



**TO:** T.C. Broadnax, City Manager  
**FROM:** Joy St. Germain, Director, Human Resources  
Karen Short, Human Resources Senior Analyst  
**COPY:** City Council and City Clerk  
**SUBJECT:** Pay and Compensation Ordinance – Benefits Eligibility – December 9, 2014  
**DATE:** December 2, 2014

**SUMMARY:**

An ordinance to amend the Tacoma Municipal Code (TMC), Compensation Plan, Chapter 1.12, to provide for time periods for employees to enroll in benefits to meet requirements of the Affordable Care Act.

**STRATEGIC POLICY PRIORITY:**

The requested ordinance aligns with the City Council’s Strategic Policy Priority to encourage and promote an open, effective, results-oriented organization by providing for benefit plan eligibility changes as required by the Affordable Care Act.

**BACKGROUND:**

The ordinance will amend the Tacoma Municipal Code (TMC), Compensation Plan, 1.12.095, regarding Health Care and Disability Benefits, to provide time periods in which employees must enroll in benefit plans to meet requirements of the Affordable Care Act.

The ordinance will clarify that a permanent, appointive, project, or temporary pending exam employee would be eligible for benefits coverage beginning the first day of the calendar month following the date of hire, unless the date of hire is also the first working day of the month, in which case benefits would be effective on the date of hire. Temporary employees would be eligible for medical and dental benefits beginning on the first day of the month following 60 days of continuous employment from the date of hire. Current TMC language provides that employees hired into a part-time status (20 or more hours per week) shall have the option of electing to enroll in benefit plans, with the cost being prorated based on the hours the employee is hired to work. Employees electing benefits coverage shall contribute the cost of elected coverage by payroll deduction.

The Patient Protection and Affordable Care Act, Public Law 111-148, was enacted on March 23, 2010, and the Health Care and Education Reconciliation Act, Public Law 111-152, was enacted on March 30, 2010. (They are collectively known as the “Affordable Care Act”.) The Affordable Care Act reorganizes, amends, and adds to the provisions of part A of title XXVII of the Public Health Service Act (PHS Act) relating to group health plans and health insurance issuers in the group and individual markets.

The Public Health Service Act (PHS Act) section 2708, as added by the Affordable Care Act and incorporated into ERISA and the Code, provides that a group health plan or health insurance issuer offering group health insurance coverage shall not apply any waiting period (as defined in PHS Act section 2704(b)(4)) that exceeds 90 days. PHS Act section 2704(b)(4), ERISA section 701(b)(4), and Code section 9801(b)(4) define a waiting period to be the period that must pass with respect to an individual before the individual is eligible to be covered for benefits under the terms of the plan. In 2004, regulations implementing the Health Insurance Portability and Accountability Act of 1996 (HIPAA) portability provisions (2004 HIPAA regulations), the Departments of Labor, Health and Human Services, and the Treasury (the Departments) defined a waiting period to mean the period that must pass before coverage for an employee or dependent who is otherwise eligible to enroll under the terms of a group



health plan can become effective. PHS Act section 2708 applies to both grandfathered and non-grandfathered group health plans and group health insurance coverage for plan years beginning on or after January 1, 2014.

**ISSUE:**

Authorization from the City Council by ordinance is required to implement these changes in order to comply with the Affordable Care Act.

**RECOMMENDATION:**

It is recommended that the City Council take the necessary action to approve this legislation.

**FISCAL IMPACT:**

The City currently budgets health and welfare benefits for temporary employees for the full duration of their employment; therefore, this change will have no budgetary impact. Temporary employees represent a small percentage of total City employees. It is difficult to determine the change in actual expenditures across the City due to variations in hiring processes and terms of employment across the City.