

- MODEL -

Model Group Health Insurance Continuation Coverage Supplemental Notice (For use by group health plans to notify qualified beneficiaries currently enrolled in continuation coverage with qualifying events that occurred on or after September 1, 2008 to advise them of the availability of premium reduction.)

Date of Notification: (Date)

Matt and Robbin Isbell, and all covered dependent(s)
123 Main Street
Hometown, Michigan 49008

IMPORTANT NOTICE REGARDING YOUR GROUP HEALTH INSURANCE CONTINUATION COVERAGE RIGHTS AND THE POSSIBILITY OF REDUCED PREMIUM PAYMENTS!

This notice contains important information about your group health insurance continuation coverage and applies individually to the following plan participants: **Matt Isbell, Robbin Isbell, Peter Isbell and Molly Isbell.** (Instead of using names, qualified beneficiary's can be identified by class or status.)

It is being provided to you at this time because a recent federal law change **may** impact your rights to continue group health insurance coverage in the [*enter name of the group health plan*] (the Plan) at reduced premium rates. It is critical that all covered individuals take the time to read this notice carefully and be familiar with its contents. A single notice is being provided to all participants, since based upon the information provided to the plan, all plan participants reside at the same location. If a plan participant has a different legal residence, please provide immediate written notification to the benefits department with the enclosed **Address Notification Form** so a separate notice can be sent to them as well.

Qualifying Event and Election of Continuation Coverage

On [September 1, 2008] you experienced a qualifying event that resulted in a loss of your group health insurance. This loss of health insurance resulted from the employee's termination of employment or a reduction in hours. Under federal COBRA law, this constituted a "**qualifying event**" which allowed you the right to buy back your group health insurance and continue the coverage for a maximum period of 18 months at the full cost of the health insurance (100%) plus a 2% administration charge. At that time, you were notified of your rights and elected to continue your group health insurance coverage and have been paying the full 102% of the premium on a monthly basis since that time.

65% Premium Reduction Provision For "Assistance Eligible Individuals"

Provisions of the American Recovery and Reinvestment Act of 2009 provide for a 65% continuation coverage premium reduction for some qualified beneficiaries, otherwise know as "assistance eligible individuals" for up to nine (9) months beginning on or after February 17, 2009. **You are receiving this notice because you MAY be eligible for this premium reduction.** If you qualify, the [ABC Company] will pay 65% towards the cost of the full 102% of the premium, and your premium contribution will be reduced to 35% of the total premium for up to nine months as long as you remain eligible for the subsidy during that period. The subsidy applies to all of your group health plan(s) that you are currently covered by, with the exception of a flexible spending arrangement (FSA).

To help determine if you are eligible for this reduced premium, it is critical you read this notice carefully and the attached documents.

If, after reading the documents, a qualified beneficiary believes they meet the criteria for the premium reduction, complete the "Application for Treatment as an Assistance Eligible Individual" and return it to the plan administrator at [*insert mailing address*].

Eligibility For Continuation Coverage Premium Reduction

To be considered for premium reduction, a qualified beneficiary must meet **ALL** of the following requirements and request treatment as an assistance eligible individual with the enclosed application.

An "Assistance Eligible Individual":

MUST be eligible for continuation coverage at any time during the period from September 1, 2008 and February 16, 2009

MUST have experienced a qualifying event that was the "**involuntary termination of the employee**" that occurred between September 1, 2008 through February 16, 2009.

MUST have elected continuation coverage as a result of the involuntary termination qualifying event and is currently continuing coverage as of February 16, 2009.

MUST NOT be eligible for Medicare; AND

MUST NOT be eligible for coverage under any other group health plan, such as a plan sponsored by a new employer or a spouse's employer.

If You Qualify, Premium Assistance Is NOT Retroactive Back

If you believe you are eligible for premium reduction based upon the above requirements, you **MUST** submit a request to be treated as an "Assistance Eligible Individual" and be approved for premium assistance. **Be advised, however, the premium assistance is NOT retroactive back to your original effective date.** So you will not be reimbursed for any premiums that were paid at the full 102% premium from [September 1, 2008] through February 28, 2009. You will be eligible for nine months of reduced premium payments, beginning with the [March, 2009] monthly premium going forward. If you have already paid March, 2009 and April, 2009 at the full 102% premium rate, you will be reimbursed the 65% overpayment for each month, or if you choose, you may apply the overpayments to your future 35% monthly premiums as long as it does not exceed six months worth of premiums.

Length of Reduced Premium Payments and Period of Continuation Coverage

If you qualify for the 35% reduced monthly premium payment, you will qualify for a maximum period of nine months of premium assistance. It will begin with your [March, 2009] premium, and assuming you remain on continuation coverage and remain eligible for premium assistance, it will end with your [November, 2009] premium payment. You will be required to pay the full 102% monthly premium again starting with your [December, 2009] monthly payment.

Early Termination of Subsidy: Assuming you are approved, your reduced premium assistance can be terminated earlier than the nine months because of one of the following reasons:

1. You become eligible (not covered), for another group health plan maintained by a new employer or the group plan maintained by your spouse's employer. If, however, you become eligible for coverage under a new employer's plan, but the plan has a waiting period before coverage will go into effect, you will be able to maintain the reduced premium subsidy during the waiting period.
2. You become eligible for Medicare.
3. Continuation coverage is cancelled if the employer ceases to provide any group health plans.
4. A qualified beneficiary reaches the end of their maximum continuation coverage period.

The premium reduction provision does **NOT** extend your maximum 18 months of continuation coverage measured from the date of your qualifying event as detailed in your original qualifying event election notice.

Reduced Premium Payments

Since your qualifying event, you have been paying 102% of the full applicable premium for coverage that is charged for similarly situated plan participants who have not experienced a qualifying event. If you apply and are approved for premium assistance, the following group health insurance premium will apply.

Current 102% Monthly Premium Payment: \$1,020.00
Reduced 35% Monthly Premium Payment: \$357.00

This is not a nine month rate guarantee as premiums are subject to change as detailed in your original election notice. Even with a reduced premium, please take time to once again review your premium responsibilities.

1. You do not receive a monthly billing.
2. Your 35% group health insurance premiums are due on the first of each month.

3. If not paid by the first of each month, you are provided a maximum 30-day grace period.
4. NO LATE PREMIUMS ARE ACCEPTED.
5. If you fail to pay the required premium, your health insurance will be cancelled and you will not be reinstated.
6. If a third party has been paying your continuation coverage premiums, and if you are approved for premium assistance, it is your responsibility to notify them of the reduced monthly premium requirement.

Other than the amount, nothing else about the payment has changed. All monthly payments for continuation coverage should be sent to: *[enter appropriate payment address]*.

You may contact *[enter appropriate contact information, e.g. the Plan Administrator or other party responsible for continuation coverage administration under the Plan]* to confirm the correct amount of your first reduced premium payment or to discuss payment issues.

(If employee has been laid off or put on a reduced work schedule because of a trade import/export situation, add the following paragraph)

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). Under the tax provisions, eligible individuals can either take a tax credit or get advance payment of 80% of premiums paid for qualified health insurance, including continuation coverage, for coverage before January 1, 2011 and temporary extensions of the maximum period of continuation coverage for PBGC recipients (covered employees who have a nonforfeitable right to a benefit any portion of which is to be paid by the PBGC) and TAA-eligible individuals. If you have questions about these tax provisions, you may call the Health Care 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.

**• IMPORTANT INFORMATION ABOUT YOUR RESPONSIBILITIES AND
POTENTIAL INDIVIDUAL TAX LIABILITES •**

Notification of Eligibility Under Another Group Plan or Medicare: If you are approved for premium assistance, and begin paying the reduced 35% premium, you MUST immediately notify the Plan Administrator in writing (by using the enclosed notification form) or contact *[enter name of party responsible for the premium reduction administration with telephone number and address]* when you become eligible for other group health plan coverage under another employer's group health plan (or your spouse's employer's plan). If you fail to notify the Plan Administrator you may be subject to a tax penalty equal to 110% of the premium subsidy.

Electing Premium Reduction Disqualifies You For The Health Coverage Tax Credit: If you are eligible for the Health Coverage Tax Credit, which would be more valuable than the premium reduction, you will have received a notice from the IRS.

Premium Subsidy Recaptured For Certain High Income Individuals: If the amount of your Modified Gross Income for a tax year is more than \$125,000 (or \$250,00 for married couples filing a joint federal income tax return) all or part of the premium subsidy paid on your behalf by the [ABC Company] will be considered an increase in your individual income tax liability for the year. If you think your income may exceed the amounts above, you may wish to **waive** your right to the premium subsidy by contacting the Plan Administrator. For more information, consult your tax preparer or visit the IRS webpage at www.irs.gov.

[If the plan permits Assistance Eligible Individuals to elect to enroll in coverage that is different than coverage in which the individual was enrolled at the time the qualifying event occurred, insert:

*"To change the coverage option(s) for your COBRA continuation coverage to a different group health insurance plan than what you had on the last day of employment, complete the "Form for Switching COBRA Continuation Coverage Benefit Options" and return it to us. Available coverages are: *[insert list of available coverage options]*. The different coverage must cost the same or less than the coverage the individual had at the time of the qualifying event: be offered to active employees; and cannot be limited to only dental coverage, vision coverage, counseling coverage, a flexible spending arrangement (FSA), including a health reimbursement arrangement that qualifies as an FSA, or an on-site medical clinic.]*

Keep The Plan Administrator Informed of Address Changes

In order to protect you and your family's rights, you are required to keep the Plan Administrator informed of any changes in your address and the addresses of covered family members. You should also keep a copy for your records, of any notices you send to the Plan Administrator and document the mailing procedure. In addition, you should always call the Plan Administrator within 10 days to insure your notices have been received and processed.

IMPORTANT PROCEDURES FOR REQUESTING TREATMENT AS AN ASSISTANCE ELIGIBLE INDIVIDUAL

After reading the above information, and you believe you and/or a qualified beneficiary is eligible for the reduced premium assistance, you need to follow the outlined procedures below. The premium reduction assistance applies to each qualified beneficiary.

- Step #1: Complete the enclosed **“Request For Treatment As An Assistance Eligible Individual”** application.
- Step #2: If you answered “YES” to each of the eligibility questions, then you may be eligible for premium reduction.
- Step #3: Sign and date the application and make a copy for your records.
- Step #4: Send the application to the Plan Administrator at the address listed and call within 10 days to insure receipt.
- Step #5: The Plan Administrator will review the application and either approve or deny the application.
- Step #6: If the application is approved, you will be notified and the premium payments will be explained.
- Step #7: If the application is denied, you will be notified of the reason for denial. If you are denied treatment as an “Assistance Eligible Individual” you will have the right to appeal the denial to the U.S. Department of Labor by calling the DOL at 1-866-444-3272 at which point they will provide an expediated review with a decision in 15 days.

For More Information

This notice does not fully describe all your continuation coverage rights or other right under the Plan. More information about all your continuation coverage rights is available in your original COBRA election notice, the summary plan description, or from the Plan administrator. For more information, you should contact [*enter name of party responsible for continuation coverage administration for the Plan, with telephone number and address*].

Private sector employees seeking more information about rights under ERISA, including COBRA, the Health Insurance Portability and Accountability Act (HIPAA), and other laws affecting group health plans, can contact the U.S. Department of Labor's Employee Benefits Security Administration (EBSA at 1-866-444-3272 or visit the EBSA website at www.dol.gov/ebsa. State and local governmental employees should contact HHS-CMS at www.cms-hhs.gov/COBRAcontinuationofCov/ or NewCobraRights@cms.hhs.gov.

Additional Information To Be Included in COBRA Notification Package.

1. DOL Model “Request For Treatment As An Assistance Eligible Individual”
2. DOL “Summary of COBRA Premium Reduction Provisions under ARRA” Factsheet
3. DOL Model for “Switching COBRA Continuation Coverage Benefit Options” if selected by employer
4. DOL Model “Qualified Beneficiary Notice To Plan Administrator of Plan Eligibility”

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