

TOWN OF MADISON – NEW EMPLOYEES

I have read and acknowledge receipt of the attached COBRA Notification Letter

Employee Name (print)	Employee Signature	Date
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A copy of this acknowledgement shall be kept on file in the Human Resources Department.

INITIAL COBRA NOTIFICATION – VERY IMPORTANT NOTICE

To: All Town Employees and your Covered Dependents
Date: February 17, 2002

It is important that all covered individuals (employee, spouse, and dependent children) take the time to read this notice carefully and be familiar with its contents.

Under federal law, the Town of Madison is required to offer covered employees and covered family members the opportunity for a temporary extension of health coverage (called "Continuation Coverage") at group rates when coverage under the plan would otherwise end due to certain qualifying events. This notice is intended to inform you (and your covered dependents if any), in a summary fashion of your options and obligations under the continuation coverage provisions of the law.

Qualifying Events For Covered Employee * - If you are the employee of the Town of Madison covered by Anthem Blue Cross and Blue Shield Group Health Plan, you may have the right to elect this continuation coverage if you lose your group health coverage because of a termination of your employment (for reasons other than gross misconduct on your part) or a reduction in your hours of employment.

Qualifying Events For Covered Spouse * - If you are the covered spouse of an employee of the Town of Madison covered by Anthem Blue Cross and Blue Shield Group Health Plan, you may have the right to elect continuation coverage for yourself if you lose group health coverage under Anthem Blue Cross and Blue Shield Group Health Plan for any of the following reasons:

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

Qualifying Events For Covered Dependent Children * - If you are the covered dependent child of an employee covered by Anthem Blue Cross and Blue Shield Group Health Plan, you may have the right to elect continuation coverage for yourself if you lose group health coverage under Anthem Blue Cross and Blue Shield Group Health Plan for any of the following reasons;

1. A termination of the employee's employment (for reasons other than gross misconduct) or reduction in the employee's hours of employment with the Town of Madison;
2. The death of the employee of the Town of Madison;
3. Parent's divorce or legal separation;
4. The employee of the Town of Madison becomes entitled to Medicare; or
5. You cease to qualify as a "dependent child" under Anthem Blue Cross and Blue Shield Group Health Plan.

* Rights similar to those described above may apply to retirees, spouses, and dependents if the employer commences a bankruptcy proceeding and these individuals lose coverage within one of or one year after the bankruptcy filing.

Important Employee, Spouse, and Dependent Notifications Required

Under the law, the employee, spouse, or other family member has the responsibility to inform the Director of Human Resources of the Town of Madison of a divorce, legal separation, or a child losing dependent status under Blue Cross and Blue Shield Group Health Plan. This notification must be made within 60 days from whichever date is later, the date of the event or the date on which coverage would be lost because of the event. Please check with the Human Resources department for procedures to follow in making this notification. If this notification is not completed in a timely manner, then rights to continuation coverage may be forfeited. The Town of Madison has the responsibility to notify Anthem Blue Cross and Blue Shield of the employee's termination of employment, reduction in hours, death, or Medicare entitlement.

Election Period And Coverage – Once the Director of Human Resources of the Town of Madison is notified that a qualifying event has occurred, the Director of Human Resources will in turn notify covered individuals (also known as qualified beneficiaries) of their right to elect continuation coverage. Each qualified beneficiary has independent election rights and will have 60 days from the later of the date coverage is lost under Blue Cross and Blue Shield Group Health Plan or from the date of notification to inform Anthem Blue Cross and Blue Shield that the qualified beneficiary wants to elect continuation coverage. If a qualified beneficiary does not elect continuation coverage within this election period, then rights to continue health coverage will end.

If a qualified beneficiary elects continuation coverage and pays the applicable premium, the Town of Madison is required to provide the qualified beneficiary with coverage that is identical to the coverage provided under the plan to similarly situated employees and/or covered dependents.

Length of Continuation Coverage – 18 months. If the event causing loss of coverage is a termination of employment (other than for reasons of gross misconduct) or a reduction in work hours, then each qualified beneficiary will have the opportunity to continue coverage for 18 months from the date of the qualifying event.

Social Security Disability – The 18 months of continuation coverage can be extended to 29 months if the Social Security Administration determines that a qualified beneficiary was disabled on the date of the qualifying event according to Title II or XVI of the Social Security Act or within the 60-day election period. It is the qualified beneficiary's responsibility to obtain this disability determination from the Social Security Administration and notify the Director of Human Resources of the Town of Madison within 60 days of the date of determination and before the original 18 months expire. It is also the qualified beneficiary's responsibility to notify the Director of Human Resources within 30 days that a final determination has been made that they are no longer disabled.

Secondary Events – Another extension of the 18-month continuation period can occur, if during the 18 months of continuation coverage, a second event takes place (divorce, legal separation, death, Medicare entitlement, or a dependent child ceasing to be a dependent). If a second event does take place, then the 18 months of continuation coverage can be extended to 36 months from the date of the original qualifying event date. If a second event occurs, it is the qualified beneficiary's responsibility to notify the Director of Human Resources of the Town of Madison. In no event, however, will continuation coverage last beyond three years from the date of the event that originally made the qualified beneficiary eligible for continuation coverage.

Length of Continuation Coverage – 36 Months. If the original event causing the loss of coverage was the death of the employee, divorce, legal separation, Medicare entitlement, or a dependent child ceasing to be a dependent child under Blue Cross and Blue Shield Group Health Plan, then each qualified beneficiary will have the opportunity to continue coverage for 36 months from the date of the qualifying event.

Eligibility, Premiums, and Potential Conversion Rights – A qualified beneficiary does not have to show that they are insurable to elect continuation coverage. The Director of Human Resources of the Town of Madison, however, reserves the right to verify 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. A qualified beneficiary may have to pay all of the applicable premium plus a 2% administration charge for continuation coverage. These premiums may be adjusted in the future if the

applicable premium amount changes. In addition, if continuation coverage is extended from 18 months to 29 months due to a Social Security disability, the Town of Madison can charge up to 150% of the applicable premium during the extended coverage period. There is a grace period of 30 days for the regularly scheduled monthly premiums.

At the end of the 18 months or three years of continuation coverage, a qualified beneficiary must be allowed to enroll in an individual conversion health plan provided under Blue Cross and Blue Shield Group Health Plan if such conversion plan is available.

Notification of Address Change - To ensure that all covered individuals receive information properly and efficiently, it is important that you notify the Director of Human Resources of the Town of Madison at the address listed below of any address change as soon as possible. Failure on your part to do so may result in delayed notifications or a loss of continuation coverage options.

Cancellation of Continuation Coverage – The law provides that if elected and paid for, continuation coverage may end prior to the maximum continuation period for any of the following reasons:

1. The Town of Madison ceases to provide any group health plan to any of its employees;
2. Any required premium for continuation coverage is not paid in a timely manner;
3. A qualified beneficiary becomes covered under another group health plan that does not contain any exclusion or limitation with respect to any preexisting condition of such beneficiary;
4. A qualified beneficiary becomes entitled to Medicare;
5. A qualified beneficiary extended continuation coverage to 29 months due to a Social Security disability and a final determination has been made that the qualified beneficiary is no longer disabled;
6. A qualified beneficiary notifies Anthem Blue Cross and Blue Shield of the Town of Madison that they wish to cancel continuation coverage.

Dental and Vision Coverage – The employee and his/her dependents can elect to continue coverage for Dental and Vision as outlined in the above provisions as long as they had these benefits at the time of the qualifying event.

Any Questions? – If any covered individual does not understand any part of this summary notice or has questions regarding the information or your obligations, please contact the Director of Human Resources, Town of Madison, 8 Campus Drive, Madison, CT 06443 or call at (203) 245-5602.

