

Director Procedure Number: G128
Title: Health Care Coverage Opt-Out
Section: Finances

Health Care Coverage Opt-Out

Internal Revenue Code Section 125 allows an employer to offer eligible employees the opportunity to opt-out of employer provided health care insurance. Under Section 125, the employer-sponsored medical insurance premiums remitted on behalf of all employees not choosing to opt-out of offered coverage shall remain tax-free. In the event of changes to the law or corresponding regulations and guidance, amendments to this policy may be instituted by the Administration.

The Health Care Coverage Opt-Out allows eligible employees who have coverage through another source to waive coverage under the health insurance plan and receive a taxable cash incentive. Employees waiving coverage shall receive the incentive designated within the applicable employee agreement. Employees electing to receive a cash incentive in lieu of medical insurance coverage must notify the Business Office prior to June 1st of each school year on a form provided by the Business Office. Such election shall be effective July 1 through June 30th. Subject to applicable law and employee agreements, employees who elect to waive medical insurance coverage shall provide verification of other medical coverage on a form provided by the Business Office. Election to waive medical insurance coverage is irrevocable through the school year except upon a change in family status as provided under applicable law and the terms of the Section 125 Premium Conversion Plan. A new election must be made each school year. If an employee re-enrolls in medical insurance coverage before the next open enrollment period as permitted under the terms of the Section 125 Premium Conversion Plan or ceases to be an employee of EASTERN, the pro-rated balance of the cash incentive is due to EASTERN and shall be remitted through a payroll deduction.

Payments are made in one installment in September and are taxable wages to the employee and all applicable taxes and other deductions shall be withheld.

New employees may enroll in the Health Care Coverage Opt-Out program within 31 days of becoming eligible for benefits.

Adopted: 9/11/13