

RESOLUTION NO. 2015-033

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
REEDLEY ADOPTING A MEDICAL PREMIUM CONTRIBUTION
FORMULA FOR ELIGIBLE PART-TIME EMPLOYEES AS
REQUIRED BY THE AFFORDABLE CARE ACT**

WHEREAS, the Affordable Care Act (ACA) has defined a full-time equivalent (FTE) employee as an individual employed on average at least 30 hours of service per week; and

WHEREAS, the ACA requires that an employer offer the lowest-cost, self-only coverage available to employees who meet the definition of an FTE employee; and

WHEREAS, the ACA has set a maximum monthly premium co-share that can be required of an employee by an employer; and

WHEREAS, FTE part-time and hourly rated employees are not covered by an existing collective bargaining agreement, benefits resolution nor any other benefits policy; and

WHEREAS, the City wishes to establish the formula to determine the maximum co-share required to be paid by a subject employee; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Reedley as follows:

1. The formula to determine an FTE employee's maximum required monthly premium co-share on a pre-tax basis shall be as follows:

The State of California's minimum wage in effect multiplied by thirty (30) hours per week multiplied by fifty-two (52) weeks multiplied by the federal affordability threshold in effect divided by twelve (12) months.

2. An FTE employee may buy-up to a higher cost plan or add dependent coverage for the maximum required co-share plus the additional cost for the buy-up.
3. An FTE employee may opt out of the maximum required monthly premium co-share provided that the employee provides proof of alternate coverage.
4. This formula shall be in effect January 1, 2016; however does not obligate the City to provide contributions or coverage to eligible employees in every plan year, depending upon the City's status of compliance in offering affordable, minimum value health coverage to "substantially all" full-time employees, as defined by ACA.

RESOLUTION NO. 2015-033
Adopting a Medical Premium Contribution Formula for Part-time Employees as Required by ACA
April 14, 2015

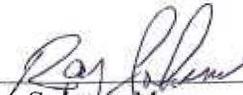
The foregoing Resolution was duly passed, approved, and adopted on April 14th, 2015, by the following vote:

AYES: Betancourt, Rodriguez, Fast, Soleno.

NOES: None.

ABSTAIN: None.

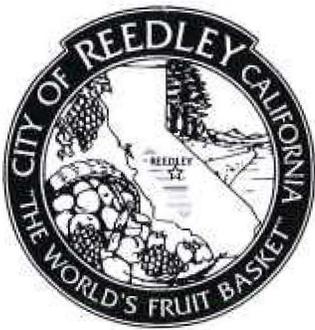
ABSENT: Beck.


Ray Soleno, Mayor

ATTEST:


Sylvia Plata, City Clerk





REEDLEY CITY COUNCIL

- Consent
- Regular Item
- Workshop
- Closed Session
- Public Hearing

ITEM NO: 8

DATE: April 14, 2015

TITLE: ADOPT RESOLUTION 2015-033 SETTING A MONTHLY MEDICAL PREMIUM CONTRIBUTION FORMULA FOR ELIGIBLE PART-TIME EMPLOYEES AS REQUIRED BY THE AFFORDABLE CARE ACT

SUBMITTED: Paul A. Melikian, Director of Finance & Administrative Services *PM*

APPROVED: Nicole R. Zieba, City Manager *NZ*

RECOMMENDATION

That the City Council adopt Resolution 2015-033 setting a medical premium contribution formula for eligible part-time employees as required by the Patient Protection and Affordable Care Act (ACA).

EXECUTIVE SUMMARY

The ACA requires large employers to offer affordable coverage to part-time employees who on average provide at least 30 hours of service per week. The City does not need to offer the same coverage or premium contribution to part-time employees as it does for full-time employees, and can require an employee contribution to be put toward the full medical premium. The Internal Revenue Service (IRS) has determined that the maximum required monthly premium cannot exceed 9.5% of an employee's annual household income to qualify as affordable. Since City does not have access to an employee's annual gross household income, the City may establish a formula using the State of California minimum wage. The monthly formula would be the minimum wage multiplied by the minimum number of hours required, multiplied by the number of weeks in a year, multiplied by the affordability percentage divided by 12 months.

Example: \$10.00 per hour x 30 hours x 52 weeks x 9.5% affordability percentage ÷ 12 months = \$123.50

The employee's monthly pre-tax contribution towards single party coverage would therefore be \$123.50. By using the California minimum wage, this formula insures that the City will not ever be out of compliance with the affordability provision under ACA. Using the formula above and the current (2015) premium of \$521.61 for the City's self-only, lowest cost premium plan, Anthem HMO, the City's premium co-share would be \$398.11 per month per eligible part-time employee. As proposed, the contribution formula will automatically update every time there is a change to California minimum wage or medical premiums. The part-time employee may elect to enroll in a two-party or family plan, however they will be responsible to pay 100% of the cost difference on a pre-tax basis.

BACKGROUND

On March 10, 2010, President Obama signed the ACA into law. The ACA, defines a large employer as an employer with 50 or more employees. The ACA mandates that large employers offer affordable, minimum value health coverage to "substantially all" full-time employees or risk paying a penalty.

“Substantially all” means at least 70% of Full-Time Equivalent (FTE) employees in 2015, but rises to 95% of FTE employees for 2016 and beyond. The City has been exempt from ACA at the 70% threshold, however at 95% the City could only have a handful of part-time employees working 30 or more hours weekly to continue to be exempt.

For the past 18 months, the City has been tracking part-time hours each month to analyze how the ACA could impact the City. Through this tracking, the City departments have been able to monitor their use of part-time employees, and in many instances, have kept part-time employees to 25 hours or less per week. There are certain, valid business reasons why several part-time employees are worked more than 25 hours and may occasionally work up to, or past, 30 hours, thereby triggering the ACA provision. The City has determined that there are approximately 10 part-time employees that may be affected by the provisions of the ACA. Going into 2015-16, all departments that anticipate needing to continue to utilize part-time employees 30 or more hours per week will budget for the cost of offering single party health coverage to the employee.

FISCAL IMPACT

As of this writing, the City has 10 part-time employees who currently exceed the 30 hour threshold. If all eligible employees took the coverage, the benefit would have a fiscal impact of \$47,773 annually. Since the City would not have to comply with ACA until January 2016, the cost would be approximately half of this for next fiscal year. In addition, several part-time employees have alternative medical insurance coverage (through spouses, etc.), and will potentially opt-out of this benefit, thereby further reducing the City’s obligation and expense.

Adopting the proposed contribution formula through the attached Resolution does not obligate the City to offer coverage or incur this annual cost. Depending upon the needs of the organization, the City may or may not exceed the 95% threshold in any given year. The proposed contribution formula does however, establish the policy for the City and employee contributions going forward that meets or exceeds all applicable requirements of ACA.

ATTACHMENTS

Resolution 2015-033