



April 30, 2009

**Washington State Procedures for  
Local Governments to Conduct a Divided Referendum for  
Medicare Part A Hospital Insurance (Medicare-only) Coverage**

*These procedures for Medicare-only coverage are based on RCW 41.48.030 (as amended by Chapter 142, Laws of 2008 (HB 2510)) and Section 218 of the Social Security Act, as administered by the Employment Security Department (ESD), current Washington State Social Security Administrator. Alternative procedures may be utilized at the discretion of the State Social Security Administrator.*

1. **Adopt resolution** - The ***governing body*** of the local government initiates the referendum process by adopting a resolution to:
  - a. Request authorization to divide the local government's retirement system(s) by conducting a divided vote referendum for Medicare-only (for convenience, we use the term "Medicare-only" to refer to coverage of Part A Hospital Insurance) purposes (sample of resolution attached);
  - b. Authorize the appropriate individual to execute an agreement pursuant to the referendum;
  - c. Establish the effective date of Medicare-only coverage within the resolution (see discussion under FAQ #19); and
  - d. Acknowledge the applicable state and federal laws and regulations regarding employee withholdings, employer contributions and record keeping.
  
2. **The local government submits:**
  - a. The ***original signed and properly certified resolution*** adopted by the governing body of the political subdivision. The person executing the resolution and the agreement with the state must have the authority to do so.
  - b. A completed Section 218 ***coverage questionnaire, including a recommended date or dates for the referendum*** to be held (attached).
  - c. Mail or fax the documents to:

Department of Retirement Systems  
State Social Security Administrator  
P.O. Box 48380  
Olympia, WA 98504-8380  
Fax: (360) 753-1090 Attn: Kim Smith
  
3. Upon receipt of the executed resolution, **the State Social Security Administrator shall establish the date or dates on which the referendum will be conducted**

**by mail-in ballots.** The referendum must be held no less than **90 days after the date the Notice of Referendum is distributed** to eligible employees.

- a. The State Social Security Administrator shall provide the Notice of Referendum for distribution **by the local government** to all employees who are eligible to vote in the referendum.
  - b. The notice may be given by personal delivery, e-mail or first class mail and must be posted on all appropriate bulletin boards maintained by the local government to give notice to all eligible employees. **Notice must be given to eligible employees on leave of absence.** Contact the State Social Security Administrator about **special provisions that apply to those on active military duty.** If any doubt arises as to an employee's eligibility to participate in the referendum, a notice should be provided, and his or her status can be resolved later. The local government can require employees to initial a list indicating that they received the Notice of Referendum at least 90 days prior to the referendum date.
4. **Create list of employees** - The local government shall prepare a listing in electronic format with the names and identification numbers (Social Security number or employee ID number) of the eligible employees who were hired prior to April 1, 1986, are members of the retirement system(s) on the date of the referendum, **and** were employed on the date the Notice of Referendum was posted. This list must be separated by retirement system and should be modified as necessary during the period between the Notice of Referendum and the referendum date for retirements and other separations from service. The local government shall use the list to distribute ballots to eligible employees and shall furnish the list for the State Social Security Administrator to use to monitor ballots cast.
5. **Conduct Workshops** - The local government in conjunction with the Social Security Administration and the State Social Security Administrator will organize and conduct workshops for the eligible employees during the 90-day notice period.
- a. The educational workshops will be offered to each eligible employee to inform them of the benefits that may accrue to them and their spouses if their services are covered under Medicare.
  - b. Additionally, the educational workshops shall include an explanation of the tax liabilities to which they will be subject if coverage is chosen in the referendum process.
6. **Mail-in Ballots and Conduct of the Referendum**
- a. All elections will be held using mail-in procedures with secret written ballots provided by the State Social Security Administrator. Ballots shall identify the voter on an outside envelope for the State Social Security Administrator to verify that the voter was eligible to cast a ballot.
  - b. Local governments shall distribute ballots to those on the list of eligible employees, but no earlier than 90 days after the Notice of Referendum has been distributed.
  - c. In order to be counted, ballots shall identify the voter's name on an outside

envelope, must have proper postage, and must be postmarked no later than the closing date of the referendum, which shall be ten calendar days after the ballots were first distributed unless otherwise determined by the State Social Security Administrator.

- d. Failure to properly execute and return a ballot shall be deemed an election by the member to be included in the part or division of the retirement system that does not desire Medicare-only coverage.
- e. In a divided referendum for Medicare-only coverage, the ballot shall provide that a **“Yes” vote shall only be effective if the voter also identifies himself or herself** in order for the employer to be able to deduct payroll taxes. The identity of voters who vote “No” or whose ballots are not received shall not be disclosed to the employer.
- f. The ballot will contain provisions for the election by the member whether he or she desires to be included in the part of the system to be covered for Medicare-only, including paying Medicare taxes, or whether he or she desires to be included in the part of the system not covered for Medicare-only and not paying Medicare taxes. The text of the ballot shall include language as follows:  
**\_\_ Yes. I elect to be covered for Medicare-only and to have my employer deduct my share of Medicare taxes from my pay and pay the employer’s share. I also agree that my “Yes” vote is only effective if I provide my name and Social Security number or other employee identification number below and I consent that these will be provided to my employer to implement my election of Medicare-only coverage.**  
**Name:** \_\_\_\_\_  
**Social Security Number or other Employee ID number:** \_\_\_\_\_  
  
**\_\_ No. I do not elect to be covered for Medicare-only and do not agree to have my employer deduct my share of Medicare taxes from my pay.**
- g. Alternative procedures may be utilized at the discretion of the State Social Security Administrator.

- 7. The **State Social Security Administrator** designated by the Governor will **certify** that:
  - a. The referendum was held by written ballot on the question of whether members of a retirement system wish coverage under the state Section 218 Agreement;
  - b. All eligible members of the retirement system hired prior to April 1, 1986, had the opportunity to vote;
  - c. All members of the system on the date the Notice of the Referendum was issued were given at least 90 days' notice;
  - d. The referendum was conducted under the supervision of the duly designated agency; and
  - e. The retirement system, for Medicare-only coverage purposes, will be divided into two parts, one composed of positions of members of the system who voted for coverage and the other composed of positions of members of the system who did not vote for coverage.

8. At the close of the referendum process the **State Social Security Administrator** will:
  - a. Summarize the choice of each eligible member, in a paper or electronic format designated by the State Social Security Administrator. The summary will consist of the eligible member names, identification numbers, and their election as to Medicare-only coverage if they voted “Yes” and identified themselves for their employer.
  - b. The election made by each eligible member will be indicated as follows:
    1. **YES** - member **desires to be covered** under Medicare-only and consents to identify himself or herself to the employer.
    2. **NO** - member **desires not to be covered** under Medicare-only OR member did **not execute and return** the referendum ballot OR member fails to consent to identify himself or herself to the employer (member will **not** be covered for Medicare-only).
  - c. The State Social Security Administrator shall retain copies of all referendum ballots and a certified copy of the summarization of eligible members indicating the choice of each member who voted “Yes” and consented to identify himself or herself to the employer. The State Social Security Administrator shall provide a list to the employer of those eligible voters who voted “Yes” and consented to identify themselves to the employer, but shall not provide a list of those who voted “No” or failed to vote.
  - d. **To avoid misunderstandings, the local government/employer should notify each member on the list whether or not he or she is covered under Medicare-only.**

9. **Agreement/Plan**

- a. After the referendum is conducted, the State Social Security Administrator will e-mail the Agreement/Plan to the local government for completion. The governing body shall officially complete and sign the agreement/plan with the State.
- b. Execution of Modification - Upon receipt of the executed agreement from the local government, the State Social Security Administrator shall execute a modification to the Master Social Security Agreement between the State of Washington and the Social Security Administration (SSA). Accompanying the state’s request will be certification to the federal government of the proper conduct of the referendum.

10. **Execution of Modification by SSA**

- a. Upon receipt of a fully executed modification from SSA, the State Social Security Administrator shall notify the local government of the date that coverage has been accepted by SSA. A fully executed copy of the agreement/plan and modification will be returned to the local government.
- b. The agreement/plan and modification to extend the Medicare-only coverage must be fully executed within two years.

11. **Payment of applicable taxes**

The local government will initiate payment of the applicable taxes, if such payment

has not been made, to the IRS based on the appropriate IRS instructions. Generally, a lump sum payment of the Medicare-only taxes is due one month after the end of the calendar quarter in which the State Social Security Administrator is notified in writing by SSA that the modification for retroactive coverage has been approved.

## ***WHAT IS MEDICARE?***

Medicare is a national health insurance program for people age 65 or older, certain younger disabled people, and people with permanent kidney failure. Generally, you are eligible for Medicare if you or your spouse worked at least 10 years in Medicare-covered employment (and paid the Medicare tax), and you are 65 years old. Different eligibility standards may apply if you are eligible for Medicare based on a Social Security disability or permanent kidney failure.

**Part A - Hospital Insurance** helps pay for in-patient care in a hospital and/or skilled nursing facility (following a hospital stay), and for home health and hospice care. **It is financed by a portion of the payroll (FICA) tax paid by some workers and their employers.**

**Part B - Medical Insurance** helps pay for physician services, and many other medical services and supplies that are not covered by hospital insurance. **It is financed by a monthly premium paid by people who choose to enroll.**

**Part C – Medicare Advantage plans use provider organizations; Part C is not relevant here.**

**Part D – Prescription Drug Coverage is also financed by a monthly premium paid by people who choose to enroll.**

## ***WHO IS ELIGIBLE FOR MEDICARE?***

Generally, you are eligible for **free** Part A of Medicare if you or your spouse qualify for Social Security benefits or have worked for **at least 10 years (40 or more credits)** in Medicare-covered employment and you are 65 years old. However, there may be some exceptions to the rule.

**Contact the Social Security Administration for specific information on Medicare enrollment at 1-800-772-1213 or <http://www.socialsecurity.gov/pubs/10043.html> or <http://www.socialsecurity.gov/>.**

## ***HOSPITAL INSURANCE “PART A”***

The vast majority (99 percent) of individuals do not pay a premium for Part A coverage. However, some (1 percent) individuals 65 or older do not meet the requirements for premium-free hospital insurance. If you are in this category, you can get hospital insurance **by paying a monthly premium. If you pay for Part A coverage you must also pay the premium for Part B coverage.**

The following **example** reflects the current monthly premiums a typical eligible individual pays:

**2009 MONTHLY PREMIUMS** (These figures apply to "timely" enrollments.)

	<b>Individual has at least 40 credits</b>	<b>Individual has 30-39 credits</b>	<b>Individual has less than 30 credits</b>
Part A	\$ -0-	\$ 244.00	\$ 443.00
Part B*	<u>96.40</u>	<u>96.40</u>	<u>96.40</u>
<b>TOTALS</b>	<b>\$ 96.40</b>	<b>\$ 340.40</b>	<b>\$ 539.40</b>

\* May vary depending on total income

**2009 - SOCIAL SECURITY WORK CREDITS**

To qualify for benefits, you earn "credits" through your work – up to four each year. For 2009, for example, you earn one credit for each \$1,090 of wages or self-employment income. When you have earned \$4,360, you earned your four credits for the year. In 2008, one credit represented \$1,050 and you earned the maximum four credits for \$4,200.

# RESOLUTION

**WHEREAS**, Chapter 142, Washington Laws of 2008 (RCW 41.48.030) established procedures in which members of retirement system(s) in political subdivisions of the State of Washington may obtain Hospital Insurance–Medicare-only coverage (“Medicare”), and

**WHEREAS**, *[Entity Name]* desires to offer Medicare coverage to its eligible employees,

**NOW THEREFORE**, be it resolved that the *[Governing Body]* does hereby adopt the following resolution:

**SECTION 1.** It is hereby declared to be the policy and purpose of the *[Governing Body]* to extend the provisions of RCW 41.48.030, providing Medicare coverage to eligible employees of the *[Entity Name]*.

**SECTION 2.** In pursuance of this policy, *[Governing Body]* requests the State Social Security Administrator, Employment Security Department/Department of Retirement Systems, to conduct a divided vote referendum, under Section 218(d)(6) of the Social Security Act, for employees hired before April 1, 1986, who are members of the *[List retirement system(s)]*. The divided vote referendum will be conducted pursuant to applicable State and Federal laws and regulations for the purpose of allowing eligible employees the option of paying the Medicare-only tax.

**SECTION 3.** The *[Head of Governing Body]* is authorized and directed to execute an agreement with the State of Washington to secure Medicare coverage of eligible employees as provided in Section 1.

**SECTION 4.** The coverage of eligible employees shall be effective as of *[Effective date of coverage]* for the employees who voted “Yes” in the divided vote Medicare referendum. *[See discussion under FAQ #19 about limitations on any proposed retroactive date.]*

**SECTION 5.** Withholdings from salaries or wages of employees for the purposes provided in Section 1 of this Resolution are hereby authorized to be made in the amounts and at such times as may be required by applicable State and Federal laws and regulations, and shall be paid to the Internal Revenue Service, in such amounts and at such times as are designated in IRS Code 3121(b)(7)(E) and 3126.

**SECTION 6.** Employer contributions shall be paid from amounts appropriated for such purposes to the Internal Revenue Service in accordance with applicable Federal laws.

**SECTION 7.** The *[Entity Name]* shall maintain such records and submit such reports as may be required by applicable State and Federal laws or regulations.

**SECTION 8.** This resolution shall take effect and be in full force from and after its passage.

\_\_\_\_\_, Washington, this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**[Entity Name]** (Political Subdivision)

By: \_\_\_\_\_  
**[Head of Governing Body, Title-Entity Name]**

## CERTIFICATION:

I, *[Head of Governing Body]*, do hereby certify that the foregoing is a true and correct copy of Resolution passed by the *[Governing Body]* on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**Section 218 Coverage Questionnaire  
Hospital Insurance – Medicare-Only Coverage**

1. Official Local Government Name: \_\_\_\_\_

2. Street Address: \_\_\_\_\_

3. Mailing Address: \_\_\_\_\_

4. Contact Name: \_\_\_\_\_ E-Mail Address: \_\_\_\_\_

Telephone Number: \_\_\_\_\_ Fax Number: \_\_\_\_\_

5. Approximate number of employees (include members of governing body): \_\_\_\_\_

6. Number of employees who will be eligible to vote in the Divided Vote Medicare Referendum:

<u>No. of Employees</u>	<u>Name of Retirement System(s)</u>	<u>Effective date</u>
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7. What date(s) do you recommend to distribute written ballots to eligible voters (must be at least 90 days after receiving the Notice of Referendum from State Social Security Administrator (consult State Social Security Administrator if any eligible voters are on military leave); closing date for completed ballots to be mailed to State Social Security Administrator is ten calendar days after ballots are first distributed)?

\_\_\_\_\_

8. Identify any optional exclusions (e.g., elective positions, part-time positions; see Glossary) from coverage that you desire:

\_\_\_\_\_

9. Name and title of person who will be authorized to sign the Resolution and the Agreement: \_\_\_\_\_

10. IRS Employer Identification Number: \_\_\_\_\_

11. Fax the completed Questionnaire and Resolution to Kim Smith, DRS, at 360-753-1090. Mail the original signed Questionnaire and Resolution to: DRS, State Social Security Administrator, P.O. Box 48380, Olympia, WA 98504-8380

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## GLOSSARY OF SECTION 218 TERMS

**Absolute Coverage Group/Non Retirement System Coverage Group** - A permanent grouping of employees, e.g. all the employees of a city or town. It is a coverage group for coverage purposes; the term also refers to groups of employees whose positions are not under a retirement system. Such groups are also referred to as Section 218(b)(5) coverage groups.

**Agreement/Plan** -The contract between the State of Washington and the political subdivision to provide Social Security and/or health insurance coverage for state and local government employees under Section 218 of the Social Security Act.

**Coverage Groups** - Groupings by which employees must be covered under an agreement (absolute coverage group or retirement system coverage group).

**Employee** - The term "employee" for purposes of a federal-state agreement means an employee as defined in Sections 210(j) and 218(b)(3) of the Social Security Act. It includes an officer of a state or political subdivision. In most instances the common-law control test is applied in determining whether an employer-employee relationship exists.

**Governing Body** - The resolution must be adopted by the governing body of the political subdivision.

**Hospital Insurance Coverage/Medicare-only/HI-Only** – The health insurance program under the Social Security Act, also referred to as "Medicare." State and local employees who are not covered for full Social Security can be covered for HI-Only. HI-Only coverage can be obtained under a Section 218 agreement, or it can be mandatorily imposed.

**Master Social Security Agreement/Section 218 Agreement** - The written agreement between the state and the Social Security Administration to provide Social Security and/or Medicare only (health insurance) coverage for state and local government employees under Section 218 of the Social Security Act.

**Modification** - An amendment to the written agreement between the state and the Social Security Administration to make the original agreement applicable to the services of employees not previously covered for Social Security or Medicare-only, or to modify the original agreement in some other respect.

**Optional Exclusion** - Those services which the federal law gives the state the option to include or exclude from coverage under the agreement. The local government may request exclusion of the following services:

- a. All classes of elective positions
- b. All classes of part-time positions
- c. All classes the compensation for which is on a fee basis
- d. Agricultural labor, to the extent permitted by federal law
- e. By a student as permitted by federal law.

### Referendum:

**Majority-rule** - All states are authorized under Section 218(d)(3) of the Act to conduct majority-vote referenda for coverage. If a majority of the eligible members of the retirement system (not a majority of those voting, unless all those voting are actually all of the eligible members of the retirement system) vote in favor of coverage, the state may then submit a modification to its agreement under Section 218 to extend coverage to that group. **When coverage is for Social Security and not Medicare-only, all employees whose positions are brought under the retirement system after the agreement was made applicable to that system are covered for Social Security. This does not apply to Medicare-only coverage since all new hires are mandatorily covered by Medicare.**

**Divided-vote** – The Act authorized certain states (including Washington) to become "named states" (Sections 218(d)(6) and 218(d)(7)) with the option of dividing a retirement system. The states have the following choices as to what may constitute a retirement system for referendum purposes:

- (a) The positions of all members of the system who elect coverage (**and all new members of the system**); and
- (b) The positions of all other employees under the system who elect **not** to be covered.

**Retirement System Coverage Group** – A grouping of employees in positions under a retirement system for Section 218 coverage purposes. The grouping may also be referred to as either a Section 218(d)(4) coverage group or **Section 218(d)(6)** coverage group depending upon the manner in which Social Security or **Medicare-only coverage** is extended to the grouping.

**Retirement System** - A pension annuity, retirement or similar fund or system established by a state or political subdivision.