

**CITY COUNCIL MEETING**

**AGENDA ITEM VI**



**From:** Judie Milner, Finance Director  
**Subject:** Code Change for PPACA Compliance

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**Recommendation:**

I recommend the Council considers ordinance 09-13 which contains a change in the City's personnel code for regular part time employees in order to comply with the Patient Protection and Affordability Care Act (PPACA).

**Motions:**

**April 1, 2013**

Councilor moves, *"I move the City of Franklin City Council set a public hearing for Monday, May 6, 2013, at 6:07pm regarding the approval of Ordinance 09-13 regarding a personnel policy change to the Franklin Municipal code chapter 347 section 50 to comply with the Patient Protection and Affordability Care Act (PPACA)."*

**May 6, 2013**

Councilor moves, *"I move the City of Franklin City Council adopts Ordinance 09-13 regarding a personnel policy change to the Franklin Municipal code chapter 347 section 50 to comply with the Patient Protection and Affordability Care Act (PPACA)."*

**Discussion:**

The Patient Protection and Affordable Care Act of 2010 (PPACA) as amended by the Healthcare and Education Reconciliation Act came into effect after 9/23/10. Effective dates for compliance with different aspects of the act are fast approaching.

Many of the changes do not require action to change the City's current policies; however, one does require a change to persons eligible to participate in the City's health plan effective January 1, 2014. Noncompliance with this requirement can lead to a sizable penalty to the City (currently calculated at \$122,000 per year). Compliance with the requirement has no direct impact on costs for the City and little to no likely indirect cost impact.

Specifically, "large" employers are defined as employers who have 50 or more full time equivalent employees. As a large employer, the City is now required to allow any employee

regularly scheduled 30 or more hours per week *and eligible dependents* to participate in our health insurance plan. Currently, just the employee and NOT dependents are eligible for coverage. However, the City is not required to pay for the dependent coverage. Therefore, I recommend adding language to code 347-50 stating that these employees are eligible for dependent coverage but must pay for the difference in premium between the plan chosen and a single/employee only plan.

The penalty for not allowing coverage for employees regularly scheduled over 30 hours per week is assessed to the employer if an employee (who works over 30 hours per week) purchases insurance from an insurance exchange and the employer does not have a provision allowing the employee to participate in dependent coverage. The penalty is \$2000 per employee working over 30 hours per week (first 30 employees are not assessed a penalty) per year. The City currently has 91 employees that fall into this category so 61 (91-30) employees at \$2000 is \$122,000 per year.

This simple addition of language to the current code will eliminate the possibility of being assessed this penalty regardless of whether or not an employee chooses to go to an exchange for insurance.

**Concurrences:**

Although this change is not necessary until January 2014, the City's plan year follows the City's fiscal year. If the change were not completed before the June 1 -30, 2013 open enrollment period for the FY14 plan year, it would trigger an additional 30 day open enrollment period 60 days after the change was made.

**Fiscal Impact:**

There is no direct fiscal impact of this change to the City of Franklin budget as the employee will be responsible for the additional cost. It remains to be seen what the fiscal impact of the potential claims history generated by these dependents will have on health insurance rates. However, exposure for the City is very light as few employees fall into this eligibility class and the option will likely be cost prohibitive to the employee.

However, not making this change poses the risk of a \$122,000 penalty for not adhering to the requirements of PPACA.

**Alternatives:**

The City could choose not to make this change and run the risk of incurring the approximately \$122,000 penalty for noncompliance with PPACA.

**Attachments/Exhibits:**

Ordinance 09-13  
Public Hearing Notice  
LGC Flowchart of PPACA penalty for not offering coverage



# CITY OF FRANKLIN, NEW HAMPSHIRE

*"The Three Rivers City"*

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## ORDINANCE #09-13

### AN AMENDMENT TO THE FRANKLIN MUNICIPAL CODE:

In the Year of our Lord, Two Thousand Thirteen,

Be it ordained by the City Council of the City of Franklin that the Franklin Municipal Code, Chapter 347-50 Health and Dental Insurance be revised as follows:

#### § 347-50. Health and dental insurance.

- A.** After completing 30 days' service, full-term regular and part-time regular employees regularly scheduled over 30 hours per week and bona fide dependents will be covered by the City's current health insurance program on the first day of the following month. Coverage is at the City's expense for full-time regular employees. Single/employee-only coverage is at the City's expense for part-time regular employees regularly scheduled over 30 hours per week. Dependent coverage is available to part time regular employees regularly scheduled over 30 hours per week for a cost to the employee of the difference between the selected plan and the single/employee-only coverage. Coverage is subject to the availability of approved funding.
- B.** After completing 30 days' service, full-time regular employees will be covered by the City's dental insurance program on the first day of the following month. Coverage is at the City's expense. Coverage is subject to the availability of approved funding.
- C.** The City reserves the right to offer an indemnity plan, a health maintenance organization (HMO) plan, to fully or partially self-insure or to offer any combination of plans.
- D.** Cash incentive for health/dental insurance declination. The City offers a cash incentive of 25% of the premiums saved for eligible employees who decline health and/or insurance coverage benefit. An employee who is a subscriber to, or beneficiary of, any City health/dental plan shall not receive any cash incentive. Details are available in the Finance Office or City Manager's office.

**ORDINANCE 09-13**  
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**By a roll call vote.**

**Councilor Boyd** \_\_\_\_\_  
**Councilor Clarenbach** \_\_\_\_\_  
**Councilor Cournoyer** \_\_\_\_\_  
**Councilor Starkweather** \_\_\_\_\_  
**Councilor Desrochers** \_\_\_\_\_

**Councilor Feener** \_\_\_\_\_  
**Councilor Sharon** \_\_\_\_\_  
**Councilor Trudel** \_\_\_\_\_  
**Councilor Dzujna** \_\_\_\_\_

**A True Copy Attested:** \_\_\_\_\_

**City Clerk**

**Passed:** \_\_\_\_\_

**Approved:** \_\_\_\_\_

**Mayor**

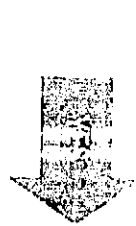
**Employer Shared Responsibility Penalties  
EFFECTIVE 1/1/2014  
for ALL January and July Renewal Groups**

**PPACA Penalty for NOT OFFERING COVERAGE TEST**

**1**

- Determine if you are a "large employer" - LARGE EMPLOYER TEST
- Do you have 50 or more Full Time Equivalent employees?

Continue to Step 2



NOT subject to penalties

**2**

- Do you offer coverage to all employees (and their dependents) who work, on average, more than 30 hours per week?

Continue to Step 3



NOT subject to penalties

➤ Employer does not have to offer coverage or pay penalties for part-time or seasonal employees

**3**

- Did any employee in Step #2 who is not offered your employer coverage purchase coverage through an "Exchange" and qualify for a tax credit?

Continue to Step 4



NOT subject to penalties

**4**

- Employer must pay \$2,000 annual penalty for every employee who works, on average, more than 30 hours per week (minus 30)

➤ Employer does not have to pay for first 30 employees who work more than 30 hours per week.

0 \*  
91,000 +  
30,000  
61,000 ◊  
61,000 x  
2,000 =  
122,000 ◊ \*

*From Local Government Center November 2012 Training*

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## CITY OF FRANKLIN NOTICE OF PUBLIC HEARING & MEETING

**In accordance with the provision of Chapter 31, Division 2 of the Franklin Municipal Code, notice is hereby given that the City of Franklin will hold a Public Hearing on Monday, May 6, 2013 at 6:07 p.m. in the Council Chambers, Franklin City Hall concerning Ordinance #09-13 concerning a change in the City's Personnel Code for regular part-time employees in order to comply with the Patient Protection and Affordability Care Act.**