



COMMONWEALTH of VIRGINIA

Department of Human Resource Management

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October 1, 2013

The Honorable Robert F. McDonnell, Governor, Commonwealth of Virginia
The Honorable Lacey E. Putney, Chairman, House Appropriations Committee
The Honorable Walter A. Stosch, Chairman, Senate Finance Committee

Subject: Report on the Use of Electronic Explanation of Benefits Statements

Gentlemen:

The attached report is pursuant to Chapter 806, Item 84.G. of the 2013 Virginia Acts of the General Assembly.

Please contact me if there are any questions.

Sincerely,

A handwritten signature in cursive script that reads "Sara R. Wilson".

Sara Redding Wilson

cc: The Honorable Lisa Hicks-Thomas
Secretary of Administration

REPORT ON THE USE OF ELECTRONIC EXPLANATION OF BENEFITS STATEMENTS

This report is submitted as required by Item 84.G. of Chapter 806, 2013 Virginia Acts of Assembly which states:

The Department of Human Resource Management, in consultation with all providers of the state employee health insurance program, shall develop a plan to implement a provision for the electronic distribution of the explanation of benefits statements to all employees to the greatest extent allowed under federal law. The Department shall present a recommendation for implementation of this plan, including an analysis of projected cost savings from eliminating paper explanation of benefit statements, to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees by October 1, 2013.

Availability of Electronic Explanation of Benefits Statements

The Department of Human Resource Management (DHRM) is required to follow United States Department of Labor regulations concerning electronic transmissions of material, including Explanation of Benefits Statements (EOBs). These regulations allow employer sponsored health plans to provide electronic transmissions of material to participants who (1) have the ability to effectively access documents furnished in electronic form at any location where the participant is reasonably expected to perform his or her duties as an employee and access to the employer's electronic information system is an integral part of those duties; or (2) affirmatively consent to receiving documents through electronic media.

DHRM believes that it is prudent to require affirmative consent by employees for electronic EOBs. From an operational perspective, there is no reliable way to determine on an enterprise-wide basis which employees meet the first standard above. Although it is possible to determine which employees have email addresses, determining which employees use their employer's electronic information system as an integral part of their duties is extremely difficult.

Because of privacy concerns, employees may oppose a requirement to receive electronic notification at work notifying them that EOBs are available for viewing. For example, employees with chronic health conditions who regularly see providers may be anxious that their employer might monitor the amount of EOB notifications they receive, and then use that information against them. Pursuant to Human Resource Policy 1.75-Use of Electronic Communications and Social Media, employees should not have an expectation of privacy when they receive email on their work computers. Employees with access at work may resent the fact that other employees who do not have access at work would not have to receive such notifications.

This potentially could complicate supervisor-employee relations, supervisory decision-making and grievance actions.

To varying degrees, both Anthem and Aetna, the state employee health plan's third party administrators for COVA Care and COVA HealthAware, make EOBs available through electronic means. To keep protected health information secure, they send electronic notification to participants when EOBs are available, so that participants may then access the EOBs at their convenience through protected member files at the administrator's site. Employees choose the email address where these notifications are sent. In Anthem's case, this service is now only available to employees, with an enhancement scheduled to provide access to all dependents over age 18 in February 2014. Aetna currently makes this service available to employees and dependents over age 18. Kaiser Permanente, a fully-insured Health Maintenance Organization (HMO) that provides coverage for some state employees in Northern Virginia, is not a claims-based system and does not need electronic EOBs.

Potential Cost Savings from the Use of Electronic EOBs

The state employee health plan's contracts with its third party administrators specify that DHRM "prefers electronic communications where legal and possible." These contracts were executed in December 2012 for plan years beginning in July 2013. They remain effective through June 2016, with three additional optional one-year renewals.

In response to this language, both Anthem and Aetna factored the use of electronic EOBs into their proposals and included the processing of EOBs as part of their administrative fees. These contracts resulted in approximately \$16 million to the Commonwealth during the initial year of the contracts, and a portion of these savings is due to this emphasis on electronic EOBs. Consequently, the Commonwealth has already achieved available savings from this initiative. Further reductions in the number of paper EOBs will not reduce administrative fees for the lives of these contracts.

Communications

Because Anthem has not been able to produce electronic EOBs for all members, DHRM has not promoted their use. After Anthem completes its enhancement scheduled for February 2014, DHRM will institute a communications campaign to encourage the use of electronic EOBs. This campaign will include information sent to agency Benefits Administrators to be distributed to employees and an article in Spotlight, the health plan's open enrollment brochure that is distributed to all employees. DHRM will also ask its third party administrators to creatively promote electronic EOBs.