

Kentucky Retirement Systems
HIPAA Privacy and Security Plan Amendment to
Kentucky Retirement Systems Summary Plan Description

Introduction

Kentucky Retirement Systems (the "Plan Sponsor"), sponsors the Kentucky Retirement Systems Health Plan – Medical Only, the Kentucky Retirement Systems Health Plan – Plus, and the Kentucky Retirement Systems Health Plan – Premium (the "Plan"). Members of the Company's workforce have access to the individually identifiable health information of Plan participants for administration functions of the Plan. When this health information is provided from the Plan to the Plan Sponsor, it is Protected Health Information (PHI) and, if it is transmitted by or maintained in electronic media, it is Electronic PHI.

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) and its implementing regulations restrict the Plan Sponsor's ability to use and disclose PHI and Electronic PHI. The following definitions apply to this plan amendment:

Protected Health Information. Protected health information means information that is created or received by the Plan and relates to the past, present, or future physical or mental health or condition of an individual; the provision of health care to an individual; or the past, present, or future payment for the provision of health care to an individual; and that identifies the individual or for which there is a reasonable basis to believe that the information can be used to identify the individual. Protected health information includes information of persons living or deceased. It includes information maintained or transmitted in any form (e.g., verbal, written or electronic).

Electronic Protected Health Information. Electronic protected health information means Protected Health Information that is transmitted by or maintained in electronic media.

Payment. Payment means "payment" as defined by 45 § CFR 164.501, as amended. Generally, Payment activities include, but are not limited to, activities undertaken by the Plan to obtain premiums or determine or fulfill its responsibility for coverage and provision of Plan benefits that relate to an individual to whom health care is provided. These activities include, but are not limited to, the following:

- (1) Determination of eligibility, coverage and cost sharing amounts (for example, cost of a benefit, Plan maximums and copayments as determined for an individual's claim);
- (2) Coordination of benefits;
- (3) Adjudication of health benefit claims (including appeals and other payment disputes);
- (4) Subrogation of health benefit claims;
- (5) Establishing Plan participant contributions;

- (6) Risk adjusting amounts due based on an Plan participant's health status and demographic characteristics;
- (7) Billing, collection activities and related health care data processing;
- (8) Claims management and related health care data processing, including auditing payments, investigating and resolving payment disputes and responding to an Plan participant's inquiries about payments;
- (9) Obtaining payment under a contract for reinsurance (including stop-loss and excess of loss insurance);
- (10) Medical necessity reviews or reviews of appropriateness of care or justification of charges;
- (11) Utilization review, including precertification, preauthorization, concurrent review and retrospective review;
- (12) Disclosure to consumer reporting agencies related to the collection of premiums or reimbursement (the following Protected Health Information may be disclosed for Payment purposes: name and address, date of birth, Social Security number, payment history, account number and name and address of the provider and/or health plan);
- (13) Reimbursement to the Plan; and
- (14) Any other activity considered to be a "payment" activity pursuant to 45 CFR § 164.501.

Health Care Operations. Health Care Operations means "health care operations" as defined by 45 CFR § 164.501, as amended. Generally, Health Care Operations include, but are not limited to, the following activities taken by or on behalf of the Plan:

- (1) Quality assessment;
- (2) Population-based activities relating to improving health or reducing health care costs, protocol development, case management and care coordination, disease management, contacting health care providers and patients with information about treatment alternatives and related functions;
- (3) Rating provider and Plan performance, including accreditation, certification, licensing or credentialing activities;
- (4) Underwriting, premium rating and other activities relating to the creation, renewal or replacement of a contract of health insurance or health benefits, and ceding, securing or placing a contract for reinsurance of risk relating to health care claims (including stop-loss insurance and excess of loss insurance);
- (5) Conducting or arranging for medical review, legal services and auditing functions, including fraud and abuse detection and compliance programs;
- (6) Business planning and development, such as conducting cost-management and planning-related analyses related to managing and operating the Plan, including formulary

development and administration, development or improvement of Payment methods or coverage policies;

- (7) Business management and general administrative activities of the Plan, including, but not limited to:
 - (a) Management activities relating to the implementation of and compliance with HIPAA's administrative simplification requirements; or
 - (b) Customer service, including the provision of data analyses for policyholders, plan sponsors or other customers;
 - (c) Resolution of internal grievances;
 - (d) Due diligence in connection with the sale or transfer of assets to a potential successor in interest, if the potential successor in interest is a "covered entity" under HIPAA or, following completion of the sale or transfer, will become a covered entity; and
- (8) Any other activity considered to be a "health care operation" activity pursuant to 45 CFR § 164.501.

The Plan Sponsor shall have access to PHI and Electronic PHI from the Plan only as permitted under this plan amendment or as otherwise required or permitted by HIPAA.

Provision of Protected Health Information to Plan Sponsor

I. Permitted Disclosure of Enrollment/Disenrollment Information

The Plan, or a business associate of the Plan, may disclose to the Plan Sponsor information on whether the individual is participating in the Plan.

II. Permitted Uses and Disclosure of Summary Health Information

The Plan, or a business associate of the Plan, may disclose Summary Health Information to the Plan Sponsor, provided that the Plan Sponsor requests the Summary Health Information for the purpose of (1) obtaining premium bids from health plans for providing health insurance coverage under the Plan; or (2) modifying, amending, or terminating the Plan.

“Summary Health Information” means information (1) that summarizes the claims history, claims expenses, or type of claims experienced by individuals for whom a plan sponsor has provided health benefits under the Plan; and (2) from which the information described at 42 CFR § 164.514(b)(2)(i) has been deleted, except that the geographic information described in 42 CFR § 164.514(b)(2)(i)(B) need only be aggregated to the level of a five-digit ZIP code.

III. Permitted and Required Uses and Disclosure of Protected Health Information for Plan

The Plan, or a business associate of the Plan, shall use and disclose PHI to the extent of and in accordance with the uses and disclosures permitted by HIPAA, as set forth in the Privacy regulations. Specifically, the Plan shall use and disclose PHI for purposes related to Payment for health care and Health Care Operations.

The Plan, or a business associate of the Plan, may:

- disclose Protected Health Information to the Plan Sponsor to carry out Plan administration functions that the Plan Sponsor performs, consistent with the provisions of the Conditions for Disclosure Section of this Amendment;
- with an authorization from the Plan participant, disclose Protected Health Information to the Plan Sponsor for purposes related to the administration of other employee benefit plans and fringe benefits sponsored by the Plan Sponsor, or for any other purpose permitted by the authorization;
- not permit a health insurance issuer or HMO with respect to the Plan to disclose Protected Health Information to the Plan Sponsor except as permitted by this Amendment;
- not disclose (and may not permit a health insurance issuer or HMO to disclose) Protected Health Information to the Plan Sponsor as otherwise permitted by this Amendment unless a statement is included in the Plan's notice of privacy practices that the Plan (or a health insurance issuer or HMO with respect to the Plan) may disclose Protected Health Information to the Plan Sponsor;
- not disclose Protected Health Information to the Plan Sponsor for the purpose of employment-related actions or decisions or in connection with any other benefit or employee benefit plan of the Plan Sponsor.

The Plan Sponsor may use Protected Health Information without an authorization from an Plan participant for Plan administrative functions including Payment activities and Health Care Operations.

Notwithstanding any provisions of this Plan to the contrary, in no event shall the Plan Sponsor be permitted to use or disclose PHI or Electronic PHI in a manner that is inconsistent with 45 CFR § 164.504(f).

IV. Conditions of Disclosure for Plan Administration Purposes

Plan Sponsor agrees that with respect to any PHI (other than enrollment/disenrollment information and Summary Health Information, and information disclosed pursuant to a signed authorization that complies with the requirements of 45 CFR § 164.508, which are not subject to these restrictions) disclosed to it by the Plan, or a business associate of the Plan, Plan Sponsor shall:

- not use or further disclose the PHI other than as permitted or required by the Plan or as required by law;
- ensure that any agent, including a subcontractor, to whom it provides PHI received from the Plan agrees to the same restrictions and conditions that apply to the Plan Sponsor with respect to PHI;
- not use or disclose the PHI for employment-related actions and decisions or in connection with any other benefit or employee benefit plan of the Plan Sponsor;
- report to the Plan any use or disclosure of the PHI of which it becomes aware that is inconsistent with the uses or disclosures provided for;
- make available PHI to comply with HIPAA's right to access in accordance with 45 CFR § 164.524;
- make available PHI for amendment, and incorporate any amendments to PHI, in accordance with 45 CFR § 164.526;
- make available the information required to provide an accounting of disclosures in accordance with 45 CFR § 164.528;
- make its internal practices, books, and records relating to the use and disclosure of PHI received from the Plan available to the Secretary of Health and Human Services for purposes of determining compliance by the Plan with HIPAA's privacy requirements;
- if feasible, return or destroy all PHI received from the Plan that the Plan Sponsor still maintains in any form and retain no copies of such information when no longer needed for the purpose for which disclosure was made, except that, if such return or destruction is not feasible, limit further uses and disclosures to those purposes that make the return or destruction of the information infeasible; and
- ensure that the adequate separation between Plan and Plan Sponsor, required by 45 CFR § 504(f)(2)(iii), is established.

Plan Sponsor further agrees that if it creates, receives, maintains, or transmits any Electronic PHI (other than enrollment/disenrollment information and Summary Health Information, and information disclosed pursuant to a signed authorization that complies with the requirements of 45 CFR § 164.508, which are not subject to these restrictions) on behalf of the Plan, it will:

- implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the Electronic PHI that it creates, receives, maintains, or transmits on behalf of the Plan;

- ensure that the adequate separation between the Plan and Plan Sponsor (i.e., the firewall), required by 45 CFR § 504(f)(2)(iii) is supported by reasonable and appropriate security measures;
- ensure that any agent, including a subcontractor, to whom it provides Electronic PHI agrees to implement reasonable and appropriate security measures to protect the information; and
- report to the Plan any security incident of which it becomes aware.

V. Adequate Separation Between Plan and Plan Sponsor

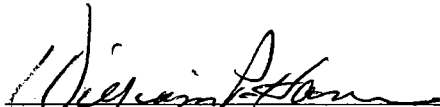
The Plan Sponsor shall allow employees specified in section XII titled **“Complying with the Minimum Necessary Standard” of the Plan Sponsor’s HIPAA Privacy Use and Disclosure Procedures** access to the PHI. These specified employees (or classes of employees) shall only have access to and use of PHI to the extent necessary to perform the plan administration functions that the Plan Sponsor performs for the Plan. In the event that any of these specified employees, or any employee, does not comply with the provisions of this Section, that employee shall be subject to disciplinary action by the Plan Sponsor for non-compliance pursuant to the Plan Sponsor’s employee discipline and termination procedures.

The Plan Sponsor shall ensure that the provisions of this Section V are supported by reasonable and appropriate security measures to the extent that the persons designated above create, receive, maintain, or transmit Electronic PHI on behalf of the Plan.

VI. Certification of Plan Sponsor

The Plan shall disclose PHI to the Plan Sponsor only upon the receipt of a certification by the Plan Sponsor that the Plan has been amended to incorporate the provisions of 45 CFR § 164.504(f)(2)(ii), and that the Plan Sponsor agrees to the conditions of disclosure set forth in paragraph IV of this Section.

This Plan Amendment shall take effect the first day of January, 2006, and has been adopted by:



William P. Hanes, Esq., Executive Director

12/28/05

Date