

**Proposed Year 2001 Amendments to the Standard Contract  
for Fee-For-Service Carriers**

1. Redate Section 1.7, STATISTICS AND SPECIAL STUDIES, as JAN 2001 and revise paragraph (c) to delete the reference to Appendix C, as follows:

**SECTION 1.7  
STATISTICS AND SPECIAL STUDIES  
(JAN 1999 2001)**

(c) The Carrier shall furnish the routine reports in the required number of copies to the addresses specified in Appendix C, Contract Administration Data **as instructed by OPM.**

2. Redate Section 1.8, NOTICE, as JAN 2001 and revise the clause to delete the reference to Appendix C, as follows.

**SECTION 1.8  
NOTICE (JAN 1994 2001)**

~~Where the contract requires that notice be given to the other party, such notice shall be given in writing to the address specified in Appendix C, Contract Administration Data.~~ **Where the contract requires the Carrier/contractor to notify the government, the Carrier shall send written notice to its Contracting Officer, unless otherwise specified.**

3. Redate Section 1.9, FEHB QUALITY ASSURANCE, as JAN 2001, add the current requirement for processing ID cards as a standard, and reorganize and update the clause to reflect OPM's increased focus on health care quality and reducing medical errors, as follows:

**SECTION 1.9  
FEHB QUALITY ASSURANCE (JAN 1999 2001)**

~~(a) The Carrier shall develop and apply a quality assurance program specifying procedures for assuring contract quality. At a minimum the program must include procedures to address:~~

~~(1) Accuracy of Payments and Recovery of Overpayments~~

~~(i) Processing Accuracy - the number of FEHB claims processed accurately and the total number of FEHB claims processed for the given time period.~~

~~REQUIRED STANDARD: An average of 95 percent of FEHB claims must be processed accurately.~~

~~(ii) Coding Accuracy - the number of FEHB claims coded accurately divided by the total number of FEHB claims coded for the given time period, expressed as a percentage.~~

~~REQUIRED STANDARD: An average of 98 percent of FEHB claims must be coded accurately.~~

~~(iii) Overpayment Recovery - the average number of working days required to commence overpayment collection action against either an FEHB provider or FEHB member following identification of an FEHB overpayment during the given time period.~~

~~REQUIRED STANDARD: An average of 30 days following identification of an FEHB overpayment are taken to commence overpayment collection action.~~

~~(iv) COB Processing - the Carrier must demonstrate that a statistically valid sampling technique is routinely used to identify FEHB claims prior to or after processing that require(d) coordination of benefits (COB) with a third party payer. As an alternative, the Carrier may provide evidence that it pursues all claims for COB.~~

~~(2) Timeliness of Payments to Members or Providers~~

~~(i) Average Processing Time (All FEHB Claims) - the average number of working days from the date an FEHB claim is received to the date it is adjudicated (paid, denied or a request for further information is sent out), for the given time period, expressed as a cumulative percentage.~~

~~REQUIRED STANDARD:~~

~~(A) An average of 87 percent of FEHB claims received over the given time period are adjudicated within 20 working days (28 calendar days).~~

~~— (B) An average of 92 percent of FEHB claims received over the given time period are adjudicated within 30 working days (42 calendar days).~~

~~— (C) An average of 97 percent of FEHB claims received over the given time period are adjudicated within 60 working days (84 calendar days).~~

~~— (3) Quality of Service and Responsiveness to Members~~

~~— (i) Member Inquiries - the number of working days taken to respond to an FEHB member's written inquiry, expressed as a cumulative percentage, for the given time period.~~

~~— REQUIRED STANDARD:~~

~~— (A) An average of 60 percent of FEHB member written inquiries are responded to within 10 working days (14 calendar days).~~

~~— (B) An average of 90 percent of FEHB member written inquiries are responded to within 30 working days (42 calendar days).~~

~~— (ii) Telephone Access - the Carrier shall report on the following statistics concerning telephone access to the member services department (or its equivalent) for the given time period. Except that, if the Carrier does not have a computerized phone system, report results of periodic surveys on telephone access.~~

~~— (A) Telephone Waiting Time - the average number of seconds elapsed before a member's telephone call is connected to a Carrier representative.~~

~~— REQUIRED STANDARD: On average, no more than 1.5 minutes elapse before a member's telephone call is connected to a Carrier representative.~~

~~— (B) Telephone Blockage Rate - the percentage of time that callers receive a busy signal when calling the Carrier.~~

~~— REQUIRED STANDARD: On average, callers receive a busy signal no more than 10 percent of the time.~~

~~— (C) Telephone Abandonment Rate - the number of calls attempted but not completed (presumably because callers tired of waiting to be connected to a Carrier representative) divided by the total number of calls attempted (both completed and not completed), expressed as a percentage.~~

~~— REQUIRED STANDARD: On average, no more than 8 percent of calls are abandoned.~~

~~— (4) Responsiveness to FEHB Member Requests for Reconsideration:~~

~~— REQUIRED STANDARD: For 100 percent of written FEHB disputed claim requests received for the given time period, within 30 days after receipt by the Carrier, the Carrier must affirm the denial in writing to the FEHB member, pay the claim, provide the service, or request additional information reasonably necessary to make a determination.~~

~~— (5) Quality Assurance Plan - the Carrier must demonstrate that a statistically valid sampling technique is routinely used prior to or after processing to randomly sample FEHB claims against Carrier quality assurance/fraud and abuse prevention standards.~~

~~— (6) Assessing Quality of Health Care. The Carrier shall collect data on the measures endorsed by the Foundation for Accountability (FACCT), as requested by the OPM for services rendered through the Carrier's Preferred Provider Organization and/or Point of Service networks. Further, the Carrier shall provide statistical reports in accordance with FACCT guidelines when requested by OPM. The Carrier may be asked to collect data on one or more measures either in specified geographic localities or nationwide. In addition, the Carrier shall report on measures developed by the National Committee for Quality Assurance as directed by OPM.~~

~~— (b) The Carrier shall conduct a program to assess its vulnerability to fraud and abuse and shall operate a system designed to detect and eliminate fraud and abuse internally by Carrier employees and subcontractors, by providers providing goods or services to FEHB Members, and by individual FEHB Members.~~

~~— (c) The Carrier shall keep complete records of its quality assurance procedures and fraud program and the results of their implementation and make them available to the Government as determined by OPM. If the Carrier cannot separate FEHB claims from all other claims, the Carrier may report~~

compliance based on all claims and indicate this on the report.

~~—(d) The Contracting Officer may order the correction of a deficiency in the Carrier's quality assurance program or fraud program. The Carrier shall take the necessary action promptly to implement the Contracting Officer's order. If the Contracting Officer orders a modification of the Carrier's quality assurance program or fraud program pursuant to this paragraph (d) after the contract year has begun, the costs incurred to correct the deficiency may be excluded from the administrative expenses -- for that contract year -- that are subject to the administrative expenses limitation specified at Appendix B; provided the Carrier demonstrates that the correction of the deficiency significantly increases the Carrier's liability under this contract.~~

~~—(e) Assessing Member Services. In addition to any other means of surveying Plan members that the Carrier may develop, the carrier shall participate in either a National Committee for Quality Assurance (NCQA) Health Plan Employer Data and Information Set (HEDIS) consumer survey or an FEHB-specific consumer survey, to provide feedback to enrollees on enrollee experience with the various FEHB plans. The Carrier shall take into account the published results of the survey, or other results as directed by OPM, in identifying areas for improvement as part of the Carrier's quality assurance program. Payment of survey charges will be in accordance with Section 3.11.~~

**(a) Health Care Quality.**

**(1) Effectiveness of Care Measures.** The Carrier shall measure and/or collect data on the quality of the health care services it renders to its members as requested by OPM. Measurement/data collection efforts may include performance measurement systems such as Health Plan Employer Data and Information Set (HEDIS) or ORYX™, or similar measures developed by accreditation agencies such as the National Committee for Quality

Assurance (NCQA), the Joint Commission on Accreditation of Healthcare Organizations (JCAHO), or the American Accreditation Healthcare Commission/URAC. Costs incurred by the Carrier for collecting or contracting with a vendor to collect quality measures/data shall be the Carrier's responsibility.

**(2) Reducing Medical Errors.** The Carrier shall implement a patient safety improvement program. At a minimum, the Carrier shall --

(i) Report to OPM on its current patient safety initiatives;

(ii) Report to OPM on how it will strengthen its patient safety program for the future;

(iii) Assist OPM in providing its members with consumer information and education regarding patient safety; and

(iv) Work with its providers, independent accreditation agencies, and others to implement patient safety improvement programs.

**(3)** In order to allow sufficient implementation time, the Contracting Officer will notify the Carrier reasonably in advance of any new requirement(s) under paragraphs (a)(1) and (a)(2).

**(b) Access and Measures of Service.**

**(1)** In addition to any other means of surveying Plan members that the Carrier may develop, the Carrier shall participate in the HEDIS Consumer Assessments of Health Plans Surveys (CAHPS) to provide feedback to enrollees on enrollee experience with the various FEHBP plans. The Carrier shall take into account the published results of the survey, or other results as directed by OPM, in identifying areas for improvement as part of the Carrier's quality assurance program. Payment of survey charges will be in accordance with Section 3.11.

**(2)** The Carrier shall develop and apply a quality assurance program specifying procedures for assuring contract quality. At a minimum the program shall include procedures to address:

(i) Accuracy of Payments and Recovery of Overpayments:

(A) Processing Accuracy - the number of FEHB claims processed accurately and the total number of FEHB claims processed for the given time period, expressed as a percentage.

REQUIRED STANDARD: An average of 95 percent of FEHB claims must be processed accurately.

(B) Coding Accuracy - the number of FEHB claims coded accurately divided by the total number of FEHB claims coded for the given time period, expressed as a percentage.

REQUIRED STANDARD: An average of 98 percent of FEHB claims shall be coded accurately.

(C) Overpayment Recovery - the average number of working days it takes for the Carrier to begin overpayment collection action against an FEHB provider or member following identification of an overpayment.

REQUIRED STANDARD: The Carrier takes an average of 30 working days from the date it identifies an FEHB overpayment to the date it begins the overpayment collection action.

(D) COB Processing - the Carrier must demonstrate that a statistically valid sampling technique is routinely used to identify FEHB claims prior to or after processing that require(d) coordination of benefits (COB) with a third party payer. As an alternative, the Carrier may provide evidence that it pursues all claims for COB.

(ii) Timeliness of Payments to Members or Providers:

(A) Average Processing Time (All FEHB Claims) - the average number of working days from the date the Carrier receives an FEHB claim to the date it adjudicates it (paid, denied or a request for further information is sent out), for the given time period, expressed as a cumulative percentage.

REQUIRED STANDARD:

- The Carrier adjudicates an average of 87 percent of FEHB claims received

over the given time period within 20 working days (28 calendar days).

- The Carrier adjudicates an average of 92 percent of FEHB claims received over the given time period within 30 working days (42 calendar days).
- The Carrier adjudicates an average of 97 percent of FEHB claims received over the given time period within 60 working days (84 calendar days).

(iii) Quality of Service and Responsiveness to Members:

(A) Processing ID cards on change of plan or option - the number of calendar days from the date the Carrier receives the enrollment from the enrollee's agency or retirement system to the date it issues the ID card.

REQUIRED STANDARD:

The Carrier issues the ID card within fifteen calendar days after receiving the enrollment from the enrollee's agency or retirement system.

(B) Member Inquiries - the number of working days taken to respond to an FEHB member's written inquiry, expressed as a cumulative percentage, for the given time period.

REQUIRED STANDARD:

- The Carrier responds to an average of 60 percent of FEHB member written inquiries within 10 working days (14 calendar days).
- The Carrier responds to an average of 90 percent of FEHB member written inquiries within 30 working days (42 calendar days).

(C) Telephone Access - the Carrier shall report on the following statistics concerning telephone access to the member services department (or its equivalent) for the given time period. *Except that*, if the Carrier does not have a computerized phone system, report results of periodic surveys on telephone access.

(a) Telephone Waiting Time - the average number of seconds elapsing before the Carrier connects a member's telephone call to its service representative.

REQUIRED STANDARD: On average, no more than 1.5 minutes elapse before the Carrier connects a member's telephone call to its service representative.

(b) Telephone Blockage Rate - the percentage of time that callers receive a busy signal when calling the Carrier.

REQUIRED STANDARD: On average, callers receive a busy signal no more than 10 percent of the time.

(c) Telephone Abandonment Rate - the number of calls attempted but not completed (presumably because callers tired of waiting to be connected to a Carrier representative) divided by the total number of calls attempted (both completed and not completed), expressed as a percentage.

REQUIRED STANDARD: On average, enrollees abandon the effort no more than 8 percent of the time.

(iv) Responsiveness to FEHB Member Requests for Reconsideration:

REQUIRED STANDARD: For 100 percent of written FEHB disputed claim requests received for the given time period, within 30 days after receipt by the Carrier, the Carrier shall affirm the denial in writing to the FEHB member, pay the claim, provide the service, or request additional information reasonably necessary to make a determination.

(v) Quality Assurance Plan. The Carrier must demonstrate that a statistically valid sampling technique is routinely used prior to or after processing to randomly sample FEHB claims against Carrier quality assurance/fraud and abuse prevention standards.

**(c) Detection of Fraud and Abuse.**

The Carrier shall conduct a program to assess its vulnerability to fraud and abuse and shall operate a system designed to detect and eliminate fraud and abuse internally by Carrier employees and subcontractors, by providers providing goods or services to FEHB Members, and by individual FEHB Members.

**(d) Reporting Compliance.**

The Carrier shall keep complete records of its quality assurance procedures and fraud program and the results of their implementation and make them available to the Government as determined by OPM. If the Carrier cannot separate FEHB claims from all other claims, the Carrier may report compliance based on all claims and indicate this on the report.

**(e) Correction of deficiencies.**

The Contracting Officer may order the correction of a deficiency in the Carrier's quality assurance program or fraud program. The Carrier shall take the necessary action promptly to implement the Contracting Officer's order. If the Contracting Officer orders a modification of the Carrier's quality assurance program or fraud program pursuant to this paragraph (e) after the contract year has begun, the costs incurred to correct the deficiency may be excluded from the administrative expenses -- for the contract year -- that are subject to the administrative expenses limitation specified at Appendix B; provided the Carrier demonstrates that the correction of the deficiency significantly increases the Carrier's liability under this contract.

4. Redate Section 1.25, TRANSITIONAL CARE, as JAN 2001 and add a new paragraph (c) addressing transitional care for members receiving mental health and substance abuse services, as follows:

SECTION 1.25  
TRANSITIONAL CARE (JAN 2000 2001)

(a) "Transitional care" is specialized care provided for up to 90 days or through the postpartum period to an enrollee who is undergoing treatment for a chronic or disabling condition or who is in the second or third trimester of pregnancy when his or her carrier terminates (1) its FEHBP contract, (2) the enrollee's specialty provider contract, or (3) a Preferred Provider

Organization (PPO) or Point of Service (POS) network contract for reasons other than cause. The 90-day period begins the earlier of the date the enrollee receives the notice required under Section 1.24, Notice to Enrollees on Termination of FEHBP or Provider Contract, or the date the carrier's or the provider's contract ends.

(b) Beginning January 1, 2000, the Carrier shall ensure the following:

(1) *If it terminates a specialty provider contract or a PPO or POS network contract other than for cause, it allows enrollees who are undergoing treatment for a chronic or disabling condition or who are in the second or third trimester of pregnancy to continue treatment under the specialty provider for up to 90 days, or through their postpartum period, under the same terms and conditions that existed at the beginning of the transitional care period; and*

(2) *If it enrolls a new member who involuntarily changed carriers because the enrollee's former carrier was no longer available in the FEHB Program, it provides transitional care for the enrollee if he or she is undergoing treatment for a chronic or disabling condition or is in the second or third trimester of pregnancy for up to 90 days, or through the postpartum period, under the same terms and conditions the enrollee had under the prior carrier.*

**(c) If the Carrier terminates a mental health and substance abuse specialty provider other than for cause, or changes the plan's benefit structure for 2001 so that the member's out of pocket costs for mental health and substance abuse services only are greater than they were in year 2000, it must allow continued coverage with the specialty provider for up to ninety days under the same terms and conditions that existed at the beginning of the transitional care period. This transitional period will begin with the Carrier's notice to the member of the change in coverage and ends 90 days after the notice.**

~~(e)~~ **(d)** In addition, the Carrier shall (1) pay for or provide the transitional care

required under this clause at no additional cost to enrollees;

(2) require the specialty provider or network to promptly transfer all medical records to the designated new provider during or upon completion of the transition period, as authorized by the patient; and,

(3) require the specialty provider or network to give all necessary information to the Carrier for quality assurance purposes.

5. Redate Section 2.6, COORDINATION OF BENEFITS, as JAN 2001 and update the reference to the NAIC Coordination of Benefits model regulation in paragraphs (c) and (f), as follows:

SECTION 2.6  
COORDINATION OF BENEFITS  
(JAN ~~1996~~ 2001)

(c) In coordinating benefits between plans, the Carrier shall follow the order of precedence established by the NAIC ~~Model Guidelines for Coordination of Benefits (COB)~~ **Group Coordination of Benefits Model Regulation, Rules for Coordination of Benefits**, as specified by OPM.

(f) Changes in the order of precedence established by the NAIC ~~Model Guidelines Group Coordination of Benefits Model Regulation, Rules for Coordination of Benefits~~, implemented after January 1 of any given year shall be required no earlier than the beginning of the following contract term.

6. Redate Section 2.9, CLAIMS PROCESSING, as JAN 2001, replace the term "physicians" with "providers," and update the clause as follows:

SECTION 2.9  
CLAIMS PROCESSING (JAN ~~1998~~ 2001)

A standardized claims filing process shall be used by all FEHB carriers. The Carrier shall apply procedures for using the standard claims process. At a minimum the

Carrier's program must achieve the following objectives:

(1) ~~By the year 2000, the~~ **The** majority of provider claims should be submitted electronically;

(2) All ~~physicians~~ **providers** shall be notified that ~~future~~ claims must be submitted electronically or on the Health Care Financing Administration 1500 form;

(3) The Carrier shall not use any unique ~~physician~~ **provider** claim form(s) for such FEHB member claims;

(4) The Carrier should reject all such claims submitted on forms other than the HCFA 1500 form and shall explain the reason on the Explanation of Benefits form; and

(5) The Carrier shall advise OPM of its progress in implementing this policy as directed by the Contracting Officer.

7. In SECTION 3.1, PAYMENTS, revise paragraph (f) to conform to a FEHBAR amendment published in the Federal Register on June 8, 2000, as follows:

SECTION 3.1  
PAYMENTS—EXPERIENCE-RATED  
CONTRACTS (JAN 2000) (FEHBAR  
1652.232-71)

(f) Exception for the 3-Year DoD Demonstration Project (10 U.S.C. 1108). The Carrier will perform a final reconciliation of revenue and costs for the demonstration project group at the end of the demonstration project. ~~Costs in excess of the premiums will be reimbursed first from the Carrier's demonstration project Contingency Reserve and then from OPM's Administrative Reserve. Any surplus after the final accounting will be paid by the Carrier to OPM's Administrative Reserve.~~ **OPM will reimburse the Carrier's costs in excess of the premiums first from the Carrier's demonstration project Contingency Reserve and then from the Employees Health Benefits Fund Administrative Reserve. After the final accounting, OPM will place any surplus demonstration project premiums in the**

**regular Contingency Reserves of all carriers continuing in the FEHB Program for the contract year following the year in which the demonstration project ends. Credit will be in proportion to the amount of subscription charges paid and accrued to each carrier's plan for the last year of the demonstration project.**

**(End of Clause)**

8. Revise SECTION 3.2, ACCOUNTING AND ALLOWABLE COST, to conform to the FEHBAR amendment published in the Federal Register on June 8, 2000, as follows:

SECTION 3.2  
ACCOUNTING AND ALLOWABLE COST  
(JAN 2000) (FEHBAR 1652.216-71)

~~—(a) Annual Accounting Statements. (1) The Carrier shall furnish to OPM an accounting of its operations under the contract. In preparing the accounting, the Carrier shall follow the reporting requirements and statement formats prescribed by OPM in the FEHBP Experience-Rated Carrier and Service Organization Audit Guide (Guide).~~

~~—(2) The Carrier shall have its Annual Accounting Statements and that of its underwriter, if any, audited in accordance with the Guide. The Carrier shall submit the audit report and the Annual Accounting Statements to OPM in accordance with the requirements of the Guide.~~

~~—(3) Based on the results of the independent audit prescribed by the Guide and/or a Government audit, the Carrier shall adjust its annual accounting statements (i) by amounts found not to constitute actual, reasonable, allowable, or allocable costs; and/or (ii) to reflect prior overpayments or underpayments.~~

~~—(4) The Carrier shall develop corrective action plans, in accordance with and as defined by the Guide, to resolve all audit findings.~~

~~—(b) Definition of costs. (1) The Carrier may charge a cost to the contract for a contract term if the cost is actual, allowable,~~

allocable, and reasonable. In addition, the Carrier must:

— (i) On request, document and provide accounting support for the cost and justify that the cost is reasonable and necessary; and

— (ii) Determine the cost in accordance with: (A) the terms of this contract, and (B) Subpart 31.2 of the Federal Acquisition Regulation (FAR) and Subpart 1631.2 of the Federal Employees Health Benefits Program Acquisition Regulation (FEHBP) applicable on the first day of the contract period.

— (2) In the absence of specific contract terms to the contrary, the Carrier shall classify contract costs in accordance with the following criteria:

— (i) Benefits. Benefit costs consist of payments made and liabilities incurred for covered health care services on behalf of FEHBP subscribers less any refunds, rebates, allowances or other credits received.

— (ii) Administrative expenses. Administrative expenses consist of all actual, allocable, allowable and reasonable expenses incurred in the adjudication of subscriber benefit claims or incurred in the Carrier's overall operation of the business. Unless otherwise stated in the contract, administrative expenses include, in part: all taxes (excluding premium taxes, as provided in section 1631.205-41), insurance and reinsurance premiums, medical and dental consultants used in the adjudication process, concurrent or managed care review when not billed by a health care provider and other forms of utilization review, the cost of maintaining eligibility files, legal expenses incurred in the litigation of benefit payments and bank charges for letters of credit. Administrative expenses exclude the cost of Carrier personnel, equipment, and facilities directly used in the delivery of health care services, which are benefit costs, and the expense of managing the FEHBP investment program which is a reduction of investment income earned.

— (iii) Investment income. The Carrier shall invest and reinvest all funds on hand,

including any in the Special Reserve or any attributable to the reserve for incurred but unpaid claims, which are in excess of the funds needed to discharge promptly the obligations incurred under the contract. Investment income represents the net amount earned by the Carrier after deducting investment expenses. Investment expenses are those actual, allowable, allocable, and reasonable contract costs which are attributable to the investment of FEHBP funds, such as consultant or management fees.

— (iv) Other charges. (A) Mandatory statutory reserve. Charges for mandatory statutory reserves are not allowable unless specifically provided for in the contract. When the term "mandatory statutory reserve" is specifically identified as an allowable contract charge without further definition or explanation, it means a requirement imposed by State law upon the Carrier to set aside a specific amount or rate of funds into a restricted reserve that is accounted for separately from all other reserves and surpluses of the Carrier and which may be used only with the specific approval of the State official designated by law to make such approvals. The amount chargeable to the contract may not exceed an allocable portion of the amount actually set aside. If the statutory reserve is no longer required for the purpose for which it was created, and these funds become available for the general use of the Carrier, the Carrier shall return to the FEHBP a pro rata share based upon FEHBP's contribution to the total Carrier's set aside in accordance with FAR 31.201-5.

— (B) Premium taxes. When the term "premium taxes" is used in this contract without further definition or explanation, it means a tax, fee, or other monetary payment directly or indirectly imposed on FEHB premiums by any State, the District of Columbia, or the Commonwealth of Puerto Rico or by any political subdivision or other governmental authority of those entities, with the sole exception of a tax on net income or profit, if that tax, fee, or payment

is applicable to a broad range of business activity.

~~(c) Certification of Accounting Statement Accuracy. (1) The Carrier shall certify the annual accounting statement in the form set forth in paragraph (c)(3) of this clause. The Carrier's chief executive officer and the chief financial officer shall sign the certificate.~~

~~(2) The Carrier shall require an authorized agent of its underwriter, if any, also to certify the annual accounting statement.~~

~~(3) The certificate required shall be in the following form:~~

~~(4)~~

**CERTIFICATION OF ACCOUNTING STATEMENT ACCURACY**

~~—This is to certify that I have reviewed this accounting statement and to the best of my knowledge and belief:~~

~~—1. The statement was prepared in conformity with the guidelines issued by the Office of Personnel Management and fairly presents the financial results of this reporting period in conformity with those guidelines.~~

~~—2. The costs included in the statement are actual, allowable, allocable, and reasonable in accordance with the terms of the contract and with the cost principles of the Federal Employees Health Benefits Acquisition Regulation and the Federal Acquisition Regulation;~~

~~—3. Income, rebates, allowances, refunds and other credits made or owed in accordance with the terms of the contract and applicable cost principles have been included in the statement;~~

~~—4. If applicable, the letter of credit account was managed in accordance with 5 CFR part 890, 48 CFR chapter 16, and OPM guidelines.~~

~~carrier name: \_\_\_\_\_~~

~~name of chief executive officer:~~

~~—(type or print name)~~

~~name of chief financial officer:~~

~~—(type or print name)~~

~~signature of chief executive officer:~~

~~date signed: \_\_\_\_\_~~

~~signature of chief financial officer:~~

~~date signed: \_\_\_\_\_~~

~~underwriter: \_\_\_\_\_~~

~~name and title of responsible corporate official: \_\_\_\_\_~~

~~(type or print name)~~

~~signature of responsible corporate official:~~

~~date signed: \_\_\_\_\_~~

~~(End of certificate)~~

~~(d) Exceptions for the 3-Year DoD Demonstration Project (10 U.S.C. 1108).~~

~~—(1) The Carrier shall draw funds from its Letter of Credit (LOC) account to pay demonstration project benefits costs in the same manner as it does for benefits costs incurred by regular FEHB members. The Carrier shall account separately for health benefits charges paid using demonstration project funds and regular FEHB funds. Direct administrative costs attributable solely to the demonstration project shall be fully chargeable to the demonstration project. Indirect administrative costs associated with the demonstration project will be allocated to the demonstration project based on the percentage obtained by dividing the dollar amount of claims processed under the demonstration project by the total claims processed for FEHB Program activity. This same percentage will also be used to determine the amount of the Carrier's service charge that will be allocated to the demonstration project.~~

~~—(2) The Carrier shall submit a separate annual accounting statement and monthly incurred claims report for demonstration project experience.~~

~~(End of Clause)~~

**(a) Annual Accounting Statements.**

**(1) The Carrier shall furnish to OPM an accounting of its operations under the contract. In preparing the accounting, the Carrier shall follow the reporting requirements and statement formats prescribed by OPM in the OPM**

Annual and Fiscal Year Financial Reporting Instructions.

(2) The Carrier shall have its Annual Accounting Statements and that of its underwriter, if any, audited in accordance with the FEHBP Experienced-Rated Carrier and Service Organization Audit Guide (Guide). The Carrier shall submit the audit report and the Annual Accounting Statements to OPM in accordance with the requirements of the Guide.

(3) Based on the results of either the independent audit prescribed by the Guide or a Government audit, OPM may require the Carrier to adjust its annual accounting statements (i) by amounts found not to constitute actual, allowable, allocable and reasonable costs; or (ii) to reflect prior overpayments or underpayments.

(4) The Carrier shall develop corrective action plans to resolve audit findings identified in audits that were performed in accordance with the Guide. The corrective action plans will be prepared in accordance with and as defined by the Guide.

(b) Definition of costs. (1) The Carrier may charge a cost to the contract for a contract term if the cost is actual, allowable, allocable, and reasonable. In addition, the Carrier must:

(i) on request, document and make available accounting support for the cost to justify that the cost is actual, reasonable and necessary; and

(ii) determine the cost in accordance with: (A) the terms of this contract, and (B) Subpart 31.2 of the Federal Acquisition Regulation (FAR) and Subpart 1631.2 of the Federal Employees Health Benefits Program Acquisition Regulation (FEHBAR) applicable on the first day of the contract period.

(2) In the absence of specific contract terms to the contrary, the Carrier shall classify contract costs in accordance with the following criteria:

(i) Benefits. Benefit costs consist of payments made and liabilities incurred

for covered health care services on behalf of FEHBP subscribers less any refunds, rebates, allowances or other credits received.

(ii) Administrative expenses. Administrative expenses consist of all actual, allowable, allocable and reasonable expenses incurred in the adjudication of subscriber benefit claims or incurred in the Carrier's overall operation of the business. Unless otherwise stated in the contract, administrative expenses include, in part: all taxes (excluding premium taxes, as provided in section 1631.205-41), insurance and reinsurance premiums, medical and dental consultants used in the adjudication process, concurrent or managed care review when not billed by a health care provider and other forms of utilization review, the cost of maintaining eligibility files, legal expenses incurred in the litigation of benefit payments and bank charges for letters of credit. Administrative expenses exclude the cost of Carrier personnel, equipment, and facilities directly used in the delivery of health care services, which are benefit costs, and the expense of managing the FEHBP investment program which is a reduction of investment income earned.

(iii) Investment income. While compliance with the checks presented letter of credit methodology will minimize funds on hand, the Carrier shall invest and reinvest all funds on hand, including any in the Special Reserve or any attributable to the reserve for incurred but unpaid claims, which are in excess of the funds needed to discharge promptly the obligations incurred under the contract. Investment income represents the net amount earned by the Carrier after deducting investment expenses. Investment expenses are those actual, allowable, allocable, and reasonable contract costs that are attributable to the investment of funds, such as consultant or management fees.

(iv) Other charges. (A) Mandatory statutory reserve. Charges for

mandatory statutory reserves are not allowable unless specifically provided for in the contract. When the term "mandatory statutory reserve" is specifically identified as an allowable contract charge without further definition or explanation, it means a requirement imposed by State law upon the Carrier to set aside a specific amount or rate of funds into a restricted reserve that is accounted for separately from all other reserves and surpluses of the Carrier and which may be used only with the specific approval of the State official designated by law to make such approvals. The amount chargeable to the contract may not exceed an allocable portion of the amount actually set aside. If the statutory reserve is no longer required for the purpose for which it was created, and these funds become available for the general use of the Carrier, the Carrier shall return to the FEHBP a pro rata share based upon FEHBP's contribution to the total Carrier's set aside shall be returned to the FEHBP in accordance with FAR 31.201-5.

**(B) Premium taxes.** (1) When the term "premium taxes" is used in this contract without further definition or explanation, it means a tax, fee, or other monetary payment directly or indirectly imposed on FEHB premiums by any State, the District of Columbia, or the Commonwealth of Puerto Rico or by any political subdivision or other governmental authority of those entities, with the sole exception of a tax on net income or profit, if that tax, fee, or payment is applicable to a broad range of business activity.

(2) For purposes of this paragraph (B), OPM has determined that the term "State" as used in 5 U.S.C. 8909(f) includes, but is not limited to, a territory or possession of the United States.

**(c) Certification of Accounting Statement Accuracy.** (1) The Carrier shall certify the annual and fiscal year accounting statements in the form set

forth in paragraph (c)(3) of this clause. The Carrier's chief executive officer and the chief financial officer shall sign the certificate.

(2) The Carrier shall require an authorized agent of its underwriter, if any, also to certify the annual accounting statement.

(3) The certificate required shall be in the following form:

**CERTIFICATION OF ACCOUNTING STATEMENT ACCURACY**

This is to certify that I have reviewed this accounting statement and to the best of my knowledge and belief:

1. The statement was prepared in conformity with the guidelines issued by the Office of Personnel Management and fairly presents the financial results of this reporting period in conformity with those guidelines.

2. The costs included in the statement are actual, allowable, allocable, and reasonable in accordance with the terms of the contract and with the cost principles of the Federal Employees Health Benefits Acquisition Regulation and the Federal Acquisition Regulation;

3. Income, rebates, allowances, refunds and other credits made or owed in accordance with the terms of the contract and applicable cost principles have been included in the statement;

4. If applicable, the letter of credit account was managed in accordance with 5 CFR part 890, 48 CFR chapter 16, and OPM guidelines.

Carrier Name:

\_\_\_\_\_  
Name of Chief Executive Officer:  
(Type or Print)

\_\_\_\_\_  
Name of Chief Financial Officer:

\_\_\_\_\_  
Signature of Chief Executive Officer:

\_\_\_\_\_  
Signature of Chief Financial Officer:

Date Signed: \_\_\_\_\_

Date Signed: \_\_\_\_\_

Underwriter: \_\_\_\_\_

Name and Title of Responsible Corporate Official:  
(Type or Print:)

Signature of Responsible Corporate Official:

Date Signed: \_\_\_\_\_  
(End of Certificate)

**(d) Exceptions for the 3-Year DoD Demonstration Project (10 U.S.C. 1108).**

(1) The Carrier shall draw funds from its Letter of Credit (LOC) account to pay demonstration project benefits costs in the same manner as it does for benefits costs incurred by regular FEHB members. The Carrier shall account separately for health benefits charges paid using demonstration project funds and regular FEHB funds. Direct administrative costs attributable solely to the demonstration project shall be fully chargeable to the demonstration project. Indirect administrative costs associated with the demonstration project will be allocated to the demonstration project based on the percentage obtained by dividing the dollar amount of claims processed under the demonstration project by the dollar amount of total claims processed for FEHB Program activity. This same percentage will also be used to determine the amount of the Carrier's service charge that will be allocated to the demonstration project.

(2) The Carrier shall submit a separate annual accounting statement and monthly incurred claims report for demonstration project experience.

(End of Clause)

9. Redate Section 3.10, AUDIT, FINANCIAL, AND OTHER INFORMATION, as JAN 2001, and delete the reference to Appendix C, as follows:

SECTION 3.10  
AUDIT, FINANCIAL, AND OTHER  
INFORMATION (JAN 1999 2001)

The Carrier shall furnish to OPM audit, financial, and other information in the format and within the time frames specified in the Audit Guide for Financial Statement Audits, Reporting on Internal Controls and Compliance with Laws and Regulations, Attestation Reports, Agreed-Upon Procedures, and Reporting on Internal Controls of Third Party Servicing Organizations. The Carrier shall furnish Information and reports in the required number of copies to the addresses specified in ~~Appendix C, Contract Administration Data~~ by OPM.

10. Add a new Section 3.12 entitled FEHB Taxpayer Identification Number, to conform to FEHBAR clause 1652.204-73, published in the Federal Register on June 8, 2000, as follows:

SECTION 3.12  
TAXPAYER IDENTIFICATION NUMBER  
(JAN 2000) (FEHBAR 1652.204-73)

*(a) Definitions.*

*Common parent*, as used in this provision, means that corporate entity that owns or controls an affiliated group of corporations that files its Federal income tax returns on a consolidated basis, and of which the Carrier is a member.

*Taxpayer Identification Number (TIN)*, as used in this provision, means the number required by the Internal Revenue Service (IRS) to be used by the Carrier in reporting income tax and other returns.

(b) The Carrier shall submit the information required in paragraphs (d) through (f) of this clause to comply with debt collection requirements of 31 U.S.C. 7701(c) and 3325(d), reporting requirements of 26 U.S.C. 6041, 6041A, and 6050M, and implementing regulations issued by the IRS. The

Carrier is subject to the payment reporting requirements described in Federal Acquisition Regulation (FAR) 4.904. The Carrier's failure or refusal to furnish the information will result in payment being withheld until the TIN number is provided.

**RULES FOR COORDINATION OF BENEFITS**

(c) The Government may use the TIN to collect and report on any delinquent amounts arising out of the Carrier's relationship with the Government (31 U.S.C. 7701(c)(3)). The TIN provided hereunder may be matched with IRS records to verify its accuracy.

(d) Taxpayer Identification Number (TIN).

TIN: \_\_\_\_\_

(e) Type of organization.

Sole proprietorship;

Partnership;

Corporate entity (not tax-exempt);

Corporate entity (tax-exempt);

Other \_\_\_\_\_.

(f) Common parent.

Carrier is not owned or controlled by a common parent as defined in paragraph (a) of this clause.

Name and TIN of common parent:

Name \_\_\_\_\_

TIN \_\_\_\_\_

11. Appendix C, CONTRACT ADMINISTRATION DATA, is removed and reserved.

~~APPENDIX C~~

~~CONTRACT ADMINISTRATION DATA~~

APPENDIX C

**[RESERVED]**

12. Rename Appendix E as RULES FOR COORDINATION OF BENEFITS, as follows

APPENDIX E

~~ORDER OF BENEFIT DETERMINATION RULES~~