

HR UPDATE

October 2009

Insurance Changes

Due to the number of changes in the insurance plans for 2010, Human Resources has made a commitment to ensuring employees have as much information as possible to make informed decisions during the enrollment periods. To this end, HR has put forth a number of resources for employees, including devoting this entire newsletter to information relating to the changes. The additional resources include:

- On October 5, HR will send a letter summarizing changes to the plans to all eligible employees along with the annual memo specifying health insurance rate changes.
- A website dedicated to the 2010 enrollment has been created at: <http://www.cityofmadison.com/hr/enroll.cfm>. This website includes PDF copies of the enrollment guides, the health insurance application/change form, an extensive document from ETF relating to the domestic partner coverage, the ETF affidavit certifying the domestic partner relationship, and a link to the ETF website with more detailed information. An FAQ section relating to health insurance changes will soon be added.
- Every employee currently enrolled in the City's domestic partner health insurance reimbursement program should have already received a letter notifying them of the changes.
- Mike Lipski, Compensation and Benefits Manager, and his staff will host a lunchtime Q & A session for employees on Thursday October 8.
- There will be two health fairs for employees to talk directly with the providers and a representative from ETF. The first fair will be October 14 from 11:30 a.m. to 1:00 p.m. in Room 300 of the MMB, and the second fair will be October 21 from 1:00 p.m. to 2:30 p.m. at Madison Metro. ETF has only confirmed sending a representative to the October 14 fair but hopes someone will attend the October 21 fair as well.

If unable to find information in the above areas, employees are encouraged to contact Human Resources directly with any questions at 266-4615 or send email directly or via HR Connect.

Benefit Enrollment Information

Health Insurance: October 5 - 23

The It's Your Choice enrollment period will be October 5 through 4:30 p.m. on October 23, 2009. As always, this enrollment period is only for employees who currently participate in the City's health insurance program and are interested in making changes to their coverage. If you

are satisfied with your current insurance carrier and don't intend to make any changes, you do not need to fill out any paperwork during this time period.

Please check the enrollment information for changes specific to individual health insurance plans. Other changes include the design of the It's Your Choice materials. Instead of one book, ETF has produced two guides, a Decision Guide and a Reference Guide. The Decision Guide includes information on changes to the plans, plan-specific information, quality ratings, and other information that is likely to change on a yearly basis. The Reference Guide, on the other hand, includes reference information unlikely to undergo major changes on a yearly basis, such as the Uniform Benefits, an expanded FAQ section, and State and Federal notifications. If there are errors in either book, updated information will be posted on the [ETF website](#).

Also, unlike previous years, employees who have email access will be emailed a link to the It's Your Choice enrollment Guides instead of receiving books. Employees can download and save the Guides to their computers for reference. In addition, the It's Your Choice enrollment Guides will be available on the [ETF website](#) so that individuals and families can access this information from home. Hard copies will be distributed only to employees who do not have a City email account. We will also post this information on the [EmployeeNet](#). Please do not print the It's Your Choice Guides as each book is over 90 pages in length! See your payroll clerk if you absolutely need a hard copy.

Dental Insurance: October 5 - 23

The Dental Insurance enrollment period will also be October 5 through 4:30 p.m. on October 23, 2009. Information regarding Dental Insurance enrollment is also available on [employeeNet](#). Once again, if employees are not planning on changing coverage, no action needs to be taken. Employees enrolling who did not have coverage in 2009 or are changing coverage must submit an application during this time. Employees who plan on dropping coverage for 2010 must fill out the Delta application and indicate that they are waiving coverage or coverage will continue for 2010. Employees are not otherwise able to drop coverage during the plan year. Employees in Local 236 and Local 311 are not eligible for the Delta Dental benefit as they have insurance provided through their respective unions.

Flex Spending Accounts: Early November

The 2010 Flexible Spending Account Enrollment will be in early November. Watch for information to be distributed through departments around this time. Employees can allocate money to a medical account and/or an account for dependent care (i.e. day care/child care expenses). If employees are interested in enrolling for 2010, the minimum contribution per account is \$125 for the year and the maximum is \$5,000 for each account (medical and dependent care). The Flex Spending amount to be set aside is withheld from pay "before taxes" – that is, it is separate from taxable income and thus reduces taxable income. It is important that employees budget their anticipated expenses carefully as any unused money in the account at the end of the year is not refunded.

Changes to the Health and Dental Insurance Benefit for 2010

Health Insurance:

Many changes have been made to the Health Insurance plan for 2010, and employees may want to take advantage of the changes. A major change, discussed in greater detail later in this newsletter, is that employees may sign up to cover domestic partners under the City health insurance plans. Any dependent(s) of the domestic partner are also eligible to be covered by the plan. There may be tax implications to adding a domestic partner and associated dependents; the IRS does not recognize domestic partner coverage as being eligible for pre-tax premium deductions, so the portion of the premium that covers the domestic partner and dependents will be treated as taxable income. Taxable income is discussed in greater detail later in this newsletter.

Another change in the health plans is that children up to age 27 can be covered under the City plan regardless of whether they are students or qualified dependents. Two criteria have been established to determine whether the child is eligible to stay on the City plan: First, the child must not be married. Second, the child must not be eligible for insurance coverage from another employer, unless the child would pay more for insurance through his/her employer than it would cost to cover the child under the City plan (if the child is eligible for coverage but chooses not to enroll, the child cannot participate in the City plan). If both criteria are met, the child can be covered by the City plan. However, as discussed above, there will be tax implications to carrying a child on the health insurance who is not otherwise a qualified dependent because the IRS does not recognize this as being eligible for pre-tax premium deductions.

Employees currently carrying a single policy who wish to add a qualifying child must make this change during the It's Your Choice period, as it requires a change to a family policy. If an employee fails to make this change during the It's Your Choice period, the employee will have to wait for a qualifying event to add the child or enroll in the standard plan. Employees who already have a family plan may add a child at any time, though coverage will not be effective until the first of the month following receipt of the application adding the child. In the past the child would have been covered and this coverage would be back-dated, but this is no longer the case.

Certain areas of coverage have also been expanded in the 2010 Health Plan. Treatments for mental health conditions, including treatment for drug and alcohol abuse, are no longer subject to yearly maximums and the State has expanded the definition of a qualified provider. In addition, expanded coverage for autism and cochlear implants and hearing aids for dependents under age 18 have been added. The It's Your Choice Decision Guide has more information regarding these specific issues.

Finally, the health insurance application has also changed to reflect plan changes. Employees will be required to identify on the application whether the enrolled person is a qualified dependent for tax purposes. Other changes relating to domestic partners have been made. Because of these changes and the importance of knowing whether individuals are tax

dependents, employees must use the current version of the health insurance application. Older applications will not be accepted.

Dental Insurance

In accordance with the changes in State laws, the Delta Dental insurance plan will start offering coverage for domestic partners and children under age 27 beginning in 2010. When adding a domestic partner or newly qualifying child, employees merely need to fill out the dental application appropriately. Delta is not requiring an affidavit to certify the domestic partnership. As with health insurance, however, employees who enroll domestic partners or children who do not qualify as IRS tax dependents will have to pay the relevant portion of the premium in post-tax dollars. Because employees pay the entire premium for dental insurance, some of the premium will be paid from pre-tax dollars and the applicable remainder will be paid after taxes have been taken out of wages. Delta has not provided the information regarding the amount of the premium that will be paid from taxable income but that information will be placed on employeenet when we receive it.

Domestic Partners and Health Insurance Benefits

Two provisions were included in the State's 2009-2011 budget relating to domestic partnerships in the State of Wisconsin. The first provision, which received a lot of coverage in the media, involved the creation of a domestic partner registry for same-sex couples. This registry was created under the provisions of Chapter 770 of the Wisconsin Statutes and is limited to same sex partnerships. The other, lesser known provision was created under Chapter 40 of the Wisconsin Statutes and is specific to participation in employee benefit programs administered by Employee Trust Funds, including the City's Health Insurance program and the Wisconsin Retirement System. The Chapter 40 provision defines a domestic partnership as follows:

- Both individuals are at least 18 years old and legally competent;
- Neither individual is married or in a domestic partnership with another person;
- The individuals are not related by blood in any way that would prevent marriage under Wisconsin law;
- The individuals consider themselves to be members of each other's immediate family;
- The individuals agree to be responsible for each other's basic living expenses; and
- The individuals share a common residence.

These provisions are similar to the City's provisions as it pertains to the domestic partner health insurance reimbursement program. Chapter 40 additionally extends coverage of ETF benefit programs to domestic partners meeting the above criteria.

What this means for City employees is that domestic partners are now eligible to participate in the City's health insurance programs. As a result, the City's domestic partner health insurance reimbursement program will end as of December 31, 2009. In addition, ETF will treat a domestic partner under Chapter 40 as a spouse for WRS benefit purposes.

Employees who seek to add a domestic partner to the ETF benefits plans, including health insurance, must submit a notarized affidavit from ETF **directly to ETF** (Form ET-2371, available on [employeeenet](#)). Then, when applying for health insurance a copy of that affidavit should be submitted with the health insurance application so HR knows the affidavit has been submitted. **Domestic partners who have registered with the County under Chapter 770 are not automatically covered by these ETF benefits. Also, domestic partners who have registered with the City of under the City’s current health insurance reimbursement program are not automatically covered.** The ETF affidavit must be submitted in order to participate in these new benefits.

Please note that there will be tax implications to adding a domestic partner as the IRS does not recognize domestic partner coverage as being eligible for pre-tax premium dollars. This is explained in greater detail in the article below. If you have any additional questions, please refer to the It’s Your Choice enrollment books or the [ETF website](#). The City’s Human Resources Department can also provide information regarding the process and paperwork involved.

Imputed Income

Employees who add individuals to the health insurance plans who do not qualify as dependents under the IRS code will incur a tax liability based on the health insurance premium. This is known as imputed income. The portion of the premium required to add the additional individuals must be treated as income for the employee and is taxed as income. This means State and Federal taxes and FICA are charged for that portion of the premium as if it were paid as income to the employee. In addition, those portions of the premiums are reported as earnings for the employee at the end of the year. The table below reflects the amounts for the four (4) local HMO’s and the WPS Standard policy that will become imputed income. Employees adding one individual who would not otherwise qualify as a tax dependent will have the amount in the column labeled “1 non-tax Dep” treated as imputed income. Employees adding more than one individual who would not otherwise qualify as a tax dependent will have the amount in the column labeled “2 or more non-tax Dep” treated as imputed income.

Plan	2010 Premium Rates		1 non-tax Dep	2 or more non-tax Dep
	Single	Family		
Dean Health Plan	\$508.10	\$1,266.60	\$349.90	\$714.50
GHC - South Central	\$510.60	\$1,272.80	\$351.60	\$718.00
Physicians Plus	\$506.70	\$1,263.10	\$348.90	\$712.50
Unity - UW	\$488.00	\$1,216.30	\$336.00	\$686.00
Standard - Dane	\$929.20	\$2,319.30	\$641.20	\$1,309.40

The check for the pay period when the employee health insurance premium is paid will reflect the imputed amount. For example, an employee in Dean Health Plan who has two dependents who would not qualify as dependents under the IRS code will have \$714.50 each month treated as additional income. Taxes will be taken out of the \$714.50 but the withheld amount will not be

added to the wages and is not considered income for WRS purposes as the money is used to pay the health insurance premium. The check will report that the employee has earned an imputed income of \$714.50. When the employee's earnings are reported on the W-2 at the end of the year, the additional \$714.50 x 12 months, or \$8,574, will be reported. For example, if the employee earns \$50,000, the actual reported earnings to the IRS will be \$58,574. Again, this is done because the IRS does not recognize domestic partners or children up to age 27 as qualified dependents. Please consider the tax implications of adding individuals who do not qualify as dependents under the IRS code when making your insurance decisions. For more detailed information regarding IRS code or your personal tax implications, please discuss with a tax advisor.

!!!!Disclaimer!!!!

This newsletter is ordinarily developed and distributed as an educational resource for department heads, managers, and supervisors. This issue covers important changes to City benefits for 2010, and all employees are encouraged to use it to learn about the changes and what they mean for individuals. As always, individual employees, labor unions, outside counsel or anyone else for that matter may disagree with the content in part or in whole. The document does not establish policy and is intended only for use as an educational resource. If this document differs in any way from the policies, guidelines or rules established by ETF or Delta Dental, the policies, guidelines or rules established by ETF or Delta Dental shall prevail.

Thank you.