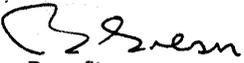


Date: April 13, 2009

Code: TECHNICAL LETTER
HR/Benefits 2009-02

To: Human Resources Directors
Benefits Representatives

From: Bruce Gibson 
Senior Director, Benefits
Human Resources Administration

Subject: New Consolidated Omnibus Reconciliation Act (COBRA) Premium Reduction Provisions under the American Reinvestment and Recovery Act (ARRA)

Overview

Audience: Human Resources Directors, Benefits Representatives, and/or campus designee(s) responsible for benefits and/or COBRA administration

Action Item(s): Campuses are required to distribute revised COBRA notice(s) as delineated in Items 3-5 on page 5 of this technical letter

Affected Employee Group(s)/Units(s): All employees eligible for COBRA Continuation between September 1, 2008 and December 31, 2009

Summary

The American Recovery and Reinvestment Act of 2009 (ARRA) was signed into law on February 17, 2009, and provides a 65% COBRA Premium Reduction (COBRA Subsidy) of employer sponsored group health plans for a maximum of nine (9) months to employees who are involuntarily terminated between September 1, 2008 and December 31, 2009, and are eligible for COBRA at the time of the termination. Qualified beneficiaries, including eligible family members, pay the remaining 35% of the monthly COBRA premium.

The newly enacted law requires distribution of revised COBRA Notices that contain information pertaining to new COBRA continuation rights under ARRA. In addition, a new, 60-day election period is available to individuals (and eligible family members) who were involuntarily terminated between September 1, 2008 and February 17, 2009, if the individual:

- 1) Is currently enrolled in COBRA coverage; or
- 2) Previously declined COBRA coverage or;
- 3) Enrolled in COBRA coverage, but subsequently cancelled COBRA.

Campus designees responsible for COBRA administration should read the technical letter in its entirety.

COBRA Overview

The Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985 was enacted into law on April 7, 1986, and applies to the California State University through the Public Health Service Act.

Distribution:

CSU Presidents
Executive Vice Chancellor and CFO
Vice Chancellor, Human Resources
Vice Presidents, Administration

Associate Vice Presidents/Deans of Faculty
Budget Officers
Payroll Managers

Generally, COBRA permits covered individuals who lose coverage under the plan(s) as a result of certain “qualifying events” to elect to continue their coverage under the plan(s) for a prescribed period of time on a self-pay basis, for up to 18, 29 or 36 months, depending on the qualifying event. The individual pays 102% of the monthly premium or 150% of the monthly premium for a COBRA extension due to disability. The following three elements are required to establish COBRA eligibility:

1. The individual must be a “qualified beneficiary; and
2. The individual must experience a “qualifying event;” and
3. The individual must lose group coverage as a result of that qualifying event, within a certain time period.

The American Recovery and Reinvestment Act of 2009 - Background

The American Recovery and Reinvestment Act of 2009 (ARRA) was signed into law on February 17, 2009, and provides for a 65% COBRA Premium Reduction (COBRA Subsidy) of employer sponsored group health plans (limited to health, dental and vision) for a maximum of nine (9) months for involuntarily terminated employees (and eligible family members) who are eligible for COBRA at the time of the termination. Involuntarily terminated employees are entitled to up to 18-months of COBRA eligibility; however, the COBRA Subsidy cannot exceed the nine (9) month maximum.

ARRA is applicable to involuntary terminations that occur between September 1, 2008 and December 31, 2009. Eligible, qualified beneficiaries pay the remaining 35% of the monthly COBRA premium, and are referred to as “Assistance Eligible Individual”(s) (AEIs). The COBRA Subsidy, which is effective no earlier than March 1, 2009, is available on a prospective basis. Consequently, the law requires the CSU to offer a new 60-day election period to any qualified beneficiary who is deemed eligible for the COBRA Subsidy and is currently enrolled in COBRA; or has either previously declined COBRA coverage or cancelled COBRA coverage as of February 17, 2009, and is also within the COBRA eligibility period.

While it is mandatory for the CSU to offer the temporary COBRA assistance, qualified beneficiaries have the right to waive acceptance of the COBRA premium reduction. This waiver is irrevocable.

Tax Implications of the COBRA Subsidy on Assistance Eligible Individual(s)

Qualified beneficiaries that elect the COBRA Subsidy are disqualified by the IRS from receiving the Health Coverage Tax Credit. Also, if the adjusted gross income (AGI) for the year is more than \$125,000 for single filers (or \$250,000 for joint filers), individuals may have to repay part of the premium reduction through an increase in their Federal income tax liability for the year. In addition, individuals who accept the COBRA Subsidy, and have AGI that exceeds thresholds established by Internal Revenue Service (IRS) (i.e., \$145,000 for single filers, and \$290,000 for joint filers) will repay the amount of the COBRA premium reduction received as an increase of Federal tax liability. Individuals that fall in these income brackets should seek the advice of a tax professional to determine what tax liability implications may apply, and if waiving COBRA Subsidy is a viable option.

Please note, the joint filer income thresholds are not applicable to registered domestic partners and same-sex married couples due to federal limitations (see next section).

COBRA Premium Reduction Eligibility Criteria

An Assistance Eligible Individual is a qualified beneficiary who is deemed eligible for COBRA Premium Reduction under the following criteria:

- Experiences a COBRA qualifying event related to an involuntary termination of employment that occurs on or after September 1, 2008 through December 31, 2009; or
- Is the spouse or qualified dependent of an Assistance Eligible Individual who experiences a COBRA qualifying event related to an involuntary termination of employment that occurs on or after September 1, 2008 through December 31, 2009; and
- Is still within the COBRA eligibility period.

The following individuals are not eligible for COBRA Premium Reduction:

- Individuals who are or who subsequently become Medicare eligible, either due to age and/or disability; or
- Individuals who are or who subsequently become eligible for another group health plan, not including dental or vision coverage only, health reimbursement arrangement (HRA), or health flexible spending account (FSA), or on-site clinic that primarily offers first-aid, wellness or prevention benefits. Actual enrollment in another group health plan is not required to be disqualified from COBRA Premium Reduction as long as the individual meets eligibility for another health plan; or
- Individuals that have reached the end of the COBRA eligibility period; or
- Individuals that have received a total of nine (9) months of COBRA premium reduction assistance;
- Registered domestic partners, or same-sex spouses.
- Individuals who become eligible for COBRA as the result of a qualifying event that is not attributable to an involuntary termination.

If the qualified beneficiary becomes ineligible for COBRA Subsidy, while receiving COBRA premium assistance, then the premium reduction ends on the first day of the month following the event date. The law requires qualified beneficiaries to notify the COBRA administrator in writing when he/she no longer qualifies for COBRA premium reduction assistance due to eligibility for health coverage. The penalty for failure to provide this notification to the COBRA administrator is 110% of the subsidy that was improperly received.

Although federal COBRA law does not recognize registered domestic partners and same-sex married couples, the CSU extends COBRA to registered domestic partners pursuant to Assembly Bill (AB) 205, the California Domestic Partner Rights and Responsibilities Act of 2003, and also to qualified same-sex married couples (limited to same-sex marriages that occurred between June 16, 2008 and November 4, 2008) as the result of California Supreme Court decision that was subsequently overturned by the passing of Proposition 8.

As a result of the tax components of the COBRA Subsidy, the COBRA premium reduction would apply only to the separated eligible employee, and not the registered domestic partner or same-sex spouse. Therefore, the registered domestic partner or the spouse of a same-sex married couple must enroll in COBRA individually and pay the full 102% of the monthly premium, unless the cost of covering a non-assistance eligible individual does not add to the cost of covering the assistance eligible individual and otherwise qualified dependents.

Please note: the COBRA Premium Reduction does not extend nor shorten the COBRA eligibility period for qualified beneficiaries. For example, if a qualified beneficiary is eligible for 18-months of COBRA effective October 1, 2008, and is also deemed eligible for the COBRA Subsidy, and

elects the COBRA Subsidy effective March 1, 2009, then the qualified beneficiary would only qualify for nine (9) months of COBRA premium reduction, which would end on November 30, 2009. However, the COBRA eligibility period would remain in effect until March 31, 2010.

Involuntary Termination

Involuntary termination is defined as a job loss that occurs at the unilateral direction of the employer, and is not applicable to terminations that occur as the result of gross misconduct. Death of an employee, voluntary retirement (with some exceptions) or reduction in hours does not constitute job loss to qualify for the COBRA Premium Reduction. However, these events are eligible qualifying events under standard COBRA provisions.

Special Note on Lecturers: A benefits-eligible lecturer who is involuntarily terminated by the campus prior to the expiration of his/her appointment is eligible for the COBRA subsidy benefits described in this technical letter. In addition, a benefits-eligible lecturer who is willing and able to accept a new lecturer appointment providing terms and conditions similar to those in the expiring appointment and to continue providing the services, is eligible for the COBRA subsidy benefits described herein if the campus does not offer that lecturer a new appointment.

For the purposes of further determining a valid involuntary termination under ARRA, please refer to Questions and Answers 1-9 of IRS Notice N 2009-27 (see Attachment A).

New, 60-Day *Second* Election Period

The special 60-day election period applies to individuals who experienced an involuntary termination and:

- Are already enrolled in COBRA on or after September 1, 2008, and before February 17, 2009; or
- Were eligible for COBRA between September 1, 2008, and February 16, 2009, but declined it; or
- Were enrolled in COBRA on or after September 1, 2008, but cancelled it before February 17, 2009; and
- Are still in their COBRA election period as of February 17, 2009.

COBRA coverage begins on the date that health care coverage ends due to the qualifying event. Please note: the begin date of COBRA coverage will vary for qualified beneficiaries who opt for COBRA under the new 60-day election period, since the law does not require that COBRA be retroactive to the original loss of coverage date. For these individuals who elect COBRA under the *second* election period, the COBRA coverage begin date is retroactive to March 1, 2009.

For qualified beneficiaries that are already enrolled in COBRA, but are eligible for the Subsidy, a 65% premium credit will be applied by the COBRA administrator [i.e., CalPERS, Wolfpack Insurance Services for Delta Dental Plans (Delta Dental PPO and DeltaCare USA) and VSP] retroactive to March 1, 2009.

COBRA Notification Requirements, Revised Notices and Enrollment Forms

Dental and Vision Plan Carriers

Human Resources Administration (HRA) has been provided with a list of COBRA enrollees from the dental and vision carriers (Delta Dental PPO, DeltaCare USA and VSP), and will contact campuses in the near future to identify those enrollees on the list that were separated due to an involuntary termination. In addition, HRA will assist campuses by providing the required employer COBRA notice

to individuals on the list that are currently enrolled in COBRA or were enrolled and subsequently cancelled enrollment. As a result, campuses will not have to mail notices to these individuals. However, campuses will have to review the names provided by the dental and vision plans, and compare it to their general list of individuals deemed eligible for COBRA on or after September 1, 2008 through February 16, 2009, in order to avoid sending duplicate COBRA notices.

CalPERS Medical Plans

CalPERS expects to release information regarding the COBRA Subsidy in an upcoming Employer Communication, and also plans to send a COBRA notice to individuals who had a qualifying event dated September 1, 2008, and after.

Campus action items are as follows:

1. Identify all employees and qualified beneficiaries deemed eligible for COBRA on or after September 1, 2008, through December 31, 2009.
2. Identify all employees and qualified beneficiaries deemed eligible for a COBRA Subsidy on or after September 1, 2008, due to an involuntary termination of employment.
3. Send an Abbreviated COBRA Notice (Qualifying Event Notice) no later than April 18, 2009, to individuals that are COBRA eligible due to a qualifying event (with the exception of involuntary termination) that occurred on or after September 1, 2008, through February 16, 2009 (see Attachment B).
4. Send an Additional 60-Day Election Notice no later than April 18, 2009, regarding the 60-day election period with enrollment forms to individuals that were involuntarily terminated on or after September 1, 2008 through February 16, 2009, and did not enroll in COBRA during the original election period (see Attachment C).
5. Send the revised COBRA General notice (Qualifying Event Election Notice) to qualified beneficiaries by the end of the 44 day initial notification period, for qualifying events that occur on February 17, 2009, through December 31, 2009 (see Attachment D).

See additional information below:

COBRA Notice Description Type	Mail to:	Mail By:
1) Abbreviated COBRA General Notice Qualifying Event Notice	Individuals that are COBRA eligible based on any qualifying event (with the exception of involuntary terminations) that occurred on or after September 1, 2008 to February 16, 2009. Also applicable to individuals that are currently enrolled in COBRA.	April 18, 2009
2) Additional 60-Day Election Notice	Individuals that are COBRA eligible, and who are deemed eligible for the COBRA Subsidy due to an involuntary termination that occurred on or after September 1, 2008 through February 16, 2009.	April 18, 2009
3) COBRA General Notice – Qualifying Event Election Notice	Individuals that are COBRA eligible based on a qualifying event that occurs on or after February 17, 2009, through December 31, 2009.	By the end of the 44 day initial notification period.
4) Request for Treatment as an Assistance Eligible Individual Form	All COBRA eligible qualified beneficiaries	Attach to all Notices
5) Summary of ARRA Provisions	All COBRA eligible qualified beneficiaries	Attach to all Notices
6) Qualified Beneficiary Notification of Premium Reduction Ineligibility	All COBRA eligible qualified beneficiaries	Attach to all Notices

The COBRA Premium Reduction is considered temporary and expected to expire on December 31, 2009, but can potentially have administrative impact on the CSU through the end of 2010 based on length of COBRA eligibility. Therefore, until further notice, the revised notices attached to this technical letter should be used in lieu of the COBRA notices contained in the 2009 COBRA Administrative Guide.

Additional Information Regarding CSU Dental Plan and VSP

Delta Dental PPO and DeltaCare USA, the insurance carriers for the CSU Dental Plan, have developed temporary group plan numbers for the purpose of tracking the COBRA Subsidy enrollees and payments (see Attachment E). In addition, Wolfpack Insurance has assumed the COBRA administration for DeltaCare USA, and new group plan numbers for standard COBRA and COBRA Subsidy have been created. Wolfpack Insurance will process COBRA enrollments on behalf of both plans and has updated the COBRA enrollment form (see Attachment F).

Vision Service Plan (VSP), the insurance carrier for the CSU Vision Plan, has created a separate group plan division code for COBRA Subsidy enrollees and payment. The VSP COBRA form has been updated to reflect involuntary and voluntary termination as options of "Termination of Employment" (see Attachment G).

Both the dental and vision insurance plan carriers plan to send their version of the COBRA notice to individuals who were enrolled in COBRA prior to February 17, 2009.

COBRA Premium Reduction Rates for Impacted Benefits Plans

The COBRA rate charts for the health, dental and vision plans have been revised to include new payment amounts for qualified beneficiaries to remit to each group health plan if deemed eligible for COBRA Subsidy (see Attachment H).

Appeal Rights for Individuals denied COBRA Subsidy

Qualified beneficiaries who are denied COBRA Subsidy have the right to appeal the decision by contacting the U.S. Department of Labor (DOL), at www.dol.gov/ebsa/cobra.html. The appeal can be completed online, or via e-mail or fax. For individuals that have questions regarding denials and/or appeals, an Employee Benefits Security Administration Benefits Advisor can be reached at (866) 444-3272. DOL expects to have the appeal form added to its website in the near future, and the e-mail address and fax number will be included in the appeal instructions. If campuses receive requests for appeals, the individual(s) should be advised to complete the "Request for Treatment as an Assistance Eligible Individual" form and mail it to the campus. There is a portion on the form for campus completion. Once completed, the form should be mailed to the individual and the campus must maintain a copy for its records. Appeals will be addressed within 15 days, and campuses may be contacted by DOL to provide information that supports the denial.

Additional Information

Information regarding the 65% payment of the COBRA Subsidy and application of the payroll tax will be released at a later date. These issues are currently under review by the CSU, SCO, CalPERS and the CSU group health plans. The COBRA Subsidy mandate under ARRA is new and additional clarifications may be released in the future by DOL and IRS. Human Resources Administration (HRA) will provide additional information as deemed appropriate.

CMS Processing Instructions

Currently COBRA Administration is not included in CMS Baseline; therefore, there is no impact to the Base Benefits or Benefits Administration (Ben Admin) Oracle/PeopleSoft applications.

Questions regarding this Technical Letter may be directed to Human Resources Administration at (562) 951-4411. This Technical Letter is also available on the Human Resources Administration Web site at: <http://www.calstate.edu/HRAAdm/memos/shtml>.

BG/mh

Part III - Administrative, Procedural, and Miscellaneous

Premium assistance for COBRA benefits

Notice 2009-27

This notice provides guidance relating to section 3001 of the American Recovery and Reinvestment Act of 2009 (ARRA), Public Law 111-5, enacted February 17, 2009, relating to premium assistance for COBRA continuation coverage.

BACKGROUND

Section 3001 of ARRA provides for a 65 percent reduction in the premium otherwise payable by certain involuntarily terminated individuals and their families who elect COBRA continuation health coverage under the provisions of the Internal Revenue Code (Code), the Employee Retirement Income Security Act of 1974 (ERISA), and the Public Health Service Act (PHS Act). (COBRA continuation coverage under the Code, ERISA, and the PHS Act is also referred to in this notice as “Federal COBRA.”) The premium reduction also applies to temporary continuation coverage elected under the Federal Employees Health Benefits Program (FEHBP) and to continuation health coverage under State programs that provide for coverage comparable to COBRA continuation coverage. For purposes of ARRA, continuation health coverage under all of these provisions is referred to as “COBRA continuation coverage.”

Under the new provision, an assistance eligible individual is generally an individual (1) who is a qualified beneficiary as the result of an involuntary termination during the period from September 1, 2008, through December 31, 2009, (2) who is eligible for COBRA continuation coverage at any time during that period, and (3) who elects the coverage. Group health plans must generally treat assistance eligible individuals who pay 35 percent of the premium otherwise payable for COBRA continuation coverage as having paid the full amount of the premium. The employer (or, in certain circumstances, the multiemployer health plan or the insurer) is reimbursed for the other 65 percent of the premium that is not paid by the assistance eligible individual through a credit against its payroll taxes.

The premium reduction applies as of the first period of coverage beginning on or after February 17, 2009 (the date of enactment of ARRA). An assistance eligible individual is eligible for the premium reduction for up to nine months from the first month the premium reduction provisions of section 3001 of ARRA apply to the individual. The premium reduction period ends if the individual becomes eligible for coverage under any other group health plan¹ or for Medicare benefits.

¹ Eligibility for coverage under any other group health plan does not terminate eligibility for the premium reduction if the other group health plan provides only dental, vision, counseling, or referral services (or a combination of these), is a health flexible spending arrangement or health reimbursement arrangement, or is coverage for treatment that is furnished in an on-site medical facility maintained by the employer and

The premium reduction does not extend beyond the period of COBRA continuation coverage. An individual receiving the premium reduction who becomes eligible for coverage under any other group health plan or Medicare is required to notify the group health plan of eligibility for that other coverage. If the individual fails to notify the group health plan, the individual is subject to a tax penalty of 110 percent of the premium reduction improperly received after eligibility for the other coverage.

Under ARRA, an employer may allow an assistance eligible individual to elect coverage different from the coverage under the plan in which such individual was enrolled prior to the involuntary termination, and the premium reduction will apply with respect to such different coverage. (This does not change the basic requirement under Federal COBRA that a group health plan must allow a qualified beneficiary to elect to continue the coverage in which the individual is enrolled as of the qualifying event.) If offered, the assistance eligible individual has 90 days after receiving notice of the option to elect the other coverage. The premium for coverage offered under this option cannot exceed the premium for the coverage the individual had prior to the involuntary termination. In addition, the coverage offered under this option must be coverage offered to active employees and cannot be coverage that provides only dental, vision, counseling (or some combination), a flexible spending arrangement under section 106(c) of the Code, or coverage that provides coverage through an on-site medical facility maintained by the employer that consists primarily of first-aid, prevention and wellness care, or similar care, or a combination of such care.

ARRA provides an extended election period for certain individuals who did not have an election of COBRA continuation coverage in effect on February 17, 2009 (the date of enactment). The election is available for individuals who would be assistance eligible individuals if they had a COBRA continuation coverage election in effect (that is, as the result of an involuntary termination on or after September 1, 2008). This extended election period is for 60 days after the qualified beneficiaries are provided notice of the extended election period. The resulting COBRA continuation coverage extends no longer than the original maximum period required (as measured with respect to the qualifying event) and begins with the first period of coverage beginning on or after February 17, 2009. The extended election period applies to a group health plan subject to the Federal COBRA requirements and to temporary continuation coverage under the FEHBP, but not to State continuation coverage requirements.

For purposes of section 3001 of ARRA, comparable continuation coverage under State law does not include every State law right to continue health coverage, such as a right to continue coverage with no rules that limit the maximum premium that can be charged with respect to such coverage. To be comparable, the right generally must be to continue substantially similar coverage as was provided under the group health plan (or substantially similar coverage as is provided to similarly situated beneficiaries) at a

that consists primarily of first-aid services, prevention and wellness care, or similar care (or a combination of such care). This exception is implicit throughout this notice whenever reference is made to the end of eligibility for the premium reduction due to eligibility for coverage under any other group health plan.

monthly cost that is based on a specified percentage of the group health plan's cost of providing such coverage. H.R. Rep. No. 111-16, at 716 (2009) (Conf. Rep.).

For individuals electing Federal COBRA or temporary continuation coverage under the FEHBP during the extended election period, the period between the loss of coverage and beginning of coverage under the election is disregarded for purposes of the rules that would otherwise permit a group health plan to impose a preexisting condition limitation with respect to the individual's coverage. The Health Insurance Portability and Accountability Act of 1996 (HIPAA) generally limits to 12 months the period that a group health plan can exclude health benefits relating to a preexisting condition of a new enrollee. The period is generally reduced by an individual's creditable coverage (health coverage under a group health plan or certain other types of health coverage, including individual health insurance) prior to enrollment. Generally, a plan is not required to take into account creditable coverage prior to a significant break in coverage (i.e., 63 days without creditable coverage). For an individual who becomes covered pursuant to an election under the ARRA extended election period, the individual is treated as not having a significant break in coverage because ARRA provides that the period between the loss of coverage and the beginning of coverage is disregarded. Thus, the individual's creditable coverage accumulated prior to the involuntary termination remains available to reduce any future preexisting condition exclusion. The period between the loss of coverage and the beginning of coverage, however, would not be treated as creditable coverage. For example, an individual with seven months of creditable coverage before being involuntarily terminated as of November 1, 2008, who, pursuant to the extended election period, elects COBRA continuation coverage that begins on March 1, 2009, is treated as having seven months of creditable coverage on March 1, 2009, notwithstanding the period of more than 63 days between November 1, 2008, and March 1, 2009, without creditable coverage.

The amount of any premium reduction is excluded from an individual's gross income under new section 139C. For purposes of determining the gross income of the employer and any welfare benefit plan of which the group health plan is a part, the amount of the premium reduction is intended to be treated as an employee contribution to the group health plan. H.R. Rep. No. 111-16, at 716 (2009) (Conf. Rep.).

If the premium reduction is provided with respect to COBRA continuation coverage for an individual, the individual's spouse, or the individual's dependent, and the individual's modified adjusted gross income (adjusted gross income plus amounts excluded under section 911, 931, or 933) exceeds \$145,000 (\$290,000 for married filing jointly), the amount of the premium reduction is recaptured as an increase in the individual's Federal income tax liability. The recapture is phased in for individuals with modified adjusted gross income in excess of \$125,000 (\$250,000 for married filing jointly). An individual may elect to permanently waive the right to the premium reduction (for example, to avoid receiving and then repaying the premium reduction). In addition, an individual who receives the premium reduction under ARRA for a month is disqualified from receiving the Health Coverage Tax Credit under section 35 for that month.

ARRA amends the Code to add new section 6432, which provides that the “person to whom premiums are payable” is entitled to reimbursement for the amount of premiums not paid by assistance eligible individuals by reason of ARRA² in the form of a credit against payroll tax liabilities. For this purpose, payroll taxes are defined as Federal income tax withholding under section 3402, the employee share of Federal Insurance Contributions Act (FICA) tax under section 3102, and the employer share of FICA tax under section 3111. The credit is claimed on the person’s payroll tax return, in most cases Form 941, filed quarterly.³ If the amount of the credit to which the person is entitled exceeds the person’s payroll tax liabilities on the return, the person is entitled to a refund of such excess as if it were a payment of payroll taxes.

Under ARRA, the “person to whom premiums are payable” is based on the nature of the plan and which COBRA continuation coverage provisions apply. In the case of a group health plan that is a multiemployer plan, the multiemployer plan is allowed the credit. In the case of a group health plan subject to the Federal COBRA requirements or the temporary continuation coverage requirements under the FEHBP, or a group health plan under which some or all of the coverage is not provided by insurance, the employer maintaining the plan is allowed the credit. For any other group health plan subject to ARRA (generally, fully insured coverage subject to State continuation coverage requirements), the insurer providing coverage under the group health plan is allowed the credit. These are the exclusive rules for who may take the credit unless the Secretary provides otherwise pursuant to the authority in section 6432(b).

ARRA provides an individual who requests and is denied treatment as an assistance eligible individual with the right to a review of the denial, within 15 business days after the receipt of the application for review, by the Department of Labor (or the Department of Health and Human Services in connection with COBRA continuation coverage that is provided other than pursuant to ERISA). ARRA also includes new notification requirements, administered by the Department of Labor, regarding the premium assistance and new elections provided under ARRA. For further information on the notice requirements, see <http://www.dol.gov/COBRA>.

An assistance eligible individual who pays the reduced premium pursuant to ARRA must be treated by the plan as having paid the full premium. If the plan does not treat the assistance eligible individual as having paid the full premium, it is a failure to meet the requirements of the underlying statute. Thus, in the case of a plan subject to the COBRA continuation coverage requirements under section 4980B, the failure to treat the assistance eligible individual making the reduced payment as having made the

² As enacted, the statute refers to section 3002(a) of the Health Insurance Assistance for the Unemployed Act of 2009, whereas the provision permitting an assistance eligible individual to pay reduced premiums is section 3001(a) of ARRA. A technical correction is expected to correct this cross reference.

³ More information about the payroll tax credit is available on the IRS website at www.irs.gov/newsroom/article/0,,id=204505,00.html.

full payment would be a failure to satisfy the requirements of section 4980B and may result in the imposition of the excise tax under section 4980B(b).

QUESTIONS AND ANSWERS

The following questions and answers address a number of issues that have arisen with respect to the premium reduction for COBRA continuation coverage under ARRA. In general, the questions and answers apply for purposes of all COBRA continuation coverage requirements under ARRA, i.e., Federal COBRA, the temporary continuation coverage requirements of the FEHBP, and comparable State health care continuation coverage requirements. However, certain questions and answers or certain portions of certain questions and answers may apply only for purposes of Federal COBRA and not for purposes of the temporary continuation coverage requirements of the FEHBP and comparable State health care continuation coverage requirements; those provisions are introduced with the phrase “for purposes of Federal COBRA.”

INVOLUNTARY TERMINATION

Q&A-1 through Q&A-9 apply solely for purposes of determining whether there is an involuntary termination under section 3001 of ARRA (including new Code sections added by section 3001 of ARRA), but not for any other purposes under the Code or any other law.

Q-1. What circumstances constitute an involuntary termination for purposes of the definition of an assistance eligible individual?

A-1. An involuntary termination means a severance from employment due to the independent exercise of the unilateral authority of the employer to terminate the employment, other than due to the employee’s implicit or explicit request, where the employee was willing and able to continue performing services. An involuntary termination may include the employer’s failure to renew a contract at the time the contract expires, if the employee was willing and able to execute a new contract providing terms and conditions similar to those in the expiring contract and to continue providing the services. In addition, an employee-initiated termination from employment constitutes an involuntary termination from employment for purposes of the premium reduction if the termination from employment constitutes a termination for good reason due to employer action that causes a material negative change in the employment relationship for the employee.

Involuntary termination is the involuntary termination of employment, not the involuntary termination of health coverage. Thus, qualifying events other than an involuntary termination, such as divorce or a dependent child ceasing to be a dependent child under the generally applicable requirements of the plan (such as loss of dependent status due to aging out of eligibility), are not involuntary terminations qualifying an individual for the premium reduction. In addition, involuntary termination does not

include the death of an employee or absence from work due to illness or disability.

The determination of whether a termination is involuntary is based on all the facts and circumstances. For example, if a termination is designated as voluntary or as a resignation, but the facts and circumstances indicate that, absent such voluntary termination, the employer would have terminated the employee's services, and that the employee had knowledge that the employee would be terminated, the termination is involuntary.

Q-2. Does an involuntary termination include a lay-off period with a right of recall or a temporary furlough period?

A-2. Yes. An involuntary reduction to zero hours, such as a lay-off, furlough, or other suspension of employment, resulting in a loss of health coverage is an involuntary termination for purposes of the premium reduction.

Q-3. Does an involuntary termination include a reduction in hours?

A-3. Generally no. If the reduction in hours is not a reduction to zero, the mere reduction in hours is not an involuntary termination. However, an employee's voluntary termination in response to an employer-imposed reduction in hours may be an involuntary termination if the reduction in hours is a material negative change in the employment relationship for the employee.

Q-4. Does involuntary termination include an employer's action to end an individual's employment while the individual is absent from work due to illness or disability?

A-4. Yes. Involuntary termination occurs when the employer takes action to end the individual's employment status (but mere absence from work due to illness or disability before the employer has taken action to end the individual's employment status is not an involuntary termination).

Q-5. Does an involuntary termination include retirement?

A-5. If the facts and circumstances indicate that, absent retirement, the employer would have terminated the employee's services, and the employee had knowledge that the employee would be terminated, the retirement is an involuntary termination.

Q-6. Does involuntary termination include involuntary termination for cause?

A-6. Yes. However, for purposes of Federal COBRA, if the termination of employment is due to gross misconduct of the employee, the termination is not a qualifying event and the employee and other family members losing health coverage by reason of the employee's termination of employment are not eligible for COBRA

continuation coverage.

Q-7. Does an involuntary termination include a resignation as the result of a material change in the geographic location of employment for the employee?

A-7. Yes.

Q-8. Does an involuntary termination include a work stoppage as the result of a strike initiated by employees or their representatives?

A-8. No. However, a lockout initiated by the employer is an involuntary termination.

Q-9. Does an involuntary termination include a termination elected by the employee in return for a severance package (a "buy-out") where the employer indicates that after the offer period for the severance package, a certain number of remaining employees in the employee's group will be terminated?

A-9. Yes.

ASSISTANCE ELIGIBLE INDIVIDUAL

Q-10. Who qualifies as an assistance eligible individual?

A-10. An individual must be an assistance eligible individual to be eligible for the premium reduction. Under ARRA, an assistance eligible individual is a qualified beneficiary as the result of an involuntary termination that occurred during the period from September 1, 2008, through December 31, 2009, is eligible for COBRA continuation coverage at any time during that period, and elects the COBRA continuation coverage. In order to be a qualified beneficiary, the individual must be covered under the group health plan on the day before the involuntary termination (except in the case of a child born to or adopted by a covered employee during a period of COBRA continuation coverage or in certain circumstances where coverage was wrongfully denied the individual (see section 54.4980B-3, Q&A-1)). For purposes of Federal COBRA, an individual who loses group health coverage in connection with the termination of a covered employee's employment by reason of the employee's gross misconduct is not a qualified beneficiary and thus cannot be an assistance eligible individual.

Q-11. If the involuntary termination and loss of coverage resulting in eligibility for COBRA continuation coverage occur before September 1, 2008, can the individual become an assistance eligible individual?

A-11. No. The involuntary termination resulting in COBRA continuation coverage must occur during the period from September 1, 2008, through December 31, 2009, even if the individual is still on COBRA continuation coverage after February 17,

2009.

Q-12. If the involuntary termination occurs before September 1, 2008, but the loss of coverage resulting in eligibility for COBRA continuation coverage occurs after September 1, 2008 (but no later than December 31, 2009), can the individual become an assistance eligible individual?

A-12. No. The involuntary termination resulting in COBRA continuation coverage must occur during the period from September 1, 2008, through December 31, 2009. Although section 4980B(f)(8) allows a plan to provide that the COBRA continuation coverage does not begin until the loss of coverage, that does not change the date of the involuntary termination.

Q-13. If an individual's involuntary termination occurs no later than December 31, 2009, but the loss of coverage resulting in eligibility for COBRA continuation coverage occurs after December 31, 2009, is the individual an assistance eligible individual?

A-13. No. Both the involuntary termination and eligibility for COBRA continuation coverage must occur during the period from September 1, 2008, through December 31, 2009. If the loss of coverage is after December 31, 2009, the individual cannot become an assistance eligible individual.

Q-14. For purposes of Federal COBRA, if an employer provides health coverage for an involuntarily terminated employee after the involuntary termination on the same terms as for similarly situated active employees, when is a loss of coverage under the group health plan considered to occur (and, consequently, when does COBRA continuation coverage begin)?

A-14. For purposes of Federal COBRA, the effect on when a loss of coverage under a group health plan is considered to occur if an employer provides health coverage for an involuntarily terminated employee after the involuntary termination on the same terms as for similarly situated active employees depends on how the employer treats the provision of health coverage for the involuntarily terminated employee. If the employer treats the provision of health coverage as deferring the loss of coverage, then for purposes of the ARRA premium reduction the loss of coverage (and eligibility for Federal COBRA) will be considered to occur when the employer's provision of health coverage on the same terms as for similarly situated active employees ends. However, if the employer treats the provision of health coverage after the involuntary termination as part of its obligation to provide COBRA continuation coverage for the involuntarily terminated employee, then the loss of coverage will be considered to have occurred as of the date for which the employer begins making the provision of such COBRA continuation coverage.

Example. An individual is involuntarily terminated from employment on November 15, 2009. Health coverage in connection with the November 15, 2009,

termination of employment would normally end on November 30, 2009. However, the individual is provided with severance benefits that include six months of health coverage for which no premium is required, running from December 1, 2009, through May 31, 2010. The employer considers no loss of coverage to have occurred until the six months of severance benefits have been exhausted. Under these facts, for purposes of Federal COBRA, the loss of coverage does not occur until May 31, 2010, which is after December 31, 2009. Although the individual's involuntary termination occurs during the required time period, the beginning of eligibility for COBRA continuation coverage does not. Consequently, the individual cannot become an assistance eligible individual. However, if the employer considered the payment of health coverage during the severance benefits period to be the provision of COBRA continuation coverage on behalf of the involuntarily terminated individual, for purposes of Federal COBRA the loss of coverage would be considered to have occurred on November 30, 2009, and thus the individual could become an assistance eligible individual.

For purposes of Federal COBRA, if the plan does not provide for the optional extension of required periods under section 4980B(f)(8) to apply, the end of the 18-month maximum required period of COBRA continuation coverage is measured from the date of the individual's involuntary termination, November 15, 2009. If the plan does provide for the optional extension of required periods under section 4980B(f)(8) to apply, the end of the 18-month maximum required period of COBRA continuation coverage is measured from the date of the loss of coverage, May 31, 2009.

Q-15. Does an involuntary termination of an employee following another qualifying event, such as a divorce, satisfy the requirements for the qualified beneficiary from the first qualifying event to be an assistance eligible individual?

A-15. No. Generally, if COBRA continuation coverage is based on a qualifying event before the involuntary termination, the later involuntary termination does not cause the qualified beneficiary to become an assistance eligible individual. However, if, in anticipation of an involuntary termination that would otherwise qualify an individual as an assistance eligible individual, the employer takes action other than the involuntary termination of the individual that results in a loss of coverage for the individual (for example, a reduction in hours for the employee in anticipation of involuntarily terminating the employee), the action causing the loss of coverage prior to the involuntary termination is disregarded in determining whether involuntary termination is the qualifying event that results in the COBRA continuation coverage for the individual.

Example 1. An employee is divorced after September 1, 2008, and before December 31, 2009. The divorce results in a loss of health coverage for the spouse of the employee. The spouse is eligible for and timely elects COBRA continuation coverage. After the divorce, and before December 31, 2009, the employee is involuntarily terminated and loses health coverage. The employee elects COBRA continuation coverage that begins before December 31, 2009. The spouse is not an assistance eligible individual because the qualifying event with respect to the spouse's

COBRA continuation coverage is not an involuntary termination. The employee is an assistance eligible individual.

Example 2. An employee experiences a reduction in hours in March 2009 that does not constitute (and is not in anticipation of) an involuntary termination. The reduction in hours results in a loss of coverage for the employee. The employee is eligible for and timely elects COBRA continuation coverage that begins as of April 1, 2009. In November 2009, the employee is involuntarily terminated from employment. The employee cannot become an assistance eligible individual in connection with the November 2009 involuntary termination because the qualifying event with respect to the COBRA continuation coverage is not involuntary termination.

Q-16. If, as the result of an involuntary termination that occurred during the period from September 1, 2008, through December 31, 2009, an individual loses coverage under a health plan that is not subject to the COBRA continuation coverage requirements (as defined under ARRA) and the individual is offered and elects continuation coverage provided voluntarily by an employer, is the premium reduction applicable and the related payroll tax credit for the employer (or other entity) available with respect to the continuation health coverage?

A-16. No. In order for the COBRA continuation coverage premium reduction and the related payroll tax credit to apply, the plan must be subject to the COBRA continuation coverage requirements as defined in ARRA.

Example. A group health plan maintained by an employer that is not subject to COBRA continuation coverage requirements under Federal COBRA, under the FEHBP, or under State law nevertheless provides continuation health coverage to involuntarily terminated employees. Because the terminated employees are not eligible for COBRA continuation coverage (as defined under ARRA), they are not assistance eligible individuals and the premium reduction does not apply.

Q-17. Can an individual become an assistance eligible individual more than once?

A-17. Yes. An individual who becomes a qualified beneficiary as the result of an involuntary termination and who otherwise meets the requirements to be an assistance eligible individual is treated as an assistance eligible individual even if previously treated as an assistance eligible individual. See Q&A-43 regarding the period of premium reduction in such situations.

Q-18. If an individual has a loss of coverage and becomes a qualified beneficiary eligible for COBRA continuation coverage as the result of an involuntary termination no later than December 31, 2009, and timely elects COBRA continuation coverage after December 31, 2009 (with the COBRA continuation coverage beginning retroactively back to the loss of coverage), is the individual an assistance eligible individual eligible for the premium reduction?

A-18. Yes. The election of COBRA continuation coverage is not required to occur during the period from September 1, 2008, through December 31, 2009, as long as the resulting COBRA continuation coverage begins during that period.

Q-19. Is the death of an employee an involuntary termination of employment that would make qualified beneficiaries such as the spouse and dependent children of the employee assistance eligible individuals?

A-19. No. The death of an employee is not an involuntary termination of employment.

CALCULATION OF PREMIUM REDUCTION

Q-20. What premium amount is used to determine the 35 percent share that must be paid by (or on behalf of) an assistance eligible individual?

A-20. The premium used to determine the 35 percent share that must be paid by (or on behalf of) an assistance eligible individual is the cost that would be charged to the assistance eligible individual for COBRA continuation coverage if the individual were not an assistance eligible individual. If, without regard to the subsidy, the assistance eligible individual is required to pay 102 percent of the “applicable premium” for continuation coverage, i.e., generally the maximum permitted under the Federal COBRA rules, the assistance eligible individual is required to pay only 35 percent of the 102 percent of the applicable premium. However, if the premium that would be charged the assistance eligible individual is less than the maximum COBRA premium, for example if the employer subsidizes the coverage by paying all or part of the cost, the amount actually charged the assistance eligible individual is used to determine the assistance eligible individual’s 35 percent share.

In determining whether an assistance eligible individual has paid 35 percent of the premium, payments on behalf of the individual by another person (other than the employer with respect to which the involuntary termination occurred) are taken into account. For example, some or all of the 35 percent share of the premium could be paid on behalf of the individual by a parent, guardian, State agency, or charity.

The following examples illustrate this Q&A-20. For all examples, 102 percent of the applicable premium for the COBRA continuation coverage is \$1,000 per month, and the person to whom premiums are payable is the employer maintaining the plan.

Example 1. The employer requires individuals electing COBRA continuation coverage to pay \$500 per month. An assistance eligible individual is entitled to COBRA continuation coverage upon the timely payment of \$175 (35 percent of \$500). The employer’s resulting payroll tax credit is \$325 (65 percent of \$500).

Example 2. The employer requires active employees to pay \$200 per month for

health coverage. For involuntarily terminated employees, the severance benefits include continued health coverage at the cost of \$200 per month for six months after termination. After the six-month severance period, the terminated employee must pay \$1,000 per month for the remainder of the COBRA continuation coverage. The employer considers the loss of coverage to occur on the last day coverage is in effect before the severance benefits begin to take effect; that is, the employer considers the six-month severance period to be part of the terminated employee's COBRA continuation coverage period, during which the employer pays \$800 toward the cost of the terminated employee's COBRA continuation coverage.

For the first six months, an assistance eligible individual is entitled to COBRA continuation coverage upon the timely payment of \$70 (35 percent of \$200); for the next three months, the individual is entitled to COBRA continuation coverage upon the timely payment of \$350 (35 percent of \$1,000). The employer's resulting payroll tax credit is \$130 (65 percent of \$200) for the first six months and \$650 (65 percent of \$1,000) for the next three months.

Example 3. Same facts as Example 2, except that the employer considers the loss of health coverage and the beginning of the terminated employee's COBRA continuation coverage period to occur at the end of the six-month severance period. For the first six months after termination of employment, the terminated employee is not eligible for COBRA continuation coverage and is not an assistance eligible individual. The employee therefore pays \$200 for coverage, and no subsidy applies. The employee elects COBRA continuation coverage at the end of the six-month period and is an assistance eligible individual. For the next nine months, the individual is entitled to COBRA continuation coverage upon the timely payment of \$350 (35 percent of \$1,000). The employer's resulting payroll tax credit is \$650 (65 percent of \$1,000).

For purposes of Federal COBRA, if the plan does not provide for the optional extension of required periods under section 4980B(f)(8) to apply, the end of the 18-month maximum required period of COBRA continuation coverage is measured from the date of the individual's involuntary termination (that is, 12 months after the end of the six-month severance period). If the plan does provide for the optional extension of required periods under section 4980B(f)(8) to apply, the end of the 18-month maximum required period of COBRA continuation coverage is measured from the date of the loss of coverage (i.e., 24 months after the involuntary termination).

Example 4. The employer requires active employees to pay \$200 per month for health coverage. For involuntarily terminated employees, the severance benefits include continued health coverage for six months after termination at no cost. The employer considers that COBRA continuation coverage begins on the date of the involuntary termination. After the six-month severance period, the terminated employee would be required to pay \$1,000 per month (but for the ARRA premium reduction) for the remainder of the COBRA continuation coverage. Because the premium during the first six months is zero, the premium reduction is not available and no payroll tax credit is available to the employer. For the next three months after the severance period, the

terminated employee is entitled to COBRA continuation coverage upon the timely payment of \$350 (35 percent of \$1,000) for coverage. The employer's resulting payroll tax credit is \$650 (65 percent of \$1,000). After the first nine months, no subsidy applies, so the terminated employee can be required to pay \$1,000 per month for any later month of COBRA continuation coverage.

Example 5. Same facts as Example 4, except the employer considers no loss of coverage to have occurred until the end of the severance period, i.e., six months after termination of employment. For the first six months, the terminated employee is not eligible for COBRA continuation coverage and is not an assistance eligible individual. The employee pays nothing for the coverage, and no payroll tax credit is available to the employer. The employee elects COBRA continuation coverage at the end of the six-month period and is an assistance eligible individual. For the next nine months, the individual is entitled to COBRA continuation coverage upon the timely payment of \$350 (35 percent of \$1,000). The employer's resulting payroll tax credit is \$650 (65 percent of \$1,000).

For purposes of Federal COBRA, if the plan does not provide for the optional extension of required periods under section 4980B(f)(8) to apply, the end of the 18-month maximum required period of COBRA continuation coverage is measured from the date of the individual's involuntary termination (that is, 12 months after the end of the six-month severance period). If the plan does provide for the optional extension of required periods under section 4980B(f)(8) to apply, the end of the 18-month maximum required period of COBRA continuation coverage is measured from the date of the loss of coverage (i.e., 24 months after the involuntary termination).

Q-21. If a plan that previously charged less than the maximum premium allowed under the COBRA continuation provisions increases the premium pursuant to section 54.4980B-8, Q&A-2(b)(1) (or similar authority under comparable State law or other Federal law), does the ARRA premium reduction apply to the increased premium amount?

A-21. Yes.

Example. Under the plan, 102 percent of the applicable premium for COBRA continuation coverage is \$1,000 per month. Prior to February 17, 2009, the plan charged \$500 per month for COBRA continuation coverage. Pursuant to section 54.4980B-8, Q&A-2(b)(1) and the applicable notice requirements, beginning March 1, 2009, the plan charges \$1,000 per month for COBRA continuation coverage. The premium reduction and the payroll tax credit are based on \$1,000 for the coverage beginning March 1, 2009.

Q-22. If a plan that previously charged less than the maximum premium allowed under the COBRA continuation provisions increases the premium pursuant to section 54.4980B-8, Q&A-2(b)(1), and the employer provides a separate taxable payment to the assistance eligible individual, does the premium reduction apply to the increased

premium amount?

A-22. Yes.

Example 1. Under a group health plan, 102 percent of the applicable premium for COBRA continuation coverage is \$1,000 per month. Prior to February 17, 2009, the plan charged \$400 per month for COBRA continuation coverage. Pursuant to section 54.4980B-8, Q&A-2(b)(1) and the applicable notice requirements, the plan charges \$1,000 per month for COBRA continuation coverage for periods of coverage beginning March 1, 2009. In addition, beginning March 1, 2009, the employer provides a taxable severance benefit of \$600 per month to employees who are assistance eligible individuals. The premium reduction is based on \$1,000 for the coverage beginning March 1, 2009, and thus the individual is entitled to COBRA continuation coverage upon the timely payment of \$350 (35 percent of \$1,000).

Example 2. Same facts as Example 1, except that, beginning March 1, 2009, instead of providing a taxable severance benefit, the employer reimburses employees who are assistance eligible individuals for the \$350 the employees pay for the coverage, and the employer excludes that amount from the employees' gross income under section 106. Consequently, the \$350 is treated as paid by the employer, and, because there is no non-employer payment, the premium reduction is not available, and no payroll tax credit is available to the employer.

Q-23. Does the premium reduction apply to portions of the premium attributable to COBRA continuation coverage for individuals who are not qualified beneficiaries?

A-23. No. The premium reduction is limited to premiums attributable to COBRA continuation coverage for assistance eligible individuals, defined as qualified beneficiaries who elect COBRA continuation coverage and whose qualifying event with respect to the coverage is the involuntary termination of employment of a covered employee during the period from September 1, 2008, through December 31, 2009. A qualified beneficiary with respect to a covered employee under a group health plan is the spouse of the employee under Federal law or a dependent child of the employee under Federal law if, generally, the spouse or dependent child was a beneficiary under the plan on the day before the qualifying event. Qualified beneficiary also includes a child who is born to or adopted by the covered employee during the period of COBRA continuation coverage. Subject to the preceding sentence, qualified beneficiary does not include a spouse or dependent child not covered before the qualifying event and added to the coverage during a later enrollment period. In addition, if an individual does not meet the definition of a qualified beneficiary under Federal COBRA, the individual's coverage is not eligible for the premium reduction under ARRA, even though such an individual may be covered under a plan by its terms, or as required by State law.

Q-24. If COBRA continuation coverage is provided under a State program that provides comparable continuation coverage does the premium reduction apply to portions of the premium attributable to COBRA continuation coverage for individuals

who would not be qualified beneficiaries under Federal COBRA if the coverage were provided under Federal COBRA?

A-24. No. While section 3001(a)(10)(B) of ARRA defines COBRA continuation coverage eligible for the premium reduction to include comparable State continuation coverage, qualified beneficiary is defined under section 3001(a)(10)(E) by cross-reference to ERISA. Thus, the premium reduction is limited to the premium attributable to the coverage of the involuntarily terminated employee and the employee's spouse or dependent children who are qualified beneficiaries under Federal COBRA, even if the State law requires a group health plan to provide continuation coverage to a broader group.

Q-25. If the COBRA continuation coverage of one or more assistance eligible individuals also covers one or more individuals who are not assistance eligible individuals, how is the premium paid by the assistance eligible individual for COBRA continuation coverage allocated between the assistance eligible individuals and the other individuals?

A-25. Amounts paid by an assistance eligible individual for COBRA continuation coverage covering one or more individuals who are assistance eligible individuals and one or more individuals who are not assistance eligible individuals are allocated first to the cost of covering assistance eligible individuals and then to the cost of covering non-assistance eligible individuals. Thus, if the cost of covering a non-assistance eligible individual does not add to the cost of covering the assistance eligible individuals, then the cost of covering the non-assistance eligible individual is zero, and the premium reduction applies to the full amount paid for the COBRA continuation coverage. If the cost of covering a non-assistance eligible individual adds to the cost of covering the assistance eligible individuals, it is the incremental cost that is ineligible for the premium reduction.

Example 1. An individual and the individual's two dependent children are assistance eligible individuals and have COBRA continuation coverage. The COBRA continuation coverage also covers an individual who is not an assistance eligible individual. The amount the plan requires to be paid for COBRA continuation coverage for self-plus-two-or-more-dependents for non-assistance eligible individuals is \$1,000 per month.

The amount the individual would pay (but for the ARRA premium reduction) for covering the individual and the two children (the assistance eligible individuals) under the COBRA continuation coverage is \$1,000 per month. The additional premium amount for coverage of the individual who is not an assistance eligible individual is \$0 per month. The individual is entitled to apply the premium reduction to the \$1,000, and is entitled to COBRA continuation coverage upon the timely payment of \$350 (35 percent of \$1,000) for the coverage. The employer's resulting payroll tax credit is \$650 (65 percent of \$1,000).

Example 2. Same facts as Example 1, except the individual has only one dependent child, and the plan charges \$800 per month for self-plus-one-dependent COBRA continuation coverage. Although the individual's premium (but for the ARRA premium reduction) would be \$1,000 per month for self-plus-two-or-more-dependents COBRA continuation coverage, the portion of the premium attributable to coverage for the individual and the individual's dependent child (both assistance eligible individuals) is \$800.

The individual is entitled to apply the premium reduction to the \$800 and is entitled to COBRA continuation coverage upon the timely payment of \$280 (35 percent of \$800) for that portion of the coverage. The amount the individual pays for the non-assistance eligible individual is \$200. The individual's total premium payment is \$480 (\$280 plus \$200). The employer's resulting payroll tax credit is \$520 (65 percent of \$800).

Example 3. An individual is an assistance eligible individual and has COBRA continuation coverage. The individual has self-only coverage and pays \$157.50 (35 percent of the \$450 per month charged non-assistance eligible individuals for self-only COBRA continuation coverage). During the premium reduction period, the plan has an open enrollment period during which it allows active employees and qualified beneficiaries to add spouses and dependents to the health coverage. The individual adds the individual's spouse and dependent child, who were not covered prior to the involuntary termination, to the COBRA continuation coverage. Without regard to the ARRA premium reduction, COBRA continuation coverage for self-plus-two-or-more-dependents is \$1,000 per month.

The spouse and the dependent child are not assistance eligible individuals because they were not covered by the plan on the day before the involuntary termination. The amount the individual pays for the spouse and the dependent child is \$550 per month (\$1,000 less \$450). The individual is entitled to the premium reduction with respect to \$450 per month. Thus, the individual is entitled to COBRA continuation coverage upon the timely payment of \$707.50 (\$550 + \$157.50 [35 percent of \$450 = \$157.50]). The employer's resulting payroll tax credit is \$292.50 (65 percent of \$450).

Q-26. Does the premium reduction apply to the increased premium if the plan, in compliance with section 54.4980B-8, Q&A-2(c), allows the assistance eligible individual to change coverage from the benefit package that covered the individual prior to termination to a different benefit package with a higher applicable premium that allows an increase in the amount charged the assistance eligible individual?

A-26. Yes.

COVERAGE ELIGIBLE FOR PREMIUM REDUCTION

Q-27. Is the premium reduction available for COBRA continuation coverage under a vision-only or dental-only plan?

A-27. Yes. The premium reduction is available for COBRA continuation coverage of any group health plan, except a flexible spending arrangement (FSA) under section 106(c) offered under a section 125 cafeteria plan. This includes vision-only or dental-only plans and “mini-med plans,” whether or not the employer pays for a portion of the costs for active employees. The premium reduction is not available for continuation coverage offered by employers for non-health benefits that are not subject to COBRA continuation coverage, such as group life insurance.

Q-28. Can retiree health coverage be treated as COBRA continuation coverage for which the premium reduction is available?

A-28. Yes, but only if the retiree coverage does not differ from the coverage made available to similarly situated active employees (though the amount charged for the coverage may be higher than that charged to active employees and the retiree coverage may still be eligible for the ARRA premium reduction as long as the charge to retirees does not exceed the maximum amount allowed under Federal COBRA).

Q-29. Is the premium reduction available for COBRA continuation coverage under a health reimbursement arrangement (HRA)?

A-29. Yes. While an HRA may qualify as an FSA under section 106(c), the exclusion of FSAs from the premium reduction is limited to FSAs provided through a section 125 cafeteria plan, which would not include an HRA.

BEGINNING OF PREMIUM REDUCTION PERIOD

Q-30. When does the premium reduction first apply to an assistance eligible individual?

A-30. The premium reduction applies as of the first period of coverage beginning on or after February 17, 2009 (the date of enactment of ARRA), for which the assistance eligible individual is eligible to pay only 35 percent of the premium (as determined without regard to the premium reduction) and be treated as having made full payment. For this purpose, a period of coverage is a monthly or shorter period with respect to which premiums are charged by the plan with respect to such coverage. Therefore, the exact date when the first period of coverage beginning on or after February 17, 2009, begins depends on the period with respect to which premiums are charged by the plan.

Q-31. If a plan requires that COBRA continuation coverage be paid for based on a calendar month and an assistance eligible individual has COBRA continuation coverage for the entire month of February, can the plan pro-rate the premium for February in order to apply the ARRA premium reduction to the portion of February that begins on February 17, 2009?

A-31. No. If a plan requires that COBRA continuation coverage be paid for based on a calendar month and an assistance eligible individual has COBRA continuation coverage for the entire month of February, the first period of coverage beginning on or after February 17, 2009, is the month beginning March 1, and the premium reduction only applies to the premiums for COBRA continuation coverage for March and the following months.

Q-32. If a plan requires that COBRA continuation coverage be paid for based on a calendar month and requires an individual who loses coverage other than on the last day of the month and who wishes to enroll in COBRA continuation coverage to pay a pro-rata portion of the monthly premium for the first partial month of coverage, what is the first period of coverage to which the premium reduction applies for an assistance eligible individual who loses coverage after February 17, 2009?

A-32. If a plan requires an individual who loses coverage other than on the last day of the month and who wishes to enroll in COBRA continuation coverage to pay a pro-rata portion of the monthly premium, the first period of coverage to which the premium reduction applies for an assistance eligible individual who loses coverage after February 17, 2009, is the individual's first partial month of coverage. But see Q&A-48 for a different rule in the case of an individual electing COBRA continuation coverage under the ARRA extended election period.

END OF PREMIUM REDUCTION PERIOD

Q-33. For how long does the premium reduction apply to an assistance eligible individual?

A-33. The premium reduction applies until the earliest of (1) the first date the assistance eligible individual becomes eligible for other group health plan coverage (with certain exceptions) or Medicare coverage, (2) the date that is nine months after the first day of the first month for which the ARRA premium reduction provisions apply to the individual, or (3) the date the individual ceases to be eligible for COBRA continuation coverage.

Q-34. If an assistance eligible individual is eligible for other group health plan coverage but does not enroll in the other group health plan coverage, is the premium reduction available for the individual's COBRA continuation coverage after the date the individual is first eligible for the other coverage?

A-34. No.

Example 1. An assistance eligible individual begins employment with a new employer and is eligible to enroll in the employer's group health plan, with coverage effective the first day of the next month. The assistance eligible individual declines the coverage and continues COBRA continuation coverage. Although eligibility for other group health coverage does not end the individual's eligibility for Federal COBRA, the

premium reduction is no longer available as of the first day of the next month.

Example 2. Same facts as Example 1, except that the new employer's group health plan imposes a 2-month waiting period. The premium reduction stops being available as of the first day after the end of the waiting period, even though the employee declined coverage under the plan. It is the same result if the employee had enrolled for coverage; the premium reduction would apply until the first day after the end of the waiting period.

Example 3. The spouse of an assistance eligible individual (who is also an assistance eligible individual) begins employment with a new employer and is eligible to enroll in the employer's group health plan with self-only or family coverage, with coverage effective the first day of the next month. The spouse enrolls in self-only coverage, and the assistance eligible individual continues COBRA continuation coverage. Although the individual is allowed to continue Federal COBRA, the premium reduction is no longer available for the COBRA continuation coverage as of the first day of the next month because the assistance eligible individual is eligible for coverage under the group health plan of the spouse's employer.

Q-35. Is an assistance eligible individual who otherwise meets the eligibility requirements for coverage under a group health plan, but who cannot enroll and have coverage take effect immediately, considered eligible for coverage under the group health plan for purposes of ending the period of premium reduction?

A-35. No. An individual who is eligible to enroll for coverage under a group health plan is considered to be eligible for coverage under the group health plan for purposes of ending the period of premium reduction only from the first date that coverage can take effect. For example, if, as of February 17, 2009, an assistance eligible individual meets the eligibility requirements for coverage under a group health plan maintained by the individual's spouse, but cannot enroll and have coverage take effect immediately, the individual may receive the premium reduction for periods of coverage until the first date that coverage can take effect under the plan maintained by the spouse's employer.

Q-36. What is the effect on eligibility for the premium reduction if retiree health coverage that is not COBRA continuation coverage is offered at the same time that COBRA continuation coverage is offered?

A-36. The effect on eligibility for the premium reduction of an offer of retiree coverage that is not COBRA continuation coverage at the same time that COBRA continuation coverage is offered depends on whether the retiree coverage is offered under the same group health plan as the COBRA continuation coverage or under a different group health plan. If offered under the same group health plan, the offer of the retiree coverage has no effect on an individual's eligibility for the ARRA premium reduction.

If offered under a different group health plan, the offer can affect the individual's eligibility for the premium reduction. If offered to an individual whose eligibility for COBRA continuation coverage arises in connection with an involuntary termination on or after February 17, 2009, the offer of retiree coverage that is not COBRA continuation coverage under a different group health plan than the one under which COBRA continuation coverage is being offered will render the individual ineligible for the ARRA premium reduction. If offered to someone whose eligibility for COBRA continuation coverage arose on or after September 1, 2008, but before February 17, 2009, the offer will render the individual ineligible for the premium reduction only if the period the individual is given for enrolling in the retiree coverage extends to at least February 17, 2009.

Q&A-6 of section 54.4980B-2 provides rules for determining whether health benefits provided by an employer or employee organization constitute one or more group health plans for purposes of Federal COBRA. Under those rules, all health benefits provided by an organization constitute a single group health plan unless it is clear from the instruments governing the arrangement or arrangements that the benefits are being provided under separate plans and the arrangement or arrangements are operated pursuant to such instruments as separate plans.

Q-37. Does eligibility for coverage under an HRA end the period of premium reduction under ARRA as eligibility for coverage under any other group health plan?

A-37. Not if the HRA qualifies as an FSA under section 106(c), but otherwise yes. Under section 106(c), an FSA is health coverage under which the maximum amount of reimbursement which is reasonably available to a participant of the coverage is less than 500 percent of the value of the coverage. For this purpose, the maximum amount of reimbursement which is reasonably available is generally the balance of the HRA and the value of the HRA coverage would generally be the applicable premium for COBRA continuation of the HRA coverage.

Q-38. Is the premium reduction available after December 31, 2009?

A-38. Yes, the premium reduction may be available after December 31, 2009, for individuals who qualify as assistance eligible individuals on or before December 31, 2009. For example, an assistance eligible individual with respect to whom the period of COBRA continuation coverage for which the premium reduction first applies begins on December 1, 2009, could receive the premium reduction until August 31, 2010, assuming the individual does not become eligible for other group health plan coverage or Medicare or lose eligibility for COBRA continuation coverage before that date.

Q-39. Does the death of an involuntarily terminated employee end the eligibility of the qualified beneficiary spouse and dependent children for the premium reduction?

A-39. No.

Q-40. Does a failure to timely pay the required premium for COBRA continuation coverage end the premium reduction?

A-40. Yes. Failure to timely pay the required premium for COBRA continuation coverage ends the period of COBRA continuation coverage, at which time the individual no longer qualifies for the premium reduction. For this purpose, payment is considered timely if it is made by the end of any applicable grace period for making the payment.

Q-41. Is an individual currently enrolled in Medicare who is a qualified beneficiary as the result of an involuntary termination of employment that occurred during the period from September 1, 2008, through December 31, 2009, able to elect COBRA continuation coverage and receive the premium reduction?

A-41. No. An individual currently enrolled in Medicare who becomes a qualified beneficiary as the result of an involuntary termination that occurred during the period from September 1, 2008, through December 31, 2009, may be eligible to elect COBRA continuation coverage but is not eligible for the premium reduction.

Q-42. If an assistance eligible individual receiving a premium reduction from an employer fails to provide notice of the individual's eligibility for coverage under any other group health plan or Medicare and continues receiving the premium reduction, is the employer required to refund to the IRS the payroll tax credit relating to the premium reduction provided with respect to the period after the individual's eligibility for the premium reduction ended due to eligibility for coverage under the other group health plan or Medicare?

A-42. No. If the employer has claimed a payroll tax credit for the premium reduction, the employer is not required to refund to the IRS the excess premium reduction received as a credit merely because the assistance eligible individual failed to provide notice that the individual is no longer eligible for the premium reduction due to eligibility for coverage under any other group health plan or Medicare unless the employer otherwise knew of the eligibility for such coverage. The assistance eligible individual who failed to provide notice may be subject to a Federal tax penalty of 110 percent of the premium reduction improperly received. The penalty will not apply if it is shown that individual's failure to provide notice was due to reasonable cause and not to willful neglect. The employer who received the credit against payroll taxes in the amount of the excess premium reduction has no rights to the penalty payment.

Q-43. How long is the period of premium reduction for an individual who becomes an assistance eligible individual a second time?

A-43. An assistance eligible individual is eligible for up to nine months of premium reduction for each involuntary termination.

Example. An individual is involuntarily terminated and loses coverage as of April 1, 2009. The individual otherwise meets the requirements for an assistance eligible

individual and is allowed the premium reduction for COBRA continuation coverage beginning April 1, 2009. On July 1, 2009, the individual ceases to be an assistance eligible individual because of coverage under a group health plan provided by the employer of the individual's spouse. Subsequently, the individual's spouse is involuntarily terminated, the individual loses coverage as of November 1, 2009, and, at that time, otherwise meets the requirements for being an assistance eligible individual. The individual is allowed up to nine months of premium reduction with respect to the involuntary termination of the individual's spouse.

Q-44. Is the period for which premium assistance is available extended by a second qualifying event, such as a divorce, following an involuntary termination based on which a qualified beneficiary is an assistance eligible individual?

A-44. No.

RECAPTURE OF PREMIUM ASSISTANCE

Q-45. Can a plan refuse to provide the premium reduction to an individual because of the individual's income?

A-45. No. Even if an assistance eligible individual's income is high enough that the recapture of the premium reduction would apply, COBRA continuation coverage must be provided upon payment of 35 percent of the premium unless the individual has notified the plan that the individual has elected the permanent waiver of the premium reduction (or the period for the premium reduction has ended).

Q-46. How does an assistance eligible individual make a permanent election to waive the right to the premium reduction?

A-46. An assistance eligible individual who wants to make a permanent election to waive the right to the premium reduction makes the election by providing a signed and dated notification (including a reference to "permanent waiver") to the person who is reimbursed for the premium reduction under section 6432. There is no separate additional notification to any government agency. If an assistance eligible individual makes the permanent election to waive the right to the premium reduction, the individual may not later reverse the election and may not receive the premium reduction for any future period of COBRA continuation coverage in 2009 or 2010, regardless of modified adjusted gross income in those years.

EXTENDED ELECTION PERIOD

Q&A-47 through Q&A-50 and Q&A-52 through Q&A-55 apply only for purposes of Federal COBRA and temporary continuation coverage under FEHBP.

Q-47. If an employee was involuntarily terminated during the period from September 1, 2008, through February 17, 2009, and elected self-only COBRA

continuation coverage, are a spouse and dependent children who are qualified beneficiaries in connection with the involuntary termination allowed to elect COBRA continuation coverage and receive the premium reduction under the extended election period?

A-47. Yes. An individual who does not have an election of COBRA continuation coverage in effect on February 17, 2009, but who would have been an assistance eligible individual if the election were in effect is allowed a second opportunity to elect COBRA continuation coverage under the extension of election period under section 3001(a)(4)(A) of ARRA. The resulting coverage begins with the first period of COBRA continuation coverage beginning on or after February 17, 2009. A spouse or dependent child who is a beneficiary under a group health plan that covers an employee on the day before the involuntary termination of the employee (whose termination was on or after September 1, 2008) would have been an assistance eligible individual if the spouse or dependent child timely elected COBRA continuation coverage and thus qualifies for the second election, notwithstanding the prior election of self-only COBRA continuation coverage by the employee.

Q-48. If a plan requires that COBRA continuation coverage be paid for based on a calendar month, what is the first period of coverage for an assistance eligible individual who becomes eligible for COBRA continuation coverage as a result of the extended election period provided under ARRA?

A-48. If, as a result of the extended election period provided under ARRA, an assistance eligible individual becomes eligible for COBRA continuation coverage under a plan that requires that COBRA continuation coverage be paid for based on a calendar month, the individual's first period of coverage beginning on or after February 17, 2009, is the month beginning March 1, and the premium reduction only applies to the premiums for COBRA continuation coverage for March and the following months. This does not change even if the plan otherwise requires individuals who lose coverage before the last day of the month and who wish to enroll in COBRA continuation coverage to pay a pro-rata portion of the monthly premium for the first partial month of coverage.

Q-49. If a plan requires that COBRA continuation coverage be paid for based on a monthly period computed from the date of the loss of coverage, what is the first period of coverage beginning on or after February 17, 2009, for an assistance eligible individual who becomes eligible for COBRA continuation coverage as a result of the extended election period provided under ARRA?

A-49. The first period of coverage is the monthly period corresponding to the day after the loss of coverage to the day of the following month corresponding to the day of the loss of coverage. For example, if the last day of coverage was October 3, 2008, the period of coverage runs from the fourth of the month to the third of the following month, and thus the first period of coverage on or after February 17, 2009, is the period March 4, 2009, through April 3, 2009.

Q-50. May an individual involuntarily terminated during the period from September 1, 2008, through February 17, 2009, who still has an open COBRA continuation coverage election period independent of ARRA elect coverage under the extended election period and receive and only pay for coverage that starts on the first period of coverage beginning on or after February 17, 2009?

A-50. Yes. The extended election period for electing COBRA continuation coverage is available for all individuals who are qualified beneficiaries as the result of an involuntary termination during the period from September 1, 2008, through February 17, 2009, even if they still have an open COBRA election period as of February 17, 2009. If these individuals elect COBRA under their original COBRA election period, under Federal COBRA the coverage is retroactive to their loss of coverage and the premium reduction does not apply to the periods of coverage prior to the first period of coverage beginning on or after February 17, 2009 (generally, periods of coverage before March 2009 for plans with monthly coverage periods).

Example. An individual is involuntarily terminated in December 2008 and received the COBRA election notice in January 2009. As of February 17, 2009, the individual has not elected COBRA continuation coverage. The individual should receive a notice about the extended election period for COBRA continuation coverage and the individual may decline to elect COBRA continuation coverage under the original COBRA election period and instead elect and pay for COBRA continuation coverage only for coverage periods on or after February 17, 2009, under the extended election period.

Q-51. Is the extended election period available to involuntarily terminated employees whose continuation coverage is provided pursuant to State law only?

A-51. Generally, no. The extended election period under section 3001(a)(4)(A) of ARRA applies to a group health plan that is subject to Federal COBRA or the temporary continuation coverage requirements of the FEHBP. It does not apply to plans subject to COBRA continuation coverage requirements under a State program that provides comparable continuation coverage. However, if a State program provides for a similar special election and an individual otherwise satisfies the requirements to be an assistance eligible individual, the premium reduction is available for any resulting continuation coverage.

Q-52. When does COBRA continuation coverage begin for individuals making the election during the extended election period provided under section 3001(a)(4) of ARRA?

A-52. As provided in section 3001(a)(4)(B) of ARRA, COBRA continuation coverage elected during the extended election period begins with the first period of coverage beginning on or after February 17, 2009. Thus, expenses incurred after the loss of coverage and before the first day of the first period of coverage beginning on or

after February 17, 2009, are not covered under the resulting COBRA continuation coverage.

Q-53. How does the COBRA continuation coverage election under the extended election period apply in the case of an HRA?

A-53. Generally, qualified beneficiaries electing COBRA continuation coverage with respect to HRA coverage have access to the same level of reimbursements during COBRA continuation coverage as was available immediately before the qualifying event. Thus, a qualified beneficiary electing COBRA continuation coverage with respect to an HRA under the extended election period would have access to the same level of reimbursements as they had immediately before the qualifying event. The amount available would be reduced for any reimbursements made after the qualifying event; for example, reimbursements for expenses incurred before the event submitted and reimbursed after the event. Upon election of COBRA continuation coverage with respect to the HRA under the extended election period, the HRA would not be required to reimburse expenses incurred after the loss of coverage and before the first day of the first period of coverage beginning on or after February 17, 2009.

Q-54. If an assistance eligible individual was eligible for other group health plan coverage prior to February 17, 2009, but has been unable to enroll in the other group health plan coverage on and after February 17, 2009, is the premium reduction available to the individual's COBRA continuation coverage?

A-54. Yes, the assistance eligible individual is allowed the premium reduction until the individual is eligible to enroll in coverage under any other group health plan.

Example 1. An assistance eligible individual was involuntarily terminated and lost health coverage on or after September 1, 2008, and before February 17, 2009. At the time of, and because of, the loss of coverage, the assistance eligible individual was eligible for a special enrollment period in the group health plan provided by the employer of the individual's spouse. The special enrollment period ended before February 17, 2009. The assistance eligible individual elected COBRA continuation coverage and has not been eligible to enroll in coverage under the spouse's group health plan at any time on or after February 17, 2009. Under these facts, the assistance eligible individual is not considered eligible for coverage under the plan of the spouse's employer until the effective date of coverage for the first enrollment opportunity that occurs on or after February 17, 2009. Therefore, the assistance eligible individual may receive the premium reduction beginning with the first period of coverage beginning on or after February 17, 2009, and until becoming eligible for coverage under the plan of the spouse's employer.

Example 2. Same facts as Example 1, except that the spouse's group health plan has an open enrollment period from June 1, 2009, to June 21, 2009, with coverage elected during the open enrollment period beginning July 1, 2009. The individual's spouse may elect coverage for the individual under the group health plan at that time.

The spouse does not elect coverage for the individual, who continues COBRA continuation coverage. The premium reduction is no longer available for the individual's COBRA continuation coverage for periods beginning on or after July 1, 2009.

Q-55. Under Federal COBRA, what is timely payment of the initial premium for COBRA continuation coverage for an individual electing the coverage under the extended election period of section 3001(a)(4) of ARRA?

A-55. Pursuant to section 54.4980B-8, Q&A-5(b), a plan cannot require payment for any period of Federal COBRA for a qualified beneficiary earlier than 45 days after the date on which the election of COBRA continuation coverage is made for that qualified beneficiary. Thus, for purposes of Federal COBRA in the case of COBRA continuation coverage elected under the extended election period of section 3001(a)(4) of ARRA, the plan cannot require payment of the first premium earlier than 45 days after the date on which the election of Federal COBRA under the extended election period is made for that qualified beneficiary.

PAYMENTS TO INSURERS UNDER FEDERAL COBRA

Q-56. In the case of an insured plan that is not a multiemployer plan and that is subject to the COBRA continuation provisions contained in the Code, if the insurer and the employer have agreed that the insurer will collect the premiums directly from the qualified beneficiaries, is the insurer required to treat an assistance eligible individual paying 35 percent of the premium as having paid the full premium, even before the employer pays the insurer the remaining 65 percent?

A-56. Yes. If the insurer fails to treat a 35 percent payment by an assistance eligible individual as a payment of the full premium, the insurer may be liable for the excise tax under section 4980B(e)(1)(B), which applies to each person responsible (other than in a capacity as an employee) for administering or providing benefits under the plan and whose act or failure to act caused (in whole or in part) the failure, if the person assumed responsibility for the performance of the act to which the failure relates.

COMPARABLE STATE CONTINUATION COVERAGE

Q-57. Does a State continuation coverage program provide comparable coverage qualifying for the premium reduction under ARRA if the maximum period of continuation coverage under the program differs from the maximum period under Federal COBRA?

A-57. Yes. A different period of continuation coverage under State continuation coverage programs does not disqualify the State program from being comparable. Thus, for example, the mere fact that a State continuation coverage program only provides for six months of continuation coverage (instead of 18 months) would not result in the State program failing to be comparable. Similarly, State programs providing for

different qualifying events, different qualified beneficiaries, or different maximum premiums generally do not fail to be comparable solely for those reasons.

Q-58. In the case of an insured plan subject solely to State law requiring the insurer to provide continuation coverage, if the employer collects the reduced premiums from assistance eligible individuals and pays the full premium to the insurer, is the employer eligible to take the payroll credit directly?

A-58. No. Under section 6432(b)(3), in the case of an insured plan subject solely to State law with respect to the requirement to provide continuation coverage, the only person entitled to be reimbursed for the premium reduction through the payroll credit (unless and until provided otherwise in future guidance) is the insurer providing the coverage under the group health plan.

ADDITIONAL ISSUES

The IRS and Treasury are aware of various issues relating to the premium reduction provision that are not addressed in this notice, including issues affecting particular arrangements. Although this notice does not address these issues, the IRS and Treasury continue to consider these and other issues and possible guidance with respect to them.

DRAFTING INFORMATION

The principal author of this notice is Leslie R. Paul of the Office of Division Counsel/Associate Chief Counsel (Tax Exempt and Government Entities). For further information regarding this notice contact Ms. Paul at (202) 622-6080 (not a toll-free call).

ABBREVIATED COBRA GENERAL NOTICE – ATTACHMENT B

[Enter date of notice]

Dear: [Identify the qualified beneficiary(ies), by name or status]

This notice contains important information about additional rights you may have related to your COBRA continuation coverage in the [enter name of group health plan] (the Plan). Please read the information contained in this notice very carefully.

The American Recovery and Reinvestment Act of 2009 (ARRA) reduces the COBRA premium in some cases. You are receiving this notice because you experienced a loss of coverage at some time on or after September 1, 2008 and chose to elect COBRA continuation coverage. If your loss of health coverage was due to an involuntary termination of employment you may be eligible for the temporary premium reduction for up to nine months. To help determine whether you can get the ARRA premium reduction, you should read this notice and the attached documents carefully. In particular, reference the “Summary of the COBRA Premium Reduction Provisions under ARRA” with details regarding eligibility, restrictions, and obligations and the “Application for Treatment as an Assistance Eligible Individual.” **If you believe you meet the criteria for the premium reduction, complete the “Application for Treatment as an Assistance Eligible Individual” and return it to us at [insert mailing address].**

Important Information about Your COBRA Continuation Coverage Rights

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 group health 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.

The American Recovery and Reinvestment Act of 2009 (ARRA) reduces the COBRA premium in some cases. The premium reduction is available to certain individuals who experience a qualifying event that is an involuntary termination of employment during the period beginning with September 1, 2008 and ending with December 31, 2009. If you qualify for the premium reduction, you need only pay 35 percent of the COBRA premium otherwise due to the plan. This premium reduction is available for up to nine months. If your COBRA continuation coverage lasts for more than nine months, you will have to pay the full amount to continue your COBRA continuation coverage. See the attached “Summary of the COBRA Premium Reduction Provisions under ARRA” for more details, restrictions, and obligations as well as the form necessary to establish eligibility.

The Trade Act of 2002 created a 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 65% of premiums paid for qualified health insurance, including continuation coverage. ARRA made several amendments to these provisions, including an increase in the amount of the credit to 80% of premiums for coverage before January 1, 2011 and temporary extensions of the maximum period of COBRA continuation coverage for PBGC recipients (covered employees who have a non-forfeitable 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 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.]

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

Other than the amount, nothing else about the payment has changed. All periodic 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 COBRA administration under the Plan]* to confirm the correct amount of your first payment or to discuss payment issues related to the ARRA premium reduction.

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 original COBRA election notice, the 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 *[enter name of party responsible for COBRA administration for the Plan, with telephone number and address]*.

For additional information regarding COBRA rights, please contact HHS-CMS at www.cms.hhs.gov/COBRAContinuationofCov/ or NewCobraRights@cms.hhs.gov.

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.



Summary of the COBRA Premium Reduction Provisions under ARRA



President Obama signed the American Recovery and Reinvestment Act (ARRA) on February 17, 2009. The law gives “Assistance Eligible Individuals” the right to pay reduced COBRA premiums for periods of coverage beginning on or after February 17, 2009 and can last up to 9 months.

To be considered an “Assistance Eligible Individual” and get reduced premiums you:

- MUST be eligible for continuation coverage at any time during the period from September 1, 2008 through December 31, 2009 and elect the coverage;
- MUST have a continuation coverage election opportunity related to an involuntary termination of employment that occurred at some time from September 1, 2008 through December 31, 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 successor employer or a spouse’s employer.*

Individuals who experienced a qualifying event as the result of an involuntary termination of employment at any time from September 1, 2008 through February 16, 2009 and were offered, but did not elect, continuation coverage OR who elected continuation coverage and subsequently discontinued it may have the right to an additional 60-day election period.

◆ IMPORTANT ◆

- ◇ If, after you elect COBRA and while you are paying the reduced premium, you become eligible for other group health plan coverage or Medicare you MUST notify the plan in writing. If you do not, you may be subject to a tax penalty.
- ◇ Electing the premium reduction disqualifies you for the Health Coverage Tax Credit. If you are eligible for the Health Coverage Tax Credit, which could be more valuable than the premium reduction, you will have received a notification from the IRS.
- ◇ The amount of the premium reduction is recaptured for certain high income individuals. If the amount you earn for the year is more than \$125,000 (or \$250,000 for married couples filing a joint federal income tax return) all or part of the premium reduction may be recaptured by an increase in your income tax liability for the year. If you think that your income may exceed the amounts above, you may wish to consider waiving your right to the premium reduction. For more information, consult your tax preparer or visit the IRS webpage on ARRA at www.irs.gov.

For general information regarding your plan’s COBRA coverage you can contact [*enter name of party responsible for COBRA administration for the Plan, with telephone number and address*].

For specific information related to your plan’s administration of the ARRA Premium Reduction or to notify the plan of your ineligibility to continue paying reduced premiums, contact [*enter name of party responsible for ARRA Premium Reduction administration for the Plan, with telephone number and address*].

If you are denied treatment as an “Assistance Eligible Individual” you may have the right to have the denial reviewed. For more information regarding reviews or for general information about the ARRA Premium Reduction go to:

www.dol.gov/cobra.html or call (866)444-3272

* Generally, this does not include coverage for only dental, vision, counseling, or referral services; coverage under a health flexible spending arrangement; or treatment that is furnished in an on-site medical facility maintained by the employer.

To apply for ARRA Premium Reduction, complete this form and return it to: [Enter Name and Address]

You may also want to read the important information about your rights included in the "Summary of the COBRA Premium Reduction Provisions Under ARRA."

[Insert Plan Name]

**REQUEST FOR TREATMENT AS AN ASSISTANCE
ELIGIBLE INDIVIDUAL**

[Insert Plan Mailing
Address]

PERSONAL INFORMATION

Name and mailing address of employee (list any dependents on the back of this form)

Telephone number

E-mail address (optional)

To qualify, you must be able to check 'Yes' for all statements.*

- | | |
|---|--|
| 1. The loss of employment was involuntary. | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 2. The loss of employment occurred at some point on or after September 1, 2008 and on or before December 31, 2009. | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 3. I elected (or am electing) COBRA continuation coverage.* | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 4. I am NOT eligible for other group health plan coverage (or I was not eligible for other group health plan coverage during the period for which I am claiming a reduced premium). | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 5. I am NOT eligible for Medicare (or I was not eligible for Medicare during the period for which I am claiming a reduced premium). | <input type="checkbox"/> Yes <input type="checkbox"/> No |

*If you checked NO for statement 3, you may still be eligible. See below for more information.

ADDITIONAL ELECTION PERIOD

If your COBRA continuation coverage relates to an involuntary loss of employment from September 1, 2008 through February 16, 2009 and you were eligible for, but did not elect, COBRA continuation coverage **OR** you elected but subsequently discontinued COBRA, you may have the right to an additional 60-day election period. You should receive a new election notice with an Election Form which you **MUST** complete and return. If you believe you should have received this additional notice but have not, contact [enter name of party responsible for COBRA administration for the Plan, with telephone number and address].

I make an election to exercise my right to the ARRA Premium Reduction. To the best of my knowledge and belief all of the answers I have provided on this form are true and correct.

Signature → _____ Date → _____

Type or print name → _____ Relationship to employee → _____

FOR EMPLOYER OR PLAN USE ONLY

This application is: Approved Denied Approved for some/denied for others (explain in #4 below)
Specify reason below and then return a copy of this form to the applicant.

REASON FOR DENIAL OF TREATMENT AS AN ASSISTANCE ELIGIBLE INDIVIDUAL

- | | |
|--|--------------------------|
| 1. Loss of employment was voluntary. | <input type="checkbox"/> |
| 2. The involuntary loss did not occur between September 1, 2008 and December 31, 2009. | <input type="checkbox"/> |
| 3. Individual did not elect COBRA coverage.* | <input type="checkbox"/> |
| 4. Other (please explain) | <input type="checkbox"/> |

*If you checked number 3, was individual eligible for, and given, the Additional Election Period described above?

Signature of employer, plan administrator, or other party responsible for COBRA administration for the Plan

→ _____ Date → _____

Type or print name → _____

Telephone number → _____ E-mail address → _____

DEPENDENT INFORMATION (Parent or guardian should sign for minor children.)

Name Date of Birth Relationship to Employee SSN (or other identifier)

a. _____

1. I elected (or am electing) COBRA continuation coverage.	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. I am NOT eligible for other group health plan coverage.	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. I am NOT eligible for Medicare.	<input type="checkbox"/> Yes <input type="checkbox"/> No

I make an election to exercise my right to the ARRA Premium Reduction. To the best of my knowledge and belief all of the answers I have provided on this form are true and correct.

Signature → _____ Date → _____

Type or print name → _____ Relationship to employee → _____

Name Date of Birth Relationship to Employee SSN (or other identifier)

b. _____

1. I elected (or am electing) COBRA continuation coverage.	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. I am NOT eligible for other group health plan coverage.	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. I am NOT eligible for Medicare.	<input type="checkbox"/> Yes <input type="checkbox"/> No

I make an election to exercise my right to the ARRA Premium Reduction. To the best of my knowledge and belief all of the answers I have provided on this form are true and correct.

Signature → _____ Date → _____

Type or print name → _____ Relationship to employee → _____

Name Date of Birth Relationship to Employee SSN (or other identifier)

c. _____

1. I elected (or am electing) COBRA continuation coverage.	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. I am NOT eligible for other group health plan coverage.	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. I am NOT eligible for Medicare.	<input type="checkbox"/> Yes <input type="checkbox"/> No

I make an election to exercise my right to the ARRA Premium Reduction. To the best of my knowledge and belief all of the answers I have provided on this form are true and correct.

Signature → _____ Date → _____

Type or print name → _____ Relationship to employee → _____

This form is designed for plans to distribute to COBRA qualified beneficiaries who are paying reduced premiums pursuant to ARRA so they can notify the plan if they become eligible for other group health plan coverage or Medicare.

Use this form to notify your plan that you are eligible for other group health plan coverage or Medicare.

Plan Name

Participant Notification

Plan Mailing Address

PERSONAL INFORMATION

Name and mailing address

Telephone number

E-mail address (optional)

PREMIUM REDUCTION INELIGIBILITY INFORMATION – Check one

I am eligible for coverage under another group health plan.
If any dependents are also eligible, include their names below.

Insert date you became eligible _____

I am eligible for Medicare.

Insert date you became eligible _____

IMPORTANT

If you fail to notify your plan of becoming eligible for other group health plan coverage or Medicare AND continue to pay reduced COBRA premiums you could be subject to a fine of 110% of the amount of the premium reduction.

Eligibility is determined regardless of whether you take or decline the other coverage.

However, eligibility for coverage does not include any time spent in a waiting period.

To the best of my knowledge and belief all of the answers I have provided on this form are true and correct.

Signature → _____ Date → _____

Type or print name → _____

If you are eligible for coverage under another group health plan and that plan covers dependents you must also list their names here:

ADDITIONAL 60-DAY ELECTION NOTICE – ATTACHMENT C

(For qualified beneficiaries who are or would be an Assistance Eligible Individual but are not enrolled in COBRA coverage (including those who never elected AND those who elected but subsequently discontinued coverage) with qualifying events that occurred during the period from September 1, 2008 through February 16, 2009.)

[Enter date of notice]

Dear: *[Identify the qualified beneficiary(ies), by name or status]*

This notice contains important information about additional rights to continue your health care coverage in the *[ENTER NAMES OF APPLICABLE GROUP HEALTH PLANS, e.g., medical, dental, vision]* (the Plan). Please read the information contained in this notice very carefully.

The American Recovery and Reinvestment Act of 2009 (ARRA) temporarily reduces the COBRA monthly premium by 65% for up to nine (9) months for individuals who experience a loss of coverage due to involuntary termination, and also meet additional eligibility criteria under ARRA. You are receiving this election notice because you experienced a loss of coverage that occurred during the period that begins with September 1, 2008 through February 16, 2009, 2009, and either chose not to elect COBRA continuation coverage at that time OR elected COBRA but subsequently discontinued that coverage. If your loss of health coverage was due to an involuntary termination of employment you may be eligible for a second COBRA election opportunity and the temporary premium reduction for up to nine months. To help determine whether you qualify for the ARRA premium reduction, you should read this notice and the attached documents carefully. In particular, reference the “Summary of the COBRA Premium Reduction Provisions under ARRA” with details regarding eligibility, restrictions, obligations and the “Application for Treatment as an “Assistance Eligible Individual.” Please note, if you qualify, the COBRA Premium Reduction will apply only to group health, dental and vision plans. As a result, you will be responsible for paying 35% of the monthly premium. You also have the right to waive the COBRA Premium Reduction.

HCRA Continuation is not eligible for COBRA Premium Reduction. In addition, COBRA Premium Reduction does not apply to Registered Domestic Partners and same sex spouses.

To elect COBRA continuation coverage, follow the instructions on the following pages to complete the enclosed Election Form and submit it to us.

Each person (“qualified beneficiary”) in the category(ies) checked below is entitled to elect COBRA continuation coverage, which generally will continue group health care coverage under the Plan for up to 18 months after an involuntary termination of employment. ***[Check appropriate box or boxes; names may be added]:***

- Employee or former employee
- Spouse or former spouse
- Dependent child(ren) covered under the Plan on the day before the involuntary termination of employment (and any new dependents born, adopted, or placed for adoption between the date coverage was lost and February 17, 2009).

If elected, COBRA continuation coverage will begin retroactively on **March 1, 2009**, and can last until *[enter the date that is 18 months after the qualifying event]*. You may elect any of the following options for COBRA continuation coverage: *[list available coverage options]*.

COBRA continuation coverage will cost: [***enter amount each qualified beneficiary will be required to pay for each option per month of coverage(s).***] If you qualify as an “Assistance Eligible Individual” this cost can be reduced to [***include the amount that is 35 percent of the amount above for each option***] for up to nine months. You do not have to send any payment with the Election Form. Important additional information about payment for COBRA continuation coverage is included in the pages following the Election Form.

If you have any questions about this notice or your rights to COBRA continuation coverage, you should contact [***enter name of party responsible for COBRA administration for the Plan, with telephone number and address***].

Please note: you may also receive separate COBRA notifications from the medical, dental and vision plans.

COBRA Continuation Coverage Election Form

Instructions: Under the American Recovery and Reinvestment Act you are only entitled to elect COBRA continuation coverage at this time if you lost group health plan coverage due to an involuntary termination of employment during the period that begins with September 1, 2008 and ends with December 31, 2009. To elect COBRA continuation coverage, complete this Election Form and return it to us. Under federal law, you have 60 days after the date of this notice to decide whether you want to elect COBRA continuation coverage under the Plan.

Send completed Election Form to: *[Enter Name and Address]*

This Election Form must be completed and returned by mail *[or describe other means of submission and due date]*. If mailed, it must be post-marked no later than *[enter date]*.

If you do not submit a completed Election Form by the due date shown above, you will lose your right to elect COBRA continuation coverage. If you reject COBRA continuation coverage before the due date, you may change your mind as long as you furnish a completed Election Form before the due date. However, if you change your mind after first rejecting COBRA continuation coverage, your COBRA continuation coverage will begin on the date you furnish the completed Election Form.

I (We) elect COBRA coverage in the *[medical, dental and vision plan]* (collectively, the Plan) as indicated below (you may elect one or more group health coverages listed after your name):

a. Name _____ Date of Birth _____ Relationship to Employee SSN (or other identifier) _____

b. Coverage options elected: _____ **[INSERT**

AVAILABLE COVERAGES]

Is the covered employee, spouse, or any dependent child entitled to Medicare Part A, Part B or both?

Yes No

If yes, name and date of entitlement (shown on Medicare card): _____.

If you become entitled to Medicare (or first learn that you are entitled to Medicare) after submitting this Election Form, immediately notify the **[CAMPUS BENEFITS OFFICE]** and the applicable dental and vision carriers/COBRA administrators of the date of your Medicare entitlement at the addresses shown in this Notice.

Signature

Date

Print Name

Relationship to individual(s) listed

Print Address

Telephone Number

Important Information about Your COBRA Continuation Coverage Rights

Am I eligible to elect COBRA continuation Coverage at this time?

Only individuals who lost group health coverage from September 1, 2008 through February 16, 2009 due to an involuntary termination of employment that occurred during that period, and who did not elect COBRA continuation coverage during their first election period OR who elected but subsequently discontinued COBRA coverage (for reasons other than becoming eligible for another group health plan or Medicare), are entitled to elect coverage at this time. If you lost group health coverage for any other reason between these dates and did not elect COBRA continuation coverage when it was first offered, you are not entitled to this second election period.

Am I eligible for the premium reduction?

If you lost group health coverage from September 1, 2008 through February 16, 2009 due to an involuntary termination of employment that occurred during that period and are not eligible for Medicare or other group health plan coverage, you are entitled to receive the premium reduction. Information about the amount of the premium reduction and how it affects your premium payments can be found below under the question, "How much does COBRA continuation coverage cost?"

How long will continuation coverage last?

Your coverage will begin retroactively on **March 1, 2009**, and can generally continue for up to 18 months from the date of your involuntary termination of employment. The duration of the premium reduction is determined separately and may not last for the entire length of your COBRA coverage. See the question below entitled "*How much does COBRA continuation coverage cost?*"

Continuation coverage will be terminated before the end of the 18 month period if:

- any required premium is not paid in full on time,
- a qualified beneficiary becomes covered, after electing continuation coverage, under another group health plan that does not impose any pre-existing condition exclusion for a pre-existing condition of the qualified beneficiary,
- a qualified beneficiary becomes entitled to Medicare benefits (under Part A, Part B, or both) after electing continuation coverage, 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 period of coverage may be available if a qualified beneficiary is disabled or a second qualifying event occurs. You must notify [***enter name of party responsible for COBRA administration***] of a disability or a second qualifying event 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 may be available if any of the qualified beneficiaries is determined under the Social Security Act (SSA) to be disabled. The disability has to have started at some time on or before the 60th day of COBRA continuation coverage and must last at least until the end of the 18-month period of 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 to no longer be disabled under the SSA, you must notify the Plan of that fact within 30 days after that determination.

If any of the qualified beneficiaries is determined by the Social Security Administration to be disabled, the maximum COBRA coverage period that results from the covered employee's termination of employment or reduction of hours (generally 18 months as described above) may be extended up to a total of 29 months. The disability must have started at some time before the 61st day after the covered employee's termination of employment or reduction of hours with CSU and must last until the end of the 18-month period of COBRA coverage. Each qualified beneficiary who has elected COBRA coverage will be entitled to the disability extension if one of them qualifies. The disability extension is available only if you notify the [**CAMPUS BENEFITS OFFICE**] and applicable dental and vision carriers/COBRA administrators (see "For More Information" section below) in writing of the Social Security Administration's determination of disability within 60 days after the latest of:

- the date of the Social Security Administration's disability determination;
- the date of the covered employee's termination of employment or reduction of hours; or
- the date of which the qualified beneficiary loses (or would lose) coverage under the terms of the Plan(s) as a result of the covered employee's termination or reduction of hours.

You must also provide this notice within 18 months after the covered employee's termination of employment or reduction of hours in order to be entitled to a disability extension. The notice must be provided in writing and must include the following information:

- the name(s) of the group health coverages;
- the name of the employee or former employee who is or was covered under the Plan;
- the name(s) and address(es) of all qualified beneficiaries who are receiving COBRA due to the initial qualifying event;
- the initial qualifying event giving rise to COBRA coverage;
- the date of the initial qualifying event;
- the name and address of the disabled qualified beneficiary;
- the date that the qualified beneficiary become disabled;
- the date that the Social Security Administration made its determination of disability;
- a statement as to whether or not the Social Security Administration has subsequently determined that the qualified beneficiary is no longer disabled; and
- the signature, name and contact information of the individual sending the notice.

Your notice must include a copy of the Social Security Administration's determination of disability. You must mail or hand deliver this notice to the [**CAMPUS BENEFITS OFFICE**] and applicable dental and vision carriers/COBRA administrators at the addresses indicated below (see "For More Information" section).

If the above procedures are not followed or if the notice is not provided within the 60-day notice period, there will be no disability extension of COBRA coverage.

If the qualified beneficiary is determined by the Social Security Administration to no longer be disabled, you must notify the [**CAMPUS BENEFITS OFFICE**] and applicable dental and vision carriers/COBRA administrators (see "For More Information" section below) of that fact within 30 days after the Social Security Administration's determination. COBRA coverage will end no earlier than the first of the month that begins

more than 30 days after the date of the final determination by the Social Security Administration that the qualified beneficiary is no longer disabled. The notice must be provided in the same manner as, and include the same information required for, a notice of disability as described above.

Second Qualifying Event

An 18-month extension of coverage 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. Such second qualifying events may include the death of a covered employee, divorce or separation from the covered employee, the covered employee's becoming entitled to Medicare benefits (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. You must notify the Plan within 60 days after a second qualifying event occurs if you want to extend your continuation coverage.

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. 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 preexisting condition exclusions applied to you by other group health plans if you have a 63-day gap in health coverage, and election of continuation coverage may help prevent such a gap. Second, you will lose the guaranteed right to purchase individual health coverage that does not impose a preexisting condition exclusion if you do not elect continuation coverage for the maximum time available to you. If you do elect continuation coverage under this additional election period, the period from qualifying event to the date coverage begins under your election will not count as a break in coverage in determining whether you had a 63-day break in coverage.

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 group health 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.

The American Recovery and Reinvestment Act of 2009 (ARRA) reduces the COBRA premium in some cases. The premium reduction is available to certain individuals who experience a qualifying event that is an involuntary termination of employment during the period beginning with September 1, 2008 and ending with December 31, 2009. If you qualify for the premium reduction, you need only pay 35 percent of the COBRA premium otherwise due to the plan. This premium reduction is available for up to nine months. If your COBRA continuation coverage lasts for more than nine months, you will have to pay the full amount to continue your COBRA continuation coverage. See the attached "Summary of the COBRA Premium Reduction

Provisions under ARRA” for more details, restrictions, and obligations as well as the form necessary to establish eligibility.

The Trade Act of 2002 created a 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 65% of premiums paid for qualified health insurance, including continuation coverage. ARRA made several amendments to these provisions, including an increase in the amount of the credit to 80% of premiums for coverage before January 1, 2011 and temporary extensions of the maximum period of COBRA continuation coverage for PBGC recipients (covered employees who have a non-forfeitable 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 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.]

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. You are responsible for making sure that the amount of your first payment is correct. You may contact [*enter appropriate contact information, e.g., the Plan Administrator or other party responsible for COBRA administration under the Plan*] 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 this notice. The periodic payments can be made on a monthly basis. Under the Plan(s), each of these monthly payments for COBRA coverage is due on the first day of the month for that month’s COBRA coverage. If you make a monthly payment on or before the first day of the month to which it applies, your COBRA coverage under the Plan(s) will continue for that month without any break. It is your responsibility to pay your COBRA premiums on time.

Grace periods for periodic payments

Although monthly payments are due on the first day of each month of COBRA coverage, you will be given a grace period of 30 days after the first day of the month to make each payment for that month. Your COBRA coverage will be provided for each month as long as payment for that month is made before the end of the grace period for that payment. However, if you pay a monthly payment later than the first day of the month to which it applies, but before the end of the grace period for the month, your coverage under the Plan(s) will be suspended as of the first day of the month and then retroactively reinstated (going back to the first day of the month) when the monthly payment is received. This means that any claim you submit for benefits while your coverage is suspended may be denied and may have to be resubmitted once your coverage is reinstated.

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.

Information regarding your first payment and all periodic payments for continuation coverage for medical coverage will be sent to you by CalPERS in a separate communication.

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

Dental

For Delta Dental PPO:

For DeltaCare USA

Wolfpack Insurance Services
P.O. Box 156
Belmont, California 94002
(800) 296-0192

Wolfpack Insurance Services
P.O. Box 156
Belmont, California 94002
(800) 296-0192

Vision

VSP/COBRA Administration
P.O. Box 997100
Sacramento, California 95899-7100
(800) 852-7600 extension 4637

After you make your first COBRA payment for dental and/or vision, a payment booklet will be mailed to you by the Plan.

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 [*enter name of party responsible for COBRA administration for the Plan, with telephone number and address*].

For additional information regarding COBRA rights, please contact HHS-CMS at:
www.cms.hhs.gov/COBRAContinuationofCov/ or NewCobraRights@cms.hhs.gov.

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.



Summary of the COBRA Premium Reduction Provisions under ARRA



President Obama signed the American Recovery and Reinvestment Act (ARRA) on February 17, 2009. The law gives “Assistance Eligible Individuals” the right to pay reduced COBRA premiums for periods of coverage beginning on or after February 17, 2009 and can last up to 9 months.

To be considered an “Assistance Eligible Individual” and get reduced premiums you:

- MUST be eligible for continuation coverage at any time during the period from September 1, 2008 through December 31, 2009 and elect the coverage;
- MUST have a continuation coverage election opportunity related to an involuntary termination of employment that occurred at some time from September 1, 2008 through December 31, 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 successor employer or a spouse’s employer.*

Individuals who experienced a qualifying event as the result of an involuntary termination of employment at any time from September 1, 2008 through February 16, 2009 and were offered, but did not elect, continuation coverage OR who elected continuation coverage and subsequently discontinued it may have the right to an additional 60-day election period.

◆ IMPORTANT ◆

- ◇ If, after you elect COBRA and while you are paying the reduced premium, you become eligible for other group health plan coverage or Medicare you MUST notify the plan in writing. If you do not, you may be subject to a tax penalty.
- ◇ Electing the premium reduction disqualifies you for the Health Coverage Tax Credit. If you are eligible for the Health Coverage Tax Credit, which could be more valuable than the premium reduction, you will have received a notification from the IRS.
- ◇ The amount of the premium reduction is recaptured for certain high income individuals. If the amount you earn for the year is more than \$125,000 (or \$250,000 for married couples filing a joint federal income tax return) all or part of the premium reduction may be recaptured by an increase in your income tax liability for the year. If you think that your income may exceed the amounts above, you may wish to consider waiving your right to the premium reduction. For more information, consult your tax preparer or visit the IRS webpage on ARRA at www.irs.gov.

For general information regarding your plan’s COBRA coverage you can contact [*enter name of party responsible for COBRA administration for the Plan, with telephone number and address*].

For specific information related to your plan’s administration of the ARRA Premium Reduction or to notify the plan of your ineligibility to continue paying reduced premiums, contact [*enter name of party responsible for ARRA Premium Reduction administration for the Plan, with telephone number and address*].

If you are denied treatment as an “Assistance Eligible Individual” you may have the right to have the denial reviewed. For more information regarding reviews or for general information about the ARRA Premium Reduction go to:

www.dol.gov/cobra.html or call 866-444-3272

* Generally, this does not include coverage for only dental, vision, counseling, or referral services; coverage under a health flexible spending arrangement; or treatment that is furnished in an on-site medical facility maintained by the employer.

To apply for ARRA Premium Reduction, complete this form and return it to us along with your Election Form.

You may also send this form in separately. If you choose to do so, send the completed "Request for Treatment as an Assistance Eligible Individual" to: [Enter Name and Address]

You may also want to read the important information about your rights included in the "Summary of the COBRA Premium Reduction Provisions Under ARRA."

[Insert Plan Name]

REQUEST FOR TREATMENT AS AN ASSISTANCE ELIGIBLE INDIVIDUAL

[Insert Plan Mailing Address]

PERSONAL INFORMATION

Name and mailing address of employee (list any dependents on the back of this form)

Telephone number

E-mail address (optional)

To qualify, you must be able to check 'Yes' for all statements.*

1. The loss of employment was involuntary.	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. The loss of employment occurred at some point on or after September 1, 2008 and on or before December 31, 2009.	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. I elected (or am electing) COBRA continuation coverage.*	<input type="checkbox"/> Yes <input type="checkbox"/> No
4. I am NOT eligible for other group health plan coverage (or I was not eligible for other group health plan coverage during the period for which I am claiming a reduced premium).	<input type="checkbox"/> Yes <input type="checkbox"/> No
5. I am NOT eligible for Medicare (or I was not eligible for Medicare during the period for which I am claiming a reduced premium).	<input type="checkbox"/> Yes <input type="checkbox"/> No

*If you checked NO for statement 3, you may still be eligible. See below for more information.

ADDITIONAL ELECTION PERIOD

If your COBRA continuation coverage relates to an involuntary loss of employment from September 1, 2008 through February 16, 2009 and you were eligible for, but did not elect, COBRA continuation coverage **OR** you elected but subsequently discontinued COBRA, you may have the right to an additional 60-day election period. You should receive a new election notice with an Election Form which you MUST complete and return. If you believe you should have received this additional notice but have not, contact [enter name of party responsible for COBRA administration for the Plan, with telephone number and address].

I make an election to exercise my right to the ARRA Premium Reduction. To the best of my knowledge and belief all of the answers I have provided on this form are true and correct.

Signature → _____ Date → _____

Type or print name → _____ Relationship to employee → _____

FOR EMPLOYER OR PLAN USE ONLY

This application is: Approved Denied Approved for some/denied for others (explain in #4 below)
Specify reason below and then return a copy of this form to the applicant.

REASON FOR DENIAL OF TREATMENT AS AN ASSISTANCE ELIGIBLE INDIVIDUAL

1. Loss of employment was voluntary.	<input type="checkbox"/>
2. The involuntary loss did not occur between September 1, 2008 and December 31, 2009.	<input type="checkbox"/>
3. Individual did not elect COBRA coverage.*	<input type="checkbox"/>
4. Other (please explain)	<input type="checkbox"/>

*If you checked number 3, was individual eligible for, and given, the Additional Election Period described above?

Signature of employer, plan administrator, or other party responsible for COBRA administration for the Plan

→ _____ Date → _____

Type or print name → _____

Telephone number → _____ E-mail address → _____

DEPENDENT INFORMATION (Parent or guardian should sign for minor children.)

Name Date of Birth Relationship to Employee SSN (or other identifier)

a. _____

1. I elected (or am electing) COBRA continuation coverage.	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. I am NOT eligible for other group health plan coverage.	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. I am NOT eligible for Medicare.	<input type="checkbox"/> Yes <input type="checkbox"/> No

I make an election to exercise my right to the ARRA Premium Reduction. To the best of my knowledge and belief all of the answers I have provided on this form are true and correct.

Signature → _____ Date → _____

Type or print name → _____ Relationship to employee → _____

Name Date of Birth Relationship to Employee SSN (or other identifier)

b. _____

1. I elected (or am electing) COBRA continuation coverage.	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. I am NOT eligible for other group health plan coverage.	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. I am NOT eligible for Medicare.	<input type="checkbox"/> Yes <input type="checkbox"/> No

I make an election to exercise my right to the ARRA Premium Reduction. To the best of my knowledge and belief all of the answers I have provided on this form are true and correct.

Signature → _____ Date → _____

Type or print name → _____ Relationship to employee → _____

Name Date of Birth Relationship to Employee SSN (or other identifier)

c. _____

1. I elected (or am electing) COBRA continuation coverage.	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. I am NOT eligible for other group health plan coverage.	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. I am NOT eligible for Medicare.	<input type="checkbox"/> Yes <input type="checkbox"/> No

I make an election to exercise my right to the ARRA Premium Reduction. To the best of my knowledge and belief all of the answers I have provided on this form are true and correct.

Signature → _____ Date → _____

Type or print name → _____ Relationship to employee → _____

This form is designed for plans to distribute to COBRA qualified beneficiaries who are paying reduced premiums pursuant to ARRA so they can notify the plan if they become eligible for other group health plan coverage or Medicare.

Use this form to notify your plan that you are eligible for other group health plan coverage or Medicare.

Plan Name

Participant Notification

Plan Mailing Address

PERSONAL INFORMATION

Name and mailing address

Telephone number

E-mail address (optional)

PREMIUM REDUCTION INELIGIBILITY INFORMATION – Check one

I am eligible for coverage under another group health plan.
If any dependents are also eligible, include their names below.

Insert date you became eligible _____

I am eligible for Medicare.

Insert date you became eligible _____

IMPORTANT

If you fail to notify your plan of becoming eligible for other group health plan coverage or Medicare AND continue to pay reduced COBRA premiums you could be subject to a fine of 110% of the amount of the premium reduction.

Eligibility is determined regardless of whether you take or decline the other coverage.

However, eligibility for coverage does not include any time spent in a waiting period.

To the best of my knowledge and belief all of the answers I have provided on this form are true and correct.

Signature → _____ Date → _____

Type or print name → _____

If you are eligible for coverage under another group health plan and that plan covers dependents you must also list their names here:

COBRA QUALIFYING EVENT ELECTION NOTICE- ATTACHMENT D

To: Covered Employee, [*INSERT ADDITIONAL QUALIFIED BENEFICIARY CATEGORIES – Spouse/Registered Domestic Partner and Dependent Children*]
Fr: [*EMPLOYER NAME*]
Date: [*DATE*]

This notice contains important information about your right to continue your group health care coverage in the [*ENTER NAMES OF APPLICABLE GROUP HEALTH PLANS, e.g., medical, dental, vision, health care reimbursement account (HCRA) plans*] (collectively, the “Plan”). Please read the information contained in this notice very carefully. We use the pronoun “you” in this notice (including the enclosed Election Form) to refer to each of the individual addressees named above.

The American Recovery and Reinvestment Act of 2009 (ARRA) temporarily reduces the COBRA monthly premium by 65% for up to nine (9) months for individuals who experience a loss of coverage due to involuntary termination, and also meet additional eligibility criteria under ARRA. You are receiving this election notice because you experienced a loss of coverage that occurred during the period that begins with September 1, 2008 and ends with December 31, 2009. To help determine whether you qualify for the ARRA premium reduction, you should read this notice and the attached documents carefully. In particular, reference the “Summary of the COBRA Premium Reduction Provisions under ARRA” with details regarding eligibility, restrictions, obligations and the “Application for Treatment as an “Assistance Eligible Individual.” Please note, if you qualify, the COBRA Premium Reduction will apply only to group health, dental and vision plans. As a result, you will be responsible for paying 35% of the monthly premium. You also have the right to waive the COBRA Premium Reduction. The decision to waive is irrevocable.

HCRA Continuation is not eligible for COBRA Premium Reduction. In addition, COBRA Premium Reduction does not apply to Registered Domestic Partners and same sex spouses.

Based on your COBRA qualifying event (see below), you [*CHECK ONE*] ___are eligible ___are not eligible for COBRA Premium Reduction. **If you want to appeal this decision, and feel you meet the criteria for the premium reduction due to an involuntary termination, complete the “Application for Treatment as an Assistance Eligible Individual” and return it to the campus Benefits Office. You can file an appeal by contacting the U.S. Department of Labor (DOL), at www.dol.gov/ebsa/cobra.html or (866) 444-3272.**

To elect COBRA coverage, follow the instructions on the enclosed Election Form and submit the completed form to your [*INSERT CORRECT LOCATION - Campus Benefits Office*].

If you do not elect COBRA coverage, your coverage under the Plan will end on [*ENTER DATE*] due to [*CHECK APPROPRIATE BOX*]:

- | | |
|--|--|
| <input type="checkbox"/> End of employment on [<i>INSERT DATE</i>] | <input type="checkbox"/> Reduction in hours of employment [<i>INSERT DATE</i>] |
| <input type="checkbox"/> Involuntary <input type="checkbox"/> Voluntary | |
| <input type="checkbox"/> Death of employee [<i>INSERT DATE</i>] | <input type="checkbox"/> Divorce or legal separation [<i>INSERT DATE</i>] |
| <input type="checkbox"/> Loss of dependent child status [<i>INSERT DATE</i>] | <input type="checkbox"/> Dissolution of Registered Domestic Partnership |
| [<i>INSERT DATE</i>] | |

The event designated above that caused you to lose coverage under the Plan(s) is called your “qualifying event” in this notice, and the date of that event shown above is the date of your qualifying event. Each person (“qualified beneficiary”) in the category(ies) checked below is entitled to elect COBRA coverage under one or more group health coverages under the Plan specified below and can continue group health care coverage under the Plan for up to ___ months [*ENTER 18 or 36, as appropriate*] [*Check appropriate box or boxes below; names may be added*]:

- Employee or former employee [INSERT NAME]
- Spouse or former spouse [INSERT NAME]
- Registered Domestic Partner [INSERT NAME]
- Dependent child(ren) covered under the Plan on the day before the event that caused the loss of coverage [INSERT NAMES]
- Child who is losing coverage under the Plan because he or she is no longer a dependent under the Plan [INSERT NAME]

If elected, COBRA coverage will begin on [ENTER DATE] and can last until [ENTER DATE] (except that coverage under the HCRA can last only until December 31, _____ [INSERT YEAR]).

The current monthly cost of your COBRA coverage is as follows. (Note that these amounts will change in the future and will most likely be higher than they are now. You will be notified of COBRA premium changes.)

- [INSERT PREMIUMS FOR INDIVIDUAL (AND IF APPLICABLE, EMPLOYEE PLUS ONE AND EMPLOYEE PLUS TWO OR MORE) AND HCRA PREMIUMS (IF APPLICABLE)]

If you qualify as an “Assistance Eligible Individual” this cost will be [*include the amount that the Assistance Eligible Individual is required to pay for each option*] for up to nine months.

You do not have to send any payment with the Election Form. Important additional information about payment for COBRA coverage is included in the pages following the Election Form. If you have any questions about this notice or your rights to COBRA coverage, you should contact [ENTER CONTACT INFORMATION INCLUDING ADDRESS AND PHONE NUMBERS FOR CAMPUS BENEFITS OFFICE].

INSTRUCTIONS: To elect COBRA coverage, complete this Election Form and return it to CSU. Under federal law, you must have 60 days after the date of this qualifying event (election) notice to decide whether you want to elect COBRA coverage under the Plan.

Mail or hand deliver the completed Election Form to: *[Enter Name and Address of campus benefits office contact person]*

This Election Form must be completed in writing and returned by mail or hand delivered to the individual and address specified above. The following are not acceptable as COBRA elections and will not preserve COBRA rights: oral communications regarding COBRA coverage, including in-person or telephone statements about an individual's COBRA coverage; and electronic communications, including e-mail. If mailed, it must be post-marked no later than *[enter date]*. If hand delivered, it must be received no later than *[enter date]*.

If you do not submit a completed Election Form by the due date shown above, you will lose your right to elect COBRA coverage. If you reject COBRA coverage before the due date, you may change your mind as long as you furnish a completed Election Form before the due date.

Read the important information about your rights included in the pages after the Election Form.

I (We) elect COBRA coverage in the *[medical, dental and vision plan and the HCRA plan]* (collectively, the Plan) as indicated below (you may elect one or more group health coverages listed after your name):

a. Name	Date of Birth	Relationship to Employee	SSN (or other identifier)
_____	_____	_____	_____

b. Coverage options elected: _____ **[INSERT AVAILABLE**

COVERAGES]

All qualified beneficiaries who were covered under the HCRA will be covered together for HCRA COBRA coverage. However, each qualified beneficiary has separate election rights, and each could alternatively elect separate COBRA coverage to cover that qualified beneficiary only, with a separate HCRA annual coverage limit and a separate COBRA premium. If you are interested in this alternative, contact your **[INSERT CORRECT CONTACT INFORMATION]**.

Is the covered employee, spouse, domestic partner, or any dependent child entitled to Medicare Part A, Part B or both?
 Yes No

If yes, name and date of entitlement (shown on Medicare card): _____.

If you become entitled to Medicare (or first learn that you are entitled to Medicare) after submitting this Election Form, immediately notify the **[CAMPUS BENEFITS OFFICE]** and the applicable dental and vision carriers/COBRA administrators of the date of your Medicare entitlement at the addresses shown below.

I (we) have received and read this entire COBRA Qualifying Event (Election) Notice, including the paragraph below entitled "Electing COBRA under the HCRA". I (we) understand that the use-it-or-lose-it rule will continue to apply to the HCRA coverage, if elected, so any unused amounts will be forfeited at the end of the Plan year (December 31). I (we) also understand that no HCRA coverage will be available for subsequent years.

Signature

Date

Print Name

Relationship to individual(s) listed above

Print Address

Telephone Number

Important information about your COBRA coverage rights

What is COBRA coverage?

Federal law requires that most group health plans (including CSU's medical, dental, vision and HCRA plans) give employees and their families the opportunity to continue their group health coverage when there is a "qualifying event" that would result in a loss of coverage under an employer's plan. Depending on the type of qualifying event, "qualified beneficiaries" can include the employee (or retired employee) covered under the group health plan and the covered employee's spouse and dependent children enrolled in the group health plan. (Certain newborns, newly adopted children, and alternative recipients under QMSCOs may also be qualified beneficiaries. This is discussed in more detail in separate paragraphs below.) Although not required by law, CSU offers COBRA coverage to registered domestic partners of CSU employees covered under CSU's group health plans.

COBRA coverage is the same coverage that the medical, dental, vision and HCRA plans (collectively, the "Plan") give to other participants or beneficiaries under the Plan who are not receiving COBRA coverage. Each qualified beneficiary who elects COBRA coverage will have the same rights under the Plan as other participants or beneficiaries covered under the Plan, including open enrollment and HIPAA special enrollment rights.

COBRA (and the description of COBRA coverage contained in this notice) applies only to group health coverage offered by CSU under the Plan (i.e., medical, dental, vision and HCRA) and not to any other benefits offered by CSU (such as life insurance, disability, or accidental death and dismemberment). The Plan provides no greater COBRA rights than what COBRA requires (except for COBRA coverage for registered domestic partners) – nothing in this notice is intended to expand your rights beyond COBRA's requirements. You may be eligible for additional continuation rights under California State law – see the "California Continuation Rights for Certain Qualified Beneficiaries" section below.

How can you elect COBRA coverage?

To elect COBRA coverage, you must complete the Election Form according to the directions on the Election Form and mail or hand deliver by the date specified on the Election Form to **[INSERT CONTACT]**. Each qualified beneficiary has a separate right to elect COBRA coverage. For example, the employee's spouse or registered domestic partner may elect COBRA coverage even if the employee does not. COBRA coverage may be elected for only one, several, or for all dependent children who are qualified beneficiaries. A parent may elect to COBRA coverage on behalf of any dependent children. The employee or the employee's spouse can elect COBRA coverage on behalf of all of the qualified beneficiaries.

You may elect COBRA under any or all of the group health coverages (medical, dental, vision and HCRA) in which you were covered under the Plan on the day before the qualifying event. Qualified beneficiaries who are entitled to elect COBRA may do so even if they have other group health plan coverage or are entitled to Medicare benefits on or before the date on which COBRA is elected. However, a qualified beneficiary's COBRA coverage will terminate automatically if, after electing COBRA, he or she becomes entitled to Medicare benefits or becomes covered under another group health plan (but only after any applicable preexisting condition exclusions of that other plan have been exhausted or satisfied).

Electing COBRA under the HCRA

COBRA coverage under the HCRA will be offered only to qualified beneficiaries losing coverage who have underspent accounts. A qualified beneficiary has an underspent account if the annual limit elected under the HCRA by the covered employee, reduced by reimbursements of expenses incurred up to the time of the qualifying event, is equal to or more than the amount of premiums for HCRA COBRA coverage that will be charged for the remainder of the plan year. COBRA coverage will consist of the HCRA coverage in force at the time of the qualifying event (i.e., the elected annual limit reduced by expenses reimbursed up to the time of the qualifying event). The use-it-or-lose-it rule will continue to apply, so any unused amounts will be forfeited at the end of the plan year, and COBRA coverage will terminate at the end of the plan year. All qualified beneficiaries who were covered under the HCRA will be covered together for HCRA COBRA coverage. However, each qualified beneficiary has separate election rights, and each could alternatively elect separate COBRA coverage to cover that qualified beneficiary only, with a separate HCRA annual coverage limit and a separate COBRA premium. If you are interested in this alternative, contact [*INSERT CONTACT INFORMATION*] for more information.

Special Considerations in deciding whether to elect COBRA

In considering whether to elect COBRA coverage, you should take into account that a failure to elect COBRA 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 COBRA coverage may help you not have such a gap. Second, you may lose the guaranteed right to purchase individual health insurance policies that do not impose such pre-existing condition exclusions if you do not get COBRA coverage for the maximum time available to you. Finally, you should take into account that you may have special enrollment rights under federal law. You may 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 under the Plan ends because of the qualifying event listed above. You also will have the same special enrollment right at the end of COBRA coverage if you get COBRA coverage for the maximum time available to you.

How long will COBRA 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. When the qualifying event is the end of employment or reduction of the employee's hours of employment, and the employee becomes entitled to Medicare benefits less than 18 months before the qualifying event, COBRA coverage for qualified beneficiaries (other than the employee) who lose coverage under the Plan as a result of the qualifying event can last up to 36 months from the date of Medicare entitlement. This COBRA coverage period is available only if the covered employee becomes entitled to Medicare within 18 months before the termination or reduction of hours. In the case of a loss of coverage due to an employee's death, divorce or legal separation, or dissolution of a registered domestic partnership, 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. Regardless of the qualifying event, HCRA COBRA coverage may only be continued to the end of the plan year in which the qualifying event occurred and cannot be extended for any reason.

This notice shows the maximum period of COBRA coverage available to qualified beneficiaries. COBRA coverage will automatically terminate before the end of the maximum period if:

- any required premium is not paid in full on time;

- a qualified beneficiary becomes covered, after electing COBRA coverage, under another group health plan (but only after any preexisting condition exclusions of that other plan that applies to the qualified beneficiary have been exhausted or satisfied);
- a qualified beneficiary becomes entitled to Medicare benefits (under Part A, Part B, or both) after electing COBRA coverage; or
- CSU ceases to provide any group health plan for its employees; or
- during a disability extension period (the disability extension is explained below), the disabled qualified beneficiary is determined by the Social Security Administration to be no longer disabled.

COBRA coverage may also be terminated for any reason the Plan would terminate coverage of a participant or beneficiary not receiving COBRA coverage (such as fraud). You must notify the [**CAMPUS BENEFITS OFFICE**] and the applicable dental and vision carriers/COBRA administrators (see “For More Information” section below) in writing within 30 days if, after electing COBRA, a qualified beneficiary becomes entitled to Medicare (Part A, Part B or both) or becomes covered under other group health plan coverage (but only after any preexisting condition exclusions of that other plan for a preexisting condition of the qualified beneficiary have been exhausted or satisfied). COBRA coverage will terminate (retroactively if applicable) as of the date of Medicare entitlement or as of the beginning date of the other group health coverage (after exhaustion or satisfaction of any applicable preexisting condition exclusion). The insurance carriers/HMOs may require repayment of all benefits paid after the termination date, regardless of whether or when you provide notice of Medicare entitlement or other group health plan coverage.

How can you extend the length of COBRA coverage?

If you elect COBRA coverage, an extension of the maximum period of coverage may be available if a qualified beneficiary is disabled or a second qualifying event occurs. You must notify the [**CAMPUS BENEFITS OFFICE**] and applicable dental and vision carriers/COBRA administrators (see “For More Information” section below) of a disability or a second qualifying event in order to extend the period of COBRA coverage. Failure to provide notice of a disability or second qualifying event will affect the right to extend the period of COBRA coverage. (The period of COBRA coverage under the HCRA cannot be extended under any circumstances.)

Disability. If any of the qualified beneficiaries is determined by the Social Security Administration to be disabled, the maximum COBRA coverage period that results from the covered employee’s termination of employment or reduction of hours (generally 18 months as described above) may be extended up to a total of 29 months. The disability must have started at some time before the 61st day after the covered employee’s termination of employment or reduction of hours with CSU and must last until the end of the 18-month period of COBRA coverage. Each qualified beneficiary who has elected COBRA coverage will be entitled to the disability extension if one of them qualifies. The disability extension is available only if you notify the [**CAMPUS BENEFITS OFFICE**] and applicable dental and vision carriers/COBRA administrators (see “For More Information” section below) in writing of the Social Security Administration’s determination of disability within 60 days after the latest of:

- the date of the Social Security Administration’s disability determination;
- the date of the covered employee’s termination of employment or reduction of hours; or

- the date of which the qualified beneficiary loses (or would lose) coverage under the terms of the Plan(s) as a result of the covered employee's termination or reduction of hours.

You must also provide this notice within 18 months after the covered employee's termination of employment or reduction of hours in order to be entitled to a disability extension. The notice must be provided in writing and must include the following information:

- the name(s) of the group health coverages;
- the name of the employee or former employee who is or was covered under the Plan;
- the name(s) and address(es) of all qualified beneficiaries who are receiving COBRA due to the initial qualifying event;
- the initial qualifying event giving rise to COBRA coverage;
- the date of the initial qualifying event;
- the name and address of the disabled qualified beneficiary;
- the date that the qualified beneficiary become disabled;
- the date that the Social Security Administration made its determination of disability;
- a statement as to whether or not the Social Security Administration has subsequently determined that the qualified beneficiary is no longer disabled; and
- the signature, name and contract information of the individual sending the notice.

Your notice must include a copy of the Social Security Administration's determination of disability. You must mail or hand deliver this notice to the [**CAMPUS BENEFITS OFFICE**] and applicable dental and vision carriers/COBRA administrators at the addresses indicated below (see "For More Information" section).

If the above procedures are not followed or if the notice is not provided within the 60-day notice period, there will be no disability extension of COBRA coverage.

If the qualified beneficiary is determined by the Social Security Administration to no longer be disabled, you must notify the [**CAMPUS BENEFITS OFFICE**] and applicable dental and vision carriers/COBRA administrators (see "For More Information" section below) of that fact within 30 days after the Social Security Administration's determination. COBRA coverage will end no earlier than the first of the month that begins more than 30 days after the date of the final determination by the Social Security Administration that the qualified beneficiary is no longer disabled. The notice must be provided in the same manner as, and include the same information required for, a notice of disability as described above.

Second Qualifying Event. An extension of coverage will be available to spouses, registered domestic partners and dependent children who are receiving COBRA coverage if a second qualifying event occurs during the first 18 months (or, in the case of a disability extension, the 29 months) of COBRA coverage following the covered employee's termination of employment or reduction of hours. The maximum amount of COBRA coverage available when a second qualifying event occurs is 36 months from the date COBRA coverage began. Such second qualifying events may include the death of a covered employee, divorce or legal separation from the covered employee, dissolution of the employee's registered domestic partnership, or a dependent child's ceasing to be eligible for coverage as a dependent under the Plan.

This extension due to a second qualifying event is available only if you notify the [**CAMPUS BENEFITS OFFICE**] and applicable dental and vision carriers/COBRA administrators (see "For

More Information” section below) in writing of the second qualifying event within 60 days after the later of:

- the date of the second qualifying event; or
- the date on which the qualified beneficiary would lose coverage under the terms of the Plan(s) as a result of the second qualifying event.

The notice must include the following information:

- the names of the group health coverages under the Plan;
- the name of the employee or former employee who is or was covered under the Plan;
- the name(s) and address(es) of all qualified beneficiaries who are receiving COBRA due to the initial qualifying event;
- the initial qualifying event giving rise to COBRA coverage;
- the date of the initial qualifying event;
- the second qualifying event;
- the date of the second qualifying event; and
- the signature, name and contact information of the individual sending the notice.

In addition, you must provide documentation supporting the occurrence of the second qualifying event, if the [**CAMPUS BENEFITS OFFICE**] and/or applicable dental and vision carriers/COBRA administrators request it. Acceptable documentation includes a copy of the divorce decree, domestic partnership dissolution documents, death certificate, or dependent child(ren)’s birth certificates, driver’s license, marriage license or letter from a university or institution indicating a change in student status.

You must mail or hand deliver this notice to the [**CAMPUS BENEFITS OFFICE**] and applicable dental and vision carriers/COBRA administrators at the addresses indicated below (see “For More Information” section).

If the above procedures are not followed or if the notice is not provided within the 60-day notice period, there will be no extension of COBRA coverage due to a second qualifying event.

How much does COBRA coverage cost?

Generally, each qualified beneficiary is required to pay the entire cost of COBRA coverage. The amount a qualified beneficiary may be required to pay may not exceed 102 percent (or, in the case of an extension of COBRA coverage due to a disability, 150 percent) of the cost to the group health plan (including both employer and employee contributions) for coverage of a similarly situated plan participant or beneficiary who is not receiving COBRA coverage. The required monthly payment for each group health benefit provided under the Plan(s) under which you are entitled to elect COBRA is described in this notice.

The American Recovery and Reinvestment Act of 2009 (ARRA) reduces the COBRA premium in some cases. The premium reduction is available to certain individuals who experience a qualifying event that is an involuntary termination of employment during the period beginning with September 1, 2008 and ending with December 31, 2009. If you qualify for the premium reduction, you need only pay 35 percent of the COBRA premium otherwise due to the plan. This premium reduction is available for up to nine months. If your COBRA continuation coverage lasts for more than nine months, you will have to pay the full amount to continue your COBRA continuation coverage. See the attached “Summary of the COBRA Premium Reduction Provisions under ARRA” for more details, restrictions, and obligations as well as the form necessary to establish eligibility.

The Trade Act of 2002 created a 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 65% of premiums paid for qualified health insurance, including continuation coverage. ARRA made several amendments to these provisions, including an increase in the amount of the credit to 80% of premiums for coverage before January 1, 2011 and temporary extensions of the maximum period of COBRA continuation coverage for PBGC recipients (covered employees who have a non-forfeitable 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 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.]

When and how must payment for COBRA coverage be made?

First payment for COBRA coverage. If you elect COBRA coverage, you do not have to send any payment with the Election Form. However, you must make your first payment for COBRA coverage not later than 45 days after the date of your election. (This is the date the Qualifying Event (Election) Notice is post-marked, if mailed, or the date your Election Form is received by the individual as the address specified for delivery on the Election Form, if hand delivered.) If you do not make your first payment for COBRA coverage in full within 45 days after the date of your election, you will lose all COBRA rights under the Plan(s).

Your first payment must cover the cost of COBRA coverage from the time your coverage under the Plan(s) would have otherwise terminated up through the end of the month before the month in which you make your first payment. You are responsible for making sure that the amount of your first payment is correct. You may contact [**ENTER APPROPRIATE CONTACT INFORMATION**] to confirm the correct amount of your first payment.

Monthly payments for COBRA coverage. To maintain COBRA coverage for you and/or qualified dependents, you will be required to make monthly payments for each month of COBRA coverage, beginning with your COBRA effective date. The amount due for each coverage period for each month for each qualified beneficiary is shown in this notice. Under the Plan(s), each of these monthly payments for COBRA coverage is due on the first day of the month for that month's COBRA coverage. If you make a monthly payment on or before the first day of the month to which it applies, your COBRA coverage under the Plan(s) will continue for that month without any break. It is your responsibility to pay your COBRA premiums on time.

Grace periods for monthly payments. Although monthly payments are due on the first day of each month of COBRA coverage, you will be given a grace period of 30 days after the first day of the month to make each payment for that month. Your COBRA coverage will be provided for each month as long as payment for that month is made before the end of the grace period for that payment. However, if you pay a monthly payment later than the first day of the month to which it applies, but before the end of the grace period for the month, your coverage under the Plan(s) will be suspended as of the first day of the month and then retroactively reinstated (going back to the first day of the month) when the monthly payment is received. This means that any claim you submit for benefits while your coverage is suspended may be denied and may have to be resubmitted once your coverage is reinstated.

If you fail to make a monthly payment before the end of the grace period for that month, you will lose all rights to COBRA coverage under the Plan(s). All COBRA premiums must be paid by check or money order.

If mailed, your payment is considered to have been made on the date that it is postmarked. [If hand delivered, your payment is considered to have been made when it is received.] You will not be considered to have made any payment if your check is returned due to insufficient funds or otherwise.

Please note the following information regarding your Medical coverage: Your health plan will bill you directly for the first payment of COBRA. If you do not receive a monthly invoice or payment booklet within three (3) weeks after choosing COBRA coverage continuation, please contact CalPERS at (888) 225-7377, or your health plan:

Medical

_____ [*enter appropriate payment addresses for medical*]

After you make your first COBRA payment for dental, vision and/or the Flexible Spending Account, a payment booklet will be mailed to you by the Plan. All COBRA payments should be sent to the address(es) specified below.

Dental

For Delta Dental PPO:

For DeltaCare USA

Wolfpack Insurance Services
P.O. Box 156
Belmont, California 94002
(800) 296-0192

Wolfpack Insurance Services
P.O. Box 156
Belmont, California 94002
(800) 296-0192

Vision

VSP/COBRA Administration
P.O. Box 997100
Sacramento, California 95899-7100
(800) 852-7600 extension 4637

HCRA

ASI
P. O. Box 6044
Columbia, MO 65205-6044
Telephone: (800) 659-3035

More information about individuals who may be qualified beneficiaries

Children born to or placed for adoption with the covered employee during COBRA coverage period. A child born to, adopted by, or placed for adoption with a covered employee during a period of COBRA coverage is considered to be a qualified beneficiary provided that, if the covered employee is a qualified beneficiary, the covered employee has elected COBRA coverage for himself or herself and enrolls the child within 30 days of the birth, adoption or placement for adoption. The child's COBRA coverage begins when the child is enrolled in the Plan(s), whether through special enrollment or open enrollment, and it lasts for as long as COBRA coverage lasts for other family members of the employee. To be enrolled in the Plan(s), the child must satisfy the otherwise applicable Plan(s) eligibility requirements (for example, regarding age).

Alternative recipients under QMSCOs. A child of the covered employee who is receiving benefits under the Plan(s) pursuant to a Qualified Medical Child Support Order (QMSCO) received by CSU during the covered employee's period of employment with CSU is entitled to the same rights to elect COBRA as an eligible dependent child of the covered employee.

For more information

This notice does not fully describe COBRA coverage or other rights under the Plan(s). More information about COBRA coverage and your rights under the Plan is available from the [**CAMPUS BENEFITS OFFICE**].

If you have any questions concerning the information in this notice, or your rights to COBRA coverage, or if you want a copy of your summary plan description, you should contact the following:

For general COBRA questions and questions regarding medical COBRA coverage:

[ENTER CAMPUS BENEFITS OFFICE CONTACT INFORMATION INCLUDING ADDRESS AND PHONE NUMBER]

Question regarding dental COBRA coverage

For Delta Dental PPO:
Wolfpack Ins. Services
P.O. Box 156
Belmont, California 94002
(800) 296-0192

For DeltaCare USA:
Wolfpack Ins. Services
P.O. Box 156
Belmont, California 94002
(800) 296-0192

Questions regarding vision COBRA coverage

VSP/COBRA Administration
P.O. Box 997100
Sacramento, California 95899-7100
(800) 852-7600 extension 4637

Questions regarding HCRA COBRA coverage

ASI
P. O. Box 6044
Columbia, MO 65205-6044
(800) 659-3035

Information about COBRA provisions for governmental employees is available from the:
Centers for Medicare & Medicaid Services (CMS)
Private Health Insurance Group
7500 Security Boulevard
Mail Stop S3-16-16
Baltimore, Maryland 21244-1850

Or you may call (410) 786-1565 for assistance. This is not a toll-free number. The CMS website is www.cms.hhs.gov. (ADD NEW WEBSITE INFORMATION)

Keep your plan informed of address changes

In order to protect your and your family's rights, you should keep the [**CAMPUS BENEFITS OFFICE**] and applicable dental and vision carriers/COBRA administrators 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 these entities.

Special COBRA Rights for California Employees

If you are enrolled in an HMO or insured group medical coverage in California at the time of your initial qualifying event, you and your eligible dependents may be eligible to extend COBRA coverage from 18 or 29 months to a total of 36 months measured from the date of the original qualifying event. The HMO or insurance company may charge up to 110% of the cost (disabled individuals may be charged up to 150% of the cost).

This special California continuation benefit is provided by the HMO and insurance company and is not CSU's responsibility. Contact your HMO or insurance company to find out whether you are eligible for continuation benefits and how to obtain them.

Conversion Privilege After COBRA Terminates

You and your enrolled dependents may be entitled to a conversion policy upon the expiration of COBRA coverage. In the event you do not elect COBRA coverage, you may still apply for conversion to an individual medical policy. If you wish to convert your medical coverage to an individual conversion policy, you must make your application within 30 days from the date your coverage terminates to ensure continuous coverage. If you elect COBRA coverage, you will have the option to convert your medical coverage to an individual policy during the last 180 days of the maximum 18, 29, or 36 month COBRA coverage period.

CALIFORNIA STATE UNIVERSITY DENTAL PROGRAM DELTA DENTAL PPO AND DELTACARE USA GROUP PLAN NUMBERS

DELTA DENTAL PPO				
Group Plan Numbers				
Delta Dental PPO -Basic	Active	Direct-Pay	COBRA	COBRA Subsidy
Public Safety (Unit 8)	4018-2041	4018-2141	4918-2091	4918-2092
Excluded (E99), except SFSU Headstart E99 employees	4018-4051	4018-2151	4918-2091	4918-2092
CalSTRS Annuitants	4018-2061	N/A	4918-2091	4918-2092
CalPERS Annuitants	4018-2071	N/A	4918-2091	4918-2092
Delta Dental PPO - Enhanced Level I	Active	Direct-Pay	COBRA	COBRA Subsidy
CMA Operating Engineers (Unit 10)	4018-2081	4018-2181	4918-3091	4918-3092
Teaching Associates Only (Unit 11)	4018-3051	4018-3151	4918-3091	4918-3092
SFSU Headstart Employees (Unit 12 and SFSU Headstart E99)	4018-5011	4018-5111	4918-3091	4918-3092
Delta Dental PPO - Enhanced Level II	Active	Direct-Pay	COBRA	COBRA Subsidy
Executive (M98)	4018-4011	4018-4111	4918-4091	4918-4092
Management Personnel Plan (M80)	4018-4011	4018-4111	4918-4091	4918-4092
Confidential (C99)	4018-2051	4018-2151	4918-4091	4918-4092
Physicians (Unit 1)	4018-2011	4018-2111	4918-4091	4918-4092
CSUEU (Units 2, 5, 7, 9)	4018-2021	4018-2121	4918-4091	4918-4092
Faculty (Unit 3)	4018-3011	4018-3111	4918-4091	4918-4092
Academic Support (Unit 4)	4018-3021	4018-3121	4918-4091	4918-4092
Skilled Crafts (Unit 6)	4018-2031	4018-2131	4918-4091	4918-4092
FERP Annuitants	4018-3031	N/A	4918-4091	4918-4092

DELTACARE USA Plan				
Group Plan Numbers				
DeltaCare USA -Basic	Active	Direct-Pay	COBRA	COBRA Subsidy
Public Safety (Unit 8)	02034-0001	02034-0002	02034-0011	02034-0013
CMA Operating Engineers (Unit 10)	02034-0001	02034-0002	02034-0011	02034-0013
Excluded (E99), including SFSU Headstart (E99)	02034-0001	02034-0002	02034-0011	02034-0013
Teaching Associates (Unit 11)	02034-0001	02034-0002	02034-0011	02034-0013
SFSU Headstart Employees	02034-0001	02034-0002	02034-0011	02034-0013
CalPERS Annuitants	02034-0004	N/A	02034-0011	02034-0013
CalSTRS Annuitants	02034-0009			
DeltaCare USA -Enhanced	Active	Direct-Pay	COBRA	COBRA Subsidy
Executive (M98)	02034-0005	02034-0006	02034-0012	02034-0014
Management Personnel Plan (M80)	02034-0005	02034-0006	02034-0012	02034-0014
Confidential (C99)	02034-0005	02034-0006	02034-0012	02034-0014
Physicians (Unit 1)	02034-0005	02034-0006	02034-0012	02034-0014
CSUEU (Units 2, 5, 7, 9)	02034-0005	02034-0006	02034-0012	02034-0014
Faculty (Unit 3)	02034-0005	02034-0006	02034-0012	02034-0014
Academic Support (Unit 4)	02034-0005	02034-0006	02034-0012	02034-0014
Skilled Crafts (Unit 6)	02034-0005	02034-0006	02034-0012	02034-0014
FERP Annuitants	02034-0008	N/A	02034-0012	02034-0014

DentalandVisionIns.com

Wolpack Insurance Services

COBRA form for those persons terminating benefits.

Employer, please complete the following information:

Date of issuing notice: _____

Date Employer Coverage Ends: _____ COBRA Effective Date: _____ Campus: _____

COBRA APPLICANT INFORMATION: Invoices will be sent to the indicated address

Electing COBRA ?		Last Name	First Name	SS#	Birth Date	Gender
<input type="checkbox"/>	Applicant					
<input type="checkbox"/>	Spouse					
<input type="checkbox"/>	Child					
<input type="checkbox"/>	Child					
<input type="checkbox"/>	Child					
<input type="checkbox"/>	Child					
<input type="checkbox"/>	Child					

Address _____ Phone Number: _____

City _____ State _____ Zip _____

Reason establishing COBRA eligibility.

Date of qualifying event _____

18 Months Coverage:

- Reduction of work hours
- Termination of Employment –
 Check one below:
 - Voluntary Termination
 - Involuntary Termination

29 Months Coverage:

- Social Security Disabled

36 Months Coverage:

- Legal Separation or Divorce
 - Dependent Ceasing to be eligible
 - Death of Subscriber
- Please give primary members information
 Name _____
 SS# _____

You must complete this form and return it to Wolpack Insurance Services, Inc within 60 days of the qualifying event date or the date of issuing notice, whichever is later. In order to continue your coverage, you will be required to make a monthly premium payment. We will send you an invoice. If you do not return this form within the above time limit, it is assumed you have elected not to continue coverage. Each individual has an independent right to elect COBRA coverage.

BREAKDOWN OF CHARGES: Charges include administration fees of 2%

Delta Dental Coverage Member: _____ Plus One: _____ Plus Two or More: _____

I do **NOT** wish to continue any coverage under the plan.

I HEREBY REQUEST ENROLLMENT IN THE HEALTH BENEFITS CONTINUATION PLAN FOR MYSELF AND ELIGIBLE QUALIFIED DEPENDENTS LISTED ON THIS FORM AND AGREE TO PAY THE PREMIUM AS REQUIRED. I UNDERSTAND THAT CONTINUATION COVERAGE WILL TERMINATE UNDER SEVERAL CIRCUMSTANCES, INCLUDING: THE DATE I OR A CONTINUED DEPENDENT BECOME COVERED UNDER ANOTHER GROUP PLAN, OR ON THE DATE ON WHICH THE GROUP PLAN ENDS. I ALSO UNDERSTAND THAT IF I WAS DISABLED WITHIN 60 DAYS OF THE COBRA QUALIFYING EVENT, I MAY BE ELIGIBLE FOR EXTENDED CONTINUATION COVERAGE.

I believe that I qualify for premium assistance because

- (a) I was involuntarily terminated between September 1, 2008 and December 31, 2009
- (b) I have not become eligible for any other group dental plan or Medicare since my termination, and
- (c) I fall below the income limits required by the law.

Additionally, I understand that my eligibility for up to nine months of premium assistance requiring payments of the total monthly premiums shown above will be determined by my Plan Administrator after receipt of this completed Enrollment Form.

I do not qualify for premium assistance

Signature _____ Date _____ Phone Number (_____) _____
Signature of Applicant or Spouse or legal guardian, if electing on behalf of minor child.

Company Information/ Certified by Employer: Group Name: _____ Group Plan #: _____

Name of Individual certifying this notice: _____ Title: _____

Signature: _____ Date: _____

If you wish to continue your coverage, you must complete this form and return it to Wolfpack Insurance Services, Inc within 60 days of the date of issuing notice. In order to continue your coverage, you will be required to make a monthly premium payment. If you do not return this form within the above time limit, it is assumed you have elected not to continue coverage. Each individual has an independent right to elect COBRA coverage.

You have the right to choose continuation of coverage if you lose your group health coverage (dental in this case) because of a reduction in work hours or termination of employment.

If you are the spouse or dependent of the covered person and have dependent coverage, you have the right to choose continuation of coverage for yourself if you lose coverage for any of the following reasons: (1) the death of your spouse; (2) the termination of your spouses employment or reduction of your spouse's hours of employment; (3) the employee's divorce or legal separation.

In the case of a covered dependent child of the covered employee, additionally he or she has the right to continuation of coverage if the group coverage is lost when the dependent child ceases to be a 'dependent child' under the covered person.

Under the law, the employee or family member has the responsibility to inform Wolfpack Insurance Services, Inc, the Plan Administrator, of a divorce, legal separation, or a child losing dependent status within 60 days of the date of the employee's death, termination, and reduction in hours. When Wolfpack Insurance Services, Inc is notified that one of these events has occurred, we will notify you that you have the right to choose continuation of coverage. Under the law you have at least 60 days, from the date you would lose coverage, to inform Wolfpack Insurance Services, Inc that you want continuation of coverage. If you do not choose continuation of coverage in a timely manner your insurance coverage will end.

If you choose continuation coverage, the continued coverage under the plan is to be identical to similarly situation employees or family members as of the time coverage is being provided. The required continuation of coverage period is shown on the front of this notice with the indicated reason. The 18 month period may be extended for covered individuals to 36 months if other events such as death, divorce, legal separation or Medicare entitlement occur during that 18 month period.

The 18 months may be extended to 29 months if a qualified person is determined by the Social Security Administration to be disabled (for Social Security disability purposes) at any time during the first 60 days of COBRA coverage. This 11 month extension is available to all individuals who are qualified persons due to a termination or reduction in hours of employment. To benefit from this extension a qualified person must notify Wolfpack Insurance Services, Inc of that determination within 60 days and before the end of the original 18-month period. The covered individual must also notify Wolfpack Insurance Services, Inc within 30 days of any final determination that he/she is no longer disabled.

A child who is born or placed for adoption with the covered employee during a period of COBRA coverage will be eligible to qualify for coverage, in accordance with plan terms, with proper notification to Wolfpack Insurance Services, Inc of the birth or adoption.

The law also provides that continuation of coverage may be cut short for any of the following five reasons: (1) employer no longer provides group dental coverage to any of its employees; (2) premium is not paid on time; (3) the qualified person becomes covered - after the date he/she elects COBRA coverage - under another group dental and/or vision plan that does not contain any exclusion or limitation with respect to any pre-existing condition; (4) the qualified person extends coverage for up to 29 months due to disability and a final determination finds the individual no longer disabled.

You do not have to show that you are insurable to choose continuation of coverage. However, continuation of coverage under COBRA is provided subject to your eligibility of coverage. Wolfpack Insurance Services, Inc reserves the right to terminate coverage retroactively if you are determined to be ineligible.

Under the law, you may have to pay all or part of the premium for your continuation of coverage. There is a grace period of at least 30 days for payment of the regularly scheduled premium.

To activate your continuation of coverage, complete the form and get it to us within 60 days of your termination date. Invoices are mailed on or around the 10th of the month and due on the 25th prior to the month of coverage.

If you have changed marital status, or you (or your spouse), have changed addresses, please notify us immediately.

The Health Insurance Assistance for the Unemployed Act of 2009 was enacted as part of the American Recovery and Reinvestment Act of 2009. You may be eligible for premium assistance equal to 65% of your paid continuation premiums for up to nine months of your continuation period beginning as early as March 1, 2009.

In order to be certified as qualified for premium assistance, you must

- (a) have been involuntarily terminated from employment with the employer shown above between September 1, 2008 and December 31, 2009,
- (b) have become eligible for COBRA or other state-law based continuation coverage subsequent to that involuntary termination and
- (c) not have become eligible for other group health insurance coverage or Medicare since your original termination date.

Also, premium assistance is reduced for those who are eligible for assistance but whose Modified Adjusted Gross Income (MAGI) is above \$125,000 per year (\$250,000 for joint filers). Individuals who accept the COBRA Subsidy, and have modified adjusted gross income (AGI) that exceeds thresholds established by Internal Revenue Service (IRS) (i.e. \$145,000 for single filers, and \$290,000 for joint filers) will repay the amount of the COBRA premium reduction received as an increase of Federal tax liability. Individuals that fall in these income brackets should seek the advice of a tax professional to determine what tax liability implications may apply, and if waiving COBRA Subsidy is a viable option.

If you decide to enroll, as evidenced by your completing and signing the enclosed Enrollment Form which confirms your belief that you are an "Assistance Eligible Individual" and that you would like to enroll at this time in the Group Health Continuation Plan, then once we receive your completed and signed Enrollment Form on or before the end of the enrollment period we will validate your eligibility for premium assistance. Once that verification is complete, you will be notified of our validation and of the amount of premium needed to be paid by you. Once that premium payment is received, your subsidy will begin as of March 1, 2009 or the date your coverage as an active employee ceased, whichever is later.

ELECTION OF CONTINUED VISION COVERAGE THROUGH COBRA

Questions? Call 1.800.852.7600 ext. 4637

Group Name: CALIFORNIA STATE UNIVERSITY	Date of Qualifying Event:	Date COBRA Coverage Begins:
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ELECTING CONTINUATION OF VISION CARE COVERAGE:

Under COBRA, federal regulations specify that you and/or your dependent(s) have 60 days (the "Election Period") from the later of the date of continuation of coverage/COBRA notice, or the date of the loss of coverage to elect to continue participation, and 45 days from the date of election to submit the first payment to VSP.

DESCRIPTION OF QUALIFYING EVENT:

<input type="checkbox"/> Disabled on the date of qualifying event <input type="checkbox"/> Legal separation or divorce <input type="checkbox"/> Dissolution of Registered Domestic Partnership <input type="checkbox"/> Loss of child's dependent status	<input type="checkbox"/> Reduction of hours <input type="checkbox"/> Retiree <input type="checkbox"/> Surviving Dependents/ Widow <input type="checkbox"/> Termination of employment (Check one): <input type="checkbox"/> Involuntary <input type="checkbox"/> Voluntary Termination
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ELIGIBILITY PERIOD:

<input type="checkbox"/> 18-month coverage <input type="checkbox"/> 29-month coverage <input type="checkbox"/> 36-month coverage
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COBRA APPLICANT INFORMATION:

Name of COBRA Applicant (Last, First, Middle Initial)	Social Security Number	Birth Date (Month/Day/Year)
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Mailing Address (Number, Street, City, State, ZIP)
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CURRENT/FORMER EMPLOYEE INFORMATION:

Name of Employee	Social Security Number of Employee	Relationship to Applicant
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ELIGIBLE FAMILY MEMBERS (List dependents to be enrolled. Attach separate listing if more dependents exist.):

Name (Last, First, Middle Initial):	Social Security Number:	Birth Date (Month/Day/Year):	Relationship to Employee:

MONTHLY CONTRIBUTION AMOUNT:

I elect to continue vision coverage at a rate of **\$9.31** per month, or **\$3.26 per month if I am deemed eligible for temporary COBRA Premium Assistance due to an involuntary termination.** Rates and benefits are subject to change based upon the group's contract.

PAYMENT REQUIREMENTS:

All payments must be made directly to VSP. You will receive a coupon booklet for payments, which confirms your continued participation. The first payment submitted to VSP must be sufficient to bring payments current. Payments are due to VSP by the 1st of the month. There is a 30-day grace period. If VSP does not receive payment by the 30th of each month, your participation will end on the last day of the preceding month.

NOTIFICATION AGREEMENT and SIGNATURES (Parent or Legal Guardian must sign if dependents are minor children):

By signing below, I understand that should I become eligible under another group plan or Medicare, after electing COBRA continuation coverage, I will notify VSP in writing to terminate my vision care coverage.

Signature of COBRA Applicant:	Daytime Telephone Number ()	Date:
Signature of Benefits Representative:	Campus:	Date:

**RETURN COMPLETED FORM TO:
 VSP/COBRA ADMINISTRATOR
 PO BOX 997100
 SACRAMENTO, CA 95899-7100**

CALIFORNIA STATE UNIVERSITY – 2009 MONTHLY COBRA RATES WITH AND WITHOUT COBRA PREMIUM SUBSIDY

*CalPERS Medical Plans – COBRA AND COBRA SUBSIDY MONTHLY PREMIUM RATES**

Plan Code	Plan Name	COBRA Premium Rates			COBRA Subsidy Premium Rates – Employee			COBRA Subsidy Premium Rates - Employer		
		1 Party	2 Party	3 Party	1 Party	2 Party	3 Party	1 Party	2 Party	3 Party
205	Blue Shield HMO	\$515.12	\$1,030.24	\$1,339.31	\$180.29	\$360.58	\$468.76	\$334.83	\$669.66	\$870.55
042	Blue Shield NetValue	\$455.33	\$910.66	\$1,183.85	\$159.37	\$318.73	\$414.35	\$295.96	\$591.93	\$769.50
056	Kaiser	\$481.31	\$962.61	\$1,251.40	\$168.46	\$336.91	\$437.99	\$312.85	\$625.70	\$813.41
**	Kaiser Out-of-State	\$673.53	\$1,347.05	\$1,751.17	\$235.74	\$471.47	\$612.91	\$437.79	\$875.58	\$1138.26
278	PERSCARE	\$757.26	\$1,514.52	\$1,968.88	\$265.04	\$530.08	\$689.11	\$492.22	\$984.44	\$1279.77
222	PERS Choice	\$487.25	\$974.51	\$1,266.86	\$170.54	\$341.08	\$443.40	\$316.71	\$633.43	\$823.46
045	PERS Select	\$457.64	\$915.29	\$1,189.87	\$160.17	\$320.35	\$416.45	\$297.47	\$594.94	\$773.42
207	PORAC	\$493.68	\$924.12	\$1,174.02	\$172.79	\$323.44	\$410.91	\$320.89	\$600.68	\$763.11

DELTACARE USA COBRA AND COBRA SUBSIDY MONTHLY PREMIUM RATES

Dental Plan	Group Number COBRA	Eligible Group	Enrollment	COBRA Premium	Group Number COBRA Subsidy	Enrollment	COBRA Subsidy Premium - Employee	Enrollment	COBRA Subsidy Premium - Employer
DeltaCare USA Basic	02034-0011	Public Safety (Unit 8)	Single Person	\$19.01	02034-0013	Single Person	\$6.65	Single Person	\$12.36
	02034-0011	CMA Operating Engineers (Unit 10)	Two People	\$31.37	02034-0013	Two People	\$10.98	Two People	\$20.39
	02034-0011	Excluded (E99), including SFSU Headstart (E99)	Three or More	\$46.37	02034-0013	Three or More	\$16.23	Three or More	\$30.14
	02034-0011	Teaching Associates (Unit 11)			02034-0013				
	02034-0011	SFSU Headstart Employees (Unit 12)			02034-0013				
DeltaCare USA Enhanced	02034-0012	Executive (M98)	Single Person	\$25.26	02034-0014	Single Person	\$8.84	Single Person	\$16.42
	02034-0012	MPP (M80)	Two People	\$41.70	02034-0014	Two People	\$14.59	Two People	\$27.11
	02034-0012	Confidential (C99)	Three or More	\$61.66	02034-0014	Three or More	\$21.58	Three or More	\$40.08
	02034-0012	Physicians (Unit 1)			02034-0014				
	02034-0012	CSUEU (Units 2, 5, 7, 9)			02034-0014				
	02034-0012	Faculty (Unit 3)			02034-0014				
	02034-0012	Academic Support (Unit 4)			02034-0014				
	02034-0012	Skilled Crafts (Unit 6)			02034-0014				
02034-0012	FERP Annuitants			02034-0014					

Delta Dental PPO – COBRA and COBRA Subsidy Premium Rates

Dental Plan	Group Number COBRA	Eligible Group	Enrollment	COBRA Premium	Group Number COBRA Subsidy	Enrollment	COBRA Subsidy Premium Rates - Employee	Enrollment	COBRA Subsidy Premium Rates - Employer
Delta Basic	4918-2091	Public Safety (Unit 8) Excluded (E99 – except class 1237) CalPERS/CalSTRS Annuitants	Single Person	\$29.66	4918-2092	Single Person	\$10.38	Single Person	\$19.28
	4918-2091		Two People	\$56.03	4918-2092	Two People	\$19.61	Two People	\$36.42
			Three or More	\$112.52		Three or More	\$39.38	Three or More	\$73.14
Delta Enhanced Level I	4918-3091	CMA Operating Engineers (Unit 10) Excluded (E99 – class 1237 only) Teaching Associates (Unit 11) SFSU Headstart Employees (Unit 12)	Single Person	\$36.10	4918-3092	Single Person	\$12.64	Single Person	\$23.46
	4918-3091		Two People	\$68.29	4918-3092	Two People	\$23.90	Two People	\$44.39
			Three or More	\$140.76		Three or More	\$49.27	Three or More	\$91.49
Delta Enhanced Level II	4918-4091	Executive (M98)	Single Person	\$44.68	4918-4092	Single Person	\$15.64	Single Person	\$29.04
	4918-4091	Management Personnel (M80)	Two People	\$84.29	4918-4092	Two People	\$29.50	Two People	\$54.79
	4918-4091	Confidential (C99)	Three or More	\$164.67	4918-4092	Three or More	\$57.63	Three or More	\$107.04
	4918-4091	Physicians (Unit 1)			4918-4092				
	4918-4091	CSEA (Units 2, 5, 7, 9)			4918-4092				
	4918-4091	Faculty (Unit 3)			4918-4092				
	4918-4091	Academic Support (Unit 4)			4918-4092				
	4918-4091	Skilled Crafts (Unit 6)			4918-4092				
	4918-4091	FERP Annuitants			4918-4092				

CSU VISION PLAN - ACTIVES

COBRA Premium	COBRA Subsidy - Employee	COBRA Subsidy - Employer
\$9.31	\$3.26	\$6.05

*CalPERS COBRA rates are subject to verification by CalPERS.