

# COBRA

## Important Information About Your COBRA Continuation Coverage Rights

### What is COBRA continuation coverage?

A federal law known as COBRA requires that most group health plans (including the plan or plans that are listed in the COBRA Continuation Coverage Election Form and collectively referred to in this notice as "the plan") give employees and their families the opportunity to continue their health care coverage when there is a "qualifying event" that would result in a loss of coverage under the plan. Only persons known as "qualified beneficiaries" may elect to continue their coverage under the plan. Depending on the type of qualifying event, "qualified beneficiaries" can include the employee (or retired employee) covered under the group health plan, the covered employee's spouse, and the dependent children of the covered employee. A child of the covered employee or former employee who is receiving benefits under the plan pursuant to a qualified medical child support order is entitled to the same rights under COBRA as a dependent child of the covered employee. A child born to, adopted by or placed for adoption with a former employee during the period of COBRA coverage may also be a qualified beneficiary if the former employee is a qualified beneficiary who has elected COBRA coverage. Continuation coverage is the same coverage that the plan gives to other participants or beneficiaries under the plan who are not receiving continuation coverage. Each qualified beneficiary who elects continuation coverage will have the same rights under the plan as other participants or beneficiaries covered under the plan, including special enrollment rights and any open enrollment rights.

### How long will COBRA continuation coverage last?

In the case of a loss of coverage due to end of employment or reduction in hours of employment, coverage generally may be continued only for up to a total of 18 months. In the case of losses of coverage due to an employee's death, divorce, the employee's becoming enrolled in Medicare or a dependent child ceasing to be a dependent under the terms of the plan, coverage may be continued for up to a total of 36 months. When the qualifying event is the end of employment or reduction of the employee's hours of employment, and the employee became enrolled in Medicare before the qualifying event, COBRA continuation coverage for qualified beneficiaries other than the employee lasts until 36 months after the date of Medicare enrollment or 18 months after the date of termination of employment or reduction in hours, whichever period ends last. This notice shows the maximum period of continuation coverage available to the qualified beneficiaries.

### Can COBRA coverage terminate early?

Continuation coverage will be terminated **before** the end of the maximum period if:

- any required premium is not paid in full on time,
- after electing continuation coverage, a qualified beneficiary becomes covered under another group health plan that does not impose any pre-existing condition exclusion for a pre-existing condition of the qualified beneficiary,
- after electing continuation coverage, a qualified beneficiary becomes enrolled in Medicare (under Part A, Part B, or both),
- a qualified beneficiary is covered under the additional 11-month disability extension and there has been a final determination by the Social Security Administration that the disabled qualified individual is no longer disabled, or
- the employer ceases to provide any group health plan for its employees.

Continuation coverage may also be terminated for any reason the plan would terminate coverage of a participant or beneficiary not receiving continuation coverage (such as fraud).

### How can you extend the length of COBRA continuation coverage?

If you elect continuation coverage, an extension of the maximum 18-month period of coverage may be available if a qualified beneficiary is disabled or a second qualifying event occurs. You must timely notify the Plan Administrator or his designee of a disability or a second qualifying event, using the notice procedures specified below, in order to extend the period of continuation coverage. Failure to provide notice of a disability or second qualifying event may affect the right to extend the period of continuation coverage.

#### **Disability**

An 11-month extension of coverage (for a maximum of 29 months of coverage) may be available if any of the qualified beneficiaries is determined by the Social Security Administration (SSA) to be disabled. The disability has to have started at some time before the 60th day of COBRA continuation coverage and must last at least until the end of the 18-month period of continuation coverage. In order for this disability extension to apply, you must timely notify the Plan Administrator or its designee in writing (using the notice procedures specified below) of the SSA disability determination before the end of the 18-month period of continuation coverage **and** within 60 days after the later of (i) the date of the initial

in writing to the Plan Administrator during the 60-day notice period, there will be no extension of COBRA coverage as a result of the second qualifying event.

## How can you elect COBRA continuation coverage?

To elect continuation coverage, you must complete the Election Form and furnish it according to the directions on the form. Failure to do so will result in the loss of the right to elect COBRA continuation coverage. Each qualified beneficiary has a separate right to elect continuation coverage. For example, the employee's spouse may elect continuation coverage even if the employee does not. Continuation coverage may be elected for only one, several, or for all dependent children who are qualified beneficiaries. A parent may elect to continue coverage on behalf of any dependent children. The employee or the employee's spouse can elect continuation coverage on behalf of all of the qualified beneficiaries.

In considering whether to elect continuation coverage, you should take into account that a failure to continue your group health coverage will affect your future rights under federal law. First, you can lose the right to avoid having pre-existing condition exclusions applied to you by other group health plans if you have more than a 63-day gap in health coverage, and election of continuation coverage may help you not have such a gap. Second, you will lose the guaranteed right to purchase individual health insurance policies that do not impose such pre-existing condition exclusions if you do not get continuation coverage for the maximum time available to you. Finally, you should take into account that you have special enrollment rights under federal law. You have the right to request special enrollment in another group health plan for which you are otherwise eligible (such as a plan sponsored by your spouse's employer) within 30 days after your group health coverage ends because of a qualifying event. You will also have the same special enrollment right at the end of continuation coverage if you get continuation coverage for the maximum time available to you.

## How much does COBRA continuation coverage cost?

Generally, each qualified beneficiary may be required to pay the entire cost of continuation coverage. The amount a qualified beneficiary may be required to pay may not exceed 102 percent (or, in the case of an extension of continuation coverage due to a disability, 150 percent) of the cost to the plan (including both employer and employee contributions) for coverage of a similarly situated plan participant or beneficiary who is not receiving continuation coverage. The required payment for each continuation coverage period for each option is described in this notice.

In the case of an extension of COBRA coverage due to disability, the amount a qualified beneficiary may be required to pay may not exceed 150 percent of the full cost to the plan after the 18th month, assuming that the disabled qualified beneficiary elects to be covered under the disability extension. If the only qualified beneficiaries who elect the disability extension are non-disabled family members, the cost of coverage will remain at 102 percent of the full cost of coverage.

The Trade Act of 2002 created a new tax credit for certain individuals who become eligible for trade adjustment assistance and for certain retired employees who are receiving pension payments from the Pension Benefit Guaranty Corporation (PBGC) (eligible individuals). Under the new tax provisions, eligible individuals can either take a tax credit or get advance payment of 65% of premiums paid for qualified health insurance, including continuation coverage. If you have questions about these new tax provisions, you may call the Health Coverage Tax Credit Customer Contact Center toll-free at 1 866 628-4282. TTD/TTY callers may call toll-free at 1 866 626-4282. More information about the Trade Act is also available at [www.doleta.gov/tradeact/](http://www.doleta.gov/tradeact/).

## When and how must payment for COBRA continuation coverage be made?

### *First payment for continuation coverage*

If you elect continuation coverage, you do not have to send any payment with the Election Form. However, you must make your first payment for continuation coverage not later than 45 days after the date of your election. (This is the date the Election Notice is post-marked, if mailed.) If you do not make your first payment for continuation coverage in full not later than 45 days after the date of your election, you will lose all continuation coverage rights under the plan. Your first payment for continuation coverage must include all premiums owed from the date on which COBRA coverage began. You are responsible for making sure that the amount of your first payment is correct. You may contact the Plan Administrator to confirm the correct amount of your first payment.

### *Periodic payments for continuation coverage*

After you make your first payment for continuation coverage, you will be required to make periodic payments for each subsequent coverage period. The amount due for each coverage period for each qualified beneficiary is shown in the COBRA Continuation Coverage Election Letter. The periodic payments can be made on a monthly basis. Under the plan, each of these periodic payments for continuation coverage is due on the first day of the month for that coverage period. If you make a periodic payment on or before the first day of the coverage period to which it applies, your coverage under the plan will continue for that coverage period without any break. You will receive periodic notices of payments due for these coverage periods.

qualifying event, (ii) the date on which coverage would be lost because of the initial qualifying event, or (iii) the date of the SSA disability determination.

**SSA Disability Notice Procedures:** The SSA disability notices that you provide must be **in writing**. Oral notice, including notice by telephone, is not acceptable. You must mail, fax or hand deliver your notice to:

Blue Cross and Blue Shield of Alabama  
Attention: Customer Accounts  
450 Riverchase Parkway East  
Birmingham, AL 35298-0001  
Fax: (205) 220-6884 or 1 888 810-6884 (toll free)

Your notice must be received by Blue Cross and Blue Shield of Alabama no later than the last day of the required 60-day notice period unless you mail it. If mailed, your notice must be postmarked no later than the last day of the required 60-day notice period. The notice you provide must state:

- the name of the plan or plans under which you lost or are losing coverage,
- the name and address of the employee covered under the plan,
- the name(s) and address(es) of the qualified beneficiary(ies),
- the qualifying event and the date of the qualifying event,
- the name of the disabled qualified beneficiary,
- the date that the qualified beneficiary became disabled, and
- the date that the SSA made its determination of disability.

Your notice must also include a copy of the SSA disability determination. For your convenience, we have provided a form of Notice by Qualified Beneficiaries that you may use to notify Blue Cross and Blue Shield of Alabama of a SSA disability determination. You may also get a copy of this form, at no cost to you, from either the Plan Administrator or Blue Cross and Blue Shield of Alabama. If these procedures are not followed or if the notice is not provided in writing to Blue Cross and Blue Shield of Alabama within the required time period, there will be no disability extension of COBRA continuation coverage.

Each qualified beneficiary who has elected continuation coverage will be entitled to the 11-month disability extension if one of them qualifies. If the qualified beneficiary is determined by SSA to no longer be disabled, you must notify Blue Cross and Blue Shield of Alabama of that fact within 30 days after SSA's determination.

### **Second Qualifying Event**

An extension of coverage for up to 18 months will be available to spouses and dependent children who elect continuation coverage if a second qualifying event occurs during the first 18 months of continuation coverage. The maximum amount of continuation coverage available

when a second qualifying event occurs is 36 months (beginning on the date of the first qualifying event). Such second qualifying events may include the death of a covered employee, divorce from the covered employee, the covered employee's becoming enrolled in Medicare (under Part A, Part B, or both), or a dependent child's ceasing to be eligible for coverage as a dependent under the plan. These events can be a second qualifying event only if they would have caused the qualified beneficiary to lose coverage under the plan if the first qualifying event had not occurred.

For example, the former employee becoming enrolled in Medicare will rarely be a second qualifying event that would entitle the spouse or dependent children to extended COBRA coverage. This is so because, for plans that are subject to both COBRA and the Medicare Secondary Payer (MSP) laws, this event would not cause the spouse or dependent children to lose coverage under the plan had the first qualifying event not occurred.

In order for this extension to apply, you must timely notify the Plan Administrator in writing (using the procedures specified below) of the second qualifying event within 60 days after the second qualifying event occurs or within 60 days after the date on which coverage would be lost because of the event, whichever is later.

**Qualifying Event Notice Procedures:** The notice of the second qualifying event that you provide must be in writing. Oral notice, including notice by telephone, is not acceptable. You must mail or hand deliver your notice to the Plan Administrator at the address listed at the end of this notice. Your notice must be received by the Plan Administrator no later than the last day of the required 60-day notice period unless you mail it. If mailed, your notice must be postmarked no later than the last day of the required 60-day period. The notice you provide must state:

- the name of the plan or plans under which you lost or are losing coverage,
- the name and address of the employee covered under the plan,
- the name(s) and address(es) of the qualified beneficiary(ies),
- the qualifying event and the date of the qualifying event, and
- the second qualifying event and the date of the second qualifying event.

If the second qualifying event is a divorce, your notice must include a copy of the divorce decree. For your convenience, we have provided a form of Notice by Qualified Beneficiaries that you may use to notify the Plan Administrator of a second qualifying event. You may also get a copy of this form, at no cost to you, from the Plan Administrator. If these procedures are not followed or if the notice is not provided

### ***Grace periods for periodic payments***

Although periodic payments are due on the dates shown above, you will be given a grace period of 30 days after the first day of the coverage period to make each periodic payment. Your continuation coverage will be provided for each coverage period as long as payment for that coverage period is made before the end of the grace period for that payment. However, if you pay a periodic payment later than the first day of the coverage period to which it applies, but before the end of the grace period for the coverage period, any claim you submit for benefits will be suspended as of the first day of the coverage period and then processed by the plan only when the periodic payment is received. If you fail to make a periodic payment before the end of the grace period for that coverage period, you will lose all rights to continuation coverage under the plan.

Your first payment and all periodic payments for continuation coverage should be sent to:

Blue Cross and Blue Shield of Alabama  
Attention: COBRA  
P.O. Box 36146  
Birmingham, AL 35236-1346

### **What happens when you exhaust COBRA Coverage?**

If you exhaust your COBRA coverage, you may buy a conversion health contract from Blue Cross and Blue Shield of Alabama. Ask your Plan Administrator to determine whether a conversion contract is available. Conversion contracts have more limited coverage than COBRA coverage.

You may also qualify for coverage under state law. In Alabama, you can continue coverage through Alabama Health Insurance Plan (AHIP). You can reach AHIP by calling the State Employees' Insurance Board in Montgomery, Alabama. In other states, you should call the state insurance department. If you elect to buy a conversion contract instead of enrolling in AHIP, you will not be able to enroll at a later date in AHIP.

By contrast, if COBRA coverage ends because you stop paying for it, then you will not have any further coverage under the group health plan and you will not be eligible to buy conversion coverage (if available) and you may not qualify for continued coverage under any applicable state law program. For example, in Alabama, you would not qualify for continued coverage under AHIP.

### **For more information**

This notice does not fully describe continuation coverage or other rights under the plan. More information about continuation coverage and your rights under the plan is

available in your summary plan description or from the Plan Administrator.

If you have any questions concerning the information in this notice, your rights to coverage, or if you want a copy of your summary plan description, you should contact the Plan Administrator below.

For more information about your rights under ERISA, including COBRA, the Health Insurance Portability and Accountability Act (HIPAA), and other laws affecting group health plans, contact the U.S. Department of Labor's Employee Benefits Security Administration (EBSA) in your area or visit the EBSA website at [www.dol.gov/ebsa](http://www.dol.gov/ebsa). (Addresses and phone numbers of Regional and District EBSA Offices are available through EBSA's website.)

### **Keep Your Plan Informed of Address Changes**

In order to protect your and your family's rights, you should keep the Plan Administrator informed of any changes in your address and the addresses of family members. You should also keep a copy, for your records, of any notices you send to the Plan Administrator.

### **Plan Administrator Contact Information**

Name/Position:

Address:

Phone Number: