Office of Employee Benefits Administrative Manual	QUALIFIED STATUS CHANGE EVENTS	310
	INITIAL EFFECTIVE DATE: SEPTEMBER 1, 2001	
	LATEST REVISION DATE: DECEMBER 15, 2022	
	PURPOSE: To define qualified status changes and other qualifying events that permit Employees and Retirees to make mid-year changes to benefit plan elections	
	SCOPE: UT System Flex Plan Participants	
	STATUTORY AND ADMINISTRATIVE REFERENCES: U.S. Treasury Regulation for Cafeteria Plans	

1.0 BACKGROUND

UT FLEX is UT System's "cafeteria" plan that permits Benefits Eligible Employees to pay for certain expenses like health insurance and child-care, with pre-tax dollars, as well as provides the ability for certain insurance premiums to be deducted from pay on a pre-tax basis. Like all cafeteria plans, UT FLEX permits mid-year plan changes only if the participant experiences a qualified Change of Status event.

Retired Employees are not eligible to participate in UT FLEX for premium redirection.

2.0 SUMMARY OF VALID EVENTS AND CHANGES

2.1 Change of Status Events

This regulation applies the Change of Status rules to all qualified benefits; i.e., medical, dental, vision, accidental death and dismemberment, voluntary group term life, medical expense reimbursement plan benefits, and dependent day care reimbursement plan benefits. Per federal guidelines, only coverage changes that are consistent with the specific qualified change of status event are allowed. See section 3.0 for details about consistency.

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 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, full-time to part-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 adoption of a dependent child or the child attaining the limiting age of 26 years old.

2.2 Cost or Coverage Changes

The Internal Revenue Service does not formally define the word "significant" or give examples; however, it does permit significant cost changes to be allowed as a Change of Status event. Each institution Benefits Office should determine on a case-by-case basis that the cost or coverage change is significant, taking into account each Employee's specific situation as it pertains to mid-year changes consistent with all applicable Office of Employee Benefits (OEB) policies. Contact OEB for additional guidance.

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 Health Care 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 changes (for example, when an Employee changes from full-time to part-time status) or due to a mid-year increase in the total cost of the qualified benefits plan. This change also would apply if an Employee's out-of-pocket cost for benefit package options significantly decreases (for example, when an Employee changes from part-time to full-time status) or due to a decrease in the total cost of the qualified benefits plan. 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, if available.

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.

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 Health Care 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 Health Care 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 Health Care 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 be made under that 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 Health Care 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 Health Care 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. See Policy 140, Section 3.4 for detailed information.

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, as determined by the Office of Employee Benefits, that the other individual has enrolled the child in his/her group coverage.

This change applies to all qualified benefits except the UT FLEX Dependent 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.

If the loss of coverage is due to termination from Medicaid, the Employee may add him/herself and his/her eligible Dependents to Program coverage within 60 days of the last day of Medicaid coverage.

The effective date of Program coverage may be:

- The day following the gain or loss of eligibility for Medicare/Medicaid; or
- The first of the month following the gain or loss of eligibility.

For loss of Medicaid eligibility, the effective date may be the first of the next month if coverage is being added more than 31 days after the loss of eligibility.

This change applies to all qualified benefits except the UT FLEX Dependent Day Care Reimbursement Account. The UT FLEX Health Care Reimbursement Account may be cancelled but not reduced, as long as the total amount of contributions are sufficient to cover the total amount of claim reimbursements.

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 of 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, Accidental Death and Dismemberment (AD&D), and Disability Coverage

For any qualified Change of Status event during the plan year, a participant may make the following coverage elections, even if the change does not result in a gain or loss of eligibility:

- Add/Increase or drop/decrease Voluntary Group Term Life insurance (EOI may be required for an increase in coverage)
- Add/Increase or drop/decrease Voluntary Accidental Death and Dismemberment (AD&D) insurance
- Enroll in or drop Short Term and/or Long Term Disability insurance (EOI required to enroll during Annual Enrollment)

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 of 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.

3.2.5 Special Exception for Medicare Plans

Consistent with applicable federal rules, any subscriber or covered dependent who is enrolled in a Medicare plan that is part of the UT Benefits program may elect to drop that specific coverage at any time during the year, regardless of whether the individual requesting to drop has experienced a qualifying change of status. No documentation of other medical coverage is required for individuals who wish to drop a Medicare plan offered through UT.

Individuals who choose to drop Medicare coverage offered through the UT Benefits program can reenroll in such coverage only during a future Annual Enrollment period or upon experiencing a qualifying change of status that is consistent with adding medical/prescription coverage mid-year.

Under federal guidelines, enrollment or reenrollment in a Medicare plan offered by UT takes place on a prospective basis only. See Section 6.1 of this policy for more information about effective dates for Medicare plans offered through UT.

Important Notes**: 1)** Retirees who drop medical and prescription coverage offered through the UT Benefits program as part of their Basic Coverage package (including Medicare plans) also lose access to the basic life insurance coverage that is otherwise included at no additional out-of-pocket cost for Retirees who are enrolled in the Basic Coverage package.

2) State law does not allow for spouses or dependents to be enrolled in any coverage type within the UT Benefits program without the primary subscriber's enrollment in that same type of coverage. This means that, should a Retiree or Surviving Spouse choose to drop their UT medical and prescription coverage (including Medicare plans under this provision), then any dependents who are enrolled under that subscriber would also lose their medical and prescription coverage.

4.0 CHANGE OF STATUS DURING PLAN YEAR IF ENROLLED IN UT FLEX

4.1 Change in UT FLEX Annual Election

Unless specifically excluded in this Policy, an Employee may make a change in their UT FLEX annual election that is consistent with the Change of Status event.

A UT Employee enrolled in a UT FLEX reimbursement plan who experiences a qualifying Change of Status event during the plan year is eligible to increase or decrease the existing total annual election amount.

Although an Employee may increase or decrease the annual election amount following a qualified Change of Status event during the plan year, the effective date of the election will remain unchanged.

If an Employee elects to decrease the annual election amount following a qualified Change of Status event during the plan year, the revised annual election amount cannot require a distribution of any HCRA funds to the Employee. This means the revised election amount cannot be lower than:

- the amount of total reimbursement already paid to the Employee during the Plan Year prior to the status change; or
- the total amount of contributions made by the Employee to the HCRA during the Plan Year prior to the effective date of the status change.

4.2 Change in UT FLEX Annual Election Examples

Example 1: An Employee is enrolled in the HCRA and has Family health coverage. During the plan year, the Employee divorces and drops the spouse's coverage. The Employee cannot increase the HCRA annual election but may reduce the election to an amount that is not less than the greater of the total amount of contributions made or the amount of reimbursement received prior to the date of the event. The request to reduce the HCRA annual election is not allowed if either the amount of contributions or amount of reimbursement exceeds the requested annual election prior to the date of the qualifying event. Institution Benefit Offices should consult with the UT FLEX administrator or OEB to determine if a funded balance remains.

Example 2: An Employee is enrolled in the HCRA and gets married on May 24. The Employee increases the annual election amount from $1,200 to $1,500. The effective date remains unchanged from the initial election date. From September through May (9 months), a total of $900 ($100 each month) was withheld. For the final three months of the plan year, a total of $600 ($200 each month) must be withheld to reach the new annual election amount of $1,500.

Example 3: An Employee is enrolled in the HCRA and DCRA with Subscriber and Family medical coverage. The Employee divorces June 15. The Employer is not required by the divorce decree to provide coverage to any dependents. The Employee changes medical coverage to Subscriber Only. The Employee may reduce (or drop) the HCRA annual election amount as long as the sum of the new reduced annual election amount plus the amount of reimbursement previously paid to the Employee is equal to or less than the original annual election amount as well as the total amount of contribution made by the Employee during the plan year prior to the status change. The Employee may also drop the DCRA annual election amount. Any redirection revision due to a qualified status change must be consistent with the nature of the status change.

Example 4: An Employee is not enrolled in a UT FLEX account. She gives birth to a baby on September 5 and is on paid leave through the end of the month. She begins leave without pay on October 1 and returns to active employment on December 1. When she returns to work, because this is a new qualifying status change, she may elect to participate in the HCRA and/or DCRA effective December 1.

Example 5: An Employee is enrolled in the UT FLEX HCRA and is a 9-month employee. During Annual Enrollment, she elects an annual election of $900 to be contributed $100 per month over the 9-month employment period. The following July the Employee divorces and requests to reduce her HCRA election to $600. This request is not allowed because the Employee had already contributed $900 as of the date of the event; therefore, her election may not be reduced below this amount. Only future contributions may be reduced following a qualifying event.

5.0 NOTIFICATION BY EMPLOYEE OF STATUS CHANGE

5.1 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 of Status event, a mid-year change will not be permitted unless required by law.

5.2 Documentation

The Employee must provide appropriate documentation as proof of the qualifying event for a status change and must also complete the Insurance Enrollment Form. 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.

6.0 EFFECTIVE DATE OF COVERAGE CHANGE

6.1 Adding Program Coverage

Following a qualified Change of Status event, an Employee/Retired Employee may choose for the effective date of coverage to be either:

- the date of the event; or
- the first of the month following the date of the event.

Note: Due to federal requirements, when an individual is adding coverage in a Medicare plan offered by UT, the effective date for that specific plan may be later than listed above. These individuals will be temporarily enrolled in comparable UT coverage until enrollment into the Medicare plan is complete. Individuals who are otherwise eligible, but fail to take necessary action to comply with federal requirements for enrollment in a Medicare plan may lose access to medical/prescription coverage through UT.

6.2 Terminating Program Coverage

If the Employee/Retired Employee drops coverage, the change will take effect at the end of the last day of the month in which the event occurs.

Note: If an Employee or Dependent loses Medicaid coverage, see Section 2.2.3 of this policy for the effective date of Program coverage.

7.0 REQUEST TO CHANGE PROGRAM COVERAGE OR UT FLEX ELECTION 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, during the annual enrollment period, or following a qualified status change that resulted in an unintended election.

Important: OEB can permit such changes only upon proof of 'clear and convincing' evidence that an election was the result of a clerical error.

7.1 Examples of Evidence of a Clerical Error

Example 6: During the Annual Enrollment period, an Employee using the online *My UT Benefits* 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 7: 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.

Example 8: During the Annual Enrollment period, an Employee using the *My UT Benefits* online system elects to contribute $100 a month in the DCRA but has no dependents. The Employee makes no election to enroll in the HCRA. Since the Employee could not, under any circumstances, make any payments for dependent day care, it is clear that he mistakenly enrolled in the DCRA rather than the HCRA, and the error can be corrected. The Employee may be allowed to correct this error and enroll in the HCRA.

Example 9: A newly hired Employee completes an enrollment form designating a $100 redirection per month into a HCRA; however, the staff person in the institution Benefits Office incorrectly types $200 when entering the redirection amount into the system. If this error can be verified by checking the Employee's enrollment form, the Employee's election can be changed to $100.

Example 10: An Employee is currently enrolled in the HCRA. During the subsequent Annual Enrollment period, she enters the amount of $300 into the *My UT Benefits* online system to continue her HCRA election for the next plan year. When the Employee receives her first paycheck of the new plan year on October 1, she realizes that she mistakenly elected to deduct $300 each month instead of $300 for the entire plan year which was her intent. She requests for her institution payroll office to revise her HCRA deduction to $25 per month. Since the *My UT Benefits* online system clearly asks each Employee to confirm their election, the institution Benefits Office needs to determine if "clear and convincing evidence" exists to support the inference that this election was the result of a clerical error.

7.2 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 evidence of the clerical error within 31 days of receipt of the first payroll check that contains the error in the coverage.

Example 4: 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.

7.3 Submit Request to OEB if Beyond 31 Days

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. If approved, OEB will determine the effective date based on the specific circumstances. **All OEB decisions will be final**.