US ARMY NAF EMPLOYEE BENEFITS PROGRAM

NAF BENEFITS UPDATE FOR CPU CHIEFS

It's been several months since I provided you an update on the current issues and initiatives in NAF Employee Benefits, so with all the things that are happening in the benefits world, I'd like to provide you with the latest information.

VERA/DSR EMPLOYER RETIREMENT CONTRIBUTIONS

As of the publication date of the FY 2003 NAF Budget guidance, our actuaries had not determined the amount of the Retirement Fund employer contribution for employees retiring under Voluntary Early Retirement and Discontinued Service Retirement. The valuation has now been completed, and the contribution will be $55,000 for the remainder of FY 2003. This is based on an actuarial valuation of the average increased liability to the Retirement Fund for these early retirements due to Business Based Actions. This amount will be adjusted annually, hereafter, and will be published in the annual NAF budget guidance.

HIPAA PRIVACY LEGISLATION

Our most compelling, current issue in Benefits is compliance with the recent HIPAA Privacy legislation. This legislation is being implemented under Health & Human Services (HHS) Regulations. The DODHBP Committee has been working on this vigorously for the past month. Primarily, the new HHS regulations address HIPAA Privacy requirements concerning the treatment of health information, how it can be used, how it should be protected, etc. As a self-insured plan sponsor we have certain responsibilities to implement these procedures for our plan participants. Aetna has implemented compliance measures from their end, but we need to work with you to meet certain regulatory provisions. There are basically three things we need to do in the next six weeks.

1. **Mail a HIPAA Privacy Statement to all plan participants.** We'll do a direct mailing from here, post it on the web site, and provide it to you by email attachment so you can provide it to any new employees who enroll or to current employees upon request. This privacy notice is similar to those you see distributed by credit card companies, banks, etc. The notice describes the legitimate uses of their medical information and how it will be protected from unauthorized disclosure.

2. **Train EBB and CPU staff members who handle health plan information.** DoD and the services have developed a slide presentation which you can use to train your staff who are involved in benefits administration, process enrollments in health plans, or assist employees with medical claims. The slide presentation is self-explanatory, so no accompanying lecture is required. Employees can view the presentation at their leisure. It will take about 30-45 minutes of their time. Once your staff has completed the training, we will need you to certify that the training has been completed. This presentation is being used in the interest of time, because all staff must be trained on the HIPAA Privacy Requirements by 14 April 2003. Later, as time permits, we will develop a web based training for this, but initially, we must go with the slide presentation due to time constraints.

3. **Provide Use or Disclosure Authorization forms to CPUs.**   A form has also been developed, which must be provided to individuals for their completion which would authorize the use of medical information for other than those purposes authorized under the HHS regulations. This would be required in the event an employee wanted to authorize release of their medical information to a third party who would not normally have access to it or to whom we would not normally release the information under the privacy guidelines. This form will also be available on the web site.

That pretty much summarizes the requirements for our compliance. We're pulling everything together, and we'll have everything out to you in the next few days, along with the HHS regulation and a draft compliance guide. We have until April 14th to come into compliance. We're making this as painless as possible, but we need to make sure we're in compliance with the new regulations, and we need your help to do that.

GROUP LONG TERM CARE INSURANCE PLAN

As I reported in our special update in January 2003 on the Long Term Care implementation, the open enrollment was very successful. Employees may continue to enroll in the plan, even though open enrollment has ended. Instructions on enrollment processing were included in the January Update, and your offices should all have received a distribution of LTC Pamphlets for new hires. We've had a number of inquiries from enrollees who were notified that their application had been processed and their policy was effective January 1, 2003, but their premiums were not deducted from their pay during the first full pay period of 2003. Analysis of the situation revealed that the file sent to payroll to initiate payroll deductions was missing nearly 250 enrollees. CNA, the insurance carrier, has since rectified the problem and premiums should start during the next pay cycles. Affected individuals will be contacted by CNA to resolve the missed premiums. If any of your employees inquire about this and would like to verify that their LTC policy is in effect and that they were among the 250 who did not get reported to payroll for their premium deductions, please call or email either myself or Susan Mondello, and we can check the enrollment and payroll deduction listings to verify their status.

BENEFITS ON-LINE SYSTEM ISSUES

Use of the Benefits On-Line System is increasing rapidly. In fact, during January and February, the system recorded 14,343 hits, over 11,000 from field CPUs. Currently, our data indicates that approximately 75% of the CPUs are processing some or all of their benefit transactions on Benefits On-Line. If you have not started processing your benefit transactions on-line, please start using the system as soon as possible. We plan to eliminate paper transactions by mid-year. If you need help, just let us know. We appreciate all the constructive feedback as you encounter any difficulty in using the system. This helps us make the refinements necessary to make sure the system is doing exactly what we all want it to do.

Several of you have asked if we will be adding a LWOP transaction event. Since the system recognizes LWOP status from the payroll input file, it is not necessary to perform a separate Benefits On-Line transaction. We have coordinated with NFS, and they will no longer require a DA Form 3473 for approved LWOP. An employee who goes into LWOP status will continue to earn creditable service for retirement for 12 months, and premiums for life and health insurance will default to employer pay-all unless action is initiated by your office and the employee to terminate participation in life and health insurance. Sandy Curran previously issued separate policy guidance on this, which is available on the CPOL web site.

In the case of employees who are in LWOP due to furlough for active military service, no separate transaction in Benefits On-Line is necessary. However, to make sure we document these individuals in our files, please forward a copy of the DA Form 3434 to this office, and we will make any required system entries.

Several of you have experienced a problem with the system when employees designate both a primary and secondary beneficiary. The system was not properly programmed to record this on the DA Form 3473, generated by the system, although the entries were properly recorded in the data base. We have recently modified the Benefits On-Line system to print primary and secondary beneficiaries on the DA Form 3473, so that the form that the employee signs, accurately reflects their wishes. The form has space for three beneficiary designations. Note that SSN is a required field. If the employee designates more than three beneficiaries, they will be recorded in the data base, but those in excess of three will not print. These should be printed on a separate sheet of paper, signed and dated by the employee, and maintained in the OPF, attached to the DA 3473.

We continue to experience confusion over when documents should and should not be forwarded to EBB, when a transaction is completed on-line. For most transactions, we do not require that you send any paperwork to us, since the system has stored the data based on your on-line transaction. You, of course must print out the forms provided so the employee can sign and you can file a copy and send the transaction to payroll. However, we do need paperwork when an employee is being terminated for any reason so we have a signed DA 3715-R and DA 3473, designating last beneficiaries, on file. We also need paperwork when an enrollment transaction is pended for approval of a life event, such as when an employee is changing health insurance coverage outside of open season. This information is included on the on-screen instructions when you process the on-line transaction.

BENEFITS UPDATE FOR NAF CPU CHIEFS   March 2003

Concerning **Transfer-in transactions** on-line, a number of you have inquired as to why DA Forms 3473 are not generated by the system. For the most part, a transfer does not make the employee eligible for any benefit changes unless there is requirement to change health insurance due to geographical availability of the plan the employee had at their previous location. Therefore, if no benefit changes occur, no DA Form 3473 will be generated, nor is one necessary. Payroll has been instructed to continue all benefits without change when an employee transfers, unless a change is warranted as described.

We continue to work with our system contractor on the problem of **401(k) Deferral Percentage Changes** not populating the DA Form 7426. Although the data is being entered into the database, for some reason it is not being displayed on the form. Until we can get this corrected, please manually check the "change" block and enter the percentage. This only occurs when an employee changes their deferral percentage. When an employee is hired and makes an initial 401(k) election, the form prints correctly.

A number of you have informed us that your internal processing procedures for new hires does not allow you to go on-line and complete benefit elections when the employee initially in-processes, and that the employee must return at a later date to complete the benefit elections. The drawback to this is that if the employee does not return within two weeks, when you attempt to complete the hire event, the system will not allow you to create the new employee record. This is because the payroll file, which is loaded after each pay cycle, creates a record for a new employee if none has been created in the benefits system. If this occurs, your only option is to use the individual benefit events to record the benefit elections. If this is done within 31 days of hire, there will be no problem with the elections. However, if 31 days has elapsed since the hire date, the benefit elections will be pended for justification and EBB approval as a life event, and you will need to coordinate with our office to complete the benefit elections. We are reviewing system programming options to correct this situation. We'll provide additional information when we develop a solution. This situation has surfaced the issue of **effective dates for benefit elections**. The system was designed to make the benefit election effective the date of the transaction, assuming the employee would sign when the election is processed. This is not always the case, so we are having our system contractor reprogram the system to allow you to enter an effective date for the benefit election. This will require an additional entry, but it will more accurately reflect the desires of the employee concerning the date they wish their benefit to start. Generally, for new hires, the effective date of their benefit elections should be their hire date. That is automatic for Retirement Plan participation, but other elections will require the entry of an effective date.

Please let us know what other problems you are experiencing with the system, so we can correct these minor glitches as they are identified. Here are the system contacts:

Systems Administrator	Eric Penningroth (703) 681-7273	eric.penningroth@cfsc.army.mil
Sr. Systems Administrator	Joanne Baker (703) 681-7340	joanne.baker@cfsc.army.mil
Operations Manager	Patty Simpson (703) 681-7261	patricia.simpson@cfsc.army.mil
Chief, NAF Employee Benefits	Ron Courtney (703) 681-7260	ronald.courtney@cfsc.army.mil

FOR DETAILED INFORMATION ON ALL THE PREVIOUSLY ISSUED NAF EMPLOYEE BENEFIT CPU UPDATES, LOG ON TO OUR WEB SITE AT WWW.NAFBENEFITS.COM AND GO TO THE CPU RESTRICTED SECTION