January 9, 2014

Dear Pastors, Principals, and Treasurers:

As you are aware, to avoid penalties, effective January 1, 2015, employers must offer health care coverage to qualifying employees and their dependents. While the health care reform does not require employers to offer health care to spouses, the North American Division Health Care Plan does, by definition, qualify a non-working spouse.

Employees working an average of at least 30 hours per week are eligible for medical benefits, this includes any part-time salaried employees. Thus, the Church, regardless of how it defines “full-time” for other benefits, will be required to grant medical coverage for all employees working an average of 30 or more hours per week. There are some very specific rules regarding the 30 hour calculation that has lead Adventist Risk Management to conclude that in order to be safe, you need to avoid scheduling part-time employees close to 30 hours per week or you may trigger coverage inadvertently. Thus, the requirement from ARM is to have a safety zone on hours worked by keeping part-time workers to 25 hours per week or less.

It is critical that the work schedules of employees working an average of 25 hours per week be managed carefully such that their hours do not creep up and begin exceeding 30+ hours per week on a routine basis. An individual whose routine schedule is to work less than 25 hours per week can exceed 30 hours per week on an occasional basis, or during a “rush project”, but the hours must revert to under 25 hours so that their overall hours during a measurement period average less than 30 per week.

In order to determine whether employees are eligible for insurance in 2015, the following 3 timelines, set by the government, are used:

The Measurement Period is the historical timeframe over which we will look at actual hours worked and calculate the overall weekly average hours.

The Administrative Period is the timeframe allocated for us to complete the validation/verification process and submit enrollment forms for those employees who have qualified for health care coverage for the upcoming stabilization period.

The Stabilization Period is the time period an employee who qualified for coverage is covered; or the time period an employee who did not qualify is not covered.

The timelines have been set as follows for Chesapeake and repeats itself every year:
Measurement Period – January 1-October 31, 2014
Administration Period – November 1-December 31, 2014
Stabilization Period – January 1-December 31, 2015

Having a long measurement period allows flexibility for a part-time individual (working 20 hours per week for example) to then work full-time during a pre-set duration (perhaps at summer camp, during a specific project, or during a peak season, etc.) and still fall below the 30+ hours per week threshold. For example, your employee works 20 hours per week; but works 40 hours per week during 10 weeks of summer camp. This equates to 34 weeks at 20 hours per week and 10 weeks at 40 hours per week. Calculated out, this averages 24.5 hours per week. It is important to plan for this type of occurrence according to your expectations.
If you have an employee currently working 35 hours a week and cannot afford to pay the health coverage for them in 2015, there is time to adjust them to 25 hours a week and still average under 30 hours at the end of October. For example, if they work 35 hours a week through March 1 and then 25 hours a week though the end of October, that would be 9 weeks at 35 hours and 35 weeks at 25 hours, this averages to 27 hours per week. For schools, this doesn’t take in the consideration that the employee may not work during the summer, which would help the overall average even more. However, this is subject to current government regulations and we are still in the learning process of this.

New variable hour employees who are hired will need to go through a 10 month measurement period beginning the day they are hired. For example, if an employee begins working July 1, 2014 and passes (wcrks 30+ hours per week) during the measurement period (10 months of July 2014 through April 2015), then the employee must be offered coverage during the stabilization period (beginning July 1, 2015 and ending June 30, 2016). If the employee does not pass, (he/she works less than 30+ hours per week), then the employee need not be offered coverage during the remainder of 2015. The qualifying employee must be enrolled by the 13th month if the employee is determined to qualify for health care coverage during the initial measurement period.

This same employee is also tested during the (overlapping) standard measurement period of 2015 from January through October (with on-going employees). If the employee passes the standard measurement period, then the employee must be offered coverage beginning in 2016 correlating with the standard stabilization period. If the employee does not pass, the employee need not be offered coverage during 2016, and will again go through the standard measurement period verification/validation with your on-going variable or part-time employees during the following measurement period cycle.

Seasonal or temporary employees are defined by Chesapeake as being hired to work 5 months or less and therefore do not qualify for any benefits. If they extend beyond 5 months and are viewed as variable employees, the same measurement calculation or verification process described above must be performed to determine if they do or do not qualify for health care benefits.

Current healthcare rates for locally funded employees:
Church/School cost is $600/month for a single employee.
Cost increases $200 for each additional covered family member.
Employee also pays a monthly premium to the Conference (deducted from paycheck).

There have been some questions from local churches/schools asking if they can keep their employees who work above 30 hours at their current hours and not pay for health care if the employee waives the coverage because they are on their spouse’s plan. The employee must be offered the insurance and with not being able to predict the future (spouse’s insurance may decide to not cover our employee, spouse may switch jobs, our insurance may be better and employee decides they want to be on ours, etc), we recommend against this. But if the church/school is willing to take the risk then the employee will be required to sign a waiver form. The church/school board will also be required to take an action and sign a form that they are willing to take on the risk of covering the employee at a later date if the employee were to change their mind and want to be on our health care plan.

There are also future regulations coming that will impact the NAD Health Care Plan. There will be a 40% excise tax for “Cadillac” Plans beginning in 2018. Therefore, the NAD Health Care program must review the specifics of where the cost of the coverage exceeds the threshold triggering these penalties. With the benefit-rich NAD Health Care Plan there is potential for this to be a negative impact in the future.

If you have questions, please feel free to contact my office.

Sincerely,

Charles J. Griffin
Executive Secretary