

## 2009 Dependent Eligibility Guidelines for Non-Represented Employees - Class I and Class II Dependents

### Class I Dependent Eligibility Criteria

Eligibility for Coverage under the UnitedHealthcare (UHC) Premier PPO Plan, UnitedHealthcare (UHC) Standard PPO Plan, CIGNA In-Network Plan, Dental Care Plan and Vision Care Plan

If you are the primary member under the Plan, your Class I dependents eligible for membership include your:

- Spouse, not legally separated or divorced from you,
- Unmarried dependent child<sup>1</sup> under age 24,
- Unmarried child of any age
  - who is permanently and totally disabled and is unable to engage in any substantial gainful activity by reason of medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months,
  - who lives with you, in an institution or in a home that you provide,
  - and who is “financially dependent” on you. Note: Financially dependent means that a person receives greater than 50% of their financial support for the calendar year from the primary member.

Note: The claims administrator determines if the applicant is disabled. Please contact Sandia’s Benefits Customer Service Center at (505) 844-HBES (4237) for more information on enrolling your child as an incapacitated dependent.

- Unmarried child who is recognized as an alternate recipient in a “qualified national medical support order” (QNMSO)<sup>2</sup> enforceable with respect to Sandia’s plan.

<sup>1</sup>Child includes:

- the primary covered member’s or same sex domestic partner’s own children and legally adopted children
- adopted child (if the placement agreement and/or final adoption papers have been completed and submitted to Sandia Benefits)
- unmarried stepchild of the primary covered member who live with you at least 50% of the calendar year, or if ages 19 through 23 are a full time student
- child for whom the primary covered member or same sex domestic partner has legal guardianship

- Natural child, legally adopted child, or child for whom the primary covered member or same sex domestic partner has legal guardianship if a court decree requires the primary covered member or same sex domestic partner to provide coverage

<sup>2</sup>A qualified medical child support order (QMCSO) is a court ordered judgment, decree, order, or property settlement agreement in connection with state domestic relation law that either (1) creates or extends the rights of an “alternate payee/recipient” to receive the reimbursement from the Plan or (2) enforces certain laws relating to medical child support.

Eligibility for coverage under the Kaiser Permanente HMO and the Kaiser Permanente Senior Advantage Plan have the same eligibility requirements as stated above, however, they also include:

- other unmarried dependent persons who meet all of the following requirements (excluding foster children):
  - He or she is under age 24,
  - He or she receives from you or your spouse all of his or her support and maintenance,
  - He or she permanently resides with you (the primary member),
  - You or your spouse is the court-appointed guardian (or was before the person reached age 18) or whose parent is an enrolled dependent under your family coverage.

\*Kaiser Permanente disabled dependent requires the following additional requirements:

- The dependent is incapable of self-sustaining employment because of mental retardation or physical handicap that occurred **prior to reaching the age limit for dependents**
- Receive substantially all of their support and maintenance from you and your spouse
- You give Kaiser proof of their incapability within 31 days after Kaiser requests it

Note: Kaiser Permanente determines if the applicant is disabled.

## **Class II Dependent Eligibility Criteria**

Effective January 1, 2009 – No new Class II Dependents can be enrolled in any of the Sandia medical plans. All eligible Class II Dependents currently enrolled under a medical plan will be allowed to continue enrollment.

Note: Class II dependents are eligible to enroll in the UHC Premier PPO and UHC Senior Premier PPO Plans Only.

Eligible Class II dependents include your:

- Unmarried child or step-child who is not eligible as a Class I dependent,
- Unmarried grandchild,
- Unmarried brother or sister, or
- Parent, step-parent, or grandparent or your spouse's parent, step-parent, or grandparent.

To qualify for medical coverage, a Class II dependent must:

- Be "financially dependent" on you; financially dependent means that a person receives greater than 50% of their financial support for the calendar year from the primary member,
- Have a total income from all sources of less than \$15,000/year other than the support you provide, and
- Have lived in your home, or one provided by you in the United States, for the most recent six months.

Note: Annual verification required.

## **Important Notice Regarding Tax Treatment of Benefits for Dependents**

In making your annual benefit elections, please be aware that the Federal tax law may cause some benefits to be taxable in certain circumstances. The Working Families Tax Relief Act of 2004 ("WFTRA") and subsequent IRS guidance defines two types of dependents for the purposes of health care coverage in the Internal Revenue Code - a "qualifying child" and a "qualifying relative." Refer to IRS Pub 502 <http://www.irs.gov/pub/irs-pdf/p502.pdf> for more information. Employees are completely responsible for evaluating each dependent to insure it complies with the federal tax law requirements and to pay the required taxes.

Although Congress apparently did not primarily intend the WFTRA to affect the tax treatment of benefits provided to dependents of employees and retirees, in some circumstances, medical benefits may be taxable. We understand that these requirements are confusing. It is important to contact your tax advisor if you have any questions about how these changes may affect you. If you enroll your dependent in a Sandia medical, dental, or vision plan and your dependent does not meet the criteria under the Internal Revenue Code you **must** contact the Benefits Department to determine whether any imputed income may apply for that dependent.

### **Ineligible Dependents**

You must disenroll your ineligible dependents within 31 calendar days. For example, the following lists events that would make your dependents ineligible.

#### Class I Dependents

- Divorce or annulment
- Legal separation
- Child marries
- Child no longer financially dependent
- Child reaches age 24
- Incapacitated child no longer meets incapacitation criteria

#### Class II Dependents

- Child, step-child, grandchild, brother or sister marries
- Child, step-child, grandchild, brother, sister, parent, step-parent or grandparent no longer meets Class II eligibility requirements criteria

Note: For allowable mid year coverage plan changes refer to the pretax premium plan by contacting the Health, Benefits and Employee Services Customer Service.