

**CITY COUNCIL MEETING
TUESDAY, SEPTEMBER 13, 2016**

PRESENTATIONS

Item #6 WS 16-062

**Patient Protection and Affordable Care Act
And Impacts to the City of Hayward**

Affordable Care Act and Impacts to City of Hayward



City Council Meeting
October 25, 2016

ACA Overview

- Improve accessibility to healthcare
 - Require health insurance
 - Shared responsibility with employers
 - Create healthcare exchanges
 - No pre-existing conditions
 - No cost preventative care
- Make coverage more affordable
 - Federal subsidies
 - Expanded access to Medicaid
 - Caps on employee contributions

ACA Provisions Impacting City of Hayward

- Communication Requirements
- Employer Shared Responsibility (Pay or Play)
- IRS Reporting
- Cadillac Tax



Communication Requirements

- Summary of Benefit Coverage (SBC)
- Marketplace Exchange Notice



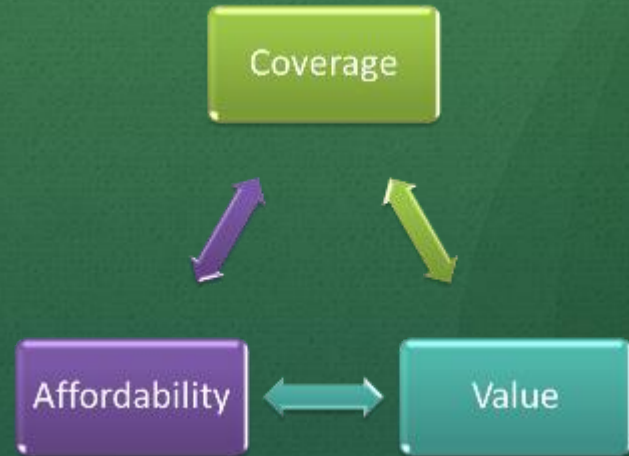
Pay or Play

- Large Employers (50+) required to offer coverage to full-time employees
- Affordable Coverage

Safe Harbor Test Methodology	Test Calculation	Max Annual Employee Contribution	Max Monthly Employee Contribution
Federal Poverty Line (138% in CA)	$\$16,242 \times 9.5\%$	\$1,542.99	\$128.58
Rate of Pay	$\$15.84 \times 130 \times 9.5\%$	\$2,347.49	\$195.62
W-2 Earnings	$\$33,727 \times 9.5\%$	\$3,204.08	\$267.01

Pay or Play (continued)

- Comprehensive Coverage
- Failure to comply results in tax penalties (annually)
 - \$2,000 per full-time employee
 - \$3,000 per subsidized employee



Reporting Requirements

- Minimum Essential Coverage Reporting – CalPERS and medical carriers are responsible
- Applicable Large Employer Reporting – City of Hayward is responsible
 - Third-party vendor (ACAWorks)

Cadillac Tax

- Originally scheduled for 2018, delayed to 2020
- Forty percent (40%) tax of “excess benefit”
 - \$10,200 (self-coverage only)
 - \$27,500 (family coverage)
- Applicable coverage includes medical premiums and contributions to health flexible spending accounts (FSAs)
- Some exceptions
 - Retirees
 - Potentially, employees in high-risk professions (higher thresholds)

Cadillac Tax

Example: An employee has self-only coverage with a monthly premium of \$900; total annual premium is \$10,800.

$$\$10,800 - \$10,200 \text{ (threshold)} = \$600$$

$$\text{Tax} = \$600 \times 40\% = \$240$$

If employee also contributed to a health FSA (for example, \$1,000 for the year), this amount would be added to annual premiums:

$$\$600 + \$1,000 = \$1,600 \times 40\% = \$640 \text{ (Cadillac tax)}$$

Cadillac Tax (continued)

- Meant to be charged to plan insurers and sponsors
- CalPERS can push cost of tax to City of Hayward
- Projected Cost of Tax (current enrollment) - \$568,000/year



What's Next?

- Monitor legislation
- Work with Finance and Employee Bargaining Groups
- Report changes (policy revisions)
- Explore other healthcare options (non-CalPERS)

Questions?

