

**SR81089**

**Updates to HCRA and DepCare Processing**

FINAL

Jerry Wilcox

22 November 2004

## Introduction

For calendar year 2003, a new benefit, the Health Care Reimbursement Account (HCRA) was made available to employees. At the same time, the Dependent Care (DepCare) benefit was revised. Both programs were turned over to a third-party payer, SHPS, Inc. After two years of processing, several issues and difficulties have been identified. This document requests changes in two specific areas: Periodic Maintenance, and the interface with SHPS, Inc. Note that some changes are to PPS itself and others are to the consolidation process run at UCOP on the files delivered from the campuses.

## Periodic Maintenance (PPS Change)

Both the HCRA and DepCare benefits require employees desiring to continue in the benefit for a new year to re-enroll during Open Enrollment. To enforce this requirement, PPS clears all current enrollments in either HCRA or DepCare during periodic maintenance to begin the new calendar year. This process is run in mid-December, after the final compute for December earnings paid in December has been run, but before the first compute for December earnings paid in January is run. Following the periodic maintenance run, transactions to perform the enrollments in HCRA and DepCare are processed, before the next compute cycle is run.

While this process works well overall, there is an intersection with enrollments in HCRA and DepCare by newly-hired or newly-eligible employees during the month of December. If these employees attempt to enroll in HCRA and/or DepCare, but they are past the cutoff date for the current year, they are enrolled in the benefits for the *new* year, and given an effective date of 12/31/yy, where 'yy' is the current year. This effective is actually interpreted as 1/1 of the *next* year. Unfortunately, the periodic maintenance process mentioned in the previous paragraph will delete those enrollments, so they will never take effect. This leads to the first requested change:

**Modify periodic maintenance to begin a new calendar year to *not* delete HCRA and DepCare enrollments when the effective date is 12/31 of the year being *ended* or later.**

## SHPS Interface

The SHPS interface consists of a data file submitted to SHPS on a twice-monthly basis. Each location produces a file for each cycle and delivers it to UCOP on a scheduled basis. UCOP then consolidates the files from all locations into a single file and makes that consolidated file available to SHPS. At the same time, a summary file is produced for UCOP Benefits Accounting.

As of this writing, the semimonthly files are nominally produced on the 2<sup>nd</sup> and 17<sup>th</sup> of each month. This schedule was agreed upon in order to make certain that HCRA and DepCare deductions taken from the Monthly Current (MO) payroll cycle were delivered to SHPS as soon as possible. The files are delivered as shown in the following table:

File Name	Reporting Period	Delivered
S1mony	3 <sup>rd</sup> — 17 <sup>th</sup>	17 <sup>th</sup>
S2mony	18 <sup>th</sup> — 2 <sup>nd</sup> of next month	2 <sup>nd</sup>

After one year of file delivery, this naming convention has proven confusing, as the “S1” file is not usually the *first* file delivered in the calendar month. It is therefore requested:

**That the file nominally delivered on the 2<sup>nd</sup> of the month be named “S1mony” and the file nominally delivered on the 17<sup>th</sup> of the month be named “S2mony.”**

This change is to both the PPS production runs at each location and to the consolidation process at UCOP.

### ***Separation of Data for Calendar Years***

It is extremely important to SHPS that deductions for multiple calendar years not be mixed on the same file. This is only a concern during the months of December and January, when one year is ending and another beginning. Particularly, in the month of December, it is important to report all deduction for the year being ended. According to the above schedule, the reporting period for the “S2” file encompasses two months, reporting from the 18<sup>th</sup> of one month through the 2<sup>nd</sup> of the next. This is problematic for December, and the above-requested change in naming lends itself to a simple solution, the production of a 3<sup>rd</sup> file for the month of December, reporting any deduction activity and adjustment activity applicable to the calendar (tax) year being *ended*. This leads to the following schedule of files:

File Name	Reporting Period	Delivered
S1mony	18 <sup>th</sup> <sub>1</sub> of previous month — 2 <sup>nd</sup>	2 <sup>nd</sup>
S2mony	3 <sup>rd</sup> — 17 <sup>th</sup>	17 <sup>th</sup>
S3DECyy	12/18/yy — 12/31/yy	Not later than 1/2

---

<sup>1</sup> Except for the S1JANyy file, for which the reporting period is 1/1/yy—1/2/yy.

It is requested that

**The SHPS reporting process be modified to support the production of a third file for the month of December only, and that that file show a reporting period of 12/18 through 12/31. Additionally, it is requested that the reporting period for the S1JANyy file be modified to reflect 1/1 through 1/2. These dates are encoded as the “from” and “to” dates on the data records in the SHPS file.**

Note that this is not a programming change in PPS, because the “from” and “to” dates are actually set during file consolidation. It is, however, a change to production practice at the locations.

The SHPS interface file is a dual-purpose file. It not only reports deduction activity, but it also reports enrollments in the HCRA and DepCare programs. Enrollments that are not effective until a future calendar year should *not* be reported on files for the current year. This is primarily of importance in December, where, as discussed above, enrollments for the next year may be posted by the new-hire application. It is therefore requested that

**PPP466 not include enrollments effective in future years on a SHPS file for the current year. This means that HCRA and/or DepCare enrollments with an effective date of 12/31/yy, where ‘yy’ is the current reporting year, or later, should *not* be included on the file.**

This is a change to PPS.

### ***Specification of Cycle to be Run***

PPP466, as currently deployed, can use the calendar year of the date the program is run to determine for which year data selection is being done. However, if the S3DECyy file is being produced *and* the run is being made in December of the year being ended rather than January of the new year (which will normally be the case during the end-of-year holiday period) PPP466 must be told that data for the new year are to be selected. It is therefore requested that

**PPP466 be modified to accept an *optional* run specification record allowing for the direct specification of the reporting year. If the run specification is *not* present, PPP466 should continue to derive the reporting year from the calendar year of the run date. It is noted that the S3DECyy cycle must always specify the (new) reporting year if it is produced during December of the old year.**

### ***Reporting of Effective Dates***

The “normal” effective date for HCRA and DepCare enrollments is the first of a calendar month, however, in order to force a deduction to be taken for a pay period that ends exactly at the end of a month (MO, MA, SM2, and some BW cycles), the effective date must be given to PPS as the last day of the previous month. SHPS expects those dates to

be reported as the first of the following month. The consolidated reporting process at UCOP has been converting the effective dates, but it is now requested that

**PPP466 convert an effective date that is the last day of a reportable month to the first day of the following month on the SHPS interface file. For example, enrollments made during the annual Open Enrollment process are always delivered to PPS with an effective date of 12/31 of the *old* year so that PPS will take the deduction from checks dated 1/1 or later of the *new* year. Those effective dates should be converted to 1/1 of the *new* year for SHPS reporting.**

## Coordination

Implementation of these changes must be coordinated among three different organizations:

1. SHPS, Inc.: SHPS is the vendor that processes the files being created. They will need to be notified of the change in naming and the timing of that change.
2. National Labs: The labs must be informed of the timing of the switch in naming, and should review their programming to make sure that the files they are delivering will meet all of the changes being made in the PPS programming. In particular, they should make sure that future enrollments that may be recorded in their system not be passed until the appropriate time.
3. UCOP: The central consolidation, encryption, and delivery process at UCOP must be aware of the timing of the name change as well as the need for a third cycle during December. Benefits Accounting at UCOP must also be aware of these changes, since the naming of their summary file will change to match the naming of the files produced by the campuses and the consolidate files delivered to SHPS.