

# FEHB Program Carrier Letter

## Community-rated Carriers

U.S. Office of Personnel Management  
Healthcare and Insurance

Letter No. 2016-06

Date: April 5, 2016

Fee-for-service [ n/a ] Experience-rated HMO [ n/a ] Community-rated HMO [6]

### SUBJECT: Reconciliation Instructions for 2016 Rates -- Community-Rated Carriers

This letter represents Part 3 of our rate guidance for 2016 rates. You received “Part 1 – Community Rating Guidelines 2016” and “Part 2 – 2016 Proposal Instructions” on May 8, 2015. Most community rated carriers must complete some or all of the attached documents (Attachments III, IV, V and VI) to reconcile their 2016 Federal rates. To determine which documents apply to your plan, please use the following chart:

Step	If...	Then...
1.	Your 2015 income from the Federal group was <u>less than</u> \$700,000.	Stop here. You do not need to complete the enclosed documents. If your 2016 rates were reduced to generate a contingency reserve payment, it will be sent automatically in the summer.
2.	You are a small carrier whose 2015 income from the Federal group was more than \$700,000 and you did not file rates as a large carrier.*	You must complete Attachments III, IIIA, IIIB, and V and keep them on file and available for OPM review. <b>These documents are subject to audit.</b>
3.	<ul style="list-style-type: none"> <li>✓ You had more than 1,500 contracts at the time of the 2016 rate proposal, or</li> <li>✓ You are a small carrier that filed as a large carrier by submitting detailed documentation with your rate proposal.</li> </ul>	<p>Visit <a href="http://www.opm.gov/FehbTools/Rates/">www.opm.gov/FehbTools/Rates/</a> for instructions on how to submit Attachments III through VI by <b>April 30, 2016.</b></p> <p>Any documents which cannot be uploaded can be mailed to:</p> <p style="padding-left: 40px;">Office of the Actuaries Office of Personnel Management 1900 E Street NW; Room 4316 Washington, DC 20415</p>

\* If you are a small carrier with Federal group income over \$700,000 in the year previous to your terminating year, you must complete Attachments III, IIIA, IIIB and V for the final year and keep them on file and available for OPM review. You must notify OPM of any amount owed or due as a result of the final reconciliation by April 30 of the terminating year or within 30 days of your notice to OPM of your termination, whichever is later.

All carriers (except those with income less than \$700,000 from the Federal group in 2015) must complete the Reconciliation Questionnaire (Attachment IIIB) as indicated by the following table.

<b>If you use...</b>	<b>Then you must complete...</b>
Traditional Community Rating	Sections IIIB (1),(2),(3)
Community Rating by Class	Sections IIIB (1),(4)
Adjusted Community Rating	Sections IIIB (1),(5)

**When completing your 2016 reconciliation, please refer to “Part 1 – Community Rating Guidelines 2016” which you received with the 2016 Proposal Instructions on May 8, 2015.**

If you have questions about the rate reconciliation process, please contact the Office of the Actuaries at (202) 606-0722, or send an e-mail to [actuary@opm.gov](mailto:actuary@opm.gov) with a copy to your Contract Specialist.

This year’s reconciliation instructions and attachments are being e-mailed to you as word documents. **Please visit [www.opm.gov/FEHBTOOLS/RATES/Carriers/Index.aspx](http://www.opm.gov/FEHBTOOLS/RATES/Carriers/Index.aspx) for instructions on how to submit your completed forms.** Please send any documents which cannot be uploaded by overnight delivery.

Sincerely,

John O’Brien  
Director  
Healthcare and Insurance

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## Attachment III

**For contract years beginning on or after January 1, 2009, a final rate reconciliation must be performed for any carrier terminating its contract with the FEHB.**

**If you are a large carrier or a small carrier which filed as a large carrier, you must submit reconciliation documents (Attachments III – VI) by April 30 of the terminating year.**

**If you are a small carrier with Federal group income over \$700,000 in the year previous to your terminating year, you must complete Attachments III, IIIA, IIIB and V for the final year and keep them on file and available for OPM review. You must notify OPM of any amount owed or due as a result of the final reconciliation by April 30 of the terminating year or within 30 days of your notice to OPM of your termination, whichever is later.**

**Any amount owed to OPM must be paid promptly by the carrier. Any amount owed to the carrier will be paid by OPM, limited to the amount available in the contingency reserve as of December 31 of the terminating year.**

OPM requires an annual reconciliation be performed because most carriers estimated their rates at the time of proposal. Rates must be recalculated based on each carrier's **actual** 2016 community rates to determine if money is due the carrier or OPM. For carriers that are state-mandated to rate FEHB with Traditional Community Rating (TCR), in reviewing the reconciliation, one of the most significant processes for the FEHB is to examine the rate development of Similarly-Sized Subscriber Groups (SSSGs). **The information about SSSGs contained in this document does not apply to carriers who are not state-mandated to TCR.**

### **Reminders:**

You must follow your community rated methodology used for large groups to rate FEHB. When you submit your reconciliation, please include documentation of your methodology that supports your rate buildup.

### **Affordable Care Act (ACA) Fees**

If a community rated carrier's rating methodology includes adding a load for the Transitional Reinsurance fee, the Health Insurance Provider's fee, or the Patient-Centered Outcomes Research Institute Fee, the carrier is allowed to include these fees in the rate build up for FEHB in accordance with the carrier's documented methodology. If a carrier does not load the rate for other groups subject to the fees, the carrier cannot load the FEHB rate. Please see Carrier Letter Number 2013-15 Transitional Reinsurance Program Fee under the Affordable Care Act, Carrier Letter Number 2013-14 Health Insurance Providers Fee under the Affordable Care Act, and Carrier Letter Number 2013-03 Patient-Centered Outcomes Research Institute Fee for more information.

Carriers are not required to make Transitional Reinsurance fee payments for individuals who are enrolled in any part of Medicare if Medicare is the primary payer of services for those individuals. A carrier's loading must be adjusted to recognize that the fee is not applicable for those FEHB members where Medicare coverage (Part A, Part B, or both) is primary.

If any ACA fee is not applicable to an FEHB member, the loading must be adjusted accordingly.

## Attachment III

### **Subscriber Enrollment and Contract Renewal Dates**

Group subscriber size for the selected SSSGs in the reconciliation should be determined on the same day as FEHB's subscriber size and based on the most recent enrollment available, but not later than March 31 of the current year.

For the 2016 rate year, the specific guidelines for SSSGs are as follows:

- (1) Subscriber counts for the Federal group and the SSSGs should be based on the latest 2016 enrollment available to the carrier up to March 31, 2016.
- (2) The contract **renewal date** for the SSSGs should be between July 2, 2015 and July 1, 2016.

## Attachment III

### ❖ Attachment III Instructions – Lines 1 – 5 (All Carriers)

If you are providing backup in an Excel file, please keep all of the formulas in the spreadsheet.

#### 1. Actual 2016 FEHB Rates Before Loadings

Complete the Backup Line 1 Form (Attachment III A) on page 13 or attach an equivalent document.

Enter the final Self, Self Plus One, and Self and Family rates from the Backup Line 1 Form on Line 1 of Attachment III.

#### 2. Special Benefit Loadings

If the Special Benefit is offered only to FEHB enrollees and the cost was approved by OPM in the 2016 proposal, it cannot be changed in the reconciliation. Enter the Special Benefit Loading from the 2016 proposal on Line 2 of Attachment III.

If the Special Benefit is a community-rated benefit, complete the Backup Special Benefits Loading Form (Attachment III A) on page 15 and enter the loading on Line 2 of Attachment III.

#### 3. FEHB Rates plus Special Loadings

Add Lines 1 and 2 and enter the sum on Line 3 of Attachment III.

#### 4a. Extension of Coverage

If entitled to the Extension of Coverage Loading, multiply Line 3 by 0.004 (or the same factor used in the proposal) and enter the result on Line 4a of Attachment III.

#### 4b. Medicare Loading

Since most of a carrier's other groups cover retirees through Medicare Advantage Plans or Medicare Supplement Plans, the Medicare Loading adjusts a carrier's premium to provide the correct income for FEHB retirees age 65 and older.

The carrier must calculate the cost of benefits for the Federal annuitants and compare the cost with the income it receives on behalf of these annuitants from OPM and the Centers for Medicare and Medicaid Services (CMS). If a carrier receives more income than the cost of benefits for FEHB retirees age 65 and over, the Medicare Loading should be negative. If the carrier receives less income than the cost of benefits, the loading should be positive.

If Coordination-Of-Benefits (COB) income is received from CMS, it must be considered when calculating the loading. A carrier using a claims-based ACR method will normally not have a Medicare Loading.

If entitled to the Medicare Loading, complete the Backup Medicare Loading Form (Attachment III A) on page 16 or attach an equivalent document.

### Attachment III

If the loading was derived using estimated community rates, recalculate the loading using the actual community rates and the latest Medicare enrollment distribution available. Also, if estimated revenue from CMS was used to derive this loading, recalculate using the CMS approved numbers. **Include a copy of the original derivation so we can easily see the difference between the estimated and actual loading.**

A carrier claiming a Medicare Loading must have appropriate documentation to justify the distribution of its Medicare population submitted in QG8 of the questionnaire.

Enter the loading on Line 4b of Attachment III.

**4c. Subtotal**

Add Lines 3, 4(a), and 4(b) and enter the sum on Line 4c of Attachment III.

**4d. FEIO Approved Premium Underpayment Percent**

Carriers who have applied and been approved by Federal Employees Insurance Operations (FEIO) to receive a Premium Underpayment Loading in the 2016 rates may apply the loading here. On Line 4d enter the approved loading.

**4e. Premium Underpayment Loading [(4c)x(4d)]**

Multiply Line 4c by Line 4d and enter the result on Line 4e of Attachment III.

**5a. Total 2016 FEHB Rates Before Discount**

Add Lines 4(c) and 4(e) and enter the total on Line 5a of Attachment III.

**5b. Discount**

Enter the amount of discount, if any, on Line 5b(i) or Line 5b(ii) of Attachment III. An SSSG discount may be adjusted at the time of reconciliation to reflect the actual discount applied. Other discounts may not be adjusted. Line 5b(i) only applies to carriers that are state mandated to TCR.

## Attachment III

### **Large Carrier Instructions – Lines 6 - 13**

The following instructions apply only to large carriers (or small carriers filing as large carriers). Small carriers should follow the instructions on the following page.

**6. Contract Rates - 2016**

Enter the biweekly, net-to-carrier contract rates agreed to during the summer of 2015 on Line 6 of Attachment III. These rates are not the brochure rates (which are the net-to-carrier rates times 1.04).

**7. Difference**

Subtract Line 6 from Line 5c and enter the result on Line 7 of Attachment III.

**8. March 31, 2016, Enrollment**

PLEASE LEAVE THIS LINE BLANK; it will be completed by OPM's actuarial staff based on the March 31, 2016 semi-annual headcount.

**9. Payment Due Carrier/(FEHB)**

PLEASE LEAVE THIS LINE BLANK; it will be completed by OPM's actuarial staff.

**10. Subtotal Amount Due Carrier/(FEHBP)**

PLEASE LEAVE THIS LINE BLANK; it will be completed by OPM's actuarial staff.

**11. Outstanding Amount Due Carrier/(FEHB)**

PLEASE LEAVE THIS LINE BLANK; it will be completed by OPM's actuarial staff.

**12. Brochure Printing Costs**

Complete the Backup Brochure Printing Costs Form on page 17 and provide backup documentation.

Enter the Total Allowable Costs from the Backup Form on Line 12 of Attachment III.

**13. Total Amount Due Carrier/(FEHB)**

PLEASE LEAVE THIS LINE BLANK; it will be completed by OPM's actuarial staff.

## Attachment III

### **Small Carrier Instructions – Lines 6 - 13**

The following instructions apply only to **small carriers**. Large carriers should follow the instructions on the previous page.

#### **6. Contract Rates - 2016**

Enter the rates on Line C of Attachment I of the original 2016 rate proposal on Line 6 of Attachment III.

#### **7. Difference**

Subtract Line 6 from Line 5c and enter the result on Line 7 of Attachment III.

#### **8. March 31, 2016, Enrollment**

Enter the March 31, 2016, Table 1 enrollment numbers on Line 8; the Table 1 report is the enrollment data the carrier submits to OPM in April.

#### **9. Payment Due Carrier/(FEHB)**

Multiply the amounts on Line 7 by Line 8 and then multiply the result by 26 to achieve a total payment due carrier/(FEHB). Place the result on Line 9.

#### **10. Subtotal Amount Due Carrier/(FEHBP)**

Add the self, self+1, and family amounts on Line 9. Place the result on Line 10.

#### **11. Outstanding Amount Due Carrier/(FEHB)**

This is any amount due the carrier or OPM from previous years. As an example, suppose OPM owed the carrier \$50,000 last year, and the 2016 rates were purposely increased to pay the carrier this debt. In the 2016 rate reconciliation, \$50,000 would be placed on Line 11 of Attachment III.

#### **12. Brochure Printing Costs**

Complete the Backup Brochure Printing Costs Form on page 17 and provide backup documentation. Enter the Total Allowable Costs from the Backup Form on Line 12 of Attachment III.

#### **13. Total Amount Due Carrier/(FEHB)**

Add Lines 10, 11, and 12 and place the result on Line 13 of Attachment III.

The amount on Line 13 will be used to determine 2016 rate adjustments. You will place the 2016 rate adjustments on Line B of your 2017 rate proposal sheet (Attachment I) which will be sent at a later date. An example of how the rate adjustment may be computed is presented below.

#### **Example:**

Assume the amount on Line 13 is \$76,000. A Self, Self Plus One, and Self and Family loading equivalent to \$76,000 must be calculated. Suppose the carrier expects the Federal group enrollment in 2017 to increase by 10 percent over the 2016 enrollment of 200 Self, 300 Self Plus One, and 400 Self

### **Attachment III**

and Family contracts. Then, the adjustment could be \$1.57 Self, \$2.98 Self Plus One, and \$3.62 Self and Family, since:

$$[220 \times \$1.57 \times 26] + [330 \times \$2.98 \times 26] + [440 \times \$3.62 \times 26] \approx \$76,000$$

OPM will allow flexibility in determining the amount of the rate adjustment based on reasonable enrollment assumptions. All assumptions will be subject to audit or verification at a later date. Therefore, all supporting calculations for the Federal group's rates and the SSSG's rates must be kept on file.

## Attachment III

### ❖ Backup Form Instructions

**The presentation of your rate buildup to OPM must represent how you actually build your rates.**

On all Backup forms, please indicate in a step-by-step manner, including calculations, how you got from your starting point (in the TCR and CRC cases, this is usually a capitation rate) to the billed rates. If ACR rating is used, utilization or claims experience data must be included.

Examples on the following pages serve as a guide only. Do not hesitate to elaborate in your presentation. Please be sure to maintain backup documentation for all calculations. This documentation will be subject to audit at a future date. Use additional sheets if necessary. **Carriers using ACR should keep in mind the following is only an example, and more information may be needed to clearly explain the rate process.**

The SSSG Comparison form must be filled out by carriers who are state-mandated to TCR. Other carriers should not fill out the form. In the form, the method by which the billed rates are developed for the SSSG and the Federal group should be illustrated. If the method used for the SSSG differs from that used for the Federal group, explain the difference.

### Attachment III

#### EXAMPLE of SSSG COMPARISON SHEET

	Federal Group	SSSG
1. Group Renewal Date	1-1-2016	1-1-2016
2. Rating Method (a)	TCR	TCR
3. Capitation (b)	\$100.00	\$98.00
4. Other Discounts	1.00	0.99
5. Total Discount (c)	0.99	0.99
6. 1st Level Step-Up Factor (d)	1.30	1.30
7. <b>Self Rates (e)</b>	\$128.70	\$126.13
8. Self+1/Self Ratio	2.40	2.40
9. <b>Self+1 Rates</b>	\$308.88	\$302.71
10. Family/Self Ratio	2.80	2.80
11. <b>Family Rates</b>	\$360.36	\$353.16

(a) If both methods are not the same, explain why.

(b) **IMPORTANT: If these capitation rates are not the same, explain why in QS6.**

(c) **IMPORTANT:** The Federal group receives at least the discount given to the SSSG. In this case, the SSSG received a total discount of 0.99. Therefore the Federal group must receive a discount of at least 0.99. Note: The Federal group can receive a discount larger than the SSSG discount.

(d) Show How Factors Are Derived

(e)  $\$100 \times 0.99 \times 1.30 = \$128.70$

### Attachment III

#### EXAMPLE of Backup Line 1 Form – ACR

This example shows one way you might present your ACR rate development. You should modify this example to fit your particular ACR procedure.

**The method you use to rate FEHB must be documented.** A carrier using ACR must use a method based on utilization data or a prospective method based on actual Federal claims data. The method must be completely and clearly explained. Additional documentation from carriers using ACR, such as, the carrier's documented rating manual, written rating policies and procedures, and/or state-filed rating methodology may be requested. If a carrier does not file or does not have a documented rating manual or methodology, OPM may require the rate development of other groups to establish what rating method the carrier uses in practice.

		Federal Group
a.	Rating Method	ACR
b.	Group Renewal Date	1/1/2016
c.	Experience Period	1/1/2014-12/31/2014
	Claims Incurred through	12/31/2014
	Claims Paid Through	3/1/2015
d.	Claims	\$11,851,200
	Completion Factor*	0.9876
	Completed Claims	
	Before CMS Reimbursement	\$12,000,000
	After CMS Reimbursement	<b>\$10,000,000</b>
e.	Annual Trend**	12.00%
f.	Trend From Experience Period to Renewal Period	25.44%
	Show how you obtained the percentage.	$(1 + .12)^{(24/12)} - 1$
g.	Expected Claims [(d) x [1 + (f)]]	12,544,000
h.	Administration (if different, explain)***	14.00%
i.	Claims + Administration [(g)/(1-(h))]	\$14,586,047
j.	Member Months	100,000
k.	PMPM Rates [(i)/(j)]	\$145.86
l.	First Level Step-Up Factor	1.2
m.	Bi-weekly Self Rates [(l) x (k) x 12/26]	\$80.78
n.	Self+1/Self Ratio	1.9
o.	Self+1 Rates [(m)x(n)]	\$153.48
p.	Family/Self Ratio	2.6
q.	Family Rates [(m) x (p)]	\$210.03
r.	Other Discount	1.26%
s.	Rates After Discount	
	Self	\$79.76
	Self+1	\$151.55
	Family	\$207.38

\* The same set of completion factors should be supported through the documentation of your rating methodology.

\*\* The trend factor should be supported through the documentation of your rating methodology.

\*\*\* The administrative factor should be supported through the documentation of your rating methodology.

**Attachment III**

		<b>RECONCILIATION</b>				
		<b>BIWEEKLY NET-TO-CARRIER RATES (2016 CONTRACT YEAR)</b>				
<b>CARRIER NAME</b>						
<b>STATE</b>		<b>CODE</b>	<b>OPTION</b> (High/Standard/HDHP/CDHP/Basic/Value)			
				<b>SELF</b>	<b>SELF+1</b>	<b>FAMILY</b>
<b>1. Actual 2016 FEHB Rate Before Loadings</b>						
<b>2. Special Benefits Loadings</b>						
	<b>(a)</b>					
	<b>(b)</b>					
<b>3. FEHB Rates Plus Special Loadings</b>						
<b>4. Standard Loadings</b>						
	<b>(a) Extension of Coverage</b> [.004x(3)]					
	<b>(b) Medicare Loading</b>					
<b>4c. Subtotal</b>						
<b>4d. FEIO Approved Premium Underpayment Percentage</b>						
<b>4e. Premium Underpayment Loading</b> [(4c)x(4d)]						
<b>5a. Total 2016 FEHB Rates Before Discount*</b>						
<b>5b. Discount</b>						
	<b>(i) SSSG Discount</b>					
	<b>(ii) Other Discount</b>					
<b>5c. Final 2016 FEHB Rates</b> [(5a) - (5bi) - (5bii)]						
<b>6. Contract Rates - 2016*</b>						
<b>7. Difference</b> ((5c) - (6)) + = Underpayment to Carrier - = Overpayment to Carrier						
<b>8. March 31, 2016, Enrollment</b>						
<b>9. Payment Due Carrier/(FEHB)</b>						
<b>10. Subtotal Amount Due Carrier/(FEHBP)</b>						
<b>11. Outstanding Amount Due Carrier/(FEHB)</b>						
<b>12. Brochure Printing Costs</b>						
<b>13. Total Amount Due Carrier/(FEHB)</b>						

\* These rates are subject to audit in accordance with the carrier's contract with OPM.

**Attachment IIIA - Reconciliation Backup Forms**

**Backup Line 1 Form**

Enter the results on line 1 of Attachment III. If neither of these Forms is appropriate, create/modify a form and place it here. If you are submitting an Excel file, please keep the formulas in the spreadsheet.

<b>Backup Line 1 Form – TCR &amp; CRC</b>	
Beginning Capitation Rates	
Age/Sex Factor	
Total Discount Factor	
Percentage of Self Contracts	
Percentage of Self+1 Contracts	
Percentage of Family Contracts	
Average Family Size	
1st Level Step-Up Factor (Self/Capitation)	
Self+1/Self Ratio	
Family/Self Ratio	
Self Rates	
Self+1 Rates	
Family Rates	

<b>Backup Line 1 Form – ACR</b>	
Experience Period	
Total Paid Claims (before any COB)	
Total COB (including CMS)	
Annual Trend	
Total Trend from Experience Period	
Expected Claims	
Administration (& Profit)	
Total Expected Claims + Admin + Profit	
Members	
Per Member Rates	
Percentage of Self Contracts	
Percentage of Self+1 Contracts	
Percentage of Family Contracts	
Average Family Size	
1 <sup>st</sup> Level Step-Up Factor (Self/Capitation)	

**Attachment IIIA - Reconciliation Backup Forms**

Self+1/Self Ratio	
Family/Self Ratio	
Self Rates	
Self+1 Rate	
Family Rates	

**Attachment IIIA - Reconciliation Backup Forms**

**Backup Special Benefit Loadings Form**

List your Special Benefit Loadings below and provide backup calculations for all loadings. Enter either the actual rates filed with the State Insurance Department or recalculate the loading based on the actual 2016 capitation rate. If you do not file with the State, submit other appropriate documentation for this benefit.

<b>Backup Special Benefits Loading Form</b>					
<b>Benefit</b>	<b>Derivation</b>	<b>Cost/Member</b>	<b>Self Rates</b>	<b>Self+1 Rates</b>	<b>Family Rates</b>
<i>Ex. \$10/\$20/\$45 Rx Benefit</i>	<i>Comm. Rated Benefit See State Filing pg. 34</i>	<i>\$45.93 PMPM</i>	<i>\$25.44</i>	<i>\$48.34 (Rates are Self Rates times Family Ratio of 1.9)</i>	<i>\$58.51 (Rates are Self Rates times Family Ratio of 2.3)</i>
<i>Ex. \$20 Urgent Care</i>	<i>Capitation Rate(303.75) * .008 see attached backup derivation of .008</i>	<i>\$4.39 PMPM</i>	<i>\$2.43</i>	<i>\$4.62</i>	<i>\$5.59</i>
(a)					
(b)					
(c)					
(d)					
(e)					
(f)					
(g)					
(h)					

**Attachment IIIA - Reconciliation Backup Forms**

**Backup Medicare Loading Form**

Enter any loading on line 4b of Attachment III.

<b>Backup Medicare Loading Form</b>					
<b>Medicare Coverage</b>	<b>(A) Count</b>	<b>(B) Cost Of Benefits</b>	<b>(C) FEHB Premium</b>	<b>(D) CMS COB</b>	<b>Plan Cost A*(B-C-D)</b>
Part A Only					
Part B Only					
Parts A & B					
No Coverage					
<b>Total</b>		<b>(E)</b>			
<b>Total FEHB Members (F)</b>					
<b>Cost Per Member (E / F)</b>					
<b>Self Loading</b>					
<b>Self+1 Loading</b>					
<b>Family Loading</b>					

**Attachment IIIA - Reconciliation Backup Forms**

**Backup Brochure Printing Costs Form**

Enter this amount on line 12 of Attachment III.

OPM will reimburse the amount the carrier actually spent to produce the **OPM approved quantity** of brochures. Submit documentation, such as paid invoices, helpful in evaluating the reasonableness of your requested amount. Note that the amount claimed may only be for OPM brochures or rate sheets and corresponding shipping and handling (shipping from the printer to the carrier only). No costs for provider directories, business cards, or other promotional materials may be included.

<b>Backup Brochure Printing Costs Form</b>				
<b>OPM Approved Allowable Brochure Quantity (A)</b>				
<b>Variable Printing Costs</b>	<b>Quantity (B)</b>	<b>Total Cost (C)</b>	<b>Price/Item (D = C / B)</b>	<b>Allowable Cost (A * D)</b>
1. Brochures Printed				
2				
3.				
4.				
<b>TOTAL (E)</b>				
<b>Fixed Printing Costs</b>				<b>Total Cost</b>
Shipping & Handling				
<b>TOTAL (F)</b>				
<b>Total Allowable Costs (E + F)</b>				



**Attachment IIB, Section 1 – General Questionnaire**

**General Questions**

(To be completed by all carriers.)

QG1. What method of community rating did you use in your 2016 rate proposal?

- TCR (Traditional Community Rating)
- Standard (Book) Rating
- Variable (Group Specific) Rating
- CRC (Community Rating By Class)
- ACR (Adjusted Community Rating)

QG2. Is the method you have used for the 2016 reconciliation the same as the method used in the 2016 proposal?

- YES
- NO

If No, explain

QG3. Do your Line 1 rates reflect any tax, fee, or monetary payment imposed on the carrier by a state or local government?

- YES
- NO

If Yes, have you included a negative loading in the Special Benefits Section of the reconciliation?

- YES
- NO

If No, explain why

QG4. Are the Special Benefit Loadings given in the reconciliation the same as they were in the proposal?

- YES
- NO

If No, explain

QG4A. Do you have any Special Benefit Loadings which are contracted to an outside source?

- YES
- NO

**Attachment IIIB, Section 1 – General Questionnaire**

If Yes, explain which benefits. Also for TCR plans, if Yes and an SSSG was given a rate discount, the loading for this benefit does not have to be discounted for the FEHB as long as the SSSG did not have this benefit.

QG5. Are you required to file your community rates or rating methodology with any State regulatory agency?

YES                       NO

QG6. If you answered Yes to QG5, have you highlighted the appropriate community rates on the copy of the insurance department filing that you have enclosed?

YES                       NO

If No, explain

If Yes, what is the page number of the insurance department filing on which the appropriate rates appear (please number the pages by hand if necessary)? \_\_\_\_\_

QG7. If you use different rating methods (i.e. TCR, CRC, ACR) for different groups, describe your criteria for the use of each method.

QG8. Show the number of Federal annuitants and their covered spouses covered by the plan aged 65 and older using the following categories:

	<b>Counts</b>
<b>Medicare Part A and Part B</b>	
<b>Medicare Part A Only</b>	
<b>Medicare Part B Only</b>	
<b>Neither Part A nor Part B</b>	
<b>Cannot Determine</b>	

What date is the above count as of? \_\_\_\_\_

Notes: The sum of the numbers in the 5 categories above should be the total number of Federal annuitants and their covered spouses in the plan aged 65 and older. If you have revised your Medicare Loading in this reconciliation, you should be using the above distribution.

QG9. If you have revised your Medicare Loading in this reconciliation, explain how you obtained the distribution in QG8. Also, what is the source of this distribution? Note that

**Attachment IIIB, Section 1 – General Questionnaire**

this source material must be on file with the carrier, and available to OPM auditors.

QG10. Does your HMO have a Medicare Advantage Plan with CMS?

YES

NO

If Yes, explain the arrangement you have with CMS. Describe all benefit packages you offer enrollees under the Medicare Advantage Plan, and the premiums (if any) these enrollees pay the HMO.

QG11. Does your HMO sell a Medicare supplement policy?

YES

NO

If Yes, describe the benefit packages of any Medicare supplement policies you offer and the premiums charged for them.

QG12. If you answered Yes to either question QG10 or QG11 and do not use a claims based ACR method to compute your rates, did you use the cost data from your Medicare risk or supplement policy to calculate your Medicare Loading?

YES

NO

N/A

If No, explain why

QG13. In the 2016 Proposal did FEHB receive any discounts, underwriting adjustments, or concessions other than an SSSG discount?

YES

NO

If Yes, what is the discount as a percentage?

If Yes, did you apply the discount to FEHB in the reconciliation?

YES

NO

If no, explain why

**Attachment IIIB, Section 1 – General Questionnaire**

QG14. Did you include a loading for the Affordable Care Act (ACA) Fees in your rate buildup?

YES

NO

If Yes, please provide the amount of the loading in the chart below. In the Loading Description box, please indicate the amount of the loading and if the loading is a PMPM, Self/Self+1/Family loading, percent of premium, etc.

<b>ACA Fee</b>	<b>Loading Description</b>
Transitional Reinsurance Fees	
Health Insurance Providers Fee	
Patient-Centered Outcomes Research Institute Fee	

Did you adjust any of the fees to account for any fee not being paid on behalf of an FEHB member? For example, carriers are not required to make Transitional Reinsurance fee payments for individuals who are enrolled in any part of Medicare if Medicare is the primary payer of services for those individuals. A carrier’s loading must be adjusted to recognize that the fee is not applicable for those FEHB members where Medicare coverage (Part A, Part B, or both) is primary.

YES

NO

If Yes, please explain the adjustment that was made to the loading. If No, please explain why no adjustment is necessary.

**Attachment IIB, Section 2 – SSSG Questionnaire**

**SSSG Questions**

To be completed by all carriers who are state-mandated to TCR. CRC plans should skip to QC1 on page 29 and ACR plans should skip to QA1 on page 33.

QS1. Did you choose to provide a list of 10 potential SSSGs in the 2016 rate proposal?

YES                       NO

If yes, relist them here in the same order as listed in the proposal; if no, skip to question QS4.

Keep in mind that your SSSG selection is subject to audit. Therefore, we expect you to maintain complete rate documentation for at least the 10 groups closest in contract size to the Federal group.

Name	Contracts at Proposal		Contracts at Reconciliation		Group Eligible at the time of Reconciliation	
	Contracts	Date	Contracts	Date	Yes	No
1.						
2.						
3.						
4.						
5.						
6.						
7.						
8.						
9.						
10.						

QS2. What is the source of the enrollment information given in QS1? Note that this source material must be on file with the carrier, and available to OPM auditors.

QS3. If any of the groups listed above are no longer eligible to be SSSGs, please provide an explanation.

QS4. What are the five groups you do business with that are closest in total contract size to the Federal group? Include information on the Federal group. Also, **include groups that are not eligible to be SSSGs.**

**Attachment IIB, Section 2 – SSSG Questionnaire**

<b>Group</b>	<b>Total # of Contracts</b>	<b>Effective Rate Date</b>	<b>Rating Method</b>	<b>Group Eligible (Yes or No)</b>
<b>Federal Group</b>				
<b>1.</b>				
<b>2.</b>				
<b>3.</b>				
<b>4.</b>				
<b>5.</b>				

If any of the groups above are not eligible to be SSSGs, please explain.

QS5. Name the selected SSSG.

QS6. How do the benefit packages and rates for your SSSG differ from the Federal group? Please see the Appendix on page 40 for details on how to answer this question.

QS7. What method of community rating (TCR, CRC, ACR) did you use to rate the following groups?

	<b>Federal Group</b>	<b>SSSG</b>
Method		

QS8. What is the rating region used to determine the SSSG?

QS9. Does at least 5% of the SSSG enrollment reside in the Federal Rate Code Area?

YES                       NO      If No, please explain

**Attachment IIB, Section 2 – SSSG Questionnaire**

QS10. Did the SSSG receive any type of discount, or any other type of rate advantage over the Federal group? (Note that we interpret an industry factor less than what is supported by your rating methodology as a discount factor).

YES  NO

If Yes, explain what kind of discount or rate advantage the SSSG received.

If Yes, did you apply the discount to the Federal group?

YES  NO If no, explain why

If Yes, what is the discount as a percentage?

If Yes, was the discount as a percentage applied to the entire rate?

YES  NO If no, explain why

QS11. Did you use **projected** demographics for the SSSG's CRC factors and/or step-up factors?

YES  NO

If Yes, explain why you used these projections, and show what the factors would be if you had used actual enrollment data. Projected demographics may be used only if there is a clear justification for expecting a change in the enrollment characteristics.

QS12. Did you rate the SSSG using a method other than that used for the Federal group?

YES  NO

If Yes, explain why and provide your underwriting guidelines.

QS13. Are the capitation rates shown on the Backup SSSG Comparison Sheet Form the same for the Federal group and the SSSG?

YES  NO If no, explain why (see Appendix)

QS14. Has your organization merged with a subsidiary organization or made an acquisition of a new carrier, insurance company or health plan within the past year?

**Attachment IIB, Section 2 – SSSG Questionnaire**

YES

NO

If Yes, have you included the health plans from the merged or new organization in your SSSG consideration?

YES

NO

If no, explain why

**Attachment IIB, Section 3 –TCR Questionnaire**

**TCR Questions**

(Answer only if the carrier uses TCR to develop rates)

QT1. On what type of community rate did you base your 2016 rates for the Federal group and other groups?

Standard set of tiered rates applicable to all groups with a tiered rate structure

Standard Self Rate = \_\_\_\_\_

Standard Self+1 Rate = \_\_\_\_\_

Standard Family Rate = \_\_\_\_\_

Per member/per month capitation rate

PMPM Capitation Rate = \_\_\_\_\_

You may check both blocks if you use a standard set of tiered rates which are derived from a capitation rate.

Other (Explain)

QT2. If you used a capitation rate for 2016 and converted it to a Self rate, Self Plus One rate, and a Self and Family rate using step-up factors, what are these step-up factors? Specifically, what is the step-up factor used to convert the capitation rate to the self rate? What is the step-up factor used to convert the self rate to the self+1 rate and to the family rate?

$\frac{\text{Self}}{\text{Capitation}} = \text{_____}$        $\frac{\text{Self+1}}{\text{Self}} = \text{_____}$        $\frac{\text{Family}}{\text{Self}} = \text{_____}$

NA (Do not use step-up factors) **Go To Question QT6**

QT3. Are the above step-up factors the same as those used in the 2016 rate proposal which you submitted in May 2015?

YES                       NO

If No, is the reason because you revised community-wide demographics after the 2016 rate proposal was made (and used the revised step-up factors for the SSSG)?

YES                       NO

If No, what was the reason for the change in the step-up factors?

**Attachment IIIB, Section 3 –TCR Questionnaire**

QT4. How did you derive the above step-up factors? Explain briefly (a numerical formula for each factor is the preferred form of explanation).

$\text{Example: Self/Capitation} = \frac{.40 + .30(2) + .30(3.9)}{.40 + .30(2.1) + .30(2.6)} = 1.20$
--

QT5. Do you use step-up factors for all groups?

YES                       NO

If No, explain the criteria you use to determine when step-up factors are applicable.

QT6. If you use enrollment-mix or other demographic assumptions at any point in the development of the 2016 Federal group rates, including development of step-up factors, what are they?

% Self Contracts \_\_\_\_\_  
% Self+1 Contracts \_\_\_\_\_  
% Self and Family Contracts \_\_\_\_\_

Family Size \_\_\_\_\_  
Other: \_\_\_\_\_

What is the "as of" date of the above enrollment? \_\_\_\_\_

QT7. Are the demographic assumptions in QT6 the same as they were in the 2016 rate proposal?

YES                       NO                       NA

If No, or NA, is the reason because you revised community-wide demographics after the 2016 rate proposal (and used the revised demographics for the SSSG)?

YES                       NO                      If No, explain

QT8. What is the source of your demographic information? Is the same source used for all groups? If not, where do you get the demographic information for other groups? Note: You must maintain the source of your demographic data on file for possible examination by the OPM audit staff.

Attachment IIIB, Section 4 – CRC Questionnaire

**CRC Questions**

(Answer only if the carrier uses CRC to develop its rates)

QC1. Did you begin with a capitation rate?

YES                       NO

If Yes, what is the actual capitation rate (as opposed to your estimated capitation used in the proposal) on which the 2016 Federal group rates (Line 1 of Attachment III) should be based?

Capitation Rate = \_\_\_\_\_

If No, explain how you did begin

QC2. What CRC factors do you use?

AGE             SEX             OTHER \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_

QC3. What is your CRC adjustment factor? \_\_\_\_\_

Explain how you derived the CRC adjustment factor. **In particular, on what population data are the CRC utilization factors based? How often do you update the data on which the CRC utilization factors are based?**

QC4. Have you enclosed any worksheets (i.e. sheets showing age/sex distribution and relative utilization factors) you used to derive the CRC adjustment factors? **Please note that you must have documented support for the CRC age/sex factors.**

YES                       NO

**If No, please enclose worksheets and change this answer to YES.**

QC5. Is the CRC adjustment factor the same as it was in the 2016 rate proposal?

YES                       NO                      If No, why not?

**Attachment IIIB, Section 4 – CRC Questionnaire**

QC6. If you used a CRC-adjusted capitation rate for 2016 and converted it to a Self rate, a Self Plus One rate, and a Self and Family rate using step-up factors, what are the step-up factors? Specifically, what is the step-up factor used to convert the capitation rate to the self rate? What is the step-up factor used to convert the Self rate to the Self Plus One rate and to the Self and Family rate?

$$\frac{\text{Self}}{\text{Capitation}} = \underline{\hspace{2cm}} \quad \frac{\text{Self+1}}{\text{Self}} = \underline{\hspace{2cm}} \quad \frac{\text{Family}}{\text{Self}} = \underline{\hspace{2cm}}$$

NA (Do not use step-up factors) **Go To Question QC10**

QC7. Are the above step-up factors the same as those used in the 2016 rate proposal, which you submitted in May 2015?

YES  NO

If No, is the reason because you revised community-wide demographics after the 2016 rate proposal?

YES  NO

If No, what was the reason for the change in the step-up factors?

QC8. How did you derive the above step-up factors? Explain briefly (we prefer a numerical formula for each factor here).

Example:  

$$\text{Self/Capitation} = \frac{.40 + .30(2) + .30(3.9)}{.40 + .30(2.1) + .30(2.6)} = 1.20$$

QC9. Do you use step-up factors for all groups?

YES  NO

If No, explain the criteria you use to determine when step-up factors are applicable.

**Attachment IIIB, Section 4 – CRC Questionnaire**

QC10. If you use enrollment-mix or other demographic assumptions at any point in the development of the 2016 Federal group rates, including development of step-up factors, what are they?

% Self Contracts \_\_\_\_\_  
% Self+1 Contracts \_\_\_\_\_  
% Self and Family Contracts \_\_\_\_\_

Family Size \_\_\_\_\_  
Other: \_\_\_\_\_

What is the "as of" date of the above enrollment? \_\_\_\_\_

QC11. Are the demographic assumptions in QC10, the same as they were in the 2016 rate proposal?

YES                       NO                       NA

If No, or NA, did you revise community-wide demographics after the 2016 rate proposal was made?

YES                       NO      If No, explain

QC12. Explain how you derive the "relative utilization factors" associated with your age/sex distribution sheet.

Note that we would expect the factors to be based on the utilization experience of the different age groups of the total employee population the carrier services. In some cases, a carrier might use factors based on some other large population. Please make it clear to us exactly where your relative utilization factors come from, and on what population they are based.

**Attachment IIIB, Section 4 – CRC Questionnaire**

QC13. When you derive the CRC adjustment factor, do you include the number of Federal annuitants over age 65 anywhere in the calculation? In general, explain how you use the group of Federal retirees (if at all) in your calculation of the CRC factor. **IMPORTANT! DO NOT SKIP THIS QUESTION**

YES

NO

If Yes, have you given us a credit for Medicare Reimbursement?

QC14. Do you use an industry factor in your rating?

YES

NO

If Yes, did the Federal group receive a factor of 1.00 or less?

YES

NO

If No, explain

**Attachment IIIB, Section 5 – ACR Questionnaire**

**ACR Questions**

(Answer only if the carrier uses ACR to develop its rates)

QA1. What method of ACR did you use for your 2016 rate proposal?

A Method Using Actual Claims Data

Any Other Method (Go to QA12)

Note: You should have on file any claims/utilization data supporting the rates for the Federal group.

If your method used actual claims data, the claims data used to develop the FEHB rates should be saved on an accessible computer medium (cartridge tape, CD-ROM, etc). This data used in the rate reconciliation should be maintained for the time period stated in the financial records section of your contract with OPM.

QA2. Did you use the same experience period (and the same claims within that period) in the reconciliation that you used in the proposal?

YES

NO

If No, explain. As a general rule, neither the experience period nor the claims should change between the proposal and the reconciliation.

QA3. Did you use the same trend that you used in the proposal?

YES

NO

If No, explain

What trend do you use in the reconciliation? \_\_\_\_\_

What trend did you use in the original proposal? \_\_\_\_\_

QA4. Is your trend supported through your rating methodology documentation?

YES

NO

If No, explain

QA5. If you use completion factors to derive incurred claims, are your completion factors supported through your rating methodology documentation?

YES

NO

NA

If No, explain

Attachment IIIB, Section 5 – ACR Questionnaire

QA6. If you use completion factors to derive incurred claims, did the factor remain the same between the proposal and the reconciliation?

YES       NO       NA      If No, explain

QA7. What kind of administrative loading did you use?

A flat community rated pm/pm administrative charge

A percentage of claims

Other

Explain how you computed the administrative charge.

QA8. Did the claims used in the rate development reflect special benefits? **Note: If special benefits were not included in the claims, please have on file claims/utilization reports to support this assertion.**

YES       NO

QA9. Did you reduce claims used in the rate development by all COB income (e.g. prescription drug rebates, settlements, subrogation) that the carrier received from other insurance sources excluding CMS?

YES       NO

If No, you should give us a credit for any monies received from other insurance carriers.

QA10. Do you include retirees age 65-or-above in the claims or utilization data used to determine the ACR factor or rates?

YES       NO

If No, you should include a standard Medicare Loading.

QA11. If you answered Yes to QA10, are CMS reimbursements included in the group's experience?

YES       NO

## Attachment IIIB, Section 5 – ACR Questionnaire

If No, the Medicare Loading should be a credit for all monies received from CMS; if Yes, there should be no Medicare Loading.

**All Medicare funds collected on behalf of Federal retirees must be applied to the Federal rates.**

QA12. Explain in narrative form how you derived your line 1 rates. Please include calculations. **Do not skip this section or refer us to another sheet. What we want here is a clear explanation of your Line 1 rates.**

QA13. Please provide the credibility table that you use to build your 2016 reconciled rates.

QA14. Please provide the pooling table you use to build your 2016 reconciled rates.

QA15. Please tell us where in your submission we can find documentation for the following items in your rate buildup:

- Completion Factors:
- Pooling Level and Pooling Charge:
- Credibility:
- Trend:
- Retention/Administrative Charges:
- Fees:
- Any other factors unique to your buildup:

## Attachment IV ACR Questionnaire

### **Documentation of 2016 Community Rates and Riders** **(Large Carriers Only)**

If the State requires the carrier to file its official community rates and rating methodology with the State insurance department, OPM requires a copy of this filing. If the insurance department must approve such a filing, also send us a copy of the approval. **BE SURE TO CIRCLE IN RED ALL RATES AND RIDERS ON THE INSURANCE FILING THAT APPLY TO THE FEHB.**

If the State does not require the carrier to file its community rates, we require some other form of documentation.

Acceptable documentation includes:

- 1) Rate development sheets
- 2) Written rating policies and procedures
- 3) Rating guidelines/manuals used by the carrier's rating personnel

The Reconciliation Questionnaire contains some questions pertaining to the rate development. Provide any backup documents that will enable us to better understand the answers to these questions.

**Attachment V**

**Certificate of Accurate Pricing**  
**For Community Rated Carriers (SSSG methodology)**

This is to certify that, to the best of my knowledge and belief:

- 1) The cost or pricing data submitted (or, if not submitted, maintained and identified by the carrier as supporting documentation) to the Contracting Officer or the Contracting Officer's representative or designee in support of the 2016 FEHB rates were developed in accordance with the requirements of 48 CFR Chapter 16 and the FEHB contract and are accurate, complete, and current as of the date this certificate is executed; and
- 2) The methodology used to determine the FEHB rates is consistent with the methodology used to determine the rates for the carrier's Similarly Sized Subscriber Group.

<b>Firm</b>	
<b>Name</b>	
<b>Title</b>	
<b>Signature</b>	
<b>Date</b>	

**Attachment V**

**Certificate of Accurate Pricing**  
**For Community Rated Carriers (MLR methodology)**

This is to certify that, to the best of my knowledge and belief:

- 1) The cost or pricing data submitted (or, if not submitted, maintained and identified by the carrier as supporting documentation) to the Contracting Officer or the Contracting Officer's representative or designee in support of the 2016 FEHB rates were developed in accordance with the requirements of 48 CFR Chapter 16 and the FEHB contract and are accurate, complete, and current as of the date this certificate is executed.

<b>Firm</b>	
<b>Name</b>	
<b>Title</b>	
<b>Signature</b>	
<b>Date</b>	

**Attachment VI**

**Carrier Contacts**

For information about your reconciliation, we should contact:

<b>Name/Title</b>	
<b>Phone Number</b>	
<b>Fax Number</b>	
<b>E-mail</b>	

OR

<b>Name/Title</b>	
<b>Phone Number</b>	
<b>Fax Number</b>	
<b>E-mail</b>	

## Appendix

### Further Details for Answering Question S6 (QS6)

Make sure that by the time we finish reading your explanation in QS6, it will be clear why the Federal rates differ from the SSSG rates. If you have included rate development sheets for these groups, do not refer us to these sheets at this point. What we want in this answer is a simple explanation of how the SSSG rates differ from the Federal group rates.

The SSSG Comparison Sheet example on page 10 shows the capitation for the Federal group is \$100, but only \$98 for the SSSG. In SSSG Question S6, the explanation could be as follows:

SSSG Capitation	\$ 98.00
Adjustment for "Gold Plan"*	<u>\$ 2.00</u>
Federal Group Capitation	\$100.00

\* The Federal group has the "Gold Plan," which includes extra psychiatric benefits and a durable medical equipment benefit. The SSSG has the "Silver Plan," which is the "Gold Plan" without the aforementioned extra benefits. The capitation for these benefits is as follows:

Psychiatric Benefit	\$1.50
DME Benefit	<u>\$.50</u>
Gold Plan Extra Benefits	\$2.00

**Note:** The above example enables us to see precisely why the capitation for the SSSG is different from the Federal group's capitation. The goal of your explanation is to make any such differences in capitation rates clear.