

# PEIA's Premium Conversion Plan: Make Your Choices for Plan Year 2010

It's open enrollment time for PEIA's Section 125 Premium Conversion Plan, an IRS-approved plan which allows eligible public employees to pay health and life insurance premiums with pre-tax dollars. Through this plan your premiums for health coverage and life insurance are deducted from your pay before taxes are calculated, so your taxable income is lower, and you pay less tax.

Each year at this time we hold an Open Enrollment period to allow you to make changes in your coverage or to get in or out of the Premium Conversion Plan.

This section answers Commonly Asked Questions about the Premium Conversion Plan and will serve to guide you through the enrollment process.

## Commonly Asked Questions

### ***Who participates in the Premium Conversion Plan?***

If you are an active employee of a State Agency, college, or university (except WVU) or one of the county boards of education that participates in PEIA's Premium Conversion plan, and you pay premiums for health or life insurance, those premiums are deducted before taxes are calculated, unless you signed a form waiving your participation in this plan. You may have been in the program for several years without realizing it. To determine if you are paying your premiums before or after tax, check your pay stub or contact your payroll office.

### ***When is Open Enrollment?***

Open Enrollment is from April 1-30, 2009 for Plan Year 2010 (July 1, 2009 - June 30, 2010).

### ***Are there rules I have to follow?***

Yes. The IRS sets limits on the program, and says that if you agree to participate in the plan, **you can only change the amount of pre-tax premium you pay during Open Enrollment.** Under the IRS rules, you must pay the same amount of premium each month during the year, unless you have a qualifying event and the consistency rule is satisfied. Documentation of these events is required.

Qualifying events are:

- marriage or divorce of the employee;
- death of the employee's spouse or dependent;
- birth, placement for adoption, or adoption of the employee's child;
- commencement or termination of employment of the employee's spouse or dependent;
- a change from full-time to part-time employment status, or vice versa, by the employee or his or her spouse, or dependent;
- commencement of or return to work from an unpaid leave of absence taken by the employee or spouse;
- a significant change in the health coverage of the employee or spouse attributable to the spouse's employment;
- annulment;
- change in the residence or work site of the employer, spouse, or dependent;
- loss of legal responsibility to provide health coverage for a child or foster child who is a dependent;
- a dependent loses eligibility due to age or student status; or
- employment change due to strike or lock-out.

## NOTICE

*The information on pages 32-35 applies only to active employees of State Agencies, colleges and universities (except WVU) and some county boards of education. If you are not sure you are in this plan, contact your benefit coordinator.*

**THIS PROGRAM DOES NOT APPLY TO RETIREES.**

As of July 1, 2006, the IRS changed the definition of a “qualified child” for tax purposes. This change may affect your ability to pay premiums for family coverage on a pre-tax basis. After age 24, full-time students must meet the Federal IRS definition of a “qualified relative” to qualify for coverage as a dependent under your plan. For more information, visit our website at [www.wvpeia.com](http://www.wvpeia.com).

**Consistency Rule:** The change in benefit elections must be on account of, and consistent with, a change in status that affects eligibility for coverage under the cafeteria plan.

#### ***Open Enrollment Under Other Employer’s Plan***

You may make a change in your plan when your spouse or dependent changes coverage during his or her plan’s open enrollment if:

- the other employer’s plan permits mid-year changes under this event, and
- the other employer’s plan year is different from PEIA’s.

You may make a change in your coverage (add a dependent, for example) that increases your insurance premium, or that has no effect on your premium, without having one of these events, but you’ll pay any resulting increased premium on an after-tax basis until the next Open Enrollment period.

You may not make a change in your coverage that reduces the premium you pay until the next Open Enrollment period unless you have a qualifying event.

To make a change in your coverage, get a Change-in-Status form from your benefit coordinator.

#### ***What should I do if I want to get in or out of the Premium Conversion Plan?***

You have four choices:

- (1) If you opted out of the Premium Conversion Plan previously, and you want to stay out, you don’t have to do anything. You will remain out of the Premium Conversion Plan for the coming year.
- (2) If you opted out of the Premium Conversion Plan previously, and want back in, **complete the form on page 35**, sign, date and return it to your payroll clerk **by April 30, 2009**.
- (3) If you are in the Premium Conversion Plan, and want to stay in, you don’t need to do anything. You will remain in the Premium Conversion Plan for the coming year.
- (4) If you are in the Premium Conversion Plan and you want to opt out and pay taxes on your premiums, **complete the form on page 35**, and return it to your benefit coordinator **by April 30, 2009**.

#### ***Can I make changes in my coverage now?***

Yes. During Open Enrollment you can add or drop dependents for any reason. Complete a **Change-In-Status** form (or make the changes on your **Tobacco Affidavit and Open Enrollment Transfer Form**), and get it to your benefit coordinator **by April 30, 2009**.

#### ***Can I make changes during the plan year?***

The IRS regulations say that you have to pay the same *amount of premium* throughout the plan year, unless you have a qualifying event, which causes your premium to change.

PEIA wants you to have the flexibility to make changes in your PEIA PPB Plan coverage during the year, so we allow you to make certain changes in your covered dependents during the plan year, as long as those changes don’t affect the amount of premium you are paying. Other changes require a qualifying event.

The managed care plans may have more stringent rules about adding and dropping dependents during the plan year, so be sure to check your plan's certificate of coverage to know the rules.

If a change in your PEIA PPB Plan coverage during the plan year will alter the premium (and you didn't have a qualifying event), the following will happen:

- If the premium will go up, then you will have to pay the additional premium with after-tax dollars.
- If your premium will go down, we cannot allow you to make the change and drop the dependent, because you would be paying premiums for coverage you were not getting from the PEIA PPB Plan.

*This only applies if you do not have one of the qualifying events listed on Page 32.*

***What if I added dependents to my coverage during this past plan year?***

If you added dependents without a valid family status change during this plan year, the post-tax premiums will automatically be deducted on a pre-tax basis starting July 1, 2009, unless you complete and submit the form on Page 35.

***What do I do if I have a qualifying event during the plan year?***

Contact your benefit coordinator for a Change-In-Status form, complete, sign, and return it to your benefit coordinator during the month of the family status change event or the following two calendar months. PEIA will approve your request or ask for additional information.

If we need more information, we may ask you to send a copy of one of the following:

- your marriage license,
- divorce decree,
- birth or death certificate,
- final adoption judgement or contract from an adoption agency, or
- a letter from your spouse's employer indicating termination or hire date, or change from full-time to part-time status or vice versa.

***Will I have to pay taxes on the premiums later?***

Because this is an IRS-approved program, you never have to pay taxes on the money you save through the Premium Conversion Plan.

***Why would I want to opt out of the plan?***

If you are fewer than ten years from retirement, you may want to opt out. Since your Social Security tax is assessed after your premiums are deducted under the Premium Conversion Plan, you contribute less to Social Security, and it could lower your benefits upon retirement. Generally, the amount you save through premium conversion outweighs the amount you lose in Social Security. If you have questions, consult your tax advisor.

***What if I have more questions?***

If you have questions about the Premium Conversion Plan, please consult your tax advisor.

***Should I have two plans?***

If you have two insurance plans, you may want to consider whether it makes sense to keep them both. If both you and your spouse work outside the home and have group health coverage through your employers, you need to look carefully at the plans you have to be sure you are getting value for the premiums you are paying. The two issues you need to deal with relate to Coordination of Benefits. You need to determine: (1) which plan is primary and which is secondary; and (2) how the plans pay as secondary payers.

### Coordination of Benefits (COB)

Coordination of Benefits is the process used by insurance companies to determine which plan will pay first, and how much it will pay. The kind of COB you have depends on the kind of plan you're in.

By law, the PEIA PPB Plan coordinates benefits with all other insurance plans -- even medical payments made under an automobile policy, or other individual policy. The only plans we don't coordinate benefits with are individual policies which make per diem payments of less than \$100 and have limited benefits. PEIA uses the "carveout" method for coordinating benefits as the secondary plan, which means that if the other plan pays as much as PEIA would have paid, then we pay nothing.

Managed care plans offered by PEIA use "traditional" Coordination of Benefits, which means that they may pay up to 100% for services, but you will have to follow their rules to receive benefits.

### *Why bring this up now?*

We know that most people who encounter problems with the Premium Conversion Plan want to make changes because they didn't understand how the PEIA PPB Plan works as a secondary payer. Often they want to drop the PEIA PPB Plan as a secondary coverage, but since they are in the Premium Conversion Plan, and this is not considered a qualifying event, we can't allow it during the plan year.

During Open Enrollment (April 1-30, 2009), you can make any changes, even if they're not the result of qualifying events.

### *Where can I learn more about COB?*

If you're in the PEIA PPB Plan, read your Summary Plan Description for details of PEIA's Coordination of Benefits policy. If you're in a managed care plan, read your certificate of coverage or check with your plan for more details.

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## Premium Conversion Plan Form / Plan Year 2010

I, ....., wish to make the following change in my Premium Conversion Plan participation:

- Opt INTO the Plan.** I understand that by participating in this plan, I will reduce my tax liability, but I may be limiting my ability to make changes in my coverage throughout the plan year.
- Opt OUT of the Plan.** I understand that by opting out of the plan, I am agreeing to pay my premiums on a post-tax basis, thereby increasing my tax liability. This election may not be changed until the next open enrollment.

.....  
Employee's Signature

.....  
Date

***Please return to your Benefit Coordinator.***