Employee Benefits Report

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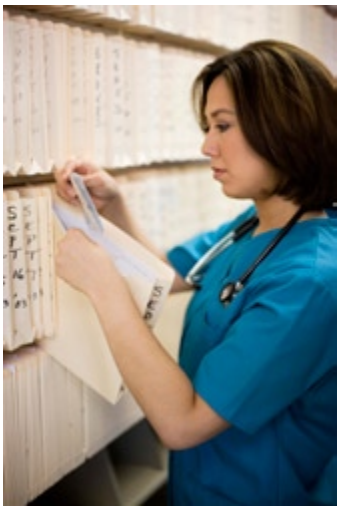

Best Practice Tips for HIPAA Compliance

Protecting individual health information can be tricky. Here are some best practices that will keep your company in compliance.

The Health Insurance Portability and Accountability Act, commonly known as HIPAA, covers everything from health plan portability to nondiscrimination, according to attorney Walter W. Miller. But the centerpiece of HIPAA regulations has always been, and remains, maintaining the privacy of an individual's health information.

Although HIPAA's privacy regulations apply only to "covered entities" (such as a health plan, healthcare clearing house or healthcare provider), information created or provided by a covered entity automatically becomes protected health information, or PHI. Once the information is protected, it can only be used for the purposes of patient treatment, payment of healthcare costs, and for health operations. The latter includes such common benefit plan functions as enrollment, eligibility determinations, claims determination, claims payment, pre-certification, and reviewing status of payment.

Even where use or disclosure of PHI is allowed under the privacy regulations, only the "minimum necessary" information required to accomplish the treatment, payment or healthcare operations can be used or disclosed. The regulations are fairly clear; employers are subject to specific and extensive regulatory burdens if they obtain and use protected health information to administer their own health plan or are involved in making or reviewing benefit decisions.

If you or your company needs protected health information for any other reason, it must come with a specific authorization from the employee or patient. Additional rules specifically cover employers that self-insure a health plan, retain an employee acting as the health plan administrator or act as plan sponsors. (Please note that a self-administered plan with fewer than 50 participants does not fall under HIPAA's definition of a "health plan.")

If your company sponsors a health plan, for example, obviously there will be times when you'll need to use protected health information to manage the program. The privacy rules are intended to prevent the information from being used for

HIPAA—continued on Page 3

This Just In

Average deductibles for employer-provided group coverage exceeded $1,000 for the first time in 2008, according to a survey released late last year. Average deductibles for individual coverage under employer-provided preferred provider organization (PPO) plans jumped to $1,001, an increase of 17 percent from 2007's average deductible of $859.

Although the share of high-deductible health plans linked to health savings accounts (HSAs) increased slightly (from 5 percent in 2007 to 8 percent in 2008), PPO plans remain the most popular type of employer-provided plan, covering 58 percent of insured employees. PPO premiums reached $4,802 for single coverage and $12,937 for family coverage in 2008, according to the Kaiser Family Foundation.

How Economic Downturn Could Affect Your Benefits Package

What can employers expect to happen to their benefits programs during an economic downturn? And what positive steps can you take?

First, the bad news…

1 401(k) balances could continue to drop as stock values decrease. Employees might put off investing in your plan, making it "top-heavy."

2 The number of uninsured could increase, affecting premiums. Currently, some 45.7 million Americans lack health insurance. The Kaiser Family Foundation estimates every 1 percent increase in the jobless rate leads to an increase of 1.1 million uninsured individuals.

But even the uninsured require medical services. The Kaiser Family Foundation estimated the cost of unpaid care among the uninsured at almost $125 billion in 2004. And who pays for these services? Insured employers end up footing the bill, as providers pass along their unreimbursed costs to those with insurance. Milliman, the actuarial firm, estimated employers pay an additional $1,115 per insured employee to cover the difference in doctors' and hospitals' reimbursements from Medicare and Medicaid and their actual costs. And that doesn't account for the cost of unreimbursed care for those without Medicare or Medicaid.

3 Stress-related illnesses could increase. Working longer hours and facing economic strains at home could lead employees to experience higher incidences of high blood pressure, anxiety, heart disease and other stress-related conditions.

Too much bad news?

Here are some positive steps you can take to address each of these issues.

1 Use automatic enrollment and payroll deduction to encourage participation in the company's 401(k). Employees must opt out rather than opting in, making it easier for procrastinators and the undecided to participate than not.

Look at your fund options. Most 401(k) providers offer a variety of funds employees can invest their plan balances in. Look for a provider whose options include money market funds in addition to stock and bond mutual funds.

Step up education efforts. Remind employees that when they invest in a stock mutual fund, the fund can buy more shares of a stock when prices are low than when they are high. And isn't the goal of every investor to buy low and sell high?

2 Encourage employees to take advantage of your benefit offerings. Focus your efforts on younger, healthier employees who might be tempted to go without coverage. Increasing the percentage of younger and healthier workers in your plan can improve your plan's experience. It helps them, too — participation in a group plan establishes "creditable coverage," which protects their access to coverage if they develop a serious health condition that affects their insurability.

Educate employees who lack coverage on other options. For example, lower-income employees who lack dependent coverage may be eligible for the State Children's Health Insurance Program (SCHIP). States have different eligibility rules, but most will cover uninsured children under the age of 19 whose families earn up to $36,200 a year (for a family of four). For little or no cost, this insurance pays for doctor visits, immunizations, hospitalizations and emergency room visits. For information, see the Centers for Medicare and Medicaid Services' Web Site at www.cms.hhs.gov/LowCostHealthInsFamChild/02_InsureKidsNow.asp.

3 Start an employee assistance program (EAP) and wellness programs. Although investing in benefits might not appear at the top of upper management's to-do list now, a 2007/8 survey by consultant Watson Wyatt found that more than one-quarter of employers ranked several preventable factors—including lifestyle risks, physical conditions, chronic conditions and unscheduled absence—as affecting their business productivity "to a great extent" or "to a very great extent."

Employee assistance programs can help employees address personal problems that can increase stress and spill over into work, such as substance abuse, marital stresses, debt and elder/childcare problems. Wellness programs can help you control benefit costs by encouraging employees to become fitter and healthier. For information, please call us. ■

HIPAA—continued from Page 1

other employment-related functions or other benefits provided by the plan sponsor. The rules require a plan sponsor to agree to use and disclose protected health information received from the health plan only for plan administrative functions, which must be specified in the plan documents.

Companies without health plans not exempt!

Even companies that don't sponsor health plans are affected by HIPAA regulations. Take, for example, a company that requires a pre-employment physical. If the physical is being performed by a physician, other than an employee physician, most likely the physician will be covered by HIPAA. Therefore, the individually identifiable health information collected at the physical will be protected health information. The employer wants the information, but because the use is not for treatment, payment or health care operations, the physician will have to obtain the patient's express authorization to release it. The employer may only use the information for the purposes expressly stated in the authorization.

HIPAA may also affect your company's disease management and wellness programs, occupational health programs and claims, and on-site medical clinics.

Here are some best practice tips for HIPAA compliance:

- Better to be safe than sorry. It's best to assume that all contacts with healthcare providers are covered by HIPAA regulations and a HIPAA authorization will be needed before information is released.
- Ask for or provide only the minimal amount of protected health information, even when authorization is provided. The burdens from HIPAA are minimal if PHI is not routinely obtained as part of the ongoing administration or oversight of a covered health plan.
- Make authorizations specific for the purpose required—for example, if you require pre-employment physicals, ask job applicants to sign an authorization to release that information only, not a blanket authorization.
- Don't use group health plan information to obtain evidence of disability on behalf of the employee unless the employee has provided a valid authorization.
- Ensure that an adequate "fire wall" as required by the regulations is in place, describing which employees have access to the PHI, restricting access to such individuals and for such use as is necessary for plan administration functions, and providing methods by which noncompliance can be resolved.
- Know your rights. HIPAA privacy regulations do not give employees the right to refuse to cooperate in legitimate requests for information.
- HIPAA makes employers liable for violations of their business associates (such as administrators or providers of wellness and other programs) if the employer is aware of the wrongdoing.

For more information on HIPAA's health information privacy protections and how they might affect your business, see the U.S. Department of Health and Human Services' Web site at www.hhs.gov/ocr/privacy/index.html. Or contact us for assistance. ■

LIFE—continued from Page 4

here's a rundown on the various coverage options.

Term or permanent?

There are two categories of life insurance: term and permanent. Term coverage provides pure death benefit coverage. Term insurance is what most companies offer in their basic benefits package. It provides financial protection for a specific time (one to 30 years), and provides a death benefit but no cash savings. Rates are guaranteed only for the policy term and usually increase at the end of the term.

Permanent, or cash value, life insurance provides lifelong protection and includes a savings element. Premiums are generally higher than for term insurance, but they remain fixed throughout the policy's life.

All permanent insurance has a face amount and a cash value. The face amount is the money that will be paid at death, while cash value is the amount of money currently available to the policyholder. Permanent life offers other benefits — purchasers can withdraw some of the money, obtain a loan using the cash value as collateral or use the cash value to pay premiums, provided there is enough money accumulated.

Varieties of permanent life coverage include whole (or "ordinary") life insurance, universal life or variable life policies.

Choose the right carrier

Not all carriers offer permanent life as a voluntary benefit. If you want your voluntary life insurance offerings to include permanent life, find a carrier that will write it on a voluntary basis.

Also check a carrier's reputation. With voluntary life insurance programs, the insurer has principal responsibility for program implementation, communication, enrollment and administration. Look for a stable carrier with a reputation for good communications and strong financial ratings to ensure the money your employees invest will be there when they need it. For more information, please call us. ■

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Voluntary Life = Better Benefits — at No Cost

Nearly two-thirds (58 percent) of American adults have not bought life insurance because they think it's too expensive, according to a survey conducted by the Insurance Information Institute late last year. The III's survey also found that many respondents hadn't bought insurance because they just hadn't gotten around to it or they didn't know enough about insurance to feel comfortable buying it.

Lack of life insurance — or inadequate amounts of life insurance — can put your employees' families in financial jeopardy if a breadwinner dies. Employers can help their uninsured or underinsured employees by offering life insurance as a voluntary benefit. Many employers offer voluntary life as an addition to their basic employer-paid group life benefit. However, in these days of rising expenses, some employers choose to offer life insurance on a voluntary basis only.

Since voluntary life is optional and completely employee-paid, the employer has no direct out-of-pocket costs. You simply set up and maintain the program, choosing the products that best match your employees' needs. If you have 10 or more employees who would be eligible to participate, consider adding voluntary life insurance to your benefits menu.

For employees, a voluntary life insurance program allows them to buy coverage at less-expensive group rates and enjoy the convenience of payroll deduction. In fact, where employers offer life benefits, take-up rates are high — 96 percent of employees offered life insurance benefits take them, according to the U.S. Department of Labor.

Other advantages include:

No medical questions. Coverage up to a specified amount is guaranteed, even for employees or dependents with health problems, with additional coverage available on a simplified application basis.

Portable benefits. Voluntary plans allow employees to retain their coverage at the same rates if they leave the company, with billing handled directly between the insurance carrier and the individual.

To help you design a program that responds to the needs of your employees,

LIFE—continued on Page 3

Varieties of Term Insurance:

- **Renewable** – Policy owners can renew coverage at the end of their policy term without having to submit new medical information, though the premium rate will generally rise with each renewal.
- **Convertible** – A convertible policy allows the insured to convert term coverage into a permanent policy without providing evidence of insurability (usually a medical exam), in exchange for a higher premium, which remains fixed after conversion.
- **Level** – Level-premium policies have a fixed premium for a certain number of years (usually 10 or 20), while the death benefit remains unchanged. Although the rate locks in for the policy period, it can jump considerably upon renewal.

Varieties of Permanent Life Policies:

- **Whole or ordinary life.** The face amount of the policy is fixed, while premiums remain level and must be paid on a regular basis. It offers a death benefit and a savings account, which grows based on insurance company-paid dividends.
- **Universal or adjustable life.** More flexible, policyholders can pay premiums at any time, in virtually any amount, and may change the amount of the death benefit, although an increase usually requires a medical examination. After accumulating sufficient funds in the cash value account, policyholders can alter premium payments, a useful feature for changing economic situations.
- **Variable life.** This policy combines death protection with a savings account that the policyholder can invest. The death benefit and cash value vary with investment performance, although some policies guarantee a minimum death benefit.
- **Variable-universal life.** This provides the investment risks and rewards of variable life insurance, with the adjustable premium and death benefit features of universal life. ■