

COBRA

Rights and Rules



Important Information and Disclosures
Regarding Your COBRA Continuation Coverage

Please read this booklet carefully

COBRA Rights and Rules

Introduction

COBRA stands for Consolidated Omnibus Budget Reconciliation Act of 1985, which is the name of the federal law that enacted health coverage continuation. This booklet is designed to provide a basic overview of the COBRA law. It outlines both your rights and responsibilities as a COBRA Qualified Beneficiary. Additionally, it describes rules that govern the administration of your COBRA continuation coverage.

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COBRA Rights and Rules

Qualifying Events and Duration of Coverage

The federal law known as COBRA permits an employee, covered spouse, and/or covered dependent child(ren) to continue their health coverage if termination of coverage is due to one of the following Qualifying Events. The duration of COBRA continuation coverage depends on the type of Qualifying Event.

- 18 Months
 - Termination of Employment
 - Reduction in Work Hours

- 29 Months
 - A Qualified Beneficiary who would normally have received 18 months of coverage may extend the duration of COBRA to 29 months if they are determined to be disabled by the Social Security Administration before or within 60 days of the Qualifying Event date. Vita must be notified of the disability determination within 60 days after the date of the Social Security determination and before the end of the original 18 month period that applies to the Qualifying Event.

- 36 Months
 - Death of Employee
 - Divorce or Legal Separation
 - Dependent Child Ceases to be an Eligible Dependent Under the Plan Due to Age
 - Employer Commences a Bankruptcy Proceeding (For Covered Retirees and Their Dependents Only)

COBRA continuation coverage for dependents may only be elected for those dependents who are covered as a spouse and/or dependent child(ren) at the time of the Qualifying Event. In some circumstances, domestic partners who were covered under the group health plan **may** be eligible for coverage under COBRA. However, federal COBRA law does not require such continuation coverage for domestic partners. Please contact Vita Administration Company with any questions regarding domestic partner eligibility. Each Qualified Beneficiary (an individual who has experienced a Qualifying Event) has the option to elect any combination of health coverages provided to other similarly situated employees of the employer for whom a Qualifying Event has not occurred.

Election Period

Each Qualified Beneficiary has *60 days* to elect COBRA. The 60 day period begins on the later of: the date of coverage termination, or the date on which the formal notice of the right to continue COBRA coverage is originally provided. Continuation coverage elected under COBRA will begin **retroactive** to the date when coverage was lost.

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Election/Enrollment Forms

If a covered employee or the spouse of a covered employee elects COBRA and the election form does not specify who is electing coverage, the election is deemed to include an election on behalf of all who would also lose coverage due to the same Qualifying Event. Children of majority age may complete a separate COBRA Universal Election Form on their own behalf.

The Universal Election Form included in this COBRA package must be completed and returned within the time limits prescribed on page two.

Failure to act within the prescribed time period will automatically result in forfeiture of all COBRA continuation privileges. We may receive your Universal Election Form via e-mail (cobra@vitamail.com), fax (650-961-2285), or mail. If you return the form by e-mail or fax, we do **not** need to receive the signed original. If you choose to mail the form instead of returning it by e-mail or fax, it is recommended that the form be returned **via Certified Mail-Return Receipt** to:

Vita Administration Company
900 North Shoreline Boulevard
Mountain View, CA 94043-1933

Completion of the Universal Election Form *initiates* your COBRA election, but does not necessarily *complete* the enrollment process. In addition to making a timely premium payment(s), you may be required to complete additional enrollment forms before COBRA will become effective.

Employer Sponsored Subsidy

If your former employer has agreed to subsidize any portion of your COBRA premium, you **must** complete all election materials as if no subsidy existed. Otherwise, your COBRA coverage will not be activated beyond the date that your health coverage was terminated after your employment ended.

Cost of Coverage

In order for coverage to continue, the required monthly premium must be paid. This premium equals 100% of the premium that your former employer pays on behalf of similarly situated non-COBRA individuals plus an administration fee of an additional 2% of the premium cost. Premiums for a COBRA extension due to the disability of a Qualified Beneficiary are 150% of premium, commencing in the 19th month.

Premium Payment Timing

After electing COBRA, ***all current and retroactive premium payments must be postmarked within 45 days of the date of election.*** Thereafter, all premium payments are due on the **first** day of each month. (Immediate payment of all current and retroactive premiums and completion of applicable re-enrollment materials is recommended to avoid claims suspension). **No health insurance claim is paid for services incurred during the premium grace period until full premium is received for the month in which the claim is incurred.**

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Premium Payment Rules

1. Premiums can either be paid by check, money order, or by electronic funds transfer initiated by completion of a *Direct Debit Authorization Form*. This form authorizes Vita to transfer premiums by direct debit from your bank account on approximately the first business day of each month. It is your responsibility to read the authorization form in full to understand the direct debit rules.
2. If you choose to pay by check or money order, you will receive a coupon book and envelopes. The coupon book is provided **only** for your convenience to help you track and pay your premiums. **It is your responsibility** to ensure that full premiums are paid in a timely manner, even if the coupon book is never received.
3. All payments are due the first day of each month. ***Coverage will be canceled if your payment is not postmarked within 30 days of the due date. Once COBRA coverage is canceled, there is no option for reinstatement.*** Note that waiting until the end of the grace period to make payment may not allow enough time within the grace period to reconcile payment if your check is lost in the mail or is rejected by your bank.
4. If a non-negotiable check is submitted for premium, or an electronic funds transfer is rejected by your bank, coverage is subject to termination unless negotiable monies are postmarked to Vita Administration Company within the prescribed (30 days for regular monthly premium or 45 days for the initial retroactive premium) time period. An administration processing fee will be charged for all bank rejected checks and electronic funds transactions.
5. To expedite reinstatement of coverage, it is recommended that your first premium payment be returned with your Universal Election Form.
6. Late notices and reminder notices will **never** be sent. However, if you provide a current e-mail address, you will be sent a **courtesy** e-mail reminder on approximately the 20th day of each month if you have not made full payment for that month. **It is your responsibility** to ensure that full premiums are paid in a timely manner, even if the e-mail is never received.
7. All check payments must be made payable to **Vita Administration Company**. DO NOT make payments to the employer or carrier offering the continuation coverage. Credit card and cash payments are **not** accepted.

Changes in Premiums

Premiums for your COBRA coverage are subject to change. You will be notified in writing of any change in premium and it is your responsibility to submit the full, correct premium amount each month. You must continue to pay your current premium until you receive notification of a premium and/or plan change. Due to employer negotiations on plan renewals, final rates are often not available until immediately prior and sometimes even after the premium due date. You will be notified as soon as final rates are determined.

Your payment history can be accessed on an individual online account at https://www.vitacompanies.com/secure/cobra_accounts/.

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Termination of COBRA Coverage

Coverage terminates 18, 29, or 36 months after the date of the Qualifying Event or the date of termination of coverage. You may voluntarily request termination of coverage at any time while you are continuing coverage under COBRA. In all cases, voluntary termination requests must be made in writing to Vita and postmarked no later than 30 days after the premium due date (for example, a termination request for coverage with a premium due date of July 1st must be postmarked by July 31st).

There are also several reasons why coverage might terminate before the normal COBRA duration indicated above.

1. The date no coverage is provided for **any** employees.
2. The date a Qualified Beneficiary first becomes covered under any other group health plan, if this date is **after** the date of COBRA election. (An exception is provided if the other group health plan includes a pre-existing condition exclusion or limitation to which you are subject).
3. The date a Qualified Beneficiary becomes entitled to Medicare (if this date is **after** the date of the COBRA election).
4. Premiums are not postmarked within the standard 30 day grace period after the premium due date.
5. After electing COBRA coverage, the date you or your dependent is no longer disabled if you have extended coverage for up to 29 months due to your disability and Social Security has made a final determination that you or your dependent is no longer disabled. (You must notify the plan administrator within 30 days of this Social Security determination).
6. Your coverage is terminated for cause, such as fraud, on the same basis that coverage can be terminated for active employees.

Subsequent Qualifying Events

If your original Qualifying Event was a Termination of Employment or Reduction in Hours and you experience a Subsequent Qualifying Event while you are covered under COBRA, your dependents may be eligible to extend their COBRA coverage for up to 36 months (29 months for disability) from the date of the *initial* Qualifying Event. Subsequent Qualifying Events include:

1. Dependent Child Ceases to be an Eligible Dependent Under the Plan
2. Divorce or Legal Separation
3. Death of Employee
4. Disability Determination from the Social Security Administration

Written notification of a Subsequent Qualifying Event must be **postmarked** to Vita Administration Company **within 60 days** of the Subsequent Qualifying Event date.

A pre-termination or pre-reduction Medicare entitlement extension may be available to the covered spouse and dependent children if the covered employee had become entitled to Medicare within 18 months *prior* to an employment termination or reduction in work hours. Please contact Vita if you believe you qualify.

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HIPAA Special Enrollment Rights

The Health Insurance Portability and Accountability Act (HIPAA), in certain circumstances allow employees to enroll spouses and children to their group health insurance plans. Qualified Beneficiaries have the same rights to enroll their spouses and children to COBRA as if the Qualified Beneficiary were an employee in the plan. These rights include:

1. If you acquire a new dependent (due to marriage, birth, or adoption), you may elect to add your new dependent to your COBRA coverage. You are responsible for notifying **both Vita and** your group health insurance carrier in writing **within 30 days** of the formal date of marriage, birth, or adoption.
2. If your spouse or dependent children involuntarily lose other group health insurance as specified under HIPAA, you may be able to add your spouse or dependent children to your COBRA coverage. You are responsible for notifying **both Vita and** your group health insurance carrier in writing **within 30 days** after the loss of the other coverage or the Employer/Plan Sponsor's cessation of contributions for such other coverage. If the other group health insurance is elected for continuation through COBRA, the entire COBRA period must be exhausted in order for the spouse or dependent children to be added to your COBRA coverage.
3. As a result of one of these HIPAA Special Enrollments events, you, your spouse and your dependent children **may** be able switch between the available group health insurance plans offered by your former employer. Please notify us in writing within the applicable time period if you would like to exercise this option.
4. Coverage applied for as a result of one of these HIPAA Special Enrollment events will become effective as outlined in your health insurance plan certificate. Please refer to your certificate for specifics.
5. The addition of a dependent to your COBRA coverage may result in a premium rate change. **It is your responsibility** to ensure that full premiums are paid in a timely manner.

Notice of HIPAA Individual Medical Option after COBRA

Alternatively, you may seek individual medical insurance with a carrier specializing in medical insurance. HIPAA requires insurance carriers who offer individual insurance, to also offer an individual plan on a guarantee issue basis, subject to certain state requirements. To exercise this option you must elect and exhaust federal COBRA and any applicable state COBRA continuation coverage. Additionally, you must have been covered under a group health insurance policy immediately prior to your HIPAA coverage application and you must not have secured any other coverage. Lastly, you must have at least 18 months of creditable coverage with no significant gap in coverage (63 days); State laws vary and may extend this time period. To inquire about HIPAA coverage, please contact any insurance carrier that offers individual medical plans in your state **within 63 days** of the date you exhaust COBRA. Certain restrictions apply to receiving this coverage.

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Notice of Medical Conversion Privilege after COBRA

Qualified Beneficiaries are entitled to apply for an individual plan of health insurance at the time of the Qualifying Event or at the exhaustion of the COBRA continuation period, as determined by the group contract. If the conversion privilege is exercised at the exhaustion of the continuation period, the benefits offered will be that of the conversion plan offered by the carrier in effect at the time of conversion, not at the time of the Qualifying Event. To exercise your conversion option, you must contact your insurance carrier directly to request the required application. You must return the completed application and submit the required premium directly to your health insurance carrier **within 30 days** of your coverage termination.

COBRA Extension – Assembly Bill 1401 (California Only)

The Cal-COBRA extension provides up to 36 months of medical coverage from the date federal COBRA continuation coverage began. You may be eligible for this extension provided you are entitled to less than 36 months of federal COBRA, your former employer's insurance contract is situated in California, you are enrolled in a fully-insured medical plan, and you are not eligible for or enrolled on Medicare. Note that if your employer offers a self-insured Rx plan which is separate from the fully-insured medical plan, the Rx coverage will **not** be subject to the extension. The premium charged under this Cal-COBRA extension may be up to 110% of the employer cost. Please contact your medical insurance carrier **directly**, in writing, well in advance of the termination date of your federal COBRA coverage, to inquire about the availability of this option.

Continuation of Life and Long-Term Disability Insurance

Neither life insurance nor long-term disability insurance may be continued under COBRA. However, if you were covered under a group life or long-term disability plan, you **may** be able to convert your coverage to an individual policy. The insurance company must receive written notification of your request to convert, **within 30 days** of the insurance termination date.

Address Changes

Address changes must be submitted to Vita in writing indicating the effective date of change.

Moving Out of Your Health Plan Service Area

If you are covered under a region-specific health plan (such as an HMO) and you move outside of your health plan's service area, you will typically not be eligible to continue your coverage under that plan. You **may** be eligible to change plans **if** the employer providing COBRA coverage maintains a health plan with coverage in your new location. **It is your responsibility** to notify Vita in writing if you are ineligible to continue coverage under your current health plan. A change in coverage may not be effective until the first day of the month following your written request for alternative coverage.

State of California

Health and Welfare Agency Notices

Health Insurance Premium Payment Program

The California Department of Health Care Services will pay the health insurance premiums for certain Medi-Cal beneficiaries. In order to qualify for the Health Insurance Premium Payment (HIPP) program, you must meet **ALL** of the following program eligibility requirements:

1. Have full scope Medi-Cal;
2. Have a medical condition;
3. Be determined cost-effective for the HIPP program;
4. Have either current health coverage or access to health coverage through an employer at the time of the application (The policy must cover the medical condition);
5. Not be enrolled in a Medi-Cal managed care plan;
6. Not be enrolled in a County Organized Health Plan;
7. Not be Medicare eligible;
8. Not have an insurance policy issued through the California Managed Risk Medical Insurance Board including Post-Graduate plans.

For more information you may call the California Department of Health Care Services at 1-916-552-9200, or go to www.dhcs.ca.gov.

Notice for Persons Disabled by HIV/AIDS

Under the Ryan White HIV/AIDS Treatment Modernization Act of 2006, persons unable to work because of disability due to HIV/AIDS and who are at risk of losing their private health insurance may qualify for premium payment assistance through the CARE Health Insurance Premium Payment (CARE/HIPP) Program for up to 36 months provided they meet the following criteria:

1. Are a resident of California;
2. Are disabled by HIV/AIDS;
3. Have assets less than \$6,000;
4. Have an income of less than 400 percent of the federal poverty level;
5. Have a monthly insurance premium less than \$700;
6. Have applied for Social Security Disability Insurance (SSDI), State Disability Insurance (SDI), or private disability.

For additional information on CARE/HIPP, you may call the California HIV/AIDS Hotline toll free at 1-800-367-2437 or go to www.cdph.ca.gov/programs/AIDS.

Trade Adjustment Assistance Reform Act of 2002

If you are an eligible Pension Benefit Guaranty Corporation (PBGC) recipient, or a Trade Adjustment Assistance (TAA) recipient as defined in Code Sec 35(c)(1)(A) or (B) of the Trade Act of 1974 and have received certification of such from the U.S. Department of Labor, you may qualify for premium payment assistance through the Health Coverage Tax Credit (HCTC) program. For questions about the HCTC Program, you may call the HCTC Customer Contact Center toll-free at 1-866-628-4282, or go to www.irs.gov.

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Privacy Policy and Notice

Vita is committed to full and complete compliance with privacy regulations regarding your personal information and your health information. Vita retains personal information necessary for the administration of COBRA continuation coverage and health information to the extent it is provided to us by COBRA Qualified Beneficiaries in the course of servicing your coverage. Vita does not sell your personal or health information. An outline of how we use your information and the circumstances in which we will disclose your personal or health information are outlined in the Vita Privacy Policy. For more information, please refer to the complete Vita Privacy Policy which may be found on our website: www.vitacompanies.com.

Special HIPAA Notice

IRS NOTICE 98-12: Deciding Whether to Elect COBRA Health Care Continuation Coverage after Enactment of HIPAA

The purpose of IRS Notice 98-12 is to help people decide whether to elect COBRA. The notice provides information – in the form of questions and answers – about some factors that employees and their families should take into account when deciding whether to elect COBRA continuation coverage.

The complete text of IRS Notice 98-12 can be found on the following web sites:

- Internal Revenue Service (IRS): <http://www.irs.ustreas.gov>
- Department of Labor (DOL): <http://www.dol.gov/ebsa>

To receive more information about COBRA and HIPAA, you may contact the Department of Labor toll free at 1-866-487-2365 or go to <http://www.dol.gov/ebsa> to obtain their booklets called “Health Benefits under the Consolidated Omnibus Budget Reconciliation Act (COBRA)” and “Frequently Asked Questions: COBRA Continuation Health Coverage”.

Additional Plan Information

If you feel you do not have sufficient information to act intelligently in electing or declining COBRA, please contact Vita Administration Company and your request for additional plan information will be forwarded to the appropriate insurance carrier.

Questions

All questions regarding COBRA continuation coverage should be directed to Vita Administration Company, not the employer providing COBRA coverage.
Phone: 650-966-1492 ♦ Fax 650-961-2285 ♦ E-mail: cobra@vitamail.com

Vita Administration Company has been retained to administer the requirements of the federal COBRA law. In this capacity, Vita provides the clerical and administrative services necessary to enable full compliance with the law.

Our mission is to serve you and the employer providing COBRA continuation coverage in the administration of this law's complex requirements. In this process you should understand that Vita is bound in its administrative capacity by not only federal and state law, but also by the insurance contract(s) through which coverage is provided. It is important to understand that neither Vita nor the employer providing COBRA continuation coverage can deviate from or extend these legal guidelines.

Vita Administration Company has provided this COBRA Rights and Rules booklet for your reference and convenience, so that you may better understand your rights and responsibilities under the law. It is intended for general information and disclosure purposes only. This brief summary cannot address all of the subtleties of the federal COBRA law. Therefore, please contact Vita Administration Company directly if you have a question that is not addressed in this booklet.

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