DEPARTMENT OF ADMINISTRATION
STATE PERSONNEL DIVISION

STATE OF MONTANA

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ECONOMIC AFFAIRS INTERIM COMMITTEE PRESENTATION

DATE: February 10, 2006

TO: Representative Jim Keane, Chairman
Members of the Economic Affairs Interim Committee
Staff to the Committee

FROM: Connie Welsh, Chief
Employee Benefits Bureau

SUBJECT: Social Security Numbers on Health Insurance Cards

We appreciate the opportunity to appear before the committee today and talk about the topic of identity theft and how that may be impacted by the use of social security numbers (SSN) on health insurance cards.

Background

The Department of Administration is charged with "*establish[ing] a program under which the state may provide state employees with adequate group hospitalization, health, medical, disability, life, and other related group benefits in an efficient manner and at an affordable cost*" (2-18-808, MCA). Within the Department, the Employee Benefits Bureau which is located in the State Personnel Division is the entity which administers these programs. The various program costs through calendar plan year 2005 were approximately $86 million and covered 35,000 employees, retirees, and their dependents.

We offer a variety of benefits through different funding and administrative methods. Below is a table which we will refer to in our discussion later. For purposes of discussion I've grouped benefits into three groups A-C.

BENEFIT	FUNDING METHOD	ADMINISTRATIVE METHOD	VENDOR
GROUP A			
Traditional Medical Plan	Self-Insured	Third-Party Admin (DxCG)	Blue Cross Blue Shield of MT
New West Medical Plan	Self-Insured	Third-Party Admin (DxCG)	New West Health Services
Blue Choice Medical Plan	Self-Insured	Third-Party Admin (DxCG)	Blue Cross Blue Shield of MT
Peak Medical Plan	Self-Insured	Third-Party Admin (DxCG)	Allegiance Benefit Mgmt Plan
Dental Plan	Self-Insured	Third-Party Admin (DxCG)	Blue Cross Blue Shield of MT
Prescription Drug Plan	Self-Insured	Third-Party Admin (DxCG)	PharmaCare
GROUP B			
Flexible Spending Accounts	Employee Pays	Third-Party Admin	ASI Flex
Employee Assistance Program	Add On	Contracted Services	Reliant Behavioral Health
Wellness Programs	Add On	Third-Party Admin	Employee Benefit Resources
Case Management	Add On	In-House (DxCG)	In-House
Health Screenings	Add On	Contracted Services	Health Dynamics Inc.
GROUP C			
Vision Plan	Fully-Insured	Contracted Services	Vision Services Plan
Life Insurance (Term)	Fully-Insured	Contract	
Long Term Disability Insurance	Fully-Insured	Contract	
Long-Term Care Insurance	Fully-Insured	Contract	

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Exhibit #8

In 2002 the Bureau began discussions with Blue Cross and Blue Shield of Montana (the third-party administrator or TPA for the largest block of medical coverage) regarding the possibility of moving away from using SSN as an identifier for processing eligibility and claims and printing on insurance cards. At the time BCBSMT was planning to move to a new claims platform, QNXT away from the old LRSP legacy system, and asked the State to wait rather than build a new function into a system that was going away. We agreed and asked BCBSMT to inform us when they were ready to begin discussions on a new identifier.

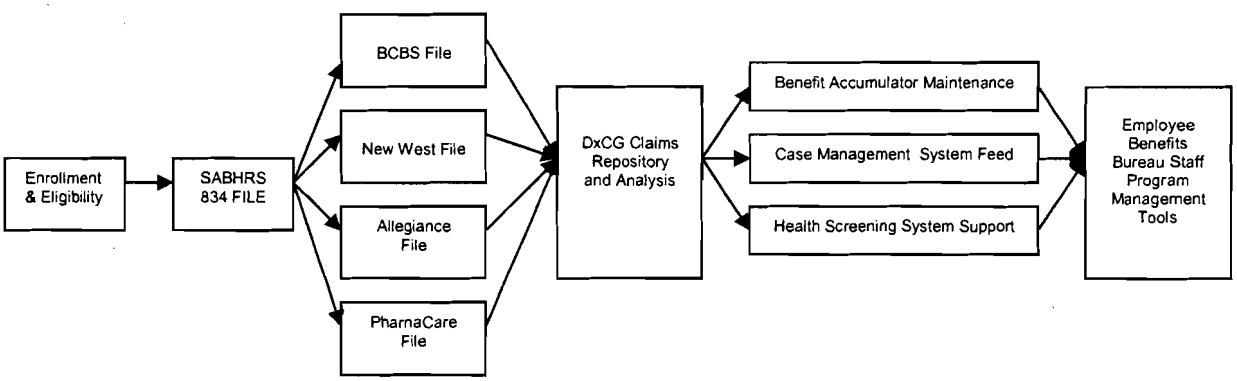
The first time the State became aware that BCBSMT was automatically moving to non-SSN identifiers on QNXT was in a conversion meeting with State and BCBSMT staff in July 2005. At that time BCBSMT staff announced that the BCBS Association was requiring all member plans to go to non-SSN identifiers for processing claims. Unfortunately, since the State was not made aware of the plans during the three year time lag as we had requested, we were unable to work with BCBS and other vendors to be able to coordinate a plan to move to a new non-SSN identifier.

We recognize the importance of protecting our employees, retirees and their family's personal data. We are committed to moving from using SSN as our primary health insurance identifier to a non-SSN identifier. Today we would like to take an opportunity to let the committee know what is involved in this move and perhaps share additional information regarding how protected health information such as an identifier is handled all the way from a payroll system to your doctor's office. By understanding the system we wish to ensure that all parties involved recognize their role in ensuring identity information integrity.

This brings us to the present day and an explanation of the current environment for the State Plan and considerations for processing of benefits related to member identifiers whether they are SSN or non-SSN.

Current Processing Structure and Considerations – Systems

Below is a graphic that illustrates how the data from the vendors identified in Group A from the table above flow in an integrated fashion through a number of systems that the Bureau uses to administer and manage the various benefits. Data from Group A is used to support benefits offered under Group B and so on. The key to making this system work is a single identifier for each member in the system.



In addition, the benefits offered under Group C (with the exception of Vision) have requirements associated with tax reporting. For those purposes, a non-SSN identifier will not be possible. However, we do not transfer files to these vendors on a monthly basis or issue identification cards so they are not in the same discussion category as the health benefits identified primarily in Group A.

The data that is generated from the eligibility file in the first box is from the payroll system. When an eligibility file is generated (SABHRS 834) it is sent to the vendors through a protocol protected and prescribed by federal law (HIPAA). From that point on, each point of handling in the graphic is covered by HIPAA.

The portion of the graphic with the four stacked boxes is where the TPAs or health claims processing vendors receive and work with the data. They generate the health insurance cards with the identifier on the card.

That brings us to a separate topic which is how the cards and your protected health information are handled outside of the computer systems.

Health Care System Identifier Handling

Once an insurance card is generated and dropped in the mail, it is protected by U.S. Postal Service regulations. However, as we all know and see in the media, this is also one area that is vulnerable for someone other than the intended recipient to get hold of the cards and the information.

If the card makes it to the recipient and is in their possession, it is usually in their wallet or purse. If those are stolen, that is the other way we commonly think of others coming into possession of the protected health information.

Both of those are criminal acts and in part may be mitigated by our moving to using a non-SSN identifier on health insurance cards.

However, once we move to non-SSN identifiers, the SSN will still remain a part of your health insurance record at providers offices; doctors, dentists, hospitals, etc. Those files contain your old health insurance identifier throughout (unless you request it to be redacted). HIPAA protects the handling of that information and provides for criminal penalties for its disclosure or misuse. However, it is important to understand that the information still remains widely distributed in the system even though we move to a non-SSN identifier.

Medicare Processing

We, like other employers and carriers, have members who are Medicare eligible. When Medicare is primary on claims we are able to have that program pay claims first, and we are the secondary payor. The federal government requires the use of SSN for Medicare coordination of processing (COB) on these claims. Medicare COB savings amounted to approximately $21.2M in 2002, $23.2M in 2003 and $25.8M in 2004.

In addition, the new Medicare Part D benefit permits the State Plan to recover a portion of the expenditures made on behalf of retirees who do not enroll in Part D on prescription drugs. That amount in 2006 is estimated to be $1.9M.

Again, we remain committed to ensuring the integrity and safety of our members protected health information, including SSNs. We will move away from using SSN as our primary identifier for State Plan members. We thank you for your time today.