

State Health Benefit Plan Policy Effective October 11, 2012: School Systems Withdrawing from Public School Employee Plan

Background

School systems currently offer the Teachers Plan and the Public School Employees Plan to their eligible employees and retiring employees.

Although operated as one health plan, the State Health Benefit Plan (SHBP), is comprised of three health plans: a plan for public school teachers created by O.C.G.A. § 20-2-881 (the Teachers Plan), a plan for public school employees who are not eligible for the plan for teachers created by O.C.G.A. § 20-2-911 (the PSE Plan), and a plan for state employees created by O.C.G.A. § 45-18-2 (the State Employees Plan). The Georgia Department of Community Health (DCH), Division of State Health Benefit Plan, administers the plans.

School systems must offer the Teachers Plan as the sole form of health coverage to employees who meet the eligibility requirements of the Teachers Plan. In contrast, School systems may choose whether to offer the PSE Plan or to offer an alternative form of health coverage to employees who do not meet the eligibility requirements of the PSE Plan.

Only public school employees working in a **professionally certificated position** or in a **professionally certificated capacity** can be eligible for the Teachers Plan. DCH Regulations define professionally certificated position and professionally certificated capacity as follows: **“Certificated Position”** means “the Employee holds valid certification; is assigned to a position that requires certification as a qualification; the Employee’s compensation is determined, at least in part, based upon the certificate; and the Employee is a member of the Teachers Retirement System or other Public School Teachers retirement system.” **“Certificated Capacity”** means “the Employee holds valid certification; is not assigned to a position that requires certification as a qualification; the Employee’s compensation is determined, at least in part, based upon the certificate; and the Employee is a member of the Teachers Retirement System or other Public School Teacher retirement system.” See DCH Regs. § 111-4-1-.01(11), (12).

A school system enrolls an employee in the Teachers Plan (and not the PSE Plan) by designating the employee as part of the Teachers Plan in communications with DCH, Division of State Health Benefit Plan. Similarly, a school system enrolls an employee in the PSE Plan by designating the employee as part of the PSE Plan in communications with DCH, Division of State Health Benefit Plan. It is the responsibility of the school system to ensure that eligible employees are enrolled in the proper plan, and to ensure that all contributions required for such coverage are properly paid.

The Teachers Plan – No Withdrawal Allowed

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School systems are not permitted to withdraw from the Teachers Plan. They must continue to offer the Teachers Plan as the sole form of employer-sponsored health coverage to each public school employee who works in professionally certificated position or in a professionally certificated capacity and meets the hours of work requirements.

Policy – Withdrawing from the PSE Plan

School systems may stop offering the PSE Plan to their employees who do not work in a professionally certificated position or capacity. If desired, school systems may offer such employees other employer-sponsored health coverage. Local school boards may decide that their school systems will withdraw from the PSE Plan. That means that coverage will terminate for those employees of the school systems who are enrolled in the PSE Plan. See O.C.G.A. § 20-2-923 (“Local school boards shall have the option to determine whether or not the public school employees within their respective systems shall be covered under this subpart.”)

A local school board may cause its school system to withdraw from the PSE Plan by following procedures established by DCH that implement the policy set forth below.

- **DCH will assist local school boards considering withdrawal from the PSE Plan by providing a standard reporting package of the school system’s summary health information.** This package will be delivered to the designated contact for the school system so that the school system may determine whether alternative coverage is available and appropriate. This standard reporting package must meet the definition of “Summary Health Information” as defined by the Health Insurance Portability and Accountability Act of 1996 (HIPAA). This reporting package may only be used for purposes of identifying alternative health coverage options and determining whether to withdraw from the PSE Plan.
- **Withdrawal will impact PSE Plan enrollees in the following ways:**
 - **For enrolled active employees, coverage under the PSE Plan will end on the effective date of withdrawal.** No continuation of coverage under the PSE Plan is available if the PSE Plan enrollee is actively employed by the school system on the effective date of the school system’s withdrawal from the PSE Plan.
 - **For enrolled former employees who terminated employment with the school system before the effective date of withdrawal and continued coverage into retirement (as an annuitant) or after resignation (as an extended beneficiary), coverage in the PSE Plan will continue.** The school system will have no direct financial obligation associated with the continued coverage of those individuals in the PSE Plan. The expenses associated with continued coverage of these former employees will be pooled with all expenses of the PSE Plan. For eligibility

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purposes, these former employees will be treated the same as similarly situated individuals formerly employed by school system that has not withdrawn from the PSE Plan. Note: Contributions required for the Teachers Plan continue, since school systems must offer the Teachers Plan.

- **A local school board's decision to withdraw the school system from the PSE Plan shall be permanent**, unless DCH later determines, based on sound actuarial analyses, that permitting the school system to rejoin is in the best financial interest of the PSE Plan or the SHBP as a whole. However, as described below, the Board of Community Health has the discretion to permit school systems to offer coverage for active employees through a contractual arrangement. This ensures payment of the contract rate for coverage and a sound policy of shared risk. Such arrangements have not yet been developed.
- **Withdrawal shall not relieve the withdrawing school system from the obligation to pay required contributions for past coverage under the PSE Plan.**
- **The local school board must take formal action to approve the withdrawal and acknowledge** that it understands the consequences of withdrawing from the PSE Plan and that the local school board and its school system bear sole legal responsibility for any consequences arising from the decision to withdraw.

Procedures for Withdrawal

The action items for school systems withdrawing from the PSE Plan have been established as follows:

- The local school board must ensure that all employees enrolled in the PSE Plan are not working in a professionally certificated capacity or position (such employees should be enrolled in the Teachers Plan).
- The local school board must submit official documentation of school board action approving the school system's withdrawal, with signed acknowledgements, to DCH.
- This official documentation shall provide at least 90 days of lead time prior to the withdrawal/coverage termination date. This allows time for appropriate communications to the affected employees as well as notification to the health plan vendors to process claims in accordance with the withdrawal/coverage termination date.
- If the withdrawing school system has entered into a contract to provide alternative health insurance coverage, DCH will instruct its health plan vendors to provide information to the new health insurance carrier or claims administrator to support the transition. The cost for such reports may be charged to the withdrawing school system.

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Any additional reports outside of the standard package may also be charged to the authority.

- Except as described below, DCH expects the withdrawing school system to handle all communications with its employees regarding the withdrawal and termination of coverage.
- DCH, Division of State Health Benefit Plan, will generate a letter to the enrolled employees whose coverage in the PSE Plan will terminate as a result of the withdrawal. This letter will explain how those enrolled active employees with eight or more years of service may resign and choose state extended beneficiary coverage or, if eligible, retire and receive continued coverage as an annuitant. The resignation or application for retirement must take place before the effective date of the withdrawal in order for PSE Plan coverage to continue. DCH, Division of State Health Benefit Plan, also will provide a HIPAA certificate of creditable coverage to all individuals whose coverage is terminated as a result of the school system's decision to withdraw.

Obtaining Coverage for Active Employees under the PSE Plan or the Teachers Plan by Contract:

- **The PSE Plan statute** allows the employees of a school system that has withdrawn from the PSE Plan to join the SHBP through a contract with the DCH. See O.C.G.A. § 20-2-920 (c) **“If a local school system elects not to participate in the PSE Plan, the board may establish regulations by which the employees of such local school system may enroll as a group,** provided an adequate participation percentage is maintained to assure a sound policy of shared risk.” Current regulations provide that this contract must ensure that the school system collects all contributions established by the Board of Community Health for such contract groups as well as enroll and maintain enrollment of at least 75% of employees who meet the eligibility requirements for the PSE Plan.
- **The Teachers Plan statute** provides that a Local School Board may include personnel in the Teachers Plan who do not meet the eligibility requirements of the Teachers Plan by contract with the Board of Community Health. O.C.G.A. § 20-2-889. All contract groups are required to submit the contributions established by the Board of Community Health, which represent the full cost of coverage.
- These contractual arrangements have not been developed.

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Policy Illustrations

Example: The Peachtree County School System Withdraws from the PSE Plan.

Peachtree County's School System (i.e., the School System, used as a fictitious school system for example only) wants to see if withdrawing from the PSE Plan and providing alternative health insurance coverage to its employees who do not work in a professionally certificated capacity or professionally certificated position would be better for the school system.

- The School System confirms that all of its employees enrolled in the PSE Plan (for whom the School System pays the PSE Plan contributions) are not working in a professionally certificated capacity or professionally certificated position (as defined by DCH regulations.)
- The School System requests a summary health information file from DCH. DCH provides the designated contact a file that contains "Summary Health Information" (as defined by HIPAA) for the PSE Plan enrollees. The School System provides this file to its insurance broker.
- Based on the quote for coverage provided by the School System's insurance broker and the guidance provided by the School System's legal counsel about the consequences of withdrawing from the PSE Plan, the School System decides that it wants to withdraw from the PSE Plan and offer health coverage with Happy Insurance Carrier instead of the PSE Plan to those of its employees who do not work in a professionally certificated position or capacity.
- The local school board approves the School System's withdrawal by formal action in a public meeting and executes the required acknowledgments. The School System then provides these documents to DCH, Division of State Health Benefit Plan, 90 days before the desired date of withdrawal.
- DCH, Division of State Health Benefit Plan generates a letter to the School System's active employees enrolled in the PSE Plan notifying them of the upcoming termination of coverage. This notice informs them that those employees with eight or more years of service with a state retirement system are able to resign from the School System before the date of termination and continue PSE Plan coverage as extended beneficiaries by paying the full cost. This notice also informs employees who are eligible for retirement with an immediate annuity that they must submit a notice of retirement before the effective date of the withdrawal to continue PSE Plan coverage as an annuitant.
- The School System also communicates to these same individuals whose coverage is ending and informs them that coverage with Happy Insurance Carrier will be provided instead of coverage under the PSE Plan.

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- The health plan vendor(s) that provide claims administration for all the plans in the State Health Benefit Plan provide Happy Insurance Carrier information necessary for transition of coverage. The School System pays the charge for the file that is required by the vendor(s).

On the effective date of withdrawal from the PSE Plan, coverage under the Teachers Plan continues without interruption.

- Mary Smith is enrolled in the Teachers Plan. She is a teacher employed in a professionally certificated position. She holds a valid professional certificate (a “Certificate”). She is assigned to a position that requires her to hold a valid Certificate, her salary is based in part on this Certificate, and she is a member of the Teachers Retirement System. Mary’s coverage under the Teachers Plan continues without interruption.
- Bob Johnson is enrolled in the Teachers Plan. He is a former teacher who is currently employed in a professionally certificated capacity. He holds a valid Certificate and he is a member of the Teachers Retirement System. Although he is assigned to a position that does not require a Certificate, his compensation is based in part on the Certificate he holds. Bob is enrolled in the Teachers Plan and his coverage under the Teachers Plan continues without interruption.
- Martha Jones is enrolled in the Teachers Plan. She is a former teacher who retired from the school system with an annuity from the Teachers Retirement System. Martha’s coverage under the Teachers Plan continues without interruption.
- Henry Huggins is enrolled in the Teachers Plan. He is a former teacher who resigned from the school system after 11 years of service. He chose to pay the extended beneficiary coverage rates to maintain continuous coverage in the Teachers Plan until he starts getting his annuity. When Henry starts getting his annuity, he will pay the annuity rate for continued coverage in the Teacher’s Plan. Henry’s coverage under the Teacher’s Plan continues without interruption.

On the effective date of withdrawal from the PSE Plan, coverage under the PSE Plan continues uninterrupted for former employees who terminated employment before the withdrawal.

- Polly Peters is enrolled in the PSE Plan. She is a former administrative assistant who retired from the school system with an annuity from the Public School Employees Retirement System before the effective date of withdrawal. When the School System withdraws, Polly’s PSE Plan coverage will continue without interruption.

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- Ken Carter is enrolled in the PSE Plan. He is a former food services employee who resigned from the School System after 14 years of service. He chose to pay the extended beneficiary coverage rates to maintain continuous coverage in the PSE Plan until he starts to receive his annuity. When he starts receiving his annuity, Ken will pay the annuity rate for continued coverage. When the School System withdraws, Ken's coverage in the PSE Plan will continue without interruption.

PSE Plan coverage will end on the date of withdrawal for all active employees. Active employees of the School System who are enrolled in the PSE Plan on the date of the School System's announcement to withdraw will receive a notice that PSE Plan coverage will end on the date of withdrawal. This notice will describe rights to terminate employment before the withdrawal and continue PSE Plan coverage.

- Luke McDonald is enrolled in the PSE Plan. He does not qualify for the Teachers Plan because he does not work in a professionally certificated position or capacity. He is an administrator with the School System, and does not hold a valid Certificate. He worked as a teacher in the past and is a member of the Teachers Retirement System. Luke is an active employee on the date the School System announces its intent to withdraw. Luke has 25 years of service with the Teachers Retirement System. Luke is eligible for retirement with an annuity, but has not applied for retirement yet. When Luke reads the notification letter provided by DCH, Division of State Health Benefit Plan, he decides to retire before the effective date of withdrawal so he can continue coverage as an annuitant.
- Jack Bridges is enrolled in the PSE Plan. He does not qualify for the Teachers Plan because he does not work in a professionally certificated position or capacity. He is a computer technician with the School System, and does not hold a valid Certificate. Jack has 10 years of service in the Public Employees Retirement System. When Jack reads the notification letter provided by DCH, Division of SHBP, he decides to resign and look for a job with another school system. Jack resigns before the effective date of the School System's withdrawal and elects extended beneficiary coverage under the PSE Plan.
- Sally Walker is enrolled in the PSE Plan. She does not qualify for the Teachers Plan because she does not work in a professionally certificated position or capacity. She is a bus driver with the School System, and does not hold a valid Certificate. Sally has five years of service in the Public School Employees Retirement System. Sally's coverage with the PSE Plan ends on the effective date of the School System's withdrawal. Sally enrolls in the Happy Insurance Company health coverage and works for the School System for twenty five more years. When Sally retires with an annuity, she is not

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eligible for any SHBP coverage. All post-employment coverage under an SHBP plan must be continuous from active employment to retirement.

- Mark Jackson is enrolled in the PSE Plan. He does not qualify for the Teachers Plan because he does not work in a professionally certificated position or capacity. He is an accountant with the School System, and does not hold a valid Certificate. He previously worked as a teacher and is a member of the Teachers Retirement System. Mark has 27 years of service in the Teachers Retirement System. Mark does not want to stop working for the School System and chooses not to retire. Mark's coverage under the PSE Plan terminates on the effective date of the School System's withdrawal. Mark enrolls in his wife's coverage. He works with the School System another five years and retires with an annuity. Mark is not eligible for any SHBP coverage upon retirement, because coverage under an SHBP plan must be continuous from active employment.

School System will continue to pay contributions to the Teachers Plan; all contributions to the PSE Plan will end after the final month's contributions are paid.

When contributions for the final month of coverage under the PSE Plan have been paid, the School System has no obligation to pay contributions to the PSE Plan. The expenses associated with the enrolled former employees of a School System that withdraws will be pooled with all expenses of the PSE Plan when contributions to the PSE Plan are determined. The School System must continue to pay required contributions to the Teachers Plan.