

ENCLOSURE B

FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

ANNUAL REPORTING PACKAGE

FOR EXPERIENCE-RATED CARRIERS

For the period January 1, 2001 - December 31, 2001

2001 ANNUAL REPORTING PACKAGE

This section contains the guidelines for your **ANNUAL ACCOUNTING STATEMENT REPORTING**, which is due no later than **March 29, 2002**. As in prior periods, the accounting reports and supporting schedules must be prepared using the accrual basis of accounting. The information provided in Enclosure A must be used in the preparation of your financial reports and its accuracy is essential. Please review this information and contact the Benefits Accounting Branch if you feel it is inaccurate.

REPORTING REQUIREMENTS

All the 2000 financial reporting requirements are required for 2001. You should ensure that all required statements and supporting schedules are included before submitting your completed 2001 annual accounting statement package. The last page of these instructions is a checklist of required documents.

In addition, please remember that all administrative expenses and other expenses and retentions shown on your report must be allowable under (1) The Federal Employees Health Benefit Regulation, Part 890, Title 5, Code of Federal Regulations; and (2) The Federal Acquisition Regulation, Chapters 1 and 16 of Title 48, Code of Federal Regulations.

MAINTENANCE OF HEALTH BENEFITS CLAIMS INFORMATION

Each carrier must prepare computer tape(s) with back-up of the paid claims history for each contract year. This tape(s) must support the claims paid amount shown on your Supplemental Schedule of Health Benefits Charges Paid, Part A before the reconciliation performed in Part D. These tapes must be maintained as a part of each carrier's financial records. The Office of the Inspector General (OIG) will request this information as a part of their periodic audit.

CONFIDENTIALITY

It is OPM's policy to disclose the Summary Statement of FEHBP Operations of participating carriers upon request, provided: (1) the carrier's accounting statement is accepted by OPM for use in administering the contract; and (2) the rate-negotiation process for the contract year in which the accounting statements are due has been completed for all participating carriers.

Consistent with Executive Order 12600, each carrier must designate, when the financial information is submitted, whether any other information submitted with the annual accounting statement is considered confidential commercial information.

2001 Annual Reporting Package, continued

COMPLIANCE WITH THE FEHBP AUDIT GUIDE

If your carrier activity consists of claims expense greater than \$40 million and you have chosen either Option 3 or Option 4 of the Guide with a December 31 accounting period, you must have your Independent Public Accountant prepare the reports outlined in the "FEHBP Experience-Rated Carrier and Service Organization Audit Guide". A recent edition of the Audit Guide is available on http://www.opm.gov/carrier/carrier_letters/2001/2110-26.htm for your information and reference.

If your carrier activity consists of claims expense less than \$40 million and you have chosen either Option 3 or 4 of the Guide with a December 31 accounting period, you must have your Independent Public Accountant follow the instructions outlined at the top of Page I-4 of the Audit Guide.

DOD PROJECT

If your Plan is participating in the Department of Defense Demonstration Project, the financial activity pertaining this activity should be reported separately from other FEHBP operations on the Summary Statement, Supplemental Schedule of Administrative Expenses and the Supplemental Schedule of Health Benefits Charges Paid. Beginning balances for DOD reporting should be consistent with the prior year's submission.

DUE DATE

In accordance with the Audit Guide, you are required to submit 4 copies of the completed Fiscal Year Accounting Statement and all Supplementary Schedules no later than March 29, 2002 to:

**U.S. Office of Personnel Management
Financial Management Division
Attention: Melanese Matthews
1900 E Street, NW, Room 3H25
Washington, D.C. 20415-001**

Please provide an electronic (MS Excel format) version of your Summary Statement of FEHBP Financial Operations.

If you have any questions regarding the preparation of your accounting statement or the Enclosure A for your plan, please contact Windy Crawford at (202)606-4151.

Questions and requests for the Audit Guide may be faxed to the Office of the Inspector General at (202)606-4823 or emailed to dlfletch@opm.gov.

**FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM
ANNUAL ACCOUNTING STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2001**

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- STATEMENT OF OPERATIONS
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Required supplementary schedules include:

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B. Supplemental Data

- Vendor Cost Containment Expenses
- Other Expenses

C. Checklist of documents to be submitted

**Instructions for Preparing 2001
SUMMARY STATEMENT OF FEHBP FINANCIAL OPERATIONS**

Round all amounts to the nearest whole dollar and ensure they add to the totals. Carriers participating in the Department of Defense (DOD) Project should state this activity separately on the Summary Statement and related schedules.

Enclosure A shows the Letter-of-Credit (LOC) authorizations and reductions recorded by OPM for your plan during 2001. This information must be used to prepare your report. Please compare this information with your records and notify Melanese Matthews at (202)606-4498 of any differences.

1. **PROGRAM INCOME:**

a. **Letter-of-Credit Authorizations:**

- 1) Semi-monthly Premiums: Show the total 2001 semi-monthly premium authorizations to your LOC account as stated on Enclosure A.
- 2) Interest: Show the 2001 interest credited to your LOC account as stated on Enclosure A.

b. **Accrued Income 12/31/00:**

- 1) Semi-monthly Premiums: Show the accrued premium income as of December 31, 2000 as stated on Enclosure A.
- 2) Interest: Show the accrued interest on your LOC account as of December 31, 2000 as stated on Enclosure A.

c. **Accrued Income 12/31/01:**

- 1) Semi-monthly Premiums: Show the accrued premium income as of December 31, 2001 as stated on Enclosure A.
- 2) Interest: Show the accrued interest on your LOC account as of December 31, 2001 as stated on Enclosure A.

d. **Total Program Income:** The total of lines 1a, 1b, and 1c.

e. **Carrier Interest Income:** Your contract states that all funds in excess of those needed to properly discharge the obligations of the contract should be invested. Report on line 1e the amount of interest earned with FEHBP funds held other than in the LOC account during 2001. Attach a detailed schedule showing the development of interest earned on funds held by the Plan and/or Underwriter.

f. **Total Carrier Income:** Line 1d plus line 1e.

Instructions for Preparing 2001

SUMMARY STATEMENT OF FEHBP FINANCIAL OPERATIONS, continued

2. **HEALTH BENEFITS CHARGES:**

- a. **Paid:** This amount should agree with the "TOTAL" in Part D of the "**Supplemental Schedule of Health Benefits Charges Paid**".
- b. **Accrued but Unpaid:**
 - 1) **Beginning:** Line 2 of Enclosure A shows the ending health benefits accrual reported on your December 31, 2000 annual accounting statement. This figure is to be used on Line 2b(1) of this year's SUMMARY STATEMENT. Attach a supplementary schedule showing the monthly liquidation of the previous year's accrual.
 - 2) **Ending:** Show the charges incurred but unpaid as of December 31, 2001. Attach a schedule showing the development of the unreported health benefit charges. All assumptions, judgment factors and estimates should be supported and all sources of data identified.
- c. **Total:** Line 2a minus line 2b(1) plus line 2b(2).

3. **ADMINISTRATIVE EXPENSES:** If your plan has high and standard options, show the basis and amounts used for prorating administrative expenses between the two options. Note that development costs of the Clearinghouse project, as reported on Enclosure A, are to be included in your administrative expenses. In addition, Carriers can choose to treat the cost of internally developed software in accordance with the AICPA Statement of Position (SOP) 98-1, which requires that the cost be capitalized and amortized over the useful life of the software. If a carrier chooses, instead, to expense the cost of internally developed software, the amount expensed must be reported as a separate line item on the Supplemental Schedule of Other Administrative Expenses.

- a. **Paid:** Should agree with the amount stated on the Statement of Cash Flows.
- b. **Accrued but Unpaid:**
 - 1) **Beginning:** Show on Line 3b(1) the amount of the accrued administrative expenses as shown on your prior year's annual accounting statement.
 - 2) **Ending:** Show on line 3b(2) the amount of accrued administrative expenses as of December 31, 2001.
- c. **Total:** Line 3a minus line 3b(1) plus line 3b(2). This should agree with the total amount shown on the Supplemental Schedule of Administrative Expenses.

Instructions for Preparing 2001

SUMMARY STATEMENT OF FEHBP FINANCIAL OPERATIONS continued:

4. OTHER EXPENSES AND RETENTIONS:

- a. **State Statutory Reserve:** Report the amount necessary to satisfy state requirements for mandatory statutory reserves if your contract provides for such a charge. Attach a supporting schedule showing in detail the calculation of the required reserve amount and citation to specific state statutes. If there is no requirement, enter zero.
- b. **Reinsurance Expenses:** Report the amount of reinsurance expenses (if applicable) incurred in contract year 2001. Attach a supporting schedule showing the development of your reinsurance expenses and the basis for this charge.
- c. **Service Charge:** Report the amount of service charge allowed under the provisions of your 2001 contract.
- d. **Other Expenses not Listed Above:** The composition of this charge must be explained in a footnote or supplemental schedule.
- e. **Total:** The sum of Lines 4a through 4d.

5. CHANGES TO SPECIAL RESERVE:

- a. **Special Reserve, Beginning:** The amount of the prior year accounting statement ending Special Reserve balance. This must also be in agreement with the amount reported on your Enclosure A.
- b. **Gain (Loss) on Operations:** This is calculated as follows: Total Carrier Income (line 1f), less Health Benefits Charges (line 2c), less Administrative Expenses (line 3c), less Other Expenses and Retentions (line 4e).
- c. **Prior Period Adjustments:** Please provide separate schedules for adjustments made to the current contract year's report as a result of OPM audits and adjustments made from carrier financial records. A consolidated schedule combining these amounts should also be prepared. All OPM-related prior period adjustments should show the amount of adjustment by year and identify the OPM audit report number. Also reference the date of the adjustment and the audit finding.
- d. **Contingency Reserve Transfers:** Show on line 5d the amount transferred from the contingency reserve to your LOC account during 2001 as shown on Enclosure A.

Instructions for Preparing 2001

SUMMARY STATEMENT OF FEHBP FINANCIAL OPERATIONS continued:

- e. **Return of Excess Reserves:** Show on line 5e the amount of excess reserves withdrawn from your LOC account and transferred to the contingency reserve during 2001 as shown on Enclosure A.
 - f. **Other:** Show on line 5f any transfers or other additions or subtractions to the special reserve during 2001. The composition of this charge must be explained in a footnote or supplemental schedule.
 - g. **Special Reserve, Ending:** The total of lines 5a, 5b, 5c, 5d, 5e, and 5f.
6. **STATUS OF RESERVES:** Show on this line the excess or (deficiency) of your total reserves as of December 31, 2001.

All reports and schedules must be supported by your Plan's accounting and statistical records.

FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

Carrier Name _____ Code _____

**FEHBP BALANCE SHEET
DECEMBER 31, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
ASSETS		
Cash and Cash Equivalents	\$	\$
Balance in Letter of Credit (LOC) Account		
Interest Income Receivable		
Program Income Receivable		
Prepaid Expenses		
Other Assets(explain)		
TOTAL ASSETS	\$	\$
LIABILITIES		
Health Benefits Accrued but Unpaid	\$	\$
Accrued Administrative Expenses and Retentions		
Other Accrued Liabilities (explain)		
Special Reserve		
TOTAL LIABILITIES WITH SPECIAL RESERVE	\$	\$

See accompanying notes to financial statements.

Instructions for Preparing 2001 FEHBP BALANCE SHEET

If your plan has an underwriter, please provide a consolidated balance sheet incorporating the financial activity of the underwriter, organization and former underwriter(s), if applicable. Please provide separate balance sheets for each entity if they are available.

In addition, if your plan has high and standard options, please provide a separate balance sheet for each option.

ASSETS

Cash and Cash Equivalents. The ending cash and cash equivalents balance as shown on the Consolidated Statement of FEHBP Cash Flows and other related schedules.

Balance in Letter of Credit Account. The balance in the LOC account as of December 31, 2001. This should agree with line 4e of Enclosure A.

Interest Income Receivable. All accrued interest income from bank accounts or short-term investments maintained for payment of FEHBP expenses as the end of the reporting period. Do not include accrued interest from the Letter of Credit (LOC) account.

Program Income Receivable. The ending accrued semimonthly premiums and (LOC) account interest from line 1c of the Summary Statement.

Prepaid Expenses. The prepaid expenses as of December 31, 2001.

Other Assets. Provide supplemental detailed description of the assets.

LIABILITIES

Health Benefits Accrued but Unpaid. The ending health benefits charges accrued but unpaid from line 2b(2) of the Summary Statement.

Accrued Administrative Expenses and Retentions. The total accrued administrative expenses and retentions as of the end of the reporting period.

Other Accrued Liabilities. Provide supplemental detailed description of the liability.

Special Reserve. The ending Special Reserve from line 5g of the Summary Statement.

Total Liabilities with Special Reserve. Sum of Liabilities and Special Reserve; should also agree with total liabilities.

Note: The Balance Sheet should be prepared in accordance with the special purpose financial statements required by the U.S. Office of Personnel Management. This is a comprehensive basis of accounting other than generally accepted accounting principles.

FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

Carrier Name _____ Code _____

**FEHBP STATEMENT OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

<u>2001</u>		<u>2000</u>	
REVENUE			
Letter of Credit (LOC) Authorizations		\$	\$
Net Investment Income			
Total Revenue		\$	\$
BENEFITS AND EXPENSES			
Health Benefit Charges		\$	\$
Administrative Expenses			
State Statutory Reserve			
Reinsurance Expenses			
Service Charges			
Other			
Total Benefits and Expenses		\$	\$
GAIN (LOSS) FROM OPERATIONS			
Special Reserve, Beginning of Year		\$	\$
Gain (Loss) from Operations			
Return of Excess Reserves			
Contingency Reserve Payments			
Other			
Special Reserve, End of Year		\$	\$

See accompanying notes to financial statements

**Instructions for Preparing 2001
FEHBP STATEMENT OF OPERATIONS**

Enclosure A of the covering letter shows the Letter of Credit (LOC) authorizations and reductions recorded by OPM for your plan during fiscal year 2001. This information must be used to prepare your report. Please compare this information to your records and notify Melanese Matthews of the Benefits Accounting Branch on (202)606-4498 of any differences. As noted previously, the amount reported as LOC drawdowns must be the total amount requested from OPM and not the net amount received pursuant to the provisions of the Debt Collection Act of 1996.

REVENUE:

Letter of Credit Authorizations: Show the total 2001 semi-monthly premium authorizations as stated on Enclosure A.

Net Investment Income: Show the 2001 calendar year interest credited to the LOC account as stated on Enclosure A plus investment interest earned on funds held by the carrier, if applicable.

Total Revenue: Letter of Credit Authorizations plus Net Investment Income.

BENEFITS AND EXPENSES:

Health Benefits Charges: Show the amount paid for health benefit charges during contract year 2001.

Administrative Expenses: Your contract with OPM provides for allowable charges to the Federal Employees Health Benefits Program. The formula for allowable administrative expenses for the contract year 2001 is stated in Appendix B of your 2001 contract.

Note that your premiums made available were offset each quarter for development costs of the Clearinghouse Reconciliation Project. These costs, specified in Enclosure A, should be considered administrative expenses.

State Statutory Reserve: Report the amount necessary to satisfy State requirements for mandatory statutory reserves. Attach a schedule showing in detail the calculation of the required reserve amount and citation to specific state statutes.

Reinsurance Expenses: Report the amount of reinsurance expenses, if applicable, incurred in contract year 2001. Attach a schedule showing the development of your reinsurance expenses and the basis for this charge.

**Instructions for Preparing 2001
FEHBP STATEMENT OF OPERATIONS, continued**

Service Charges: Show the 2001 allowable service charge as stated on Appendix B of the 2001 contract amendment.

Other: Show all other expenses not previously listed and disclose its nature with either a footnote or a supplemental schedule.

Total Benefits and Expenses: Sum of benefits and expenses.

GAIN (LOSS) FROM OPERATIONS:

Special Reserve Beginning of Year: Show the ending special reserve from the prior year's annual accounting statement.

Gain (Loss) from Operations: Total revenue minus total benefits and expenses.

Return of Excess Reserves: Show the amount of excess reserves withdrawn from your LOC account and transferred to the contingency reserve during contract year 2001 shown on Enclosure A.

Contingency Reserve Transfers: Show the contingency reserve transfer(s) authorized to the LOC account during contract year 2001 as shown on Enclosure A.

Other: Show all other additions or subtractions not classified. Include a supporting schedule to explain the source of the adjustment(s).

Special Reserve at End of Year: The beginning Special Reserve plus or minus adjustments made during contract year 2001.

FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

Carrier Name _____ **Code** _____

**FEHBP STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Gain (Loss)	\$	\$
Adjustments to Reconcile Net Gain to Net Cash Provided by (used in) Operating Activities:		
(Increase) Decrease in Assets	\$	\$
Letter of Credit Account		
Program Income Receivable		
Interest Income Receivable		
Prepaid Expenses		
Other Assets		
Increase (Decrease) in Liabilities:	\$	\$
Health Benefits Charges Accrued but Unpaid		
Accrued Administrative Expenses		
Accrued Service Charge		
Other Accrued Liabilities		
TOTAL ADJUSTMENTS	\$	\$
Net cash provided by operating activities	\$	\$

(Continued Next Page)

EEHBP STATEMENT OF CASH FLOWS (Continued from previous page)

	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Proceeds from Sale of Investments	\$	\$
Purchase of Investments		
Investment Income Received		
Net Cash Provided by Investing Activities	\$	\$
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents, Beginning of Year	\$	\$
Cash and Cash Equivalents, End of Year	\$	\$

See accompanying notes to financial statements.

**Instructions for Preparing 2001
FEHBP STATEMENT OF CASH FLOWS**

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Gain (Loss): Show the net gain or (loss) from the Statement of Operations.

**Adjustments to Reconcile Net Gain (Loss) to Net Cash
Provided by (used in) Operating Activities:**

Prior Period adjustments and other adjustments as shown on the Statement of Operations
Contingency Reserve Payments
(Withdrawal of Excess Reserves)

(Increase) Decrease in Assets:

Letter of Credit Account
Program Income Receivable
Interest Income Receivable
Prepaid Expenses

Increase (Decrease) in Liabilities:

Health Benefits Charges Accrued but Unpaid
Accrued Administrative Expenses
Accrued Service Charge
Other Accrued Liabilities (provide explanation)

Total Adjustments: The sum of Adjustments, (Increase) Decrease in assets and Increase (Decrease) in Liabilities

Net Cash Provided by Operating Activities: The total net gain or (loss) plus total adjustments

**Instructions for Preparing 2001
FEHBP STATEMENT OF CASH FLOWS, continued**

CASH FLOWS FROM INVESTMENT ACTIVITIES:

Proceeds from Sale of Investments: Present the sum of proceeds received from the sale of FEHBP investments

Purchase of Investments: Present the sum paid to acquire FEHBP investments

Investment Income Received: Non-LOC investment income.

Net Cash Provided by Investing Activities: Proceeds from the sale of investments plus non-LOC interest income minus payments for purchase of investments.

NET INCREASE IN CASH AND CASH EQUIVALENTS: Net Cash Provided by Operating Activities plus or minus Net Cash Provided by Investing Activities.

Cash and Cash Equivalents at Beginning of Year: From the 2000 FEHBP Balance Sheet.

Cash and Cash Equivalents at End of Year: From the 2001 Balance Sheet

FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

Carrier Name _____ **Code** _____

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

Carrier Name _____ Code _____

**SUPPLEMENTAL SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

ADMINISTRATIVE EXPENSES	<u>2001</u>	<u>2000</u>
Rent	\$	\$
Salaries		
Employee Benefits		
Furniture and Equipment		
Maintenance		
Equipment Rental		
Printing, Stationery and Supplies		
Travel		
Postage		
Telephone & Telegraph		
Private Wire System		
Auditing Services		
Legal Services		
Consulting & Professional		
Payroll Taxes		
Utilities		
Insurance		
LOC Bank Charges		
Facilities Cost of Capital		
Clearinghouse Expense		
Other Expenses (provide breakdown)		
TOTAL ACTUAL EXPENSES	\$	\$
2001 Contract Limitation	\$	\$
Vendor Cost Containment Allowed per Contract (see instructions; applies only to fee-for service carriers)		
IPA Audit Fees		
TOTAL CHARGED TO CONTRACT	\$	\$

See accompanying independent auditors' report.

**FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM
DOD PROJECT**

Carrier Name _____ Code _____

**SUPPLEMENTAL SCHEDULE OF DOD PROJECT ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

ADMINISTRATIVE EXPENSES FOR DOD PROJECT	<u>2001</u>	<u>2000</u>
Rent	\$	\$
Salaries		
Employee Benefits		
Furniture and Equipment		
Maintenance		
Equipment Rental		
Printing, Stationery and Supplies		
Travel		
Postage		
Telephone & Telegraph		
Private Wire System		
Auditing Services		
Legal Services		
Consulting & Professional		
Payroll Taxes		
Utilities		
Insurance		
LOC Bank Charges		
Facilities Cost of Capital		
Clearinghouse Expense		
Other Expenses (provide breakdown)		
TOTAL ACTUAL DOD PROJECT EXPENSES	\$	\$
2001 Contract Limitation	\$	\$
Vendor Cost Containment Allowed per Contract (see instructions; applies to fee-for-service carriers only)		
IPA Audit Fees		
TOTAL CHARGED TO CONTRACT FOR DOD PROJECT	\$	\$

See accompanying independent auditors' report.

FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

Carrier Name _____ Code _____

**SUPPLEMENTAL SCHEDULE OF OTHER ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2001**

High Option _____
Standard _____
DOD Project _____

OTHER ADMINISTRATIVE EXPENSES

Item	Plan Total Expense	FEHBP Share	Basis for Allocation
TOTAL OTHER EXPENSES*			

*Total should be brought forward to Supplemental Schedule of Administrative Expenses.

FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

Carrier Name _____ Code _____

Underwriter Name _____

**SUPPLEMENTAL SCHEDULE OF VENDOR COST CONTAINMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2001**

Item	High Option	Standard Option	Total
PPO			
Pre-certification			
Second Surgical Opinion			
Case Management			
Prescription Benefit Manager			
MHSA Vendor			
Other (list)			
Total Expenses			
Total Charged to Contract*			

* Total Charged to Contract should be carried forward to the Supplemental Schedule of Administrative Expenses.

**Instructions for Preparing 2001
FEHBP SUPPLEMENTAL SCHEDULE OF ADMINISTRATIVE EXPENSES**

Show your Plan's total expenses, by object class. A separate schedule should be submitted for each entity of your plan; i.e., Organization and/or Underwriter, where applicable. The total charged should be shown on the Statement of Operations and must not exceed the contract limitation.

If your plan has two options, attach a supporting schedule showing the basis and statistical data used for prorating administrative expenses between options, e.g. number of claims paid, or other units of work performed.

Carriers that are participating in the Department of Defense Demonstration Project must report the administrative expenses incurred for that project on a separate schedule. This should agree with administrative expenses reported in the DOD column of your Summary Statement.

NOTE:

A detailed breakdown is required for "Other Expenses."

A detailed breakdown is also required for the item "Vendor Cost Containment Expenses." PPO expenses should be shown as an administrative expense, not an addition to benefit expenses. Also, administrative expenses for vendor processing network drug and mental health/substance abuse claims should be shown as separate line items. Costs for processing non-network claims should be shown as a regular administrative expense (subject to the administrative expense ceiling) where feasible and material. Variations to these instructions should be fully explained in footnotes to the statements.

This item only applies to FEE FOR SERVICE PLANS that have a provision for this expense in their contract.

FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

Carrier Name _____ **Code** _____

**SUPPLEMENTAL SCHEDULE OF STATUS OF RESERVES
AS OF DECEMBER 31, 2001**

High Option _____
Standard _____
DOD Project _____

1. Reserves Held by Carrier:

- a. Ending Special Reserve Balance \$ _____
- b. Ending Accrued but Unpaid Health Benefits Charges \$ _____
- c. Total *(Line 1a + Line 1b)* \$ _____

2. One Month's Average Expenses:

- a. One Month's Average Claims Paid:
Claims paid-last six months of 2001:
July
August
September
October
November
December
Total \$ _____ x 1/6 \$ _____
- b. One Month's Average Administrative Expenses
and Retentions *(Summary Statement Line 3c + Line 4e x 1/12)* \$ _____
- c. Total One Month's Average Expenses *(Line 2a + Line 2b)* \$ _____

3. Target Level of Carrier-Held Reserves: *(Line 2c x 3.5)* \$ _____

4. Status of Reserves:

- a. Excess Reserves *(if the amount on Line 1c is greater than the amount on Line 3, enter the difference here.)* \$ _____
- b. Deficiency of Reserves *(if the amount on Line 3 is greater than the amount on Line 1c, enter the difference here.)* \$ _____

See accompanying independent auditors' report.

**Instructions for Preparing 2001
SUPPLEMENTAL SCHEDULE OF STATUS OF RESERVES**

NOTE: If your plan has more than one option, this schedule must be prepared for each option.

Definitions (per 5 CFR 890)

1. **Target Level of Carrier-Held Reserves** – 3.5 times an amount equal to the sum of an average month's paid claims plus an average month's administrative expenses and retentions.
2. **Average Month's Paid Claims** – 1/6 of the total claims paid during the last 6 months of the most recent contract period.
3. **Average Month's Administrative Expenses and Retentions** – 1/12 of the total administrative expenses and retentions paid during the last twelve months ((Summary Statement lines 3c + 4e) times 1/12).
4. **Excess Reserves** – The amount by which the total of all reserves held by a plan as of the end of a contract period exceed the plan's target level (line 1c – line 3).
5. **Deficiency of Reserves** – The amount by which the plan's target level of reserves exceeds the reserves held at the end of a contract period (line 3 – line 1c).

Line 1a. **Ending Special Reserve Balance:** The ending Special Reserve as shown on line 5g of the Summary Statement.

Line 1b. **Ending Accrued but Unpaid Health Benefits Charges:** The ending accrued claims reserve as shown on line 2b(2) of the Summary Statement.

Line 1c. **Total:** Line 1a plus line 1b.

Line 2a. **One month's average claims paid:** One sixth of the total claims paid in the last six months of 2001. The monthly totals of claims paid must agree with the amounts shown on the Supplemental Schedule of Health Benefits Charges Paid.

Line 2b. **One month's average administrative expenses and retentions:** The total administrative expenses and retentions as shown on the Summary Statement (line 3c + Line 4e) divided by 12.

Line 2c. **Total:** Line 2a plus line 2b.

**Instructions for Preparing 2001
SUPPLEMENTAL SCHEDULE OF STATUS OF RESERVES, continued**

Line 3. **Target Level of Carrier-Held Reserves:** Line 2c multiplied by three and one-half).

Line 4. **Status of Reserves:**

- a. Enter the amount by which line 1c exceeds line 3. This is the amount of "excess reserves" that will be withdrawn from your Letter-of-Credit (LOC) account and transferred to your Contingency Reserve. If your annual accounting statement is not filed by **March 29, 2002** OPM may estimate the amount of excess reserves and transfer this amount from the LOC account to the contingency reserve.

- b. Enter the amount by which line 3 exceeds line 1c. This is the amount of your "deficiency of reserves". If the balance in your contingency reserve is above the preferred minimum amount, transfers may be made available to your LOC account based on a preliminary review of your 2001 annual accounting statement.

FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

Carrier Name _____ Code _____

**SUPPLEMENTAL SCHEDULE OF HEALTH BENEFIT CHARGES PAID
FOR THE YEAR ENDED DECEMBER 31, 2001**

High Option _____ Standard Option _____ DOD _____

PART A - Monthly Claims Paid

MONTH	AMOUNT PAID	YEAR INCURRED		
		01/01/01 12/31/01	01/01/00 12/31/00	1999 & PRIOR
October				
November				
December				
January				
February				
March				
April				
May				
June				
July				
August				
September				
Total	\$	\$	\$	\$

PART B - Number of Claims Paid

	CALENDAR YEAR INCURRED		
	2001	2000	1999 & PRIOR
TOTAL #	#	#	#

(Continued Next Page)

**SUPPLEMENTAL SCHEDULE OF HEALTH BENEFIT CHARGES PAID
FOR THE YEAR ENDED DECEMBER 31, 2001** (Continued from previous page)

PART C - Types of Claim Paid

TOTAL	Hospitalization	Physicians	Drugs	Other
\$	\$	\$	\$	\$
#	#	#	#	#

PART D - Reconciliation of Health Benefit Charges Paid

Total Claims Paid from Part A (<i>above</i>)	\$
Less: Reinsurance Recovery	\$
Other Adjustments (<i>explain</i>)	\$
TOTAL (Summary Statement)	\$

See accompanying independent auditors' report.

Instructions for Preparing 2001

FEHBP SUPPLEMENTAL SCHEDULE OF HEALTH BENEFITS CHARGES PAID

Part A: Monthly Claims Paid

Report in the first column the amount of health benefits charges paid in each month. In the second, third and fourth columns, show a breakdown of the amount reported in the first column by the year incurred.

Part B: Number of Claims Paid

Self-explanatory.

Part C: Types of Claims Paid

If possible, separate claims paid into hospitalization, physicians, drugs, and other claims.

Part D: Reconciliation of Health Benefit Charges Paid

Self-explanatory.

**Instructions for Preparing 2001
FEHBP SUPPLEMENTAL SCHEDULE OF MONTHLY CASH FLOWS**

This schedule must be prepared on a monthly basis for the period January 1, 2001 through December 31, 2001.

Cash Balance: The total of ending cash balance and total value of investments held by carrier as shown on your 2000 annual accounting statement, and as of the end of each month through December 31, 2001.

Sources of Cash (all by month received):

LOC Drawdowns: Withdrawals made from your Letter of Credit (LOC) account as shown on line 4b. of Enclosure A.

Interest Income: Interest earned on funds held during the contract year, other than the LOC account.

Other: Explain via footnote or attached sheet of paper, all entries shown on this line.

Applications of Cash (all by month incurred):

Claims Paid: The total health benefits charges paid during the period January 1, 2001, through December 31, 2001.

Administrative Expenses Paid: The amount of cash paid for allowable administrative expenses during 2001.

Other: Explain, via footnote or attached sheet of paper, all entries shown on this line.

Net Inflow (Outflow): The net of total Sources of Cash minus total Applications of Cash.

Cash and Cash Equivalents Monthly Balance: Previous month's balance of cash, cash equivalents, and investments plus the month's net inflow (outflow).

FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

Carrier Name _____ **Code** _____

**SUPPLEMENTAL SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2001**

AUDIT NUMBER, DOLLAR AMOUNT AND ASSOCIATED YEAR:

# _____	\$ _____	_____
# _____	\$ _____	_____
# _____	\$ _____	_____
# _____	\$ _____	_____
# _____	\$ _____	_____
# _____	\$ _____	_____
# _____	\$ _____	_____

TOTAL \$ _____

FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

Carrier Name _____ **Code** _____

Additional Required Financial and Statistical Information:

- a. The detailed method for developing the estimate of the accrued but unpaid Health Benefits Charges.
- b. Statistical data used for allocating administrative expenses by line item.
- c. Statistical data used for prorating expenses between options (high/standard option plans only).
- d. Development of the investment income earned and credited to the FEHBP including an explanation of the allocation method used.
- e. Calculation of the State Statutory Reserve payment.
- f. Development of the reinsurance expenses factor.

ALL FINANCIAL REPORTS MUST BE SUPPORTED BY YOUR PLAN'S ACCOUNTING RECORDS

FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

Carrier Name _____ Code _____

CHECKLIST OF DOCUMENTS TO BE SUBMITTED

BY EXPERIENCE RATED CARRIERS

FOR THE 2001 ANNUAL ACCOUNTING STATEMENT REPORT

(due no later than March 29, 2002)

Certification of Annual Accounting Statement - Carrier
Certification of Annual Accounting Statement - Underwriter (if applicable)
Independent Accountant's Report (if applicable)

Summary Statement of Financial Operations
FEHBP Balance Sheet
Statement of Operations
Statement of Cash Flows
Notes to the Financial Statements

Supplemental Schedule of Administrative Expenses
Supplemental Schedule of "Other" Administrative Expenses
Supplemental Schedule of Vendor Cost Containment Expenses (if applicable)
Supplemental Schedule of Status of Reserves
Supplemental Schedule of Health Charges Paid
Supplemental Schedule of Monthly Cash Flows
Supplemental Schedule of Audit Findings

Additional Required Financial and Statistical Information