



Volume No. 1—Policies & Procedures	TOPIC NO. 50430 – Cardinal
Section No. 50400—Deductions	TOPIC HEALTH INSURANCE
	DATE June 2023

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Overview

Introduction

Full-time and part-time salaried employees choose from among several different healthcare plans. State agencies and employees each pay a portion of health insurance coverage costs. Agencies administer healthcare benefits for their employees and collect and pay premiums to cover the cost of healthcare through Cardinal HCM payroll deductions. An employee may receive a healthcare premium credit by participating in health incentive activities. The credit is a “Premium Reward” processed in payroll as a taxable additional pay and is funded by the Health Insurance Fund (HIF). Employees in Cardinal HCM enroll in healthcare plans, by coverage code, and will see the employee-paid premiums for these plans process through payroll as pre-tax deductions. These premiums are exempt from federal, state, and OASDI and HI taxes.

Healthcare coverage is provided on a calendar month basis. One-half of the monthly premium for the coverage month is collected on the paydays of the 16th (of the coverage month) and 1st (of the month following the coverage month). Example: Premiums for June coverage are collected on the June 16th and July 1st paydays. Healthcare rate schedules are in the Payroll Fiscal Year-End Bulletin on the DOA website. Balances in Cardinal HCM are maintained based on Plan Year.


The employee premium, premium reward additional pay, and agency premium are computed in Cardinal HCM during payroll processing. The employee premium is deducted from pay, the agency premium is charged to agency expenditures, and the combined total, net of the premium reward additional pay, is transferred to the HIF. The premium reward additional pay (earnings) is funded by existing balances in the HIF.

Overrides are required to collect additional/refund employee or employer health care amounts in some situations (e.g., mid-month termination). An override may also be required for the premium reward amount accordingly.

HIPAA

Effective since April 14, 2003, Health Plans, including medical, prescription drug, dental, and vision benefits are subject to the requirements of the Health Insurance Portability and Accountability Act of 1996 (HIPAA). HIPAA requires health plans to notify plan participants and dependents about its policies and practices to protect the confidentiality of their health information. For more information, visit the website of the Department of Human Resources Management (www.dhrm.virginia.gov).


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Overview, Continued

Central Benefits Administration	<p>The Office of Health Benefits in the Department of Human Resource Management (DHRM-OHB):</p> <ul style="list-style-type: none"> • Administers statewide health benefits and premium conversion plans. • Manages the HIF to which premiums are deposited and from which claims and other bills are paid. • Annually distributes Employer Provided Health Insurance reports (1094 and 1095) as required by the Internal Revenue Service.
Agency Benefits Administration	<p>Agency Benefit Administrators:</p> <ul style="list-style-type: none"> • Process new enrollments and enrollment changes, when not completed by the employee through Employee Self Service (ESS). • Investigate employee eligibility problems identified by Benefits Administration (Ben Admin). • Respond to employee inquiries. <p>Detailed administrative guidelines governing healthcare plans are available from DHRM.</p>
Central Payroll Administration	<p>State Payroll Operations (SPO) in the Department of Accounts (DOA):</p> <ul style="list-style-type: none"> • Runs payroll process in Cardinal HCM, in which payroll deductions for healthcare plans are processed. • Reviews monthly certification of healthcare reconciliation forms and Agency to Agency journals (ATAs) submitted by agencies and reports status in the Comptroller's Quarterly Report on Statewide Financial Management and Compliance.
Cardinal Post Production Support - Benefits	<p>Cardinal Post-Production Support – Benefits (PPS-BN) in the Department of Accounts (DOA):</p> <ul style="list-style-type: none"> • Updates premium rates approved by the legislature. • Sends enrollment files to health care providers. • Runs the automated healthcare reconciliation, which compares Cardinal HCM health enrollment records to payroll records to identify differences.

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Overview, Continued

Agency Fiscal Administration

Agency Fiscal Administrators:

- Are responsible for ensuring that all employee and employer healthcare premiums and rewards are reconciled monthly.
- Create payroll transactions using the Single- Use Payroll Online Tool (SPOT), as necessary, to support retroactive adjustments for benefits and Premium Reward additional pay.
- Review the reconciliation reports, verify exceptions, and submit reconciliation package by established deadlines to ensure the correct amount of premiums are collected for each employee.

Additional information on reconciliation requirements is available in *CAPP Topic 50470, Benefits Reconciliation*.

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Establishing Healthcare Enrollment in Cardinal HCM

Benefits Eligibility System

Cardinal HCM Benefits is the official healthcare enrollment system of the Commonwealth and the “driver” of health insurance transactions created in payroll.


Prerequisite for Healthcare Enrollment

An employee must exist in Cardinal HCM and be assigned to the benefits-eligible Benefits Program prior to being enrolled in a healthcare plan, in a flexible spending account plan, or in a flexible spending administrative fee plan. Employees must be enrolled in a plan before payroll deductions can process automatically or through SPOT entries.

Refer to the “Completing a New Hire” and “Benefits Quick Reference Guide” Job Aids for detailed instructions.

RBN350, Cardinal Enrollment Report, provides employee benefit enrollment information including health, FSA, premium reward, and medical premiums. The report includes employees who are active, on paid or unpaid leave, and who are suspended.

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Establishing Healthcare Enrollment in Cardinal HCM, Continued

Benefit Events

Through the Benefit Administration process, Benefit Events evaluate or reevaluate an employee's benefit eligibility and provide the employee with the opportunity to update their enrollment as needed. All health enrollments or changes are made through a Benefit Event. The types of Benefit Events include:

- Hire/Rehire
- Open Enrollment
- Life Event
- Address Change
- Inter-Agency Transfer
- Leave of Absence – DHRM Policy requires employees on LWOP, due to medical leave, agency convenience, or layoffs, to continue to pay the employee share of the healthcare premium. The agency must pay the agency share of the healthcare premium. For other LWOP reasons (e.g., personal, education), the employee must pay the entire healthcare premium.

Benefit events are triggered by changes in:

- Qualifying Personal and/or Job Data changes
- Manual entry by Benefit Administrator based on employee-submitted form.
- Life events entered by employee in Employee Self-Service
- May require approval by DHRM-OHB if more than 60 days from date of change.


For additional information on Benefit Events, see job aids: BN 361, Benefit Enrollment and Maintenance, HR352, Cardinal Employee Data Setup and Maintenance (Benefits Only).

Transactions That Require Online Entry in Cardinal HCM

Cardinal HCM activity for healthcare should be largely controlled by changes to Job and Personal Data, which is evaluated during the Benefits Administration (Ben Admin) batch process. Ben Admin runs every two hours from 10:00 a.m. through 2:00 p.m. and, again, each night. However, at times, agency benefits administrators will need to perform enrollment using the Benefits Administration System (BAS) Activity Table and On-Demand functionality. Refer to the "Benefits Quick Reference Guide" Job Aid for more information.

RBN287, Benefits Enrollment Changes Report, lists all employees who enrolled in benefits or made changes to existing benefits within a specific date range.

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Establishing Healthcare Enrollment in Cardinal HCM, Continued

Timing

The effective date on transactions entered in HCM affects the impact on payroll.

Considerations

Hires (new hires and transfer in):

- An employee must first be hired in HCM. The Benefit Event date is based on the Effective Date of the “Hire” action. The employee must have a hire date on or before the first of the month to be covered for that month. A hire date of the first work day of the month that is not the first day of the month will not establish health care for that month.
- Health enrollment will not be reported to the vendor until enrollment is completed in On Demand. If no action is taken, Ben Admin will waive the health enrollment after 30 days from the event date, not the date entered into Cardinal.
- The Coverage Begin Date for all elected plans is the first day of the month following the employee’s hire date.
- The Deduction Begin Date for all elected plans is the same as the Coverage Begin Date for hires.
- Plan elections are transmitted to the plan providers daily (Tuesday – Saturday, excluding holidays) the morning after the election is completed in On Demand.
- Confirmation Statements are created weekly and can be seen in Employee Self Service. An email is sent to the participant based on the email address in Personal Data in Cardinal HCM.

Inter-Agency Transfers:


- DHRM policy requires that when an employee transfers from their current agency to a new agency after the first day of a month, the entire healthcare premium for that month should be collected by the current agency.
- A “Transfer Out” will write a Terminate row in base benefits.
- The receiving agency must re-enroll the employee into the same health coverage through On Demand. See Job Aid 361, Completing a New Hire Enrollment.

Terminations:

- Effective Date of all termination transactions in Cardinal, to include Transfer Out, must be the date after the last day worked.
- The termination reason must be accurate. Do not use “Resignation” if it is a “Transfer Out.”

For further information on effective dating, see the Cardinal Job Aid titled HR351, Overview of Effective Dating.

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Premium Refund Policy

Retroactive Healthcare Changes

Agencies can make retroactive healthcare changes, including applicable premium refunds resulting from administrative error or employee status change, up to 59 days following the effective date of the change. After 59 days, agencies must contact DHRM-OHB for approval and assistance in updating Cardinal HCM.

Tax Consequences of Premium Conversion Refunds


State employees enjoy the tax savings of the Premium Conversion (before-tax premium) program authorized by Section 125 of the Internal Revenue Code. Under IRS rules, the amount of the premium constitutes a salary reduction, with the state providing the healthcare benefit. Premiums refunded in the current calendar year are treated as deduction refunds and increase taxable wages. Premiums refunded in subsequent years are considered taxable wages for that year and should be paid to the employee in an earnings SPOT using the taxable earnings code of TXB.

Premium Refund Guidelines

When healthcare deductions (premiums) are withheld in error in the current year, the agency should process a refund to the employee by creating a SPOT deduction-refund transaction. The deduction refund process should be used to refund the employee deduction and the agency expenditures associated with the premium.

Refer to the “Single-Use Payroll Online Tool (SPOT)” Job Aid for detailed instructions. The system will automatically adjust the taxable wages and collect the FICA taxes due from the refund amount.

If necessary, an earnings spot may be required to “collect” any premium reward paid in error to the employee in the current year. The employee must have enough pay in the same period to offset the collection or a negative check will be created and cause a payroll error. Premium rewards paid in error in prior calendar years must be collected through Due Agency deductions or outside of the payroll system and require completion of a W2C to adjust FICA taxable wages and taxes.

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Medicare Carve-Out

Overview


DHRM policy permits employees who are eligible for Medicare because they are diagnosed with end state renal disease (ESRD) to retain healthcare coverage. The State plan pays primary to Medicare for the first 30 months of treatment. After 30 months Medicare becomes the primary payer, and the state plan coordinates with Medicare and pays secondary on claims.

Reimbursement Procedure

Employees with ESRD, who pay Medicare premiums, are eligible for premium reimbursement on a quarterly basis. Agencies should:

- Obtain a copy of the employee’s Medicare bill or other appropriate documentation.
- Verify Medicare Carve-out status in Cardinal HCM.
- Reimburse the employee through the Expenses module in Cardinal FIN using the “Other Employee Reimbursements” Expense Type (interfacing agencies will use the “Interfacing” Expense Type). Update the Account to 5011150 on the Accounting Detail Page. This will charge the agency expenditures and generate a payment to the employee. Refer to CAPP Topic No. 20310, *Expenditures*.
- Process an ATA by submitting a completed General Ledger Journal Spreadsheet. The spreadsheet journal should have the coding in the table, shown below, to recover expenditures from the HIF. The agency distribution may include agency level ChartFields as necessary (i.e., project, task). Refer to the “Uploading Spreadsheet Journals” Job Aid for additional instructions.
- Ensure that the text file is named with the following convention: HC, Business Unit, Month, Year (e.g., HC26100Feb2016).
- Email to: HealthRecons@doa.virginia.gov. Include “**Medicare Carve Out – Agency Number, Reconciliation Month, and employee #**” in the subject line of the e-mail to SPO. DOA will then forward the information to DHRM after processing.

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Medicare Carve-Out, Continued

Coding to Recover Expenditures from the HIF:

To...	Business Unit/PC Business Unit	Department	Fund	Cardinal Account	Project**	Task
Credit Agency	XXXXXX	XXXXXX	XXXXXX	5011150		
Charge HIF	14900	60000	06200	4005100	Determined by Provider Code:	
COVA Care	14900	60000	06200	4005100	AHI100	10
COVA Health Aware	14900	60000	06200	4005100	AHI200	10
COVA HDHP	14900	60000	06200	4005100	AHI300	10
Kaiser	14900	60000	06200	4005100	AHI810	40
Optima	14900	60000	06200	4005100	0000115265	
TriCare	14900	60000	06200	4005100	AHI820	40

****Project must include PC Business Unit (see second column) and a Project Activity ('STATE' for all agencies except VDOT).**

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Reconciliation Compliance Reporting

Reconciliation Requirements	Reconciliation of healthcare premiums and rewards are required on a monthly basis and are due to DOA no later than the last day of the following month, with the exception of the reconciliation for the month of May which is due according to deadlines published in the annual FYE Payroll Bulletin. Detailed guidance is provided in CAPP <i>Topic 50470, Benefits Reconciliation</i> .
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Sunset Policy	Agencies forfeit claims to agency healthcare expenditure refunds when healthcare reconciliation/certifications are either not submitted or contain problems that remain unresolved more than two months following the close of the coverage month (one month following the reconciliation/certification due date). Under this policy, late requests for refunds (ATA's) will be deleted. Employee premium refunds are not affected.
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Compliance Reporting	Agencies whose healthcare reconciliation/certifications are submitted late, incomplete or with problems requiring additional adjustments are subject to report in the Comptroller's quarterly Report on Statewide Financial Management and Compliance.
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Internal Control

Internal Control	Agencies must ensure all employee premium reward and agency premiums due according to HCM Benefits are calculated and processed timely. Reconciliations must be completed monthly in accordance with established deadlines.
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Records Retention

Time Period	All applicable forms affecting employee healthcare plan eligibility and the related payroll deductions must be maintained at the agency for four years or until audited, whichever is later.
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Subject Cross References

References

CAPP

- Topic No. 20310, *Expenditures*
- Topic No. 50470, *Benefits Reconciliation*

Refer to suggested job aids and training information for data entry and processing on the Cardinal website: <http://www.cardinalproject.virginia.gov/>

Suggested Additional Resources

The following can be found on the Cardinal Website, under Learning – Job Aids:

- BN 361 Benefits Quick Reference Guide
- GL 332 Uploading Spreadsheet Journals
- HR 351 Completing a New Hire
- PY 381 Using the Single-Use Payroll Online Tool (SPOT)

The following can be found on the Cardinal Website, under Resources > Forms:

- Journal Entry
- GL Journal Spreadsheet Upload Excel Template
- GL Journal Spreadsheet Upload XLA Macro File



The following can be found on the Cardinal Website, under Learning > Course Materials:

- BN361 Benefit Enrollment and Maintenance



Contacts

DOA Contact



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