



MEDICAL MUTUAL OF OHIO®
Your healthcare partner since 1934

February 27, 2009

Important information about the American Recovery and Reinvestment Act

Dear Valued Medical Mutual of Ohio Group Official:

The American Recovery and Reinvestment Act of 2009, signed into law on February 17, 2009, included new COBRA requirements that are focused on preventing unemployed Americans from experiencing short-term gaps in health coverage by having the federal government subsidize certain COBRA costs. The subsidy provisions outlined in this legislation will apply to COBRA premiums due on and after March 1, 2009.

Please note that the law also applies to the state continuation provisions that are applicable to fully insured groups that are not subject to federal COBRA laws (such as groups with fewer than 20 employees). To simplify this memo, we refer to both types of continuation coverage as COBRA coverage.

The following are highlights of the ARRA applicable to COBRA coverage and administration:

- The federal government will subsidize 65% of COBRA premium for any employee who is involuntarily terminated between September 1, 2008, and December 31, 2009, for up to nine months. These individuals are referred to as “assistance-eligible individuals.”
- Employers will be reimbursed for the 65% subsidy through a payroll tax credit after the employee has paid his 35% share of the COBRA premium. For groups subject to state continuation laws the insurer may receive the 65% payroll tax reimbursement.
- There will be a second opportunity to elect COBRA coverage for those assistance-eligible individuals who declined COBRA coverage or elected it and subsequently dropped coverage. Assistance-eligible individuals currently continuing coverage will be eligible for the subsidy beginning on March 1.
- Eligibility for the subsidy ends after nine months of coverage, or earlier if an individual becomes eligible for medical coverage under another employer health plan, becomes eligible for Medicare or the COBRA continuation period runs out. Certain higher-income individuals are not eligible for the subsidy.
- Employers have 60 days from February 17, 2009, to notify assistance-eligible individuals of the availability of the subsidy and opportunity to elect COBRA.
- Individuals who have a second opportunity to elect COBRA will not have retroactive coverage back to the date of the qualifying event. Their coverage will be effective on March 1 and will last only as long as coverage would have been effective had COBRA been timely elected.

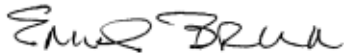
- Most states have continuation of coverage laws that apply to groups that are not subject to federal COBRA laws. These laws are sometimes referred to as “mini-COBRA” and are applicable to fully insured groups with fewer than 20 employees. Individuals who are involuntarily terminated from that type of small group on or after September 1, 2008, are also entitled to the premium subsidy. Depending on the state law, the person will be required to pay 35% of the premium to either the employer or the insurance company.

Medical Mutual is working closely with Ceridian, our COBRA benefits administrator, to determine the cost and the procedures for implementing the subsidy provisions for those employers whose COBRA benefits are administered through Ceridian. If you use a different third-party vendor to administer your COBRA benefits, you should contact them for more information. If you administer your own COBRA benefits you should contact your benefits attorney as soon as possible so that you will be prepared to comply with the new COBRA requirements.

In the meantime, regardless of whether you are fully insured, self-insured and/or use a third-party vendor for your COBRA administration, you should familiarize yourself with the new requirements and how you will be impacted. As soon as we have more guidance from the federal government on implementing these requirements, we will work closely with you to ensure as smooth a transition as possible.

In the meantime, please contact your broker or Medical Mutual representative should you have questions.

Sincerely,

A handwritten signature in black ink that reads "Errol Brick". The signature is written in a cursive, slightly slanted style.

Errol Brick
Chief Marketing Officer