

[Client Name]
WageWorks, Inc
[Address 1]
[City, State & Zip]

[Date]

[Participant Name] & Eligible Covered Dependents (if applicable)
[Address 1]
[Address 2]
[City, State & Zip]

Our records indicate that you are currently enrolled in COBRA continuation coverage due to an involuntary termination of employment with [Company Name inserted here]. This notice is provided to you as an update of the recent changes to the American Recovery and Reinvestment Act of 2009 (ARRA), under which you are receiving premium reduction assistance.

The American Recovery and Reinvestment Act of 2009 (ARRA) was amended on December 19, 2009 under the Department of Defense Appropriations Act (H.R. 3326) and provides an extension to the original ARRA legislation. ARRA allows for a 65% premium reduction assistance of the group health benefits for an Assistance Eligible Individual (AEI). This notice outlines the extensions that are applicable to you under the amended ARRA provisions.

The original ARRA regulations provided the premium reduction assistance for a total of nine (9) months for each AEI. The newly amended ARRA regulations allow for a total of fifteen (15) months of premium reduction assistance for each AEI. Therefore your current ARRA eligibility period has been automatically extended for an additional six (6) months of ARRA premium reduction assistance to a maximum of fifteen (15) months, provided your COBRA coverage period does not expire before the end of the fifteen (15) months or one of the conditions below, would cause you to lose eligibility for the ARRA premium reduction assistance.

Please remember that AEIs are entitled to the premium reduction assistance for up to fifteen (15) months; however, entitlement ends if you:

- i. Become eligible for other group health coverage (even if you do not elect such coverage) or for benefits under Medicare;
- ii. When your COBRA coverage period expires; or
- iii. If COBRA coverage terminates early for some other reason (such as failure to pay the required premium payment).

If you become eligible for other coverage, you must provide notice to the plan within 30 days or face a penalty equal to 110% of the subsidy received after becoming eligible for such other coverage.

If you have any questions, please contact WageWorks, Inc at [Phone number].

SPECIAL INFORMATION - COBRA ARRA Premium Reduction Information

This section contains important information about additional rights you may have related to your COBRA continuation coverage as it relates to the American Recovery and Reinvestment Act of 2009 (ARRA). ARRA was amended on December 19, 2009 by the Department of Defense Appropriations Act, 2010 (H.R 3326) and provides for an extension of the original ARRA regulations. Please read the information contained in this section very carefully.

What is ARRA?

The American Recovery and Reinvestment Act of 2009 (ARRA) reduces the COBRA premium in some cases. You may be eligible for the premium reduction if you experienced a Qualifying Event at some time on or after September 1, 2008 and before February 28, 2010 and are being offered the opportunity to elect COBRA continuation coverage. If your loss of group health coverage was due to an involuntary termination of employment you may be eligible for the temporary premium reduction for up to fifteen months. To help determine whether you are eligible for the ARRA premium reduction, you should read the below information and the attached "Summary of the COBRA Premium Reduction Provisions under ARRA" carefully.

How much does COBRA continuation coverage cost under ARRA?

Generally, each Qualified Beneficiary may be required to pay the entire cost of continuation coverage. The amount a Qualified Beneficiary may be required to pay may not exceed 102% (or, in the case of an extension of continuation coverage due to a disability, 150%) of the cost to the group health plan (including both employer and employee contributions) for coverage of a similarly situated plan participant or beneficiary who is not receiving continuation coverage. The required payment for each continuation coverage period for each option is described in this notice.

ARRA reduces the COBRA premium in some cases. The premium reduction is available to certain Assistance Eligible Individuals (AEIs) who experience a Qualifying Event that is an involuntary termination of employment during the period beginning with September 1, 2008 and ending with February 28, 2010. If you qualify for the premium reduction, you need only pay 35% of the COBRA premium otherwise due to the Plan. This premium reduction is available for up to fifteen months, but may end sooner if you lose eligibility for the premium reduction. If your COBRA continuation coverage lasts for more than fifteen months, or if you lose eligibility for the premium reduction, you will have to pay the full amount to continue your COBRA continuation coverage. See the attached "Summary of the COBRA Premium Reduction Provisions under ARRA" for more details, restrictions, and obligations as well as the form necessary to establish eligibility.

How long does the premium assistance last?

AEIs are entitled to the premium reduction assistance for up to fifteen months; however, entitlement ends if you:

- i. Become eligible for other group health coverage (even if you do not elect such coverage) or for benefits under Medicare;
- ii. When your COBRA coverage period expires; or
- iii. If COBRA coverage terminates early for some other reason (such as failure to pay the required premium payment).

If you become eligible for other coverage, you must provide notice to the plan within 30 days or face a penalty equal to 110% of the subsidy received after becoming eligible for such other coverage.

Are my dependents eligible for the ARRA premium reduction assistance?

Yes, your eligible dependents that are covered under the group health plan on the day before the involuntary termination (except in the case of a child born or adopted by covered employee during a period of COBRA continuation coverage) are eligible for premium reduction assistance. The exceptions to this rule (and the types of individuals NOT eligible for premium reduction assistance under ARRA) would be:

- i. Dependents who are entitled to or currently covered under another group health plan or Medicare, and
- ii. Domestic Partners

Is the premium reduction assistance mandatory or voluntary?

The premium reduction assistance is a voluntary program. You can either elect to receive premium reduction assistance or waive your right to it. Please note: If you elect to waive the premium reduction assistance, you may not elect to receive it at a later time.

When and how must payment for COBRA continuation coverage be made?

Other than the amount, nothing else about the payment has changed. Payments are due the 1st of each month for that month's COBRA coverage. There is, however, a grace period for late payments, which expires on the 30th day after the 1st of the month. *Failure to pay the full premium by premium due dates, or within the 30-day grace period, will result in cancellation of your COBRA coverage retroactively to the 1st of the month* You may contact WageWorks to confirm the correct amount of your next payment or to discuss payment questions related to the ARRA premium reduction assistance.

For More Information

This notice does not fully describe COBRA continuation coverage or other rights under the Plan. More information about COBRA continuation coverage and your rights under the Plan is available in your original COBRA election notice, the Summary Plan Description, or from the Plan Administrator.



Summary of the COBRA Premium Reduction Provisions under ARRA, as Amended



President Obama signed the American Recovery and Reinvestment Act (ARRA) on February 17, 2009. On December 19, 2009, the President signed the Department of Defense Appropriations Act, 2010. These laws give "Assistance Eligible Individuals" the right to pay reduced COBRA premiums for periods of coverage beginning on or after February 17, 2009 and can last up to 15 months.

To be considered an "Assistance Eligible Individual" and get reduced premiums you:

- **MUST** have a continuation coverage election opportunity related to an involuntary termination of employment that occurred at any time from September 1, 2008 through February 28, 2010;
- **MUST** elect the coverage;
- **MUST NOT** be eligible for Medicare; AND
- **MUST NOT** be eligible for coverage under any other group health plan, such as a plan sponsored by a successor employer or a spouse's employer.*

Individuals whose 9 month premium reduction ended also have an opportunity to make a payment to continue coverage at the reduced rates. These payments must be made by February 17, 2010 or, if later, within 30 days from receipt of the notice regarding the ARRA amendment that extended the premium reduction to 15 months.

◆ IMPORTANT ◆

- ◇ If, after you elect COBRA and while you are paying the reduced premium, you become eligible for other group health plan coverage or Medicare you **MUST** notify the plan in writing. If you do not, you may be subject to a tax penalty.
- ◇ Electing the premium reduction disqualifies you for the Health Coverage Tax Credit. If you are eligible for the Health Coverage Tax Credit, which could be more valuable than the premium reduction, you will have received a notification from the IRS.
- ◇ The amount of the premium reduction is recaptured for certain high income individuals. If the amount you earn for the year is more than \$125,000 (or \$250,000 for married couples filing a joint federal income tax return) all or part of the premium reduction may be recaptured by an increase in your income tax liability for the year. If you think that your income may exceed the amounts above, you may wish to consider waiving your right to the premium reduction. For more information, consult your tax preparer or visit the IRS webpage on ARRA at www.irs.gov.

For general information regarding your plan's COBRA coverage, you can contact the name of the administrator listed on the COBRA Election Notice.

For specific information related to your plan's administration of the ARRA Premium Reduction or to notify the plan of your ineligibility to continue paying reduced premiums, contact the name of the administrator listed on the COBRA Election Notice.

If you are denied treatment as an "Assistance Eligible Individual" you may have the right to have the denial reviewed. For more information regarding reviews or for general information about the ARRA Premium Reduction go to:

www.dol.gov/COBRA or call 1-866-444-EBSA (3272)

* Generally, this does not include coverage for only dental, vision, counseling, or referral services; coverage under a health flexible spending arrangement; or treatment that is furnished in an on-site medical facility maintained by the employer.