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## Update regarding HIPAA readiness from our Chief Executive and Chief Information Officers

### "WE DID IT!"

The management team of HealthPlan Holdings, Inc. (HPHI) and its subsidiaries HealthPlan Services, Inc. (HPSI), American Benefit Plan Administrators, Inc. (ABPA), Southern Nevada Administrators, Inc. (SNA), BENADCO, Montgomery Management Corporation (MMC) and Administrative Services, Inc. (ASI), would like to share our successes with you, our clients, vendors and employees, with respect to our company-wide HIPAA Administrative Simplification initiative. We are pleased to announce that our organization has achieved HIPAA compliance objectives, and have done so ahead of many competitors within the industry. We wanted you to know specifically "what we've accomplished – and what's next for our organization."

In May 2002, we shared with you the many challenges that we and other Americans faced in light of a number of national events that have changed our history. This past year has also been one of the most trying times in light of the downturn of the economy. HPHI faced these trials head on with the steady commitment to deliver our customers' needs and to ensure that business requirements would still be met. HPHI staff demonstrated their incredible personal dedication and displayed expertise to ensure that these needs were met. As a result of collaboration and strong teamwork, our HIPAA Team achieved internal target dates, and as expected, we did so right on schedule!

### "MILES AHEAD..."

While some industry reports suggest that less than ten percent (10%) of submitters are ready to meet the Transaction Standards compliance deadlines, we've implemented our HIPAA Solution ahead of many organizations in our competitive marketplace. We've also instituted a sound Privacy program that supports our long-standing obligation to protect and safeguard our customers' personal health information. Through continuous support of HPHI's management team and the efforts of six internal HIPAA workgroups, we have done it!

### "PROVEN SUCCESS"

Some highlights of the past year of achievements include:

- **EDI Transactions and Codes Sets Solutions Workgroups collaborated to:**
  - Upgrade Claims software to HIPAA Compliant version
  - Convert existing systems to HIPAA version to gain efficiencies and to remediate non-compliant systems
  - Install HIPAA Gateway Solution
  - Test and Troubleshoot electronic transaction formats with major Trading Partners and Clearinghouses
- **Privacy and Security Workgroups collaborated to:**
  - Implement HPHI Corporate Policies and Procedures
  - Develop Templates and Forms to support new or revised Privacy Practices
  - Conduct Enterprise-Wide HIPAA Awareness Training Program for over 1000 employees and contract workforce members nationally



american benefit plan administrators, Inc.

Southern Nevada Administrators, Inc.

BENADCO

HealthPlan Services

 MONTGOMERY MANAGEMENT

  
ADMINISTRATIVE SERVICES INC.

- Develop and Offer Client Awareness Training Program, especially for Taft-Hartley Clients
- Execute Business Associate Agreements
- Implement Role-Based Access Models to support Minimum Necessary Requirements
- Implement "Best Practices" Administrative, Physical and Technical Safeguards to protect Personal Health Information
- **Web Design/eBusiness Workgroup collaborated with all teams to:**
  - Evaluate the impact of HIPAA Transactions via the web
  - Incorporate Privacy Notices and Statements on HPS, ABPA and client sites hosted by our organization
  - Ensure Web Security for HIPAA Transactions conducted by our customers

**All of this was completed on or ahead of schedule of the following original compliance dates:**

Transaction and Code Sets	October 16, 2002*
Privacy	April 14, 2003

\*We are currently converting our covered entity-clients, who are either defined as "small health plans" with less than \$5 million in annual receipts or who have filed for the one-year Administrative Simplification Compliance Act (ASCA) extension, to our HIPAA-compliant systems. To ensure that these clients achieve full compliance with the Transaction Standards, our EDI Workgroup has designed and implemented a comprehensive project plan with target completion dates for these planned conversions by the federally mandated deadline of October 16, 2003.

**"WHERE DO WE GO FROM HERE...?"**

Although this is a time to celebrate key successes, there is still much work. We are striving to meet the following newly published, final HIPAA requirements:

Unique National Identifiers	July 31, 2004 (Employer Identifiers only)
Security	April 21, 2005

Currently, we're evaluating our existing security solution against the final published rule. We continue to test transactions with clearinghouses and other trading partners to ensure EDI Transactions and Code Sets compliance for those clients who are small health plans with an additional year to comply or for those who filed for a one-year extension until the final October 16, 2003 compliance deadline. We also continue to assess the overall readiness of our clients and customers in order to identify what they're doing and what they'll require from us – their business partner – to ensure our mutual success.

We have proven our position as a leader in HIPAA compliance and plan to continue to grow our organization. In fact, we recently acquired ASI, a third party administrator in the Florida marketplace. With this acquisition, we have managed to leverage our strong HIPAA program and dedicated team to assist them in their compliance.

We will continue to monitor and actively participate in industry debate and discussion regarding the challenges facing impacted organization via conferences and seminars, survey participation, association memberships and other vehicles available to us as a major player in this market.

HPHI's solid team of experts and valuable resources allow us to reach positive outcomes for our customers and our business while achieving full HIPAA compliance. On-time achievement of this strategic initiative will solidify our place as the industry leader now, and in the future. We are committed to provide you with updates on our progress in the future. At HPHI, we know that if you "Believe It", you can achieve it!

Sincerely,



Jeff Bak  
President & Chief Executive Officer  
HealthPlan Holdings, Inc.



Steve Hulslander  
EVP & Chief Information Officer  
HealthPlan Services, Inc.



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