



November 3, 2003

Payroll Letter 845

To: HR Administrators, Payroll Officers, Personnel Officers, Fiscal Officers, Labor Relations Officers, and EEO Officers of All Departments, Institutions, Boards and Commissions

From: Dan R. Parks, State Payroll Administrator

Subject: Employee Health Care Split Deduction Processing

Pursuant to recent changes in the collective bargaining agreements, the HR2K payroll/personnel system will be modified to split employee shares of health insurance premiums so that they can be deducted during a first and second paycheck of a month. This change is effective the first paycheck employees receive in November (November 14th, 2003). In order to ensure consistency in system processing of health insurance benefits, this change will affect all full-time and part-time employees, bargaining unit and exempt. This Payroll Letter will outline all changes as a result of this system change. (NOTE - For monthly payrolls, no change in processing will occur).

I. First Paycheck of the Month Processing – Initial Half Deduction

The first paycheck of a month process will involve two steps. First, all existing employee health insurance deductions will be removed from employee payroll (PAYU) records. Second, based on the employee's coverage type (single or family), the system will automatically calculate one-half of an employee's health insurance premium, including surcharges for communications, consultant and UBH. This amount will then be inserted into employee payroll records (PAYU). The corresponding deduction code assigned will be identified as follows: A_H or J_H, where the first two characters identify the respective health plan, and the third character ("H"), denotes a "half" deduction code and amount. For instance, A1H would represent "Ohio Med PPO – Half Share Deduction". During Change Journal processing, when the system encounters an employee health insurance deduction code ending in "H", the employee deduction will be processed as usual, but **no** corresponding state share amounts will be processed. This concept will enable easier processing of refunds when required, i.e. all money previously deducted will be employee shares only. Employee "half" deduction codes will remain in employee

payroll records during the cycle and viewable on the PAYU-1 screen. Employees will see the A_H or J_H health insurance deductions printed on earnings statements in the voluntary deduction area.

During subsequent processing of Employee Benefit Payment History (BENH) and Employee Deductions History (DEDD), the A_H or J_H entries will be maintained accordingly.

II. Second Paycheck of the Month Processing – Remaining Half Deduction

The second paycheck of a month process will also involve two steps. First, all existing employee health insurance deductions will be removed from employee payroll (PAYU) records. Second, the system will review the employee's current health insurance balance contribution (from the first pay check of a month process), then calculate the remaining premium amount to be processed and insert this amount into employee payroll records. (NOTE - If the current contribution amount is \$0.00, the system will attempt to process the remaining premium due as a full employee share). The corresponding deduction code inserted will be A_1 or J_1. When the system encounters this standard health insurance deduction code, corresponding state share premiums will be processed. Employees will see the A_1 or J_1 health insurance deductions printed on earnings statements in the voluntary deduction area.

During subsequent payroll maintenance, all health insurance deductions will be removed from employee payroll records, and the process will be repeated if the next payroll cycle is the first paycheck of a month. No health insurance premium will be processed during a third paycheck of a month.

III. Termination of Benefits Due to Employee Separation

In the event an employee is separating from state employment, the HR2K system will be modified to check if a separation personnel action (PA) code is encountered. If the effective date of the separation PA is any date in the previous month, compared to the current pay period ending date being processed, the system will restrict any health insurance deduction from occurring by disabling the deduction code frequency. For example, if the current processing cycle includes payday Friday December 12th 2003, and a separation PA is found with an effective date of November 28th, 2003, no health insurance deduction will process. The employee would have coverage for the month of December, but is not entitled to coverage for January.

IV. Health Care Make-Ups

The "Benefits Make-Up/Refund Form" will be utilized to process all health insurance make-ups. Please complete the form and submit to DAS Benefits Administration for

verification at 30 E. Broad Street, 28th Floor, or fax to (614) 728-3002. The form is available at the following web site: www.state.oh.us/das/dhr/pdf/benemakeup.pdf. Additionally, you must post the appropriate health insurance make-up deduction to the employee's payroll record using the PAYU application. Health plans will only adjust up to three months of coverage; therefore, only three make-up deductions are permitted. Each make-up is for one month of coverage and must be for the full employee insurance premium amount. If you wish more than one month of coverage, you must post a separate make-up for each month of coverage.

1. Make-up For One Month of Coverage, Current Plan Year

Codes ending in two (2), either A_2 or J_2, should be used to deduct the employee share of a make-up adjustment for one month of coverage only, for the current benefit plan year. Post this code and the appropriate single or family employee coverage amount. This code will automatically generate the current state share amount in effect, and will automatically be removed from payroll at the end of the payroll cycle.

2. Make-up For One Month of Coverage, Previous Plan Year

Codes ending in three (3), either A_3 or J_3, will be used to deduct the employee share of a make-up adjustment for one month of coverage only, for the previous benefit plan year (July 1, 2002 through June 30, 2003). Post this code and the appropriate single or family employee coverage amount. This code will automatically generate the previous benefit plan year state share amount, and will automatically be removed from payroll at the end of the payroll cycle.

V. Employee Refunds

When it becomes necessary to process an employee refund for health insurance, the only refund request that will be accepted from agencies will be a refund for full insurance premiums, i.e. a first and second paycheck of the month was previously processed which resulted in a full insurance premiums payment. Agencies should utilize the "Benefits Make-Up/Refund Form" to request a refund. For example, if the employee was family coverage during a first paycheck of the month, then switches to single coverage during the second paycheck of a month, a partial balance will exist in the employee's BENE account. Also, if the employee had a half deduction taken the first paycheck of a month, then has no deduction taken the second paycheck of a month; a partial balance would also exist. DAS-HRD Office of Payroll Administration will identify these instances and initiate a refund request on behalf of the agency. During this processing, the agency will receive a refund report identifying those employees who will receive a partial balance refund.

VI. Pending Leaves

Special consideration must be taken when processing pending leaves. Workers Compensation Pending (WCPEND), Disability Pending (DPEND) and Military Pending (MPEND) may only be posted for processing during a second paycheck of the month. Subsequent to posting the leave mentioned above, the system will insert the appropriate health insurance deduction; most likely a full insurance premium amount. In the event the employee had a half deduction taken the first paycheck of the month, the system will adjust the insurance premium amount accordingly. To ensure that pending leaves are processed accurately, the online HR2K system will be modified to not accept the posting of WCPEND, DPEND, or MPEND during a first paycheck of a month cycle.

VII. Standard Calendar of Health Care Deduction Processing

The table below shows a calendar of all paydays from November 14, 2003 through the end of 2004. Listed is the actual payday, along with the associated percentage of insurance premium to be processed.

Payday	Deduction Amount	Payday	Deduction Amount
11/14/2003	Initial ½ premium	11/28/2003	Remaining ½ premium
12/12/2003	Initial ½ premium	12/26/2003	Remaining ½ premium
1/9/2004	Initial ½ premium	1/23/2004	Remaining ½ premium
2/6/2004	Initial ½ premium	2/20/2004	Remaining ½ premium
3/5/2004	Initial ½ premium	3/19/2004	Remaining ½ premium
4/2/2004	Initial ½ premium	4/16/2004	Remaining ½ premium
4/30/2004	No deduction		
5/14/2004	Initial ½ premium	5/28/2004	Remaining ½ premium
6/11/2004	Initial ½ premium	6/25/2004	Remaining ½ premium
7/9/2004	Initial ½ premium	7/23/2004	Remaining ½ premium
8/6/2004	Initial ½ premium	8/20/2004	Remaining ½ premium
9/3/2004	Initial ½ premium	9/17/2004	Remaining ½ premium
10/1/2004	Initial ½ premium	10/15/2004	Remaining ½ premium
10/29/2004	No deduction		
11/12/2004	Initial ½ premium	11/26/2004	Remaining ½ premium
12/10/2004	Initial ½ premium	12/24/2004	Remaining ½ premium