

Continuation of Group Health Coverage

The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) requires that your group health plan allow **Qualified Beneficiaries** (described below) to continue group health coverage after it would otherwise end. The term "group health coverage" includes any medical, dental, vision care and prescription drug coverage's that are included in the group health plan.

WHO IS A QUALIFIED BENEFICIARY?

A qualified beneficiary is:

- a) any individual who, on the day before a qualifying event is covered under a group health plan either as a covered employee, the spouse of a covered employee, or the dependent child of a covered employee; or
 - b) any child born to, adopted or placed for adoption with a covered employee during a period of COBRA continuation coverage.
- In this Notice "you" and "your" refer to the **Qualified Beneficiary**.
- This COBRA Election Notice is directed to all individuals currently covered under the employer-sponsored plan. Each qualified beneficiary has the right to elect coverage for himself or herself. If you are the **Covered Employee** and you are married, please have your spouse read this Notice carefully and review the Election Form. If any **Qualified Beneficiary** named does not live with you, you must advise the employer immediately of his, her or their address(es) so they can be provided with this Notice and an Election Form.

WHAT IS A QUALIFYING EVENT?

"**Qualifying Events**" are certain types of events that would cause, except for COBRA continuation coverage, an individual to lose health coverage. The type of qualifying event will determine who is entitled for continuation coverage and the required amount of time that the plan must offer the health coverage under COBRA. Federal law known as COBRA permits the **Qualified Beneficiary** to elect to continue coverage for a limited time period. This coverage is called "continuation coverage" or "COBRA" coverage.

COBRA QUALIFYING EVENTS

A COBRA qualifying event is any of the following that causes a covered employee or qualified beneficiary to lose coverage:

1. Death of covered employee.
2. The termination, voluntary or involuntary (other than for gross misconduct), of the covered employee's employment
3. Loss of eligibility due to a reduction in hours of the covered employees employment
4. The divorce or legal separation of the covered employee from the employee's spouse
5. The covered employee becomes entitled to benefits under Title XVIII of the Social Security Act
6. A dependent child ceasing to be a dependent child under the generally applicable requirements of the plan
7. Bankruptcy reorganization under Title 11 for persons with retiree coverage if it causes a substantial loss of coverage within one year before or after filing.

FAMILY & MEDICAL LEAVE ACT (FMLA)

Taking a leave under the federal Family and Medical Leave Act (FMLA) is not a qualifying event under COBRA. A member qualifies for COBRA when the member (a) does not return to work after completion of FMLA leave; or (b) notifies the employer of the intent not to return to work during a FMLA leave.

WHAT COVERAGES CAN I ELECT?

Your right to elect continuation coverage applies only **to the Plan(s) under which you were covered on the Date of the Qualifying Event**. For example, if you were covered only under the Medical Plan, but not under the Dental Plan, on the **Date of the Qualifying Event**, you may elect continuation coverage only under the Medical Plan. "Plan" in this notice means a Plan for which you have the right to elect continuation coverage. If the Plan changes benefits, premiums, etc., COBRA coverage changes accordingly. During open enrollment, you will have the same options under COBRA coverage as active employees covered under the Plan (for example, the right to add dependents) and will be subject to the same benefit and rate changes that apply to the Plan.

CANCELLATION OF GROUP COVERAGE

Your coverage under the Plan is or will be canceled either the last day of the month in which the **Qualifying Event** occurs or the day of the **Qualifying Event** depending on your plan provisions. Your coverage will remain canceled until the COBRA coverage is elected and paid for. The coverage will be reinstated retroactively following a proper election and timely payment of the premium. If you want COBRA coverage, complete the enclosed Election Form and return it by the **Date Election is Due**.

HOW TO ELECT TO CONTINUE COVERAGE

You may elect to continue your coverage by completing the enclosed COBRA Election Form. If you are the **Covered Employee**, and your spouse or child is also a **Qualified Beneficiary**, you also may elect to continue his or her coverage on the Election Form. Also, if you are the spouse of the **Covered Employee**, and your child is also a **Qualified Beneficiary**, you may elect to continue the child's coverage on the Election Form. *Each Qualified Beneficiary has the right to elect coverage for himself or herself.* For example, if both the **Covered Employee** and his or her child are **Qualified Beneficiaries**, the child (or the child's representative, which may be the **Covered Employee**) may independently elect to continue his or her coverage, even if the **Covered Employee** does not elect to continue his or her own coverage.

You must send the completed COBRA Election Form on or before the **Date Election is Due**. (The election period ends 60 days after the date of this Notice or 60 days after your plan coverage ends, whichever period is longer.) You will lose your eligibility for COBRA coverage if you fail to send the Election Form by the **Date Election is Due**.

PREMIUM FOR COBRA COVERAGE

You must pay the entire premium for your COBRA coverage. An additional 2% billing fee may be charged to cover administrative expenses. These rates are subject to change based on the employer-sponsored plan. [If you pay less than the full amount of the premium or you pay by check without sufficient funds in the bank (your check "bounces"), you have not paid your full premium, and your COBRA coverage will be canceled unless you make full payment within the payment period described below.]

Premiums will increase by 48% of the otherwise applicable premium after the 18th month of coverage for any qualified beneficiary that qualifies for the disability extension. An additional 2% billing fee may be charged to cover administrative expenses.

PAYMENT OF INITIAL PREMIUM FOR COBRA COVERAGE

Initial payment of premiums for COBRA coverage must be made on or before the 45th day after electing COBRA coverage. **Your initial payment must be at least enough to pay for the premiums for all prior months of continuation coverage**, not including the month in which you are making the initial payment. For example, Sue's employment terminated in September. She loses coverage on September 30. Sue elects continuation coverage in November and makes her initial payment premium in December. Sue's minimum required initial payment is the premium amount for coverage for October and November. Her December premium is due December 1, but with the 30-day grace period described below; she has until December 31 to pay the December premium to avoid cancellation of her coverage.

No claims under continuation coverage are paid until the premium for the month of coverage is paid. *If the full initial premium payment is not made within the 45-day period, coverage for the affected qualified beneficiary remains canceled and no COBRA coverage will be provided.* If, for whatever reason, any qualified beneficiary receives any medical benefits under the Plan during a month for which the premium was not timely paid, you will be required to reimburse the Plan for the benefits received.

PAYMENT OF PREMIUMS AFTER THE INITIAL PREMIUM

After the initial premium, your premium payment is due the 1st of each month for that month's COBRA coverage. There is, however, a grace period for late payment, which expires on the 30th day after the 1st of the month. *COBRA coverage will be canceled retroactively to the 1st of the month if you fail to remit the premium payment by the due date, or within the 30-day grace period.* If, for whatever reason, any qualified beneficiary receives any benefits under the plan during a month for which the premium was not timely paid, you will be required to reimburse the Plan for the benefits received.

IF YOU ELECT COBRA CONTINUATION COVERAGE IT IS YOUR RESPONSIBILITY TO REMIT PREMIUMS TIMELY, WHETHER OR NOT YOU RECEIVE A MONTHLY INVOICE. FAILURE TO REMIT PREMIUMS TIMELY WILL RESULT IN A TERMINATION OF COBRA.

DURATION OF COBRA COVERAGE

COBRA Coverage Maximums for COBRA Qualifying Events	
18 months maximum coverage period	36 months maximum coverage period
<ul style="list-style-type: none">▪ termination of employment▪ reduction in hours	<ul style="list-style-type: none">▪ death of an employee▪ divorce or legal separation of an employee▪ child loses dependent status▪ employee entitled to Medicare▪ employer bankruptcy

Important exceptions may occur that will lengthen the 18-month period or shorten the 36-month period, as outlined below:

- **18-month period increases to 36-month period.** If the **Qualifying Event** is termination of **Covered Employee's** employment or reduction in hours, COBRA coverage for a **Qualified Beneficiary** who is a spouse or dependent child or the **Covered Employee** can increase to up to 36 months from the date the 18-month period began if any of the following events occur during the 18-month period: the **Covered Employee** dies; the **Covered Employee** and spouse are divorced; or, for the dependent child only, the dependent child loses status as a dependent under the Plan. The **Qualified Beneficiary**, spouse or dependent(s) must notify the employer within 60 days in case of divorce or the dependent child ceasing to be eligible, or else the COBRA maximum period will remain 18 months.
- **36-month period if you became entitled to Medicare.** If the **Qualifying Event** is termination of the **Covered Employee's** employment or reduction in hours, and the **Covered Employee** became entitled to Medicare within 18 months before the date of termination or reduction in hours, the COBRA coverage period for the **Covered Employee's** covered spouse or dependent children is a period that ends 36 months after the **Covered Employee** became entitled to Medicare.
- **29-month period for disabled Qualified Beneficiaries.** If the **Qualifying Event** is termination of **Covered Employee's** employment or reduction in hours, and a **Qualified Beneficiary** is disabled, COBRA coverage for all **Qualified Beneficiaries** may continue for up to 29 months from the date the 18-month period began. The 29-month period applies only if the following conditions are satisfied: (1) the Social Security Administration determines the **Qualified Beneficiary** is disabled at any time during the first 60 days of continuation coverage (running from the date of termination of employment or reduction in hours); and (2) the **Qualified Beneficiary** provides the employer a copy of the SSA determination within the 18-month coverage period and no later than 60 days after the determination is made. The premium for COBRA coverage increases after the 18th month coverage to 148% of the otherwise applicable premium.

EARLY TERMINATION OF COBRA

COBRA coverage can terminate before the 18-month, 36-month or 29-month period described above expires. COBRA coverage will terminate early in these situations:

- 1) COBRA coverage will terminate on the first day of the month for which the **Qualified Beneficiary's** COBRA premium is not timely paid;
- 2) COBRA coverage will terminate on the date the employers ceases to maintain any group health plan for its employees;
- 3) If, after electing COBRA, a **Qualified Beneficiary** becomes entitled to Medicare, COBRA coverage will terminate on the date of Medicare entitlement (applies only to the person who becomes entitled to Medicare);
- 4) If, after electing COBRA, a **Qualified Beneficiary** becomes covered by another group health plan that does not contain an exclusion or limitation for a preexisting condition of the **Qualified Beneficiary**, COBRA coverage will terminate on the date the other coverage begins. If the other plan has applicable exclusions or limitations, COBRA coverage will terminate after the exclusion or limitation no longer applies (for example, after a 12-month preexisting condition waiting period expires). This rule applies only to the **Qualified Beneficiary** who becomes covered by another group health plan.
- 5) If a **Qualified Beneficiary** is entitled to 29 months of COBRA coverage on account of his or her disability or the disability of another **Qualified Beneficiary** under the same qualifying event, but it is later determined by the Social Security Administration that the formerly disabled **Qualified Beneficiary** is no longer disabled, coverage for all **Qualified Beneficiaries** will terminate with the first month beginning more than 30 days after the SSA determination, or, if later, at the end of 18 months of continuation coverage.
- 6) COBRA coverage will terminate for cause on the same basis coverage is terminated for cause with respect to similarly situated beneficiaries under the plan with respect to whom a qualifying event has not occurred.

NEWBORN CHILD, ADOPTED OR CHILD PLACED FOR ADOPTION

If, during the period of continuation coverage, a child is born to the **Covered Employee**, adopted by or is placed for adoption with the **Covered Employee**, the child is considered a **Qualified Beneficiary**. You (or a guardian) have the right to elect continuation coverage for the child, provided the child satisfies the otherwise applicable plan eligibility requirements (for example, age). You or a family member must notify the employer within 30 days of the birth or placement to enroll the child on COBRA. (The 30-day period is the Plan's normal enrollment window for newborn or adopted children.) If you or a family member, fail to notify the employer in a timely fashion, the covered employee will NOT be offered the option to elect COBRA coverage for the newborn or adopted child.

OPEN ENROLLMENT RIGHTS AND HIPAA SPECIAL ENROLLMENT RIGHTS

Qualified beneficiaries who have elected COBRA will be given the same opportunity to change their coverage option or add or eliminate coverage for dependents at open enrollment as similarly situated active employees. In addition, HIPAA's special enrollment rights will apply to those who have elected COBRA coverage. HIPAA, a federal law, gives a person already on COBRA certain rights to add dependents if such person acquires a new dependent through marriage, birth, adoption or placement for adoption, or if an eligible dependent declines coverage because of alternative coverage and later loses such coverage due to certain qualifying reasons. Except for children described above under "Newborn Child, Adopted or Child Placed For Adoption," above, dependents who are enrolled under HIPAA's special enrollment rights do not become qualified beneficiaries; their coverage will end at the same time coverage ends for the person who elected COBRA and later added them.

NOTICES YOU MUST GIVE US

In addition to sending the election notice to the proper designation (SEE ELECTION FORM) to elect continuation coverage, you or a family member must notify the employer promptly when any of the following events occur:

- 1) Any qualified beneficiary becomes entitled to Medicare
- 2) Any qualified beneficiary becomes covered by another group health plan
- 3) Any qualified beneficiary's marital status changes
- 4) Any dependent child ceases to meet the eligibility requirements for plan coverage
- 5) When a child is born, adopted or placed for adoption by any qualified beneficiary

Events (1) and (2) above will result in the termination of COBRA coverage as explained above. If events (3), (4) or (5) occur, additional COBRA rights may apply as explained above.

INDIVIDUAL PURCHASE (CONVERSION) OPTIONS

There are no individual purchase (conversion) options available once COBRA coverage has terminated regardless of the reason for termination.

QUESTIONS

For further information or if you wish to receive the most recent copy of the Plan's benefit booklet, which contains important information about Plan benefits, eligibility, exclusions and limitations, please contact your employer.

Please be advised this notice does not state: (a) all of the terms of the plan; (b) all of the terms of the plan which restrict coverage or benefits by condition or limitation and (c) all of the terms required by law.

Please be sure to keep this notice and a copy of the completed election notice for guidance on your rights and responsibilities to continue coverage. Send only the completed election form to the address designated on Page 1 of the election form.