



# Health WATCH

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STATE EMPLOYEES' INSURANCE BOARD

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## State Employees' Insurance Board

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[www.alseib.org](http://www.alseib.org)

November is  
**OPEN  
ENROLLMENT  
MONTH.**

You may add dependent coverage without the usual 270-day waiting period on preexisting conditions. You must specify a January 1 effective date of coverage on your change form.

## Board Approves Health Insurance Coverage Changes for 2008

The SEIB Board met August 15 and took the following actions:

### Premium Changes effective October 1:

- Increase tobacco user's monthly surcharge to \$24;
- Increase non-Medicare retiree rates by 10%:
  - The base premium for retired State employees who don't qualify for Medicare will be \$167 per month. Family coverage for non-Medicare retirees will increase to \$198 per month. If you retired after September 30, 2005, your premium may be higher or lower based on your years of service.

### Benefit Changes effective October 1:

- Tamiflu® will be moved from the Tier 3 to the Tier 2 prescription drug copay. Tamiflu® is for flu prevention and flu treatment in adults and children.

### Addition of the Blue Cross Blue Shield Pharmacy Flu Shot Network

- The SEIB will implement the Blue Cross Blue Shield Pharmacy Flu Shot Network. Under this new arrangement, active and retired State employees and their covered dependents may elect to get the flu shot at a participating pharmacy that provides this service.

### Implement a Generic Copay Waiver Program

- The program would waive generic copays for certain prescription drug classifications, up to four months each calendar year, when a member switches from the brand name to the more cost effective generic. Currently this program only applies to the classification of drugs used to treat stomach ulcers and/or other related upper gastrointestinal conditions.

### Benefit Changes effective January 1, 2008:

- The annual maximum dental benefit increases to \$1,500 per person.
- Prescription drug benefit changes will:
  - Change the Tier 2 (preferred brand name) prescription drug copay from \$20 to 20% of the cost of the prescription with a \$20 minimum and a \$35 maximum;
  - Change the Tier 3 (non-preferred brand name) prescription drug copays from \$50 to 20% of the cost of the prescription with a \$50 minimum and a \$100 maximum;
  - Eliminate Tier 3 (non-preferred) prescription drugs from the maintenance list; and
  - Maximum amount of prescription drug copays you are responsible for paying in a calendar year is \$2500.

# Active State Employees...



## It's that time again!

Enroll in the 2008  
HCRA and we will  
contribute \$50  
to your account.

STATE EMPLOYEES'  
FLEXIBLE BENEFITS PLAN

### *Open Enrollment*

November 1st through November 30th  
**Online Enrollment opens October 1st**  
[www.alseib.org](http://www.alseib.org)

Active State employees who have been enrolled in the HCRA and the DCRA know that it is time to reevaluate their contribution amount for the 2008 plan year. **Did you spend your Flexible dollars before your plan year was up?** Then it may be time to increase your contribution. **Still have a few dollars left in your account** – time for you to spend that money and maybe decrease your contribution for 2008. Just remember that you must reenroll every year to participate. Online enrollment opens October 1. Enrollment brochures will be mailed to all active employees the first week of November.

## Never enrolled in the State Employees' Flexible Benefits Plan?

**1** Do you have at least \$120 in out-of-pocket medical expense per year? These include copays, deductibles, dental expenses, glasses and contacts – those are out-of-pocket – *out of your pocket* medical expenses. The Health Care Reimbursement Account (HCRA) will not only reimburse you with tax free dollars for those expenses it will also reimburse you for over-the-counter medicine – just about everything you can think of is covered. How much do you spend for over-the-counter medicine in a year? Examples of over-the-counter medicines covered under the HCRA can be found on our website; [www.alseib.org](http://www.alseib.org). We are not just talking about *your* medical expenses, we are talking about the expenses of *ANY* dependent you have – even if they are not on your health insurance plan.

Remember that we will contribute \$50 to your HCRA with your minimum contribution of \$5 per pay check. \$50 for \$5 – you can't beat that!

**2** Do you pay for the care of a child or adult dependent while you and your spouse work? We don't need to tell anyone who pays for dependent care how expensive it is!

**If you answered "yes" to one or both of these questions, the State Employees' Flexible Benefits Plan is for you!**

# What are the benefits of the State Employees' Flexible Benefits Plan?

**A**s a part of your benefit package as a State employee you may elect to use pre-tax payroll deductions to set aside cash for out-of-pocket medical expenses not covered by your health plan. This plan is known as the HCRA.

You may also use pre-tax payroll deductions to create an account known as the Dependent Care Reimbursement Account (DCRA) to help you pay for your dependent care expenses.

As you incur out-of-pocket medical expenses or dependent care expenses you are reimbursed with this pre-tax



money from your account. And you never pay taxes on this money!

***These plans actually put more money in your pocket!***

## The HCRA puts more money in your pocket by reducing your taxes.

Health care expenses exceeding 7.5% of Adjusted Gross Income (AGI) may be taken as itemized deductions on your federal income tax return. Only expenses over 7.5% of AGI can be deducted. If you

use the HCRA, all eligible expenses are paid with tax-free dollars. Your tax savings start with the very first dollar you spend on health care.

Take a look at the example below:

	Using the Income Tax Itemized Deduction	Using the Spending Account
Adjusted gross income	\$20,000	\$20,000
7.5% AGI maximum amount	\$ 1,500	Not applicable
Medical expenses	\$ 1,500	\$ 1,500
Amount allowed as an itemized deduction on tax return	0	Not applicable
Tax savings assuming 15% bracket	0	\$ 225
Tax savings assuming 28% bracket	0	\$ 420

## Contribution Amounts

You must decide, based on your expenses, how much you want to contribute from your paycheck over the

course of the next year. The minimum and maximum amounts for the HCRA and DCRA are as follows:

Account	Minimum per Pay Period	Maximum per Pay Period
HCRA	\$5.00	\$312.00
DCRA	\$5.00	\$208.00

The amount you designate is taken out twice a month (24 times in a plan year) before taxes and, since you never pay taxes on this money, you have more money in your pocket.

## HCRA Covers Out-of-Pocket Expenses for You and Your Family

The HCRA covers your drug copays, hospital deductibles and physician office visit copays. It also reimburses you for services not covered by your health plan, such as the eye laser surgery, eye glasses and contact lenses.

Over-the-counter medications such as allergy/sinus treatment, aspirin, antibiotic creams, antacids and acne medications are but a few of the many products that are eligible for reimbursement through your account. **Also, this plan reimburses you for your dependents' expenses even if they are not covered under your health plan.**

The plan can also be used to reimburse you for dental services beyond what your health plan covers, such as orthodontics, crowns and bridges. Examples of other eligible expenses are hearing aids and batteries, acupuncture, vaccinations, physical therapy, speech therapy and chiropractic services.

Expenses for general health or personal improvement, even if prescribed or recommended by your physician, cannot be reimbursed. Some ineligible expenses include cosmetic surgery, Rogaine or other hair growth drugs, Retin A or other drugs used for cosmetic purposes only, exercise or health club fees, and amounts paid by a separate medical plan.

Calculate your deduction carefully so you do not contribute more money than you actually need. Amounts left in the HCRA will "roll over" into the next plan year, however these funds must be used by March 15 of the next plan year or you will lose those funds.

# Use the HCRA as an Interest Free Loan!

The HCRA will reimburse you up to 100% of your annual pledge beginning January 1. The money does not have to accrue in your account to use it. It works like an *interest free loan* on those larger expenses such as glasses, dental work and even the eye laser surgery. For instance, suppose your child needs braces next year. Your orthodontist tells you that the cost for the initial 12 months will be \$1,800. You enroll in the HCRA and have \$100 per pay period deducted tax free from your pay check. On January 19 your child gets braces and you make full payment to your orthodontist through the HCRA even though you have only contributed \$100 to the account so far. And on top of that, you paid with pre-tax money, giving you in effect a discount based on your tax rate.



## What **method** of reimbursement for the HCRA is right for you?

With the HCRA you have a choice on the method of reimbursement.

- **The Flexible Spending Card has proven to be a popular choice of reimbursement.** Is the card for everyone? No, it's not. The Flexible Spending Card utilizes the MasterCard network. If your doctor, dentist or hospital accepts MasterCard as payment then you can "swipe" your copays and deductibles. You must save ALL your receipts and validate by submitting receipts for purchases such as glasses or contacts that are not covered under your health plan with Blue Cross Blue Shield (BCBS). The IRS requires that BCBS validate each Flexible Spending Card transaction. If BCBS has a question on a charge you will need to provide a copy of the sales slip that describes the purchase or you will be required to refund the charge. BCBS claims data can usually be used to validate a charge.

However if the BCBS claim amount or claim date do not match the date and/or amount charged, BCBS will request a receipt. Failure to forward a copy of the receipt will result in the suspension of your card until the charge is repaid. To avoid suspension of your card, respond to the first request for a receipt you receive from BCBS.

- **Traditional reimbursement or the "bump" method is a hassle free method of reimbursement.** If you elect not to take the card you will still experience fast payment of claims. Your out-of-pocket expenses will automatically be reimbursed to you when your doctor, dentist or pharmacist files with BCBS for payment of a

service. This is the traditional method of reimbursement and it is known as the "bump". Once you enroll you can even choose to have this reimbursement directly deposited in your bank account.

- **The manual method of reimbursement will appeal to people who are covered under a second insurance plan other than their State Employees' Health Plan.** If you choose the manual method of reimbursement your claims will not "bump". You will attach your receipts for out-of-pocket expenses to a claim form that can be mailed or faxed to BCBS for reimbursement. This method allows the secondary insurance to pay and then you file any amount that is left over. This method can be used if you are saving your contribution amount for one particular procedure.

You will need to substantiate a claim (so hold onto those receipts), even if you elect the Flexible Spending Card, on services not covered under your health insurance or claims on dependents not covered under your State health plan. If you choose the traditional reimbursement method you will need to manually file claims incurred by dependents not on your health insurance plan and file for expenses not covered by your health plan. If you are a State employee who has opted out of your State Employees' Health Insurance Plan you will be required to manually file all claims before reimbursement can be made.

**NOTE: Please contact our office before enrolling if you plan to retire in 2008.**

**Online Enrollment opens October 1st**  
[www.alseib.org](http://www.alseib.org)



*Need a break on those high day care expenses?*

## **The Dependent Care Reimbursement Account (DCRA) can help!**

Paying for dependent day care for a dependent while you and your spouse work can be very expensive. The DCRA will reimburse you for day care expenses for the care of your child or adult dependent inside or outside your home.

The DCRA lets you designate an amount you wish to have deducted from your paycheck during the plan year. This amount is taken out of your paycheck before taxes. As you incur expenses for your child or adult dependent you will be reimbursed. You will never pay taxes on this money.

### **What types of dependent care are eligible for reimbursement under the DCRA?**

Day care for pre-school children, before and after school care, summer and summer day camp fees are all eligible expenses. Adult day care for an incapacitated spouse or parent – as long as they are claimed as a dependent on your Federal Income Tax and reside in your home at least 8 hours a day is also a covered expense.

Examples of ineligible expenses for dependent care include educational expenses, food, clothing, transportation and housekeeping expense not related to dependent care. Care provided by the spouse or someone claimed as a dependent on the employee's income tax return is also not an eligible expense.

# Can you **change your deduction** for the HCRA or DCRA during the year?

Once an employee enrolls, the election remains in effect until January 1 of the following year. Under IRS regulations, unless the employee has a "qualifying change" in status, you may not change your participations in a HCRA or a DCRA. To raise, lower or revoke an election a form must be completed and returned to State Employees' Insurance Board within 30 days of the date that the qualifying change occurred. The change in your election must be consistent with the change in your status. Changes in status include, but are not limited to:

- Addition of a dependent(s) through marriage, birth or adoption of a child
- Loss of dependent(s) through divorce, legal separation, death of a spouse or dependent or loss of legal custody



- FMLA or Leave Without Pay
- Dependent's age or student status
- Medicare or Medicaid entitlement of employee, spouse or dependent
- Significant change in day care provider charge

**At the end of the plan year the deduction will stop if you do not re-enroll during Open Enrollment.**

## **How do you enroll? Who do you call if you have questions?**

Open Enrollment is held every year officially during the month of November. Every State employee will be mailed an enrollment form during the first week of November to the address on file with the State Employees' Insurance Board. We also offer enrollment via our website at: [www.alseib.org](http://www.alseib.org). Once you enroll online you should receive an email confirming that enrollment. It is important that you print your enrollment page and keep it for your

records. If you fax or mail your enrollment form make sure you keep a copy of your form and if you fax your form keep a copy of the fax verification for your records.

If you have questions that are not answered in this newsletter please call our office or go online for the answers. You may call and speak with one of our representatives by dialing 1-866-853-2224; in Montgomery please call 833-5908. Our fax number is 334-240-4449.

**[www.alseib.org](http://www.alseib.org) • 866.853.2224**

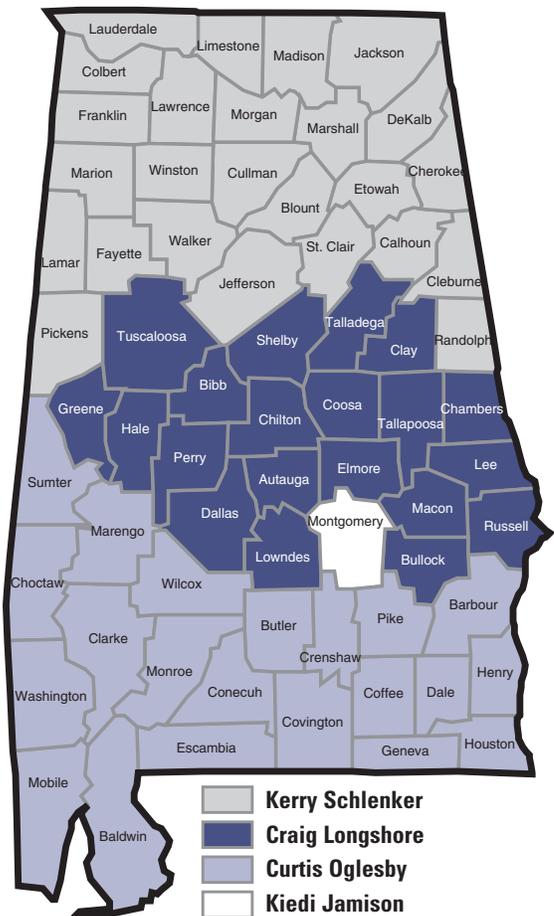
OPEN ENROLLMENT ENDS  
**November 30, 2007**

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## Field Benefit Advisors *At Your Service*

**D**on't forget to call our health insurance benefit advisors, located conveniently throughout the state, for all your enrollment, benefits, and options questions. Listed here are the agents, their territories and several ways to contact them. **You should notify the agent assigned to your county of employment.**



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NOTE: All health care **claims** inquiries must be directed to Blue Cross Blue Shield.

Visit us online at:  
**[www.alseib.org](http://www.alseib.org)**