



## ***Benefits Administration Letter***

Number: 03-207

Date: June 13, 2003

**Subject: Federal Employees Health Benefits (FEHB) Program: Table of Permissible Changes for Employees Electing Premium Conversion**

### ***PURPOSE***

The purpose of this letter is to provide agencies with the Table of Permissible Changes in FEHB Enrollment and Premium Conversion Election for Federal employees receiving premium conversion tax benefits. We are currently in the process of revising Standard Form (SF) 2809, Employee Health Benefits Election Form, to include this table. Agencies may begin to use this table for enrollments and changes for all employees who participate in premium conversion.

Until further notice, the current Table of Permissible Changes in Enrollment in the July 1999 edition of SF 2809 must be used by: (1) **employees who do NOT participate in premium conversion**, (2) former spouses under the spouse equity provisions of FEHB law, and (3) individuals eligible for coverage under the temporary continuation of coverage (TCC) provisions of the law.

### ***EMPLOYEES AFFECTED***

All employees participating in the FEHB Program **automatically** participate in premium conversion UNLESS they elect to waive participation. Since many employees do not understand this fact, it is important that you explain this to them when they enroll in the FEHB Program. In addition, you should explain the tax benefits of participating in premium conversion and remind employees that **they can cancel or change to a self only plan only during the annual open season or when a qualifying life event (QLE) occurs**. You can find additional information at [www.opm.gov/insure/health/pretaxfehb](http://www.opm.gov/insure/health/pretaxfehb).

### ***TABLE OF PERMISSIBLE CHANGES FOR EMPLOYEES RECEIVING PREMIUM CONVERSION TAX BENEFITS***

To develop this table, we combined the events given in both the FEHB and the Internal Revenue Service (IRS) regulations. IRS regulations govern elections to participate in or waive participation in premium conversion, as well as to cancel an enrollment, or change to a self only enrollment.

Because IRS regulations permit changes in a health plan only when the employees experience a QLE or during the open season, **employees can no longer change to a self only plan or cancel their FEHB enrollment at any time**. We created a separate column in the table to specify when employees can make these elections. Additionally, we added a section, *Premium Conversion Election Change that May Be Permitted*, that shows if employees may elect to participate in or waive participation in premium conversion.

For purposes of this letter only, we have divided these events into four categories and have explained the events, elections permitted, time limit, effective date, and the exceptions to the general rule.

- 1) ***Events not affected by premium conversion*** - Employees may enroll in the FEHB Program, make an open season health benefits election, and participate in or waive participation in premium conversion.
- 2) ***Events permitted by both FEHB and IRS regulations*** - Employees may make any election that is consistent with the QLE for events listed.
- 3) ***Event included in the FEHB regulations only*** - Employees may only enroll, change from self only to self and family or change from one plan or option to another
- 4) ***Events permitted by IRS regulations only*** - Employees may only change from self and family to self only, cancel, and elect to participate in or waive participation in premium conversion.

### ***General Rule for Effective Date***

For most enrollments and changes, the effective date is the first day of the first pay period that begins after the date the employing office receives an appropriate request **and** that follows a pay period during any part of which the employee is in pay status. We refer to this as the “*General Rule*”. For each event, we discuss the effective date. If this is the applicable effective date, we will state “*General Rule*”.

### ***Events NOT Affected by Premium Conversion***

Premium conversion rules do not affect codes 1A and 1B. Code 1A includes the initial opportunities that entitle employees to enroll in the FEHB Program. At the time employees enroll in the FEHB Program, you should ensure that **they understand that enrollment in premium conversion is automatic unless they complete and return a waiver election form to your office**. Additionally, when they are under premium conversion, employees must understand that they cannot change to a self only enrollment or cancel at anytime. They must have a QLE or wait until the annual FEHB Open Season to make these changes.

***Code 1A - Initial Opportunity to Enroll*** This code includes the events that were previously codes 1A and 1L on the employee table in the 1999 edition of the SF 2809.

**Elections** - Employees may enroll or waive participation in premium conversion only under this event. Participation in premium conversion is **automatic** for all employees who enroll under this event unless they waive it.

**Time Limit** - They must enroll within 60 days after becoming eligible.

**Effective Date** - General Rule.

In rare instances, employees may wish to change their enrollment election. They may change their enrollment as long as your office receives their request within 60 days after they become eligible for FEHB coverage. The effective date of the change is prospective.

**Code 1B - Open Season** This event applies to all employees eligible to enroll or make an enrollment change.

**Elections** – IRS regulations governing premium conversion, like FEHB regulations, permit employees to make any type of election during the annual open season. For all open season enrollments, **participation in premium conversion is automatic** unless waived. Please remind employees their premium conversion election remains in effect until they elect to change it during a future open season or when a QLE occurs.

**Time Limit** – OPM announces the date of an open season. Generally, open season is held from the Monday of the second full work week in November to the Monday of the second full work week in December. Employees must submit their elections during this period.

**Effective Date** – Open season enrollments are effective on the first day of the first pay period that begins in the next year **and** that follows a pay period during any part of which the employee is in pay status.

Employees in nonpay status (including LWOP) during the open season who want to enroll may do so. However, **this enrollment cannot become effective until they are in pay status**. See “When You may Enroll after Termination” in the FEHB Handbook. **NOTE:** If your agency’s open season enrollments are processed by Employee Express or another automated system, please be sure to identify employees in nonpay status so that their enrollment data is not forwarded to the FEHB carriers until the employees are in pay status and their enrollment is effective.

An open season enrollment change is effective on the first day of the first pay period that begins in January of the next year.

A cancellation made during the open season is effective at midnight of the day before the first day of the first pay period that begins in the next year.

**Events permitted by the FEHB and IRS regulations**

The events in this group are included as events in both the FEHB and IRS regulations. Thus, employees can make any elections permitted within the time limits shown. However, there will be some exceptions to the elections, time limits, and effective dates in some of the events, as shown below.

### Code 1C - Change in Family Status

**Elections** – Employees may make any election as shown on the table. Generally, employees may make a change to a self only enrollment only if the QLE causes the last family member to be ineligible for FEHB coverage, or if they can show that the QLE caused all eligible family members to acquire other coverage. Employees may cancel their FEHB coverage only if they can show that the QLE caused them and all eligible family members to have other health insurance coverage.

When both an employee and spouse are Federal employees, FEHB regulations permit them to enroll in two self only plans when their last child becomes ineligible for FEHB coverage. Please coordinate with the spouse’s agency to prevent any gap in coverage.

**Time Limits** - Generally, the time limit is within 60 days after a change in family status. ***EXCEPTION: Employees who enroll, change from self only to self and family, or from one plan or option to another, may do so 31 days before the event to assure coverage when the change in family status occurs.***

#### **Effective Date:**

1. Generally, a change to self and family due to marriage is effective according to the general rule. However, if you receive the request the pay period before the date of the marriage, the enrollment change is effective the first day of the pay period in which the marriage occurs. The spouse is not eligible for FEHB coverage as an eligible family member, however, until the date of the marriage.
2. An enrollment or change due to the addition of a child as a new family member is effective on the first day of the pay period in which the child is born or becomes an eligible family member. See footnote 2 on the Premium Conversion Table.
3. A change to self only is effective on the first day of the first pay period that begins after the date the employing office receives the request. However, at the employee’s request, and upon a showing satisfactory to the employing office that no family member was eligible for coverage, you may make it effective on the first day of the pay period after the one in which there was no family member. See footnote 2 on the Premium Conversion Table.

***Change in Employee’s Employment Status.*** Previously, code 1D of the employee Table of Permissible Changes was a “Change in Employment Status”. We have created three event codes in the new table from the examples listed in code 1D. They are Codes 1D, 1E, and 1F.

### Code 1D - Change in employee’s employment status that could result in entitlement to coverage

**Election** – Employees may enroll in the FEHB Program. Changes from self only to self and family, from one plan or option to another, from self and family to self only, or a cancellation are not applicable.

**Remember to inform employees that premium conversion is automatic unless waived**

**Time Limit** - Within 60 days after employment status change.

**Effective Date** - General Rule

You must use this event code to allow employees whose coverage previously terminated because they: 1) were reemployed after a break of more than 3 days, 2) were in a nonpay status, or 3) began receiving sufficient pay to reenroll when they become eligible again. When employees begin nonpay status or their pay is insufficient to withhold premiums, you must give them an opportunity to terminate coverage. You must use an SF 2810 to document this action. A termination differs from a cancellation as it provides a 31-day temporary extension of coverage, allows conversion to nongroup coverage and does not count against the employee for purposes of meeting the requirements for continuing coverage after retirement. See footnote 4 on the Premium Conversion Table.

**Code 1E - Change in employee's employment status that affects cost of insurance**

**Elections** – Employees may make any election shown on table.

**Time limit** – Within 60 days after employment status change.

**Effective Date** – General Rule

**Code 1F - Employee is restored to a civilian position after serving in Uniformed services**

**Elections** – Employees may make any election shown on table.

**Time limit** - Within 60 days after return to civilian position.

**Effective Date** – General Rule

You must give employees who enter active military service the opportunity to terminate coverage. See footnote 3 on the Premium Conversion Table. If they decide to terminate their coverage or it terminates after the 18 months permitted by Uniformed Service Employment and Reemployment Rights Act (USERRA), their coverage is automatically reinstated on the date they are restored to their civilian position under 5 CFR Part 353. Employees who are not eligible for automatic reinstatement can reenroll within 60 days after the date of reemployment.

Additional information on the FEHB coverage of employees who return from active military service will be forthcoming.

**Code 1H - Salary of temporary employee becomes insufficient to make withholdings for plan in which enrolled** This was previously code 1M of the employee table in the 1999 edition of SF 2809.

**Election** – Employees may change from one plan or option to another, change to a self only enrollment, cancel an enrollment, or elect to participate in or waive participation in premium conversion. Although the table indicates that the employee may cancel, this cancellation is technically a termination and you should use an SF 2810 to document this action. This distinction is important as a termination gives a

31-day temporary extension of coverage, allows employees to convert to nongroup coverage with their insurance carrier, and insures that the time the employee is not enrolled will not count against the employee for purposes of meeting the requirements for continuing FEHB after retirement. See footnote 4 on the Premium Conversion Table.

**Time Limit** - Within 60 days after receiving the notice from the employing office that the employee's pay is insufficient.

**Effective Date** – A change of enrollment is effective immediately upon termination of the prior enrollment. A termination is effective at the end of the last pay period for which withholding was made.

**Code 1I - When employees enrolled in an FEHB HMO or covered family members move or become employed outside of the service area** This was previously code 1J of the employee table in the 1999 edition of SF 2809.

**Election** – FEHB rules permit employees to change from self only to self and family or one plan or option to another. Please refer to event 1M on the Premium Conversion Table for employees who wish to change to self only, cancel, or waive their premium conversion election. See footnote 5 on the Premium Conversion Table.

**Time Limit** - Upon notifying employing office of the move. FEHB regulations have this time limit so that employees and their family members will have continuous coverage when they move. We made this a separate event due to the difference in time limit from event 1M.

**Effective Date** – General Rule

**Code 1J - A transfer from a post of duty within a state of the United States or District of Columbia to a post of duty outside of the United States or District of Columbia, or the reverse** This was previously code 1F of the employee table in the 1999 edition of SF 2809.

**Election** – Employees may make any election shown on the table.

**Time Limit** – Sixty days after employees arrive at new post. ***EXCEPTION: Employees, who enroll, change from self only to self and family or from one plan or option to another may do so 31 days before the transfer to assure coverage when they arrive at their new post.***

**Effective Date** – General Rule

**Code 1L – Employee becomes entitled to Medicare** This was previously code 1K of the employee table in the 1999 edition of SF 2809.

**Election** – Under FEHB rules, employees may make a one-time only change from one plan or option to another. See footnote 6 on the Premium Conversion Table. Please refer employees who wish to change to self only or to cancel to event 1P on the Premium Conversion Table.

**Time Limit** - Any time beginning on the 30<sup>th</sup> day before becoming eligible for Medicare.

**Effective Date** – General Rule

**Code 1M - Employee or family member loses FEHB or other insurance coverage** This was previously code 1G of the employee table in the 1999 edition of SF 2809.

**Election** – Employees may make any election shown on the table.

**Time Limit** – Sixty days after the loss of coverage. *EXCEPTION: Employees may enroll, change from self only to self and family, or from one plan or option to another beginning 31 days before the event to prevent gaps in coverage when the loss of other health insurance occurs.*

**Effective Date** – General Rule

When employees in an employee organization sponsored plan fail to pay membership dues, the employee organization terminates the employees' membership. The employee organization sponsored FEHB plan will notify you to **terminate** the employees' FEHB coverage. See footnote 7 on the Premium Conversion Table.

*Code 1N - Loss of coverage under a non-Federal group health plan because an employee moves out of the commuting area to accept another position and spouse terminates employment to accompany the employee* This was previously code 1I of the employee table in the 1999 edition of SF 2809.

**Election** – Employees may make any election shown on the table.

**Time Limit** – From 31 days before the employee leaves the commuting area through 180 days after arriving in the new commuting area. The time limit for this event provides coverage to all family members if they need to delay their move for any reason.

**Effective Date** – General Rule

*Code 1O - Employee or eligible family member loses coverage due to discontinuance in whole or part of FEHB plan* This was previously code 1H of the employee table in the 1999 edition of the SF 2809.

**Election** – Employees may make any election shown on the table.

**Time Limit** - OPM sets this. If the plan discontinues at the end of the contract year (December 31), the employee must request an enrollment change during the annual open season. If a plan discontinues at any other time of the year, OPM establishes a time limit.

**Effective Date** – When a plan discontinues at the end of the contract year, the effective date of the enrollment change is the same as an open season change. OPM establishes the effective date when the plan discontinues at another time of the year.

If a plan has two options and one of the options discontinues, you must place employees who fail to select another plan in the remaining option of the plan. If an entire plan discontinues, an employee who does not select another FEHB plan is considered to have canceled for purposes of meeting the requirements for continuing FEHB after retirement. See footnote 8 on the Premium Conversion Table. In addition, these employees do not get a 31-day temporary extension of coverage and may not convert to nongroup coverage.

**Event included in the FEHB regulations only**

**Code 1K - Separation from Federal employment when the employee or employee's spouse is pregnant.** This was previously code 1E of the employee table in the 1999 edition of the SF 2809.

**Election** – Employees may make the elections shown on the table.

**Time Limit** - During the employee's final pay period.

**Effective Date** - The first day of the final pay period.

The FEHB enrollment terminates on the last day of the pay period in which the employee separates from service. However, employees are eligible for a 31-day temporary extension of coverage after that date. The purpose of this event is to provide coverage for a child in the event it is born during the 31-day extension period. Separating employees can then enroll in Temporary Continuation of Coverage that begins on the 32<sup>nd</sup> day after the date of separation.

**Events permitted by IRS regulations only**

These new events are included only in the IRS regulations. Consequently, FEHB regulations do not permit employees to enroll, change from self only to self and family, or change from one plan or option to another when these QLEs occur.

**Election** – Under IRS rules, employees may only cancel or change to self only, and/or elect to participate in or waive participation in premium conversion.

**Time Limit** – Within 60 days after the QLE.

**Effective Date** – A cancellation is effective at midnight of the last day of the pay period in which the employing office receives the request to cancel.

A change to self only is effective on the first day of the first pay period that begins after the date the employing office receives the request.

**Code 1G - Beginning or end of nonpay status or insufficient pay if coverage did not terminate**

We made this a separate event from 1M and 1D because FEHB rules do not permit unenrolled employees to enroll when starting a period of nonpay status. In addition, FEHB rules do not permit employees to enroll or change when a spouse or dependent begins or ends nonpay status.

If employee's coverage terminated, see event 1D on the Premium Conversion Table. If spouse's or dependent's coverage terminated, see 1M on the Premium Conversion Table.

**Code 1P - Employee or eligible family member gains coverage under FEHB or another group**



**health insurance plan**

The first QLE under this event code is gaining Medicare coverage. FEHB rules permit employees to change plans or options when they become eligible for Medicare. See event 1L on the Premium Conversion Table. IRS rules permit employees to make additional changes as shown in the table when an employee or eligible family member becomes eligible for Medicare.

Although we have included TRICARE in this event code, acquiring TRICARE coverage in itself is not an event that permits a change in enrollment. There must be a QLE that causes the employee or family member to acquire TRICARE. For example, to be eligible to enroll in TRICARE for Life, an individual must enroll in Medicare Parts A and B. The enrollment in Medicare Part B makes an individual eligible for TRICARE for Life. The enrollment in Medicare is the QLE. If employees defer enrolling in Part B of Medicare, they are not eligible for TRICARE for Life.

In addition, we consider entering active military service or retiring as a reservist under Chapter 67, title 10 to be a change in employment status. The change in employment status is the QLE that causes the employee or family member to gain TRICARE coverage.

Employees have 60 days from the date they enroll in Medicare, enter active military service, or retire under Chapter 67, title 10 to request a change to self only, to cancel, or to elect to participate in or waive participation in premium conversion. Otherwise, they must wait until the next FEHB open season.

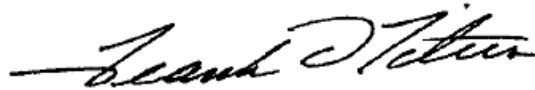
Employees who change from one type of TRICARE coverage to another may not cancel FEHB or change to self only unless they are within 60 days of a QLE that permits these actions.

**Code 10 - Change in Spouse's or Dependent's Coverage Options**

This QLE includes changes in the coverage available to an eligible family member. Because only IRS regulations address this QLE, employees may only cancel, change to self only, or elect to participate in or waive participation in premium conversion. In contrast, FEHB rules permit enrollment or change when family members **lose** other insurance coverage and you should use event 1M on the Premium Conversion Table when this occurs.



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