Paying For Benefits

Each year the PEIA Finance Board sets premium rates for the PEIA PPB Plan. PPB Plan premiums are set at a level that ensures that the premiums collected from employers and employees will pay the anticipated claims for that year. Managed care plan premiums are also set annually prior to Open Enrollment.

Your coverage as an active or retired policyholder, and coverage of your dependents, will be terminated if you fail to pay your premium contributions when due.

Tobacco-free Discount

PEIA's PPB Plan premiums, optional life insurance premiums, and Carelink managed care premiums are based on the tobacco-use status of insureds. Tobacco-free insureds receive the preferred monthly premium rate. Insureds must have been tobacco-free for 6 months prior to the beginning of the Plan Year to qualify for the discount for the entire plan year. From time to time, the tobacco-free waiting period may be adjusted by one plan or another. In that case, members will be notified in writing. For family health coverage, all enrolled family members must be tobacco-free to qualify the family for the reduced rate. PEIA reserves the right to review medical records to check for tobacco use. PEIA offers a tobacco cessation benefit. See "Tobacco Cessation" on page 50 for details.

Once a member has submitted a tobacco affidavit, either at initial enrollment or during a previous Open Enrollment, PEIA will rely upon that affidavit from year to year, unless the member submits a replacement. It is not necessary for members to submit a tobacco affidavit each year.

Members Who Become Tobacco-free

Members who become tobacco-free during a plan year may apply for the discount when they have been tobacco-free for at least six months. PEIA has sixty days from receipt of the tobacco affidavit to process the request and implement the discount. The tobacco-free discount will apply only for the remainder of the plan year, and WILL NOT be applied retroactively. No refunds will be granted based on tobacco status.

New Hires

Newly hired insureds must have been tobacco-free for 6 months prior to their effective date of coverage to qualify for the discount, and must complete the tobacco affidavit on the enrollment form to receive the discount.

Active Employees

If you are an active employee of a State agency, college, university or county board of education, most of your health insurance premium is paid by your employer. The amount of your contribution is determined by your salary, the type of coverage you choose, and your tobacco-use status.

If you are an active employee of a local government agency, your employer will set your health insurance premium contribution level. You may pay anywhere from 0% to 100% of the premium that PEIA charges to your employer.

Retired Employees

Premiums for most retired employees are deducted from their annuity on a monthly basis. Some retired employees pay premiums directly to the PEIA each month, and for them, premiums are due by the fifth of the month following the month for which the premium was invoiced. Example: May premium is due June 5.

For Direct Pay non-Medicare Retired Employees:

If payment is not received by June 5, a late notice will be sent to the policyholder. If payment is not received by PEIA within 30 days following the due date, a termination notice containing the termination date will be mailed to the policyholder. All claims incurred following the termination date will be the policyholder's personal responsibility. The policyholder has the right to appeal the termination in writing within 60 days following the termination date. If the terminated policyholder appeals the termination in writing within 60 days from the date of termination, he or she may pay the past-due premiums, apply to pay premiums by direct draft from a bank account, and may be granted uninterrupted coverage at PEIA's discretion.

If the terminated policyholder appeals the termination in writing more than 60 days following the date of termination, PEIA may only allow re-enrollment if the policyholder enrolls as a new enrollee and agrees to pay premiums by direct draft from a bank account. In this case, pre-existing condition limitations will apply if the insureds are not on Medicare. In no event will an appeal and re-instatement due to termination for failure to pay occur more than once in a 12-month period.

At PEIA's discretion, a policyholder who has been terminated for failure to pay may revoke the right to ever re-enroll with PEIA. In this case, the policyholder will be required to reimburse PEIA for the claim costs incurred by plan after last premium payment as a final settlement of the debt. The policyholder will be required to sign an agreement accepting the settlement arrangement and permanently revoking the right to re-enroll in the PEIA plan.

If extenuating circumstances prevent the policyholder from appealing within 60 days of the termination, the policyholder may appeal for and the PEIA director may grant, at his or her discretion, a waiver of the 60-day requirement.

For Direct Pay Medicare Eligible Retirees

For Medicare policyholders who pay premiums directly to PEIA, failure to pay premiums will result in termination from the plan consistent with applicable Medicare rules.

Retired Employees Who Retired Before July 1, 1997

Retired employees who retired prior to July 1, 1997, pay premiums based on the plan they choose, their tobacco-use status and eligibility for Medicare, but NOT their years of service. These retirees are not subject to the "years of service" policy. For premium purposes, employees who retired prior to July 1, 1997, fall into the "25 or more" years of service category on PEIA's premium charts. Generally, retired employees' contributions pay for about 30% of the cost of their claims. The remaining 70% of the cost is paid by employers. Eligible retired employees may use sick and/or annual leave to extend employer-paid health coverage.

Employees Who Retire On or After July 1, 1997

Employees who retire on or after July 1, 1997, pay premiums for their health coverage based on the plan they choose, their eligibility for Medicare, their tobacco-use status, and their credited years of service as reported by the Consolidated Public Retirement Board (CPRB), or for those in the Teachers Defined Contribution Plan or a non-State retirement plan, the years of service reported by the employing agency or the non-State plan. These premiums may be adjusted annually for medical inflation. Employees with 25 or more years of service will be charged the same premium as those who retired before July 1, 1997. Those with fewer than 25 years of service will pay higher premiums. If you are using accrued sick and/or annual leave or years of service to extend your employer-paid insurance, all, or a portion of this increased premium will be covered by your accrued leave. Disability retiree premiums are assessed on twenty-five (25) years of service.

Deputy Sheriffs

Deputy sheriffs who retire prior to attaining age 55 have two benefit plan options available to them. Those considering early retirement should call PEIA for details of their plans and premium requirements.

Surviving Dependents

Surviving dependents of public employees pay premiums for their health coverage based on the plan they choose, their eligibility for Medicare and their tobacco-use status. These premiums may be adjusted annually for medical inflation. Surviving dependents are considered to have 25 or more years of service, and will be charged the same premium as those who retired before July 1, 1997. Premiums for surviving dependents are deducted from their annuity on a monthly basis or are paid directly to PEIA.

Direct Pay

Some surviving dependents pay premiums directly to the PEIA each month. Their premiums are due by the fifth of the month following the month for which the premium was invoiced. Example: May premium is due June 5.

For non-Medicare surviving dependents, if payment is not received by June 5, a late notice will be sent to the policyholder. If payment is not received by PEIA within 30 days following the due date, a termination notice containing the termination date will be mailed to the policyholder. All claims incurred following the termination date will be the policyholder's personal responsibility. The policyholder has the right to appeal the termination in writing within 60 days following the termination date.

- If the terminated policyholder appeals the termination in writing within 60 days from the date of termination, he or she may pay the past-due premiums, apply to pay premiums by direct draft from a bank account, and may be granted uninterrupted coverage at PEIA's discretion.
- If the terminated policyholder appeals the termination in writing more than 60 days following the date of termination, PEIA may only allow re-enrollment if the policyholder enrolls as a new enrollee and agrees to pay premiums by direct draft from a bank account. In this case, pre-existing condition limitations will apply if the insureds do not have other creditable coverage such as Medicare. Two terminations for failure to pay within a 12 month period may result in permanent disqualification from coverage under the PEIA plan.

If extenuating circumstances prevent the policyholder from appealing within 60 days of the termination, the policyholder may appeal for and the PEIA director may grant, at his or her discretion, a waiver of the 60-day requirement.

For Medicare policyholders who pay premiums directly to PEIA, failure to pay premiums will result in termination from the plan consistent with applicable Medicare rules.

Extending Employer-Paid Insurance Upon Retirement

You may be eligible to extend your employer-paid insurance upon retirement, but how you do that depends upon your employer. To take advantage of this benefit, you must move directly from active public employment into your respective retirement system. If you choose to defer your retirement, you cannot defer your sick and annual leave for use later. Elected public officials are not eligible for this benefit. This benefit terminates when the policyholder dies; it cannot be used by surviving dependents, who may continue coverage by paying the monthly premium.

You may also have the option to use your accrued leave to increase your retirement benefits from your retirement system. You must choose between additional retirement benefits and extended employer-paid insurance coverage. You may not use some of your accrued leave to increase your retirement benefit and the rest to extend your employer-paid insurance coverage. Once this election is made, you may not revoke the selection.

Using Accrued Sick and Annual Leave to Extend Coverage

If you are an employee of a State agency or a county board of education (or an eligible employee of a local agency) with coverage through a PEIA plan and have accrued sick and/or annual leave when you retire, you may use that accrued leave to extend your employer-paid insurance coverage. You must be enrolled in a PEIA plan or a PEIA-sponsored managed care plan or a group life insurance plan offered by PEIA prior to your retirement to qualify. This extended coverage must be for full months. Employees hired on or after July 1, 2001, are not eligible for this benefit.

If the policyholder dies, the accrued leave benefit terminates, even if the surviving dependent continues coverage. If you and your spouse are both public employees eligible for extended employer-paid insurance coverage, you may combine your accrued leave to extend your family coverage provided each of your respective employers agrees. Certain restrictions apply. See your benefit coordinator for details.

The amount of this benefit depends on when you came into the PEIA plan as follows:

Before July 1, 1988:

If you are an employee who has been continuously covered by PEIA since before July 1, 1988, then your additional coverage is calculated as follows:

2 days of accrued leave = 100% of the premium for one month of single coverage

3 days of accrued leave = 100% of the premium for one month of family coverage

Between July 1, 1988 and June 30, 2001:

If you were hired after July 1, 1988 and before July 1, 2001, or if you had a lapse in coverage during this period then your additional coverage is calculated as follows:

2 days of accrued leave = 50% of the premium for one month of single coverage

3 days of accrued leave = 50% of the premium for one month of family coverage

On or after July 1, 2001:

If you were hired on or after July 1, 2001, or if you had a lapse in coverage during this period, you are not eligible for extended employer-paid insurance upon retirement.

Extending Coverage for Higher Education Faculty

If you are a full-time faculty member employed on an annual contract basis for a period other than 12 months, you may extend your employer-paid insurance coverage based on your years of teaching service. Your benefit is calculated as follows:

3 1/3 years of teaching service = 1 year of single coverage

5 years of teaching service = 1 year of family coverage

Retired Employee Assistance Programs

Retired employees whose total annual income is less than 250% of the federal poverty level (FPL) may receive assistance in paying a portion of their PEIA monthly health premium based on years of active service, through a grant provided by the PEIA call the Retired Employee Premium Assistance program. Applicants must be enrolled in the PEIA PPB Plan or Coventry's Advantra Freedom MAPD plan. Managed care plan members are not eligible for this program. Retired employees using accrued sick and/or annual leave to pay their premiums are not eligible for this program until their accrued leave is exhausted. Applications are mailed to all eligible retired employees each spring. Medicare-eligible retirees with 15 or more years of service who qualify for Premium Assistance may also qualify for Benefit Assistance. Benefit Assistance reduces the medical and prescription out of pocket maximums and most copayments. It is described in detail in the Evidence of Coverage provided by Coventry. For additional detail or for a copy of the application, call PEIA's customer service unit.

The amount of assistance for which you are eligible is based on years of active service, and percentage of FPL. For surviving dependents, it will be based on years of service earned by the deceased policyholder. Disabled retirees are considered to have twenty (20) years of service.

Following is a chart that shows the premium reductions provided under the Retired Employee Premium Assistance program.

Policyholder Only Monthly Premium Reduction				
This amount will be deducted from your monthly premium for Medicare or non-Medicare coverage. If the amount of the reduction in greater than the premium due, then the premium due will be $0.				
Years of Service	**<100% of FPL**	**100-150% of FPL**	**150-200% of FPL**	**200 - 250% of FPL**
5-14	$51	$34	$19	$13
15-24	$65	$50	$31	$19
25+	$88	$74	$46	$24

Policyholder with Dependents Monthly Premium Reduction				
This amount will be deducted from your monthly premium for Medicare or non-Medicare coverage. If the amount of the reduction in greater than the premium due, then the premium due will be $0.				
Years of Service	**<100% of FPL**	**100-150% of FPL**	**150-200% of FPL**	**200 - 250% of FPL**
5-14	$77	$51	$29	$20
15-24	$98	$75	$47	$29
25+	$132	$111	$69	$36

Life Insurance Premiums

Life insurance premiums for all participants are set by PEIA's life insurance carrier. For active employees of State agencies, colleges, universities and county boards of education, basic life insurance premiums are paid by your employer. For active employees of a local government agency, your employer will determine what, if any, portion of the life insurance premium will be paid for you. Retired employees must pay the basic life insurance premium to keep coverage in force. Optional life insurance premiums are paid by the employee and are based on age and amount of coverage. See your Life Insurance Booklet for further details of the options available to you.

Life Insurance Waiver of Premium

If you are an active employee with basic life insurance, and you become totally disabled before you reach age 60, your basic life insurance may be continued at no cost to you while you remain totally disabled. To qualify for this waiver of premium, you must furnish proof of total disability within one year after the date of disability. The date of disability is considered the last day you were actively at work. You must furnish proof of total disability after you have been disabled for nine (9) months, but not later than twelve (12) months after your last day of active work. To qualify for the waiver of premium, you must have been covered under basic life insurance when your disability began.

"Total Disability" exists when you are completely unable, due to sickness or injury or both, to engage in any gainful occupation for which you are reasonably fitted by education, training or experience. You will not be considered totally disabled while working at any gainful occupation.

To apply for a disability waiver of premium, contact your benefit coordinator. Proof of continuing disability will be required three months before each anniversary of the initial date of disability. You may be asked by PEIA's life insurance carrier to submit periodic medical exams. AD&D coverage does not continue under the waiver of premium. If your waiver of premium is approved, your basic life insurance will remain at $10,000 at no premium cost to you. At age 65, your basic life coverage decreases to $5,000, and further reduces to $2,500 at age 67. This coverage will end at the earliest of these events:

- the end of disability;
- the failure to provide proof of continued disability; or
- the failure to submit to a physical examination when required by PEIA's life insurance carrier.

See your Life Insurance Booklet for more details.

Managed Care Plan Premiums

If you enroll in a managed care plan offered by the PEIA for your health coverage, your premium contribution is set by the managed care plan. Premiums are published in the Shopper's Guide each year prior to Open Enrollment. The published premiums are set for one year. In most cases, your employer will contribute up to the same amount toward your coverage as if you were enrolled in the PEIA PPB Plan. If the managed care plan's premium is higher than this amount, you will be responsible for the difference. Local government agencies will determine their contribution for managed care plans. To find the amount of your premium contribution, check the Shopper's Guide for the current plan year or contact your benefit coordinator.

The managed care plans being offered by your employer are part of the PEIA benefits package and you may enroll for any plan in which you meet the eligibility guidelines. Your plan choice is binding for one year unless you move outside the service area of the plan you have chosen. Your physician's withdrawal from a plan does not qualify you to change plans.

Premium Conversion

Paying Premiums With Pre-Tax Dollars

The PEIA premium conversion plan is an IRS Section 125 plan which allows active, participating employees to save tax dollars when paying health and life insurance premiums. Your participation in the premium conversion plan is automatic if you are an active employee of one of the following:

- State government and its agencies;
- State-related colleges and universities; or
- a participating county board of education.

Federal law does not allow retired employees to participate in premium conversion.

With premium conversion, your premiums are deducted from your salary before federal, state and Social Security taxes are calculated. This reduces the amount of your income subject to tax. You must agree to pay the premiums through this plan for a full plan year, unless you have a change in family status that allows you to change your benefits. The following example demonstrates how premium conversion can reduce your taxes and increase your take-home pay. This example does not include State income tax, and assumes a 15% federal income tax bracket.

Without Premium Conversion Plan		With Premium Conversion Plan	
Amount	**Description**	**Amount**	**Description**
$1,500	Monthly Income (Taxable Income)	$1,500	Monthly Income
-$340	Taxes	-$121	Insurance Premium
$1,160	After-tax Salary	$1,379	Taxable Income
-$121	Insurance Premium	-$313	Taxes
$1,039	Take-home Pay	$1,066	Take-home Pay
		$27	Additional Take-home Income

How to Participate

If your employer offers the premium conversion plan, your premiums automatically will be deducted on a pre-tax basis. If you do not wish to participate in the premium conversion plan, you must indicate this in writing to your benefit coordinator.

Decisions regarding premium conversion must be made when you initially enroll for PEIA coverage or during the annual open enrollment period each spring.

Limits on Benefit Changes

The premium conversion plan does not change your PEIA coverage, but it does limit your ability to make changes in your plan. Under the IRS rules, you must pay the same amount of premium each month during the year, unless you have a qualifying change in family status.

Qualifying changes in family status are:

- marriage or divorce of the employee;
- death of the employee's spouse or dependent;
- birth 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;
- 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;
- a dependent loses eligibility due to age; or
- employment change due to strike or lock-out.

You may make a change in your plan when your spouse or dependent changes coverage during Open Enrollment under his/her plan if:

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

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 change in family status.

For life insurance, the IRS allows you to pay pre-tax premiums on up to $50,000 of life insurance. This includes the $10,000 basic plan and up to $40,000 of optional life insurance. Since you're paying pre-tax premiums on only $40,000 of optional life insurance, you may terminate any life insurance you have in excess of $40,000 at any time during the plan year, but you can terminate your basic or the first $40,000 of optional life insurance only during the premium conversion plan open enrollment each spring.

To make a change in your coverage, get a Change-in-Status form from your benefit coordinator. Two types of changes require additional documentation; they are detailed in the following chart.

Status Change Event	Documentation Required
Divorce	Provide a copy of the divorce decree showing that the divorce is final. Coverage for the ex-spouse will be terminated at the end of the month in which the divorce became final.
Significant Change in Health Coverage Attributable to Spouse's Employment	Documentation from the spouse's employer describing the change in health coverage.

If you have a dependent child between the ages of 24 and 25, your ability to pay your premiums pre-tax may be affected by the Working Families Tax Relief Act (WFTRA) of 2004. Please consult your tax advisor for details.