

Tobacco Use Surcharge and Quitter's Refund
Local Education and Local Government Frequently Asked Questions

- 1. Will the local education agency (LEA) or local government entity have to pay the surcharge or will the employees pay it?**

This is up to the employer. However, in order to qualify for the Quitter's Refund, then the employee or member must work for an employer that deducts the monthly tobacco surcharge on a post-tax basis. Employees who work for employers that simply pay for 100 percent of the surcharge, or who deduct it on a pre-tax basis, will not be eligible for the Quitter's Refund.

- 2. Will Benefits Administration just bill the LEA or local government entity for the surcharge? Will the LEA or local government entity have to collect the money from the employees? Can it just come out of their pay?**

Assuming that the employer elects to pass the tobacco surcharge costs on to the covered heads of contract, the answer to these questions is "yes." Please see the responses to questions #1 and #4.

- 3. Will the LEA or local government entity have to "pass" something, some kind of legislation, in order to pay for this?**

The Insurance Committees are empowered by statute to change the design of the plan and approve these kinds of policies. The Insurance Committees exercised this authority on March 31, 2009, when they approved the tobacco surcharge and Quitter's Refund for the plan year starting on January 1, 2010. Beginning with the 2010 plan year, the tobacco surcharge will be a mandatory component of the State Plan, the Local Education Plan and the Local Government Plan.

Benefits Administration can offer no guidance to employers as to whether they need to amend employee contracts, collective bargaining agreements, etc. in order to accommodate this new, mandatory component of the public sector plans. We encourage you to speak with your legal counsel for advice on these matters.

- 4. How will I know who smokes?**

All heads of contract (e.g., active employees or retirees with coverage) must complete an enrollment form during the Annual Enrollment Transfer Period this fall and submit the forms directly to their Agency Benefits Coordinators (ABCs). The heads of contract must self-report their tobacco use on the forms and must also sign and date their forms. The ABCs will review and forward these forms to Benefits Administration.

Benefits Administration will process these forms and, for non-users, change the Tobacco Indicator to "no." Unless Benefits Administration changes the Tobacco Indicator to no, the system will automatically enroll the head of contract into a new "Tobacco Use Plan."

Enrollees in the Tobacco Use Plan will pay a \$50 premium per-month per contract. This is a post-tax deduction.

Please note that any head of contract who does not return a complete, signed and dated form will retain the default Tobacco Indicator of "yes." Consequently, the system will automatically enroll them in the Tobacco Use Plan, and they will be billed for the \$50 monthly surcharge.

From a system perspective, the Tobacco Use Plan will function similarly to the dental plans. However, unlike the dental plans, neither agencies nor heads of contract may opt out of the mandatory Tobacco Use Plan. This new plan type applies to all heads of contract in all plans.

Local Education Agencies, local government entities, the Tennessee Board of Regents system and the University of Tennessee system will receive a list of individuals for whom Benefits Administration is billing premiums for the Tobacco Use Plan as part of the Premium Collections Applied Report.

5. Will the surcharge money come out of our December or January bill?

Benefits Administration will deduct the first premiums for the Tobacco Use Plan at the time it bills for January 2010 coverage. Central state employees will see the post-tax premium deduction in their December 31, 2009 pay check. LEAs and local government entities will see the premium due amounts on their January 5, 2010 bill, which the State will collect via ACH on January 15, 2010.

6. How should the LEA or local government entity implement the surcharge for employees who are paid on a 10-month basis?

Benefits Administration will bill the participating agency/employer on a monthly basis. We defer to the agencies to adjust for differences in pay frequency for various employees.