

COST ACCOUNTING STANDARDS - WAIVER

The Federal Acquisition Regulation 30.201-5 (b) (2) permits the head of an agency to waive the Cost Accounting Standards (CAS) for a particular contract or subcontract when necessary to meet the needs of the agency. The U.S. Office of Personnel Management (OPM) has determined that there are sufficient reasons to grant a waiver for certain health plans under the Federal Employees Health Benefits (FEHB) Program. OPM has determined that these health plans cannot adequately comply with CAS and that the FEHB Program already has adequate financial requirements to protect the interests of the Government.

This determination is based on the following:

OPM has had statutory oversight and regulatory requirements in place for 40 years. OPM has cost accounting requirements in its Federal Employees Health Benefits Acquisition Regulations, which supplement the Federal Acquisition Regulation. FEHB carriers are required to file annual accounting statements signed by a certified public accountant and certified by the carrier's Chief Executive Officer and Chief Financial Officer, as well as a responsible corporate official of the underwriter. OPM's contracting health carriers and their third party servicing agents must adhere to financial and related standards, comply with an FEHB Program audit guide, and submit to audits by Independent Public Accountants.

OPM has contracted with the carriers from between twenty to forty years and holds extensive data on each carrier. Their existing systems are and have been their benchmarks. Disclosure statements would be superfluous and not cost effective. The OPM Office of the Inspector General audits health carriers on a regular basis. Carriers' contract rates are negotiated annually and are subject to adjustment for audit findings.

FEHB carriers keep only a minimal amount of FEHB funds on hand – the equivalent of two days' float – because of a Letter of Credit arrangement OPM has with them. Health insurance carriers are subject to State regulatory authorities and must meet State statutory reserve requirements in order to conduct business.

Many FEHB carriers are required to submit to State rate setting procedures. The health carriers' insurance industry operations and cost accounting practices are inconsistent with CAS requirements. The application of CAS to these carriers would represent an unacceptable administrative burden on some carriers.

Program costs would increase if health carriers determine they would need to develop discrete new accounting systems for their Federal group contracts.

Some carriers would terminate their Federal contracts, which could significantly reduce the choice of health plans in our model competitive Program.

The potential risk to the FEHB Program of waiving CAS requirements is nonexistent due to Program controls already in place.

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This FEHB Program waiver is effective October 1, 2002 and applies to:

<u>Full CAS Coverage</u>	<u>Modified CAS Coverage</u>
<ul style="list-style-type: none">• CS 1039 - Blue Cross and Blue Shield Association• CS 1370 - American Postal Workers Union, AFL-CIO• CS 1065 - Government Employees Health Association• CS 1066 - The Association of Retirees of the Panama Canal Area• CS 1062 - American Foreign Service Protective Association• CS 1063 - Government Employees Hospital Association, Inc. (GEHA)• CS 1146 - National Postal Mail Handlers Union• CS 1067 - National Association of Letter Carriers• CS 1071 - National League of Postmasters of the U.S.• CS 1073 - National Rural Carriers Association• CS 1074 - Special Agents Mutual Benefit Association• CS 2514 - Blue Cross - HMO• CS 1056 - Group Health Incorporated• CS 1951 - HMO Blue Texas• CS 2087 - HMO Blue Texas• CS 1058 - Hawaii Medical Service Association• CS 1090 - Triple - S, Inc.• CS 1659 - Health Maintenance Plan (HMP)	<ul style="list-style-type: none">CS 1164 - National Alliance of Postal and Federal EmployeesCS 2276 - U.S. Secret Service Employees Health Association• CS 2839 - Altius Health Plans• CS 2863 - Avera Health Plans• CS 2639 - Blue Shield of California Access+• CS 2838 - HMO Missouri, Inc. dba BlueCHOICE• CS 1983 - Coventry Health Care of Iowa, Inc.• CS 1980 - Health Alliance Medical Plans, Inc.• CS 1767 - KPS Health Plans• CS 2834 - Mercy Health Plans/Premier Health Plans• CS 2842 - OPTIMA Health Plan• CS 1662 - Rocky Mountain HMO


Kay Coles James
Director

Sept. 11, 2002
Date