



**TOWN OF NEEDHAM**  
NORFOLK COUNTY MASSACHUSETTS

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**NEEDHAM HUMAN RESOURCES  
DEPARTMENT**

NEEDHAM TOWN HALL  
1471 Highland Avenue  
Needham, MA 02492  
TEL: 781-455-7500 X295  
FAX: 781-455-0165  
TDD: 781-455-7558  
E-mail: [hr@needhamma.gov](mailto:hr@needhamma.gov)

Web Site: [www.needhamma.gov](http://www.needhamma.gov)

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**TOWN OF NEEDHAM**

**NOTICE OF GROUP HEALTH CONTINUATION  
COVERAGE UNDER COBRA**

**VERY IMPORTANT NOTICE**

**TO EMPLOYEES AND THEIR SPOUSES AND DEPENDENTS  
COVERED UNDER THE  
EMPLOYEE BENEFITS PLAN**

In 1986, a Federal law was enacted (Public Law 99-272, Title X), known as COBRA, requiring that most employers sponsoring group health plans offer participating 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 employer's plan would otherwise end.

This notice is intended to inform you, in summary fashion, of your rights and obligations under the Continuation Coverage provisions of COBRA, as amended. Both you and your covered dependents should take the time to read this notice carefully.

**EVENTS GIVING RISE TO CONTINUATION COVERAGE OPTION**

*Covered Employees*

If you are an employee of the Town of Needham and you are covered by the Town of Needham's Employee Benefits Plan ("the Benefits Plan"), you have the right to purchase this Continuation Coverage when you lose your group health coverage for *either* of the following Qualifying Events:

1. A reduction in your hours of employment below the Benefits Plan eligibility threshold: (20 hours per week or .5 FTE teacher); or
2. The termination of your employment, unless your employment is terminated because of gross misconduct on your part.

*Spouses of Covered Employees*

If you are currently covered under the Benefits Plan as the spouse of an employee covered by the Benefits Plan, you have the right to purchase Continuation Coverage for yourself when you lose group health coverage under the Benefits Plan for *any* of the following Qualifying Events:

1. The death of your spouse;
2. A termination of your spouse's employment unless termination is due to gross misconduct;
3. A reduction in your spouse's hours of employment with the Town of Needham below the Benefits Plan eligibility threshold;
4. Divorce or legal separation from your spouse; or
5. Your spouse becomes entitled to Medicare.

#### *Dependent Children of Covered Employees*

If you have a dependent child who is currently covered by the Benefits Plan, he or she has the right to purchase Continuation Converge if group health coverage is lost under the Benefits Plan for any of the following Qualifying Events:

1. The death of the employee;
2. A termination of the employee's employment unless termination is due to gross misconduct;
3. A reduction in the employee's hours of employment with the Town of Needham below the Benefits Plan eligibility threshold;
4. The employee's divorce or legal separation;
5. The employee becomes entitled to Medicare; or
6. The dependent ceases to be a "dependent child" under the Benefits Plan. (Effective July 1, 2012, adult children up to age 26 are eligible for enrollment on their parent's health insurance through the Town, regardless of another offer of insurance. Children are covered through the end of the month in which they turn age 26.)

A child who is born to or placed for adoption with the covered employee during a period of COBRA coverage will be eligible to become a qualified beneficiary. In accordance with the terms of the Town of Needham's Employee Benefits Plan and the requirements of federal law, these qualified beneficiaries can be added to COBRA coverage upon proper notification to the Plan Administrator of the birth or adoption.

### **PERIOD OF CONTINUATION COVERAGE**

#### *General Rules*

COBRA requires that you be afforded the opportunity to purchase Continuation Coverage for up to 18 months if either of the following Qualifying Events occur;

1. Termination of the covered employee's employment, unless termination is due to gross misconduct; or

2. A reduction in the covered employee's hours of employment below the Benefits Plan eligibility threshold.

If you are eligible to purchase Continuation Coverage due to one of these qualifying events, you must do so at the time the event occurs.

COBRA requires that you be afforded the opportunity to purchase Continuation Coverage for up to 36 months if any of the following Qualifying Events occur;

1. The death of the covered employee;
2. Divorce or legal separation from the covered employee;
3. The covered employee becomes entitled to Medicare; and
4. A child ceases to be a dependent under the Benefits Plan.

If you are eligible to purchase Continuation Coverage due to one of these qualifying events, you must do so at the time the event occurs.

*Special Rule for Multiple Qualifying Events other than Entitlement to Medicare*

If during an 18 month period of Continuation Coverage you experience an event giving rise to 36 months of Continuation Coverage, you may elect to extend your Continuation Coverage to 36 months beginning on the date the original 18 month period began. (Special rules involving entitlement to Medicare are discussed below.) By way of example, an employee quits his job (18 month coverage) and dies shortly thereafter (36 month coverage). The surviving spouse and dependents are eligible to receive coverage for a maximum of 36 months commencing on the date the employee quit his job provided they were eligible for Continuation Coverage at the time of the covered employee's death. In no event will Continuation Coverage last beyond 36 months from the date of the first Qualifying Event.

If you believe you are entitled to extended coverage under this rule you should contact the Plan Administrator at the address set forth at the end of this notice. Failure to contact the Plan Administrator may lead to premature termination of Continuation Coverage.

*Special Rule for Spouses and Dependent Children Upon Covered Employee's Entitlement to Medicare*

COBRA requires that if a covered employee becomes entitled to Medicare (regardless of whether such Qualifying Event causes a loss of coverage under the Benefits Plan), the period of Coverage for the spouse of such covered employee or the dependent child of such covered employee shall not terminate before the end of the 36 month period following the earlier of the date of the first Qualifying Event or the date the covered employee becomes entitled to Medicare. Entitled to Medicare means the covered employee is eligible to receive and signs up for Medicare insurance. The maximum aggregate period of Continuation Coverage for any or all Qualifying Events, including Medicare entitlement, is 36 months. For example, assume a covered employee becomes entitled to Medicare on January 1, 1999 (which event does not cause a loss of coverage), and subsequently loses coverage due to termination of employment on September 1, 1999. By applying the special Medicare rule, a "lookback" to the date of Medicare entitlement would entitle the

employee's covered dependents to 36 months of Continuation Coverage (i.e., from January 1, 1999 to December 31, 2002). Under these circumstances, an employee's covered dependents are entitled to the longer period of Continuation Coverage (36 months) beginning on the date of Medicare entitlement, instead of only 18 months of coverage from the date of the employee's termination (which coverage would have expired on February 29, 2001).

This coverage is available only to the spouse and dependent children of covered employees and only if such individuals themselves are covered under the Benefits Plan at the time the covered employee becomes entitled to Medicare.

To ensure that you received this coverage, you must notify the Plan Administrator at the time the covered employee becomes entitled to Medicare. The address for the Plan Administrator is set forth below. Failure to notify the Plan Administrator of the covered employees entitlement may lead to premature termination of Continuation Coverage.

#### *Special Rule for Disabled Qualified Beneficiaries*

If the covered employee, the spouse of a covered employee, or the dependent child of a covered employee is determined by the Social Security Administration to be disabled (for Social Security disability purposes) at any time during the first 60 days of COBRA coverage, the disabled individual, if then covered under the Benefits Plan, is eligible for extended Continuation Coverage beyond the normal period of 18 months. Under this special rule, qualifying disabled individuals may extend Continuation Coverage for up to 29 months from the time they are first eligible to elect Continuation Coverage due to a termination or reduction in hours of employment.

In order to be entitled to this extended coverage, the disabled person (or any other qualified beneficiary) must provide the following notices to the Plan Administrator:

1. A copy of the Social Security Administration determination of his or her disability within the earlier of 60 days after the Administration makes a disability determination, or the last day of the initial 18-month period of Continuation Coverage, and
2. Such individual must notify the Plan Administrator within 30 days of the date the Social Security Administration makes a final determination that he or she is no longer disabled.

#### **TERMINATION OF CONTINUATION COVERAGE**

COBRA also provides that your Continuation Coverage will end for any of the following reasons:

1. The Employer no longer provides group health coverage to any of its employees (special rules may apply if a health plan is terminated or coverage is reduced on account of bankruptcy proceedings);
2. You fail to pay the premium for your Continuation Coverage on time;
3. You become covered under another group health plan as an employee, spouse or dependent, after the date you elect COBRA coverage so long as the new group health plan does not exclude or limit coverage for a pre-existing condition for which you were covered under the Benefits Plan;

4. You become entitled to Medicare after the date you elect COBRA coverage; or
5. You end your legal separation from a covered employee and once again become covered under the Benefits Plan as a spouse.

In addition, if your Continuation Coverage was extended to 29 months due to your disability, your extended coverage will end with the month that begins more than 30 days after a final determination under the Social Security Administration that you are no longer disabled even if the total period of coverage is less than 29 months. In no event, however, will the period of coverage be less than 18 months unless one of the above events occurs.

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) restricts the extent to which group health plans may impose pre-existing condition limitations. These rules are generally effective for plan years beginning after June 30, 1997. HIPAA coordinates COBRA's other coverage cut-off rule with these new limits as follows.

If you become covered by another group health plan and that plan contains a pre-existing condition limitation that affects you, your COBRA coverage cannot be terminated. However, if the other plan's pre-existing condition rules do not apply to you by reason of HIPAA's restrictions on pre-existing condition clauses, the Benefits Plan may terminate your COBRA coverage.

Under the law, you do not have to show that you are insurable to purchase Continuation Coverage. However, Continuation under COBRA is provided subject to your eligibility for coverage; the Employer reserves the right to terminate your COBRA coverage retroactively if you are determined to be ineligible.

You must pay the full premium for your Continuation Coverage, plus an additional 2% for an administrative fee.

COBRA also provides that, at the end of the Continuation Coverage period, you must be allowed to enroll in an individual conversion health plan, if any, provided under the Benefits Plan. If you elect to convert your coverage to an individual conversion plan, you must notify the Plan Administrator within the 180-day period ending on the date your Continuation Coverage under the Benefits Plan will expire.

## **NOTICE PROCEDURES**

### *Notice to be Provided by Employee or Family Member*

Under COBRA, the employee or a family member has the responsibility to inform the Town of Needham's Employee Benefits Plan Administrator of a divorce, legal separation, or a child losing covered dependent status under the Plan within 60 days of the event. The address for the Plan Administrator is set forth below. You must inform the Plan Administrator as soon as possible after one of these events has occurred. You must also notify the Plan Administrator in accordance with the special rules regarding disability determination, if applicable. If you fail to inform the Plan Administrator within 60 days after one of these events has occurred, you will lose your right to purchase Continuation Coverage under the Benefits Plan.

In addition, there are also special rules for Continuation Coverage which apply when the covered employee become entitled to Medicare as determined by the Social Security Administration. The

Medicare rules are described in more detail above. To ensure that you receive the maximum amount of coverage in the event the covered employee becomes entitled to Medicare, you should notify the Plan Administrator as soon as possible after such Medicare entitlement occurs.

*Notice to be Provided by Employer*

The Town of Needham has the responsibility to notify the Plan Administrator of an employee's death, termination of employment or reduction in hours worked below the Benefits Plan eligibility threshold, or Medicare entitlement. Please note that for purposes of this notice, the Town of Needham and the Plan Administrator are the same.

*Notice to be Provided by Plan Administrator*

When the Plan Administrator is notified of a divorce, legal separation, child losing dependent status, employee's death, termination of employment, reduction in hours worked, or Medicare entitlement, the Plan Administrator will in turn notify you that you have the right to purchase Continuation Coverage.

*Election Period and Premium Payment*

Under the law, you have 60 days from the date which is the later of (i) the date you have been provided with this Notice, or (ii) the date you would lose coverage because of one of the events described above, to inform the Plan Administrator that you want Continuation Coverage. You must inform the Plan Administrator by completing the Election Form and sending it to the Plan Administrator *no later* than the end of the 60 day period described in the previous sentence.

The Continuation Coverage is optional. However, if you do not elect Continuation Coverage, your group health coverage under the Benefits Plan will end.

If you elect Continuation Coverage, the Town of Needham is required to allow you to purchase 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.

You must pay all premiums for coverage due retroactive to the day you lost coverage under the Benefits Plan no later than the forty-sixth (46th) day following your initial election to purchase Continuation Coverage. For each premium payment thereafter, payment is due on the first of the month for which the premium applies (for example, the premium for the month of June is due June 1). If you do not pay your premium on or before the first of each month, a grace period of 30 days will be allowed for payment of any delinquent premium. A failure to pay premiums before the expiration of the grace period will result in a loss of coverage.

## **CERTIFICATION PROCEDURES**

The Benefits Plan provides Creditable Coverage Certifications to Plan participants in accordance with the Health Insurance Portability and Accountability Act of 1996. The certification, provided at the beginning and end of your COBRA coverage and again within 24 months if you request it, will specify the period of time for which you were covered under our group health plan and under COBRA. This certification may be used to reduce or eliminate a pre-existing condition waiting period if you become covered under a new group health plan within 63 days of the date your coverage ends under the Town of Needham's Employee Benefits Plan.

## **PLAN ADMINISTRATOR**

The requirements of COBRA are complicated. If you have any questions about the matters discussed in this Notice, please contact:

Human Resources Department  
Town of Needham  
1471 Highland Avenue  
Needham, MA 02492

Finally, to ensure that you receive all of the important information concerning your Continuation Coverage, you should notify the Plan Administrator in writing at the above address as soon as possible upon the occurrence of any of the following events:

1. You and your spouse legally separate or divorce.
2. You or your spouse change addresses.
3. Your child ceases to be an eligible dependent under the Benefits Plan.
4. You are a covered employee and you become entitled to Medicare.
5. You are covered by the Benefits Plan and the Social Security Administration determines that you are disabled, as well as a subsequent determination by the Social Security Administration that you are no longer disabled, if applicable.