PART B

PROPOSAL INSTRUCTIONS
2010
# PART B

## PROPOSAL INSTRUCTIONS

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❖ Proposal Submission Requirements

If a carrier has more than 1,500 FEHBP contracts at the time of the rate proposal:

- The carrier is considered a large carrier. The carrier must complete and submit Attachments II, IIA, IIB, and IIC.

If a carrier has less than 1,500 FEHBP contracts at the time of the rate proposal, the carrier must choose between the following options:

- Submit the same detailed documentation required for large carriers (see above). A carrier that chooses this option will be considered a large carrier.

OR

- If the carrier’s 2009 income from the Federal group will be greater than or equal to $650,000, the carrier must complete Attachments I, IA, II, IIA, IIB, and IIC and submit Attachments I, IA, IIB, and IIC. A carrier should not send Attachments II and IIA to OPM; however, these documents must be kept on file and available for OPM review in accordance with the records retention clause of the contract. A carrier that chooses this option will be considered a small carrier.

- If the carrier’s 2009 income from the Federal group will be less than $650,000, the carrier must complete and submit Attachments I, IIB, and IIC. Such a carrier need not complete or retain Attachments IA, II and IIA. A carrier that chooses this option will be considered a small carrier.

Since small carriers will not submit detailed documentation, the Office of Actuaries will evaluate these carrier’s proposed rates by using its reasonableness test. Rates failing this test will be further reviewed. For small carriers whose 2009 Federal group income will be $650,000 or more, the Office of Actuaries may request detailed documentation.
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❖ Instructions for Attachment I – Small Carriers

If your 2009 Federal group income will be greater than or equal to $650,000, you must complete and keep on file Attachments II and IIA before submitting Attachment I.

Q1. Indicate the method of community rating used.

Q2. Enter the proposed 2010 Federal group rates on Line A of Attachment I.

If the carrier’s 2009 income from the Federal group is greater than or equal to $650,000, enter the Line 5c rates from Attachment II on Line A of Attachment I.

Q3. If OPM owes the carrier money as a result of the 2009 reconciliation, OPM will reimburse the amount due through an increase in the carrier’s 2010 rates. Compute the appropriate increase based on the results of the 2009 reconciliation and enter the amount on Line B of Attachment I.

If the carrier owes OPM as a result of the 2009 reconciliation, OPM will recoup the amount due through a decrease in the carrier’s 2010 rates. Compute the appropriate decrease based on the results of the 2009 reconciliation and enter the amount on Line B of Attachment I.

Q4. Enter the proposed 2010 Federal group rates after adjustments (Line A ±Line B) on Line C of Attachment I.

OPM completes the section below Line C based on negotiations between the carrier and Office of Actuaries. When we determine that sufficient excess has built up in the contingency reserve, we will propose a reduction to the carrier's rates in order to generate a contingency reserve payment.
Instructions for Attachment II – Large Carriers

Item numbers correspond to line numbers on Attachment II.

1. Proposed FEHBP Rates – 2010

This is the carrier’s best possible estimate of the 2010 FEHBP bi-weekly self and family rates. These rates must be based on the carrier's community rate(s) or on an OPM approved ACR methodology. Indicate in detail how the Line 1 rates were derived.

Traditional Community Rating (TCR)

Complete the TCR & CRC Backup Line 1 Form on page 12 (or equivalent) and enter the resulting Self and Family Rate on Line 1 of Attachment II.

Community Rating By Class (CRC)

Complete the TCR & CRC Backup Line 1 Form on page 12 (or equivalent) and enter the resulting Self and Family Rate on Line 1 of Attachment II.

Adjusted Community Rating (ACR)

Complete the ACR Backup Line 1 Form on page 12 (or equivalent) and enter the resulting Self and Family Rate on Line 1 of Attachment II.

2. Special Benefit Loadings

Special Benefit Loadings are loadings to account for differences between the Federal group's benefit package and the carrier's community benefits package or, in the case of an ACR rated carrier, loadings to include benefits not included in claims data. Provide all backup calculations and clearly indicate all utilization and cost assumptions for the special benefit loadings.

If the loading is a benefit you sell to other groups, there should be a uniform price (i.e., a capitation rate, or standard set of two-tiered community rates) for the benefit. Indicate clearly in your backup calculations the adjustments (if any) you have made to the uniform loading to arrive at the Federal loading.

You must offset through negative loadings any benefits not provided to the Federal group which are part of the carrier’s basic package. You should enter a cost of $0.00 for benefit differences with no cost.

Complete the Backup Special Benefits Loading Form on page 13 (or equivalent) and enter the loading(s) on Line 2 of Attachment II.
3. **FEHBP Rates Plus Special Loadings**

   Add Lines 1 and 2 and enter the sum on Line 3 of Attachment II.

4a. **Extension of Coverage Loading**

   If entitled to the Extension of Coverage Loading, multiply Line 3 by .004 and enter the result on Line 4a of Attachment II.

   Generally, an ACR rated carrier is **not** entitled to this loading. If an ACR rated carrier thinks they are entitled to the Extension of Coverage Loading, a detailed explanation must be submitted with this proposal and backup documentation must be kept available for audit review. OPM reserves the right to deny this loading.

4b. **Medicare Loading**

   The purpose of the Medicare loading is to adjust a carrier’s premium to provide the correct income for FEHB retirees age 65 and older since most other groups generally cover their retirees by Medicare Advantage Plans or Medicare Supplement Plans and are excluded from the employee plan.

   A carrier must document the Medicare status of Federal annuitants and their covered spouses age 65 and over, and compute a Medicare loading. Compute the cost of benefits for the Federal annuitants and compare the cost with the income received on behalf of these annuitants from OPM and CMS. If more income than is needed to cover the cost of benefits is received for this group, the Medicare loading should be negative. If less income than is needed is received, the loading should be positive. Clearly explain your method and provide backup calculations.

   The difference between the cost for these enrollees and revenue received from CMS should roughly equal the premium charged to Medicare enrollees for either Medicare Supplement Plans or Medicare Advantage Plans with adjustments made for differences in levels of benefits. Please verify the reasonableness of your loading. We will verify the accuracy of your calculation based on the answers you provide in questions Q41 and Q42.

   **A carrier claiming a Medicare loading must have appropriate documentation to justify the distribution of its Medicare population submitted in Q44.**

   If you use ACR to compute your rates, you must be sure you have considered the effect of COB (coordination of benefits) income the carrier received from CMS. You should pay particular attention to Q22 and Q23 of the questionnaire. **A carrier using a claims-based ACR method will normally not have a Medicare loading.**
EXAMPLE:

<table>
<thead>
<tr>
<th>Medicare Coverage</th>
<th>Covered Spouses *</th>
<th>Cost of CMS Benefits</th>
<th>FEHBP Premium **</th>
<th>CMS COB</th>
<th>Gain (loss) to Carrier</th>
</tr>
</thead>
<tbody>
<tr>
<td>A+B</td>
<td>100</td>
<td>$120</td>
<td>$50</td>
<td>$100</td>
<td>$30</td>
</tr>
<tr>
<td>A</td>
<td>65</td>
<td>120</td>
<td>50</td>
<td>60</td>
<td>(10)</td>
</tr>
<tr>
<td>B</td>
<td>10</td>
<td>120</td>
<td>20</td>
<td>40</td>
<td>(30)</td>
</tr>
<tr>
<td>None</td>
<td>50</td>
<td>120</td>
<td>50</td>
<td>0</td>
<td>(70)</td>
</tr>
</tbody>
</table>

(1) Revenue Gain: 100 x $30 = $3,000
(2) Revenue Loss: (65 x $10) + (10 x $30) + (50 x $70) = $4,450
(3) Net Loss = $4,450 - $3,000 = $1,450

* From Question 44, Attachment IIA
** If you use this method, the FEHBP premium should be the single rate

This positive loading of $1,450 could be spread over the self and family contracts in any reasonable manner. Note that whether the loading comes out negative or positive depends on the distribution of Federal enrollees by Medicare status.

Below is an example of the method we suggest. If you use a reasonable and well documented method for other groups, you should also use it for the Federal group.

Complete the Backup Medicare Loading Form on page 14 (if appropriate) and enter the Loading on Line 4b of Attachment II.

4c. Children’s Loading

All carriers in the FEHBP must cover unmarried dependent children until their 22nd birthdays (through age 21). If the carrier has a different age limit for children's coverage, a loading to the Federal family rate may be appropriate.

This loading may be taken only if the carrier's normal practice is to take such a loading for all other groups whose age limit for children's coverage differs from the carrier's community standard.

In general, if overage dependents were included in group-specific demographics (especially the average family size) and these numbers were used to create self and family rates (through step-up factors, etc.), a children’s loading is not appropriate.

If a carrier is entitled to a children’s loading, a detailed explanation of the method used and backup documentation must be provided. If a carrier believes they are entitled to a children’s loading but
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does not have a general method of computing this loading, contact the Office of the Actuaries for assistance.

Enter the Children’s Loading on line 4c of Attachment II.

4d. Subtotal

Add Lines 3, 4a, 4b, and 4c and enter the sum on Line 4d of Attachment II.

4e. Enrollment Discrepancies Loading

Multiply Line 4d by .01 and enter the result on Line 4e of Attachment II. A carrier must explicitly take this loading but may eliminate some or all of its effect by giving the Federal group a discount.

5a. Proposed FEHBP Rates – 2010

Add Lines 4d and 4e and enter the total on Line 5a of Attachment II.

5b. Discount

Enter the amount of discount, if any, on Line 5b(i) or Line 5b(ii) of Attachment II. An SSSG discount may be adjusted at the time of reconciliation to reflect the actual discount applied. Other discounts may not be adjusted.

5c. Final Proposed FEHBP Rates – 2010

Add Lines 5a and 5b and enter the total on Line 5c of Attachment II.
## 2010 RATE PROPOSAL - SMALL CARRIERS
(Use BIWEEKLY Net-To-Carrier Rates)

<table>
<thead>
<tr>
<th>CARRIER NAME</th>
<th>STATE</th>
<th>CODE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Q1. What type(s) of community rating do you propose to use for the Federal group in 2010?

- TCR (Traditional Community Rating)
- CRC (Community Rating By Class)
- ACR (Adjusted Community Rating)

<table>
<thead>
<tr>
<th>SELF</th>
<th>FAMILY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Q2. What are the 2010 proposed Federal group rates? If your 2009 Federal group income is greater than or equal to $650,000, enter the rates from Line 5c, Attachment II on this line.

Line A:

Q3. Enter the adjustment to the 2010 proposed Federal group rates as a result of the reconciliation of the 2009 Federal group rates. If your actual 2009 Federal group rates were higher than estimated in the 2009 proposal, the 2010 rates should be increased to recover the loss. Likewise, if the actual 2009 Federal group rates were less than estimated in the 2009 proposal, the 2010 rates should be decreased to return the gain to OPM.

Line B:

Q4. What are the proposed 2010 Federal group rates after adjustments? (Line A ± Line B)

Line C:

OPM will complete the section below if it is necessary to reduce the proposed rates in order to draw down the contingency reserve.

- Amount of excess contingency reserve:
- Rate reduction necessary to generate a contingency reserve payment approximately equal to the excess.

Line D:

2010 FEHBP Rates

Line E:
This is to certify that, to the best of my knowledge and belief:

1) The cost or pricing data submitted (or, if not submitted, maintained and identified by the carrier as supporting documentation) to the Contracting Officer or the Contracting Officer's representative or designee in support of the 2009 FEHBP rates were developed in accordance with the requirements of 48 CFR Chapter 16 and the FEHBP contract and are accurate, complete, and current as of the date this certificate is executed; and

2) The methodology used to determine the FEHBP rates is consistent with the methodology used to determine the rates for the carrier's Similarly Sized Subscriber Groups.

<table>
<thead>
<tr>
<th>Firm</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td></td>
</tr>
<tr>
<td>Title</td>
<td></td>
</tr>
<tr>
<td>Signature</td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td></td>
</tr>
</tbody>
</table>
# 2010 RATE PROPOSAL – LARGE CARRIERS

(Use BIWEEKLY Net-To-Carrier Rates)

<table>
<thead>
<tr>
<th>CARRIER NAME</th>
<th>STATE</th>
<th>CODE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SELF</td>
<td>FAMILY</td>
</tr>
</tbody>
</table>

1. Proposed Unadjusted Federal Group Rates for Jan 1, 2010

2. Special Benefit Loadings

   (a)

   (b)

   (c)

3. Federal Group Rates Plus Special Benefit Loadings

4. Standard Loadings

   (a) Extension of Coverage Loading \[.004 \times (3)\]

   (b) Medicare Loading

   (c) Children's Loading

4d. Subtotal \[(3) + (4a) + (4b) + (4c)\]

4e. Enrollment Discrepancies Loading \[.01 \times (4d)\]

5a. Proposed Federal Group Rates For 2010 \[(4d) + (4e)\]

5b. Discount

   (i) SSSG Discount

   (ii) Other Discount

5c. Final Proposed Federal Group Rates For 2010 \[(5a) + (5bi) + (5bii)\]
## Backup Line 1 Form

Enter the results on Line 1 of Attachment II.
If neither of these Forms is appropriate, create/modify a form and place it here.

### Backup Line 1 Form – TCR & CRC

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Capitation Rate</td>
<td></td>
</tr>
<tr>
<td>Age/Sex Factor</td>
<td></td>
</tr>
<tr>
<td>Resulting Capitation Rate</td>
<td></td>
</tr>
<tr>
<td>Percentage of Self Contracts</td>
<td></td>
</tr>
<tr>
<td>Percentage of Family Contracts</td>
<td></td>
</tr>
<tr>
<td>Average Family Size</td>
<td></td>
</tr>
<tr>
<td>Revenue Ratio (Family/Self Ratio)</td>
<td></td>
</tr>
<tr>
<td>1st Level Step-Up Factor (Self/Capitation)</td>
<td></td>
</tr>
<tr>
<td>Self Rate</td>
<td></td>
</tr>
<tr>
<td>Family Rate</td>
<td></td>
</tr>
</tbody>
</table>

### Backup Line 1 Form – ACR

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience Period</td>
<td></td>
</tr>
<tr>
<td>Total Paid Claims (before any COB)</td>
<td></td>
</tr>
<tr>
<td>Total COB (including CMS)</td>
<td></td>
</tr>
<tr>
<td>Annual Trend</td>
<td></td>
</tr>
<tr>
<td>Total Trend from Experience Period</td>
<td></td>
</tr>
<tr>
<td>Expected Claims</td>
<td></td>
</tr>
<tr>
<td>Administration (&amp; Profit)</td>
<td></td>
</tr>
<tr>
<td>Total Expected Claims + Admin + Profit</td>
<td></td>
</tr>
<tr>
<td>Members</td>
<td></td>
</tr>
<tr>
<td>Per Member Rate</td>
<td></td>
</tr>
<tr>
<td>Percentage of Self Contracts</td>
<td></td>
</tr>
<tr>
<td>Percentage of Family Contracts</td>
<td></td>
</tr>
<tr>
<td>Average Family Size</td>
<td></td>
</tr>
<tr>
<td>Revenue Ratio (Family/Self Ratio)</td>
<td></td>
</tr>
<tr>
<td>1st Level Step-Up Factor (Self/Capitation)</td>
<td></td>
</tr>
<tr>
<td>Self Rate</td>
<td></td>
</tr>
<tr>
<td>Family Rate</td>
<td></td>
</tr>
</tbody>
</table>
Backup Special Benefit Loadings Form

Enter the Special Benefit Loadings (if appropriate) under Line 2 of Attachment II.

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Cost/Member</th>
<th>Self Rate</th>
<th>Family Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(d)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(e)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(f)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(g)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>(h)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(j)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:** Include any necessary backup calculations to support these loadings here.
## Backup Medicare Loading Form

Enter Medicare Loading (if appropriate) on Line 4b of Attachment II.

### Backup Medicare Loading Form

<table>
<thead>
<tr>
<th>Medicare Coverage</th>
<th>(A) Count</th>
<th>(B) Cost Of Benefits</th>
<th>(C) FEHB Premium</th>
<th>(D) CMS COB</th>
<th>Plan Cost A*(B–C–D)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part A Only</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Part B Only</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parts A &amp; B</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No Coverage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(E)</td>
</tr>
</tbody>
</table>

**Total FEHBP Members (F)**

<table>
<thead>
<tr>
<th></th>
<th>(A) Count</th>
<th>(B) Cost Of Benefits</th>
<th>(C) FEHB Premium</th>
<th>(D) CMS COB</th>
<th>Plan Cost A*(B–C–D)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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<td></td>
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<td></td>
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</tbody>
</table>

**Cost Per Member (E / F)**

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
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<td></td>
</tr>
</tbody>
</table>

Or

### Alternative Backup Medicare Loading Form

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

14
Attachment II Backup

If you choose to fill out the following form, you must also keep a list on file of all potential SSSGs ranked by the group’s most recent enrollment (but no later than March 31 of the current year). SSSGs will be chosen from the list on file in the event than at least nine of the potential 10 SSSGs listed below no longer qualify to be SSSGs at the time of reconciliation.

<table>
<thead>
<tr>
<th>POTENTIAL SSSGS</th>
<th>ENROLLMENT/ AS OF</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NAME</strong></td>
<td><strong>ENROLLMENT/ AS OF</strong></td>
</tr>
<tr>
<td>1.</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td></td>
</tr>
</tbody>
</table>
2010 Community Rate Questionnaire

Q1. What type(s) of community rating do you propose to use for the Federal Group in 2010?

[ ] Traditional Community Rating (TCR)

a. [ ] Standard (Book) Rating

b. [ ] Variable (Group Specific) Rating

[ ] Community Rating By Class (CRC)

[ ] Adjusted Community Rating (ACR)

Q2. Are you proposing a rate for a HDHP in 2010?

[ ] YES  [ ] NO  If no, skip to Q5 for TCR, Q8 for CRC or Q19 for ACR

If “Yes”, is your HDHP rated separately from your traditional HMO?

[ ] YES  [ ] NO

Note: If the HDHP is rated separately from your other federal products and you opt to submit a list of potential SSSGs with this proposal, you must submit a separate list of potential SSSGs for the HDHP.

Q3. Do any of your other groups have an HDHP?

[ ] YES  [ ] NO

Q4. What is the annual deductible and pass through amount for your proposed HDHP?

Deductible: _____ Self    Pass Through Amount: _____ Self

_____ Family             _____ Family

Questions 5 through 7 pertain to carriers that use Traditional Community Rating (TCR) for the Federal Group.

Q5. Do you use a standard set of tiered rates applicable to all groups with a tiered rate structure?

[ ] YES  [ ] NO  If “Yes”, what are they?
Attachment IIA

Self _________ Family _________
Self _________ Couple _________ Family _________

Q6. Do you begin your rate development with a capitation rate, and then convert it to the self and family rates?

[ ] YES [ ] NO  If “Yes”, what is the capitation rate?

Capitation Rate = __________

Note that you may check both Q5 and Q6 "Yes" if you use a standard set of tiered rates that are derived from a capitation rate.

Q7. Do you use "step-up" factors to convert the capitation rate to the self and family rates?

[ ] YES  If “Yes”, Go To Q33  [ ] NO  If “No”, explain, then Go To Q34

**********************
Questions 8 - 18 pertain to carriers that use Community Rating by Class (CRC) for the Federal Group.
**********************

Q8. Do you use CRC for all your groups?

[ ] YES [ ] NO  If “No”, what is your criteria for using CRC?

Q9. What CRC factors do you use?

[ ] Age [ ] Sex [ ] Other _________, _________, _________

Q10. What capitation rate do you begin with?

Capitation Rate = __________

Q11. What is the adjustment factor you use to adjust the capitation?

Adjustment Factor = __________
Attachment IIA

What is your adjusted capitation rate?  
Adjusted Capitation Rate = __________

Explain how you derived the CRC adjustment factor. In particular, on what population data are the CRC utilization factors based? How often do you update the data on which the CRC utilization factors are based?

Q12. Give a simple narrative explanation of how you derive your rates including how you adjust the 
capitation rate.  
DO NOT SKIP THIS QUESTION. WHAT WE WANT IS A SIMPLE 
NARRATIVE EXPLANATION OF HOW YOU DERIVE YOUR RATES. IF THERE 
ARE OTHER SHEETS WITH DETAILED CALCULATIONS, TELL US HERE IN 
SIMPLE LANGUAGE WHAT IS DONE ON THOSE SHEETS.

Q13. Have you enclosed any worksheets (i.e. sheets showing age/sex distribution and relative 
utilization factors) that you used to derive the CRC adjustment factor? Please note that you 
must have documented support for the CRC age/sex factors. 

[ ] YES  [ ] NO  [ ] NA

If “No” or “NA”, explain. (Note: We normally expect to see the worksheets from which you 
derive the CRC adjustment factor. These may be submitted separately. )

Q14. Do you use "step-up" factors to convert the adjusted capitation rate to the self and family rates? 

[ ] YES  [ ] NO  If “No”, explain
Q15. Explain how you derive the "relative utilization factors" associated with your age/sex distribution sheet.

Note that we would expect the factors to be based on the utilization experience of the different age groups of the total employee population the carrier services. In some cases, a carrier might use factors based on some other large population. Please make it clear to us exactly where your relative utilization factors come from, and on what population they are based.

IMPORTANT! DO NOT SKIP THIS QUESTION

Q16. When you derive the CRC adjustment factor, do you include the number of Federal annuitants, over age 65, anywhere in the calculation?

[ ] YES [ ] NO If “Yes”, have you given us a credit for Medicare Reimbursement?

Do you include the number of Federal annuitants under age 65?

[ ] YES [ ] NO

In general, explain how you use the group of Federal retirees (if at all) in your calculation of the CRC factor.

IMPORTANT! DO NOT SKIP THIS QUESTION

Q17. If you use industry factors as part of your CRC method, do you anticipate that either of your SSSGs will have an industry factor less than 1.0?

[ ] YES [ ] NO
Attachment IIA

Q18. If you answered Q17 “Yes”, did you apply to the Federal group rates the lowest industry factor anticipated for an SSSG?

[ ] YES  [ ] NO

If “No”, explain. The Federal group should receive the lowest industry factor less than 1.0 given to an SSSG.

***********************

Questions 19 through 32 pertain to carriers that use Adjusted Community Rating (ACR) for the Federal Group. If you do not use ACR in any part of your rate development, Go To Q33.

***********************

Q19. Do you use ACR for all your groups?

[ ] YES  [ ] NO  If “No”, what is your criteria for using ACR?

Q20. What method of ACR do you use to rate the Federal group in 2010?

[ ] A Method Based on Federal Claims

[ ] Other

Note: You should have on file any claims/utilization data supporting the rates for the Federal group.

Q21. If your answer was "Other" for Q20, give a simple, but comprehensive explanation of how you developed your rates. Use extra sheets if necessary.

Q22. Are age 65 and older retirees included in the claims or utilization data used to determine the ACR factor or rates?

[ ] YES  [ ] NO  If “No”, a standard Medicare loading should be taken.
Q23. If you answered “Yes” to Q22, are CMS reimbursements included in the Federal group’s experience?

[ ] YES  [ ] NO

If “No”, a negative Medicare loading should be taken to account for all monies received from CMS or monies saved because Medicare was the primary payer (i.e. responsible for most of the claim payments).

If “Yes”, there should be no Medicare loading.

Q24. Did you reduce claims used in the rate development by all COB income (e.g. prescription drug rebates, settlements) that the carrier received from other sources excluding CMS?

[ ] YES  [ ] NO

If “No”, credit must be applied to the Federal group for any monies received from other sources.

Q25. Clearly explain your ACR method using Federal claims data to compute rates. **DO NOT SKIP THIS QUESTION, AND DO NOT REFER US TO OTHER SHEETS. WHAT WE WANT HERE IS A SIMPLE NARRATIVE DESCRIPTION OF YOUR METHOD.**

Q26. Do you use completion factors to derive incurred claims?

[ ] YES  [ ] NO

Q27. Complete the following for the claims in the experience period used to calculate your 2010 rates:

Total Claims (not including any COB)  
Medicare COB  
Other COB (e.g. Rx rebates, settlements)
Attachment IIA

Net Claims  

Q28. If you answered “Yes” to Q26, you should use the same set of completion factors for all your groups. Do you?

[ ] YES  [ ] NO  [ ] NA  If No, explain.

Q29. Explain how you compute the administrative charge.  
**IMPORTANT! DO NOT SKIP THIS QUESTION**

Q30. Did the claims used in the rate development reflect special benefits?

[ ] YES  [ ] NO

Q31. Do you derive an adjusted capitation rate by using an ACR factor that was derived from actual claims data?

[ ] YES  [ ] NO  If “Yes”, Adjusted Capitation Rate = _______

Q32. Do you use step-up factors to convert an adjusted capitation rate to the self and family rates?

[ ] YES  [ ] NO  If “No”, Go To Q34

Q33. a. If you use step-up factors, what are they? Specifically, what step-up factor do you use to convert the capitation rate (or the adjusted capitation rate) to the self rate? What step-up factor do you use to convert the self rate to the family rate?

Self/Capitation = ________  Family/Capitation = ________
b. How do you derive the above step-up factors? Explain briefly (we prefer a numerical formula for each factor as the explanation). Example:

\[
\text{Self/Capitation} = \frac{.40 + .60(3.5)}{.40 + .60(2.9)} = 1.17
\]

c. Are these step-up factors group-specific (i.e., derived using the demographics of the Federal group)? Or, are the step-up factors based on overall population demographics?

[ ] Group Specific [ ] Based on Overall Carrier Population Demographics

d. If you use group-specific factors, do you use them for all groups? If “No”, what are your criteria for using group-specific factors?

Q34. a. If you use enrollment-mix or other demographic assumptions at any point in the development of the 2010 Federal group rates (including development of step-up factors), what are they?

% Self Contracts ________ % Family Contracts ________

Family Size ________ Other: ________

What is the "as of" date of the above enrollment? _____

b. If you use group-specific family size in developing the Federal group rates, were over age dependent children (i.e., unmarried, dependent children older than the age limit given in Q34a) included in determining the group's family size?

[ ] YES [ ] NO
Q35. What is the source of your demographic information? Is the same source used for all groups? If not, what is the source of your demographic information for other groups?

Q36. If you do not use step-up factors to convert a capitation rate to the self and family rates, explain in how you arrive at the self and family rates.

Q37. With regard to dependent coverage:
   a. Your basic community rate includes coverage for all unmarried dependents up to what age? (An answer of age 19 would mean that coverage ceases on the 19th birthday)

   b. Is there a separate limiting age for coverage of full-time students?

      [ ] YES  What is it? ____  [ ] NO

   c. If a group requires dependent coverage to an age different from your normal limiting age, do you adjust that group's rate to allow for this difference?

      [ ] YES  [ ] NO

Q38. If you are charging a children’s loading, briefly describe the method used to compute this loading.
Q39. Are the special benefits listed in Line 2, Attachment II of the 2010 proposal different from those that you offered in 2009?

[ ] YES       [ ] NO       If “Yes”, explain.

Q40. With regard to the special benefits shown in Line 2, Attachment II: Are any of them a rider offered to other groups?

[ ] YES       [ ] NO       If “Yes”, indicate which special benefits are riders.

Q41. The FEHBP requires coordination of benefits (COB) with CMS for Federal annuitants and their covered spouses who are entitled to Medicare.

a. Do you have a Medicare Advantage or Cost Contract with CMS?

[ ] YES       [ ] Medicare Advantage Contract       [ ] Cost Contract       [ ] NO

b. Are any Federal group enrollees covered under these contracts?

[ ] YES       [ ] NO       [ ] NA

c. If the answer to Q41(a) is “Yes”, explain the arrangement you have with CMS, describe all benefit packages you offer enrollees under your Medicare Advantage contract, and the premiums (if any) the individuals enrolled under your Medicare Advantage contract pay you.
Q42. Do you sell a Medicare supplement policy?

[ ] YES  [ ] NO

If “Yes”, describe the benefit packages of any Medicare supplement policies you offer, and the premiums you charge for them.

Q43. Explain how you coordinate benefits for Federal Medicare annuitants and Medicare dependent spouses.

Q44. Show the number of Federal annuitants and their covered spouses age 65 and older enrolled with the carrier. Also include the amount of COB money received from CMS for each of the following categories:

<table>
<thead>
<tr>
<th>Counts</th>
<th>COB Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare Part A and Part B</td>
<td></td>
</tr>
<tr>
<td>Medicare Part A Only</td>
<td></td>
</tr>
<tr>
<td>Medicare Part B Only</td>
<td></td>
</tr>
<tr>
<td>Neither Part A nor Part B</td>
<td></td>
</tr>
<tr>
<td>Cannot Determine</td>
<td></td>
</tr>
</tbody>
</table>

Note: The sum of the numbers in the counts column above should be the total number of Federal annuitants and their covered spouses age 65 and older enrolled with the carrier.

Q45. How do you determine the numbers that you have in the distribution in Q44?
Q46. Do your Attachment II, Line 1 rates reflect any tax, fee or monetary payment imposed on the carrier by a state or local government?

[ ] YES  [ ] NO

If “Yes”, have you included a negative loading in the Special Benefits section of the proposal?

[ ] YES  [ ] NO  If “No”, explain why you included no negative loading.

Q47. If you use different rating methods (i.e. TCR, CRC, ACR) for different groups, describe your criteria for the use of each method.

Q48. BACKUP CALCULATIONS - Attachment II, Line 1 Rates

a) If you use Traditional Community Rating (TCR), show how you derive the rates on Line 1, Attachment II of the proposal. If they are two-tiered rates that you use for all groups, and will be backed by an insurance department filing, state this. If you derived the rates by converting a capitation rate into self and family rates, show the calculations.

If you use Community Rating By Class (CRC) or Adjusted Community Rating (ACR) show any details of the derivation of the Line 1, Attachment II rates that were not given in the previous parts of this questionnaire.

DO NOT SKIP THIS QUESTION. WHAT WE WANT HERE IS A SIMPLE NARRATIVE EXPLANATION (BACKED UP BY CALCULATIONS) OF HOW YOU DERIVED THE LINE 1 RATES. IF THERE ARE OTHER SHEETS WITH DETAILED CALCULATIONS, TELL US HERE IN SIMPLE LANGUAGE WHAT IS DONE. ON THOSE SHEETS MAKE CERTAIN THAT THE EXPLANATION IN THIS SECTION MAKES IT CLEAR TO US WHERE THE RATES ON LINE 1 COME FROM.

49. Are you electing to submit a list of potential SSSGs at this time?

[ ] YES  [ ] NO

If “No”, the carrier will select two groups which meet the SSSG requirements at the time of reconciliation as the SSSGs.

If “Yes”, the carrier must have a list on file of all potential SSSGs ranked by the group’s most recent enrollment (but no later than March 31 of the current year).
**Attachment II B**

**Carrier Contacts**

For information about your rate submission, we should contact:

<table>
<thead>
<tr>
<th>Name</th>
<th></th>
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<tbody>
<tr>
<td>Phone Number</td>
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<tr>
<td>Fax Number</td>
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<tr>
<td>Email</td>
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**OR**

<table>
<thead>
<tr>
<th>Name</th>
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<td>Phone Number</td>
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<td>Fax Number</td>
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Our counterproposal and rate acceptance letters should be addressed to:

<table>
<thead>
<tr>
<th>Name</th>
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<tbody>
<tr>
<td>Address</td>
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<td>Type of Service</td>
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<td>2. Number of Office Visits</td>
<td></td>
</tr>
<tr>
<td>3. Number of Inpatient Hospital Days</td>
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</table>