



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: CEO
Department No.: 012
For Agenda Of: December 2, 2014
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Director(s) Jeri Muth, Human Resources Director, 568-2817
Contact Info: Andreas Pyper, Employee Benefits Manager, 568-2821

SUBJECT: Employer Shared Responsibility Under the Patient Protection and Affordable Care Act (ACA), 26 U.S.C.A § 4980H

Recommended Actions:

1. That the Board of Supervisors adopt the Resolution in Attachment A effective January 1, 2015, authorizing the offering of health insurance coverage under the employer-shared responsibility provision of the Patient Protection and Affordable Care Act (ACA), 26 U.S.C.A § 4980H with a monthly employer contribution of \$409.41 for all eligible extra help and contractor on payroll employees.
2. That the Board of Supervisors approve the determination under CEQA Guidelines Section 15061(b)(3) that this activity is exempt from review on the basis that it can be seen with certainty that there is no possibility that the activity may have a significant effect on the environment.

Summary Text:

This action will ensure compliance with the ACA, 26 U.S.C.A § 4980H, which mandates that employers offer what it defines as “affordable minimum essential health insurance coverage” to all employees, including ACA-eligible extra-help (EXH) employees and contractors-on-payroll (COP), who do not currently receive health insurance benefits.

The recommended action implements the requirement to offer medical benefits beginning in 2015 that provide affordable minimum essential coverage, as defined and required by the Patient Protection and Affordable Care Act, 26 U.S.C.A § 4980H. The lowest cost health insurance plan currently offered by the County, the High Deductible Health Plan (HDHP) meets or exceeds all requirements the ACA includes in its definition of minimum essential coverage, and in 2015 the County will offer ACA-eligible employees this insurance. In future years other medical insurance plans may be used to satisfy the requirements of the ACA.

Background

The ACA was enacted on March 23, 2010 with the goals of increasing the quality and affordability of health insurance, lowering the uninsured rate by expanding public and private insurance coverage, and reducing the costs of healthcare for individuals and the government. It introduced a number of mechanisms—including mandates, subsidies, and insurance exchanges—meant to increase coverage and affordability. In January 2015 employers are required to offer affordable health insurance coverage to all eligible employees or pay a penalty. Since the County already offers health coverage to all permanent employee, this adds the new requirements of offering affordable health care to EXH and COP employees who have worked more than an average of 30 hours per week over a 52 week period. Currently there are 16 employees who qualify on January 1, 2015 should they still be employed in January 2015 and 4 employees who qualify on February 1, 2015 should they still be employed in February 2015. Each 1st of the month a number of EXH/COP employees will qualify for health insurance

Fiscal Impact:

The County has used one of the affordability safe harbor tests, the rate-of-pay method, as prescribed by the ACA, to determine the needed employer contribution under the Act. The rate-of-pay method deems healthcare coverage affordable if the required employee monthly contribution for the lowest cost employee-only coverage does not exceed 9.5% of an amount equal to 130 hours x the employee's hourly rate of pay as of the first day of the coverage period. Meeting the affordability provisions of the ACA in 2015 will require the County to contribute \$409.41 monthly towards health insurance for these employees should they elect County health coverage.

For January 1, the monthly estimated cost is between \$0 - \$6,550 for the up to 16 employees that qualify in January 2015 and for February it could be an additional \$0 - \$1,637 for the up to 4 employees that qualify in February 2015. The total cost of complying with the ACA for the remainder of Fiscal Year 2014-15 and annually thereafter will depend on how many eligible

employees there are who elect coverage in a County health insurance plan and who remained employed after the qualify for insurance. County Departments who hire extra-help employees and contractors-on-payroll have been advised to budget for these costs.

Special Instructions:

Please return one copy of each of the approved and signed resolutions to Andrea Johnson in Human Resources.

Attachments:

Attachment A – Board Resolution

cc: Mona Miyasato, County Executive Officer
Department Heads