
FEHB Program Carrier Letter

Health Maintenance Organizations (New)

U.S. Office of Personnel Management
Insurance Services Program

Letter No. 2003-18 (b)

Date: May 6, 2003

Fee-for-service [18] Experience-rated HMO [18] Community-rated [17]

SUBJECT: 2004 Technical Guidance and Instructions for Preparing Benefits and Service Area Proposals for New HMOs

Enclosed are the technical guidance and instructions for preparing your benefit and service area proposals for the contract term January 1, 2004 through December 31, 2004. The guidance and instructions are in three parts:

- Part One: Preparing Your Benefit Proposal
- Part Two: Changes in Service Area Since You Applied to the FEHB Program
- Part Three: Required Benefits for Newly-Approved HMOs

Please refer to our *Call Letter for 2004* (Carrier Letter 2003-15) sent to you on April 18, 2003, for *policy guidance*. OPM has benefit policies that remain in effect from year to year. See Part 3 of this letter for details.

Please send your proposal for benefits and service area changes no later than **June 2, 2003**. Your proposal should include the corresponding language for the brochure. You do not need to send your fully completed 2004 brochure by June 2, only brochure language to describe your proposed benefits.

Your OPM contract specialist will negotiate your 2004 benefits with you and finalize the negotiations in a closeout letter. Please send an electronic version of your fully completed 2004 brochure to your contract specialist within five business days following the receipt of the closeout letter **or** by the date set by your contract specialist.

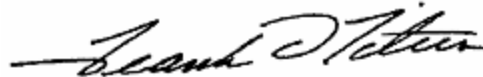
We will send you brochure printing specifications, electronic graphics, and the OPM authorization block for the cover, along with your approved brochure text file. In August, we will send you a brochure quantity form, shipping labels, and other related open season instructions.

We sent rate instructions for community-rated plans in Carrier Letter 2003-14 dated April 18, 2003, and we will provide the instructions for experience-rated plans under separate cover. Keep in mind that FEHB rate submissions are the cornerstone of our financial relationship with HMOs. We may audit your FEHB rates and their supporting documentation to ensure they are accurate and reasonable. If you misrepresent your FEHB Program rates, we may take criminal or civil legal actions against the carrier or its officials. We, with the support of the Inspector General's Office and the Justice Department, will aggressively pursue any misrepresentation.

In keeping with the spirit of the call letter, we remain extremely price sensitive. Although we do not limit HMOs to zero cost benefit tradeoffs, we prefer that benefits remain consistent with your benefits package purchased by the greatest number of your subscribers.

Our experience is that a plan with less than four years experience in the FEHB Program is most at-risk for dropping out of the Program. Newer plans that drop out are more likely to cite insufficient FEHB enrollment as the reason for no longer wishing to participate. The FEHB Program is a mature, managed care market. Your ability to differentiate yourself in terms of pricing, benefits, service, or provider panel will go a long way in determining your Program success. Keep your lines of communication open with your OPM contract specialist. Don't hesitate to call if you have any questions about the call letter or the material enclosed in this letter.

Sincerely,



Frank D. Titus
Assistant Director
for Insurance Services

Enclosures