

State Health Benefit Plan Policy Effective October 11, 2012: Authorities Participating in ERS –Joining and Withdrawing from the State Employees Plan

Background

Certain State authorities that participate in the Employees Retirement System (“ERS”) offer the State Employees Plan to eligible employees and retiring employees.¹

Although currently 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 OCGA 20-2-881 (the Teachers Plan), a plan for public school employees who are not eligible for the plan for teachers created by OCGA 20-2-911 (the PSE Plan), and a plan for state employees created by OCGA 45-18-2 (the State Employees Plan). The Georgia Department of Community Health (DCH), Division of State Health Benefit Plan, administers the plans.

The Board of Community Health is authorized to include State authorities that participate in ERS (“ERS Authorities”) in the State Employees Plan. See OCGA 45-18-7(a) (“[T]he board may authorize the inclusion in the plan of the employees and retiring employees of state authorities covered by the Employees' Retirement System of Georgia and their spouses and dependent children.” . . . Any state authority participating in the plan shall be required to pay the same rate of contribution paid by the state.”) There is no requirement that inclusion in the State Employees Plan must be permanent. Accordingly, an ERS Authority that wishes to stop participating in the State Employees Plan may do so by following DCH procedures.

Joining the State Employees Plan

ERS Authorities joining the State Employees Plan on or after October 11, 2012, must follow new procedures to be developed by DCH in accordance with this policy. These procedures shall ensure that the ERS Authority acknowledges the obligations associated with offering the State Employees Plan and the consequences of failure to meet those obligations. The procedures shall clarify those actions (or inactions) that result in a withdrawal from the State Employees Plan. The procedures shall ensure that, upon the date of withdrawal, neither DCH, the State Employees Plan, the Teachers Plan, the PSE Plan, nor the health plan vendors that provide claims administration for the SHBP as a whole, shall have any responsibility for providing health coverage to active or former employees of the ERS Authority.

Policy - Withdrawing from the State Employees Plan

ERS Authorities currently participating in the State Employees Plan may withdraw from the State Employees Plan in accordance with the policy set forth below.

¹ Certain State authorities that do not participate in ERS, but are named in the State Employees Plan statute, participate in the State Employees Plan pursuant to a contractual arrangement. This policy does not apply to those authorities. Rather, the terms of the contractual arrangement apply.

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- **Withdrawal will impact the ERS Authority’s enrollees in the following ways:**
 - **For enrolled active employees, coverage under the State Employees Plan will end on the effective date of withdrawal.** No continuation of coverage under the Plan is available for an individual who is actively employed by the ERS Authority on the effective date of withdrawal.
 - **For the ERS Authority’s enrolled former employees who terminated employment with the ERS Authority on or before December 31, 2012 and continued coverage after termination of employment, coverage under the State Employees Plan will continue upon the ERS Authority’s withdrawal from the Plan.** The ERS Authority will have no financial obligation associated with the continued coverage of these “pre-December 31, 2012” former employees. The expenses associated with these enrolled former employees will be pooled with all expenses of the State Employees Plan when contributions to the State Employees Plan are determined. For eligibility purposes, these former employees will be treated the same as similarly situated individuals.
 - **For the ERS Authority’s enrolled former employees who terminated employment with the ERS Authority after December 31, 2012 and continued coverage after termination of employment, coverage under the State Employees Plan will end on the effective date of the ERS Authority’s withdrawal.** No continuation of coverage under the Plan is available after the effective date of withdrawal for these “post-December 31, 2012” former employees.
- **An ERS Authority’s decision to withdraw from the State Employees Plan** shall be permanent unless DCH later determines, based on sound actuarial analyses, that permitting the ERS Authority to rejoin is in the best financial interest of the State Employees Plan or the SHBP as a whole.
- **Withdrawal shall not relieve the withdrawing ERS Authority from the obligation to pay required contributions for past coverage.**
- **DCH will assist ERS Authorities considering withdrawal from the State Employees Plan by providing a standard reporting package of the ERS Authority’s summary health information** so that the ERS Authority may determine whether alternative coverage is 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”), and the ERS Authority may only use it for purposes of identifying alternative health coverage options and determining whether to withdraw from the State Employees Plan.

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- **Every ERS Authority that currently participates in the State Employees Plan** must provide DCH with a written acknowledgement of this policy.
- **The governing body of a withdrawing ERS Authority must take formal action to approve the withdrawal and acknowledge** that it understands the consequences of withdrawing from the State Employees Plan and that the ERS Authority bears sole legal responsibility for any consequences arising from the decision to withdraw.

Procedures for Withdrawal

The action items for ERS Authorities withdrawing from the State Employees Plan have been established as follows:

- The governing body of the withdrawing ERS Authority must submit official documentation approving the 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 employees and former employees affected as well as notification to the health plan vendors to process claims in accordance with the withdrawal/termination date.
- If the withdrawing ERS Authority has entered into a contract to provide alternative health insurance coverage for those whose coverage under the State Employees Plan will terminate, 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 authority. Any additional reports outside of the standard package may also be charged to the authority.
- Except as described below, DCH expects the State authority to handle all communications with its enrolled employees and enrolled former employees regarding the termination.
- DCH, Division of State Health Benefit Plan, will generate a letter to the active employees and former employees whose coverage under the State Employees Plan will end on the date of withdrawal. This letter will notify them of the upcoming termination of coverage and will notify those active employees with eight or more years of service about their options for resigning and continuing coverage under the State Employees Plan as a state extended beneficiary or retiring and continuing coverage under the State Employees Plan as an annuitant. DCH, Division of SHBP also will provide a HIPAA certificate of creditable coverage to all individuals whose coverage is terminated as a result of the ERS Authority's decision to withdraw.

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Consequences of Failure to Follow Procedures for Withdrawal

These procedures are established in order to ensure a smooth transition from coverage under the State Employees Plan to other coverage offered by the withdrawing ERS Authority. The procedures are also designed to provide individual notice to those individuals whose coverage will be terminated as a result of the withdrawal.² If an ERS Authority withdraws without following the procedures – for example, by failing to pay required contributions or by ceasing participation in the ERS, DCH will notify the governing body of the ERS Authority that a “deemed withdrawal” will occur. DCH will follow these procedures to the extent practicable, and the ERS Authority will be solely responsible for any consequences arising from the “deemed withdrawal,” including, but not limited to, liability associated with improper termination of coverage.

Policy Illustrations

Withdrawal Example *The following is a comprehensive example of the application of this Policy.* Acme Authority, our fictitious ERS Authority, participates in the ERS and has offered coverage to its employees and retiring employees under the State Employees Plan since the authority was created. Acme is considering withdrawal from the State Employees Plan in January 2014.

- Acme Authority has a workforce of 100 employees, many of whom have eight or more years of service.
- 20 individuals retired from Acme Authority with an immediate ERS annuity before December 31, 2012 and continued their State Employees Plan coverage into retirement. (Enrolled Annuitants, pre-12/31/2012)
- One individual stopped working with Acme Authority before December 31, 2012 after 15 years of service and has decided to pay the full cost of coverage under the State Employees Plan to maintain continuous coverage until she begins to receive the ERS annuity (when her cost of coverage will change to the annuitant rate). (Enrolled Former Employee, pre-12/31/2012)
- Five individuals retired with an annuity from Acme Authority on January 31, 2013. (Enrolled Annuitants, post-12/31/2012)
- One individual left Acme Authority on January 31, 2013 after 17 years of service and has decided to pay the full cost of coverage under the SHBP to maintain continuous coverage until she begins to receive the ERS annuity (when her cost of coverage will change to the annuitant rate). (Enrolled Former Employee, post-12/31/2012)

² Summary Plan Descriptions provide general notice that coverage may end when an ERS Authority withdraws. These procedures are designed to provide individual notice.

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In considering alternative coverage to the State Employees Plan, Acme Authority requests a summary health information file from DCH.

DCH provides a file that contains “Summary Health Information” claims experience on the group that includes those enrollees whose State Employees Plan coverage would end upon withdrawal: 100 active employees, the five Enrolled Annuitants, post-12/31/2012 and the one Enrolled Former Employee, post-12/31/2012. Acme Authority provides the Summary Health Information to its insurance broker.

Based on the quote for alternative coverage provided by its insurance broker and the guidance provided by Acme Authority’s legal counsel about the consequences of withdrawing from the State Employee’s Plan, Acme decides to withdraw from the SHBP and offer alternative health coverage with Happy Insurance Carrier to all individuals currently enrolled in SHBP whose coverage will end on the effective date of withdrawal.

Acme’s governing body takes formal action in a public meeting to approve the withdrawal and execute the required acknowledgments. Acme 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, communicates with individuals covered under the State Employees Plan whose coverage will be terminated as a result of Acme Authority’s withdrawal. DCH generates a letter to the 100 active employees notifying them of the upcoming termination of coverage. This notice informs the active employees that those employees with eight or more years of service with the ERS are able to resign from Acme before the date of termination and continue coverage under the State Employees Plan 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 Acme Authority’s withdrawal in order to be able to continue coverage as an annuitant. SHBP also generates a letter to the five Enrolled Annuitants, post-12/31/2012 and the one Enrolled Former Employee, post-12/31/2012 that coverage under the State Employees Plan will terminate on the effective date of withdrawal with no continuation coverage available.

Acme Authority also communicates to these same individuals whose coverage under the State Employees Plan is ending and informs them that coverage with Happy Insurance Carrier will be provided instead of coverage under the State Employees Plan. The health plan vendor(s) provide Happy Insurance Carrier information necessary for transition of coverage. Acme Authority pays the charge for the file that is required by the vendor(s).

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The 20 Enrolled Annuitants (who retired on or before 12/31/2012) and the one Enrolled Former Employee (who resigned on or before 12/31/2012) remain in the State Employees Plan and continue to pay DCH, Division of State Health Benefit Plan, for coverage through deductions from their ERS annuities or through direct payments. These individuals do not receive any communications from DCH about Acme Authority's withdrawal. Acme Authority does not make any contributions to the State Employees Plan after contributions for the final month of coverage have been paid. No employer contribution will be collected from Acme Authority on behalf of these enrolled former employees.