

INSIDE Benefits

Getting the most from **Empire BlueCross BlueShield**

SPRING 2005

NEWS AND TRENDS FOR EMPLOYERS

BETTER HEALTH

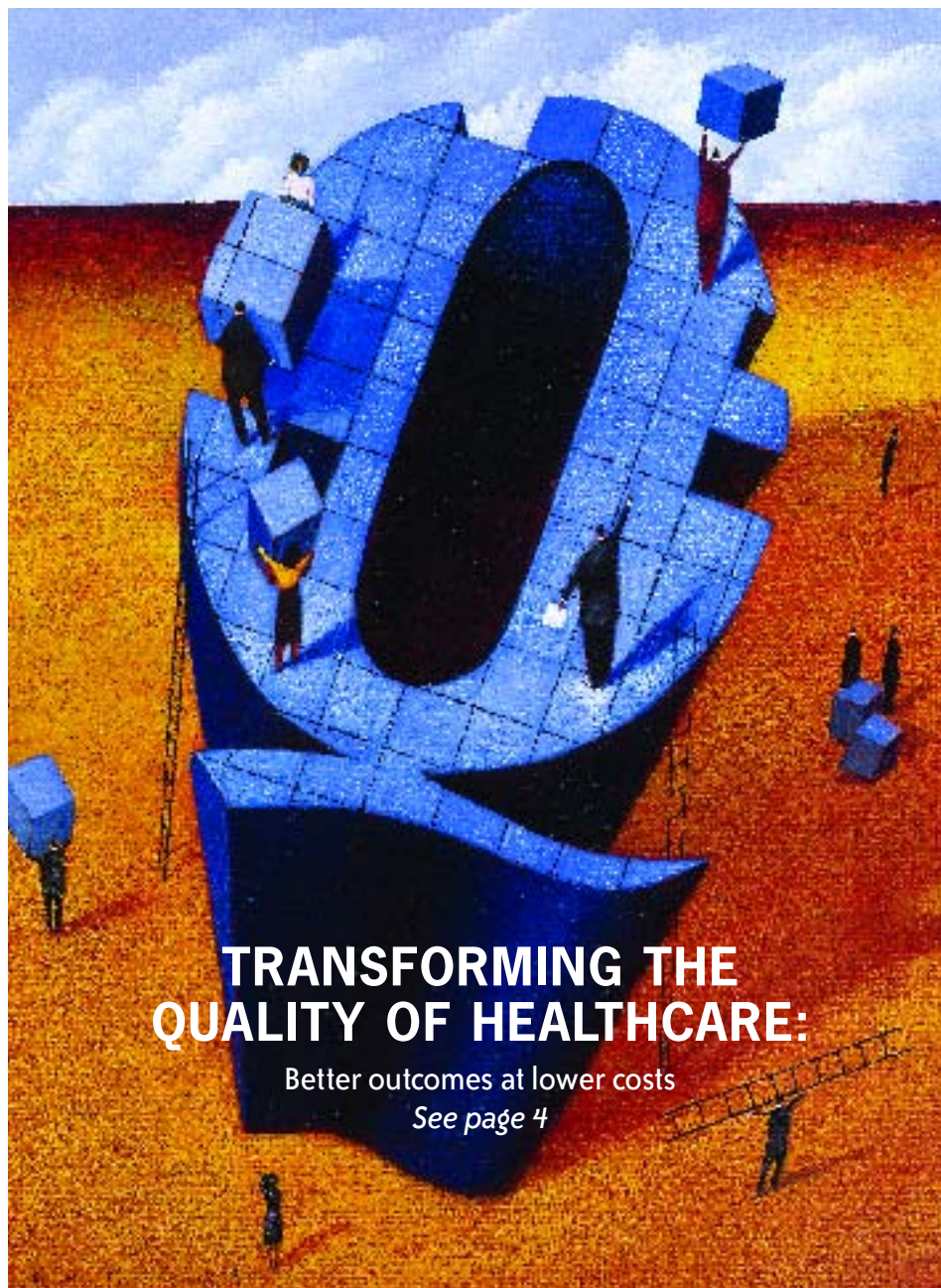
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Dear Group Benefits Administrator:

I'm pleased to send you the spring edition of *Inside Benefits*, our semi-annual publication designed to help you maximize the value of your Empire healthcare plan. Our goal is to provide information that can help you be a more effective and efficient health plan

administrator; to that end, this publication includes insights into healthcare trends, features of Empire's health plans, as well as tips on plan administration and other issues that may affect the outcomes and cost of your employees' healthcare.

The rising cost of healthcare and the link between successful treatment and provider quality are among many Americans' top concerns. Our cover story explores why healthcare quality is so critical for everyone's physical — and financial — well-being and what some organizations around the country are doing to drive that effort. We also suggest specific ways that you can participate in the nation's healthcare quality efforts and outline the business initiatives we are pursuing to help improve treatment outcomes for all Empire members.

Among our features is a special interview with Dr. Donald Berwick, the leading researcher and advocate for improving healthcare quality in America. We have come to know him well over the years and value his insights.

We also introduce Pederson-Krag, a major Long Island provider of behavioral health and chemical dependency treatment services and an Empire customer, which (we're happy to report), tells us that top-notch healthcare *can* be affordable. The issue contains much more, too, such as news and updates on Empire's plans (see pages 12–16).

We appreciate your confidence in Empire and will do our utmost to continue working on your behalf. If you have any comments or questions, please feel free to call our GBA Contact Center at 1-866-422-2583, or your account representative.

Sincerely,

Michael A. Stocker, MD
President and Chief Executive Officer

MY HEALTH RECORD

An idea whose time has come

Technology supports many of the quality initiatives in healthcare, and soon it may provide each American with access to — and control over — his or her complete medical history.

Empire is working with WebMD, which provides the My Health section of Member Online Services, to develop a personal health record called “My Health Record” for each Empire member. My Health Record, which has a planned roll out later this year, can, at the member's option, be populated automatically with claims, pharmacy and lab data, in addition to the self-reported information now supplied by the member. Access will be strictly controlled and the member will have to authorize providers and facilities to access and enter information into the member's secure health record.

The goal of My Health Record is to help improve the quality of care to Empire members through better information and communication.

- Your employees will be able to manage their own healthcare better by having their medical data available to discuss with their physicians.
- They will have the confidence that their physicians know the results of previous tests and exams, as well as current and past drugs prescribed, when developing treatment plans. This can improve care — and eliminate the need for repetitive, unnecessary and costly tests and procedures.
- My Health Record will have valuable links to healthcare information that will provide additional detail and information on the lab results, medications, conditions, etc., populated in the member's health record.

We will be informing you and your Empire members about My Health Record as it is implemented. This is just one of the innovative ways Empire is helping to improve the quality of healthcare provided to our members while minimizing total costs for both you and your employees.

> TRANSFORMING THE QUALITY OF HEALTHCARE: BETTER OUTCOMES AT LOWER COSTS

Healthcare in America is at a crossroads. Despite all of our modern medical advances, the average patient has only a 50 percent chance of receiving appropriate, evidence-based care for preventive, acute, or chronic care services.¹ As long as these failures to provide quality healthcare delivery continue, the health of our population will suffer and employers will have to bear excessive costs related to high health insurance, sick and disabled employees, and lost productivity. We need to understand and support the critical efforts to improve healthcare — for the sake of our physical, mental, and financial health.

The United States spends more on healthcare than any other nation, and is home to many of the world's leading medical institutions. Yet, its healthcare system is plagued by serious quality problems that undermine these achievements. Contrary to what many believe, the United States ranks only 37th in overall health system performance among 191 nations included in the World Health Organization's (WHO) *World Health Report 2000*. We also lag behind some other industrialized nations in other measures, such as life expectancy and infant mortality.

The Institute of Medicine (IOM) defines healthcare quality as “the degree to which health services for individuals and populations increases the likelihood of desired health outcomes and are consistent with current professional knowledge.”² According to this definition, the U.S. has some important improvements to make. Consider these facts:

- An estimated 44,000 to 98,000 patients die each year in hospitals due to medical errors.³
- 7,000 deaths occur annually due to prescription errors. The U.S. spends \$76.6 billion annually as the result of incorrectly prescribed and administered drugs in an ambulatory setting.⁴
- 20,000 to 60,000 people die each year from preventable, hospital-acquired infections that cost up to \$18 billion a year.⁵
- 14,000 heart attacks, strokes or amputations occur each year due to poor diabetes management, which costs \$573 million.⁶



Healthcare quality is an important issue for employers. Beyond the human dimension, poor care increases doctor and hospital costs, and results in higher health insurance premiums. Of the approximately \$1.4 trillion the U.S. spends each year on healthcare, an estimated \$420 billion is a direct result of poor quality.⁷ Employers and other private purchasers absorb about one-third of this cost, amounting to an estimated \$1,900 to \$2,250 per covered employee each year — with direct costs estimated to be \$1,500 per employee and indirect costs of poor quality — absenteeism from illness and disability, and lost productivity on the job — accounting for an additional 25 percent to 50 percent.⁸

Three Symptoms of Healthcare System Distress

The IOM identifies three types of quality problems: overuse, underuse, and misuse.

Overuse of Services

Surgical procedures and diagnostic tests that are not medically necessary expose patients to health risks and greater medical costs. For example, between 16 percent and 30 percent of the 600,000 hysterectomies performed each year are believed to be unnecessary.⁹

Medications are also frequently prescribed when they are not needed. Of the 110 million office-based prescriptions written for antibiotics and antimicrobials annually, 40 percent — or 44 million — are unnecessary, at a cost of over \$600 million each year.¹⁰ And this over-prescribing also has a negative public health impact — encouraging the evolution and spread of antibiotic-resistant strains of bacteria.

Underuse of Services

On the other hand, many diagnostic tests, therapeutic procedures, and medications have proven effective, but are not delivered when they should be. For example, 50 percent of heart attack victims fail to receive beta-blockers.¹¹ And, while smoking remains the single most preventable cause of death, patients who smoke are counseled to quit, either in the hospital or during office visits, only about half of the time.¹² Screening for colorectal cancer, often curable if caught early, is administered in only 42.5 percent of the appropriate cases.¹³

Misuse

Errors in procedures and the use of medical equipment, as well as in the administration of inappropriate drugs, can result in serious problems or even death. The IOM reported in 1999 that preventable medical errors cost the nation between \$17 billion and \$29 billion annually.¹⁴

Finding the Right Solutions

Dr. Donald Berwick, clinical professor of pediatrics and health-care policy at the Harvard Medical School, is widely considered to be one of the country's leading proponents of healthcare quality. In 1991, he co-founded the Institute for Healthcare Improvement (IHI) to help reduce medical errors and reshape the healthcare system with a patient-centered focus. The widely publicized results of his efforts in the 1990s, along with those of the IOM, were a call to action.

Although as a nation we have a long way to go in terms of setting and systematically working to achieve national goals on quality of care, a number of healthcare organizations have begun working toward a shared goal: creating a system that would provide services that are safe, effective, patient-centered, timely, efficient and equitable. Some of these efforts are described below.

System-Wide Strategies

The Leapfrog Group is a consortium of Fortune 500 companies that gathers and analyzes hospital data, such as whether a particular facility uses a computerized physician order entry system, and practices evidence-based medicine. Empire, a member of Leapfrog, was the first insurer to provide financial incentives to hospitals in our service area that implement Leapfrog's quality and patient-safety standards.

The U.S. Department of Health and Human Services has several programs under way. Its Agency for Healthcare Research and Quality (AHRQ) supports research designed to improve healthcare quality, reduce costs, and broaden access to essential services.

EMPIRE SUPPORTS QUALITY HEALTHCARE

Empire has a history of active participation in initiatives for quality in healthcare. We are a member of the Leapfrog Group and also contribute to the efforts of Care Focused Purchasing. We offer our 360° HealthSM Program, a comprehensive suite of preventive care programs, wellness information, case management and care coordination services, all seamlessly integrated to achieve optimal health outcomes for our members. Here are just a few of our quality initiatives directed to our members:



360° HealthSM
A Revolution in Care.

SARA^{®1} (Systematic Analysis Review and Assistance Program)

The SARA Program gives our members access to an extra level of medical expertise. Treatment Analysis by SARA uses a specialized computer program to identify members at risk for potentially serious medical conditions based on their family history or their medical, laboratory, pharmacy and hospital data. The member's physician is then provided with critical medical information to provide added support to help ensure members receive optimal and timely treatment. While the emphasis is on improved quality of care, SARA is also cost-effective: Empire reported costs savings for SARA Early Risk Management of \$1.49 per member per month in 2003 for the covered populations.

Condition Management

A component of 360° Health,SM Empire's Condition Management Programs give members a better understanding of their specific health conditions, helping them manage their symptoms and lead healthier, more active lives. Empire was recently cited as having "the most extensive condition management offerings in the tri-state area, with the best guarantees."¹ More than 14% of our members are enrolled in Empire's Condition Management Programs with conditions such as asthma, diabetes and heart failure, compared with an industry average enrollment of 4% to 5%.²

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TRANSFORMING THE QUALITY OF HEALTHCARE

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EMPIRE SUPPORTS QUALITY HEALTHCARE

Our Condition Management Programs are also cost-effective, with an average return on investment of 2 – 2.5:1.³ These savings are shared with our insured groups in the form of lower premiums. Many of our larger self-insured customers recognize the value of these programs and purchase them separately from us.

Staying Healthy Phone Reminders

Eligible members may receive telephone reminders once or twice every year reminding them to schedule important screenings such as:

- childhood immunization
- mammography
- Pap smear tests
- seasonal flu shots

Hospital IQ

Hospital IQ, an online decision-support tool that is part of Empire's 360° Health Program, is based on data compiled by the Leapfrog Group. Hospital IQ enables Empire members to research and evaluate hospitals against proven patient safety standards and treatment volumes and outcomes that are linked to improved health and reduced costs. For example, members can find the hospitals that treat the greatest number of patients for a specific condition or procedure, and learn which hospitals meet strict quality of care guidelines. Members can also compare hospitals for length of patient stay, rates of complications and other measures that indicate quality of care. *Business Insurance* magazine recently cited Empire's Hospital IQ as "Best of the Web" in its Health Care Resources category in 2004.

1. Health & Disease State Management Service, Health Industries Research Co., 2004.
 2. Independent consulting firm audit, 2003.
 3. Standard Outcome Metrics and Evaluation Methodology for Disease Management Programs, developed by American Healthways and Johns Hopkins, 2004.

The Centers for Medicare and Medicaid Services (CMS) is conducting a "pay-for-performance" initiative that pays bonuses to providers for using proven remedies for heart attacks, heart failure, and pneumonia. CMS reports the results of its findings to patients and posts them on the Internet at the website, www.cms.hhs.gov/quality/hospital.

Patient-Centered Programs

The Council for Affordable Quality Healthcare (CAQH), an alliance of health plans, informs Americans about the importance of using antibiotics safely (i.e., to treat bacterial, not viral, infections) through its Save Antibiotic StrengthSM campaign. CAQH has also launched heartBBEAT for life^{®2} to educate heart attack survivors, caregivers and healthcare providers about the importance of long-term use of beta-blockers.

Many health plans and employers sponsor condition management programs that support employee compliance with their treatments for chronic diseases. Call centers, print materials, direct mail, and the Internet are used to motivate employees to comply with their healthcare regimen for conditions such as asthma, cancer, diabetes, and heart disease.

Preventive care programs increase early detection that results in better outcomes and lower costs. They promote health risk appraisals, offer education and training, and provide health screenings.

Knowledge-Based Approaches

Although employers and insurers do not directly deliver healthcare services, they can promote quality improvements, especially through gathering and disseminating relevant healthcare information to the consumer.

Care Focused Purchasing is a group of employers working with health plans to establish quality performance standards for hospitals and physicians by combining databases to generate the detailed information required to measure provider quality levels and then sharing this information through "provider scorecards." Empire is active in this effort as well as in a similar effort among Blue Cross and Blue Shield plans.

Placing information on quality of care in the hands of consumers is also under way. Empire's Hospital IQ is a web-based resource on hospital quality. Other web-based resources include the My Health portion of www.empireblue.com, which provides members with resources on the preventive care guidelines they should observe and the care issues and questions related to many different conditions that they can discuss with their doctors.

Opportunities exist for employers to learn about the pivotal role they can play in effecting changes in the U.S. healthcare system. The articles in this issue describe some of the concrete steps they can take, how Empire is actively engaged in these efforts, and the ways we are empowering your employees to actively participate in maximizing opportunities for quality healthcare. +

Empire Earns Recognition for Providing Access to Quality Healthcare

The National Committee on Quality Assurance (NCQA) has awarded Empire the highest level of accreditation.¹ Additionally, in 2003, The Consortium and Deloitte Touche recognized Empire for our “Best Practice” population-based approach to healthcare management.² On a number of the widely-accepted measures of preventive care, Empire members consistently received a quality of care that is higher than the national average. A recent Quality Compass report, for example, shows that 99% of Empire members who had a heart attack received a prescription for beta-blockers before leaving the hospital, compared with the national average of 94%. Similarly, 82% of Empire members who suffered an acute cardiovascular event received cholesterol screening and treatment within 60 to 365 days after their discharge from the hospital, compared with the national average of 80%.³

1. “Excellent” accreditation status awarded September 2003.

2. The Consortium findings, based on Deloitte Touche analysis, March 2003.

3. National Committee on Quality Assurance, Health Plan Employer Data and Information Set, 2004.

1. “What’s at Stake,” <http://healthcareDisclosure.org/stake>; from Schuster MA, McGlynn EA, Brook RH, “How Good is the Quality of Health Care in the United States?” *Milbank Quarterly* 76, no. 4 (1998): 517-563.
2. *Managed Care Magazine*, June 2004. MediMedia. from *Crossing the Quality Chasm: A New Health System for the 21st Century*, 2001. Institute of Medicine
3. Midwest Business Group on Health: “Reducing the Costs of Poor-Quality Health Care Through Responsible Purchasing Leadership,” from Institute of Medicine Report, 1999.
4. Institute of Medicine Report, 1999
5. Midwest Business Group on Health: “Reducing the Costs of Poor-Quality Health Care Through Responsible Purchasing Leadership,” 2003.
6. “The State of Health Care Quality: Industry Trends and Analysis,” National Committee for Quality Assurance, 2004.
7. Midwest Business Group on Health: “Reducing the Costs of Poor-Quality Health Care Through Responsible Purchasing Leadership,” 2003.
8. *Ibid.*
9. “What’s at Stake,” <http://healthcareDisclosure.org/stake>.
10. “What’s at Stake,” <http://healthcareDisclosure.org/stake>; from McCaig, RP and Edmond, MB. 2001. “The Impact of Hospital-Acquired Drug Prescribing Among Office-Based Physicians in the United States,” *JAMA*. 273:214-219.
11. Institute for Healthcare Improvement, 2004.
12. National Healthcare Quality Report, December 2003. U.S. Department of Health and Human Services.
13. *Ibid.*
14. Midwest Business Group on Health: “Reducing the Costs of Poor-Quality Health Care Through Responsible Purchasing Leadership,” from Institute of Medicine Report, 1999.

THE QUALITY OF HEALTHCARE: WHAT EMPLOYERS CAN DO



Dr. Donald Berwick is founder and Chief Executive Officer of the Institute for Healthcare Improvement and co-author of the benchmark report *Crossing the Quality Chasm*. *Inside Benefits* spoke with him about some of the implications of his findings.

IB: What can employers do to help improve the quality of healthcare?

Berwick: Employers should be clear about their expectations for the healthcare system. They should demand minimum standards for both performance and improvement. They should require integrated care systems that can ensure the total quality of care across all the disciplines and institutions. Managed care was on the right track when it offered the hope for truly integrated care. Unfortunately, some of the reaction to the control aspects of managed care has resulted in throwing out the care-integration baby with the managed-care bath.

IB: How can employers really have much influence?

Berwick: They pay most of the bills and should expect to receive quality for all that expenditure. Individually, they may have only limited influence, but, fortunately, there are groups of employers that they can join to promote common ends — for example, the Leapfrog Group and the National Coalition on Health Care under Dr. Henry Simmons.

IB: Do you think we can actually make this work?

Berwick: Yes we can, but it will take leadership. The quality revolution outside of healthcare was driven by two important factors: first, better quality can actually cost less by eliminating the costly activities that create no value and the work needed to repair and recover from quality errors. Second, leading companies began to demand that their suppliers and partners also adopt high-quality standards.

The same applies to healthcare. Leading companies who daily apply the highest standards of quality in the rest of their business are beginning to realize that they can and must do the same for the quality of the healthcare they purchase for their employees.

Those who are successful can help lead by example and even provide encouragement and support that the healthcare sector so desperately needs.

> PEDERSON-KRAG SHOPS FOR THE RIGHT HEALTHCARE PLAN: EMPIRE MEETS THE CHALLENGE

Last spring, the Pederson-Krag Center, a major behavioral health and chemical dependency treatment facility on Long Island, began to shop for a new health insurance carrier. The center's employees were reporting claims and service problems under their existing plan, and Pederson-Krag, always in tune to its employees' needs, recognized it was time for a change.

Pederson-Krag's committed human resources staff, along with a trusted broker, spent several months searching for the ideal health insurance option. After exploring several possibilities, they chose one of Empire's many available plans. The center's efficient administrative staff, combined with the outstanding teamwork between Empire's staff and the center's broker, made it possible to implement the plan in only two weeks.

Pederson-Krag's selection and speedy implementation of an Empire plan was all the more impressive when considering the significant challenges that Pederson-Krag faced.

The Challenges:

Employees Who Are Healthcare Professionals

Most of Pederson-Krag's employees are healthcare professionals, knowledgeable about the physicians and facilities in their area. They had high expectations for the breadth and quality of a new health plan's network, and they believed that only a plan with out-of-network coverage could offer them access to the doctors and hospitals they were seeking.

Financial Restrictions Imposed by Government Contracts

Cost was also a challenge. In addition to the typical cost challenges that most businesses face, Pederson-Krag is a not-for-profit contract agency that must operate within budgetary constraints. Keenly aware of the financial challenges employees faced, the center resolved to find a health plan with a broad range of benefits and services that remained possible given financial limitations — no easy feat.

Time Constraints

Pederson-Krag had to act fast. Its current insurance carrier would be raising rates in the fall, and the center wanted to select a new carrier before rates increased. Time was of the essence.



Plan of Action:

Identify and Articulate Employee Needs

Understanding the aspects of its employees' health coverage that were most important helped the center define its search criteria and clearly articulate them to James Brassill, the center's insurance broker. Pederson-Krag was looking for:

- a broad network with outstanding physicians and facilities
- an inclusive formulary
- expedient claims processing
- affordable contributions and co-pay levels
- accessible account representatives who would educate employees

Review Options

After evaluating plan scenarios and costs, Mr. Brassill strongly recommended that the center consider Empire BlueCross BlueShield, and Pederson-Krag agreed. Staff members had long been impressed by the Empire BlueCross BlueShield brand and its reputation for quality providers and service, but had assumed that Empire coverage was beyond their financial reach.

Challenge Assumptions

In working closely with Mr. Brassill and Empire account representative Tara Kornegay, Pederson-Krag learned that the coverage it wanted didn't necessarily require a costly plan with substantial out-of-network benefits. Empire's analysis showed that the majority of employees' physicians already participated in the Empire network that they were considering.

"In addition to the network, Empire's reputation for service and accessibility was also a big selling point," said Ms. Kornegay.

In mid-August, Pederson-Krag signed on with Empire with only two weeks to implement its new healthcare plan.

Implementation:**Onsite Open Enrollment**

The day after signing the contract, Mr. Brassill and Ms. Kornegay conducted the first of 12 open-enrollment sessions that would be offered over the next two weeks at five Pederson-Krag locations. “The sessions were excellent,” according to Barbara Mundy, human resources associate. “The presenter listened to our employees’ concerns and explained the material clearly.”

Online Services

Next, Mr. Brassill and Ms. Kornegay trained Pederson-Krag’s HR staff to use Empire’s Employer Online Services at www.empireblue.com to facilitate plan implementation and to notify Empire of future changes in employee status. Throughout the next two weeks, Mr. Brassill and Ms. Kornegay also visited the main administrative office daily to help expedite the enrollment process and respond to the group’s questions and concerns.

Pederson-Krag and Empire BlueCross BlueShield met the September 1 deadline.

Why It Worked:**Culture of Communication**

In keeping with its spirit of open communication, Pederson-Krag widely publicized the enrollment meetings through e-mail, voice mail and strategically located posters. This resulted in high attendance at the sessions where employees learned about their new health benefits.

Excellent Organization

According to Ms. Kornegay, Pederson-Krag was incredibly well-organized. “Employees knew exactly when their meetings would be held, and were not afraid to ask questions,” she said. “Their applications were very accurate and complete — which is not typical for a new implementation. Very few calls were needed to inquire about missing information.”

In the six months since implementing their Empire plan, service quality has been just as promised, according to Pederson-Krag. The center’s knowledge of its employees’ healthcare needs, its culture of open communication, and its close working relationship with its broker and Empire will likely ensure that service remains that way. +

BEHAVIORAL HEALTH: DEPRESSION

Clinical depression affects 17.6 million Americans each year. Left untreated, it may cost as much as \$24 billion in lost productivity.¹ The good news is that more than 80% of depressed individuals can be treated successfully.²

How Building Better Health Helps a Member with Depression

Sarah, a newly divorced 43-year-old with two small children, has been seeing her primary care physician, Dr. B., for depression for the past two months, and has started to take antidepressant medication. Based on an analysis of her prescription claims history, Empire confirms Sarah’s eligibility for Building Better Health, Empire’s Depression Management Program. Information about the program is sent to Sarah, along with a guidebook on depression, to help her understand the condition and how she can obtain the full benefits of her treatment.

At Sarah’s next visit with Dr. B., he recommends that she increase her dose of medication. However, Empire’s claims data indicate that she does not comply with her doctor’s recommendation and that she has also skipped an appointment. A program representative then calls Sarah and urges her to make another appointment with the doctor. Empire also sends a Patient Update File about Sarah’s noncompliance to Dr. B.

During Sarah’s next visit, Dr. B. recommends that she see a psychiatrist who can provide psychotherapy in addition to regulating and monitoring her medication. This time, Sarah complies. Intervention through Building Better Health helped reduce medical costs by motivating Sarah to comply with her medical regimen, managing her depression and avoiding absenteeism and poor performance at work.

Building Better Health is part of 360° Health,SM Empire’s comprehensive suite of preventive care programs, wellness information, case management and care coordination services, integrated to achieve optimal health outcomes for our members.

1. Agency for Healthcare Research and Quality (www.ahrq.gov/research/deprqoc.htm)
2. National Institute of Mental Health (<http://www.nimh.gov/publicat/friend.cfm>)

> GROUP BENEFITS ADMINISTRATORS' Q & A

Information on Medicare Part B, ensuring your members' Behavioral Health Management and how to allow others to help administer your plan online



VERNA TRAPPIER OUTLINES WHAT YOU NEED TO KNOW ABOUT ADMINISTERING MEDICARE PART B FOR OLDER EMPLOYEES

Medicare is for people 65 years or older, certain people with disabilities, and people with end-stage renal disease (ESRD). Medicare has two parts — Part A, which is hospital insurance, and Part B, which covers doctors' services and outpatient hospital care as well as other medical services that Part A does not cover, like physical and occupational therapy.

Except in certain cases, if an employee did not enroll in Medicare Part B during his or her initial enrollment period (which starts three months before an employee turns age 65 and lasts for seven months), he or she will have to wait until the next General Enrollment Period to enroll. General Enrollment periods are between January 1 and March 31 each year. Should employees sign up for Medicare Part B during a General Enrollment Period, their Medicare Part B coverage will start on July 1 of that year. As a result of the late enrollment, the Medicare Part B premium may go up for each 12-month period that an employee could have had Medicare Part B, but elected not to.

A Special Enrollment Period is available for an employee who waits to enroll in Medicare Part B after the initial enrollment period because his or her spouse is working and has group health coverage through an employer or union based on this current employment. If this applies, an employee can sign up for Medicare Part B any time while still covered by the employer or union group health plan through his or her spouse's current or active employment, or during the eight months following the month the group health plan coverage or the employment ends (whichever is first).

Medicare Part B coverage will then begin:

- the month an employee enrolls in Medicare Part B, if he or she enrolls while covered under the group health plan based on current or active employment, or during the first full month after the coverage or employment ends (whichever comes first). An employee can also delay the start date for Medicare Part B coverage until the first day of any of the following three months; or

- the month after the month he or she enrolls if the employee enrolls during the remaining 7 months of the Special Enrollment Period.

Note: If your employee has further questions, you may direct him or her to the State Health Insurance Assistance Program to help the employee decide the best time to enroll in Medicare Part B. When an employee signs up for Medicare Part B, he or she automatically begins Medigap (Medicare Supplement Insurance) open enrollment. **You can find the most up-to-date Medicare information at www.medicare.gov, or call 1-800-MEDICARE (1-800-633-4227).**

Verna is a Senior Service Representative, supporting front-line Service Representatives in the GBA and Broker Contact Center. She is known for the superior level of service she provides to small-group GBAs and brokers throughout our service area, and has been with Empire for 33 years.



YOUR EMPLOYEES CAN AVOID POTENTIAL PROBLEMS BY KNOWING THE PRECERTIFICATION REQUIREMENTS FOR YOUR GROUP'S BEHAVIORAL HEALTHCARE COVERAGE, SAYS MARIE LEVITAS

Your employees should always precertify behavioral healthcare by calling the Behavioral Healthcare Management Program (at the number on the back of their member ID card) to help ensure they receive the appropriate care and to avoid possible denial of coverage. In cases of emergency admission to a hospital or other inpatient facility for behavioral health problems, the employee, or someone on his or her behalf, must contact the Behavioral Healthcare Management Program within 48 hours or as soon as reasonably possible.

Coverage may be denied or benefits reduced if the Behavioral Healthcare Management Program is not called or if the recommended treatment plan is not followed. Ask your employees to refer to their benefit plan and Schedule of Benefits for information about the scope of behavioral healthcare coverage and the precertification requirements. Remember: the behavioral healthcare provider must participate in the Behavioral Healthcare Management Network. Your employees can verify whether a provider is in the network when they call to precertify services.

Marie has been with Empire almost 30 years, and is a dedicated advocate for the groups and brokers to whom she provides account support. She works primarily with accounts based in New York City and on Long Island.



WANT TO ALLOW OTHERS TO ADMINISTER YOUR PLAN AT EMPLOYER ONLINE SERVICES? NOREEN O'BRIEN SAYS YOU MUST FIRST AUTHORIZE ACCESS FOR ASSOCIATE GBAS, BROKERS AND/OR THIRD-PARTY ADMINISTRATORS

It's fast and easy to add or change users and their access to your online plan administration functions. If there is an associate, broker or other person who will be working on your plan administration, the person designated as Group Administrator for your account must first authorize the user's access.

To add a user or modify their access:

- Go to the User Admin tab at the top of your personal Welcome page. Scroll down and click "Add User."
- At User Admin/Add User, complete all the required information, including role, account and group level access. There are two ways to use the User Admin/Add User tool:
 - Option 1, you will go to User Admin/Manually Assign Group Level Access Rights.
 - Select privileges for the role you have selected.
 - Select groups for access rights.
 - Click "Continue" to go to User Admin, Confirmation or "Back" to makes changes.
 - Option 2, you will go to User Admin/Copy Access Rights from Another User.
 - Select the user name from which you want to copy rights.
 - Click "Continue" to go to User Admin/Confirmation or "Back" to makes changes.

For further instructions on administering and adding users, click on the Explanation of Features link on the User Admin page.

Noreen has been with Empire for almost 18 years and has a strong customer and account services background. She works closely with employers, brokers and Empire's sales team to provide her New York City accounts with excellent service. +

COBRA UPDATE: NEW REQUIREMENTS IN EFFECT

The U.S. Department of Labor issued new rules concerning notice requirements which had to be in place for calendar year plans as of January 1, 2005. The new COBRA rules now require six different notices:

1. the initial notice to the employee of the availability of COBRA;
2. the notice that the employer must provide to the plan administrator regarding the occurrence of an event that triggers a loss of coverage under the plan ("qualifying event");
3. the notice that the plan administrator must provide to covered employees and dependents at the occurrence of certain qualifying events;
4. the notice that a covered employee or dependent must provide to the plan administrator at the occurrence of certain qualifying events (e.g., divorce or a child's loss of dependent status under the terms of the plan);
5. a new notice from the plan administrator to an individual that he or she is determined to be ineligible for COBRA coverage; and
6. a new plan notice from the plan administrator regarding the termination of COBRA coverage prior to the maximum period permissible under COBRA.

More information and copies of the new Model Notices are available through employer online services at www.empireblue.com/employer/cobra.shtml.

GBA Tip: Schedule COBRA Payment Date Before Group's Due Date

Try to administer billing for your COBRA recipients so you receive payment before your group's bill due date. This not only ensures that the group's payment includes COBRA premiums received on time, but also avoids late communication of terminations for any COBRA member who fails to pay his bill and must be terminated from the group's policy.

> NEW AUTHORIZATION/ PRECERTIFICATION REQUIREMENTS BEGAN MARCH 1

Providers and/or members must gain approval

Chiropractic Services

All in-network services require authorization through American Specialty Health Networks (ASH). ASH has also started credentialing Empire plan chiropractors.

Chiropractic services for members of Empire HMO, EPO, PPO, HMO/POS and POS plans must have authorization for in-network chiropractic care as clinical/medical necessity as of March 1. It is the responsibility of the chiropractic provider to ensure that the member is eligible for care. This change does not affect Empire national accounts, ASO, FEP, Child Health Plus and Healthy NY plans. Requirements for out-of-network chiropractic services remain unchanged.

Also as of March 1, American Specialty Health Networks (ASH), the nation's leading complementary healthcare benefits organization, became the administrator for in-network chiropractic benefits for Empire HMO and PPO members. We notified providers who had been part of the Empire network of their need to apply for credentialing with ASH in order to continue their participation with Empire plans.

Physical and Occupational Therapy

Members must be precertified before starting therapy.

Empire has reinstated the precertification requirement for any physical and occupational therapy at physicians' offices or outpatient facilities, for in-network services beginning March 1. This requirement affects EPO and PPO members only; all other members will continue with their existing precertification requirements. A letter was sent to all members to remind them of the precertification requirement and procedure. Any members who have recently started therapy should be advised to obtain certification so there will not be a disruption in their benefits.



PET, CAT and Nuclear Cardiology

In-network procedures must be precertified for EPO and PPO members.

As of March 1, 2005, Empire also began requiring physicians to precertify the following in-network radiology services for Empire EPO and PPO members:

- Magnetic Resonance Imaging (MRI)
- Magnetic Resonance Angiography (MRA)
- Positron Emission Tomography (PET) Scans
- Computerized Axial Tomography (CAT) Scans
- Nuclear Cardiology Services

Failure to precertify these in-network services will result in a denial of service; however, the member cannot be held responsible for payment and may not be balance billed. This new policy affects outpatient services only. Emergency room and inpatient imaging procedures do not require precertification.

Prior to this change, members had to obtain precertification of in-network MRI and MRA services; they must still obtain precertification of out-of-network MRI and MRA services. +

> NOTICE ABOUT EMPLOYEE CANCER BENEFITS

News on second opinions, hospital care and reconstructive surgery

Empire wants to make sure your employees who are Empire members receive the best possible care when they get sick. That’s why we’d like to remind you about the cancer-related benefits available to them and their covered family members through Empire. Empire’s managed care members (HMO, EPO, PPO, POS) receive this notice about cancer benefits via the Empire newsletter. If you have members with other Empire coverage, we request that you send them a copy of this notice. You can distribute it by e-mail, include it in your company newsletter or simply make copies. To request an electronic copy of the cancer benefits notice, please contact your Empire representative. We appreciate your assistance in making sure that Empire members have the information they need to make informed decisions.

Members are entitled to get a second medical opinion. If your group’s benefits include medical/surgical care, members are covered for a second opinion office visit and associated diagnostic tests related to a cancer diagnosis or recurrence.

Members can receive hospital care. If your plan includes hospitalization, members are covered for an inpatient hospital stay following a lymph node dissection, lumpectomy or mastectomy for the treatment of breast cancer.

Members can get reconstructive surgery. Empire pays for the following breast cancer-related treatments: reconstruction of the breast on which a mastectomy has been performed; symmetrical reconstruction of the other breast to produce a symmetrical appearance; and prostheses and treatment for complications resulting from a mastectomy, including lymphedema (swelling).

The manner in which services are provided is strictly between the member and her or his physician. Coverage is subject to all of the terms and conditions stated in their Empire benefits literature, including any applicable deductible, co-payment and coinsurance amounts.

We hope this information gives you a better understanding of some key cancer care benefits. +

> ADMINISTERING YOUR PLAN

Forms you need and where to find them

While most of your plan administration can be done online, there may be times and situations when you will want to fax forms to our dedicated fax line (1-800-780-1224) or mail them. You can find some forms as well as other documents at the **Employer Library** at www.empireblue.com/employer and at **Group Administration: Forms** when you log in at **Employer Online Services**. Here are the forms that you might use most often and where they can be found...

You can always order all the forms you need by calling the GBA Contact Center (1-866-422-2583), 8:30 a.m. to 5:00 p.m., Monday through Friday or your account representative. +

| Use the... | to... | Find it... |
|--|--|---|
| Change/Termination/Reinstatement Worksheet (formerly Adjustment Worksheet) | terminate or reinstate members. | <ul style="list-style-type: none"> at Employer Online Services in the new GBA Handbook attached to your group premium bill |
| Coordination of Benefits Form | determine if a member has active/inactive health insurance with another carrier. | <ul style="list-style-type: none"> at Employer Online Services in the new GBA Handbook |
| Student Coverage Questionnaire | verify student eligibility status for coverage dependents. | <ul style="list-style-type: none"> at Employer Online Services in the new GBA Handbook |
| Enrollment/Change Form | add a new employee or dependent; change the status of an existing employee or dependent. | Order using "Request for Forms" at the Employer Library or through the GBA Contact Center. |

> PRIVACY IS A PRIORITY

Empire follows strict guidelines to protect plan members' personal information

The privacy of your Empire members' information is important to us. We want to keep you informed about how we protect members' personal information. We follow strict policies and procedures and comply with all federal and state privacy laws and regulations regarding the collection and disclosure of member nonpublic personal information — such as a member's name, address and date of birth.

New York State regulations require Empire to send information about those policies and procedures to our group policy-holders. We encourage you to distribute these guidelines to your Empire members. Empire wants to keep you and all of our subscribers informed about the policies and procedures we use to protect personal information.

Here's a summary of those guidelines:

Empire will not disclose a member's information.

Furthermore, Empire does not reserve the right to disclose any member's nonpublic personal information to any of our affiliates or to nonaffiliated third parties, except as permitted by the member or as permitted or required by law.

The information Empire receives about members comes from many sources,

such as applications and other forms. This includes healthcare transactions with us, our affiliates, providers and others. We also obtain information from various records, including medical records, prescriptions and laboratory services received under an Empire plan.

Members' nonpublic personal information is considered confidential and is used only in accordance with Empire's Privacy Policies and Practices that restrict access to and disclosure of all confidential member information, except as permitted by the member or as permitted or required by law.

Access to personal information on our website is protected through registration processes and passwords that identify and authenticate users. Empire has procedures in place to make sure access to all nonpublic personal data on our information systems is restricted only to those who need it. We meet strict, detailed federal standards for protecting electronic communications.



A member's right to privacy extends to all forms of contact with us, including telephone and written correspondence. For us to share information, identity verification and/or authentication are required.

Empire employees have limited access to member information based on their responsibilities. Access is provided only to those employees who need to know information about a member to provide the products or services that the member needs. Empire uses rules and passwords to control the extent of access employees have to members' records.

Empire has implemented strict guidelines to protect the confidentiality of member information.

We maintain physical, electronic and procedural safeguards that comply with all legal requirements. We do not sell mailing lists that contain our member names, addresses, and personal information. +

> PHARMACY BENEFIT UPDATE

AdvancePCS, now part of Caremark, helps strengthen drug cost management and improve quality of care

Empire's 2004 pharmacy benefits plan manager, AdvancePCS, is now part of Caremark, a leading comprehensive drug benefit services company. This merger combines two highly complementary organizations and will enable Empire to offer your employees who are Empire members a wider range of healthcare products and services that help control drug costs and improve quality of care.

The change will not affect members' benefits or their daily interactions when ordering or refilling mail service prescriptions, and *you do not need to take any action to help facilitate this transition*. Caremark, the new name, will appear on new member ID cards as they are issued, and Empire members can continue to use their existing ID cards to fill their retail prescriptions.

Effective January 1, 2005, Empire members began to see the Caremark name on prescription labels, order forms, mail packaging, website content and in Customer Care telephone interactions. And, to ensure that all of your employees' providers are aware of this change, Empire is working with network doctors and pharmacists in participating retail pharmacies to educate them about the change.

If your employees have any questions, they may call the phone number listed on their member ID cards.

Know How Empire Notifies Members About Formulary Changes

Empire's Pharmacy and Therapeutics Committee (P&T), composed of clinical pharmacists and independent physicians from various medical specialties, regularly reviews medications in all categories and selects drugs for inclusion based upon safety and how well they work. This is done to ensure medications remain responsive to the needs of our members and physicians. The committee periodically updates the list of formulary medications to ensure that it includes the latest drug advances.

Our goal is to communicate with members as quickly as possible when a change affects them. When the P&T committee determines that a change is necessary, we send affected Empire members a communication that describes the nature of the change and its effective dates. We also inform members about how this change might affect their pharmacy coverage,



and we remind them to check the formulary periodically online at www.empireblue.com for the most up-to-date information. Finally, we urge members to discuss these changes with their physicians to determine whether they need to take any action.

Information is one of the most effective tools your employees can have when making treatment decisions, in conjunction with their doctor's advice. We will continue to provide all our members with information about changes to their Empire plan in the most timely manner possible, and to minimize any impact on their current treatment plans.

Empire Updates Its Formulary

Recently, we updated our formulary listing and instituted new quantity limits for certain medications; printed notices were sent to all members affected by the changes. Empire's formulary covers thousands of drugs, and we are always reviewing the list to ensure that we provide the broadest coverage possible to meet our members' and physicians' needs.

Members can obtain up-to-date medication listings around the clock when they log into our website at www.empireblue.com, or they can call Empire Pharmacy Services at 1-800-839-6442, Monday – Friday, 8:30 a.m. – 10:00 p.m., Saturday 9:00 a.m. – 9:00 p.m., and Sunday 9:00 a.m. – 5:30 p.m. For the hearing impaired, the TTD/TTY number is 1-800-241-6894. +

> DENTAL COVERAGE AT NO ADDITIONAL COST? IT'S POSSIBLE WITH EMPIRE.

We want to remind you that Empire Dental is a totally integrated suite of dental plans that can provide valuable dental coverage at premiums as low as \$6.36 per employee per month. What you may not realize is that many of our plans can be offered without employer contributions, allowing you to extend this benefit to your employees at no additional cost to your company.

Adding Empire Dental to your existing medical coverage is easy. You will enjoy one-stop enrollment, eligibility and billing with your Empire medical coverage. Of course, you will also receive the superior service that you expect from Empire through our exclusive GBA Contact Center. Members get a single member ID card for both their medical and dental coverage.

With Empire Dental, you can choose from a wide range of high-quality, affordable products, ranging from high-value preventive plans to full-benefit comprehensive plans. Plus, we can help you design a dental plan that seamlessly integrates your Empire medical and dental plans as well as offers you the best balance of benefits and premiums.



If you would like more information about Empire's dental plans, or wish to receive a dental quote, please contact our Empire Dental Outreach Team, at 1-800-715-9819, Monday – Friday, 9:00 a.m. – 5:00 p.m., or call your broker. +



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