

PART 1
2013 COMMUNITY RATING GUIDELINES

Follow the instructions for Similarly-Sized Subscriber Groups that begin on page 11.

The U.S. Office of Personnel Management (OPM) has issued a Final regulation amending the Federal Employees Health Benefits (FEHB) regulations at 5 CFR Chapter 89 and also the Federal Employees Health Benefits Acquisition Regulation (FEHBAR) at 48 CFR Chapter 16.

This regulation applies to community rated carriers and can be found [here](#). Note that state mandated Traditional Community Rating (TCR) plans will continue to follow Similarly-Sized Subscriber Group (SSSG) rules.

2013 MLR Timeline

- 1) Submit 2013 Rate Proposal by May 31, 2012.
- 2) Submit 2013 Rate Reconciliation by April 30, 2013.
- 3) Submit the FEHB MLR Calculation Form by August 31, 2014. The FEHB MLR Calculation Form will be provided to carriers in the spring of 2014. It will be similar to the HHS MLR form required under the ACA.
- 4) Submit calendar year 2013 claims data supporting MLR in the summer of 2014 to OIG per Carrier Letter. This applies to all ACR and CRC carriers, including small plans with income in the prior calendar year greater than \$650,000. Please note that ACR carriers will also be required to submit claims data used in its FEHB rate development (i.e., the experience period) in addition to the above. Additional information will be communicated via carrier letter.
- 5) Submit any penalty due OPM based on the FEHB specific MLR calculation by October 31, 2014.

Plans are required to submit the Rate Proposal, Rate Reconciliation, and FEHB MLR Calculation Form through the Rate Submission Tool at <http://www.opm.gov/FEHBTOOLS/RATES>. Please contact the Office of the Actuaries at actuary@opm.gov to request access to the Rate Submission Tool.

General Information

HHS MLR guidelines will apply for issues not covered in these instructions.

First Year Groups

A plan in its first year in the FEHB will not be subject to the MLR rules.

Prior Year Income less than Federal Acquisition Regulation Amount

If the plan's FEHB income in 2012 is less \$650,000, the plan is not subject to the MLR rules.

Rate Buildup

The carrier must rate its FEHB plan using its documented community rating methodology. Carriers will update the estimated contract rates with the January 1st community rate and will settle the

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difference with OPM. The reconciliation payments will be included in the denominator of the MLR calculation. See the MLR Premium Income section for more details.

Except for the elimination of the SSSGs, the reconciliation process and contingency reserve mechanism do not change under the MLR rules.

Payment due plan for enrollment discrepancy

If a carrier receives a payment or loading for premium based on an enrollment discrepancy, the carrier will resubmit the MLR calculation within 30 days of notification.

Audit

Carriers are required to maintain all MLR documentation. All data is subject to audit. We recognize that the claims part of the MLR claims/premium ratio may not match the paid claims seen in the carriers' renewal exhibits and that claims extracts may not be identical. The plan should be able to fully support all claim values.

Claims

Only FEHB claims associated with benefits covered in the plan's FEHB contract may be included in the MLR calculation.

Completion

FEHB claims incurred in calendar year 2013 and paid through June 30, 2014 must be included in the MLR calculation; no other claims will be considered. No completion factor may be applied.

Small Group Adjustment

The following table will be used to adjust the MLR for plans with fewer than 18,000 FEHB contract months in calendar year 2013. The resulting MLR will be referred to as the Adjusted FEHB MLR.

Number of FEHB Contract Months	Additive Adjustment to the Calculated MLR
> 18,000	0.0%
1,200-18,000	$(18,000 - \text{number of FEHB contract months})/16,800$ 5.0%
<1,200	+ 5.0%

Cost Allocation

Capitation and other costs considered as claims for MLR calculation that can be attributed to an FEHB benefit should be allocated in accordance with HHS instructions. Any method other than member months over the experience period must be explained and approved by OPM's Office of the Actuaries.

Coordination of Benefits

Claims included in the numerator of the MLR calculation must be net of income attributed to FEHB group enrollees from all other sources such as Medicare and Medicaid Services (CMS), prescription drug rebates, coordination of benefits, subrogation, and settlements related to claims incurred in calendar year 2013 and recovered by June 30, 2014.

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Plans that receive a Medicare risk payment for their FEHB enrollees who enrolled in their Part C plan must add the risk payment received to the FEHB premium income, which is included in the denominator of the FEHB MLR calculation. The plan is expected to include all claims paid for these enrollees in the numerator of the MLR calculation.

High Deductible Health Plan (HDHP)

The pass-through amount put into a Health Savings Account (HSA) will be included in the numerator and the denominator of the FEHB MLR calculation. Only the portion of a Health Reimbursement Account (HRA) that is used for claims incurred during a MLR Calculation Year is included in the numerator of the FEHB MLR calculation.

Income

OPM will provide to carriers the incurred premium to be used in the MLR calculation from the OPM subscription income reports. The OPM supplied subscription income is not subject to audit. If the carrier believes the OPM subscription income is incorrect, the carrier may use its own premium income amount. The carriers' supplied premium income is subject to audit and must be justified with supporting documentation at the time of audit.

The denominator of the FEHB MLR calculation will be equal to the following:

- (a) OPM supplied 2013 subscription income or carrier supplied 2013 premium income plus;
- (b) Any amount due the plan as a direct result of reconciling the 2013 rates. This excludes amounts owed or due OPM from previous years' reconciliations* less;
- (c) Any amount due OPM as a direct result of reconciling the 2013 rates. This excludes amounts owed or due OPM from previous years' reconciliations**.

*Any amount withheld due to an outstanding audit will be included in (b).

** Amounts recovered from the carrier due to an audit will be included in (c).

MLR Calculation

Aggregation

The carrier must aggregate by Plan as defined in Appendix 1.

MLR Calculation Form

OPM will send carriers a form similar to the HHS "Blank" in the spring of 2014. The FEHB MLR Calculation Form will instruct plans on how to calculate the FEHB MLR.

FEHB MLR Target

The 2013 FEHB MLR Target will be 85.0%.

Corridor Calculation

If the plan's Adjusted FEHB MLR is 85.0% (the 2013 FEHB MLR Target) or higher no penalty is due OPM. If the plan's Adjusted FEHB MLR is below 85.0%, the carrier pays a penalty equal to the difference between the 85.0% and plan's actual Adjusted FEHB MLR, multiplied by the denominator of the plan's FEHB MLR calculation.