I have enclosed the Office of Personnel Management's (OPM) financial reporting instructions for contract year 2001. As you are aware, this financial information is a requirement of your plan's participation in the Federal Employees Health Benefits Program (FEHBP). It is imperative for contract administration purposes that your annual accounting statement (AAS) be submitted by March 29, 2002.

Enclosure A, Carrier Financial Information, is a list of selected financial information that you must use in your reporting. Included in Enclosure A is the Letter-of-Credit (LOC) activity for the year ended December 31, 2001.

Enclosure B has the instructions for preparing your AAS. They are consistent with the FEHBP Experience-Rated Carrier and Service Organization Audit Guide. The preface to Enclosure B provides additional information concerning the preparation of your accounting statement. Review it carefully before you submit your report.

It is the policy of OPM to make contingency reserve payments available to your plans as soon as possible. We will, where feasible, compute a "preliminary" transfer from your contingency reserve to your Letter-of-Credit (LOC) account based on the initial review of your AAS. Our ability to make a "preliminary" contingency reserve transfer is, of course, dependent on the quality and timeliness of your AAS submission. If it is not possible to determine the dollar impact of the reporting deficiency or if we feel that we cannot rely on the data presented, we will defer payment until final resolution of the problem(s) or acceptance of your AAS.

In addition, we will transfer all "excess reserves" held by your plan as of December 31, 2001, from your LOC account to your contingency reserve. If you do not submit your AAS by March 29, 2002, we may estimate the amount of excess reserves and withdraw that amount from your LOC account.

The Debt Collection Improvement Act of 1996 (DCIA) provides that a debt owed to the United States that has been delinquent for a period of 180 days or more is subject to administration offset. Effective August 26, 1999, all payments to carriers, including amounts drawn from the Letter-of-Credit (LOC) accounts for experience-rated plans, are subject to the administrative offset provisions of the DCIA. To satisfy amounts you owe to other Federal entities, Treasury may reduce the amounts we pay to you or that you
draw from your LOC. However, you must report the gross amount of LOC drawdowns on your annual and fiscal year accounting statements rather than the net amount received.

Thank you in advance for your submitting a timely and accurate accounting statement. If you have questions about this letter, contact Melanese Matthews of the Benefits Accounting Branch at (202)606-4498 or Windy Crawford at (202)606-4151.

Sincerely,

[Signature]

Abby Block
Assistant Director
for Insurance Programs

Enclosures