



STAFF REPORT

Date: June 18, 2013

To: Steven A. Preston, FAICP, City Manager

From: Marcella Marlowe, Ph.D., Assistant City Manager 

Subject: **Approval of Resolution No. 13-12, Adopting Measurement Standards as Permitted under the Patient Protection Affordable Care Act**

SUMMARY

The purpose of this request is for the City Council to approve Resolution No. 13-12, setting measurement and administrative periods for the Patient Protection Affordable Care Act and establishing an annual “look back” calculation method for determining whether part-time employees are eligible for city-sponsored health insurance.

Background

The Patient Protection Affordable Care Act (PPACA) was signed by President Obama in 2010, and mandated many changes to health insurance coverage to be phased in over the course of several years. In fact, some of those changes have already gone into effect. One provision that is set to become effective January 2014 is the requirement that all employers provide insurance coverage for employees working 30 hours or more per week.

Currently, the City of San Gabriel only offers employer-sponsored health insurance to full-time employees, who are described by policy and practice as those employees named by the budget and approved by the City Council as full-time employees. This new provision of the PPACA would significantly increase the number of employees who would be eligible for city-sponsored health insurance. This new provision will also remove the decision from the Council’s authority because once a part-time employee crosses the 30 hour per week threshold, they will automatically become eligible for employer-sponsored insurance under federal law.

Discussion

If we do nothing, the biggest challenge for San Gabriel (and most local jurisdictions as well) is that we have a number of programs that are seasonal in nature that require part-time employees to work more than 30 hours per week, but only for a limited portion of the year. However, the language of

the PPACA is clear that once the threshold is crossed, insurance eligibility is created, regardless of the number of hours worked in other portions of the year.

The provisions of the PPACA do not require any adoption by the City Council. There are administrative tasks, but none require Council action. If no action is taken, the 30 hour per week threshold will go into effect on January 1, 2014, and city management will need to respond by either offering a new segment of our employees city-sponsored health insurance or cut hours significantly, effective as early as July 1, 2013, which is the “measurement period” begins for 2014 health insurance eligibility purposes.

However, the PPACA *did* contemplate that there might be situations such as ours, and offers agencies an opportunity to adopt a different, and likely more favorable, measurement period of one year. If the agency adopts the one-year “look back” method, then the total number of hours worked in a 12 month period may divided by 52 in order to get a weekly *average*. In this method, the employee would need to *average* 30 hours per week to be eligible for city-sponsored health care. It is likely that a seasonal employee who works significantly more than 30 hours per week during the “busy season,” but significantly fewer than 30 hours during the “non-busy season” will *not* ever cross the 30 hour *average* threshold.

In order to use the “look back” method, the City must adopt a resolution, specifying the calculation method. Resolution No. 13-12 establishes the use of the annual look back method for the City, which should ensure that our costs are kept as minimal as possible.

Fiscal Impact

There is no fiscal impact to adopt Resolution No. 13-12. Because staff has anticipated some of these changes, a reduction in hours for many of our part-time employees was already contemplated by the department heads and incorporated into the budget numbers for FY 2013-14.

Recommendation

Staff recommends that the City Council adopt Resolution No. 13-12, adopting measurement standards as permitted under the Patient Protection Affordable Care Act.

Attachments

Resolution No. 13-12.

RESOLUTION NO. 13-12

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN GABRIEL, ADOPTING MEASUREMENT STANDARDS AS PERMITTED UNDER THE PATIENT PROTECTION AFFORDABLE CARE ACT

WHEREAS, On March 23, 2010, President Obama signed the Patient Protection Affordable Care Act (PPACA) making significant changes in insurance for the health care system throughout the nation;

WHEREAS, Incorporated within those changes were mandates for employers establishing new regulations for employer-sponsored insurance for health care;

WHEREAS, Regulation § 4980H of the Internal Revenue Code establishes that effective January 1, 2014 eligible employers must provide employer sponsored health insurance for all full time employees which is generally defined as employees that work 30 hours or more per week;

WHEREAS, Notice 2012-58 of the Internal Revenue Service establishes criteria for a "Safe Harbor" that allow employers to adopt consistent and appropriate measurement standards that must be adopted prior to December 31, 2013.

WHEREAS, This Safe Harbor allows for averaging hours worked over the span of a measurement period when determining an employee's eligibility and not simply considering hours on a month by month basis;

WHEREAS, It has been determined that in order to provide the City the greatest flexibility and remain compliant with the new regulations the City should adopt the measurement standards and timeframes as outlined below:

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of San Gabriel that following measurement standards are established to calculate hours worked as it relates to determining employee eligibility under the Patient Protection and Affordable Care Act (PPACA):

Standard Measurement Period – Time frame which the City will look back at employee's previous hours worked to determine whether their employment status is considered full time under the PPACA. City will divide total hours worked in that period by 52 to determine an employee's weekly average. San Gabriel has elected to use November 2 – November 1 of each year.

Administrative Period – Time period needed to allow employees that meet the 30 hour requirement as calculated under the Standard Measurement Period to complete the enrollment process. San Gabriel has elected to use November 2 – December 31 of each year.

Stability Period – Time period in which full time employees will be provided with employer sponsored health care insurance. San Gabriel has elected to use January 1 – December 31 of each year.

Transition Period – Temporary time period used immediately prior to January 1, 2014 implementation to determine existing employees' employment status. The City will divide total hours worked in that period by 26 to determine an employee's weekly average. San Gabriel has elected to use July 1, 2013 – December 31, 2013.

PASSED, APPROVED AND ADOPTED this 18th of June, 2013.

Mayor Juli Costanzo

ATTEST:

Nina Castruita, Deputy City Clerk