

HEALTH BENEFITS E-NEWS EXTRA

*Department of Human Resource Management
Office of Health Benefits*

December 7, 2011

Weight Watchers and COVA Connect Incentive Programs Reported as Taxable Income

Incentives such as COVA Connect prizes and gift cards, or Weight Watchers® reimbursements to employees, are considered taxable income and the value must be included in an employee's taxable wages. In the past, employees receiving such an incentive have been responsible for including the amount as income on their federal tax returns. We have recently reviewed the process, and as a result, will now require agencies to payroll deduct applicable federal, state, local and FICA taxes from employee paychecks and report the value of these benefits on W-2 forms for the appropriate year.

CIPPS agencies have received a *Payroll Bulletin* by e-mail from the Department of Accounts with details of the process involved for 2011 and going forward. The *Bulletin* is also posted on the DOA web site. The Office of Health Benefits has sent a separate e-mail to affected **non-CIPPS agencies** on what is required. The list of employees impacted may be found in your agency's FTP folder labeled BES-ENews-Data-*nnn-12072011.csv* (where *nnn* is the agency number).

Payroll deductions of applicable taxes on Weight Watchers reimbursements and COVA Connect incentives for calendar year 2011 will be shown on the employees' December 16 or December 30 paychecks. Please provide a copy of the attached employee communication to each employee at your agency who received a Weight Watchers reimbursement and/or COVA Connect incentive during 2011. Questions from CIPPS agencies may be addressed to the Department of Accounts. Non-CIPPS agencies may contact OHB at ohb@dhrm.virginia.gov.

Walgreens and State Prescription Drug Programs

Some employees may have received communications from Walgreens Co. indicating that it will no longer participate with the state health plan beginning in 2012. The Commonwealth's relationship with Medco for COVA Care members, and Optima Health for COVA Connect members, is stable and secure. Walgreens remains a Medco and Optima Health participating pharmacy. There may be an impact **only on COVA HDHP** members, since Anthem's prescription drug program uses the Express Scripts provider network. Walgreens has decided to end its participation with Express Scripts effective January 1, 2012.

What this may mean for COVA HDHP plan members

Unless an agreement is reached between Express Scripts and Walgreens, COVA HDHP members would need to submit a Prescription Drug Claim Form to Anthem for prescription drug purchases at Walgreens beginning January 1. Even though Walgreens would be a non-participating pharmacy, Anthem's prescription drug program for COVA HDHP would still cover prescriptions from Walgreens.

A letter has been mailed to all COVA HDHP members who used Walgreens in the last six months, including the names and locations of convenient, nearby pharmacies that participate in the pharmacy provider network. It also directs members to the Anthem web site to find other nearby pharmacy locations.

Access to other retail pharmacies within the pharmacy provider network will be available, as the Express Scripts pharmacy network contains more than 56,000 pharmacies without Walgreens. *On average, there is another network pharmacy within one-half mile of a Walgreens pharmacy.*

We will let you know if circumstances change and Walgreens and Express Scripts reach agreement on a new contract. In the meantime, members can continue to receive coverage for their prescription medications from any Walgreens and its sister stores (such as Duane Reade, Happy Harry's, and OptionCare) through December 31, 2011.