

**Model Continuation Coverage Notice to Policyholder
(For use by Insurer to the Policyholder)
(with Special Provision for American Rescue Plan Act Continuation Coverage Election
from April 1, 2021 through September 30, 2021)**

[Enter date of notice]

Dear [Identify Policyholder]:

This notice contains important information about your group health plan policy # [fill in identifying information] (the Plan). It contains important information about the rights of your employees to continue the health care coverage they have through the Plan, as well as other health coverage options that may be available to them, including coverage through Pennie™. It also contains a special provision for electing continuation coverage. Please read the information contained in this notice very carefully.

Act 2 of 2009 is a law in Pennsylvania that requires group health insurance (hospital, surgical or major medical) policies issued to groups that have 2 to 19 employees on a typical business day during the preceding year to provide continuation coverage for members of the group who are terminated from coverage under the policy. This coverage is sometimes referred to as “mini-COBRA”, since it is similar to the federal COBRA benefits available to persons in larger employer groups.

Who is covered: Employees and eligible dependents who have been continuously insured under the group policy or for similar benefits under any group policy which it replaced, during the entire three-month period ending with the employee’s termination. Continuation coverage is not available for anyone covered under the policy who is covered or is eligible for coverage under Medicare; who fails to verify that he is ineligible for employer-based group health insurance as an eligible dependent; or is or could be covered by any other insured or uninsured group health coverage arrangement and under which the person was not covered immediately prior to such termination (this last condition excludes Medical Assistance and CHIP).

What benefits will be available under the continuation coverage: The same hospital, surgical or major medical benefits provided to everyone else under the Plan.

How will an employee be notified of their right to elect continuation coverage: Within 30 days of a qualifying event, the employer of a covered employee must notify the employee of his right to elect continuation coverage under Act 2. The Pennsylvania Insurance Department and the Pennsylvania Department of Labor & Industry have a **model notice (link)** available on their websites for the employer’s use in notifying the employee. The employer must also give notice to the administrator of the Plan (if other than the employer) and the insurer.

How will an employee or eligible dependent elect coverage: Within 30 days of receiving notice of his right to elect continuation coverage, each covered employee or eligible dependent must notify the administrator of the Plan (which may be the employer) of their election of coverage. The notice the employer gives to the employee of their right to elect continuation coverage will have the details for making this election. If an eligible dependent makes an election to continue coverage, that election will operate as an election by any other eligible dependent who would otherwise lose coverage as a result of the qualifying event.

What is a qualifying event: The termination of a covered employee’s employment which results in a loss of coverage, including: termination of the employment (other than by reason of the employee’s gross misconduct); reduction of hours of the covered employee’s employment; death of the covered employee;

divorce or legal separation of the covered employee from the eligible dependent; the covered employee becoming entitled to Medicare; a dependent child ceasing to be a dependent child under the terms of the Plan; the employer's Chapter 11 bankruptcy proceeding (elimination of coverage with respect to an eligible dependent within one year before or after the date of commencement of the bankruptcy proceeding).

How much will continuation coverage cost: The premium for the continuation coverage may not be more than 105% of the group rate due on the due date of each payment. Payments must be made monthly. Employers are not required to contribute to the deductible of a health savings account or medical spending account after the termination date as long as scheduled payments have been made.

When will continuation coverage start: Coverage will start as of the date of the qualifying event or the end of coverage as a member of the group.

When will continuation coverage end: Coverage will terminate when the employee or eligible dependent is no longer eligible for the coverage (see "who is covered" above); or the first of the following: 9 months after coverage terminated as a member of the group because of the qualifying event; the end of the period for which the covered person paid premium, if the covered person fails to make timely payment of premium; or the date the group policy is terminated. Note that if an employee or eligible dependent is no longer eligible for the coverage, he must notify the administrator within 14 days of the triggering event.

Will Pennie™ coverage be available to covered employees or eligible dependents at the end of the continuation coverage period? Covered employees and eligible dependents are entitled to obtain a policy through Pennie™ through a Special Enrollment Period following termination of the mini-COBRA continuation coverage period. You may be eligible for financial help to lower the cost of health coverage and care through Pennie™.

Special note regarding federal premium assistance:

The federal American Rescue Plan Act of 2021 (ARP) provides temporary premium assistance for continuation coverage premium. Premium assistance is available to certain individuals who are eligible for continuation coverage due to a qualifying event that is a reduction in hours or an involuntary termination of employment. If an individual qualifies for premium assistance under ARP, they need not pay any of the continuation coverage premium otherwise due to the Plan. This premium assistance is available from April 1, 2021 through September 30, 2021. If the employee or dependent continues their Mini-COBRA continuation coverage beyond September 30, 2021, the employee or dependent may have to pay the full amount due.