

2. The Patient Protection and Affordable Care Act (PPACA or simply ACA)

Situation: By Federal Statute (ACA), the University system is being required to provide health coverage for all employees who work 30 or more hours per week, which includes permanent and non-permanent (temporary) employees. Temporary employees have historically not been eligible for any paid benefits in North Carolina (health, retirement, paid leave, etc.)

Providing health insurance coverage for temporary employees is an unfunded mandate. No additional appropriations have been provided to comply with this statute. Therefore, campuses will have to pay these charges out of existing budgets.

Background: The rules and regulations for the ACA have been changing over the past couple of years. The ACA “employer” mandate has been delayed until 1/1/2015. There is speculation that the federal government will delay implementation again but at this point, we have no choice but to proceed with preparing to comply with the 1/1/2015 date.

The NC General Assembly approved legislation in 2013 that allow temporary employees to be included in the State Health Plan at the same rate (\$5400 per person, per year) as permanent employees.

Assessment: Based on the limits of their funding availability, some campuses *may* decide to limit work schedules for non-permanent employees, or *may* decrease the number of non-permanent employees. The cost to each UNC campus for providing coverage under the State Health Plan is estimated to be approximately \$5,400 per employee, with very little, if any, portion to be paid by the employee.

As part of its 2014 legislative policy agenda, the UNC system is seeking legislative authority to create a pilot healthcare program that would save an estimated \$2,000 or more per employee, yet still meet ACA service-level requirements.

Action: This is for committee information only. There is no required action at this time.

However, this issue is on the legislative policy agenda that the Board has approved for the 2014 short session.

The University of North Carolina

Health Care Reform Compliance for Temporary Employees

- NC Assembly passed legislation in 2013 that requires UNC to put the 'part-time/temporary' workforce affected by the ACA into the State Health Plan (SHP) effective 1/1/2015
- The cost to UNC for each ACA impacted temporary employee electing SHP coverage is \$5,377 which translates into \$45M for 2015¹
- Alternatives to SHP would lower cost to UNC:
 - Temporary employees are on average 15 years younger than permanent employees which equates to 40-50% lower cost if covered by an alternative to the SHP
 - Applying ACA minimum design and maximum affordable cost share means even lower cost plus many will opt out

¹Assumes temporary employees working 30 hours or more per March 2014 census, 100% participation, 7% trend to 2015.

The UNC temporary employee population is inherently different than the permanent employee population

- Very low risk compared to permanent employees
 - Average age 15 years lower
 - Age/Gender risk score 35% lower
- Nearly a 10% turnover in the 6 month period measured

	GA or TA	Other	Post Doc	Student Employees	Temporary / Visiting Faculty	Total	All Permanent Employees ²
Count (over 30 hours)	1,832	2,286	1,313	2,087	260	7,778	44,985
6 month turnover ¹	4.7%	10.4%	4.3%	15.2%	6.1%	9.7%	
Average Age	30	39	35	24	47	32	47
Risk Score	0.716	0.982	0.776	0.569	1.235	0.785	1.215

Period August 2013 - January 2014

¹As of March are inactive or terminated

²Census from 3-6-14

Potential savings for implementing an alternative plan for temporary employees is significant

- Creating a separate plan for temporary employees would allow UNC to provide:
 - the same benefit at a much lower price point or,
 - provide a less rich plan at an even lower price point

- Requiring a contribution up to the safe harbor (9.5% of single federal poverty level), approximately \$92 per month, would further reduce UNC cost

	UNC Cost	Est. Savings
State Health Plan (SHP) (PPO 70/30 Plan)	\$5,377	
SHP Equivalent for Temporary Employees ¹ (PPO 70/30)	\$3,500	\$1,877
UNC Minimum Value for Temporary Employees ²	\$2,600	\$2,777
SHP Minimum Value Plan (with EE contribution ³)	\$2,400	\$2,977
UNC Minimum Value plan for Temps (with EE contribution ³)	\$1,500	\$3,877

¹Equivalent to the State plan adjusted only for the difference in risk score of UNC demographics

²Adjusted for difference in risk score and plan design difference between the state plan and a bronze plan (minimum essential value)

³Contribution for all temporary employees of \$92 per month based on 9.5% contribution of 100% of Federal Poverty Level (\$11,670 for 1 person household)

Illustration of financial impact to UNC of alternative temporary employee plan options over time

