

April 28, 2009

Re: Important Changes to State COBRA

Dear Benefits Administrator:

In response to the recent passing of the Federal American Recovery & Reinvestment Act (ARRA), New York State enacted legislation ("the Act") that would mirror the terms of the ARRA for State Continuation of Coverage. As an employer of less than 20 employees, this new enactment applies to your group. This letter contains important information about the Act and how it applies to your group, please read it carefully and respond as appropriate.

The Act provides a subsidy to help alleviate some of the burden of COBRA premium payments for most Assistance Eligible Individuals ("Eligible Individual"). The subsidy will cover 65% of the premium charged to the Eligible Individual, meaning that the Eligible Individual is only responsible for paying 35% of the original COBRA premium to the former employer. Atlantis Health Plan will collect the remaining 65% subsidy from the government through a refund in the form of payroll tax credit.

An Eligible Individual is a person who becomes qualified for COBRA between September 1, 2008 and December 31, 2009 due to involuntary termination of employment. The subsidy also applies to COBRA qualified spouses and dependents of Eligible Individuals.

A reduced subsidy is available for applicants ("High Income Individuals") whose modified adjusted gross income is between \$125,000 and \$145,000 (\$250,000 and \$290,000 for joint filers). High Income Individuals who take the subsidy will be subject to increased tax liability for any subsidy taken in the tax year they receive the subsidy. Their subsidy is taxed in gradual incremental amounts until the income is \$145,000 (\$290,000 for joint filers), at which point, the High Income Individual must repay the entire subsidy. High Income Individuals have the option to waive participation in the subsidy program.

If the applicant's modified adjusted gross income exceeds \$145,000 (\$290,000 for joint filers) the full amount of the subsidy must be repaid as an additional tax. There is no additional tax for individuals with modified adjusted gross income less than these income levels.

The date the subsidy is effective is for the first period of coverage on or after February 17, 2009. Those who would have qualified as an Eligible Individual except that they had not elected COBRA as of February 17, 2009 have a special 60-day election period under the Act. This subsidy will be available for nine months, but not beyond the end of the maximum period of coverage required under COBRA. Coverage will also terminate should the person become entitled to coverage under another group health plan or Medicare. Eligible Individuals must notify the former employer and Atlantis when they or any of their dependents are no longer eligible for the subsidy or face financial penalties.

Additionally, if available under group health plan options, Eligible Individuals may elect to change their health care coverage to a less expensive coverage option, provided that you do so within 90 days after date of the notice.

Atlantis will need to work closely with you, the former employer, to ensure that benefits are distributed appropriately. The following are important notes on the next steps of implementation.



Next Steps:

1. Atlantis will be sending the enclosed "COBRA Application" to all former employees of your group whose coverage was terminated effective September 1, 2008 to April 30, 2009. We will instruct the recipient to return this form to you for verification. It will be your responsibility to determine if the applicant is a qualified Eligible Individual, as described in "COBRA Application". Upon receipt of the application, please submit the following to Atlantis Health Plan * COBRA B&E * 90 Matawan Rd. * Suite 204 * Matawan, NJ * 07747:
 - ✓ Completed "COBRA Application".
 - ✓ For each application you receive, fill out shaded sections labeled "FOR EMPLOYER USE ONLY". Form A (entire form), Form C (bottom portion), and Form D (part 2).
 - ✓ "State Cobra Roster for Employers Form". List the qualified Eligible Individuals that are being submitted to Atlantis.

2. Atlantis will be sending the enclosed "COBRA Application" to all former employees of your group whose coverage was terminated effective May 1, 2009 – December 31, 2009. We will instruct the recipient to return this form to you for verification. It will be your responsibility to determine if the applicant is a qualified Eligible Individual, as described in "COBRA Application". Upon receipt of the application, please submit the following to Atlantis Health Plan * COBRA B&E * 90 Matawan Rd. * Suite 204 * Matawan, NJ * 07747:
 - ✓ Completed "COBRA Application".
 - ✓ For each application you receive, fill out shaded sections labeled "FOR EMPLOYER USE ONLY". Form A (entire form), Form C (bottom portion), and Form D (part 2).
 - ✓ "State Cobra Roster for Employers Form". List the qualified Eligible Individuals that are being submitted to Atlantis.

3. Atlantis does not administer COBRA and as such, will not collect premium directly from the Eligible Individual. You, the employer/group administrator, must collect the 35% premium from the Eligible Individual each month and submit it along with the premium for active members. If premium is not submitted, it will impact coverage. As administrator you must notify Atlantis if you receive notification that the former employee is no longer eligible for COBRA.

We appreciate your cooperation and are here to help you should you have any questions.

Sincerely,

Atlantis Health Plan
Billing and Enrollment Department
866-747-8422 (Prompt 4)

