

**Model Mini-COBRA Continuation Coverage Notice to Employer/Policyholder
(For use by Insurer to the Employer/Policyholder)**

Date of Notice:

Dear _____:

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 and their eligible dependents to continue the health care coverage they have through the Plan. This notice also contains important information about other health coverage options that may be available to them, including coverage through Pennie®. Please read the information contained in this notice very carefully.

Pennsylvania has a Mini-COBRA law that requires group health insurance (hospital, surgical or major medical) policies issued to small groups that to provide continuation coverage for members of the group who are terminated from coverage under the policy. A small group for purposes of this law has 2 to 19 employees on a typical business day during the preceding year. 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: Mini-COBRA is available to 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.

Mini-COBRA continuation coverage is not available for anyone who:

- Is covered or is eligible for coverage under Medicare.
- Fails to verify that they are ineligible for employer-based group health insurance as an eligible dependent.
- 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 does not include Medical Assistance or CHIP; if a person is eligible for either of those programs, but not enrolled, that does not prevent them from being eligible for Mini-COBRA.)

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 their right to elect continuation coverage under Act 2. The Pennsylvania Insurance Department and the Pennsylvania Department of Labor & Industry have a model notice 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 their 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: A qualifying event is an event that would result in the loss of coverage for the covered employee or eligible dependent, including:

- Death of the covered employee.
- Termination of employment (either voluntary or involuntary, but not for the employee's gross misconduct).
- Reduction in hours.
- Divorce or legal separation.
- Covered employee's eligibility for Medicare.
- Dependent child ceasing to be dependent.
- Chapter 11 bankruptcy of the employer (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. This amount is comprised of up to 100% of the premium, and up to 5% for administration. The former employee's 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.

How medical spending accounts such as health savings accounts (HSAs) and health reimbursement accounts (HRAs), medical expense reimbursement accounts (MERPs), and flexible spending accounts (FSAs) are treated: The Mini-COBRA law does not exclude medical spending accounts. However, if you have made all scheduled payments prior to the employee's termination of employment, you have no ongoing requirement to contribute to the account. For purposes of determining whether you have made all scheduled payments, you as the employer must satisfy all rules, including comparable contribution and nondiscrimination rules, applicable to the medical spending account.

Note: any employer funding its employees' medical spending accounts on an irregular basis should look carefully to assure that it is satisfying all laws applicable to the spending accounts, since funding on an irregular basis may run afoul of comparable contribution and nondiscrimination rules, and possibly other rules as well.

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
- The date the group policy is terminated.

Note that if an employee or eligible dependent is no longer eligible for the coverage, they must notify the administrator within 14 days of the triggering event.

Will Pennie® coverage be available to covered employees or eligible dependents as an option instead of Mini-COBRA continuation coverage? Yes, covered employees and eligible dependents are entitled to obtain a policy through Pennie® through a Special Enrollment Period due to termination of their group coverage. Your former employee or their eligible dependents may find Pennie® coverage to be more affordable than Mini-COBRA; most people who enroll in coverage through Pennie® are eligible for premium assistance, and some are also eligible for cost-sharing reductions. Once they select Mini-COBRA, however, they may not switch to Pennie® coverage until either (1) the next Pennie® Open Enrollment Period or (2) a Special Enrollment Period following termination of the mini-COBRA continuation coverage period.