

CONTINUATION COVERAGE RIGHTS UNDER COBRA

Introduction

This information is included in all benefit booklets for employees covered under the State Health Plan for Teachers and State Employees. This notice contains important information about your right to COBRA continuation coverage, which is a temporary extension of coverage under your health benefit plan. This notice generally explains COBRA continuation coverage, when it may become available to you and your family, and what you need to do to protect the right to receive it.

The right to COBRA continuation coverage was created by a federal law, the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). COBRA continuation coverage can become available to you and other members of your family who are covered under your health benefit plan when they would otherwise lose their group health coverage. For additional information about your rights and obligations under your health benefit plan and under the federal law, you should review your benefit booklet or contact *State Health Plan* Customer Services.

What Is COBRA Continuation Coverage?

COBRA continuation coverage is a continuation of your health benefit plan coverage when coverage would otherwise end because of a life event known as a "qualifying event." Specific qualifying events are listed later in this notice. After a qualifying event, COBRA continuation coverage must be offered to each person who is a "qualified beneficiary." You, your spouse, and your dependent children could become qualified beneficiaries if coverage under your health benefit plan is lost because of a qualifying event. Under your health benefit plan, qualified beneficiaries who elect COBRA continuation coverage must pay the full cost of COBRA continuation coverage.

What Is A Qualifying Event?

If you are a covered employee, you will become a qualified beneficiary if you lose your coverage under your health benefit plan because any of the following qualifying events happen:

- You enter military service
- Your hours of employment are reduced
- Your employment ends.

If you are the spouse of a covered employee, you will become a qualified beneficiary if you lose your coverage under your health benefit plan because any of the following qualifying events happen:

- You or your spouse enter military service
- Your spouse's hours of employment are reduced
- Your spouse's employment ends
- Your spouse becomes entitled to Medicare benefits (under Part A, Part B or both)
- You become divorced or legally separated from your spouse.

Your dependent children will become qualified beneficiaries if they lose coverage under your health benefit plan because any of the following qualifying events happen:

- The employee enters military service
- The employee's hours of employment are reduced
- The employee's employment ends
- The employee becomes entitled to Medicare benefits (under Part A, Part B or both)
- The parents become divorced or legally separated
- The child stops being eligible for coverage under your health benefit plan as a "dependent child" because of reaching the maximum child age of 26 or entering military service.

Sometimes, filing a proceeding in bankruptcy under title 11 of the United States Code can be a qualifying event. If a proceeding in bankruptcy is filed with respect to your health benefit plan, and the bankruptcy results in the loss of coverage of any retired employee covered under your health benefit plan, the retired employee will become a qualified beneficiary with respect to the bankruptcy.

The retired employee's spouse, surviving spouse, and dependent children will also become qualified beneficiaries if bankruptcy results in the loss of their coverage under your health benefit plan.

When Is COBRA Coverage Available?

Your health benefit plan will offer COBRA continuation coverage to qualified beneficiaries only after the State Health Plan has been notified that a qualifying event has occurred. When the qualifying event is the end of employment or reduction of hours of employment, entry into military service, commencement of a proceeding in bankruptcy with respect to the employer, or the employee's becoming entitled to Medicare benefits (under Part A, Part B or both), the employing unit must notify the State Health Plan of the qualifying event.

You Must Give Notice of Some Qualifying Events

For the other qualifying events (divorce or legal separation of the employee and spouse or a dependent child's losing eligibility for coverage as a dependent child), you must notify the State Health Plan or its representative within 60 days after the qualifying event occurs. You must provide this notice in writing to the Health Benefits Representative.

How Is COBRA Coverage Provided?

Once the State Health Plan receives notice that a qualifying event has occurred, COBRA continuation coverage will be offered to the qualified beneficiaries within 14 days. Covered employees may elect COBRA continuation coverage on behalf of their spouses, and parents may elect COBRA continuation coverage on behalf of their children. However, each qualified beneficiary has an independent right to elect COBRA continuation coverage.

COBRA continuation coverage is a temporary continuation of coverage. When the qualifying event is the employee's becoming entitled to Medicare benefits (under Part A, Part B or both), your divorce or legal separation, or a dependent child's losing eligibility as a dependent child, COBRA continuation coverage can last for up to 36 months. When the qualifying event is the end of employment or reduction of the employee's 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 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 (36 months minus 8 months). When the qualifying event is the employee going into military service, COBRA continuation coverage lasts up to 24 months. Otherwise, when the qualifying event is the end of employment or reduction of the employee's hours of employment, COBRA continuation coverage lasts up to 18 months. There are two ways in which this 18-month period of COBRA continuation coverage can be extended.

Disability Extension of 18-Month Period of Continuation Coverage

If you or anyone in your family covered under your health benefit plan is determined by the Social Security Administration to be disabled and you notify the State Health Plan in a timely fashion, you and your entire family may be entitled to receive up to an additional 11 months of COBRA continuation coverage, for a total maximum of 29 months. The disability would have to have started at some time before the 60th day of COBRA continuation coverage and must last at least until the end of the 18-month

period of continuation coverage. If you qualify for this extension, send a copy of the Social Security Disability Determination notice to the State Health Plan prior to the expiration of your initial 18 months of continuation coverage.

Second Qualifying Event Extension of 18-Month Period of Continuation Coverage

If your family experiences another qualifying event while receiving 18 months of COBRA continuation coverage, the spouse and dependent children in your family can get up to 18 additional months of COBRA continuation coverage, for a maximum of 36 months, if proper notice of the second qualifying event is provided to the State Health Plan. This extension may be available to the spouse and any dependent children receiving continuation coverage if the former employee dies, becomes entitled to Medicare benefits (under Part A, Part B or both), or gets divorced or legally separated, or if the dependent child stops being eligible under your health benefit plan as a dependent child, but only if the event would have caused the spouse or dependent child to lose coverage under your health benefit plan had the first qualifying event not occurred. If any of these events occur, notice should be provided to the State Health Plan within 60 days of the qualifying event.

If You Have Questions

Questions concerning your Plan or your COBRA continuation rights should be addressed to the State Health Plan at 1-888-234-2416. For more information about your rights under COBRA, the Health Insurance Portability and Accountability Act (HIPAA), and other laws affecting group health plans, contact the nearest Regional or District Office of the US Department of Labor's Employee Benefits Security Administration (EBSA) in your area or visit the EBSA website at www.dol.gov/ebsa. (Addresses and phone numbers of Regional and District EBSA Offices are available through the EBSA's website.)

Keep Your Plan Informed Of Address Changes

In order to protect your family's rights, you should keep the State Health Plan informed of any changes in the addresses of family members. You should also keep a copy, for your records, of any notices you send to the State Health Plan.

Plan Contact Information

State Health Plan
c/o BCBSNC
PO Box 30111
Durham, NC 27702
1-888-234-2416