

# **FEDVIP Rate Submission Instructions**

## **General Information**

Enter your plan information on this worksheet. The enrollment code for the plan is the first three letters used to identify your plan in the premium file (e.g. "DAA".) Also, indicate whether this proposal is for your high or standard/low option. If your plan only offers one option it should be designated as high.

Please include the contact information for both the individual responsible for the overall contract negotiations as well as the primary contact for the individual responsible for the rate submission. The rating contact should be able to respond to questions about claims experience and other data required in the rating of the Federal contract. A separate file should be submitted for each option the plan offers.

## **Rate Proposal – 2009**

The attached Excel file is our preferred format. If you find it necessary to change the formulas to conform to your available data please include comments. We welcome submissions in your carrier specific format, but we require the information to be clearly and neatly summarized for ease of use. It is essential that you include both historical information and the 2009 proposed premiums.

### **2007 Base Year Data**

Enter the appropriate information in the blue shaded cells. The data should be segregated by contract type (Self, Self+1, Family) and by premium enrollment level. We will use this data along with the 2008 claims to date to evaluate the reasonableness of your proposed premiums.

### **Current Year Data - April 30 Data, May 31 Submission**

Enter the actual incurred and paid claims for the first four months of the year. These claims dollars should be actual paid claims net of any COB. Enter a completion factor to estimate the annual claims based on this first four months of data.

### **Update Current Year Data - June 30 Data, July 15 Submission**

You may update your rate submission with more data to get a better estimate of final claims. This will give us a more accurate picture of the amount of retention expected for the current year.

### **Rate Proposal**

Enter your initial proposed premium rates for 2009 and any enrollment change estimates with your first rate submission on May 31. These should be bi-weekly premium rates. We will convert these to the appropriate rates for enrollees with different pay schedules. Coverage is effective January 1 through December 31, and you will continue to receive premium payments according to the schedule BENEFEDS currently has in place. You

may update your proposed premiums if necessary with your subsequent submission in mid-July. We will provide you with the BENEFEDS and OPM premium loads as soon as they are finalized.

As part of the rate proposal, please indicate your expected claims trend from 2008 to 2009. This should include the trend in costs and utilization for a constant population group. The overall estimate of 2009 claims should also include the effect of population changes by taking into account a "Selection Factor".

The selection factor is calculated by determining the expected relative utilization of members that either enter or leave the plan. The utilization of these increases/decreases should be compared to the option's total current enrollment. The calculation of the selection factor is described by the following formula:

$$SEL = \frac{1 + [(EI-1) \times RUI] + [(ED-1) \times RUD]}{1 + (EI - 1) + (ED - 1)}$$

SEL = Selection Factor  
EI = Enrollment Increase Factor  
ED = Enrollment Decrease Factor  
RUI = Relative utilization of Enrollment Increases  
RUD = Relative utilization of Enrollment Decreases

As an illustration, suppose that in 2007 your plan consisted of 100 enrollments that cost \$100 each. In 2008 your plan gains 30 enrollments and loses 40 enrollments. The enrollments the plan gains would have cost \$140 in 2007 and the enrollments the plan loses cost \$80 in 2007. In this example, Enr Inc is 1.3, Enr Dec is 0.6 (equal to 1.0 - 0.4) and the aggregate change is 0.9. You should insert 1.4 in Rel Util Inc and 0.8 in Rel Util Dec.

The selection factor for 2009 is:

$$1.222 = \frac{1 + [.3 \times 1.4] + [-.4 \times .8]}{1 + (.3) + (-.4)}$$

#### Additional Information

For 2009 please follow the guidance in the FEDVIP Call Letter regarding benefit changes. Any changes with a factor other than one will need to be supported with additional documentation. If you are proposing lower levels of enrollee cost sharing, these benefit enhancements must be offset by a factor arising from improving experience as pent-up demand tapers off.

We will look for trends and other factors that are supported by the historical experience of your plan. Please include a claims summary report along with your rate submission. Any standard report your company typically generates for clients is acceptable. In the future we will likely require that you tailor this data into a specific format. At the very least we expect the report to show the benefits paid in each of the major service type categories of preventative, minor restorative, and major restorative.

In 2009 there may be no changes to the premium level category for each geographic region as originally specified in your initial proposal. All current zip codes should be grouped in the same rating regions that exist in 2008. We will coordinate with BENEFEDS and the carriers regarding any new zip codes added to each rating area.

We invite your input on all aspects of our rating requirements. If you have questions regarding the rate submission for your plan, please contact Chris Vaughn-Uding in The Office of the Actuaries at OPM.

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