**FEHB Program Carrier Letter**
**All FEHB and PSHB Carriers**

**U.S. Office of Personnel Management**
**Healthcare and Insurance**

FEHB ☒ PSHB ☒

## Letter Number 2026-04

**Date: August 17, 2026**

Fee-for-service [9] Experience-rated HMO [9] Community-rated HMO [10]

## Subject: Offshore Contracting

This Carrier Letter supersedes Carrier Letter Number 2012-23. It provides updated requirements for Federal Employees Health Benefits (FEHB) Program and Postal Service Health Benefits (PSHB) Program Carriers (hereinafter collectively referred to as "Carriers") that prohibit the use of offshore contracting, subject to the limited exceptions provided in this Carrier Letter.

### Background

In 2011, OPM underscored to Carriers important issues regarding the use and disclosure of protected health information (PHI) and sought input from Carriers about best practices in the use of offshore contracting. As a result of this input, OPM issued Carrier Letter 2012-23 that reiterated that offshore contracting "is of serious interest to OPM as we seek to maintain customer confidence and control risk in FEHB enrollee records management." In that Carrier Letter, OPM identified a variety of activities and services that can fall under offshore contracts. Common examples include call center services regarding eligibility, benefits and claims; resolution of information on applications and claims; claims processing and/or data entry; IT services (e.g., application and software development, maintenance, testing and support); member/patient surveys; overpayment recovery services; dispute resolution and claims adjustment; enrollment reconciliation; imaging and records management; and miscellaneous management services such as quality assurance, enrollment and coverage eligibility, and security analysis services.

In 2012, OPM determined that the existing audit process was sufficient at that time to provide strong oversight of Carrier activities, including Carrier management of the risk of unauthorized disclosure of FEHB enrollee PHI posed by offshore contracting. Carriers that engaged in offshore contracting were instructed to provide documentation in field audits that would assist OPM in understanding the Carrier's requirements for offshore contractors related to the Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health (HITECH) Act of 2009, (collectively, HIPAA), as well as the Carrier's implementation of risk assessments and other security safeguards to mitigate the risk to enrollee and family member PHI and personally identifiable information (PII).

Since that time, OPM has determined that it is in the best interest of FEHB and PSHB enrollees to prohibit the use of offshore contracting by Carriers, subject to the very limited exceptions provided in this Carrier Letter.[1] A Carrier that is HIPAA-regulated typically enters into a business associate agreement with an offshore vendor that creates, receives, maintains, or transmits PHI on its behalf, under which the vendor agrees to comply with HIPAA as a business associate. However, OPM has determined that an offshore vendor's HIPAA compliance alone does not sufficiently mitigate FEHB/PSHB program risks associated with offshore contracting, including

[1] OPM is establishing this prohibition pursuant to OPM's contracting authority in 5 U.S.C. §8902 and 48 CFR 1652.243-70 and 48 CFR 44.202-1

risks related to enforceability, auditability, national security, data access, incident response, and protection of federal employee PHI/PII.

**Prohibition on the Use of Offshore Contracting**

Effective as of the date of this Carrier Letter, Carriers shall not enter into any contract or extensions/amendments to contracts with vendors or contractors based[2] outside of the United States (defined as the 50 states, District of Columbia, and U.S. territories) in connection to the Carrier's FEHB/PSHB business.[3] Because the magnitude of potential harm from the unauthorized disclosure of PHI/PII that applies to certain federal employees operating in the intelligence space is severe, this prohibition applies to all contractors based outside of the U.S. and is not limited only to those with access to program participant PHI or PII.

**Carriers with Existing Contractors Based Outside of the United States or U.S. Territories**

OPM is requiring that Carriers who have active contracts with contractors based outside of the United States or U.S. territories terminate those contracts as soon as possible, but not later than December 31, 2026. OPM may provide an exception for contracts that cannot be terminated by this date. If a Carrier has an offshore contract that cannot be terminated by this date, they are advised to provide their Contracting Officer information on the specific contract and the rationale for why it cannot be terminated by the deadline as soon as possible.

[2] For purposes of this Carrier Letter, an entity is based outside of the U.S. when its Principal Place of Business (as defined in 31 CFR 800.239) is not within the 50 states, D.C., or U.S. territories.

[3] Primary examples of impacted contracts include but are not limited to those involving access to member data, PHI or PII, such as call centers or claims processing entities.

Any questions or concerns related to this new policy should be directed to your Contracting Officer.

**Provider Networking**

OPM recognizes that the large nationwide Carriers with overseas enrollees are interested in contracting with healthcare providers in areas common to U.S. military bases and overseas-based annuitants. This Carrier Letter does not seek to limit provider agreements for the purpose of patient care, therefore contracts for direct patient care are exempt from this offshore contracting prohibition.

Sincerely,

Kurt D. Dykstra

General Counsel and Healthcare and Insurance Designee for Scott Kupor, Director

U.S. Office of Personnel Management