



TO: Employees Covered by District Benefits and their Spouses and Dependents

FROM: Christine Vo
Benefits Director

RE: **CONTINUATION COVERAGE and CONVERSION PRIVILEGES**

The information contained in this letter pertains to a Federal law regarding continuation of medical benefits. On August 21, 1996, President Clinton signed into law the **H**Health **I**nsurance **P**ortability and **A**ccountability **A**ct of 1996 ("**HIPAA**"). This law enacts changes to continuation coverage requirements applicable to group health plans under the **C**onsolidated **O**mnibus **B**udget **R**econciliation **A**ct of 1985 ("**COBRA**"). It is important that you and your family members take the time to read this notice carefully and keep it for future reference.

Notice of Right to Continue Coverage (C.O.B.R.A.)

On April 7, 1986, a Federal law, **C**onsolidated **O**mnibus **B**udget **R**econciliation **A**ct, was enacted (Public Law 99-272, Title X, known as **C.O.B.R.A.**) requiring that most employers sponsoring group health plans offer employees and their families the opportunity for a temporary extension of health coverage (called "**continuation coverage**") at group rates in certain instances where coverage under the plan would otherwise end. This notice is intended to inform you in a summary fashion, of your rights and obligations under the **continuation coverage** provisions of this law.

This law applies to the District Health Plans since January 1, 1987.

If you are an employee of the Foothill - De Anza Community College District covered by the District's Group Health Plans (Kaiser-HMO or District Self-Insured Medical Plan, Employee Assistance Program (E.A.P.-CONCERN), Prescription Drug, Dental and Vision Care), you have a right to choose continuation coverage if you lose these group health coverages because of a reduction in your hours of employment or termination of your employment (for reasons other than gross misconduct on your part).

If you are the spouse of an employee covered by the District's Group Health Plans, you have the right to choose **continuation coverage** for yourself if you lose group health coverage under the Group Health Plans for any of the following four reasons:

1. The death of your spouse;

2. A termination of your spouse's employment (for reasons other than gross misconduct) or reduction in your spouse's hours of employment;
3. Divorce or legal separation from your spouse; or
4. Your spouse becomes entitled to Medicare.

In the case of a dependent child of an employee covered by the District's Group Health Plans, he or she has the right to **continuation coverage** if group health coverage under the District's Group Health Plans is lost for any of the following five reasons:

1. The death of a parent;
2. The termination of a parent's employment (for reason other than gross misconduct) or reduction in a parent's hours of employment with the Foothill - De Anza Community College District;
3. Parents divorce or legal separation;
4. A parent becomes entitled to Medicare; or
5. The dependent ceases to be a "dependent child" under the District's Group Health Plans.

Effective **January 1, 1997**, the **HIPAA Act** makes the following changes and clarifications to the COBRA continuation coverage rules. The COBRA changes listed below affect beneficiaries who are covered by COBRA on January 1, 1997, regardless of whether the qualifying event occurred before, on, or after January 1, 1997.

1. **EXPANDED COVERAGE FOR DISABLED PARTICIPANTS - A qualified beneficiary who becomes disabled within 60 days of the qualifying event is now eligible for an 11-month COBRA extension for all qualified beneficiaries.**

A COBRA beneficiary who is disabled for Social Security purposes **within the first 60 days** of COBRA coverage, rather than at the time of the qualifying event, will now be able to extend coverage an additional 11 months (to a total of 29 months). In addition, the extension may be **applied to all qualified beneficiaries**, including those who are not disabled. For example, a disabled individual who has elected family coverage for a spouse and dependents may also elect extended coverage for that spouse and dependents. Beneficiaries who elect this extension can be charged a premium equal to **150%** of the group rate for the extension period, just as in the past. **Formerly**, the 11-month extension was allowed only for a beneficiary who was disabled at the time of the qualifying event.

Determination of disability and notice requirements remain unchanged - the determination of disability has to be made and notice must be given to the employer within the initial 18-month COBRA coverage period and within 60 days of the date of

determination of disability. You also have the responsibility to inform the Plan Administrator of a final determination that you are no longer disabled within 30 days of such a determination.

2. **EXPANDED DEFINITION OF QUALIFIED BENEFICIARY** - A child born or placed for adoption during the COBRA coverage period is a qualified beneficiary.

The definition of "qualified beneficiary" is expanded to include children who are born to or placed for adoption with a COBRA beneficiary during the COBRA coverage period. "Placement" means the assumption and retention by a person of a legal obligation for total or partial support of the child in anticipation of adoption of the child. **Formerly**, new dependents who were covered after COBRA coverage began did not attain "qualified beneficiary" status with election rights of their own.

Coverage is required to be offered immediately, **not** to the next open enrollment period. As in the past, if a dependent is added during the COBRA period, coverage and premiums are adjusted accordingly.

3. **TERMINATION OF COBRA COVERAGE** - Effective July 1, 1997, HIPAA Act permits COBRA continuation coverage to be terminated before the end of the applicable continuation coverage period if the qualified beneficiary becomes covered under another group health plan, even if the new group plan imposes pre-existing condition limitations or exclusions provided such limitations or exclusions do not apply to the qualified beneficiary allowed under the new portability rules, which become effective on July 1, 1997 (discussed below).

Health Insurance Portability - Effective the first day of a plan year which begins on or after July 1, 1997. HIPAA restricts pre-existing condition limitations or exclusions to a maximum of 12 months (18 months for late enrollees) from the date of enrollment for conditions for which medical advice, treatment or diagnosis was received or recommended within the previous 6 months. Additionally, the time under which a person has maintained continuous health coverage (including COBRA) will reduce, month by month, a plan's pre-existing condition exclusions. Continuous coverage ends with a break in coverage of more than 63 days. Thus a person will receive credit for prior coverage (including COBRA), as long as there has been no interruption of coverage more than 63 days, toward satisfying a new plan's pre-existing condition exclusions.

As required by law, the employee or a family member has the responsibility to inform the Foothill - De Anza Community College District of a divorce, legal separation, or a child losing dependent status under the District's Group Health Plans within **60 days** of the date the event occurred. The Foothill - De Anza Community College District has the responsibility to notify the various Plan Administrators of the employee's death, termination of employment, reduction in hours of employment or Medicare entitlement.

When the Foothill - De Anza Community College District is notified that one of these events has happened, the Foothill-De Anza Community College District will notify you

that you have the right to choose **continuation coverage**. You have at least **60 days** from the date you would lose coverage, because of one of the events described above, to inform the Foothill-De Anza Community College District that you want **continuation coverage**. If you do not choose **continuation coverage**, your group health insurance coverage will end.

If you choose **continuation coverage**, Foothill-De Anza Community College District is required to give you coverage which, as of the time coverage is being provided, is identical to the coverage provided under the plan to similarly situated employees or family members. The law requires that you be afforded the opportunity to maintain **continuation coverage** for **36 months** unless you lose group health coverage because of a termination of employment or reduction in hours. In that case, the required **continuation coverage** period is **18 months**. However, the law also provides that your **continuation coverage** may be cut short prior to the expiration of the 18, 29 or 36 month period for any of the following five reasons:

1. Foothill-De Anza Community College District no longer provides group health coverage to any of its employees;
2. The premium for your **continuation coverage** is not paid on time;
3. You become covered under another group health plan, unless the plan contains a pre-existing condition from which you or a family member suffers (however, beginning July 1, 1997, your continuation coverage may be cut short notwithstanding such a pre-existing condition exclusion, as long as your new group health plan satisfies the legal requirements for imposing pre-existing condition exclusions, which become effective on that date);
4. You become entitled to receive Medicare; or
5. You received extended continuation coverage for up to 29 months due to your disability and there has been a final determination that you are no longer disabled.

You do not have to show that you are insurable to choose **continuation coverage**. However, you must pay the premium for your **continuation coverage**. (The law also says that, at the end of the **18-month**, **29-month** or **36-month** continuation coverage period, you must be allowed to enroll in an individual conversion medical plan provided under Kaiser-HMO. Currently, there is no individual conversion plan available for either the dental or vision care plans.

Once your continuation coverage is terminated for any reason, it cannot be reinstated. If you have any questions about the law, please contact Christine Vo, Benefits Director, at (650) 949-6224 or via e-mail: MyBenefits@fhda.edu.