



June 20, 2005

MEMORANDUM

TO: All Members of the State Health Benefit Plan

FROM: Tim Burgess *TB*

Under a federal law known as the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”), certain notices must be provided to you. This memo will serve as notice to you related to the surcharge for tobacco use that the Plan will charge for coverage beginning July 1, 2005.

Under HIPAA, group health plans may not discriminate on the basis of “health status.” However, the law also permits state and local government employers that sponsor health plans to elect to exempt a plan from this requirement for any plan that is “self-funded” by the employer, rather than provided through a private health insurance policy. The Department of Health and Human Services considers tobacco use to be a “health status.” Therefore, the self-funded options under the SHBP have opted out of this requirement for the plan year July 1, 2005, through December 31, 2005. The election may be renewed for subsequent plan years. The purpose of this exemption is to enable the SHBP to comply with federal law in applying the tobacco use surcharge.

Therefore, this notice informs all members of the self-funded options of the State Health Benefit Plan of the Plan’s election to be exempt from the following provision:

Prohibitions against discriminating against individual participants and beneficiaries based upon health status. A group health plan may not discriminate in enrollment rules or in the amount of premiums or contributions it requires an individual to pay based on certain health status-related factors: health status, medical condition (physical and mental illnesses), claims experience, receipt of health care, medical history, genetic information, evidence of insurability, and disability.

The exemption and this notice do not change your eligibility, your benefits, or your premiums, other than to apply the surcharge for tobacco use if applicable.

HIPAA also requires the Plan to provide covered employees and dependents with a “certificate of creditable coverage” when they cease to be covered under the Plan. There is no exemption from this requirement. The certificate provides evidence that you were covered under this Plan because you may be entitled to certain rights to reduce or eliminate a preexisting condition exclusion if you join another employer’s health plan, or if you wish to purchase an individual health insurance policy. You may obtain the certificate of creditable coverage upon request.

If you have any questions about this notice, you may contact:

State Health Benefit Plan
Attn: Surcharge
P. O. Box 38342
Atlanta, Georgia 30334