

#10

ADMINISTRATIVE POLICY – CASH STIPEND IN LIEU OF GROUP HEALTH INSURANCE

I. Purpose. The purpose of this policy is to encourage health care cost minimization by sharing with employees that have or will, pursuant to this policy, secure health insurance coverage through another source a portion of the premium dollars which would have been spent by the Town but for the other health insurance coverage. Employee participation will be supported to the extent and ends that the Town's Group Health Insurance Plan is not threatened, underwriting assumptions and/or rates in conjunction therewith are not compromised, and measurable degradation of the employee pool does not occur.

II. General. This policy, upon its effective date, establishes a limited benefit for eligible town employees, that is, a cash stipend payable to the employee in lieu of his or her participation in the Town's Group Health Insurance program, where the Town's Group Health Insurance Policy would provide coverage which is redundant in light of other coverage available to the employee under one or more health insurance plans as set out in this policy.

III. Eligibility. Eligibility of an employee to participate in this "opt-out" benefit will be determined through the use of the selection criteria set out herein. If an employee applies for this "opt-out" benefit and is *not* selected, he or she may still receive group health insurance benefits through the Town's then current health benefit plan, subject to the health insurance carrier's application process. Regardless of any other provisions of this policy, the Town Manager shall have the sole discretion whether to offer this "opt-out" benefit at any time, but upon the Town Manager's decision to offer this "opt-out" benefit, eligibility for the benefit shall be determined as set out herein.

IV. Conditions of offering the benefit:

A. Prior to offering the opt-out benefit as described herein, the Town Manager must determine that all of the following conditions exist:

1. An employee has applied for the opt-out benefit.
2. At least eighty-five percent (85%) of the Town's then current employees (*excluding the employee applying for the opt-out benefit*) currently participate in the Town's Group Health Insurance Program, and where certain classes of employees may be excluded from the calculation of non-participants, as determined pursuant to the Addendum hereto.
3. Permitting the applicant to opt-out of the Town's Group Health Insurance Program will not have any adverse affect on the Town's Group Health Insurance Program as determined by the Town Manager in his sole discretion.
4. The Board of Commissioners has appropriated funds for the Town's Group Health Insurance Program for the then current fiscal year.
5. The applicant has provided the Town proof of bona fide healthcare insurance from another source, e.g. military dependent's or retirement coverage, Medicare/Medicaid coverage, spousal coverage which includes the Applicant.
6. The Applicant has completed a Benefit Waiver Form declining the Town's Group Health Insurance Program coverage and the Town's Group Health Insurance Program Carrier/Provider has provided documentation that the Applicant's opt-out decision will not adversely affect the Town's Group Health Insurance Program in any way.

(phased out 16/17)

B. After an Applicant is selected for participation in this “opt-out benefit”, then he or she shall validate and certify at least annually, at a time or times to be specified by the Town Manager, that his or her alternative health insurance coverage under a bona fide health insurance program remains in full force and effect without any gap in coverage;

C. Selection Methods. Employee Applicants that do not meet the criteria for a **Waiver of Selection Criteria**, pursuant to the Addendum, may be considered for participation in this “opt-out benefit,” pursuant to either Option 1 or Option 2..

Option 1. Rating criteria. Employee selection based on tabulating the points from one or more elements shown below, order of preference is point maximization:

- Longevity (full time employment) x points per month
- Length of time individual has opted out of group insurance coverage: x points per month;
- Length of time Application was deferred by Management: x points per month

Option 2. Lottery. Employee selection based on drawing a card with the highest value, using a deck of 52 cards. Each Applicant, draws a card, which is ranked based on the highest card value in descending order, Ace being more valued than a King, King more valued than the Queen, and so on. The card suits have the following preference in descending order:

- o Spade
- o Heart
- o Diamond
- o Club

Thus, an Ace of Clubs is valued less than an Ace of Spades.

A decision on which method, will be made in the Manager’s sole discretion, based upon the number and complexity of Employees submitting Applications.

V. Stipend. The amount of stipend paid by the town to the Applicant will be fifty percent (**50%**) of the current pro rata cost of the monthly premium being paid by the town for group health insurance for current employees, whether through service contracts, an insurer, a Broker or through some other form of purchased coverage, that is, 50% of the quotient obtained by dividing the total number of covered employees into the total monthly premium paid by the Town on behalf of those employees. If the Town ever elects to provide such coverage via self-insurance, then this policy shall be re-evaluated and the method of computing the amount of the stipend shall be determined by the Manager. The stipend will be adjusted at least annually, and paid periodically at a frequency chosen by the Town and WILL NOT be included as base pay for purposes of calculating retirement benefits or any other salary based benefits. As an initial feature at the time of policy implementation, a retroactive payment may be provided from the employee’s date of hire as a full time employee or the beginning of the current fiscal year, whichever date is more recent.

VI. Application Process.

A. The Employee’s Application for participation in this “opt-out” program shall include, (*see Application*):

- Bona fide proof of other health insurance coverage;
- Bona fide proof as a member of a specified class of employees eligible for a **Waiver of Selection Criteria**
- Bona fide proof of the months/years of full time employment with the Town
- Bona fide proof demonstrating the length of time the Applicant opted out of the Town's group health insurance coverage;
- Bona fide proof demonstrating the length of time the Applicant's application was deferred;
- Such other documentation as may be required by the Finance Director or Town Manager;

B. Application Steps

1. **Employee.** The Employee/Applicant begins the "opt-out" process by completing and submitting to his or her Supervisor an Application for participation (including all applicable attachments per this policy).

2. **Supervisor.** The Applicant's Supervisor shall review the Application, ensure that all supporting proof is attached, review the Employee's employment record, and attest to the accuracy of the supporting proof. If the Application is complete, then the Supervisor shall forward it to the Finance Director with a recommendation to approve or deny the application. If the Supervisor determines the Application is incomplete or that it contains inaccurate information, then the Supervisor shall return the Application to the Applicant and shall note the discrepancies found in the Application. The Supervisor and Applicant shall attempt to resolve whatever problem exists with the Application. After correction of any such deficiencies, the Applicant may re-submit his or her Application and the process shall continue as in the case of an original submission.

3. **Finance Director.** Upon the Finance Director's receipt of an Application pursuant to this policy, she or he will review the Application to determine the employee's eligibility in accordance with this policy. After the Finance Director's review, she or he shall make a recommendation to the Town Manager whether to approve or deny the application. If the Finance Director finds the Application to be incomplete, inaccurate, or otherwise not in compliance with this policy, the Finance Director shall return the Application to the Supervisor who submitted it with the Finance Director's comments identifying the portion(s) of the Application which the Finance Director finds incomplete or inaccurate. The Supervisor shall then review the Application with the Employee and either resolve the discrepancies or terminate the Application.

4. **Town Manager.** The Town Manager shall have final authority over the approval or denial of all Applications. Upon denial of any Application by the Town Manager, he or she shall return the Application to the appropriate Supervisor with his or her reason(s) for rejecting the Application in writing.

VII. Continuity and Termination.

A. This benefit is being offered in the sole discretion of the Board of Commissioners for an undetermined period of time and is contingent upon funding in each annual fiscal year budget. The Board of Commissioners specifically disclaims any intention whatsoever to create a property right or any other entitlement to continuation of this benefit in the future and specifically and affirmatively reserves the absolute right to modify, amend and/or terminate this policy at any time and for any

reason regardless of whether funds are available to provide the benefit, and with or without notice to any Program participant or other party and neither this policy, nor the benefit provided herein, nor any representation by the Board of Commissioners nor of any other party may be construed as a pledge, promise, contractual agreement or otherwise guaranteeing the provision of this program and/or policy beyond the current fiscal year, FY 2006-2007 or those thereafter.

B. Events which may result in termination. By way of illustration but not of limitation, the following occurrences could or might prompt the Town to discontinue, modify, or terminate this benefit.

1. The determination that this policy in whole or in part is contrary to the viability of the Town's Group Health Insurance Plan and Program.

2. The absence of sufficient Town funds appropriated in the town budget for this purpose.

3.. The Town's Group Health Insurance Program is or would be adversely affected by the declination of coverage from an employee applicant.

4. A risk is identified which will negatively affect the cost of the Town's Group Health Insurance Plan and Program.


5. In the sole discretion of the Town Manager, participation in this opt-out program may be terminated for one or more employee participants at any time. Termination will be handled in the inverse manner currently being used for selection as a participant. For example, if selection is based on:

- o Point maximization, then participants would be terminated from the opt-out program in order of their accrued points, beginning with the participant having the least accrued points.
- o Lottery, then a lottery would be used to select individuals(s) for termination from the opt-out program..

VIII. Exclusions.

Misconduct/Disciplinary actions. The town will not pay a stipend nor allow an employee to participate in any opt-out reimbursement program for group insurance if the employee has been the subject of any disciplinary action involving imposition of a suspension without pay from the employee's job within the eighteen months next preceding the employee's application to participate in the program.

Encl: Addendum: Definitions
Application

Approved by  this 11 day of June, 2007.
Larry Faison, Manager

ADDENDUM: Definitions.

Employee: shall mean any individual employed by the Employer;

Employer: shall mean the Town of Swansboro;

"Health Insurance Stipend": A cash payment or other provisions for health insurance for an Employee pursuant to this policy and N.C.G.S. ch. 160A and ch. 128.

Group Health Insurance. Insurance for medical expenses provided in whole or in part by the employer.

Group Health Insurance Participant. As defined or amended by the insurance provider. The Insurance Provider as of April 20, 2007 does not include the following employees for participation - nonparticipation ratios:

- o Military dependents covered my DoD Insurance;
- o Medicare/Medicaid recipients;
- o Insurance through Spousal coverage;

This definition, creates a class of employees eligible for a, "Waiver of Selection Criteria." There is no grandfathering this class of employees. Therefore should this definition, and/or a future definition be amended or modified in a manner that reduces or restricts the employee categories, this change will have the affect of *terminating the Waiver, Stipend*, and the reconsideration for participation those Employee Applications granted a waiver, pursuant to the terms and conditions applying to nonwaivered Employee Applicants.

Longevity/Years of Service: As applied to "Employees" as of the date of enactment of this policy, longevity/Years of Service shall mean a continuous period of months during which the Employee was continuously employed on full time basis by the Employer.

TOS: refers to Town of Swansboro;

Participation Ratios - examples

| Participation rates (%) | Employees | | |
|-------------------------|-----------|----|----|
| | 15 | 18 | 20 |
| 75.0% | 11 | 14 | 15 |
| 80.0% | 12 | 14 | 16 |
| 85.0% | 13 | 15 | 17 |
| 90.0% | 14 | 16 | 18 |

Application
CASH STIPEND IN LIEU OF GROUP
HEALTH INSURANCE

A. Administrative Information.

Employee's Name: _____
Department: _____ Date of Application: _____

Applicant initials each applicable block:

I have read and understand the Policy "**CASH STIPEND IN LIEU OF GROUP HEALTH INSURANCE**"

- Request to accept this application with a Waiver of Selection Criteria, as a member of the category of employees which are specifically excluded from the insurance carriers calculations of participation-nonparticipation. Employee Category (*check those that are applicable-at least one condition must exist for a waiver - skip section B.3*):
- Military dependents covered my DoD Insurance;
 - Medicare/Medicaid recipient;
 - Spousal coverage;

B. Eligibility Determination: Grouped into Employer and Employee tests.

1. Minimum Conditions – Employer Tests: Prior to offering the opt-out benefit, the following conditions must exist (*Finance Director-Initial all that are supported, attach documentary information, as appropriate*)

a. At least eighty-five percent (85%) of the Town's then current employees (*excluding the employee applying for the opt-out benefit*) currently participate in the Town's Group Health Insurance Program, and where certain classes of employees may be excluded from the calculation of non-participants, as determined pursuant to the Addendum hereto. Number of participants: ____; Total number of eligible Employees: ____

b. Permitting the applicant to opt-out of the Town's Group Health Insurance Program will not have any adverse affect on the Town's Group Health Insurance Program.

c. The Board of Commissioners has appropriated funds for the Town's Group Health Insurance Program for the applicable/current fiscal year.

2. Minimum Conditions – Employee Tests: Prior to receiving the Opt-Out benefit, the following conditions must exist (*Applicant initials all that are appropriately supported and attaches documentary information*)

a. The applicant has provided the Town proof of bona fide healthcare insurance from another source, e.g. military dependent's or retirement coverage, Medicare/Medicaid coverage, spousal coverage which includes the Applicant.

b. The Applicant has completed a Benefit Waiver Form declining the Town's Group Health Insurance Program coverage and the Town's Group Health Insurance Program Carrier/Provider

has provided documentation that the Applicant's opt-out decision will not adversely affect the Town's Group Health Insurance Program in any way.

3. Selection Methods. Employee Applicants that do not meet criteria for a Waiver of Selection Criteria, pursuant to the Addendum, shall complete the table under Option 1, including attaching supporting information, such as pay stubs, waiver forms, insurance benefit cards, etc. At the discretion of the Manager, Applicants may be notified that selection will be made through a Lottery.

Option 1: Rating criteria. Employee selection based on tabulating the points from one or more elements shown below:

| Criteria | Point Value (each) | Frequency | Points |
|---|----------------------|-------------------|--------|
| Longevity (<i>full time employment</i>) Date: _____ | 1 point per month | | |
| Length of time individual has opted out of group insurance coverage; Date: _____ | 1.5 points per month | | |
| Length of time Application was deferred; Date: _____ | 0.5 points per month | | |
| TOTAL | XXXXXXXX | XXXXXXXXXX | |

Option 2. Lottery. Employee selection based on drawing a card with the highest value, using a deck of 52 cards. Each Applicant or their Representative as selected by the Manager, draws a card.

To be completed by the Manager or his designee: Card selected: _____; Rank: _____;
 Number of Applications subject to the Lottery: _____;
 Witness 1: _____ Witness 2: _____

4. Employee's Signature (*attests that the foregoing information was prepared and submitted truthfully and accurately to the best of your knowledge*).

Signature: _____

C. Employer Determination of Eligibility and Participation:

1. Department Supervisor: Ensure Application is complete and accurate.

[Concur/Nonconcur] Request to accept this application with a Waiver of Selection Criteria.

Comments: _____

Recommendation (Approve/Disapprove) Comments: _____

Signature: _____ Date: _____

2. Finance Director: Review/ Recommend

[Concur/Nonconcur] Request to accept this Application with a *Waiver of Selection Criteria*,

Comments: _____

Recommendation (Approve/Disapprove) Comments: _____

Signature: _____ Date: _____

3. Manager: Make final determination for participation or deferral:

[Concur/Nonconcur] Request to accept this application with a *Waiver of Selection Criteria*,

In lieu of a Waiver, identify which Selection Method was used by circling the choice:

[Rating Criteria or Lottery]

(Approve/Disapprove/Defer - Application) Comments: _____

Signature: _____ Date: _____