

## INITIAL NOTICE OF GROUP HEALTH COVERAGE CONTINUATION RIGHTS UNDER COBRA

### Why You are Receiving This Notice

Our group health plan benefit program complies with the Federal COBRA law, which requires that companies continue health coverage under certain circumstances explained in this notice. If you have health coverage under our Welfare Benefits Plan (the Plan), and if that coverage ends for a reason listed below, you may be able to continue your health coverage for a certain period of time. It is important that you, your covered spouse, and any covered child(ren) over the age of 18 read this notice carefully as it outlines both your rights and responsibilities under the law.

### Who is Your Federal COBRA Administrator?

Vita Administration Company ("Vita") is our contract administrator for Federal COBRA. If you have any questions about this notice or your rights to elect COBRA, you should contact Vita directly at:

Phone: (650) 810-1480  
Email: [cobra@vitamail.com](mailto:cobra@vitamail.com)  
Fax: (650) 961-2285  
Address: 900 North Shoreline Boulevard  
Mountain View, CA 94043-1933

### What is COBRA Coverage?

COBRA is a continuation of plan coverage when coverage would otherwise end because of a "Qualifying Event." After a Qualifying Event occurs and any required notice of that event is properly provided to the Employer, COBRA coverage must be offered to each person losing plan coverage who is a "Qualified Beneficiary."

### What is a Qualifying Event?

A Qualifying Event is an event that causes you or your spouse or your dependent child(ren) to lose group health plan benefits. The law defines Qualifying Events as:

- a. Termination of employment (voluntary or involuntary except for gross misconduct)
- b. Reduction in work hours (to less than the minimum needed to remain covered by the plan)
- c. Death of employee
- d. Divorce or legal separation
- e. Medicare entitlement of the employee (if this results in a loss of coverage from the plan)
- f. A dependent child ceases to be an eligible dependent under the plan
- g. Employer commences a bankruptcy proceeding (for covered retirees and their dependents only)

### Who is a Qualified Beneficiary?

A Qualified Beneficiary is an employee, a spouse, or a dependent child who is enrolled on a group health plan immediately before the Qualifying Event and who loses coverage from the plan as a result of the Qualifying Event.

A Qualified Beneficiary also includes a child born to, adopted by, or placed for adoption with a covered employee during a period of COBRA coverage, provided that the covered employee is a Qualified Beneficiary and the covered employee has elected COBRA.

A child of the covered employee who is receiving benefits under the Plan pursuant to a Qualified Medical Child Support Order (QMCSO) during the covered employee's employment is entitled to the same rights to elect COBRA as an eligible dependent child of the covered employee.

### When Does Continued Coverage Apply?

If you are an employee or the dependent of an employee you may elect up to 18 months of continued health coverage if you lose coverage due to the employee's:

- a. Termination of employment (voluntary or involuntary except for gross misconduct)
- b. Reduction in work hours (to less than the minimum needed to remain covered by the plan)

If you are an employee's spouse or dependent child, you may elect up to 36 months of continued health coverage if you lose coverage due to:

- a. Death of the employee
- b. Medicare entitlement of the employee (if this results in a loss of coverage from the plan)
- c. Divorce or legal separation. This includes if the spouse is dropped from coverage *prior* to a divorce or legal separation this may still be considered a Qualifying Event if the drop in coverage is determined to be *in anticipation* of a divorce or a legal separation.

If you are a dependent child, you may elect up to 36 months of continued health coverage if you lose coverage due to:

- a. No longer satisfying the dependent eligibility requirements of a plan

If you are a retiree and your employer commences a bankruptcy proceeding, you and your dependents that lose a substantial portion of coverage within one year before or after the bankruptcy filing are also entitled to continuation coverage. Coverage may be continued for the lifetime of a retiree, or surviving spouse of a retiree who was deceased at the time of the filing. If the retiree is living at the time of the filing, dependents are entitled to up to 36 months of coverage from the date of the retiree's death.

### What Coverage is Continued?

COBRA applies only to group health plans as defined by the law (typically medical, dental, vision, health reimbursement accounts, employee assistance programs, wellness programs, and health flexible spending accounts). Other coverages provided by your employee benefit plan are not included in these continuation rights.

Your continued health coverage will be the *same* as the health coverage provided for similarly situated employees or dependents that have not had a Qualifying Event. Any future plan or rate changes affecting the benefit plans for current employees will affect your continued coverage as well.

Continuation is available *only* for coverages that you or your dependents were enrolled in at the time of the Qualifying Event. If you were covered under a region-specific plan (such as an HMO) and you move outside of your health plan's service area, you will typically not be eligible to continue coverage under that plan. You may be eligible to change plans if your employer maintains a health plan with coverage in your new location. You must notify Vita in writing if you become ineligible to continue coverage under your current health plan either during COBRA or in your COBRA election period. A change in coverage may not be effective until the first day of the month following your written request for alternative coverage.

#### What About Life Insurance?

Group life insurance benefits are not subject to the COBRA continuation provisions. However, your life insurance policy may offer a conversion privilege. This must be exercised within 30 days following the date of termination. If you wish to exercise this conversion, please refer to your certificate of coverage for specific requirements.

#### Health Insurance Marketplace ("Exchange")

Individual health insurance can be purchased through an online Marketplace in lieu of electing COBRA or after your COBRA coverage ends. You have a "special enrollment" period 60 days from the date you lose your employer's group health coverage to enroll in the Marketplace. After 60 days your special enrollment period will end and you may not be able to enroll until a Marketplace "open enrollment" which typically begins in November for coverage starting as early as January 1<sup>st</sup>. However, if you elect COBRA and your coverage ends *involuntarily*, such as exhausting the maximum COBRA coverage period or if the employer no longer offers group health plan coverage, you may be able to enroll in the Marketplace through the special enrollment period. Coverage through the Marketplace may cost less than COBRA. Subsidies may be available through the Marketplace if your household income is between 138% and 400% of the federal poverty level.

For more information about health insurance options available through the Marketplace, visit [www.healthcare.gov](http://www.healthcare.gov) or call 1-800-318-2596. If you live in California, contact Covered California at [www.coveredca.com](http://www.coveredca.com) or 1-888-975-1142.

#### Electing COBRA

Each Qualified Beneficiary will have an independent right to elect COBRA. Covered employees and spouses (provided the spouse is a Qualified Beneficiary) may elect COBRA on behalf of all of the Qualified Beneficiaries and parents may elect on behalf of their children. Any Qualified Beneficiary for whom COBRA is not elected within the 60 day election period specified in the COBRA Election Notice, will lose his or her right to elect COBRA.

#### Health Insurance Portability and Accountability Act (HIPAA) Rights

The HIPAA law in certain circumstances allows employees to enroll spouses and children to their group health plans. Qualified Beneficiaries have the same rights to enroll their

spouses and children to COBRA as if the Qualified Beneficiary were an employee in the plan. These rights include:

- a. If you acquire a new dependent, (due to marriage, birth, or adoption), you may elect to add your new dependent to COBRA. You or your family member must notify *both* Vita and the group health plan carrier in writing within 30 days of the marriage, birth or adoption, in order to enroll the dependent on COBRA.
- b. If your spouse or dependent children involuntarily lose other group health coverage as specified under HIPAA, you may be able to add your spouse or dependent child to COBRA. You are responsible for notifying *both* Vita and your group health plan carrier in writing within 30 days of the date of loss of coverage of the other group health plan coverage, in order to enroll the dependent on COBRA.

#### How Long Can Coverage Continue?

There are two potential durations of COBRA coverage depending on the type of Qualifying Event.

1. 18 Months: Termination of the employee's employment or a reduction in the employee's work hours.
2. 36 Months: Death of the employee, divorce or legal separation, a dependent child no longer satisfying eligibility requirements of a plan, or Medicare entitlement of the employee (if this results in a loss of coverage from the plan). In addition, if you (the employee) become entitled to Medicare and, within 18 months, experience a termination of employment or reduction in hours resulting in a loss of coverage, your covered dependents may elect to continue coverage for the period ending 36 months after the date you became entitled to Medicare.

There are three additional circumstances when you can potentially continue COBRA beyond 18 months.

1. Second Qualifying Event: If you or your dependents have a second Qualifying Event during the initial 18 months of COBRA, your dependents may continue their coverage for up to 36 months total, from the date of the initial Qualifying Event. Second Qualifying Events include:
  - a. Dependent child ceases to be an eligible dependent under the plan
  - b. Divorce or legal separation
  - c. Death of the employee

Notice of the second event must be sent to Vita in writing within 60 days of the date of loss of coverage following the second Qualifying Event date, in order for the dependent to be eligible for COBRA.

2. Disability Determination: If you or any family member are determined to have been disabled (for Social Security disability purposes) on or before the date of the original Qualifying Event (termination of employment or reduction of hours) or within the first 60 days of COBRA coverage, all Qualified Beneficiaries may extend COBRA coverage for up to 29 months total, from the date of the original Qualifying Event. Non-disabled family members on COBRA coverage may also be eligible for this extension. Notice of the disability determination must be sent to Vita in writing before the end of the initial 18-month period and within 60 days of the later of the Social Security

determination date or the date coverage was lost following the original Qualifying Event date.

3. Cal-COBRA Extension: The Cal-COBRA extension provides up to 36 months of medical coverage from the date Federal COBRA coverage began. Eligibility for this extension requires you are entitled to less than 36 months of Federal COBRA, your former employer's insurance contract is situated in California, you are enrolled in a fully-insured medical plan, and you are not eligible for or enrolled on Medicare. The premium charged under this extension can be up to 110% of the employer cost.

#### When Does Coverage End?

COBRA coverage can be terminated before the maximum coverage period expires. Coverage will terminate on the earliest of the following dates. In no event can coverage continue beyond 36 months from the original Qualifying Event date.

- a. When no health coverage is provided by your employer for any employees.
- b. When premium payment for your continued coverage is not made on time.
- c. After electing COBRA coverage, when you become covered under another group health plan.
- d. After electing COBRA coverage, when you first become entitled to Medicare.
- e. Your coverage is terminated for cause, such as fraud, on the same basis that coverage can be terminated for active employees.
- f. After electing COBRA coverage, the date you or your dependent is no longer disabled if you have extended coverage for up to 29 months due to your disability and Social Security has made a final determination that you or your dependent is no longer disabled. (You must notify Vita in writing within 30 days of this Social Security determination).

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.

#### What Does It Cost?

You are required to pay the entire cost of your continued health coverage to Vita plus a 2% administration fee. The cost of coverage during the 19<sup>th</sup> through the 29<sup>th</sup> month extension period for individuals under the Social Security disability extension may be up to 150% of the total cost.

You have 45 days from the day you elect COBRA to pay all current and retroactive premiums back to the day you lost coverage. Thereafter, you have a grace period of 30 days for regularly scheduled premium payments.

#### What Do I Have to Do?

In the event of a divorce, a legal separation or a dependent child no longer satisfying eligibility requirements of a plan, you or a family member must formally advise your Employer of the Qualifying Event. Such notification *must* be provided in writing on a COBRA *Employee Notice of Qualifying Event* form. This form may be obtained from your Employer or by contacting Vita. The form must be sent to your Employer within 60 days of the date of the Qualifying Event or loss of coverage, whichever is

later. No exceptions can be made. ***If timely notice is not provided to your Employer, all Qualified Beneficiaries will lose their rights to elect COBRA.*** In addition, you must provide your Employer a copy of the divorce decree or legal separation document which confirms the final divorce or legal separation date. If your coverage is reduced or eliminated in anticipation of a divorce and later a divorce or legal separation occurs, your notice must provide satisfactory evidence to your Employer that your coverage was reduced or eliminated in anticipation of the divorce or legal separation.

In the event of a termination of employment, reduction of hours, or death, you need not take any action to request election materials. You should automatically receive a COBRA Election Notice at your home via the U.S. Postal Service from Vita. This COBRA Election Notice will outline coverage costs and options available to you and your dependents. If you wish to elect coverage, you *must* follow the guidelines detailed in the COBRA Election Notice.

If you decide to elect COBRA, you must return your COBRA Election Form to Vita within 60 days from the later of:

- a. The date your coverage would terminate due to the Qualifying Event; or
- b. The date on which the COBRA Election Notice is provided

You then have 45 days to pay all current and retroactive premiums to Vita. Your coverage will be retroactively reinstated once the premium(s) and all required re-enrollment forms are received. If you do not make timely payment, you will lose all continuation rights under the plan. You are responsible for making sure you send the correct premium amount.

#### Keep Plan Informed of Address Changes

To protect your rights, it is imperative that you keep the Employer informed of any address changes. This includes notifying the Employer of an alternate address for your spouse if your spouse does not reside with you. All address change requests must be submitted in writing to the Employer.

#### Notice Procedures

Warning: If your notice is late or if you do not follow the notice procedures outlined in this document, you and all related Qualified Beneficiaries will lose the right to elect COBRA (or will lose the right to an extension of COBRA, as applicable). Any notice that you provide must be in writing and must include the appropriate documentation (as applicable). Oral notice, including notice by telephone, is not acceptable. Keep a copy of all notices for your records.

The covered employee, a Qualified Beneficiary who lost coverage due to the Qualifying Event described in the notice, or a representative acting on behalf of either may provide notices. A notice provided by any of these individuals will satisfy any responsibility to provide notice of all Qualified Beneficiaries who lost coverage due to the Qualifying Event described in this notice.

#### Additional Information

The notice does not fully describe continuation coverage or other rights under the plan. If you require additional COBRA information, please contact Vita directly. Additional information on the plan is available from the Employer and in the Summary Plan Description (SPD).