

# PEBTF

## Pennsylvania Employees Benefit Trust Fund

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## **IMPORTANT NOTICE OF COBRA CONTINUATION COVERAGE RIGHTS**

### **FOR RETIREES AND COVERED DEPENDENTS UNDER THE RETIRED EMPLOYEES HEALTH PROGRAM (REHP) ADMINISTERED BY THE PENNSYLVANIA EMPLOYEES BENEFIT TRUST FUND (PEBTF)**

#### **What is COBRA Continuation Coverage?**

A federal law passed in 1986, titled the Consolidated Omnibus Budget Reconciliation Act (COBRA), requires that employees and their families covered under most group health plans be offered the opportunity for temporary extension of health coverage (known as COBRA continuation coverage) in certain instances where coverage under the plan would otherwise end. This Notice summarizes your rights and obligations under COBRA law. Both you and your spouse/domestic partner (if you have a spouse/domestic partner on your coverage), should read this Notice carefully. For additional information about your rights and obligations under the PEBTF plan of benefits and under federal law, you should refer to your REHP Benefits Handbook or contact the PEBTF at the address or telephone number shown above.

COBRA continuation coverage is temporary self-paid coverage available for retired employees and their enrolled dependents covered by the Retired Employees Health Program (REHP) through the PEBTF when one of the qualifying events listed below occurs which would result in a loss of coverage. Each individual entitled to COBRA continuation coverage because of a qualifying event is referred to as a qualified beneficiary. You do not have to show that you are insurable to elect COBRA continuation coverage.

In considering whether to elect continuation coverage, 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 ends because of the qualifying events listed below. You can also have the same special enrollment right at the end of the continuation coverage if you get continuation coverage for the maximum time available to you.

There may be other coverage options for you and your family. You also may be able to buy coverage through the Health Insurance Marketplace. In the Marketplace, you could be eligible for a new kind of tax credit that lowers your monthly premiums right away, and you can see what your premium, deductibles, and out-of-pocket costs will be before you make a decision to enroll. Being eligible for COBRA does not limit your eligibility for coverage for a tax credit through the Marketplace. For more information about health insurance options available through a Health Insurance Marketplace, visit [www.healthcare.gov](http://www.healthcare.gov).

#### **When is COBRA Continuation Coverage Available?**

COBRA continuation coverage is available to qualified beneficiaries when a qualifying event occurs which would normally end coverage. Qualified beneficiaries who elect COBRA continuation coverage must pay for such coverage.

**A retiree** has a right to elect COBRA continuation coverage if coverage is lost because of:

1. Retiree's disability retirement is rescinded by the proper retirement system.

**A covered spouse/domestic partner of a retiree** has a right to elect COBRA continuation coverage if coverage is lost because of:

1. Retiree's death;
2. Divorce, legal separation from the retiree in anticipation of divorce, or termination of a domestic partnership;
3. Retiree becomes entitled to Medicare benefits (Part A, Part B or both).

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 REHP Plan, 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. 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.

A covered dependent of a retiree has a right to elect COBRA continuation coverage if coverage is lost because of:

1. Parent's death;
2. Parent's divorce, legal separation from the retiree in anticipation of divorce, or termination of a domestic partnership<sup>1</sup>;
3. Dependent's loss of dependent status (for example, over the eligible age); or
4. Parent becomes entitled to Medicare benefits (Part A, Part B or both).

#### **Who Notifies the PEBTF of a Qualifying Event?**

The State Employees' Retirement System (SERS) is responsible for notifying the PEBTF if the qualifying event is the death of the retiree or the loss of disability retirement. **For other qualifying events (divorce, termination of a domestic partnership, or dependent child's losing eligibility for coverage as a dependent) you must notify the PEBTF in writing (to the above address) within 60 days after the event occurs. If you do not notify the PEBTF within that time period any rights to COBRA continuation coverage will be permanently lost.**

#### **How is COBRA Continuation Coverage Provided?**

After the PEBTF receives proper notice of a qualifying event it will send you or your family member(s) an election notice explaining your rights and applicable premium rates for coverage. You have 60 days from the date of the election notice to notify the PEBTF that you wish to elect COBRA continuation coverage. A separate election may be made by each qualified beneficiary eligible for such coverage. Covered retirees may elect coverage on behalf of their spouses/domestic partners, and parents may elect coverage on behalf of their children. **Non-Medicare Retirees:** If you do not timely elect COBRA continuation coverage your coverage under the REHP plan will end on the date of the qualifying event. **Medicare Retirees:** CMS regulations provide for a 21 day notification period before your benefits are terminated. This 21 day notification begins once the PEBTF is notified of the COBRA qualifying event. Termination from the plan will be at the end of the month the 21 day notification period expires.

If you elect COBRA continuation coverage you will be offered coverage which is the same as coverage provided under the plan to similarly situated retirees or family members. Maximum coverage will be up to 36 months when the qualifying event is the death of the retiree, divorce, termination of a domestic partnership or loss of a dependent child's eligibility.

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<sup>1</sup> Under federal law a legal separation is a qualifying event if it causes a loss of coverage. For Pennsylvania residents, however, there is no legal separation recognized in the law. Therefore, mere separation is not a qualifying event entitling the spouse and children to COBRA coverage. There is a requirement, however, that neither an employer nor a covered retiree defeat the COBRA rights of qualified beneficiaries by stopping their health coverage in anticipation of a qualifying event. Thus, while a retiree may remove a spouse/domestic partner and dependents from coverage at any time, and this would not ordinarily be a qualifying event, if the retiree terminates a spouse's/domestic partner's or dependent's coverage in anticipation of divorce/termination of domestic partnership, they do not lose their COBRA rights. The qualifying event, however, is the divorce/termination of domestic partnership and not the separation (which is not recognized as a distinct legal status in Pennsylvania); the date of the qualifying event is the date of divorce/termination of domestic partnership. Spouses/domestic partners are encouraged, in the event of a separation, to contact SERS to confirm that they have not been removed from coverage without their knowledge

When the qualifying event is loss of disability retirement, and the retiree became entitled to Medicare benefits less than 18 months before the qualifying event, COBRA continuation coverage for qualified beneficiaries other than the retiree lasts until 36 months after the date of the Medicare entitlement. (For example, if a covered retiree becomes entitled to Medicare 8 months before the date on which his disability retirement terminates, COBRA continuation coverage for his spouse/domestic partner and children 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, since 36 minus 8 equals 28 months.)

There are two ways in which the 18-month period of COBRA continuation coverage can be extended: (1) a Federal disability extension of the 18-month period to a maximum of 29 months, or (2) a second qualifying event extension of the 18-month period up to a maximum of 36 months.

#### **Disability Extension**

The 18 months may be extended to 29 months if a qualified beneficiary (including a retiree or any dependent who is a qualified beneficiary) is determined by the Social Security Administration to be disabled and the PEBTF is so notified within 60 days of the determination and before the end of the 18-month COBRA continuation coverage period. The disability would have to have started before the 60<sup>th</sup> day of COBRA continuation coverage and must last until the end of the 18-month period of coverage. The affected individual must also notify the PEBTF within 30 days of any subsequent determination that the individual is no longer disabled.

#### **Second Qualifying Event Extension**

If your family experiences another qualifying event (if the second event would have caused the spouse/domestic partner or dependent child to lose coverage under the benefit plan had the first qualifying event not occurred) during the 18 months of COBRA continuation coverage, the spouse/domestic partner and dependent children can get up to 18 additional months of COBRA continuation coverage, for a maximum of 36 months, if notice of the second qualifying event is properly given to the PEBTF. This extension may be available to the spouse/domestic partner and any dependent children if the retiree dies, becomes entitled to Medicare benefits, gets divorced or terminates their domestic partnership, or if the dependent child ceases being eligible under the plan.

#### **Survivor Spouse/Domestic Partner Coverage and COBRA**

If coverage is lost due to the death of a retiree, a survivor spouse/domestic partner has the right to purchase lifetime coverage under the REHP. When informed of the retiree's death, the PEBTF will notify you of this option. Survivor Spouse/Domestic Partner Coverage may be elected by enrolling with SERS and by paying the appropriate premium. The monthly rate for coverage can be deducted from the annuity benefit that you receive. If an annuity is not received, or if the annuity is insufficient to cover the monthly rate, you can be billed a monthly premium. If Survivor Spouse/Domestic Partner Coverage is elected, it will continue until your death or non-payment of premium. You may elect either of the two options COBRA or Survivor Spouse/Domestic Partner Coverage but COBRA is limited to a maximum of 36 months of coverage.

#### **Payment of COBRA Premiums**

The amount of the applicable COBRA premium and due date for payment will be explained in the Election form sent to you. The premium may change during the COBRA period of coverage.<sup>1</sup> You do not have to send any payment for continuation coverage with the Election Form. However, **you must make your first payment for COBRA continuation coverage within 45 days after the date of your first invoice.** The PEBTF will send you coupons (which are sent the first week of the month), and the first coupon will be retroactive to the qualifying event date. This initial invoiced amount will include:

1. The period of coverage from the time your coverage under the Plan would have otherwise terminated up to the time of the billing month after COBRA was elected, and

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<sup>1</sup> Generally, each qualified beneficiary may be required to pay the entire cost of continuation coverage. However, the maximum amount a qualified beneficiary may be required to pay for coverage may not exceed 102 % (or 150 % in the case of an extension of coverage due to a disability) of the cost to the group health plan (including both employer and retiree contributions) for coverage of a similarly situated plan participant or beneficiary who is not receiving COBRA continuation coverage.

2. Any regularly scheduled monthly premium that becomes due between your election and the end of the 45-day period. (If a regular monthly premium is received by the PEBTF prior to payment of this initial invoice amount, and during the 45-day period, the monthly premium will be applied to the initial invoice.)

**If you do not make your first payment for COBRA continuation coverage within 45 days of the date of your first invoice, you will lose all continuation coverage rights under the Plan of Benefits.**

**Premium Due Dates and Grace Period**

All monthly premiums are due by the first of each month. **If you fail to pay the initial premium or any subsequent monthly premium in a timely manner, your coverage will terminate and cannot be reinstated.** After you make your first payment for coverage you will be required to pay for coverage for each subsequent month of coverage and will be given a maximum grace period of 30 days to make each periodic monthly payment. If you fail to make a monthly payment before the end of the grace period for that payment, you will lose all rights to COBRA continuation coverage under the Plan of Benefits.

**Can COBRA Continuation Coverage be Terminated Early?**

Yes. The law provides that COBRA continuation coverage may be terminated prior to the end of the maximum coverage period for any of the following reasons:

1. The Employer no longer provides group health coverage to any of its retirees;
2. The premium for your coverage is not paid timely;
3. You first become covered under another group health plan after the date of election;
4. You become entitled to Medicare after the date of election; or
5. Coverage was extended for up to 29 months due to disability and subsequent determination finds that you are no longer disabled.

If you remain covered at the end of the COBRA period and are not Medicare eligible you may be allowed to convert to an individual health plan.

If you have any questions about COBRA consult your REHP Benefits Handbook or contact the PEBTF at one of the telephone numbers listed on this notice. **If you change your address you must promptly notify the State Employees' Retirement System (SERS) and the PEBTF.** You should also keep a copy of any notices you send to the PEBTF.

**KEEP THIS NOTICE FOR YOUR RECORDS**