FEHB Program Carrier Letter
All Community-Rated Carriers

U.S. Office of Personnel Management
Office of Insurance Programs

Letter No. 2000-18B **Date:** April 19, 2000

Fee-for-service [--] Experience-rated HMO [--] Community-rated [18]

SUBJECT: 2001 RATE INSTRUCTIONS --
Community-Rated Carriers

Use the enclosed documents to prepare your 2001 rate proposal. You must submit your proposal and the completed attachments by **May 31, 2000**. The May 31 deadline is required by regulations and no one can grant extensions.

Note: If you participate in the DOD demonstration project, we will send separate rate instructions in the near future.

See the enclosed "OPM Community Rating Guidelines - 2001" for pertinent definitions and an overall view of our community rating policy for 2001.

If you are a small carrier (see guidelines for definition), you have three options:

1) Submit the same detailed documentation we require for large carriers (in which case, we will consider you as a large carrier); or

2) If your 2000 income from the Federal group will be $500,000 or more,
   - you may submit Attachments I, IA, IIB, and IIC, and
   - **complete Attachments II and IIA and keep them on file and available for OPM review**; or

3) If your 2000 income from the Federal group will be less than $500,000,
   - you may submit Attachments I, IIB, and IIC, and
   - you do not need to complete or retain Attachments II or IIA.

If you are a large carrier (see guidelines for definition), you must complete and submit to OPM Attachments II, IIA, IIB and IIC.

Please send one copy of the rate submission to each of the following addresses:

If by regular mail
Frank D. Titus
Assistant Director for Insurance Programs
Office of Personnel Management
P.O. Box 707
Washington, DC 20044-0707

If by overnight delivery
Frank D. Titus
Assistant Director for Insurance Programs
Office of Personnel Management
1900 E Street, NW., Room 3424
Washington, DC 20415-0001

And

Nancy H. Kichak
Director, Office of Actuaries
Office of Personnel Management
1900 E Street, NW., Room 4307
Washington, DC 20415-0001

Please remember to send your first quarter enrollment report, Table 1, to the following address by April 15:

Office of Personnel Management
Office of Insurance Programs
(Name and Division of OPM Contract Representative)
P.O. Box 707
Washington, DC 20044-0707

Please direct your questions about the 2001 rate submission to Sherry Simon, or Jim Quayle at (202) 606-0722, or at **actuary@opm.gov**.

Sincerely,

Frank D. Titus
Assistant Director
for Insurance Programs

Enclosure

Table of Contents

OPM Community Rating Guidelines - 2001
This discusses OPM's rating policy for the 2001 rate year.

List of rate attachments

Attachment I
The 2001 rate proposal/questionnaire for small carriers.

Instructions for Attachment I
Line-by-line instructions to small carriers for completing Attachment I.

Attachment IA
The Certificate of Accurate Pricing For Small Community Rated Carriers. It is for use only by small carriers whose 2000 income from the Federal group will be $500,000 or more. A carrier contracting official must use the form to certify that the information in the reconciliation documents (Attachments III, IIIA, IIIB, kept on file at the carrier) is accurate and that OPM can rely on the information as a basis for determining the Federal group's 2000 rates. **Note that this document pertains to your 2000 rates.**

Attachment II
The rate proposal sheet. It is for use by large carriers and small carriers whose 2000 income from the Federal group will be $500,000 or more. Large carriers must submit the form to OPM. Small plans must keep it on file.

Instructions for Attachment II
Line-by-line instructions (with examples and discussion) for completing Attachment II.

Attachment IIA
The Community Rate Questionnaire. It is for use by large carriers and small carriers whose 2000 income from the Federal group will be $500,000 or more. Large carriers must submit it to OPM. Small plans must keep it on file. If you re-type this questionnaire, please be sure that the questions and answers are on only one side of each sheet.

Attachment IIB
This requests the names, telephone and fax numbers and the E-mail addresses of two persons we can contact about your rate proposal. All carriers must submit this form to OPM.

Attachment IIC
This requests utilization data (based on the carrier's total enrollment) for prescription drug, hospital, and office visit benefits.

OPM Community Rating Guidelines – 2001

General Policy For the 2001 Rate Year

Definition: We divide carriers into two groups, "large" and "small." For 2001, we define small carriers as those having less than 1500 FEHBP contracts at the time of the rate proposal. We define large carriers as those having 1500 or more contracts at the time of the rate proposal.

Documentation: The amount and nature of the back-up documentation we require for small carrier rate proposals differs from the large carrier requirements.

For the 2001 rate proposal, a small carrier has three options:

1) It may submit the same detailed documentation we require for large carriers.

2) If its 2000 income from the Federal group will be $500,000 or more, the carrier may submit only Attachments I, IA, IIB, and IIC. Such a carrier must also complete Attachments II and IIA and keep them on file and available for OPM review.

3) If its 2000 income from the Federal group will be less than $500,000 the carrier may submit only Attachments I, IIB, and IIC. Such a carrier need not complete or retain Attachments II and IIA.

In what follows, "small carrier" refers to a carrier with under 1500 FEHBP contracts choosing not to submit the detailed documentation we require for large carriers (i.e., a small carrier is one that chooses option 2 or 3 above).

All carriers must derive their Federal group rates according to OPM community-rating principles. Small carriers whose 2000 Federal group income will be $500,000 or more must complete Attachment II (Proposed Biweekly Net-To-Carrier Rates For the 2001 Rate Year) and Attachment IIA (Community Rate Questionnaire) but should <u>not</u> send these documents to OPM. Such carriers must keep these documents on file, in accordance with the records retention clause of the contract. The OPM auditors will examine the documents during carrier audits, and the OPM Office of Actuaries may also periodically review the documents.

Small carriers whose 2000 Federal group income will be less than $500,000 are not required to complete or retain Attachments II and IIA.

Since small carriers will not submit detailed documentation, the Office of Actuaries will evaluate the proposed rates by using its reasonableness test. Rates failing this test will be further reviewed. For small carriers whose 2000 Federal group income will be $500,000 or more, the Office of Actuaries may request detailed documentation.

Special Audits

OPM's Office of the Inspector General will perform special audits of carriers' 2000 rate reconciliations on a selected basis beginning in May 2000. Although these audits will focus on the 2000 rate reconciliation, the audit staff may need to analyze rate information for the Federal group and other groups for previous years. Keep all documentation used to develop the 2000 rate reconciliation readily available for review by the audit staff.

Policy on Error Reporting

If a carrier discovers that a previous rate proposal and/or reconciliation submitted to OPM is incorrect (e.g., through the discovery of an error or omission), the carrier **must:**

1) Notify OPM, and

2) Prepare and submit to OPM an amended proposal and/or reconciliation (including a newly executed Certificate Of Accurate Pricing).

Note: The above policy does not apply to proposals and/or reconciliations that have already been audited by OPM's audit staff and resolved by OPM's Office of Insurance Programs (OIP). That is, after an audit resolution by OIP, *the results are final.*

New Rating Areas

If you propose a rate for a new area (or a new division of the current area), please submit a letter explaining:

- why you have decided to add this area;
- how it relates to your previous service area (for example, is the new area a portion of an existing area that has been split into two or more sections?); and
- how your current enrollment will be affected by the addition of this new area.

Similarly Sized Subscriber Groups (SSSGs)

We began using the concept of "Similarly Sized Subscriber Groups" (SSSGs) in the 1991 rate year. The purpose of the SSSG concept is to ensure that the Federal group receives an equitable and reasonable rate.

Regulatory Definition

48CFR 1602.170-13 defines SSSGs as follows:

(a) Similarly sized subscriber groups (SSSGs) are a comprehensive medical plan carrier's two employer groups that:

(1) As of the date specified by OPM in the rate instructions, have a subscriber enrollment closest to the FEHBP subscriber enrollment; and

(2) Use any rating method other than retrospective experience rating; and

(3) Meet the criteria specified in the rate instructions issued by OPM.

Note: "subscriber enrollment" refers to contract enrollment. This could be the total self and family contract enrollment, or the total self, couples, and family contract enrollment, or some other sum, depending of the rate structure of the group.

Note: Alliances and Coalitions are considered employee groups for this purpose and are eligible to be SSSGs.

(b) Any group with which an FEHB carrier enters into an agreement to provide health care services is a potential SSSG (including separate lines of business, government entities, groups that have multi-year contracts, and groups having point of service products).

(c) Exceptions to the general rule stated in paragraph (b) of this section are (and the following groups must be excluded from SSSG consideration):

(1) Groups the carrier rates by the method of retrospective experience rating;

(2) Groups consisting of the carrier's own employees;

(3) Medicaid groups, Medicare groups, and groups that have only a stand alone benefit (such as dental only); and

(4) A purchasing alliance whose rate-setting is mandated by the State or local government.

Finally, the regulation states the following pertaining to how OPM will determine the Federal group’s rate in relation to the SSSG rates:

(d) OPM shall determine the FEHBP rate by selecting the lower of the two rates derived by using the two rating methods consistent with those used to derive the SSSG rates.

Enrollment and Contract Renewal Dates

For the 2001 rate year, the specific guidelines for SSSGs are as follows:

(1) All group enrollments (the Federal group and the SSSG enrollments) should be the latest 2001 enrollment available to the carrier (but no later than March 31, 2001).

(2) The contract renewal date for 2001 SSSGs should be between July 2, 2000 and July 1, 2001. **Note: You should interpret "renewal date" to mean the date on which a rate change (if any) is effective for the SSSG.**

Note: We stated these guidelines in the 2000 rate instructions.

Note: If an SSSG's rate is extended beyond twelve months (i.e. the carrier allows an SSSG to change its renewal date), a premium adjustment must be made for the SSSG in the following year, or the OPM audit staff may interpret the rate extension as a discount.

Note: Recently, some carriers have asked if new groups are eligible to be SSSGs. They are.

Policy on Multiple Rating Areas, and Different Regions Under the Same Rate Code

As we explained in the 2000 rate instructions, beginning with the 2000 rate year, **we have amended our policy with regard to multiple rating areas**. We now require that both SSSGs be chosen only from groups that have enrollees in the federal group's region. An exception to the above is, if less than 1% of a group's total enrollment is in the Federal group's region, the group may be omitted from being a potential SSSG.

Normally, a carrier must choose two SSSGs for every federal group having a unique rate code. It is possible that a carrier could have several different geographical regions or states with federal enrollees under the same rate code.

Our SSSG policy with regard to federal groups in different regions under the same rate code is:

a) those federal groups in the same state or in the same metropolitan area must be combined and the carrier must choose two SSSGs for the combined federal group.

b) those federal groups in different states (but not in the same metropolitan area) must be combined **in each state**, and the carrier must choose two SSSGs for the combined federal groups in each state.

The following examples illustrate the above policies.

Example 1 [One State, Three Codes]

A carrier operates only in the state of Texas. It serves federal enrollees in three distinct

geographical areas, Dallas, Houston and San Antonio. Each region has its own rate code.

The carrier must choose two SSSGs for each region. The SSSGs for each region would come from groups the carrier does business with having enrollees in that region.

Example 2 [One State, One Code]

Same situation as in Example 1 except that one rate code applies to all three regions, meaning that the same rate applies for all federal enrollees throughout the three regions.

In this case, the carrier must combine the enrollment for all three regions, and choose two SSSGs for the combined group.

Example 3 [Two States, One Code]

A carrier operates in two states, Texas and Arizona. In Texas it serves federal enrollees in Dallas, Houston, and San Antonio. In Arizona, it serves federal enrollees in Phoenix, Tucson, and Tombstone. One rate code applies to all six regions.

In this case two SSSGs are required for the combined Dallas, Houston and San Antonio regions. Two SSSGs are also required for the combined Phoenix, Tucson and Tombstone regions.

Note: The point of this example is to illustrate that only regions within a state should be combined.

The same principle applies if the carrier operates in several states.

Example 4 [Two States, One Metropolitan Area, One Code]

A carrier operates in two states, and serves a metropolitan area that is in both states. The rate code is the same for all enrollees in the metropolitan area.

In this case, two SSSGs are required for the combined metropolitan region enrollment.

Note: The point of this example is to illustrate the exceptional case where regions in different states should be combined for SSSG purposes.

Example 5

The size of the federal group in a region is 1700, and the carrier concludes that it must choose two SSSGs for this group.

The carrier contracts with the statewide XYZ corporation, which has a statewide enrollment of 1500 with the carrier, with 100 of the enrollees living in the same region where the federal group

is located.

The XYZ corporation would be a candidate for an SSSG since it has 100 enrollees in the federal group's region. The enrollment the carrier should use in comparing the size of this group to the federal group is the statewide enrollment of 1500.

Note: The point of this example is to illustrate that a group having only part of its enrollment in the federal group's region can be an SSSG. If the rates for XYZ corporation are negotiated collectively, then it can be considered a group and the weighted average of the rates taken.

Example 6

This is the same as example 5 except the XYZ corporation has only three of its enrollees living in the same region where the Federal group is located. In this case the XYZ corporation could be omitted from being a candidate for an SSSG since less than 1% of its enrollment resides in the Federal group's region.

Consistency of Rating Methods

We normally expect the carrier to use the same rating method for the Federal group as it uses for the SSSGs. There are situations in which we accept different rating methods. **If, however, the carrier rates an SSSG using a method not in accord with the carrier-established policies, the Federal group is entitled to any rate reduction produced by applying the SSSG rating method to the Federal group.**

Examination of Non-SSSG Groups

At times, OPM may examine the rates of non-SSSG groups. The purpose of such analysis is to verify the equivalence of the Federal group and SSSG rates. For example, if an SSSG had a special benefit (e.g., dental benefit) not included in the Federal group benefit package, OPM would compare what the carrier charged the SSSG with what it charged other groups for the benefit. The purpose would be to verify that the SSSG received no discount.

An OPM review of a non-SSSG commercial group does not make it a potential SSSG.

Policy and Information required for carriers who have an SSSG that is a Coalition or Alliance

An alliance may consist of numerous groups. To reduce the burden on plans we will use the two largest groups in the coalition or alliance. The discount the alliance received for rating purposes would be the weighted average of the discount of these two groups.

For example: One of a carrier's SSSGs is the XYZ coalition. The XYZ coalition consists of 100

groups. The two largest groups in the XYZ coalition are A Corporation and B Corporation. A Corporation has 600 contracts and received a 3% discount and B Corporation had 400 contracts and received a 4% discount.

Then the weighted discount for Corporation A and Corporation B would be ((.03x600) + (.04x400))/1000 =.034 or 3.4%.This would be considered the discount the XYZ coalition received.

For any alliance that is an SSSG we will require a summary of all the groups in the alliance and the enrollment and rates for each of these groups.

For alliances that are nationwide but rated independently and contracted with by site, we will consider for SSSG purposes the enrollment and rates by site.

Special Instruction if a carrier has a national group as an SSSG

If a national contract has more than 1% of its enrollment in the region being rated, use the total national enrollment to determine if the group is an SSSG. Since the group may have many different sites with many different rates, the discount given to the group is calculated by determining the average discount given to the two largest sites.

For example, one of the carrier's SSSGs is the XYZ corporation, which consists of 2000 contracts. The two largest sites are City A and City B. City A has 600 contracts and received a 1% discount. City B has 400 contracts and received a 2% discount. Then the weighted average of the two discounts is ((600x.01) +(400x.02))/1000 = .014 or 1.4%. This would be considered the discount the XYZ corporation received.

For the XYZ corporation, we will request a summary or all the different sites, the enrollment for each site and the rates for each site.

Policy on Recovery of Discounts

In the past, if a plan had a policy to recoup a discount made to an SSSG, the FEHBP's rates may not have included that discount. We are amending that policy. The FEHBP's must receive the discount in the rate reconciliation the same year the SSSG received a discount. If the discounted funds were later recovered from an SSSG, the plan can ask to recoup these funds from the FEHBP. They must be able to show that the lost revenue was actually recovered from the SSSG.

Miscellaneous Remarks

We do not request SSSG information now. Rather, we will ask for it in 2001 when we send you

the rate reconciliation instructions.

The Federal group's rates must be equivalent to the lower of the two SSSG rates, reflecting any market advantage given to an SSSG.

Since your carrier is community rated, the rates for most groups not using Adjusted Community Rating (ACR) are probably based on an underlying "community rate." Carriers using ACR normally base a group's rates on the underlying experience for that group.

Regardless of which community rating method the carrier uses (TCR,CRC or ACR), OPM now focuses on the rating method used for the two SSSGs to determine if a carrier has appropriately derived the Federal group rates.

State Taxes

5 U.S.C. 8909(f)(1) prohibits the imposition of taxes, fees, or other monetary payment, directly or indirectly, on FEHBP premiums by any State, the District of Columbia, or the Commonwealth of Puerto Rico, or by any political subdivision or other governmental authority of those entities. If your Attachment II, Line 1 rates include an amount to recover such monies from the FEHBP, you should make an adjustment for this amount in the form of a negative special benefit loading in the Special Benefit Loadings section of Attachment II.

Special Loading For Enrollment Discrepancies

Your contract provides for a special premium loading of 1% to account for unresolved enrollment discrepancies.

Note: The carrier must explicitly take this loading, but may eliminate its effect by also giving the Federal group a 1% discount. The carrier should keep in mind that its contract with the FEHBP states in Section 3.6(b) "the Carrier accepts the adjustment to the subscription charges in full resolution of all obligations of the Government in connection with the subscription payments as described in this section 3.6 and waives any rights it may have to claims for subscription payments under Section 3.1(a)."

You should place this loading on Line 4e of Attachment II.

Community Rating Policy

We accept three standard methods of community rating:

1) Traditional Community Rating (TCR)

2) Community Rating By Class (CRC)

3) Adjusted Community Rating (ACR)

OPM Community Rating Guidelines – 2001

We expect carriers using TCR or CRC for 2001 to develop rates from a community-based revenue requirement (normally in the form of a capitation rate) which is documented and verifiable. Once you establish the capitation rate, you may convert it to self and family rates using standard procedures.

A carrier using ACR may use a method based on utilization data or it may use a prospective method based on actual Federal claims data.

We ask you in the Community Rate Questionnaire to provide the criteria you use to determine your rating method for the Federal group.

CRC Rating

A carrier using CRC for the Federal group must provide a standard presentation of its rating method. The document "Instructions For Attachment II" includes details of this standard format and an example illustrating it. If a carrier using CRC cannot comply with OPM's standard format, it must submit its rate manual and/or other official documents that demonstrate the actuarial soundness of the carrier's CRC method.

We accept age and sex as legitimate factors for CRC. You must support any other proposed factor with carrier documentation showing that the factor predicts utilization. Our policy for industry factors is explained in the document entitled "Instructions for Attachment II".

A large carrier using CRC must furnish a table showing the age-sex distribution on which it based the Federal group's CRC adjustment factor. You must clearly show how you used this table to derive the adjustment factor.

Carriers using TCR or CRC and demographic factors (such as family size) based on group-specific data must also use group-specific data for the SSSGs. You must base all demographic factors on actual in-force group data.

ACR Rating

The following rules apply for carriers using ACR for the Federal group:

1) The carrier must have a documented ACR method established and implemented by 2001.

2) The carrier may use a prospective method based on actual Federal claims data, or a method based on utilization data. **In either case, the carrier must keep on file all data necessary to justify the ACR rate (i.e., claims,**

utilization etc.)

If you use ACR, you must completely and clearly explain your method. We may ask for additional documentation from carriers using ACR, including the carrier's rating manual.

Attachment I

CARRIER NAME: _____ **STATE:** _____ **CODE:** _____

2001 RATE PROPOSAL - SMALL CARRIERS
(Use BIWEEKLY Rates)

Q1. What type(s) of community rating do you propose to use for the Federal group in 2001?

[ ] TCR (Traditional Community Rating)

[ ] CRC (Community Rating By Class)

[ ] ACR (Adjusted Community Rating)

Q2. What are your carrier's 2001 proposed Federal group rates?

For small carriers whose 2000 Federal group income will be Greater than or equal to $500,000, these rates are on Line 5, Attachment II.

Line A Self _____ Family _____

Q3. What adjustments have you made to the proposed 2001 rates as the result of the reconciliation of the 2000 rates? Note that if the actual 2000 rates turned out to be higher than the rates estimated in the 2000 proposal, you should increase the 2001 rates to recover the loss. Likewise, if the actual rates were overestimated, you should decrease the 2001 rates to return the gain to OPM.

Line B Self _____ Family _____

Q4. What are the proposed 2001 Federal group rates (after adjustments)?

(Line A ± Line B)

Line C Self _____ Family _____

OPM will complete the section below if it is necessary to reduce the proposed rates in order to draw down the contingency reserve.

Amount of excess contingency reserve: _____

Rate reduction necessary to generate a contingency reserve payment approximately equal to the excess.

Line D Self _____ Family _____

2001 FEHBP Rates:

Line E Self _____ Family _____

Instructions for Attachment I

Q1.
This question asks you to indicate which method of community rating the carrier uses. Small carriers may use any of the following methods: Traditional Community Rating (TCR), Community Rating By Class (CRC), or Adjusted Community Rating (ACR).

We do not require small carriers to submit detailed documentation of the rate development. But please keep in mind that if your 2000 income from the Federal group will be greater than or equal to $500,000, you must complete Attachments II and IIA before submitting Attachment I and keep them on file at the carrier. The OPM audit staff will examine the documents during periodic audits of the carrier. The Office of Actuaries may also periodically review the documents.

Q2.
This question asks for the rates that appear on Line 5 of Attachment II. These rates are the rates before any adjustments have been made as the result of the 2000 reconciliation.

Q3.
If OPM owes the carrier money because of the 2000 reconciliation, OPM will pay that money through an increase in the carrier's 2001 rates. Compute the appropriate increase, based on the results of the reconciliation.

In the case where a small carrier owes OPM because of the reconciliation, the carrier's 2001 rates will be decreased by an appropriate amount.

The rate adjustments obtained by the carrier should be placed on Line B.

Q4.
If the amounts on Line B are rate increases, then Line C = Line A + Line B. If the amounts on Line B are rate decreases, then Line C = Line A - Line B.

OPM completes the section below Line C based on negotiations between the carrier and Office of Actuaries. When we determine that sufficient excess has built up in the contingency reserve, we will propose a reduction to the carrier's rates in order to generate a contingency reserve payment.

Attachment IA

Certificate of Accurate Cost Or Pricing Data
For Community Rated Carriers

This is to certify that, to the best of my knowledge and belief:

1) The cost or pricing data submitted (or, if not submitted, maintained and identified by the carrier as supporting documentation) to the Contracting Officer or the Contracting Officer's representative or designee in support of the 2000 FEHBP rates were developed in accordance with the requirements of 48 CFR Chapter 16 and the FEHBP contract and are accurate, complete, and current as of the date this certificate is executed; and

2) The methodology used to determine the FEHBP rates is consistent with the methodology used to determine the rates for the carrier's Similarly Sized Subscriber Groups.

Firm _____

Name _____

Title _____

Signature _____

Date _____

Attachment II

PROPOSED BIWEEKLY NET-TO-CARRIER RATES
FOR THE 2001 RATE YEAR

Carrier NAME: _____ STATE: _____ CODE: _____

	SELF	FAMILY
1. Proposed Unadjusted Federal Group Rates for January 1, 2001	_____	_____
[ ] Estimate [ ] Actual		
2. Special Benefit Loadings		
(a)	_____	_____
(b)	_____	_____
(c)	_____	_____
3. Federal Group Rates Plus Special Loadings [(1) + (2a) + (2b) + (2c) +...]	_____	_____
4. Standard Loadings		
(a) Extension of Coverage Loading Loading [.004 x (3)]	_____	_____
(b) Medicare Loading	_____	_____
(c) Children's Loading	_____	_____
4d. Subtotal [(3) + (4a) + (4b) + (4c)]	_____	_____
4e. Enrollment Discrepancies Loading [.01 x (4d)]	_____	_____
5. Proposed Federal Group Rates For 2001 [(4d) + (4e)]	_____	_____

Instructions for Attachment II

1. Proposed Unadjusted FEHBP Rates in Effect for January 1, 2001

This should be the carrier's best possible estimate of the 2001 FEHBP biweekly self and family rates. These rates must be based on the carrier's community rate(s) or on an OPM approved ACR methodology. You must indicate in detail how you arrived at the Line 1 rates. We provide work spaces for this in Attachment IIA, the Community Rated Questionnaire.

Carriers may use "Traditional Community Rating" (TCR), "Community Rating By Class" (CRC), or "Adjusted Community Rating" (ACR), which allows the carrier to base its rate for a group on the projected revenue of that group.

Traditional Community Rating

If you use TCR for the Federal group, the starting point is normally a capitation (per member/per month) rate. This capitation is then converted to a self rate and a family rate. The conversion process may involve group specific demographic adjustment factors. The carrier must provide the details of this conversion process.

We allow variations in the process that are consistent with OPM principles of community rating. For example, a carrier might choose to use a standard set of two-tiered rates for all its groups.

Community Rating By Class

If you use CRC for the Federal Group, we require a standard presentation of the rating method. The presentation assumes that the carrier begins with an overall per member/per month rate (capitation). As in the case of TCR, we accept minor variations that are consistent with OPM principles of community rating.

Industry Factors

Our policy on industry factors is as follows:

1) The industry factor used for the Federal group in the rate proposal must be no larger than 1.0. The proposed factor may change in the reconciliation, but in no case can it be larger than 1.0.

2) We will examine the industry factors used for the SSSGs. We require that the Federal group industry factor be no larger than 1.0 and no larger than the lowest industry factor used for an SSSG.

Example Of CRC Method

If a carrier uses CRC, we require a method, which is essentially as follows:

Instructions for Attachment II

1. Derive a CRC adjustment factor (AF), which is used to adjust the capitation rate. Normally, you should base this adjustment factor on the age-sex distribution of the Federal group, although we do allow certain variations of this concept.

2. Determine the adjusted capitation rate for the Federal group (AF x capitation).

3. Convert the adjusted capitation rate to self and family rates using the same method that would be used under TCR.

Example:

Class	Percentage Distribution of Members	Relative Utilization Factor
1	.10	.40
2	.20	.80
3	.45	1.20
4	.25	1.60

AF = (.10 x .40)+(.20 x .80)+(.45 x 1.20)+(.25 x 1.60) = 1.14

Capitation = $60.00 pm/pm
Adjusted Capitation = $60.00 x 1.14 = $68.40

1st Level Step-Up Factor = 1.2
2nd Level Step-Up Factor = 2.9

Self Rate = $68.40 x 1.2 = $ 82.08
Family Rate = $82.08 x 2.9 = $238.03

Instructions for Attachment II

Note The Following:

1) You must include your CRC worksheets (i.e. sheets showing the relative utilization factors and the age/sex distribution for the Federal group) in your submission.

2) The relative utilization factors used for the federal group must be the same as those used for all your other CRC-rated groups.

3) Federal annuitants over age 65 should normally not be included in the calculation of the CRC factor.

4) A carrier using CRC for the Federal group should compute a Medicare loading in the normal way (i.e. along the lines of OPM's suggested method on Page 24).

Adjusted Community Rating

A carrier using ACR for the Federal Group, may use a method based on utilization data or a prospective method based on actual Federal claims data. **In either case, the carrier must keep on file all data necessary to justify the ACR rate (i.e. claims, utilization etc.)** You should save backup tapes of your claims database for audit purposes.

The rules that apply for a claims-based ACR method are:

1) The experience period (and the claims used within that period) may not change in the reconciliation. It must be the same period (and the same claims) you used in the proposal.

2) If you used completion factors to convert paid claims to incurred claims, such factors must be the same for all groups for which you used a claims-based ACR method.

3) Any method used to convert paid claims to incurred claims should be consistent for all groups you rated by a claims-based ACR method.

4) If claims include special benefit claims, you should take no special benefit loadings (either in the proposal or reconciliation). Note that the claims should reflect extension of coverage, which means that you should not take the extension of coverage loading.

5) If claims include those of annuitants age 65 and over, you must reduce claims by an amount equal to Medicare income from HCFA or we must receive a credit for monies received from HCFA. See questions Q22 and Q23.

6) Loadings for administrative expenses must be either:

   a) a flat community rated pm/pm amount or

   b) a standard percentage of claims.

   c) A method consistently applied to the FEHBP and the SSSGs.

7) Any trend factor used for the Federal group must be the same as the trend factor the carrier used for other groups (that is, you may not base a trend factor for the Federal group on the Federal group's experience).

A carrier using ACR for the Federal group may also use a method based on utilization data.

WHETHER A CARRIER USES A SOPHISTICATED METHOD OF ACR USING FEDERAL CLAIMS DATA, OR A LESS COMPLEX METHOD THAT USES UTILIZATION DATA, WE EXPECT A CLEAR AND COMPLETE EXPLANATION OF YOUR METHOD. YOU SHOULD PRESENT THIS EXPLANATION AS YOUR RESPONSE TO VARIOUS QUESTIONS IN ATTACHMENT IIA.

****

A carrier using TCR or CRC should normally base the Line 1 rates on its estimated capitation rate (or equivalent) for 2001. At a later date, after you determine the actual January 1, 2001, capitation rate, you will do a rate reconciliation.

Note that if a carrier uses an ACR method based on Federal claims data, its reconciliation will differ very little from the proposal. **The only elements of the reconciliation that might differ from the proposal are:**

(i) **Trend Factor.** If you use an estimated trend factor in the 2001 proposal and later change it (before January 1, 2001) for **all** groups for which you use a claims-based ACR method, you must use the revised factor in the 2001 reconciliation.

(ii) **Administration Cost Factor.** If you use an estimated administration cost factor in the 2001 proposal and later change it (before January 1, 2001) for all groups for which you use a claims-based ACR method, you must use the revised factor in the 2001 reconciliation.

Note that both the trend factor and the administration cost factor must be consistent with the lowest such factors used for an SSSG.

Instructions for Attachment II

2. Special Benefit Loadings

These loadings are for differences between Federal group's benefit package and the carrier's community benefits package. You must provide all backup calculations for the costs that appear on lines 2(a) through 2(c). You should clearly indicate all utilization and cost assumptions. If the benefit is a rider that you sell to other groups, there should be a uniform price (i.e., a capitation rate, or standard set of two-tiered community rates) for the benefit. Indicate clearly in your backup calculations the adjustments (if any) you have made to the uniform rate to arrive at the Federal rates shown on lines 2(a) through 2(c).

You should offset through negative loadings any benefits not provided to the Federal group which are part of the basic package. You should enter a cost of $0.00 for benefit differences with no cost.

3. FEHBP Rates Plus Special Loadings

The sum of all previous lines goes here.

****

We describe below methods of loading for standard additional benefits. You must clearly show all backup calculations.

4. Standard Loadings

4(a) Extension of Coverage Loading

Each carrier in the FEHBP must provide the following coverage without charge to the enrollee or employing agency:

1. Employees terminated from employment have 31 days additional coverage.

2. Employees or dependents confined in a hospital on the 31st day after termination have coverage continued until discharge, up to a maximum of 91 days after termination.

These coverage requirements apply whether or not the enrollee later converts his or her group coverage to an individual contract with the carrier.

We recommend a loading of 0.4 percent of the proposed rate for this benefit. Unless you have specific experience to justify another figure, or the community rate includes the coverage, you should use 0.4 percent of line 3.

4(b) Medicare Loading

Instructions for Attachment II

Federal annuitants who retired after January 1, 1984, are entitled to coverage under Part A and Part B of Medicare when they reach age 65. In addition, the majority of retirees over age 65 who retired before 1984 are covered under Medicare as a result of employment in the private sector.

Medicare is the primary payer in the case of those non-working carrier members who are covered under Medicare. **The carrier has a contractual obligation to obtain reimbursement from the Health Care Financing Administration (HCFA) for such Medicare eligible enrollees.**

In most cases, annuitants and their covered spouses age 65 and over who are covered by Part A and/or Part B of Medicare generate more income for the carrier than would normally be necessary to cover such individuals. The carrier receives the Federal group premium, plus reimbursement from HCFA. On the other hand, Federal annuitants and covered spouses age 65 and over who are not covered under Medicare generate less income than would be necessary to cover a person in the "over 65" age category.

Therefore, the carrier is either underpaid or overpaid for Federal annuitants and their covered spouses age 65 and over. The purpose of the Medicare loading is to reflect this underpayment or overpayment.

You must document the Medicare status of Federal annuitants and their covered spouses age 65 and over, and compute a Medicare loading.

You should derive this loading by first determining the total yearly amount the carrier is overpaid or underpaid for the Federal annuitants and covered spouses. Then, convert this amount to equivalent self and family rate loadings.

You should clearly explain your method, and provide backup calculations. Q49, ATTACHMENT IIA ASKS FOR A GENERAL EXPLANATION OF YOUR MEDICARE LOADING METHOD. BE SURE NOT TO SKIP THIS QUESTION.

Instructions for Attachment II

Below is an example of the sort of method we suggest. If, however, you use another method for other groups that is reasonable and well documented, you should also use it for the Federal group.

EXAMPLE:

Medicare Coverage	Distribution of Federal Annuitants and Covered Spouses*	Cost of HCFA Benefits	Average FEHBP Payment	Gain/(Loss) Payment**	to Carrier
A + B	100	$120	$100	$50	$30
A	65	120	60	50	(10)
B	10	120	40	50	(30)
None	50	120	0	50	(70)

(1) Revenue Loss: (65 x $10) + (10 x $30) + (50 x $70) = $4,450
(2) Revenue Gain: 100 x $30 = $3,000
(3) Net Loss = $4,450 - $3,000 = $1,450

* From Question 43, Attachment IIA
** If you use this method, the FEHBP payment should be the single rate

This positive loading of $1,450 could be spread over the self and family contracts in any reasonable manner. Note that whether the loading comes out negative or positive depends on the distribution of Federal enrollees by Medicare status.

If you use ACR to compute your rates, you must make sure that you have considered the effect of COB (coordination of benefits) income the carrier received from HCFA. You should pay particular attention to Q22 and Q23 of the questionnaire.

Note:

1) **A carrier using a claims-based ACR method will normally not have a Medicare loading.**

2) **A carrier claiming a Medicare loading must have appropriate documentation to justify the distribution of its Medicare population submitted in Q43.**

Instructions for Attachment II

Important: Each year, OPM now sends each carrier a list of Federal group enrollees identified as Medicare enrollees through the annual OPM/Social Security Administration Matching Study. You should not use this report without further analysis to determine the carrier's distribution of Federal Medicare enrollees (Q43), because the "unknown" category contains many different types of Medicare enrollees, including people under age 65.

Note: As explained above, the carrier is either underpaid or overpaid for Federal annuitants and their covered spouses age 65 and older (hereafter referred to as "Federal annuitants"), and this underpayment or overpayment depends on the Federal annuitant's Medicare status.

The purpose of the Medicare loading is to reflect this underpayment or overpayment. The HMO must compute the cost of benefits for the Federal annuitants, and compare this with the income it receives on behalf of these annuitants from OPM and from HCFA. Above we suggested a method to do this, but we want to emphasize here that the HMO may derive the loading in any reasonable way that it can document.

We also want to point out the following:

1) **If the HMO has a risk contract with HCFA, then (because it must file an ACR proposal with HCFA) the HMO should be able to provide OPM with a fairly accurate pm/pm estimate of the benefit cost for Federal annuitants over age 65. This cost should be roughly equal to the capitation rate the HMO receives from HCFA under the risk contract plus the premium (in terms of a capitation rate) the HMO charges the enrollee under the risk contract. The HMO should be able to determine the cost of any differences between the risk contract benefits and the FEHBP benefits.**

2) **If the HMO sells a Medicare supplement policy, once again, (since it has to price the policy) it should be able to provide OPM with a fairly accurate pm/pm estimate of the benefit cost for Federal annuitants over age 65. This cost should be roughly equal to the estimated capitation rate that the HMO receives indirectly from HCFA through coordination of benefits plus the premium (in terms of a capitation rate) the HMO charges for the Medicare supplement policy. The HMO should be able to determine the cost of any differences between the Medicare supplement policy benefits and the FEHBP benefits.**

3) **We ask about risk contracts and Medicare supplement policies in questions Q40 and Q41.**

Instructions for Attachment II

4(c) Children's Loading

All carriers in the Federal Employees Health Benefits Program must cover unmarried dependent children until their 22nd birthdays (through age 21). If the carrier has a different age limit for children's coverage, a loading to the Federal family rate may be appropriate. You should use such a loading if the carrier's normal practice is to load rates for other groups in the community whose age limit for children's coverage differs from the carrier's. If, however, you use a capitation and group-specific family size in calculating group rates and include overage dependent children (i.e., children over the age limit for all dependents) in calculating average family size for the Federal group, you may not take this loading.

If you have an established method that you use to determine a children's loading for your other groups, you must use this method for the Federal group. You must document the method unless you base the loading on an approved rider, in which case we require evidence of insurance department approval. If you don't have an established method, you should use the OPM suggested method, unless you can fully document the reasonableness of an alternative method.

The following explains the reasoning behind the "OPM Suggested Method."

Assume the carrier covers children through age 18. Then, to meet FEHBP standards, the carrier must extend for 3 years for unmarried children. If we denote the family rate by F and the single rate by S, then we can consider C = F - (2 x S) to be the children's rate. Based on OPM studies, we assume that 55 percent of children age 19 through 21 are unmarried. Since C covers the children for 19 years and we must extend coverage for 3 years for 55 percent of the children, the loading is (3/19) x C x .55.

Some carrier's basic community rates cover full-time students beyond the age limit for other dependent children. In this case, the loading is (3/19) x C x .20, since OPM studies show that 20 percent of children age 19 through 21 are unmarried and not full-time students. Therefore, OPM's suggested method to compute the children's loading is as follows:

(A) Line 3 (Attachment II) Family Rate = _____

(B) Line 3 (Attachment II) Single Rate = _____

(C) (A) - (2 x (B)) = Children's Rate = _____

(D) Children are insured up to what age = _____

(E) Extend Children's Coverage for 22 - (D) Years = _____

(F) Loading if Carrier's Community Rate Covers = _____
Full-Time Students: (E) x (C) x .20
(D)

Instructions for Attachment II

(G) Loading if Carrier's Community Rate Does Not Cover Full-Time Students: $\frac{(E)}{(D)} \times (C) \times .55$ = _____

Note: A carrier using a claims-based ACR method, will normally not have a children's loading.

4d. Subtotal

Add lines 3, 4(a), 4(b), and 4(c)

4e. Enrollment Discrepancies Loading

This is a special 1% load to the rates which compensates the carrier for possible enrollment discrepancies.

5. Total = Proposed Federal Group Rates for 2001

The sum of lines 4(d) and 4(e).

Attachment IIA

COMMUNITY RATE QUESTIONNAIRE

Q1. Does the carrier use "graded" rates (i.e. adjust the community rates periodically throughout the year)?

[ ] YES

[ ] NO

If No, what method do you use to insure that no group bears a disproportionate share of the carrier's yearly revenue requirement?

Q2. With regard to dependent coverage:

a. Your basic community rate includes coverage for all unmarried dependents up to what age? (An answer of age 19 would mean that coverage ceases on the 19th birthday) _____

b. Is there a separate limiting age for coverage of full-time students?

[ ] YES What is it? _____

[ ] NO

c. If a group requires dependent coverage to an age different from your normal limiting age, do you adjust that group's rate to allow for this difference?

[ ] YES

[ ] NO

Attachment IIA

Q3. What type(s) of community rating do you propose to use for the Federal Group in 2001?

[ ] Traditional Community Rating (TCR)

a. [ ] Standard (Book) Rating

b. [ ] Variable (Group Specific) Rating

[ ] Community Rating By Class (CRC) **Go To Q7**

[ ] Adjusted Community Rating (ACR) **Go To Q19**

****

Questions 4 through 6 pertain to carriers that use traditional community rating (TCR) for the Federal Group.

****

Q4. Do you use a standard set of tiered rates applicable to all groups with a tiered rate structure?

[ ] YES

[ ] NO

If Yes, what are they?

Self _____ Family _____

Self _____ Couple _____ Family _____

Attachment IIA

Q5. Do you begin your rate development with a capitation rate, and then convert it to the self and family rates?

[ ] YES

[ ] NO

If Yes, what is the capitation rate?

Capitation Rate = _____

Note that you may check both Q4 and Q5 "Yes" if you use a standard set of tiered rates that are derived from a capitation rate.

Q6. Do you use "step-up" factors to convert the capitation rate to the self and family rates?

[ ] YES If Yes, **Go To Q33**

[ ] NO If No, explain, then **Go To Q34**

****

Questions 7 through 18 pertain to carriers that use
Community rating by class (CRC) for the Federal group.

****

Attachment IIA

Q7. Give a simple narrative explanation of how you derived your rates. **DO NOT SKIP THIS QUESTION AND DO NOT REFER US TO OTHER SHEETS. WHAT WE WANT HERE IS A SIMPLE NARRATIVE DESCRIPTION OF YOUR METHOD.**

Attachment IIA

Q8. Do you use CRC for all your groups?

[ ] YES

[ ] NO

If No, what is your criteria for using CRC?

Q9. What CRC factors do you use?

[ ] Age

[ ] Sex

[ ] Other _____, _____, _____,

Q10. What capitation rate do you begin with?

Capitation Rate = _____

Q11. What is the adjustment factor you use to adjust the capitation?

Adjustment Factor = _____

What is your adjusted capitation rate?

Adjusted Capitation Rate = _____

Explain how you derived the CRC adjustment factor. **In particular, on what population data are the CRC utilization factors based? How often do you update the data on which the CRC utilization factors are based?**

Attachment IIA

Q12. Show how you derive the adjusted capitation rate.

DO NOT SKIP THIS QUESTION. WHAT WE WANT IS A SIMPLE NARRATIVE EXPLANATION OF HOW YOU ADJUST THE CAPITATION RATE. IF THERE ARE OTHER SHEETS WITH DETAILED CALCUATIONS, TELL US HERE IN SIMPLE LANGUAGE WHAT IS DONE ON THOSE SHEETS.

Attachment IIA

Q13. Have you enclosed any worksheets (i.e. sheets showing age/sex distribution and relative utilization factors) that you used to derive the CRC adjustment factor? **Please note that you must have documented support for the CRC age/sex factors.**

[ ] YES

[ ] NO

[ ] NA

If No or NA, explain. **(Note: We normally expect to see the worksheets from which you derive the CRC adjustment factor)**

Q14. Do you use "step-up" factors to convert the adjusted capitation rate to the self and family rates?

[ ] YES

[ ] NO

If No, explain

Attachment IIA

Q15. Explain how you derive the "relative utilization factors" associated with your age/sex distribution sheet.

Note that we would expect the factors to be based on the utilization experience of the different age groups of the total employee population the carrier services. In some cases, a carrier might use factors based on some other large population. Please make it clear to us exactly where your relative utilization factors come from, and on what population they are based.

IMPORTANT! DO NOT SKIP THIS QUESTION

Q16. When you derive the CRC adjustment factor, do you include the number of Federal annuitants over age 65 anywhere in the calculation? What about the number of Federal annuitants **under** age 65? In general, explain how you use the group of Federal retirees (if at all) in your calculation of the CRC factor.

IMPORTANT! DO NOT SKIP THIS QUESTION

Attachment IIA

Q17. If you use industry factors as part of your CRC method, do you anticipate that either of your SSSGs will have an industry factor less than 1.0?

[ ] YES

[ ] NO

Q18. If you answered Q17 Yes, did you apply to the Federal group rates the lowest industry factor anticipated for an SSSG?

[ ] YES

[ ] NO

If No, explain. The Federal group should receive the lowest industry factor less than 1.0 given to an SSSG.

****

If you do not use ACR in any part of your rate development, **Go To Q33**.

****

Attachment IIA

****

Questions 19 through 31 pertain to carriers that use adjusted community rating (ACR) for the Federal group.

****

Q19. Do you use ACR for all your groups?

[ ] YES

[ ] NO

If No, what is your criteria for using ACR?

Q20. What method of ACR do you use to rate the Federal group in 2001?

[ ] A Method Based On Utilization Factors.

[ ] A Method Based On Actual Federal Claims Data.

[ ] Other

Note: You should have on file any claims/utilization data supporting the rates for the Federal group.

Q21. If your answer was "Other" for Q20, give a simple, but comprehensive explanation of how you developed your rates. Use extra sheets if necessary.

Attachment IIA

Q22. Are age 65 or above retirees included in the claims or utilization data used to determine the ACR factor or rates?

[ ] YES

[ ] NO

If No, you should include a standard Medicare loading.

Q23. If you answered yes to Q22, are HCFA reimbursements included in the Federal group's experience?

[ ] YES

[ ] NO

If No, you should take a negative Medicare loading which accounts for all monies received from HCFA or saved because Medicare was the primary payer (i.e. responsible for most of the claim payments).

If Yes, there should be no Medicare loading.

Q24. Did you reduce claims used in the rate development by COB income that the carrier received from other insurance carriers (excluding HCFA)?

[ ] YES

[ ] NO

If No, you should give us a credit for any monies received from other insurance carriers.

Attachment IIA

****

Questions 25 through 31 are for carriers that answered Q20 by checking "A Method Based On Actual Federal Claims Data". If you use ACR and checked "A Method Based On Utilization Factors", **Go To Q32**.

****

Q25. If you used an ACR method using Federal claims data to compute rates, clearly explain this method. **DO NOT SKIP THIS QUESTION,AND DO NOT REFER US TO OTHER SHEETS. WHAT WE WANT HERE IS A SIMPLE NARRATIVE DESCRIPTION OF YOUR METHOD.**

Attachment IIA

Q26. Do you use completion factors to derive incurred claims?

[ ] YES

[ ] NO

Q27. If you answered Yes to Q26, you should use the same set of completion factors for all your groups. Do you?

[ ] YES

[ ] NO

[ ] NA

If No, explain.

Q28. Explain how you compute the administrative charge.
DO NOT SKIP THIS QUESTION

Attachment IIA

Q29. Did the claims used in the rate development reflect special benefits?

[ ] YES

[ ] NO

Q30. Do you derive an adjusted capitation rate by using an ACR factor that was derived from actual claims data?

[ ] YES

[ ] NO

If Yes, what is the adjusted capitation rate?

Adjusted Capitation Rate = _____

Q31. Do you use step-up factors to convert an adjusted capitation rate to the self and family rates?

[ ] YES

[ ] NO

If Yes, **Go To Q33**

If No, **Go To Q34**

Attachment IIA

****

Question 32 is for carriers that answered Q20 by saying they use "A Method Based On Utilization Data".

****

Q32. Give a detailed explanation of how you derive the rates on Line 1 of Attachment II. **DO NOT SKIP THIS QUESTION OR REFER US TO OTHER SHEETS. WHAT WE WANT HERE IS A SIMPLE NARRATIVE DESCRIPTION OF YOUR METHOD.**

Attachment IIA

Q33. a. If you use step-up factors, what are they? Specifically, what step-up factor do you use to convert the capitation rate (or the adjusted capitation rate) to the self rate? What step-up factor do you use to convert the self rate to the family rate?

Self/Capitation = ____ Family/Capitation = ____

b. How do you derive the above step-up factors? Explain briefly (we prefer a numerical formula for each factor as the explanation). Example:

$$\text{Self/Capitation} = 1.17 = \frac{.40 + .60(3.5)}{.40 + .60(2.9)}$$

c. Are these step-up factors group-specific (i.e., derived using the demographics of the Federal group)? Or, are the step-up factors based on overall population demographics?

[ ] Group Specific

[ ] Based on Overall Carrier Population Demographics

d. If you use group-specific factors, do you use them for
If No, what is your criteria for using group-specific factors?

Attachment IIA

Q34. a. If you use enrollment-mix or other demographic assumptions at any point in the development of the 2001 Federal group rates (including development of step-up factors), what are they?

% Self Contracts _____

% Family Contracts _____

Family Size _____

Other:

What is the "as of" date of the above enrollment? _____

b. If you use group-specific family size in developing the Federal group rates, were overage dependent children (i.e., children older than the age limit for all unmarried dependents given in Q2a) included in determining the group's family size?

[ ] YES

[ ] NO

Attachment IIA

Q35. What is the source of your demographic information? Is the same source used for all groups? If not, where do you get the demographic information for other groups?

Q36. If you do not use step-up factors to convert a capitation rate to the self and family rates, explain in detail what you do.

Attachment IIA

Q37. Are the special benefits listed in line 2, Attachment II of the 2001 proposal different from those that you offered in 2000?

[ ] YES

[ ] NO

If Yes, explain.

Q38. With regard to the special benefits shown in line 2, Attachment II: Are any of them a rider offered to other groups?

[ ] YES

[ ] NO

If Yes, indicate which special benefits are riders.

Q39. Did you do business with any coalitions?

If Yes, list and describe them:

Attachment IIA

Q40. The FEHBP requires coordination of benefits (COB) with HCFA for Federal annuitants and their covered spouses who are entitled to Medicare.

a. Do you have a risk or cost contract with HCFA?

[ ] YES [ ] Risk Contract [ ] Cost Contract

[ ] NO

b. Are any Federal group enrollees in the carrier covered under the carrier's risk or cost contract?

[ ] YES

[ ] NO

[ ] NA

c. If the answer to Q40(a) is Yes, explain the arrangement you have with HCFA, describe all benefit packages you offer enrollees under the risk contract, and the premiums (if any) the individuals enrolled under the risk contract pay the HMO.

Attachment IIA

Q41.Does your HMO sell a Medicare supplement policy?

[ ] YES

[ ] NO

If Yes, describe the benefit packages of any Medicare supplement policies you offer, and the premiums you charge for them.

Attachment IIA

Q42. Explain how do you coordinate benefits for Federal Medicare annuitants and Medicare dependent spouses.

Q43. Show the number of Federal annuitants and their covered spouses age 65 and older enrolled with the carrier using the following categories:

Medicare Part A and Part B _____

Medicare Part A Only _____

Medicare Part B Only _____

Neither Part A nor Part B _____

Cannot Determine _____

Note: The sum of the numbers in the 5 blanks above should be the total number of Federal annuitants and their covered spouses age 65 and older enrolled with the carrier.

Note: Important! Before you complete the above table, review the note (at the top of page 22) pertaining to the list of Medicare enrollees OPM sends the carrier each year.

Attachment IIA

Q44. How do you determine the numbers that you have in the distribution in Q43?

Q45. Do your Line 1 rates reflect any tax, fee or monetary payment imposed on the carrier by a state or local government?

[ ] YES

[ ] NO

If Yes, have you included a negative loading in the Special Benefits section of the proposal?

[ ] YES

[ ] NO

If NO, explain why you included no negative loading.

Attachment IIA

Q46. If you use different rating methods (i.e. TCR, CRC, ACR) for different groups, describe your criteria for the use of each method.

Q47. BACKUP CALCULATIONS - Attachment II, Line 1 Rates

a) If you use Traditional Community Rating (TCR), show how you derive the rates on Line 1, Attachment II of the proposal. If they are two-tiered rates that you use for all groups, and will be backed by an insurance department filing, state this. If you derived the rates by converting a capitation into self and family rates, show the calculations.

If you use Community Rating By Class (CRC) or Adjusted Community Rating (ACR) show any details of the derivation of the Line 1, Attachment II rates that were not given in the previous parts of this questionnaire. **DO NOT SKIP THIS QUESTION. WHAT WE WANT HERE IS A SIMPLE NARRATIVE EXPLANATION (BACKED UP BY CALCULATIONS) OF HOW YOU DERIVED THE LINE 1 RATES. IF THERE ARE OTHER SHEETS WITH DETAILED CALCULATIONS, TELL US HERE IN SIMPLE LANGUAGE WHAT IS DONE ON THOSE SHEETS. MAKE CERTAIN THAT THE EXPLANATION IN THIS SECTION MAKES IT CLEAR TO US WHERE THE RATES ON LINE 1 COME FROM.**

Attachment IIA

Q48. BACKUP CALCULATIONS - Attachment II, Line 2 Rates - Special Benefit Loadings

Show specifically how you derived each of the special benefit loadings. Be sure to include all utilization assumptions.
DO NOT SKIP THIS QUESTION.

Q49. BACKUP CALCULATIONS - Medicare Loading

If you have Medicare Loadings on line 4b, Attachment II, explain how you derived these loadings. Include calculations. Clearly indicate how Medicare risk or cost payments (if any) are accounted for.

Attachment IIA

Q50. BACKUP CALCULATIONS - Children's Loading

Attachment IIB

Carrier Contacts

For information about your rate submission, we should contact:

Name _____

Phone Number _____

Fax Number _____

E-Mail _____

OR

Name _____

Phone Number _____

Fax Number _____

E-Mail _____

Our counterproposal letter should be addressed to:

Name _____

Address _____

_____

_____

Phone Number _____

Fax Number _____

E-Mail _____

Attachment IIC

Utilization Data

Annual Utilization
Type of Service Per 1000 Members

1. Prescription Drugs _____

2. Office Visits

   A. Mental _____

   B. Other _____

3. Inpatient Hospital Days

   A. Mental _____

   B. Other _____