


<p>Office of Employee Benefits</p> <p>Administrative Manual</p> 	CHANGE IN STATUS	310
	EFFECTIVE DATE: SEPTEMBER 1, 2001	
	REVISION DATE: SEPT. 2002; DEC. 2003; MAR. 2005; JULY 2005; SEPT. 2008	
	PURPOSE: To define qualified status changes and other qualifying events as stipulated in Treasury Regulation §1.125 that permit Employees to make mid-year changes to benefit plan elections	
	SCOPE: Employees, Retired Employees and Dependents	
STATUTORY AND ADMINISTRATIVE REFERENCES: U.S. Treasury Regulation §1.125		

1.0 BACKGROUND

A flexible benefits plan (also called a “cafeteria” plan) is a program that employers use to help Employees pay for certain expenses like health insurance and child care, with pre-tax dollars. UT FLEX is the qualified cafeteria plan for The University of Texas System’s (System) Employee Group Insurance Program (Program).

Treasury Regulation §1.125 states that Employees who participate in flexible benefits plans can change payroll deductions outside the designated annual enrollment period only if they experience a qualified Change in Status. The Internal Revenue Service (IRS) rules specify that life events or “changes in status” can be the basis for mid-year changes in an Employee’s election of benefit plans. The IRS has also indicated through informal communications that it will permit changes to correct clerical errors in certain limited circumstances.

Retired Employees have no premium redirection; therefore, Treasury Regulation §1.125 does not pertain to Retired Employees. However, for consistency in administration, this policy will also apply to Retired Employees. In this policy, the word “Employees” also pertains to “Retired Employees.”

2.0 SUMMARY OF VALID EVENTS AND CHANGES

2.1 Change in Status Events

This regulation applies the Change in Status rules to all qualified benefits; i.e., medical, dental, vision, accidental death and dismemberment, voluntary group term life, and dependent day care reimbursement plan benefits.

2.1.1 Change in Marital Status

This event is a change in an Employee's marital status such as marriage, divorce, annulment, legal separation or spouse's death.

2.1.2 Change in Number of Dependent Children

This event is a change in the number of an Employee's dependent children resulting from birth, adoption, placement for adoption, death, gain/loss of a stepchild, or gain/loss of a child under legal guardianship.

2.1.3 Change in Residence

This event is a change in residence for an Employee, spouse, or dependent child which causes the member to no longer be eligible for the plan originally selected.

2.1.4 Change in Employment Status

This event is a change in employment status of an Employee, spouse or dependent child. These events may include worksite strike, lockout, starting or ending employment, starting or returning from an unpaid leave of absence, a change in job status (for example, from part-time to full-time or full-time to retirement) or other changes that affect plan eligibility. This event could occur at the workplace of the Employee, spouse, or dependent child.

2.1.5 Change in Dependent Child Eligibility

This event is a change that causes an Employee's dependent child to start or stop meeting the plan's eligibility criteria. Examples include attaining the limiting age of 25 years old or marriage/divorce of the dependent.

2.2 Cost or Coverage Changes

NOTE: The Internal Revenue Service did not formally define the word "significant" or give examples. Therefore, "significant" changes should be determined by each institution on a case-by-case basis, taking into account each Employee's specific situation as it pertains to mid-year changes. U. T. institution Benefit Offices must take into consideration all applicable Office of Employee Benefits (OEB) policies, procedures and guidelines and all other applicable System, State of Texas and federal rules and regulations.

2.2.1 Cost Changes with Automatic Increases or Decreases in Premiums

This change would apply if, during the benefit plan year, there is an increase (or decrease) in premium rates that would cause an Employee to have a significant increase (or decrease) in out-of-pocket cost. This provision allows the System to adjust rates accordingly. As a result, a person could change elections as described in Section 2.2.2 below. Historically, the System has not changed premiums mid-year; however, applicable law permits an employer to do so in certain situations.

This change applies to all qualified benefits except the UT FLEX Medical Expense Reimbursement Account.

2.2.2 Significant Cost Changes

This change would apply if an Employee's out-of-pocket cost for benefit package options significantly increases (or decreases). When the System notifies the Employee that the cost of coverage under the plan is significantly increasing during the plan year, the Employee may choose either to accept the increase in out-of-pocket costs or revoke the benefit election and receive coverage under another plan that provides similar coverage.

A determination must be made as to whether an increase or decrease is significant. The proof of change must include language addressing the cost of the change. In addition, there must be specifications under the terms of the plan stating that Employees are required to make a corresponding change in their payments.

Coverage cannot be dropped where there are coverage alternatives, regardless of how much the cost of coverage increases. In the event of a significant cost increase, if similar alternative coverage is available, it must be elected.

This change applies to all qualified benefits except the UT FLEX Medical Expense Reimbursement Account.

2.2.3 Significant Coverage Curtailment (With or Without Loss of Coverage)

When OEB or the plan administrator of the Employee's spouse or dependent child notifies the Employee or member that the coverage under a plan is being significantly curtailed (e.g., reduced or eliminated), the Employee may revoke his/her current plan and elect coverage under another plan option that provides similar coverage. For example, the elimination of a benefit for physical therapy services would be a significant curtailment of coverage. If during the plan year the plan eliminates a significant coverage option, the Employee, on a pre-tax basis, can make a corresponding election change to another plan option that provides similar coverage.

If the benefit coverage is significantly curtailed resulting in a loss of coverage, the employee can revoke the election for the affected coverage and may either prospectively choose coverage under another benefit option that provides similar coverage or drop the coverages if no other benefit option providing similar coverage is offered by the employer.

This change applies to all qualified benefits except the UT FLEX Medical Expense Reimbursement Account.

2.2.4 Addition or Significant Improvement of Benefit Plan

If a new benefit plan is added or coverage under an existing benefit plan is significantly improved during a period of coverage, eligible Employees may revoke their current election and make another election for coverage under the new or improved benefit plan.

This change applies to all qualified benefits except the UT FLEX Medical Expense Reimbursement Account.

2.2.5 Change in Coverage Under Another Employer's Plan

The plan of another employer must permit elections, and an election must actually be made under this plan. The other employer's plan must have an annual enrollment period different from that of the System.

This change applies to all qualified benefits except the UT FLEX Medical Expense Reimbursement Account.

2.2.6 Loss of Coverage Under Group Health Plan of Government or Educational Institution

An Employee may make an election to add coverage for himself/herself, spouse or dependent child if group health coverage is lost through a governmental or educational institution.

Examples of this change include loss of coverage under a state children's health insurance program (CHIP), a state health benefits risk pool, or another country's national health insurance program.

This change applies to all qualified benefits except the UT FLEX Medical Expense Reimbursement Account.

2.3 Miscellaneous Events

2.3.1 Family and Medical Leave Act (FMLA) Leave

An Employee taking leave under FMLA may revoke an existing election and make other elections for the remaining portion of the period of coverage under FMLA.

2.3.2 Court Judgment, Decree, or Order

This change applies to a judgment, decree or order (including Medical Child Support Order) issued by a court of law of competent jurisdiction resulting from a divorce, legal separation, annulment, or change in legal custody that allows an Employee to add coverage if the order requires coverage for the child or allows an Employee to drop coverage if the order requires another individual to provide coverage. If a dependent child is being added due to a Medical Support Order, Evidence of Insurability is not required. Prior to dropping coverage, the U. T. Institution Benefits Office must receive satisfactory proof that the other individual has enrolled the child in his/her group coverage.

This change applies to all qualified benefits except the UT FLEX Day Care Reimbursement Account.

2.3.3 Medicare or Medicaid Entitlement

An Employee can cancel or reduce health coverage when the Employee, spouse or dependent child becomes eligible for Medicare or Medicaid. Loss of eligibility also allows an Employee to make an election to add health coverage.

This change applies to all qualified benefits except the UT FLEX Day Care Reimbursement Account. The UT FLEX Medical Expense Reimbursement Account may be cancelled but not reduced.

2.3.4 Initial Eligibility for Out of Country Dependents

An Employee, who does not enroll their eligible spouse and/or dependent child(ren) during their initial period of eligibility because the dependent resides outside of the United States, may enroll the dependent(s) without evidence of insurability (EOI) during the first 31-days following the date the dependent enters the U.S. The Employee must provide written proof to the institution Benefits Office that the dependent(s) entered the U.S. within 31 days of the application for enrollment.

See Section 5.0 for the effective date of coverage.

3.0 CONSISTENCY RULES

For an election change to be permitted, a specific event must have occurred and the election change must also be consistent with the event.

3.1 General Consistency Rule

An election satisfies the consistency requirement if the election is a result of and corresponds with a Change in Status that affects eligibility for coverage under an employer's plan.

3.2 Exceptions to the General Consistency Rule

3.2.1 Exception for Voluntary Group Term Life, Disability, and Accidental Death and Dismemberment (AD&D) Coverage

A participant may increase or decrease voluntary group term life insurance, disability and AD&D coverage for any Change in Status event, even if the change does not result in a gain or loss of eligibility.

3.2.2 Exception for Dependent Day Care Reimbursement Plans

This exception to the general rule permits election changes when dependent day care reimbursement plans are affected. This exception applies only if the election change is a result of and corresponds with the Change in Status event.

3.2.3 Special Consistency Rule for Loss of Dependent's Eligibility

Election changes that can be made upon an Employee's divorce, annulment or legal separation from a spouse, the death of a spouse or dependent child, or an event which causes a dependent child to lose eligibility for coverage are limited to cancellation of the coverage of the affected individual who has lost eligibility; e.g., if the spouse dies, the Employee can cancel coverage for the spouse only.

3.2.4 Gain of Eligibility Under Another Employer Plan

Coverage for an Employee or Dependent cannot be cancelled or decreased on the basis that the individual has become eligible for coverage under another employer plan unless the individual actually enrolls in another employer plan. Mere availability of such alternate coverage is not grounds for an election change.

4.0 NOTIFICATION BY EMPLOYEE OF STATUS CHANGE

4.1 From Date of Event: 31-day Notice

The Employee has 31 days from the date of the qualifying event to notify the employer of a status change.

If the application is not made within 31 days of the Change in Status event, a mid-year change will not be permitted unless required by law.

4.2 Documentation

The Employee must provide appropriate documentation as proof of the qualifying event for a status change and must also complete the [Change in Status Form for Mid-Year Benefit Election Changes](#). This form requires the Employee to be specific when a request is made to change benefits and will assist the institution Benefit Offices with a paper trail for auditing purposes.

5.0 EFFECTIVE DATE OF COVERAGE CHANGE

Coverage changes will take effect as follows:

- (a) If there will be no increase in premium or evidence of insurability (EOI) is not required to add a Dependent, the effective date will be the date of the Change in Status (i.e., the date the Dependent becomes eligible).
- (b) If there will be an increase in premium, the effective date of coverage will be the first of the month that the increase takes effect.
- (c) If EOI is required, coverage may take effect on either: (1) the date of the EOI approval; or (2) the first of the month following the EOI approval.
- (d) If an Employee/Retired Employee is adding an eligible newborn child or grandchild, the effective date may be either: (1) the date of birth; or (2) the first of the month following the date of birth.
- (e) If the individual drops coverage, the change will take effect at the end of the last day of the month for which the Employee has paid premiums.

6.0 REQUEST TO CHANGE PROGRAM COVERAGE DUE TO A CLERICAL ERROR

The only allowable change during a plan year, other than a qualified change in status, is to correct a clerical error made during the initial period of eligibility or during the annual enrollment period that resulted in an unintended election.

Important: OEB will permit such changes only upon proof of “clear and convincing” evidence that an election was the result of a clerical error. A misunderstanding of the benefits is not a clerical error.

6.1 Examples of Evidence of a Clerical Error

Example 1: During the Annual Enrollment period, an Employee using UT TOUCH elects Employee and Children dental coverage but does not list the dependent child(ren). The Employee may be allowed to correct this error and enroll the child(ren) in the dental coverage effective September 1.

Example 2: An Employee, who has Employee and Children medical coverage, marries an eligible spouse with a child and completes an enrollment form within 31 days from the date of the marriage for Employee and Family medical coverage. The Employee’s institution fails to make the change in payroll deduction. If this mistake can be verified by checking the Employee’s enrollment form, the error can be corrected.

6.2 Required Time Limit to Report Clerical Error

An Employee's request for a change in coverage will only be considered upon the Employee's submission of "clear and convincing evidence" of the mistake within 31 days of receipt of the first payroll check that contains the error in the coverage.

Example 3: In Examples 1 and 2 above, the Employee fails to detect and report the error until the issuance of his second payroll check following the mistake. Even though both errors could have been established to be a clerical error, the mistakes cannot be corrected because they were not reported within the time limit.

6.3 Submit Request to OEB

The U.T. institution Benefits Office must forward all requests beyond 31 days from Employees to the System Office of Employee Benefits (OEB) to correct any error in Program coverage. Only OEB can approve such requests. OEB will review the request, make the determination for approval or disapproval of the request, and notify the institution Benefits Office. If approved, OEB will determine the effective date based on the specific circumstances. **All OEB decisions will be final.**