

GENERAL NOTICE OF COBRA CONTINUATION RIGHTS

The Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”) as it applies to State governmental entities through the Public Health Services Act (“PHSA”) requires most employers with twenty (20) or more employees to offer employees and their families (spouse and/or dependent children) the opportunity to pay for a temporary extension of health coverage (called “continuation coverage”) at group rates in certain instances where health coverage under employer sponsored group health plan(s) would otherwise end. There is no requirement that a person be insurable to elect continuation coverage. However, a person who continues coverage may have to pay all of the premium for the continuation coverage. At the end of the maximum coverage period (described below), individual conversion coverage will be offered if it is otherwise available under the plan.

This notice is intended to inform persons covered under a group health plan, in summary fashion, of their rights and obligations under the continuation coverage provision of this law. It is intended that no greater rights be provided than those required by the law. It does not fully describe continuation coverage or other rights under the plan. For additional information about your rights and obligations under the plan and under federal law, you should review the Plan’s descriptive information or contact the Plan.

This notice covers the following group health plan(s) sponsored by Northfield Public Schools (your “Employer”):

\$1,000 CMM Plan \$1,500 HRA Plan Dental Plan
Section 125 Cafeteria Plan (Flex)

Each person covered under one of these plans should read this notice carefully.

Qualifying Events. Upon the commencement of a “qualifying event” each person that loses coverage has rights as a “qualified beneficiary.”

Qualifying event. A qualifying event is the occurrence of an enumerated event (described below) that results in a loss of coverage under the terms of the group health plan.

Qualifying beneficiary. A qualified beneficiary is the employee, employee’s spouse and/or employee’s dependent children who on the day before the qualifying event was covered under the group health plan. In addition, a child born to or placed for adoption with a qualified beneficiary who was the employee is a qualified beneficiary if he or she was covered under the group health plan on the day before the qualifying event.

Employee Loss. If covered by any of the group health plans described above, the employee has the right to elect continuation coverage if he or she loses coverage under the plan due to termination of employment (other than for gross misconduct) or a reduction in hours of employment.

Spouse’s Loss. If covered by any of the group health plans described above, a spouse has the right to elect continuation coverage if he or she loses coverage under the plan due to any of the following:

- the employee’s termination of employment (other than for gross misconduct) or a reduction in hours of employment
- the employee’s death
- divorce or legal separation from the employee [Please note: If an employee eliminates coverage for his or her spouse from coverage in anticipation of a divorce or legal separation, and a divorce or legal separation later occurs, then the later divorce or legal separation will be considered a qualifying event even though the ex-spouse lost coverage earlier.]
- the employee’s entitlement to (actual coverage under) Medicare.

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Dependent Child's Loss. If covered by any of the group health plans described above, a dependent child has the right to elect continuation coverage if he or she loses coverage under the plan due to any of the following:

- the employee's termination of employment (other than for gross misconduct) or a reduction in hours of employment
- the employee's death
- divorce or legal separation of the employee and the child's other parent
- the employee's entitlement to (actual coverage under) Medicare
- the child ceasing to be a "dependent child" under the terms of the plan.

Employer's Bankruptcy. Rights similar to those described above may apply to retirees (and the spouses and dependents of those retirees), if the employer commences a Chapter 11 bankruptcy proceeding.

Responsibility to Notify. Under the law, the employee or a family member (or a representative acting on behalf of the employee or a family member) has the responsibility to inform the Plan of a divorce, legal separation, or a child losing dependent status under the plan within sixty (60) days of the latest of: (1) the date of the qualifying event; (2) the date coverage would be lost because of the qualifying event; or (3) the date on which the qualified beneficiary was informed of the responsibility to provide the notice and the procedures for doing so. The notice must be provided in writing and be mailed to the Plan at the address listed below. The notice must include: (1) date of the qualifying event; (2) the qualifying event.

Also, an employee or any family member (or a representative acting on behalf of the employee or a family member) must notify the Plan when a qualified beneficiary has been determined to be disabled under the Social Security Act within sixty (60) days of the latest of: (1) the date of the disability determination; (2) the date of the qualifying event; (3) the date coverage would be lost because of the qualifying event; or (4) the date on which the qualified beneficiary was informed of the responsibility to provide the notice and the procedures for doing so. [Notwithstanding the foregoing, the notice must be provided before the end of the first eighteen (18) months of continuation coverage.] The notice must be provided in writing and be mailed to the Plan at the address identified below. The notice must include: (1) date of the qualifying event; (2) the qualifying event.

If such person has been determined under the Social Security Act to no longer be disabled, the person must notify the Plan of that determination within thirty (30) days of the later of: (1) the date of such determination; or (2) the date on which the qualified beneficiary was informed of the responsibility to provide the notice and the procedures for doing so. The notice must be provided in writing and be mailed to the Plan at the address identified below.

Failure to provide timely notice ends the right to COBRA continuation coverage.

Election Rights. When a qualifying event occurs, or the Plan is notified that a qualifying event has occurred in the case of those events in which the employee has an obligation to provide notice, the Plan must notify the qualified beneficiaries of the right to elect continuation coverage. Under the law, qualified beneficiaries have at least sixty (60) days to elect continuation coverage measured from the later of (1) the date coverage would be lost because of a qualified event, or (2) the date a notice of election rights is provided. An election is considered "made" on the date sent. If continuation coverage is elected within this period, the coverage is retroactive to the date coverage would otherwise have been lost. If continuation coverage is not elected within this period, coverage under the Plan ends. Each qualified beneficiary has an independent right to elect continuation coverage. However, a third person can elect continuation coverage on behalf of a qualified beneficiary.

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Duration. The law requires that qualified beneficiaries be allowed to maintain continuation coverage as follows:

Eighteen (18) Months. If the qualifying event is the employee's termination of employment (other than for gross misconduct) or a reduction in hours of employment, the continuation period is eighteen (18) months measured from the date of the coverage would otherwise be lost because of the qualifying event.

Disability Extension. The eighteen (18) month continuation period may be extended to twenty-nine (29) months where a qualified beneficiary receives a determination under the Social Security Act that at the time of the employee's termination of employment or reduction of hours, or within sixty (60) days of the start of the eighteen (18) month continuation period, the qualified beneficiary was disabled. The extension is available to all qualified beneficiaries in the family group.

Pre-Qualifying Event Medicare Extension. The eighteen (18) month continuation period may be extended if the employee became entitled to (actually covered under) Medicare prior to the employee's termination of employment (other than for gross misconduct) or a reduction in hours. Qualified beneficiaries other than the employee are entitled to the greater of (1) eighteen (18) months measured from the qualifying event, or (2) thirty-six (36) months measured from the date of the employee's Medicare entitlement.

Thirty-six (36) Months. For qualifying events other than termination of employment (other than for gross misconduct) or a reduction in hours, the continuation period is 36 months measured from the date of the date coverage would otherwise be lost because of the qualifying event.

Second Qualifying Events. If during the initial eighteen (18) month continuation period a second qualifying event occurs (e.g., divorce or legal separation, death of employee, loss of dependent status), the continuation period for the particular qualified beneficiary is extended to thirty-six (36) months. Under no circumstances may the total continuation period be greater than thirty-six (36) months from the date of the original qualifying event that triggered the continuation coverage.

Type of Coverage. Initially, the coverage will be the same coverage as immediately preceding the qualifying event. Thereafter, coverage must be identical to the coverage provided to similarly situated employees or family members that have not experienced a qualifying event. Qualified beneficiaries who have elected COBRA will be given the same opportunity available to similarly situated active employees to change their coverage options or to add or eliminate coverage for dependents at open enrollment. In addition, special enrollment rights under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") will apply to those who have elected COBRA.

Cost. A person electing continuation coverage may be required to pay all or part of the cost of continuation coverage. You will receive additional information regarding the cost requirements following the occurrence of a qualifying event. The amount charged cannot exceed 102% of the cost to the plan of providing the coverage. The amount may be increased to 150% for the months after the eighteenth (18th) month of continuation coverage when the additional months are due to a disability under the Social Security Act. Payment is generally due monthly. Payment is considered "made" on the date sent.

Pre-Mature Ending. The law provides that continuation coverage shall automatically end for any of the following reasons:

- the Employer no longer provides group health coverage to any of its employees;
- the premium for continuation coverage is not paid on time (including any applicable grace period);

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- after electing COBRA, the qualified beneficiary becomes covered under another group health plan (as an employee or otherwise) that has no exclusion or limitation with respect to any preexisting condition that you have. If the other plan has applicable exclusions or limitations, then COBRA coverage terminates after the exclusion or limitation no longer applies (for example, after a twelve (12) month preexisting condition waiting period expires). [Please note that under HIPAA, an exclusion or limitation of the other group health plan might not apply at all, depending on the length of the qualified beneficiary's creditable coverage prior to enrolling in the other group health plan.]
- after electing COBRA coverage, the qualified beneficiary becomes entitled to (actually covered under) Medicare.
- with respect to disability extension coverage, a final determination that the qualified beneficiary is no longer disabled. [This cuts short the coverage for all qualified beneficiaries with extended coverage.]
- termination for cause under the generally applicable terms of the group health plan (e.g., submission of fraudulent benefit claims).

Insurability & Conversion. A qualified beneficiary does not have to demonstrate insurability to elect continuation period. At the conclusion of the available continuation coverage, there must be an opportunity to convert to individual coverage if such coverage is offered under the plan.

Trade Act of 2002. Pursuant to the Trade Act of 2002, certain employees and former employees who are receiving trade adjustment assistance ("TAA") may be eligible for a special second COBRA election and a tax credit for premiums paid for continuation coverage. TAA is generally available to those employees who have lost their jobs or suffered a reduction in hours because of import competition and shifts in production to other countries. If you are potentially eligible for these rights under the Trade Act, you will receive additional information regarding it at the time of your qualifying event.

Uniformed Services Employment and Reemployment Rights Act ("USERRA"). Employees covered by the health plans described above who are absent from employment due to military service have additional rights to continue coverage for themselves, their spouses and dependants under USERRA. Generally, the rights to continuation coverage provided under USERRA are similar to the rights provided by COBRA. If you are covered by USERRA, you will receive additional information regarding your rights at the time of a qualifying event.

Address Changes: Important information is distributed by mail. In order to protect your family's rights, if a qualified beneficiary's address changes, the qualified beneficiary or someone on his/her behalf should notify the Plan immediately.

More Information: All questions, notices, and other communications regarding COBRA and the Plan should be directed to: Andrea Nelson-Walker, 1400 Division St. S., Northfield, MN 55057. 507-645-3406.

OR

Julie Feiker, Plan Source, 5320 West 23rd St., Suite 350, Minneapolis, MN 55416, 952-737-6047

THIS NOTICE OF CONTINUATION RIGHTS IS FOR COBRA (FEDERAL LAW) PURPOSES ONLY.