

ESSENCE NOTICE OF PRIVACY PRACTICES

THIS NOTICE DESCRIBES HOW MEDICAL INFORMATION MAY BE USED AND DISCLOSED AND HOW YOU CAN GET ACCESS TO THIS INFORMATION. PLEASE REVIEW IT CAREFULLY. NO ACTION IS REQUIRED ON YOUR PART.

Effective December 8, 2005

The protection of our members' privacy and the confidentiality of medical information take precedence at Essence. We know that you count on Essence to keep your personal and health information safe. This document is based on state and federal law, as well as our own company code of conduct.

OUR PRIVACY PRACTICES

This notice describes Essence's privacy practices for both current and former members. It is important that we tell you how we guard your personal information and how we use health information about you and when we may share that health information with others. We are required by law to maintain the privacy of your health information and to send you a copy of this notice so that you are aware of how we maintain the privacy of your health information.

Employee access to health information is limited on a "need-to-know" basis, such as: to make benefit determinations, pay claims, perform quality assessment measurements, administer a plan or provide customer service. Essence employees are required to comply with our policies and procedures to protect the confidentiality of health information. Any employee who violates our privacy policy is subject to a disciplinary process.

Keeping your information safe is very important. Essence safeguards your information by restricting access to our office facilities, our computer network systems, file rooms and file cabinets.

You have a right to receive a copy of this notice upon request at any time. If you would like additional copies of the notice, or have questions related to the information contained within the notice, please call Customer Service at the toll-free number on your Essence identification card. You may also view a copy of this notice on our Web sites at www.essencehealthcare.com.

Should any of our privacy practices change, we may change the terms of this notice and make the new notice effective for all health information that we maintain. We will provide you a copy of the revised notice and post the revised notice on our web site.

HEALTH CARE INFORMATION MAINTAINED AT ESSENCE

When we refer to "information" or "health information" in this notice, we mean information about you, that may identify you and that relates to your past, present or future physical or mental health and related health care services. Health information may be transmitted or shared in writing, by telephone, or electronically.

The health information we receive on our members varies; therefore, the examples that follow may not apply to all members, but are designed to represent the general categories of information that may be received and maintained by Essence:

- Information provided by you on applications, forms, surveys and our Web sites, such as your name, address and date of birth;
- Information from physicians, hospitals or other health care providers;
- Information provided by your employer, benefits plan sponsor or association, regarding any group product that you may have;
- Information about your services and experiences with our affiliates, others, and us, such as products or services purchased, account balances, payment history, encounters, claims history, policy coverage and premiums.

HOW WE MAY USE OR SHARE YOUR INFORMATION

To properly service your benefits, the following categories describe how we may use and share your health information. For each category we provide examples that help illustrate each type of use or disclosure. Not every use or disclosure in a category will be listed. However, the ways in which we are permitted to use and share health information will fall into one of these categories.

For Treatment

We may use and share health information with health care providers for coordination and management of your care. Providers include physicians, hospitals, and other caregivers who provide medical care to you. For example, we may talk to your doctor to suggest a disease management or wellness program that can help improve your health.

For Payment

We may use your health information when paying your medical bills submitted to us by you or your health care providers, such as doctors and hospitals. Examples of payment activities include billing, claims management and other related administrative functions.

For Health Care Operations We may use or share certain health information as part of our operations in servicing your benefits. Examples of health care operations include the following:

- Performing quality assessment and improvement activities

- Credentialing of providers
- Evaluating health plan performance
- Provide underwriting services
- Conducting or arranging medical reviews to determine medical necessity, level of care or justification of services
- Performing auditing functions
- Resolving internal grievances, such addressing problems or complaints about your access to care or satisfaction with services
- Making benefit determinations, administering a benefit plan and providing customer service

We may also share your health information with other individuals or entities-also known as business associates-that perform payment or health care operations on behalf of Essence. However, we will not share your health information with these business associates unless they agree in writing to protect the privacy of that information.

Information Not Personally Identifiable

We may use or share your health information when it has been "de-identified." Health information is considered to be de-identified when it does not personally identify you.

We may also use a "limited data set" that does not contain any information that can directly identify you. This limited data set may only be used for the purposes of research, public health matters or health care operations. For example, a limited data set may include your city, county and zip code, but not your name or street address.

To the Employee Benefit Plan

Under certain circumstances, we may share limited health information about you with the employee benefit plan through which you receive health benefits. For example, we may share health information with the employee benefit plan so that they may obtain bids from other health plans, or modify, amend, or terminate coverage with Essence. We may also share health information related to your enrollment, disenrollment and/or participation in Essence.

We will not share detailed health information with your benefit plan unless they agree to maintain the privacy of your information.

SPECIAL CIRCUMSTANCES AND STATE AND FEDERAL LAWS

Special situations and certain state and federal laws may require us to use or release your health information. For example, we may be obligated to release your health information for the following reasons:

- To comply with state and federal laws that require us to release your health information to others;

- To report information to state and federal agencies that regulate our business, such as the U.S. Department of Health and Human Services and your state's regulatory agencies;
- To a personal representative; those having a relationship that gives them the right to act on your behalf. Examples include a representative or Power of Attorney;
- To assist with public health activities; for example, we may report health information to the Food and Drug Administration for the purpose of investigating or tracking a prescription drug and medical device malfunctions;
- To report information to public health agencies if we believe there is a serious threat to your health and safety or that of the public or another person; this includes disaster relief efforts;
- To report certain activities to health oversight agencies; for example, we may report activities involving audits, inspections, licensure and peer review activities;
- To courts, correctional institutions or law enforcement officials;
- To report information to a government authority regarding child abuse, neglect or domestic violence;
- To share information with a coroner or medical examiner as authorized by law (we may also share information with funeral directors, as necessary to carry out their duties);
- To use or share information for procurement, banking or transplantation of organs, eyes or tissues;
- To report information regarding job-related injuries as required by your state worker compensation laws;
- To share information related to specialized government functions, such as military and veteran activities, national security and intelligence activities;
- To researchers when their research has been approved by an institutional review board that has approved the research proposal and established protocols to ensure the privacy of your health information.

AFTER COVERAGE ENDS

We do not destroy your information when your coverage ends. It is necessary to use and share your information, for many of the purposes described above, even after your coverage ends. However, we will continue to protect your information regardless of your coverage status.

WRITTEN PERMISSION TO USE OR SHARE YOUR INFORMATION

We will obtain your written permission to use or share your information for any other activity or purpose not listed above or as otherwise permitted by law. If you provide a written authorization and you change your mind, we will no longer use or share your health information for those reasons.

OTHER RESTRICTIONS REGARDING USE AND DISCLOSURE OF YOUR INFORMATION

Depending on the state in which you reside, there may be additional laws related to the use and disclosure of health information related to HIV status, communicable diseases, reproductive health, genetic test results, substance abuse and mental health.

YOUR RIGHTS REGARDING YOUR HEALTH INFORMATION

The following are your rights with respect to your health information. If you would like to exercise the following rights, please call Customer Service at the number on the back of your Essence identification card.

Requesting restrictions: You have the right to ask us to restrict how we use or share your health information for treatment, payment or health care operations. You also have the right to ask us to restrict health information that we have been asked to give to family members or to others who are involved in your health care or payment for your health care. However, we may not agree to a requested restriction.

Confidential communications of health information: You may ask us to send the information by alternative means (such as by fax) or to an alternate address. We will accommodate reasonable requests for confidential communication of your information.

Access, inspection and copies: You can inspect and obtain a copy of certain health information. We may charge a fee for the costs of copying, mailing, and supplies related to your request. We may deny your request to inspect or copy in some situations. If we deny your request, we will notify you in writing and may provide you the option to have the denial reviewed.

If you would like to request access to review or copy your health information, please contact the health plan directly. Health information includes records in any form or medium maintained by, or in the custody or control of the health plan relating to health history, diagnosis, or condition of a member or relating to treatment provided or proposed to be provided to the member. It also includes billing, enrollment, and case management records.

Right to make changes to the health information: These changes are referred to as amendments. We may require that your request be in writing and that you provide a reason for your request.

If we make the amendment, we will notify you that it was made. If we deny your request to amend, we will notify you in writing of the reason for denial. This written notification will explain your right to file a written statement of disagreement. In return, we have a right to rebut your statement.

Furthermore, you have the right to request that your initial written request, our written denial and your statement of disagreement be included with your health information for any future disclosures.

Accounting of Disclosures: You have the right to receive an accounting of certain disclosures of your health information made by us during the six years prior to your request and may not include dates before July 1, 2004 (plan inception). We may require that your request for an accounting be in writing. We will notify you of any costs pertaining to these requests, and you may withdraw your request before you incur any costs.

To file a Privacy Complaint or receive more information:

Please contact Essence Member Services during normal business hours to find out how to access your rights listed in this notice, or if you have any questions about this notice. The telephone number is listed on the back of your membership card.

You may also direct your complaints to:

Office for Civil Rights

U.S. Department of Health & Human Services

601 East 12th Street—Room 248

Kansas City, MO 64106

(816) 426-7278; (816) 426-7065 (TDD)

(816) 426-3686 FAX

Essence will not penalize you or take any action against you for filing a complaint.