

April 20, 2009

Dear Valued Customer:

You are receiving this letter because we have identified you as a small group customer impacted by the recently passed American Recovery and Reinvestment Act of 2009 ("ARRA").

The ARRA provides a federally funded premium subsidy for continuation coverage provided to certain individuals who experience an involuntary termination of their employment sometime during the period of September 1, 2008 through December 31, 2009. Under the ARRA, assistance-eligible individuals (AEIs) can receive a 65% subsidy of their premiums for up to nine months. This subsidy applies to federal COBRA coverage and comparable continuation coverage provided under state law.

The purpose of this letter is to clarify that the **administration of the subsidy varies, depending on the size of the employer**. As a smaller employer, you may not be subject to the federal COBRA rules, but may instead be subject to only state continuation laws. This is the case if you have fewer than 20 employees. If you fall within this category, Medica, as your insurer, is required to administer the subsidy. We will need to work with you to accomplish this. *If you have 20 or more employees, you are required to administer the subsidy, with the assistance of your COBRA administrator and other advisors.*

Please review the enclosed materials carefully and take action as soon as possible, but no later than Friday May 1, 2009.

You will find the following documents enclosed:

- Premium Subsidy Employer Action Steps (on the back of this letter)
- Premium Subsidy Employer Guide (Steps 1 through 6)
- Forms:
 - Attestation Form Concerning Employer Size And Subsidy Administration
 - Continuation Eligible Individual List for reporting continuation eligible individuals to Medica
 - Assistance Eligible Individuals (AEI) Status Request & Continuation Enrollment Form

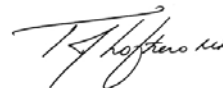
These materials, along with an updated Frequently Asked Questions (FAQ), are also available at Medica.com>Employers. Should you have additional questions, please contact the Medica Service Center at 952-992-2200, or your broker. Additionally, as this letter and the enclosures should not be construed as legal advice, we encourage you to contact your legal counsel if you have questions concerning your duties as an employer.

Thank you for choosing Medica.

Sincerely,



Scott Reid
Vice President of Middle Market and Small Group Sales
Medica



Ted Loftness
Vice President of Regional Health Services
Medica