

# MEMORANDUM

Date:

To: Employee and/or Spouse

From: Town of Dover

Re: Important Notice About Your COBRA Rights

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Please read the enclosed notice regarding your health benefits continuation coverage under COBRA. We are providing this notice at this time to fulfill our obligation under the COBRA Federal Law. We are required to notify every covered employee and spouse of a covered employee of their rights to continuation of coverage if you, your spouse or one of your children (if any) experience a qualifying event as explained in this notice.

Group Benefits Strategies is our COBRA plan administrator. GBS will be notified if you experience a COBRA qualifying event and will provide you with the necessary materials regarding COBRA.

If you have any questions regarding this notice, please contact the Group Benefits Strategies COBRA Department at 1-800-229-8008.

## IMPORTANT NOTICE

### GROUP HEALTH CONTINUATION COVERAGE UNDER "COBRA"

On April 7, 1986, a federal law was enacted (Public Law 99-272, Title X "COBRA") requiring that most 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 a summary fashion, of your rights and obligations under the continuation coverage provisions of the new law. Both you and your spouse should take the time to read this notice carefully.

If you are an employee of the Town of Dover 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 of the Town of Dover, you have the right to choose continuation coverage for yourself if you lose group health coverage for any of the following four 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;
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 Town of Dover's group health plan, he or she has the right to continuation coverage if group health coverage through the Town of Dover is lost for any of the following five reasons:

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

Under the law, the employee or a family member has the responsibility to inform the Town of Dover's COBRA Plan Administrator of a divorce, legal separation, or a child losing dependent status under the Town's group health plan within 60 days of the date of the later of the event or the date on which coverage would end under the Plan because of the event. The Town of Dover 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 to inform the Plan Administrator that you want continuation coverage. If you do not choose continuation coverage, your group health insurance coverage will end.

If you choose continuation coverage, the Town of Dover is required to give you coverage which, 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 new law requires that you be afforded the opportunity to maintain continuation coverage for 3 years unless you lost group health coverage because of a termination of employment or reduction in hours. In that case, the required continuation coverage period is 18 months. This 18 months may be extended if other events (such as a death, divorce, legal separation, or Medicare entitlement) occur during that 18 month period.

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. The 18 months may be extended to 29 months if an individual is determined 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 qualify due to a termination or reduction in

hours of employment. To benefit from this extension, the qualified beneficiary must notify the COBRA Plan Administrator of 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.

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

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

1. The Town of Dover no longer provides group health coverage to any of its employees;
2. The premium for your 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 you may have;
4. The qualified beneficiary becomes entitled to Medicare after the date he or she elects COBRA;
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 are generally 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 Town of Dover 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 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 30 days for payment of the regularly scheduled premium. The law also says that, at the end of the 18-month or 3-year continuation coverage period, you must be allowed to enroll in an individual conversion health plan provided by the Town of Dover.

You are also advised that if there is an option for continuation of health coverage which is mandated by state law which has terms as good or better than those of COBRA, the Town of Dover must allow you to elect the state-mandated option. Massachusetts governmental units may provide coverage to retirees, deferred retirees, surviving spouses, divorced or separated spouses, or certain dependents who have lost eligibility under the group health plan which is as good or better than COBRA continuation coverage.

If you have any questions about COBRA, and if you have a change of address or change in marital status, please contact the Town of Dover in writing.

The Town of Dover participates in the West Suburban Health Group (WSHG), which is the municipal joint purchase group through which the Town purchases health benefits. Group Benefits Strategies (GBS) is the COBRA Plan Administrator for the WSHG and thus for the Town of Dover. GBS is located at 100 Front Street, Suite 1200, Worcester MA 01608 (800-299-8008). All questions about your rights under COBRA should be addressed to GBS.