



October 4, 2010

RE: EMPLOYEE NOTIFICATION OF HEALTHCARE REFORM CHANGES

Dear HR Manager/Benefits Administrator:

Several provisions of the federal healthcare reform take effect as plans renew after September 23, 2010.

Member Notice Requirements - Regulations recently issued by the U.S. Department of Health and Human Services require plan sponsors (typically the employer, in the case of group plans) to notify covered employees of the following:

- Special enrollment opportunity related to the extension of dependent coverage to age 26
- Special enrollment opportunity related to the elimination of lifetime limits
- Pre-existing waiting period no longer applies to under age 19

We have developed the enclosed notice to help you inform members of these changes and opportunities. Please note that this information is time-sensitive. For your convenience, you may either:

- Photocopy and distribute the enclosed notice, or
- Go to NetCare's website at www.netcarelifeandhealth.com to download an electronic version of the notice that can be e-mailed to employees

Non-Discrimination Rules - Insured group health plans are required to satisfy non-discrimination rules as of the first day of their plan year on or after September 23, 2010. The new rules prohibit discrimination with regard to eligibility and health benefits in a way that would favor highly compensated individuals. Providing different benefits to or excluding eligibility to some categories of employees on the basis of age, years of service, or compensation is not permissible under the new law. The Department of Labor has suggested violators could face fines of up to \$100 a day for each employee discriminated against.

We recommend that you either offer coverage to all employees that meet your plan's hourly requirement and probationary waiting period or conduct nondiscrimination testing according to provisions of the IRS Code 105(5) to confirm your plan complies with the provisions of the Public Health Service Act section 2716 as amended by the Patient Protection and Affordable Care Act section 1001(5). Please be advised that NetCare is unable to do such nondiscrimination testing. You should contact your attorney or CPA for assistance if needed.

If you have any questions regarding special enrollment, you are welcome to contact your NetCare marketing representative at (671) 472-3610. For questions regarding nondiscrimination rules, please contact your attorney or CPA. More information about health care reform is available on our website at www.netcarelifeandhealth.com.

Thank you.

A handwritten signature in black ink, appearing to read "Jerry Crisostomo".

Jerry Crisostomo, MHP
Plan Administrator

Enclosure