

CONTINUATION OF COVERAGE

COBRA

Consolidated Omnibus Budget Reconciliation Act (COBRA)

COBRA is an acronym for the federal law known as the *Consolidated Omnibus Budget Reconciliation Act of 1985*. A provision within COBRA (*Title X*) addresses the right of certain former group health plan members to continue their group coverage for a specific period of time under specific conditions. Employers, including self-funded employee benefit programs, who had at least 20 employees on 50% of business days during the previous calendar year must comply with COBRA. If a group health plan is maintained by more than one employer, all employers within the plan must comply with COBRA if at least one of the employers had 20 or more employees. While COBRA rights and requirements are similar to Mini-COBRA, you may wish to speak with an attorney regarding your COBRA obligations.

Mini-COBRA

Massachusetts Continuation Of Coverage (Mini-COBRA)

Chapter 176J is the state law that governs health care coverage for small businesses (businesses with 1-50 employees). Section 9 of Chapter 176J became effective August 15, 1996, and requires continuation of group health coverage, essentially the same as COBRA coverage, for employees in groups with 2-19 employees.

Who Is Eligible For Mini-COBRA Continuation Of Coverage Provisions?

Any employee, former employee, spouse, or dependent child who was covered under a group health plan on the day before a “Qualifying Event” is eligible for continuation of coverage. These people become “Qualified Beneficiaries” with the right to elect continuation of group coverage.

What Is A Qualifying Event?

A Qualifying Event is one of the following circumstances that causes the loss of coverage:

1. Termination of employment (except for termination due to gross misconduct).
This includes:
 - voluntary resignation
 - involuntary termination
 - retirement
 - layoff
 - reduction of work hours (e.g., work stoppage, employee begins a leave of absence, changes from full-time to part-time)
2. Death of the employee.
3. Divorce or legal separation.*
4. Loss of eligibility for a dependent child (e.g., overage dependent/student).
5. Employee becomes entitled to Medicare.

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6. Retiree (or surviving spouse of a deceased retiree and their dependent children) loses coverage due to his or her former employer's bankruptcy proceedings.** (Separate bankruptcy laws may prohibit you from terminating retiree coverage after bankruptcy is filed. You may wish to speak with an attorney regarding your bankruptcy obligation.)

* A divorced or separated spouse may have different continuation rights due to state-mandated benefits specifically for divorced and separated spouses. You may wish to consult with your legal counsel about this mandate.

** A loss of coverage in the bankruptcy context is a substantial elimination of coverage within one year before or after the bankruptcy proceeding commenced.

How Long Does The Mini-COBRA Continuation Of Coverage Last?

Up to 18 months for Qualifying Event (1) on previous page.

Please note: A Qualified Beneficiary who is determined under Title II or XVI of the Social Security Act to have been disabled at the time of a Qualifying Event involving termination or reduction in work hours may be eligible to continue coverage for up to an additional 11 months (29 months total). The qualified beneficiary must request the extension before the end of the 18-month period and must not be eligible for Medicare. If the individual entitled to the disability extension has non-disabled family members who are entitled to continuation coverage, those non-disabled family members are also entitled to the 29-month disability extension.

Up to 36 months for Qualifying Events (2), (3), (4), and (5) on previous page.

For qualifying event (6), affected retirees and surviving spouses of deceased retirees are entitled to elect and pay for lifetime mini-COBRA coverage as of the date of the bankruptcy proceeding. Spouses and dependent children of retirees are entitled to mini-COBRA coverage until the retiree dies. Once the retiree dies, his or her surviving spouse and dependent children, if any, are entitled to elect and pay for an additional 36 months of coverage from the date of the retiree's death.

Can Qualified Beneficiaries Change Coverage During The Mini-COBRA Period Of Coverage?

If a qualified beneficiary elects to continue coverage under mini-COBRA and an open enrollment period for active employees occurs while the qualified beneficiary is still receiving the mini-COBRA continuation of coverage, the qualified beneficiary must be offered the opportunity to switch coverage to another plan the employer offers to active employees during the open enrollment.

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What Are The Employer's Responsibilities?

As an employer, your responsibilities to your employees regarding coverage include the following:

- To provide employees with notice of their continuation of coverage rights at the time they enroll in coverage.
- To provide employees with notice of their election rights within 14 days of knowledge of a qualifying event. The employee must provide you with notice of qualifying events (See Qualifying Events #3 and #4 on page 6-1) within 60 days of the event.
- To allow employees 60 days from the qualifying event (or the day you provide notice, whichever is later) to make their continuation of coverage election. The day they make the election is their "election date."

See Sample Notice on pages 6-7 and 6-8, and Sample Election form on page 6-9. You may wish to adapt these forms for your use to meet the above notice requirements.

How Much Does Continuation Of Coverage Cost The Qualified Beneficiary?

You may charge up to 102% of the premium for all continuation periods. However, if the qualified beneficiary is in the extra 11-month period due to disability, you may charge up to 150% of the premium during that 11-month period.

When Are The Premiums Due?

The qualified beneficiary has 45 days from the election date to make the first payment to you. The first payment is for the period from the date the person's group coverage ended, through the current month. Reinstatement will not be allowed if the payment is not received within the 45-day time period. Subsequent premium payments are due monthly on your regular billing cycle.

When Can An Employer Cancel The Mini-COBRA Continuation Of Coverage?

An employer may cancel a member's continuation of coverage in the following situations:

- When the qualified beneficiary fails to pay the premium in a timely manner.
- When the qualified beneficiary becomes entitled to Medicare after electing continuation of coverage.
- When the employer discontinues all group health plans.
- When the qualified beneficiary becomes covered under another group health plan, which does not contain any exclusions or limitations (i.e., waiting period/pre-existing condition clauses) after electing continuation of coverage.

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What Happens When The Qualified Beneficiaries Reach The End Of Their Continuation Period?

The qualified beneficiaries are entitled to a Direct-Pay plan.

How Do I Administer Enrollment Of The Member?

Once the Qualifying Event has occurred, and you have informed the member of his or her continuation of coverage rights, we request that you cancel the member immediately from your group. Canceling the member will accomplish two things:

- Removes you from the financial burden of paying for the member's premium while he or she is deciding on whether to accept or decline the continuation of coverage.
- Offers the member one of our Direct-Pay plans; the member would then have two options to choose from (continuation of coverage or Direct-Pay).

If the member accepts the continuation of coverage within the 60-day time period, and subsequently pays the premium to the paid-through date (within the 45-day window), he or she will have coverage reinstated, retroactive to the qualifying event.

How Do You Bill A Member On Mini-COBRA Continuation Of Coverage?

Once a member has opted for continuation of coverage, and has been reinstated in your group, we will bill you for the member on a monthly basis. It will appear as if the member were still an employee of your company. It is your responsibility to monitor and receive their monthly payment. In the event that you have difficulty collecting payment from Mini-COBRA members, please call your Blue Cross Blue Shield of Massachusetts billing representative at the phone number listed on your monthly premium bill.

Example Of Continuation Of Coverage Timelines:

John Smith leaves XYZ Corp. on May 24, 2001. XYZ Corp.'s policy is to provide extended coverage until the end of the month (billing cycle) for all terminated employees. XYZ Corp. submits an Enrollment Form to Blue Cross Blue Shield to cancel the member effective June 1, 2001.

The employer notifies Mr. Smith on June 1, 2001 (Qualifying Event), via certified mail, that he has continuation of coverage benefits available. Mr. Smith has 60 days from June 1 to notify XYZ Corp. on whether he wishes to accept or decline continuation of coverage.

On July 31, 2001, Mr. Smith advises XYZ Corp. that he wishes to elect continuation of coverage (Election Date). Mr. Smith now has an additional 45 days to pay the premium for the continuation of coverage to the employer. If he waits until the 44th day (September 13, 2001), payment in this example would be for five months of premium (June through October).

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Once payment has been made, XYZ Corp. advises Blue Cross Blue Shield of Mr. Smith's continuation of coverage election, and submits an Enrollment Form to reinstate Mr. Smith back to June 1, 2001.

This example provides one of the few exceptions in which Blue Cross Blue Shield would allow a change in coverage beyond the customary 30-day enrollment policy.

5/24/01	Member leaves company
6/01/01	Qualifying Event (last day of coverage)
7/31/01	Election Date (60 days available)
9/14/01	Premium received (45 days available)

This information provides highlights of the continuation of coverage provisions of Mini-COBRA. If you have any questions, please call your account executive at their direct line phone number or via our general phone number at (617) 246-5000.

Blue Cross and Blue Shield Nongroup Plans

When a member's coverage in a group plan is terminated (either voluntarily or involuntarily), Blue Cross Blue Shield of Massachusetts notifies that member by letter of continuation of coverage options that may be available to him or her upon termination. Those options include:

- continuation of group coverage under COBRA or applicable state law, or
- enrollment in one of our nongroup Direct-Pay (as on page 6-4) plans.

Please understand that our notice to members does not replace or satisfy your obligations to notify members of their rights to continue group coverage with you under COBRA or applicable state laws. You still have a responsibility under these laws to provide such notice to your employees.

Beginning January 1, 1998, state law requires that only standardized plans can be offered in the nongroup market. If a member is eligible, Blue Cross Blue Shield of Massachusetts can offer them guaranteed enrollment in one of two plans (*HMO Blue Direct* or *PPO Blue Direct*) without waiting periods or coverage restrictions, as long as the member enrolls within 63 days of the group coverage termination date. To enroll in one of our nongroup plans, members should call 1-800-822-2700 for information and a rate quote (rates vary by age and place of residence).

State law governing nongroup plans does not allow us to enroll any individual who resides outside of Massachusetts. These members can either:

1. continue group coverage under COBRA or applicable state law,
2. contact Customer Service to make arrangements to transfer their Massachusetts group membership to a Blue Cross Blue Shield nongroup plan that may be available to them in their state of residence,

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3. contact Customer Service for information about Blue Cross Blue Shield nongroup plans that may be available to them in their state of residence that they may apply for directly, or
4. contact the Insurance Department in their state of residence for other coverage options.

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Notice of Right to Continue Group Health Coverage for Mini-COBRA

Dear _____:

It has come to our attention that you will no longer be eligible for coverage under your group health plan because of the situation checked off below. State law gives you (and your spouse and/or dependents if they were covered under your plan) the right to continue coverage under your present group health plan at your own expense if you wish. The length of time you may continue coverage is shown under each situation listed below.

- Death of an employee**
The surviving spouse and/or any dependent children may continue group coverage for up to 36 months.
- The employee becomes ineligible for group health coverage after termination of employment or reduction of work hours.**
All family members covered under the employee's health plan may continue group health coverage for up to 18 months. Note: If you are qualified for Medicare disability at the time you lose coverage, or within 60 days of your loss of coverage, you must notify us 60 days before the end of the 18-month period to continue coverage for an additional 11 months. The premium for the additional 11 months may be up to 150 percent of the premium for active employees.
- Divorce or legal separation**
The spouse and/or any covered dependent children may continue group health coverage for up to 36 months.
- The employee becomes entitled to Medicare coverage.**
The spouse, if not also enrolled in Medicare, and/or any dependent children may continue group coverage for up to 36 months.
- A child ceases to be a dependent under the employee's family membership.**
The child may continue group coverage for up to 36 months.
- A retiree substantially loses coverage within one year before or after we file for bankruptcy.**
The retiree, spouse, and/or dependents may continue coverage until the death of the retiree, or up to 36 months after the death of the retiree for the qualified surviving spouse and dependents.

Although you are allowed by law to continue group health coverage at your own expense under the above circumstances, continued coverage will be terminated if:

- We cease to maintain a group health plan/**or,**
- You fail to pay the premium on time/**or,**
- You are covered by another group health plan which does not contain any exclusion or limitation with respect to any pre-existing condition/ **or,**
- You are entitled to Medicare benefits.

Under the law, you have 60 days to decide whether to stay in your present group health plan. (The deadline for your decision is shown on the **Date Continuation Option Expires** line on the reverse side of this form.)

Notice of Right to Continue Group Health Coverage for Mini-COBRA Form
(Front)

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If you (or your spouse and/or dependents) wish to continue coverage under the group plan:

Sign the **Beneficiary Election Form**.

Check the **Yes** box.

If you (or your spouse and/or dependents) do not wish to continue group health coverage:

Sign the **Beneficiary Election Form**.

Check the **No** box.

Indicate the reason(s) you do not wish to continue coverage.

If you decide to continue coverage, your first payment will be due within 45 days of the date we receive your **Beneficiary Election Form**. This bill will cover the time period from the date continued coverage begins (shown below on the **Effective Date of Continued Coverage** line) through the month we receive your **Beneficiary Election Form**. (Please note, therefore, that your first payment will be smaller if you make your decision within 30 days.)

Once you have made the first payment for continued coverage, you will be billed monthly at up to 102 percent of the group rates. (The additional two percent is allowed by law to cover the extra administrative expenses that are involved in keeping you in the group. In certain circumstances under state law, your payment may be lower.) The current monthly group rate is shown below. This amount is subject to change when the group rate changes (usually once a year).

If you choose to continue coverage under the group health plan, you will receive coverage identical to what the Plan provides for similarly situated employees and family members.

For Office Use Only

Beneficiary Name: _____ Monthly Group Rate: _____

Contract Number: _____ Group Number: _____

Date Continuation Option Expires: _____

Effective Date of Continued Coverage: _____

Notice of Right to Continue Group Health Coverage for Mini-COBRA Form
(Back)

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Beneficiary Election Form to Continue Group Coverage

I am aware that coverage under my current health plan can be extended for a certain length of time at my expense.

Check one box:

- Yes, I choose to continue in my group level health benefit program.

- My spouse and/or dependents were covered under my health benefit program and they also choose to continue coverage.

- No, I do not wish to continue in my current health benefit program. [If you choose not to continue group insurance, please check off the applicable reason(s).]
 - I have other group health insurance coverage.
 - I have elected to convert to nongroup coverage.
 - I am moving out of state.
 - This coverage is too expensive.
 - Other: _____.

Signature: _____ Date: _____

Current Address: _____

**YOU MUST RETURN THIS FORM BY THE DATE SHOWN
BELOW ON THE "ELIGIBILITY EXPIRES ON" LINE**

Eligibility Expires on: _____
Account Name: _____
Contact Name: _____
Street Address: _____
City, State, Zip Code: _____
Telephone Number: _____

Beneficiary Election Form to Continue Group Coverage

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