

K&P Benefits Insider

Timely information for the dynamic world of employee benefits

A newsletter presented by the
Employee Benefits Division of
Kibble & Prentice

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In this edition of the K&P Benefits Insider, we focus on our unique benefit services and update you on recent legislative and carrier changes. As many of you begin to focus on the renewal process of 2005, please remember our services and extensive knowledge base are available to support your organization both technically and administratively.

HR Support Unit

You may be familiar with our Simple Billing service, but much more is happening in the HR Support Unit at Kibble & Prentice!

We are hard at work streamlining and improving our Simple Billing process, while assessing new solutions to make your HR functions easier and more efficient! Everything from an HR audit product, an HR on-line portal for HR/benefit information, to a complete HRIS system called HROffice. Each of these addresses a specific need and can be used

individually or in conjunction with each other.

Whatever your specific needs, we are here to help you find the right solution.

Be watching for more information on these and other services in the near future, or contact us today for details.

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Benefit Resource Center

The Benefit Resource Center is a valuable enhancement to our clients' health plans. The "BRC" was established in July of 2000 as a high-level professional benefit resolution resource, primarily for assistance with elevated claim, billing and eligibility issues.

We provide personalized, high-touch service. The Benefit Specialists are not on a phone queue or tied to quotas, which allows us to provide individualized, responsive service that is timely. This focus on quality allows us to supply detailed answers resulting from in-depth research, client advocacy and troubleshooting.

The Benefit Resource Center team of professionals bring a range of industry experience to the BRC, with backgrounds in medical billing and coding, insurance claims processing, human resources, provider relations, benefit utilization management, account management and customer service.

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Benefit Resource Center

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Our Benefit Specialists are trained to serve the needs of a variety of audiences, including Human Resources personnel, senior executives, employees and their families, COBRA participants and retirees. We are trained to navigate the intricacies of the healthcare system on behalf of our clients.

The Benefit Resource Center services over 300 clients around the Northwest and throughout the country.

We average approximately 200 new inquiries per week, with December through March having the highest volume of calls. A Benefit Specialist makes an average of 40 follow up contacts per day.

The Kibble & Prentice IT staff designed a customized database for the Benefit Resource Center. This database features personalized claims tracking, one-touch access to clients' benefit summaries and plan details, and tailored client utilization reports.

The key to our service is extensive follow-up and

background work when investigating claim or billing issues. We track claim/billing issues until we have confirmation that payment has been received and credited to the patient's account (not simply until the insurance company says they have paid it). We are best utilized for high-level claims resolution and appeals.

The Benefit Resource Center is committed to maintaining privacy and assuring compliance in this function under the federal HIPAA regulations and guidelines for our clients. As part of our privacy protection policy, we will not share "PHI" (Personal Health Information) with any other parties unless explicitly outlined by the claimant (or legal guardian for underage claimants) on an Authorization for Release of Information form. The Benefit Resource Center saves all claim-related records for two years, after which all related records and paperwork are destroyed in accordance with HIPAA guidelines.



**Contact the
Kibble & Prentice
Employee Benefits
Tech Team**

Would you like to obtain future copies of this newsletter by e-mail? If so, send us your name, phone number and e-mail address and we will add you to our e-mail list in time for the next mailing!

This issue of the **K&P Benefits Insider** was written by Patrick Rosenberry, Jessica McFarlane, Kellie Stone and Alicia Scalzo.

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PERKS Update: Electric Toothbrushes

Effective September 2003, electric toothbrushes were no longer eligible for reimbursement through a Section 125 plan. The IRS views electric toothbrushes as items primarily used to maintain general health.

As a result, if your dentist recommends the use of an electronic toothbrush to treat a medical condition, the expense of the toothbrush cannot be reimbursed. This rule requires the PERKS department to deny claims submitted for reimbursement for any type of toothbrush in order to comply with IRS regulations.

If you have any questions about which types of expenses are eligible for reimbursement, please contact a PERKS representative at (206) 441-6300.

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K&P Benefits Insider

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The articles presented herein are for information purposes and should not be construed as legal opinions.

COBRA Notice Regulations

On May 26, 2004, the Department of Labor (DOL) published final COBRA regulations imposing significant new obligations on the sponsors and administrators of COBRA eligible benefit plans. These regulations apply to COBRA eligible employers with 20 or more employees. The new regulations are effective for non-calendar plan years beginning November 26, 2004 and for calendar plan years effective beginning January 1, 2005. The regulations are summarized below.

Initial COBRA Notice

The initial COBRA notice must be sent to employees and spouses within 90 days from date of enrollment on the benefit plan. The new regulations require information on how COBRA coordinates with Medicare.

Employer Notice to Plan Administrators

Employers have 30 days from the time of the qualifying event to notify the COBRA administrator of the occurrence. If the employer is also the administrator, the deadline changes to 44 days.

Election Notice

This notice must be sent to the employee and family within 14 days of the administrator being notified of a COBRA qualifying event. As with the initial COBRA notice, language regarding Medicare's coordination with COBRA is required.

Qualified Beneficiary Notice

Plans must adopt "reasonable procedures" for the employee and qualified beneficiaries to notify the plan administrator of certain qualifying events, such as divorce, legal separation or disability. Reasonable procedure terminology also extends to notification of a second qualifying COBRA event, which will extend the duration of benefits and changes in disability status. The procedures must include the following:

- Recipient of the notice
- Acceptable methods of notice delivery
- Information that must be provided as part of the notice
- Any necessary accompanying documentation to the notice

Reasonable procedures must be outlined in the summary plan description. Plans failing to outline the procedures are still governed by the regulation, and are required to accept oral or written notification if such notification is given.

Notice of Early Termination of Coverage

This notice serves to inform the employee or qualified beneficiary that COBRA coverage has terminated prior to the expiration of the statutory period, either 18 or 36 months. Once the determination is made that COBRA coverage will expire, notification should be sent as soon as practicable.

Notice of Unavailability of Coverage

This notice serves to inform the employee and qualified beneficiary that COBRA coverage is denied because either 1) no qualifying event occurred or 2) notice of the event was not received in a timely manner. This notice should be sent within 14 days of receiving the notification.

The DOL has Initial and Election Notice samples available on their website at www.dol.gov/ebsa/compliance_assistance.html. These samples meet the requirements of the new COBRA regulations. At this time, there are no sample notices for Early Termination of Coverage and Unavailability of Coverage. We anticipate having these forms available for you by November 2004.

Chemical Dependency Coverage

Currently, the State of Washington's regulations include a minimum chemical dependency benefit amount that escalates every 12 months. The adjustment must correspond with the medical consumer price index (CPI) for Seattle. While the new amount is calculated in July and carriers have until January to comply, the process is administratively burdensome due to the unpredictable nature of the CPI.

The Washington State Insurance Commissioner's Office is proposing the use of the CPI is eliminated in favor of set benefit amounts each year. A public hearing was recently held to discuss this change. We expect a decision in favor of the change will be forthcoming.

CARRIER UPDATES

CIGNA

Beginning fall 2004, CIGNA Healthcare members will have online access to personalized and integrated health management tools through WebMD.

Great West Healthcare

Great West is changing their Pharmacy Benefit Manager from AdvancePCS to Express Scripts effective January 1, 2005.

For an estimated cost savings of 10% annually, Great West will begin utilizing a single pharmacy provider, ICORE Pharmacy Services for injectable hemophilia medications. The change took effect October 1, 2004. This change will not impact any other medications.

Group Health

Group Health is expanding their provider network to include Valley Hospital and Medical Center in Spokane, along with the addition of several primary care doctors throughout the Spokane Valley. Members may now access pharmacy benefits at any Albertson's pharmacy in Spokane.

HMA

HMA has begun a Specialty Pharmaceutical Benefit Management program. Specialty Pharmaceuticals are biotech in nature. Costs for these products can range from \$10,000 to \$1,000,000 per member per year. Most Benefit Management (PBM) companies offer discounts for specialty medications that are distributed through a pharmacy. However, many specialty medications are distributed through providers' offices and are covered under the medical benefit. Therefore, a standard PBM product does not provide the best opportunity for controlling costs for these medications.

KPS Health Plans

KPS Health Plans entered into a new reinsurance agreement with ING Re effective July 1, 2004. This new arrangement with ING Re covers lifetime maximums from \$1M to \$5M for all KPS policies currently offered.

KPS began offering Health Savings accounts effective July 2004 in conjunction with their High Deductible medical plans. They recommend American Health Value, First HSA, or HSA Bank to manage the accounts.

PacifiCare

PacifiCare announced July 28, 2004 that they received signed contracts for the following providers and health care facilities joining their PPO Network:

- Bellevue: Eastside Retina Consultants, Pacific Handworks
- Chelan: Lake Chelan Clinic
- Kirkland: Sylvia Lank, MD, NW Nasal Sinus Center, and Kathryn Ponto, MD
- Mt. Vernon: Skagit Valley Medical Center
- Seattle: Ballard Optical, NW Skin Specialists, Seattle Rheumatology and NW Nasal Sinus Center
- Tacoma: NW Center for Integrative Medicine, Narrows Eye Surgery Center, Nina Spalek, MD, Complete Approach Physical Therapy

These providers still needed to complete the credentialing and contract load process before being considered participating PPO providers.

Premera Blue Cross

Alaska's Director of Insurance issued an order on July 26, 2004 that could allow Premera Blue Cross to convert to a public company if the company meets certain conditions. Washington's Insurance Commissioner denied Premera's conversion to a public company. Premera has appealed the denial.

Providence Hospital (Everett, Olympia and Centralia) and Seattle Surgery Center have signed a deal with Premera to remain as a part of the network.

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Carrier Updates

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Regence Blue Shield

Regence began offering Health Savings Accounts effective October 1, 2004 in conjunction with their High Deductible medical plans. Wells Fargo has been chosen as the recommended vendor.

Regence will no longer participate in Washington State's Basic Health plan effective January 1, 2005. The Basic Health plan was created as a means for low-income individuals to purchase medical coverage. This change will affect about 8,500 members.

Vioxx

Merck & Co., Inc. announced on September 30, 2004 that it would no longer manufacture and sell Vioxx anywhere in the world due to safety concerns over an increased risk of cardiovascular events (including heart attack and stroke). This voluntary withdrawal was based on new safety information from a long-term drug trial, which was stopped early for safety reasons.

Please contact your physician to discuss discontinuing your Vioxx therapy and switching to an alternative treatment option.

Children's Online Privacy and Protection Act

The Children's Online Privacy and Protection Act of 1998 ("COPPA") requires an operator of a website or online service directed to children under age 13 to provide notice on the website of what information is collected from children by the operator, how the operator uses such information, and the operator's disclosure practices for such information; and to obtain verifiable parental consent for the collection, use, or disclosure of personal information from children.

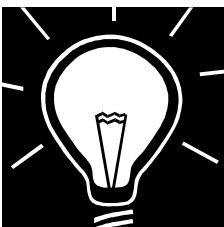
This legislation went into affect April 2000.

At a parent's request, operators must disclose the general kinds of personal information they collect online from children (for example: name, address, telephone number, email address, hobbies), as well as the specific information collected from children who visit their sites. Operators must use reasonable procedures to ensure they are dealing with the child's parent before they provide access to the child's specific information.



Due to the increased activity of children online, this legislation has received more attention recently. However, it should have little impact on insurance plans that have on-line access to protected health information as these website services are not directed specifically to children.

TIMELY INFORMATION FOR THE DYNAMIC WORLD OF EMPLOYEE BENEFITS



Ideas??

If you have questions or ideas for future issues of the **K&P Benefits Insider** we would like to hear from you! Please e-mail us at techteam@kpc.com.