



LOCAL UNION 302
INTERNATIONAL BROTHERHOOD
OF ELECTRICAL WORKERS



CONTRA COSTA CHAPTER
NATIONAL ELECTRICAL CONTRACTORS ASSN., INC.

Electrical Workers

Health and Welfare Trust Fund

for Contra Costa County

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August 2, 2013

To: Board of Trustees, Electrical Workers Health & Welfare Plan for Contra Costa County
From: Richard K. Grosboll and Lois H. Chang, Trust Counsel
Re: **Health Plan Providing Minimum Value & Minimum Essential Coverage Requirement**

The new health care law requirement that Employers with 50 or more full time employees offer coverage to employees was to have taken effect as of January 1, 2014; however, President Obama's administration postponed the implementation for twelve months. Thus, beginning in 2015, the *Employer Mandate* under the Affordable Care Act ("ACA") will assess a penalty against large employers (with 50 or more full-time employees) who fail to offer affordable, minimum value health coverage to its full-time employees (those who work on average 30 or more hours per week) and dependents. Throughout 2014, the IRS has provided transitional relief for employers who contribute to a multi-employer plan. Under the transitional relief, the Employer Mandate is satisfied if an employer is making contributions pursuant to a collective bargaining agreement ("CBA") under which coverage is offered to full-time employees (and their dependents), coverage is affordable, and minimum essential coverage is provided. It is uncertain whether the transitional relief will be extended beyond 2014.

In addition, effective as of January 1, 2014 the *Individual Mandate* will require each individual, with certain exceptions, to have minimum essential coverage or be subject to an individual penalty. This is not an issue for most of you as the Electrical Workers Health & Welfare Plan for Contra Costa County ("Plan") meets these requirements, as described below.

I. What is "Minimum Essential Coverage?"

Internal Revenue Code("IRC") Section 5000(A)(f) provides that "minimum essential coverage" consists of either (1) Government-sponsored coverage, such as Medicare, Medicaid, CHIP, Tricare (2) Eligible employer-sponsored plan, (3) Individual plans offered in the exchange, (4) Grandfathered health plans, and (5) other coverage recognized by the Department of Health and Human Services ("HHS"). The term Eligible Employer-Sponsored Plan means a group health plan offered by an employer to the employee which is any other plan or coverage offered in the small or large group market within a State. For purposes of the employer mandate, this Plan fits within the category of an Eligible employer-sponsored plan.

II. Affordability Under IRC § 36B(c)(2)(C)(i)—Not an Issue for the Plan

For a Plan to qualify, it must be "affordable." Coverage is affordable if the employee's share of contributions, if any, towards the cost of self-only coverage is 9.5% or less than the employee's household income. The employee's household income will be based on Three Safe Harbors, where the Plan can rely on either (1) Actual wages reported on employee's Form W-2, (2) Rate of Pay Safe Harbor (hourly wage rate x 130hours/month), or (3) the Federal poverty level for a single individual. The 9.5 percentage figure used to determine affordability will be adjusted by the IRS for plan years beginning after 2014. Because there are no employee contributions required for an active

Participant to have coverage under the Electrical Workers Health & Welfare Plan for Contra Costa Countythe affordable coverage requirement is met.

III. Minimum Value Standard Under IRC § 36B(c)(2)(C)(ii)

The Plan must also satisfy the “minimum value standard” established by the new health care law. Coverage meets the minimum value standard if the *Plan’s share of the total allowed costs of benefits provided is 60% or greater*. The IRS recently released proposed guidance permitting Plans to use one of the four methods to measure minimum value (there is a special method for small group market plans, based on conforming to metal levels – bronze, silver, gold, or platinum, which is not applicable to this Plan):

1. **Minimum Value (MV) Calculator.** The MV Calculator is posted on the Department of HHS’ website at <http://www.cms.gov/ccio/index.html> and manually calculates the minimum value percentage after the user manually inputs the plan’s cost-sharing information. The Calculator allows the user to specify the plan’s in-network cost-sharing parameters inasmuch as an empirical analysis done by the Department of HHS shows that relatively little utilization occurs out-of-network in terms of total dollars. We started our review on the assumption that the Plan met the Minimum Value requirement, and that was shown to be true. Using the Plan’s Anthem Blue Cross and Kaiser in-network cost-sharing, it was determined that the Plan has a minimum value of 89.0%, which is well over the 60% requirement (see the breakdown in the attachment). Based on these calculations, the Plan satisfies the minimum value standard requirement.
2. **Safe Harbor.** Although not necessary to review, given that the Minimum Value has been set, we wanted to share this additional information. In addition, to covering all the benefits included in the MV Calculator, the following plan designs are proposed as safe harbors:
 - \$3,500 medical and drug deductible, 80% plan cost-sharing, and \$6,000 Out-of-pocket (OPM) limit for employee cost-sharing.
 - \$4,500 medical and drug deductible, 70% plan cost-sharing, \$6,400 OPM limit, and \$500 employer contribution to HSA.
 - \$3,500 medical deductible, \$0 drug deductible, 60% plan medical expense cost-sharing, 75% plan drug cost-sharing, \$6,400 OPM limit, drug co-pays of \$10/\$20/\$50 for the first, second, third prescription drug tiers, with 75% coinsurance for specialty drugs.

Your Plan has more favorable benefits than what is provided in the safe-harbor benefits.

3. **Actuarial Certification.** As your Plan meets 1 and 2 above, it is not necessary to consider the third method, which would require an actuary to determine the minimum value.

IV. Conclusion

The Plan satisfies the individual and employer mandate inasmuch as it provides affordable, minimum value health coverage to employees and their dependents.

If you have any further questions, please contact us.

Cc: Joe Van Orsdel, Benefit Consultant
Nancy Finegan/Anthony Garcia, Fund Manager