

POLICYHOLDER NOTICE REGARDING PENNSYLVANIA MINI-COBRA RIGHTS

This notice contains important information about member continuation coverage rights under your group health insurance policy. Please read the information contained in this notice very carefully.

Act 2 of 2009 is a new law in Pennsylvania that requires group health insurance policies (hospital, surgical or major medical) to provide continuation coverage for certain members who are terminated from coverage under the policy. This continuation coverage is sometimes referred to as “mini-COBRA” because it is similar in purpose to federal COBRA. However, unlike federal COBRA, mini-COBRA only applies to group health insurance (hospital, surgical or major medical) issued to employers who employed between 2 and 19 employees on a typical business day during the preceding year (a “2-19 Group Policy”).

Who is covered? Employees and eligible dependents can elect mini-COBRA continuation coverage if they were insured under or for similar benefits under any group health insurance policy it replaced during the entire three-month period ending with termination of coverage due to a qualifying event. Mini-COBRA continuation coverage is not available for covered employees or eligible dependents if they:

- are covered or eligible for coverage under Medicare;
- fail to verify that they are not eligible for employer-based group health insurance as an eligible dependent; or
- are or could be covered by any other insured or self-insured group arrangement providing for hospital, medical or major medical coverage under which they were not covered immediately prior to such termination of coverage (this last condition excludes coverage under Medical Assistance, CHIP and adultBasic).

What benefits will be available under the continuation coverage? The same hospital, surgical or major medical benefits provided to other individuals covered by the employer’s 2-19 Group Policy.

How will a covered employee be notified to elect continuation coverage? Within 30 days of a qualifying event, the employer must notify the covered employee of the right to elect mini-COBRA continuation coverage. The Pennsylvania Insurance Department and the Pennsylvania Department of Labor & Industry have a model notice available on their websites for the employer’s use in notifying the covered employee. This election notice must also be given to a 2-19 Group Policy’s administrator (which may be the employer) and the insurer.

How will a covered employee or eligible dependent elect coverage? Within 30 days of receiving notice of his/her right to elect mini-COBRA continuation coverage, each covered employee or eligible dependent must notify the administrator (which may be the employer) of his/her election of coverage. The notice will inform the employee of the right to elect mini-COBRA continuation coverage; and, further, provide details for making this election. Note that an eligible dependent’s election to continue coverage under mini-COBRA will operate as an election by any other eligible dependent who would otherwise lose coverage as a result of the qualifying event.

What is a qualifying event? Mini-COBRA continuation coverage must be offered to covered employees and eligible dependents if coverage under the 2-19 Group Policy will be lost due to one of the following qualifying events:

- termination of the covered employee’s employment (other than by reason of the employee’s gross misconduct);
- reduction of the covered employee’s hours of employment;
- death of the covered employee;
- divorce or legal separation of the covered employee from an eligible dependent;
- the covered employee becoming entitled to Medicare;

- an eligible dependent ceasing to be a dependent child under the terms of the 2-19 Group Policy; or
- the employer's Chapter 11 bankruptcy proceeding (if elimination of coverage with respect to an eligible dependent occurs within one year before or after the date of commencement of the bankruptcy proceeding).

How much will continuation coverage cost? The premium for mini-COBRA continuation coverage may not be more than 105% of the group rate on the due date of each payment. Payments must be made monthly. Employers are not required to contribute to the deductible of a covered employee's health savings account or medical spending account.

How does a covered employee or eligible dependent pay for continuation coverage? A covered employee or eligible dependent that elects mini-COBRA continuation coverage must pay the required premium amount to the administrator (which may be the employer).

When will mini-COBRA continuation coverage start? Mini-COBRA coverage begins on the later of the date of the qualifying event or the date coverage would otherwise end under the 2-19 Group Policy for a covered employee or eligible dependent.

When will continuation coverage end? Mini-COBRA continuation coverage terminates: when the covered employee or eligible dependent is no longer eligible for such coverage (see "who is covered" above) or the first of the following: 9 months after coverage terminated due to a qualifying event; the date coverage under the 2-19 Group Policy terminates due to the covered employee's or eligible dependent's failure to timely pay the mini-COBRA premium; or the date the 2-19 Group Policy is terminated. Note that if a covered employee or eligible dependent is no longer eligible for mini-COBRA continuation coverage, he/she must notify the administrator (which may be the employer) within 14 days of date that eligibility for mini-COBRA continuation would end.

Will continuation coverage require underwriting? No. Mini-COBRA continuation coverage may not be conditioned on evidence of insurability.

Will conversion policies be available to covered employees or eligible dependents at the end of the continuation coverage period? Covered employees and eligible dependents are entitled to obtain a conversion policy under the otherwise applicable provisions of the 2-19 Group Policy following termination of the mini-COBRA continuation coverage period.

Special note regarding federal premium assistance The American Recovery and Reinvestment Act of 2009 ("ARRA") reduces the mini-COBRA continuation coverage premium to 35% in cases where 2-19 Group Policy coverage is lost due to an involuntary termination of employment during the period beginning with July 10, 2009 and ending with December 31, 2009 (the "ARRA Period"). The insurer will be responsible for the remaining 65% of the mini-COBRA premium. Details of the right to a reduced mini-COBRA premium will be sent to covered employees and eligible dependents who lose coverage during the ARRA Period.