Subject: Calendar 2002 Financial Reporting

I have enclosed the Office of Personnel Management's (OPM) financial reporting instructions for contract year 2002. As you are aware, this financial information is a requirement of your plan's participation in the Federal Employees Health Benefits (FEHB) Program. It is imperative for contract administration purposes that your Annual Accounting Statement (AAS) be submitted by March 31, 2003.

As we have discussed by phone, to streamline the process of submitting annual accounting statements, we have made an electronic version of the existing paper form (see attached Excel file). In some cases, we have tailored the electronic form to include any unique features you may have included in your paper-based annual accounting statements for previous years that we found helpful to our understanding of your report. We are not changing the content of your accounting report for the contract year, only the structure and format. The attached Excel file is the “official” version of the AAS, which is configured to facilitate automatic data loading at OPM, that you should use for submission purposes. Please do not use other drafts of the spreadsheet that were emailed prior to this carrier letter.

Please be advised that we expect you to submit your 2002 contract year accounting statement electronically by the regular due date. If for any reason you are unable to submit your report electronically by the regular due date, you should submit the report on paper by the March 31 due date following the format described in attachments A, D, E and F of this letter. If you do submit on paper to meet the March 31 deadline, we will work with you to ensure that you are able to successfully submit an electronic report no later than August 2003.

We look forward to working with you to streamline the process of submitting annual accounting statements.

Enclosure A (for electronic and paper submissions) is the Carrier Financial Information, 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, 2002. Enclosure A was emailed separately to plans on 2/14/03.

Enclosure B (for electronic submissions) is an Excel spreadsheet called the AAS.

Enclosure C (for electronic submissions) is the instructions for the Automated AAS.

Enclosure D (for both electronic and paper submissions) is the Certification of Annual Accounting Statement.

Enclosure E (for paper submissions) is the Annual Reporting Package, including instructions. It is consistent with the FEHB Program Experience-Rated Carrier and Service Organization Audit Guide.
Enclosure F (for paper submissions) is the Summary Statement Form.

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 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, 2002, from your LOC account to your contingency reserve. If you do not submit your AAS by March 31, 2003, 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 Susan Lee at (202) 606-4757.

Sincerely,

[Signature]
Abby L. Block
Assistant Director
for Insurance Programs

Enclosures