CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: May 6, 2013

To: Honorable Members of the Budget and Finance Committee
   Attention: Office of the City Administrative Officer

From: Margaret Whelan, General Manager
       Personnel Department

SUBJECT: PERSONNEL DEPARTMENT BUDGET MEMO No. 82 - Affordable Care Act

Question No. 82
2014 Affordable Care Act - $2 million set aside in UB for healthcare benefits - provide a
detailed report on what costs might need to be covered and efforts to reduce costs in
future years

Response
As an employer, the City will be required to comply with the Employer Shared Responsibility
provisions of the Affordable Care Act (ACA) starting in January 2014, which mandates the
following:

- Must offer full-time employees (and their dependents) “affordable” health care coverage
  with a “minimum value”, or face penalties;
- Full-time employee is defined as any employee working on average 30 hours a week;
- Financial penalties range from $2,000 to $3,000 for each employee that obtains
  coverage through the State exchange that is eligible for financial assistance and the City
  has not offered health coverage compliant with the law; and,
- Compliance with various administrative requirements such as notifying all employees
  about the State healthcare exchange and tracking employees that obtain coverage
  through the State exchange.

The Personnel Department is conducting a preliminary analysis of the City's workforce to
comply with new employer obligations related to health benefits created by the Affordable Care
Act (ACA). The City is already in substantial compliance with the ACA. The current health care
coverage offered to full-time and Civil Service half-time employees exceed the minimum
requirements mandated by the ACA. However, there are gaps that will need to be addressed
and may result in increased costs to the City, including:

1. A preliminary analysis showed that there are approximately 500 employees that work,
on average, over 30 hours per week, and that do not currently have benefits. Under the
ACA, the City must offer benefits to this category of employees effective January 1,
2014. The official “look-back” period and analysis that will eventually determine who
must receive benefits will be conducted in July 2013. The CAO has already obtained
bargaining instructions from the EERC and is currently in the process of meeting with
unions to determine what level of benefits will be provided.
2. The City utilizes “hiring hall” employees to supplement its workforce. Although part of the hourly charge for employees that the City pays union hiring halls includes an amount for health benefits, it appears that the ACA will require the City to ensure that each eligible hiring hall employee is being offered benefits at the minimum required level.

3. Sworn employees do not currently have a default health plan. There are a small number of sworn employees that currently do not receive City health benefits or cash in-lieu. Under ACA, the City will be required to demonstrate that these employees were offered an ACA health care complaint plan. The Personnel Department will be working with the CAO to implement best practices such as default health plan to ensure the City will be able to demonstrate compliance with the law.

4. The City may be required to provide ACA compliant coverage to eligible employees for an additional time period (stability period) beyond the City requirements. For example, the City may be required to provide health coverage to employees while they are on unpaid leaves of absence or on disability. If the eligibility period for health care subsidies is longer than current City requirements, the City’s costs will increase. The Personnel Department is seeking expert guidance on this and other related issues.

5. Compliance with various administrative requirements will also increase the City’s costs for Third Party Administrative (TPA) services, consulting services, payroll system enhancements, and communication outreach to City employees and dependents.

The Proposed Budget includes $2 million in the Unappropriated Balance to cover estimated increased costs associated with complying with the new federal healthcare laws. At this time, because federal rules and guidance are still being written, and the City health subsidy for this new group of employees is being negotiated with unions, it is too early to tell if the $2 million will be sufficient to cover all costs.

Part-time employment in the City of Los Angeles is governed by the City Charter, Civil Service Rules, Administrative Code, and several Memoranda of Understanding. In the process of reviewing payroll records, it became evident that departments have been administering their part-time employment programs inconsistently and in some cases, outside of the various controlling authorities as cited above.

To ensure cost effective and consistent employment of half-time and intermittent exempt employees, the Personnel Department will consult with each Department on options that may be available to align the employment of part-time employees with the requirements of the City Charter, Civil Service Rules, Administrative Code and the MOUs.