

Four Things Every District HR Director Should Know about the ACA

The Affordable Care Act changes the rules of the game in school districts.

By Glenn Clayton



During the past few years, I have learned more about the Patient Protection and Affordable Care Act than I want to admit. As the CEO of a talent management company that employs several thousand people, most of whom work more than 30 hours a week, I have a vested interest in understanding the law’s implications—alongside our army of lawyers, consultants, and human resources (HR) folks.

However, my education on that law has focused on understanding how it affects a very specific and unique area: public schools.

Over the course of our careers, most of us will experience a few events that will change the rules of the game. Unfortunately, when that happens, few people really understand the new rules for quite some time. The Affordable Care Act (ACA) is definitely one of those events.

So here are four points specific to schools that every HR director should know sooner rather than later:

1. Substitutes.

As part of the district's workforce, substitutes are most affected by the ACA. In most cases, they do not receive benefits, but some may qualify as full-time employees. The hours they work are hard to predict; as such, they present an interesting challenge for assessing and managing the risk (penalties) related to the employer-shared responsibility provision of the ACA.

2. Full-Time Employees.

The ACA's requirements for coverage apply only to full-time employees. But what does that mean? Contrary to popular belief, the hours worked in a week matter much less than the hours worked in a month. So it is important to define the method and period of time you are using to determine full-time status.

Contrary to popular belief, the hours worked in a week matter much less than the hours worked in a month.

Should your district use the monthly measurement or a look-back measurement method? What measurement period (specifically, which months) should you use if you are using a look-back method: three months? four months? the whole year? (In the case of the entire year, districts have special provisions that require the removal of extended breaks.) Under each of those scenarios, most districts will see a difference in which and how many employees are defined as full-time. This step is critical to understanding your risk.

3. Penalties.

The only way to trigger a penalty is if an uncovered full-time employee receives a premium tax credit for health insurance.

However, specific criteria exist regarding who can and who can't receive a premium tax credit. For example, retired teachers who work as substitutes and have health coverage as part of their retirement package cannot receive a premium tax credit, meaning they also cannot trigger a penalty for your district.

There are two types of penalties, and it only takes one person to trigger either type. The first penalty, commonly referred to as type A, is the more serious of the two. It involves paying \$2,000 for every full-time employee (even those covered by insurance) minus 30 people. So if you have 1,000 full-time employees, you could potentially be fined \$1,940,000 ($970 \times \$2,000$). *And it takes only one individual receiving a premium tax credit to trigger this penalty.*

Specific criteria exist regarding who can and who can't receive a premium tax credit.

The second penalty, type B, is a \$3,000 annual penalty calculated by month that applies only to uncovered full-time employees who actually receive a premium tax credit.

So understanding which type of penalty might apply to your district is critical. It could be the difference between paying \$3,000 or \$1.94 million in penalties—regardless of how many people actually receive a premium tax credit.

4. A Strategy for the ACA.

The most important step a district can take is to develop a strategy for managing its risk with the ACA. Many districts have capped hours for substitutes to try to avoid penalties. That approach can work, but it also has a lot of unintended consequences in the classroom, such as a lack of consistency, lower fill rates, and a higher turnover of subs. I refer to this strategy as a "hatchet approach" to avoiding fines when a scalpel is what you really need.

Be In the Know

An ACA consultant or a school talent management company can help you develop a strategy to address the ACA *without* negatively affecting the classroom or the district's bank account. You just need to have all the facts and a solid plan.

Glenn Clayton is CEO of Appleton, a talent management company for K-12 schools based in Huntsville, Alabama. Email: glenn.clayton@appletonlearning.com

HOW DO YOU STRIKE A HEALTHY WORK-LIFE BALANCE?

"One of the things I have done for the past 11 years is to swim a mile during my lunch hour. . . . After my swim I take care of any business necessary in the facility and return to my office feeling better. Often, I find answers to problems plaguing me in the morning while I am in the water. I also have lost 50 pounds and have kept it off. My heart rate and blood pressure improved so much my doctor took me off my blood pressure medicine, too." —Vern McAdams, MBA, CPA, CGMA, Director of Business & Finance, Sublette County School District #1, Pinedale, WY