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STATE CONTROLLER'S OFFICE  
PERSONNEL/PAYROLL SERVICES DIVISION  
P.O. Box 942850  
Sacramento, CA 94250-5878

DATE: August 30, 2002

PAYROLL LETTER # 02-022  
CIVIL SERVICE ONLY

TO: All Agencies in the Uniform State Payroll System

FROM: RALPH ZENTNER, Assistant Chief  
Personnel/Payroll Services Division

RE: RURAL HEALTH CARE EQUITY PROGRAM (RHCEP) PREMIUM REIMBURSEMENT PAYMENTS

This Payroll Letter provides information regarding the issuance of Premium Reimbursement payments for employees participating in the RHCEP. An annual payment will be issued for the 2001/2002 FY. This payment was originally scheduled to issue by the end of August 2002, as reported in the Department of Personnel Administration's (DPA) Personnel Management Liaison (PML) memorandum 2002-053, but will now issue in the beginning of September 2002. Effective July 2002, a new monthly process was established. The initial monthly payment will be included in the September 2002 master payroll warrant. Refer to DPA's PML 2002-053 for additional information regarding the RHCEP.

#### 2001/2002 FISCAL YEAR ANNUAL PROCESS

The 2001/2002 RHCEP premium reimbursement payment issued in August 2002 will include a summarized premium reimbursement for each qualifying pay period for the July 2001 through June 2002 pay periods. Two deduction/organization codes have been established for this process. Deduction/organization code 354-500 is taxable and will be used to issue a Premium Reimbursement payment for pay periods where an employee's health deduction was pre-taxed. Deduction/organization code 354-750 is non-taxable and will be used to issue a Premium Reimbursement payment for pay periods where an employee's health deduction was not pre-taxed. These deductions appear as credit deductions and will look similar to the FlexElect Cash Option or CoBen Benefit Allowance codes. An employee could receive a payment that includes both deduction/organization codes if they had a mixture of pre-tax and post-tax health deductions during this time. The payments will be a credit issued warrant using a payment type 'P'. They will be labeled on the Statement of Earning and Deductions as \*RHCEP PREM for 354-500 and RHCEP PREM for 354-750.

As noted in PML 2002-053, DPA must be contacted prior to redepositing any 2001/2002 FY RHCEP Premium Reimbursement payments.

#### NEW MONTHLY PROCESS

Effective with the July 2002 pay period, RHCEP premium reimbursement payments will be issued on a monthly basis. Deduction/organization codes 354-500 and 354-750, which were established for the 2001/2002 annual process, will continue to be used for this monthly process. The program will use a two month "look-back" method in an effort to capture the majority of the monthly personnel transactions involved (i.e. employee address [STD.686 EAR forms] and health benefit [HBD-12 forms] changes). This makes it very important for eligible employees to have accurate, up-to-date address and health benefit information on file with their personnel offices.

In using a two month "look-back" method, the first monthly premium reimbursement payment for the July 2002 pay period will be included on the September 2002 master payroll warrant. Eligible employees will continue to receive reimbursement payments on a monthly basis. In the event that an employee has separated or is on un-paid leave at the time the payment is generated, a credit issue warrant, using a payment type 'P', will be issued.

## CLAIMS PROCESS

In the event that an address or health benefit change, including retroactive health benefit adjustment(s), are not processed timely and the pay period(s) involved have already been adjusted by the RHCEP Premium Reimbursement Program, a Payroll Adjustment Notice, STD.674, will be required to request the Premium Reimbursement. If your request is for more than one pay period, they may be combined together on the same form. All STD.674 requests, accompanied by a note or letter of explanation, must first be submitted to DPA for approval. Please refer to DPA's PML 2002-053 for mailing instructions. Once approved, DPA will forward the request to SCO for processing.

## FORM COMPLETION INSTRUCTIONS

Complete the following information on the STD.674 to request a RHCEP Premium Reimbursement Payment:

ITEM	ENTER
1) To State Controller's Office	"X" PPSD/Payroll Operations "X" Benefit Deductions
2) Social Security Number	Employee SSN
3) Name	Employee First Name, Middle Initial, Last Name
4) Position Number	Agency, Reporting Unit, Class and Serial numbers
5) Correct/Issue Payment Pay Frequency Remarks	"X" Payment Request As Indicated Below Leave Blank "Requesting RHCEP Premium Reimbursement payment of \$\$\$.\$\$ for pay period MM/YY due to ee's address / health benefit change processing late. Employee's ZIP Code is #####. Employee's Health Benefit Deduction and Party Codes are ### - ### #." Fill in the reimbursement amount, pay period(s), zip code and health benefit deduction and party codes. Also, circle the correct reason for the request (i.e. circle the word(s) "address" or "health benefit").
Dates/Hours on Dock	Leave Blank
6) Payment Information	Leave Blank
7) Form Completed By Telephone Number and Ext Agency Name Authorized Signature Date	Complete Complete Complete Complete Complete

## TAX INFORMATION

RHCEP Premium Reimbursement payments are not subject to retirement contributions or garnishments. Payments issued with deduction/organization code 354-500 are subject to federal and state taxes, Social Security and Medicare tax withholding when applicable.

## ACCOUNTING OFFICE INFORMATION

Please forward the following information to Departmental Accounting Offices:

Dollars for the annual and monthly RHCEP Premium Reimbursement process will be reported under "Flexible Benefits", Clearance System Object of Expenditure Code # 103134.

In an effort to assist Departmental Accounting Offices, the appropriate agency and unit codes will now be included on all TC-38 transfer transactions processed for the RHCEP Premium Reimbursement payments. For additional TC-38 information please refer to DPA's PML 2002-053.

## CONTACTS

Payroll questions on the RHCEP Premium Reimbursement payments may be directed to Sandra Young with SCO at (916) 324-1293 or email [syoung@sco.ca.gov](mailto:syoung@sco.ca.gov). Accounting and Personnel staff with questions regarding the RHCEP and the Premium Reimbursement payments may call Belinda Collins with DPA at (916) 324-0468. Please refer all participating employees to the DPA RHCEP contact, at (916) 327-1092.

RZ:sjy/pmab