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# FEHB Program Carrier Letter

## All Carriers

U.S. Office of Personnel Management  
Office of Insurance Programs

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Letter No. 2002-32

Date: September 24, 2002

Fee-for-service [ 29 ]    Experience-rated HMO [ 29 ]    Community-rated HMO [ 27 ]

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**SUBJECT: Federal Employees Health Benefits Program Proposed Regulation**

The purpose of this carrier letter is to provide you with an advance copy of a draft regulation that revises the Federal Employees Health Benefits (FEHB) Program contract cost principles and procedures.

Recently, the U.S. Office of Personnel Management's Director Kay Coles James exercised her legal authority as head of the agency to waive the application of the cost accounting standards to carrier contracts under the FEHB Program. Concurrently, Director James directed us to move forward with the publication of a regulation that would provide a substitute regulatory framework that is more appropriate while equally effective. The regulation is now at the U.S. Office of Management and Budget (OMB) for clearance prior to its publication in the *Federal Register*. At the same time, we are sharing a draft copy of the regulation with you. The current version is almost identical to a previous iteration that you saw a while ago. At that time, your comments were favorable. This regulation is an unofficial draft until it is cleared by OMB. If you have any questions, please contact Anne Easton, Senior Policy Analyst at [aseaston@opm.gov](mailto:aseaston@opm.gov).

Also, we plan to make additional changes to the CY 2003 standard contract. In addition to the changes provided to you by Carrier Letter 2002-24 dated July 30, 2002, we are eliminating three sections from the contracts for next year. They are: Section 5.30 *Cost Accounting Standards*, Section 5.31 *Disclosure and Consistency of Cost Accounting Practices* and Section 5.32 *Administration of Cost Accounting Standards*. You may expect to receive your CY 2003 carrier contract in the near future.

We appreciate your continued cooperation. Thank you.

Sincerely,



Abby L. Block  
Assistant Director  
for Insurance Programs

Enclosure