

IMPORTANT NOTICE

GROUP HEALTH CONTINUATION COVERAGE UNDER COBRA

To Employee and Dependents (spouse and children) Covered by Group Health Insurance:

On April 7, 1986, a federal law called the Consolidated Omnibus Budget Reconciliation Act ("COBRA") was enacted (Public Law 99-272, Title X) requiring that employers sponsoring group health plans offer employees and their families the opportunity for a temporary extension of health coverage (called "continuation coverage") at group rates in certain instances where coverage under the plan would otherwise end. This notice is intended to inform you, in summary fashion, of your rights and obligations under the continuation coverage provisions of the law. Both you and your spouse should take the time to read this notice carefully.

If you are an employee of Virginia Commonwealth University (VCU) covered by group health insurance as offered through the Commonwealth of Virginia, you have a right to choose this continuation coverage if you lose your group health coverage because of a reduction in your hours of employment or the termination of your employment (for reasons other than gross misconduct on your part).

If you are the spouse of an employee covered by the group health plan you have the right to choose continuation coverage for yourself if you lose group health coverage for *any* of the following four (4) reasons:

- (1) The death of your spouse;
- (2) A termination of your spouse's employment (for reasons other than gross misconduct) or reduction in your spouse's hours of employment with VCU;
- (3) Divorce or legal separation from your spouse; or
- (4) Your spouse becomes entitled to Medicare.

In the case of a dependent child of an employee covered by the group health plan, he or she has the right to continuation coverage if group health coverage is lost for *any* of the following five (5) reasons:

- (1) The death of the employee;
- (2) A termination of the employee's employment (for reasons other than gross misconduct) or reduction in the employee's hours of employment with VCU;
- (3) The employee's divorce or legal separation;
- (4) The employee becomes entitled to Medicare;
- (5) The dependent child ceases to be a "dependent child" under the employee's group health plan.

If a spouse or dependent child is dropped from the group health plan in anticipation of a qualifying event, the spouse or dependent child will not be disqualified from receiving continuation coverage if they were otherwise a qualified beneficiary. In the case of a divorce, the plan will offer continuation coverage effective on the date of the divorce, but not for any period between when the coverage was lost and the divorce became final.

Under the law, the employee or a family member has the responsibility to inform VCU's group health plan administrator of a divorce, legal separation, or a child losing dependent status under the group health plan within 60 days of the date of the event. Virginia Commonwealth University has the responsibility to notify the Plan Administrator of the employee's death, termination, reduction in hours of employment, or Medicare entitlement. Similar rights may apply to certain retirees, spouses, and dependent children if your employer commences a bankruptcy proceeding and these individuals lose coverage.

When the Plan Administrator is notified that one of these events has happened, the Plan Administrator will in turn notify you that you have the right to choose continuation coverage. Under the law, you have at least 60 days from the date you would lose coverage because of one of the events described above, or the date notice of your election rights is sent to you, whichever is later, to inform the Plan Administrator that you want continuation coverage.

If you do not choose continuation coverage on a timely basis, your group health insurance coverage will end.

If you choose continuation coverage, Virginia Commonwealth University is required to make available to you coverage that, as of the time coverage is being provided, is identical to the coverage provided under the plan to similarly situated employees or family members. The law requires that you be afforded the opportunity to maintain continuation coverage for 36 months unless you lost group health coverage because of a termination of employment or reduction in hours. In such case, the required continuation coverage period is limited to 18 months. The 18 month period may be extended for up to 36 months from termination of employment if certain other events (such as a death, divorce, legal separation, or Medicare entitlement) occur during that 18-month period.

The 18 months also may be extended for up to 29 months if a qualified beneficiary 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 beneficiaries due to a termination or reduction in hours of employment. To benefit from this extension, a qualified beneficiary must notify the Plan Administrator of that determination within 60 days and before the end of the original 18-month period. The affected individual must also notify the Plan Administrator within 30 days of any final determination that the individual is no longer disabled. However, in no event will continuation coverage last beyond 36 months from the date of the event that originally made a qualified beneficiary eligible to elect coverage.

A child who is born to or placed for adoption with the covered employee during a period of COBRA coverage is eligible to become a qualified beneficiary. In accordance with the terms of the group health plan and the requirements of federal law, these qualified beneficiaries can be added to COBRA coverage upon proper notification to the Plan Administrator of the birth or adoption.

However, the law also provides that continuation coverage may be cut short for *any* of the following five (5) reasons:

- (1) Virginia Commonwealth University no longer provides group health coverage to any of its employees;
- (2) The premium for continuation coverage is not paid on time;
- (3) The qualified beneficiary becomes covered – after the date he or she elects COBRA coverage – under another group health plan that does not contain any exclusion or limitation with respect to any pre-existing condition he or she may have;
- (4) The qualified beneficiary becomes entitled to Medicare after the date he or she elects COBRA coverage;
- (5) The qualified beneficiary extends coverage for up to 29 months due to disability and there has been a final determination that the individual is no longer disabled.

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) restricts the extent to which group health plans may impose pre-existing condition limitations. These rules generally are effective for plan years beginning after June 30, 1997. HIPAA coordinates COBRA's other coverage cut-off rule with these new limits as follows.

If you become covered by another group health plan and that plan contains a pre-existing condition limitation that affects you, your COBRA coverage cannot be terminated. However, if the other plan's pre-existing condition rule does not apply to you by reason of HIPAA's restrictions on pre-existing condition clauses, the group health plan may terminate your COBRA coverage.

You do not have to show that you are insurable to choose continuation coverage. However, continuation coverage under COBRA is provided subject to your eligibility for coverage; the group health plan administrator reserves the right to terminate your COBRA 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 coverage. There is a grace period of at least 30 days for payment of the regularly scheduled premium. At the end of the 18 month, 29 month, or 36 month continuation coverage period, qualified beneficiaries will be allowed to enroll in an individual conversion health plan provided under the group health plan.

If you have any questions about COBRA, please contact the Benefits Manager, Virginia Commonwealth University, Human Resources Division, 1000 E. Marshall Street, P.O. Box 980067, Richmond, VA 23298. Also, if you have changed marital status, or you or your spouse have changed addresses, please notify the Plan Administrator at the above address.