



Dear Clients and Friends,

Employers are warming to the idea of wellness programs as a means to hold down health care costs and increase employee productivity. And, wellness programs can be immensely popular with employees.

These HIPAA rules, while providing needed guidance, may not be sufficient, however.

State laws, for example, may also govern wellness programs.

Employers should take into account the dollars available for a program, the needs of employees and their families and the desired outcomes for the wellness plan.

*Sincerely yours,
Jim Lill, President*

HIPAA Wellness Rules

HIPAA's final regulations do not change the 2001 interim rules or the proposed rules on wellness programs. They do clarify some ambiguities and provide a description of wellness programs that are not required to satisfy additional standards to be in compliance with nondiscrimination provisions.

The final rules generally prohibit group health insurance issuers from discriminating against individuals based on any health factor. The following examples may be implemented without having to satisfy additional HIPAA provisions:

- Reimbursement of some or all of the cost for membership in a fitness center
- A diagnostic testing program that provides a reward for participation, irrespective of the test's outcome
- A preventive care plan that waives copayments or deductibles under the group health plan
- Reimbursement for smoking cessation

programs, irrespective of whether the effort is successful

- Rewards for employees who attend health education seminars

Programs that provide for rewards based on an individual satisfying a standard related to a health factor must meet additional requirements.

The total reward that an individual can earn may not exceed 20 percent of the cost of coverage. The program must be "reasonably-designed" with a reasonable chance of improving the health of a participant. It must not be overly burdensome so as to be a subterfuge for discriminating based on a health factor. A wellness program that provides a reward requiring satisfaction of a standard related to a health factor must provide a "reasonable alternative standard" for obtaining the reward. And, all plan materials describing the terms of the program must disclose the availability of a reasonable alternative standard.

Ask us about free COBRA, FSA and FMLA administration!

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