

Continuation Coverage Rights Under COBRA

Introduction

You're getting this notice because you recently gained health plan coverage under the REI Full Benefit Plan ("Benefit Plan") or the REI Access Plan ("Access Plan"). This notice has important information about your right to COBRA continuation coverage, which is a temporary extension of health coverage under the Benefit Plan or Access Plan. **This notice explains COBRA continuation coverage, when it may become available to you and your family, and what you need to do to protect your rights to receive it.** When you become eligible for COBRA, you may also become eligible for other coverage options that may cost less than COBRA continuation coverage.

COBRA continuation coverage is available under the following Benefit Plan components in which you are enrolled on the day you would otherwise lose this coverage due to a qualified life event: the REI Saver Medical Plan, the REI Choice Medical Plan, the Kaiser medical plan options (for Colorado, Washington and California residents), the Health Care Flexible Spending Account Plan and the Limited-Use Health Care Flexible Spending Account Plan, the Dental Plan, the Vision Care Plan and the Quit For Life tobacco cessation program. COBRA continuation coverage is also available for the Access Plan. If you elect COBRA continuation coverage under any of these benefits, your coverage under the Employee Assistance Program and the Quit For Life program will continue automatically. COBRA continuation coverage is not available for the Dependent Care Flexible Spending Account Plan, Life Insurance coverage, Disability Insurance coverage, commuter benefits or any other benefits not specifically listed above.

The right to COBRA continuation coverage was created by a federal law, the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). COBRA continuation coverage can become available to you and other members of your family when group health coverage would otherwise end due to certain qualified life events. For more information about your rights and obligations under federal law and the Benefit Plan and its component group health benefits, or the REI Access Plan, you should review the applicable Summary Plan Description or contact the Plan Administrator.

What is COBRA continuation coverage?

COBRA continuation coverage is a continuation of group health plan coverage when it would otherwise end because of a life event. This is also called a "qualified life event." Specific qualified life events are listed later in this notice. After a qualified life event, COBRA continuation coverage must be offered to each person who is a "qualified beneficiary." You, your spouse/life partner and your dependent children could become qualified beneficiaries if coverage under the Benefit Plans is lost because of the qualified life event. You could become a qualified beneficiary under the REI Access

Plan if coverage is lost because of termination of employment. Under the Benefit Plan, qualified beneficiaries who elect COBRA continuation coverage must pay for COBRA continuation coverage.

If you're an employee, you'll become a qualified beneficiary if you lose your health coverage under the Benefit Plan because of the following qualified life events:

- Your hours of employment are reduced, or
- Your employment ends for any reason other than your gross misconduct. If you decide not to return to employment at REI during FMLA leave, you will be offered COBRA continuation coverage at the earlier of the date your FMLA leave ends or the date you tell REI that you will not return to work after the FMLA leave.

If you're the spouse/life partner of an employee, you'll become a qualified beneficiary if you lose your health coverage under the Benefit Plan because of the following qualified life events:

- Your spouse/life partner dies;
- Your spouse/life partner's hours of employment are reduced;
- Your spouse/life partner's employment ends for any reason other than his or her gross misconduct; or
- You become divorced from your spouse or your relationship with your life partner terminates.

Your dependent children will become qualified beneficiaries if they lose health coverage under the Benefit Plan because of the following qualified life events:

- The parent-employee dies;
- The parent-employee's hours of employment are reduced;
- The parent-employee's employment ends for any reason other than his or her gross misconduct;
- The parents become divorced or legally separated; or
- The child stops being eligible for coverage under the Benefit Plan as a "dependent child."

COBRA continuation coverage may be elected for the remainder of the employee's own continuation coverage for any dependent child born to, placed for adoption with or adopted by an employee or former employee during the period of COBRA continuation coverage.

If you're an employee enrolled in the REI Access Plan, you'll become a qualified beneficiary if you lose coverage under the REI Access Plan due to termination of employment with REI for any reason other than your gross misconduct. If you decide not to return to employment at REI during FMLA leave, you will be offered COBRA continuation coverage at the earlier of the date your FMLA leave ends or the date you tell REI that you will not return to work after the FMLA leave.

When is COBRA continuation coverage available?

The Benefit Plan and the Access Plan will offer COBRA continuation coverage to qualified beneficiaries only after the Plan Administrator has been notified that a qualified life event has occurred. REI will notify the Plan Administrator of the following qualified life events:

- The end of employment or reduction of hours of employment; or
- Death of the employee.

For all other qualified life events (divorce of the employee and spouse; dissolution of a life partnership or a dependent child's losing eligibility for coverage as a dependent child), you must notify the Plan Administrator within 60 days after the qualified life event occurs. You must provide this notice to one of the following:

- In writing: Employee Service Center, P.O. Box 1938, Sumner, WA 98390-0800
- Telephone: **1-800-999-4734**
- Email: **hrhr@rei.com**
- Online: **wexinc.com/login**

If you fail to provide this notice, you will lose the rights you would otherwise have had to COBRA continuation coverage.

How is COBRA continuation coverage provided and how long does it last?

Once the Plan Administrator receives notice that a qualified life event has occurred, COBRA continuation coverage will be offered to each of the qualified beneficiaries. Each qualified beneficiary will have an independent right to elect COBRA continuation coverage. For Benefit Plan enrollees, covered employees may elect COBRA continuation coverage on behalf of their spouses/life partners, and parents may elect COBRA continuation coverage on behalf of their children. Adult children may also elect COBRA continuation coverage on their own behalf. For Access Plan enrollees, covered employees must elect COBRA continuation coverage for themselves.

When the qualified life event is the death of the employee, divorce, termination of a life partnership or a dependent child's losing eligibility as a dependent child, COBRA continuation coverage lasts for up to a total of 36 months. COBRA continuation coverage generally lasts for 18 months due to employment termination or reduction of hours of work. This 18-month period of COBRA continuation coverage can be extended in a number of ways, as summarized below.

Disability extension of 18-month period of COBRA continuation coverage

If you or anyone in your family covered under COBRA continuation coverage is determined by Social Security to be disabled and you notify the Plan Administrator in a timely fashion, you and your other family members on COBRA continuation coverage may be entitled to get up to an additional 11 months of COBRA continuation coverage, for a maximum of 29 months. The disability must start at some time before the 60th day of COBRA continuation coverage and must last at least until the end of the 18-month period of COBRA continuation coverage.

To be eligible for the extension, the Plan Administrator must be provided with a copy of the Social Security Administration (SSA) disability determination within 60 days of the date of the SSA determination and within the initial 18-month COBRA continuation period. If you fail to provide this notice, you will lose the rights you would otherwise have had to the 11-month extension of COBRA continuation coverage.

Second qualified life event extension of 18-month period of continuation coverage

This rule applies only to coverage provided by the REI Benefit Plan. If your family experiences another qualified life event during the 18 months of COBRA continuation coverage, the spouse/life partner and dependent children in your family can receive up to 18 additional months of COBRA continuation coverage, for a maximum of 36 months, if the Plan Administrator is properly notified about the second qualified life event. This extension may be available to the spouse/life partner and any dependent children receiving COBRA continuation coverage if the employee or former employee dies, gets divorced or legally separated, or if the dependent child stops being eligible under the Benefit Plan as a dependent child. This extension is only available if the second qualified life event would have caused the spouse/life partner or dependent child to lose coverage under the Benefit Plan had the first qualified life event not occurred.

As described above, to be eligible for this extension, you or your family members must notify the Employee Service Center at **1-800-999-4734** or at **hrhr@rei.com** within 60 days of the date of the death, divorce, termination of life partnership or loss of dependent eligibility. If you fail to provide this notice, you will lose the rights you would otherwise have had to the additional 18 months of COBRA continuation coverage.

COBRA and Medicare

This rule applies only to coverage provided by the REI Benefit Plan. When coverage is lost due to termination of employment or reduction of the employee's hours of employment, and the employee became entitled to Medicare less than 18 months before the termination or reduction of hours, COBRA continuation coverage for the qualified beneficiaries (other than the employee) who lose coverage as a result of the employee's qualified life event can last up to 36 months after the date of the Medicare entitlement. For example, if a covered employee becomes entitled to Medicare eight

months before the date on which his or her employment terminates, COBRA continuation coverage for his or her spouse and children can last up to 36 months after the date of Medicare entitlement, which is equal to 28 months after the date of the COBRA qualified life event (36 months minus eight months).

COBRA and Long Term Disability (LTD)

This rule applies only to coverage provided by the REI Benefit Plan. If you are approved for LTD, you may continue coverage for you and your covered dependents for a maximum of 24 months or until you are no longer considered disabled, whichever is earlier. Coverage will continue even if you become entitled to Medicare after your COBRA qualified life event date. Your coverage will continue on an REI-subsidized basis and your monthly premium will be equivalent to an active employee's premium. The REI-subsidized coverage runs concurrently with your COBRA continuation coverage period. After 24 months, you may no longer have COBRA continuation coverage rights, but if you do retain COBRA rights, you will be notified of them. In no event will your entire continuation coverage period extend beyond a total of 29 months.

COBRA and the Health Care Flexible Spending Account Plans

There are special COBRA rules for the Health Care Flexible Spending Account Plan and the Limited-Use Health Care Flexible Spending Account Plan. You are only eligible for COBRA continuation coverage from these plans if your account is "underspent" at the time of the qualified life event: in other words, you have contributed more to the plan than you have received in benefits from the plan. You are also only eligible for COBRA continuation coverage until the end of the calendar year in which your qualified life event occurred, except you will be allowed to spend down any carryover amount remaining at the end of the Plan Year until the normal COBRA continuation period (for example, 18 or 36 months) has expired.

Are there other coverage options besides COBRA continuation coverage?

Yes. Instead of enrolling in COBRA continuation coverage, there may be other coverage options for you and your family through the Health Insurance Marketplace, Medicare, Medicaid, Children's Health Insurance Program (CHIP) 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 can learn more about many of these options below and also at healthcare.gov.

You have the right to request special enrollment in another group health plan for which you are otherwise eligible (such as a plan sponsored by your spouse's employer) within 30 days after your group health coverage under the Benefit Plan ends because of one of the qualified life events listed above. You will also have the same special enrollment

right at the end of the COBRA continuation coverage if you get COBRA continuation coverage for the maximum time available to you.

You and your family members should consider health coverage alternatives that may be available through the Health Insurance Marketplace. Some of these alternatives may cost less than COBRA continuation coverage. In the Marketplace, individuals may be eligible, depending upon household income and other factors, for a tax credit that lowers monthly premiums right away. At the Marketplace, premiums, deductibles and out-of-pocket costs can be seen before a decision is made to enroll in any available insurance. Being eligible for COBRA generally does not limit eligibility for a tax credit through the Marketplace; however, if you elect COBRA continuation coverage, you may not qualify for the tax credit until you have exhausted your COBRA continuation coverage. For more information about health insurance options available through the Health Insurance Marketplace, visit **healthcare.gov**.

You have a special enrollment period to purchase individual health insurance on the Marketplace if you enroll within 60 days after your group health coverage under the Benefit Plan or the Access Plan ends, or if you elect COBRA, within 60 days after your COBRA coverage ends. If you enroll during this special enrollment period, you do not have to wait until the next Open Enrollment period at the Marketplace. However, you do not have special enrollment rights at the Marketplace if your loss of coverage under the Benefit Plan, the Access Plan or under COBRA is due to your failure to pay the required premiums for the coverage. Please note that if you enroll in another group health plan (such as a plan sponsored by your spouse's employer) or in an individual policy at the Marketplace during the special enrollment periods described above, there may be a gap in coverage between the date your coverage ends under the Benefit Plan or Access Plan and the date your new coverage begins.

Can I enroll in Medicare instead of COBRA continuation coverage after my group health plan coverage ends?

If you are eligible for Medicare when you lose group health plan coverage under the Benefit Plan or Access Plan, you should consider enrolling in Medicare rather than electing COBRA continuation coverage. Medicare coverage may be less expensive than COBRA continuation coverage. If you didn't enroll in Medicare Part A or B when you first became eligible (for example, when you turned age 65) because you were still employed and participating in the Benefit Plan or Access Plan, when you lose coverage under these Plans, you have an eight-month special enrollment period¹ to sign up for Medicare Part A or B, beginning on the earlier of

- The month after your employment ends; or
- The month after your health coverage under the Plan ends.

¹<https://www.medicare.gov/basics/get-started-with-medicare/sign-up/when-does-medicare-coverage-start>

If you enroll during this eight-month special enrollment period, you will not have to pay a Medicare Part B late enrollment penalty. If you don't enroll in Medicare during this eight-month special enrollment period and elect COBRA continuation coverage instead, once you enroll in Medicare Part B, you will have to pay a Medicare Part B late enrollment penalty for as long as you continue to be enrolled in Medicare Part B and you may have a gap in coverage between when COBRA coverage ends and Medicare coverage begins. If you elect COBRA continuation coverage and later enroll in Medicare Part A or B before the COBRA continuation coverage ends, the Benefit Plan or the Access Plan may terminate your COBRA continuation coverage. However, if Medicare Part A or B is effective on or before the date you elect COBRA, COBRA continuation coverage may not be discontinued on account of Medicare coverage, even if you enroll in another part of Medicare after the date of the election of COBRA coverage.

Most persons will not want to have both COBRA continuation coverage and Medicare at the same time because of the coordination rules that apply to Medicare coverage. If you are enrolled in both COBRA continuation coverage and Medicare, Medicare will generally pay first (primary payer) and COBRA continuation coverage will pay second. You may find that purchasing Medicare supplements is a better value than paying for COBRA continuation coverage that pays second to Medicare. For more information, visit [medicare.gov/medicare-and-you](https://www.medicare.gov/medicare-and-you).

How do I apply and pay for COBRA continuation coverage?

You must follow the steps below to apply and pay for COBRA continuation coverage.

- A COBRA Enrollment Form will be mailed to the address listed on your employment record.
- Complete the form and return it to the address on the form within 60 days of the later of (a) the date you are notified of the right to choose COBRA coverage; or (b) the date coverage would otherwise end. **IF YOU DO NOT SUBMIT A COMPLETE FORM BY THIS DUE DATE, YOU WILL LOSE YOUR RIGHT TO ELECT COBRA CONTINUATION COVERAGE.**
- Send a check or money order for the required premium for the appropriate month to the address on the enrollment form. The envelope must be postmarked within 45 days from the date COBRA is elected.
- You will receive premium coupons, which will state the date on which each premium payment is due. Mail subsequent premium payments by the due date on each premium coupon to the address listed on the premium coupon.

When will COBRA continuation coverage end?

Your continuation coverage will end upon the first occurrence of any of the following events:

- The end of the 18-, 29- or 36-month maximum coverage period;
- The required premium payment is not paid on time;

- REI terminates all group health plans for all employees;
- If continuation coverage is extended to 29 months due to disability, and the SSA makes a final determination that the individual is no longer disabled, coverage for all qualified beneficiaries will terminate the first of the month beginning more than 30 days after the SSA determination, or, if later, at the end of the original 18-month continuation period;
- The individual receiving continuation coverage becomes covered, after the date of the COBRA election, by Medicare or under another group health plan not maintained by REI.

If you have elected COBRA, you must notify the Plan Administrator in writing at the address below if you become entitled to Medicare or become covered under another group health plan within 30 days of such entitlement or coverage.

Once continuation coverage is terminated or cancelled, it cannot be reinstated.

How much does COBRA coverage cost?

You pay the full premium cost of COBRA coverage, plus a 2% administrative fee, as permitted by law.

If you have questions

Questions concerning your Plan or your COBRA continuation coverage rights should be addressed to the contact or contacts identified below. For more information about your rights under the Employee Retirement Income Security Act (ERISA), including COBRA, the Patient Protection and Affordable Care Act and other laws affecting group health plans, contact the nearest Regional or District Office of the U.S. Department of Labor's Employee Benefits Security Administration (EBSA) in your area or visit dol.gov/agencies/ebsa. (Addresses and phone numbers of Regional and District EBSA Offices are available through EBSA's website.) For more information about the Marketplace, visit healthcare.gov.

Keep the Plan Administrator informed of address changes

To protect your family's rights, let the Plan Administrator know about any changes in the addresses of family members. You should also keep a copy, for your records, of any notices you send to the Plan Administrator.

You can contact the Plan Administrator for the Benefit Plan or the Access Plan in the following manner:

- In writing: Employee Service Center, P.O. Box 1938, Sumner, WA 98390-0800
- Telephone: **1-800-999-4734**
- Email: hrhr@rei.com
- Online: wexinc.com/login