

STAFF REPORT

TO: HONORABLE MAYOR AND CITY COUNCIL
FROM: MARNIE BARRETT, HUMAN RESOURCES COORDINATOR
GAYLA CHAPMAN, ADMINISTRATIVE SERVICES DIRECTOR
SUBJECT: ESTABLISHING GUIDELINES FOR COMPLIANCE WITH THE AFFORDABLE CARE ACT (ACA)

Marnie Barrett
Gayla Chapman

BACKGROUND

The federal Affordable Care Act (ACA) became law in March 2010, and includes complex requirements that are numerous, technical and confusing. Implementation is staged over a number of years, with significant changes taking effect on January 1, 2014. The City's obligation is determined by employee status in 2013 with a requirement to establish certain guidelines for compliance by no later than July 1, 2013.

DISCUSSION

Under the ACA, employers having 50+ full-time employees are subject to the Employer Shared Responsibility provision ("Pay or Play"), which requires such "large employers" to offer minimum essential health coverage that is affordable to 95% of full-time employees and their children under age 26, or else be subject to penalties. Minimum essential coverage is any employer-sponsored coverage, with affordable coverage defined under the ACA as the employee's contribution to health coverage premiums for self only being no more than 9.5% of household income. The definition of household income under the ACA can be determined using one of three "Safe Harbor" methods:

- 1. W-2 method using the year-end W-2, box 1 to determine income; or
- 2. Rate of pay method calculated by multiplying the hourly wage by 130; or
- 3. Federal Poverty Level for single household.

These Safe Harbor tests are based on the cost of employee-only coverage for the least expensive plan offered, which for the City is the California Public Employees' Retirement System (CalPERS) Select Preferred Provider Option (PPO) Plan.

A full-time employee is defined by the ACA as working an average of 30+ hours per week or 130+ hours per month. Employers must determine the period over which the hours are averaged, and have the option of using either a month-by-month review or a longer "look-back" period of between three and twelve months, allowed by the Internal Revenue Service (IRS).

APPROVED FOR FORWARDING



ROBERT PERRAULT
CITY MANAGER

Please Review for the Possibility of a Potential Conflict of Interest:

- None Identified by Staff
- Lee
- Nicolls
- Bright
- Marshall
- Peterson

By providing CalPERS Health coverage to all full-time employees, the City is currently in compliance with these requirements of the ACA; however, the City must prepare for upcoming changes to the coverage parameters to take effect January 1, 2014, and should determine at this time what guidelines to implement for possible future staffing increases or other changes.

By no later than July 1, 2013, the City must have made the determination as to what timeframes will be used to comply with the ACA's requirements for its mandated "Standard Measurement Period" and "Stability Period", as well as a "Transition Measurement Period" which is used to identify any employees who work an average of 30+ hours per week or an average of 130+ hours per month and therefore must be offered medical coverage by the City under the ACA.

To assess compliance with the ACA and to avoid or minimize the ACA penalties, staff recommends that an analysis be done of all part-time employees' hours worked to determine if any part-time employees meet the definition of full-time under the ACA, as described above.

The "Standard Measurement Period" determines employees' eligibility as full-time for the January 1, 2014 effective date by averaging the number of hours worked. Based on the information available to date, it is recommended by staff that the initial Standard Measurement Period run from November 1, 2012 through October 31, 2013, followed by an "Administration Period" from November 1 through December 31, 2013. The Administration Period allows for the notification and enrollment of employees in the health plan. The 12-month coverage period for insurance offered to employees, called the "Stability Period", would then run from January 1 to December 1, 2014, consistent with the Standard Measurement Period for that calendar year. The ACA does allow for employers to adjust the Measurement and Stability periods in subsequent years.

Under the ACA, the employer has the option of determining its status as a large employer by designating a one-time "Transitional Measurement Period" of at least six consecutive calendar months during 2013, which allows the City to calculate average hours worked for part-time employees. Council Members are potentially considered to be City employees because their monthly stipend is paid through payroll, although no timesheet is completed. Therefore, a determination must be made whether the position of City Council Member is designated as full- or part-time. In order to accomplish this, it is recommended by counsel at Liebert Cassidy Whitmore that the City establish a Safe Harbor look-back "Transitional Measurement Period" from July 1, 2013 to December 31, 2013, during which time the City Council Members will need to accurately document their hours of service so the determination can be made whether their average hours worked requires the City to offer medical coverage to them under the ACA. This single Transitional Measurement Period will be used to determine the part- or full-time status for City Council Members under the ACA for calendar year 2014.

The ACA does not require that the City provide medical coverage to all qualifying part-time employees, but it must be offered to those part-time employees who average 30+ hours per week or 130+ hours per month based on the determinations made during the Standard Measurement Period; however, it is not mandatory to provide coverage if the employee elects to decline the benefit. The City must offer affordable health coverage, but is not required to pay its full cost. Under the Public Employees' Medical and Health Care Act (PEMHCA), the City is required to contribute \$115 per month per qualified part-time employee, rather than the full cost of the CalPERS medical coverage.

ALTERNATIVES

The City Council has the following alternatives to consider:

1. Adopt the Resolution authorizing the "Standard Measurement Period", the "Stability Period", and a "Transitional Measurement Period"; or
2. Provide alternate direction to staff.

RECOMMENDED ACTION

Adopt the Resolution authorizing the "Standard Measurement Period", the "Stability Period", and a "Transitional Measurement Period".

FISCAL IMPACT

The outcome of the "Transitional Measurement Period" will determine the future fiscal impact. At this time the fiscal impact is projected to be minimal.

PUBLIC NOTIFICATION

The agenda was posted in accordance with the Brown Act.

Attachments

1. Resolution No. 13 - xx

RESOLUTION NO. 13-__

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GROVER BEACH, CALIFORNIA, TO ESTABLISH GUIDELINES BY WHICH THE CITY OF GROVER BEACH WILL COMPLY WITH THE AFFORDABLE CARE ACT (ACA)

WHEREAS, the federal Affordable Care Act was passed into law in March, 2010, with implementation staged over a number of years; and

WHEREAS, the City Council wishes to establish certain policy guidelines for compliance with the ACA in regards to timeframes for determination of part- or full-time employee status; and

WHEREAS THESE GUIDELINES SHALL INCLUDE:

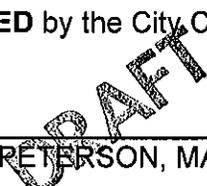
1. Establishing a rolling Standard Measurement Period of November 1st through October 31st, a repeating Administration Period of November 1st through December 31st, and a repeating Stability Period of January 1st through December 31st, with a one-time Transitional Measurement Period of July 1 to December 31, 2013. The first Standard Measurement Period is retroactively designated to begin November 1, 2012.
2. Maintaining medical care benefits at or above the level required by the ACA for employee-only coverage for positions determined to be full-time;
3. Establishing that, in the event a part-time employee qualifies as a full-time employee under the definition of ACA, medical benefits shall be offered with the maximum contribution by the City only as required by PEHMCA (currently at \$115 per month);
4. Complying with all benefit administration, recordkeeping and reporting requirements of the ACA;

NOW, THEREFORE, BE IT RESOLVED THAT THE CITY COUNCIL OF THE CITY OF GROVER BEACH HEREBY APPROVES AND ADOPTS THESE GUIDELINES IN COMPLIANCE WITH THE ACA.

On motion by Council Member _____, seconded by Council Member _____, and on the following roll-call vote, to wit:

AYES:	Council Members –
NOES:	Council Members –
ABSENT:	Council Members –
ABSTAIN:	Council Members –

the foregoing Resolution was **PASSED, APPROVED, AND ADOPTED** by the City Council of the City of Grover Beach, California this 17th day of June, 2013.



 DEBBIE PETERSON, MAYOR

Attest:

 DONNA L. McMAHON, CITY CLERK