
FEHB Program Carrier Letter

Health Maintenance Organizations (new)

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

Letter No. 2001-11(b)

Date: April 18, 2001

SUBJECT: Technical Guidance for 2002 Benefit and Service Area
Proposals -- New HMOs

This letter provides additional guidance on benefit changes, instructions for submitting benefit proposals, and instructions for service area proposals for the upcoming contract term (January 1 through December 31, 2002). You must propose benefit changes according to carrier letter 2001-09, *Call Letter for Contract Year 2002*, dated April 10, 2001.

This letter has three parts:

- Part One - Preparing Your Benefit Proposal
- Part Two - Changes in Service Area Since You Applied to the FEHB Program
- Part Three - Benefit Requirements for Newly-Approved HMOs

Remember that brochure language that accompanies and describes your benefit proposals must be in plain language and received by your OPM contract specialist by May 31, 2001.

We sent rate instructions in Carrier Letters 2001-08 (for experience-rated plans) and 2001-10 (for community-rated plans). Keep in mind that FEHB rate submissions are the cornerstone of our financial relationship with HMOs. We may audit your FEHB rates and their supporting documentation to ensure they are accurate and reasonable. If you misrepresent your FEHB Program rates, we may take criminal or civil legal actions against the carrier or its officials. We, with the support of the Inspector General's Office and the Justice Department, will aggressively pursue any misrepresentation.

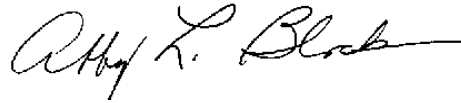
Policies established in prior years remain in effect unless we say otherwise. See Part Three of this letter for details. We will not consider proposals that are contrary to policy.

In keeping with the spirit of the call letter, we remain extremely price sensitive. Although we do not limit HMOs to zero cost benefit tradeoffs, we prefer that benefits remain consistent with your community package.

Our experience is that a plan with less than four years experience in the FEHB Program is most at-risk for dropping out of the Program. Newer plans that drop out are more likely to cite insufficient FEHB enrollment as the reason for no longer wishing to participate. The FEHB Program is a mature, managed care market. Your ability to differentiate yourself in terms of pricing, benefits, service, or provider panel will go a long way in determining your Program success. Keep your lines of communication open with your OPM contract specialist. Don't

hesitate to call if you have any questions about the call letter or the material enclosed in this letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Abby L. Block". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Abby L. Block
Assistant Director
for Insurance Programs

(New HMOs)