PEBTF

Pennsylvania Employees Benefit Trust Fund

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IMPORTANT NOTICE OF COBRA CONTINUATION COVERAGE RIGHTS

FOR EMPLOYEES AND THEIR COVERED DEPENDENTS UNDER THE HEALTH PLANS ADMINISTERED BY THE PENNSYLVANIA EMPLOYEES BENEFIT TRUST FUND (PEBTF)

What is COBRA Continuation Coverage?

A federal law passed in 1986, titled the Consolidated Omnibus Budget Reconciliation Act (COBRA), requires that employees and their families covered under most group health plans be offered the opportunity for temporary extension of health coverage (known as COBRA continuation coverage) in certain instances where coverage under the plan would otherwise end. This Notice summarizes your rights and obligations under COBRA law. Both you and your spouse (if you have a spouse on your coverage), should read this Notice carefully. For additional information about your rights and obligations under the PEBTF plan of benefits and under federal law, you should refer to your Summary Plan Description or contact the PEBTF at the address or telephone number shown above.

COBRA continuation coverage is temporary self-paid coverage available for active employees and their enrolled dependents through the PEBTF when one of the qualifying events listed below occurs which would result in a loss of coverage. Each individual entitled to COBRA continuation coverage because of a qualifying event is referred to as a qualified beneficiary. You do not have to show that you are insurable to elect COBRA continuation coverage.

When is COBRA Continuation Coverage Available?

COBRA continuation coverage is available to qualified beneficiaries when a qualifying event occurs which would normally end coverage. Qualified beneficiaries who elect COBRA continuation coverage must pay for such coverage.

Employees have a right to elect COBRA continuation coverage if coverage is lost because of:

1. A reduction in hours of employment, or
2. Termination of employment for reasons other than gross misconduct.

A covered spouse of an employee has a right to elect COBRA continuation coverage if coverage is lost because of:

1. Employee's death;
2. Employee's reduction in hours of employment or termination for reasons other than gross misconduct; or
3. Divorce (or legal separation from the employee in anticipation of divorce)[1].

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[1] Under federal law a legal separation is a qualifying event if it causes a loss of coverage. For Pennsylvania residents, however, there is no legal separation recognized in the law. Therefore, mere separation is not a qualifying event entitling the spouse and children to COBRA coverage. There is a requirement, however, that neither an employer nor a covered employee defeat the COBRA rights of qualified beneficiaries by stopping their health coverage Ain anticipation@ of a qualifying event. Thus, while an employee may remove a spouse and dependents from coverage at any time, and this would not ordinarily be a qualifying event, if the employee terminates a spouse's or dependent's coverage in anticipation of divorce, they do not lose their COBRA rights. The qualifying event, however, is the divorce and not the separation (which is not recognized as a distinct legal status in Pennsylvania); the date of the qualifying event is the date of divorce. Spouses are encouraged, in the event of a separation, to contact the employee's Human Resources Department to confirm that they have not been removed from coverage without their knowledge

A covered dependent of an employee has a right to elect COBRA if coverage is lost because of:

1. Parent-employee's death;
2. Parent-employee's reduction in hours of employment or termination for reasons other than gross misconduct;
3. Parent-employee's divorce; or
4. Dependent's loss of dependent status (for example, over the eligible age, no longer a full-time student, married, employed full-time, no longer financially dependent).

Who Notifies the PEBTF of a Qualifying Event?

The employer is responsible for notifying the PEBTF if the qualifying event is a reduction in hours, termination of employment, or death of the employee. **For other qualifying events (divorce, dependent child's losing eligibility for coverage as a dependent) you must notify the PEBTF in writing (to the above address) within 60 days after the event occurs. If you do not notify the PEBTF within that time period any rights to COBRA continuation coverage will be permanently lost. Employees should also report the qualifying event to their local HR Office.**

How is COBRA Continuation Coverage Provided?

After the PEBTF receives proper notice of a qualifying event it will send you or your family member(s) an election notice explaining your rights and applicable premium rates for coverage. You have 60 days from the date of the election notice to notify the PEBTF that you wish to elect COBRA continuation coverage. A separate election may be made by each qualified beneficiary eligible for such coverage. Covered employees may elect coverage on behalf of their spouses, and parents may elect coverage on behalf of their children. **If you do not timely elect COBRA continuation coverage your coverage under the PEBTF plan (whether Basic, PPO, HMO or supplemental options) will end on the date of the qualifying event.**

If you elect COBRA continuation coverage you will be offered coverage which is the same as coverage provided under the plan to similarly situated employees or family members. Maximum coverage will be up to 36 months when the qualifying event is the death of the employee, divorce, or loss of a dependent child's eligibility. When coverage is lost because of a reduction in hours of employment or termination of employment (for reasons other than gross misconduct), coverage generally lasts for only up to 18 months.

When the qualifying event is the end of employment or a reduction in hours of employment, and the employee became entitled to Medicare benefits less than 18 months before the qualifying event, COBRA continuation coverage for qualified beneficiaries other than the employee lasts until 36 months after the date of the Medicare entitlement. (For example, if a covered employee becomes entitled to Medicare 8 months before the date on which his employment terminates, COBRA continuation coverage for his spouse and children can last up to 36 months after the date of Medicare entitlement, which is equal to 28 months after the date of the qualifying event, since 36 minus 8 equals 28 months.)

There are two ways in which the 18-month period of COBRA continuation coverage can be extended: (1) a disability extension of the 18-month period to a maximum of 29 months, or (2) a second qualifying event extension of the 18-month period up to a maximum of 36 months.

Disability Extension

The 18 months may be extended to 29 months if a qualified beneficiary (including a covered employee or any dependent who is a qualified beneficiary) is determined by the Social Security Administration to be disabled and the PEBTF is so notified within 60 days of the determination and before the end of the 18-month COBRA continuation coverage period. The disability would have to have started before the 60th day of COBRA continuation coverage and must last until the end of the 18-month period of coverage. The affected individual must also notify the PEBTF within 30 days of any subsequent determination that the individual is no longer disabled.

Second Qualifying Event Extension

If your family experiences another qualifying event (if the second event would have caused the spouse or dependent child to lose coverage under the benefit plan had the first qualifying event not occurred) during the 18 months of COBRA continuation coverage, the spouse and dependent children can get up to18 additional months of COBRA continuation coverage, for a maximum of 36 months, if notice of the second qualifying event is properly given to the PEBTF. This extension may be available to the spouse and any dependent children if the employee or former employee dies, becomes entitled to Medicare benefits, or gets divorced, or if the dependent child ceases being eligible under the plan.

Payment of COBRA Premiums

The amount of the applicable COBRA premium and due date for payment will be explained in the Election form sent to you. The premium may change during the COBRA period of coverage.[1] You do not have to send any payment for continuation coverage with the Election Form. However, **you must make your first payment for COBRA continuation coverage within 45 days after the date of your election**. (This is the date the Election Notice is postmarked, if mailed.) The PEBTF will send you coupons (which are sent the first week of the month), and the first coupon will be retroactive to the qualifying event date. This initial invoiced amount will include:

1. The period of coverage from the time your coverage under the Plan would have otherwise terminated up to the time of the billing month after COBRA was elected, and
2. Any regularly scheduled monthly premium that becomes due between your election and the end of the 45-day period. (If a regular monthly premium is received by the PEBTF prior to payment of this initial invoice amount, and during the 45-day period, the monthly premium will be applied to the initial invoice.)

If you do not make your first payment for COBRA continuation coverage within those 45 days, you will lose all continuation coverage rights under the Plan of Benefits.

Premium Due Dates and Grace Period

All monthly premiums are due by the first of each month. If you fail to pay the initial premium or any subsequent monthly premium in a timely manner, your coverage will terminate **and cannot be reinstated.** After you make your first payment for coverage you will be required to pay for coverage for each subsequent month of coverage and will be given a maximum grace period of 30 days to make each periodic monthly payment. If you fail to make a monthly payment before the end of the grace period for that payment, you will lose all rights to COBRA continuation coverage under the Plan of Benefits.

[1] Generally, each qualified beneficiary may be required to pay the entire cost of continuation coverage. However, the maximum amount a qualified beneficiary may be required to pay for coverage may not exceed 102 % (or 150 % in the case of an extension of coverage due to a disability) 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 continuation coverage.

Can COBRA Continuation Coverage be Terminated Early?

Yes. The law provides that COBRA continuation coverage may be terminated prior to the end of the maximum coverage period for any of the following reasons:

1. The Employer no longer provides group health coverage to any of its employees;
2. The premium for your coverage is not paid timely;
3. You first become covered under another group health plan after the date of election (and the plan does not contain any exclusion or limitation with respect to any pre-existing condition); or
4. You become entitled to Medicare after the date of election; or
5. Coverage was extended for up to 29 months due to disability and subsequent determination finds that you are no longer disabled.

If you remain covered at the end of the COBRA period and are not Medicare eligible you may be allowed to convert to an individual health plan.

If you have any questions about COBRA consult your Summary Plan Description or contact the PEBTF at one of the telephone numbers listed on this notice. **If you change your address you must promptly notify your local Human Resources Office and the PEBTF.** You should also keep a copy of any notices you send to the PEBTF.

KEEP THIS NOTICE FOR YOUR RECORDS