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| HUMAN RESOURCES MEMORANDUM 15-011 | | DATE ISSUED: 06/29/2015 |
| SUBJECT: Clarification of Eligibility Criteria for FlexElect and Consolidated Benefits (CoBen) Cash Option Programs | | REFERENCE: 2015-018 |
| TO: Personnel Officers, Personnel Transaction Supervisor, Personnel Transaction Staff, Personnel Liaisons, Attendance Clerks, DGS Managers and Supervisors | | SUPERCEDES: None |

PLEASE ENSURE THAT THIS INFORMATION IS SHARED WITH YOUR EMPLOYEES

Purpose

The purpose of this memorandum is to clarify eligibility rules for participation in the state's FlexElect and CoBen Cash Option programs to conform to the market reform provisions of the federal Patient Protection and Affordable Care Act (ACA).

FlexElect and CoBen Cash Option Eligibility Criteria

The Internal Revenue Code Section 125, which governs eligibility rules for participation in the state's FlexElect or CoBen Cash Option programs, requires a health benefit-eligible employee to attest that they have "other" health coverage without requiring a specific type or level of coverage.

Under the ACA, the Internal Revenue Service has recently prohibited employers from offering cash to employees who elect to opt out of employer-sponsored health coverage and enroll in "individual" health coverage.¹ To ensure the state's compliance with the market reform provisions of the ACA, employees who elect to enroll in the state's FlexElect or CoBen Cash Option programs will be required to attest that they have other qualifying group coverage to receive cash in lieu of state-sponsored health coverage.

Effective immediately, only employees who attest that they have other qualifying group health coverage are eligible to enroll in the state's FlexElect or CoBen Cash Option programs and receive cash in lieu of state-sponsored health coverage. Employees are not required to show proof of coverage.

Qualifying Group Health Coverage

Qualifying group health coverage includes health coverage that provides minimum value and is maintained by an employer or employee organization. All state California Public Employees' Retirement System (CalPERS) health plans currently meet the law's minimum value standards.

Employees enrolled in individual coverage, such as Tricare, Medicare, Medi-Cal, and Covered California, are not eligible to receive cash in lieu of other health coverage, even if the coverage provides minimum value.

Cash in Lieu of Dental Coverage

The new eligibility requirements for other qualifying group health coverage do not affect employees' enrollment into the FlexElect Cash in lieu of dental benefits. CoBen employees are not eligible for dental-only cash, so if an employee does not attest that they have other qualifying group health coverage, they are not eligible to participate in the CoBen Cash Option program.

FlexElect and CoBen Cash Option Enrollment Forms

The California Department of Human Resources (CalHR) has updated the FlexElect and CoBen Cash Option enrollment forms (STD. 701C and STD. 702) to include the employee's attestation of other qualifying group health coverage. The updated enrollment forms are attached to this memo and are available on CalHR's website at:

<http://www.calhr.ca.gov/Pages/forms.aspx>.

The State Controller's Office (SCO) will only process new enrollments into the FlexElect or CoBen Cash Option program using the updated enrollment forms. Old forms that do not have the 6/2015 revision date will no longer be accepted by SCO after the issuance of this PML and will be returned to the initiating personnel office unprocessed.

Employees Currently Enrolled in FlexElect or CoBen Cash Option Programs

Employees currently receiving cash in lieu of health coverage will be required to complete and submit a new enrollment form to their personnel office attesting that they have other qualifying group health coverage in order to continue to receive FlexElect or CoBen cash. Personnel offices shall retain the new enrollment form in the employee's official personnel file. These forms should NOT be submitted to SCO for processing.

OHR will provide these employees with the attached Cash Option Recipient Memorandum along with the appropriate revised enrollment form by July 24, 2015. Employees who do not recertify and respond to their personnel office by August 7, 2015, will be administratively terminated from the FlexElect or CoBen Cash Option program effective October 1, 2015. These employees will have to wait until open enrollment to reenroll into the FlexElect or CoBen Cash Option program.

If the loss of FlexElect or CoBen Cash Option eligibility causes an employee to cancel their other health coverage, the employee may enroll in state-sponsored health coverage within 60 days of termination of the cash option benefit. Please use the loss of other coverage event code to enroll these employees in state-sponsored health coverage.

Pending Enrollment Documents

CalHR will send personnel offices a second spreadsheet listing the names of employees whose FlexElect or CoBen Cash Option enrollment forms are currently pending at the SCO as of the date of this memorandum. CalHR will provide detailed instructions along with the spreadsheets. Personnel offices will need to contact these employees to have them recertify and attest to their eligibility using the updated enrollment forms. Enrollment into the FlexElect or CoBen Cash Option will be retroactive to the original enrollment effective date, provided the employee attests to other qualifying group health coverage.

Permanent-Intermittent Employees

Eligible permanent-intermittent employees who previously submitted their enrollment documents to be processed after June 30, 2015, must submit a new enrollment form and attest that they have other qualifying group health coverage.

Questions

For questions regarding this memorandum, please contact your assigned OHR Personnel Specialist.

ANGIE BOLDRINI, Personnel Officer
Office of Human Resources

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