

Arizona Board of Regents Flexible Spending Account Plan COBRA Continuation of Coverage Notice

Under a Federal law commonly called COBRA, the Arizona Board of Regents (hereinafter referred to as Us and We) offers employees and their families the opportunity to extend their health care reimbursement coverage under the Arizona Board of Regents Health Care Plan (the Plan) in certain instances when coverage under the Plan would otherwise end. This notice is addressed to you and, if applicable, your spouse and eligible dependents and is intended to inform each of you in a summary fashion of your rights and obligations under the continuation coverage provisions of the law. Both you and eligible family members should take the time to read this notice carefully.

Eligibility

- ◆ You have 60 days from the date of COBRA notification letter to elect coverage.
- ◆ The effective date of your COBRA coverage will be the day following the last day of the period covered by the last premium or contribution paid. You will be responsible for the premiums retroactive to the COBRA effective date.
- ◆ As a dependent, the effective date of your COBRA coverage will be the day following the date your eligibility as a dependent terminates. You will be responsible for the premiums retroactive to the COBRA effective date.
- ◆ If your employment is terminated following a leave without pay status, and you did not pay your premiums for the

leave without pay coverage period, the effective date of your COBRA coverage will be the date following the last day of the period covered by the last premium or contribution paid.

- ◆ If you are an employee with coverage under the Plan, you have a right to choose COBRA coverage if you lose coverage under the Plan because of a reduction in your hours of employment or the termination of your employment, unless it is because of your gross misconduct.
- ◆ If you are an employee's spouse who is covered by the Plan, you are a qualified beneficiary. This means you have a right to make your own choice about COBRA coverage if you lose coverage under the Plan for any of the following reasons:
 - death of your spouse;
 - termination of your spouse's employment (for reasons other than gross misconduct);
 - reduction in your spouse's hours of employment;
 - divorce or legal separation from your spouse; or
 - your spouse becomes entitled to Medicare.
- ◆ If you are an employee's dependent child who is covered by the Plan you are also a qualified beneficiary with the right to continue coverage under COBRA if coverage under the Plan is lost for any of the following reasons:
 - death of the employee (parent);
 - termination of the parent's employment (for reasons other than gross misconduct);
 - reduction in the parent's hours of employment;

- parent's divorce or legal separation;
- the parent becomes entitled to Medicare; or
- the dependent ceases to be a dependent child as defined by the Plan.

How Long COBRA Coverage Lasts

If you lose your coverage under the Plan, you and your eligible family members can maintain COBRA coverage for a maximum period of up to the end of the current Plan Year.

The law also provides that COBRA coverage may end prior to the end of the current Plan Year for any of the following reasons:

- the Employer no longer provides health care reimbursement coverage to any of its employees;
- you do not pay the premium due for your COBRA coverage on time;
- you or one of your covered family members become covered under another health care reimbursement plan that does not contain any exclusions or limitation with respect to any pre-existing condition that you or they may have or, that, by law, may no longer exclude or limit coverage for any of your or their preexisting conditions; or
- you or the qualified beneficiary selecting COBRA coverage becomes entitled to Medicare benefits (under Part A, Part B, or both).

Changing your COBRA Benefits

In order to have the chance to continue health care reimbursement coverage after a divorce, a legal separation, or a child ceasing to be a dependent, the employee and/or the family

member must inform the University Human Resources Office, no later than 60 days after the event. If notice is not received by the end of that 60-day period, the affected spouse or dependent will not be entitled to choose COBRA coverage.

When notified that one of these events has happened, We will give you and/or your covered dependents the information and form needed to elect COBRA coverage. Under the law, you and/or your covered dependents have at least 60 days from the date the coverage is lost due to one of the events described above, to inform Us that you or they want to elect COBRA coverage.

IF YOU DO NOT CHOOSE COBRA COVERAGE WHEN IT IS OFFERED TO YOU, YOUR COVERAGE UNDER THE PLAN WILL END.

How COBRA Works

If you choose COBRA coverage, you will be entitled to the same type of coverage that you had before the event that triggered your loss of coverage. If there is a change in the coverage provided under the Plan to similarly situated employees and their families, that same change will be made in your COBRA coverage. If you choose COBRA coverage, you must pay for it, as explained in this notice.

Paying for COBRA Coverage

If you become entitled to COBRA coverage, by law you must pay all of the cost of your COBRA coverage. You are charged the full amount of the cost for similarly situated employees and their families, plus an additional 2% administrative fee.

Payment Schedule

If you elect COBRA coverage, you do not have to send any payment with the Election Form. However, you must make your first payment for continuation coverage not later than 45 days after the date of your election (the date the Election form is postmarked). If you do not make your first payment for continuation coverage in full within 45 days after the date of your election, you will lose all COBRA coverage rights under the Plan. You are responsible for making sure that the amount of your first payment is correct.

THE PLAN WILL NOT BE ABLE TO CONFIRM THAT YOU ARE ENTITLED TO BENEFITS UNDER THIS PLAN UNTIL YOUR PREMIUM HAS BEEN RECEIVED.

After you make your first payment for continuation coverage, you will be required to make periodic payments for each subsequent coverage period. The periodic payments can be made on a monthly basis. Under the Plan, each of these periodic payments for continuation coverage is due on the 1st day of the month for that coverage period. If you make a periodic payment on or before the first day of the coverage period for which it applies, your coverage under the plan will continue for that coverage period without any break. The Plan will not send periodic notices of payments due for these coverage periods.

Although periodic payments are due on the dates shown above, you will be given a grace period of 30 days after the first day of the coverage period to make each periodic payment. Your continuation coverage will be provided for each coverage period as long as

payment for that coverage period is made before the end of the grace period for that payment.

Questions

Please contact your University Human Resources office with any questions regarding COBRA coverage.