
FEHB Program Carrier Letter

All FEHB Carriers

U.S. Office of Personnel Management
Healthcare and Insurance

Letter No. 2012-23

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Fee-for-Service [19] Experience-rated HMO [19] Community-rated [21]

SUBJECT: Offshore Contracting

This letter provides (1) OPM's requirements for carriers that engage in offshore subcontracting and (2) notification of the scope and focus of future OPM audits where carriers' surrogates use protected health information offshore.

Offshore contracting is of serious interest to OPM as we seek to maintain customer confidence and control risk in FEHB enrollee records management. Offshore contracts fall into three general types: 1) health plan is based in the United States and conducts its contracted function offshore, 2) health plan is based offshore and conducts the contract offshore, and 3) health plan subcontracts with another company that conducts the contracted function offshore. There are a variety of activities and services under offshore contracts. The following are common examples: call center services regarding eligibility, benefits and claims; resolution of information on applications and claims; claims processing and / or data entry; IT services (e.g., application and software development, maintenance, testing and support); member / patient surveys; overpayment recovery services; dispute resolution and claims adjustment; enrollment reconciliation; imaging and records management; and miscellaneous management services such as quality assurance, enrollment and coverage eligibility, and security analysis services.

Our November 8, 2011 e-mail to carriers on this topic underscored some important issues for using and disclosing protected health information (PHI), and asked for feedback from the carrier community on best practices in managing foreign based contracts. We have now received and appreciate your thoughtful feedback.

We believe our ongoing audit process is an important mechanism for ensuring strong oversight of carrier activities, including carrier management of the risk of disclosure of FEHB enrollee PHI posed by offshore contracting. We require carriers that engage in offshore contracting to provide documentation in future field audits to include, but not necessarily be limited to the following:

- Notify OPM of what you require currently for the offshore contractors with regard to HIPAA and the Health Information Technology for Economic and Clinical Health (HITECH) Act.
- Assess privacy practices when selecting a vendor.
- Routinely monitor privacy practices.
- Complete a risk assessment related to PHI/PII.
- Notify OPM of all PHI/PII breaches.
- Define the penalties for intentional disclosure of PHI/PII.

- Maintain documentation to support that they have done, and are doing, these activities for offshore contracts (for our audit). Define the penalties for intentional disclosure of PHI/PII.

We are seeking assurances that the provisions of HIPPA dealing with the security and privacy of health data under FEHB are being adhered to under any foreign based contracts you may have. We expect future audits to test the reasonableness of your policies and practices in safeguarding PHI within all offshore contract functions that include FEHB Program enrollees.

Sincerely

John O'Brien
Director
Healthcare and Insurance