SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

123

FROM: Human Resources Department

SUBMITTAL DATE:
July 20, 2010

SUBJECT: 2010 Retiree Medical Plan Contract Renewal and Early Retiree Amendment with PacifiCare, dba United Healthcare Insurance Co.

RECOMMENDED MOTION: That the Board 1) ratify and approve the attached renewal contracts effective January 1, 2010 for medical plans offered to eligible County retirees through PacifiCare dba United Healthcare Insurance, Co.; 2) ratify and approve the attached amendment to the early retiree medical and hospital group subscriber agreement effective January 1, 2010 for the commercial plan offered to eligible early retirees; 3)authorize the Chairperson to sign four (4) copies of the renewal contracts and amendment; and 4) retain one (1) copy of the signed documents and return three (3) copies of the documents to Human Resources for distribution.

BACKGROUND: The attached renewal contracts are the official documents confirming the rates and benefits approved by the Board of Supervisors on October 20, 2009. There are approximately 275 retirees enrolled in the United Healthcare Secure Horizons Plan at an annual cost of $1,175,817. The attached Early Retiree Amendment amends the definition of Early Retiree and Eligible Retiree to align

Barbara A. Olivier
Asst. County Executive Officer/Human Resources Dir.

FINANCIAL DATA				
	Current F.Y. Total Cost:	$ 1,323,489	**In Current Year Budget:**	Yes
	Current F.Y. Net County Cost:	$ 0	**Budget Adjustment:**	No
	Annual Net County Cost:	$ 0	**For Fiscal Year:**	2010/11

SOURCE OF FUNDS: 89% Retiree Contribution and 11% County's Post Retirement Medical Contribution.

Positions To Be Deleted Per A-30 ☐

Requires 4/5 Vote ☐

C.E.O. RECOMMENDATION:

APPROVE

BY:

Karen L. Johnson

County Executive Office Signature

FORM APPROVED COUNTY COUNSEL
BY: TAMMY W. LIEU DATE 7/29/2010

Department Concurrence

☒ Policy ☐ Consent

☒ Policy ☐ Consent

Dep't Recomm.:

Per Exec. Ofc.:

Prev. Agn. Ref.: May 19, 2009, 3.27 | **District:** ALL | **Agenda Number:** 3.39

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ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

BACKGROUD continued:

with the requirements of Medicare Parts A and B. United Healthcare was not prepared to submit their contracts to all clients participating in a Medicare plan, including the County of Riverside, until this time. Contract terms have been honored since January 1, 2010. The County contribution toward retiree premiums ranges from $25 to $256 per month, and retirees pay the remainder of the premiums. There is no additional cost to the County.

PACIFICARE OF CALIFORNIA
MEDICAL AND HOSPITAL GROUP SUBSCRIBER AGREEMENT
COVER SHEET
(This Cover Sheet is an integral part of this Agreement)

****Revision to Eligibility-Minimum Hours**

GROUP NAME: COUNTY OF RIVERSIDE

GROUP CODES: 517961, 517962, 517963

GROUP COVERAGE EFFECTIVE DATE: January 1, 2010 through December 31, 2010

PLAN CODE: FSF, CG8, IBD, M2B, 3M2

PLAN DESCRIPTION: SignatureValue $10/100% Plan with ChiroCare $10/20 Visits, Infertility Basic Diagnosis and Treatment, PacifiCare Behavioral Health/SMI + Rider Flat OV and Managed Formulary $5 Generic/$15 Brand/$30 Non-Formulary Outpatient Prescription Drugs

HEALTH PLAN PREMIUMS:

517961	Retiree & Spouse, One Medicare:	$ 734.78
517962	Retiree & Spouse, One Medicare, Deps:	$1,168.63
517963	Retiree & Spouse, Two Medicare, Deps:	$ 433.85

BILLING CODE: 01*
* Charged entire month if eligible at least one day of the month.

PREMIUMS DUE ON OR BEFORE (refer to Section 3.06): The 1st of the month of coverage.
ANNUAL COPAY MAXIMUM PER INDIVIDUAL: $2000.00
ANNUAL COPAY MAXIMUM PER FAMILY: $6000.00
CONTINUATION OF BENEFITS ELECTIONS: No

ELIGIBILITY:
Group Eligibility
Minimum hours required per week: ****N/A**
Dependent Member Eligibility

Dependent children are Eligible through age: 22
Students are Eligible through age: 22

Start and End date of coverage: Coverage starts first of the month after retirement date.
To be eligible for enrollment, the County of Riverside requires that all of the following conditions must be met: Must retire within 120 days from the date of separation from employment with the County of Riverside; must receive a retirement allowance from CalPERS; and must have been eligible for enrollment on the date of separation from the County of Riverside. Coverage ends at the end of the month.

A new spouse, Domestic Partner or children are eligible as set forth in the PacifiCare Evidence of Coverage and Disclosure Form.

ATTACHMENTS: **(The following Attachments are an integral part of this Agreement)**

*	Early Retiree Amendment
A -	Schedule of Benefits, PacifiCare Combined Evidence of Coverage and Disclosure Form
D -	Chiropractic Services
I -	Infertility Basic Diagnosis and Treatment Supplement
L -	PacifiCare Behavioral Health
R -	Outpatient Prescription Drug Benefit

EARLY RETIREE AMENDMENT TO THE MEDICAL AND HOSPITAL GROUP SUBSCRIBER AGREEMENT BETWEEN PACIFICARE ("PACIFICARE") AND COUNTY OF RIVERSIDE ("GROUP")

This **EARLY RETIREE AMENDMENT TO THE PACIFICARE OF CALIFORNIA, MEDICAL AND HOSPITAL GROUP SUBSCRIBER AGREEMENT** (this "Amendment"), dated as of January 1, 2010 is made and entered into by and between PacifiCare of California, a California corporation ("PacifiCare") and County of Riverside ("Group").

NOW THEREFORE, in consideration of the application of Group for the benefits provided under this Agreement, and in consideration of the periodic payment of Health Plan Premiums on behalf of Members in advance as they become due, PacifiCare agrees to arrange for or provide medical, surgical, hospital, and related health care benefits subject to all terms and conditions of this Medical and Hospital Group Subscriber Agreement, including the Cover Sheet and Attachments.

The Group Agreement shall be amended to read as follows:

[1]. SECTION [1.] DEFINITIONS

[1.] DEFINITIONS

1.06 Eligible Employee is deleted in its entirety and replaced with the following:

1.06 Early Retiree is a former Group employee who has met the minimum required Retiree participation conditions as determined by Group, who is not entitled to Medicare Parts A and B, who meets the Subscriber eligibility requirements of the PacifiCare Combined Evidence of Coverage and Disclosure Form, who is enrolled in the PacifiCare Early Retiree Health Plan, and for whom all applicable Health Plan Premiums are received by PacifiCare.

1.16 Subscriber shall be amended to read as follows:

1.16 Subscriber/Eligible Retiree is the individual enrolled in the Health Plan for whom the appropriate Health Plan Premium has been received by PacifiCare, and whose retirement or other status, except for family dependency, is the basis for enrollment eligibility.

2. Effect of this Amendment. The Amendment shall not be further amended, modified or revised and the Agreement shall continue in full force and effect and shall be enforced in accordance with its terms and conditions. **This amendment shall expire on December 31, 2010.**

IN WITNESS WHEREOF, the parties hereto have caused their duly appointed representatives to execute this Amendment for the County of Riverside.

ATTEST:
Clerk of the Board
Kecia Harper-Ihem
By: _____
Deputy
Date: _____

COUNTY OF RIVERSIDE:

By: _____
Chairman, Board of Supervisors
Date: _____

Approved as to form:
Pamela J. Walls
County Counsel

By: _____
Deputy County Counsel

PACIFICARE OF CALIFORNIA
BY: _____
NAME: David Anderson
TITLE: Southern California, CEO
DATE: 7/14/10

PACIFICARE OF CALIFORNIA

MEDICAL AND HOSPITAL GROUP SUBSCRIBER AGREEMENT

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Cover Sheet which is attached to and an integral part of this Agreement.

1.05 Dependent is any spouse, Domestic Partner or unmarried child (including a step-child, adopted child, child(ren) for whom the Subscriber, the Subscriber's spouse or Domestic Partner has assumed permanent guardianship or a child of a Domestic Partner) of a Subscriber who is enrolled hereunder, who meets all the eligibility requirements set forth in the PacifiCare Combined Evidence of Coverage and Disclosure Form attached to this Agreement and for whom applicable Health Plan Premiums are received by PacifiCare.

1.05(a) Domestic Partner is a person who meets the eligibility requirements, as defined by the Group, and the following:

(i) Is eighteen (18) years of age or older;
(ii) Is mentally competent to consent to contract;
(iii) Resides with the Subscriber and intends to do so indefinitely;
(iv) Is jointly responsible with the Subscriber for their common welfare and financial obligations;
(v) Is unmarried; and
(vi) Is not related by blood to the Subscriber to a degree of closeness that would prohibit marriage in the state of residence.

1.06 Eligible Employee is a Group employee who works a fixed number of hours per week as established by the Group, meets any applicable waiting period required by the Group, and meets the following additional criteria:

(a) Is defined as an employee under state and federal law;

(b) Is actively working or is able to return to active work and has certain rights pertaining to leaves of absence if his or her condition improves. Consultants, temporary labor, suppliers or contractors are not Eligible Employees.

1.07 Enrollment is the execution of a PacifiCare Enrollment form, or a non-standard Enrollment form approved by PacifiCare, by the Subscriber on behalf of the Subscriber and his or her Dependents, and acceptance thereof by PacifiCare, conditioned upon the execution of this Agreement by PacifiCare, and either the execution of this Agreement by Group or the timely payment of applicable Health Plan Premiums by Group. In its discretion and subject to specific protocols, PacifiCare may accept Enrollment through an electronic submission from Group.

1.08 Group is the single employer, labor union, trust, organization, or association identified on the Cover Sheet.

1.09 Group Contribution is the amount of the Health Plan Premium applicable

2.01.02 Time of Enrollment. All applications for Enrollment shall be submitted by prospective Subscribers to the Group during Open Enrollment Periods, except that prospective Subscribers and their Eligible Dependents who were not eligible during the previous Open Enrollment Period may apply for Enrollment within sixty (60) days after becoming eligible. All applications for Enrollment which are not received by PacifiCare within the sixty (60) days from the first day the prospective Subscriber or Dependent becomes eligible shall be subject to rejection by PacifiCare. Prospective Subscribers and their Eligible Dependents may reapply at the next Open Enrollment Period in the event an application was not received by PacifiCare within such sixty (60) day period. Group shall provide notice to Members of the applicable Open Enrollment Periods.

2.01.03 Notice and Certification. Group shall provide a written notice and certification, prepared by PacifiCare, as part of the PacifiCare Enrollment Packet to Eligible Employees at the commencement of the initial Open Enrollment Period. The written notice and certification section of the PacifiCare application for Enrollment shall provide notice of the availability of coverage under the Health Plan and indicate that an Eligible Employee's failure to elect coverage, on his or her behalf or on behalf of his or her Eligible Dependents during the initial Open Enrollment Period, permits PacifiCare to exclude coverage for a period of up to twelve (12) months until the Employer's next open enrollment period. Group shall require any Eligible Employee declining coverage under the Health Plan on behalf of himself or herself or any Eligible Dependent, to certify on the written notice and certification prepared by PacifiCare, the reason for declining Enrollment in the Health Plan and that he or she has reviewed the notice and certification and understands the consequences of declining coverage under the Health Plan. Group agrees to submit all completed notices and certifications to PacifiCare for:

a. Each Eligible Employee and/or his or her Eligible Dependents who declined coverage at renewal of this Agreement; and

b. Each Eligible Employee and/or his or her Eligible Dependents who became eligible during the term of this Agreement specified on the Cover Sheet of this Agreement and who have declined coverage.

2.01.04 Late Enrollment. Please refer to the section of this Agreement entitled Combined Evidence of Coverage and Disclosure Form for a complete description of Late Enrollment procedures.

2.02 Commencement of Coverage. The commencement date of coverage under this Health Plan shall be effective in accordance with the terms of the Cover Sheet and this Agreement. PacifiCare's acceptance of each Member's Enrollment is contingent upon receipt of the applicable Health Plan Premium payment.

2.03 PacifiCare's Liability in the Event of Conversion from a Prior Carrier. In the event PacifiCare replaces a prior carrier responsible for the payment of benefits or provision of services under a group contract within a period of sixty (60) days from the date of discontinuation of the prior contract or policy, PacifiCare will immediately cover

all employees and dependents who were validly covered under the previous contract or policy at the date of discontinuation, and who are eligible for enrollment under this Agreement, without regard to health status or hospital confinement. Notwithstanding the foregoing, with respect to employees or dependents who were totally disabled on the date of discontinuation of the prior contract or policy, and entitled to an extension of benefits pursuant to Section 1399.62 of the California Health & Safety Code or Section 10128.2 of the California Insurance Code under the prior contract or policy, PacifiCare shall not be financially responsible for any payment of benefits or provision of services directly related to any condition which caused the total disability. In such a situation, the prior carrier shall continue to be financially responsible for all benefits or services directly related to any condition which caused the total disability until such extension of benefits is no longer required under California or federal law.

3. GROUP OBLIGATIONS, HEALTH PLAN PREMIUMS AND COPAYMENTS

3.01 Non-Discrimination. Group shall offer PacifiCare an opportunity to market this Health Plan to its employees and shall offer its employees an opportunity to enroll in this Health Plan under no less favorable terms or conditions than Group offers enrollment in other health care service plans or employee health benefit plans.

3.02 Notices to PacifiCare. Group shall forward all completed or amended Enrollment forms for each Member for receipt by PacifiCare within thirty-one (31) days of the Member's initial eligibility. Group acknowledges that any Enrollment applications not received by PacifiCare within such thirty-one (31) day period may be rejected by PacifiCare. Group further agrees to transmit to PacifiCare any Enrollment application amendments pursuant to the Administrative Manual described in Section 8.07 below.

Group shall forward all notices of termination to PacifiCare within thirty-one (31) days after Member loses eligibility or elects to terminate membership under this Agreement. Group agrees to pay any applicable Member Health Plan Premiums through the last day of the month in which notice of termination is received by PacifiCare.

3.03 Notices to Member. If Group or PacifiCare terminates this Agreement pursuant to Section 7 below, Group shall promptly notify all Members enrolled through Group of the termination of their coverage in this Health Plan. Group shall provide such notice by delivering to each Subscriber a true, legible copy of the notice of termination sent from PacifiCare to Group at the Subscriber's then current address. Group shall promptly provide PacifiCare with a copy of the notice of termination delivered to each Subscriber, along with evidence of the date the notice was provided. In the event that PacifiCare terminates this Agreement for non-payment of Health Plan Premiums, Members will receive notice of termination from PacifiCare.

If, pursuant to Sections 3.07.01 and 3.07.02 below, PacifiCare increases Health Plan Premiums payable by the Subscriber, or if PacifiCare increases Copayments or reduces covered services provided under this Agreement, Group shall promptly notify

all Members enrolled through Group of the increase or reduction. In addition, Group shall promptly notify Members enrolled through Group of any other changes in the terms or conditions of this Agreement affecting the Members' benefits or obligations under the Health Plan. Group shall provide such notice by delivering to each Subscriber a true, legible copy of the notice of the Health Plan Premium or Copayment increase or reduction in covered services sent from PacifiCare to Group at the Subscriber's then current address. Group shall promptly provide PacifiCare with a copy of the notice of Health Plan Premium or Copayment increase or reduction in covered services delivered to each Subscriber, along with evidence of the date the notice was provided. PacifiCare shall have no responsibility to Members in the event Group fails to provide the notices required by this Section 3.03.

3.04 Indemnification. Group agrees to indemnify, defend and hold PacifiCare harmless and accept all legal and financial responsibility for any liability arising out of Group's failure to perform its obligations as set forth in this Section 3.

3.05 Rates (Prepayment Fees). The Health Plan Premium rates are set forth in the Health Plan Premiums section of the Cover Sheet and supplemental Health Plan Premium notices.

3.06 Due Date . Health Plan Premiums are due in full on a monthly basis by check or electronic transfer and must be paid directly by Group to PacifiCare on or before the last business day of the month prior to the month for which the premium applies. Failure to provide payment on or before the due date may result in termination of Group, as set forth in Section 7.02.01 below. PacifiCare reserves the right to assess an administrative fee of five percent (5%) of the monthly premium prorated on a thirty (30)-day month for each day it is delinquent thereafter. This fee will be assessed solely at PacifiCare's discretion. In the event that deposit of payments not made in a timely manner are received by PacifiCare after termination of Group, the depositing or applying of such funds does not constitute acceptance, and such funds shall be refunded by PacifiCare within twenty (20) business days of receipt if PacifiCare, in its sole discretion, does not reinstate Group.

3.07 Modification of Rates and Benefits.

3.07.01 Modification of Health Plan Premium Rates. The Health Plan Premium rates set forth on the Cover Sheet and the PacifiCare Enrollment Packet may be modified by PacifiCare upon thirty (30) days prior written notice mailed postage prepaid to Group, provided that PacifiCare obtains the prior written consent of Group for the modification. Any such modification shall take effect commencing the first full month following the expiration of the thirty (30)-day notice period.

Notwithstanding the above, if the State of California or any other taxing authority imposes upon PacifiCare a tax or license fee which is levied upon or measured by the monthly amount of Health Plan Premiums or by PacifiCare's gross receipts or any

portions of either, then upon thirty (30) days written notice to Group, Group shall remit to PacifiCare, with the appropriate payment, a pro rata amount sufficient to cover all such taxes and license fees, rounded to the nearest cent.

3.07.02 Modification of Benefits or Terms. The covered services set forth in the Combined Evidence of Coverage and Disclosure Form, the Schedule of Benefits, and the Schedule of Supplemental Benefits in the PacifiCare Enrollment Packet, as well as other terms of this Agreement, may be modified by PacifiCare upon thirty (30) days written notice mailed postage prepaid to Group. Any such modification shall take effect commencing the first full month following the expiration of the thirty (30)-day notice period.

3.08 Effect of Payment. Except as otherwise provided in this Agreement, only Members for whom Health Plan Premiums are received by PacifiCare are entitled to health care benefits as described in this Agreement, and then only for the period for which such payment is received. Group agrees to pay premium to PacifiCare for the first month of coverage for newborn or adopted children who become eligible as provided in the Combined Evidence of Coverage and Disclosure Form section of this Agreement.

3.09 Continuation of Benefits and Conversion Coverage.

3.09.01 Federal Continuation Coverage. With the exception of Domestic Partners and their Dependents, Group shall operate in accordance with the provision of the Consolidated Omnibus Budget Reconciliation Act of 1985 (P.L. 99-272), as amended ("COBRA"), and the regulations promulgated thereunder (the "COBRA Regulations"). Accordingly, Group shall establish reasonable procedures for members to notify Group of certain qualifying events, as required by the COBRA Regulations, and shall be solely responsible for receiving such notices from Members. Group shall provide affected Members with written notice of available continuation coverage as required by and in accordance with COBRA and amendments thereto. Group shall be solely responsible for collecting Health Plan Premiums from Members who elect to continue benefits under COBRA and shall transmit such Health Plan Premiums to PacifiCare along with the Group's Health Plan Premiums otherwise due under this Agreement. Group shall maintain accurate records regarding Health Plan Premiums for Members who elect to continue benefits, including qualifying events, terminating events, and other information necessary to administer this continuation of benefits. The obligations to be performed by Group under this Subsection may be performed directly by Group, or wholly or in part through a subsidiary or affiliate of Group, or on behalf of Group by a third party, including but not limited to a COBRA coverage administrator; provided that Group will remain liable to PacifiCare for satisfaction of the obligations to be performed by Group under this Subsection. PacifiCare is not responsible for the acts or omissions of Group or designee and shall be held harmless for any failure by Group to fulfill its obligations, including but not limited to failure to provide proper notice or failure to forward premium payments to PacifiCare within applicable statutory time frames. Please refer to the Combined Evidence of Coverage and Disclosure form, which sets forth the terms and conditions under which COBRA will be provided to Members.

3.09.02 Notice of Individual Conversion Rights. Within fifteen (15) days after a Member's coverage terminates, Group shall notify the Subscriber on behalf of the Subscriber and his or her Dependents or, if no Subscriber is available, any terminated Dependent, including a Domestic Partner and his or her Dependents of the availability, terms, and individual conversion rights as set forth in the Combined Evidence of Coverage and Disclosure Form.

3.09.03 Uniformed Services Employment and Reemployment Rights Act. Continuation coverage under this Health Plan shall be available to Members through Group under the Uniform Services Employment and Reemployment Rights Act of 1994, as amended ("USERRA"). The continuation coverage under this section shall be equal to, and subject to the same limitations as, the benefits provided to other Members regularly enrolled in this Health Plan and shall be made available to eligible Members absent from employment by reason of service in the United States uniformed services. Such coverage, including but not limited to, the maximum 24-month period, will be provided to Members who meet the USERRA requirements. USERRA benefits run concurrently with any benefits that may be available through COBRA. Group is responsible for notifying affected Members of available USERRA continuation coverage and notifying PacifiCare of Members who elect to continue coverage under USERRA. Group is responsible for billing and collecting Health Plan Premiums and maintaining accurate records regarding Health Plan Premiums, qualifying events, terminating events, and any other information that may be necessary for PacifiCare to administer this continuation benefit.

4. BENEFITS AND CONDITIONS FOR COVERAGE

The attached PacifiCare Combined Evidence of Coverage and Disclosure Form, Schedule of Benefits, and additional related attachments included at the end of this Agreement, are an integral part of this Agreement, and include a complete description of the Benefits and Conditions of Coverage of this Health Plan.

5. PARTIES AFFECTED BY THIS AGREEMENT; RELATIONSHIPS BETWEEN PARTIES

5.01 Relationship of Parties. Group is not the agent or representative of PacifiCare and shall not be liable for any acts or omissions of PacifiCare, its agents, employees or providers, or any other person or organization with which PacifiCare has made, or hereafter shall make, arrangements for the performance of services under this Health Plan. Member is not the agent or representative of PacifiCare and shall not be liable for any acts or omissions of PacifiCare, its agents or employees.

5.02 Compliance with the Health Insurance Portability and Accountability Act of 1996. PacifiCare agrees to furnish written certification of prior creditable coverage ("Certificates") to all eligible Members, as required by the Health Insurance Portability

and Accountability Act of 1996 (HIPAA). PacifiCare and Group acknowledge that PacifiCare's agreement to issue Certificates to all eligible Members relieves Group of its obligation under HIPAA to furnish Certificates. Group acknowledges that PacifiCare must rely completely on eligibility information and data (including, but not limited to, Member's name and current address) furnished by Group in issuing Certificates to Members. Group agrees to notify PacifiCare of all terminations within thirty (30) days of the termination, and to provide PacifiCare with eligibility information and data within thirty (30) days of its receipt or change. Group agrees to indemnify, defend and hold PacifiCare harmless and accept all legal, financial and regulatory responsibility for any liability arising out of Group's failure to perform its obligations set forth in this Section 5.02.

6. TERM OF AGREEMENT; RENEWAL PROVISIONS

6.01 Term; Automatic Renewal. The term of this Agreement shall be one (1) year, commencing on the Group Coverage Effective Date set out in the Cover Sheet, unless otherwise indicated on the Cover Sheet or unless this Agreement is terminated as provided herein. This Agreement shall automatically renew for a one (1) year term on each anniversary of the date of commencement of this Agreement or as indicated on the Cover Sheet, unless terminated as provided herein. Renewal of this Agreement shall be subject to modification of rates and benefits pursuant to Section 3.07.

7. TERMINATION

7.01 Termination by Group. Group may terminate this Agreement with or without cause by giving a minimum of thirty (30) days written notice of termination to PacifiCare. Group termination must always be effective on the first day of the month. Group shall continue to be liable for Health Plan Premiums for all Members enrolled in this Health Plan through Group until the date of termination.

7.02 Termination by PacifiCare.

7.02.01 For Nonpayment of Health Plan Premiums. PacifiCare may terminate this Agreement in the event Group or its designee fails to remit Health Plan Premiums in full by the required date to PacifiCare by giving written notice of termination of this Agreement via first class mail to Group. Nonpayment of Health Plan Premiums includes but is not limited to, payments returned due to non-sufficient funds (NSF) and post-dated checks. Such notice shall specify that payment of all unpaid Health Plan Premiums must be received by PacifiCare within fifteen (15) days of the date of issuance of the notice, and that if payment is not received within the fifteen (15) day period, no further notice shall be given, and coverage for all Members enrolled in this Health Plan shall automatically be terminated effective at the end of the month for which Health Plan Premiums have been actually received by PacifiCare, subject to compliance with notice requirements. After the initial issuance of the notice to Group, PacifiCare will send a

HIPAA Certificate of Creditable Coverage to the Subscribers, notifying the Subscriber's that their health care coverage and their Dependent's health care coverage under this Plan has terminated effective the first of the month for which Health Plan Premiums were not received. Subscribers and eligible Dependents will be able to elect either PacifiCare's Individual Conversion Plan or HIPAA Guaranteed Issue product effective the first of the month in which the Member loses coverage.

7.02.01.01 Reinstatement Following Non-Payment of Premium. Notwithstanding Section 7.02.01, receipt by PacifiCare of all Health Plan Premium payments then due and owing on or before the succeeding Health Plan Premium payment due date will reinstate this Agreement as though it had never been terminated. However, PacifiCare may, in its discretion, elect not to reinstate this Agreement in any of the following circumstances: (1) the notice of termination states that, if Health Plan Premium payment is not received within fifteen (15) days of issuance of the notice of termination, a new application is required and identifies conditions under which a new agreement will be issued or this Agreement reinstated; (2) if payment of Health Plan Premiums is received by PacifiCare more than fifteen (15) days after the issuance of notice of termination, and the Plan refunds such payment within twenty (20) business days of receipt; or, (3) if payment of Health Plan Premiums is received more than fifteen (15) days after issuance of the notice of termination, and PacifiCare issues to Group, within twenty (20) business days of receipt of such Health Plan Premiums, a new Agreement accompanied by written notice stating clearly those respects in which the new Agreement differs from this Agreement in benefits, coverage or otherwise. In the event PacifiCare receives untimely payments after Group has been terminated, the deposit or application of such funds by PacifiCare does not constitute acceptance of such funds or reinstate group, and such funds may be refunded by PacifiCare at its sole discretion.

7.02.02 Termination for Breach of Material Term. PacifiCare may terminate this Agreement if Group breaches any material term, covenant or condition of this Agreement and fails to cure such breach within thirty (30) days after PacifiCare sends written notice of such breach. For purposes of this Section 7.02.02, material terms of this Agreement specifically include, but are not limited to, Sections 3.01 and 8.03. PacifiCare's written notice of breach shall make specific reference to Group's action causing such breach. If Group fails to cure its breach subject to PacifiCare's satisfaction within thirty (30) days after PacifiCare sends notice of the breach, PacifiCare may terminate this Agreement at the end of the thirty (30)-day notice period.

7.02.03 For Providing Misleading or Fraudulent Information. PacifiCare may terminate this Agreement thirty (30) days after PacifiCare sends written notice to Group if Group provides materially misleading or fraudulent information to PacifiCare in any Group questionnaires or is aware that materially misleading or fraudulent information has been provided on membership Enrollment forms.

7.02.04 For Ceasing to Meet Group Eligibility Criteria. PacifiCare may terminate Group upon thirty (30) days written notice to Group if Group fails to meet any of the following Group eligibility requirements: