

# Initial Notice of Continuation Coverage Rights Under COBRA

To: Participants and Spouses Covered Under One or More of the Following Plans: IMA Health Plan, IMA Dental Plan, IMA Vision Plan, and IMA Health Care Spending Account Plan (the “Plan”)

## Introduction

You are receiving this notice because you have recently become covered under a group health plan (the Plan). This notice contains important information about your right to COBRA continuation coverage, which is a temporary extension of coverage under the Plan. **This notice generally explains COBRA continuation coverage, when it may become available to you and your family, and what you need to do to protect the right to receive it.** When you become eligible for COBRA, you may also become eligible for other coverage options that may cost less than COBRA continuation coverage.

The right to COBRA continuation coverage was created by a federal law, the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”). COBRA continuation coverage can become available to you and other members of your family when group health coverage would otherwise end. For more information about your rights and obligations under the Plan and under federal law, you should review the Plan’s Summary Plan Description or contact the Administrator.

**You may have other options available to you when you lose group health coverage.** For example, you may be eligible to buy an individual plan through the Health Insurance Marketplace. By enrolling in coverage through the Marketplace, you may qualify for lower costs on your monthly premiums and lower out-of-pocket costs. Additionally, you may qualify for a 30-day special enrollment period for another group health plan for which you are eligible (such as a spouse’s plan), even if that plan generally doesn’t accept late enrollees.

## What is COBRA continuation coverage?

COBRA continuation coverage is a continuation of Plan coverage when coverage would otherwise end because of a life event known as a “qualifying event.” Specific qualifying events are listed later in this notice. After a qualifying event, COBRA continuation coverage must be offered to each person who is a “qualified beneficiary.” You, your spouse, and your dependent children could become qualified beneficiaries if coverage under the Plan is lost because of the qualifying event. Under the Plan, qualified beneficiaries who elect COBRA continuation coverage must pay for COBRA continuation coverage.

## Qualifying Events

If you are an employee, you will become a qualified beneficiary if you lose your coverage under the Plan because either one of the following qualifying events happens:

- Your hours of employment are reduced; or
- Your employment ends for any reason other than your gross misconduct.

If you are the spouse of an employee, you will become a qualified beneficiary if you lose your coverage under the Plan because any of the following qualifying events happens:

- Your spouse dies;
- Your spouse’s hours of employment are reduced;
- Your spouse’s employment ends for any reason other than his or her gross misconduct;
- Your spouse becomes enrolled in Medicare (under Part A, Part B, or both); or

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- You become divorced or legally separated from your spouse.

Your dependent children will become qualified beneficiaries if they lose coverage under the Plan because any of the following qualifying events happens:

- The parent-employee dies;
- The parent-employee's hours of employment are reduced;
- The parent-employee's employment ends for any reason other than his or her gross misconduct;
- The parent-employee becomes enrolled in Medicare (under Part A, Part B, or both);
- The parents become divorced or legally separated; or
- The child stops being eligible for coverage under the Plan as a "dependent child."

## When COBRA Continuation Coverage is Available

The Plan will offer COBRA continuation coverage to qualified beneficiaries only after the Administrator has been timely notified that a qualifying event has occurred. The employer must notify the Plan Administrator of the following qualifying events:

- The end of employment or reduction of hours of employment;
- Death of the employee; or
- The employee's becoming enrolled in Medicare (under Part A, Part B, or both).

## A Qualified Beneficiary Must Give Written Notice of Some Qualifying Events

For all other qualifying events (divorce or legal separation) of the employee and spouse or a dependent child's losing eligibility for coverage as a dependent child), a qualified beneficiary must provide written notice of the qualifying event to the Administrator within 60 days after the qualifying event occurs, using the notice procedures specified below. If written notice of the qualifying event is not provided to the Administrator within this 60-day period, a spouse or dependent child that would otherwise lose coverage under the Plan will not be given the opportunity to continue coverage under the Plan.

## How COBRA Continuation Coverage is Provided

Once the Administrator receives notice that a qualifying event has occurred, COBRA continuation coverage will be offered to the qualified beneficiaries who are recognized by the Plan as being entitled to elect COBRA continuation coverage with respect to the qualifying event. Each qualified beneficiary will have an independent right to elect COBRA continuation coverage. A covered employee or a qualified beneficiary that is (or was) the spouse of the covered employee may elect COBRA continuation coverage on behalf of all other qualified beneficiaries with respect to the qualifying event. In addition, a parent or legal guardian may elect COBRA continuation coverage on behalf of a minor child.

NOTE: If a qualified beneficiary does not elect continuation coverage within the 60-day election period, the qualified beneficiary will lose his or her right to elect continuation coverage.

## Length of COBRA Continuation Coverage

COBRA continuation coverage is a temporary continuation of coverage. When the qualifying event is the death of the employee, the employee's becoming enrolled in Medicare (under Part A, Part B, or both), your divorce or legal separation), or a dependent child's losing eligibility as a dependent child under the Plan, COBRA continuation coverage may last for up to a total of 36 months after the date of the qualifying event.

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When the qualifying event is the end of employment or reduction of the employee's hours of employment and the employee became enrolled in Medicare less than 18 months before the qualifying event, COBRA continuation coverage for qualified beneficiaries other than the employee may last for up to 36 months after the date of enrollment in Medicare. For example, if a covered employee becomes enrolled in Medicare 8 months before the date on which his employment terminates, COBRA continuation coverage for his spouse and children can last up to 36 months after the date of Medicare enrollment, which is equal to 28 months after the date of the qualifying event (36 months minus 8 months).

When the qualifying event is the end of employment or reduction of the employee's hours of employment, COBRA continuation coverage generally lasts for only up to a total of 18 months after the date of the qualifying event. There are two ways in which this 18-month period of COBRA continuation coverage can be extended.

## Disability Extension of 18-Month Period of Continuation Coverage

If any qualified beneficiary is determined under the Social Security Act to be disabled and a qualified beneficiary provides timely written notice of the disability to the Administrator, all qualified beneficiaries receiving COBRA continuation coverage with respect to the same covered employee may be entitled to receive up to 11 additional months of COBRA continuation coverage, for a total maximum of up to 29 months after the date of the qualifying event. The disability must begin at some time on or before the 60th day of COBRA continuation coverage, and the disability must last at least until the end of the first 18 months after the date of the qualifying event. In general, a qualified beneficiary giving notice of a disability must provide written notice of the Social Security Administration's (SSA's) determination to the Administrator within 60 days after the latest of (i) the date of the SSA's determination, (ii) the date of the qualifying event, or (iii) the date the qualified beneficiary loses (or would lose) coverage under the Plan as a result of the qualifying event. In all events, a qualified beneficiary must give notice of a disability before the end of the first 18 months after the date of the qualifying event. The qualified beneficiary must follow the notice procedures specified below (see "Notice Procedures"). Notice must be given to the Administrator at the address listed below (see "Plan Contact Information"). If the notice procedures are not followed or timely written notice is not provided, there will be no extension of COBRA continuation coverage.

Each qualified beneficiary who has elected continuation coverage with respect to the same covered employee will be entitled to the 11-month disability extension if one of them qualifies. If the disabled qualified beneficiary is determined by the SSA to no longer be disabled, written notice of that fact must be given within 30 days after the SSA's determination using the notice procedures specified above (see "Notice Procedures"). Notice must be given to the Administrator at the address listed below (see "Plan Contact Information"). Continuation coverage will cease for all qualified beneficiaries on the first day of the month that is 30 days after the date the SSA determines that the qualified beneficiary is no longer disabled. If timely written notice is not given that the qualified beneficiary is no longer disabled, coverage for all qualified beneficiaries may be retroactively cancelled and restitution to the Plan may be required.

## Second Qualifying Event Extension of 18-Month Period of Continuation Coverage

If, while receiving 18 months of COBRA continuation coverage, a qualified beneficiary experiences another qualifying event that would have caused the qualified beneficiary to lose coverage under the Plan if the first qualifying event had not occurred, the qualified beneficiary may get up to 18 additional months of COBRA continuation coverage, for a maximum of up to 36 months, if timely written notice of the second qualifying event is properly given to the Administrator at the address listed below (see "Plan Contact Information"). This extension may be available to the spouse and any dependent children receiving continuation coverage if the employee or former employee dies, becomes enrolled in Medicare (under Part A, Part B, or both), or gets divorced or legally separated), or if the dependent child stops being eligible under the Plan as a dependent child, but only if the event would have caused the spouse or dependent child to lose coverage under the Plan had the first qualifying event not occurred. In all of these cases, the qualified beneficiary must give timely written notice of the second qualifying event within 60 days after the date of the

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second qualifying event. The qualified beneficiary must follow the notice procedures specified below (see “Notice Procedures”). Notice must be given to the Administrator at the address listed below (see “Plan Contact Information”). If these procedures are not followed or timely written notice is not provided, there will be no extension of COBRA continuation coverage.

## Health Care Flexible Spending Account Plan

Notwithstanding the foregoing provisions, COBRA continuation coverage shall not be made available to any qualified beneficiary under a Plan constituting a health care flexible spending account plan for any plan year after the end of the plan year in which a qualifying event occurs if the following conditions are satisfied: (i) the Plan is a health care flexible spending account plan and excepted from compliance under the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”), and (ii) the annual premium payment for COBRA continuation coverage equals or exceeds the maximum benefit available under the Plan for the plan year.

## Other coverage options besides COBRA continuation Coverage

Instead of enrolling in COBRA continuation coverage, there may be other coverage options for you and your family through the Health Insurance Marketplace, Medicare, Medicaid, [Children’s Health Insurance Program \(CHIP\)](#), or other group health plan coverage options (such as a spouse’s plan) through what is called a “special enrollment period.” Some of these options may cost less than COBRA continuation coverage. You can learn more about many of these options at [www.healthcare.gov](http://www.healthcare.gov).

## Can I enroll in Medicare instead of COBRA continuation coverage after my group health plan coverage ends?

In general, if you don’t enroll in Medicare Part A or B when you are first eligible because you are still employed, after the Medicare initial enrollment period, you have an 8-month special enrollment period<sup>1</sup> to sign up for Medicare Part A or B, beginning on the earlier of

- The month after your employment ends; or
- The month after group health plan coverage based on current employment ends.

If you don’t enroll in Medicare and elect COBRA continuation coverage instead, you may have to pay a Part B late enrollment penalty and you may have a gap in coverage if you decide you want Part B later. If you elect COBRA continuation coverage and later enroll in Medicare Part A or B before the COBRA continuation coverage ends, the Plan may terminate your continuation coverage. However, if Medicare Part A or B is effective on or before the date of the COBRA election, COBRA coverage may not be discontinued on account of Medicare entitlement, even if you enroll in the other part of Medicare after the date of the election of COBRA coverage.

If you are enrolled in both COBRA continuation coverage and Medicare, Medicare will generally pay first (primary payer) and COBRA continuation coverage will pay second. Certain plans may pay as if secondary to Medicare, even if you are not enrolled in Medicare.

For more information visit <https://www.medicare.gov/medicare-and-you>.

## Notice Procedures

Any notice you provide must be in writing. Oral notice, including notice by telephone, is not acceptable. You must deliver your written notice to the Administrator at the address listed below (see “Plan Contact Information”). If you mail your notice, it must be postmarked no later than the last day of the required notice period.

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<sup>1</sup> <https://www.medicare.gov/sign-up-change-plans/how-do-i-get-parts-a-b/part-a-part-b-sign-up-periods>.

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Any notice you provide must include the following:

- The name of the group health plan.
- The name and address of the employee covered under the group health plan.
- The name(s) and address(es) of the qualified beneficiary(ies).
- If the notice is a notice of a qualifying event or second qualifying event, the name of the qualifying event and the date it happened.

If the qualifying event is divorce or legal separation, the notice also must include a copy of the divorce decree or decree of legal separation. A notice of disability also must include the name of the disabled qualified beneficiary and a copy of the SSA's determination. If a qualified beneficiary is determined by the SSA to no longer be disabled, the notice of such determination also should include a copy of the SSA's determination.

At the end of this notice we have attached a form of Notice of Qualifying Event and a form of Notice of Second Qualifying Event, Disability Determination by SSA, and Cessation of Disability for you to use to give notice of a qualifying event or disability determination. You must give notice of a qualifying event or disability determination using the appropriate form attached to this notice. You also may contact the Administrator at the address or telephone number listed below to obtain a copy of the necessary form at no charge (see "Plan Contact Information").

## Cost of COBRA Continuation Coverage

Generally, each qualified beneficiary is required to pay the entire cost of continuation coverage. The amount a qualified beneficiary will be required to pay may not exceed 102 percent (or, in the case of an extension of continuation coverage due to a disability, 150 percent) of the cost to the Plan (including both employer and employee contributions) for coverage of a similarly situated participant or beneficiary who is not receiving continuation coverage.

The American Recovery and Reinvestment Act of 2009 (ARRA) reduces the COBRA premium in some cases. The premium reduction is available to certain individuals who experience a qualifying event that is an involuntary termination of employment during the period beginning with September 1, 2008 and ending with December 31, 2009. Qualified beneficiaries who qualify for the premium reduction need only pay 35 percent of the COBRA premium otherwise due to the Plan. This premium reduction is available for up to nine months. If COBRA continuation coverage lasts for more than nine months, the full COBRA premium must be paid to continue COBRA continuation coverage.

The Trade Act of 2002 created a tax credit for certain individuals who become eligible for trade adjustment assistance and for certain retired employees who are receiving pension payments from the Pension Benefit Guaranty Corporation (PBGC). Under the tax provisions, eligible individuals can either take a tax credit or get advance payment of 65% of premiums paid for qualified health insurance, including continuation coverage. ARRA made several amendments to these provisions, including an increase in the amount of the credit to 80% of premiums for coverage before January 1, 2011 and temporary extensions of the maximum period of COBRA continuation coverage for PBGC recipients (covered employees who have a nonforfeitable right to a benefit any portion of which is to be paid by the PBGC) and TAA-eligible individuals. For more information about these provisions, you may call the Health Coverage Tax Credit Customer Contact Center toll-free at 1-866-628-4282. TTD/TTY callers may call toll-free at 1-866-626-4282. More information about the Trade Act is also available at [www.doleta.gov/tradeact](http://www.doleta.gov/tradeact).

## Early Cessation of COBRA Continuation Coverage

Continuation coverage will be terminated prior to the expiration of the continuation coverage period otherwise applicable (see "Length of COBRA Continuation Coverage" above) under the following circumstances:

- The employer (including any affiliate of the employer) ceases to provide any group health plan to any employee;

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- Any required premium is not paid in full on time;
- A qualified beneficiary first becomes covered, after electing COBRA continuation coverage, under another group health plan that does not contain any exclusion or limitation with respect to any preexisting condition (other than an exclusion or limitation that does not apply to, or is satisfied by, such beneficiary by reason of chapter 100 of title 26, part 7 of subtitle B of ERISA);
- A qualified beneficiary first becomes enrolled in Medicare (under Part A, Part B, or both) after electing COBRA continuation coverage; or

If a qualified beneficiary is receiving extended disability coverage, upon a final determination under Title II or XVI of the Social Security Act that the disabled qualified beneficiary is no longer disabled, in which case coverage will end the month that begins more than 30 days following the date of such determination.

Continuation coverage may also be terminated for any reason the Plan would terminate coverage of a participant or dependent not receiving continuation coverage (such as fraud).

## If You Have Questions

Questions concerning the Plan or your COBRA continuation coverage rights should be addressed to the Administrator at the address listed below (see “Plan Contact Information”). For more information about your rights under ERISA, including COBRA, the Health Insurance Portability and Accountability Act (HIPAA), and other laws affecting group health plans, contact the U.S. Department of Labor’s Employee Benefits Security Administration (EBSA) at 1-866-444-3272 or visit the EBSA website at [www.dol.gov/ebsa](http://www.dol.gov/ebsa).

## Address Changes and Records

You should keep the Administrator informed of any changes in the addresses of participants or beneficiaries under the Plan that are, or may become, qualified beneficiaries under the Plan. You should also keep a copy, for your records, of any notices you provide.

## Plan Contact Information

The party responsible for administering COBRA continuation coverage under the Plan, or that party’s address or telephone number, may change from time to time. For the most recent information, check the Plan’s most recent Summary Plan Description. If you do not have a copy, you may request one from the Administrator.

The Administrator of the Plan is as follows:	All written notices to the Administrator and all requests for forms or other information regarding COBRA continuation coverage must be directed to the following:
The IMA Financial Group, Inc. Attn: HR Benefits Administrator P.O. Box 2992 Wichita, Kansas 67201-2992 (316) 267-9221	ThrivePass P.O. Box 220 Minneapolis, MN 55440-0220 (866) 855-2844