

MICHIGAN CIVIL SERVICE COMMISSION
Employee Benefits Division

COBRA NOTICE

Subject: COBRA - Continuation of Group Insurances
Date: May, 2009
To: All State of Michigan Employees, Spouses, and Dependent Children

IMPORTANT NOTICE
Retain for Future Reference

Your rights to continue state-sponsored group insurances when coverage would otherwise be lost:

Who should read this notice: Employees, spouses, and dependent children.

Several different events may trigger the loss of insurance coverages for employees (e.g. separation, leave, layoff, reduction of hours), spouses (e.g. divorce, death of employee), or dependent children (e.g. age 19 or older and not regularly attending school, reaching age 25, or marriage).

If you (employee, spouse, or dependent child) should lose eligibility for State-sponsored group health/HMO, dental, or vision insurances, you may be eligible to continue these coverages for a period of time by paying the full premium directly to the State of Michigan. This full premium will include the amount previously paid as the "Employee's Share" plus the "State's Share" and, in some cases, an additional 2% service fee. You may also be eligible to continue your Life Insurance coverage if you are on a leave of absence or layoff from State Service.

Eligibility Requirements for Continuation of Insurances

Your rights to and obligations concerning continued State-sponsored group insurance are contained in federal COBRA law, collective bargaining agreements and/or Civil Service Commission policy.

Benefits under any continued coverage will be the same as for actively working employees. You can choose to continue all, some, or none of the coverages you carried the day before eligibility was lost; however, you cannot add more insurance plans or dependents than were covered at that time. You may only choose the same insurance plan that you were previously enrolled in. You will have the option to choose a different plan during the annual open enrollment period.

In general, the type, cost, and length of time that coverage can be continued is based on the following:

- The reason your coverage was lost (called the "qualifying event");
- Whether you are the employee, the spouse, or the employee's child; and,
- Your bargaining unit (if you are an employee).

Family Medical Leave Act (FMLA)

Family Medical Leave Act (FMLA) of 1993 provides eligible employees the right to take an unpaid or paid leave of absence for up to 12 weeks for their personal illness, for the care of a spouse, dependent child, or the employee's parents. Employees on an FMLA leave are entitled to continue coverage for health, dental, and vision insurance. The employee continues to pay his/her bi-weekly share of the insurance premium and the State continues to pay the State's share of the bi-weekly insurance premium.

If the employee is on medical leave of absence for their personal illness and is receiving long term disability (LTD) benefits, the LTD rider will pay 100 percent of the health insurance premium for up to six months. If this LTD leave of absence also qualifies as an FMLA leave, the employee will also be able to continue dental and vision insurance by paying just the employee share of the bi-weekly premium for up to 12 weeks.

In either case, if the employee chooses to continue the insurance coverage, the employee can choose to have the employee share of the bi-weekly premiums taken from their paycheck prior to the leave, or when the employee returns from the leave. Employees can also choose to send in payments for the employee share of the bi-weekly premium.

For more information on FMLA, please consult MI HR Information at www.michigan.gov/selfserv.

Criteria for Continuation of Group Insurance Coverages for Employees

If you are an employee of the State of Michigan, you can choose to continue your group Health Plan or Health Maintenance Organization (HMO), dental, and vision plans for 18 months if you lose coverage due to:

- A reduction in your hours of employment, or
- The termination of your employment for any reason except gross misconduct.

If you are an employee on a layoff or leave of absence, you can continue your group health/HMO, dental, vision, and life insurance plan coverages for the period specified in your union contract or Civil Service pay regulations. Contact the MI HR Service Center, your Human Resource Office, Union Representative or see your union contract for details. If you are on a reduction-in-force layoff, you may be able to pre-pay the "employee's share" of your bi-weekly premium(s) covering the first two pay periods after layoff by having such premiums deducted from your last paycheck. The State will then contribute the State's share. This four-week "pre-pay period" will not extend the time period allowed for the continuation of active coverage(s) under the Continued Group Insurance System (CGIS).

If you are a disabled employee and you are receiving LTD benefits, then a rider on the policy will pay your health/HMO premiums while you are receiving LTD Plan benefits, up to a maximum of six months. When LTD rider benefits end, you can still continue your health/HMO coverage by paying the full premium yourself. The LTD rider does not pay dental and vision premiums.

In addition, if you are receiving benefits from the LTD Plan, Workers' Compensation, Social Security Disability or State Disability Retirement, your employee and dependent life insurance benefits will be continued during your disability, at no charge to you, under the State Waiver of Premium Benefit.

If you are a State employee married to a State employee and you are going off payroll, you have the following options. You may transfer your coverages to your spouse before going off payroll OR you may use your LTD rider benefit and then pay direct for your insurance premiums when the LTD rider benefit terminates. You may also exhaust the LTD rider benefit and then transfer to your spouse's insurance coverage to avoid making the direct premium payment.

Criteria for Continuation of Group Insurance Coverages for Spouses

If you are the spouse of an employee covered by the health/HMO, dental, or vision insurances, you may continue your own coverage(s) for the time specified below for any of the following reasons:

- The termination of your spouse's employment for reasons other than gross misconduct (18 months);
- The reduction in your spouse's hours of employment (18 months);
- The death of your spouse (36 months);
- Divorce from your spouse (36 months); or
- Legal separation from your spouse if it results in the loss of insurance coverage (36 months).

Criteria for Continuation of Group Insurance Coverages for Children

If you are the dependent child of an employee covered by the group health/HMO, dental, or vision insurances, you may continue your own coverage(s) for the time specified below for any of the following reasons:

- The termination of your parent's State employment for reasons other than gross misconduct (18 months);
- The reduction in your parent's hours of employment (18 months);
- The death of your State-employed parent (36 months);
- Your parents' divorce or legal separation, if this results in the loss of your insurance coverage (36 months); or
- If you no longer qualify as a dependent child because of your age, living situation, school enrollment status, marriage, etc. (36 months).

The Application and Billing Process

The employee or affected family member must notify the MI HR Service Center* within 60 days of the date of a divorce, legal separation, or when a dependent child is no longer eligible and request that an Application for Continuation of Insurances be sent to your dependent.

You will be sent an election notice and an election form upon notification that you have experienced a qualifying event. If you wish to continue any coverage(s), complete the election form as soon as possible, but no later than the due date on the form. Mail it directly to the Michigan Civil Service Commission, Employee Benefits Division, P. O. Box 30002, Lansing, MI 48909.

If you do not submit your election form within 60 days from the date on the election form, your group insurances will remain cancelled and you will forfeit your rights to continuation of coverage under COBRA.

You will be sent monthly invoices requiring payment in advance on a monthly basis for any coverage you choose to continue. Continuation coverages will be provided only after the premium payment is fully and timely made. If you wish to change your mix of coverages, you can do so during special COBRA open enrollment periods, even if you are continuing coverages because of a leave of absence or layoff and have a current paid through date.

If you are continuing coverage because of a termination of employment or reduction in hours, and a different type of qualifying event occurs during the 18-month continuation period, your continuation time can be extended to 36 months from the date of the original qualifying event.

Here is a summary of the maximum continuation time periods:

<u>Qualifying Event</u>	<u>Continuation Period</u>
Termination or Reduction in Hours	18 months
Death of Employee	36 months
Divorce/Legal Separation	36 months
Dependent Child No Longer Eligible	36 months
Layoff or Leave of Absence	Consult your Union Contract
NERE's Layoff	36 months Health & Life; 18 months Dental & Vision
NERE's Leave of Absence	18 months (12 months for Life)

Further Extending COBRA Continuation Coverage

If you elect continuation coverage, an extension of the maximum period of coverage may be available if a qualified beneficiary is disabled or a second qualifying event occurs. You must notify the Employee Benefits Division of a disability or a second qualifying event to extend the period of continuation coverage. Failure to provide notice of a disability or second qualifying event may affect the right to extend the period of continuation coverage.

Disability. An 11-month extension may be available if any of the qualified beneficiaries is determined under the Social Security Act (SSA) to be disabled. The disability must have started on or before the 60th day of COBRA continuation coverage and must last at least until the end of an 18-month period of continuation coverage. Each qualified beneficiary who has elected continuation coverage may be entitled to the 11-month disability extension if qualifying. If the qualified beneficiary is determined to no longer be disabled under the SSA, you must notify the Plan of that fact within 30 days after that determination.

Second Qualifying Event. An 18-month extension of coverage may be available to spouses and dependent children who elect continuation coverage if a second qualifying event occurs during the first 18 months of continuation coverage. The maximum amount of continuation coverage available when a second qualifying event occurs is 36 months. Such second qualifying events include the death of a covered employee, divorce or legal separation from the covered employee, the covered employee's becoming entitled to Medicare benefits, or a dependent child's becoming ineligible for coverage as a dependent. These events can be a second qualifying event only if they would have caused the qualified beneficiary to lose coverage under the Plan if the first qualifying event had not occurred. You must notify the Plan within 60 days after a second qualifying event occurs to extend your continuation coverage.

Eligibility for Continuation of Insurance Ends If:

- You do not pay the full premium for your continued coverage(s) by the due date;
- You become covered, as an employee, under another group health plan;
- You become covered under your new spouse's group health plan;
- You become entitled to Medicare; or
- The State of Michigan no longer provides group health coverages to any of its employees or their dependents.

If you are entitled to Medicare at the time of your qualifying event, you may continue coverage under COBRA; however, Medicare will be primary. This will be true even if you are only enrolled in Medicare Part A. If you are on a

leave of absence or layoff, your current health plan is primary until you separate from employment or are covered by retirement.

Special Premium Assistance for Involuntarily Terminated Employees

Under recent changes to federal law, if you are involuntarily terminated between September 1, 2008 and December 31, 2009, you are eligible for up to nine calendar months of payment assistance for medical (health, dental, and vision) insurance continuation. Premium assistance is not available for life insurance. During a period of premium assistance, you will only need to pay **35 percent** of the standard continuation premium cost for the first nine months of medical insurance continuation; for any remaining period of continued coverage after nine months, you must pay the full standard premium cost for continued coverage. Employees who are eligible for continued coverage based on a qualifying event other than an involuntary termination **are not eligible** for premium assistance during any continued coverage. Failure to reply within 60 days of your involuntary termination will result in the loss of eligibility for this continued coverage. More information on the premium assistance benefit is at <http://www.dol.gov/ebsa/cobra.html>.

Employees receiving premium assistance must promptly notify the MI HR Service Center if they are ever eligible for enrollment in Medicare or another group health plan because employees are no longer eligible for premium assistance. Failure to promptly notify the MI HR Service Center will result in a penalty of 110 percent of any improperly received premium assistance.

Options for Conversion Coverage

If you do not wish to pay COBRA continuation coverage while you are on leave of absence, layoff, separated from employment, an ineligible child, or a divorced spouse, you have the option to apply for a "non-group" conversion policy directly to your health insurance carrier (BCBSM or HMO). Although the benefits will differ from the State-sponsored plans, conversion allows continuing coverage without a lapse, without pre-existing condition restrictions and without you having to prove your insurability. This application must be submitted directly to the insurance carrier within 31 days of your active coverage termination date.

If you are paying for COBRA continuation coverage and you are on a leave of absence or layoff and then are separated from the leave of absence or layoff, you are eligible for a "non-group" conversion policy from the health insurance which you are currently enrolled in at that time.

Upon termination of your COBRA health insurance, you are eligible to apply for a "non-group" conversion policy at that time. If you wish to apply for this non-group conversion policy, you must apply within 31 days of your last paid-to-date through your health insurance carrier. There is no conversion policy for dental or vision insurances.

You also have the option to apply for a "non-group" life insurance policy by contacting your Human Resource Office. You must submit this application within 31 days from your last date of active life coverage.

Whom to Contact

If you have questions about continuing State-sponsored group insurances, please contact the MI HR Service Center* or your Union Representative. Also, please remember to contact the MI HR Service Center* if your marital status, your dependent child's eligibility status, or your mailing address has changed.

**MI HR Service Center
P.O. Box 30002, Lansing, MI 48909
877-766-6447
TDD 517-241-8046
FAX 517-241-5892**

*Secretary of State, Attorney General, Legislative, and Judicial employees should contact their agency Human Resource Offices for assistance.

This document is available upon request in alternative accessible formats to individuals with disabilities. For further information call: (VOICE) 517-373-7977 or (TDD) 517-241-8046.