



IN THIS ISSUE

**VPA WITH
PEPSICO AND
TRICON**
page 1

**PRESIDENT'S
MESSAGE**
page 2

**MARKETING
EXECUTIVE
JOINS VPA**
page 2

**VPA WEB SITE
ON-LINE**
page 2

**MASTER
VOLUNTARY
PLANS**
page 3

VPA PROFILE
page 3

VPA Partners with PepsiCo and TriCon to Achieve a Fully Integrated Health and Disability Program

The "Next Generation" in managing disability

Employers and benefit administration firms have been struggling to fulfill the promise of "integration" and "24 hour coverage" for years. There have been few successes because most carriers and third party administrators (TPAs) are biased by their own products and hampered by their inability to cross benefit boundaries. Because of this, employers are forced to compromise their "ideal" benefit process. In most cases, they lose the ability to select the "best in class" medical and disability case managers.

Two years ago, PepsiCo and TriCon traded their acceptance of standard disability practices for the creation of a bold, new approach. Their goal—to create a program that would improve the quality and delivery of health care resources to their disabled employees.

PepsiCo, one of the most successful consumer products companies in the world, has annual revenues of over \$20 billion and approximately 140,000 worldwide employees. The company is a world leader in soft drink bottling and the world's largest producer of snack chips. In October 1997, they completed the spin off of their restaurant

divisions, Taco Bell, KFC, and Pizza Hut—who have now formed TriCon Global Restaurants.

When you understand PepsiCo's and TriCon's philosophy about their employees, you'll understand their reasons for creating a new process. They invert the typical corporate structure so that support flows to those employees who are closest to the customer. Since both companies success is driven by these employees, they create numerous incentives, benefit programs, and support services.

PepsiCo and TriCon realized there were inherent problems with traditional methods of organizing and managing employee disability benefits. Most often, the disabled employee is treated in a fragmented manner. Each case manager is concerned for the employee only in terms of its own carefully defined services and resources.

Dawn Werle, Manager of Health and Welfare Planning at PepsiCo, led the development of the new model. "We began by asking our disabled employees for their perspectives about our current disability and medical management programs. Most of them perceived the program as

Continued on page 4.



As many of you know from your long association with VPA, we have always prided ourselves on our position as an innovative and high technology company. Evidence of our continuing dedication to this goal can be seen in our recent computer system enhancement. VPA recently completed a conversion of our proprietary “Disability Claims Management System” (DCMS) from a mainframe DEC VAX system to a new client server distributed network system running Windows NT. This conversion included the replacement of DEC terminals with state-of-the-art PCs at every employee workstation. We also updated our network routing system to increase the speed and ability to handle the large volume of data being transferred.

What do these system enhancements mean to our customers?

- The conversion to the client server now allows the DCMS to operate in an “open architecture.” This allows VPA to easily automate the creation and transfer of data files from and to our clients.
- VPA is able to easily add new clients to our system without impacting current clients.
- All users of the DCMS, including clients who utilize VPA’s Remote Access, will note a dramatic increase in response time for their inquiries and data entry.
- Client communication is greatly improved by having Internet e-mail available for every VPA employee.
- Increased flexibility to customize data fields and other system modifications for individual clients.
- Specialized reports and report formats (i.e., paper, fax, e-mail, EDT, etc.) can be designed quickly by VPA staff. Certain formats will actually reduce the current costs for clients.
- Form letters produced by the DCMS are customized, comprehensive, and produced and mailed faster.

I am certain there will be many more advantages realized by VPA and our clients from this technology upgrade and I will share these with you as they occur.

This evidence of VPA’s commitment has been instrumental in our continuing growth. Our newest clients include: the nationwide STD plans for PepsiCo and TriCon (KFC, Pizza Hut, and Taco Bell), the STD and LTD plans for University of Southern California, and the California Voluntary Plan for Trendtec. These new clients have all commented that the strength and flexibility of our computer and telephone systems are among the major reasons that they selected VPA as their disability benefit plan administrator.



VPA On-Line and On-Disability!

Visit our new web site at www.VPAinc.com

The Internet highway offers millions of web sites. Chances are you will find not one, but thousands of web sites on any given topic—making it difficult to find the information you really want. A flashy web site isn’t VPA’s goal. Our purpose is to build a powerful cyber tool for our clients which will provide the information they want.

In mid-1997, we began site construction by polling several clients. We asked them for their ideas on how our site could serve them. Our claims staff also provided valuable comments. With this feedback, VPA’s web site was created and released earlier this year.

We invite you to take a tour of our site, located at <http://www.VPAinc.com>. As you navigate through our site, you’ll find up-to-date information about disability benefit programs, articles on “hot” disability topics, newsletters, upcoming conferences, useful Internet resources, and information on how to file a disability claim!

VPA has several additions scheduled, so keep checking for exciting updates! Don’t forget that [VPAinc.com](http://www.VPAinc.com) is your site. We want to hear your ideas and suggestions. We can also create links from our site to your company’s web site. Please let us know by contacting Nancy Sommerfeld at (800)473-9761, ext. 3066 or e-mail at nsommerfeld@VPAinc.com.

Marketing Executive Joins VPA

VPA is pleased to announce the addition of Thomas E. Klett to our management team. Tom brings over 12 years of expertise in health and disability. As Regional Vice President of Marketing, he will be responsible for working with self-funded employers developing solutions to complex health and disability benefit delivery problems.

Tom was formerly a health and disability practice leader with Towers Perrin, the international benefit consulting firm. Tom helped Fortune 1000 employers like 3M, PepsiCo, and Ford Motor Co., develop strategic objectives and identify creative approaches for managing costs associated with health, disability, and paid-time-off programs. He has published articles in national publications and is quoted frequently in business periodicals.

MASTER VOLUNTARY PLANS

VPA has a long history of working with state agencies and sponsoring legislation to improve the regulatory environment for our clients. VPA's persistent legislative contact is unique among third party administrators (TPAs) and has resulted in many significant improvements for self-insured California voluntary disability plans. For example, VPA was responsible for the portion of the 1981 SDI legislation (SB 347) that lowered the amount of the security deposit required for Voluntary Plans. VPA also sponsored legislation in 1995 to allow employers to post letters of credit rather than a bond as security with the State.

VPA has been working with the Voluntary Plan Unit of the Employment Development Department (EDD) to allow California employers with multiple operating units the right to establish a single Voluntary Plan that would provide short-term disability benefits for the entire company enterprise. After three years, we have finally been successful in gaining approval of this program.

This concept, called a "Master Voluntary Plan (MVP)," follows the approach long used by the Federal government in applying "unity of business enterprise" rules for accounting of pension plans and health care plans.

Currently, the EDD approves a separate self-insured Voluntary Plan for each employer operating unit. An employer operating unit is defined as having an individual tax account number different than the parent company. Because many business organizations are composed of two or more operating units, they are required to operate several Voluntary Plans. Each plan is subject to individual reporting, security, and accounting—creating tremendous

administrative burdens for plan sponsors.

Under the new Master Voluntary Plan concept, the parent corporation is the plan sponsor. All subsidiaries within the business family must consent to plan coverage, however, only one corporate plan covers the entire business enterprise. The most significant benefits of the Master Voluntary Plan concept are:

- Plan funds can be shared between subsidiaries to offset individual subsidiary deficits.
- Simplified security deposit since the Master Voluntary Plan sponsor (parent company) is the only party named on the security.
- Consolidated quarterly filing of State Form DE-2568V.
- One general ledger account is maintained.
- Simplified enrollment requirement since the parent company conducts the overall enrollment to secure the employees' approval to have a Voluntary Plan.

In September of 1995, the EDD launched pilot Master Voluntary Plan programs. The two participants were both VPA clients who had multiple operating units and sponsored multiple Voluntary Plans. Under the provisions of the Master Plan, each employer was able to consolidate plan activities into one common plan.

Because of the success experienced by the pilot programs, the Voluntary Plan Unit is now finalizing procedures for the acceptance of master plans for new and existing Voluntary Plan sponsors. For further information about Master Voluntary Plans or to find out if your company is a good candidate, please contact Thelma Wilson, Director, Plan Services at (818) 222-3105.



Bob Ann Walkden

Disability Administration is About Service

Bob Ann Walkden, Vice President of Claim Operations, leads VPA's disability claims management team. She has over 22 years of expertise in the administration of complex benefit programs.

Bob Ann supervises VPA's claim workflow, procedures, staffing assignments, and consults with our clients on plan design and claim procedures. She also participates in proposals and presentations to prospective clients.

As the industry leader in Integrated Disability Management, Bob Ann agrees that hard work has made VPA successful. "Expert disability management is a given. It's the service that counts. Most clients leave their current administrator because of service issues. VPA's high client retention rate is not by chance. We work hard to satisfy our clients."

Since joining VPA in 1993, she has established several internal programs, including our formal Disability Benefit Specialist Training Program and Return to Work Programs.

Prior to joining VPA, she held several positions within the disability operation of Thomas L. Jacobs and Associates, a Chicago based disability Plan Consultant and Administrator. These included Director of Special Projects and Director of Disability Administration. Prior to joining Thomas L. Jacobs & Associates, Bob Ann worked for the Social Security Administration for 11 years.

She holds Bachelor of Arts and Master of Arts Degrees from Michigan State University.



VPA, Inc.
23622 Calabasas Road
Second Floor
Calabasas, CA 91302-1501

Partners

Continued from page 1.

roadblocks rather than gateways to care. We also found that most disabled employees were only seeing their doctors on an as needed basis and had no regular treatment plan.”

These findings made PepsiCo and TriCon ask how they could get to employees early in their condition, deploy effective levels of resources, and either avert a disability or insure speedy returns to functionality.

The PepsiCo and TriCon Integrated Model changes the typical delivery of services to disabled employees. It removes the barriers between the benefit resources for medical case management, mental health management, short-term disability and long-term disability benefit payment services for both the employer and the employee. The Integrated Model reflects PepsiCo’s and TriCon’s philosophies in providing comprehensive and coordinated services to each highly valued employee.

To support the Integrated Model, a team of vendors was chosen and measured based on their ability to deliver value to each claim experience from the employee’s perspective. PepsiCo and TriCon selected case managers within their medical management partners (AETNA US Healthcare and Health

International), their mental health management partner (Managed Health Network), and their disability administrator (VPA).

VPA acts as the general contractor to coordinate all claim activities and creates a centralized data source to take in information from disabled employees. This becomes a reservoir of claimant information for all stakeholders. The centralized source ends the fragmented view to the employee and ties together the delivery of resources.

“We’ve designed a model with the best group health and disability industry leaders. This process identifies and delivers resources to our employees. It is critical that we are able to ascertain, inventory, and address our employees needs when they need them,” says Dawn Werle.

The Integrated Model process enhances the ability of each vendor by providing new tools to identify opportunities to go beyond the norm. Dave Vandergoot, President of The Center for Essential Management Services, developed a Needs Assessment Tool. This uses psycho-social screening factors that enable the medical management vendors to discover claimant needs or concerns that are not addressed in current management models, but that research has shown have a strong bearing on successful outcomes. In turn, the Integrated Model requires collaboration on the part of the resource providers to treat the employee in a more comprehensive man-

ner to speed recovery and return to productive employment.

In 1997, Bob Trotta, VPA’s Vice President of New Business Development, became the account manager for the implementation of the Model. “It is refreshing to see an idea that makes this much sense maintain its clarity and integrity throughout the development process. The tools developed and honed through this process, and the subtleties of benefit delivery will have broad industry appeal especially as better outcome and cost savings data emerges.”

“We are fortunate to be chosen as the disability administration vendor. The Integrated Model and process will have a far reaching impact on many employers and integrated benefit administration initiatives.”

**VPA, Inc.
The Integrated
Disability Claims
Management
Company**

Corporate Offices:
23622 Calabasas Road
Second Floor
Calabasas, CA 91302
Tel. 800 473-9761
Fax. 818 591-7664

E-Mail: newsletter@VPAinc.com
Web Site: www.VPAinc.com