EXECUTIVE SUMMARY

This letter outlines our policy goals for 2008 and is our annual call for proposals on benefits and rates from Federal Employees Health Benefits (FEHB) Program carriers. You must submit your benefit and rate proposals for the contract term beginning January 1, 2008 by Thursday May 31, 2007. You should send your proposal by overnight mail, FAX, or e-mail to your contract specialist. We expect to complete benefit and rate negotiations by August 15, 2007 to ensure a timely Open Season.

Our key initiatives and policies this year are as follows:

1. We are providing Health Maintenance Organization (HMO) plans with additional opportunities to adjust benefit payment levels in response to local market conditions.

2. We are seeking proposals for increased healthcare cost and quality transparency, and proposals promoting the use of health information technology (HIT).

3. We are continuing to encourage proposals for High Deductible Health Plans (HDHP) with Health Savings Accounts (HSA) and Health Reimbursement Arrangements (HRA).

4. We are encouraging proposals for increased coverage of hearing benefits for newborns and children.

5. We are not entertaining proposals for enhanced dental benefits and are not encouraging changes to existing dental or vision benefits.

6. We are providing guidelines on benefits for preventive care.

7. We are reiterating our requirements in the FEHB Program Carrier Guiding Principles.
I. INTRODUCTION

Although healthcare costs have recently moderated, they continue to rise faster than the rate of inflation. These increases are mitigated in the FEHB Program when enrollees are able to select health plan options which meet their needs and allow them to make the most efficient and effective use of their healthcare dollars. We will continue to emphasize consumer choice, market competition and healthcare quality in the FEHB Program. As in past years, we will not direct FEHB carriers to make specific benefit changes. However, we will expect you to make innovative benefit proposals consistent with the policies outlined in this letter.

II. FEHB PROGRAM BENEFITS AND INITIATIVES

A. HMO Community Package Requirements

In past years, we have required HMOs to offer the same community benefits package that the greatest number of non-Federal subscribers purchased in the prior year. HMOs must continue to meet FEHB benefit requirements that apply to all plans; however, we are allowing HMOs the opportunity to adjust benefits payment levels in response to local market conditions.

If you choose to offer an alternate community package, you should clearly state your business case for the offering. We will only accept an alternate community package if it is in the best interest of the Government and FEHB consumers. You should also identify each of the differences between your current benefits package and the proposed offering, and include the impact on your community rated price proposal. Please consult with your contact in the Office of the Actuary regarding the alternate community package and requirements for the use of Similarly Sized Subscriber Groups (SSSGs) in the rating process.

B. Healthcare Information Technology (HIT) and Transparency

Fundamental information about healthcare quality and costs of services is largely unavailable to most consumers, payers, and providers alike. Without this information, it is difficult to make informed choices and seek the best quality at the most affordable price. This contributes to higher healthcare costs overall. Last August, President Bush signed an Executive Order committing Federal healthcare programs to four “cornerstone” goals. Employers are the largest source of health coverage for Americans. If a significant number of employers commit to the following goals, common standards for health IT, quality measurement and cost reporting would become the standard throughout the healthcare system.
Therefore, OPM expects all FEHB carriers to be committed to the four “cornerstones” which are:

1. Standards for connecting health information technology, making it possible to share patient health information securely and seamlessly;
2. Quality of care reporting, so healthcare providers as well as the public can learn how well each provider measures up in delivering care;
3. Providing costs of health services so when patients choose routine and elective care, they can make comparisons on the basis of both quality and how much of the cost they will have to pay; and,
4. Providing incentives for quality care at competitive prices, as in payments to providers based on the quality of their services, or insurance options that reward consumers for choices based on quality and cost.

We are taking the following actions to address our commitment to these “cornerstones” and promote state-of-the-art health information technology:

- We will include language in FEHB carrier contracts on adoption of HITSP standards for interoperability of health information records, concurrent with their adoption and implementation in the healthcare industry.
- We will require both fee-for-service carriers and HMOs to provide quality of care reports, including HEDIS data, during 2007. Once we have reviewed the 2007 results for fee-for-service carriers, we will determine whether to enhance or expand this reporting requirement.
- We will continue to provide information regarding carriers’ cost and quality transparency initiatives, as well as their health IT capabilities on our FEHB website, so prospective enrollees will have it available when making their health plan choices for 2008.
- We will continue to encourage FEHB carriers to offer affordable insurance options that reward consumers for choices based on quality and cost.

Your proposals should describe your commitment to these four “cornerstones” along with specific examples of how you are implementing them for your health plan population. In addition, we are requiring all carriers to submit a report by August 31, 2007, on the specific actions they have taken on the following steps:

1. Actions to make consumers aware of the value of HIT;
2. Actions to make personal health records available to enrollees based on their medical claims, lab test results and medication history;
3. Actions to meet our healthcare cost and transparency standards;
4. Actions to provide incentives for ePrescribing; and,
5. Actions to ensure compliance with Federal law and policy outlining requirements to protect the privacy of individually identifiable health information.
C. High Deductible Health Plans with Health Savings Accounts (HSA) and Health Reimbursement Arrangements (HRA)

We are continuing to encourage proposals that expand the availability of High Deductible Health Plan options. With the enactment of the Tax Relief and Health Care Act of 2006, there are even more incentives for employees to seek High Deductible Health Plans. We believe these consumer-driven options will continue to increase in popularity and we will work with you on flexible approaches to make them available to the Federal population.

D. Hearing Benefits for Newborns and Children

Hearing loss is one of the most common congenital birth defects. We urge you to review your current hearing benefits to ensure that newborns and children have coverage for appropriate screenings, testing, diagnostic evaluations, and treatment by licensed hearing professionals, including audiologists. We are encouraging proposals that include benefits for both professional services as well as hearing aids. Carriers may provide coverage for these hearing services subject to limitations and maximum payable benefits.

E. Preventive Care

The FEHB Program follows the guidelines on preventive care for children recommended by the American Academy of Pediatrics. FEHB guidelines on preventive care for adults are based on accepted medical practice. The United States Preventive Services Task Force (USPSTF) is an independent panel of experts in primary care and prevention, which publishes evidence-based recommendations based on the best available clinical evidence. We encourage you to review your current preventive benefits for adults and the USPSTF recommendations and then propose benefit changes to address any gaps between the two. The USPSTF guidelines are at http://www.ahrq.gov/clinic/uspstfix.htm. In addition, when progress in medical technology results in generally accepted procedures or treatments for preventive and other services, we expect all carriers to consider them in their proposals for benefits coverage for the following contract term.

F. Dental and Vision Benefits

We implemented the Federal Employees Dental and Vision Insurance Program on December 31, 2006 with more than 700,000 enrollments. As we review our experience with this new program, we will not entertain any proposals for enhanced FEHB dental benefits, and we are not encouraging any changes to existing dental or vision benefits for 2008.
G. Technical Guidance for Proposals

We will send specific requirements for submitting your benefit and rate proposals by April 30. We will provide you with information on how to prepare your brochure by May 30. As 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), and propose appropriate language changes.

As a reminder, you may only distribute brochures, provider directories or lists, and marketing materials or other supplemental literature that are prepared in accordance with FEHBAR 1652.203-70.

H. Program Integrity

We have added the FEHB Program Carrier Guiding Principles to our website at http://www.opm.gov/carer. We expect timely and accurate processing of claims, including coordination of benefits; prompt and accurate submission of actuarial and financial data, including accounting statements; and, we expect all plans to be well managed and financially secure.

We are developing additional evaluation criteria that focus on participating health plans’ internal controls and compliance with our laws and regulations. We intend to review all carriers for compliance with the Guiding Principles at least once during the 2007-2010 period.

III. CONCLUSION

Please discuss your benefit changes with your contract specialist before you submit your proposals. Proposed benefit increases should be cost-neutral. Any savings from managed care initiatives must accrue to the FEHB Program. We will send specific instructions for rate proposals by April 30, and will begin negotiations when we receive your proposals.

Thank you for your continued commitment to making the FEHB Program a model of market-based, consumer centered healthcare coverage. We look forward to receiving your timely benefit and rate proposals for the 2008 contract term.

Sincerely,

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