JOINT LABOR-MANAGEMENT BENEFITS COMMITTEE
COMMITTEE REPORT 17-27

Date: June 22, 2017
To: Joint Labor-Management Benefits Committee
From: Staff
Subject: Expansion of Cash-in-Lieu Eligibility

RECOMMENDATION
That the Joint Labor-Management Benefits Committee approve expanding eligibility for the Cash-in-Lieu (CIL) program effective January 1, 2018 to permit employees to opt out of LAwell medical coverage if they can demonstrate coverage through a government sponsored health care program that qualifies as minimum essential coverage (MEC) in accordance with the individual shared responsibility provision of the Affordable Care Act (ACA).

DISCUSSION
As part of the 2018 LAwell Civilian Benefits Program plan year design review, staff reviewed the criteria for the Cash-in-Lieu (CIL) program to determine if eligibility should be expanded to allow an employee who has medical coverage through government sponsored health care programs such as Medi-Cal or TRICARE to qualify for CIL. This review was prompted in part by inquiries staff has received periodically from employees interested in opting out of City health coverage because they are covered under government programs. Staff’s analysis is discussed in further detail below.

A. Background

Presently, under the LAwell Civilian Benefits Program, City employees may opt out of LAwell medical coverage and enroll in CIL if they meet one of the following criteria:

1. Have medical coverage through a spouse’s or domestic partner’s employer;
2. Have retiree medical coverage from a former employer;
3. Have medical coverage through a second employer;
4. Enrolled in Medicare

The CIL program serves as a mechanism to provide employees that have medical coverage as a result of one of the four reasons listed above to opt out of City paid medical coverage and receive a cash benefit. Under the CIL program, regular full-time employees are eligible to receive $50 per pay period, and regular half-time employees in certain MOUs hired after July 24, 1989 are eligible to receive $25 per pay period. As of June 7, 2017, there are 1,619 employees enrolled in the CIL program, of which 403 (25%) are covered by another City employee for medical coverage.
B. Government Sponsored Health Care Programs

The City currently allows employees to opt out of LAwell medical coverage and receive the CIL benefit if they are enrolled in Medicare. Medicare is the federal health insurance program for people age 65 or older, certain younger people with disabilities, and people with end-stage renal disease. Employees who have medical coverage under other government sponsored health care programs such as Medi-Cal or TRICARE do not currently qualify to receive the CIL benefit. Medi-Cal is California’s Medicaid program and provides medical coverage for low-income individuals including families with children, seniors, persons with disabilities, foster care, pregnant women, and low income people with specific diseases. TRICARE provides health plans for uniformed service members (including active duty and retired members of the U.S. Army, U.S. Navy, U.S. Air Force, U.S. Marine Corps, U.S. Coast Guard, the Commissioned Corps of the U.S. Public Health Service, and the Commissioned Corps of the National Oceanic and Atmospheric Association) and their families.

Employees who have LAwell medical coverage (e.g. Kaiser or Anthem) and government sponsored medical coverage such as Medi-Cal or TRICARE are considered to have dual coverage. In some cases, these employees pay a portion of the premium for LAwell medical coverage but do not pay a premium for their government sponsored medical coverage. Thus, an employee may be required to pay a premium contribution for LAwell medical coverage despite having other insurance coverage at no cost because they do not qualify to receive the CIL benefit under the current rules of the CIL program.

To assess whether the JLMBC should consider expanding CIL eligibility criteria to include other government sponsored health care programs, staff conducted an analysis to 1) identify potentially affected employees, 2) calculate potential costs, and 3) review the proposed expansion of the eligibility criteria within the minimum essential coverage (MEC) standard in accordance with the individual shared responsibility provision of the Affordable Care Act (ACA).

1. Employees Potentially Affected

Medi-Cal provides free and low-cost medical coverage and services for California residents that meet the eligibility requirements of the Medi-Cal program. According to the California Department of Health Care Services, these eligibility criteria include but are not limited to age, medical condition, family size, and annual income. The chart below indicates the 2016 Medi-Cal eligibility income (not to exceed) thresholds for adults age 19-64:

<table>
<thead>
<tr>
<th>Family Size</th>
<th>138% Poverty Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$16,395</td>
</tr>
<tr>
<td>2</td>
<td>$22,108</td>
</tr>
<tr>
<td>2 Adults</td>
<td>$22,108</td>
</tr>
<tr>
<td>3</td>
<td>$27,821</td>
</tr>
<tr>
<td>4</td>
<td>$33,534</td>
</tr>
<tr>
<td>5</td>
<td>$39,248</td>
</tr>
<tr>
<td>6</td>
<td>$44,961</td>
</tr>
<tr>
<td>7</td>
<td>$50,688</td>
</tr>
</tbody>
</table>
The City cannot identify how many City employees currently have Medi-Cal coverage, or identify every City employee who may potentially be eligible for Medi-Cal coverage. However, staff did perform some payroll analytics to identify one subset of potentially eligible employees, which is all Regular Half-Time Employees (RHTE) age 19-64 that appear to be earning $16,395 or less annually based on their 2016 gross salary. Staff identified 1,672 employees who fall within this category. Other employees, including RHTE as well as Regular Full-Time Employees (RFTE) at higher income levels, could also be Medi-Cal eligible depending on family size.

There are potentially other employees who may be eligible for TRICARE health coverage, but staff does not have information to be able to identify how many employees would fall into this category.

2. Potential Cost Savings

Under the current CIL program, regular full-time employees are eligible to receive $50 per pay period, or $100 per month, and regular half-time employees in certain MOUs hired after July 24, 1989 are eligible to receive $25 per pay period, or $50 per month. Expanding the eligibility criteria for CIL to include Medi-Cal and TRICARE would expand opportunities for CIL savings for both individual employees as well as the City. Eligible employees could benefit financially in three ways:

1. Eliminating premium-sharing costs of coverage, where applicable (for those MOUs required to pay 10% of premium costs);
2. Eliminating certain out-of-pocket costs that apply when seeking services (since the City’s coverage is treated as primary insurance, a member may be charged a co-pay that does not apply to their Medi-Cal coverage); and/or
3. Providing the applicable monthly cash benefit to the employee

The table below demonstrates an employee’s net financial benefit assuming the employee has no cost medical coverage through a government sponsored health care program such as Medi-Cal or TRICARE and opts out of Anthem Narrow Network HMO employee-only coverage by enrolling in CIL:

<table>
<thead>
<tr>
<th>Employment Status</th>
<th>Employee Premium Cost per Pay Period</th>
<th>CIL Benefit Amount per Pay Period</th>
<th>Net Financial Gain per Pay Period</th>
<th>Out-of-Pocket Expenses (co-pay, RX, etc.)</th>
<th>Minimum Annual Financial Gain per Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LAwell Plan (No Premium Contribution)</strong></td>
<td>$0.00</td>
<td>$50.00</td>
<td>$50.00</td>
<td>amount varies</td>
<td>$1,200.00</td>
</tr>
</tbody>
</table>
In addition to the employee financial benefit, the City saves premium costs when employees opt out of coverage and enroll in CIL. Those savings range from approximately $4,900 to $6,200 annually for an employee who opts out of Anthem Narrow Network HMO employee-only coverage (see table below):

<table>
<thead>
<tr>
<th>Employment Status</th>
<th>LAwell Plan (No Premium Contribution)</th>
<th>LAwell Pay Plan (10% Premium Contribution)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>City Premium Cost per Pay Period</td>
<td>CIL Benefit Amount per Pay Period</td>
</tr>
<tr>
<td>Full-Time</td>
<td>$283.02</td>
<td>$50.00</td>
</tr>
<tr>
<td>Half-Time</td>
<td>$283.02</td>
<td>$25.00</td>
</tr>
</tbody>
</table>

*Based on plan year 2017 costs for Anthem Narrow Network HMO employee-only coverage.

Expanding the CIL eligibility criteria to permit employees to receive the CIL benefit if they can demonstrate coverage through other government sponsored health care programs would benefit both eligible employees and the City financially.

3. Minimum Essential Coverage (MEC)

Per the individual shared responsibility provision of the Affordable Care Act (ACA), individuals and their dependents are generally required to have health coverage that qualifies as “minimum essential coverage” (MEC) or be potentially subject to a shared responsibility payment (i.e., tax payment), which occurs through the filing of an individual’s federal income tax return. According to the Internal Revenue Service (IRS), almost all types of government sponsored health care coverage, including most Medi-Cal health care plans and most types of TRICARE, qualify as MEC. Should the CIL eligibility criteria be expanded, the CIL affidavit would be modified to include language requiring employees to certify that they have other government sponsored medical coverage that qualifies as MEC and to provide proof of that coverage when enrolling in the CIL program. Modifying the CIL affidavit in this way will allow employees newly qualifying for the CIL program as a result of having medical coverage through other government sponsored health care programs such as Medi-Cal and TRICARE to be compliant with the individual shared responsibility provision of the ACA.

D. Comparable Analysis

Staff collected data from other public entities to compare the City’s CIL eligibility criteria against industry standards. The table below shows data from four nearby and similar public entities:
City of Burbank | City of Glendale | City of Long Beach | LA County
---|---|---|---
**Allow employees to opt out of medical coverage if they have coverage through a government sponsored health care program such as Medi-Cal, TRICARE, etc.?**

- As long as an employee shows proof of other coverage, they can receive Cash-in-Lieu. The City of Burbank does not monitor what type of plan the employee has, as long as it is a valid medical plan.

- Employee can opt out of medical coverage without proof of other coverage. No Cash-in-Lieu is offered.

- Employee can opt out of medical coverage if they sign a waiver regardless if they have other medical coverage. No Cash-in-Lieu is offered.

- Yes, employee can waive medical coverage and receive Cash-in-Lieu.

While all four public entities surveyed indicated that they allow employees to opt out of medical coverage, expanding the City’s CIL eligibility criteria to include government sponsored health care programs would be most similar to the LA County CIL program.

**CONCLUSION**

Expanding the CIL eligibility criteria will expand the pool of civilian employees who may be eligible to qualify for and receive the CIL benefit. In particular, permitting this expansion would benefit low-income employees who have medical coverage through a government sponsored health care program and who do not pay a premium contribution for that coverage. Allowing these employees to qualify for CIL would provide a financial benefit to the employee and also result in cost savings to the City. Accordingly, it is recommended that the CIL eligibility criteria be expanded to permit an employee to opt out of LAwell medical coverage if they can demonstrate coverage through a government sponsored health care program such as Medi-Cal or TRICARE that qualifies as minimum essential coverage. Staff consulted with the JLMBC’s consultant, Segal Consulting and the City Attorney on this matter and both have validated that this is a valid plan design option for the City.

Submitted by: ____________________________________

Submitted by: Daisy Tam

Reviewed by: ____________________________________

Reviewed by: Jenny M. Yau

Approved by: ____________________________________

Approved by: Steven Montagna