

# Benefit Options

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## INITIAL NOTICE OF COBRA CONTINUATION RIGHTS STATE OF ARIZONA GROUP HEALTH PLANS

**To:** Covered Employee and Dependents, if any

### Introduction

You are receiving this notice because you are eligible to become covered under the group health insurance plan (the "Plan") sponsored by the State of Arizona (the "State"). The Plan includes four group health plan coverages (medical, dental, vision and health care flexible spending account (FSA) coverage). This notice contains important information about your right to COBRA continuation coverage, which is a temporary extension of group health coverage under the 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.** COBRA (and the description of COBRA coverage contained in this notice) applies only to the group health plan coverage offered under the Plan and not to any other coverages or benefits offered under the Plan or by the State.

The right to COBRA continuation coverage was created by a federal law. COBRA continuation coverage can become available to you when you would otherwise lose your group health coverage under the Plan. It can also become available to other members of your family who are covered under the Plan when they would otherwise lose group health coverage under the Plan. For additional information about your rights and obligations under the Plan and under federal law, you should contact the ADOA Benefits Office at 602-542-5008 or 1-800-304-3678, or write to 100 N 15th Ave., Suite 103, Phoenix, AZ 85007.

### What is COBRA continuation coverage?

COBRA coverage is a continuation of group health coverage when that coverage would otherwise end because of a "qualifying event." Specific qualifying events are listed later in this notice. After a qualifying event occurs and any required notice of that event is provided to the State, COBRA continuation coverage must be offered to each person losing group health coverage under the Plan who is a "qualified beneficiary." You, your spouse, and your dependent children could become qualified beneficiaries if they lose group health coverage under the Plan because of the qualifying event. Qualified beneficiaries who elect COBRA continuation coverage must pay for COBRA continuation coverage.

### Who is entitled to elect COBRA?

If you are an employee of the State, you will become a qualified beneficiary if you lose your group health coverage under the Plan because either one of the following events happens:

- Your hours of employment with the State are reduced; or
- Your employment with the State ends for any reason other than your gross misconduct.

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

- Your spouse (the employee) dies;
- Your spouse's hours of employment with the State are reduced;
- Your spouse's employment with the State ends for any reason other than his or her gross misconduct; or
- You become divorced or legally separated from your spouse (this includes a divorce or legal separation occurring after the employee drops you from group health coverage, if the employee dropped you from group health coverage in anticipation of the divorce or legal separation.)

A person enrolled as the employee's dependent child will become a qualified beneficiary if he or she loses group health coverage under the Plan because any of the following qualifying events happen:

- The parent-employee dies;
- The parent-employee's hours of employment with the State are reduced;
- The parent-employee's employment with the State ends for any reason other than his or her gross misconduct;
- The parents become divorced or legally separated; or
- The child is no longer eligible for coverage under the plan as a "dependent child."

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 the State, and that bankruptcy results in the loss of coverage of any retired employee covered under the 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 the Plan.

### **When is COBRA coverage available?**

The Plan will offer COBRA continuation coverage to qualified beneficiaries only after the State has been notified that a qualifying event has occurred. When the qualifying event is the end of employment or reduction in hours of employment, death of the employee, or commencement of a proceeding in bankruptcy with respect to the State, you do not need to notify the State 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), COBRA coverage will be available to you only if you notify the State in writing within 60 days after the later of (1) the date the qualifying event occurs or (2) the date on which you lose (or would lose) group health coverage under the terms of the Plan as a result of the qualifying event.

You must provide this notice in writing to:

The ADOA Benefits Office  
100 N 15th Ave., Suite 103  
Phoenix, AZ 85007

The notice must include information the following information:

- The name of the employee who is or was covered under the Plan;

- The name(s) and address(es) of all qualified beneficiar(ies) who lost (or will lose) coverage under the Plan due to the qualifying event;
- The qualifying event giving rise to COBRA coverage;
- The date of the qualifying event; and
- The signature, name and contact information of the individual sending the notice.

In addition, the employee or qualified beneficiary must provide the State with documentation supporting the occurrence of the qualifying event, if requested. Acceptable documentation includes the documents listed below and any other supporting documentation approved by the State:

- In the event of divorce – a copy of the decree of divorce;
- In the event of legal separation – a copy of the separation agreement; and
- In the event of a child no longer qualifying as a dependent child – a copy of the driver's license or birth certificate showing the child's age (in the case of the child's exceeding the age limit for group health coverage), a copy of the child's marriage certificate (in case of the child's marriage) or a letter from a university or institution indicating a change in student status.

**If these procedures are not followed or if the notice is not provided in writing to the State as directed above during the 60-day notice period, you will lose your right to elect COBRA.**

## **Electing COBRA**

Each qualified beneficiary will have an independent right to elect COBRA. Covered employees and spouses may elect COBRA on behalf of their children who are qualified beneficiaries. **Any qualified beneficiary for whom COBRA is not elected within the 60-day election period specified in the Plan's COBRA Election Notice will lose his or her right to elect COBRA.**

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. However, 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 another group health plan (but only after any applicable preexisting condition exclusions of that other plan have been exhausted or satisfied.)

## **How Long Does COBRA Last?**

COBRA coverage is a temporary continuation of coverage. When the qualifying event is the death of the employee, the covered employee's divorce or legal separation, or a dependent child's losing eligibility as a dependent child, COBRA coverage can last for up to a total of 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 coverage for qualified beneficiaries other than the employee can last for up to 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 or her employment terminates, COBRA coverage for his or her spouse and children who lost coverage as a result of his termination 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). This COBRA coverage period is available only if the covered employee becomes entitled to Medicare within 18 months BEFORE employment termination or reduction of hours.

Otherwise, when the qualifying event is the end of employment or reduction of the employee's hours of employment, COBRA coverage generally can last up to a total of 18 months.

However, COBRA coverage under the health care FSA can last only until the end of the year in which the qualifying event occurred – see the "Health Care FSA Coverage" section below.

There are two ways in which the period of COBRA coverage resulting from a termination of employment or reduction of hours can be extended. (The period of COBRA coverage for the health care FSA cannot be extended beyond the end of the current Plan year under any circumstances.)

***Disability extension of 18-month period of COBRA coverage***

If a qualified beneficiary is determined by the Social Security Administration to be disabled and you notify the applicable carrier(s) in a timely fashion, all of the qualified beneficiaries in your family may be entitled to receive up to an additional 11 months of COBRA coverage, for a total maximum of 29 months. This extension is available only for qualified beneficiaries who are receiving COBRA coverage because of a qualifying event that was the covered employee's termination of employment or reduction of hours. 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 until at least the end of the time period of COBRA coverage that would be available without the disability extension (generally 18 months, as described above).

The disability extension is available only if you notify the applicable carrier(s) 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 of employment or reduction of hours.

You must also provide this notice before the end of the original 18 months of COBRA coverage obtained due to the employee's termination of employment or reduction of hours in order to be entitled to a disability extension. The notice must be provided in writing and must be mailed to the ADOA Benefits Office. The notice must include a copy of the Social Security Administration disability notification letter and must identify the covered employee or qualified beneficiary requesting extension of COBRA coverage due to disability.

**If these procedures are not followed or if the notice is not provided in writing to the State as instructed above during the 60-day notice period and within the first 18 months of COBRA coverage obtained due to the covered employee's termination of employment or reduction of hours, there will be no extension of COBRA coverage due to disability.**

***Second qualifying event extension of 18-month period of COBRA coverage***

If an employee's spouse or dependent child experiences another qualifying event while receiving COBRA coverage because of the covered employee's termination of employment or reduction of hours (including COBRA coverage during a disability extension period as described above), the spouse and dependent children receiving COBRA coverage can get up to 18 additional months of COBRA coverage, for a maximum of 36 months, if notice of the second qualifying event is properly given to the State. This extension may be available to the spouse and any dependent children receiving COBRA coverage if the employee or former employee dies or gets divorced, or if the dependent child becomes ineligible under the Plan as a dependent child.

**Health Care FSA Coverage**

COBRA coverage under health care FSA will be offered only to qualified beneficiaries losing coverage who have underspent accounts. A qualified beneficiary has an underspent account if

the annual limit elected by the covered employee, reduced by reimbursements up to the time of qualifying event, is equal to or more than the amount of the premiums for the health care FSA coverage that will be charged for the remainder of the plan year.] COBRA coverage, if elected, will consist of the health care FSA coverage in force at the time of the qualifying event (i.e., the elected annual limit reduced by expenses reimbursed up to the time of the qualifying event). 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, and COBRA coverage will terminate at the end of the plan year.

### **If you have questions**

Questions concerning your Plan group health coverage or your COBRA coverage rights should be addressed to the plan contact identified below. Information about COBRA provisions for governmental employees is available from the:

Centers for Medicare & Medicaid Services (CMS)  
Private Health Insurance Group  
7500 Security Boulevard  
Mail Stop S3-16-16  
Baltimore, Maryland 21244-1850

Or you may call 410-786-1565 for assistance. This is not a toll-free number. The CMS website is [www.cms.hhs.gov](http://www.cms.hhs.gov).

### **Keep your plan informed of address changes**

In order to protect your family's rights, it is important that you keep the State 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.

### **Plan contact information**

Information about the Plan group health coverage and COBRA coverage can be obtained upon request by contacting the State at:

The ADOA Benefits Office  
Attn: COBRA Department  
100 N 15th Ave., Suite 103  
Phoenix, AZ 85007

The contact information for the Plan may change from time to time.

### **Conversion Privilege After COBRA Terminates**

You and your enrolled dependents may be entitled to a conversion policy upon the expiration of COBRA coverage. In the event you do not elect COBRA coverage, you may still apply for conversion to an individual medical policy by contacting the State. If you wish to convert your medical coverage to an individual conversion policy, you must make your application within 30 days from the date your coverage terminates to ensure continuous coverage. If you elect COBRA coverage, you will have the option to convert your medical coverage to an individual policy during the last 180 days of the maximum 18, 29, or 36 month COBRA coverage period.