Date: August 27, 2014

To: CSU Presidents

From: Jessica Darin
Acting Director of Human Resource Operations

Steve Belvedere
Executive Vice Chancellor and Chief Financial Officer
Business and Finance

Subject: The Patient Protection and Affordable Care Act – Employer Shared Responsibility

Overview

Audience: Human Resources Officers, Benefits Officers, and/or campus designees responsible for administering benefits, or timekeeping

Action Item: Information Only – Notice of CSU Policy Related to the Employer Shared Responsibility under the Patient Protection and Affordable Care Act

Affected Employee Group(s)/Unit(s):

Summary

The purpose of this HR letter is to provide preliminary information regarding impacts to the California State University (CSU) regarding the Employer Shared Responsibility provisions enacted by the Affordable Care Act (ACA) that were finalized on February 10, 2014, and become effective January 1, 2015.

This HR letter should be read in its entirety by staff personnel responsible for administering and/or explaining employee benefits and/or timekeeping requirements.

Background – The Patient Protection and Affordable Care Act

The Patient Protection and Affordable Care Act (PPACA or Health Care Reform), HR 3590, was signed by President Obama on March 23, 2010. PPACA was subsequently modified by the Health Care and Education Reconciliation Act HR 4872, and signed by President Obama on March 30, 2010. The comprehensive health reform law, which focuses on provisions to expand coverage, control health care costs, and improve the health care delivery system, has been implemented over the past four (4) years as a “phased-in” approach, with various provisions becoming effective during specific years as mandated by the Affordable Care Act (ACA) regulations.

On February 10, 2014, the IRS and Treasury issued final regulations on the Employer Shared Responsibility provisions that are referenced under section 4980H of the Internal Revenue Code (IRC) and enacted by the ACA.

Distribution:
CSU Chancellor
Executive Vice Chancellors
Vice Chancellors
All Campus Vice Presidents
Associate Vice Presidents/Deans of Faculty
Human Resources Officers
Benefits Officers
Payroll Managers
**Employer Shared Responsibility Provisions**

The employer responsibility requirement under ACA is designed to strengthen the system of employer-sponsored insurance, which is the primary source of health coverage for workers in the United States. The law is designed to cover as many people as possible through employer-sponsored insurance. Therefore, the penalty structure encourages employers that now offer health insurance to continue doing so or risk significant financial impacts.

Effective January 1, 2015, the CSU is required to:

- Offer health coverage to 70% of full-time (e.g. those who average 130 hours per month or more) employees as of January 1, 2015 (this percentage increases to 95% in 2016).
- Offer affordable, minimum value health coverage to full-time employees who, based on the defined measurement period, are deemed to have worked an average of 130 hours per month or more (or .75 timebase or greater) as defined in the ACA regulations, regardless of expected length of appointment.

If the CSU fails to meet either one of the above requirements on an annual basis, the University will be subject to significant financial penalties, which will be detailed in a future technical letter.

Currently, the CSU meets these requirements.

**Implementing ACA**

In the majority of cases, campuses will maintain their existing employment practices. ACA requires that employers maintain hours worked for employees in order to determine eligibility. Most CSU employees are either appointed with a timebase/FTE or paid by hours associated with their assignment, which will be used to identify the number of hours an employee has worked in a month.

However, for individuals appointed through Immediate Pay (e.g., A54) classifications who do not have actual hours associated with their appointment, campuses will be required to maintain hours in order to determine ACA benefits eligibility.

As a result of the ACA, please note the following:

- The ACA final regulations request that employers use a reasonable method of crediting adjunct faculty members with hours of service, representing a combination of classroom time, class preparation, and non-classroom time.
  - The CSU will credit faculty appointed via Immediate Pay (A54) for teaching in Extended Education and summer sessions with 45 hours worked per WTU at semester campuses or 30 hours worked per WTU at quarter campuses. This is based on 3 hours of service per week per WTU for a 15-week semester or a 10-week quarter. This will incorporate classroom time, class preparation, and non-classroom time.
- Campuses will maintain either hours or timebase/FTE in Oracle/PeopleSoft (PS) for all employees including staff and faculty, student employees, and employees appointed via Immediate Pay classifications, with the exception of volunteers.
- ACA-eligible employees will be enrolled in health (medical) coverage only (enrollment in dental and vision coverage is not required under ACA regulations).
- Effective January 1, 2015, if a newly hired employee does not meet CSU’s standard benefits eligibility criteria:
  - An appointment with a timebase of 0.5 or more with a duration of more than six (6) months; or
  - An AB 211 appointment with a timebase of 0.4 or more for one (1) semester or two (2) consecutive quarters (limited to specific lecturer and coach classifications), but is expected to work 130 hours per month or more, regardless of the duration of the appointment, campuses will be required to offer the employee the opportunity to enroll in health benefits (medical only).
In fall 2014, the CSU will need to determine if existing, non-benefits eligible employees have worked an average of 130 hours per month or more based on a 12-month “look-back” measurement period. If an employee meets the ACA eligibility criteria during the “look-back” period, the campus must offer health (medical only) benefits and enrollment must be effective on January 1, 2015.

A component of the Employer Shared Responsibility regulations under ACA requires that the employer provide status on each employee, and include whether or not benefits were offered and accepted. The State Controller’s Office (SCO) will report this information to the Internal Revenue Service (IRS) on behalf of the CSU beginning in 2016. However, the CSU is required to report this data on a monthly basis to the SCO beginning in 2015.

Additional Information
A benefits technical letter will be released in the near future to provide detailed and pertinent information regarding the finalized ACA regulations and CSU’s implementation plan to assist campuses with the transition to additional benefits eligibility rules, new business processes and requirements necessitated by the ACA. The Employer Shared Responsibility provisions as outlined in the ACA regulations are quite complex and the information provided in this HR Letter is a high level synopsis of the ACA and its requirements for the CSU.

Questions may be directed to Human Resources Management at (562) 951-4411. This HR memorandum is also available on the Human Resources Management’s Web site at: http://www.calstate.edu/HRAdm/memos.shtml.

JD/SR/mh