

Memorandum

City of Lawrence

TO: David L. Corliss, City Manager

FROM: Lori Carnahan, Human Resources Manager
Michelle Spreer, Benefits Specialist

CC: Diane Stoddard, Assistant City Manager
Cynthia Wagner, Assistant City Manager
Casey Toomey, Budget Manager

Date: May 16, 2013

RE: Patient Protection and Affordable Care Act (PPACA)

In accordance with PPACA regulations the healthcare plan will be required to pay new fees/taxes beginning July 1, 2013. Staff will work closely with Hays and Cigna to ensure all fees are calculated correctly and paid on time to HHS and/or IRS. The following fees will be assessed to our plan.

Patient Centered Outcomes fee (aka Comparative Effectiveness Research Fee)

These fees will be used to fund a Patient-Centered Outcome Research Trust Fund (Trust). The Trust will be used to fund a private, nonprofit corporation called the Patient-Centered Outcomes Research Institute (Institute). The Institute "will assist, through research, patients, clinicians, purchasers, and policy-makers in making informed health decisions by advancing the quality and relevance of evidence-based medicine through the synthesis and dissemination of comparative clinical effectiveness research findings" as stated in the Proposed Treasury Regulations.

The fees are treated as taxes under the Code and will be imposed for each policy or plan year ending on or after October 1, 2012.

- o Due for calendar year 2012 and must be filed on or before July 31, 2013.
- o \$1 per average number of covered lives (approximately \$2,100).
- o Increases to \$2 per participant for the 2014 plan year.
- o Amount yet to be determined for future years.
- o Fees will not be imposed for policy or plan years ending after September 30, 2019.

Reinsurance Assessment Fee (aka Transitional Reinsurance Program)

This program, designed to help stabilize premiums in the individual health insurance market for those with pre-existing conditions, will be effective from 2014 through 2016. The funding will help to lessen the impact of high-risk individuals entering the individual market. The fee is \$63 per covered life on the plan (approximately \$133,000).

New eligibility rules

According to PPACA regulations, a full-time employee is one who averages 30+ hours per week including variable hour employees (part-time/temporary staff) and would therefore be eligible for coverage under the City's health insurance plan. Human Resources staff will test hours on a 12 month look back (October 1 – September 30) each year. Staff recommends that the city manage part time temporary hours to less than 30 on a 12 month average to minimize our exposure. There are no fees or taxes associated with this PPACA regulation.

Impact Summary

In summary, with the City's plan will incur approximately \$137,200 in additional costs beginning 2014. These costs have been built into the projections that have been done by Hays Companies, our benefits consultants, for the 2014 budget. Hays and staff will ensure the city's healthcare plan remains compliant with PPACA regulations and will continue monitoring these fees while incorporating into each year's budget numbers.