



**City of Seattle**  
**Hotel Employees Health and Safety Initiative • SMC 14.25**

**Toolkit for Calculating Additional Compensation Payments for Medical Care**

The Hotel Employees Health and Safety Initiative, Seattle Municipal Code (SMC) 14.25, requires large Seattle hotels (100+ guest rooms) to provide additional compensation to its low-income hotel employees that work 80+ hours in a month. This is a month-by-month, employee-specific calculation. This toolkit provides information on how to determine if an employee qualifies and how much additional compensation an employee is owed.

**Important**

The information needed to make this calculation is personal to the employee. We included a sample letter (Appendix A) that can be provided to an employee to explain why an employer is asking for this information.

Employers must use caution when asking for the personal information needed to determine whether an employee is entitled to additional compensation under SMC 14.25.120. Employers must provide enough information about the reason for this inquiry and only ask for the information after an employee has been hired. Improper inquiries about family status, age, and gender or sex during the hiring process and in some other employment contexts may constitute unlawful discrimination under local, state and federal laws.

## Key Terms

Compensation	Wages, salary, sick pay, vacation pay, holiday pay, bonuses, commissions, allowances, and in-kind compensation for work performed.
Gold-level equivalent insurance plan	A health insurance policy that meets the requirements of a Gold Level Plan as set forth in Section 1302 of the Affordable Care Act (42 U.S.C. § 18022).
Gross taxable earnings	The amount of monthly earnings that remain after pre-tax deductions have been removed from an employee's gross monthly earnings (paid by the hotel employer).
Household members	The employee, the employee's legally married spouse or registered domestic partner, and any person for whom the person is allowed an exemption under the Internal Revenue Code, 26 U.S.C. §151-153 (dependent children, for instance).
Low-income employee	An employee who earns 400% or less of the poverty guideline. This amount is based on the compensation (see definition above) paid by the hotel employer to the employee, not on the employee's total household income.
Poverty Guidelines	The information that is published annually by the Department of Health and Human Services that establishes the poverty line for household sizes.
Washington Health Benefit Exchange (Exchange)	The public-private partnership that is responsible for operating <i>Washington Healthplanfinder</i> , an online marketplace to find, compare and enroll in individual and family health plans.

## The Calculation

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A covered employee is owed the **greater** of: \$200, adjusted annually for inflation\*, or the difference between the monthly premium for the lowest-cost, gold-level policy available on the Washington Health Benefit Exchange that would provide coverage to the employee and their spouse and/or dependent children (if applicable) and 7.5% of the amount by which the employee's compensation, not including additional compensation paid for medical care, for the previous calendar month exceeds 100% of the federal poverty guideline.

This compensation is monthly and must be paid by the 15<sup>th</sup> of the following month. For example, compensation for March must be paid by April 15. To calculate the additional compensation, follow the six steps on the next pages each month for each covered employee.

### Step 1

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#### Determine whether the employee worked 80 or more hours in the month to qualify.

- If the employee did not work 80 or more hours, the employee does not qualify for additional compensation for that month. Stop here.
- If the employee worked 80 or more hours, the employee could qualify. Move to Step 2.

**Remember:**

Include hours for which the employee is entitled to compensation, whether for work or paid leave hours (e.g. vacation, sick, holiday, etc.).

### Step 2: A & B

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#### A. Gather the following information about the employee and their household members.



#### B. Gather the following information about the employee's compensation.

You need these amounts related to the employee's compensation for the month for which the calculation is being made: (1) the employee's total monthly compensation paid by the hotel employer to the employee, (2) their monthly compensation minus any additional compensation paid for access to medical care under this ordinance, and (3) their monthly, gross taxable earnings.

**Note:** An employer must make reasonable efforts to obtain the information necessary to comply with the ordinance. Some information may be found in records that are already available, and the employer can look to this information to fill in some of the missing items. However, some information may not be readily available without an employee voluntarily providing it. If an employee refuses to provide it, the default is that the employee is a household of one and is a non-smoker. An employer should consider retaining documentation of the employee's refusal in case a dispute arises.

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\* The \$200 is in 2016 dollars. The updated amount will be available soon! Additional rulemaking is currently underway for this measurement. Please watch for updates.

## Step 3

**Determine whether the employee qualifies as low-income.** Low-income employees are those who make 400% or less of the poverty guideline for their household size.

Find the monthly 400% poverty guideline for the employee’s household size (column in bold). Compare the amount listed for their household size to the employee’s compensation for the month.

- If the employee’s monthly compensation exceeds the amount, the employee does not qualify. Stop here.
- If the employee’s monthly compensation is the same or less than the amount, the employee could qualify. Move to Step 4.

**2018**  
**Poverty Guidelines for the 48 Contiguous States and the District of Columbia**

Persons in household	Annual Poverty Guideline (100%)	Monthly Poverty Guideline (100%)	Annual Poverty Guideline (400%)	Monthly Poverty Guideline (400%)
1	\$12,140	\$1,011.67	\$48,560	<b>\$4,046.67</b>
2	\$16,460	\$1,371.67	\$65,840	<b>\$5,486.67</b>
3	\$20,780	\$1,731.67	\$8,3120	<b>\$6,926.67</b>
4	\$25,100	\$2,091.67	\$100,400	<b>\$8366.67</b>
5	\$29,420	\$2,451.67	\$117,680	<b>\$9,806.67</b>
6	\$33,740	\$2,811.67	\$134,960	<b>\$11,246.67</b>
7	\$38,060	\$3,171.67	\$152,240	<b>\$12,686.67</b>
8	\$42,380	\$3,531.67	\$169,520	<b>\$14,126.67</b>

For households with more than 8 persons, add \$4320 (annual) for each additional person.

Note: The Department of Health and Human Services publishes the *annual* 100% poverty guidelines (second column from the left).

The Office of Labor Standards has created the monthly 100% equivalents and 400% annual and monthly equivalents for convenience.

To obtain the monthly equivalent of the 100% guideline, the 100% annual guideline was divided by 12. To get the 400% annual guideline, the 100% annual guideline was multiplied by 4. To get the monthly equivalent of the 400% guideline, the 400% annual guideline was divided by 12.

These amounts will be updated each year when the Department of Health and Human Services publishes the new guidelines.

## Step 4

**Determine if the employer is not required to pay the employee additional compensation.** Employees who meet the following criteria do not qualify for the additional compensation:

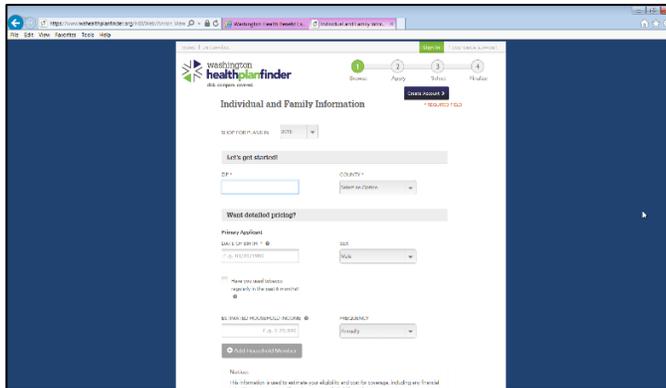
1. The employee enrolled in an employer-sponsored health insurance policy;
  2. The policy is “gold-level equivalent;”
  3. The policy allows spousal and dependent child enrollment; and
  4. The employee pays 5% or less of their monthly, gross taxable earnings from the hotel employer for the premium for family coverage.
- If the employee is enrolled in an employer-sponsored plan that meets the above specifications, the employee does not qualify. Stop here.
  - If the employee is not enrolled in an employer-sponsored, gold-level policy or the policy does not meet the above specifications, move to Step 5.

## Step 5

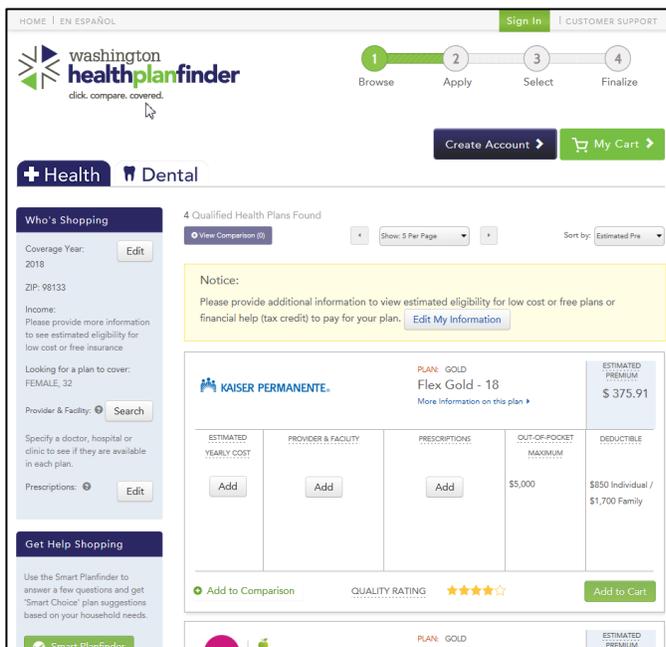
Determine the lowest-cost, gold-level plan on the Exchange that would provide coverage to the employee and their household.



- Go to the Exchange website <https://www.wahbexchange.org/>. Click “Apply for Coverage.”
- Input the employee’s home ZIP code, age, gender/sex, and smoking status. Input the age, gender, smoking status of their spouse/domestic partner and each dependent child (Gathered in Step 2). Click “Show Plans” at the bottom of the screen.



Note: Do not include household income. This website is also a portal to other resources for which household income is used. Household income is not used to determine the lowest cost, gold-level plan.



- Filter the results to view only the gold plans by clicking the “Gold” Metal Level (left hand side of screen under “Customize My Search”) and click “Update.”
- The filtered results should show the least expensive plan first. The least expensive plan is the one that you need to complete Step 6.
- You can also find the rates at the Office of Insurance Commissioner website at: <https://www.insurance.wa.gov/region-one-individual-and-family-health-plans-2018> and review each of the current year’s plans for the least expensive gold plans. In 2018, the least expensive plans are offered by Kaiser Permanente.

## Step 6

### Do the math calculation.

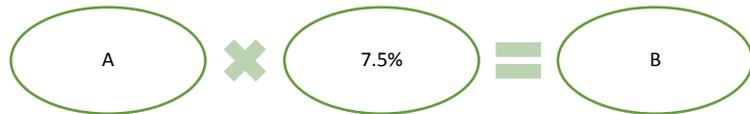
- Calculate “A” by subtracting the employee’s monthly compensation (do not include the additional compensation paid to the employee that month under this ordinance) by the 100% monthly poverty guideline for their household size.



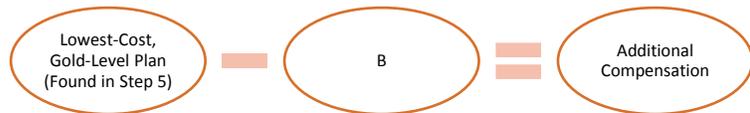
#### Notes:

- Negative A:** If A is a negative number, A equals 0.
- Compensation:** This compensation is the employee’s monthly compensation minus any “additional compensation paid for access to medical care under this ordinance.”
- Poverty Guideline:** This calculation requires the 100% monthly guideline, not the 400% monthly guideline that was used to determine if the employee was low-income.

- Calculate “B” by multiplying “A” by 0.075 (7.5%).



- Calculate the “Additional Compensation” by subtracting “B” from the lowest-cost, gold-level plan that you found in Step Five.



- Lastly, compare the “Additional Compensation” with \$200, adjusted annually for inflation<sup>2</sup>. The greater of the two is owed to the employee.

<sup>2</sup> The \$200 is in 2016 dollars. The updated amount will be available soon! Additional rulemaking is currently underway for this measurement. Please watch for updates.

## EXAMPLE - Issa

### Employee without gold-level benefits

Issa makes \$15.45/hour as a room attendant. She is a non-smoking mother of a 10-year-old son who lives in North Seattle (ZIP 98133). In April 2018, she worked 35 hours per week (Monday-Friday, 7 hours/day). Her employer does not offer gold-level health insurance coverage.

#### **Step 1: Issa worked 80 or more hours in the month and could qualify**

In April 2018, Issa worked 147 hours. Because Issa worked 80 hours or more in the month, she potentially qualifies for additional compensation for April.

#### **Step 2: Issa's household and compensation information.**

Issa's age: 32	Household: One son, Age 10
Smoking Status: Non-smoker	Compensation - April: \$2271.15 (127 hours x \$15.45/hour)
Zip code: 98133	

#### **Steps 3 and 4: Issa qualifies for additional compensation.**

Issa's compensation in April of \$2271.15 are less than 400% of the poverty line for a household of 2 (See chart above, \$1371.67 x 4 = \$5486.68). Therefore, she qualifies as a low-income employee for April.

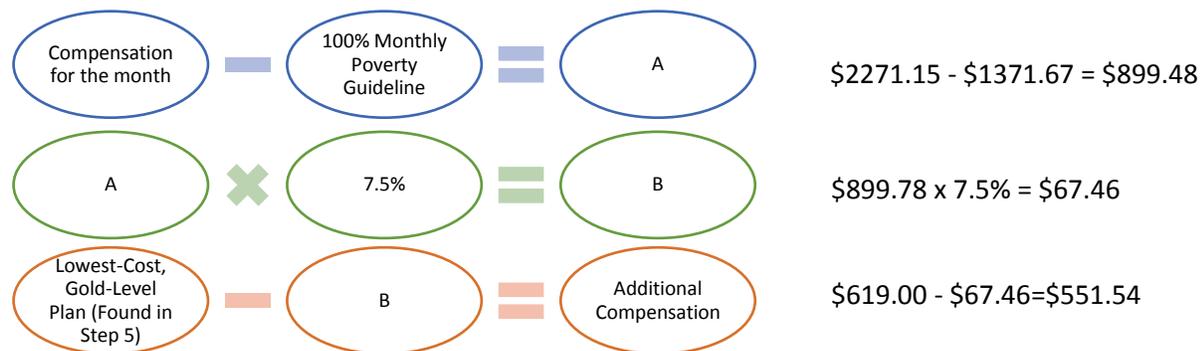
Because her employer does not offer gold-level health insurance coverage at all, her employer does not qualify for an exception to pay the additional compensation. Issa qualifies for additional compensation.

#### **Step 5: The lowest-cost, gold-level plan on the Exchange that would provide coverage to her**

After inputting all her information into the *Exchange* website, the lowest-cost, gold-level plan on the Exchange that would provide Issa and her son coverage is: **\$619**.

#### **Step 6: The math**

The amount of additional compensation owed to the employee is the greater of \$200, adjusted for inflation, or the below calculation.



**Issa is owed \$551.54 in additional compensation for April 2018.**

## EXAMPLE – Makeda

Employee with gold-level benefits | Paying more than 5% for premium

Makeda is a banquet server who makes \$15.45/hour. In April 2018, she worked 30 hours per week (Monday-Friday, 6 hours/day). She is a non-smoking, 27-year-old and lives with her 26-year-old, non-smoking, male partner in Rainier Beach (ZIP 98118). They are enrolled in her employer’s gold-level insurance plan and pay \$100/month for the premium. Her pre-tax deductions are \$50/month.

### Step 1: Makeda worked 80 or more hours in the month and could qualify

Makeda worked a total of 126 hours in April 2018. Because Makeda worked 80 hours or more in the month, she potentially qualifies for additional compensation for the month of April.

### Step 2: Makeda’s household and compensation information

Makeda’s age: 27	Compensation -April: \$1946.70 (126 hours x \$15.45 hour)
Smoking Status: Non-smoker	Gross, Taxable Earnings – April: \$1896.70 (\$1946.70 - \$50)
Zip code: 98118	
Household: Partner, Age 26	

### Steps 3 and 4: Makeda qualifies for additional compensation

Makeda’s compensation of \$1946.70 is less than 400% of the poverty line for a household of 2 (See chart above, \$1371.67 x 4 = \$5,486.68). She qualifies as a low-income for April.

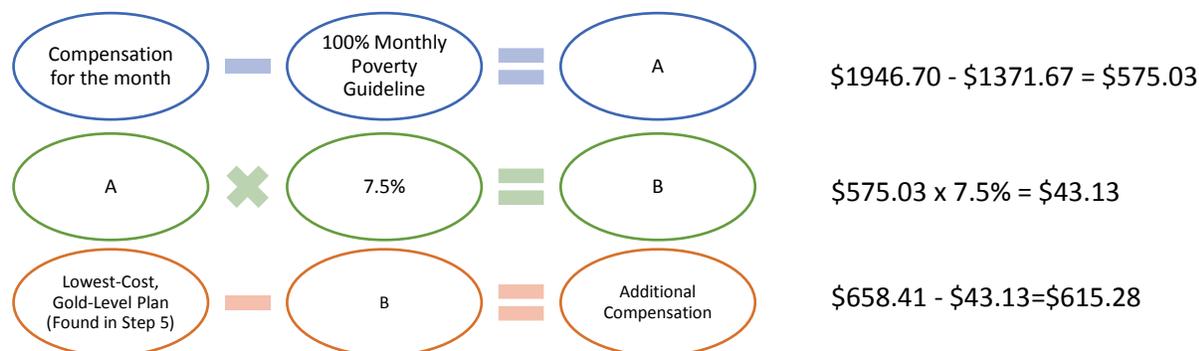
Makeda pays \$100/month for gold-level health insurance coverage for she and her partner. Because she pays more than 5% of her April gross, taxable earnings (\$1946.70 - \$50.00 x .05 = \$94.83) for April’s premium, her employer must pay additional compensation to Makeda for April.

### Step 5: The lowest-cost, gold-level plan on the Exchange that would provide coverage to her

After inputting all her information into the *Exchange* website, the lowest-cost, gold-level plan on the Exchange that would provide Makeda and her partner’s coverage is: **\$658.41**.

### Step 6: The math

The amount of additional compensation owed to the employee is the greater of \$200, adjusted for inflation, or the below calculation.



**Makeda is owed \$615.28 in additional compensation for April 2018.**

## EXAMPLE – Eliana

Employee with gold-level benefits | Paying less than 5% for premium

Eliana works as a housekeeper who makes \$15.00/hour. In April 2018, she works 40 hours per week (Monday-Friday, 8 hours per day). She is a non-smoking, 38-year-old who lives in West Seattle (98136) with her 6-year-old daughter. Eliana receives gold level coverage from her employer and pays \$90/month for the premium for family coverage.

### **Step 1: Eliana worked 80 or more hours in the month and could qualify**

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Eliana worked 168 hours in April 2018. Because Eliana worked 80 hours or more in the month, she potentially qualifies for additional compensation for the month of April.

### **Step 2: Eliana's household and compensation information.**

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Eliana age: 38	Compensation - April: \$2520 (168 hours x \$15.00/hour)
Smoking Status: Non-smoker	Gross, Taxable Earnings – April: \$2430 (\$2520-\$90)
Zip code: 98136	
Household: Daughter, Age 6	

### **Steps 3 and 4: Eliana does not qualify for additional compensation**

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Eliana's compensation of \$2520 is less than 400% of the poverty line for a household of 2 (See chart above,  $\$1371.67 \times 4 = \$5,486.68$ ). Therefore, she qualifies as a low-income employee for April.

Eliana pays \$90/month for gold-level health insurance coverage for herself and her daughter. Because she pays less than 5% of her April gross taxable earnings ( $\$2520 - \$90 \times .05 = \$121.50$ ) for April's premium, her employer does not have to pay additional compensation to Eliana for April.

Her employer will recalculate whether she qualifies each month. It is possible that if Eliana does not work enough hours, the cost of her premium may exceed 5% of her gross, taxable earnings. If this were to happen, her employer would complete the additional steps (Steps 5 and 6) to determine how much Eliana would be owed in additional compensation.

**Eliana is not owed additional compensation for April 2018.**

## APPENDIX A: SAMPLE LETTER

Appendix A is a sample letter that can be provided to an employee to gather the information necessary to determine whether an employee is entitled to additional compensation under SMC 14.25.120.

**Important:** Employers must use caution when asking for the personal information needed to determine whether an employee is entitled to additional compensation under SMC 14.25.120. Employers must provide enough information about the reason for this inquiry and only ask for the information after an employee has been hired. As a best practice, employers are encouraged to limit sharing this information to only those hotel administrators who need to know.

Improper inquiries about family status, age, and gender or sex during the hiring process and in some other employment contexts may constitute unlawful discrimination under local, state and federal laws. Please find more information about employment discrimination laws by visiting the [Seattle Office for Civil Rights](#).

## SAMPLE LETTER

Dear Employee,

Under the Hotel Employees Health and Safety Initiative, Seattle Municipal Code 14.25, low-income employees who work 80 or more hours in a month may be entitled to additional monthly compensation to cover medical and insurance costs.

Please complete this form so that we can determine if you qualify and, if you do, how much you qualify to receive. The information will be used only for calculating additional compensation owed under Seattle Municipal Code 14.25 and will be shared only with hotel administrators who have a need to know. If you refuse to provide this information, we will assume that your household consists of only you and that you are a non-smoker. If your household composition changes, contact:

\_\_\_\_\_.

At the end of each month, we will evaluate whether you qualify for additional compensation for that month. If you qualify, you will receive the additional compensation by the 15<sup>th</sup> of the following month. For example, if you qualify for March, you will receive the additional compensation by April 15<sup>th</sup>.

### Employee Information

- 
- |                         |   |
|-------------------------|---|
| 1. Name: _____          | 4. Smoker:    Yes                      No |
| 2. Date of Birth: _____ | 5. The zip code where I live: _____       |
| 3. Gender/Sex: _____    |   |

### Household Information

Household members include your spouse or domestic partner, and tax dependents as defined by the Internal Revenue Code. If you have more tax dependents, attach a separate sheet. For information on tax dependents, visit: <https://www.irs.gov/publications/p501>.

- |   |   |
|---|---|
| <input type="checkbox"/> Relationship: _____<br>Date of Birth: _____<br>Gender/Sex: _____<br>Smoker:        Yes                      No | <input type="checkbox"/> Relationship: _____<br>Date of Birth: _____<br>Gender/Sex: _____<br>Smoker:        Yes                      No |
| <input type="checkbox"/> Relationship: _____<br>Date of Birth: _____<br>Gender/Sex: _____<br>Smoker:        Yes                      No | <input type="checkbox"/> Relationship: _____<br>Date of Birth: _____<br>Gender/Sex: _____<br>Smoker:        Yes                      No |

### Acknowledgement

- By signing below, I verify that the above information is true and correct. I am providing this information voluntarily and understand that this information will only be used to calculate additional compensation owed to me under the Hotel Health and Safety Initiative, SMC 14.25.120.
- By signing below, I am signaling my refusal to provide information necessary to calculate accurate additional compensation and understand that my employer may assume that my household consists of me (non-smoker, household of one). I understand that I may receive less compensation than for what I would qualify for if I had provided complete information.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_