

**WEST VIRGINIA LEGISLATURE**  
*Performance Evaluation and Research Division*

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John Sylvia  
Director

January 7, 2008

The Honorable Edwin J. Bowman  
West Virginia State Senate  
129 West Circle Drive  
Weirton, WV 26062

The Honorable Jim Morgan  
West Virginia House of Delegates  
Building 1, Room E-213  
1900 Kanawha Blvd. East  
Charleston, WV 25305-0470

Dear Chairs:

This informational letter is being provided to the Joint Committee on Government Operations and the Joint Committee on Government Organization as a result of a recent inquiry conducted by the Legislative Auditor. PERD was asked to examine whether there would be a potential for cost savings if the Public Employees' Insurance Agency (PEIA) were to utilize email to disseminate policy information to its members instead of printing documents and mailing them to members via United States Postal Service. **PERD staff has determined that any broad-based or comprehensive transition to an email dissemination method could be problematic under the current conditions.**

PEIA was asked to identify all major mass mail transmitted publications and documents. PEIA responded with a total of 11 documents. Each are listed in Table 1 along with its respective annual printing/mailing and postage costs.

<b>Table 1</b>			
<b>PEIA Mass Mailing Publications</b>			
<b>Annual Printing and Mailing Costs</b>			
<b>Publication Name</b>	<b>Printing and Mailing</b>	<b>Postage</b>	<b>Total Cost</b>
Shopper's Guide	\$29,892	\$28,886	\$58,778
Hope Health Newsletter	\$20,905	\$32,051	\$52,956
Open Enrollment Confirmation Letter	\$9,165	\$36,100	\$45,265
Summary Plan Description	\$71,638	\$52,455	\$124,093
Public Hearing Postcard*	\$1,568	\$5,438	\$7,006
Provider Newsletter	\$3,193	\$2,527	\$5,720
Premium Assistance Applications	\$856	\$981	\$1,837
Retiree Assistance Application	\$6,704	\$7,419	\$14,123
Shopper's Guide Transfer Form Kit	\$17,850	\$38,995	\$56,845
Premium Conversion Plan Newsletter**	\$2,410	\$10,294	\$12,704
Medicare Retiree Tobacco Affidavit	\$4,087	\$12,285	\$16,372
<b>Total</b>			<b>\$395,699</b>
<p><i>*Sent only to Medicare-eligible retirees since the dates and locations were included in the Hope Health Newsletter which was provided to all other members.</i></p> <p><i>**According to PEIA, this document has been merged with the Shopper's Guide, thereby eliminating any separate cost for the item.</i></p>			

After initially informing PEIA of this inquiry, PEIA stated that it was:

*[C]ertainly in favor of using electronic media to communicate with [its] members to the extent legally and practically possible...PEIA has already taken steps in that direction and has promoted member use of the internet for PEIA's open enrollment in the past several years. PEIA is currently developing and testing a new data system with a view of eventually going to a paperless environment. There are certainly many savings and efficiencies to be gained by transacting business electronically [emphasis added].*

**There is a concern regarding a mandate to use an electronic format. Federal statute associated with the Employee Retirement Income Security Act (ERISA) and the Health Insurance Portability and Accountability Act (HIPAA) requires that certain information regarding insurance be provided to members.<sup>1</sup> PEIA has traditionally used the United States Postal Service as the mechanism for doing so. This ensures that no members are excluded, whereas they might be if they were required to receive information about their policy by email. Importantly, PEIA has only received 18,857 policy-holder email addresses. This represents 18% of policy holders. According to PEIA, "[m]any retirees and some active employees do not have access to or the skills to operate a computer." For this reason, PEIA does not feel that mandating electronic transactions would be appropriate. In some cases, members that would be unable to**

<sup>1</sup> Federal law makes specific mention of the Summary Plan Description. As Table 1 indicates, this document is by far the most expensive document that is disseminated by PEIA. PEIA has indicated that other required information is transmitted in the other documents to its members.

access information via email are active state employees of agencies such as the General Services Division and the Division of Highways who do not have regular computer access at work nor state email accounts. Another barrier to the use of email is that PEIA membership extends beyond state employees (active and retired). Since membership includes many other types of public sector employment, PEIA would have difficulty obtaining reliable email addresses for the myriad email systems.<sup>2</sup>

PEIA holds that the costs associated with traditional mailing are minimal as compared to the potential legal ramifications of not providing required information. PEIA contends that in the cases of confirmation letters, transfer form kits, and retiree tobacco affidavits, the documents contain private information that must be protected. Therefore, PEIA believes that it would not be practical to email these documents.

**PEIA does support the concept of voluntary signup for electronic communications in lieu of receiving information on paper via United States Postal Service.** Currently, PEIA is implementing an electronic subscription program. PEIA anticipates that this program will allow members to securely receive pertinent information via email and opt out of receiving information on paper through the United States Postal Service. This program could be available as early as the first quarter of fiscal year 2009. The electronic subscription would differ from the compulsory email process in that the member would affirmatively elect to participation. PEIA has expressed interest in implementing surcharges for individuals not using email even though they have access at work. It is not clear to PERD how this would be enforced.

In conclusion, any recommendation that PEIA mandate email receipt of pertinent documentation would not be feasible. Given the current condition as stated by the agency, emailing documents would be inadequate due to the unreliability of the process at this time. Any recommendation that the agency enhance its current capacities in order to differentiate between email candidates and non-email candidates would be duplicative of the agency's sentiments since the agency anticipates the implementation of a new voluntary electronic subscription program. This program is possibly the only solution for reducing printing, mailing, and postage costs. Further, as shown by Table 1, the costs of printing, mailing, and postage costs of the 11 documents appear minimal when compared to the potentially high legal costs that could be incurred if the agency violated federal ERISA and HIPPA, which the agency indicated would be imminent. One final note, PEIA may wish to explore the feasibility of consolidating and streamlining required documents into a single document thereby reducing postage costs of the individual documents. Along this same line, PEIA could determine specific documents that are not required by law to be provided and offer them exclusively online.

The Legislative Auditor recommends that PEIA implement and promote the voluntary use of the secure electronic subscription program to reduce printing/ mailing and postage costs once it becomes operational during fiscal year 2009. Further, the Legislative Auditor recommends that PEIA continue to determine which documents could be streamlined to reduce printing/ mailing and postage costs.

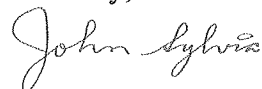
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<sup>2</sup> PEIA could encourage state agencies' benefit coordinators to determine which employees could receive information via email in a reliable manner and/or give employees the option to receive documents via email.

As earlier stated, PEIA has demonstrated interest in utilizing electronic methods as a means of reducing printing/mailing and postage costs of documents that are provided to members. While access and privacy issues are either problematic or prohibitive, the use of a secure subscription program, even on a limited basis, would likely result in some printing/mailing and postage savings.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "John Sylvia".

John Sylvia

Joe Manchin III  
Governor

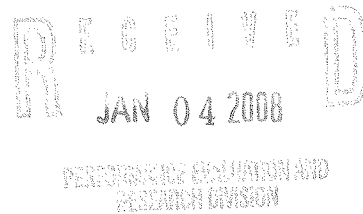


Ted Cheatham  
Director

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January 3, 2008

Brian Armentrout  
Research Manager  
West Virginia Legislature  
Joint Committee on Government and Finance  
Building 1, Room W-314  
1900 Kanawha Boulevard, East  
Charleston, WV 25305-0610

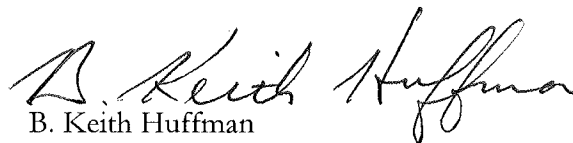


RE: Transmittal Letter of December 17, 2007 for Draft Report

Dear Mr. Armentrout:

This letter is in response to your above-referenced letter and in confirmation of our discussions in the exit conference held on December 18, 2007. As we discussed, PEIA is in agreement with the conclusions contained in the draft report on use of email to disseminate member information. We have no additional information to offer at this time.

Sincerely yours,

  
B. Keith Huffman  
General Counsel

c: Robert W. Ferguson, Jr., Cabinet Secretary  
West Virginia Department of Administration

Ted Cheatham, Director  
Public Employees Insurance Agency

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