SUBJECT: Federal Employees Health Benefits Program Annual Call Letter

I. RESPONSE PROCESS

This letter provides our annual guidance and negotiation objectives for benefit and rate proposals from Federal Employees Health Benefits (FEHB) Program plans. Your proposal for the contract term beginning January 1, 2006, is due by Tuesday May 31, 2005. Please discuss any changes you are considering with your contract specialist ahead of time. Because regular mail to Federal offices is irradiated, we strongly encourage you to use overnight mail delivery or FAX as a backup to ensure timely delivery. You may also e-mail your proposals to your contract specialist.

We will send you specific instructions for your rate proposals in the near future and will begin negotiations when we receive your proposals for benefit and rate changes. We expect to complete benefit and rate negotiations by August 15, 2005, to ensure a timely Open Season.

II. OVERVIEW

The FEHB Program serves as a model health benefits program that is citizen-centered, results-oriented, and market-based. It is available to the Legislative branch, including Members of Congress and their staff; Judicial and Executive branch employees, and U.S. Postal Service employees. The Call Letter articulates a number of Program goals aimed at addressing the chronic healthcare needs of enrollees and best practices in the healthcare marketplace. Consistent with market-based principles, the Call Letter does not include any benefit mandates.

A fundamental tenet of the Bush Administration’s health care agenda is to give families greater access to good health care coverage and more control over their health decisions. We encourage you once again to bring us innovative proposals for comprehensive benefit packages that will keep health care affordable for Federal families. As we conduct this year’s negotiations, we will strive to keep the FEHB Program a model of cost-effectiveness, quality, competition and consumer choice.
We were pleased that so many health plan representatives attended the FEHB Carrier Conference, which included a presentation by Dr. David J. Brailer, the President’s National Health Information Technology Coordinator. The health information technology (HIT) initiative represents an important goal for the Administration and we strongly encourage your efforts to expand its use.

We want you to know that we appreciate your efforts to provide administrative flexibilities for Reservists and National Guard members. These patriots and their families continue to need our support. And, we ask that you continue to be mindful of the need for ongoing flexibility in administering benefits and services in the event of terrorist activities, including bio-terrorism.

III. HEALTH INFORMATION TECHNOLOGY

On April 27, 2004, President Bush issued Executive Order 13335, *Incentives for the Use of Health Information Technology and Establishing the Position of the National Health Information Technology Coordinator*. This Executive Order shows the priority the President places on the development and implementation of a nationwide interoperable health information technology infrastructure to improve the quality and efficiency of health care. The Executive Order is intended to ensure that most Americans have electronic health records within the next 10 years. Better information technology is essential to a health care system that puts the needs of the patient first and gives patients all the information they need to make informed medical and economic decisions in consultation with their health care providers. To fulfill the requirements of the Executive Order, we encourage each FEHB health plan to take the following steps:

1. Adopt systems based on the Federal Health Architecture standards;
2. Highlight provider directories to indicate individual provider HIT capabilities;
3. Link disease management and quality initiatives to HIT systems for measurable improvements;
4. Provide incentives for the adoption of HIT by providers and facilities in your FEHB Program networks; and
5. Encourage your contracted pharmacy benefit managers to provide incentives for ePrescribing and HIT linkage;
6. Ensure compliance with Federal requirements to protect the privacy of individually identifiable health information.

Please describe your initiatives regarding HIT. We would like information regarding the incentives you currently have in place for doctors and pharmacies to use ePrescribing. The use of electronic prescribing has potential to reduce prescription errors, ensure medication safety and save health care dollars. We would also like to have information on your incentives for contracting hospitals to use electronic registries, electronic records, and ePrescribing. The use of electronic medical records could reduce errors and improve the quality of care as well as
reduce paperwork and misdiagnosis. The President’s HIT initiative is closely linked with care management activities and we encourage you to explore ways to optimize HIT in your care management programs. Moving forward, OPM will consider progress in the implementation of HIT as an integral component in our assessment of carrier performance.

IV. FEHB BENEFITS

High Deductible Health Plans

President Bush made Health Savings Accounts (HSAs) available to Federal employees with the signing of the *Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA)*. We are pleased that fourteen health plan choices featuring high deductible health plans with HSAs are available for Federal enrollees. We encourage you to submit proposals that continue to expand the availability of this option under the FEHB Program. OPM supports competition and consumer choice, and will continue to lead the way in encouraging the provision of HSAs in the largest group insurance program in the world. Federal employees remain interested in HSAs. Our HSA website ([www.opm.gov/hsa](http://www.opm.gov/hsa)) has been visited more than 250,000 times since September 2004. HSAs represent an important aspect of President Bush’s health care agenda.

Please see Appendix B for information on FEHB criteria for high deductible health plans.

Medicare

The MMA created significant new opportunities for older Americans to obtain health insurance coverage for their prescription drugs. Title I of the MMA established a voluntary outpatient prescription drug benefit, Medicare Part D, which will be effective January 1, 2006. Medicare enrolled retirees will be able to elect to receive prescription drug coverage under the Medicare Program by enrolling in a Medicare Part D plan or by enrolling in a Medicare Advantage Plan (Medicare Part C).

The MMA included options to encourage employers to continue to provide prescription drug coverage. One option is to continue to sponsor retiree drug coverage that is at least as generous as the standard Medicare drug benefit, and receive a subsidy for each retiree who is eligible for Medicare but not enrolled in Part D. The Federal government will not apply for the subsidy. Federal retirees already have excellent access to health benefits coverage for drugs through their participation in the FEHB Program, and that coverage will continue. The intent of the employer subsidy payment is to encourage employers to continue providing prescription drug coverage to their Medicare-eligible retirees. Consequently, there
is no compelling rationale for the Government to subsidize itself to continue retiree
drug coverage under the FEHB Program.

In addition, we believe the vast majority of Federal retirees, who already
receive more generous prescription coverage through the FEHB Program,
will not enroll in Medicare Part D. However, for those few retirees that
choose to enroll in Part D, OPM will be providing supplemental guidance in
the near future for coordinating Part D benefits with FEHB Program
coverage. The new Medicare Parts C and D will be primary for FEHB
Program enrollees. We encourage plans to evaluate options to achieve
savings through coordinating benefits with the Medicare prescription drug
coverage. However, FEHB premiums may not be used to pay Medicare Part
C or D enrollee premiums. We will provide future guidance on notifying
your enrollees on creditable prescription drug coverage.

For information on coordination of Medicare benefits, see the CMS website:

Care Management

OPM is committed to promoting programs and practices to address the complex
health care needs of individuals with chronic conditions. We are interested in your
initiatives to help improve care for people with chronic conditions, such as asthma,
diabetes, and heart disease. We encourage you to continue your emphasis on care
management, including flexible benefit options and diagnosis-based programs. We
ask that you provide detailed descriptions of the different types of care management
programs you offer your members.

Please also describe any proposals to enhance and expand your care management
programs for 2006. The prevalence of chronic disease, especially in the elderly,
coupled with the growing number of retirees, calls for coordinated care of chronic
diseases.

- We are interested in interventions for the overweight and obese as they
  relate to cardiovascular risk reduction, controlling high blood pressure and
  lowering cholesterol. We are interested in your plan’s use of medical
  nutrition therapy as an initial intervention for obesity and related
  conditions.

- We are evaluating the FEHB overall results on the Healthplan Employer
  Data Information Set (HEDIS) measure for Cholesterol Management after
  Acute Cardiovascular Events (cholesterol screening rate). We encourage all
  plans to focus on cholesterol management as a means to address this
  national health problem. We anticipate that a plan’s performance against
  HEDIS measures will become increasingly important to consumers.
• Depression often accompanies other diseases, such as diabetes and heart
disease. FEHB plans already provide benefits for comprehensive mental
health treatment, and we ask that you enhance or expand your care
management programs to focus on this disease.

• OPM also supports and encourages health plans to offer programs aimed at
disease prevention, including smoking cessation programs. According to
the Surgeon General, smoking is the chief avoidable cause of death in our
society. Programs designed to help employees stop smoking are in the best
health interests of Federal employees who smoke as well as those who do
not smoke. We encourage you to review existing benefits for smoking
cessation and expand or enhance them where appropriate.

• Medication education programs are designed to provide information about
medications that offer the highest value to members. Some health plans use
medication information bulletins, newsletters and education seminars to
educate members, physicians and other health care providers about using the
best drug at the most affordable price. We encourage you to develop and/or
expand your health promotion programs to educate members about
therapeutic equivalence as one means of controlling pharmaceutical costs.

It is also important that care management programs show a reasonable return on
your plan’s investment. We expect you to periodically evaluate the cost and
benefits of your programs and to provide us with your most recent results.

We also ask that you routinely collect information on Federal Long Term Care
Insurance Program (FLTCIP) coverage when you survey your enrollees for
coordination of benefits purposes. This will facilitate the linkage of your care
management programs with FLTCIP, so that enrollees with FLTCIP coverage can
experience a smooth transition to long term care when necessary. If you have not
already done so, please contact Ms. Mary Lou McGuinness at
mmcguinness@ltcpartners.com to discuss coordination with FLTCIP. We will
continue to feature FLTCIP in FEHB brochures.

Preventive Care

We have again reviewed our guidelines on preventive care benefits. We want to
be sure that you are aware of recent developments in this area as you formulate
your benefits proposals for 2006.

1. Abdominal Aortic Aneurysm screening. In January 2005, the United States
Preventive Services Task Force (USPSTF) issued a recommendation endorsing a
one-time screening for abdominal aortic aneurysm by ultrasonography in men age
65 to 75 who have smoked. Surgical repair of abdominal aortic aneurysm in this
population leads to decreased mortality.

RECOMMENDATION: Abdominal Aortic Aneurysm screening –
ultrasonography, one between the age of 65 and 75, for men with smoking
history.
2. **Meningococcal Conjugate Vaccine.** In February 2005, the Centers for Disease Control and Prevention (CDC) endorsed the recommendation issued by their Advisory Committee on Immunization Practices (ACIP) for administration of meningococcal vaccine to children age 11 to 12, teens entering high school, and college freshman living in dormitories. Meningococcus is a serious disease that often begins with symptoms mistaken for common illnesses. However, it is particularly dangerous because it progresses rapidly and can kill within hours. The American Academy of Pediatrics (AAP) has not yet issued a policy based on this recommendation; however, the AAP generally supports the recommendations set forth by APIC. We expect FEHB plan benefits to be consistent with the AAP’s recommended schedule for childhood immunizations.

   **RECOMMENDATION:** Meningococcal Conjugate Vaccine for children at risk as indicated by the AAP.

3. **Influenza Vaccine.** The CDC’s current Recommended Adult Immunization Schedule provides that pregnant women should receive influenza vaccination regardless of preexisting chronic conditions, in addition to their current guidance for individuals age 50 and older.

   **RECOMMENDATION:** Influenza vaccine, for pregnant women, and annually for men and women, age 50 and older. The CDC advises that inactivated influenza vaccine be administered for pregnant women, individuals with compromised immune systems and to those likely to transmit influenza to persons at high risk.

Please review these preventive care guidelines and consider them as you develop your benefit proposals for CY 2006.

In a previous Call Letter, we addressed changes in recommended guidelines for osteoporosis screening. The USPSTF’s current criteria recommend routine screening for osteoporosis for women 65 and older and routine screening beginning at age 60 for women at increased risk. If you have not adopted these guidelines, please consider them again for CY 2006.

**Benefit Proposals**

We will send specific requirements for submitting your benefit and rate proposals later in April. We will also provide you with information on how to prepare your brochure. As a reminder, only your brochure, provider directories or lists, and any other marketing materials or other supplemental literature which were prepared in accordance with FEHBAR 1652.203-70 may be distributed at or through Federal facilities.
As in the past, we will not accept proposals for benefit increases unless they are cost-neutral through offsetting benefit reductions. Also note that any savings from managed care initiatives must accrue to the FEHB Program. When you prepare your benefit proposal, please review the effect of any proposed benefit changes on language throughout your brochure (e.g., cost sharing, catastrophic protection and lifetime maximums)

V. FEHB INITIATIVES

Supplemental Dental and Vision Programs

In response to the Federal Employee Dental and Vision Benefits Enhancement Act of 2004, OPM will implement supplemental dental and vision programs for Federal employees, annuitants and their dependents, beginning in July 2006. These will be voluntary programs for which the Government does not make a premium contribution. OPM is currently evaluating various benefit and plan design options. We anticipate that we will issue a request for proposals (RFP) by late summer, select dental and vision carriers by the end of the year, and conduct an Open Season in spring 2006.

Because the legislation requires that FEHB dental benefits be primary to benefits provided by the supplemental plans, issues related to coordination of benefits (and associated administrative expenses) will arise. To minimize these, we will work toward developing model dental benefit provisions for FEHB carriers that wish to assure that their dental benefits integrate effectively with the new supplemental dental coverage. We will incorporate these provisions into the RFP so that dental benefit carriers have a baseline upon which to propose specific benefits packages.

Pay for Performance

Pay for performance plans in the health industry incorporate a financial reward system for providers that demonstrate good and safe care. Such plans could also provide incentives to reduce errors and waste and have great potential for improving patient care and cost savings. We ask that you provide us with information on those pay for performance incentives that you are currently offering and those you have planned for next year.

Quality & Patient Safety

Health plans are advancing and supporting strategies that promote a safe, effective, patient-centered, efficient, and equitable health care system. We are interested in your efforts to provide resources and information for FEHB consumers and other
interested parties that address quality and patient safety issues, such as initiatives to avoid medication errors through patient education.

We ask that you provide an update on your patient safety initiatives and programs, and we will add them to the FEHB website. Since we need a consistent format to compare the patient safety efforts of different plans, we are asking you to use our framework: 1) describe in plain language, suitable for web posting, the activity you want FEHB consumers to know about; 2) explain the goal or expected outcome you anticipate from this activity; and 3) describe the specific tools you will use to evaluate the results of this activity.

We encourage you to continue to seek ways to improve quality and to participate in community efforts focused on enhancing quality. We will continue to provide FEHB members with the information and resources that will help them to choose high quality health plans, including: 1) providing FEHB members with the accreditation status of participating health plans in our annual Guide to FEHB Plans; 2) providing Federal employees and retirees with individual health plan ratings based on the results of our annual Consumer Assessment of Health Plans Survey in our Guide; and 3) providing HEDIS results on the FEHB website.

This year we will list each plan’s numeric rating on the various survey measures that we publish in the FEHB Guides, instead of the graphic symbols we used in the past. This enhancement will help FEHB Program members more accurately evaluate and compare health plan performance.

**HealthierFeds**

The HealthierFeds campaign places emphasis on educating Federal employees and retirees on healthy living and best-treatment strategies. The OPM initiative supports the President’s HealthierUS initiative that follows a simple formula: *every little bit of effort counts*. The Administration’s initiative has identified four keys for a healthier America: be physically active every day; follow a nutritious diet; get preventive screenings; and make healthy choices. We appreciate your efforts to promote the HealthierFeds goals to encourage the Federal population to adopt healthier lifestyles. Educating your members may lead to more patient involvement in health care decision-making and more consumer responsibility. Please provide us with information on how your health promotion and education activities complement HealthierFeds.
Fraud and Abuse

OPM is continuing its work to prevent fraud and abuse in the FEHB Program by: 1) raising consumer awareness; 2) raising health plan awareness; and 3) enhancing systematic reporting requirements. We ask that you describe your most current activities on fraud and abuse prevention as we continue our discussions with you on this important topic.

E-Initiatives

We are continuing to enhance and expand our use of the Internet as a communications and resource tool. During the 2005 Open Season, we will continue to provide comprehensive Program information, including health plan brochures, FEHB Guides, premiums and other useful information our customers need to choose a quality health plan. FEHB consumers also have access to an OPM health plan comparison tool. We will also continue to provide a website dedicated to high deductible health plans and health savings accounts as a resource to encourage Federal enrollees to consider this new consumer product. The FEHB website links to a health care quality report card designed by the National Committee for Quality Assurance (NCQA), which helps users learn more about the quality of care and service provided by Health Maintenance Organizations. Our HealthierFeds website also provides information consumers can use for healthier lifestyles.

OPM’s E-initiatives also include consolidation of agency payroll systems. Our goal is to have all agencies move their payroll functions to one of four E-payroll providers. This means you will need to plan for changing payroll office numbers in your enrollment systems. Again, we will keep you informed on this important initiative.

Flexible Spending Accounts

In 2003, Flexible Spending Accounts (FSAs) were made available to employees of the Executive Branch and other agencies that chose to adopt our program. The Federal FSA program is known as FSAFEDS. FSAs allow employees to increase their disposable income because the amounts contributed by them are not subject to Federal income taxes, FICA, or (in most cases) State and local income taxes. FSAs may only be offered to active civilian Federal employees because Internal Revenue Service rules currently require that qualified pre-tax allotments come from salary. FSAFEDS offers both a Health Care FSA and a Dependent Care FSA.

The FSA Open Season is held concurrently with the FEHB Open Season each year. We will continue to work with you on your health plan brochures to help employees understand FSAs and how they complement your benefit packages. We will also highlight the convenience of paperless reimbursement, a program that allows carriers to interface their claims systems with SHPS, Inc., our FSA administrator, so that FSA participants can be reimbursed without filing claims. As part of our
E-initiatives, we strongly support the use of paperless reimbursement systems. We encourage you to Contact Paul Zeilberg at Paul.Zeilberg@SHPS.net for information about participating in the paperless reimbursement program.

Health Insurance Portability and Accountability

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) subtitle, Administrative Simplification, requires the Secretary of Health and Human Services to adopt standards for health care transactions and to protect the privacy of individually identifiable health information. The final HIPAA Privacy regulation compliance deadline was April 14, 2003. The compliance deadline for electronic transactions was October 16, 2003. The compliance deadline for Security regulations is April 20, 2005, for most plans and April 20, 2006, for small plans. The compliance deadline for the National Provider Identifier is May 23, 2007, for most plans and May 23, 2008, for small plans. All FEHB contracts require HIPAA compliance.

VI. CONCLUSION

In keeping with the President’s health care agenda, we remain committed to providing FEHB members with affordable, quality health care choices. The President continues to make high quality, affordable health care for all Americans a national goal. We encourage you to provide your best creative ideas to keep the FEHB Program competitive and cost-effective. We look forward to receiving your rate and benefit proposals. Again, please discuss any changes you are considering with your OPM contract specialist as soon as possible. Enclosed for your convenience is a checklist (Appendix A) with the information we need you to provide. Please return the completed checklist along with your benefit and rate proposals. Appendix B (FEHB High Deductible Health Plans Criteria) is also enclosed.

Thank you for your continued cooperation.

Sincerely,

Anne Easton
Manager, Insurance Policy
Center for Employee & Family Support Policy

Frank D. Titus
Assistant Director for Insurance Services

Enclosures