



Dear Employee, Spouse, and All Covered Dependents:

This notice is intended to summarize your rights and obligations under the group health continuation coverage provision of a federal law, the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). Under COBRA, employees of UPMC and their enrolled family members have the opportunity for a temporary extension of health coverage (called "continuation coverage") at group rates in certain instances where coverage under the UPMC medical plan would otherwise end. UPMC Welfare Benefits Plan programs that are offered for continuation as directed by COBRA are medical/vision coverage, dental coverage, healthcare flexible spending accounts, and employee assistance program coverage.

Continuation coverage is offered to a "qualified beneficiary" at the time of a qualifying event (detailed later in this notice). You, your spouse/domestic partner, and your dependent children could become qualified beneficiaries if coverage is lost due to a qualifying event. Qualified beneficiaries who elect COBRA coverage are required to pay for coverage. You and any enrolled dependent should take the time to read this notice carefully. Should your coverage end in the future, the following information will apply as it relates to COBRA.

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### TO QUALIFY FOR COBRA COVERAGE

**Employees** of UPMC have the right to elect continuation coverage when group health coverage is lost from UPMC Welfare Benefits Plan due to reduction in hours of employment, layoff, or employment termination (for reasons other than gross misconduct).

**Spouses** of UPMC employees have the right to choose continuation coverage when group health coverage is lost from UPMC Welfare Benefits Plan for any of the following reasons:

- Death of the spouse
- Termination of spouse's employment or layoff
- Reduction in spouse's hours of employment or layoff
- Divorce from spouse
- Spouse becomes entitled to Medicare

**Dependent children** of UPMC employees have the right to elect continuation coverage when group health coverage is lost from UPMC Welfare Benefits Plan for any of the following reasons:

- Death of a parent
- Termination of parent's employment, reduction in parent's hours of employment or layoff
- Parent's divorce
- Parent becomes entitled to Medicare
- Dependent ceases to be a "dependent child" under UPMC Welfare Benefits Plan.

### EMPLOYER RESPONSIBILITY UNDER COBRA

UPMC has the responsibility to notify the Plan Administrator of the employee's death, employment termination, reduction in hours, layoff, or Medicare entitlement and to then notify the employee or employee's family of the ability to purchase continuation coverage.

### EMPLOYEE RESPONSIBILITY UNDER COBRA

An employee or family member has the later of 60 days from the date of the event to inform the Plan in writing of the employee's divorce or child losing dependent status. Failure to give notice within the time limits can result in COBRA coverage being forfeited. See summary plan description for eligibility rules regarding the loss of dependent status.

### TO ELECT COVERAGE

The employee, spouse, and dependents each have independent election rights. The employee, spouse and dependents have the later of 60 days from either (1) the date coverage is lost or (2) the date of the notice to respond that they want to elect continuation coverage. There is no extension of the election period. If continuation coverage is not elected within this timeframe, then COBRA rights will end. When continuation coverage is elected the employee or their dependents will be required to pay the entire cost of the coverage plus a 2% administration fee.

### COVERAGE ELIGIBILITY

Continuation coverage is identical to the coverage provided under the plan to similarly situated active employees or family members as of the time coverage is being provided. Any change to group health coverage or premium rates for active employees is reflected in COBRA continuation coverage.

An employee, spouse or dependent does not have to show that they are insurable in order to choose continuation coverage, but they must have been actually covered by the group health plan the day before the qualifying event in order to elect COBRA coverage. An exception to this rule is if while on continuation coverage a baby is born to or adopted by a covered employee. The newborn or adopted child can be added to the plan and will gain the rights of all other qualified beneficiaries. The child has the same COBRA continuation period as the covered employee and as with other qualified beneficiaries, is entitled to an additional period of coverage should a secondary qualifying event occur. Notification to the plan must occur within 30 days of the birth or adoption for COBRA rights to exist.

## DURATION OF COBRA COVERAGE

**Termination or reduction in hours** resulting in lost group health coverage entitles a continuation coverage period of 18 months from the date of the qualifying event, if elected. Severance benefits received do not extend the duration of COBRA coverage. If you are receiving severance benefits, your continued medical and dental coverages under the severance plan run concurrent with the 18-month COBRA continuation period. For example, if your severance benefits entitle you to six months of continued coverage, you are only eligible for 12 months of continuation coverage under COBRA thereafter.

**Employees, spouses or covered dependents with disabilities** are entitled to an extension to 29 months if the Social Security Administration determines that the employee, spouse or dependent child was disabled on, or within 60 days of, the qualifying event. Proof must be provided within 60 days of the date of disability determination and before the close of the initial 18-month period. In the case of a newborn or adopted child added to a covered employee's COBRA coverage, then the first 60 days of continuation coverage for the new born or adopted child is measured from the date of the birth or adoption.

The employee, spouse or dependent has 30 days to notify the Plan Administrator from the date of a final determination that he or she is no longer disabled.

**Multiple events** entitle an extension of the 18 or 29 month continuation period if, during the 18 or 29 months of continuation coverage, a second event takes place (divorce, death, Medicare entitlement, or a dependent child ceasing to be a dependent). The extension will be to 36 months from the date of the original qualifying event. Upon the occurrence of a second event, it is the employee's, spouse's, or dependent's responsibility to notify the Plan Administrator in writing within 60 days of the event and within the original 18 or 29 month COBRA period. COBRA coverage does not last beyond 36 months from the original qualifying event, no matter how many events occur. A reduction in hours followed by a termination of employment is not considered a second event for COBRA purposes.

**Other qualifying events** entitle a continuation coverage period of 36 months from the date of the qualifying event, if elected. Other events include the death of the employee, divorce, Medicare entitlement, or a dependent child losing dependent status.

## PREMIUMS

An employee, spouse or dependent pays the entire applicable premium, which generally cannot exceed 102% of the plan costs for a 12-month period. The group health plan may increase the cost that must be paid for COBRA coverage if the applicable premium cost increases.

The period for paying the initial COBRA premium following the election of coverage is 45 days. The first payment made is to be applied retroactively toward coverage for the period beginning after the date on which coverage would have been lost as a result of the qualifying event and ending at the time period of the election. Thereafter, premiums will be paid on a monthly basis.

There is a 30-day grace period following the date regularly scheduled monthly premiums are due. Only in the case of mental incapacity is any further extension permitted. To apply, the incapacitation must occur during or prior to a period of time in which an action must be taken by the qualified beneficiary.

## COBRA CANCELLATION

The law provides that continuation coverage may be cut short for any of the following reasons:

- UPMC no longer provides group health coverage to any of its employees
- Continuation coverage premium is not paid in a timely manner
- Employee, spouse or dependent becomes covered under another group health plan, after the date of the COBRA election, that does not contain any exclusion or limitation with respect to any preexisting condition
- Employee, spouse, or dependent becomes entitled to Medicare after your COBRA coverage is elected
- Employee, spouse, or dependent extended continuation coverage to 29 months due to a Social Security disability and a final determination has been made that he or she is no longer disabled
- Employee, spouse or dependent notifies the Plan Administrator to cancel continuation coverage
- For cause, such as fraudulent claim submission, on the same basis that the plan terminates the coverage of similarly situated non-COBRA participants.

The plan administrator reserves the right to verify COBRA eligibility status and terminate continuation coverage retroactively if you are determined to be ineligible or if there has been a material misrepresentation of the facts.

## CONVERSION PRIVILEGES

At the end of the continuation coverage period, the employee, spouse, or dependent is allowed the option to enroll in an individual conversion medical plan.

## NOTIFICATION OF ADDRESS CHANGE

Notify the UPMC Payroll Department of an address change as soon as possible. Failure on your part to do so can result in delayed COBRA notifications or a loss of continuation coverage options, as COBRA notices will be sent to the last address on file.

## FURTHER INFORMATION

This notice does not fully describe continuation coverage or your rights under the plan. More complete information is available from the Plan Administrator and in the Summary Plan Description, which is available by contacting the Plan Administrator.

## CONTACTS

If you have any questions about the law or your obligations or you need to provide notice to the Plan Administrator, contact the Plan Administrator at: **COBRA Administrator, UPMC Employee Service Center, U.S. Steel Tower, Floor 56, 600 Grant Street, Pittsburgh, PA 15219** or by phone at **1-800-994-2752**. You should keep a copy, for your records, of any notices you send to the Plan Administrator.

For more information about your rights under ERISA, including COBRA, and other laws affecting group health plans, contact the nearest Regional or District Office of the U.S. Department of Labor's Employee Benefits Security Administration (EBSA) in your area or visit the EBSA website at [www.dol.gov/ebsa](http://www.dol.gov/ebsa).