



The Vita Viewpoint Important Information for Decision Makers

“Pay or Play” Health Benefits Mandate Passes On Governor’s Desk for Signature

The Political Landscape

- The “Pay or Play” health care mandate bill (S.B. 2) is currently on the governor’s desk for signature. It stands to significantly change the health care landscape in California.
- The bill has been driven by the labor unions and has enjoyed significant political momentum due to the recall election. Governor Davis has indicated he plans to sign the bill “early next week” . . . just in time for publicity prior to the recall election.
- Many employers are lobbying for a veto; however, this is seen as politically unlikely.
- Employer groups have vowed to challenge the law in court on two separate grounds (ERISA preemption and the fact that the “fee” is actually a tax therefore the bill required a 67% vote rather than the majority that it received two weeks ago).

Overview

- The bill would require employers with 20 or more employees to pay a fee into the State Health Purchasing Program administered by the state.
- Employers may be exempt from paying the fee if they provide private health coverage that includes hospital, medical, surgical, and prescription drug coverage.
- Fee collection will be administered by the Employment Development Department (EDD).

Required Employer Contribution

- **Employers with 200 or more employees must pay 80% of the employee cost and 80% of the dependent cost for health care coverage.**
- Employers with 50 -199 employees must pay 80% of the employee cost for health care coverage.
- Employers between 20 and 49 employees must pay the same 80% cost for health care coverage once the legislature passes a tax credit to offset the cost. This is not seen as politically likely in the near future.
- Employee contributions are further capped (at 5% of total wages) if individual wages are less than 200% of the poverty level (\$17,180). This applies for both individual coverage and family coverage if wages are less than 200% of the poverty level for a family of three (\$29,260).

Who Counts as an Employee

- **Any employee working more than 100 hours per month (≅ 23 hours per week).**
- The maximum benefits waiting period will be three months of employment.

Effective Dates if Passed

- January 1, 2006 for employers with 200 or more employees (employee and dependent coverage).
- January 1, 2007 for employers with 50-199 employees (employee coverage only).

For questions or additional information, please contact Vita Benefits Group at (650) 968-8811.