Update on Health Benefits Eligibility Rules

Association of Business Administrators Meeting

May 9th, 2013
15/16 Rule
Health Benefits Eligibility for new hires

- **CURRENT RULE through 6/30/2013**
  - Hire between the 1\textsuperscript{st} and the 15\textsuperscript{th} of the month benefits begin the 1\textsuperscript{st} of the next month.
  - Hire between the 16\textsuperscript{th} and the 31\textsuperscript{st} of the month benefits begin the 1\textsuperscript{st} of the month following the next month.
  - **Deductions taken in the paychecks prior to the coverage effective date**

- **EXAMPLE**
  Colleague hired May 12\textsuperscript{th} benefits effective date is June 1. Deduction should be taken in the April paycheck. Most likely will be RETRO
New Effective Date Rule for hires after 7/1/2013

- Hire between the 1\textsuperscript{st} and the 31\textsuperscript{st} day of the month benefits begin first of next month.
- Deductions taken in current month

\textbf{EXAMPLES}

- Colleague hires July 1\textsuperscript{st} benefits begin August 1\textsuperscript{st}.
- Colleague hires July 29\textsuperscript{th} benefits begin August 1\textsuperscript{st}.
- Deductions begin in August paycheck. Depending upon how quickly the info gets in the system most likely not retro.
Health Benefits Termination Rules for terminations after 7/01/2013

- **Current use the 15/16 rule:**
  - If last day worked is between the 1\textsuperscript{st} and the 15\textsuperscript{th} benefits end last day of current month.
  - If last day worked is on or after the 16\textsuperscript{th} of the month benefits end the last day of the following month.
  - **EXAMPLE:** Colleague terminates on the 2\textsuperscript{nd} of July benefits continue to the last day of July. Colleague terminated on the 29\textsuperscript{th} of July benefits continue to end of August.

- **New Rule for terminations after 7/1/2013:**
  - Health benefits terminate on the last day of the month in which the termination occurs.
  - **EXAMPLE:** Colleague leaves in the 2\textsuperscript{nd} of July month benefits continue to the end of July.
  - Colleague leaves the 29\textsuperscript{th} day of July, health benefits continue to the last day of July.
Rationale for Changes
Talking Points

- The primary reason for making the change to the effective date of benefits coverage is equity during recruitment. Under the current rules candidates who started after the 15th of the month can have up to a 45 day waiting period for benefits while a candidate who starts on the 15th of the month has only a 15 day waiting period, the extra month wait was often considered burdensome. We frequently get requests to reduce or eliminate the waiting period.

- The termination rules followed the same 15/16 rule and individuals who terminated after the 16th of the month received an “extra” month of coverage, again creating an inequity.

- After 7/1/2014 under the PPACA, we are required to do auto enrollment, deductions in advance of the enrollment period create a problem in implementing this policy.

- Wish to simplify administration and eliminate retro deductions as much as possible. We believe that almost all monthly retros will be eliminated.
Rationale for Changes
Talking Points

- Since we are self-insured Penn does not actually send the dollars to the carrier, it uses them to offset the cost of claims. Penn funds 1/12 of the cost monthly through University and employee contributions. Employee contributions represent a fraction of the overall costs.

- The rule change does not impact anyone who retires or terminates this June 30th. Because the change takes effect for hires or terminations on or after 7/1/2013. PDST who have already signed the agreement we will honor the agreement.

- This year and in future years any increase in payroll deductions will occur in the July pay rather than the June paycheck.
Transition examples

CURRENT RULE

- Hired between May 1\textsuperscript{st} and May 15\textsuperscript{th}  
  Benefits Effective June 1\textsuperscript{st}
- Hired between May 16\textsuperscript{th} and May 31\textsuperscript{st}  
  Benefits Effective July 1\textsuperscript{st}
- Hired Between June 1\textsuperscript{st} and June 15\textsuperscript{th}  
  Benefits Effective July 1\textsuperscript{st}
- Hired Between June 16\textsuperscript{th} and June 30\textsuperscript{th}  
  Benefits Effective August 1\textsuperscript{st}

NEW RULE

- Hired Between July 1 and July 31\textsuperscript{st}  
  Benefits Effective August 1\textsuperscript{st}