

## Allocations

An active member receives the state insurance allocation for each month the member is in pay status at least one-half of the working days of that month.

Allocations are earned in the actual month worked.

**Example:**

An employee who works October 1 through November 8 earns the October allocation but not the November allocation.

An employee may get paid for a portion of a month but may not earn the allocation for that month if he or she is not in pay status at least one-half of the workdays of that month.

To be eligible for a full allocation, a teacher, counselor, librarian, administrative employee or other professional employee must be employed full-time. A support worker, such as janitorial staff employee, custodian, maintenance worker, lunch room worker, or teacher aide, must be employed at least twenty (20) hours per week (excluding bus drivers who are full-time by law) to receive a full allocation. Permanent part-time employees who meet the qualifications will be entitled to a pro rata allocation.

	Allocation Entitlement if Enrolled in Hospital/Med or HMO Plan	Allocation Entitlement if Enrolled in Optional Plans
<b>Professional/Administrative Employee Works</b>		
Less than 1/4 time	0	0
At least 1/4 time but < 1/2 time	1/4 insurance allocation	1 Plan
At least 1/2 time but < 3/4 time	1/2 insurance allocation	2 Plans
At least 3/4 time but < Full- time	3/4 insurance allocation	3 Plans
Full-time	Full allocation	4 Plans
	(Each additional optional plan can be purchased for \$38/month or \$45/month for the family dental plan.)	
<b>Support Worker Works</b>		
0 to 4.9 hours/week	0	0
5.0 to 9.9 hours/week	1/4 insurance allocation	1 Plan
10.0 to 14.9 hours/week	1/2 insurance allocation	2 Plans
15.0 to 19.9 hours/week	3/4 insurance allocation	3 Plans

	Allocation Entitlement if Enrolled in Hospital/Med or HMO Plan	Allocation Entitlement if Enrolled in Optional Plans
20 or more hours/week	Full allocation	4 Plans
	(Each additional optional plan can be purchased for \$38/month or \$45/month for the family dental plan.)	

## Leave

A member can use his or her accrued or donated sick leave in order to be in pay status to receive the state allocation. However, sick leave, annual leave, or catastrophic leave cannot be manipulated in such a way that a member receives the allocation inappropriately. **A member must use his or her accrued sick leave, annual leave or catastrophic leave continuously and consecutively when not actively employed.**

## 3-1 Rule

A member earns **one** month of an additional insurance allocation for every **three** months the employee is in pay status at least one-half of the workdays in the month for that school year. The 3-1 Rule only applies when an employee has terminated employment, retires, is not in pay status at least one-half of the work days in the month, goes on an approved leave of absence without pay, or begins employment in the middle of the year.

The 3-1 Rule is applied using a September through September year.

- ◆ Extra allocations earned by a member must be applied to insurance premiums immediately after the member is separated from employment.
- ◆ The member cannot pick and choose the months to use the allocation.
- ◆ An employee must be in pay status at least one-half of the available workdays for three full months to earn an extra one month of an insurance allocation.
- ◆ An employee can only use the earned allocation credit for the current fiscal year, i.e., the allocation credit cannot be used after September 30.
- ◆ The 3-1 Rule is handled in the same manner for all employees regardless of whether they are paid on a 9-, 10-, 11- or 12-month basis.
- ◆ If a terminated employee is hired back before he or she has exhausted their extra allocations, the employee will not have a lapse in coverage and the same insurance plans will automatically get reinstated. These employees are treated as existing not new employees and will not be allowed to pick up or drop coverage except during the Open Enrollment period.
- ◆ Employees who terminate employment and have a break in coverage can enroll as new employees the day they return to work, the first day of the month after they return to work, or October 1. PEEHIP must receive a new [HEALTH INSURANCE AND OPTIONAL ENROLLMENT APPLICATION](#) before the member can be enrolled. The employee and his eligible dependents will be required to serve a 270-day waiting period on all pre-existing conditions with the Hospital Medical coverage if proof of previous coverage is not received and approved by PEEHIP.

The table below should be used when calculating the number of months an employee is entitled to receive the insurance allocation:

Actual Service (months)	Earned Allocation(s)
1	1
2	2
3	4
4	5
5	6
6	8
7	9
8	10
9	12
10	12
11	12
12	12

### Terminated Employee

The system is not required to pay the September allocation for an employee terminating the end of May when the employee has worked September through May. These employees have earned the insurance allocation through August and should not be given credit for the September insurance allocation.

### Additional Information about Insurance Allocations

An allocation for the month will be due if a member is hired on the first day of the month. An allocation can be used for the month of September. Example: An employee has been in hire status for 9 consecutive months and terminates employment after June 16. The member will have an allocation to burn for July, August, and September.

A full August allocation is due if the member has had continuous coverage through the summer. A member who has paid a LOA rate or COBRA for July and returns to work after August 1 but prior to August 15 is entitled to a full August allocation.

Insurance is deducted one month in advance. An enrollment request for insurance to begin the first date of hire should be accompanied with a personal check.

## Family Medical Leave Act (FMLA)

The 3-1 Rule applies even when a member is granted leave under the Family Medical Leave Act. If the employee earns additional allocations under the 3-1 Rule prior to going on leave under FMLA, the extra allocations are applied to the months following said leave.

## Military Leave

If an employee is on military leave status, the employee earns credit for the insurance allocation which is paid by the PEEHIP Plan. The employer will not be charged for the insurance allocation when a member is on military leave status in the Employer Online Services.

## Death

Extra insurance allocations earned under the 3-1 Rule can only be used by the employee and cannot be used by the employee's family in the event of the employee's death. If a husband and wife are combining allocations and one member dies, the living spouse cannot use the deceased member's extra allocation earned.

## Retiring Members

Retiring members are eligible to receive the extra allocations earned under the 3-1 Rule.

### *Example:*

- ◆ A June 1 retiree who works 9 months during the school year earns extra allocations through August 31.
- ◆ A July 1 retiree who works the entire school year earns extra allocations through September 30.

The school system is required to provide the appropriate insurance allocation earned under the 3-1 Rule. PEEHIP assumes that the system will not pay the September allocation for June 1 retirees in most cases. June 1 retirees should continue to receive the active allocation through August.

The 3-1 Rule is handled in the same manner for retirees as for active employees regardless of whether they are paid on a 9-, 10-, 11- or 12-month basis.

**Note:** If a member and/or spouse is Medicare-eligible at the time of retirement, the date of retirement is the date when Medicare becomes primary, regardless of any extra allocations earned. Medicare-eligible members and/or dependents should have Medicare Part B on their retirement date.

## Combining of Allocation Program: 3-Year Phase-Out

- ◆ The Combining of Allocation program terminated October 1, 2010. Elimination of this program now requires that if a couple has each other covered on their family PEEHIP Hospital Medical Plan, they must use both allocations to pay for the premium and cannot use one of the allocations towards the Optional Plans. All current participating members were grandfathered in and experienced premium rate increases that were to be phased in over a 3-year period.
- ◆ In many cases, a **husband and wife with no other dependents** may find that it is more cost efficient to uncombine and change to two single policies during the Open Enrollment period.
- ◆ However, if the couple has each other and additional dependents covered on their family plan, they must use both allocations for the family Hospital Medical Plan and cannot use one of the allocations towards the Optional Plans. The family hospital medical premium will be a reduced rate for two years. They can still purchase the Optional Plans at the normal monthly rate of \$38 or \$45 for family dental.

- ◆ If one member is enrolled in the family Hospital Medical Supplemental Plan (premium \$0), the spouse can continue to use his or her allocation and receive the Optional Plans at no cost.

### Transferring School Systems

When an employee transfers from one participating system to another without a break in coverage, the **new** system will be responsible for paying the allocation the **first full month** of the employee's contract and the earned summer allocations for the following year.

### Active Employees Not Enrolled in Coverage

Section 16-25A-9, *Code of Alabama, 1975*, requires the insurance allocation amount must be paid for all employees eligible for insurance even if no coverage is elected.

#### *Example:*

A new employee begins work August 23 and does not enroll in coverage until October 1.

PEEHIP would not require the system to pay the pro rata allocation for August if the employee does not elect coverage on his date of employment; **however, PEEHIP would require the insurance allocation amount for the full month of September.**

Members who are not enrolled in any insurance coverage are allowed to enroll in single medical coverage effective on the date of notification. Those members will be required to serve a 270-day waiting period on pre-existing conditions unless proof of previous coverage is provided and approved.

Employers are not required to pay the pro rata insurance allocation for a new employee if the employee does not enroll in insurance coverage on his date of employment. However, Section 1625A-9, Code of Alabama, 1975 requires the insurance allocation to be paid for a full month of coverage even if the employee does not enroll in any coverage.

### Medicare

If a member or dependent is already Medicare-eligible due to age or disability at the time of his or her retirement, Medicare will become the primary payer and PEEHIP the secondary payer **effective on the date of the member's retirement.**

**It is extremely important for the member and/or dependent to have Medicare Part A and Part B to assure adequate coverage with PEEHIP.** The member will continue to earn the active allocation according to the 3-1 Rule, but Medicare will be the primary payer for claims beginning the date of retirement for Medicare-eligible members or dependents. If the member and only dependent are both eligible for Medicare, the reduced Medicare out-of-pocket cost will be deducted.

Medicare rules require a Medicare-eligible, active PEEHIP member covered by his or her spouse's PEEHIP **retired** contract to have Medicare as the primary payer on the active PEEHIP member. Therefore, the active, Medicare-eligible member will need Medicare Part A and Part B coverage.

If the active member does not want Medicare as his or her primary payer and does not want to enroll in Medicare Part B until retirement, he or she will have to enroll in a PEEHIP **active** contract and will not be able to combine allocations with the retired PEEHIP-eligible spouse. Most of the time, in this situation, active members must wait and enroll in their own PEEHIP medical plan during the Open Enrollment period or on their spouse's date of retirement. When the active Medicare eligible member

retires, he or she will need to enroll in Medicare Part B. The effective date of Medicare Part B needs to be the date of retirement to avoid a lapse in coverage.

**Most Medicare-eligible retirees and covered dependents should not enroll in the Medicare Part D coverage if they are covered by the PEEHIP Medicare Plus plan.**