

State of California

MEMORANDUM

TO: PERSONNEL MANAGEMENT LIAISONS DATE: August 23, 2002
REFERENCE CODE: 2002-053

THIS MEMORANDUM SHOULD BE DISTRIBUTED TO:

Accounting Officers
Budget Officers
Personnel Officers
Personnel Transactions Supervisors

FROM: Department of Personnel Administration
Benefits Division

SUBJECT: Rural Health Care Equity Program Premium Reimbursement

CONTACT: Belinda Collins, RHCEP Manager
(916) 324-0468, CALNET 454-0468
FAX: (916) 322-3769
Email: belindacollins@dpa.ca.gov

This memo is to advise you of a revision to the Department of Personnel Administration (DPA) process for reimbursing a portion of employees' health premiums under the Rural Health Care Equity Program (RHCEP). DPA changed this annual payment to a monthly payment effective July 1, 2002.

The RHCEP currently reimburses deductible and co-insurance expenses for eligible active State employees. Also, in accordance with Government Code 22825.01(f)(1), the RHCEP must "...subsidize the preferred provider plan premiums for the employee, by an amount equal to the difference between the weighted average of board-approved health maintenance organization premiums and the lowest board-approved preferred provider plan premium..."

The State Controller's Office (SCO) will issue the premium reimbursement for Fiscal Year 2001/2002 by the end of August 2002. Payments will be made to previously identified active State employees who participated in the RHCEP from July 1, 2001, to June 30, 2002 (July 2001 through June 2002 pay periods).

The new monthly process will use a two-month "look-back" method to ensure that most monthly personnel transactions are captured. This means that eligible employees can expect to receive their July 2002 premium reimbursement in their regular paychecks for the September pay period. After that, premium reimbursements will be included in eligible employees' regular paychecks each month.

RHCEP premium reimbursements are included in the annual maximum allocated to eligible employees - currently \$1,500 per fiscal year. Eligible employees should continue to submit all claims for reimbursement of deductible and co-insurance expenses to Application Software Incorporated (ASI), the third-party administrator for the RHCEP. ASI will determine the amount of payment by combining claim activity (deductible and co-insurance) and premium payment activity. Secondary payment pools for each bargaining unit will be used to fund combined reimbursement activity in excess of \$1,500.

The premium reimbursement amount is based on the employee's health plan party code for each pay period. The RHCEP premium reimbursement amounts are:

| July 2001-November 2001 (Pay Periods) | | December 2001-November 2002 (Pay Periods) | |
|--|---------|--|----------|
| 1 Party | \$15.67 | 1 Party | \$ 39.02 |
| 2 Party | \$31.15 | 2 Party | \$ 77.88 |
| 3 Party | \$41.95 | 3 Party | \$101.87 |

RHCEP premium reimbursement amounts have not yet been determined for December 2002-November 2003 (pay periods).

Although the deductible and co-insurance reimbursements are not subject to taxation, the RHCEP premium reimbursement is subject to State and federal taxes, Social Security and Medicare withholding when applicable, if the participant's health plan premiums were originally withheld on a pre-tax basis. If the participant's health plan premiums were originally withheld on a post-tax basis the RHCEP premium reimbursement is not subject to taxation.

The FY 2001/2002 RHCEP premium reimbursement issued during August 2002 will be distributed to the participant's current department. If the participant has left State service, it will be distributed to the participant's department during the last pay period of eligibility. **Please contact DPA at (916) 324-0468 prior to redepositing RHCEP checks.**

The RHCEP premium payment will be paid from each employee's respective department's appropriation. On the same day, SCO Accounting will process a TC 38 transaction to transfer funds from DPA's General Fund to the department's appropriation for the FY 2001/2002 payments. Once the monthly premium payments begin, SCO Accounting will process the TC 38 transactions to transfer the funds during the first week of the month following each payment. The TC 38 transaction will identify the period of reimbursement and post the gross amount of the transfer, excluding the State's contribution for Social Security and Medicare.

In order to effectively administer the premium reimbursements on a monthly basis, it is critical that eligible employees have accurate, up-to-date address information on file, and that they report all health plan enrollment changes promptly to their personnel offices.

Adjustments to premium payment transactions can be requested by submitting a "Payroll Adjustment Notice," STD.674 form with a note or letter describing the reason for the request. A Payroll Letter from SCO, including instructions for completing the STD.674 form, will be forthcoming. Send all requests pertaining to RHCEP premium reimbursements to:

Department of Personnel Administration
1515 S Street, North Building, Suite 400
Sacramento, California 95814-7243
Attention: Benefits Division/Lisa Hatten

Accounting and/or personnel staff with questions regarding this PML may call Belinda Collins of the DPA Benefits Division at (916) 324-0468. Please refer RHCEP participants to the DPA RHCEP contact at (916) 327-1092. Payroll questions on the RHCEP premium reimbursement payments may be directed to Sandra Young with SCO at (916) 324-1293.



Terri Westbrook, Chief
Benefits Division

