

THE RESTAURANT STANDARD



A NEW NORMAL

Health care reform is changing what it means to work in a restaurant — and how to run one

5 Tips for restaurant employees

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11 What health care reform means to you


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- › CRA Legal Center
- › Network of legislative, tax and insurance experts and partners
- › Events, seminars, one-on-one consultations



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- › Learn more at
calrest.org/healthcare.

HEALTH LAW SERVES UP CHANGES TO RESTAURANTS

BY NATASHA VON KAENEL

Every restaurant requires prep work. Without it, customers would wait for ages for their order of spaghetti or a medium-rare sirloin. Even though the Obama administration recently issued a one-year reprieve on parts of the law that would have made employers responsible for offering insurance in 2014, the new health care law will soon become a reality and the prep work still needs to happen now. Other aspects of health care reform remain unchanged. Covered California is still expected to open for enrollment Oct. 1 for coverage effective Jan. 1, 2014. The delay also won't affect employees' access to premium tax credits available under the law

to purchase individual or small business coverage in the exchange. Restaurants provide a massive number of jobs and operate day-to-day on razor-thin profit margins, so the idea of extending health care coverage to all full-time employees has seemed formidable in the past, but many restaurant companies are well on their way to finding solutions that work for them. The extra time for clarity is a welcome extension, however, and 2014 will be a year of intense transition as both employers and employees navigate the process of getting more uninsured Californians covered.

93%

of restaurants are small businesses with less than 50 employees.

1.42 million

Californians work in restaurants — 10% of jobs in the state.

24,900

eating and drinking establishments in Los Angeles County.

50%

of restaurants in Los Angeles are minority-owned.



1 out of 4

adults got their first job experience in a restaurant.

141,200

jobs will be added by 2023.

7,316

additional foodservice jobs will be created in California as a result of health care reform.

780,000

Los Angelenos qualify for health care subsidies.

\$119.9 million

estimated bump in spending from added jobs to the accommodation and foodservice industry

Sources: California Restaurant Association, National Restaurant Association, Bay Area Council Economic Institute, UCLA Center for Health Policy Research.

283,000

Los Angelenos work in restaurants.

Spotlight to shine on health care at trade show

BY ANGELICA PAPPAS

California's restaurant world will descend on the Los Angeles Convention Center Aug. 18-20 for the Western Foodservice & Hospitality Expo (WFHE) and Expo Comida Latina. As many as 10,000 food trade players will come out to see the latest and greatest in foodservice trends, ingredients, equipment and techniques.

This year, show organizers also are cooking up a slate of resources to

help restaurant operators make sense of health care reform and how to get ready for upcoming deadlines.

The California Restaurant Association (CRA) will have its team of national, state and local experts on hand at the show to answer questions about preparing for the law's requirements. Call the CRA Health Care Hotline at 855.544.2743 to schedule a

20-minute appointment to talk to a health care specialist during the show.

CRA members can take advantage of free admission to the event, which includes dozens of education sessions, tasting events and live demonstrations.

Go online at westernfoodexpo.com to register, or for details on health care-focused education sessions open to all attendees.

#wfhe

TOP 5 TIPS FOR RESTAURANT OPERATORS

How to prepare for the new health care law

BY NATASHA VON KAENEL

1. You may have 50 full-time equivalent employees. The health care law does not require your restaurant to provide health benefits to your workers, but larger businesses could face fees if affordable coverage is not available. The law stipulates that restaurants with more than 50 full-time equivalent employees that do not offer coverage and whose employees receive a cost-sharing subsidy to purchase coverage in Covered California will be subject to fees beginning Jan. 1, 2015. Seasonal workers who have worked 120 days or less during the year don't count toward the number of full-time employees, but restaurants with more than one business entity may need to consider all of their employees in one group.
2. Thirty hours per week is considered full time. Most restaurants employ many part-time employees whose hours are added into the calculation for the total number of full-time equivalent (FTE) employees on staff, according to the law. If you have more than 50, you could face fees if affordable coverage to full-time employees is not available. Visit calrest.org/healthcare to calculate your FTEs.
3. Be aware of new reporting requirements. Health coverage under any group health plan made available to an employee by the employer, regardless of whether the employer or the employee paid the cost, must be reported on the new Form W-2 beginning Jan. 1, 2015. Employers filing fewer than 250 Forms W-2 for the previous calendar year are currently exempt. While the U.S. Treasury Department finalizes the reporting process and forms, start thinking about how you will collect this information now so that you'll be ready to report to the IRS.
4. Employer-sponsored health coverage must be affordable and adequate. For larger restaurants with more than 50 full-time equivalent employees, employer-sponsored health plans must cover 60 percent of typical health care expenses and not cost more than 9.5 percent of the employee's family income for it to be considered "affordable." Larger companies could face fees if affordable coverage is not available. Consult with an insurance broker to ensure your health plan meets the law's new requirements.
5. Be prepared to brief your employees. Employees will come to you looking for information about their new options, including the state's new insurance marketplace Covered California, and what the new law means for them and the restaurant. Employers are responsible for providing notification of employees' health care options, including the existence of Covered California, by Oct. 1, 2013. It is wise to determine who will be the point person within your company to answer any employee questions, as well as how you will explain the effects of the law on your business.

FYI

Your health insurance broker can help you to determine how to best prepare for the implementation of the Affordable Care Act.

Stay up to date on new developments in the health care laws and regulations at calrest.org/healthcare.

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TOP 5 TIPS FOR RESTAURANT EMPLOYEES

How the new health care law will affect you BY NATASHA VON KAENEL

1. Health coverage is an individual responsibility. The health care law does not require your restaurant to provide health benefits to its workers. If your restaurant does not offer coverage or coverage is unaffordable, beginning in 2014, the health care law requires you to obtain health coverage in the individual market. You can purchase a plan on your own, buy a plan through Covered California, which is expected to begin open enrollment Oct. 1, 2013, or get coverage through Medi-Cal or other types of governmental programs. If you do not have coverage, you face a minimum fee of \$95 in 2014. While this may seem negligible when compared to the price of health insurance, that fine increases to \$695 in 2016.
2. You have new rights and protections for coverage. New provisions in the health care law have already prevented children younger than 19 with pre-existing conditions from being denied health coverage and expanded coverage to dependents as old as age 26. In 2014, the law will require insurance companies to cover everyone with pre-existing health conditions, help you understand the coverage you're getting and make it illegal for insurers to arbitrarily cancel your coverage when you get sick.
3. It's easy to compare and get covered. The state's new insurance marketplace, Covered California, will offer an online marketplace making it easy for individuals and small businesses to compare health care plans side by side. Different levels of health coverage offered will have to meet minimum standards and plans will be classified as Platinum, Gold, Silver and Bronze based on the specified percentage of costs the plan will cover. Find out more at CoveredCA.com.
4. You may qualify for premium assistance. If you're an individual making as much as \$44,680 or a family of four making less than \$92,200, you can apply for a tax credit to purchase health coverage through Covered California to lower your monthly premiums. Depending on your level of income and the number of dependents in your household, up to 90 percent of your health care expenses could be covered.
5. You may qualify for free health insurance. If you're an individual making less than \$15,000 or a family of four making less than \$31,180, you're eligible for Medi-Cal and will receive health care at no cost. Apply for Medi-Cal online at benefitscal.org.

FYI

Don't be afraid to talk to your employer about health insurance. They will provide you with information about how the new health care law will affect you, and can provide the resources you need to secure coverage.

Health Care Reform: Guidance and Solutions

► Guidance

The California Restaurant Association (CRA) is committed to helping you understand what the regulations mean to your business and what you need to do to comply.

► Solutions

The CRA trusts UnitedHealthcare to develop health care solutions for the hospitality industry.

► Ask your insurance broker for a UnitedHealthcare quote



To discuss UnitedHealthcare's solutions for your business, contact **Kimberlee Vandervoorn** at **(301) 865-7058** or **kvandervoorn@uhg.com**.



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FOR SOME, HEALTH CARE IS ALREADY ON THE MENU

The Affordable Care Act
will level the playing field for restaurants

BY ANGELICA PAPPAS | PHOTOS BY SALVADOR OCHOA

To Bob Spivak — president, CEO and founder of Grill Concepts Inc. — navigating the ins and outs of health care reform has inspired a kind of optimism that sets him apart.

“I think it’s a big dust storm now, and it’s going to take a lot of work before the dust settles, but ultimately the workers of this century are going to be better off,” he said, comparing the Affordable Care Act to the enactment of Social Security, Medicare and unemployment. “Now those things have just become a rite of passage that comes with being an American citizen. And as employers, we don’t even think twice about making those contributions.” Woodland Hills-based Grill Concepts, Inc. is the parent company of the iconic Grill on the Alley and Daily Grill restaurants, and more recently its three Public School gastropubs, the latest of which opened in June in Westlake.

Though the company has always offered medical coverage to its managers and a volunteer program to

full-time hourly workers, it’s apparent the details will probably change when the law takes full effect.

Beginning Jan. 1, 2015, companies with 50 or more employees that do not offer their insurance plan to employees who work 30 or more hours per week may be subject to fees. As cost details and regulations are emerging, companies are beginning to transition into their plans throughout 2014, before employer-responsibility enforcement begins in 2015. But even before the number crunching commences, Spivak is confident that the positives will outweigh the associated costs.

“The comforting thing for me is that I know we’re well-informed, and I know we’re a responsible company,” he said. “There are going to have to be a lot of corrections to



Grill Concepts Inc. was founded by Bob Spivak in 1984 and boasts 29 locations and 2,000 loyal employees who have always had access to health insurance.

“My basic belief is that we need health care, and it’s going to be a difficult transition, but we’re going to be part of the solution.”

Bob Spivak, president, CEO and founder of Grill Concepts Inc.

these unanswered questions, and the outcome may ultimately look very different from how we understand it today. My basic belief is that we need health care, and it’s going to be a difficult transition, but we’re going to be part of the solution.”

Spivak predicts that a widely adopted practice of offering health care coverage will have a tremendous effect on the restaurant industry — for once creating a level playing field among employers, even cutting into any edge Grill Concepts may have had as a company offering its hourly workers coverage.

Already, Grill Concepts has enjoyed the benefits of that generosity, including an astonishingly low turnover rate amongst hourly staff — just 42.3 percent compared to the industry average of 107 percent.

“Having offered health insurance all these years has served us well, considering the longevity of our staff overall,” Spivak said. “We always say, ‘You can’t train a smile.’ So we do everything we can to hire happy people who have good outlooks on life. I believe if you hire the right people and train them and give them what they need, you can end up with a pretty powerful workforce.”

Norm’s has put employees first since 1949

Over the last 64 years, Norm’s Restaurants has evolved from a simple, single diner on Sunset Boulevard to one of Los Angeles’ most familiar brands, but deep at its core, it is still a small family business.

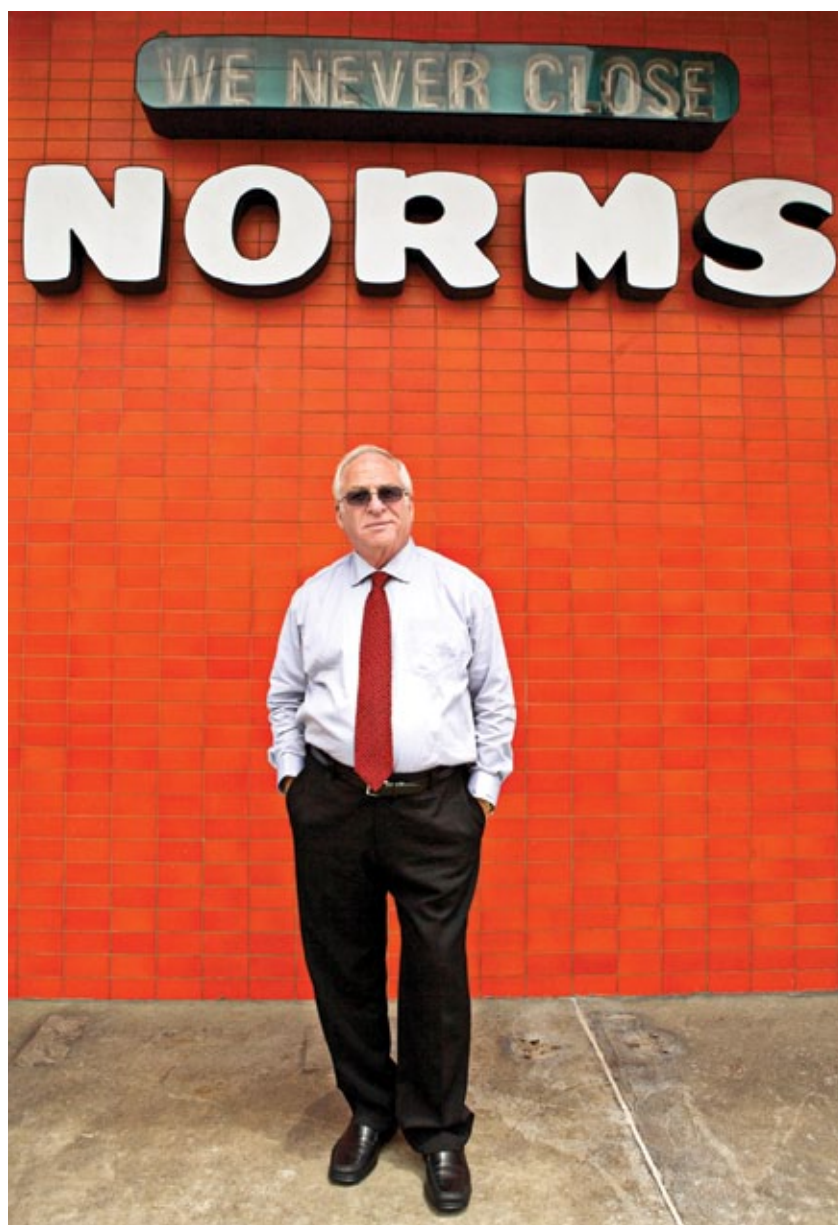
“We’re here to make money and stay in business, sure, but the

employees make it all possible,” said Norm’s President and CEO Phil Singerman. “We try to be a good employer, and people think we’re a great place to work.”

With a benefits package that includes everything from free shoes to a comprehensive health program, which provides medical, dental, vision and coverage for dependents, Singerman says putting workers first has never been a losing proposition at Norm’s. And with a handful of employees who have called Norm’s their work home for more than 40 years, that attention is by and large reciprocal.

Though still in the planning stages of making changes to its benefits program in light of the Affordable Care Act, most of the implications are behind the scenes, such as working with an outside insurance broker for the first time in company history, Singerman said.

“We’ve been looking at health care since the idea surfaced and since it’s become law,” Singerman said. “It’s tricky because the details keep changing and California has its own idea of how it will work. But we will continue to provide medical insurance to our employees, and we hope to continue offering coverage to their dependents if we can afford it.”



Norm’s Restaurants was founded in 1949 and has expanded to 18 locations across Southern California. Company leaders are proud of their expansive health program for their 1,300 employees.

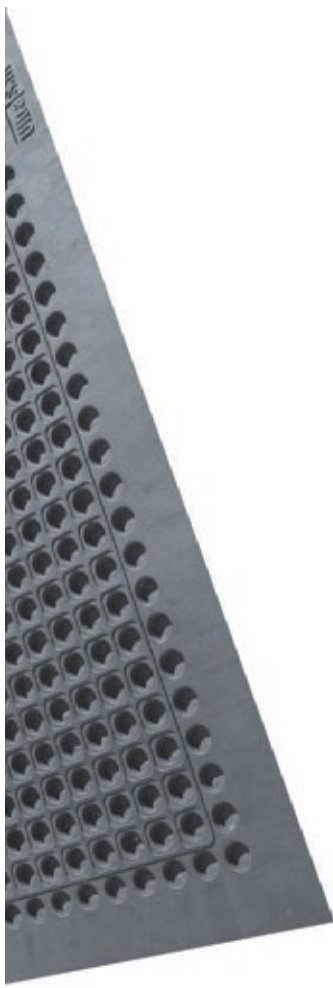




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BUILDING A BETTER BURGER BRAND

Adam Fleischman dishes on why health care reform will only strengthen his Umami empire

BY ANGELICA PAPPAS

In less than four years, Adam Fleischman has built an empire and a name for himself that has become synonymous with both executive prowess and culinary fearlessness. Well on his way to meeting the 50-location vision originally scoped in his early plans for Umami Burger, Fleischman is now exploring new concepts — roast beef sandwiches and ice cream, anyone? — to round out his kingdom. Tackling an issue as complex as health care reform, which has even industry veterans perplexed, should be daunting for Fleischman, a veritable newbie. But he's proven himself to be anything but typical.

Umami has offered health care since day one. Why was providing a coverage option a priority, even when it wasn't required?

It's always been important to us that we take care of our team members. They're the backbone of our company and the ambassadors of our brand. With the aggressive expansion plan we've set out for ourselves, reaching our goals would be impossible without loyal (and healthy) team members.

Will health care reform dramatically change your company culture?

Not dramatically, but it will change it for the better. The new regulations don't come without a price tag, and they've sparked important conversations in our corporate office about how to keep team members motivated and feeling like they're part of a growing family. You can't

ask for the loyalty of employees without showing them loyalty. Health care coverage is now a part of that conversation.

How will the changes affect Umami's overall outlook?

My finance team might disagree, but I think it will only make us stronger. I want our team members to know that I'm committed to their growth, just as I'm committed to the growth of this company. Health care reform is an opportunity to do just that.

Considering your growth, you must always be hiring. How do you recruit quality employees?

It's important to set ourselves apart from other restaurant companies. We get employees applying with us all the time because they love the brand and the commitment to the guest experience. Turnover is always a concern, because people in the service industry often have other aspirations outside of hospitality. We always encourage team members to follow their dreams, but we hope after working with us a while, they'll appreciate the room for growth and wonderful aspects of this industry in general.

Do you think the perception of restaurant careers will change in a post-Affordable Care Act nation?

I'm hoping they will improve. There's great opportunity in the restaurant industry, and hopefully those opportunities will soon include health care.

"You can't ask for the loyalty of employees without showing them loyalty. Health care coverage is now a part of that conversation."

Adam Fleischman, CEO, Umami Restaurant Group



Adam Fleischman, creator of Umami Burger, has offered health coverage to his employees from day one.

In launching Umami, did you ever feel underestimated by those who didn't think diners were interested in such inventive flavor profiles?

I ignore most predictions, including my own at times. I don't know if we are too progressive for any market — we just want to spend time in certain markets and enjoy the culture there. We like cities with exciting food.

Did you ever expect to become such a recognizable player in the L.A. dining culture the way that you have?

I did not expect to be front and center — that wasn't the vision. But guests liked to see the owner present, and I am at the locations regularly.

With six locations set to open in 2013, 14 in operation and several other concepts in the works or launching soon, there's no way you have time to do it all. Who do you rely on most to stay informed?

I have to trust my team, and I do. I have great specialists, from legal to operations, marketing to development. For health care specifically, my legal, human resources and finance teams are taking the lead. Obviously, we need to make fiscally responsible decisions, but I look at health care as an investment opportunity in our employees. I'm looking forward to continuing this dialogue.

COVERING CALIFORNIA

Exchange to provide health insurance access to Californians, small businesses

BY PETER V. LEE

The majority of California's small businesses offer health insurance to their workers — but it's a challenge. Of those small businesses that do offer insurance, 70 percent say they are struggling to pay for it.

For too long, the steadily increasing cost of health insurance has prevented many restaurant owners and small businesses from offering this valuable benefit to their employees. Today, more than half of the smallest California businesses (with three to 10 employees), including many restaurants, don't offer health coverage. And almost a third of larger small businesses, those with 10 to 49 employees, don't offer coverage. Beginning in October, California's restaurant industry — both the employers and their workers — will have a tremendous opportunity to finally access quality, affordable health insurance.

Through the Covered California™ Small Business Health Options Program (SHOP), restaurant owners with 50 or fewer full-time-equivalent employees will have access to a marketplace where they can easily

compare various health insurance plans and offer workers a choice of options from several insurance companies. (Businesses with 100 or fewer workers will be eligible to participate beginning in October 2015.) Covered California's SHOP enables small businesses to decide whether and when they want to participate; choose the level of contribution to employee coverage; and make one, single payment rather than multiple payments to numerous plans.

Most importantly, Covered California makes health insurance more affordable. By spreading administrative costs among a large pool of California's small businesses, insurers are able to offer lower rates. Plus, if you have fewer than 25 employees you may be eligible for a tax credit in 2013 of up to 35 percent of your contribution toward your employees' premium expenses. In 2014, this tax credit increases to 50 percent. It is available for two consecutive years.

Workers in the restaurant industry who don't get insurance through their employer may be eligible for premium assistance to help them afford health

insurance as individuals. For instance, in Los Angeles County alone, roughly 283,000 restaurant workers who are not offered coverage through their jobs would qualify for assistance that would help pay for their health insurance premiums. They would also receive lower copays and deductibles.

Covered California is a win-win for the state's restaurant industry. Restaurant owners can spend more time on growing their businesses and keeping their workers healthy, instead of spending time worrying about the ever-rising costs of health care, and their workers will have access to quality, affordable coverage that keeps them healthy and productive.

Peter V. Lee is executive director of Covered California™. To learn more, visit CoveredCA.com.



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WHAT NOW?

Still perplexed about what health care means to you? You're not alone. Follow this guide to find out how the health care law applies to you. BY NATASHA VON KAENEL

EMPLOYERS START HERE

Does your restaurant employ 25 or less full-time employees?

Yes!

Your restaurant is not required to provide health insurance for your employees.

But we do.

Do you pay at least half of employee premiums?

Yes!

If your average wage is less than \$50,000 you are eligible for a tax credit that will subsidize as much as 35% of your restaurant's contribution to employee health insurance. The credit increases to as much as 50% beginning in 2014 if coverage is purchased through Covered California.

No, more.

Does your restaurant employ at least 50 full-time equivalent employees?

No, less.

Your restaurant is not required to provide health insurance for your employees.

Yes!

Does your restaurant provide coverage to full-time employees?

No.

Beginning in 2015, if one of your employees receives subsidized health coverage through Covered California, you could face fines of \$2,000 annually for each full-time employee on staff, excluding the first 30 employees. This fee will increase each year.

Yes!

Does the coverage pay for at least 60% of typical health care expenses, as defined by the IRS?

No.

Your health care plan is considered unaffordable.

Yes!

Do any of your employees pay more than 9.5% of their family income on health coverage premiums for the covered employee?

Yes.

Your health care plan is considered unaffordable.

No.

Congratulations! Your health care plan is considered affordable.

No.

While your employees are surely grateful, you aren't eligible for a tax credit.

You may face fees.

You will be fined \$3,000 annually for each full-time employee on staff who receives subsidized health care through Covered California. To protect larger companies, the fine will not exceed an amount equal to \$2,000 for every full-time employee on staff excluding the first 30 employees. So if you had 100 employees, you would be fined \$140,000 (100 employees - 30 employees = 70 employees) X \$2,000.

EMPLOYEES START HERE

Does your place of work employ at least 50 full-time equivalent employees?

No, less.

You are responsible for obtaining your own insurance.

Your restaurant isn't required to provide health insurance for you. Unless you qualify for an exemption (unlikely), you will face a fee if you don't have health insurance. You can purchase health insurance through Covered California or on the private market.

Tax credits may help.

If you are an individual making as much as \$44,680 or a family of four making as much as \$92,200, you can apply for assistance through Covered California that will lower your monthly premiums.

Medi-Cal may provide free coverage.

If you are an individual making less than \$15,000 or a family of four making less than \$31,180, you are eligible for Medi-Cal and will receive health care at no cost.

Yes!

Does your restaurant provide coverage to full-time employees?

No.

You can purchase health insurance in Covered California's insurance marketplace or on the private market.

Yes.

Your health care plan is considered unaffordable.

Yes!

Does the coverage pay for at least 60% of typical health care expenses, as defined by the IRS?

Yes!

Does your health coverage cost more than 9.5% of your family income?

No.

Your health care plan is considered affordable and adequate. Congratulations, you are covered!

No, more.

The health care plan is considered unaffordable.

Start shopping. You can apply for assistance to purchase health insurance in Covered California's insurance marketplace or on the private market.

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of the
solution.



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