

MEMORANDUM

April 6, 2009

TO: Employer with 2-6 Employees

FROM: BlueChoice HealthPlan

SUBJECT: Premium Subsidy allowed by the American Recovery and Reinvestment Act of 2009 (ARRA) for South Carolina State Continuation Coverage

The American Recovery and Reinvestment Act of 2009 (ARRA) was signed into law on February 17, 2009. This new law provides that some former employees and dependents are eligible for premium assistance for COBRA or state continuation coverage if they meet certain requirements.

To qualify for premium subsidy assistance:

- An employee must have involuntarily lost his or her job.
- The job loss must have resulted in a loss of health care coverage under your health plan and the employee is not now covered under another health plan or Medicare.
- Both the loss of job and eligibility for state continuation coverage must occur after September 1, 2008 and before December 31, 2009.

For individuals eligible and enrolled in state continuation, the premium subsidy is provided by the insurer – in this case, BlueChoice HealthPlan of South Carolina. Effective immediately, BlueChoice HealthPlan will be sending each eligible state continuation individual with a termination date of March 1, 2009 or later a packet of information outlining the state continuation enrollment process and also information about ARRA.

When employees (including spouse or dependents) meet all of the premium subsidy conditions listed above and are eligible for state continuation, they will be eligible for the premium assistance under ARRA beginning March 1, 2009. For those employees who are eligible for subsidy assistance and elect state continuation, BlueChoice HealthPlan will work directly with them to set up their state continuation coverage and will bill them directly. We will also tell the employees or dependents how to mail us their premiums. If you receive a premium payment directly from the employee, please keep a copy of the check as BlueChoice HealthPlan will need to provide proof of payment to the IRS.

We need you to send us a list of the names and mailing addresses of any former employees who were terminated between September 1, 2008 and March 1, 2009, and who you believe meet the conditions listed above. Please return your list immediately, but no later than April 15. Please fax this list to (803) 735-9675. We need this list in order to notify these persons of their rights under ARRA.

To help you with questions related to the ARRA subsidy and how it is handled through BlueChoice HealthPlan, please contact our account coordinators at 866-280-0766. We have also provided the addresses for the Department of Labor and IRS Web sites. We recommend you save that page for future reference.

We have also posted a number of documents and other resources on our Web site at www.BlueChoiceSC.com. If you go to this site, we have links to general information on the premium subsidy, links to the Department of Labor and IRS Web sites, contact information and sample notices.

ARRA Premium Subsidy Web Site Links

Department of Labor Web site — <http://www.dol.gov/ebsa/COBRA.html>

Internal Revue Service Web site —
General information can be found by searching for “COBRA” at the IRS main page, www.irs.gov.
Specific information about the tax credit can be found at <http://www.irs.gov/newsroom/article/0,,id=204709,00.html> .