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COMPTROLLER'S MEMORANDUM 2008 – 35 REVISED
October 22, 2008

TO THE HEADS OF ALL STATE AGENCIES

ATTENTION: Personnel and Payroll Officers

SUBJECT: State Employee Health Plan – Extension of Coverage under Public Act 08 – 147

This Memorandum replaces Comptroller's Memorandum 2008-35 issued October 3, 2008

I) INTRODUCTION

Public Act 08-147 (Public Act) requires group health plans to provide coverage for unmarried children up to the age of 26, regardless of the child's student or dependent status. This Memorandum explains how the Public Act will be implemented under the State of Connecticut Employee Health Plan. The effective date of implementation is January 1, 2009.

II) OVERVIEW

The Public Act applies to only fully-insured medical plans. The State's prescription drug benefit plan will be extended on the same basis as medical benefits. The Public Act will have no impact on coverage under the state's dental plan, which terminates coverage for children at age 19.

Children between the ages of 19 - 23 (inclusive) who are not full time students and children aged 24 and 25 do not qualify as an employee's dependents under federal and state tax law, unless they qualify as a Qualifying Relative. Any child within this group will be referred to as a "Non-Qualified Child". When an employer provides health insurance coverage to a Non-Qualified Child, the federal government requires that the employer include the Fair Market Value (FMV) of that benefit in the employee's wages. The FMV is subject to federal, FICA and state tax and will be reported as income on the employee's W-2. Accordingly, additional taxes must be deducted from the paycheck of each employee based on FMV of the health benefits. The Office of the State Comptroller does not provide tax advice to individual employees or retirees. **Employees with questions as to the tax impact of the inclusion of the Fair Market Value of health benefits for non-qualified children should be advised to consult their personal tax advisor.** The Fair Market Value of the health plans for 2008-2009 are shown in Table II of the Attachment.

The state plan permits coverage of full-time students up to age 23. Under federal and state tax law children between the ages of 19 and 24 may qualify as dependents. To minimize the tax impact to employees, the state will extend the cut-off date for dependent coverage to the 24th birthday. Dependents who meet the plan definition of disabled are considered dependents for federal and state tax purposes regardless of age. Once a dependent is no longer eligible for coverage under the plan, in most cases because they cease to be a full-time student, that person will be removed from the plan and provided with a COBRA notice. If the child is eligible to enroll under the Public Act, the employee has 30 days from the effective date of the COBRA notice to enroll the Non-Qualified Child.

III) BACKGROUND AND AUTHORITY

- A) The Public Act requires insured group health plans to provide coverage for unmarried children who are residents of Connecticut, up to the age of 26, regardless of the child's student or dependent status. This memo is based on the Public Act, the State Insurance Department Consumer Update dated August 5, 2008, the July 2008 Federal, State and Local Government Newsletter issued by the IRS, and IRC §§125 and 152.

For purposes of this memo, "Non-Qualified Child" means a child who does not qualify as a dependent child under IRC §152 and is not currently eligible for coverage under the State Employee Health Plan.

- B) Under Internal Revenue Service rules, a Subscriber's "dependent" means a "qualifying child" or a "qualifying relative." For purposes of the State's health plans, a "qualifying child" is the Subscriber's son, daughter, or stepchild, who:
- 1) Lived with the Subscriber for more than one-half of the year and who provided less than one-half of his or her own support for the year, AND
 - 2) Is under age 19, OR
 - 3) Is under age 24 and a full-time student; OR
 - 4) Is permanently and totally disabled, was under age 24 at the time the disability occurred, and was enrolled in the State Employee Health Plan or a comparable plan at that time.
- C) The State is extending the self-insured prescription drug plan benefits on the same basis as medical benefits. The Public Act will not affect the stand-alone dental plans.
- D) For purposes of this Memorandum, a Subscriber is either a State Employee or a Retired State Employee who is enrolled in the health plans procured under §5-259 of the Connecticut General Statutes.

IV) CURRENT ELIGIBILITY RULES

- A) The State employee Medical/Prescription drug plan allows the enrollment of dependent children who are
- 1) Unmarried;
 - 2) Under age 19; or
 - 3) Under age 23 and a full-time student; *or*
 - 4) Any age if permanently and totally disabled, and who are enrolled as a dependent in the State plan or an equivalent plan at the time the disability occurred
- B) The dental plan allows the enrollment of dependent children who are:
- 1) Unmarried;
 - 2) Under age 19;
 - 3) Any age if permanently and totally disabled, and who were enrolled in the State dental plan or an equivalent plan at the time the disability occurred

V) REVISED ELIGIBILITY RULES EFFECTIVE JANUARY 1, 2009

- A) In addition to the Dependent Children currently eligible to enroll in IV.A) above, the Medical/Prescription Drug eligibility rules are revised to allow enrollment of the Subscriber's unmarried natural or adopted child or stepchild who is either a:
- 1) Dependent Child who:
 - (a) Resides with the Subscriber, and
 - (b) Is under age 24 (twenty-four), and is
 - (c) a full-time student;

Or is a

- 2) Qualifying Relative who is:
 - (a) Age 19 but less than Age 24 and not a full-time student, **OR**

(b) Age 24 or 25,

And

(c) Resides with the Subscriber in Connecticut, and

(d) The Subscriber provides more than one-half (½) of the child's support for the year, and

(e) The gross income of the child is less than the IRC exemption amount for the year.

Or is a

3) Non-Qualified Child who is:

(a) Age 19 but less than Age 26, and

(b) Resides in Connecticut (unless they are a full-time student at an out of state educational institution), and

(c) Is not enrolled in health coverage through their own employment.

B) The eligibility rules for the state dental plans are not affected by this Public Act.

VI) IMPLEMENTATION

- A) Eligibility rules for the Medical/Prescription Drug plans will be changed consistent with IRS rules which permit coverage of Dependent Children under the age of 24. Effective January 1, 2009, a new category of Non-Qualified Children will be added to include children eligible under the Public Act, but not considered "dependents" under IRS rules.
- B) Special Enrollment Period - There will be two special enrollment periods to allow members to add children for coverage under the medical/prescription drug plans, effective January 1, 2009. During these periods enrollment is limited to children who are not currently eligible to enroll. The tentative dates are:
- 1) November 10 through November 21, 2008 - Non-Qualified Children age 19 but less than age 26 who meet all of the following requirements:
 - (a) Unmarried, and
 - (b) Resident of Connecticut, unless enrolled as a full-time student at an out of state institution of higher education, and
 - (c) Not enrolled in health insurance obtained through their employment.
 - 2) December 1 through December 12, 2008 - Dependent Children who are age 23, and children who meet the definition of Qualifying Relative in V.A.2 above.
 - 3) Agencies will be notified of the final enrollment dates, and of the availability of enrollment materials.
 - 4) Employees will be notified of the Special Enrollment periods by an insert in the November 7, 2008 payroll check. Agencies will be responsible to notify employees who are enrolled in health insurance but do not receive a payroll check.
- C) Subscribers who fail to add newly eligible children during these Special Enrollment Periods will not be permitted to add such persons until the annual Open Enrollment period for coverage effective July 1st of each year, or until a Qualifying Event such as a loss of coverage or life status change.
- D) **Verification of Dependent Child Status** - Currently, dependent children are removed from coverage upon notification from the Subscriber that the child is no longer a dependent or automatically upon reaching the age of 19 if not a full-time student, and upon attaining age 23 in the case of a full-time student. The student verification process administered by the health plan carriers will continue, and will be extended to age 24. If a child is not a full-time student, it is the Subscriber's responsibility to provide proof that the child continues to qualify as a dependent in accordance with IRS rules.
- E) **Verification of Qualifying Relative Status** - The Subscriber must submit a completed Qualifying Relative Affidavit for each child, a copy of the child's birth certificate (or other proof of age and relationship as

applicable), and a copy of the federal income tax return for the previous year which contains the name and SSN of the dependent child to be added to the plan.

- F) Effective January 1, 2009, a child will be removed from coverage automatically upon reaching age 19, unless the child is an IRS qualified dependent, in which case he or she will continue to be enrolled until he or she ceases to be a qualified dependent, or until age 24, whichever occurs first. At that time the employing agency will provide the standard COBRA Notice to the over-age dependent, per current procedures, and will also notify the Subscriber of the procedure for enrolling the child as either a Non-Qualified Child or a Qualifying Relative. The Subscriber has 30 days from the effective date of the COBRA notice to enroll the Non-Qualified Child or Qualifying Relative.

VII) SPECIAL ENROLLMENT PROCEDURE – DEPENDENT CHILD OR QUALIFYING RELATIVE

- A) A Subscriber seeking to enroll a Dependent Child who is newly eligible for enrollment under the Public Act must notify the employing agency that they wish to enroll a qualified child, and complete the standard CORE-CT Enrollment Statement to add the child to coverage. The Subscriber must include a copy of the child's birth certificate or other proof of age and relationship as applicable (unless a copy is already on file with the employing agency) and student verification. The Subscriber must submit the completed Enrollment Statement and all required documentation to the agency by December 12, 2008. The agency will follow standard health insurance enrollment procedures to add the child to the Subscriber's coverage. It is the Subscriber's responsibility to notify the employing agency within thirty (30) days of any change that may affect the child's eligibility for coverage.
- B) A Subscriber seeking to enroll a child who is age 19 but less than age 26 as a Qualifying Relative must notify their employing agency that they wish to enroll a child as a Qualifying Relative. The Subscriber must complete the standard CORE-CT Enrollment Statement to add the child to coverage. The Subscriber must also submit a notarized Qualifying Relative Affidavit CO-1048QR, the child's birth certificate (or other proof of age and relationship as applicable), proof of Connecticut residency, and a copy of the Subscriber's federal tax return for the previous year. The agency will follow standard health insurance enrollment procedures to add the child to the Subscriber's coverage. It is the Subscriber's responsibility to notify the employing agency within thirty (30) days of any change that may affect the child's eligibility for coverage.

VIII) SPECIAL ENROLLMENT PROCEDURE – NON-QUALIFIED CHILD

- A) A Subscriber requesting to enroll a Non-Qualified Child must complete a Non-Qualified Child Enrollment Application CO-1048NQ for each child to be enrolled attesting that:
- 1) The child meets all requirements of the Plan as a Non-Qualified child.
 - 2) The Subscriber acknowledges that the Fair Market Value of coverage of the Non-Qualified child will be taxable income to the Subscriber, and that all applicable taxes will be withheld from the Subscriber's check.
 - 3) The Subscriber acknowledges that any additional Subscriber-share premium will be withheld from the Subscriber's check on a post-tax basis.
 - 4) The child is not enrolled in health insurance as a result of their employment.
 - 5) The Subscriber agrees to notify the employing agency within thirty (30) days of any change in the child's eligibility for coverage.
- B) A Subscriber wishing to enroll a newly eligible child during this Special Enrollment period must return the completed and signed form CO-1048NQ, Non-Qualified Child Enrollment Application (Application) a copy of the child's birth certificate (or other proof of age and relationship as applicable), and proof of Connecticut residency (or verification of student status at an out-of-state institution of higher education) to the employing agency's benefits office by close of business, November 21, 2008. The employing agency must complete the Agency section of the Application, and forward it and the Proofs of Age and Residency to the Comptroller's Central Benefits Unit by close of business, December 1, 2008. **Forms that are not sent directly from a State Agency will be returned to the sender unprocessed.**

- C) The Comptroller's Central Benefits Unit will review each Application and reject any that fails to demonstrate compliance with the requirements for coverage. If the Application is accepted, the Subscriber's Job Data and Health Benefit records will be updated, and the child enrolled. The Central Benefits Unit will process the enrollment and send the standard CORE-CT Confirmation Statement to the agency. The agency will print the Confirmation Statement, deliver it to the Subscriber, and place a copy in the Subscriber's personnel file. If the Application is rejected, it will be returned to the agency with the reason for the rejection. All Non-Qualified children whose Application is submitted to the employing Agency on a timely basis, and approved by the Central Benefits Unit, will be enrolled for coverage effective January 1, 2009 even if the actual enrollment is not completed by January 1, 2009.

IX) CONCLUSION

The Office of the State Comptroller will provide further information on this subject to state agencies as it becomes available. Agency personnel and payroll representatives with questions may contact Central Benefits by email, or at (860) 702-3535. Please do not refer employees to this number, as all calls from individual employees will be referred back to the employing agency.

Very truly yours,

Nancy Wyman
State Comptroller

NW:TW
Attachment