

City of Crest Hill Health Insurance Opt-Out Incentive Policy

Section 1. Purpose and Scope

The City of Crest Hill (the "City") establishes this Health Insurance Opt-Out Incentive Policy (the "Policy") to provide an annual incentive payment to eligible employees who decline the City's health insurance plan and obtain health insurance coverage through alternative means. This Policy applies to all regular non-union full-time employees meeting the eligibility requirements in Section II, and can apply under the same terms to unions if negotiated or agreed to via a memorandum of understanding.

This Policy becomes effective on January 1, 2027, and remains in effect until amended or rescinded by the City Council. This Policy does not create an employment contract or modify any employee's at-will employment status.

Section II. Eligibility

A. **General Requirements.** To qualify for the health insurance opt-out incentive (the "Incentive"), an employee must satisfy all of the following conditions:

1. **Full-Time Status.** The employee must be classified as a regular full-time employee working at least 30 hours per week and be eligible to participate in the City's health insurance plan.
2. **Alternative Coverage.** The employee must maintain and provide proof of alternative health insurance coverage that meets the Affordable Care Act minimum essential coverage requirements, 42 U.S.C. § 18001 et seq., including:
 - a. Coverage through a spouse's or domestic partner's employer-sponsored plan;
 - b. Coverage through a parent's plan (for eligible dependents under age 26);
or
 - c. Coverage through Medicare.

NOTE: Coverage purchased through the individual marketplace does not qualify as acceptable alternative health insurance coverage.

- B. **Annual Certification.** The employee must complete and submit the Health Insurance Opt-Out Incentive Certification Form (the "Certification Form") annually during the City's open enrollment period or within 30 days of initial eligibility.
- C. **Waiver of City Coverage.** The employee must formally waive participation in the City's health insurance plan for the plan year by completing all required waiver documentation.

D. **Overpayment Agreement.** The employee must execute a written agreement approved by the City Attorney authorizing the City to recoup overpayments as provided in Section 6.

E. **Excluded Employees.** The following employees are not eligible for the Incentive:

1. Part-time, temporary, seasonal, or contract employees;
2. Employees who are not eligible to participate in the City's health insurance plan;
3. Employees enrolled in any tier of the City's health insurance plan; and
4. Employees who decline coverage but fail to provide proof of alternative coverage.

Section III. Incentive Amount and Payment Terms

A. **Incentive Amount.** The annual Incentive is based upon eligible plan, according to Exhibit (gross before withholdings). The City Council reserves the right to adjust the Incentive amount at any time by resolution.

B. **Payment Terms.** The Incentive shall be paid to eligible employees according to the following terms:

1. **Pro-Rata Calculation.** The Incentive is calculated and paid on a pro-rata basis over the plan year.
2. **Payment Frequency.** The Incentive is paid in equal bi-weekly installments through the City's regular payroll system.
3. **First Payment.** The first Incentive payment is made in the first regular payroll period following the later of:
 - a. The plan year commencement; or
 - b. The effective date of the employee's waiver of City health insurance coverage; or
 - c. Receipt and approval of the employee's completed Certification Form.

C. **Tax Treatment.** The Incentive constitutes taxable compensation subject to all applicable federal, state, and local income taxes, FICA taxes and other legally required withholdings. The Incentive amount shown in Paragraph A of this Section represents the gross payment before withholdings.

D. **Retirement and Benefits Impact.** The Incentive shall be treated as regular compensation for purposes of calculating contributions to the Illinois Municipal Retirement Fund (IMRF)

and any other applicable retirement systems. The Incentive is included in the calculation of an employee's overtime rate.

Section IV. Application and Certification Procedures

- A. **Initial Application.** An employee must submit a completed Certification Form to the Human Resources Department during the annual open enrollment period or within 30 days of becoming eligible for City health insurance coverage.
- B. **Required Documentation.** The Certification Form must include proof of alternative coverage, such as:
 - 1. A copy of the health insurance card showing the employee's name, the insurer's name, and the policy or group number;
 - 2. A letter or certificate of coverage from the alternative health insurance carrier confirming the employee's active coverage and the coverage period;
 - 3. A copy of the summary of benefits or policy documents; or
 - 4. Other documentation reasonably requested by the Human Resources Department to verify coverage.
- C. **Review and Approval.** The Human Resources Department shall review each Certification Form and may request additional information or documentation to verify eligibility. Within 15 business days of receiving all required documentation, the Department shall notify the employee in writing of approval or denial.
- D. **Annual Recertification.** Employees must recertify eligibility annually during the City's open enrollment period by submitting:
 - 1. A new Certification Form for the upcoming plan year; and
 - 2. Updated proof of alternative coverage demonstrating continuous coverage for the upcoming plan year.
- E. **Mid-Year Coverage Loss.** If alternative coverage terminates mid-year, the employee must notify the Human Resources Department within 10 business days and may be eligible for special enrollment in the City's plan as permitted by law.

Section 5. Termination of Incentive Payments

- A. **Automatic Termination Events.** Incentive payments automatically terminate upon the occurrence of any of the following events:

1. Loss or lapse of alternative coverage that meets minimum essential coverage requirements;
 2. Enrollment in the City's health insurance plan at any time during the plan year;
 3. Change in employment status rendering the employee no longer a regular full-time employee or ineligible for the City's health insurance plan;
 4. Separation from City employment for any reason, including resignation, retirement, termination, layoff, or death; or
 5. Failure to complete the annual recertification process as required by Section IV, Paragraph D.
- B. **Effective Date of Termination.** Incentive payments cease as of the last day of the pay period in which the termination event occurs, except that upon separation from employment, the Incentive is prorated through the employee's last day of work.
- C. **Employee Notice Obligation.** Employees must notify the Human Resources Department in writing within 10 business days of any event that affects the employee's eligibility for the Incentive, including loss of alternative coverage, change in employment status, or intent to enroll in the City's health insurance plan.
- D. **No Refund for Voluntary Termination.** If an employee voluntarily terminates participation in the Incentive and enrolls in the City's health insurance plan during a special enrollment period or the next open enrollment period, the employee is not required to refund previously received Incentive payments, provided the employee was eligible when payments were received.

Section 6. Repayment Obligations

- A. **Overpayment.** If the City determines an employee received Incentive payments for which the employee was ineligible, the employee must repay the full overpayment amount.
- B. **Circumstances Requiring Repayment.** Circumstances requiring repayment include, but are not limited to:
1. The employee provided false or misleading information regarding alternative coverage.
 2. Alternative coverage terminated and the employee failed to timely notify the Human Resources Department.
 3. The employee was enrolled in the City's plan during the period for which Incentive payments were received.

4. Administrative error resulted in payment to an ineligible employee.
- C. **Notice and Demand.** Upon discovering an overpayment, the Human Resources Department shall provide written notice specifying the amount owed, the reason for repayment, and the deadline for repayment, which shall be no less than 30 days from the notice date.
- D. **Repayment Methods.** Repayment may be made by:
1. Lump sum payment by check or money order payable to the City of Crest Hill;
 2. Payroll deduction in installments agreed upon by the employee and the Human Resources Department, provided the employee remains employed by the City; or
 3. Offset against the employee's final wages upon separation from employment to the extent permitted by Illinois law.
- E. **Collection.** The City reserves the right to pursue all collection remedies permitted by law to recover amounts owed.

Section 7. Administration

- A. **Administrative Authority.** The Human Resources Department administers this Policy and has the authority to:
1. Develop and maintain forms, procedures, and guidelines necessary to implement this Policy;
 2. Determine employee eligibility for the Incentive;
 3. Verify alternative health insurance coverage;
 4. Process applications and certifications; and
 5. Calculate and process Incentive payments and overpayment repayments.
- B. **Interpretation.** The Human Resources Director, in consultation with the City Administrator, has the authority to interpret this Policy and resolve ambiguities. Such interpretations are final and binding.
- C. **Record Retention.** The Human Resources Department shall maintain all Certification Forms, proof of coverage documentation, and Incentive payment records in accordance with the City's records retention policy and applicable law.

- D. **Confidentiality.** All information provided by employees under this Policy, including health insurance coverage information, shall be maintained as confidential and disclosed only as necessary to administer this Policy or as required by law.

Section 8. Miscellaneous Provisions

- A. **No Guarantee of Coverage.** The City makes no representations or warranties regarding the adequacy, quality, or suitability of any alternative health insurance coverage. Each employee is solely responsible for evaluating and selecting appropriate health insurance coverage for the employee and the employee's dependents.
- B. **Affordable Care Act Compliance.** Employees participating in this Incentive are solely responsible for ensuring their alternative health insurance coverage complies with the Affordable Care Act's individual mandate and minimum essential coverage requirements.
- C. **Amendment and Termination.** The City Council reserves the right to amend, modify, suspend, or terminate this Policy at any time, with or without notice, by resolution or ordinance. Amendment or termination of this Policy does not affect Incentive payments already made for periods during which the employee was eligible.
- D. **Collective Bargaining.** If any provision of this Policy conflicts with the terms of a collective bargaining agreement between the City and a recognized labor union, the collective bargaining agreement controls for employees covered by that agreement.