiles/taxicommission/TaxiCommissionFeeSchedule.pdf>.

¹²⁶ Personal communication with Inspector Farrell Suslow of Taxi Detail.

¹²⁷ This figure is based on \$1,800 per month. See San Francisco Office of the Controller. 2004. "Taxi Medallion Privatization." May 21.

¹²⁸ San Francisco Taxicab Commission. n.d. "Taxi Commission Fee Schedule." Found at: <http://www.sfgov.org/site/uploadedfiles/taxicommission/TaxiCommissionFeeSchedule.pdf>.

¹²⁹ San Francisco Office of the Controller. 2005. "Taxicab Industry Report: Rates of Fare and Gate Fees." December

¹³⁰ San Francisco Office of the Controller. 2005. "Summary Financial Statistics for Taxicab Operating Companies." December.

Table 10: Summary of Taxicab Operating Company Financials for 2001-2004¹³¹

	Average 2001-2004	2004	2003	2002	2001
	Total - All	Total - All	Total - All	Total - All	Total - All
# of Operating Medallions	1,381	1,381	1,381	1,381	1,381
# of Operating Medallions - Reporting*	1,182	1,370	1,371	819	1,166
Statistics - As Reported by Operating Companies					
Net Profit/(Loss) Margin (using Gross Income)	19%	21%	16%	21%	19%
Return on Average Equity (Net Inc./Avg.Equity)	70%	101%	67%	55%	58%
Gross Income per Medallion	\$47,188	\$45,324	\$44,009	\$53,984	\$45,434
Net Income/loss per Medallion	\$9,156	\$9,639	\$7,153	\$11,253	\$8,578
# of Profitable Companies Reporting	13	19	18	5	11
# of Unprofitable Companies Reporting	8	10	11	3	7
Total # of Companies Reporting	21	29	29	8	18
No. of Medallions in Profitable Companies	850	1003	1003	631	764
No. of Medallions in Unprofitable Companies	331	367	368	188	402
Statistics - Adjusted for Ownership Structure Difference					
Net Profit/(Loss) Margin (using Gross Income)	3%	6%	1%	3%	1%
Return on Average Equity (Net Inc./Avg.Equity)	12%	30%	4%	8%	4%
Gross Income per Medallion	\$47,188	\$45,324	\$44,009	\$53,984	\$45,434
Net Income/loss per permit	\$1,407	\$2,891	\$409	\$1,680	\$649
# of Profitable Companies Reporting	13	19	18	5	11
# of Unprofitable Companies Reporting	8	10	11	3	7
Total # of Companies Reporting	21	29	29	8	18
No. of Medallions in Profitable Companies	850	1003	1003	631	764
No. of Medallions in Unprofitable Companies	331	367	368	188	402

* Permit Statistics for 2003 & 2004 are based on permit info provided by the Police Taxi Detail. Statistics for 2001 & 2002 are based on permit info provided by operating companies.

Chart reproduced from Office of the Controller.¹³²

Financial information from 29 of the companies revealed a disparity in profitability. For 2004, 66% (19) of the companies were profitable, while 34% (103) were unprofitable. This compared to profitability rates of 61% in 2001, 63% in 2002 and 62% in 2003. Average net income per medallion equaled \$9,639 in 2004.¹³³

The Controller cautioned that “uneven distribution of profitability” among taxicab companies makes it difficult to “make overall financial capacity assumptions concerning the ability for operating companies to contribute to taxi driver health insurance costs.”¹³⁴

The Office of the Controller also adjusted financial information to account for cooperative ownership structure differences. On an adjusted basis, the Controller reported that, “the overall profitability of the industry is lower than the data directly reported by operating companies, though industry operating improvement continues to be present.”¹³⁵ Average adjusted net income per medallion was \$2,891 for 2004, \$409 for 2003, \$1,680 for 2002 and

¹³¹ San Francisco Office of the Controller. 2005. “Taxicab Industry Report: Rates of Fare & Gate Fees.” December.

¹³² San Francisco Office of the Controller. 2005. “Taxicab Industry Report: Rates of Fare and Gate Fees.” December

¹³³ San Francisco Office of the Controller. 2005. “Summary Financial Statistics for Taxicab Operating Companies.” December.

¹³⁴ San Francisco Office of the Controller. 2005. “Taxicab Industry Report: Rates of Fare and Gate Fees.” December

¹³⁵ San Francisco Office of the Controller. 2005. “Summary Financial Statistics for Taxicab Operating Companies.” December. P. 2.

\$649 for 2001. These averages translated into a profit margin of 6% in 2004, 1% in 2003, 3% in 2002 and 1% in 2001.¹³⁶ Any assessment of the impact of company fees should take the differential financial health of cab companies into account.

Revenues for cab companies are controlled by the gate fee caps under which the industry operates, while costs are not similarly constrained. Because gate fees are capped, larger cab companies that offer full services and already charge the maximum gate fee will not be able to pass along fee increases directly to drivers. This does not mean that they may not pass along part of the increase through other charges or by reducing of services provided.

Smaller companies that do not presently charge the maximum allowable gate fee can increase gate fees to pass along fee increases for color schemes or dispatch services to drivers. However, they are somewhat constrained by the gate fee cap on larger companies that provide additional services. Any assessment of company fees must take into account the possibility of passing along some of the fee increase to drivers.

Further, smaller companies in the industry are typically more unstable than larger ones, and there is both considerable industry turnover among companies with a single or several cabs and movement of permits between companies. Smaller companies will be much more vulnerable to the economic impact of increased fees than large operators, and any assessment of company fees must take this differential impact into account. Any assessment of the impact of company fees should take the distribution of medallions into account.

Cab companies presently pay fees on a sliding scale up to \$3,880 for new colors and up to \$2,581 to renew. The taxicab radio dispatch service fee is \$2,590 per year.¹³⁷

¹³⁶ San Francisco Office of the Controller. 2005. "Summary Financial Statistics for Taxicab Operating Companies." December.

¹³⁷ San Francisco Taxicab Commission. n.d. "Taxi Commission Fee Schedule." Found at: <http://www.sfgov.org/site/uploadedfiles/taxicommission/TaxiCommissionFeeSchedule.pdf>.

Table 11: Supply, Demand and Costs in SF Taxi Industry

<p>Cabs/Medallions (1,381)</p>	<p>Drivers (App. 7,000)</p>	<p>Cab Companies (34)</p>	<p>Cab Rides (40-50,000 per Day)</p>
<p>Number of cabs determined by number of medallions; most medallions owned by drivers.</p> <p>SUPPLY & DEMAND (S&D):</p> <p>Absolute number of medallions controlled by the City. Drivers wait on waiting list to obtain medallions. Must be active driver to obtain medallion.</p> <p>COSTS:</p> <p>Medallion is given to drivers who wait on list. To get on waiting list, must pay \$354 application fee. To obtain a medallion, must pay application fees of \$577 for a regular medallion and \$112 for a ramp medallion. Medallion renewal is \$490 for a regular medallion and \$103 for a ramp medallion.</p>	<p>Need Taxi Driver's Permit ("A" Card) to drive.</p> <p>S&D:</p> <p>Number of drivers limited by number of cabs and cab companies' needs – must have letter of intent to hire from company to obtain "A" Card. Taxicab Commission has placed other restrictions on permits as well, such as training certification.</p> <p>COSTS:</p> <p>Application fees include \$76 plus a \$43 Fingerprinting fee. Fees for driver's permit: License Fee \$46. Costs for training: \$125 or \$175, depending on school.</p> <p>To cab companies: Average per shift gate fee is capped at \$91.50/shift. May be lower depending on shift and extent of services offered.</p>	<p>In general, cab companies don't hold medallions directly. Instead, they lease them from drivers. Need "color scheme" permit to operate cab company and "radio dispatch" permit to operate dispatch if operate dispatch directly.</p> <p>S&D:</p> <p>Lease prices to permit holders not regulated. Gate paid by drivers to cab companies is capped by Board of Supervisors.</p> <p>COSTS:</p> <p>Cab companies often pay for vehicles, maintenance, Worker's Comp, vehicle insurance, and operations.</p> <p>By cab companies to permit holders: Approx. \$1,800/mo.</p> <p>By cab companies to City: Sliding scale up to \$3,880 for new colors, up to \$2,581 to renew. Dispatch is \$2,590 per year. New color scheme and dispatch applications also include surcharge. Metal medallions cost \$31.</p>	<p>Fares are strictly controlled by the City, and drivers receive all fares after paying for gate fee.</p> <p>S&D:</p> <p>Fares are set by Board of Supervisors.</p> <p>COSTS:</p> <p>First 1/5th mile or flag--\$2.85; Each additional 1/5th mile or fraction thereof--\$.45; each minute of waiting, or traffic time delay--\$.45. Airport Exit Surcharge--\$2.00.</p>

C. Revenue Breakdowns Based on Cost Sharing Models

This section analyzes different revenue stream possibilities for a taxi driver health plan and details the amount of revenue that would need to be generated from each funding source under multiple scenarios. First, we examine the options if the possibility of a voter tax referendum is excluded. Second, we explore funding a taxi driver health plan solely through new tax revenue. Finally, we lay out the funding alternatives if all revenue stream options are included. ***The tables show potential funding models. The relative amount paid by each stakeholder group could be adjusted in the final plan as a policy choice.***

i. Fee/Fare Option: Revenue Generated without Voter Initiative

If the possibility of raising revenue for a taxi health plan through new tax revenue is put aside, the program could be funded through some combination of driver fees and an increase in taxi fare rates. Because taxi drivers will be the beneficiaries of a taxi health plan, fees levied on them for the purposes of a health plan can be implemented without voter approval. Taxi fares may be increased solely at the discretion of the Board of Supervisors.

Although the existing “A” Card fees could not be used to fund the program, the Taxicab Commission could implement a new driver fee that would be collected either at the time of “A” Card renewal or throughout the year. While participant drivers would already be paying into the system through their plan contributions, the program under this model would be funded in part by those drivers who are not enrolled in the program. It should be noted that under a self-funded system, participating drivers would be paying twice – once as part of the general fee, and once through their plan contributions.

Under a program funded entirely by driver fees, monthly fees range from \$108.11 under a voluntary program with 20% contribution to \$194.34 under a mandatory program with 15% contribution.

For participating drivers, total monthly payments range from \$165.55 under a voluntary program with 15% contribution to \$240.06 under a mandatory program with 20% contribution.

Note that in all tables, program net costs include costs after participant contributions have already been factored in. Participant contributions are shown in this and other tables to make clear how total costs for the program are shared.

Table 12: Program Funded Entirely by Participant Contributions and Driver Fee

Contribution Rate	15%	20%
Voluntary Program Net Cost	\$9,648,939	\$9,081,354
Voluntary Program Annual (Monthly) Fee per Driver	\$1,378.42 (\$114.87)	\$1,297.34 (\$108.11)
Voluntary Program Annual (Monthly) Participant Contribution	\$608.13 (\$50.68)	\$810.84 (\$67.57)
Total Annual (Monthly) Amount for Participating Drivers	\$1,986.55 (\$165.55)	\$2,108.18 (\$175.68)
Mandatory Program Net Cost	\$16,324,268	\$15,364,017
Mandatory Program Annual (Monthly) Fee per Driver	\$2,332.04 (\$194.34)	\$2,194.86 (\$182.90)
Mandatory Program Annual (Monthly) Participant Contribution	\$514.42 (\$42.87)	\$685.89 (\$57.16)
Total Annual (Monthly) Amount for Participating Drivers	\$2,846.46 (\$237.21)	\$2,880.75 (\$240.06)

The primary concern with a program funded entirely by drivers is that the costs of such fees could be sufficiently prohibitive to limit the affordability of the program. Under the voluntary scenario, monthly fees for the program would be approximately twice as high as the individual contribution rates.

The Board of Supervisors could also decide to implement a taxi fare increase for the purposes of funding a taxi health plan. Under such a plan, the extra income could be passed through to the plan through a driver fee, or the revenue could be generated through a gate fee increase passed to the cab companies.

If taxi fare increases were used to cover the entire cost of the program, fares would need to rise between \$.95 per ride with a voluntary program and 20% contribution rate and \$1.77 per ride under a mandatory program with a 15% contribution rate.

**Table 13: Program Funded by Fare Increase
and Participant Contributions**

Contribution Rate	15%	20%
Voluntary Program Net Cost	\$9,648,939	\$9,081,354
Voluntary Program Fare Increase per Ride	\$1.02	\$0.95
Voluntary Program Annual (Monthly) Participant Contribution	\$608.13 (\$50.68)	\$810.84 (\$67.57)
Mandatory Program Net Cost	\$16,324,268	\$15,364,017
Mandatory Program Fare Increase per Ride	\$1.77	\$1.66
Mandatory Program Annual (Monthly) Participant Contribution	\$514.42 (\$42.87)	\$685.89 (\$57.16)

Without a voter referendum, the program could be funded by splitting the cost of the program between drivers and consumers through a fare increase. This option would lessen the financial impact of funding for the program on the individual stakeholders. Under such a scenario, monthly fees for drivers range from \$54.06 under a voluntary program with a 20% contribution rate to \$97.17 under a mandatory program with a 15% contribution rate. For participating drivers, total monthly costs range from \$108.11 (\$57.43 plus \$50.68 contribution) under a voluntary program with a 15% contribution rate to \$148.61 (\$91.45 plus \$57.16 contribution) under a mandatory program with a 20% contribution rate.

Fare increases per ride vary from \$0.47 under a voluntary program with 20% contribution to \$0.86 under a mandatory program with 15% contribution levels.

Table 14: Program Funded by Share between Drivers and Fare Increase

Contribution Rate	15%	20%
Voluntary Program Net Cost	\$9,648,939	\$9,081,354
Voluntary Program 50% of Net Cost to Drivers	\$4,824,470	\$4,540,677
Voluntary Program Annual (Monthly) Fee per Driver	\$689.21 (\$57.43)	\$648.67 (\$54.06)
Voluntary Program Annual (Monthly) Participant Contribution	\$608.13 (\$50.68)	\$810.84 (\$67.57)
Total Annual (Monthly) Amount for Participating Drivers	\$1,297.34 (\$108.11)	\$1,459.50 (\$121.63)
Voluntary Program 50% of Net Cost to Fare	\$4,824,470	\$4,540,677
Voluntary Program Fare Increase per Ride	\$0.50	\$0.47

Contribution Rate	15%	20%
Mandatory Program Net Cost	\$16,324,268	\$15,364,017
Mandatory Program 50% of Net Cost to Drivers	\$8,162,134	\$7,682,009
Mandatory Program Annual (Monthly) Fee per Driver	\$1,166.02 (\$97.17)	\$1,097.43 (\$91.45)
Mandatory Program Annual (Monthly) Participant Contribution	\$514.42 (\$42.87)	\$685.89 (\$57.16)
Total Annual (Monthly) Amount for Participating Drivers	\$1,680.44 (\$140.04)	\$1,783.32 (\$148.61)
Mandatory Program 50% of Net Cost to Fare	\$8,162,134	\$7,682,009
Mandatory Program Fare Increase per Ride	\$0.86	\$0.80

Finally, given the low-income status of drivers, we also explored the option of holding the total amount that participating drivers pay monthly, which includes the contribution rate plus the monthly fee, constant at \$80. Drivers not participating in the program would pay only the monthly fee listed below. Under this scenario, a fare increase is used to fund the remaining revenue shortfall after driver contribution is calculated.

Monthly fees for drivers range from \$12.43 under a voluntary program with a 20% contribution rate (which, when combined with the \$67.57 contribution rate, equals \$80 for participating drivers) to \$37.13 under a mandatory program with a 15% contribution rate (which, when combined with the \$42.87 contribution rate, equals \$80 for participating drivers).

Fare increases per ride vary from \$0.75 under a voluntary program with 15% contribution to \$1.44 under a mandatory program with 20% contribution levels. Note that under this option, fare increases are larger with 20% driver contribution.

Table 15: Program Funded by Share between Drivers and Fare Increase with Total Driver Amount Held to \$80 Maximum

Contribution Rate	15%	20%
Voluntary Program Net Cost	\$9,648,939	\$9,081,354
Voluntary Program Cost to Drivers	\$2,463,090	\$1,044,120
Voluntary Program Annual (Monthly) Fee per Driver	\$351.87 (\$29.32)	\$149.16 (\$12.43)
Voluntary Program Annual (Monthly) Participant Contribution	\$608.13 (\$50.68)	\$810.84 (\$67.57)
Total Annual (Monthly) Amount for Participating Drivers	\$960.00 (\$80.00)	\$960.00 (\$80.00)
Voluntary Program Cost to Fare	\$7,185,849	\$8,037,234
Voluntary Program Fare Increase per Ride	\$0.75	\$0.84

Contribution Rate	15%	20%
Mandatory Program Net Cost	\$16,324,268	\$15,364,017
Mandatory Program Cost to Drivers	\$3,119,060	\$1,918,770
Mandatory Program Annual (Monthly) Fee per Driver	\$445.58 (\$37.13)	\$274.11 (\$22.84)
Mandatory Program Annual (Monthly) Participant Contribution	\$514.42 (\$42.87)	\$685.89 (\$57.16)
Total Annual (Monthly) Amount for Participating Drivers	\$960.00 (\$80.00)	\$960.00 (\$80.00)
Mandatory Program Cost to Fare	\$13,205,208	\$13,445,247
Mandatory Program Fare Increase per Ride	\$1.41	\$1.44

ii. Tax Option: Revenue Generated through Voter Initiative

Another revenue stream option is to put the issue before the voters, since they have already expressed a commitment to expand health care coverage in San Francisco. Taxes could be raised from cab companies, medallion holders or a combination of the two.

Cab Companies

The Bureau of Labor Statistics reports that insurance costs for employer-based health coverage for civilian workers average \$2.10 for every hour worked.¹³⁸ Employer contributions to health care premiums average \$3,413 per employee per year for single coverage.¹³⁹ Because cab companies benefit from the independent contractor status of drivers in terms of business risk reduction, the case can be made for the assumption of some of the costs of taxi driver health insurance by these companies. Since a tax on cab companies to fund health care would not be earmarked for general funds, a voter referendum would require two-thirds approval.

Because there is such a range in the size and profitability of cab companies, any tax on cab companies for a driver health plan would need to be divided in a fair manner and structured to minimize undue impact on the smallest companies. The Taxicab

¹³⁸ U.S. Department of Labor, Bureau of Labor Statistics. 2005. "Table 2: Civilian Workers, by Occupational and Industry Group." September. Found at: <http://bls.gov/news.release/ecec.t02.htm>.

¹³⁹ Kaiser Family Foundation. 2005. "Employer Health Benefits 2005 Annual Survey." Found at: <http://www.kff.org/insurance/7315/index.cfm>.

Commission presently divides cab companies into four categories by number of medallions for the purposes of existing color scheme fees. However, these categories are sufficiently broad so that they lump together companies with substantially different levels of revenue. Most importantly, these categories do not differentiate between the largest companies. There are four ways of tying health care fees to the size of cab companies in a more granular way. They are:

- a. As a percent of income
- b. Per driver
- c. Per cab per shift
- d. Per medallion

Given the lack of regular information in the past about the financial status of individual cab companies and the fact that the taxi industry is a cash business, fees as a percentage of income will be problematic to ascertain and will demand additional oversight on the part of the City. Although the Board of Supervisors may want to pursue this as an option, detailed financial information on the cab companies was not available. It is therefore beyond the scope of this report to determine how the percent of income approach would impact the full range of companies. This approach would also likely necessitate additional staff resources for the San Francisco Taxicab Commission. However, a percent-of-income strategy may be preferable as part of a larger effort to systematize and more closely monitor the industry.

Companies could also pay health care fees on a per-driver basis. This would more closely approximate an employer-based health plan. It also would distribute fees more fairly in terms of overall size. However, such a tax would likely skew hiring practices and alter the present balance between full-time and part-time drivers.

Since each cab generally handles two shifts per day, and since the number of cabs is limited to the number of medallions, cab company fees by medallion or by shift are essentially identical. Because the Taxicab Commission already closely tracks figures on the number of medallions per company, a fee based on medallions would be the easiest to administer among the options for cab company fees. Given 1,381 medallions, cab company fees based solely on number of medallions would range from \$6,575.93 annually per medallion under the voluntary program with 20% contribution rates to \$11,820.61 annually per medallion under the mandatory model with 15% contribution rates.

**Table 16: Program Funded by Cab Companies
and Participant Contributions**

Contribution Rate	15%	20%
Voluntary Program Net Cost	\$9,648,939	\$9,081,354
Voluntary Program Annual Cab Company Cost per Medallion	\$6,986.92	\$6,575.93
Voluntary Program Annual (Monthly) Participant Contribution	\$608.13 (\$50.68)	\$810.84 (\$67.57)
Mandatory Program Net Cost	\$16,324,268	\$15,364,017
Mandatory Program Annual Cab Company Cost per Medallion	\$11,820.61	\$11,125.28
Mandatory Program Annual (Monthly) Participant Contribution	\$514.42 (\$42.87)	\$685.89 (\$57.16)

These figures must be assessed in light of the per medallion net revenue rate of \$9,639 for cab companies in 2004. The cost per medallion for the voluntary program with a 20% contribution would constitute 68% of net revenue per medallion, while the cost for the mandatory program with a 15% contribution would account for more than 100% of 2004 net revenue per medallion.

Medallion Holders

Because a medallion is a public asset from which medallion holders derive additional income, it could be argued that medallion holders should contribute more for a health program that benefits them as well as other drivers.

Given 1,381 medallions, a tax for medallion holders would be identical to the per medallion tax charged to cab companies. If medallion holders funded the entire program, the tax would range from \$6,575.93 per medallion under the voluntary program with 20% contribution rates and \$11,820.61 under the mandatory model with 15% contribution rates.

**Table 17: Program Funded by Medallion Holders
and Participant Contributions**

Contribution Rate	15%	20%
Voluntary Program Net Cost	\$9,648,939	\$9,081,354
Voluntary Program Annual Cost per Medallion Holder	\$6,986.92	\$6,575.93
Voluntary Program Annual (Monthly) Participant Contribution	\$608.13 (\$50.68)	\$810.84 (\$67.57)
Mandatory Program Net Cost	\$16,324,268	\$15,364,017
Mandatory Program Annual Cost per Medallion Holder	\$11,820.61	\$11,125.28
Mandatory Program Annual (Monthly) Participant Contribution	\$514.42 (\$42.87)	\$685.89 (\$57.16)

However, it should be noted that, given a lease fee of approximately \$1,800 per month, medallion holders can expect to make \$21,600 per year from leasing a medallion to a cab company. Fees for full payment of the health plan would constitute between 30% and 55% of annual medallion permit revenue, depending on the plan chosen. Below we discuss options in which medallion holders pay a part of the total cost of the plan without carrying the entire burden.

Program Costs Split between Participant Contributions, Medallion Holders and Cab Companies

Because participating drivers will already be contributing to the health plan through their contribution rates, it can be argued that equal payments by the cab companies and medallion holders would involve the participation of all of the major industry participants. This option would lessen the financial impact of funding for the program. If health plan costs were split between cab companies and medallion holders, costs would range from \$3,287.96 per medallion for both medallion holders and cab companies under the voluntary program with 20% contribution rates, to \$5,910.31 per medallion for both medallion holders and cab companies under the mandatory program with 15% contribution rates.

Table 18: Program Funded by Share between Cab Companies, Medallion Holders and Participant Contributions

Contribution Rate	15%	20%
Voluntary Program Net Cost	\$9,648,939	\$9,081,354
Voluntary Program 50% of Net Cost to Cab Companies	\$4,824,470	\$4,540,677
Voluntary Program Annual Cab Company Cost per Medallion	\$3,493.46	\$3,287.96
Voluntary Program 50% of Net Cost to Medallion Holders	\$4,824,470	\$4,540,677
Voluntary Program Annual Cost per Medallion Holder	\$3,493.46	\$3,287.96
Voluntary Program Annual (Monthly) Participant Contribution	\$608.13 (\$50.68)	\$810.84 (\$67.57)

Contribution Rate	15%	20%
Mandatory Program Net Cost	\$16,324,268	\$15,364,017
Mandatory Program 50% of Net Cost to Cab Companies	\$8,162,134	\$7,682,009
Mandatory Program Annual Cab Company Cost per Medallion	\$5,910.31	\$5,562.64
Mandatory Program 50% of Net Cost to Medallion Holders	\$8,162,134	\$7,682,009
Mandatory Program Annual Cost per Medallion Holder	\$5,910.31	\$5,562.64
Mandatory Program Annual (Monthly) Participant Contribution	\$514.42 (\$42.87)	\$685.89 (\$57.16)

iii. Combination Fee/Fare and Tax Model

Finally, the taxi driver health plan could be financed by a combination of fee/fare increases and taxes. The use of a blended funding structure provides the most revenue options and spreads the burden among the greatest number of participants. This section details the funding from each revenue stream under the following scenarios: 1) fare increase with cab company or medallion holder tax; 2) two options in which funding is shared between companies, medallion holders and drivers; 3) funding shared between companies, medallion holders and fare increase; and 4) two options in which funding is divided between all of the stakeholders.

Cab Companies/Medallion Holders and a Fare Increase

We begin with details of a division of funding between cab companies and consumers through a fare increase. As noted above, cab company taxes would be determined per medallion. Therefore, the same estimate is applicable for a division of costs between medallion holders and consumers through a fare increase as well. Under this scenario, cab companies would pay \$3,287.96 per medallion under the voluntary program with a 20% contribution rate and \$5,910.31 under the mandatory program with a 15% contribution rate. Fare increases per ride vary from \$0.47 under a voluntary program with 20% contribution, to \$0.86 under a mandatory program with 15% contribution levels.

Table 19: Program Funded by Share between Cab Companies, Fare Increase and Participant Contributions

Contribution Rate	15%	20%
Voluntary Program Net Cost	\$9,648,939	\$9,081,354
Voluntary Program 50% of Net Cost to Cab Company	\$4,824,470	\$4,540,677
Voluntary Program Annual Cab Company Cost per Medallion	\$3,493.46	\$3,287.96
Voluntary Program 50% of Net Cost to Fare	\$4,824,470	\$4,540,677
Voluntary Program Fare Increase per Ride	\$0.50	\$0.47
Voluntary Program Annual (Monthly) Participant Contribution	\$608.13 (\$50.68)	\$810.84 (\$67.57)

Contribution Rate	15%	20%
Mandatory Program Net Cost	\$16,324,268	\$15,364,017
Mandatory Program 50% of Net Cost to Cab Companies	\$8,162,134	\$7,682,009
Mandatory Program Annual Cab Company Cost per Medallion	\$5,910.31	\$5,562.64
Mandatory Program 50% of Net Cost to Fare	\$8,162,134	\$7,682,009
Mandatory Program Fare Increase per Ride	\$0.86	\$0.80
Mandatory Program Annual (Monthly) Participant Contribution	\$514.42 (\$42.87)	\$685.89 (\$57.16)

Share of Costs by Cab Companies, Medallion Holders, Driver Fees and Participant Contributions

If the Board of Supervisors determines that a fare increase is not appropriate at this time, costs for a taxi health plan could be divided between cab companies, medallion holders and drivers. In this scenario, cab company costs would range from \$2,191.98 per medallion under the voluntary program with 20% contribution to \$3,940.20 per medallion under the mandatory program with 15% contribution. Medallion costs would be the same as cab company costs per medallion.

The drivers' share would range from \$36.04 per month under the voluntary program with 20% contribution to \$64.78 per month for the mandatory program with 15% contribution rates. For participating drivers, total monthly costs range from \$88.97 (\$38.29 plus \$50.68 contribution) under a voluntary program with a 15% contribution rate to \$118.13 (\$60.97 plus \$57.16 contribution) under a mandatory program with a 15% contribution rate.

Table 20: Program Funded by Share between Cab Companies, Medallion Holders, Driver Fees and Participant Contributions

Contribution Rate	15%	20%
Voluntary Program Net Cost	\$9,648,939	\$9,081,354
Voluntary Program 33% of Cost to Cab Company	\$3,216,313	\$3,027,118
Voluntary Program Annual Cab Company Cost per Medallion	\$2,328.97	\$2,191.98
Voluntary Program 33% of Cost to Medallion Holders	\$3,216,313	\$3,027,118
Voluntary Program Annual Cost per Medallion Holder	\$2,328.97	\$2,191.98
Voluntary Program 33% of Net Cost to Drivers	\$3,216,313	\$3,027,118
Voluntary Program Annual (Monthly) Fee per Driver	\$459.47 (\$38.29)	\$432.45 (\$36.04)
Voluntary Program Annual (Monthly) Participant Contribution	\$608.13 (\$50.68)	\$810.84 (\$67.57)
Total Annual (Monthly) Amount for Participating Drivers	\$1,067.60 (\$88.97)	\$1,243.28 (\$103.61)

Contribution Rate	15%	20%
Mandatory Program Net Cost	\$16,324,268	\$15,364,017
Mandatory Program 33% of Net Cost to Cab Company	\$5,441,423	\$5,121,339
Mandatory Program Annual Cab Company Cost per Medallion	\$3,940.20	\$3,708.43
Mandatory Program 33% of Net Cost to Medallion Holders	\$5,441,423	\$5,121,339
Mandatory Program Annual Cost per Medallion Holder	\$3,940.20	\$3,708.43
Mandatory Program 33% of Net Cost to Drivers	\$5,441,423	\$5,121,339
Voluntary Program Annual (Monthly) Fee per Driver	\$777.35 (\$64.78)	\$731.62 (\$60.97)
Mandatory Program Annual (Monthly) Participant Contribution	\$514.42 (\$42.87)	\$685.89 (\$57.16)
Total Annual (Monthly) Amount for Participating Drivers	\$1,291.77 (\$107.65)	\$1,417.51 (\$118.13)

Share of Costs by Cab Companies, Medallion Holders, Fare Increase and Participant Contributions

Conversely, costs could be divided between cab companies, medallion holders, and consumers through a fare increase. Since participating drivers will already be providing funds through the plan's contribution rate, it could be argued that this option provides an appropriate division between all of the stakeholders, including the riding public, for the establishment of a health care program for taxi drivers.

Under this option, cab company costs would range from \$2,191.98 per medallion under the voluntary program with 20% contribution to \$3,940.20 per medallion under the mandatory program with 15% contribution. Medallion costs would be the same as cab company costs per medallion. Fare increases per ride vary from \$0.31 under a voluntary program with 20% contribution to \$0.56 under a mandatory program with 15% contribution levels.

Table 21: Program Funded by Share between Cab Companies, Medallion Holders, Fare Increase and Participant Contributions

Contribution Rate	15%	20%
Voluntary Program Net Cost	\$9,648,939	\$9,081,354
Voluntary Program 33% of Net Cost to Cab Company	\$3,216,313	\$3,027,118
Voluntary Program Annual Cab Company Cost per Medallion	\$2,328.97	\$2,191.98
Voluntary Program 33% of Net Cost to Medallion Holders	\$3,216,313	\$3,027,118
Voluntary Program Annual Cost per Medallion Holder	\$2,328.97	\$2,191.98
Voluntary Program 33% of Net Cost to Fare Increase	\$3,216,313	\$3,027,118
Voluntary Program Fare Increase per Ride	\$0.33	\$0.31
Voluntary Program Annual (Monthly) Participant Contribution	\$608.13 (\$50.68)	\$810.84 (\$67.57)

Contribution Rate	15%	20%
Mandatory Program Net Cost	\$16,324,268	\$15,364,017
Mandatory Program 33% of Net Cost to Cab Company	\$5,441,423	\$5,121,339
Mandatory Program Annual Cab Company Cost per Medallion	\$3,940.20	\$3,708.43
Mandatory Program 33% of Net Cost to Medallion Holders	\$5,441,423	\$5,121,339
Mandatory Program Annual Cost per Medallion Holder	\$3,940.20	\$3,708.43
Mandatory Program 33% of Net Cost to Fare Increase	\$5,441,423	\$5,121,339
Mandatory Program Fare Increase per Ride	\$0.56	\$0.53
Mandatory Program Annual (Monthly) Participant Contribution	\$514.42 (\$42.87)	\$685.89 (\$57.16)

We also explored the option of a three-way sharing of funding cost in which cab companies pay one-third of the total program cost, and the remaining two-thirds of the cost is split between drivers and a fare increase. The total amount that drivers pay monthly, which includes the contribution rate plus the monthly fee, has been held constant at \$80. Drivers not participating in the program pay only the monthly fee listed below. Under this scenario, a fare increase is used to fund the remaining revenue shortfall after driver contribution is calculated.

Monthly fees for drivers range from \$12.43 under a voluntary program with a 20% contribution rate (which, when combined with the \$67.57 contribution rate, equals \$80 for participating drivers) to \$37.13 under a mandatory program with a 15% contribution rate (which, when combined with the \$42.87 contribution rate, equals \$80 for participating drivers). Fare increases per ride vary from \$0.41 under a voluntary program with 15% contribution to \$0.87 under a mandatory program with 20% contribution levels. Note that under this option, fare increases are larger with 20% driver contribution.

Table 22: Program Funded by Share between Cab Companies, Drivers and Fare Increase with Driver Amount Held to \$80 Maximum

Contribution Rate	15%	20%
Voluntary Program Net Cost	\$9,648,939	\$9,081,354
Voluntary Program 33% of Net Cost to Cab Company	\$3,216,313	\$3,027,118
Voluntary Program Annual Cab Company Cost per Medallion	\$2,328.97	\$2,191.98
Voluntary Program Cost to Drivers	\$2,463,090	\$1,044,120
Voluntary Program Annual (Monthly) Fee per Driver	\$351.87 (\$29.32)	\$149.16 (\$12.43)
Voluntary Program Annual (Monthly) Participant Contribution	\$608.13 (\$50.68)	\$810.84 (\$67.57)
Total Annual (Monthly) Amount for Participating Drivers	\$960.00 (\$80.00)	\$960.00 (\$80.00)
Voluntary Program Cost to Fare Increase	\$3,969,536	\$5,010,116
Voluntary Program Fare Increase per Ride	\$0.41	\$0.52

Contribution Rate	15%	20%
Mandatory Program Net Cost	\$16,324,268	\$15,364,017
Mandatory Program 33% of Net Cost to Cab Company	\$5,441,423	\$5,121,339
Mandatory Program Annual Cab Company Cost per Medallion	\$3,940.20	\$3,708.43
Mandatory Program Cost to Drivers	\$3,119,060	\$1,918,770
Mandatory Program Annual (Monthly) Fee per Driver	\$445.58 (\$37.13)	\$274.11 (\$22.84)
Mandatory Program Annual (Monthly) Participant Contribution	\$514.42 (\$42.87)	\$685.89 (\$57.16)
Total Annual (Monthly) Amount for Participating Drivers	\$960.00 (\$80.00)	\$960.00 (\$80.00)
Mandatory Program Cost to Fare Increase	\$7,763,785	\$8,323,908
Mandatory Program Fare Increase per Ride	\$0.81	\$0.87

Funding Division between All Stakeholders

Table 22 details the funding portion for each stakeholder if cab companies, medallion holders, drivers and consumers through a fare increase all shared the cost of a health program for San Francisco taxi drivers.

Under this option, cab company costs would range from \$1,643.98 per medallion under the voluntary program with 20% contribution to \$2,955.15 per medallion under the mandatory program with 15% contribution. Medallion costs would be the same as cab company costs per medallion. Driver costs would range from \$324.33 annually (\$27.03 per month) under the voluntary program with 20% contribution, to \$583.01 annually (\$48.58 per month) under the mandatory program with 15% contribution. For participating drivers, total monthly costs range from \$79.39 (\$28.72 plus \$50.68 contribution) under a voluntary program with a 15% contribution rate to \$102.88 (\$45.73 plus \$57.16 contribution) under a mandatory program with a 20% contribution rate.

Fare increases would range from \$0.23 to \$0.42 per ride, depending on the program.

Table 23: Program Funded by Share between Cab Companies, Medallion Holders, Drivers Fees, Fare Increase and Participant Contributions

Contribution Rate	15%	20%
Voluntary Program Net Cost	\$9,648,939	\$9,081,354
Voluntary Program 25% of Net Cost to Cab Company	\$2,412,235	\$2,270,339
Voluntary Program Annual Cab Company Cost per Medallion	\$1,746.73	\$1,643.98
Voluntary Program 25% of Net Cost to Medallion Holders	\$2,412,235	\$2,270,339
Voluntary Program Annual Cost per Medallion Holder	\$1,746.73	\$1,643.98
Voluntary Program 25% of Net Cost to Drivers	\$2,412,235	\$2,270,339
Voluntary Program Annual (Monthly) Fee per Driver	\$344.60 (\$28.72)	\$324.33 (\$27.03)
Voluntary Program Annual (Monthly) Participant Contribution	\$608.13 (\$50.68)	\$810.84 (\$67.57)
Total Annual (Monthly) Amount for Participating Drivers	\$952.73 (\$79.39)	\$1,135.17 (\$94.60)
Voluntary Program 25% of Net Cost to Fare Increase	\$2,412,235	\$2,270,339
Fare Increase per Ride	\$0.25	\$0.23

Contribution Rate	15%	20%
Mandatory Program Net Cost	\$16,324,268	\$15,364,017
Mandatory Program 25% of Net Cost to Cab Company	\$4,081,067	\$3,841,004
Mandatory Program Annual Cab Company Cost per Medallion	\$2,955.15	\$2,781.32
Mandatory Program 25% of Net Cost to Medallion Holders	\$4,081,067	\$3,841,004
Mandatory Program Annual Cost per Medallion Holder	\$2,955.15	\$2,781.32
Mandatory Program 25% of Net Cost to Drivers	\$4,081,067	\$3,841,004
Voluntary Program Annual (Monthly) Fee per Driver	\$583.01 (\$48.58)	\$548.71 (\$45.73)
Mandatory Program Annual (Monthly) Participant Contribution	\$514.42 (\$42.87)	\$685.89 (\$57.16)
Total Annual (Monthly) Amount for Participating Drivers	\$1,097.43 (\$91.45)	\$1,234.61 (\$102.88)
Mandatory Program 25% of Net Cost to Fare Increase	\$4,081,067	\$3,841,004
Mandatory Program Fare Increase per Ride	\$0.42	\$0.40

Finally, we explore the option of a four-way sharing of funding cost in which cab companies and medallion holders each pay one-fourth of the total program cost, and the remaining half of the cost is split between drivers and a fare increase. The total amount that drivers pay monthly, which includes the contribution rate plus the monthly fee, has been held constant at \$80. Drivers not participating in the program pay only the monthly fee listed below. Under this scenario, a fare increase is used to fund the remaining revenue shortfall after driver contribution is calculated.

Monthly fees for drivers range from \$12.43 under a voluntary program with a 20% contribution rate (which, when combined with the \$67.57 contribution rate, equals \$80) to \$37.13 under a mandatory program with a 15% contribution rate (which, when combined with the \$42.87 contribution rate, equals \$80). Fare increases per ride vary from \$0.24 under a voluntary program with 15% contribution to \$0.60 under a mandatory program with 20% contribution levels. Note that under this

option, drivers actually pay greater fees under the voluntary 15% plan than they would if the amount paid monthly were not held constant at \$80.

Table 24: Program Funded by Share between Cab Companies, Medallion Holders, Drivers and Fare Increase with Total Driver Amount Held at \$80 Maximum

Contribution Rate	15%	20%
Voluntary Program Net Cost	\$9,648,939	\$9,081,354
Voluntary Program 25% of Net Cost to Cab Company	\$2,412,235	\$2,270,339
Voluntary Program Annual Cab Company Cost per Medallion	\$1,746.73	\$1,643.98
Voluntary Program 25% of Net Cost to Medallion Holders	\$2,412,235	\$2,270,339
Voluntary Program Annual Cost per Medallion Holder	\$1,746.73	\$1,643.98
Voluntary Program Cost to Drivers	\$2,463,090	\$1,044,120
Voluntary Program Annual (Monthly) Fee per Driver	\$351.87 (\$29.32)	\$149.16 (\$12.43)
Voluntary Program Annual (Monthly) Participant Contribution	\$608.13 (\$50.68)	\$810.84 (\$67.57)
Total Annual (Monthly) Amount for Participating Drivers	\$960.00 (\$80.00)	\$960.00 (\$80.00)
Voluntary Program Cost to Fare Increase	\$2,361,380	\$3,496,557
Fare Increase per Ride	\$0.24	\$0.36

Contribution Rate	15%	20%
Mandatory Program Net Cost	\$16,324,268	\$15,364,017
Mandatory Program 25% of Net Cost to Cab Company	\$4,081,067	\$3,841,004
Mandatory Program Annual Cab Company Cost per Medallion	\$2,955.15	\$2,781.32
Mandatory Program 25% of Net Cost to Medallion Holders	\$4,081,067	\$3,841,004
Mandatory Program Annual Cost per Medallion Holder	\$2,955.15	\$2,781.32
Mandatory Program Cost to Drivers	\$3,119,060	\$1,918,770
Mandatory Program Annual (Monthly) Fee per Driver	\$445.58 (\$37.13)	\$274.11 (\$22.84)
Mandatory Program Annual (Monthly) Participant Contribution	\$514.42 (\$42.87)	\$685.89 (\$57.16)
Total Annual (Monthly) Amount for Participating Drivers	\$960.00 (\$80.00)	\$960.00 (\$80.00)
Mandatory Program Cost to Fare Increase	\$5,043,074	\$5,763,239
Mandatory Program Fare Increase per Ride	\$0.52	\$0.60

VIII. Conclusion

The challenges of implementing a taxi health care program are substantial given the need to balance the financial health of industry participants against the need for affordable transportation for the City. However, the industry is presently structured in a way that places increased economic risk on drivers as independent contractors. Access to affordable health care has been one of the casualties of that arrangement.

The citizens of San Francisco have committed themselves to increasing access to health care coverage for all of the City's residents. The development of a taxi health care health program would be an important component in the pursuit of this goal.

The Department of Public Health recommends:

- A health plan be created for San Francisco taxi drivers that is administered by the San Francisco Health Plan
- Participation standards be set at 25 hours over either of the previous two months
- Participation be limited to drivers who have had their "A" Cards for at least six months and who are ineligible for no-cost Medi-Cal
- Cab companies be made responsible for maintaining appropriate driver data and for providing this information to the San Francisco Health Plan
- The use of per medallion rates if cab companies are taxed to fund this program

To develop a taxi health care plan, the following policy decisions need to be made:

- Whether the program will be mandatory or voluntary
- Whether contribution rates will be set at 15% or 20%
- Whether fees/fares, taxes or some combination of the two will be used
- Whether adjustments to gate fees will be used to absorb costs
- The appropriate cost sharing model

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X. Personal Communications

The following individuals provided assistance through personal interviews by telephone or in person:

Pat Baxter, Broker, Merit Partners

Phillip Blimp, Political Director, South Bay Labor Council

Elizabeth Cacanindin, Field Agent, National Association for the Self-Employed

Kelly Castagnero, (former) Acting Director, San Francisco Taxicab Commission

Simon Chu, Controller's Office – Budget and Analysis

Jean Fraser, CEO, San Francisco Health Plan

Jim Gillespie, President, San Francisco Taxi Association

Ruach Graffis, driver and Chair, United Taxi Workers

Mark Gruberg, driver and Chair, United Taxi Workers

Richard Hybels, Owner, MetroCab

Ellen Kaiser, Director, Planning and Evaluation Services, San Francisco Health Plan

Donna Kalame, Executive Director, San Francisco IHSS Authority

Hansu Kim, Transportation Consultant

Naomi Little, former Executive Director, San Francisco Taxicab Commission

Heidi Machen, Executive Director, San Francisco Taxicab Commission

Joe Matranga, (retired) Senior Financial Analyst, Office of the Controller

Carl McMurdo, President, San Francisco Permitholders and Drivers Association

Tony Nicco, Program Director, IHSS

Thomas Owen, Attorney, City and County of San Francisco

Patricia Mintz, Consultant, The California Healthcare Foundation

Todd Rydstrom, Director of Budget & Analysis, Office of the Controller

Bruce Schaller, Principal, Schaller Consulting

Jim Soos, Sr. Health Program Planner, Office of Policy and Planning, Department of Public Health

Mike Schionning, Actuary, Mellon Consultants

Farrell Suslow, Inspector, San Francisco Taxi Detail

Kate Toran, Paratransit Coordinator, San Francisco Municipal Transportation Agency

Jane Tyre, Vice President, Marketing and Member Services, Santa Clara Family Health Plan

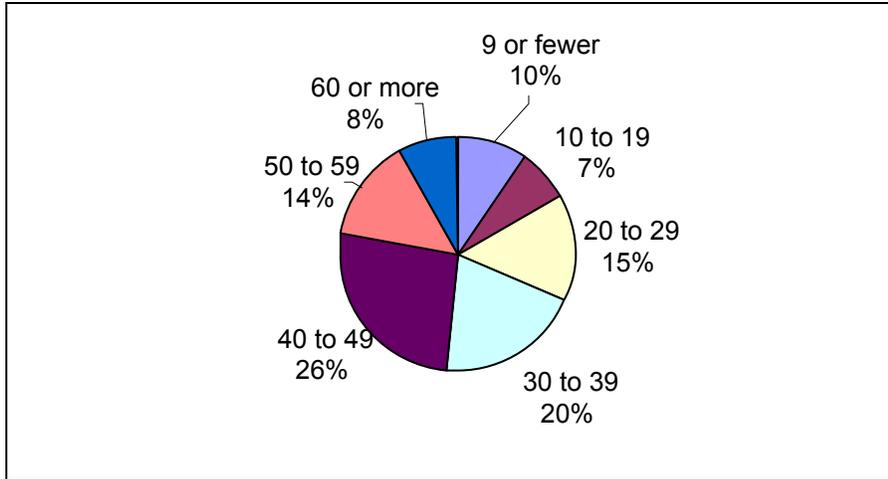
Lindsey Welcome, Driver

XI. Appendices

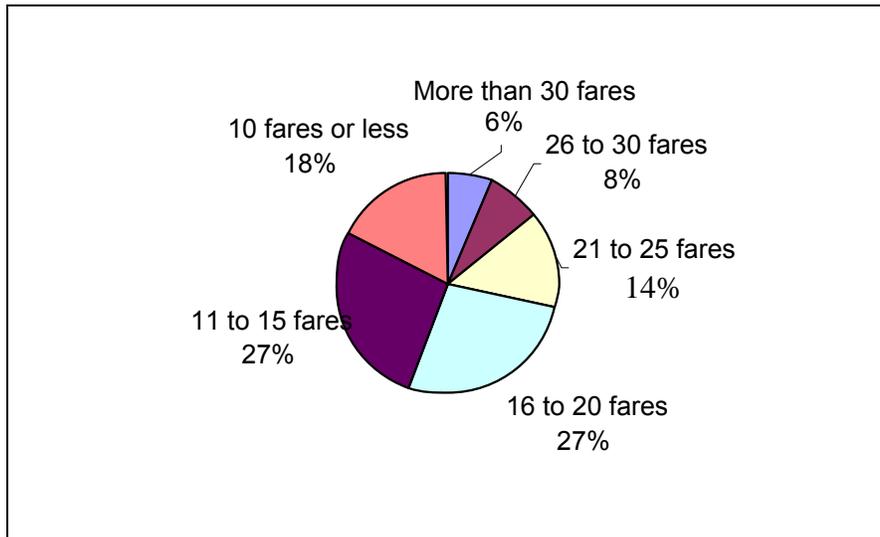
A. Additional Driver Information

The survey of drivers that was completed by the San Francisco Taxicab Commission included additional information about drivers' income. The charts below illustrate hours worked per week, average number of fares per shift, and average fare.¹⁴⁰

Average Hours per Week

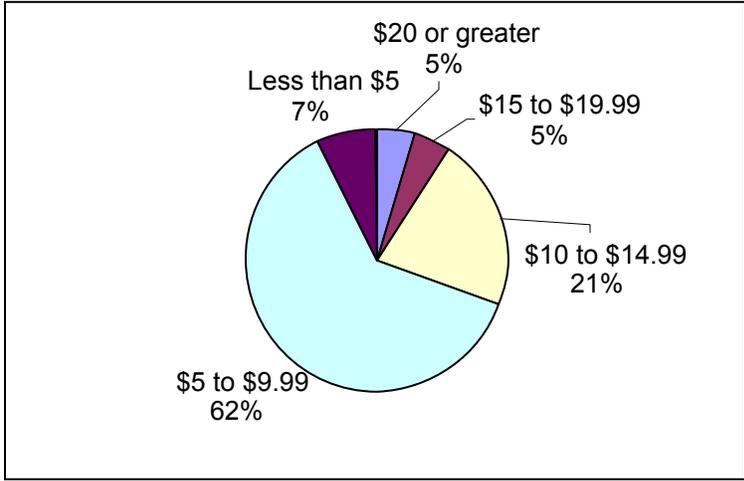


Average Number of Fares



¹⁴⁰ Eight percent of the drivers surveyed did not respond to the question on average hours worked per week, while 11% did not answer the question on average number of fares and 11% did not answer the question on average fare including tips. San Francisco Office of the Controller and Taxicab Commission. 2004. "Taxi Driver Survey -- Summary Findings." April 8.

Average Fare Including Tips



B. Complete Submission from Actuary

*San Francisco Health Plan and
San Francisco Department of Public Health*

**Proposed Benefit Program
Taxi Cab Driver Coverage
Expected Cost Analysis**

August 19, 2005

Executive Summary

The objective of this analysis was to determine the expected monthly cost of providing medical coverage in uninsured taxi drivers in San Francisco. Mellon also modeled the impact of the baseline claim costs running 5% lower and 5% higher than projected. These variations provide additional information on the likely volatility of the actual experience under the program.

While there are approximately 7,000 drivers that could be covered under the plan, based on the survey not all of the members would participate. We used to results of the survey and the contribution rates that were developed in our analysis to determine the expected participation rates. Based on the survey, we expect between 45.7% and 57.1 % of the drivers to enroll.

The expected cost of the program on a per enrolled participant basis increases as the participation percentage decreases. As enrollment decreases, the underlying risk characteristics of the enrolled population increases. This means that typically, the healthier portion of a population is the first to elect not to participate, which increases the expected cost for the remaining population. Because of this risk, we recommend that the initial premium rates be set assuming that only 40% of the drivers enroll. This assumption will produce premium rates that provide additional margin to cover adverse experience.

Table 1 shows the recommended premium rates and participant contributions for the three contribution levels of 10%, 15%, and 20% under both the \$10 co-pay and the \$15 co-pay plan.

Table 1: Taxi Driver Insurance Plan
\$10 Co-pay and \$15 Co-pay Benefit Plans
Rates Effective July 1, 2005

	Premium	Contribution		
	Rate	10%	15%	20%
\$10 Co-pay Plan	\$326.97	\$32.70	\$49.05	\$65.40
\$15 Co-pay Plan	\$321.76	\$32.18	\$48.26	\$64.36

The table shows that the monthly contribution for the drivers ranges from \$32.70 to \$65.40 for the \$10 co-pay plan and from \$32.18 to \$64.36 for the \$15 co-pay plan. The expected cost differentials for the two plans are relatively small, but the \$15 co-pay plan is likely to help control long term costs better than the \$10 co-pay plan.

The remainder of this report provides more detail on the methods and assumptions used to develop the final cost estimates.

Development of Cost Estimates

This section describes the methodology used to develop the recommended premium rates, the expected total cost, participant contributions, and net SFHP cost for the new benefit plans for Taxi Drivers. This program is intended to provide coverage to Taxi Drivers, most of who are not currently covered under an insurance plan.

The first step was the development of the expected cost and utilization experience of the expansion population. We used Medi-Cal experience for San Francisco County and our proprietary cost and utilization databases to develop the expected cost patterns for this population. Our proprietary model is built from Medi-Cal data for the State of California, supplemented by Medicaid experience in other western U.S. states, OSHPD hospital data for the State of California, and other employer based data sources for the Western U.S.

This model allows us to develop the expected per member per month (PMPM) claim costs for the eligible population. Since this is primarily an uninsured or under-insured population, we developed adjustment to reflect the estimated impact of pent-up demand. Exhibits VI and VII provide the detailed expected cost and utilization experience for the two requested benefit designs. Each exhibit shows the expected utilization rates per 1,000 covered members and the expected cost per service for each detailed benefit category.

It then shows the impact of any per service co-payment amount and the net expected cost on a PMPM basis. The resulting claim costs were then loaded by 12% to account for the expected SFHP administrative cost of the program. This produces a final expected cost of \$256.77 and \$260.93 PMPM. Table 2 below summarizes the general benefit provisions that were used to develop the expected plan costs.

Table 2: Taxi Driver Insurance Plan
\$10 Co-pay and \$15 Co-pay Benefit Plans

<u>Category</u>	<u>Benefit</u>
Hospitalization	Covered. \$200 per admit deductible
Outpatient	Covered. \$10 or \$15 co-payment
Emergency	Covered. \$50 co-payment – waived if admitted.
Maternity	Covered. Same co-payment as outpatient.
Prescription Drugs	Covered. Limited formulary. \$10 co-payment for generics. \$20 co-payment for name brands. 30 day supply.
Mental Health/Chemical Dependency	Covered through DPH Community Behavioral Health Services. Limited number of visits.

The second step was to develop the expected eligible and participating population for the program. This data was provided by the San Francisco Department of Public Health in a survey entitled “Taxi Driver Survey – Summary Findings”. Based on this survey, there are approximately 7,000 drivers who could be covered under this plan. In addition, the survey provided information on the likelihood of the drivers enrolling in coverage based on the required member premium contribution. We were requested to develop contribution rates of 10%, 15%, and 20% of the premium rates for the drivers. Based on the data provided, we estimate that between 45.7% and 57.1% of the drivers will participate, depending on the contribution rates. The total expected enrollment is shown in Exhibit III.

The third step in the analysis was to develop the expected premium costs based on participation level. Exhibit IV shows the expected premium costs for the \$10 co-pay and \$15 co-pay plan. It then shows the expected cost as the participation level falls. As enrollment decreases, the underlying risk characteristics of the enrolled population increases. This means that typically, the healthier portion of a population is the first to elect not to participate, which increases the expected cost on a PMPM basis for the remaining population.

Since the expected participation rate is between 45.7% and 57.1% of the drivers, we recommend that the health plan set the rates at the 40% participation rate level to provide some additional conservatism in the initial rates for the plan.

Exhibit V shows the monthly cost share for the drivers for the various participation levels and the recommended 40% participation rates. It shows the contribution rates for the two benefit plans and the three contribution rate scenarios. The contribution rates for the higher participation scenarios will never apply because it is unlikely that a high percentage of the drivers will enroll. To help control the risk and provide a higher likelihood that the premium rates will cover the cost of the plan, we recommend that the 40% participation level be used to develop the premiums and contributions for the plan.

The final step was to develop the expected total premium income, total plan cost, and net SFHP cost and the costs if the baseline claim costs run 5% lower and 5% higher than projected for the three premium contribution and two benefit design scenarios. These variations provide the SFHP additional information on the likely volatility of the actual experience under the program. Exhibit I-A through I-C provide the detailed results for each member cost share category for the first five years of the program for the \$10 co-pay plan. Exhibit I-A provides the expected results and Exhibits I-B and I-C provides the results for the two sensitivity analysis scenarios.

The exhibits first show the estimated number of drivers who will elect coverage under each of the three contribution scenarios. It then shows the total premium rate collection, the total expected plan cost, the participant contributions, and the net SFHP cost for each year. The premium rates are based on the 40% participation level, while the costs are based on the expected cost for each contribution scenario. Since we expect almost 60% of the drivers to enroll under the 10% contribution level, the underlying risk is improved, so the cost is expected to be less than the premium cost.

The exhibits show that using the 40% participation rate as the basis for developing the premium rates protects the health plan in all scenarios except when claims are 5% higher than expected. In that case, both the 15% and 20% contribution rates produce annual losses of between \$56,000 and \$920,000.

Exhibits II-A through II-C provide the detailed results for each member cost share category for the first five years of the program for the \$15 co-pay plan. Exhibit II-A provides the expected results and Exhibits II-B and II-C provides the results for the two sensitivity analysis scenarios.

The exhibits first show the estimated number of drivers who will elect coverage under each of the three contribution scenarios. It then shows the total premium rate collection, the total expected plan cost, the participant contributions, and the net SFHP cost for each year. The premium rates are based on the 40% participation level, while the costs are based on the expected cost for each contribution scenario. Since we expect almost 60% of the drivers to enroll under the 10% contribution level, the underlying risk is improved, so the cost is expected to be less than the premium cost.

The exhibits show that using the 40% participation rate as the basis for developing the premium rates protects the health plan in all scenarios except when claims are 5% higher than expected. In that case, both the 15% and 20% contribution rates produce annual losses of between \$55,000 and \$904,000.

For both Exhibit I and Exhibit II, the premium rates, plan costs, and participant contributions are assumed to increase 10% per year.

San Francisco Health Plan
Taxi Driver Insurance Plan
Cost Using Recommended Premium Rates
Actual Cost Equals Expected Cost
\$10 Co-pay Plan

	Contribution Percentage		
	<u>10%</u>	<u>15%</u>	<u>20%</u>
Number of Participants			
Drivers	4,000	3,600	3,200
Total Premium Rates			
Year 1	\$15,694,560	\$14,125,104	\$12,555,648
Year 2	\$17,264,016	\$15,537,614	\$13,811,213
Year 3	\$18,990,418	\$17,091,375	\$15,192,334
Year 4	\$20,889,460	\$18,800,513	\$16,711,567
Year 5	\$22,978,406	\$20,680,564	\$18,382,724
Total Plan Cost			
Year 1	\$14,702,880	\$13,506,048	\$12,555,648
Year 2	\$16,173,168	\$14,856,653	\$13,811,213
Year 3	\$17,790,485	\$16,342,318	\$15,192,334
Year 4	\$19,569,534	\$17,976,550	\$16,711,567
Year 5	\$21,526,487	\$19,774,205	\$18,382,724
Taxi Driver Contributions			
Year 1	\$1,569,600	\$2,118,960	\$2,511,360
Year 2	\$1,726,560	\$2,330,856	\$2,762,496
Year 3	\$1,899,216	\$2,563,942	\$3,038,746
Year 4	\$2,089,138	\$2,820,336	\$3,342,621
Year 5	\$2,298,052	\$3,102,370	\$3,676,883
Net SFHP Cost			
Year 1	\$13,133,280	\$11,387,088	\$10,044,288
Year 2	\$14,446,608	\$12,525,797	\$11,048,717
Year 3	\$15,891,269	\$13,778,376	\$12,153,588
Year 4	\$17,480,396	\$15,156,214	\$13,368,946
Year 5	\$19,228,435	\$16,671,835	\$14,705,841
Est Gain/(Loss)			
Year 1	\$991,680	\$619,056	\$0
Year 2	\$1,090,848	\$680,961	\$0
Year 3	\$1,199,933	\$749,057	\$0
Year 4	\$1,319,926	\$823,963	\$0
Year 5	\$1,451,919	\$906,359	\$0

San Francisco Health Plan
Taxi Driver Insurance Plan
Cost Using Recommended Premium Rates
Actual Cost 5% Lower than Expected
\$10 Co-pay Plan

	Contribution Percentage		
	<u>10%</u>	<u>15%</u>	<u>20%</u>
Number of Participants			
Drivers	4,000	3,600	3,200
Total Premium Rates			
Year 1	\$15,694,560	\$14,125,104	\$12,555,648
Year 2	\$17,264,016	\$15,537,614	\$13,811,213
Year 3	\$18,990,418	\$17,091,375	\$15,192,334
Year 4	\$20,889,460	\$18,800,513	\$16,711,567
Year 5	\$22,978,406	\$20,680,564	\$18,382,724
Total Plan Cost			
Year 1	\$13,967,736	\$12,830,746	\$11,927,866
Year 2	\$15,364,510	\$14,113,821	\$13,120,653
Year 3	\$16,900,961	\$15,525,203	\$14,432,718
Year 4	\$18,591,057	\$17,077,723	\$15,875,990
Year 5	\$20,450,163	\$18,785,495	\$17,463,589
Taxi Driver Contributions			
Year 1	\$1,569,600	\$2,118,960	\$2,511,360
Year 2	\$1,726,560	\$2,330,856	\$2,762,496
Year 3	\$1,899,216	\$2,563,942	\$3,038,746
Year 4	\$2,089,138	\$2,820,336	\$3,342,621
Year 5	\$2,298,052	\$3,102,370	\$3,676,883
Net SFHP Cost			
Year 1	\$12,398,136	\$10,711,786	\$9,416,506
Year 2	\$13,637,950	\$11,782,965	\$10,358,157
Year 3	\$15,001,745	\$12,961,261	\$11,393,972
Year 4	\$16,501,919	\$14,257,387	\$12,533,369
Year 5	\$18,152,111	\$15,683,125	\$13,786,706
Est Gain/(Loss)			
Year 1	\$1,726,824	\$1,294,358	\$627,782
Year 2	\$1,899,506	\$1,423,793	\$690,560
Year 3	\$2,089,457	\$1,566,172	\$759,616
Year 4	\$2,298,403	\$1,722,790	\$835,577
Year 5	\$2,528,243	\$1,895,069	\$919,135

San Francisco Health Plan
Taxi Driver Insurance Plan
Cost Using Recommended Premium Rates
Actual Cost 5% Higher than Expected
\$10 Co-pay Plan

	Contribution Percentage		
	<u>10%</u>	<u>15%</u>	<u>20%</u>
Number of Participants			
Drivers	4,000	3,600	3,200
Total Premium Rates			
Year 1	\$15,694,560	\$14,125,104	\$12,555,648
Year 2	\$17,264,016	\$15,537,614	\$13,811,213
Year 3	\$18,990,418	\$17,091,375	\$15,192,334
Year 4	\$20,889,460	\$18,800,513	\$16,711,567
Year 5	\$22,978,406	\$20,680,564	\$18,382,724
Total Plan Cost			
Year 1	\$15,438,024	\$14,181,350	\$13,183,430
Year 2	\$16,981,826	\$15,599,485	\$14,501,773
Year 3	\$18,680,009	\$17,159,434	\$15,951,950
Year 4	\$20,548,010	\$18,875,377	\$17,547,145
Year 5	\$22,602,811	\$20,762,915	\$19,301,860
Taxi Driver Contributions			
Year 1	\$1,569,600	\$2,118,960	\$2,511,360
Year 2	\$1,726,560	\$2,330,856	\$2,762,496
Year 3	\$1,899,216	\$2,563,942	\$3,038,746
Year 4	\$2,089,138	\$2,820,336	\$3,342,621
Year 5	\$2,298,052	\$3,102,370	\$3,676,883
Net SFHP Cost			
Year 1	\$13,868,424	\$12,062,390	\$10,672,070
Year 2	\$15,255,266	\$13,268,629	\$11,739,277
Year 3	\$16,780,793	\$14,595,492	\$12,913,204
Year 4	\$18,458,872	\$16,055,041	\$14,204,524
Year 5	\$20,304,759	\$17,660,545	\$15,624,977
Est Gain/(Loss)			
Year 1	\$256,536	(\$56,246)	(\$627,782)
Year 2	\$282,190	(\$61,871)	(\$690,560)
Year 3	\$310,409	(\$68,059)	(\$759,616)
Year 4	\$341,450	(\$74,864)	(\$835,578)
Year 5	\$375,595	(\$82,351)	(\$919,136)

San Francisco Health Plan
Taxi Driver Insurance Plan
Cost Using Recommended Premium Rates
Actual Cost Equals Expected Cost
\$15 Co-pay Plan

	Contribution Percentage		
	<u>10%</u>	<u>15%</u>	<u>20%</u>
Number of Participants			
Drivers	4,000	3,600	3,200
Total Premium Rates			
Year 1	\$15,444,480	\$13,900,032	\$12,355,584
Year 2	\$16,988,928	\$15,290,035	\$13,591,142
Year 3	\$18,687,821	\$16,819,039	\$14,950,256
Year 4	\$20,556,603	\$18,500,943	\$16,445,282
Year 5	\$22,612,263	\$20,351,037	\$18,089,810
Total Plan Cost			
Year 1	\$14,468,160	\$13,290,912	\$12,355,584
Year 2	\$15,914,976	\$14,620,003	\$13,591,142
Year 3	\$17,506,474	\$16,082,003	\$14,950,256
Year 4	\$19,257,121	\$17,690,203	\$16,445,282
Year 5	\$21,182,833	\$19,459,223	\$18,089,810
Taxi Driver Contributions			
Year 1	\$1,544,640	\$2,084,832	\$2,471,424
Year 2	\$1,699,104	\$2,293,315	\$2,718,566
Year 3	\$1,869,014	\$2,522,647	\$2,990,423
Year 4	\$2,055,915	\$2,774,912	\$3,289,465
Year 5	\$2,261,507	\$3,052,403	\$3,618,412
Net SFHP Cost			
Year 1	\$12,923,520	\$11,206,080	\$9,884,160
Year 2	\$14,215,872	\$12,326,688	\$10,872,576
Year 3	\$15,637,460	\$13,559,356	\$11,959,833
Year 4	\$17,201,206	\$14,915,291	\$13,155,817
Year 5	\$18,921,326	\$16,406,820	\$14,471,398
Est Gain/(Loss)			
Year 1	\$976,320	\$609,120	\$0
Year 2	\$1,073,952	\$670,032	\$0
Year 3	\$1,181,347	\$737,036	\$0
Year 4	\$1,299,482	\$810,740	\$0
Year 5	\$1,429,430	\$891,814	\$0

San Francisco Health Plan
Taxi Driver Insurance Plan
Cost Using Recommended Premium Rates
Actual Cost 5% Lower than Expected
\$15 Co-pay Plan

	Contribution Percentage		
	<u>10%</u>	<u>15%</u>	<u>20%</u>
Number of Participants			
Drivers	4,000	3,600	3,200
Total Premium Rates			
Year 1	\$15,444,480	\$13,900,032	\$12,355,584
Year 2	\$16,988,928	\$15,290,035	\$13,591,142
Year 3	\$18,687,821	\$16,819,039	\$14,950,256
Year 4	\$20,556,603	\$18,500,943	\$16,445,282
Year 5	\$22,612,263	\$20,351,037	\$18,089,810
Total Plan Cost			
Year 1	\$13,744,752	\$12,626,366	\$11,737,805
Year 2	\$15,119,227	\$13,889,003	\$12,911,586
Year 3	\$16,631,150	\$15,277,903	\$14,202,745
Year 4	\$18,294,265	\$16,805,693	\$15,623,020
Year 5	\$20,123,692	\$18,486,262	\$17,185,322
Taxi Driver Contributions			
Year 1	\$1,544,640	\$2,084,832	\$2,471,424
Year 2	\$1,699,104	\$2,293,315	\$2,718,566
Year 3	\$1,869,014	\$2,522,647	\$2,990,423
Year 4	\$2,055,915	\$2,774,912	\$3,289,465
Year 5	\$2,261,507	\$3,052,403	\$3,618,412
Net SFHP Cost			
Year 1	\$12,200,112	\$10,541,534	\$9,266,381
Year 2	\$13,420,123	\$11,595,688	\$10,193,020
Year 3	\$14,762,136	\$12,755,256	\$11,212,322
Year 4	\$16,238,350	\$14,030,781	\$12,333,555
Year 5	\$17,862,185	\$15,433,859	\$13,566,910
Est Gain/(Loss)			
Year 1	\$1,699,728	\$1,273,666	\$617,779
Year 2	\$1,869,701	\$1,401,032	\$679,556
Year 3	\$2,056,671	\$1,541,136	\$747,511
Year 4	\$2,262,338	\$1,695,250	\$822,262
Year 5	\$2,488,571	\$1,864,775	\$904,488

San Francisco Health Plan
Taxi Driver Insurance Plan
Cost Using Recommended Premium Rates
Actual Cost 5% Higher than Expected
\$15 Co-pay Plan

	Contribution Percentage		
	<u>10%</u>	<u>15%</u>	<u>20%</u>
Number of Participants			
Drivers	4,000	3,600	3,200
Total Premium Rates			
Year 1	\$15,444,480	\$13,900,032	\$12,355,584
Year 2	\$16,988,928	\$15,290,035	\$13,591,142
Year 3	\$18,687,821	\$16,819,039	\$14,950,256
Year 4	\$20,556,603	\$18,500,943	\$16,445,282
Year 5	\$22,612,263	\$20,351,037	\$18,089,810
Total Plan Cost			
Year 1	\$15,191,568	\$13,955,458	\$12,973,363
Year 2	\$16,710,725	\$15,351,004	\$14,270,699
Year 3	\$18,381,798	\$16,886,104	\$15,697,769
Year 4	\$20,219,978	\$18,574,714	\$17,267,546
Year 5	\$22,241,976	\$20,432,185	\$18,994,301
Taxi Driver Contributions			
Year 1	\$1,544,640	\$2,084,832	\$2,471,424
Year 2	\$1,699,104	\$2,293,315	\$2,718,566
Year 3	\$1,869,014	\$2,522,647	\$2,990,423
Year 4	\$2,055,915	\$2,774,912	\$3,289,465
Year 5	\$2,261,507	\$3,052,403	\$3,618,412
Net SFHP Cost			
Year 1	\$13,646,928	\$11,870,626	\$10,501,939
Year 2	\$15,011,621	\$13,057,689	\$11,552,133
Year 3	\$16,512,784	\$14,363,457	\$12,707,346
Year 4	\$18,164,063	\$15,799,802	\$13,978,081
Year 5	\$19,980,469	\$17,379,782	\$15,375,889
Est Gain/(Loss)			
Year 1	\$252,912	(\$55,426)	(\$617,779)
Year 2	\$278,203	(\$60,969)	(\$679,557)
Year 3	\$306,023	(\$67,065)	(\$747,513)
Year 4	\$336,625	(\$73,771)	(\$822,264)
Year 5	\$370,287	(\$81,148)	(\$904,491)

San Francisco Health Plan
 Taxi Driver Insurance Plan
 Census Assumptions Used in Analysis

PARTICIPATION ASSUMPTIONS

	<u>Total Eligible</u>	<u>10% Cont.</u>	<u>15% Cont.</u>	<u>20% Cont.</u>
Taxi Drivers	7,000	4,000	3,600	3,200

San Francisco Health Plan
 Taxi Driver Insurance Plan
 Enrollment Based Costs Per Month

\$10 Co-pay Plan

<u>Category</u>	Participation Level							Recom'd
	<u>100%</u>	<u>90%</u>	<u>80%</u>	<u>70%</u>	<u>60%</u>	<u>50%</u>	<u>40%</u>	<u>Rates</u>
Taxi Driver	\$260.93	\$268.76	\$276.59	\$293.45	\$306.31	\$312.64	\$326.97	\$326.97

\$15 Co-pay Plan

<u>Category</u>	Participation Level							Recom'd
	<u>100%</u>	<u>90%</u>	<u>80%</u>	<u>70%</u>	<u>60%</u>	<u>50%</u>	<u>40%</u>	<u>Rates</u>
Taxi Driver	\$256.77	\$264.47	\$272.18	\$288.77	\$301.42	\$307.66	\$321.76	\$321.76

San Francisco Health Plan
 Taxi Driver Insurance Plan
 Monthly Contributions at Various Participation Levels

<u>Cont %</u>	<u>Category</u>	Participation Level							Recom'd
		<u>100%</u>	<u>90%</u>	<u>80%</u>	<u>70%</u>	<u>60%</u>	<u>50%</u>	<u>40%</u>	<u>Rates</u>
<i>\$10 Co-pay Plan</i>									
10%	Taxi Driver	\$26.09	\$26.88	\$27.66	\$29.35	\$30.63	\$31.26	\$32.70	\$32.70
15%	Taxi Driver	\$39.14	\$40.31	\$41.49	\$44.02	\$45.95	\$46.90	\$49.05	\$49.05
20%	Taxi Driver	\$52.18	\$53.76	\$55.32	\$58.70	\$61.26	\$62.52	\$65.40	\$65.40
<i>\$15 Co-pay Plan</i>									
10%	Taxi Driver	\$25.68	\$26.45	\$27.22	\$28.88	\$30.14	\$30.77	\$32.18	\$32.18
15%	Taxi Driver	\$38.52	\$39.67	\$40.83	\$43.32	\$45.21	\$46.15	\$48.26	\$48.26
20%	Taxi Driver	\$51.36	\$52.90	\$54.44	\$57.76	\$60.28	\$61.54	\$64.36	\$64.36

San Francisco Health Plan
Taxi Driver Insurance Plan
Base Cost Assumptions - \$10 Co-pay Plan

	Frequency per 1000 <u>Members</u>	Average <u>Charge</u>	Per Capita Monthly <u>Claims Cost</u>	Frequency of per Service <u>Co-pay</u>	Amount of per Service <u>Co-pay</u>	Per Capita Monthly Cost Sharing <u>Value</u>	Per Capita Monthly Claims Cost <u>After Co-pay</u>
Hospital Inpatient							
Non-Maternity							
Medical	138	\$1,581.47	\$18.25	138.5	\$57.14	\$0.66	\$17.59
Surgical	145	\$2,443.62	\$29.55	145.1	\$47.62	\$0.58	\$28.97
Neonatal	22	\$3,258.16	\$5.97	22.0	\$25.00	\$0.05	\$5.92
Psychiatric	78	\$850.25	\$5.53	78.0	\$40.00	\$0.26	\$5.27
Alcohol & Drug Abuse	42	\$680.20	\$2.37	41.8	\$66.67	\$0.23	\$2.14
Maternity							
Normal Deliveries	21	\$1,459.18	\$2.54	20.9	\$80.00	\$0.14	\$2.40
Cesarean Deliveries	20	\$2,379.34	\$3.92	19.8	\$57.14	\$0.09	\$3.83
Non-Deliveries	12	\$1,620.80	\$1.58	11.7	\$100.00	\$0.10	\$1.49
Abortions	5	\$1,081.26	\$0.50	5.5	\$200.00	\$0.09	\$0.40
Boarder Babies	20	\$483.55	\$0.80	19.8	\$200.00	\$0.33	\$0.47
Skilled Nursing Facility	54	12	\$263.04	\$0.27	0.0	\$0.00	\$0.00
Total Hospital Inpatient	515	\$1,660.13	\$71.27			\$2.53	\$68.74
Hospital Outpatient							
Emergency Room	374	\$212.32	\$6.61	373.6	\$50.00	\$1.56	\$5.05
Medical	142	\$126.72	\$1.50	0.0	\$0.00	\$0.00	\$1.50
Surgery	106	\$836.47	\$7.38	0.0	\$0.00	\$0.00	\$7.38
Radiology	174	\$279.77	\$4.06	0.0	\$0.00	\$0.00	\$4.06
Pathology	189	\$84.30	\$1.33	0.0	\$0.00	\$0.00	\$1.33
Other Services	260	\$169.43	\$3.67	0.0	\$0.00	\$0.00	\$3.67
Maternity Non-Deliveries	8	\$245.70	\$0.15	0.0	\$0.00	\$0.00	\$0.15
Total Hospital Outpatient	1,252	\$236.80	\$24.70			\$1.56	\$23.14
Physician							
Inpatient Surgery							
Primary Surgeon	109	\$729.37	\$6.61	0.0	\$0.00	\$0.00	\$6.61
Assistant Surgeon	15	\$145.87	\$0.18	0.0	\$0.00	\$0.00	\$0.18
Anesthesia	70	\$128.29	\$0.75	0.0	\$0.00	\$0.00	\$0.75
Outpatient Surgery							
OP Hospital	88	\$329.69	\$2.42	0.0	\$0.00	\$0.00	\$2.42
Surgical Center	119	\$279.27	\$2.76	0.0	\$0.00	\$0.00	\$2.76
Office	260	\$145.64	\$3.15	0.0	\$0.00	\$0.00	\$3.15
Anesthesia	54	\$103.35	\$0.47	0.0	\$0.00	\$0.00	\$0.47
Maternity							
Normal Deliveries	7	\$565.41	\$0.31	0.0	\$0.00	\$0.00	\$0.31
Cesarean Deliveries	3	\$1,313.27	\$0.30	0.0	\$0.00	\$0.00	\$0.30
Non-Deliveries	6	\$228.73	\$0.11	0.0	\$0.00	\$0.00	\$0.11
Inpatient Visits							
Hospital Visits	419	\$180.24	\$6.30	0.0	\$0.00	\$0.00	\$6.30
Extended Care Visits	6	\$122.93	\$0.06	0.0	\$0.00	\$0.00	\$0.06
Critical Care Visits	19	\$233.32	\$0.37	0.0	\$0.00	\$0.00	\$0.37

San Francisco Health Plan
Taxi Driver Insurance Plan
Base Cost Assumptions - \$10 Co-pay Plan

	Frequency per 1000 <u>Members</u>	Average <u>Charge</u>	Per Capita Monthly <u>Claims Cost</u>	Frequency of per Service <u>Co-pay</u>	Amount of per Service <u>Co-pay</u>	Per Capita Monthly Cost Sharing <u>Value</u>	Per Capita Monthly Claims Cost <u>After Co-pay</u>
Physician (Continued)							
Office Visits & Misc. Services							
Office Visits	5,384	\$83.28	\$37.36	5,383.8	\$10.00	\$4.49	\$32.88
Home Visits	2	\$130.13	\$0.02	1.6	\$10.00	\$0.00	\$0.02
Therapeutic Injections	132	\$102.69	\$1.13	132.0	\$10.00	\$0.11	\$1.02
Allergy Testing	27	\$58.30	\$0.13	26.6	\$10.00	\$0.02	\$0.11
Allergy Immunotherapy	245	\$15.34	\$0.31	245.4	\$10.00	\$0.20	\$0.11
Diagnostic Testing	81	\$108.14	\$0.73	0.0	\$0.00	\$0.00	\$0.73
Emergency Room Visits	324	\$205.65	\$5.55	0.0	\$0.00	\$0.00	\$5.55
Consultations	109	\$207.33	\$1.88	108.8	\$10.00	\$0.09	\$1.79
Physical Medicine	342	\$44.55	\$1.27	342.4	\$10.00	\$0.29	\$0.99
Occupational Therapy	283	\$69.97	\$1.65	282.9	\$10.00	\$0.24	\$1.41
Speech Therapy	10	\$136.09	\$0.11	9.9	\$10.00	\$0.01	\$0.10
Chiropractor	0	\$38.85	\$0.00	0.0	\$10.00	\$0.00	\$0.00
Urgent Care	1,155	\$143.53	\$13.81	1,155.0	\$10.00	\$0.96	\$12.85
Total Physician	9,266	\$110.00	\$87.74			\$6.41	\$81.33
Radiology							
IP (Professional)	140	\$78.05	\$0.91	0.0	\$0.00	\$0.00	\$0.91
OP (Professional)	345	\$103.06	\$2.97	0.0	\$0.00	\$0.00	\$2.97
Office (Combined)	506	\$114.02	\$4.81	0.0	\$0.00	\$0.00	\$4.81
MRI	3	\$919.04	\$0.23	0.0	\$0.00	\$0.00	\$0.23
CT-Scan	2	\$553.43	\$0.09	0.0	\$0.00	\$0.00	\$0.09
Total Radiology	997	\$108.46	\$9.01			\$0.00	\$9.01
Pathology							
IP (Professional)	68	\$24.44	\$0.14	0.0	\$0.00	\$0.00	\$0.14
OP (Professional)	128	\$38.00	\$0.40	0.0	\$0.00	\$0.00	\$0.40
Office (Combined)	3,137	\$41.21	\$10.77	0.0	\$0.00	\$0.00	\$10.77
Total Pathology	3,333	\$40.75	\$11.32			\$0.00	\$11.32
Other Services							
Prescription Drugs	9,403	\$42.62	\$33.39	9,402.8	\$15.00	\$11.75	\$21.64
PDN/Home Health Care	33	\$57.87	\$0.16	0.0	\$0.00	\$0.00	\$0.16
Ambulance	16	\$82.32	\$0.11	0.0	\$0.00	\$0.00	\$0.11
Durable Medical Equipment	30	\$118.95	\$0.29	0.0	\$0.00	\$0.00	\$0.29
Prosthetics	3	\$367.38	\$0.10	0.0	\$0.00	\$0.00	\$0.10
Total Other Services	9,484	\$43.09	\$34.05			\$11.75	\$22.30

San Francisco Health Plan
Taxi Driver Insurance Plan
Base Cost Assumptions - \$10 Co-pay Plan

	Frequency per 1000 <u>Members</u>	Average <u>Charge</u>	Per Capita Monthly <u>Claims Cost</u>	Frequency of per Service <u>Co-pay</u>	Amount of per Service <u>Co-pay</u>	Per Capita Monthly Cost Sharing <u>Value</u>	Per Capita Monthly Claims Cost <u>After Co-pay</u>
Additional Services							
Immunizations	412	\$41.27	\$1.42	0.0	\$0.00	\$0.00	\$1.42
Physical Exams	96	\$86.51	\$0.69	96.3	\$10.00	\$0.08	\$0.61
Well Woman Exams	200	\$86.51	\$1.44	199.8	\$10.00	\$0.17	\$1.27
Vision Exams	269	\$78.09	\$1.75	269.0	\$10.00	\$0.22	\$1.53
Speech Exams	216	\$131.70	\$2.37	215.7	\$10.00	\$0.18	\$2.19
Hearing Exams	4	\$90.97	\$0.03	4.4	\$10.00	\$0.00	\$0.03
Hearing Aids	108	\$305.42	\$2.74	0.0	\$0.00	\$0.00	\$2.74
Family Planning	4	\$66.99	\$0.02	4.4	\$10.00	\$0.00	\$0.02
Abortions	4	\$96.50	\$0.04	4.4	\$10.00	\$0.00	\$0.03
Podiatrist	62	\$114.30	\$0.59	61.7	\$10.00	\$0.05	\$0.54
OP Psychiatric	208	\$187.41	\$3.25	208.1	\$10.00	\$0.17	\$3.08
OP Alcohol & Drug Abuse	31	\$135.52	\$0.35	31.0	\$10.00	\$0.03	\$0.32
Total Additional Services	1,614	\$109.21	\$14.69			\$0.91	\$13.78
Total All Services	26,461	\$113.50	\$252.77			\$23.16	\$229.62
Cost with Administrative Loading							\$260.93

San Francisco Health Plan
Taxi Driver Insurance Plan
Base Cost Assumptions - \$15 Co-pay Plan

	Frequency per 1000 <u>Members</u>	Average <u>Charge</u>	Per Capita Monthly <u>Claims Cost</u>	Frequency of per Service <u>Co-pay</u>	Amount of per Service <u>Co-pay</u>	Per Capita Monthly Cost Sharing <u>Value</u>	Per Capita Monthly Claims Cost <u>After Co-pay</u>
Hospital Inpatient							
Non-Maternity							
Medical	138	\$1,581.47	\$18.25	138.5	\$57.14	\$0.66	\$17.59
Surgical	145	\$2,443.62	\$29.55	145.1	\$47.62	\$0.58	\$28.97
Neonatal	22	\$3,258.16	\$5.97	22.0	\$25.00	\$0.05	\$5.92
Psychiatric	78	\$850.25	\$5.53	78.0	\$40.00	\$0.26	\$5.27
Alcohol & Drug Abuse	42	\$680.20	\$2.37	41.8	\$66.67	\$0.23	\$2.14
Maternity							
Normal Deliveries	21	\$1,459.18	\$2.54	20.9	\$80.00	\$0.14	\$2.40
Cesarean Deliveries	20	\$2,379.34	\$3.92	19.8	\$57.14	\$0.09	\$3.83
Non-Deliveries	12	\$1,620.80	\$1.58	11.7	\$100.00	\$0.10	\$1.49
Abortions	5	\$1,081.26	\$0.50	5.5	\$200.00	\$0.09	\$0.40
Boarder Babies	20	\$483.55	\$0.80	19.8	\$200.00	\$0.33	\$0.47
Skilled Nursing Facility	54	12	\$263.04	\$0.27	0.0	\$0.00	\$0.00
Total Hospital Inpatient	515	\$1,660.13	\$71.27			\$2.53	\$68.74
Hospital Outpatient							
Emergency Room	374	\$212.32	\$6.61	373.6	\$50.00	\$1.56	\$5.05
Medical	142	\$126.72	\$1.50	0.0	\$0.00	\$0.00	\$1.50
Surgery	106	\$836.47	\$7.38	0.0	\$0.00	\$0.00	\$7.38
Radiology	174	\$279.77	\$4.06	0.0	\$0.00	\$0.00	\$4.06
Pathology	189	\$84.30	\$1.33	0.0	\$0.00	\$0.00	\$1.33
Other Services	260	\$169.43	\$3.67	0.0	\$0.00	\$0.00	\$3.67
Maternity Non-Deliveries	8	\$245.70	\$0.15	0.0	\$0.00	\$0.00	\$0.15
Total Hospital Outpatient	1,252	\$236.80	\$24.70			\$1.56	\$23.14
Physician							
Inpatient Surgery							
Primary Surgeon	109	\$729.37	\$6.61	0.0	\$0.00	\$0.00	\$6.61
Assistant Surgeon	15	\$145.87	\$0.18	0.0	\$0.00	\$0.00	\$0.18
Anesthesia	70	\$128.29	\$0.75	0.0	\$0.00	\$0.00	\$0.75
Outpatient Surgery							
OP Hospital	88	\$329.69	\$2.42	0.0	\$0.00	\$0.00	\$2.42
Surgical Center	119	\$279.27	\$2.76	0.0	\$0.00	\$0.00	\$2.76
Office	260	\$145.64	\$3.15	0.0	\$0.00	\$0.00	\$3.15
Anesthesia	54	\$103.35	\$0.47	0.0	\$0.00	\$0.00	\$0.47
Maternity							
Normal Deliveries	7	\$565.41	\$0.31	0.0	\$0.00	\$0.00	\$0.31
Cesarean Deliveries	3	\$1,313.27	\$0.30	0.0	\$0.00	\$0.00	\$0.30
Non-Deliveries	6	\$228.73	\$0.11	0.0	\$0.00	\$0.00	\$0.11
Inpatient Visits							
Hospital Visits	419	\$180.24	\$6.30	0.0	\$0.00	\$0.00	\$6.30
Extended Care Visits	6	\$122.93	\$0.06	0.0	\$0.00	\$0.00	\$0.06
Critical Care Visits	19	\$233.32	\$0.37	0.0	\$0.00	\$0.00	\$0.37

San Francisco Health Plan
Taxi Driver Insurance Plan
Base Cost Assumptions - \$15 Co-pay Plan

	Frequency per 1000 <u>Members</u>	Average <u>Charge</u>	Per Capita Monthly <u>Claims Cost</u>	Frequency of per Service <u>Co-pay</u>	Amount of per Service <u>Co-pay</u>	Per Capita Monthly Cost Sharing <u>Value</u>	Per Capita Monthly Claims Cost <u>After Co-pay</u>
Physician (Continued)							
Office Visits & Misc. Services							
Office Visits	5,384	\$83.28	\$37.36	5,383.8	\$15.00	\$6.73	\$30.63
Home Visits	2	\$130.13	\$0.02	1.6	\$15.00	\$0.00	\$0.02
Therapeutic Injections	132	\$102.69	\$1.13	132.0	\$15.00	\$0.17	\$0.96
Allergy Testing	27	\$58.30	\$0.13	26.6	\$15.00	\$0.03	\$0.10
Allergy Immunotherapy	245	\$15.34	\$0.31	245.4	\$15.00	\$0.31	\$0.01
Diagnostic Testing	81	\$108.14	\$0.73	0.0	\$0.00	\$0.00	\$0.73
Emergency Room Visits	324	\$205.65	\$5.55	0.0	\$0.00	\$0.00	\$5.55
Consultations	109	\$207.33	\$1.88	108.8	\$15.00	\$0.14	\$1.74
Physical Medicine	342	\$44.55	\$1.27	342.4	\$15.00	\$0.43	\$0.84
Occupational Therapy	283	\$69.97	\$1.65	282.9	\$15.00	\$0.35	\$1.30
Speech Therapy	10	\$136.09	\$0.11	9.9	\$15.00	\$0.01	\$0.10
Chiropractor	0	\$38.85	\$0.00	0.0	\$15.00	\$0.00	\$0.00
Urgent Care	1,155	\$143.53	\$13.81	1,155.0	\$15.00	\$1.44	\$12.37
Total Physician	9,266	\$110.00	\$87.74			\$9.61	\$78.13
Radiology							
IP (Professional)	140	\$78.05	\$0.91	0.0	\$0.00	\$0.00	\$0.91
OP (Professional)	345	\$103.06	\$2.97	0.0	\$0.00	\$0.00	\$2.97
Office (Combined)	506	\$114.02	\$4.81	0.0	\$0.00	\$0.00	\$4.81
MRI	3	\$919.04	\$0.23	0.0	\$0.00	\$0.00	\$0.23
CT-Scan	2	\$553.43	\$0.09	0.0	\$0.00	\$0.00	\$0.09
Total Radiology	997	\$108.46	\$9.01			\$0.00	\$9.01
Pathology							
IP (Professional)	68	\$24.44	\$0.14	0.0	\$0.00	\$0.00	\$0.14
OP (Professional)	128	\$38.00	\$0.40	0.0	\$0.00	\$0.00	\$0.40
Office (Combined)	3,137	\$41.21	\$10.77	0.0	\$0.00	\$0.00	\$10.77
Total Pathology	3,333	\$40.75	\$11.32			\$0.00	\$11.32
Other Services							
Prescription Drugs	9,403	\$42.62	\$33.39	9,402.8	\$15.00	\$11.75	\$21.64
PDN/Home Health Care	33	\$57.87	\$0.16	0.0	\$0.00	\$0.00	\$0.16
Ambulance	16	\$82.32	\$0.11	0.0	\$0.00	\$0.00	\$0.11
Durable Medical Equipment	30	\$118.95	\$0.29	0.0	\$0.00	\$0.00	\$0.29
Prosthetics	3	\$367.38	\$0.10	0.0	\$0.00	\$0.00	\$0.10
Total Other Services	9,484	\$43.09	\$34.05			\$11.75	\$22.30

Exhibit VII

San Francisco Health Plan
 Taxi Driver Insurance Plan
 Base Cost Assumptions - \$15 Co-pay Plan

	Frequency per 1000 <u>Members</u>	Average <u>Charge</u>	Per Capita Monthly <u>Claims Cost</u>	Frequency of per Service <u>Co-pay</u>	Amount of per Service <u>Co-pay</u>	Per Capita Monthly Cost Sharing <u>Value</u>	Per Capita Monthly Claims Cost <u>After Co-pay</u>
Additional Services							
Immunizations	412	\$41.27	\$1.42	0.0	\$0.00	\$0.00	\$1.42
Physical Exams	96	\$86.51	\$0.69	96.3	\$15.00	\$0.12	\$0.57
Well Woman Exams	200	\$86.51	\$1.44	199.8	\$15.00	\$0.25	\$1.19
Vision Exams	269	\$78.09	\$1.75	269.0	\$15.00	\$0.34	\$1.41
Speech Exams	216	\$131.70	\$2.37	215.7	\$15.00	\$0.27	\$2.10
Hearing Exams	4	\$90.97	\$0.03	4.4	\$15.00	\$0.01	\$0.03
Hearing Aids	108	\$305.42	\$2.74	0.0	\$0.00	\$0.00	\$2.74
Family Planning	4	\$66.99	\$0.02	4.4	\$15.00	\$0.01	\$0.02
Abortions	4	\$96.50	\$0.04	4.4	\$15.00	\$0.01	\$0.03
Podiatrist	62	\$114.30	\$0.59	61.7	\$15.00	\$0.08	\$0.51
OP Psychiatric	208	\$187.41	\$3.25	208.1	\$15.00	\$0.26	\$2.99
OP Alcohol & Drug Abuse	31	\$135.52	\$0.35	31.0	\$15.00	\$0.04	\$0.31
Total Additional Services	1,614	\$109.21	\$14.69			\$1.37	\$13.32
Total All Services	26,461	\$113.50	\$252.77			\$26.82	\$225.96
Cost with Administrative Loading							\$256.77

C. Cab Companies, Medallions and Dispatch Services¹⁴¹

Table C1: Cab Companies, Medallions and Dispatch Services

Company	Regular Medallions	Ramp Medallions	Dispatch Service
ABC	1	1	Town
Alliance	7		B&W Checker
American	15		American
Arrow	58		Veterans
Bay	72	4	Town
Big Dog	24		Citywide
B & W Checker	43	10	B&W Checker
Central	1		Regents
Crown	9		Citywide
Delta	5		B&W Checker
DeSoto	97	7	DeSoto
Executive	1		Citywide
Fog City	8	1	B&W Checker
Gold Star	1		Regents
King	0		Regents
KSJ	1		Town
Lucky	1		Regents
Luxor	174	19	Luxor
Max	3		CityWide
Metro	32		Citywide
National	69		National
Regents	35	5	Regents
Royal	40	2	Citywide
SF Super Cab	2		Citywide
SF Taxi	8		Citywide
Sunset Cab	1		Sunset
Town	57		Town
Union Cab	--		Union
United	41		National
USA Cab	2		Citywide
Veterans	41		Veterans
Worldwide	11		Citywide
Yellow	435	25	Yellow

¹⁴¹ Taxi Detail. 2005. "Color Scheme Phone List." and Taxi Detail. 2005. "Dispatch Services." One additional cab company, Comfort Cab, has come into existence since the Taxi Detail list was created. See Office of the Controller. 2005. "Taxi Industry Report: Rates of Fare and Fees." December. See also San Francisco Taxicab Commission. n.d. "Taxicab Companies." Found at: www.sfgov.org/site/taxicommission_index.asp?id=8125.

D. *Taxicab Commission Applicants and Fees* ¹⁴²

The following chart lists the number of drivers/companies that comprised each category in 2003 to 2004, along with the San Francisco Taxicab Commission's 2004 projected numbers for 2005 to 2006 based on the fee revenues.¹⁴³

Table D1: Taxicab Commission Applicants and Renewals

	2003-4 Numbers	2005-6 Projected
Driver Applications	930	766
Driver Renewals	6,759	6,436
Permit (Medallion) Application	8	30
Permit (Medallion) Renewal	1,306	1,306
Ramped Taxi Application	22	20
Ramped Taxi Renewal	75	75
PCN Application ¹⁴⁴	181	36
Color Scheme Change	37	48
Lost Medallion	--	24
Metal Medallions (affixed to cabs)	--	1,381
New Color Scheme Application:		
1-5 medallions	0	5
6-15 medallions	0	0
16-49 medallions	0	0
50 or more medallions	0	0
Color Scheme Renewal:	37	
1-5 medallions		11
6-15 medallions		6
16-49 medallions		8
50 or more medallions		6
Dispatch Application		1
Dispatch Service Renewal		11

There are presently 20 different fees applied to the taxicab industry that fall into four categories: drivers, medallions, color schemes (cab companies) and dispatch. The following charts lists the current fee rates.

¹⁴² Taxi Detail. 2005. "Color Scheme Phone List." and Taxi Detail. 2005. "Dispatch Services."

¹⁴³ This information comes from the San Francisco Taxicab Commission in the following documents: "Taxi Commission Fee Schedule," "Taxicab Commission Revenue Projections for Fiscal Year 05-06," and "2003-2004 Fiscal Year Revenues."

¹⁴⁴ The PNC (Public Convenience Necessity) Application fee is charged to drivers to get on the medallion waiting list.

Taxicab Fees¹⁴⁵

The following applications and fees are submitted to the **SF Taxi Commission**, 25 Van Ness Ave., Suite 420, San Francisco, CA:

Type of Permit	Filing Fee
New Color Scheme	
1-5 Medallions	\$783.00
6-15 Medallions	\$1557.00
16-49 Medallions	\$3106.00
50+ Medallions	\$3880.00
Color Scheme Change	\$267.00
*Metallic Medallion (Annual Renewal by Company Only)	*\$31.00

*BPA surcharge of \$9.00 does not apply

The following applications and fees are submitted to the **SFPD Taxi Detail**, 850 Bryant St., Room 458, San Francisco, CA:

Type of Permit	Filing Fee
PC & N (Medallion Waiting List) incl. \$30 Ad Fee	\$354.00
Public Passenger Vehicle Driver	\$76.00
*Fingerprinting Fee (\$10 City, \$32 State) Only applicable for Public Passenger Vehicle Drivers	*\$43.00
Ramped Taxicab	\$112.00
Taxicab	\$577.00
Taxicab Radio Dispatch Service	\$2590.00

*BPA surcharge of \$9.00 does not apply

¹⁴⁵ This section reproduced from: San Francisco Taxicab Commission. n.d. "Taxi Commission Fee Schedule." Found at: <http://www.sfgov.org/site/uploadedfiles/taxicommission/TaxiCommissionFeeSchedule.pdf>.

The following renewal fees are submitted to the **Tax Collector**, City Hall, 1 Dr. Carlton B. Goodlet Place, Room 110, San Francisco, CA:

Type of Permit	License Renewal Fee
Color Scheme	
1-5 Medallions	\$516.00
6-15 Medallions	\$1032.00
16-49 Medallions	\$2065.00
50+ Medallions	\$2581.00
Public Passenger Vehicle Driver	\$46.00
Ramped Taxicab	\$103.00
Taxicab	\$490.00
Taxicab Radio Dispatch Service	\$2581.00

E. Price Elasticity of Demand

1. Literature review of taxi demand elasticity to price

Every 1% fare increase could result in a 0.3% to 1.88% demand decline

According to the existing literature, demand elasticity to taxi fare variations can range from -0.3 up to -1.88 . This means that every 1% fare increase could result in a 0.3% to 1.88% demand decline; a 10% fare increase could thus result in a 3% to 18.8% demand contraction.

An international literature review conducted by Booz Allen Hamilton (1993) for the transportation public authority of New South Wales reported a range of elasticities between -0.3 and -0.8 . Boroski and Mildner (1998) from Portland State University report that “most studies of the taxicab industry estimate the fare elasticity of demand to be in the range of -0.5 to -1.0 ”.

In New York the elasticity is -0.22 but it is the smallest one observed worldwide

The heterogeneity of findings regarding elasticity partly reflects different market conditions between cities. For example, the elasticity has been estimated to be -0.22 in New York, -0.36 in Canberra, -1.307 in Seoul, and -1.88 in Maceio (respectively Schaller, 1999; Booz Allen Hamilton, 1993; Anas and Moses, 1984; Geltner and Barros, 1984).

Table E1: Literature Review of Taxi Fare Variations for Demand Elasticity

Authors, date	Elasticity	Market studied
Schaller (1999)	-0.22	New York, USA
Booz Allen Hamilton (1993)	-0.36	Canberra, Australia
Anas and Moses (1984)	-1.307	Seoul, Korea
Geltner and Barros (1984)	-1.88	Maceio, Brazil
Booz Allen Hamilton (1993)	-0.3 to -0.8	International
Boroski and Mildner (1998)	-0.5 to -1.0	International

Source: Sample based on authors' literature review

The elasticity observed in one city cannot be directly translated to another city because market conditions may be different

These estimates are too wide to provide reliable estimates for the San Francisco market. In the next sections, we review the conditions that can help estimate demand elasticity in San Francisco.

2. Estimating demand elasticity in San Francisco

As mentioned above, prior research on demand elasticity is not directly replicable in the San Francisco market, because elasticity depends on market conditions.

Based on the US Department of Transportation's methodological recommendations and on Schaller's 1995 article, we have identified the following factors that may significantly differentiate demand elasticity

between cities:

- Availability of alternate transportation modes
- Quality of other transportation modes (timeliness, frequency, density)
- Relative price of alternate transportation modes
- Structure of taxi demand (segmentations of users based on income levels, business/personal use, visitors/residents)
- Downtown parking availability and cost

In his 2005 article on regression modeling of the number of cabs in 118 U.S. cities, Schaller provided more specific guidance for the development of taxi demand models in specific locales. Key factors that may affect the taxi market include:

- Number of households or residents without a car available,
- Number of subway commuters for work and non-work trips,
- Number of airport taxi trips (which can represent up to one third or half the total demand for taxis in some cities),
- Taxi fare for an average trip adjusted for inflation
- Number of visitors, convention delegates or hotel room nights occupied in the city's hotels,
- Demand generated by programs for seniors or disabled persons,
- Ratio of parking spaces to downtown employment,
- Taxicab service quality including response times for taxi service,
- Climate.

The elasticity in San Francisco would most likely be similar to the -0.22 elasticity observed in New York City

On June 6, 2005 we interviewed Bruce Schaller, a consultant who has specialized in the taxi sector and a scholar at New York University. He explained that the elasticity in San Francisco would most likely be similar to the -0.22 elasticity observed in New York City and published in his 1999 peer reviewed article. His assumption relies on the fact that market conditions in the two cities are sufficiently comparable: characteristics of users and demand are very similar compared to other cities, and people have relatively similar sets of choices and attitudes. He also explained that his recent work in Chicago has shown a similar elasticity to New York's.

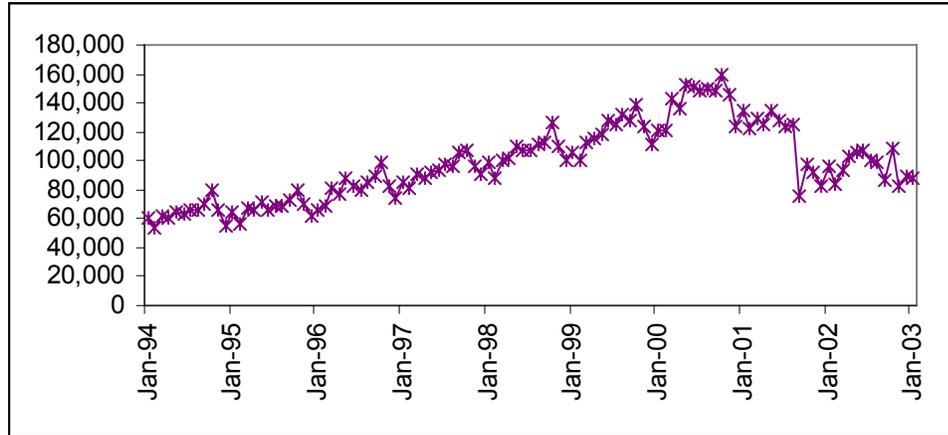
Schaller also recommends comparing bus demand elasticity in San Francisco and New York, because he suggests that similar bus elasticities in the two cities would help corroborate the similarity of taxi elasticities.

The would most likely be in the -0.2 to -0.35 range

Schaller believes that the elasticity in San Francisco would most likely be between -0.2 and -0.35 . He considered as extremely unlikely that the elasticity in San Francisco could reach -0.6 . Schaller also explained that his more recent unpublished calculations of elasticity in New York has evolved towards -0.3 and he expects that San Francisco's elasticity may thus be closer to -0.3 too. We assume that this may be due to different economic conditions compared to 1999.

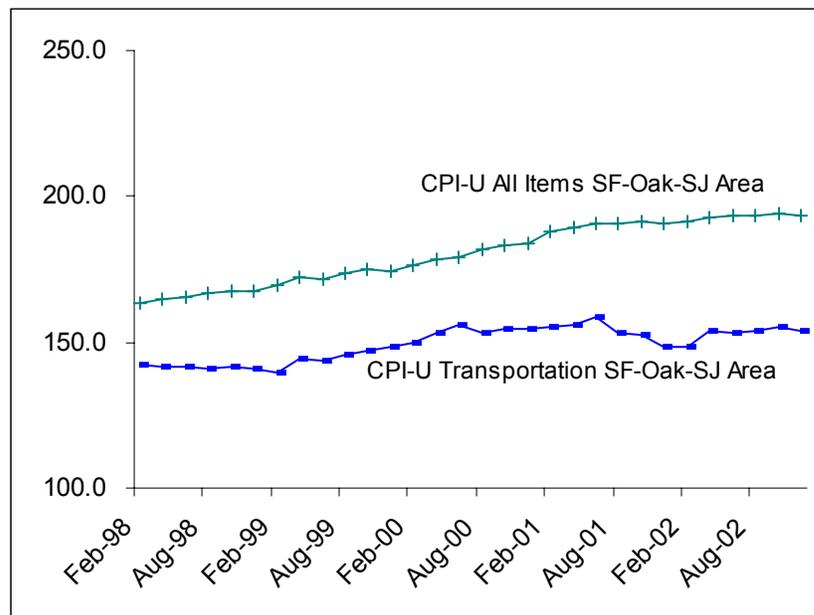
3. Actual historical data of taxi demand in San Francisco

Chart E1: SFIA taxi pickups



Source: Landside Operations, SFIA

Chart E2: Consumer Price Index in SF-Oakland-San Jose Area



Source: Bureau of Labor Statistics – Based Period: 1982-84: 100

4. Data Used for Determination of Price Elasticity of Demand

The following data was used to determine price elasticity of demand for taxi rides:

Number of drivers:	7000
Elasticity:	-0.35
Medallions:	1381
Current average fare	\$15.90
Including current flag:	\$2.85
Number of fares per 10-hour shift	15
Gross receipts per 10-hour shift	\$238.50
Number of shifts per year per medallion	730
Total number of shifts per year	1,008,130
Average shifts per year per driver	144

The following formula was used to determine price elasticity of demand:

Calculations of the price increase needed to generate the required additional income despite demand elasticity result in a formula of the following type:

$$a*EXP(2)x + b*x + c = 0$$

Adapted to our case, solutions to such an equation are:

$$\begin{aligned} x1 &= ((N*P*0.35-N*P) + \text{SQRT}(\text{Delta})) / (2*(-P*N*0.35)) \\ \text{OR, IF N and P given as below} &= (-155.025+\text{SQRT}(24032.8-4*(83.475*\text{VarRev}))/(-166.95) \end{aligned}$$

$$\begin{aligned} x2 &= ((N*P*0.35-N*P) - \text{SQRT}(\text{Delta})) / (2*(-P*N*0.35)) \\ \text{OR, IF N and P given as below} &= (-155.025-\text{SQRT}(24032.8-4*(83.475*\text{VarRev}))/(-166.95) \end{aligned}$$

Where:

N (Current number of fares per shift) =	15
P (Current average fare) =	\$ 15.90
Delta (for solution to second degree equation)	= EXP(2)(-N*P*0.35+N*P) - 4 * (-P*N*0.35) * ((N * P - 238.5 - 13.54))
VarRev =	Additional revenue per shift needed to cover the additional health insurance cost
x1 and x2 =	Two possible solutions, one of which is selected based on relevancy