

IMPORTANT INFORMATION ABOUT YOUR COBRA CONTINUATION COVERAGE RIGHTS

University of Michigan Group Health Plan

What is COBRA coverage?

COBRA coverage is a continuation of Plan coverage required under Federal law. This law requires that most group health plans including the University of Michigan Group Health Plan (“the Plan”) give “qualified beneficiaries” the opportunity to continue their health care coverage when there is a “qualifying event” that would result in a loss of coverage under an employer’s plan. Depending on the type of qualifying event, “qualified beneficiaries” can include the employee (or retired employee) covered under the group health plan, the covered employee’s spouse, and the dependent children of the covered employee. (Certain newborns, newly adopted children, and alternate recipients under QMCSOs may also be qualified beneficiaries. This is discussed in more detail in separate paragraphs below.)

COBRA coverage is the same coverage that the Plan gives to other participants or beneficiaries under the Plan who are not receiving COBRA coverage. Each qualified beneficiary who elects COBRA will have the same rights under the Plan as other participants or beneficiaries covered under the component or components of the Plan elected by the qualified beneficiary, including open enrollment and special enrollment rights.

COBRA (and the description of COBRA coverage contained in this notice) applies only to the group health benefits offered under the Plan (the Medical, Dental, Vision and Health Care Flexible Spending Account components) and not to any other benefits offered by the University of Michigan (such as the legal plan, employee or dependent life insurance, long term disability, or the Dependent Care Flexible Spending Account.)

The Plan provides no greater COBRA rights than what COBRA requires—nothing in this notice is intended to expand your rights beyond COBRA’s requirements.

How can you elect COBRA?

To elect COBRA, you must complete the Election Form according to the directions on the Election Form and mail or hand deliver it to the University of Michigan Payroll Office by the date specified on the Election Form. **Failure to do so will result in loss of the right to elect COBRA coverage under the Plan.** Each qualified beneficiary has a separate right to elect COBRA. For example, the employee’s spouse may elect COBRA even if the employee does not. COBRA may be elected for only one, several, or for all dependent children who are qualified beneficiaries. A parent may elect COBRA on behalf of any dependent children. The employee or the employee’s spouse (if the spouse is a qualified beneficiary) can elect COBRA on behalf of all of the qualified beneficiaries.

You may elect COBRA under any or all of the group health components of the Plan (Medical, Dental, Vision and Health FSA) under which you were covered on the day before the qualifying event. (For example, if a qualified beneficiary was covered under the Medical and Dental components on the day before a qualifying event, he or she may elect COBRA under the Dental component only, the Medical component only, or under both Medical and Dental. Such a qualified beneficiary could not elect COBRA under the Health FSA component, because he or she was not covered under this component on the day before the qualifying event.)

Additional information about the Medical, Dental, Vision and Health FSA components of the Plan is available from the University of Michigan.

Qualified beneficiaries who are entitled to elect COBRA may do so even if they have other group health plan coverage or are entitled to (actually covered) Medicare benefits (Part A, Part B, or both) on or before the date on which COBRA is elected. However, as discussed in more detail below, a qualified beneficiary’s COBRA coverage will terminate automatically if, after electing COBRA, he or she becomes entitled to Medicare benefits or becomes covered under other group health plan coverage (but only after any applicable preexisting condition exclusions of that other plan have been exhausted or satisfied). See the paragraph below entitled “How long will COBRA coverage last?”

Keep this document with your other important papers for future reference.

Special considerations in deciding whether to elect COBRA

In considering whether to elect COBRA, you should take into account that a failure to elect COBRA will affect your future rights under federal law. First, you can lose the right to avoid having preexisting condition exclusions applied to you by other group health plans if you have more than a 63-day gap in health coverage, and election of COBRA may help you not have such a gap. Second, you will lose the guaranteed right to purchase individual health insurance policies that do not impose such preexisting condition exclusions if you do not get COBRA coverage for the maximum time available to you. Finally, you should take into account that you have special enrollment rights under federal law. You have the right to request special enrollment in another group health plan for which you are otherwise eligible (such as a plan sponsored by your spouse's employer) within 30 days after your group health coverage under the Plan ends because of your qualifying event identified on the enclosed COBRA Election Notice. You will also have the same special enrollment right on the back of COBRA coverage if you get COBRA coverage for the maximum time available to you.

How long will COBRA coverage last?

In the case of a loss of coverage due to end of employment or reduction of hours of employment, coverage generally may be continued only for up to a total of 18 months. When the qualifying event is the end of employment or reduction of the employee's hours of employment, and a second qualifying event occurs such as the employee's death or divorce, or a dependent child ceasing to be a dependent under the terms of the Plan, coverage may be continued for up to a total of 36 months. The enclosed COBRA Election Notice shows the maximum period of COBRA coverage available to each qualified beneficiary.

COBRA coverage will automatically terminate before the end of the maximum period if:

1. Any required premium is not paid in full on time;
2. After electing COBRA, you (the employee, spouse or dependent child) become covered under another group health plan (as an employee or otherwise) that has no exclusion or limitation with respect to any preexisting condition that you have. If the other plan has applicable exclusions or limitations, then your COBRA coverage will terminate after the exclusion or limitation no longer applies (for example, after a 12-month preexisting condition waiting period expires). This rule applies only to the qualified beneficiary who becomes covered by another group health plan. (Note that under HIPAA, any exclusion or limitation of the other group health plan might not apply at all to the qualified beneficiary, depending on the length of his or her creditable health plan coverage prior to enrolling in the other group health plan.)
3. After electing COBRA coverage, you (the employee, spouse, or dependent child) become entitled to Medicare benefits. This will apply only to the person who becomes entitled to Medicare.
4. You (the employee, spouse or dependent child) became entitled to a 29-month maximum coverage period due to disability of a qualified beneficiary, but there is a final determination under Title II or XVI of the Social Security Act that the qualified beneficiary is no longer disabled (however, continuation coverage will not end until the month that begins more than 30 days after the determination).
5. The University of Michigan no longer provides group health coverage to any of its employees.
6. Occurrence of any event (e.g., submission of fraudulent benefit claims) that permits termination of coverage for cause with respect to covered employees or their spouses or dependent children who have coverage under the Plan for a reason other than COBRA coverage requirements of federal law.

You must notify the University of Michigan in writing within 30 days if, after electing COBRA, a qualified beneficiary becomes entitled to Medicare (Part A, Part B, or both) or becomes covered under other group health plan coverage (but only after any preexisting condition exclusions of that other plan for a preexisting condition of the qualified beneficiary have been exhausted or satisfied). You may use the enclosed form entitled "Notice of Other Coverage, Medicare Entitlement, or Cessation of Disability (Form & Notice Procedures)," and should follow the Procedures for Notice of Other Coverage, Medicare Entitlement, or Cessation of Disability that appear on the back of the form. (The Notice of Other Coverage, Medicare Entitlement, or Cessation of Disability (Form & Notice Procedures) is enclosed as a part of this election notice; a copy of the Notice of Other Coverage, Medicare Entitlement, or Cessation of Disability (Form & Notice Procedures) can also be obtained from the University of Michigan.)

COBRA coverage will terminate (retroactively if applicable) as of the date of Medicare entitlement or as of the beginning date of the other group health coverage (after exhaustion or satisfaction of any preexisting condition exclusions for a preexisting condition of the qualified beneficiary). The University of Michigan will require repayment to the Plan of all

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benefits paid after the termination date, regardless of whether or when you provide notice of Medicare entitlement or other group health plan coverage.

How can you extend the length of COBRA coverage?

If you elect COBRA, an extension of the maximum period of coverage may be available if a qualified beneficiary is disabled or a second qualifying event occurs. You must notify the University of Michigan in writing of a disability or a second qualifying event in order to extend the period of COBRA coverage. Failure to provide proper written notice of a disability or second qualifying event will eliminate the right to extend the period of COBRA coverage. **Oral notice, including notice by telephone, is not acceptable.**

Disability

If any of the qualified beneficiaries is determined by the Social Security Administration to be disabled, the maximum COBRA coverage period that results from a covered employee's termination of employment or reduction of hours (generally 18 months, as described above) may be extended to a total of up to 29 months. The disability must have started at some time before the 61st day after the covered employee's termination of employment or reduction of hours and must last at least until the end of the period of COBRA coverage that would be available without the disability extension (generally 18 months, as described above). Each qualified beneficiary who has elected COBRA coverage will be entitled to the disability extension if one of them qualifies.

The disability extension is available only if you notify the University of Michigan in writing of the Social Security Administration's determination of disability within 60 days after the latest of:

- the date of the Social Security Administration's disability determination;
- the date of the covered employee's termination of employment or reduction of hours; and
- the date on which the qualified beneficiary loses (or would lose) coverage under the terms of the Plan as a result of the covered employee's termination or reduction of hours.

You must provide notice within 18 months after the covered employee's termination of employment or reduction of hours in order to be entitled to a disability extension. **In providing this notice, you must use the enclosed form entitled "Notice of Disability (Form & Notice Procedures)", and you must follow the Procedures for Notice of Disability that appear that appear on the back of the form. If these procedures are not followed or if the notice is not provided in writing to the University of Michigan during the 60-day notice period and within 18 months after the covered employee's termination of employment or reduction of hours, THEN THERE WILL BE NO DISABILITY EXTENSION OF COBRA COVERAGE.** (The Notice of Disability (Form & Notice Procedures) is enclosed as a part of this election notice; a copy of the Notice of Disability (Form & Notice Procedures) can also be obtained from the University of Michigan.)

If the qualified beneficiary is determined by the Social Security Administration to no longer be disabled, you must notify the University of Michigan of that fact within 30 days after the Social Security Administration's determination. You may use the enclosed form entitled "Notice of Other Coverage, Medicare Entitlement, or Cessation of Disability (Form & Notice Procedures)", and you should follow the Procedures for Notice of Other Coverage, Medicare Entitlement, or Cessation of Disability that appear on the back of the form. (The Notice of Other Coverage, Medicare Entitlement, or Cessation of Disability (Form & Notice Procedures) is enclosed as a part of this election notice; a copy of the Notice of Other Coverage, Medicare Entitlement, or Cessation of Disability (Form & Notice Procedures) can also be obtained from the University of Michigan.)

If the Social Security Administration's determination that the qualified beneficiary is no longer disabled occurs during the disability extension period, COBRA coverage for all qualified beneficiaries will terminate (retroactively if applicable) as of the first day of the month that is more than 30 days after the Social Security Administration's determination that the qualified beneficiary is no longer disabled. The University of Michigan will require repayment to the Plan of all benefits paid after the termination date, regardless of whether or when you provide notice that the disabled qualified beneficiary is no longer disabled.

Second Qualifying Event

An extension of coverage will be available to spouses and dependent children who are receiving COBRA coverage if a second qualifying event occurs during the 18 months (or, in the case of a disability extension, the 29 months) following the

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covered employee's termination of employment or reduction of hours. The maximum amount of COBRA coverage available when a second qualifying event occurs is 36 months. Such second qualifying events may include the death of a covered employee, divorce from the covered employee, or a dependent child's ceasing to be eligible for coverage as a dependent under the Plan. These events can be a second qualifying event only if they would have caused the qualified beneficiary to lose coverage under the Plan if the first qualifying event had not occurred. (This extension is not available under the Plan when a covered employee becomes entitled to Medicare.)

This extension due to a second qualifying event is available only if you notify the University of Michigan in writing of the second qualifying event within 60 days after the later of (1) the date of the second qualifying event; and (2) the date on which the qualified beneficiary would lose coverage under the terms of the Plan as a result of the second qualifying event (if it had occurred while the qualified beneficiary was still covered under the Plan). **In providing this notice, you must use the enclosed form entitled "Notice of Second Qualifying Event (Form & Notice Procedures)," and you must follow the Procedures for Notice of Second Qualifying Event that appear on the back of the form. If these procedures are not followed or if the notice is not provided in writing to the University of Michigan during the 60-day notice period, THEN THERE WILL BE NO EXTENSION OF COBRA COVERAGE DUE TO A SECOND QUALIFYING EVENT.** (The Notice of Second Qualifying Event (Form & Notice Procedures) is enclosed as a part of this election notice; a copy of the Notice of Second Qualifying Event (Form & Notice Procedures) can also be obtained from the University of Michigan.)

Health FSA Component

COBRA coverage will consist of the Health FSA coverage in force at the time of the qualifying event. If you have a balance in your account after your coverage has ended and do not have sufficient claims incurred prior to the coverage end date to exceed that balance but will have future claims, you must continue after-tax contributions to receive reimbursement of future claims. The use-it-or-lose-it rule will continue to apply, so any unused amounts will be forfeited at the end of the plan year. Unless otherwise elected, all qualified beneficiaries who were covered under the Health FSA will be covered together for Health FSA COBRA coverage. However, each beneficiary has separate election rights, and each could alternatively elect separate COBRA coverage to cover that beneficiary only, with a separate Health FSA annual limit and a separate premium. If you are interested in this alternative, contact the University of Michigan for more information.

More information about individuals who may be qualified beneficiaries

Children born to or placed for adoption with the covered employee during COBRA coverage period

A child born to, adopted by, or placed for adoption with a covered employee during a period of COBRA coverage is considered to be a qualified beneficiary provided that, if the covered employee is a qualified beneficiary, the covered employee has elected COBRA coverage for himself or herself. The child's COBRA coverage begins when the child is enrolled in the Plan, whether through special enrollment or open enrollment, and it lasts for as long as COBRA coverage lasts for other family members of the employee. You must submit a Benefits Enrollment Change form within 30 days of the child's birth or placement for adoption to enroll the child in the Plan. Change forms are available on the Benefits Office Web site at <http://www.umich.edu/~benefits/> or by calling the HR/Payroll Service Center. If you fail to request the addition of the child within 30 days of the birth or adoption, you must wait until the next Open Enrollment period to add the child to your benefits.

Alternate recipients under QMCSOs

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

Open Enrollment Rights and HIPAA Special Enrollment Rights

Qualified beneficiaries who have elected COBRA will be given the same opportunity available to similarly situated active employees to change their coverage options or to add or eliminate coverage for dependents at open enrollment. In addition, HIPAA's special enrollment rights will apply to those who have elected COBRA. HIPAA, a federal law, gives a person already on COBRA certain rights to add coverage for dependents if such person acquires a new dependent (through marriage, birth, adoption or placement for adoption), or if an eligible dependent declines coverage because of other coverage and later loses such coverage due to certain qualifying reasons. You must submit a Benefits Enrollment Change form within 30 days of the event to enroll the dependent in the Plan. Change forms are available on the Benefits Office Web site at

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<http://www.umich.edu/~benefits/> or by calling the HR/Payroll Service Center. If you fail to request the addition of the dependent within 30 days of the birth or adoption, you must wait until the next Open Enrollment period to add the child to your benefits.

Except for certain children described above under “Children Born to or Placed for Adoption With the Covered Employee During COBRA Period”, dependents who are enrolled in a special enrollment period or open enrollment period do not become qualified beneficiaries – their coverage will end at the same time that coverage ends for the person who elected COBRA and later added them as dependents.

For more information

This notice does not fully describe COBRA coverage or other rights under the Plan. More information about COBRA coverage and your rights under the Plan is available from the University of Michigan .

If you have any questions concerning the information in this notice, your rights to coverage, you may obtain information in writing about the Plan and COBRA coverage on request from:

**Benefits Administration Office
University of Michigan
3003 South State Street
Wolverine Tower - Low Rise G405
Ann Arbor, MI 48109-1281**

Or you may call the HR/Payroll Service Center at 734-615-2000 or 1-866-647-7657 (toll free).

The Centers for Medicare & Medicaid Services (CMS), Department of Health and Human Services, has advisory jurisdiction with respect to COBRA as it applies to state and local governmental employers, their group health plans and employees. More information about COBRA provisions for state and local governmental employees is available from the Centers for Medicare & Medicaid Services. Address and phone numbers are available through the CMS website at <http://www.cms.hhs.gov/hipaa/hipaa1/cobra/fedrole.asp>

For more information about your rights under the Health Insurance Portability and Accountability Act (HIPAA), contact the nearest Regional or District Office of the U.S. 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 EBSA’s website.

Keep the University of Michigan informed of address changes

In order to protect your and your family’s rights, you should keep the University of Michigan informed of any changes in your address and the addresses of family members. You should also keep a copy, for your records, of any notices you send to the University of Michigan.

Enclosures:

COBRA Election Notice

COBRA Election Form

Important Information about Paying for Your COBRA Coverage notice

Notice of Disability (Form & Notice Procedures)

Notice of Second Qualifying Event (Form & Notice Procedures)

Notice of Other Coverage, Medicare Entitlement, or Cessation of Disability (Form & Notice Procedures)

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