Legally Domiciled Adults – Frequently Asked Questions:

Who qualifies for coverage as a Legally Domiciled Adult?
A Legally Domiciled Adult is an individual over 18 who has for at least 6 months lived in the same principal residence as the associate and remains a member of the associate's household throughout the coverage period; and who either:

(A) has an on-going, exclusive and committed relationship with the associate similar to marriage (not a casual roommate or tenant), shares basic living expenses and is financially interdependent with the associate, is neither legally married to anyone else nor legally related to the associate by blood in any way that would prohibit marriage, and is neither receiving benefits from an employer nor eligible for any group coverage, or

(B) is the associate's blood adult relative who meets the definition of his or her tax dependent as defined by Section 152 of the Internal Revenue Code during the coverage period and is neither receiving benefits from an employer nor eligible for any group coverage.

What coverage is available for my Legally Domiciled Adult (LDA)?
Both Category A and Category B LDAs may be covered under your medical, dental and vision plans. Category A LDAs are also eligible for the supplemental life insurance plan.

Can I enroll myself, my spouse, and an LDA under the Medical, Dental and Vision Plans?
No. You can elect coverage for a maximum of two adults, including yourself, in addition to any eligible dependent children. If you are legally married, you can elect adult coverage for you plus either your spouse or an LDA.

Are children of LDAs eligible for coverage?
A child's eligibility depends on the child's relationship to the LDA. The LDA must be the birth parent, legally adoptive parent, or legal guardian of the child in order for the child to be eligible for coverage.

Can I cover my grandchild as an LDA if he/she is my federal tax dependent under Internal Revenue Code Section 152?
You may cover your grandchild(ren) only if you have legal guardianship of the child(ren).

Can I enroll my mother as an LDA if she is my tax dependent, but we do not live together?
No. To qualify as an LDA an individual must meet all eligibility requirements which include - for both Category A and Category B LDAs - that the adult has lived with you in your principal residence for at least six months before enrollment and continues to live with you during the coverage period.

When can I enroll an LDA for coverage?
You can enroll an LDA in medical, dental, vision or life insurance plans during new hire enrollment or open enrollment.

How do I add my LDA to my benefits?
You will need to submit a notarized Legally Domiciled Adult Affidavit to the HR Service Center and three (3) forms of proof that your LDA meets the SCL Health System criteria for coverage. Completed affidavit forms can be submitted to the HR Service Center by fax at 303-813-5240 or by email at SO-HRSupport@sclhealth.org. The affidavit is available at www.sclhealthbenefits.org or by calling the HR Service Center at 855-412-3701 or 303-813-5250.

- Open Enrollment: For those adding an LDA during open enrollment, the notarized LDA affidavit must be submitted by the end of the open enrollment period. Supporting documents must be submitted within 31 days of the coverage effective date. If supporting documentation is not received within 31 days, your LDA will be removed from coverage.
- New Hires / Newly Eligible: The notarized LDA affidavit and supporting documents must be submitted to the HR Service Center within your initial 31 day enrollment period.

What types of documentation / proof are needed to add my LDA to my benefits?
Following are examples of acceptable proof:

- Power of attorney (medical or financial)
- Civil union certificate
- Joint documents date a minimum of six (6) months prior to enrollment showing current relationship status, such as a recurring household bill or statement of account. The documents must list the associate and LDA partner's name, the date and shared mailing address. Examples of joint documents:
  - Car loan or lease
  - Mortgage or lease
  - Utilities bill
  - Bank statements
  - Joint credit cards
  - Shared legal guardianship documents
  - Primary beneficiary or executor designation
  - Copy of driver's license showing proof of shared residency
- A copy of the front page of the associate's prior year federal tax return confirming the LDA is a qualified tax dependent as defined in Section 152 of the Internal Revenue Code.

Will the medical plans provide primary coverage if the LDA is 65 years old?
No. If an LDA is age 65 or older, claims will be processed under the company's medical plan as secondary. Medicare coverage will be the primary payer.

How much will these benefits cost me?
Associates who elect LDA coverage will pay the same amount for coverage as those with associate + spouse or family coverage. However, there may be other cost implications depending on whether or not the LDA is the associate's tax dependent, as explained below.

Are there tax implications of these benefits?

There could be. Federal law provides favorable income taxation only for medical benefits provided to spouses and federal tax dependents of associates. Medical benefits provided to LDAs who are not federal tax dependents are not eligible for favorable taxation. This means that:

- Contributions the associate makes toward the cost of the LDA's coverage must be paid on an after-tax basis.
- The amount the employer pays toward the cost of the LDA's coverage will be taxable income to the associate. This is often called "imputed income." Imputed income will be applied each paycheck.

(Note that an associate cannot request reimbursement from the Health Care Reimbursement Account for medical expenses of an LDA who is not a tax dependent.)

Different tax rules may apply under state law. It is recommended that you consult with an attorney about the tax implications of electing LDA coverage.

How do these tax rules apply to benefits for my Category A LDA?
As noted above, favorable federal income taxation is applicable only to benefits provided for a person who is your dependent for federal income tax purposes . Some, but not all, Category A LDAs will be the federal tax dependent of the associate. If you are covering a Category A LDA and that person is not your dependent for federal income tax purposes, you will not be entitled to favorable income taxation. This means that your contributions toward the LDA's coverage will be made on an after-tax basis and the employer's contributions toward the coverage will be considered income to you and is added to your total income for tax purposes.

How do these tax rules apply to benefits for my Category B LDA?
Because your Category B LDA is required to be your dependent for federal income tax purposes in order to be eligible for coverage, favorable taxation will apply. This means your contributions toward the LDA's coverage may be made on a pre-tax basis and the employer's contributions toward the coverage will not be taxable income to you.

Who is my dependent for federal income tax purposes?
"Dependents" for this purpose are defined in Section 152 of the Internal Revenue Code. To find out more about the specifics of Section 152 go to www.irs.gov. Given the complexity of the criteria, we recommend that you consult with your attorney or tax professional about the specifics of your particular situation.

When does an LDA become ineligible for coverage?
An LDA's eligibility under the medical, dental, vision or life insurance plans generally will end on the earliest of:

- the date the associate's coverage terminates, or
- the end of the month in which the individual no longer satisfies the eligibility criteria for LDA status.

Associates must notify the HR Service Center by phone at 855-412-3701 (toll-free) or 303-813-5250, or by email: SO-HRSupport@sclhealth.org immediately if there are any changes in eligibility status.

When an adult insured as an LDA loses LDA eligibility, is that individual eligible for COBRA benefits?
No. COBRA coverage applies only to the legal spouse and dependent children of an associate. Thus, LDAs do not have COBRA coverage rights of their own. However if an associate with an LDA terminates employment and chooses COBRA coverage for 18 months, the associate may continue coverage for his or her LDA for that same 18 month period. If the associate does not elect COBRA coverage, the LDA may not make a separate election to continue his or her coverage. In addition, an associate on COBRA may add an LDA during open enrollment in the same manner as is permitted for active associates. However, should the associate die or become Medicare entitled or should the LDA relationship end, the LDA may not make an election to extend COBRA on account of a second qualifying event.