



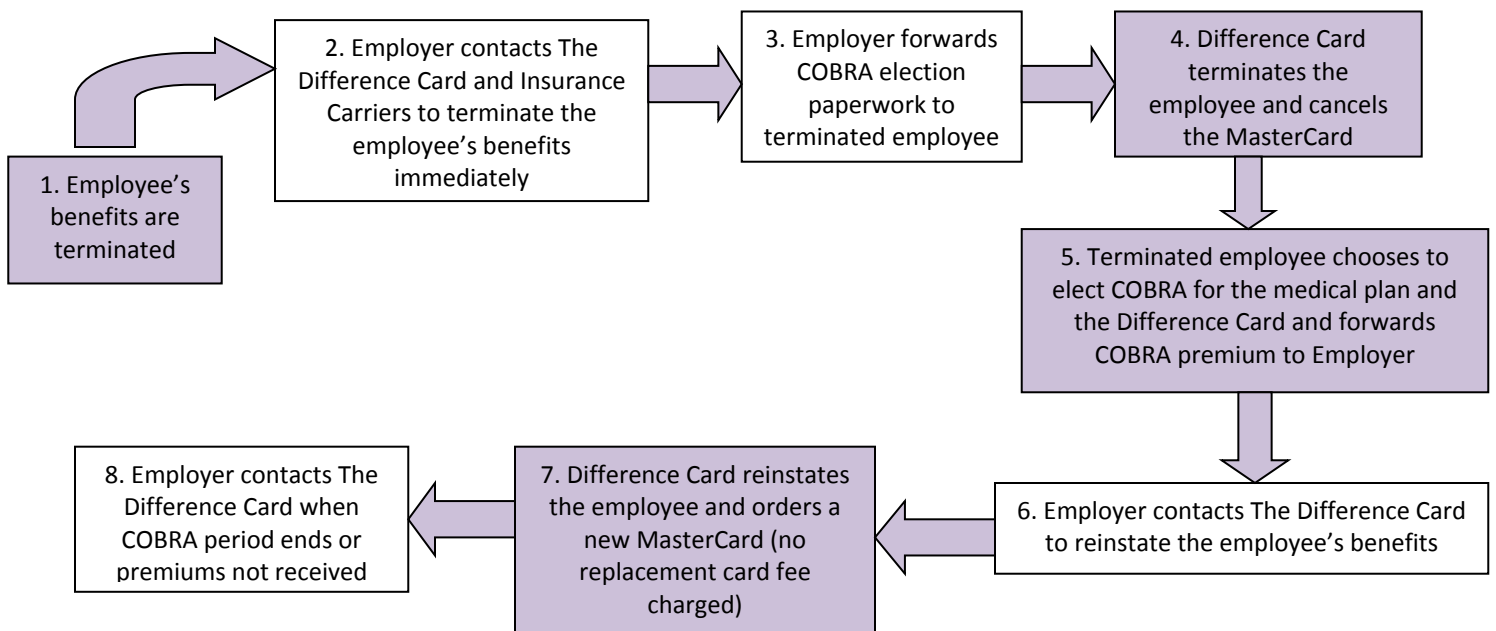
## COBRA AND THE DIFFERENCE CARD

The Difference Card is a COBRA-eligible benefit and must be offered to all individuals eligible for COBRA. The Difference Card plan option must be included in the federal COBRA election notice and offered to anyone eligible for COBRA throughout a plan year (*please see attached Sample COBRA Notice*). An employee may choose to elect COBRA coverage for medical but not elect COBRA for their Difference Card. The Difference Card, however, cannot be elected without also electing the medical COBRA plan.

As a result of the American Recovery and Reinvestment Act (ARRA) and new focus on COBRA rates and the subsidies available to COBRA participants, EB Employee Solutions, LLC (The Difference Card company), hired an actuarial firm to calculate COBRA rates for all Difference Card clients. These COBRA rates are based on each individual client’s demographics, Difference Card plan designs, reimbursements and enrollment (*Please see attached Sample Actuarial Report*). The fees for these rate calculations are paid for by EB Employee Solutions, LLC for all new clients and included within the renewal fees for renewing clients.

It is strongly suggested that the bank account used for Difference Card reimbursements be separate from the client’s main operating account. The IRS does maintain that COBRA premiums collected from participants be separate from a company’s operating account. COBRA premiums must be used for premiums and reimbursements only and must be accounted for separate from other company expenses. A tax attorney should be consulted for additional details; however, it is our opinion that one account used for Difference Card COBRA premiums and Difference Card reimbursements, separate from your operating account, is advisable.

Please find below a standard workflow for clients of the Difference Card that have COBRA eligible participants:



**Model COBRA Continuation Coverage Election Notice**  
**(For use by single-employer group health plans)**

**IMPORTANT INFORMATION: COBRA Continuation Coverage and other Health Coverage Alternatives**

[Enter date of notice]

Dear: [Identify the qualified beneficiary(ies), by name or status]

**This notice has important information about your right to continue your health care coverage in the [enter name of group health plan] (the Plan), as well as other health coverage options that may be available to you, including coverage through the Health Insurance Marketplace at [www.HealthCare.gov](http://www.HealthCare.gov) or call 1-800-318-2596. You may be able to get coverage through the Health Insurance Marketplace that costs less than COBRA continuation coverage.** Please read the information in this notice very carefully before you make your decision. If you choose to elect COBRA continuation coverage, you should use the election form provided later in this notice.

**Why am I getting this notice?**

You're getting this notice because your coverage under the Plan will end on [enter date] due to [check appropriate box]:

- |  |   |
|--|---|
| <input type="checkbox"/> End of employment       | <input type="checkbox"/> Reduction in hours of employment |
| <input type="checkbox"/> Death of employee       | <input type="checkbox"/> Divorce or legal separation      |
| <input type="checkbox"/> Entitlement to Medicare | <input type="checkbox"/> Loss of dependent child status   |

Federal law requires that most group health plans (including this Plan) give employees and their families the opportunity to continue their health care coverage through COBRA continuation coverage when there's a "qualifying event" that would result in a loss of coverage under an employer's plan.

**What's COBRA continuation coverage?**

COBRA continuation coverage is the same coverage that the Plan gives to other participants or beneficiaries who aren't getting continuation coverage. Each "qualified beneficiary" (described below) who elects COBRA continuation coverage will have the same rights under the Plan as other participants or beneficiaries covered under the Plan.

**Who are the qualified beneficiaries?**

Each person ("qualified beneficiary") in the category(ies) checked below can elect COBRA continuation coverage:

- Employee or former employee
- Spouse or former spouse
- Dependent child(ren) covered under the Plan on the day before the event that caused the loss of coverage
- Child who is losing coverage under the Plan because he or she is no longer a dependent under the Plan

## Are there other coverage options besides COBRA Continuation Coverage?

Yes. Instead of enrolling in COBRA continuation coverage, there may be other more affordable coverage options for you and your family through the Health Insurance Marketplace, Medicaid, or other group health plan coverage options (such as a spouse's plan) through what is called a "special enrollment period." Some of these options may cost less than COBRA continuation coverage.

You should compare your other coverage options with COBRA continuation coverage and choose the coverage that is best for you. For example, if you move to other coverage you may pay more out of pocket than you would under COBRA because the new coverage may impose a new deductible.

When you lose job-based health coverage, it's important that you choose carefully between COBRA continuation coverage and other coverage options, because once you've made your choice, it can be difficult or impossible to switch to another coverage option.

## If I elect COBRA continuation coverage, when will my coverage begin and how long will the coverage last?

If elected, COBRA continuation coverage will begin on *[enter date]* and can last until *[enter date]*.

*[Add, if appropriate: You may elect any of the following options for COBRA continuation coverage: [list available coverage options].*

Add Difference Card as one of the benefit options.

For example:

- MEDICAL
- DIFFERENCE CARD
- DENTAL
- FLEXIBLE SPENDING

Continuation coverage may end before the date noted above in certain circumstances, like failure to pay premiums, fraud, or the individual becomes covered under another group health plan.

## Can I extend the length of COBRA continuation coverage?

If you elect continuation coverage, you may be able to extend the length of continuation coverage if a qualified beneficiary is disabled, or if a second qualifying event occurs. You must notify *[enter name of party responsible for COBRA administration]* of a disability or a second qualifying event within a certain time period to extend the period of continuation coverage. If you don't provide notice of a disability or second qualifying event within the required time period, it will affect your right to extend the period of continuation coverage.

For more information about extending the length of COBRA continuation coverage visit

<http://www.dol.gov/ebsa/publications/cobraemployee.html>.

## How much does COBRA continuation coverage cost?

COBRA continuation coverage will cost: *[enter amount each qualified beneficiary will be required to pay for each option per month of coverage and any other permitted coverage periods.]*

Include the actuarially certified COBRA rates provided by the Difference Card for the Difference Card benefit option. You may not charge more than what has been certified by the actuary.

**COBRA Continuation Coverage Election Form**

**Instructions:** To elect COBRA continuation coverage, complete this Election Form and return it to us. Under federal law, you have 60 days after the date of this notice to decide whether you want to elect COBRA continuation coverage under the Plan.

Send completed Election Form to: *[Enter Name and Address]*

This Election Form must be completed and returned by mail *[or describe other means of submission and due date]*. If mailed, it must be post-marked no later than *[enter date]*.

If you don't submit a completed Election Form by the due date shown above, you'll lose your right to elect COBRA continuation coverage. If you reject COBRA continuation coverage before the due date, you may change your mind as long as you submit a completed Election Form before the due date. However, if you change your mind after first rejecting COBRA continuation coverage, your COBRA continuation coverage will begin on the date you submit the completed Election Form.

Read the important information about your rights included in the pages after the Election Form.

I (We) elect COBRA continuation coverage in the *[enter name of plan]* (the Plan) listed below:

Name                      Date of Birth      Relationship to Employee                      SSN (or other identifier)

a. \_\_\_\_\_

*[Add if appropriate: Coverage option elected: \_\_\_\_\_]*

b. \_\_\_\_\_

*[Add if appropriate: Coverage option elected: \_\_\_\_\_]*

c. \_\_\_\_\_

*[Add if appropriate: Coverage option elected: \_\_\_\_\_]*

**Add  
Difference  
Card as one  
of the benefit  
options.**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Relationship to individual(s) listed above

\_\_\_\_\_  
Print Address

\_\_\_\_\_  
Telephone number