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VPA'S NEW IMAGE

Something New, Better and Bigger

Voluntary Plan Administrators, Inc. is evolving into something new, better and bigger.

The changes are already reflected in the way we answer our phones and the new stationery that is being redone to reflect the change.

A big part of our new image is reflected in our name.

No longer are we just Voluntary Plan Administrators, Inc., we are now VPA, Inc. "The Integrated Disability Claims Management Company."

Although Voluntary Plan Administrators described exactly what we did as voluntary plan administrators under California's State Disability Insurance (SDI) law, we are also recognizing our broader scope as a national firm operating under the disability laws of other states as well as the disabilities provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Therefore, we are shortening our name to VPA, Inc.

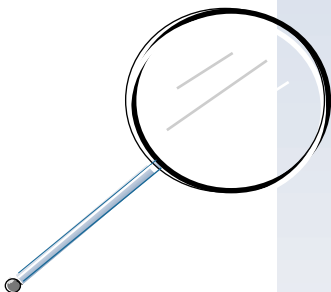
"The Integrated Disability Claims Management Company" is a comprehensive and more precise explanation of what VPA is doing now, and will be doing more of in the future, explains Jack Bredehorn, founder and president of the company.

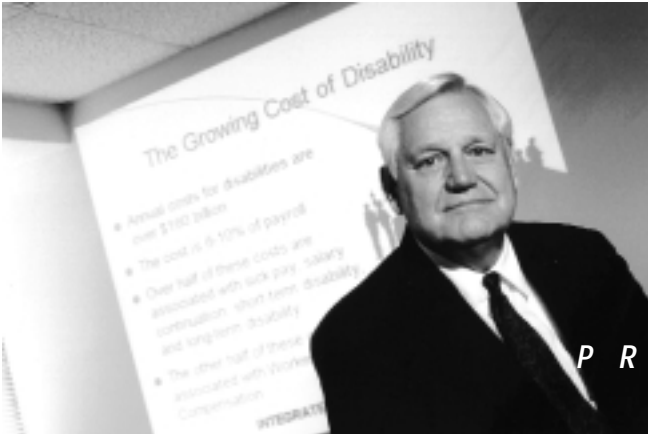
The whole process will take some time, he said, as VPA looks to market its services more and more to the top national corporations on the Fortune 1000 list.

Bredehorn said that VPA is expanding in part to meet the changes occurring as a result of the "downsizing, rightsizing and outsourcing" that a lot of American businesses are currently going through — changes that often leave even the biggest of companies without enough staff to handle the administrative duties associated with administering disability benefits for their employees.

"The biggest reason more and more firms need our services is that it costs them less for us to do it. We actually save firms 25% or more of their disability benefit costs," he said.

VPA will make its presence felt on the national scene by offering a "seamless" process to firms and their employees, whether the companies choose to fully self-insure the disability programs they offer, or only partly do so. Many firms, for example, are willing to self-insure sick pay, and their short-term and supplemental disability programs, but not the long-term plans. As a result, VPA has created an alliance with IDM (Integrated Disability Management, LLC), a Windsor, Connecticut based company, that provides disability risk management and reinsurance services. IDM can provide employers with fully insured LTD plans with major insurance carriers who will allow VPA to administer the claims in our offices. In addition, VPA has signed a co-marketing agreement with one of the nation's largest insurers - MetLife - which will offer co-located disability claims administration of group LTD and California Voluntary SDI plans. These alliances will allow VPA to administer both self-insured and insured programs on a "seamless" basis.





P R E S I D E N T ' S M E S S A G E

An Exciting Period Is Just Ahead

VPA, Inc. is entering an exciting period. We have projected a 25 percent annual increase in revenues, with a matching increase in the number of employees, over the next several years.

This is a particularly exciting time for our staff because they will be able to experience individual growth commensurate with VPA's anticipated growth. As we become national in scope, and learn to integrate ever increasing numbers of disability pay programs as well as medical programs, our professional abilities will grow to meet the new challenges.

The buzz word nowadays is "24 hour coverage." What that means is that employers who provide pay and medical benefits want to perform these functions as efficiently as possible (no matter whether the employee suffers an accident at home or at work, or contracts a serious disease).

Employers want their staffs to focus on the business at hand; that's why increasingly they are seeking independent disability payment services and medical administrators to handle their employee benefits.

VPA has become very good at administering disability payments as well as dealing with related medical components. But the long-term trend will be to integrate disability and workers' compensation into the medical delivery process simply because it makes sense to do it that way.

In a way, we have never had serious competition, because no one has been able to even come close to doing what we started out

doing with the administration of California's self-insurance disability laws in 1979 as well as we do.

This gives us a tremendous advantage as we march into the national market. But the national market also demands new capabilities. For example, VPA will provide workers' compensation administration services through strategic alliances with major workers' compensation TPA's and insurers.

We are already forging strategic alliances with health care providers and workers' compensation providers as well as with employee assistance programs that provide hotline help for those with drug and alcohol problems.

Ultimately true "24 hour coverage" will also have to integrate family medical leave laws, and the Americans with Disability Act.

We are creating new kinds of consolidated programs for our clients. As we go national, we will have a much greater variety of packages to fit the needs of different employers.

VPA views our new marketplace as an opportunity and a challenge that will enhance our position in that marketplace, and widen the gap between the services we offer and those any competitors will offer.



STATE MANDATED DISABILITY TAX REPORT FOR CALIFORNIA THE SDI RATES

Only Sure Thing Is Fluctuation

The way VPA's John Koval describes it, the law that established the California State Disability Insurance Program also created a general SDI fund about which only one thing is consistent. The employee tax rate that feeds the fund is always fluctuating — quite widely. This year the payroll tax on California employees is 0.8% of all wages up to a taxable wage base of \$31,767. During 1993 and 1994 the rate hit an all-time high of 1.3% and eleven years ago, it was as low as 0.6%.

According to the Employment Development Department (EDD), the rate will hit an all time low of 0.5% in 1997.

A large surplus in the SDI fund that has been accumulating for the past few years has led to the correspondingly large decreases in the tax rate during that same time period. In 1993, the State implemented changes to the SDI program that were desperately needed to keep the fund solvent and to pull it out of a deficit situation. These changes included a temporary drop in the benefit levels of all disability payments during 1993 from a maximum of \$336.00 per week down to \$266.00. The wage replacement percentage also dropped from 55% of base period wages to roughly 47% of wages. In 1994, the State implemented a change that eliminated coverage for the first week of disability in all cases. These benefit reductions, along with the artificially high tax rates of 1.3% during 1993 and 1994, and an improving economy in California, have caused the fund to accumulate the rather large surplus.

An employer with a self-insured California Voluntary Disability Plan can never charge more than what the State Fund charges, but could have a rate lower than the State if their voluntary plan can afford it. Furthermore, as required by California law, all voluntary plans must provide a level of benefits that is higher than the State Plan in at least one aspect. In fact, most voluntary plans pay benefits much higher than the State Plan, thereby reducing costs associated with their company-paid supplemental sick-pay or salary continuation plan.

Since each employer's voluntary plan design is unique, the exact impact of this fluctuating rate affects each one differently.

COMPANY NEWS

P R O M O T I O N S

VPA, Inc., the largest independently-owned administrator of self-insured disability benefit plans in the country, has recently promoted four key executives to top management corporate positions.

Julie Santen was promoted from Director of Client Support Services to Vice President, Client Support Services.

Robert Trotta was promoted from Director of New Business Development to Vice President, New Business Development.

Bob Ann Walkden was promoted from Director of Claim Operations to Vice President, Claim Operations.

John Koval was promoted from Director of Client Relations to Vice President, Client Relations.

Julie Santen

“Santen’s the hands on person who makes it happen.”



Making It all happen takes more than magic

Offering a service where employees and doctors merely make a phone call to establish a claim and submit medical information — is not magic.

It might seem like magic when everything works smoothly, but the secret of doing it is not magic. It’s a lot of hard work.

Julie Santen, Vice President of Client Support Services, can attest to that.

Santen’s department takes over once VPA’s marketing department brings a client on board. Some of her tasks include production of forms, documents, and procedure manuals that must be updated annually for each client, training for the clients, and most importantly — relaying all necessary information to the VPA staff in order to make sure of a smooth implementation.

Santen is the hands-on person who makes it happen. She also presides over the Customer Service Department where employees deal with the claimant calls and the calls from doctors and hospitals.

Sometimes the department has to deal with claimants who are frustrated that they are disabled and are not able to work. And occasionally the person on the other end at VPA becomes the target of those frustrations. Most questions revolve around such things as where the check is or what’s holding it up. It’s a tricky business, because if the employees aren’t happy, VPA’s clients will soon hear about it. And the last thing the employer, VPA’s client, wants to hear about is problems. VPA’s job is to deal with the situation before it becomes a problem — and that’s not always easy.

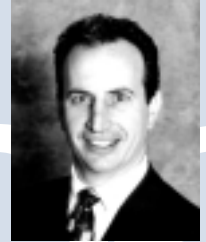
Santen’s also in charge of the Distribution Center, which is more than just a mail room. It is

the place where data is entered into the computer, things get mailed, and where all the important claim files are stored.

Julie’s management background and her six years at VPA have given her good practical experience in handling tough problems.

Bob Trotta

“The hot topic today is 24-hour coverage.”



His job is strategic, not tactical

Bob Trotta, VPA’s Vice President of New Business Development, explains that his job is “more strategic than tactical.”

That means he is focused on where VPA’s business will be heading two or three years from now.

The key is to figure out where the new business opportunities will be, and how to be able to take advantage of them.

The major thrust of Trotta’s work is doing the groundwork that enables VPA to shift gears and market its services nationally. He is also looking to the future where there’s demand for the integration of disability and workers’ compensation benefits into a single claims process.

“The hot topic today is 24-hour coverage,” he explains. That means large companies want to integrate their group health plans, disability and workers’ compensation into an integrated model. Employers want a single clinical model, a common return-to-work process, and they see the integrated process as more efficient.

Trotta said that the majority of VPA’s current work will remain the integration of short-and long-term disability, in addition to the administration of insured products.

VPA, with its strategic partner, IDM - Integrated Disability Management, can offer insured solutions in addition to self-insured administration. IDM also provides an East Coast claims facility and a variety of rehabilitation and Social Security assistance management programs.

“We want to be prepared to offer fully integrated products — that is not yet the

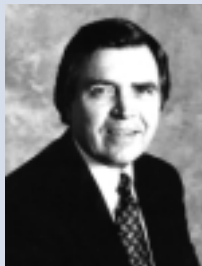
predominant part of our work, but we think that's where the future is going," he says.

To that end, Trotta has been talking with workers' compensation administrators who would be willing to partner with VPA, "so we could bring experts from each of our individual areas and create a model that would be efficient and work for both of us."

Trotta said that workers' compensation is more difficult to work with nationally than disability, because with the exception of six states — including California and New York — disability is covered only under federal legislation. But each state has its own rules for worker's compensation, which is why VPA is seeking partnerships with national worker's compensation administrators. But that, he suggests, is a topic for another day.

Ron Johnson

"It pays them to self-insure for shorter term disability needs if VPA is doing the managing."



Doing business a new way

Ron Johnson, Vice President of National Accounts Marketing, came to VPA a little over a year ago from one of the nation's largest health services brokerage firms in San Francisco.

At that time, VPA was known mostly as an administrator of self-insured California "Voluntary" State Disability Insurance (SDI) plans. But since Ron has assumed a leadership role, VPA is making a concerted effort to go national. That changes the way the firm gets its business.

VPA used to telemarket to find new clients, which tended to result in more regional business — an appropriate tactic when your market is mainly in one state.

About six months ago VPA abandoned telemarketing, however, and began to put its emphasis on becoming recognized among consultants and brokers around the country.

As the dominant voluntary SDI plan administrator in California, VPA worked with clients that had as few as 500 employees. But

VPA's President Jack Bredehorn wanted to expand nationally — specifically targeting the nation's top Fortune 1000 companies — and this meant offering a more specialized kind of service.

He specifically sought out Ron because he wanted someone familiar with the broker/consultant community. Most large firms hire brokers and consultants to determine their strategies in everything, from the type of general health plan they offer to their employees, to their disability and worker's compensation packages.

Many large national firms offer disability plans to their employees, even in states where no disability plans are mandated. With a firm that has more than 2,000 employees, significant savings — upwards of 25 percent — will be achieved if VPA is managing the total program.

Some larger firms used to handle their own short-term disability programs in house, but today's meaner, leaner corporations no longer have the staff to handle these programs. So they use companies like VPA, to handle the programs for them.

Insurance companies, says Ron, "have products and procedures off the shelf. We can be much more flexible and with our in-house system and our own experienced clinical and claims staff, we can react more effectively to individual client needs."

Ron said that it's quite common for a large firm to ask VPA to fully manage its short-term and long-term disability programs, its sick leave and salary continuation programs and to achieve major savings by self-funding all these combined plans.

Ron says that VPA has been "getting great response" from the brokerage and consulting community.

"Numerous meetings have been set up with consultants and brokers, potential accounts have been identified, and we're quoting and marketing to these consultants with excellent success," he says.

"Very few other companies offer VPA's full range of fully managed disability services. We're unique in that. That's the marketplace we grew up in, the one we know well, and the one we will continue to specialize in," he adds.

Ron says by the end of the year he will have approached most of the major consultant/brokers across the nation, and by the end of the next year will have solidified VPA's reputation as a leader in managed disability.

TACO BELL CORP. A subsidiary of PepsiCo

Taco Bell Corp., the nation's largest Mexican fast food company, first became a client of VPA in July of 1980.

Taco Bell, with VPA's assistance, established a self-insured California "Voluntary" State Disability Insurance Plan for all of its California employees to replace their participation in the California State Disability Insurance Fund.

In January 1988, Taco Bell also transferred the administration of its self-insured, internally-administered Salary Continuation Plan to VPA's administration and in January 1989, they established Self-Insured State Disability Insurance Programs in New York and New Jersey, which are also administered by VPA.

As one of the longest standing VPA clients, the administration of Taco Bell's Self-Insured State Disability Insurance Plans and their Salary Continuation Plan has become a model for many other VPA clients. The administration of these plans is unique in that all disability benefits that are payable to Taco Bell salaried employees in all states and to both salaried and hourly employees in California, New Jersey and New York, are paid directly to the employee by VPA from the eighth day of disability through the twenty-sixth week of disability in all states except California where VPA pays a portion of the disability benefits through fifty-two weeks.

Taco Bell Corp. was one of the first VPA clients to use many of VPA's unique services, such as: VPA's Express Claim Service (ECS) which allows employees to file their disability claims by phone rather than using written claim forms; VPA's Elective Deduction Service which deducts employees' elective benefit premiums from their disability benefit checks, thus avoiding the requirement for the employee to send monthly elective deduction checks to the Benefits/Payroll Department; VPA's full payroll tax service in which the withholding taxes that are required on taxable benefit payments and the matching employer payroll taxes are all handled by VPA's payroll system using the employee's W-4 status and issuing the employee a separate W-2; and is also one of the first clients to allow VPA to have direct access to the claim data base for their workers' compensation administrator so that VPA can avoid overpayments and provide correct offsets for workers'

compensation benefits before they send their benefit checks to Taco Bell employees.

One of the unique relationships between Taco Bell and VPA is when an employee notifies VPA of their disability claim, VPA has access to the Taco Bell payroll/human resource systems and can verify employment status and the current wage information on employees without any intervention by the Taco Bell Benefits Department. VPA also has access to the Taco Bell internal e-mail system and is able to send e-mail requests and messages to individual Store Managers regarding the disability status of their employees.

In addition to all of the administrative efficiencies that Taco Bell has realized over the years from their relationship with VPA and VPA's innovations in the marketplace, Taco Bell has experienced a dramatic amount of savings in their disability benefit programs from VPA's administration. As an example, in just a seven year period from 1988 to 1994, Taco Bell saved close to \$3 million in disability benefit costs from VPA's administration of their Self-Insured California "Voluntary" SDI Plan. Estimates of the total amount that has been saved by Taco Bell from 1980 to the current time are in excess of \$15 million and the savings are continuing to increase each year.

VPA is indeed proud of its long association with Taco Bell and PepsiCo (VPA also administers similar programs for Taco Bell's sister companies such as Pizza Hut, KFC, Frito-Lay and Pepsi-Cola) and the innovations we have been able to provide in the administration of their Self-Insured Disability Benefit Plans over the years.

Anyone who would like to learn more about the Taco Bell Disability Benefit Programs may contact Carol Wulbrecht, the Taco Bell Manager of Benefits and Services, in Irvine, CA at (714) 863-4082 or John Koval, Vice President, Client Services at VPA at (800) 473-9761 Ext. 3103.



Our Distinguished Medical Consultants

In order to avoid unnecessary expenses for Independent Medical Examinations for our clients, VPA has recruited a top notch staff of specialty physicians as Medical Consultants to the staff. These physicians not only review complicated disability cases for determination of the degree of the employee's disability, but also converse with attending physicians to determine the best treatment program to return the employee to productive work at the earliest possible date. The prominent physicians who have joined our medical consulting staff are as follows.

Dr. Jack Rothberg is a psychiatrist who did independent medical evaluations for VPA for more than a decade before joining our staff.

He is well known for his work evaluating disability retirement cases for the Los Angeles fire and police departments as well as the court's request in matters pertaining to disputed Social Security Disability claims, and is often an expert witness in criminal cases in Los Angeles Superior Court.

Dr. Rothberg is a clinical instructor at the UCLA Medical Center/Neuropsychiatric Institute and graduated Magna Cum Laude with honors in psychology from State University of New York in 1970. His medical degree was obtained from S.U.N.Y. in 1974, and he served his medical internship at St. Mary's Medical Center in Long Beach and did his psychiatric residency at Cedars-Sinai Medical Center.

Additionally, he served as primary psychiatric consultant to Raleigh Hills Hospital as an expert in the psychiatric and medical management of alcoholic and drug abuse patients.

Dr. Michael D. Rosco is an orthopedic surgeon who has been the in-house medical advisor to such large and well-respected insurance companies as Argonaut and St. Paul Insurance.

He has a special interest in sports medicine, having served for 20 years as the orthopedic surgeon of the North-South Shrine Game and is the past president and founder of the International Society of Aquatic Medicine.

He has taught anatomy in medical schools and served as a consultant for the National Clearinghouse for Poison Control Centers.

He has been honored with numerous honors and awards, including the AMA Physicians' Recognition Award.

Dr. Daniel Cole, who was educated at Johns Hopkins University in Baltimore and Hahnemann Medical College in Philadelphia, served his internship in internal medicine at Metropolitan Hospital in New York City and a fellowship in Gastroenterology at Harbor General Hospital.

He has been associated for a number of years now with St. Joseph's Medical Center, and held a number of prestigious positions there, including serving as chairman of the Department of Medicine and director of the center's Gastroenterology Lab.

He is an assistant clinical professor at the UCLA School of Medicine and also teaches at Wadsworth VA Hospital.

Additionally, Dr. Cole is the author of "Viral Hepatitis, Emergency Manual for Physicians."

Dr. Gerald M. Weingarten began his internship in mixed medicine at Cedars Sinai Medical Center in 1969, and specialized in cardiology during the third year of his medical residency there.

He went on to serve as chief of internal medicine at the Mountain Home Air Force Base in Idaho in the mid-'70s.

He has served as chief of staff and attending physician in geriatric medicine at the Jewish Homes for the Aging and chief of medicine at the Sherman Oaks Community Hospital.

He is a disability examiner for the City and County of Los Angeles and Kern County.

Dr. Charles I. Kimmelman is certified in obstetrics and gynecology, and currently serves as a member of the San Fernando Valley branch of the Los Angeles County Medical Association's Ethics and Grievance Committee.

Born in Philadelphia, he graduated from the Temple University School of Medicine in 1970. He did his internship at Albert Einstein Medical Center in Philadelphia, and his residency at the California Hospital Medical Center.



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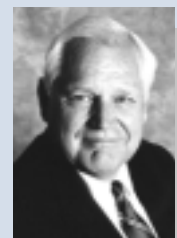
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John Koval
 Vice President
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Julie Santen
 Vice President
 Client Support Services

Bob Ann Walkden
 Vice President
 Claim Operations



Jack Bredehorn
 President and
 Chief Executive Officer

VPA Updates

VPA Exhibits at the Washington Business Group on Health's Tenth Annual National Disability Management Conference

VPA exhibited at WBGH's Disability Management Conference in Washington DC, October 16-18th for the first time. Our booth provided the attendees an opportunity to discuss the advantages of VPA's integrated products and services, and introduced our strategic partner, Integrated Disability Management LLC (IDM), for the first time at a major conference. The Disability Management Conference is the premier disability event in the industry and draws a diverse group of consultants and employers interested in the latest disability management developments. We plan on attending this conference again in future years, as well as many others. We will continue to keep you informed of all of our future conference dates.

MET DisAbility Opens Claims Office at VPA

VPA and MetLife's Met DisAbility division are pleased to announce that Pam Wells of MetLife is now located in VPA's offices in Calabasas, CA. Pam was formerly the MetLife Disability Procedures Consultant for General Electric in Minneapolis, MN. She has over 10 years of experience in Disability Management, and brings a diverse background in leading teams of strategic partners. She will lead Met DisAbility's co-located team at VPA and coordinate the alliance between VPA and MetLife. VPA and MetLife signed a co-marketing agreement earlier this year to offer a unique, coordinated approach to short-and long-term disability management in California that promotes early intervention, rehabilitation and lower costs. Pam can be reached at VPA at (818) 222-3065.



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