
FEHB Program Carrier Letter

All Experience-Rated Carriers

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

Letter No. 2000-05-E

Date: February 9, 2000

Fee-for-service [05]

Experience-rated HMO [05]

Community-rated HMO []

SUBJECT: 1999 Financial Reporting

I have enclosed the Office of Personnel Management's (OPM) financial reporting instructions for contract year 1999. As you are aware, this financial information is a requirement of your plan's participation in the Federal Employees Health Benefits Program (FEHBP). It is imperative for contract administration purposes that your annual accounting statement (AAS) be submitted by March 31, 2000.

Enclosure A, Carrier Financial Information, is a list of selected actual financial information that must be used in your reporting. Included in Enclosure A is the Letter-of-Credit (LOC) activity for the year ended December 31, 1999.

The instructions for preparing your AAS are contained in Enclosure B of this reporting package. They are consistent with the FEHBP Experience-Rated Carrier and Service Organization Audit Guide. The preface to Enclosure B provides additional information concerning the preparation of your accounting statement and should be reviewed carefully before submitting your report.

It is the policy of OPM to make contingency reserve payments available to plans as soon as possible. We will, where feasible, compute a "preliminary" contingency reserve payment based on the initial review of your AAS. OPM's ability to make a "preliminary" contingency reserve payment is, of course, dependent on the quality and timeliness of your AAS submission. If it is not possible to determine the dollar impact of a reporting deficiency or if we feel we cannot rely on the data presented, payment will be deferred until final resolution of the problem(s) or acceptance of your AAS.

In addition, all "excess reserves" held by your plan as of December 31, 1999, will be transferred from your Letter-of-Credit (LOC) account to the contingency reserve. If you do not submit your AAS by March 31, 2000, we may estimate the amount of excess reserves and withdraw that amount from your LOC account.

The Debt Collection Improvement Act of 1996 (DCIA) provides that a debt owed to the United States that has been delinquent for a period of 180 days or more shall be subject to administrative offset. Effective August 29, 1999, all payments to carriers, including payments drawn from the Letter-of-Credit (LOC) for experience-rated plans, will be subject to the administrative offset provisions of the DCIA. The amounts paid to carriers by OPM as premiums or drawn from your LOC may be reduced by the Treasury to satisfy amounts owed by carriers to other Federal entities. However, carriers are required to report the gross amount of LOC drawdowns on their annual and fiscal year accounting statements rather than the net amount received.

Thank you in advance for your timely and accurate financial submission.

Sincerely,

(signed)

Frank D. Titus
Assistant Director
for Insurance Programs

2 Enclosure

**CERTIFICATION OF ANNUAL
ACCOUNTING STATEMENT
(Carrier)**

This is to certify that I have reviewed this accounting statement and to the best of my knowledge and belief:

1. The statement was prepared in conformity with guidelines issued by the Office of Personnel Management and fairly presents the financial results of this reporting period in conformity with those guidelines.
2. The costs included in the statement are actual, allowable, allocable and reasonable in accordance with the terms of the contract and with the cost principles of the Federal Employees Health Benefits Acquisition Regulation and the Federal Acquisition Regulation;
3. Income, rebates, allowances, refunds and other credits made or owed in accordance with the terms of the contract and applicable cost principles have been included in the statement;
4. If applicable, the letter of credit account was managed in accordance with 5 CFR part 890, 48 CFR chapter 16, and OPM guidelines;

CARRIER NAME _____

NAME OF CHIEF EXECUTIVE
OFFICER (TYPE OF PRINT)

NAME OF CHIEF FINANCIAL
OFFICER (TYPE OR PRINT)

SIGNATURE OF CHIEF
EXECUTIVE OFFICER

SIGNATURE OF CHIEF FINANCIAL
OFFICER

DATE SIGNED

DATE SIGNED

**CERTIFICATION OF ANNUAL
ACCOUNTING STATEMENT
(Underwriter)**

This is to certify that I have reviewed this accounting statement and to the best of my knowledge and belief:

1. The statement was prepared in conformity with guidelines issued by the Office of Personnel Management and fairly presents the financial results of this reporting period in conformity with those guidelines.
2. The costs included in the statement are actual, allowable, allocable and reasonable in accordance with the terms of the contract and with the cost principles of the Federal Employees Health Benefits Acquisition Regulation and the Federal Acquisition Regulation;
3. Income, rebates, allowances, refunds and other credits made or owed in accordance with the terms of the contract and applicable cost principles have been included in the statement;
4. If applicable, the letter of credit account was managed in accordance with 5 CFR part 890, 48 CFR chapter 16, and OPM guidelines;

CARRIER NAME _____

NAME AND TITLE OF RESPONSIBLE CORPORATE OFFICIAL
(TYPE OF PRINT)

SIGNATURE OF RESPONSIBLE CORPORATE OFFICIAL

DATE SIGNED

ENCLOSURE B

FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

ANNUAL REPORTING PACKAGE

FOR THE

EXPERIENCE RATED CARRIERS

1999

1999 ANNUAL REPORTING PACKAGE

Section One contains the guidelines for your **ANNUAL ACCOUNTING STATEMENT REPORTING**, which is due by March 31, 2000. As in prior periods, the accounting reports and supporting schedules must be on the accrual basis of accounting. The information in Enclosure A must be used in the preparation of your financial reports and its accuracy is essential. Please review this information as soon as possible and contact Samuel Arsers on (202) 606-4189 if you feel it is inaccurate.

REPORTING REQUIREMENTS

All 1998 financial reporting requirements are required for 1999. You should ensure that all required statements and supporting schedules are included before submitting your completed 1999 annual accounting statement. The last page of your reporting package is a checklist of required documents.

In addition, please remember that all administrative expenses and other expenses and retentions shown on your report must be allowable under (1) The Federal Employees Health Benefit Regulation, Part 890, Title 5, Code of Federal Regulations; and (2) The Federal Acquisition Regulation, Chapters 1 and 16 of Title 48, Code of Federal Regulations.

MAINTENANCE OF HEALTH BENEFITS CLAIMS INFORMATION

Each carrier must prepare computer tape(s) with back-up of the paid claim history for each contract year. This tape(s) must support the claims paid amount shown on Supplemental Schedule of Health Benefits Charges Paid, Part A before the reconciliation performed in Part B. These tapes must be maintained as a part of each carriers financial records. The Office of the Inspector General (OIG) will request this information as a part of their periodic audits.

CONFIDENTIALITY

It is OPM's policy to disclose the Summary Statement of FEHBP Operations of participating carriers upon request, provided: (1) the carrier's accounting statement is accepted by OPM for use in administering the contract; and (2) the rate-negotiation process for the contract year in which the accounting statements are due has been completed for all participating carriers.

Consistent with Executive Order 12600, each carrier must designate, when the financial information is submitted, whether any other information submitted with the annual accounting statement is considered confidential commercial information.

1999 Annual Reporting Package continued

COMPLIANCE WITH THE FEHBP AUDIT GUIDE

If your carrier activity consists of claims expense greater than \$40 million and you have chosen either Option 3 or Option 4 of the Guide, with a December 31 accounting period, you must have your Independent Public Accountant prepare the reports outlined on page I-3 of the Audit Guide.

If your carrier activity consists of claims expense less than \$40 million and you have chosen either Option 3 or Option 4 of the Guide, with a December 31 accounting period, you must have your Independent Public Accountant follow the instructions outlined at the top of Page I-4 of the Audit Guide.

DOD PROJECT

If your Plan is participating in the Department of Defense Demonstration Project, the expenses incurred during 1999 should be reported separately from FEHBP operations. These expenses should be shown on the Summary Statement, Supplemental Schedule of Administrative Expenses and the Supplemental Schedule of Health Benefits Charges Paid.

Your financial reports should be mailed to:

**U.S. Office of Personnel Management
Financial Management Division
1900 E Street, N.W., Room 3H25
Attention: Samuel Arsers
Washington, D.C. 20415-0001**

If you have any questions concerning your FINANCIAL reporting, please call Samuel Arsers of the Benefits Accounting Branch on (202) 606-4189.

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FINANCIAL REPORTING

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**Carrier Cost Containment Expenses
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. CHECKLIST OF DOCUMENTS TO BE SUBMITTED

**SUMMARY STATEMENT OF FEHBP OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1999**

CARRIER NAME:

CODE:

1. PROGRAM INCOME:

- a. Letter of Credit Authorizations
 - (1) Semimonthly Premiums
 - (2) Interest
- b. Accrued Income 12/31/98
 - (1) Semimonthly Premiums
 - (2) Interest
- c. Accrued Income 12/31/99
 - (1) Semimonthly Premiums
 - (2) Interest
- d. Total Program Income

	TOTAL	HIGH OPTION	LOW OPTION
\$	\$	\$	\$
()	()	()	()
()	()	()	()
\$	\$	\$	\$

- e. Carrier Interest Income
- f. Total Carrier Income

\$	\$	\$
----	----	----

2. HEALTH BENEFITS CHARGES:

- a. Paid
- b. Accrued but Unpaid:
 - (1) Beginning
 - (2) Ending
- c. Total

\$	\$	\$
()	()	()
\$	\$	\$

3. ADMINISTRATIVE EXPENSES

- a. Paid
- b. Accrued but Unpaid
 - (1) Beginning
 - (2) Ending
- c. Total

\$	\$	\$
()	()	()

4. OTHER EXPENSES AND RETENTIONS

- a. State Statutory Reserve
- b. Reinsurance Expenses
- c. Service Charge
- d. Other
- e. Total

\$	\$	\$
----	----	----

5. CHANGES TO SPECIAL RESERVE:

- a. Special Reserve - 12/31/98
- b. Gain (Loss) on Operations
- c. Prior Period Adjustments
- d. Contingency Reserve Payments
- e. Return of Excess Reserves
- f. Other
- g. Special Reserve - 12/31/99

\$	\$	\$
()	()	()
\$	\$	\$

6. STATUS OF RESERVES:

- Excess-(Deficit)

\$	\$	\$
----	----	----

Instructions for Preparing:

SUMMARY STATEMENT OF FEHBP FINANCIAL OPERATIONS

Round all amounts to the nearest whole dollar, and assure that they add to the totals. If your plan has an underwriter, please provide separate summary statements for the carrier and the underwriter.

Enclosure A of the covering letter shows the Letter of Credit (LOC) authorizations and reductions recorded by OPM for your plan during 1999. This information must be used to prepare your report. Please compare this information and your records and notify Samuel Arsers of the Benefits Accounting Branch on (202) 606-4189 of any differences.

1. CARRIER INCOME:

a. Program Income (LOC) Authorizations:

- (1) **Semimonthly premiums:** Show the total 1999 semimonthly premium authorizations to your LOC account as stated on Enclosure A.
- (2) **Interest:** Show the 1999 interest credited to your LOC account as stated on Enclosure A.

b. Accrued Program Income 12/31/98:

- (1) **Semimonthly Premiums:** Show the accrued subscription income as of December 31, 1998 as stated on Enclosure A.
- (2) **Interest:** Show the accrued interest in your LOC account as of December 31, 1998 as stated on Enclosure A.

c. Accrued Program Income 12/31/99:

- (1) **Semimonthly premiums:** Show the accrued subscription income not transferred to your LOC account as stated on Enclosure A.
- (2) **Interest:** Show the accrued interest not transferred to your LOC account as of December 31, 1999.

d. Total program income: The total of lines a, b, and c.

e. Carrier Interest Income: Show on line 1e the amount of interest earned with FEHBP funds held other than the (LOC) account for the current period. Attach a detailed schedule showing the development of interest earned. Do not include interest earned on the Letter of Credit (LOC) account.

f. Total Carrier Income: Line d plus line e.

Instructions for Preparing:

SUMMARY STATEMENT continued:

2. HEALTH BENEFIT CHARGES:

- a. **Paid:** This amount should agree with the "Total" in Part D of the Supplemental Schedule of Health Benefits Charges Paid.
- b. **Accrued but Unpaid:**
 - (1) **Beginning:** Line 2 of Enclosure A shows the ending health benefits charges accrual reported on your December 31, 1998 report. These amounts should be the beginning accrual for the current reporting period shown on line 2b
 - (2) **Ending:** Show on line 2b(2) the health benefits charges incurred but unpaid as of December 31, 1998.
- c. **Total:** The sum of lines 2a, 2b(1) and 2b(2).

3. Administrative Expenses: If your plan has high and standard options, show the basis and amounts used for prorating administrative expenses between the two options.

- a. **Paid:** Should agree with the amount stated on the Statement of Cash Flows.
- b. **Accrued but Unpaid:**
 - (1) **Beginning** Show on line 3b (1) the amount of accrued administrative expenses as shown on your prior year's annual accounting statement.
 - (2) **Ending** Show on line 3b (2) the amount of accrued administrative expenses as of December 31, 1999.
- c. **Total:** Line 3a minus line 3b (1) plus line 3b (2). This should agree with the total amount shown on the Supplemental Schedule of Administrative Expenses.

4. OTHER EXPENSES AND RETENTIONS:

- a. **State Statutory Reserve** Report the amount necessary to satisfy state requirements for mandatory statutory reserves if your contract provides for such a charge. Attach a supporting schedule showing in detail the calculation of the required reserve amount and citation to specific state statutes. If there is no requirement, enter zero.

Instructions for Preparing:

SUMMARY STATEMENT continued:

- b. Reinsurance Expenses Report the amount of reinsurance expenses, if applicable, incurred in contract year 1999. Attach a supporting schedule showing the development of your reinsurance expenses and the basis for this charge.
- c. Service Charge Report the amount of service charge allowed under the provisions of your 1999 contract.
- d. Other expenses not listed above If this item totals to a material amount, the composition of this charge must be explained in a footnote.
- e. Total The sum of 4a through 4d.

5. CHANGES TO SPECIAL RESERVE:

- a. Special Reserve – Beginning Show on line 5a the amount of the prior year ending Special Reserve balance (line 3, Enclosure A).
- b. Gain (Loss) on Operations Show the total Carrier Income (line 1f), less Health Benefits Charges (line 2C), less Administrative Expenses (line 3c), less Other Expenses and Retentions (line 4e).
- c. Prior Period Adjustments Please provide separate schedules for adjustments made to the current year's report as a result of OPM audits and adjustments made from carrier financial records. A consolidated schedule combining these amounts should also be prepared. The total shown on the consolidated schedule, should agree with line 5c, of the Summary Statement. All OPM related prior period adjustments should show the amount of adjustment by year and identify the OPM audit report number. Also reference the date of the adjustment and the audit finding.
- d. Contingency Reserve Payments Show on line 5d the amount transferred from the contingency reserve to the Letter-of-Credit (LOC) during 1999 as show on Enclosure A.
- e. Return of Excess Reserves Show on line 5e the amount of excess reserves withdrawn from your LO account and transferred to the contingency reserve during 1999 as shown on Enclosure A.
- f. Other Show on line 5f any transfers or other additions or subtractions to the special reserve during 1999.
- g. Special Reserve – Ending Show the total of lines 5a, b, c, d, e f.

- 6. STATUS OF RESERVES:** Show on this line the excess or (deficiency) of your total reserves as of December 31, 1999.

All reports and schedules must be supported by your plans' accounting and statistical records.

Carrier Name: _____

Code _____

**FEHBP BALANCE SHEET
DECEMBER 31, 1999 AND 1998**

1996

1995

ASSETS

Cash and Cash Equivalents

Balance in Letter of Credit (LOC) Account

Interest Income Receivable

Program Income Receivable

Prepaid Expenses

Other Expenses

TOTAL ASSETS

LIABILITIES

Health Benefits Accrued but Unpaid

Accrued Administrative Expenses and Retentions

Other Accrued Liabilities

Special Reserve

TOTAL LIABILITIES WITH SPECIAL RESERVE

See accompanying notes to financial statements.

Instructions for Preparing:

The FEHBP BALANCE SHEET

ASSETS

Cash and Cash Equivalents. The ending cash and cash equivalents balance as of December 31, 1999.

Balance in Letter of Credit Account. The balance in the LOC account as of December 31, 1999.

Interest Income Receivable. All accrued interest income from bank accounts or short-term investments maintained for payment of FEHBP expenses as of December 31, 1999. Do not include accrued interest from the Letter of Credit (LOC) account.

Program Income Receivable. The ending accrued semimonthly premiums and (LOC) account interest as shown on Enclosure A.

Prepaid Expenses. The prepaid expenses as of December 31, 1999.

Other Assets. All other assets not previously classified. If this line item aggregates to an amount that is material, its composition must be disclosed in a footnote.

LIABILITIES

Health Benefits Accrued but Unpaid. The ending health benefits charges accrued but unpaid from line 2b(2) of the Summary Statement.

Accrued Administrative Expenses. The total accrued administrative expenses as of December 31, 1999.

Other Accrued Liabilities. The total accrued other expenses and retentions as of December 31, 1999. If this line item aggregates to an amount that is material, its composition must be disclosed in a footnote.

Special Reserve. The ending Special Reserve from the Statement of Operations.

Note: The Balance Sheet should be prepared in accordance with the special purpose financial statements required by the U.S. Office of Personnel Management. This is a comprehensive basis of accounting other than generally accepted accounting principles.

Carrier Name _____

Code _____

**STATEMENT OF OPERATIONS
FOR THE YEARS ENDED
DECEMBER 31, 1999 and 1998**

	<u>1999</u>	<u>1998</u>
REVENUE:	\$	\$
Letter of Credit (LOC) Authorizations		
Net Investment Income		
Total Revenue	\$	\$
BENEFITS AND EXPENSES		
Health benefit Charges	\$	\$
Administrative Expenses		
State Statutory Reserve		
Reinsurance Expenses		
Service Charges		
Other		
Total Benefits and Expenses	\$	\$
GAIN (LOSS) FROM OPERATIONS	_____	_____
Special Reserve Beginning of Year		
Gain (Loss) from Operations		
Return of Excess Reserves		
Contingency Reserve Payments		
Other		
Special Reserve End of Year	\$	\$
	_____	_____

See accompanying notes to financial statements.

Instructions for Preparing:

STATEMENT OF OPERATIONS

Enclosure A of the covering letter shows the letter of Credit (LOC) authorizations and reductions recorded by OPM for your plan during 1999. This information must be used to prepare your report. Please compare this information and your records and notify Samuel Arsers of the Benefits Accounting Branch on (202) 606-4186 or Melanese Matthews on (202) 606-4498 of any differences.

REVENUE:

Letter of Credit Authorizations:

Show the total 1999 semimonthly premium authorizations as stated on Enclosure A.

Net Investment Income:

Show the 1999 interest credited to the LOC account as stated on Enclosure A plus investment interest earned on funds held by the carrier, if applicable.

Total Revenue:

Letter of Credit Authorizations plus Net Investment Income.

BENEFITS AND EXPENSES:

Health Benefits Charges: Show the amount paid for health benefit charges during contract year 1999.

Administrative Expenses: Your contract with OPM provides for allowable charges to the Federal Employee Health Benefits Program based on an administrative expense formula for contract year 1999. This formula is stated in Appendix B of your 1999 contract amendment.

State Statutory Reserve: Report the amount necessary to satisfy State requirements for mandatory statutory reserves. Attach a schedule showing in detail the calculation of the required reserve amount and citation to specific state statutes.

Reinsurance Expenses: Reports the amount of reinsurance expenses, if applicable, incurred in contract year 1999. Attach a schedule showing the development of your reinsurance expenses and the basis for this charge.

Instructions for Preparing

STATEMENT OF OPERATIONS continued

Service Charges Show the 1999 allowable service charge as stated on Appendix B of the 1999 contract amendment.

Other Show all other expenses not previously listed. If this item totals to an amount that is material, its composition must be disclosed by a footnote.

Total Benefits and Expenses

GAIN (LOSS) FROM OPERATIONS

Special Reserve Beginning of Year Show the ending special reserve from the prior year's annual accounting statement.

GAIN (Loss) from Operations Total revenue minus total benefits and expenses.

Return of Excess Reserves Show the amount of excess reserves withdrawn from your LOC account and transferred to the contingency reserve during 1999 as shown on Enclosure A.

Contingency Reserve Payments Show the contingency reserve payment(s) authorized to the LOC account during 1999 as shown on Enclosure A.

Other Show all other additions or subtractions not classified. If this item totals to an amount that is material, its composition must be disclosed by a footnote.

Special Reserve at End of Year The beginning Special Reserve plus or minus adjustments made during contract year 1999.

Carrier Name _____

Code _____

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED
DECEMBER 31, 1999 and 1998**

CASH FLOWS FROM OPERATIONS ACTIVITIES	<u>1999</u>	<u>1998</u>
Net Gain (Loss)	\$	\$
Adjustments to Reconcile Net Gain to Net Cash Provided by (used in) Operating Activities		
(Increase) Decrease in Assets	\$	\$
Letter of Credit Account Program Income Receivable Interest income Receivable	\$	\$
Total Benefits and Expenses	\$	\$
GAIN (LOSS) FROM OPERATIONS	_____	_____
Special Reserve Beginning of Year		
Gain (Loss) from Operations		
Return of Excess Reserves		
Contingency Reserve Payments		
Other		
Special Reserve End of Year	\$	\$
	_____	_____

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS (Continued from previous page)

CASH FLOWS FROM INVESTMENT ACTIVITIES

Proceeds from Sale Investments	\$	\$
Payments for Purchase of Investments	\$	\$
Net Cash Provided by Investing Activities	\$	\$
	<hr/>	<hr/>

NET INCREASE IN CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents at the Beginning of Year	\$	\$
Cash and Cash Equivalents at the End of Year	\$	\$
	<hr/>	<hr/>

See accompanying notes to financial statements.

Instructions for Preparing:

**STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 1999
AND 1998**

CASH FLOWS FROM OPERATIONS ACTIVITES:

Net Gain (Los): Show the net gain or (loss) from the Statement of Operations.

**Adjustments to Reconcile Net Gain (Loss) to Net Cash Provided by (used in)
Operating Activities.**

Prior Period adjustments and other adjustments as shown
On the Statement of Operations.
Contingency Reserve Payments
(Withdrawal of Excess Reserves)

(Increase) Decrease in Assets:

Letter of Credit Account
Program Income Receivable
Interest Income Receivable
Prepaid Expenses
Other Assets

Increase (Decrease) in Liabilities:

Health Benefits Charges Accrued but Unpaid
Accrued Administrative Expenses
Accrued Service Charge
Other Accrued Liabilities

TOTAL ADJUSTMENTS:

Net Cash Provided by Operating Activities:

The total net gain or (loss) plus total adjustments

CASH FLOWS FROM INVESTMENT ACTIVITES

Proceeds from Sale of Investments Present the sum of the proceeds received from the redemption of financial assets such as Treasury Bills, Repurchase Agreements, Certificates of Deposit, and Money Market Securities.

Instructions for Preparing:

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998 continued:

Payments for Purchase of Investments: Present the sum of disbursements made to acquire Treasury Bills, Repurchase Agreements, Certificates of Deposit, and Money Market Securities.

Net Cash Provided by Investing Activities: Proceeds from the sale of investments minus payments for purchase of investments.

NET INCREASE IN CASH AND CASH EQUIVALENTS

Net Cash Provided by Operating Activities plus or minus
Net Cash Provided by Investing Activities.

Cash and Cash Equivalents at Beginning of year: From the 1998 FEHBP Balance Sheet.

Cash and Cash Equivalents at end of Year: Net increase (decrease) in cash and cash equivalents plus or minus cash and cash equivalents at the beginning of the year.

Carrier Name _____

Code _____

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 1999 AND 1998**

Carrier Name _____ Code _____

**SUPPLEMENTAL SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

ADMINISTRATIVE EXPENSES	1999	1998
Rent		
Salaries		
Employee Benefits		
Furniture and Equipment		
Maintenance		
Equipment Rental		
Printing, Stationery and Supplies		
Travel		
Postage		
Telephone & Telegraph		
Auditing Services		
Legal Services		
Consulting & Professional		
Payroll Taxes		
Utilities		
Insurance		
LOC Bank Charges		
Internal Cost Containment		
Other		
Total		
Contract Limitation		
Vendor Cost Containment		
IPA Audit Fees		
TOTAL CHARGED TO CONTRACT		

See accompanying independent auditors' report.

DOD PROJECT

Carrier Name _____ **Code** _____

**SUPPLEMENTAL SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDING DECEMBER 31, 1999**

ADMINISTRATIVE EXPENSES **1999**

Rent
Salaries
Employee Benefits
Furniture and Equipment
Maintenance
Equipment Rental
Printing, Stationery and Supplies
Travel
Postage
Telephone & Telegraph
Auditing Services
Legal Services
Consulting & Professional
Payroll Taxes
Utilities
Insurance
LOC Bank Charges
Internal Cost Containment
Other
Total

Instructions for Preparing:

SUPPLEMENTAL SCHEDULE OF ADMINISTRATIVE EXPENSES

Show your Plan's total expenses, by object class. A separate schedule should be submitted for each entity of your Plan, i.e.: Organization and/or Underwriter, where applicable. The Total Charged to Contract should be shown on the Statement of Operations.

If your plan has two options, attach a supporting schedule showing the basis and statistical data used for prorating administrative expenses between options, e.g., number of claims paid, or other units of work performed.

Carrier's that are participating the Department of Defense Demonstration Project must report the administrative expenses incurred during 1999 on a separate schedule.

NOTE

A supplemental schedule is provided for a detailed break-down of the item "other expenses".

A supplemental schedule is provided for a detailed break-down of the item "Vendor Cost Containment Expenses". The total vendor cost containment expenses charged should be carried forward to the Supplemental Schedule of Administrative Expenses.

This requirement is for Fee FEE FOR SERVICE PLANS only.

VENDOR COST CONTAINMENT EXPENSES

Carrier Name _____

Code _____

Underwriter Name _____

HIGH OPTION

STANDARD OPTION

ITEM

PPO

Pre-certification _____

Second Surgical Option _____

Case Management _____

Prescription Benefit Manager _____

Other (list) _____

Total Expenses _____

Total Charged to Contract* _____

- Total charges should be carried forward to Supplemental Schedule of Administrative Expenses.

Carrier Name _____ Code _____

**SUPPLEMENTAL SCHEDULE OF STATUS OF RESERVES
AS OF DECEMBER 31, 1999**

High Option _____
Stan Option _____

1. Reserves Held by Carrier

- a. Ending Special Reserve Balance \$ _____
- b. Ending Accrued but Unpaid Health Benefits Charges \$ _____
- c. Total. (line 1a, plus line 1b) \$ _____

2. One Month's Average Expenses

- a. One Month's Average Claims Paid:

Claims paid-last six months of 1999:

July	\$ _____	
August	_____	
September	_____	
October	_____	
November	_____	
December	_____	
Total	\$ _____	x 1/6

\$ _____

- b. One Month's Average Administrative Expenses and Retentions
(Statement of Operations x 1/2) \$ _____
- c. Total One Month's Average Expenses. (Line 2a, plus line 2b) \$ _____

3. Target Level of Carrier-Held Reserves. (line 2c x 3.5) \$ _____

4. Status of Reserves:

- d. Excess Reserve (If the amount on line 1c is greater than the amount in line 3,
enter the difference here) \$ _____
- b. Deficiency of Reserves (If the amount on line 3 is greater than line 1c
enter the difference here) \$ _____

See accompanying independent auditors' report.

Instructions for preparing:

SUPPLEMENTAL SCHEDULE OF STATUS OF RESERVES

NOTE: If your plan has more than one option, this schedule must be prepared for each option.

Definitions (per 5 CFR 890)

1. **Target Level of Carrier-Held Reserves** – 305 times an amount equal to the sum of an average month's paid claims plus an average month's administrative expenses and retentions.
2. **Average Month's Paid Claims** – 1/6 of the total claims paid during the last 6 months of the most recent contract period.
3. **Average Month's Administrative Expenses and Retentions** – 1/12 of the total administrative expenses and retentions paid during the last twelve months (line 3c. plus line 4e. of the summary statement times 1/12.
4. **Excess Reserves** – The amount by which the total of all reserves held by a plan as of the end of a contract period exceed the plan's target level. (line 1c – line 3.)
5. **Deficiency of Reserves** – The amount by which the plan's target level of reserves exceeds the reserves held at the end of a contract period (line 3 – line 1c).

Line 1a. **Ending special Reserve Balance:** The ending Special Reserve as shown on line 5g of the Summary Statement.

Line 1b. **Ending Accrued but Unpaid Health Benefits Charges:** The ending accrued claims reserve as shown on line 2b (2) of the Summary Statement.

Line 1c. **Total:** Line 1a plus line 1b.

Line 2a. **One month's average claims paid:** One sixth of the total claims paid in the last six months of 1999. The monthly totals of claims paid must agree with the amounts shown on the Supplemental Schedule of Health Benefits Charges Paid.

Line 2b. **One month's average administrative expenses and retentions:** The total administrative expenses and retentions as shown on the Summary Statement. (Line 3c plus Line 4e divided by 12).

Line 2c. **Total:** Line 2a plus line 2b.

Line 3. **Target Level of Carrier-Held Reserves:** (Line 2c multiplied by three and one-half).

Instructions for preparing:

SUPPLEMENTAL SCHEDULE OF STATUS OF RESERVES (continued):

Line 4. Status of Reserves:

- a. Enter the amount by which line 1c exceeds line 3. This is the amount of "excess reserves" reported by your plan on the annual accounting statement that will be withdrawn from your Letter-of-Credit (LOC) account and transferred to the contingency reserve. If the annual accounting statement is not filed by March 31, 2000 OPM may estimate the amount of excess reserves and transfer this amount from the LOC account to the contingency reserve.

- b. Enter the amount by which line 3 exceeds line 1c. This is the amount of your "deficiency of reserves". If the balance in your contingency reserve is above the preferred minimum amount, payments may be made available to your LOC account based on a preliminary review of your 1999 annual accounting statement.

Carrier _____ Code _____

High Option _____
 Stan Option _____

**SUPPLEMENTAL SCHEDULE OF HEALTH BENEFIT CHARGES PAID
 FOR THE YEAR ENDED DECEMBER 31, 1999**

PART A – Monthly Claims Paid

MONTH	AMOUNT PAID DURING 1999	YEAR INCURRED		
		1999	1998	1997 - PRIOR
January	\$	\$	\$	\$
February				
March				
April				
May				
June				
July				
August				
September				
October				
November				
December				
Total	\$	\$	\$	\$

PART B – Number of Claims Paid

	YEAR INCURRED		
	1999	1998	1997 - PRIOR
TOTAL			

(Continued Next Page)

SUPPLEMENTAL SCHEDULE OF HEALTH BENEFIT CHARGES PAID FOR THE YEAR ENDED DECEMBER 31, 1999 (Continued from previous page)

PART C – Types of Claim Paid

TOTAL	HOSPITALIZATION	PHYSICIANS	DRUGS	OTHER

PART D – Reconciliation of Health Benefit Charges Paid

Total Claims Paid from Part A (<i>above</i>)	\$ _____
Less: Reinsurance Recovery	\$ _____
Other Adjustments (<i>explain</i>)	\$ _____
TOTAL (Summary Statement)	\$ _____

See accompanying independent auditors' report

Instructions for Preparing:

SUPPLEMENTAL SCHEDULE OF HEALTH BENEFIT CHARGES PAID

Part A: Monthly Claims Paid

Report in the first column the amount of health benefit charges paid in each month. In the second, third and fourth columns, show a breakdown of the amount reported in the first column by the year incurred.

Part B: Number of Claims Paid

Self explanatory. You may show the number of claim checks issued if you are unable to provide the number of claims paid. Please explain in detail your methodology for tabulating the number of claims paid.

Part C: Types of Claims Paid

If possible, separate claims paid into hospitalization, physicians, drugs and other claims.

Part D: Reconciliation of Health Benefit Charges Paid

Self explanatory.

NOTE:

With the year-end balancing and reconciliation process, the Office of the Inspector General (OIG) requires that each carrier prepare a computer tape (s) with back-up of their paid claim history for contract year 1999. This tape (s) must support the claims paid figure on the annual accounting statement Schedule 1, Part A before the reconciliation performed in Part D. Each carrier will maintain the computer tape (s) as a part of their financial records. The Office of the Inspector General will request these tapes as a part of their periodic audits.

**SUPPLEMENTAL SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 1999**

AUDIT NUMBER AND ASSOCIATED YEAR:

\$ _____

TOTAL

\$ _____

EXPERIENCE – RATED CARRIERS

CHECKLIST OF DOCUMENTS TO BE SUBMITTED

FINANCIAL REPORTING (due no later than March 31, 2000)

**SUMMARY STATEMENT
FEHBP BALANCE SHEET
STATEMENT OF OPERATIONS
STATEMENT OF CASH FLOWS
NOTES TO FINANCIAL STATEMENTS
SUPPLEMENTAL SCHEDULE OF ADMINISTRATIVE EXPENSES
SUPPLEMENTAL SCHEDULE OF STATUS OF RESERVES
SUPPLEMENTAL SCHEDULE OF HEALTH BENEFITS CHARGES PAID
SUPPLEMENTAL SCHEDULE OF AUDIT FINDINGS**

SUPPORTING SCHEDULES:

Other Expenses
Cost Containment Expenses (Fee-for-Service Plans only)

Additional Required Financial and Statistical Information:

- a. the detailed method for developing the estimate of the accrued but unpaid Health Benefits Charges.
- b. statistical data used for allocating administrative expenses by line item.
- c. statistical data used for prorating expenses between options (high/standard option plans only).
- d. development of the investment income earned and credited to the FEHBP including an explanation of the allocation method used.
- e. calculation of the State Statutory Reserve payment.
- f. development of the reinsurance expenses factor.

ALL FINANCIAL REPORTS MUST BE SUPPORTED BY YOUR PLAN'S ACCOUNTING RECORDS