



JANICE K. BREWER
Governor

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Director

ARIZONA DEPARTMENT OF ADMINISTRATION

Benefit Services Division

100 N 15TH AVE, SUITE 103
PHOENIX, ARIZONA 85007
(602) 542-5008

Dear MEMBER and ELIGIBLE DEPENDENTS:

This letter is to inform you that, due to a qualifying event, you have lost or will lose your benefits with Benefit Options.

Your right to COBRA coverage

Under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), this qualifying event entitles you to elect continued coverage under the group health plan. You are eligible for COBRA coverage for 18 or 36 months, depending on the nature of the qualifying event.

COBRA coverage is also available to your spouse and dependent children, if they were covered on your plan the day of the qualifying event.

ENROLLMENT PROCEDURES ARE DESCRIBED AT THE END OF THIS LETTER

Your COBRA enrollment options

Your choices are:

- To continue family or two-party coverage, if you had family or two-party coverage on the date of the qualifying event
- For one of more qualifying persons to individually elect single coverage
- For all qualifying persons to decline COBRA coverage entirely.

Duration of COBRA coverage

Your COBRA coverage may terminate early if:

- Health coverage is no longer offered to any active employees.
- You do not make the required payments in a timely manner.
- You, your spouse, or your dependent children become covered under another group health plan that does not effectively limit coverage for any pre-existing condition.
- You, your spouse, or your dependent children become entitled to Medicare.
- Coverage was extended due to disability and the individual is determined to no longer be disabled.

Please refer to the enclosed enrollment forms for current rates and the Benefit Options website (www.benefitoptions.az.gov) for additional information.

**IF YOU WERE INVOLUNTARILY TERMINATED,
YOU MAY BE ELIGIBLE FOR COBRA PREMIUM ASSISTANCE**

PLEASE READ THE INFORMATION PRESENTED BELOW
AS IT DESCRIBES VARIOUS ASPECTS OF COBRA PREMIUM ASSISTANCE,
INCLUDING HOW TO DETERMINE YOUR ELIGIBILITY.

COBRA premium assistance

In accordance with the American Recovery and Reinvestment Act of 2009 (ARRA), which was enacted February 17, 2009, a person who is eligible for COBRA premium assistance will be entitled to COBRA coverage – for a limited time only – at a reduced rate. Under this program, the individual pays 35% of the COBRA premium and the federal government subsidizes the remaining 65%.

Eligibility for premium assistance

You are eligible for COBRA premium assistance if and only if:

- You are eligible for COBRA coverage between September 1, 2008 and December 31, 2009.

AND

- The qualifying event that makes you eligible for COBRA coverage is a covered employee's employment being **involuntarily terminated** between September 1, 2008 and December 31, 2009.

If your employment was not involuntarily terminated, you are not eligible for premium assistance. The Benefit Services Division will request proof of involuntary termination (copy of termination letter or similar document) from the former agency of any former employee who elects COBRA and states that he/she was involuntarily terminated.

Each qualified beneficiary (spouse and child) is entitled to elect COBRA coverage separately and will, if eligible, be entitled to premium assistance.

A domestic partner/older child is not a qualified beneficiary under COBRA, which prevents him/her from electing COBRA coverage separate from the employee. A domestic partner/older child will benefit from premium assistance if the former employee is eligible for and elects premium assistance and:

- The domestic partner/older child was listed as a tax dependent on the former employee's Declaration of Tax Status form.

OR

- The former employee enrolls at least two qualified beneficiaries in COBRA in addition to the domestic partner/older child. Under this scenario, the former employee elects the family tier with or without inclusion of the domestic partner/older child.

Individuals who are eligible for coverage under another group health plan (a spouse's plan, for example) are not eligible for premium assistance. Dependents who lose coverage due to the death or disability of an employee are not eligible for premium assistance.

Disputes regarding your eligibility for premium assistance may be appealed to the Secretary of Health and Human Services. Details related to this appeal process are not available at this time. Please call (602) 542-5008 or (800) 304-3687 if you would like to appeal a decision regarding

your or your dependent's eligibility for premium assistance. You may also check the U.S. Department of Health & Human Services website (www.cms.hhs.gov/COBRACContinuationofCov/) for updates on the appeal process.

COBRA coverage elections

A person receiving premium assistance will be allowed to maintain his/her pre-termination coverages. Premium assistance will apply to his/her medical, dental, and vision coverage (but not to flexible spending accounts).

A person receiving premium assistance will be allowed to change his/her pre-termination coverages if those changes result in a reduced monthly premium compared to the pre-termination monthly premium (i.e., a person could move from a PPO plan to an EPO plan but not from an EPO plan to a PPO plan). If a qualified beneficiary was enrolled in a medical plan on the day of the termination, his/her COBRA elections must include a medical plan in order for the premium assistance to apply (i.e., a person enrolled in both medical and dental will be eligible for premium assistance on both plans as long as he/she continues enrollment in the medical plan; if he/she drops medical coverage, premium assistance will not be available for the dental plan). Any change made will be in effect starting the first day of the month following notification of the change and ending on the last day of COBRA coverage.

Duration of COBRA premium assistance

Premium assistance is available for COBRA payments made for coverage periods beginning on or after February 17, 2009. Those eligible for premium assistance will receive the reduced COBRA rate for up to 9 monthly coverage periods. If a person's COBRA coverage lasts more than 9 months, he/she will have to pay the full COBRA premium to continue coverage.

Eligibility for premium assistance will end earlier if:

- The individual could be covered by another employer's medical plan (even if such coverage is not elected). Under this scenario, premium assistance will not be available for periods of coverage beginning on or after the first date that the individual could actually be covered (without pre-existing condition exclusions) under the other plan.
- The individual becomes eligible for benefits under Title XVIII of the Social Security Act. Premium assistance would end on the date COBRA coverage ends.
- The individual's right to COBRA coverage expires. Premium assistance would end on the date COBRA coverage ends.

Notification responsibility of COBRA premium assistance recipient

A person receiving premium assistance must notify the Benefit Services Division if/when:

- A qualified beneficiary could be covered by another employer's medical plan (even if such coverage is not elected).
- A qualified beneficiary becomes eligible for benefits under Title XVIII of the Social Security Act.

This notification should be provided on Form BN.

In accordance with ARRA, failure to make proper notification may result in a penalty of 110 percent of the subsidized amount received after eligibility is lost. Other details regarding proper

notification are not available at this time. Please call (602) 542-5008 or (800) 304-3687 if you would like more information regarding your responsibility to notify the Benefit Services Division when a qualified beneficiary becomes eligible for other coverage. You may also visit the Benefit Options website (www.benefitoptions.az.gov) beginning March 26, 2009.

Option to decline premium assistance

A person who is eligible for COBRA premium assistance may choose not to receive it.

Enrolling in COBRA coverage

If you are NOT electing premium assistance

You have 60 days from the date on this notice to elect COBRA coverage (without premium assistance). A COBRA enrollment Form A has been included for your convenience. Complete this form and return it to the Benefit Services Division postmarked no later than 60 days from the date on this notice. Your COBRA coverage will begin at the full premium amount. Premium assistance will not be available to you once it is declined.

If you ARE electing premium assistance (you must be eligible)

You have 60 days from the date on this notice to elect COBRA coverage (with premium assistance). A COBRA enrollment Form B has been included for your convenience. To elect COBRA coverage (with premium assistance), complete Form B and return it to the Benefit Services Division postmarked no later than 60 days from the date on this notice.

You will be notified about your approval status within 30 days of the Benefit Services Division receiving a completed Form B.

Declining COBRA coverage

To decline COBRA coverage (with or without premium assistance), return COBRA enrollment Form B with the "I decline COBRA coverage and premium assistance" option marked. COBRA coverage (with or without premium assistance) will not be available to you once it is declined.

If you fail to return an enrollment form, your right to COBRA coverage (with or without premium assistance) will expire after 60 days from the date on this notice.

How premium assistance may affect your eligibility for other assistance programs

Receiving premium assistance will generally not affect eligibility for other assistance programs.

How premium assistance may affect your taxes (high-income taxpayers only)

This provision affects only those with modified adjusted gross incomes of more than \$125,000 (or \$250,000 for those taxpayers filing a joint return).

For tax purposes, COBRA enrollees who receive premium assistance will be provided with documentation detailing how much premium assistance they received in the tax year. Although this process is still under consideration, the information will likely be supplied on a Form W-2 or Form 1099.

Please refer to the following IRS website to learn more about the tax implications of premium assistance: <http://www.irs.gov/newsroom/article/0,,id=205370,00.html>

Additional information

If you have any questions related to COBRA (including premium assistance), please contact:

Samantha Roberts
Arizona Department of Administration - Benefit Services Division
100 N. 15th Avenue, #103
Phoenix, AZ 85007
(602) 542-5008 or (800) 304-3687

This plan is administered by:

Arizona Department of Administration - Benefit Services Division
100 N. 15th Avenue, #103
Phoenix, AZ 85007
(602) 542-5008

Examples of how COBRA premium assistance will be administered will be available on the Benefit Options website (www.benefitoptions.az.gov) beginning March 26, 2009.

Sincerely,

Samantha Roberts
COBRA Analyst

****NOTICE REGARDING YOUR LIFE INSURANCE POLICY****

You may be eligible to continue life insurance coverage through portability or conversion. For more information, visit www.standard.com/mybenefits/arizona/ and click on the “Employee/Beneficiary Forms” link (top left-hand corner of the page). You may also call Standard Insurance Company Continued Benefits at 866-440-4846.