On July 2, 2013, the Obama administration delayed the effective date of a key provision of the Affordable Care Act (ACA) from 2014 to 2015. This will give the District some relief in implementation of ACA.
Healthcare Reform

Access to Comprehensive Coverage

- Healthcare Exchanges
- No limits for pre-existing conditions
- Guaranteed to be issued coverage
- No rescission of coverage
- No limits on Essential Health Benefits
- Coverage must be Minimum Value (60% of medical costs)
- Improved preventive/women’s healthcare
- Limit waiting periods – benefits begin by 91st day – 61st day in California
Healthcare Reform

**Affordability**

- Subsidies for lower income families
- Caps on employee cost for single coverage

**Employer Administration**

- Automatic enrollment
- Notice to employees of Exchange
- Provide Summary of Benefit Coverage (SBC)
- W-2 reporting
Pay or Play Overview

By 2014, the group health plan marketplace will change dramatically:

- Penalties in place for large employers (excise taxes)
- Employers **must offer minimum essential coverage**
- Exchanges (Marketplace) available for individual and small group policies
- Individual mandate for most individuals to be insured
- Revenue raising provisions under Affordable Care Act (ACA) - fees added to the premium rates
Pay or Play Overview

Q. What is Pay or Play?

A. Pay or play is a requirement for large employers (50 or more employees) to offer **Minimum Essential Coverage** which is **Affordable** and provides **Minimum Value**.

The coverage must be provided to at least 95% of all **full-time** employees and their dependents by the 91st day, 61st day in California, or risk **penalties**.

Full-time employee is defined as one who works ≥ 30 hours per week or 130 hours per month.

Pay or Play is effective on **January 1, 2015**
## Determining Full-time Status

<table>
<thead>
<tr>
<th>Measurement Period</th>
<th>Administrative Period</th>
<th>Stability Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time period used to measure average hours worked</td>
<td>Time to calculate average hours, communicate with employees and administer enrollment process</td>
<td>Employees averaging 30+ hours offered benefits</td>
</tr>
<tr>
<td>12 months</td>
<td>60 days</td>
<td>Can’t drop employees from benefit coverage if hours drop below 30</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12 months</td>
</tr>
</tbody>
</table>
Determining Full-time Status

\[
\text{Average \# hours worked per month} = \frac{\# \text{ regular hours worked} + \# \text{ hours of paid time off + special unpaid leave}}{\# \text{ months in Measurement Period}}
\]

- **# hours of paid time off**: includes vacation, sick time, personal necessity, jury duty
- **# hours of special unpaid leave**: includes Family Medical Leave, term breaks

The District will be tracking all hours worked to determine full-time status.
Implications of ACA

- Penalties for not providing coverage (excise taxes)
- Costs to cover additional employees
- Cadillac Tax
- Revenue Raising Fees
Q. How are excise taxes triggered?

A. Excise taxes are triggered if a full-time employee enrolls in a state exchange and qualifies for subsidized coverage.

To be subsidy-eligible, the employee’s household income must be between 100% and 400% of the Federal Poverty Level, based on 2013 ($11,490 in the Continental US).
Excise Taxes for Not Providing Coverage

If SOCCCD does not offer minimum essential coverage to all qualified employees*, and

at least one full-time employee obtains federally-subsidized coverage from the Exchange (after first 30 employees), then

the excise tax is calculated at $2,000 per full-time employee (approximately $2 million)

*Coverage must be provided to at least 95% all full-time employees
Costs to Provide Additional Coverage

- An analysis was completed on hours worked during FY 2012-2013

- Very few employees who are currently ineligible for benefits worked on average 30 or more hours per week, meeting the full-time definition

- Annual impact of $400,000 to add these employees to the current medical plans

- Additional group of employees who worked between 25 and 30 hours per week would cost $1.5 million annually to add to the current medical plans

- Most of these employees would qualify for a subsidy which could trigger an excise tax penalty if they work (on average) 30 hours or more per week
Cadillac Tax

Besides being required to provide minimum essential coverage, there are provisions in ACA that address excess benefits

- Healthcare premium cap is $10,200/individual and $27,500/family
- Effective 2018, 40% tax on premium amounts in excess of the premium cap
- Insurers and Third Party Administrators (TPAs) pay the tax, which would be passed on to employers

SOCCCD Potential Cost
- PPO Plan estimated tax of $6,615 per individual with employee only coverage (202 * $6,615 = 1,336,230)
- HMO Plan estimated tax of $4,861 per individual with employee only coverage (16 * $4,861 = $77,776)
Revenue Raising Fees (con’t)

Fees are charged to raise revenue to fund affordable healthcare reform programs.

1) Patient Centered Outcomes Research (PCORI) Fee
   - First fee payment due 7/31/13
   - Self funded and fully insured plans pay the fee
   - Fees used to improve quality of healthcare
   - Fee - $1 multiplied by the average number of covered lives on the plan ($2 following year)
   - SISC will pay PPO plan fees from reserves
   - HMO carriers pay fees and included them in new rates
   - Estimated Annual Cost is $2,794 for 2013 and $5,588 for 2014 (includes Medicare retirees)
Revenue Raising Fees

2) Annual Fees paid by Insurance Carriers (insured plans only)
   - Annual tax on health insurance
   - Pays for Medicaid expansion
   - Begins in 2014 – calculated at 2.46% of premiums paid in 2013
   - Estimated annual cost - Medical HMO – $441,963.70

3) Reinsurance fees paid by Insurance Carriers and TPAs
   - Calculated at $5.25 per month per covered individual ($63 per year)
   - Used to offset the risk of high cost claims
   - Temporary reinsurance fee effective 1/1/14 – 1/1/17
   - Estimated annual cost - $158,508 (does not include Medicare retirees)
Summary of Potential Costs and Fees*

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential costs for benefits for employees not currently offered benefits if practices not changed</td>
<td>$1,900,000</td>
</tr>
<tr>
<td>Potential excise tax for not providing coverage to qualified employees</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Cadillac tax for excess benefits (2018)</td>
<td>$1,414,000</td>
</tr>
<tr>
<td>Patient Centered Outcomes Research Fee paid by SISC and Insurance Carrier</td>
<td>$2,794</td>
</tr>
<tr>
<td>Annual Fee for Insurance Carriers</td>
<td>$441,964</td>
</tr>
<tr>
<td>Reinsurance Fees paid by Insurance Carriers</td>
<td>$158,508</td>
</tr>
</tbody>
</table>

*The fees and cost impacts are an estimate based on current medical plans, enrollment and part-time employee base. The total potential cost impact could fluctuate if there are changes to the plans, enrollment or part-time employee base.

--The first two items will be avoided by changing practices--
Next Steps & Recommendations

- Analyze SOCCCD workforce; identify risk of penalties
- Determine how to document monthly hours worked so it can be proven to the IRS
- Educate members within our organization
- Review bargaining unit contracts: determine if there are implications in contract language that have unintended consequences and could cause penalties
Next Steps & Recommendations

- Review our employment practices
  - Chancellor’s Executive Council has agreed to have a standard practice of non-bargaining unit employees (short-term hourly) and cyclical employees work 25 hours or less per week
  - This will protect the District and Colleges from large potential penalties

- Watch for more guidance; the rules keep changing!
Questions?