

Health Insurance Subsidy (HIS)

What is the Health Insurance Subsidy (HIS) Program benefit?

The retiree Health Insurance Subsidy Program benefit is an extra benefit included in the same payment as your FRS retirement benefit. The purpose of the HIS benefit is to help with the cost of health insurance. You can be carried on someone else's insurance policy and still qualify for the payment. Eligible applicants must apply to receive this extra benefit. Proof of health insurance coverage (includes Medicare or Tricare) is required.

I have my insurance premium deducted from my benefit payment. Will I automatically receive the Health Insurance Subsidy (HIS) benefit?

No. If eligible, you must complete an Application for Health Insurance Subsidy, Form HIS-1. This application form is included in the packet sent to you after your name is added to the retired payroll or can be found on the Forms page of the FRS website. When the completed application is returned to the Division of Retirement and approved, the eligible HIS benefit amount will be calculated and added to your next monthly retirement payment including any applicable retroactive subsidy payments.

How is the HIS benefit amount calculated?

The amount of this monthly payment is calculated by multiplying your total years of creditable service (used to calculate your FRS pension benefit) by \$5. The maximum HIS payment is \$150. The minimum HIS payment is \$30.

How many months of retroactive HIS benefits do I qualify for?

When the Division of Retirement receives and approves your completed application, retroactive HIS payments are limited to the shorter period of back to your effective retirement date or a maximum of six months.

NOTE: Your health insurance certification must cover the entire period of retroactive payments

I have health insurance coverage under my spouse's plan. Am I eligible to apply for the Health Insurance Subsidy (HIS)?

Yes. You can download this form from the Forms page of the FRS website or request Form HIS-1 from the Division of Retirement. Please refer to the Contact Us page of the FRS website. When the completed application is returned to the Division of Retirement, the eligible HIS benefit amount will be calculated and added to your next monthly retirement payment, including any applicable retroactive subsidy payments.

I did not have health insurance when I retired two years ago. Now I am covered under Medicare. Am I eligible for the Health Insurance Subsidy (HIS)?

Yes. You can download this form from the Forms page of the FRS website or request Form HIS-1 from the Division of Retirement. Please refer to the Contact Us page of the FRS website. When the completed application is returned to the Division of Retirement, the eligible HIS benefit amount will be calculated and added to your next monthly retirement payment, including any applicable retroactive subsidy payments.

Is the Health Insurance Subsidy (HIS) benefit taxable income?

The HIS benefit is taxable income during the calendar year. Some or all of the HIS payments during a calendar year may be excluded from the income on your IRS Form 1099-R if one of following two criteria is met:

- Health premiums are deducted from your retirement payment by the Division of Retirement.
- Your former FRS employer reports to the division your annual health premium payments made directly to your former employer.

If I qualify for the HIS benefit tax exclusion, will all of my HIS payments be excluded?

The amount excludable from your 1099-R taxable income amount is based on your total HIS payments received from January to December each year and your total health premiums during the same period. Your total HIS payment amount will be excluded up to the amount of your total health premium with the maximum being the annual HIS payment you received. Please note that if your total health premiums paid are less than your total HIS payment, the exclusion amount will be up to the total health premiums paid. The remaining portion of your total HIS payments will be treated as taxable income. For example, if your total HIS payments equal \$1,800:

- If your total deducted health insurance premium is equal to or greater than \$1,800, all of your HIS payment is excluded from your taxable income.
- If your total deducted health insurance premiums equal \$800, only \$800 is excluded from taxable income and the remaining \$1,000 is taxable income.