SUBJECT: The Department of Defense (DoD) and Federal Employees Health Benefits (FEHB) Program Demonstration Project

This letter is to notify you that we published two interim regulations on July 6, 1999, in the Federal Register and to provide you with other sources of information on the Demonstration Project authorized by the National Defense Authorization Act for 1999, Public Law 105-261.

Our recently published regulations define the policy parameters of the Demonstration Project. One regulation amends title 5, Code of Federal Regulations, Part 890 (64 FR 36237), and the other amends title 48, Code of Federal Regulations, chapter 16 (64 FR 36271). You can view the regulations on our Internet website (www.opm.gov) by selecting “Federal Register” from the index.

Within the next week, the Department of Defense will mail all eligible beneficiaries a post card which provides information on the Demonstration Project such as who is eligible, when eligible persons can enroll, and containing the hotline telephone number to call for more information beginning September 7, 1999. You can view other information, such as DoD’s Marketing/Beneficiary Education Plan, beneficiary Frequently Asked Questions and a demonstration area zip code list on DoD’s website at http://www.tricare.osd.mil/fehbp/.

In addition to the post card, we are enclosing a questions and answers sheet to provide further policy guidance.

If you have questions about this project, contact Mike Kaszynski at 202-606-0004 or Ron Rabbu at 202-606-0745.

Sincerely,

(Signed)

Frank D. Titus
Assistant Director for Insurance Programs

Enclosures
Questions and Answers for DoD/FEHB Demonstration Project Carriers

Enrollment

Q. How can individuals get enrollment information about the Demonstration Project?

A. DoD is setting up an Information Processing Center (IPC) in Iowa to provide information about Demonstration Project enrollment. The IPC will be operational September 7, 1999. IPC staff will explain the Demonstration Project to interested individuals, determine if they are eligible, send out plan literature, and enroll eligible beneficiaries. Beginning September 7, 1999, the IPC will provide program information via a toll-free telephone number. The number is 1-877-DOD-FEHB. Also, during the Open Season DoD will arrange for health fairs. Participating health plans will be able to discuss plan benefits and costs, and respond to beneficiary questions.

DoD has also established an Internet website at http://www.tricare.osd.mil/fehbp/ devoted to the Demonstration Project.

Q. Will all eligible individuals enroll through the same process? Will they be able to do it electronically or by phone?

A. DoD has elected to require their enrollees to submit a Health Benefits Enrollment Form, SF-2809, to the IPC. The IPC will convert the forms to electronic format.

Q. Will carriers receive enrollments electronically, or will some be on paper?

A. We are requiring that all enrollments for this Demonstration Project be forwarded to carriers electronically. The enrollments will flow from the IPC through the OPM-Macon Hub to you.

Q. How many Payroll Office Numbers will there be and what are they?

A. One. The number is 97008801.

Q. Will eligibles who don’t enroll in the Demonstration Project in the first Open Season be allowed to enter in the second or third?

A. Yes.
Q. Will an enrollee’s coverage terminate if he or she moves out of a Demonstration Project area?

A. Yes. Enrollees must live in demonstration areas to be eligible for this program. If enrollees move to other demonstration areas they can maintain their enrollment in their current fee-for-service plans with no action on their part, except to notify carriers of the change in address. If an enrollee was enrolled in an HMO prior to the move and that HMO does not serve the new area, the enrollee can change to a plan participating in the Demonstration Project that serves the new demonstration area.

Q. If Medicare eligible beneficiaries drop their Medigap policy while enrolled in the Demonstration Project and the Project is not continued as a permanent program, will they be able to purchase a policy again?

A. Yes. Public Law 105-261 contains a provision requiring that military beneficiaries be able to reacquire their Medigap policies at the termination of the pilot.

Q. What happens to enrollees at the end of the Demonstration Project?

A. All Medicare enrolled participants will still have either their Medicare Part A or Parts A and B coverage and will be able to resume receiving services at military medical treatment facilities on a space available basis and receive prescription drugs from those facilities. Beneficiaries or family members who are eligible for TRICARE will be able to enroll.

Q. If an individual is eligible to enroll in the FEHB program as an employee, will they also be eligible to enroll in an FEHB plan as part of the Demonstration Project?

A. No, Public Law 105-261 precludes such a person from enrolling in the Demonstration Project.

Q. Do Medicare eligible military beneficiaries need to have both Medicare Parts A and B to be eligible to participate in the Demonstration Project?

A. No, under Public Law 105-261 they only need to have Part A. Family members, unremarried former spouses, and dependents of deceased DoD members or former members of the uniformed services do not have to be enrolled in Medicare.
Q. If a beneficiary is not eligible until after the Demonstration Project begins, can they enroll? If so, when?

A. A person who becomes eligible after the start of the demonstration will have up to 31 days after becoming eligible to enroll. The effective date of enrollment will be the first day of the calendar month in which they become eligible as long as the enrollment form is received at the IPC during or prior to that calendar month. If the enrollment form is received in the calendar month after the calendar month in which they become eligible but within 31 days of their date of eligibility, the effective date is the first day of the month after the date they became eligible. If a beneficiary does not enroll within 31 days of becoming eligible, the beneficiary must wait until the next Open Season to enroll.

For example, if a person living in a demonstration area turns 65 and becomes eligible for Medicare on March 20, 2000, and the IPC receives the enrollment form before the end of March, the effective date of the enrollment would be March 1, 2000. If, however, the enrollment is not submitted until some time in April but within 31 days of March 20, the effective date would be April 1, 2000.

Q. If a student enrolled in a school within a demonstration area is eligible to enroll, can the student enroll even if the student’s permanent home address (i.e., parent’s home) is outside the demonstration area?

A. No. Eligibility is based upon one’s permanent residence. If students establish permanent residency at their school location, they would then be eligible to enroll.

Q. What if an enrollee temporarily moves out of the demonstration area, but it is not a permanent move?

A. Again, since eligibility is based upon one’s permanent residence, the enrollee would continue to be eligible. For example, an enrollee might have a permanent residence in Delaware but spend winters in Florida. That enrollee remains eligible. However, if the enrollee is enrolled in an HMO, the enrollee would generally be covered for emergency services only in the temporary location. Certain exceptions to this rule could apply if the enrollee’s plan has an agreement with a plan in the temporary location to provide services to traveling enrollees or the enrollee’s plan has a point-of-service option that allows coverage of certain services provided by non-plan providers.

Administration

Q. How will enrollment reconciliation be accomplished? Will it be with OPM or DoD?

A. You will conduct reconciliations with the DoD payroll office in the same manner as you do with other payroll offices.
Q. Will temporary continuation of coverage (TCC) be granted under the Demonstration Project:

--for participants moving from a demonstration area, canceling coverage, or disenrolling for any reason?

--for covered dependents turning age 22 and for divorced spouses?

--at the end of the demonstration?

A.

• Enrollees will not be eligible for TCC if they move out of a Demonstration Project area, cancel coverage, or disenroll.
• TCC will be available to DoD family members who turn 22 or are divorced from a DoD member or former member and don’t qualify to enroll as an unmarried former spouse under title 10, United States Code. The effective date of TCC will be the day after enrollment eligibility ends in the Demonstration Project. TCC enrollments will last until the end of the enrollee’s TCC eligibility period or until the end of the Demonstration Project, whichever occurs first.
• TCC will not be available to any enrollees at the end of the Demonstration Project.

Q. Will Demonstration Project enrollees be eligible for the FEHB 31-day extension of coverage or the right to convert to an individual contract?

A. No.

Q. How will the demonstration be handled contractually between the carrier and OPM?

A. OPM will create an amendment to your existing FEHB contract. Your plan brochure for the year 2000 will contain a paragraph about the Demonstration Project.

Q. Can enrollees get services from Veterans’ Administration (VA) facilities?

A. VA facilities are not considered military treatment facilities so Public Law 105-261 does not preclude enrollees from obtaining services from them.
Q. **What reporting requirements are there for this project?**

A. You will be required to submit a separate annual accounting statement and monthly-incurred claims report for Demonstration Project experience. In addition, you will be required to compile, maintain and, when requested by OPM or DoD, report data (required by Public Law 105-261) on DoD plan experience necessary to produce reports containing information such as the following:

- The number of eligible beneficiaries who elect to participate in the Demonstration Project.
- The number of eligible beneficiaries who elected to participate in the Demonstration Project and did not have Medicare Part B coverage before electing to participate.
- The costs of health benefits charges and the costs (direct and indirect) of administering the benefits and services provided to eligible beneficiaries who elect to participate in the Demonstration Project as compared to similarly situated enrollees in the FEHB Program.
- Prescription drug costs for Demonstration Project beneficiaries.

Q. **Must materials be available in Spanish, since Puerto Rico is a test area?**

A. If you currently provide Spanish language documents to regular FEHB enrollees in Puerto Rico you must provide them for Demonstration Project participants.

Q. **When will information be available on the plans and their cost?**

A. Eligible individuals will receive a post card from DoD with general information in July. They will receive more detailed information in the Fall. By the end of October, they will receive a Guide to FEHB Plans with specific information on participating plans and rates. Individuals may contact the IPC to get copies of plan brochures and to request an enrollment form. They will make their elections and return their forms to the IPC for processing during the FEHB Open Season.

Q. **Will OPM provide guidance on communication materials for this group?**

A. We will be happy to discuss communication materials with you. However, you should provide these eligibles the same information you make available to other FEHB eligible employees and annuitants.

Q. **Will there be a separate FEHB guide for this group?**

A. Yes. Just as we provide separate guides for other groups such as postal, retirees, and former spouses, we will have a separate guide for DoD/FEHB eligible individuals.
Finance

Q. Will experience-rated carriers be required to draw down from a separate Letter-of-Credit account for this population?

A. No. You will draw funds from your existing Letter-of-Credit account to pay Demonstration Project benefits costs in the same manner as for benefits costs incurred by regular FEHB enrollees.

Q. Will carriers need separate checking accounts?

A. No.

Q. How should experience-rated carriers’ costs be allocated to the project?

How will experience-rated carriers’ Service Charges be affected by this Demonstration Project?

A. You will be required to 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 your service charge that will be allocated to the Demonstration Project.

Q. Will experience-rated carriers’ costs for the project be kept out of the administrative cap?

A. Costs will not be subject to your regular FEHB administrative cap.

Q. Has OPM done anything to mitigate carrier risk of adverse claims experience, especially in light of the possibility of small numbers of enrollees in any given plan?

A. Yes. One of our interim regulations published on July 6, 1999, amends title 48, Code of Federal Regulations, chapter 16 to require carriers to 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.
ABOUT THE DoD/FEHBP DEMONSTRATION PROJECT

For additional information, please contact us at one of the following locations:

(Se habla espanol)

Phone (toll-free): 1-(877)-DOD-FEHB, 1-(877)-363-3342
(Available September 7, 1999)
WHAT IS THE DoD/FEHBP DEMONSTRATION PROJECT?

Beginning in January 2000, you will have an opportunity to receive health care for yourself and your family, including pharmacy benefits, through the Federal Employees Health Benefits Program (FEHBP). The 3-year project is for Military Health System eligible beneficiaries in select geographic areas only, including yours.

WHO CAN ENROLL?

- Medicare-eligible military retirees and their dependents,
- Certain unremarried former spouses of a member or former member,
- Family members of deceased military members or former members, or
- Medicare-eligible dependents of a member or former member.

WHEN MAY I ENROLL?

- You will receive more detailed program information, including an enrollment guide, this fall.
- We will accept enrollment applications from November 8 - December 13, 1999.
- Benefits and premiums will start January 1, 2000.