ADDENDUM FOR
THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009
(COBRA Premium Subsidy)

This Addendum for The American Recovery and Reinvestment Act of 2009 (“Addendum”) is issued for attachment to and inclusion as part of the Summary Plan Description for the University Health Plan (“SPD”), which SPD was effective July 1, 2009. The following is hereby added as a new Item G. of Section X. of the SPD.

G. COBRA Changes Pursuant to The American Recovery and Reinvestment Act of 2009 (the “Act”)

The following provisions apply as a result of the requirements of the Act and are only effective for periods of coverage beginning on or after February 17, 2009 (in most instances March 1, 2009).

Assistance Eligible Individuals

Covered Employees who were or are involuntarily terminated from employment between the dates of September 1, 2008 and February 28, 2010 are eligible for a 65% COBRA premium subsidy for up to fifteen (15) months of the COBRA coverage period. This will also apply to other qualified beneficiaries whose coverage ceased/ceases due to the Covered Employee’s involuntary termination. Under the Act, such individuals are referred to as assistance eligible individuals or “AEIs”. An AEI is a COBRA qualified beneficiary: (1) who at any time during the period that begins September 1, 2008 and ends February 28, 2010, is eligible for COBRA, (2) who elects COBRA, and (3) whose qualifying event was/is the involuntary termination of a Covered Employee’s employment during such period.

COBRA Premium Assistance - The Subsidy

COBRA premium assistance is available for up to fifteen (15) months of the AEI’s maximum coverage period. That is, the AEI pays 35% of the COBRA premium (i.e., the cost of COBRA coverage under the Plan).

Eligibility for the subsidy will begin during the first COBRA period beginning after the later of: (1) the Covered Employee’s involuntary termination of employment, or (2) February 16, 2009 (generally March 1, 2009). An AEI will generally be eligible for the subsidy for a period of fifteen (15) months but the subsidy period will be shorter under certain circumstances. First, an AEI will no longer be eligible for the subsidy when the individual becomes eligible for coverage under another group health plan (other than plans such as stand-alone dental or vision plans or health flexible spending arrangements) or Medicare. An individual’s eligibility for the subsidy will end as soon as the individual becomes eligible for such other coverage, regardless of whether the individual actually enrolls in the other coverage. For example, an individual is considered to be ineligible for the subsidy if the individual is eligible to enroll in his or her spouse’s group health coverage. Also, the subsidy period will end on the earliest of: (1) fifteen (15) months following the date the AEI is first eligible for the subsidy, or (2) the date the maximum COBRA coverage period ends (generally eighteen (18) months following the COBRA qualifying event).
An AEI who fails to timely notify the Plan Administrator that he or she is no longer eligible for the subsidy, and therefore receives such subsidy while ineligible, will be subject to a penalty of 110% of the premium reduction provided after the individual was no longer eligible for the subsidy.

If an AEI has a modified adjusted gross income (AGI) which exceeds $125,000 but is not more than $145,000 (or $50,000 and $290,000, respectively, in the case of a joint return), in the year the subsidy is received, the individual will be subject to an additional tax, on a phased-in basis, equal to a portion of the premium reduction. To the extent an individual’s AGI exceeds $145,000 (or $290,000 in the case of a joint return), the individual will be subject to an additional tax equal to the full amount of the premium reduction.

Extended Election Period / Second Opportunity to Elect

The Act applies to AEIs who were terminated as early as September 1, 2008 but is not retroactive. If any such AEI does not have a COBRA election in effect on February 17, 2009, then he/she may elect COBRA coverage during a special extended election period. The extended election period (or second opportunity to elect) began on February 17, 2009 and ends sixty (60) days after the date on which notification of the election right is provided to the individual. If an AEI elects COBRA coverage during the extended election period, the coverage begins with the first period of coverage after February 17, 2009 (generally March 1, 2009), and will not extend beyond the maximum period of coverage that would have been required if COBRA had been elected when first available.